



TORNATOR
RESPONSIBLE EXPERTISE IN FORESTRY

ANNUAL REPORT 2023

TORNATOR’S ANNUAL REPORT 2023

The annual report consists of the following sections: Tornator in the year 2023, Tornator’s strategic direction, responsibility, governance and financial statements. This report has been prepared with reference to the Global Reporting Initiative’s GRI Universal Standards. The reporting covers the key areas of Tornator’s economic, social and environmental responsibility.

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Photographs: Tornator and Marianne Ahonen Photography



A GOOD TORNATOR SPIRIT AT JUKOLA
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GREEN FUNDING THROUGH COLLABORATION
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A PEAK YEAR FOR THE FOREST PROPERTY MARKET
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RESPONSIBILITY STARTS WITH DIALOGUE
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TORNATOR IN THE YEAR 2023

PASSIONATE AND INNOVATIVE FORESTRY

For us at Tornator, sustainable forestry is both a passion and a source of pride. An innovative and bold approach to forest management is deeply ingrained in our company. We strive to continuously enhance our expertise to secure our place as pioneers of Finnish forestry long into the future.

Innovation always starts with people – after all, a company's most valuable resource is its employees. For us, "fair Tornator spirit" signifies a work community where everyone is valued and respected. We are an expert organisation united by our determination to do meaningful work for the benefit of forests.

Our expertise is founded on innovation and community spirit. With these strengths fuelling our work, we look forward to embarking on the next chapter of our journey, proud to do our part in preserving and developing the Finnish forest management practices.

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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 and solar 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 to generate sustainable well-being from the forest. The company's forests provide a versatile basis for various biomaterials, carbon sequestration and securing biodiversity.

BUSINESS AREAS



TIMBER SALES

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



REAL ESTATE

We lease land for various purposes, such as hunting, and actively engage in developing wind and solar 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.

YEAR 2023 IN FIGURES



BALANCE SHEET VALUE

€3.6 billion

NET SALES

€194.9 million



TORNATOR HAS

189

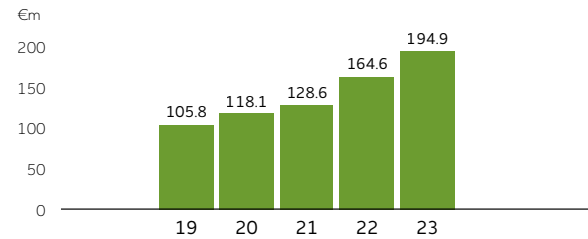
forestry professionals



TORNATOR'S TOTAL FORESTLAND

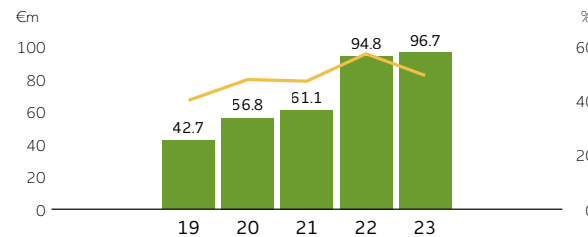
760,000 ha

NET SALES



PROFIT FOR THE PERIOD

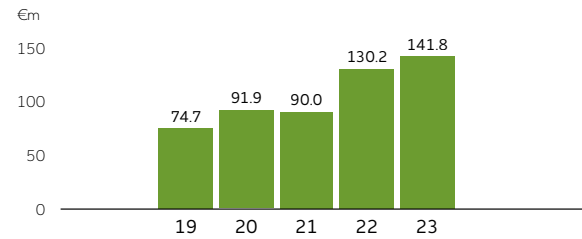
Without effects of fair value changes



— Profit for the period (% of net sales)
■ Profit for the period (€m)

OPERATING PROFIT

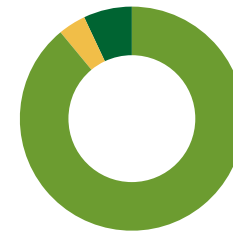
Without effects of fair value changes



CASH FLOW FROM OPERATIONS

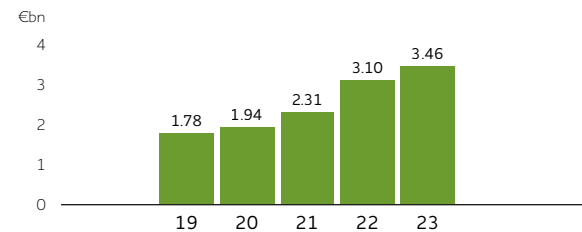
%

- Timber sales **89%**
- Real estate sales and income **4%**
- Silviculture services **7%**



VALUATION OF FORESTS

(Fair value)



KEY FIGURES

Without effects of fair value changes unless stated otherwise

	2019	2020	2021	2022	2023
Net sales, € million	105.8	118.1	128.6	164.6	194.9
Operating profit, € million	74.7	91.9	90.0	130.2	141.8
Operating profit, % of net sales	70.6	77.8	70.0	79.1	72.8
Profit for the period, € million	42.7	56.8	61.1	94.8	96.7
Profit for the period, % of net sales	40.4	48.1	47.5	57.6	49.6
Return on equity including fair value changes, %	21.5	13.8	34.6	33.8	16.5
Average number of employees	183	186	189	188	189
Return on capital employed, %	5.4	6.0	5.0	5.5	5.0
Return on equity, %	5.6	6.5	5.6	5.9	4.7
Equity ratio, %	45.5	45.3	52.6	60.4	60.1

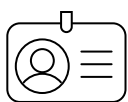
HIGHLIGHTS OF 2023

In 2023, Tornator grew significantly. Growth was propelled by successful collaboration with our partners and the excellent work performance of our staff.



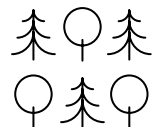
TORNATOR STRENGTHENED ITS INVESTMENT CAPACITY WITH ADDITIONAL FUNDING OF **€200** MILLION.

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TORNATOR RECRUITED **19** NEW MEMBERS OF STAFF TO MEET THE NEEDS BROUGHT ABOUT BY RAPID GROWTH.

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TORNATOR BOUGHT A RECORD-BREAKING AMOUNT OF **24,000** HECTARES OF FOREST.

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THE COMPANY INCREASED THE AREA OF CONTINUOUS-COVER FOREST TO **20,000** hectares.

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TORNATOR EMPLOYEES GATHERED IN KUOPIO FOR A STAFF EVENT.

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A RECORD NUMBER OF TORNATOR EMPLOYEES PARTICIPATED IN THE JUKOLA RELAY IN 2023.

[Read more p. 18](#)



CHAIRMAN'S REVIEW

THE SIEPPO TRAILS AND SIIKAKOSKI

As in previous years, 2023 ended with very good results and strengthened financial stability for Tornator. Credit for this is due to the entire organisation: our forestry work has been truly excellent at all levels of operation.

“The most significant factor has been the continuous development of operations by forestry professionals.”

As an owner, being part of the journey with Tornator has been extremely rewarding. The average annual return over Tornator's 21-year history has exceeded all expectations, and is extremely competitive compared to other asset classes.

Of course, the development of value has been aided by the decline in interest rates, the rise in timber prices and the attractiveness of forest assets as an investment. However, the most significant factor has been the continuous development of operations by forestry professionals.

The forest area of a strategic size, 760,000 hectares, makes it possible to test different development ideas with small investments from the aggregate point of view. The best projects and the most efficient practices are implemented on a large scale, even quickly if necessary, and the benefits are multiplied. The traditional sector has also been able to take advantage of the latest opportunities offered by digital development in the management of forest resources.

“Tornator is a company of people who get things done, characterised by straightforwardness and achievement. The strategies lead directly to concrete real action.”

The common thread running through the management has been that there is always an abundant portfolio of projects and a wide range of development proposals available. Our high returns have not risen by chance; they are the result of the hard work and innovative ideas of the entire Tornator team.

The guiding principle of the board remains simple: we are committed to long-term ownership, and ensure the framework and resources that allow true experts to develop the company and advance its activities. It has always been easy – and reasonable – for us to stay out of management's way.

Tornator is a company of people who get things done, characterised by straightforwardness and achievement. The strategies lead directly to concrete action with measurable metrics, whether they occur in the planning of stands marked for harvesting, forest management activities, the establishment of conservation areas, biodiversity conservation or forest resource assessment.

I have had the privilege of being involved from the very beginning. First in the preparation of the investment at Varma, then in the learning role of deputy board member in 2002–2005 and then as a board member from 2006, taking up the position of the Chair of the Board seven years ago. Time really does fly, but according to both industry textbooks and stock exchange recommendations, 17 years on the board of any one company is considered too long a stretch. My only defence

is that in that time, a seedling will only grow to eight metres in height and thicken to nine centimetres.

The most instructive experiences for me were field visits: conservation sites, marshland restoration, nature conservation areas, stands marked for harvesting, thinning, clearing of seedling stands, prescribed burning, forest road construction, improvement of running waters, and so on.

However, the most rewarding aspect was getting to know you, the people at Tornator. You have great expertise and professionalism, different personalities, authenticity and humour. All these are important parts of Tornator's unique spirit.

The most exciting moment was being a guest in the town of our headquarters and throwing the opening pitch at a baseball game between Imatran Pallo-Veikot and Koskenkorvan Urheilijat.

I step down from this position with firm confidence in Tornator's future. I'm proud to acknowledge the top-notch forestry expertise and first-rate achievements of the entire company, while remaining humble and grateful for the lessons I've learned – whether they were acquired while trudging the Sieppo trails or getting soaked during field visits to Siikakoski.

Mikko Koivusalo,
Chairman of the Board

CEO'S REVIEW

STRONG AND DIVERSE GROWTH

Year 2023 was a significant year of growth for Tornator in many senses.

The company's core business was strong, and thanks to the favourable market conditions, the turnover reached a new high of almost EUR 200 million. Supported by the rising market prices of timber, our companies in Finland, Estonia and Romania achieved the best operating results in their history. We invested over EUR 100 million in future growth opportunities by acquiring almost 24,000 hectares of new forest in Finland. We also implemented our strategy through biological forest growth. We accelerated forest growth by timely fertilisation and forest management. We enabled renewable energy production on our lands through numerous wind and solar power agreements.

We also grew in terms of the number of employees: as Tornator's operations expanded, we needed more professionals, and we successfully recruited plenty of new expertise to the company. We have become a major employer in sparsely populated areas, and Tornator ranks among the 25 largest corporate taxpayers in Finland. Naturally, growth and record results do not come about on their own, and we are aware that everyone at Tornator has worked hard to reach these challenging goals. We want to ensure that our operations and work are sustainable for our employees as well. To do this, we will continue to invest in the well-being of everyone in the company.

“We will continue to invest in the wellbeing of everyone in the company.”



Existing and new partnerships as enablers of growth

Good turnover and growth would not be possible without excellent collaboration with our main customer, Stora Enso. In both timber sales and silviculture services, our strategic partnership worked as planned. Another crucial enabler of growth is finance, where Tornator's key partners are its lending banks. Despite difficult market conditions, in 2023 we participated vigorously in the capital markets by raising competitive, long-term loan financing both in Finland and internationally.

Contractors engaged in forest management are an essential part of Tornator's partner network. The development of contractor relationships is one of Tornator's strategic goals, and we wish to grow together with partners that share our values. We are determined to support our contractors in matters such as occupational health and safety. Digital development is a significant part of Tornator's strategy, and we are aware that we can't do everything on our own. We need to extensively seek out expertise from outside our organisation as well. Our collaboration with our ICT partners remains strong. In addition, we work continuously with universities and research institutions by offering our forests as research laboratories, contributing to, for example, the development of climate and biodiversity work. In return, we gain access to external expertise and research data.

Good capabilities to meet increasing sustainability reporting requirements

It is crucial for the forestry sector to better demonstrate the positive climate impact of its operations and ensure the preservation of biodiversity. An example of this is the biodiversity plan published by the wood processing industry in

2023. As a pioneer in sustainable forestry, Tornator released its own Climate and Biodiversity Programmes as early as 2021, and they were actively implemented in the reporting year. We increased the amount of continuous-cover forestry in our forests by identifying areas that are best suited for this method. As a result of the project, we increased the total area of continuous-cover forest to 20,000 hectares. Additionally, the collaboration between Tornator, Stora Enso and WWF to protect running waters was continued. Among other improvements, this involves the removal of barriers to fish migration and the construction of spawning gravel beds.

Due to the upcoming EU legislation, sustainability reporting requirements are expected to become considerably tougher. Tornator conducted a double materiality assessment of the sustainability of its operations, identifying the main sustainability-related impacts along with their risks and opportunities. We investigated the perspectives of various stakeholders regarding the key sustainability factors. The responses clearly highlighted issues related to climate and biodiversity, which remain a long-term focus for Tornator. We are confident that Tornator is well prepared to operate and report in accordance with the new European standards.

Set up for success

Making predictions after a record year is difficult, and in an unstable economic climate, there may be pressure on factors such as timber prices. There have been reports of layoffs in the forest industry, and disruptions in the Finnish labour market have been widespread since the beginning of the year. Nevertheless, Tornator's outlook for 2024 is positive. We believe that the demand for wood will remain reasonable, and our goal is to grow profitably and sustainably. Tornator's increased forest

area has improved the company's wood sales opportunities. We increased sales to meet urgent customer needs after the start of the Russian invasion of Ukraine and the halt in timber imports. In the long term, Tornator will adhere to a sustainable felling plan, where sales volumes are consistent and annual felling remains below the growth rate of the forests. This creates optimal forest management conditions, ensuring the transfer of forest assets to future generations in an even more productive state. We continue to develop our business in forest management services, and we lease land for wind and solar power generation.

Our strategy has proven to be effective, and no significant changes are considered necessary as the current strategy period concludes in 2024. However, it is clear that sustainability will be emphasised even more in the future. It will also allow the company to achieve a competitive advantage. Tornator's management is firmly committed to promoting responsible business, and we continue to educate our personnel in this area.

Success is always the result of a combination of factors. I want to express warm thanks to our staff, customers and partners. Together, in 2024 we can add further chapters to the impressive story that is Tornator. I would also like to express my heartfelt thanks to Mikko Koivusalo, long-term Chairman of the Board, for his exemplary commitment to the Board's work and invaluable support whenever it was needed. Mikko will leave a large positive handprint in Tornator.

Henrik Nieminen,
CEO

BUSINESS ENVIRONMENT

A MIXED YEAR FOR THE WOOD MARKET

There were major changes in the wood markets over the past year. Changes in market interest rates, inflation and geopolitical uncertainty affected the demand for forest industry products and the prices of wood raw material. However, the green transition megatrend supports the demand for wood and wood products in the long term.

In 2023, the conditions in Tornator's operating environment were divided. In the early part of the year, heavy demand for wood products raised market prices for timber exceptionally high. However, a turning point occurred in the summer due to the rapid deterioration in the forest industry's circumstances. This affected Tornator due to the fact that the company's customer base consists of forest industry operators. Although the demand and prices of wood were not historically low, the prices were clearly adjusted downward in the autumn.

The drying up of Russian timber imports and the energy crisis, combined with investments in the forest industry in Finland and Sweden, have significantly changed the dynamics of the wood market in the Baltic Sea region.

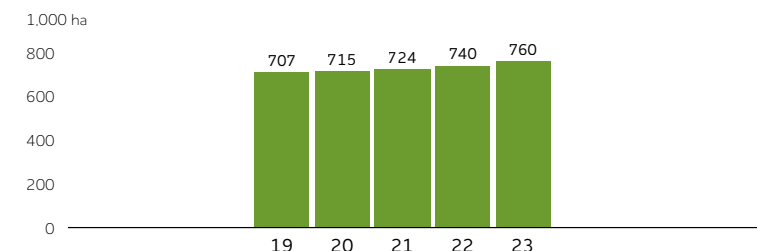
There were also changes in the forestland market, as the long-standing vigorous rise in prices eased due to the increase in interest rates. Demand tapered off as the number of parties purchasing forests with debt decreased in the market. Forest funds' interest in buying also seemed to be lessening. The plot market remained quiet.

There were hardly any new investment decisions made in Finland regarding wind power. The increased cost level, both in terms of loan financing and turbines, is likely to have led to a reevaluation for many operators and projects. However, Tornator entered into several letters of intent with both wind and solar power project developers. It appears that operators still have confidence in the development of renewable energy in the industry, provided that the overall economic situation stabilises and predictability improves.

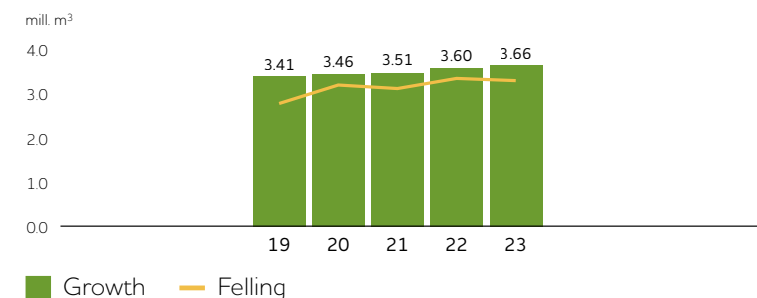
Fierce forestry debate continued

The debate on the acceptability of forest use became even more polarised. At the EU level, however, there was a noticeable shift in the focus of the debate. Instead of being exclusively centred on the protection of forests, the central focus shifted to perspectives related to national security of supply. The products of the forestry sector, and thus the forest owners, play a significant role in ensuring Finland's security of supply.

DEVELOPMENT OF TORNATOR'S FORESTLANDS



GROWTH AND FELLING IN TORNATOR GROUP'S FORESTS



Wood – the raw material of the future

The geopolitical situation remains unstable. For this reason, the outlook for the general economic situation and especially the construction sector for the coming year is currently looking bleak. One source of uncertainty is the possible escalation of the situation in Gaza, as the countries in the Middle East and North Africa are crucial export markets for sawn timber. However, the prices of other wood products, such as pulp, are predicted to increase in the coming year. In the longer term, the outlook for the industry is positive, as there will be demand for renewable wood raw material, replacing fossil fuels, thanks to the green transition.

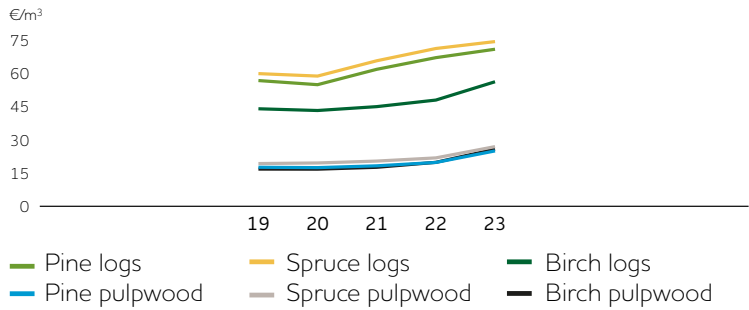
“Thanks to the green transition, there will be sufficient demand for renewable wood raw material, replacing fossil fuels.”

SAWNWOOD EXPORTS



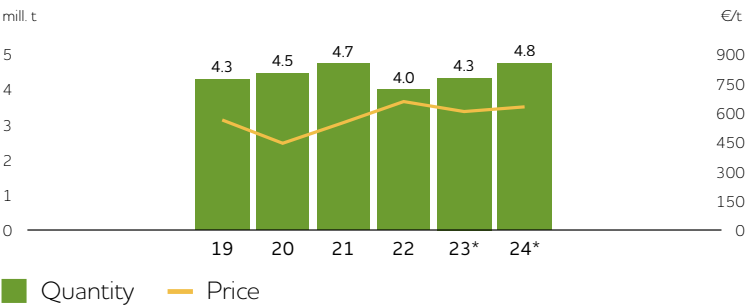
* PTT forecast
Source: Statistics by Natural Resources Institute Finland and Customs

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



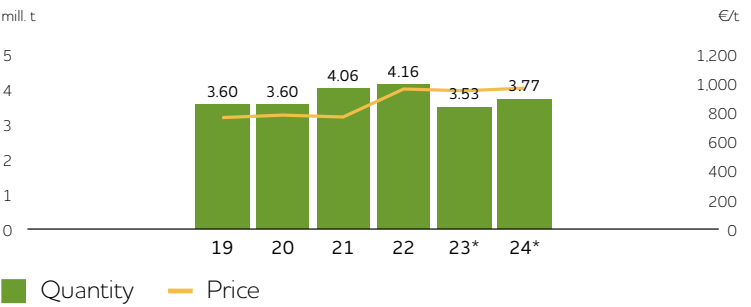
Pine logs, Spruce logs, Birch logs, Pine pulpwood, Spruce pulpwood, Birch pulpwood

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

GLOBAL MEGATRENDS AFFECTING TORNATOR

KEY IMPACTS FROM TORNATOR'S PERSPECTIVE

OUR RESPONSE

CLIMATE CHANGE AND BIODIVERSITY LOSS

- Forests are becoming increasingly important carbon sinks and carbon stocks. A sustainable carbon cycle plays a key role.
- There will also be an increasing focus on safeguarding biodiversity as part of forest use.
- 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.

- We make sustainable use of additional forest growth in diverse ways.
- We implement and monitor measures to support biodiversity in our forests in line with Tornator's Biodiversity Programme.
- We maintain the forests in good condition through effective forest management, ensuring their health, vitality and resilience against damage.
- We openly and actively communicate about our operations and actions for the climate and biodiversity.
- We help to influence regulation by offering support through our expertise.

POPULATION GROWTH, URBANISATION AND GEOPOLITICS

- Material needs and consumer demand are increasing, and the use of fossil-based raw materials must be reduced.
- The importance of bioeconomy and circular economy is increasing, and the demand for renewable raw materials is on the rise.
- Due to urbanisation, people are becoming more and more estranged from forest management.
- Finding skilled labour in sparsely populated areas will become more difficult.
- The need for recreational use and other forest-related services is also increasing.
- Social unrest is increasing around the world.
- Public debates and society are becoming increasingly polarised.

- We are increasing our forest assets, optimising timber production and diversifying our operations.
- We provide the market with bio-based raw materials to replace fossil-based ones.
- We communicate about sustainable forestry and offer our professional forest ownership as an alternative.
- We offer attractive jobs in sparsely populated areas as well.
- We develop the multiple use of our forests and offer them for recreation.

DIGITALISATION AND THE DATA ECONOMY

- The significance of digital systems for forest data and multisource data will increase. The 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.

- We will actively develop multisource forest data collection and refinement. We are modernising our IT infrastructure using cloud services.
- To generate added value for our business and stakeholders, we are constantly exploring and developing new opportunities for using data in collaboration with our partner network. This also ensures the sustainability of our forest management measures.
- We use advanced security technology and provide instructions and training for information system users.
- We are agile in adopting new ways of working, and we ensure future skills by training and developing our personnel.

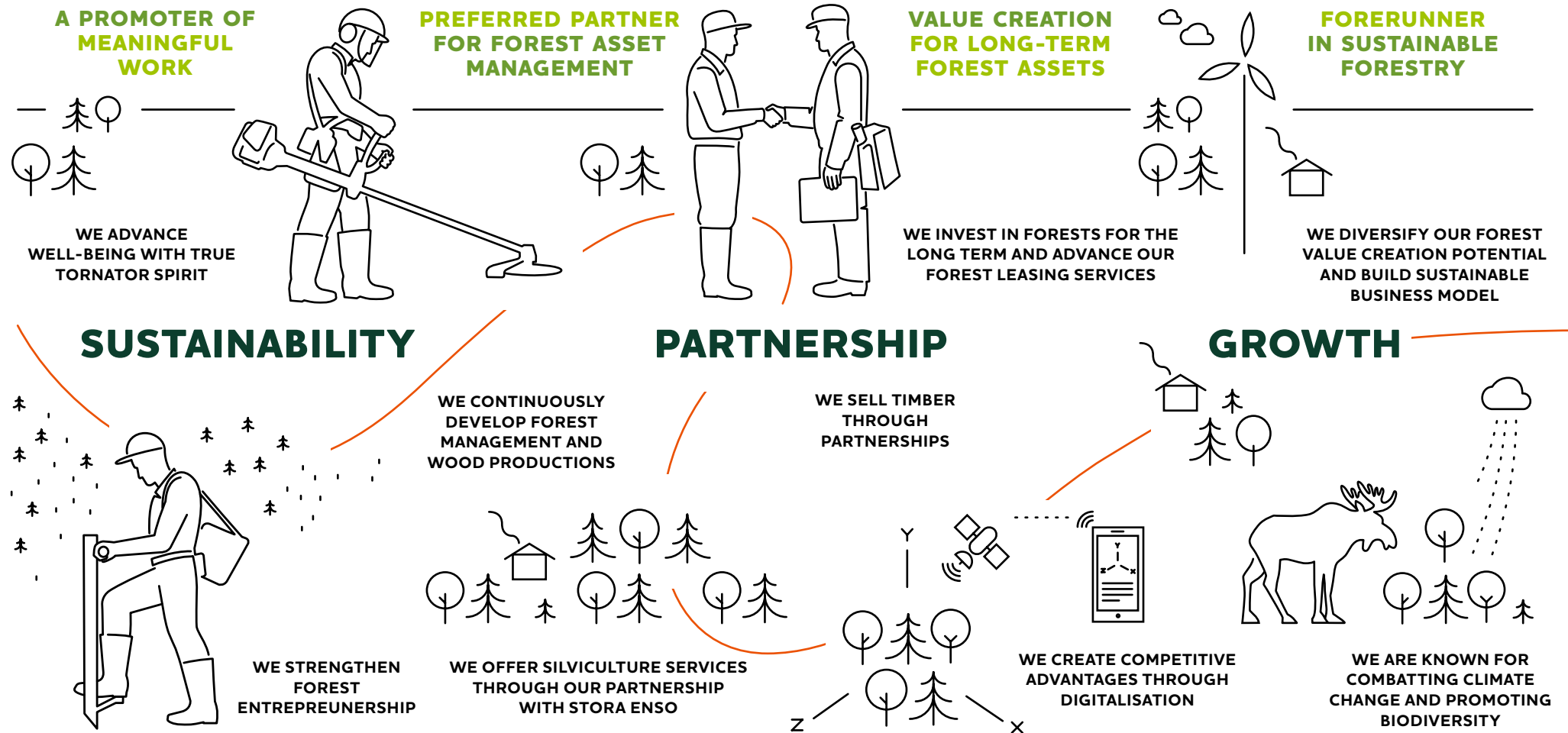


TORNATOR'S FUTURE DIRECTION

Tornator's strategy is composed of three dimensions: sustainability, partnership and growth. These elements are used to create a sustainable and profitable forestry business, taking into account the financial, ecological and social impacts.

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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



SUSTAINABILITY

SUSTAINABILITY THROUGH CONCRETE ACTION

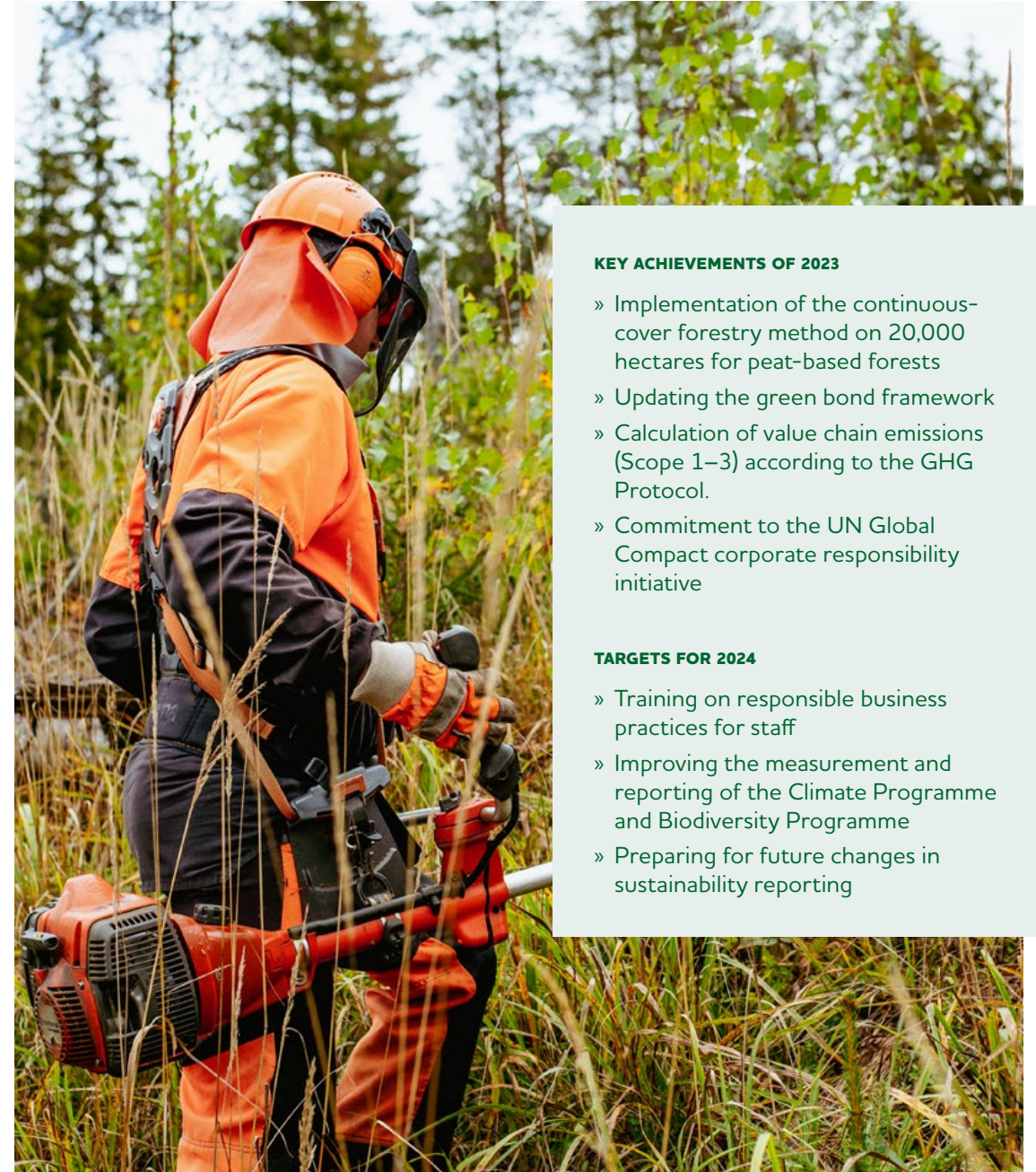
Tornator promotes sustainability in its operations from three viewpoints: financial, social and ecological. The goal is to maintain balance in overall sustainability – continually improving each aspect.

For Tornator, financial sustainability means a steady ability to pay dividends and to meet its loan repayment obligations reliably. Tornator guarantees the continuous development of its operational efficiency and quality by improving its silviculture services and forest growth, and digitalisation of forest resources.

Tornator's operations are also sustainable for 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 forestry specialist by providing meaningful work, promoting occupational well-being and ensuring that everyone can develop their skills. Other people in the value chain are also valuable to Tornator, and contractors are supported in improving their occupational safety, among other things.

In terms of ecological sustainability, Tornator can boast concrete actions in ensuring biodiversity, for example. Collaboration with WWF and Stora Enso to protect running waters has resulted in a number of successful projects in Eastern Finland. Tornator has also been a pioneer in marshland restoration.

“In addition to own staff, other people in the value chain are also valuable to Tornator, and contractors are supported in improving their occupational safety, among other things.”



KEY ACHIEVEMENTS OF 2023

- » Implementation of the continuous-cover forestry method on 20,000 hectares for peat-based forests
- » Updating the green bond framework
- » Calculation of value chain emissions (Scope 1–3) according to the GHG Protocol.
- » Commitment to the UN Global Compact corporate responsibility initiative

TARGETS FOR 2024

- » Training on responsible business practices for staff
- » Improving the measurement and reporting of the Climate Programme and Biodiversity Programme
- » Preparing for future changes in sustainability reporting

Work on sustainability programmes continues

The ecological sustainability of forests across generations is a significant goal guiding Tornator's operations, and the company's Biodiversity Programme and Climate Programme provide the framework for practical measures throughout the year. The programmes were actively promoted, and as a significant new initiative in ensuring the biodiversity of forests, Tornator decided to expand the continuous-cover forestry method in its peatlands to 20,000 hectares. It is a more suitable treatment method than clear-felling, especially in the more rugged peatlands, where, among other things, the fluctuation in groundwater level caused by felling is less significant.

The development of measuring and reporting the results of the Biodiversity Programme and Climate Programme was also continued. As part of the Climate Programme, Tornator implemented a calculation of its greenhouse gas (GHG) emissions in accordance with the GHG protocol for its value chain. Among other purposes, reporting emissions throughout the value chain serves Tornator's owners and debt investors, especially as information disclosure requirements increase. In 2023, Tornator also updated its green finance framework, which an independent evaluator confirmed with the highest possible rating.

Increasingly stringent reporting obligations

Like many other companies, Tornator is also preparing for the upcoming sustainability reporting requirements from the EU. The reporting requirements will affect Tornator starting from 2025, and in 2023 a double materiality analysis was conducted as the basis for the upcoming reporting on sustainability. Additionally, efforts were initiated to assess the status of processes and reporting in line with the new requirements.

Tornator also joined the United Nations Global Compact, becoming a member of the initiative's Finnish network. The commitment deepens the company's sustainability efforts and elevates the development of social responsibility as one of the key priorities alongside the Biodiversity Programme and Climate Programme. As a result, actions and reporting related to human rights, in particular, will be developed.

“Like many other companies, Tornator is preparing for the upcoming EU sustainability reporting requirements.”



Tornator joins the UN Global Compact corporate responsibility initiative

Tornator has previously committed to the sustainability principles of the Global Compact and the UN Sustainable Development Goals in the areas of human rights, working life, the environment and anti-corruption. As a signatory to the UN Global Compact initiative, Tornator commits to further deepening its sustainability efforts, reporting and risk management. In doing so, social responsibility also becomes one of the key priorities alongside the company's Biodiversity Program and Climate Program.

A good Tornator spirit at Jukola

Tornator hosted the anchor leg of the Jukola Relay in Porvoo on 17–18 June 2023. The event was an excellent demonstration of the work community's strength in showing how the company's orienteering community managed to attract newcomers to the sport. "When we found out that we were hosting the anchor leg, we decided to commit to the relay wholeheartedly," says **Piia Ivakko**. Ivakko works as a planning specialist for Tornator in Eastern Finland, and is a passionate orienteering enthusiast and a regular member of the company's Jukola team.

Preparations for Finland's largest orienteering event began in the autumn of the previous year. Tornator supported the staff participating in the event with orienteering camps, where first-time participants in the sport were encouraged to join. According to Ivakko, the training camps brought learning opportunities and team spirit to the work community. "We managed to attract a couple of top names in the sport to be part of the Jukola preparations. The camps were good introductions to the orienteering itself, but they also served as important social events where colleagues could get to know each other beyond titles and work contexts."

In total, dozens of employees participated in the orienteering camps, and for some their previous orienteering experience was from sports lessons at school. The new hobby and common goal motivated many to train in their free time as well. "Throughout the year, we had an active WhatsApp group where we shared training tips and experiences. In addition, many were inspired to attend evening

orienteering events on their own. "I myself also travelled around Finland to some extent and went to the control points to encourage and guide colleagues who were new to orienteering," Ivakko says.

Approximately 18,000 orienteers participated in the Jukola Relay in 2023. The popularity of the sport has grown in recent years, and the trend of increased outdoor activities, partly accelerated by the coronavirus pandemic, is reflected in the overall number of enthusiasts.

For Tornator, hosting the anchor leg of Jukola exceeded expectations – four teams of forestry sector experts at the event marked the culmination of the preparations. "I have to tip my hat especially to all the first-timers who dared to challenge themselves. Encouragement and commitment, in my opinion, really describe our company's Tornator spirit very well. Thanks also to the employer who supported the activity – it's been great to see how participating in Jukola develops our culture and brings us together year after year," says Ivakko, who participated in the event for the first time in 1995 and has been part of the relay team since 2016.

Mental preparation for the 2024 event has already begun, although there might not be as many training camps this time. "We plan to participate with two teams and, of course, to beat our beloved partner Stora Enso's team in the next relay too," Ivakko says with a laugh.



PARTNERSHIP

AN EXPANDING PARTNER NETWORK

Tornator's goal is to be the most sought-after partner in forest asset management. Partnerships based on trust and common values are extremely valuable, particularly during difficult times.

Tornator's partnership strategy is based on collaboration with our main customer, Stora Enso. In addition to the wood trade and silviculture services business, we collaborate with them in projects related to forest growth and well-being, biodiversity, climate change and digitalisation, amongst others.

In 2023, the result of Tornator's core business, timber sales, was excellent, made possible by seamless collaboration with the company's main customer. With good organisation and communication, the planning and implementation of felling sites were successful. Collaboration in the silviculture services business also increased in accordance with the partnership strategy.

Common values determine partnership choices

Tornator aims to increase its partnership-driven silviculture services business. The development of silviculture services entrepreneurship also plays an important role in this. Tornator's contractor network has grown significantly in recent years, currently providing silviculture services throughout Finland. More work has been offered to entrepreneur partners, enabling growth with Tornator. An important part of

“The excellent result in timber sales was made possible by seamless collaboration with Tornator's main customer.”



KEY ACHIEVEMENTS OF 2023

- » Expanding the contractor network
- » Cooperation with WWF
- » Partnership with the Jukola Relay in Porvoo

TARGETS FOR 2024

- » Strengthening existing partnerships and creating new ones
- » Growing the silviculture services business
- » Expanding timber sales collaboration to energy wood trade

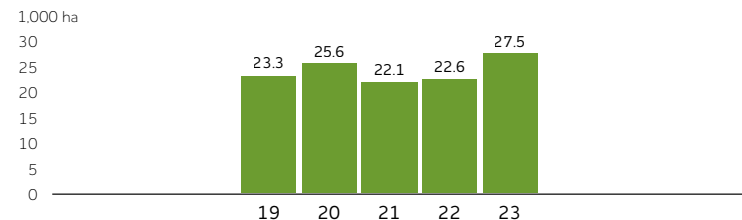


partnerships with Tornator involves support given to contractors to operate increasingly responsibly. They are offered training and materials to promote occupational safety, among other things.

In accordance with its partnership strategy, Tornator continues to strengthen its existing partnerships. We are also seeking new partners that share our values and ideas about responsible business. Our collaboration with WWF Finland, which began in 2022, is a case in point. This partnership continued to be fruitful in 2023, and in addition to the running waters projects there was collaboration through a major forest seminar, among other things.

As digitalisation progresses and AI, for example, is being utilised more extensively, ICT partnerships are more and more important. Tornator's ICT development is largely based on the operations of various partners.

TOTAL AREA OF TORNATOR'S SILVICULTURAL WORK



Green funding through collaboration

Tornator strengthened its investment capacity in 2023 with additional financing worth a total of EUR 200 million. The financing arrangement was carried out in three parts. In May, the company secured a EUR 100 million addition to its revolving credit facility, after which another 100 million was sought from the capital markets. In July, the company agreed on a EUR 50 million bond with a major international insurance and investment company, along with the forest investor Manulife. The remaining EUR 50 million was raised in November from Finnish institutional investors.

Danske Bank has been an important partner since the founding years of Tornator. "Tornator's profile fits excellently with our bank's strategy. Our partnership has been intensive, especially in recent years, and this has naturally contributed to deepening it. Danske Bank aims to serve its customers as a long-term strategic partner. "We have succeeded excellently with Tornator in this regard," tells Danske Bank Senior Banker **Janne Aura**.

The preparation for the next major refinancing, scheduled for 2025–2026, has already started. "As we see it, new investments are still both sustainable and profitable, despite the rise in interest rates," says Tornator's CFO Antti Siirtola. "Danske Bank has a strong desire to continue the partnership with Tornator in the future as well. Although the cost of money may change, Tornator has good capabilities for financing availability in the future as well," Aura points out.

GROWTH

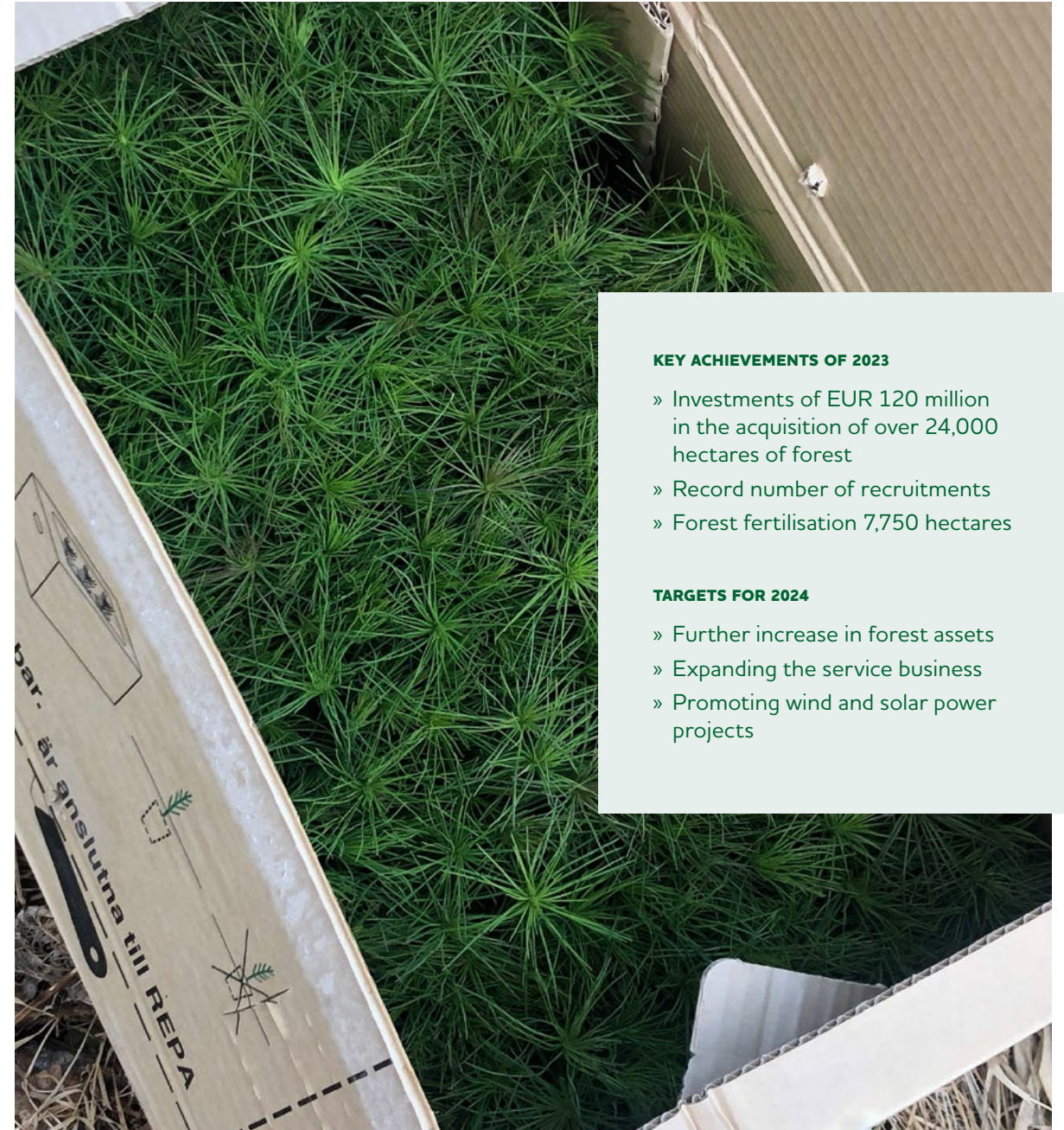
SUSTAINABLE AND PROFITABLE GROWTH

Steady and profitable growth remains a cornerstone of Tornator's future financial success. In growth, overall sustainability serves as a guiding principle – in addition to economic growth, the biological growth of forests and the growth of the intellectual capital of Tornator's employees are also important.

Increasing forest asset ownership is an essential part of Tornator's strategy. The year 2023 was record-breaking in terms of forest acquisitions. Through long-term, competitive debt financing, Tornator acquired nearly 24,000 hectares of new forests. The growing forest assets will continue to provide Tornator with good opportunities to offer the forest industry dual-certified, renewable raw material.

Tornator is also fostering growth by developing its service business. The company provides forest management services nationwide to forest owners through the Stora Enso partnership. The range of services also includes a forest lease service, providing convenience and regular monthly income for forest owners. Tornator's service business grew by approximately 25 per cent in 2023.

“Tornator has good opportunities to continue offering dual-certified, renewable raw material to the forest industry in the future.”



KEY ACHIEVEMENTS OF 2023

- » Investments of EUR 120 million in the acquisition of over 24,000 hectares of forest
- » Record number of recruitments
- » Forest fertilisation 7,750 hectares

TARGETS FOR 2024

- » Further increase in forest assets
- » Expanding the service business
- » Promoting wind and solar power projects

Wind and solar power projects diversify the use of forests

Tornator aims to diversify the range of uses of its forests in line with its growth strategy. Through the wind power business, Tornator generates income from the sale of development projects and from the lease of the wind power plants built on land it owns. Hardly any new wind power investment decisions were made in Finland in 2023. However, project developers expressed interest in exploring wind power possibilities on Tornator's lands and drawing up lease contracts.

Tornator also explored the possibilities of making use of solar power on its lands. Before participating in solar power projects, their impacts on both the climate and on biodiversity are carefully studied.

Forest expertise as an enabler of growth

Tornator would not be successful without competent staff. Taking care of the well-being and development of these experts is an important part of the company's growth strategy. Following the organisational change project implemented in the previous year, 2023 began with a new structure, and a significant number of new personnel were recruited.

The biological growth of Tornator's forests, facilitated by timely care measures, fertilisation, and the use of improved seedlings and seeds, creates conditions for growth.

A peak year for the forest property market

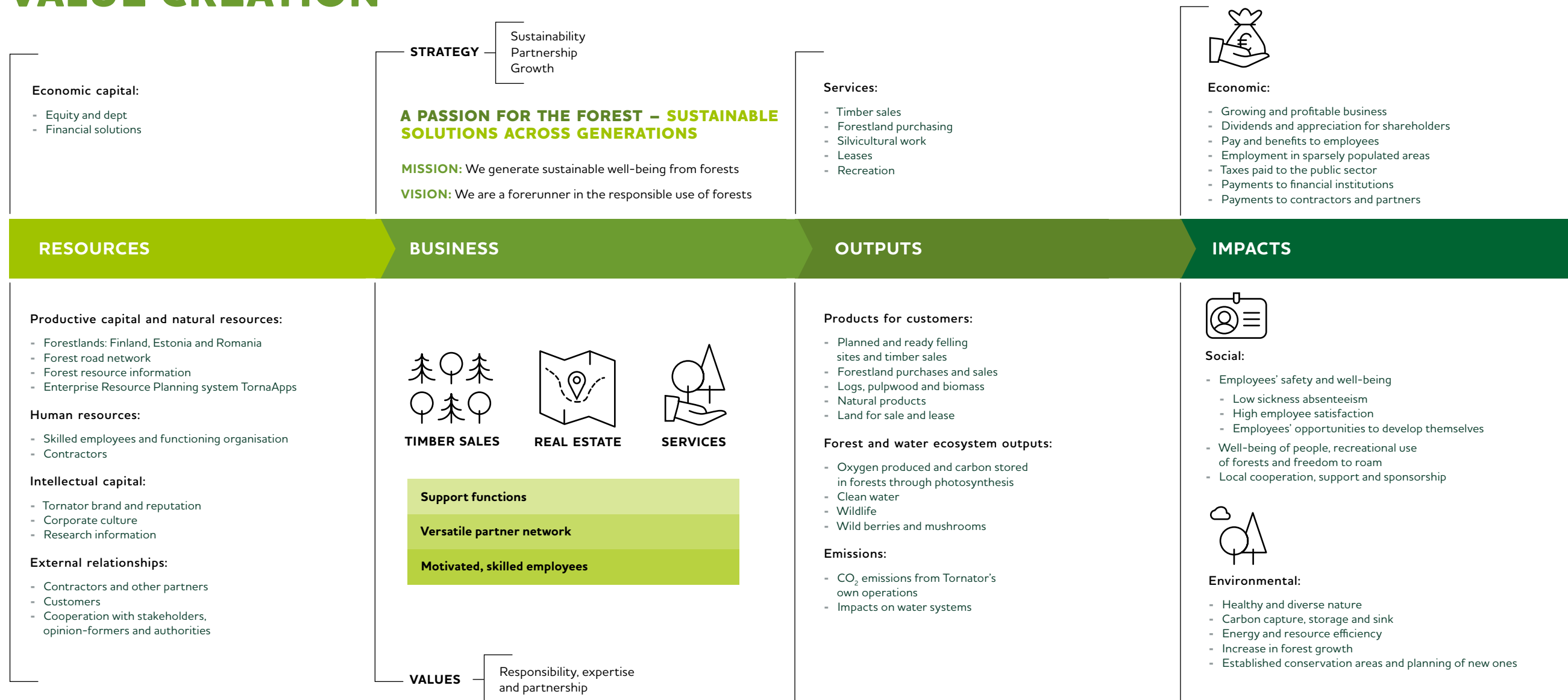
2023 proved to be historically busy for Tornator's forestry investments. "You might say the year was a turning point," says **Jarkko Heikkinen**, who serves as property manager in the company. The changes in the forest industry's economic situation and the tightened interest rate market increased the number of properties offered for purchase to Tornator. "The price development of forest land has been positive in recent years, and the rise in interest rates led many forestry investors in particular to sell their holdings. Now it seems that the price peak for forestland has been reached," Heikkinen says.

According to him, forestland deals are emerging both through public markets and word of mouth. "The number of deals we get come increasingly through direct contact. Tornator's reputation is excellent in this regard – we are known as a reliable operator." The digitalisation trend is highly evident in forestland transactions as well. The popularity of electronic trading has increased markedly. In addition, for both broker-sold and directly offered forestland there is now more detailed electronic data available to support pricing. "The benefits of digitalisation are considerable savings in time and effort for the parties involved in the trade. Trading is not tied to a specific location, and sales contracts can be signed electronically, for example from the comfort of one's home," says Heikkinen.

What does the future of forest investing look like? "Even though the economic situation is unstable, there will still be demand for responsibly produced, renewable raw materials in the future. So it's still worth investing in forests."



VALUE CREATION





A FORERUNNER IN THE RESPONSIBLE USE OF FORESTS

Transgenerational forest management means that forests remain vibrant and diverse in the future also. Tornator's business is driven by responsibility – whether it concerns financial or environmental issues or people.

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SUSTAINABILITY PROGRAMME AND STAKEHOLDERS

COMPREHENSIVE SUSTAINABILITY

Tornator is determined to be an expert in sustainable forestry, a developing and secure workplace for its employees, and a productive promoter of well-being in its field.

Tornator’s operations are based on overall sustainability. Forests play a key role in mitigating climate change, and Tornator looks after its forests sustainably, across generations. Tornator operates sustainably also in terms of people and society at large by taking care of the well-being and development of its staff, and by promoting the sustainability of the entire value chain. Tornator is committed to promoting the UN Sustainable Development Goals.

“Tornator is committed in its operations to promoting the UN Sustainable Development Goals.”

Key sustainability topics updated

In 2023, Tornator carried out an overall assessment of its sustainability in accordance with the double materiality assessment required by the EU Corporate Sustainability Reporting Directive. The materiality of various sustainability aspects were assessed both on the basis of their effect on communities, people and environment, and from the viewpoint of their economic effects on Tornator.

During the materiality reporting, stakeholder views were collected through a survey and interviews, on Tornator’s material sustainability effects, risks and opportunities. A total of 80 responses were received for the survey, and 18 interviews were conducted.

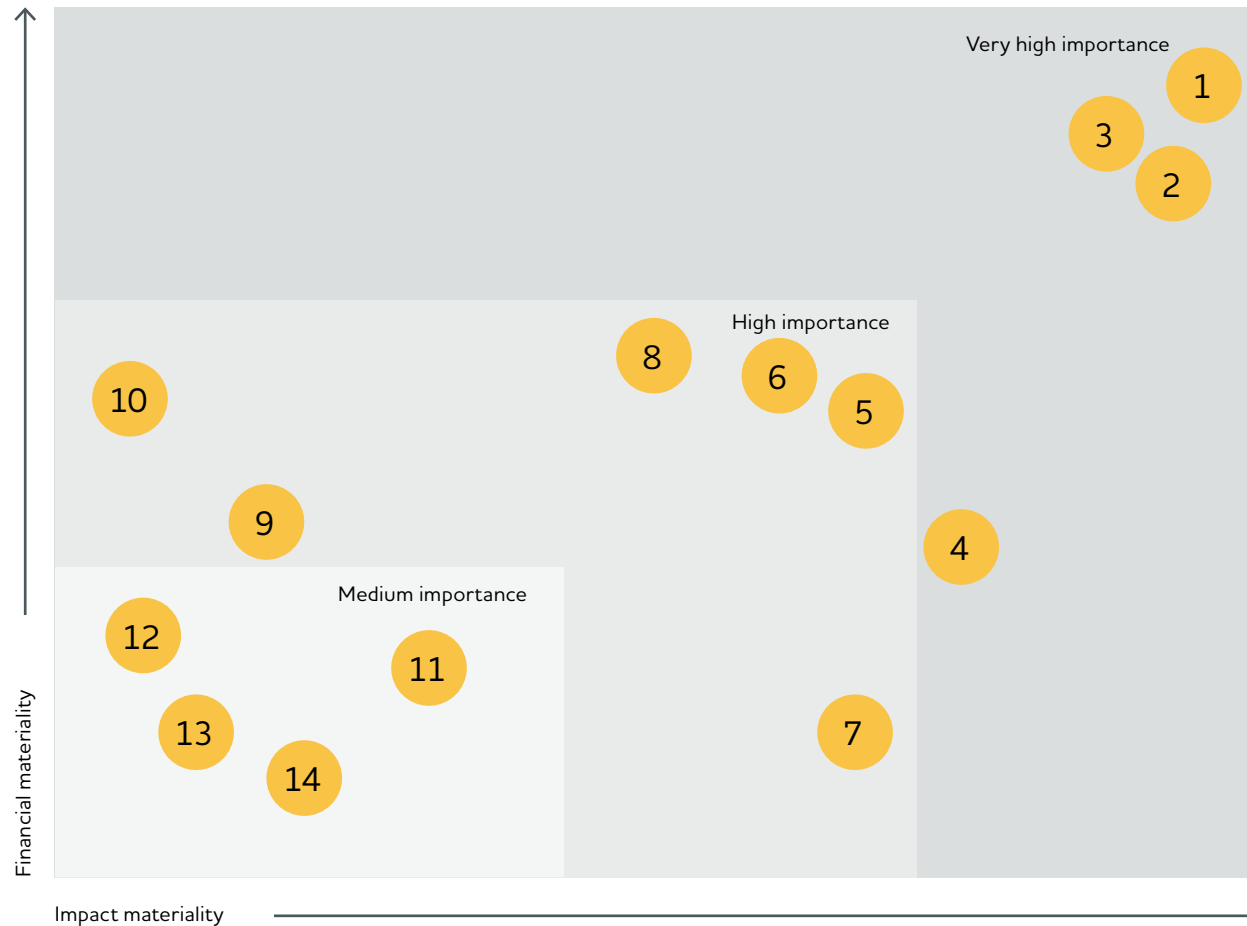
The identification and assessment of financial effects were continued by the Tornator management group by assessing the risks and opportunities of responsibility topics on business in various periods.

According to the analysis, Tornator's key areas of responsibility were biodiversity, climate change, waterways and opportunities of local people for land use. As a company that utilises natural sources directly, Tornator has a major and immediate impact on biodiversity. Its operations also affect the mitigation of and adaptation to climate change. A new topic that emerged from the materiality assessment was the land use opportunities of local communities. As a major landowner, Tornator has a considerable impact on people and their opportunities to use forest for recreation and landscape rights.

The sustainability topics prioritised as a result of the analysis form the basis for Tornator's future sustainability reporting. The analysis also provides valuable information as we prepare for the new strategy period. The 2023 reporting is based on topics identified in 2020.

“A new topic that emerged from the materiality assessment was the land use opportunities of local communities.”




MATERIALITY MATRIX



Responsibility topic

1. Biodiversity
2. Climate change mitigation
3. Climate change adaptation
4. Land use opportunities by locals
5. Working conditions of Tornator staff: health and safety, work-life balance, sufficient pay, equality and equal pay
6. Employment and tax footprint
7. Cleanliness of waterways
8. Working conditions of employees in value chains: health and safety, education and skills development
9. Renewable energy
10. Regulatory changes
11. Business relations
12. Accuracy of marketing and communication
13. Corporate culture / political influence
14. Other ecosystem services

TORNATOR'S SUSTAINABILITY PROGRAMME

Theme	Topic	Target	Indicator	Outcome 2023 (2022)	Status of the target
 An expert in sustainable forestry	Sustainable use of forest resources	Make cutting plans sustainably	Annual cut vs. growth	Cut approx 3.32 mill. m ³ /yr (3.37) Growth approx. 3.66 mill. m ³ /yr (3.60)	●
	Forest certification	Comply with the PEFC™ and FSC® certification criteria	No major non-compliances	No major non-compliances (0)	●
	Promoting biodiversity	Increase biodiversity through new practices, conservation and restoration	Implementation of the Biodiversity Programme	See p. 34	●
	Enhancing positive climate impacts	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 ³ /ha/yr (5.4)	●
 An attractive employer	Job satisfaction, health and safety	Satisfied employees, healthy and safe work environment	Result of the new employee well-being survey, number of accidents at work	3.7/5 (3.7/5) 11 (9)	●
	Developing the skills of staff and contractors	Secure necessary expertise for the company	Number of training days per person	3.5 days (6)	●
 A responsible partner	Financial responsibility and profitability	Steady dividends and increasing forest value for shareholders	Return on equity at fair value	16.5% (33.8)	●
	Local economic, employment and environmental impacts	High net value retained	Net value retained	€36.7 mill. (34.8)	●
	Good governance throughout the chain	Monitor supplier's sustainability systematically	Completed supplier assessments	215 (216)	●
	Openness and transparency of operations	Identify sustainability themes important to the company and stakeholders	Updating the materiality analysis (core/comprehensive) at three-year intervals in cooperation with stakeholders	A new materiality analysis was conducted in autumn 2023. See p. 25-26.	●

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

● Achieved ● In progress ● Off target

Open and active stakeholder collaboration

Tornator's stakeholder network is extensive, made up of a large group of diverse parties that make use of forests in various ways, and others related to them. The key stakeholders are customers, shareholders and investors, contractors and other partners, employees, authorities and decision-makers, and local communities. Tornator engages in open dialogue at all levels of its stakeholder network, from EU-level decision-making all the way to discussions with local communities.

In 2023, the materiality analysis provided comprehensive information on stakeholders' views on Tornator's sustainability. An important forum for stakeholder collaboration was the Jukola Relay orienteering event in Porvoo under the Carbonwise Jukola theme. Tornator hosted one of the legs, taking the opportunity to highlight the carbon-wise importance of forests in mitigating climate change.

“An important forum for stakeholder collaboration was the Jukola Relay orienteering event in Porvoo under the Carbonwise Jukola theme.”

Tornator is part of several organisations and advocacy groups promoting sustainable forestry. The most important roles include board and committee memberships in the Finnish Forest Industry Federation and board membership in FSC Finland – the Association for Responsible forestry. Tornator is also a member in the Climate Leadership Coalition (CLC).

Additionally, Tornator is active in forestry sector organisations in its other countries of operation. In Romania, Tornator chairs the PROFOREST Association of Romanian private forest owners, and in Estonia it is a member of key associations in the forestry sector.

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



STAKEHOLDER COOPERATION 2023

	Expectations towards Tornator	Communication channels	How we met expectations
Wood buyers, forestland sellers and other customers	<ul style="list-style-type: none"> • Wood availability (flexibility) • Predictability • Long-term business • Reliability • Expertise 	<ul style="list-style-type: none"> • Sales and agreement negotiations • Information systems • Meeting practices according to our organisational model • Cooperation meetings 	<ul style="list-style-type: none"> • We offered our customers: <ul style="list-style-type: none"> - PEFC- and FSC-certified wood - High-quality felling sites and forest management and lease service - Planned holiday home plots
Owners and debt providers	<ul style="list-style-type: none"> • Reliable and steady long-term returns • Risk management • Corporate responsibility 	<ul style="list-style-type: none"> • Cooperation with the Board and shareholders • Investor communications 	<ul style="list-style-type: none"> • Close cooperation with the Board of Directors and shareholders • Excellent operating performance and positive change in value. No negative risks realised. • Updating of the green finance framework • New debt transactions, involving a number of investor meetings
Contractors and other partners	<ul style="list-style-type: none"> • Predictability of work • Steady availability of work • Method development projects in cooperation with contractors • Enabling wind and solar power construction 	<ul style="list-style-type: none"> • Annual contract negotiations • Inspection visits to sites • Cooperation projects and meetings • Online learning platform 	<ul style="list-style-type: none"> • Our employment impact is approx. 1,600 person-years • Participation in various development projects and audits • We offered online courses to supplement the induction • We enabled renewable energy production on our lands through numerous wind and solar power agreements
Service providers	<ul style="list-style-type: none"> • Compliance with agreements and responsible behaviour as a customer • Providing clear project plans in appropriate schedule 	<ul style="list-style-type: none"> • Service and project meetings • Teams • Email 	<ul style="list-style-type: none"> • Monitoring outcomes in terms of substance and finance • Setting up steering groups for larger projects • Responsible implementation of jointly agreed project schedules and tasks
Employees	<ul style="list-style-type: none"> • Well-being at work • Forest workers: sufficiency of work and a working season that is as long as possible • Office employees: stable employer, interesting tasks and good management 	<ul style="list-style-type: none"> • Cooperation and development discussions • Cooperation with employee groups • Close first-line management 	<ul style="list-style-type: none"> • More supervisor resources and training for all • Supervisors stayed in close contact with employees • Individual training opportunities • Work of the staff committee • Local company-level wage bargaining and pay settlement
Authorities and decision-makers	<ul style="list-style-type: none"> • Professional and collaborative practices • High-quality plans and studies • Open and fast communication on relevant topics 	<ul style="list-style-type: none"> • Cooperation meetings 	<ul style="list-style-type: none"> • Active discussion and formal negotiations • Environmental inventories for ongoing EIA procedures and establishment of conservation areas • Contributing to updating national forest management recommendations
Schools, universities and research institutes	<ul style="list-style-type: none"> • Participating in development project and studies • Promoting forest awareness among children and the youth 	<ul style="list-style-type: none"> • Cooperation projects • Meetings and visits 	<ul style="list-style-type: none"> • Participating in projects such as LUMO, SPRUCERISK and SEKAVA • Visits to schools in the Forest of Opportunities campaign
Local communities	<ul style="list-style-type: none"> • Considering the environment in forestry operations and various land-use projects • Regional employment effects • Listening to neighbours and other residents • Promoting forest awareness among children and the youth • Participating local projects and provision of recreational opportunities 	<ul style="list-style-type: none"> • Discussions and participatory meetings • Websites, social media channels • Collection and handling of feedback 	<ul style="list-style-type: none"> • Regional sponsorship: forestry students, forest culture, physical activity for children and the youth • All feedback was handled • Establishment of several conservation areas • Providing forests for recreational use • Maintenance of forest roads • Number of hunting leases is approx. 1,500
Associations	<ul style="list-style-type: none"> • Responsible and sustainable operations • Considering biodiversity and effective forest certification • Providing hunting opportunities and considering game animals 	<ul style="list-style-type: none"> • Meetings and messages 	<ul style="list-style-type: none"> • PEFC- and FSC-certified wood • Meetings with associations and FSC International • Participating in the Paahde-LIFE and Freshabit LIFE IP projects • Project collaboration with WWF Finland
Media	<ul style="list-style-type: none"> • Open, proactive and fast communication on relevant topics 	<ul style="list-style-type: none"> • Press releases • Websites, social media channels • Personal contacts • Webinar and events 	<ul style="list-style-type: none"> • Press releases on website • Social media communications • Media events on marsh restoration and stream rehabilitation



SUSTAINABILITY MANAGEMENT

SYSTEMATIC SUSTAINABILITY MANAGEMENT

Sustainability and ethics guide day-to-day decision-making at Tornator. Tornator promotes sustainable practices also throughout its value chain.

We are committed to ethical business through our compliance with internal and external principles. Our [Code of Conduct](#) is vital in determining how we operate. It includes, among other things, commitment to fight corruption and bribery, and respect and promotion of universal human rights. We also require our partners to operate ethically. The Code of Conduct is complemented by Tornator's various operating policies and guidelines concerning governance, the [environment](#), and data security and data protection.

Tornator complies with all laws and regulations in its operations. In terms of the company's operations, a key role is played by acts concerning the status of employees, equality, privacy protection, forestry, financial management, occupational safety and environmental protection, and more. External requirements of the PEFC and FSC certification system also place requirements on Tornator.

Tornator uses an anonymous whistleblowing system, maintained by a third party, for the reporting of unethical activities or other violations. Any such reports are processed by the CEO and

Corporate Responsibility Manager. All cases are registered and any necessary corrective measures are taken without delay. The effectiveness of corrective measures is followed up. The online form is available at <https://report.whistleb.com/en/Tornator>.

Stronger engagement of management

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 persons in charge of various functions. Follow-up on the implementation of ethical initiatives is carried out by the management group 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.

In the criteria of the long-term performance reward programme for Tornator's management group, biodiversity goals have been given a weighting of 30 per cent. A staff employment satisfaction survey (eNPS) that measures social responsibility has also been added for 2024.

ENVIRONMENT

FOREST WELL-BEING AT THE CORE OF CLIMATE-SMARTNESS

Tornator manages its forests with partners in accordance with the principles of sustainable growth. These principles combine sustained vitality of forests, compliance with forest certificates, and compliance and development of the company's own Biodiversity Programme.

Forest well-being is a key part of Tornator's business. Maintaining well-being means that forestry must be carried out in a way that keeps the forests healthy and diverse for future generations.

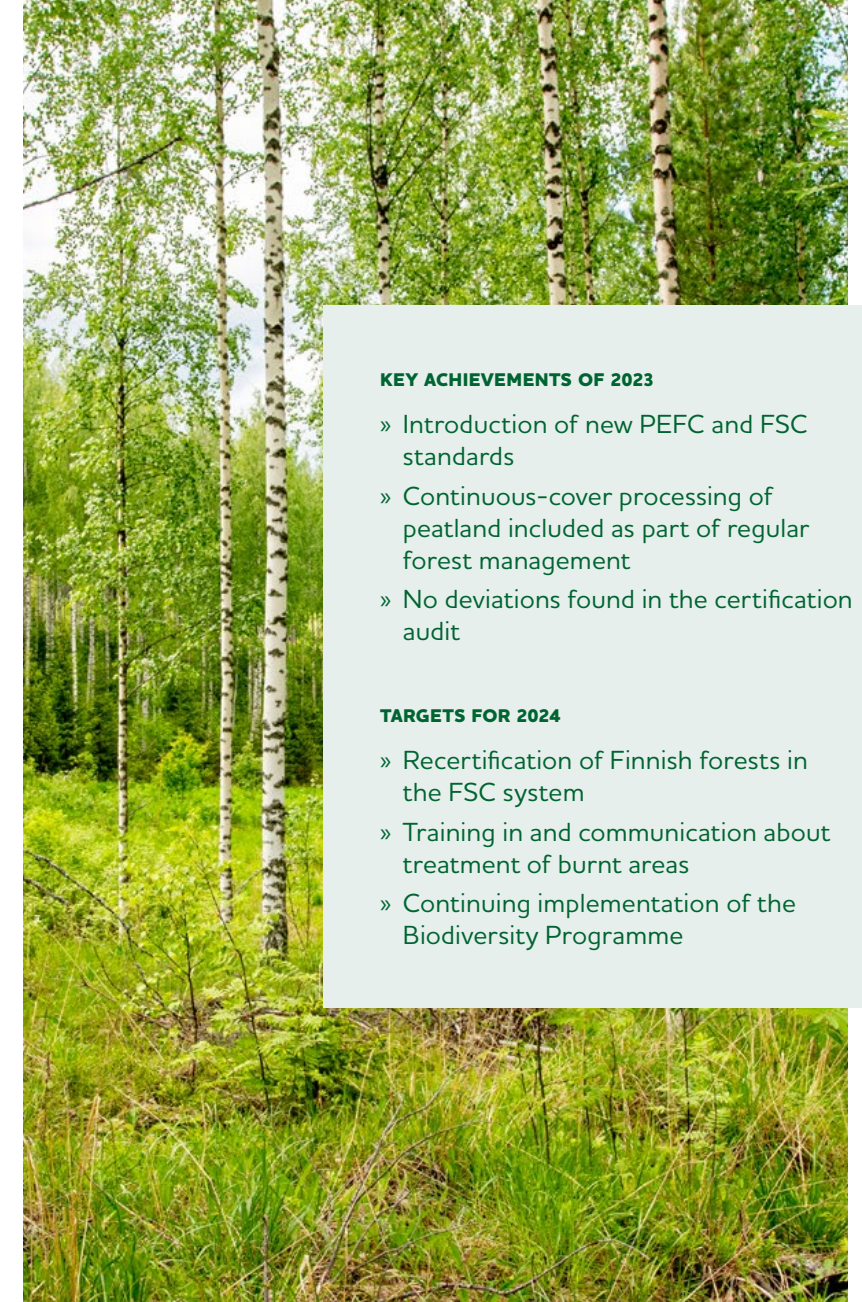
Tornator's key environmental goals are keeping felling levels sustainable and promoting biodiversity in accordance with the company's Biodiversity Programme. The framework for compliance with the goals is set by legislation in the countries we operate and the PEFC and FSC forest certification criteria. We also highlight the positive effects of the forests by ensuring they are healthy and have good growth. Tornator monitors the effects and quality of forest management both through its own actions and by means of external audits. The company will further improve its operations through continuous evaluation, best practices in the sector and research cooperation.

“The carbon sequestration of Tornator's forests is equivalent to 75 per cent of the annual emissions by passenger cars in Finland.”

Carbon sequestration through forest management

Forests play an important role in mitigating climate change. Forests owned by Tornator sequester around 4,000,000 tonnes of CO₂ each year. Active forest management, such as reforestation, cultivation and thinning, make forests more vibrant and increase their ability to sequester carbon. Carbon sequestration is also improved by supporting the biological growth of forests by means of fertilisation and improved seedlings and seeds.

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



KEY ACHIEVEMENTS OF 2023

- » Introduction of new PEFC and FSC standards
- » Continuous-cover processing of peatland included as part of regular forest management
- » No deviations found in the certification audit

TARGETS FOR 2024

- » Recertification of Finnish forests in the FSC system
- » Training in and communication about treatment of burnt areas
- » Continuing implementation of the Biodiversity Programme

Environmental measures focus on local matters and biodiversity

Felling affects forest structures and may harm water bodies and the habitats of local species. Among other things, Tornator manages any adverse environmental effects of its operations through comprehensive water protection measures. Biodiversity is also safeguarded by protecting valuable habitats and increasing the structural features of forests that are important for biodiversity.

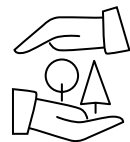
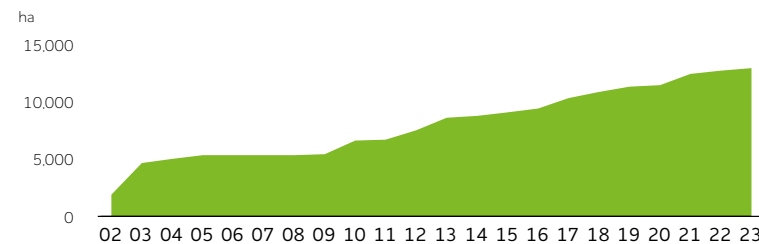
The use of tree species suitable for the habitat is both financially profitable and also adds to biodiversity in order to stave off forest losses caused by climate change. Tornator participated in the Forest management regimes of mixed forest project, that was organised by Natural Resources Institute Finland (Luke) and studied how to grow and manage existing mixed forests and establish new ones, as opposed to growing a single tree species. Field tests were carried out in a total of 284 test areas in Tornator's clear-felling regeneration areas. The tests followed the effects of forestry based on naturally occurring tree species in different stages of growth, right from the regeneration stage. The project was completed in 2023, and the test areas will continue to provide information about the development of mixed forests for decades to come.

Greater impact through joint projects

The most effective environmental measures are achieved through collaboration. In 2023, Tornator and its partners continued several projects focusing on increasing forest biodiversity and developing new methods for assessing the effects of biodiversity. For example, the Metsäpurojen puolesta ("For the forest streams") project for the protection of forest streams, run jointly by WWF, Stora Enso and Tornator, identifies and implements significant new restoration of running waters.

Other important environmental projects include a comprehensive survey of species in a burnt area in Ruokolahti, the Rahkasammalen paluu ("Return of the peat moss") project organised by the Finnish Association for Nature Conservation (FANC), and the Turvahiili restoration research project with the University of Eastern Finland. A survey of species in Piitsonsuo restoration area of approximately 360 hectares was carried out in the summer of 2023 to determine the species that return to restored areas first: butterflies and birds. The most prominent sightings of birds that thrive in marshland included the bean goose, yellow wagtail and wood sandpiper, while the butterfly species found included the cranberry fritillary, Lapland ringlet and jutta arctic. The survey discovered some 60 bird species in Piitsonsuo, of which 20 were typical for marshlands, and about two dozen butterfly species, of which six are typically found in such habitats.

PROTECTION UNDER THE NATURE CONSERVATION ACT BY TORNATOR



IN 2023, TORNATOR OWNED A TOTAL OF
12,971 ha
OF NATURE CONSERVATION AREAS



Introducing new forest certificates

Tornator's forests are both PEFC- and FSC-certified. FSC-certified forests are still rare, covering only about 10 per cent of forests in Finland and 4 per cent globally. Forests owned by Tornator cover about a third of all FSC-certified forest land in Finland.

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. Tornator adopted the updated PEFC and FSC standards in 2023. Tornator's FSC audit on September 2023 was the first audit in Finland using the new FSC standard. No serious deviations were found.

Certificates are crucial in foreign trade, as they prove that the wood has been produced sustainably. In particular, the FSC certification, which sets high standards for ecological criteria and stakeholder engagement, reflects Tornator's commitment to responsibility and transparency.

Climate-smart forest management

The importance of forests in curbing climate change extends beyond simply sequestering carbon. Forests also provide renewable raw material to replace fossil fuels. Sustainable forest management ensures that forests create both well-being and positive effects on the climate.

The primary goal of Tornator's Climate Programme is to increase carbon sequestration in forests owned and managed by the company by 20 per cent by 2030. To reach this goal, forests are managed in a carbon-smart way – for example through fertilisation, improved seedlings and properly timed and targeted felling and maintenance.

The programme's second main objective is to increase the substitution effects of forests by 50 per cent. This translates to improving the range of uses of wood raw material and increasing the production capacity of wind and solar power. We go about this in practice by utilising felling opportunities to the maximum level as growth increases, and by installing more wind and solar power plants on Tornator land.

In 2023, the measures in the Climate Programme were carried out largely as planned. In line with the objectives, forest planting was carried out with genetically improved seedlings, which have about 20 per cent better growth than unmodified seedlings. The forests continued to grow rich and diverse, and healthy. The acquisition of additional land exceeded our target.

Climate 2021–2030

SITUATION IN 2023 / GOAL FOR 2030

0.07 / 0.6 Mt CO₂/year
SUBSTITUTION EFFECTS ENABLED BY WIND
AND SOLAR POWER PRODUCTION

0.07 / 0.2 Mt CO₂/year
SUBSTITUTION EFFECTS CORRESPONDING
TO FELLING VOLUMES

4.5 / 5.1 Mt CO₂/year
CARBON SEQUESTRATION IN THE
COMPANY'S FORESTS

7,000 / 8,000 ha/year
FERTILISATION IN COMPANY FORESTS

Read more about the annual report of
the Climate Program on our website at
www.tornator.fi/en/climate-program



Efforts to safeguard biodiversity

The purpose of Tornator's Biodiversity Programme is to promote the well-being of endangered species and habitats in forests, to develop ecosystem services, improve water protection, develop game management and take part in mitigation climate change. The measures are based on preserving areas with a high conservation value and increasing active nature management on land owned and managed by the company. Within the programme, Tornator is committed to protecting at least 5,000 hectares of important natural sites. Moreover, more than 200 projects to improve forest and aquatic habitats will be implemented and 3,000 hectares of marshes restored within the framework of the programme.

The Biodiversity Programme includes protective thickets that are important to many game species, and ensuring enough decayed wood remains in the woods, as it improves biodiversity. In the case of peatlands, the goals of the programme include the promotion of continuous-cover silviculture, i.e. forest cultivation without regeneration felling. In 2023, Tornator decided to adopt continuous-cover forest management in more barren drained marshlands. This applied to an area stretching from Northern Karelia to Northern Finland, with continuous-cover forests increasing from a few thousand hectares to 20,000 hectares.

Tornator also strives to enhance biodiversity by developing its forest management guidelines so as to increase tree species mixing. This would improve forest resilience, diversity of species and game management.

Biodiversity 2021 2030

SITUATION IN 2023* / GOAL FOR 2030

64 / 200

COMPLETED FOREST AND AQUATIC
HABITAT MANAGEMENT SITES

1,224 / 3,000 ha

RESTORED MARSHLAND

3,410 / 5,000 ha

NEW PRIVATE NATURE RESERVES AND
FORESTRY AREAS SOLD TO THE STATE AS
NATURE CONSERVATION AREAS

* Cumulative figures by the end of the year.

Read more about the annual report of
the Biodiversity Program on our website
at www.tornator.fi/en/biodiversity-program





EMPLOYEES

PEOPLE ARE TORNATOR'S MOST IMPORTANT RESOURCE

With their professionalism and passion for forests, Tornator employees have secured their position as pioneers of sustainable forestry. As the operating environment changes and technologies develop at a constantly accelerating pace, continuous development of expertise is crucial.

Tornator's management aims for a satisfied and thriving workforce that delivers excellent results. The management principles that support this include clear definition of targets and genuine dialogue and good feedback practices. Everyone has a say in what the company does and for their part everyone also takes responsibility for it. 2023 was a year of growth for Tornator, enabled by the good performance of our highly professional and motivated staff. The growth and organisational change that entered into force at the beginning of the year led to more work and more staff being recruited.

At the end of the year, Tornator employed 177 forestry sector professionals, of which 127 work in Finland, 13 in Estonia and 37 in Romania. Of the staff, 145 are office workers and 32 foresters. Due to the seasonal nature of the work, Tornator employs forest workers increasingly as contractors. The number of forest workers on the company's payroll has been declining steadily owing to retirements. At the same time, many contractors find other employment during the winter months, which increases the availability of work and improves the employment rate.

KEY ACHIEVEMENTS OF 2023

- » Get-togethers in Kuopio and elsewhere
- » A record number of new employees
- » Implementation of new operating practices and promoting lean projects

TARGETS FOR 2024

- » Securing enough staff to reach growth targets
- » Improving well-being at work
- » Development of sustainability expertise and measures

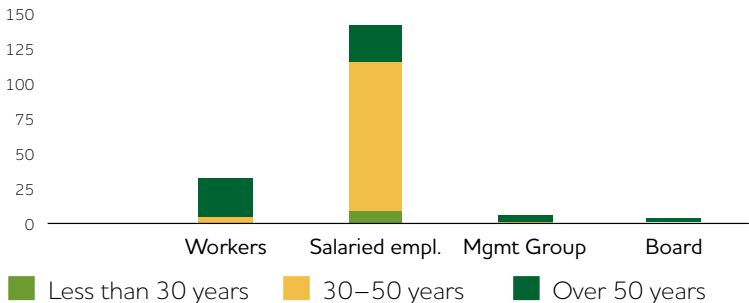
Highlights of 2023 included face-to-face meetings and fresh recruitments

The best moments of 2023 included the possibility to boost team spirit once again. For the first time since the end of the coronavirus pandemic, Tornator held an in-person staff event in Kuopio. The event provided an excellent opportunity to get to know colleagues and build up team spirit, which was especially useful for recently recruited employees.

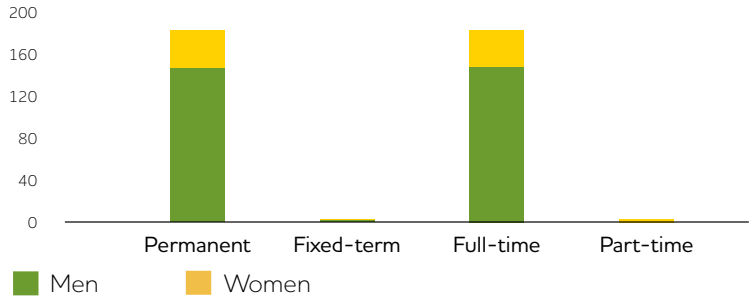
Tornator recruited 19 people in 2023 to meet the demand brought about by a sharp upturn in growth. New employees were hired for forestry sector expert and supervisor positions and to improve the company’s soil, technology and renewable energy expertise, among other things. The greatest challenges for 2024 include securing staff resources for the future to distribute the workload more evenly and to prevent employee overload.

The staff received a variety of training during the year. The company’s 30 supervisors underwent training to improve their supervision and leadership skills. This was complemented by early support and intervention training provided in collaboration with occupational health care professionals. In earlier years, Tornator had launched several Lean projects aimed at the continuous improvement of the company’s business processes, which were now put into practice. In addition, an afternoon training event was held for management staff, focusing on self-management and recovery.

AGE STRUCTURE OF EMPLOYEES



EMPLOYMENT TYPES OF EMPLOYEES

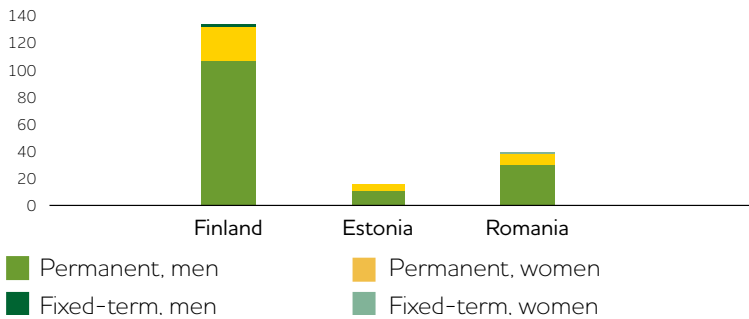


“At Tornator, everyone has a say in what the company does and for their part everyone also takes responsibility for it.”

GENDER DISTRIBUTION OF EMPLOYEES



EMPLOYMENT TYPES OF EMPLOYEES BY COUNTRY



AVERAGE HOURS OF TRAINING PER EMPLOYEE

	Finland	Estonia	Romania
All employees	20	13.5	37
Men	19	15	38
Women	22	9	32
Salaried employees	24	13.5	37
Group Management	20	0	0
Forest workers	9	0	0

Occupational health and safety

The entire Tornator staff is covered by occupational health care. Contractors organise their own occupational health care, which is a requirement for them to work for us. Occupational safety development is the responsibility of the Occupational Health and Safety Manager and the Occupational Health and Safety Committee. The company also provides an electronic channel for collecting occupational safety observations and information on any incidents that occur. Action plans for occupational health and safety and occupational health care are drawn up annually on the basis of joint meetings and observations. Tornator's occupational safety organisation includes representatives of both office workers and forest workers.

Tornator trains its staff regularly in occupational health and safety matters. Occupational safety card training is provided

every five years for those working in the field, in addition to which first aid training and refresher training is provided every three or five years depending on the employee's job. Occupational safety organisation members are also offered regular supplementary training. Occupational safety matters are taken into account when planning field work, and the necessary instructions are handed over to the person doing the work.

Continually improving occupational safety plays a key role at Tornator. Those working in the forest in particular need to be familiar with safe work practices. As forest workers work in varying terrain, there are always some safety risks involved. Such risks are observed and reported on, after which every effort is made to remove them or at least be properly prepared against them. On the whole, the number of accidents has fallen in recent years, and there were no serious accidents in 2023.

Support from colleagues important for occupational well-being

The maintenance and development of occupational well-being is part of Tornator's strategy, and these are promoted in a number of ways. In addition to high-quality occupational health care, staff have access to an electronic pass for sports, cultural and wellness services. Tornator conducts an annual occupational well-being survey for the entire group. Based on the 2023 survey, employees were very satisfied with their work. Support and assistance from colleagues in particular is considered a positive aspect. Matters requiring improvement mainly concern working in a hurry, tight schedules and a growing flow of information. Employees also wanted to see better prospects for development. Based on discussions with staff members, the reason for this seems to be that due to the rush, simply completing the work at hand takes up all available time, not leaving enough room for developing one's skills.

OCCUPATIONAL ACCIDENTS AND SICKNESS ABSENTEEISM

	2022			2023		
	Finland	Estonia	Romania	Finland	Estonia	Romania
Sickness absenteeism						
Men, %	4.3	1	1	2.6	0.5	0.7
Women, %	1.2	0.3	1.1	1.4	0	4.6
Accidents, own employees						
Number of accidents resulting in lost days, men	6	0	0	3	0	0
Number of accidents resulting in lost days, women	1	0	0	0	0	0
Number of days lost due to accidents, men	24	0	0	17	0	0
Number of days lost due to accidents, women	24	0	0	0	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	41	0	3
of which, fixed-term	24	0	1
Number of employment contracts terminated	7	2	3
of which, retired	4	0	0
Employment contracts terminated by employer, %	0	0	0
Total employee turnover*, %	15.7	13.3	16.2
Average number of employees in 2023	136	15	38
Total number of employees at 31 Dec 2023	127	13	37

* 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.

Responsibility starts with dialogue

Tornator contributes to numerous local communities through its forest properties, being an active member of these communities. A successful example of dialogue between communities is the sale of the Mätäsvaara mining stage to the cultural association Metka. A diverse range of cultural activities have been held in an old mine in Mätäsvaara, Lieksa since the 1990s.

The initiative to purchase the mining stage was made by the cultural association. "It is both historically and culturally important. The mining stage has excellent acoustics, and nearby is a mining village designed by Alvar Aalto. Last year, we improved the safety of the mining area significantly by renewing safety fences and removing trees that were at risk of falling. The transaction was preceded by a few months of investigation, during which the site was explored, various risks were examined, and the conditions for ongoing activities in the area were assessed. We wanted to ensure that the area will be developed and that the buyer had sufficient readiness for it," says Tornator property director **Juha Mäki**.

As the process progressed, Tornator was convinced of the cultural association's determination and commitment to developing the mining area. "There was a sense that the buyer genuinely wants to embark on developing regional cultural activities. The deal for the mining area and the surrounding strip of land was ultimately concluded for a nominal amount. Our interest is that the Mätäsvaara

area remains vibrant. The smooth process is thanks to both the buyer and the local knowledge of land-use expert **Juha Turunen**, who was involved in the process," Mäki says.

The deal was concluded in good mutual understanding. "We are genuinely grateful for the opportunity to develop the Mätäsvaara mining area. The plan is to renovate and modernise the premises to enable even more diverse cultural activities. "Through our activities, we support the entire culturally, historically and architecturally unique area of Lieksa," says **Anja Sarasoja**, the chair of the association. "Our dream is for the mine to become one of the finest event venues in Finland. Among other things, in addition to renovating the premises we have planned the construction of a land artwork on the strip of land at the top of the mine," adds **Ville Ladders**, the association's vice-chair.

Maintaining local relationships between the different stakeholders is part of Tornator's property business. There are thousands of agreements of different kinds related to property use, many of which involve recreational activities. "In sparsely populated areas in particular, nature is an essential part of people's recreational activities. For example, we currently have around 1,500 valid hunting leases for our forest properties. Our fundamental aim is to enable all kinds of recreational activities in our forests. Additionally, we participate in various restoration projects, such as the restoration of forest streams," says Mäki. "As a major actor, we have both the opportunity and the obligation to be a responsible member of the community".





SOCIETY

PROPERTY COMES WITH RESPONSIBILITY

As the largest private forest owner in Finland, Tornator has a significant social responsibility. A comprehensive and skilled partner network is a key part of the company's forestry value chain.

Tornator's business is based on both forest resources and human resources to engage in timber trade, manage its forests and provide services related to forest management and use. Ensuring forest health and biodiversity at every stage of the value chain is the basis for sustainable forestry. Tornator's customers include Stora Enso, companies and communities that buy forest management and lease services, and buyers of lakeside or seafront plots. Tornator also sells and leases various rights to use its land to, for example, wind and solar power companies.

Safer work in a growing partner network

As it operates mainly in sparsely populated areas, Tornator employs hundreds of local forestry sector entrepreneurs in Finland alone. Qualitative criteria are applied in the selection of partners, and they are expected to comply not only with legislation but also with Tornator's Code of Conduct. Any risks associated with partners are identified through supplier assessments, which focus on ethics, quality and the willingness to continually improve. In the selection of contractors, we focus on compliance with the

KEY ACHIEVEMENTS OF 2023

- » Around 240 contractors
- » EUR 46 million tax footprint
- » Employment effect of 1,600 person-years

TARGETS FOR 2024

- » Expanding partner-driven silviculture services business
- » Developing the occupational safety practices of contractors
- » Improving the induction process of partners

law and human rights. Tornator monitors operations through audits and offers support whenever necessary for remedial action.

Tornator aims to ensure safe conditions for anyone working in their forests. The company has utilised external assessments to see whether contractors using brush saws and planting seedlings have followed their obligations, in addition to providing training and helping to ensure occupational safety. Based on the assessments, obligations are followed well in general, although information about occupational safety and the induction processes could be made better.

In the future, Tornator will work on having its strong occupational safety culture adopted by its partners' operating practices. This is done by offering the partners occupational safety training and digital induction material, among other things.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

EUR 1,000		2019	2020	2021	2022	2023
Direct economic value generated						
Customers	Revenues	111,541	132,610	135,366	182,124	199,790
Direct economic value generated, total		111,541	132,610	135,366	182,124	199,790
Economic value distributed						
Contractors and other suppliers	Purchases of products and services	27,483	31,221	35,530	41,347	46,661
Shareholders	Dividends paid during the period	35,000	30,000	40,000	60,000	60,000
Financial institutions	Interest and financial expenses, net	22,360	20,668	15,684	13,638	23,647
Society	Taxes	9,978	14,778	13,487	22,037	21,737
Employees	Salaries and wages, remuneration and employer's contributions	9,064	9,162	9,571	10,301	11,036
Economic value distributed, total		103,886	105,829	114,272	147,324	163,081
Economic value retained		7,655	26,781	21,093	34,800	36,709
Taxes by country						
Finland		9,432	14,264	12,856	21,203	20,842
Estonia		305	307	305	304	301
Romania		241	208	327	531	594
Total		9,978	14,778	13,487	22,037	21,737

Tax income and intangible well-being

Tornator's operations promote the well-being of society as a whole, not only through the taxes paid but also by providing employment. In 2023, the company paid a total of EUR 46 million in tax, and provided a total of approximately 1,600 person-years in employment. Wind and solar power projects on land owned by Tornator contribute to the vitality of the local communities.

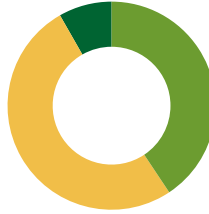
Tornator's forests are also important in promoting intangible well-being by offering extensive recreational opportunities to local communities. The company plays a key role in the development of the infrastructure of its forest properties, and the forest road network it maintains helps locals using the forests for recreation move about more easily.

Forest use may cause some adverse affects locally, such as landscape changes. We seek to minimise the impacts of forest management through active dialogue with local and national stakeholders. Any adverse effects are followed up and also assessed regularly. Stakeholders can also report any wrongdoing they have identified via the online whistleblower channel.

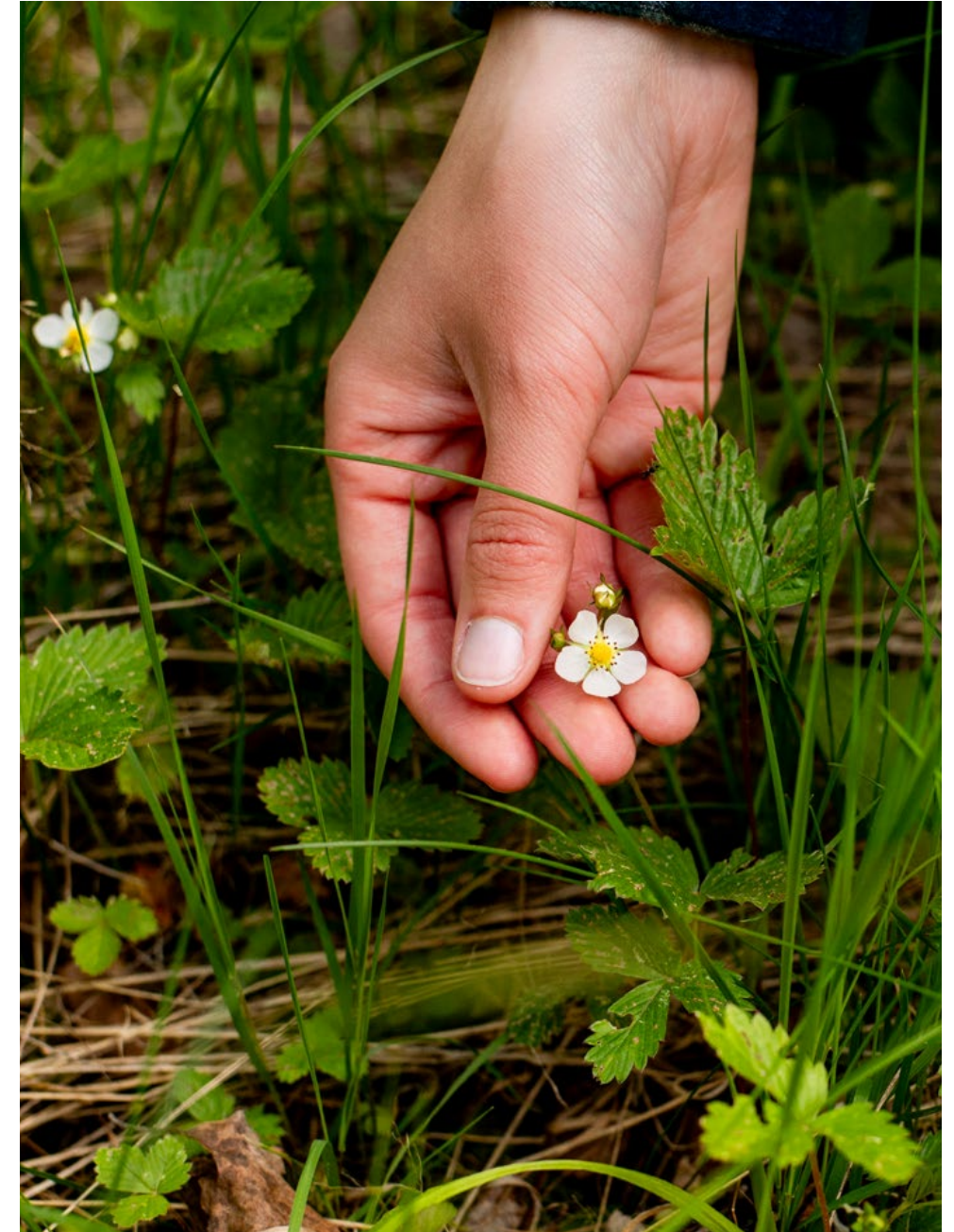
TORNATOR'S TAX FOOTPRINT:

Annual taxes and other payments to government, average 2019-2023

€m



- Corporation tax **18.7**
- VAT, net **23.5**
- Personnel-related payments **3.8**





GOVERNANCE

Corporate governance	43
TCFD	46
Board of Directors	49
Management Group	50

CORPORATE GOVERNANCE

OWNERS 31 DECEMBER 2023

	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	312,500	6.25
OP-Forest Owner Fund	250,000	5.00
Veritas Pension Insurance	125,000	2.50
OP-Eläkesäätiö pension insurance	104,000	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
Total	5,000,000	100.00

TORNATOR TIMBERLAND GROUP

11 shareholders

Tornator Oyj Finland 683,000 ha	
SC Tornator SRL Romania 12,000 ha	Tornator Eesti OÜ Estonia 65,000 ha

Ownership and corporate structure

In 2023, 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. Tornator merged the five wholly-owned wind power development companies into the parent company on 31 December 2023.

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 Oy, and the company complies with its rules and regulations for listed bonds, the Securities Markets Act as well as the Financial Supervisory Authority's regulations, which are publicly available at www.finanssivalvonta.fi.

The Annual General Meeting is the highest decision-making body in Tornator, deciding on matters pursuant to the Finnish Limited Liability Companies Act. 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 2023, the Board of Directors held 10 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 Tornator's 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 CEO. 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. From 1 January to 13 February 2023, the management group consisted of five members, and from 14 February to 31 December 2023, it consisted of six 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 2023, the management group held 9 meetings. In addition to the management group, the company has an operational management level made up of experts of various functions, with the task of assisting the management group in deploying the strategy. The operational management level consists of approximately 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 forest asset management, planning, timber trade, 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 silviculture services 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 by the Board of Directors. The CEO and members of the management group will receive a fixed monthly salary and an incentive bonus based on individual performance. The management group is also covered by a long-term monetary incentive scheme.

Taxes

The payment of taxes and 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 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. As there were no business transactions in 2023 involving specific tax risks, engaging stakeholders in discussions related to tax payments was not deemed necessary.

Auditor

The Annual General Meeting elects the audit firm for one year at a time. Tornator's auditor changed in 2022, when PricewaterhouseCoopers took over as Tornator's audit firm. PricewaterhouseCoopers continued as the auditor for Tornator in 2023. Authorised 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 to be discovered. 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 result in greater volatility in the recognised fair value of forests entered in the income statement. 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 plots for holiday homes and temporarily reduce profits. 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 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 responsibility an integral part of its business,

guided by a Code of Conduct that is common to all its 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 its countries of operation, 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 silviculture 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 Forest Damages Prevention Act (1087/2013) 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 cyberattack 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 diversified the risks related to acquisition of funds by issuing bank loans and bonds with various maturity dates in different years. The company has prepared for market interest rate changes through derivative contracts. Interest rate hedging reduces the interest rate risk on loans. Liquidity management is based on advance payments and up-to-date cash management. The company also has a commercial paper program to optimise the need for cash. Cash reserves are invested in bank deposits and short-term, liquid and fixed income funds.

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

Climate risks and opportunities

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 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 includes 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 nursery stock. Tornator is working to identify potential wind farm sites in an effort to enable wind 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 company's Head of HR, Communications and Responsibility is in overall charge of reporting related to Task Force on Climate-related Financial Disclosures (TCFD).

Year 2023 of the Climate Programme

In 2023, the measures in the climate programme were carried out largely as planned. The company's forests were fertilised with fertiliser on about 7,000 hectares (target 8,000 hectares). In contrast, about 750 hectares of forest were remedially fertilised with boron. In line with the objectives, forest planting was carried out with genetically improved seedlings, which have about 20 per cent better growth than unmodified seedlings. The forests continued to grow rich and diverse, and healthy. The company also managed to exceed its land acquisition targets. Overall, the carbon sequestration capacity of the growing stock increased to approximately 4.5 million tonnes of CO₂ per year. However, the substitution effects remained at the same level as in the previous year. Regarding felling opportunities, we are still well within the target schedule. The cumulative calculated substitution effects of felling opportunities were approximately 0.07 million tonnes of CO₂ per year. In the case of wind and solar power production, the substitution effects were also approximately 0.07 million tonnes of CO₂ per year. It had already been previously recognised that the commissioning of additional capacity would be more emphasised towards the end of the programme period.

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 to climate change will be 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 determine the expectations and views of our stakeholders through materiality studies.

The company will systematically monitor 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 from Tornator's operations, and we have calculated 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 by over a thousandfold. Tornator has minimised its emissions by favouring remote working to reduce energy consumption in offices and by developing digital applications to improve productivity and reduce commuting. Tornator is truly a carbon-negative company.

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

<p>PHYSICAL RISK</p> <p>SHORT LONG TERM</p> <p>Various natural hazards and extreme weather events can cause damage to a forest asset, reducing its value and creating a need for 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.</p>	<p>OPPORTUNITY</p> <p>Tornator uses proven forest management methods that help the company effectively adapt to climate change. We are able to apply our know-how and the forest management methods we have developed more widely and offer them to other forest owners as well.</p>
<p>TRANSITION RISK</p> <p>LONG TERM</p> <p>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.</p>	<p>OPPORTUNITY</p> <p>Research, development and innovation help create new wood-based products, ensuring continued demand for wood raw material.</p>
<p>TRANSITION RISK</p> <p>LONG TERM</p> <p>Wood is considered more valuable in the form of trees than in sustainable use. This reduces the timber market and increases the nature value.</p>	<p>OPPORTUNITY</p> <p>Opportunities for additional profit through renewable energy (wind power, solar power and bioenergy). The use of renewable energy reduces the need for fossil fuels.</p>
<p>TRANSITION RISK</p> <p>MEDIUM TERM</p> <p>Stakeholders' negative perceptions of the forest sector and reluctance to participate in combating climate change. Social acceptance of the forest sector declines.</p>	<p>OPPORTUNITY</p> <p>Positive effects on forest growth, tree species selection and carbon sequestration. Earning opportunities through voluntary, global carbon emission trading.</p>
<p>TRANSITION RISK</p> <p>LONG TERM</p> <p>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) are undermining the importance of biological solutions in combating climate change. Tornator's opportunities to profit from carbon fixation are reduced.</p>	<p>OPPORTUNITY</p> <p>Innovating new, low-carbon business models and services.</p>

Definition of timescales: ■ short term 0 to 5 years ■ medium term 5 to 10 years ■ long term 10 to 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

BOARD OF DIRECTORS



Mikko Koivusalo

Born 1961, MSc (Econ)

Chairman 2016–
Deputy Chairman 2010–2015
Member 2006–2010
Varma, Head of Special Situations 2022–

Background:
Varma, Director, Investments, Capital Markets 1997–2022
Postipankki Oy (Danske Bank), Business Analyst, Portfolio Manager 1991–1997
Salmi, Virkkunen & Helenius Oy (PWC), Auditor 1988–1991

Membership on other boards of directors:
Kaleva Mutual Insurance Company, member of the Board
The Foundation for Pediatric Research, member of the Board
The Finnish Literature Society, member of the Board



Mikko Mursula

Born 1966, MSc (Econ)

Deputy Chairman 2017–
Ilmarinen, Deputy CEO, Investments 2018–

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

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



Seppo Toikka

Born 1964, MSc (Econ)

Member 2023–
Stora Enso Oyj, SVP, Strategy, Control and IT Wood Products 2023–

Background:
Enso Oy/Stora Enso Oyj, several positions 1989–2023

Membership on other boards of directors:
-



Tuomas Virtala

Born 1974, MSc (Econ)

Member 2021–
OP Asset Management, 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
Access Capital Partners S.A., Member of the Board

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

MANAGEMENT GROUP



Henrik Nieminen

Born 1970, MSc (Econ), EMBA
CEO 2019–

Background:

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

Juha Mäki

Born 1971, MSc (Agriculture and Forestry)
EVP, Real Estate 2023–

Background:

Westas Group Oy, Forest Director 2013–2022
Rauhion Saha Oy, Forest Manager 2008–2013
Family Timber Finland Oy, Development Manager 2004–2008
Southern Finland Association of Forest owners, Development Manager 2002–2003
Union of North Finland Forest management associations, Project Manager 1999–2002

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

Outi Nevalainen

Born 1968, MSc (Econ), MBA
EVP, People, Communications and Sustainability 2017–

Background:

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

Heikki Penttinen

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

Background:

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

Ari Karhapää

Born 1967, BSc (For)
Deputy CEO 2014–
EVP, 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



FINANCIAL STATEMENTS

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FINANCE

GREEN FINANCING INCREASE AND INTEREST RATE HEDGING PROMINENT IN 2023

2023 was a very active year in Tornator's financing. The year started with an update of the Green Finance Framework. The basic content of the framework remained largely unchanged, but of course it took into account content and practices found to be beneficial and useful in the market. As with the previous framework, we also asked the independent evaluator CICERO to provide a score according to its Shades of Green rating. The rating given was Dark green – that is, it remained unchanged from the previous framework.

Interest rate hedging

The valuation method based on market transactions in Finnish forests, introduced in 2022, reduced Tornator's long-term interest rate hedging needs. This is because the valuation of a large asset base no longer requires, as in previous years, the need to reduce the variability of fair value changes by stabilising the discount rate for decades. Therefore, the need for interest rate hedging is now mainly related to stabilising cash flow and the income statement's interest expenditure. The time horizon for hedges is also shorter. The company updated its interest rate hedging strategy to align with the prevailing situation, implementing the strategy in the summer of 2023. This involved terminating all existing interest rate swap agreements and replacing them with 10-year interest cap options. The nominal value of interest rate hedging remained almost unchanged at EUR 170 million.

KEY ACHIEVEMENTS OF 2023

- » Additional financing of EUR 200 million to ensure investment capacity
- » Updating the green finance framework
- » Updating the interest rate hedging strategy and adapting interest rate hedges to the new strategy

TARGETS FOR 2024

- » Preparation of a refinancing plan for 2025–2026
- » Preparing for the new requirements for responsibility and sustainability reporting

Securing investment capacity through additional financing

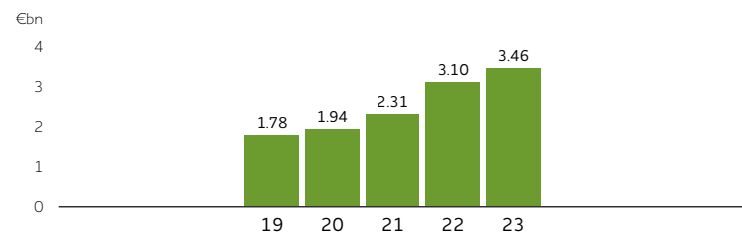
In 2023, Tornator purchased a record amount of new forest in Finland. Some EUR 120 million was invested in forest purchases during the year, which meant activity on the financial markets. Additional financing to secure investment capacity was sought both from banks and capital markets, totalling EUR 200 million. To facilitate more effective use of the commercial paper program, worth EUR 300 million, we increased the revolving credit facility from EUR 100 million to EUR 200 million. We issued two bonds worth EUR 50 million with long maturities – 12 and 8 years. Private placement bonds to selected investors were extremely well received. Based on our experiences, we can start planning a significant refinancing round for 2025–2026 with confidence: there is high demand in the market for the green bonds of a responsible operator!

A record financial year

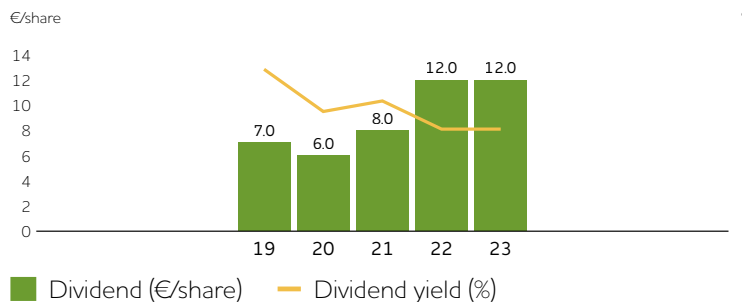
In addition to success in financing, Tornator had a financially successful year otherwise also. A new record was set both in turnover (EUR 195 million) and in operating profit (EUR 142 million). The fair value of the forest assets increased by over EUR 350 million, reaching nearly EUR 3.5 billion, and the total balance sheet amounted to over EUR 3.6 billion.

VALUATION OF FORESTS

(Fair value)



DIVIDEND AND DIVIDEND YIELD

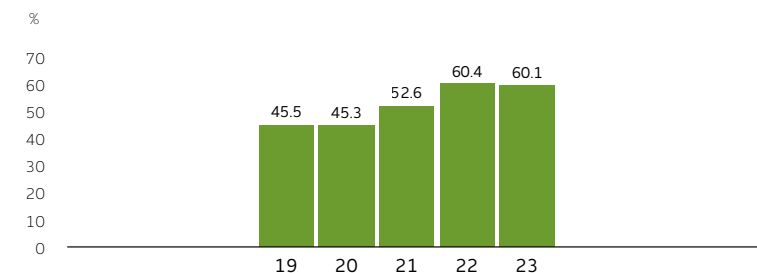


ROCE AND ROE

Without effects of fair value changes



EQUITY RATIO



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 forest assets and Tornator’s reputation as a responsible company.

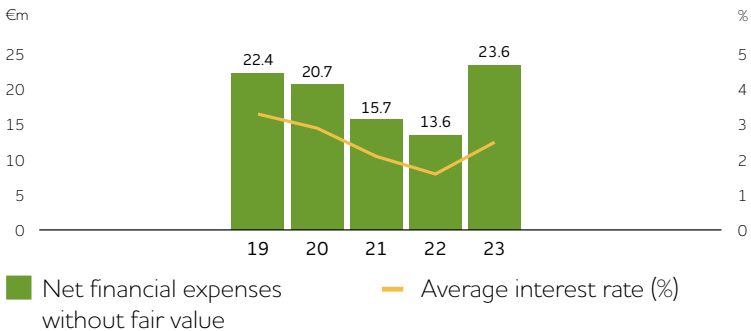
Financial risk management

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 2023, Tornator’s interest rate hedging (fixed rate component) was 65 per cent, which ensures that the increase in Tornator’s interest expenditure due to rising market interest rates will remain moderate.

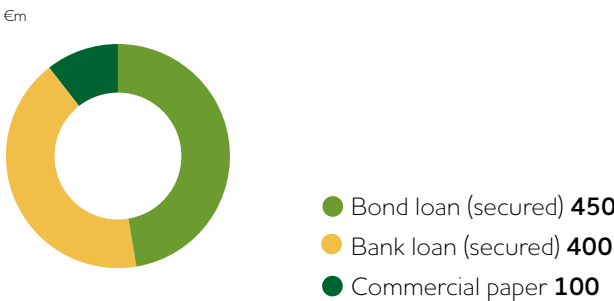
Risks related to the availability of financing

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. The only covenant requirement for secured debts is the loan to value (LTV) ratio of senior loans to the fair value of the forests, which may not exceed 70 per cent. In 2023, Tornator fulfilled this covenant by a good margin.

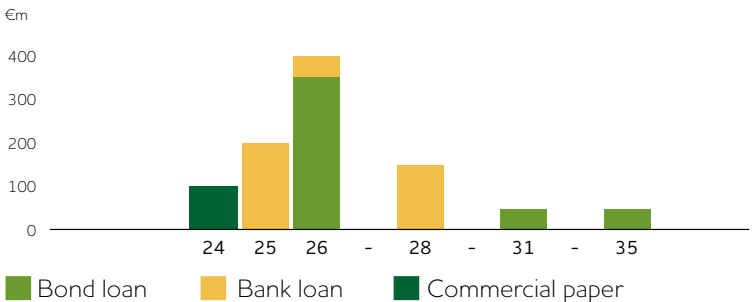
NET FINANCIAL EXPENSES



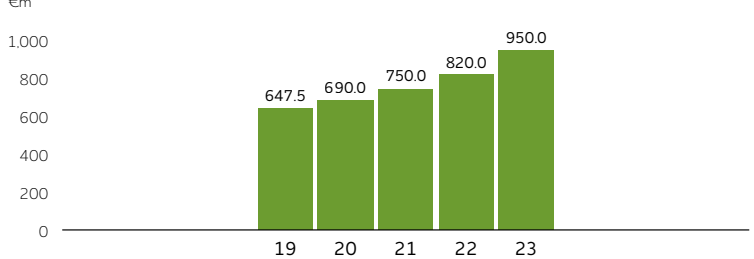
STRUCTURE OF DEBT, NOMINAL VALUES AT 31 DEC 2023



MATURITY OF DEBT



DEVELOPMENT OF TOTAL DEBT AMOUNT



SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

Tornator 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 purchase price receivables and interest rate derivatives. The same applies to the figures for the previous year.

Turnover and results

The group's turnover was EUR 194.9 million (EUR 164.6 million), a change of +18.4 per cent. Timber deliveries increased, and the prices were good. Elevated market interest rates, inflation or the Russian invasion war in Ukraine did not have significant negative impacts on the company's business. A total of 91.6 per cent of turnover, worth EUR 178.5 million, consisted of timber sales income (EUR 147.8 million, or 89.8 per cent). The turnover of silviculture services increased by 25.1 per cent, reaching EUR 14.5 million (EUR 11.6 million). In addition, the proceeds from land and plot sales amounted to EUR 1.8 million (EUR 5.2 million). Other operating income of EUR 4.9 million (EUR 11.7 million) includes income from various sources, such as land usage fees and rents, conservation area compensation and the sale of land materials. In the comparison year, it also included income from realised and estimated future additional purchase prices of sold wind power projects. However, the change in revenue estimates was negative during the reporting period, and the amount is presented in other operating expenses.

Operating profit at fair value amounted to EUR 442.9 million (EUR 572.0 million), and profit for the period was EUR 340.6 million (EUR 541.9 million). The fair value of the forest assets increased significantly more in the comparison period than in the

reporting period, explaining the decrease in operating profit. The change in fair value of biological assets increased operating profit by +EUR 295.7 million (+EUR 462.2 million), and the negative fair value change of financial instruments decreased profit by -EUR 5.5 million (+EUR 110.9 million) before taxes. In addition to the change in the fair value of biological assets, the change in the value of land areas within the forest assets was recorded through other comprehensive income to the equity revaluation reserve, amounting to -EUR 57.1 million (+EUR 211.4 million).

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. Good demand pushed up the market price of wood. Timber deliveries to Tornator's main customer, Stora Enso, totalled some EUR 153.0 million (EUR 127.0 million), around 86 per cent (86 per cent) 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.

Work in the silviculture services business was carried out as planned.

Significant positive effects were recorded in 2023 from the update of the fair value of Tornator's forest assets. A new valuation method was introduced in 2022 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 areas. 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 EUR 354 million (EUR 787 million) during the financial period, of which the parent company's share was approximately EUR 312 million (EUR 760 million) and the impact of net acquisitions approximately EUR 119 million (EUR 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 EUR 296 million (EUR 462 million). The total impact of changes in the fair value of the land areas was -EUR 61 million (+EUR 252). 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 forest assets recorded in the financial statements, including growing stock and land areas, was around EUR 3,456 million (EUR 3,101 million). The figures include the effects of felling as well as the purchases and sales of forestland. Tornator owns a total of approximately 762,000 hectares of forest in Finland, Estonia and Romania.

In 2023, Tornator restructured its interest rate hedging by terminating all existing interest rate swap agreements completely. Interest cap options with a total nominal value of EUR 170 million were purchased in their place, with an average cap rate of 0.2 per cent. The changes in fair value of interest rate derivatives resulted in a recording of -EUR 5.5 million in the financial items of the income statement (+EUR 110.9 million). 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 have no cash-flow effect.

Tornator's equity ratio remained high at 60.1 per cent (60.4 per cent), and liquidity remained good 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. Tornator bought almost 24,000 hectares of forest in Finland.

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 dual-certified, by the Programme for the Endorsement of Forest Certification (PEFC) as well as the Forest Stewardship Council.

Tornator continued to implement its Climate Programme and Biodiversity Programme during the reporting period. The content and objectives of the programmes are presented on our website.

In line with our sustainability program, Tornator engaged in marshland restoration, prescribed burning and the establishment of nature conservation areas on approximately 800 hectares of our land. Tornator continued with major conservation projects within the framework of initiatives such as the Metso and Helmi habitat protection programs.

Tornator's Annual General Meeting held on 8 March 2023 decided to pay a dividend, as proposed by the Board of Directors, totalling €60 million.

CONSOLIDATED INCOME STATEMENT, IFRS

€m	2019	2020	2021	2022	2023
Net sales	105.8	118.1	128.6	164.6	194.9
Other operating income	5.7	22.7	26.8	11.7	4.9
Change in fair value of biological assets and harvesting	189,9	121,1	329,1	462,2	295,7
Change in inventories of finished goods and work in progress	-1,4	-2,4	-2,5	-2,5	-0,5
Materials and services	-17,2	-27,9	-24,2	-30,1	-35,4
Personnel expenses	-9,1	-9,2	-9,6	-10,3	-11,0
Depreciation	-3,2	-3,1	-3,2	-3,3	-3,3
Amortisation and reversal of amortisation				-11,7	11,7
Other operating expenses	-6,0	-6,9	-5,7	-8,6	-14,2
Operating profit	264.6	212.4	439.2	572.0	442.9
Financial income	0.2	0.2	0.3	0.5	6.4
Financial expenses	-22.6	-20.9	-16.0	-14.1	-30.0
Change in fair value of financial instruments	-47.0	-33.3	41.9	110.9	-5.5
Financial items (net)	-69.4	-54.0	26.3	97.3	-29.2
Profit/loss before taxes	195.2	158.4	465.5	669.3	413.7
Income taxes	0.4	-9.1	-25.7	-42.9	-19.2
Change in deferred taxes	-30.8	-28.3	-62.3	-84.5	-53.9
Profit/loss for the period	164.8	121.1	377.5	541.9	340.6

CONSOLIDATED BALANCE SHEET, IFRS

€m	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023
ASSETS					
Non-current assets					
Forest assets	1,776.3	1,939.5	2,313.5	3,101.0	3,445.5
Biological assets	1,682.6	1,841.2	2,210.2	2,737.3	3,139.2
Land areas	93.7	98.3	103.3	363.8	316.4
Fixed assets	15.7	16.3	16.2	16.0	16.3
Intangible assets	1.8	0.8	1.4	2.0	2.3
Right-of-use assets	2.3	2.3	2.2	1.9	1.8
Derivatives				42.4	35.5
Other investments	0.1	0.1	0.1	0.1	0.1
Non-current receivables		8.2	18.7	7.5	17.4
	1,796.2	1,967.1	2,352.1	3,170.9	3,529.0
Current assets					
Inventory	0.1	0.0	0.0	0.1	0.1
Trade receivables	12.8	14.5	18.3	36.3	30.0
Income tax receivables	8.8	0.0			
Other receivables	0.3	0.5	10.8	16.7	0.6
Other financial assets	2.2	7.1	7.1	0.4	30.6
Cash and cash equivalents	18.7	56.7	16.8	19.2	40.5
	42.8	78.9	53.1	72.8	101.7
Total assets	1,839.0	2,046.0	2,405.2	3,243.7	3,630.7

€m	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023
EQUITY AND LIABILITIES					
Equity attributable to parent company shareholders					
Share capital	50.0	50.0	50.0	50.0	50.0
Other equity	781.3	871.7	1,208.5	1,901.8	2,125.3
Total equity	831.3	921.7	1,258.5	1,951.8	2,175.3
Non-current liabilities					
Deferred tax liabilities	192.0	220.3	282.6	419.8	458.5
Financial liabilities	1.0	673.5	748.6	749.1	849.0
Derivatives	141.1	174.4	70.3	1.6	0.0
Leasing liability	2.0	2.0	2.0	1.6	1.6
Pension obligations	0.2	0.1	0.2	0.2	0.1
	336.6	1,070.3	1,103.8	1,172.3	1,309.2
Current liabilities					
Financial liabilities	647.2	15.0	0.0	69.0	98.8
Trade and other payables	23.8	25.9	22.9	23.6	33.5
Income tax liabilities	0.1	4.0	11.2	15.2	1.8
Leasing liability	0.3	0.3	0.3	0.4	0.4
Provisions		8.8	8.5	11.3	11.8
	671.5	54.0	42.9	119.5	146.2
Total liabilities	1,007.7	1,124.3	1,146.7	1,291.8	1,455.4
Total equity and liabilities	1,839.0	2,046.0	2,405.2	3,243.7	3,630.7

STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY

€1,000	Share capital	Share premium	Translation difference	Revaluation reserve	Retained earnings	Shareholders' equity total
Equity on 1 Jan 2022	50,000.0	29,995.2	-10,849.1		1,189,346.1	1,258,492.1
Comprehensive income						
Profit/loss for the financial period					541,927.1	541,927.1
Other items of comprehensive income (after taxes)						
Land revaluation				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
Comprehensive income for the period			-27.7	211,424.2	541,958.3	753,354.8
Transactions with shareholders						
Dividends paid					-60,000.0	-60,000.0
Total transactions with shareholders					-60,000.0	-60,000.0
Equity on 31 Dec 2022	50,000.0	29,995.2	-10,876.8	211,424.2	1,671,304.4	1,951,846.9
Equity on 1 Jan 2023	50,000.0	29,995.2	-10,876.8	211,424.2	1,671,304.4	1,951,846.9
Comprehensive income						
Profit/loss for the financial period					340,644.2	340,644.2
Other items of comprehensive income (after taxes)						
Land revaluation				-57,087.8		-57,087.8
Items derived from the re-definition of net defined benefit costs (or asset items)					-2.4	-2.4
Translation difference			-135.4			-135.4
Comprehensive income for the period			-135.4	-57,087.8	340,641.8	283,418.6
Transactions with shareholders						
Dividends paid					-60,000.0	-60,000.0
Total transactions with shareholders						
Equity on 31 Dec 2023	50,000.0	29,995.2	-11,012.2	154,336.4	1,951,946.2	2,175,265.5

CONSOLIDATED CASH FLOW STATEMENT

€m	2019	2020	2021	2022	2023
Cash flow from operating activities					
Cash receipts from transactions in forestry	107.7	110.5	116.6	140.1	199.8
Cash receipts from transactions in land sales	2.7	6.9	6.7	5.2	1.8
Cash receipts from other operating income	5.7	15.5	5.8	24.3	6.1
Cash paid to suppliers and employees	-31.8	-34.5	-38.8	-49.4	-49.8
Cash flow from operating activities before financial items and taxes	84.4	98.4	90.2	120.2	157.9
Interest paid, interest bearing debt	-14.4	-8.8	-7.5	-9.2	-25.0
Interest paid, derivatives	-6.6	-10.3	-69.4	-4.4	-0.3
Other financial expenses paid	-1.7	-4.5	-0.9	-0.8	-2.9
Interest received, other financial income	0.2	0.2	0.3	0.4	2.7
Interest received, derivatives					3.2
Income taxes	-9.0	4.1	-20.9	-41.3	-30.1
Net cash flow from operating activities	52.9	79.2	-8.2	65.0	105.6
Cash flow from investing activities					
Investments in forest assets, biological assets	-43.6	-40.2	-42.6	-67.1	-106.8
Investments in forest assets, land area	-5.4	-5.0	-5.3	-8.3	-13.2
Investments in other tangible and intangible assets	-3.2	-3.2	-3.4	-3.5	-3.5
Investments in money market investments	-1.1	-4.9			-30.2
Proceeds from sale of other financial assets	0.0	0.0	0.1	6.7	
Net cash flow from investing activities	-53.3	-53.3	-51.3	-72.2	-153.7

€m	2019	2020	2021	2022	2023
Cash flow from financing activities					
Withdrawal of long-term loans	0.0	700.0	150.0		100.0
Repayment of long-term loans	-0.1	-25.1	-75.0	0.0	0.0
Withdrawal of short-term loans	295.0			70.0	29.8
Repayment of short-term loans	-254.5	-632.5	-15.0		
Repayment of leasing liabilities	-0.3	-0.3	-0.3	-0.3	-0.4
Dividends paid	-35.0	-30.0	-40.0	-60.0	-60.0
Net cash flow from financing activities	5.1	12.1	19.6	9.7	69.4
Net increase/decrease in cash and cash equivalents	4.7	38.0	-39.9	2.4	21.3
Cash and cash equivalents at beginning of period	14.0	18.7	56.7	16.8	19.2
Cash and cash equivalents at end of period	18.7	56.7	16.8	19.2	40.5

SUMMARY OF FINANCIAL STATEMENTS

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

	2019	2020	2021	2022	2023
Net sales, € million	105.8	118.1	128.6	164.6	194.9
Operating profit, € million	264.6	212.4	439.2	572.0	442.9
Operating profit without change in fair value of biological assets, € million	74.7	91.9	90.0	130.2	141.8
Operating profit without change in fair value of biological assets, % of net sales	70.6	77.8	70.0	79.1	72.8
Profit/loss for the period, € million	164.8	121.1	377.5	541.9	340.6
Profit/loss for the period without fair value changes, € million	42.7	56.8	61.1	94.8	96.7
Profit/loss for the period without fair value changes, % of net sales	40.4	48.1	47.5	57.6	49.6
Shareholders' equity, € million	831.3	921.7	1,258.5	1,951.8	2,175.3
Interest-bearing net liabilities, € million	627.4	624.7	724.8	798.5	876.6
Balance sheet total, € million	1,839.0	2,046.0	2,405.2	3,243.7	3,630.7
Return on capital employed without change in fair value of biological assets, %	5.4	6.0	5.0	5.5	5.0
Return on equity without fair value changes, %	5.6	6.5	5.6	5.9	4.7
Equity ratio, %	45.5	45.3	52.6	60.4	60.1
Dividends paid, €/share	7.0	6.0	8.0	12.0	12.0
Dividend yield, %	4.6	3.4	3.7	3.7	2.9

	2019	2020	2021	2022	2023
Average number of personnel	183	186	189	188	189
Personnel expenses, % of net sales	8.6	7.8	7.4	6.3	5.7
Investments in forestland, € million	48.9	45.1	47.9	75.4	120.0
Investments in other fixed assets, € million	3.2	3.2	3.4	3.5	3.5
Annual cut, million cubic metres	2.8	3.2	3.1	3.4	3.4
Fair value of forests, € million	1,776.3	1,939.5	2,313.5	3,101.0	3,455.5
Gross proceeds from land sales, € million	2.7	6.9	6.7	5.2	1.8

Financial ratios

	31 Dec 2019	31 Dec 2020	31 Dec 2021	31 Dec 2022	31 Dec 2023	Max./Min.
Equity ratio, %	45.5	45.3	52.6	60.4	60.1	
Average interest rate, %	3.3	2.9	2.1	1.6	2.5	
Hedge ratio, %	52	100	69	63	65.3	
Average loan maturity, years	0.7	4.7	4.7	3.4	3.2	
Average fixing time, years	0.5	3.1	2.45	1.86	2.3	
Loan to Value (LTV), %	36.6	48.2	43.8	43.0	42.5	70

Long-term target for equity ratio is 50%.

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

Financing, nominal values

€m	2019	2020	2021	2022	2023
Long-term bonds	0.0	350.0	350.0	350.0	450.0
Long-term bank loans	0.0	325.0	400.0	400.0	400.0
Short-term debenture loan	65.0				
Short-term bank loans and commercial papers	582.5	15.0		70.0	100.0
Total debt	647.5	690.0	750.0	820.0	950.0
Net financial items	-69.4	-54.0	26.3	97.3	-29.2
Net financial expenses without fair value changes	22.4	20.7	15.7	13.6	23.6
Net financial expenses without fair value changes, % of net sales	21.1	17.5	12.2	8.3	12.1
Average interest rate, %	3.3	2.9	2.1	1.6	2.5

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		
Financial and interest expenses	-3,300	3,300
Change in fair value of derivatives	10,678	-10,680
Equity, net of taxes	5,902	-5,904

Calculation of key figures

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



REPORTING PRINCIPLES AND GRI INDEX

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REPORTING PRINCIPLES

This report has been prepared with reference to the Global Reporting Initiative's GRI Universal Standards. The reporting period is the calendar year, 1 January – 31 December 2023, and the report is published annually.

The report is published online in Finnish and English.

The sustainability information has not been verified by an external party. The company's previous Annual Report was published on 8 March 2023.

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
GRI 2: GENERAL DISCLOSURES (2021)			
Organizational profile			
2-1	Organizational details	Tornator in the year 2023 p. 4; Corporate governance p. 43; Reporting principles p. 64	
2-2	Entities included in the organization's sustainability reporting	Reporting principles p. 64	
2-3	Reporting period, frequency and contact point	Reporting principles p. 64	
2-4	Restatements of information	GRI content index	
2-5	External assurance	Reporting principles p. 64	
Activities and workers			
2-6	Activities, value chain and other business relationships	Tornator in 2023 p. 4; Partnership pp. 19–20; Society p. 39; Sustainability programme and stakeholders pp. 28–29	Partially reported.
2-7	Employees	Employees pp. 35–37	Partially reported. Tornator does not use zero-hours contracts.
2-8	Workers who are not employees	Employees p. 35	Tornator does not provide temporary work services nor use agency-hired labour.
Governance			
2-9	Governance structure and composition	Corporate governance p. 43; Board of Directors p. 49; Management Group p. 50	Partially reported.
2-10	External initiatives	Corporate governance p. 43	Partially reported.
2-11	Chair of the highest governance body	Board of Directors p. 49	
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability management p. 30; Climate risks and opportunities for Tornator p. 48	Partially reported.
2-13	Delegation of responsibility for managing impacts	Sustainability management p. 30; Climate risks and opportunities for Tornator pp. 46–47	

GRI standard	Content	Location	Comments
2-14	Role of the highest governance body in sustainability reporting	Sustainability management p. 30	
2-16	Communication of critical concerns	Sustainability management p. 30	Partially reported. A total of 0 reports came in through the whistleblowing system.
2-19	Remuneration policies	Sustainability management p. 30; Corporate governance p. 43	Partially reported.
2-20	Process to determine remuneration	Corporate governance p. 43	Partially reported.
Strategy, policies and practices			
2-22	Statement on sustainable development strategy	CEO's review pp. 9–10	
2-23	Policy commitments	Sustainability management p. 30; Corporate governance p. 43–45	Tornator's Code of Conduct can be found on the company's website at www.tornator.fi/en/code-of-conduct .
2-24	Embedding policy commitments	Sustainability management p. 30; Environment pp. 31–32; Employees pp. 35–37; Society pp. 39–41	
2-25	Processes to remediate negative impacts	Sustainability management p. 30; Society p. 41	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. 30	
2-27	Compliance with laws and regulations	GRI content index	No violations.
2-28	Membership associations	Sustainability programme and stakeholders p. 28	
Stakeholder engagement			
2-29	Approach to stakeholder engagement	Sustainability programme and stakeholders pp. 28–29	
2-30	Collective bargaining agreements	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.
GRI 3: MATERIAL TOPICS (2021)			
3-1	Process to determine material topics	Sustainability programme and stakeholders pp. 25–26	
3-2	List of material topics	Sustainability programme and stakeholders pp. 25–26	

GRI standard	Content	Location	Comments
3-3	Management of material topics	Sustainability management p. 30; Environment pp. 31–32; Employees pp. 35–37; Society pp. 39–41	
ECONOMIC STANDARDS			
GRI 201: ECONOMIC RESULTS (2016)			
201-1	Direct economic value generated and distributed	Society pp. 40–41	
201-2	Financial implications and other risks and opportunities due to climate change	Climate risks and opportunities for Tornator pp. 46–47	Partially reported.
GRI 205: ANTI-CORRUPTION (2016)			
205-2	Communication and training about anti-corruption policies and procedures	Sustainability management p. 30	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.
GRI 206: ANTI-COMPETITIVE BEHAVIOR (2016)			
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	GRI content index	No incidents.
GRI 207: TAXES (2019)			
207-1	Approach to tax	Corporate governance pp. 43–44	Tornator does not have a separate tax strategy.
207-2	Tax governance, control, and risk management	Corporate governance pp. 43–44	
207-3	Stakeholder engagement and management of concerns related to tax	Corporate governance pp. 43–44	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 2023, there were no such business transactions that would have included a specific tax risk, so it was not deemed necessary to involve stakeholders in the discussion regarding the payment taxes.
207-4	Country-by-country reporting	Corporate governance pp. 43–44	

GRI standard	Content	Location	Comments
ENVIRONMENTAL STANDARDS			
GRI 303: WATER AND EFFLUENTS (2018)			
Tornator's specific indicator	Impact on water courses by Tornator's forest management, and its control	Environment p. 32; Climate and Biodiversity Programmes pp. 33–34; 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 (568 hectares) and restoration work on aquatic habitats (15 projects) had a positive impact on the condition of waters.
GRI 304: BIODIVERSITY (2016)			
304-2	Significant impacts of activities, products and services on biodiversity	Environment p. 32; Climate and Biodiversity Programmes pp. 33–34	
304-3	Habitats protected or restored	Environment p. 32; Climate and Biodiversity Programmes pp. 33–34	Total number of conservation areas reported. The goals and monitoring of the Biodiversity Program can be found on Tornator's webpage at www.tornator.fi/en/biodiversity-program .
304-4	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk	GRI 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.
GRI 305: EMISSIONS (2016)			
Tornator's specific indicator	Tornator's CO ₂ emissions	GRI content index	The CO ₂ emissions of Tornator's own forestry supply chains amount to some 0.002 million tonnes per year. Emissions from our own operations include forest management, staff travel, office electricity and heating. Tornator's own forests absorb around 4.5 million tonnes of carbon dioxide per year.
SOCIAL STANDARDS			
GRI 401: EMPLOYMENT (2016)			
401-1	New employee hires and employee turnover	Employees p. 37; GRI content index	There were 17 new permanent employees, of whom 13 men and 4 women. 4 of them belong to the age group under 30 years, 11 to the age group 30–50 years and 2 to the age group over 50 years.
GRI 403: OCCUPATIONAL HEALTH AND SAFETY (2018)			
403-1	Occupational health and safety management system	Employees pp. 36–37	
403-2	Hazard identification, risk assessment and incident investigation	Employees pp. 36–37	

GRI standard	Content	Location	Comments
403-3	Occupational health services	Employees pp. 36–37	
403-4	Worker participation, consultation and communication on occupational health and safety	Employees pp. 36–37	
403-5	Worker training on occupational health and safety	Employees pp. 36–37; Society pp. 39–40; GRI content index	Occupational safety card training is organised every five years for those working in the field, and the latest extensive 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.
403-6	Promotion of worker health	Employees pp. 35–37; GRI content index	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Partnership p. 20; Society pp. 39–40; 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	Employees p. 37; GRI content index	A total of 11 accidents and 0 fatalities were recorded in 2023. The most common causes resulting in injuries were slipping or falling. There were 3 injuries among contractors in 2023. The information is compiled using a questionnaire sent to contractors. The injury rate was 53.6 injuries per million hours worked.
GRI 404: TRAINING AND EDUCATION (2016)			
404-1	Average hours of training per year per employee	Employees p. 36	
404-2	Programs for upgrading employee skills and transition assistance programs	Employees pp. 36–37	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.
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES (2016)			
405-1	Diversity of governance bodies and employees	Employees p. 36; Board of Directors p. 49; Management Group p. 50	
GRI 406: NON-DISCRIMINATION (2016)			
406-1	Incidents of discrimination and corrective actions taken	GRI content index	No incidents.

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