

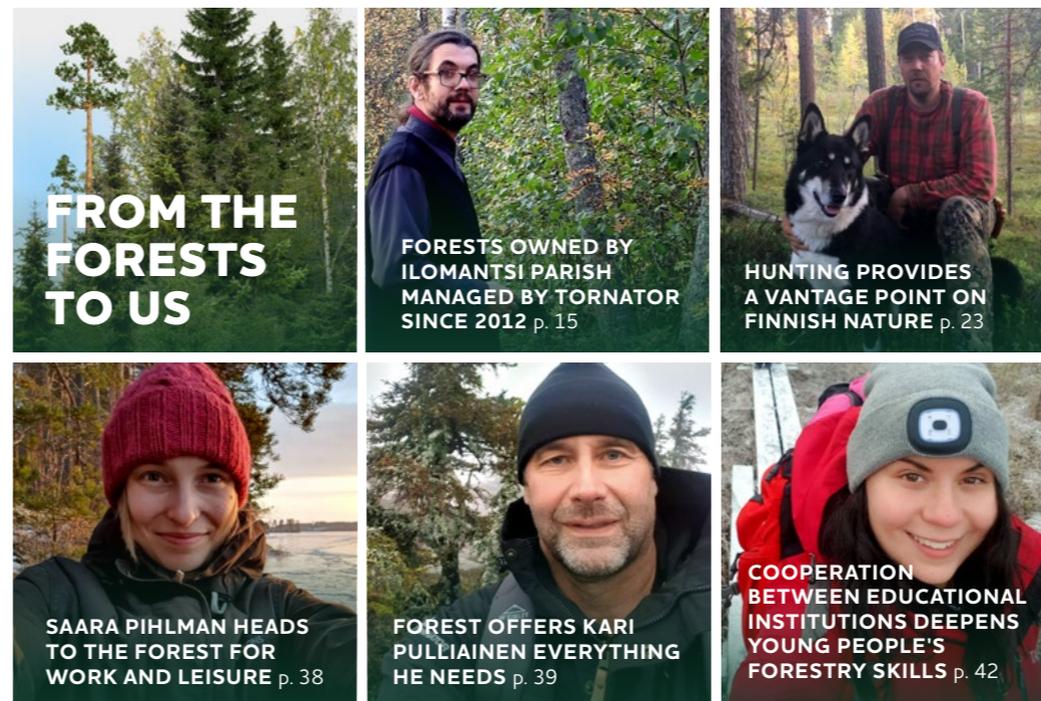
ANNUAL REPORT 2020

# FROM THE FORESTS TO US



## TORNATOR'S ANNUAL REPORT 2020

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



# CONTENTS

- TORNATOR IN BRIEF
- ANNUAL REVIEW
- STRATEGY
- RESPONSIBILITY
- GOVERNANCE
- FINANCIAL STATEMENTS
- REPORTING PRINCIPLES AND GRI INDEX

<b>TORNATOR IN BRIEF</b>	<b>2</b>	<b>STRATEGY</b>	<b>16</b>	<b>GOVERNANCE</b>	<b>43</b>	<b>REPORTING PRINCIPLES AND GRI INDEX</b>	<b>57</b>
Business areas	3	Strategic priorities, vision, mission, values	17	Corporate governance	44	Reporting principles	57
<b>ANNUAL REVIEW</b>	<b>4</b>	Profitably growing	18	Board of Directors	47	GRI content index	58
The year 2020 in figures	5	Competitively developing	20	Management Group	48		
Highlights of 2020	6	Responsibly influencing	22				
CEO's review	7	Value creation	24	<b>FINANCIAL STATEMENTS</b>	<b>49</b>		
Finance	9			Summary of consolidated financial statements	49		
Business environment	13	<b>RESPONSIBILITY</b>	<b>25</b>	Consolidated income statement, IFRS	51		
		Responsibility programme and goals	26	Consolidated balance sheet, IFRS	52		
		Stakeholders	28	Statement of changes in Group shareholders' equity	53		
		Responsibility management	30	Consolidated cash flow statement	54		
		An expert in sustainable forestry	31	Summary of financial statements	55		
		An attractive employer	35	Calculation of key figures	56		
		A responsible partner	40				

This is an interactive PDF document. Navigate by clicking on items in the table of contents.

# TORNATOR IN BRIEF

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

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

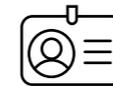


**BALANCE SHEET  
VALUE**

**€2.0** billion

**NET SALES**

**€118.1**  
million



**TORNATOR HAS  
about 185**  
employees



**TORNATOR'S TOTAL  
FORESTLAND**

**715,000** ha

- TORNATOR IN BRIEF

Business areas

ANNUAL REVIEW

STRATEGY

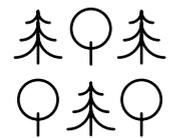
RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

# 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. In this way, we can ensure that our forest assets remain diverse and in good condition.



## REAL ESTATE

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



## SERVICES

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

## TORNATOR IN BRIEF

- Business areas

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

# ANNUAL REVIEW

**FINNS WILL REMEMBER 2020.** It was a year that changed the meaning of 'normal' and shook the foundations of our daily lives. It was also a year in which we sought refuge in the eternal peace of nature. When planes were grounded and lunch meetings cancelled, we headed for our forests, beaches, and wide-open landscapes. We found serenity amid the sprigs and leaves when all else was denied to us. As a nation, we remembered everything that the forests bring us.

At Tornator, we do not need exceptional circumstances to realise this. We cherish the opportunities provided by our forests, the energy, nourishment, and recreation they give, and the jobs that our food on our tables. Like all other Finns, at Tornator we know our forests, no matter what else seems strange to us.

**THE FORESTS GIVE US SO MANY THINGS IN LIFE.**



TORNATOR IN BRIEF

• ANNUAL REVIEW

The year 2020 in figures

Highlights of 2020

CEO's review

Finance

Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

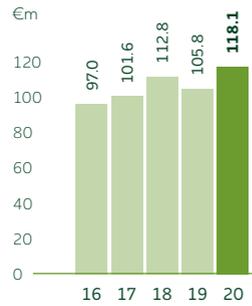


**FROM THE  
FORESTS  
TO US**



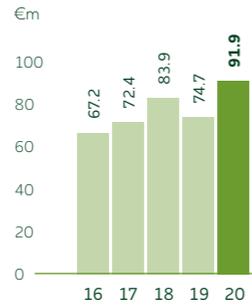
# THE YEAR 2020 IN FIGURES

## Net sales



## Operating profit

(Without effects of fair value changes)



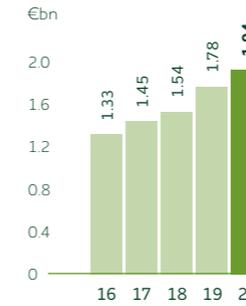
## Key figures

Without effects of fair value changes

	2016	2017	2018	2019	2020
Net sales, € million	97.0	101.6	112.8	105.8	<b>118.1</b>
Operating profit, € million	67.2	72.4	83.9	74.7	<b>91.9</b>
Operating profit, % of net sales	69.3	71.2	74.4	70.6	<b>77.8</b>
Profit for the period, € million	37.3	40.9	49.7	42.7	<b>56.8</b>
Profit for the period, % of net sales	38.5	40.3	44.0	40.4	<b>48.1</b>
Average number of employees	200	189	182	183	<b>186</b>
Return on capital employed, %	6.5	6.1	6.6	5.4	<b>6.0</b>
Return on equity, %	7.1	6.5	7.3	5.6	<b>6.5</b>
Equity ratio, %	43.7	43.3	44.4	45.5	<b>45.3</b>

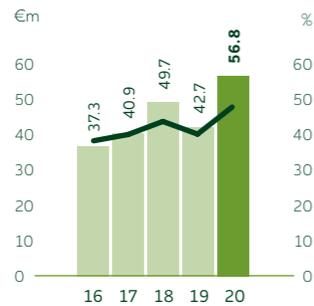
## Valuation of forests

(fair value)



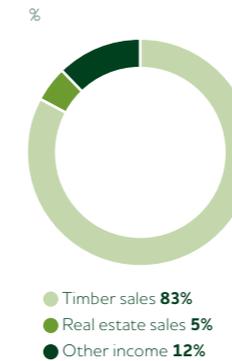
## Profit for the period

(Without effects of fair value changes)



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

## Cash flow from operations



TORNATOR IN BRIEF

ANNUAL REVIEW

- The year 2020 in figures

Highlights of 2020

CEO's review

Finance

Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



# HIGHLIGHTS OF 2020



## Issue of Tornator's first Green Bond

Read more on page 11



## Tornator and Stora Enso expanded their cooperation in silvicultural services

Read more on page 18



## Major wind power portfolio deal with OX2, the largest onshore wind farm builder in Europe

Read more on page 18

TORNATOR IN BRIEF

ANNUAL REVIEW

The year 2020 in figures

- Highlights of 2020

CEO's review

Finance

Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

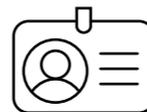
REPORTING PRINCIPLES AND GRI INDEX



**ADDITIONAL WORK FOR ENTREPRENEURS WITH THE 'TORNAMEININKI' CAMPAIGN during the COVID pandemic**

Read more on page 19

**FIRST FOREST LEASE BUSINESS AGREEMENTS IN FINLAND**



**Launch of new CODE OF CONDUCT online training for all Tornator employees**

Read more on page 30



**A RECORD 1,500 HECTARES OF NEW NATURE CONSERVATION AREA**

Read more about the biodiversity programme on page 32

**PRESCRIBED BURNING OF AN 85-HECTARE AREA**



**A MAJOR CONSERVATION AREA OF ALMOST 750 HECTARES IN LUHTAPOHJA, JOENSUU, under the Helmi habitat protection programme**

Watch the video: [www.youtube.com/watch?v=vKkqoyhPu28](https://www.youtube.com/watch?v=vKkqoyhPu28)





# CEO'S REVIEW

## SERIES OF TOP RESULTS PROPELLED US TO A RECORD YEAR



“

*In terms of its balance sheet, Tornator operates in the big leagues.”*

Henrik Nieminen  
Chief Executive Officer

As strange as it sounds, 2020 became the best year in the company's history. This was not self-evident – at the beginning of the year we experienced challenges due to the weather and labour market disruptions, followed by the global pandemic in March. In this challenging operating environment, we managed to focus on the issues we could control, and had a record year based on strong collaboration with stakeholders. This demonstrated that our business model is highly resilient to external shocks. A long-term timber sales agreement with our main customer, Stora Enso, once again proved its strength as the world changed suddenly. Timber sales volumes were realised as planned and prices were at the level of the comparison year. In operational terms, we broke all our previous records in terms of net sales, operating profit and net profit. A significant increase in the fair value of forests took the company's balance sheet to over two billion euros, i.e. in terms of its balance sheet, Tornator operates in the big leagues.

TORNATOR IN BRIEF

ANNUAL REVIEW

The year 2020 in figures

Highlights of 2020

- CEO's review

Finance

Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX



We achieved our three major strategic goals. In terms of financing, we issued a EUR 350 million Green Bond. Secondly, we expanded our forest services business by entering into a nationwide cooperation agreement with Stora Enso. The third achievement, which had a positive impact on our results in 2020, was the sale of our wind power project portfolio, which will have far-reaching, positive effects financially and in relation to climate responsibility.

### Staff succeeded on a broad front

In addition to strategic gains, the year brought a broad range of other successes. Our staff adapted admirably well to the changes in working life caused by the pandemic, and I am delighted by our win in the South Karelia Chamber of Commerce's occupational well-being competition. The grounds for the award were Tornator's investment in staff well-being and its clear practices to meet the challenges of knowledge work during the pandemic.

In the midst of the coronavirus crisis, our Tornameininki campaign provided forestry entrepreneurs with additional work worth a million euro. This delighted people both inside and outside Tornator. We took ecological responsibility by establishing a record 1,500 hectares of new nature reserves. These achievements, too, were due to the hard work of our staff.

Despite the tightening forestland market, we were able to acquire almost 12,000 hectares of new forest in Finland and signed our first forest lease agreements. This is due to our razor-sharp expert organisation – we make extensive use of a state-of-the-art real estate valuation process, and land transactions with us are easy and reliable. Forest owners can rest assured that their forests will end up in responsible, professional hands.

### Responsibility will become even more important

In 2021, we will continue our strategy of profitable growth, steering our operations in a good balance between economic, social and ecological responsibility. Major efforts include building a nationwide forest service organisation in order to provide the company's expertise to private forest owners in Finland. This is a challenge we relish, and I strongly believe that, alongside Stora Enso, we can provide forest owners with an excellent service experience.

We will continue to work in the areas of wind power, the purchasing and leasing of forests, digital development, and responsible influencing. Replacing fossil raw materials with wood-based, renewable substitutes is a key element in combating global warming. Well-managed forests also play a prominent role as carbon sinks. We need to engage in more and better communication about our work undertaken to halt climate change and safeguard biodiversity.

We are harnessing our digital solutions to help fulfil our aim of being a pioneer in sustainable forestry. Responsibility is the common thread of our strategy, now that we have all the prerequisites needed to develop our responsibility work in terms of its goals and indicators.

### Tornator's success is Finland's success

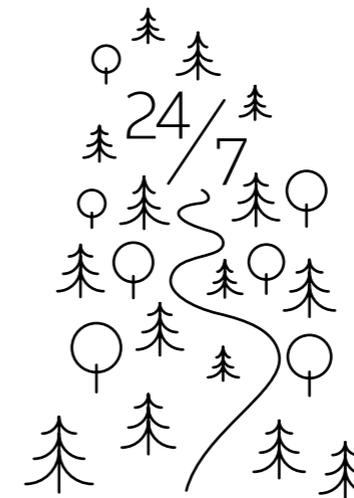
Tornator's key resources are its forests and staff: we want to take extremely good care of both. We manage forests so that generations long after us can enjoy them. And our company succeeds by listening to its employees, and valuing and developing their expertise.

I think that it is important to take the company forward based on the joy of work. It is my strong belief that a good working atmosphere and motivated staff will enable

further outstanding performances like that of 2020. We aim to increase shareholder value and create well-being for society as a whole. When the forest sector thrives, Finland thrives. In the midst of the pandemic, people remembered how wonderful forests are as places of recreation. Tornator's forests are open to everyone 24/7.

After a record year, I have the pleasure and honour of thanking Tornator's staff, contractors, customers and other stakeholders for their constructive partnerships and trust. Together, we have once again created sustainable well-being from the forest.

Henrik Nieminen  
Chief Executive Officer



**TORNATOR'S FORESTS ARE  
OPEN TO EVERYONE 24/7**

## TORNATOR IN BRIEF

### ANNUAL REVIEW

The year 2020 in figures

Highlights of 2020

- CEO's review

Finance

Business environment

### STRATEGY

### RESPONSIBILITY

### GOVERNANCE

### FINANCIAL STATEMENTS

### REPORTING PRINCIPLES AND GRI INDEX

# FINANCE

## SIGNIFICANT YEAR IN FINANCE

“

*Alongside green financing, sustainability and responsibility became part of the company's financial strategy in practice.”*

Antti Siirtola  
Chief Financial Officer



Tornator's refinancing round, which had been under long, careful planning, was held in 2020: the company renewed all its financing agreements and switched to green financing in the main. In the spring, Tornator concluded an agreement on a major green bank loan package, and issued an EUR 350 million Green Bond in the autumn. Both the bank loan and bond were taken out within Tornator's Green Finance Framework. In addition to green financing, Tornator's financial statements for 2020 include a small number of commercial papers issued to diversify the selection of debt instruments available to the company.

Despite the challenges facing the global economy, Tornator had a strong year: new records were set in both net sales (€ 118 million) and adjusted operating profit (€92 million). Tornator continued its growth strategy by purchasing new forestland. The implementation of investments was facilitated by the company's strong financial position. The fair value of forests increased by €121 million, and the value of all forest assets exceeded €1.9 billion.

### KEY ACHIEVEMENTS 2020

- Refinancing of the entire loan portfolio
- Significant share of green financing: A bond and bank loan via green financing
- Continued growth of forest value

### TARGETS FOR 2021

- Launch of reporting on green financing
- Continuing growth investments in line with our strategy, and ensuring financing for them

### Financing will continue to play a key role

In terms of funding and financial structure, the year 2020 was also important to future transactions. In addition to green financing, the new loan agreements are based on the updated forest collateral structure, which will enable more flexible financing solutions. By the end of the financial year, Tornator's financing was secured until 2025 in practice. However, financing will continue to play an important role for Tornator in the implementation of, e.g., possible growth investments.

### Financial strategy supports and secures the business

The objective of Tornator's financial strategy is to secure competitive funding for the company's business and investments, manage the Group's financial risks and stabilise the balance sheet. Alongside green financing, sustainability and responsibility became part of the company's financial

TORNATOR IN BRIEF

ANNUAL REVIEW

The year 2020 in figures

Highlights of 2020

CEO's review

- Finance

Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX



strategy in practice. The financial strategy is based on comprehensive balance sheet management, ready access to the capital markets, diverse financial instruments, managed hedging of interest rate risk and sufficient liquidity.

Cost-effective financing is facilitated by the high collateral value of forestland and Tornator's reputation as a responsible company. Strong liquidity and availability of financing are secured by a commercial paper programme of €300 million and a committed undrawn revolving credit facility.

At the end of financial year 2020, Tornator had €100 million worth of undrawn credit.

### Financial risk management

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

In the long term, the company wants to hedge its balance sheet and equity value against fluctuations in market interest rates. The key balance sheet items in terms of market rate changes are forests and financial instruments. The hedge ratio is changed as necessary to keep the net effect of market rate changes on various balance sheet items, and through them on equity value, within the range stated in the risk management policy. At the end of 2020, Tornator's hedge ratio was 100 percent.

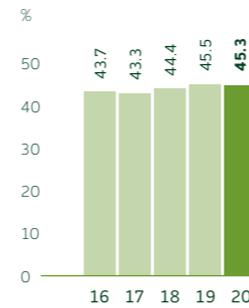
**ROCE and ROE**  
(Without effects of fair value changes)



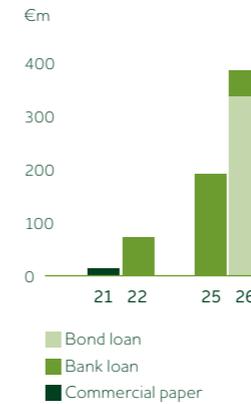
**Dividend and dividend yield**



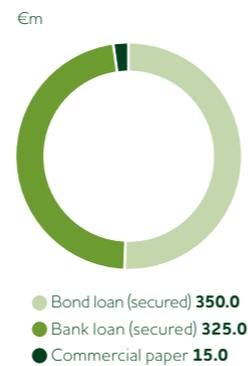
**Equity ratio**



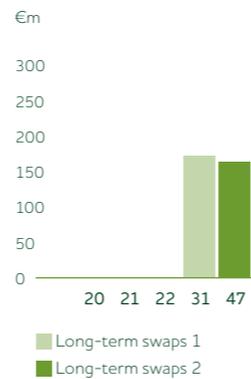
**Maturity of debt**



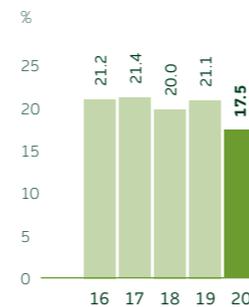
**Structure of debt, nominal values at 31 Dec 2020**



**Expiry of interest rate hedges, nominal values**



**Net financial expenses (% of net sales)**



**AT THE END OF 2020, TORNATOR'S HEDGE RATIO WAS 100%**

TORNATOR IN BRIEF

ANNUAL REVIEW

The year 2020 in figures

Highlights of 2020

CEO's review

- Finance

Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX

## Risks related to the availability of financing

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

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

“

*Tornator's Green Bond was well received on the market: demand was strong and the transaction went even better than expected.”*



## Green Bond emphasises the company's commitment to sustainable forestry

In 2020, Tornator returned to the bond market for the first time in a long while. Following the maturity of the company's previous bond at the end of 2019, it was natural for the company to issue a new, long-term debt instrument. A suitable time arose in the autumn, when market demand for green financing began to accelerate. Tornator's Green Bond was well received on the market: demand was strong and the transaction went even better than expected. The nominal value of EUR 350 million, a 6-year maturity and a coupon rate of 1.25 percent, suited the company's financial structure very well.

In addition to the transaction itself, Tornator received positive attention by being the first company to list a Green Bond on the Nasdaq Sustainable Debt Market at Nasdaq Helsinki. This was, of course, a matter of honour for Tornator: green funding emphasises the company's commitment to sustainable forestry and climate responsibility. The Green Bond succeeds in combining the goals and strategic objectives of both the investors and the issuer.

TORNATOR IN BRIEF

ANNUAL REVIEW

The year 2020 in figures

Highlights of 2020

CEO's review

- Finance

Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX



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## Higher, lighter and stronger than ever – wood is the construction industry's response to climate change

TIMBER CONSTRUCTION is enjoying a renaissance, a development that is warmly welcomed by both Tornator and its main customer, Stora Enso. Innovative high-grade products developed alongside traditional timber products, such as cross-laminated timber (CLT) and laminated veneer lumber (LVL), enable more versatile timber construction ranging from wooden apartment buildings to entire districts.

CLT and LVL products can be used to build almost anything; a prime example is a 14-storey block of flats built from timber in Joensuu. We see huge growth potential in the construction of apartment buildings. We have just received an investment decision on our fourth CLT plant, so the future looks very bright," says **Antto Kauhanen**, Business Development Manager at Stora Enso's Wood Products division.

“

*Stora Enso is using raw material supplied by Tornator to take the construction industry in a more responsible and sustainable direction.”*

Wood construction is gaining popularity for several reasons. In terms of the climate, wood is a wise choice – its manufacture creates much lower emissions than other construction materials, and wood sequesters carbon dioxide across its entire life cycle. The new products minimise construction waste. Timber construction will help the construction industry to take its long-awaited 'productivity leap' by providing cut-to-size elements in the correct installation order. It will also appeal to end users, as wooden buildings are perceived as pleasant even when under construction.

Cooperation between Stora Enso and Tornator enables the use of sawlogs, the most valuable part of this precious raw material, which is ideally used in timber construction. Stora Enso is using raw material supplied by Tornator to take the construction industry in a more responsible and sustainable direction. Stora Enso has been supplying timber for more than 15,000 timber construction sites around the world. Cooperation is being boosted by government announcements – Finland plans to increase the market share of timber construction in public new construction from the current 14 percent to 45 percent by 2025.

TORNATOR IN BRIEF

ANNUAL REVIEW

The year 2020 in figures

Highlights of 2020

CEO's review

- Finance

Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



# THE PANDEMIC PROVED THE SOUNDNESS OF TORNATOR'S BUSINESS MODEL

The key megatrends affecting Tornator's operations are climate change, population growth and the resulting higher rate of urbanisation and digitalisation. In light of the opportunities offered by megatrends, the outlook for sustainable forestry remains very good. In 2020, various megatrends were joined by the global pandemic, which proved the strength of Tornator's business model even in exceptional circumstances.

Population growth and climate change are increasing demand for wood-based materials, and the migration of forest owners to cities is increasing the need for various forest services. On the other hand, digitalisation is providing Tornator with opportunities specifically related to more accurate forest resource data collection and analysis. Efforts have been made to collect high-quality forest data, as only up-to-date information will maintain the business edge established through years of work. The sharp rise in demand for teleworking technologies in 2020 demonstrated Tornator's digital edge – the company switched to teleworking effortlessly.

Use of wood and forests is part of the solution in the fight against climate change. Environmentally harmful fossil products and raw materials are increasingly being replaced with renewable, wood-based products, while growth in the bioeconomy and the popularity of timber construction will ensure strong demand for wood and raise the value of forests. In public discussion, Tornator communicates strongly on various forest use methods, the protection of valuable habitats, nature management of commercial forests and the responsibility of Finnish forest owners: The growth and overall stock of Finnish forests are at a record level, and we want to take first-class care of them.

## The market recovered and was renewed

Despite the COVID pandemic, demand for wood remained high in 2020. In the medium term, the influx of damaged timber that shook the Central European timber market in 2019 is expected to give way to a timber shortage, which will clearly improve the temporarily weakened competitive situation in Finland and the Baltics. An exceptionally high number of new investment plans look set to increase the use of wood. The US sawn timber market absorbed products from Europe, partly due to reduced supply from Canada, where the forest sector is dealing with insect damage. Extensive forest damage in Central Europe and Canada is an important reminder that forests should not be turned into museums: sustainable forest management is required to ensure the health and carbon sequestration of trees.

As in-office work declined, paper production decreased and is not expected to return to the previous level. The continued reduction in paper use has been compensated for by the growth of e-commerce and the related packaging cardboard products. The sawn timber market also began to show signs of recovery as construction and repair work picked up after the slow spring.

Despite the tougher forestland market and new operators, Tornator has been able to continue acquiring forest in Finland at a good rate. However, the zero-interest environment has kept prices of steadily profitable forestlands very high. In Estonia, overheating of the forestland market has made forest purchases extremely challenging. Due to the pandemic, the plot market underwent a significant change: demand for holiday homes rose sharply and the years-long downward trend in building site sales came to a halt.

A key change in the silvicultural service market occurred at the end of the year, when Tornator announced its expansion agreement concluded with Stora Enso. From 2021, Tornator will provide forest management services to Stora Enso's forest owner customers across Finland.

Pressure to further reduce the use of fossil energy sources made the wind power market even more appealing. Tornator took advantage of the good market situation and realised its wind power development projects. Wind power construction on Tornator's land will benefit the company both financially and in terms of climate responsibility.

TORNATOR IN BRIEF

ANNUAL REVIEW

The year 2020 in figures

Highlights of 2020

CEO's review

Finance

- Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

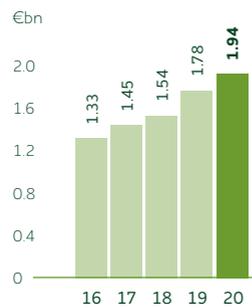
REPORTING PRINCIPLES AND GRI INDEX



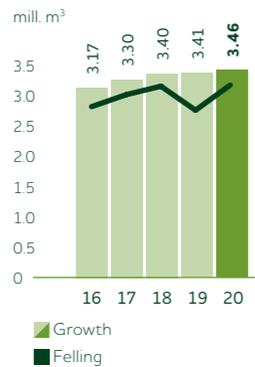
### Global megatrends with impacts on Tornator

Global megatrends	Key impacts from Tornator's viewpoint	Our response
<b>Climate change</b>	<ul style="list-style-type: none"> <li>Forests will be more important as carbon sinks and stores</li> <li>Extreme weather events and risk of forest damage will increase</li> <li>Forests will grow more rapidly</li> <li>Carbon debate will intensify and people's attitudes will increasingly steer public opinion and political decision-making</li> <li>Regulation may increase</li> </ul>	<ul style="list-style-type: none"> <li>Increasingly influence opportunities to utilise forests</li> <li>Through proper management, maintain good growth and the damage resistance of forests</li> <li>Make sustainable use of additional forest growth</li> <li>Openly communicate about our operations and responsibility</li> <li>Strive to make Tornator better known</li> <li>Help to influence regulation by providing expertise</li> </ul>
<b>Population growth</b>	<ul style="list-style-type: none"> <li>Material needs and consumer demand will increase and wood prices will rise</li> <li>Utilisation of forests will be more diverse</li> <li>Importance of bioeconomy and circular economy, and demand for renewable raw materials will increase</li> <li>Urbanisation will grow and people will become estranged from nature and forest management</li> <li>Finding skilled labour in sparsely populated areas will become more difficult</li> <li>Needs for recreational use and other forest-related services will increase</li> </ul>	<ul style="list-style-type: none"> <li>Increase forestland area, intensify wood production and diversify our business</li> <li>Provide the market with raw materials for the production of bio-based products and to replace fossil products</li> <li>Communicate with the public about forestry and provide our professional forest ownership as an alternative</li> <li>Ensure attractiveness of our jobs in sparsely populated areas as well</li> <li>Develop multiple use of our forests and actively offer them for recreation</li> </ul>
<b>Digitalisation</b>	<ul style="list-style-type: none"> <li>Significance of digital systems for forest and multisource data will increase</li> <li>Use of artificial intelligence, robotics and automation will expand</li> <li>Volumes of forest-related information will grow, and its quality and accuracy will improve</li> <li>Information security risks and significance of data protection will increase</li> <li>Digital revolution will change operating and working practices</li> </ul>	<ul style="list-style-type: none"> <li>Actively develop multisource forest data collection and refinement. Use satellites, among other means, in forest management to achieve an optimal and sustainable forest management solution</li> <li>Actively seek new digitalisation opportunities to create added value for our business and stakeholders, and develop these together with our partner network</li> <li>Be agile in adopting new practices, and secure future expertise by training and developing employees</li> <li>Use advanced security technology, and provide instructions and training for information system users</li> </ul>

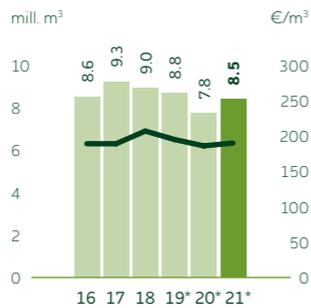
**Valuation of forests**  
(fair value)



**Growth and felling in Tornator Group's forests**

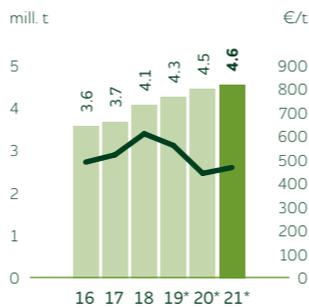


**Sawnwood exports**



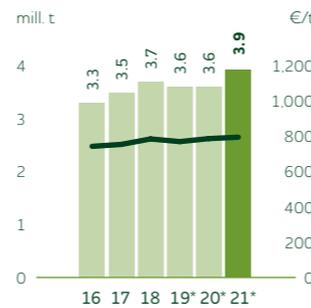
\* PTT forecast  
Source: Statistics by Natural Resources Institute Finland and Customs

**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

**Log and pulpwood stumpage prices in Finland**  
(Four-week sliding average)



Source: Natural Resources Institute Finland, Finnish Forest Industries Federation

TORNATOR IN BRIEF

ANNUAL REVIEW

The year 2020 in figures

Highlights of 2020

CEO's review

Finance

• Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



# FROM THE FORESTS TO US



## FORESTS OWNED BY ILOMANTSI PARISH MANAGED BY TORNATOR SINCE 2012

The Orthodox Parish of Ilomantsi has been Tornator's customer since 2012, but has owned forests for more than a century. The Parish relies on Tornator to manage its 186 hectares of forestland. Tornator has handled forest planning, management and timber sales services professionally and on schedule.

"Everything related to our forests goes through Tornator. I am delighted by this cooperation, because Tornator has been a reliable partner. We pretty much rely on their expertise when it comes to forest management," says priest **Ioannis Lampropoulos**.

As well as being a source of income for the parish, forest ownership has the ethical dimension of care for the environment. Parishioners hike in the forest and this is taken into account in the management plan. In September 2020, the parish forests received FSC group certification, ensuring that forest management measures take account of biodiversity and cultural and recreational values, as well as the financial aspect.

A certain part of the forestland is no longer under strict protection following the certification.

"Being Greek, I only learned to spend time in the forest this year. It's a place where the mind is at rest – a holy place. Finns have a unique relationship with the forest – it is such a natural part of their lives through hunting, berry and mushroom picking, or just spending time there. The way Finns manage their forests sets an example for many others," says Lampropoulos.

Having the Orthodox Parish of Ilomantsi as a customer has been a pleasure for Tornator.

"My predecessor performed the huge task of inventorying and plotting the parish's forestland. An example of a more recent success is the cemetery maintenance plan, done together with the Finnish Heritage Agency," says **Henna Honkanen**, a planning expert at Tornator.

TORNATOR IN BRIEF

ANNUAL REVIEW

The year 2020 in figures

Highlights of 2020

CEO's review

Finance

- Business environment

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX

# STRATEGY



TORNATOR IN BRIEF

ANNUAL REVIEW

- STRATEGY

Strategic priorities, vision, mission, values

Profitably growing

Competitively developing

Responsibly influencing

Value creation

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX

## FORERUNNER IN RESPONSIBLE USE OF FORESTS

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

Tornator prepared in advance for new strategy work to be carried out in 2021, in which the entire organisation will participate. The new strategy will also take account of TCFD (Task Force on Climate-related Financial Disclosures), reporting on the economic risks and opportunities posed by climate change.

The company's current strategy has three focus areas: profitable growth, competitive development and responsible influencing. Tornator wants to generate sustainable well-being from forests and be a strong forerunner in their responsible use.



## VISION

**Tornator – A forerunner in the responsible use of forests.**

## MISSION

**We generate sustainable well-being from forests.**

### STRATEGIC PRIORITIES

#### Profitably growing

We develop new business and expand our activities in strategic core areas by seeking synergies with selected partners.

#### Competitively developing

We create new operating models, intensify and develop our operations through digitalisation, and build services related to forest property management.

#### Responsibly influencing

We make our company better known, build the Tornator brand, influence our operating environment through active measures, and develop our strategic skills and competences.

### VALUES

**Responsibility** – for quality of work, the environment and relationships with stakeholders.

**Expertise** – willingness to develop and improve.

**Partnership** – ability and the will to work together.

### RESPONSIBILITY AT THE CORE OF OUR BUSINESS

Tornator makes economic, social and environmental responsibility an integral part of its business, guided by a Code of Conduct, updated in 2020, that is common to all countries of operation.

By combining effective forestry with nature management in commercial forests, protecting valuable habitats and providing employment, the company ensures that environmental values, biodiversity and people's well-being are promoted throughout its sphere of influence, according to legislation and stakeholders' expectations. For Tornator, responsible use of forests means securing well-being for future generations.

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

- Strategic priorities, vision, mission, values

Profitably growing

Competitively developing

Responsibly influencing

Value creation

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX

# PROFITABLY GROWING GROWTH FROM VERSATILE USE OF FORESTS

Tornator seeks growth by expanding its forest property, developing its existing business operations, and creating new business models. Growth is enabled by business based on the sustainable and versatile use of forests, a better-known brand and a strong partnership in silvicultural services.

In terms of growth, the focus in 2020 was on the acquisition of new forests and key partnerships. Investments in forest purchasing amounted to €44 million. In total, we acquired almost 12,000 hectares of new forestland in Finland. The first agreements in Finland were concluded in the forest lease business. As forests will be used in a variety of ways in the future, the greatest growth potential lies in development of the service business.

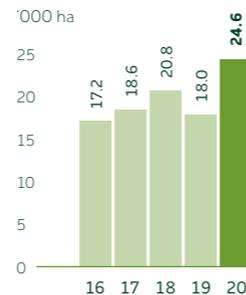
## End of year news: Major wind power deal and expanded cooperation with Stora Enso

Due to the conclusion of the cooperation agreement between Tornator and Stora Enso in December 2020, all of Stora Enso's silvicultural services will be provided in Finland by Tornator Oyj from March 2021. Silvicultural work is one of the most important climate actions taken in forests – the better stock grows, the more carbon it sequesters. This agreement will make Tornator's forest management expertise available to Stora Enso's forest owner customers across Finland, and Tornator will be able to offer even more work to its own personnel and contractor partners.

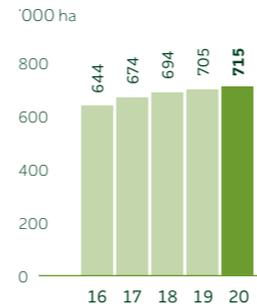
Tornator and OX2, the largest onshore wind farm builder in Europe, made a significant deal on a wind power portfolio. Tornator sold OX2 the rights to a 600-megawatt wind-power project in Finland. The combined annual energy

production of the completed wind farms will be about 2 terawatt hours, and the investment will exceed 600 million euros. The agreement includes project rights for around 100 wind farms, and, as the landowner of the project sites, Tornator will benefit from long-term rental income in addition to the purchase price. This deal is an important step towards achieving the company's sustainability goals and combating climate change. Wind power projects contribute to the vitality of project locations and will help Finland achieve its carbon neutrality goals.

Total area of Tornator's silvicultural work



Development of Tornator's forestlands



### KEY ACHIEVEMENTS 2020

- Investments of €44 million in almost 12,000 hectares of forestland purchases
- First forest lease business agreements in Finland
- Stora Enso and Tornator expand their cooperation in silvicultural services
- Higher forest growth and carbon sequestration by fertilising approx. 6,800 ha

### TARGETS FOR 2021

- Further increase in forest property
- Development of service business
- More versatile use of forests' potential
- Utilising the potential of digitalisation

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

Strategic priorities, vision, mission, values

- Profitably growing
- Competitively developing
- Responsibly influencing
- Value creation

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX





## The ‘Tornameininki’ campaign provided work for entrepreneurs during the COVID pandemic

When the **CORONAVIRUS PANDEMIC** struck Finland in spring 2020, Tornator decided to help secure employment for Finns. The result was the ‘Tornameininki’ campaign, based on bringing forward forest work needed in the near future, to create extra work for new entrepreneurs and those already in our cooperation network. Forest work of all types was on offer – from planting seedlings to clearing saw works and road maintenance. Work was offered all over Finland.

The Tornameininki campaign took off to a quick start: planning began in November, job advertisements were published in April in outlets such as the Maaseudun Tulevaisuus newspaper, and the first work began in May–June. Work was offered until the end of 2020. The campaign achieved its goal well: additional work worth around one million euros was offered to various entrepreneurs. Seedling suppliers also enjoyed the extensive and positive effects of the campaign, by providing more material for planting.

Good feedback was given by Tornator employees and entrepreneurs:

“Planning and implementing the campaign required extra effort at Tornator, and I’m glad that everyone has been so committed to their work,” says **Jussi Komulainen**, Silviculture Manager at Tornator. “We were also able to strengthen our long-term entrepreneur network and create good new partnerships.”

**Pekka Leinonen**, who runs a machinery business in Eastern Finland, praises the campaign:

“The campaign was highly successful. Tornator offered me almost full-time contracts during the summer and our collaboration, which began with the campaign, continues.”

“

*The campaign achieved its goal well: additional work worth around one million euros was offered to various entrepreneurs.”*

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

Strategic priorities, vision, mission, values

- Profitably growing

Competitively developing

Responsibly influencing

Value creation

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX

# COMPETITIVELY DEVELOPING STAFF EXPERTISE AND WORLD- CLASS DIGITAL SOLUTIONS AS THE CORNERSTONES OF SUCCESS

In 2020, Tornator's competitiveness was developed with the help of, e.g., green financing and new digital solutions. The company's competitiveness is based on its staff's extensive expertise and first-class digital solutions that streamline operations and contribute to risk management – accurate, up-to-date information ensures that our value proposition is realised.

In 2020, Tornator issued the Green Bond, the first green corporate bond to be listed on the Helsinki Stock Exchange. The double-certified forests owned by the company also support climate friendly financing. Credit of this kind attracted a great deal of interest among investors.

The extensive expertise of Tornator's staff is a cornerstone of the company's success. They have decades of experience in forestry; the company employs people experienced in timber sales, forest management, properties, environmental issues and ICT. Competitive financing and a solid and strong ownership base, enabling long-term strategic planning and operations, also contribute to the company's success.

Tornator's success is based on highly developed, efficient operating processes. Cost-efficiency is guaranteed by an advanced enterprise resource system tailored to the needs of major forest owners. Reporting and highly analysed data in support of management decision-making were also developed in 2020.

In Finland's environment of fragmented forest ownership and recently mild winters, Tornator's key competitive edges as a timber seller lie in the large size of its logging sites, high-quality planning and the reliability provided by a good forest road network, which is a critical prerequisite for timber trade partners.

## Digital solutions are needed for success

Digitalisation offers new solutions for the management of forest property. Use of digitalisation lies at the heart of Tornator's strategy, and never before has the company had exceptionally accurate up-to-date information of this kind on the various features of its forests.

Tornator is driven by a strong customer focus, with the goal of being the best timber trade and cooperation partner on the market. Only with high-quality forest information can Tornator maximise its profits and customer experience and remain competitive.

### KEY ACHIEVEMENTS 2020

- Acquisition of green funding
- Even more effective harnessing of AI for forest inventory

### TARGETS FOR 2021

- Further development of digital solutions
- Concluding a cooperation agreement with the main customer
- Ensuring competitive financing

### Tornator's tax footprint: Annual taxes and other payments to government, average 2016–2020

€m



- Corporation tax **5.7**
- VAT.net **18.8**
- Personnel-related payments **3.4**

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

Strategic priorities, vision, mission, values

Profitably growing

- Competitively developing

Responsibly influencing

Value creation

RESPONSIBILITY

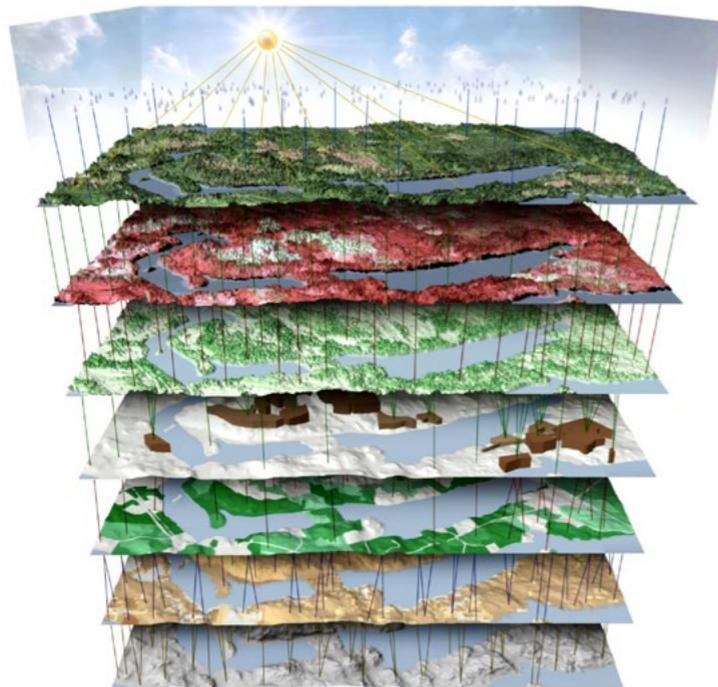
GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX



“  
It is vital that we know what  
kind of forest we own and how  
we can make the best use of it.”



## An ace up the sleeve: Up-to-date, accurate and consistent forest information

Exploiting the potential of **DIGITALISATION** is truly beginning to bear fruit. A forest operator's key asset is high-quality forest resource information.

“It is vital that we know what kind of forest we own and how we can make the best use of it. We can use growth and simulation models to predict how our forests develop and what the felling opportunities are, and to ensure that our forests are managed in a timely and sustainable manner. To do all this, we need cost-effective data acquisition to ensure that accurate, timely, consistent and useful data is at our disposal. High-quality information is also the best form of risk management. In this way, company owners can rest assured that we are operating according to our promised values,” says **Kimmo Kortelainen**, Forest Data Manager at Tornator.

At the moment, the most promising project for the acquisition of high-quality forest information is Linda Forest, an AI-based system developed by Collective Crunch. This analyses satellite, process and geographical data to create forecasts of the tree types and volumes growing in its forests. Linda has reached the validation stage – experiences have been good and development continues.

“The first pilots were launched in summer 2020 on about one-fifth of the forest area we own. Follow-

ing the pilot stage, we are now using Linda material for all forests owned by the company. We have also obtained new harvester material which, when analysed and refined, has contributed to Linda's validation work. Much of this data content was not previously available to us. They are, so to speak, two sides of the same coin: using artificial intelligence for forest inventory,” says Kortelainen.

Some forest data acquisition projects currently under way are based on, for example, remote sensing, development of carbon balance development and our own drone technology and terrestrial laser pilots. We are working on the identification of undesired thickets in seedling stands by means of remote sensing; overall development of road networks; optimisation of tactical felling plans; and the development of preliminary analytics for leased forests. Reporting and analytics are being developed apace for business needs – data cubes created this year will enable businesses to analyse forest data for themselves with a PowerBI application.

“The digitalisation of forests is progressing very rapidly, and Tornator has taken a clear lead in this. We firmly believe that artificial intelligence, in which both parties will be leaders, is one of the strongest pillars on which this will rest,” says **Jarkko Lipponen**, Managing Director of Collective Crunch.

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

Strategic priorities, vision, mission, values

Profitably growing

- Competitively developing

Responsibly influencing

Value creation

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX

# RESPONSIBLY INFLUENCING RESPONSIBILITY MEANS TAKING ACTION FOR FORESTS AND PERSONNEL

In 2020, as a pioneer in sustainable forestry, Tornator consolidated its influencing work aimed at the operating environment. Efforts will be made to improve the basis for such work by developing the Tornator brand and promoting the principles of sustainable forestry and work done to maintain biodiversity.

Tornator will try to bring its expertise and broad perspective to the public debate on the use of forests, while emphasising the role of sustainable forestry in the fight against climate change. In 2020, Tornator actively participated in updating the criteria for FSC® certificates. Due to the uncertain market situation, additional work was offered to entrepreneurs in the industry through the ‘Tornameininki’ campaign.

In 2020, Tornator particularly invested in the well-being and working ability of its staff, and development of their human capital in exceptional circumstances. The company also updated its Code of Conduct to make it more practical and understandable in everyday work. The company postponed its dividend payment until the uncertainty caused by the pandemic has dissipated.

## Tornator communicates common goals

Tornator has continued to strengthen its brand and reputation. Communication with forest owners is also very important. Finland’s 600,000 or so forest owners form a

major stakeholder for Tornator. The urbanisation of this group means that an increasing number of forest owners are no longer experienced forestry operators, due to which Tornator must step up its communication on common goals. A healthy, professionally managed forest improves the well-being of the owner, society and the climate.

### KEY ACHIEVEMENTS 2020

- Updating and further developing strategic capabilities
- Remote management during the pandemic
- Publication of the Code of Conduct

### TARGETS FOR 2021

- Continuing brand and communication work
- Continuing training in responsible management



“

*In 2020, Tornator particularly invested in the well-being and working ability of its staff, and development of their human capital in exceptional circumstances.”*



TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

Strategic priorities, vision, mission, values

Profitably growing

Competitively developing

- Responsibly influencing

Value creation

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



“

Through hunting, you get to see the annual cycle of nature and take part in game management. It's also very much about community spirit.”

# FROM THE FORESTS TO US



## HUNTING PROVIDES A VANTAGE POINT ON FINNISH NATURE

Forests provide opportunities for a number of activities. One of the most traditional pastimes is probably hunting, but its image of old men in the woods should be dusted off. Hunting has been transformed in the last few decades. **Jukka Tuikka**, chairman of a hunting club in Sotkamo, gives an impression of a sporty hobby for people of all ages, with more and more women, dog owners and young people taking an interest in it.

"Through hunting, you get to see the annual cycle of nature and take part in game management. It's also very much about community spirit," says Tuikka.

Their hunting club leases forest areas from Tornator, a company described by Tuikka as a responsible actor in forest policy. Land leasing also involves game management responsibilities, such as supervising the size of the elk population and the growing

beaver population. Their hunting club takes part in controlling hunting on the territory, and in mire restoration to ensure favourable conditions for grouse. They also planted new seedlings a while back – for the benefit of future generations.

Founded in 1968, the hunting club has over a hundred avid members. They hunt all sorts of game, from pigeons to bears. Many members have family ties with Sotkamo, and Tuikka says that he has followed in the footsteps of his father and brothers.

"My hunting hobby has taken on new aspects as I've grown older. A successful hunt is not my only motivation, I also enjoy picking mushrooms and berries, observing animal tracks, and taking a walk with the dogs. The forest provides different pleasures in different seasons.

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

Strategic priorities, vision, mission, values

Profitably growing

Competitively developing

- Responsibly influencing

Value creation

RESPONSIBILITY

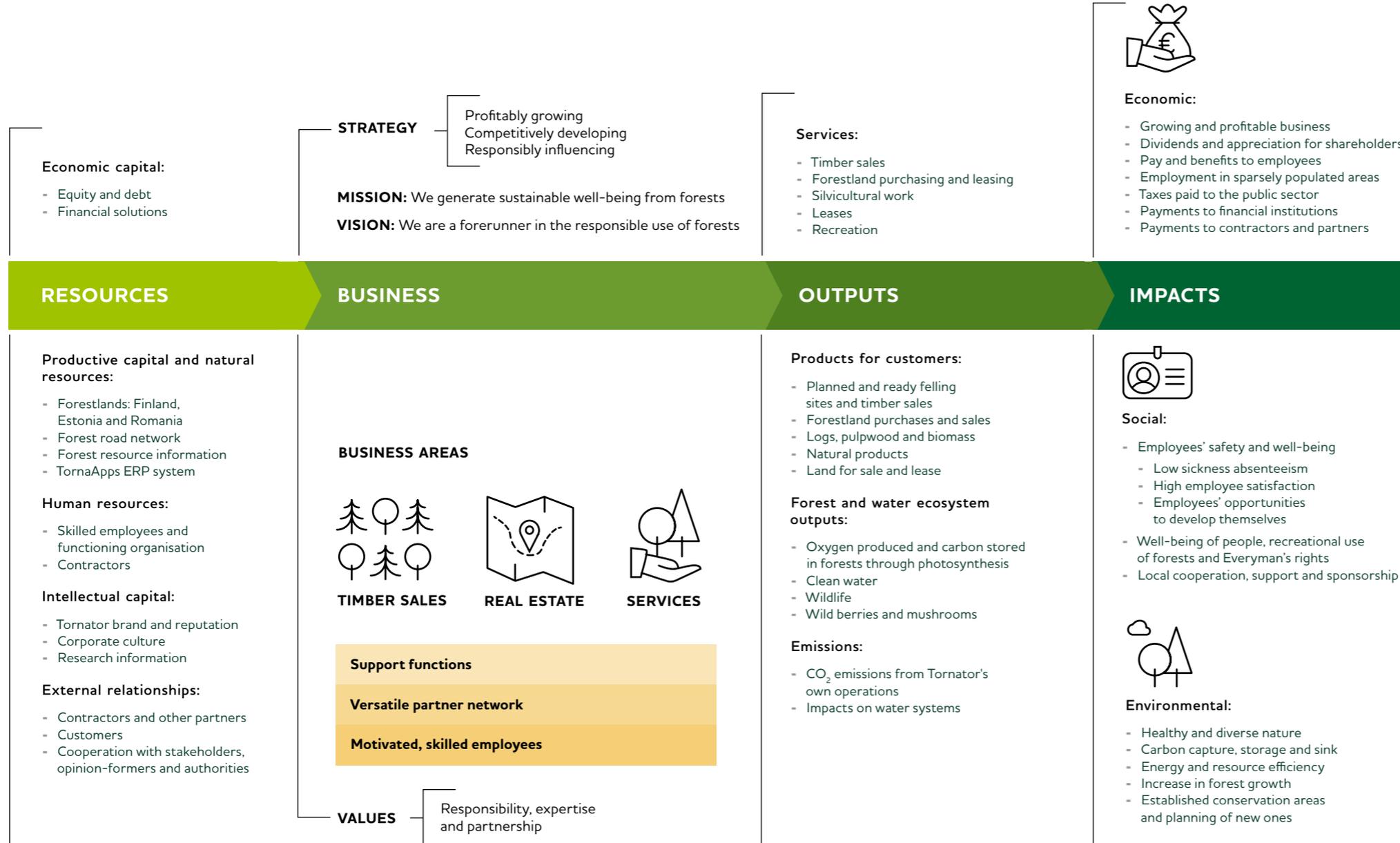
GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



# VALUE CREATION



TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

Strategic priorities, vision, mission, values

Profitably growing

Competitively developing

Responsibly influencing

- Value creation

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX

# RESPONSIBILITY



TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

• RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX



# RESPONSIBILITY PROGRAMME AND GOALS

Tornator aims to continue being an expert in sustainable forestry, an attractive employer and a responsible partner. These three updated responsibility themes are based on a materiality analysis conducted in autumn 2020, in which we interviewed internal and external stakeholder representatives about their views on the company's key areas of responsibility. The preceding materiality analysis was performed in 2017.

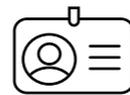
According to the recent materiality analysis, the sustainable use of forest resources was again regarded as a key responsibility theme by both external and internal stakeholders. A new theme – enhancement of positive climate effects – became a key issue. Other key themes include financial responsibility and profitability, openness and transparency, job satisfaction, health and safety, forest certification and the promotion of biodiversity.

In addition, Tornator has recognised six key goals, from the United Nations Sustainable Development Goals (SDGs), regarding its own business and stakeholders. It aims to promote these six goals within its operations.



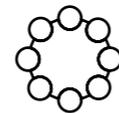
## AN EXPERT IN SUSTAINABLE FORESTRY

We protect valuable habitats, promote diversity and enhance positive climate impacts.



## AN ATTRACTIVE EMPLOYER

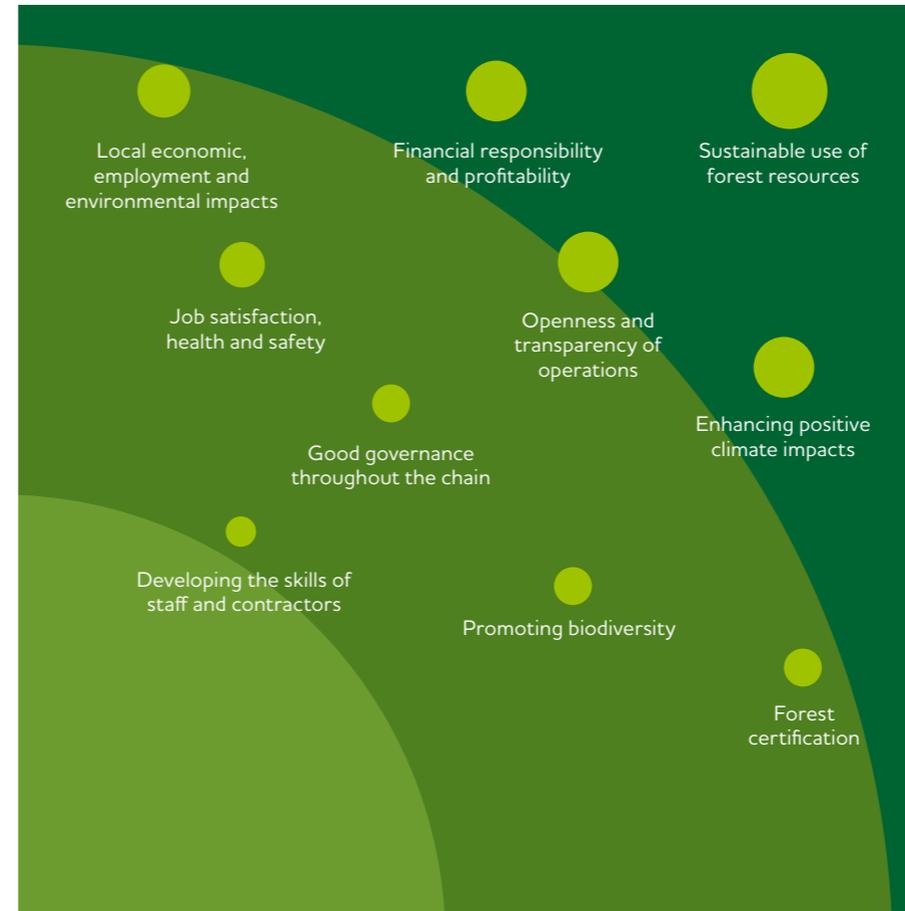
We strive for excellent management, the creation of well-being and continuous staff development.



## A RESPONSIBLE PARTNER

We are growing profitably and are a long-term partner for all our stakeholders.

### Materiality matrix



TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

- Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



## We are a forerunner in the responsible use of forests

Theme	Topic	Target	Indicator	Outcome 2020 (2019)	Status of the target
 <b>An expert in sustainable forestry</b>	<b>Sustainable utilisation of natural resources</b>	Make cutting plans sustainably	Annual cut vs. growth	Cut some 3.2 mill. m <sup>3</sup> /yr (2.8), Growth some 3.5 mill. m <sup>3</sup> /yr (3.4)	↗
	<b>Certified products</b>	Comply with FSC and PEFC certification criteria	No major non-compliances	No major non-compliances (0)	↗
	<b>Carbon capture and storage</b>	Increase carbon sequestration by caring for the health and vigour of forests. Maintain carbon stores of forests with sustainable harvesting.	Maintenance of carbon capture and storage capacity	Forest growth 5.5 m <sup>3</sup> /ha/yr (5.5)	→
 <b>An attractive employer</b>	<b>Employee satisfaction, health and safety</b>	Satisfied employees, healthy and safe work environment	Result of the new employee well-being survey, number of accidents at work	A new kind of employee well-being survey in 2020, 3.9/5 8 (8)	→
		<b>Employee and contractor training</b>	Secure necessary expertise for the company	Days of training per person	3 days (5.5)
 <b>A responsible partner</b>	<b>Economic responsibility and profitability</b>	Steady dividends and increasing forest value for shareholders	Return on equity at fair value	13.8% (21.5)	↘
	<b>Local economic impacts</b>	High net value retained	Net value retained	€ 26.8 mill. (7.7)	↗
	<b>Responsible management of contractor and partner relationships</b>	Monitor suppliers' sustainability systematically	Completed supplier assessments	107 (90)	↗
		<b>Open communication and stakeholder relationships</b>	Identify sustainability themes important to the company and stakeholders	Updating of the materiality analysis (core/comprehensive) at three years' intervals in co-operation with stakeholders	The materiality analysis was updated in Autumn 2020. The previous one was conducted in 2017.

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

- Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX



# DIVERSIFIED STAKEHOLDER WORK

**Tornator's stakeholder network is based on the company's values: responsibility, expertise and partnership. The company has a long tradition of stakeholder dialogue, seeking solutions that align its goals and expectations with those of various stakeholders.**

Tornator's stakeholder network includes a large group of actors that utilise forests or operate in the related sectors. The key stakeholders are: customers, shareholders and investors, contractors and other partners, employees, authorities and decision-makers, and local communities. Tornator aims to work responsibly at all levels of its stakeholder network, from European-level decision-making all the way down to discussions with local communities.

Although Tornator's practical stakeholder work was affected by the coronavirus pandemic that began in 2020, two briefing and discussion events were held on wind power early in the year. Progress was also made in a joint project aimed at restoring a forest area in Sotkamo, where trees were removed and ditches blocked. The Vuokatti Tourism Information Centre is a partner in the project, which was launched in 2019. In addition, Tornator established a record 1,500 hectares of new nature conservation areas.

The views of stakeholder groups about Tornator's operations are measured annually through a survey that forms part of the FSC audit. The results of both surveys showed that stakeholder satisfaction had remained at an excellent level in 2020.

Tornator is a member of several associations and advocacy organisations that are relevant to sustainable forestry. The company's key roles include board and committee memberships of the Finnish Forest Industries Federation, and board memberships of the digital wood trade developer Suomen Puukauppa Oy, the Finnish Forest Museum Foundation, Ilomantsi Museum Foundation, and FSC Finland – Association for Responsible Forestry. Tornator is also taking part in the University of Eastern Finland's ForBio project as a member of its Steering Committee and expert panel. In 2020, Tornator was accepted as a new member of the Climate Leadership Coalition (CLC), which promotes climate-related issues.

Tornator is also active in operating countries outside Finland. In Romania, Tornator chairs the "Romania Association of Private Forest Land Owners - PROFOREST", and in Estonia is a member of key associations in the sector.

All Tornator's memberships and roles in various organisations are presented on the company's website at [www.tornator.fi/en/memberships/](http://www.tornator.fi/en/memberships/).



TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

- Stakeholders

Responsibility management

An expert in sustainable forestry

An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX



## Stakeholder cooperation 2020

	Expectations towards Tornator	Communication channels	How we met expectations
<b>Wood buyers, forestland sellers and other customers</b>	<ul style="list-style-type: none"> <li>• Wood availability (flexibility)</li> <li>• Predictability</li> <li>• Long-term business</li> <li>• Reliability</li> <li>• Expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Sales and agreement negotiations</li> <li>• Information systems</li> </ul>	<ul style="list-style-type: none"> <li>• Tornator provided customers with:               <ul style="list-style-type: none"> <li>- PEFC™- and FSC-certified wood</li> <li>- High-quality felling sites and forest management and lease services</li> <li>- Planned holiday home plots</li> </ul> </li> </ul>
<b>Owners and providers of loan funding</b>	<ul style="list-style-type: none"> <li>• Reliable and steady long-term returns</li> <li>• Risk management</li> <li>• Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation with the Board and shareholders</li> <li>• Investor communications</li> <li>• Loan transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Tornator arranged investor meetings</li> <li>• Close cooperation with the Board of Directors and shareholders</li> <li>• Adjusted profit was excellent and the value of forests increased significantly. No negative risks were realised.</li> </ul>
<b>Contractors and other partners</b>	<ul style="list-style-type: none"> <li>• Predictability of work</li> <li>• Steady availability of work</li> <li>• Method development projects in cooperation with contractors</li> </ul>	<ul style="list-style-type: none"> <li>• Annual contract negotiations</li> <li>• Inspection visits to sites</li> <li>• Cooperation meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Tornator's total employment effect is about 1,000 person-years</li> <li>• Participation in various development projects</li> </ul>
<b>Service providers</b>	<ul style="list-style-type: none"> <li>• Compliance with agreements and responsible behaviour as a customer</li> <li>• Provision of clear project plans in appropriate schedule</li> </ul>	<ul style="list-style-type: none"> <li>• Service and project meetings</li> <li>• Teams</li> <li>• Email</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of outcomes in terms of substance and finance</li> <li>• Setting up of steering groups for larger projects</li> <li>• Responsible implementation of jointly agreed project schedules and tasks</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Well-being at work</li> <li>• Forest workers:               <ul style="list-style-type: none"> <li>- sufficiency of work, and a working season that is as long as possible</li> </ul> </li> <li>• Salaried employees:               <ul style="list-style-type: none"> <li>- stable employer, interesting tasks and good management</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation and development discussions</li> <li>• Cooperation with employee groups</li> <li>• Close first-line management</li> </ul>	<ul style="list-style-type: none"> <li>• Supervisors stayed in close contact with employees</li> <li>• Individual training opportunities</li> <li>• Groupwide training programme about responsible leadership</li> </ul>
<b>Authorities and decision-makers</b>	<ul style="list-style-type: none"> <li>• Professional and collaborative practices</li> <li>• High-quality plans and studies</li> <li>• Open and fast communication on relevant topics</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Active discussion and formal negotiations</li> <li>• Environmental inventories for ongoing EIA procedures and establishment of conservation areas</li> <li>• Active influence on the business environment</li> </ul>
<b>Universities and educational institutions</b>	<ul style="list-style-type: none"> <li>• Participation in development project and studies</li> <li>• Promotion of forest awareness among children and young people</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation projects</li> <li>• Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Visits to schools in the Forest of Opportunities campaign</li> <li>• Regional sponsorship: forestry students, forest culture, physical activity for children and young people</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• Consideration of the environment in forestry operations and various land-use projects</li> <li>• Regional employment effects</li> <li>• Listening to neighbours and other residents</li> <li>• Participation in local projects and provision of recreational opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Discussions and participatory meetings</li> <li>• Website</li> <li>• Collection and handling of feedback</li> </ul>	<ul style="list-style-type: none"> <li>• All feedback was handled</li> <li>• Establishment of conservation areas, such as Luhtapohja in Joensuu</li> <li>• Provision of forests for recreational use</li> <li>• Maintenance of forest roads</li> <li>• Number of hunting leases: approx. 1,000</li> </ul>
<b>Associations</b>	<ul style="list-style-type: none"> <li>• Responsible and sustainable operations</li> <li>• Consideration of biodiversity and effective forest certification</li> <li>• Provision of hunting opportunities and consideration of game animals</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings and messages</li> </ul>	<ul style="list-style-type: none"> <li>• PEFC- and FSC-certified wood</li> <li>• Meetings with associations and FSC International</li> <li>• New membership in the Climate Leadership Coalition (CLC)</li> <li>• In Finland, participation in the LUMO, FORBIO, Light &amp; Fire LIFE and Freshabit LIFE IP projects</li> <li>• In Estonia, participation in development groups for forest certification and private forestry</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Open, proactive and fast communication on relevant topics</li> </ul>	<ul style="list-style-type: none"> <li>• Press releases</li> <li>• Website and social media</li> <li>• Personal contacts</li> </ul>	<ul style="list-style-type: none"> <li>• Press releases on website</li> <li>• Becoming more active in social media channels</li> </ul>

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

- Stakeholders

Responsibility management

An expert in sustainable forestry

An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

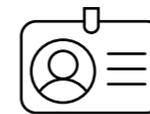
# RESPONSIBILITY MANAGEMENT

Alongside expertise and partnership, responsibility is one of the key values that guide Tornator's operations. Financial, social and environmental responsibility has been made an integral part of the company's business, translating into practical measures in our daily work.

For Tornator, responsibility means aligning the goals and expectations of the company with those of its stakeholders. Responsibility issues have grown in importance among various stakeholders; our owners, for example, expect us to take account of sustainability, even in our financing strategy. Responsibility was also realised in terms of financing in 2020, with Tornator renewing all financing agreements and acquiring most of its credit within the terms of the Green Finance Framework.

Responsibility issues play a major part in Tornator's leadership practices and their planning. The company is committed to responsible business through both its internal and external principles. Tornator's operations are guided by the legislation of its countries of operation, its Code of Conduct, its environmental principles and external PEFC and FSC certification system criteria. The company successfully updated its FSC certificate in 2019. A new unified Code of Conduct was launched in 2020, i.e. instructions and training in honest work practices in all operating countries.

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



**A NEW UNIFIED CODE OF CONDUCT WAS LAUNCHED IN AUTUMN 2020, I.E. INSTRUCTIONS AND TRAINING IN HONEST WORK PRACTICES IN ALL OPERATING COUNTRIES.**

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

- Responsibility management

An expert in sustainable forestry

An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX

# EXTENSIVE WELL-BEING THROUGH THE SUSTAINABLE USE OF FORESTS

Tornator aims to promote sustainable use of forests. Its key environmental responsibility goals include nurturing the vitality and diversity of forests and protecting valuable habitats.

Tornator's business is based on the sustainable use of forests, and the company is increasing its forest ownership in the long term and with respect to environmental values. Its operations are guided by its own environmental principles, the legislation of its respective countries of operation, and PEFC and FSC forest certification criteria.

## Active measures to curb climate change

Tornator owns more than 700,000 hectares of forest. Owing to its extensive forest ownership, Tornator plays a major role in fighting climate change. Tornator views the sustainable use of forests as one solution for the mitigation of climate change. For Tornator, sustainable wood production means felling volumes that do not exceed forest growth. This will ensure that forests remain carbon sinks. FSC and PEFC certifications verify that Tornator's felling volumes are sustainable.

Forests owned by Tornator capture around four million tonnes of CO<sub>2</sub> each year. Healthy and sustainable forests are most efficient at sequestering carbon. The aim is to make full use of forests, whose vitality is ensured through regular forest management consisting of regeneration, tending of seedling stands and thinning. Attention is also paid to maintaining mixed forests. Forest management also reduces the risk of damage caused by insects and fires.

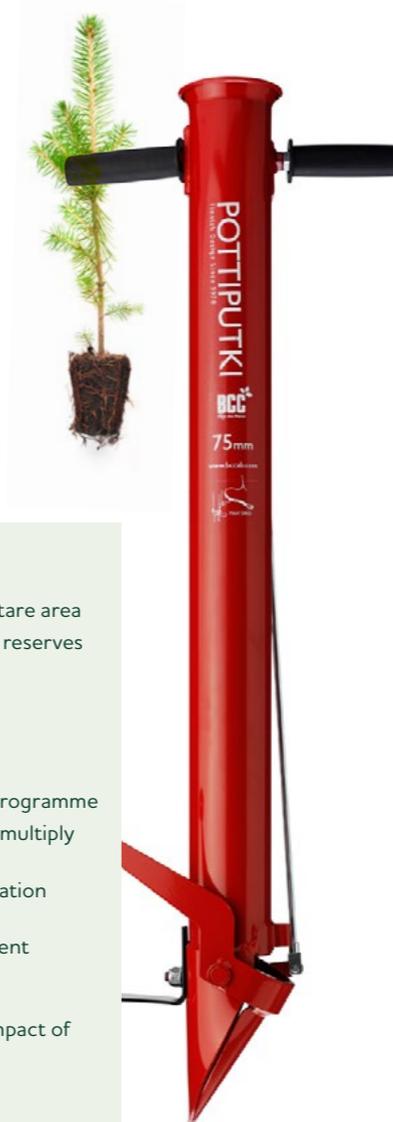
Carbon sequestration can also be promoted with fertilisers and by improving seedling material. Fertilisation provides a quick boost to growth, whereas the benefits of tree improvement appear later. In 2020, Tornator fertilised around 6,800 hectares of its forests.

Mires are another important carbon stock, which Tornator protects in various ways. Tornator does not dig new ditches and takes careful account of water courses and climate impact before engaging in drainage work in general. Mires are being restored and various measures taken to manage the impact of site preparation and ditch restoration on water courses. Such measures include the use of buffer zones and water protection structures. More investments in water protection were made in 2020 – Tornator recruited a water resource management expert to head the design of water protection solutions.

Raw materials from forests can be used to combat climate change. Many fossil raw materials used by industry can be replaced by sustainable wood, and industry is continuously identifying new applications. This will curb climate change and prevent plastic from entering the natural environment.



## An expert in sustainable forestry



### KEY ACHIEVEMENTS 2020

- Prescribed burning of 85-hectare area
- 1,500 hectares of new nature reserves
- No serious failures to fulfil environmental aims

### TARGETS FOR 2021

- Development of biodiversity programme
- Voluntary mire restoration to multiply mire area
- Establishment of new conservation areas, at least 500 hectares
- Expansion of forest management methods
- Development of stakeholder cooperation to increase the impact of measures

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

- An expert in sustainable forestry

An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



### Major efforts to safeguard diversity

As a guarantor of clean water and air, the pollination of crop plants, and enjoyment of the natural environment, biodiversity is of paramount importance to all of us. Moreover, a diverse natural world is more effective at curbing climate change and the related natural disasters. Finnish nature has become less diverse in recent decades, but Tornator believes that much can still be done to reverse this trend.

As well as sustainability in wood production, Tornator aims for ecological sustainability in forestry, being committed to operating in accordance with the UN's guiding principles on sustainable development. The company's FSC certification bears testimony to its ambitious work to strengthen biodiversity. Tornator notes that its operations could also undermine diversity. Felling causes changes in forest structures, such as the reduction of old trees, which can affect the habitats of forest species. It also has an effect on forest scenery.

### Information on impact of actions taken under biodiversity programme

In 2021, Tornator intends to draw up a biodiversity programme, bringing together the measures and goals it uses to promote biodiversity, and metrics to gauge the effectiveness of such measures. Another goal is to intensify diversity measures in certain areas and communicate more actively on the ecological sustainability of forestry. Key stakeholders will be involved in the discussion.

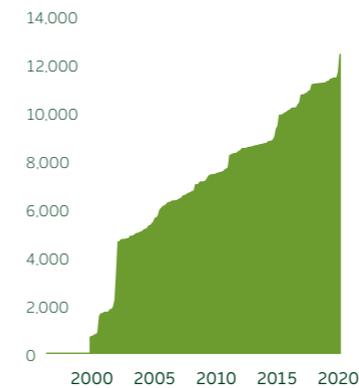
### Themes and measures of biodiversity work in 2020

Theme	Theme in a nutshell	Measures in 2020
<b>NATURE MANAGEMENT OF COMMERCIAL FORESTS</b>	- Nature management of commercial forests refers, for example, to the identification and protection of valuable habitats, and various measures such as creating buffer zones for water courses and leaving retention trees in place.	- <b>Tornator engaged in the prescribed burning of 85 hectares in 2020, exceeding its target for the year. Prescribed burning creates a habitat for many endangered species.</b>
<b>RESTORATION</b>	- In particular, Tornator is working to restore mires with poor or disrupted nutrient cycles to their natural state, so that they function as carbon sinks in the future.	- <b>Tornator restored 113 hectares of mires.</b> - <b>Last year's restoration target of 180 hectares was not achieved due to poor winter weather during harvesting.</b>
<b>CONSERVATION</b>	- Tornator has 200 private conservation areas, covering 13,000 hectares. It also participates in voluntary conservation programmes: 1,500 hectares were protected through the Helmi habitat protection programme and 1,900 hectares through the Metso programme.	- <b>Tornator agreed on a major conservation area of almost 750 hectares in Luhtapohja, Joensuu, under the Helmi habitat protection programme.</b> - <b>Tornator established a record 1,500 hectares of new nature reserves in total.</b>



**NATURE CONSERVATION AREAS INCREASED MORE THAN 6-FOLD since the year of Tornator's establishment**

Protection under the Nature Conservation Act by Tornator (ha)



TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

- An expert in sustainable forestry

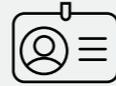
An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



**Heikki Myöhänen,**  
Environmental Manager,  
Tornator

## Q&A: EU biodiversity strategy

### *What is the European Union's biodiversity strategy?*

The European Union published a biodiversity strategy in spring 2020, aimed at halting the loss of Europe's biodiversity by 2030. The strategy sets ambitious goals. Protection was proposed for 30% of land and sea areas – a third being afforded strict protection. More protection should be provided for old and pristine forests, and peatlands in particular.

### *What is Tornator's stance on the strategy?*

Tornator regards the strategy as important and therefore endorses its goal of halting the loss of biodiversity. In this respect, the strategy's goals are in line with those of Tornator. However, the company feels that forestry is not given the attention it deserves in the strategy. The European Green Deal programme only considers biodiversity, overlooking the key role played by forestry in sustainable development. Another problem is the failure to place sufficient emphasis on the financial and social role of forests.

It should also be noted that all Member states have specific characteristics: in Finland, for example, a quarter of forests grow on peatland, and Finland is

pushing for extra protection for them. On the other hand, Finland's strength lies in being a forestry pioneer. Over half of Europe's strictly protected forests are located in Finland, which also has the volunteer-based Metso and Helmi programmes on protection and restoration. Tornator takes part in these programmes.

### *What kinds of requirements will be imposed on Tornator?*

The strategy does not describe the type of requirements set for each member, or their timeframe, in sufficient detail. It is currently known that the Finnish Government is in favour of the biodiversity strategy. The Government nevertheless emphasises that, like the implementation of the related national goals, forest policy is a matter for member states. Tornator seeks to affect practical implementation through lobbying organisations, particularly the Finnish Forest Industries Federation. Additional information is expected in 2021.

The implementation periods will be long in any case, and Tornator considers itself well-positioned in the implementation debate, because protection and restoration will be a key part of the company's future operations.

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

- An expert in sustainable forestry

An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

“Tornator seeks to affect practical implementation through lobbying organisations, particularly the Finnish Forest Industries Federation.”



## Osprey's nest camera deepens understanding of this fine bird

Last summer, many people had ringside seats as Manta and Manu, a pair of ospreys, looked after their young. We have the North Karelian Ornithological Society and Ilomantsi Tourism Association to thank for positioning the nest camera, which was sponsored by Tornator and Vapo.

Alongside stakeholders, Tornator complements its biodiversity programme by means of projects such as nest cameras, commercial forest management, and species and forest protection.

“We want to promote better awareness of the diversity of commercial forests and understanding of the needs of various species,” says Tornator’s Corporate Responsibility Manager, **Tuija Luukkanen**.

The camera recorded the osprey family’s everyday lives during the spring and summer:

“There’s a lot that we don’t yet know about ospreys. Local waters are very murky with low visibility. It is therefore a mystery how ospreys find their food and what fish they prey on. The camera can also reveal facts about the bird’s pair formation and the development of its young,” says Ilomantsi Tourism Association’s Executive Director, **Eero Tuomisto**.

Owned by Tornator, the island home of the osprey nest was busy during the live feed. The chick’s flight training was a high point of the summer, but there were plenty of other dramatic moments.

The nest in Ilomantsi was one of the few natural nests monitored by camera, and plenty of new information was obtained about the ospreys this year as well. The camera was also hugely popular: The Youtube feed was followed more than half a million times.

“

*The camera was also hugely popular: The Youtube feed was followed more than half a million times.”*

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

- An expert in sustainable forestry

An attractive employer

A responsible partner

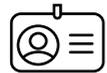
GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

# HAPPY AND HEALTHY STAFF

Tornator is a responsible employer which aims to maintain its staff's expertise, motivation and well-being. The year 2020 went well for Tornator despite the coronavirus pandemic. The company published an updated Code of Conduct, i.e. principles of honest work practices. Tornator also invested in management training.



## An attractive employer

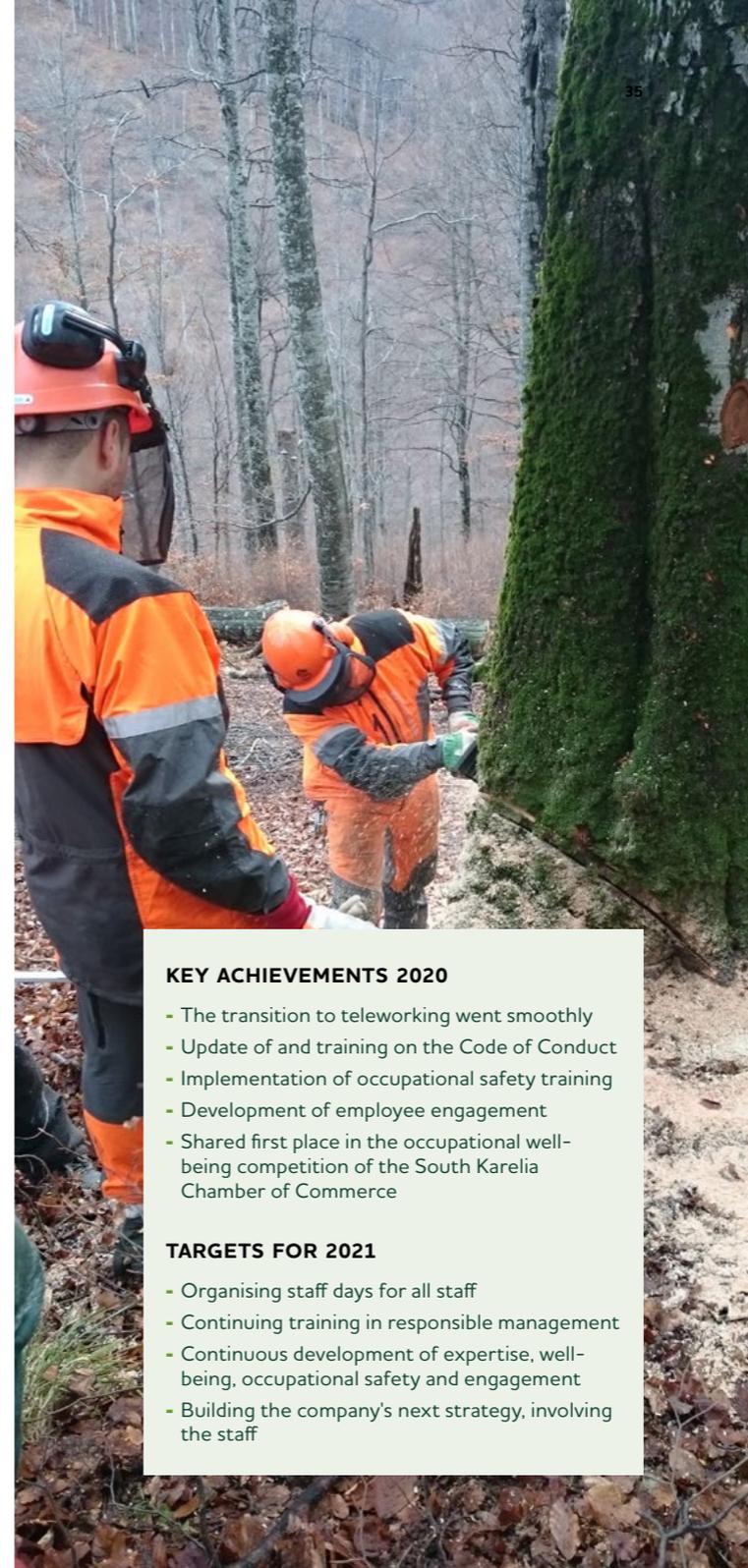
HR work was dominated by the coronavirus pandemic that struck Finland in March and changed Tornator's working practices. Its staff quickly switched to telework. This went smoothly, thanks to investments made a few years ago in digital tools and a remodelling of working practices. During the pandemic, Tornator also highlighted the importance of consultation and supervisory work.

In June, Tornator commissioned a staff pulse survey to evaluate psychosocial stressors during the state of emergency. The results were very positive: staff praised the time saved by teleworking, and improved concentration. The only stressors mentioned were the occasional excessive workload and having to multitask. 75% of salaried employees were willing to continue teleworking after the pandemic.

## Goal of staff well-being

Tornator's staff consists of 54 forest workers and 71 salaried employees in Finland. The company has 16 staff in Estonia and 41 in Romania. Its total number of staff is 185. Tornator increasingly employs forest workers through contractors. This model is used due to the seasonal nature of forestry work, allowing forest workers to find other work during the winter.

Tornator invests in staff well-being in various ways. In addition to high-quality occupational health care, staff benefits include an electronic pass for sports, cultural and wellness services, and a break-time exercise programme. In 2020, Tornator procured ergonomic furniture and tools for its teleworking staff. It also paid its remote workers a small, separate allowance for electricity and broadband costs due to working from home.



### KEY ACHIEVEMENTS 2020

- The transition to teleworking went smoothly
- Update of and training on the Code of Conduct
- Implementation of occupational safety training
- Development of employee engagement
- Shared first place in the occupational well-being competition of the South Karelia Chamber of Commerce

### TARGETS FOR 2021

- Organising staff days for all staff
- Continuing training in responsible management
- Continuous development of expertise, well-being, occupational safety and engagement
- Building the company's next strategy, involving the staff

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

- An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX





Tornator also wants to ensure that the company has a culture of open discussion. It has been holding virtual, morning coffee events for staff every other week for several years. Heavy use is made of the Teams online collaboration application and the intranet. Teams application also serves as a good channel for internal development suggestions. The company's Management Group and managers hold weekly virtual meetings to discuss current issues and themes.

### Good results from occupational well-being surveys

Tornator monitors the general health of its staff on a regular basis. Annual meetings are held with occupational health care to review the current situation and plan corrective measures. According to the latest report, staff health has improved despite the relatively high average age of employees. Tornator regards occupational safety as a key theme, promoting it through continuous monitoring, and by risk identification and intervention. In 2020, the

company updated its occupational health and safety action plan for 2021–2022, and all employees completed online occupational safety training.

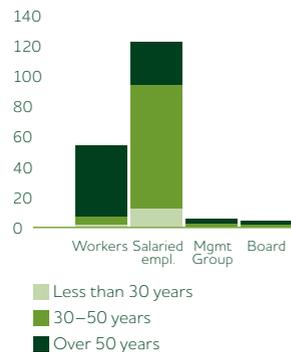
Occupational accidents within Tornator tend to occur off-road. A total of 8 accidents were recorded in 2020. Development measures are the responsibility of the Occupational Health and Safety Manager and the Occupational Health and Safety Committee, which met three times in 2020. The company has an electronic reporting channel for reporting observed occupational safety risks. The increase in teleworking has further improved occupational safety, by significantly reducing staff travel and the related near misses, accidents and incidents.

Employee satisfaction and well-being are also monitored regularly. In addition to the June staff pulse survey, the company commissioned a new type of occupational well-being survey in November. The survey revealed a high level of occupational well-being at work and working capacity, with an overall result of 3.9/5. The highest ratings were

given for general state of health and confidence in the employee's continued ability to work on a two-year horizon. A result of 4.54/5 is very high considering that many staff have reached retirement age. The highest ratings were also given for the statements "I am aware of my own responsibilities and authority" and "I am able to make sufficient use of flexible working hours". The lowest scores were given for mental (3.14) and cognitive (3.18) stress, i.e. occasional stress was observed.

In December 2020, Tornator shared first place in an occupational well-being competition organised by the South Karelian Chamber of Commerce. The competition involved looking for a South Karelian company whose occupational well-being practices have nurtured a well-functioning work community during the coronavirus pandemic, and whose ideas could be replicated in other companies. Tornator's solution was a clear operating model covering all staff, including effective remote meeting practices, investments in occupational well-being, and an occupational well-being survey.

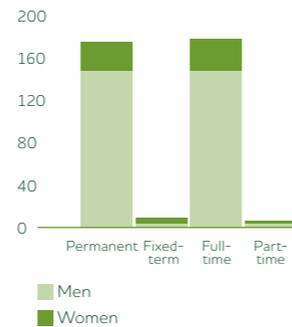
Age structure of employees



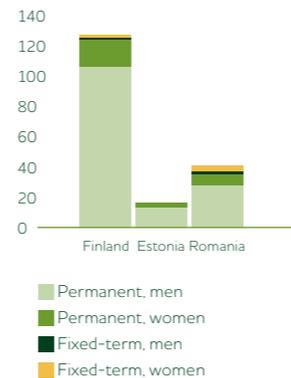
Gender distribution of employees



Employment types of employees



Employment types of employees by country



Average hours of training per employee

	Finland	Estonia	Romania
All employees	24	9	3.6
Men	21	8	3.6
Women	40	14	4
Salaried employees	31	9	3.6
Group Management	48	-	-
Forest workers	2	-	-

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

- An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX

## Competence development as the key to future success

One of the key strengths of an expert organisation like Tornator is the expertise of its staff, and maintaining and continuously developing such expertise. As the world and practices change, it is important that the company and its expertise keep up with the times. Staff expertise is assessed through annual development discussions. To promote competence development, at the beginning of its strategy period Tornator identified its key operational capabilities and planned their systematic development at organisational and staff level. In 2020, these capabilities were validated and the development plans were updated to reflect the current situation.

The company also launched a Group-wide management training programme on corporate responsibility. This programme explores the current – and likely growth in – importance of responsibility in the company's business operations. The aim is to identify and anticipate the related needs and opportunities for change, through activities such as scenario work. Responsibility training also serves the strategic planning already underway. In addition to the Management Group, 30 Tornator employees will participate in the modular programme. Several other training programmes planned for 2020 had to be postponed or held online due to the pandemic.

In 2020, Tornator also updated its Code of Conduct, for which it provided mandatory online training for all staff. The training was conducted online in Finnish and English, but a PDF version is available in Estonian and Romanian for local training.

## Occupational accidents and sickness absenteeism

	2019			2020		
	Finland	Estonia	Romania	Finland	Estonia	Romania
<b>Sickness absenteeism</b>						
Men, %	2.2	0	3.6	1.5	0.3	2.1
Women, %	2.1	0	1.2	0.7	0	8.8
<b>Accidents, own employees</b>						
Number of accidents resulting in lost days, men	7	0	0	5	0	0
Number of accidents resulting in lost days, women	1	0	0	1	0	0
Number of days lost due to accidents, men	41	0	0	157	0	0
Number of days lost due to accidents, women	2	0	0	35	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	25	1	9
of which, fixed-term	20	0	6
Number of employment contracts terminated	18	0	9
of which, retired	1	0	0
Employment contracts terminated by employer, %	0	0	0
Total employee turnover*, %	32.5	6.3	45.4
Average number of employees in 2020	132	16	40
Total number of employees at 31 Dec 2020	126	16	39

\* 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.

“

*The management training programme on corporate responsibility addresses responsibility and the likely growth of its importance to the company's business operations.”*

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

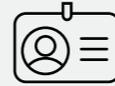
- An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



**Saara Pihlman,**  
Water Economy Specialist,  
Tornator

## SAARA PIHLMAN HEADS TO THE FOREST FOR WORK AND LEISURE

Sometimes, you find your vocation by chance. This is exactly what happened to **Saara Pihlman**, whose future was shaped by knowledge of a forthcoming inheritance – a small forest farm. Desiring a level of expertise that would enable her to make independent decisions about her forest while respecting biodiversity, she began studying forests and forestry.

She became steadily more interested in the subject and decided to seek a place on a forestry degree programme at Karelia University of Applied Sciences. Pihlman joined Tornator in March 2019. She works as a water economy specialist and is deputy to an operations supervisor. In addition to supervisor duties, she is responsible for the planning of ditch cleaning and supplementary ditching, harvesting and water protection solutions. Her work takes her all over Finland.

“I feel that I’m doing something important for society. I can help aquatic nature to retain its current condition, or even improve it.”

Pihlman praises Tornator as a flexible, safe and transparent workplace. The atmosphere is wonderful. As an expert who graduated a few years ago, she has learned more about her profession alongside supportive colleagues. Forest work brings a special element to working life:

“The well-being of the environment and nature is vital for people, and I find it important to respect this principle. The forest takes care of us, and it is our duty to take care of it. I can see that Tornator is on the right track here.”

After switching off her computer at the end of the day, she rounds up her dogs and heads into the wilderness with them.

“In the forest, I am where I want to be.”

# FROM THE FORESTS TO US

“

*I feel that I’m doing something important for society. I can help aquatic nature to retain its current condition, or even improve it.”*

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

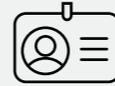
- An attractive employer

A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



**Kari Pulliainen,**  
Real Estate Specialist,  
Tornator

## FOREST OFFERS KARI PULLIAINEN EVERYTHING HE NEEDS

When **Kari Pulliainen** was recently given an extra holiday in honour of 30 years of work, he unsurprisingly spent it hiking in the fells with his wife. Pulliainen, who has lived in the Leppävirta and Varkaus region all his life, is a genuine forest man.

"I come from a small country house, and was taught about field and forest work from an early age. I rode on a horse-drawn sleigh as soon as I was old enough to stay on."

Pulliainen's father worked at a timber reception station. As a schoolboy, he was allowed to accompany his father to see how wood was processed. Inspired by these experiences, he decided to study forestry. He worked for Enso Gutzeit before moving to Tornator.

Pulliainen is now a real estate specialist. He assesses forestland which Tornator is interested in buying or leasing in South and North Savo, and Central

Finland. A typical day consists of collecting forest resource data or evaluating the correctness of such data, and providing external evaluations of transport connections to forest plots and buildings on them.

He likes to praise his employer. Well-being surveys back up his view, with Tornator achieving excellent results throughout its history.

Pulliainen says that he is lucky to have been able to work all his life in his home region. It is there, in the midst of forests and fields, that he recharges his batteries.

"I live in a log house in the countryside. My bread is earned in the forest and that is where my hobbies take me – either on a forest track by horse, or on a hunting trip. Forest and nature provide me with everything."

“

*My bread is earned in the forest and that is where my hobbies take me.*



# FROM THE FORESTS TO US

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

- An attractive employer

A responsible partner

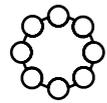
GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX

# BROAD IMPACT ON SOCIETY

Tornator generates sustainable well-being from forests. The company is a major local employer and provider of recreational services in Finland, Estonia and Romania.



## A responsible partner

Tornator's stakeholders include customers, owners, partners, and local communities and organisations (see full list on p. 29). Active stakeholder dialogue is important to the company.

Tornator intensified its cooperation with business partners in 2020. Tornator seeks long-term collaboration with contractors. During the year, it formed new partnerships and strove to strengthen existing ones by offering additional work at a time when work tended to be scarce due to the coronavirus.

The company also continued its collaboration on various research projects. The FORBIO project (2015–2020) – involving the University of Eastern Finland, the Finnish Meteorological Institute, the Natural Resources Institute Finland (Luke), the Finnish Environment Institute (SYKE) and the European Forest Institute – aims to secure the prerequisites of a sustainable, climate-neutral and resource-efficient forest bioeconomy. The 'Towards sustainable peatland forestry - solutions for economic and ecological challenges (SuoPPP)' project being run alongside the Natural Resources Institute Finland, forest companies and other actors is seeking solutions to economic and ecological problems related to the management of peatlands.

Tornator's noteworthy projects also include development work begun with VTT. The aim is to create a platform service that will use satellite images to produce information on forest resources and carbon sequestration. The project will run until 2023.

## Tornator ensures responsible supply chains

Tornator focuses on forest management and timber sales. It therefore operates at the beginning of the forestry supply chain. In addition, the share of the company's forest management services is continuously growing. Tornator employs a total number of 185 employees. It also uses the services of forest workers and forest machine contractors, and suppliers of seedlings and equipment, thereby providing jobs outside growth centres.

Tornator's internal supply chain mainly involves management – reforestation and cultivation – of the company's forest assets. Because Tornator wants to guarantee a responsible supply chain, it conducts a supplier assessment of all subcontractors, evaluating price, quality, delivery reliability and responsibility. Tornator also applies these criteria to itself.



### KEY ACHIEVEMENTS 2020

- Additional work for entrepreneurs provided through the 'Tornameininki' campaign during the COVID pandemic
- Closer cooperation with business partners
- Expansion of forest services business to areas covered by Stora Enso's Lappeenranta and Kainuu purchasing teams

### TARGETS FOR 2021

- Expansion of forest services business to whole of Finland, in cooperation with Stora Enso
- Expansion of stakeholder cooperation and partnership contracting models

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

An attractive employer

- A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



## Forests for the well-being of society as a whole

Tornator generates well-being for society through employment, as well as tax contributions. In 2020, Tornator's tax footprint totalled €29.1 million. Tornator's forests employed not only the company's own employees, but also provided contractors with a total of 1,000 person-years of work.

Tornator's forests provide intangible well-being, such as recreational opportunities for various clubs, organisations and all visitors to its forests. Tornator also plays an important infrastructure development role wherever it operates: for example, forest road development projects provide local forest users with easier access to natural environments.

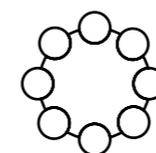
## Close collaboration minimises negative effects of operations

The negative social effects of Tornator's operations include impacts on the landscape due to felling and impacts on the habitats of forest species. Attempts are made to minimise this impact through means such as acting in accordance with international agreements, and national laws and guidelines. Impacts are actively monitored and evaluated. The company also uses electronic feedback systems through which non-compliance can be reported. Tornator responds in the appropriate manner whenever it receives such reports.

Tornator also seeks to minimise negative impacts through active dialogue with various stakeholders. An example of this is the felling of commercial forests in the vicinity of holiday cottages: Tornator offers cottage owners the opportunity to purchase additional land on the basis of landscape conservation, although the sale of forests is not part of the company's business in principle.

## Direct economic value generated and distributed

€'000		2016	2017	2018	2019	2020
<b>Direct economic value generated</b>						
Customers	Revenues	100,120	106,483	119,393	111,541	132,610
<b>Direct economic value generated, total</b>		<b>100,120</b>	<b>106,483</b>	<b>119,393</b>	<b>111,541</b>	<b>132,610</b>
<b>Economic value distributed</b>						
Contractors and other suppliers	Purchases of products and services	24,211	25,607	26,774	27,483	31,221
Shareholders	Dividends paid during the period	30,000	26,000	28,500	35,000	30,000
Financial institutions	Interest and financial expenses, net	20,591	21,713	22,546	22,360	20,668
Society	Taxes	9,556	9,976	3,605	9,978	14,778
Employees	Salaries and wages, remuneration and employer's contributions	8,439	8,271	8,447	9,064	9,162
<b>Economic value distributed, total</b>		<b>92,797</b>	<b>91,567</b>	<b>89,872</b>	<b>103,886</b>	<b>105,829</b>
<b>Economic value retained</b>		<b>7,323</b>	<b>14,916</b>	<b>29,521</b>	<b>7,655</b>	<b>26,781</b>
<b>Taxes by country</b>						
	Finland	9,155	9,483	3,063	9,432	14,264
	Estonia	225	255	272	305	307
	Romania	176	239	270	241	208
	<b>Total</b>	<b>9,556</b>	<b>9,976</b>	<b>3,605</b>	<b>9,978</b>	<b>14,778</b>



**IN 2020, TORNATOR'S TAX FOOTPRINT TOTALLED**

**€29.1 million**

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

An attractive employer

- A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES AND GRI INDEX



## COOPERATION BETWEEN EDUCATIONAL INSTITUTIONS DEEPENS YOUNG PEOPLE'S FORESTRY SKILLS

Romanian **Larisa Chelba** came to Finland on an exchange programme in 2013 and life eventually led her to practical training at Tornator, followed by nature and environmental studies at Saimaa Vocational College Sampo in Lappeenranta. Chelba has a forest engineering degree from her home country and is happy with her studies in Finland.

"I have learned more than I thought I would. I'm incredibly motivated about learning new things and the concrete steps that can be taken to support biodiversity," says Chelba.

Tornator offers forestry students internships and jobs. This year, Tornator began cooperating with Saimaa Vocational College – their first joint project was the design of the Risuniemi nature path, a very welcome development for Chelba during the coronavirus slowdown.

Risuniemi is a 2.5 km nature path running through the woods at Lake Saimaa. Chelba's job was to map the area's flora, fauna and history. She also helped to design signposts, duckboards, benches and a campfire site.

Chelba praises Tornator's responsible approach to nurturing nature. Tornator is also important to Chelba due to its Romanian operations – Tornator owns and manages forests in her home country. Currently an ecotourism entrepreneur, Chelba enjoys guiding people in nature and conservation areas.

"I want to work with forests as my way of combating climate change and promoting the principles of sustainable development. I want to bring people closer to nature so they understand its importance and what it would mean to lose it. For example, being told that lichen is an indicator of clean air is a personal experience that increases forest visitors' sense of responsibility. That is how change towards a more responsible and sustainable lifestyle can begin."

Chelba believes that increasing forest expertise is important to fighting climate change.

"People should be more aware of the impacts forests have on the planet. It is important that we know how to manage forests in a correct and timely manner."

“

*People should be more aware of the impacts forests have on the planet. It is important that we know how to manage forests in a correct and timely manner.”*

FROM THE  
FORESTS  
TO US



TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

Responsibility programme and goals

Stakeholders

Responsibility management

An expert in sustainable forestry

An attractive employer

- A responsible partner

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

# GOVERNANCE



TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

• GOVERNANCE

Corporate governance

Board of Directors

Management Group

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX



# CORPORATE GOVERNANCE

## Ownership and corporate structure

In 2020, besides the parent company Tornator Oyj in Finland, the Tornator Timberland Group included Tornator Eesti OÜ in Estonia and SC Tornator SRL in Romania. All three companies own forestlands and practise sustainable, operational forestry. In addition, Tornator Oyj is the sole owner of five wind power development companies in Finland.

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

## Governance principles

The governance of Tornator Oyj is based on the Finnish Companies Act and Tornator Oyj's articles of association. The company's shares are not listed for public trading. Tornator Oyj has issued a secured bond that is listed by NASDAQ 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/en/](http://www.finanssivalvonta.fi/en/).

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

The Board of Directors of Tornator Oyj consists of 4–7 ordinary members, elected by the AGM for one year at a time. The AGM also elects a personal deputy for each member. The Board of Directors supervises Tornator's operations and management, deciding on significant matters concerning the company's strategy, investments, organisation and finance. The Board of Directors convenes at least four times a year. In 2020, 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 shareholders. It reports to the Board of Directors, which elects three of its members to the Oversight Committee for one year at a time. The Oversight Committee convenes and reports to the Board at least twice a year. A Remuneration Committee also reports to the Board of Directors, to which the Board elects three of its members for one year at a time, and which convenes and reports to the Board as necessary. The Board has decided not to establish a separate audit committee, but instead to perform these duties as part of normal Board work.

## Chief Executive Officer and Management Group

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

The CEO is assisted by the Management Group. In 2020, the Management Group included five members. The CEO acts as the Chairman of 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 2020, the Management Group had 11 meetings. In addition to the Management Group, the company has an operational management level made up of experts of various functions, with the task of assisting the Management Group in deploying the strategy. The operational management level consists of some ten persons who are invited to the Management Group's meetings when necessary.

## Operational activities

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

## Related party transactions

Tornator and Stora Enso Oyj have a significant, volume-based, long-term timber sales agreement. In 2020, the companies also signed a new forest service agreement covering the whole of Finland. The market compliance of these agreements is supervised by the Oversight Committee, which reports to the Board of Directors (see Committees).

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

- Corporate governance

Board of Directors

Management Group

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

The Oversight Committee has no representatives from Stora Enso.

## Remuneration

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

## Auditors

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

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

## Risk management

Tornator's risk management is aimed at securing profitable business in the long term and to create opportunities for well-managed risk taking using the selected strategy. It is based on the systematic identification and analysis of all significant risks to the company.

Tornator's risks are divided into three main categories: strategic risks, operational risks and financial risks.

Examples of each category are described below:

### Strategic risks

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

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

Risks concerning roundwood quantity and quality are controlled through long-term forest resource management planning and focusing operations according to the structure and age-class distribution of the forests. To support planning, Tornator regularly commissions an independent study on the structure of company forests, using this to prepare a long-term cutting plan (more than 30 years). The latest forest inventory by the Natural Resources Institute Finland and the cutting plan based on it are from 2016.

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

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

### Tornator Oyj's shareholders

	Shares, qty	Shares, %
Stora Enso Oyj	2,050,000	41.00
Ilmarinen Mutual Pension Insurance Company	1,156,500	23.13
Varma Mutual Pension Insurance Company	766,250	15.32
OP Life Assurance Company	260,500	5.21
OP Forest Owner Fund	250,000	5.00
OP Pension Fund	208,000	4.16
Veritas Pension Insurance	125,000	2.50
Finnair Pension Fund	108,750	2.17
Riffu Oy	37,500	0.75
Danilostock Oy	37,500	0.75
<b>Total</b>	<b>5,000,000</b>	<b>100</b>

### Tornator Timberland Group

10 shareholders	
Tornator Oyj Finland 640,000 ha	
SC Tornator SRL Romania 12,000 ha	Tornator Eesti OÜ Estonia 66,000 ha

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

- Corporate governance

Board of Directors

Management Group

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX



underlying appraisals may have an effect on the success of purchases in terms of returns.

Tornator monitors the current economic trend when planning plot sales. A downturn may decrease demand for holiday home plots and temporarily reduce profits. In 2020, the coronavirus led to a turnaround in demand for land.

The risk involved in investments made in wind power project development is managed by preparing accurate feasibility studies before launching such projects, by selecting partners among significant players in the sector, by dispersing the projects around Finland, and by planning them carefully. Tornator does not participate in wind power construction or ownership of production, but sells its shares in projects before construction and remains the lessor of land. There was strong interest in wind power in Finland in 2020, and Tornator sold its long-developed project development portfolio on the basis of a tender.

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

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

Tornator also aims to continue expanding its operations outside Finland, in countries where the related growth potential is considered profitable. Geographic expansion is both a way to manage risks and a risk in itself. With regard to Tornator's operations, Romania and Estonia score relatively poorly in corruption statistics. Tornator makes economic, social and environmental responsibility an integral part of its business, guided by a Code of Conduct that is common to all countries of operation, which was updated in 2020. Furthermore, the risks associated with expansion are managed by selecting competent partners and reliable customers, and by balancing out long and short-term timber sales agreements. The company performs internal control in all countries, and the Group has a whistleblower system in place.

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

#### Operational risks

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

Greater frequency of natural disasters due to climate change pose an ever-greater risk to forest assets. For

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

#### Financial risks

A substantial proportion of loan capital in the company's balance sheet constitutes a risk which Tornator manages with special attention. Ready access to the capital markets will enable the successful refinancing of loans. The company adjusts its loan portfolio depending on its own needs and the financial market situation, so that loans mature over several years and as far into the future as possible. The company has hedged its funding risks by using various debt instruments: in addition to bank loans, the company has issued a six-year bond and utilised cost-competitive commercial paper financing.

The company has prepared for market rate changes with derivative contracts. Hedging is applied to mitigate the interest rate risk on loans and to reduce the volatility of the discount rate used in calculating the fair value of forests, making it easier to predict the long-term development of the company's value. Liquidity management is based on advance payments and up-to-date cash management. The company also has a commercial paper programme to optimise the need for cash. Cash reserves are invested in bank deposits and short-term, liquid and highly rated funds.

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

## TORNATOR IN BRIEF

### ANNUAL REVIEW

### STRATEGY

### RESPONSIBILITY

### GOVERNANCE

- Corporate governance

Board of Directors

Management Group

### FINANCIAL STATEMENTS

### REPORTING PRINCIPLES AND GRI INDEX

# BOARD OF DIRECTORS



## Mikko Koivusalo

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

### Background:

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

### Membership on other boards of directors:

The Finnish Literature Society, member of the  
Board



## Mikko Mursula

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

### Background:

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

### Membership on other boards of directors:

Kojamo Oyj, member of the Board  
Jane and Aatos Erkkö Foundation, member of the  
Board



## Erkkö Ryynänen

Born 1971, MSc (Econ)  
Member 2010–  
OP Asset Management, Director, Investment  
Solutions 2019–

### Background:

OP Bank Group, investment and portfolio  
management positions 1999–

### Membership on other boards of directors:

OP Real Estate Asset Management Ltd,  
member of the Board  
Access Capital Partners SA, member of the  
Board



## Jorma Länsitalo

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

### Background:

Enso Oy/Stora Enso Oyj, several positions  
1989–

### Membership on other boards of directors:

Stora Enso Guangxi Forest JV, member of  
the Board

### DEPUTY MEMBERS:

Markus Aho, Varma  
Ilja Ripatti, Ilmarinen  
Tomi Viia, OP  
Jari Suvanto, Stora Enso

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

Corporate governance

- Board of Directors

Management Group

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

# MANAGEMENT GROUP



## Henrik Nieminen

Born 1970, MSc (Econ), EMBA  
CEO 2019–

### Background:

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

## Ari Karhapää

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

### Background:

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

## Outi Nevalainen

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

### Background:

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

## Heikki Penttinen

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

### Background:

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

## Antti Siirtola

Born 1982, MSc (Econ)  
CFO 2019–

### Background:

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

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

Corporate governance

Board of Directors

• Management Group

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

# FINANCIAL STATEMENTS

The Tornator Timberland Group reports its financial statements according to the International Financial Reporting Standards (IFRS). Key figures have been calculated without the effects of fair value changes. The same applies to the figures for the previous year.



TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

• FINANCIAL STATEMENTS

• Summary of consolidated financial statements

Consolidated income statement, IFRS

Consolidated balance sheet, IFRS

Statement of changes in Group shareholders' equity

Consolidated cash flow statement

Summary of financial statements

Calculation of key figures

REPORTING PRINCIPLES AND GRI INDEX

## SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS

### Net sales and results

The Group's net sales were €118.1 million (105.8), a change of +11.6%. Timber deliveries were excellent despite the mild weather and labour-market unrest in the early winter. The COVID-19 pandemic did not disrupt the company's operations – the exceptional circumstances even seemed to have a positive effect on activities such as plot sales. A total of 91.7% of net sales, worth €108.3 million, consisted of timber sales income (€101.0 million, or 95.4%). Net sales include proceeds from land and plot sales worth €6.9 million (2.7) and forest service sales of €2.9 million (2.1). Other operating income, €22.7 million (5.7), includes land access and lease revenues, compensation for conservation areas and soil resource sales. In 2020, other income included €17.3 million from actual and estimated future payments related to the sale of the wind power project portfolio.

Operating profit at fair value amounted to €212.4 million (264.6) and profit for the period was €121.1 million (164.8). The fair value of biological assets increased significantly in Finland. The change in the fair value of biological assets increased operating profit by €121.1 million (189.9), and a negative change in the fair value of financial instruments decreased profit by €33.3 million (-47.0) before deferred taxes. Adjusted operating profit decreased in Estonia and Romania.



## Notable events during the period

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

In the core business, i.e. the sale and supply of timber, operations proceeded as planned despite the challenging market environment. Timber deliveries to the main customer, Stora Enso, totalled some €73.6 million (66.6), or some 68.0% (66.8%) of the Group's net timber sales. Timber sales to the main customer are based on a long-term framework agreement conforming with the market.

Tornator implemented its growth strategy by concluding a forest service agreement – covering the whole of Finland – with Stora Enso. Tornator will perform all forest management for Stora Enso's forest service customers from 2021. Another major strategic project was completed in December, when Tornator sold its 600-megawatt wind power project development portfolio to OX2, Europe's largest builder of onshore wind power. Wind power construction on Tornator's land will benefit the company both financially and in terms of climate responsibility.

An update of the fair value of Tornator's forest assets (growing stock) recorded significant positive effects in Finland. Tornator updated its valuation model to account for logging revenues and forest management expenses for the current tree generation. This increased the value of biological assets by a total of €184 million in the consolidated balance sheet. The model was previously adjusted to take account of cash flows from future tree generations. Consolidated operating profit was improved by €121.1 million by an annual fair value update, covering a number of valuation factors. In Finland, the fair value was calculated by an external evaluator, Indufor Oy, on the basis of future cash flows, i.e. considering sustainable forest management

and the growth potential of forests. See the notes to the financial statements for a more detailed description of the forest valuation model.

The total value of the Group's forests recorded in the financial statements, including growing stock and land, was some €1,940 million (1,776). The figures include the effects of harvesting as well as purchases and sales of forestland. Tornator owns a total of more than 700,000 hectares of forest in Finland, Estonia and Romania.

On the other side of the balance sheet, the fair values of the company's long-term interest rate hedges decreased due to the fall in market interest rates. This created a negative entry of €33.3 million in financial items in the income statement (-47.0). The above fair value changes had no effects on cash flow.

After long and careful planning, Tornator held a re-financing round in 2020: the company renewed all its financing agreements and switched to green financing as its primary source of credit. In the spring, Tornator concluded an agreement on a major green bank loan package, and issued a €350 million Green Bond in the autumn. Both the bank loan and bond were taken out within Tornator's Green Finance Framework. In addition to green financing, Tornator's financial statements for 2020 include a small number of commercial papers issued to diversify the selection of debt instruments available to the company.

Tornator's equity ratio was 45% (45%) and liquidity remained strong throughout the year. It fulfilled the terms of its loan to value (LTV) covenant by a safe margin.

Tornator continued to purchase new forestland. In Finland, Tornator bought almost 12,000 hectares of forest and signed its first forest lease agreements. This new business

activity enables forest owners to rent forest to Tornator on the basis of long-term lease contracts. It is a new way of maintaining contact with inherited assets without needing to engage in forest management, while gaining an easy and reliable source of steady rental income.

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

When the pandemic struck Finland in the spring, Tornator decided to offer additional work in its forests to support forest entrepreneurs struggling to meet the challenges posed by the coronavirus. The "Tornameininki" campaign involved advance commissioning of forestry and road work worth around one million euros.

In line with our responsibility programme, we engaged in mire restoration, prescribed burning and the establishment of conservation areas on more than 1,500 hectares of our land. Tornator continued with major conservation projects within the framework of initiatives such as the Metso and Helmi habitat protection programmes.

Tornator shared first prize in an occupational well-being competition organised for companies by the South Karelian Chamber of Commerce. Employee well-being remained at a good level during the coronavirus crisis, and the adjustment to teleworking was smooth.

Tornator Oyj's Annual General Meeting of 9 March 2020 decided to pay a dividend, as proposed by the Board of Directors, totalling €30 million.

## TORNATOR IN BRIEF

### ANNUAL REVIEW

### STRATEGY

### RESPONSIBILITY

### GOVERNANCE

### FINANCIAL STATEMENTS

- Summary of consolidated financial statements
- Consolidated income statement, IFRS
- Consolidated balance sheet, IFRS
- Statement of changes in Group shareholders' equity
- Consolidated cash flow statement
- Summary of financial statements
- Calculation of key figures

### REPORTING PRINCIPLES AND GRI INDEX

# CONSOLIDATED INCOME STATEMENT, IFRS

€m	2016	2017	2018	2019	2020
<b>Net sales</b>	<b>97.0</b>	<b>101.6</b>	<b>112.8</b>	<b>105.8</b>	<b>118.1</b>
Other operating income	3.1	4.9	6.6	5.7	22.7
Change in inventories of finished goods and work in progress	-3.4	-2.9	-1.0	-1.4	-2.4
Materials and services	-12.4	-14.4	-17.0	-17.2	-27.9
Personnel expenses	-8.4	-8.3	-8.4	-9.1	-9.2
Depreciation and amortisation	-3.1	-3.3	-3.1	-3.2	-3.1
Other operating expenses	-5.1	-5.1	-6.0	-6.0	-6.9
Share of profit/loss of associates	-0.4	-0.1	0.0	0.0	
Change in fair value of biological assets and harvesting	202.6	20.0	32.6	189.9	121.1
<b>Operating profit</b>	<b>269.8</b>	<b>92.4</b>	<b>116.5</b>	<b>264.6</b>	<b>212.4</b>
Financial income	0.2	0.2	0.2	0.2	0.2
Financial expenses	-20.7	-21.9	-22.7	-22.6	-20.9
Change in fair value of financial instruments	-32.5	26.3	-1.6	-47.0	-33.3
<b>Financial items (net)</b>	<b>-53.1</b>	<b>4.6</b>	<b>-24.2</b>	<b>-69.4</b>	<b>-54.0</b>
<b>Profit/loss before taxes</b>	<b>216.7</b>	<b>96.9</b>	<b>92.3</b>	<b>195.2</b>	<b>158.4</b>
Income taxes	-9.3	7.1	-3.1	0.4	-9.1
Change in deferred taxes	-34.5	-26.2	-10.4	-30.8	-28.3
<b>Profit/loss for the period</b>	<b>172.9</b>	<b>77.9</b>	<b>78.9</b>	<b>164.8</b>	<b>121.1</b>

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

Summary of consolidated financial statements

- Consolidated income statement, IFRS

Consolidated balance sheet, IFRS

Statement of changes in Group shareholders' equity

Consolidated cash flow statement

Summary of financial statements

Calculation of key figures

REPORTING PRINCIPLES  
AND GRI INDEX

# CONSOLIDATED BALANCE SHEET, IFRS

€m	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	2.6	2.4	1.9	1.8	0.8
Fixed assets	86.9	98.5	103.7	109.4	114.6
Right-of-use assets				2.3	2.3
Biological assets	1,256.9	1,371.2	1,451.0	1,682.6	1,841.2
Derivatives	8.9	6.2	0.0	0.0	0.0
Other investments	0.2	0.1	0.1	0.1	0.1
Non-current receivables					8.2
	<b>1,355.5</b>	<b>1,478.4</b>	<b>1,556.7</b>	<b>1,796.2</b>	<b>1,967.1</b>
<b>Current assets</b>					
Inventory	2.3	0.6	0.4	0.1	0.0
Trade and other receivables	5.6	15.3	15.5	21.9	15.1
Derivatives			3.3	0.0	0.0
Other financial assets	7.6	1.9	1.0	2.2	7.1
Cash and cash equivalents	10.2	13.9	14.0	18.7	56.7
	<b>25.6</b>	<b>31.7</b>	<b>34.3</b>	<b>42.8</b>	<b>78.9</b>
<b>Total assets</b>	<b>1,381.1</b>	<b>1,510.1</b>	<b>1,591.0</b>	<b>1,839.0</b>	<b>2,046.0</b>

€m	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to parent company shareholders</b>					
Share capital	50.0	50.0	50.0	50.0	50.0
Other equity	551.1	602.1	652.5	781.3	871.7
<b>Total equity</b>	<b>601.1</b>	<b>652.1</b>	<b>702.5</b>	<b>831.3</b>	<b>921.7</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	132.1	150.8	161.2	192.0	220.3
Financial liabilities	462.7	494.4	258.1	1.0	673.5
Derivatives	116.4	91.4	93.0	141.1	174.4
Leasing liability				2.0	2.0
Pension obligations	0.3	0.3	0.2	0.2	0.1
	<b>711.6</b>	<b>736.9</b>	<b>512.6</b>	<b>336.3</b>	<b>1 070.3</b>
<b>Current liabilities</b>					
Financial liabilities	51.5	104.4	352.9	647.2	15.0
Derivatives	0.0		1.1	0.0	
Leasing liability				0.3	0.3
Trade and other payables	16.9	16.6	22.0	23.9	29.9
Provisions					8.8
	<b>68.3</b>	<b>121.1</b>	<b>376.0</b>	<b>671.5</b>	<b>54.0</b>
<b>Total liabilities</b>	<b>779.9</b>	<b>858.0</b>	<b>888.5</b>	<b>1,007.7</b>	<b>1,124.3</b>
<b>Total equity and liabilities</b>	<b>1,381.1</b>	<b>1,510.1</b>	<b>1,591.0</b>	<b>1,839.0</b>	<b>2,046.0</b>

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

Summary of consolidated financial statements

Consolidated income statement, IFRS

- Consolidated balance sheet, IFRS

Statement of changes in Group shareholders' equity

Consolidated cash flow statement

Summary of financial statements

Calculation of key figures

REPORTING PRINCIPLES AND GRI INDEX

# STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY

€'000	Share capital	Share premium	Translation difference	Retained earnings	Shareholders' equity total
<b>Equity on 1 Jan 2019</b>	<b>50,000.0</b>	<b>29,995.2</b>	<b>-8,596.5</b>	<b>631,075.9</b>	<b>702,474.6</b>
<b>Comprehensive income</b>					
Profit/loss for the financial period				164,772.0	164,772.0
<b>Other items of comprehensive income (after taxes)</b>					
Items derived from the re-definition of net defined benefit costs (or asset items)				28.8	28.8
Investments in unlisted securities			-979.8		-979.8
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>-979.8</b>	<b>164,800.8</b>	<b>163,821.0</b>
<b>Transactions with shareholders</b>					
Dividends paid				-35,000.0	-35,000.0
<b>Total transactions with shareholders</b>				<b>-35,000.0</b>	<b>-35,000.0</b>
<b>Equity on 31 Dec 2019</b>	<b>50,000.0</b>	<b>29,995.2</b>	<b>-9,576.3</b>	<b>760,876.8</b>	<b>831,295.6</b>
<b>Equity on 1 Jan 2020</b>	<b>50,000.0</b>	<b>29,995.2</b>	<b>-9,576.3</b>	<b>760,876.8</b>	<b>831,295.6</b>
<b>Comprehensive income</b>					
Profit/loss for the financial period				121,053.0	121,053.0
<b>Other items of comprehensive income (after taxes)</b>					
Items derived from the re-definition of net defined benefit costs (or asset items)				39.2	39.2
Translation difference			-650.8		-650.8
<b>Comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>-650.8</b>	<b>121,092.2</b>	<b>120,441.5</b>
<b>Transactions with shareholders</b>					
Dividends paid				-30,000.0	-30,000.0
<b>Total transactions with shareholders</b>				<b>-30,000.0</b>	<b>-30,000.0</b>
<b>Equity on 31 Dec 2020</b>	<b>50,000.0</b>	<b>29,995.2</b>	<b>-10,227.1</b>	<b>851,969.0</b>	<b>921,737.1</b>

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

Summary of consolidated financial statements

Consolidated income statement, IFRS

Consolidated balance sheet, IFRS

- Statement of changes in Group shareholders' equity

Consolidated cash flow statement

Summary of financial statements

Calculation of key figures

REPORTING PRINCIPLES AND GRI INDEX

# CONSOLIDATED CASH FLOW STATEMENT

€m	2016	2017	2018	2019	2020
<b>Cash flow from operating activities</b>					
Cash receipts from customers	82.8	95.4	102.7	107.7	110.5
Proceeds from sale of tangible assets	8.3	5.6	3.5	2.7	6.9
Cash receipts from other operating income	3.4	3.6	6.8	5.7	15.5
Cash paid to suppliers and employees	-25.4	-27.2	-30.6	-31.8	-34.5
<b>Cash flow from operating activities before financial items and taxes</b>	<b>69.2</b>	<b>77.4</b>	<b>82.3</b>	<b>84.4</b>	<b>98.4</b>
Interest paid and other financial expenses	-20.1	-21.4	-21.9	-22.7	-23.6
Interest received	0.2	0.2	0.2	0.2	0.2
Income taxes paid	-10.5	-10.1	7.5	-9.0	4.1
<b>Net cash flow from operating activities</b>	<b>38.7</b>	<b>46.0</b>	<b>68.1</b>	<b>52.9</b>	<b>79.2</b>
<b>Cash flow from investing activities</b>					
Investments in biological assets	-11.2	-96.2	-47.9	-43.6	-40.2
Investments in tangible assets, forestland	-1.4	-11.9	-5.9	-5.4	-5.0
Investments in other tangible and intangible assets	-2.3	-2.6	-2.1	-3.2	-3.2
Proceeds from sale of intangible assets		0.3			
Investments in associates and other investments	-0.4	-0.1			
Net cash flow from acquisition of subsidiaries		0.2			
Investments in other financial assets				-1.1	-4.9
Proceeds from sale of other financial assets	0.5	5.6	0.9	0.0	
<b>Net cash flow from investing activities</b>	<b>-14.8</b>	<b>-104.7</b>	<b>-55.0</b>	<b>-53.3</b>	<b>-53.2</b>

€m	2016	2017	2018	2019	2020
<b>Cash flow from financing activities</b>					
Withdrawal of long-term loans	0.0	40.0	25.0	0.0	700.0
Repayment of long-term loans	-4.6	-4.6	-4.6	-0.1	-25.1
Withdrawal of short-term loans	0.0	53.0	0.0	295.0	0.0
Repayment of short-term loans	0.0	0.0	-5.0	-254.5	-632.5
Repayment of leasing liabilities				-0.3	-0.3
Dividends paid	-30.0	-26.0	-28.5	-35.0	-30.0
<b>Net cash flow from financing activities</b>	<b>-34.6</b>	<b>62.4</b>	<b>-13.1</b>	<b>5.1</b>	<b>12.1</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-10.7</b>	<b>3.8</b>	<b>0.1</b>	<b>4.7</b>	<b>38.0</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>20.9</b>	<b>10.2</b>	<b>13.9</b>	<b>14.0</b>	<b>18.7</b>
<b>Cash and cash equivalents at end of period</b>	<b>10.2</b>	<b>13.9</b>	<b>14.0</b>	<b>18.7</b>	<b>56.7</b>

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

Summary of consolidated financial statements

Consolidated income statement, IFRS

Consolidated balance sheet, IFRS

Statement of changes in Group shareholders' equity

- Consolidated cash flow statement

Summary of financial statements

Calculation of key figures

REPORTING PRINCIPLES AND GRI INDEX

# SUMMARY OF FINANCIAL STATEMENTS

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

	2016	2017	2018	2019	2020
Net sales, € million	97.0	101.6	112.8	105.8	118.1
Operating profit, € million	269.8	92.4	116.5	264.6	212.4
Operating profit without fair value changes, € million	67.2	72.4	83.9	74.7	91.9
Operating profit without fair value changes, % of net sales	69.3	71.2	74.4	70.6	77.8
Profit/loss for the period, € million	172.9	77.9	78.9	164.8	121.1
Profit/loss for the period without fair value changes, € million	37.3	40.9	49.7	42.7	56.8
Profit/loss for the period without fair value changes, % of net sales	38.5	40.3	44.0	40.4	48.1
Shareholders' equity, € million	601.1	652.1	702.5	831.3	921.7
Interest-bearing net liabilities, € million	496.5	583.0	596.0	627.4	624.7
Balance sheet total, € million	1,381.1	1,510.1	1,591.0	1,839.0	2,046.0
Return on capital employed without fair value changes, %	6.5%	6.1%	6.6%	5.4%	6.0%
Return on equity without fair value changes, %	7.1%	6.5%	7.3%	5.6%	6.5%
Equity ratio, %	43.7%	43.3%	44.4%	45.5%	45.3%
Dividends paid, €/share	6.0	5.2	5.7	7.0	6.0
Dividend yield, %	5.7%	4.1%	4.2%	4.6%	3.4%
Average number of personnel	200	189	182	183	186
Personnel expenses, % of net sales	8.7%	8.1%	7.5%	8.6%	7.8%
Investments in forestland, € million	12.6	108.1	53.8	48.9	45.1
Investments in other fixed assets, € million	2.7	2.6	2.1	3.2	3.2
Annual cut, million cubic metres	3.0	3.0	3.2	2.8	3.2
Fair value of forests, € million	1,328.0	1,454.0	1,539.5	1,776.3	1,939.5
Gross proceeds from land sales, € million	8.3	5.6	3.5	2.7	6.9

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

Summary of consolidated financial statements

Consolidated income statement, IFRS

Consolidated balance sheet, IFRS

Statement of changes in Group shareholders' equity

Consolidated cash flow statement

- Summary of financial statements

Calculation of key figures

REPORTING PRINCIPLES AND GRI INDEX

## Financial ratios

	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020	Max./Min.
Equity ratio, %	43.3	44.4	45.5	45.3	
Average interest rate, %	3.8	3.6	3.3	2.9	
Hedge ratio, %	68	67	52	100	
Average loan maturity, years	2.0	1.2	0.7	4.7	
Average fixing time, years	1.0	0.6	0.5	3.1	
Loan to Value (LTV), %	39.3	40.4	36.6	48.2	70%

Long-term target for equity ratio is 40%.

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

## Financing, nominal values

€m	2016	2017	2018	2019	2020
Long-term bonds	250.0	250.0	0.0	0.0	350.0
Long-term bank loans	136.5	172.0	192.5	0.0	325.0
Long-term debenture loan	65.0	65.0	65.0	0.0	
Short-term bonds			250.0		
Short-term debenture loan				65.0	
Current portion of long-term loans	4.5	4.5	4.5	0.0	
Short-term bank loans and commercial papers	47.0	100.0	95.0	582.5	15.0
<b>All loans</b>	<b>503.0</b>	<b>591.5</b>	<b>607.0</b>	<b>647.5</b>	<b>690.0</b>
Net financial expenses	53.1	-4.6	24.2	69.4	54.0
Net financial expenses without fair value changes	20.6	21.7	22.5	22.4	20.7
Net financial expenses without fair value changes, % of net sales	21.2%	21.4%	20.0%	21.1%	17.5%
Average interest rate, %	3.9%	3.8%	3.6%	3.3%	2.9%

## Sensitivity of interest rate risk

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

€m	31 Dec 2020
	Income statement
One percentage point increase in market interest rates	+55
One percentage point decrease in market interest rates	-70

## Calculation of key figures

$$\text{Return on equity, \%} = \frac{\text{Profit for the period}}{\text{Equity}} \times 100$$

$$\text{Return on capital employed, \%} = \frac{\text{Operating profit} + \text{Interest income}}{\text{Balance sheet total} - \text{Interest-free liabilities}} \times 100$$

$$\text{Dividend yield, \%} = \frac{\text{Dividends paid}}{\text{Equity}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Equity}}{\text{Balance sheet total} - \text{Advances received}} \times 100$$

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

Summary of consolidated financial statements

Consolidated income statement, IFRS

Consolidated balance sheet, IFRS

Statement of changes in Group shareholders' equity

Consolidated cash flow statement

- Summary of financial statements
- Calculation of key figures

REPORTING PRINCIPLES AND GRI INDEX

# REPORTING PRINCIPLES AND GRI CONTENT INDEX



TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

- REPORTING PRINCIPLES AND GRI INDEX

- Reporting principles

GRI content index

## REPORTING PRINCIPLES

This report is based on the Global Reporting Initiative's GRI Standards for sustainability reporting, the Core option. The reporting period is the calendar year, 1 January – 31 December 2020, and the report is published annually.

References to the report's contents regarding the GRI Standards are found in the GRI content index. The report is published in Finnish and English, both in print and online. The sustainability information has not been verified by an external party. The company's previous Annual Report was published on 9 March 2020.

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

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# GRI CONTENT INDEX

GRI standard	Content	Location	Comments
<b>GRI 102: GENERAL DISCLOSURES</b>			
<b>Organisation</b>			
102-1	Name of the organisation	Front cover	
102-2	Activities, brands, products and services	Tornator in brief pp. 2–3; Value creation p. 24	
102-3	Location of the headquarters	Back cover	
102-4	Location of operations	Tornator in brief p. 2	
102-5	Ownership and legal form	Corporate governance pp. 44–45	
102-6	Markets served	Tornator in brief p. 2; Business environment p. 13	Main customers are Stora Enso and SME sawmills.
102-7	Scale of the organisation	Tornator in brief p. 2; The year 2020 in figures p. 5; Profitably growing p. 18; Summary of financial statements p. 55	
102-8	Information on employees and other workers	An attractive employer p. 36	Forest workers' employment is seasonal. The number of contractors is 107. The employment relationships of contractors' employees are indefinite or fixed-term, the number of employees is unknown. Subsidiaries report these figures through the reporting system, and they are consolidated at Group level. The contractors' data is collected when their contracts are signed.
102-9	Supply chain	A responsible partner p. 40	
102-10	Significant changes to the organisation and its supply chain	CEO's review pp. 7–8; Profitably growing p. 18	
102-11	Precautionary principle of approach	Corporate governance pp. 44–46	
102-12	External initiatives	Strategy p. 16; Responsibility programme and goals p. 26	
102-13	Membership of associations	Stakeholders pp. 28–29	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	CEO's review pp. 7–8	
102-15	Key impacts, risks and opportunities	Financial risk management pp. 10–11; Business environment and global megatrends pp. 13–14; Value creation p. 24; An expert in sustainable forestry pp. 31–32; A responsible partner pp. 40–41	

GRI standard	Content	Location	Comments
<b>Business ethics</b>			
102-16	Values, principles, standards and norms of behavior	Strategic priorities, vision, mission, values p. 17; Responsibility management p. 30	
102-17	Mechanisms for advice and concerns about ethics	Responsibility management p. 30	Tornator uses a Group-wide whistleblower system, through which employees can report any unethical behaviour or violations. There is also an electronic feedback system for reporting by external stakeholders.
<b>Government</b>			
102-18	Governance structure	Responsibility management p. 30; Corporate Governance pp. 44–46	
<b>Stakeholders' engagement</b>			
102-40	List of stakeholder groups	Stakeholders pp. 28–29	
102-41	Collective bargaining agreements	GRI index	In Finland, 77% of Tornator's employees are covered by universally applicable collective bargaining agreements. In Estonia and Romania, there are no similar practices in the sector.
102-42	Identifying and selecting stakeholders	Stakeholders p. 28	
102-43	Approach to stakeholder management	Stakeholders pp. 28–29	
102-44	Key topics and concerns raised	Stakeholders p. 29	
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	Summary of consolidated financial statements p. 50	
102-46	Defining report content and topic boundaries	Responsibility programme and goals pp. 26–27; Reporting principles p. 57	
102-47	List of material topics	Responsibility programme and goals pp. 26–27; Reporting principles p. 57	
102-48	Restatements of information	GRI index	No changes.
102-49	Changes in reporting	GRI index	No significant changes.
102-50	Reporting period	Reporting principles p. 57	
102-51	Date of most recent report	Reporting principles p. 57	
102-52	Reporting cycle	Reporting principles p. 57	
102-53	Contact point for questions regarding report	Reporting principles p. 57	
102-54	Claims for reporting in according with the GRI standards	Reporting principles p. 57	
102-55	GRI content index	GRI index pp. 58–59	
102-56	External assurance	Reporting principles p. 57	

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

Reporting principles

- GRI content index

GRI standard	Content	Location	Comments
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of the material topic and its boundary	Reporting principles p. 57	
103-2	The management approach and its components	Responsibility programme and goals pp. 26–27; Responsibility management p. 30; An expert in sustainable forestry pp. 31–32; An attractive employer pp. 35–37; A responsible partner pp. 40–41	
103-3	Evaluation of the management approach	Responsibility programme and goals pp. 26–27; Responsibility management p. 30	
<b>ECONOMIC STANDARDS</b>			
<b>GRI 201: ECONOMIC RESULTS</b>			
201-1	Direct economic value generated and distributed	A responsible partner p. 41	
<b>GRI 205: ANTI-CORRUPTION</b>			
205-2	Communication and training about anti-corruption policies and procedures	Responsibility management p. 30	Part of the Code of Conduct training. The principles are also reviewed as part of all new suppliers relationships and other partnerships.
205-3	Confirmed incidents of corruption and actions taken	GRI index	No incidents.
<b>GRI 206: ANTI-COMPETITIVE BEHAVIOR</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	GRI index	No incidents.
<b>ENVIRONMENTAL STANDARDS</b>			
<b>GRI 304: BIODIVERSITY</b>			
304-2	Significant impacts of activities, products and services on biodiversity	An expert in sustainable forestry pp. 31–32	
304-3	Habitats protected or restored	An expert in sustainable forestry pp. 31–32	Total number of conservation areas reported.
304-4	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organization, by level of extinction risk	GRI index	According to Tornator's geographic information system, there are 1,125 known occurrences of IUCN Red List species in its forests in Finland. No listing by level of extinction risk is available.
<b>GRI 305: EMISSIONS</b>			
<b>Own metric</b>	Tornator's CO <sub>2</sub> emissions	GRI index	The CO <sub>2</sub> emissions of Tornator's own forestry supply chains amount to some 0.002 million tonnes per year. Emissions from our own operations include forest management, staff travel, office electricity and heating. Tornator's own forests absorb around 4 million tonnes carbon dioxide per year.
<b>GRI 307: ENVIRONMENTAL COMPLIANCE</b>			
307-1	Non-compliance with environmental laws and regulations	GRI index	No violations.

GRI standard	Content	Location	Comments
<b>SOCIAL STANDARDS</b>			
<b>GRI 401: EMPLOYMENT</b>			
401-1	New employee hires and employee turnover	An attractive employer pp. 36–37	
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY</b>			
403-1	Occupational health and safety management system	GRI index	Every employee is entitled to occupational health care. Contractors organise the occupational health care independently but the existence of occupational health care is checked when signing the contractor agreement.
403-2	Hazard identification, risk assessment and incident investigation	An attractive employer p. 36	
403-3	Occupational health services	GRI index	A total of 8 accidents and 0 fatalities were recorded in 2020. Most common causes resulting for injury was slipping or falling. Contractors had 4 injuries in 2020. The information is compiled based on the questionnaire that was sent to contractors.
403-4	Worker participation, consultation and communication on occupational health and safety	GRI index	Tornator has an occupational safety organisation where the different personnel groups have their representatives.
403-5	Worker training on occupational health and safety	An attractive employer p. 36	
403-6	Promotion of worker health	An attractive employer p. 36	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	GRI index	The existence of occupational health contracts are routinely monitored as part of the general management of contractor agreements. Occupational safety aspects are included in the planning of worksites and the instructions are passed on to the person carrying out the work.
403-9	Work-related injuries	An attractive employer p. 37	The injury rate was 35 injuries per million hours worked.
<b>GRI 404: TRAINING AND EDUCATION</b>			
404-1	Average hours of training per year per employee	An attractive employer p. 36	
404-2	Programs for upgrading employee skills and transition assistance programs	An attractive employer pp. 36–37	Tornator has no programmes regarding termination of employment.
404-3	Percentage of employees receiving regular performance and career development reviews	GRI index	The participation rate was 100% in Finland, 70% in Estonia and 90% in Romania.
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES</b>			
405-1	Diversity of governance bodies and employees	An attractive employer p. 36	
<b>GRI 406: NON-DISCRIMINATION</b>			
406-1	Incidents of discrimination and corrective actions taken	GRI index	No cases of discrimination during the reporting period.
<b>GRI 419: SOCIOECONOMIC COMPLIANCE</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	GRI index	No violations.

TORNATOR IN BRIEF

ANNUAL REVIEW

STRATEGY

RESPONSIBILITY

GOVERNANCE

FINANCIAL STATEMENTS

REPORTING PRINCIPLES  
AND GRI INDEX

Reporting principles

- GRI content index



RESPONSIBLE EXPERTISE  
IN FORESTRY



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