



METSÄHALLITUS

SOCIAL  
RESPONSIBILITY  
REVIEW  
2005



# METSÄHALLITUS SOCIAL RESPONSIBILITY REVIEW 2005

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## *Key financial figures*

	2005
Turnover, EUR million	229
Operating profit, EUR million	56
Percentage of turnover	24
Profit, EUR million	52
Contribution to state revenue, EUR million	51
Return on investment, %	2
Investments, % of turnover	21
Solvency ratio, %	98
Person-years	1,914

Return on investment = 100 x operating profit/subscribed capital

Solvency ratio = 100 x shareholders' equity/balance sheet total

## PRINCIPLES OF METSÄHALLITUS'S SOCIAL RESPONSIBILITY REPORTING

In outlining Metsähallitus's commitment to social responsibility, the recommendations of the following organisations, among others, were followed: the Global Reporting Initiative, the EU, the Institute for Social and Ethical Accountability and the Confederation of Finnish Industry and Employers. The choice of indicators is closely linked to the criteria and indicators for sustainable forestry in Finland, Metsähallitus's business units' Balanced Scorecards, as well as general indicators for the evaluation of results at Metsähallitus. The reporting of social responsibility covers all of Metsähallitus's business units, with the exception of the subsidiary Forelia and the associated company Foria.

This Social Responsibility Report is a summary of the main events and achievements of 2005. A more in-depth look at Metsähallitus's operations is presented in the 2004 Annual Report.

In 2005, an internal project was launched at Metsähallitus with the purpose of developing the reporting of social responsibility as well as other monitoring systems within our operations. The objective is to more closely monitor those benefits and costs to our business operations that result from taking social responsibility obligations into account.

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## MANAGING DIRECTOR'S REVIEW

The year 2005 was filled with both difficult and positive challenges for Metsähallitus. The prolonged labour dispute in the paper industry resulted in a big dent in Metsähallitus's results, while the conflicts in Upper Lapland led to pressures of their own. On the other hand, the new Act on Metsähallitus proved to be effective, although switching to a new organisation based on gross budgeting created extra work. Permits for hunting, fishing and the use of off-road vehicles are now part of Metsähallitus's public administration duties, a change which led to a considerable reorganisation of application and issuing procedures.

The seven-week-long labour dispute in the paper industry reduced the company's profits by about a quarter. The turnover of Metsähallitus Group's business operations was EUR 229 million, with profits at EUR 51.6 million. The sales volume of the Forestry business unit, which generates most of our turnover, fell to 4.3 million cubic metres, almost half a million cubic metres less than in 2004, due to mill stoppages. As a result of the dispute, the Ministry of Agriculture and Forestry lowered Metsähallitus's profit target, which amended target Metsähallitus slightly exceeded.

Despite the problems caused by the dispute, Forestry reached its targets. Morenia, whose operations have expanded, also achieved its goals, and Laatumaa surpassed its targets thanks to unprecedented plot sales.

The other business units, however, recorded losses. The Wild North unit was burdened, in particular, by difficulties associated with the new procedure for issuing hunting permits. As a result of the more complicated procedure, Wild North's best hunting accommodations were only half full during the peak hunting season. Forelia Oy's main problem is the overcapacity of the entire field. The associated company Foria GmbH, which Metsähallitus half owns with the Austrian Federal Forest Company ÖBf, was obliged to temporarily curtail its operations in their forestry project in Russia. The development of the loss-making units is, however, expected to turn around.

Natural Heritage Services met all their operational targets. Metsähallitus received valuable information from an international report released last spring on the efficiency of the management of Finnish nature conservation areas. According to the report, Finnish conservation areas are generally well cared for, though the evaluation also provided Natural Heritage Services with valuable insights for further development.

Natural Heritage Services' operations expanded considerably as a result of the new Act on Metsähallitus. Under the new law, the issuing of permits for hunting, fishing and the use of off-road vehicles has been made official and thus a public administration duty. This has partly contributed to the reorganisation of Natural Heritage Services; among other changes, the number of regional units has been reduced to three.

The new permit procedure also led to significant changes in permit sales. As anticipated, the matter received a great deal of criticism, especially from companies offering organised hunting trips as well as from their customers. On the other hand, some people were also quite satisfied with the new permit procedure. Due to the nature of the current legislation not all problems can be eliminated, although some improvements are expected for 2006.

Over the course of the year, Metsähallitus finalised a new development strategy on the basis of the renewed legislation. Our strategy was completed in November, after the Finnish Government's Cabinet Economic Policy Committee laid down the ownership policy targets. The financial targets that have been set are tough. Metsähallitus's operating profit should increase by approximately EUR 10 million by the year 2010, and productivity within Natural Heritage Services should increase more than the State administration average. We have risen to the challenge, however, by launching a special programme aimed at achieving these targets. More information about the programme will be made available during the year.

I expect business operations to improve this year over those of 2005. The market for wood looks favourable, and the agreement with the WWF announced in February on the protection of old-growth forests in Northern Finland looks promising in terms of achieving work peace for the Forestry unit. The operations of Morenia Oy, which became an independent company at the beginning of March, are growing as expected, and development in other business operations looks promising as well. The activities of the Natural Heritage Services, too, have become increasingly efficient as a result of the unit being reorganised.



Jan Heino



## PERSONNEL

In 2005, the number of employees in the Metsähallitus Group corresponded to 1,914 person-years. In addition, Metsähallitus employs external contractors in the amount of some 800 person-years. Thus the Group's total employment effect corresponds to nearly 3,000 person-years.

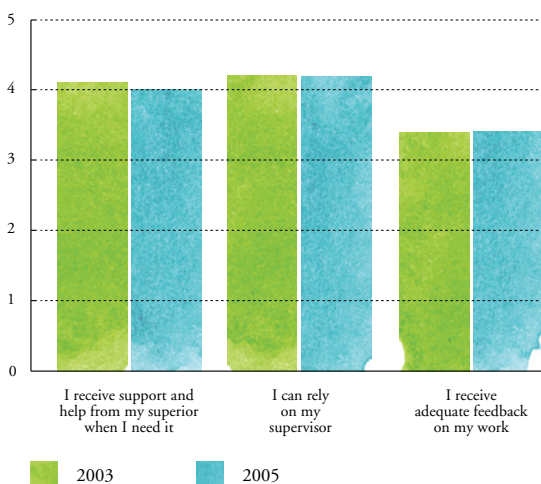
Many of the tasks at Metsähallitus are seasonal. In 2005, the proportion of temporary staff was approximately 11% of the total workforce. Temporary employees were assigned, for the most part, to seasonal tasks. Women accounted for 18% of the total workforce and 31% of salaried employees.

Some 8% of employees work at the head office in Vantaa. The remaining nearly 90% of Metsähallitus's employees work in various units around Finland. Most of the salaries and wages paid by Metsähallitus are distributed to employees in the provinces of Oulu and Lapland. Metsähallitus is a major regional employer, particularly in sparsely populated areas where opportunities for work and livelihood are otherwise limited.

In an employee survey carried out in 2005, Metsähallitus as a place of employment received a rating of 8.2 on the Finnish school grading scale of 4 to 10. The number is a slight improvement over the rating received in 2003. Employees felt that their skills and expertise better met the demands of their jobs than they did two years ago. Metsähallitus was also praised for its handling of work safety issues. Employees were satisfied with the work of their supervisors: On a scale of 1 to 5, supervisors received a grade of 3.8 for the support and assistance they provided, their confidentiality and the feedback they gave and received.

### SUPERVISORS' PERFORMANCE

(scale of 1–5)

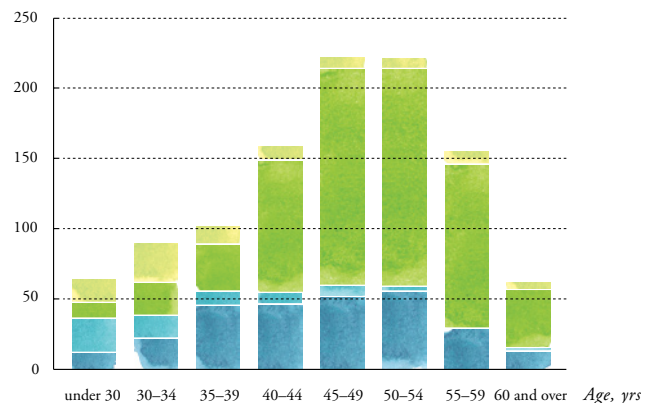


According to the survey, 74% of employees would like to continue working until the age of 63. Those wishing to retire before the official age of retirement consisted mostly of forest workers who already have a long history of hard physical labour under their belts. In general, a reduction in workload, interesting and motivating work, as well as job rotation were all considered elements that support workers' ability to continue in their jobs.

On a scale of 1 to 5, the flow of communication within the organisation received a grade of 3.3. Metsähallitus publishes a personnel magazine in Finnish called 'Metsä.fi' six times a year, as well as an internal Finnish publication called 'Lastut' twice a month. For big projects that affect the whole organisation, a briefing is usually organised at various work points. The level of participation in these personnel events has been very high. Our 'Loimu' Intranet pages are also an important tool for internal communication. They contain a popular discussion forum where personnel can exchange views on current topics, criticise operations or suggest new solutions and operating models. Metsähallitus also encourages its employees to show initiative and develop their own work. Loimu contains a channel for proposing new initiatives, and those proposals that end up as practical solutions are rewarded.

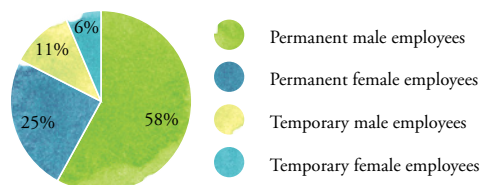
### AGE STRUCTURE OF SALARIED EMPLOYEES

Number



### SEX STRUCTURE OF SALARIED WORKERS

%



## CONCERN FOR THE ENVIRONMENT

Metsähallitus's operating philosophy is based on open interaction and co-operation. Our key stakeholder groups include the Finnish Environment and Forestry Centres, non-governmental organisations, the Finnish Forest Research Institute, the Ministry of Agriculture and Forestry and the Ministry of the Environment, among others. The responsible management and use of natural resources, the promotion of biodiversity and the bearing of social responsibility are values that we promote through various environmental projects.

### THE METSO FOREST BIODIVERSITY PROGRAMME

Metsähallitus has an important role in the implementation and financing of the Forest Biodiversity Programme for Southern Finland (METSO). The co-operation project covers the years 2003 to 2012. Metsähallitus works, in particular, towards restoring and managing nature conservation areas, collecting basic information about nature conservation areas and carrying out nature management in managed forests. The goal is to restore a total of some 33,000 hectares of forest and peatland, each in equal amount.

In 2005, Metsähallitus restored 2,842 hectares of forest and 1,666 hectares of peatland. Since the METSO programme began, nearly 6,000 hectares of formerly managed forests and 5,000 hectares of peatlands situated within conservation areas have been restored. The goal of restoring forests and peatlands in nature conservation areas is to improve the conservation value of the areas.

In 2005 Metsähallitus completed a nature management project for managed forests as part of the METSO programme. In a joint project of the Forestry business unit and Natural Heritage Services, special value sites within the state's managed forests as well as sites adjoining conservation areas were inventoried. As a result of the inventory work, a total of 4,725 hectares of state-owned managed forest were given conservation status.

The conservation biological criteria used in the inventory have been approved by the Ministry of the Environment. The assessment included approximately 340,000 hectares of state-owned managed forest in Southern Finland, the western part of the province of Oulu and south-western Lapland. The field inventories covered 32,000 hectares.

Most of the protected sites, making up 3,200 hectares, are mineral forests with an abundance of decaying wood. The second most protected habitat type was spruce swamps, amounting to some 540 hectares. The protected sites can locally improve the uniformity and conservation level of habitat clusters and small conservation areas. This contributes to the ecological network of these areas.

### ACCORD REACHED WITH WWF ON OLD-GROWTH FORESTS IN NORTHERN FINLAND.

After a nearly three-year-long dialogue process, Metsähallitus and the WWF have come to an understanding on extending the protection of old-growth forests. Metsähallitus's June 2005 decision on conservation was defined and specified using the additional information gathered by the environmental organisations in the inventories close to the end of the year. The areas in question in the regions of Kainuu, Ostrobothnia, Koillismaa and Lapland south of Inari contain 55,000 hectares of old-growth forest proper. Metsähallitus is permanently excluding these areas from its felling operations. In the conservation sites, special attention was paid to the structural characteristics of the forests and the occurrences of threatened species.

The decision safeguards the continuity of forestry in northern Finland, which is of vital importance to the area. The requirements for ecological, economical and social sustainability were all taken into account during the dialogue process.

### THE PETOLA VISITOR CENTRE OPENED ITS DOORS

Metsähallitus's Petola Visitor Centre in Kuhmo, eastern Finland, was opened to the public in June of 2005. Petola's 'Predators on the Prowl' exhibition offers a wealth of information on Finland's largest predatory mammals – the brown bear, wolf, lynx and wolverine. The Visitor Centre also includes a library and computer terminals with Internet connection, plus an auditorium featuring nature films. A special nature classroom and a wide range of materials for environmental education have been designed for school groups.

### WATERFOWL HABITAT MANAGEMENT PROJECTS

Metsähallitus has been involved in many waterfowl habitat restoration and management projects realised through the EU's LIFE-Nature Fund. According to an assessment released in 2005, the projects have made it possible to plan the management, use and restoration of waterfowl habitats, and monitor the ensuing impacts. The projects have both benefited birdlife and promoted tourism in these areas. The variety of bird species has diversified, and the improvement in services has made it easier to use the sites for nature-based tourism and education.

The improvement of waterfowl habitats is ongoing with projects such as the restoration and management of valuable waterfowl habitats in the region of Pirkanmaa, which was launched in 2005, and the South Karelia BIRD project. Those projects include restoring habitats, as well as developing plans for their management and use. In Pirkanmaa, small predators that disrupt the balance of nature and have only recently settled in Finland are being caught, for example, and watercourses are being restored and flood meadows are being cleared. Mink and raccoon dogs, in particular, are a threat to the breeding success of birds.

## A REVIEW OF SOME OF METSÄHALLITUS'S SOCIAL RESPONSIBILITY INDICATORS FOR 2005

Indicators	Results
• Restored forest areas	2,977 ha
• Restored mire areas	1,854 ha
• Number of golden eagle offspring	122
• Number of Saimaa ringed seal pups	51
• Restrictions on the use of land for forestry purposes, based on ecological grounds	488,174 ha
• Prescribed burning areas in managed forests	592 ha
• Retention trees and other trees excluded from felling (including retention trees and other economically valuable wood and fallen trees without valuable biotopes)	9 m <sup>3</sup> /ha
• Environmental damage - oil and fuel leaks	3 cases
• Environmental investments of the Forestry business unit	EUR 7.8 mill.
• Amount of wood transported and by which means	
- by truck	3.06 mill. m <sup>3</sup>
- by water	0.11 mill. m <sup>3</sup>
- by rail	0.94 mill. m <sup>3</sup>
• All of Metsähallitus's personnel and contractors by segment	
- forest workers	774 person-years
- Forestry staff	409 person-years
- Natural Heritage Services	615 person-years
- other employees	212 person-years
- contractors, including drivers	800 person-years
• Number of ancient relics	
- tar pits	1,397
- wild reindeer pitfalls, etc.	179
- remains of buildings	865
- wartime structures	328
- other ancient relics	1,021
• Remuneration paid by Metsähallitus, by province	EUR 55 mill.
- Southern Finland	14%
- Western Finland	12%
- Eastern Finland	15%
- Province of Oulu	27%
- Lapland	32%
• Taxes paid by Metsähallitus	EUR 3.4 mill.
• Visitor satisfaction on a scale of 1 to 5	4
• Number of feedback and/or suggestions received	11,047
• Number of visits to Visitor Centres and customer service points	787,400
• Number of visitors to national parks and hiking areas	1,770,100



Metsähallitus's Social Responsibility Review and the Annual Report of 2005 are available from our website at [www.metsa.fi](http://www.metsa.fi). The Social Responsibility Review can also be ordered via the email address [natureinfo@metsa.fi](mailto:natureinfo@metsa.fi) or by phone at +358 205 64 100.



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