

METSÄHALLITUS ANNUAL REPORT 2019

#160 SUSTAINABLE ACTS

#KESTÄVÄATEKOA



160

METSÄHALLITUS



CODE OF CONDUCT

The foundation for responsible and ethical activities.

LEADERSHIP

THE CLIMATE PROGRAMME WAS LAUNCHED

We're strengthening carbon sinks and storages and developing climate smart activities and services

ENVIRONMENT

SUSTAINABLE RETURN ON STATE-OWNED LAND AND WATER AREAS

SOCIETY

YEAR 2019

#160SUSTAINABLEACTS

for nature, people and society

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YEAR 2019

Metsähallitus celebrated its 160th anniversary in 2019. We celebrated the anniversary year with the #160sustainableacts social media campaign, which reflected both our strong roots and our forward-looking attitude. The 160 sustainable acts implemented during the year were based on responsible operations – either in daily work or new acts initiated in honour of the anniversary.



HIGHLIGHTS OF THE YEAR 2019



2. Metsähallitus launched a climate programme as part of its responsibility programme. »

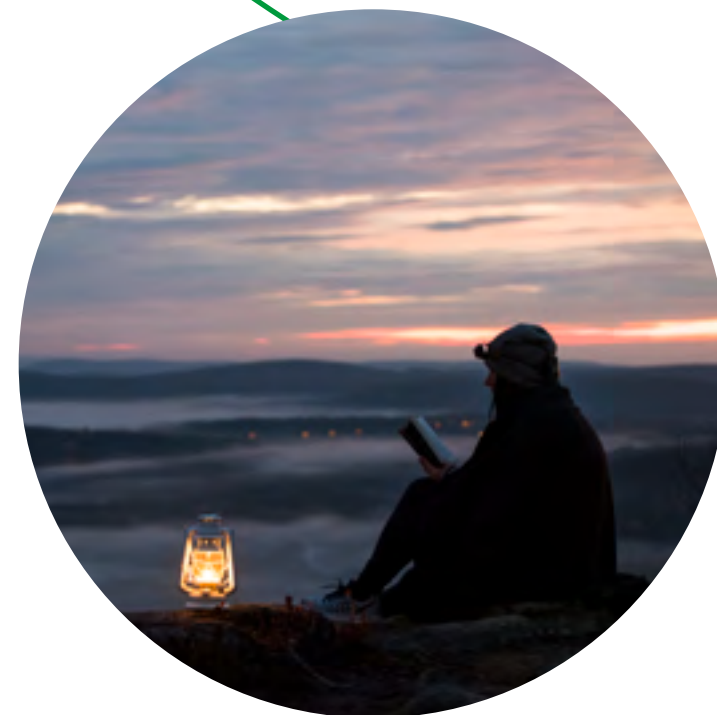
3. The natural resource plan for Lapland for 2019–2024 was completed. »



5. Construction of Finland's largest wind power farm, a project developed by Metsähallitus, began on state-owned land in Kainuu and North Ostrobothnia. »

4. Metsähallitus Equality and Non-Discrimination Plan was updated. »

7. Additional funding for nature conservation work and maintenance of hiking structures. »



1. Metsähallitus Code of Conduct was published. »



6. Metsähallitus and The Finnish Association for Nature Conservation restore mires areas together. »



KEY FIGURES 2019

EUR
million

368.5

(366.4)

TURNOVER

129.2

(124.8)

FINANCIAL RESULT,

139.9

(138.1)

OPERATING PROFIT

138.9

(102.9)

CONTRIBUTION TO STATE REVENUE
FROM THE PREVIOUS YEAR'S RESULT

3.92

MOTIVATION OF THE
PERSONNEL (COMMIT-
MENT, ENTHUSIASM AND
ENERGY) (SCALE 1-5)

647

(669)

BUSINESS OPERATIONS,
PERSON-YEARS

1,153

(1,191)

ENTIRE GROUP, PERSON-YEARS

77.6

GENERAL SOCIAL
OBLIGATIONS, INPUTS,
EUR MILLION

%

38

(38)

SHARE OF OPERATING
PROFIT IN TURNOVER, %

6

(6)

SHARE OF INVESTMENTS IN
TURNOVER, %

43

(46)

FUNDING FROM THE STATE BUDGET, PARKS &
WILDLIFE FINLAND, EUR MILLION



DIRECTOR GENERAL'S REVIEW

ANNIVERSARY YEAR #SUSTAINABLEACTS

– WE PROMOTED GOOD OPERATING METHODS, CLIMATE ACTIONS AND NON-DISCRIMINATION

Last year, Metsähallitus celebrated its 160th anniversary by implementing sustainable acts. This year, we have a strong focus on the future. By reconciling the expectations set for state-owned land and water areas in a responsible manner, we ensure that everyone – also future generations – has the opportunity to enjoy nature and the value it creates.

Our expert work produced results from the perspective of ecological, economic and social wellbeing. Metsähallitus was one of the first government agencies in Finland to publish a Code of Conduct and we also renewed the

Equality and Non-Discrimination Plan. Both of these actions promote social responsibility in Metsähallitus' operations and services in a broad-based manner.

We launched a climate programme with the goal of both mitigating climate change and developing expertise and services for changing climate conditions. Our investment of EUR 77.6 million from business operations in biodiversity, recreational use, Sámi culture and reindeer husbandry was higher than ever before. Active ecological management measures targeted the most endangered habitats and species. Metsähallitus Group's revenue in 2019 was EUR 368.5 million and the result was EUR 129.2 million.



We are strongly developing our responsible activities in a way that can respond to and resolve the challenges arising from the global operating environment.

We achieved the target set for us concerning income paid to the Finnish state – EUR 138.9 million. Due to the market situation, the year was varied in terms of forestry. The positive trend in wind power and rock material activities continued even though a cautious market reflected on the agreements made with companies.

National parks and other recreational and wilderness destinations are increasingly important in terms of nurturing wellbeing and health. A growing number of Finnish and international tourists are planning their visits to nature and cultural sites under our management. We had 8.2 million visits to national parks and other visitor sites last

year, and people spent 1.9 million days in the wilderness. The growing visitor numbers bring more work and income to different parts of the country.

A SPOTLIGHT ON GLOBAL CHALLENGES

We are strongly developing our responsible activities in a way that can respond to and resolve the challenges arising from the global operating environment. Our expertise plays a central role in the sustainable use and protection of land and water areas. The new strategy that we are preparing will link our activities even more closely to global frameworks, such as the UN Sustainable Development Goals and the Guiding Principles on Business and

Human Rights. Our stakeholders and partners estimate that Metsähallitus has improved its level of responsibility and cooperation. We are expected to develop our ability to listen to and understand different parties during cooperation and reconcile their needs and requests. We want to improve open dialogue and activities that are based on trust and mutual respect. In this way, we can work together to promote open, responsible and sustainable use of state-owned land areas.

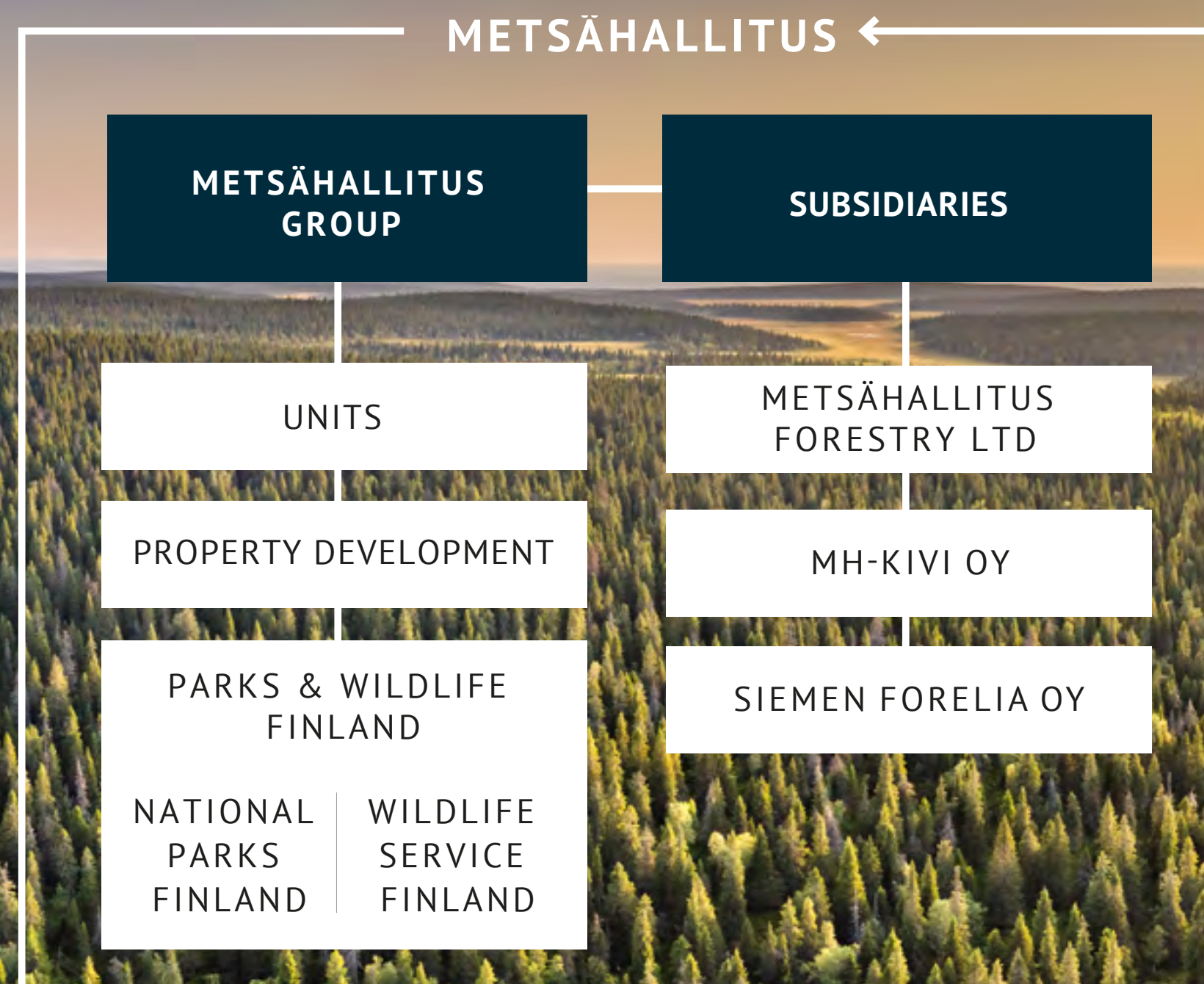
Juha S. Niemelä
Director General



THIS IS WHAT WE DO

Metsähallitus' operations are based on responsibility and continuous improvement of activities. The goal of Metsähallitus' activities is to safeguard biodiversity, create opportunities for sustainable business and strengthen the vitality of the regions, promote natural wellbeing services and make a contribution to state revenue. Metsähallitus' activities also respond to global challenges, such as mitigating climate change and adapting to it.





METSÄHALLITUS IN BRIEF

A RESPONSIBLE MANAGER OF STATE-OWNED LAND AND WATER PROPERTY

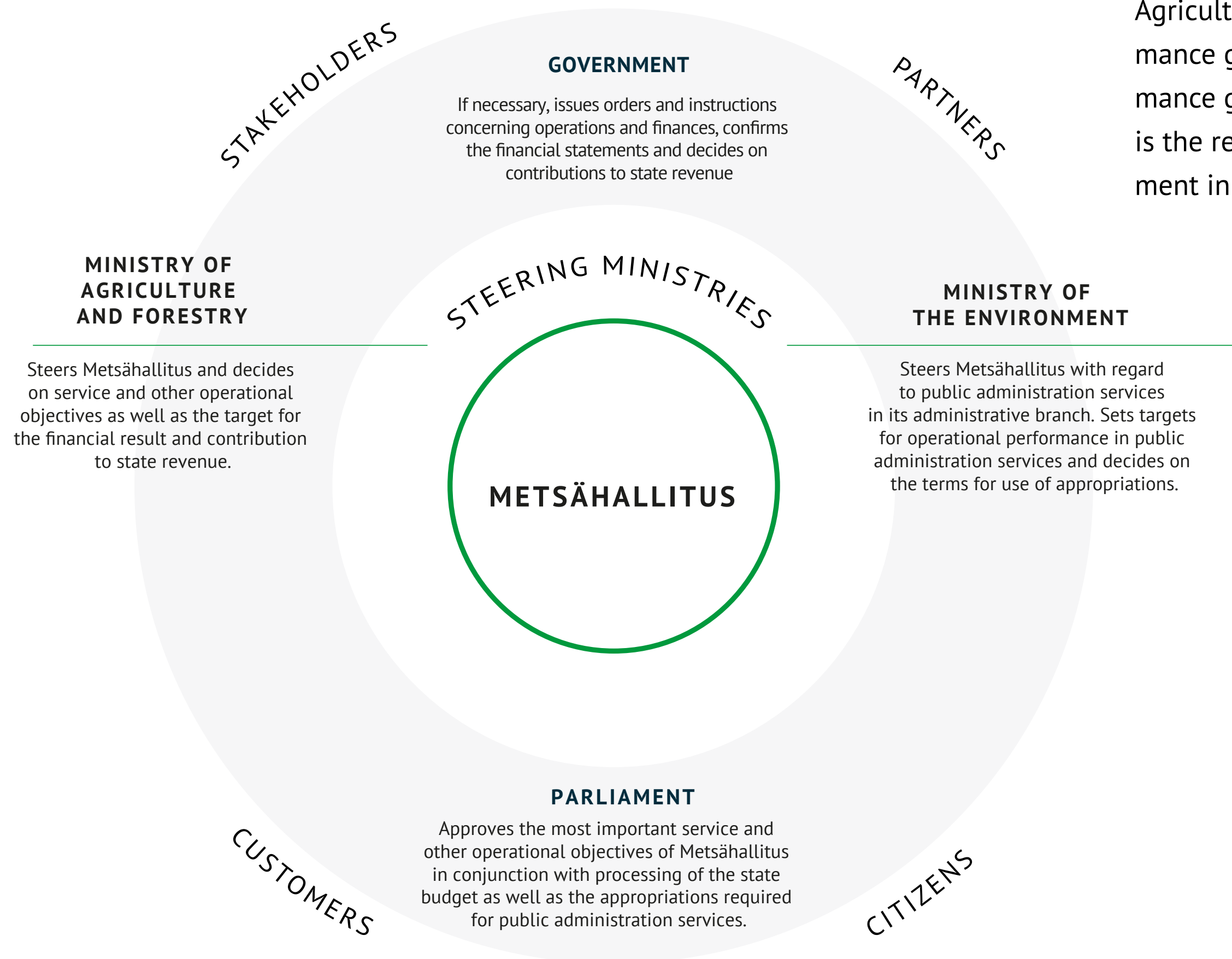
Metsähallitus is a state-run enterprise, which uses, manages and protects state-owned land and water areas under its responsibility in a sustainable manner and reconciles the expectations and goals that its owner, stakeholders and customers have for these areas.

Metsähallitus conducts business in its subsidiaries Metsähallitus Forestry Ltd, MH-Kivi Oy, and Siemen Forelia Oy and in Metsähallitus Property Development, which is part of the Group. As part of its business operations, Metsähallitus is responsible for the sustainable management and use of state-owned forests, forest tree seed production and sales, rental and property development on state-owned land and water areas.

Public administration services are handled by National Parks Finland and Wildlife Service Finland. Their tasks include nature conservation, hunting and fishing supervision and provision of recreational opportunities. The public administration services are managed separately from the business operations and they are funded from appropriations in the state budget and income from permit sales.



METSÄHALLITUS IN BRIEF



The annual targets of Metsähallitus are approved by Parliament as part of the state budget. The Ministry of Agriculture and Forestry is responsible for the performance guidance related to Metsähallitus. The performance guidance of its public administration services is the responsibility of the Ministry of the Environment in its respective administrative branch.

BUSINESS OPERATIONS FOCUS ON THE WELLBEING OF NATURE, PEOPLE AND SOCIETY

Metsähallitus works actively and responsibly for the benefit of the environment, society and people.

As part of the sustainable management and use of natural resources, Metsähallitus ensures the fulfilment of general social obligations in its business operations by taking into account the requirements of protecting biological diversity, recreational use of nature and promoting employment. In addition, Metsähallitus coordinates the management, use and conservation of the natural resources under its control in the Sámi Homeland in a way that safeguards the prerequisites for the Sámi culture, and in the reindeer herding area in a manner that fulfils the obligations laid down in the Reindeer Husbandry Act.

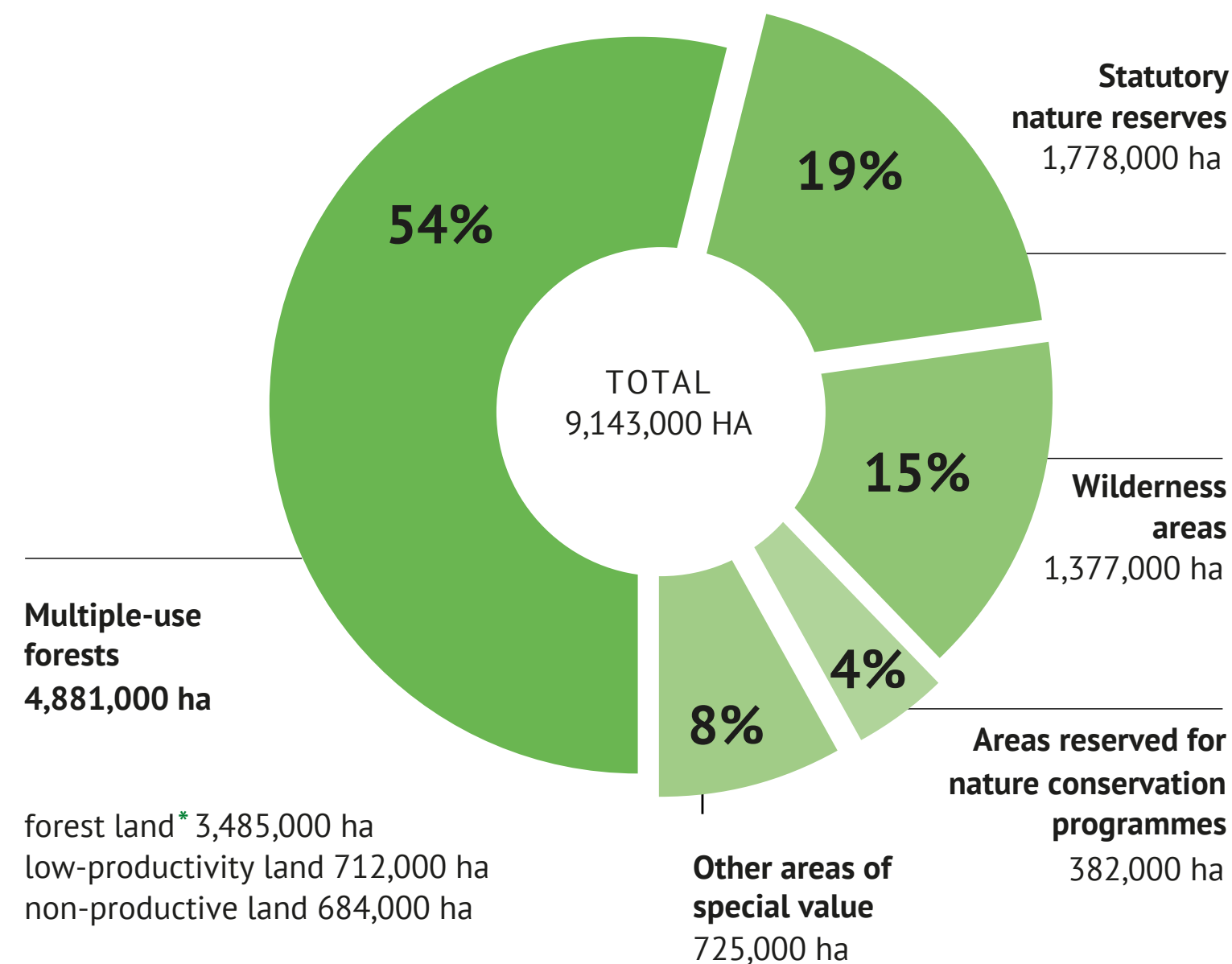
In addition to general social obligations, Metsähallitus operations comply with the common legislation that applies to forest owners, such as the requirements of the Forest Act and Nature Conservation Act.



MANAGING ONE THIRD OF FINLAND'S AREA

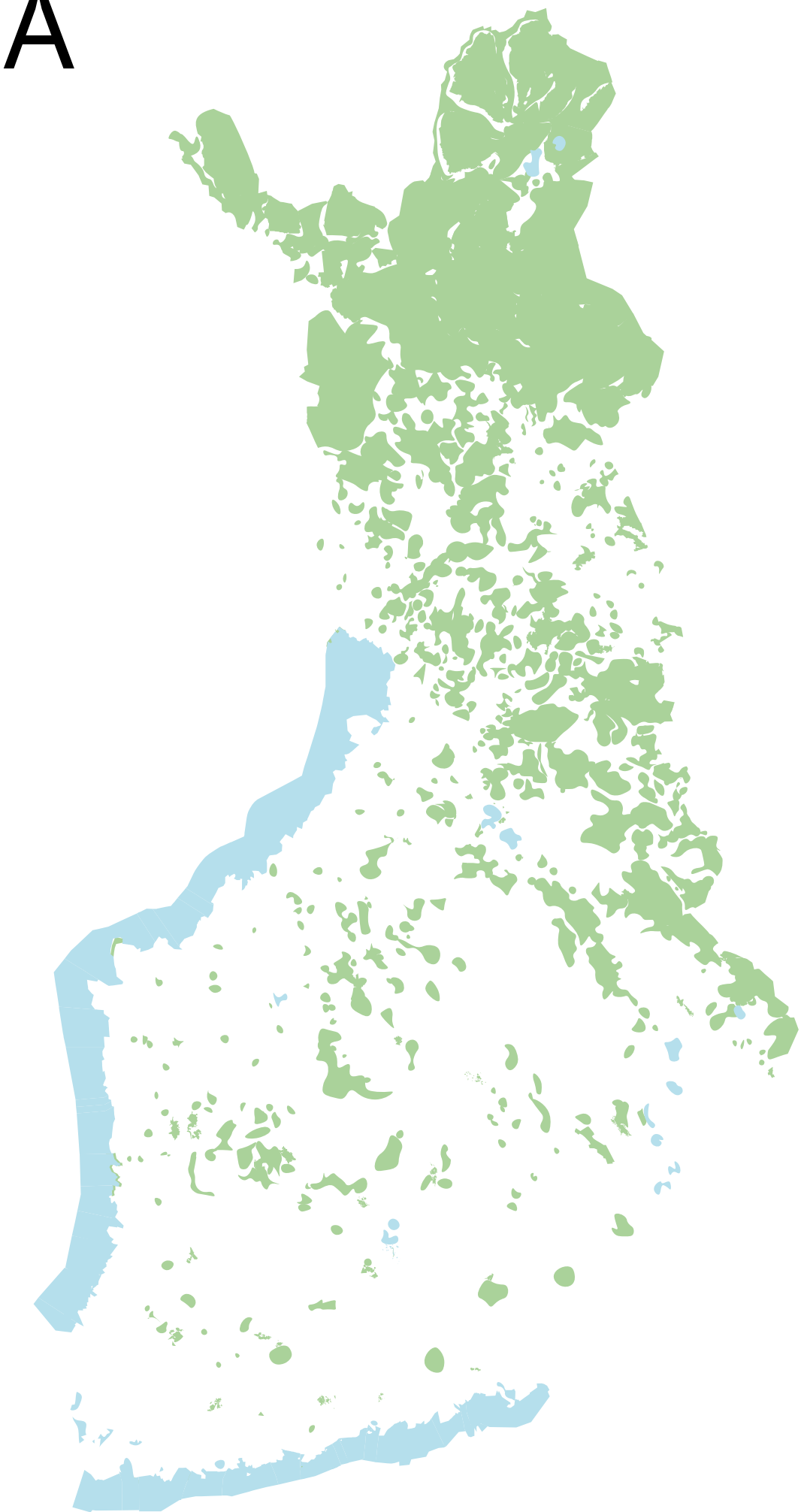
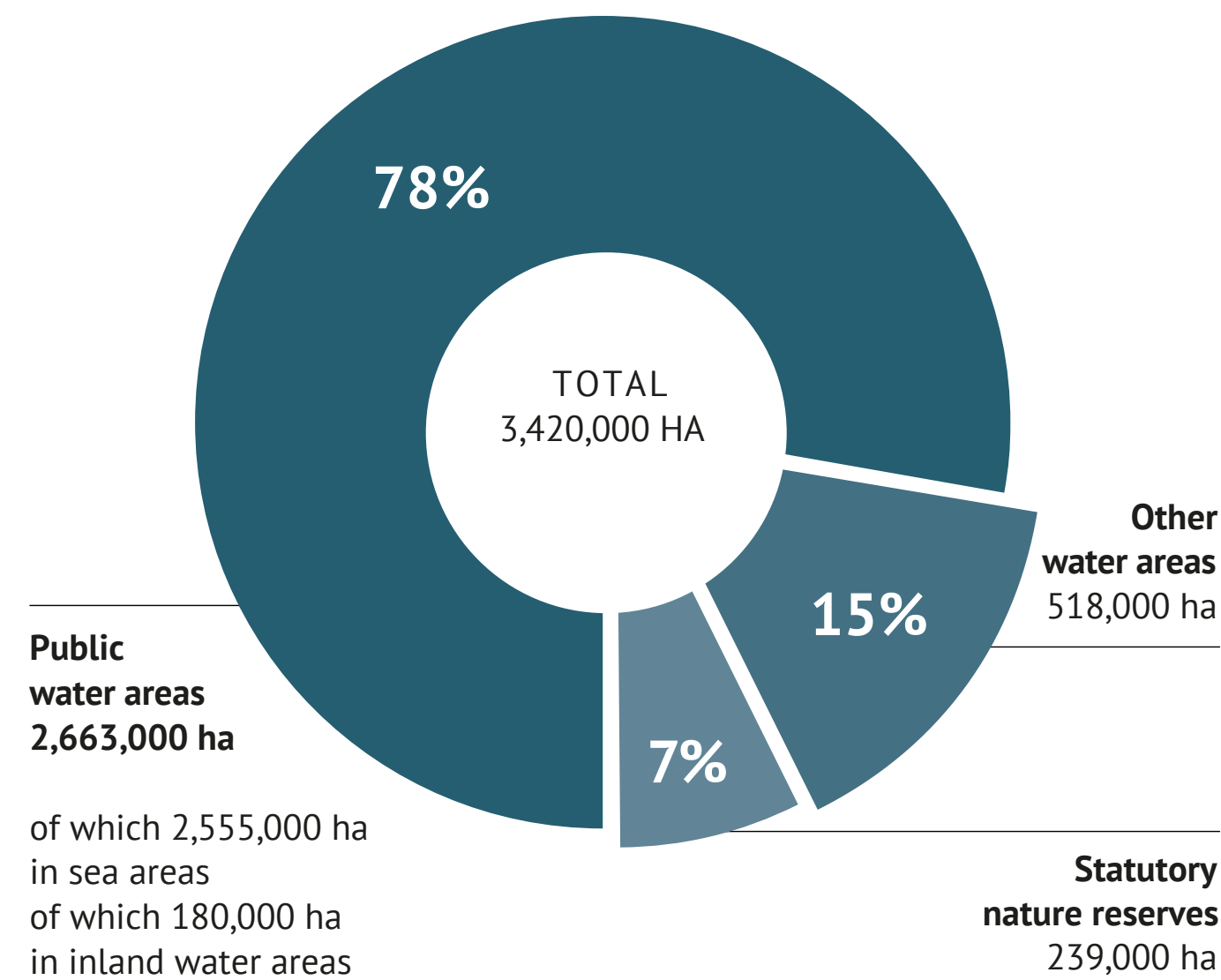
Metsähallitus has a total of **12,563,000** hectares under its management (**9,143,000** hectares of land and **3,420,000** hectares of water areas).

LAND AREAS



* Productive forestry land is classified on the basis of Nordic growth categories of forestry land: on forest land, the average annual growth of the tree stock is at least 1 m³/ha; on low-productivity land, 0.1-1 m³/ha and on non-productive land, less than 0.1 m³/ha.

WATER AREAS





**EUR
million**

**METSÄHALLITUS FORESTRY LTD
2019 (2018)**

335.1

(335.5)

TURNOVER,

20.9

(39.0)

FINANCIAL RESULT

95

(80)

COMPENSATIONS FOR THE RIGHT TO
USE STATE-OWNED FORESTS

75.1

(60.8)

GENERAL SOCIAL
OBLIGATIONS, INPUTS



million m³

6.3

(6.2)

HARVESTED TIMBER

Person

447

(499)

NUMBER OF EMPLOYEES
(31 DECEMBER 2019)

2%

(2.1)

FOREST AREA WHERE
TIMBER IS HARVESTED,
% OF THE TOTAL

UNITS

METSÄHALLITUS FORESTRY LTD

**- WELLBEING AND RENEWABLE RAW MATERIALS FROM
MULTIPLE-USE FORESTS**

Metsähallitus Forestry Ltd is a wholly-owned subsidiary of Metsähallitus, and it is responsible for the management of the state-owned commercial forests that are PEFC-certified and open to multiple-use.

Metsähallitus Forestry Ltd is part of the bio and circular economy value chain. Approximately six million cubic metres of wood is harvested each year for bio-industrial and forestry needs. Forest management accounts for just under 90 per cent of the annual turnover of Metsähallitus. The timber felled in Metsähallitus-managed forests accounted for approximately 8 per cent of the export revenue of the Finnish forest industry.

In addition to forest management, multiple-use forests are utilised in nature tourism, reindeer husbandry and the natural products industry. The forests are also an ideal place for hiking, hunting and picking berries.



METSÄHALLITUS PROPERTY DEVELOPMENT 2019 (2018)

EUR
million

17.6

(16.9)

TURNOVER

22.9

(17.2)

OPERATING PROFIT

2.5

(2.4)

GENERAL SOCIAL
OBLIGATIONS,
INPUTS



91

(91)

WIND POWER PLANTS ON
STATE-OWNED LAND

Person

41

(42)

NUMBER OF EMPLOYEES
(31 DECEMBER 2019)

Plots

113

(115)

SOLD

33

(76)

LEASED OUT

UNITS

METSÄHALLITUS PROPERTY DEVELOPMENT

- ADDED VALUE FOR LAND AND WATER AREAS

The Metsähallitus Property Development unit creates diverse and sustainable opportunities for bioeconomy and business. Metsähallitus Property Development is responsible for land use planning at Metsähallitus. It sells and leases plots to private individuals and companies and promotes land use by creating opportunities for local entrepreneurs. Metsähallitus Property Development is also responsible for land sales and purchases in accordance with the real estate strategy.

Metsähallitus Property Development handles wind power project development and sales, thus promoting the achievement of Finland's climate targets. It also surveys, sells and leases rock material resources in state-owned land areas. Metsähallitus Property Development also represents the state's interests in mining questions.



ha

NATIONAL PARKS FINLAND 2019 (2018)

6,106

HABITAT RESTORATION AND
MANAGEMENT IN NATURE
RESERVES

8,168,300

(6,858,600)

TOTAL NUMBER OF VISITORS (NATIONAL PARKS, STATE-OWNED HIKING AREAS,
HISTORICAL SITES, VISITOR CENTRES AND OTHER POPULAR DESTINATIONS)

5,098

OF WHICH CONTINUOUS
MANAGEMENT OF
TRADITIONAL RURAL
BIOTOPEs

802,300

OF WHICH VISITS TO HISTORICAL SITES

4.38

CUSTOMER SATISFACTION
AMONG USERS OF VISITOR
CENTRES AND FIELD SERVICES
(SCALE 1-5)

km

4,959

MAINTAINED HIKING TRAILS

EUR
million

321.9

SPENDING IMPACTS OF VISITORS
TO NATIONAL PARKS, STATE-
OWNED HIKING AREAS AND
CERTAIN OTHER NATURE RESERVES
AND RECREATIONAL AREAS ON THE
LOCAL ECONOMY

 Person

432

(435)

NUMBER OF EMPLOYEES
31 DECEMBER 2019

88

(85)

NUMBER OF SAIMAA RINGED
SEAL PUPS BORN

UNITS

NATIONAL PARKS FINLAND

- VITALITY FOR HUMANS AND NATURE

National Parks Finland manages all Finnish national parks and strict nature reserves, state-owned hiking areas and wilderness areas in Lapland as well as dozens of cultural heritage sites. It is also responsible for the protection of several significant endangered species, such as the Saimaa Ringed Seal and the golden eagle.

National Parks Finland provides basic services for hikers so that as many people as possible can enjoy nature and the impacts it has on wellbeing. Nature tourism operators can also develop their operations on the basis of services maintained by National Parks Finland.

National Parks Finland is also active in international nature conservation cooperation.



WILDLIFE SERVICE FINLAND 2019 (2018)

1,900,000

DAYS SPENT IN THE WILDERNESS*

180,486

(174,342)

FISHERIES
MANAGEMENT FEES

9,861

(8,650)

WILDERNESS
SUPERVISION EVENTS**

 **Person**

72

(65)

NUMBER OF EMPLOYEES
(31 DECEMBER 2019)

**Permits
sold**

71,398

(65,149)

HUNTING PERMITS

94,121

(87,883)

FISHING PERMITS

* Days spent by hunters and fishers in state-owned areas, including customers who purchased a permit and those who hunt and fish with free rights

** Inspected off-road customers

UNITS

WILDLIFE SERVICE FINLAND

- A PERMIT IS AN INVESTMENT IN NATURE

Wildlife Service Finland provides citizens with hunting and fishing opportunities by issuing wilderness permits for state-owned land. It is also responsible for wilderness supervision in state-owned areas checking permits and ensuring that laws are observed. Wildlife Service Finland also collects national fisheries management fees and transfers them to the Ministry of Agriculture and Forestry. The permit revenue is channelled to the planning of sustainable use of the areas and to improvements in the habitats of game animals and fish species. Wildlife Service Finland promotes professional fishing by issuing permits for the purpose.



VALUES

Importance

We do important work for the good of Finland as a whole, Finnish society and nature. This is a force that helps to bring together many different hopes and goals, even those conflicting with one another.

Care

We do everything we can to promote the responsible use and management of natural resources and to enhance biodiversity and cultural heritage. Customers, partners and colleagues are important to us.

Effectiveness

Our work produces results. These results offer both tangible and intangible benefits, which are sustainably achieved in state-owned land and water areas, passed on from generation to generation.

STRATEGY AND VALUES

RESPONSIBILITY AT THE CORE OF ALL OPERATIONS

At Metsähallitus, responsibility promotes operations in accordance with the strategy and supports achievement of the strategic objectives. The current strategy will guide Metsähallitus' operations until 2020. The strategy work for the 2020–2024 period began in early 2020.

In accordance with our strategy, we commit to the following:

- We guarantee the optimum sustainable return on state-owned land and water areas over generations, enhancing wellbeing and regional vitality.
- As a pioneer in broad-based bio and circular economy, we work to reconcile the expectations on state-owned land and water areas in a responsible and interactive manner.
- We respond to global challenges by offering innovative and sustainable solutions. We safeguard biodiversity and act in a climate-wise manner.
- We offer services to everybody on a non-discriminatory basis. We develop our operations on the basis of customer-orientation, accessibility of digital services and partnerships.
- We operate in a uniform and efficient manner, supported by knowledge-based and ethical management practices as well as a diverse work community.



**FORESTS ARE AT THE HEART OF
MEGATRENDS »**

Forest use is now one of the focuses in the search for solutions to many global problems. Climate change, loss of biodiversity and many other phenomena identified as megatrends are linked to the forest in one way or another.

OPERATING ENVIRONMENT

DRIVERS OF CHANGE ARE A CHALLENGE FOR METSÄHALLITUS

Many drivers of change and megatrends, from climate change to changing values and attitudes, are shaping Metsähallitus' operating environment. Changes such as political decision or economic development can alter the operating environment very quickly.

THE STATE OF FINLAND EXPECTS METSÄHALLITUS TO

- manage state-owned land and water areas in a proper manner and increase their value
- engage in profitable business operations and generate revenue for the state
- protect biodiversity and cultural heritage
- promote the climate benefits generated by state-owned land areas
- create prerequisites for new business and other activities in state-owned land areas.



OPERATING ENVIRONMENT

MEGATRENDS

CLIMATE CHANGE

- Climate change will affect biodiversity and species.
- The rate of forest growth is accelerating, but extreme weather phenomena are increasing. Forest fires and insect and storm damage are becoming more common. Timber harvesting conditions are changing. The importance of well-managed forests will increase.
- Demand for low-emission mobility, sustainable tourism and climate-wise services and products will increase.
- The importance of and demand for renewable raw materials, especially wood, to replace fossil raw materials will increase.

DIGITALISATION

- Communication with customers, partners and stakeholders is accelerating and becoming increasingly important.
- The number of influencers will increase. Information will become fragmented and the significance of reliable information will grow.
- Education and lifelong learning are assuming a more central role as work tasks are becoming increasingly digitalised.
- The development of artificial intelligence will create new possibilities, and some tasks will be automated.

BIOECONOMY

- As the demand for natural resources is growing, there will also be more emphasis on resource efficiency and the circular economy. The circular economy will create new business.
- Responsibility will guide investments towards more sustainable and climate-friendly targets, such as renewable energy and low-emission companies.
- The need for renewable raw materials to replace fossil raw materials will increase.
- The importance of Finland's aquatic environment assets will grow and they will be utilised in a more comprehensive way.

URBANISATION AND AGEING OF THE POPULATION

- More importance will be attached to natural wellbeing and health impacts.
- Interest in sustainable nature tourism is increasing. The expected number of visitors will increase in the recreational areas near growth centres.
- There is a growing need for accessible and diverse services.
- The availability of labour force will become more challenging in remote areas.

OPERATING ENVIRONMENT

WE PROMOTED GOOD OPERATING METHODS, EQUALITY AND NON-DISCRIMINATION

As part of its responsibility programme, Metsähallitus published a Code of Conduct in winter 2019. Metsähallitus is one of the first government agencies to publish such a code. We also opened a whistleblowing channel, which anyone inside or outside Metsähallitus can use to anonymously report activities that conflict with the Code of Conduct.

Implementation of Metsähallitus' updated personnel policy continued. During autumn 2019, our Equality and Non-Discrimination Plan was completed. This plan is more extensive than required by law, and it also incorporates the UN's guiding principles on business and human rights. In 2019, the plan promoted issues such as the opportunity for anonymous recruiting

A SPOTLIGHT ON GLOBAL CHALLENGES

During 2019, the topics of climate change and its impacts as well as safeguarding biodiversity were very much in the public eye. Discussion focused on responsible management and use of forests as well as carbon storages and



During 2019, public debate focused strongly on climate change and its impacts as well as safeguarding biodiversity.

sinks. These themes were also visible in Metsähallitus operations.

Metsähallitus launched a climate programme with the objective of helping to mitigate climate change and prepare for the changing conditions created by climate change both in nature and the economic and social operating environment. The carbon balance sheet for state-owned land areas will be completed in conjunction with the programme, and implementation of the climate programme will continue in 2020.

In spring 2019, a report released by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) drew attention to the degradation of biodiversity and its impacts on nature, people and society. One of Metsähallitus' strategic objectives is to safeguard

biodiversity. In protected areas, active ecological management measures were targeted in a way that prioritised the most endangered habitats and species. During the year, business operations invested a total of EUR 55.5 million in protecting biodiversity.

DEMAND FOR WOOD DECREASED TOWARDS THE END OF THE YEAR

Due to the market situation, the year was variable in terms of forestry. The wood market was promising at the beginning of the year, but demand decreased towards the end of the year.

The harvest volume in state-owned commercial multiple-use forests was approximately 6.3 million cubic metres in 2019. This remained below the sustainable amounts of felling approved in the natural resource plans.



OPERATING ENVIRONMENT

8,2

A total of 8.2 million people visited national parks, state-owned hiking areas and other public sites managed and maintained by Metsähallitus last year.

A POSITIVE TREND IN WIND POWER AND ROCK MATERIAL ACTIVITIES

In terms of property development, the wind power market developed positively and projects progressed at a faster than expected pace. The overall economic situation in property development is good. However, caution in the market reflected on the plans compiled with companies, which lengthened project times and slowed their progress. The increase in demand for ore exploration permits was a positive surprise. Exploration now focuses on battery minerals as well as traditional metals. Positive development continued in the rock materials business.

THE POPULARITY OF HIKING WILDERNESS EXPERIENCES CONTINUED TO GROW

The popularity of recreational use of nature and wilderness experiences increased in 2019. A total of 8.2 million visits were made to national parks, state-owned hiking areas and other public sites managed by Metsähallitus. People spent 1.9 million days in state-owned wilderness areas, with those who purchased a wilderness permit accounting for more than 480,000 days. The number of visits and wilderness days also reflected on the local economy: the impact of national park visitor spending was EUR 219.3 million and EUR 46.7 for wilderness visitors.

ADDITIONAL FUNDING FOR NATURE CONSERVATION WORK AND MAINTENANCE OF HIKING STRUCTURES

At the end of 2019, Metsähallitus' funding for public administration services was increased significantly in the state budget. The annual basic funding was increased by EUR 7.5 million and EUR 19.2 million was allocated for future investments in 2020 and 2021. The additional funding will be used for nature surveys and habitat improvement as well as to improve hiking structures and reduce the renovation backlog at nature sites.



OPERATING ENVIRONMENT

THE SUPREME COURT DID NOT GRANT THE RIGHT TO APPEAL IN CARTEL MATTER

In January 2019, the Supreme Court issued its decision on an application for leave to appeal submitted by Metsähallitus in a case involving a raw timber cartel in which forest companies were deemed to have maintained an illegal cartel for purchasing raw timber in 1997–2004. The Supreme Court did not grant leave to appeal in the matter, and the decision to dismiss Metsähallitus' case issued by the Helsinki Court of Appeal in 2018 remained final. Metsähallitus believes that it would have been important to process such a complicated and significant – both in terms of competition law and socially – case in the Supreme Court.

A NATURA ASSESSMENT WILL BE COMPILED CONCERNING LOGGING ON ISLANDS IN OULUJÄRVI

In early 2020, the Supreme Administrative Court of Finland issued its ruling concerning logging on islands in Lake Oulujärvi. According to the decision, the forestry measures require that Metsähallitus perform a Natura assessment as outlined in the Nature Conservation Act. This will evaluate the impacts of logging on the conservation grounds for the Natura area.

The decision applies to logging planned by Metsähallitus on the Kuostonsaari and Kaarresalo islands in 2017. The planned logging was based on the plan for management and use of the islands in Lake Oulujärvi. Nature and wildlife associations Kainuun Lintutieteellinen yhdistys and Paltamon Luonto ry filed a motion with the ELY Centre concerning the planned logging. The decision on the motion issued by the ELY Centre progressed to the Supreme Administrative Court, which returned the matter to the ELY Centre. According to the Supreme Administrative Court, the logging plan did not include an assessment concerning the indirect impacts logging would have on the protected forest habitats or marshland habitat in the area. However, the planned logging area did not include such habitats. The ELY Centre must provide Metsähallitus with the opportunity to present an appropriate assessment of the Natura impacts in relation to logging that is the object of the administrative compulsion claim.

LAND USE PLANNING FOR MURTOMÄKI WIND PARK DID NOT PROCEED

In its decision issued at the end of 2019, the Supreme Administrative Court overturned the partial master plan

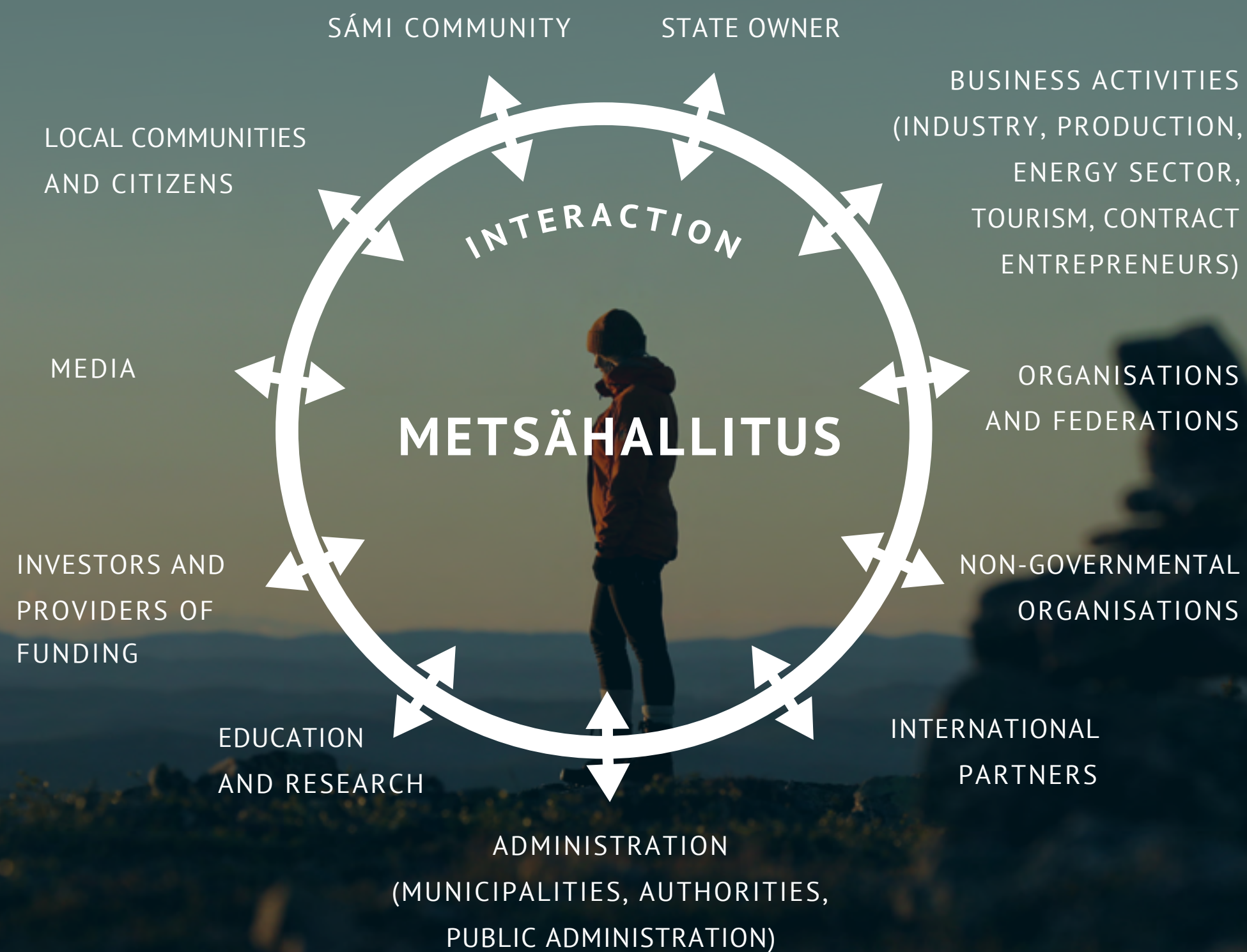
for Metsähallitus' Murtomäki wind park. According to the decision, the possible harmful impacts of the wind park on wolves living in the area was not sufficiently taken into account when preparing the plan. Metsähallitus has decided to restart the land use planning process for Murtomäki wind park, but as the smaller Harsunlehto entity. The land use planning process for Harsunlehto will pay special attention to the reports concerning wolves and impact assessments.

APPEALS TO THE COURT OF ARBITRATION REGARDING COMPANY ACQUISITION ARE STILL PENDING

The dispute between Metsähallitus and Morenia Oy concerning the sale of the soil resources business was reviewed by a court of arbitration in 2016 and 2017. In both cases, the court of arbitration accepted the demands of MH-Kivi Oy and Metsähallitus. The opposing party, Morenia Oy, filed appeals to overturn the decisions and these were still pending in 2019. Morenia Oy was declared bankrupt in June 2019 by decision of Oulu District Court.



METSÄHALLITUS' PARTNERS AND STAKEHOLDERS



STAKEHOLDERS

PARTNERSHIP AND COOPERATION

Use of state-owned land and water areas requires partnerships and co-operation. Metsähallitus has a broad range of partners and stakeholders and the cooperation with them takes many different forms, such as information exchange, trading, guidance and exchange and interaction. Important forms of cooperation include compiling a natural resource plan with stakeholders, project collaboration with partners, and negotiations with reindeer herding cooperatives.

The State of Finland (as the owner), customers, partners, citizens and other stakeholders place expectations on Metsähallitus. Metsähallitus can only operate successfully if it can reconcile all these differing expectations.

STAKEHOLDERS

METSÄHALLITUS CONTINUES TO HAVE A FAIRLY GOOD REPUTATION

Metsähallitus gauges partners' and stakeholders' views on its work and reputation every year. A total of 349 responses were submitted (a response rate of 34%) to the 2019 survey, with international partners accounting for 8 per cent.

According to the survey, Metsähallitus is seen as a reliable and versatile cooperating partner. The assessments of responsibility of activities and promoting non-discrimination were better than in the previous year. Metsähallitus continues to have a fairly good reputation. Our stakeholders and partners estimated that the level of cooperation with Metsähallitus has improved. Improvement had also taken place in communications, even though the feedback ranged from satisfied to critical. The most important development areas are the ability to better listen to and understand target groups and reconcile the needs of different parties.

INTERACTION TRAINING WITH CIVIC SOCIETY

In cooperation with the Finnish Association for Nature Conservation and Greenpeace, Metsähallitus launched a



Our stakeholders and partners estimated that the level of cooperation and communication with Metsähallitus has improved.

process to improve co-management and interaction skills. Sparring was provided by an expert specialising in interaction development. The aim is to increase competence and methods that can be used to move forward from various disputes concerning natural resources and their use towards cooperation.

The year included joint workshops, common communications and training for Metsähallitus personnel. The preliminary experiences of the collaboration have been positive. The process and training will continue in 2020.

AKWÉ: KON OPERATING MODEL WAS UPDATED WITH THE SÁMI PARLIAMENT

During 2019, Metsähallitus and the Sámi Parliament updated the voluntary operating model used when compiling natural resource plans and management plans in the Sámi Homeland. The operating model is based on the Akwé: Kon

guidelines in the UN Convention on Biological Diversity. In 2016, Metsähallitus became the first land use authority in the world to adopt this operating model.

The procedure makes it possible to identify the prerequisites for the Sámi culture that Metsähallitus should take into consideration when planning the use of land and natural resources. When used in different phases of the planning process, the model can identify matters that are important in terms of ensuring a viable Sámi culture as well as the concerns of the Sámi people and react to them and ensure the genuine participation of the Sámi throughout the process. In those cases where the operating model does not produce joint understanding of the entries in the plans, Metsähallitus will record its justification for deviating from the proposals of the Akwé: Kon working group in the plans.



RESPONSIBILITY

Responsibility guides all Metsähallitus operations. It is integrated with our strategy as well as the management, implementation and development of our operations. The Metsähallitus responsibility programme was divided into four focus areas: Leadership, Environment, People and Society



RESPONSIBILITY

RESPONSIBILITY IN METSÄHALLITUS

In Metsähallitus, corporate responsibility is part of management practices and part of daily work. Metsähallitus has been responsible for the management and use of Finland's state-owned land and water areas for 160 years. Metsähallitus can only justify its existence by optimum reconciliation of the needs of its different stakeholders and by applying best practices.



RESPONSIBILITY

KEY RESPONSIBILITY THEMES

As part of its responsibility programme, Metsähallitus carried out a materiality analysis in winter 2017–2018. The materiality analysis identified the key responsibility themes from the perspective of its stakeholders. Stakeholder surveys, expertise of the Metsähallitus responsibility group and the views of the management were all used in the work.

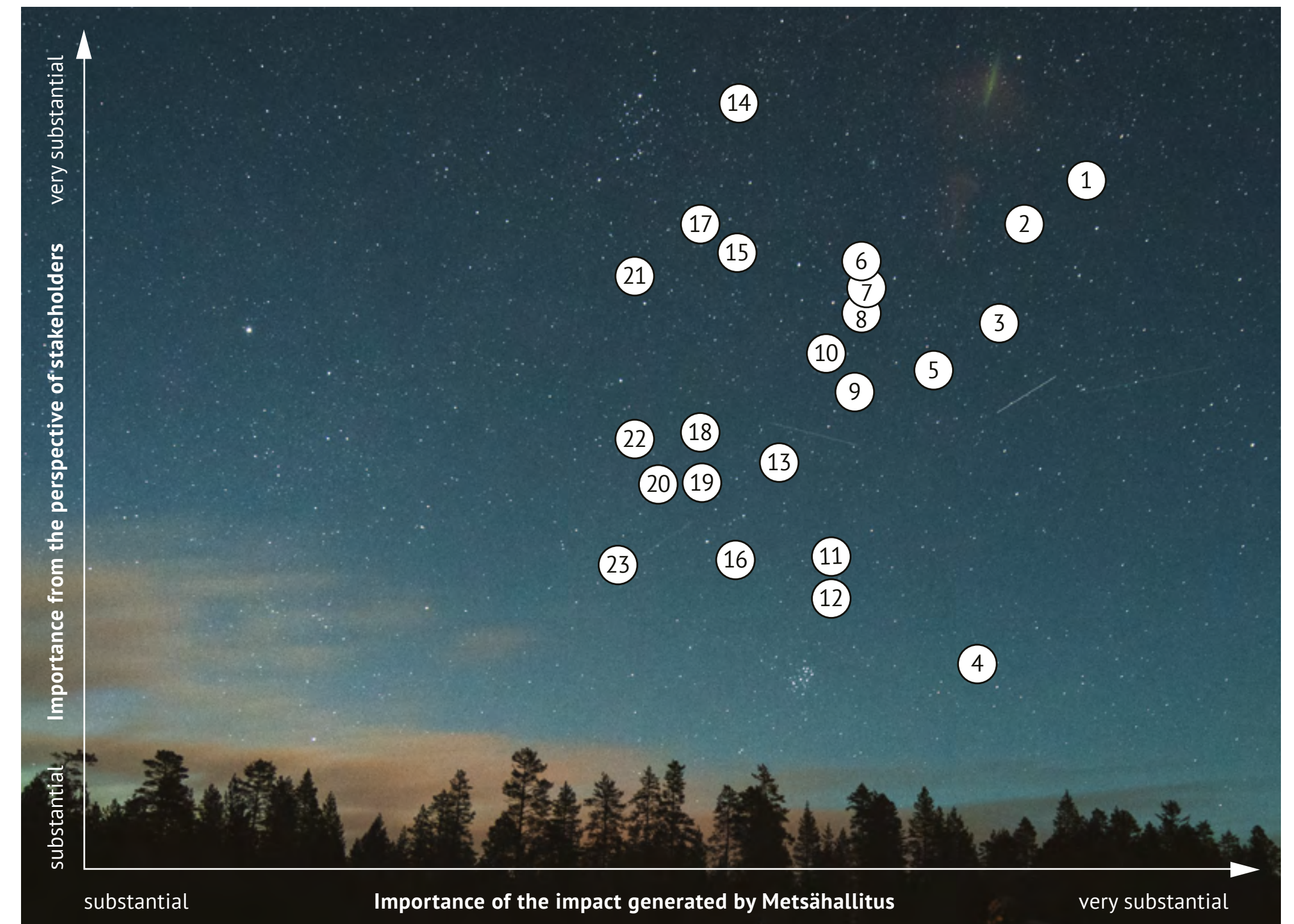
The materiality analysis is currently being updated on the basis of new ownership policy guidelines.

MATERIALITY ANALYSIS

- 1. Reconciliation of the needs concerning state-owned land and water areas and participatory planning
- 2. Ensuring optimum sustainable return on state-owned land and water areas across generations
- 3. Safeguarding biodiversity
- 4. Improving eco-efficiency
- 5. Mitigating climate change and preparing for it
- 6. Promoting nature tourism and recreational use
- 7. Promoting the good status and sustainable use of state-owned sea and inland water areas

- 8. Promoting sustainable forestry
- 9. Ensuring the wellbeing of the personnel
- 10. Viable game and fish stocks and managing them
- 11. Preserving cultural heritage sites and intangible culture heritage in state-owned land and water areas
- 12. Maintaining up-to-date and reliable data on resources and their use as well as maintaining Arctic expertise
- 13. Safeguarding the prerequisites for reindeer husbandry in the reindeer herding area
- 14. Strengthening vitality of the regions and promoting employment opportunities

- 15. Promoting partnerships and cooperation with stakeholders
- 16. Respecting human and labour rights in all activities
- 17. Acceptability of the sustainable use of wood and other natural resources
- 18. Safeguarding the prerequisites for the Sámi culture
- 19. Providing opportunities for sustainable hunting and fishing
- 20. Increasing the health and wellbeing impacts derived from nature
- 21. Safeguarding and observing ethical principles
- 22. Transparency and open communications
- 23. Promoting the generation of wind and other clean energy

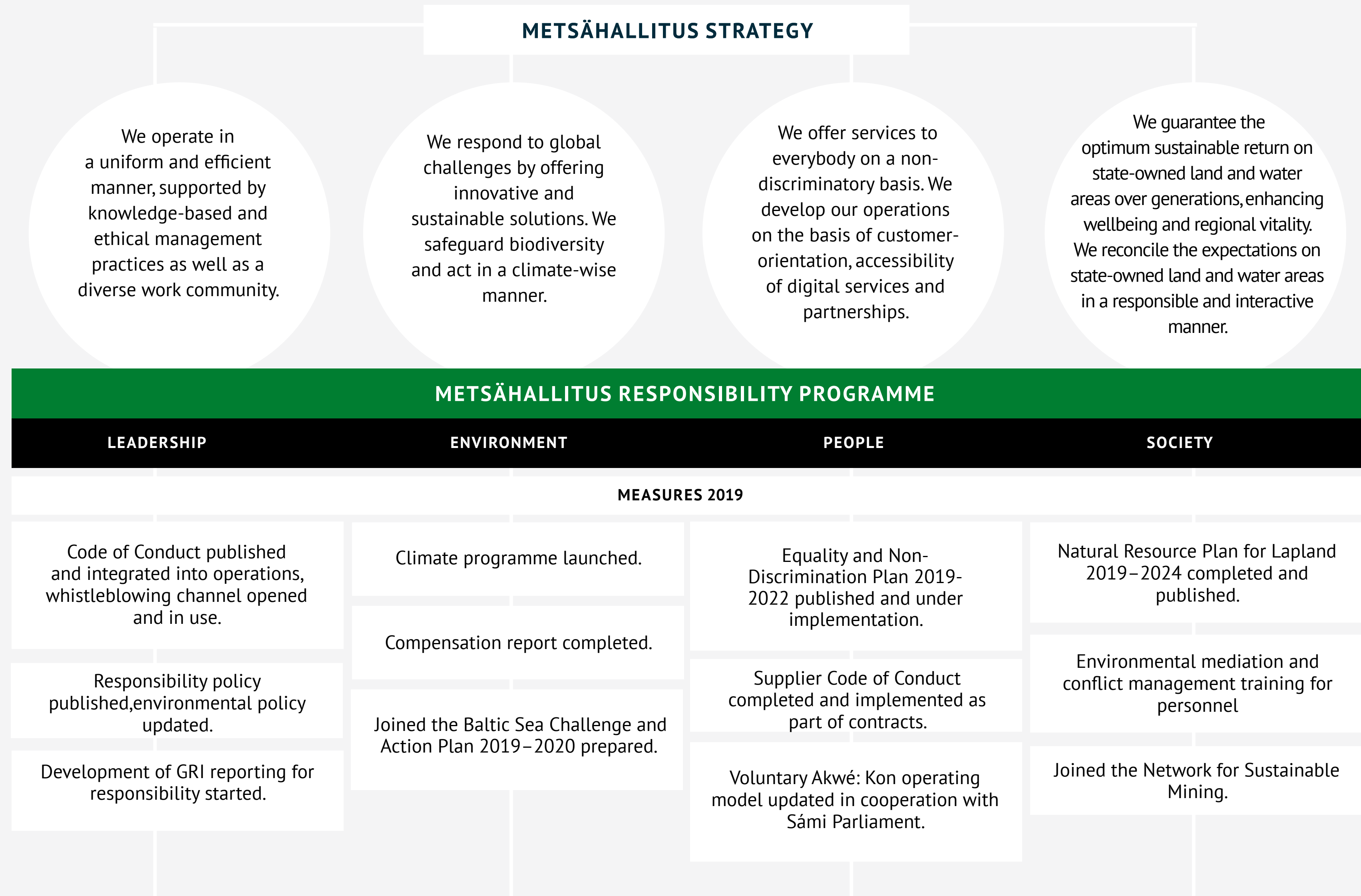




RESPONSIBILITY

THE RESPONSIBILITY PROGRAMME HAS FOUR FOCUS AREAS

The Metsähallitus responsibility programme sets targets for implementing responsibility and specifies actions to achieve those targets. The programme includes four focus areas: Leadership, environment, people and society. In 2020, the programme will be updated with consideration to the new ownership policy guidelines and the strategy.





RESPONSIBILITY

SUSTAINABLE DEVELOPMENT GOALS OF THE UNITED NATIONS

Metsähallitus is committed to promoting the Sustainable Development Goals of the United Nations as part of the 2030 Agenda. During 2020, the sustainable development goals will be reviewed again in connection with the strategy work launched in Metsähallitus.

SUSTAINABLE DEVELOPMENT GOALS OF THE UNITED NATIONS THAT METSÄHALLITUS CAN PARTICULARLY AFFECT THROUGH ITS ACTIVITIES





LEADERSHIP

At Metsähallitus, responsibility is managed ethically and on the basis of information and by developing activities and digital services in cooperation with customers and partners.



Ethical management practices p. 32





Photo: Kahtelis Oy.

LEADERSHIP

RESPONSIBILITY MANAGEMENT IN METSÄHALLITUS

Metsähallitus' principles for responsibility and environmental matters are **responsibility** and **environmental policies** approved by the Metsähallitus Board of Directors.

The Director General is responsible for the management and implementation of responsibility and environmental matters. The Metsähallitus Board of Directors sets common strategic responsibility and environmental targets based on a proposal from the Management Group. The Management Group ensures that those targets are implemented in the respective units. The Director of Communications oversees implementation of the responsibility programme. The Director of Development handles implementation of the environmental system. These activities are supported by the Group units and business units, in other words, a responsibility group and an environmental group consisting of experts from Metsähallitus Forestry Ltd, Metsähallitus Property Development, National Parks Finland and Wildlife Service Finland. The Legal Affairs unit is responsible for Metsähallitus' compliance with requirements and provides support with practices related to the Code of Conduct and acting correctly.

LEADERSHIP



In 2019, Metsähallitus joined the Network for Sustainable Mining and the Baltic Sea Challenge network initiative. In April, Metsähallitus' head office received a WWF Green Office environmental certificate.

Responsibility is integrated with the Metsähallitus incentive schemes. One of the criteria for performance bonus at Metsähallitus is the organisation's external reputation. This is gauged using annual stakeholder surveys, which, among other things, measure our success in terms of responsibility.

The units ensure that Metsähallitus' responsibility and environmental principles are visible in our operations with customers, partners, suppliers and other stakeholders. Every Metsähallitus employee is responsible for ensuring that the instructions concerning the responsibility programme and the environmental system are implemented in their own work.

Metsähallitus also ensures and develops responsibility for the environment by means of environmental and quality systems (ISO 14001, ISO 9001) and PEFC certification for commercial multiple-use forests. Metsähallitus is a member of the FIBS corporate responsibility network.

In 2019, Metsähallitus also joined the Network for Sustainable Mining and the Baltic Sea Challenge network initiative. In April, Metsähallitus' head office received a WWF Green Office environmental certificate.

POLICIES STEER JOINT ACTIVITIES

Metsähallitus Board of Directors has confirmed policies that apply to the entire group as strategic management areas to steer the activities.

The responsibility policy was compiled as part of the responsibility programme, and it was approved by the Metsähallitus Board of Directors in 2019. The environmental policy was updated by decision of Metsähallitus Board of Directors in December 2019.

The policies define the areas of joint activities between Metsähallitus' Group units and business units, the link to the strategy and its implementation, the main goals, key principles, main roles and responsibilities, and reporting procedures.





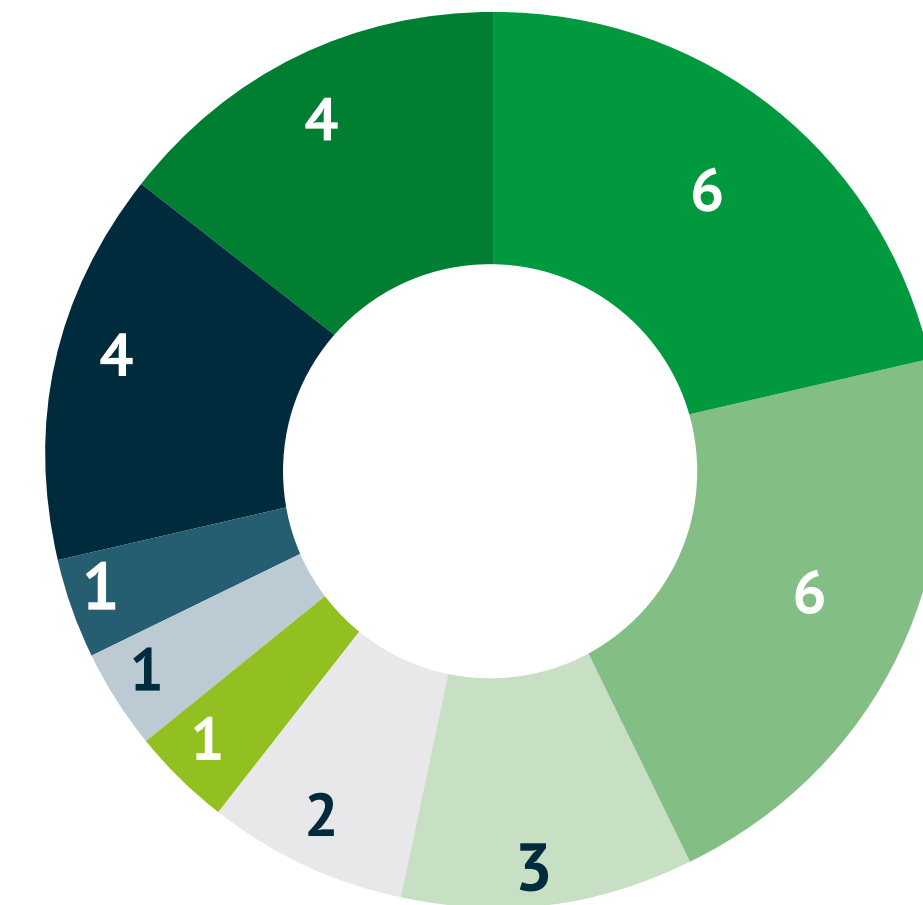
ETHICAL MANAGEMENT PRACTICES

ONE OF THE FIRST GOVERNMENT AGENCIES TO HAVE A CODE OF CONDUCT

In February 2019, Metsähallitus became one of the first state administration representatives in Finland to compile a **Code of Conduct** as part of its responsibility programme. The Code of Conduct contains the key principles for responsible and ethical operation that Metsähallitus observes in all its activities.

A **whistleblowing channel** for internal and external use was opened in conjunction with the Code of Conduct. It can be used to report any suspected abuses and situations related to Metsähallitus' activities – anything that is inconsistent with the responsible and ethical principles set out in our Code of Conduct.

A total of 28 reports were submitted to the whistleblowing channel in 2019. Most of the reports were clear reports of abuses. One of these led to the filing of a criminal complaint. Some of the reports are more in the style of customer feedback than actual suspected abuses, and some are not related to compliance with the Code of Conduct. The majority of reports were associated with the environment and personnel themes. The reports were processed in the legal affairs, human resources and risk management functions and the necessary measures were taken as a result.



REPORTS SUBMITTED TO THE WHISTLEBLOWING CHANNEL BY THEME:

- Environment 6
- Personnel matters 6
- Discrimination 3
- Health and safety 2
- Financial abuses 1
- Privacy protection 1
- Violations of competition law 1
- Other themes 4
- Reports not related to compliance with the Code of Conduct 4

ETHICAL MANAGEMENT PRACTICES

RESPONSIBLE PROCUREMENT IS PART OF OPERATIONS

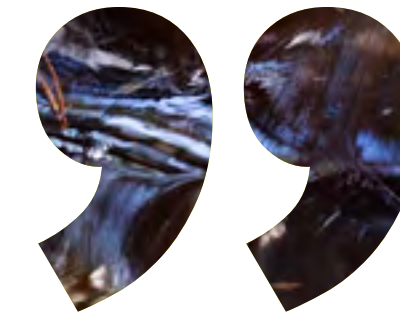
Metsähallitus introduced a Supplier Code of Conduct at the end of 2019. It requires Metsähallitus service providers, suppliers and contractual procurement partners to commit to responsible and ethical activities. The commitment also applies to their subcontractors.

The Supplier Code of Conduct is based on the Metsähallitus Code of Conduct. The Supplier Code of Conduct includes minimum requirements that, in addition to the laws and regulations that apply to their business, the suppliers must observe in contractual relationships with Metsähallitus. The supplier is also obligated to ensure

that the subcontractors it uses in a contractual relationship with Metsähallitus make a commitment to comply with the Supplier Code of Conduct.

GRI REPORTING BEGINS

In 2019, Metsähallitus introduced the development of reporting in accordance with the core option of the GRI (Global Reporting Initiative) standard. The Metsähallitus Management Group and experts who produce reporting content received training related to the GRI principles.



Supplier Code of Conduct commits Metsähallitus' service providers, suppliers and contractual procurement partners and their subcontractors to responsible and ethical activities.



ENVIRONMENT

The most important environmental aspects and impacts of Metsähallitus' activities are related to safeguarding biodiversity, mitigating climate change and adapting to it, and sustainable use of natural resources.

Safeguarding
biodiversity p. 37

Mitigating climate change
and adapting to it p.49

Sustainable use of natural resources p. 53





ENVIRONMENT

RESPONSIBILITY FOR NATURE AND ITS FUTURE

Metsähallitus is responsible for the protection, management and monitoring of valuable habitats and animal and plant species. Metsähallitus' strategic environmental goals for 2019 were to safeguard and develop biodiversity and adapting to and mitigating climate change.

ENVIRONMENTAL GROUP COORDINATES ACTIVITIES

In Metsähallitus, coordination of environmental matters is the responsibility of the environmental group, which comprises the environmental managers of individual units. The group monitors legislative developments and the implementation of Metsähallitus' environmental policy and goals. The environmental group meets at least four times each year. The group works in close cooperation with the Metsähallitus responsibility group.



ENVIRONMENT

The environmental issues relevant to individual business units and the environmental goals derived from them are reviewed in the environmental group each year, and the environmental goals for the following year are prepared on the basis of development needs. Success in achieving the goals is assessed each year in the environmental reviews of individual business units and the environmental review covering all Metsähallitus operations, which is submitted to the Metsähallitus Management Group based on the unit reviews.

AUDITING REVEALED TWO DEVIATIONS

The level of environmental protection is monitored, measured and assessed by means of internal and external audits and reviews, in addition to which the environmental aspects and risks are evaluated annually. In 2019

audits were performed according to the ISO 14001 and ISO 9001 environmental and quality systems and PEFC certification.

The focuses of the ISO 14001 audit included visitor safety, fishery and dam projects as well as logging sites in Southern and Eastern Finland. The audit revealed one minor deviation: the destruction of an osprey nesting tree that occurred because the nest and its protective zone were not marked in the harvesting plan. The nest was not active, and it had apparently fallen to the ground during the previous winter. According to the osprey foundation, the nest had not been used for two years. The nesting tree of an osprey is protected under the Nature Conservation Act and Metsähallitus reported the incident to the ELY Centre for Lapland. The construction of an artificial

nest to replace the destroyed nest has been agreed with the Osprey Foundation.

In addition to the osprey nesting tree, a second deviation was found in conjunction with the PEFC certification audit. This involved an employment contract violation that occurred in 2018, when an employee representative's contract was breached by transferring the representative to another position. The reasons for the breach have been processed in Metsähallitus and the requirements of the labour court's decision have been fulfilled. We continue to develop operating methods in order to avoid contract violations.



SAFEGUARDING BIODIVERSITY

AN INDEX TO MONITOR THE DEVELOPMENT OF BIODIVERSITY

Metsähallitus examines state-owned land areas as a whole in which nature reserves and the ecologically most important nature sites in multiple-use forests constitute a nationwide ecological network. In terms of species and landscape, the sites in the network are vital to the preservation of biodiversity in our country.

Development in the status of biodiversity is monitored annually using a biodiversity index jointly developed by the business units. The index describes trends in key structural biodiversity features, such as the amount of decaying wood, as well as the impact of measures to

preserve and enhance biodiversity, including actions to preserve and restore nature sites.

The biodiversity index comprises five indicators:

- Natura 2000 habitat type status assessment
- Consideration of nature sites in fellings
- Restoration measures surface area (ha)
- Amount of decaying wood (m³/ha)
- Amount of mature aspen (m³/ha).



A nationwide ecological network safeguards the prerequisites for the preservation and spread of forest species.



SAFEGUARDING BIODIVERSITY

**BIODIVERSITY INDEX AND ITS DEVELOPMENT IN
STATE-OWNED LANDS 2015–2019**

INDICATOR	2015	2016	2017	2018	2019
Natura 2000 habitat type status assessment	3.9	3.90	3.89	3.90	3.90
Consideration of nature sites in fellings	2.7	4.45	4.52	4.87	5.00
Restoration measures surface area (ha)	3.89	3.23	3.7	3.81	4.06
Amount of decaying wood (m ³ /ha)	2.30	2.30	2.30	2.13	2.13
Amount of mature aspen (m ³ /ha)	3.40	3.40	3.40	4.00	4.00
BIODIVERSITY INDEX	3.24	3.46	3.56	3.74	3.82

In 2019, the biodiversity index produced a score of 3.82 on a scale of 1–5. The index describes whether biodiversity is developing a worse (1) or better (5) direction on state-owned lands and private nature reserves. The aim is continuous improvement.

The Natura 2000 habitat type status assessment indicator describes improvement in the natural state of protected areas: the higher the value, the better the habitat type is represented. The indicator result has remained nearly the same from one year to another because active nature management measures in protected areas focus on a relatively small part of habitat surface area, which means the impact remains quite low. The need for nature management in new protected areas and insect damage in, for example, fell habitats also decrease the score. For these

reasons, the target of 3.94 was not achieved in 2019 and the final result was 3.9.

The most successful of the index areas was consideration of nature sites in **fellings**. Restoration measures, surface area was also higher than the previous year, thus indicating that the impact of measures was better.

The lowest score was achieved in the amount of decaying wood, so a target to increase it has been set for the following years. About one quarter or nearly 4,000 of all species found in Finnish forests are directly or indirectly dependent on decaying wood. By increasing the amount of decaying wood, Metsähallitus can influence the structural features of the forests that are so important to biodiversity.



SAFEGUARDING NATURAL DIVERSITY

THE MOST VULNERABLE HABITATS ARE PROTECTED IN NATURE RESERVES

In 2019, nature management measures focused on the most vulnerable nature types and habitats, such as various mire types, sunlit and coastal environments. The implemented measures also promoted the targets for protection of species. A total of 6,300 hectares of valuable habitats were managed, particularly in LIFE cooperation projects. The surface area target set by the Ministry of the Environment for ecological management and restoration actions in nature reserves in 2019 was exceeded by approximately 350 hectares. There was also a significant increase in restoration and ecological management carried out in private conservation areas, with the total reaching 229 hectares.

The majority of the valuable habitats – more than 5,000 hectares – were traditional rural biotopes managed in cooperation with livestock owners. Traditional rural biot-

opes, such as meadows, pastures, clearings and wooded pastures are estimated to be the most vulnerable habitats. Increasing their surface area and improving the quality of management is important not only for the habitats but also for many endangered vascular plant, butterfly and insect species.

MANAGEMENT OF VALUABLE HABITATS IN PROTECTED AREAS IN 2019

740

MIRE RESTORATION, HA

155

RESTORATION OF HEATH FORESTS, HA

119

MANAGEMENT AND RESTORATION OF OTHER VALUABLE HABITATS, HA

229

RESTORATION AND MANAGEMENT IN PRIVATE CONSERVATION AREAS, HA

5,098

CONTINUOUS MANAGEMENT OF TRADITIONAL RURAL BIOTOPES, HA

6,341

(target 5,990)
TOTAL, HA

SPECIES OCCURRENCE CHECKS AND HABITAT INVENTORIES IN PROTECTED AREAS IN 2019

4,046

OCCURRENCE CHECKS FOR SPECIES NEEDING URGENT PROTECTION OR SPECIAL PROTECTION AND SPECIES PROTECTED UNDER EU DIRECTIVES

2,000

SITES WHERE MAMMALS AND BIRDS FOR WHICH METSÄHALLITUS IS RESPONSIBLE ARE MONITORED

22,722

HABITAT INVENTORY, HA

1,617

HABITAT INVENTORY IN PRIVATE CONSERVATION AREAS, HA



SAFEGUARDING NATURAL DIVERSITY

MIRE RESTORATION AND WATER MANAGEMENT WORK IN MULTIPLE-USE FORESTS

A total of 406 hectares of mires were restored in multiple-use forests in 2019. A diverse range of work was performed in relation to aquatic habitats and flowing waters: springs were restored, water was redirected from drainage networks to old stream beds, and a new flood wetland was created. Restoration of rivers and lake waters also focused on improving the conditions for migratory fish by increasing gravel beds for spawning and restoring the natural variation of stream beds after the clearing that took place during log floating times. The selection of sites for active management of aquatic habitats also took into account individual species that benefit from ecological management. One of the most important of these is the freshwater pearl mussel.

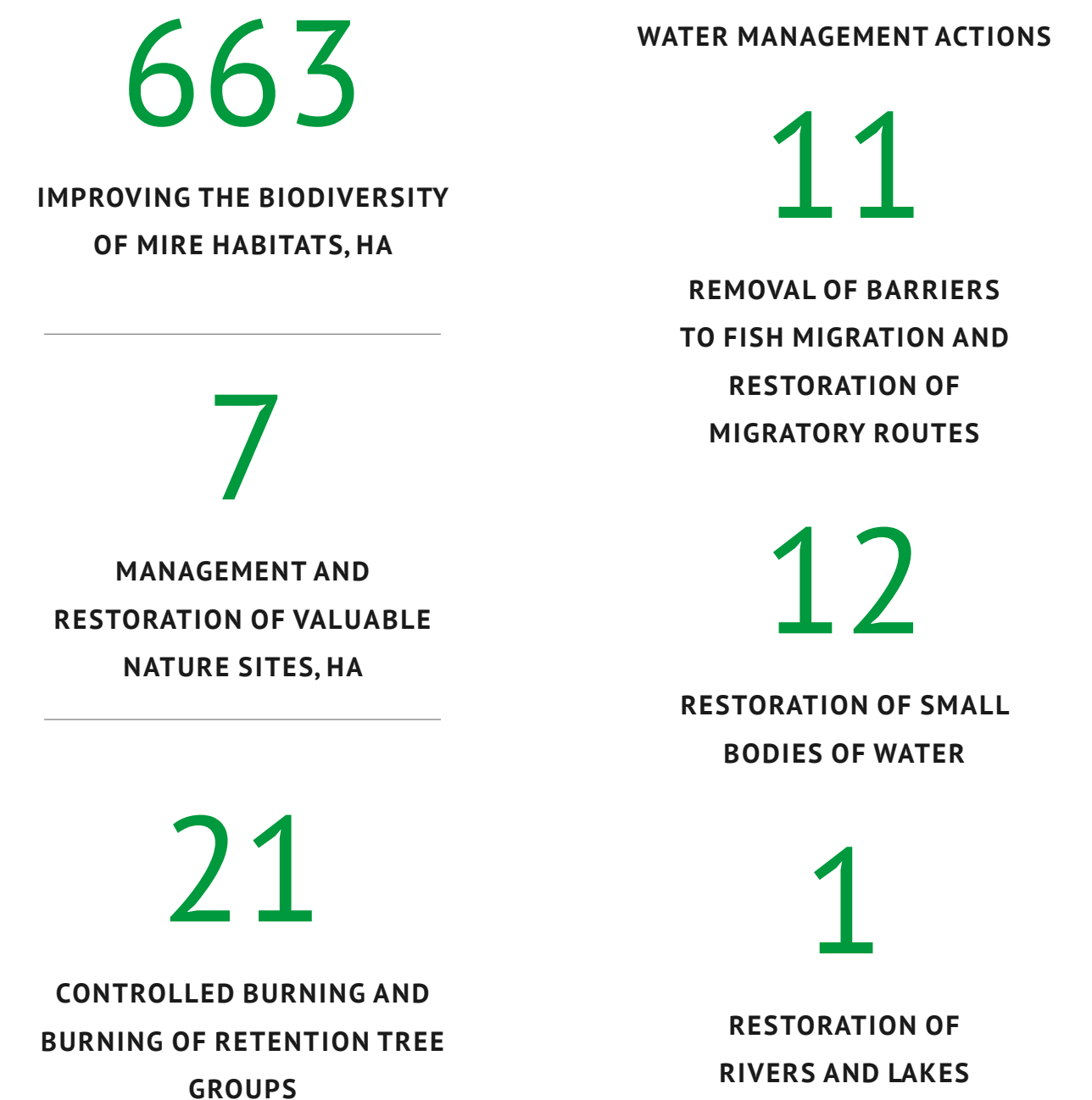
The need for, sites and opportunities for management work in multiple-use forests vary by region. In 2019, the ecological need for management in multiple-use forests was evaluated and, for example, an assessment of potential sites for active ecological management work was pro-

duced. In terms of surface area, restored mires have the greatest potential for ecological management.

The climate impacts of mire restoration and water resource management will be even more noticeable if preference is given to restoring lush drained mires in low-productivity and non-productive land rather than barren mires.

In 2019, Metsähallitus and the Finnish Association for Nature Conservation signed a cooperation agreement to restore mires with funding from the association's Hiilipörssi (carbon stock market). Restoration of the first sites was implemented in 2019. The aim of this work is to return a mire ecosystem that has suffered from drainage to its natural state. Metsähallitus is responsible for planning the sites and implementing the work. The restored mires will be marked in Metsähallitus' geographic information system as regional ecological sites outside the scope of operations. In the future, no fellings or other measures that affect mire water resources will be performed in these sites.

ECOLOGICAL MANAGEMENT MEASURES PERFORMED TO SAFEGUARD AND ENHANCE BIODIVERSITY IN MULTIPLE-USE FORESTS IN 2019





SAFEGUARDING NATURAL DIVERSITY

MULTI-YEAR HABITAT AND SPECIES MANAGEMENT IN JOINT PROJECTS

Biodiversity was also safeguarded in several EU-funded LIFE projects implemented with an extensive network of actors. In 2019, National Parks Finland coordinated six projects that improved the status of species and habitats in nature conservation areas and also outside them to a certain extent. Metsähallitus Forestry Ltd was also involved in some of the projects.

Among others, the habitats and level of protection was improved for eight endangered insect species in the Beetles LIFE project and the level of protection for the flying squirrel was improved in the Flying Squirrel LIFE project by developing joint planning of forest and other land use in state-owned multiple-use forests. The Hydrology LIFE project enhanced the status of conservation areas by

returning water to dry protected mires in conjunction with restoration drainage.

In addition, Wildlife Service Finland coordinated the Wild-Forest Reindeer LIFE project, which involved reintroducing the wild forest reindeer to its native habitats in Pirkanmaa and South Ostrobothnia.

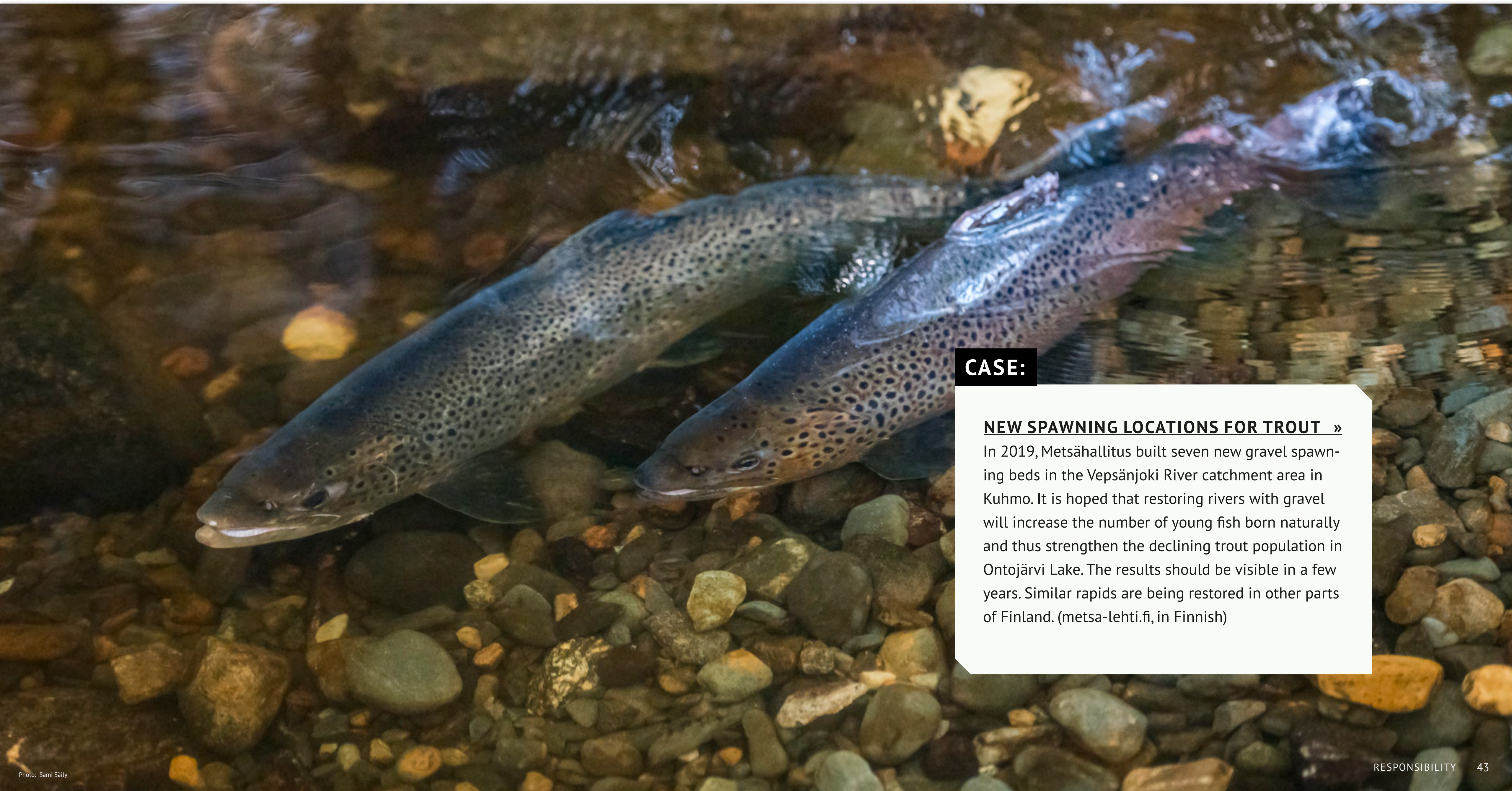


Biodiversity was also safeguarded in several EU-funded LIFE projects implemented with an extensive network of actors.

**CASE:****COOPERATION PROJECT PROTECTS FLYING SQUIRREL HABITAT NETWORKS »**

Metsähallitus is working with 12 Finnish and 5 Estonian partners in the Flying Squirrel LIFE project to determine good operating models to make consideration of the nesting and feeding sites and routes needed by the flying squirrel population a seamless part of land use planning. (metsa-lehti.fi, in Finnish)



**CASE:****NEW SPAWNING LOCATIONS FOR TROUT »**

In 2019, Metsähallitus built seven new gravel spawning beds in the Vepsänjoki River catchment area in Kuhmo. It is hoped that restoring rivers with gravel will increase the number of young fish born naturally and thus strengthen the declining trout population in Ontojärvi Lake. The results should be visible in a few years. Similar rapids are being restored in other parts of Finland. (metsa-lehti.fi, in Finnish)



SAFEGUARDING NATURAL DIVERSITY

ACTIVELY INCREASING THE AMOUNT OF DECAYING WOOD

Development in the amount of decaying wood and mature aspen that is important to biodiversity is monitored in state-owned lands by means of the National Forest Inventory. The long-term target is to have about 10 m³ of decaying wood on each hectare in multiple-use forests. The amount of decaying wood in multiple-use forests is ensured by saving all rotten trees and leaving a larger number of living retention trees in all areas during all the different stages of forestry. In the long term, living retention trees develop into decaying wood as the trees die. The amount of decaying wood is also increased by making artificial snags in conjunction with fellings. The snags are living trees cut to a height of 3–4 metres that quickly become decaying wood.

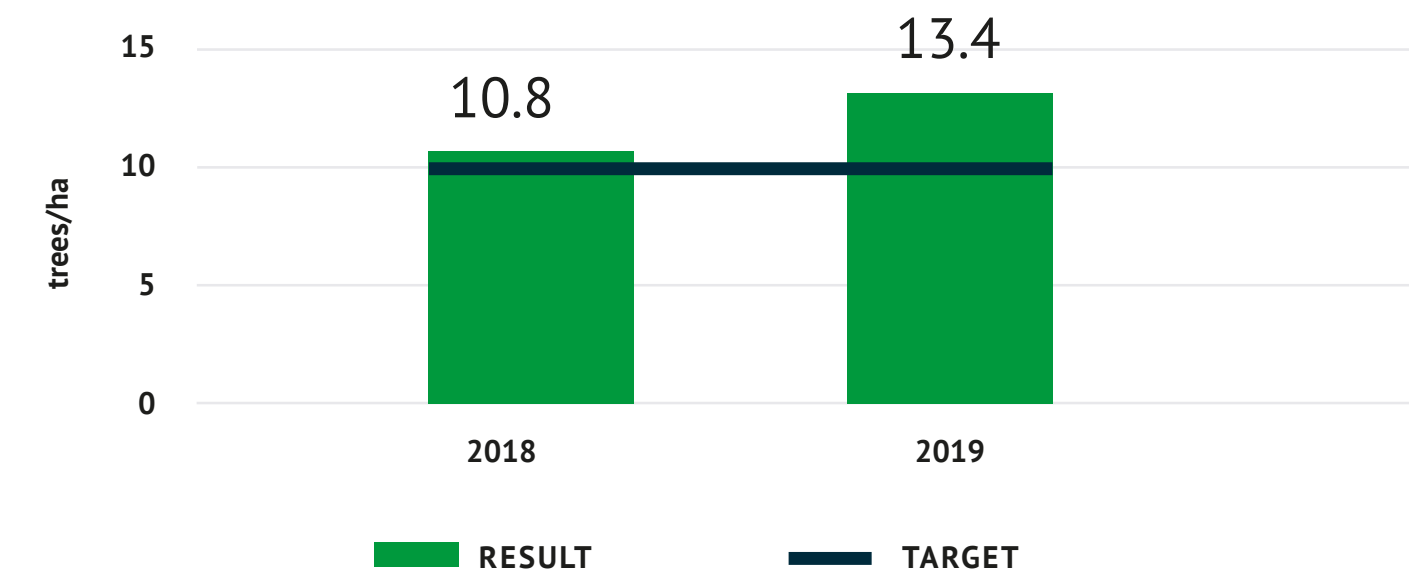
The amount of mature aspen is actively increased by leaving a sufficient number of deciduous trees in forestry areas. According to the National Forest Inventory, the amount of mature aspen in state-owned forests is approximately 0.4 m³ and this number is increasing.



Slightly more than half of all Finland’s decaying wood, about 69 million m³, is on state-owned land.

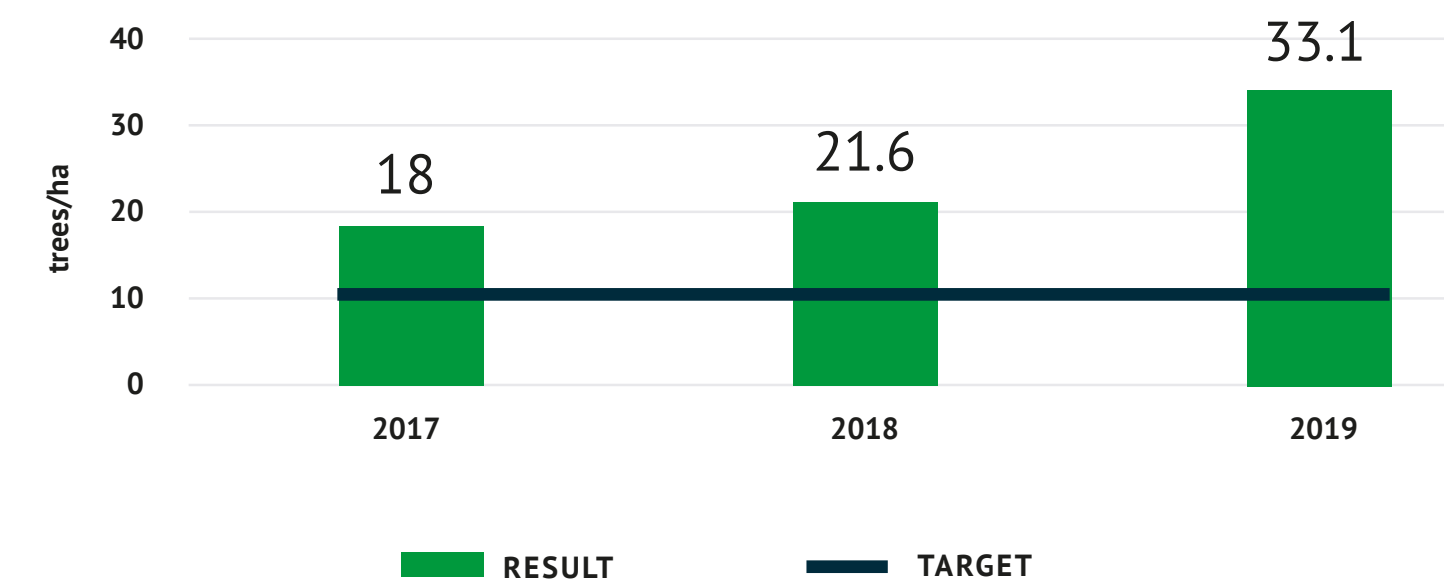
Decaying wood in nature reserves is actively increased, primarily in conjunction with other ecological management measures. For example, trees causing shade around aspen and hardwood deciduous trees are removed by cutting the trunks down. The amount of decaying wood has increased quite a lot in nature reserves as the tree trunks knocked down by storms have been left where they fall.

NUMBER OF VALUABLE RETENTION TREES LEFT STANDING IN MULTIPLE-USE FORESTS IN ACCORDANCE WITH THE METSÄHALLITUS ENVIRONMENTAL GUIDELINES FOR PRACTICAL FOREST MANAGEMENT*



The instructions in the Metsähallitus Environmental Guidelines for Practical Forest Management have been changed and the new instructions were implemented in 2018.

NUMBER OF RETENTION AND DEAD STANDING TREES LEFT IN MULTIPLE-USE FORESTS IN ACCORDANCE WITH PEFC FOREST CERTIFICATION REQUIREMENTS*



* Valuable retention trees include individual trees that are larger than the surrounding trees, trees with hollows, known predator bird nesting trees or hardwood trees with diameter of at least 10 cm at chest height.



SAFEGUARDING NATURAL DIVERSITY

THE BALTIC SEA CHALLENGE ALSO TAKES THE CLIMATE INTO CONSIDERATION

In 2019, Metsähallitus joined the Baltic Sea Challenge network initiative, in which different organisations commit to protecting the Baltic Sea. Metsähallitus compiled an **action plan for 2019–2023** that covers the entire group. The plan implements different themes of the responsibility programme and it has links to Metsähallitus' climate programme.

The action plan contains five main aims:

1. restore valuable natural habitats
2. ensure that procurements are environmentally friendly
3. develop responsible operations together with partners and stakeholders
4. reduce nutrient loading in the Baltic Sea
5. develop state planning for use of sea areas.

The measures include both concrete restoration work as well as guidance work and monitoring. In addition to coastal areas of the Baltic sea, the measures also focus attention on the condition of waters in the whole catchment area.

PROJECT IMPROVED THE STATUS OF MARINE AREAS AND STREAMS

The targets for protection and use of water areas are often diverse, reaching from land areas to the open sea and from the surface to the bottom. During the year, Metsähallitus participated in several projects that improved the status of seas and inland waters.

The Merisuojelu (protection of marine areas) project compiled **information about taking marine nature reserves into consideration in maritime spatial planning** and published a recommendation to support planning. During 2019, the Finnish Inventory Programme for the Underwater Marine Environment (VELMU) performed inventories

and developed data checking and a reporting table. In 2019, the Freshabit LIFE IP project being implemented with an extensive group of partners published a large information package regarding the factors affecting the status of streams and a **method for assessing the status of streams**. For the first time, the status of streams was systematically assessed throughout the country so that the assessment is comparable with the classification of the ecological status of larger water bodies. The results show how much the current status of a stream differs from its estimated natural status.

Metsähallitus also participated in projects led by the Finnish Environment Institute. The objective of the Finnish Marine Portal project is to improve the findability and utility of marine data and marine materials via the portal developed in the project. The Meriavain project aims to identify key underwater biotopes and the ecosystem services produced by them that are essential for the ecosystem functioning.



SAFEGUARDING NATURAL DIVERSITY

RESPONSIBILITY FOR THREATENED SPECIES

Metsähallitus is responsible for protecting threatened species in state-owned land areas. It is also responsible for the nationwide protection of a number of endangered species. These are Saimaa ringed seal and Arctic fox (mammals) and golden eagle, peregrine falcon, gyrfalcon and white-backed woodpecker (birds). Metsähallitus is also responsible for monitoring white-tailed eagle populations in the former provinces of Oulu and Lapland and for monitoring lesser white-fronted goose populations in Northern Lapland.

SLOW GROWTH IN SEAL POPULATION CONTINUED

The critically endangered Saimaa ringed seal lives only in the waters of Saimaa. Metsähallitus estimates that the winter population of Saimaa ringed seals was about 410 in 2019, with 88 pups born in Saimaa. This exceeds the intermediate target of 400 individuals set for 2025 in the

Saimaa ringed seal conservation strategy. The death of four pups in nets in summer 2019 immediately after the ban on net fishing ended caused a lot of discussion. Two citizen's initiatives were made concerning an extension to the net fishing ban, and one of these came before Finnish Parliament. As a result of the seal deaths, the Ministry of Agriculture and Forestry established a broad-based cooperation group to do background work for preparation of the next Government decree on fishing restrictions, which will take effect in 2021. The objective of the working group is to create a comprehensive picture of the effects of fishing on the seal population in different parts of the Saimaa area.

DEN CHECKS REVEAL NO ARCTIC FOX NESTS

No dens of the critically endangered Arctic fox have been found in Finland for 20 years. In 2019, nearly 400 checks were performed on approximately 300 possible Arctic

fox dens in Northern Lapland, but they did not reveal any inhabited dens. However, several verified visual and track sightings of the Arctic fox were made in Enontekiö and Utsjoki during the year and Arctic foxes had also dug holes in a few of the dens. In addition to the checks, feeding stations were organised in fell areas in cooperation with the WWF.

Finland, Sweden and Norway cooperated in the EU-funded Interreg Nord Felles Fellrev Nord project to improve the protection situation for the Arctic fox, which started in 2017 and concluded at the end of 2019. The project consisted of communications, training volunteers to perform Arctic fox inventories, and harmonising the work being done to protect the Arctic fox in different countries. At the beginning of 2020, the participants applied for additional funding to continue the project for another three years.

**CASE:****NEW METHODS TO HELP ONE OF OUR
OLDEST RIVER RESIDENTS »**

Finland is cooperating with its closest neighbours to enhance protection of the freshwater pearl mussel. Finland, Sweden, Norway and Russia are developing protection of the species by mapping occurrences and creating new conservation methods in the Salmus project led by Metsähallitus. The freshwater pearl mussel needs healthy flowing waters. Healthy river nature is also an important part of local wellbeing and a regional attraction.



SAFEGUARDING NATURAL DIVERSITY

A VARIED NESTING YEAR FOR BIRDS

Active conservation and monitoring has led to slow growth in the white-backed woodpecker population. IN 2019, the number of inhabited nesting territories was estimated to be approximately 220 (2018: 220) According to the latest assessment of threatened species, the white-backed woodpecker was still classified as a vulnerable directive species, and it still requires active monitoring and protection before it can be raised one level to the near threatened category.

The nesting year was good for the golden eagle and gyrfalcon, average for the white-tailed eagle and poor for the peregrine falcon. The most important reason for the successful nesting of the golden eagle and gyrfalcon was a good food situation with plenty of wildfowl and rabbits, while rainy and cold weather during the nesting period affected gyrfalcons so that they did not even start nesting or nesting was interrupted.

NESTING OF GOLDEN EAGLE, WHITE-TAILED EAGLE, PEREGRINE FALCON AND GYRFALCON IN 2017–2019

	THREAT STATUS (2019)	SUCCESSFUL NESTINGS			CHICKS AT RINGING AGE IN CHECKED NESTS		
		2017	2018	2019	2017	2018	2019
Golden eagle	Vulnerable	94	92	175	98	108	211
White-tailed eagle	Least Concern	59	53	66	87	72	92
Peregrine falcon	Vulnerable	88	132	100	193	325	211
Gyrfalcon	Critically endangered	0	4	10	0	7	26



MITIGATING CLIMATE CHANGE AND ADAPTING TO IT

THE CLIMATE PROGRAMME WAS LAUNCHED

Finland has made a commitment to implement the goals of the Paris Climate Agreement and Finland's aim is to be carbon-neutral by 2035. Metsähallitus is contributing to the implementation of these goals, and its activities strive to mitigate climate change and adapt to the changing conditions caused by climate change by developing the necessary resources and expertise.

In early 2019, Metsähallitus launched a climate programme as part of its responsibility policy. The main target in state-owned areas is to

- nurture and strengthen carbon sinks and stores
- investigate possibilities to produce renewable raw materials and provide opportunities to produce renewable energy to save and replace fossil raw materials and

reduce emissions in society's value chains

- to save and replace fossil raw materials and energy in Metsähallitus operations
- to safeguard the functionality of ecosystem services and utilise the opportunities they offer in terms of mitigating climate change and adapting to it

The actions in 2019 included launching calculations and projects related to several of the main goals. In order to strengthen carbon sinks and stores, the Natural Resources Institute Finland began calculating the amount of carbon sinks and stores on state-owned land. The results will be available in early 2020 and they will be used when implementing the climate programme. Metsähallitus and the Natural Resources Institute Finland cooperated to further develop climate smart forestry in the Climate-smart

Forestry in North Karelia project. One of the new elements in this pilot project involved taking carbon balance calculation for soil and trees as well as groundwater level to the tree stand level for the first time and including it in Metsähallitus' forest-related information. Development of the method will continue and implementation of the results will begin in 2020.

In addition to the climate programme, Metsähallitus also launched carbon handprint calculation. This indicator describes the reductions in carbon dioxide emissions that roundwood and energy wood and wind power obtained from state-owned land produce in value chains. The calculation will also determine the amount of carbon dioxide emissions from energy peat produced on state-owned land. These results will be available in 2020.



THE MAIN GOALS AND MEASURES OF METSÄHALLITUS' CLIMATE PROGRAMME

Saving and replacement of fossil raw materials and energy, reducing emissions in value chains

1. Wind power vision
2. Promoting the use of wood
3. Climate smart travel
4. Renewing aquaculture: fish and algae farming
5. New possibilities for using peat and peat moss
6. The opportunities of compensations
7. Climate smart extraction business
8. New product innovations based on wood
9. The impacts of carbon handprint substitution and avoiding emissions

Saving and replacement of fossil raw materials in Metsähallitus operations

1. Climate smart operations and logistics
2. Procurement
3. Facility solutions
4. Carbon footprint

Strengthening carbon sinks and stores

1. Carbon balance sheet on state-owned land and managing it
2. Climate Smart Forestry
3. Climate smart restoration

Adapting to climate change and risk management

1. Development of planning
2. The effects of climate change on biodiversity and adapting to climate change
3. Preparing for changing weather conditions
4. Preparing for natural disasters and fires (prevention)
5. Maintaining and developing infrastructure



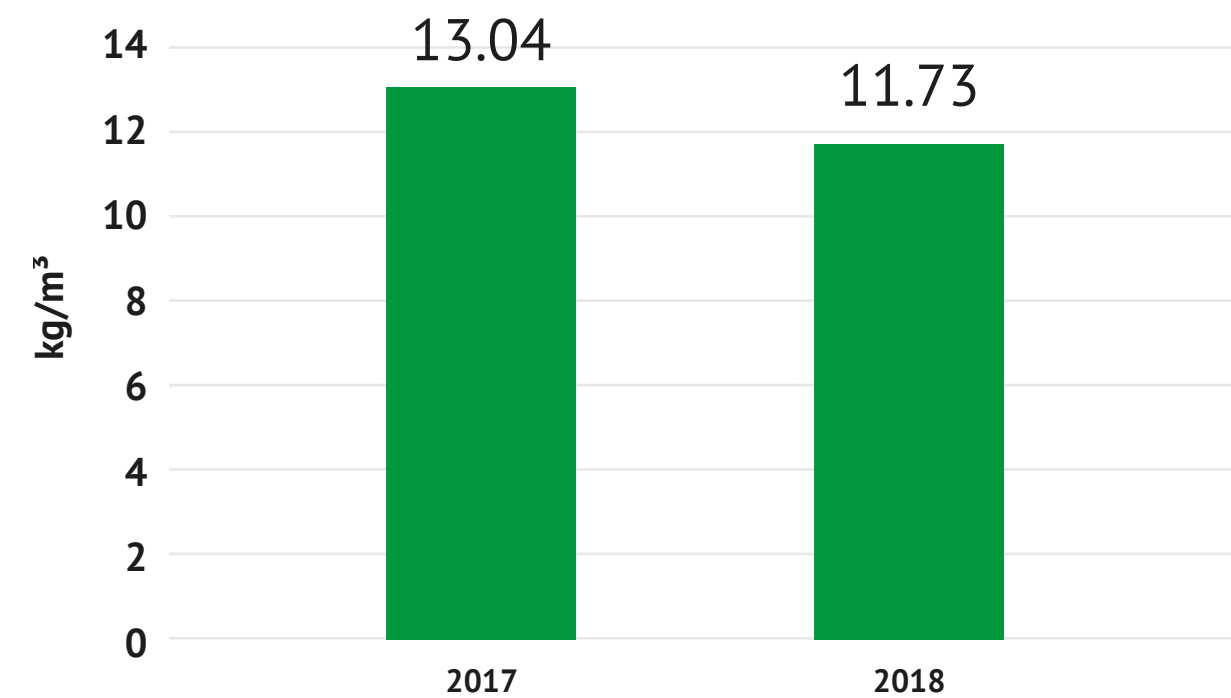
MITIGATING CLIMATE CHANGE AND ADAPTING TO IT

CARBON FOOTPRINT CALCULATION WILL EXPAND – EMISSIONS FROM TIMBER HARVESTING ARE DECLINING

Metsähallitus has monitored the carbon footprint of timber harvesting, which means emissions from harvesting and timber deliveries to customers, since 2005. The calculation is always made for the previous year, so the numbers for 2019 apply to the year 2018. During 2020, carbon footprint calculation will be expanded to cover all Metsähallitus operations. As a result, it will include field work, personnel travel, energy consumption in buildings and ICT services.

The combined amount of emissions from timber harvesting and transport have decreased since the last emissions calculation. Each cubic metre of timber supplied to customers generated 11.73 kg/m³ of carbon dioxide emissions. Over the years, emissions have decreased particularly in

CARBON DIOXIDE EMISSIONS FROM
TIMBER HARVESTING AND TRANSPORT (CO² KG / M³)



long-distance transportation. Wood transports continue to develop in a more climate-sustainable and economic direction. Approximately one-third of Metsähallitus' wood is transported by rail. This figure is 45 per cent in Lapland. The increased total capacity of wood transport vehicles enables larger loads, which reduces the carbon dioxide emissions for each cubic metre of delivered wood. The calculation method has also been developed in relation to productivity figures.

EXAMINATION OF BUSINESS OPPORTUNITIES FOR ECOLOGICAL AND CARBON COMPENSATION

In 2019, a survey was initiated in the climate programme concerning the business opportunities that carbon compensation, or voluntary emissions trading and ecological compensation, could include for Metsähallitus activities. The survey examined the boundary conditions that, for example, legislation specifies for compensation, researched markets and carried out preliminary planning related to compensation activities.

Development of compensation activities will continue in 2020 with a cooperation project and by monitoring development that occurs in the operating environment.



CASE:

METSÄHALLITUS' TIMBER IS HARVESTED WITH FINLAND'S FIRST HYBRID HARVESTER » (metsa.fi, in Finnish)

SUSTAINABLE USE OF NATURAL RESOURCES

NATURAL RESOURCE PLANNING GUIDES ACTIVITIES

Metsähallitus activities in state-owned land and water areas is based on **natural resource plans** compiled in cooperation with stakeholders and customers. These plans outline the long-term use of land and water areas owned by the state and ensure the economic, ecological, social and cultural sustainability of the operations. The plans also contain the targets for sustainable use of natural resources specified in the Metsähallitus strategy, such as safeguarding biodiversity and mitigating climate change and adapting to it.

FORESTRY TAKES FUTURE GENERATIONS INTO CONSIDERATION

Responsible and sustainable use of forests is based on their good management, careful planning of actions, up-

to-date geographic information and instructions, securing the values of nature, and taking the needs of Sámi culture and reindeer husbandry into consideration.

State-owned commercial multiple-use forests with PEFC certification are growing at an annual rate of approximately 13 million cubic metres*. In 2019, about half (6.3 million m³) of this growth was utilised. For example, products made from wood produced sustainably in multiple-use forests can replace fossil alternatives.

Approximately 2 per cent of multiple-use forests are within the scope of timber harvesting each year. In 2019, 79 per cent of felling came from intermediate felling and 21 per cent from regeneration felling. A total of 73 per



More than 20 years of participative planning in state-owned areas.

cent of all felling was thinning and 16 per cent was clear cutting. A new forest is always established in a regeneration felling area, and last year more than 20 million tree saplings were planted on state-owned land.

Well-managed and diverse forests act as important carbon sinks and stores. Metsähallitus has been developing climate smart forestry since 2017. This method steers forest management more effectively towards mitigating climate change. In 2019, climate smart forestry was further developed by increasing the accuracy of forest infor-

* Source: Natural Resources Institute Finland

SUSTAINABLE USE OF NATURAL RESOURCES

mation with carbon balance calculation for soil and trees and ground water level in a pilot project in North Karelia. Three continuous cover silviculture observation areas with a total area of 15,000 hectares were also established to increase information and practical experiences of continuous cover forestry over wide areas. In addition to climate impacts, the research performed in the observation areas will provide information on topics such as taking biodiversity into consideration, damage resistance and profitability of forestry.

Biodiversity in multiple-use forests is safeguarded by means of a nationwide ecological network that includes nature and special sites with a focus on the most important areas for threatened species. These valuable nature sites include the immediate vicinity of springs, streams



Carbon sinks and stores will be strengthened using climate smart forestry methods as part of the Metsähallitus climate programme.

and rivulets, patches of herb-rich forest, and heathland islets in undrained mires.

The network sites are either completely excluded from forestry, or only selection cuttings or site-specific forest management cuttings are performed at the sites. Consideration of biodiversity meant that 191,000 hectares of forest land was excluded from forestry or within the scope of restricted use in 2019.

Preservation of nature sites and occurrences is assessed annually in conjunction with environmental follow-ups of timber harvesting. The preservation of nature sites and occurrences in regeneration fellings is assessed with a sample, and the follow-up always checks work implemented during the previous year. According to the 2019 follow-up, work carried out in 2018 took nature sites and

preservation of their typical features into consideration in an outstanding manner and all the sites checked in the sample were completely preserved.

RESPONSIBLE PLANNING »

Multiple-use forest management measures are planned with care, and the forest management method is always selected according to the site and management needs of the trees. Active forest management measures, such as sapling stand management and thinning and forest regeneration, keep forests in good condition, so they bind carbon and are more resistant to storms and pests.



SUSTAINABLE USE OF NATURAL RESOURCES

ENSURING SUSTAINABLE GAME AND FISH STOCKS

The new game planning system was published in 2019. The system makes it possible to plan hunting more accurately to ensure sustainability. Metsähallitus sets permit quotas separately for each year and each area on the basis of the latest game counts and catch data.

Wilderness supervision checked nearly 10,000 off-road users in 2019 and thus contributed to ensuring that fishing and hunting are sustainable. Wilderness inspectors work in cooperation with other supervision authorities, such as the police and Finnish Border Guard. One of the focuses of inspections in 2019 was monitoring off-road traffic. Wilderness supervision and the police organised a national supervision week, during which joint patrols monitored the most popular off-road traffic areas. Guidelines for responsible fishing were produced for

the Eräluvut.fi website in 2019. Fishers are advised and encouraged to dress fish caught for food properly and release other catches properly and unharmed. Fishers are also instructed to be selective in their catch, which will ensure the sustainability of fish stocks.

KALAVALTIO PROJECT PROMOTES SUSTAINABLE FISH PRODUCTION

Metsähallitus, Natural Resources Institute Finland and the Finnish Environment Institute launched the Kalavaltio project, which identifies the best fish farming sites and implements the studies required for environmental permit applications in order to make it easier for companies to increase domestic fish production. The project takes a wide range of environmental factors and social and economic criteria into account, using them as the basis for assessing sustainable areas and production amounts for fish farming.

During 2019, the project surveyed state-owned water areas that are of interest to companies, Their suitability for fish farming will also be evaluated on the basis of other stakeholders and environmental reports. The Kalavaltio project is part of the Finnish government's aquaculture strategy, which supports sustainable growth in domestic fish farming. The objective is to increase the production volume in Mainland Finland's sea and inland water areas from the current level of approximately 8 million kilograms to 20 million kilograms. An increase in fish farming is also one of the main targets of the EU's blue growth strategy.



SUSTAINABLE USE OF NATURAL RESOURCES

PROMOTION OF CLIMATE-WISE AND SUSTAINABLE NATURE TOURISM

Sustainable nature tourism ensures the preservation of nature values by means of good hiking structures and signs that reduce wear and tear at popular destinations. Communications is used to encourage visitors to protected and hiking areas to favour quieter periods and sites and use public transport when possible.

A renewal of the Nationalparks.fi online service and the Matkailuaineisto (tourism data) project were implemented in 2019. Both of these projects had a significant impact on promoting sustainable nature tourism. Our Outdoor Guide for hikers was renewed, and during the summer of 2019 Metsähallitus' wilderness inspectors performed hiking checks in Nuuksio National Park to ensure that people remember to hike in a nature-friendly way.

The resources for hiking structured maintained by Metsähallitus were at a critical level in 2019. Due to scarce budget funding, only the most essential maintenance work could be performed on service structures, such as rest stops, bridges and duckboards. For example, the renovation backlog for buildings with culturally historic value was more than EUR 70 million. An increase in basic funding for National Parks Finland in 2020 will also ensure that tourism enterprises that rely on national parks can promote their business sustainably and visitor numbers can grow without causing safety risks for customers or harming nature.

Sustainable monitoring of tourism and recreational use was launched in the most popular national parks. Sustainability is being monitored with the LAC (Limits of Acceptable Change) method. This method seeks to find the acceptable limit values for various sustainability factors,

in other words, the range within which environmental changes caused by the activities must remain. The environmental impacts of tourism are monitored by measuring environmental wear, visits to areas as well as local economy and cultural effects.

In 2019, Metsähallitus commissioned a master plan for Ruunaa Hiking Area and decided to change its practices in state-owned hiking areas so that private companies can also invest in them. One element of sustainable tourism is extending the length of stays so that travel accounts for a relatively smaller share of the entire trip. As accommodation services at hiking areas are brought up to date, we can assume that visitors will also stay overnight in the area and thus extend their stays. Better accommodation services is also likely to increase the overall amount of travel in the area, which will create more jobs and positive impacts on the local economy.



SUSTAINABLE USE OF NATURAL RESOURCES

METSÄHALLITUS BECOMES A MEMBER OF THE NETWORK FOR SUSTAINABLE MINING

At the end of 2019, Metsähallitus joined the Sustainable Mining Network, which develops concrete operating models, solutions and practices for more responsible and sustainable mining activities and improved exploration processes in Finland. Metsähallitus does not grant mining permits, but it is responsible for representing the owner's interests in relation to mining matters on state-owned land and water areas.

The network and Metsähallitus are both keen to see Finland become a trailblazer in the area of sustainable mining, with the industry taking due account of natural values, the cultural and social environment and other industries and businesses. In addition to the mining industry and municipalities, the network includes the Finnish Reindeer Herders' Association, Finnish Association for Nature Conservation and WWF.

Each year, Metsähallitus is also asked to provide statements for various projects, plans, programmes and land use plans. Metsähallitus issued 465 statements in 2019. The area used for ore exploration is growing quickly, especially in Lapland, and the highest number of statements were issued in relation to ore exploration. Several mining projects in Metsähallitus land areas are also in the permit stage. These include the Hannukainen iron ore mine project in Kolari and the Sokli phosphate mine project in Savukoski. Mines in Lapland are investing about EUR 500 million to increase production, which also reflects on Metsähallitus via, for example, the sale or leasing of land. Different needs and aims are reconciled by preparing statements in cooperation with the units, after which the unit responsible for the matter submits the statement.



PEOPLE

Metsähallitus cherishes diversity in the workplace community, offers services to everyone on a non-discriminatory basis and operates in a uniform and efficient manner.

Equality and non-discrimination p. 60

Ensuring the wellbeing of the personnel p. 61

Sámi culture p. 64





The competence and wellbeing of the more than 1,100 professionals who work at Metsähallitus are key factors in the success of the organisation. Metsähallitus' updated Equality and Non-Discrimination Plan promotes equality and eliminates discrimination.



PEOPLE

EXTENSIVE PROMOTION OF EQUALITY

In accordance with its responsibility policy, Metsähallitus respects human rights and ensures fair and equal operations and treatment for its employees, customers, partners and stakeholders. Metsähallitus promoted these goals in many ways during 2019.

The UN's Guiding Principles on Business and Human Rights (UNGPs) are one of the central elements in the responsibility policy. Preparations for a more extensive assessment of human rights impacts were made in 2019, and this will be launched in 2020.

Metsähallitus updated the content of the equality and non-discrimination plan that applies to the Sámi culture. In accordance with the targets of the plan, Metsähallitus will increase its personnel's knowledge and understanding of Sámi culture and rights.

EQUALITY AND NON-DISCRIMINATION

AN EXTENSIVE EQUALITY AND NON-DISCRIMINATION PLAN WAS COMPLETED

**METSÄHALLITUS IS PARTICIPATING IN**

the Responsible Summer Job 2020 campaign, which aims to offer young people more summer jobs of better quality and good summer work experiences. A Summer Job Study will also be conducted in conjunction with the campaign. This is intended to collect experiences and evaluations about employers from the summer employees.

As part of the responsibility programme, Metsähallitus updated its Equality and Non-Discrimination Plan for 2019–2022. The plan is more comprehensive than the statutory plan, and includes a wide range of social responsibility elements.

Metsähallitus uses the plan to promote equality and eliminate discrimination in employer activities and services that are aimed at customers, partners, citizens and stakeholders. The plan also outlines measures to safeguard equality for the Sámi people.

The Equality and Non-Discrimination Plan provides further clarification for Metsähallitus' Code of Conduct.

The plan helps to ensure the implementation, within the operations of Metsähallitus, of responsibility policies outlined in international responsibility instructions and guidelines, such as the UN's Agenda 2030, as well as the UN Guiding Principles on Business and Human Rights.

ANONYMOUS RECRUITING BEGINS

In June 2019, Metsähallitus implemented the possibility to use anonymous recruiting. Wildlife Service Finland and Metsähallitus Property Development utilised this possibility during the year when hiring experts.

The anonymous recruiting process enhances non-discrimination by focusing the recruiting supervisor's attention

solely on the competence and experience of the applicants. Applicants are selected for an interview based on their work experience, education, language skills, other competence and a short application text. The recruiting supervisor only receives the applicant's contact information after marking a decision on inviting the applicant for an interview in the system. As a result, age, gender, ethnic background or any other factor that is irrelevant to the selection cannot influence the choice. Those applicants with whom the recruiting process does not continue remain anonymous.



ENSURING THE WELL-BEING OF THE PERSONNEL

COMPREHENSIVE RENEWAL OF SERVICES AND SYSTEMS

Implementation of Metsähallitus' updated personnel policy continued. In accordance with the new Equality and Non-Discrimination Plan, the employment relationship benefits of permanent and fixed-term personnel were examined to ensure consistency. In addition, lunch, physical activity and culture benefits are now provided in electronic format.

Work to update the remuneration system began, and this will be completed in 2020. The new remuneration system will include a task-specific salary component and a performance-based component. A pay survey in accordance with the Act on Equality between Men and Women was also performed in 2019 to determine the equality

and non-discrimination of pay between genders. The pay survey compared different pay components between men and women according to level of demand. The survey did not reveal any unjustified differences in pay.

Competitive bidding was organised for occupational health care, and the occupational health care channels were expanded to cover remote appointments with doctors and nurses and provide more extensive and flexible mobile services. A particular focus during 2020 will be the development of mental health services by testing digital preventive mental wellbeing support provided by an occupational psychologist as well as short-term psychotherapy appointments.

Supervisory work was developed in many ways by means of in-house and external training. For example, many of Metsähallitus' supervisors took part in Metsäalan Johtamisakatemia (Forest Industry Management Academy) courses. The Finnish Government's eOppiva digital learning platform was launched for the entire personnel. The new position of personnel development manager was established to strengthen development of the entire staff.



ENSURING THE WELL-BEING OF THE PERSONNEL

PERSONNEL SURVEY MEASURES ENTHUSIASM AND REVEALS DEVELOPMENT AREAS

Metsähallitus' personnel policy is based on jointly approved values. The work capacity of individual employees, competence development, job satisfaction and occupational safety and health are supported and the smooth functioning of the workplace communities throughout the group is ensured.

Metsähallitus monitors the job satisfaction of its staff members and development priorities in the

workplace community by conducting a personnel survey each year. The result for 2019 was at a fairly good level.

The motivation of the personnel, which describes the level of commitment, enthusiasm and energy, increased slightly from the previous year and remains at a good average level.

Overall satisfaction is measured using six indicators. Employees appreciate team and work community spirit and supervisory work and Metsähallitus received better scores than the comparison organisations while management work and customer orientation of activities did not reach the level of comparison organisations. Employees were mostly satisfied with the content of their work and with Metsähallitus as an employer, and the results were similar to those in other expert organisations.

OCCUPATIONAL SAFETY WAS DEVELOPED

The development and focus areas for occupational safety at Metsähallitus are mainly related to working in the field. During 2019, workplace investigations performed in cooperation with occupational health care focused on the work of forestry planners working in the field and the bases used by National Parks Finland rangers. Other investigations were conducted at offices and visitor centres.

METSÄHALLITUS EMPLOYEES VOLUNTEERED TO BENEFIT PEOPLE AND THE ENVIRONMENT »

The theme for Metsähallitus' 160th anniversary year was #sustainable acts. The personnel participated in sustainable acts in various types of volunteer work. Find out more about the acts on the Metsähallitus Instagram account!

Occupational safety risk management was improved by compiling safety instructions for working and moving around in wind park areas and for taking forest fires into consideration. The risk assessment also produced instructions for spreading gravel from helicopters when building spawning areas for migratory fish and for electric pulse fishing.

There were a total of 41 occupational accidents in 2019 (2018: 47). Ten of these did not cause a single day of absence while five accidents caused an absence of over 30 days. The total working days lost because of occupational accidents was 362, representing a decrease of nearly 40 per cent from the previous year (2018: 586) Once accident occurred on a business trip.



PERSONNEL 31 DECEMBER 2019 (31 DECEMBER 2018)

 **person**

1,130

(1,159)

NUMBER OF EMPLOYEES

974

(1,012)

NUMBER OF EMPLOYEES
OUTSIDE THE HEAD OFFICE

156

(147)

NUMBER OF EMPLOYEES
IN THE HEAD OFFICE

52

(50)

AVERAGE AGE OF
EMPLOYEES

41

(47)

OCCUPATIONAL
ACCIDENTS

364

(586)

WORKING DAYS LOST DUE TO
OCCUPATIONAL ACCIDENTS

OFFICES WITH THE HIGHEST NUMBER OF EMPLOYEES

125

(129)

ROVANIEMI

73

(66)

OULU

45

(43)

JYVÄSKYLÄ

33

(37)

IVALO

28

(27)

KUOPIO

88

(88)

PERMANENT, %



12

(12)

FIXED-TERM, %

GENDER DISTRIBUTION, %

34

(32)

WOMEN, %



66

(68)

MEN, %

METSÄHALLITUS GROUP

42

(45)

WOMEN, %



58

(55)

MEN, %

MANAGEMENT GROUP

38

(50)

WOMEN, %



62

(50)

MEN, %

BOARD OF DIRECTORS



SÁMI CULTURE

ENSURING A VIABLE SÁMI CULTURE

The Sámi Homeland comprises the municipalities of Enontekiö, Inari and Utsjoki as well as the Lapland reindeer herding cooperative in the municipality of Sodankylä. Metsähallitus manages 90 per cent of this area. A total of 72% is nature reserves and wilderness areas administered by National Parks Finland, 13% is traditional livelihood area managed by Metsähallitus Property Development and 15% is managed by Metsähallitus Forestry Ltd. About half of the latter is within the scope of forestry operations. Consideration of the Sámi culture resulted in one-third of this area being completely excluded from or subject to restricted forestry use during 2019.

Metsähallitus works to ensure that the care, use and protection of the natural resources under its management are in accordance with the prerequisites for the Sámi culture in the area. Metsähallitus works to safeguard the right of the Sámi people to maintain and develop their own language and culture through agreements and negotiating procedures and by supporting Sámi-language communications and cultural projects.

As laid down in section 9 of the Act on the Sámi Parliament, Metsähallitus consults the Sámi Parliament on all far-reaching and important measures which may affect the status of the Sámi as an indigenous people. For exam-

ple, the topics addressed during 2019 included renewal of the Akwé: Kon operating method, a development project related to planning the management and use of conservation areas, quota decisions concerning fishing, hunting and off-road traffic, a management and land use plan for Malla Strict Nature Reserve and the Metsähallitus Equality and Non-Discrimination Plan.

The work to ensure a viable Sámi culture is also reported annually in Metsähallitus' General social obligations **report**.

SÁMI CULTURE



Metsähallitus increased its current events communications by publishing more than 70 press releases in the Northern Sámi, Inari Sámi and Skolt Sámi languages.

ENSURING EQUALITY FOR THE SÁMI PEOPLE

In conjunction with renewing the Equality and Non-Discrimination Plan, Metsähallitus updated the content of the plan that applies to safeguarding the prerequisites for ensuring a viable Sámi culture.

In accordance with the targets of the plan, Metsähallitus will increase its personnel's knowledge and understanding of Sámi culture and rights. Those staff members working in Sámi areas or among Sámi people are particularly encouraged to learn the Sámi language, and support is provided for this where possible. When recruiting personnel, knowledge of the Sámi language and culture is considered an advantage in accordance with the job descriptions. In order to ensure effective non-discrimination,

positive special treatment may be applied in recruitment situations when necessary.

A separate natural resource plan is compiled for the Sámi Homeland. Representatives of regional and local stakeholders will be invited to participate in the cooperation group and the Akwé: Kon operating model will be used in the work. The functionality of the operating model will be monitored and the model developed if necessary.

The development process for reconciling Metsähallitus' business functions and the reindeer herding cooperatives operating in the Sámi Homeland has been prepared in cooperation with the Sámi Parliament and the Skolt Village Meeting. Metsähallitus Forestry Ltd only operates

at sites in the Sámi Homeland where joint understanding has been reached with the reindeer herding cooperative.

The UN celebrated the International Year of Indigenous Languages in 2019. Metsähallitus increased its current events communications by publishing more than 70 press releases in the Northern Sámi, Inari Sámi and Skolt Sámi languages. The management plan for Vätsäri Wilderness Area and Tuikki magazine intended for fishers were published in three Sámi languages. The aim is to further improve service and current events communications in the Sámi language.



SÁMI CULTURE

FISHING QUOTA DECISIONS WERE CONFIRMED

Fishing quota decisions were changed in October 2019 after an amendment to section 10 of the Fishing Act. At the end of the year, Metsähallitus confirmed the fishing quota decisions for the Sámi area for 2020–2022. According to the decisions, residents of Enontekiö, Inari and Utsjoki have the right to purchase a personal seasonal permit for lure fishing in river areas that are salmon and trout migration areas. The permit applies to state-owned river areas located in the permit holder's home municipality in the waters of the Tenojoki, Näätämojoki, Tuulomajoki, Paatsjoki, Tornionjoki and Ounasjoki rivers.

FISHING PERMIT QUOTAS WERE EXCEEDED DUE TO HUMAN ERROR

During the summer of 2019, fishing permit quotas were exceeded in two rivers located in the municipality of Utsjoki. This was caused by human error. An error made in the permit sales system meant that the number of permits sold to non-residents was doubled in Kuoppilasjoki River (20 permits) and Vetsijoki River (100 permits). As a result of this case, the processes related to preparing permit sales were reviewed and internal instructions were adjusted to prevent a similar error from occurring in the future.

LAPLAND DISTRICT COURT ISSUED ITS DECISION IN THE VETSIJOKI AND UTSJOKI FISHING CASES

According to Lapland District Court, fishing performed by the Sámi defendants without a fishing permit in Vetsijoki River and outside the permitted time period in Utsjoki River did not constitute illegal fishing or a fishing offence. According to the district court, no acceptable reasons for restricting basic rights were presented. The prosecutor has been granted the right to appeal the case, and processing will continue in the Supreme Court.



SOCIETY

Metsähallitus guarantees the optimum sustainable return on state-owned land and water areas over generations, enhancing wellbeing and regional vitality. It also reconciles the expectations for state-owned land and water areas in a responsible and interactive manner.

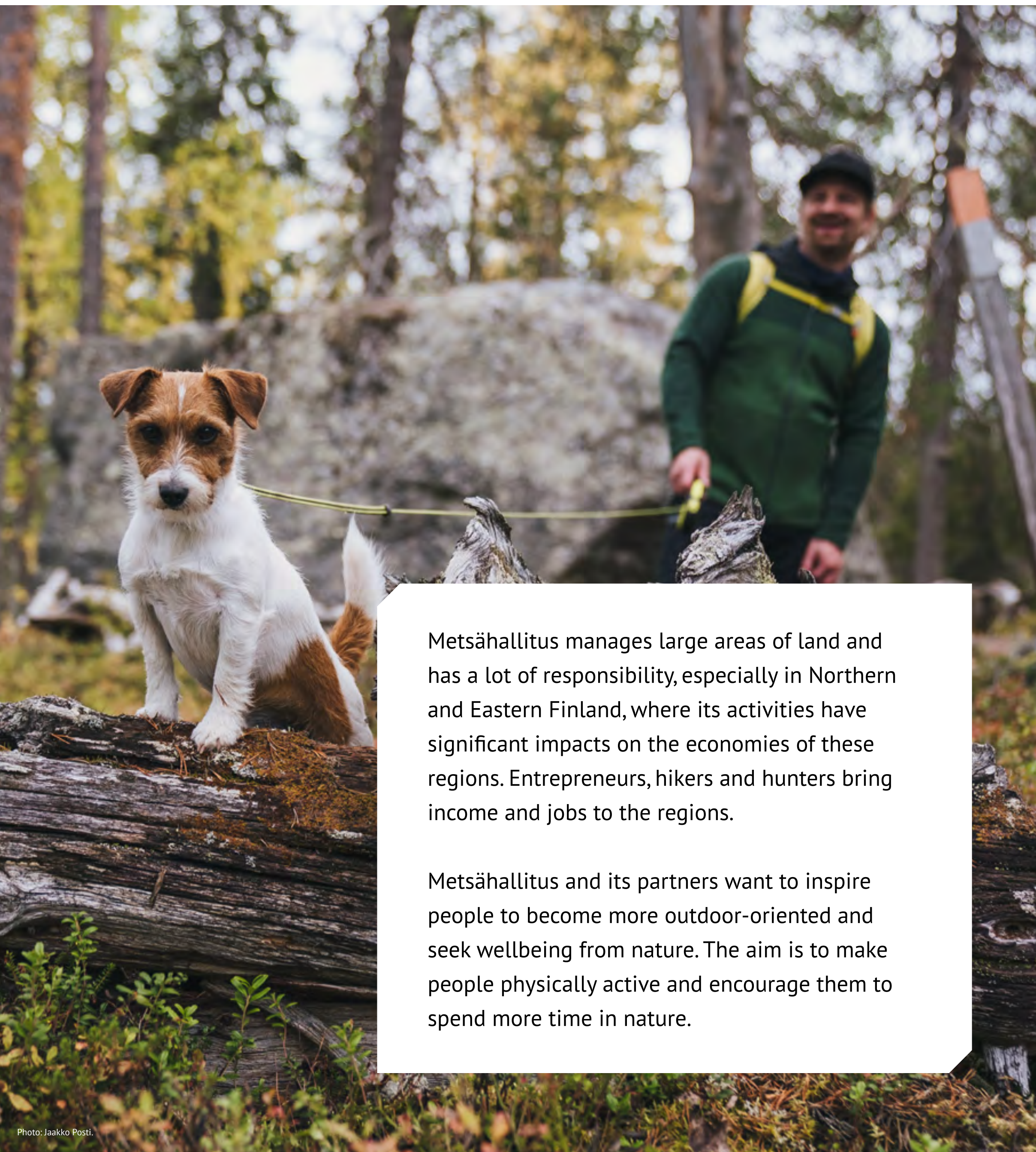


Reconciling stakeholder needs and providing opportunities for participation p. 69

Employment and vitality for regions p. 72

Wellbeing and health p. 81





Metsähallitus manages large areas of land and has a lot of responsibility, especially in Northern and Eastern Finland, where its activities have significant impacts on the economies of these regions. Entrepreneurs, hikers and hunters bring income and jobs to the regions.

Metsähallitus and its partners want to inspire people to become more outdoor-oriented and seek wellbeing from nature. The aim is to make people physically active and encourage them to spend more time in nature.

SOCIETY

RESPONSIBLE DEVELOPMENT OF NATURE VALUES ACROSS GENERATIONS

Metsähallitus develops the use of state-owned land and water areas in a responsible manner so that they bring maximum benefits to society at large, now and in the future. Comprehensive planning and participation methods ensure the sustainable use of state-owned land and water areas. Planning is done in close cooperation with stakeholders.

Reconciliation of Metsähallitus' social obligations with the profitability of operations and other targets also requires land use planning performed that takes place in conjunction with the zoning process. Good planning increases the value of state-owned land and water areas in a sustainable manner and provides the foundation for a diverse bioeconomy and local entrepreneurship. The goal in the future is to propose better methods and measures for mitigating climate change in the land use solutions.

RECONCILING STAKEHOLDER NEEDS AND PROVIDING OPPORTUNITIES FOR PARTICIPATION

THE NATURAL RESOURCE PLAN FOR LAPLAND WAS COMPLETED

Natural resource planning is an important tool for Metsähallitus. The planning approach involving extensive participation and based on creative cooperation is also unique when compared with the methods used by forestry organisations in other European countries. The end result is a natural resource plan, which serves as an action plan guiding the work of all Metsähallitus activities in state-owned land and water areas in the planning area during the planning period.

During 2019 **a natural resource plan** was completed for parts of Lapland south of the Sámi Homeland. The plan applies to the period of 2019-2024. In addition to the stakeholders, private citizens also have an opportunity to take part in the planning process through an open online questionnaire survey. For the first time, one of the cen-

tral themes in the plan was climate-wise activities, which guide forestry, conservation, recreational use and tourism in the area and thus implement the Metsähallitus Climate Programme.

Measures to take reindeer husbandry into consideration were also added to the action plan in the natural resource plan for Lapland. Metsähallitus uses a diverse range of different felling and forest management methods to safeguard landscape sites that are valuable in terms of nature tourism and recreational use as well as the operating environments and valuable grazing areas for reindeer husbandry.

The aim in 2020 is to begin natural resource planning in cooperation with regional and local stakeholders in the



In addition to the stakeholders, private citizens also have an opportunity to take part in the planning process through an open online questionnaire survey.

Sámi Homeland. In order to ensure equality for the Sámi people, the Akwé: Kon operating model that was updated in cooperation between Metsähallitus and the Sámi Parliament in 2019 will be used in the planning work. Negotiations regarding the plan will be held in accordance with section 9 of the Act on the Sámi Parliament.



RECONCILING STAKEHOLDER NEEDS AND PROVIDING OPPORTUNITIES FOR PARTICIPATION

UPDATING THE LANDSCAPE ECOLOGICAL NETWORK IN KAINUU AND OSTROBOTHNIA

Landscape ecological planning is closely connected with natural resource planning. The purpose is the preservation of the especially important habitats referred to in the Forest Act and the Nature Conservation Act and to safeguard the proliferation of species between nature sites in reserves and multiple-use forests. The landscape ecological network also helps to reconcile the needs pertaining to game habitats, landscape values, cultural sites and recreational use.

During 2019, the landscape ecological network was updated in Southern Finland, Kainuu and Central and Northern Ostrobothnia. The reports will be completed in 2020.

UPDATING THE NETWORK IN COOPERATION WITH CITIZENS

Citizens can also participate in updating the landscape ecological network. For example, public events and map questionnaires in Southern Finland provided about 800 tips about important forest sites, and more than 220 of these became part of the landscape ecological network.



The landscape ecological network also helps to reconcile the needs pertaining to game habitats, landscape values, cultural sites and recreational use.



RECONCILING STAKEHOLDER NEEDS AND PROVIDING OPPORTUNITIES FOR PARTICIPATION

A MANAGEMENT PLAN WAS COMPLETED IN HOSSA

Management plans are prepared for the nature reserves, wilderness areas and hiking areas managed by Metsähallitus and for the Natura 2000 sites. The purpose of the plans is to reconcile the aims pertaining to nature conservation, recreational use and other use for a period of between 10 and 15 years.

In 2019, a **management plan** was completed for **Hossa National Park**. Planning of Vätsäri Wilderness Area was still in progress and updating of plans began for Nuuksio National Park and the Repovesi National Park and Aarnikotka Forest nature reserve area. The management plan for

the Maakylä-Räyskälä Natura 2000 area was submitted to the Ministry of the Environment for confirmation.

Citizens and stakeholders can have a say in the planning of the management and use at public events and in steering groups, where they can provide direct feedback and submit opinions. The consultative committees appointed for national parks serve as permanent channels for cooperation and participation.



The objectives regarding conservation, recreational use, and other use are aligned together through the management plans for a period of 10–15 years.



EMPLOYMENT AND VITALITY FOR REGIONS

REGIONAL VITALITY ACROSS GENERATIONS

The economic wellbeing generated by Metsähallitus is distributed in the form of wages, remunerations, taxes, purchases and dividends to different sectors of Finnish society.

Metsähallitus will pay the Finnish State EUR 138.9 million in the public interest from its 2019 profits. Most of the profits were generated through timber sales.

SOCIAL INPUTS FROM BUSINESS OPERATIONS INCREASED

Metsähallitus ensures the implementation of general social obligations laid down in the Act on Metsähallitus. These obligations are related to biodiversity, recreation-

al use, the Sámi culture and reindeer husbandry. In 2019, the value of inputs into these areas was EUR 77.6 million, with Metsähallitus Forestry Ltd accounting for EUR 75.1 million and Metsähallitus Property Development for EUR 2.5 million. The amount of nearly EUR 15 million higher than in the previous year.

Fulfilment of all general social obligations is described in the annual [General social obligations report](#).

INPUTS FROM BUSINESS OPERATIONS (METSÄHALLITUS FORESTRY LTD AND METSÄHALLITUS PROPERTY DEVELOPMENT) TO GENERAL SOCIAL OBLIGATIONS 2019 (2018)

EUR million

55.5
(43.9)

BIODIVERSITY

4.6
(4)

SÁMI CULTURE

14.4
(12.5)

RECREATIONAL USE

3.1
(2.8)

REINDEER HUSBANDRY

77.6
(63.2)

TOTAL



EMPLOYMENT AND VITALITY FOR REGIONS

METSÄHALLITUS OPERATES IN THE REGIONS

In 2019, Metsähallitus employed more than 1,100 people in 39 locations. A total of 86 per cent of the staff members worked outside the Helsinki region. A total of 80 per cent of wages and salaries paid to Metsähallitus employees was paid outside the Uusimaa region.

WORK AND WELLBEING FOR THOUSANDS

In addition to its own employees, Metsähallitus provides work for local entrepreneurs. By purchasing services from private operators, Metsähallitus supports entrepreneurship, especially in small municipalities. Metsähallitus purchases all timber harvesting work and timber transport as well as a large proportion of the forest management from private entrepreneurs.

When purchasing contracted services, Metsähallitus observes the legislation on public procurement. Its key principles include promoting healthy competition and equal and non-discriminatory treatment of entrepreneurs.

Service providers must also commit to promoting responsible and ethical activities in accordance with Metsähallitus' Supplier Code of Conduct.

WAGES AND SALARIES PAID TO METSÄHALLITUS PERSONNEL 2019 (2018)

WAGES AND SALARIES, EUR

52,983,332
(52,019,224)

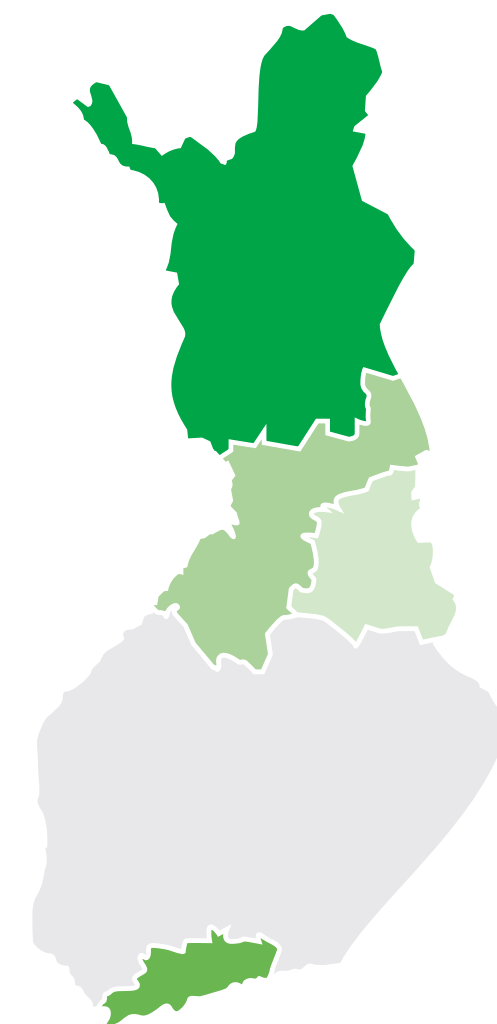
REGIONS RECEIVING THE HIGHEST WAGE AND SALARY PAYMENTS, EUR

13,912,869
(13,943,338)

LAPLAND

7,622,763
(7,488,312)

NORTH OSTROBOTHNIA



4,587,312
(4,615,941)

KAINUU

10,246,507
(10,316,106)

UUSIMAA



EMPLOYMENT AND VITALITY FOR REGIONS

RAW WOOD MATERIAL DELIVERED BY METSÄHALLITUS IS IMPORTANT TO THE REGIONAL AND NATIONAL ECONOMY

The Finnish forest industry had a turnover of EUR 32.7 billion in 2018 and export revenue was EUR 13.2 billion. Timber felled in Metsähallitus-managed forests accounted for approximately EUR 2.7 billion (8%) of turnover and EUR 1.1 billion (8%) of export value in the forest industry. A total of 5,000 (8%) of the 62,000 jobs in the forest industry were Based on wood produced in Metsähallitus' multiple-use forests.* Including multiplier effects, the total number of jobs was approximately 11,000.

* The calculation was made on the basis of statistics from 2018 in the **General social obligations 2019** report

** The calculation is based on information from 2018 For Metsähallitus Forestry Ltd, monitoring was changed so that it is based on turnover from Metsähallitus' wood-based processing.

EMPLOYMENT IMPACTS OF METSÄHALLITUS ACTIVITIES AND THE NUMBER OF ENTERPRISES AND CONTRACTS IN 2019 (2018)

Forest sector jobs generated by multiple-use forests, person-years	5,000 (5,000)
Employment impacts of visitors to national parks, state-owned hiking areas and certain other nature reserves and recreational areas on theregional economy, person-years	2,593 (2,868)
Employment impacts of money spend by hunting and fishing customers on the regional economy, person-years	253 (240)
Forest sector companies operating as contractors	400 (400)
Cooperation agreements with tourism operators in nature reserves	675 (652)
Cooperation agreements with tourism operators in multiple-use forests	800 (800)

ECONOMIC WELLBEING IN 2019 (2018)

Income paid to the state, EUR million	138.9 (102.9)
Wages and salaries, EUR	52,983,332 (52,019,224)
Regions receiving the highest wage and salary payments, EUR	
Lapland	13,912,869 (13,943,338)
Uusimaa	10,246,507 (10,316,106)
North Ostrobothnia	7,622,763 (7,488,312)
Kainuu	4,587,312 (4,615,941)
Impact of the commercial operations (Metsähallitus Forestry Ltd and Metsähallitus Property Development) on the national economy through value chains, EUR million**	2 800 (2 500)
Total spending impact of visitors to nature reserves on the local economy, < EUR million	322 (290)
Total spending impact of wilderness visitors on the regional economy, EUR million	47 (44.1)



EMPLOYMENT AND VITALITY FOR REGIONS

VISITS TO NATIONAL PARKS AND IMPACTS ON THE LOCAL ECONOMY INCREASED

The number of visitors to national parks and other important sites increased in 2019. The number of visits to national parks increased 2 per cent over 2018, with 3.22 million park visits reported. The number of visits to state-owned hiking areas increased by 274,000 visits (4%). More than eight million visits were made to national parks, state-owned hiking areas and other popular nature reserves and hiking destinations managed by Metsähallitus as well as visitor centres.

The total revenue and employment impacts of the visitors to national parks, state-owned hiking areas and other

popular nature reserves and hiking areas was EUR 322 million and 2,593 person-years in 2019.*** The visitors brought EUR 219 million to the areas adjacent to nature reserves and hiking areas, which was EUR 7 million more than in 2018.

In terms of local economic impact, the most important national parks in 2019 were the Pallas-Yllästunturi National Park (EUR 63.1 million), Urho Kekkonen National Park (EUR 40.5 million), Koli National Park (EUR 19.5 million), Oulanka National Park (EUR 18.2 million), and Pyhä-Luosto National Park (EUR 15.3 million).

Fishing and hunting visitors also had a significant impact on the regional economy, and in this respect, the eastern and northern parts of Finland were the biggest beneficiaries. The revenue and employment impact of wilderness visitors totalled EUR 46.7 million and 253 person-years.

***Calculated using a method developed by National Parks Finland and Natural Resources Institute Finland. Description of the method: www.metsa.fi/suojelualueetjapaikallistalous »

EMPLOYMENT AND VITALITY FOR REGIONS



Tourism services in the field and online environment were developed during 2018–2019.

CONDITIONS FOR SUSTAINABLE TOURISM WERE IMPROVED

Tourism services in the field and online environment were developed during 2018–2019. For example, the durability and accessibility of service structures were improved at Rokua and Syöte National Parks and the Aulanko and Vallisaari hiking destinations so they can better serve customers all year round. The rest of the work will be completed in 2020.

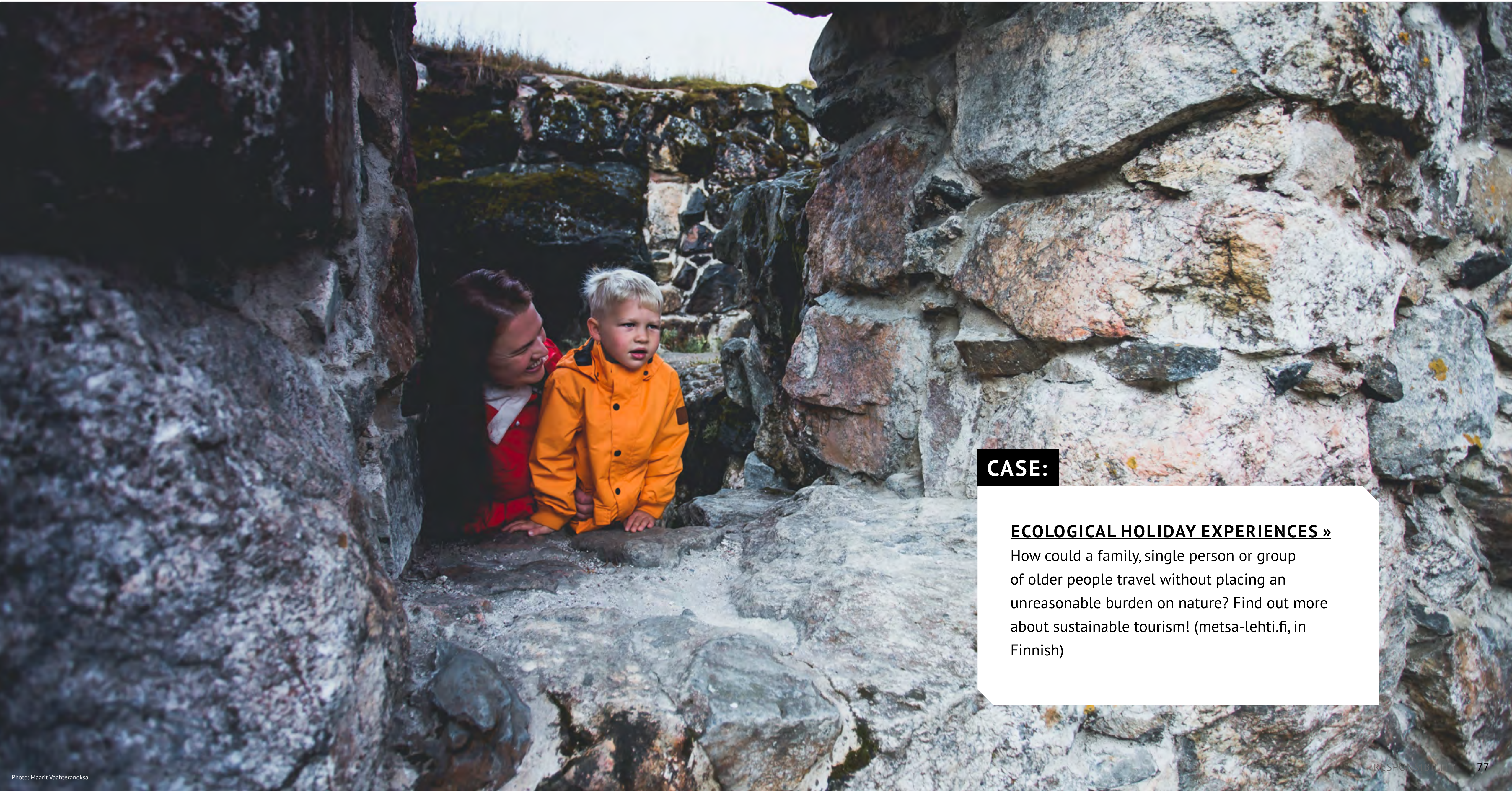
The oil heating system in the hotel and visitor centre at Koli National Park was replaced with geothermal heating and heat and water pumps. These improvement will provide significant savings in heating costs. The nature tourism infrastructure at Repovesi National Park was im-

proved to meet the pressures from high volume use, for example, by switching from composting dry toilets to so-called vacuum tanks.

The stairs at Saanatunturi Fell were completed in September. This is an important rock construction pilot project in which the key aims were to continue the life cycle of nature structures and improve their durability.

The Nationalparks.fi website was improved with regard to its accessibility, mobile use and visibility of entrepreneurs so that it encourages people to go out and be active in nature even more comprehensively. The Excursionmap.fi map service was completely renewed.

Preparations for the development of a terrain feedback system also began in 2019. The goal is to improve the real-time nature and interactiveness of feedback provided by Wildlife Service Finland and National Parks Finland customers and partner companies. The results from piloting of Metsähallitus's Retkikompassi project will be ready in early 2020, and the aim is to use these during implementation.

**CASE:****ECOLOGICAL HOLIDAY EXPERIENCES »**

How could a family, single person or group of older people travel without placing an unreasonable burden on nature? Find out more about sustainable tourism! (metsa-lehti.fi, in Finnish)

EMPLOYMENT AND VITALITY FOR REGIONS

LAND USE PLANNING AND PROJECT DEVELOPMENT INCREASE THE VALUE OF LAND

Metsähallitus zones actively with zoning projects in the areas it manages, but it also participates in many regional land use and local master plans as a land owner. The focus in Metsähallitus zoning is local detailed plans in tourism centres – especially at ski resorts in Northern Finland, detailed shore plans in shoreline areas and the local detailed plans in some areas near towns.

In order to meet land use planning needs in the future, the prerequisites for business in state-owned hiking areas are being improved. The first stage involves cooperating with various stakeholders to compile master plans for hiking areas, which will provide the foundation for future master and local detailed planning. The **master plan** Ruunaa Hiking Area was completed in 2019.

WIND POWER PROJECT DEVELOPMENT OFFERS SOLUTIONS FOR MITIGATING CLIMATE CHANGE

Metsähallitus' aim is to enable the efficient use of state-owned land for wind power generation while addressing other land use needs and environmental values. We also want to play an active role in promoting the achievement of Finland's climate targets. Metsähallitus does project development to make state-owned areas suitable for wind power activities and then leases them to industry operators based on competitive bidding.

A deal concerning the Korkeakangas wind park in Karstula was completed in 2019. A total of 9 wind turbines will be built at Korkeakangas, for a combined output of approximately 43 megawatts.



Metsähallitus is been involved in the project development of over ten per cent of the wind power capacity built in Finland by the beginning of 2019.

In October 2019, Google announced that it would purchase 60 per cent of the electricity produced by the Piiparinmäki wind park located on land in the municipality of Pyhäntä and the city of Kajaani. This project was developed by Metsähallitus. In total, the wind park will produce new green energy for the Finnish electrical grid at a nominal power of 211 MW. Upon completion, Piiparinmäki will be Finland's largest wind park.

**CASE:****WIND POWER FROM THE LAND
AND SEA »**

Wind power will play a key role in finding ways to help Finland achieve its target related to the Paris Climate Agreement, which is to reduce emissions by 60 per cent by 2030. (metsa-lehti.fi, in Finnish)



EMPLOYMENT AND VITALITY FOR REGIONS

STEADY DEMAND FOR TOURISM PLOTS

Metsähallitus sold a total of 113 plots in 2019, and 33 new plots were leased out. Demand for tourism plots was brisk in Lapland, especially in the Saariselkä area. In summer 2019, Metsähallitus signed an agreement with a tourism company concerning the sale of 24 plots in Saariselkä over the next 5 years.

Metsähallitus will begin the master planning process for three state-owned hiking areas during 2020. Master plans provide the basis for future local master and detailed plans, which improve the possibilities for business in the hiking areas.

LAND PURCHASES EXCEEDED LAND SALES

The purchases and sales of land by Metsähallitus are regulated by the Ministry of Agriculture and Forestry through performance guidance. Most of the land purchased by Metsähallitus is for the use of the Finnish Defence Forces and Metsähallitus Forestry Ltd.

Approximately 1,600 hectares of land was purchased for these purposes in 2019. Other purchases were made to meet seed plantation (65 ha) and nature conservation (approximately 80 ha) needs. Approximately 400 hectares of forest land was sold. The sales mainly concerned smaller separate plots, which improved the property structure of state-owned land areas.



Demand for tourism plots is growing in Lapland, especially in the Saariselkä area.

WELLBEING AND HEALTH

NATURE AS A SOURCE OF WELLBEING

Metsähallitus and its partners want to inspire people to become more outdoor-oriented. The aim is to inspire people to move and stay in the natural environment more often and for longer

periods. People who spend time in nature feel that their visits to multiple-use forests and national parks have significant health and wellbeing impacts.

In conjunction with surveys of road use in multiple-use forests, visitors estimated that the value of health and wellbeing impacts and improved psychological wellbeing

and physical fitness is approximately EUR 200–300 per visit. Questionnaire surveys showed that more than 87 per cent of visitors to nature reserves and historical sites feel that spending time at the sites has fairly significant or very significant impacts on health and wellbeing. According to the respondents, the health and wellbeing impacts arising from each visit is equal to about 100 euros.

Hunters and fishers spent a total of nearly two million days in state-owned areas. The majority exercised their free rights by ice fishing, hook and line fishing or hunting in their home municipality in Northern Finland. Wilder-



Metsähallitus' multiple-use forests contain 36,000 kilometres of forest roads open to all users.

ness permit holders spent nearly half a million days at wilderness sites and according to the survey, nine out of ten hunters and eight out of ten fishers felt that spending time in the wilderness had enhanced their wellbeing.

Customer satisfaction with the services in nature reserves and hiking areas as well as at historical sites and visitor centres has remained high, with a score of 4.38 on a scale of 1-5 last year.



WELLBEING AND HEALTH

DIVERSE OPPORTUNITIES FOR PHYSICAL ACTIVITY

State-owned land areas provide opportunities for physical activity. Alongside traditional hiking, paddling and skiing, new activities have emerged in national parks and nature reserves, such as mountain biking, trail running and tour skating. For example, according to a visitor survey conducted in Koli in 2019, customers moved more than one million kilometres by muscle power in the national park. The versatile possibilities for recreational and physical activities are a great opportunity for children and young people who are just starting to develop a connection with nature.

Recreational use of multiple-use forests focuses particularly on hunting, berry picking and outdoor recreation. Other beneficial impacts mentioned by visitors include nature watching, fishing and dog walking.

The **Moved by Nature** project that ended in 2019 reorganised the Häme Nature Centre into Finland's first nature activity centre for children and youths and created an operating model aimed at encouraging children and youth to be more active in nature. The model also attracted a lot of international interest.

**CUSTOMER SATISFACTION AND WELLBEING IMPACTS IN 2019 (2018)
SCALE 1-5**

4.21
(4.14)

CUSTOMER SATISFACTION AMONG USERS OF VISITOR CENTRES AND OFF-ROAD SERVICES AND PERMIT HOLDERS

4.35
(4.37)

HEALTH AND WELLBEING IMPACTS EXPERIENCED IN NATURE RESERVES AND HISTORICAL SITES (SOCIAL, PSYCHOLOGICAL AND PHYSICAL)

200-300
(200-300)

HEALTH AND WELLBEING IMPACTS EXPERIENCED IN MULTIPLE-USE FORESTS, EUR/VISIT



WELLBEING AND HEALTH

EQUAL NATURE EXPERIENCES FOR EVERYONE

About one million Finns require adapted physical activity on a daily basis or at some point in their lives. An injury or illness can have a significant impact on possibilities for physical activity. In 2019, as part of the **Polku luontoon** (Path to Nature) project, service design events for adapted outdoor recreation activities at outdoor recreation sites using different themes and priorities were organised in cooperation with the Finnish Adapted Physical Activity Federation SoveLi. The events targeted regional operators and planning tools were also created at the same time.

Meaningful activities taking place in a nature setting can also help to include and empower people at risk of exclusion. In 2019, Metsähallitus participated in a project run by Lapland University of Applied Sciences, which is developing permanent cooperation models between rehabilitation operators and actors responsible for the natural environment during 2018–2020.

MONITORING RECREATIONAL BENEFITS IS IMPORTANT FOR SERVICE DEVELOPMENT

In conjunction with the natural resource plan for Lapland, Metsähallitus has developed monitoring of recreational benefits by piloting a system that uses mobile phone network data to monitor the number of visits to multiple-use forests in the Ylläs–Levi–Olos area and to Pallas-Yllästunturi National Park. The mobile phone data provides information on the movement of people based on anonymous data obtained from the mobile phone network.

A pilot conducted in 2019 produced a location analysis for each day during a two-week period in the winter, spring, summer and autumn of 2018. The analysis was used as the basis for studying visitor numbers and variation between different parts of the area on different weekdays and in different seasons. Development of the method will continue in 2020 in order to determine the number of visitors to multiple-use forests.

A NEW SOCIAL MAP SERVICE IS UNDER DEVELOPMENT

A new social map service was piloted in the Evo and Ruunaa Hiking Areas in 2019. The objective of the service is to make Metsähallitus' geographic information and related social media features available to all forest users. The Retkikompassi project makes it possible to participate in use, development or activities in the areas by submitting feedback to Metsähallitus or entrepreneurs in the region. Nature experiences and user experiences concerning state-owned hiking areas can also be shared in the service.

The new service is a response to increased digitalisation among public sector operators, open data sharing and increasing interaction with citizens. The data saved in the system will be published later as open data. Development of the Retkikompassi project will continue in 2020.



WELLBEING AND HEALTH

VOLUNTARY ACTIVITIES IN 2019

117

VOLUNTARY EVENTS

2,091

VOLUNTEERS TAKING PART

16

VOLUNTEER INPUT,
PERSON-YEARS**DOING GOOD FOR HUMANS AND NATURE**

National parks and other nature reserves of Metsähallitus provide opportunities for voluntary activities in different parts of Finland. Participation of nature enthusiasts in wild-life observation and in the restoring of traditional landscapes at volunteer camps are the most common types of voluntary activities. Wilderness education of children and young people is also supported through voluntary activities.

During 2019, volunteers were most active in nature and cultural heritage site management and species monitoring and management. The volunteers working with species monitoring and management put in a lot of hours, which included counting Arctic fox nests and monitoring

several different bird species. The aim in 2020 is to compile a site bank listing the volunteer positions that are available and make it available to Metsähallitus partners and customers.

THE WILDERNESS TRADITION IS PASSED ON ACROSS GENERATIONS

Wilderness tutor activities and the Wilderness passport school programme help to maintain the wilderness tradition across generations. Wilderness tutors were trained in different parts of Finland during 2019. Schools were particularly interested in wilderness activities, and one sign of this was the number of teachers who subscribed to Metsähallitus' Tuikki fishing magazine for their schools.

A decision was made to continue wilderness tutor work that supports basic education in the future.

On Angling Day, everyone under the age of 18 can try fishing for free at a number of Metsähallitus' angling destinations. Angling Day celebrated its 10th anniversary in 2019, and in honour of this activities at several locations were broadcast live on social media. Angling Day expanded to include the Winter Angling Day held during the winter holiday week. A total of 1,500 children and young people and their families took part in the Angling Day and Winter Angling Day events. In 2020, children and partners will be encouraged to kick off their summer holiday by fishing at the June Angling Day.



ADMINISTRATION AND MANAGEMENT

Metsähallitus' Corporate Governance code promotes openness, transparency and good governance, thus supporting the competitiveness and success of Metsähallitus and enhancing cooperation with stakeholders.



Metsähallitus is responsible for the ownership steering of its subsidiaries and associated undertakings in the manner laid down in the State Shareholdings and Ownership Steering Act. The Board of Directors of Metsähallitus approves the principles of good governance observed in the subsidiaries. The policies approved for Metsähallitus also apply to the entire Metsähallitus, including the subsidiaries.

Compliance with requirements is broadly implemented at Metsähallitus. In addition to observing the laws and statutes, Metsähallitus ensure that its operations are ethical and responsible. Implementation of activities that comply with the Metsähallitus Code of Conduct and values is monitored regularly with the goal of continuous development.

ADMINISTRATION AND MANAGEMENT

METSÄHALLITUS IS MANAGED AS A SINGLE ORGANISATION

Metsähallitus is a state-run enterprise managed and developed as a single organisation in accordance with its general task and taking into consideration the legislation on Metsähallitus and the special role of the public administration services. The activities of Metsähallitus are guided by the Metsähallitus ownership policy guidelines, Metsähallitus strategy, rules of procedure and policies.

The key operational objectives of Metsähallitus are approved by Parliament as part of the state budget each year. The performance guidance of Metsähallitus' business operations is the responsibility of the Ministry of Agriculture and Forestry, and the performance guidance of the Parks & Wildlife Finland is the responsibility of the Ministry of the Environment and the Ministry of Agriculture and Forestry in their respective administrative branches. Parks & Wildlife Finland is managed separately from the business operations and funded from appropriations in the state budget as well as fees and revenue obtained from handling public administration services.

MANAGEMENT PRINCIPLES



Activities and cooperation taking place in the regions are reinforced by regional management groups operating in Lapland, Ostrobothnia–Kainuu and Southern Finland.

The Board of Directors is responsible for the administration and strategic management of Metsähallitus and the proper organisation of its operations. The Government appoints members to the Board of Directors for a maximum term of three years.

The Managing Director who is appointed by the Government and who carries the title Director General, is responsible for the management and development of Metsähallitus' activities and for implementing the decisions of the Board of Directors. The Managing Director is also responsible for the operational management of Metsähallitus and for ensuring that the accounts are in accordance with the law and that the financial management is reliably organised.

The Parks & Wildlife Finland unit of Metsähallitus is the responsibility of Executive Director, Parks & Wildlife

Finland. The public administration services concerning fishing, hunting and wilderness supervision coming under Parks & Wildlife Finland are the responsibility of the Director, Game and Fisheries Services.

Most of the matters submitted to the Board of Directors for consideration are prepared in the Management Group, which assists the Director General and considers the matters assigned to it by the Director General. The Director General chairs the Management Group and decides on its composition.

Activities and cooperation taking place in the regions are reinforced by regional management groups operating in Lapland, Ostrobothnia–Kainuu and Southern Finland. The task of the regional management groups is to ensure the overall interests and synergy of Metsähallitus and to manage contacts between units. The management groups

also formulate the views of Metsähallitus and ensure that the regional perspective is considered in the opinions issued by Metsähallitus. Regional management groups report to the Metsähallitus Management Group and the management groups of individual business units.

INTERNAL AUDIT

The Director General is responsible for arranging internal supervision. The Board of Directors approves the annual plan for the internal audit. The planning, outsourcing and monitoring of the audit operations are the responsibility of the Head of Risk Management, who is supported by the Audit Committee of the Metsähallitus Board of Directors. Internal audit reports to and receives assignments from the Board of Directors and the Director General.



RISK MANAGEMENT

SUCCESSFUL RISK MANAGEMENT HELPS ACHIEVE TARGETS

At Metsähallitus, risk management is an essential part of management and decision-making. Achievement of Metsähallitus' targets also requires successful risk management.

The aim of Metsähallitus' risk management is to

- ensure the achievement of set targets
- ensure the fulfilment of legal obligations
- ensure operational continuity, and
- promote the efficient utilisation of opportunities and revenue potential at a risk level appropriate for each activity.

Responsibility risks are managed as part of Metsähallitus' risk management process. More attention has been paid to identifying the risks associated with responsibility. Responsibility risks are taken into account in all risk management work, and they are reported on as part of the risk reporting process.

RISK MANAGEMENT IN 2019

The risk management process was developed by implementing risk management workshops at the management group level. They strive to identify and analyse key risk factors related to operations and responsibility in different units and management measures for those risks. The responsibility group also examines the risks associated with operational responsibility.

Metsähallitus introduced an anonymous whistleblowing channel at the beginning of the year. It allows anyone to report suspected abuses related to Metsähallitus' operations or other problems associated with responsible activities. During the first year, approximately 30 reports concerning different areas of Metsähallitus' operations were received through the whistleblowing channel. Although investigations showed that the majority of the cases did not involve activities in violation of laws, good conduct or guidelines, the whistleblowing channel did reveal some cases of abuse related to, for example, inappropriate behaviour and misuse of the employer's funds. All reports submitted to the whistleblowing channel were reviewed and the abuses have been dealt with.

RISK MANAGEMENT



Metsähallitus introduced an anonymous whistleblowing channel at the beginning of the year. It allows anyone to report suspected abuses related to Metsähallitus' operations or other problems associated with responsible activities.

Social debate on the level of forest use, forestry methods and the climate impacts of forests continued to be active, and this also has an effect on the expectations set for Metsähallitus and acceptability of operations.

The impacts of climate change and adapting to them will be taken into consideration when planning activities. Climate change increases the risk of fungus, insect and storm damage in forests and presents challenges for timber harvesting. In 2019, widespread insect damage in Central Europe and the general economic development reflected on Metsähallitus' forestry business. The insect damage in Central Europe increased the supply of wood and also im-

pacted on the demand for and price of domestic wood. No large forest fires occurred on state-owned land in 2019. There were several smaller fires, but these were all detected in time. Metsähallitus personnel assisted the fire authorities and handled post-fire monitoring at the sites.

Varied weather conditions and an increase in the number of visitors also affects National Parks Finland's operations and off-road movement. An increase in state funding will make it possible to reduce the renovation backlog at hiking destinations and improve their customer safety. Metsähallitus strives to continuously develop customer safety.

Risks associated with information systems and data protection have become more common, and Metsähallitus has prepared for these as part of its risk management. Metsähallitus has also trained its personnel for activities that comply with the EU's data protection directive.



REMUNERATION

FAIR AND MOTIVATING REMUNERATION

In its remuneration policy, Metsähallitus is guided by the Government Resolution on State Ownership Steering Policy and the ownership policy guidelines for Metsähallitus for the years 2016–2020. Under the policy guidelines, remuneration must be fair and provide motivation for the personnel. The ownership policy guidelines and subsequently also the remuneration policy will be updated during 2020.

The remuneration is based on the objectives laid out in Metsähallitus' strategy and it helps the Metsähallitus Group to work towards achieving these objectives. Metsähallitus and its subsidiaries apply similar remuneration practices as unlisted state-owned companies operating on a commercial basis. The remunerations of the members of the Metsähallitus Board of Directors are set by the Ministry of Agriculture and Forestry. Members of

the Metsähallitus management or Board of Directors do not have any benefits or supplementary pensions differing from ordinary employment relationship benefits.

Metsähallitus has a performance bonus scheme that covers all personnel (including the management). The bonus scheme is in accordance with the general policies laid out in state ownership steering. The Board of Directors decides on the bonus scheme, its objectives and the bonuses paid each year.

The remunerations and other fees paid to the Managing Director and Board members totalled EUR 502,892 in the financial year (2018: EUR 431,271). In addition, severance pay totalling EUR 104,600 was paid to former director general Pentti Hyttinen.

REMUNERATIONS PAID TO MEMBERS OF THE METSÄHALLITUS BOARD OF DIRECTORS AND CHAIRS OF THE COMMITTEES

The remunerations paid to the Chair, Vice Chair and other members of the Metsähallitus Board of Directors as of 1 June 2016. The monthly remunerations and the attendance fees are taxable income.

The Board of Directors met 14 times in 2019. Attendance at Board of Directors meetings was 95.5 per cent. The Audit Committee met eight times and the Nomination and Remuneration Committee met five times.

Metsähallitus Board of Directors	Remunerations
Chair	EUR 2,000/month + attendance fee of EUR 600/meeting
Vice Chair	EUR 1,300/month + attendance fee of EUR 300/meeting
Other Board members	EUR 1,150/month + attendance fee of EUR 300/meeting

Committees	Remunerations
Chair of the Audit Committee	EUR 1,300/month + attendance fee of EUR 600/meeting
Chair of the Nomination and Remuneration Committee	EUR 1,300/month + attendance fee of EUR 600/meeting



MANAGEMENT GROUP

The Management Group assists the Director General in managing the state-owned enterprise. The Management Group comprises the following members assigned by the Director General: directors of the business units, director of Parks & Wildlife Finland and the directors of the Group business units.



Deputy Director
SAMULI SILLMAN
National Parks Finland



Director of Information Management
ANNA-LEENA RUUTH



Director of Development
TAPIO POUTA



Director of Communications
TERHI KOIPIJÄRVI



Managing Director
JUSSI KUMPULA
Metsähallitus Forestry Ltd



Director,
Game and Fisheries Services
JUKKA BISI
Wildlife Service Finland



Director of Finance
HELI LEHTONEN



Director, Parks & Wildlife Finland
TIMO TANNINEN
National Parks Finland



Director General
JUHA S. NIEMELÄ
(from 1 January 2020)



General Counsel
SUSANNA OIKARINEN



Director
TUOMAS HALLENBERG
Metsähallitus Property Development
(Acting Director General 26 September–31 December 2019)



Director of Human Resources
TERHI VIRES



BOARD OF DIRECTORS

The Government appoints a Board of Directors for the unincorporated state enterprise for a maximum term of three years. One Board member must be from the Ministry of Agriculture and Forestry, one from the Ministry of the Environment and one from Lapland. One Board member must represent the personnel of the unincorporated state enterprise and be employed by it.

The Government has appointed Metsähallitus Board of Directors for the period 1 April 2019–31 March 2022.



PEKKA HAUTALA

Board member
Ranger, Representative of
Metsähallitus' personnel
Chief Shop Steward,
The Trade Union for the Public
and Welfare Sectors JHL
Board member since 2019

LIISA TYRVÄINEN

Board member
Research Professor
Natural Resources Institute
Finland (Luke)
Board member since 2016

TIMO LAITINEN

Chair Director General,
State Treasury Board
member since 2016

HELENA SÄTERI

Board member Master
of Science (Technology)
Board member since
2015

SIMO RUNDGREN

Board member
Regional representative,
Kolari
Master of Arts (Theology)
Board member since 2016

KAI KAATRA

Vice Chair
Director of Water
Resources Management,
Ministry of Agriculture
and Forestry
Board member since
2014

JUSSI SAUKKONEN

Board member
Chair of the Metsähallitus
Audit Committee
Director, Finance,
Development and HR,
Isku Interior Ltd
Board member since 2019

JOHANNA IKÄHEIMO

Board member
Chair of the Board of Directors,
Lappset Group Ltd
Member of the Board,
Finnish Family Firms Association
Member of the Board,
Varma Mutual Pension Insurance Company,
Chair of FEPI – Federation of
European Play Industry
Chair of the Advisory Council of
Lapland University Consortium
Board member since 2016



102 - GENERAL CONTENT

REPORTING PRINCIPLES AND GRI TABLE

This report covers the operations of Metsähallitus and its subsidiaries in 2019. The GRI standard has been used as the reference framework for the report and it mainly meets the requirements of the GRI core option. Selection of the reported key figures was guided by the materiality analysis carried out in 2017. With the exception of the financial statements data, the responsibility reporting information has not been confirmed by an external party.

Further information about the report and responsibility at Metsähallitus is available from Responsibility Advisor Hanna Kelola-Mäkeläinen (hanna.kelola-makelainen@metsa.fi).

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102	8	Information on employees and other workers
102	9	Supply chain
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102	20	Executive-level responsibility
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102	26	Role of the Board of Directors in defining the purpose, values and strategy
102	29	Role of the Board of Directors in identifying and managing impacts and risks
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