

Metsähallitus Annual and
Responsibility Report 2022

Towards a carbon- neutral, ecologically sustainable and equal society

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Responsibility

32

12.6

million hectares
of state-owned
land and water
areas



People 48

Waters and
marine natural
resources

97



73 Climate Programme



Fostering our Future

We at Metsähallitus wish to ensure that everyone, including future generations, has the opportunity to enjoy nature and the value it creates. This is what we work for every day.

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DIRECTOR GENERAL'S REVIEW

A challenging year produced good results overall

Exceptional times continued in 2022, and especially the early part of the year was challenging for business. We managed to reach both our financial and operational targets, however, and our work created added value for nature, people and society.

The early part of the year was marked by industrial action in the forestry sector and the war in Ukraine, which accelerated inflation and significantly increased costs. Towards the end of the year the situation stabilised, and we turned a higher profit than ever before while promoting environmental, climate and other objectives.

Metsähallitus Group's turnover was EUR 423.3 million, and we made a profit of EUR 150.9 million. This strong performance is due to brisk demand for timber, high timber prices and wind power project development.

While the volume of roundwood felling in 2022 – 5.8 million cubic metres – was lower than in 2021, Metsähallitus Forestry Ltd increased its turnover and profit. Metsähallitus Forestry Ltd's inputs in fostering biodiversity and fulfilling our other societal obligations grew to EUR 77.8 million.

Busy sales of sites early in the year, extractive business and, in particular, wind power project development contributed to the higher turnover and profits of Metsähallitus Property Development. The additional wind power capacity will also help Finland achieve its carbon neutrality targets.

In December, we reached an important milestone in offshore wind power projects as we signed a contract with Vattenfall on the development and construction of the planned wind farm off Korsnäs. The search for

DIRECTOR GENERAL'S REVIEW

a partner took all year, and after long rounds of negotiations, we secured a responsible and reliable partner.

We continued our efforts to enhance biodiversity. The surface area in which restoration and ecological management work was completed in state-owned protected areas and multiple-use forests was more than 17,000 hectares in total, which was a new record. We also restored streams and fish habitats and removed barriers to fish migration.

National parks and other Metsähallitus destinations attracted a total of 8.4 million visits in 2022. While the number of visits to national parks decreased from the pandemic years' peak figures, they were still higher than before COVID-19. Renovations at our destinations continued, and Finland's 41st National Park was opened in Salla in January.

In spring 2022, we started drafting two new natural resource plans together with stakeholders. One of them covers the region of Ostrobothnia and Ka-

inuu and the other the marine areas managed by Metsähallitus. This is the first plan prepared for the marine areas. Both plans will be completed in 2023.

The human rights impacts of Metsähallitus' operations were assessed, and the findings were used for such purposes as preparing our new Diversity, equality and non-discrimination plan. We organised training on corporate responsibility for the entire personnel, introduced a new pay regime, and developed our management system.

The near future looks good, albeit uncertain in some respects. The war in Ukraine and its repercussions, the state of central government finances, biodiversity loss and climate change are challenges that also affect our work.

The energy crisis and green transition drive the need for renewable energy. This year, we will launch two new offshore wind farm projects and continue the development of onshore wind farms.

The demand for wood-based products is growing, and they can replace products made from non-renewable raw materials. Many other expectations are also placed on the forests, and they will have a major role in the European Union's Biodiversity Strategy. The amount of resources we invest in safeguarding biodiversity and climate smart forestry will be increased further.

Metsähallitus' ownership policies will be influenced by the government to be formed after parliamentary elections in 2023 and its Government Programme. We hope that the potential offered by state-owned lands and waters can also be tapped in the future, making sure that these areas will produce value and well-being for future generations. To make progress on our journey towards a just and more sustainable world that respects the planetary boundaries, we must play an increasingly responsible and interactive role in reconciling needs and developing activities. This is what we will strive for, together with our customers, partners and stakeholders.

Juha S. Niemelä
Director General

Key achievements in 2022



Photo: Mikko Törmänen

Fostering our Future:

We created added value for marine areas through our first natural resources plan

Responsibility and cooperation:

We assessed the human rights impacts of our operations



Photo: Katri Lehtola



Photo: Roni Lehti

Climate: The role of renewable energy was strengthened by a major offshore wind power project

Biodiversity: We broke another record for the surface area across which we completed restoration and habitat management work

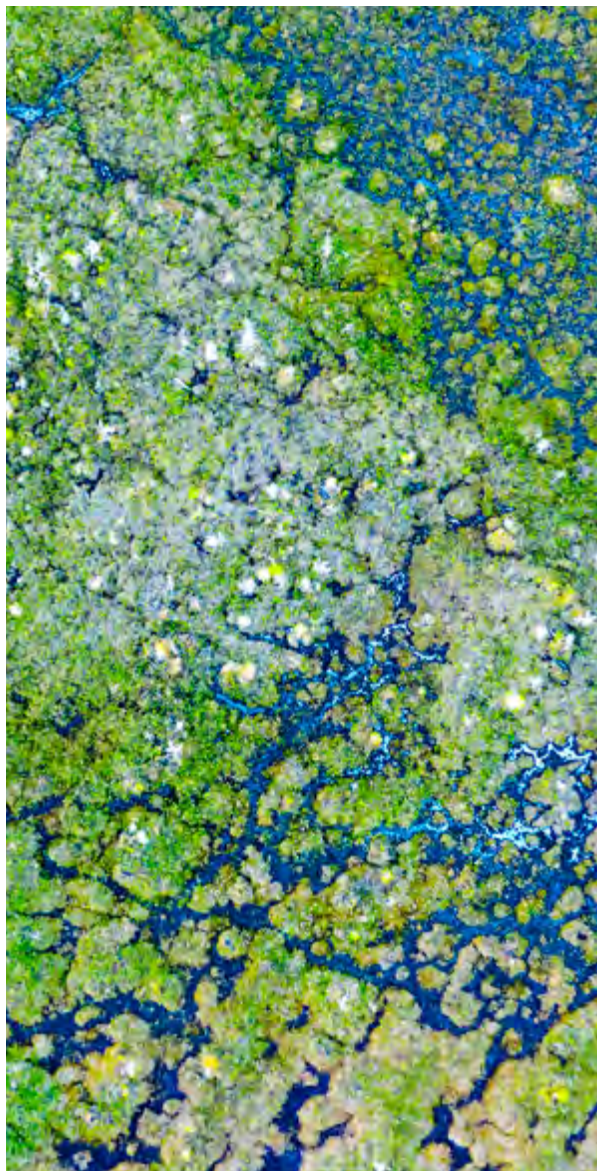


Photo: Mikko Törmänen

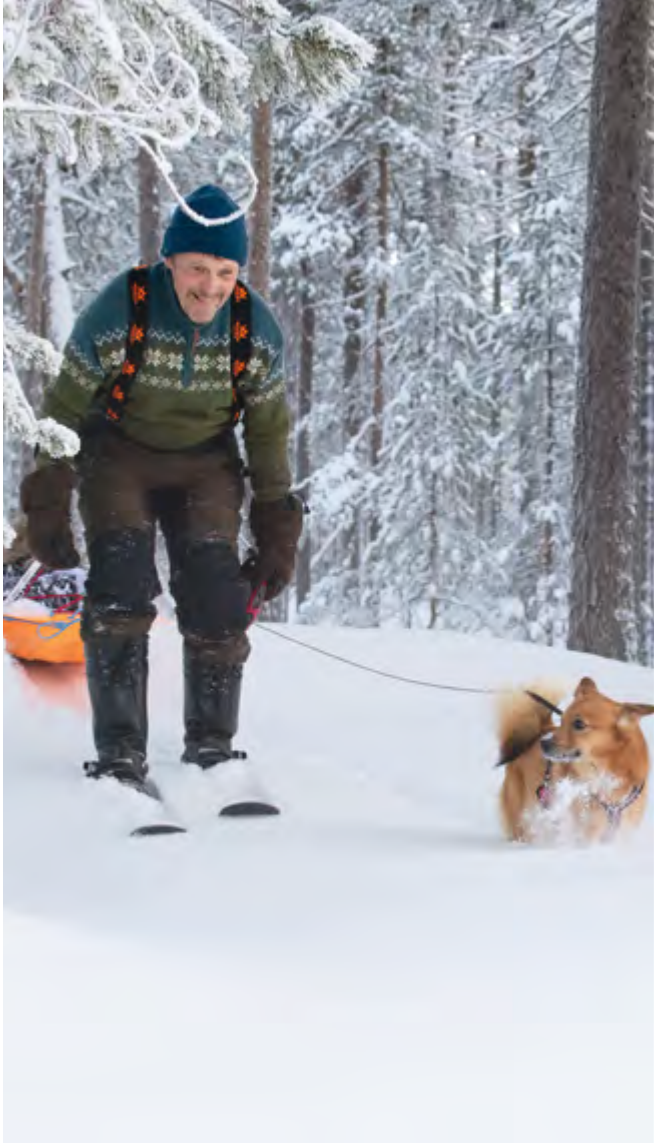


Photo: Katri Lehtola

Wellbeing:

Customer satisfaction with service structures for hikers and visitor centres was higher than ever

Bioeconomy:

We introduced more climate-friendly modes of transport for timber, including log floating and a vehicle fuelled by biogas



Photo: Keijo Kallinki

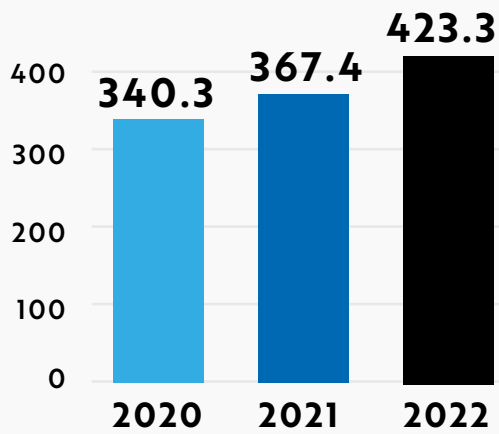
KEY FIGURES IN 2022

Fostering our Future

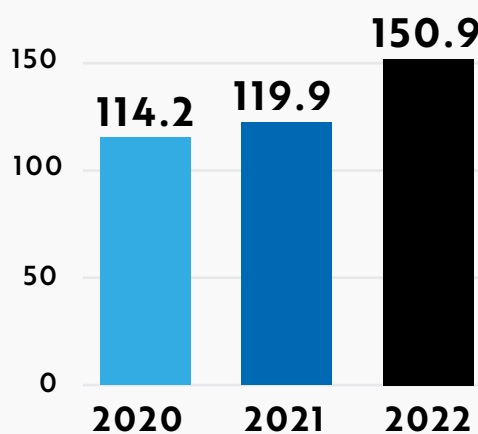
Metsähallitus is a state-owned enterprise that uses, manages and protects state-owned land and water areas responsibly and sustainably. We are committed to promoting the UN’s Sustainable Development Goals (2030 Agenda) and the UN Guiding Principles on Business and Human Rights in our operations.

We reconcile different objectives and expectations of the owner, stakeholders and customers in our work. We produce renewable raw materials in sustainably managed forests, increase the potential for generating renewable energy, and enable citizens to enjoy nature by hiking, hunting, fishing and staying in holiday houses. We make sustained efforts to mitigate simultaneously both biodiversity loss and climate change.

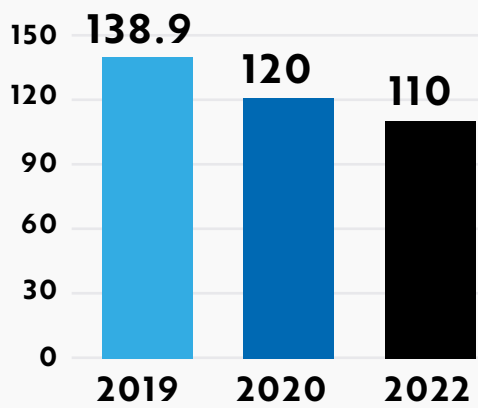
Turnover,
million EUR
423.3



Profit for the financial
year, million EUR
150.9



Contribution to State
revenue from the previous
year’s result, million EUR
110.0



General social
obligations,
Enterprise’s inputs,
million EUR
80.3

Metsähallitus
as an employer
(scale 1 to 5)
3.94

Operating
profit,
million EUR
165.8

Operating
profit
margin, %
39.2

Investment
to turnover
ratio, %
6.3

Central government
budget funding,
public administration
services, million EUR
79.5

Metsähallitus’
customer experience
(scale 1 to 5)
3.65
(good)

Carbon sink
in state-own
forests MtCO₂e
13.6

Carbon storage
of trees in state-
owned forests
million t C
187

Metsähallitus’
carbon footprint
MtCO₂e
0.1

Ecological
management and
restoration measures,
ha
17,044

Metsähalli-
tus Group’s
person-years
(31 Dec 2022)
1,244

KEY FIGURES: BUSINESS IN 2022

Responsible business

We conduct business through our subsidiaries, Metsähallitus Forestry Ltd, MH-Kivi Oy and Siemen Forelia Oy, as well as Metsähallitus Property Development, which is part of the parent enterprise.

Our business includes sustainable management and use of state-owned forests, production of forest tree seeds, as well as project development, sales and leasing activities in state-owned land and water areas. We create versatile business opportunities on state-owned lands. We enable the replacement of fossil raw materials and fuels with sustainably produced timber and wind power.

Of all state-owned lands, 2.77 million hectares are used for forestry business and 0.45 million for limited commercial forestry, whereas 6.0 million hectares are excluded from forestry activities. As part of sustainable management and use of natural resources, we ensure that we meet our general social obligations while conducting our business. We address the requirements of biodiversity protection, recreational use of nature and job creation. We also reconcile the management, use and protection of natural resources in the Sámi Homeland to safeguard the prerequisites for pursuing the Sámi culture. In the reindeer herding area, we fulfil the obligations laid down in the Reindeer Husbandry Act.



KEY FIGURES: BUSINESS IN 2022

Metsähallitus Forestry Ltd

Turnover, million EUR 349.0	Compensation for the right to use state- owned forests, million EUR 95	General and societal obligations, inputs, million EUR 77.8
Profit, million EUR 17.1		
Forest land excluded from forestry or under limited use, ha 831,915	Carbon sink in multiple- use forests MtCO ₂ e 9.2	Ecological management and restoration measures in multiple-use forests, ha 2,144
Volume of harvested timber (roundwood and energy wood) million m ³ 5.94	Share of multiple- use forests in which timber is harvested , % 2.4	Number of personnel (31 Dec 2022) 353

Metsähallitus Property Development

Turnover, million EUR 56.2	General societal obligations, inputs, million EUR 2.5	Number of wind turbines on state- owned land, 157
Operating profit, million EUR 50,7	Use of decommissioned peat extraction sites, ha 956	Wind energy produced on state- owned lands, GWh 1,500
Number of leased rock material extraction sites 200	volume of rock material extracted from these sites for construction, million t 2.66	Number of personnel (31 December 2022) 65
Holiday house sites Leased 47	Sold number of new holiday house sites 91	number of leased holiday house sites 58 Total 149

KEY FIGURES: PUBLIC ADMINISTRATION SERVICES 2022

Public administration services

Metsähallitus’ public administration services are handled by Parks & Wildlife Finland’s units, National Parks Finland and Wildlife Service Finland. Our tasks include managing the network of nature conservation areas and dozens of cultural heritage sites in Finland, protecting many endangered species, providing free services for hikers, offering opportunities for hunting and fishing by selling permits for these activities, and using the permit revenue to promote sustainable hunting and fishing. Our tasks also include supervising fishing and hunting in state-owned areas.

The public administration services are managed separately from business operations and funded by appropriations allocated to them in the state budget and income from permit sales.

National Parks Finland

Total number of visits
(national parks, state-owned hiking areas, historical sites, visitor centres and other popular destinations)
8.4 million visits

Customer satisfaction among users of visitor centres and hiking services (scale of 1 to 5)
4.43

Impacts of visitors’ spending in areas close to the destinations million EUR
391.8

Total employment impact of visits, person-years
3,158

Number of Saimaa ringed seal pups born
92

Habitat restoration and management in state-owned protected areas, ha
14,900

of which restored mires, ha
7,300

Number of personnel (31 December 2022)
545

Wildlife Service Finland

Days spent fishing and hunting
548,547

Number of permits sold

Hunting permits
86,369

Number of fisheries management fees paid
266,703
(including annual, weekly and daily payments)

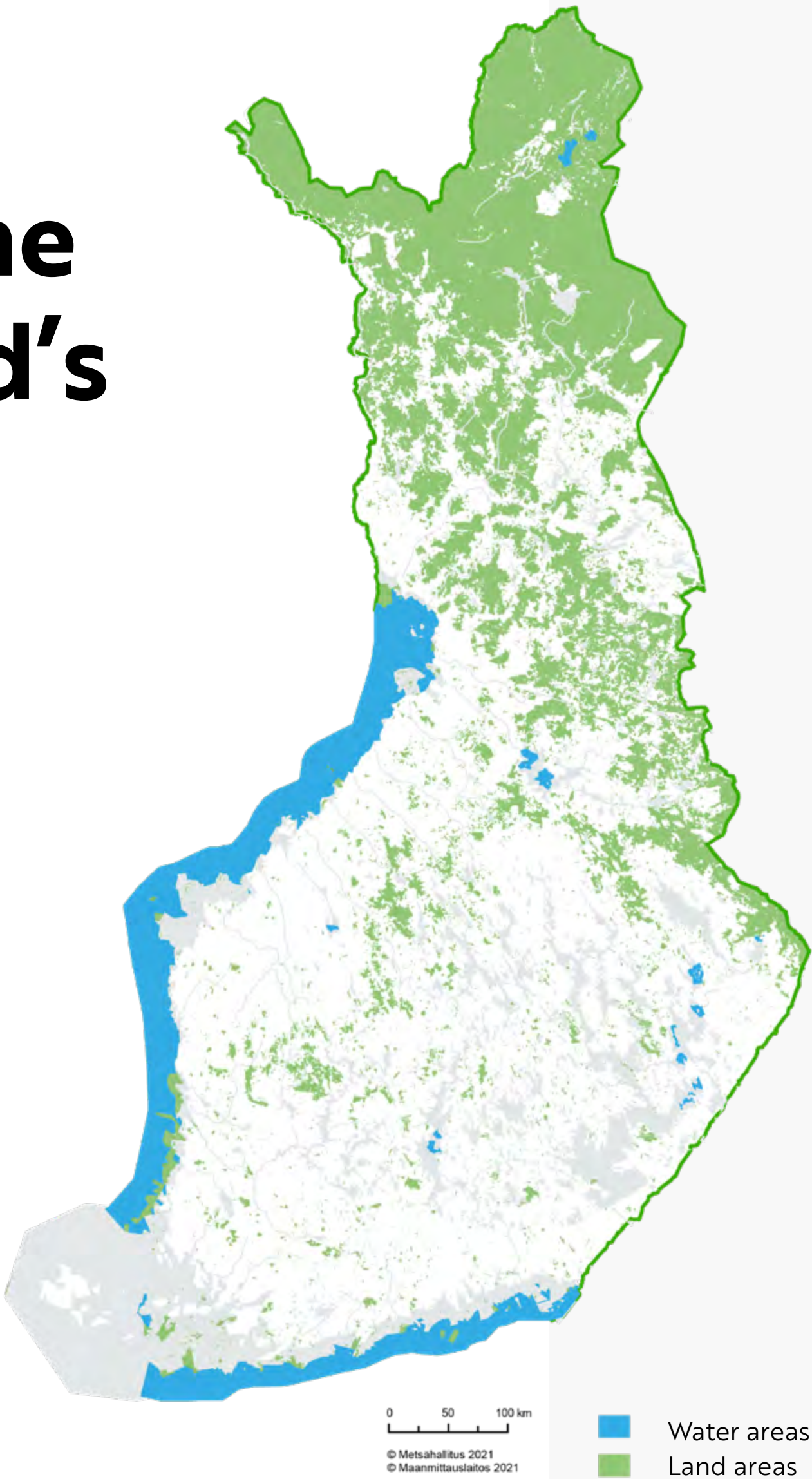
Fishing permits
94,032

Customer contacts in fishing and hunting supervision, number
8,532

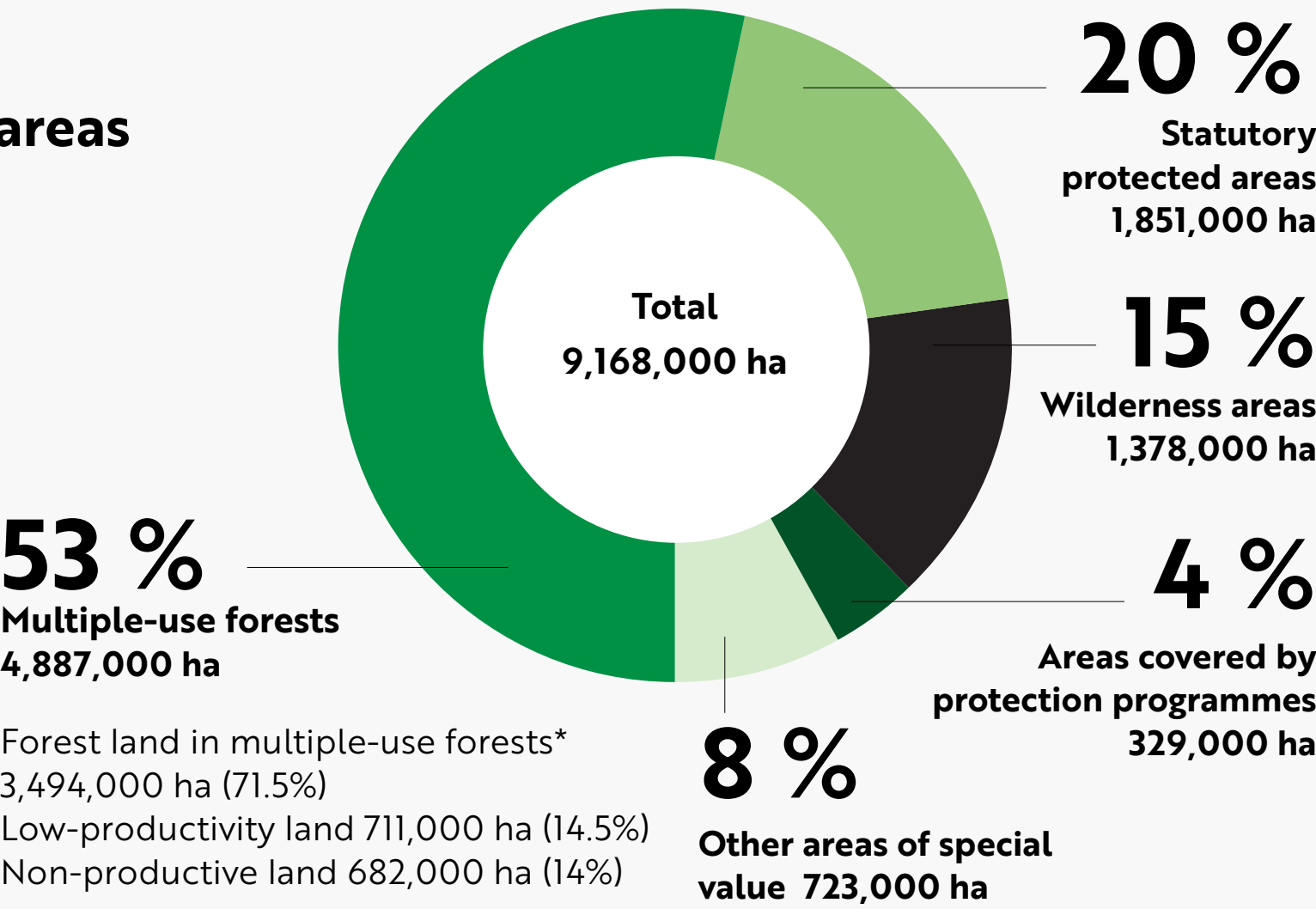
Number of personnel (31 December 2021)
69

We manage one third of Finland's surface area

Metsähallitus manages
9,168,000
hectares of land areas and
3,414,000
hectares of water areas,
amounting to a total of
12,582,000
hectares.

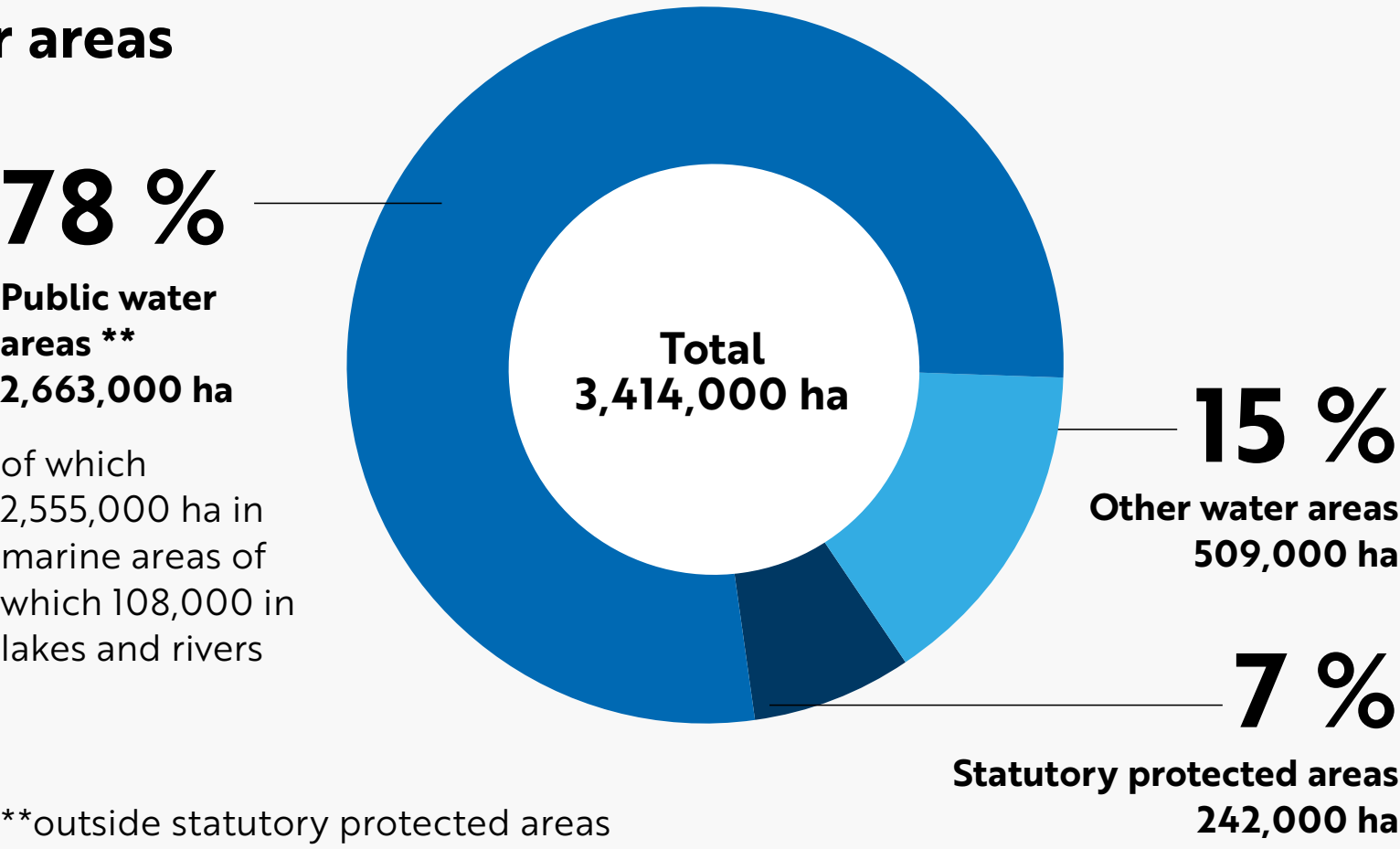


Land areas



*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, it is 0.1-1 m³/ha, and on non-productive land less than 0.1 m³/ha.

Water areas



**outside statutory protected areas

A man with a beard and glasses, wearing a yellow safety jacket and a grey helmet, is riding a bicycle. He is looking towards the camera with a slight smile. The background shows trees with yellow autumn leaves and a blue sky.

This is what we do

We are fostering our future by developing the value and shared wealth of nature responsibly and across generations. Our work and objectives are supported and guided by responsibility, which is a built-in part of our operations.

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STRATEGY AND VALUE CREATION

Our goal is to produce well-being for the environment, people and society

We continued to implement our strategy and to develop more agile operating methods and culture in 2022, especially in the areas of management, interaction and biodiversity. The development work was carried out in strategy streams, in which activities were examined from the perspective of both synergies and cost impacts while seeking new ideas and innovations.

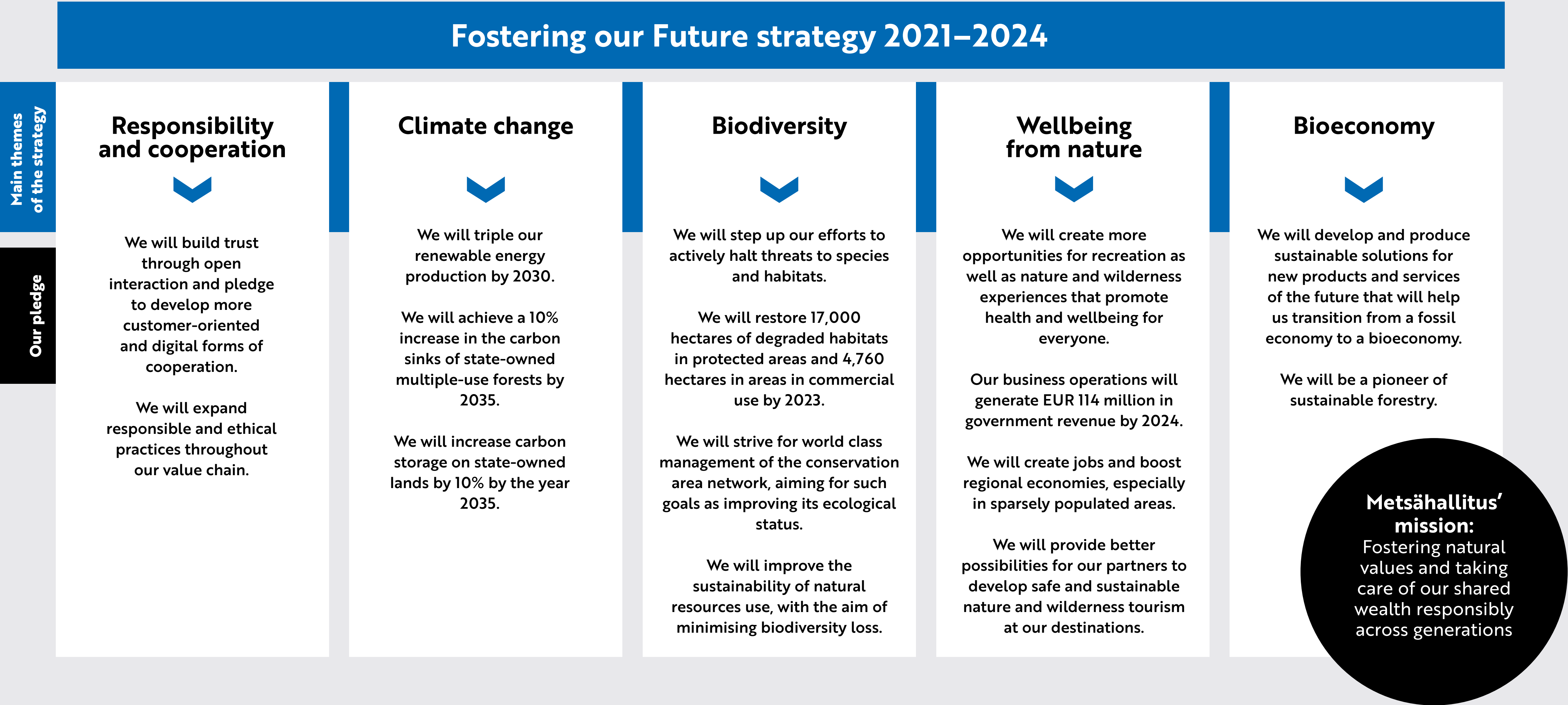
As a result of this work, we published management principles outlining the management culture at Metsähallitus towards the end of the year. In addition, we mapped and identified the current state

and development areas of our internal interaction and interaction culture, introduced more active and open management communications by such means as discussion events and webinars, and made changes to the Communications, Strategy and Responsibility unit and ICT unit by transferring some of their functions to the business units.

With regard to biodiversity, we mapped and prepared a report on other effective area-based conservation measures (OECMs) in state-owned land and water areas in the context of the UN Convention on Biological Diversity and the forthcoming EU

Biodiversity Strategy. The purpose of the report is to advance the achievement of Metsähallitus' strategic goals relating to biodiversity and to support the implementation of the EU Biodiversity Strategy. The report also contains further development measures for such areas as management of ecological values, impact monitoring, information management and international reporting.

In 2023, we will continue to implement the proposals for measures prepared as part of the strategy development work and launch new streams to support its progress.



STRATEGY AND VALUE CREATION

The value produced by our operations reflects the impact of our work

We use Metsähallitus' value creation model to measure the success of our strategy and responsibility work: the model shows where the greatest impact of our work is generated and what it focuses on, from the local level all the way up to the global operating environment. In this examination, we account for both the positive and negative overall impacts of our work. The value creation model was produced as part of our corporate responsibility programme, and its indicators will be developed over the long term, especially regarding impact.

The greatest impacts of our strategy focus on five value-generating themes: climate, biodiversity, economy, culture, health and well-being. By implementing the strategy, we will mitigate climate change and biodiversity loss, ensure responsible and compliant operation, aim to understand and consult our stakeholders better, and create holistic well-being within the planetary boundaries. The factors linking the strategy objectives are responsibility and cooperation, which are built into each objective.



**Recognising
our societal
impact creates
preconditions
for responsible
cooperation.**

Metsähallitus' value creation model

Year 2022 – We create added value for nature, people and society. .

Our most important types of capital



Financial capital



Natural capital



Human and knowledge capital



Stakeholder expectations



Health and wellbeing

6.7 million
nature visits to national parks, state-owned hiking areas and other protected areas and hiking destinations

0.5 million
days spent fishing and hunting



Sustainable cities and communities



Climate

Carbon sink
13.6
MtCO₂e

Carbon storage
187
million t C

Carbon handprint
3.2
MtCO₂e

Carbon footprint
0.1
MtCO₂e



Climate actions



Biodiversity

Habitat management and restoration measures
over 17,000 ha

Decaying wood found on state-owned lands accounts for
73 million m³
of its total volume in Finland

Removed barriers to fish migration
123



Life below water



Life on land



Economy

Revenue generated for the state
110
Million EUR

Procurements of materials and services
278.4
Million EUR

Personnel's salaries and fees
60.5
Million EUR

Taxes
64
Million EUR

Indirect impacts on regional economies
3
billion EUR



Decent work and economic growth



Culture

1.7 million
million visits to visitor centres and cultural heritage sites

Guided tours, events and nature education reached over
93,000 people



Responsible consumption



Peace, justice and strong institutions



Partnerships for the goals

OPERATING ENVIRONMENT

Responsibility is part of the operating environment and its changes

In recent years, several simultaneous and rapid, global-level changes have taken place in the operating environment, including the COVID-19 pandemic, Russia's invasion of Ukraine and the resulting energy crisis, and rising inflation. These changes have affected both the operating models and finances of companies and organisations alike.

In addition to and partly accelerated by these changes, a systemic transformation is also under way. Among other things, this means taking more heed of

nature's carrying capacity in the operations of companies and organisations, reducing carbon dioxide emissions from energy production, increased importance of the circular economy, and demands for sharing well-being fairly. The changes also extend to the economic system, which is undergoing a shift towards emphasising comprehensive value creation instead of economic output. This means that impacts on the environment and human rights are factored in when measuring the value of a company or operator.

Drivers of change identified in Metsähallitus' operating environment:

- Climate change and biodiversity loss
- Transformation of working life and digitalisation
- Transformation of communication
- Rethinking of leisure time
- Transformation of the economic system and world politics as well as increasing polarisation of values
- Demographic change
- Access to energy and global demand for renewable energy with its possible further processing chains

Voluntary best practices of corporate responsibility integrated into international and national laws and regulations

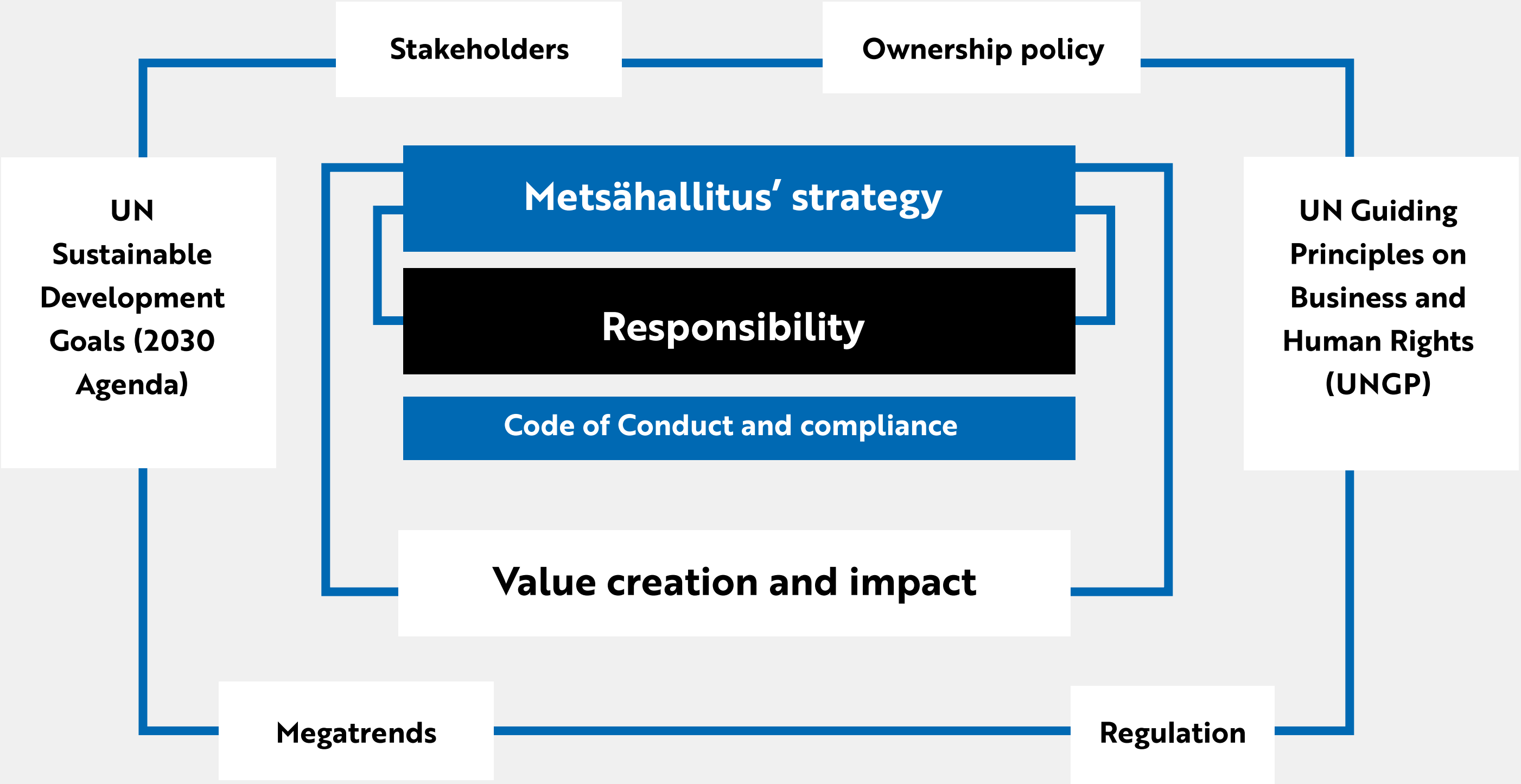
Over the next few years, the operating environment of companies and organisations will also be shaped dramatically by changes in international policies and

OPERATING ENVIRONMENT

forthcoming European Union regulation. ESG regulation, which is relevant to environmental and social responsibility and good governance, will mean that voluntary best practices of corporate responsibility will to an increasing extent be integrated into international and national laws and regulations. This trend will mean more stringent requirements of proving our responsibility and compliance, as we are part of international value chains in such sectors as timber trade, tourism, wind power projects, nature conservation and procurement. The future requirements will impact our operations both indirectly through value chains and indirectly, for instance in the form of reporting obligations.

Responsibility will also be more visible in the operating environment in terms of megatrends, international commitments and the expectations of customers, partners and stakeholders, all of which will affect Metsähallitus' operations. By developing our responsibility, foresight and risk management, we strive to respond to changes in the operating environment that affect Metsähallitus' work.

Operating environment, Metsähallitus' strategy and responsibility



Case:

Tackling changes proactively **(Metsä. fi journal in Finnish) »**

In recent years, the operating environment has undergone many rapid and large-scale changes, including the COVID-19 pandemic as well as Russia's invasion of Ukraine and the resulting energy crisis. Developing foresight and using the tools provided by science to support decision-making are vital. Only by anticipating the future and working together with different actors can we come up with good solutions for our customers, stakeholders and society that will remain sustainable for the generations to come.



RECONCILIATION

Planning the use and management of state lands requires cooperation

Our work is based on successfully reconciling a wide range of needs and wishes in collaboration with our stakeholders. This reconciliation relies on a multi-stage planning process, the highest levels of which comprise natural resource plans and landscape ecological planning linked to them. From these levels, the planning progresses all the way down to detailed action plans. The starting point for all planning is accurate spatial data, which is accumulated by working together with both Finnish and international parties.

Natural resource planning takes Metsähallitus' strategy and responsibility programme to the regional level

Through natural resource planning, we can ensure the economic, ecological, social and cultural sustainability of our work. These plans drawn up for each area for five years at a time also contain the goals of sustainable natural resource use specified in Metsähallitus' strategy and Responsibility programme, such as fostering biodiversity and climate change mitigation and adaptation. Natural resource planning projects are inaugurated by Metsähallitus'

Director General, and the plans are adopted by the Board of Directors.

In this planning process, we work together with a co-operation group consisting of our stakeholders and draw up a natural resource plan, which is an action plan that outlines the long-term use of state-owned land and water areas and reconciles the needs of different forms of land use. In addition to the co-operation group, we engage stakeholders across a broad front in the planning, for example by means of open online surveys. As we draw up the plans, we

RECONCILIATION

also strive to find new opportunities for using state-owned land and water areas for business and other purposes. Using a set of indicators included in the natural resources plan, we monitor the plan's realisation regularly.

One of the issues to be agreed upon in the natural resource plans is the planned cut in state-owned forests. While the actual felling volumes may be more or less than the planned cut at the annual level, they do not exceed the sustainable planned cut determined for the entire five-year planning period.

The sustainable planned cut in multiple-use forests for 2022 set out in the natural resources plans was 6.5 million cubic metres, whereas the actual harvesting volume was 5.9 million cubic metres. This was 9% less than the planned volume. Over the five-year planning period, the harvesting volume was 1.67 million cubic metres (5.5%) less than planned. The total area across which felling took place in 2022

was more than 87,000 hectares, of which 69% comprised intermediate fellings, 16% periodic cover regeneration fellings, and 15% regeneration fellings carried out as part of continuous cover forest management. The exceptionally high share of continuous cover fellings is explained to a significant extent by management, intermediate and regeneration fellings necessitated by the extensive storm damage in Ostrobothnia and Kainuu and actions required under the Forest Act.

The current natural resource plans predict that the planned cut will increase from the current 6.5 million cubic metres to 7.6 million cubic metres by 2030. A prediction based on the 12th National Forest Inventory and the natural resource plans indicates that carbon storage on all state-owned lands will continue to grow during this period. .

More than one half of all forests are state-owned

Natural resource plan for Kainuu and Central and North Ostrobothnia 2023–20288

The natural resource plan for state-owned land and water areas in Kainuu and Central and North Ostrobothnia combines two areas which previously had separate plans. The natural resource plan is being prepared together with two cooperation groups, in addition to which citizens have been able to participate in the planning process through an open online survey.

Read more about and follow the progress of planning (metsa.fi in Finnish) »

multiple-use forests going through their best and most vigorous stage of growth, and 50-year-old forests can thus be seen as a peak in the age class distribution. We will work to ensure that the age class

RECONCILIATION

distribution levels out significantly over the next 30 years; this means that the forests will be sturdier and the volumes of older age classes will increase.

Our key goals in natural resource planning include reconciling different forms of land use and offering state-owned land for the use of local companies and communities. Many activities would be impossible to organise without large-scale use of state-owned areas. In 2022, our lease management system contained about 18,500 different contracts on using state-owned areas.

Natural resource planning also creates a framework for site zoning. Zoning makes it possible for our partners to build in areas we control. The zoning of sites is guided by Metsähallitus' own planning principles, through which we ensure sustainable and responsible zoning on state-owned lands, taking natural, recreational and cultural values into account. Zoning is always carried out in cooperation with municipal-

ities, and the municipalities have the final say in zoning matters. We participate in the preparation of regional and local master plans by contributing our comments and reminders.

We initiated two planning projects in 2022: natural resource plans for Kainuu and Central and North Ostrobothnia as well as for the marine areas. The plans for 2023–2028 will be completed in 2023.

We continuously develop the planning process and aim to pilot new methods and tools in each one. In 2022 they included online discussion platforms on which cooperation groups, citizens and companies can give us feedback on their collaboration with Metsähallitus as well as let us know what kinds of hopes and expectations are placed on areas managed by Metsähallitus and how we could reconcile different uses.

Natural resource plan for the marine area 2023–2028

Interest in marine areas and their use has grown, which is why we have now for the first time treated them as a separate planning area. The natural resource plan for the marine area covers one half of Finland's territorial waters, or almost 30,000 km². It encompasses both land and water areas managed by Metsähallitus, with the exception of land areas used by Metsähallitus Forestry Ltd, which are included in plans for inland areas.

Read more about and follow the progress of planning (metsa.fi in Finnish) »

RECONCILIATION

Landscape ecological network safeguards ecological values

Landscape ecological planning is closely connected with natural resource planning. Information on the status of the landscape ecological network and its long-term changes is used in natural resource planning, and any changes agreed in the planning process are updated to the network at the end of the process.

In landscape ecological planning, the natural environment in an extensive forest area is examined as an ecological network, or a coherent entity at the landscape level. The network consists of conservation areas and valuable ecological and special sites in multiple-use forests, as well as of ecological corridors and so-called stepping stones that link them, through which species can spread between conservation areas and ecological sites in multiple-use forests. Ecological sites in multiple-use forests include those referred to in the Nature Conservation Act and

Forest Act, and other sites that are valuable for biodiversity, including areas around small water bodies. The criteria applicable to such sites are described in the Environmental Guidelines of Metsähallitus Forestry Ltd. Ecological sites are excluded from forestry use, whereas actions aiming for maintaining or improving them may be taken.

Landscape ecological planning safeguards the preservation of habitats and other ecological sites of particular value referred to in the Forest Act and the Nature Conservation Act as well as secures possibilities for species to spread between conservation areas and ecological sites in multiple-use forests. The network is also used for efforts to reconcile the needs of game habitat management, preservation of landscape values and cultural heritage sites as well as recreational use while taking the objectives of overall sustainability into account.

The network has a history going back more than two



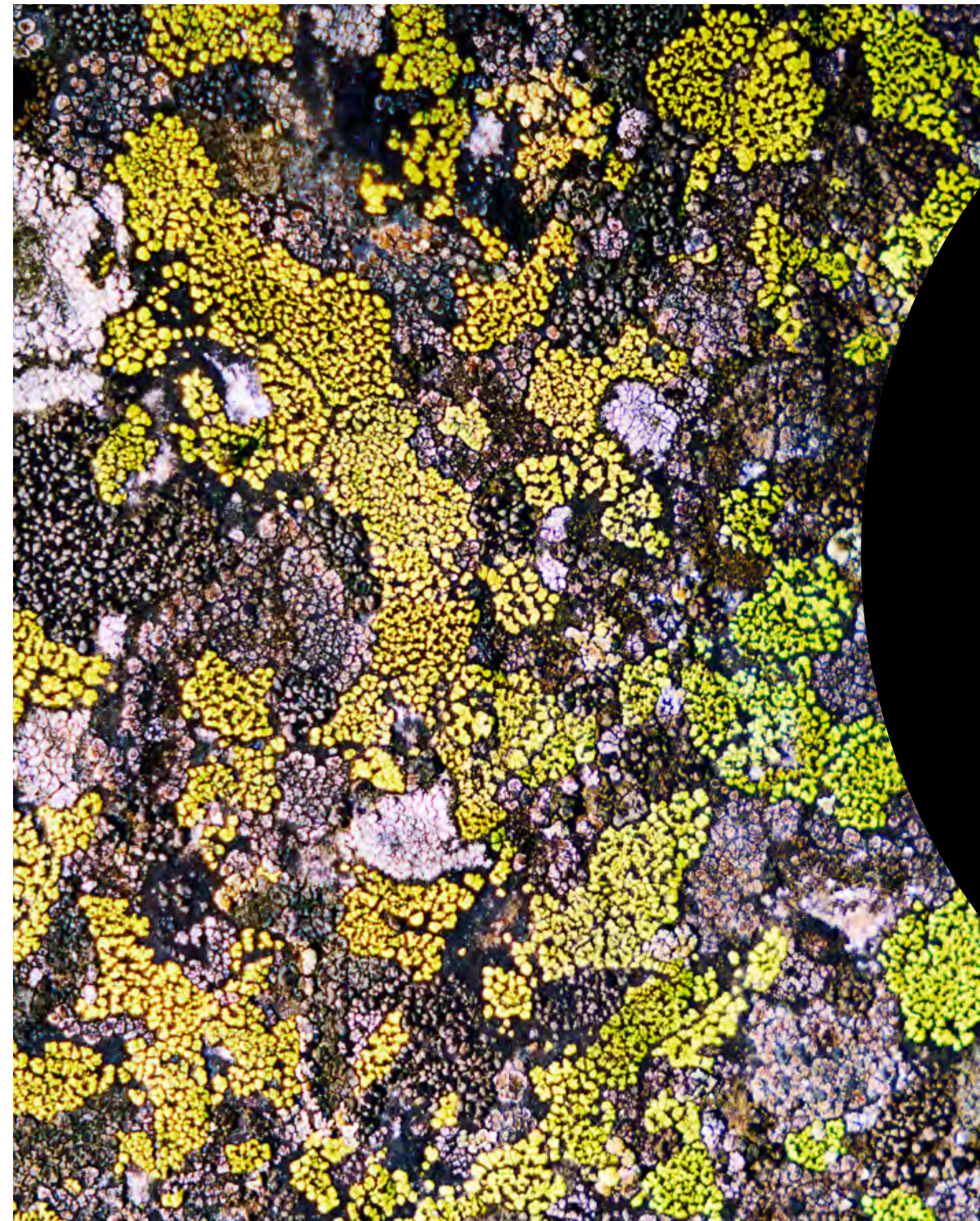
The resources and habitats needed by endangered and rare species are safeguarded on difference scales and with a variety of methods.

RECONCILIATION

decades, and we actively update it in connection with other activities and in fixed-term dedicated projects. Up-to-date spatial data concerning such sites are maintained in Metsähallitus Forestry Ltd's planning system, Silvia. The information on the landscape ecological network has also been published in Metsähallitus' open [Excursionmap.fi map service](https://excursionmap.fi).

In summer 2022, we completed a more detailed update of the landscape ecological network based on spatial data in different parts of the country.

This work will continue in summer 2023, especially in Koillismaa and Lapland. In separate updates in 2021 and 2022, 2,100 hectares of new ecological sites were identified in Southern Finland, 3,600 hectares in Ostrobothnia and Kainuu and 8,100 hectares in Lapland. In particular, the landscape ecological network was complemented with forest habitats, including old-growth forests, heath forests with plenty of decaying wood, mire habitats and the surroundings of small water bodies.



Environmental guide for forestry promotes diversity and ecosystem services in multiple-use forests

Metsähallitus Forestry Ltd's Environmental guide for forestry is a forest management manual for state-owned multiple-use forests. The purpose of this guide is to secure multi-objective, ecologically sustainable management of state-owned forests and to safeguard ecosystem services produced by forests in a constantly changing operating environment. The Environmental guide was updated in 2022. The guide was first published in 1993, and it is freely available for all those interested in forestry as an e-book and PDF publication.

[Read more about the environmental guidelines \(metsa.fi\)](https://metsa.fi) »

Photo: Mikko Törmänen

RECONCILIATION

Management planning helps reconcile objectives in protected areas

We also add detail to natural resource plans by drawing up management plans for individual special areas, including national parks, hiking areas and Natura 2000 sites. These plans are used to reconcile the objectives of nature conservation, recreation and other uses over a period of 10 to 15 years. The plans are drawn up in cooperation with local residents and other actors.

In 2022, we made progress with the preparation of management plans for a number of national parks: Kolovesi, Linnansaari, Nuuksio, Bothnian Bay, Pallas-Yllästunturi, the Archipelago and Salla. Following the Akwé: Kon operating model, we conducted discussions on the midterm reviews of the management plans for Urho Kekkonen National Park and Hammastunturi and Pulju wilderness areas with the Sámi Parliament and the Skolt village meeting. A hearing organised as theme groups concerning Sámi culture

in the Pallas-Yllästunturi area was held in January 2023.

Real estate formation facilitates the management of protected areas

Under the Real Estate Register Act, state-owned nature reserves must be entered in the Real Estate Register as real estates when they are established. This can be done separately for each area by the National Land Survey on application by Metsähallitus, either through a cadastral or a register procedure. Real estate formation simplifies the real estate structure of protected areas, facilitating and improving their control and management. In this procedure, different access rights related to the area, the boundaries of nature reserves and the lines of these boundaries in the field are also determined. This is important for the owners of neighbouring areas, both in terms of private landowners' and Metsähallitus' business. Real estate formation has been systematically promoted since 2018; in 2022, around 140 ar-

eas were processed, and the situation of real estate formation at the end of the year was good.

In years to come, over one thousand new nature reserves will be established through legislative projects, and these protected areas will also have to be registered as real estates. In 2022, 38 protected areas were established in Central Ostrobothnia by Government and Ministry of the Environment decrees.

CUSTOMERS, PARTNERS AND STAKEHOLDERS

We aim to continuously improve stakeholder and customer experience

In order for us to succeed in our mission of fostering natural values and taking care of our shared wealth across generations, the support of our customers, partners and stakeholders is crucial. Building up our customer insight is one of the cross-cutting themes of our strategy and also part of the responsibility programme. In the interest of continuous improvement, we regularly monitor stakeholders’ opinions of our activities.



CUSTOMERS, PARTNERS AND STAKEHOLDERS

Metsähallitus continued to have a good reputation and high level of customer experience

We measure our customers', partners' and other stakeholders' experiences of our work and their views of our reputation annually through T-Media's Trust & Reputation survey and its customer experience section tailored for Metsähallitus. In 2022, approx. 1,670 private, business and organisation customers and around 670 representatives of our partners and stakeholders responded to the survey. The general public was additionally represented in the survey by a sample of one thousand citizens.

The survey results indicate that, similarly to previous years, Metsähallitus' reputation and customer and stakeholder experience remained at a good level. The customer experience of various customer groups improved slightly, reaching a good level overall (3.65 on a scale of 1 to 5). Similarly, the level of partners' and stakeholders' experience has remained

good (3.64). Expert service and promoting nature's well-being impacts on the general public remain Metsähallitus' most convincing strengths. Customer orientation is one of our strongest areas when we look at the views of private, business and organisation customers.

Factors associated with reliability have the greatest impact on our stakeholders' support. The most important development area from all customer groups' and stakeholders' viewpoint is open interaction. As in 2021, reconciling the needs of different customers and stakeholders, promoting equality and developing services on the basis of feedback also came up on the list of development areas.

Metsähallitus' overall reputation has developed positively in step with the customer experience. Similarly to 2022, the most important dimensions of Metsähallitus' reputation for the stakeholders were transparent governance and responsible action.

The 'Fostering our Future' strategy, our responsibility programme and the more stringent regulatory environment alike encourage us to engage in more open interaction, overcome the challenges of reconciliation, ensure more transparent governance, give more consideration for different dimensions of responsibility, and develop our operating models. We aim for continuous improvement.

We take many steps to improve our customer experience

We continued the efforts to improve our customer orientation during the year. We determined the cornerstones and development areas of Metsähallitus' common customer experience and communicated about them to the personnel.

Information systems are a growing part of the service package which also helps us improve our customer experience. In 2022, we developed our customer service package consisting of a website and telephone

CUSTOMERS, PARTNERS AND STAKEHOLDERS

service and introduced new case and contract management systems to facilitate the process of drawing up concession contracts and leases. We additionally launched an updated Laatumaa web service. We worked intensively throughout the year on developing Metsähallitus' digital sales channel, which will serve both fishing, hunting and off-road traffic permit customers as well as those wishing to book huts.

We also made use of service design methods in our efforts to improve the services, for example when developing our mountain biking concept, instructions for huts and service productisation. Towards the end of the year, we initiated extensive efforts to map customer paths. We will continue our work on customer experience in 2023, for example by developing the Nationalparks.fi concept, which aims for a digital customer service system. At the beginning of the year, we invited our stakeholders to join a digital developer community in which participants can give their opinions on hiking, fishing and hunting services.



Offshore wind power issues were discussed at Vind Cafe events – See you in Korsnäs! (metsa.fi) »

In March, we opened a new office in Korsnäs, where we are developing an offshore wind farm with Vattenfall. We wish to be accessible and lower stakeholders' threshold for coming to discuss the offshore wind farm project with us. In 2022, we organised low-threshold Vind Cafe events in Korsnäs, at which we provided information on local bird life and the Kvarken World Heritage Site as well as topical issues relating to the offshore wind farm. We will continue these events in 2023 – so come and join us!

Photo: Katri Lehtola

CUSTOMERS, PARTNERS AND STAKEHOLDERS

We are involved in preparing biodiversity, forest and recreational use strategies

The Ministry of the Environment set up a project tasked to prepare for the implementation of the European Union Biodiversity Strategy. The project's term was 15 February – 31 December 2022, and its purpose was to prepare a proposal for Finland's national commitments. Metsähallitus participated actively in the project's steering and working groups in the context of both nature conservation and forestry. To formulate the commitments, we looked at possible OECM sites in state-owned land and water areas and their development. Among other things, this work is relevant to management of ecological values, impact monitoring, information management and international reporting. The work could not be completed in 2022, as the preliminary versions of Finland's commitments could not be submitted to the European Union before political commitment and consensus at national level had been reached. The work on the commitments continues in 2023 in form

of a Europe communication to Parliament prepared by the Ministry of the Environment.

Metsähallitus also participated in the National Forest Council's working committee led by the Ministry of Agriculture and Forestry and in the preparation of the statutory National Forest Strategy 2035 (NFS 2035). The Forest Strategy, which will guide Finland's forest policy until 2035, describes the key goals and priorities of forest sector development, including comprehensive sustainable development and climate change mitigation and adaptation. The National Forest Strategy 2035 was adopted by the National Forest Council in December.

In May, the Government adopted a National Nature Recreation Strategy for 2030. Metsähallitus will play a key role in implementing this strategy, and Metsähallitus' representatives participated in its preparation as members of the steering and working groups. The aims of the Nature Recreation Strategy

include ensuring access to local nature, promoting health and well-being, safeguarding sustainability in recreational use of nature, identification of resources, cooperation and diverse recreational use of nature.

Growing concern over climate and biodiversity among citizens

Increasingly heated debate on biodiversity loss and climate change continued during the year and will also be intensive in early 2023. The background factors of this discussion include the EU Biodiversity Strategy, which sets EU-level targets for safeguarding biodiversity and halting biodiversity loss, as well as achieving Finland's climate targets. The extensive debate on this subject, especially in social media, has focused on state-owned lands and Metsähallitus Forestry Ltd's activities as their steward.

The Luonnonmetsä (Natural Forest) working group funded by Kone Foundation continued to map val-

CUSTOMERS, PARTNERS AND STAKEHOLDERS

uable forest sites on state-owned lands, mainly in Northern Finland. The group is expected to release its following report in spring 2023. Metsähallitus was informed of such sites both directly and through the social media. The inventory data delivered to Metsähallitus were taken into account when selecting the sites. In recent years, we have also built up our resources of ecological management and species expertise applied to planning the use of multiple-use forests, and this is something we will also focus on in the future. For example, the Lajidemo project completed in 2022 created an operating model in which species data are used more diversely to support planning related to state-owned multiple-use forests.

The use of continuous cover silviculture continued to attract a great deal of interest and trigger public debate. Its topics included a broad range of different impacts, such as more wide-spread use of this method, its economic feasibility and its biodiversity impacts in general. Together with Natural Resources Institute

Finland, we organised a seminar titled 'Continuous cover silviculture in the light of research evidence and in practice – information, experiences and challenges' in April 2022. In addition to scientists with expertise in these questions, introductions to the theme were also given by experts in policy, silviculture recommendations and forecast models.

In autumn 2022, various NGOs organised a demonstration to support such demands as conserving unprotected pristine forests and old-growth forests as well as significantly reducing fellings on state-owned lands.

Activists sought to prevent forestry operations on a few logging sites during the year. To resolve such situations, Metsähallitus held discussions with the stakeholders and different parties, striving to reach a consensus.

In early 2023, thinning operations to the south of Aal-

istunturi Fell in Western Lapland attracted attention in both social and conventional media.

A proposal for a national park, whose area encompassed some of the sites destined for felling, was initially submitted to the Ministry of the Environment. The debate later expanded to include forestry and commercially used areas in a wider sense.

Metsäliike, which consists of activists from the Elokapina movement, Finnish Nature League and Greenpeace, organised demonstrations in the area and interrupted felling several times. As the demonstrators prevented access to the site, the authorities were called in to safeguard the work and maintain safety and security. The situation had not yet been resolved by the end of February 2023. Metsähallitus organised visits to the logging sites and opportunities to conduct interviews for the media.

Private Ecological Surveyors had produced observa-

CUSTOMERS, PARTNERS AND STAKEHOLDERS

tion data concerning this area, in addition to which Metsähallitus' experts also surveyed its habitats and species. All observations were reviewed, and valuable sites were taken into account in the planning of fellings before the work started.

We continued our cooperation process with civil society

Cooperation with Greenpeace, the Finnish Association for Nature Conservation and local nature conservation districts, which had begun in 2019, continued throughout the year. Four national and nine regional meetings were held in 2022.

The aim of this process was to build shared understanding of sites that are valuable in terms of biodiversity and to safeguard the preservation of biodiversity by stepping up the level of protection and developing forest management methods. Sites with valuable species or those otherwise considered critical highlighted by NGOs were discussed in negotia-

tions, and solutions were sought for them. For example, consensus regarding the management of forests located near the Viena trail in Suomussalmi was reached in this process.

Previously, 18 national and ten regional meetings had been held in 2019–2021. Several joint field visits were additionally paid to the sites. More than 300 sites with a total surface area of nearly 2,200 ha were examined in the course of the cooperation process.

Chancellor of Justice issued a ruling on free permits for stakeholders

The Chancellor of Justice issued their ruling on a complaint concerning free hunting permits granted by Metsähallitus to stakeholders in 2021. In this decision, the Chancellor of Justice noted that Metsähallitus' practices relating to granting stakeholder permits did not comply with section 47 of the Hunting Act, and both the Ministry of Agriculture and Forestry's decree on fees and the guidelines issued by the

Director of Wildlife Service Finland based on it were an excessively liberal interpretation of the legislation. The Chancellor of Justice additionally obliged Metsähallitus, in cooperation with the Ministry of Agriculture and Forestry, to verify from the tax authorities the tax status of permits granted free of charge against game management and supervision duties.

The practices of granting permits to stakeholders were updated in compliance with the legal guidance provided by the Chancellor of Justice. Efforts to determine the tax status of free hunting permits issued by Metsähallitus with the Tax Administration were begun in collaboration with the Ministry of Agriculture and Forestry. Once the Finnish Tax Administration's decision has been received, we will also reassess the instructions for issuing permits granted in return for game management and supervision work. In a broader context, they are about compliance with the legal principles governing equality and the administration's discretion.

A close-up photograph of a person's hand placing a puzzle piece into a larger puzzle. The puzzle depicts a forest landscape with green trees and a blue sky. The hand is positioned in the upper left, and the puzzle pieces are scattered around it. The background is a soft-focus view of the completed puzzle showing a forest scene.

Responsibility

To Metsähallitus, corporate responsibility means ambitious work and development carried out together to achieve a more sustainable, fair and equal future. We account for the impacts of all dimensions of our operations.

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RESPONSIBILITY

Responsibility is a built-in part of everything we do

Responsibility is a strategic value for Metsähallitus. It is a built-in part of everything we do that guides and supports the achievement of our objectives. Responsibility is integral not only in our operations but everything we do – such as the way we talk and how we encounter our customers, partners and stakeholders, for example in the context of natural resource planning, permits, trade and project negotiations, national parks and hiking areas, lease and concession issues or social media.

Understanding the needs and wishes of our customers, partners and stakeholders as well as the operating environment and the impacts of our activities

lies at the core of responsibility for Metsähallitus. The key themes arising from this examination define the focus areas of Metsähallitus' responsible actions: what is central to us and our customers, partners and stakeholders.

Good governance, compliance and our practices provide an ethical and responsible foundation for our work.

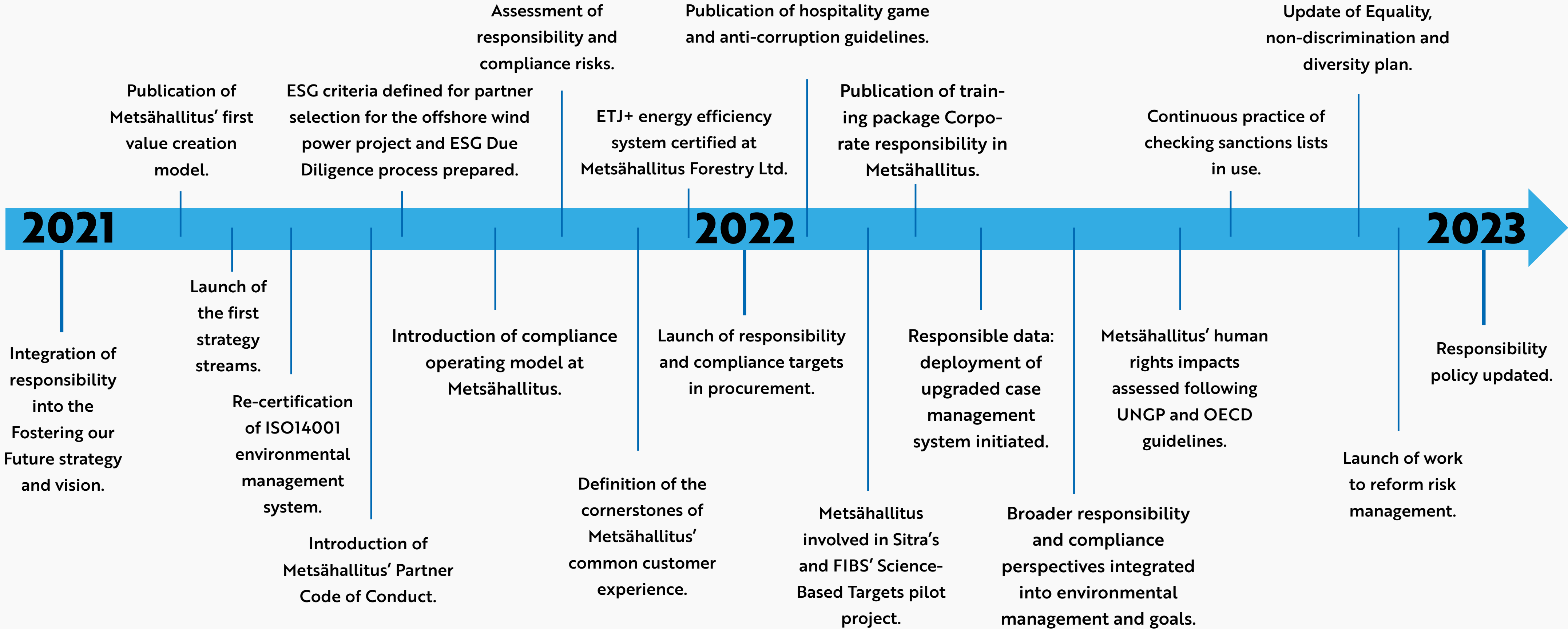
Our work on responsibility is systematic

Metsähallitus has been working on responsibility systematically since 2017. Our first responsibility programme lay the foundation for responsibility in

Metsähallitus – we identified the essential themes, created a responsibility policy and Code of Conduct, and integrated them into our management and operations. We also created key policies for our work on equality and non-discrimination and updated our brand.

In 2020 we integrated responsibility into our strategy, and in early 2021 we launched the responsibility work for the strategy period under the slogan Fostering our Future. We have identified the societal impacts of our work, developed a value creation model for Metsähallitus, and promoted strategic responsibility regarding leadership, customer expe-

Fostering our Future - key steps of our responsibility work



RESPONSIBILITY

rience, tourism, biodiversity, renewable energy and interaction. We have also introduced an operating model for compliance and assessed comprehensively our responsibility and compliance risks, including Metsähallitus' human rights impacts. In years to come, our work on responsibility will continue in such areas as supply chains, partnerships, personnel diversity and equality, and biodiversity and the climate.

Metsähallitus' Responsibility programme

Metsähallitus' responsibility goals are set out in the Responsibility programme, which is based on key themes identified in our materiality analysis.

The Responsibility programme has four focus areas, which are leadership, the environment, people and society. The focus areas define our responsibility work and include the objectives that are integrated into the work of every Metsähallitus employee through the strategy and the responsibility pro-

gramme. The positioning and targets of the responsibility programme have been examined and will be reviewed during the strategy periods.

The main indicators for our strategy and responsibility work have been compiled in the value creation model. They measure the impact of Metsähallitus' operation as a whole and contain indicators for individual areas of responsibility. In addition, the responsibility programme includes responsibility indicators that are in keeping with good practices relating to such groups as personnel and customers, partners and stakeholders.

We regularly collect information and report on the achievement of our targets using the Global Reporting Initiative (GRI), which provides a comparable framework for assessing responsibility. We also produce reports within the EU non-financial reporting framework. In addition to the Responsibility programme, we report annually on our contributions to

Key responsibility themes:

- Ethical leadership practices
- Ensuring compliance
- Preserving biodiversity
- Climate change mitigation and adaptation
- High-quality expertise and a good workplace
- Human and labour rights in our and our partners' operations
- Reconciling the needs concerning state-owned land and water areas
- Sustainable use of natural resources
- Regional vitality
- Recreational use of nature

the social obligations laid down in the Metsähallitus Act and their impact.

Metsähallitus’ Responsibility programme

Fostering our Future – Metsähallitus’ strategy 2021–2024

Responsibility programme

Leadership

Environment

People

Society

Materiality analysis

Objectives

Objectives

- Developing the monitoring of responsibility and compliance regulation.
- Ensuring and promoting compliance with the Code of Conduct.
- Developing risk management and improving partner risk management.
- Improving stakeholder and customer experience.

Objectives

- Environmental management, quality assurance and continuous improvement of quality.
- Promoting the achievement of Finland’s climate targets and carbon neutrality.
- Reducing emissions from Metsähallitus’ operations.
- Improving the status of biodiversity and halting biodiversity loss

Objectives

- Promoting equality, non-discrimination and diversity in the work organisation.
- Reducing accidents at work and improving occupational safety.
- Promoting well-being at work and occupational health.
- Developing shared competence areas.
- Respecting human and labour rights in our own and our partners’ activities.
- Taking Sámi culture into consideration.

Objectives

- Sustainable growth in nature, fishing and hunting visits and their well-being impacts.
- Passing fishing and hunting culture and cultural heritage on to the next generation and reinforcing the principles of sustainable growth.
- Promoting the vitality of regions and producing sustainable financial returns for society.
- Improving possibilities for sustainable nature, hunting and fishing tourism.

RESPONSIBILITY

Key measures of the Responsibility programme in 2022

In 2022, we made headway in all focus areas of the Responsibility programme.

In the focus area of leadership, we continued to build an operating model for foresight and examined our activities regarding the requirements of future EU regulation, in particular. We also published an extensive training course on responsibility for all Metsähallitus personnel, which was part of the training package tied to performance bonuses. In early 2023, we updated our responsibility policy and integrated responsibility and environmental policies with the aim of supporting and clarifying coherent management.

In the area of compliance, we started using Metsähallitus' updated authorities. In procurements, we piloted responsibility and compliance targets during the year and will also continue to set these

targets, measure performance and monitor their achievement in 2023. We also introduced a continuous practice of checking sanctions lists. Towards the end of the year, we launched a reform of risk management in Metsähallitus, in which we will integrate risk management more closely into our operations and take the perspectives of third party and supplier risks into consideration with a new approach. This reform will respond to the growing challenges of risk management in the face of mounting volumes of information and numbers of ESG requirements. Our work on risk management will continue in 2023.

In the focus area of the environment, not only the effectiveness of the operative and environmental management systems but also sustainable tourism as a new audit priority were prioritised in external audits of the ISO 14001 environmental system. The audits found two minor deviations in the activities of National Parks Finland, which related to shortcomings in the management of environmental issues as

well as in internal audit. We have responded to these deviations, and actions for addressing them are under way.

We also developed environmental management by introducing more specific policies for setting strategic environmental targets, in which not only management but also broader perspectives of responsibility and compliance are emphasised. Climate Programme measures and restoration and ecological management work progressed in line with their targets.

We participated in Sitra's and FIBS's Science-Based Targets for Nature pilot project, in which we were one of the first organisations in the world to test guidelines for science-based nature targets. The goal of these guidelines is to offer companies practical tools for high-impact and comparable environmental work and to speed up measures aiming to halt biodiversity loss. International guidelines on inland

RESPONSIBILITY

waterways were completed during the pilot, whereas other areas of the guidelines are still under preparation. Ten companies were involved in this pilot, the final event of which was held in February 2023.

In the focus area of people, we conducted a human rights impact assessment that covered all activities of Metsähallitus. The results will enable us to determine the priorities, objectives and indicators of human rights work and to increasingly link human rights to our responsible action and compliance. The assessment also meets some of the requirements associated with the European Union's Due Diligence obligation related to human rights.

The roadmap drawn up in connection with the assessment contains measures for mitigating and addressing human rights impacts. Following this roadmap, we will continue to integrate the assessment results into our operations in 2023, among other things regarding procurement and risk management.

We updated Metsähallitus' Diversity, equality and non-discrimination plan for 2023–2026. It follows on Metsähallitus' Equality and non-discrimination plan valid in 2019–2022. The aims of the plan are promoting diversity in the work organisation, non-discrimination and inclusion, and eliminating discrimination in our employer activities as well as in services intended for our customers, partners and stakeholders. The plan also contains measures for promoting Sámi people's equality in Metsähallitus' actions as an employer.

In the focus area of society, Korsnäs offshore wind farm project took significant strides forward in 2022. The multi-stage process of searching for a partner progressed on schedule, and towards the end of the year we signed a contract with Vattenfall on the development and construction of the offshore wind farm in Korsnäs. Project development will continue in 2023 with our partner.



Photo: Katri Lehtola

Leadership

In the Responsibility programme’s focus area of leadership, the aim is to support the achievement of strategic objectives, to ensure that the best practices and guidelines related to responsibility and compliance are followed, and to improve the stakeholder and customer experience.

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ETHICAL AND RESPONSIBLE PRACTICES

Responsibility is managed and developed in line with best practices

Metsähallitus' work is guided by the Act and Decree on Metsähallitus, Metsähallitus' ownership policy, and the strategy, rules of procedure and policies. In Metsähallitus, social responsibility is integrated into the strategy and incentive systems. A unified and responsible Metsähallitus is one of the criteria for our performance bonus. It is measured by successful implementation of the Responsibility programme and the customer perspective indicator.

The key document directing our corporate responsibility is the responsibility policy, which applies to all units of Metsähallitus and which has been approved by Metsähallitus Board of Directors. The responsibility policy defines areas of joint activities between our business and other units, the link to the strategy and its implementation, the main objectives, key principles and focus areas, main roles and responsibilities, and reporting procedures.

At the beginning of 2023, we updated our responsibility policy and amalgamated it with the environmental policy. This was done to support consistent management and to clarify leadership and duties related to responsibility management. In addition to responsibility and environmental issues, the responsibility policy contains our human rights principles.

ETHICAL AND RESPONSIBLE PRACTICES

Compliance is ensured across a broad front in Metsähallitus. In addition to compliance with statutes and regulations, we make sure that our activities are ethical and responsible. We regularly monitor compliance with Metsähallitus Code of Conduct and values, aiming for continuous development.

We also ensure and develop environmental responsibility in our work through our certified ISO 14001 environmental management system. Commercially exploited multiple-use forests are PEFC certified, and the timber supplied by us also meets the FSC Controlled Wood criteria. We are a Pro member of the corporate responsibility network FIBS and a corporate member of Excellence Finland.

Leadership of responsibility at Metsähallitus

Metsähallitus' Board of Directors is responsible for arranging the management of responsibility and environmental issues and their integration with the

strategy and activities. The Board of Directors approves the responsibility policy of Metsähallitus and decides on the principles of environmental system certification.

Director General oversees the management and implementation of responsibility and environmental issues at Metsähallitus. The Director of the Communications and Responsibility Unit directs the development and implementation of the Responsibility programme and chairs Metsähallitus' environmental group. These activities are supported by the responsibility and environmental groups consisting of experts from the Group units and business units, or Metsähallitus Forestry Ltd, Metsähallitus Property Development, National Parks Finland and Wildlife Service Finland. General Counsel is responsible for compliance and Metsähallitus Code of Conduct as well as for promoting ethical and responsible practices.



**At Metsähallitus,
everyone has a
duty to ensure that
responsibility is
realised in our work.**

ETHICAL AND RESPONSIBLE PRACTICES

Metsähallitus' Management Group sets the common strategic responsibility targets, including environmental objectives, and ensures their achievement in the respective units. Metsähallitus' Management Group reviews the environmental management system each year to ensure that it is appropriate and effective while meeting Metsähallitus' needs. The Management Group discusses and approves Metsähallitus' environmental review.

The business and Group units ensure that our responsibility and environmental principles are visible in our work with customers, partners, suppliers and other stakeholders. Every Metsähallitus employee has the duty to ensure that the Responsibility programme, the instructions of the environmental management system and the Code of Conduct are followed in their work.

Key responsibility and compliance risks

Metsähallitus' key responsibility risks include potential negative impacts of our activities on biodiversity, climate change and the rights of indigenous peoples, failure to reconcile the different needs of society and ensure equality, potential shortcomings in supplier and partner management and realisation of human rights throughout the value chain, risks related to information management and information security, and shortcomings in compliance. In addition, possible deviations from the agreed and disseminated operating models have been identified as responsibility and reputation risks.



ENSURING COMPLIANCE

We continued to develop compliance

We continued our work aiming to improve responsibility and compliance in procurement as well as contract and supplier management underpinned by a risk-based assessment carried out in 2021. Towards the end of the year, the business units carried out self-assessments relating to these themes with the aim of identifying more accurate development areas in each function. This work will be continued on the basis of the self-assessment results in 2023.

During the year, we provided the personnel with anti-corruption and anti-bribery training relating to hospitality as an online course. This was part of the training package included in Metsähallitus' perfor-

mance bonus criteria. We also introduced a continuous practice of checking sanctions list in connection with our different contract types.

In early 2022, we updated our practices related to Metsähallitus' authorities. We updated the limits of authorities based on employee roles and highlighted the updated instructions and practices in our internal communications. We also introduced an application called Toimivalta to ensure transparent management of our authorities. This reform was found effective in an inspection conducted by internal audit at the end of the year.

Several EU level regulation projects significant for Metsähallitus were published during the year, including the Corporate Sustainability Reporting Directive. Of current national legislative projects, especially the update of the Nature Conservation Act and statutes issued by virtue of it will have an essential impact on our activities. As part of our responsibility and compliance work, we raised awareness of future regulation throughout the organisation, and we will continue to identify its impacts proactively and engage in broader dialogue on them within the organisation in 2023.

ENSURING COMPLIANCE

Responsible data supports decision-making

Information capital plays an essential role in Metsähallitus' value creation and strategy, as achieving our goals requires reliable, knowledge-based decision-making and efficient data management and use. It also opens up opportunities for developing our services and sustainable business. Among other things, responsible information management helps us reduce our information security and reputation risks and promotes customer trust, employee commitment and business profitability.

In keeping with Metsähallitus' case management, information security and data protection principles, each Metsähallitus employee is responsible for the data they process and for ensuring information security and data protection in every task. We continued to promote responsible information management in 2022.

In particular, the deployment of new systems helped

to improve information management at Metsähallitus. We commissioned a new case management system, which enables improved electronic information management throughout the life cycle of information and also features a separate functionality for contract management. We additionally commissioned a spatial data based contract system for Metsähallitus' real estate contracts. This system facilitates the digital management of contract information in Metsähallitus and improves its quality. To streamline contract processes, Metsähallitus' contract management systems will be integrated into the new case management system. Work on these integrations started in 2022 and is to be completed in early 2023.

As the case management and contract management system were commissioned, we provided the personnel with training on case and contract management as well as the practices of responsible information management across a broad front. We also

organised several training events on contract law for the personnel. Efforts to develop our contract activities will also continue next year with the aim of improving especially the practices of contract life cycle management, such as follow-up and archiving, and clarifying the responsibilities, roles and tasks related to contracts.

Metsähallitus' data strategy was adopted in 2022 in order to promote data-based business and knowledge-based management in Metsähallitus. The principles of this strategy will be followed in the development of all ICT systems.

During the year, we made progress in achieving the objectives laid down in the Act on Information Management by Public Authorities, including the classification of confidential and classified information. Development work also continued in the area of information security. In particular, we provided the personnel with training on information security, both

ENSURING COMPLIANCE

through short, monthly digital training events intended for all employees and in the form of a separate training course focusing on information security in the social media. We also deployed some of the technical methods for protecting information available in the O365 environment.

Our information security audits carried out by third-party professionals focused on the largest systems introduced in 2022, such as Tammi case management system and Luoto system for Metsähallitus' leasing activities. A re-audit of the system that serves data collection in the field was also conducted.

Metsa.fi website and its sub-pages were subjected to a significant denial of service attack, and occasional attempts to hack Metsähallitus' environment have been detected during the year. Metsähallitus' Audit Committee, Board of Directors and Management Group keep a close eye on the information security situation and progress made with development work.

We surveyed the personnel's experiences of ethical action

In connection with the personnel survey conducted in 2022, we mapped personnel's experiences of ethical action and their views of compliance with Metsähallitus' values and operating practices. The response rate among the personnel was 72%.

The survey contained questions about respondents' experiences relating to both their own work and Metsähallitus' actions. The results indicate that a majority of the respondents, or over 84%, had not encountered instructions or practices that were inconsistent with the values or the Code of Conduct in their work. However, almost 16% of the respondents said they had come across such instructions or practices. The largest number of observations on inconsistencies associated with respondents' own work concerned looking after the working conditions and atmosphere. In Metsähallitus' activities, the largest number of observations on inconsistencies con-

cerned environmental protection and use of natural resources.

The survey findings were discussed in each unit in early 2023, and the observations will be taken into account in updates of Metsähallitus' Code of Conduct. Additionally, we will monitor compliance with the Code of Conduct through an annual Ethics Barometer survey.

More reports received through the whistleblowing channel

This channel introduced in 2019 can be used to report suspected abuses related to Metsähallitus' activities or situations in which the responsible and ethical practices set out in our Code of Conduct are not followed. Should the person making the report so wish, they can submit their report anonymously. As part of maintaining Metsähallitus' reporting channel, we kept an eye on the entry into force of the new Whistleblower Act in 2022 and the content of the new requirements.

ENSURING COMPLIANCE

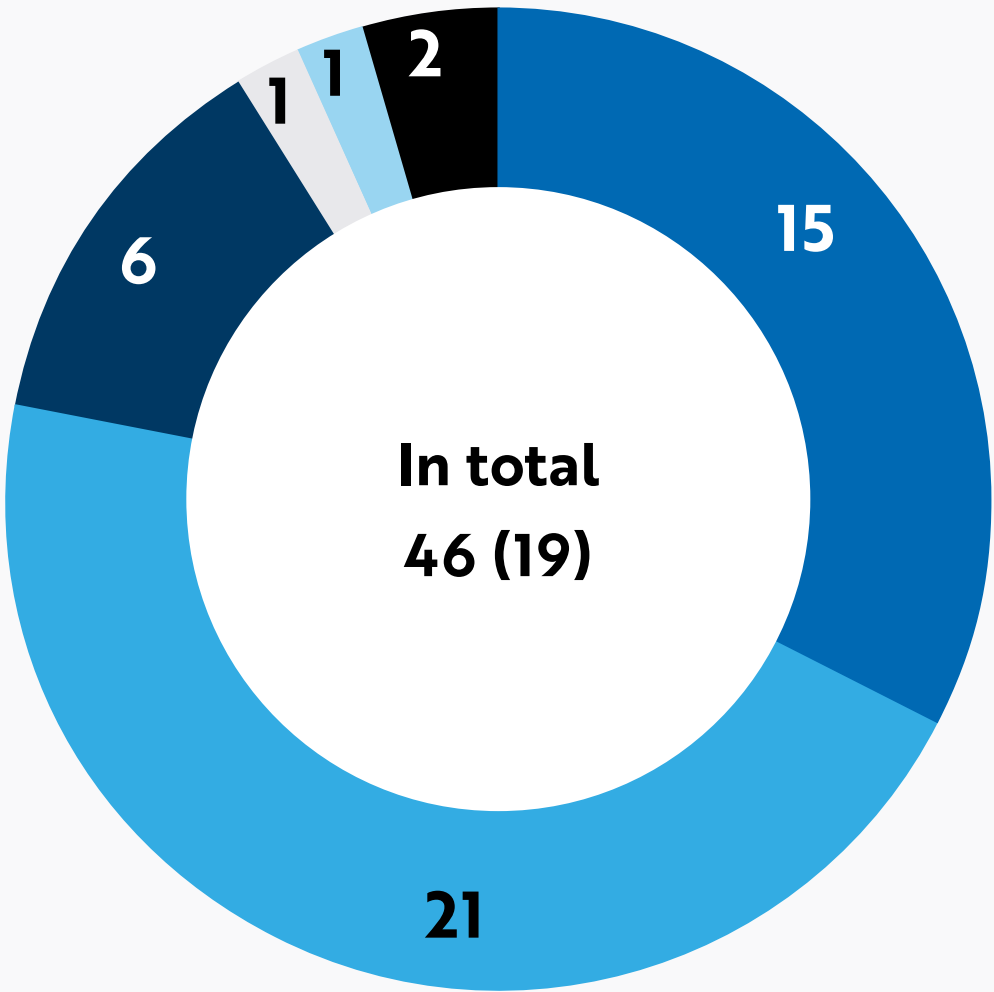
While the number of reports received through the whistleblowing channel has decreased every year in 2019–2021, there was a marked increase in 2022 from 19 reports received in 2021 to 46 in 2022. The reasons for this may include internal communication about the whistleblowing channel as well as public discussions on whistleblowing channels and the legislation applicable to them.

Of the reports received in 2022, the largest share concerned environmental issues (21 reports) and personnel matters (15). The rest were related to compliance, asset and information management as well as procurement. Two reports were also received on matters for which the whistleblowing channel was not the appropriate forum. No reports concerning human rights, corruption or bribery, safety, data protection or conflicts of interest were received through the channel.

Reports that were customer feedback rather than concerning actual suspected abuses were additionally submitted through the whistleblowing channel. Some of the reports also concerned activities in which Metsähallitus was not involved and which took place outside the areas managed by Metsähallitus.

The reports were processed by the legal affairs, human resources and risk management functions, and the necessary measures were taken as a result. Regular reports on the whistleblowing channel are submitted to the Board’s Audit Committee and to the Management Group.

In 2023, we will improve the channel by specifying and implementing a clearer operating model for making oral reports. We will additionally itemise the reports more accurately, which will enable us to distinguish better between reports concerning Metsähallitus' own operations and other activities in areas controlled by Metsähallitus.

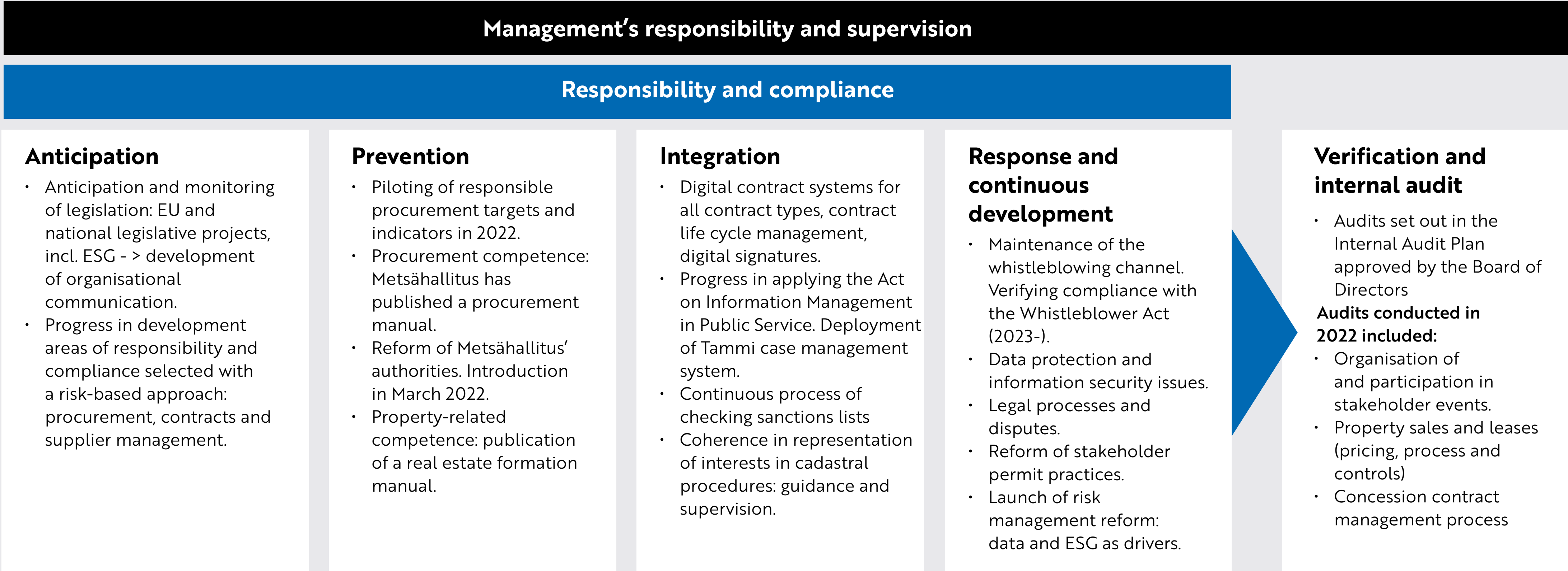


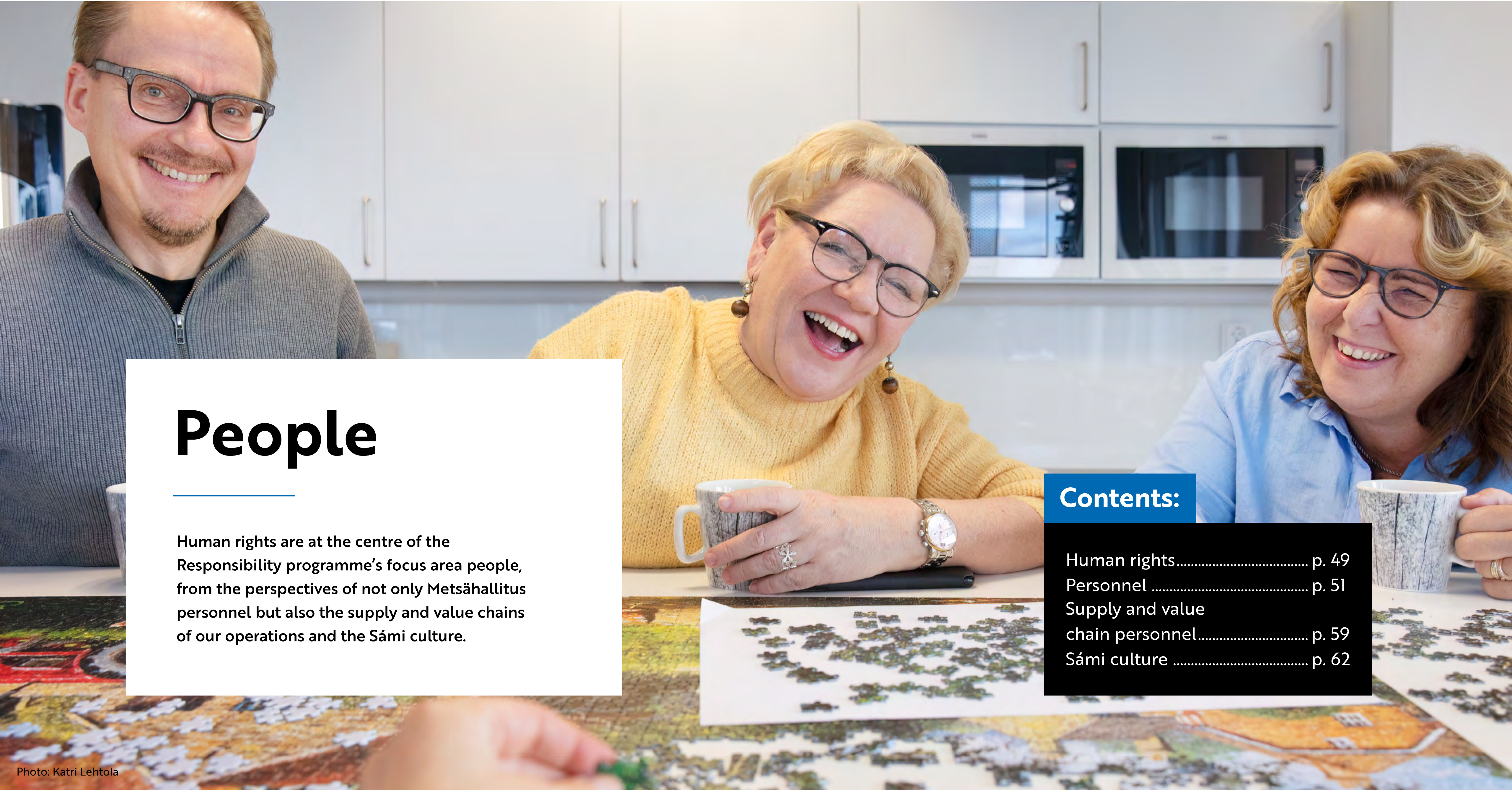
Reports submitted to the whistleblowing channel by theme in 2022 (2021)

- Personnel matters 15 (4)
- Environment 21 (4)
- Conflicts of interest 0 (1)
- Human rights 0 (1)
- Compliance (laws and commitments) 6 (1)
- Procurement 1 (0)
- Corruption or bribery 0 (0)
- Asset and information management 1 (0)
- Security and data protection 0 (0)
- Irrelevant other issue 2 (8)

In total 46 (19)

Metsähallitus’ operating model for compliance





People

Human rights are at the centre of the Responsibility programme’s focus area people, from the perspectives of not only Metsähallitus personnel but also the supply and value chains of our operations and the Sámi culture.

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HUMAN RIGHTS

Human rights are at the centre of social responsibility

Metsähallitus respects and observes human and fundamental rights, including linguistic rights. Our work is based on internationally recognised social responsibility guidelines and principles, such as the UN Guiding Principles on Business and Human Rights and 2030 Agenda for Sustainable Development (2030 Agenda).

Our principles regarding respect for human rights are set out in our responsibility policy and Code of Conduct. As set out in our Code of Conduct, we also require our widening circle of suppliers and con-

tracting partners to respect fundamental and human rights.

We assessed the human rights impacts of our operations

A human rights impact assessment that covered all activities of Metsähallitus was conducted in 2022. The results will enable us to determine the focus areas, objectives and indicators of human rights work and to increasingly integrate human rights into our responsible action and compliance. The assessment also meets some of the requirements associated

with the European Union's due diligence obligations concerning human rights.

The human rights impact assessment identified, assessed and prioritised the existing or potential impacts of Metsähallitus' activities on human rights, for example in terms of personnel safety and diversity, labour exploitation, freedom of expression or the rights of indigenous peoples. As the framework of the assessment were used the UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance.

HUMAN RIGHTS

The identified impacts were examined from the perspectives of their causal relationships, proportions, scope, probability and reparability. Based on the points scored in this review, the impacts were divided into negative, neutral and positive ones. Metsähallitus' personnel and stakeholders were engaged in collecting data for this assessment through workshops, interviews and surveys. The assessment was conducted by Deloitte Oy.

The greatest risks identified in the assessment concerned procurement of goods and services in sectors with a high human rights risk, labour exploitation in forestry and ecological management services, and the occupational safety of contractors. Risks relating to the Sámi and their livelihoods and culture were additionally highlighted in the assessment. The assessment also identified high impacts associated with climate and biodiversity from the human rights viewpoint. We will manage and mitigate these risks as part of environmental risk management.

No high risks emerged in the assessment regarding personnel, customers or stakeholders. Moderate impacts on personnel were identified with regard to ensuring diversity and equality, occupational safety, and mental and social stress caused by the social media. For the part of customers and stakeholders, moderate impacts were associated with customer safety and realisation of accessibility.

Metsähallitus' activities were assessed to have a neutral impact on the realisation of linguistic rights, while they have positive impacts on the realisation of human rights relating to human well-being and health, use of participatory methods and the Akwé: Kon operating model in natural resource planning, and supporting prisoners' integration into society through rehabilitating work activities.

The results of the assessment were discussed by Metsähallitus' Management Group. In connection with the assessment, a roadmap was prepared whose

measures will help us integrate the assessment results into our work. In keeping with the roadmap, we will address and mitigate the human rights impacts related to the diversity and non-discrimination of personnel, customers, partners and stakeholders through the measures of the Diversity, equality and non-discrimination plan updated in late 2022. The plan also contains measures for promoting Sámi people's equality in Metsähallitus' actions as an employer. A wide range of measures relevant to the status and rights of the Sámi were additionally included in the natural resource plan for the Sámi Homeland, which was drawn up last year. We will continue to integrate the assessment results into our activities in 2023 regarding such areas as procurement and risk management.

PERSONNEL

Wellbeing stems from expertise, cooperation, and respect

We improved personnel competence relating to corporate responsibility

To successfully implement our strategy, Fostering our Future, in a changing operating environment, we must identify and develop the requisite competence. In 2022, we improved the responsibility competence of Metsähallitus' personnel, in particular. Competence related to management, supervisory culture, digital skills and team work skills were also improved through training targeted at the entire Group. The training package, which could be completed online on eOppiva, Ahjo and Eduhouse learning platforms,

was tied to the personnel's performance bonus criteria.

Over 3,500 courses were completed on eOppiva during the year, and more than 1,100 Metsähallitus' employees completed the responsibility training.

We developed our management and supervisory culture

In 2022, we improved the understanding of management principles at Metsähallitus. Our values lay a strong foundation for these principles and show how we seek to attain the goals defined in the strategy.



**Metsähallitus
employed more than
1,600
people at 82
locations in 2022.**

**86 %
of the personnel
worked outside
the Helsinki
metropolitan area.**

PERSONNEL

Supervisors' competence development focused on performance management and understanding the supervisor's rights and obligations. The themes of the annual management development seminar intended for supervisors at Metsähallitus additionally included feedback culture, emotions and encounters. Around 130 Metsähallitus supervisors took part in the seminar.

During the year, we examined the effectiveness of Metsähallitus' management system at several Management Group workshops on strategy development. Key development decisions made at these workshops related to the Management Group's meeting practices and communication with the personnel as well as project portfolio management methods. The organisation structure was also modified by transferring some functions of the Communications, Strategy and Responsibility unit and ICT unit to the business units.

We promoted pay equality and non-discrimination and set ambitious new targets

The three-year planning period of Metsähallitus' Equality and non-discrimination plan ended in late 2022. During the year, we promoted the achievement of the plan's objectives, examined the outcomes of the planning period, analysed the current state, and updated the Diversity, equality and non-discrimination plan for the next three-year period of 2023–2026.

In planning period 2019–2022, we completed a number of different actions aiming to promote equality and non-discrimination. In the context of preventing harassment and discrimination, we built up supervisor's capabilities for intervening in these behaviours through coaching and training. In addition, contact persons for harassment were put in place to serve as low-threshold parties whom employees can contact if they experience inappropriate behaviour. We have

also offered the entire personnel training on interaction skills.

Fringe benefits were extended equally to the whole personnel during the planning period. We have mapped the current state of accessibility and ensured that the digital services on our website are accessible.

To take the Sámi into consideration and promote their equality, we prepared a natural resource plan for the Sámi Homeland for 2022–2027. The Akwé: Kon method was used when drawing up the plan, and in this context, Metsähallitus' Board of Directors organised a consultation event for key stakeholders in the planning area, at which we collected information on issues important for the stakeholders that should be addressed in the natural resource plan. We have additionally offered training relating to the Akwé: Kon procedure and introduced the measures contained in the natural resources plan to

PERSONNEL

Metsähallitus' personnel. We have also made efforts to strengthen our knowledge of the Sámi languages and culture, for example by introducing the possibility of positive discrimination in recruitments and by expanding our communications in the Sámi languages.

In 2022, we promoted the achievement of the plan's objectives by introducing Palkkavaaka, a new pay regime, and conducting a pay survey. This reform of the pay regime will further improve equal pay at Metsähallitus. The pay survey covered the salaries of 1,151 white-collar employees and 116 lumberjacks. The survey found no unjustified gender pay gaps, and pay dispersion within job requirement groups had decreased since the reform was implemented. The pay survey and analysis for white-collar employees were conducted in cooperation with Mandatum Oy.

We also updated our job titles and introduced gender-neutral titles. This reform aimed for ensuring that the titles are effective, consistent and fair as well as in line with Metsähallitus' brand. As part of the reform, all professional titles in Metsähallitus were also translated into the Sámi languages for the first time. The idea is that the titles will serve stakeholders and customers better and, consequently, support the strategy's aim of improving customer orientation at Metsähallitus.

We made efforts to promote the equality of the Sámi during the year, for example by communicating in different Sámi languages during the Sámi language week 24–30 October 2022 and by organising short information sessions on the Sámi languages for the personnel.

Based on the outcomes of the plan for 2019–2022 and an analysis of the current situation, we selected developing diversity management as the special priority of the Diversity, equality and non-discrimination plan for 2023–2026. Through the objectives selected for the planning period, we will strive to make diversity, equality and non-discrimination an integral part of the management process, personnel selections, supervisory work and career planning at Metsähallitus. As key measures, we will aim for a 50/50 gender distribution in the business units' management groups and working groups appointed by Metsähallitus, increase the share of under-represented groups in the personnel to three per cent, and bring the share of anonymous recruitments up to 25% by the end of the planning period. The Management Group approved the new plan in December 2022.

PERSONNEL

Metsähallitus' Diversity, equality and non-discrimination plan for 2023–2026

The measures set out in the plan will help us build a more diverse work community in which everyone can be themselves, without fear of being harassed or discriminated against because of their personal qualities or views. The plan will also promote the attainment of the UN's Sustainable Development Goals and prevent and mitigate human rights impacts associated with diversity and equality on personnel, customers, partners and stakeholders.

**Read more about the
new plan (metsa.fi)»**



Photo: Katri Lehtola

PERSONNEL

Expertise, engagement and experiences of meaningfulness as key strengths of work

We monitor our personnel's job satisfaction and the work community's development needs by conducting a yearly personnel survey. Six key indicators are used to measure overall satisfaction: content of the employee's own work, supervisory work, the work community's activities, the activities of Metsähallitus management, Metsähallitus as an employer, and customer orientation of our activities. The response rate among the personnel was 72% in 2022.

The results for 2022 indicate that particular strengths at Metsähallitus are experiencing the work as meaningful, a culture of expertise, and work engagement. Respondents were particularly happy with the content of their work, supervisory work and their own teams. They also experience the atmosphere as more positive towards development, and they receive

strong support from their colleagues. Respondents found that there had been a significant improvement in communication about management decisions to the personnel, and the management also set a good example by working ethically. The survey results indicate that the employer image remains good; 77% of the respondents would recommend Metsähallitus to others, and 83% wish to keep working at Metsähallitus in the future.

As development areas in the survey emerged divergent employee experiences and experiences of equality in different business units. Additionally, respondents struggled to cope with work more than before, even if measures focusing on coping, sufficiency of working time and recovery had been taken on the basis of previous surveys. We will continue our efforts to promote well-being at work and step up

cooperation between units to improve the employee experience in 2023.

The findings of the personnel survey, both strengths and development areas, will be discussed in each team, and the identified development measures will be discussed by Metsähallitus' Management Group.

Slight improvement in experiences of equality and respect for diversity

In our personnel survey, we also examine equality and non-discrimination in the work community and ask the staff about their experiences regarding respect for diversity, equal treatment and discrimination.

The 2022 results indicate a slight improvement in experiences of respect for diversity and equality. Of all respondents, 79% (2021: 76%) found that diversity

PERSONNEL

is respected in the work organisation, and 69% (2021: 66%) felt that taking equality into consideration is part of the way we do things. In addition, 75% of the respondents felt valued in the work organisation. This result had not changed from the previous year.

Metsähallitus has zero tolerance for harassment, and no inappropriate or discriminatory language is accepted. We prevent harassment in the work organisation as set out in our Diversity, equality and non-discrimination plan, and we have appointed two contact persons for harassment among the occupational safety and health personnel. The contact persons offer low-threshold advice and support for those who have encountered or observed harassment, molestation, bullying, discrimination or other unequal treatment. Our annual personnel survey investigates the scale of harassment and bullying. Around two per cent of the respondents in the 2022

survey said they had experienced harassment or bullying, and around one per cent said the situation had been resolved. There was no change in the number of bullying or harassment cases compared to the year before. Employees can also report harassment and inappropriate behaviour on Metsähallitus' whistleblowing channel, anonymously if they prefer. In 2020–2022, no reports of harassment were received through this channel.

We activated personnel and provided training in occupational safety

Rego, a digital application that stores occupational safety observations, near misses, accidents at work and the results of annual occupational safety and health audits, was deployed in 2022. The application enables a faster and more transparent process and the participation of all Metsähallitus employees in occupational safety and health work.

During the year, 793 occupational safety reports were made using Rego: 121 safety initiatives, 341 positive safety observations and approx. 330 other observations relating to safety and hazards.

We also analysed a broad range of occupational safety risks in different units during the year. The risk assessments covered such areas as fishing and hunting supervision, restoration and prescribed burning, construction, mining and wind power as well as various forest management operations. We updated our safety instructions and issued new ones based on the risk assessments. This work will continue in 2023.

A new occupational safety organisation started its work in 2022. Training on occupational safety was organised for its members both on Teams and face to face, and the personnel were also referred to basic courses as needed. One Occupational Safety Man-

PERSONNEL

ager completed a manager’s course. We also organised several training courses relating to occupational safety and wellbeing at work for the personnel. For example, this training improved their skills in operating and controlling snowmobiles in different conditions, first aid skills, and capabilities for promoting positive occupational safety, among other things in shared operating and working environments.

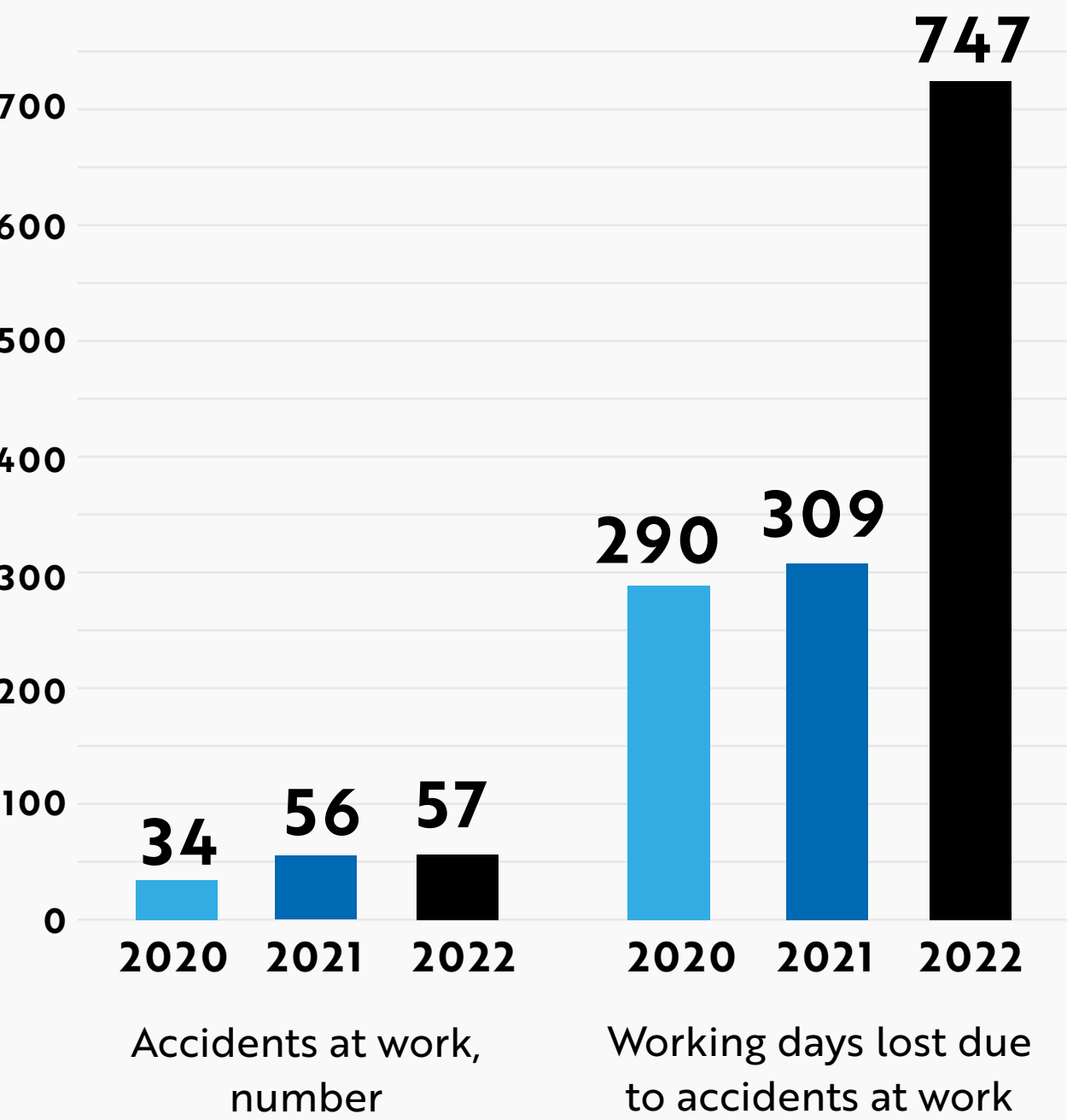
Well-being coaching projects have been completed in forestry, the public administration services unit and Group units to develop and increase awareness of the importance of nutrition, sleep, physical activity and stress management for well-being at work. Measurements were conducted to help personnel members to recognise their recovery and to under-

stand the significance of rest in promoting it.

In 2022, Metsähallitus Forestry Ltd’s white-collar employees and lumberjacks completed a total of 1,762 courses in the electronic Ahjo learning environment.

The number of accidents at work reported in 2022 was 57. Reported absences due to accidents at work totalled 747 days, which was 334 days more than in 2021.

Accidents at work and working days lost due to them



Employees 31 Dec 2022 (2021)

Number of employees outside the head office, **968** (1,043)

Average age of employees, years **50** (51)

Personnel training

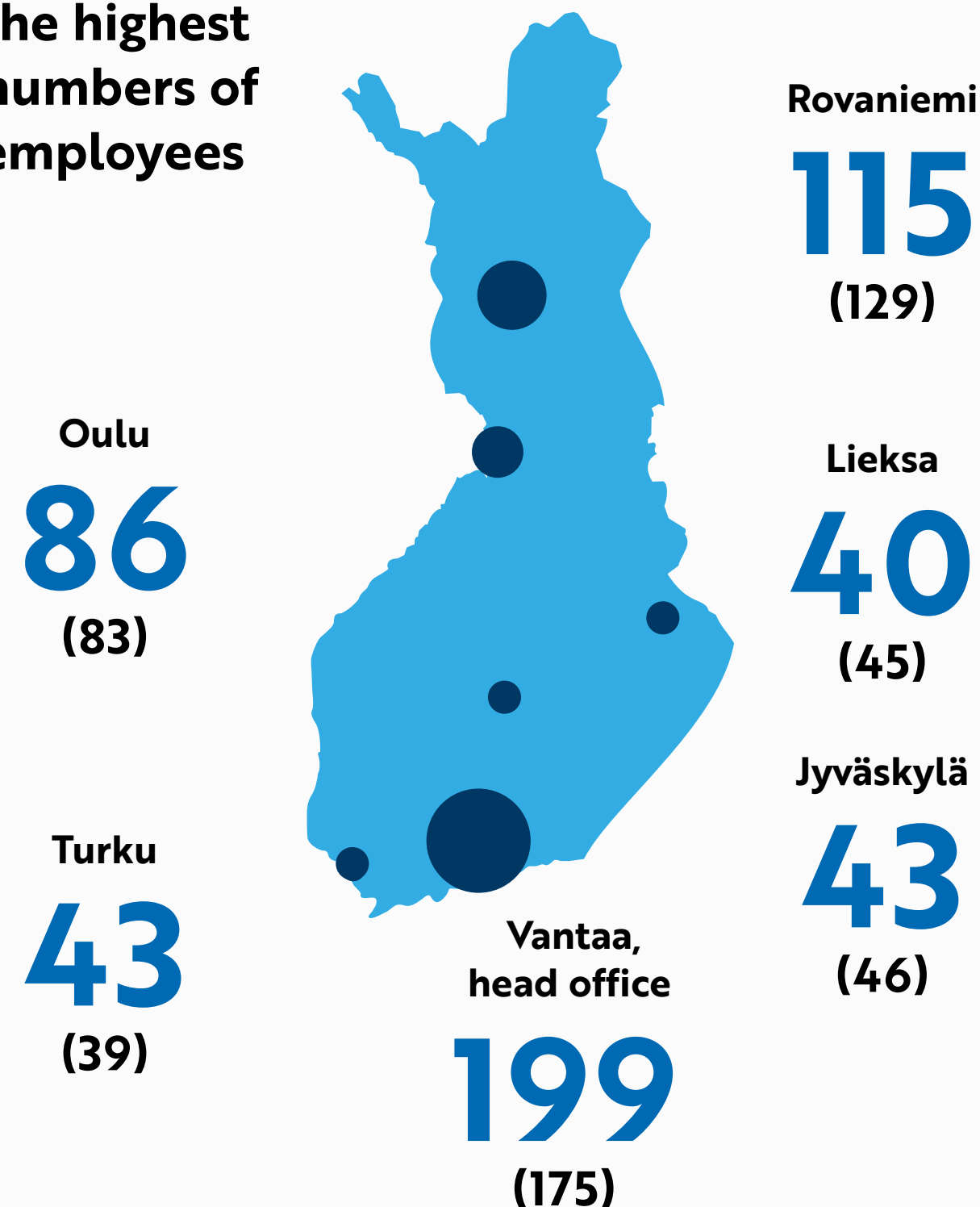
Training, person-days **1,018** (610)

Number of participants in training **418** (338)

Recruitments

Number of anonymous recruitments **5** (14)

Offices with the highest numbers of employees



Turnover of permanent employees

Employment relationships begun **53** (37)

Employment relationships ended **89** (57)

Total turnover, % **-3.1** (-1.6)

Old-age pension, average retirement age **64.6** (63.8)

Disability pension, average retirement age **61.0** (60.1)

Gender ratios, %

Metsähallitus Board of Directors (new Board term from 1 April 2022)

Women **50** (38) Men **50** (62)

Management Group

Women **50** (50) Men **50** (50)

Metsähallitus Group

Women **39** (37) Men **61** (63)

Group units

Women **70** (69) Men **30** (31)

Metsähallitus Forestry Ltd

Women **13** (11) Men **87** (89)

Metsähallitus Property Development

Women **37** (37) Men **63** (63)

National Parks Finland

Women **50** (50) Men **50** (50)

Wildlife Service Finland

Women **19** (23) Men **81** (77)

Number of employees

1,167
(1,218)

Permanent, %

79.5
(78)

Fixed-term, %

20.5
(22)

Trainees 168

Women, %

34
(38)

Men, %

66
(62)

Average age of trainees years
22.9 (22.5)

Agency workers

Fixed-term employees, number **28**

The fixed-term employees were hired through Staffpoint HR agency, mainly for tasks associated with customer service and communications.

Accidents at work

Number of accidents at work **57** (56)

Number of near misses **75**

Working days lost due to accidents at work **747** (309)

PERSONNEL OF THE SUPPLY AND VALUE CHAINS

We ensure responsible procurement and value chains

Metsähallitus' procurement and value chains employ a wide range of service providers, suppliers of goods and contractors alike. Our contract partners include companies in the fields of tourism, restaurant and cleaning services, construction, consulting, transport, ICT and logistics. We promote responsibility and compliance in procurement and supply chains with regard to the environment, fundamental and human rights, information security and the prevention of bribery and corruption in keeping with the principles of our Code of Conduct.

In 2022, we had around 300 contracting partners in the wind power, minerals and property sales sectors in total. By outsourcing services we provided employment in the fields of consulting, marketing, cleaning of properties, maintenance and installation. When selecting the partner for the Korsnäs offshore wind power project, we completed an ESG Due Diligence process that meets international requirements, in which responsibility requirements focused not only on environmental performance, climate issues and good governance but also on the



social impacts of the project. We expect our partner to comply with international human and labour rights commitments, including the UN's human rights principles and the International Labour Organization ILO's principles.

Parks & Wildlife Finland had around 1,000 valid con-

PERSONNEL OF THE SUPPLY AND VALUE CHAINS

tracts with partner companies at the end of the year. These partners offer nature tourism services in protected areas or accommodation and catering services in their vicinity, and Visitor Centre operations have been outsourced to some of them. The contracting partners are committed to the principles of sustainable tourism. The contracts are valid for a fixed term, and compliance with their conditions is examined during the validity period.

Metsähallitus Forestry Ltd has around 600 contractors, including subcontractors. Forestry contractors carry out all mechanical forest management and road maintenance work, timber harvesting and transport, as well as the majority of planting and brush cutting. We also cover occupational safety issues in our annual performance appraisal discussions with the contractors. The results are discussed by the regional management teams as necessary. Additionally, we examine the working conditions of the contractors and their employees, for example at contractor

theme days, in various training courses and on site visits. Before concluding contracts with them, we ask contractors to submit information on having fulfilled their statutory obligations, and we verify this information annually. In 2022, we also requested this information on their subcontractors in order to ensure compliance with the legislation throughout the implementation chain. The Regional State Administrative Agency additionally carried out several occupational safety and health inspections on Metsähallitus' contractors. While no shortcomings were found in Metsähallitus' activities in these inspections, the inspectors commented on the contents of employment contracts concluded by contractors, itemisation of premiums paid under forestry sector collective agreements in payslips, and the quality of occupational health examination plans and occupational health examinations. Metsähallitus Forestry Ltd discusses the inspection reports with the contractors in the annual performance appraisals.

We will continue our development efforts aiming to secure corporate responsibility in supply chains in 2023. Metsähallitus Forestry Ltd will pilot supplier audits based on the Code of Conduct in spring. These audits will always be carried out by an impartial third party. The pilot will focus on social responsibility, including employment contract issues and ESG requirements. We will develop responsibility in our supply chain based on the pilot's results as well as in keeping with the roadmap for human rights impact assessment and future regulation on responsibility.

Mobile application reduces the risk of labour exploitation in agriculture and forestry

In 2022, we participated in a working life innovation project included in the WORK2030 programme, which developed a mobile application for distributing information on working life rules in five different languages. The application known as Hermes is in-

PERSONNEL OF THE SUPPLY AND VALUE CHAINS

tended for workers and employers in the agriculture and forestry sector.

This free application implemented in a project led by the Industrial Union provides information on the rules of working and living in Finland. It is hoped that the information accessible through the application will reduce the risk of labour exploitation. The contents of the application are identical in all five language versions, which are English, Swedish, Finnish, Ukrainian and Russian.

The application is available to download on the metsa.fi web service and we actively spread information about it to forestry contractors, who can in turn inform their workers. In addition to Metsähallitus and the Industrial Union, the project partners were the Federation of Agricultural Employers, Yksityismetsätalouden työnantajat and the Migration Institute.

We provide training for contractors and partners

In 2022, we provided training for our forestry contractors and partners using the digital learning environment Ahjo, in which a number of courses related to contracting and different types of work are available. Contractors' employees completed a total of 1,812 courses in 2022, while teachers and students at forestry institutes completed 2,789. The most essential ones of these courses were relevant to timber harvesting.

We organised three environmental and safety training courses for customers leasing rock material extraction sites in early 2023. The content of the training consisted of Metsähallitus' sustainability perspectives, the terms and conditions of leases, environmental guidelines and safety practices for soil material extraction sites. Groundwater issues, land

extraction permits and landscaping were also discussed as part of this training.

Employment for prisoners in open penal institutions

The Criminal Sanctions Agency and Metsähallitus National Parks Finland have engaged in long-standing cooperation in Southern and Central Finland by offering prisoners who are about to be released from open institutions an opportunity to familiarise themselves with working life in ecological management and restoration of hiking structures. Prisoners work on these sites under guidance and supervision, and participating in the work is a step towards rehabilitating them before their release.

In 2022, prisoners' work input in national parks and other nature destinations amounted to 87 person-years in total.

SÁMI CULTURE

Promoting a viable Sámi culture

The Sámi Homeland comprises the municipalities of Enontekiö, Inari and Utsjoki as well as the area of Lappi reindeer herding cooperative in the municipality of Sodankylä. Metsähallitus manages 90% of this area, 72% of which comprises protected and wilderness areas, 13% areas used for traditional livelihoods and 15% multiple-use forests, of which about one half are used for forestry activities.

The management, use and protection of the natural resources Metsähallitus stewards are reconciled while safeguarding the prerequisites for pursuing the Sámi culture in the area. We secure the Sámi peo-

ple's right to maintain and develop their language and culture through agreements and negotiation procedures and by supporting Sámi-language communications and cultural projects.

As laid down in section 9 of the Act on the Sámi Parliament, we consult the Sámi Parliament on all far-reaching and important measures which may affect the status of the Sámi as an indigenous people. We also report annually on the work aiming to secure preconditions for viable Sámi culture in [Metsähallitus' General social obligations report \(in Finnish\)](#).

Sámi Homeland



In 2022, Metsähallitus' input in general social obligations was EUR 5.1 million for securing the preconditions for pursuing the Sámi culture and EUR 3.5 million for taking reindeer husbandry into account in multiple-use forests.

SÁMI CULTURE

Natural resources plan guides activities in the Sámi Homeland

The natural resource plan for the Sámi Homeland, which entered into force at the beginning of 2022, will guide Metsähallitus' activities in this area in 2022–2027. The Akwé: Kon operating model was used in the planning process, and an Akwé: Kon working group assessed the impacts of the plan. The plan reconciles key forms of land use in the area, securing the preconditions for pursuing the Sámi culture.

The principles of forest management in the Sámi Homeland have been agreed upon in negotiations between the Sámi Parliament, the Skolt village meeting and Metsähallitus. Metsähallitus Forestry Ltd's planned cut in the Sámi Homeland planning area over a five-year period is 104,000 cubic metres/year, of which volume negotiations have been completed on 83,000 cubic metres/year. The felling operations will only take place on forest lands designated

for commercial forestry. In 2022, 122,000 hectares of forest land were excluded from forestry operations or their use was restricted, primarily out of consideration for the Sámi culture. In keeping with the natural resource plan policies, Metsähallitus will not launch wind power projects in the Sámi Homeland during the planning period.

In 2022, we continued to develop reindeer husbandry as a sustainable, profitable and culturally significant industry under an agreement concluded between Metsähallitus and the Reindeer Herders' Association. Reindeer herding arrangements and structures as well as key grazing areas were examined with each reindeer herding cooperative as the forestry plans were drawn up and stored in the spatial information system. In 2022, a forestry plan had been completed with five reindeer herding cooperatives, and negotiations with three more were in progress. Metsähallitus will not carry out logging in the Sámi Homeland unless it can be done in consensus

with the reindeer herding cooperatives.

Poropaikka, an online map application that can be used to inform the reindeer herding cooperatives digitally about any forestry operations we are planning, was launched during the year. The cooperatives can comment on the plans using the application, and also propose corrections to them. The application helps us engage with the reindeer herding cooperatives more interactively and systematically. By the end of the year, one half of the cooperatives were using the application, the deployment of which will continue in 2023.

Under the agreement in place with the reindeer herding cooperatives, Metsähallitus must inform the cooperatives in advance about planned fellings, soil preparation and road construction activities in their areas. The Reindeer Herders' Association gave feedback on three cases in 2022 in which soil preparation had been carried out in breach of agreement,

SÁMI CULTURE

and one case in which the cooperative had not been informed of logging in advance. As corrective measures, we will improve the flow of information and add detail to our instructions for contractors as well as improve and secure the reindeer herding cooperatives' participation through the digital Poropaikka application and discontinue the use of printed maps.

We promote Sámi people's equality and build up knowledge of Sámi languages and culture

We conducted a broad assessment of Metsähallitus' human rights impacts in 2022 and also engaged the Sámi community in this work through an online survey and interviews. The findings of the assessment were used for such purposes as updating Metsähallitus' Diversity, equality and non-discrimination plan towards the end of the year. This plan includes the measures Metsähallitus takes as an employer to promote the equality of the Sámi.

In 2022, we built up the personnel's knowledge of the Sámi culture by organising training on the Akwé: Kon process, and we introduced the natural resource plan for the Sámi Homeland and its measures to the personnel extensively. We additionally enhanced our communication in the Sámi languages and organised Sámi language information sessions for the personnel. We also support personnel members who wish to study the Sámi languages. In recruitments, we have introduced the possibility of positive discrimination in order to increase the number of our Sámi-speaking personnel.

We manage Sámi cultural heritage sites in cooperation with the Sámi Museum Siida. The revamped Sámi Museum and Northern Lapland Nature Centre Siida opened its doors in summer 2022. By the end of the year, more than 55,000 customers had visited Siida's exhibitions. The Nature Centre also provides information for hikers and sells fishing permits.

Fishing pressure in Northern Lapland eased off

In recent years, the increased popularity of domestic tourism and wilderness activities has brought more visitors to and put pressure on the most popular fishing destinations in Northern Lapland. All Metsähallitus' rod licences for Northern Lapland were sold out in summer 2021. Local residents were concerned over the growing fishing pressure as social sustainability was stretched to the limit at the most popular destinations. The fishing pressure eased off in summer 2022; in most cases, there were enough fishing permits for all those who wished to purchase them, and unlike in summer 2021, they did not run out.

Concern over hunting and fishing issues

New hunting quota decisions for 1 June 2022–31 July 2025 were made in 2022. The drafting of the quota decisions was preceded by negotiations with the Sámi Parliament and consultations with the Northern Lapland consultative committees, the Reindeer

SÁMI CULTURE

Herders' Association, the Skolt village meeting and local game management associations in the area covered by section 8 of the Hunting Act. In these negotiations, the Reindeer Herders' Association highlighted the damage to reindeer husbandry caused by permit hunters' dogs, in particular. In order to prevent such damage, we will intensify communications on using dogs in the reindeer herding area targeted at permit hunters, working together with such stakeholders as the Finnish Wildlife Agency.

Issues relating to fish stocks and fishing were a cause for many concerns among local communities. As climate change is warming the waters, fish species that thrive in cold and nutrient-poor water struggle to adapt. We were forced to suspend permit sales for several Metsähallitus fishing destinations in Lapland and elsewhere in Finland as water temperatures rose to levels that were critically high, especially for salmonids. The population of the pink salmon, which is an invasive alien species, has additionally grown

more than ten-fold in the rivers Tana and Näätämöjoki over the previous two years. In the meantime, stocks of the indigenous Tana salmon have dwindled, and the number of fish returning from the Atlantic up the Tana to spawn has been alarmingly low. In an effort to protect the salmon population, a total ban on salmon fishing is in effect in the Tana and its tributaries. This ban has been in force for two years and will also be continued in 2023.

The fishing ban has impacted the local culture along the River Tana and also the municipal economy of Utsjoki. Restrictions of the Sámi people's right to fish their traditional waters in Northern Lapland under the fishing arrangements have been a particular cause for concern. To preserve the local fishing culture and tradition, Metsähallitus sells to local residents fishing permits which give them the right to fish with a rod for species other than the Tana salmon in waters managed by the state in the tributaries



of the Tana. Metsähallitus will continue discussions with the Sámi Parliament and other stakeholders on ways of ensuring the continuity of other fishing activities despite the ban on catching the Tana salmon.



Environment

The natural environment is the foundation of everything we do and plays a key role in our Responsibility programme. The focus area of the environment in the Responsibility programme consists of three parts, which are environmental management, climate actions set out in Metsähallitus' Climate Programme, and measures relating to biodiversity. We develop, monitor and measure these areas applying internationally recognised standards and indicators.

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ENVIRONMENT

State-owned land and water assets are managed as a single entity

State-owned land and water assets are managed in keeping with the principles of Metsähallitus' land and water management policy. Metsähallitus' Board of Directors steers and supervises the management of land and water areas and approves natural resource plans. The Board decides on the acquisition of real estate assets and, in compliance with the provisions of the Act on the Right to Transfer State Real Estate Assets, on the organisation of decision-making powers concerning transfers and leasing of real estate assets in Metsähallitus. The management of land and water areas is led and developed by Director General.

The common practices of land and water asset management are planned, directed and monitored by a dedicated management group. This group is chaired by a person appointed by Director General, and its members are appointed by the business units as well as the real estate experts of the Group's Legal and Compliance Unit.

Each business unit is responsible for managing the land and water areas in its sector and reports on their use to Director General.

A certified environmental management system

The management of environmental issues in Metsähallitus is guided by a certified environmental management system based on the international ISO 14001 standard. Following the principle of continuous improvement, we work systematically to protect the environment and to ensure that natural resources are used sustainably. We take climate impacts, climate change adaptation, biodiversity and sustainable economy as well as positive regional economic and employment impacts into consideration in every aspect of our operations.

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Every Metsähallitus employee is expected to take environmental matters into account in their daily duties and work for our shared environment. The senior management is committed to managing environmental issues responsibly in keeping with Metsähallitus’ environmental policy.

The maintenance of the environmental management system is coordinated by Metsähallitus’ environment group, in which all Metsähallitus actors who use the system have their representatives. External and internal audits are conducted to verify the standard of the operations.

We evaluate the environmental aspects and risks of our activities each year. We observe the precautionary principle when taking actions which have environmental impacts. We promote the development and deployment of environmentally friendly practices and technologies.

To manage environmental impacts and constantly improve our environmental management practices, we draw up environmental objectives, guidelines and monitoring methods that apply to the entire Metsähallitus organisation. On the basis of strategic environmental objectives set by the Management Group, more specific annual environmental targets are determined for the business units. These targets are translated into practical actions through instructions and training. Regarding environmental targets for 2023, we have introduced more detailed policies on target setting, in which we place particular emphasis on leadership and a broad definition of responsibility and compliance.



Our strategic environmental targets in 2022

- Preserving and developing biodiversity
- Climate change mitigation and adaptation
- Sustainable tourism.



Photo: Mikko Törmänen

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The attainment of the environmental targets is evaluated every year and the results are compiled into environmental reviews, which also identify the most important development areas in environmental issues. The Management Group discusses and approves Metsähallitus' environmental review.

We have a certified environmental management system, which means that the performance, efficiency and fitness for purpose of the system are assessed annually by an external party. The current certificate was issued by Kiwa Inspecta Sertifiointi, and it will be valid until 31 May 2024.

External audits of the environmental system conducted in 2022 focused on not only the functioning of the management system and the environmental system but also sustainable tourism as a new priority. In addition to tourism, the audit also examined ecological management work, the safety of an old mining area, visitor guidance and traffic in protected

areas, hunting arrangements and alien species.

The audits found two minor deviations in the activities of National Parks Finland, which related to shortcomings in the management of environmental issues as well as in internal auditing. We have responded to these deviations, and actions for addressing them are under way. Management and responsibilities will be clarified in a reform of our operating practices, and at the beginning of 2023, we appointed an environmental team for National Parks Finland. The members of this team will coordinate the management of environmental issues, conduct internal audits and serve as auditors. In general, the standard of environmental management was found to be good. Attention was paid to developing environmental perspectives and risks and improving their measurability, and this work will continue next year.

The standard of operation required by the environmental management system is also verified by

means of annual internal audits. Two audits of Property Development were conducted in 2022, which focused on the effectiveness of the customer relationship process models in government sector services and the reform of Laatumaa.fi website. The audits found 0 deviations and made 5 development proposals, 2 observations and 6 positive observations.

An internal audit conducted in Wildlife Service Finland focused on an organisational change in which two administrative areas were created to replace the previous three areas. On the other hand, game and fisheries supervision was merged to form a single national team. The division into a southern and a northern area met the savings targets set for it. The audit found that the reorganisation was mainly also carried out successfully in other respects. The personnel were concerned over the fact that fishing and hunting supervision was separated from other teams. As a minor deviation, it turned out that no regional

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management groups had been established, which was inconsistent with the original plans.

In Metsähallitus Forestry Ltd, internal audits are conducted following a three-year plan. The target for 2022 was to carry out 22 audits, of which 17 went ahead, while five were postponed to following years. Three deviations were found in the audits, which was clearly fewer than in previous years. Two of the deviations concerned shortcomings in fuel transport, including locking of the tanks, whereas one was related to failure to carry out a new employee's health examination. A total of 92 observations, some of which were positive, were made in the course of the audits. The highest number of observations concerned compliance with instructions and operating practices. Following the audits, 43 development proposals were made, with a focus on developing the activities and practices as well as information systems.

Five deviations in external audits of PEFC certification

All state-owned multiple-use forests are PEFC certified, in addition to which the certification scheme includes a PEFC Chain of Custody system for timber. The timber we supply also fulfils the FSC Controlled Wood criteria.

Five deviations were observed in the external audits of the PEFC forest certification conducted by Kiwa Inspecta in 2022. They concerned shortcomings in the submission of forest use declarations to the Forest Centre, harvesting of energy wood, water protection in connection with ditch network maintenance, fulfilment of contractors' obligations as employers, and safeguarding the preconditions for reindeer husbandry. All reasons that led to the deviations were analysed, and corrective actions have been taken to avoid their recurrence.

The total number of forest use declarations not submitted was seven. In two cases, the reason for this was the transfer of logging rights to another operator. Three cases were caused by a system failure, and the remainder by human errors. As corrective measures, the instructions have been revised and systems improved to avoid any recurrences.

In energy wood harvesting, too little felling residue had been left at one site, and an inspection found a ditch network maintenance site where water protection measures had been neglected in connection with soil preparation. As a corrective measure, training will be provided for contractors. At a ditch network maintenance site, water protection measures were complemented retroactively.

As the fulfilment of employers' obligations was examined in connection with an audit, it turned out that one of the company's employees did not have a

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written employment contract. As a corrective measure, this issue will be discussed extensively in contractors' performance appraisals in 2023.

With regard to the criterion of securing the preconditions for reindeer herding, the Reindeer Herders' Association made available to the auditor feedback from three reindeer herding cooperatives in whose areas soil preparation had been carried out in breach of agreement, and one reindeer herding cooperative that had not been notified in advance of logging in its area. One of these cooperatives is located in Ostrobothnia and Kainuu region and the others in Lapland. The reasons for these deviations varied from system errors and difficult weather conditions during logging to human errors. The possibility of human errors will be reduced by the Poropaikka application deployed in 2022, through which reindeer herding cooperatives can be informed of forest management and regeneration measures and the cooperatives can comment on them.

International approval of the PEFC standard

The national forest management standard for the PEFC forest certification system received international endorsement in December 2022. The standard is reviewed every five years, and this was its fifth update.

The PEFC standard has wide impacts on forestry practices across the country. The revised requirements will strengthen the ecological sustainability of forestry through proven methods. The newly completed standard will enhance impact in all areas of sustainability. In particular, more stringent requirements for key ecological management measures have been brought in. An impact assessment carried out by Tapio Palvelut Oy found that the standard will also have positive impacts on climate change mitigation and adaptation as well as carbon sequestration.

All forests controlled by Metsähallitus that are mainly used for commercial forestry are within the scope

of PEFC certification. The transition to the updated standard began in November 2022, and all activities were expected to be compliant with the updated requirements from 1 February 2023. Metsähallitus Forestry Ltd's Environmental guide will be updated with the new PEFC requirements in spring 2023.

We piloted Science-Based Targets for Nature guidelines as one of the first in the world

Year 2022 saw us participating in the Science-Based Targets for Nature pilot project of Sitra and the responsibility network FIBS. In this project, we were one of the first organisations in the world to test the guidelines for setting science-based nature targets which are being developed by the Science Based Targets Network (SBTN). The goal of these guidelines is to offer companies practical tools for high-impact and comparable environmental work and to speed up measures aiming to halt biodiversity loss.

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A total of ten companies were involved in the project. The final event was organised in early 2023, and an openly accessible publication will be produced on the experiences of the project.

We examined the likelihood of contaminated land areas needing remediation

In 2022, we examined the likelihood at which remediation will be needed in contaminated land areas and other sites requiring after-care. These sites include disused mining areas or their tailings and surrounding rock piles, from which harmful substances may dissolve into the environment. In addition to disused mines, a high risk has been identified especially with regard to lead emissions from shooting ranges located in groundwater areas, and areas where oil has been spilled on the ground as a result of other activities.

The sites will be remediated following a risk assessment and assessment of decontamination needs. If an investigated site is found to cause environmental or health harms, it will be cleaned and remediated. Factors influencing the selection of remediation methods include cost-effectiveness, saving of natural resources, minimising harmful environmental impacts and promoting the circular economy.

In 2022, we examined the likelihood of remediation needs at sites on state-owned land. We prepared a probability classification for the identified sites that includes a step-wise risk classification and definitions for the classes. We also estimated the remediation expenses at each site. The number of sites that will almost certainly, or with a high probability, have to be remediated was estimated to be ten. It was also believed that some smaller, so far unidentified sites may yet need remediation. Based on these estimates, a reserve of EUR 1,950,000 was made in the

financial statements for 2022 for Property Development.

We also worked together with the ELY Centre for Pirkanmaa in the KAJAK project, which investigates the risks presented by disused and abandoned sites with mining wastes. The purpose of this project is to bring the environmental and health risks of old mining waste sites under sustainable control. The risks associated with closed and abandoned mining waste sites entered on the national list will be monitored and examined on each site in a project launched in 2020. The sites will be remediated as necessary with a risk-based approach. The Ministry of the Environment has assigned national responsibility for carrying out this task to the ELY Centre for Pirkanmaa. Four sites located in areas managed by Metsähallitus are included in the KAJAK project's investigations.

CLIMATE CHANGE MITIGATION AND ADAPTATION

Our Climate Programme promotes Finland's transition to a carbon-neutral society

Climate change and adaptation to it play an important part in Metsähallitus' strategy, as state-owned lands have a key role in climate change mitigation. Based on the latest National Forest Inventory (VMI12) conducted in 2018, state-owned forests account for almost one half of the carbon sink of Finnish forests, and the size of the sink represented by the trees on state-owned lands corresponded to more than one fifth of Finland's total greenhouse gas emissions.

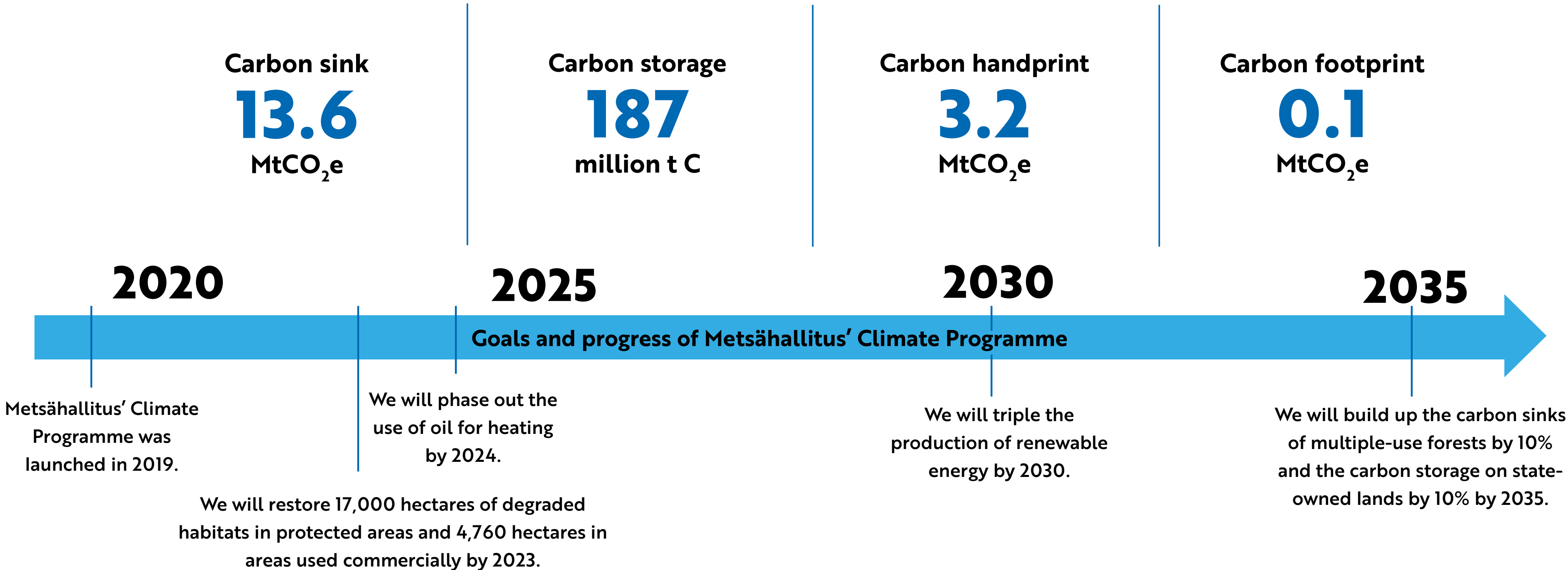
As part of our Climate Programme, we will increase carbon sinks, carbon storage and clean energy pro-

duction as well as reduce our emissions. Our programme also includes measures for preparing for changing conditions and adapting to climate change. Alongside climate change mitigation and adaptation, maintaining and developing biodiversity in land and water areas is an important goal for us.

The baseline level of the Climate Programme data was calculated for 2018. The calculations are based on data produced by the 12th National Forest Inventory (NFI). The development of the carbon sink and carbon storage is assessed annually on the ba-

sis of this data. The aspects monitored include tree growth, logging and natural drain. The key figures for growth and natural drain in both multiple-use forests and protected areas are based on NFI12 data. The felling volume (the volume of harvested timber) is included in the calculation based on the annual outcome. The carbon footprint is based on Metsähallitus' purchase invoice data and calculated using information obtained from Hansel's Hankintapulssi service. The calculations for the 2021 report concerned year 2020. In the current report, we include data for both 2021 and 2022.

Climate 2022



CLIMATE CHANGE MITIGATION AND ADAPTATION

Correctly selected and well-timed measures boost carbon sequestration in state forests

We continued to actively implement our Climate Programme by building up both the carbon sink of multiple-use forests and the carbon storage in trees on state-owned land in 2022. Our aim is to increase both figures by 10% compared to the 2018 baseline (12th National Forest Inventory) by 2035.

In 2022, the calculated carbon sink of multiple-use forests was 9.2 million tonnes of carbon dioxide equivalent. The carbon storage in trees on state-owned lands was calculated at 187 million tonnes of carbon, of which the share of multiple-use forests was 126 million tonnes. The carbon sink of multiple-use forests has increased by approx. 13.1% and the carbon storage in trees on state-owned lands by 5.7% since the reference year 2018. Forecasts indicate that the carbon storage of trees in state-owned forests will grow further.

Systematic forest management in multiple-use forests plays a key role in increasing carbon sequestration and the carbon storage. We started making inputs in forest management that supports climate change mitigation in 2017. The management of multiple-use forests is guided by the Forest management instructions, instructions specific to each work type, and the Environmental guidelines for practical forest management. We draw on research evidence in our efforts to develop felling and silviculture operations and to continuously improve the forest management guidelines.

The growth of forests, and consequently also of the carbon sink, is supported by using improved seed and saplings as well as fertilisation. In 2022, silviculture operations were carried out across more than 14,500 hectares of regeneration sites in multiple-use forests under periodic cover forestry. Over 9,700 hectares were planted with 17 million tree saplings, which is similar to the previous year's level. Seeding, as a rule with improved seed, was used to regenerate over 4,800 hectares.

Fertilisers were spread across a total of 12,800 hectares of state-owned multiple-use forests in 2022, of which ash fertilisation accounted for 6,900 hectares. We pay particular attention to the requirements of water protection in forest fertilisation. The fertilisers are stored and applied using methods that prevent direct nutrient emissions into lakes, rivers and drains. No forest health fertilisation is used in groundwater areas, and a sufficient buffer zone is left between the application area and water bodies.

The total volume of forest fertilisation carried out was significantly below the annual target volume of 30,000 hectares in 2022. Had the target been reached, it would have increased the carbon sink by 0.435 million tons of carbon equivalent. This shortfall is a direct consequence of Russia's attack on Ukraine in February 2022 and the significant disruptions in the general availability of fertilisers, and also forest fertilisers, caused by it.

CLIMATE CHANGE MITIGATION AND ADAPTATION

Calculated development of the carbon sink and carbon storage on state-owned lands

Indicator	NFI12	2020	2021	2022	Growth compared to NFI12
Carbon sink of trees on state-owned lands, MtCO2e	12.2	13.4	12.9	13.6	11.7%
Carbon sink of trees in multiple-use forests, MtCO2e	8.2	9.1	8.6	9.2	13.1%
Carbon sink of trees in protected areas, MtCO2e	4.0	4.4	4.4	4.4	10%
Carbon storage in trees on state-owned lands, million t C	177	181	184	187	5.7%
Carbon storage in trees in multiple-use forests, million t C	118	122	124	126	7.1%
Carbon storage in trees in protected areas, million t C	59	59	60	61	3.3%



Case:

Carbon balance classification for peatlands promotes climate smart forestry (Metsä.fi journal in Finnish)»

As part of Metsähallitus' Climate Programme and in collaboration with Natural Resources Institute Finland, we developed carbon balance estimates that enable forestry coordinators to produce better assessments of the climate impacts of measures planned for peatlands. The carbon balance classification illustrates the factors that affect the carbon balance and supports the selection of good solutions in terms of the climate and forest growth.

CLIMATE CHANGE MITIGATION AND ADAPTATION

We used Hankintapulssi service to support our carbon footprint calculation

At the beginning of 2023, we started using Hansel’s Hankintapulssi service for calculating our carbon footprint. The data source for the calculation is Metsähallitus’ purchase invoices.

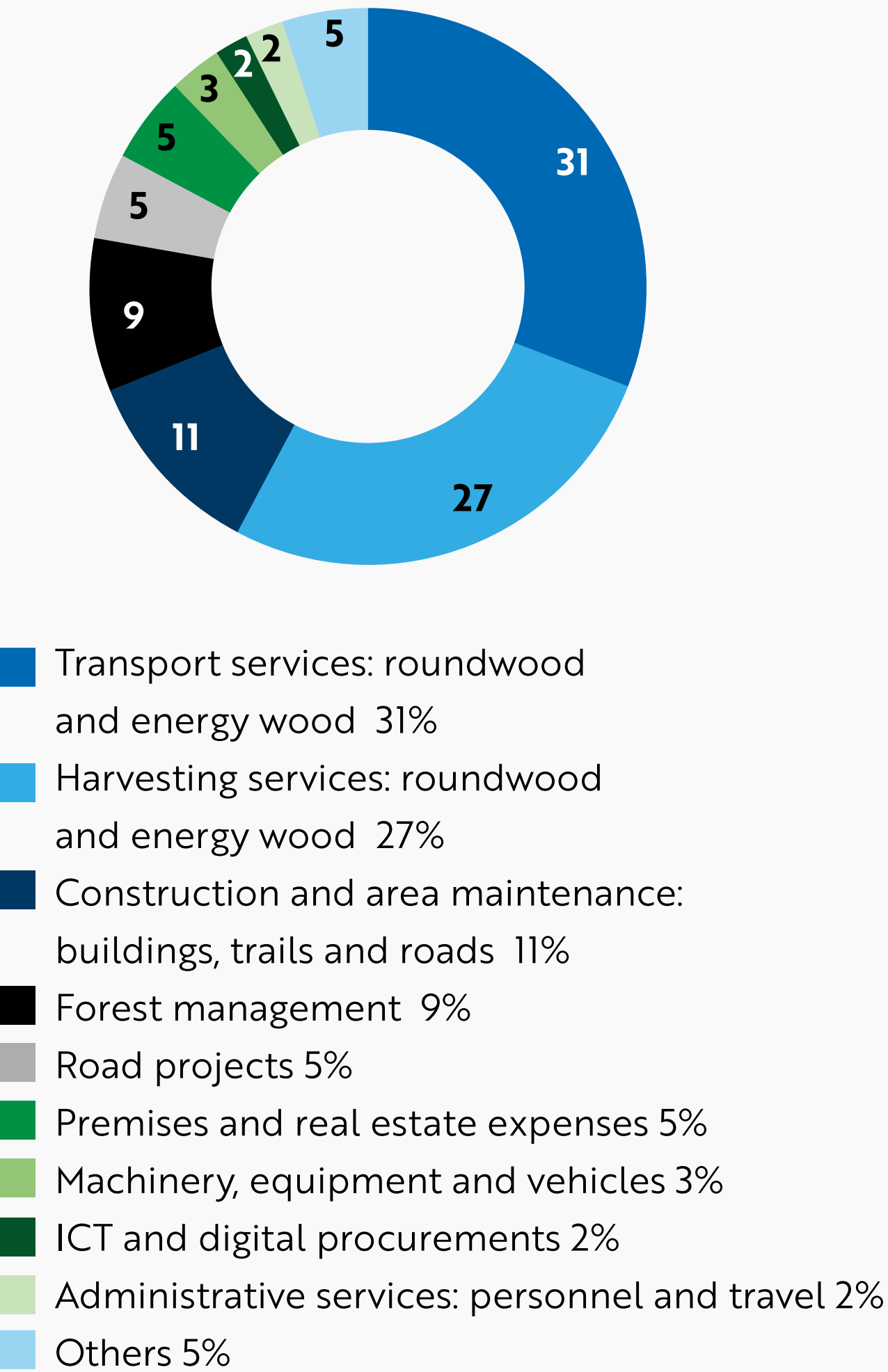
The carbon footprint calculations of Hankintapulssi are based on Envimat coefficients developed by the Finnish Environment Institute. While this method does not follow any official standard, it gives a good overall idea of the carbon footprint associated with Metsähallitus’ procurements. The carbon footprint estimates for various procurement categories are based on the average carbon footprints of products in the Finnish market. As an old calculation method was replaced with a new one, the classification used in footprint reporting has changed and now matches Metsähallitus' procurement categories. The purchase invoice data has provided more information especially on the greenhouse gas emissions of Metsähalli-

tus' public administration services, which could not be factored in on the same scale in the old calculation method. The carbon footprint has been calculated retroactively up till 2020 using Hankintapulssi data.

Roundwood harvesting and transport are the greatest sources of greenhouse gas emissions

In 2022, our carbon footprint was approx. 0.1 million tonnes of carbon dioxide equivalent. The largest volume of emissions was generated in the categories of harvesting and transport services, which include emissions from logging and timber transportation. These categories made up approx. 59% of the total emissions. The second largest emission volumes in Metsähallitus’ operations came from construction and maintenance of areas, forest management and road construction.

Emissions from Metsähallitus' activities



CLIMATE CHANGE MITIGATION AND ADAPTATION

Metsähallitus' largest emission sources and their development in 2020–2022

Emission source	2020 t CO ² eq	2020 Proportion of total emissions	2021 t CO ² eq.	2021 Proportion of total emissions	Change 2020 to 2021	2022 t CO ² eq.	2022 Proportion of total emissions	Change 2021 to 2022	GHG protocol
Transport services: roundwood and energy wood	24,580	31%	27,270	29%	10.9%	32,000	31%	17.3%	Scope 3
Harvesting services: roundwood and energy wood	22,160	28%	25,570	27%	15.4%	27,320	27%	6.8%	Scope 3
Construction and area maintenance: buildings, trails and roads	5,710	7%	6,670	7%	16.8%	11,690	11%	75.3%	Scope 3
Forest man-agement	9,080	11%	10,240	11%	12.8%	9,000	9%	-12.1%	Scope 3
Road projects	3,920	5%	3,900	4%	-0.5%	5,470	5%	40.3%	Scope 3
Premises and real estate expenses	8,320	10%	11,310	12%	35.9%	5,100	5%	-54.9%	Scope 1 and 2
Machinery, equipment and vehicles	1,960	2%	2,640	3%	34.7%	2,860	3%	8.3%	Scope 1 and 3
ICT and digital procurements	1,520	2%	1,720	2%	13.2%	1,960	2%	14.0%	Scope 1, 2 and 3
Administrative services: per-sonnel and travel	1,870	2%	1,930	2%	3.2%	2,250	2%	16.6%	Scope 1 and 3
Others	2,730	3%	4,130	4%	51.3%	4,620	5%	11.9%	Scope 1 and 3
Total	80,560	100.0%	93,660	100%	16%	102,230	100%	9%	

CLIMATE CHANGE MITIGATION AND ADAPTATION

The share of calculated total emissions increased approx. 9% compared to the year before in 2022. Increases were seen especially in transport services, construction and maintenance of areas. The reasons for the higher emissions include a higher level of funding for the public administration services and consequently also an increase in procurements, which has made it possible to restore and manage larger areas of land. This work is mainly carried out by machines. The higher emissions from timber harvesting and transport in 2021 and 2022 can be explained by the harvesting of trees damaged by a storm in 2021, which is more energy-intensive than normal harvesting and in which the work stages cannot be optimised in the best possible way. Identifying the root causes is important, for example to enable improvements in the energy efficiency of operations, which is why we will continue to analyse and supplement the data in spring 2023.

Energy efficiency in timber transport

In 2022, we continued to develop the ETJ+ energy efficiency system and energy efficiency targets associated with it, which Metsähallitus Forestry Ltd introduced in 2021. Metsähallitus Forestry Ltd is striving to improve the energy efficiency of timber harvesting and transport and to reduce the greenhouse gas emissions from these activities by using renewable fuels and technologies as well as by developing harvesting and transport logistics and operations. The magnitudes of energy consumption in Metsähallitus Forestry Ltd's contracting are estimated based on Metsähallitus' carbon footprint calculations.

The latest calculations show that unlike in previous years, the energy efficiency of timber harvesting and transportation deteriorated in proportion to a cubic metre of harvested and transported timber in 2021 and 2022. The energy efficiency of timber harvesting, in particular, has deteriorated in the last two years. The background factors of this result may

include the harvesting of trees damaged by storms in 2021 and 2022 and the higher share of continuous cover forestry. Efforts to analyse the reasons for this change and to adopt the new calculation methods are still under way and will continue in spring 2023.

As part of the Climate Programme, we recommenced log floating in 2022 after an interruption of seven years. Log floating is an advantageous mode of transport, especially over long distances, in terms of its emissions and cost-efficiency. Studies have found that floating reduces the carbon dioxide emissions from timber transport by up to 75% compared to rail transport and shipping. Floating also represents an effort to respond to rapid changes in the operating environment, which include pressure on the rail network caused by the discontinuation of timber imports as a result of Russia's attack on Ukraine, which also affects the transport of timber by rail. We will continue floating our logs and expand the use of this mode of transport over long distances also in 2023.

CLIMATE CHANGE MITIGATION AND ADAPTATION

In addition to floating, we used Europe's first articulated vehicle with a full trailer fuelled by biogas for transporting timber. The life cycle emissions of this vehicle are up to 90% smaller compared to fleet powered by fossil fuels. In the context of the Climate Programme, we have also developed and trialled other climate-friendlier modes of transport, including articulated timber lorries fuelled by renewable diesel, high-capacity timber trucks (HCTs) and long haul rail transportation (LHT).

We will triple renewable energy production
Finland has set the goal of being a carbon neutral and fossil-free society by 2035. While this transition is taking place, the electrification of different functions will increase the demand for emission-free energy. State-owned areas offer significant potential for renewable energy production, and the wind power projects in their different stages we are develop-

Wind power capacity built in areas controlled by Metsähallitus, **590** (489) MW

ing in areas managed by us will also strengthen our country's self-sufficiency in energy. The potential for building renewable energy capacity in water areas managed by Metsähallitus could cover 20% to 30% of Finland's annual electricity consumption, which was more than 80 terawatt hours in 2022.

In keeping with our current strategy, Metsähallitus aims to triple wind power capacity in state-owned areas compared to 2020. In 2022, the existing wind power capacity in areas controlled by Metsähallitus amounted to 590 MW, a year-on-year increase of some 100 MW. Project development is under way in a number of a wind power projects, significant examples of which are the offshore wind farms envisaged in state-owned public water areas off Korsnäs and Tahkoluoto. Metsähallitus will launch three or four projects of corresponding size in the next few years,

Wind power at the core of the green transition

We promote Finland's carbon neutrality by enabling responsible and sustainable growth of renewable energy. After project development, we put Finland's first industrial-scale offshore wind farm in Korsnäs out to tender in 2022. As our partner was selected Vattenfall. The annual production of Korsnäs wind farm will correspond to about 6% of Finland's electricity consumption.

Read more about the offshore wind farm project in Korsnäs and our other wind power operations »

CLIMATE CHANGE MITIGATION AND ADAPTATION

and in 2023, a tendering process will be initiated concerning two sites. The selection of wind farm locations in state-owned areas is guided by careful preliminary studies, regional planning, wind studies, impact assessments and consultations carried out in the EIA and zoning processes, and active dialogue with stakeholders. The final decision to approve a plan for a wind power project is made by the relevant municipality.

Climate change risks and adaptation

Climate change is one of the key risks relevant to Metsähallitus' activities over the short and long term. Climate change will have impacts on biodiversity, Metsähallitus' business and recreational use of state-owned land and water areas. To manage these risks, we use the risk management process defined at Metsähallitus.

We safeguard and promote biodiversity in conser-

vation areas and enhance their value for recreation, nature tourism and other sustainable use by means of comprehensive and systematic management of the protected area network. Assessing the impacts of climate change and means of adapting to it is an essential element in planning the management and use of protected areas, and we will pay increasing attention to these aspects. We support the preservation of, and strive to increase, biodiversity in protected areas through a network of ecological corridors and stepping stones defined in landscape ecological plans for multiple-use forests. The network helps to develop protected sites and the areas around them into entities with better ecological performance and improves the connectivity of these sites.

We target and carry out ecological management and restoration actions ensuring that they promote both biodiversity and climate objectives. With the help of the planning and organisation of fishing activities as

well as habitat restoration, we pay particular attention to fish species of cold waters that have suffered from climate change in the sea, lakes and streams. In fisheries management actions, we are transitioning from population management based on stocking towards the natural reproduction and life cycles of wild fish populations.

Climate change is likely to exacerbate the damage to forests caused by diseases, pests, storms and forest fires. Storm damage will also affect timber harvesting and increase the financial risk as the value of timber declines and costs rise. The decrease in the value of timber mainly relates to various defects, including cracks, breakages and splintering, which affect particularly trunks falling in a storm and which mean that sturdy trunks end up as pulpwood or are left behind in the forest. Harvesting trees felled by a storm is slower and puts the fleet under greater pressure than ordinary logging.

CLIMATE CHANGE MITIGATION AND ADAPTATION

On the other hand, storms will increase the volume of decaying wood in the forest, which is vital for biodiversity.

Winters that bring abundant rainfall amounts but no snow or soil frost will hamper work in the field, both on felling sites and when servicing and maintaining national parks and other hiking destinations. Examples of our preparedness for these changes include improving forest roads to withstand the difficult conditions created by rainy autumns and mild winters. A comprehensive forest road network also helps to prevent and put out forest fires.

We will also prepare for and adapt to climate change in forestry by drawing on the latest research evidence concerning the impacts of climate change on forest growth and timber yield. In particular, more frequent periods of drought in the middle of the summer combined with storm damage will increase the risk of forest damage. Key measures for minimis-

ing the risks of damage include good forest management, timely and correctly dimensioned management of trees, and a wider range of tree species. Efforts to maintain and increase the share of deciduous trees already start at the young stand management stage. In addition, the diversity of tree species in conifer-dominated forests is increased on regeneration sites by mixed cultivation of pine and spruce. In 2022, we studied mixed cultivation on around twenty sites mainly located in Kainuu and Koillismaa, which were established six to thirty years ago. Based on the information obtained from these sites, we included mixed cultivation in the environmental targets for 2023, and we will plant more areas for trialling the mixed cultivation of pines and spruces in each forest team's region.

Case:

Timber is now transported with trucks fuelled by biogas (Metsä.fi journal in Finnish) »

At the beginning of June, we started using biogas produced from waste and industrial side streams to transport timber. The use of this new fuel generates only a fraction of the life cycle greenhouse gas emissions that fossil fuels would produce.



PRESERVING BIODIVERSITY

We enhance biodiversity and strive to halt biodiversity loss

Increasing biodiversity and halting biodiversity loss is one of Metsähallitus' strategic pledges. We mitigate biodiversity loss in state-owned land and water areas by means of active measures aiming to maintain and increase biodiversity and to minimise negative impacts on the environment. In addition to this, we implement Metsähallitus' Climate Programme. Our actions for biodiversity and the climate also support the achievement of the UN Sustainable Development Goals.

In 2022, we spent over EUR 15 million on active restoration and habitat management measures aiming

to boost biodiversity, of which budget and EU funding for Parks & Wildlife Finland accounted for approx. EUR 14 million, while EUR 1.29 million was Metsähallitus Forestry Ltd's cash flow financing.

The efforts to halt biodiversity loss also have positive impacts on local economies, as we use plenty of outsourced services in restoration and habitat management work in protected areas as well as contract entrepreneurs in multiple-use forests. The funding has also brought more expertise, as new methods have been jointly developed by our employees and service providers. In 2022, we spent a total of EUR 6.5

million on outsourced services for restoring protected areas and managing habitats. The employment impacts of the outsourced services extended to over 100 companies and 76 person-years. In multiple-use forests, the value of contractors' services used in habitat management and restoration work was over EUR 600,000.

In addition, Metsähallitus Forestry Ltd spends more than EUR 50 million annually on supporting biodiversity by maintaining a landscape ecological network, and approximately EUR 2 million on increasing the volume of decaying wood.

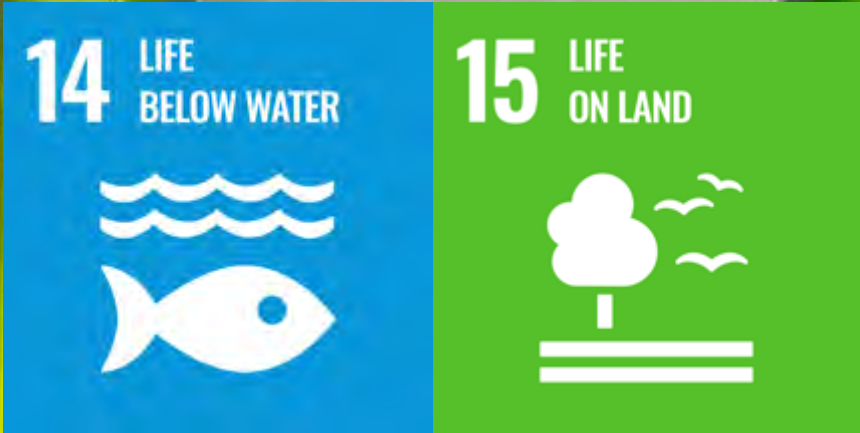
Biodiversity in 2022



Habitat management
and restoration
measures
over 17 000
ha

Decaying wood found
on state-owned lands
accounts for
73 million m³
of its total volume
in Finland

Removed
barriers to
migration
123



PRESERVING BIODIVERSITY

Habitat programme Helmi boosts biodiversity in Finnish nature

The aim of the Government's habitat programme Helmi is to enhance biodiversity in Finland and safeguard the vital ecosystem services provided by nature while promoting climate change mitigation and adaptation. Metsähallitus National Parks Finland is the largest individual implementer of this programme. The role of Wildlife Service Finland in the programme is to destroy alien carnivores, or mink and raccoon dogs, in valuable bird wetlands. Metsähallitus Forestry Ltd participates in the Helmi programme through inputs that are in keeping with the ownership policy and uses its cash flow funding to carry out the work.

In protected areas, the objectives of the Helmi programme are related to mires and forest restoration; reconditioning of bird wetlands and habitats, traditional rural biotopes, small water bodies and shoreline habitats; and the ecological management of forest habitats. The objectives set for state-owned

multiple-use forests, on the other hand, focus on restoration of mires, management of herb-rich forests and sun-lit environments, prescribed burning and removal of barriers to fish migration. Stream restoration will also be added to the objectives in years to come. We carry out some of the work under the Helmi programme in collaboration between Metsähallitus business units and with other actors, consequently achieving synergy benefits and a broader impact.

We also engage in ecological management and restoration work as well as species conservation and water protection in several multi-annual LIFE projects funded by the EU. In addition to Metsähallitus' different business units, an extensive network of partners is involved in these projects. We participated in 13 LIFE projects in 2022, most of which were coordinated by National Parks Finland, the unit responsible for the main share of national funding. The largest projects include Freshabit LIFE IP, in which lakes and rivers were restored in 2016–2022, as well as Biodiversea LIFE IP (2021–2029), which is Finland's

greatest cooperation project on protecting the Baltic Sea environment. The LIFE projects progressed as planned in 2022.

Aiming for world-class management of the conservation area network

One of the objectives of enhancing biodiversity is achieving world-class management of the protected area network in order to improve its ecological status. We regularly monitor and assess the status of Natura sites by conducting so-called NATA assessments, in which their ecological and cultural values and value for users, their status and any threats to the values are determined. On this basis, the actions and plans for maintaining or achieving the desired status of the values are defined. In addition, the status of habitats and species and the adequacy of the conservation measures taken are assessed on individual sites.

We completed a total of 36 NATA assessments, exceeding the target set at 25.

PRESERVING BIODIVERSITY

New record in restoration work in protected areas

Thanks to the Helmi habitat programme and EU LIFE projects, we restored larger surface areas of habitats in protected areas than ever before in 2022. We completed habitat improvement measures across 9,000 hectares in state-owned protected areas and across around 950 hectares in private protected areas. This figure does not include continuous management of traditional rural biotopes. We exceeded our surface area target for 2022 by almost 3,000 hectares. Mire restoration across more than 7,300 hectares accounted for the largest part of this work, breaking the record for the second year running.

One third of the measures were carried out under EU LIFE projects, including Hydrology LIFE, and two thirds as work under the Helmi programme. Similarly to the year before, we managed such valuable habitats as herb-rich forests, deciduous forests, white-backed woodpecker habitats as well as small water bodies and marine areas. In forest restoration, unfavourable conditions for prescribed burning made it impossible to reach the targeted surface area.

Traditional rural biotopes were managed by grazing or mowing across 5,800 hectares in total in state-owned protected areas. However, we did not quite reach the target for restoring new traditional rural biotope sites to be put under management, even if the restored area was about 200 hectares larger than in 2021. We completed restoration work on new sites to be managed, including clearing of trees and reed mowing, across more than 300 hectares in state-owned protected areas. With landowners' permission, National Parks Finland also carries out ecological management work in private protected areas, in which traditional biotopes were managed across almost 100 hectares. Management work that complements grazing or mowing was also carried out across some 300 hectares of traditional rural biotope sites already under management to improve their quality.

Thanks to sufficient resources and skilled personnel, the measures set out in the Helmi programme have made excellent progress, and by the end of 2022, we had almost achieved the goals set for mire and traditional biotope restoration in protected areas for the government term 2020–2023.

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Key ecological management and restoration measures aiming to protect and enhance biodiversity in state-owned nature reserves in 2022

Measures	Target for 2022	Outcome in 2022
Mire restoration, ha	5,500	7,308
Restoration of heath for-ests, ha	500	550
Continuous management of traditional rural bio-topes, state-owned pro-ected areas, ha	6,300	5,838
Management of other valuable habitats, ha	1,000	1,204
Total	13,300	14,900

PRESERVING BIODIVERSITY

We focused on ecological management in multiple-use forests

We improve the status of degraded habitats through active ecological management in multiple-use forests and maintain or manage habitats to preserve and develop their structural features, making them more favourable for biodiversity.

In 2022, we made significant inputs in ecological management work in state-owned multiple-use forests with the aim of safeguarding biodiversity in forest habitats and increasing it steadily alongside forestry operations.

Mires were restored across almost 1,600 hectares. We also removed 123 barriers to fish migration, re-

stored streams and managed habitats by means of prescribed burning. We also removed alien species and managed traditional rural biotopes together with the other business units during the year.

We spent around EUR 1.29 million on ecological management in multiple-use forests in 2022. Ecological management in multiple-use forests is carried out by skilled personnel, and the work is planned in keeping with ownership policy goals and following Metsähallitus' environmental guidelines. The work is performed by Metsähallitus' contractors, who are familiar with Metsähallitus' environmental and quality systems and committed to complying with Metsähallitus' responsibility principles.

Key ecological management and restoration measures aiming to protect and enhance biodiversity in state-owned multiple-use forests in 2022

Measures	Target for 2022	Outcome in 2022
Mire restoration, ha	1,100	1,578
Management of herb-rich forests and sun-lit habitats, ha	130	128
Prescribed burning and burning of retention tree groups, ha	450	438
Number of barriers to fish migration removed	130	123

PRESERVING BIODIVERSITY

Decaying wood needed by one out of four Finnish forest species is increasing in volume

The trends in the volume of decaying wood and mature aspens vital for biodiversity on state-owned lands are monitored in the National Forest Inventories carried out by Natural Resources Institute Finland. The latest results of decaying wood monitoring are based on field measurements made as part of the National Forest Inventory (NFI) conducted in 2017–2021.

The average volume of decaying wood in multiple-use forests currently is 7.7 cubic metres per hectare, whereas the long-term target is around 10 cubic metres per hectare. The volume of decaying wood on all state-owned forest and low-productivity lands totals around 73 million cubic metres, and this volume is growing.

At the annual level, our goal is to create around 100,000 artificial snags in multiple-use forests in connection with felling and to increase the volume of decaying wood by about 50,000 cubic metres. The volume of decaying wood in multiple-use forests is ensured by saving all deadwood and leaving a larger number of living retention trees in all areas and at all stages of forest management. Once they die, live retention trees develop into decaying wood over time. The snags, on the other hand, are living trees cut down at a height of 3 to 4 metres that quickly turn into decaying wood. We also leave decaying wood behind when harvesting trees damaged by storms. Storm Paula, which hit Koillismaa, Ylä-Kainuu and Utajärvi in summer 2021, increased the volume of decaying wood in forests of all ages in the affected area, and it is estimated that about 300,000 cubic metres of trees damaged by the storm will remain in multiple-use forests in commercial forestry use in this area, and around 300,000



PRESERVING BIODIVERSITY

cubic metres will remain on the Natura 2000 site of Kylmäluoma.

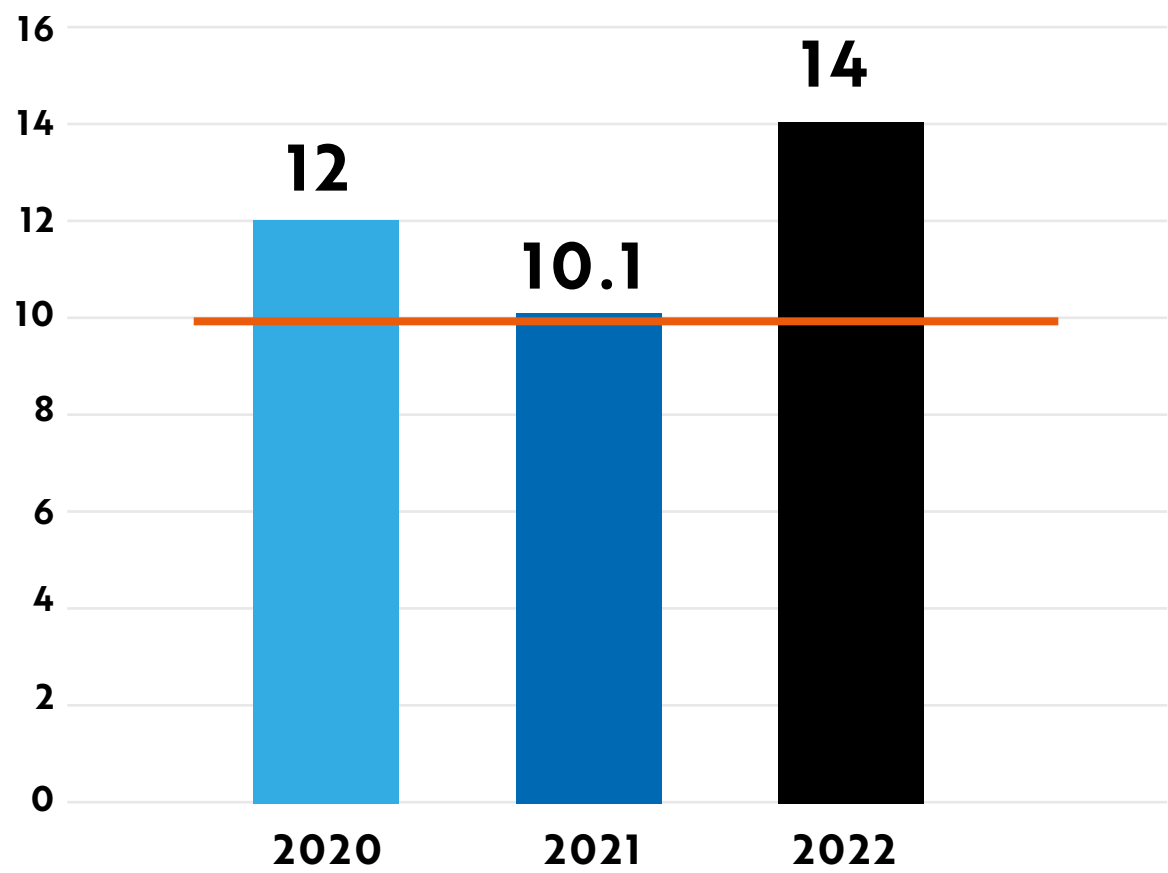
In 2022, on average 14 valuable living retention trees per hectare of regeneration fellings were left in multiple-use forests, in keeping with the target level set in Metsähallitus Forestry Ltd's Environmental Guidelines. This exceeds the target level of live retention trees set in the environmental guide, which is ten trees per hectare. Additionally, this number considerably exceeds the requirements of the PEFC forest certification criterion, as the minimum diameter of a valuable living retention tree is set higher in the Environmental guidelines than in forest certification. In addition to live retention trees, all decaying wood as well as other dead trees standing up or lying on the ground are left in the forest.

We strive to actively increase the volume of sturdy aspens by retaining an adequate number of decid-

uous trees when managing forests. Based on the latest field measurements performed on state-owned lands in 2017–2021 as part of the National Forest Inventory, the volume of sturdy aspens is approximately 0.51 cubic metres per hectare. This volume in multiple-use forests has increased since the previous field measurement (2015–2019), which found 0.45 cubic metres of sturdy aspens per hectare. Aspens are favoured particularly as retention trees.

Decaying wood in protected forests is created by means of prescribed burning and as a result of storms. We also actively build up the volume of decaying wood in connection with other ecological management measures. For example, trees that overshadow aspens and deciduous trees are cut down. The preservation of individual occurrences of endangered species can also be promoted by actively felling or ring-barking trees if the occurrence is otherwise at risk of being lost.

Valuable retention trees left in multiple-use forests following Forestry Ltd's Environmental guidelines *



* Valuable live retention trees include individual trees that are larger than the predominant tree species, trees with hollows, known nesting trees of birds of prey, or goat willows, rowans and deciduous trees with a diameter of at least 10 cm at chest height.

PRESERVING BIODIVERSITY

Monitoring, accounting for and managing species

Good news about our special responsibility species

The Arctic fox, which is an extremely endangered species, produced a litter in Finland for the first time in 25 years. Arctic foxes that have visited the Finnish side of the border have been attracted with feeders that foxes cannot reach, and foxes have been removed from Arctic fox territories. In Nordic co-operation, Arctic foxes have been bred in captivity in Norway and released to such areas as the fells of Enontekiö, where an Arctic fox pair found an old cave system for their den.

The Saimaa ringed seal population has increased by about ten individuals compared to the two previous years and now amounts to 430–440 individuals. While around 90 pups have been born annually in recent years, the Saimaa ringed seal remains an endangered species.

In the reindeer herding area, we used a helicopter to inspect 1,343 nests of the birds of prey for which Metsähallitus has been designated a special responsibility. Nests were also inspected in the field, mainly by volunteers. We managed to check around 90% of

the known golden eagle territories. Good breeding results were recorded for the golden eagle, and average results for the peregrine falcon. Ten pairs of the critically endangered gyrfalcon turned out to have bred successfully. A total of 24 chicks were ringed in the nests, which is a good result over a time line of ten years.

The species we are responsible for also include the freshwater pearl mussel, whose habitats are restored as part of the conservation programme. The freshwater pearl mussel, which thrives in clean waters and

PRESERVING BIODIVERSITY

lives up to the age of 200 years, is a keystone species whose loss would also mean the disappearance of many other species. The endangered mussel was sought in 82 and found in 12 brooks in the Tana river basin. We additionally planned catchment restorations that will improve the status of mussel habitats in the LIFE Revives project, and this work began with the restoration of 18 kilometres of mussel habitats in the river basins of Oulujoki and Iijoki.

In addition to the designated species, we also inventoried the occurrence of some insect and plant species and continued our bird counts as line transect point calculations. Several species that were new to science were discovered in the insect inventories. The Beetles LIFE project created habitats for insect species listed in the Habitats Directive in protected areas by means of restoration burning and producing decaying wood. We monitored the success of these measures by carrying out species inventories and monitoring different insect groups. Delightfully, we

obtained a high number of observations of endangered species, and it emerged that the rare *Pytho kolwensis* beetle accepts artificially produced decaying wood as its host.

Line transect point calculations of land-dwelling birds in protected areas were carried out over 1,246 kilometres, of which 934 km by Metsähallitus. These calculations have been performed regularly since the 1980s, and the data collected through them make up one of the most valuable datasets on population changes of Finnish forest and mire birds.

In a remote sensing project in Northern Lapland carried out together with the Finnish Environment Institute, we produced a new habitat dataset concerning the protected and wilderness areas in this region. The dataset was produced by combining remote sensing data and field observations across an area of three million hectares. In particular, this dataset updates our knowledge of fell habitats in Finland, of

which more than one third are endangered.

We also conducted versatile plant inventories in Lapland, which focused on such species as mosses, lichens and vascular plants and the occurrences of protected plant species. We also managed a site where *Calypso* orchids were found by removing trees. On the south coast, we urgently inspected the occurrences of protected and other endangered vascular plant species on 45 sites. Bioblitz events, where the idea is to spot as many species as possible in a certain area within 24 hours, are also popular with nature enthusiasts. Many of the participants are experts in their fields, and the discoveries build up our knowledge of the flora and fauna on the site in question. In a Bioblitz organised in Liesjärvi National Park in summer 2022, 1,601 species were found. Around one half of them were 'new' species that had not previously been observed in the National Park.

PRESERVING BIODIVERSITY

We inventoried species in multiple-use forests

Following the Environmental guidelines, we always take any known occurrences of endangered species into account when planning and carrying out felling operations in multiple-use forests. In 2022, we supplemented the spatial data sets concerning multiple-use forests with the help of inventories conducted by Metsähallitus' species experts, which took place across a total area of approx. 500 hectares. In these inventories, over 3,000 observations in total were made of threatened and near threatened species and others that need to be taken into consideration in forestry. In particular, we found new occurrences of protected lichen, moss and fungus species.

We completed a species inventory pilot in which we investigated lichen and moss species on around 50 sites overall in Lapland and Kainuu. The total surface area of these sites was 140 ha. The objective was to study the occurrence of threatened species on ran-

domly selected sites in multiple-use forests. The inventoried sites were woods of variable ages with a small surface area used for conventional commercial forestry, as well as ecological sites excluded from forestry operations. In the inventory conducted in 2022, 1,150 species observations were made, and on average, 7.5 Red book species were found in each wood. These inventories will be continued in 2023.

Safeguarding occurrences of threatened species has an important role in the biodiversity work in forestry. We looked at techniques for securing occurrences of species in a project that focused on planning in multiple-use forests (LAJIDEMO) and ended in 2022. As the outcome of this project we presented an operating model in which, using data on species and structural features, forests with valuable species are classified into sites excluded from operations and those in which forest management may take place. Decisions on occurrences of species are made case by case on the basis of assessments carried out by species experts.

The results of the Lajidemo project were first applied in the practical work in 2022. On the basis of recommendations issued by the project, we planned harvesting measures, marked out ecological sites based on their species, and proposed the establishment of support areas for the landscape ecological network that would be managed with the aim of protecting biodiversity. This work will continue in 2023, for example as an update of the instructions regarding occurrences of species in the Environmental guidelines and by organising an online course on species conservation for Metsähallitus Forestry Ltd employees.

We removed alien predators from bird habitats

As harmful alien species, the mink and raccoon dog are a serious threat to Finnish aquatic bird populations. Under the auspices of the Helmi programme, we removed mink and raccoon dogs in cooperation with 120 hunters committed to this project from 30

PRESERVING BIODIVERSITY

important bird wetland sites along the coasts of the Gulf of Bothnia. The aim is, with the help of trained teams of hunters, to cull invasive predators more efficiently, achieving a declining trend in their populations and improving the breeding success of aquatic birds. In spring 2023, the project will focus on removing alien predators from the relevant areas before the breeding season.

Forest reindeer reintroduction was completed successfully

The key objective of the Forest ReindeerLIFE project launched in 2016 was to reintroduce the forest reindeer to its original range in the southern part of Suomenselkä. Initiated five years ago, the reintroduction of forest reindeer in the National Parks of Seitsemien and Lauhanvuori was completed in the summer as we released the remaining individuals from their enclosures into the wild. Both National Parks now have a forest reindeer population of between 40 and 50 individuals, which exceeds the

targets set for the Forest ReindeerLIFE project coordinated by us.

Metsähallitus is also responsible for preserving the forest reindeer genome. In practice, this means striving to prevent hybridisation between the forest reindeer and the reindeer. To this end, we started planning a fence in 2022 that would separate reindeer and forest reindeer in the areas of Ylikiminki in Oulu, Utajärvi and Puolanka. This work started with a preliminary study, and whether or not the project will go ahead to a point where the fence would actually be constructed depends, among other things, on finding an alignment that is acceptable for landowners.

LIFE Borealwolf promotes interaction

In 2022, we continued to participate in the LIFE Borealwolf project led by Natural Resources Institute Finland, which aims to promote coexistence between humans and the wolf. While the wolf is an

endangered species in Finland, achieving a viable wolf population will be difficult if people are worried and fearful about these animals. The LIFE Borealwolf project disseminates information about wolves, promotes interaction in the regions where wolves are found, and develops means for preventing damage to domestic animals. We also participated in efforts to prevent the unlawful killing of wolves in the LIFE Borealwolf project: in Eastern Finland, our Game and Fisheries Wardens are on patrol together with the police and keep in touch with hunters and other local residents. Metsähallitus also plays an important role in project communications. In August 2022, we organised a wolf theme day for journalists in Björköby, Mustasaari, where journalists were introduced to an island grazed by sheep and informed about the work and outcomes of the LIFE Borealwolf project.

Case:

On-the-job learning never ends for species experts **(Metsä.fi journal in Finnish) »**

Pyry Veteli inventories Metsähallitus' multiple-use forests as his full-time job. Species observations are crucial when Metsähallitus Forestry Ltd is considering how forest management operations could be carried out without compromising the conservation of species.



WATERS AND MARINE NATURAL RESOURCES

Lakes, rivers and marine areas

Metsähallitus controls approx. 610,000 hectares of lakes and 2.8 million hectares of marine areas, which account for more than one half of Finland's territorial waters. We carry out extensive work on the sustainable use of waters and water protection: we manage wetlands, restore catchments, map lake and river habitats and inventory marine species.

We prevent emissions into waters from forestry and restore catchments

Through water protection measures in forestry, we strive to prevent solids washout and nutrient leaching and to allow runoff waters to settle as efficiently

as possible. In river basin management planning, we coordinate forestry operations and ecological management measures to identify high-risk sites, after which we plan for the sites measures that limit the loading from the catchment to the desired level, reducing environmental harms.

We are involved in a water-friendly silviculture project (VALVE-Metsä) led by the John Nurminen Foundation and co-funded by the ELY Centre for Ostrobothnia. This project aims to promote water-friendly forest management operations on peatlands while reducing the nutrient loading in the Baltic Sea. The

project area is located in a peatland forest in North Ostrobothnia and includes private landowners' lands, state-owned protected areas and Metsähallitus' multiple-use forests in commercial forestry use. In 2022, a water-friendly silviculture plan covering the entire catchment was completed, and on this basis, we launched the technical planning of water protection solutions for state-owned multiple-use forests and created artificial log jams in streams to purify the water. This will improve the performance of sedimentation basins built in connection with previous drainage projects. We will continue to implement the planned measures in the project area in 2023.

WATERS AND MARINE NATURAL RESOURCES

We also continued catchment restoration in a project titled NbS-Mätäsoja. In this project launched in summer 2022, we restored a brook as well as mires in its catchment and monitored the impact of the measures together with our partners. The objective is to use nature-based solutions to promote biodiversity in the area and to mitigate climate change by removing carbon from the atmosphere and storing it as carbon stock in restored peatlands. In 2022, we restored nearly 22 hectares of mires in five areas and 0.4 kilometres of brooks in three different sets of rapids.

We also improved the status of spring streamlets over 2.3 kilometres. The project will continue until the end of 2024, and the work will be performed in cooperation by Metsähallitus Forestry Ltd and Wildlife Service Finland. In addition to Metsähallitus, the project is co-funded by the Nordic Council of Ministers.

We restored and surveyed aquatic habitats in multiple-use forests

We restored 34 rapids in ten different rivers or brooks in 2022. Rapids were restored across an area of approx. 11 hectares and brooks over a distance of 5.4 kilometres. The aim was to restore spawning grounds and areas used by salmon fry in rivers and brooks, which have disappeared due to environmental modifications. Stones were returned into cleared rapids, new spawning grounds and juvenile habitats were created, water was reverted back to old dried-up channels, and timber was inserted into streams

to diversify the flow conditions and depth variations as well as to create floods that help remove sand. By returning stones into streams and restoring spawning grounds, 870 spawning habitats for migratory fish and 389 ares of juvenile habitats were created or restored. In addition to migratory fish, these measures will help many rare and endangered species and also improve the status of the water body more extensively.

Stream restorations in multiple-use forests in 2022

River restora-tion	Brook resto-ration	Rapids and brook sections restored	Spawning grounds	Juvenile habi-tats
11.08 ha	5.4 km	34	870	389 ares

WATERS AND MARINE NATURAL RESOURCES

We enhance the vitality of the Saimaa Arctic char in key habitats

The objective of the Pro Saimaanieriä project launched in 2022 is to revive the critically endangered Saimaa Arctic char population and restore a stock that reproduces naturally and can sustain fishing. The target area of the project comprised the key living areas of the Saimaa Arctic char in the western reaches of Southern Saimaa and Kuolimo. The most important measures of the project include renewing farmed populations that support the diversity and spread of natural populations as well as the development of stocking methods. The measures will be planned and carried out together with the owners of the relevant water areas. The project will continue until 2026.

We drew up the first natural resource plan for marine areas

We are committed to working for a good ecological status of the sea. In 2022, we started preparing the first natural resource plan exclusively for the marine areas for 2024–2028. The planning area covers almost 30,000 square kilometres of Finnish territorial waters and islands. We engage stakeholders in the natural resource planning with the aim of reconciling their needs and wishes relating to the sea area, increasing the value of our maritime functions for society, and producing innovations. We also participate actively in defining Other Effective Area-based Conservation Measures (OECMs) that support the network of protected areas and safeguard biodiversity. This work is associated with implementing the EU's Biodiversity Strategy. The actual definitions are produced in the LIFE IP Biodiversea project together

with the Ministry of the Environment and the Finnish Environment Institute. The plan will be completed by the end of 2023.

We protect marine habitats more effectively and promote sustainable use of natural resources

Our marine conservation project evaluated the standard of protection in different areas. The species and habitats of the Baltic Sea are protected in different ways in different areas, which include such state-owned protected areas as national parks, private protected areas, Natura 2000 sites and areas protected under international conventions. The results indicate that the most effective protection measures are seen in state-owned protected areas in which the entire area and all of its species and

WATERS AND MARINE NATURAL RESOURCES

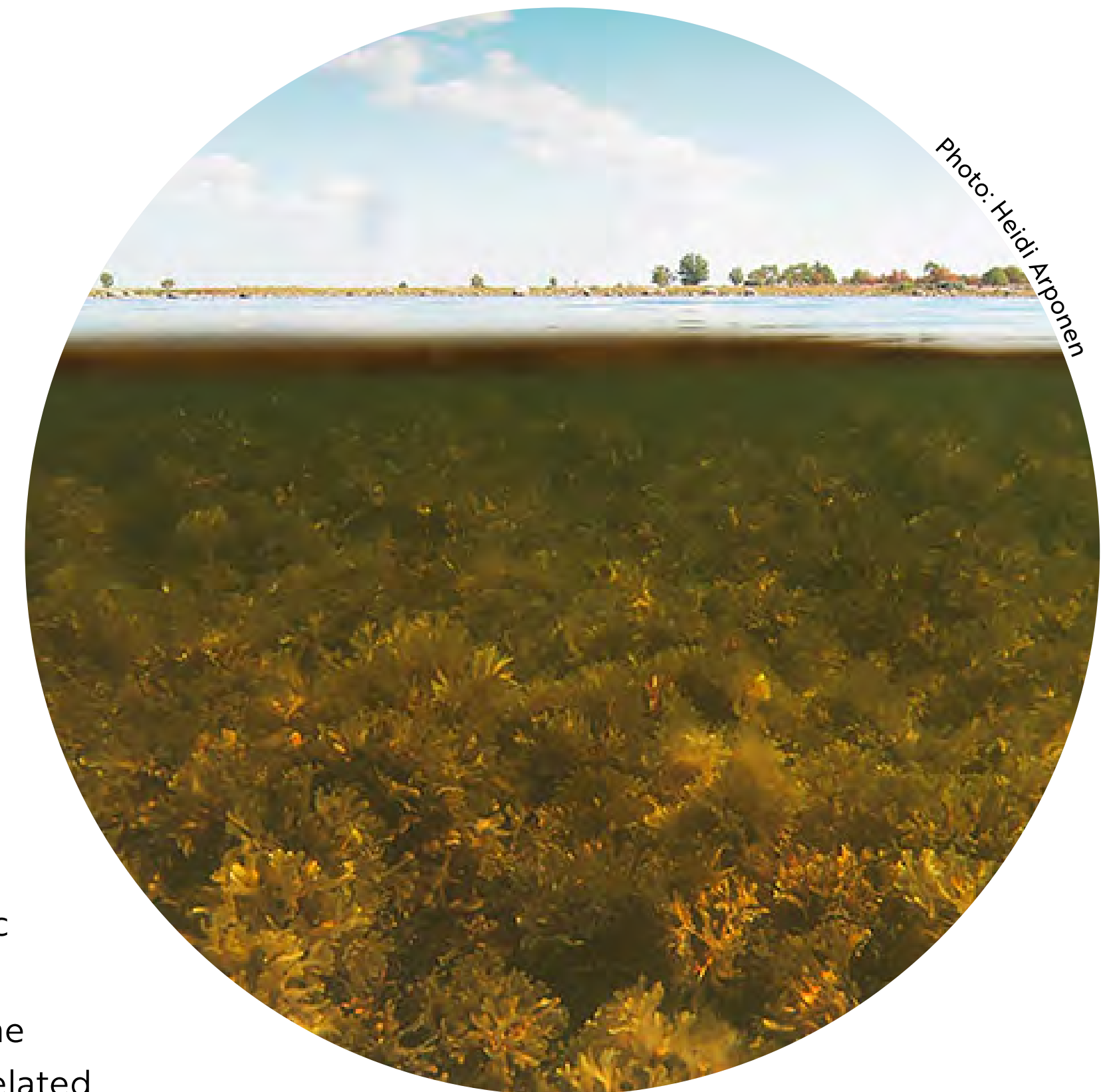
habitats are protected.

We will step up the conservation of marine habitats and promote sustainable use of natural resources in Finland's maritime and coastal areas in the Biodiversea LIFE IP project, which is led by Metsähallitus National Parks Finland. In 2022, we caught critically endangered graylings to establish a new broodstock for Natural Resources Institute Finland's fish hatchery. The objective was to strengthen the populations of the endangered sea grayling in the Bay of Bothnia by stocking shallow areas with juveniles hatched in captivity. Broodstock catching will also continue in the years to come. During this project, we will locate the most valuable underwater habitats with the highest levels of biodiversity and prepare a roadmap covering the

entire coastline to develop the network of protected areas.

We also inventoried threatened marine species on 200 sites in Finnish coastal waters. The results of this work indicate that especially shoreline construction and overgrowth with reeds drive the loss of species in the Baltic Sea.

For 2022–2025, National Parks Finland has given a new commitment to protect the Baltic Sea, in which we provide the Baltic Sea Action Group with expertise in identifying new marine conservation sites and planning restrictions related to conservation.





Case:

Freshabit mainstreamed new practices for protecting rivers and lakes (Metsä.fi journal in Finnish) »

Freshabit LIFE IP, which was Finland's largest conservation project focusing on rivers and lakes, ended in September. This seven-year project looked far into the future from the start. Its objective was to create new networks and permanent practices, ensuring that effective conservation work would also continue after the project.



Society

Our Responsibility programme’s focus area of society covers the pledges given in the strategy relating to well-being and bioeconomy themes. At the centre is the value created by our strategy and responsibility work, which we will increase not only regarding well-being, culture and the economy but also through sustainable services and renewable solutions.

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ECONOMY

Economic welfare

In 2022, the Metsähallitus Group made a profit of EUR 150.9 million, and Metsähallitus' work had direct impacts on society through taxes, wages, purchases of materials and services, investments and revenue generated for the state, which amounted to over EUR 500 million. The indirect economic impacts generated through procurements, the value chains of outsourced work and enabling job creation amounted to approx. three billion euros.

Metsähallitus' tax footprint

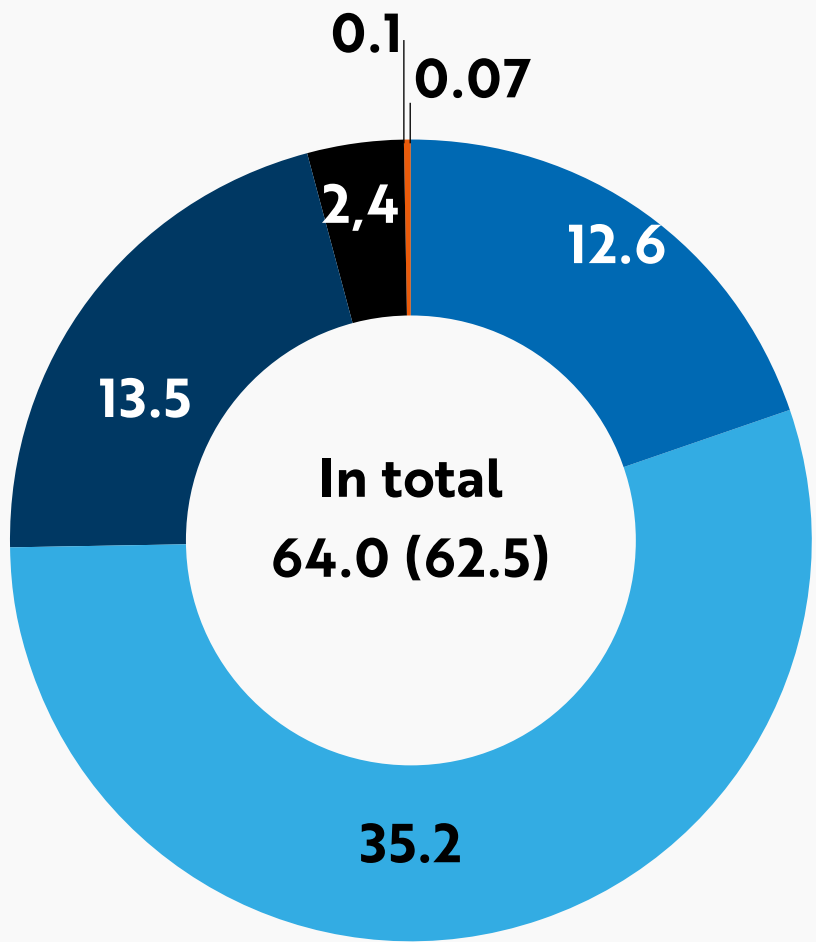
Tax footprint refers to the taxes and tax-like charges we pay to society on our activities. Tax returns and reports are submitted centrally by the Group's financial administration unit. If necessary, we draw on external

expert assistance in tax matters, such as for separate reports and questions subject to interpretation.

In principle, taxes are paid to the country in which the tax liability was incurred. Metsähallitus Group companies and Metsähallitus state enterprise are Finnish, and we pay all our taxes to Finland. Metsähallitus has no subsidiaries or branches in other countries.

Metsähallitus' tax footprint was EUR 64.0 million in 2022. VAT, which was mainly paid on the activities of Metsähallitus Enterprise, accounted for the largest share of the tax footprint. Taxes on salaries also comprised a significant proportion of our tax footprint. As a nationwide organisation, we also have an impact on regional economies through the salaries we pay.

The income tax we pay consists of taxes paid by the Enterprise and our subsidiaries. We pay property tax on the real estate we own. No property tax is paid on forests.



Metsähallitus' tax footprint 2022 (2021), EUR million

- Income tax 12.6 (13.7)
- Value added tax 35.2 (33.5)
- Withholding tax 13.5 (12.8)
- Property tax 2.4 (2.3)
- Transfer tax 0.1 (0.2)
- Vehicle tax 0.07 (0.07)
- Electricity tax 0 (0) Figures not available
- Flight tax 0 (0) Figures not available

In total 64.0 (62.5)

Finances in 2022



Revenue generated
for the state

110
million EUR

Personnel's salaries
and fees

60.5
million EUR

Taxes

64
million EUR

Procurements of
materials and services

278.4
million EUR

Indirect
impacts on
regional
economies

3
million EUR

8 DECENT WORK AND
ECONOMIC GROWTH



ECONOMY

Responsible procurement

Procurement plays a large role in Metsähallitus' corporate responsibility. Metsähallitus Enterprise and Metsähallitus Forestry Ltd are procurement units subject to the Act on Public Procurement and Concession Contracts, which means that we comply with this Act in our procurement and tendering procedures. This lays a solid foundation for ensuring responsibility in our operations.

We ask our suppliers to commit to Metsähallitus' Code of Conduct, which is attached to all our invitations to tender. In compliance with the Act on the Contractor's Obligations and Liability when Work is Contracted Out, our procurement unit also promotes companies' opportunities to participate in public procurements fairly, openly and without discrimination. We obtain the information referred to in the Act on the Contractor's Obligations from the supplier in all procurements worth more than EUR 9,000 to ensure compliance with terms of employment and to combat grey economy.

The factors at play in managing Metsähallitus' procurements are the requirements of our functions, high-quality expertise in tendering processes and procurement, and keeping up with this field. We improve the coherence and responsibility of procurements, our procurement competence and our reporting as stated in our strategy. The aim is to develop the procurement process through shared information, improve the anticipation of procurements, and increase their productivity. We monitor and participate closely in work aiming to develop the impact of public procurement within the framework of an action plan for impactful public procurement ('Hankinta-Suomi').

The Enterprise Group's procurement service, which is part of the Legal Affairs and Compliance Unit, supports the business units' procurements and is responsible for the shared operating principles of Metsähallitus' public procurement and for directing and developing the procurement process. The management group for procurement monitors and develops the procurements of the Enterprise as a

whole. Metsähallitus' Management Group receives regular reports on procurement. The procurements of Metsähallitus Forestry Ltd are handled by the company's resources team, and those of National Parks Finland are managed by the unit's procurement team.

Responsibility as a key theme of development

The key theme of developing procurement in 2022 was responsibility. Our starting point was competence and resource management, market insight, identifying the most significant impact areas, and producing more data relevant to responsible procurement. We developed and examined procurements from all responsibility and sustainability perspectives and set targets based on the focus areas of our Responsibility programme, or leadership, the environment, people and society.

In the focus area of leadership, in particular, responsibility took the form of ensuring good governance and compliance as well as developing internal tools, processes and contract management. We created a

ECONOMY

monitoring model for reviewing the sustainability of procurements, in which measures aimed at responsible procurement were monitored and reported on as a regular process by the management group for procurement and the responsibility group. We will develop the monitoring model further in 2023.

We published a procurement manual intended as a tool for all personnel on Metsähallitus' intranet as well as organised internal online training on procurement. We also prepared and published an online training course on responsible procurement, which was tied to the personnel's performance bonus criteria.

Compliance with international economic sanctions increased in importance as the EU imposed a set of new sanctions against Russia in response to its military attack on Ukraine. We added the new and more detailed terms concerning sanctions compliant with EU regulations to our invitations to tender and contract terms. We also introduced a sanctions monitoring tool to support checking for applicable sanctions.

Environmental responsibility was visible in concrete terms in all our procurement categories in 2022. For example, terms and conditions concerning a certified environmental management system, requirements for emissions of the fleet, and quality points awarded for low-emission equipment were included in our invitation to tender templates for construction contracts. We expect computers to be recyclable at the end of their service life, and they must be supplied in packaging made of renewable materials. A certification requirement (PEFC) for timber was included in the tendering process for maintenance services. The so-called carbon sink projects put out to tender by Metsähallitus Forestry Ltd, on the other hand, were related to the ash fertilisation of a peatland site and its impact on increasing carbon sequestration.

In the context of the people theme, an effort was made to promote the responsibility of procurements by using an employment clause, for example in Metsähallitus Forestry Ltd's procurements of forestry services. We will continue to use the employment clause in 2023 in one procurement and in four pro-

curement lots in different parts of Finland. We also launched the procurement of maintenance services in the Sanginjoki Nature Reserve in 2022, in which the contract is earmarked for special actors, such as work centres and NGOs that employ long-term unemployed persons or unemployed young people and organise rehabilitative work activities. The precondition for participating in the tendering process is that at least 30% of the employees of the work centre, supplier or work programme are disadvantaged workers. We additionally strive to ensure responsibility in the procurement of workwear and safety equipment as well as gifts purchased for personnel members through conditions related to the production and working conditions associated with the product or service.

Procurements also played a large part in the assessment of human rights impacts conducted on Metsähallitus' operations. The assessment looked at the negative and positive human rights impacts of our operations and our risk management measures taken to reduce negative impacts.

ECONOMY

Total revenue impacts on local economies of visitors to national parks, state-owned hiking areas and certain other nature reserves and recreational areas

391.8
million EUR (460.4)

Total impact on regional economies of fishing and hunting customers

49.4
million EUR (54.6)

Employment impacts of visitors to national parks, state-owned hiking areas and certain other nature reserves and recreational areas,

3,158
person years (3,697)

Employment impacts of hunting and fishing customers

267
person years (291)

Roundwood supplied by us is important for the regional and national economy

The timber supplied by Metsähallitus has an impact on regional and national economies through various multiplier benefits and export revenue. In 2022, the timber supplied by Metsähallitus enabled the forest industry to achieve a turnover of EUR 2.8 billion. It accounted for around EUR 1.1 billion of the value of Finnish forest industry exports.

Nearly 8% of the 63,000 jobs in the Finnish forest sector were based on the management and use of Metsähallitus' multiple-use forests and the wood harvested in them, or about 5,000 jobs, in 2022. If the multiplier effects are taken into account, the

number of jobs goes up to 11,000.

These calculations are based on the latest data from 2021 provided by Statistics Finland.

Regional economy impacts of recreational use, fishing and hunting declined as the pandemic receded

The total impact on local economies of money spent by visitors to national parks, state-owned hiking areas and certain other protected and recreational areas in 2022 amounted to EUR 391.8 million, and the employment impact was 3,158 person-years. Visits to national parks accounted for EUR 275 million and 2,166 person-years of these figures.

These impacts decreased slightly compared to the year before along with the visitor numbers. However, they have increased compared to the pre-pandemic levels in 2019, in which year the total impact of visitors to national parks, state-owned hiking areas and certain other protected and recreational areas was EUR 321.9 million and 2,593 person-years.

The impacts of fishing and hunting on regional economies decreased slightly from 2021. Fishing and hunting enthusiasts produced an additional income of EUR 49.4 million for regional economies, which corresponded to 267 person-years of employment.

ECONOMY

Slight increase in the Enterprise's inputs in social obligations

In business activities, we work actively and responsibly for the benefit of the environment, people and society and ensure that the general social obligations related to biodiversity, recreational use, the Sámi culture and reindeer husbandry laid down in the Act on Metsähallitus are fulfilled.

As part of our business operations, we made inputs amounting to EUR 80.3 million in general social obligations in 2022, of which sum Metsähallitus Forestry Ltd accounted for EUR 77.8 million and Metsähallitus Property Development for EUR 2.5 million. This represents a year-on-year increase of EUR 0.6 million. We made additional inputs in taking the Sámi cul-

ture and reindeer husbandry into consideration, in particular. The total area used for social obligations increased by approx. 4,000 hectares, especially in reindeer herding areas and at recreational destinations, compared to 2021.

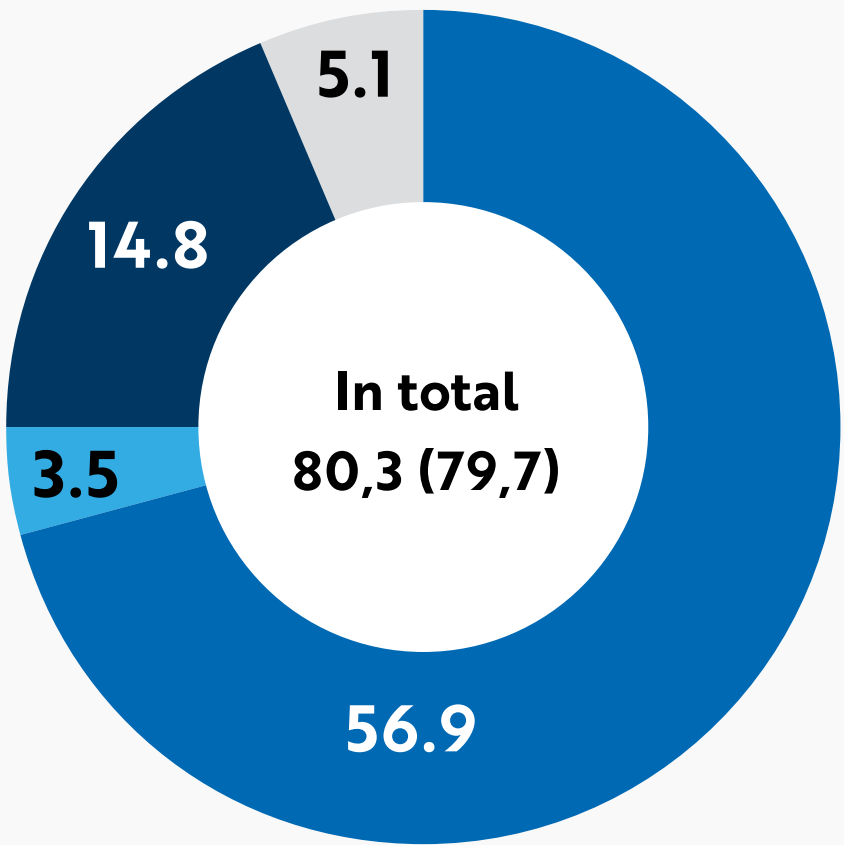
In 2022, the business units also invested EUR 17.92 million in the new reconciliation measures required by the ownership policy. This represents a slight increase compared to 2021.

We publish an annual monitoring report on the fulfilment of all our general social obligations..



Our business units spent EUR 80.3 million on fulfilling their general social obligations.

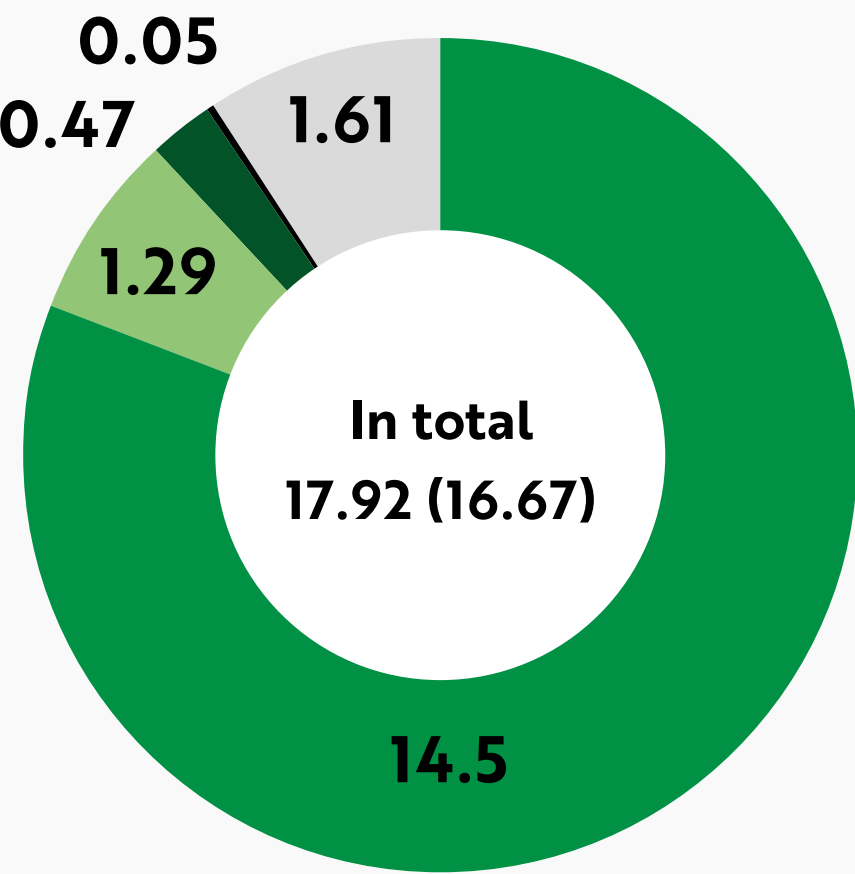
ECONOMY



Business inputs in general social obligations in 2022 (2021), EUR million

- Biodiversity 56.9 (56.9)
- Reindeer husbandry 3.5 (3.2)
- Recreational use 14.8 (14.9)
- Sámi culture 5.1 (4.7)

In total 80.3 (79.7)



Enterprise's inputs in new reconciliation measures in keeping with the ownership policy in 2022* (2021), EUR million

- Expanding continuous cover forestry as part of reconciling objectives** 14.5 (10.7)
- Active ecological management programme 1.29 (1.2)
- Research and development 0.47 (0.4)
- Climate Programme 0.05 (3.55)
- Recreational use and nature tourism 1.61 (0.91)

In total 17.92 (16.67)

* The inputs in 2022 reduce the revenue generated for the state in 2023.
** Fellings necessitated by storm damage are not included in the additional inputs.

WELLBEING AND CULTURE

Joy, health and wellbeing for millions

We enable citizens to enjoy nature by hiking, staying in holiday houses, picking berries, hunting and fishing. We foster cultural environments in areas managed by us: traditional landscapes and their building heritage as well as archaeological monuments from castle ruins to tar pits. We support the continuity of traditional ways of moving about in nature and outdoor skills as part of living heritage and pass on hunting and fishing traditions from one generation to the next. We also produce new information on nature and sustainable development.



Photo: Katri Lehtola

Health, wellbeing and culture in 2022

6.7 million
nature visits to national
parks, state-owned
hiking areas and other
protected areas and hiking
destinations

0.5 million
days of fishing
and hunting

1.7 million
visits to visitor centres
and cultural heritage
sites*

*Includes visits to historical sites.

**Over
93,000**
people reached through
guided tours, events and
nature education



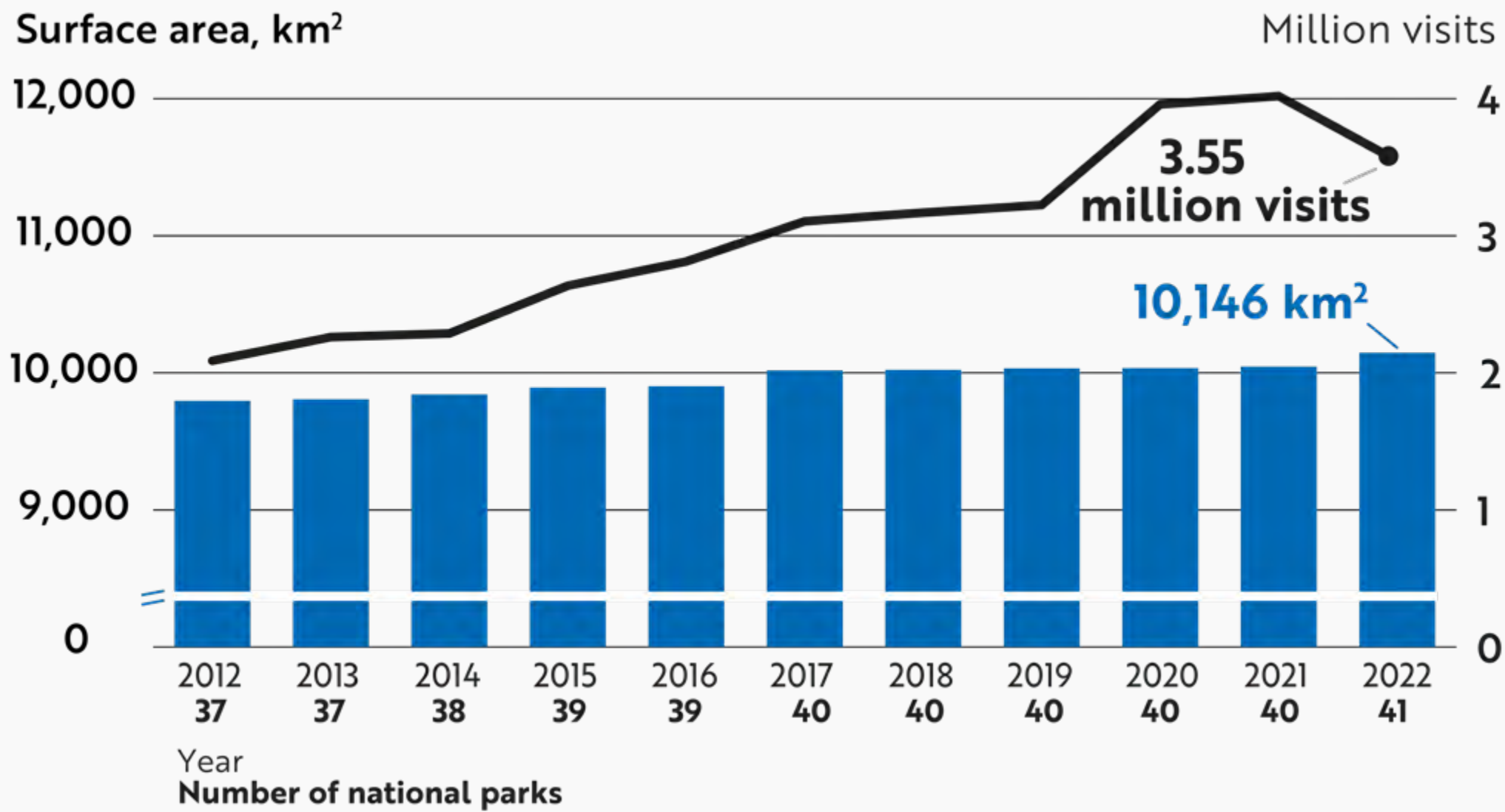
WELLBEING AND CULTURE

Visits to national parks levelled off after the pandemic

Tourism had a busy start for the year, especially in Northern Finland’s national parks, but Russia’s war of aggression in Ukraine changed the situation in the spring. Financial uncertainty and rising fuel prices affected consumer behaviour. Especially those national parks that are located at a long distance from growth centres or far away in the archipelago had less visits than before. Towards the end of the year, tourism in Lapland was boosted by Christmas tourists.

In 2022, national parks, state-owned hiking areas, historical sites, nature reserves significant for recreational use, and hiking destinations attracted around 7.4 million visits, of which national parks accounted for 3.5 million. While the peak numbers recorded during the COVID-19 pandemic were not reached in national parks, the long-term increase in visitor numbers continued, and a 10% increase was achieved compared to 2019.

Visits to national parks and development of the national park network in 2012–2022



In addition to the outdoor destinations, visitor centres and customer service points were visited around

one million times in 2022. Heritage farms and nature information huts additionally attracted 42,500 visits.

WELLBEING AND CULTURE

Satisfaction of visitors to national parks broke all records

We measure the customer satisfaction of visitors to national parks annually. Visitor surveys indicate that people appreciate nature experiences and are very satisfied with the services provided by national parks and the hiking environment. On a scale of 1 to 5, customer satisfaction was 4.43 in 2022, which is the best score ever.

Visitors estimated the health and well-being impacts they had experienced to be worth around EUR 100 per visit. Based on visitor surveys and calculations, it can be estimated that the total worth of the health impacts experienced by all those who visited Finnish national parks in 2022 is approximately EUR 355 million in total.

Fishers’ and hunters’ customer satisfaction has also remained at a high level. The second best results of all times were obtained in the customer satisfaction survey. Customers find that fishing and hunting improve their social, psychological and physical wellbeing.

Wellbeing impacts of recreational use in 2022 (2021)

Health and wellbeing impacts (social, psychological and physical) experienced by visitors to protected areas and historical sites, on a scale of 1 to 5

4.34
(4.33)

Health and wellbeing impacts experienced by visitors to national parks, EUR/visit

100

Customer satisfaction of visitor centre and off-road service users,

4.43
(4.38)

Customer satisfaction of hunters and fishers

hunters
3.77
(3.77)

fishers
3.78
(3.81)

WELLBEING AND CULTURE

We improved accessibility at nature destinations

We maintain dozens of easy-to-access hiking destinations that are also suited for people with mobility aids and those seeking easy trails. As far as possible, we take accessibility into consideration at all new hiking destinations in protected areas.

Accessible trails typically have an accessible toilet and campfire site, in addition to which many destinations also have an accessible bird tower or viewing platform for observing nature. Some of the accessible trails are challenging, however, and such groups as wheelchair users should bring an assistant. In 2022, the total length of accessible trails was 35 to 40 km and their average length was 700 metres. Accessible nature destinations can be found around Finland, and information on them is provided on our [Nationalparks.fi web service](https://nationalparks.fi).

We repaired hiking structures and cultural heritage sites

We continued to reduce the repair backlog related to hiking structures and services in 2022 with the aim of ensuring that the structures are safe, avoiding wear and tear on the environment, and preventing new repair backlog. We renovated campsites and trails and increased our offer of accessible outdoor services. When renovating buildings, we focused on energy efficiency, customer safety and durability. We also refreshed our data concerning the locations and condition of hiking structures in our spatial data system. The accessibility of several national parks was improved by means of public transport solutions. In a joint campaign with the rail company VR, we highlighted destinations which can be reached by a combination of trains and local public transport services.

We also completed many types of work to preserve the value of cultural history property assets around the country and carried out planned repairs to historical sites with separate funding. The ruins

of Kajaani castle and Aulanko viewing tower were reopened for the public during the year. We also repaired the 18th century island fortress of Svartholm and the foundations of medieval buildings at Koroinen in Turku, early 20th-century buildings of Raja-Jooseppi homestead and an old Sámi reindeer separation site of Sallivaara in Lemmenjoki National Park.

The fact that peak visitor numbers levelled off after the pandemic could also be seen on historical sites managed by Metsähallitus, which attracted 683,700 visits in 2022 (2021: 924300).

Multiple-use forests enable recreation and tourism

Multiple-use forests support the tourism industry by offering possibilities for hunting, berry picking, outdoor exercise and off-road snowmobile excursions. While everyone's rights give recreational users relatively free access to the multiple-use forests, Metsähallitus' permission is required for such activ-

WELLBEING AND CULTURE

ities as operating a motor vehicle off the road and setting up tourism entrepreneurs' trails and structures.

In total, 36,000 kilometres of our own forest roads are available for recreational visitors in multiple-use forests. Roads are an essential prerequisite for enabling and facilitating recreation and other multiple uses of state-owned areas. In 2022, we invested around EUR 22 million in maintaining the road network, which is 20% more than in 2021. Additionally, 194,000 hectares of forest land were excluded from commercial forestry or their use was restricted, primarily in order to facilitate recreational use.

In addition to roads, we have given free access to snowmobiles within limited areas to support both snowmobiling as a pastime and the local tourism industry. For example, snowmobiles can be permitted on roads that are not kept open in winter and other tracks. Areas for free snowmobiling have been set up

in Kainuu as well as in Keuruu in Southern Finland. They have been popular, and the feedback on them has been positive.

Need for fishing and hunting supervision continues to grow

Hunting, fishing and hiking have become increasingly popular in recent years, and some visitors to nature fail to obtain the necessary permits or behave responsibly. We introduced a new system for wilderness supervision in 2022, which enables us to monitor wilderness inspections in real time throughout the year. Game and Fisheries Wardens and Rangers inspected 8,532 visitors to state-owned areas during the year. While most of them were fishers and hunters, hikers were also inspected and off-road traffic was supervised. Wilderness supervision issued 329 reprimands. An on-the-spot or other fine was imposed in 158 of these cases, while 43 were referred to the police for a pre-trial investigation.

Growth in events, tours and nature education welcomed after the pandemic

Events, guided tours and nature education organised by Metsähallitus reached over 93,000 people in 2022. As the impacts of the COVID-19 pandemic receded, we were able to organise more events, for example for young people.

The exhibition at Science Centre Pilke and other events in Rovaniemi were visited by 65,416 people, of whom over 3,100 were children and young people attending the learning groups organised at the Science Centre. In addition, the learning groups reached over 2,100 children and young people at various other events.

In the context of communications targeted at young people, we participated in the scout jamboree Kajo organised in Evo, Hämeenlinna. The eighth Finnjamboree brought together over 20,000 scouts for a week in July. Metsähallitus was one of the main partners of this event, and we organised workshops for

WELLBEING AND CULTURE

two programme valleys and an action-based customer service point at the jamboree. Metsähallitus' activities reached over 4,400 participants, of whom slightly more than 1,400 attended the learning workshops.

The visitor centres organise guided tours both in their exhibition facilities and outdoors. These tours were attended by around 26,500 people in 2022. Finnish Nature Centre Haltia and Liminka Bay Visitor Centre are important partners for day-care centres and schools. Nature education offered by Haltia was attended by around 4,000 children and young people guided in groups, and in Liminka Bay, group guidance was provided for approx. 3,000 children and young people. We also offer nature education for visitors to the national parks and other protected areas, regardless of their age. Responsible hiking and the Outdoor etiquette were emphasised in information signs at destinations, Retkiratsia supervision campaigns and the scout jamboree Kajo in Evo. These actions were also part of National Parks Finland's nature and environmental education programme.

Our ever popular shepherding weeks broke a new record: the names of shepherds for 15 different sites and 171 weeks from May till September were drawn from among over 17,000 applications. The shepherding sites are fascinating combinations of rare natural environments and old culture. They are managed by allowing private owners' livestock to graze the sites, while the shepherd is responsible for the animals' welfare. The income from the fees for the shepherding weeks is used to maintain the sites and to pay the costs of ecological management.

The last Saturday in August marked the 10th anniversary of Finnish Nature Day. The popularity of Nature Day events in social media and the thousands of visitors showed that Finns have made this festival of nature their own.

The largest events organised by Metsähallitus marked the 40th anniversaries of Hiidenportti and Seitsemien National Parks. Around 900 people turned up to celebrate in Hiidenportti and around

600 in Seitsemien. A Finnish Nature Day event organised in Sanginjoki in Oulu also attracted a large audience.

Our wilderness tutor work and Angling Day events encourage children and young people to take up outdoor activities. The wilderness tutors take young people outdoors, where they learn about nature and get to understand the principles of sustainable fishing and hunting. We updated the teaching package aimed for schoolchildren and wilderness themed clubs in 2022: it was given a new visual identity, its content was modified, and accessibility was ensured in the tasks. By means of our Wilderness Passport, Metsähallitus wishes to lead children and young people in the right direction and introduce them to the wilderness culture. The Wilderness Passport was translated into Swedish, and some of its assignments also into English. For the first time, the assignments intended for the youngest children were additionally translated into North Sámi.

WELLBEING AND CULTURE

On Angling Days, everyone under the age of 18 can try fishing for free at a number of Metsähallitus’ angling destinations. The participant numbers again reached peak figures after the pandemic in 2022, as more than one thousand children and young people attended the Angling Days. Around 550 people participated in the wilderness tutor activities.

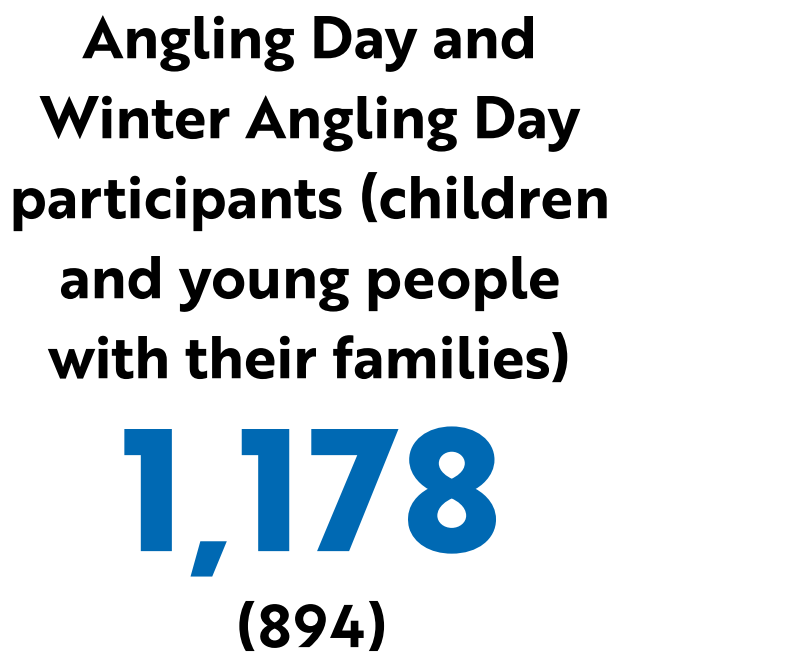
Sales of holiday house sites close to ski resorts fairly busy

While the sales of holiday house sites declined slightly from the year before, they were still fairly busy. We sold 91 new holiday house sites and 58 sites that were previously leased in 2022, in addition to which we leased 48 new sites. Customers were highly interested in the new Porontima area near Ruka in Kuusamo, and all sites but one were sold straight away. In early 2022, we also concluded the sales of sites that had been reserved the year before in Röhkömukanmaa area in Ylläs.

While there still appeared to be a demand for sites

in Iso-Syöte, Ylläs, Levi and Saariselkä, very few of them were left in these areas. We consequently initiated negotiations with the municipalities in these areas on zoning new sites which would enable us to meet this demand.

People reached through guided tours and nature education in 2022 (2021)



Four local detailed plans or plan modifications are currently pending in Ylläs. We gave our opinion on the planning documents as the local master plan for Ylläs was being prepared in 2022. The City of Pudasjärvi is about start an update of the local master

WELLBEING AND CULTURE

plan for Syöte, and new areas for local detailed plans could also be identified in this process. In 2020, a master plan for Syöte was prepared, which will be accounted for in the zoning work.

In Levi we are negotiating on two changes to the local detailed plan, promoting the future zoning of the Southern slope by means of a general plan prepared in advance, and negotiating on a land use agreement for the Seita plan. A local detailed plan is being prepared for Viskitie in Saariselkä.

According to our estimates, there would be around 120 new holiday house sites in Ylläs and around 70 new sites in Viskitie area in Saariselkä. Of the latter, a few would be for tourism services and the rest for holiday houses. As a result of two changes to local detailed plans, 50 to 60 holiday house sites could be zoned in Levi, whereas the Seita plan would contain 8 holiday house sites and one for tourism services. The plans for Syöte and the Southern slope in Levi are preliminary, and the final site numbers will be determined as the work progresses. The sites will

come on sale later as the infrastructure is completed and depending on demand.

In Southern Finland, the preparation of a partial master plan for Tullinmetsä started on the borders of Teijo National Park. This zoning exercise will create preconditions for developing nature tourism and the village of Mathildedal in Teijo. A detailed shore plan became legally valid in Orivesi in 2022 close to Pukala recreation forests. The plan will provide good prerequisites for developing nature tourism in this area.

Zoning is additionally under way in Ruunaa and Oulujärvi Hiking Areas in processes which also aim to improve the preconditions for nature tourism at these destinations.

Holiday houses have significant impacts

In 2006–2022, we sold a total of 3,710 holiday house sites. Unlike other operators, we also lease sites. We currently have 1,633 leased sites, of which 197 are intended for permanent residences. A survey conducted by Natural Resources Institute Finland found that

the average number of days people spend in their holiday houses is 103. We estimated that each holiday house would be used by two people. Based on these parameters, our conservative estimate of the number of days spent in holiday houses on state-owned lands in 2022 was 1,100,658.

We also drew up an assessment of holiday residents' impacts on regional economies based on the data produced by Natural Resources Institute Finland's holiday house survey. The survey found that people spend approximately EUR 30 per day on daily consumer goods while staying in holiday houses. They spend on average EUR 3,500 a year on services and goods related to building and renovations, EUR 2,600 on building, repairs and appliances for the property, and EUR 663 on other goods and services. Using median values, these purchases add up to more than EUR 36 million annually for those staying in holiday houses in state-owned areas. Holiday residents make purchases in both their holiday and home municipalities.

Case:

Launch of Salla National Park was celebrated in sunny weather (Metsä.fi journal in Finnish) »

A new national park was opened in Finland on 1 January 2022. It comprises old-growth forests and magnificent fell landscapes in Eastern Lapland, where hikers are now served by new trails and a Visitor Centre.



SUSTAINABLE SERVICES AND RENEWABLE SOLUTIONS

We create diverse opportunities for bioeconomy and circular economy

State-owned land and water areas offer solutions for a more responsible and sustainable future. We enable the growth of renewable energy generation, produce renewable raw materials sustainably, and create business opportunities in state-owned land and water areas based on natural resource plans prepared together with our stakeholders.

Significance of renewable energy reached a new level

We actively develop potential for renewable energy business in state-owned land and water areas and consequently contribute to achieving Finland's carbon neutrality target. While wind power developers'

interest and enquiries concerning state-owned land areas remained at a high level, interest in Finnish offshore areas as a location for wind farms has also increased significantly.

Metsähallitus' operating model for transferring offshore wind farm sites to developers was approved in December 2021. In keeping with this model, we identify sites suitable for offshore wind power production in state-owned public water areas managed by Metsähallitus, take charge of the initial phase of project development, and put the leases to these areas and the initial phase of project development out to tender in a commercial procedure. Preparation of

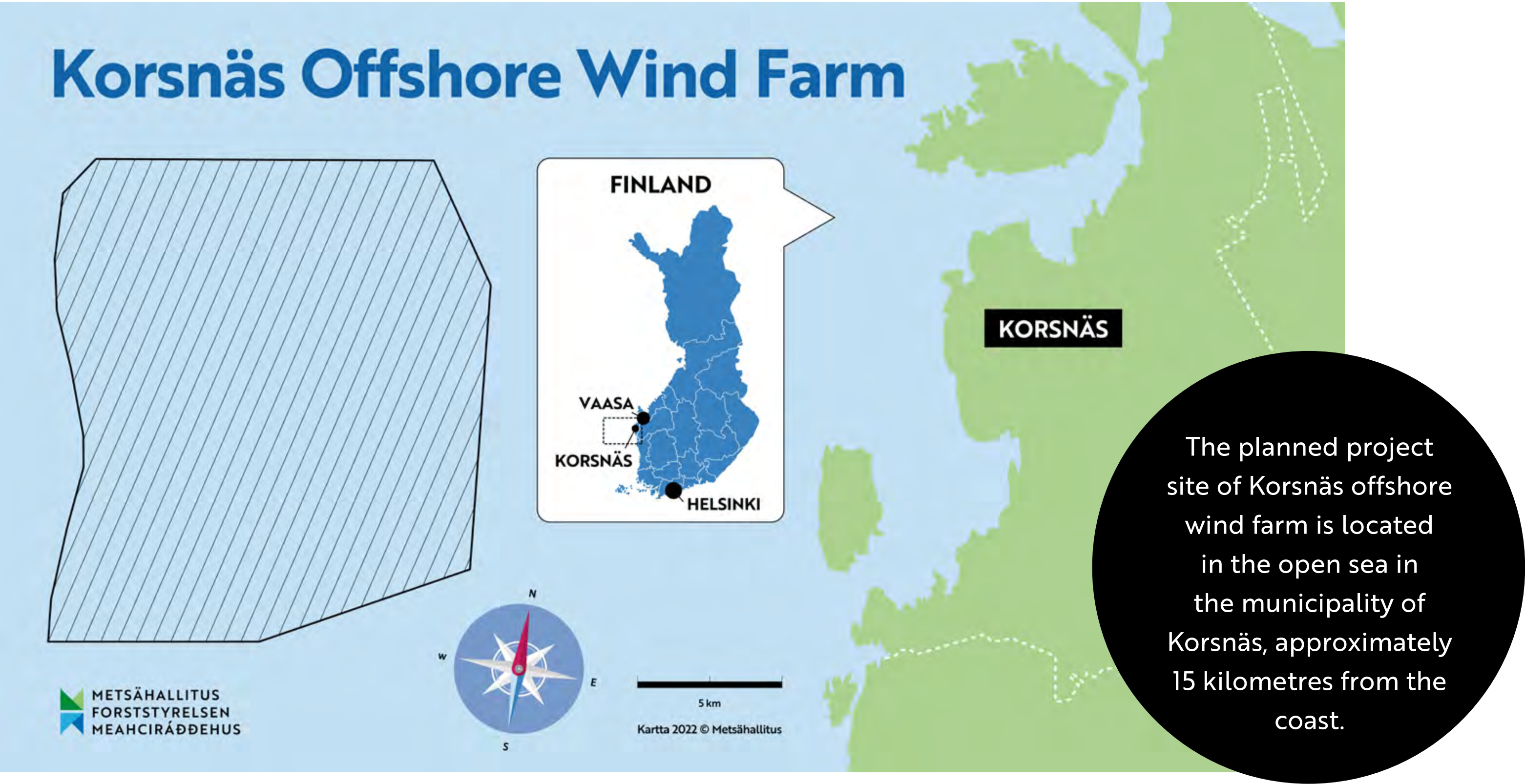
the first sites for the tendering process proceeded as planned in 2022. We initiated preliminary studies of potential project sites and a preliminary permit process, both of which will continue in 2023.

Korsnäs offshore wind farm project took significant strides forward in 2022. We opened premises in Korsnäs that serve both as an office for those working on the project and a local and easily approachable information point for this significant, industrial-scale offshore wind farm. Obtaining Government approval for leasing state-owned sea areas at the project site of the Korsnäs offshore wind farm was an important precondition for making headway in

SUSTAINABLE SERVICES AND RENEWABLE SOLUTIONS

the project. In late 2022, we signed a contract with Vattenfal on the development and construction of Korsnäs offshore wind farm. There was extensive interest in the partner selection for the project, and a balanced set of metrics was used in it, which took into account the terms and conditions of the contract package, price factors, ESG and responsibility perspectives and general feasibility. Other significant criteria included strong experience of offshore wind power development and commitment to the project schedule.

Active dialogue with the local community and other stakeholders has played an important role in Korsnäs offshore wind project since the beginning of the planning process. Among other things, we organised three public Vind Café events to discuss different themes related to offshore wind farms in autumn 2022. We are planning to continue the Vind Café events throughout the project development period. Project development of Korsnäs offshore wind farm is expected to take around four years, and the farm is believed to start producing electricity in the



2030s. The project site in Korsnäs is located around 15 kilometres from the coast. The nominal output of Finland's first offshore wind farm will be 1,300 mega-

watts, which corresponds to a modern nuclear power plant, and the annual production (5 TWh) accounts for approx. 6% of Finland's electricity consumption.

SUSTAINABLE SERVICES AND RENEWABLE SOLUTIONS

Wind power development on state-owned lands has been part of our responsible business since the early 2010s. Metsähallitus had on-going onshore wind farm projects in Kajaani, Simo, Puolanka and Sievi in 2022. A number of cooperation projects with private wind power companies was also launched in 2022. In addition to our own wind power project development and joint projects, we also lease state-owned areas to other project developers. By the end of 2022, a total of 157 wind power plants had been built in state-owned areas, which corresponds to a total output of 590 megawatts (MW). Metsähallitus is additionally developing around 170 to 220 onshore wind farm projects in total, and around 300 to 400 offshore projects. Of all wind turbines built in state-owned areas by the end of 2022, 131 are located in wind parks developed by Metsähallitus itself.

In addition to wind power business, we are actively investigating various options for solar power plants

and suitable sites in areas we manage. Simultaneous use of solar power and onshore wind power would even out fluctuations in energy production and improve productivity. Solar energy projects can also bring renewable energy investments to areas where no wind power projects are envisaged.

From a silted bottom to green meadows of eelgrass

Seabed aggregates can play an important role in the future. We have actively explored new uses of marine sand and completed the first trial of excavating it last year. Marine sand can be used to reduce the pressure of utilising onshore aggregate resources and to secure the availability of sufficient and high-quality groundwater, while protecting terrestrial ecological values in areas facing extensive pressure of use and human influence.

We came up with a completely new method of seabed restoration at Hevosenkänkälahti Bay in Lautasaari, Helsinki in 2022. In this method previously tested in Sweden, silted areas of sea bottom are covered with sand. Common eelgrass (*Zostera marina*) is planted in the sand to bind the bottom sediment and maintain biodiversity. The common eelgrass forms an underwater meadow on the seabed, offering food and shelter for many other species. Sand left over from previous trial excavations can be used for this project. Studies that precede the use of this restoration technique will continue in 2023.

SUSTAINABLE SERVICES AND RENEWABLE SOLUTIONS

Towards more sustainable tourism

Responsibility is increasingly important in selecting tourist destinations, and more and more people would like their trip to be meaningful and provide added value to the local population and the environment. We continued to make headway in measures identified as we developed our strategy and promoted more sustainable tourism in cooperation with our partners in 2022.

We use the Limits of Acceptable Change (LAC) method to monitor the effects of recreational use of nature on the ecological, economic, social and cultural sustainability of an individual nature destination or historical site. We were monitoring 28 sites in 2022. Despite a strong increase in the number of visits triggered by the COVID-19 pandemic, the state of sustainability in nature destinations within the scope of LAC monitoring was good overall. This has been partly due to the fact that inputs have been made in

communicating about sustainable tourism and the Outdoor Etiquette, additional funding has made it possible to renovate hiking structures, and we have been able to allocate additional resources to tourism cooperation.

The detailed shore plan for Ruunaa Hiking Area progressed to the proposal stage in 2022. By means of zoning, Metsähallitus and the City of Lieksa aim to enable the development of accommodation and tourism services in the area, increasing the number of recreational visitors and the length of their stays. Based on a general plan completed in 2019, the plan specifies the land use, location and building rights for nature tourism construction.

In Ruunaa Hiking Area, nature tourism construction aims for increasing the total number of visits, having a positive impact on employment and the regional economy, expanding accommodation capacity, and

developing high-quality infrastructure and a service structure that meets international standards. Once the plan has been implemented, it is hoped that Ruunaa will attract around 200,000 visitors annually by 2040.

SUSTAINABLE SERVICES AND RENEWABLE SOLUTIONS

Digital guide provides tips and information for developing sustainable tourism

We published a guide on sustainable tourism in protected areas, which sets out the principles of sustainable tourism when operating in state-administered nature reserves. While the digital guide is specifically aimed at tourism companies operating in nature reserves, it can be useful for all actors interested in sustainable nature tourism. The material has also been published in Swedish and English.

Read more about the guide »

Photo: Katri Lehtola



We enable domestic fish farming

Since 2019, we have been involved in the Kalavaltio project, which aims to boost sustainable Finnish fish farming in state-owned sea areas and to facilitate start-up businesses. 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 volumes for fish farming.

As part of this project, we launched a permit process for a fish farm in the sea area to the west of Isokari in Kustavi. The Environmental Impact Assessment Procedure (EIA) for this project began in 2022 and is expected to be completed in summer 2023. A trial operating licence for fish farming was granted for this site in 2022, and Metsähallitus leased the area for experimental farming activities. The research is conducted by Natural Resources Institute Finland, while a company is in charge of farming the fish.

SUSTAINABLE SERVICES AND RENEWABLE SOLUTIONS

Surface area of continuous cover forestry will be increased

Our aim is to increase the area of continuous cover forestry in regeneration fellings carried out in state-owned multiple-use forests from the 15% achieved in 2020 to 25%. The rotation periods will be extended, and continuous cover forestry will be selected on sites where forest management is coordinated with such pursuits as recreational use, landscape considerations or reindeer husbandry. Continuous cover forestry sites include the nutrient-poor pine forests of Lapland, forests in tourism and hiking areas, and suitable peatland forests.

The total surface area covered by felling operations in 2022 was 87,000 hectares, which corresponds to 2.4% of the forest land area in multiple-use forests. Intermediate fellings were carried out on 69% and regeneration fellings on 31% of this area. Continuous cover silviculture methods were used on 48% of the surface area of regeneration fellings. The exception-

ally high share of continuous cover fellings in regeneration felling type operations in 2021 and 2022 is explained to a significant extent by management, intermediate and regeneration felling operations necessitated by extensive storm damage in Ostrobothnia and Kainuu and actions required under the Forest Act.

Proportion of continuous cover forestry in regeneration type felling operations in 2020–2022

Year	Proportion of surface area covered by regeneration-type felling, %
2020	31
2021	40
2022	48

We are also collecting information and experiences related to the possibilities of using continuous cover forestry on observation areas established in Suomussalmi, Savukoski and Rautavaara in 2019. The observation areas produce research data and practical experiences concerning the suitability of various methods of continuous cover silviculture for different sites and geographical areas. The purpose of these sites is to produce information not only on forest regeneration, growth and timber production but also on the impacts of large-scale and sustained continuous cover forestry on biodiversity in forest habitats, the damage resistance of trees and the profitability of forestry.

In 2022, we launched cooperation with Metsäteho Oy in order to examine productivity differences between different forest management methods in the observation areas over the entire harvesting chain. The study is based on time use monitoring data recorded by forest machines and produced in coop-

SUSTAINABLE SERVICES AND RENEWABLE SOLUTIONS

eration with logging contractors. Combined quality and environmental monitoring was also carried out in the observation areas, the results of which will be available in early 2023.

An Act on expanding Tiilikkajärvi National Park was passed in Parliament in February 2023. Land areas belonging to the continuous cover observation area in Rautavaara totalling 1,290 hectares are included in the expansion area, corresponding to one quarter of the observation sites' surface area. The reduction in the surface area of permanent test sites will have a significant impact on the number of Natural Resources Institute Finland's study designs, which is why Rautavaara observation area will be discontinued.

Upgrade of forest information system launched

Data on forest resources lay the foundation for forest planning and provide essential support for deci-

sion-making. The data are constantly increasing in value and volume and becoming more accurate, while more factors must be taken into account in the planning of forest use. Preconditions for efficient and dynamic management of forest resource data include expanding the data repository, making changes to the actual data structure, improvements in the performance of the information system, and guaranteeing information security and improving the availability of information.

We launched an upgrade of the forest information system in 2022 with the aim of improving the integration of strategic and responsibility goals into forest planning and promoting the reconciliation of various ecosystem services, including wood production, biodiversity, carbon sequestration and recreational values. The system upgrade will also enable planners to compare and assess forest management options and their impact better. The goal has been set at commissioning the system in 2025.

Routa application optimises road maintenance fleet and work

Metsähallitus manages approx. 36,000 km of forest roads. While the road network has been built for timber harvesting, it also serves the recreational use of forests, fishing and hunting, reindeer husbandry and nature tourism. In 2022 we commissioned Routa, an ERP system for monitoring the supervision and implementation of road maintenance uniformly across the country. This system simplifies the overall management of contracting, in addition to which it improves communication with contractors, reduces unnecessary fleet movements and contributes to reducing emissions and carbon footprint.

More detailed information on machine-specific CO₂ emissions and similar can be entered in the system, and different fuel types can be specified for use in the fleet deployed in the work. This data will also enable us to examine and improve the energy efficiency of road maintenance. The system additionally has

SUSTAINABLE SERVICES AND RENEWABLE SOLUTIONS

a feedback channel for all road users, on which they can record their observations related to roads, for example report a broken culvert on a road.

Organic certification for natural products collected subject to a permit in Lapland

We also promote the exploitation of multiple-use forests for various natural products. Studies have shown that products collected in a clean environment have numerous effects on promoting health and wellbeing. Organic legislation applicable to products collected by permit, including young tips of the spruce and chaga mushrooms, was amended at the beginning of 2022, and landowners must now themselves obtain organic certification. In Metsähallitus, Metsähallitus Forestry Ltd applied for and obtained an organic certificate for products collected in Lapland.

We will continue our cooperation relating to organic products with Youngfour Oy, which is owned by the 4H Federation. Youngfour sells maps of areas used for commercial forestry in multiple-use forests in Lapland where organic natural products subject to a permit may be collected. These maps cover an area of approx. 2.7 million hectares.

They can only be sold to companies under organic control, regardless of whether they wish to pick natural products subject to a permit or those collected under everyone's rights. The landowner's permission is also always needed to collect natural products subject to a permit. These permissions for state-owned multiple-use forests can be purchased in the Eräluvut service.

Good governance

Metsähallitus’ Corporate Governance code promotes openness, transparency and good governance, thus supporting the competitiveness and success of Metsähallitus as well as cooperation with various stakeholders.

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MANAGEMENT PRINCIPLES

Management principles

Metsähallitus is a state enterprise referred to in section 84(4) of the Finnish Constitution. Legislative provisions applicable to its activities are contained in the Act on Metsähallitus and the Act on Metsähallitus Forestry Ltd. The Ministry of Agriculture and Forestry is responsible for Metsähallitus' performance guidance. Within its remit, the Ministry of the Environment also steers the performance of Metsähallitus' public administration tasks.

Metsähallitus has a coherent management system in which the statutory requirement of independence and impartiality in the performance of public administration duties is addressed. The Ministry of Agriculture and Forestry and the Ministry of the Environment steer and supervise the management of public administration services included in the remit of Metsähallitus as laid down in separate provisions

on the steering and supervision of the activities of agencies and departments.

The Board of Directors is responsible for the governance and strategic management of Metsähallitus and the proper organisation of its work. The Government appoints members to the Board of Directors for three years at a time. Metsähallitus' new Board of Directors was appointed in March 2022 for the next three-year period running from 1 April 2022 till 31 March 2025. Within the framework of ministerial steering and supervision, Metsähallitus' Board of Directors is responsible for the general direction and supervision of the performance of public administration services. It also ensures that these tasks are carried out in compliance with the decisions and regulations of Parliament and other authorities, and that the accounting and financial control of the pub-

lic administration services are arranged appropriately. Within its competence, the Board of Directors also makes decisions on matters laid down in legislation.

The Managing Director, who is appointed by the Government and who carries the title of Director General, is responsible for the management and development of Metsähallitus' work 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 financial accounts are kept in compliance with the law and financial management is reliably organised. Under the steering and control of the ministries and the supervision of the Board of Directors, the Managing Director of Metsähallitus is responsible for the overall management and development of the public administration services included in the remit of

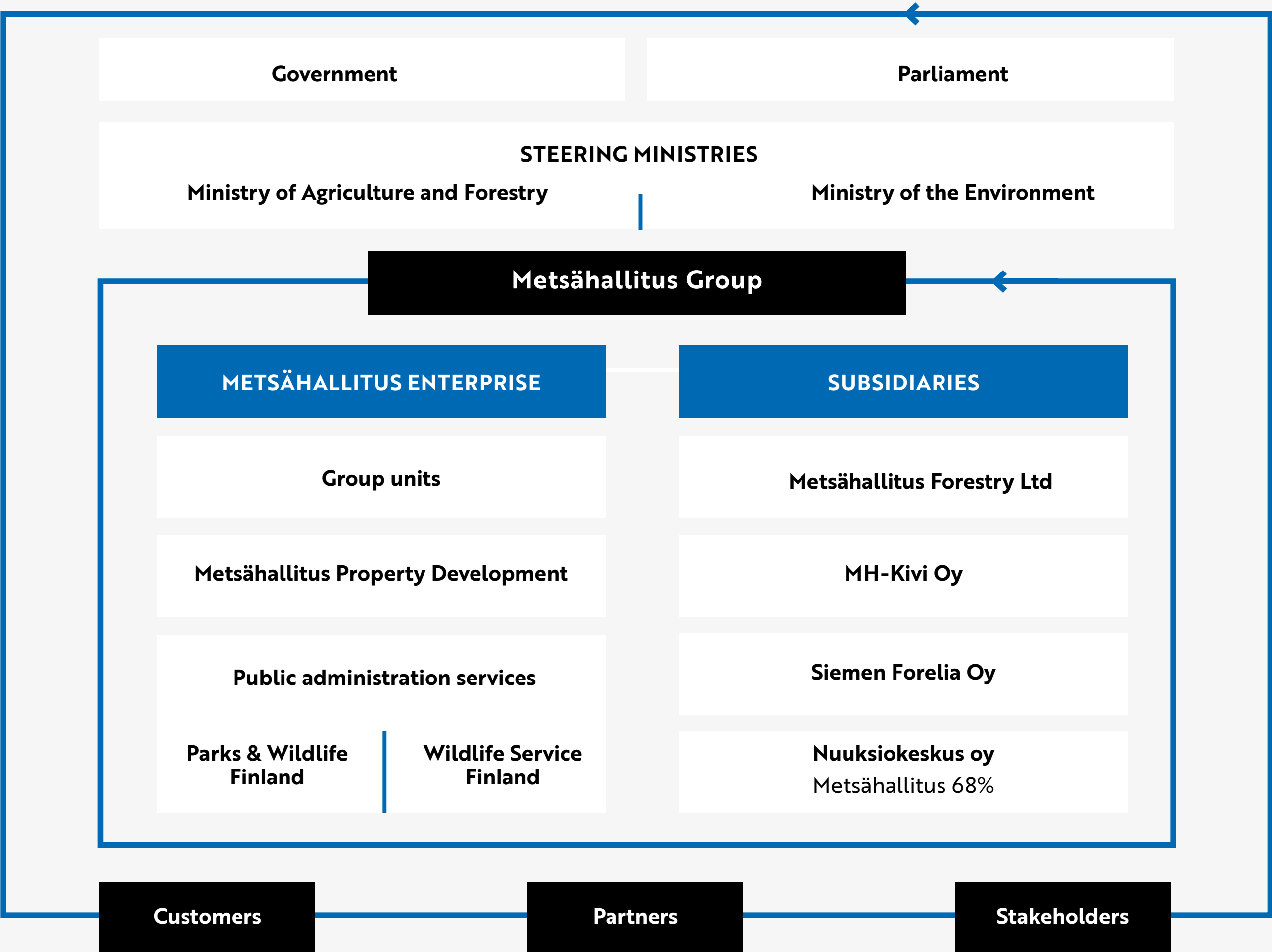
MANAGEMENT PRINCIPLES

Metsähallitus. The Managing Director also ensures that separate accounts are kept of the public administration services in compliance with the law, that the separate financial statements have been prepared appropriately, and that the financial management of the public administration services has been arranged in a reliable manner.

Parks & Wildlife Finland, the unit in charge of Metsähallitus public administration services, is managed by an Executive Director. The public administration services concerning fishing, hunting and wilderness supervision in Parks & Wildlife Finland are managed by the Director of Game and Fisheries Services.

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

Metsähallitus organisation



Our annual targets are approved by Parliament as part of the central government budget. The Ministry of Agriculture and Forestry is responsible for our performance guidance. Within its remit, the Ministry of the Environment also steers the performance of Metsähallitus' public administration tasks.

MANAGEMENT PRINCIPLES

Work and cooperation in the regions are reinforced by regional management groups operating in Lapland, Ostrobothnia–Kainuu and Southern Finland. The regional management groups see to the overall interests and synergy of Metsähallitus and liaise between the units. The management groups also formulate Metsähallitus’ shared positions and ensure that the regional perspective is considered in the opinions issued by Metsähallitus. The regional management groups report to Metsähallitus’ Management Group and the management groups of individual business units.

Internal audit

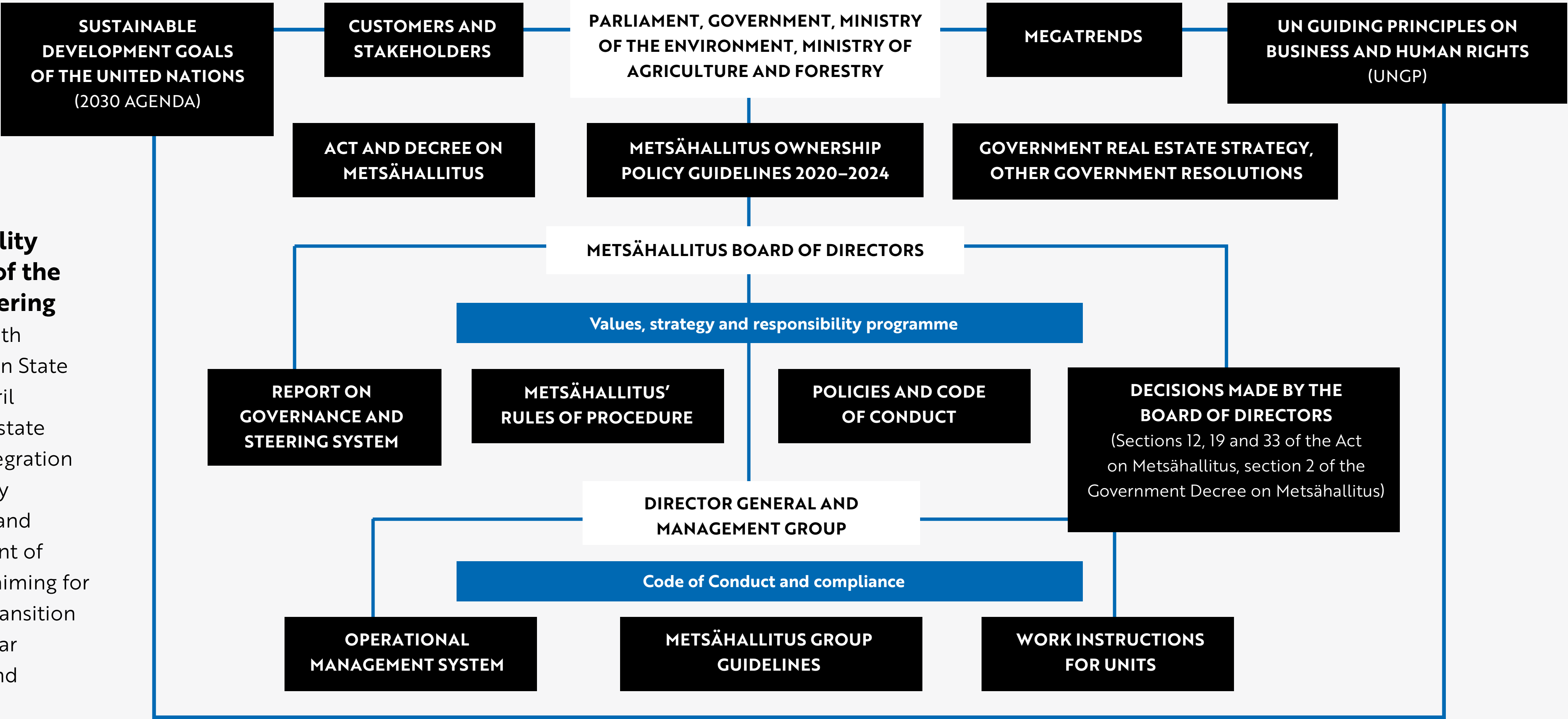
Director General is responsible for arranging internal control. The Board of Directors approves the annual plan for the internal audit. The planning, outsourcing and monitoring of audit activities are the responsibility of the Director of Risk Management, who is supported by the Audit Committee of Metsähallitus’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

Under the State’s ownership policy guidelines, we are required to



Metsähallitus' management system

Good corporate governance



Corporate responsibility is an elemental part of the state's ownership steering
Metsähallitus complies with Government Resolution on State Ownership Policy of 8 April 2020 VNK/2020/48. The state owner expects strong integration of corporate responsibility into business operations and goal-oriented management of corporate responsibility, aiming for a pioneering role in the transition to a carbon-neutral circular economy, digitalisation and responsibility.

RISK MANAGEMENT

Risk management

The goal of risk management is to ensure the achievement of the targets set for Metsähallitus and uninterrupted continuity of operations. Metsähallitus takes a moderate stance on risk-taking.

The Board of Directors approves the risk management policy. Director General has overall responsibility for the effectiveness and organisation of risk management and compliance. The Head of Risk Management owns the risk management process and is in charge of the development, guidance and reporting models of risk management for Metsähallitus Group as well as the support of the organisation's risk management. The Risk Management function works in conjunction with the Legal Affairs and Compliance unit. The directors of the business units and subsidiaries are responsible for risk management in their respective areas in keeping with Group guide-

lines and the risk management process.

A risk management process is in place, which includes regular assessment of risks and measures taken to manage them at the Group and unit level. The significance of risks is assessed as a combination of the probability and impact of the risk. Implementation of risk management measures is the responsibility of the unit in which the risks occur. Regular reports on the risks are produced for Metsähallitus' Board of Directors and its Audit Committee, which supervise the effectiveness and coverage of Metsähallitus' risk management.

Internal auditing is an important part of risk management, among other things to ensure the effectiveness of internal controls. Metsähallitus has outsourced its internal audit. The annual audit plan is compiled

with the outsourcing partner, then processed by the Audit Committee and confirmed by the Board of Directors. Internal audit findings are discussed with the audited unit as well as by the Group's Management Group and the Board of Directors' Audit Committee. The recommendations provided in the audit are taken into account in the operations and their development. The manager of the unit being audited is responsible for implementing the recommendations. Compliance with internal audit recommendations is monitored in an annual follow-up audit. The audits performed during the financial period primarily focused on reviewing basic functionalities.

Year 2022 and risk management

The operating environment became significantly more challenging in 2022. As a result of the geopolitical situation, additional investments were made in

RISK MANAGEMENT

securing operations. A new operating model based on multi-locational work was launched as the COVID-19 pandemic receded. The new modes of working set new requirements for risk management and necessitated active management in order to ensure the work organisation's productivity, well-being at work and compliant processing of data. A number of development targets were identified during the year, for which development measures were initiated. Key development areas include the processing and use of risk management data and better performance in maintaining a common situational picture. Ensuring compliance supports the achievement of objectives. Extensive regulatory development will require proactive development of activities.

Efforts to develop the management of responsibility risks continued during the year. Responsibility risks and their management are a part of comprehensive risk management. Efforts to map and analyse the responsibility and compliance risks continued in 2022, and an assessment of human rights impacts was conducted.

The risks associated with measures are assessed and methods for managing them specified as part of operational planning to implement the strategy. Risk management activities are monitored as part of the monitoring of measures.

Practical implementation of Metsähallitus' Climate Programme and efforts to prevent risks related to climate change were taken into account when planning the use of multiple-use forests, in the instructions for their management and treatment, and when developing the functionalities and spatial data content of the forest resource and planning system.

Particular attention was paid to risk management in the context of offshore wind power project development. In addition to its importance for the economy, increasing the supply of renewable energy is of extremely high social significance. Risk management related to project development supported the reform of risk management at Metsähallitus and brought up new requirements for operations.

With regard to managing the COVID-19 situation, the Management Group was supported by a preparation group operating under the Head of Risk Management. The group was responsible for monitoring the situation and for formulating Metsähallitus' COVID-related instructions and operating models. As the coronavirus pandemic receded, the group was disbanded. An analysis of the impacts of the pandemic and leadership during it was launched towards the end of the year in order to develop the activities based on experience.

An increase in undesirable network traffic was observed in 2022. Metsähallitus' services were targeted by a denial of service attack, but its impacts remained short-lived.

For key risks, see [the Annual Report of Metsähallitus' Board of Directors](#).

REMUNERATION

Remuneration based on strategy objectives

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 2020–2024. Remuneration is based on the objectives laid out in Metsähallitus' strategy and helps the Metsähallitus Group to work towards achieving these objectives.

Remuneration is reasonable and based on fairness, and it aims for better performance and internal unity and efficiency of the Group's operations. Metsähallitus and its subsidiaries have similar remuneration practices as unlisted state-owned companies operating on a commercial basis.

In Metsähallitus Group, the remuneration system covers the entire personnel. In this respect, the personnel are divided into four groups: the Managing Director; Management Group members and the Managing Directors of the subsidiaries; other directors by decision of the Managing Director; and personnel.

Metsähallitus' Board of Directors reviewed the policies on remuneration on 20 December 2022. The maximum percentages for management representatives were lowered, and the limit for separate remuneration for the personnel was raised to a maximum of EUR 6,000 (3,000).

In 2022, the common performance bonus criteria for all personnel members were the overall business profit of Metsähallitus and a unified and responsible Metsähallitus, which is measured by the successful implementation of the Responsibility programme, the customer experience indicator and, for the part of the management, also personnel experience. In addition, the units have their own complementary indicators that describe their activities.

REMUNERATION

Remuneration and fees 2022

The remuneration and other fees paid to the Managing Director and Board members totalled EUR 543,526 in the financial year (2021: EUR 439,278).

Fees paid to the members of Metsähallitus’ Board of Directors and committee chairs

The fees paid to the Chair, Vice Chair and other members of Metsähallitus’ Board of Directors have been valid since 1 April 2022. The monthly remuneration and attendance fees are taxable income.

Metsähallitus’ Board of Directors reviewed the policies on remuneration on 20 December 2022. The maximum percentages for management representatives were lowered, and the limit for separate remuneration for the personnel was raised to a maximum of EUR 6,000 (3,000).

The Board of Directors met 16 times in 2022. The attendance rate at Board of Directors’ meetings was 99.2%. The Audit Committee met 13 times and the Human Resources Committee 8 times.

Metsähallitus Board of Directors FEES		
Chair EUR	Vice Chair EUR	Other Board members EUR
2,500 /month	1,500 /month	1,300 /month
+ attendance fee EUR 600/meeting	+ attendance fee EUR 300/meeting	+ attendance fee EUR 300/meeting
Committees FEES		
Chair of the Audit Committee EUR	Chair of the Nomination and Remuneration Committee EUR	
1,500 /month	1,500 /month	
+ attendance fee EUR 600/meeting	+ attendance fee EUR 600/meeting	

BOARD OF DIRECTORS

Metsähallitus Board of Directors

The Government appoints a Board of Directors for the Enterprise for a term of no more than three years, and assigns one of the members to the role of Chair and another to the role of Vice Chair. 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 Enterprise and be employed by it, or one of its subsidiaries. The Managing Director of Metsähallitus may not serve as a member of the Board of Directors. A new term for the Board of Directors started on 1 April 2022.

**Metsähallitus Board of Directors
appointed by the Government for
1 April 2019–31 March 2022.**

Timo Laitinen, Chair, Director General, State Treasury

Sanna Paanukoski, Vice Chair, Ministerial Adviser,
Ministry of Agriculture and Forestry

Johanna Ikkäheimo, Member, Board Chairperson,
Lappset Group Oy, Fennia Mutual Insurance
Company, Board member, FEPI – Federation of
European Play Industry, Chairperson

Simo Rundgren, Member, regional representative,
Kolari, Vicar

Jussi Saukkonen, Member, Director, Finance,
Development and HR, Isku Interior Ltd., Chair of
Metsähallitus Audit Committee

Pekka Hautala, Member, Ranger, Metsähallitus
personnel representative, Chief Shop Steward, Trade
Union for the Public and Welfare Sectors JHL

Liisa Tyrväinen, Member, Research Professor, Natural
Resources Institute Finland, WWF Board of Trustees,
member

BOARD OF DIRECTORS

Metsähallitus Board of Directors appointed by the Government for 1 April 2022–31 March 2025.



Päivi Huotari
Chair
Managing Director,
Farmers' Social
Insurance Institution
of Finland MELA
Board member
since 2022



Sanna Paanukoski
Vice Chair
Ministerial Adviser,
Ministry of Agriculture
and Forestry
Board member
since 2020



Tanja Joona
Board member
Adjunct Professor,
University of Lapland
Board member
since 2022



Keijo Kallunki
Board member
Personnel representative
Specialist,
Communications,
Metsähallitus
Board member
since 2022



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



Tuija Suur-Hamari
Board member
Managing Director,
Wipak Oy
Board member
since 2022



Ismo Tiainen
Board member
Director General of
Administration and
International Affairs, Ministry
of the Environment
NEFCO – Nordic
Environment Finance
Corporation, Board member
Board member
since 2020



Roope Uusitalo
Board member
Professor, University
of Helsinki
Board member
since 2022

BOARD OF DIRECTORS

Boards of the subsidiaries

Metsähallitus Forestry Ltd

Juha S. Niemelä, Director General, Chair
Heli Lehtonen, Director of Finance, Vice Chair
Satu Saarelainen, Member, personnel representative
Päivi Salpakivi-Salomaa, Member, BSc, forester

Managing Director **Jussi Kumpula**

Siemen Forelia Oy

Tuomas Hallenberg, Director, Board Chair
Heli Lehtonen, Director of Finance, Vice Chair
Ville Koskimäki, Wind Power Project Development Manager, Member

Managing Director **Mikko Pulkkinen**

MH-Kivi Oy

Tuomas Hallenberg, Director, Board Chair
Heli Lehtonen, Director of Finance, Vice Chair
Juha S. Niemelä, Director General, member
Susanna Oikarinen, General Counsel, member

Manager **Harri Saxlund**

Nuuksiokeskus Oy
(Metsähallitus, shareholding 68%)

Mikael Nordström, Regional Director, Board Chair
Sirpa Niironen, Senior Advisor, Vice Chair
Satu Aromaa, Member, City of Espoo
Maria Nelskylä, Member, City of Helsinki
Johan Huldén, Member, Folkhälsan Utbilding Ab
Teemu Ruotsala, Senior Specialist, Procurement, Member
Anna-Liisa Varala, Legal Counsel, Member

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 the public administration services unit and the directors of the Group units.



Juha S. Niemelä
Director General



Päivi Lazarov
acting
Communications
Manager from
31 August 2022
(Terhi Koipijärvi,
Director,
Communications,
Strategy and
Responsibility,
until 30 August
2022)



Jussi Kumpula
Managing Director,
Metsähallitus
Forestry Ltd



Susanna Oikarinen
General Counsel



Jukka Bisi
Director, Game and
Fisheries Services,
Wildlife Service
Finland (Jyrki
Tolonen, acting
Director, Game
and Fisheries
Services until 31
March 2022)



Terhi Vires
Director, Human
Resources



Tuomas Hallenberg
Director,
Metsähallitus
Property
Developments



Heli Lehtonen
Director of
Finance



Henrik Jansson
Executive Director,
Parks & Wildlife Finland



Anna-Leena Ruuth
Director of
Information
Management

REPORTING PRINCIPLES AND GRI TABLE

Reporting principles

This report covers the operations of Metsähallitus and its subsidiaries in 2022. The report data were collected internally with the help of experts and compiled into a report in the Communications and Responsibility Unit. In addition to the annual and responsibility reports, the report and financial statements that contain the Group's financial information are part of this set.

The GRI standard has been used as the frame of reference for the report. The report also takes into account the EU's non-financial reporting framework. The selection of reported key figures was guided

by a materiality analysis. With the exception of the financial statements data, the information of the responsibility report has not been verified by an external party.

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

Case MH 1867/2023.

REPORTING PRINCIPLES AND GRI TABLE

Calculation principles

Climate programme

The baseline level of the Climate Programme data was calculated for 2018. The calculations are based on data produced by the 12th National Forest Inventory (2014–2018). MELA software and greenhouse gas inventory methods were additionally used in the calculations. The development of the carbon sink and carbon storage is assessed annually on the basis of this data.

Carbon handprint:

The carbon handprint estimate takes into account wind power built on Metsähallitus’ land, energy

wood and the use of renewable wood raw material in products.

In the method used to calculate the carbon handprint of wind power, it was assumed that wind power will replace some of the average annual emissions produced by the electricity market system. This is described by the residual distribution of electricity calculated by the Energy Agency, which gives the unverified distribution of electricity production in Finland. Our carbon handprint calculations for wind power only include the carbon dioxide emissions based on the residual distribution. Other greenhouse

gas emissions from energy production were not included. Neither does the figure factor in emissions from the construction of power plants or the production and transport of fuels.

For energy wood, the default carbon dioxide emission coefficient of peat in Statistics Finland's fuel classification was used in the calculation. No other greenhouse gas emissions were taken into account. Neither does the figure include emissions from peat or energy wood harvesting and transport or power plant construction. Emissions from the harvesting and transport of energy wood are taken into account

REPORTING PRINCIPLES AND GRI TABLE

in Metsähallitus' carbon footprint.

Our customers manufacture different bioeconomy products from the roundwood we supply and use it in their products to replace fossil raw materials and fuels. The resulting compensatory effects reduce greenhouse gas emissions that drive climate change. Our handprint was calculated by putting our share in the timber market in proportion with the research findings of Hurmekoski et al. (2020).

Carbon footprint:

The method used to calculate Metsähallitus' emissions changed in 2022. The carbon footprint has been calculated using the new method retroactively until 2020.

Metsähallitus' carbon footprint is based on purchase invoice data imported to Hansel's Hankintapulssi service. Hankintapulssi's carbon footprint calculations are based on Envimat coefficients developed by the Finnish Environment Institute. They can be used to assess the relationships between material flows, environmental impacts and economic impacts. The carbon footprint estimates for various procurement categories are based on the average carbon footprints of products in the Finnish market. The carbon footprint of certified electricity purchased through Hansel's joint procurement agreement is shown as 0. [Detailed description of the Envimat model \(in Finnish\)](#)

The carbon footprint calculation is an estimate based on the assumptions made in the calculation

and the baseline data obtained from reporting. The accuracy of the assessment will improve as more research evidence is accumulated and the input data becomes more accurate. As an exception to the GHG protocol, the carbon footprint calculation does not in all parts distinguish between in-house work (direct 'downstream' emissions) and outsourced work (indirect 'upstream' emissions) when examining field work.

REPORTING PRINCIPLES AND GRI TABLE

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REPORTING PRINCIPLES AND GRI TABLE

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REPORTING PRINCIPLES AND GRI TABLE

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400 - SOCIAL IMPACTS

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Annual Report and Financial Statements

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