Sustainable growth from Metsä

Metsä Group is a Finnish forest industry company that operates on the international market. We focus on wood supply and forest services, wood products, pulp, paperboards, tissue and greaseproof papers.

In 2019, Metsä Group’s sales totalled EUR 5.5 billion and it employs approximately 9,300 people. The company has 36 production units in eight European countries.

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CREATING VALUE IN SOCIETY
Metsä Group is an important part of society and creates value locally, nationally and internationally. We strive to be a responsible and active member in the communities where we operate.

PROMOTING BIODIVERSITY EVERY DAY
Consideration for nature values and biodiversity is an integral part of sustainable forest management measures and wood supply.

MINIMISING EMISSIONS TO AIR AND WATER
Efficient control and mitigation of emissions to air and water are the cornerstones of managing the environmental impacts of production.

PUBLISHER
Metsä Group

These publications are available online at www.metsagroup.com.
Please email any feedback to communications@metsagroup.com or communicate it to us via social media @MetsaGroup.

SUSTAINABILITY REPORT 2019
Metsä Group
Metsä Group
Metsä Group
Metsä Group
STRATEGIC SUSTAINABILITY 2030 OBJECTIVES WERE LAUNCHED
Metsä Group’s strategic sustainability objectives for 2030 guide our path towards a climate neutral society. The objectives cover four themes: well-being, forest, environment and products and supply chain. We measure and report our progress transparently and regularly.

INVESTMENT PLAN WORTH EUR 2 BILLION
We launched an investment plan for a new bioproduct mill at Kemi, a new sawmill at Rauma in Finland and the first renewals at the Husum pulp mill in Sweden. The total value of these investments will amount to approximately EUR 2 billion during 2019–2023. The positive employment impact in the direct value chains would be roughly 2,000 jobs. In December 2019, the Rauma sawmill was granted an environmental permit.

OUR FOREST VISITOR CENTER NEMUS FUTURUM OPENED
Situated in the Kirkniemi area in Lohja, Finland, Nemus Futurum showcases the Finnish forests in a completely new way through cutting edge technology. Our guides introduce visitors to sustainable Finnish forest management, sustainable use of forests, forest nature and our bioproducts.

GREEN FINANCE FRAMEWORK WAS LAUNCHED
The Green Finance Framework integrates environment, sustainability and climate change mitigation to the Group’s investments and related financing activities.

MILL SAFETY IS ALSO SAFETY FOR NEIGHBOURHOODS
Improved safety at our mills also means improved safety to many of our stakeholders. We manage and take precautionary actions to mitigate the risks related for example to traffic close to the mills, use of chemicals, emissions to water and air, product safety and fire safety. Still there are incidents, such as occasional oil or chemical spills, which means that continuous improvement is needed. It is our priority to focus on preventing risks and manage safety issues comprehensively to be a trusted neighbour and a reliable player in the society.

CONTINUOUSLY IMPROVING WORK SAFETY
One of our strategic sustainability 2030 objectives is to have an accident free work environment. In 2019, workplace safety improved in terms of lost time accident frequency (LT A1). The most serious setback was a fatal work accident at our Zilina production site in Slovakia. We continue our extensive work to prevent all workplace accidents and significantly improve work safety.
Metsä Group has an 85-year history as a builder of and forerunner in, sustainable forestry and forest-based industry. During this time, we have grown into an important forest industry operator. The balanced consideration of all aspects of sustainability and their active developments are of key importance to us. Sustainable development plays a major role in the planning and implementation of Metsä Group’s strategy.

In line with the Paris Agreement, we are committed to bearing our own responsibility in the mitigation and prevention of climate change throughout the value chain. We support the achievement of the UN’s Sustainable Development Goals (SDGs) in many respects. To the development challenges set by society, we respond with our own work. We live in a world of demanding international competition, and this is why maintaining financial sustainability requires the constant and long-term renewal of our business operations. From the perspective of society and the environment, the realisation of sustainability requires the company’s financial standing to be sound. With respect to social sustainability, we recognise our impact on society and particularly our impact on the stakeholders close to the company, such as the forest owner-members of our parent company Metsäliitto Cooperative and the Group’s personnel as well as the end users of our consumer products. This also includes ensuring responsible business practices in our supply chain.

Taking all of this into account, Metsä Group is in good shape to further invest in its competitiveness. In 2015–2018, we carried out an approximately EUR 2 billion investment programme. In 2019, we announced a new EUR 2 billion investment programme aimed at increasing sustainable bio-circular economy and welfare. The programme is currently in a pre-engineering phase. As part of this phase, we are pursuing a clear reduction in the use of fossil fuels and the creation of new jobs, particularly in rural areas.

OUR OPERATIONS ARE GUIDED BY AMBITIOUS SUSTAINABILITY OBJECTIVES

New and ambitious sustainability objectives have guided our operations from the beginning of 2019. The objectives extend up to 2030. Their achievement requires hard work and the creation of new solutions. With this effort, we want to both promote sustainable development, and to contribute to the required solutions. Our objectives cover the entire value chain from forest to customers – more carbon stored in forests and our products, the operation of mills entirely without fossil fuels and the provision of new fossil free materials to customers.

Renewal and the achievement of ambitious objectives require the continuous development of our way of working. It is important for us to operate efficiently on a common ethical basis. Our ethical foundation is our Code of Conduct, which we renewed in late 2018 and which we extensively trained our personnel on during 2019. Regarding internal development, safety at work is one of the most important issues. It is of primary importance that we are a safe workplace for every employee. We have carried out a lot of proactive work and developed our ways of working. In 2019, workplace safety improved in terms of lost time accident frequency (LTAF). Occupational accidents decreased slightly although we also had one fatal occupational accident. Our wide-ranging work to improve safety at work naturally continues, and our target is zero occupational accidents.

Espoo, Finland, 28 January 2020
Ilkka Hämälä
President & CEO
Metsä Group

The work to improve our performance in sustainable development is never finished.

We also require our partners to improve sustainability in their business operations. The external evaluation of our work and achievements together with feedback are important. Metsä Fibre has participated in the global EFQM assessment and as a result of which received a significant sustainable development award in 2019. Metsä Board has once again been presented with the respected EcoVadis recognition. While awards and recognition naturally encourage us to continue our work, development feedback we receive is even more important. The work to improve our performance in sustainable development is never finished.
Strategy of PROFITABLE GROWTH

The world’s population is growing and competition for energy and natural resources is becoming tighter, which is why resources must be used more efficiently. As a forerunner of the bioeconomy, the changes in the operating environment create versatile opportunities for Metsä Group.

Metsä Group is in a phase of strong, profitable growth. Our business is based on renewable raw materials and recyclable products, in which wood from northern, sustainably managed forests and our profound expertise provide a competitive advantage. We focus on wood supply and forest services, wood products, pulp, paperboard as well as tissue and greaseproof papers.

We develop our operations responsibly, always taking into account ecological, social and economic aspects. We improve the growth of forests, expand our industrial operations sustainably and contribute to the shift from fossil products to renewables. The way we see it, wood is the solution to many challenges in the future.

PURPOSE
Advancing bioeconomy and circular economy by efficiently processing northern wood into first-class products.

VISION
To be the preferred partner in developing sustainable business.

VALUES
Reliability Cooperation Renewal Responsible profitability

PRODUCTS AND NEW INNOVATIONS
Our carbon storing and recyclable products made from renewable raw materials offer sustainable solutions for global challenges. Our markets are global. We aim to provide our customers with a first-class experience through close cooperation and with the best digital tools. We focus on market-based product development by expanding our current product portfolio and investing in new business opportunities through our innovation company Metsä Spring, for example.

COMPETITIVE PRODUCTION
As a result of systematic investments, our production units are cutting edge of the industry, be the measure environmental performance, energy efficiency or profitability. We invest in fossil-free mills and resource efficiency. We develop our operations efficiently all business areas together as a unified Group.

PEOPLE
Our operations are based on continuous improvement, which gives our personnel the opportunity to increase their competence and discover new strengths. The majority of our personnel’s development is made up of on-the-job learning, which we support through job rotation and encouraging multiple skill sets. Good leadership is the cornerstone of our success.
SUSTAINABILITY management

Metsäliitto Cooperative is a Finnish cooperative and Metsä Group’s parent company, owned by 103,000 forest-owner members. In Metsäliitto Cooperative, the highest administrative body to steer sustainability is the Board of Directors. The President & CEO is responsible for strategic sustainability in Metsä Group operations.

The Metsäliitto Cooperative Board of Directors approves all group policies, long-term strategic objectives, targets and guidelines. Metsä Group’s President and CEO manages the Group’s operations in accordance with the law and the cooperative’s rules, as well as in accordance with the decisions and instructions of the Board of Directors and the other administrative bodies. The President and CEO is assisted by the Group’s Executive Management Team, which jointly oversees the implementation of strategies in which sustainability is in a key role.

The importance of sustainability is rising due to the increasing, global discussion on climate change. To be able to operate in a future of tighter regulations, companies need to reliably demonstrate their long-term strategies in which different climate impacts.shape both the operational as well as market environment. Metsä Group sees that climate change for example increases the growth of forests but at the same time also adds the risk of pests and storm damage. Regarding our production steps in Norway, the availability of water resources most likely will remain on a good level. The demand of wood-based, sustainably produced goods will increase and at the same time, companies are expected to provide reliable information about the sustainability of the value chain.

STRATEGIC SUSTAINABILITY 2030 OBJECTIVES

Sustainability is a core role in Metsä Group’s strategy which was announced in early 2019. It is central when developing our operations and in advancing bioeconomy and a circular economy by efficiently processing northern wood into first-class, carbon-storing and recyclable products.

In early 2019, we also renewed our long-term sustainability objectives, which we aim to achieve by 2030. The objectives support the UN Sustainable Development Goals to which we can most contribute. The objectives are operationalized in the organisation and reporting back on progress.

We are committed to increasing the role of forests as carbon sinks as well as to increasing the amount of carbon stored in products. To support the development of a low-carbon society, we invest in our mills to generate no fossil CO2 emissions. To improve resource efficiency, we will continue the work to use energy and process water more efficiently. All the production side streams will be used for added-value products. We will continue to work toward fossil free raw materials for our products by 2030.

In our own operations, we further develop safety at work, as well as work towards an overall improved ethical atmosphere. Our suppliers operating in our supply chains are expected to share our sustainability expectations and to work towards improving their own practices, where needed.

Each objective is systematically followed, to drive sustainable future development. The ambitious level of sustainability objectives and actions has been set to show our strong commitment to offering means and solutions for resolving global challenges. The objectives are operationalised by our various business areas and functions. They have created roadmaps to guide development in relevant objectives, as well as indicators to inform us of their progress. The Metsä Group Sustainability Process Management Team regularly monitors progress and ensures that we are on the right track.

In our own operations, we further develop safety at work, as well as work towards an overall improved ethical atmosphere. Our suppliers operating in our supply chains are expected to share our sustainability expectations and to work towards improving their own practices, where needed.

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Comprehensive sustainability management has strong roots in Metsä Group, which is an excellent starting point to achieving the new objectives. We have been a signatory of the UN Global Compact since 2003 and support its ten principles regarding human rights, labour, environment and anti-corruption. We report our progress on an annual basis in this report. In addition to shared global sustainability goals and initiatives, the views and expectations of our primary stakeholders guide the path for our sustainability work. We also have defined UN Sustainable Development Goals (SDGs) to which we contribute the most through our operations.

INTEGRATED SUSTAINABILITY

We operate a model of sustainability management, which is based on the notion of strategic, operational, and cultural integration. Sustainability concerns everybody at Metsä Group and each of us plays a role in contributing to it. The process model attempts to ensure that all three dimensions of sustainability – social, economic, and ecological – are considered across our operations by default, and that they become an inherent part of planning and decision-making.

The path towards integrated sustainability, as described above, requires conscious effort. Various measures are ongoing to implement the model, such as the roadmaps that business areas and functions have developed to translate the 2030 objectives into tasks as part of daily work. A specific Sustainability Process Management Team assesses progress made towards our 2030 objectives. It consists of business area representatives and function heads who are responsible for ensuring that the sustainability objectives are implemented in the organisation and reporting back on progress, as well as Metsä Group’s VP, Sustainability, and the Sustainability Process owner, EVP, Corporate Affairs.

SUSTAINABILITY GOVERNANCE MODEL IN METSÄ GROUP

Governance body | Responsibilities
--- | ---
Metsäliitto Cooperative Board of Directors | The highest management body approving policies and long-term strategic objectives for sustainability.
Metsä Group CEO and President | The highest representative of the company to give the Group’s commitment to sustainability and its strategic significance.
Metsä Group Executive Management Team | Prepares initiatives to the Board of Directors and decides on topics elaborated from the sustainability process management team.
Metsä Group Sustainability Process Management Team | Consists of the business area representatives and function heads that are responsible for ensuring that the sustainability targets are implemented in the organisation, as well as reporting back on the progress.
Sustainability | It is implemented through the business areas’ and functions’ processes and annual plans to daily actions.
METSÄ GROUP’S strategic sustainability 2030 objectives

Sustainability is part of everything we do. The foundation of our sustainability work consists of four themes covering all our operations. With the strong commitment to our new strategic sustainability 2030 objectives we are building a path to a climate neutral society. Our sustainability work supports reaching the global Sustainable Development Goals (SDGs) set by the United Nations.

WE BRING THE FOREST TO YOU
- Increasing the amount of carbon stored in forests and products
- Safeguarding biodiversity

WE WORK FOR A BETTER CLIMATE AND ENVIRONMENT
- Fossil free mills
- Resource efficient production

WE CREATE WELL-BEING
- Responsible corporate culture
- Accident free work environment

WE OFFER SUSTAINABLE CHOICES
- Fossil free raw materials
- Sustainable supply chain

SUPPORTING THE UN SUSTAINABLE DEVELOPMENT GOALS

In this report this symbol is used to indicate the themes that are linked with our strategic sustainability 2030 objectives.
## ON OUR WAY TOWARDS THE STRATEGIC SUSTAINABILITY 2030 OBJECTIVES

### WE CREATE WELL-BEING

Metsä Group’s operations create value, both economic and social, to stakeholders at a local, national and international level. We strive to be a responsible and active member in the communities where we operate. We value our employees and invest in their professional development, well-being and safety.

<table>
<thead>
<tr>
<th>Target</th>
<th>Progress</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethics barometer</td>
<td>100%</td>
<td>The ethics barometer is in progress and will be launched during 2020.</td>
</tr>
<tr>
<td>Accident free work environment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Lost time accident rate (LTA1): 0**
  - During 2019 there were 154 accidents that required min. one day absence from work. LTA1 was 5.9.
  - There was one fatal accident at our Zilina production site in Slovakia.

### WE BRING THE FOREST TO YOU

Metsä Group’s main raw material, wood, comes from sustainably managed northern forests where growth exceeds use. We always know the origin of the wood we procure and ensure sustainable forest management with forest certification. We safeguard biodiversity of forests by various means.

<table>
<thead>
<tr>
<th>Target</th>
<th>Progress</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing the amount of carbon stored in forests and products</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
  - **Area of regeneration and management of young stands:** +30% vs. 2018
  - **Amount of carbon stored in products (t):** +30% vs. 2018
  - **Utilisation of side streams:** 100%
  - **Share of fossil free raw materials and packaging materials:** 100%
| Safeguarding biodiversity: | | |
  - **In 2019, high biodiversity stumps were left in over 79% of thinnings and regeneration logging sites and retention trees in all regeneration logging sites**
  - **Retention trees where left at 94% of all regeneration logging sites**

### WE WORK FOR A BETTER CLIMATE AND ENVIRONMENT

Metsä Group strives to operate as resource wisely as possible and minimise the impacts on the environment. Each part of the wood is utilised to the most valuable purpose. We optimise the use of all resources needed for production. Our target by 2030 is that our mills use no fossil fuels and cause no fossil CO₂ emissions (Scope 1) and that all production side streams are utilised.

<table>
<thead>
<tr>
<th>Target</th>
<th>Progress</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fossil free mills</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
  - **Fossil CO₂ emissions:** 0 tonnes
  - Currently 90% of the fuels used in production are bio-based, and mostly from production side streams.
  - In 2019 the amount of fossil CO₂ emissions was 772 000 tonnes.
| Resource efficient production | | |
  - **Utilisation of side streams:** 100%
  - **Process water use per product tonne (m³/t):** –25% vs. 2018
  - Currently we utilise 92% of the production side streams.
  - In 2019, process water use per product tonne has decreased 2% compared to the level of 2018.
| Sustainable supply chain | | |
  - **Sustainable suppliers:** 100%
  - **Traceability of raw materials:** 100%
  - By the end of 2019, 93% of our purchases were covered by our Supplier Code of Conduct.
  - The sustainability of suppliers is managed and followed also through risk analyses, audits and self-assessments.
  - 89% of our raw materials were traceable.

### WE OFFER SUSTAINABLE CHOICES

Metsä Group’s products made from renewable raw materials help to reduce dependence on fossil resources and offer sustainable choices for everyday life. We want to ensure that our suppliers follow our high ethical standards. We are working towards not using any fossil oil-based raw materials or packaging materials.

<table>
<thead>
<tr>
<th>Target</th>
<th>Progress</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fossil free raw materials</td>
<td></td>
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</tbody>
</table>
  - **Share of fossil free raw materials and packaging materials:** 100%
  - In the end of 2019, 99.7% of our raw materials were fossil free. Our target in our contribution towards a low carbon society is that by 2030 we will not be using any fossil oil-based raw materials.
| Fossil free mills | | |
  - **Fossil CO₂ emissions:** 0 tonnes
  - Currently 90% of the fuels used in production are bio-based, and mostly from production side streams.
  - In 2019 the amount of fossil CO₂ emissions was 772 000 tonnes.
  - We have made a roadmap to operate with no fossil fuels by 2030. The roadmap consists of investment plans and continuous development actions in operations.
  - We are constantly looking for ways to utilise our side streams even better through partnerships and R&D.
  - We are continuously investing in increasing the environmental efficiency of our production.

## Data and assurance

- **Lost time accident rate (LTA1): 0**
  - During 2019 there were 154 accidents that required min. one day absence from work. LTA1 was 5.9.
  - There was one fatal accident at our Zilina production site in Slovakia.
- **Ethics barometer: 100%**
  - The ethics barometer is in progress and will be launched during 2020.
- **Process water use per product tonne (m³/t):** –25% vs. 2018
- **Utilisation of side streams:** 100%
- **Resource efficient production**
  - **Utilisation of side streams:** 100%
  - **Process water use per product tonne (m³/t):** –25% vs. 2018
- **Sustainable supply chain**
  - **Sustainable suppliers:** 100%
  - **Traceability of raw materials:** 100%
  - By the end of 2019, 93% of our purchases were covered by our Supplier Code of Conduct.
  - The sustainability of suppliers is managed and followed also through risk analyses, audits and self-assessments.
  - 89% of our raw materials were traceable.
- **Safeguarding biodiversity:**
  - **Increasing the amount of decayed wood (high biodiversity stumps in 90% of thinnings and regeneration logging sites and retention trees in all regeneration logging sites)**
  - **Retention trees where left at 94% of all regeneration logging sites**

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2019 in a nutshell | CEO’s review | Strategy | Sustainability management | Sustainability themes and objectives | Business integrity | We create well-being
### OUR CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

<table>
<thead>
<tr>
<th>SDG</th>
<th>Description of most relevant targets</th>
<th>How Metsä Group contributes to reaching the goals</th>
<th>Sections where we describe our work</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.3</td>
<td>Improve water quality, wastewater treatment and safe discharge</td>
<td>We clean the water we use with the best methods available. Cooling water circulates in closed loops.</td>
<td>Resource efficiency, Fossil free mills</td>
</tr>
<tr>
<td>6.4</td>
<td>Increase water use efficiency and ensure freshwater supplies</td>
<td>Our target is to decrease the use of process water by 25% by 2030. We operate in water rich areas and we do not impair any other parties’ access to water.</td>
<td>Resource efficiency, Business integrity, Product safety</td>
</tr>
<tr>
<td>6.6</td>
<td>Protect and restore water-related ecosystems</td>
<td>Sustainable forest management recognises the important role of forests in hydrological circulations.</td>
<td>Resource efficiency, Fossil free mills</td>
</tr>
<tr>
<td>7.2</td>
<td>Increase global percentage of renewable energy</td>
<td>We produce over 15% of Finland’s renewable energy. The majority of our operations is run with renewable energy.</td>
<td>Investing in renewable energy, Resource efficiency, Circular economy</td>
</tr>
<tr>
<td>7.3</td>
<td>Double the improvement in energy efficiency</td>
<td>We focus on further improving energy efficiency in our operations.</td>
<td>Resource efficiency, Creating value, Fossil free mills</td>
</tr>
<tr>
<td>8.1</td>
<td>Sustainable economic growth</td>
<td>We employ over 9,000 people directly. Indirect employment is estimated to be three times more. The majority of welfare that Metsä Group creates goes to rural areas. 5% of Finland’s export value comes from Metsä Group mills. We annually pay wages over 600 million euros. In addition, we buy wood and harvesting and logistics services to a value of close to 1 billion euros.</td>
<td>Creating value, Resource efficiency, Business integrity, Safety</td>
</tr>
<tr>
<td>8.2</td>
<td>Diversity, innovative, and upgrade for economic productivity</td>
<td>We focus on industrial efficiency, wise use of resources and high added value products and innovations.</td>
<td>Product safety, Resource efficiency, Business integrity, Safety</td>
</tr>
<tr>
<td>8.4</td>
<td>Improve resource efficiency in consumption and production</td>
<td>We operate resource wisely. Our wood products efficiently store carbon for their entire lifespan. Our fibre-based products are recyclable.</td>
<td>Resource efficiency, Business integrity, Safety</td>
</tr>
<tr>
<td>8.7</td>
<td>End modern slavery, trafficking and child labour</td>
<td>We value high ethical standards. Our objective is to ensure all of our suppliers operate sustainability by 2030.</td>
<td>Business integrity, Safety</td>
</tr>
<tr>
<td>8.8</td>
<td>Protect labour rights and promote safe working environments</td>
<td>Safety at work is our key priority. Our objective is zero accidents. We have extensive improvement programmes to support further development.</td>
<td>Business integrity, Safety</td>
</tr>
</tbody>
</table>

### SDG Themes and Objectives

<table>
<thead>
<tr>
<th>SDG</th>
<th>Objective</th>
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<tbody>
<tr>
<td>8.2</td>
<td>Promote inclusive and sustainable industrialisation</td>
</tr>
<tr>
<td>8.4</td>
<td>Upgrade all industries and infrastructures for sustainability</td>
</tr>
<tr>
<td>9.2</td>
<td>Promote inclusive and sustainable industrialisation</td>
</tr>
<tr>
<td>12.2</td>
<td>Sustainable management and use of natural resources</td>
</tr>
<tr>
<td>12.4</td>
<td>Responsible management of chemicals and waste</td>
</tr>
<tr>
<td>12.5</td>
<td>Substantially reduce waste generation</td>
</tr>
<tr>
<td>12.6</td>
<td>Encourage companies to adopt sustainable practices and sustainability reporting</td>
</tr>
<tr>
<td>13.2</td>
<td>Strengthen resilience and adaptive capacity to climate-related disasters</td>
</tr>
<tr>
<td>15.1</td>
<td>Conserve and restore terrestrial and freshwater ecosystems</td>
</tr>
<tr>
<td>15.2</td>
<td>End deforestation and restore degraded forests</td>
</tr>
<tr>
<td>15.5</td>
<td>Protect biodiversity and natural habitats</td>
</tr>
<tr>
<td>15.8</td>
<td>Prevent invasive alien species on land and in water ecosystems</td>
</tr>
</tbody>
</table>

### Relevant SDGs

- SDG 8: Decent work and economic growth
- SDG 6: Clean water and sanitation
- SDG 7: Affordable and clean energy
- SDG 12: Responsible consumption and production
- SDG 13: Climate action
- SDG 14: Life below water
- SDG 15: Life on land
- SDG 16: Peace, justice, and strong institutions
- SDG 17: Partnerships for the goals
CIRCULAR BIOECONOMY through the value chain

In resource-wise circular bioeconomy, renewable resources are sourced sustainably and processed into products that replace the use of fossil raw materials. In circular economy generally, materials, products and side streams are kept in use and circulation as long as possible and by reusing and re-utilising the value of the raw material is maintained. To decrease fossil CO₂ emissions, a clear shift from the use of fossil fuels to renewable energy solutions is needed.

Our operations are based on the sustainable use of renewable resources and efficient circulations

* We ensure sustainable forest management, wood supply and operations in forests. Where we operate, forests grow more than they are used. We do not cause deforestation. In regeneration fellings, we plant four seedlings for each harvested tree. We actively accelerate the regeneration of forests and support their strong growth. Sustainable forest management practices are applied in all wood procurement.

* The wise use of resources steers our operations. Each part of wood is used for the most valuable product. All resources, such as raw materials, energy, water and chemicals are used efficiently. Resource efficiency is continuously improved for example, by closing water and chemical circulations. A great majority of our production is run with renewable energy. Excess renewable energy is supplied to accommodate the needs of society.

* Production side streams are utilised efficiently for material use or energy. For example, tall oil and turpentine are valuable products that have global markets. Fertilizers and some other side stream based products are preferably used locally and by partners.

* We produce circular economy products that replace the use of fossil-based resources. The wood products store carbon for example in buildings for up to centuries. All of our fibre based products are recyclable. They are made of fresh fibre to meet the highest quality and purity requirements. Fresh fibre has an important role in keeping fibre circulation vital and enabling recycling. A wood fibre can be used up to seven times. Recycled fibre suits products with lower purity requirements.

* There is a significant potential for new bioproducts, such as a wood-based textile fibre. It could replace the use of fossil oil-based textiles or water critical cotton. Metsä Group’s demonstration plant for wood-based textile fibres was built in 2019 and the test runs are starting as of 2020. Biocomposites reduce the use of plastics in various products.
In the earlier, linear economy model the use of resources has not been sufficiently wise. In circular economy, raw materials and products are reused or recycled, and their value endures for as long as possible. Partnerships and knowing the features of the side stream properly help in using resources more efficiently.

The utilisation of industrial side streams is an important way to improve resource efficiency. Our partner network plays a significant role in it. Cooperation with smaller and industrial partners is key to creating efficient ecosystems as part of sustainable bioeconomy and circular economy. Resource efficiency and a broad network of partners enable us to make bioproducts for a variety of end uses: wood products, pulp for board, papers, wood-based textiles, composite materials for the electronics industry, and raw materials for paints, tyres, perfumes, agriculture fertilisers and many more.

With collaboration and partners, Metsä Group aims to achieve its objective of 100% utilisation of production side streams by 2030. Of all the production, the share of side streams accounts to some 5% Of this, the utilisation rate was 92% in 2019. The utilisation is split up to material use, fertilizers and soil improvement, industrial use and energy.

The share of fertilizer use has been increasing constantly during the past five years. By the year 2019, Metsä Group’s utilised side streams are used as fertilizers or landscaping materials. The annual amount of landfilling has decreased approximately 20% over the last five years.

Metsä Group has still work to do in developing solutions for utilisation of green liquor dregs and minimising its landfilling. Being able to take advantage of the full potential of production side streams requires scientific research and cross-industry collaboration.

### Case

**Nutrients return to forest**

Some 35,000 tonnes of wood-based and mixed ash is generated annually as a side stream of energy production at Metsä Group’s mills. With a systematic work over the long term, ashes from the combustion are today used as forest fertilisers for peatlands.

With the experience of over 20 years, we know the ash suits well to fertilise forest peatland sites where growth is hindered because of deficiencies in phosphorus and potassium. The nutrients in the ash dissolve slowly so the effect is long lasting compared to many other fertilisers.
**MAKING MORE FROM LESS**

Through research and development

Wood is one of the most versatile raw materials in the world and has a variety of uses, many of which are still under development. Some of the main objectives for our R&D work are promoting circular economy, re-placing fossil materials with renewables and meeting future needs with new products and services.

Softwood from northern forests is a renewable and valuable, yet limited, resource that has a large variety of uses, from raw material e.g. for buildings and packaging products, to future innovations. In this era of increasing global demand for products made of renewable materials, Metsä Group is engaged in several research and development networks and projects to create new solutions to replace the use of fossil resources. Through Metsä Spring, our innovation company established in 2016, we are looking for new business opportunities in sustainable forest-based bioeconomy.

**GLOBAL TRENDS DRIVE OUR R&D WORK**

Metsä Group’s research, development and innovation (R&D&I) work is driven by global trends, such as climate change, resource scarcity and changes in consumer behaviour. We have set three focus areas for our R&D work. Circular economy and resource efficiency emphasize making more from less, low impact production and zero waste. Renewable raw material and sustainable value chain as a competitive edge focuses on sustainable forest management and biodiversity, reducing carbon footprint and finding new, recyclable bio-based products. Through our value-added products and services focus area we seek new ways to add value by lightweighting and the use of less energy-intensive structures, as well as meeting future customer needs.

**INNOVATIONS TAKE TIME AND RESOURCES**

Developing new concepts and finding solutions that help mitigate the challenges our society is facing today demands time, dedication and resources. Some 80 Metsä Group employees in various countries are dedicated to R&D&I work. The Group’s investments allocated to R&D&I in 2018 were EUR 15 (18) million in 2019 and at the moment it holds some 70 patent families. Metsä Group has an important role in five EU-based development projects.

In 2018, Metsä Group established an innovation company, Metsä Spring, that invests in start-ups in order to identify and develop new business opportunities in sustainable forest-based bioeconomy.

The purpose of Metsä Spring is to build bridges from the R&D phase to new, proven forest bioeconomy innovations. As a separate company, Metsä Spring can significantly increase innovation efficiency and improve Metsä Group’s ability to support technology development that leads towards a low-carbon economy. Together with partner organisations, Metsä Spring will invest in start-ups with the target to identify and develop new business opportunities in sustainable forest-based bioeconomy.

The world today is driven by globalization and all the opportunities and challenges that come with this development. Companies can no longer rely merely on their own R&D—they need partners to collaborate with in order to innovate and develop more efficiently.

As a leading bioeconomy operator, Metsä Group has a huge network of potential partners, but we want to find the best ones for us. Metsä Spring is a new tool for Metsä Group and all its business entities, through which the process of finding new business ideas can be accelerated.

### FOCUS AREAS AND TARGETS

**CIRCULAR ECONOMY & RESOURCE EFFICIENCY**

- More from less
- Low impact production
- Zero waste

**RENEWABLE RAW MATERIAL AND SUSTAINABLE VALUE CHAIN AS COMPETITIVE EDGE**

- Sustainable forest management and biodiversity
- Reducing carbon footprint
- New recyclable bio-based products replacing fossil solutions

**VALUE-ADDED PRODUCTS & SERVICES**

- Lighter weight/less energy intensive structures
- Meeting future customer needs

**CASE**

Joining forces with Woodio

In August 2019, Metsä Spring made an equity investment in Woodio Ltd, a leading developer of waterproof wood composite products.

With Woodio’s proprietary technology, Metsä Group’s under-utilised side streams can be manufactured into long-lived, value-added products. A potential industrial side stream, to be used in the Woodio material, is the undersized wood chips generated in wood chipping at several Metsä Group mills. The combination of using a side stream as the main raw material and a product storing CO₂ for a long time is also expected to be very competitive, when assessing the environmental footprint of this new biomaterial against the existing commercial solutions of today. Woodio’s first success, in terms of sales, comes from using this technology in the production of bathroom and kitchen washbasins.

— The direction, in which start-ups join forces with large companies, thus harnessing efficiently the best qualities of both worlds, adds an important dimension to securing the forest industry’s competitiveness in the future, says Petro Lahtinen, CEO & Founder of Woodio.

— We also see significant potential for this technology in various business-to-business market segments. We are thrilled to start supporting this promising start-up in its drive towards industrialisation, says Niklas von Weymarn, CEO of Metsä Spring.
We create well-being

Metsä Group’s operations create value, both economic and social, to stakeholders at a local, national and international level. We strive to be a responsible and active member in the communities where we operate. We value our employees and invest in their professional development, well-being and safety.
Business INTEGRITY

Business integrity and ethics form the foundation of Metsä Group’s Code of Conduct and our key values: responsible profitability, reliability, cooperation and renewal. A number of Metsä Group policies further expand on several Code of Conduct topics, including groups policy on competition law, environmental matters, equal opportunities, human resources, and personal data protection.

Ensuring a responsible corporate culture is highly important at Metsä Group. Social responsibility makes up a large part of our sustainability efforts, and related targets form a key part of our strategic sustainability 2030 objectives. The implementation of these objectives is steered as part of Metsä Group’s Sustainability Management Process. This process allows frequent participation and buy-in from senior business and function leaders, and further the concept of integrated sustainability that we aspire towards.

The Board of Directors promotes efforts in integrity and compliance and its Audit Committee is presented with annual status updates by the Compliance Director. Metsä Group’s President and CEO, as the owner of our Code of Conduct, is ultimately responsible for its implementation.

Metsä Group has a Compliance Committee in order to steer compliance development and to ensure systematic handling of non-compliance investigations. The committee consists of the Group General Counsel, the Compliance Director, and various members. Metsä Group is part of the UN’s Global Compact initiative and supports its ten principles on human rights, labor conditions, environmental protection, and anti-corruption.

Metsä Group is committed to respecting human rights as presented in the UN’s Universal Declaration of Human Rights and we continuously develop our operations in line with the UN Guiding Principles for Business and Human Rights. Metsä Group is also a member of the UN’s Global Compact initiative and supports its ten principles on human rights, labor conditions, environmental protection, and anti-corruption.

We have zero-tolerance on forced and child labor.

NEW CODE OF CONDUCT FOR METSÅ

A revised Metsä Group Code of Conduct was launched in May 2019. The purpose of the revision and the related training programme was to increase ethical awareness amongst our personnel and to further develop leadership which takes business ethics into account in daily decision making. This is best done by ensuring that these common principles, which meet the requirements of a modern guidance on ethical business practices, are available, understood and applied throughout Metsä Group. One of the key targets set for the Code of Conduct renewal project was to improve the readiness of our personnel to recognize and thereby prevent misconduct, and, most importantly, to promote a culture where our personnel are encouraged to raise concerns if they come across ethical dilemmas or misconduct.

All our personnel are expected to comply with applicable law, act with integrity and make ethically sound decisions in their daily work. We also require the same level of ethical business practices from our suppliers – these practices and principles are stated in our Code of Conduct for Suppliers. Since its launch in May 2019, extensive training on the revised Code of Conduct has taken place both in classrooms as well as online. In 2019, the share of personnel that had been trained in our revised Code of Conduct e-learning was 95%. Our long-term target is that 100% of our personnel will complete the Code of Conduct e-learning.

In addition to the new e-learning course, a global classroom training programme was designed to give deeper insight into business ethics and the possibility for an open discussion. In 2019, nearly 3000 Metsä Group employees participated in these supplementary Code of Conduct classroom trainings, which we organise using the train the trainer concept. The personnel of the Storboom site are not included in the figures presented due to the planned divestment of the site in the first quarter of 2020.

ETHICS BAROMETER IN PROGRESS

A key message in connection with the Code of Conduct renewal was that Metsä Group is interested in understanding how ethics is perceived internally and identifying possible risks and gaps between the Code of Conduct principles and the reality. Understanding where we are and what remains to be done is essential when planning the next steps in developing our ethical culture. A related improvement is the upcoming launch of an internal ethics barometer that will be conducted from 2020 onwards.

The ethics barometer is targeted at all personnel with the aim to provide us with an insight on how our personnel perceive ethics in the workplace and to improve our understanding on compliance and ethics related risks. When done properly, the results drawn by the ethics barometer will also help illustrate where Metsä Group stands with regards to its corporate culture. Achieving high ethics barometer results form a part of Metsä Group’s strategic sustainability 2030 objectives.

RENEWED GRIEVANCE MECHANISM – THE COMPLIANCE AND ETHICS CHANNEL

We encourage early detection of potential misconduct. We consider that trust, commitment to non-retaliation and a clear process for handling non-compliance investigations are the foundation for building an open culture where our personnel feel comfortable raising concerns. The employee’s own manager or HR representatives are often the best persons to speak to, but the members of the Compliance Committee and Metsä Group’s compliance channel are also available to report ethical concerns.

In 2019, Metsä Group launched an updated Compliance and Ethics Channel. It is hosted by a third party and notifications can be made anonymously – meaning that anonymity and impartiality are underlined. The service is accessible for Metsä Group personnel as well as for external stakeholders, such as supplier employees. The messages are received by the members of the Compliance Committee which has the responsibility to manage non-compliance investigations.

In 2019, there was a total of 89 (41) non-compliance investigations varying from external fraud attempts and conflicts of interest to privacy related topics. A breakdown of registered cases of potential misconduct is presented above.

IMPROVED INFORMATION ABOUT OUR BUSINESS PARTNERS

Metsä Group is committed to responsible business practices and expects the same from our business partners. In addition to our own aspirations to develop our business responsibly, the constantly changing political situation, various cultural aspects and new legal obligations highlight the need to carry out due diligence on our current and future business partners.

During 2019 we continued to improve and implement both our supplier and customer side ‘Know your business partner’ process with a wider scope. In addition, we have successfully trained our key sales personnel on this process as well as the people who operate the third party screenings.

Transparency with our business partners is important to ensure regulatory compliance and preventive actions to mitigate trade sanctions, corruption, fraud, money laundering and human rights violation risks, but the improvement of our own understanding also enables us to react in a more agile manner when necessary.

In 2019 Metsä Group’s personnel participated in the new Code of Conduct training in 2019.

95% of Metsä Group’s personnel participated in the new Code of Conduct training in 2019.
Creating VALUE

We are a significant player in society through our operations and products. In Finland, where we procure most of the wood and where most of our production is located, we create value directly and indirectly especially in rural areas. Our products create value through replacing the use of fossil resources in the global market.

**Inputs**

**Competent Personnel**
- Own personnel and suppliers
  - 9,265 employees in 29 countries
  - 53% of employees in Finland
  - Retention rate of employees: 96%

**Secure Supply of Raw Materials**
- Ownership
  - Cooperative with 103,000 owner-members
  - The cooperative members hold some 50% of the privately owned forests in Finland

**Wood**
- Procuring 34.7 million m³ of wood
- 79% of wood comes from Finland
- 100% traceable wood from sustainable sources
- 85% of the used wood from certified sources
- Safeguarding biodiversity in all the logging sites
- About 20,000 suppliers in 68 countries

**Water**
- Water intake 381,228 m³
- No contribution to water scarcity among stakeholders

**Energy**
- 90% of production fuels are renewable (Scope 2)
- 80% of production made with renewable energy (Scope 1 and 2)

**Production Outlook and Products**
- 36 production facilities in 8 countries

**Steady and Long-term Jobs**
- 97% of employees with a full-time contract
- Employer worked for Metsä Group 16.3 years on average
- Annually almost 1,000 summer jobs around Finland and in other countries

**Welfare to Stakeholders**
- EUR 630 million paid as wages, salaries and benefits
- EUR 600 million to Finnish forest-owners from wood sales
- EUR 325 million to harvesting and transportation entrepreneurs in Finland
- EUR 72 million paid as interests to Metsäliitto Cooperative’s owner-members
- EUR 84.5 million of dividends to shareholders other than Cooperative’s owner-members
- 8% of purchases (excl. wood) from production countries in Europe

**Actions for Biodiversity**
- Over 500,000 high biodiversity stumps left in forests in 2016–2019
- High biodiversity stumps in 79% of thinning and regeneration fellings, retention trees in 94% of regeneration fellings

**Sustainable Use of Resources**
- Share of surface water 99.6%
- 92% of production side streams utilised to support circular economy

**National Value**
- The value of exports from Metsä Group’s Finnish mills is EUR 3.1 billion, equivalent to approx. 9% of Finnish exports
- EUR 128 million paid as corporate income and property taxes
- EUR 54 million in interest expenses

Metsä Group is an important employer. In Finland, Metsä Group’s operations create up to 15,000 jobs indirectly around the country. The impact is realised especially in rural areas. The value of paid salaries, wood sales income to forest owners and purchased forest management and logistics services totalled over EUR 1.5 billion in 2019.

We promote sustainable forest management and accelerate the growth of forests. Our operations do not cause deforestation. We plant four seedlings per each harvested tree. We deliver approx. 36 million seedlings to forest owners annually. We are committed to increasing the amount of decayed wood in forests to safeguard biodiversity.

We utilise all the resources efficiently. Each part of the wood is used for the highest added value product. Process water and energy use are under continuous development. We promote circular economy through partnerships for creating new wood-based innovations. 90% of the production fuels are renewable and our aim is to be fossil free by 2030. We produce over 15% of the renewable energy in Finland.

All of our products replace the use of fossil resources. Wood products store carbon for their entire life span. Pulp-based products are recyclable. Paperboards meet the highest product safety criteria. Tissue products play a key role in improving hygiene. The Group’s sales of EUR 3.5 billion comes from the global markets. 73% from EMEA, 19% from APAC and 8% from Americas.

* as per 31.12.2019

* According to Finnish Forest Industries Federation

**Outputs**

**Group Strategy**

Our business is based on renewable raw materials and recyclable products in whose production sustainably managed northern forests and our deep-seated know-how provide a competitive advantage.

More info about our strategy on p. 8–9.

**Impacts**

**Financial**
- Liquidity EUR 2.022 billion
- Equity ratio 56.2%
- Net gearing 10%
- Capital employed EUR 5.527 billion
- Comparable ROCE 9.6%
- EUR 275 million in investments and R&D

2019 in a nutshell | CEO’s review | Strategy | Sustainability management | Sustainability themes and objectives | Business integrity | We create well-being

We bring the forest to you | We work for a better climate and environment | We offer sustainable choices | Business area sections | Data and assurance

**2019**
Being part of the SOCIETY

Metsä Group is an important part of society and creates value locally, nationally and internationally. We strive to be a responsible and active member in the communities where we operate.

Our production units have a strong local influence in Finland and our operations affect the entire country. Metsä Group is an important employer directly and indirectly. Each Finnish forest industry job creates three more jobs indirectly, according to the Finnish Forest Industries Federation.

On a national level, we are an important producer of export goods and renewable energy in Finland. The value of the exports from our Finnish mills equals approximately 5% of Finland’s total exports, and we produce over 15% of Finland’s renewable energy. On international markets, our products correspond to global trends and reduce dependence on fossil raw materials.

It is worth noting that our primary raw material, wood, comes from sustainably managed northern forests with 100% traceability. On a global scale it is important that we make sure our operations and wood supply do not cause any deforestation; we want our forests grow more than they are being used.

We are an international forestry company with a cooperative structure. Metsä Group has 103,000 owner-members, who are Finnish private forest owners. Our cooperative structure creates a strong foundation of values for sustainable operations. We want to be a fair and open neighbour in our local communities, where we cooperate closely with other local stakeholders.

CONTINUOUS DIALOGUE WITH OUR STAKEHOLDERS

We believe that open and effective stakeholder dialogue supports our business and strategy. The better we know what is expected from us, the better we can meet the needs and expectations of our stakeholders, including our customers. Annually, we arrange different types of stakeholder events, including meetings with decision-makers and visits to our sites.

Our contribution to the local society and region close to our production sites is strong, through employment as well as paid taxes. Local stakeholders, such as schools and potential employees, media, decision-makers and the general public are interested in our activities. To support our aim to offer stakeholders possibilities to get to know us better, in 2019 we arranged open house days at many of our production sites in Finland. Furthermore, various forest visits were arranged for school groups and other stakeholders, for example, our partnership with the Finnish 4H organisation.

The focus of our social engagement is on the well-being of children and young people. Every year Metsä Group offers around a thousand summer jobs as well as hundreds of thesis work and trainee programmes to students. We also continue a long tradition of visiting junior high schools to share our expertise about the opportunities the forest industry has to offer. By supporting the Wings for Youth campaign of the Finnish Olympic Committee’s sports academies, Metsä Group donates 30,000 hours of coaching lessons for secondary school students in eight locations where Metsä Group has operations. As part of the collaboration, together with the Finnish Olympic Committee’s sports academies, Metsä Group also organises open sporting events for families in selected locations.

LARGE ECONOMIC IMPACTS

Metsä Group contributes to the surrounding society also through paid taxes. In addition to paid corporate income taxes and property taxes, Metsä Group’s operations generate various other taxes and tax-like payments. Some are directly paid by the company, like employee’s social security payments. Some are collected by Metsä Group on behalf of the government, like employees’ payroll taxes. In addition, many inputs like fuels used for transport and electricity used for production include indirect taxes. Considering all directly and indirectly generated taxes and tax-like payments arising from Metsä Group’s operations, our economic contribution to the surrounding society is significant.

In 2019, Metsä Group paid corporate income tax, CIT, and property tax totaling 128.3 (68.6) million euros. In Finland the CIT was 113.7 (58.3) million euros and property tax 2.9 (2.7). In other countries, the total CIT was 8.6 (12.4) and property tax 3.0 (3.2) million euros.

Metsä Group is committed to following international transfer pricing guidelines and local tax laws and regulations in all of its operating countries. The majority of Metsä Group’s production and other operations are located in Finland, thus most of the taxes are paid in Finland. Metsä Group’s behaviour with tax authorities is transparent and cooperative. We manage our tax issues by an internal tax function and taxes are in the scope of the Board of Directors’ Audit Committee regular follow-up.

Metsä Group launched a Group-level Green Finance Framework in 2019. The framework integrates environment, sustainability and climate change mitigation to the Group’s investments through the value chain and related financing activities. The framework is based on and in line with the Group’s strategy and the strategic sustainability objectives for 2030. We are committed to regularly and transparently reporting the use of proceeds financed within the framework, and their progress.
Participation in POLICY DEBATES

Metsä Group operates transparently with its stakeholders and promotes solutions to climate change mitigation. The topic has been strongly debated in public discussions, as 2019 has been an election year both in Finland and in the EU. Metsä Group has participated in policy debates for climate change mitigation and a sustainable, resource-wise circular bioeconomy. Metsäliitto Cooperative is registered in the EU’s Transparency Register and adheres to the Transparency Register Code of Conduct.

The new European Commission and European Parliament are committed to leading the transition to a climate-neutral Europe by 2050 and to making Europe a world leader in circular economy. The European Green Deal is one of the key priorities of the European Commission and the European Parliament. The Green Deal will set the direction for the EU to meet its Paris Agreement goals and to get to net-zero emissions by 2050. It also includes several sustainability issues including a new circular economy action plan, a strategy for green financing, a biodiversity strategy for 2030, a new EU Forest Strategy and a plan to move towards zero pollution. Other priorities include how Europe will invest in innovation and research, redesign its economy and update its industrial policy.

To contribute to these objectives, the CEO of Metsä Group, Riku Lahtinen, and the Directors of business areas have been involved in the council meetings of the European bioeconomy and circular economy initiatives. Metsä Group has been a member of the fourevergreen alliance since 2017, representing industry and the forest sector in the European Parliament. The fourevergreen initiative is one of the key priorities of the European Commission and the European Parliament, which aims to create, on behalf of the European Parliament, roadmaps that will be brought in line with Finland’s new climate actions, as 2019 has been an election year both in Finland and in the EU.

In June 2019, the new Finnish Government agreed in its programme that Finland will be carbon neutral by 2050 and carbon negative soon after that. The Government and industry operators will create low-carbon roadmaps that will be brought in line with Finland’s new climate actions. The Finnish Forest Industry Federation’s roadmap will be published in the summer of 2020.

Metsä Group is committed to climate change mitigation and contributes to EU’s and Finland’s ambitions for climate neutrality. To contribute to these objectives we engage in policy debates and provide decision makers with information about sustainable forest management and the sustainability of our raw materials, decarbonisation of our operations, and the climate and environmental friendliness of our products. We also explain how we work on new innovative sustainable solutions, such as wood-based textile fibers and biocomposites. Our low-carbon investments into European bioeconomy support the transition to a climate-neutral Europe. Over the last few years we have invested EUR 2 billion in our production units to make them more energy efficient and environmentally friendly and also in our existing and new bioproducts. Currently, we are planning these new investments worth another EUR 2 billion, the biggest of these, the Kemi bioproduct mill, would be worth EUR 1.5 billion.

As an elementary method of the Group’s R&D&D, we participate in various EU-funded cross-sector research programmes. This demonstrates how the EU facilitates R&D&D and has a positive impact on society and local economies. We hope the EU will continue to support this approach under its next research and innovation framework programme ‘Horizon Europe’.

To promote fibre-based packaging in a circular and sustainable economy that minimises climate and environmental impact, Metsä Board joined a new value chain alliance called lergvenorg. The alliance increases awareness about the benefits of fibre-based packaging materials, advances for EU legislation supporting product design for recyclability and calls for the development of optimised collection systems and appropriate recycling infrastructures. The lergvenorg alliance connects industry members from across the fibre-based packaging value chain, from paper and board producers to packaging converters, brand owners and retailers, technology and material suppliers, waste sorters and collectors.

WE PROMOTE:
- Sustainable managed forests and their role in mitigating climate change
- Bioeconomy and circular economy to promote wise and sustainable use of limited resources
- Predictability of the operational environment
- Supply chain sustainability

Read our list of memberships and organisations on page 90.
ENGAGING employees

We value our employees and invest in their professional development and a responsible organisational culture. We find it important that our employees develop in their work and thus find ways to continuously improve our operations. We believe this is a key to our success.

Our responsible management practices are based on our values and they create a foundation for everything we do. We believe that employees who are committed to our values, and our company, is what differentiates us as a business.

As an employer, we are guided by policies and instructions on human resources, equality and occupational safety and well-being. SVP Human Resources reports to the CEO and President of Metsä Group. The HR organisation serves the business areas for example in the fields of recruitment and employer image, competence management, compensation and health and well-being at work.

LEADERSHIP AND PROFESSIONAL DEVELOPMENT IN FOCUS

A strong focus on leadership is one of the key elements in building a sustainable corporate culture. In order to support profitable growth, Metsä Group has set a special focus on leadership development. In addition, we have a remuneration system that supports our strategy implementation and employee engagement and motivates us to reach our goals. In 2019, our employees received wages, salaries and benefits worth a total of 630 (635) million euros.

We encourage everyone to develop their skills continuously and offer our personnel a variety of development and leadership programmes, as well as training focused on more specific needs. We support job rotation, and aim at developing multiskilled employees. In 2019, a large number of training opportunities were organised with approximately 20,626 (24,029) training days held with 4,680 (3,537) Metsä Group employees.

We offer a diverse range of opportunities and career paths and employ professionals in various fields. In the end of 2019 we had 9,265 (9,310) employees and during the year we recruited 335 (292) people in Finland and 370 (373) abroad. 97% (96) of our employees worked full time. We offered summer jobs to almost 1,000 employees, matching the previous year’s figures. We collaborate actively with schools and other educational institutions as well as industry associations.

CASE

New HR system launched to unify way of working

Metsä Group has revised its HR processes to meet Metsä Group’s strategy and objectives, and HR will operate in a more integrated way in the future. When working in process organisation, work is done the same way across business areas and ‘best practices’ guide the work. This minimises any overlapping of work, giving more time for HR to support business and leadership.

The new HR system ‘Workday’ was launched for white collar workers, managers and certain units in March 2019 and it will be used for all employees by the end of 2020. For HR and managers, Workday creates a framework to manage all HR processes – resource planning, recruitment, competence development, performance management and compensation – in one place and with the same tool.

Workday is a modern and user-friendly service that allows employees to view and add their own information, among other things. Workday enables every Metsä Group member to take responsibility for their own development and personal goals.

Metsä Board, Metsä Fibre and Metsä Wood recruited almost a hundred people for a 1.5 year apprenticeship training scheme. Through apprenticeship training we are able to strengthen the knowledge level of our personnel and compensate for future retirement. The work in forestry production is continuously changing and evolving. We use the industry’s latest and best technology, which means that the competence requirement level is rising.

The selected people were required to have a suitable education, for example, electrical automation, process or mechanical engineering. We also emphasised the qualities that we value in our work community: cooperation skills, taking initiative, solution-oriented way of working and a will to develop oneself and the organisation.

A hundred skilled workers recruited in apprenticeship training

The training started in January 2019 and the contents were tailored according to the knowledge requirements of Metsä Group. The selected people were introduced to our way of working, safety at work and our world-class production. In principle, the students will be employed in varied jobs at Metsä Group production facilities after completing the apprenticeship training.
Job satisfaction and the functionality of the organisation is monitored annually through an organisational functionality survey and a variety of other personnel surveys. In 2019, the overall Group average was 8.3 (8.2) on a scale of 4–10. The results of the survey were discussed with teams and development action plans were created based upon these discussions.

The restructuring of our business affected a total of 908 (183) employees during 2019, of whom 94 (34) were made redundant. In total 496 (7) employees were temporarily laid off. We provided individual support to those made redundant in finding new job opportunities. We recognise our personnel’s freedom to form unions and the right to negotiate representative collective agreements. 77% (77) of all our employees fall within the scope of collective agreements, and a shop steward system is in place in many of our operating countries.

In Finland 864 people participated in a three-day strike in mechanical forest industry. A six-day lockout followed the strike that impacted 973 people.

In 2019, the position of SVP, Human Resources was taken over by a new person due to retirement.
Sustainability and well-being of EMPLOYEES COMES FIRST

Our priority is to provide a safe and healthy workplace for all of our employees. Metsä Group has a proactive approach on workplace safety and well-being and a long-term goal of zero accidents.

At Metsä Group, safety at work is an integral part of day-to-day management and it is managed and monitored Group-wide. Safety management at Metsä Group includes the safety of our partners, the subcontractors who work for us and stakeholders while they are on our premises. The principle is that Metsä Group provides a safe working environment for everyone. We comply with each country’s local regulations and legislation on collective agreements and working conditions, including health and safety. We are all responsible for our own and others’ safety and personally accountable for complying with local safety laws, as well as Metsä Group’s safety processes, standards and instructions. The management of the company bears the overall responsibility for safety, and it ensures that safety is developed constantly.

The Metsä Group safety policy guides all actions regarding security and safety. Metsä Group’s safety processes form our guidelines for ensuring safe working in all of the company. They standardise our safety work across the company. All of our own employees and subcontractors have to go through safety training before working on mill premises.

Local labour protection committees play an important role in providing training and promoting safety at work. These committees cover our employees in every country of operation.

WORKING TOWARDS AN ACCIDENT FREE WORKPLACE

Metsä Group’s long-term safety goal is zero accidents. We are proactive and monitor our safety performance with unified KPIs. In 2019, the LTA1 rate was 5.9 (4.6), which is 8% less than in 2018. There was one fatal occupational accident at the Zilina production site in Slovakia. Every accident and critical near miss are investigated and reported. It is extremely important to investigate the root causes of accidents and with corrective actions, prevent them from happening again. In addition, best practices are shared between the mills and businesses.

Training is one of the most important factors in our preventative work. Preventative measures, such as risk analyses, safety inductions and regular safety tours, are of crucial importance. Everyone is responsible for following instructions, identifying defects and shortcomings, and eliminating the causes of hazards.

General e-learning for safety was launched in 2019 in eight different languages. Every mill was also audited from a safety perspective by an external company with the same concept. In 2020, the implementation of common safety processes will start. In addition, new safety standards will be launched starting with a lock out – tag out standard.

PROMOTING WELL-BEING AT WORK

At Metsä Group, promoting and maintaining well-being at work is based on a preventative action. Our goals to identify factors that threaten to compromise our employees’ working capacity as early as possible, take systematic measures in a timely manner and maintain good health throughout their careers. Our wellbeing-at-work services are provided in collaboration with the management, HR and supervisors. We use a shared, Group-wide model to support our employees’ working capacity. This model includes early support, assessments and personal working-capacity plans. We want to create caring work communities and ensure that we treat our employees equally. We monitor absences and accidents through Group-wide goals and reporting. The sickness absence rate is one of our most important indicators for measuring well-being at work. Our target is to keep the absence rate below 3%. In 2019, the sickness absence rate was 4.4 (4.0).

If we detect that an employee is exposed to a health risk that is known to cause sickness absence and reduced working capacity and if the risk is realised, we will prepare a personal health programme for the employee to mitigate or even eliminate the risk. As a result of our proactive, performance-based operating model, sickness absence has decreased by more than half, which is also reflected in sickness absence costs.

We support employee well-being and prevent ill-health in various ways. In 2019 we provided trainings on how to deal with substance addiction in the work community.

SAFETY AND WELL-BEING DATA, GROUP TOTAL

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sickness absenteeism, % (1)</td>
<td>4.4</td>
<td>4.0</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
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<tr>
<td>Work accident absenteeism, % (2)</td>
<td>0.34</td>
<td>0.10</td>
<td>0.10</td>
<td>0.04</td>
<td>0.20</td>
</tr>
<tr>
<td>Accident rate LTA1 (3)</td>
<td>5.9</td>
<td>6.4</td>
<td>5.9</td>
<td>7.4</td>
<td>9.5</td>
</tr>
<tr>
<td>Registered occupational diseases, no. of cases</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Work-related fatalities, no. of cases</td>
<td>1 (4)</td>
<td>2 (4)</td>
<td>2 (4)</td>
<td>1 (4)</td>
<td>1 (4)</td>
</tr>
<tr>
<td>TRF (5)</td>
<td>17</td>
<td>19.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>LTA severity rate (6)</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(1) % of theoretical working time
(2) Lost time accident 1 frequency rate. Accidents at work resulting to at least one day sick leave per million worked hours
(3) External employee
(4) One fatal commuting accident and one fatal accident to an external service provider
(5) TRF and LTA severity rate are reported as of 1.1.2019

ACCIDENT RATE (LTA1)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sickness absenteeism, % (1)</td>
<td>0.76</td>
<td>0.70</td>
<td>0.37</td>
<td>0.67</td>
<td>0.68</td>
</tr>
<tr>
<td>Work accident absenteeism, % (2)</td>
<td>0.07</td>
<td>0.30</td>
<td>0.23</td>
<td>0.13</td>
<td>0.20</td>
</tr>
<tr>
<td>Accident rate LTA1 (3)</td>
<td>6.1</td>
<td>7.4</td>
<td>9</td>
<td>7.7</td>
<td>8.6</td>
</tr>
<tr>
<td>Registered occupational diseases, no. of cases</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Work-related fatalities, no. of cases</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>TRF (5)</td>
<td>13.5</td>
<td>20</td>
<td>30.3</td>
<td>28.7</td>
<td>20</td>
</tr>
<tr>
<td>LTA severity rate (6)</td>
<td>13.6</td>
<td>-</td>
<td>25.8</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(1) % of theoretical working time
(2) Lost time accident 1 frequency rate. Accidents at work resulting to at least one day sick leave per million worked hours
(3) One fatal accident to an external service provider
(4) TRF and LTA severity rate are reported as of 1.1.2019

SAFETY AND WELL-BEING DATA BY BUSINESS AREA

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sickness absenteeism, %</td>
<td>1.6</td>
<td>1.8</td>
<td>2.0</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Work accident absenteeism, %</td>
<td>0.07</td>
<td>0.30</td>
<td>0.23</td>
<td>0.13</td>
<td>0.20</td>
</tr>
<tr>
<td>Accident rate LTA1</td>
<td>6.1</td>
<td>7.4</td>
<td>9</td>
<td>7.7</td>
<td>8.6</td>
</tr>
<tr>
<td>Registered occupational diseases, no. of cases</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Work-related fatalities, no. of cases</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>TRF</td>
<td>13.5</td>
<td>20</td>
<td>30.3</td>
<td>28.7</td>
<td>20</td>
</tr>
<tr>
<td>LTA severity rate</td>
<td>13.6</td>
<td>-</td>
<td>25.8</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(1) % of theoretical working time
(2) Lost time accident 1 frequency rate. Accidents at work resulting to at least one day sick leave per million worked hours
(3) One fatal accident to an external service provider
(4) TRF and LTA severity rate are reported as of 1.1.2019
Metsä Group’s main raw material, wood, comes from sustainably managed northern forests where growth exceeds use. We always know the origin of the wood we source and ensure sustainable forest management with forest certification. We safeguard the biodiversity of forests by various means.
Forests cover roughly 75% of Finland’s land area. Finland’s forests contain some 2.5 billion m³ of wood and the annual growth of forests is 108 million m³. The volume of wood in Finland’s forests has increased by approximately 70%, or around a billion m³, over 50 years. Generally northern forests grow well and applied sustainable forest management practices ensure that different aspects of sustainability are considered and the use does not exceed the rate of growth.

In 2019, Metsä Group’s wood procurement totalled 34.7 million m³ (36.4). Out of this, 25.5 million m³ (25.9) was used by Metsä Group’s own mills. 79% of the wood was procured from Finland, 6% from Russia, 6% from Sweden and 8% from the Baltic countries. Metsä Group applies the same sustainable forest management practices in all wood procurement areas. The most significant tools to ensure sustainable forest management are the certification schemes PEFC™ and FSC®. Metsä Group’s forestry services help to ensure the future growth of the forests, including services such as tending young stands and forest regeneration. In 2019, Metsä Group delivered approximately 35 million seedlings to Finnish forest owners. The forest owners planted about half of these and the rest of the seedlings were planted by contract entrepreneurs. In regeneration felling, on average four new seedlings are planted for every harvested tree. In addition, multiple broad-leaved trees appear naturally in regenerated areas compared with the amount of seedlings planted.

**DETERMINING SUSTAINABLE HARVESTING POTENTIAL**

Natural Resources Institute Finland (Luke) produces accurate and credible information concerning the growth and volumes of forest, biodiversity and the age and tree species distribution of forests. Taking into account all sustainability aspects, this information is used to determine the sustainable harvesting potential of forests. National Forest Inventory data is an important source of information when estimating the production and utilisation potential of forests for forestry operators. The National Forest Inventory data has been collected since the 1920s.

The starting point for the estimations for sustainable harvesting potential is that the felling of forests should not impair future felling potential. The potential for log removals, for instance, must remain at least on the level of the first calculation period throughout the calculation time. The calculation also accounts for various restrictions on use, such as conservation decisions.

The sustainable felling potential in Finland has increased by around 40% from the 1980s, and hectare-specifically by nearly 50%. This increase concerns pulpwood especially.

Luke’s estimate on the sustainable felling potential extends to 2040. The estimate on sustainable felling potential for 2015–2024 is 84 million m³ of stem wood a year. The percentage felled on average during the period 2015–2018 was 86% of the sustainable felling potential.

**ENSURING SUSTAINABLE WOOD PROCUREMENT IN FUTURE INVESTMENTS**

To continue its strategy implementation, Metsä Group started pre-engineering projects related to investments worth 2 billion euros in April 2019. The projects are related to building a new bioproduct mill in Kemi and a new sawmill in Rauma in Finland, as well as the first phase in renewing the Husum pulp mill in Sweden. If actualised, the investments will increase Metsä Group’s wood use in the future.

The annual pulpwood consumption of the new Kemi bioproduct mill would be approximately 7.6 million m³, which is roughly 4.5 million m³ more compared to the consumption of the current mill. Pulpwood for the mill is targeted to be sourced from Finland. Securing the

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**SUSTAINABILITY REPORT 2019**

FSC licence number FSC-COC4476

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**Forest area and the volume of wood in forests are growing in Europe. More wood is growing in Finland’s forests than at any point in the last hundred years. The sustainable use of forests is essential as wood procurement volumes also increase.**

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**THE VOLUME OF GROWING STOCK HAS INCREASED SINCE 1971 BY MORE THAN 40%**

**THE ANNUAL GROWTH EXCEEDS THE ANNUAL FELLINGS BY ABOUT 30%**

**75% OF FINLAND’S LAND AREA**

---

**SURPLUS OF GROWTH**

20% of annual growth remains in forests, increasing the volume of growing stock.

**OUTER DRAIN**

Sawdust and logging residues left in the forests plus naturally died stemwood.

**USE OF WOOD**

Wood is used for e.g. construction, pulp, paper/board, tissue and grocery/retail paper products and new bioproducts.
Finland has 4 hectares of forest per resident, whereas the European Union member states have 0.30 hectares of forest per resident.

FORESTS AS CARBON SINKS

A forest’s ‘carbon sink’ means that a forest actively captures more carbon than it releases. Carbon stored in tree stock is released in felling operations and through trees that die naturally (i.e. natural drain). An increase of the carbon sink means that the tree stock or soil have stored more carbon, or that the size of the storage has grown. In carbon storage, the carbon is, above all, stored, and its amount will not vary greatly.

Forest management practices determine the increase or decrease of the storage. Forest management can affect the development of sinks between 2021 and 2025 is assessed. These assessments will be carried out in 2027 for 2021–2025 and 2032 for 2026–2030. The land use sector is highly significant in terms of Finland’s emission balances as the sinks correspond to about 20% to 50% of the emissions of other sectors. In the EU, sinks account on average for about 10% of emissions.
FOREST CERTIFICATION is proof of sustainable origin of wood

Forest certification is a comprehensive way to ensure sustainable and traceable origin of wood. Forest certification takes into account social, ecological and economical aspects in forest management operations. By setting requirements that assure a certain level of performance, irrespective of country, forest certification is a valuable tool to increase sustainability.

In the 1990s, the loss of forest cover in the tropics was the wakeup call for developing forest certification systems. Although the same issues are still acute in some areas, this is not the case in Metsä Group’s wood procurement areas. Currently, forest certification prosper in areas where Metsä Group procures wood. Whereas 85% of the wood Metsä Group used was certified, globally only about 10% of forests are under forest certification schemes.

Forest certification sets a wide range of sustainability requirements, from safety at work to considering nature values and future growth of the forest. The comprehensiveness of certification in sustainability issues is one of the reasons Metsä Group continuously promotes forest certification to all of its stakeholders. In 2019, 85% (88) of the wood used by Metsa Group was PEFC® (Programme for the Endorsement of Forest Certification) and/or FSC® (Forest Stewardship Council®; Licence Code FSC-C014476) certified.

In order to promote the best practices, Metsä Group is not only sourcing wood mainly from certified forests, but also choosing responsible partners and suppliers and following and reporting certified amounts and origin information correctly throughout the chain. In addition, we also make sure that all the non-certified materials follow and exceed requirements, for example, the legal requirements of the country. Forest certification is a valuable tool to increase sustainability.

CHANGES IN FOREST CERTIFICATION SYSTEMS AND STANDARDS

Certification systems are continuously developed to meet stakeholder expectations and make the systems more usable. PEFC is updating its international standards, including the Forest Management and Chain of Custody requirements. The PEFC scheme is also undergoing changes in both forest management and supply chain certifications. Metsä Group’s wood procurement area, multi-stakeholder risk assessment processes for the wood procurement chain were finalised in 2018 in Finland, Sweden and Russia.

FSC certification increases only moderately, covering 7% or 1.6 million hectares of forests. Forests certified by FSC mostly overlap with the forests certified by PEFC.

ACTIVE PROMOTION OF FOREST CERTIFICATION

Metsä Group actively promotes both certification systems among forest owners. By the end of 2019, 12,130 (7,580) forest owners had joined PEFC forest certification via Metsä Group. The area covered by Metsä Group’s FSC Forest Management group certificate in Finland currently amounts to 174,000 (166,000) hectares. Metsä Group’s partially owned Finsilva Oyj’s forests in Finland and leased forest areas in Russia are certified by both PEFC and FSC. PEFC and FSC group certificates in Russia are maintained by Metsä Group’s wood procurement organisation who supports the local wood suppliers to join the certification.

Metsä Group adapted the required changes into wood procurement operations according to the transition periods. Metsä Group promotes forest certification systems. We believe there is still a great potential through additional hectares of forests that could be managed more sustainably and development of the schemes which would have an effect on a wider scale. Metsä Group is also an active member of PEFC and FSC, both at national and international levels. Rikka Jouko, SVP, Climate and Circular Economy, Metsä Group, is a member of the PEFC Board of Directors.

The degree of forest certification globally is 10%. 85% of the wood used by Metsä Group was certified.

More info on sustainable forest management pages 40–49
More info on promoting biodiversity pages 40–49

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2019 in a nutshell | CEO’s review | Strategy | Sustainability management | Sustainability themes and objectives | Business integrity | We create well-being

We bring the forest to you | We work for a better climate and environment | We offer sustainable choices | Business area sections | Data and assurance
ASSURING THE SUSTAINABILITY OF NON-CERTIFIED WOOD

All the wood that Metsä Group uses meets, at minimum, the requirements of FSC Controlled Wood and PEFC Controlled Sources. The FSC’s Centralised National Risk Assessment (CNRA) for Finland was approved in November 2018. The FSC’s CNRA stated specified risk areas where high conservation values (HCV) are threatened by forest management activities in Finland. Some changes in sourcing FSC Controlled Wood in Finland have been done through the adaptation of the CNRA results.

According to FSC’s CNRA, the whole country is considered a specified risk regarding HCV 1 and HCV 3. HCV 1 is defined as concentrations of biological diversity including endemic species, and rare, threatened or endangered species that are significant at global, regional or national levels. HCV 3 are forest sites within rare, threatened, or endangered ecosystems, habitats or refugia. Typically in Finland these areas are extensive and uniform concentrations of small set aside areas (key biotopes) listed in the FSC forest management standard of Finland.

Metsä Group, as a wood procurement organisation, makes sure that the CNRA and its conclusions are taken into account in our wood procurement chain. The purpose of these activities is to mitigate the risk of Metsä Group in Finland using wood that does not comply with our purchasing policy. Close cooperation with the suppliers assures that the required policies and procedures are in place.

In order to ensure compliance with the FSC Controlled Wood requirements, Metsä Group in Finland has conducted a variety of control measures and applies these in all the procurement of wood material supplied without an FSC claim. For example, data and maps of potential high conservation value forest areas are included in the data systems utilised in the planning and conducting of wood purchase and harvesting operations of Metsä Group.

HOW WE ENSURE THE 100% TRACEABILITY OF THE WOOD WE USE

Chain of custody certification provides the proof that origin, legality and sustainability are realised throughout the supply chain. Metsä Group is not only sourcing wood mainly from certified forests but also choosing responsible partners and suppliers that meet the criteria concerning wood origin and sustainability. Metsä Group reports certified amounts and origin information correctly onwards in the chain. In addition, we also make sure that all the non-certified material follows requirements that exceed e.g. the legal requirements in sustainability related issues.
Safeguarding biodiversity is one of Metsä Group’s strategic sustainability objectives for 2030 and is a key aspect of consideration in planning and conducting each and every operation in forestry. Biodiversity can be considered in various ways, such as leaving retention trees in regeneration felling, and a mixture of broadleaved trees in thinning. Biodiversity can also be safeguarded by protecting key habitats and making buffer zones to protect the cleanliness of watercourses and to provide connectivity.

MULTIPLE WAYS OF SAFEGUARDING BIODIVERSITY

Forests play an important role in preserving biodiversity, as they are a home with many different habitats, to over 20,000 different species. Preserving these habitats maintains the living conditions for countless species in each area. Of key importance to forests characteristics is the regeneration of forests with different tree species which are both indigenous and suitable for the area. Using native tree species ensures the preservation of the area’s biodiversity, adapted to the local conditions, and allowing the trees to grow more efficiently. The leaf litter of birches alters the soil and improves the availability of nutrients for coniferous trees. The retention of birch trees, for example, helps coniferous trees to grow more efficiently. The leaf litter of birches alters the soil and improves the availability of nutrients for coniferous trees. The retention of birch trees, for example, helps coniferous trees to grow more efficiently.

More info on forest certification
More info on sustainable forest management

ACTION TO MEET THE SUSTAINABILITY 2030 OBJECTIVES

Increasing the amount of decaying wood in forests is one of the actions which supports Metsä Group’s sustainability objective of safeguarding biodiversity. The amount of decaying wood in a forest is actively increased by both the retention of decaying trees already there and the creation of new ones. The most important and visible element for this process is to leave a group of retention trees standing after a felling. At least ten trees are left standing on each hectare, preferably in small groups. The retention trees have two principal purposes: they provide a forest with trees of various ages, and with decaying wood. Metsä Group monitors the quality of retention trees left in a felling. In 2019, we left an average of 14.5 retention trees on each hectare. Broadleaved trees – such as birch, aspen and alder – are the most valuable retention trees.

Since late 2016, all types of felling operations carried out by Metsä Group have included the creation of high-biodiversity stumps. High-biodiversity stumps are made by cutting a tree’s trunk at the height of 2–4 metres. A high stump starts decaying after a few years, benefiting fungi, insects and a number of forest-dwelling birds. High stumps are a forest owner’s voluntary addition to efforts aimed at supporting the biodiversity of forest nature. In 2019, high stumps were created on approximately 80% of Metsä Group’s felling sites.

Metsä Group further updated its goal for the number of high stumps left on a felling site. In 2019, Metsä Group further updated its goal for the number of high stumps left on a felling site. In 2019, Metsä Group further updated its goal for the number of high stumps left on a felling site. In 2019, Metsä Group further updated its goal for the number of high stumps left on a felling site.

All birds of prey in Finland are protected. The numbers of hawks (Accipitridae) nesting in forests have declined continuously. Any data showing the locations of hawks’ nests was therefore distributed to a digital service aimed at forest owners in a collaboration with the Finnish Forest Centre and Luonitus (the Finnish Museum of Natural History), in April 2019. Metsä Group urges all forest owners to inform their forest specialists of any nests when agreeing to forest management measures, as this ensures that the nests are preserved.

PROTECTING ENDANGERED SPECIES

According to a survey published by the Finnish Environmental Institute in the spring of 2019, 9% of Finland’s forest-dwelling species are endangered. The percentage has remained the same as the 2010 study of endangered species. The most threatened of forest-dwelling species live in valued habitats, such as heath-rich forests and sunlit slopes. The survival of these species often also depends on the amount of decaying wood.

The protection of species is accounted for in many different ways. The impairment of the habitat of any species specified in the Nature Conservation Act is always prohibited. The known occurrences of any endangered species can be found in Metsä Group’s digital map systems, which ensure these species are protected in all stages of forest management.

Valuable habitats are small in size and are fairly rare concentrations of natural value which differ from the surrounding forest. Their location data is available in Metsä Group’s data systems. This information supports the retention of these sites and their characteristic features during the different stages of forest management. Metsä Group’s personnel and contractors have been trained to identify any new sites they may encounter and enter this data into the system.

The nesting trees of large birds of prey are preserved. Large birds of prey are sensitive to disturbances during nesting, so Metsä Group will not carry out felling operations or other forest work in the vicinity of a nest during the nesting season.

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The Red List Index (RLI) trends, between 2010 and 2019 of primary habitats. The Red List Index, developed by the International Union for the Conservation of Nature and Natural Resources, is used to show trends in overall extinction risk for species. The index maximum value of 1.0 means that species are not expected to become extinct in the near future. The index value of 0.0 equates to species having gone extinct. In Finland, the forest-habitat species’ index fairly closely matches the value of over 0.8 in comparison with many other species of dedicated primary habitats. The value has also remained on the same level during the last 10 years.
We work for a better climate and environment

Metsä Group strives to operate as resource wisely as possible and minimise our impacts on the environment. Each part of the wood is utilised to the most valuable purpose and we optimise the use of other resources needed for production. Our long-term target is that our mills are fossil free.
MATERIAL streams

The efficient use of wood and other resources steer Metsä Group’s operations. We work for minimising the environmental impacts and continuously improving our performance. The majority of our operations are run with renewable energy. The excess renewable energy is provided to the needs of society.

OTHER RAW MATERIALS

1,000 t

- PIGMENTS: 239 (250)
- ADHESIVES: 68 (68)

WOOD-BASED RAW MATERIALS

1,000 m³

- WOOD: 25,036 (25,864)
- PULP: 121 (270)
- RECOVERED PAPER: 422 (384)

PULP, 1,000 t

- 121
- (170)

RECOVERED PAPER, 1,000 t

- 422
- (384)

PURCHASED ENERGY

TWh

- FOSSIL FUELS: 2.9 (2.8)
- ELECTRICITY*: 1.6 (1.6)
- HEAT*: 0.5 (-0.01)

*Figures are net values

WATER INTAKE

1,000 m³

- SURFACE WATER: 381,228 (383,166)
- GROUNDWATER: 1,375 (1,484)

COOLING WATER

Cooling water circulates in separated closed loops and is not in contact with any materials in the process. The only impact to the watercourse is warming. Water is also evaporated in the process to a certain extent.

EMISSIONS TO AIR

1,000 t

- BIOGENIC CARBON DIOXIDE (CO₂): 9,980 (9,138)
- FOSSIL CARBON DIOXIDE (CO₂): 716.6 (693.9)
- NITROGEN OXIDES (as NOₓ): 6.6 (6.2)
- SULPHUR (as SO₂): 11 (9.9)
- PARTICLES: 1.0 (0.9)

WASTE

1,000 t

- LANDFILL WASTE: 58.0 (53.0)
- HAZARDOUS WASTE: 2.7 (2.3)

RENEWABLE ENERGY

(BIOFUELS) TWh

- 3 (4)

The strength of the line is only an indication of the actual size of each material stream and does not represent accurately the actual size of the stream.
Towards FOSSIL FREE MILLS

In mitigating climate change, a great impact can be achieved through radically decreasing the use of fossil-based energy. Metsä Group is a significant producer and user of renewable energy. We have set an ambitious objective of having fossil free mills by 2030. This supports global climate work, but requires a lot of investments and development actions throughout the company.

Energy is a key resource in forest industry, especially in the production of forest-based products. We have made long-term investments in the production and utilisation of renewable energy and improved our performance significantly, but we still have work to do. To gain our strategic objective of having fossil free mills by 2030, we will put our focus into three main development areas:

- improving energy efficiency
- investing in new technologies and electrification
- utilisation of bio-based fuels

A large-scale harmonisation programme for improving energy efficiency has been started throughout Metsä Group's mills and operations. An investment and development roadmap has been made by thoroughly mapping the currently applied technologies and ways of operating, internal best practices and external potential benchmarks have been identified to support this work. The energy efficiency programme is expected to generate improved energy efficiency measures, and also better operational security and direct cost savings results. For example, improving the utilisation of process water gives improved energy efficiency through the use of smaller volumes of water to pumping, heating and drying. It is also good to recognize that the cold weather conditions in the Nordic countries increase the need for energy, for example, in the heating of process water. It is therefore important to consider how we can operate efficiently.

FOR CONTINUOUS IMPROVEMENT, WE PLAN TO APPLY AND ADAPT OUR PRODUCTION, AS WELL AS OTHER PROJECTS, TO MODERN TECHNOLOGIES.

WORKING TOWARDS FOSSIL FREE MILLS

Renewable energy is in a key role in Metsä Group’s operations. Our aim is to use no fossil-based fuels in production and thereby cause zero fossil CO₂ emission by the year 2030. In 2019, 80% (86%) of our production was run with renewable energy (Scope 1 and 2). The share of bio-based fuels was 90% (90%) (Scope 1). The need renewable biofuels mainly consisted of woody-based production side streams as well as harvesting residues. Woody wood is not directed to energy generation.

The total energy use of the Group in 2019 was 32.4 (33.1) TWh. At the same time, wood-based renewable fuel production was 28 (28) TWh, of which 25 (25) TWh was used in our own processes. A surplus of wood-based fuels from mill processes and forestry, such as bark and branches, are sold to external partners. In 2019, the energy content of these biomass-based fuels represented 3 (4) TWh, which when replacing fossil-based fuels saved CO₂ emissions of up to 1 (1) million tonnes. Long-term work for reducing fossil CO₂ emissions continues. We have worked towards, and measured, the reduction of fossil CO₂ emissions (Scope 1 and 2) since the year 2009, and in these ten years emissions have reduced by 66% (45%) per product tonne. A lot of progress regarding energy issues has been made during 2019, but some setbacks have been encountered. At Metsä Wood, the new production lines in Punkaharju and Ainojoki, Finland and France, Enova were still on a ramp-up curve, and as a result, full optimised energy performance is still being sought. Metsä Fibre has agreed with Gasum Ltd to support this work. The energy efficiency programme is expected to generate improved energy efficiency measures, and also better operational security and direct cost savings results. For example, improving the utilisation of process water gives improved energy efficiency through the use of smaller volumes of water to pumping, heating and drying. It is also good to recognize that the cold weather conditions in the Nordic countries increase the need for energy, for example, in the heating of process water. It is therefore important to consider how we can operate efficiently.

FOR CONTINUOUS IMPROVEMENT, WE PLAN TO APPLY AND ADAPT OUR PRODUCTION, AS WELL AS OTHER PROJECTS, TO MODERN TECHNOLOGIES.
Minimising emissions to AIR AND WATER

We work actively to control and reduce the environmental impact of our production as efficiently as possible. Emissions to air are a global issue, and the common aim is to continue reducing fossil CO₂ emissions. Emissions to water are more of a local issue due to the localised use of water and the environmental impacts of production.

Preventive environmental management is a guiding principle of Metsä Group’s production. Efficient control and mitigation of emissions to air and water are the cornerstones of managing the environmental impacts of production. Metsä Group’s operations are guided by our Environmental Policy and its principles on the sustainable forest management, environmental responsibility, continuous improvement of environmental performance, resources efficiency and social and environmental and social responsibility of our suppliers.

Our production units are regulated by environmental permits and emission limits set and controlled by the authorities. We monitor our compliance with the respective requirements and continuously aim to reduce our emissions. All of our mills are certified according to the ISO 14 001 environmental management system standard.

Controlling the environmental impacts of our mills is based on the use of the best available technologies (BAT). EU-wide emission limits have been defined for those technologies commonly used in the forest industry. To maintain compliance with the limits, we continuously develop our operations and invest in our production facilities. During 2019 improvement investments were made at our mills in Simplee and Joutseno, Finland to reduce emissions to air and water.

There were no environmental incidents in the reporting year. There were clear permit limit violations at three of our mills and two minor, momentary non-compliances. We are committed to a high environmental performance and each case is investigated carefully for corrective actions. All permit limit violations are described in the table on page 99.

EMISSIONS TO AIR

Our pulp mills and power plants are the main sources of air emissions of Metsä Group. Primary emissions to air are carbon dioxide (CO₂), sulphur dioxide (SO₂), nitrogen oxides (NOₓ) and particles from pulp production and power plants. In addition, small amounts of total reduced sulphur (TRS) are emitted from pulp mills.

Efficient control of the combustion processes and treatment of the gases ensures low emissions to the atmosphere. Normally our emissions do not cause any noticeable environmental impacts. However, the odorous sulphur compounds are challenging to control and therefore some occasional odours can still be noticed around pulp mills. Our emissions to air causing acidification (SO₂, NOₓ) increased by 4% in 2019. Emissions of particles reduced by 1% (reduced by 26%) and odorous compounds (TRS) decreased by 14% (increased by 51%).

Metsä Group’s energy production is largely based on renewable fuels, ensuring low emissions of fossil carbon dioxide into the atmosphere. The main fuels used are black liquor at pulp mills and biomass, such as bark, at power plants. Our direct greenhouse gas emissions (Scope 1) were 717,000 (694,000) tonnes of fossil carbon dioxide (CO₂). Fossil greenhouse gas emissions from the consumption of purchased electricity and heat (Scope 2) calculated with a market-based method were 362,000 (574,000) tonnes and 417,000 (496,000) tonnes when calculated with a location-based method. Emissions of fossil CO₂ have decreased by 46% (45) per product tonne since 2009. Emissions causing acidification increased to 5,710 (5,478) tonnes SO₂ eq. The total acidification offset has decreased by 27% during the period 2010 to 2019.

EMISSIONS TO WATER

Water is an essential resource for the forest industry. Ensuring that water use in production is optimised and that waste water is treated efficiently are both guiding principles of our water management.

Metsä Group’s production units are mostly located in the Nordic area where water resources are abundant. Over 99% of the water we use is surface water with only minimum quantities of ground water being used. Approximately half of the water we intake is used in the production process and the other half directed for cooling purposes. Cooling water does not come in contact with any materials used in the production process, and the only impact on this water is temporary warming. Water is also evaporated in the process to a certain extent. Metsä Group’s operations do not prevent or weaken any other parties’ access to water at this moment, or potentially in the future.

Metsä Group’s objective is to improve the use of process water by 25% per product tonne in 2018-2030. In 2019, the use improved by 2%. Since 2010, the Group’s use of process water has decreased by 21% (19) per product tonne. The start-up of Äänekoski bioproduct mill and improvements in water use at Husum mill have significantly decreased our process water usage per product tonne during the last few years.

Before process water is returned from the production process to the wastewater, it is carefully treated with efficient waste water treatment. The main waste water emissions from Metsä Group’s production units are phosphorus, nitrogen, solid matter and organic matter, which is measured as chemical (COD) and biological (BOD) oxygen demand. Emissions from pulp mills also contain organic chlorine compounds (AOX), sodium and sulphates. The state of waterbodies surrounding the production units and their fish stock are carefully monitored. Emissions to the water in the pulp and paper industry have fallen considerably over the last 25 years. In particular, the load of organic matter and solids has also decreased significantly. The importance of this is reflected by the fact that the lakes and rivers around Metsä Group mills are largely used for recreational purposes.
We offer sustainable choices

Metsä Group’s products made from renewable raw materials help to reduce dependence on fossil resources and offer sustainable choices for everyday life. We want to ensure that our suppliers follow our high ethical standards. We are working towards not using any fossil oil-based raw materials or packaging materials.
Metsä Group is committed to acting responsibly and we want to ensure sustainability in our supply chain.

IMPROVING THE SUPPLIER RISK ANALYSIS

In 2019, we improved our supplier risk analysis to take into account the sustainability risks and adverse impacts on the supply chain. Risk analysis is done as part of the long-range planning of our sourcing categories. The target is to identify the most significant impacts, or risks, related to each sourcing category, and to recognise the riskiest suppliers. We identified that the chief adverse impacts in the supply chain are predominantly related to environmental effects in the operations of our suppliers and logistics service providers, and to health and safety related risks. These findings are also in line with the findings from our sustainability self-assessment questionnaire, in addition other sustainability risks were identified. We therefore understand that we need to develop the risk assessments and supplier evaluation further, and extend our focus deeper into the supply chain. Sufficient transparency of our supply chain, beyond first tier suppliers, remains a challenge.

We intend to improve the ways in which we learn about supplier misconduct and will work with suppliers to improve their practices. Our new compliance and ethics channel is also open for our suppliers to raise concerns, and this will help us to identify any misconduct and also the responsibility risks related to the supply chain.

SUSTAINABILITY TAKEN INTO ACCOUNT IN PROCUREMENT PROCESSES

As part of the project to unify the processes of Metsä Group, the supplier sustainability practices have been taken into account in the design of our procurement processes. An example of this is the supplier background check, which ensures the supplier’s compliance with laws and regulations. This is now conducted as part of the tendering and negotiation processes when suppliers are pre-qualified. We also continue to analyse our suppliers using sustainability self-assessment questionnaires. Answers, while useful, may often insufficient and work is ongoing to assess how to improve this. We have also started to develop our supplier audits to ensure that sustainability issues are taken into account in the audits and in the selection of the suppliers to be audited. In 2019, we conducted 45 (55) on-site audits of which 19 (15) were third-party audits, including sustainability evaluations of the suppliers to be audited. In 2019, we conducted 45 (55) on-site audits of which 19 (15) were third-party audits, including sustainability evaluations of the suppliers to be audited. We also continue to analyse our suppliers using sustainability self-assessment questionnaires. Answers, while useful, may often insufficient and work is ongoing to assess how to improve this.

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Corrective actions & Follow-up

- Compliance analysis conducted: 77%
- Self-assessment questionnaire evaluated: 53%
In order to ensure the sustainability of our supply chain, we also want to ensure that we know the origin of our raw materials and packaging materials used in the production of products by Metsä Group. Our main raw material is wood, which is 100% traceable and 85% obtained from certified sources. We also know the origin of the pulp we purchase externally. Wood and pulp cover over 70% of our raw material spend. We have also developed the traceability of the other raw materials such as process, basic and coating chemicals as well as recovered paper and packaging materials. For these materials, we are typically aware of their origin but data has not been systematically collected and tracked.

Recycled paper is typically collected from the country, or neighboring country, where it is purchased. Our target is to identify the collection country. This information is gathered from suppliers with self-assessment sustainability questionnaires.

Our suppliers are expected to disclose the manufacturing locations of our raw materials in product safety questionnaires. Our main focus currently is to trace the origin of manufacture of the raw materials we purchase, but in the future we plan to extend the analysis further into the supply chain. Currently, not all suppliers disclose this information in the product safety questionnaires. In 2019, we knew the origin of 89% of raw materials.

**New maritime liner service concept from Kemi to Lübeck, Antwerp, Zeebrugge and Tilbury**

Metsä Group has made a long-term contract with Wallenius-SOL for Metsä Board products from Kemi and Husum to European markets. We will use a new shipping line that will transport forestry products and other goods in a network covering the Gulf of Bothnia, the Baltic Sea and the North Sea. Specially designed vessels built to 1A Super Finnish/Swedish ice class will ensure a year-round service, even in the Northern Baltic Sea and the Gulf of Bothnia. The fleet in the Baltic Sea will consist of five vessels. Two of these will be new builds, operated by sustainably efficient LNG power to reduce any environmental impact. The products are transported directly from several Metsä Group mills closer to customers. This technology, as well as the reduced need for land transportation, will result in lower environmental emissions. The delivery of the new vessels is planned for 2021.

**Towards FOSSIL FREE RAW MATERIALS**

Our main raw material is wood, which is a renewable raw material originating from sustainably managed forests. Currently, most of our raw materials are already obtained from renewable sources.

Our target, in our efforts to contribute towards a low carbon society, is that by 2030 we will eliminate the use of any fossil oil-based raw materials or packaging materials.

Our aim is to seek bio-based alternatives for the fossil oil-based raw materials and packaging materials that we currently use. This review will be done taking into account the environmental aspects of the alternative material. Targets comprise of raw materials and packaging materials included in the finished products which are produced by Metsä Group.

During 2019 we defined which raw materials are currently fossil oil-based and calculated their share of all raw materials used in the finished products. In 2019, the share of fossil free raw materials was 99.7% (99.6) of volume (dry tonnes). One main raw material, wood, accounts for 94% of all raw materials.

The main raw materials that we are looking to replace that include fossil oil, are latex, plastic coatings and hydrophobic sizing agents which are used in board production; converting and wet strength glues used in tissue production; and phenolic resins used in wood products production, in addition to packaging materials used in multiple business areas. For most of the raw materials, alternatives have been researched and, for some of them, a replacement already found. Business area’s research and development teams and centralised raw material sourcing teams have planned activities to find and evaluate alternative raw materials and estimate any impact they may have on our product portfolio. Follow-up of targets and the review of roadmaps are done by Metsä Group’s Sustainability Process Management Team.

There are, however, challenges in replacing fossil oil-based raw materials with fossil free raw materials. One example is latex which is used to enable good printing quality of coatings and provide stiffness and toughness when the paperboard is converted or bent to form boxes and other forms.
Serving global customers efficiently and with high quality

Metsä Group consists of five business areas that cover the whole value chain from sustainably managed forests to global markets.
METSKÄ FOREST

Metsä Forest provides services to both forest owners and the industry that uses wood. We procure all the wood used by Metsä Group. We offer extensive forest services in wood trade and forest and nature management to forest owners. All the wood we procure is 100% traceable.

FAMILY FOREST ARE THE MOST IMPORTANT SOURCE OF WOOD

Most of Finland’s forests are owned by private forest owners who are ordinary families, owning more than 60% of Finland’s forests. Metsä Group’s owner-members own half of Finland’s privately-owned forests. Some 70% of the annual growth of Finnish forests takes place in family-owned forests, and private forest owners provide the industrial sector with 80% of the Finnish wood it requires.

Metsä Forest is responsible for the purchasing, harvesting and measuring of the wood, as well as for its transportation to Metsä Group’s production units and our other industrial customers. Our wood delivery volume to our internal and external industrial customers in 2019 declined by 1.7 million m³ compared with 2018. In 2019, we procured a total of 34.7 million m³ of wood, most of it from Finland. For wood purchases made in Finland, we prioritise the owner-members of our parent company, owning more than 60% of Finland’s forests. Metsä Group’s owner-members own half of Finland’s privately-owned forests. Most of Finland’s forests are owned by private forest owners who are ordinary families, owning more than 60% of Finland’s forests.

OUR SERVICES SUPPORT SUSTAINABLE FOREST MANAGEMENT

Metsä Forest provides forest owners with all services related to forest ownership, the management of forest assets, the investment of forest income and a forest estate’s generational changes. The majority of our services are also available to those who are not our owner-members.

Consideration for nature and the environment are an integral part of all our forest services. In Finland, a felled forest is always regenerated. We help forest owners establish a new forest and to maintain the healthy, good growth and biodiversity of forests in accordance with the Forest Act and certification criteria. We work according to the same responsibility principles in all the countries where we procure wood.

We continually develop our services in forest management. In 2019, we launched a new pine-and-spruce mixed cultivation service, which ensures the generation of a mixed forest on soils suitable for this method from the outset. We have been actively involved in a project led by the Finnish Environment Institute which is developing a new biological waste protection method that relies on wood.

The implementation of strategic sustainability throughout the organisation is essential for reaching the development targets. It is important that each employee at Metsä Forest understands and values the significance of sustainability in their work. Our subcontractors also play an important role as they are our partners, in charge of harvesting and transport, and our forest management work. Our goal is long-term cooperation that gives our partners the possibility to increase and develop their business operations.

TAKING ACTION TOWARDS THE 2030 OBJECTIVES

In 2019, Metsä Group updated its sustainability goals to be met by 2030. Metsä Forest’s particular responsibility, in terms of the goals, is to increase the amount of carbon stored in forests and to safeguard biodiversity.

In 2019, Metsä Forest prepared an action plan for the sustainability goals and developed indicators for their monitoring. The goals will be put into practice from the beginning of 2020.

The amount of carbon stored in forests will be increased by accelerating the regeneration of a new forest after felling and by carrying the work out in accordance with the highest standards. According to results published by the Finnish Environment Institute in 2019, soil preparation, for example, improves a forest’s growth and helps increase a forest ecosystem’s carbon stock.

Since the autumn of 2016, all Metsä Forest’s felling operations have included, with the permission of the forest owner, the making of two high biodiversity mounds on each hectare. This supports biodiversity of forests through leaving vital habitat for hole nesters and species dependent on decaying wood. In 2019, we left high biodiversity mounds on 80% of felling sites. In 2020, we will double the number of high mounds to four per hectare. Our aim is to leave high mounds on 90% of our felling sites.

CASE

More diverse forests through mixed pine and spruce cultivation

In September 2019, we started selling a mixed pine and spruce cultivation service to customers. The service produces well-growing mixed forests that are more sustainable and diverse than single-species forests.

In mixed cultivation, pine seeds are sown or seedlings planted between spruce seedlings. We provide forest owners with seeds and seedlings with a native origin.

Mixed spruce and pine cultivation is not a new idea, but there are new research results that support this method. According to initial research results from the Natural Resources Institute Finland, simultaneously cultivated pine and spruce grow at the same rate in well-managed forests. Successful mixed cultivation requires that seedling stands be managed in a good and timely manner.

The method is particularly suitable for areas with a risk of damage caused by elk. Mixed cultivation can be used to ensure that a new forest is sufficiently dense and continues to grow well, even if elk eat some of the pine seedlings.

Mixed forests are more resistant to damage than single-species forests. During particularly dry summers, spruce is more prone than pine to suffer from a lack of water, which hinders its growth. In such circumstances, spruce is also more prone to damage caused by insects, and this risk increases with climate change.

Mixed cultivation increases biodiversity especially when it is ensured during seeding stand management that a sufficient number of silver birches and other deciduous trees are left on the site in addition to pines and spruces.
**CASE**

**Developing fire extinguishing equipment**

The Ponsse Buffalo forwarder of Veljekset Hokkanen, Metsä Group’s contractor in Kangasniemi, is equipped with a water tank, pump equipment and a water cannon. Using the pump equipment, the 11,000-litre tank can be filled with water from a natural source.

– The forwarder makes putting out a forest fire more effective at a reasonable cost, says Seppo Lokka, director of the Southern Savonia Rescue Department. Several regional rescue departments contributed to the development of the forwarder, which was piloted in the summer, with good results.

– We are playing our part in further developing the prevention of forest fires so that extensive damage can be avoided in Finland. Through the dense network of forest roads in our country, forest machines have better access to fire areas than a traditional fire extinguishing fleet. In addition, more water can be transported in the tanks than on a helicopter and it is more cost-effective, says production manager Pasi Arkko.

– We are a national operator, and as the project progresses further, our contractors will have equipment for the use of all rescue departments.

In line with the planned operating model, a forwarder will arrive on a fire site based on an agreement between the contractor and the rescue department. The rescue department will bring a tank to be attached to the forwarder, and the tank can be put to use quickly.

**We offer all felling methods**

The Forest Act, which came into effect in 2014, gave forest owners more freedom to decide on felling methods. We provided our employees with training before the Act took effect, and this year we offered refresher training on continuous cover forestry.

A total of 400 forests specialists in wood trade and forest services and in operations participated in training events held across the country. Experts from the Natural Resources Institute Finland were responsible for the content of the events.

The themes of the training events included forest regeneration and harvesting in continuous cover forestry, and the effects of continuous cover forestry on biodiversity, carbon storage, forest damage and game. Matters related to the growth, yield and profitability of uneven-aged forests were also covered.

– These important themes provoked lively discussion, which continued even more actively on the forest sites the participants visited in the afternoon, said forest specialist Juhani Savijärvi from Padasjoki.

– We were also provided with information about continuous forest management recommendations, which were renewed this year.

– A good partnership between a forest specialist and a forest owner requires honest discussion. I provide guidance to the best of my knowledge, but the forest owner ultimately decides what measures will be carried out in their forest, said Juhani Savijärvi.

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**Read more on forest growth and sustainable forest management on pages 42–45**  
**Read more on forest certification and traceability of wood on pages 46–49**  
**Read more on how we safeguard biodiversity on pages 50–51**
Metsä Wood provides competitive and environmentally friendly wood products for construction, industrial customers and distributor partners. Metsä Wood manufactures products from premium quality northern wood that comes from sustainably managed certified forests and is always fully traceable. The primary products of Metsä Wood are Kerto® LVL and birch and spruce plywood. The company has production facilities in Finland, Estonia and UK and products are exported all over the world. The main market areas are the UK, Germany and Nordic countries with Asia and North America becoming growing market areas.

METSÄ WOOD 2030 SUSTAINABILITY TARGET AND STRATEGY

Metsä Wood’s strategy is based on industrial efficiency. Our focus is on industrial scale production and sales of premium quality engineered wood products. Wood products with a long lifespan have a key role in circular economy as they store carbon for a long time.

The role of wood construction in the urbanizing world is strengthening, as the importance of sustainability in built-up environments increases. To offer efficient products to its customers, Metsä Wood upgrades wood from sustainable sources efficiently in modern facilities.

Metsä Wood has been implementing an investment programme of approximately 150 million euros since 2017. With these investments we increase the amount of carbon stored in wood products for a long term. The most significant investments, worth 55 million euros, has been the birch plywood mill in Pirnà, Estonia where the mill production started in August 2018. The birch veneers for the plywood are manufactured at Äänekoski, Finland. Over 150 new jobs have been created and more people will be hired in the next few years. In Punktahuta, Finland, the new Kerto® LVL production line, with an annual capacity of 60,000 m³, started up in April 2019.

RAW MATERIAL FROM SUSTAINABLE SOURCES

All the wood we use is 100% sustainable and traceable, which means that it comes from certified or controlled sources. In 2019, the proportion of certified (PEFC™ or FSC™) wood at Metsä Wood was 89%.

SUSTAINABILITY IN PRODUCTION AND PRODUCTS

The efficient use of valuable raw material is a key priority at Metsä Wood and it is followed through all operations. Metsä Wood continuously focuses on improving the efficiency of the raw material use. Also the production side streams, such as chips and sawdust, are utilized either as raw material for pulp or in renewable energy production. The production of Metsä Wood is virtually waste-free.

Wood products play a part in mitigating climate change, as they store carbon for a long lifespan. As an example, Metsä Wood’s Kerto® LVL is a laminated veneer lumber product used in all types of construction projects, from new buildings to renovation and repair. In the manufacture of Kerto® LVL, a large share of renewable energy is used, resulting in lower fossil greenhouse gas emissions and global warming potential compared to other building materials. In addition, LVL stores biogenic carbon, which constitutes about one half of the dry weight of the wood. The biogenic carbon remains in the LVL throughout its lifetime until it is released back to the atmosphere to be absorbed by the next generation of growing trees. Kerto® LVL also serves as a carbon storage in buildings: 1 m³ of LVL contains stored carbon equivalent to 789 kg of CO₂. With wood products, the building phase can be conducted resource efficiently in terms of time, environmental impacts and costs.

PRODUCT SAFETY IS SYSTEMATICALLY CONTROLLED

Metsä Wood products are manufactured according to relevant national and international regulations and standards and the products have several product approvals. Continuous high product quality is ensured by modern-quality assurance procedures. Both production process and product properties are systematically controlled. In addition to Metsä Wood’s own quality control, Eurofins Expert Services Oy oversees production operations and internal quality control at Metsä Wood LVL and plywood mills. Majority of the Metsä Wood products are CE marked, which indicates that a product has been assessed by the manufacturer and deemed to meet EU safety, health and environmental protection requirements for construction products.

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The Kerto® LVL mill in Lohja improved noise and odour control

The Kerto® LVL mill in Lohja is located close to a residential area so paying attention to the noise caused by production is important. Major improvements have been made in the past few years.

Cooperation with local residents and stakeholders is important for our production units. The production of Kerto® LVL occasionally causes both noise and odour in the nearby areas.

The Kerto mill in Lohja has previously received negative feedback regarding occasional noise nuisance. To solve this, the mill conducted a noise modelling study, reviewed its crusher systems and modernised the drilling machines, which had caused odour nuisance.

– The most significant noise nuisance arose from the crushing of what is known as field bark, as well as other fractions from the production, outside the mill, says Jaakko Pusa, Production Manager at the Lohja mill.

– We renewed the mill’s crusher system, which reduced the amount of work to be performed outdoors.

An area behind the mill was also built in the mill area. The shelter serves as a noise barrier for the town and residential areas.

– We were also able to stop the drying machines from emitting a burning smell by modernising both machines, Pusa tells.

These investments in environmental efficiency are good examples of responsible operations and continuous improvement. With lower levels of noise and odour nuisance, residential satisfaction has increased significantly in the nearby areas. When the mill held a Doors Open Day in September 2019, visitors confirmed that the measures had the desired effect: the level of noise is now very low and even less irregular than before.

SUSTAINABILITY OVER THE LIFE CYCLE

Wood products offer renewable and sustainable solutions for construction. Wood as a renewable material has a lower global warming impact compared to alternative, non-renewable building materials. The infinite carbon cycle between the atmosphere, growing trees and wood products distinguishes renewable wood from non-renewable materials.

The natural cycle of wood begins when trees grow and absorb CO₂ from the atmosphere via photosynthesis. When trees reach a certain age their growth significantly slows down and therefore also the absorption of CO₂ slows down. By harvesting trees in a responsible manner more room in the forest is made for new trees that can in turn act as carbon sinks.

The environmental performance of building materials, life-time carbon storage in wood, and buildings typically achieve the same service time as other materials. Life-time carbon storage in wood, and buildings, typically 50–100 years.

CASE

The Kerto® LVL mill in Lohja

improved noise and odour control
METSÄ FIBRE

Metsa Fibre is a leading producer of bioproducts, biochemicals and bioenergy. The company is the world’s leading producer of bleached softwood pulp and a major producer of sawn timber. Metsä Fibre has four pulp mills in Finland, five sawmills in Finland and one sawmill in Russia. The main market areas include Europe, Asia, North Africa and the Middle East.

AIMING FOR EXCELLENT PERFORMANCE IN ALL OPERATIONS

At Metsä Fibre, sustainability and responsibility are an integral part of everything we do. Metsä Group’s four sustainability themes cover our entire value chain – from the forest all the way to finished products. The commitment to our strategic sustainability objectives for 2030 is guiding our path towards a low-carbon society.

We create sustainable and renewable growth from wood and we are a forerunner in the pulp and sawn timber market. Together with our partners, we actively develop future pulp and sawmill technology concepts and new bioproducts. New bioproducts enhance the cost efficiency and growth of our pulp and sawn timber business operations and create a sustainable bioeconomy and circular economy.

We support our aim for continuous improvement with certified management systems such as quality, environmental, energy efficiency and safety systems. The Chain of Custody systems we use enable us to trace the origins of all wood used by Metsä Fibre. Our goal is excellent performance in all our operations. We systematically develop our production efficiency and cost efficiency, as well as carry out timely maintenance investments and major repairs at our production facilities. The continuous minimisation of the environmental impacts of business operations is an integral part of excellent performance.

SUSTAINABLE RAW MATERIALS

We use northern wood from sustainably managed forests in areas where the forests grow more than they are used. 90% of the wood we use is certified according to the international forest certification schemes PEFC® or FSC®. All of the wood we procure is 100% traceable and meets, at minimum, the requirements of FSC, Controlled Wood and PEFC, Controlled Sources.

SUPPLY CHAIN SUSTAINABILITY

The wood supply chain is covered with chain of custody certificates and all the wood is traceable back to the origin. The sustainability of other than wood suppliers and logistics partners is ensured by a group-wide process in Metsä Group’s centralised purchasing. By 2030, all our suppliers will operate according to the responsibility criteria we have set for our suppliers. So far, up to 92% of our suppliers have already accepted these criteria. In addition to the Supplier Code of Conduct, supplier audits and evaluations are performed and further sustainability requirements are often agreed in the contracts. A sustainable supply chain is an important part of operations and this is emphasised also in our customer cooperation to show that Metsä Fibre is a reliable partner to our customers.

RESOURCE-EFFICIENT PRODUCTION

One of the key sustainability objectives for the whole of Metsä Group is to have fully fossil free mills by 2030. Of Metsä Fibre’s mills, the pulp production at our Äänekoski mill is already fossil free, as is our mill in Joutseno under normal operating conditions. If the planned investments in Kemi and Rauma are realised, the Kemi bioprocess mill and the Rauma sawmill and pulp mill will also be fossil free.

In terms of resource efficient production, the 2030 objectives focus on utilising 100% of side streams and reducing process water usage by 25% from the level of 2018. The use of process water in pulp production has already been reduced by 16% in 2010-2019 and we will continue to increase the efficiency of its use by a further 25% by 2030. In 2019 process water usage per produced tonne of pulp increased 4%.

SAFE AND HIGH-QUALITY PRODUCTS

Our high-quality products guarantee safe products to our customers. The fresh-fibre pulp produced by Metsä Fibre is pure and suitable for various demanding end uses including products that will be used in food contact. Metsä Fibre’s pulp mills have been granted with an ISO 22000 food safety system.

WORK SAFETY IS A PRIORITY

At Metsä Fibre, we consider safety to be an important part of professional skills. Safety is a priority for us in everything we do, and everyone at Metsä Fibre has the right to a safe workplace. Key aspects of safety management include proactive safety work, risk identification and assessment, addressing unsafe working methods and ensuring the entire personnel’s commitment. We engage in long-term work to improve safety at work and require occupational safety skills from our suppliers and partners as well. We provide all of our employees, and the partners working at our mills, with induction training on safe ways of working.

Our goals and the occupational safety indicators we monitor encourage us to develop our operations continuously. We aim to decrease Metsä Fibre’s TR1 frequency to three by 2023. In 2019 it was 11 and our long-term goal is zero accidents.

SUSTAINABILITY REPORT 2019

2019 in a nutshell | CEO’s review | Strategy | Sustainability management | Sustainability themes and objectives | Business integrity | We create well-being

We bring the forest to you | We work for a better climate and environment | We offer sustainable choices | Business area sections | Data and assurance

CASE

Metsä Fibre wins international recognition for sustainable development

In 2019, Metsä Fibre gained international recognition for the company’s sustainability work by receiving the European Foundation for Quality Management’s EFQM Global Excellence Award. The company won the ‘Outstanding Achievement for Sustainability Award’ and received the EFQM’s ‘Recognised for Excellence’ 6 Stars rating. The sustainability award was given for Metsä Fibre’s excellent work in promoting sustainable development and continuous improvement. Metsä Fibre received praise from the EFQM assessors for how sustainability is reflected in the company’s investments and action plans and how it is part of the company culture at all organisational levels.

Metsä Fibre’s key principle is to continuously improve our operations and take account of sustainability and responsibility in all our operations. We use northern wood from sustainably managed forests for the resource-efficient manufacture of products that can replace fossil-based raw materials. We take care of the well-being and safety of our personnel, and we are developing our production plants to make them more environmentally friendly and to achieve greater efficiency with the use of energy and materials. In addition to this, we use production side streams as efficiently as possible, as renewable energy and other bioproducts, says Metsä Fibre CEO Ismo Nousiainen.

“We apply the EFQM excellence model for the long-term development of Metsä Fibre’s operations. External feedback of this kind is extremely valuable to us.”
INVESTING FOR THE FUTURE

Metsä Fibre is planning a totally new modern bioproduct mill to Kemi, Finland. The ongoing pre-engineering of the mill is based on the premises of a totally fossil free operations and a 250% self-sufficiency in electricity. The total value of the investment would be EUR 1.5 billion and the investment decision will be made at the earliest in summer 2020. After the investment decision, the construction of the mill would begin immediately. If implemented, it will be the largest investment in the Finnish forest history after Aäänekoski bioproduct mill, EUR 1.2 billion.

The Kemi bioproduct mill is planned to be the most energy, material and environmental efficient mill in the world, as its equipment present the best available techniques (BAT). Besides 1.5 million tonnes of pulp produced per year, the bioproduct mill also produces a broad range of other bioproducts. The traditional ones such as tall oil, turpentine and electricity, and the new ones, for example, sulphuric acid and product gas. The wood consumption of the new mill would be 7.6 million m³.

The effects of the new mill are significant. The new mill in Kemi would employ directly 250 people and, in its entire direct value chain, roughly 2,500 people in total. This is an increase of 1,500 people compared to the current situation. The employment impact in the construction phase would be almost 10,000 person-years of which over half will be in Kemi. The mill would also increase the annual income by EUR 0.5 billion and export income annually EUR 0.5 billion.

Metsä Fibre is planning the construction of a sawmill at its mill site in Rauma, Finland. The sawmill would employ directly 250 people and, in its entire direct value chain, roughly 2,500 people in total. This is an increase of 1,500 people compared to the current situation. The employment impact in the construction phase would be almost 10,000 person-years of which over half will be in Kemi. The mill would also increase the annual income by EUR 0.5 billion and export income annually EUR 0.5 billion.

Metsä Fibre is planning a totally new modern bioproduct mill to Kemi, Finland. The sawmill would be designed to use the latest technology at all stages of production. The new technology also allows for the transition from separate workstations to centralised control room set up.

The sawmill next to an existing Rauma pulp mill would support meeting our sustainable development goals, for example, by reducing fossil fuel based carbon dioxide emissions. The sawmill would use the surplus bioenergy from the pulp plant, thereby eliminating fossil-based CO₂ emissions. In the longer term, the sawmill would enable Metsä Group to achieve its sustainable development goal of a fossil fuel-free mill environment. The environmental impacts of operations will be reduced through integration and the creation of synergies related to energy, by-products and logistics.

IMPLEMENTATION OF SUSTAINABILITY

Metsä Fibre held training on sustainable development for all employees during 2019. The training focused on the importance of each employee’s own work in reaching the company’s sustainable development goals. The target was to understand Metsä Fibre’s role in sustainable development and to ensure that everyone is aware of Metsä Fibre’s sustainable development goals and knows their own role in contributing to these in the pursuit of excellence.

As a responsible operator, Metsä Fibre has demonstrated its commitment to developing and deploying solutions that are environmentally friendly as possible, and also its commitment to continuously increase the share of renewable energy in production energy. By fostering our own expertise and working in accordance with the company’s values and goals, each of us plays our part in acting responsibly to meet the sustainable development goals that have been set.

The sawmill would be designed to use the latest technology at all stages of production. The new technology also allows for the transition from separate workstations to centralised control room set up.

The sawmill was our first round with EcoVadis, and we will utilise the feedback as one tool to further improve our operations.

CASE

Metsä Fibre receives EcoVadis Gold rating for corporate environmental and social responsibility

Metsä Fibre has been awarded a gold medal in recognition of a CSR achievement. The EcoVadis Gold rating was given to Metsä Fibre for the work the company has done related to environment, labour and human rights, ethics, and sustainable procurement.

At Metsä Fibre, responsibility and sustainability are an integral part of everything we do, and strategically a key area for us. One concrete example of our resource efficiency agenda is our unique bioproduct mill concept where we aim to utilise 100% of wood raw material, and continuously convert side streams from pulp production into bioproducts that offer higher added value than before, says Ismo Nousiainen, CEO, Metsä Fibre.

We are all happy to achieve the EcoVadis Gold rating. This was our first round with EcoVadis, and we will utilise the feedback as one tool to further improve our operations.

CASE

Bioproduct mills – our concept for renewing pulp mills

Metsä Fibre’s unique bioproduct mill concept enables the future expansion of the company’s product range to new bioproducts with increasingly high added value. The bioproduct mill concept is based on utilising 100% of the wood raw material as well as production side streams for producing pulp and a broad range of other bioproducts that can be used to replace fossil materials and fuels. Bioproduct mills generate considerably more bio-based electrical energy than traditional pulp mills, and do not use fossil fuels.

The world’s first next-generation bioproduct mill was started up in Aäänekoski, Finland in August 2017 and full production capacity of 1.3 million tonnes was reached as planned in August 2018. Now Metsä Fibre is planning the next bioproduct mill to be built to Kemi, Finland.

At the core of the bioproduct mill is the world’s most efficient pulp process. The concept of the bioproduct mills’ business model is based on an efficient partner network, in which new products are upgraded in cooperation with various parties. Businesses of various sizes and at various stages of development operate in the ecosystem.

UTILISATION OF MAIN AND SIDE STREAMS

The bioproduct mill concept is based on utilising 100% of the wood raw material, and continuously converting side streams from pulp production into bioproducts that offer higher added value than before. Metsä Fibre has demonstrated its commitment to developing and deploying solutions that are environmentally friendly as possible, and also its commitment to continuously increase the share of renewable energy in production energy. By fostering our own expertise and working in accordance with the company’s values and goals, each of us plays our part in acting responsibly to meet the sustainable development goals that have been set.

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The children are also given Metsä Group high-visibility vests and reflectors, as well as an information package to make it easy to review issues related to road safety. The events are planned in conjunction with schools and municipalities in the region and implemented by Metsä Fibre and Metsä Group wood procurement.

At Metsä Fibre sawmills in Finland, waste water is treated in clarification basins, the volumes are very small and measurements of discharges to watercourse are not required.

As part of Metsä Fibre's sustainability efforts, fish stock monitoring is carried out including for example the migration of trout along the Päijänne-Keitele waterway. Migration of the trout was similar before and after the start-up of the mill in 2016.

Based on the results of the monitoring, the wastewater functionality index was improved by 0.5. The energy plant uses some fossil fuels while the pulp mill is fossil free.

At Metsä Fibre sawmills in Finland, waste water is treated in clarification basins, the volumes are very small and measurements of discharges to watercourse are not required.
METSÄ BOARD

Metsä Board is a forerunner in sustainability, focusing on premium fresh fibre products for consumer and retail packaging, including folding boxes, foodservice boards and white kraftliners. The high performance of the products is based on technical excellence and tailor-made high-quality Nordic pulps. Metsä Board’s mission is to create packaging solutions that respect nature.

**COMMITTING TO SUSTAINABILITY**

At Metsä Board, the Board of Directors approves the company’s long-term strategic objectives, targets and guidelines. Metsä Board’s CEO together with the Corporate Management Team manages the implementation of the company’s strategy, including sustainability, in accordance with the decisions and instructions of its Board of Directors. Metsä Board’s sustainability targets are based on Metsä Group’s strategic sustainability objectives and the Metsä Board strategy. The ambitious sustainability targets for 2030 published in August 2019 focus on four themes: responsible corporate culture and safety at work, sustainable forest management, climate and environment, and sustainable products and supply chain. The new targets support the UN Sustainable Development Goals and demonstrate Metsä Board’s commitment to responsibility in its own operations as well as in the supply chain.

- **SCIENCE BASED TARGETS**
  - Metsä Board’s greenhouse gas emission reduction targets have been approved by the Science Based Targets initiative. The targets are consistent with the reductions required to keep the global warming in 1.5°C, the most ambitious goal of the Paris Agreement. With these targets Metsä Board commits to reduce its absolute Scope 1 and 2 GHG fossil emissions with 100% by 2030 from a 2016 base year. In addition, Metsä Board works for further reductions as well as for a fossil-free future.
  - Metsä Board is preparing for a wider climate-related reporting to fulfill the recommendations and requirements of the Task Force on Climate-Related Financial Disclosure. In 2019 reporting the considered climate-related risks are presented in the risk section of the Board of Directors’ report in Metsä Board’s Annual report.

**MANAGING CLIMATE-RELATED RISKS**

Metsä Board carefully considers the climate change-related risks and opportunities that may affect the implementation of the company’s strategy and on how short-term and long-term objectives are met. The climate-related risk assessments include current and emerging regulations, technology requirements, market situation, supply chain, reputation risks and physical risks such as temperature changes and water availability. Metsä Board regularly assesses and monitors the risks to the environment and any changes in it. Identified risks and the means to control them are reported to Board of Directors at least twice a year.

**SUSTAINABLE FINANCE AT METSÄ BOARD**

Metsä Board has signed a bank financing facility consisting of a five-year term loan and a five-year multicurrency revolving credit facility (“RCF”) with two one-year extension options and an accordion option in 2019. The margin of the RCF is linked to sustainability criteria, including reduction in specific waste consumption and reduction in specific energy consumption.

**EXTERNAL RECOGNITION IN SUSTAINABILITY**

Metsä Board is included in several external assessments that evaluate the company’s performance in the context of sustainability and corporate social responsibility. Metsä Board’s professionals put safety first, and safety is an integral part of each and every task. Everyone has the right to a workplace where no accidents occur. All our mills apply certified health and safety management systems and ISO 45001. We also require our partners to be as committed to the promotion of safety at work as we are.

**EVERYONE HAS THE RIGHT TO A SAFE WORKING ENVIRONMENT**

Metsä Board’s professionals put safety first, and safety is an integral part of each and every task. Everyone has the right to a workplace where no accidents occur. All our mills apply certified health and safety management systems and ISO 45001. Metsä Board also complies with the recommendations and requirements of the Task Force on Climate-Related Financial Disclosure. In 2019 reporting the considered climate-related risks are presented in the risk section of the Board of Directors’ report in Metsä Board’s Annual report.

**RAW MATERIALS FROM SUSTAINABLE SOURCES**

As part of Metsä Group, Metsä Board has full control over the wood raw material supply chain from forest to paperboard production. Metsä Board procures all its wood through the operations of Metsä Forest. The pulp used for paperboard production is manufactured in Metsä Board’s own pulp mills or in the pulp mills of our associated company Metsä Fibre with 24.9% holding. This provides Metsä Board a secure pulp supply, high quality consistency as well as an unbroken product safety chain through full control of chemicals used in production.

All wood raw material Metsä Board uses comes from sustainably managed forests, and is 100% traceable both through PEFC™ or FSC® Chain of Custody management systems. Of this wood, 76% (79) % originated from certified forests in 2019, and 24% (21) came from controlled forests.

**DATA AND ASSURANCE**

The total wood use of Metsä Board in 2019 was 8.2 million m³ (8.5). This includes the wood used for Metsä Board’s own pulp and CTMP production as well as wood used for the pulps purchased from Metsä Fibre. 50% of the total wood used came from Finland and 26% from Sweden. The rest came from the Baltic countries, Russia, Germany and Poland.
SUSTAINABILITY IN THE SUPPLY CHAIN

Sustainability of all Metsä Board’s suppliers is ensured by a group-wide process in Metsä Group’s centralised purchasing. Metsä Board’s suppliers include wood and fibre suppliers within Metsä Group as well as external suppliers such as chemical, machinery, equipment and service providers.

By the end of 2019, suppliers that covered 95% (95) of Metsä Board’s total purchasing were committed to Metsä Group’s Supplier Code of Conduct or had a corresponding Code of Conduct themselves. In addition to the Supplier Code of Conduct, further sustainability requirements are often agreed in the contracts. By the end of the year, the compliance analysis was conducted on suppliers representing 82% of total purchasing value. The sustainability evaluation, which includes a suppliers’ self-assessment questionnaire and required development actions if needed, covered 58% of suppliers measured by spend.

In 2019, Metsä Group conducted 14 (27) and external party 15 (10) on-site audits at Metsä Board’s suppliers. Metsä Board uses local suppliers where possible. In 2019, 76% of purchases came from Finland and Sweden where we have production sites. 90% of our purchases came from Europe.

Adverse impacts of logistics are mitigated with careful route planning, minimizing transported distances and developing more efficient operations and guidelines. This reduces both costs and emissions. The lowest emissions’ alternative is prioritised, for example, sea and rail deliveries are preferred over trucks where possible.

Metsä Board tracks the origin of all the wood used through PEFC™ and FSC Chain of Custody systems. As a next step we will further improve the traceability of chemicals and other raw materials. In 2019, we knew the origin (manufacturing location) of 93% of the raw materials we purchased.

Ensuring product safety by better traceability

Metsä Board’s product safety questionnaires, which are directed to the suppliers, are one example of ways to increase traceability of raw materials. These questionnaires are sent to all Metsä Board’s raw material suppliers annually.

Metsä Group’s comprehensive system for supplier communication consists of a vendor portal for suppliers and an internal procurement management database. Suppliers can reach Metsä Group via the vendor portal for all matters. One of the key functions is the questionnaires sent and answered in this system.

The compliance of Metsä Board’s end products must be verified in many ways, e.g. raw material assessments, good manufacturing practices and end product testings. The supplier management system is a valuable tool when evaluating the chemicals used as raw materials in our products. It compiles all information in one place, where it can easily be reviewed.

The system is Metsä Group wide enabling one harmonised portal to all suppliers delivering products or services to the Group’s business areas.

RESOURCE EFFICIENCY IN PRODUCTION

Metsä Board systematically manages the environmental impacts of its production units by detailed plans, targets and measuring progress against its sustainability target. We work to mitigate global warming and use raw materials, water and energy responsibly and resource-wisely.

We have an annual and long-term action plan to reach our sustainability targets. These targets were renewed in 2019 for the period of 2018–2030.

TOWARDS FOSSIL FREE MILLS

Metsä Board has reduced its fossil CO₂ emissions (Scope 1 and Scope 2) by 50% per product tonne since 2009. Reduced fossil carbon dioxide emissions are a result of long-term actions and investments that have improved efficiency in the use of process water and energy, and increased the share of fossil-free energy.

Our target is to have fossil-free mills by 2030. This means that in 2030 we will not use any fossil fuels in our production units nor purchase any fossil-based energy to be used in our production.

In 2019, the share of fossil-free energy of Metsä Board’s total energy consumption was 83% (82). Most of this consisted of renewable bioenergy produced from wood-based side streams from our processes such as black liquor, bark and logging residuals.

During the year our energy efficiency decreased by 0.5%. Our target is to achieve at least 10% improvement between 2018–2030. Since 2009 the improvement has been 12%. Both enhanced energy efficiency and the mill-specific actions to reduce the share of fossil fuels are needed to achieve our fossil-free mills target. A major contribution to this will come from the planned renewal of the Husum pulp mill.

TOTAL FUEL CONSUMPTION IN 2020

[SUSTAINABILITY REPORT 2019]

ENERGY)

Fossil-based fuels ...................17
Nuclear power ....................... 34
Oil...................................... 3
Gas...................................... 12
Electric power......................... 14

SUSTAINABILITY REPORT 2019

Metsä Board’s mills are located in the water-rich Nordic countries. In 2019 Metsä Board’s fresh water intake totalled 101 million m³. All process and cooling water was taken from surface waters such as rivers and lakes. After use, the process water is cleaned thoroughly before it is returned back to near-by waterways. About half of the water intake is used for cooling machinery. As the cooling water runs in a separate system it stays clean during use. 99% of all water used is released back to nature.

Our target is to reduce the process water use per product tonne by 30% by 2030 compared to the 2018 level. In 2019, the reduction was 11%, and since 2010 the reduction has been 29%.

To reach the target we have set mill-specific targets. Husum mill has the largest potential for improvements, and these are included in the planned renewal of the pulp mill.

UTILISING PRODUCTION SIDE STREAMS

Our 2030 target is that all production side streams will be utilised and nothing is landfilled. To prevent waste generation in pulp and board manufacturing, Metsä Board enhances its recovery processes, seeks new ways to reuse residuals and use organic waste to generate energy. In 2019, as much as 99% (96) of Metsä Board’s side streams were utilised. Side streams consist of production waste and by-products such as ash, which is used as fertilizer. Of production waste 46% was reused as materials and 53% was incinerated to produce energy. The remaining 1%, was landfilled or treated as hazardous waste.
Noise reduction at Tako mill

Metsa Board’s Tako paperboard mill is located in the heart of Tampere city in Southern Finland. Due to its central location, the mill pays special attention to the noise from its operations.

The main source of noise at Tako mill is the hum from blowers. The mill has prepared a noise reduction plan, and the implementation of the plan is regularly monitored in cooperation with the local authorities. The noise level of a noisy blower was reduced in 2018, and noise reduction measures continued in 2019 by increasing the dampening in the inlet ducts of the Tako power plant. The following step is to update the dampening of the paperboard machine blowers during 2020. These measures will significantly decrease the noise in the surrounding areas.

Restoring a fish migratory route

Metsa Board participates in the restoring of Mämmenkoski fish migratory route close to Äänekoski mill site. This is done in cooperation with WWF Finland, authorities and the local community. The aim of the restoration is to reconstruct a natural fish migratory route from lake Kuhmajo to lake Keitele and enable natural reproduction of trout. Restoration includes construction of a migratory route, removal of dams, dredging the stream and creating suitable habitats for fish reproduction. Planning of the project proceeded in 2019 and the implementation phase will take place in 2020.

SUPPORTING SUSTAINABLE CONSUMPTION

There is growing concern among consumers about the effects of climate change and plastic waste. This has new requirements also for packaging. According to ProCarton, 75% of consumers from across Europe say the environmental impact of a product packaging affects their purchasing decision. At the same time regulations related to recycling targets, producer responsibility and restrictions of certain types of single-use packaging drive production and consumption towards more sustainable solutions.

Metsa Board’s folding boxes are developed for food, beauty, healthcare and luxury packaging and graphics applications. In the spring 2019, Metsa Board further lightened and optimised its folding boxboard based on improvements in high yield pulp.

Metsa Board works for creating better packaging solutions with less environmental impact. Metsa Board’s lightweight fresh fibre paperboards reduce CO₂ emissions across the value chain: they consume less raw material, water and energy, reduce transport weight and produce less waste. Metsa Board’s lightweight and strong white kraftliners are used in high quality corrugated packaging for example in shelf-ready packaging, displays and point-of-sale solutions. They support the promotion and differentiation of product brands and for the growing on-line shopping where durability and lightness are key considerations.

RECYCLABLE PLASTIC-FREE ALTERNATIVES

Paperboard is made from renewable, bio-based wood fibre and is highly recycled. For example in Europe, 85% of paperboard is collected for recycling, while the corresponding figure for plastic is 42% (Eurostat). All Metsa Board’s paperboards are recyclable depending on local recycling infrastructure.

Paperboards can reduce or replace the use of plastics in many packaging end uses and the application areas will widen as the properties of paperboards are further developed.

Autumn 2019, Metsa Board introduced a new eco-butterer paperboard that is plastic-free and recyclable. The eco-butterer paperboard, MetsaBoard Prime FBB EB, provides an alternative to plastic in end uses requiring medium grease and moisture resistance such as food service, fresh food, dry food and frozen food packaging. As the paperboard is plastic-free, it is recyclable in existing paper or paperboard recycling schemes. It contains no fluorochemicals nor optical brightening agents which make it safe for direct food contact.

One of Metsa Board’s recently revised sustainability targets for 2030 is to only use food free raw materials. During 2019 Metsa Group defined which raw materials are currently fossil oil-based and calculated their share of all raw materials used in the finished products. In 2019, the share of food free raw materials was 99% (99) of volume (dry tonnes). Our main raw material fibres covers 92% of all raw materials.

SUSTAINABLE PACKAGING DESIGN

Designing packaging in a smarter way can have a big impact on sustainability. Packaging should be right-sized and functional, made of material fitting the purpose and protect the product from damage. Sustainability of the packaging can be improved by optimising the use of materials, lightening, minimising the use of glass and other additional chemicals, ensuring functionality in the logistic chain, in stores and in consumption as well as enabling recycling.

Metsa Board has invested in structural and graphical packaging design competence to support its customers with more sustainable packaging solutions. Metsa Board’s design team works with brands globally to provide technical innovations and developing light-weight and more ecological packaging material alternatives for the packaging industry.

The classical and famous blue package of Barilla pasta is made of Metsa Board’s lightweight paperboard. Barilla’s GPOQ (Groupe, Research, Development & Quality) Vice President of Global Packaging, Michele Amigoni tells that Metsa Board plays a significant role in providing technical innovations and developing lighter and more ecological packaging material alternatives for the packaging industry.

Barilla is very aware of consumers’ changing attitudes towards plastic. The company uses plastic since everything cannot be substituted with paperboard. However, it is important to identify when plastic is not necessary.

Paper cup recycling in France

Metsa Board participates in an pilot initiative for recycling of paperboard cups launched in France in 2019. The project is managed by the Alliance Gobelet Carton. Metsa Board is one of the founding members of the association.

Alliance Gobelet Carton is an association of four paperboard cup producers and two paperboard producers. It aims to create a collection system to recycle paperboard cups and to bring together cup producers, paperboard suppliers, cup users and the recycling sector. Participants in the scheme will be issued with a collection box that can take up to 750 cups.

- Paperboard cups can be collected after use, recycled and used as valuable raw material when producing new packaging products. This is what we intend to demonstrate through the pilot project and to create a model that can be widened to more extensive use, says Laurence Sovran, Sales Manager at Metsa Board.

Read more about Metsa Board and sustainability in Metsa Board’s Annual Report.
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### TOTAL

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### MANAGEMENT SYSTEMS

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| ISO 14001  | x | x | x | x | x | x |
| ISO 50001  | x | x | x | x | x | x |
| OHSAS 18001 | x | x | x | x | x | x |
| ISO 22000  | x | x | x | x | x | x |
| FSSC 22000 | x | x | x | x | x | x |

### CHAIN OF CUSTODY

| PEFC™    | x | x | x | x | x | x | x |
| FSC®     | x | x | x | x | x | x |

### EMISSIONS TO AIR (t)

| CO2 bio | 0 | 163,992 | 0 | 0 | 135,774 | 0 | 0 | 1,515,413 | 1,815,179 |
| CO2 fossil | 273,230 | 4,734 | 6,183 | 4,654 | 75,371 | 76,815 | 0 | 53,287 | 248,274 |
| Sulphur as SO2 | 0 | 14 | 0 | 0 | 67 | 0.04 | 0 | 252 | 333 |
| Nitrogen oxides as NO2 | 15 | 392 | 2.7 | 2.4 | 94 | 47 | 0 | 869 | 1,221 |

### DISCHARGES TO WATER (t)

| AOX | 0 | 0 | 0 | 0 |
| COD | 646 | 1,374 | 249 | 508 | 202 | 502 | 8,657 | 22,437 |
| BOD | 36 | 15 | 98 | 79 | 63 | 105 | 0 | 429 |
| Total phosphorus | 0.23 | 2.4 | 1.5 | 0.82 | 1.6 | 1.3 | 0.65 | 13.3 | 22 |
| Total nitrogen | 3.4 | 29 | 43 | 16 | 11 | 0.87 | 11 | 90 | 206 |
| Total suspended solids | 22 | 74 | 110 | 54 | 89 | 34 | 127 | 856 | 1,366 |

### WATER USE (1,000 m3)

| Water sourcing | 6,657 | 11,093 | 8,578 | 4,978 | 10,175 | 4,715 | 5,908 | 40,865 | 100,967 |
| Waste waterflow | 576 | 3,949 | 7,060 | 3,201 | 2,949 | 2,814 | 3,321 | 33,256 | 65,326 |
| Utilised | 3,701 | 31,083 | 5,041 | 10,416 | 54,970 | 4,201 | 12,049 | 24,579 | 156,750 |
| Landfill | 0 | 962 | 294 | 4 | 0 | 180 | 62 | 0 | 1,052 |
| Hazardous | 28 | 65 | 1 | 9 | 38 | 67 | 25 | 723 | 936 |

1) Full-time equivalent on 31 December 2019
2) Lost time accident 1 frequency rate. Accidents at work resulting to at least one day sickleave per million worked hours.
3) % of theoretical working time
4) Includes personnel from sales and logistics operations, management and subsidiaries. Production, emissions and waste originate from Äänevoima's production of energy sold for external use. Personnel figures of Others are included in Metsä Board's total figures.
5) Husum mill's BOD not measured.
Metsä Tissue is a leading tissue paper supplier to households and professionals in Europe and the world’s leading supplier of greaseproof papers. Our brands are Lambi, Serla, Mola, Tento, Katrin and SAGA. In addition to our own brands, we develop and manufacture a range of customer label products for leading European retailers and distributors. Metsä Tissue’s products are manufactured in Finland, Sweden, Germany, Poland and Slovakia.

<table>
<thead>
<tr>
<th>BILLION EUR IN SALES</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPLOYEES</td>
<td>2,702</td>
</tr>
<tr>
<td>PRODUCTION UNITS</td>
<td>10</td>
</tr>
<tr>
<td>SHARE OF CERTIFIED PULP</td>
<td>91%</td>
</tr>
<tr>
<td>SHARE OF BIOFUELS USED IN PRODUCTION</td>
<td>17%</td>
</tr>
</tbody>
</table>

CREATING A CLEANER AND SUSTAINABLE EVERYDAY

Metsä Tissue innovates tissue and greaseproof paper products and services that make everyday life cleaner, softer and easier – in a sustainable way. Our tissue and greaseproof papers are used by millions of consumers daily.

Metsä Tissue continuously evaluates its business operations not only for profitability, but also for their environmental impact. We take sustainable development into account in all our operations. We strive to keep the environmental impact of our operations and products as low as possible throughout their lifecycle, ranging from product development and procurement of raw materials to production, transportation, consumption and proper disposal. We work closely with our suppliers, customers, partners and consumers.

Metsä Tissue’s strong position as a responsible local operator is an important success factor. The company’s mills are located within the main market areas. Our products are manufactured as close to consumers as possible, reducing carbon-dioxide emissions and transportation costs. The logistics chain is developed in such a way as to minimise transport emissions. In 2019, over 99% of our deliveries were delivered within a distance of 500 kilometres from our mills. Our product portfolio is also being harmonised to make storage and transportation as efficient as possible.

STRATEGIC 2030 OBJECTIVES GUIDE OUR WORK

Metsä Group’s strategic 2030 objectives for sustainable development also guide Metsä Tissue’s activities. They focus on forests, climate and the environment in general, providing sustainable alternatives and creating well-being. Key goals include a safe working environment and an ethical operating culture, as well as more efficient use of water, effective utilisation of production side streams and responsible procurement. As part of Metsä Group, Metsä Tissue’s goal is to have fossil free mills and use only fossil free raw materials by 2030.

Metsä Tissue’s own goals also include a plastic-free offering as well as development of more efficient logistics in tissue paper operations.

AIMING FOR SAFER AND MORE EFFICIENT MILLS

Safety is an essential part of all our activities. Our operations are guided by Metsä Group’s common ethical principles, which everyone must uphold. In the development of safety at work, in 2019 we concentrated in particular on harmonising the use of personal protective equipment (PPE) at all our mills. We have also introduced the ‘Safe & Just’ operating procedures throughout Metsä Tissue in order to comply with occupational safety guidelines. These practices were initiated during 2019 and will be fully implemented in 2020.

In the reporting period, a fatal accident occurred at the Zilina mill in Slovakia. The accident, and the causes leading to it, have been carefully investigated in cooperation with the authorities. Major investments continue to be made to improve safety and prevent accidents. During 2019, occupational safety was developed extensively. At the company-level review, there has been a positive development in the reduction of accident frequencies.

OPEN COMMUNICATION ON SUSTAINABLE DEVELOPMENT

We want to openly communicate the results we have achieved in sustainable development areas to our customers and other stakeholders. Many of our products are labelled with the EU Ecolabel, Nordic Ecolabel or the Blue Angel environmental label, as an indication that the products are in the top segment of their product category in terms of environmental performance. Metsä Tissue participated in the World Wildlife Fund’s 2019 Environmental Paper Company Index, which analysed and evaluated paper manufacturing companies’ corporate responsibility, wood fiber procurement and environmental performance in production. Metsä Tissue has participated in this index since 2011.

We report on our sustainability performance in Sedex and EcoVadis sustainability platforms.
Tissue papers

FOCUS ON FRESH FIBRE PRODUCTION

In 2019, Metsä Tissue revised its strategy with the aim to increase the long-term industrial efficiency and environmental performance of the tissue paper business. Improving product quality and ensuring the availability of high-quality tissue paper products are part of the strategy.

In 2019, Metsä Tissue initiated an environmental permit process and a pre-feasibility study to create preconditions to double the company’s tissue paper production in two phases at the Mariestad mill site in Sweden. Metsä Tissue will focus increasingly on fresh fibre-based products, and the investments planned for the Mariestad mill support this goal.

The availability and quality of recycled fibre have deteriorated, and investment in the production of high-quality fresh fibre products with modern technology is the most sustainable solution for the future.

SUSTAINABLE RAW MATERIALS

W OOD FIBRES

The most important raw material in the production of our tissue paper products is pulp, which is made of wood fibre. To respond to market needs in terms of quality and functionality, we use fresh and recycled fibre and combinations of them in our tissue paper products. Other raw materials come from reliable suppliers that follow the ethical guidelines set out in Metsä Group’s Code of Conduct for Suppliers. By the end of 2019, suppliers that covered 93% of Metsä Tissue’s total purchasing were committed to these requirements. In addition, a sustainability evaluation, which includes a suppliers’ self-assessment questionnaire and required development actions, covered 36% of suppliers measured by spend.

In recent years, approximately half of the wood fibre we use has been fresh fibre, most of which comes from the Group’s own mills from Metsä Fibre and Metsa Board. As a part of Metsä Group, we are self-sufficient with respect to the supply of fresh fibre from sustainably managed northern forests. This ensures Metsä Tissue a secure pulp supply, high-quality consistency and pure and safe fibre raw material.

The use of recycled paper-based fibre in our products decreases as its availability and quality continue to deteriorate. This is mainly due to a decrease in the amount of paper used in offices and newprint consumption as a result of digitalisation. The certified chain of custody management systems in place at Metsä Tissue’s mills ensure the traceability of fresh fibre. In addition to using pulp from Metsä Group, we also buy market pulp. We only work with pulp suppliers that can verify the responsible origin of their wood fibre. Fibre must not originate from illegal sources. When choosing pulp suppliers, we give priority to suppliers with a validated FSC® or PEFC® certificate. In 2019, 93% of the pulp we used was certified.

OTHER RAW MATERIALS

In addition to wood fibre, we use additives in the manufacture of our products to ensure good absorberiness and strength. Only small traces of these additives remain in the final products, and safety is a priority in our choice of all additives.

In 2019, over 90% of Metsä Tissue’s deliveries were delivered within a distance of 500 kilometres from the mills.

We are continuously making water use more efficient by closing water cycles inside the mills and developing biological wastewater treatment processes. Water circulates in the process many times, and it is carefully purified before released as an effluent.

We strive to utilise all production side streams as efficiently as possible, and our goal is that by 2030 we will make use of all the side streams rather than generating any landfill waste. In 2019, the utilisation rate for side streams was as high as 98%. In the production of tissue paper, the largest side stream in the de-inking stage from the cleaning of recovered paper. Currently, de-inking sludge is used as a raw material and for generating

EFFICIENT USE OF RESOURCES

The most significant environmental impacts of tissue paper production are related to the use of energy and water, as well as the de-inking sludge generated in the recycled fibre purification and de-inking process.

Energy usage is one of the most important sustainable development issues in Metsä Tissue’s operations. Metsä Tissue, and Metsä Group as a whole, are aiming for fossil free mills by 2030. This means that fossil fuels will no longer be used in production, and thus no fossil fuel-based carbon dioxide emissions would be generated. In 2019, the share of fossil free fuels in Metsä Tissue’s production was 17% (16).

The transition to fossil-free production requires new technologies to be taken into use. Metsä Tissue has reduced its direct fossil CO2 emissions (Scope 1 and Scope 2) by 22% per product tonne since 2009, through actions and investments that have improved efficiency in the use of energy and process water.

In 2019, changes were made at Metsä Tissue’s Mänttä mill in Finland in order to use liquefied natural gas (LNG) instead of liquefied petroleum gas for the drying of tissue paper. This reduced fossil carbon dioxide emissions in the drying process by 15%.

Water is an important resource for us. We continuously develop water use and efficiency in our processes. During 2019, we reduced process water use per produced tonnes by 1%, and have reduced it by 18% since 2010. We are continuously making water use more efficient by closing water cycles inside the mills and developing biological wastewater treatment processes. Water circulates in the process many times, and it is carefully purified before released as an effluent.

We strive to utilise all production side streams as efficiently as possible, and our goal is that by 2030 we will make use of all the side streams rather than generating any landfill waste. In 2019, the utilisation rate for side streams was as high as 98%. In the production of tissue paper, the largest side stream in the de-inking stage from the cleaning of recovered paper. Currently, de-inking sludge is used as a raw material and for generating
energy. It is used as fibre clay for various purposes, such as raw material for the construction industry and material for the construction of landfill sites and road building. At the Mänttä mill, de-inking sludge is pressed to form pellets that are used as fuel for energy production, replacing the use of fossil fuels such as peat. Thanks to this process, the fossil CO2 emissions from the mill area have been reduced by 12,000 tonnes per year.

All of Metsä Tissue’s mills have a certified ISO 9001 quality management system and ISO 14001 environmental management systems. The product safety management systems in use are the ISO 22000, BRC and/or IFS standards. Almost all Metsä Tissue mills have a certified ISO 50001 energy management system and an occupational safety management system OHSAS 18001 or ISO 45001. With the aid of certified management systems, we ensure continuous improvement of our operations and compliance with systems’ requirements.

PROVEN PRODUCT SAFETY

All Metsä Tissue’s products are manufactured according to Good Manufacturing Practice (GMP). In addition to the approval of safe raw materials, the finished tissue products are tested to ensure their safety. Hygiene and product safety management covers the entire supply chain, from product development to production and distribution. Our tissue paper and grassproof paper products are biodegradable and easy to dispose of. They can be composted, recycled or burned for energy after use.

Fresh fibre products are ideal for kitchen and hospital hygiene. Recycled fibre products are most suitable for hand towels used in public toilets and for toilet paper. Our household towels can be safely used with food, as the manufacturers of household towels and foodstuffs are partly subject to the same stringent safety requirements, such as Good Manufacturing Practices.

We adhere to the recommendations of the German Federal Institute for Risk Assessment (BfR) for the selection of raw materials for tissue products that come into contact with food and for product testing. The recommendations list the acceptable raw materials for papers that come into contact with food and the suitable testing methods.

We fulfill the EU requirement that ensures papers which come into contact with food should not release any substances that are harmful to human health, or that alter the sensory characteristics of foodstuffs. The measures we take to ensure this involve verifying the acceptability of raw materials from suppliers, process hygiene, and regular product testing.

The packaging of tissue paper products ensures the safety and hygiene of our products. All our packaging, both plastic packaging and cores, are fully recyclable. We buy packaging material from suppliers with ISO 14001 certification for environmental management systems and ISO 9001 certification for quality systems.

CASE

Alternatives to plastic

The main raw material for Metsä Tissue’s products is renewable northern wood fibre; however, we use plastic for packaging our products, for example. Our responsibility goals for a plastics-free product offering by 2030 apply to both product packaging and dispensers.

Plastic packaging has been developed over the years, and it has been possible to make plastic wrappings thinner and thereby reduce the use of plastics. We avoid over-packaging and transport in large batches, so that the use of plastic per delivered paper product remains as low as possible. Metsä Tissue collaborates with its suppliers to develop packaging and dispensers and find alternative materials.

In the first phase, we aim to increase the use of recycled plastics in our products.

Early in 2019, Metsä Tissue launched the “Serla Green pack” on the Finnish market. This is a tissue paper pack made of recycled plastic and renewable raw material. The recycled plastic is derived from plastic recycled by the industrial sector and consumers. The bio-based raw material, ethanol, is a by-product of sugar production. According to calculations, the new packaging reduces the use of plastics from conventional fossil-based raw material by approximately 89 tonnes per year.

CASE

Smart moves

Transporting light, airy and bulky tissue paper products over a distance of more than 500 kilometres from a single mill is not feasible. The carbon footprint of transportation must be kept to a minimum, and we closely monitor the carbon dioxide emissions per tonne of product transported. Metsä Tissue’s products are manufactured as close to the market as possible, transport distances are kept as short as possible, and the products are efficiently packed. Significant logistical advantages have been achieved in the Nordic countries by reducing the diameters of the cardboard cores of tissue papers by approximately 10%. Tissue papers can now be packed on pallets so tightly that the pallet can accommodate up to 20% more packs. In addition, we need 300 fewer trucks a year to transport them than before.

In Poland, Metsä Tissue reduced the carbon dioxide emissions arising from transportation by 94 tonnes a year by changing hand towel package sizes from 200 sheets to 150 sheets. It is now possible to load 27% more hand towel packages on a single pallet, which means that the same amount of paper can be transported to customers by 790 trucks instead of the previous 1,000 trucks. This significantly reduces the carbon footprint of transportation.
PURELY SMARTER FOOD PREPARATION

In 2019, Greaseproof Papers published a new growth strategy with the purpose of being the preferred partner in offering sustainable materials for the fast changing global food industry. There is a strong need to avoid single-use plastics and to have more ecological and efficient ways to cook and serve food in restaurants, bakeries, on the go, and at home. Metsä Tissue’s aim is to serve customers in these growing sectors with the right volumes and a competitive offering.

Greaseproof papers are produced at Mänttä mill in Finland and Düren mill in Germany. In 2019, Greaseproof Papers concentrated on achieving full utilisation of the capacity increase investment made in 2018 at the Düren mill.

TRACEABLE RAW MATERIALS

Our greaseproof papers are made of fresh wood fibre. The wood fibres are fully traceable to their origin and come from sustainably managed northern forests.

The main raw material is softwood pulp. We also use a small amount of hardwood pulp in our fibre furnish. A thin plastic-free release coating creates the non-stick surface for the baking and cooking paper assortment. Most of the fibre comes from Metsä Fibre’s pulp mills securing both the availability and quality. In co-operation with Metsä Fibre, we continuously improve and optimise the quality of the fibre.

We focus on products manufactured from white pulp. All pulp used for manufacturing brown greaseproof paper is purchased from carefully selected and audited external partners.

SAFE AND HYGIENIC PRODUCTS

Greaseproof papers are intended to come into direct contact with food, and they must comply with global legal requirements. We only use fresh fibre and our products are safe and hygienic to use.

Our baking and cooking papers have an ‘easy-release’ coating. They are also used in high temperatures, and therefore they must comply with especially strict requirements. We use all substances of our processes with care and caution so that they do not harm people or the environment. We do not use fluorinated chemicals in our production.

Metsä Tissue’s greaseproof papers are manufactured according to good manufacturing practice (GMP) and our production processes are certified according to quality (ISO 9001), environmental (ISO 14001) and product safety (ISO 22000, BRC-CP, IFS Household and Personal Care) management system standards.

Metsä Tissue follows regulations and recommendations that are set for food contact papers in each country. For example, in Europe we follow the recommendations of the German risk assessment institute (BfR) and in the USA regulations of the Food and Drug Administration (FDA).

The actions we take to ensure regulations are complied with include food contact approval from material suppliers, process hygiene, regular end product testing and up-to-date declarations of compliance for our customers.

CASE

Less mess and food loss

Päijät-Häme Food service handles daily around 25,000 portions of food as they prepare meals for local school children and senior citizens.

Traditionally, the baking dishes are oiled or buttered to prevent the food from sticking to the sides of the dish. Instead of this, the cooks at our customer line the baking dishes with sheets of GN Liner paper.

The benefits from using the GN Liner paper are clear. When making casseroles, the liner paper prevents the food sticking to the sides and decreases food loss as much as a single food portion per 24 portion dish. This represents over 4% saving per dish in serving.

When using the liner paper, the dishes are also easy to wash without scrubbing and soaking, which results in shorter washing time and lower usage of water and detergents. In addition, there is no need for a separate scrub dishwasher in the kitchen.

Annually, the use of lining paper generates significant cost savings through decreasing food loss, use of water and detergents, and making washing quicker and easier. The GN Liner paper itself is compostable and biodegradable.
### SUSTAINABILITY REPORT 2019

#### 2019 in a nutshell | CEO's review | Strategy | Sustainability management | Sustainability themes and objectives | Business area sections | Data and assurance

#### PERSONNEL

<table>
<thead>
<tr>
<th>Country</th>
<th>Finland</th>
<th>Germany</th>
<th>Germany</th>
<th>Germany</th>
<th>Poland</th>
<th>Slovakia</th>
<th>Sweden</th>
<th>Sweden</th>
<th>Sweden</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
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<td>140</td>
<td>449</td>
<td>290</td>
<td>202</td>
<td>335</td>
<td>311</td>
<td>328</td>
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<td>27.1</td>
<td>24.6</td>
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<td>2.9</td>
<td>0.0</td>
<td>2.9</td>
<td>3.1</td>
<td>11.1</td>
<td>3.4</td>
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<td>Sickness absenteeism % 2)</td>
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<td>6.2</td>
<td>8.0</td>
<td>6.7</td>
<td>10.2</td>
<td>4.6</td>
<td>5.9</td>
<td>3.7</td>
<td>4.2</td>
<td>6.3</td>
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<td>Organisational functionality index 3)</td>
<td>27.7</td>
<td>8.3</td>
<td>8.2</td>
<td>9.0</td>
<td>3.7</td>
<td>8.4</td>
<td>7.9</td>
<td>7.9</td>
<td>8.3</td>
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<tr>
<td>PRODUCTION (1,000 t)</td>
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<td></td>
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<tr>
<td>Tissue papers</td>
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<td>57</td>
<td>22</td>
<td>67</td>
<td>74</td>
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<td>28</td>
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<tr>
<td>Greaseproof papers</td>
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<td>34</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>54</td>
</tr>
</tbody>
</table>

#### MANAGEMENT SYSTEMS

| ISO 9001         | x       | x       | x       | x       | x       | x         | x       | x       | x       |        |
| ISO 14001        | x       | x       | x       | x       | x       | x         | x       | x       | x       |        |
| ISO 50001        | x       | x       | x       | x       | x       | x         | x       | x       | x       |        |
| OHSAS 18001      | x       | x       | x       | x       | x       | x         | x       | x       | x       |        |

#### CHAIN OF CUSTODY

| PEFC™          | x       | x       | x       | x       | x       | x         | x       | x       | x       |        |
| FSC®           | x       | x       | x       | x       | x       | x         | x       | x       | x       |        |

#### EMISSIONS TO AIR (t)

| CO₂ bio | 0 | 0 | 0 | 0 | 0 | 0 | 52,074 | 19,337 | 11,884 |
| CO₂ fossil | 13,512 | 21,722 | 88,659 | 24,889 | 9,918 | 28,465 | 11,337 | 12,697 | 5,509 | 7,385 |
| Sulfur as SO₂ | 0 | 0 | 0.77 | 0.010 | 0.040 | 0.85 | 0.053 | 1.0 | 0.51 | 0.55 |
| Nitrogen oxides as NO₂ | 6.2 | 12 | 90 | 14 | 8.5 | 4.4 | 10 | 38 | 15 | 24 |

#### DISCHARGES TO WATER (t)

| COD | 405 | 20 | 461 | 146 | 10 | 33 | 124 | 173 | 16 | 52 | 1,440 |
| BOD | 55 | 3.4 | 20 | 4.7 | 2.4 | 3.8 | 8.6 | 26 | 3.5 | 23 | 150 |
| Total phosphorus | 1.5 | 0.17 | 0.98 | 0.24 | 0.12 | 0.53 | 0.43 | 0.19 | 0.027 | 0.038 | 4.2 |
| Total nitrogen | 21 | 0 | 0 | 0 | 6.2 | 0 | 9.0 | 68 | 0.79 | 38 |
| Total suspended solids | 95 | 3.4 | 20 | 4.7 | 2.4 | 3.8 | 8.6 | 38 | 2.5 | 5.0 | 254 |

#### WATER USE (1,000 m³)

| Water sourcing | 3,303 | 1,024 | 3,035 | 926 | 324 | 858 | 996 | 2,716 | 610 | 286 | 13,632 |
| Waste water flow | 4,449 | 336 | 1,951 | 471 | 243 | 660 | 857 | 1,764 | 515 | 227 | 11,492 |

#### WASTE (t)

| Utilised | 24,304 | 518 | 329,415 | 34,859 | 1,313 | 16,168 | 2,224 | 38,977 | 2,111 | 1,051 | 230,980 |
| Landfill | 723 | 0 | 6,278 | 0 | 1,399 | 0 | 0 | 0 | 762 |
| Hazardous | 21 | 73 | 20 | 9.5 | 177 | 0.9 | 22 | 8.5 | 19 | 11 | 392 |

1) Full-time equivalent on 31 December 2019
2) Lost time accident 1 frequency rate. Accidents at work resulting to at least one day sickleave per million worked hours.
3) % of theoretical working time
Main memberships in third-party organisations:

- National forest industry federations: Finnish Forest Industries Federation (FFIF), The Swedish Forest Industries and the German Pulp and Paper Association (VDPP)
- Finnish Chamber of Commerce and International Chamber of Commerce (ICC)
- Confederation of European Paper Industries (CEPI) and futuregreen alliance
- Business Europe’s Corporate Advisory and Support Group
- Bio-based Industries Consortium (BIC)
- Programme for the Endorsement of Forest Certification (PEFC®)
- Forest Stewardship Council (FSC®) (License Code FSC-C014476)

Environmental permit limit violations

In the reporting year, there were no incidents at the mills that would have caused significant environmental impacts, and that would have been followed by claims, compensations or significant media coverage.

All incidents that have caused violations of monthly, quarterly or annual permit limit values are detailed with description and corrective actions in the table below. In addition, minor and momentary environmental permit violations with no perceptible environmental effects were reported at Kemi and Rauma mills. The authorities have been informed and corrective actions have been taken in all cases.

- The Svir sawmill in Russia paid EUR 716 as fiscal levy related to water and air discharges, and waste handling.

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Unit</th>
<th>Incident</th>
<th>Corrective actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metsä Fibre</td>
<td>Joutseno mill, Finland</td>
<td>The monthly permit limit for total suspended solids emissions to water was exceeded in February due to a technical failure in the treatment plant, and in September and October due to unusual emissions from the after-treatment pond.</td>
<td>The broken sludge digesting unit was fixed, and emissions returned to normal level. The use of the former after-treatment pond will be terminated and the area will be remediated within the next years.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Particle emissions to air from the lime kiln exceeded the permit limit throughout the year due to technical reasons.</td>
<td>A new flue-gas treatment system will be installed during 2020.</td>
</tr>
<tr>
<td>Metsä Board</td>
<td>Simpele mill, Finland</td>
<td>The permit limit for COD emissions to wastewater were exceeded in January-March and for phosphorous emissions in February-March due to operational problems at the effluent treatment plant.</td>
<td>Several corrective actions and investigations were carried out, operation of the treatment plant has been stabilised and emissions have returned to normal level.</td>
</tr>
<tr>
<td>Metsä Tissue</td>
<td>Mänttä mill, Finland</td>
<td>The monthly permit limit for total nitrogen emissions to water was exceeded in January due to excessive loading of nitrogen from the site’s power plant. Permit limit for COD and total nitrogen were exceeded in May due to abnormally high flow to treatment plant from melting snow.</td>
<td>The operation of the effluent treatment plant was stabilised and emissions have returned to normal level.</td>
</tr>
</tbody>
</table>
Scope of the report

Metsä Group comprises of Metsä Forest, Metsä Wood, Metsä Fibre, Metsä Board and Metsä Tissue. Our reporting covers the whole Group, including production, warehousing and sales units. Sustainability reporting follows the same principles of consolidation as our Financial Statements. Metsä Wood’s sawmills were transferred to Metsä Fibre in 2016. Sawmills are now reported in Metsä Fibre figures.

Metsä Group reports its sustainability performance at the Group, business area and product levels. The Sustainability Report 2019 has been prepared according to the Global Reporting Initiative (GRI) standards (2016 and 2018). We have selected indicators most relevant to our operations, products and stakeholders based on an assessment of the most significant sustainability issues for the company and its stakeholders. The report covers major permit violations, claims, compensations and topics related to the Group that have gained public attention or may have caused a reputation risk in environmental or human resource management, or ethical business practices.

The Sustainability Report 2019 presents Metsä Group’s approach to sustainability management and detailed performance indicators. The Group’s subsidiaries Metsä Board and Metsä Fibre publish individual annual reports with brief presentations on sustainability work.

The sustainability performance data in this report and claims based on the data have been externally assured by an independent third party, Minopry Oy. p. 102.

MEASUREMENT TECHNIQUES FOR ENVIRONMENTAL DATA

The calculation coverage of the environmental parameters follows that of the financial accounting with the following amendments:

- Only material flows to and from industrial sites are included.
- Discharges to water through external wastewater treatment plants (typically municipal) are taken into account assuming an 85% reduction for COD. Emissions of BOD, phosphorus and suspended solids are calculated according to the flow with the following residual concentrations: BOD 10 mg/l; total phosphorus 0.5 mg/l; and total suspended solids 10 mg/l. The total nitrogen emission is regarded as zero because there is surplus nitrogen in municipal wastewaters and the reduction of our BOD limits nitrogen to biomass thus reducing the plant’s total nitrogen emission.
- The emissions of external wastewaters treated at our wastewater treatment plants are excluded. The allocation of emissions between internal and external inflows is carried out assuming theoretical COD reductions for each inflow, which are then corrected according to the real COD reduction for the whole plant. Other emissions are allocated according to the flow.

Total energy consumption is expressed as primary fuel consumption. The fuel consumption of purchased electricity is calculated using 49% efficiency for combustion energy production, 33% for nuclear energy and 100% for hydro, wind and solar energy. Total energy of purchased heat is determined according to actual fuel consumption.

Environmental impacts, acidification and eutrophication are calculated by multiplying impact-causing emissions by coefficients. Acidification is expressed as sulphur dioxide equivalents. The coefficient for sulphur dioxide (SO2) is 1 and for nitrogen oxide (NOx) 0.57. Eutrophication is expressed as phosphorus equivalents. The coefficient for total phosphorus is 1; for BOD 0.0088; for total nitrogen 0.14; and for NOx 0.0041. The greenhouse effect only consists of carbon dioxide emissions and has a coefficient of 1. The biogenic CO2 emission coefficient for wood-based fuels (typically municipal) are taken from the AIB (Association of Issuing Bodies) European Residual Mixes report.

The emissions from purchased electricity are calculated with two methods. Market-based method uses electricity supplier-specific emissions coefficients completed with the national residual mix emission coefficients for non-tracked purchased electricity. Location-based method uses the total supplier mix emission coefficients by country. Coefficients for total supplier mix and residual mix are taken from the AIB (Association of Issuing Bodies) European Residual Mix report.

TECHNIQUES IN MEASURING HR DATA

The data coverage follows that of the financial accounting with the following amendments:

- The coverage of the employee data was 98%. Employee data includes statistics from Hangö Stevedoring.
- However, the number of employees, sickness absenteeism, work accident absenteeism, total recordable injury frequency rate (TRIF), lost time accident frequency rate (LTA 1 & 6), LTA severity rate and registered occupational diseases cover 100% of the employees. The number of employees is reported as full-time equivalents (FTE).
- The sickness absenteeism % and work accident absenteeism % are calculated per theoretical working hours. The lost time accident frequency rate (LTA 1 & 6) includes all accidents at work that have resulted in at least one disability day. The LTA 1 & 6 is calculated as: lost time accidents at work per million worked hours. Only accidents involving Metsä Group’s personnel are included in the TRIF and LTA 1 & 6 indicator.
- The organisational functionality index is based on organisational functionality study results. These reflect the 22 defined Group level topics that affect functionality of the organisation. Here, the overall level of organisational functionality is calculated for each company on a scale of 4–10. The organisational functionality research covered 94% of employees.
- The share of women in management includes women in the Board of Directors, the Executive Management Team and the business area’s management teams at the end of the year.
- New entries only include new permanent employees. Leavers only include permanent employees who left Metsä Group. Employee turnover includes all permanent leavers and redundancies as a result of the restructuring of the businesses, and is calculated against the average permanent head count. Calculation for retention rate is headcount of permanent employees subtracted with voluntary turnover divided by headcount of permanent employees.
Independent assurance statement
To the Management and Stakeholders of Metsä Group

SCOPE AND OBJECTIVES
The Management of Metsäliitto Cooperative commissioned us to perform a limited assurance engagement on the Metsä Group Sustainability Report 2019 ("the Report"). The assurance engagement was conducted in accordance with the AA1000 Assurance Standard (2008) with 2018 addendum, and as a type 2 engagement.

We have duly performed an independent external assurance, the objective of which was to evaluate:

• Metsä Group’s adherence to the AA1000 Accountability Principles of inclusivity, materiality, responsiveness and impact;
• the reliability of performance information presented in the Report according to the Principles for defining report quality specified in the Global Reporting Initiative’s GRI Standard 101 (2016); and
• the compliance with the GRI Standards in accordance criteria at the Comprehensive option.

RESPONSIBILITIES
Metsäliitto Cooperative is responsible for the preparation of the Report and the performance data and statements presented therein, which the Board of Directors of Metsäliitto Cooperative has approved. Our responsibility as assurance providers is to express a conclusion based on our work performed. The criteria used for our assessment include the GRI Standards (2016, 2018) and Metsä Group’s own internal reporting guidelines.

ASSURANCE PROVIDER’S INDEPENDENCE AND COMPETENCE
We have conducted our assessment as independent and impartial from the reporting organisation. We were not committed to any assignments for Metsä Group that would conflict with our independence, nor were we involved in the preparation of the Report. Our team consists of competent and experienced sustainability reporting experts, who have the necessary skills to perform an assurance process.

BASES OF OUR OPINION
Assurance providers are obliged to plan and perform the assurance process to ensure that they collect adequate evidence for the necessary conclusions to be drawn. The procedures selected depend on the assurance provider’s judgement, including their assessment of the risk of material misstatement adhering to the reporting criteria.

Our opinion is based on the following procedures performed:

• Interviews with twelve (12) senior management representatives from Metsä Group and business areas to gain an understanding of the major impacts, risks and opportunities related to Metsä Group’s sustainability agenda.
• Assessment of the procedures Metsä Group has in place to ensure the inclusivity of stakeholder engagement processes, the identification of material stakeholder expectations, the responsiveness to stakeholder concerns and the assessment of impacts.
• Interviews with Metsä Group specialists responsible for sustainability performance data collection at Group-level and in selected sites.
• Review of data sources, data generation and reporting procedures at Metsä Board Hausmen mill in Sweden, Metsä Forest wood procurement in Latvia and Metsä Tissue Mänttä mill in Finland.

CONCLUSIONS
ADHERENCE TO AA1000 ACCOUNTABILITY PRINCIPLES
Metsä Group has made a commitment to active stakeholder dialogue. Metsä Group has stakeholder engagement processes in place in order to understand stakeholder expectations and to respond to stakeholder concerns. The material topics presented in the Report correspond to stakeholder interests and major economic, environmental and social impacts in Metsä Group’s value chain. Metsä Group has identified impacts related to the material sustainability topics and committed to manage and disclosing comprehensive and balanced information of these impacts. It is our opinion that the report gives a fair and balanced view on the material topics and stakeholder interests, and that Metsä Group adheres in its sustainability practices to the AA1000 Accountability Principles of inclusivity, materiality, responsiveness and impact.

SUSTAINABILITY PERFORMANCE DATA
We have reviewed the basis of the sustainability information provided in the Report. It is our opinion that the Report provides adequate information of Metsä Group’s sustainability performance and the information is presented in accordance with the reporting criteria.

GRI IN ACCORDANCE CRITERIA
The Report complies with the GRI Standards: Comprehensive option.

OBSERVATIONS AND RECOMMENDATIONS
Based on our review, we present the following observations and recommendations, which affect the conclusions presented above:

• In 2019, Metsä Group introduced new long-term sustainability objectives for 2030 to guide the Group’s path towards a climate neutral society. The operationalization of the targets through roadmaps has begun in the business areas and functions, and the progress against the targets is measured and disclosed regularly. We recommend Metsä Group to proceed the target-driven sustainability work aligned with global sustainable development goals.

• Metsä Group has established a Group-wide Sustainability Process Management model to ensure that sustainability is implemented throughout the Group. Metsä Group has systems and controls in place to collect and consolidate sustainability data from different sources. In order to ensure a smooth and streamlined process, we recommend that an integrated sustainability reporting approach is further developed and aligned with the Sustainability Process Management Model.

• Metsä Group has developed actions in the line with the new 2030 objectives. The results in many areas are encouraging. However, we would like to highlight the importance of safety and recommend that Metsä Group further intensifies the work to prevent workplace accidents and improve safety at work.

Helsinki, Finland, 24th February 2020

Mikael Nikkala
Independent Sustainability Practitioner
Metsä Group

Tomi Pajunen
Independent Sustainability Practitioner
Metsä Group

References and comments
Metsä Group’s Sustainability Report 2019 has been prepared according to the Global Reporting Initiative (GRI) standards (2016, 2018). Material topics have been selected based on a materiality analysis. This table specifies where you will find more information on the GRI disclosures. Mitropoly Oy has externally assured all indicators presented in the report. It has confirmed the report to comply with the Global Reporting Initiative standards in accordance criteria at the Comprehensive level.

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<td>102-9 Supply chain</td>
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<td>102-20 Executive-level responsibility for economic, environmental and social topics</td>
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<td>102-21 Consulting stakeholders on economic, environmental and social topics</td>
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<td>SR 8–9, 30–31</td>
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<tr>
<td>Stakeholder consultation is incorporated in the governance structure. There are also four personnel representatives in Metsäliitto Cooperative’s Supervisory Board. Stakeholder consultation with relevant stakeholders is included in the regular operations and management of business units.</td>
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<tr>
<td>102-22 Composition of the highest governance body and its committees</td>
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102 103
MANAGEMENT APPROACH

GRI 102 MANAGEMENT APPROACH

102-1 Role of highest governance body in setting purpose, values and strategy SR 4–7, FS 94–98

102-2 Collective knowledge of highest governance body ID4–107

102-3 Evaluating the highest governance body’s performance The Board of Directors prepare a self-assessment annually.

102-4 Identifying and managing economic, environmental and social impacts SR 4–9, 26–27

102-5 Effectiveness of risk management processes SR 8–9, FS 12–14, 98–99

102-6 Review of economic, environmental and social topics SR 4–13, 26–27

102-7 Highest governance body’s role in sustainability reporting SF 98–99

102-8 Communicating critical concerns SR 8–9, 24–25, FS 98–99

102-9 Nature and total number of critical concerns SR 24–25, FS 98–99

102-10 Remuneration policies FS 101–103

102-11 Process for determining remuneration FS 101–103

102-12 Stakeholders involvement in remuneration FS 101–103

102-13 Annual total compensation ratio SR 34

102-14 Percentage increase in annual total compensation ratio SR 34

ECONOMIC STANDARD SERIES

Economic performance

GRI 203 ECONOMIC PERFORMANCE

203-1 Direct economic value generated and distributed SR front cover inlet, FS 26–27

203-2 Financial implications and other risks and opportunities due to climate change FS 8–9, 12–13

203-3 Defined benefit plan obligations and other retirement plans FS 25–26

203-4 Financial assistance received from government FS 24–25

Indirect economic impacts

GRI 204 INDIRECT ECONOMIC IMPACTS

204-1 Infrastructure investments and services supported Due to developed infrastructure in our operating countries, no major in-kind or pro bono investments have been made. On the other hand, the major bioproduct mill investment in Äänekoski, Finland, in 2015–2017, has generated various, for example infrastructural benefits in the economic area. The investment plan published in 2019 would have similar impacts to local economic areas if realised.

204-2 Significant indirect economic impacts SR 26–31

Procurement

GRI 206 PROCUREMENT

206-1 Legal actions for anti-competitive behavior, anti-trust and monopoly practices FS 24–25, FS 10–11. Anti-corruption is included in the Internal Audit’s risk assessments procedures.

206-2 Communication and training about anti-corruption policies and procedures SR 24–25, FS 10–11

206-3 Confirmed incidents of corruption and actions taken SR 24–25. No confirmed incidents of corruption during the reporting period.

Anti-competitive behaviour

GRI 207 ANTI-COMPETITIVE BEHAVIOUR

207-1 Legal actions for anti-competitive behavior, anti-trust and monopoly practices FS 13–14, FS 65
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<td><strong>Materials</strong> UNGC P7, P9</td>
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<td>GRI 301-1 Materials used by weight or volume</td>
<td>SR 52–53, 63, 54–57</td>
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<td>GRI 301-2 Recycled input materials used</td>
<td>SR 52–53, 90–91</td>
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<tr>
<td>GRI 301-3 Reclaimed products and their packaging materials</td>
<td>No major reclamations</td>
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<tr>
<td><strong>Energy</strong> GRI 302 ENERGY</td>
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<tr>
<td>GRI 302-1 Energy consumption within the organization</td>
<td>SR 54–55</td>
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<tr>
<td>GRI 302-2 Energy consumption outside of the organization</td>
<td>No data available. Most important sources: raw material and product transport, purchased pigment and chemical production.</td>
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<tr>
<td>GRI 303-3 Energy intensity</td>
<td>SR 54–55</td>
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<td>GRI 304-4 Reduction of energy consumption</td>
<td>SR 54–55</td>
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<tr>
<td>GRI 305-5 Reductions in energy requirements of products and services</td>
<td>Not applicable for Metsä Group.</td>
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<td><strong>Water and effluents</strong> GRI 303 WATER AND EFFLUENTS (2020)</td>
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<td>GRI 303-1 Interactions with water as a shared resource</td>
<td>SR 26–27, 52–53, 56–57, 64–97</td>
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<td>GRI 303-2 Management of water discharge related impacts</td>
<td>SR 56–57</td>
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<td>GRI 303-3 Water withdrawal</td>
<td>SR 26–27, 52–53, 56–57</td>
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<td>GRI 304-4 Water discharge</td>
<td>SR 26–27, 52–53, 56–57</td>
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<td>GRI 305-5 Water consumption</td>
<td>SR 26–27, 52–53, 56–57</td>
<td>Water is continuously recycled in closed loops in the process and used several times. Metsä Group has set a reduction target of 25% for the use of process water per product tonne in 2018–2030.</td>
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<td><strong>Biodiversity</strong> GRI 304 BIODIVERSITY</td>
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<tr>
<td>GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</td>
<td>metsagroup.com/csr</td>
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<td>GRI 304-2 Significant impacts of activities, products and services on biodiversity</td>
<td>SR 38–49, 66–69, 78, 84</td>
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<td>GRI 304-3 Habitats protected or restored</td>
<td>SR 38–49</td>
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<td>GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations</td>
<td>SR 49: Biodiversity is a part of sustainable forest management practices and Metsä Group’s strategic sustainability 2030 objectives.</td>
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<td><strong>Emissions</strong> GRI 305 EMISSIONS</td>
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<td>GRI 305-1 Direct (Scope 1) GHG emissions</td>
<td>SR 52–57</td>
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<td>GRI 305-2 Energy indirect (Scope 2) GHG emissions</td>
<td>SR 52–57</td>
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<tr>
<td>GRI 305-3 Other indirect (Scope 3) GHG emissions</td>
<td>No data available. Most important sources: raw material and product transport, purchased pigment and chemical production.</td>
<td>UNGC P8</td>
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<td>GRI 305-4 GHG emissions intensity</td>
<td>SR 10–13, 52–57, 64–97</td>
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<td>GRI 305-5 Reduction of GHG emissions</td>
<td>SR 52–57</td>
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<td>GRI 305-6 Emissions of ozone-depleting substances (ODS)</td>
<td>SR 52–57</td>
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<tr>
<td>GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions</td>
<td>Not applicable for Metsä Group.</td>
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**Effluents and waste** GRI 306 EFFLUENTS AND WASTE |
| GRI 306-1 Water discharge by quality and destination | SR 52–53, 56–57, 64–97 | |
| GRI 306-2 Waste by type and disposal method | SR 52–53 | |
| GRI 306-3 Significant spills | No significant spills. SR 99 | |
| GRI 306-4 Transport of hazardous waste | Not applicable for Metsä Group. | |
| GRI 306-5 Water bodies affected by water discharges and/or runoff | SR 52–53, 56–57 | |

**Environmental compliance** GRI 307 ENVIRONMENTAL COMPLIANCE |
| GRI 307-1 Non-compliance with environmental taxes and regulations | No major violations. SR 99 | |

**Supplier environmental assessment** GRI 308 SUPPLIER ENVIRONMENTAL ASSESSMENT |
| GRI 308-1 New suppliers that were screened using environmental criteria | SR 60–62 | |
| GRI 308-2 Negative environmental impacts in the supply chain and actions taken | SR 60–62 | |

**SOCIAL STANDARDS SERIES** |

**Employment** GRI 401 EMPLOYMENT |
| GRI 401-1 New employee hires and employee turnover | SR 26–27, 32–35 | |
| GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | All Metsä Group employees have the same benefits regardless of their employment type. Benefits might vary depending on the operating country. | |
| GRI 401-3 Parental leave | The GRI indicators are not reported. We comply with each country’s local labour agreements and legislation and the employment contract remains unchanged after parental leave. | |

**Labour/management relations** GRI 402 LABOUR/MANAGEMENT RELATIONS |
| GRI 402-1 Minimum notice periods regarding operational changes | We comply with local agreements and legislation. Necessity situations. | |

**Occupational health and safety** GRI 403 OCCUPATIONAL HEALTH AND SAFETY (2018) |
| GRI 403-1 Occupational health and safety management system | SR 64–97 | |
| GRI 403-2 Hazard identification, risk assessment, and incident investigation | SR 36–37, 64–97 | |
| GRI 403-3 Occupational health services | SR 36–37 | Considered as part of continuous preventive safety work. |
| GRI 403-4 Worker participation, consultation, and communication on occupational health and safety | We comply with each country’s local regulations and legislation on collective agreements and working conditions, including health and safety. | |
| GRI 403-5 Worker training on occupational health and safety | SR 36–37 | |
| GRI 403-6 Promotion of worker health | Part of health and safety work. | |
| GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly by business relationships | Part of health and safety work. | |
| GRI 403-8 Workers covered by an occupational health and safety management system | SR 36–37 | |
| GRI 403-9 Work-related illnesses | SR 36–37 | |
| GRI 403-10 Work-related health | SR 36–37 | |

We bring the forest to you | We work for a better climate and environment | We offer sustainable choices | Business area sections | Data and assurance
Training and education
GRI 404 TRAINING AND EDUCATION
404-1 Average hours of training per employee category SR 32. Training reported as days/year.
404-2 Programs for upgrading employee skills and transition assistance programs SR 32–35
404-3 Percentage of employees receiving regular performance and career development reviews SR 32–35. All Metsä Group’s employees are entitled to a Personal Development Appraisal (PDA).

Diversity and equal opportunity
GRI 405 DIVERSITY AND EQUAL OPPORTUNITY
405-1 Diversity of governance bodies and employees SR 32–35, FS 96, 104–109
405-2 Ratio of basic salary and remuneration of women to men SR 34

Non-discrimination
GRI 406 NON-DISCRIMINATION
406-1 Incidents of discrimination and corrective actions taken SR 24–25

Human rights assessment
GRI 412 HUMAN RIGHTS ASSESSMENT
412-1 Operations that have been subject to human rights reviews or impact assessments SR 24–25, FS 10–18
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. There were no investments which required a specific human rights impact assessment.

Local communities
GRI 413 LOCAL COMMUNITIES
413-1 Operations with local community engagement, impact assessments, and development programs SR 2–3, 26–29
413-2 Operations with significant actual and potential negative impacts on local communities SR 24–25, 56–57

Supplier social assessment
GRI 414 SUPPLIER SOCIAL ASSESSMENT
414-1 New suppliers that were screened using social criteria SR 24–25, 60–62
414-2 Negative social impacts in the supply chain and actions taken SR 24–25, 60–62

Public policy
GRI 415 PUBLIC POLICY
415-1 Political contributions None were made.

Customer health and safety
GRI 416 CUSTOMER HEALTH AND SAFETY
416-1 Assessment of the health and safety impacts of product and service categories SR 64–97
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services No incidents reported during 2019.

Marketing and labeling
GRI 417 MARKETING AND LABELING
417-1 Requirements for product and service information and labeling SR 44–47, 64–97
417-2 Incidents of non-compliance concerning product and service information and labeling No incidents reported during 2019.
417-3 Incidents of non-compliance concerning marketing communications No incidents reported during 2019.

Customer privacy
GRI 418 CUSTOMER PRIVACY
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data No incidents reported during 2019.

Socioeconomic compliance
GRI 419 SOECIOECONOMIC COMPLIANCE
419-1 Non-compliance with laws and regulations in the social and economic area FS 65
The cover of this Sustainability Report is MetsäBoard Prime FBB Bright folding boxboard. The pure fresh fibre used in our lightweight premium paperboards is a renewable raw material, fully traceable to sustainably managed northern forests.

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