

METSÄ GROUP SUSTAINABILITY REPORT 2011



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Metsä Group is a responsible forest industry group whose products make people's everyday life easier and promote sustainable well-being. Metsä Group's core businesses are tissue and cooking papers, board, pulp, wood products as well as wood supply. Metsä Group's sales totalled EUR 5.3 billion in 2011, and it employs approximately 12,500 people. The Group operates in some 30 countries, mainly in Europe.

Metsä Group produces high-quality products mostly from renewable Nordic wood and wood fibre. We have long traditions and strong know-how in all our core business areas.

Metsä Group works actively in research and development in order to develop new products and to diversify the use of our current products. Furthermore, the Group tries to find ways to use its wood raw material more efficiently.

OUR APPROACH TO SUSTAINABILITY

We have divided our sustainability approach into four themes covering the whole value.

WE OFFER SUSTAINABLE CHOICES



Wood is an endlessly renewable resource. We turn wood into safe and recyclable products that improve your quality of life. Our products are a sustainable alternative for many non-renewable products and raw materials.

THE SMALLER THE ENVIRONMENTAL IMPACT, THE BETTER



All human activity leaves a mark on the planet. So does our production. What matters is using energy, raw materials and other resources efficiently and maintaining low levels of emissions and waste. We at Metsä Group have reached great results but we can always do more.

WE BRING FOREST TO YOU



Our products come from sustainably managed forests. Together with partners we ensure that when a tree is harvested, new ones get planted. We secure sustainable supply of raw materials for our units and a supply of renewable products for our customers.

WE CREATE WELL-BEING



We generate well-being at work, in local communities, and in society at large and commit to global sustainability principles. By behaving responsibly towards our employees and society, we can improve the quality of life of our stakeholders.



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2011 – BUILDING A SUSTAINABILITY FOUNDATION FOR THE FUTURE



Metsä Group's President and CEO states in the Annual Report's CEO letter that in 2011, we put a lot of emphasis on developing our sustainability management and launching the new sustainability agenda with the Group-wide sustainability targets. We wanted to focus on open communication and highlight that sustainability is as important for us and our partners as it is for our customers. As a result you are now reading our new Sustainability Report. It offers a detailed description of our management practices and our views on the most important sustainability themes. Our aim is to emphasise that we are one unified Metsä Group.

We were among the very first companies in Finland to commit to the ten principles of the United Nations Global Compact initiative. This can also be seen in the fact that sustainability is central to our mission, vision and values as well as our strategy. In 2011, we took major steps to adopt sustainability into our management practices and defined the most essential sustainability issues for the Group. In addition to internal business workshops and management interviews, we reviewed the global macro trends - climate change; the scarcity of global water sources; deforestation; waste management and recycling to name a few; and also asked our external stakeholders to participate in the process.

Ensuring the origin of wood, promoting forest certification and the sustainability of the whole supply chain were among the key themes that emerged during the analysis. Additionally, material efficiency and work safety were also considered important among our stakeholders. As a result, we defined four main themes in which we will focus our sustainability efforts: sustainable offering; sustainable supply chain and raw materials; environmental efficiency in production operations and internal and external stakeholder relations.

Based on this business-driven sustainability agenda, we also prepared comprehensive sustainability targets to ensure the systematic management of sustainability throughout the Group. These targets cover all aspects of our operations; certified wood raw material and sustainability of the supply chain; energy efficient processes and reduced air emissions; ethical business practices as well as work safety and well-being. The Group's performance against the newly set sustainability targets proceeded well during the last year.

To maintain a robust and unified working culture, The Group's policies were revised at the beginning of 2011 including our Sustainability Principles and employee Code of Conduct - the bases of our

everyday work. Moreover, as we did not want to limit our approach in sustainability management to our own operations, the Group adopted a new Code of Conduct for our suppliers. To confirm that the compliance with the same high standards of business ethics is respected in our suppliers' operations, The Group now carries out regular supplier audits.

Our main raw material is renewable and sustainably grown wood. All the Group's products are recyclable and excellent alternatives for many carbon-intensive products. Metsä Group operates in areas rich in forest and water resources. We know the origin of the wood we use and we are efficient in the use of materials and energy,

OUR COMMITMENT TO SUSTAINABILITY IS STRONG. IN 2011 WE PUT A LOT OF EMPHASIS ON DEVELOPING OUR SUSTAINABILITY MANAGEMENT AND LAUNCHING THE NEW AGENDA WITH THE GROUP-WIDE TARGETS.

being a significant user of biofuels and a major producer of bioenergy. Our production operations are continuously assessed to ensure that they are efficient and environmentally friendly. Additionally, Metsä Group is a key employer also in many remote areas and an active member of the local communities in which it operates.

We have a good story to tell and we want to continue the direct and transparent dialogue with you.

Sustainably yours,

Riikka Joukio
SVP, Sustainability and Corporate Affairs

SUSTAINABILITY GUIDES ALL OUR OPERATIONS

METSÄ GROUP'S SUSTAINABILITY DRAWS ON OUR MISSION, VISION AND VALUES AND IS AN INTEGRAL PART OF OUR STRATEGY. OUR DAILY SUSTAINABILITY WORK IS GUIDED BY THE GROUP'S SUSTAINABILITY PRINCIPLES AS WELL AS THE EMPLOYEE AND SUPPLIER CODES OF CONDUCT.

We are committed to promoting sustainable development in all our business activities and operations; to continuously improving our operations; and to conducting business in a responsible way. We have demonstrated our aim by committing to the ten principles of the UN Global Compact initiative, which highlights the respect for human and labour rights, environmental responsibility and anti-corruption. The Group's Sustainability Principles are also based on these universally accepted principles.

MISSION, VISION AND VALUES

Metsä Group's mission is to competitively procure, market and upgrade Nordics wood at its own production units. Our vision is to be a focused and profitable Finnish forest industry company that operates in the international market, and one that integrates sustainable development, customer-orientation and innovations in its products and services in a unique way.

WE CONTINUOUSLY DEVELOP OUR OPERATIONS TO MEET THE MARKET DEMAND FOR SUSTAINABLE PRODUCTS.

Metsä Group's values are responsible profitability, reliability, cooperation and renewal. These values guide the Group in achieving its targets and are seen in our daily activities. We strive to improve the profitability of our company, while at the same time bearing responsibility for the environment and listening to our stakeholder groups. Reliability, cooperation and renewal are the cornerstones of responsible profitability.

SUSTAINABILITY AT THE HEART OF THE STRATEGY

We will reach our objectives by focusing on our strengths and selected core businesses of tissue and cooking papers, board, pulp, wood products as well as wood trade and forestry services. We continuously develop our operations to meet the market demand for sustainable products, and operate in a cost-efficient way to achieve profitable growth.

GOVERNANCE AND RESPONSIBILITIES

Metsäliitto Cooperative's Board of Directors has overall responsibility for governance and its sustainability at Metsä Group. It approves the guiding policies and sets the Group's ambition level. The Executive Management Team prepares the guiding policies, defines the sustainability targets and monitors the performance against them.

The Corporate Affairs Management Team steers sustainability and corporate affairs issues. It supports the Business Areas by gathering their views and needs on sustainability, sets focus areas at the Group level and defines the Group's positions so that the Business Areas can enhance their competitiveness in sustainability.

The Sustainability and Corporate Affairs function provides information to the management, identifies development needs and coordinates the Group's daily sustainability work. It also supervises and promotes the Group's interests in legislation and trade policy issues.

LINK TO OTHER GROUP FUNCTIONS

As sustainability is a fundamental part of our business and all operations, it is integrated into everything we do; for example, it is part of the risk identification and management

processes as well as crisis management practices.

Additionally, Metsä Group continuously monitors its sustainability performance through various tools and activities such as internal audits.

POLICIES AND PRINCIPLES

Metsä Group's sustainability management is guided by the Group's Sustainability Principles and the employees' Code of Conduct, which include all three aspects of sustainability: environmental, social and economic responsibility. The Group also has a set of policies and related instructions in place for all relevant topics, including Environmental, Human Resources, Equal Opportunities and Purchasing policies in addition to a Supplier Code of Conduct to guide supply chain operations.

GROUP-WIDE SUSTAINABILITY TARGETS

In 2011, Metsä Group determined a set of Group-wide sustainability targets to ensure an efficient sustainability management. Read more about the performance against these targets on the following pages of the report.

MANAGEMENT SYSTEMS

Management systems allow us to assess our performance and to continuously improve our operations. They help us to achieve the Group's strategic objectives; improve our key performance indicators; support our sustainability performance; and manage operational risks.

SCOPE OF THE REPORT

Metsä Group comprises Metsä Tissue, Metsä Board, Metsä Wood, Metsä Fibre and Metsä Forest. This report covers the whole Group including the production, warehousing and sales units of the Business Areas. Sustainability reporting follows the same principles of consolidation as our Financial Statements.

Metsä Group reports its sustainability performance at the Group, Business Area and product levels. The Sustainability Report 2011 has been prepared according to the Global Reporting Initiative (GRI) guidelines

(version G3.1). We have selected those indicators most relevant to our operations, products and stakeholders.

The sustainability performance data in this report has been externally assured by an independent third party, PricewaterhouseCoopers Oy. Read more about the assurance process in the assurance report on page 35.

THE GROUP'S CORPORATE GOVERNANCE STATEMENT AND A DETAILED DESCRIPTION FOR EXAMPLE ON THE RISK MANAGEMENT PROCESS AND INTERNAL AUDIT OPERATION IS AVAILABLE IN THE ANNUAL REPORT ON P. 118–124. →



METSÄ GROUP'S SUSTAINABILITY TARGETS

THEME	TARGET	PROGRESS	READ MORE
WOOD	We support sustainable forest management. Our wood is 100% traceable and it always comes from sustainable sources. Our target is to sustain the amount of certified wood in our operations above 80%.	81% in 2011	p. 12–13
SUPPLY CHAIN	We are committed to sustainability throughout the whole supply chain. Our target is to have a Supplier Code of Conduct included in all new supplier contracts.	Code of Conduct included in all new and renewed contracts since June 2011	p. 10–11
ENERGY AND CLIMATE	We focus on mitigating climate change. Our target is to reduce fossil CO ₂ emissions in production by 30% per product ton by 2020 from 2009 level.	-16% (2009–2011)	p. 16–17
	We ensure efficient energy consumption. Our target is to improve energy efficiency by 10% by 2020 from 2009 level.	-5% (2009–2011)	p. 16–17
ETHICAL BUSINESS PRACTICES	Ethical business practices are the core of all our operations. Our target is to have the whole personnel covered by Code of Conduct training by the end of 2012.	Trainings started in September 2011 and continue in 2012	p. 24–25
WELL-BEING	Work safety is our top priority. We strive for continuous development and our aim is to improve our lost-time accident rate by 10% each year. Our long-term target for lost-time accident rate is zero.	Lost time accident frequency rate was 18.3 in 2011.	p. 24–25
	We work hard to ensure a healthy work environment. Our target is to keep sickness absenteeism rate at the best European level and below 3% at all times.	Sickness absenteeism was 4.4% in 2011.	p. 24–25



COMMITMENT TO THE PRINCIPLES OF THE UN GLOBAL COMPACT

THEME	PRINCIPLES	READ MORE
HUMAN RIGHTS	#1: Businesses should support and respect the protection of internationally proclaimed human rights.	p. 10, 24–25
	#2: Businesses should make sure that they are not complicit in human rights abuses.	p. 10, 24–25
LABOUR RIGHTS	#3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	p. 10, 24–25
	#4: Businesses should uphold the elimination of all forms of forced and compulsory labour.	p. 10, 24–25
	#5: Businesses should uphold the effective abolition of child labour.	p. 10, 24–25
	#6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.	p. 10, 24–25
ENVIRONMENT	#7: Businesses should support a precautionary approach to environmental challenges.	p. 20
	#8: Businesses should undertake initiatives to promote greater environmental responsibility.	p. 20
	#9: Businesses should encourage the development and diffusion of environmentally friendly technologies.	p. 20–21
ANTI-CORRUPTION	#10: Businesses should work against corruption in all its forms, including extortion and bribery.	p. 10, 24–25

TRANSPARENT DIALOGUE WITH STAKEHOLDERS

METSÄ GROUP AND ALL ITS OPERATIONS AFFECT NUMEROUS STAKEHOLDERS AROUND THE WORLD. EVEN THOUGH THE GROUP'S MAIN OPERATIONS ARE IN EUROPE, THERE ARE VARIOUS IMPACTS THAT ARE MORE FAR-REACHING, FOR EXAMPLE THROUGH THE SUPPLY CHAIN.

We want to build trusted and open relations with our main stakeholder groups. We have defined our customers and personnel as our most important stakeholder groups together with members of the Cooperative, other forest owners, suppliers, investors and financiers, representatives of non-governmental organisations (NGOs), the media and society at large.

Different stakeholder groups have different expectations from the Group. For this reason, we aim to engage in a transparent and open dialogue with our stakeholders to gain a better understanding of their expectations. Transparent and constructive stakeholder dialogue is an essential part of developing the Group's activities and management, especially the management of sustainability issues.

SUSTAINABILITY AGENDA FOR THE GROUP

In 2011, Metsä Group's main focus on sustainability management was on determining the






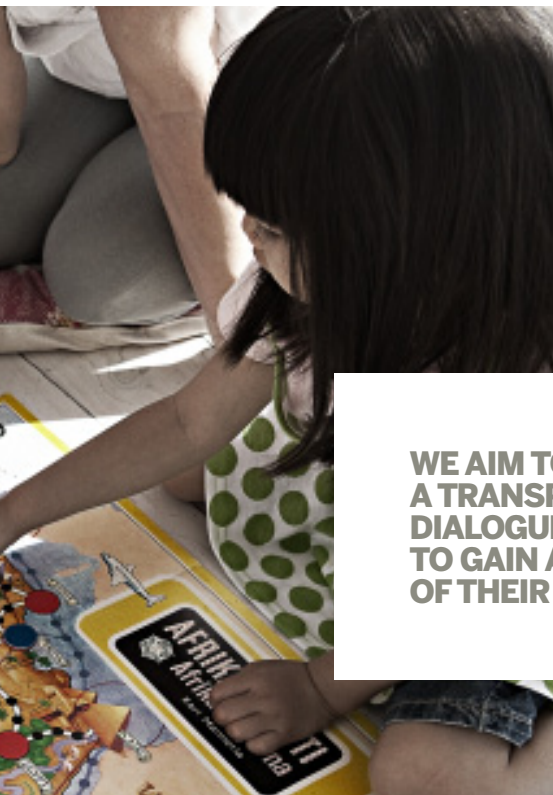
most essential sustainability issues for the Group and its businesses and on building a strategic sustainability agenda. In addition to ten internal workshops for different Business Areas, 15 management interviews and an extensive stakeholder survey was conducted in different geographical regions globally. The survey covered all the Business Areas and their stakeholder groups such as customers, analysts, NGOs, the media and employees. We offered the possibility for over 800 persons to participate in building our sustainability agenda, of whom some 200 responded.

Both internal and external stakeholders found sustainable forest management – including the origin of wood and forest

certification – important in the Group's operations as well as those issues related to water and energy use, and materials efficiency. External stakeholders also emphasised the importance of respecting human rights, product safety, the well-being of employees and conducting ethical business practices. Supply chain management is clearly becoming more and more important in the eyes of our stakeholders. Metsä Group is also focusing on developing the operations related to a sustainable supply chain.

METSÄ GROUP'S SUSTAINABILITY AGENDA

 WE OFFER SUSTAINABLE CHOICES	 WE BRING FOREST TO YOU	 THE SMALLER THE ENVIRONMENTAL IMPACT THE BETTER	 WE CREATE WELL-BEING
ISSUES RELATED TO SUSTAINABLE OFFERING	ISSUES RELATED TO SUSTAINABLE SUPPLY CHAIN AND RAW MATERIALS	ISSUES RELATED TO ENVIRONMENTAL EFFICIENCY AND PRODUCTION OPERATIONS	ISSUES RELATED TO INTERNAL AND EXTERNAL STAKEHOLDER RELATIONS
Sustainable products, services and innovations	Sustainable forest management and nature values	Energy and climate	Human rights
Product safety	Sustainable supply chain	Water	Ethical business practices
	Partnership with suppliers and forest owners	Material efficiency	Responsible employer
		Environmental risk management	Well-being for local communities



WE AIM TO ENGAGE IN A TRANSPARENT AND OPEN DIALOGUE WITH OUR STAKEHOLDERS TO GAIN A BETTER UNDERSTANDING OF THEIR EXPECTATIONS.

SYSTEMATIC PROCESS FOR ENGAGEMENT

Metsä Group surveys the customer experience and other stakeholder feedback on a Business Area level on a regular basis. To further develop its sustainability operations, Metsä Group acknowledges that in the coming years it will focus on building a more systematic stakeholder engagement process to strengthen the relations and build a solid base for transparent and open dialogue with its most important and active stakeholders.

ACTIVE PARTICIPATION IN LOBBYING

We follow and take interest in the development of regulatory frameworks affecting our operations and markets. Our advocacy on these issues is mainly channelled through industry and trade associations at the national, European and international levels.

MEMBERSHIPS AND ASSOCIATIONS

Metsä Group, its Business Area and subsidiaries participate in a number of national industry and trade associations in their countries of

operation and actively take part in steering them. These include:

- The World Business Council for Sustainable Development (WBCSD) and its sector-specific network Forest Solutions
- The Confederation of European Paper Industries (CEPI)
- The European Confederation of Woodworking Industries (CEI-Bois)
- The Committee of Professional agricultural Organisations and the General Confederation of Agricultural Cooperatives (COPA-COGECA)
- The Finnish Forest Industry Federation (Metsäteollisuus ry)
- The Swedish Forest Industries Federation (Skogsindustrierna)
- The Confederation of Finnish Industries (Elinkeinoelämän Keskusliitto)
- The UN Global Compact Nordic Network and the UN's CEO Water Mandate
- The forest certification associations: the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC). Additionally, the Group or its subsidiaries are taking part in several national forest industry associations in the main operating countries. There are also several sector-specific organisations in which the Business Areas participate such as the European Tissue Symposium and the Confederation of European Fine Paper Industries.

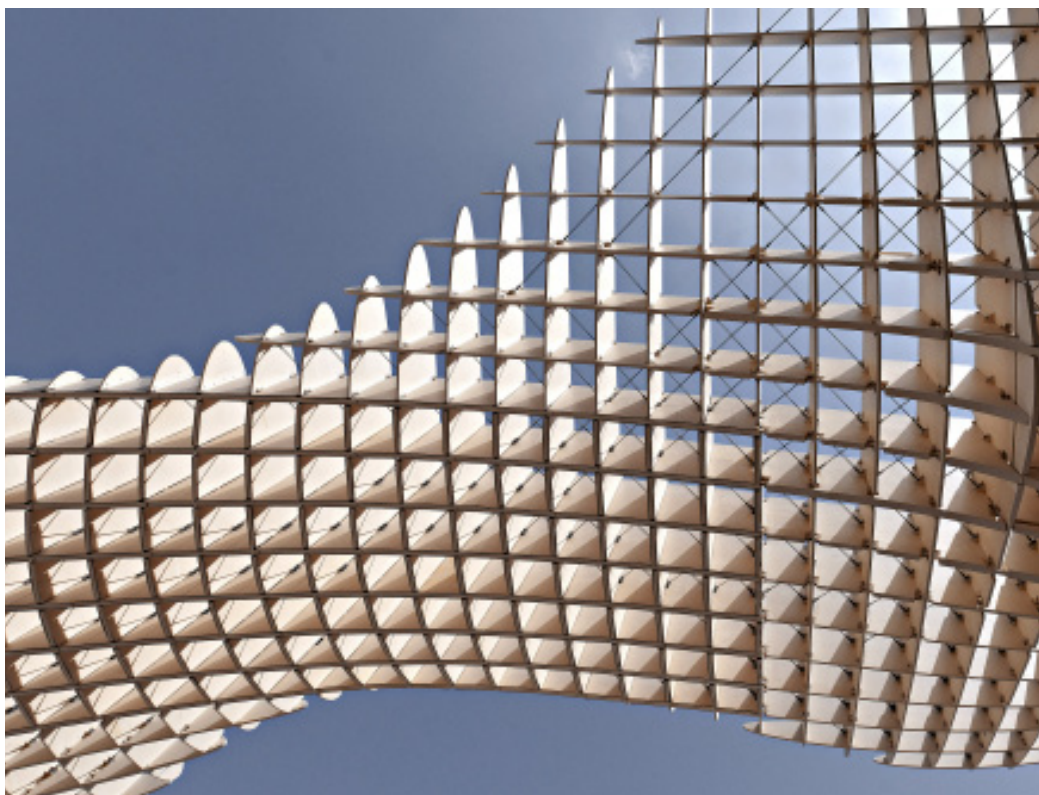


MAIN CHANNELS IN STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	MAIN EXPECTATIONS	MAIN ENGAGEMENT ACTIVITIES
EMPLOYEES	Safe working environment; stable employer; good management practices; competitive benefits; good reputation and image of the company; open communication with the management.	Personnel development assessments; employee satisfaction surveys; training programmes; internal communications (intranet and magazines); national statutory employee bodies; European Works Council.
CUSTOMERS AND END-USERS	Performance and quality of the product; price; clear business structures and responsibilities; product safety; sustainability and ethics throughout the supply chain; environmental footprints of the product; financial, environmental and social performance of the Group.	Good quality products and services; personal contacts; customer satisfaction surveys; training, cooperation projects; trade fairs and seminars; internet, magazines and annual reports; product information and life cycle calculations.
MEMBERS OF COOPERATIVE	Good and solid return on investment; continuous wood demand; open communication with the management.	Good quality products and services; own contact person; satisfaction survey on services; events; internet and extranet; magazine for the members.
RAW MATERIAL AND SERVICE SUPPLIERS	Active dialogue with the purchasing organisation and the supplier; long-term contracts; profitability of the Group; acceptable commercial terms.	Meetings and negotiations; supplier assessment and audits; partnership projects; internet and external magazines.
EQUITY AND DEBT INVESTORS, ANALYSTS	Stable return on investment; open and transparent dialogue with the management.	Annual General Meeting; face-to-face meetings and roadshows; Capital Markets Day; annual and interim reports; stock exchange and press releases; internet and external magazines; questionnaires.
SOCIETY, LOCAL COMMUNITIES AND NGOS	Stable employer; good neighbour; open and transparent communication with the representatives of the Group; compliance with laws and regulations; financial, environmental and social performance of the Group.	Meetings; authority reporting; annual and interim reports; stock exchange and press releases; internet; stakeholder feedback; image surveys; co-operation projects; sponsoring; presentations; site visits.
TRADE UNIONS AND ORGANISATIONS	Membership; active participation in decision-making.	Regular face-to-face contacts; participation in activities; lobbying programmes; information sharing.
MEDIA	Transparent management approach; active and open communication.	Meetings and interviews; press events and site visits; annual and interim reports; publications; internet; stock exchange and press releases; image surveys; stakeholder feedback questionnaires.

WE OFFER SUSTAINABLE CHOICES

WOOD IS AN ENDLESSLY RENEWABLE RESOURCE. WE TURN WOOD INTO SAFE AND RECYCLABLE PRODUCTS THAT IMPROVE THE QUALITY OF OUR CUSTOMERS' AND CONSUMERS' LIVES.



The Group produces a wide range high-quality products all made of renewable wood. The offering includes wood products for construction and decoration, pulp, board and office papers, tissue and cooking papers, as well as forestry services. Our main raw material is renewable wood and all our products are recyclable.

Additionally, first-class raw materials, excellent fibre technology know-how and the efficient use of raw materials ensure a continuous flow of sustainable innovations.

As our products are made of recyclable, renewable wood raw material, they are excellent alternatives in replacing many non-renewable, non-biodegradable carbon-intensive products.

FURTHER DEVELOPMENT OF PRODUCTS

The Group's role is to decide in which businesses it operates with each Business Area responsible for its own product range and offering. The R&D function of each Business Area focuses on the further development of existing products. The Business Areas also collaborate in running development projects in order to gain a better understanding of the entire production chain from wood processing and pulp production to board and tissue paper manufacturing.

R&D projects are also carried out in collaboration with partners such as universities, research institutes and mechanical engineering companies. Metsä Tissue's consumer and end-user driven product development process is supported by the company's technology centre in Germany.

In 2011, Metsä Group invested EUR 19 million in R&D (EUR 21 million in 2010), which accounts for 0.4% of sales (0.4% in 2010).

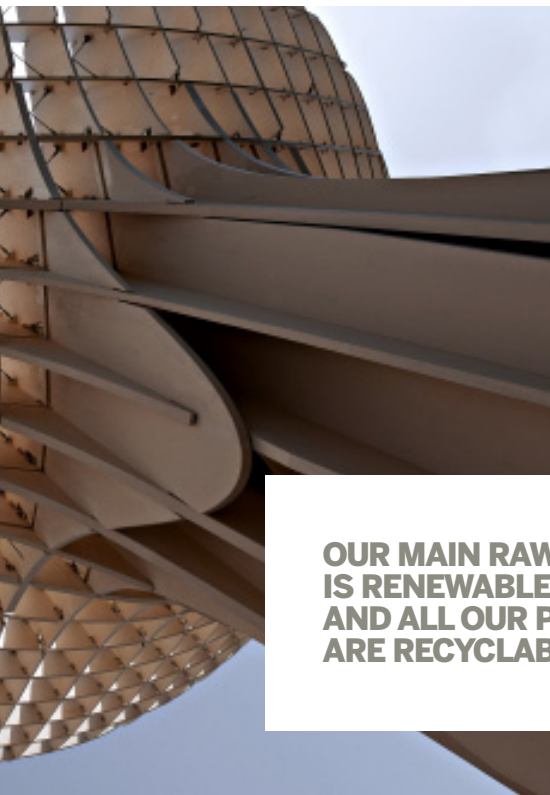
COMMUNICATING PRODUCTS' ENVIRONMENTAL PERFORMANCE

We know the environmental impacts of our products and want to increase understanding of them among our stakeholders.

LCA COVERS THE WHOLE PRODUCTION CHAIN

Life Cycle Assessment (LCA) is a technique to assess environmental impacts associated with all stages of a product's life cycle. Metsä Group uses the LCA to evaluate the environmental impacts of the whole production chain from the early stages of raw material procurement and production to the delivery of the product to our customers' premises.

Data collected for the assessment is then used in product declarations, when applying



OUR MAIN RAW MATERIAL IS RENEWABLE WOOD AND ALL OUR PRODUCTS ARE RECYCLABLE.

EXAMPLES OF PRODUCT SAFETY IN DIFFERENT PRODUCTS



TISSUE AND COOKING PAPERS



BOARD



PULP



WOOD PRODUCTS

Migration of harmful chemicals into food

Migration of harmful chemicals into food

Strict production conditions to ensure safety of the end-product

Strength properties of a construction

Strict hygiene rules due to use in human contact

Emission of harmful chemicals from interior products to indoor air

READ EXAMPLES OF OUR SUSTAINABLE OFFERING IN THE ANNUAL REPORT 2011 ON [P. 24–31.](#) →
MILL SPECIFIC INFORMATION ON EMISSIONS AND VERIFIED MANAGEMENT SYSTEMS IS AVAILABLE ON [P. 28–31.](#) →

for environmental labels and for carbon and water footprint calculations.

ECO-LABELS ARE TO HELP CONSUMERS

Eco-labels make it easier for a consumer to understand the environmental impacts of a product. These labels are based on a life cycle assessment and their use always requires verification by an independent third party. We actively contribute to the development of eco-label criteria and work continuously to improve our mills’ environmental performance to fulfil the criteria.

The high energy efficiency and low emission levels of our pulp mills enable paper and board producers to use the EU Ecolabel and Nordic Swan for products made from Metsä Fibre’s pulps. The majority of Metsä Tissue’s tissue papers as well as baking and cooking products have been granted the Nordic Swan, the EU Ecolabel or the Blue Angel. The same applies to Metsä Board’s office papers. To date, no such commonly agreed eco-label criteria exist for packaging products.

PAPER PROFILE – AN INDUSTRY-WIDE DECLARATION

Paper Profile is a standardised tool for paper and board products to communicate the

environmental performance of the product. It was jointly developed by paper manufacturers, distributors and industry associations across Europe. The goal of these product-specific declarations is to provide objective, transparent and comparable information on key environmental parameters such as emissions, electricity, waste and product composition.

We use several product declarations intended for pulp and paper products, such as Paper Profile, and are working towards adopting a unified LCA-approach in all main product categories. For example, Metsä Board has issued Paper Profiles for all of its paper and board products already since 2001.

METSÄ BOARD’S PAPER PROFILES ARE AVAILABLE AT WWW.METSABOARD.COM/PAPERPROFILES →

CARBON FOOTPRINT ILLUSTRATES THE CLIMATE EFFECT

Carbon footprint is one of the tools used to illustrate a product’s climate effects. It demonstrates the carbon dioxide emissions of a process behind the product. Metsä Group uses the carbon footprint to measure the fossil carbon of its products.

The result of the carbon footprint calculation depends on the scope of the calculation: the wider and more extensive the scope the

higher the emissions. Currently, as different corporations use different methods for carbon footprint calculations, they are not comparable from company to company. Metsä Group’s carbon footprint calculation is wide-ranging starting from wood raw material procurement and covers the entire supply chain. Thus it gives a comprehensive view on climate impacts of our products and their supply chain.

PRODUCT SAFETY IS OUR TOP PRIORITY

One of our most fundamental duties is to ensure that all our products and operations are safe and sustainable. We guarantee that our products are safe for people and the environment when they are used as intended.

We have a strict policy that we know the origin of the materials that we use and that all the raw materials meet or exceed the current legislative requirements. Ensuring product safety is especially important in products that are used in applications with strict hygiene standards such as food or human contact applications. This mostly applies to packaging boards, napkins as well as baking and cooking products.

As a minimum requirement, all our mills that manufacture food contact materials or chemical pulp used in manufacturing these products are certified according to ISO 22000 or BRC food safety management systems.

ENSURING A SUSTAINABLE SUPPLY CHAIN

WE AIM TO SECURE OUR OWN AS WELL AS OUR BUSINESS PARTNERS' LONG-TERM SUCCESS BY ENSURING RESPONSIBLE PURCHASING AND A SUSTAINABLE SUPPLY CHAIN. AS WE ARE COMMITTED TO SUSTAINABILITY THROUGHOUT THE WHOLE SUPPLY CHAIN, OUR TARGET IS TO HAVE A SUPPLIER CODE OF CONDUCT INCLUDED IN ALL NEW SUPPLIER CONTRACTS.



Metsä Group's purchases are organised into 17 main categories including pulp, chemicals and other materials, machines and equipment as well as services. Metsä Forest is responsible for the Group's wood procurement. The Group's spend in external purchases excluding wood procurement in 2011 was about EUR 2 billion, which was slightly lower compared to previous year.

Our main supply region is Europe, from where 98% of our purchases are sourced. We also strive to use local suppliers when feasible. Some 87% of purchases are from countries where we have our own manufacturing operations.

WE WORK CLOSELY WITH OUR PARTNERS TO ENSURE A SUSTAINABLE SUPPLY CHAIN.

Metsä Group focuses on ethical, reliable, innovative and environmentally sound suppliers, whose quality and pricing will facilitate long-term cooperation and responsible profitability. Our aim is to develop trusting cooperation with selected key suppliers. Our transparent supplier evaluation criterion contrib-

utes to the further development of our supplier portfolio.

NEW SUPPLIER CODE OF CONDUCT

In 2011, Metsä Group launched a Supplier Code of Conduct in order to ensure that we only cooperate with suppliers who act responsibly. We expect our suppliers to comply with a high standard of business ethics and integrity, to be committed to sustainability and to follow good working practices.

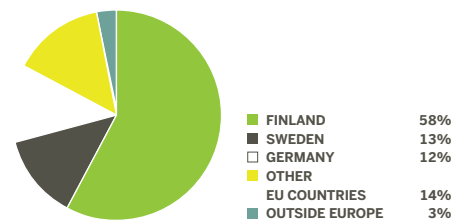
The Code of Conduct emphasises actions against corruption and bribery, and stresses the respect for human rights and a safe working environment. The Code also unconditionally prohibits the use of forced or child labour. Furthermore, the supplier must ensure that all of its subcontractors know and honour these requirements.

The Supplier Code of Conduct is an integral part of any agreement documentation and has been included in all new and renewed contracts since June 2011.

AUDITS CONFIRM RESPONSIBLE OPERATIONS

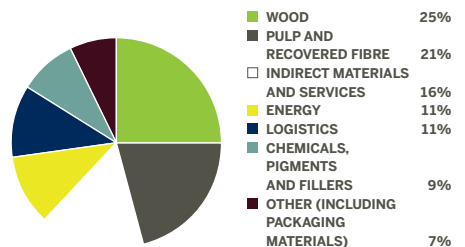
During 2011, Metsä Group developed a common monitoring process for the Group's purchases and made audit plans for each of the purchasing categories. A risk assessment

THE GROUP'S EXTERNAL PURCHASES BY COUNTRY¹⁾

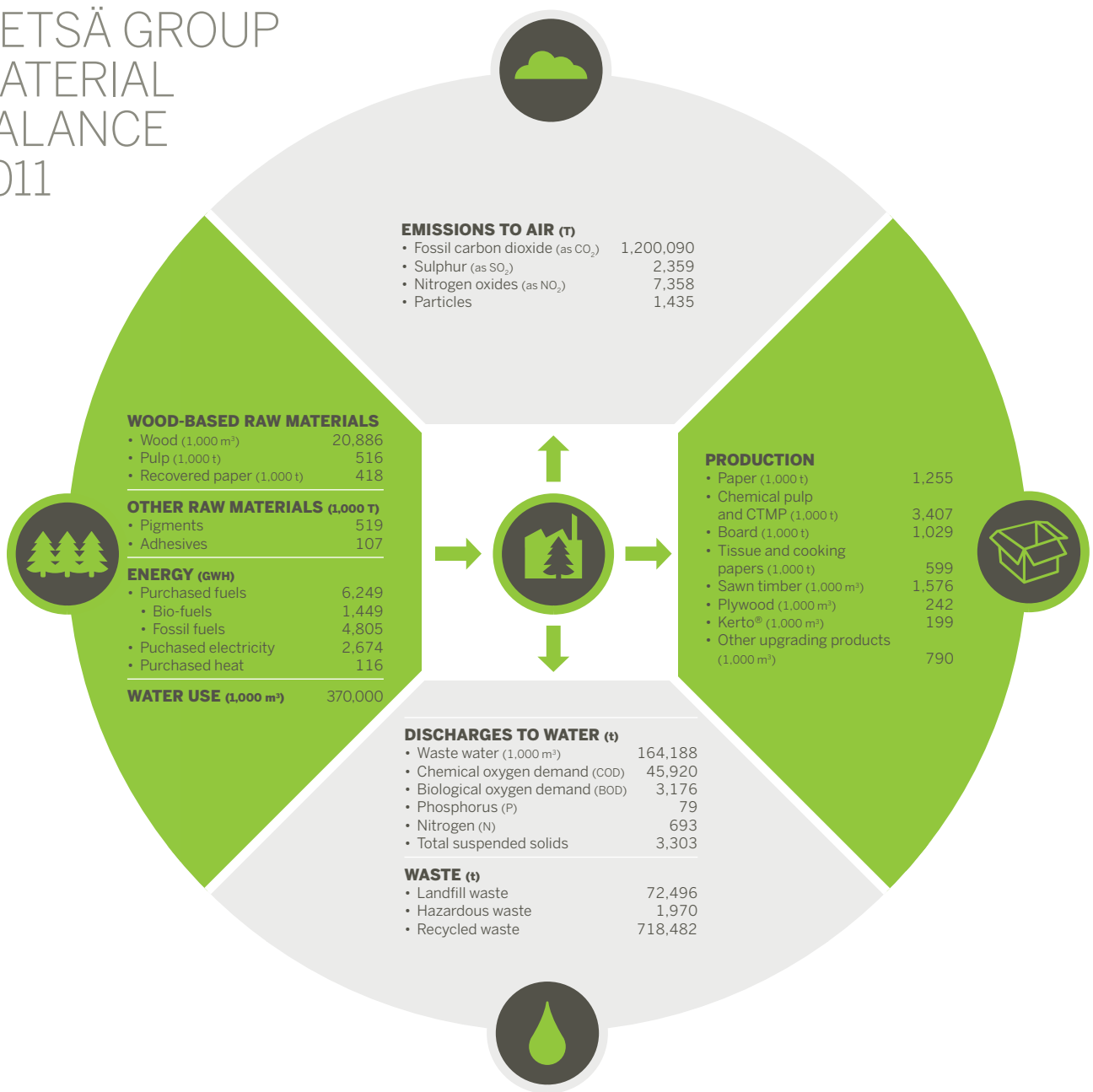


1) Wood procurement excluded

COMPOSITION OF THE GROUP'S PURCHASES: % OF MATERIAL AND SERVICE PURCHASES



METSÄ GROUP MATERIAL BALANCE 2011



was made and those suppliers who needed to be audited were identified. During 2011, Metsä Group performed 83 supplier audits.

The intention is to ensure that the Supplier Code of Conduct is fully implemented and that there are no incidents of child, forced or compulsory labour in the suppliers' operations. In 2011, no risk for such incidents was identified during the audits.

FOCUS ON EFFICIENT LOGISTICS

Efficient supply chain management and on-time deliveries are the key elements in our business operations. We ensure reliable, safe and efficient logistics. Efficiency is attained by maximising delivery sizes, optimising modal selection including return load utilisation, as well as minimising 'empty' kilometres. As our mills are located close to our main raw materials, we are always able to optimise our transport routes. Additionally, as energy efficiency is an important factor in developing our trans-

port operations, we favour rail and waterways whenever a feasible solution is available.

Transport and warehousing operations are mainly outsourced to partners. Valid environmental certifications and policies play a significant role in selecting the partners as well as the criteria set in the newly implemented Supplier Code of Conduct.

OUR WOOD IS 100% TRACEABLE

WE WANT TO SUPPORT SUSTAINABLE FOREST MANAGEMENT AND SAFEGUARD RICH BIODIVERSITY IN FOREST OPERATIONS. TO THIS AIM, OUR TARGET IS TO SUSTAIN THE HIGH AMOUNT OF CERTIFIED WOOD IN OUR OPERATIONS AT OVER 80 PER CENT.



Metsä Group's mission is to competitively procure, market and upgrade Nordic wood at its own production units. We also offer our members wide-scale forest management services, assistance and guidance in timber sales in addition to investment opportunities such as various additional shares.

Our operations are based on sustainable wood raw material. Forests are a renewable resource and continue to grow as long as they are utilised in a sustainable way. Wood supplied by us originates from sustainably-managed forests, and the origin of wood material can be traced in order to verify this.

FOREST GROWTH EXCEEDS THE HARVESTING

Perhaps the most important criteria for the sustainability of forest management are that forests grow more than they are being utilised - and when they are being utilised, they are also being renewed. In Finland, where roughly 70% of the wood supplied by Metsä Group originates, the annual increment of the forests' growing stock (2,200 million m³) exceeds the drain by over 30%. The growing stock in Finland's forests has increased by more than 40% over the past 40 years. The past 35 years has also seen the area of protected forests being tripled and the introduction of nature management in commercial forests.

PROMOTING SUSTAINABLE FORESTRY

Metsä Group ensures the sustainability of its supply chain by tracing the origin of wood and promoting sustainable forestry. Certification is a tool to ensure both the sustainability of the supply chain and forestry operations. To pursue this line, Metsä Group holds Chain-of-Custody (CoC) certificates covering all the wood supplied by the company. In addition, the main forest areas owned or leased by the Group's companies hold certificates of sustainable forest management. In 2011 for example, Metsä Group was the first company in Russia to obtain double certification (PEFC and FSC) for its leased forests in Podporozhye, in Leningrad region.

The target of Metsä Group is to support sustainable forest management and to sustain the amount of certified wood in our operations above 80%. As much as 95% of Finland's commercial forests are PEFC certified and 2% according to FSC. Metsä Group is actively promoting forest certification initiatives in the whole wood supply region. In 2011, 81% of the wood supplied by Metsä Group was either PEFC or FSC certified or both.

As certification aims at continuous improvement, the standards need to be updated on a regular basis. At the beginning of 2011, Metsä Group started implementing the renewed PEFC forest certification stand-



WE OPERATE IN NORTHERN EUROPE IN AREAS WITH RICH WOOD AND WATER RESOURCES AND WHERE FORESTS GROW MORE THAN THEY ARE HARVESTED.

ard in Finland. Additionally, the recertification audit for Metsä Forest and Metsä Wood on ISO 9001, ISO 14001 and PEFC CoC multi-site certification was carried out.

WE KNOW THE ORIGIN OF OUR WOOD

Regardless whether the wood originates from certified or non-certified forests, the origin is always known. Metsä Group's internal auditing procedures and wood origin tracing system cover the actions of the wood supplier or harvesting contractor as well as the origin and nature management audit. Internal auditing thus covers a wide range of sustainability issues from the preservation of nature values

and legal origin of the wood to social issues such as safety at work.

Wood suppliers and contractors have also committed themselves to certain sustainability principles which are included in the contracts. The commitments extend to the very beginning of the supply chain, including possible sub-suppliers and subcontractors. In 2011, Metsä Group established and systematically brought into practice a Supplier Code of Conduct.

SAFEGUARDING NATURE VALUES

Nature management efforts, such as leaving retention trees, hardwood species and deadwood in logging operations have received

recognition in a number of reports published in 2010 and 2011. One reference is the fourth assessment of threatened species in Finland, published in late 2010. The study showed that certain species that live on decaying wood have benefited from leaving retention trees, a requirement of the widely-used (some 95% of Finnish commercial forests) PEFC criteria since 1999.

In 2011, there were some drawbacks in the national Nature Management Assessment results in Finland, partly due to an unusually thick cover of snow prevailing in the country at the time. This meant that during logging it was more difficult for the harvester drivers to detect some of the habitats. This aside, the results have remained at a high level.



MAIN FOREST AREAS OWNED OR LEASED BY METSÄ GROUP

COUNTRY	FOREST OWNER/LEASEHOLDER	TOTAL AREA, HECTARES ¹⁾	OF WHICH PROTECTED AREAS, HECTARES	CERTIFICATION
FINLAND	Metsä-Botnia, Metsät Oy	35,255	566 ²⁾	PEFC
	Kirkniemen Kartano Oy	961	217 ²⁾	PEFC
RUSSIA	OOO Metsäliitto Podporozhye	215,082	53,050 ³⁾	PEFC and FSC
	ZAO Petrovles Podporozhye and ZAO Petrovles Pasha	112,679	62,255 ³⁾	PEFC and FSC

1) Including forestry land and other land within the forest estate / area.

2) Including Nature Conservation Areas, Natura 2000 areas and Conservation Programme areas. Small-scale valuable forest habitats and the buffer zones of watercourses are not included in the figures.

3) Including forests with a protective function (e.g. forests along watercourses); those with special limitations of the utilisation regime; and biologically valuable forests that have been excluded from commercial use by the company. Strictly protected areas are excluded from the lease areas in Russia. Small-scale valuable forest habitats are not included in the figures.

TESTING THE NEW FINNISH FSC STANDARD

Outside Finland Metsä Group ensures that the nature management of harvesting operations comply with legislation and forest certification criteria by regular and extensive field audits. In 2011, the audit results have remained at a good level and no serious malpractices were found. For example, minor observations were made in Russia concerning soil damage or the tidiness of storage places.

WE DEVELOP OUR OPERATIONS CONTINUOUSLY

The results of the national Nature Management Assessment and Metsä Group's own inspections are analysed and any needed corrective actions are brought into the Environmental Programme of Wood Supply. Implementation of the Environmental Programme is followed by an external auditor within Metsä Group's ISO 14001 certification. Both the inspection results and the Environmental Programme are reviewed by the top management.

The corrective actions of the Environmental Programme include training at different levels of the organisation, communications and development in different contexts. As an example of development work in the field of nature management in 2011, Metsä Forest in Finland introduced the implementation of a pre-logging clearing method which avoids the excess removal of undergrowth - important from the point of view of many forest dwelling species. Metsä Group considers the completion of the Nature Management Card or similar training for harvester drivers as one of the most efficient ways to improve environmental performance in forestry operations. This is why such training has been an integral part of the Environmental Programme already for several years.

ENHANCING SUSTAINABILITY TOGETHER

Besides nature management in harvesting operations, safeguarding the biodiversity of forests is complemented by additional measures. We have successfully gathered practical experience in mapping biologically valuable forests in our leased forest areas in Podporozhye, Russia, and have gained much recognition and interest from our stakeholders. We have also continued to share our experiences at numerous events with the forest authorities, NGOs and other companies.

Metsä Group started testing Finland's new Forest Stewardship Council (FSC) certification standard in part of its own forests. The Group's forests have already been certified according to the Programme for the Endorsement of Forest Certification (PEFC) standard. In future, the FSC standard will be applied in these forests as well.

The project covers the forests owned by Metsä Fibre and Metsä Forest, both part of the Metsä Group. The total surface area of the forests is approximately 35,000 hectares. Metsä Group expects to get the FSC certificate by the end of 2012, and will then offer its members who have a forest management service agreement the option to join Metsä Group's FSC group certificate. We already offer similar PEFC group certification to those members who have a forest management service agreement. We support both the current certification systems and promote forest certification in all our areas of operation.



FOREST CERTIFICATION IS A VOLUNTARY SYSTEM WHICH SUPPORTS THE WELL-BEING OF FORESTS AND CONFIRMS THE LEGAL ORIGIN OF THE WOOD.

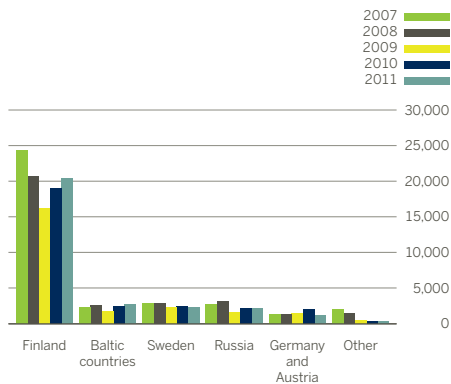
In Finland, the Forest Biodiversity Programme METSO, initiated in 2008, has continued to gain the forest owners' support and bring valuable forest habitats under METSO protection. In 2011, we launched a service for forest owners, enabling them to offer their valuable forest habitats to the METSO programme via their own local Metsä Group's contact.

One implementation method of the METSO programme is cooperation networks. These aim to help forest owners maintain forest landscapes, develop recreational activities related to forest biodiversity and manage valuable habitats. One of these cooperation networks in which Metsä Group participates was launched in late 2011 and aims to develop

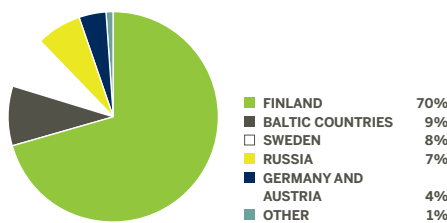
the nature management of the ecotones of forest areas towards enhancing game (and consequently other forest dwelling) species' habitat requirements. Another stakeholder project with Metsä Group's participation, led by the Development Centre of Forestry Tapio, started at the end of 2011. Its aim is to develop landscape management practices, establish a network of example plots and produce up-to-date training material.

Metsä Forest in Finland continues to develop its services for forest owners. Sustainability-related services added to the service package in 2011 include the possibility of PEFC group certification and the METSO service described earlier. Metsä Group's PEFC group certification is a service provided for its

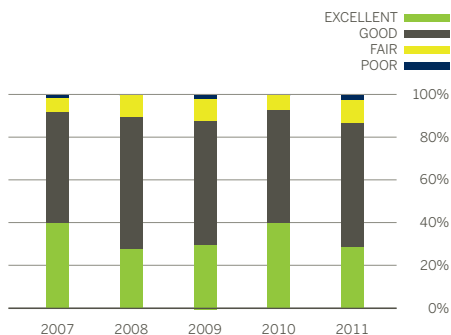
**THE GROUP'S WOOD SUPPLIES BY COUNTRY
1,000 m³ (SOLID OVER BARK)**



**THE GROUP'S WOOD SUPPLIES BY COUNTRY
IN 2011**



**EVALUATION OF NATURE MANAGEMENT
IN STANDS HARVESTED BY METSÄ GROUP
IN FINLAND**



**SUPPLIER AND LOGGING SITE CLASSIFICATION
IN RUSSIA IN 2011**



forestry services customers. This free-of-charge service has been welcomed by forest owners due to its easy accessibility. Currently, the group certification area is about 300,000 ha, including the forests of Finsilva which are partly owned by Metsä Group. Additionally, we have continued to offer the possibility for forest owners to order a forestry plan with emphasis on nature management.

LONG-TERM COOPERATION WITH PARTNERS

Metsä Group plays a significant regional role in offering work opportunities in rural areas by using the services of harvesting and transport entrepreneurs. Our Entrepreneur Guidelines aims at long-term cooperation and com-

panionship - something that brings benefits to all the parties. We have also strengthened our cooperation with contractors by introducing a service package model, which encourages entrepreneurs to develop their company. In addition to this, the expansion of energy wood harvesting and the utilisation of this local, renewable energy bring additional work opportunities to the rural areas. The Group has been one of the early pioneers in Finland who have made several advances in this field so that today, energy wood is one assortment among its others.

WE WORK CLOSELY WITH OUR PARTNERS TO ENSURE A SUSTAINABLE SUPPLY CHAIN.

NEW TARGETS FOR CO₂ AND ENERGY EFFICIENCY

LAST YEAR, WE FOCUSED ON HOW WE COULD FURTHER REDUCE OUR FOSSIL-BASED CO₂ EMISSIONS AND IMPROVE OUR ENERGY EFFICIENCY. TO DEMONSTRATE OUR COMMITMENT, WE STARTED SEVERAL MAJOR INVESTMENTS IN BIOENERGY PRODUCTION. WE ALSO IMPLEMENTED GROUP-WIDE ENERGY TARGETS.



At the end of 2011, Metsä Group introduced new Group-wide targets for fossil carbon dioxide emissions and energy efficiency. We focus on mitigating climate change. To this end, our target is to reduce fossil-based CO₂ emissions in production by 30% per product ton by 2020 from 2009 level. At the same time, we ensure efficient energy consumption. To this aim, we have a target to improve our energy efficiency by 10% by 2020 from 2009 level.

HIGH SHARE OF BIOENERGY

During 2011, Metsä Group took major steps to increase its already high share of bioenergy in its energy consumption. In 2011, wood-based bioenergy accounted for 63% (62% in 2010) of the Group's total energy use of 31.1 TWh (31.9 TWh), mostly from by-products from our own production such as black liquor, bark and sawdust. The rest are mainly forest residues that are co-sourced together with round wood.

A majority (77%) of the total grid electricity sourcing was CO₂ neutral energy. Grid electricity consumption totalled 2.68 TWh (2.71 TWh). To increase this share in 2011, Metsä Tissue started to source 70% of the electricity needed at the Zilina mill in Slovakia from a local hydro power plant. Further-

more, Metsä Board and Metsä Fibre decided to participate in the planning of a new potential nuclear power plant at Olkiluoto, Finland. The decisions on the participation in the project are expected in 2014.

FURTHER INVESTMENTS IN BIOFUELS

To increase the already high share of bioenergy, Metsä Group has invested in four large bioenergy projects that will partially or fully replace fossil fuel-based energy with renewable biomass. Together, these projects will reduce the Group's fossil CO₂ emissions by some 200,000 tonnes annually. The continuous evaluation of additional investments in bioenergy continues.

Metsä Board completed a turbine investment worth EUR 20 million at Husum mill in Sweden. The project will increase the mill's bio-based energy generation and electricity self-sufficiency from approximately 30% to over 50%. At Kyro mill in Finland, Metsä Board and its partners continued with a EUR 50 million investment in a biomass boiler.

At Joutseno mill in Finland, Metsä Fibre started to build a new wood

gasification plant, which will produce biogas that replaces natural gas at the lime kiln. As a result, Joutseno mill will have fossil-free operations under normal production conditions from 2012. At Lohja mill in Finland, Metsä Wood and its partners have an on-going investment project worth EUR 17 million on a new wood-fired boiler that will start supplying steam to the mill and district heat to the local community by the end of 2012.

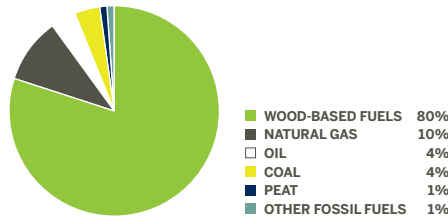
DEVELOPMENTS IN ENERGY EFFICIENCY

In 2011, Metsä Group continued to improve the energy efficiency of its production processes in line with the Energy Efficiency Systems that have been in place since 2006 and now cover all the mills. Numerous energy analyses were conducted across the Group. Also, suppliers, for example in logistics, are

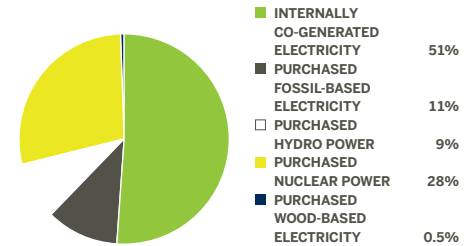
GROWING FORESTS ABSORB CARBON DIOXIDE FROM THE ATMOSPHERE. THE CARBON IS FURTHER STORED IN OUR PRODUCTS.

ALREADY 80% OF THE FUELS USED BY METSÄ GROUP ARE BIO-BASED. THIS FIGURE IS STILL INCREASING AND IS HIGHER THAN IN OUR PEER COMPANIES.

THE GROUP'S FUEL CONSUMPTION IN 2011



THE GROUP'S ELECTRICITY CONSUMPTION IN 2011



THE GROUP'S ENERGY CONSUMPTION: GWH

	2011	2010 ¹⁾	2009	2008
WOOD-BASED FUELS	19,449	19,868	17,000	19,867
FOSSIL FUELS	4,800	4,980	5,096	6,075
PURCHASED ELECTRICITY	2,674	2,709	2,546	3,067
PURCHASED HEAT	117	259	163	427
TOTAL ENERGY CONSUMPTION	31,072	31,925	28,653	34,112

1) Some minor corrections made to the environmental figures of 2010 compared to the previous annual report.

ENERGY CONSUMPTION BY BUSINESS AREA: GWH

	WOOD-BASED FUELS		FOSSIL FUELS		PURCHASED ELECTRICITY		PURCHASED HEAT		TOTAL ENERGY CONSUMPTION ¹⁾	
	2011	2010 ⁴⁾	2011	2010 ⁴⁾	2011	2010 ⁴⁾	2011	2010 ⁴⁾	2011	2010 ⁴⁾
METSÄ WOOD ³⁾	607	421	14	13	203	203	217	342	1,384	1,344
METSÄ FIBRE ²⁾	12,782	12,585	1,064	1,074	-509	-676	-957	-1,107	11,448	10,667
METSÄ BOARD	5,999	6,799	2,634	3,128	2,185	2,386	497	418	14,680	16,384
METSÄ TISSUE	61	63	1,088	765	795	796	360	606	3,560	3,531

- Total energy is shown in terms of fuel, i.e. the quantities of purchased heat and electricity have been converted to the corresponding amount of fuel that would be required to produce them.
- A large part of the energy that Metsä Fibre produces in excess of its own needs is sold. Metsä Fibre is a net seller of heat and electricity, and also sells part of its bark.
- Nearly all of the heat purchased by Metsä Wood is produced from the wood material by-products of its production plants.
- Some minor corrections made to the figures of 2010 compared to the previous annual report.

required to monitor and improve their own energy efficiency.

Efficiency improvements are an integral part of all major investments in production capacity. In 2011, altogether 135 smaller projects were completed that reduced electricity consumption by some 54 GWh and heat by 260 GWh annually, thus eliminating fossil CO₂ emissions by approximately 47,500 tonnes. Since 2009 we have managed to decrease our fossil-based CO₂ emissions by 16%.

We have managed to improve our energy efficiency by 5% since 2009 regardless of uneven production rates during the ramp-up phases after capacity increase investments at several mills in 2011. Also, Metsä Board's

mills in central Europe had poorer efficiencies due to low production rates last year.

Metsä Tissue was granted a subsidy by the EU under the program of the Sustainable Industry Low Carbon Scheme with its project 'Sustainable Low Carbon Tissue Manufacturing'. The project is linked to Metsä Tissue's project to improve energy efficiency by 20% by 2012 from the 2007 level.

NEW EU REGULATIONS

New policy measures are planned or implemented at the EU level. The Commission has prepared several 'roadmaps' to achieve a low-carbon and resource-efficient Europe by 2050. These roadmaps are expected to lead to new

directives and regulations in the forthcoming years.

In 2011, Metsä Group's mills submitted their applications for free emissions allowances for the EU's CO₂ Emissions Trading during 2013–2020. The final allocations will be settled in 2012. Metsä Group is evaluating the appropriate measures to comply with the Industrial Emission Directive that comes to force in 2016. Due to much more stringent emission limits, minor investments will be required for boilers at several Group mills.

EMISSION DATA AT THE GROUP, BUSINESS AREA AND MILL LEVELS ARE AVAILABLE ON P. 28–31. →

WE USE WATER SPARINGLY

AS WATER IS ESSENTIAL IN OUR PROCESSES, OUR MILLS ARE LOCATED IN AREAS WITH ABUNDANT WATER SOURCES. THE WATER WE USE IS NOT NEEDED ELSEWHERE.



Metsä Group needs water in all its production processes - it keeps the logs fresh at the mills, helps separate wood fibres for making paper and transports them to different locations at the mills. It is also needed for cleaning, cooling and, to a minor extent, making steam for thermal energy.

Our mills are mainly located in the Nordic countries which have plenty of good quality fresh water. However, we continuously seek new ways to minimise the use of fresh water in our processes e.g. by re-cycling it effectively. This minimises the wastewater emissions and saves energy, thus decreasing the impact on the climate. The percentage of recycled and reused water varies mill by mill, mainly depending on product quality requirements and local water conditions.

Mills have set their own targets and continuous improvement plans for water use in their environmental management systems. Additionally, Metsä Board has started a project to calculate the water footprint of a product based on a life-cycle assessment. The first results from the study will be available in 2012.

PURELY SURFACE WATER

We mainly use surface water. Our mills' water intake is typically some 0.1–1% of the total

flow of a river or a lake meaning that our water intake does not limit other water uses in the same region. With groundwater, the intake volume is determined and carefully controlled by the mill's environmental permit.

In 2011, our fresh water intake totalled 370 million cubic meters (400 million in 2010), almost all (98%) is surface water from rivers and lakes.

GUARDED WASTEWATER TREATMENT

Process waters are carefully cleaned before they are released back into a river, lake or the sea with most mills operating their own wastewater purification plants. Furthermore, each mill has its own specific environmental permit which sets limits for pollutants.

The main wastewater impacts are eutrophication and oxygen demand caused by phosphorus and nitrogen nutrients and organic matter.

COOPERATION TO BETTER WATER MANAGEMENT

At the local level, we are participating in several initiatives, together with environmen-

tal authorities, which aim to develop water-course management. These are mainly linked to the implementation of the EU Water Framework Directive. We also take part in several international forums related to water management. Metsä Group is a member in the UN Global Compact and Metsä Board is an endorsing company of the CEO Water Mandate.

FOR MORE DETAILED INFORMATION ON OUR MILLS WATER USE AND WASTEWATER DISCHARGES ARE REPORTED ON P.28-31. ➔

OPTIMAL USE OF FRESH WATER MINIMISES THE WASTEWATER EMISSIONS AND SAVES ENERGY, THUS DECREASES THE IMPACT ON THE CLIMATE.

RE-USE IS ALWAYS IN OUR INTEREST

MATERIAL EFFICIENCY MEANS THE EFFICIENT USE OF NATURAL RESOURCES AND THE EFFICIENT RE-USE OF WASTE AND BY-PRODUCTS. FOR EXAMPLE, THE WASTE FROM OUR PROCESSES CAN BE USED AS VALUABLE RAW MATERIAL ELSEWHERE.



Metsä Group's production units generate some 800,000 tonnes of different types of waste and residuals annually. These include fibre sludge, sludge from deinking recycled paper, ashes from energy production as well as green liquor sludge and lime ash from chemical pulp production. Most of these residuals can be further used for bioenergy production, as fertiliser, in landfill capping and in earth construction.

In 2011, we reused 90% of the waste, altogether 700,000 tonnes. Our total amount of waste to landfill was 70,000 tonnes, which was 60% less compared to the previous year.

During the year, our production units generated 1,970 tonnes of hazardous waste. Typically, these are oils and chemicals, paints, laboratory waste, fluorescent lamps and batteries. The collection of hazardous waste is outsourced to our partner, who also has a licence to dispose of them.

Metsä Group works actively to prevent waste generation and to find new ways to reuse residuals and by-products. We continuously reduce the amount of waste by enhancing recovery processes, increasing the solid content of waste to landfill and by increasing the energy use of organic waste.

SEVERAL END-USES FOR WASTE

Deinking sludge is a fine example of a residual that has several alternatives for re-use. When paper and board is recycled, the collected material is pulped, the ink removed and the fibres and fillers are recovered. The recycled fibres are further used in tissue production; recycled fillers can be reused in paper production; and the rest of the mixture, fibre clay, can be used as a soil conditioner. Fibre clay is also a by-product of paper production from primary fibres, produced when loose fibres are removed from wastewater.

Fibre clay is considered as waste according to the current EU legislation. Metsä Group produces some 130,000 tonnes of fibre clay per year at its Finnish production facilities and is currently able to reuse almost all of it.

Fibre clay can be used in soil improvement as it has very good erosion prevention properties. It is also suitable, for example, for landfill construction or landscaping skiing resorts where fibre clay structures reduce the need for

snowmaking thus resulting in reduced electricity and water consumption.

Ash has similar re-use possibilities. Most of Metsä Group's units produce ash that can be reused, for example, as a forest fertiliser - nutrients once taken from the forest are returned in the form of ash, minimising the need for artificial fertilizers.

WASTE AND RESIDUALS GENERATED FROM OUR OPERATIONS ARE UTILIZED EFFICIENTLY.

FOCUS ON PROACTIVE RISK PREVENTION

WE WORK ACTIVELY TO MINIMISE AND MANAGE ALL ENVIRONMENTAL IMPACTS RELATED TO OUR OPERATIONS.

We take a proactive approach to environmental risk management that includes assessing, monitoring and mitigating all the environmental risks related to our own as well as our partners' operations. We manage environmental risks by complying with the limits set in the mills' environmental permits such as discharges to water, emissions to air, noise, diminishing accidental releases and conducting regular environmental risk analyses at production units.

MILL IMPROVEMENTS 2011

During 2011 Metsä Group made several investments in projects mainly relating to replacing fossil fuels with or increasing production capacities. Metsä Group's capital expenditure totalled EUR 227 million (EUR 138 million in 2010). In 2011, Metsä Group received from the Government EUR 33,000 (EUR 1.15 million) as a support for investments.

MORE INFORMATION ABOUT ENVIRONMENTAL EXPENDITURE AND OTHER ENVIRONMENTAL ITEMS IS AVAILABLE IN METSÄ GROUP'S ANNUAL REPORT, FINANCIAL STATEMENTS NOTE 38 ON P. 101. →

METSÄ TISSUE

The chemical filling station at Kreuzau mill was updated. Improvements were also made at the dosage system for caustic soda thus improving environmental and work safety. At Düren mill, a large amount of asbestos was removed from the soil during the restructuring of the production halls. The mill also installed new, continuous emission measurement equipment for CO₂ and NO_x at the power plant.

Mänttä and Zilina mills have introduced a new energy management operating system as part of Metsä Tissue's energy efficiency pro-

ject. The system offers on-line data from the mills' energy use, enabling them to efficiently control and optimise their energy use.

METSÄ BOARD

New infra dryers were installed at Kyro mill, which are expected to cut the consumption of natural gas to almost one half at the board mill. Simpele mill made several investments to reduce energy and water consumption, and to improve wastewater management and waste handling. Kyro, Simpele, Husum and Kaskinen mills updated their environmental noise surveys and made the necessary improvements. An environmental risk survey was updated at Tako mill.

The environmental management systems in Metsä Board's Paperboard Business were developed and integrated into one certified management system covering all the mills.

METSÄ FIBRE

Joutseno mill installed a new stripper in the evaporation plant, which has significantly reduced the organic loading to the wastewater treatment plant. The mill will be able to reduce the use of fresh water and reuse its by-products with process development. A new trial for the utilisation of residuals such as lime and rejects in soil improvement was initiated. A new recausticising plant was taken into use at Kemi mill. It is expected to significantly improve the operation of the recovery line resulting in lower emissions to air.

A new treatment plant for oxidised white liquor was taken into operation at Rauma mill, improving the control of the mill's chemical balance. The flue gas treatment for the lime kiln was also improved. Äänekoski mill improved the treatment of malodorous gases by investing in treatment capacity and extending the coverage of gas collection. The flue gas treatment of the recovery boiler was also improved with repairs in the electrostatic precipitator. A development project aiming at improvements in the operation of the wastewater treatment plant was finalised with promising results, especially in nutrient control.

METSÄ WOOD

Lappeenranta sawmill built a new petrol filling station with up-to-date safety systems for the vehicles used on the site. Kyro sawmill carried out remediation work with contaminated soil found during the construction of a new storage facility. Suolahti plywood mill finalised the construction of a closed water circuit for the log soaking basins. An OHSAS 18001 occupational health and safety management system was certified at Eskola sawmill.

ENVIRONMENTAL LIABILITIES

Metsä Group companies have several liabilities from previous operations at closed-down, sold or leased industrial properties and decommissioned landfills. Metsä Group has been able to reduce its known old environmental liabilities over the past few years with the remediation of contaminated sites and landfills. Most recently, a clean-up of the closed-down Wifsta mill site in Sweden was completed in 2011 by Metsä Board. Environmental liabilities are recorded in accordance with the current environmental protection laws and regulations when it is possible that the obligation's amount can be estimated.

ENVIRONMENTAL INCIDENTS

All environmental incidents that resulted in major permit violations, claims, compensations or significant media coverage are detailed in the following table. Additionally, minor and short-term non-compliances with environmental permit requirements were reported at Metsä Board's Alizay, Husum, Gohrsmühle and Kaskinen mills as well as Metsä Fibre's Kemi mill. The authorities were informed and corrective actions taken in all cases.

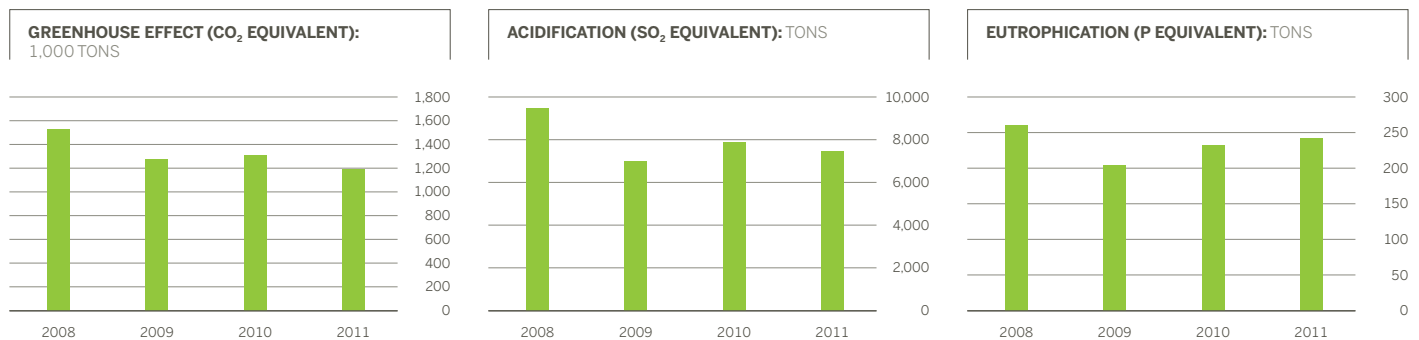
WE CONDUCT REGULAR ENVIRONMENTAL RISK ANALYSES AT OUR PRODUCTION UNITS.



ENVIRONMENTAL INCIDENTS PER UNIT

BUSINESS AREA	UNIT	INCIDENTS	CORRECTIVE ACTIONS
METSÄ TISSUE	Mänttä mill, Finland	The permit limits for phosphorous and nitrogen emissions to water were exceeded several times due to operational problems in wastewater treatment. The permit limits for COD and BOD emissions were exceeded in October due to maintenance work at the wastewater treatment plant.	Several corrective actions have been taken in cooperation with the external operator of the effluent treatment plant to improve its performance.
METSÄ BOARD	Kyro mill, Finland	The permit limit for phosphorous emissions to water was exceeded in January due to mechanical problems at the wastewater treatment plant.	The mechanical problems at the plant were corrected and the emissions returned to their normal level.
	Simpele mill, Finland	The permit limit for sulphur dioxide emissions to air from the power plant was exceeded in May due to sulphur rich peat fuel. The permit limit for nitrogen in wastewater was exceeded due to an overdose of nutrients to the wastewater treatment plant.	Quality control of the fuels and flue gas monitoring systems have been improved. Training has been given to staff in nutrient dosing in wastewater treatment. A development project for the operation of Metsä Board's treatment plants as a whole has been initiated.
	Äänevoima Oy, Finland	An oil spill occurred at Äänevoima power plant in August due to mechanical failures in the oil pumping station and spill containment systems. About 10 m ³ of heavy fuel oil was discharged to Lake Kuhnamo, requiring clean-up measures.	Plant monitoring and spill containment systems were fixed and upgraded. Extensive clean-up measures were taken at lake Kuhnamo.
METSÄ FIBRE	Rauma mill, Finland	The permit limits for sulphur dioxide emissions to air from pulp production were exceeded in February and November due to malfunctions in the flue gas treatment. Daily emission limits for malodorous gases were briefly exceeded in February, June and August. The permit limits for nitrogen and phosphorous emissions to water, set as a three-month average value, were exceeded from September to November at the joint wastewater treatment plant with UPM Rauma mill. The non-compliance was caused by operational problems at the wastewater treatment plant in September.	The malfunctions in the emission treatment equipment have been corrected and several improvements made. An internal investigation was carried out on the operation of the wastewater treatment plant.
	Äänekoski mill, Finland	The permit limit for phosphorous emissions to water was exceeded in December due to a nutrient unbalance in the production process.	Internal surveys to correct the nutrient balance were carried out.
	Joutseno mill, Finland	The permit limit for phosphorous emissions to water was exceeded in June due to an unusually high phosphorous content in the wastewater from the mill.	A temporary, additional chemical treatment of wastewater to cut down the phosphorous levels was made. Internal surveys to correct the nutrient balance were carried out.
	Svir Timber, Russia	Svir Timber paid RUB 95,000 as a fine for exceeding the permit limits for wastewater parameters.	A report on the development actions was introduced to the authorities and the most severe operational problems at the wastewater treatment have been resolved.
METSÄ WOOD	Punkaharju mill, Finland	The permit limit for COD emissions to water was exceeded in the 1st and 2nd quarter of the year due to problems in the fresh water intake to the plant. The permit limit for phosphorous was exceeded in the 3rd quarter due to a temporary operational problem at the wastewater treatment plant.	The water level in Lake Saimaa has returned to normal, ensuring normal water intake to the plant. Operational problems at the wastewater treatment have been resolved.

THE GROUP'S MAIN ENVIRONMENTAL IMPACTS



Some minor corrections made to 2010 figures compared to the previous Annual Report.

WE CREATE WELL-BEING

WE GENERATE WELL-BEING AT WORK, IN THE LOCAL COMMUNITIES WHERE WE OPERATE AND IN SOCIETY AT LARGE. BY BEHAVING RESPONSIBLY TOWARDS OUR STAKEHOLDERS, WE CAN IMPROVE THEIR QUALITY OF LIFE. WE ALSO SUPPORT LOCAL COMMUNITIES AND COOPERATE WITH ORGANISATIONS SUCH AS WWF FINLAND.



COOPERATIVE BY NATURE

Metsä Group is a cooperative that comprises some 125,000 forest owners. This unique background determines our basic task – to create value for the wood grown by our members. The total forest area owned by our members amounts to about one-half of all Finnish privately-owned forests, altogether 5.3 million hectares.

LARGE SCALE SOCIO-ECONOMIC IMPACTS

Metsä Group is a regional player that operates in some 30 countries, mainly in Europe, with production units in 9 countries. In the regions where we operate, we are also a major player and an active member of the local communities. The socio-economic impacts of our operations thus have major effects on different stakeholder groups and locations.

COOPERATION WITH WWF FINLAND



Metsä Group signed a two-year cooperation agreement with WWF Finland at the beginning of 2011. We supported WWF Finland's activities during the UN International Year of Forests in Finland, including WWF's 50th anniversary seminar on forestry and a series of round table discussions on Finnish forests and climate. We also participated in a seminar on sustainable packaging with WWF Finland's other cooperation partners.

Metsä Tissue, one of the Group's subsidiaries, offered training to almost 100 employees in four different regions on themes related to sustainable development such as water, the carbon footprint, forest certification as well as eco-labelling and environmental management systems. Within the cooperation agreement WWF Finland's representatives joined the dialogue offering insights mainly on the status of the world's forests.



METSÄ GROUP, TOGETHER WITH WWF FINLAND, PROMOTES THE SUSTAINABLE USE OF FORESTS AND INCREASES KNOWLEDGE OF THE WORLD'S FORESTS BY TRAINING ITS PERSONNEL

As well as providing livelihood for forest owners, Metsä Group is an important employer, also in many remote areas. In addition to the people we employ directly, we generate significant employment opportunities indirectly for our partners and subcontractors. We aim to create well-being for mutual benefit of all our stakeholders.

For this reason, we take into account the impacts that the surrounding communities might undergo due to changes in our operations already during the planning phase - whether it is investing in the current, starting up new or closing down existing operations. After the restructuring operations completed in 2011, the Group's determined restructuring work has now reached its final phase. Today, we are a focused and strong international forest industry group that continuously develops its operations and production units in a stable and long-term basis.

SHARED STRATEGY ON SPONSORSHIP

Metsä Group has a shared sponsorship strategy that aims to support our business and product marketing, and create a positive image for the Group. In targeting our sponsoring, we favour youth projects. In 2011, Metsä

EXAMPLES OF SOCIO-ECONOMIC IMPACTS

STAKEHOLDER GROUP	MONETARY FLOW	2011 EUR MILLION	2010 EUR MILLION
CUSTOMERS	Sales	5,346	5,377
SUPPLIERS AND FOREST OWNERS	Purchases of materials, raw materials and services	3,770	3,599
EMPLOYEES	Wages and benefits (incl. social security and pension costs)	863	745
MEMBERS OF THE COOPERATIVE	Interests	38 ¹⁾	35
FINANCIERS	Interests	135	122
GOVERNMENTAL BODIES	Net taxes	59	131

1) Proposal by the Board of Directors

Group and its Business Areas sponsored numerous small-scale projects at the local level. However, the Group did not make any large donations to charitable causes as it has in the previous years.

For example, Metsä Group participated in the launch of a Finnish national committee to build up a new global network - UN Women - to promote equal opportunities for girls and women in Africa, Asia, Eastern Europe and Latin America. In addition to Group-level actions, The Group's subsidiaries have multiple ongoing development projects in different communities.

RESPONSIBLE EMPLOYER, RESPONSIBLE BUSINESS

WE ADHERE TO WIDELY RESPECTED PRINCIPLES, SUCH AS THE UN GLOBAL COMPACT AND DECLARATION OF HUMAN RIGHTS, AND ENDORSE ETHICAL BUSINESS PRACTICES. WE ALSO HAVE GROUP-WIDE TARGETS TO HIGHLIGHT THE IMPORTANCE OF SAFETY AND THE WELL-BEING OF OUR EMPLOYEES.



STREAMLINING POLICIES

In 2011, Metsä Group completed a Group-wide project and introduced 16 new or revised policies. Best practices from different parts of the Group were collected, existing policies streamlined and additional policies introduced. Our daily sustainability work is guided by our Sustainability Principles as well as our employee and supplier Codes of Conduct.

Ethical business practices are the core of all our operations. Thus our target is to have the whole personnel covered by Code of Conduct training by the end of 2012. Training in the new policies for our employees and management started with the employee Code of Conduct in autumn 2011.

RESPONSIBLE MANAGEMENT

Metsä Group promotes equal opportunities and emphasises that discrimination may lead to disciplinary actions. It is the responsibility of each employee to report any discrimination. All formal complaints are systematically handled through the Group's Code of Conduct practices. No cases of discrimination or human rights violations were reported in 2011.

Metsä Group's Code of Conduct and Sustainability Principles guide the employees

in the field of social responsibility taking into consideration the aspects of human rights and child or forced labour. Correspondingly, the Sustainability Principles state that our employees are free to associate with or join any union. In 2011, 98% of our employees in Finland were covered by collective bargaining agreements and 77% were known to be members of trade unions. Metsä Group applies country-specific collective bargaining agreements.

We conduct a formal employee consultation process for Metsä Board and Metsä Tissue Business Areas and develop employee dialogue across countries through the European Works Council (EWC), a forum of communication between management and employees. The main objective is to ensure that cooperation and mutual communication in working towards common goals is according to mutual values. Additionally, the parent company's personnel has elected four members to the Cooperative's Supervisory Board each for a three year period.

In all operating countries, Metsä Group conforms to the country specific laws and agreements in terms of employment.

At the end of 2011, Metsä Group had total of 12,525 employees, of whom 94% were permanent employees while 6% had temporary contracts. Part-time employees accounted

for 3% of all Metsä Group's personnel at the end of 2011.

The year was challenging for the personnel as Metsä Group implemented several restructuring activities to mitigate the losses of its paper business. The restructuring measures taken were: the start of the consultation and negotiation processes to plan the shut down of the Alizay mill in France and discontinue unprofitable businesses at the Gohrsmühle and Reflex mills in Germany; and the restructuring of the coated paper business, including the process of shutting down the Äänekoski paper machine in Finland. In addition, tissue production, converting and supply chain operations at Konstancin-Jeziorna mill near Warsaw, Poland, are to be discontinued.

The restructuring of businesses affected a total of 3,270 employees during 2011, of whom 349 were made redundant and 136 contract ended due to another reasons such as retirement or temporality. Total of 822 employees were temporarily laid off in 2011. Metsä Group supports all affected personnel in finding new employment and takes responsibility in the local communities.

ETHICAL BUSINESS

The Code of Conduct guides employees in dealing with gifts, possible bribery and corrup-



tion, and instructs employees not to accept any bribes or high-value business gifts, or in any way advance business through bribery or blackmail. During 2011, Metsä Group has not been accused of participating in any corruptive activities. The Code of Conduct also calls for each employee to report any conduct contrary to the guidelines. A report can be submitted to an employee's superior or to the Group General Counsel. In 2011, two cases were reported.

During 2011, Metsähallitus, a state enterprise that administers state-owned land and water areas, together with several Finnish towns, municipalities and private forest owners filed claims for damages against Metsäliitto Cooperative and two other forest companies at the Courts of Finland. The claims relate to the decision of the Market Court on 3 December 2009 whereby Metsäliitto Cooperative and two other forest industry companies were deemed to have breached competition rules in the Finnish roundwood market from 1997 to early 2004. Metsäliitto Cooperative considers the claims unfounded in their entirety.

No significant fines were paid or other non-monetary sanctions for non-compliance with laws and regulations were received in 2011.

SAFETY IS OUR TOP PRIORITY

We continuously develop and promote the occupational safety and well-being at work of our employees. We monitor absenteeism and accident rates through Group-wide targets and reporting. Surveys enable us to identify and address any issues at an early stage that may potentially threaten work capacity or safety. Local Occupational Health and Safety Committees play an important role in training and facilitating health and safety at the local level. These committees cover 100% of our employees in all main operating countries. We strive for continuous improvement and our aim is to improve our lost-time accident rate by 10% each year. Our long-term target for lost-time accident rate is zero. In 2011, the lost-time accident rate was 18.3 (17.3 in 2010).

We want also to ensure a healthy work environment. Our target is to keep sickness absenteeism rate at the best European level and below 3% at all times. In 2011, our sickness absenteeism was 4.4% (4.2% in 2010).

We continuously seek ways to improve the safety culture of the organisation and the safety of the working environment to prevent all work-related injuries and accidents. However, at the end of 2011, an accident due to human error caused the death of an employee at Simpele mill in Finland. According to corporate safety instructions, we took imme-

diately actions to investigate the incident and find solutions on how to prevent similar accidents from happening in the future.

HIGH-QUALITY EVERYDAY MANAGEMENT

Metsä Group's HR processes aim to ensure that the right people are in the right position at the right time and with the right skills. Combined with good management practices, this creates a basis for well-being at work, organisational efficiency and provides opportunities for personal and organisational development.

WE PROMOTE SAFETY AT WORK – FOR OUR EMPLOYEES AND FOR OUR PARTNERS. OUR ACCIDENT RATE IS LOWER THAN THE INDUSTRY AVERAGE.

Management processes and systems are designed to support high-quality everyday management and provide solutions for the employees' professional development. These common tools and processes help our managers provide the quality of leadership that all employees are entitled to.

AN ATTRACTIVE EMPLOYER

In 2011, newly recruited permanent employees accounted for 6% of the total number of employees (full-time equivalent). For all of its permanent, fixed-term and part-time employees, Metsä Group provides the benefits required by local legislation such as occupational health service, insurance against occupational diseases, parental leave and retirement benefits. In addition, the Group supports its employees' recreation possibilities.

We continuously monitor employee satisfaction. Surveys capture the personnel's views on their working environment and development compared to previous years. They also provide ideas for the continuous improvement of the company's operations which, in turn, improves working conditions and helps the Group and its Business Areas reach their strategic goals. In 2011, on a scale of 4 to 10, Metsä Group had an overall job satisfaction rating of 8.22 with a response rate of 75%.

Metsä Group has a Group-wide bonus system that supports the strategy implementation and motivates the personnel to reach the set targets. Both permanent and temporary employees are entitled to bonuses. In 2011, Metsä Group paid as salaries, wages and benefits (including social security and pension costs) EUR 863 million (EUR 745 million in 2010). Professional development and growth

Metsä Group offers its employees the possibility to obtain new skills through training, internal job rotation and other learning opportunities. These help to retain highly skilled, talented and committed employees, and improve the overall satisfaction of its personnel. The average years served in Metsä Group is 15.6.

Each employee has the right to work-related training and development. The employee's annual personal development plan is made for the forthcoming year in the Personnel Development Appraisal (PDA). In 2011, 97% of Metsä Group's white collar employees in Finland and 83% abroad held PDA discussions.

At the Group level, Metsä Group runs its annual management development program, Challenger. At the Business Area level, there are strategic business training programmes for key personnel. Additionally, a year-long trainee program for new graduates was arranged in 2011. Several local development programs are also organised according to needs.



RESPONSIBLE PROFITABILITY, RELIABILITY, COOPERATION, RENEWAL



POLICIES, PRINCIPLES AND SUPPORT



HR INFRASTRUCTURE

- SAP HR tool
- Employee data management
- Personnel development appraisal (PDA)
- Compensation and benefits

WELL-BEING AT WORK

- Management and development of well-being at work
- Health and safety
- Work capacity evaluation
- Early intervention
- Return to work

MANAGEMENT PRACTICES

- Outstanding leadership
- Providing tools to good management
- Internal cooperation

CAREER PLANNING AND COMPETENCE DEVELOPMENT

- Resource planning
- Recruitment
- Talent management
- Personal assessments
- Mentoring and coaching
- Job rotation
- On-the-job training
- Training programmes



EVERYDAY MANAGEMENT



SUPPORTING WORK CAPACITY



Metsä Group recognises that the effective safety and well-being policies along with systematic monitoring of the work-safety related indicators promote a more long-term approach to the overall health of the personnel – something that the Group considers crucial. To this aim, we

implemented globally a new unified model to support our employees' work capacity, which includes early support, an assessment of work capacity and a personal work capacity plan. The model assists in creating a caring work environment and enables the equal treatment of all employees.

Providing early support is part of good management practices as it addresses an employee's right to receive support and places an obligation on the superior to provide it. With the new model, and in

tight collaboration with occupational health care, supervisors are given tools and training to identify any potential situations that can threaten the employee's ability to work. Early support starts with a discussion with the superior to identify any work capacity difficulties as not all are shown as sick leave. When the deterioration of work capacity is identified at an early stage, it can be supported successfully and major problems prevented. If the superior recognises a need for further actions, a work capacity assessment can be requested from the occupational health-care provider who then carries out a work capacity evaluation. Its purpose is to support the employee who may be referred to the health-care provider for closer assessment on the need for rehabilitation. If a need for sick leave is identified, Metsä Group has implemented a corresponding program to manage such absence and facilitate the return to work. A successful return-to-work program includes several aspects, such as a return-to-work discussion between the superior and employee to ensure active and open communication. The employee can also be offered an alternative employment task if needed. In the coming years, we will monitor the impacts the early support model has on the well-being of our employees.

THE GROUP'S PERSONNEL DATA

	2011	2010	2009	2008
NUMBER OF EMPLOYEES ¹⁾	12,525	12,820	13,592	16,729
SHARE OF PERMANENT EMPLOYEES, % ²⁾	94.2	94.0	95.0	96.0
AVERAGE AGE, YEARS ²⁾	43.8	43.5	44.0	43.7
AVERAGE YEARS SERVED, YEARS ²⁾	15.6	15.2	16.8	16.1
EMPLOYEE TURNOVER, % ²⁾³⁾	7.8	6.9	11.2	7.7
RATION BETWEEN MEN/WOMEN, % ²⁾	79/21	81/19	81/19	79/21
SHARE OF WOMEN IN MANAGEMENT, % ⁴⁾	12.9	11.1	8.3	5.1
SICKNESS ABSENTEEISM, % ²⁾⁵⁾	4.4	4.2	4.3	4.2
WORK ACCIDENT ABSENTEEISM, % ²⁾	0.22	0.28	0.27	0.25
NUMBER OF WORK RELATED FATALITIES, NRO OF CASES	1	1	1	0

- 1) Full-time equivalent (FTE)
 2) The figures cover 99% of Metsä Group employees in 2010–2011. In 2008–2009 they cover 97% of Metsä Group employees.
 3) The figure excludes fixed term employees and includes redundancies caused by restructuring of business.
 4) Management includes Board of Directors, Executive Management Team and Business Areas' management teams
 5) Per cent of regular working hours

WELL-BEING INDICATORS BY BUSINESS AREA

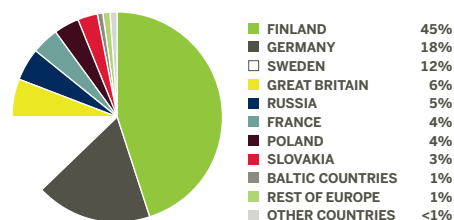
	SICKNESS ABSENTEEISM, % ¹⁾		LOST-TIME ACCIDENT RATE ²⁾		WORK ACCIDENT ABSENTEEISM, %		WORK RELATED FATALITIES, NRO OF CASES	
	2011	2010	2011	2010	2011	2010	2011	2010
METSÄ TISSUE	5.1	5.1	13.6	9.4	0.2	0.2	0	0
METSÄ BOARD	4.6	4.7	16.1	15.8	0.2	0.3	1	1
METSÄ FIBRE	4.8	5.7	6.9	14.6	0.1	0.4	0	0
METSÄ WOOD	4.7	3.2	37.4	35.6	0.4	0.4	0	0
METSÄ FOREST	1.4	2.2	3.2	1.8	0.1	0.1	0	0
THE GROUP	4.4	4.2	18.3	17.3	0.2	0.3	1	1

- 1) Per cent of regular working hours
 2) Per million worked hours

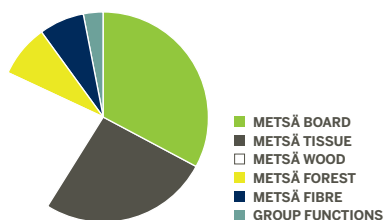
ORGANISATIONAL FUNCTIONALITY RESEARCH BY BUSINESS AREA

	2011	2010	RESPONSE RATE 2011
METSÄ TISSUE	8.41	8.44	74%
METSÄ BOARD	8.16	8.05	70%
METSÄ FIBRE	8.34	8.31	77%
METSÄ FOREST	7.98	N.A.	80%

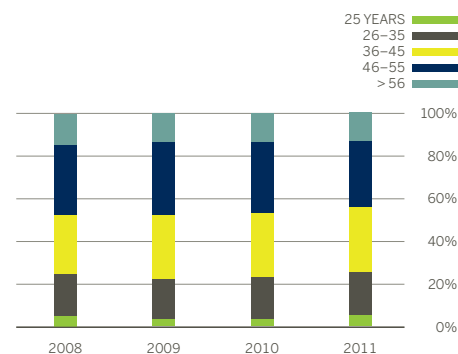
THE GROUP'S PERSONNEL BY COUNTRY: 31 DEC 2011



PERSONNEL BY BUSINESS AREA: 31 DEC 2011



THE GROUP'S AGE DISTRIBUTION: 31 DEC 2011



SUSTAINABILITY DATA BY UNIT IN 2011

METSÄ TISSUE

	COUNTRY	PERSONNEL		PRODUCTION		MANAGEMENT SYSTEMS				CHAIN OF CUSTODY	
		NUMBER OF EMPLOYEES ¹⁾	ACCIDENT RATE ²⁾	TISSUE AND COOKING PAPERS 1,000 t		ISO 9001	ISO 14001 ³⁾	OHSAS 18001	ISO 22000/BRC	PEFC	FSC
MÄNTTÄ ⁵⁾	FINLAND	411	32.1	124		X	X		ISO 22000	X	X
DÜREN	GERMANY	103	0.0	11		X	X	X	ISO 22000+BRC	X	X
KREUZAU	GERMANY	424	18.6	146		X	X	X	BRC	X	X
RAUBACH	GERMANY	263	14.8	50		X	X	X	BRC	X	X
STOTZHEIM	GERMANY	281	0.0	21		X	X	X	BRC	X	X
KRAPKOWICE	POLAND	225	14.3	27		X	X	X		X	X
WARSAU	POLAND	128	8.1	18		X	X	X		X	X
ŽILINA	SLOVAKIA	236	8.8	78		X	X	X	BRC	X	X
NYBOHOLM	SWEDEN	210	29.0	25		X	X			X	
PAULISTRÖM ⁶⁾	SWEDEN	-	-	22		X	X			X	
KATRINEFORS	SWEDEN	290	17.6	74		X	X			X	
OTHERS		722 ⁷⁾	-								
METSÄ TISSUE TOTAL		3,293	13.6	599							

1) Number of employees on 31 December 2011 2) Lost time accident frequency rate (LTA FR): Accidents at work per million working hours
3) ISO 14001 standard includes the Energy Efficiency System (EES) 4) Reported as wet waste 5) Includes Tissue and Baking and Cooking businesses
6) Pauliström's personnel figures are included in Nyboholm figures 7) Excluding personnel from technology operations and supply chain. Naro Fominsk's personnel included

METSÄ BOARD

	COUNTRY	PERSONNEL		PRODUCTION		MANAGEMENT SYSTEMS				CHAIN OF CUSTODY		
		NUMBER OF EMPLOYEES ¹⁾	ACCIDENT RATE ²⁾	PULP 1,000 t	BOARD AND PAPER 1,000 t	ISO 9001	ISO 14001 ³⁾	ENERGY	OHSAS 18001	ISO 22000/BRC	PEFC	FSC
JOUTSENO BCTMP	FINLAND	52	0.0	246		X	X	EN 16001	X	X	X	X
KASKINEN BCTMP	FINLAND	75	16.3	212		X	X		X		X	X
KEMIART LINERS	FINLAND	102	12.4		337	X	X	EN 16001	X	X	X	X
KYRO	FINLAND	240	24.0	74	199	X	X	EN 16001	X	X	X	X
SIMPELE	FINLAND	318	16.6	77	193	X	X	EN 16001	X	X	X	X
TAKO	FINLAND	204	17.2		182	X	X	EN 16001	X	X	X	X
ÄÄNEKOSKI BOARD	FINLAND	162	25.4		192	X	X	EN 16001	X	X	X	X
ÄÄNEKOSKI PAPER	FINLAND	195	31.2		136	X	X	EN 16001	X		X	X
ALIZAY	FRANCE	296	39.4		200	X	X				X	X
GOHRSMÜHLE	GERMANY	688	11.5		163	X	X		X	X	X	X
REFLEX	GERMANY	210	13.7		45	X	X		X		X	X
HUSUM	SWEDEN	861	9.8	651	636	X	X	SS 62 77 50			X	X
OTHERS		667 ⁵⁾	-	100								
METSÄ BOARD TOTAL		4,070	16.1	1,361	2,284							

1) Number of employees on 31 Dec 2011 Full Time Equivalent (FTE) 2) Lost time accident frequency rate (LTA FR): Accidents at work per million working hours
3) ISO 14001 standard includes the Energy Efficiency System (EES) 4) Reported as wet waste 5) Includes personnel from sales and logistics operations, management and subsidiaries

METSÄ FIBRE

	COUNTRY	PERSONNEL		PRODUCTION		MANAGEMENT SYSTEMS				CHAIN OF CUSTODY		
		NUMBER OF EMPLOYEES ¹⁾	ACCIDENT RATE ²⁾	PULP 1,000 t	SAWN TIMBER 1,000 m ³	ISO 9001	ISO 14001 ³⁾	ENERGY	OHSAS 18001	ISO 22000/BRC	PEFC	FSC
JOUTSENO	FINLAND	144	8.4	603		X	X	EN 16001	X	X	X	X
KEMI	FINLAND	193	12.8	532		X	X	EN 16001	X	X	X	X
RAUMA	FINLAND	120	9.8	567		X	X	EN 16001	X	X	X	X
ÄÄNEKOSKI	FINLAND	154	3.9	503		X	X	EN 16001	X	X	X	X
SVIR TIMBER	RUSSIA	129	0.0		196	X	X		X		X	X
OTHERS		132 ⁵⁾	-									
METSÄ FIBRE TOTAL		872	6.9	2,205	196							

1) Number of employees on 31 Dec 2011 Full Time Equivalent (FTE) 2) Lost time accident frequency rate (LTA FR): Accidents at work per million working hours
3) ISO 14001 standard includes the Energy Efficiency System (EES) 4) Reported as wet waste 5) Includes personnel from sales operations, a subsidiary and management

	EMISSIONS TO AIR				DISCHARGES TO WATER					SOLID WASTE		
	CO ₂ FOSSIL t	SULPHUR (as SO ₂) t	NO _x (as NO ₂) t	PARTICLES t	COD t	BOD t	PHOSPHORUS t	NITROGEN t	TOTAL SUSPENDED SOLIDS t	WASTE WATER 1,000 m ³	LANDFILL WASTE t ⁽⁴⁾	HAZARDOUS WASTE t ⁽⁴⁾
	13,741	0	6.1	0	429	45	2.19	27	138	4,815	2,362	16
	44,278	0	50	0	104	8.5	0.43	0	8.5	854	0	169
	86,866	11	87	0.027	299	16	0.80	0	16	1,604	6,590	33
	23,634	0	22	0	131	4.7	0.23	0	4.7	467	117	142
	10,610	0.2	8.6	0	6.5	1.8	0.088	0	1.8	175	0	244
	0	0	0	0	18	2.8	0.43	3.5	1.9	447	706	0.63
	42,596	182	73	62	81	5.2	0.46	4.4	7.7	332	843	1.4
	13,313	0	6.6	0	157	11	0.54	0	11	1,085	2,568	14
	10,266	2.3	18	4.8	11	1.6	0.026	1.4	3.8	379	0	2.2
	8,020	0.6	10	7.1	45	19	0.055	0.82	6.2	394	0	194
	11,171	0	5.5	0	297	60	0.57	13	13	2,408	191	33
	26,4495	196	286	74	1,578	176	5.8	50	213	12,959	13,378	848

	EMISSIONS TO AIR				DISCHARGES TO WATER					SOLID WASTE		
	CO ₂ FOSSIL t	SULPHUR (as SO ₂) t	NO _x (as NO ₂) t	PARTICLES t	COD t	BOD t	PHOSPHORUS t	NITROGEN t	TOTAL SUSPENDED SOLIDS t	WASTE WATER 1,000 m ³	LANDFILL WASTE t ⁽⁴⁾	HAZARDOUS WASTE t ⁽⁴⁾
	18,771	0	9.3	0	446	141	0.34	5.1	10	683	28	18
	9,011	79	173	19	1,330	92	1.2	12	91	3,583	2,962	0
	1,975	0	0.9	0	569	32	1.8	32	124	7,102	986	13
	139,559	0	138	0	326	44	0.96	15	54	4,141	23	21
	67,640	121	175	5.7	293	20	1.6	12	27	4,004	122	23
	72,654	0	71	0	146	90	0.91	0.90	29	2,211	313	69
	3,011	8.0	77	1.1	531	212	0.75	3.8	111	3,066	63	5.9
	3,574	10	68	0.96	245	101	0.28	0.54	62	1,047	63	14
	1,798	7.7	217	6.2	67	6.5	0.97	6.7	30	3,389	851	41
	239,802	603	427	7.6	117	35	2.0	6.9	51	3,900	0	91
	1,919	0	1.0	0	49	14	0.72	0	14	1,430	150	46
	82,952	302	1,213	283	9,996	981	24	161	755	46,053	185	1.0
	38,796	58	192	8.4	3,165	667	7.3	18	323	5,363	151	2.7
	681,461	1,188	2,762	332	17,280	2,436	43	275	1,683	85,973	5,896	344

	EMISSIONS TO AIR				DISCHARGES TO WATER					SOLID WASTE		
	CO ₂ FOSSIL t	SULPHUR (as SO ₂) t	NO _x (as NO ₂) t	PARTICLES t	COD t	BOD t	PHOSPHORUS t	NITROGEN t	TOTAL SUSPENDED SOLIDS t	WASTE WATER 1,000 m ³	LANDFILL WASTE t ⁽⁴⁾	HAZARDOUS WASTE t ⁽⁴⁾
	79,247	195	1,067	212	6,480	112	8.7	136	274	18,327	13,641	39
	65,532	171	1,044	56	7,216	147	5.1	92	332	18,916	216	70
	61,673	166	1,094	113	7,615	101	7.5	67	325	13,095	19,646	0
	37,827	424	760	423	5,651	151	8.7	71	461	14,651	15,099	47
	28	5.3	41	3.8	8.6	1.5	0.11	1.6	8.4	181	235	0.43
	244,308	962	4,007	808	26,971	512	30	368	1,400	65,170	48,837	157

SUSTAINABILITY DATA BY UNIT IN 2011

METSÄ WOOD

	COUNTRY	PERSONNEL		PRODUCTION	WOOD PRODUCTS 1,000 m ³	MANAGEMENT SYSTEMS			CHAIN OF CUSTODY		
		NUMBER OF EMPLOYEES ¹⁾	ACCIDENT RATE ²⁾			ISO 9001	ISO 14001 ³⁾	OHSAS 18001	PEFC	FSC	
REOPALU	ESTONIA	37	44.7	SAWN TIMBER	60						X
ESKOLA	FINLAND	12	0.0	SAWN TIMBER	57		X	X	X	X	X
HARTOLA	FINLAND	46	44.8	GLULAM PRODUCTION	20	X	X		X		
KARIHAARA ⁵⁾	FINLAND	2	0.0	SAWN TIMBER	-				X	X	
KASKINEN TC JA THERMOWOOD	FINLAND	61	26.2	FURTHER PROCESSING	102	X	X	X	X	X	
KERTO, LOHJA	FINLAND	177	93.7	KERTO®	93	X	X		X	X	
KOLHO ⁶⁾	FINLAND	-	-	FURTHER PROCESSING	32	X	X	X	X		
KYRÖ	FINLAND	81	111.8	SAWN TIMBER	196	X	X		X	X	
LAPPEENRANTA	FINLAND	78	66.8	SAWN TIMBER	208	X	X		X	X	
MERIKARVIA	FINLAND	75	55.0	SAWN TIMBER	184	X	X	X	X	X	
PUNKAHARJU	FINLAND	473	63.4	PLYWOOD AND KERTO®	159	X	X		X	X	
RENKO	FINLAND	69	16.2	SAWN TIMBER	252	X	X	X	X	X	
SUOLAHTI	FINLAND	477	43.9	PLYWOOD	189	X	X		X	X	
VILPPULA	FINLAND	138	30.3	SAWN TIMBER	403	X	X	X	X	X	
AICHACH	GERMANY	94	28.9	FURTHER PROCESSING	24					X	
BOSTON	GREAT BRITAIN	325	16.0	FURTHER PROCESSING	256	X	X	X	X	X	
GRANGEMOUTH	GREAT BRITAIN	108	4.6	FURTHER PROCESSING	53	X	X	X	X	X	
KING'S LYNN	GREAT BRITAIN	32	-	FURTHER PROCESSING	122	X	X	X	X	X	
NEWPORT	GREAT BRITAIN	26	0.0	FURTHER PROCESSING	29	X					
WIDNES	GREAT BRITAIN	99	20.3	FURTHER PROCESSING	54	X	X	X	X	X	
BOULLEVILLE AND HONFLEUR	FRANCE	133	45.9	FURTHER PROCESSING	87					X	
CASTELJALOUX	FRANCE	44	12.3	FURTHER PROCESSING	34					X	
OTHERS		287 ⁷⁾	-								
METSÄ WOOD TOTAL		2,874	37.4		2,611						

- Not reported

1) Number of employees on 31 Dec 2011 Full Time Equivalent (FTE) 2) Lost time accident frequency rate (LTA FR): Accidents at work per million working hours

3) ISO 14001 standard includes the Energy Efficiency System (EES) 4) Reported as wet waste 5) Operations at Karihaara sawmill have been suspended until further notice since 1 July 2009

6) Kolho's personnel figures are included in Kaskinen TC and Thermowood figures 7) Includes personnel from sales operations and management

METSÄ FOREST

COUNTRY	PERSONNEL		WOOD PROCUREMENT 1,000 m ³	MANAGEMENT SYSTEMS		CHAIN OF CUSTODY	
	NUMBER OF EMPLOYEES ¹⁾	ACCIDENT RATE ²⁾		ISO 9001	ISO 14001	PEFC	FSC
ESTONIA	27	0.0	416	X ³⁾	X ⁴⁾	X	X
FINLAND	577	5.4	22,792	X	X	X	X
LATVIA	62	0.0	430	X	X ⁴⁾	X	X
RUSSIA, ST. PETERSBURG	15	0.0		X ³⁾	X ⁴⁾	X	X
RUSSIA, PODPOROZHYE	306	0.0	610 ⁵⁾		X ⁴⁾	X	X
SWEDEN	4	0.0	3,434	X ³⁾	X ⁴⁾	X	X
OTHERS	37 ⁶⁾	-	1,494				
METSÄ FOREST TOTAL	1,028	3.2	29,176				

1) Number of employees on 31 Dec 2011 Full Time Equivalent (FTE) 2) Lost time accident frequency rate (LTA FR): Accidents at work per million working hours

3) Included in Metsäliitto Cooperative's quality systems (ISO 9001) 4) Included in Metsäliitto Cooperative's environmental systems (ISO 14001)

5) Includes wood procurement from St. Petersburg 6) Includes management

METSÄ GROUP

	PERSONNEL		WOOD PROCUREMENT		PRODUCTION		
	NUMBER OF EMPLOYEES ¹⁾	ACCIDENT RATE ²⁾	1,000 m ³	WOOD PRODUCTS 1,000 m ³	PULP 1,000 t	BOARD AND PAPER 1,000 t	TISSUE AND COOKING PAPERS 1,000 t
METSÄ GROUP TOTAL	12,525	18.3	29,176	2,807	3,566	2,284	599

1) Number of employees on 31 Dec 2011 Full Time Equivalent (FTE) 2) Lost time accident frequency rate (LTA FR): Accidents at work per million working hours 3) Reported as wet waste

EMISSIONS TO AIR				DISCHARGES TO WATER						SOLID WASTE	
CO ₂ FOSSIL t	SULPHUR (AS SO ₂) t	NO _x (AS NO ₂) t	PARTICLES t	COD t	BOD t	PHOSPHORUS t	NITROGEN t	TOTAL SUSPENDED SOLIDS t	WASTE WATER 1,000 m ³	LANDFILL WASTE t ⁽³⁾	HAZARDOUS WASTE t ⁽⁴⁾
26	0.0019	7.05	7.02	0	0	0	0	0	0	0	7.0
0	0	0	0	0	0	0	0	0	0	2.0	6.2
0	0	1.5	1.5	0	0	0	0	0	0	8.0	4.0
-	-	-	-	-	-	-	-	-	-	-	-
0	0	10.5	10.5	0	0	0	0	0	1.5	55	0.40
0	0	0	2.3	2.8	1.3	0.011	0.016	0.25	0	169	55
865	2.8	1.1	0.56	0	0	0	0	0	0	11	0.40
474	0.035	22	21	0	0	0	0	0	6.4	6.0	2.0
0	0	21	21	0	0	0	0	0	11	8.1	5.8
609	0.044	19	18	0	0	0	0	0	4.8	13	2.4
-	-	-	-	84	47	0.050	0.26	2.8	39	3,494	79
92	0.0067	25	25	0	0	0	0	0	4.4	34	5.0
490	0.14	76	12	5.5	3.6	0.12	0.37	4.8	10	28	114
871	2.8	51	50	0	0	0	0	0	0	22	6.0
34	0.0013	1.6	1.5	0	0	0	0	0	1.7	0	226
0	0	0.048	0.048	0	0	0	0	0	0	197	21
0	0	0	0	0	0	0	0	0	0	131	23
0	0	0	0	0	0	0	0	0	0	88	23
477	0.035	0.64	0.064	0	0	0	0	0	7.5	54	15
0	0	0	0	0	0	0	0	0	0	47	0
0	0	0	0	0	0	0	0	0	0	0	1.0
0	0.060	4.4	18	0	0	0	0	0	0	19	24
5,889	7.6	63	33								
9,826	13	303	221	92	52	0.18	0.65	7.8	86	4,385	620

Wood Products Industry's emissions to the water occur only in plywood production processes. St. Petersburg planing plant in Russia is not included in the figures above.

DATA MEASUREMENT TECHNIQUES

Calculation coverage follows that of the financial accounting with the following corrections:

- discharges to water through external waste water treatment plant (typically municipal) are taken into account assuming 85% reduction for COD, emissions of BOD, phosphorus and suspended solids are calculated according to flow with the following residual concentrations: BOD 10 mg/l; total phosphorus 0.5 mg/l; total suspended solids 10 mg/l; total nitrogen emissions is regarded as zero, because there is surplus nitrogen in municipal waste waters and reduction of our BOD is binding nitrogen to biomass and therefore reducing the plants total nitrogen emission
- the emission of external waste waters treated in our waste water treatment plants are not included. Allocation of emission between internal and external inflows is carried out assuming theoretical COD reductions for each inflow, which then are corrected according to the real COD reduction for the whole plant. Other emission parameters are allocated according to flow.

Total energy consumption is expressed as primary fuel consumption and calculated by assuming 40% energy efficiency for purchased electricity production and 85% energy efficiency for purchased heat production.

Environmental impacts, acidification and eutrophication, are calculated by multiplying impact causing emissions by coefficients. Acidification is expressed as sulphur dioxide equivalents. Coefficient for SO₂ emission is 1 and for NO_x 0.7. Eutrophication is expressed as phosphorus equivalents. Coefficient for total phosphorus is 1, for BOD 0.0088, for total nitrogen 0.14 and for NO_x 0.0041. Greenhouse impact consists only from fossil carbon dioxide emissions with coefficient 1.

In mill specific data, discharges from waste water plants serving several mills are allocated to mills using the methodology explained above. Emissions from power plants separate to mill units are also allocated to mills using the energy. In this allocation, the use of 1 MWh of electricity is valued double compared to the use of 1 MWh of heat.

Waste volumes are reported including the moisture.

EMISSIONS TO AIR				DISCHARGES TO WATER						SOLID WASTE	
CO ₂ FOSSIL t	SULPHUR (as SO ₂) t	NO _x (as NO ₂) t	PARTICLES t	COD t	BOD t	PHOSPHORUS t	NITROGEN t	TOTAL SUSPENDED SOLIDS t	WASTE WATER 1,000 m ³	LANDFILL WASTE t ⁽³⁾	HAZARDOUS WASTE t ⁽³⁾
1,200,090	2,359	7,358	1,435	45,920	3,176	79	693	3,303	164,188	72,496	1,970

GRI TABLE

The Sustainability Report 2011 has been prepared according to the Global Reporting Initiative (GRI) G3 guidelines (version G3.1). We have selected those indicators most relevant to our operations, products and stakeholders. The table specifies also where you can find more information on each indicator. We have self-declared our reporting to be Application Level B+ of the GRI G3.1 Guidelines. PricewaterhouseCoopers Oy has checked our reporting and has confirmed it to be Application Level B+.

- FULLY REPORTED
- PARTIALLY REPORTED
- GRI CORE INDICATOR

- SR METSÄ GROUP SUSTAINABILITY REPORT 2011
- AR METSÄ GROUP ANNUAL REPORT 2011
- FS METSÄ GROUP FINANCIAL STATEMENTS 2011
- CG METSÄ GROUP CORPORATE GOVERNANCE STATEMENT 2011

GRI TABLE			
STRATEGY AND ANALYSIS		MORE INFORMATION	REPORTING LEVEL
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1.2	DESCRIPTION OF KEY IMPACTS, RISKS, AND OPPORTUNITIES	SR P. 2-3	●
ORGANISATIONAL PROFILE		MORE INFORMATION	REPORTING LEVEL
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2.2	PRIMARY BRANDS, PRODUCTS, AND /OR SERVICES	AR P. 14-23	●
2.3	OPERATIONAL STRUCTURE OF THE ORGANISATION	AR P. 8-9, SR P. 4-5	●
2.4	LOCATION OF ORGANISATION'S HEADQUARTERS	AR AND SR COVERPAGES, CG P. 118	●
2.5	COUNTRIES WHERE THE ORGANISATION OPERATES	AR P. 10	●
2.6	NATURE OF OWNERSHIP AND LEGAL FORM	CG P. 118	●
2.7	MARKETS SERVED	AR P. 6-7, 10	●
2.8	SCALE OF THE REPORTING ORGANISATION	FS P. 47-86, SR P. 4-5	●
2.9	SIGNIFICANT CHANGES DURING THE REPORTING PERIOD	AR P. 10-11	●
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3.1	REPORTING PERIOD	1 JAN - 31 DEC 2011	●
3.2	DATE OF MOST RECENT PREVIOUS REPORT	APRIL 2011	●
3.3	REPORTING CYCLE	ANNUAL	●
3.4	CONTACT POINT FOR QUESTIONS	SR P. 2-3, SUSTAINABILITY@METSAGROUP.COM	●
REPORT SCOPE AND BOUNDARY			
3.5	PROCESS FOR DEFINING THE CONTENT OF THE REPORT	SR P. 4-5	●
3.6	BOUNDARY OF THE REPORT	SR P. 4-5, FS P. 47-86	●
3.8	BASIS FOR REPORTING ON JOINT VENTURES, SUBSIDIARIES, LEASED FACILITIES, ETC.	FS P. 47-86, 95-97	●
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3.13	POLICY AND CURRENT PRACTICE WITH REGARD TO EXTERNAL ASSURANCE FOR THE REPORT	SR P. 5, 35	●
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4.1	GOVERNANCE STRUCTURE	CG P. 118-123	●
4.2	POSITION OF THE CHAIR OF THE BOARD OF DIRECTORS	CG P. 118-123	●
4.3	INDEPENDENT AND/OR NON-EXECUTIVE DIRECTORS ON THE BOARD OF DIRECTORS	CG P. 118-123	●
4.4	MECHANISMS FOR SHAREHOLDERS AND EMPLOYEES TO PROVIDE RECOMMENDATIONS/DIRECTIONS TO THE HIGHEST GOVERNANCE BODY	CG P. 118-123	●
4.5	EXECUTIVE COMPENSATION	CG P. 124-125 EXECUTIVE REMUNERATION IS BASED ON THE GROUP-LEVEL AND PERSONAL TARGET, WHICH DEPEND ON THE PERSON'S AREA OF RESPONSIBILITY INCL. ISSUES RELATED TO SUSTAINABILITY.	●
4.6	ENSURING PROCESSES TO AVOID CONFLICTS OF INTEREST	CG P. 118-123	●
4.7	DETERMINING THE COMPOSITION, QUALIFICATIONS, AND EXPERTISE OF THE MEMBERS OF THE HIGHEST GOVERNANCE BODY AND ITS COMMITTEES	CG P. 118-124	●
4.8	STATEMENTS OF MISSION OR VALUES, CODES OF CONDUCT, AND SUSTAINABILITY PRINCIPLES	SR P. 4-5, AR P. 8-9	●
4.9	PROCEDURES OF THE HIGHEST GOVERNANCE BODY FOR OVERSEEING THE ORGANIZATION'S IDENTIFICATION AND MANAGEMENT OF ECONOMIC, ENVIRONMENTAL, AND SOCIAL PERFORMANCE, INCL. RELEVANT RISKS	SR P. 4-5, CG P. 118-124	●
4.10	PROCESSES FOR EVALUATING THE HIGHEST GOVERNANCE BODY'S OWN SUSTAINABILITY PERFORMANCE	SR P. 4-5, CG 118-124	●

GOVERNANCE, COMMITMENTS AND ENGAGEMENT		MORE INFORMATION	REPORTING LEVEL
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4.13	MEMBERSHIPS IN ASSOCIATIONS	SR P. 7	●
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4.14	LIST OF STAKEHOLDER GROUPS ENGAGED BY THE ORGANISATION	SR P. 6–7	●
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4.16	APPROACHES TO STAKEHOLDER ENGAGEMENT	SR P. 6–7	●
4.17	RESPONDING TO KEY TOPICS AND CONCERNS RESULTING FROM STAKEHOLDER ENGAGEMENTS	SR P. 6–7	●
ECONOMIC INDICATORS (EC)		MORE INFORMATION	REPORTING LEVEL
ECONOMIC PERFORMANCE AND THE RELATED MANAGEMENT PRACTICES AT METSÅ GROUP ARE GUIDED E.G. BY EMPLOYEE AND SUPPLIER CODES OF CONDUCT, PURCHASING POLICY, TAX POLICY, RISK MANAGEMENT POLICY AND INVESTMENT POLICY.		FS AND CG	●
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EC6	POLICY, PRACTICES AND THE PROPORTION OF SPENDING ON LOCALLY-BASED SUPPLIERS	SR P. 10–11	○
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EC9	UNDERSTANDING AND DESCRIBING SIGNIFICANT INDIRECT ECONOMIC IMPACTS	SR P. 22–23	○
ENVIRONMENTAL INDICATORS (EN)		MORE INFORMATION	REPORTING LEVEL
ENVIRONMENTAL MANAGEMENT PRACTICES AT METSÅ GROUP ARE GUIDED E.G. BY ENVIRONMENTAL POLICY, SUSTAINABILITY PRINCIPLES AND SUPPLIER CODE OF CONDUCT. THESE INSTRUCT IN ISSUES SUCH AS MILLS' ENVIRONMENTAL PERFORMANCE AND SUSTAINABLE FOREST MANAGEMENT.		SR P. 4–5, 8–9, 10–21	●
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EN14	MANAGING IMPACTS ON BIODIVERSITY (INCL. ENGAGEMENT WITH RELEVANT STAKEHOLDERS)	SR P. 12–15	○
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LABOR PRACTICES AND DECENT WORK (LA)		MORE INFORMATION	REPORTING LEVEL
THE PEOPLE MANAGEMENT PRACTICES IN METSÁ GROUP ARE GUIDED BY SEVERAL POLICIES THAT ARE MANDATORY FOR ALL EMPLOYEES TO FOLLOW. THESE POLICIES INSTRUCT IN ISSUES OF EQUAL OPPORTUNITIES AND HUMAN RESOURCES.		SR P. 24–26	●
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LA2	EMPLOYEE TURNOVER	SR P. 24–27	○
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LA6	WORKFORCE REPRESENTED IN FORMAL JOINT MANAGEMENT HEALTH AND SAFETY PROGRAMS	SR P. 24–25	●
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HR2	SIGNIFICANT SUPPLIERS AND OTHER BUSINESS PARTNERS SCREENING HUMAN RIGHTS	SR P. 10–11	○
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HR5	THE RIGHTS OF OPERATIONS AND SIGNIFICANT SUPPLIERS TO EXERCISE FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	SR P. 10–11, 24–25	○
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HR6	OPERATIONS AND SIGNIFICANT SUPPLIERS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR INCIDENTS OF CHILD LABOR, AND MEASURES TAKEN TO CONTRIBUTE TO THE ELIMINATION OF CHILD LABOR	SR P. 10–11, 24–27	●
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HR7	OPERATIONS AND SIGNIFICANT SUPPLIERS IDENTIFIED AS HAVING SIGNIFICANT RISK FOR FORCED OR COMPULSORY LABOR AND MEASURES TAKEN TO CONTRIBUTE TO THE ELIMINATION OF FORCED OR COMPULSORY LABOR	SR P. 10–11, 24–27	○
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METSÁ GROUP'S CODE OF CONDUCT AND COMPETITION POLICY INSTRUCT ALL EMPLOYEES IN THE FIELD OF ETHICAL BUSINESS PRACTICES. IN ADDITION, WE REQUIRED ALL OUR NEW SUPPLIERS TO ENGAGE TO THE THE SUPPLIER'S CODE OF CONDUCT.		SR P. 10–11, 22–25	●
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METSÁ GROUP IS COMMITTED TO DEVELOPING THE QUALITY OF ITS OPERATIONS ABIDING BY THE PRINCIPLE OF CONTINUOUS IMPROVEMENT. OUR OPERATIONS AND THEIR DEVELOPMENT ARE GUIDED BY METSÁ GROUP'S CERTIFIED OPERATING SYSTEMS AND WE HAVE A QUALITY POLICY DETERMINING OUR GOALS AND OPERATING PROCEDURES. WE GUARANTEE THAT OUR PRODUCTS ARE SAFE FOR PEOPLE AND THE ENVIRONMENT.		SR P. 8–9	●
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PR2	TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING PRODUCT SAFETY	SR P. 8–9 NO INCIDENTS REPORTED IN 2011	●
PRODUCT AND SERVICE LABELLING			
PR3	PRODUCT INFORMATION	SR P. 8–9	○
PR4	TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING PRODUCT INFORMATION	SR P. 8–9 NO INCIDENTS REPORTED IN 2011	●
PR5	PRACTICES RELATED TO CUSTOMER SATISFACTION	SR P. 6–7	○

INDEPENDENT ASSURANCE REPORT

TO THE MANAGEMENT OF METSÄ GROUP

We have been engaged by the Management of Metsä Group to perform a limited assurance engagement on quantitative sustainability performance indicators in the areas of social and environmental responsibility disclosed in Metsä Group's Sustainability Report 2011 for the period of January 1, 2011 to December 31, 2011 (hereinafter "Sustainability information").

MANAGEMENT'S RESPONSIBILITY

The Management of Metsä Group is responsible for preparing the Sustainability information in accordance with the Reporting Criteria as set out in Metsä Group's reporting guidelines and the Sustainability Reporting Guidelines of the Global Reporting Initiative (version 3.1).

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Sustainability information based on our work performed. Our assurance report has been made in accordance with the terms of our engagement. We do not accept or assume

responsibility to anyone else, except to Metsä Group for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance engagements other than audits or reviews of historical financial information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Sustainability information has not been prepared, in all material respects, in accordance with the Reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Sustainability information. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Sustainability information.

Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of Metsä Group.
- Assessing how Metsä Group employees apply the reporting guidelines and procedures of the Group.

- Visiting Metsä Group's Head Office as well as five sites in Finland and Germany (Metsä Wood, Lohja; Metsä Tissue, Raubach; Metsä Board, Joutseno; Metsä Fibre, Joutseno and Metsä Forest, Finland).
- Interviewing employees responsible for the collection and reporting of the information presented in the Sustainability information at Metsä Group level and at the different sites where our visits took place.
- Inspecting relevant documents and systems for gathering, analysing and aggregating the information presented in the Sustainability information as well as testing on a sample basis.
- Assessing the data consolidation process of the information presented in the Sustainability information at Metsä Group level.

CONCLUSION

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the Sustainability information has not been prepared, in all material respects, in accordance with the Reporting criteria. Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for corporate responsibility information. This independent assurance report should not be used on its own as a basis for interpreting Metsä Group's performance in relation to its principles of sustainability.

Helsinki, 30 March 2012
PricewaterhouseCoopers Oy

Johan Kronberg
Authorised Public Accountant

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Partner
Sustainability & Climate Change



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