

SUSTAINABILITY 2010



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M-real's Way of working

STAKEHOLDERS

Committed and competent employees are at the core of M-real's operations; HR development focuses on securing resources and ensuring competence and well-being at work. M-real provides its customers with added value through high-quality, ecological products tailored to each application. M-real's aim is to continuously improve its performance and increase shareholder value. M-real's business is based on responsible performance, which provides the prerequisites for continuous development of the operations in a way that benefits its customers, shareholders, employees and partners.



SALES AND SUPPLY CHAIN

M-real has a global sales network and professional customer service. M-real aims for fast and efficient deliveries by utilising various transport methods and selecting the most appropriate means of transport. M-real's lightweight products provide savings throughout the value chain by decreasing the volumes transported, emissions in the logistics chain and waste.

PRODUCTS

M-real's lightweight products are produced using resource-saving methods where impact from the entire product life cycle is minimised. They are safe for people and the environment. In spite of being lightweight, the products have excellent performance and printing properties. M-real's simplified product range makes it easier to choose the best possible product for each application. The carbon footprint of M-real's products is smaller than heavier products throughout the value chain.

PRODUCTION

M-real uses the best available techniques at its production plants. Continuous improvement of operations, the minimisation of environmental impacts as well as improving energy efficiency are key principles in production. Certified ISO 9001 Quality Systems and ISO 14001 Environmental Systems are in use at all production units. M-real is completely self-sufficient in pulp, and its energy self-sufficiency is approximately 62 per cent. The share of wood-based fuels was approximately 50 per cent in 2010.

RAW MATERIALS

M-real is committed to using raw materials in its production in a sustainable and economical manner. M-real's primary raw material is wood, which is sourced from sustainably managed forests in compliance with local legislation. The aim is to continuously increase the share of certified wood. In 2010, 55 per cent of the wood raw material was certified.

Sustainable premium products

The most important raw material for M-real's high quality products is wood: a renewable, recyclable and energy-efficient raw material that originates and is procured from sustainably managed forests.

Thanks to special fibre properties, M-real's lighter-than-normal boards and papers feature excellent performance. Lightweight products consume fewer raw materials, have fewer environmental effects in production and transport and generate less waste than the average.

M-real is committed to using sustainable raw materials in its production. The most important raw material for its products is wood: a renewable, recyclable and energy-efficient raw material that originates and is procured from sustainably managed forests. M-real's parent company Metsäliitto Cooperative is responsible for M-real's wood supply. The bulk of the wood raw material used by M-real in Finland comes from the forests of the owner-members of Metsäliitto Cooperative. Other wood supply countries include Austria, Latvia, Lithuania, France, Sweden, Germany, Russia and Estonia. During the year under review, Metsäliitto supplied a total of 5.7 million cubic metres of wood to M-real mills.

M-real is committed to promoting responsible forest management. All wood purchase agreements include precise environmental criteria; also, forest regeneration measures are implemented in a habitat-sensitive manner after timber harvesting is completed.

Wood procurement is governed by an environmental policy regarding wood supply and forestry, as well as the Group's principles of corporate responsibility. These are implemented using certified quality and environmental systems and an annually updated environmental programme. Wood procurement complies with local legislation and regulations issued by the authorities.

Contractual partners are also required to operate in a responsible way, and they are trained on a regular basis. During the year under review, labour and nature management training were provided for harvesting contractors and their machine operators. Wood procurement operations are under continuous development and best practices are always applied.

In wood procurement, valuable plant and animal habitats and other sites of importance in terms of the biodiversity of nature or landscape values are protected. Wood suppliers and M-real's logging sites as well as the logging sites of subcontractors are inspected more systematically and extensively in order to protect valuable habitats to ensure that harvesting is conducted in compliance with environmental permit conditions. At the same time, attention is paid to the quality of the management of the forest environment and social dimensions such as the training and occupational safety of employees.

Certified quality and environmental systems include a wood origin management system, ensuring that the origin of all procured wood is known. In procuring wood raw material, M-real supports forest certification that is verified by a third party. Some 55 per cent of the wood raw material used by M-real came from certified forests during the year under review. Further, the PEFC forest certification criteria were revised in Finland, and an agreement was made on the FSC forest certification criteria, which will set conditions for FSC forest certification also in the future.

All M-real mills employ a certified Chain of Custody system, which enables them to verify the share of certified wood in their products. M-real strives to launch more forest certification labelled products on the market.

During the year under review, M-real used approximately 1.8 million tonnes of various types of pulp, of which approximately 1.3 million tonnes were produced at M-real's own mills. M-real had 0.7 million tonnes of chemical pulp available through the share of ownership in Metsä-Botnia. Approximately 0.3 million tonnes was purchased from external suppliers and 0.5 million tonnes was sold externally. M-real requires that its pulp suppliers operate in strict compliance with the law, and report annually on the origin of wood, forest certification and environmental data.

PRODUCT SAFETY

Raw materials used in M-real products are selected on the basis of the end use of the products. For example, in boards used for food packages, only raw materials approved for this end use may be used. As a minimum requirement, all raw materials must be approved by the German Federal Institute for Risk Assessment (BfR) and the U.S. Food and Drug Administration (FDA).

M-real products have been tested as required by the relevant laws and recommendations; for example, the suitability of boards as toy materials is tested in accordance with the European EN 71-3 and EN 71-9 standards.

A database is maintained on the key production chemicals. The database contains environmental, health and safety information

and, for example, information on the registrations of the substances in compliance with the REACH chemical regulation. Registration of substances in accordance with the REACH regulation (1907/2006/EC) was completed during the year under review. The registered substances were typically by-products of the process, such as ash generated from the incineration of bark. The REACH registration obligation is not directly applicable to board and paper, as they are classified as "products."

RESEARCH AND DEVELOPMENT

M-real's R&D activity during the year under review focused on the development of high-quality lightweight packaging boards. With regard to the paper business operations, the

focus was on the development and launch of new products.

The Efficient Packaging research programme assesses the impact of lightweight yet high-performance boards on the efficiency of the entire packaging chain. The research programme yielded promising results that can be used in the development of the board business.

A project to improve the print surface of cigarette packaging boards was implemented. The revised product was launched during the first quarter, and it has been received extremely positively in this demanding market.

During 2011, Consumer Packaging will implement investments at the Simpele, Kyro and Kemi board mills. Development activity is an essential part of these investments. The Kemi mill has particularly focused on the development of coating, while Simpele and Kyro has engaged in work to improve production techniques.

The development of non-woven type products continued in wallpaper base papers.

A new, lighter-than-normal SAVE! office paper was developed in the Office Papers business area. The lightness is partly based on BCTMP pulp. The deliveries to the markets were started during autumn 2010. Speciality Papers, on the other hand, has developed several new types of one-side coated flexible packaging and label papers.

During the year under review, M-real was actively involved in the activity of Forest Cluster Ltd. Forest Cluster's research programmes provide resources for renewing business operations over the long term.

M-real's R&D expenditure for 2010 amounted to approximately EUR 5 million, or some 0.2 per cent of sales. The decrease compared to the previous year is due to the end of the joint KCL research programme.

Deliveries of certified wood to M-real's mills in 2010

| | PEFC (%) | FSC (%) |
|---------|----------|---------|
| Finland | 64 | 8 |
| Sweden | 22 | 20 |
| Austria | 62 | 2 |

Wood supply to M-real's mills by procurement area

| 1,000 m ³ | 2010 | 2009 *) |
|----------------------|-------|---------|
| Sweden | 2,210 | 2,272 |
| Finland | 1,243 | 3,488 |
| Austria | 792 | 524 |
| Russia | 573 | 563 |
| Latvia | 443 | 228 |
| Estonia | 236 | 204 |
| Lithuania | 109 | 47 |
| South Africa | 113 | 0 |
| | 5,719 | 7,459 |

*) Including 30 per cent of wood delivered to Metsä-Botnia mills until 8 December 2009.

Minimising the environmental impacts of production

M-real is committed to conducting its business in a responsible manner and promoting sustainable development through its business activities as well as to continuously improving its operations.

Minimising the environmental impacts of operations and maintaining open communications are the key principles of M-real's environmental policy. All of M-real's mills operate certified ISO 9001 and ISO 14001 quality and environmental management systems that support the systematic improvement and follow-up of operations. Several mills also have a certified occupational and product safety system.

M-real's mills also utilise a certified Energy Efficient System, which systematically manages the reduction of energy consumption and carbon dioxide emissions. M-real reports openly on its environmental impacts through, for example, mill-specific EMAS (Eco-Management and Audit Scheme) reports. The Äänekoski paper mill and the Hallein mill published their EMAS reports during the year under review.

The climate impact of individual products is reported on a customer-specific basis through carbon footprint calculations. Product-specific Paper Profile environmental product descriptions can be found for all M-real products on the company's website at www.m-real.com. The emissions and amounts of waste produced by M-real mills are reported on page 124–125 of this Annual Report.

Several improvements that reduce environmental loads and risks were implemented at M-real's mills during the year under review. Improvements at the Husum mill cut particle emissions and aimed to reduce air emissions of nitrogen oxides. The Alizay mill began to divert part of the bark boiler flue gases to a pigment plant located at the mill site for utilising the carbon dioxide in the flue gases. The use of thermal energy was made more efficient at the Joutseno chemi-thermomechanical pulp mill. The Simpele mill began to expand its landfill. In Äänekoski, the noise generated by the vacuum blower and waste water treatment plant was dampened at the board mill, and the mill's noise pollution report was updated.

The management of environmental matters at M-real and Metsä-Botnia was developed by appointing five joint regional environmental managers to the production plants. Work to combine the operational systems of five board mills under one certificate was started in M-real's Consumer Packaging business area.

EMISSIONS AND WASTE

Industrial air, water and noise emissions have decreased continuously due to the consistent application of Best Available Techniques (BAT).

M-real has systematically reduced the water consumption of its production. Water is recycled in the production processes, and it is thoroughly treated before being discharged into water systems.

The amounts of harmful substances in wastewater from board and paper production have been reduced by more effective treatment processes, reduced water consumption and personnel training. Thanks to highly effective treatment processes, wastewater emissions cause eutrophication only within a limited area at the immediate point of discharge. M-real's production units are located in areas of plentiful water supply and therefore do not compete for water with households, agriculture or other water users.

M-real has joined the UN's Global Compact CEO Water Mandate initiative to make water consumption and open reporting on it more efficient. M-real keeps a close eye on the development of international reporting policies on water consumption.

M-real has reduced its emissions into the air by introducing low-sulphur fuels and by replacing fossil fuels with wood-based fuels. The most significant atmospheric emissions include: fuel-derived sulphur and nitrogen oxides, which can cause water and soil acidification; carbon dioxide, the main driver of climate change; and particle emissions, which have a negative impact on air quality.

Mill waste levels have also been reduced through the efficient re-use of by-products and co-products. In addition, on-site sorting of mill waste for use as raw material or for energy production has reduced the need for landfill disposal. For example, primary fibre, high-quality recycled fibre or both are used as raw materials for office paper, depending on its type. Packaging plastics, metals, paper and board are recycled. Process sludge and wood-based waste are used as fuels if they cannot be otherwise utilised. The fibre sludge generated during the recovered fibre deinking process is used in the building products industry and for energy production. Ash from the mill power plant is used in earthworks construction as an alternative to gravel and other soil resources. Wood ash can also be used as a fertiliser.

DEVELOPING REPORTING ON THE ENVIRONMENTAL PERFORMANCE OF LOGISTICS

Environmental impacts are mitigated by making logistics more efficient. The products are transported in the largest units possible, with the transport vehicles loaded as full as possible. In selecting warehouses, those with a rail connection are preferred. However, the March stevedore strike in Finland resulted in deviations from the established routes.

Transport and warehouse functions are largely outsourced to partners, and valid environmental certificates and policies play an essential role in their selection. Logistics-related indicators and reporting, especially with regard to environmental performance, are continuously improved. M-real reports on the environmental impacts of the transport of its products in the Paper Profile environmental declarations.

The International Maritime Organisation IMO adopted emission limits for sulphur and nitrogen oxides gradually, which results in challenges, particularly for maritime transport in the Baltic region and fuels. The biggest change concerning sulphur emission standards is scheduled for 2015, when the reduction from the current level of 1.0 per cent to 0.1 per cent comes into force. Estimates forecast the cost impact of the change on the forest industry to be very considerable, and, in Finland, higher than in other competing countries.

RESPONSIBLE BUSINESS PRACTICE

M-real is committed to conducting its business in a responsible manner and promoting sustainable development through its business activities as well as to continuously improving its operations. The key values of the company – responsible profitability, reliability, cooperation and renewal – lay the

foundation for all operations. M-real measures the financial, social and environmental impacts of its operations. The results are reported on a regular basis to the Group's shareholders in, for instance, the Annual Report.

M-real has endorsed Metsäliitto Group's Commitment to Corporate Responsibility, which it implements through its principles of corporate responsibility. The statement is based in part on the UN's Global Compact. Through Metsäliitto Group, M-real is also an active member of the World Business Council for Sustainable Development (WBCSD).

The themes of sustainable development central to M-real's customers and other stakeholders include the legality of the wood raw material, wood origin management and forest certification, climate-related matters, such as carbon footprints, questions related to water consumption and matters of social responsibility and product safety. The management of environmental issues is based on M-real's environmental policy which, in turn, is based on the continuous development of operations. The HR policy is managed systematically so that employees' working conditions and competence are improved and well-being at work and occupational safety are developed in a proactive and target-oriented way.

M-real follows Metsäliitto Group's Code of Conduct, which is designed to ensure Group-wide adherence to approved practices and common ethical principles. The leading principles of the Code of Conduct include compliance with the principles of corporate responsibility, performing one's duties in the best possible manner, anti-corruption, open communications, appropriate action in case of conflicting interests, and fair competition.

Environmental indicators

| Tonnes | 2010 | 2009 | 2008 |
|---|---------|---------|-----------|
| Emissions to air | | | |
| Greenhouse effect, CO ₂ -eqv | 789,347 | 952,462 | 1,199,262 |
| Acidification, SO ₂ -eqv | 3,468 | 5,002 | 7,245 |
| Discharges to water | | | |
| COD | 18,414 | 26,095 | 35,004 |
| Eutrophication, P-eqv | 44 | 150 | 210 |
| Waste | | | |
| Landfill waste | 15,829 | 25,433 | 76,229 |

Energy efficiency

M-real aims to continuously improve the efficiency of energy consumption and production in its operations and increase the share of wood-based, carbon dioxide-neutral energy, which is already high, in its energy procurement.

The energy efficiency of M-real's operations improved significantly during the year under review compared to the previous year. The improvement was particularly due to the higher utilisation rates of the mills. In addition, several energy efficiency development projects were carried out during the year. The annual energy-saving impact of the projects is some 180,000 MWh of heat and 50,000 MWh of electricity. The projects cut carbon dioxide emissions by approximately 34,000 tonnes per year, or some four per cent of the total annual emissions.

New minor projects that improve energy efficiency are continuously analysed and evaluated. Energy efficiency is also improved as part of the daily optimisation of production. This development work was continued in 2010 by utilising the Energy Efficiency Sys-

tem, which is part of the Metsäliitto Group's climate programme. For example, new measurements and automation tools were built and commissioned during the year under review.

USE OF BIOFUELS

Wood is M-real's main source of energy (50 per cent), of which by-products account for the majority. The aim is to increase the share of wood-based fuels, thereby reducing carbon dioxide emissions.

The fossil carbon dioxide emissions of M-real's energy procurement decreased by some 17 percent during the year under review compared to 2009. The emissions decreased as a result of increased use of wood energy in Hallein, Husum and Kaskinen. The emissions were reduced further by the change in Metsä-Botnia's consolidation method and changes in M-real's production structure carried out in 2009 and 2010, mainly the shutdown of the Hallein paper mill and Alizay pulp mill and the production cuts of the Gohrsmühle mill.

The Olkiluoto nuclear power plant, which is run by Teollisuuden Voima Oy, a subsidiary of Pohjolan Voima Oy, provides a significant share of the electricity needed by M-real. In addition, the share of electricity produced with hydro power of electricity purchase is carbon dioxide-neutral fuel, and combined with nuclear power they account for 25 per

cent of energy purchase. Bio-based and carbon dioxide-neutral energy accounted for a total of 75 per cent of all energy consumption in 2010.

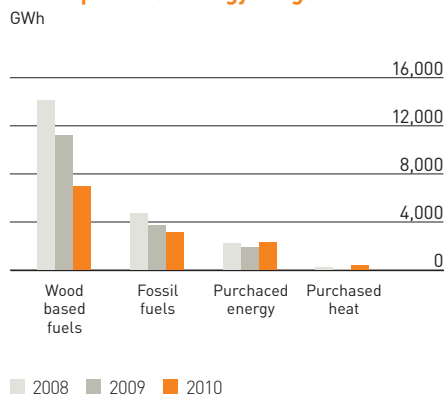
At some M-real mills, the processes generate wood-based by-products for utilisation in energy consumption in excess of the mills' own energy needs. The surplus is sold as carbon dioxide-neutral wood fuel and/or heat to partners in the region.

ENERGY PRODUCTION ASSETS DEVELOPED

During the year under review, the capacity of the recovery boiler at the Husum mill in Sweden was increased, and bio-based heat production increased with the need for oil decreasing considerably as a result. Husum's turbine investment is expected to be complete during the second half of 2011. The investment will increase the mill's electricity self-sufficiency from approximately 30 per cent to 50 per cent. Additional electricity will be produced using wood-based fuels.

A decision was made towards the end of 2010 to build a new bio power plant at the Kyröskoski mill, replacing the existing natural gas power plant. The bio power plant is planned to be complete toward the end of 2012. This will reduce the mill's carbon dioxide emissions by approximately 100,000 tonnes per year. The bio power plant investment is being implemented by a specific

Development of energy usage 2008–2010



Development of energy usage 2008–2010

| GWh | 2010 | 2009 | 2008 |
|-------------------------|-------|--------|--------|
| Use of wood-based fuels | 6,924 | 11,216 | 14,096 |
| Use of fossil fuels | 3,153 | 3,702 | 4,701 |
| Purchased energy | 2,284 | 1,841 | 2,205 |
| Purchased heat | 412 | 54 | 228 |

Sources of total energy

| GWh | GWh | 2010 (%) | 2009 (%) | 2008 (%) |
|---------------|-------|----------|----------|----------|
| Wood-based | 8,239 | 50 | 60 | 60 |
| Nuclear power | 3,453 | 21 | 14 | 14 |
| Natural gas | 2,284 | 14 | 11 | 13 |
| Coal | 1,150 | 7 | 6 | 6 |
| Hydro power | 730 | 4 | 3 | 3 |
| Oil | 271 | 2 | 4 | 4 |
| Peal | 212 | 1 | 1 | 1 |

company, Hämeenkyrön Voima Oy, with Pohjolan Voima as the majority shareholder and the local energy company Leppäkosken Sähkö Oy as a minority shareholder.

FINLAND'S ENERGY POLICY

The Finnish State decided on considerable increases in energy and waste taxes in 2010, and, as a result, the taxes paid by M-real will increase in 2011. The Finnish burden of energy taxation is among the highest in Europe. In Sweden, the taxes, which have already been very low, are being decreased further.

During the year under review, Finland also increased so-called feed-in tariff subsidies for electricity produced using wood fuel. At the same time, it was decided to start taxing peat burning. As a result of all this, it is more profitable than before for the energy industry to burn wood, which might reduce the availability of wood for the forest industry, thereby impairing the competitiveness and viability

of the export industry. The forest industry has proposed that a monitoring system be established for following up on the effect of input tariff subsidies on the availability and price of wood. State subsidies for the use of wood for energy paid from overall taxation funds should be reduced if they cause problems to the non-subsidised export industry.

The decision of the Finnish parliament on granting permits for two new nuclear power plants made in 2010 in Finland was a positive signal for the forest industry. One of the two permits was granted to Teollisuuden Voima, which provides the majority of electricity procured by M-real from outside its mills. However, soon after this permit decision, the government initiated surveys into the possibility of a uranium tax on the producers of nuclear electricity. Carbon dioxide-neutral energy production should not be burdened. Investments in new nuclear power capacity will become more uncertain than before if its profitability is weakened through political decisions.

EMISSIONS TRADING

During the year under review, the Commission of the European Union specified its proposal for the distribution of free emission rights to the so-called carbon leakage industries during 2013–2020. According to the Commission's proposal, free emission rights will be distributed in line with the energy efficiency of the producers. Less efficient producers will need to buy a larger share of their emissions rights. According to a preliminary estimate, M-real will probably need to purchase part of the emissions rights it needs beginning in 2013. The differences between the mills in need for purchases are high, depending particularly on the type of fuel they use. The EU will make final decisions on the distribution rules in 2011.

Wood-based raw materials

| | |
|------------------------------|-------|
| Wood (1,000 m ³) | 5,288 |
| Pulp (1,000 t) | 263 |
| Recovered paper (1,000 t) | 96 |

Other raw materials (1,000 t)

| | |
|-----------|-----|
| Pigments | 568 |
| Adhesives | 110 |

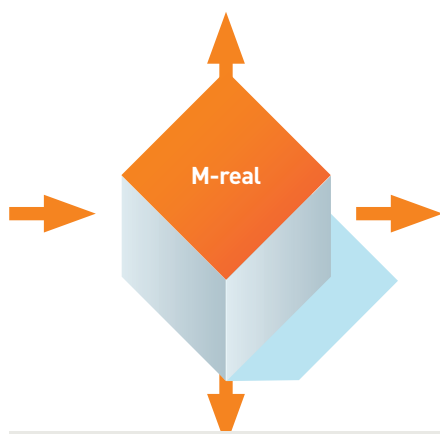
Energy (GWh)

| | |
|----------------------------------|-------|
| Fuel purchased outside the Group | 4,973 |
| Electricity (purchased) | 2,284 |
| Heat (purchased) | 412 |

| | |
|---------------------------------------|---------|
| Process water (1,000 m ³) | 101,900 |
|---------------------------------------|---------|

Emissions to air (t)

| | |
|---|---------|
| Particles | 353 |
| Carbon dioxide CO ₂ (fossil fuels) | 789,347 |
| Sulphur (as SO ₂) | 1,271 |
| Nitrogen oxides (as NO _x) | 6,276 |



Production

| | |
|-------------------|-------|
| Chemical (1,000t) | |
| Paper | 1,459 |
| Paperboard | 1,105 |
| Pulp and CTMP | 1,295 |

Discharges to water systems (t)

| | |
|--|--------|
| Biological oxygen demand (BOD ₇) | 1,889 |
| Chemical oxygen demand (COD) | 18,414 |
| Phosphorus (P) | 44 |
| Nitrogen (N) | 286 |
| Total suspended solids | 1,755 |

Waste (t)

| | |
|-----------------|--------|
| Landfill waste | 15,829 |
| Hazardous waste | 355 |

From restructuring to continuous development of the personnel

M-real considers well-being at work and occupational safety as important parts of profitable operations and the building of success.

M-real's personnel-related development measures were based on three focal areas, on the basis of which operations will also be developed and continued in 2011: securing future resources, ensuring the competences of existing personnel and developing well-being at work.

On 31 December 2010, the number of M-real personnel amounted to 4,538. This was approximately 365 lower than the year before, mainly due to the actions after social plan negotiations due to the closure of the Alizay pulp mill, and the operating model changes and personnel reductions carried out at the Gohrsmühle, Reflex and Husum mills.

The "Sharing Best Practices within M-real" programme shares best practices related to the working areas, content of work and operating models. During the year under review, the programme was continued at the Gohrsmühle and Husum mills by implementing new operating and organisation models

in connection with the changes implemented. The changes in operating models result in extended and more diverse job descriptions, making work more varied and motivating.

Statutory labour negotiations were conducted in Finland during the year under review at the Äänekoski mill in connection with the investment to improve production efficiency and at the Simpele mill in connection with the investment in production to increase production capacity. Employees made redundant or facing redundancy were supported by training and seeking new employment as well as re-employment at the company's other sites. The support was provided in accordance with the agreed social plan in close cooperation with representatives of the personnel and employment authorities.

The employer and personnel are holding continuous discussions in regular meetings arranged at the offices and mills. In addition, representatives of the management regularly

Occupational safety and well-being 2008–2010, M-real

| | 2010 | 2009 | 2008 |
|--|------|------|------|
| Sickness absenteeism (%) | 4.7 | 4.8 | 4.7 |
| Work injury absenteeism (%) | 0.3 | 0.3 | 0.2 |
| Lost time accident frequency rate (per million worked hours) | 15.8 | 14.6 | 18.8 |
| Reported near misses (per 100 employees) | 38.0 | 16.9 | 15.8 |

Personnel by country

| | Personnel 31.12.2010 | Personnel at 31.12.2009 | Net employment change 2010 | Average age of employees 2010 |
|-----------------|-------------------------|----------------------------|-------------------------------|----------------------------------|
| Finland | 1,783 | 1,824 | -41 | 44.3 |
| Germany | 1,073 | 1,228 | -155 | 46.0 |
| Sweden | 891 | 980 | -89 | 46.2 |
| France | 353 | 396 | -43 | 41.2 |
| Austria | 197 | 203 | -6 | 43.4 |
| Other Countries | 241 | 272 | -31 | 38.9 |
| Total | 4,538 | 4,903 | -365 | 44.5 |

take part in the personnel groups' meetings. During the year under review, the close cooperation between the previously merged M-real and Metsä-Botnia HR organisations and their integration with the business organisations continued.

An extensive personnel survey was initiated at M-real which included all M-real units except for the Hallein, Gohrsmühle and Alizay mills. In 2011, the survey will cover all units. The need for improving internal communications, utilising internal development ideas better and making the Performance and Development Appraisal policy more efficient were identified on the basis of the results. The information obtained from the personnel survey has been integrated into the annual plans, and its results have been reviewed during the annual planning process in autumn 2010. The implementation of the development measures agreed on the basis of the personnel survey is followed on a quarterly basis.

DEVELOPMENT OF WELL-BEING AT WORK

M-real considers well-being at work and occupational safety as important parts of profitable operations and the building of success. The aim is to identify risks associated with the personnel's well-being in a systematic and proactive way. Superiors are supported by the local HR organisations, and M-real reduces the amount of sick leave and occupational accidents through programmes monitored on a monthly basis as part of the reporting of the HR organisation.

SECURING FUTURE RESOURCES

M-real participated considerably in Metsäliitto Group's trainee programme, with 13 out of the selected 26 participants training to work for M-real. In addition, the planning of the production personnel recruitment pro-

gramme that is due to commence in 2012 was also started during the year under review.

M-real has implemented semi-annually updated retirement forecasts where the employees who are about to retire and the competence leaving the company with them will be identified. The information obtained in this way will be combined with the results of the personnel competence surveys, and recruitment training will be developed accordingly to correspond to future competence and personnel needs. M-real also developed cooperation with schools and educational institutions in 2010.

The Simplifier development programme for middle-management was started during the year under review and will be continued in 2011. In addition, M-real employees participated in Metsäliitto Group's management Challenger development programme.

ENSURING THE COMPETENCE OF EXISTING PERSONNEL

The reduction in personnel training resources during 2007–2009 due to the stringent financial position has been a special challenge in the immediate past. During the year under review, M-real has invested strongly in identifying the training needs of personnel, improving the quality of training and developing the training system.

Personnel training needs were identified with the help of an extensive analysis tool, competence surveys, and Performance and Development Appraisals. During the year under review, M-real updated the Performance and Development Appraisal operating model, which includes support materials distributed to the employees and their superiors.

Extensive competence surveys identify the areas in which the personnel require more efficient and higher-quality training. The Kyro mill was the pilot site during the

year under review, and the implementation has been continued at the Äänekoski paper mill. During 2011, the surveys will be extended to other mills and offices. The competence surveys provide valuable information for the development of the training system.

The training system was updated during the year under review and launched on the intranet, allowing employees to enrol in the training. The implementation of supplementary training and degree-based training and production multi-skill training has been continued in joint groups with Metsä-Botnia in order to ensure an extensive participant base.