

SUSTAINABILITY REPORT 2021

Arctic Paper SA

Capital Group disclosure on non-financial information



ARCTIC PAPER

TABLE OF CONTENTS

This Is Arctic Paper / 6



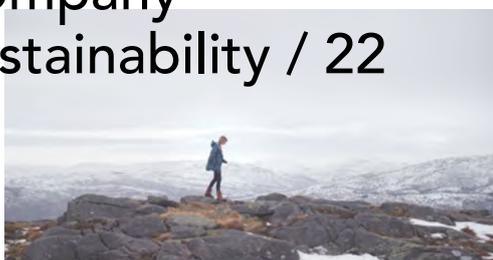
- 1.1 Company Overview / 7
- 1.2 Governance and Business Ethics / 16
- 1.3 Company's Structure and Management on Sustainability Topics / 20

Sustainable Supply Chain for Client Satisfaction / 40



- 3.1 Responsible Supply Chain / 41
- 3.2 Environmental Assessment of Suppliers and Responsible Sourcing / 43
- 3.3 Transportation / 46
- 3.4 Commitment to Client Satisfaction / 48

Company Sustainability / 22



- 2.1 Materiality Assessment / 23
- 2.2 Our Contribution to the Sustainable Development Goals / 28
- 2.3 Responsible Business / 30
- 2.4 Principal Risk and Their Management / 31
- 2.5 Arctic Paper's Partnership / 34
- 2.6 Key Business Performance Indicators / 37

Environment and Client / 50



- 4.1 Management Approach / 51
- 4.2 Energy and Emissions / 54
- 4.3 Sustainable Circular Production and Waste / 60
- 4.4 Water / 63
- 4.5 Biodiversity / 66



People / 68



- 5.1 Working at Arctic Paper – Management Approach / **69**
- 5.2 Our Employee Well-being and Satisfaction / **72**
- 5.3 Human Rights / **78**
- 5.4 Health and Safety / **79**
- 5.5 Diversity and Inclusion / **80**

About the Report / 88



- 7.1 Reporting Period: the Year 2021 / **89**
- 7.2 Contact / **89**
- 7.3 ESG Factsheet / **90**

Taxonomy / 82



GRI Index / 96



“ What were the most important events in 2021?

2021 was a special year that was marked both by the pandemic, and by the increased focus on sustainability. For Arctic Paper, 2021 was a good year in which we strengthened our positions in the market, at the same time as we worked on developing our business model. In the autumn of 2021, we launched our new strategy – 4P – which means that we diversify and add two new pillars to our existing business: renewable packaging and green energy. We already have a foundation, expertise and experiences in these two areas, and (we) see great potential for the future. During the year, we also had time to take important steps towards realizing the new strategy in both energy and packaging.



Michał Jarczyński
CEO Arctic Paper SA

What does the new strategy mean for your sustainability work?

Arctic Paper has its origins and heritage in renewable products and has long worked to reduce the environmental footprint of the Group's products. The new 4P strategy takes it a step further by broadening our business with a focus on the circular economy. We are good at affordable green energy; now we are gradually building up capacity that not only makes us self-sufficient but with the aim of

becoming a net seller of electricity from solar, wind and hydropower in the future. This will be done step by step in various projects as we gradually are learning from pilot investments such as the solar farm in Kostrzyn. We are learning. The shift to packaging without petroleum-based plastics benefits our growing packaging business and we are building a new fiber tray factory in Kostrzyn together with our subsidiary Rottneros, based on renewable resources.



What is your most important sustainability goal?

The ultimate goal is to become climate neutral by 2035, while our paper and packaging business aim to reach this goal already by 2030. But we are taking many small steps, day by day, towards a more sustainable company in both social and environmental terms with resilient governance. It is ultimately the customers and the surrounding society that define what is sustainable. We are therefore humble because we need to change our work and adjust our goals as our view of sustainability changes. Arctic Paper's CSR report is our way of sharing about that work and how well we are performing.

What does it mean for your employees all over Europe?

Climate change, pandemics, protection of the biosphere and digitalisation are the biggest challenges of our time. We continue our efforts in education and

training, in increasing diversity, and in creating equal and fair treatment within the Arctic Group. And we want to use this knowledge also to support local and international projects to achieve these global goals, while taking social needs into account.

How does the EU's taxonomy affect the perception of sustainability?

Firstly, the new taxonomy is not complete, it is a work in progress, but it illustrates well that the view of sustainability may change over time. Currently there are different opinions about energy solutions or modern forest management, just to mention two. But we are completely convinced that products based on a renewable and circular raw material that stems from sustainably managed forests and produced with green energy will be in demand and seen as sustainable also in the future. And we are committed to always buy raw materials from

sustainably managed and certified forests.

How has the pandemic affected Arctic Paper?

During 2021 Arctic Paper has been successful in protecting the business from impact of the pandemic. The local policies implemented and adjusted out from the changes of pandemic outbreaks, governments guidelines and restrictions had a limited impact on our business.

How do you see the outlook for 2022?

Working today means agile commitment to new conditions due to digitalization, covid related measures or new demands from society and clients. We are proud of the flexibility and the adaptation of our employees in these fast changing and challenging times. In 2022, we will take further steps, in line with our strategy, to build our business in renewable packaging and green energy, while maintaining our strength in paper and pulp.

THIS IS ARCTIC PAPER



1.1

Company Overview

Arctic Paper SA is a leading European producer of high-quality graphic paper listed on the stock exchanges in Warsaw (Giełda Papierów Wartościowych – GPW) and Stockholm (NASDAQ). We produce numerous types of uncoated and coated wood-free paper, as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses, the advertising industry, and packaging producers.

As of 31 December 2021, Arctic Paper employs about 1,200 people in paper production sector. Our business activities are based on the operations of three mills:

ONE

POLAND

THE PAPER MILL IN KOSTRZYN NAD ODRĄ

The mill has a production capacity of about 315,000 tonnes of paper per year and mainly produces uncoated wood-free paper for printing books, brochures and forms, and for producing envelopes and other paper products.

TWO

SWEDEN

THE PAPER MILL IN MUNKEDAL

The mill has a production capacity of about 160,000 tonnes per year and mainly produces fine uncoated wood-free paper, used primarily for printing books and high-quality brochures.

THREE

SWEDEN

THE PAPER MILL IN GRYCKSBO

The mill has a production capacity of about 220,000 tonnes per year and produces coated wood-free paper used for printing maps, books, magazines, posters and advertising materials.

We manage sales organisations across Europe, which support our activities and contacts with customers. The company is registered in Kostrzyn nad Odra (Poland).

Arctic Paper SA is also a majority owner (in possession of 51.0 % of the shares by the 31 December 2021) of the Rottneros group. Rottneros is a pulp producing company, registered on the Nasdaq stock exchange in Stockholm. The Pulp mills owned and operated by Rottneros are located in Sweden, and have aggregate production capacities of about 440,000 tonnes of pulp annually. Arctic Paper SA has financial control over Rottneros, as it holds the majority of shares, yet operational control belongs to Rottneros including responsibility for the company's performance and sustainability matters. For 2021, the data for Rottneros is not available in the format reported by Arctic Paper SA, but sustainability impact and performance will be reported in the subsidiary's separate report.

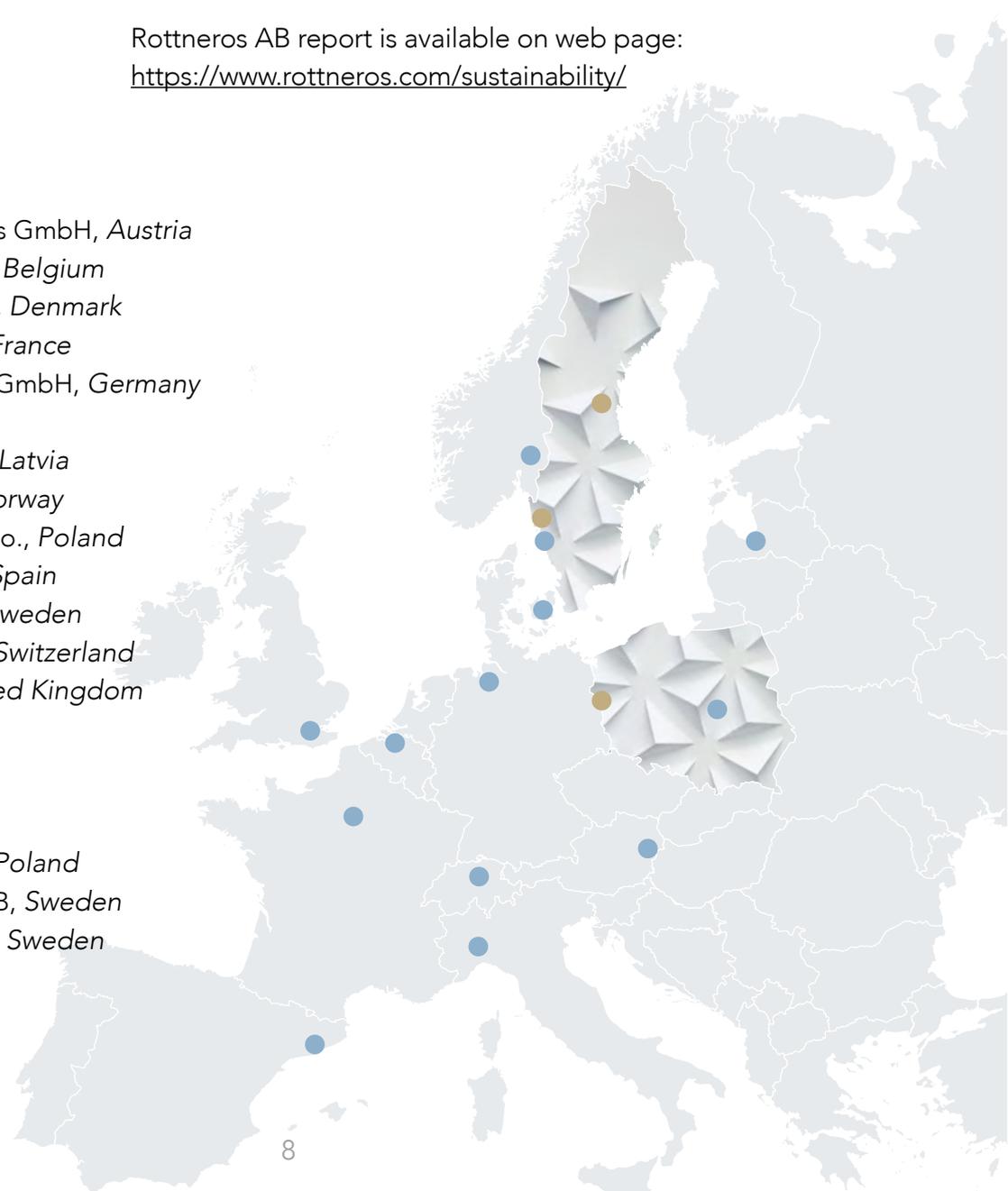
Rottneros AB report is available on web page:
<https://www.rottneros.com/sustainability/>

● SALES OFFICES

Arctic Paper Papierhandels GmbH, *Austria*
Arctic Paper Benelux N.V., *Belgium*
Arctic Paper Danmark A/S, *Denmark*
Arctic Paper France SAS, *France*
Arctic Paper Deutschland GmbH, *Germany*
Arctic Paper Italia Srl, *Italy*
Arctic Paper Baltic States, *Latvia*
Arctic Paper Norge AS, *Norway*
Arctic Paper Polska Sp.z o.o., *Poland*
Arctic Paper Espana S.L., *Spain*
Arctic Paper Sverige AB, *Sweden*
Arctic Paper Schweiz AG, *Switzerland*
Arctic Paper UK Ltd., *United Kingdom*

● MILLS

Arctic Paper Kostrzyn SA, *Poland*
Arctic Paper Munkedals AB, *Sweden*
Arctic Paper Grycksbo AB, *Sweden*



Our Heritage and Values

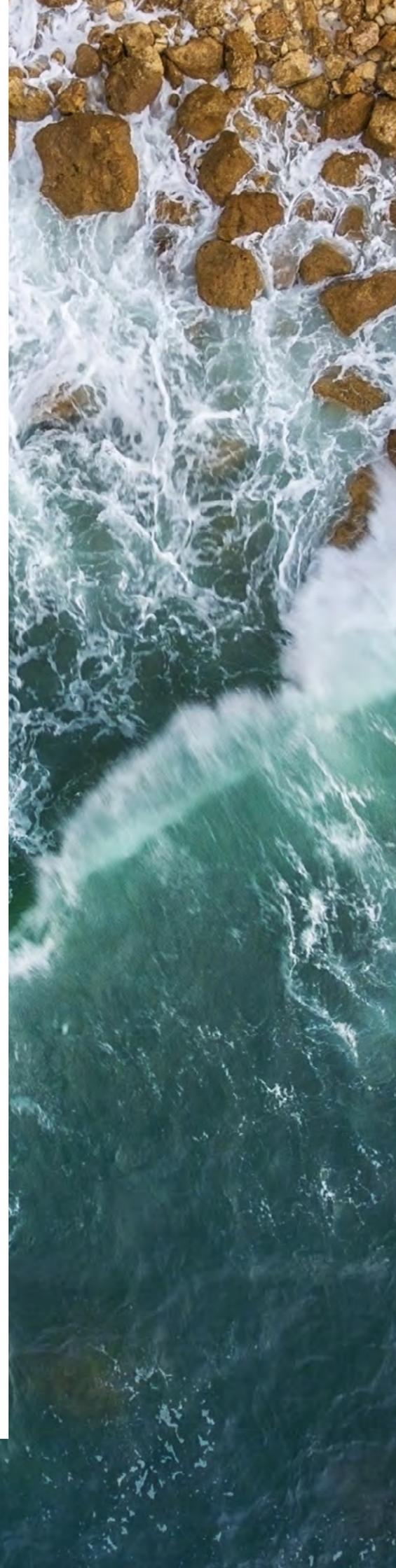
Arctic Paper is a company based upon Swedish roots.

We have been manufacturing paper with craft and dedication since 1740. Today we run some of the most eco-friendly mills worldwide and are constantly improving our sourcing, production, sale processes and energy management. We try to optimise our daily business processes to be part of circular bioeconomy.

Our reputation in the high-quality graphic paper market is built on a long tradition of exceptional work with the help of our brands executed by the most demanding customers who value the proven quality of our products.

We are clear, open-minded and follow a long-term plan in the way we act, think and appear. We are sensitive towards nature and positive towards the future. We protect natural resources and constantly create a sound balance between people, production and regions. We run our business in a stable, long-term and trustworthy manner. We are a forerunner in the protection of nature and the development of new products for core markets as well as for new markets and segments. We offer distinctive products and services built on inventiveness and reliable quality, crafted for the most demanding creative ideas and new technologies.

Our business operations are based on well-established and trusted relationships with different stakeholders. Thus, we need to ensure that all of our business operations are transparent – from sustainable sourcing, the production and delivery of our products, to the communication of our results to external stakeholders. We are transparent and ethical in everything we do. In 2018 we established a Code of Conduct for Suppliers of Arctic Paper. In 2021 we have elaborated a new Sustainability Policy for the entire Arctic Paper Group.





MUNKEN

AV ARCTIC VOLUME

AMBER



ARCTIC

Our Brands

For decades we have been one of the leading European producers of premium graphic paper products, superior packaging grades and services for the most demanding creatives and technologies valuing the superior, reliable and eco-friendly quality of our paper brands.

We are known for new solutions and products, and the continuous extension of our product ranges in step with the latest developments in printing technology for both the graphical and the packaging segments.

The graphical paper market consists of two segments: wood-free fine paper and wood-based paper, both divided into the sub-segments of uncoated and coated paper, while the packaging segment is served by wood-free grades. Our mills in Munkedal and Kostrzyn produce uncoated wood-free and wood-based paper, while the mill in Grycksbo produces coated wood-free paper.

Key Brands

UNCOATED WOOD-FREE PAPER, IN PARTICULAR – MUNKEN DESIGN, MUNKEN BOOK, AMBER

- High-quality graphic paper with a very smooth surface, used for various kinds of advertising and marketing materials. It is produced under the Munken brand.
 - Bulky book paper, produced under the Munken brand, used primarily for printing books
 - White offset paper, produced and distributed primarily under the Amber brand. It's one of the most versatile types of paper.
-

UNCOATED WOOD-BASED PAPER, IN PARTICULAR – MUNKEN PRINT

- Premium bulky book paper, produced and distributed under the Munken brand, specially developed for colour- and monochrome-printing of books.
-

COATED WOOD-FREE PAPER, IN PARTICULAR – ARCTIC VOLUME, G, ARCTIC

- Manufactured under the brand names Arctic Volume, G and Arctic. Used primarily for printing books, magazines, catalogues, maps and personalised direct mail correspondence.
-

PACKAGING PAPER – MUNKEN KRAFT, G-FLEXMATT

The packaging paper portfolio manufactured in Munkedal, Kostrzyn and Grycksbo has been established since 2020 in chosen markets and segments. The combined offer from the two uncoated mills covers a grammage range from 38 g/m² to 150 g/m² in two shades and is called Munken Kraft.

Since 2021 the coated packaging paper is a 1 side coated matt grade, called G-Flexmatt.

Our brands and the circular economy

The full product range of Munken papers produced by Arctic Paper Munkedals and papers produced by Arctic Paper Grycksbo as well Amber Graphic and Munken Kraft produced by Arctic Paper Kostrzyn were awarded a Silver Material Health Certificate by the Cradle to Cradle Products Innovation Institute.

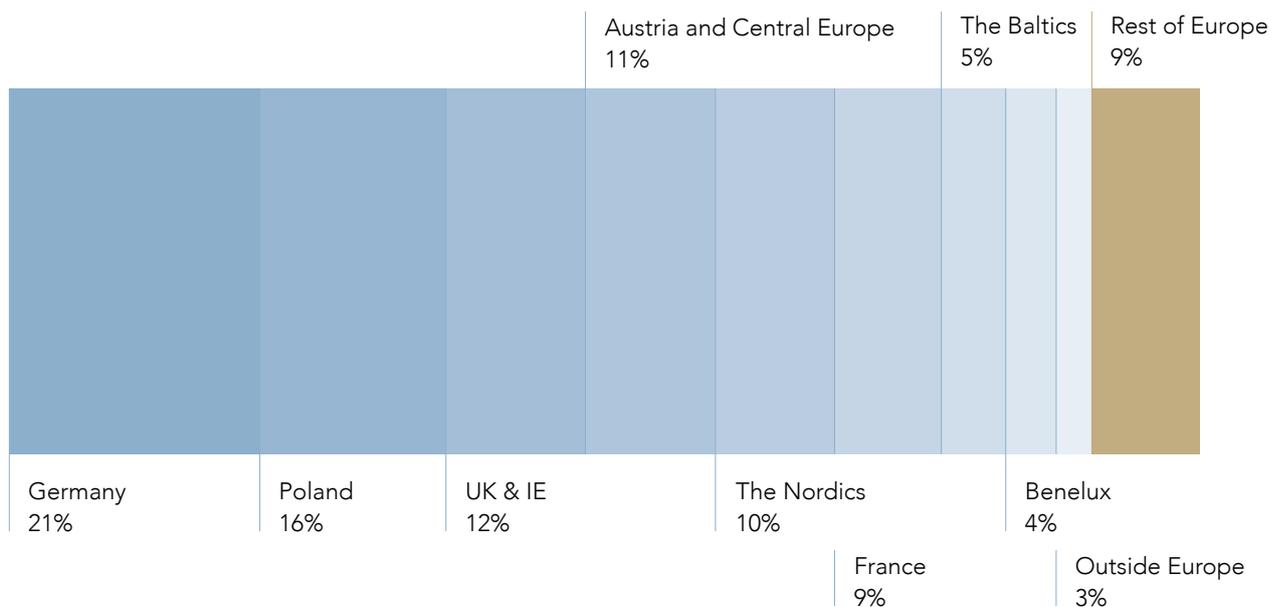


The Cradle to Cradle Certified™ Material Health Assessment Methodology is a contextual assessment based on chemical hazard identification and qualitative exposure considerations during a product's manufacture, use, and end-of-use. It means that products are made using chemicals that are as safe as possible for humans and the environment by leading designers and product developers.

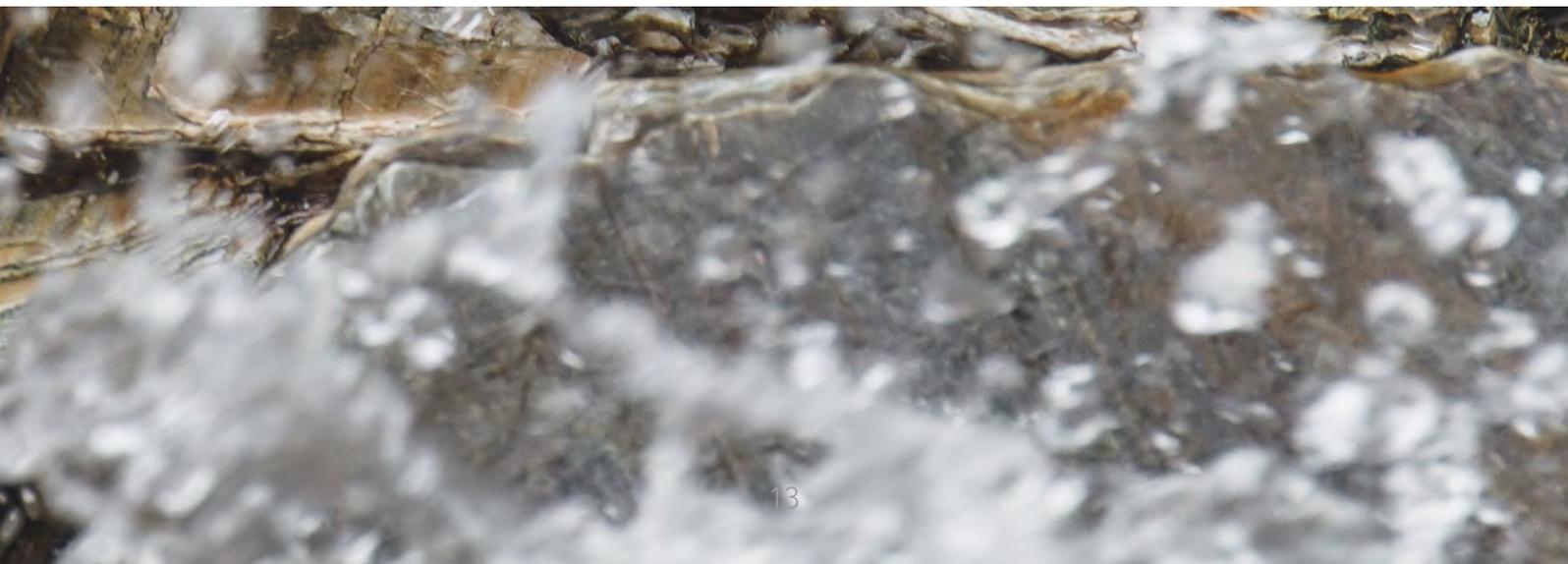
Our brands and the design industry

At Arctic Paper, we learn from students and students learn from working with us. The Munken Agenda is a unique annual design project, that started in 1996. For over a decade, Arctic Paper has collaborated with different European Design Universities in creating an artistic platform for exchanging our passion for providing high-quality products with an eco-friendly and sustainable footprint with creativity and conceptual ideas by artists and designers. For 2019, the creative idea and concept for the Agenda were created by five graphic design students from NABA (Nuova Accademia Belle Arti) in Milan, Italy. The Munken Agenda is perceived as an interesting design reference by art directors, designers and agencies around Europe and the world. For 2020, the concept was created by graphic design students from École Estienne in Paris, France followed by Universities in London, England for 2021 and by the Academy of Fine Arts in Warsaw in 2021 for the year 2022.

Markets served and our scale of operations



95% of Arctic Paper products are delivered to European markets. Which in times of global transportation problems and supply chain crisis helps us to create a relative secure distribution and deliveries reliability. Since years our biggest markets are Germany, Poland, Nordic countries, the Baltics, followed by France, BeNeLux, UK, and Central and Eastern European countries.



Our main achievements and projects in 2021

Arctic Paper works towards business expansion and revenue diversification creating a solid future for our stakeholders and using natural renewable resources. We are focused on developing our products while making a positive contribution toward environment protection in our day-to-day operations.

EACH YEAR WE PLAN AND IMPLEMENT INNOVATIVE AND EFFICIENT SOLUTIONS AMONG ALL OUR AREAS OF OPERATION.

4P Strategy – Future strategy for growth and a diverse, carbon-neutral and renewable group – built on the ambition to grow using the synergies between the two existing pillars, paper and pulp, and new investments in packaging and energy to reach a sustainably higher profitability and resilience of the group with the aim of CO₂ neutral operations for Arctic Paper Group over all 4 pillars by 2035

Development of packing grades – Munken Kraft – for sustainable replacement of plastic packages

Launch of a hydropower plant in Munkedals with an installed power of 6 MW

Start of a solar panel farm in Kostrzyn with a capacity up to 1MW – to increase the share of renewable energy in total energy consumption

All grades from the Grycksbo mill including G-Print, G-Smooth, G-Snow, Arctic Silk, Arctic Matt, Arctic Volume White and Arctic Volume Ice are Cradle to Cradle Certified™

Business model

BELOW WE PRESENT INFORMATION ABOUT OUR BUSINESS MODEL – KEY INPUTS AND OUTPUTS, AS WELL AS BUSINESS ACTIVITIES AND RESULTS.

INPUTS	BUSINESS ACTIVITIES	OUTPUTS	RESULTS
<p>Human capital:</p> <ul style="list-style-type: none"> • 1,200 employees around Europe <p>Manufacturing capital:</p> <ul style="list-style-type: none"> • One mill in Poland and two mills in Sweden • Total production capacity of over 700,000 tonnes of paper per year <p>Natural capital:</p> <ul style="list-style-type: none"> • Pulp • Pigments • Chemical additives • Water • Energy <p>Financial capital:</p> <ul style="list-style-type: none"> • Cash 	<p>Purchasing:</p> <ul style="list-style-type: none"> • Sustainable and ethical sourcing • Compliance with the Code of Conduct for Suppliers <p>Innovation:</p> <ul style="list-style-type: none"> • Eco-friendly products, innovative and efficient production processes <p>Production:</p> <ul style="list-style-type: none"> • Responsibility for the health and safety of employees, the environment and product quality <p>Sales:</p> <ul style="list-style-type: none"> • Compliance with the Code of Conduct <p>Transportation and logistics:</p> <ul style="list-style-type: none"> • Sustainability and lower CO₂ footprint in deliveries 	<p>Recyclable and degradable products:</p> <ul style="list-style-type: none"> • Sheets and reels • Coated and uncoated, wood-free and wood-based paper <p>Service offer:</p> <ul style="list-style-type: none"> • Availability of standard products • Production on demand (adjustable time frame, quality, quantity) • Delivery • Product-specific training for customers and suppliers <p>Emissions and waste:</p> <ul style="list-style-type: none"> • Affecting air, water and land <p>Energy:</p> <ul style="list-style-type: none"> • The mill in Kostrzyn sells heat and electricity • Solar power plant in Kostrzyn • Increased capex for power pillar • Hydropower plant in Munkedals 	<p>Customer:</p> <ul style="list-style-type: none"> • Customer satisfaction • Brand loyalty • Few customer complaints <p>Employees:</p> <ul style="list-style-type: none"> • Stable employment and safe working conditions • Equal opportunities to grow within the organisation • Few accidents • Good relationship with trade unions • Low employee turnover <p>Society:</p> <ul style="list-style-type: none"> • Taxes from employees and company • Provision of local employment • Participation in and support for local initiatives • Commitment into health programmes and initiatives to support employees, their families and local communities <p>Financers and shareholders:</p> <ul style="list-style-type: none"> • Interest and dividends

1.2 Governance and Business ethics

Business ethics

We value transparency in internal and external relations, as any unethical behaviour may expose us to risks of reputational damage and financial loss. Our Code of Conduct contains clear guidelines regarding the business behaviour of our employees, including zero-tolerance for bribes, corruption and other unethical acts.

We are aware of the fact that our sales offices and purchasing and logistics departments are those where the risks of corruption and bribery exposure are the most significant. Our approach to anti-corruption measures in these areas is structurally embedded in our processes.

We have a 7-step approach to procurement, which limits the scope for unethical behaviour. First, we divide item purchases into sourcing groups. Then, we gather information about the sourcing groups and the market. Subsequently, we create a portfolio of potential suppliers and choose a strategy for each sourcing group. We then negotiate with a selection of suppliers, and integrate further with our chosen suppliers. Lastly, we continuously monitor the procurement market to make sure our contracts remain competitive. As all decisions made during this process are never dependent on one person, the risk of bribery or corruption is reduced. For large investment projects, decisions regarding investment purchases are made by a dedicated committee, and we are considering extending this practice to other large purchases. The logistics department has a similar purchasing system in place.

When it comes to sales, we have set price lists approved by our management which are communicated to members of our sales teams. Bonuses to members of the sales team are not tied exclusively to their individual sales performance, but also to the overall financial performance of the company. We offer bonuses to our clients on a semi-annual and annual

basis; however, these are linked to sales volumes, e.g., through sales volume brackets, which are strictly monitored. Arctic Paper does not offer other bonuses (for example in-kind) to clients.

To us, business ethics is very much a question of awareness. A part of the induction programme for new employees includes topics such as laws and regulations, anti-bribery and anti-corruption measures, human rights and environmental responsibility. Since 2018, the programme covers all units within the group. Thus, our key performance indicator in this respect is the number of our employees who have attended such training.

The high target for 2022 will be reached by implementing a training programme for business ethics in all operations within Arctic Paper. In order to speed up the process, the intention is to have a training programme in place not only for new employees but also for co-workers who have been with the company for a long time.

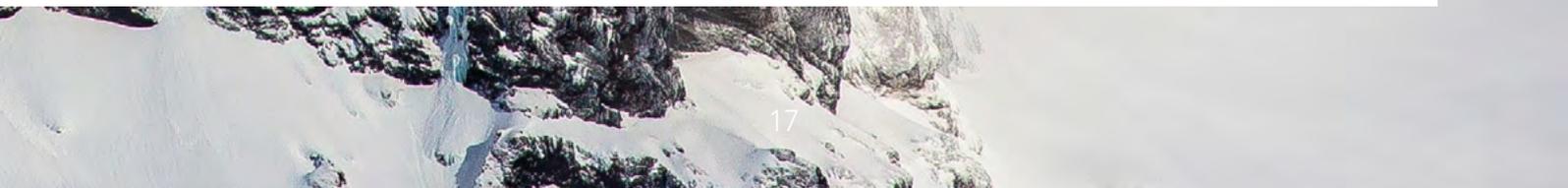
We also aim for our employees to sign declarations that they have familiarised themselves with our Code of Conduct. In 2021 our employees participated in nano-learning in the area of business ethics, which mainly covered corruption and bribery topics.

KEY PERFORMANCE INDICATOR

2021

Number of employees who participated in the Business ethics training programme (per year)

381



Legal and regulatory compliance

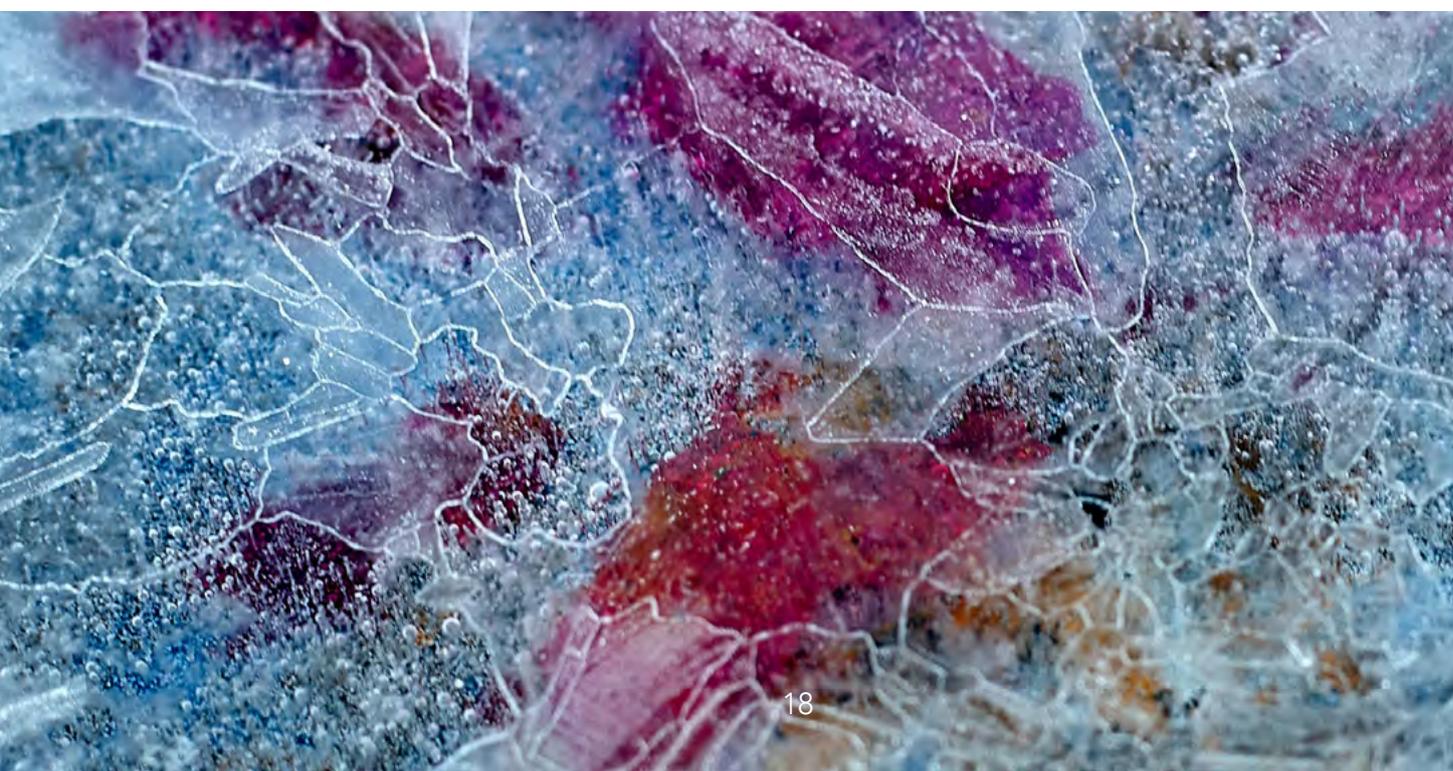
Due to the fact that Arctic Paper SA is a stock listed company, we are obliged to follow the principles outlined in the "Best Practice of GPW Listed Companies 2021". A statement on current compliance with the corporate governance principles of GPW is published on the Arctic Paper corporate webpage. We comply with and adhere to all applicable laws and regulations in the European Union countries where we operate. A large part of those laws and regulations are uniform across the Union, although we are vigilant

about any differences. Legal and regulatory compliance is a business necessity, but also a way for us to ensure the sustainability of our operations.

We monitor the number of open legal cases where Arctic Paper was found guilty of a breach of law or regulation. We separate them into business and non-business related, as well as into fines bigger and smaller than 2 million PLN. With regards to legal and regulatory compliance, our target is to minimise our risk of being sued.

KEY PERFORMANCE INDICATOR		BUSINESS RELATED*	NON-BUSINESS RELATED*
2021	Fine bigger than 2 m PLN	0	0
	Fine smaller than 2 m PLN	0	0

*Business related legal cases are from customers. All others are defined as non-business.



Transparency

Arctic Paper Group is open and transparent in decisions and activities that have an impact on society and the environment.

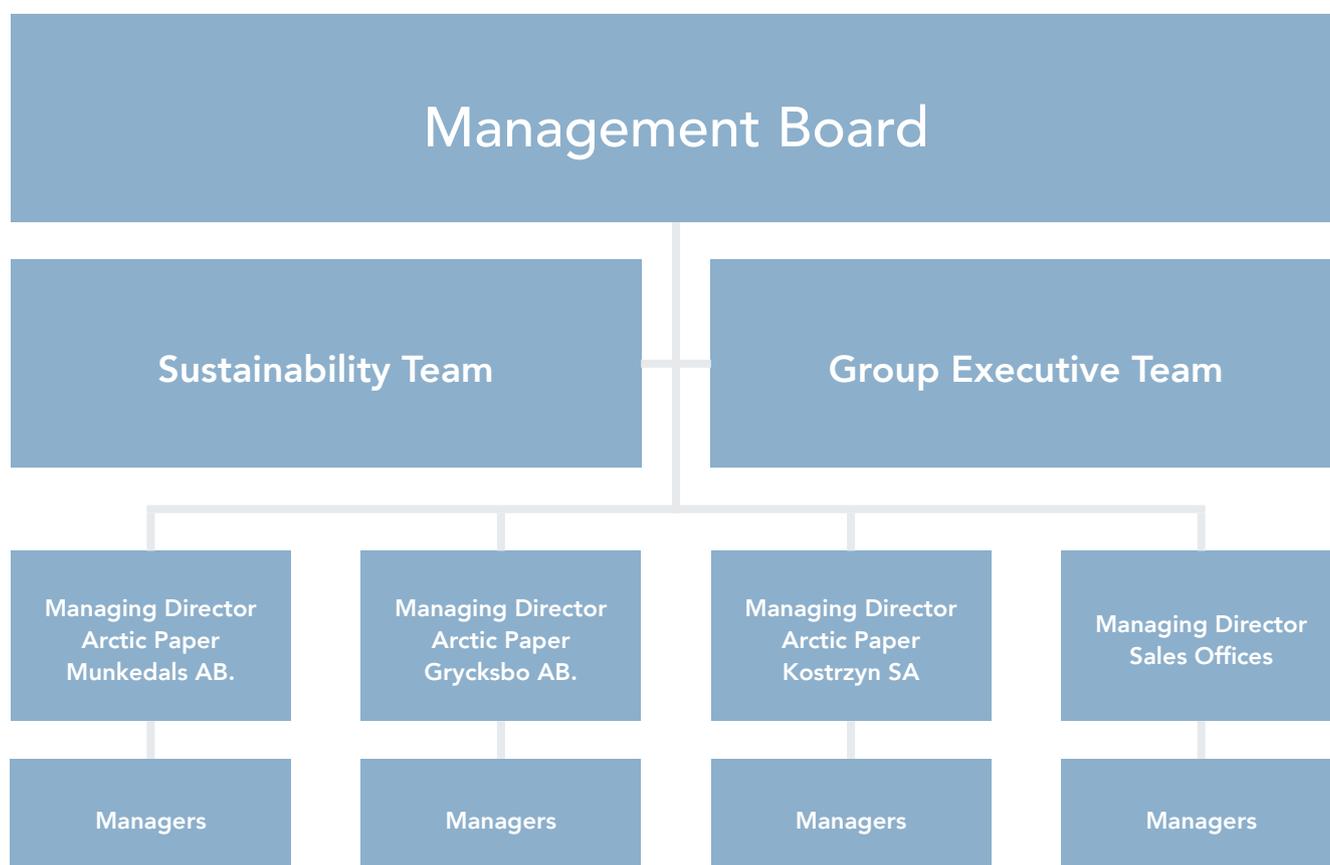
- We are accountable for our actions.
- We always comply with applicable laws and regulations, and we respect, consider and respond to the interests of our stakeholders.
- We behave ethically and actively promote ethical behaviour based on the values of honesty, equity and integrity.
- We believe in fair and free trade. We shall refrain from any kind of bribes and corrupt business

Apart from transparency in internal and external relations, we value constant and transparent communication with our stakeholders, as explained in our Sustainability policy. Our communication matrix shows that we use different communication channels which help us to communicate issues regarding our material themes to different stakeholders. We understand that different topics have varying degrees of importance to our stakeholders.

A commonly used communication channel is our Investors Relations mailbox. Upon receiving a query, the message is forwarded to the person most competent to answer it.

	CUSTOMERS	EMPLOYEES	SUPPLIERS	SHAREHOLDERS
Environment and Climate	<ul style="list-style-type: none"> • EMAS report • "Paper Profiles" • Sustainability Policy 	<ul style="list-style-type: none"> • EMAS report • Sustainability policy 	<ul style="list-style-type: none"> • EMAS report • Code of Conduct and Sustainability Policy • "Paper Profiles" 	<ul style="list-style-type: none"> • EMAS report • "Paper Profiles" • Sustainability Policy
People	<ul style="list-style-type: none"> • Direct communication through sales offices • Code of Conduct and Sustainability Policy 	<ul style="list-style-type: none"> • Intranet, widely accessible to all employees • Meetings, both one-on-one and in groups • Training and education • Whistleblowing reporting system 	<ul style="list-style-type: none"> • Direct communication through purchasing departments • Code of Conduct and Sustainability Policy • Whistleblowing reporting system 	<ul style="list-style-type: none"> • Our Code of Conduct and Sustainability Policy
Business operations	<ul style="list-style-type: none"> • Direct communication through sales offices • Press releases • Meetings 	<ul style="list-style-type: none"> • Training and education • Whistleblowing reporting system 	<ul style="list-style-type: none"> • Whistleblowing reporting system 	<ul style="list-style-type: none"> • Periodic and annual reports • Annual meetings and investors meetings • Press releases • Code of Conduct and Sustainability policy

1. 3 Company's structure and management on sustainability topics



ENGAGEMENT OF THE MANAGEMENT BOARD IN THE ECONOMIC, ENVIRONMENTAL, AND SOCIAL TOPICS

- **Arctic Paper Group strives in its operations to promote environmental protection, an efficient utilisation of resources and energy, and sustainable development.**
- The Arctic Paper Management Board is responsible for overseeing the process of identifying and managing risks in each country where Arctic Paper operates. The Management Board is supported and advised by the Managing Directors of the mills and Managing Directors of sales units.
- The CSR Team, consisting of employees representing various functions and positions within Arctic Paper, holds an advisory role in the process.
- At least every two years Arctic Paper conducts a materiality assessment which defines the most important topics it should contribute to.
- The demands we place on ourselves, we pass on to our suppliers. Our environmental thinking shall as far as possible be the rule outside our company. Every step in the chain, from sourcing of raw materials to suppliers, must live up to our high demands.
- Each company in the Arctic Paper Group must act to maintain a good external environment and a good working environment. The companies must act continuously to improve the internal and external environment within the framework of what is technically and economically reasonable.
- At each stage of the process, from the purchase of raw materials for manufacturing through quality development, marketing and distribution to end customers, we try to minimise our environmental impact on water, air, climate, ground and noise levels.
- Before a decision is made as to new investments, new modified processes, or major changes in the manufacturing process, issues relating to the working environment and the external environment must be assessed in the form of an environmental impact analysis, including energy consumption and evaluated in collaboration with management, authorities and employees. Environmental factors are taken into consideration when marketing the Group's products.
- Arctic Paper Group undertakes long-term environmental planning and monitors development in these matters, both in Sweden and Poland, and on an international scale, as well as monitoring and participating in research projects in this area. Arctic Paper Group must have an open, objective approach to internal and external environment information.

COMPANY SUSTAINA- BILITY



2.1

Materiality assessment

Arctic Paper's key focus is sustainable development in all areas where our business activities have a significant impact. This means that we aim to create value for shareholders, but not at the expense of opportunities for future generations. In sustainability reporting, materiality is the principle that determines which relevant topics are so important that it is essential to report on them. Not all material topics are of equal importance, and the emphasis within a report is expected to reflect their relative priority. Thus, the reporting organisation should conduct a materiality assessment.

Our three key sustainability aspects – the Environment, People and Business Operations – have been chosen based on a materiality assessment that was carried out in 2017. We constantly review and internally validate the list of material aspects, from which we arrived at our materiality mix. The materiality mix continues to be the basis of Arctic Paper's sustainability work and reporting structure.

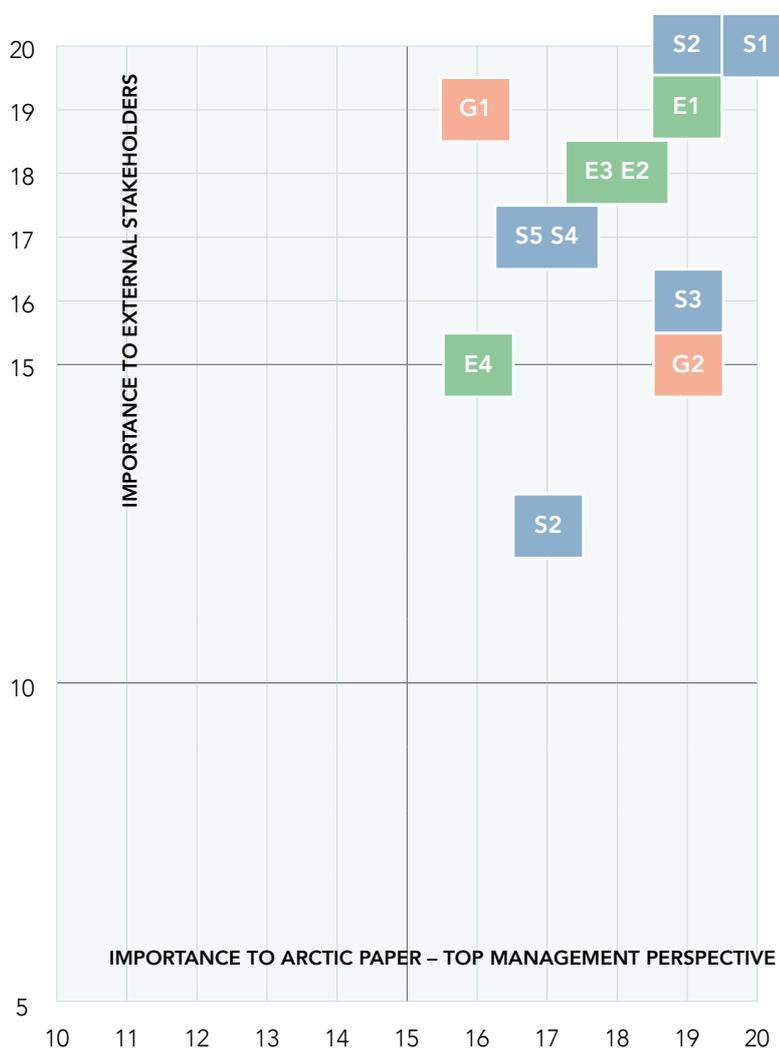
At the end of 2020 we invited our 3 main groups of stakeholders to participate in our CSR Survey and to share their opinions and recommendations regarding our future CSR activities and areas of engagement: employees (491 respondents), clients (24 respondents) and other stakeholders (20 respondents), among whom were:

- suppliers
- NGO representatives
- authorities
- local communities
- universities
- schools and representatives of creative industries

All topics were assessed against the following criteria: importance to the company and importance to the stakeholders, using a scale from 1 (low importance) to 20 (high importance). Their opinions help us to decide which aspects of our responsibilities should be our priority for the future. We have analysed the results and prepared new Arctic Paper Materiality Matrix based on environmental, social and governance (ESG) criteria.

Arctic Paper Materiality Matrix

The results of the stakeholder survey and management valuation of sustainability factors is shown in condensed form in the materiality matrix below.



7 TOP MATERIAL ESG TOPICS

S1	Health and safety of the employees	40
S2	Customer satisfaction	39
E1	Climate change	38
E2	Water consumption management and minimising water pollution	36
E3	Sustainable circular production system and waste management	36
S3	Working conditions and employee satisfaction	35
G1	Business ethics: legal & regulatory compliance, anti-corruption measures, transparency	35

OTHER ESG TOPICS

S4	Training and development possibilities	34
S5	Human rights protection in the workplace and in the supply chain	34
G2	Influence of COVID-19 pandemic on business – company resilience	34
E4	Offering more eco-friendly, certified products	31
S6	Diversity and inclusion	30

KEY FINDINGS:

The fact that Arctic Paper engages in sustainable development activities is important or very important for stakeholders

All groups stated that Arctic Paper has made progress regarding sustainable development

According to more than half of Arctic Paper clients, the company is one of the leaders in sustainable development

Almost 80% of clients state that Arctic Paper's cares about customer satisfaction, and as research shows, this topic should be one of the most crucial for Arctic Paper

Reducing the impact on climate change should be a priority for the next 3 years according to stakeholders

85% of representatives of the group of other stakeholders declared that it is important to them and their organisation to understand the goals and plans of Arctic Paper



	BASIS FOR SELECTION	IMPORTANT SUBJECTS	ARCTIC PAPER ACTIONS
Customers	Main source of value creation	<ul style="list-style-type: none"> • Environmental impact of production and ways of improving its efficiency • Preventing deforestation: pulp sourced from sustainably managed forests • Compliance with laws and regulations • Meeting sustainability goals while offering competitive prices • Offering more eco-friendly, certified products and packaging solutions • Customer satisfaction and managing consumer complaints • Effective transport and logistics • Workplace ethics and principles • Communication with customers regarding sustainable development activities • Support and education of clients and end users 	<ul style="list-style-type: none"> • Transparent presentation of environmental performance, such as in the EMAS-report • Using pulp manufactured from suppliers certified by FSC® or PEFC™ • Development of new sustainable and renewable products and services • Effective claim handling system • Reduction of the share of transport with the use of engines with standards lower than EURO 5 • Business ethics trainings for employees • Meetings with customers trial printing of new products
Employees	Key capital for our ability to produce and sell our products	<ul style="list-style-type: none"> • Environmental impact of production and ways of improving its efficiency • Initiatives to improve the well-being of employees • Health and safety • Training and development possibilities within organization • Communication with the employees • Human rights protection in the workplace • Company involvement in local communities 	<ul style="list-style-type: none"> • Mill-specific action plans for health and safety • Training programmes • Remuneration routines • Financial participation in health and well-being initiatives and activities, supporting employees and their families • Partnerships and sponsorships with local cultural and sports associations

	BASIS FOR SELECTION	IMPORTANT SUBJECTS	ARCTIC PAPER ACTIONS
Suppliers	Significant impact on our production capabilities	<ul style="list-style-type: none"> • Responsible approach towards our supply chain • Business ethics • Human rights protection in the supply chain 	<ul style="list-style-type: none"> • Audit of a major pulp supplier using a detailed form • Following the Arctic Paper Code of Conduct for suppliers • Looking for more efficient and sustainable ways of transportation
Authorities/NGO's/Local communities	Compliance with legal obligations	<ul style="list-style-type: none"> • Compliance with legal requirements • Minimising the negative impact of business operations • Human rights protection in the supply chain • Human rights protection in the work place 	<ul style="list-style-type: none"> • Transparent reporting and communication both for financial and non-financial performance • Active participation in sectoral initiatives • Following Arctic Paper's Code of Conduct and Diversity Policy
Shareholders	Expectations of return on investments	<ul style="list-style-type: none"> • Support for Arctic Paper's sustainability work • Potential business risks related to sustainability issues • Sustainable circular production system and waste management • Providing information regarding regarding its approach to environmental issues 	<ul style="list-style-type: none"> • Transparent reporting and communication, both for financial and non-financial performance • Strategy publication • Meetings and dialogue with investors



2.2 Our contribution to the Sustainable Development Goals

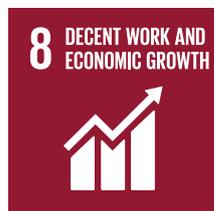
In 2015, the United Nations published a comprehensive list of 17 Sustainable Development Goals (SDGs). As sustainability is deeply integrated into the daily operations of Arctic Paper, we decided to match the material themes described above with the SDGs. We have identified eleven SDGs that we find are the most relevant to our operations and to which Arctic Paper can best contribute.

People

WHAT ARCTIC PAPER IS DOING



- Impact on Arctic Paper core operations
- Impact on Arctic Paper value chain



- Impact on Arctic Paper value chain

- Systematic approach to health and safety in each mill
- Annually approved action plans for health and safety
- Occupational healthcare service on all sites
- Rehabilitation services on offer
- Keeping a register for analysis and prevention of accidents
- Implementation of whistleblowing system and interactive trainings for employees across the entire organisation
- Implementation of Diversity Policy
- Regular performance audits for employees (salary mapping)
- Cooperations with local and international schools and universities in Europe

Environment

WHAT ARCTIC PAPER IS DOING



- Impact on Arctic Paper core operations
- Impact on Arctic Paper value chain

- State of the art water treatment facilities at all sites
- Plans in place to improve water efficiency
- Measurement and monitoring of indicators of water inflow and outflow
- Employee education with regards to environmental behaviours
- Improvements in energy efficiency
- Measurement and monitoring of emission indicators
- All mills are ISO14001 certified and fulfil EU EMAS regulations
- Measurement and monitoring of waste management indicators
- Restoring fish breeding habitat in the Munekdal river (see 4.5 Biodiversity)

Business operations

WHAT ARCTIC PAPER IS DOING



- Impact on Arctic Paper core operations
- Impact on Arctic Paper value chain

- Responsible supply chain practices
- 4P Strategy – Power, Paper, Pulp, Packaging – implementation of business operations diversification towards carbon footprint neutral company and investment plans for eco-friendly energy sources including solar panel and wind farm
- Strong focus on measuring and minimising the environmental impact of our business operations
- Cooperation with local communities, industry associations
- Sharing knowledge and experience with institutional partners

2.3

Responsible business

For Arctic Paper Group, sustainability is the foundation of our business: we believe that you can't run a business without considering the organisation's impact on the environment and society. We want to leave the smallest possible footprint, while having the greatest possible positive impact on our stakeholders. This is our responsibility as a company which employs more than thousand employees around Europe, supplies its products to customers around the world, and whose production process is based on the use of renewable raw materials. This is manifested in our new Sustainability Policy which we implemented at the end of 2021.

The Sustainability Policy presents our approach to sustainable development. It is based on the ESG approach and centred around the three pillars: Environment, Social and Corporate Governance. We are committed to making a positive contribution to the UN Sustainable Development Goals.

Our Sustainability Policy intends to set out general principles for approaching ESG (Environmental, Social and Corporate Governance) and sustainability topics. It sets the framework for managing these topics within the Arctic Paper Group.

The Policy acknowledges the importance of sustainability topics to the Arctic Paper Group, its business model, long-term goals and day-to-day operations. The management rules of the ESG issues, which include

the Sustainability Policy, are the foundation for implementing a sustainability approach to support the company's objectives. The Policy has an educational role.

Arctic Paper Group's goal is to ensure that everyone knows and will follow the Policy in their daily operations. In order to make that happen, emphasis will be placed on the education of managers and top management. As a responsible organisation, Arctic Paper Group takes numerous measures to contribute to sustainable development. This policy breaks them down into environmental, social and corporate governance areas.

At least every two years, Arctic Paper SA conducts a materiality assessment, defining the most important topics it should contribute to.

THE SUSTAINABILITY POLICY IS SUPPLEMENTED BY THE FOLLOWING POLICIES IN PLACE AT ARCTIC PAPER GROUP:

- Code of Conduct Policy,

- Code of Conduct for Suppliers,

- Diversity Policy.

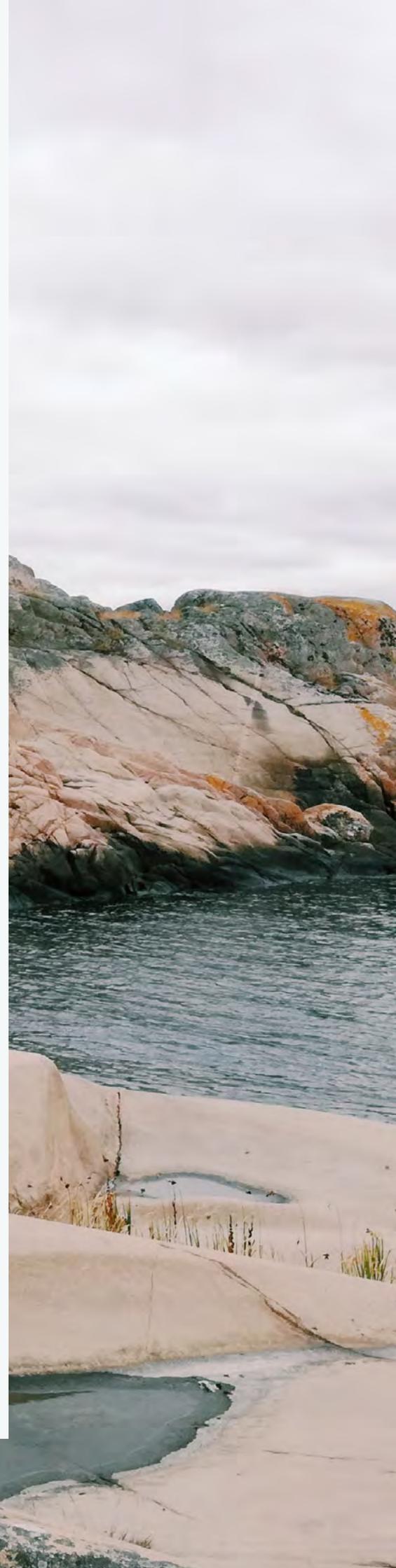
The implementation of the policies is supported by guidelines and instructions from the management which helps everyone within the organisation to understand their impact and obligations.

2.4 Principal risk and their management

In order to sustainably create value over the short and long-term, we need to periodically identify, analyse and mitigate the risks facing our organisation. In our business model we have to take into consideration a number of risks, dependencies and opportunities in the whole value chain, from raw material to transportation of our products to the customers. Increasingly important is to value the risks and opportunities related to climate.

Since 2019 we have expanded our report by reporting CO₂ emissions not only from our own mills but also from our major suppliers of raw materials, energy and transportation companies. We have also described the potential risks connected to climate change. Climate change also offers an opportunity for our company in that we can be part of the solution by offering products manufactured from renewable sources that can substitute for products based on fossil-fuel sources.

Since 2020, the COVID-19 pandemic has become a major public health emergency and has created a new kind of global risk factor for the business environment around the world. Everyone needs to assess and manage the risks of COVID-19, and in particular, businesses should consider the risks to their employees and contractors. As an employer, Arctic Paper also has a legal responsibility to protect its employees from risk to their health and safety. We also need to make the effort to assess and manage the risks of COVID-19 as a possible serious threat to our daily business operations which may have a significant impact on the financial condition of the Arctic Paper Group both currently and in the future.



Our principal risks are explained in the table below, together with an overview of actions taken to mitigate them. More detailed information with regards to specific mitigation plans can be found in later sections of the report, categorised by theme.

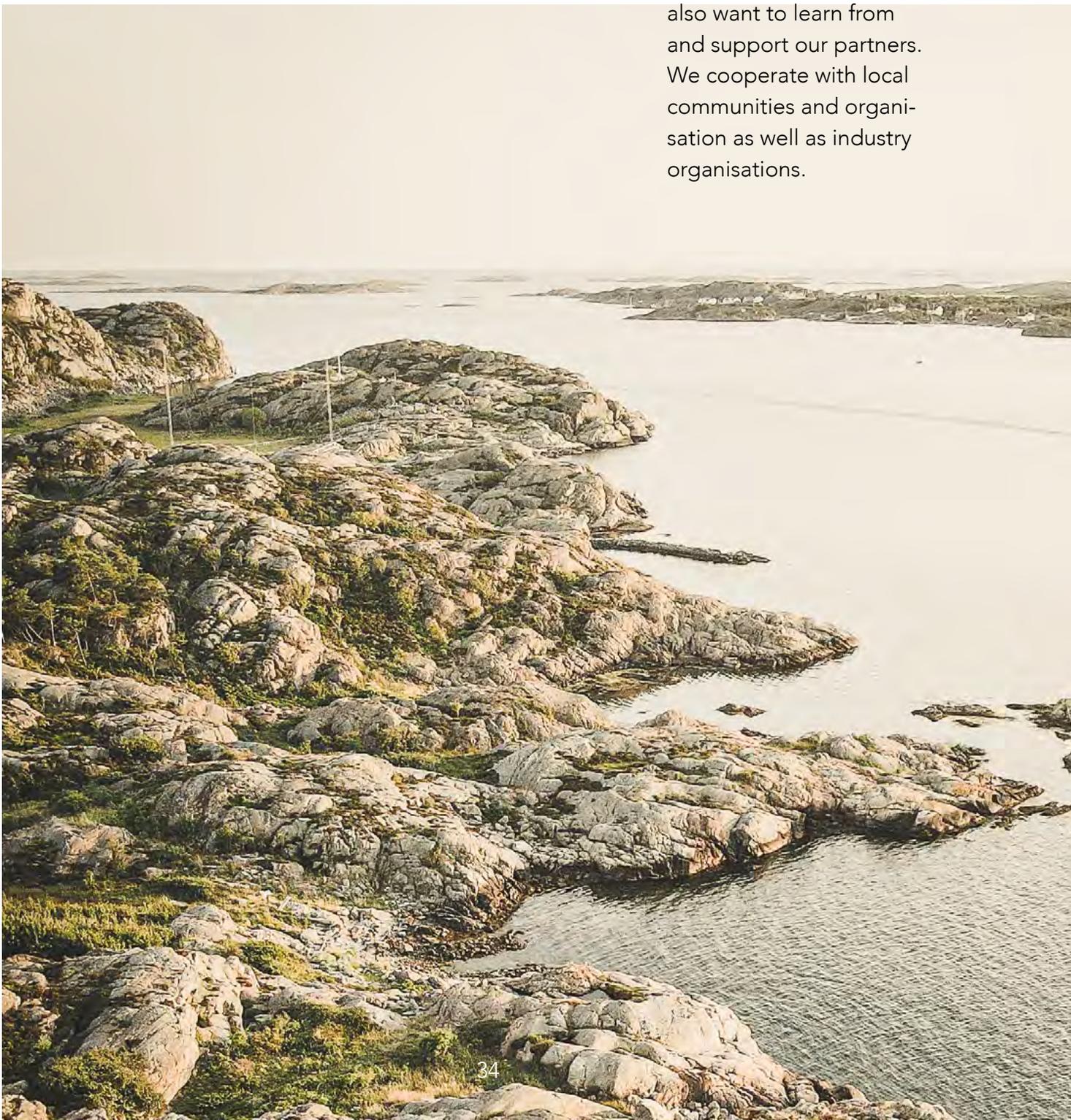
	RISK	IMPLICATIONS	MITIGATING ACTIONS TAKEN
Environment and climate	Not meeting national or EU-wide legal requirements with regards to environmental standards	<ul style="list-style-type: none"> • Fines from authorities • Reputational damage • Possible personal responsibility • Disruptions in operations 	<ul style="list-style-type: none"> • Careful monitoring of environmental standards and indicators • Early reaction system to changes in regulation • Introducing efficiency-improving technologies
	Unintentional damage to the environment		<ul style="list-style-type: none"> • Careful monitoring of environmental standards and indicators • Compliance with regulations and procedures
	Climate change can have an impact on the physical conditions for production	<ul style="list-style-type: none"> • Disruptions in operations due to: • Drought • Flooding • Landslide • Malfunction in electrical equipment • Reputational damage • Raw material sourcing • Energy sourcing 	<ul style="list-style-type: none"> • Reducing water consumption • Increasing water by-pass capacity • Improving drainage • Plans for supply allocation • Increasing of cooling capacity for sensitive electric equipment • Allocation of raw materials to core products and markets • Reducing specific energy consumption • Investing in renewable energy sources
People	Lack of competent employees (e.g., due to competition or difficulties in finding new employees to replace an ageing workforce)	<ul style="list-style-type: none"> • Disruptions in operations (insufficient quantity or quality of products) • Financial loss – money invested in training is lost 	<ul style="list-style-type: none"> • Creating an attractive and ethical workplace to attract and retain employees • Trainings and talents acquisition
	Accidents at work	<ul style="list-style-type: none"> • Disruptions in operations • Departure of qualified personnel • Need for new investments at production sites if the damage is extensive • Fines from authorities 	<ul style="list-style-type: none"> • Health and safety training performed on a regular basis • Detailed analysis of all incidents – from risk observation to injuries • Improvement plans in place for all our mills • Dedication to a zero-injury environment



	RISK	IMPLICATIONS	MITIGATING ACTIONS TAKEN
People and Business operations	Limited visibility over suppliers and their human rights practices	<ul style="list-style-type: none"> • Disruptions in operations • Reputational damage • Financial loss 	<ul style="list-style-type: none"> • Scrutiny over actions of suppliers in the form of signed declarations • Implementation Code of Conduct for Suppliers
	Global pandemic (i.e. COVID-19)		<ul style="list-style-type: none"> • Implementation of policies, building an awareness and routines among the entire organization in order to protect our employees and the operations • Keeping and promoting high health standards among employees and contractors
Environment and Business Operations	Shortage of pulp on the market, inability to buy certified pulp	<ul style="list-style-type: none"> • Disruptions in operations • Financial loss • Loss of customer credibility 	<ul style="list-style-type: none"> • Careful monitoring of the market • Building long-term relationships with qualified suppliers
	Disruptions in the energy market (e.g. lack of energy access or poor fuel quality)		<ul style="list-style-type: none"> • Diversification of sources of energy, seeking new energy investments
	Poor weather conditions (e.g. flooding) (see also "climate")		<ul style="list-style-type: none"> • Continuity plans developed for mills
	<ul style="list-style-type: none"> • Country-specific risks – linked to the supply chain, production, and distribution • Risk due to climate change 	<ul style="list-style-type: none"> • Disruptions in operations • Financial loss • Increased regulatory burden • Reputational damage • Raw material sourcing • Energy sourcing 	<ul style="list-style-type: none"> • Careful monitoring of world affairs of the global business environment • Building long-term relationships with qualified suppliers

2.5 Arctic Paper's Partnerships

At Arctic Paper we value our partnerships with external partners and see the positive impact of such cooperations on our company and our employees. We are eager to share our experience and knowledge as a business partner and also want to learn from and support our partners. We cooperate with local communities and organisation as well as industry organisations.



Some of our partnerships

- The Munkedal mill has established a very close and long-term (20-year) cooperation with the high school focusing on the technology of the production process. The school is situated at the mill facilities, which means the mill is ideally positioned to offer apprenticeship training to the students. The mill sponsors one teaching post with extensive knowledge in paper manufacturing. In return, the school is one of the mill's most important recruitment sources. Arctic Paper Munkedals also grants a scholarship to the student with the best exam result each year.
-



- Arctic Paper Grycksbo and Arctic Paper Munkedals are members of the Swedish Forest Industry Association (Skogsindustrierna). The Swedish Forest Industry Association acts as a forest industry employer association working with labour unions and various authorities, and as a technical institution with a focus on supporting the industry by creating knowledge within such areas as the environment, energy product safety, standardisation and forestry management; presenting this knowledge and the industrial perspective to politicians and authorities.

We actively participate in the work of the association sitting on different committees. During 2021 Arctic Paper was represented on the energy committee and the environmental committee. For over a decade Arctic Paper has held the position of chairman of the environmental committee. In 2022, we will increase our engagement by participating in the product safety committee as well.



- In Poland, Arctic Paper Kostrzyn is an active member of The Association of Polish Papermakers – an organisation of scientific, technical and managerial qualities with individual and corporate members whose activities are connected with the paper and paper converting industries.
-
- Our mills are members of various regional chambers of commerce. Through these memberships we can create possibilities to network with professionals from other industries. This is a way of developing fruitful partnerships both for individuals and businesses by informal learning and the exchanging of experiences.
-
- Arctic Paper is an active member of local communities where our mills are situated.

We support them by sponsorship activities for sport and cultural events, including: a football team, floorball team and a table tennis team. We donate an annual supply of free scrap paper to schools, kindergartens and clinics in the vicinity of the city of Kostrzyn nad Odrą.

2.6

Key business performance indicators

Arctic Paper's approach to corporate responsibility is centred on sustainability of operations, in particular with regard to the mills. We have therefore established a set of key business performance indicators, which are periodically measured and reported to management. These indicators allow us to better understand our impact on the environment and our employees, as well as better understand our business operations. Following this assessment, we can react accordingly.

In 2021, Arctic Paper reviewed main key business performance and set new targets for longer time perspective.

HERE ARE SOME EXAMPLES OF KPI WE MEASURE. MORE DETAILED KPI'S ARE SHOWN IN FOLLOWING CHAPTERS AND HISTORICAL DATA ARE INCLUDED IN TABLES AT THE END OF THE REPORT.

Environment & Business operations

Value chain: % of pulp suppliers who are FSC® and/or PEFC™ certified

We are aware of the fact that the environmental integrity of our business relies in part on our suppliers. As we source pulp for our production from a number of suppliers, we expect them to share our values with respect to environmental sustainability. Our aim is to be sourced by responsible and sustainable pulp suppliers who possess FSC® and/or PEFC™ certifications

Share of pulp suppliers who are FSC® and/or PEFC™ certified

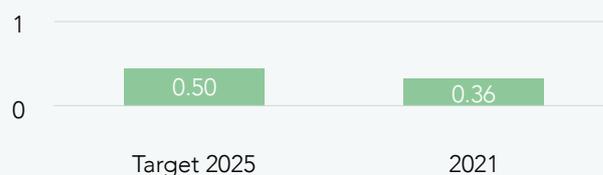


Business operations

Value of complaints as share of annual turnover

We want our customers to be satisfied with our approach to sustainability and our products. All complaints are carefully categorised and evaluated by our sales team and management. We aim to minimise the cost of claims, keeping in mind that not all complaints may be substantiated. The high increase in sales revenues is mainly due to price increases triggered by the rapid and substantial price increases in pulp, the major raw material.

Value of complaints as share (%) of sales revenue. Sales revenue of 2021 (in MPLN) 2,431



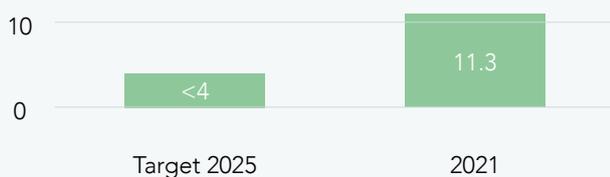
People

Injuries per million work hours

We have a systematic approach to safety. We train our employees on an annual basis and ensure that our management is well-equipped to handle safety emergencies. We also have programmes for risk assessments. When problems are identified during the production process, targeted continuous action plans are put into place. In addition, we have trained rescue teams at all of our mills. We are committed to minimising the number of injuries at our workplaces.

During 2021 there was an increase in number of injuries. After the investigations we found that they are mainly due to human errors. As we are very concerned regarding the negative development regarding number of injuries, we will increase our focus on behavioural safety and on preventive activities in order to further develop our safety culture.

Lost time injuries per million work hours

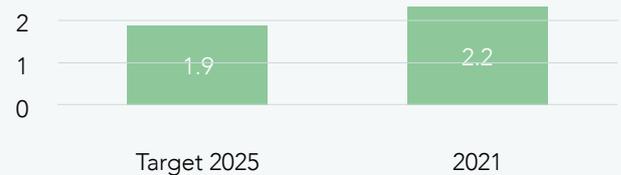


Environment & Climate

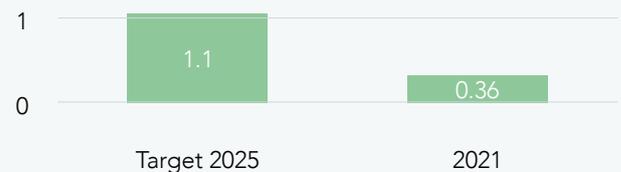
Energy consumption: Total net energy consumption (MWh/tonne of paper)

We are committed to improving the energy efficiency of our operations. Investments in this area will have a positive effect on the environment, due to decreased emissions of pollutants, and on our financial performance.

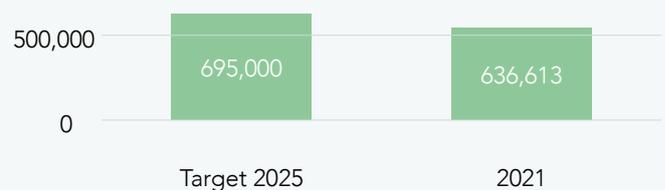
Total net energy consumption* (MWh/tonnes of paper)



Of which from internal energy production based on renewable sources** MWh/tonnes of paper



Tonnes of paper produced



* Energy sold to external partners not included. Target of 2025 and figures for 2016-2020 are recalculated by including purchased heat.

**Biomass and hydropower

SUSTAINABLE SUPPLY CHAIN FOR CLIENT SATISFACTION



From our perspective as Arctic Paper's customer it is important that Arctic Paper continue to maintain the highest product quality.



Our business operations are based on well-established and trusted relationships with different stakeholders. Therefore, we need to ensure that all of our business operations are transparent – from sustainable sourcing, the production and delivery of our products, to the communication of our results to external stakeholders.

Arctic Paper cooperates with a wide network of suppliers from around the world. These suppliers provide us with raw materials, chemicals, energy, logistics and other services that enable us to serve our customers. Aside from the sustainability of our own operations, it is crucial that we consider the approach taken by our suppliers. We aim to choose suppliers who can and are willing to assure us that they respect our values with regards to People and the Environment. Our suppliers have to follow the Code of Conduct for Suppliers of Arctic Paper .

In addition, we want to be transparent and ethical in everything we do. We have established and follow a Code of Conduct and Sustainability policy, however, we are aware of the need to raise awareness of these topics among our employees.

3.1 Responsible supply chain

Arctic Paper is deeply integrated into the global value chain. We have over 200 suppliers of materials, 30 of whom cover more than 90 percent of the purchased value and are considered core suppliers.

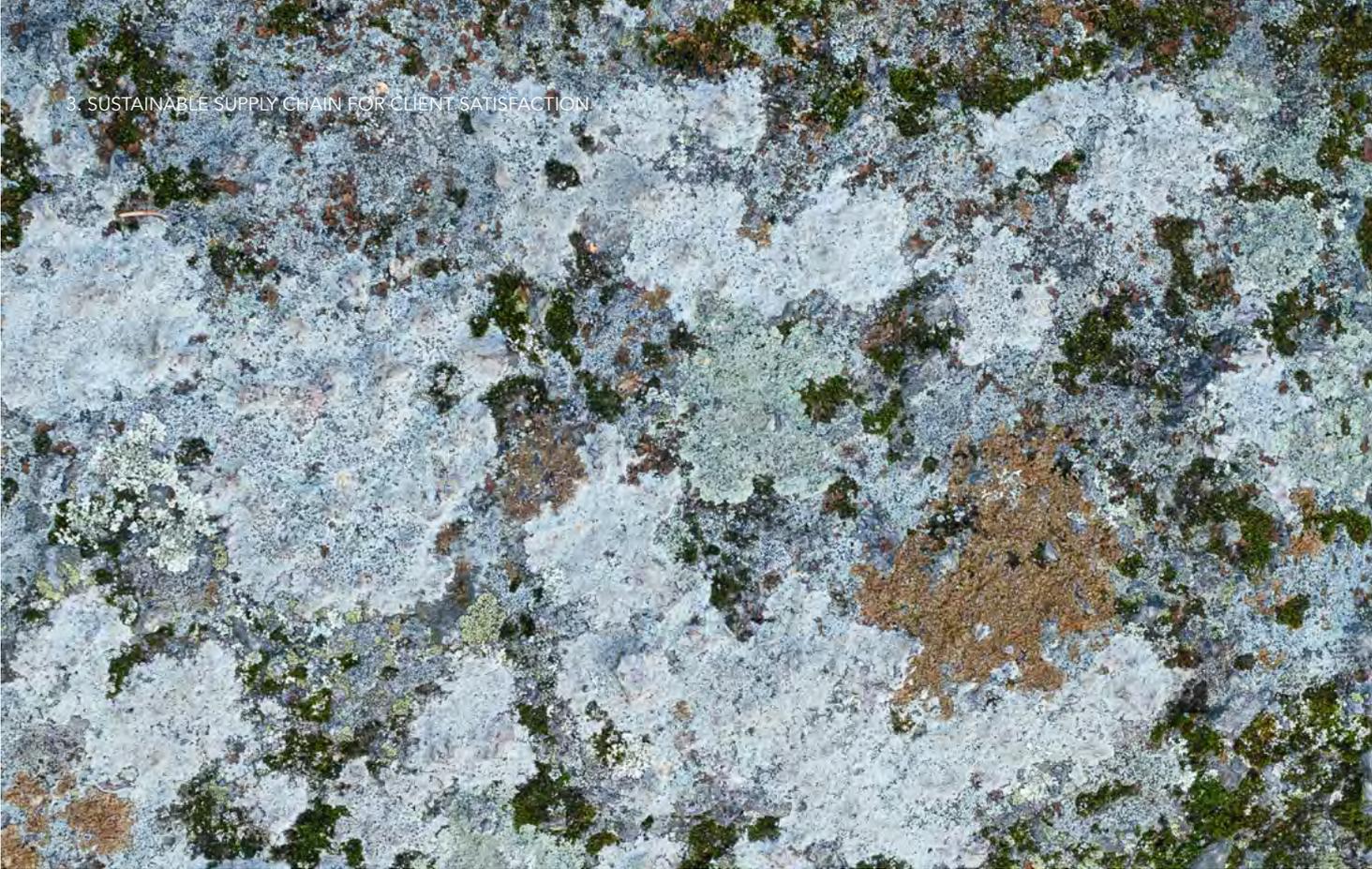
In our paper mills, we have procedures to help us produce paper with the smallest possible direct impact in terms of pollutants to water, air and land (waste). As the environment has no borders, the impact of our suppliers is of high importance, hence we gather information regarding their environmental performance so that we may make informed purchase decisions based on product specifications and environmental performance. Today the supplier with an excess of 90 percent of purchased value provides us with environmental declarations, which helps us to perform a life-cycle analysis for our products.

To ensure that our core Suppliers take a responsible approach to their business, we ask them to submit a specific written report. This report is meant to detail their environmental performance with regards to energy consumption, pollutants to air, water and raw materials – in particular wood. We also ask them for information as to whether a Code of Conduct and a Corporate Social Responsibility policy are in place. At the same time, we expect our suppliers to take note of our Code of Conduct and Corporate Social Responsibility policy. We wish to follow a similar approach with regard to the rest of our suppliers.

Arctic Paper expects its suppliers to comply with the high standards and values represented by our organisation. From 2019 we started a procedure by which all our suppliers are required to comply with our Code of Conduct for Suppliers either by signing our Code or by the supplier providing us with an equivalent document. We managed to achieve 90% compliance by the end of 2021, with the longterm target of all our suppliers complying with the above.

Our Code of Conduct for Suppliers of Arctic Paper covers the most important areas: Laws and Regulations, Human and Labour Law, Corruption and Bribery, and the Environment. This document is attached to each contract and is expected to be signed alongside the contract. Suppliers are also expected to follow the requirements set forth in this document. The Code of Conduct for Suppliers applies to all Arctic Paper suppliers as well as all third parties contracted by our suppliers.

Those suppliers who have their own Code of Conduct or CSR policy which are compatible with the Arctic Paper values described in our Code of Conduct for Suppliers, are asked to provide us with a copy of the appropriate documentation. This is equivalent to signing the Arctic Paper Code of Conduct for Suppliers.



3.2. Environmental assessment of suppliers and responsible sourcing

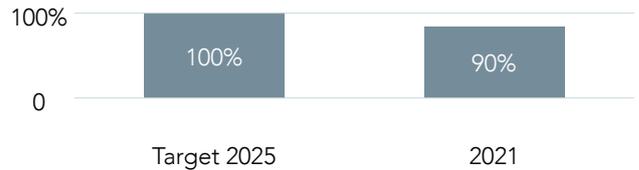
Due to the nature of our business, we devote a lot of attention to our pulp suppliers in particular. We additionally expect them to fulfil the demands of the FSC® and PEFC™ certification, and hence be audited by a third party in relation to forest management.

If we believe that our partner does not comply with our ethical requirements, we aim to confront and challenge them to change their behaviour, whereby Arctic Paper may offer guidance specifying which issues need to be improved. The supplier is then expected to take corrective actions, within a reasonable time, in order to meet the requirements in question. In the event that we are unsuccessful, we are prepared to end the cooperation.

We find it important to verify the statements of our pulp suppliers, which is why products sent over by our suppliers are subject to a three-step verification procedure. First, we ask our suppliers to submit an environmental declaration, safety data sheets (following REACH EU Regulation) and the technical parameters of their products. Second, we test small samples of the products in our laboratories, to see if they possess the stated properties. Third, we conduct mill trials to see how the products behave in the production environment. Similar procedures are used for other suppliers. We also perform yearly checks into the validity of certificates possessed by our suppliers. In this way, we are able to certify the quality of our products. In this spirit, we also perform audits of our suppliers, to confirm their compliance with our Code of Conduct for Suppliers.

Due to Covid-19 pandemic global restrictions and in order to keep our employees and our suppliers' employees safe we postponed the planned audits. Since then the pandemic conditions have not changed, unfortunately, therefore we decided to postpone the audits again and come back to them when the situation stabilises.

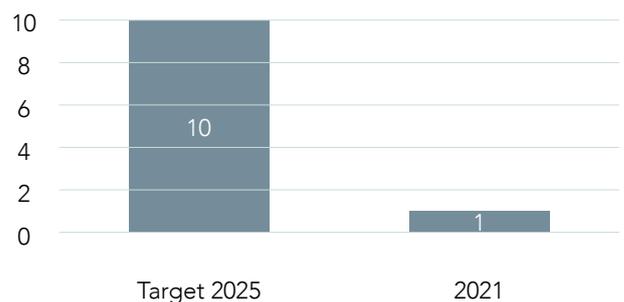
Share of core suppliers providing existing signed environmental declarations



Share of core suppliers who signed the Code of Conduct for Suppliers or has their own code of conduct



Number of suppliers who are subject to audits performed by Arctic Paper to confirm compliance with the Code of Conduct for Suppliers



Since 2019 in cooperation with the Book Chain Project, we have been evaluating Arctic Paper Kostrzyn's processes for responsible sourcing. The outcome of the evaluation helps us to improve our shared best practices and processes at the mill, and see the new opportunities and challenges which we face when managing responsible sourcing. We demonstrate a deep understanding for the sourcing countries of raw materials and the sustainability issues at forest level and have put strong, formal processes in place to keep up to date with new developments relating to forest issues/ challenges. We regularly visit our supplier mills, to evaluate their environmental performance, forest plantations and nurseries. We follow industry analysts from Brian McClay and Hawkins Wright. We also work with NEPCo, who share information and suggestions on sourcing countries. Each time we request a written report on environmental performance from our suppliers, and gather extensive data on energy, air and water pollutants, and raw materials.



OUR PURCHASING POLICY INCLUDES REQUIREMENTS TO ESTABLISH FIBRE TRACEABILITY, TO ENSURE NO PRODUCT CONTAINS CONTROVERSIAL SOURCES DEFINED AS:

- Illegally harvested forest or harvesting not approved by the authority in question;
- Wood harvested in opposition to traditional or citizen's rights;
- Wood from high conservation-value forests;
- Wood harvested in areas being changed from naturally occurring forest into plantations;
- Wood harvested in an area where genetically modified trees have been planted;
- Wood harvested in violation of ILO principles (International Labour Conference 1998 – ILO Declaration on Fundamental Principles and Rights at Work).

We believe that the strength of our supply chain is based on reliable, long-term relationships with our suppliers. We make changes in our supplier portfolio to improve standards in all respects – economic, ethical and environmental. If a correction is necessary, we are open to re-establishing relations with previous suppliers once the correction has taken place.

3.3 Transportation

Effective and sustainable transport was one of the subjects underlined by our stakeholders as a result of Arctic Paper's stakeholders survey. The impact of transport on pollution and the overall condition of our environment is undeniable. When deciding on which companies we can entrust with transporting our products, we announce bids for particular routes. Factors we take into consideration when deciding on transportation services are the quality of the documentation provided, the price offered and the impact a given transport operator has on the environment.

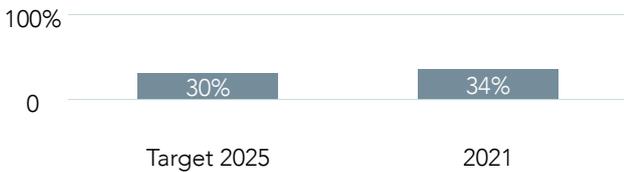
Transport operations cause noise, emissions to air and consumption of fuels (mainly fossil fuels). Truck engines are divided into various EURO classes, in which higher figures represent engines with lower emissions, especially of nitrogen oxides and carbon monoxide. We keep track of transportation statistics, which cover the transport of ready goods from our mills to their places of destination. We are focused on increasing the percentage shares of operations of EURO 5 and EURO 6 classes.

THUS OUR TARGET FOR THE YEAR TO COME IS TO EMPLOY ONLY TRUCKS WITH ENGINE CLASS EURO 5 AND ABOVE.

Share of Euro 3 and Euro 4 engine class



Share of Euro 5 engine class



Share of Euro 6 engine class



The large transportation companies that are our main supplier of transportation services are focused on high transportation efficiency combined with an environmental profile, thus they are continuously renewing their vehicle fleets which moves the density point towards the higher EURO classes.

Having regard to the huge environmental effect of transportation, we want to increase the efficiency of our transport chain while reducing CO₂ emissions by implementing intermodal transport into our logistics process.

In 2020 and 2021 around 20% of deliveries made from our mills to our customers were transported as intermodal transport. Although our target will be to increase intermodal transportation wherever possible, this needs to be done in cooperation and with the approval of our customers as intermodal is more time-consuming and requires different planning by both sides than traditional truck transportation does.

3.4. Commitment to client satisfaction

Our customers are one of main stakeholders of Arctic Paper. Customer satisfaction is one of the top material aspects of maintaining the integrity of our operations. We want to be sure that our customers are satisfied with the way we carry out business and with the products and services we provide them. Our customers pay attention to our efforts to manage Arctic Paper as sustainable business and their feedback is of high importance to us. This way we can grow and evolve while meeting their expectations and needs. Our customers value our high-quality products and innovative attitude when providing new eco-friendly products and solutions. For this reason, we carefully monitor all customer complaints and listen to their opinions about our products and operations.

We categorise and evaluate all submitted complaints. Evaluation is primarily done by our sales teams and when necessary by management. We make sure that every complaint is addressed and resolved. Our target is to minimise the value of complaints, while remaining aware of the fact that not all complaints submitted to us are substantiated.

Value of complaints as share (%) of sales revenue. Sales revenue of 2021 (in MPLN) 2,431



Actions are continuously taken to diminish the risk of complaints. In 2019, our technical teams from three mills drafted a new Complaint handling procedures and policy, and issued General Recommendations for handling and accepting complaints. These documents aim to create, from the perspective of the sales company and customers, a predictable, consistent, time and cost-efficient claims handling process.



ENVIRON- MENT AND CLIMATE



4.1 Management approach

Arctic Paper has a long-standing and pioneering commitment to environmental and social sustainability.

We are proud of creating positive value by enabling and encouraging customers to use and recycle products made mainly using renewable resources. At the same time, we try to minimise the negative impact of our production and transportation services by engaging in sustainable practices at each stage of the paper production cycle. In addition to complying with environmental laws and regulations, we want to make sure that we work together with our major stakeholders to understand the forces driving sustainability within our industry. This, together with our internal follow-up work, is the basis for the development and evaluation of our products, processes and routines.

Combating climate change through products and solutions based on renewable materials and renewable energy, while replacing plastic and fossil materials, is a natural part of Arctic Paper's new strategy. For paper and packaging, the goal is to become carbon neutral by 2030, and for the Group this will be achieved by 2035.

paper profile
Product: AMBER GRAPHIC
Company: ARCTIC PAPER SA
Mill: ARCTIC PAPER KOSTRZYŃ SA
 Information gathered from: 1.01.2020 to: 31.12.2020
 Date of issue: 14.04.2021
Environmental product declaration for paper

Environmental Management
 Certified environmental management system of the Mill since April 2009 ISO 14001:2015
 Company systems ensure traceability of the origin of
Environmental aspects of wood procurement 64% of F

Environmental parameters
 The figures are based on methods and procedures of measurement approved by the local (or national) environmental regulator at the production site. The figures include both paper and pulp production.

Water	COD	7,02	kg/tonne
	AOX	0,04	kg/tonne
	N _{tot}	0,19	kg/tonne
	P _{tot}	0,027	kg/tonne
Air	SO ₂	0,10	kg/tonne
	NO _x	1,04	kg/tonne
	CO ₂ (total)	495	kg/tonne
Solid waste landfilled		43	kg/tonne
Purchased electricity consumption			
Amount of final product	180	MMt	

Arctic Paper Kostrzyn SA
Paper Mill Environmental Declaration

Product information: Amber Graphic
 Amber Graphic is a white, uncoated fine paper which is used for books, dictionaries, manuals, advertising material, brochures and catalogues, in mono and full colour. Available in grammages from 50 to 170 g/m². The environmental data below reports only emissions from the paper production and not emission in the total production chain from forest to customers.

Parameter	2020	2021	Objective
Water (kg/t)	10,2	11,5	10,1
CO ₂ (kg/t)	1,0	1,0	1,0
SO ₂ (kg/t)	0,03	0,03	0,03
NO _x (kg/t)	0,05	0,05	0,05
PM ₁₀ (kg/t)	0,005	0,005	0,005
PM _{2,5} (kg/t)	0,005	0,005	0,005
Air (kg/t)	0,04	0,04	0,04
SO ₂ (kg/t)	0,04	0,04	0,04
NO _x (kg/t)	0,04	0,04	0,04
CO ₂ (kg/t)	0,04	0,04	0,04
Energy (kWh/t)	2070	1970	1970
Process (kWh/t)	385	385	385
Waste (kg/t)	10,24	10,24	10,24
Landfill (kg/t)	0,24	0,24	0,24

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Certifications

The ISO 14001 management system is in place at all of our mills. This guides the way we manage our environmental responsibilities at the mills, and how we work on continuously improving them. All certificates are widely available on our website.

In this report, we present the consolidated environmental performance of our three mills. The mills publish separate EMAS-reports, where more information on individual environmental performance is available. In addition, more environmental data regarding our products can be found on our website, in the form of product-specific environmental declarations called "Paper Profiles". Importantly, each Paper Profile documents the environmental impact across the whole supply chain, as our Business operations are highly reliant on our suppliers.

Policies and procedures

The overarching goal of our Sustainability policy is to mitigate the adverse impact of our mills' processes on the environment. We are committed to doing so both by introducing new solutions and improvements to the operations of our mills and by educating our employees about ways to protect the natural environment.

The environmental management system at all three mills is guided by ISO 14001. Arctic Paper is proud not only to have introduced routines and procedures to improve the environmental performance of our mills but also to have efficiently integrated these routines and procedures into our daily operations.

Our mills are also EMAS-registered, which means that they fulfil additional requirements, over and above ISO 14001. Among others, these include stricter rules on how to measure and evaluate environmental performance. The certification also means that we need to present detailed information on our environmental performance in EMAS reports, available on our website.

Additionally, our mill in Grycksbo has a certified system of energy management, ISO 50001. This means that the energy system in place at the mill follows a systematic approach, aimed at continuously improving energy consumption and energy efficiency.

Arctic Paper does not have any forestland, hence we do not have a direct impact on forest management and global deforestation. We can have an indirect impact through our pulp suppliers.

Our mills in Grycksbo, Kostrzyn, and Munkedal have a chain of custody certificates for FSC® (Forest Stewardship Council®) and the corresponding for PEFC™ (Programme for the Endorsement of Forest Certification™). This means that we can guarantee our customers that our products come from responsible sources. On next page we present the logos and certificate numbers for our mill at Munkedal.

We extensively train our employees on PEFC™ and FSC® product origin control systems. Our training is based on NEPCon materials (NEPCon is a non-profit organisation that supports better land management and business practices that benefit people, nature and the climate). We assess specific risks including unclear ownership structures and risk of bribery.

Arctic Paper is aware of the environmental regulations affecting our industry, and we carefully monitor the regulatory environment in Poland and Sweden, as well as at the European Union level. Apart from legal requirements, we are also interested in best practices within our business, and carefully follow developments in these areas. As an example, in the EMAS reports we benchmark our environmental figures on emissions to water to the Best Available Techniques (BAT) reference figures, prepared by the European Commission in collaboration with industry experts. These lead us to conclude that our environmental performance is aligned with the best practices within the industry.

Taking into account our production process, we focus our environmental efforts on four main areas selected during our materiality assessment. These areas will guide the next sections of this chapter: energy consumption, CO₂ emissions, water consumption and waste management. We believe that our targets, defined in relation to production volumes, clearly demonstrate our commitment to progress in the area of environmental sustainability.



The mark of
responsible forestry



4.2

Energy and emissions

Energy

Climate change requires a revision of the entire industry's social and economic attitude. As a company which is committed to environmental and social sustainability, we are focused on seeking new possibilities to improve our business activities and production processes by implementing new energy sources and increasing our energy efficiency.

The energy pillar is one of the four pillars of Arctic Paper's 4P Strategy published in 2021. The shift from fossil to non-fossil energy sources is one of the main tasks for this planet. We are taking measures to create this future. Behind our power pillar stands the clear vision to make this change possible. Hydropower, solar panels and other forms of green energy in combination with intelligent waste/bio energy plants - all based on renewable sources.

Arctic Paper purchases energy both as fuel (biomass and natural gas) and as electricity (from the local power grid). We also produce electricity at our mills using hydropower plants (Arctic Paper Munkedal), counter-pressure steam turbines (Arctic Paper Grycksbo and Arctic Paper Kostrzyn) and gas turbines (Arctic Paper Kostrzyn), which we also sell to the market when appropriate. The most energy-intensive processes in paper production are the generation of steam, which is used in the drying of

paper and the operation of motors used in paper machines, refiners and pumps.

Our goal is to reduce the amount of energy required at every stage of our production process. Energy efficiency is of the highest importance for the paper production cycle. We run projects for increasing the proportion of renewable energy sources used for our plants.

Our energetic projects and programmes can help us to reduce greenhouse gas emissions, decrease demand for energy imports and drive down production costs.

Each year we initiate various types of energy efficiency programme at all three of our mills with the aim of reducing their environmental impact. We optimise and trim all installations and machinery, and continuously evaluate our processes to identify future investments.

2021 year was difficult as the market, due to the COVID-19 pandemic, rapid global increase in demand for energy and increasing energy prices, has been unpredictable giving a high frequency of market-related halts in our production process. Energy consumption levels increase significantly during starts and stops of the machines without any

saleable production. Beside the frequent starts and stops, the shorter order flow also meant that the grades of paper produced were changed more often than usual. The paper machines also consume more energy when changing grades.

In 2020 the construction phase for a new hydro powerplant in Munkedal was finished. The plant will double the hydropower production at the mill from 12 GWh to 25 GWh per annum. Since January 2021 it has been running the regular production runs a regular production.

During 2021 the erection of solid fuel boiler was started. The boiler is planned to come into operation at the beginning of Q3 2022. The new boiler is designed to be able to handle a broad spectrum of different solid fuels such as bark, peat, branches, demolition wood and sorted burnable waste such as plastic, scrap wood, paper, textiles etc.

An energy mapping of the total operation in Munkedal has been done over the course of the year and a number of potential energy saving projects has been listed.

On the other hand, the product variety at the mills has gradually changed into the direction of packaging grades with higher demands for strength thus demanding more refining energy.





In Kostrzyn a press section in Paper Machine no. 1 has replaced the traditional model with a shoe press. This gave us a significant decrease in thermal energy consumption and a small increase in electrical energy. In addition, older refiners in the Kostrzyn mill have been replaced with new, state-of-the-art equipment giving improved quality and lower specific energy consumption. In 2020 a new vacuum equipment (turbofans) was installed.

One of the most recent projects completed in 2021 in Kostrzyn is the launch of a solar panel farm with a capacity up to 1MWp, which increases the share of renewable energy in the mill's total energy consumption.

In Grycksbo a number of energy projects completed in recent years altogether contribute an energy saving comparable with the energy consumption of 480 regular households in the Nordic region. An important project for energy saving was the replacement of old refiners with modern energy-efficient machines.

Below you can find the latest figures on our energy consumption, one of our key performance indicators regarding environmental sustainability. The specific energy consumption reported in the table below is expanded compared to the previous reporting year (also by historical data) by including purchased heat.

KEY PERFORMANCE INDICATOR	TARGET 2025	2021
Total net specific energy consumption (MWh/tonne paper)	1.9	2.2
Total net energy consumption (GWh/year)	1320	1419.7
Total production of paper (in tonnes)	695,000	636,613

Emissions

Carbon neutrality of business operations is one of the main determinants of a sustainable approach by industries.

Pollutants created during the energy production process leave our mills through chimneys as air pollutants and biomass ash. Air pollutants, in particular CO₂, accumulate in the atmosphere, contributing to climate change. Emission levels are monitored by management. Emissions carry an environmental cost, and they can also be associated with considerable financial, legal and commercial costs for our business.

By definition, carbon neutral means "if something such as an organisation or activity is carbon neutral, it removes the same amount of carbon dioxide from the environment as it releases into the environment"*.

Arctic Paper's ambition and the goal set by the 4P Strategy is to become CO₂ neutral on the paper and packaging pillars by 2030 and on all pillars (together with energy and pulp pillars) by 2035. We have been dedicated to reducing emissions for several years. Historically, the most important step in reducing CO₂ emissions was made in Kostrzyn in 2007, when the coal boiler was replaced by a modern natural gas boiler equipped with gas turbines and counter-pressure steam turbines, and in Grycksbo in 2008, when a significant investment in a biomass boiler was made, making the steam generation process at the mill fossil-free. Our new 4P Strategy has set out a road map which will help us to reach our carbon neutrality goal and

increase diversification of energy sources based on renewable sources including: solar panels, hydropower and wind turbines.

One of the most recent projects in this area implemented at the Kostrzyn mill is modernisation of the PM1 recuperation system with an effective reduction of heat consumption and CO₂ emissions by 2,784 tonne/year. The upgrade of the venting system at PM1 and PM2 which allows heat recovery has resulted in a reduction of heat consumption and CO₂ emissions by 1,575 tonne/year and by 3,725 tonne/year, respectively.

We also encourage and help our employees to contribute toward our common goal of becoming a carbon neutral business and community. We believe that every small effort or single change in our daily routine, which reduces our carbon footprint, has a significant impact on climate. One of those small improvements and inputs into a sustainable work environment is the installation of charging stations for employees' electric cars at the Grycksbo mill. Employees utilising bioenergy for domestic heating can also benefit from a rebate agreement with a local bio energy supplier.

Below we present our greenhouse gas emissions levels based on Greenhouse Gas Protocol (GHG Protocol) accounting and reporting standards to measure, quantify and manage greenhouse gas emissions.

* Cambridge Business English Dictionary
© Cambridge University Press

THE GHG PROTOCOL CORPORATE STANDARD CLASSIFIES A COMPANY'S GHG EMISSIONS INTO THREE 'SCOPES':

Scope 1: direct emissions from sources owned or controlled by the company.

Scope 2: indirect emissions from the generation of purchased electricity consumed by the company.

Scope 3: all other indirect emissions (not included in scope 2). This includes emissions that occur in the value chain of the reporting company, including both upstream and downstream emissions, which occur from sources not owned or controlled by the company. We have divided this group into two sections, relative to the most relevant participants in our supply chain: suppliers of raw materials (including pulp, filler coating pigment totally covering >90% of purchased raw material value) and transportation companies.

Figures for direct CO₂ emissions from 2016-2020 have been recalculated and the contribution from externally-sold energy has been deducted. The CO₂ contribution from externally-sold energy is presented in the next table.

KEY PERFORMANCE INDICATOR (KG CO ₂ /TONNE PAPER)	TARGET 2025	2021
Direct CO ₂ emissions	215	199
Indirect specific CO ₂ emissions from external electricity suppliers*	–	11
Indirect specific CO ₂ emissions from our major supplier of raw material**	60	78
Indirect specific CO ₂ emissions from our transporters***	35	33
Total indirect specific CO ₂ emissions	115	122
Total specific CO ₂ emissions	–	321
Total CO ₂ emissions (k tonnes /year)	–	204
Total production of paper (in tonnes)	695,000	636,613

*Figures describing the average CO₂ load for the national grid in Poland and Sweden .

**Covering >90% of the purchased raw materials (calculated as purchase value).

***Figure based on average delivery points in Europe.

During 2021 a larger fraction of steam was produced with imported excess heat from another company close to our production site at Kostrzyn mill, thus less natural gas was consumed and this led to lower direct CO₂ emissions. As we are not in full control of the amount of surplus heat from our neighbour, we have set the target based on an average external heat delivery.

The indirect specific emissions from our transporters are lower than in 2020 as a consequence of higher share of intermodal transport (combination of road and railroad transport). This set up causes longer delivery times, which under current pandemic circumstances is accepted by our customers.

CO₂ CONTRIBUTION FROM ENERGY SOLD (HEAT AND ELECTRICITY) TO EXTERNAL CONSUMERS

	2021
Exported energy (GWh/year)	103
Tonne CO ₂ per GWh	228
Tonne CO ₂ per year	23.4

It should be noted that the CO₂ figures from our external sources are based on the most recently available data. In most cases, we used data from 2020 as not all of our external partners were able to provide us with 2021 data at the date of publication of this report.



4.3. Sustainable circular production and waste

A sustainable circular production system Arctic Paper is part of an industry that is to a large extent based on renewable wood from rationally managed forests. We are proud of being part of a sustainable circular production system. This means that resources are used, reused and recycled with little or no waste. In our case, the circular system starts with the renewable raw material wood.

The base in the circular system is the ever growing forest and the renewable raw material that is fetched therefrom.



1. RAW MATERIAL Arctic Paper only buys pulp based on raw material from sustainably managed forests. This is ensured by the FSC and PFSC certifications. Pulp wood is a renewable raw material that comes from thinning and felling, and consists of wooden parts that can't be used as timber.

2. PULP MILL Arctic Paper purchases pulp from various suppliers and owns 51% of the Swedish pulp manufacturer Rottneros AB, with two ISO 14001 certified mills. Rottneros has its own sustainability report at www.rottneros.com.

3. PAPER MILL Arctic Paper's three paper mills are ISO 14000 and EMAS certified. To minimize CO₂ emissions, Arctic Paper invests in sustainable energy. Grycksbo has a completely fossil-free energy solution. In Munkedal, similar investments are being made in a biomass boiler, and hydropower is expanded from 12 to 24 GWh.

4. CONSUMER Arctic Paper is a premium manufacturer of graphic paper and kraft paper. For customers, renewable, circular and recyclable raw material as well as sustainable production are important factors in the choice of supplier.

5. PAPER RECYCLING All Arctic Paper's paperboards are recyclable and part of a circular system. A large part of all packaging as well as graphic paper is recycled and reused, for example, for the production of newsprint and tissue.

6. BIOMASS FUEL The by-products from the pulp and paper mills, such as logging residue, tall oil and bark, are further refined into biomass fuels. The combustion of biomass fuel emits carbon dioxide, which the growing forests reabsorbs from the air as a step of the photosynthesis cycle.

Most of the waste emanating from our plants is sorted and sent to external recycling. Comparably smaller volumes of waste are used for energy recovery or are sent to landfills, and even smaller volumes of dangerous waste are sent for controlled destruction by third party contractors.

All our mills use certified handlers of waste. The volumes of different kinds of waste are appropriately reported to the handlers and the authorities. We closely monitor these values to ensure we maintain our waste management balance year-on-year and constantly improve waste recycling efficiency.

Waste

KEY PERFORMANCE INDICATOR	TARGET 2025	2021
Recycling or energy extraction (tonne/year)	6,950	5,697
Recycling or energy extraction (kg/tonne of paper)	10	8.9
Hazardous waste (tonne/year)	139	85.5
Hazardous waste (kg/tonne of paper)	0.2	0.13
Landfill (tonne/year)	139	156
Landfill (kg/tonne of paper)	0.2	0.25
Total production of paper (tonnes)	695,000	636,613

Waste volume may vary from one year to another as the volume of generated waste to some extent is dependent on (re)construction and/or scrapping projects, thus the target is set in a long time perspective.



4.4

Water

Water is an indispensable resource in the paper production process. It is used to slush the pulp into a fibre stock, and then to transport fibres to the paper machine headbox. Since the stock is dewatered once it is placed in the paper machine, most of the water can be reutilised in the mill. Water which is not recirculated is purified on-site, before being released back to the rivers from which it came – Warta, Munkedalsälven and Grycken. Internal effluent treatment plants conduct mechanical, biological and chemical treatments. At the same time, the separated deposit from the effluent treatment is mixed and dewatered, and then recycled as a soil improver or raw material for coverage of historically polluted areas such as old deposits.

We carefully monitor the quality of our water outputs; most notably we focus on Chemical Oxygen Demand (COD). COD indicates the effect the discharge water will have on the receiving environment; in our case the three rivers Warta, Munkedalsälven and Grycken. It measures organic compounds which consume oxygen during decomposition very high levels of oxidisable organic material may be detrimental to aquatic life forms. As good practise, we also monitor the quality of our water inputs, exceeding the requirements set by regulators.

We have implemented a programme to reduce our emissions to water at our mill in Munkedal. Part of the programme was the installation of a separate water purification system for the power supply station in order to improve our opportunities for water recycling.

The decrease of COD level is mainly a consequence of better operating conditions in our Kostrzyn mill. A modernisation of the vacuum system was conducted, replacing old water ring vacuum pumps with turbofans, which have had important water-saving properties. Few of the most recent initiatives in this area include an upgrade and improvement of the mechanical raw water purification plant at the Grycksbo mill and rebuilding of the water intake piping at the Kostrzyn mill.

Our mill in Grycksbo has participated in a project organised by the Swedish Forest Industries Federation regarding the environmental impact of old sediments. The main objective of this project was to improve the current monitoring programmes in order to be able to evaluate the impact and ecological significance of sludge emissions. In order to assess the degree of environmental impact, a selected group of fish perch was tested.

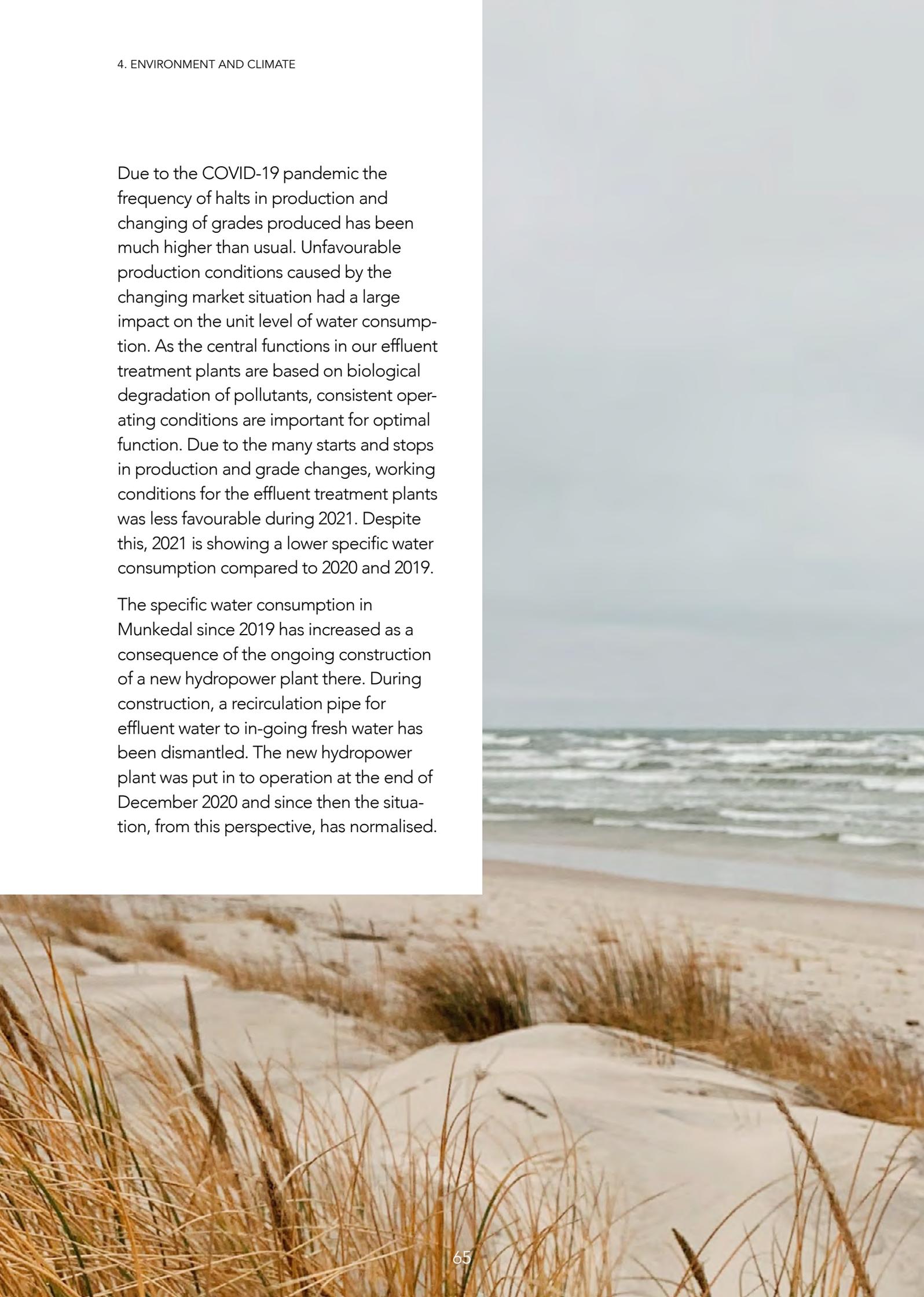
Using fish for environmental impact studies is a method that has been used for decades by the Swedish environmental monitoring system. One of the goals of the project was also to collect historical data and compare them with current data. In addition, the harvested fish were used to assess their health and reproductive capacity, and to develop a standardised procedure for this that could be included as part of future environmental monitoring programmes.

KEY PERFORMANCE INDICATOR	TARGET 2025	2021
Water consumption (m ³ /year)	4,865,000	5,218,369
Specific water consumption (m ³ /tonne of paper)	7.0	8.2
Emissions of COD to water (tonne per year)	292	308
Specific emissions of COD to water (kg/tonne paper)	0.42	0.48
Total production of paper (in tonnes)	695,000	636,613



Due to the COVID-19 pandemic the frequency of halts in production and changing of grades produced has been much higher than usual. Unfavourable production conditions caused by the changing market situation had a large impact on the unit level of water consumption. As the central functions in our effluent treatment plants are based on biological degradation of pollutants, consistent operating conditions are important for optimal function. Due to the many starts and stops in production and grade changes, working conditions for the effluent treatment plants was less favourable during 2021. Despite this, 2021 is showing a lower specific water consumption compared to 2020 and 2019.

The specific water consumption in Munkedal since 2019 has increased as a consequence of the ongoing construction of a new hydropower plant there. During construction, a recirculation pipe for effluent water to in-going fresh water has been dismantled. The new hydropower plant was put in to operation at the end of December 2020 and since then the situation, from this perspective, has normalised.



4.5 Biodiversity

CASE STUDY:

Arctic Paper Munkedals AB has implemented habitat improvements in the Munkedal river. We carry out this habitat improvement work in order to create better conditions for all migratory fish.

The Munkedal river has been used for the floating of round wood. In the 17th century all major stones were removed from the river bed to facilitate this activity. These stones and blocks have probably been used for construction and to strengthen the river banks.

The Munkedal river has a naturally reproducing populations without any cultivation of juvenile salmon. The wild salmon spawn in watercourses where the young salmon grow for two years before they migrate as salmon smolt (at a length of about 15 centimeters) to the sea to grow further, returning and after a few years to their birth river for spawning.

Salmon and sea trout fry and smolt are strongly territorial and depend on protection in the form of stones of various sizes. It is very important for the populations of salmon and sea trout to find places for shelter and to hide from the current. It is also important that there are enough large stones and blocks to increase the number of territories and sites. In principle, the more stones and blocks, the more salmon and trout can inhabit a certain area of river.



Larger boulders and smaller stones have therefore been placed out in the river to create shelter and a more irregular water surface to protect the young salmon from predators. Gravel beds have been created so smaller fish can be safe when there is less water in the river. Such gravel beds are also the ideal substrate for the salmon to hide their eggs in during spawning. Our hope and aim is that this project strengthens the salmon and sea trout population and improves the habitat for other species living in the Munkedal river. The increased amount of shelter heightens the population's resilience to coping with periods of drought.

The Munkedal and Örekil rivers, which belong to the Örekil river water system, open in to the Nature protected Gullmarsfjord in Munkedal municipality. The water course is a spawning and reproduction area for the genuine and original salmon and sea trout populations. This salmon population is a priority species and must be preserved within the Örekil Natura 2000 area.

Test fishing in the Munkedal and Örekil river has been carried out annually since the 1980s. It's a fish conservation measure that is used to get an idea of the fish population in the water. The yearly control programme consists of aquatic chemical sampling, benthic faunal surveys and sample fishing approved by the county administrative board. To get comparable results, it is important that the electric fishing takes place in equal conditions with regards to temperature, water flow and time of the year. After being weighed and measured, the young salmon and sea trouts are gently released again.



PEOPLE



Working today means agile commitment to new conditions due to digitalization, societal changes or new demands from clients. We are proud of the flexibility and the adaptation of our employees in these fast changing and challenging times.

Michał Jarczyński
CEO Arctic Paper SA



5.1 Working at Arctic Paper – Management approach

Arctic Paper takes responsibility for our employees, other people working for us and the societies in which we operate. Our employees are one of the most important stakeholders in Arctic Paper.

We consider our employees as our most valuable resource. We believe every employee should be treated with respect. This is also declared in our Sustainability Policy and in our Code of Conduct. We strive to make our units safe workplaces, where employees have equal opportunities for development. We are aware of the fact that continuous dialogue with our employees is beneficial for both sides: for employees – by giving them an opportunity to express their needs and concerns, and for us – to understand what is important to them, and thus what should be important to us. We believe in observing our social responsibilities and being a partner in the development of the society in which we are located. By doing this, we create an environment which is attractive to live and work in.



Employment structure of Arctic Paper

		TOTAL	MEN	WOMEN	AGE<30	AGE 30-50	AGE>50
2021	Blue-collar	765	640	125	128	320	317
	White-collar	401	242	159	19	204	178

No major reorganisations have taken place during 2021, hence the overall workforce structure is unchanged.

Arctic Paper's intention is to offer employees standard, permanent unlimited employment agreements in our operations for the purpose of providing employment security and stable work conditions. Only substitutes for vacancies and project-hired persons have limited employment agreements.

	2021
Number of permanent unlimited contracts	1166
Number of temporary contracts	35

Employee turnover rate

KEY PERFORMANCE INDICATOR	TARGET 2025	2021	AVERAGE 2018-2020
Turnover	<10%/year	5.8	n/a
New Hires	–	53	56
Resigned	–	37	54
Retired	–	31	26

DEFINITION HOW WE CALCULATE THIS KPI

$$\text{Annual turnover rate \%} = \frac{\text{Number of employees who left the company (with permanent contracts)}}{(\text{Beginning} + \text{ending number of employees}) / 2} \times 100$$

5.2 Our employee well-being and satisfaction

The well-being of our employees is of crucial importance to our company. Well-being is strongly associated with engagement. Working conditions and employee satisfaction are the top material topics emphasised by our employees in our Materiality Matrix research.

Surveys carried out among our employees show that the opinion on well-being has changed due to the pandemic situation. In order to meet the needs of our employees we have to redesign our future attitude to well-being. We have to be more responsive

by widening the range of well-being activities and preventative by re-designing work and people processes and the work environment. We need put more effort into understanding of well-being needs, and encouraging our employees to seek new activities that can be safer and more valuable in the new work environment.

We promote an empathetic management attitude and want to provide flexible work conditions whenever it's possible, something that can help to improve the working conditions.

WE ARE COMMITTED TO:

- Understand the reasons why employees currently do not participate in well-being programmes and helping them to find new opportunities;

- Identify underlying drivers of poor employee wellness and re-designing of work and people processes in order to prevent future problems;

- Offer a flexible work environment – not just flexibility as to when and where individuals get to work, but flexibility in all aspects of work, helping employees feel autonomous in making decisions about what works best for them.

- Train and provide our managers with clear guidance on what to do, and more importantly, what not to do, in order to effectively support employees' emotional health.

BENEFITS AND INITIATIVES INFLUENCING OUR EMPLOYEES AND THEIR FAMILIES WELL-BEING

Our mills support our employees and their families by granting them extended social benefits programmes. We encourage good habits and healthy lifestyles. We organise and support different health programmes such as non-smoking and eating healthy food. We also provide regular medical examinations for our employees. We offer wellness allowances that employees can choose how to use their needs and interests.

WE SPONSOR EVENTS AND DIFFERENT ACTIVITIES IN THE LOCAL COMMUNITY, IN WHICH OUR EMPLOYEES AND THEIR FAMILIES ARE ABLE TO PARTICIPATE.

OUR ACTIONS:

- Supporting local sport clubs and cultural events, such as a donation for the development and promotion of wrestling association in Kostrzyn, or the Grycksbo mill sponsoring IBF Falun – a championship floor-ball club and ice hockey club in Sweden;

- Organising sports competitions for employees e.g. fishing competitions;

- Donating paper to schools and kindergartens;

- Co-financing purchase of ENT- otolaryngology and head diagnostics equipment by Kostrzyn mill;

- Sponsoring health benefits programmes and insurance for employees at mills;

- Funding Christmas vouchers and organising Christmas celebrations with gifts for mill employees' children;

- Offering reduced costs vacations at summer cottages in Sweden;

- Supporting our retired employees' organisation by co-financing summer camp and organising regular events.

Our annual budgets for sponsorships and charity activities in 2021:

AP Grycksbo: 200 thousand SEK

AP Kostrzyn: 54 thousand PLN

AP Munkedals: 1 million SEK (including sponsorship to the school, without school support abt. 200 thousand SEK)

Our Employees satisfaction

In 2016 we decided to start measuring our employees satisfaction and set our targets using benchmarks from similar industries in Europe. Over the years we have implemented activities to increase both the numbers of participants and the engagement capital. After the 2019 result we faced problems in engaging and implementing activities among our employees. Despite the pandemic situation in 2020 and 2021, 2021 result shows an increase in the engagement capital.

Our greatest strengths comparing to benchmark, where we also see an increase of satisfaction over the years, are job search behaviour and agility factors. Our employees seems to desire to stay in the company, which also our employee turnover rate shows.

We continuously improve our organization and adopt quickly to new working methods and work conditions.

We see an overall positive increase when we measure employee perceptions of how well the organization has established corporate values. We will also implement updated corporate values in our 4P strategy framework and continue to strive for overall recognition among our employees. In compensation and rewards factors we measure employees' perception of pay fairness and recognition. We are aware of our weakness in this area, partly in connection with the complicated pandemic situation and we will put more efforts in communication of performance levels in the company.

ENGAGEMENT METRIC	ARCTIC PAPER 2021	ARCTIC PAPER 2019	BENCHMARK
Culture/Values	42%	31%	53%
Compensation & Rewards	21%	43%	68%

ENGAGEMENT METRIC	ARCTICPAPER 2021	ARCTICPAPER 2019	BENCHMARK
Job-Search Behavior*	76%	72%	63%
Agility**	45%	44%	36%

* Job search behavior refers to employees' desire to stay with the organization, based on whether they intend to look for a new job within a year, whether they frequently think of quitting, whether they are actively looking for a job, or have begun to take tangible steps like sending out resumes. Responses for the job search behavior questions are reversed scored as a result, the percentage of employees scoring favorably equals the percentage of employees who "intend to stay" or have no intention of leaving the organization.

** The organization's ability to sense and respond to change. Work today is multi-directional, reporting lines are more complex and markets are less predictable. Agile organizations that adapt to this new work environment through effective change management can increase the probability of change success. Firms with high levels of agility have better financial outcomes because they are able to sustain engagement over time despite change.

KEY PERFORMANCE INDICATOR	TARGET 2025	2021
Employee survey response rate	65%	65%
Overall engagement capital	55%	51%

Recruitment and talent acquisition

At Arctic Paper we know that our employees are our organisation's most valuable asset. Our goal is to recruit, develop and educate our employees, so they can support the organisation with their talents and personal skills, and thus ensure the effective management of Arctic Paper today and in the future.

OUR KEY PRINCIPLES:

- We treat internal and external applicants with the same professionalism and respect for the individual;
- Our recruitment processes are open and clear in communication with the applicants, as well as fair and uniform throughout the company;
- We promote and offer equal opportunities for applicants for same positions;
- We focus on competences and value personal interests and ambitions;
- We create opportunities for promotion for current employees while recruiting new employees.

DEVELOPMENT AND TRAINING OF OUR EMPLOYEES:

- We believe in equality of opportunity when it comes to development. Mill-level procedures are in place to guide our recruitment and remuneration processes;

- We remunerate employees according to their qualifications and the value they create for the company. We make employees' remuneration dependent on the results achieved at work and the company's condition. Adjustment to local conditions necessitates the use of slightly different systems between our mills. Our employees' remuneration depends on their results at work, the agreement between the trade unions and the company's economic situation. All conditions are documented and communicated accordingly. We also have a separate remuneration policy for management at the group level. We annually make regular payroll overviews at all our mills;

- We provide the possibilities for employee development in accordance with the company's needs and the development of the company's environment;

- We create interpersonal relationships in the company in accordance with our company's principles;

- We create a flexible organisation with a minimal hierarchy;

- We inform employees correctly and promptly about important company matters;

- We pay attention to work-life balance;

- We mainly focus on development connected to improving the H&S work environment, which means a focus on legal certificates and training in those positions. A crucial part is the onboarding process to make sure that employees can perform their tasks safely.

Performance conversations

We intend that every employee should have a yearly performance conversation. This will help them to understand how they can contribute towards the company goals and to develop their skills and abilities. We believe that this will create a synergy effect which will positively impact the work environment and bring tangible benefits to our business.

KEY PERFORMANCE INDICATOR	TARGET 2025	2021
Number of performance conversations	100%	48%



5.3

Human rights

Arctic Paper Group respects and promotes international human and labour rights. We expect the same commitment from our suppliers and subcontractors, to which we refer in the Code of Conduct for Suppliers of Arctic Paper.

- We do not allow discrimination or harassment of any kind directed at any group: employees, customers, suppliers.

- Our employees have the right to organise themselves, join associations and to negotiate with the company.

- We do not allow forced or child labour neither in our mills nor on the part of our suppliers.

- We always comply with local laws related to human rights.

- We do not allow any form of forced labour or other abuses.

- We offer our employees decent working conditions and care about their well-being.

- We expect our suppliers to respect their workers' right to form or join associations; refrain from any form of discrimination toward employees or their contractors, and to provide a safe and healthy work environment.

We have put measures in place to report situations where human rights are violated in any way because of Arctic Paper Group operations. We have implemented a whistleblower system which enables our employees and business partners to report situations or behaviours which are not in line with Arctic Paper Group values and ethical principles, and can seriously affect our organisation or a person's life or health.

Overall, we are committed to protecting the human rights of our employees. At the same time, we know that this issue also involves other, external actors in our value chain. This aspect is further explained in the "Responsible supply chain" chapter.

5.4

Health and safety

Health and safety are top priority issues for us. We are creating a work environment which prevents and minimises the risk of injuries. We have a systematic approach to safety at our mills. In 2019 we implemented a common health and safety policy, and started cooperation between the mills in H&S issues. Each mill has also implemented its own site-specific health and safety policy, complemented by appropriate routines and procedures.

Our mills have an occupational health service, as well as rescue teams trained to react in case of emergency. Some of our employees are also part of the local fire brigade, trained to respond to both internal and external incidents and accidents.

We carefully analyse all health and safety incidents raised by our employees, and take actions to avoid serious consequences in the future.

- We maintain a register of "near misses" and accidents, where all incidents are recorded investigated and analysed.
- We propose action plans to mitigate the risk that a near miss could become a serious accident.

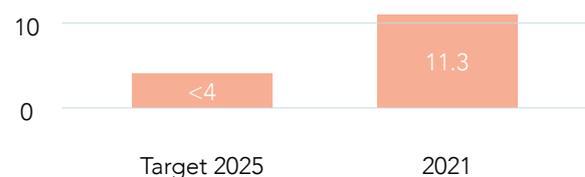
Today, very few accidents are caused by equipment malfunctions.

A significant risk factor is human errors, hence the focus within work safety is becoming more and more oriented towards creating a safety culture based on the basic idea of "think first, then do".

Risk assessment before any new machinery is put into operation or working method implemented, is the most important tool for increased safety. Our target in this area is to create a zero-injury environment.

As we are very concerned of the negative development regarding number of injuries, we will increase our focus on behavioural safety and on preventive activities in order to further develop our safety culture.

Lost time injuries per million work hours



5.5

Diversity and inclusion

MANAGEMENT APPROACH AND INITIATIVES

Arctic Paper Group promotes a culture of openness, and we see diversity as a strength that helps the organisation grow. It is a source of new ideas and innovation. The key principle for us is respect for diversity. There is no place in the company for discrimination against anyone because of gender, origin, age, religion, political or religious views, disability or other factors. Each of our employees has the chance to develop within the organisation and we try to offer them as many opportunities as possible to use their talents and skills.

IN 2021 WE HAVE IMPLEMENTED DIVERSITY POLICY WHICH IS APPLICABLE TO ALL EMPLOYEES OF ARCTIC PAPER, REGARDLESS OF THE POSITION THEY HOLD WITHIN THE COMPANY.

AS A COMPANY WE COMMIT THAT:

- When looking for new employees and conducting the hiring process, we focus on the candidate's skills and accomplishments;

- We pay employees according to their position assessment, qualifications, experience and performance, regardless of diversity factors;

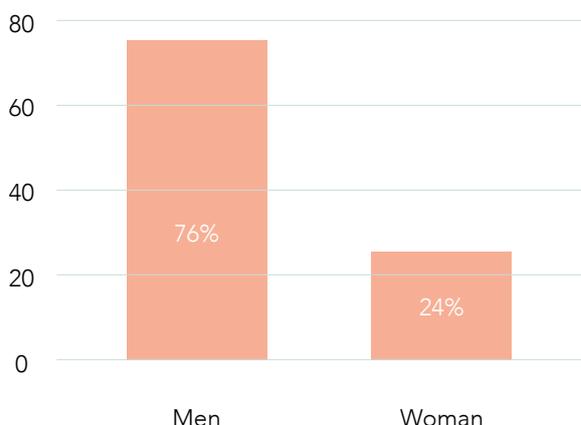
- Each of our employees is entitled to respect and equal treatment is the basis for organisational performance;

- We enable our employees to report (anonymously or not) any complaints about possible mobbing or unequal treatment;

- We will train managers how to manage a diverse team and make the most of its potential;

- We provide a work environment suitable for both men and women to work in.

Employment structure by gender in 2021



Diversity among employees and within the Board

As explained in our Code of Conduct, Sustainability policy and Diversity policy, we do not accept any discrimination in our business operations. Arctic Paper Management Board has been striving to employ competent, creative people, holding appropriate qualifications, professional experience and education and who respond to the company's needs.

The Arctic Paper sees diversity as a strength. It is a tool for new ideas and innovations. We want Arctic Paper to mirror the societies in which it operates, and we want to make sure we promote and integrate people of diverse backgrounds.

Since 2018, our Management Board is made up of a Chief Executive Officer and a Chief Financial Officer. These functions were entrusted to two specific persons, irrespective of their gender, based on their professional background and experience.

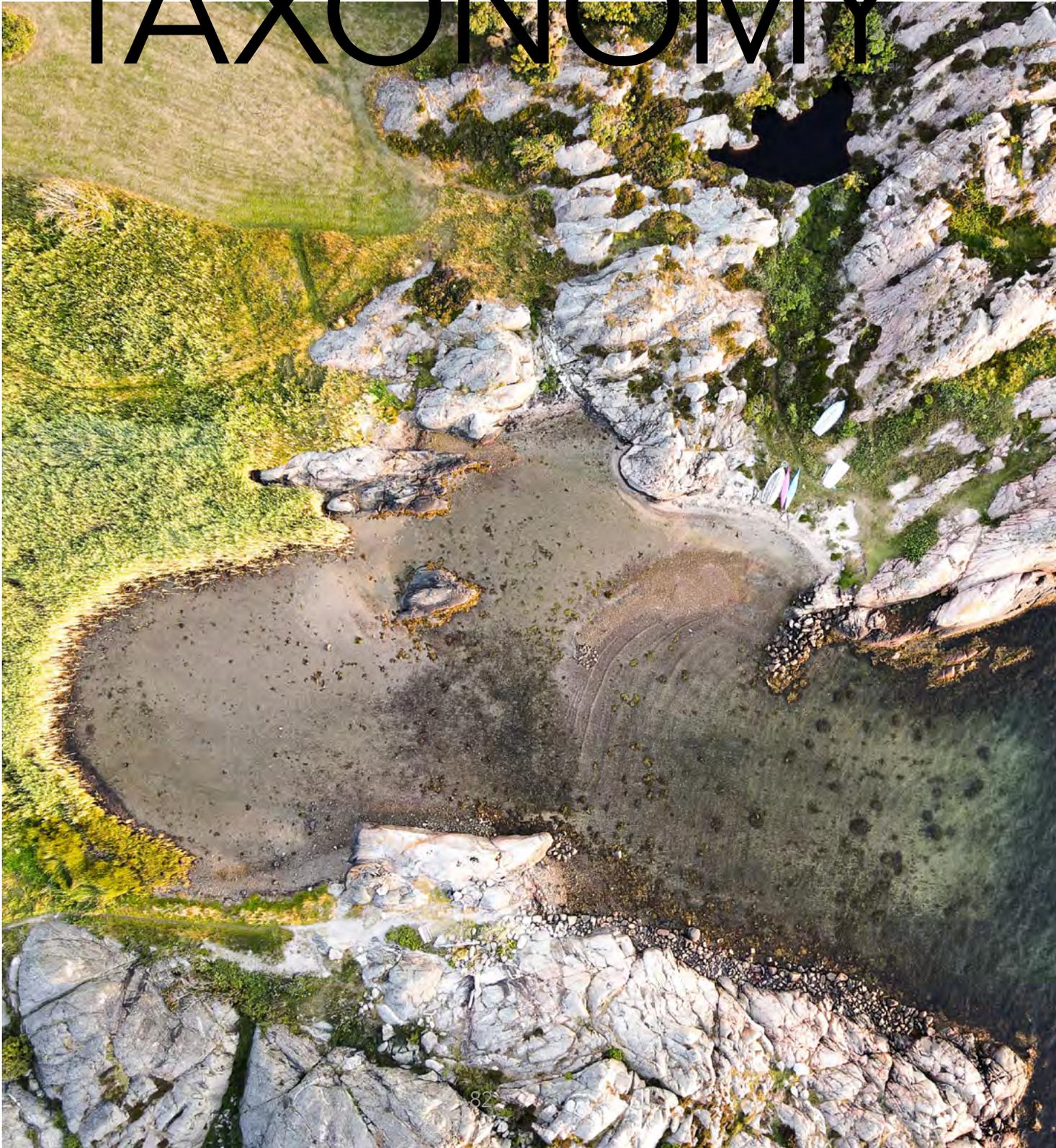
THE MANAGEMENT BOARD OF ARCTIC PAPER SA

	2021
Total count of Management Board	2
% of women on the Management Board	0%
% of men on the Management Board	100%

THE SUPERVISORY BOARD OF ARCTIC PAPER SA

	2021
Total count of Supervisory Board	5
% of women on the Supervisory Board	40%
% of men on the Supervisory Board	60%

TAXONOMY



For the first time in this report, Arctic Paper Group discloses information on the so-called EU Taxonomy of environmentally sustainable activities. Obligations related to this were introduced by Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investments. Pursuant to the Commission Delegated Regulation (EU) 2021/2178, in the first year of application, Arctic Paper Group discloses the percentage of turnover, capital expenditure and operating expenditure eligible for the taxonomy, without the need to verify the Technical Eligibility Criteria, i.e. to determine what percentage of these three values is associated with environmentally sustainable activities.

The following principles were used to calculate the percentage of turnover, capital expenditure (CapEx) and operational expenditure (OpEx) eligible for the taxonomy:

Turnover

With regard to the turnover, the basis was the total consolidated revenues of the Arctic Paper Group in 2021, disclosed in the consolidated financial statement under the item "Revenue from the sale of paper and pulp" described in note 10. The numerator is assigned to the revenue from activities qualifying for the taxonomy.

CapEx

With regard to capital expenditures (CapEx), the basis was capital expenditures settled in the Arctic Paper Group in individual factories and in the headquarter. The entire CapEx is included in the consolidated financial statements under the item increases in non-current assets in note 16 and intangible assets in note 19. The numerator has that part of CapEx that is for eligible activities for the taxonomy.

OpEx

With regard to operating expenses (OpEx), the basis was constituted by all costs for the day-to-day servicing of the company's assets and for keeping them in proper condition. They include such costs as: personnel costs of persons responsible for maintenance and repairs, costs related to repairs and renovations of devices / installations. The part of the OpEx which relates to the activities qualifying for the taxonomy is assigned to the numerator.

1. Percentage of taxonomy-eligible turnover

Arctic Paper Group generates revenues mainly from the production and sale of paper and pulp. This activity is not included in the taxonomy of Annexes I and II to the Climate Delegated Act (Commission Delegated Regulation (EU) 2021/2139). In 2021, Arctic Paper Group identified 5 business areas, the revenues from which qualify for systematics.

ACTIVITY TAXONOMY-ELIGIBLE	CODE	VALUE '000 PLN	SHARE %
Transmission and distribution of electricity	4.9.	1,540.2	0.05%
Renewal of water collection, treatment and supply systems	5.2.	75.2	0.00%
Renewal of waste water collection and treatment	5.4.	35.6	0.00%
Renovation of existing buildings	7.2.	1,703.1	0,05%
Installation, maintenance and repair of energy efficiency equipment	7.3.	1,333.0	0.04%
TOTAL A		4,687.1	0.14%
ACTIVITY TAXONOMY-ELIGIBLE		VALUE '000 PLN	SHARE %
Turnover on activity taxonomy-non-eligible (B)		3,407,888.5	99.86%
TOTAL A + B		3,412,575.6	100.00%

2. Percentage of taxonomy-eligible capital expenditure (CapEx)

Capital expenditure (CapEx) qualifying for the taxonomy is related to the implementation of future investment projects resulting from the adopted strategy of the Arctic Paper Group. Most of the indicated capital expenditures relate to projects aimed at improving the energy efficiency of buildings, machines, devices and installations as well as diversifying energy sources – i.e. installation of photovoltaic farms or building a hydropower plant, thanks to which it will be possible to systematically reduce energy consumption, which will contribute to the reduction of greenhouse gas emissions.

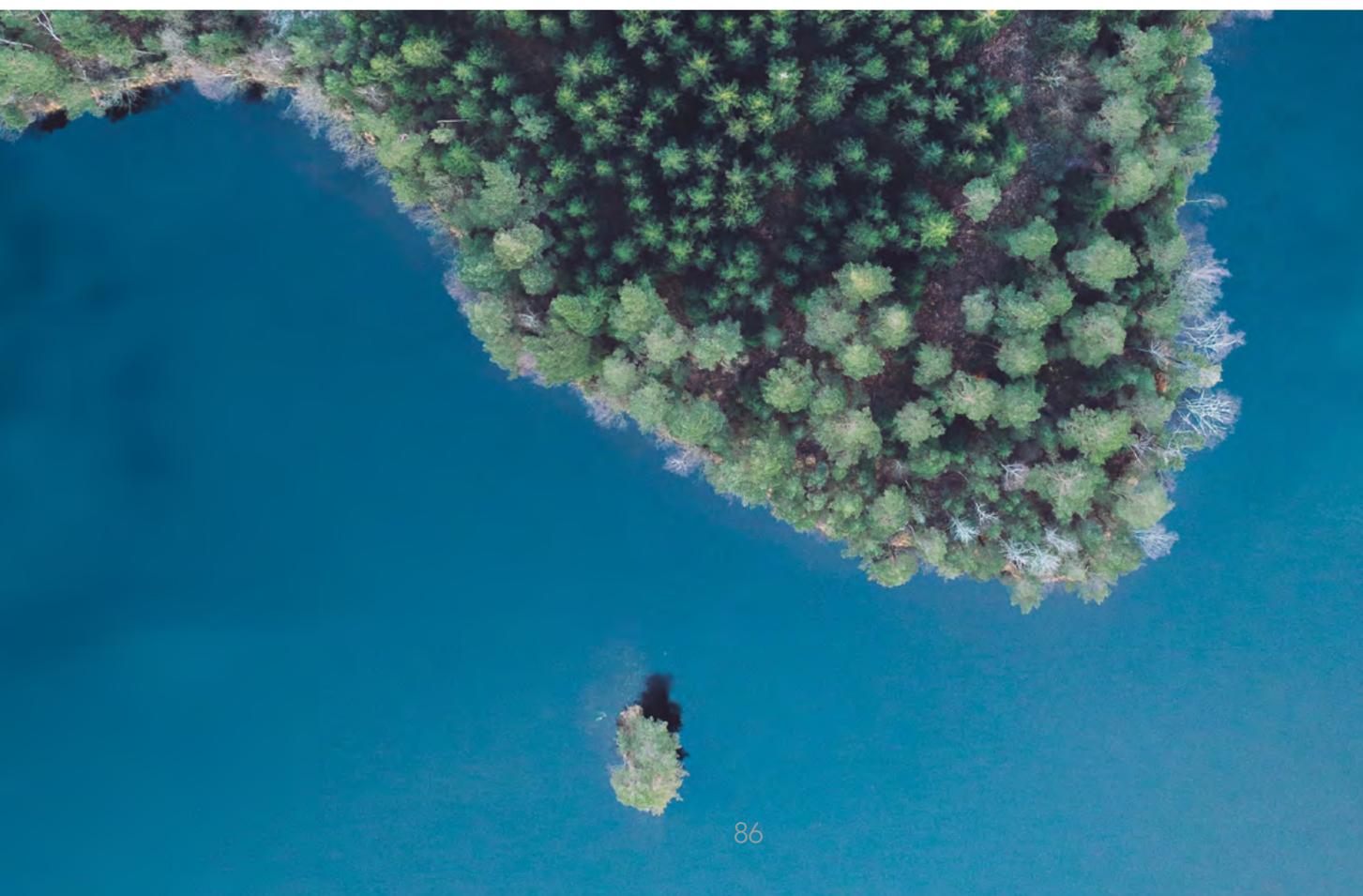
6. TAXONOMY

ACTIVITY TAXONOMY-ELIGIBLE	CODE	VALUE '000 PLN	SHARE %
Restoration of wetlands	2.1.	45.0	0.02%
Electricity generation using solar photovoltaic technology	4.1.	3,842.3	2.03%
Electricity generation from hydropower	4.5.	7,164.0	3.79%
Electricity generation from bioenergy	4.8.	22,588.9	11.95%
Transmission and distribution of electricity	4.9.	2,852.9	1.51%
Installation and operation of electric heat pumps	4.16.	45.0	0.02%
Construction, extension and operation of water collection, treatment and supply systems	5.1.	18.0	0.01%
Renewal of water collection, treatment and supply systems	5.2.	4,250.5	2.25%
Construction, extension and operation of waste water collection and treatment	5.3.	12,935.2	6.84%
Renewal of waste water collection and treatment	5.4.	717.5	0.38%
Collection and transport of non-hazardous waste in source segregated fractions	5.5.	1,091.7	0.58%
Renovation of existing buildings	7.2.	3,266.1	1.73%
Installation, maintenance and repair of energy efficiency equipment	7.3.	4,971.2	2.63%
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	85.1	0.04%
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5.	182.5	0.10%
Data processing, hosting and related activities	8.1.	1,142.7	0.60%
TOTAL A	-	65,198.5	34.48%
ACTIVITY TAXONOMY-ELIGIBLE		VALUE '000 PLN	SHARE %
CapEx on activity taxonomy-non-eligible (B)	-	123,890.7	65.52%
TOTAL A + B	-	189,089	100.00%

INCREASES IN TERMS OF	VALUE '000 PLN	NOTE
Tangible fixed assets without assets without the right of use	163,348	16.1
Right-of-use assets	13,976	16.2
Intangible assets	11,765	19
Investment properties	–	–
	189,089	–

3. Percentage of taxonomy-eligible operating expenses (OpEx)

The operating expenditure (OpEx) eligible for the taxonomy related to activities such as the repair and renovation of equipment, installations and buildings. They were related, inter alia, to measures to improve the energy efficiency of operational processes or to reduce greenhouse gas emissions.



6. TAXONOMY

ACTIVITY TAXONOMY-ELIGIBLE	CODE	VALUE '000 PLN	SHARE %
Electricity generation from hydropower	4.5.	67.5	0.04%
Electricity generation from bioenergy	4.8.	846.5	0.53%
Transmission and distribution of electricity	4.9.	7,242.1	4.55%
Storage of thermal energy	4.11.	22.5	0.01%
Installation and operation of electric heat pumps	4.16.	4.5	0.00%
Cogeneration of heat/cool and power from bioenergy	4.20.	114.8	0.07%
Construction, extension and operation of water collection, treatment and supply systems	5.1.	450.0	0.28%
Renewal of water collection, treatment and supply systems	5.2.	2,965.7	1.86%
Construction, extension and operation of waste water collection and treatment	5.3.	630.0	0.40%
Renewal of waste water collection and treatment	5.4.	2,905.3	1.82%
Collection and transport of non-hazardous waste in source segregated fractions	5.5.	385.7	0.24%
Composting of bio-waste	5.8.	918.0	0.58%
Material recovery from non-hazardous waste	5.9.	265.5	0.17%
Renovation of existing buildings	7.2.	1,743.8	1.10%
Installation, maintenance and repair of energy efficiency equipment	7.3.	45.0	0.03%
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	90.0	0.06%
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5.	11.3	0.01%
Data processing, hosting and related activities	8.1.	3,859.5	2.42%
TOTAL A		22,567.7	14.17%
ACTIVITY TAXONOMY-ELIGIBLE		VALUE '000 PLN	SHARE %
OpEx on activity taxonomy-non-eligible (B)		136,656.0	73.84%
TOTAL A + B		159,223.6	100.00%

ABOUT THE REPORT





7.1

Reporting period: the Year 2021

This report is prepared in line with the international GRI Standards at the CORE level (with reference to TCFD - Task Force on Climate-related Financial Disclosures recommendations) and is not a subject to additional external audit.

7.2

Contact

ARCTIC PAPER SA

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ir@arcticpaper.com

7.3. ESG factsheet

PAPER PRODUCTION	2021	2020	2019	2018	2017
Production (tonne/year)	636,613	587,364	601,564	639,073	658,645

ENERGY	2021	2020	2019	2018	2017
Electricity from grid (GWh/year)	329.3	391.0	230.8	237.7	267.7
Electricity from internal sources: hydro-power, windpower, solar power (GWh/year)	20.6	0.264	3.4	9.4	10.1
Natural gas (GWh/year)	722.4	752.1	862.6	966.7	892.1
Bio fuels (GWh/year)	207.8	91.4	216.0	234.2	244.0
Purchased thermal energy (GWh/year)	241.3	193.9	186.5	212.6	215.0
Sold thermal energy (GWh/year)	53.1	46.7	44.7	45.4	45.8
Sold electricity (GWh/year)	49.6	71.1	71.4	59.1	63.7
Total net energy consumption (GWh/year)	1419.7	1311.6	1380.1	1547.8	1508.9
Net energy from renewable internal sources (GWh/year)	228	91	219	234	244
Total net energy consumption (MWh/tonne paper) – energy sold to external partners not included	2.2	2.2	2.3	2.4	2.3
Of which from internal energy production based on renewable sources – biomass and hydropower (MWh/tonne)	0.36	0.16	0.36	–	–
Net energy consumption for total energy export (thermal and electric energy) (GWh/year)	103	118	109	105	109

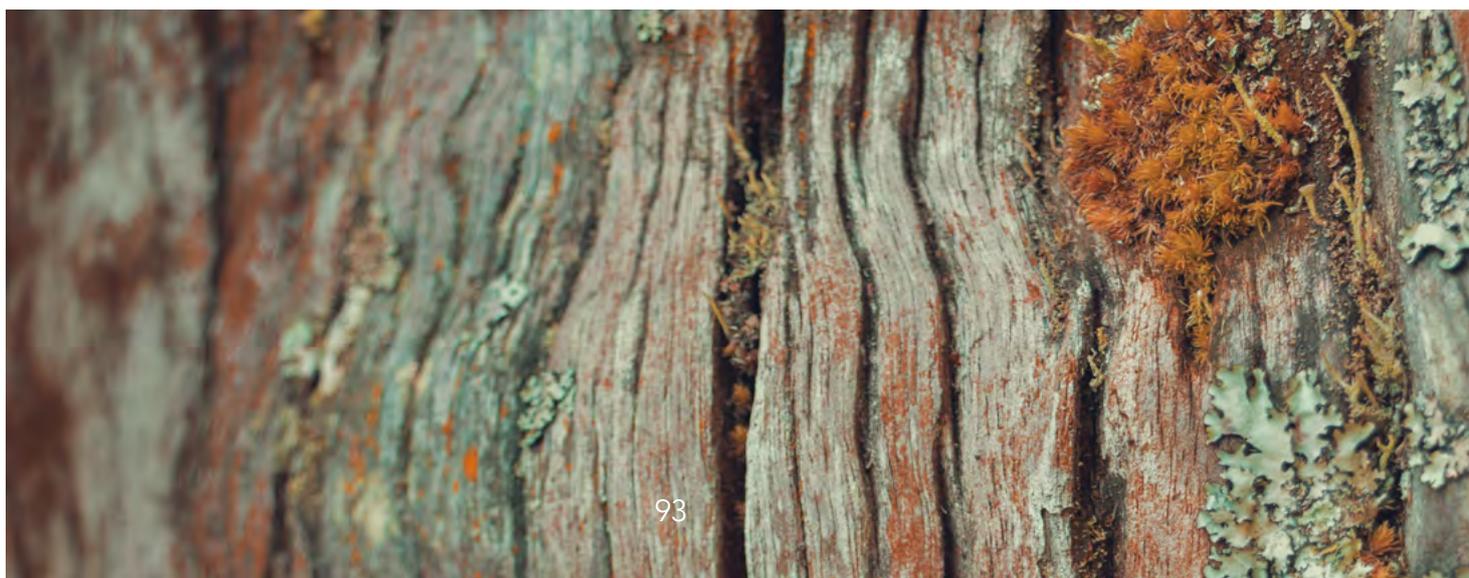
7. ABOUT THE REPORT

EMISSIONS TO WATER AND AIR	2021	2020	2019	2018	2017
Fossile CO ₂ (tonne/year), from our own steam and electricity production	149,941	156,605	178,803	187,019	185,517
Fossile CO ₂ (tonne/year), from our own steam and electricity production, dedicated for paper production	126,556	129,796	152,354	163,218	160,569
Direct CO ₂ emissions kg/tonne – SCOPE 1	199	221	253	255	244
CO ₂ emissions from energy sold (heat and electricity) to external consumers (tonne CO ₂ /year)	23,385	26,809	24,948	23,800	24,948
CO ₂ emissions from energy sold (heat and electricity) (tonne/GWh)	228	228	228	228	228
Fossile CO ₂ (tonne/year), from purchased electricity	7,067	6,005	5,218	–	–
CO ₂ emission factors for electricity from grid (kg CO ₂ /MWh) (Sweden /Poland)	8.8/709.8	8.0/719	13.3/773	–	–
Indirect specific CO ₂ emissions from external electricity suppliers – SCOPE 2	11	10	9	–	–
Indirect CO ₂ emissions emanating from our major supplier of raw material (tonne/year)	49,668	43,003	43,826	–	–
Indirect specific CO ₂ emissions from our major supplier of raw material – SCOPE 3 (kg/tonne of paper)	78	73	73	–	–
Indirect CO ₂ emissions emanating from our transporters (tonne/year)	20,941	20,861	21,894	–	–
Indirect specific CO ₂ emissions emanating from our transporters (kg/tonne of paper) SCOPE 3	32.9	35	36	–	–
WATER	2021	2020	2019	2018	2017
Water consumption m ³ /year	5,218,369	5,023,811	4,997,543	5,080,163	4,962,506
Specific water consumption (m ³ /tonne of paper)	8.2	8.6	8.3	7.9	7.5
Emissions of COD to water (tonne/year)	308	283	276	306	298
Specific emissions of COD to water (kg/tonne of paper)	0.48	0.48	0.46	0.48	0.45

WASTE	2021	2020	2019	2018	2017
Recycling or energy extraction (tonne/year)	5,697	6,663	5,851	5,572	8,417
Recycling or energy extraction (kg/tonne of paper)	8.9	11.3	9.7	8.7	12.8
Hazardous waste (tonne/year)	85.5	269.7	117	202.2	107.1
Hazardous waste (specific) (kg/tonne of paper)	0.13	0.46	0.20	0.32	0.16
Landfill (tonne/year)	156	113.4	149.6	146	285
Landfill (specific) (kg/tonne of paper)	0.25	0.19	0.25	0.23	0.43
SUPPLIERS	2021	2020	2019	2018	2017
Share (%) of core suppliers providing existing signed environmental declaration	90%	83%	98%	64%	75%
Share (%) of core suppliers who signed the Code of Conduct for suppliers	90%	83%	85%	n/a	n/a
Numbers of suppliers who are subject to audits performed by Arctic Paper to confirm compliance with the Code of Conduct for suppliers	1	3	4	n/a	n/a
Share (%) of pulp suppliers who are PEFC and/or FSC certified	100%	100%	100%	100%	100%
TRANSPORTATION	2021	2020	2019	2018	2017
Share of Euro 3 engines class (%)	0%	0%	1%	1%	3%
Share of Euro 4 engines class (%)	0%	1%	3%	6%	11%
Share of Euro 5 engines class (%)	34%	44%	47%	54%	53%
Share of Euro 6 engines class (%)	66%	55%	49%	39%	34%
Indirect CO ₂ emissions emanating from our transporters (ton per year)	20,941	20,861	21,894	–	–
Specific indirect CO ₂ emissions emanating from our transporters (kg/tonne)	32.9	35	36	–	–

7. ABOUT THE REPORT

CUSTOMERS SATISFACTION	2021	2020	2019	2018	2017
Value of complaint as % of sales revenues	0.36	0.48	0.47	0.58	0.61
Sales revenues mPLN	2,431	2,016	2,309	2,293	2,248
HUMAN RESOURCES	2021	2020	2019	2018	2017
Worked hours	1,770,249	1,755,076	1,835,225	1,878,369	–
Number of lost time injuries	20	12	16	16	–
Lost time injuries per million worked hours	11.3	6.3	7.8	8.5	8.0
Total number of white collar employees	401	407	413	416	420
Total number of blue collar employees	764	774	770	807	811
Total number of white collar men employees	242	246	247	245	250
Total number of white collar women employees	159	161	166	171	170
Total number of blue collar men employees	639	655	652	683	682
Total number of blue collar women employees	125	119	118	124	129
Numbers of employees who participated in business ethics training during the year	381	32	20	179	34
Employee survey response rate (absolute)	745	n/a	855	n/a	629
Employee survey response rate (%)	65%	n/a	74%	n/a	52%
Overall engagement capital	51%	n/a	46%	n/a	42%



EMPLOYMENT STRUCTURE		TOTAL	MEN	WOMEN	AGE<30	AGE 30-50	AGE>50
2017	Blue-collar	811	682	129	92	365	354
	White-collar	420	250	170	17	223	180
2018	Blue-collar	807	683	124	106	353	348
	White-collar	416	245	171	16	220	180
2019	Blue-collar	770	652	118	110	315	345
	White-collar	413	247	166	13	215	185
2020	Blue-collar	774	655	119	114	333	327
	White-collar	407	246	161	16	212	179
2021	Blue-collar	765	640	125	128	320	317
	White-collar	401	242	159	19	204	178

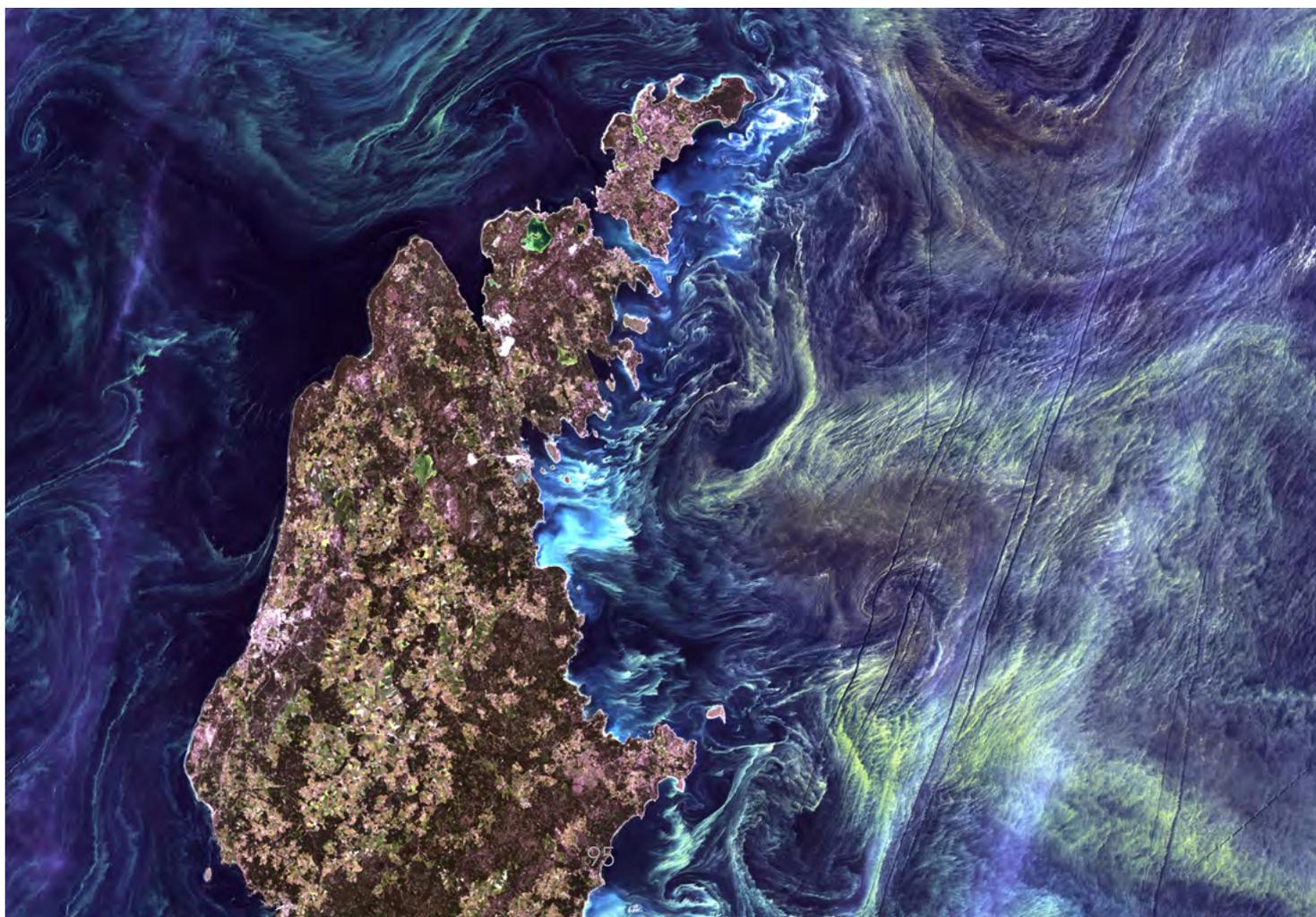
	2021	2020	2019	2018	2017
Number of permanent unlimited contracts	1,166	1,181	1,183	1,224	1,229
Number of temporary contracts	35	17	31	28	26

	2021	2020	2019	2018	2017
Total count of Management Board	2	2	2	2	2
% of Women on the Management Board	0%	0%	0%	0%	0%
% of Men on the Management Board	100%	100%	100%	100%	100%

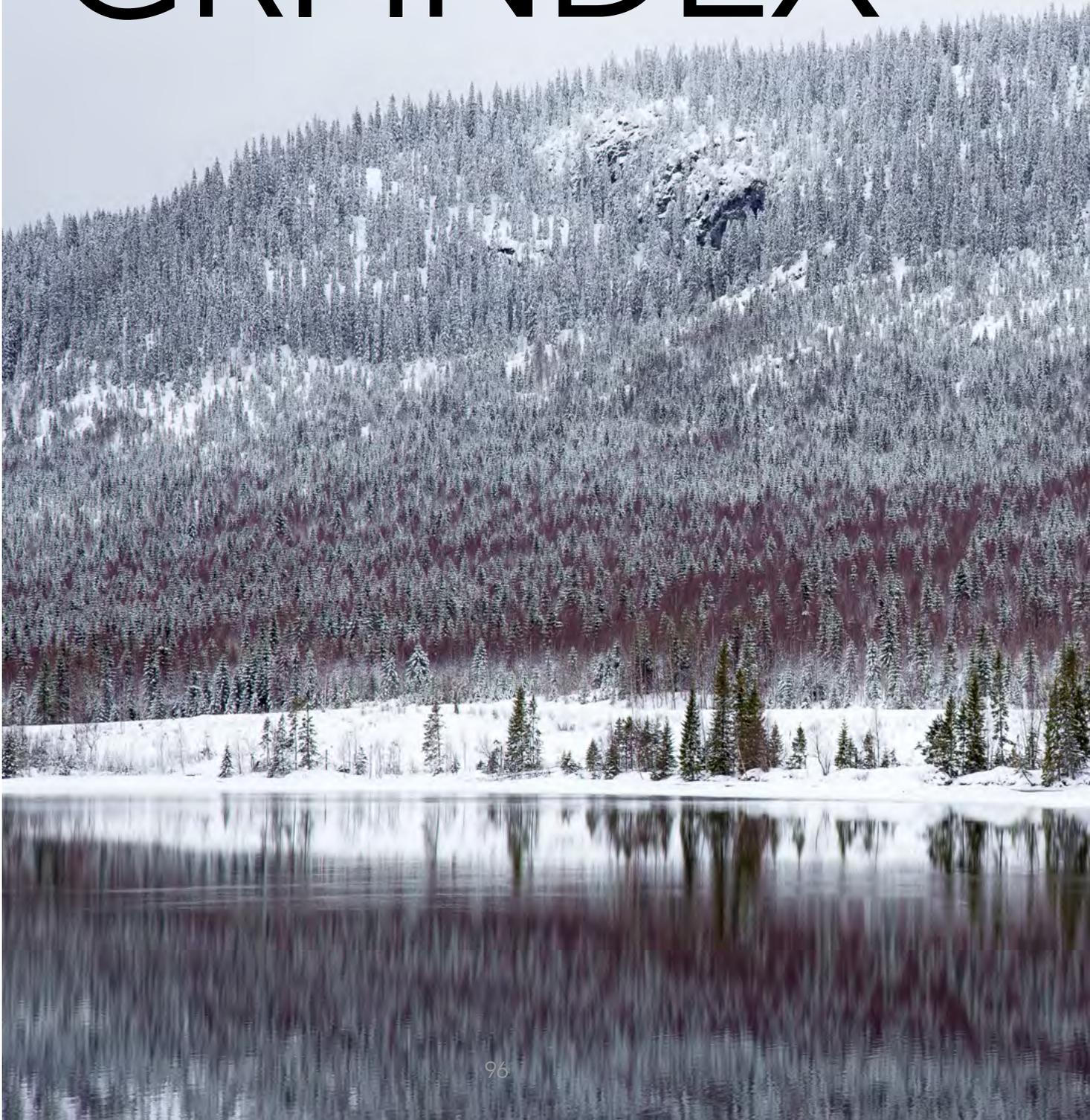
	2021	2020	2019	2018	2017
Total count of Supervisory Board	5	5	5	5	5
% of Women on the Supervisory Board	40%	20%	20%	0%	0%
% of Men on the Supervisory Board	60%	80%	80%	100%	100%

KEY PERFORMANCE INDICATOR		BUSINESS RELATED*	NON-BUSINESS RELATED*
2021	Fine bigger than 2 m PLN	0	0
	Fine smaller than 2 m PLN	0	0
2020	Fine bigger than 2 m PLN	0	0
	Fine smaller than 2 m PLN	0	0
2019	Fine bigger than 2 m PLN	0	0
	Fine smaller than 2 m PLN	0	0
2018	Fine bigger than 2 m PLN	0	0
	Fine smaller than 2 m PLN	0	0
2017	Fine bigger than 2 m PLN	0	0
	Fine smaller than 2 m PLN	0	0

*Business related legal cases are from customers. All others are defined as non-business.



GRI INDEX



DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE NAME	ADDITIONAL INFORMATION	LOCATION IN THE REPORT
Profile disclosures				
GRI 102-1	General Disclosures 2016	Name of the organization	–	Front page
GRI 102-2	General Disclosures 2016	Activities, brands, products, and services	–	1.1 Company Overview
GRI 102-3	General Disclosures 2016	Location of headquarters	–	1.1 Company Overview
GRI 102-4	General Disclosures 2016	Location of operations	–	1.1 Company Overview
GRI 102-5	General Disclosures 2016	Ownership and legal form	Consolidated Financial Statement of Arctic Paper Capital Group of 2021 – Shareholding structure	1.1 Company Overview
GRI 102-6	General Disclosures 2016	Markets served	–	1.1 Company Overview
GRI 102-7	General Disclosures 2016	Scale of the organization	–	1.1 Company Overview
GRI 102-8	General Disclosures 2016	Information on employees and other workers	–	1.1 Company Overview, 5.1 Working at Arctic Paper
GRI 102-9	General Disclosures 2016	Supply chain	–	3. Sustainable supply chain for client satisfaction
GRI 102-10	General Disclosures 2016	Significant changes to the organization and its supply chain	No significant changes in reporting period	–
GRI 102-11	General Disclosures 2016	Precautionary Principle or approach	–	2.4 Principal risk and their management
GRI 102-12	General Disclosures 2016	External initiatives	–	1.1 Company Overview, 1.2 Governance and Business ethics, 2.2 Our contribution to the Sustainable Development Goals, 2.3 Responsible business
GRI 102-13	General Disclosures 2016	Membership of associations	–	2.5 Partnerships of Arctic Paper's Partnerships
Profile disclosures				
GRI 102-14	General Disclosures 2016	Statement from senior decision-maker	–	President of the Management Board interview
GRI 102-15	General Disclosures 2016	Key impacts, risks, and opportunities	–	2.4 Principal risk and their management

DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE NAME	ADDITIONAL INFORMATION	LOCATION IN THE REPORT
Ethics				
GRI 102-16	General Disclosures 2016	Values, principles, standards, and norms of behaviour	–	1.1 Company Overview, 1.2 Governance and Business ethics, 2.2 Our contribution to the Sustainable Development Goals, 2.3 Responsible business
GRI 102-17	General Disclosures 2016	Mechanisms for advice and concerns about ethics	–	1.2 Governance and Business ethics, 2.3 Responsible business
Governance				
GRI 102-18	General Disclosures 2016	Governance structure	Consolidated Financial Statement of Arctic Paper Capital Group of 2021	1.3 Company's structure and management on sustainability topics
GRI 102-22	General Disclosures 2016	Composition of the highest governance body and its committees	Consolidated Financial Statement of Arctic Paper Capital Group of 2021 - Statement on the application of the Corporate Governance Rules	5.5 Diversity and Inclusion
GRI 102-21	General Disclosures 2016	Consulting stakeholders on economic, environmental, and social topics	–	2.1 Materiality assessment
GRI 102-23	General Disclosures 2016	Chair of the highest governance body	Consolidated Financial Statement of Arctic Paper Capital Group of 2021	–
GRI 102-26	General Disclosures 2016	Role of highest governance body in setting purpose, values, and strategy	–	1.3 Company's structure and management on sustainability topics
GRI 102-29	General Disclosures 2016	Identifying and managing economic, environmental, and social impacts	–	1.3 Company's structure and management on sustainability topics, 2.1 Materiality assessment, 2.4 Principal risk and their management
GRI 102-31	General Disclosures 2016	Review of economic, environmental, and social topics	–	1.3 Company's structure and management on sustainability topics, 2.1 Materiality assessment, 2.4 Principal risk and their management
GRI 102-32	General Disclosures 2016	Highest governance body's role in sustainability reporting	–	–
GRI 102-35	General Disclosures 2016	Remuneration policies	Remuneration policy of Arctic Paper available as a separate document on webpage	1.3 Company's structure and management on sustainability topics

DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE NAME	ADDITIONAL INFORMATION	LOCATION IN THE REPORT
Stakeholders engagement				
GRI 102-40	General Disclosures 2016	List of stakeholder groups	–	2.1 Materiality assessment
GRI 102-41	General Disclosures 2016	Collective bargaining agreements	Bargaining agreements are in place on mills level.	–
GRI 102-42	General Disclosures 2016	Identifying and selecting stakeholders	–	2.1 Materiality assessment
GRI 102-43	General Disclosures 2016	Approach to stakeholder engagement	–	2.1 Materiality assessment
GRI 102-44	General Disclosures 2016	Key topics and concerns raised	–	2.1 Materiality assessment
Reporting process				
GRI 102-45	General Disclosures 2016	Entities included in the consolidated financial statements	Consolidated Financial Statement of Arctic Paper Capital Group of 2021	1.1 Company Overview
GRI 102-46	General Disclosures 2016	Defining report content and topic boundaries	–	2.1 Materiality assessment
GRI 102-47	General Disclosures 2016	List of material topics	–	2.1 Materiality assessment
GRI 102-50	General Disclosures 2016	Reporting period	01.01.2021 – 31.12.2021	6. About the report
GRI 102-51	General Disclosures 2016	Date of most recent report	Previous annual report published on March 16th 2021	–
GRI 102-52	General Disclosures 2016	Reporting cycle	Annual	6. About the report
GRI 102-53	General Disclosures 2016	Contact point	–	6. About the report
GRI 102-54	General Disclosures 2016	Claims of reporting in accordance with the GRI Standards	GRI Standards at the CORE level	6. About the report
GRI 102-55	General Disclosures 2016	GRI content index	–	6. About the report
GRI 102-56	General Disclosures 2016	External assurance	Assurance only to the extent required by the Act on statutory auditors and article. 49b paragraph 9 of the Act about accounting	6. About the report

DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE NAME	ADDITIONAL INFORMATION	LOCATION IN THE REPORT
Specific disclosures on material topics				
Material topic: Health and safety of the employees				
GRI 103-1	Management Approach 2016	Explanation of the material topic and its boundary	–	Chapter 5. People
GRI 103-2	Management Approach 2016	The management approach and its components	–	Chapter 5. People
GRI 103-3	Management Approach 2016	Evaluation of the management approach	–	Chapter 5. People
GRI 403-1	Occupational Health and Safety 2018	Occupational health and safety management system	–	5.4 Health and safety
GRI 403-2	Occupational Health and Safety 2018	Hazard identification, risk assessment, and incident investigation	–	5.4 Health and safety
GRI 403-3	Occupational Health and Safety 2018	Occupational health services	–	5.4 Health and safety
GRI 403-4	Occupational Health and Safety 2018	Worker participation, consultation, and communication on occupational health and safety	–	5.4 Health and safety
GRI 403-5	Occupational Health and Safety 2018	Worker training on occupational health and safety	–	5.4 Health and safety
GRI 403-6	Occupational Health and Safety 2018	Promotion of worker health	–	Chapter 5 People, 5.4 Health and safety
GRI 403-7	Occupational Health and Safety 2018	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	–	5.4 Health and safety
GRI 403-8	Occupational Health and Safety 2018	Workers covered by an occupational health and safety management system	All workers are covered by an occupational health and safety management system	5.4 Health and safety
GRI 403-9	Occupational Health and Safety 2018	Work-related injuries	–	5.4 Health and safety

DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE NAME	ADDITIONAL INFORMATION	LOCATION IN THE REPORT
Material topic: Customer satisfaction				
GRI 103-1	Management Approach 2016	Explanation of the material topic and its boundary	–	Chapter 3. Sustainable supply chain for client satisfaction, 3.4. Commitment to client satisfaction
GRI 103-2	Management Approach 2016	The management approach and its components	–	Chapter 3. Sustainable supply chain for client satisfaction, 3.4 Commitment to client satisfaction
GRI 103-3	Management Approach 2016	Evaluation of the management approach	–	Chapter 3 Sustainable supply chain for client satisfaction, 3.4 Commitment to client satisfaction
Own measure	–	Value of complaints as share of sales revenue	–	3.4 Commitment to client satisfaction

Material topic: Climate change

GRI 103-1	Management Approach 2016	Explanation of the material topic and its boundary	–	Chapter 4. Environment and Climate
GRI 103-2	Management Approach 2016	The management approach and its components	–	Chapter 4. Environment and Climate
GRI 103-3	Management Approach 2016	Evaluation of the management approach	–	Chapter 4. Environment and Climate
GRI 305-1	Emissions 2016	Direct (Scope 1) GHG emissions	–	4.2 Energy and emissions
GRI 305-2	Emissions 2016	Energy indirect (Scope 2) GHG emissions	–	4.2 Energy and emissions
GRI 305-3	Emissions 2016	Other indirect (Scope 3) GHG emissions	–	4.2 Energy and emissions
GRI 308-1	Supplier Environmental Assessment 2016	New suppliers that were screened using environmental criteria	–	3.2 Environmental assessment of suppliers and responsible sourcing

Energy

GRI 302-1	Energy 2016	Energy consumption within the organization	–	4.2 Energy and emissions
GRI 302-4	Energy 2016	Reduction of energy consumption	–	4.2 Energy and emissions

DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE NAME	ADDITIONAL INFORMATION	LOCATION IN THE REPORT
Material topic: Water consumption management and minimizing water pollution				
GRI 103-1	Management Approach 2016	Explanation of the material topic and its boundary	–	4.4 Water
GRI 103-2	Management Approach 2016	The management approach and its components	–	4.4 Water
GRI 103-3	Management Approach 2016	Evaluation of the management approach	–	4.4 Water
GRI 303-1	Water 2018	Interactions with water as a shared resource	–	4.4 Water
GRI 303-2	Water 2018	Management of water discharge-related impacts	–	4.4 Water
GRI 303-3	Water 2018	Water withdrawal	–	4.4 Water
GRI 303-4	Water 2018	Water discharge	–	4.4 Water
GRI 303-5	Water 2018	Water consumption	–	4.4 Water
Material topic: Sustainable circular production system and waste management				
GRI 301-1	Materials 2016	Materials used by weight or volume	–	4.3 Sustainable circular production and waste
GRI 301-2	Materials 2016	Recycled input materials used	–	4.3 Sustainable circular production and waste
GRI 304-1	Biodiversity 2016	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	–	4.3 Sustainable circular production and waste
GRI 304-3	Biodiversity 2016	Habitats protected or restored	–	4.5 Biodiversity
GRI 306-1	Waste 2020	Waste generation and significant waste-related impacts	–	4.3 Sustainable circular production and waste
GRI 306-2	Waste 2020	Management of significant waste-related impacts	–	4.3 Sustainable circular production and waste
GRI 306-3	Waste 2020	Waste generated	–	4.3 Sustainable circular production and waste
GRI 306-5	Waste 2020	Waste directed to disposal	–	4.3 Sustainable circular production and waste
Own measure	–	Results of test fishing for fry	–	4.5 Biodiversity

DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE NAME	ADDITIONAL INFORMATION	LOCATION IN THE REPORT
Material topic: Working conditions and employee satisfaction				
GRI 103-1	Management Approach 2016	Explanation of the material topic and its boundary	–	Chapter 5. People
GRI 103-2	Management Approach 2016	The management approach and its components	–	Chapter 5. People
GRI 103-3	Management Approach 2016	Evaluation of the management approach	–	Chapter 5. People
Own measure	-	Engagement capital	–	5.2 Our employee well-being and satisfaction
GRI 401-1	Employment 2016	New employee hires and employee turnover	–	5.1 Working at Arctic Paper
GRI 401-2	Employment 2016	Benefits provided to full-time employees that are not provided to temporary or part-time employees	–	5.2 Our employee well-being and satisfaction

Material topic: Business ethics, legal & regulatory compliance, anti-corruption measures, transparency

GRI 103-1	Management Approach 2016	Explanation of the material topic and its boundary	–	1.2 Governance and Business ethics, 2.3 Responsible business
GRI 103-2	Management Approach 2016	The management approach and its components	–	1.2 Governance and Business ethics, 2.3 Responsible business
GRI 103-3	Management Approach 2016	Evaluation of the management approach	–	1.2 Governance and Business ethics, 2.3 Responsible business
GRI 205-2	Anti-corruption 2016	Communication and training about anti-corruption policies and procedures	Business ethics training includes also anti-corruption/anti-bribery topics	1.2 Governance and Business ethics, 2.3 Responsible business
GRI 205-3	Anti-corruption 2016	Confirmed incidents of corruption and actions taken	No incidents confirmed	–
Own measure	–	Number of employees completing the business ethics programme	–	1.2 Governance and Business ethics

Human rights protection in the workplace and in the supply chain

GRI 412-3	Human Rights	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	–	3.1 Responsible supply chain, 5.3 Human rights
GRI 412-2	Human rights 2016	Employee training on human rights policies or procedures	Business ethics training includes also human rights topics	1.2 Governance and Business ethics, 5.3 Human rights

DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE NAME	ADDITIONAL INFORMATION	LOCATION IN THE REPORT
Training and development possibilities				
GRI 404-2	Training and Education 2016	Programs for upgrading employee skills and transition assistance programs	–	5.2 Our employee well-being and satisfaction
GRI 404-3	Training and Education 2016	Percentage of employees receiving regular performance and career development reviews	–	1.2 Governance and Business ethics, 5.2 Our employee well-being and satisfaction
Diversity and inclusion				
GRI 405-1	Diversity and Equal Opportunity 2016	Diversity of governance bodies and employees	–	5.5 Diversity and Inclusion
GRI 406-1	Non-discrimination 2016	Incidents of discrimination and corrective actions taken	No incidents confirmed	–
Social engagement				
GRI 413-1	Local communities 2016	Operations with local community engagement, impact assessments, and development programs	–	2.5 Arctic Paper's Partnerships, 4.5 Biodiversity, 5.2 Our employee well-being and satisfaction

