

The background of the cover is a close-up, artistic photograph of several large rolls of paper. The rolls are stacked and curved, creating a sense of depth and texture. The lighting is soft, highlighting the edges of the paper and creating a warm, neutral color palette of whites, greys, and light browns.

SUSTAINABILITY REPORT 2022

Arctic Paper SA Capital Group disclosure on non-financial information



ARCTIC PAPER

We ensure sustainability from forest to paper

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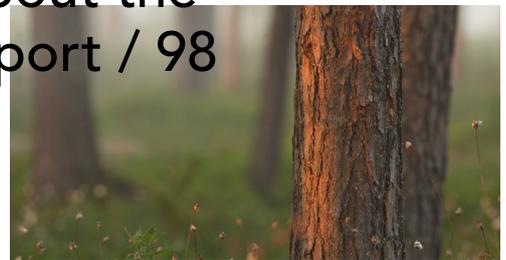
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MICHAŁ JARCZYŃSKI
CEO ARCTIC PAPER S.A.

What were the most important events in 2022?

The Russian invasion of Ukraine has fundamentally changed many things in the markets in which we operate. Arctic Paper immediately discontinued all business with Russia and Belarus. We have also contributed to the Ukrainian cause, as well as helped refugees fleeing from the war. The tragic events also triggered cost inflation and made the availability and affordability of energy a more challenging task.

How would you summarize the year for Arctic Paper?

We saw an increase in demand, as the societies in which we operate eased the

restrictions related to the coronavirus and gradually returned to normal life, triggering growth in our business. Simultaneously, cost inflation necessitated/required several price increases during the year. In this new business environment, we managed to defend our margins and grow our business. Closing the books for 2022, we summarize a record year, providing financial resources to invest in the strategic diversification towards packaging and energy, while maintaining our strong positions in paper and pulp.

How has Arctic Paper handled the energy challenge?

We have long held a strong position with local sources of energy at our mills, for example, biomass energy and hydro power. Investing in renewable energy is also a priority in the 4P strategy that was launched in 2021. During 2022, we have taken further steps with investments in a solar park in Kostrzyn and we have also commissioned a multifuel boiler, built and operated by our partner Adven at our mill in Munkedal. This is an example of smart cooperation within the circular economy. More investments will follow in the fields of solar and wind, with the goal of becoming a net producer of green energy and thus contributing to combating climate change.

What are you doing to prevent climate change?

Transforming Arctic Paper to a CO₂ neutral Group by 2035 is our ultimate goal and it requires, among other things, major investments in renewable energy. But it is also a question of keeping the business running, maintaining our competitiveness, and creating the profits needed to invest, which in turn demands the availability

of affordable and clean energy. We have decided on several other targets that are described in this report. The three most important aspects of our materiality analysis are the health and safety of employees, customer satisfaction and climate change. We have connected these focus areas with the UN Sustainable Developments Goals (SDG), which you also will find in the report.

Starting with health and safety, how are you progressing?

I am happy to say that the number of work-related injuries has decreased during 2022, but we still need to do more to reach our goal. This is one of the main priorities for 2023. Good working conditions are a prerequisite if we are to retain our staff and recruit future talents.



Do you have any other examples of progress?

In Munkedal, where the mill is already one of the best in the world when it comes to using as little water as possible and to ensure clean water, we have invested in making the Munkedal river more accessible for fish. And the measures that were implemented in 2021 have already shown a remarkable effect on underwater life. Last year we could see a major recovery of the fish stocks in the river.

Looking forward, what do you expect from 2023?

The outlook for the economy is uncertain, but Arctic Paper is well-prepared with stable finances. We will continue to invest in our strategic diversification as well as in new and better technology to reduce our footprint – and that of our customers. We are working with eco-friendly and renewable products that are attractive to customers who want to shift from fossil-based to bio-based products.



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 2022, Arctic Paper employs about 1,201 people. 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 GRYSKSBO

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 Odrą (Poland).

Arctic Paper SA is also a majority owner (in possession of 51.0 % of the shares by December 31, 2022) of the Rottneros group. Rottneros AB is a pulp producing company, registered on the Nasdaq stock exchange in Stockholm. The Pulp mills owned and operated by Rottneros AB 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 AB, as it holds the majority of shares, yet operational control belongs to Rottneros AB, including responsibility for the company's performance and sustainability matters.

Data for 2022 for Rottneros AB are not available in the format presented by Arctic Paper SA. However, the impact on sustainable development and results will be presented in a separate report of the subsidiary.

Arctic Paper SA discloses information on the EU Taxonomy of environmentally sustainable activities at consolidated level, including data from Rottneros AB.

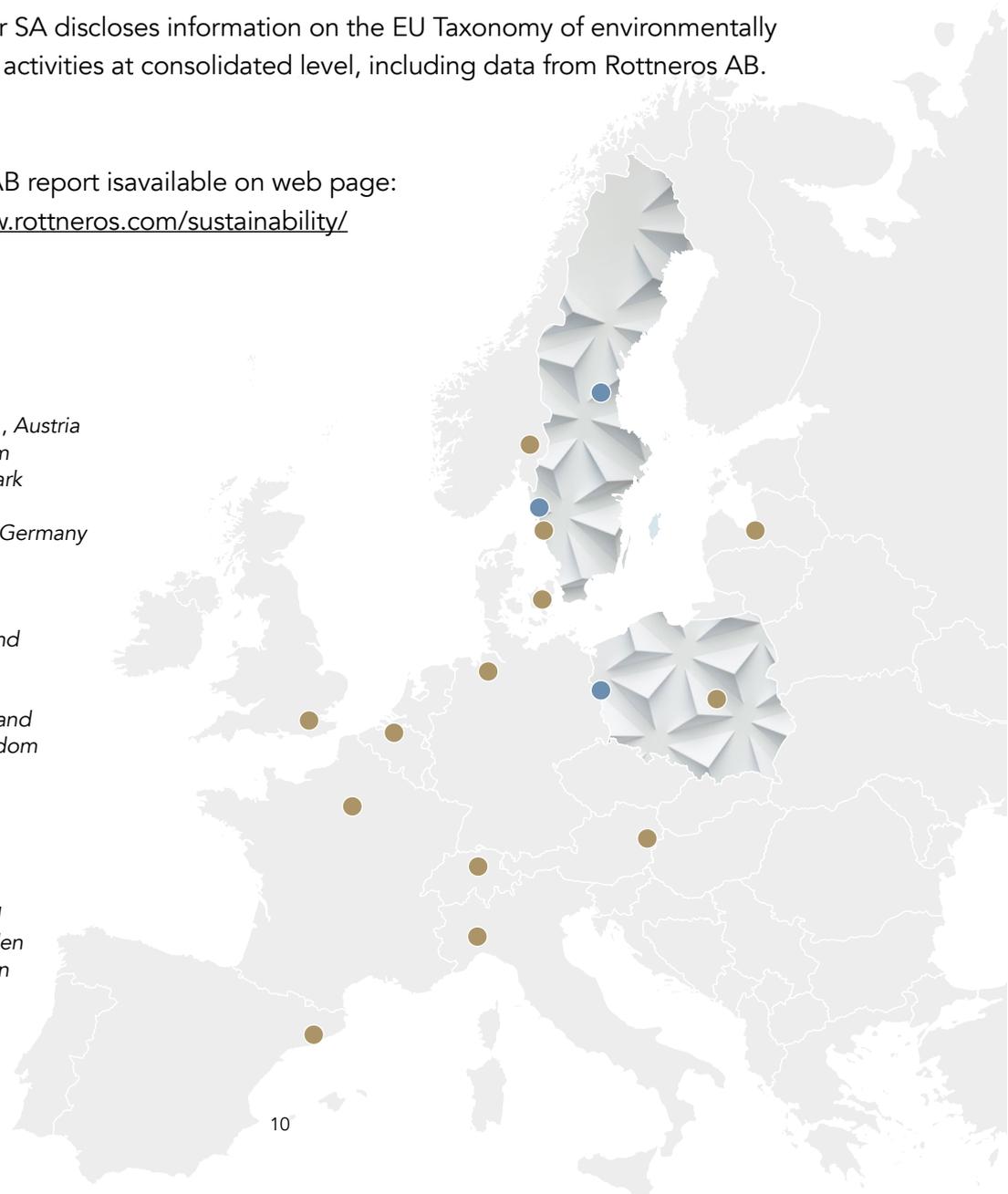
Rottneros AB report is available on web page:
<https://www.rottneros.com/sustainability/>

● 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.zo.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 S.A., *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 using 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. Since 2018 our cooperation with suppliers has been based on Code of Conduct for Suppliers of Arctic Paper. 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. In 2021 we elaborated a new Sustainability Policy for the entire Arctic Paper Group. In 2023, we plan to start working on a new code of conduct for the entire value chain of Arctic Paper.



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.



MUNKEN

AMBER



ARCTIC



ARCTIC VOLUME

We are known for new solutions and products, as well as 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 C2C Certified Material Health Certificate™ at the Silver level 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. The Munken Agenda is perceived as an interesting design reference by art directors, designers and agencies around Europe and the world. In 2019, the creative idea and concept for the Agenda were created by five graphic design students from NABA (Nuova Accademia di Belle Arti) in Milan, Italy. 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. The latest Munken Agenda 2023 was created by Forsbergs Design and Advertising School in Stockholm, Sweden.

MARKETS SERVED AND OUR SCALE OF OPERATIONS

98% of Arctic Paper products are delivered to European markets. Which, in times of global transportation problems and supply chain crisis, helps us to assure relatively secure distribution and reliability of deliveries. For years our biggest markets have been Germany, Poland, Nordic countries, the Baltics, followed by France, Benelux, UK and Central and Eastern European countries.



OUR MAIN ACHIEVEMENTS AND PROJECTS IN 2022

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 environmental protection in our day-to-day operations.

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

New flexible multifuel boiler in Munkedals went into operation in September 2022. It will provide the mill with another stable source of energy – see page 59 – Case study – Energy and Emissions.

Continued project for improvement of biodiversity by restructuring the conditions in the Munkedal river – see page 67 – Case Study – Biodiversity.

Start-up of solar panels in Grycksbo and Munkedal with an installed capacity of 0.5 and 0.1 MW respectively.

Start of the transition process into electric mobility.

Workshops and launch of development work of an action plan and education program in the field of diversity and inclusion.

Launch of new product within the G range – G-Flexmatt – paper for a wide range of flexible packaging applications, i.e. chocolate and coffee wrappers pouches, bags or polymer coating as a sustainable and environmentally friendly alternative for plastic packaging.

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"> · 1,201 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, Grycksbo and Munkedals · Hydropower plant in Munkedals · Continued investments and working on development of energy efficiency and independence 	<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 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. As well as purchasing and logistics departments are where the risks of corruption and bribery exposure are 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.

Our price lists are 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, as well as 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.

We aim for our employees to sign declarations that they have familiarised themselves with our Code of Conduct. Our employees are participating in nano-learning in the area of business ethics, which mainly covers corruption and bribery topics. In 2022, all new employees received training during the onboarding process.

KEY PERFORMANCE INDICATOR	2022
Number of employees who participated in the Business ethics training programme (per year)	98

LEGAL AND REGULATORY COMPLIANCE

Arctic Paper SA is a stock listed company, which obliges us to comply with the rules set out in the document "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. Although a large part of them is uniform throughout the Union, we are sensitive to any differences between individual countries. 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 risk of lawsuit.

KEY PERFORMANCE INDICATOR	BUSINESS RELATED*	NON-BUSINESS RELATED*
2022	Fine bigger than PLN 2M	0
	Fine smaller than PLN 2M	0

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



TRANSPARENCY AND COMMUNICATION

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 needs of our stakeholders.
-

- We behave ethically and actively promote ethical behaviour based in 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.
-

- All employees of Arctic Paper, regardless of their function, are obliged to apply the ethical principles and rules of conduct collected in the "Code of Conduct". It is a set of key principles and values reflecting the organizational culture of the Arctic Paper Group, the purpose of which is to build trust and lasting loyalty of employees, customers, shareholders and local communities. Our Code of Conduct is reviewed annually.
-

- Members of the corporate bodies of Arctic Paper should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the corporate body, and where a conflict of interest arises, they should immediately disclose it.

We strives to maintain a transparent business climate and a high level of business ethics. A number of policies, internal requirements, laws, rules and routines governs the operations of Arctic Paper.

Our aim is to act with transparency and we want our employees and other stakeholders to experience participation in the business. The Whistleblower system gives anyone the opportunity to report suspected serious misconduct that is inconsistent with Arctic Paper's Code of Conduct and values. This service is intended for all our internal and external stakeholders. It is worth remembering that using it can have a huge impact on the entire organization or the life and health of a specific person.

The whistle-blower system can be used to provide information that something is not in line with Arctic Paper values and ethical principles, and can seriously affect our organization or a person's life or health.

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 in Arctic Paper 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 · Whistleblowing reporting system 	<ul style="list-style-type: none"> · Intranet, widely accessible to all employees · Meetings, both one-on-one and in groups · Training and education 	<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"> · Code of Conduct and Sustainability Policy · Whistleblowing reporting system
Business operations	<ul style="list-style-type: none"> · Direct communication through sales offices · Press releases · Meetings 	<ul style="list-style-type: none"> · Whistleblowing reporting system · Diversity Policy 		<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 GOVERNANCE STRUCTURE AND MANAGEMENT ON SUSTAINABILITY TOPICS



Engagement of the Management Board and the Supervisory 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 together with the Supervisory Board and its Risk Committee are responsible for overseeing the process of identifying and managing risks in every 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 Group Executive Team consists of executive vice presidents responsible for various areas of activity, including strategy and sustainable development.
 - The Supervisory Board is composed of five members elected by the Shareholders Meeting for a joint three-year term of office. Two of the members are independent.
 - The Management Board is composed of two members elected by the Supervisory Board for a joint three-year term of office.
 - The Sustainability 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. As far as possible, our environmental principles should also apply 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 work to maintain a friendly internal and external environment. Paper mills are required to make continuous efforts in this area – of course, within what is technically and economically justified.
 - 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 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.
-



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 are: the Environment, People and Business Operations 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.

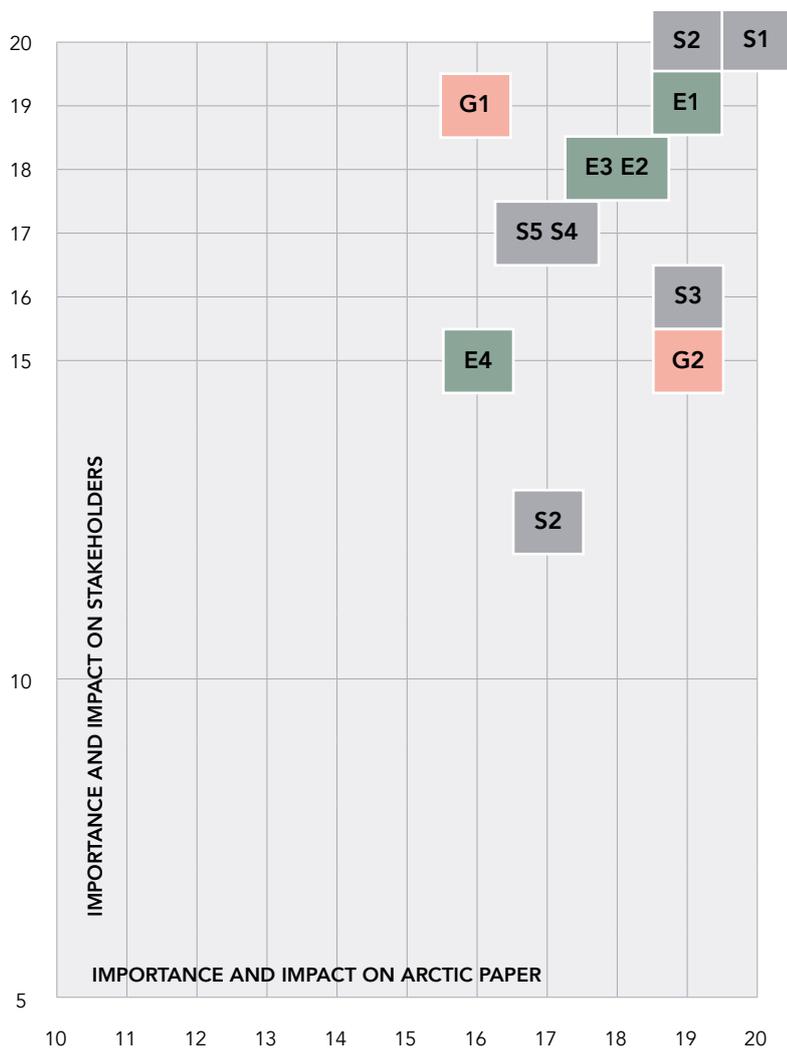
At the end of 2020, we conducted a survey in which we asked our stakeholders to share their opinions and recommendations regarding our future CSR activities and areas of involvement. The three main groups of our stakeholders took part in it were: employees (491 respondents), customers (24 respondents) and other stakeholders (20 respondents), including:

- 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 are 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's clients, the company is one of the leaders in sustainable development.

Almost 80% of clients state that Arctic Paper 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 ecofriendly, 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 for 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 training for employees · Meetings with customers, trial printing 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 organisation · Communication with 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
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

	BASIS FOR SELECTION	IMPORTANT SUBJECTS	ARCTIC PAPER ACTIONS
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 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

In 2022, there were no changes to the business model of the Arctic Paper Group, nor were there any events in the environment that would significantly affect this model and the nature and scale of the social, environmental, or economic impact of Arctic Paper Group. Although, COVID-19 pandemic or the unprecedented Russian attack on Ukraine in February 2022, affected the social and economic life, especially in Poland, but also in Europe and the rest of the world, they did not, in the company's opinion, cause changes that would significantly change the very specificity of the impact of the environment on the Company or the Company on the environment.

These aspects became the subject of a broader discussion within our organization, which aimed to better understand the current and future nature of relations with the environment and interaction with it, in the context of possible changes, including regulatory changes, and observed social trends.

As a result, it allowed us to understand the current and future nature of our impact. Internal verification of the earlier assessment of the significance of the impact of individual areas and the prioritization of significant aspects made in recent years, led to the conclusion that there were no significant changes in this respect. As a result, they remained unchanged compared to the previous year and became the starting point for defining the present content of the report. We plan to conduct next survey of our stakeholders at the end of 2023. Based on the results of this study, we will re-examine the materiality and impact of our business.

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's core operations
- Impact on Arctic Paper's 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
- Whistleblowing system and interactive training for employees across the entire organisation
- Diversity Policy – workshops and launch of development work of an action plan and education program in the field of diversity and inclusion
- Regular performance audits for employees (salary mapping)
- Cooperation with local and international schools and universities in Europe
- Regular IT trainings

ENVIRONMENT

WHAT ARCTIC PAPER IS DOING



- Impact on Arctic Paper's core operations
- Impact on Arctic Paper's 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
- Grycksbo mill is ISO 50001 certified (Energy management system) and certification of mill in Munkedals is ongoing
- Measurement and monitoring of waste management indicators
- Restoring fish breeding habitat in the Munkedal river – (see page 67 for Case Study)

BUSINESS OPERATIONS

WHAT ARCTIC PAPER IS DOING



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

- Responsible supply chain practices 4P Strategy – Power, Paper, Pulp, Packaging
- 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.

Our approach to sustainable development is based on ESG (Environmental, Social and Corporate Governance) factors, and therefore focuses on three pillars: Environment, Social and Corporate Governance. Thanks to it, we make a positive contribution to the implementation of the UN Sustainable Development Goals. Our Sustainability Policy aims to define the general principles of approach to ESG issues and sustainable development. It sets out the framework for managing these topics within the Arctic Paper Group.

The policy recognizes the importance of topics related to sustainable development for the Arctic Paper Group, its business model, long-term goals and daily operations. The principles of managing ESG issues, which include the Sustainability Policy, are the basis for implementing a sustainable development approach that supports the goals of our company. Policy has an educational dimension.

In the Arctic Paper Group, we make every effort to ensure that everyone knows the rules and follows them in everyday work. To this end, we put emphasis on educating managers and top management.

We are a responsible organization, which is why we undertake numerous activities contributing to sustainable development.

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

- Code of Conduct,
- Code of Conduct for Suppliers,
- Diversity Policy.

The implementation of policies is supported by guidelines and instructions from the management, which helps everyone within the organisation to understand their impact and obligations. In 2023, we plan to start working on a new code of conduct for the entire value chain of Arctic Paper.

2.4 PRINCIPAL RISKS AND THEIR MANAGEMENT

In order to sustainably create value over the short and long-term, we 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. It is increasingly important 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 describe the potential threats related to climate change, which represent an opportunity for our company, as we can contribute to solving these problems by offering products based on renewable sources that can replace products based on fossil fuels.

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. We assessed and managed 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.

2022 has been an unprecedented year due to the outbreak of war in Ukraine. Military conflicts have devastating effects, mainly from a social perspective. Such events are unpredictable and affect larger groups of companies, societies and the entire economy. The war in Ukraine has forced the acceleration of development and the transition to renewable, safe and stable energy sources.

At Arctic Paper, we pay attention to the development of the conflict in Ukraine, also due to possible disruptions in the supply chain that could affect the continuation of production. So far, we haven't noticed these kinds of disruptions.



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



2.5 ARCTIC PAPER'S PARTNERSHIPS

At Arctic Paper we value our partnerships with external partners and we 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 organizations, as well as industry organisations.

SOME OF OUR PARTNERSHIPS

- The Munkedal mill has established a very close and long-term (20-year) cooperation with a high school, focusing on the technology of the production process. The school is located on the premises of our mill, so we can offer students easy access to internships. 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), which acts as a forest industry employer association working with labour unions and other authorities. It also acts as a technical institution with a focus on supporting the industry by sharing 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 in two committees: 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 increased 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.
- UTIPULP – Group of European Market Pulp Users, a non-profit association created in 1979. UTIPULP brings together consumers of market pulp, whose members are formally national associations. In the case of Poland, it is The Association of Polish Papermakers, which freely shapes its representation in the structures of UTIPULP. Arctic Paper, as the initiator of this membership, actively participates in the work of the association through its representatives.

UTIPULP's task are: development of a common position and representation of the interests of customers of market pulp, standardization, certification of trade, arbitration, ensuring the security of the entire supply chain. UTIPULP also gathers its members around opportunities to influence the shape of EU

legislation and responds to challenges related to the transformation of the economy towards climate neutrality, an environmentally sustainable development model and economical management of raw materials. Additionally, it strengthens the negotiating position of European partners and improves the quality of pulp available on the market, thanks to the dissemination of certification systems: FSC, PEFC, ISO, EUTR.

- Our paper mills are also members of regional chambers of commerce, which

allows us to establish contacts with professionals from other industries. Both individuals and entire companies thus develop fruitful partnerships through informal learning and exchange of experiences.

- Arctic Paper supports local communities. We sponsor 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.

Arctic Paper reviews its main key business performance indicators on a regular basis.

BELOW WE PRESENT 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.

Due to ongoing work on new reporting standards, prepared by the European Commission – European Sustainability Reporting Standards (ESRS), which are to come into force in the reporting year 2024, Arctic Paper plans to review and update all KPIs and set a new time perspective for the targets after adoption final version of the ESRS.

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



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. During the last quarter of 2022, the market situation changed significantly, causing shorter production cycles with a higher frequency of changes of produced grade, in turn causing lower energy efficiency.



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

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 2022 number of injuries has decreased.. This year we implemented new safety routines and expanded collaboration of production units sharing common experience and knowledge. Accidents are caused mainly due to human errors. That is why we continue training and health and safety procedures programs.



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.





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. In 2023, we plan to start working on a new Code of Conduct across for the entire value chain of Arctic Paper.



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 sustainability policy are in place. At the same time, we expect our suppliers to take note of our Code of Conduct and Sustainability 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. In 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 long term 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, 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 sustainability policy that are compatible with the Arctic Paper's 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.



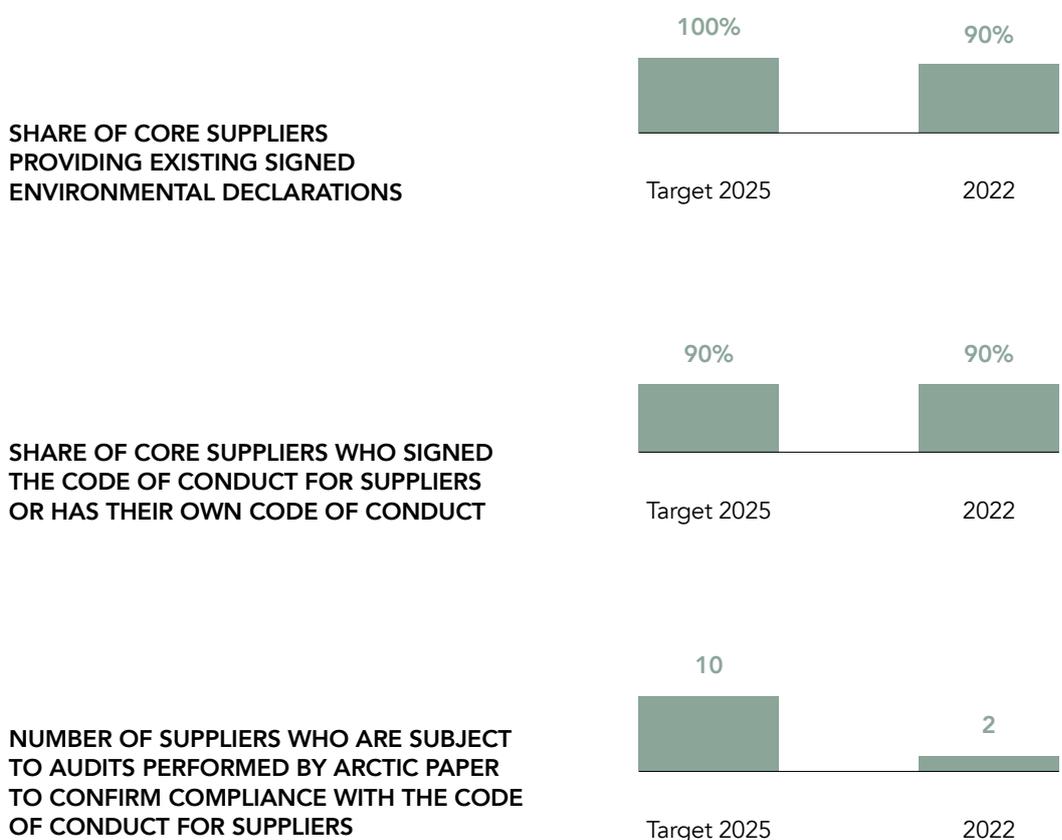
3.2. ENVIRONMENTAL ASSESSMENT OF SUPPLIERS AND RESPONSIBLE SOURCING

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 the products delivered 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.

Our ambition to audit a certain number of suppliers in their production facilities failed again in 2022 due to unfavourable travel restrictions caused by Covid-19 and worsened by the war in Ukraine. As soon as circumstances allow us, we'll adopt an annual standard policy to audit randomly selected suppliers representing main areas of interest: pulp, chemicals, wrapping materials and services.





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 challenges. We follow industry analysts from Brian McClay, Hawkins Wright and Fast Markets RISI. 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.

Arctic Paper's 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 citizens' 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.

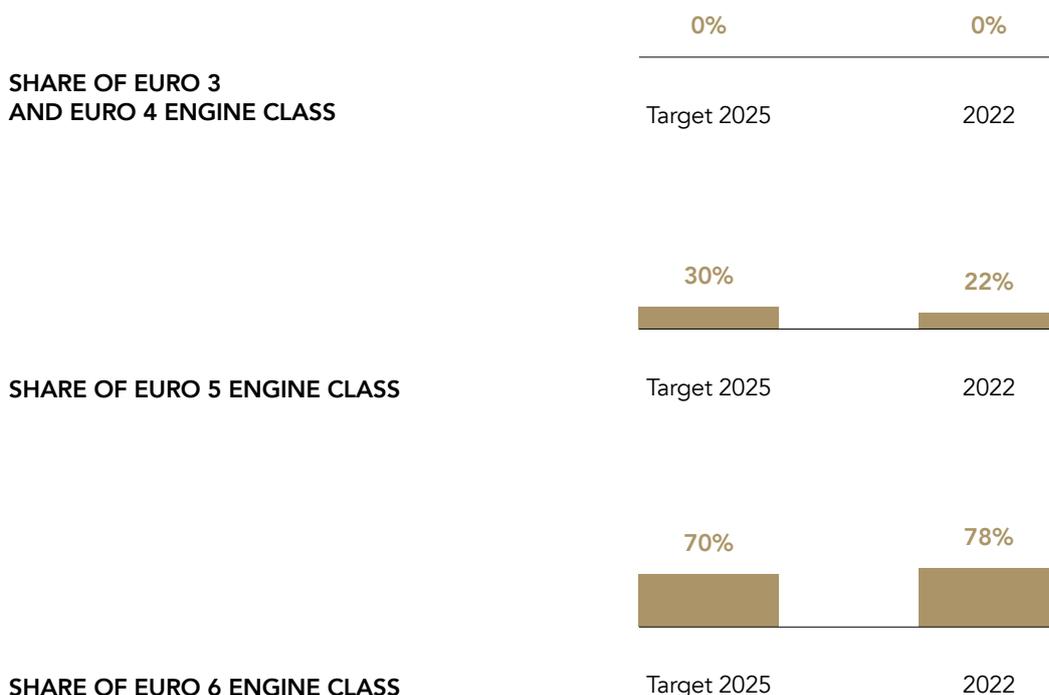


3.3 TRANSPORTATION

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.

OUR TARGET FOR NEXT YEARS IS TO EMPLOY ONLY TRUCKS WITH ENGINE CLASS EURO 5 AND ABOVE.



The large transportation companies, who 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.

Since 2020, around 20% of deliveries made from our mills to our customers were transported as intermodal transport. We intend to develop intermodal transport share in the future, however high energy prices, as well as accuracy and time issues of delivery of intermodal scheme are still challenging.

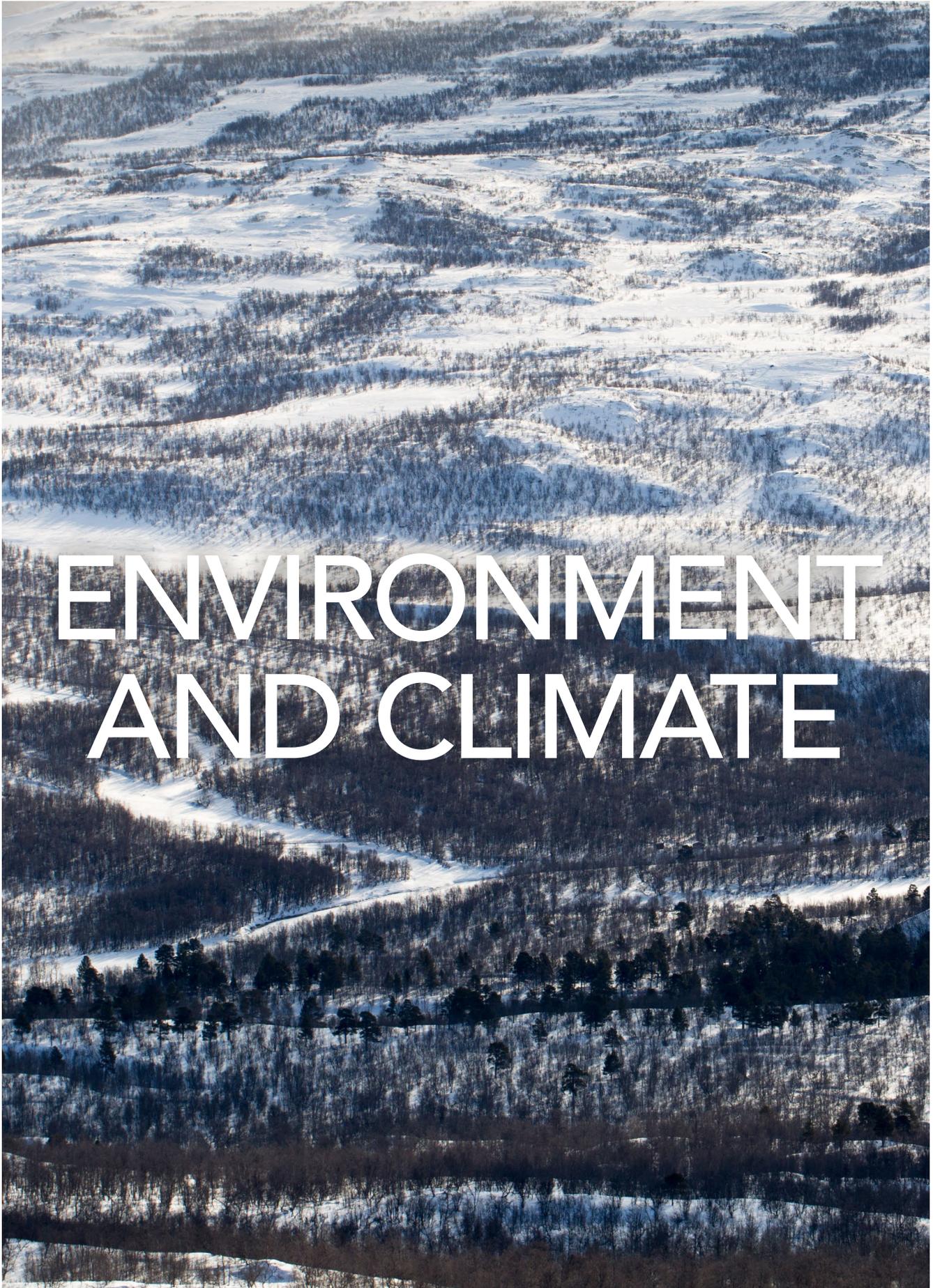
3.4. COMMITMENT TO CLIENT SATISFACTION

Our customers are among the 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 to them. We know that 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 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 goal is to minimize the value of complaints, but we realize that not all of them are justified.



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.



ENVIRONMENT AND CLIMATE

4.1

MANAGEMENT APPROACH

Arctic Paper has a long-standing 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 minimize the negative impact of our production activities and transport services by applying pro-ecological practices at every 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 strategy.





CERTIFICATIONS

The ISO 14001 management system is in place at all of our mills. It is a guide for us in the field of environmental responsibility and work on continuous improvement of production processes. All certificates are widely available on our website.

In this report, we present the consolidated environmental performance of our three mills. Each of them publishes its own EMAS report, 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 of these documents describes the environmental impact across the entire supply chain, as our business operations are highly dependent on our suppliers.

paper profile ARCTIC PAPER LROA

Product AMBER GRAPHIC
Company ARCTIC PAPER S.A.
Mill ARCTIC PAPER KOSTRZYŃ S.A.

Information gathered from: 01.01.2021 to: 31.12.2021
 Date of issue: 5.07.2022

Environmental product declaration for paper

Environmental Management
 Certified environmental management system at the Mill since April 2000 ISO 14001:2004
 Company systems ensure traceability of the origin of wood x yes no 100% recovered paper
 Environmental aspects of wood procurement 45% of FSC and 55% of PEFC

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

Water	COD	6.59	kg/tonne
	AOX	6.54	kg/tonne
	N _{tot}	6.13	kg/tonne
	P _{tot}	6.524	kg/tonne

Product composition

The product contains biomass carbon equivalent

More information
 Contact: Grzegorz Maratczyk
 (Address): Arctic Paper Kostrzyn S.A.
 PL 66-470 Kostrzyn nad Odrą
 Phone: 0048 95 72 10 219
 Email: grzegorz.maratczyk@arcticpaper.com

More information about Paper Profile can be found on www.paperprofile.com

Paper Mill Information LROA ARCTIC PAPER

Arctic Paper Kostrzyn S.A.

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 emission from the paper production and not emission in the total production chain from forest to customers.

Mill Environmental Parameters 2021				Mill Environmental Objectives 2022					
Water	Quantity	Product	BOE/T	Description	Water	Quantity	BOE/T		
Water (kg/t)	CO ₂	6.59	x 1.5	kg/t	Water (kg/t)	CO ₂	x 1.5	kg/t	
	NOx	6.563	x 0.1	kg/t		NOx	6.563	x 0.1	kg/t
	PM10	6.002	x 0.012	kg/t		PM10	6.002	x 0.012	kg/t
Air	SO ₂	1.956		kg/t		SO ₂	1.956		kg/t
	NO ₂	6.551		kg/t		NO ₂	6.551		kg/t
	CO ₂	319		kg/t		CO ₂	319		kg/t
Energy	Steam	2121		MWh/T		Steam	2121		MWh/T
	Electricity	250		MWh/T		Electricity	250		MWh/T
Waste	Recycle	16.47		BOE/t ²		Recycle	16.47		BOE/t ²
	Landfill	0.2		BOE/t ²		Landfill	0.2		BOE/t ²

Technical Support Team
 Arctic Paper Kostrzyn S.A.
 PL-66-470 Kostrzyn nad Odrą, Poland
 Phone: +48 95 721 190
 +48 95 721 558

Mill contact:
 Arctic Paper Kostrzyn S.A.
 PL-66-470 Kostrzyn nad Odrą, Poland
 Phone: +48 95 721 190
 Fax: +48 95 724 133

ARCTIC PAPER

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, as well as 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.

The mill in Grycksbo has an ISO 50001 certified energy management system which aims to continuously improve energy consumption and energy efficiency. The paper mill in Munkedal is also applying for the same certification.

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 holds 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 customers that our products come from well managed certified forests. Below we present the logos and licence code numbers for our mill at Munkedal.



The mark of responsible forestry



We extensively train our employees on PEFC™ and FSC® product origin control systems. Our training is based on materials provided by NEPCo, 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 the 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.

Environmental activities related to the production process focus on four key areas, selected during the materiality analysis. These are: energy consumption, CO₂ emissions, water consumption and waste management. These issues are described in detail later in this chapter. In our opinion, the targets we have defined in terms of production volume clearly demonstrate our commitment to progress in the area of environmental sustainability.



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 transition from fossil to non-fossil energy sources is one of the major challenges facing our civilization. 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), back-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.

Energy efficiency is one of the most important aspects of the paper production process, which is why we aim to reduce energy use at every stage. We run projects leading to an increase in the share of energy from renewable sources. Our activities in this area help us reduce greenhouse gas emissions, decrease demand for energy imports and reduce production costs.

Each year we initiate various types of energy efficiency programmes 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.

The year 2022 was very difficult, due to the outbreak of the war on Ukraine, which caused rapid global increase in energy demand and an increase in prices.

Energy consumption levels increase significantly during starts and stops of the machines without any saleable production. Due to shorter lead times, it was also necessary to change the type of paper produced more often, which resulted in increased energy consumption.

In 2020, the construction phase for a new hydro powerplant in Munkedal was finished. The plant will double the hydro-power production at the mill from 12 GWh to 25 GWh per annum. Regular energy production has been taking place since January 2021.

During 2021, the erection of solid fuel boiler was started. The boiler came into trial operation in September 2022 and in 2023, the boiler is expected to reach its design capacity of 30 MW. 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.

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.

One of the projects completed in 2021 in Kostrzyn was the launch of a solar panel farm with a capacity up to 1MWp, which increased 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. Another important project was the replacement of old refiners with modern energy-efficient machines. Also in Munkedal, a smaller solar panel installation with an installed power of 0.1 MW was launched during 2022.



One of the buildings at Grycksbo mill has been nominated for the Solar Energy Award 2023 – Solenergipriset in the Building/Facility of the Year category awarded by the organization Svensk Solenergi (Swedish Solar Energy). The goal of the organization is to disseminate knowledge about solar energy and to increase the energy mix in Sweden. The award recognizes projects that are innovative and drive the development of technology, or standardized projects that make technology cheaper and more accessible.

Below there are presented 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	2022
Total net specific energy consumption (MWh/tonne paper)	1.9	2.3
Total net energy consumption (GWh/year)	1,320	1,269.4
Total production of paper (in tonnes)	695,000	626,472



CASE STUDY

Waste to energy- the new flexible multifuel boiler in Arctic Paper Munkedals

During the autumn of 2022, a new boiler designed for producing steam from sorted waste fuels was started up in Munkedals mill to support Arctic Paper's energy transition towards 100% usage of renewable and recycled energy.

The so called 'flexible multifuel boiler' is designed to handle any solid fuel. The main fuel source for the time being will be RDF (Refuse Derived Fuel) or sorted waste.

RDF is a fuel that consists of various fractions of industrial and municipal sorted waste, which, with the current best available technology, cannot be used to recycle materials and therefore is destined to either fuel or landfill, therefore also in line with the ideas of circular production.

RDF contains fossil materials. Currently, around 39% of the RDF consists of fossil-derived materials, which, when burned, result in fossil CO₂ emissions. Since RDF replaces natural gas CO₂ emissions are however noticeably reduced (see below*). Compared to oil, coal or natural gas, the use of RDF as a fuel means that the energy needs of the mill are met by using waste that would otherwise end up in landfill.

At the end of 2022, the new boiler was operating at a maximum of 50% of its design capacity. At the beginning of 2023, tuning of the boiler continued in order to reach full designed capacity by 3rd quarter of 2023 at the latest.

When the boiler is operating at full capacity, steam production corresponds to the consumption of 23,900 m³ of heavy fuel oil (equivalent to 72 kton of CO₂ emissions) or almost 23 mm³ of natural gas (equivalent to 50 kton of CO₂ emissions). Compared to year-round LNG-based steam production, the new power plant reduces mill's CO₂ emissions* by 55-60%.

If, in the future, recycling of RDF will be possible, the alternative fuel for the flexible boiler could be a virgin biomass (wood and bark residues), making it 100% renewable.

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 the climate change. Emission levels are monitored by our 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”.¹

We have been committed to reducing CO₂ emissions for many years. One of our most important activities in this area was undertaken in paper mill in Kostrzyn in 2007. It consisted in replacing a coal-fired boiler with a state-of-the-art natural gas boiler, equipped with gas turbines and back-pressure steam turbines. In 2008, Grycksbo also made a significant investment in a

biomass boiler, making the steam generation process at the mill fossil-free. Our 4P Strategy is a signpost for us that will help us achieve the goal of carbon neutrality and increase the diversification of energy sources based on renewable sources, such as solar collectors, hydroelectric power plants 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 that 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 our employees to contribute to the common goal of achieving carbon neutrality. We believe that every small effort or a single change to our daily routine can reduce our carbon footprint, which will have a significant impact on the climate. One such action is the installation of charging stations for employees' electric cars at the paper mill in Grycksbo. Employees utilising bio energy for domestic heating can also benefit from a rebate agreement with a local bio energy supplier.

¹ Cambridge Business English Dictionary © Cambridge University Press)

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.

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). 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, fillers coating pigment totally covering >90% of purchased raw material value) and transportation companies.

KEY PERFORMANCE INDICATOR (KG CO ₂ /TONNE PAPER)	TARGET 2025	2022
Direct CO ₂ emissions	215	212
Indirect specific CO ₂ emissions from external electricity suppliers ¹	–	5
Indirect specific CO ₂ emissions from our major supplier of raw material ²	60	85
Indirect specific CO ₂ emissions from our transporters ³	35	34
Total indirect specific CO ₂ emissions	115	124
Total specific CO ₂ emissions	–	336
Total CO ₂ emissions (k tonnes / year)	–	212
Total production of paper (in tonnes)	695,000	624,472

¹ Figures describing the average CO₂ load for the national grid in Poland and Sweden.

² Covering >90% of the purchased raw materials (calculated as purchase value).

³ Figure based on average delivery points in Europe.

Compared to the year 2021, possibilities to import excess heat from an external company, close to our production site in Kostrzyn, was lower, hence a larger fraction of the needed energy was produced based on natural gas, in turn resulting in a slight increase of specific emissions of CO₂.

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. Due to the market situation with a higher preasure for short lead times, intermodal transport was less used during 2022 compared to 2021.

THE BELOW TABLE PRESENTS CO₂ CONTRIBUTION FROM ENERGY SOLD (HEAT AND ELECTRICITY) TO EXTERNAL CONSUMERS

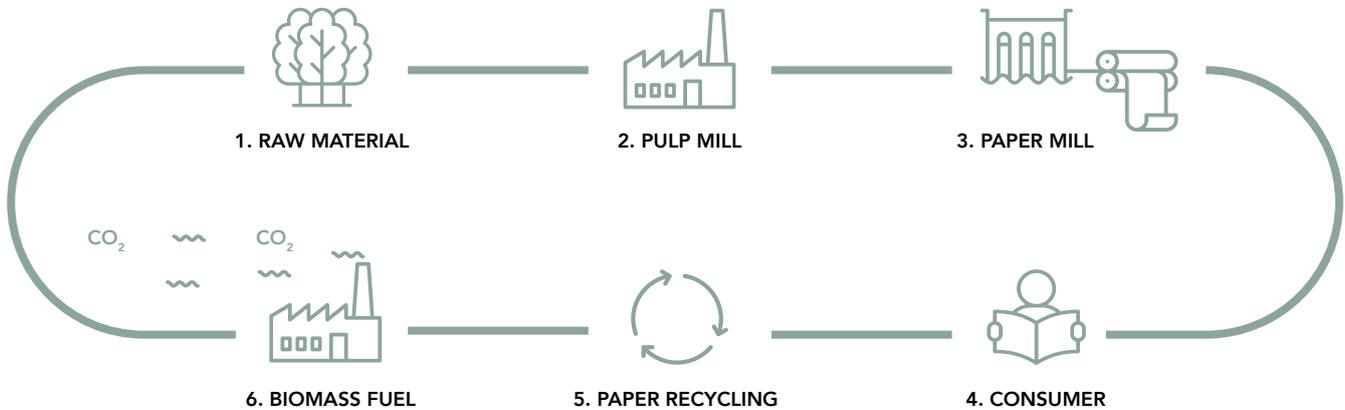
	2022
Exported energy (GWh/year)	124
Tonne CO ₂ per GWh	228
Tonne CO ₂ per year	28,118

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 2021 as not all of our external partners were able to provide us with 2022 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 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 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 Three Arctic Paper mills are ISO 14000 and EMAS certified. To minimize CO₂ emissions, Arctic Paper invests in sustainable energy. Grycksbo paper mill has an energy solution completely free of fossil fuels. The paper mill in Munkedal commissioned a biomass boiler and expanded the hydropower plant, increasing its capacity 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 mill, such as logging residues, tall oil, pitch oil and bark are further refined into biomass fuel. The combustion of biomass fuel emits carbon dioxide, which is balanced by reabsorption from the air by forests as a step in the photosynthesis cycle. Fuel derived from waste (waste to energy) consists of both biogenic (typical 60%) and fossil (typical 40%) material. By utilising waste as an energy source, which otherwise would have ended up at a landfill, we contribute to a circular economy with a minimum of losses.

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	2022
Recycling or energy extraction (tonne/year)	6,950	3,184
Recycling or energy extraction (kg/tonne of paper)	10	5.1
Hazardous waste (tonne/year)	139	191
Hazardous waste (kg/tonne of paper)	0.2	0.30
Landfill (tonne/year)	139	114
Landfill (kg/tonne of paper)	0.2	0.18
Total production of paper (tonnes)	695,000	626,472

WASTE VOLUME MAY VARY FROM ONE YEAR TO ANOTHER, AS THE VOLUME AND KIND OF GENERATED WASTE TO SOME EXTENT IS DEPENDENT ON (RE)CONSTRUCTION AND/OR SCRAPPING PROJECTS.

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 discharged 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, since 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.



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 to also 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, which could be included as part of future environmental monitoring programmes.

Results of the project are described in scientific publication published by Springer, a leading global scientific, technical and medical portfolio, providing researchers in academia, scientific institutions and corporate R&D departments, with quality content through innovative information, products and services. Springer is part of Springer Nature, a global publisher that supports the research community.

You can find this publication here:

<https://link.springer.com/article/10.1007/s00244-022-00968-x>

KEY PERFORMANCE INDICATOR	TARGET 2025	2022
Water consumption (m ³ /year)	4,865,000	5,233,104
Specific water consumption (m ³ /tonne of paper)	7.0	8.4
Emissions of COD to water (tonne per year)	292	208
Specific emissions of COD to water (kg/tonne paper)	0.42	0.45
Total production of paper (in tonnes)	695,000	626,472

4.5

BIODIVERSITY

CASE STUDY

In 2021, Arctic Paper Munkedals has started implementation of habitat improvements in the Munkedal river. The project was continued in 2022. The project focuses on restoring the river to its original state prior to its adaptations made for floating timber, by placing large stones back, thereby recreating breeding areas for salmon and trout. In 2021, 5 areas were restored, with two additional areas in 2022.

In the latest fishing made in 2022, average result was 100 fish per 100m² (when the population is higher than 65 fish per 100 m², the situation is considered as good), showing that the project has been beneficial for the fish population.





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 some of the most important stakeholders at 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 all of 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 IN 2022

	TOTAL	MEN	WOMEN	AGE<30	AGE 30-50	AGE>50
Blue-collar	790	660	130	149	326	315
White-collar	411	249	162	17	209	185

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.

	2022
Number of permanent unlimited contracts	1,201
Number of temporary contracts	30

EMPLOYEE TURNOVER RATE

KEY PERFORMANCE INDICATOR	TARGET 2025	2022
Turnover	<10%/year	6.7
New Hires	-	98
Resigned	-	58
Retired	-	27

Definition how we calculate this KPI

$$\text{Annual employee turnover rate \%} = \frac{\text{Number of employees (with permanent contracts) who left the company during the year}}{(\text{Employees at the beginning} + \text{at the end of the year})/12} \times 100$$

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 recent pandemic situation. In order to meet the needs of our employees, we have to redesign our future attitude to well-being. We want to be more responsive by widening the range of well-being activities and preventative by redesigning work and people processes and the work environment. We need put more effort into understanding of well-being needs, and encouraging 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

- Understanding the reasons why employees currently do not participate in well-being programmes and helping them to find new opportunities.
- Identifying underlying drivers of poor employee wellness and redesigning of work and people processes in order to prevent future problems.
- Offering 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.
- Training and providing 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 employees and their families by granting them extended social benefit 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

- Starting construction work for a new fitness centre for employees in Grycksbo. The facility will be inaugurated in the beginning of 2023.
- 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.
- Sponsoring health benefits programmes and insurance for employees at mills.
- Funding Christmas vouchers and organising Christmas celebrations with gifts for mill employees' children.
- Offering discounts for vacations at summer cottages in Sweden.
- Supporting our retired employees' organisation by co-financing summer camps and organising regular events.



The foundation of every organization are its employees, they determine its structure, operation and, above all, its successes. Even the most modern machine park or the development of technology cannot replace the work performed by a human being.

The majority of employees in our factories are men, which is why, in accordance with the principle "prevention is better than cure", in November, the factory in Kostrzyn joined the international "MOVEMBER" campaign. The campaign aims to draw attention to the role of prevention in the incidence of prostate and testicular cancer. We decided to invite our employees for a free testicular ultrasound examination. The examination was performed by specialists from the Department of Urology and Urological Oncology of the Clinical Hospital 2 in Szczecin (Poland). In addition, men over 40 received a free PSA test cassette to perform on their own as part of prostate cancer prevention. We also invited men working in companies that have their facilities in the Arctic Paper factory in Kostrzyn to participate in the study. We are socially responsible and we also take responsibility for the health of employees in our value chain. In previous years, we organized breast ultrasound examinations for women. We are already planning further free preventive examinations for our employees.

In our mills we provide our employees with free menstrual protection packages (PeriodPack) which are located in restrooms.



OUR EMPLOYEES' SATISFACTION

Since 2016, we have been measuring our employees satisfaction every other year and set our targets using benchmarks from similar industries in Europe. The next survey will be in 2023. Over the years we have implemented activities to increase both the numbers of participants and the engagement capital. After the 2019 results, we faced problems in engaging and implementing activities among our employees. Despite the pandemic situation in 2020 and 2021, 2021 results show an increase in the engagement capital.

Our greatest strengths, when compared to the benchmark where we also see an increase of satisfaction over the years, are job search behaviour and agility factors. Our employees seem to want to stay with the company, which is also shown by the turnover rate. 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, and we will put more efforts in communication of performance levels in the company.

ENGAGEMENT METRIC	ARCTIC PAPER 2021	ARCTIC PAPER 2019	BENCHMARK
Culture and corporate values	42%	31%	53%
Compensation and rewards	21%	43%	68%

ENGAGEMENT METRIC	ARCTIC PAPER 2021	ARCTIC PAPER 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.

5. PEOPLE

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

* The next survey will be conducted in 2023

Facing newer and newer technologies, which not only facilitate work but also create opportunities for faster access to the necessary employee information, we decided to launch two multimedia self-service information points in Kostrzyn mill, the so-called "Infokiosks".

It is an extremely functional solution that allows the employees to get access to information, which is particularly important for them in the production area.

Infokiosk gives the opportunity to use HR tool such as TETA ME, our internal AP Insight newsletter, as well as access to the global website of Arctic Paper S.A.



RECRUITMENT AND TALENT ACQUISITION

At Arctic Paper we know that 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 of promotion for current employees while recruiting for a new position.

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. 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 units.

- 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 of this strategy is the on-boarding 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	2022
Percentage of employees interviewed	100%	92%

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 accept discrimination or harassment of any kind directed at any group of our stakeholders: employees, customers, suppliers.
- Our employees have the right to organise themselves, join associations and negotiate with the company.
- We do not accept 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. In 2020, we 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's values and ethical principles, and can seriously affect our organisation or a person's life or health. In 2022, no incidents were reported.

OVERALL, WE ARE COMMITTED TO PROTECTING THE HUMAN RIGHTS AMONG OUR EMPLOYEES. AT THE SAME TIME, WE KNOW THAT THIS ISSUE ALSO INVOLVES EXTERNAL ACTORS IN OUR VALUE CHAIN. THIS ASPECT IS FURTHER EXPLAINED IN THE "RESPONSIBLE SUPPLY CHAIN" CHAPTER.

OUR CHARITY INVOLVEMENT

A heart of paper – a smile and joy has many names

For a year we have been witnessing an unprecedented and dramatic situation in our neighbor's country across our eastern border, which is caused by the outbreak of war. Military operations in Ukraine led to many unfavorable changes in the political, economic and social arenas. Unfortunately, the war brings not only financial and military consequences, but above all affects the fate and further life of millions of people living in the occupied territories. Children are the most affected and it is to them that Arctic Paper decided to direct its help once again.

At Arctic Paper, we know how important access to science is and what a huge role it plays in the lives of the youngest. That is why, as a leading paper manufacturer, we produced over 160,000 notebooks that were donated to Ukrainian children. Specially designed covers in the colors of the Ukrainian flag are a tribute to the entire Ukrainian community fighting for their country.

With the help of the Viktor Leschynski Charity Foundation from Kiev, they were safely delivered to selected schools in Ukraine.



We have granted financial aid in the amount of PLN 500,000 to five non-governmental organizations helping refugees from Ukraine, especially the youngest ones. The factory in Kostrzyn has started cooperation with the Polish Humanitarian Action, the Polish Medical Mission, the SOS Children's Villages Association, the Polish Center for International Aid and UNICEF. In addition to the financial aid, we also donated over 1,000 copies of books in Ukrainian to refugee children accommodated in the Gorzów Wielkopolski center.

Our employees, across entire Arctic Paper group organized an additional campaign to collect material aid, which we donated to different charity organizations.

After closing the emergency station at the factory in Grycksbo, we handed over two fully functional fire engines and fire equipment to the Ukrainian fire department.



OUR ANNUAL BUDGETS FOR SPONSORSHIPS AND CHARITY ACTIVITIES IN 2022

APGrycksbo

SEK 240 thousand

APKostrzyn

PLN 600 thousand (including financial aid in relation to war on Ukraine)

APMunkedals

SEK 1 million (including school sponsorship, without school support abt. SEK 200K)

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. The systemic approach to safety in our paper mills minimizes the risk of accidents.

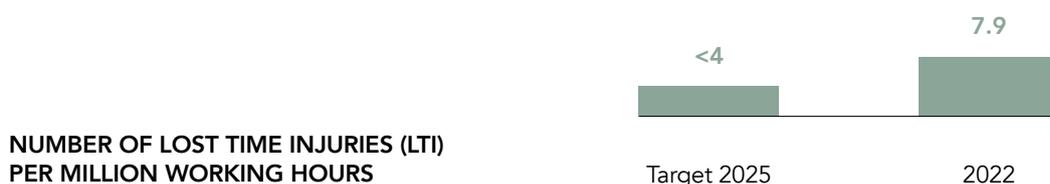
In 2019, we implemented a common health and safety policy and started cooperation between the mills in H&S issues. Each mill has also implemented its own site-specific health and safety policy, complemented by appropriate routines and procedures. Our mills have an occupational health service, as well 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. We are very concerned of the number of injuries, thus we will increase our focus on behavioural safety and on preventive activities in order to further develop our safety culture.



5.5 DIVERSITY, EQUITY AND INCLUSION

MANAGEMENT APPROACH AND INITIATIVES

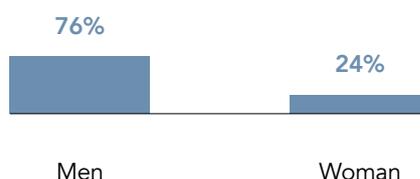
Arctic Paper Group promotes a culture of openness, and we see diversity as a strength that helps the organisation grow. It is a source of new ideas and innovation. The key principle for us is respect for diversity. There is no place in organization for discrimination against anyone because of gender, origin, age, religion, political or religious views, disability or other factors. Each of our employees has the chance to develop within the organization and we try to offer them as many opportunities as possible to use their talents and skills. In 2021, we implemented Diversity Policy which is applicable to all employees of Arctic Paper, regardless of the position they hold.

At the end of 2022, we started workshop for key management personnel and launched development work of an action plan and education program in the field of diversity and inclusion. We have been working on action plan for 2023 with a goal to start education training for all Arctic Paper employees.

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.

GENDER EMPLOYMENT STRUCTURE IN ARCTIC PAPER IN 2022



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.

Arctic Paper sees diversity as a strength and a source of new ideas and innovation. 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. Arctic Paper Management Board is made up of a Chief Executive Officer and a Chief Financial Officer. Candidates are evaluated in accordance with the principles of independence and merit and diversity criteria. We strive to ensure that the persons selected are of diverse educational background, experience, knowledge and skills, diverse gender and age.

The functions of members of the Management Board and the Supervisory Board have been entrusted to specific persons, regardless of their gender, but according to the substantive preparation and experience of these persons. The composition of the Company's corporate bodies largely depends on the decisions of the Company's shareholders.

WE ARE AIMING FOR THE SHARE OF WOMEN IN THE COMPANY'S CORPORATE BODIES TO BE NO LOWER THAN 30%.

	2022
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 S.A. CONSISTS OF FIVE MEMBERS.	2022
Total count of Supervisory Board	5
% of women on the Supervisory Board	40%
% of men on the Supervisory Board	60%



TAXONOMY

The EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. It plays an important role and helps to scale up sustainable investment and implement the European Green Deal. The EU Taxonomy provides companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. In this way, it creates security for investors, protects private investors and helps companies to become more climate-friendly.

The Taxonomy Regulation of the European Parliament and of the Council (2020/852) was published in the Official Journal of the European Union on 22 June 2020, and entered into force on 12 July 2020.

It establishes the basis for the EU Taxonomy by setting out 4 overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable. An economic activity shall qualify as environmentally sustainable when that economic activity:

-
- contributes substantially to one or more of the environmental objectives
 - does not significantly harm any of the environmental objectives
 - is carried out in compliance with the minimum safeguards
 - complies with technical screening criteria that have been established by the Commission

THE TAXONOMY REGULATION ESTABLISHES SIX ENVIRONMENTAL OBJECTIVES:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

According to the Regulation on Taxonomy, Arctic Paper Group discloses in its annual report:

- Percentage of turnover derived from related products or services associated with environmentally sustainable economic activities.
 - Percentage of capital expenditures (CapEx) corresponding to assets or processes associated with environmentally sustainable economic activities.
 - Percentage of operating expenses (OpEx) corresponding to assets or processes associated with environmentally sustainable economic activities.
-

In 2021 Sustainability Report, Arctic Paper Group disclosed information on the EU Taxonomy of environmentally sustainable activities for the first time.

Pursuant to Commission Delegated Regulation (EU) 2021/2178, in the first year of application, Arctic Paper Group disclosed the percentage of turnover, capital expenditure and operating expenditure of activities eligible for the EU Taxonomy, without the need to verify the technical screening criteria, i.e. to determine what percentage of these three values are associated with environmentally sustainable activities.

In this 2022 Sustainability Report, Arctic Paper Group discloses the percentage of turnover, capital expenditure and operating expenditure eligible for the EU Taxonomy, and verifies criteria for environmentally sustainable economic activities specified in article 3 of Regulation of the European Parliament and Council 2020/852 to determine what percentage of these three values is associated with environmentally sustainable activities.

Presented data includes data from Rottneros AB.



6.1 TAXONOMY COMPLIANCE ASSESSMENT PROCESS

We have divided the assessment process into 4 stages:

1. Identification – a review of all activities carried out by all units of Arctic Paper Group and determination whether and, if so, which activities qualify as eligible activities. The review covered Arctic Paper Group revenues, capital expenditures and operating expenses. To identify individual activities, their descriptions defined in the Annexes to the Commission Delegated Regulation (EU) 2021/2139 were used to compare to actual activities.

2. Allocation – assigning to specific activities, identified in the first stage, the value of turnover, capital expenditures and operating expenses.

3. Verification – for all identified activities, examination of the criteria for substantial contribution and no significant harm using technical screening criteria referred to in the Annexes to the Commission Delegated Regulation (EU) 2021/2139. Details of the assessment are presented in section 8.2 Compliance verification with technical screening criteria. Next step was to assess whether the minimum safeguards were met.

4. Calculation – this stage was based on the use of information obtained in the second and third stage, to prepare tables containing the required information and the development of this supplementary information as required by Annexes I and II to Commission Delegated Regulation (EU) 2021/2178.

The process was conducted by a team of representatives companies of Arctic Paper Group.



6.2 COMPLIANCE VERIFICATION WITH THE TECHNICAL SCREENING CRITERIA

Verification of compliance with the technical screening criteria was carried out for activities qualifying for the EU Taxonomy and consisted of the analysis of the individual criteria of significant contribution and no significant harm and check to what extent a given type of activity is compliant with the technical screening criteria set out in Annexes I and II to Commission Delegated Regulation (EU) 2021/2139, extended by Commission Delegated Regulation (EU) 2022/1214.

The main activities conducted in Arctic Paper Group are production and selling of paper and pulp. These activities are not included in the EU Taxonomy in the scope of Annexes I and II to Commission Delegated Regulation (EU) 2021/2139. Arctic Paper Group expects that these activities will be included in the EU Taxonomy in subsequent EU delegated acts.

6.3

COMPLIANCE VERIFICATION WITH MINIMUM SAFEGUARDS

According to Art. 18 of Regulation 2020/852: "The minimum guarantees(...), shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights".

The test of compliance with the minimum safeguards was carried out in accordance with the recommendations described in Final Report on Minimum Safeguards by Platform On Sustainable Finance.

According to the recommendations, failure to meet the minimum safeguards is one of the following four conditions:

-
- Inadequate or non-existent human rights due diligence processes, including labour rights, corruption, taxation and fair competition.
 - The company or its top management was held accountable or found to be in breach of labour law or human rights law in certain types of labour law or human rights lawsuits.
 - Lack of cooperation with the OECD National Contact Point (hereinafter referred to as the OECD NCP) on the notification accepted by the OECD NCP.
 - The Business and Human Rights Resource Center (BHRRRC) made an allegation against the company and the company did not respond to them within 3 months.

In the verification process in the Arctic Paper Group, non-compliance with the above-mentioned premises has been tested in the following way:

-
- as a result of the internal analysis, it was determined that Arctic Paper Group has a due diligence process in place and in operation
 - as a result of the verification, whether in relation to the persons mentioned in the content of the premise, during the period to which the verification relates, no legally valid convictions were made
 - verification of the database of notifications of the OECD NCP (National Contact Points) was carried out, which showed that there were no notifications in relation to the Arctic Paper Group in the period covered by the verification – <https://mneguidelines.oecd.org/database/>
 - verification of the Business and Human Rights Resource Center (BHRRC) application database was carried out which showed that there were no notifications in relation to the Arctic Paper Group in the period covered by the verification – <https://www.business-humanrights.org/en/companies/>

6.4 ACCOUNTING PRINCIPLES

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 2022, 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 mills and in the headquarter.

The entire amount of CapEx is included in the consolidated financial statements in the increases of the following items:

- fixed assets – note 16;
- intangible assets – note 19;
- investment properties.

The numerator has that part of CapEx that is for eligible activities for the EU 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 that relates to the activities qualifying for the Taxonomy is assigned to the numerator.

At the stage of identifying the types of activities eligible for the Taxonomy and the accompanying activities, it was made sure that none of them qualifies for more than one type of activity, i.e. no investment project meets the definition of more than one type of activity. In practice, individual types of activities eligible for Taxonomy and activities related to them concern separate areas, which eliminates the risk of double counting.

At the stage of preparation for the process of identifying types of activities, and then allocation and verification, persons responsible for individual business areas were informed about such a theoretical risk and instructed that if a given activity complies with more than one definition of activity, they should assign it to the definition of the type of activity that best reflects the specificity and nature of the activity. At the same time, no activity was identified that would meet the criteria for a significant contribution to more than one goal at the same time.

Thus, the risk of taking them into account twice did not exist. The data used for the calculations came from the financial and accounting system of Arctic Paper Group operating units.

The analysis showed that there is no need for detailed disaggregation of key performance indicators between Arctic Paper Group operating units in accordance with point 1.2.2.3. Annex I to Commission Delegated Regulation (EU) 2021/2178.



1. Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

Arctic Paper Group generates revenues mainly from the production and sale of paper and pulp. These activities are not included in the EU Taxonomy of Annexes I and II to Commission Delegated Regulation (EU) 2021/2139.

In 2022, Arctic Paper Group identified 13 business areas, the revenues from which qualify for systematics. 0.19% of total turnover is of environmentally sustainable activities, EU Taxonomy aligned, which consist mainly of turnover from activities connected to transfer and selling of energy from photovoltaic installations and hydropower plant in Munkedals.

Turnover of EU Taxonomy-non-eligible activities in 2022 constitutes 98.19%. Turnover of EU Taxonomy-non-eligible activities in 2021 accounted 99.86%.

The main difference is the activity item 1.3 Forest management, eligible for EU Taxonomy, but environmentally not sustainable, related to sale of wood products and forest services.

6. TAXONOMY

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)							"Taxonomy-aligned proportion of turnover, year N-1 (19)"	"Taxonomy-aligned proportion of turnover, year N (18)"	Category (enabling activity / transitional activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	"Water and marine resources (7)"	Circular economy (8)	Pollution (9)	"Biodiversity and ecosystems (10)"	"Climate change mitigation (11)"	"Climate change adaptation (12)"	"Water and marine resources (13)"	"Circular economy (14)"	Pollution (15)	"Biodiversity and ecosystems (16)"	"Minimum safeguards (17)"				
		PLN K	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%		
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity generation using solar photovoltaic technology	4.1	189	0.004%	0.004%	0%													0.004%		
Electricity generation from hydropower	4.5	4 688	0.10%	0.10%	0%													0.10%		
Installation and operation of electric heat pumps	4.16	7	0.0001%	0.0001%	0%													0.0001%		
Production of heat/cool using waste heat	4.25	469	0.01%	0.01%	0%													0.01%		
Collection and transport of non-hazardous waste in source segregated fractions	5.5	594	0.01%	0.01%	0%													0.01%		
Composting of bio-waste	5.8	860	0.02%	0.02%	0%													0.02%		
Installation, maintenance and repair of energy efficiency equipment	7.3	2 127	0.04%	0.04%	0%													0.04%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	234	0.005%	0.005%	0%													0.005%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		9 167	0.19%	0.19%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0.19%		
A.2 Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Forest management	1.3	70 576	1.44%	0%	0%													0%		
Transmission and distribution of electricity	4.9	8 120	0.17%	0%	0%													0%		
Renewal of water collection, treatment and supply systems	5.2	64	0.001%	0%	0%													0%		
Renewal of waste water collection and treatment	5.4	61	0.001%	0%	0%													0%		
Sea and coastal freight water transport, vessels for port operations and auxiliary activities	6.10	441	0.01%	0%	0%													0%		
Turnover of Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities) (a.2)		79 263	1.62%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%		
Total A (A.1 + A.2)		88 430	1.81%	0.19%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0.19%		
B. Taxonomy-non-eligible activities																				
Turnover of Taxonomy-non-eligible activities (B)		4 805 845.74	98.19%																	
Total (A+B)		4 894 275.85	100.00%																	

2. Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Capital expenditure (CapEx) qualifying for Taxonomy are related to the implementation of future investment projects resulting from the adopted strategy of the Arctic Paper Group. The majority of the indicated capital expenditures in 2022 relate to projects aimed to improve energy efficiency of buildings, machines, devices and installations, as well as diversifying energy sources, which helps to reduce energy consumption, such as:

- lubricity measurement system and fiber analysis installed at mill in Kostrzyn,
- installation of photovoltaic farms in Kostrzyn, Munkedals and Grycksbo,
- installation of flexible multifuel boiler in Munkedals,
- renovation of bleach plant building, port facility and ventilation baling line and recovery of boiler in Rottneros.

Capital expenditure incurred in accordance with the EU Taxonomy was identified in the course of work as contributing to the implementation of the first environmental objective, i.e. mitigation of climate change. Detailed plans and time perspective of incurring capital expenditures were presented in the Arctic Paper 4P Strategy published on October 4th, 2021.

CapEx of environmentally sustainable activities – EU Taxonomy aligned constitutes 12,29%. CapEx of EU Taxonomy-non-eligible activities in 2022 constitutes 73,43%. CapEx of EU Taxonomy-non-eligible activities in 2021 accounted 65,52%.

The main difference is higher capital expenditures incurred in 2021 under the activity item 4.5 Production of electricity from hydropower, 4.8 Production of electricity from bioenergy and expenditures incurred in connection with the expansion of the wastewater collection and treatment system under the activity 5.3 Construction, extension and operation of waste water collection and treatment.

INCREASES IN TERMS OF	VALUE '000 PLN	NOTE
Tangible fixed assets without assets without the right of use	144,773	16.1
Right-of-use assets	8,829	16.2
Intangible assets	21,910	19
Investment properties	-	-
	175,512	-

6. TAXONOMY

Economic activities (1)	Code(s) (2)	Absolute Capex (3)	Proportion of Capex (4)	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)						"Taxonomy-aligned proportion of CapEx, year N (18)"	"Taxonomy-aligned proportion of CapEx, year N-1 (19)"	Category (enabling activity / transitional activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	"Water and marine resources (7)"	Circular economy (8)	Pollution (9)	"Biodiversity and ecosystems (10)"	"Climate change mitigation (11)"	"Climate change adaptation (12)"	"Water and marine resources (13)"	"Circular economy (14)"	Pollution (15)	"Biodiversity and ecosystems (16)"				
		PLN K	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%		
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using solar photovoltaic technology	4.1	3 013	1.95%	0%											Y	Y	1.95%		
Cogeneration of heat/cool and power from bioenergy	4.20	1 015	0.66%	0%											Y	Y	0.66%		
Production of heat/cool from bioenergy	4.24	838	0.54%	0%											Y	Y	0.54%		
Production of heat/cool using waste heat	4.25	9 375	6.05%	0%											Y	Y	6.05%		
Transmission and distribution of electricity	4.9	647	0.42%	0.42%											Y	Y	0.42%		
Installation, maintenance and repair of energy efficiency equipment	7.3	4 969	3.21%	0%											Y	Y	1.83%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	1 315	0.85%	0%											Y	Y	0.85%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		21 172	13.67%	0.42%	0%	0%	0%	0%	0%	0%	0%	0%	0%				12.29%		
A.2 Taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Construction, extension and operation of water collection, treatment and supply systems	5.1	3 396	2.19%	0%													0%		
Renewal of water collection, treatment and supply systems	5.2	316	0.20%	0%													0%		
Construction, extension and operation of waste water collection and treatment	5.3	882	0.57%	0%													0%		
Renewal of waste water collection and treatment	5.4	191	0.12%	0%													0%		
Renovation of existing buildings	7.2	10 203	6.59%	0%													0%		
Data processing, hosting and related activities	8.1	4 994	3.22%	0%													0%		
CapEx of taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned activities) (a.2)		19 984	12.90%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%				0.00%		
Total A (A.1 + A.2)		41 155	26.57%	0.42%	0%	0%	0%	0%	0%	0%	0%	0%	0%				12.29%		
B. Taxonomy-non-eligible activities																			
CapEx of Taxonomy-non-eligible activities (B)		113 723.75	73.43%																
Total (A+B)		154 879.06	100.00%																

3. Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

The operating expenditure (OpEx) eligible for Taxonomy related to activities such as the repair and renovation of equipment, installations and buildings, such as:

- renewal of water collection, treatment and supply systems in Grycksbo,
- batch boiler, recovery boiler and turbine in Rottneros Vallvik,
- modernization of water tank, modernization of the aeration system in Kostrzyn.

OpEx of environmentally sustainable activities – EU Taxonomy aligned constitutes 14.02%.
OpEx of EU Taxonomy-non-eligible activities in 2022 constitutes 70.40%.
OpEx of EU Taxonomy-non-eligible activities in 2021 accounted 85.83%.

The main difference is operating expenses incurred in 2022 as part of the following activities: 4.20 Cogeneration of heat/cool and power from bioenergy – related to repairment of boilers and turbines in Rottneros, 1.3 Forest management – related to the costs of personnel and machinery as part of forest services and 5.2 Renewal of water collection, treatment and supply systems.



6. TAXONOMY

Economic activities (1)	Codes (2)	Substantial contribution criteria			DNSH criteria (Does Not Significantly Harm)							"Taxonomy-aligned proportion of OpEx, year N (18)"	"Taxonomy-aligned proportion of OpEx, year N-1 (19)"	Category (enabling activity) / transitional activity (20)	Category (transitional activity) (21)	
		Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	"Water and marine resources (7)"	Circular economy (8)	Pollution (9)	"Biodiversity and ecosystems (10)"	"Climate change mitigation (11)"	"Climate change adaptation (12)"					"Water and marine resources (13)"
		PLN K	%	%	%	%	%	%	%	%	%	%	%	%	%	%
A. Taxonomy-eligible activities																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
Electricity generation using solar photovoltaic technology	4.1	15	0.01%	0.01%	0%											0.01%
Electricity generation from hydropower	4.5	234	0.12%	0.12%	0%											0.12%
Transmission and distribution of electricity	4.9	598	0.30%	0.00%	0.23%											0.23%
Installation and operation of electric heat pumps	4.16	7	0.003%	0.003%	0%											0.003%
Cogeneration of heat/cool and power from bioenergy	4.20	20 423	10.15%	10.15%	0%											10.15%
Production of heat/cool from bioenergy	4.24	706	0.35%	0.35%	0%											0.35%
Production of heat/cool using waste heat	4.25	469	0.23%	0.23%	0%											0.23%
Construction, extension and operation of water collection, treatment and supply systems	5.1	1 946	0.97%	0.05%	0%											0.05%
Construction, extension and operation of waste water collection and treatment	5.3	1 908	0.95%	0.09%	0%											0.09%
Collection and transport of non-hazardous waste in source segregated fractions	5.5	4 652	2.31%	2.31%	0%											2.31%
Composting of bio-waste	5.8	860	0.43%	0.43%	0%											0.43%
Installation, maintenance and repair of energy efficiency equipment	7.3	44	0.02%	0.02%	0%											0.02%
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	61	0.03%	0.03%	0%											0.03%
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		31 924	15.87%	13.79%	0.23%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	14.02%
A.2 Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities)																
Forest management	1.3	5 381	2.67%	0%	0%											0%
Renewal of water collection, treatment and supply systems	5.2	9 802	4.87%	0%	0%											0%
Renewal of waste water collection and treatment	5.4	3 985	1.98%	0%	0%											0%
Sea and coastal freight water transport, vessels for port operations and auxiliary activities	6.10	132	0.07%	0%	0%											0%
Infrastructure for rail transport	6.14	176	0.09%	0%	0%											0%
Renovation of existing buildings	7.2	4 079	2.03%	0%	0%											0%
Data processing, hosting and related activities	8.1	4 068	2.02%	0%	0%											0%
OpEx of Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities) (a.2)		27 624	13.73%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total (A.1 + A.2)		59 548	29.60%	13.79%	0.23%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	14.02%
B. Taxonomy-non-eligible activities																
OpEx of Taxonomy-non-eligible activities (B)		141 644.36	70.40%													
Total (A+B)		201 192.3	100.00%													



7.1

REPORTING PERIOD: THE CALENDAR YEAR 2022

REPORT PUBLISHED ON MARCH 28, 2023.

Sustainability Report 2022 is the sixth report presenting the impact of our organization on environmental, social and economic issues and describing our management practices. The report covers the period from 01/01/2022 to 31/12/2022, unless otherwise stated in the content of the report. We publish reports on an annual basis.

We published previous Sustainability Report for year 2021 on March 22, 2022.

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.

The report presents the most important information from the point of view of investors, regulators and the European Union. These include: ESG (Environmental, Social, Governance) indicators, European Commission guidelines on disclosing non-financial information related to climate impact.

7.2

CONTACT

Arctic Paper S.A.
ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą
ir@arcticpaper.com

7.3.

ESG FACTSHEET

PAPER PRODUCTION	2022	2021	2020	2019	2018
Production (tonne/year)	626,472	636,613	587,364	601,564	639,073

ENERGY	2022	2021	2020	2019	2018
Electricity from grid (GWh/year)	317.10	329.3	391.0	230.8	237.7
Electricity from internal sources: hydro-power, windpower, solar power (GWh/year)	18.8	20.6	0.3	3.4	9.4
Natural gas (GWh/year)	844.3	722.4	752.1	862.6	966.7
Bio fuels (GWh/year)	198.6	207.8	91.4	216.0	234.2
Purchased thermal energy (GWh/year)	212.2	241.3	193.9	186.5	212.6
Sold thermal energy (GWh/year)	46.8	53.1	46.7	44.7	45.4
Sold electricity (GWh/year)	77.2	49.6	71.1	71.4	59.1
Total net energy consumption (GWh/year)	1393.5	1419.7	1311.6	1380.1	1547.8
Net energy from renewable internal sources (GWh/year)	217	228	91	219	234
Total net energy consumption (MWh/tonne paper) – energy sold to external partners not included	2.3	2.2	2.2	2.3	2.4
Of which from internal energy production based on renewable sources – biomass and hydropower (MWh/tonne)	0.35	0.36	0.16	0.36	–
Net energy consumption for total energy export (thermal and electric energy) (GWh/year)	124	103	118	109	105

EMISSIONS TO WATER AND AIR	2022	2021	2020	2019	2018
Fossile CO ₂ (tonne/year) from our own steam and electricity production	160,962	149,941	156,605	178,803	187,019
Fossile CO ₂ (tonne/year) from our own steam and electricity production, dedicated for paper production	132,844	126,556	129,796	152,354	163,218
Direct CO ₂ emissions kg/tonne – SCOPE 1	212	199	221	253	255
CO ₂ emissions from energy sold (heat and electricity) to external consumers (tonne CO ₂ /year)	28,118	23,385	26,809	24,948	23,800
CO ₂ emissions from energy sold (heat and electricity) (tonne/GWh)	228	228	228	228	228
Fossile CO ₂ (tonne/year) from purchased electricity	3,014	7,067	6,005	5,218	–
CO ₂ emission factors for electricity from grid (kg CO ₂ /MWh) (Sweden /Poland)	9.0/750	8.8/709.8	8.0/719	13.3/773	–
Indirect specific CO ₂ emissions from external electricity suppliers – SCOPE 2	5	11	10	9	–
Indirect CO ₂ emissions emanating from our major supplier of raw material (tonne/year)	53,273	49,668	43,003	43,826	–
Indirect specific CO ₂ emissions from our major supplier of raw material – SCOPE 3 (kg/tonne of paper)	85	78	73	73	–
Indirect CO ₂ emissions emanating from our transporters (tonne/year)	21,050	20,941	20,861	21,894	–
Indirect specific CO ₂ emissions emanating from our transporters (kg/tonne of paper) SCOPE 3	33.6	32.9	35	36	–

Additional info: Figures for direct CO₂ emissions for 2016-2020 have been recalculated and the contribution from externally-sold energy has been deducted.

WATER	2022	2021	2020	2019	2018
Water consumption m ³ /year	5,233,104	5,218,369	5,023,811	4,997,543	5,080,163
Specific water consumption (m ³ /tonne of paper)	8.4	8.2	8.6	8.3	7.9
Emissions of COD to water (tonne/year)	280	308	283	276	306
Specific emissions of COD to water (kg/tonne of paper)	0.45	0.48	0.48	0.46	0.48

WASTE	2022	2021	2020	2019	2018
Recycling or energy extraction (tonne/year)	3,184	5,697	6,663	5,851	5,572
Recycling or energy extraction (kg/tonne of paper)	5.1	8.9	11.3	9.7	8.7
Hazardous waste (tonne/year)	191	85.5	269.7	117	202.2
Hazardous waste (Specific) (kg/tonne of paper)	0.30	0.13	0.46	0.20	0.32
Landfill (tonne/year)	114	156	113.4	149.6	146
Landfill (specific) (kg/tonne of paper)	0.18	0.25	0.19	0.25	0.23
SUPPLIERS	2022	2021	2020	2019	2018
Share(%) of core suppliers providing existing signed environmental declaration	90%	90%	83%	98%	64%
Share(%) of core suppliers who signed the Code of Conduct for suppliers	90%	90%	83%	85%	n/a
Numbers of suppliers who are subject to audits performed by Arctic Paper to confirm compliance with the Code of Conduct for suppliers	2	1	3	4	n/a
Share(%) of pulp suppliers who are PEFC and/or FSC certified	100%	100%	100%	100%	100%
MATERIALS USED BY WEIGHT OR VOLUME	2022	2021	2020	2019	2018
Raw material for paper manufacturing from external supplier (tonnes per year)*	585,663	n/a	n/a	n/a	n/a
Renewable raw material for paper manufacturing from external supplier (tonnes per year)*	407,058	n/a	n/a	n/a	n/a
Non-renewable raw material for paper manufacturing from external supplier (tonnes per year)*	180,593	n/a	n/a	n/a	n/a
Renewable fraction of raw material for paper manufacturing (%)*	69.5	n/a	n/a	n/a	n/a
Non-renewable fraction of raw material for paper manufacturing (%)*	30.5	n/a	n/a	n/a	n/a
Total consumption of packaging material (tonnes per year)	15,263	n/a	n/a	n/a	n/a
Total consumption of renewable packaging material (tonnes per year)	13,719	n/a	n/a	n/a	n/a
Total consumption of non renewable packaging material (tonnes per year)	1,544	n/a	n/a	n/a	n/a
Renewable fraction of packaging material (%)	89.9	n/a	n/a	n/a	n/a
Non-renewable fraction of packaging material (%)	10.1	n/a	n/a	n/a	n/a

*Value covering more than 97% of used raw materials

7. ABOUT THE REPORT

TRANSPORTATION	2022	2021	2020	2019	2018
Share of Euro 3 engines class (%)	0%	0%	0%	1%	1%
Share of Euro 4 engines class (%)	0%	0%	1%	3%	6%
Share of Euro 5 engines class (%)	22%	34%	44%	47%	54%
Share of Euro 6 engines class (%)	78%	66%	55%	49%	39%
Indirect CO2 emissions emanating from our transporters (ton per year)	21,050	20,941	20,861	21,894	–
Specific indirect CO2 emissions emanating from our transporters (kg/ton)	34	33	35	36	–
CUSTOMER SATISFACTION	2022	2021	2020	2019	2018
Value of complaint as % of sales revenues	0.24	0.36	0.48	0.47	0.58
Sales revenues PLN M	3,580	2,431	2,016	2,309	2,293
HUMAN RESOURCES	2022	2021	2020	2019	2018
Worked Hours	1,896,657	1,770,249	1,755,076	1,835,225	1,878,369
Number of Lost time injuries	15	20	12	16	16
Lost time injuries per million worked hours	7.9	11.3	6.3	7.8	8.5
Total number of white collar employees	411	401	407	413	416
Total number of blue collar employees	790	764	774	770	807
Total number of white collar men employees	249	242	246	247	245
Total number of white collar women employees	162	159	161	166	171
Total number of blue collar men employees	660	639	655	652	683
Total number of blue collar women employees	130	125	119	118	124
Numbers of employees who participated in business ethics training during the year	98	381	32	20	179
Average hours of training during the year	41	n/a	n/a	n/a	n/a
Employee survey response rate (absolute)	n/a	745	n/a	855	n/a
Employee survey response rate (%)	n/a	65%	n/a	74%	n/a
Overall engagement capital	n/a	51%	n/a	46%	n/a

EMPLOYEE TURNOVER RATE	2022	2021
Turnover	6.7	5.8
New Hires	98	53
Resigned	58	37
Retired	27	31

EMPLOYMENT STRUCTURE		TOTAL	MEN	WOMEN	AGE<30	AGE 30-50	AGE>50
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	764	640	125	128	320	317
	White-collar	401	242	159	19	204	178
2022	Blue-collar	790	660	130	149	326	315
	White-collar	411	249	162	17	209	185

	2022	2021	2020	2019	2018
Number of permanent unlimited contracts	1201	1,166	1,181	1,183	1,224
Number of temporary contracts	30	35	17	31	28
Percentage of total employees covered by collective bargaining agreements	93%	n/a	n/a	n/a	n/a
Total number of employees that took parental leave during reporting period	113	n/a	n/a	n/a	n/a

NUMBER OF EMPLOYEES BY REGION	TOTAL 2021
Poland	484
Sweden	650
Others	67
Total	1201

7. ABOUT THE REPORT

	2022	2021	2020	2019	2018
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%

	2022	2021	2020	2019	2018
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%

LEGAL AND REGULATORY COMPLIANCE		BUSINESS-RELATED*	NON-BUSINESS-RELATED*
2022	Fine bigger than PLN 2M	0	0
	Fine smaller than PLN 2M	0	0
2021	Fine bigger than PLN 2M	0	0
	Fine smaller than PLN 2M	0	0
2020	Fine bigger than PLN 2M	0	0
	Fine smaller than PLN 2M	0	0
2019	Fine bigger than PLN 2M	0	0
	Fine smaller than PLN 2M	0	0
2018	Fine bigger than PLN 2M	0	0
	Fine smaller than PLN 2M	0	0





DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE NAME	ADDITIONAL INFORMATION	LOCATION IN THE REPORT	ESG TOPIC
1. The organization and its reporting practices					
GRI 2-1	General Disclosures 2021	Organizational details	–	Front page 1.1 Company Overview	–
GRI 2-2	General Disclosures 2021	Entities included in the organization's sustainability reporting	–	1.1 Company Overview	–
GRI 2-3	General Disclosures 2021	Reporting period, frequency and contact point	01.01.2022 – 31.12.2022	7. About the report	–
GRI 2-4	General Disclosures 2021	Restatements of information	No significant changes in reporting period	–	–
GRI 2-5	General Disclosures 2021	External assurance	Assurance only to the extent required by the Act on statutory auditors and article. 49b paragraph. 9 of the Act about accounting	7. About the report	–
2. Activities and workers					
GRI 2-6	General Disclosures 2021	Activities, value chain and other business relationships	–	1 This is Arctic Paper 3 Sustainable supply chain for client satisfaction	–
GRI 2-7	General Disclosures 2021	Employees	–	5 People	–
3. Governance					
GRI 2-9	General Disclosures 2021	Governance structure and composition	–	1.3 Governance structure and management on sustainability topics	–
GRI 2-10	General Disclosures 2021	Nomination and selection of the highest governance body	–	1.3 Governance structure and management on sustainability topics 5.5 Diversity and inclusion	–
GRI 2-11	General Disclosures 2021	Chair of the highest governance body	–	1.3 Governance structure and management on sustainability topics	–
GRI 2-12	General Disclosures 2021	Role of the highest governance body in overseeing the management of impacts	–	1.3 Governance structure and management on sustainability topics 2.1 Materiality assessment 2.4 Principal risks and their management	–

GRI 2-13	General Disclosures 2021	Delegation of responsibility for managing impacts	–	1.3 Governance structure and management on sustainability topics	–
GRI 2-14	General Disclosures 2021	Role of the highest governance body in sustainability reporting	–	1.3 Governance structure and management on sustainability topics	–
GRI 2-15	General Disclosures 2021	Conflicts of interest	–	1.2 Business ethics	–
GRI 2-16	General Disclosures 2021	Communication of critical concerns	No critical concerns in reporting period	1.2 Business ethics 1.3 Governance structure and management on sustainability topics	–
GRI 2-17	General Disclosures 2021	Collective knowledge of the highest governance body	–	1.3 Governance structure and management on sustainability topics 2.1 Materiality assessment 2.2 Our contribution to the Sustainable Development Goals	–
GRI 2-18	General Disclosures 2021	Evaluation of the performance of the highest governance body	–	1.3 Governance structure and management on sustainability topics	–
GRI 2-19	General Disclosures 2021	Remuneration policies	Remuneration policy together with annual Remuneration report for Members of the Management Board and Members of the Supervisory Board are available as separate documents on webpage	–	–
GRI 2-20	General Disclosures 2021	Process to determine remuneration	Remuneration policy together with annual Remuneration report for members of the Management Board and members of the Supervisory Board are available as separate documents on webpage	–	–

4. Strategy, policies and practices

GRI 2-22	General Disclosures 2021	Statement on sustainable development strategy	–	Interview with President of the Management Board 1.3 Governance structure and management on sustainability topics 2.1 Materiality assessment 2.2 Our contribution to the Sustainable Development Goals	–
GRI 2-23	General Disclosures 2021	Policy commitments	–	1.3 Governance structure and management on sustainability topics 2.2 Our contribution to the Sustainable Development Goals 2.3 Responsible Business 4 Environment and Climate	–
GRI 2-24	General Disclosures 2021	Embedding policy commitments	–	1.3 Governance structure and management on sustainability topics 2.2 Our contribution to the Sustainable Development Goals 2.3 Responsible Business 4 Environment and Climate	–
GRI 2-25	General Disclosures 2021	Processes to remediate negative impacts	–	2.1 Materiality assessment 2.4 Principal risk and their management	–
GRI 2-26	General Disclosures 2021	Mechanisms for seeking advice and raising concerns	–	1.2 Business ethics	–
GRI 2-27	General Disclosures 2021	Compliance with laws and regulations	–	1.2 Business ethics	–
GRI 2-28	General Disclosures 2021	Membership associations	–	2.5 Arctic Paper's Partnerships	–

5. Stakeholder engagement

GRI 2-29	General Disclosures 2021	Approach to stakeholder engagement	–	1.2 Business ethics 2.1 Materiality assessment	–
GRI 2-30	General Disclosures 2021	Collective bargaining agreements	–	ESG Factsheet	–

Material Topics					
GRI 3-1	Material Topics 2021	Process to determine material topics	–	2 Company sustainability	–
GRI 3-2	Material Topics 2021	List of material topics	–	2 Company sustainability	–
GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–

Specific disclosures: Anti-Corruption

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
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	1.3 Governance and Business ethics 2.3 Responsible business	G1
GRI 205-3	Anti-corruption 2016	Confirmed incidents of corruption and actions taken	No incidents confirmed	–	G1
Own measure	–	Number of employees completing the business ethics program	–	1.2 Governance and Business ethics	G1

Specific disclosures: Materials

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
GRI 301-1	Materials 2016	Materials used by weight or volume	–	4.3. Sustainable circular production and waste	E3
GRI 301-2	Materials 2016	Recycled input materials used	–	4.3. Sustainable circular production and waste	E3
GRI 301-3	Materials 2016	Reclaimed products and their packaging materials	–	4.3. Sustainable circular production and waste	E3
Own measure	–	Value of complaints as share of sales revenue	–	3.4. Commitment to client satisfaction	S2

Specific disclosures: 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	–

Specific disclosures: Water and Effluents

GRI 3-1	Material Topics 2021	Process to determine material topics	–	2 Company sustainability	–
GRI 3-2	Material Topics 2021	List of material topics	–	2 Company sustainability	–
GRI 303-1	Water 2018	Interactions with water as a shared resource	–	4.4 Water	E2
GRI 303-2	Water 2018	Management of water discharge-related impacts	–	4.4 Water	E2
GRI 303-3	Water 2018	Water withdrawal	–	4.4 Water	E2
GRI 303-4	Water 2018	Water discharge	–	4.4 Water	E2
GRI 303-5	Water 2018	Water consumption	–	4.4 Water	E2

Specific disclosures: Biodiversity

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
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	E3
GRI 304-3	Biodiversity 2016	Habitats protected or restored	–	4.5 Biodiversity	E3

Specific disclosures on material topics: Emissions

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
GRI 305-1	Emissions 2016	Direct (Scope 1) GHG emissions	–	4.2 Energy and emissions	E1
GRI 305-2	Emissions 2016	Energy indirect (Scope 2) GHG emissions	–	4.2 Energy and emissions	E1
GRI 305-3	Emissions 2016	Other indirect (Scope 3) GHG emissions	–	4.2 Energy and emissions	E1

Specific disclosures: Effluents and waste

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
GRI 306-1	Waste 2020	Waste generation and significant waste-related impacts	–	4.3. Sustainable circular production and waste	E3
GRI 306-2	Waste 2020	Management of significant waste-related impacts.	–	4.3. Sustainable circular production and waste	E3
GRI 306-3	Waste 2020	Waste generated	–	4.3. Sustainable circular production and waste	E3
GRI 306-5	Waste 2020	Waste directed to disposal	–	4.3. Sustainable circular production and waste	E3

Specific disclosures: Supplier Environmental Assessment

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
GRI 308-1	Supplier Environmental Assessment 2016	New suppliers that were screened using environmental criteria	–	3.2. Environmental assessment of suppliers and responsible sourcing	E1

Specific disclosures: Employment

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
GRI 401-1	Employment 2016	New employee hires and employee turnover	–	5.1 Working at Arctic Paper	S3
GRI 401-2	Employment 2016	Benefits provided to full-time employees that are not provided to temporary or part-time employees	–	5.2 Our employees' well-being and satisfaction	S3
GRI 401-3	Employment 2016	Parental Leave	–	ESG Factsheet	S3
Own measure	–	Engagement capital	–	5.2 Our employees' well-being and satisfaction	S3

Specific disclosures: Occupational Health and Safety

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
GRI 403-1	Occupational Health and Safety 2018	Occupational health and safety management system	–	5.4 Health and safety	S1
GRI 403-2	Occupational Health and Safety 2018	Hazard identification, risk assessment, and incident investigation	–	5.4 Health and safety	S1
GRI 403-3	Occupational Health and Safety 2018	Occupational health services	–	5.4 Health and safety	S1
GRI 403-4	Occupational Health and Safety 2018	Worker participation, consultation, and communication on occupational health and safety	–	5.4 Health and safety	S1
GRI 403-5	Occupational Health and Safety 2018	Worker training on occupational health and safety	–	5.4 Health and safety	S1
GRI 403-6	Occupational Health and Safety 2018	Promotion of worker health	–	5.4 Health and safety	S1
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	S1
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	S1
GRI 403-9	Occupational Health and Safety 2018	Work-related injuries	–	5.4 Health and safety	S1

Specific disclosures: Training and Education

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
GRI 404-1	Training and Education 2016	Average hours of training per year per employee	–	ESG factsheet	S4
GRI 404-2	Training and Education 2016	Programs for upgrading employee skills and transition assistance programs	–	1.2 Business ethics 5.2 Our employees' well-being and satisfaction	S4
GRI 404-3	Training and Education 2016	Percentage of employees receiving regular performance and career development reviews	–	1.2 Business ethics 5.2 Our employees' well-being and satisfaction	S4

Specific disclosures: Diversity and Equal Opportunity

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
GRI 405-1	Diversity and Equal Opportunity 2016	Diversity of governance bodies and employees	–	5.5 Diversity and Inclusion	S6

Specific disclosures: Non-discrimination

GRI 3-3	Material Topics 2021	Management of material topics	–	1.3 Governance structure and management on sustainability topics 2 Company sustainability	–
GRI 406-1	Non-discrimination 2016	Incidents of discrimination and corrective actions taken	No incidents confirmed	–	S6

Specific disclosures: Local communities

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 employees' well-being and satisfaction	–
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