

REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD

of ARCTIC PAPER S.A. IN 2021

The Supervisory Board presents a report on its activities in the financial year 2021, including in particular the results of the assessment of the Management Board's report on the Company's operations in the financial year 2021, the Company's financial statements for 2021, and the evaluation of the Supervisory Board, including the internal control system, the management of material risks for the Company and the internal audit function.

1. Composition of the Supervisory Board

As of December 31st 2021, the Supervisory Board was composed of:

- Per Lundeen – Chairman of the Supervisory Board appointed on September 14, 2016;
- Roger Mattsson – Vice-Chairman of the Supervisory Board appointed on September 16, 2014;
- Thomas Onstad – Member of the Supervisory Board appointed on October 22, 2008;
- Zofia Dzik – Member of the Supervisory Board appointed June 22, 2021 (an independent member);
- Anna Jakubowski – Member of the Supervisory Board appointed on June 22, 2021(an independent member).

The independence of Mrs Anna Jakubowski and Mrs Zofia Dzik has been verified based on the submitted declaration on meeting the independence criteria of members of the supervisory board within the meaning of Annex II to the Recommendation of the European Commission of February 15, 2005 on the role of non-executive directors or supervisory board members of listed companies and committees of the supervisory board), taking into account the provisions of Rules 2.3 "Best Practices of Companies Listed on the Warsaw Stock Exchange 2021" and the independence criteria indicated in art. 129 section 3 of the Act on statutory auditors, auditing companies and public supervision (Journal of Laws 2020, item 1415).

2. Activities of the Supervisory Board

The Supervisory Board operates under the provisions of the Code of Commercial Companies as well as on the basis of the Company's Articles of Association and Rules of the Supervisory Board dated 24 November 2016.

In 2021, the Supervisory Board exercised permanent supervision over the Company's activities in all areas. The Supervisory Board paid special attention to the analysis of the financial results and development of Company's business strategy – 4P Strategy.

During the reporting period the Supervisory Board conducted its activities in the course of meetings convened by the Chairman. Due to COVID-19 pandemic travel restrictions some of the Supervisory Board Meetings were held by means of distance communication as on-line meetings.

All meetings were minuted and decisions were taken by the Supervisory Board either in the form of resolutions or stated in the minutes.

In the reporting period, i.e. from 01 January 2021 to 31 December 2021, ten meetings of the Supervisory Board of Arctic Paper S.A. were held on the following dates:

1. 22nd February 2021;
2. 15th April 2021;
3. 16th June 2021;
4. 5th August 2021;
5. 2nd September 2021;
6. 5th November 2021;
7. 7th December 2021;
8. 20th December 2021;

All Supervisory Board meetings were convened properly. The Supervisory Board meetings were also attended by Members of the Management Board.

On 31st of December 2021 the Management Board was composed of:

- Michał Jarczyński – Member of the Management Board, President of the Management Board;
- Göran Eklund – Member of the Management Board.

The Supervisory Board performed its duties collectively, as well as with the support of the Audit Committee, the Remuneration Committee and the Risk Committee.

Audit Committee

Since 5th of August 2021 the Audit Committee is composed of:

- Anna Jakubowski – Chairman of the Audit Committee, a member meeting the independence criteria; according to a statement made by Mrs. Anna Jakubowski, she fulfills the condition of knowledge and skills in the field of accounting or auditing of financial statements;
- Zofia Dzik – Member of the Audit Committee, meeting the independence criteria; according to a statement made by Mrs. Zofia Dzik, she fulfills the condition of knowledge and skills in the field of accounting or auditing of financial statements;
- Roger Mattsson - Member of the Audit Committee - due to his long-term experience as the financial controller at the Arctic Paper Group and over three years in the Audit Committee, Mr Roger Mattsson meets the requirement of knowledge and know-how of the Company's business as required of members of the Audit Committee. Additionally, he has knowledge and skills in the sphere of accounting or auditing financial statements.

The basic task of the Audit Committee is advisory to the Supervisory Board on issues of proper implementation and control of the financial reporting processes in the Company, effectiveness of the internal control and risk management systems and cooperating with certified auditors.

In reference to the new regulations on the selection of the auditor, in particular the provisions of:

- (i) the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (the "Act on Statutory Auditors"),
- (ii) Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements on the statutory audits of annual financial statements of public interest entities ("Regulation 537/2017"),

Audit Committee carries out its works related to the auditor's appointment procedure and performance of services other than statutory audit based on policies: "Policy and procedure for the selection of the audit firm to carry out the statutory and voluntary audit of consolidated and separate financial statements of Arctic Paper S.A." and "Policy on provision of allowed services by an audit firm that carries out an audit, by entities related to such audit firm, and by a network member of an audit firm which are not audit services of statutory consolidated and separate financial statements of Arctic Paper S.A."

According to the regulations applicable to the Company, the Company's Supervisory Board shall select – by way of a resolution and acting under a recommendation of the Audit Committee – the auditor authorised to carry out the audit.

On 23rd of October 2019 the Supervisory Board in connection with Audit Committee recommendation appointed KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., as auditor for the Company to conduct the audit of financial statement for years 2020-2022. The Audit Committee positively assessed the work carried out by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. The Audit Committee's recommendation was free from the influence of third parties and has been prepared on the basis of the provisions of the "Policy and procedures for the selection of an audit company to conduct statutory and voluntary audit of consolidated and separate financial statements of Arctic Paper S.A."

Remuneration Committee

Since February 9th, 2017 the Remuneration Committee is composed of:

- Per Lundeen - Chairman of the Remuneration Committee;
- Thomas Onstad - Member of the Remuneration Committee;
- Roger Mattsson - Member of the Remuneration Committee.

The basic task of the Remuneration Committee is advisory to the Supervisory Board on issues related to remuneration policy, bonus policy and other issues related to the remuneration of the employees, members of the Company's authorities and the authorities of Capital Group companies.

On August 31st, 2020, the Annual General Meeting of the Company, bearing in mind art. 90d.1 in connection with art. 90c.2.1 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies (i.e. Journal of Laws of 2019, item 623 as amended amended) adopted the "Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Arctic Paper S.A". Under the above-mentioned Acts, all public companies, including the Company, were obliged to adopt, by resolution of Annual General Meeting, the Remuneration Policy of Management Board

and Supervisory Board Members, which is the rules for determining the remuneration of Members of the Management Board and Supervisory Board and to publish a remuneration report. The Company shall pay remuneration to the Members of the Management Board and the Supervisory Board solely in compliance with the adopted policy. The policy prepared by the Company was drawn up in accordance with the principles set out in the above-mentioned Act and refers to the required elements related to remuneration and other terms of employment for Members of the Management Board and Members of the Supervisory Board. The policy received an opinion from the Remuneration Committee operating at the Supervisory Board, as well as by the Supervisory Board.

In accordance with Art. 7.1 of the Policy, the Supervisory Board shall annually prepare a Remuneration Report in order to provide the Annual General Meeting with information on the remuneration received in the preceding financial year by the Management Board and the Supervisory Board of the Company. The report is reviewed by the auditor.

On 20th April, 2022 the Supervisory Board has adopted “Remuneration Report of Members of the Management Board and Supervisory Board of Arctic Paper S.A. for year 2021” and recommends its submission to the Annual General Meeting of the Company.

“Remuneration Report of Members of the Management Board and Supervisory Board of Arctic Paper S.A. for year 2021” was assessed by Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp. k.. On 22nd April, 2022 the auditor has issued a report with an opinion on the Remuneration Report which is enclosed to the draft of the resolution of the Annual General Meeting.

The Annual General Meeting shall adopt a resolution with an opinion on the remuneration report. The nature of such resolution is advisory.

Risk Committee

Since 5th of August 2021 the Audit Committee is composed of:

- Per Lundein – Chairman of the Risk Committee;
- Zofia Dzik – Member of the Risk Committee, meeting the independence criteria;
- Roger Mattsson – Member of the Risk Committee.

The basic task of the Risk Committee is advisory to the Supervisory Board on issues related to the proper identification, assessment and control of potential risks, i.e. opportunities and threats to realization of the Company’s strategic goals, with particular consideration for financial risk, related to both external factors (such as volatility of exchange rates, interest rates, general international economic condition) and internal factors (such as cash flows, liquidity management, variation of budget and financial forecasts).

3. Assessment of the internal control, risk management, compliance systems and the internal audit function.

The Company has not established dedicated units to be involved in risk management, internal audit and compliance. However, the Company states that managers of each division of the Company report directly to the relevant members of the Management Board. The external entities

that provide consultancy services, including legal consulting and performing audits, have regular and direct contact with the Company's Management Board.

The Company's Supervisory Board and Management Board monitor the internal processes of the Company's operations at joint meetings. The Supervisory Board assesses the operational processes of the Company and formulates recommendations relating to current and planned processes of the Company's operations.

4 . Assessment of compliance by the Company with its disclosure duties in 2021.

On 29th March 2021, the Supervisory Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) by Resolution No. 13/1834/2021 adopted new corporate governance rules for companies listed on the WSE Main Market – “Best Practice of GPW Listed Companies” (Best Practice 2021, DPSN2021). Best Practice 2021 came into force on 1st July 2021.

Application by companies of the principles of corporate governance contained in the Best Practice 2021 is voluntary, but reporting on their application is an obligation of every listed company, enshrined in the Regulations of the WSE. Companies had to publish their first reports on the application of DPSN2021 by 31st July 2021.

Pursuant to § 29 (3) of the Rules of the Warsaw Stock Exchange, the Management Board of Arctic Paper S.A. published on 29th July 2021 with further update published on 28th December 2021 in the form of an EBI report, the first statement on the status of the company's application principles contained in the Code of Best Practice of GPW Listed Companies 2021.

Arctic Paper S.A. was striving at applying corporate governance rules as set forth in the document “Best Practice of GPW Listed Companies 2021”. In 2021, Arctic Paper S.A. did not apply the following rules:

Disclosure Policy, Investor Communication

Rule 1.3.2

Rule 1.4.2

Management Board and Supervisory Board

Rule 2.1

Rule 2.11.6

Internal Systems and Functions

Rule 3.3

Rule 3.10

General Meeting, Shareholders Relations

Rule 4.1

Rule 4.3

In the opinion of the Supervisory Board, Arctic Paper S.A. has made all reasonable efforts to apply the corporate governance rules as specified in the document “Best Practice of GPW Listed Companies 2021” to the greatest possible extent subject to the size and nature of the Company's operations.

The Management Board together with the Supervisory Board has prepared a document of "Diversity Policy of Management Board and Supervisory Board of Arctic Paper S.A." which will be subject of a resolution of the Annual General Meeting of Arctic Paper S.A. The purpose of the policy is to govern the recruitment and election of members of the Company's Management Board and Supervisory Board and to ensure non-discrimination and equal opportunities in the process.

5. Assessment of the rationality of the Company's policy with respect to its sponsorship, charity or similar activities.

In 2021 Arctic Paper S.A. was not involved in any sponsorship, charity or similar activity.

6. Assessment of the Management Board's report on the Company's operations in the financial year 2021, the Company's financial statements for the financial year 2021 and the Management's proposal regarding the distribution of profit generated by the Company in the financial year 2021.

Acting pursuant to Art. 382 § 3 of the Code of Commercial Companies and in conjunction with the provisions of Art. 18.2 of the Company's Articles of Association, the Supervisory Board has analysed the consolidated and the Company's standalone financial statements for the period from 01 January 2021 to 31 December 2021 prepared by the Management Board and reviewed by the Company's auditor by KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa, consisting of:

- Consolidated balance sheet as at 31 December 2021, with assets and liabilities amounting to PLN thousand 2,389,266 and standalone balance sheet as at 31 December 2021, with assets and liabilities amounting to PLN thousand 857,299;
- Consolidated profit and loss account for the period from 01 January 2021 to 31 December 2021, showing a net profit of PLN thousand 175,907 and standalone profit and loss account for the same period showing a net profit of PLN thousand 21,787;
- Consolidated statement of changes in equity for the period from 01 January 2021 to 31 December 2021 showing an increase in equity of PLN thousand 209,963 and standalone statement of changes in equity for the period from 01 January 2021 to 31 December 2021 showing an increase in equity of PLN thousand 6,465;
- Consolidated cash flow statement for the period from 01 January 2021 to 31 December 2021, showing a decrease in net cash of PLN thousand of 83,388 and standalone cash flow statement for the period from 01 January 2021 to 31 December 2021, showing a decrease in net cash of PLN thousand 25,182;
- Accounting principles (policies) and additional explanatory notes.

The Supervisory Board has examined the Management Board's report on the Company's operations in the financial year 2021.

Pursuant to article 70.1.14 and article 71.1.12 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent, the Supervisory Board of Arctic Paper S.A. evaluates that:

- the financial statements of Arctic Paper S.A. for the financial year ended December 31, 2021, as well as with the report of an independent certified auditor on the audit of the Company's annual standalone financial statements for the financial year ended December 31, 2021, prepared by KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa;
- the consolidated financial statements of the Arctic Paper Group for the financial year ended December 31, 2021, as well as with the report of an independent auditor on the audit of the annual consolidated financial statements for the financial year ended December 31, 2021, prepared by KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa

have been prepared correctly in terms of substance and form, in accordance with the books and documents, as well as with the facts, and accurately reflects the financial result and assets of the Company and Arctic Paper Group in the financial year 2021.

The Supervisory Board of Arctic Paper S.A., after review of the reports of the Management Board of Arctic Paper S.A. on the activities of the Arctic Paper Group and the Company for 2021, states that reports have been prepared in accordance with the relevant applicable regulations regarding the reports on the activities and is in accordance with the books, documents and the actual state.

The Supervisory Board adopts the report, expresses its approval for the activities of the Management Board in 2021 and recommends that the Annual General Meeting discharges the Members of the Management Board for the performance of their duties in the financial year 2021:

- Mr Michał Jarczyński for a period from January 1st 2021 until December 31st 2021;
- Mr Göran Eklund for a period from January 1st 2021 until December 31st 2021;

The Supervisory Board requests the Annual General Meeting to grant discharge to members of the Supervisory Board for the performance of their duties in the financial year 2021.

7. Proposal regarding the distribution of profit generated by the Company in the financial year 2021

On April 20th 2022 the Supervisory Board of the Company adopted a resolution approving the submission to the Annual General Meeting of the recommendation of the Management's Board regarding payment of dividend to the shareholders from the Company's net profit of the financial year 2021 and from net profits from previous years accumulated on the Company's reserve capital, in the total amount of PLN 27,715,113.20 - 0.40 PLN gross per share.

The Management Board's recommendation and the Supervisory Board's opinion will be presented as a subject of the resolution of the Annual General Meeting.

8. Assessment of the Company's condition

2021 was a good year in which the Arctic Paper has strengthened its position in the markets of graphical papers and pulp from Rottneros. During the year the Company was continuously working on developing its business model. Although the pandemic still had a major impact on societies, the economic recovery across Europe did increase the demand for both Arctic Paper and Rottneros products.

During the autumn of 2021, Arctic Paper has launched a new business strategy - 4P - which will allow the Company to diversify and to add two new pillars to the already existing businesses, paper and pulp. The two new pillars are packaging and power (energy).

The business performance in the packaging paper segment increased and proved it has a good future in Arctic Paper. The trend towards substituting plastic packaging with packaging made from natural wood fibre will help Arctic Paper to develop the packaging business in a fast pace. The recently announced intention of joint venture cooperation for fibre trays production between Arctic Paper and Rottneros will also boost the growth in this pillar.

New energy projects have been launched during the year. To mention a few: a new hydro-power plant has been started up in the Munkedal mill. A new energy system for this mill is under construction with a business partner. Several other projects are ongoing and all of these projects are green energy projects.

The Company set very ambitious and ultimate goal to become emissions neutral by 2035, while its paper and packaging business aim to reach this goal already by 2030.

[Per Lundein, Chairman; on behalf of the Supervisory Board of Arctic Paper S.A.]

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