



ARCTIC PAPER

SUSTAINABILITY REPORT 2023

ARCTIC PAPER SA CAPITAL GROUP
disclosure on non-financial information

Arctic Paper has prepared its 2023 disclosure on non-financial information in the European Single Electronic Format (ESEF) which is the electronic reporting format in which issuers on EU regulated markets shall prepare their annual financial reports from 1 January 2020 based on Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format as amended.

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Arctic Paper, its representatives and employees decline all responsibility in this regard.

We ensure sustainability from forest to paper

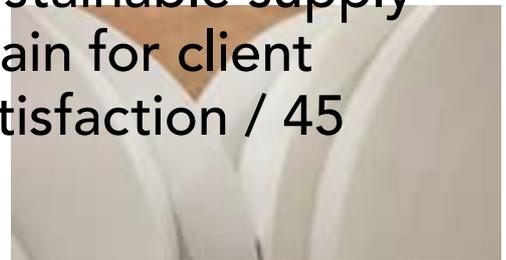
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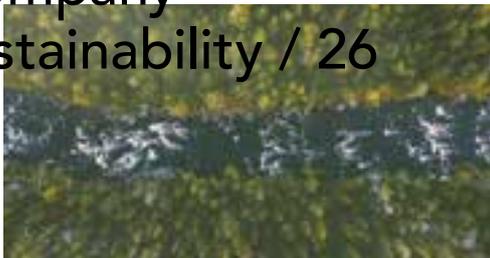
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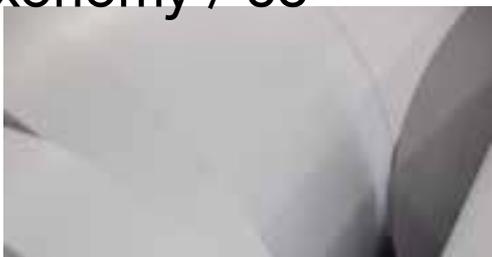
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MANAGEMENT FOREWORD

It is with pleasure that we present to you Arctic Paper's latest CSR-report, reflecting our commitment to sustainable practices and responsible corporate citizenship. As we navigate a changing business landscape, it is crucial to be transparent about our efforts to minimize our environmental footprint.

As part of our commitment to climate change mitigation, we have taken significant steps in enhancing energy efficiency, optimizing water usage, and increasing the share of renewable energy in our production. Arctic Paper's goal is to transition to fully fossil-free energy production, accompanied by a substantial reduction in GHG emissions, aiming for zero emissions in Scope 1 and 2 by 2035. To achieve this we actively invest in renewable energy sources.

Following the principles of the circular economy, we are committed to delivering sustainable wood fiber solutions and renewable products. Arctic Paper's focus is to create business opportunities by replacing fossil-based materials with bio-based, renewable alternatives. It's our responsibility to also actively safeguard biodiversity in conservation areas and regenerative forests, with focus on supplier network. Commitment to responsible sourcing extends beyond our operations, to ensure a positive impact throughout our value chain.

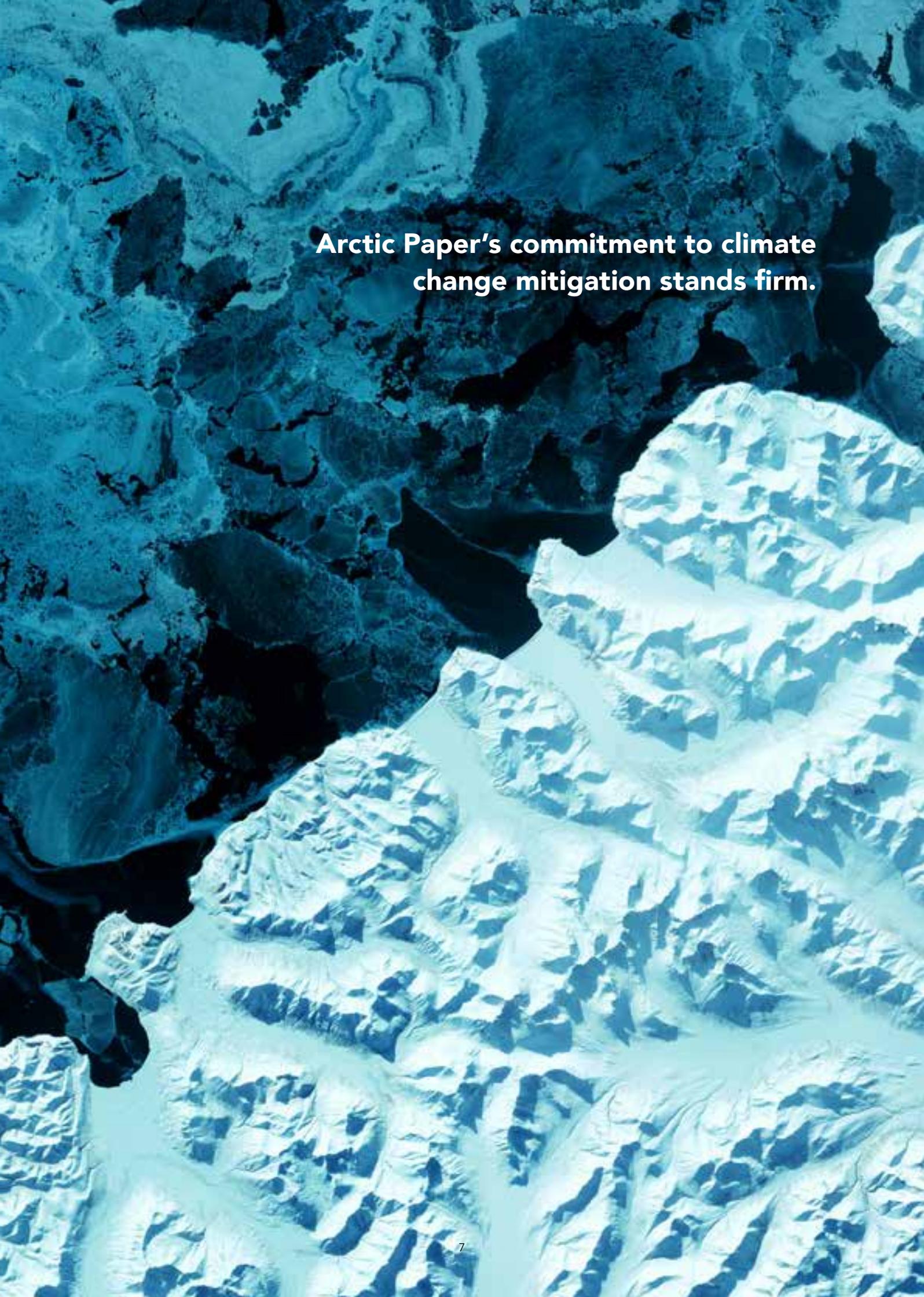


Collaboration is key as we work with partners to enhance sustainability benefits. To uphold the highest standards of governance, Arctic Paper has introduced a new Code of conduct in the value chain of Arctic Paper Group. It's designed to reinforce ethical practices and ensure compliance with our values. We are also actively working to create organizational resilience in the face of changing environments and climate conditions.

Dedication to the development and well-being of employees is our priority. Arctic Paper is committed to achieving zero injuries, promoting diversity and inclusion, and increasing the proportion of women at various management levels.

Finally, we would like to express warm thanks to all employees in the Group for their great efforts during the year to achieve good results both in terms of financial and ESG performance.

Sincerely,
Michal Jarczyński
CEO of Arctic Paper SA

An aerial photograph of a rugged, mountainous landscape covered in snow. A winding river or stream flows through the valleys between the peaks. The overall color palette is dominated by various shades of blue and white, giving it a cool, wintry appearance. The text is centered in the upper half of the image.

Arctic Paper's commitment to climate change mitigation stands firm.



THIS IS ARCTIC PAPER

1.1

COMPANY OVERVIEW

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

As of December 31, 2023, Arctic Paper employs 1223 people. Our business activities are based on the operations of three mills:

1.

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.

2.

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.

3.

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 Odra (Poland).

● 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 SA, *Poland*
- Arctic Paper Munkedals AB, *Sweden*
- Arctic Paper Grycksbo AB, *Sweden*



Arctic Paper SA is also a majority owner (in possession of 51.0 % of the shares as of December 31. 2023) of the Rottneros group. Rottneros AB is a pulp producing company, registered on the Nasdaq stock exchange in Stockholm. 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.

Rottneros data for 2023 is not fully available in the format presented by Arctic Paper SA. However we present selected data in Chapter 7 ESG fact sheet. Broader description of 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's report is available on web page:
<https://www.rottneros.com/sustainability/sustainability-reporting/>



Starting from the 2024 annual reporting period, Arctic Paper will include Rottneros AB's non-financial data to the extent required by the new European Sustainability Reporting Standards (ESRS).



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 a 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.

Our cooperation with suppliers has been based on Code of conduct in the value chain of Arctic Paper Group. Our goal is to work with suppliers who can and are willing to assure us that they respect our values regarding People and the Environment. In 2021 we elaborated a new Sustainability policy for the entire Arctic Paper Group.

In order to face new challenges and to address all significant topics relevant for our stakeholders, we implemented a new Code of conduct for the entire value chain of Arctic Paper Group in the beginning of 2024.

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 superb, reliable and eco-friendly quality of our paper brands.



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



MUNKEN

ARCTIC VOLUME

AMBER



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

- Manufactured under the brand names Arctic Volume and G, 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 is called Munken Kraft and covers a grammage range from 38 g/m² to 150 g/m² in two shades.

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

OUR BRANDS AND THE CIRCULAR ECONOMY

Arctic Paper paper grades are produced with an aim to enhance the circular economy. We use methodologies and the experience of third parties to create new ways to produce our different paper ranges, based on chemical hazard identification and qualitative exposure considerations during manufacturing, use, and end-of-use of a product. It means that products are made using chemicals that are as safe as possible for humans and the environment.

Chosen Arctic Paper products, like Munken Design, Amber Graphic, G and Arctic Volume white, have been inspected and approved to be used in for Nordic Ecolabel certified products.

OUR BRANDS AND THE DESIGN INDUSTRY

At Arctic Paper, we learn from students and students learn from working with us. The Munken Agenda is our unique annual design project, which 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 having 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.



History of our Munken Agenda collaborations:

- 2019** – NABA (Nuova Accademia di Belle Arti), Milan, Italy;
- 2020** – École Estienne in Paris, France;
- 2021** – Universities in London, England;
- 2022** – Academy of Fine Arts in Warsaw, Poland;
- 2023** – Forsbergs Design and Advertising School in Stockholm, Sweden;
- 2024** – Kristiania University College, Oslo, Norway.

MARKETS SERVED AND OUR SCALE OF OPERATIONS

99% of Arctic Paper products are delivered to European markets. Which, in times of global transportation problems and supply chain crisis, helps us to create a relatively secure distribution and delivery reliability. For years our biggest markets have been Germany, Poland, the Nordic countries, the Baltics, followed by France, BeNeLux, UK and Central and Eastern European countries.



OUR MAIN ACHIEVEMENTS AND PROJECTS IN 2023

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 among all our areas of operation.

- Joint investment of Arctic Paper and Rottneros – conclusion of a joint-venture agreement to build a production facility of packaging from moulded cellulose fibre.
- Kostrzyn mill was awarded with an Employee-Friendly Employer certificate granted by President of Poland.



- Grycksbo mill launched a project of pellet production installation, see Case Study page no 62.
- Kostrzyn mill is expanding its solar panels installation.

- Grycksbo mill switched to non-fossil bio diesel as a fuel for internal transport vehicles.
- We implemented new Code of conduct in the value chain and Whistleblowing policy. We also created the Sponsorship policy.
- Grycksbo and Munkedals mills – implemented Pulse meetings – short and frequent mills’ teams meetings as an implementation of lean methodology to gather information about the results of current projects.
- Munkedals mill created a flower meadow on the mill site.
- Kostrzyn mill celebrated its 30th anniversary.



- Grycksbo mill celebrated its 280th anniversary.



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"> · 1,223 employees all over 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 in the value chain <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 new Code of conduct in the value chain contains clear guidelines regarding the business behaviour of our employees and other stakeholders, including zero-tolerance for bribes, corruption and other unethical acts.

We are aware of the fact that our sales offices and purchasing and logistics departments are 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, approved by our management, are communicated to members of our sales teams. Bonuses to members of the sales teams are not tied exclusively to their individual sales performance, but also to the overall financial performance of the company. We offer bonuses to our clients on a semi-annual and annual basis; however, these are linked to sales volumes, e.g., through sales volume brackets, which are strictly monitored. Arctic Paper does not offer other bonuses (for example in-kind) to clients.

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

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 2023 all new employees received training during the onboarding process.

KEY PERFORMANCE INDICATOR	2023
Number of employees who participated in the Business ethics training programme (per year)	81

LEGAL AND REGULATORY COMPLIANCE

Arctic Paper SA is a publicly 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 PLN 2 million. With regards to legal and regulatory compliance, our target is to minimise risk of lawsuit.

KEY PERFORMANCE INDICATOR	BUSINESS RELATED*	NON-BUSINESS RELATED*
2023	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 functions, are obliged to apply the ethical principles and rules of conduct collected in the Code of conduct in the value chain of Arctic Paper Group. 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

- 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 strive 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 the Code of conduct and Arctic Paper's values.

This service is intended for all our internal and external stakeholders and publicly available on-line. 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.

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 in the value chain 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 in the value chain 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 in the value chain and Sustainability policy · Whistleblowing reporting system 	<ul style="list-style-type: none"> · Code of conduct in the value chain and Sustainability policy · Whistleblowing reporting system · Sponsorship policy
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 in the value chain 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 each country where Arctic Paper operates. The Management Board is supported and advised by the Managing Directors of the mills and Managing Directors of sales units.
- The Group Executive Team consists of executive vice presidents responsible for various areas of activity, including strategy and sustainable development, procurement, human resources, sales and marketing.
- 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 three 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.



COMPANY SUSTAINABILITY

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 organization 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.

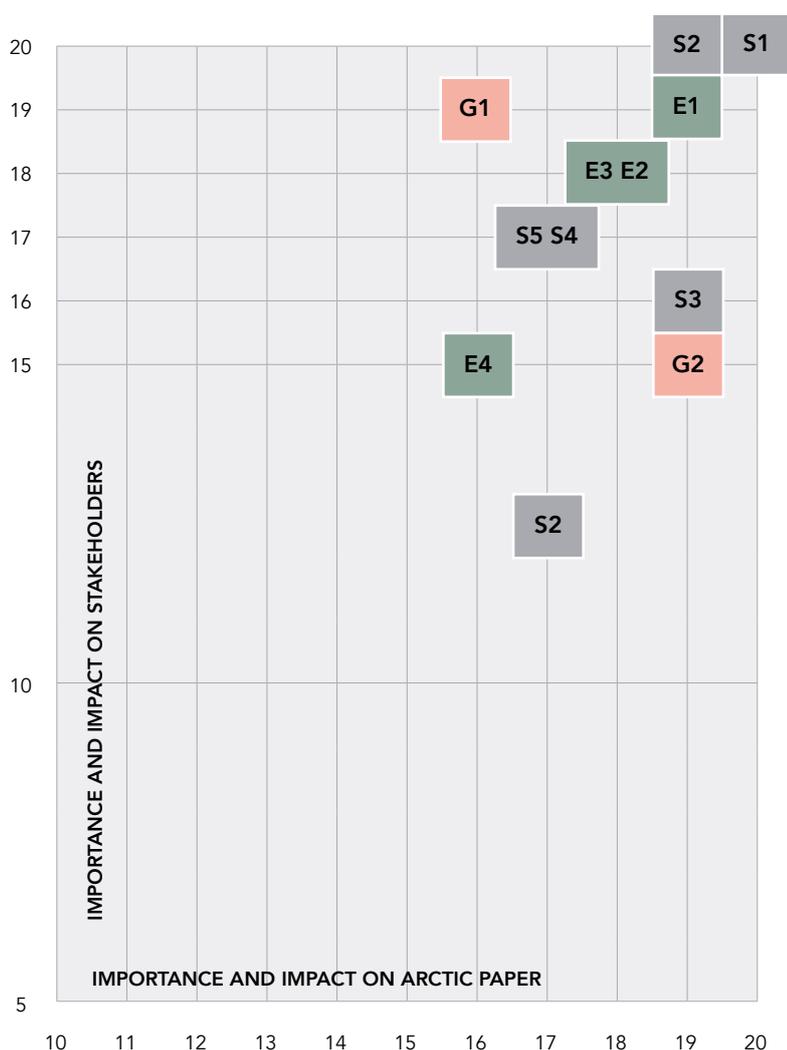
At the end of 2020, we conducted a survey in which we asked our stakeholders to share their opinions and recommendations regarding our future CSR activities and areas of involvement. Three main groups of our stakeholders took part in it: employees (491 respondents), customers (24 respondents) and other 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 2023, 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.

The above-described aspects are the subject of a broader annual discussion within our organization, which aim to better understand the current and future nature of relations with the environment in the context of possible changes, including regulatory, and observed social trends.

As a result, it allows us to understand the current and future nature of our impact. The internal verification of the assessment of the significance of the impact of individual areas and the prioritization of

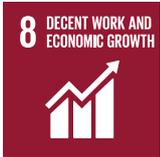
important aspects carried out in recent years led to the conclusion that there have been no significant changes in this respect compared to the previous year. As a result, they became the starting point for determining the current content of the report.

In the last quarter of 2023, we conducted another edition of our stakeholder survey. We have started the process of double materiality assessment related to the new European Sustainability Reporting Standards - ESRS, which are applicable to the Arctic Paper Group from the reporting year 2024. The study results will allow us to revisit important topics and estimate the impact of our activities. The results of the dual materiality assessment will be presented in our 2024 Sustainability Report.

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
<p>✓ IMPACT ON ARCTIC PAPER'S CORE OPERATIONS</p> <p>✓ IMPACT ON ARCTIC PAPER'S VALUE CHAIN</p> <div data-bbox="201 1413 536 1749">     </div>	<ul style="list-style-type: none"> • Systematic approach to health and safety at each mill • Annually approved action plans for health and safety • Occupational healthcare service at 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

<h2 style="text-align: center;">ENVIRONMENT</h2> <ul style="list-style-type: none"> ✓ IMPACT ON ARCTIC PAPER'S CORE OPERATIONS ✓ IMPACT ON ARCTIC PAPER'S VALUE CHAIN <div style="display: flex; flex-wrap: wrap; justify-content: space-around;"> <div style="width: 45%; text-align: center;">  <p>6 CLEAN WATER AND SANITATION</p> </div> <div style="width: 45%; text-align: center;">  <p>13 CLIMATE ACTION</p> </div> <div style="width: 45%; text-align: center;">  <p>14 LIFE BELOW WATER</p> </div> <div style="width: 45%; text-align: center;">  <p>15 LIFE ON LAND</p> </div> </div>	<h3 style="text-align: center;">WHAT ARCTIC PAPER IS DOING</h3> <ul style="list-style-type: none"> • 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 Munkedal is completed • Measurement and monitoring of waste management indicators • Restoring fish breeding habitat in the Munkedal river
<h2 style="text-align: center;">BUSINESS OPERATIONS</h2> <ul style="list-style-type: none"> ✓ IMPACT ON ARCTIC PAPER'S CORE OPERATIONS ✓ IMPACT ON ARCTIC PAPER'S VALUE CHAIN <div style="display: flex; flex-wrap: wrap; justify-content: space-around;"> <div style="width: 45%; text-align: center;">  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> <div style="width: 45%; text-align: center;">  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> </div> <div style="width: 45%; text-align: center;">  <p>17 PARTNERSHIPS FOR THE GOALS</p> </div> </div>	<h3 style="text-align: center;">WHAT ARCTIC PAPER IS DOING</h3> <ul style="list-style-type: none"> • 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 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. 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 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.

Arctic Paper SA regularly conducts a materiality assessment defining the most important topics it should positively contribute to.

The Sustainability policy is supplemented by the following policies in place at Arctic Paper Group:

- Code of conduct in the value chain of Arctic Paper Group,
- Diversity policy,
- Sponsorship policy,
- Whistleblowing policy.

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

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. Increasingly important is to value the risks and opportunities related to climate.

Since 2019, we have expanded our report by reporting CO₂ emissions not only from our own mills, but also from our major suppliers of raw materials, energy and transportation companies.

We 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 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 was an unprecedented year due to the outbreak of the 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 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. We haven't noticed that kind of disruptions so far.

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	Disruptions in operations due to: <ul style="list-style-type: none"> · Drought · Flooding · Landslide · 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 in the value chain
	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	Shortage of pulp on the market, inability to buy certified pulp	· Financial loss	· Keeping and promoting high health standards among employees and contractors
	Disruptions in the energy market (e.g., lack of energy access or poor fuel quality)	· Disruptions in operations	· Careful monitoring of the market
	Poor weather conditions (e.g., flooding) (see also "climate")	· Loss of customer credibility	· Building long-term relationships with qualified suppliers
	· Country-specific risks – linked to the supply chain, production, and distribution	· Disruptions in operations	· Diversification of sources of energy, seeking new energy investments
· Risk due to climate change	· Financial loss	· Continuity plans developed for mills	
	· Increased regulatory burden	· Careful monitoring of world affairs of the global business environment	
	· Reputational damage	· Building long-term relationships with qualified suppliers	
	· 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, as well as want to learn from and support our partners. We cooperate with local communities and organisations, as well as industry organisations.

SOME OF OUR PARTNERSHIPS

- The Munkedals 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 the work practice. 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. Each year, Arctic Paper Munkedals also grants a scholarship to the student with the best exam result.
- The paper mill in Kostrzyn cooperates with vocational schools and supports future printing students. School students visit the factory and thus expand their knowledge of paper production technology for printing applications.



- 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. In 2023, Arctic Paper was represented in three committees: energy, environment and products. Arctic Paper has served as chairman of the environmental committee for over a decade.



- 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.



- Dalarna Science Park in Sweden – a non-profit regional organization supporting local enterprises and innovations projects with the mission to promote regional growth and development.
- 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: developing a common position and represent 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. Thus, both individual and entire companies develop fruitful partnerships through informal learning and exchange of experiences.
- Arctic Paper supports local communities. We sponsor activities for sport and cultural events, including: uni-hockey team, 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 the following chapters and historical data are included in tables at the end of the report.

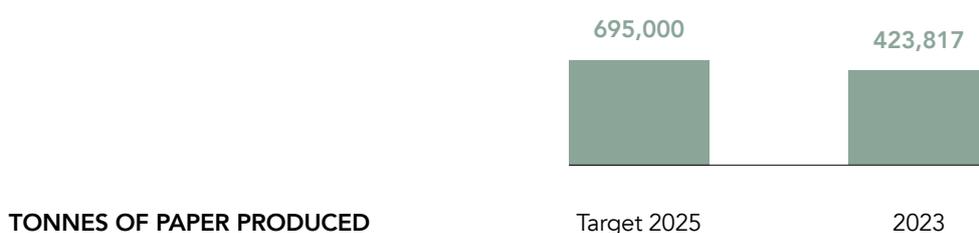
During 2024, Arctic Paper will review and update all KPIs and set a new time perspective for the targets after finishing double materiality assessment process according to the ESRS - European Sustainability Reporting Standards.

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.

2023 turned out to be a difficult year due to high volatility in energy prices and availability. The graphic paper market was subject to equally strong fluctuations, with short order lead times and a large number of changes in the types of paper produced, and consequently scattered production with many starts and stops of paper machines, resulting in lower energy efficiency and higher specific energy consumption.



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

**Biomass and hydropower

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

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 assessment. 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.

In 2023, the number of injuries unfortunately increased. We have implemented safety procedures and expanded cooperation between production units with common experience and knowledge and need to pay more attention to changing the work culture. Injuries occur mainly as a result of human errors. Therefore, it is very important to change behavior and create a culture of a safe workplace and build employee awareness of possible threats at production positions.



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.





SUSTAINABLE SUPPLY CHAIN FOR CLIENT SATISFACTION

Our business operations are based on well-established and trusted relationships with different stakeholders. Therefore, we need to ensure that all our business operations are transparent – from sustainable sourcing, 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. They provide us with raw materials, chemicals, energy, logistics and other services that enable us to serve our customers. Aside from the sustainability of our operations, it is crucial that we consider the approach taken by suppliers. We aim to choose suppliers who can and are willing to assure that they respect our values with regards to People and the Environment. Our suppliers have to follow the Code of conduct in the value chain of Arctic Paper.

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

3.1 RESPONSIBLE SUPPLY CHAIN

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

In our paper mills, we have procedures to help us produce paper with the smallest possible direct impact in terms of pollutants to water, air and land (waste). As the environment has no borders, the impact of our suppliers is of high importance, hence we gather information regarding their environmental performance so that we may make informed purchase decisions based on product specifications and environmental performance.

To ensure that our core suppliers take a responsible approach to their business, they are required to provide us with the environmental declarations in a form of specific written reports documenting their environmental performance with regards to energy consumption, pollutants to air, water and raw materials – in particular wood. Information from these reports helps us to perform a life-cycle analysis for our products. We also ask the core suppliers for information as to whether a code of conduct and a sustainability policy are in place. At the same time, we expect them to take note of our Code of conduct and Sustainability policy. We wish to follow a similar approach towards the rest of our suppliers.

Arctic Paper expects its suppliers to comply with the high standards and values represented by our organisation. Since 2019 we started a procedure by which all our suppliers are required to comply with our Code of conduct either by signing our Code or by the supplier providing us with an equivalent document.

Our Code of conduct in the value chain 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 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 which are compatible with the Arctic Paper values described in our Code of conduct in the value chain, are asked to provide us with a copy of the appropriate documentation. This is equivalent to signing the Arctic Paper Code of conduct.



3.2 ENVIRONMENTAL ASSESSMENT OF SUPPLIERS AND RESPONSIBLE SOURCING

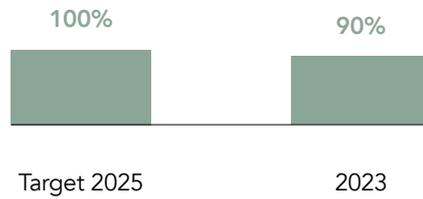
Due to the nature of our business, we devote special attention to our pulp suppliers. We additionally expect them to fulfil the demands of the FSC® and PEFC™ certification, and hence be audited by a third party in relation to forest management.

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

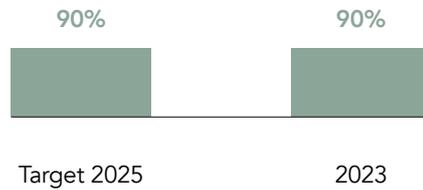
We find it important to verify the statements of our pulp suppliers, which is why products delivered by our suppliers are subject to a three-step verification procedure. First, we ask our suppliers to submit an environmental declaration, safety data sheets (following REACH EU Regulation) and the technical 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 in the value chain of Arctic Paper Group.



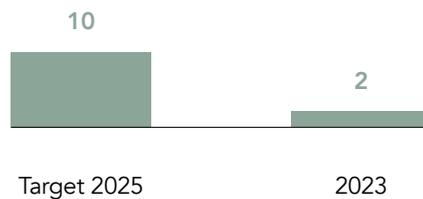
SHARE OF CORE SUPPLIERS PROVIDING EXISTING SIGNED ENVIRONMENTAL DECLARATIONS



SHARE OF CORE SUPPLIERS WHO SIGNED OUR CODE OF CONDUCT OR HAVE THEIR OWN CODE OF CONDUCT



NUMBER OF SUPPLIERS WHO ARE SUBJECT TO AUDITS PERFORMED BY ARCTIC PAPER TO CONFIRM COMPLIANCE WITH THE CODE OF CONDUCT





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 Munkedals and Grycksbo are also sharing their data with Book Chain database.

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 citizen's rights;
 - Wood from high conservation-value forests;
 - Wood harvested in areas being changed from naturally occurring forest into plantations;
 - Wood harvested in an area where genetically modified trees have been planted;
 - Wood harvested in violation of ILO principles (International Labour Conference 1998 – ILO Declaration on Fundamental Principles and Rights at Work)
-

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



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 THE FOLLOWING YEARS IS TO EMPLOY ONLY TRUCKS WITH ENGINE CLASS EURO 5 AND ABOVE.



The large transportation companies that are our main suppliers 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.

Understanding 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 39% of deliveries to our customers have been transported as multimodal transport. We intend to develop intermodal transport share in the future, however high energy prices, accuracy and issues of timely delivery of intermodal scheme are still challenging.

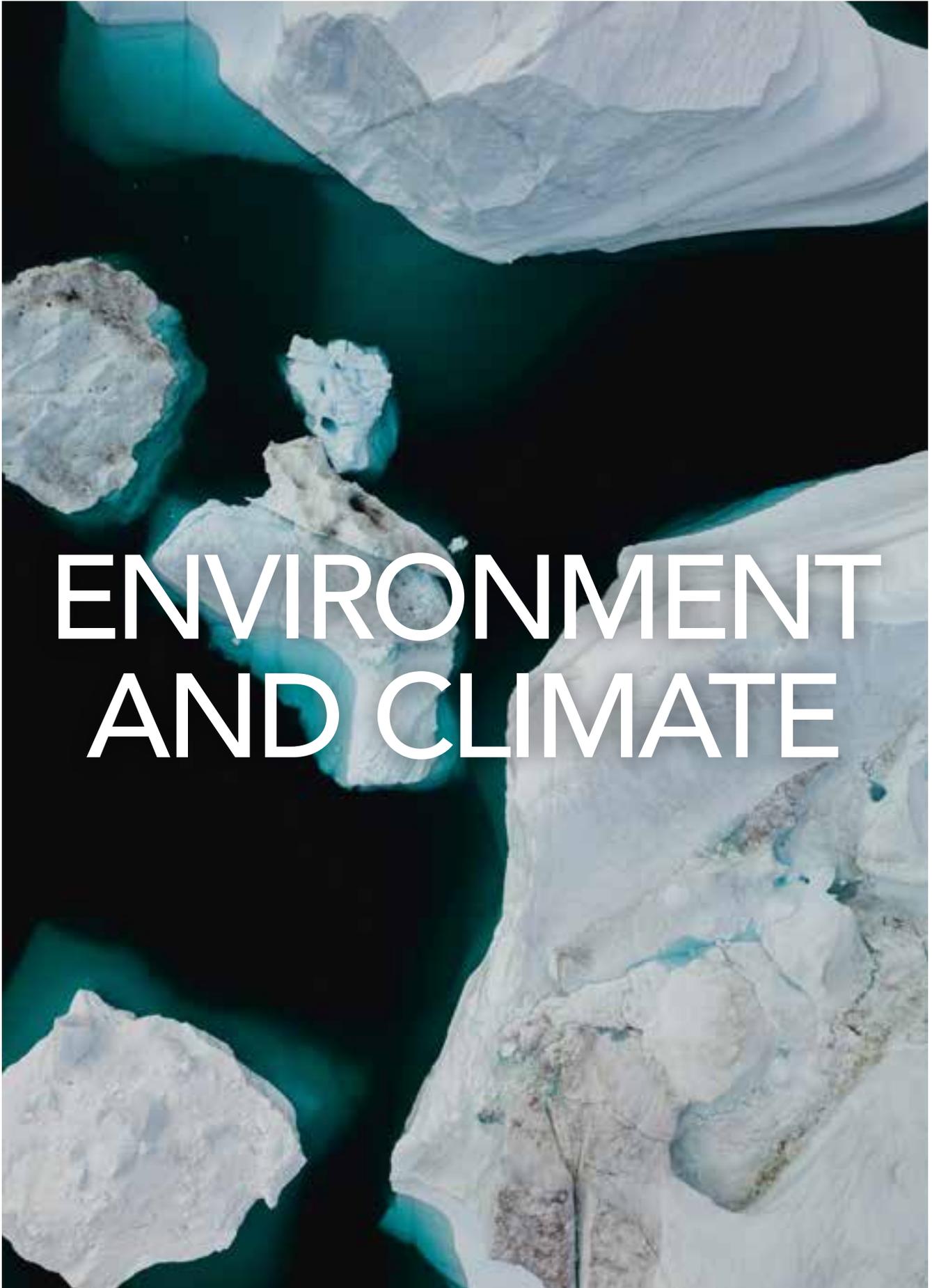
3.4 COMMITMENT TO CLIENT SATISFACTION

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. Our technical teams from three mills work based on common procedures and General Recommendations for handling and accepting complaints. We aim to create, a predictable, consistent, time- and cost-efficient process.



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, POLICIES AND PROCEDURES

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.



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

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

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

Our mills in Grycksbo and Munkedal have certified systems for energy management (ISO 50001). This means that the energy management system at the mills follows a systematic approach aimed at continuously improved energy efficiency. Arctic Paper does not have any forest land, 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 NEPCon materials - a non-profit organisation that supports better land management and business practices that benefit people, nature and the climate. We assess specific risks including unclear ownership structures and risk of bribery.

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

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 as fuel (biomass and natural gas), electricity (from the local power grid) and heat (steam) in form of surplus heat from nearby industries and as primary heat from an external waste

incineration plant. We also produce electricity at our mills using hydropower plants (Arctic Paper Munkedals), 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. As well as continuously evaluate our processes to identify future investments.

Good examples of our efforts to reduce our environmental impact are two vacuum systems projects in Grycksbo and Munkedal:

- In Grycksbo, redeploying the vacuum system enabled the factory to close one of the vacuum pumps on paper machine PM 10, saving approximately 1,000 MWh per year.
- In the case of Munkedals, adjusting the speed of three vacuum pumps resulted in annual savings of 700 MWh, a reduction of approximately 10% of the energy used in the paper machine.

During the year, energy mapping of all Munkedal operations was carried out and a number of potential energy saving projects were identified.

At the same time, the increase in the variety of products offered and the gradual increase in the share of packaging papers with higher strength requirements resulted in higher energy consumption.

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 presented.

At the same time, the expansion of the range of products offered and the gradual increase in the share of packaging papers with higher durability requirements resulted in an increase in energy consumption.

One of the projects completed in 2021 in Kostrzyn was the launch of a solar panel farm with a capacity up to 1 MWp, 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 Munkedals, a smaller solar panel installation with an installed power of 0.1 MW was launched during 2022.

Below can be found 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	2023
Total net specific energy consumption (MWh/tonne paper)	1.9	2.5
Total net energy consumption (GWh/year)	1,320	1,079
Total production of paper (in tonnes)	695,000	423,817



CASE STUDY

New energy solution for Arctic Paper Grycksbo mill

In 2023, Arctic Paper decided to start investing in the construction of an installation for drying biomass and producing pellets. Currently, the factory in Grycksbo can use wood pellets, grid electricity or pitch oil to generate steam necessary for the paper production process. However, the market for these energy sources is increasingly volatile, both in terms of price and availability. We believe that this problem should be solved by focusing on the creation of renewable energy sources, therefore a natural step is to decide to invest in expanding the range of energy sources to include biofuels with high moisture content.

The investment will ensure more sustainable fuel acquisition and will reduce energy costs of approximately SEK 50 million per year. In addition to electricity and steam, the installation will produce approximately 50,000 tons of wood pellets annually.

The main raw materials for the production of wood pellets will be sawdust and wood chips. The raw material will be obtained in Sweden and transported to Grycksbo.

The total estimated cost of the investment will be approximately EUR 28.5 million, and its completion is planned for the first half of 2025.



EMISSIONS

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

Pollutants created during the energy production process leave our mills through chimneys as air pollutants, and biomass ash. Air pollutants, in particular CO₂, accumulate in the atmosphere, contributing to climate change. Emission levels are monitored by 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, which 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 tonnes per year. The upgrade of the venting system at PM1 and PM2, which allows heat recovery, has resulted in a reduction of heat consumption and CO₂ emissions by 1,575 tonnes per year and by 3,725 tonnes per year, respectively.

We also encourage our employees to contribute to the common goal of achieving carbon neutrality. We believe that every small effort or single change to 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 mills in Grycksbo and Munkedal. The employees at the Grycksbo mill utilising bio energy for domestic heating can also benefit from a rebate agreement with a local 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 energy 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	2023
Direct CO ₂ emissions	215	236
Indirect specific CO ₂ emissions from external electricity suppliers ¹	–	44
Indirect specific CO ₂ emissions from our major supplier of raw material ²	60	88
Indirect specific CO ₂ emissions from our transporters ³	35	34
Total indirect specific CO ₂ emissions	115	166
Total specific CO ₂ emissions	–	402
Total CO ₂ emissions (k tonnes / year)	–	171
Total production of paper (in tonnes)	695,000	423,817

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 2022, the steam supply for the Munkedals mill in 2023 was covered to a greater extent by imported heat from waste combustion, replacing steam from the electric boiler. The waste burned consists of approximately 45% fossil materials. This explains the increase in indirect CO₂ emissions.

The below table presents CO₂ contribution from energy sold (heat and electricity) to external consumers.

	2023
Exported energy (GWh/year)	129
Tonne CO ₂ per GWh	227
Tonne CO ₂ per year	29,230

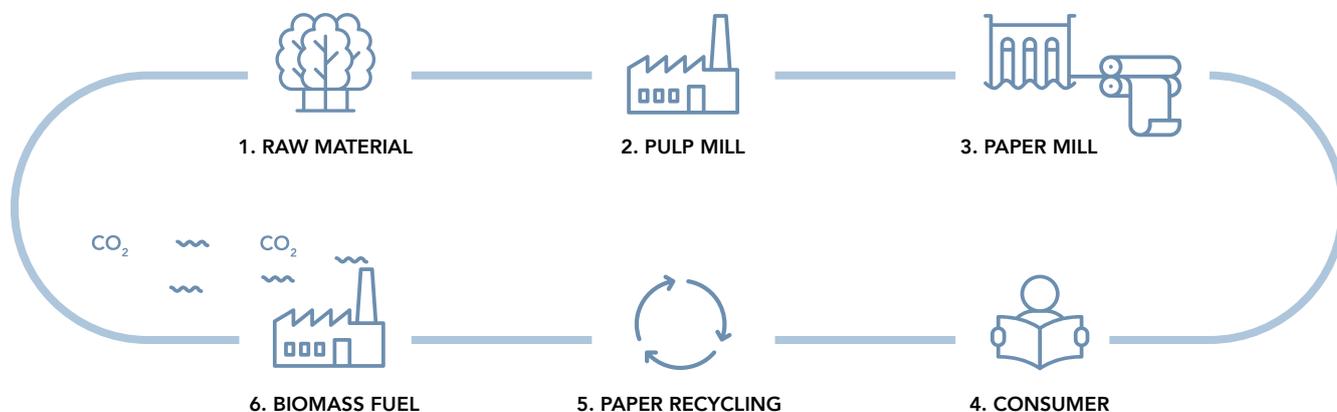
It should be noted that the CO₂ figures from our external sources are based on the most recently available data. In most cases, we used data from 2022 as not all of our external partners were able to provide us with 2023 data at the date of publication of this report.

4.3

SUSTAINABLE CIRCULAR PRODUCTION AND WASTE

Arctic Paper is a part of industry that largely uses wood from sustainably managed forests. We are proud of being part of a sustainable circular production system. This means that resources are used, reused and recycled with little or no waste. In our case, the circular system starts with the 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. Pulpwood 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 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 hazardous 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	2023
Recycling or energy extraction (tonne/year)	6,950	5,191
Recycling or energy extraction (kg/tonne of paper)	10	12.2
Hazardous waste (tonne/year)	139	164.5
Hazardous waste (kg/tonne of paper)	0.2	0.39
Landfill (tonne/year)	139	200.9
Landfill (kg/tonne of paper)	0.2	0.47
Total production of paper (tonnes)	695,000	423,817

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 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 that 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 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 that 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 it with current data. In addition, the harvested fish were used to assess their health and reproductive capacity, and to develop a standardised procedure that could be included as part of future environmental monitoring programmes.

Paper production requires a lot of water. Most of this resource is recycled multiple times at mills installations. Typically the dry content in the head box of the paper machine is around 1%, meaning that for the production of 1 tonne of paper, 99 m³ of water passes the head box. We care about water efficiency at our mills. Each drop of water is recirculated an average of 27 times before it leaves the mill through the wastewater treatment plant.

KEY PERFORMANCE INDICATOR	TARGET 2025	2023
Water consumption (m ³ /year)	4,865,000	4,568,670
Specific water consumption (m ³ /tonne of paper)	7.0	10.8
Emissions of COD to water (tonne per year)	292	198
Specific emissions of COD to water (kg/tonne paper)	0.42	0.47
Total production of paper (in tonnes)	695,000	423,817

Specific water consumption in 2023 slightly increased as compared to 2022. This is due to the difficult market situation with much lower demand than the production capacity of our mills, which resulted in more starts and stops of production machines due to lack of orders, and consequently lower efficiency of water consumption.

4.5 BIODIVERSITY

FISH HABITAT IN MUNKEDAL

In 2021, Munkedals mill launched a project for fish habitat restoration. The project focuses on restoring the river to its original state prior to its adaption for floating timber, by placing large stones back, thereby recreating breeding areas for salmon and trout.

Every summer we have now continued this works (it can only be done when the flow in the river is at low level) and we can now, through test fishing, see that the project has contributed to the increase in the fish population.





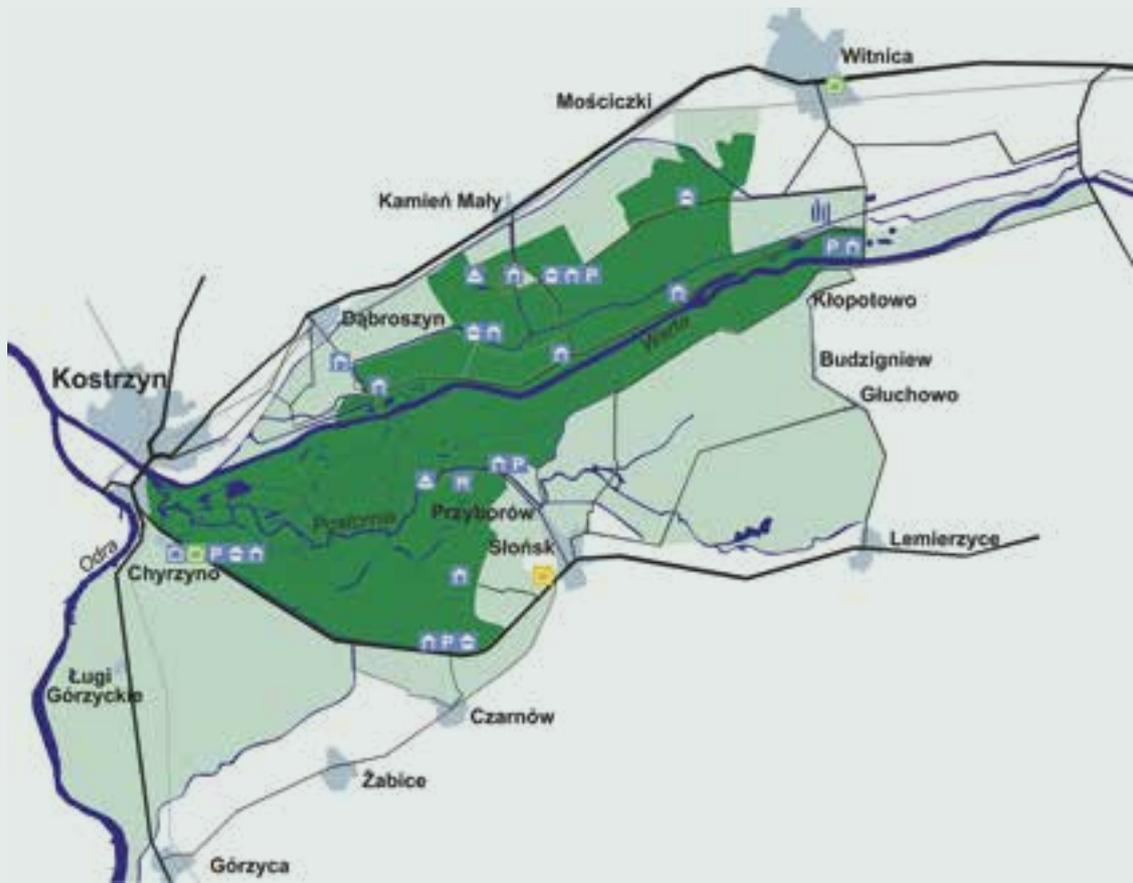
FLOWER MEADOW IN MUNKEDAL

Our new project aims to increase the biodiversity of plants and insects.

On Swedish pastures, there can be as many as 50 different species of plants in one square meter. Over 1,300 species on the The Red List endangered species can be found naturally in the grasslands. When biodiversity is threatened, it also has consequences for us humans. Several endangered species are the so-called pollinators, and we humans are completely dependent on them, including for food production.

The planned flower meadow is a pilot project with an area of 160 m². We will plant various varieties of wild flowers and plants there.

We have carried out preparatory work so that the flowers got well adjusted to the soil. Once the flower meadow grows and flowers bloom, it will be populated by wild and domesticated bees, which play a major role in pollinating plants and fruit trees near the test area. The flower meadow is located on the Munkedals mill site, adjacent to our aerated lagoon (part of our hydroelectric plant), where we have introduced many plants and wildlife (birds, insects, frogs).



Viewpoint in The Warta Mouth National Park

Arctic Paper Kostrzyn has co-financed building a viewpoint in The Warta Mouth National Park. The Warta Mouth National Park was established in 2001 and occupies the area of 8,074 hectares protecting unique in Europe wetland areas located in the lower valley of Warta River. The Warta Mouth National Park was established to protect exceptional flood-land habitats vital for water and marsh birds. In the Park, about 280 bird species have been recorded, including 170 breeding species. The park's significance for maintaining the environment of so many bird species has been confirmed by it being included in the Ramsar convention and Natura 2000 network.





5.1

WORKING AT ARCTIC PAPER – MANAGEMENT APPROACH

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

We consider employees as our most valuable resource. We believe each one should be treated with respect. This is also declared in our Sustainability policy and in our Code of conduct in the value chain. 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 2023

	TOTAL	MEN	WOMEN	AGE<30	AGE 30-50	AGE>50
Blue-collar	799	665	134	159	327	313
White-collar	424	250	174	23	204	197

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.

	2023
Number of permanent unlimited contracts	1,223
Number of temporary contracts	28

EMPLOYEE TURNOVER RATE

KEY PERFORMANCE INDICATOR	TARGET 2025	2023
Turnover	<10%/year	6.6
New Hires	-	81
Resigned	-	60
Retired	-	26

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 EMPLOYEES' 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

- Identify underlying drivers of poor employee wellness and redesigning of work and people processes in order to prevent future problems.
- Offer a flexible work environment – not just flexibility as to when and where individuals get to work, but flexibility in all aspects, helping employees feel autonomy in making decisions about what works best for them.
- Train and provide our managers with clear guidance on what to do, and more importantly, what not to do, in order to effectively support employees' emotional health.

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

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

We sponsor events and different activities in the local community, in which our employees and their families are able to participate.

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 benefit programmes and insurance for employees at mills;
- Funding Christmas vouchers and organising Christmas celebrations with gifts for mill employees' children;
- Offering discounts for vacations in summer cottages in Sweden;
- Supporting our retired employees' organisation by co-financing summer camp and organising regular events.

OUR ACTIONS

- Maintaining fitness centre for employees at Grycksbo mill.
- Supporting local sport clubs and cultural events such as a donation for the development and promotion of wrestling

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.

OUR EMPLOYEES' SATISFACTION

Since 2016, every other year we have measured our employees' satisfaction and set our targets using benchmarks from similar industries in Europe. Over the years we have implemented activities to increase both the number of participants and the engagement capital.

In 2023 a survey was conducted with a new partner and therefore recent results are not comparable with previous years' results.

67% of employees participated in the survey, which is above the industry benchmark of 65%.

Commitment capital was rated 3.9 on a scale from 1 to 5.

We started to measure the employee net promoter score (eNPS).

The employee net promoter score is a metric used to measure employee engagement and loyalty towards a business. The eNPS is directly correlated to the short-medium term intentions of an employee. It is a score that is often measured as part of a wider study looking at employee satisfaction.

The best way to measure your employee NPS is through eNPS surveys with the question "How likely are you to recommend us as a place to work for your family and friends?"

Employee net promoter score can range from -100 to 100, in order to determine the group of ambassadors in our organization and the loyalty of our employees.

Based on the results, three categories of employees are distinguished (from the lowest to the highest):

- **Promoters** – employees who are extremely committed to their organization and enthusiastically share positive opinions about their workplace. People who commits to their work and enjoy their role. Promoters actively support the company by providing positive recommendations.
- **Neutral** – a group of employed people who do not demonstrate a high degree of commitment to work and loyalty to the employer. It is assumed that they are generally satisfied with their work, but they are distinguished by a low tendency to express either positive or negative opinions about their employer among friends and family. People who are passive towards the employer's brand also have a high risk of changing it if such an opportunity arises.

- **Critics** – a group of employees who are characterized by a low level of satisfaction and commitment to work. Not only will critics not recommend the company, but they may also negatively influence its development by spreading unfavorable opinions.

The Arctic Paper's employee loyalty score is 14. A score in the range of 0-20 is considered a good score because it indicates that the majority of employees in our organization are promoters and have a positive opinion of the company.

The next survey of the level of loyalty of Arctic Paper employees will be conducted in 2025.

KEY PERFORMANCE INDICATOR	TARGET 2025	2023
Employee survey response rate	65%	67%
Overall engagement capital	>4	3,9

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 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 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	2023
Percentage of employees interviewed	100%	76%

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 in the value chain of Arctic Paper Group.

- 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 to 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 offer our employees decent working conditions and care about their wellbeing.

- 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 values and ethical principles, and can seriously affect our organisation or a person's life or health. In 2023, 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 ANNUAL BUDGETS FOR SPONSORSHIPS AND CHARITY ACTIVITIES IN 2023:

AP Grycksbo
SEK 200,000

AP Kostrzyn
PLN 309,000

AP Munkedals
SEK 1.3 million (including sponsorship to the school, without school support
abt. SEK 300,000)

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 members 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.

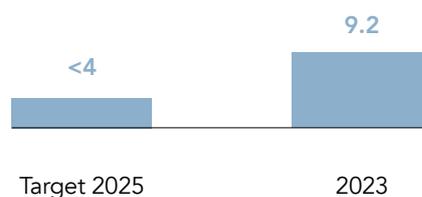
A significant risk factor is human errors, hence the focus within work safety is becoming more and more oriented towards creating a safety culture based on the basic idea of “think first, then do”.

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 about the number of injuries, and thus we will increase our focus on behavioural safety and on preventive activities in order to further develop our safety culture.

KEY PERFORMANCE INDICATOR

**NUMBER OF LOST TIME INJURIES (LTIR)
PER MILLION WORKING HOURS**



5.5 DIVERSITY, EQUITY AND INCLUSION

Management approach and initiatives

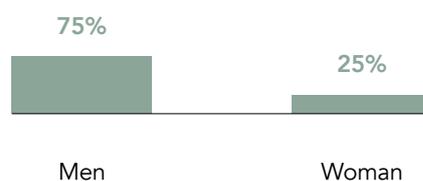
Arctic Paper Group promotes a culture of openness, and we see diversity as a strength that helps the organisation grow. It is a source of new ideas and innovation. The key principle for us is respect for diversity. There is no place in organization for discrimination against anyone because of gender, 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 a Diversity policy that is applicable to all employees of Arctic Paper, regardless of the position they hold.

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;
- that 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 on 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 2023



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, Chief Financial Officer and President of Sales & Marketing.

Candidates are evaluated in accordance with the principles of independence, 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.

	2023
Total count of Management Board	3
% of women on the Management Board	33.3
% of men on the Management Board	66.6
THE SUPERVISORY BOARD OF ARCTIC PAPER SA CONSISTS OF FIVE MEMBERS	2023
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, protect private investors and helps companies 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 June 22, 2020, and entered into force on July 12, 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 where 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 this 2023 Sustainability Report, Arctic Paper Group discloses the percentage of turnover, capital expenditure and operating expenditure eligible for the EU Taxonomy as well as 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.



6.1

TAXONOMY COMPLIANCE ASSESSMENT PROCESS

We have divided the assessment process in 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, as amended by Annex V of Commission Delegated Regulation (EU) 2023/2486.

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, as well as to 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, Commission Delegated Regulations (EU) 2023/2485 and 2023/2486.

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. 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 EU 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 Arctic Paper Group, non-compliance with the above-mentioned premises has been tested in the following way:

1. As a result of the internal analysis, it was determined that Arctic Paper Group has a due diligence process in place and in operation.
 - The Arctic Paper Group has a system for reporting irregularities
 - Whistleblowing;
 - Mandatory training for all employees on counteracting corruption and anti-competitive practices is conducted;
 - Arctic Paper Group implements a system for assessing the sustainable development of suppliers;
 - The Code of conduct in the Arctic Paper Group value chain, the Sustainable Development policy and the Diversity policy were implemented.
-
2. 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.
-
3. 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/>
-
4. 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 Arctic Paper Group in 2023, 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 eligible for the EU Taxonomy.

IN PLN THOUS	DECEMBER 31, 2023
Revenue from eligible activities	85,457
Consolidated revenue	3,549,153
Turnover KPI for eligible activities	2.41%

The proportion of turnover associated with eligible activities is 2.41%.

In 2023, Arctic Paper Group obtained key revenues eligible for the taxonomy from services provided by Rottneros in the field of forest management and transmission and distribution of electricity in Kostrzyn mill.

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.

IN PLN THOUS	DECEMBER 31, 2023
Capital expenditure associated with eligible activities	53,153
Total capital expenditure	200,173
CapEx KPI for eligible activities	26.55%

The proportion of capital expenditure associated with eligible activities is 26.55 %.

In 2023, Arctic Paper Group's key investment eligible for the EU Taxonomy were related to the installation of a photovoltaic farm in Kostrzyn, as well as renovation of existing buildings in Kostrzyn mill (including replacement of the chemical-resistant floor in the production hall) and in Grycksbo.

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 a proper condition. They include such costs as: personnel costs of persons responsible for maintenance and repairs, costs related to repairs and renovations of devices / installations. The part of the OpEx which relates to the activities qualifying for the EU Taxonomy is assigned to the numerator.

IN PLN THOUS	DECEMBER 31, 2023
Operating expenditure associated with eligible activities	49,494
Total operating expenditure	164,298
OpEx KPI for eligible activities	30.12%

The proportion of operating expenditures associated with eligible activities is 30.12%.

Arctic Paper Group's crucial eligible operating expenditures in 2023 include costs related to renewal of water collection, treatment and supply systems in paper mills and cogeneration of heat and power from bioenergy in Rottneros.

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.

No activity of Arctic Paper Group has been recognised as eligible economic activity contributing to the environmental objectives covering sustainable use and protection of water and marine resources and pollution prevention and control.

1. Proportion of turnover from products or services associated with EU 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.

In 2023 Arctic Paper Group identified 4 business areas, the revenues from which are aligned with EU Taxonomy.

IN PLN THOUS	DECEMBER 31, 2023
Revenue from aligned activities	15,171
Consolidated revenue	3,549,153
Turnover KPI for eligible activities	0.43%

0.43% of total consolidated turnover is of environmentally sustainable activities, Taxonomy aligned. A small percentage of activities aligned with Taxonomy is primarily due to the small share of eligible activities.

0.43% of the total revenue comes from environmentally sustainable activities, aligned with EU Taxonomy in terms of the first and second environmental objectives, i.e. climate change mitigation and adaptation to climate change, which mainly consists of turnover from the activities of:

- 1.3 - forest management and management of forested areas by Rottneros, which are partially certified (PEFC, FSC), hence the revenues of this activity are partially shown as aligned with EU Taxonomy and as eligible for EU Taxonomy, but not aligned;
- 4.5 - production of electricity from hydropower at the Munkedals hydro-power plant.

TABLE LEGEND

The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

CCM – Climate Change Mitigation
CCA – Climate Change Adaptation
WTR – Water and Marine Resources
CE – Circular Economy
PPC – Pollution Prevention and Control
BIO – Biodiversity and ecosystems

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective

N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

Non-financial undertakings shall also report the extent of eligibility and alignment per environmental objective, that includes alignment with each of environmental objectives for activities contributing substantially to several objectives:

EL – Taxonomy-eligible activity for the relevant objective

N/EL – Taxonomy-non-eligible activity for the relevant objective

	Proportion of turnover/Total turnover	
	Taxonomy aligned per objective	Taxonomy eligible per objective
CCM	0,25%	1,98%
CCA	0,17%	0,00%
WTR	0,00%	0,00%
CE	0,00%	0,00%
PPC	0,00%	0,00%
BIO	0,00%	0,00%

Economic activities (1)	Substantial contribution criteria					DNSH criteria (Does Not Significantly Harm)						Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)		
	Code(s) (2)	Absolute turnover (3) PLN thous	Proportion of turnover (4) %	Climate change mitigation (5) Y: N; N/ EL	Climate change adaptation (6) Y: N; N/EL	Water (7) Y: N; N/EL	Pollution (8) Y: N; N/EL	Circular economy (9) Y: N; N/EL	Biodiversity (10) Y: N; N/EL	Climate change mitigation (1) Y/N	Climate change adaptation (12) Y/N				Water and marine resources (13) Y/N	Pollution (14) Y/N
A. Taxonomy-eligible activities																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
Forest management	CCM 1.3	8 988	0,25%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	0,00%
Electricity generation using solar photovoltaic technology	CCA 4.1	11	0,0003%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	0,004%
Electricity generation from hydropower	CCA 4.5	6 169	0,17%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	0,10%
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	4	0,0001%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	0,005%
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		15 171	0,43%	0,25%	0,17%	0,00%	0,00%	0,00%	0,00%							0,11%
Of which enabling		4	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%							0,005%
Of which transitional		0	0,00%	0,00%												
A.2 Taxonomy-Eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities)																
Forest management	CCM 1.3	60 153	1,69%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	1,44%
Transmission and distribution of electricity	CCM 4.9	10 033	0,28%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	EL	EL	EL	EL	EL	EL	0,17%
Renewal of water collection, treatment and supply systems	CCM 5.2	46	0,001%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	EL	EL	EL	EL	EL	EL	0,001%
Renewal of waste water collection and treatment	CCM 5.4	54	0,002%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	EL	EL	EL	EL	EL	EL	0,001%
Turnover of Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities) (a.2)		70 286	1,98%	1,98%	0,00%	0,00%	0,00%	0,00%	0,00%							1,61%
Turnover of taxonomy-eligible activities (A.1 + A.2)		85 457	2,41%	2,23%	0,17%	0,00%	0,00%	0,00%	0,00%							1,72%
B. Taxonomy-non-eligible activities																
Turnover of taxonomy-non-eligible activities (B)		3 463 696	97,6%													
Total (A+B)		3 549 153	100,0%													

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

Capital expenditure (CapEx) qualifying for the taxonomy are related to the implementation of future investment projects resulting from the adopted strategy of the Arctic Paper Group.

IN PLN THOUS	DECEMBER 31, 2023
Capital expenditure associated with aligned activities	39,619
Total capital expenditure	200,173
CapEx KPI for aligned activities	19.79%

The KPI of CapEx associated with aligned activities is 19,79%.

Capital expenditure incurred in accordance with the EU Taxonomy was identified in the course of work as contributing to the implementation of the first, second and sixth environmental objectives, i.e. climate change mitigation, climate change adaptation and biodiversity and ecosystems, which mainly consist of capital expenditures related to activities:

- 4.1 - expenditure on the construction of photovoltaic installations in paper mills and Rottneros mill; and
- 7.2 - renovation of existing buildings to improve energy efficiency in Kostrzyn and Grycksbo mills.

Detailed plans and time perspective of incurring capital expenditures were presented in the Arctic Paper 4P Strategy published on October 4th, 2021.

INCREASES IN TERMS OF	VALUE '000 PLN	NOTE
Tangible fixed assets without assets without the right of use	203,172	16.1
Right-of-use assets	9,607	16.2
Intangible assets	16,100	19
Investment properties	-	-
	228,879	-

TABLE LEGEND

The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

CCM – Climate Change Mitigation
CCA – Climate Change Adaptation
WTR – Water and Marine Resources
CE – Circular Economy
PPC – Pollution Prevention and Control
BIO – Biodiversity and ecosystems

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective

N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

Non-financial undertakings shall also report the extent of eligibility and alignment per environmental objective, that includes alignment with each of environmental objectives for activities contributing substantially to several objectives:

EL – Taxonomy-eligible activity for the relevant objective
N/EL – Taxonomy-non-eligible activity for the relevant objective

	Proportion of CapEx/Total CapEx	
	Taxonomy aligned per objective	Taxonomy eligible per objective
CCM	19,66%	6,76%
CCA	0,04%	0,00%
WTR	0,00%	0,00%
CE	0,00%	0,00%
PPC	0,00%	0,00%
BIO	0,09%	0,00%

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

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

IN PLN THOUS	DECEMBER 31, 2023
Operating expenditure associated with aligned activities	26,798
Total operating expenditure	164,298
OpEx KPI for aligned activities	16.31%

The KPI of OpEx associated with aligned activities is 16.31%.

Operating expenditure incurred in accordance with the EU Taxonomy was identified in the course of work as contributing to the implementation of the first, second and fifth environmental objectives, i.e. climate change mitigation, climate change adaptation and circular economy, which mainly consist of operating expenditures related to activities:

- 4.20 - Cogeneration of heat and power from bioenergy from biomass in pulp mill in Vallvik; and
- 14.2 - Flood risk prevention and protection infrastructure related to the maintenance of the Munkedals dam.

TABLE LEGEND

The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.:

CCM – Climate Change Mitigation
CCA – Climate Change Adaptation
WTR – Water and Marine Resources
CE – Circular Economy
PPC – Pollution Prevention and Control
BIO – Biodiversity and ecosystems

Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective

N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective

N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective.

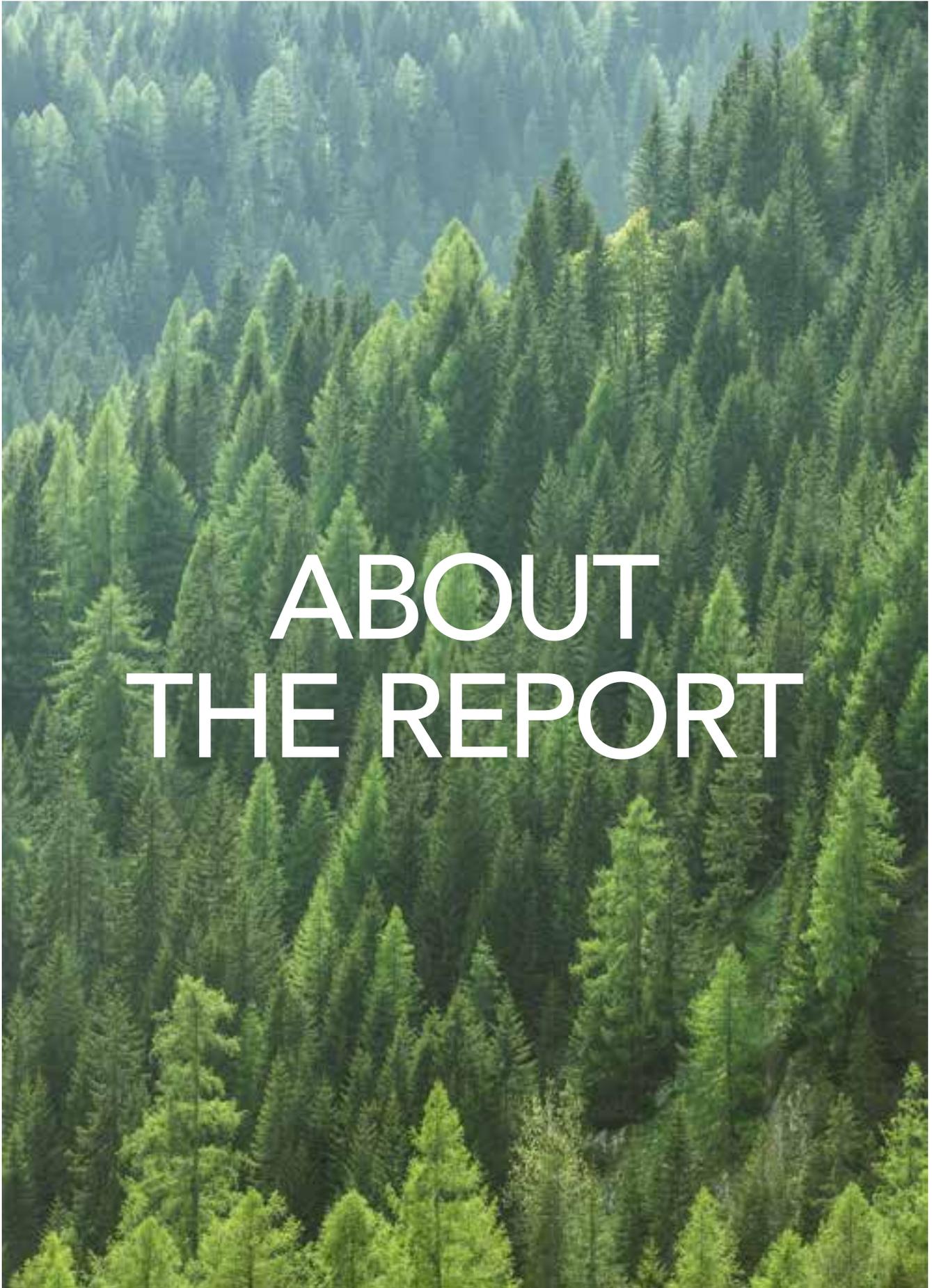
Non-financial undertakings shall also report the extent of eligibility and alignment per environmental objective, that includes alignment with each of environmental objectives for activities contributing substantially to several objectives:

EL – Taxonomy-eligible activity for the relevant objective

N/EL – Taxonomy-non-eligible activity for the relevant objective

	Proportion of OpEx/Total OpEx	
	Taxonomy aligned per objective	Taxonomy eligible per objective
CCM	12,94%	13,81%
CCA	3,33%	0,00%
WTR	0,00%	0,00%
CE	0,04%	0,00%
PPC	0,00%	0,00%
BIO	0,00%	0,00%

Economic activities (1)	Codes (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)						Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OpEx, 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)			
				Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)				Minimum safeguards (17)		
		thsz	%	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	Y; N; N/ EL	%	E	T	
A. Taxonomy eligible activities																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Forest management	CCM 1.3	683	0,42%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,00%			
Treatment of hazardous waste	CE 2.4	68	0,04%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,00%			
Electricity generation using solar photovoltaic technology	CCA 4.1	5	0,003%	N	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,01%			
Electricity generation from hydropower	CCA 4.5	586	0,36%	N	Y	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,12%			
Storage of thermal energy	CCM 4.11	31	0,02%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,00%			
Installation and operation of electric heat pumps	CCM 4.16	10	0,01%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,003%			
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	13 589	8,27%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	10,15%			
Production of heat/cool from bioenergy	CCM 4.24	83	0,05%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,35%			
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	48	0,03%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,05%			
Renewal of water collection, treatment and supply systems	CCM 5.2	2 442	1,49%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,00%			
Construction, extension and operation of waste water collection and treatment	CCM 5.3	1 027	0,63%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,09%			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	1 180	0,72%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	2,31%			
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	741	0,45%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,00%			
Infrastructure for rail transport	CCM 6.14	1 040	0,63%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,00%			
Renovation of existing buildings	CCM 7.2	385	0,23%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,00%			
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	3	0,002%	Y	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,03%	E		
Flood risk prevention and protection infrastructure	CCA 14.2	4 878	2,97%	N	T	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	0,00%			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		26 798	16,31%	12,94%	3,33%	0,00%	0,00%	0,00%	0,04%	0,00%	0,00%	0,00%	0,00%					13,11%			
Of which enabling		3	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%					0,002%	E		
Of which transitional		0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%								
A.2 Taxonomy-Eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Forest management	CCM 1.3	4 571	2,78%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL						2,67%		
Transmission and distribution of electricity	CCM 4.9	550	0,33%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL						0,00%		
Renewal of water collection, treatment and supply systems	CCM 5.2	8 572	5,22%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL						4,87%		
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.4	4 126	2,51%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL						1,98%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	83	0,05%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL						0,00%		
Data processing, hosting and related activities	CCM 8.1	4 794	2,92%	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL						2,02%		
OpEx of Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		22 695	13,81%	13,81%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%					11,54%			
OpEx of taxonomy-eligible activities (A.1 + A.2)		49 494	30,12%	26,75%	3,33%	0,00%	0,00%	0,00%	0,04%	0,00%	0,00%	0,00%	0,00%					24,65%			
B. Taxonomy-non-eligible activities																					
OpEx of Taxonomy-non-eligible activities (B)		114 804	69,9%																		
Total (A+B)		164 298	100,0%																		



7.1

REPORTING PERIOD: THE CALENDAR YEAR 2023

REPORT PUBLISHED ON APRIL 4, 2024.

Sustainability Report 2023 is the seventh report presenting the impact of our organization on environmental, social and economic issues and describing our management practices. The report covers the period from 01/01/2023 to 31/12/2023, unless otherwise stated in the content of the report. We publish reports on an annual basis.

We published previous Sustainability Report for year 2022 on March 28th, 2023.

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 SA
ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą
ir@arcticpaper.com

7.3

ESG FACTSHEET

PAPER PRODUCTION	2023	2022	2021	2020	2019
Production (tonne/year)	423,817	626,472	636,613	587,364	601,564

ENERGY	2023	2022	2021	2020	2019
Electricity from grid (GWh/year)	219.3	317.10	329.3	391.0	230.8
Electricity from internal sources: hydro-power, windpower, solar power (GWh/year)	25.2	18.8	20.6	0.3	3.4
Natural gas (GWh/year)	621.3	844.3	722.4	752.1	862.6
Bio fuels (GWh/year)	114.6	198.6	207.8	91.4	216.0
Purchased thermal energy (GWh/year)	213.4	212.2	241.3	193.9	186.5
Sold thermal energy (GWh/year)	43.4	46.8	53.1	46.7	44.7
Sold electricity (GWh/year)	85.5	77.2	49.6	71.1	71.4
Total net energy consumption (GWh/year)	1,079.4	1,393.5	1,419.7	1,311.6	1,380.1
Net energy from renewable internal sources (GWh/year)	140	217	228	91	219
Total net energy consumption (MWh/tonne paper) – energy sold to external partners not included	2.5	2.3	2.2	2.2	2.3
Of which from internal energy production based on renewable sources – biomass and hydropower (MWh/tonne)	0.33	0.35	0.36	0.16	0.36
Net energy consumption for total energy export (thermal and electric energy) (GWh/year)	143	124	103	118	109

EMISSIONS TO WATER AND AIR	2023	2022	2021	2020	2019
Fossile CO ₂ (tonne/year) from our own steam and electricity production	129,085	160,962	149,941	156,605	178,803
Fossile CO ₂ (tonne/year) from our own steam and electricity production, dedicated for paper production	99,863	132,844	126,556	129,796	152,354
Direct CO ₂ emissions kg/tonne – SCOPE 1	236	212	199	221	253
CO ₂ emissions from energy sold (heat and electricity) to external consumers (tonne CO ₂ /year)	29,230	28,118	23,385	26,809	24,948
CO ₂ emissions from energy sold (heat and electricity) (tonne/GWh)	227	228	228	228	228
Fossile CO ₂ (tonne/year) from purchased electricity	67	3,014	7,067	6,005	5,218
CO ₂ emission factors for electricity from grid (kg CO ₂ /MWh) (Sweden /Poland)	0/666*	9.0/750	8.8/709.8	8.0/719	13.3/773
Indirect CO ₂ – emissions from purchased heat (tonne per year) (SCOPE 2)	18,785	–	–	–	–
Indirect CO ₂ emissions from all external energy suppliers (electricity and heat) – SCOPE 2	18,852	–	–	–	–
Indirect specific CO ₂ emissions from external energy suppliers – SCOPE 2 (kg/tonne)	44	5	11	10	9
Indirect CO ₂ emissions emanating from our major supplier of raw material (tonne/year)	37,356	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)	88	85	78	73	73
Indirect CO ₂ emissions emanating from our transporters (tonne/year)	14,321	21,050	20,941	20,861	21,894
Indirect specific CO ₂ emissions emanating from our transporters (kg/tonne of paper) SCOPE 3	33.8	33.6	32.9	35	36
WATER	2023	2022	2021	2020	2019
Water consumption m ³ /year	4,568,670	5,233,104	5,218,369	5,023,811	4,997,543
Specific water consumption (m ³ /tonne of paper)	10.8	8.4	8.2	8.6	8.3
Emissions of COD to water (tonne/year)	198	280	308	283	276
Specific emissions of COD to water (kg/tonne of paper)	0.47	0.45	0.48	0.48	0.46

* Only fossile free electricity purchased in Sweden

WASTE	2023	2022	2021	2020	2019
Recycling or energy extraction (tonne/year)	5,191	3,184	5,697	6,663	5,851
Recycling or energy extraction (kg/tonne of paper)	12.2	5.1	8.9	11.3	9.7
Hazardous waste (tonne/year)	164.5	191	85.5	269.7	117
Hazardous waste (Specific) (kg/tonne of paper)	0.39	0.30	0.13	0.46	0.20
Landfill (tonne/year)	200.9	114	156	113.4	149.6
Landfill (specific) (kg/tonne of paper)	0.47	0.18	0.25	0.19	0.25
SUPPLIERS	2023	2022	2021	2020	2019
Share(%) of core suppliers providing existing signed environmental declaration	90	90	90	83	98
Share(%) of core suppliers who signed the Code of conduct	90	90	90	83	85
Numbers of suppliers who are subject to audits performed by Arctic Paper to confirm compliance with the Code of conduct	2	2	1	3	4
Share(%) of pulp suppliers who are PEFC and/or FSC certified	100	100	100	100	100
MATERIALS USED BY WEIGHT OR VOLUME	2023	2022	2021	2020	2019
Raw material for paper manufacturing from external supplier (tonnes per year)*	406,181	585,663	n/a	n/a	n/a
Renewable raw material for paper manufacturing from external supplier (tonnes per year)*	279,731	407,058	n/a	n/a	n/a
Non-renewable raw material for paper manufacturing from external supplier (tonnes per year)*	126,450	180,593	n/a	n/a	n/a
Renewable fraction of raw material for paper manufacturing (%)*	68.9	69.5	n/a	n/a	n/a
Non-renewable fraction of raw material for paper manufacturing (%)*	31.1	30.5	n/a	n/a	n/a
Total consumption of packaging material (tonnes per year)	18,312	15,263	n/a	n/a	n/a
Total consumption of renewable packaging material (tonnes per year)	16,761	13,719	n/a	n/a	n/a
Total consumption of non renewable packaging material (tonnes per year)	1,551	1,544	n/a	n/a	n/a
Renewable fraction of packaging material (%)	91.5	89.9	n/a	n/a	n/a
Non-renewable fraction of packaging material (%)	8.5	10.1	n/a	n/a	n/a

*Value covering more than 97% of used raw materials

TRANSPORTATION	2023	2022	2021	2020	2019
Share of Euro 3 engines class (%)	0	0	0	0	1
Share of Euro 4 engines class (%)	0	0	0	1	3
Share of Euro 5 engines class (%)	13	22	34	44	47
Share of Euro 6 engines class (%)	87	78	66	55	49
Indirect CO ₂ emissions emanating from our transporters (ton per year)	14,321	21,050	20,941	20,861	21,894
Specific indirect CO ₂ emissions emanating from our transporters (kg/ton)	34	34	33	35	36
CUSTOMER SATISFACTION	2023	2022	2021	2020	2019
Value of complaint as % of sales revenues	0.41	0.24	0.36	0.48	0.47
Sales revenues PLN M	2,460	3,580	2,431	2,016	2,309
HUMAN RESOURCES	2023	2022	2021	2020	2019
Worked Hours	1,947,506	1,896,657	1,770,249	1,755,076	1,835,225
Number of Lost time injuries	18	15	20	12	16
Lost time injuries per million worked hours	9.2	7.9	11.3	6.3	7.8
Total number of white collar employees	424	411	401	407	413
Total number of blue collar employees	799	790	764	774	770
Total number of white collar men employees	250	249	242	246	247
Total number of white collar women employees	174	162	159	161	166
Total number of blue collar men employees	665	660	639	655	652
Total number of blue collar women employees	134	130	125	119	118
Numbers of employees who participated in business ethics training during the year	81	98	381	32	20
Average hours of training during the year	44	41	n/a	n/a	n/a
Employee survey response rate (absolute)	816	n/a	745	n/a	855
Employee survey response rate (%)	67	n/a	65	n/a	74
Overall engagement capital	3.9*	n/a	51%	n/a	46%

*change in reporting value due to change of engagement study methodology

EMPLOYEE TURNOVER RATE	2023	2022	2021
Turnover	6.6	6.7	5.8
New Hires	81	98	53
Resigned	60	58	37
Retired	26	27	31

EMPLOYMENT STRUCTURE		TOTAL	MEN	WOMEN	AGE<30	AGE 30-50	AGE>50
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	413	246	161	16	212	179
2021	Blue-collar	764	640	125	128	320	317
	White-collar	401	242	159	19	204	179
2022	Blue-collar	790	660	130	149	326	315
	White-collar	411	249	162	17	209	185
2023	Blue-collar	799	665	134	159	327	313
	White-collar	424	250	174	23	204	197

	2023	2022	2021	2020	2019
Number of permanent unlimited contracts	1,223	1,201	1,166	1,181	1,183
Number of temporary contracts	28	30	35	1.17	31
Percentage of total employees covered by collective bargaining agreements	96	93	n/a	n/a	n/a
Total number of employees that took parental leave during reporting period	117	113	n/a	n/a	n/a

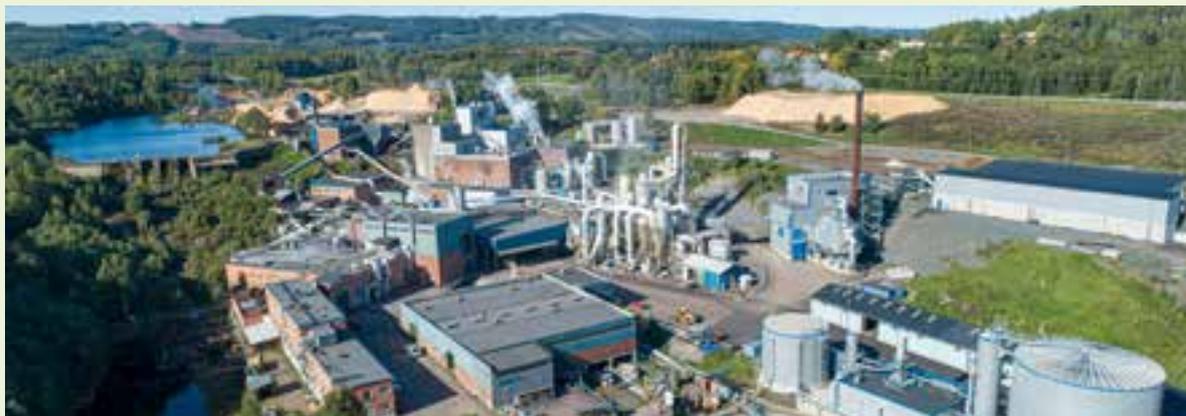
NUMBER OF EMPLOYEES BY REGION	2023	2022
Poland	498	484
Sweden	681	650
Others	44	67
Total	1,223	1,201

	2023	2022	2021	2020	2019
Total count of Management Board	3	2	2	2	2
% of Women on the Management Board	33	0	0	0	0
% of Men on the Management Board	66	100	100	100	100

	2023	2022	2021	2020	2019
Total count of Supervisory Board	5	5	5	5	5
% of Women on the Supervisory Board	40	40	40	20	0
% of Men on the Supervisory Board	60	60	60	80	100

LEGAL AND REGULATORY COMPLIANCE		BUSINESS-RELATED*	NON-BUSINESS-RELATED*
2023	Fine bigger than PLN 2M	0	0
	Fine smaller than PLN 2M	0	0
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





7.4

ESG FACT SHEET

– ROTTNEROS GROUP



The Rottneros Group is one of the world's leading suppliers of top-class pulp to selected niche markets.

The Rottneros Group also develops and produces sustainable packaging solutions.

The Rottneros Group consists of:

- Rottneros mill and Vallvik mill – two pulp production plants;
- Rottneros Packaging AB – a factory producing molded fiber packaging;
- Nykvist Skogs AB and SIA Rottneros Baltic – which supply the raw material.

In 2023, Arctic Paper SA and Rottneros AB concluded an agreement to establish a joint-venture company under the name Kostrzyn Packaging Sp. z o.o. The subject of the company's activity is the production of packaging made of molded cellulose fiber as well as development research and technical analysis of manufactured products.

The Rottneros Group is listed on the Nasdaq stock exchange in Stockholm and employs approximately 290 employees.

The corporate governance of the Rottneros Group is based on the Swedish Companies Act, the regulatory framework of the Swedish Stock Exchange, the Swedish Annual Financial Report Act and the Swedish Corporate Governance Code.

Main facts about the Rottneros Group:

- offers a very wide range of different types of fibers from two pulp mills in Sweden with a production capacity of 225-250 kt per year - Vallvik, and 120 kt per year - Rottneros;
- The Vallvik plant produces long-fiber chemical sulphate pulp and is a leading supplier of cellulose E, which is used as an insulating material in electrical applications;
- The Rottneros plant focuses on the development and production of high yield bleached mechanical pulp (CTMP);
- is the world's leading supplier of cellulose for the production of air and liquid filters;
- all wood used in the Rottneros Group is traceable and all pulps are available with PEFC or FSC® certification;
- all Rottneros cellulose pulp is certified for the production of paper and cardboard intended for contact with food and marked with Nordic Swan and EU Ecolabel;
- food trays manufactured by Rottneros Packaging are certified for food contact and are available with the FSC® certificate;

The main ESG goals of the Rottneros Group:

ENVIRONMENTAL GOALS:

- production without the use of fossil fuels within GHG Scopes 1 and 2 by 2030 - Carbon dioxide emissions in 2023 from fossil fuels within GHG Scope 1 are reduced to 8,979 tons (including emissions from internal transport and company cars), compared to 9,982 tons in 2022. Scope 2 GHG emissions are reduced to 98,809 tonnes from 114,383 tonnes in 2022;
- reduction of COD level (chemical oxygen demand) – from 15.8 kg/tonne of cellulose in 2022 to 4.9 kg/tonne of cellulose in 2023;
- 100% share of FSC® or PEFC certified wood material - the result for 2023 was 68%. The access to certified raw material was not enough to achieve the ambition. All purchased wood fulfils the requirements according to FSC® controlled wood.

SOCIAL GOALS:

- 30% share of women in the number of employees by 2025 - in 2023 the share of women was 18%;
- 10.2 LTIFR – the number of accidents with sickness absence in 2023 increased to 10.2 LTIFR (number of accidents with sickness absence per million hours worked) compared to 7.4 LTIFR in 2022. The goal is to reduce the LTIFR rate every year .

	2023	2022	2021	2020	2019
Production (tonnes per year)	351,657	397,112	395,286	412,600	393,600
Electricity from grid (GWh/year)	130	118	134	146	138
Electricity from internal sources: hydro-power, windpower, solar power (GWh/year)	74	69	78	83	79
Fossil fuels (GWh/year)	28	39	51	53	68
Bio fuels (GWh/year)	1,716	1,705	1,714	1,771	1,754
Fossile CO ₂ (tonne/year), from own steam and electricity production	7,220	8,982	11,606	12,903	18,712
Direct CO ₂ emissions kg/tonne – SCOPE 1	21	23	29	31	46
Fossile CO ₂ (tonne/year), from purchased electricity	98,809	114,383	107,687	100,504	75,505
CO ₂ emission factors for electricity from grid (kg CO ₂ /MWh) (residual calculation)	468	372	365	338	251
Indirect specific CO ₂ emissions from external electricity suppliers kg/tonne – SCOPE 2	281	288	272	244	186

	2023	2022	2021	2020	2019
Emissions of COD to water (tonne/year)	5,238	6,270	5,990	6,992	7,124
Specific emissions of COD to water (kg/tonne of pulp)	15	16	15	17	18



	2023	2022
Worked Hours	476,513	514,418
Number of Lost time injuries	5	4
Lost time injuries per million worked hours	10.2	7.4
Total number of white collar employees	107	104
Total number of blue collar employees	186	204
Total number of white collar men employees	75	72
Total number of white collar women employees	32	32
Total number of blue collar men employees	164	180
Total number of blue collar women employees	22	24
Employee survey response rate (absolute)	237 of 307	na
Employee survey response rate (%)	77	na

	2023	2022
Employee Total Turnover	17%	18%
New hires	14%	8%
Resigned	11%	6%
Retired	8%	11%

	2023	2022
% of Women on the Group Management	25	25
% of Men on the Group Management	75	75

	2023	2022
% of Women on the Board of Directors	33	33
% of Men on the Board of Directors	67	67



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	01.01.2023 – 31.12.2023	7. About the report	–
GRI 2-4	General Disclosures 2021	Restatements of information	No significant changes in the 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, Equity 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 the 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	–	7.3 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	–	7.3 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	–	7.3 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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