

Arctic Paper S.A. Capital Group  
disclosure on non-financial information

# Corporate Social Responsibility Report

2019



ARCTIC PAPER



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## MANAGEMENT FOREWORD

# We have taken major steps in reducing our own footprint

Sustainability for us is since long not just “good to have”, it’s business critical. Paper is a renewable and recyclable material with great environmental benefits, and we see opportunities with the development, for the environment, for the society and for Arctic Paper as a company.

During the year we made considerable efforts to develop our offering: our range of graphic paper offers customers a comprehensive set of ecolabelled papers with different qualities to choose from. After a pilot in 2019, we launched our new Munken Kraft portfolio that provides customers with a modern and sustainable alternative in packaging early in 2020.

We have also taken major steps in terms of reducing our own footprint, where energy use, CO<sub>2</sub> emissions, water consumption and waste handling are the areas we focus most on. A fossil-free energy solution is already available at our Grycksbo mill. The planning of a completely fossil-free bio-based energy solution for the mill in Munkedal is underway. An expansion of hydro power at the Munkedal mill is in progress and in 2019 we have started testing with solar cells at our mill in Kostrzyn. With these investments, our CO<sub>2</sub> emissions will be vigorously reduced. And we will continue this journey to minimize our impact.

A chain is no stronger than its weakest link. For us at Arctic Paper, sourcing of pulp based on raw materials from sustainably managed forests is crucial to the environmental performance of our products. Therefore, we only buy pulp that comes from FSC® and PFSC™ certified woods. A significant part comes from our own pulp segment, with locally produced raw material from well-managed Nordic forests.

Arctic Paper has a longstanding commitment to sustainability. We will continue to develop our business and expand our products portfolio while continuously reducing our footprint.

Michał Jarczyński  
CEO, Arctic Paper S.A.

# Our business model



## Our business model

Arctic Paper S.A. 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, advertising industry and packaging producers.

As of 31 December 2019, Arctic Paper employs about 1,200 people. Our business activities are based on the operations of three mills:

### **The Paper Mill in Kostrzyn nad Odrą (Poland)**

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

### **The Paper Mill in Munkedal (Sweden)**

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.

### **The Paper Mill in Grycksbo (Sweden)**

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 14 sales organisations across Europe, which support our activities and contacts with customers. Our head office is situated in Poznań (Poland) with a branch in Gothenburg (Sweden).

Arctic Paper S.A. is also a majority owner (in possession of 51.0 % of the shares by the 31 December 2019) of the Rottneros group. Rottneros is a pulp producing company, registered on the Nasdaq stock exchange in Stockholm. The Pulp mills owned and operated by Rottneros are located in Sweden and have aggregate production capacities of over 400,000 tonnes of pulp annually. Arctic Paper S.A. has financial control over Rottneros, as it holds the majority of shares, yet operational control

belongs to Rottneros including responsibility for the company's performance and sustainability matters. For 2019, the data for Rottneros is not available in the format reported by Arctic Paper S.A., but sustainability impact and performance will be reported in the separate report of the subsidiary.



**○ Head Offices**

- Arctic Paper S.A. Poznan, Poland
- Arctic Paper S.A. (Filial) Gothenburg, Sweden

**● Mills**

- Arctic Paper Kostrzyn S.A., Poland
- Arctic Paper Munkedals AB, Sweden
- Arctic Paper Grycksbo AB, Sweden

**● 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 AB Representative office, Ukraine
- Arctic Paper Deutschland GmbH, Germany
- Arctic Paper Italia Srl, Italy
- Arctic Paper Baltic States, Latvia
- Arctic Paper Norge AS, Norway
- Arctic Paper Polska Sp.z o.o., Poland
- Arctic Paper Espana S.L., Spain
- Arctic Paper Sverige AB, Sweden
- Arctic Paper Schweiz AG, Switzerland
- Arctic Paper UK Ltd., United Kingdom

## Our Heritage and Values

Arctic Paper is a company based on 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 processes and energy management.

Our reputation in the high-quality graphic paper market is built on a long tradition of outstanding works with the help of our brands executed by the most demanding designers and artists who value the proven quality of our products.

We are clear, open-minded, progressive 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. As an agile mid-sized company, 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 paper products and services built on inventiveness, reliable quality and sustainability, crafted for the most demanding creative ideas and new technologies.

## Our brands

We are one of the leading European producers of premium graphic paper products and services for the most demanding creatives and technologies valuing freshness as well as the superior, reliable and eco-friendly quality of our paper brands.

We are known for new solutions and products and the continuous extension of our product ranges in-step with the latest developments within printing technology.

### Key Brands:

#### Uncoated wood-free paper, in particular:

- 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. This is one of the most versatile types of paper.

#### Uncoated wood-containing paper, in particular:

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

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

#### Coated wood-free paper, in particular:

- Manufactured under the G and Arctic brands, used primarily for printing books, magazines, catalogues, maps and personalised direct mail correspondence.

#### Kraft paper:

- The successful pilot on kraft paper for the packaging market in 2019 resulted in a new portfolio – Munken Kraft. Designed as packaging material with good strength properties and a good printing surface. Uncoated brand manufactured by Munkedal mill.



Below we present information about our business model – key inputs and outputs, as well as business activities and results.

### Inputs

- |  |   |  |   |
|--|---|--|---|
| <p>— <b>Human capital:</b></p> <ul style="list-style-type: none"> <li>› 1,200 employees around Europe</li> </ul> | <p>— <b>Manufacturing capital:</b></p> <ul style="list-style-type: none"> <li>› One mill in Poland and two mills in Sweden</li> <li>› Total production capacity of over 700,000 tons of paper per year</li> </ul> | <p>— <b>Natural capital:</b></p> <ul style="list-style-type: none"> <li>› Pulp</li> <li>› Pigments</li> <li>› Chemical additives</li> <li>› Water</li> <li>› Energy</li> </ul> | <p>— <b>Financial capital:</b></p> <ul style="list-style-type: none"> <li>› Cash</li> </ul> |
|--|---|--|---|

### Business activities

- |   |   |  |  |  |
|---|---|--|--|--|
| <p>— <b>Purchasing:</b></p> <ul style="list-style-type: none"> <li>› Sustainable and ethical sourcing</li> <li>› Compliance with the Code of Conduct for Suppliers</li> </ul> | <p>— <b>Innovation:</b></p> <ul style="list-style-type: none"> <li>› Eco-friendly products and efficient processes</li> </ul> | <p>— <b>Production:</b></p> <ul style="list-style-type: none"> <li>› Responsibility for the health and safety of employees, the environment and product quality</li> </ul> | <p>— <b>Sales:</b></p> <ul style="list-style-type: none"> <li>› Compliance with the Code of Conduct</li> </ul> | <p>— <b>Transportation and logistics:</b></p> <ul style="list-style-type: none"> <li>› Sustainability in delivery</li> </ul> |
|---|---|--|--|--|

### Outputs

- |   |  |   |   |
|---|--|---|---|
| <p>— <b>Recyclable and degradable products:</b></p> <ul style="list-style-type: none"> <li>› Sheets and reels</li> <li>› Coated and uncoated, wood-free and wood-based paper</li> </ul> | <p>— <b>Service offer:</b></p> <ul style="list-style-type: none"> <li>› Availability of standard products</li> <li>› Printing on demand (adjustable time frame, quality, quantity)</li> <li>› Delivery</li> <li>› Product specific training for customers and suppliers</li> </ul> | <p>— <b>Emissions and waste:</b></p> <ul style="list-style-type: none"> <li>› Affecting air, water, and land</li> </ul> | <p>— <b>Energy:</b></p> <ul style="list-style-type: none"> <li>› The mill in Kostrzyn sells heat and electricity</li> <li>› The mill in Grycksbo sells electricity</li> </ul> |
|---|--|---|---|

### Results

- |   |  |  |  |
|---|--|--|--|
| <p>— <b>Customer:</b></p> <ul style="list-style-type: none"> <li>› Customer satisfaction</li> <li>› Brand loyalty</li> <li>› Few customer complaints</li> </ul> | <p>— <b>Employees:</b></p> <ul style="list-style-type: none"> <li>› Stable employment and working conditions</li> <li>› Few accidents</li> <li>› Good relationship with trade unions</li> <li>› Low employee turnover</li> </ul> | <p>— <b>Society:</b></p> <ul style="list-style-type: none"> <li>› Taxes from employees and company</li> <li>› Provision of local employment</li> <li>› Participation in and support for local initiatives</li> </ul> | <p>— <b>Financers and shareholders:</b></p> <ul style="list-style-type: none"> <li>› Interest and dividends</li> </ul> |
|---|--|--|--|

An aerial photograph of a dense forest of evergreen trees, likely spruce or fir, showing a rich green canopy with some darker shadows between the trees. The text "Materiality assessment" is centered in white.

# Materiality assessment

## Key Aspects

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.

Our three key sustainability aspects – the Environment, People and Business Operations – have been chosen based on a materiality assessment that was carried out in 2017. To identify areas where Arctic Paper can have a significant impact, we engaged with both external and internal stakeholders, making use of both survey data and interviews. We constantly review

and validate internally 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.

### Key aspects

#### Environment

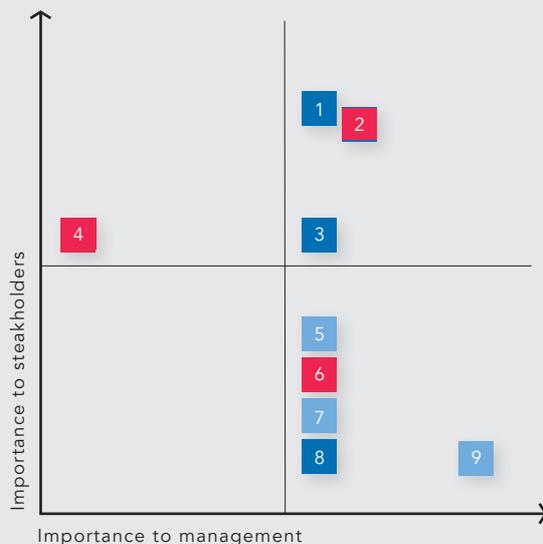
- 2 – Energy and climate change
- 4 – Waste
- 6 – Water

#### People

- 1 – Health and safety
- 3 – Employee well-being
- 8 – Diversity and integration

#### Business operations

- 5 – Transportation and logistics
- 7 – Responsible supply chain
- 9 – Business ethics

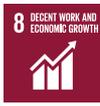


The results of the stakeholder survey and management valuation of sustainability factors is shown in condensed form in the materiality matrix below.

	Basis for selection	Approach to stakeholders engagement	Key Topics	Arctic Paper response
Customers	Main source of value creation	<ul style="list-style-type: none"> <li>› Direct contact through sales organisations</li> <li>› Direct contact through trial printing of new products</li> <li>› Indirect contact through merchants</li> </ul>	<ul style="list-style-type: none"> <li>› Product functionality and development</li> <li>› Environmental impact from production and ways of improving its efficiency</li> <li>› Product certification</li> <li>› Compliance with laws and regulations</li> <li>› Meeting sustainability goals while offering competitive prices</li> </ul>	<ul style="list-style-type: none"> <li>› Transparent presentation of environmental performance, such as in the EMAS-report</li> <li>› Using pulp manufactured from suppliers certified by FSC® or PEFC™</li> </ul>
Employees	Key capital for our ability to produce and sell our products	<ul style="list-style-type: none"> <li>› Appraisals</li> <li>› Employee surveys</li> <li>› Regular contact with labour unions</li> </ul>	<ul style="list-style-type: none"> <li>› Environmental impact from production and ways of improving its efficiency</li> <li>› Initiatives to improve the wellbeing of employees</li> <li>› Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>› Mill-specific action plans for health and safety</li> <li>› Training programmes</li> <li>› Remuneration routines</li> </ul>
Suppliers	Significant impact on our production capabilities	<ul style="list-style-type: none"> <li>› Close contact with major suppliers in order to keep them informed about our needs and demands</li> <li>› If needed, corrective actions</li> </ul>	<ul style="list-style-type: none"> <li>› Responsible approach towards our supply chain</li> <li>› Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>› Audit of a major pulp supplier using a detailed form</li> <li>› Following the Arctic Paper Code of Conduct for suppliers</li> </ul>
Authorities	Compliance with legal obligations	<ul style="list-style-type: none"> <li>› Direct contact through reporting</li> <li>› Cooperation within sectoral organisations</li> </ul>	<ul style="list-style-type: none"> <li>› Compliance with legal requirements</li> <li>› Minimising the negative impact of business operations</li> </ul>	<ul style="list-style-type: none"> <li>› Transparent reporting, both for financial and non-financial performance</li> <li>› Active participation in sectoral initiatives</li> </ul>
Shareholders	Expectations of return on investments	<ul style="list-style-type: none"> <li>› Shareholder meeting</li> </ul>	<ul style="list-style-type: none"> <li>› Support for Arctic Paper's sustainability work</li> <li>› Potential business risks related to sustainability issues</li> </ul>	<ul style="list-style-type: none"> <li>› Transparent reporting, both for financial and non-financial performance</li> </ul>

## 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 SDGs. We have identified six SDGs that we find are the most relevant to our operations and to which Arctic Paper can best contribute.

Theme	SDG focus area	Impact on Arctic Paper core operations	Impact on Arctic Paper value chain	What Arctic Paper is doing?
<b>People</b>		✓	✓	<ul style="list-style-type: none"> <li>› Systematic approach to health and safety in each mill</li> <li>› Annually approved action plans for health and safety</li> <li>› Occupational healthcare service at all sites</li> <li>› Rehabilitation services on offer</li> <li>› Keeping a register to analyse and prevention of accidents</li> </ul>
		✓	✓	
<b>Environment</b>		✓		<ul style="list-style-type: none"> <li>› State of the art water treatment facilities at all sites</li> <li>› Plans in place to improve water efficiency</li> <li>› Measurement and monitoring of indicators of water inflow and outflow</li> <li>› Employee education with regards to environmental behaviours</li> <li>› Improvements in energy efficiency</li> <li>› Measurement and monitoring of emission indicators</li> <li>› All mills are ISO14001 certified and fulfil EU EMAS regulations</li> <li>› Measurement and monitoring of waste management indicators</li> </ul>
		✓	✓	
		✓	✓	
<b>Business operations</b>		✓		<ul style="list-style-type: none"> <li>› Freely-available paper profiles of all our products</li> <li>› Responsible supply chain practices</li> <li>› Strong focus on measuring and minimising the environmental impact of our business operations</li> </ul>



Key business  
performance  
indicators

## Key business performance indicators

Arctic Paper's approach to corporate responsibility is centred on the sustainability of operations, in particular concerning 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.

### Environment

#### 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.

Business performance indicator	Target 2022	2019	2018	2017	2016
Total net energy consumption (MWh/tonne of paper)	1.9	2.0	2.1	2.0	2.2
Whereof from internal energy production based on renewable sources* (MWh/tonne of paper)	0.8	0.4			
Tonnes of paper produced	695,000	601,564	639,073	658,645	654,821

\*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.

Business performance indicator	Target 2022	2019	2018	2017	2016
Share of pulp suppliers who are FSC and/or PEFC certified	100%	100%	100%	100%	100%

### 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. When systematic 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 light and heavy accidents at our workplaces. There was a small decrease of accidents during 2019 and compared to previous year. The differences are within the statistical error.

Business performance indicator	Target 2022	2019	2018	2017	2016
Lost time injuries per million work hours	<4	7.8	8.5	8.0	8.4

## Business operations

### Value of complaints as share of annual turnover

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

Business performance indicator	Target 2022	2019	2018	2017	2016
Value of complaints as share (%) of sales revenue	0.50	0.47	0.58	0.61	0.58
Sales revenue (in MPLN)	-	2,309	2,293	2,247	2,296

# Principal risks and their management

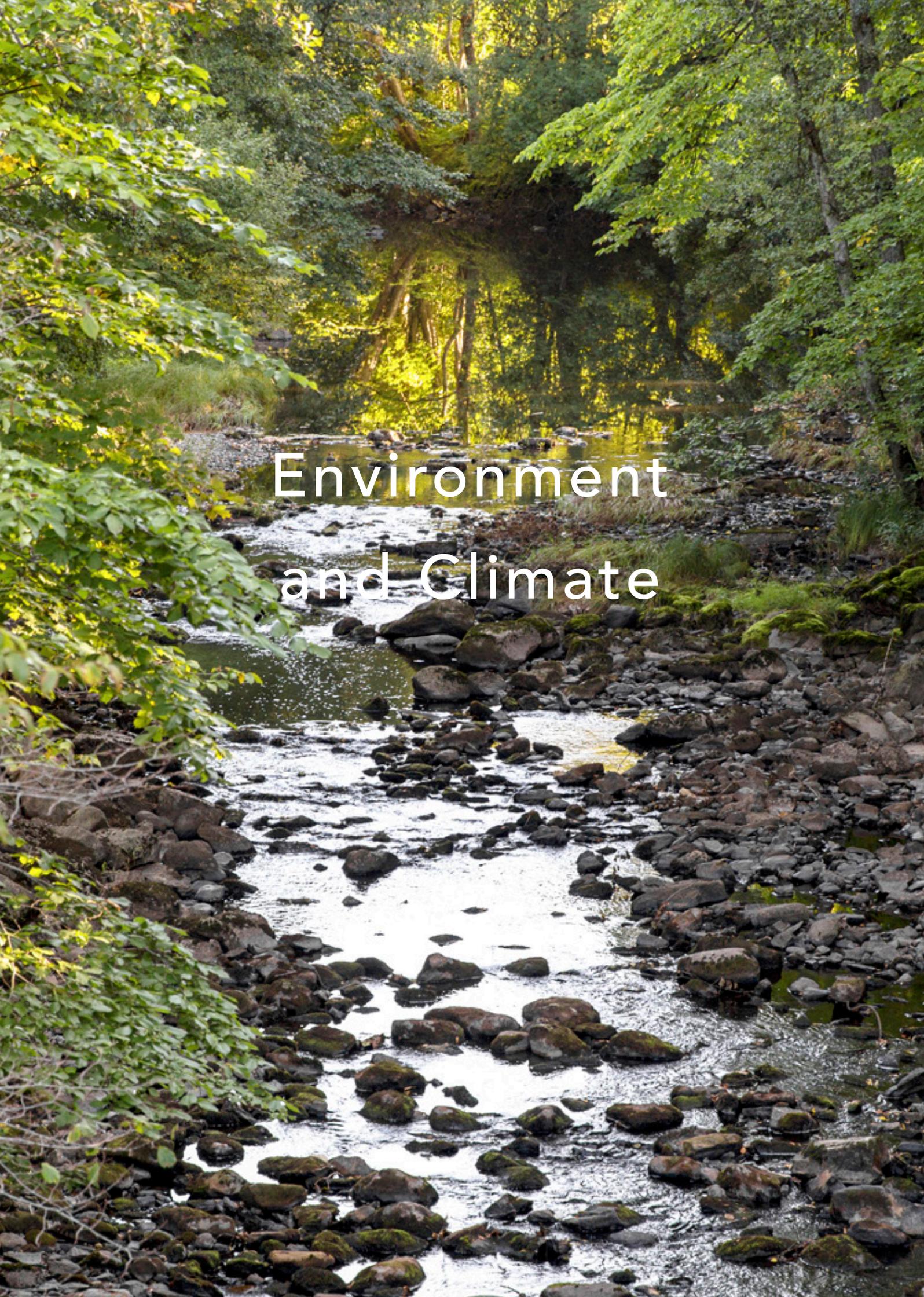


## Principal risks and their management

In order to sustainably create value over the short and long-term, we need to periodically identify, analyse and mitigate the risks facing our organisation. In our business model we have to take into consideration a number of risks, dependencies and opportunities in the whole value chain from raw material to transportation of our products to the customers. Increasingly important is to value the risks and opportunities related to climate. Hence we have expanded our 2019 report by reporting CO<sub>2</sub> emissions not only from our own mills but also from our major suppliers of raw materials, energy and transportation companies. We have also described the potential risks connected to climate change. Climate change also offers an opportunity for our company in that we can be part of the solution by offering products manufactured from renewable sources that can substitute for products based on fossil-fuel sources.

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
<b>Environment and climate</b>	Not meeting national or EU-wide legal requirements with regards to environmental standards	<ul style="list-style-type: none"> <li>› Fines from authorities</li> <li>› Reputational damage</li> <li>› Possible personal responsibility</li> <li>› Disruptions in operations</li> </ul>	<ul style="list-style-type: none"> <li>› Careful monitoring of environmental standards and indicators</li> <li>› Early reaction system to changes in regulation</li> <li>› Introducing efficiency-improving technologies</li> </ul>
	Unintentional damage to the environment		<ul style="list-style-type: none"> <li>› Careful monitoring of environmental standards and indicators</li> <li>› Compliance with regulations and procedures</li> </ul>
	Climate change can have an impact on the physical conditions for production	<ul style="list-style-type: none"> <li>› Disruptions in operations due to:               <ul style="list-style-type: none"> <li>› Drought</li> <li>› Flooding</li> <li>› Landslide</li> </ul> </li> <li>› Malfunction in electrical equipment</li> <li>› Reputational damage</li> <li>› Raw material sourcing</li> <li>› Energy sourcing</li> </ul>	<ul style="list-style-type: none"> <li>› Reducing water consumption</li> <li>› Increasing water by-pass capacity</li> <li>› Improving drainage</li> <li>› Plans for supply allocation</li> <li>› Increasing of cooling capacity for sensitive electric equipment</li> <li>› Allocation of raw materials to core products and markets</li> <li>› Reducing specific energy consumption</li> <li>› Investing in renewable energy sources</li> </ul>
<b>People</b>	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"> <li>› Disruptions in operations (insufficient quantity or quality of products)</li> <li>› Financial loss – money invested in training is lost</li> </ul>	<ul style="list-style-type: none"> <li>› Creating an attractive and ethical workplace to attract and retain employees</li> </ul>
	Accidents at work	<ul style="list-style-type: none"> <li>› Disruptions in operations</li> <li>› Departure of qualified personnel</li> <li>› Need for new investments at production sites if the damage is extensive</li> <li>› Fines from authorities</li> </ul>	<ul style="list-style-type: none"> <li>› Health and safety training performed on a regular basis</li> <li>› Detailed analysis of all incidents – from risk observation to injuries</li> <li>› Improvement plans in place for all our mills</li> <li>› Dedication to a zero-injury environment</li> </ul>
<b>People and Business operations</b>	Limited visibility over suppliers and their human rights practices	<ul style="list-style-type: none"> <li>› Disruptions in operations</li> <li>› Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>› Scrutiny over actions of suppliers in the form of signed declarations</li> <li>› Implementation Code of Conduct for Suppliers</li> </ul>
<b>Environment and Business Operations</b>	Shortage of pulp on the market, inability to buy certified pulp	<ul style="list-style-type: none"> <li>› Disruptions in operations</li> <li>› Financial loss</li> <li>› Loss of customer credibility</li> </ul>	<ul style="list-style-type: none"> <li>› Careful monitoring of the market</li> <li>› Building long-term relationships with qualified suppliers</li> </ul>
	Disruptions in the energy market (e.g., lack of energy access or poor fuel quality)		<ul style="list-style-type: none"> <li>› Diversification of sources of energy, seeking new energy investments</li> </ul>
	Poor weather conditions (e.g. flooding) (see also “climate”)		<ul style="list-style-type: none"> <li>› Continuity plans developed for mills</li> </ul>
	Country-specific risks – linked to the supply chain, production, and distribution	<ul style="list-style-type: none"> <li>› Disruptions in operations</li> <li>› Financial loss</li> <li>› Increased regulatory burden</li> </ul>	<ul style="list-style-type: none"> <li>› Careful monitoring of world affairs of the global business environment</li> <li>› Building long-term relationships with qualified suppliers</li> </ul>
	Risk due to climate change	<ul style="list-style-type: none"> <li>› Reputational damage</li> <li>› Raw material sourcing</li> <li>› Energy sourcing</li> </ul>	

A scenic view of a rocky stream flowing through a dense forest. The water is clear and reflects the surrounding greenery. The stream is surrounded by large, dark rocks, some of which are covered in moss. The forest is lush with various types of trees, and sunlight filters through the canopy, creating a dappled light effect on the water and rocks. The overall atmosphere is peaceful and natural.

# Environment and Climate

# Environment and Climate

## Management approach

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

The ISO 14001 management system is in place at all of our mills. It guides the way we manage our environmental responsibilities at the mills, and how we work on continuously

improving them. All certificates are widely available on our website.

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

**paper profile**

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

Information gathered from: 1.01.2017 to 31.12.2017  
 Date of issue: 30.09.2018

Environmental product declaration for paper

**Environmental Management**  
 Certified environmental management system at the Mill since April 2009 ISO 14001:2009  
 Company systems ensure traceability of the origin of wood:  yes  no 100% recovered paper  
 Environmental aspects of wood procurement 75% of FSC and 25% of PEFC

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

**Product composition**  
 The product contains biomass carbon equivalent

**More information**  
 Contact: Grzegorz Mieruski  
 (Address): Arctic Paper Kostrzyn S.A.  
 PL-65-470 Kostrzyn nad Odrą  
 Phone: 0048 08 721 101 100  
 E-mail: g.mieruski@arcticpaper.com

**Environmental parameters**

Water	CO <sub>2</sub>	0.23	kg/tonne
	AOX	0.06	kg/tonne
	NO <sub>x</sub>	0.17	kg/tonne
	F <sub>tot</sub>	0.02	kg/tonne
Air	SO <sub>2</sub>	0.3	kg/tonne
	NO <sub>x</sub>	2.7	kg/tonne
	CO <sub>2</sub> (total)	583	kg/tonne
Solid waste landfilled		47	kg/tonne
Purchased electricity consumption		254.8	kWh
Volume of final product			

Paper Mill Information

**Arctic Paper Kostrzyn S.A.**

**Paper Mill Environmental Declaration**

Product information: Amber Graphic, Amber Preprint, Amber Volume, Amber Highway  
 Arctic is a white, uncoated free paper which is used for books, manuals, advertising literature and brochures in mono and full colour. Available in grammages from 60 to 170 g/m<sup>2</sup>.  
 The environmental data below reports only emission from the paper production and not emission in the total production chain from forest to customers.

Parameter	Product	EMAS	EMAS	EMAS
Water	CO <sub>2</sub>	0.23	1.15	kg/t
	AOX	0.06	0.1	kg/t
	NO <sub>x</sub>	0.17	0.25	kg/t
Air	SO <sub>2</sub>	0.3	0.3	kg/t
	NO <sub>x</sub>	2.7	2.7	kg/t
	CO <sub>2</sub>	583	583	kg/t
Solids	Landfill	47	47	kg/t
Energy	Electricity	254.8	254.8	kWh/t
	Steam	0	0	kg/t
	Water	0	0	kg/t
	Landfill	0.1	0.1	kg/t

**For more information about environmental objectives see EMAS environmental report**

**EMAS Environmental Objectives 2018**  
 Energy - reduce electrical energy consumption through modernisation of pulp refining process.

**EMAS Environmental Objectives 2019**  
 Best possible technique according EMAS.  
 All from recovered paper ton of paper.  
 All from waste free water treatment plant.

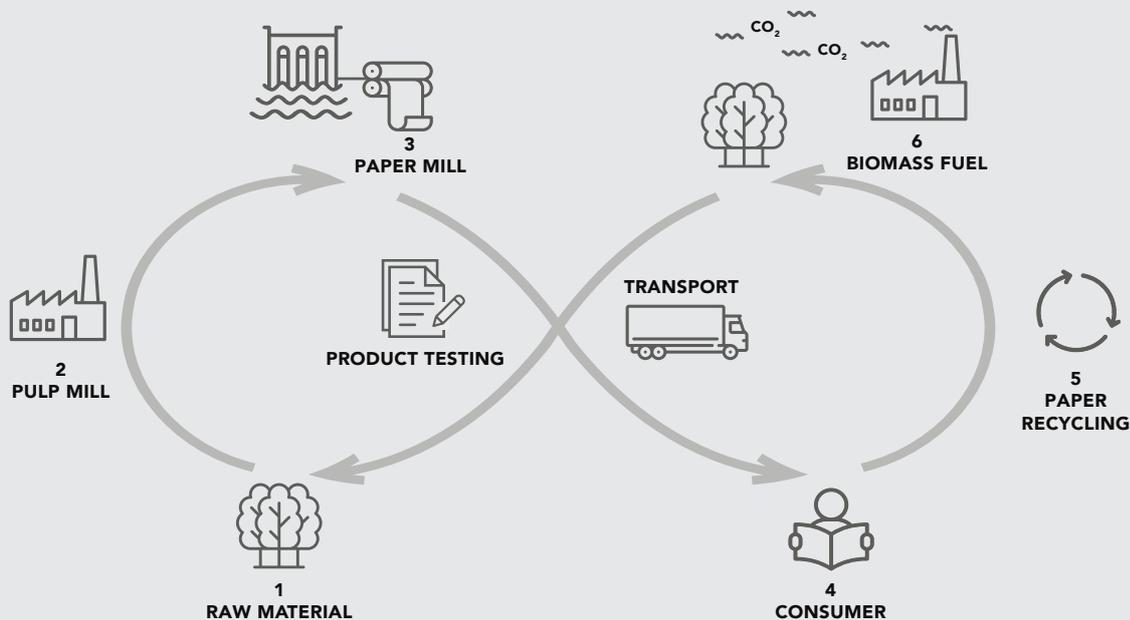
**EMAS contact:**  
 Customer Service Department  
 Arctic Paper Kostrzyn S.A.  
 PL-65-470 Kostrzyn nad Odrą, Poland  
 Phone: +48 08 721 101 100  
 Fax: +48 08 724 131

## A sustainable circular production system

A sustainable circular production system Arctic Paper is part of an industry that is to a large extent based on renewable wood raw material from the forest. 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 a renewable wood raw material.

### A circular sustainable system

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



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

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

**3 PAPER MILL** Arctic Paper's three paper mills are ISO 14000 and EMAS certified. To minimize CO<sub>2</sub> emissions, Arctic Paper invests in sustainable energy. Grycksbo has a completely fossil-free energy solution. In Munkedal, similar investments are being made in a biomass boiler, and hydropower is expanded from 12 to 24 GWh.

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

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

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

## Policies and procedures

The overarching goal of our environmental 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.

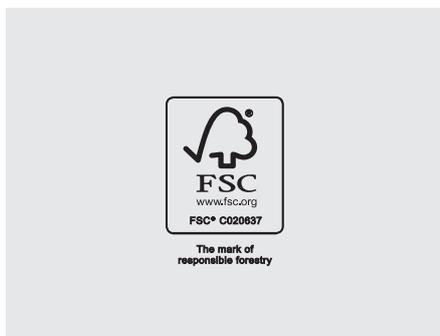
Environmental policies are present at the group and mill level. The environmental management system at all three mills is guided by ISO 14001. Arctic Paper is proud not only to have introduced routines and procedures to improve the environmental performance of our mills, but also to have efficiently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

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

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

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

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



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

Taking into account our production process, we focus our environmental efforts on four main areas selected during our materiality assessment. These areas will guide the next sections of this chapter: energy consumption, CO<sub>2</sub> emissions, water consumption and waste management. We believe that our targets, defined in relation to production volumes, clearly demonstrate our commitment to progress in the area of environmental sustainability.

## 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.

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

Our goal is to reduce the amount of energy required at every stage of our production process. Energy efficiency is of the highest importance for the paper production cycle. We run a few projects for increasing the fraction of renewable energy sources used for our plants. Our energetic projects and programmes can help us to reduce greenhouse gas emissions, decrease demand for energy imports and drive down production costs.

Each year we initiate various types of energy efficiency programme at all three of our mills with the aim of reducing

their environmental impact. We optimize and trim all installations and machinery and continuously evaluate our processes to identify future investments.

During 2019 we have reached an agreement with Adven to install a steam boiler at the Munkedal mill. The plant will be operational at the end of 2021 and will have the capacity to deliver around 30 MW. As a result, more than 80 percent of its natural gas consumption will be replaced by biomass and combustion waste fuel. In 2018, we started a construction project for a new hydropower plant in Munkedal that will be operational in late 2020. The hydropower plant will increase our internal, entirely renewable, electricity production from 12 GWh to 24 GWh per year.

During 2019 the press section in Paper Machine no. 1 at Kostrzyn has replaced the traditional model with a shoe press. This will give us a significant decrease in thermal energy consumption and a small increase in electrical energy. In addition, older refiners have been replaced in Kostrzyn mill with new, state of the art equipment giving improved quality and lower specific energy consumption.

In Grycksbo a rebuild of the steam system has made it possible to use steam at lower pressure during the drying process, thus resulting in lower energy consumption. An investment in new pulp refining capacity on one of the paper machines will be carried out during 2020. This is calculated to save more than 2,000 MWh per year.

Below you can find the latest figures on our energy consumption, one of our key performance indicators regarding environmental sustainability.

Key performance indicator	Target 2022	2019	2018	2017	2016
Total net specific energy consumption (MWh/tonne of paper)	1.9	2.0	2.1	2.0	2.2
Total production of paper (in tonnes)	695,000	601,564	639,073	658,645	654,000

## Emissions

Pollutants created during the energy production process leave our mills through chimneys as air pollutants, and as biomass ash. Air pollutants, in particular CO<sub>2</sub>, accumulate in the atmosphere, contributing to climate change. Emission levels are monitored by management. Emissions carry an environmental cost, and they can also be associated with considerable financial, legal and commercial costs for our business.

We have been dedicated to reducing emissions for several years. Historically, the most important step in reducing CO<sub>2</sub> emissions was made in Kostrzyn in 2007, when the coal boiler was replaced by modern natural gas boiler equipped with gas turbines and counter-pressure steam turbines, and in Grycksbo in 2008, when a significant investment in a biomass boiler was made, making the steam generation process at the mill fossil-free.

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

The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes'.

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

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

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

Key performance indicator (kg CO <sub>2</sub> /tonne of paper)	Target 2022	2019	2018	2017	2016
Direct CO <sub>2</sub> emissions	270	297	293	282	297
Indirect specific CO <sub>2</sub> emissions from external electricity suppliers <sup>1</sup>	n/a	9			
Indirect specific CO <sub>2</sub> emissions from our major supplier of raw material <sup>2</sup>	70	73			
Indirect specific CO <sub>2</sub> emissions from our transporters <sup>3</sup>	35	36			
Total Indirect specific CO <sub>2</sub> emissions	115	118			
Total specific CO <sub>2</sub> emissions		415			
Total production of paper (in tonnes)	695,000	601,564	639,073	658,645	654,821

1. Figures describing the average CO<sub>2</sub> 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.

The specific direct CO<sub>2</sub> emissions from our mills increased 2018 and 2019 compared to 2017. The main explanation is due to a change in the way steam is produced at the Munkedal mill: electricity from the grid has to a large extent been replaced by a natural gas boiler. This means that CO<sub>2</sub> emissions were moved from the electricity supplier to the mill.

It should be noted that the CO<sub>2</sub> figures from our external sources are based on the most recent available data. In most cases, we used data from 2018 as not all of our external partners were able to provide us with 2019 data at the date of publication of this report.

## CASE STUDY:

### Smart, sustainable energy supply to the Munkedal mill

In 2019, Arctic Paper concluded a 15-year-agreement with the energy partner Adven on sustainable energy supply to the mill in Munkedal. It is a long-term agreement that reduces CO<sub>2</sub>-emissions significantly and ensures lower, more stable and predictable energy costs for Arctic Paper. The agreement means that Adven will build, own and operate a steam boiler plant with the capacity to deliver around 30 MW.

– Our shared ambition and goal with this partnership is to leave the use of natural gas behind us and doing so in a way that increases the competitiveness of Arctic Paper and the paper mill in Munkedal,” says Henrik Johansson Casimiro, COO at Adven.

The new plant will mainly be operated on recycled wood and well-defined sorted and recycled material. The boiler plant will have a capacity to deliver about 30 MW and will help to reduce the paper mill’s carbon dioxide emissions by 60 percent and reduces energy costs significantly.

– The investment that is made here in Munkedal is fully aligned with what we need to do to create a sustainable future, that is to phase out the fossil fuels. In addition, we also need to consider the competitiveness of Swedish industry, where global demand will increasingly be more focused on sustainability, continues Henrik Johansson Casimiro.

Adven was founded in Finland in the 1980s and has grown to become one of the leading suppliers of energy and water solutions in the Nordic and Baltic countries. For industrial customers, Adven offers customized total solutions for energy supply and streamlining, for example, energy and water consumption.

– We are involved in every step of the process and also have the operational competence to run this type of boiler, which is one of the prerequisites for being able to make this investment. It feels satisfactory to make an environmentally sustainable change that reduces carbon dioxide emissions, while also strengthening the economic competitiveness of Arctic Paper, concludes Henrik Johansson Casimiro.

The plant is expected to be in operation during autumn of 2021. Along with the investment in expanded hydropower in Munkedal, Arctic Paper will be able to phase out the use of externally supplied electricity and natural gas.



Henrik Johansson Casimiro

## Water

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

We carefully monitor the quality of our water outputs; most notably we focus on Chemical Oxygen Demand (COD). COD indicates the effect the discharge water will have on the receiving environment; in our case the three rivers Warta, Munkedalsälven and Grycken. It measures organic compounds which consume oxygen during decompositions; very high levels of oxidizable 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 2017, in order to improve our opportunities for water recycling.

The decrease of COD level is mainly a consequence of better operation conditions in our Kostrzyn mill.

In 2018, a modernisation of the vacuum system was conducted, replacing old water ring vacuum pumps with turbofans, which have had important water-saving properties.

In Grycksbo we made an important re-build of the wastewater treatment plant during 2014 when pre-flotation before the biological treatment was installed. This, together with other measures falling within the scope of continuous improvements, has during the last four years resulted in a 20 percent decrease in the amount of organic substances in emissions to water from the mill. During 2019, our Grycksbo mill introduced better recirculation of coating pigment saving valuable raw material, reducing water consumption and decreasing the consumption of chemicals in the effluent treatment plant.

Key performance indicator	Target 2022	2019	2018	2017	2016
Specific water consumption (m <sup>3</sup> /tonne of paper)	7.0	8.3	7.9	7.5	7.6
COD (kg/tonne of paper)	0.42	0.46	0.48	0.45	0.43
Total production of paper (in tonnes)	695,000	601,564	639,073	658,645	654,821

The specific water consumption has increased as a consequence of the ongoing construction of a new hydropower plant in Munkedal. During the construction, a recirculation pipe for effluent water to in-going fresh water must be dismantled.

## Waste

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

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

Key performance indicator	Target 2022	2019	2018	2017	2016
Recycling or energy extraction (kg/tonne of paper)	11	9.7	8.7	12.8	11.5
Hazardous (kg/tonne of paper)	0.2	0.2	0.3	0.2	0.4
Landfill (kg/tonne of paper)	0.4	0.2	0.2	0.4	0.4
Total production of paper (in tonnes)	695,000	601,564	639,073	658,645	654,821

A large, light-colored house with a porch and a smaller outbuilding, surrounded by trees and a field of wildflowers, with the word "People" overlaid in the center. The scene is bathed in warm, golden light, suggesting late afternoon or early morning. The foreground is a field of tall grass and wildflowers, some of which are beginning to turn brown. The house has a prominent white porch with columns and a balcony. A wooden picnic table is visible in the yard. The sky is bright, and the overall atmosphere is peaceful and idyllic.

# People

# People

## Management approach

Arctic Paper aims to take responsibility for our employees, other people working for us and the societies in which we operate.

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

Our Mills support with different activities in the local communi-

ty, in which our employees and their families are able to participate. For instance, we are supporting local sport clubs and culture events, donating paper to schools and kindergartens.

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

## Health and safety

Health and safety are top prioritized issues for us. We are creating a work environment which prevents and minimises the risk of injuries. We have a systematic approach to safety in Arctic Paper, where each our operating unit has implemented its own site-specific health and safety policy, complemented by appropriate routines and procedures.

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

We carefully analyse all health and safety incidents raised by our employees, conscious that if we do not react, they might result in serious consequences in the future. Therefore, we

maintain a register of “near misses” and accidents, where all incidents are recorded and analysed. As a next step, we propose action plans to mitigate the risk that a near-miss could become a serious accident. The progress of each action plan is periodically monitored and reported to management.

Today, very few accidents are caused by equipment malfunctions. A significant risk factor is human behaviour, 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. At the end of 2019, a decision was taken by management to start an increased cooperation during 2020 between the mills with the purpose to share experiences within safety work.

**Our target in this area is to create a zero-injury environment.**

Key performance indicator	Target 2022	2019	2018	2017	2016
Number of lost time injuries (LTIR) per million working hours	<4	7.8	8.5	8.0	8.4

There was a small decrease of accidents during 2019 and compared to previous year. The differences are within the statistical error.

**Employee well-being**

The wellbeing of our employees is of crucial importance to our company. Arctic Paper encourages good habits and healthy lifestyles. We organise and support different health programs such as non-smoking and to eat healthy food. We also provide medical examinations to our employees. Well-being is strongly associated with engagement and research shows that engaged people increase productivity and ultimately the profitability. People who are feeling well also tend to stay at the company.

During 2019 an Employee Engagement Survey was conducted.

Compared to 2017, we had a very high response rate which indicates a higher interest among our employees to be engaged in the development of the company. Overall, the results show that our employees feel well treated, understand their tasks, and have adequate resources to do their daily work. It also shows that the activities we started in 2018 to increase weak areas have given results. This motivates us to implement new activities with the purpose to further increase the well-being and engagement among our employees.

Key performance indicator	Target 2022	2019	2018	2017	2016
Employee survey response rate	65%	74%	n.a.	52%	-
Overall engagement capital	55%	46%	n.a.	42%	-

Since 2017, it has been our target that every employee should have a yearly performance conversation. This will help them to understand how they can contribute towards the company goals and to develop their skills and abilities. We believe that this will create a synergy effect which will positively impact the work environment and bring tangible benefits to our business.

There is also a continuous collaboration with our employee representatives. Each month regularly meetings are held in the

Mills and twice a year Europe Works council Meetings are held on a group level.

Arctic Paper offers employees a standard permanent unlimited employment agreements in our operations. Only substitutes for vacancies and project-hired persons have limited employment agreements.

	2019	2018	2017	2016
Number of permanent unlimited contracts	1183	1224	1229	1229
Number of temporary contracts	31	28	26	31

## Diversity – among employees and within the Board

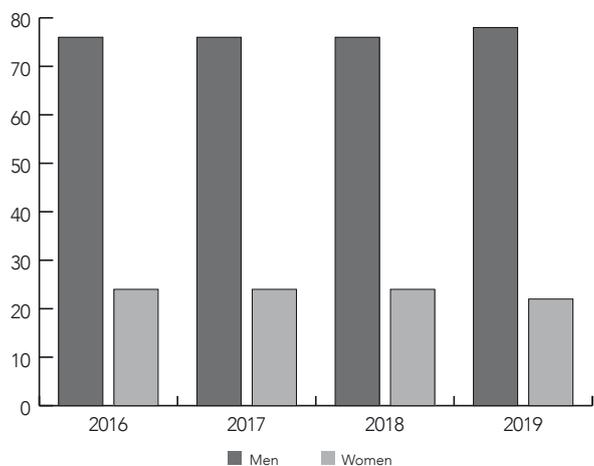
As explained in our Code of Conduct and our Corporate Social Responsibility policy, we do not accept any discrimination in our business operations. Arctic Paper does not have a dedicated diversity policy; however, our Management Board has been striving to employ competent, creative people, holding appropriate qualifications, professional experience and education and who respond to the company's needs.

Arctic Paper sees diversity as a strength. It is a tool for new ideas and innovations. We want Arctic Paper to mirror the societies in which it operates, and we want to make sure we promote and integrate people of diverse backgrounds. Arctic Paper chooses not to report specific quantitative targets in terms of diversity. Instead, our aim in this area is to keep employing those most suited, regardless of gender, sexual preferences, ethnic background, etc., for the positions we have open. This also applies to our recruitment to the company board.

### Employment structure of Arctic Paper Group

		Total	men	women	Age<30	Age 30-50	Age >50
2016	Blue-collar	806	608	126	90	358	358
	White-collar	421	248	173	20	225	176
2017	Blue-collar	811	682	129	92	365	354
	White-collar	420	250	170	17	223	180
2018	Blue-collar	807	683	124	106	353	348
	White-collar	416	245	171	16	220	180
2019	Blue-collar	770	652	118	110	315	345
	White-collar	413	247	166	13	215	185

### Gender employment structure in Arctic Paper Group



No major reorganisations have taken place during 2019, hence the overall workforce structure is unchanged.

Since 2018, our Management Board is made up of a Chief Executive Officer and a Chief Financial Officer. These functions were entrusted to two specific persons, irrespective of their gender, based on their professional background and experience. While we are interested in monitoring the diversity make-up of our management board as performance indicators, we do not plan to put in place a specific diversity policy regarding the board.

	2019	2018	2017	2016
Total count of Management Board	2	2	2	5
% of women on the Management Board	0%	0%	0%	20%
% of men on the Management Board	100%	100%	100%	80%

The Supervisory Board of Arctic Paper S.A. consists of five members. In May 2019, Arctic Paper S.A. Shareholders Meeting appointed a woman as a new member of the Supervisory Board.

	2019	2018	2017	2016
Total count of Supervisory Board	5	5	5	5
% of women on the Supervisory Board	20%	0%	0%	0%
% of men on the Supervisory Board	80%	100%	100%	80%

## Human rights

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 economic situation of the company. All conditions are documented and communicated accordingly. We also have a separate remuneration policy for management at the group level.

We believe in equality of opportunity when it comes to development. Mill-level procedures are in place to guide our recruitment and remuneration processes. For instance, we annually make regular payroll overviews at all our mills.

All employee suggestions and concerns can be raised with mill managers. The Kostrzyn mill has a specific committee of internal and external stakeholders, tasked with evaluating complaints. Additionally, the mill in Kostrzyn has an anonymous system in place, whereby complaints and suggestions can be raised by phone call with the CEO directly.

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

A scenic view of a calm lake with rocky shores and a blue sky with white clouds. The text "Business operations" is centered in white.

# Business operations

## Management approach

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

Arctic Paper cooperates with a wide net of suppliers around the world. These suppliers provide us with raw materials, chemicals, energy, logistics and other services that enable us to serve our customers. Aside from the sustainability of our

own operations, it is crucial that we consider the approach taken by our suppliers. We aim to choose suppliers who can and are willing to assure us that they respect our values with regards to People and the Environment. In 2018 we established a Code of Conduct for Suppliers of Arctic Paper Group.

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

## Responsible supply chain

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

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

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

Arctic Paper expects its Suppliers to comply with the high standards and values represented by our organisation. Our aim for 2019 was to reach at least 75 percent compatibility with our Code of Conduct for Suppliers either by signing our Code or

by the supplier providing us with an equivalent document. However, at the end of the year we managed to achieve 85 percent.

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

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

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

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

in question. In the event that we are unsuccessful, we are prepared to end the cooperation.

We find it important to verify the statements of our pulp suppliers, which is why products sent over by our suppliers are subject to a three-step verification procedure. First, we ask our suppliers to submit 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 are also planning to perform audits of our suppliers, to confirm their compliance with the planned Code of Conduct for Suppliers.

Key performance indicator	Target 2022	2 019	2018	2017	2016
Share of core suppliers providing existing signed environmental declarations	100	98	64	75	56
Share of core suppliers who signed the Code of Conduct for Suppliers or has their own code of conduct	90	85	n.a.	n.a.	n.a.
Number of suppliers who are subject to audits performed by Arctic Paper to confirm compliance with the Code of Conduct for Suppliers	10	4	n.a.	n.a.	n.a.
Share of pulp suppliers who are FSC®- and/or PEFC™-certified	100%	100%	100%	100%	100%



In 2019 in cooperation with the Book Chain Project, we evaluated 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 forest material and the sustainability issues at forest level and have put strong, formal processes in place to stay up to date with new developments relating to forest issues/challenges. We regularly visit our supplier mills,

to evaluate their environmental performance, forest plantations and nurseries. We follow industry analyses from the Brian McClay and Hawkins Wright agencies. We also work with NEPCo who share information and suggestions on sourcing countries. Each time we request a written report on environmental performance from our suppliers, and gather extensive data on energy, air and water pollutants and raw materials.

Our purchasing policy includes requirements to establish fibre traceability, to ensure no product contains controversial sources defined as:

Illegally harvested forest, or harvest 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

aspects – economic, ethical and environmental. If a correction is necessary, we are open to re-establishing relations with previous suppliers once the correction has taken place.

## Transportation

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.

Key performance indicator	Target 2022	2019	2018	2017	2016
Share of Euro 3 engine class	0%	1%	1%	3%	3%
Share of Euro 4 engine class	5%	3%	6%	11%	13%
Share of Euro 5 engine class	50%	47%	54%	53%	50%
Share of Euro 6 engine class	45%	49%	39%	34%	34%

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

## Business ethics

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

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

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

When it comes to sales, we have set price lists approved by our management which are communicated to members of our sales

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

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

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

We also aim for our employees to sign declarations that they have familiarised themselves with our Code of Conduct. We are planning to have specialised training for those employed in procurement, logistics and sales – the three areas in which we consider the risk of abuse to be the largest. More basic, yet comprehensive training would be offered to other employees.

Key performance indicator	Target 2022	2019	2018	2017	2016
Number of employees who participated in the Business ethics training programme (per year)	100%	20 (553)	179 (578)	34 (419)	22 (419)

Figures within the brackets are the accumulated figures

## Complaints

Another aspect of maintaining the integrity of our operations is ensuring that our customers are satisfied with the way we carry out business and with the products we provide them. For this reason, we carefully monitor all customer complaints.

We categorise and evaluate all submitted complaints.

Key performance indicator	Target 2022	2019	2018	2017	2016
Value of complaints as share of sales revenue (%)	0.5	0.47	0.58	0.61	0.58
Sales revenue (in MPLN)		2,309	2,293	2,248	2,297

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

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

## Legal and regulatory compliance

Due to the fact that Arctic Paper S.A. is a stock listed company, we are obliged to follow the principles outlined in the "Good Practice of GPW Listed Companies 2016". We comply and adhere to all applicable laws and regulations in the European Union countries where we operate. A large part of those laws and regulations are uniform across the Union, although we are vigilant about any differences. Legal and regulatory compliance is a business necessity, but also a way for us to ensure the sustainability of our operations.

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

Key performance indicator	Business-related*		Non-business-related*		
2016	Fine bigger than 2 MPLN	0	0	0	0
	Fine smaller than 2MPLN	0	0	0	0
2017	Fine bigger than 2 MPLN	0	0	0	0
	Fine smaller than 2MPLN	0	0	0	0
2018	Fine bigger than 2 MPLN	0	0	0	0
	Fine smaller than 2MPLN	0	0	0	0
2019	Fine bigger than 2 MPLN	0	0	0	0
	Fine smaller than 2MPLN	0	0	0	0

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

# Transparency

Apart from transparency in internal and external relations, we value constant and transparent communication with our stakeholders, as explained in our Corporate Social Responsibility policy. We understand that different topics have varying degrees of importance to our stakeholders. This is why we use different channels to communicate our actions.

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

At the moment, this only covers the area of investor relations, but we aim for there to be a centralised inbox for all queries.

Below we include a matrix explaining how different communication channels are used to communicate issues regarding our material themes to different stakeholders. This Sustainability Report serves as a base point for information regarding our work on sustainability issues and is as such an important channel of communication.

	Customers	Employees	Suppliers	Shareholders
<b>Environment and Climate</b>	<ul style="list-style-type: none"> <li>› EMAS report</li> <li>› "Paper Profiles"</li> <li>› Environmental policy</li> </ul>	<ul style="list-style-type: none"> <li>› EMAS report</li> </ul>	<ul style="list-style-type: none"> <li>› EMAS report</li> <li>› Code of Conduct and Corporate Social Responsibility policy</li> <li>› "Paper Profiles"</li> </ul>	<ul style="list-style-type: none"> <li>› EMAS report</li> <li>› "Paper Profiles"</li> <li>› Environmental policy</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>› Direct communication through sales offices</li> <li>› Code of Conduct and Corporate Social Responsibility policy</li> </ul>	<ul style="list-style-type: none"> <li>› Intranet, widely accessible to all employees</li> <li>› Meetings, both one-on-one and in groups</li> <li>› Training and education</li> </ul>	<ul style="list-style-type: none"> <li>› Direct communication through purchasing departments</li> <li>› Code of Conduct and Corporate Social Responsibility policy</li> </ul>	<ul style="list-style-type: none"> <li>› Our Code of Conduct and Corporate Social Responsibility policy</li> </ul>
<b>Business operations</b>	<ul style="list-style-type: none"> <li>› Direct communication through sales offices</li> <li>› Press releases</li> <li>› Meetings</li> </ul>			<ul style="list-style-type: none"> <li>› Periodical and annual reports</li> <li>› Annual meetings</li> <li>› Press releases</li> <li>› Code of Conduct and Corporate Social Responsibility policy</li> </ul>

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