



MANAGEMENT BOARD'S REPORT 2024



Arctic Paper Capital Group



ARCTIC PAPER

Arctic Paper has prepared its 2024 consolidated annual financial statement 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. This abbreviated PDF version of consolidated financial statement of Arctic Paper Capital Group 2024 has been prepared solely only for the convenience of digital reading.

Despite all the efforts devoted to the conversion of XHTML file into PDF format, certain discrepancies, omissions or approximations may exist. In case of any differences between the PDF and the XHTML versions, the XHTML version is the only one legally binding and shall prevail.

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

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Translator's Explanatory Note: the following document is a free translation of the report of the above-mentioned Company. In the event of any discrepancy in interpreting the terminology in Polish version is binding.



Dear Sirs,
I am pleased to present to you the Arctic Paper Group’s annual report for 2024.

The past 12 months have been a time of investment for the Arctic Paper Group, preparing us for new challenges. Taking advantage of our strong balance sheet and lack of debt, we have accelerated our investments in new segments. The investment outlay in 2024 was twice as much as the average annual outlay in previous years. One third of all investments are projects in the energy and packaging segment. We are building our own photovoltaic sources, have purchased an operational PV farm and are investing in energy storage. Recognising renewable energy as one of the key factors in building a competitive advantage, we will continue to invest in this segment. We plan for the total capacity of our own PV sources to exceed 30 MW by mid-2025.

The expected recovery of the European economy did not take place last year. This was reflected in a weak market for paper products. Despite the low demand for our products and the high costs of energy and raw materials (primarily wood), the achieved EBITDA of around PLN 300 million is higher than the pre-2021 results. Capacity utilisation reached 75%, which, if the economy improves, will allow both paper and pulp production to increase significantly in the short term.

In a rapidly changing economic environment, it becomes even more important to maintain a strong balance sheet and low debt. Despite significant investments in excess of PLN 400 million and the declaration of a dividend of approximately 30% of the profit achieved, the Arctic Paper Group still has a strong balance sheet and no net debt.

I would like to thank the entire Arctic Paper Group team for the effort they put into the tasks set before them.

Michał Jarczyński
President of the Management Board of Arctic Paper SA

INFORMATION ON THE REPORT

This Management Board's Report, which is a component of the Consolidated Annual Report for 2024, has been prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information disclosed by issuers of securities and conditions of recognition as equivalent of information required by the law of non-member states (Journal of Laws of 2018, item 757).

Certain selected information contained in this report comes from the Arctic Paper Group management accounting system and statistics systems.

This Management Board's Report presents data in PLN, and all figures, unless otherwise specified, are disclosed in PLN '000.

DEFINITIONS AND ABBREVIATIONS

Unless the context requires otherwise, the following definitions and abbreviations are used in the whole document:

ABBREVIATIONS APPLIED TO BUSINESS ENTITIES, INSTITUTIONS AND AUTHORITIES OF THE COMPANY

Arctic Paper, Company, Issuer, Parent Company, AP	Arctic Paper Spółka Akcyjna with its registered office in Kostrzyn nad Odrą, Poland
Capital Group, Group, Arctic Paper Group, AP Group	Capital Group comprised of Arctic Paper Spółka Akcyjna and its subsidiaries as well as joint ventures
Arctic Paper Kostrzyn, AP Kostrzyn, APK	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą, Poland
Arctic Paper Munkedals, AP Munkedals, APM	Arctic Paper Munkedals AB with its registered office in Munkedal Municipality, Västra Götaland County, Sweden
Arctic Paper Mochenwangen, AP Mochenwangen, APMW	Arctic Paper Mochenwangen GmbH with its registered office in Mochenwangen, Germany
Arctic Paper Grycksbo, AP Grycksbo, APG	Arctic Paper Grycksbo AB with its registered office in Kungsvagen, Grycksbo, Sweden
Paper Mills	Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Grycksbo
Arctic Paper Investment AB, API AB	Arctic Paper Investment AB with its registered office in Göteborg, Sweden
Arctic Paper Investment GmbH, API GmbH	Arctic Paper Investment GmbH with its registered office in Wolpertswende, Germany

Arctic Paper Verwaltungs	Arctic Paper Verwaltungs GmbH with its registered office in Wolpertswende, Germany
Arctic Paper Immobilienverwaltungs	Arctic Paper Immobilienverwaltungs GmbH & Co. KG with its registered office in Wolpertswende, Germany
Kostrzyn Group	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą and EC Kostrzyn Sp. z o.o. with its registered office in Kostrzyn nad Odrą
Mochenwangen Group	Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH, Arctic Paper Verwaltungs GmbH, Arctic Paper Immobilienverwaltungs GmbH & Co.KG
Grycksbo Group	Arctic Paper Grycksbo AB and Arctic Paper Investment AB, Arctic Paper Finance AB
Sales Offices	Arctic Paper Papierhandels GmbH with its registered office in Vienna (Austria)
	Arctic Paper Benelux SA with its registered office in Oud-Haverlee (Belgium)
	Arctic Paper Danmark A/S with its registered office in Greve (Denmark)
	Arctic Paper France SA with its registered office in Paris (France)
	Arctic Paper Deutschland GmbH with its registered office in Hamburg, Germany
	Arctic Paper Italia Srl with its registered office in Milan (Italy)
	Arctic Paper Baltic States SIA with its registered office in Riga (Latvia)
	Arctic Paper Norge AS with its registered office in Oslo (Norway)
	Arctic Paper Polska Sp. z o.o. with its registered office in Warsaw (Poland)
	Arctic Paper España SL with its registered office in Barcelona (Spain)
	Arctic Paper Finance AB with its registered office in Munkedal (Sweden)
	Arctic Paper Schweiz AG with its registered office in Derendingen (Switzerland)
	Arctic Paper UK Ltd with its registered office in London (UK)
Arctic Power Sp. z o.o. (formerly Arctic Paper East Sp. z o.o.)	Arctic Power Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland)
Kostrzyn Packaging Spółka z o.o.	Arctic Paper East Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland)
Rottneros, Rottneros AB	Rottneros AB with its registered office in Sunne (Sweden)
Rottneros Group, Rottneros AB Group	Rottneros AB with its registered office in Söderhamn, Sweden; Rottneros Bruk AB with its registered office in Rottneros, Sweden; Utansjö Bruk AB with its registered office in Vallvik, Sweden; Rottneros Packaging AB with its registered office in Sunne, Sweden; SIA Rottneros Baltic with its registered office in Kuldīga, Latvia; since 1 January 2020 Nykvist Skogs AB with its registered office in Gräsmark, Sweden

Pulp Mills	Rottneros Bruk AB with its registered office in Rottneros, Sweden; Vallviks Bruk AB with its registered office in Vallvik, Sweden
Rottneros Purchasing Office	SIA Rottneros Baltic with its registered office in Kuldiga, Latvia
Office Kalltorp	Kalltorp Kraft Handelsbolaget with its registered office in Trollhattan, Sweden
Nemus Holding AB	Nemus Holding AB with its registered office in Göteborg, Sweden
Thomas Onstad	The Issuer’s core shareholder, holding directly and indirectly over 50% of shares in Arctic Paper SA; a member of the Issuer’s Supervisory Board
Management Board, Issuer’s Management Board, Company’s Management Board, Group’s Management Board	Management Board of Arctic Paper SA
Supervisory Board, Issuer’s Supervisory Board, Company’s Supervisory Board, Group’s Supervisory Board, SB	Supervisory Board of Arctic Paper SA
AGM, GM, Issuer’s General Meeting, Company’s General Meeting	Annual General Meeting of Arctic Paper SA
EGM, Extraordinary General Meeting, Issuer’s Extraordinary General Meeting, Company’s Extraordinary General Meeting	Extraordinary General Meeting of Arctic Paper SA
Articles of Association, Issuer’s Articles of Association, Company’s Articles of Association	Articles of Association of Arctic Paper SA
SEZ	Kostrzyńsko-Słubicka Special Economic Zone
Registration Court	District Court in Zielona Góra
Warsaw Stock Exchange, WSE	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna
KDPW, Depository	Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna with its registered office in Warsaw
PFSA	Polish Financial Supervision Authority
SFSA	Swedish Financial Supervisory Authority, equivalent to PFSA
NASDAQ in Stockholm, Nasdaq	Stock Exchange in Stockholm, Sweden
CEPI	Confederation of European Paper Industries
EURO-GRAPH	The European Association of Graphic Paper Producers
Eurostat	European Statistical Office
GUS	Central Statistical Office of Poland
NBSK	Northern Bleached Softwood Kraft
BHKP	Bleached Hardwood Kraft Pulp

DEFINITIONS OF SELECTED TERMS AND FINANCIAL INDICATORS AND ABBREVIATIONS OF CURRENCIES

Sales profit margin	Ratio of profit/(loss) on sales to sales revenue from continuing operations
EBIT	Profit on continuing operating activities (Earnings Before Interest and Taxes)
EBIT profitability, operating profitability, operating profit margin	Ratio of operating profit/(loss) to sales revenue from continuing operations
EBITDA	Operating profit from continuing operations plus depreciation and amortisation and impairment allowances (Earnings Before Interest, Taxes, Depreciation and Amortisation)
EBITDA profitability, EBITDA margin	Ratio of operating profit plus depreciation and amortisation and impairment allowances to sales income from continuing operations
Gross profit margin	Ratio of gross profit/(loss) to sales revenue from continuing operations
Sales profitability ratio, net profit margin	Ratio of net profit/(loss) to sales revenue
Return on equity, ROE	Ratio of net profit/(loss) to equity income
Return on assets, ROA	Ratio of net profit/(loss) to total assets
EPS	Earnings Per Share, ratio of net profit to the weighted average number of shares
BVPS	Book Value Per Share, Ratio of book value of equity to the number of shares
Debt-to-equity ratio	Ratio of total liabilities to equity
Equity to non-current assets ratio	Ratio of equity to non-current assets
Interest-bearing debt-to-equity ratio	Ratio of interest-bearing debt and other financial liabilities to equity
Net debt-to-EBITDA ratio	Ratio of interest-bearing debt minus cash to EBITDA from continuing operations
EBITDA-to-interest coverage ratio	Ratio of EBITDA to interest expense from continuing operations
Current ratio	Ratio of current assets to current liabilities
Quick ratio	Ratio of current assets minus inventory and short-term accruals and deferred income to current liabilities
Cash solvency ratio	Ratio of total cash and similar assets to current liabilities
DSI	Days Sales of Inventory, ratio of inventory to cost of sales multiplied by the number of days in the period
DSO	Days Sales Outstanding, ratio of trade receivables to sales income from continuing operations multiplied by the number of days in the period

DPO	Days Payable Outstanding, Ratio of trade payables to cost of sales from continuing operations multiplied by the number of days in the period
Operating cycle	DSI + DSO
Cash conversion cycle	Operating cycle DPO
FY	Financial year
Q1	1st quarter of the financial year
Q2	2nd quarter of the financial year
Q3	3rd quarter of the financial year
Q4	4th quarter of the financial year
H1	First half of the financial year
H2	Second half of the financial year
YTD	Year-to-date
Like-for-like, LFL	Analogous, with respect to operating result.
P.P.	Percentage point, difference between two amounts of one item given in percentage
PLN, zł, złoty	Monetary unit of the Republic of Poland
gr	grosz 1/100 of one zloty (the monetary unit of the Republic of Poland)
Euro, EUR	Monetary unit of the European Union
GBP	Pound sterling, monetary unit of the United Kingdom
SEK	Swedish Krona monetary unit of the Kingdom of Sweden
USD	United States dollar, the legal tender in the United States of America
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRS EU	International Financial Reporting Standards endorsed by the European Union
GDP	Gross Domestic Product

OTHER DEFINITIONS AND ABBREVIATIONS

Series A Shares	50,000 Shares of Arctic Paper SA A series ordinary shares of PLN 1 each.
Series B Shares	44,253,500 Shares of Arctic Paper SA B series ordinary shares of PLN 1 each.
Series C Shares	8,100,000 Shares of Arctic Paper SA C series ordinary shares of PLN 1 each.
Series E Shares	3,000,000 Shares of Arctic Paper SA E series ordinary shares of PLN 1 each.
Series F Shares	13,884,283 Shares of Arctic Paper SA F series of the nominal value of PLN 1 each
Shares, Issuer's Shares	Series A, Series B, Series C, Series E, and Series F Shares jointly

FORWARD-LOOKING STATEMENTS

The information contained in this report which does not relate to historical facts relates to forward looking statements. Such statements may, in particular, concern the Group's strategy, business development, market projections, planned investment outlays, and future revenue. Such statements may be identified by the use of expressions pertaining to the future such as, e.g., "believe", "think", "expect", "may", "will", "should", "is expected", "is assumed", and any negations and grammatical forms of these expressions or similar terms. The statements contained in this report concerning matters which are not historical facts should be treated only as projections subject to risk and uncertainty. Forward-looking statements are inevitably based on certain estimates and assumptions which, although our management finds them rational, are naturally subject to known and unknown risks and

uncertainties and other factors that could cause the actual results to differ materially from the historical results or the projections. For this reason, we cannot assure that any of the events provided for in the forward-looking statements will occur or, if they occur, about their impact on the Group's operating activities or financial situation. When evaluating the information presented in this report, one should not rely on such forward-looking statements, which are stated only as at the date they are expressed. Unless legal regulations contain detailed requirements in this respect, the Group shall not be obliged to update or verify those forward-looking statements in order to provide for new developments or circumstances. Furthermore, the Group is not obliged to verify or to confirm the analysts' expectations or estimates, except for those required by law.

FORWARD-LOOKING STATEMENTS RELATING TO RISK FACTORS

In this report we described the risk factors that the Management Board of our Group considers specific to the sector we operate in; however, the list may not be exhaustive. Other factors may arise that have not been identified by us and that could have material and adverse impact on the business, financial condition, results on operations or prospects of the Arctic Paper Group. In such circumstances, the price of the shares of the Company listed at Giełda Papierów Wartościowych w Warszawie SA

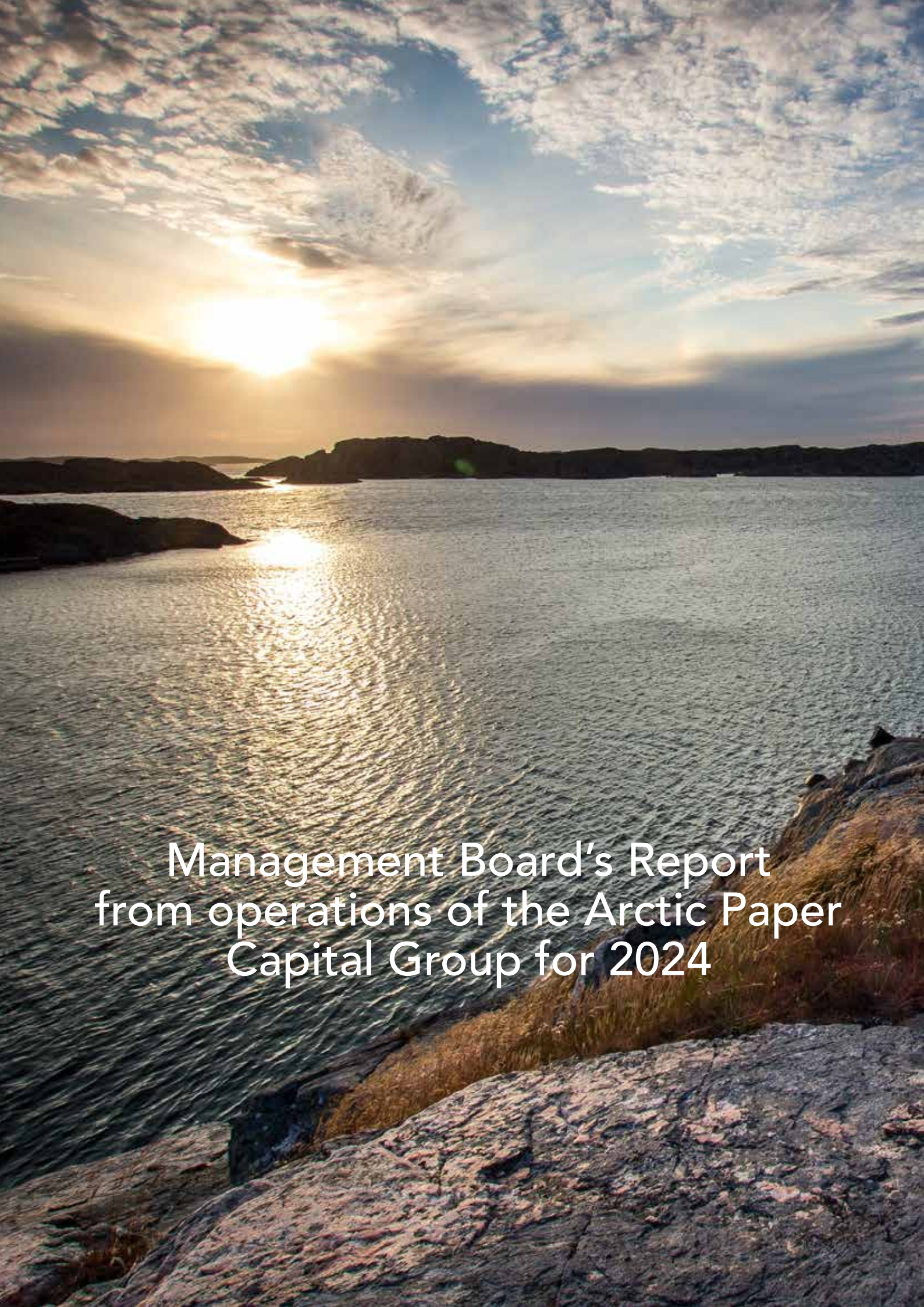
(Warsaw Stock Exchange) or at NASDAQ in Stockholm may decrease, investors may lose their invested funds in whole or in part and the potential dividend disbursement by the Company may be limited. We ask you to perform a careful analysis of the information disclosed in 'Risk factors' of this report – the section contains a description of risk factors and uncertainties related to the business of the Arctic Paper Group.

SELECTED CONSOLIDATED FINANCIAL DATA

	Period from 01.01.2024 to 31.12.2024 PLN '000	Period from 01.01.2023 to 31.12.2023 PLN '000	Period from 01.01.2024 to 31.12.2024 EUR '000	Period from 01.01.2023 to 31.12.2023 EUR '000
Continuing operations				
Sales revenue	3 434 693	3 549 153	797 994	781 121
Operating profit/(loss)	184 294	357 068	42 818	78 586
Gross profit/(loss)	192 449	340 917	44 712	75 031
Net profit/(loss) for the period	161 105	272 388	37 430	59 949
Net profit/(loss) attributable to the shareholders of the Parent Company	154 458	247 132	35 886	54 390
Net cash flows from operating activities	188 395	471 203	43 771	103 705
Net cash flows from investing activities	(416 630)	(146 720)	(96 797)	(32 291)
Net cash flows from financing activities	22 835	(288 933)	5 305	(63 590)
Change in cash and cash equivalents	(205 400)	35 550	(47 721)	7 824
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	2,23	3,57	0,52	0,78
Diluted EPS (in PLN/EUR)	2,23	3,57	0,52	0,78
Mean PLN/EUR exchange rate*			4,3042	4,5437

* Items of the Statement of profit or loss and Statement of cash flows have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing in the period that the presented data refers to.
** Balance sheet items and book value per share have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing on the balance sheet date.

	As at 31 December 2024 PLN '000	As at 31 December 2023 PLN '000	As at 31 December 2024 EUR '000	As at 31 December 2023 EUR '000
Assets	2 756 963	2 722 877	645 205	626 237
Non-current liabilities	375 560	279 753	87 891	64 340
Current liabilities	612 680	641 616	143 384	147 566
Equity	1 768 723	1 801 508	413 930	414 330
Share capital	69 288	69 288	16 215	15 936
Number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	25,53	26,00	5,97	5,98
Diluted book value per share (in PLN/EUR)	25,53	26,00	5,97	5,98
Declared or paid dividend (in PLN/EUR)	69 287 783	187 077 014	16 215 255	43 025 992
Declared or paid dividend per share (in PLN/EUR)	1,00	2,70	0,23	0,62
PLN/EUR exchange rate at the end of the period**			4,2730	4,3480



Management Board's Report from operations of the Arctic Paper Capital Group for 2024

DESCRIPTION OF THE BUSINESS OF THE ARCTIC PAPER GROUP

GENERAL INFORMATION

The Arctic Paper Group is a paper and pulp producer. We offer voluminous book paper and a wide range of products in this segment, as well as high-grade graphic paper. The Group produces 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 and the advertising industry. In connection with acquisition of the Rottneros Group in December 2012, the Group's assortment was expanded with the production of pulp. As at 31 December 2024, the Arctic Paper Group employed around 1,500 people in its Paper Mills, companies involved in sale of paper and in pulp producing companies, procurement office and a company producing food packaging. Our Paper Mills are located in Poland and Sweden, and have total production capacity of over 695,000 tonnes of paper per year. Our Pulp Mills located in Sweden have aggregated production capacities of over 400,000 tonnes of pulp annually. As at 31 December 2024, the Group had 13 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenue for 12 months of 2024 amounted to PLN 3,435 million.

Arctic Paper SA is a holding company set up in April 2008. The Parent Company is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Company holds statistical number REGON 080262255. The Company has a foreign branch in Göteborg, Sweden.

BUSINESS ACTIVITY

The principal business of the Arctic Paper Group is production and sales of paper and pulp. The Group's additional business, partly subordinate to paper and pulp production, covers:

- Production of packaging,
- Generation of electricity,
- Transmission of electricity,
- Electricity distribution,
- Heat production,
- Heat distribution,
- Logistics services,
- Paper and pulp distribution.

OUR PRODUCTION FACILITIES

As on 31 December 2024, as well as on the day hereof, the Group owned the following Paper Mills:

- the Paper Mill in Kostrzyn nad Odrą (Poland) has the production capacity of about 315,000 tonnes per year and mainly produces uncoated wood-free paper for general printing use such as printing books, brochures and forms, and for producing envelopes and other paper products;
- the Paper Mill in Munkedal (Sweden) has the production capacity of about 160,000 tonnes and mainly produces fine uncoated wood-free paper used primarily for printing books and high-quality brochures;
- the Paper Mill in Grycksbo (Sweden) has the production capacity of about 220,000 tonnes per year and produces coated wood-free paper used for printing maps, books, magazines, posters and printing of advertising materials.

As on 31 December 2024, as well as on the day hereof, the Group owned the following Pulp Mills:

- the Rottneros mill (Sweden) has a production capacity of approximately 160,000 tonnes per year and produces one type of mechanical fibre pulp: chemi-thermo mechanical pulp (CTMP);
- the Pulp Mill in Vallvik (Sweden) has the annual production capacity of about 240,000 tonnes and produces two types of long-fibre sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp. The most of Vallvik Pulp Mill production is known as NBSK pulp. The unbleached sulphate pulp produced by the Pulp Mill is characterised by very high purity and is primarily used to produce transformers and in cable industry.



OUR PRODUCTS

The product assortment of the Arctic Paper Group covers:

Uncoated wood-free paper, in particular:

- white offset paper that we produce and distribute primarily under the Amber brand which is one of the most versatile types of paper destined for various applications;
- woodfree bulky book paper that we produce under the Munken brand, used primarily for book printing;
- high quality graphic paper with a particularly smooth or rough surface, used for printing various advertising and marketing materials, which we produce under the Munken Design brand.

Coated wood-free paper, in particular:

- coated woodfree paper, manufactured under the G and Arctic Volume brands, used primarily for printing of books, magazines, catalogues, maps, personalised direct mail correspondence.

Uncoated wood-containing paper, in particular:

- premium wood containing bulky book paper that we produce and distributed under the Munken brand, was developed specially for multi-colour and B/W printing of books.

Packaging papers:

- kraft paper, which is manufactured under the brand name Munken Kraft
- one side coated packaging papers produced under the brand name G-Flexmatt

Both grades are ideal for a wide range of packaging applications, such as shopping bags, bags for loose food, packaging or laminates used in the food or non-food industry.

Unbleached sulphate pulp:

- fully bleached sulphate pulp and unbleached sulphate pulp used primarily to produce printing and writing paper, cardboard, toilet paper and white packaging paper.

Mechanical fibre pulp:

- chemi-thermo mechanical pulp (CTMP), which is mainly used in the production of printing and writing paper.

CAPITAL GROUP STRUCTURE

The Arctic Paper Group comprises Arctic Paper SA, as the Parent Company, and its subsidiaries, as well as joint ventures. Since 23 October 2009, Arctic Paper SA has been listed on the primary market of Giełda Papierów Wartościowych w Warszawie SA (Warsaw Stock Exchange) and since 20 December 2012 in the NASDAQ stock exchange in Stockholm. The Group operates through its Paper Mills and Pulp Mills and its subsidiary producing packaging as well as its sales Offices and Procurement Offices.

SHAREHOLDING STRUCTURE

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper SA, holding (as at 31 December 2024) 41,374,890 shares of our Company, which constitutes 59.71% of its share capital and corresponds to 59.71% of the total number of votes at General Meetings. Thus Nemus Holding AB is the parent company of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 5,323,658 shares representing 7.68% of the total number of shares in the Company, and via another entity – 600.000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper SA as at 31 December 2024 was 68.26% and has not changed until the date of approval of this report.

Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]
Thomas Onstad	47 298 548	68.26%	47 298 548	68.26%
– indirectly via	41 974 890	60.58%	41 974 890	60.58%
Nemus Holding AB	41 374 890	59.71%	41 374 890	59.71%
other entity	600 000	0.87%	600 000	0.87%
– directly	5 323 658	7.68%	5 323 658	7.68%
Other	21 989 235	31.74%	21 989 235	31.74%
Total	69 287 783	100.00%	69 287 783	100.00%
Treasury shares	–	0.00%	–	0.00%
Total	69 287 783	100.00%	69 287 783	100.00%

The data in the above table is shown as at the date of approval of this report, which has not changed as compared to 31 December 2024, and the date of publication of the quarterly report for Q3 2024, i.e. as at 7 November 2024.

MARKET ENVIRONMENT

SEGMENTS OF THE GRAPHIC PAPER MARKET

The graphic paper market is split into three core segments:

- coated and uncoated fine paper,
- coated and uncoated wood-containing paper,
- magazine paper.

Graphic and book paper

Fine paper Wood-free paper with more than 90% of chemical cellulose fibres in a fibrous mass. Product is resistant to aging.		Wood-containing paper Wood-containing paper produced from mechanical cellulose fibres. It is described by the content of wadding, which is responsible for good opacity but also for paper ageing process.	
 ARCTIC PAPER	 ARCTIC PAPER	 ARCTIC PAPER	 ARCTIC PAPER
Uncoated woodfree paper	Coated woodfree paper	Uncoated wood-containing paper	Coated wood-containing paper
For printed application such as: books, catalogues, inserts printed in colour or black-white. Printing techniques: offset and digital printing.	Coated by compounds of mineral pigments and glue, smoothened. Paper used for 4-color printing, where high quality of reproduction is required.	Used primarily to produce pocket booklets, printed in one colour as well as newsprint.	Paper used mainly for large edition magazines and mass advertising materials.
Uncoated woodfree office paper			



Below is a description of segments in the graphic market:

Fine paper is wood-free paper where minimum 90% of fibre mass is pulp fibres obtained with chemical methods:

- uncoated wood-free paper made of pulp. It may be subject to additional processing like surface sizing, calendering, surface or mass dyeing;
- two core categories of the paper include graphic paper (used e.g. to print books, handbooks and catalogues) and office copying paper;
- coated wood-free paper made of pulp is subject to coating with pigment and glue mixtures (kaolin, calcium carbonate). The coating may be performed on paper machines (online) or outside paper machines (offline). Coating of paper improves its smoothness and transparency of the background, improves the quality of colour reproduction.

Wood-containing paper is most often manufactured of mechanical pulp or recycled-paper pulp, without or with small quantities of filler. It contains lignin which increases the opacity of the paper but accelerates ageing.

- uncoated wood-containing paper is manufactured of mechanical pulp, used to print magazines with rotogravure and offset techniques (newsprint) and to print single-colour publications. Products of the Group in that segment are usually used to print paperbacks;
- coated wood-containing paper is manufactured of mechanical pulp, it is double coated. It is used to print multi-colour magazines and catalogues.

In that product group there is e.g.: SC (Super Calendered), MFC (Machine Finished Coated), LWC (Light Weight Coated), ULWC (Ultra-Light Weight Coated) MWC (Medium Weight Coated). The paper in the form of rolls is used for heat-set printing.

Packaging paper market segments in which Arctic Paper operates

The packaging paper market, where Arctic Paper operates, is divided into two basic segments:

- kraft paper, which is divided into bleached, unbleached and recycled fibre papers;
- packaging papers coated on one side.

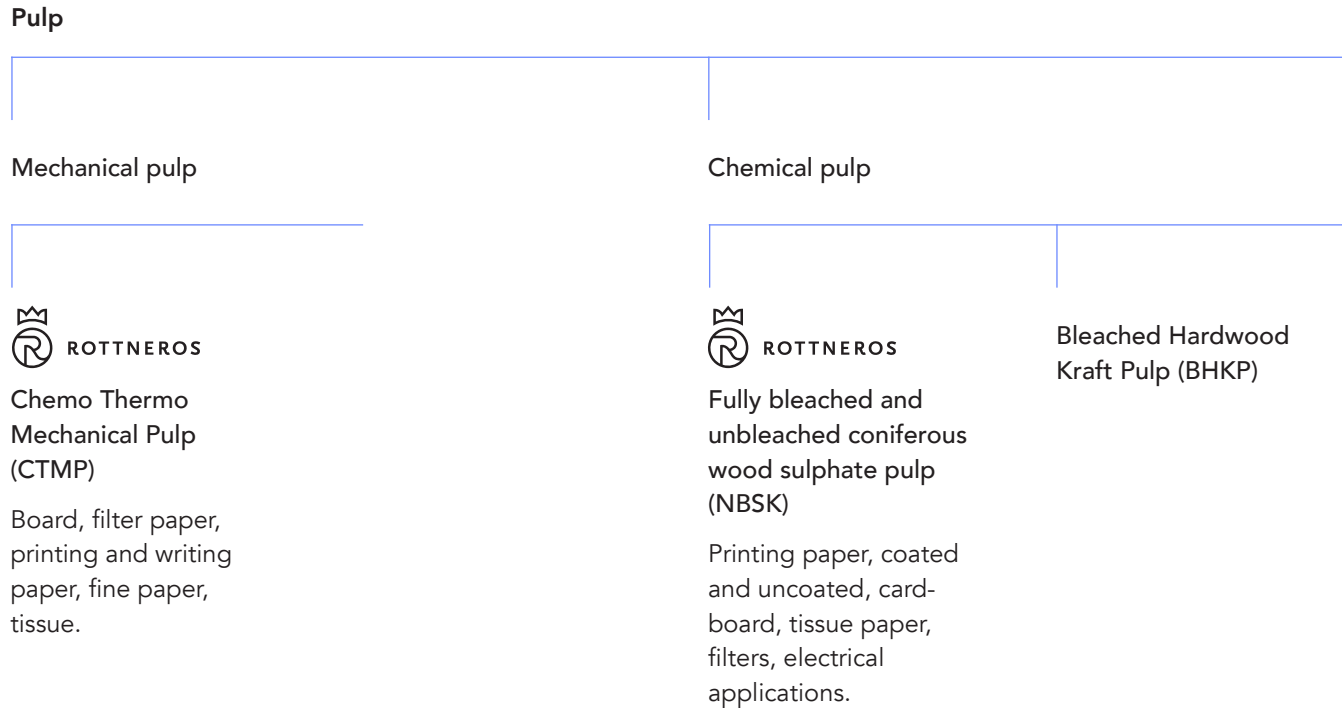
The Group operates exclusively in the segment of machine-finished kraft paper and one-side coated matt surface packaging. We are not present in the other segments.

Packaging papers

Kraft Papers			 ARCTIC PAPER One-side Coated Flexible Packaging One-side coated flexible packaging papers are used for packages where not only the protection of goods but also visual appearance matters.
Papers available as machine – finished (MF) and machine – glazed (MG).			
 ARCTIC PAPER Bleached Kraft Papers Papers made from virgin pulp. Both MF and MG kraft papers are widely used by the food and non-food industry.	Unbleached Kraft Paper Papers made from unbleached wood pulp. Due to higher strength values, this kind of paper is ideal for industrial bags, shopping bags with a handle or as a protection for automotive parts (after prior paraffinization, the paper has anti-corrosion properties).	Recycled Kraft Paper Papers made with post-consumer waste. Recycled kraft provides less tear and burst strength and used for occasions where no maximum strength is required.	

Additional information on the market environment is provided further in this report in the section: Information on market trends.

Segments of the pulp market



SALES STRUCTURE

In 2024 and in 2023, the sales structure by main product lines was as follows:

PLN '000	2024	% share	2023	% share
Paper	2 413 664	70%	2 460 441	69%
Amber	1 039 929	30%	1 047 941	30%
G-Print	641 329	19%	604 247	17%
Munken	508 142	15%	549 767	15%
Arctic	182 256	5%	217 431	6%
AP Tech	42 006	1%	41 031	1%
Other	2	0%	24	0%
Pulp	1 021 030	30%	1 088 712	31%
NBSK and derivatives	891 138	26%	984 514	28%
Groundwood	81 395	2%	47 543	1%
CTMP	48 496	1%	56 655	2%
Other	3 434 693	100%	3 549 153	100%
Total paper and pulp	3 549 153	100%	4 894 276	100%

thousand tonnes	2024	% share	2023	% share
Paper	486	59%	431	55%
Amber	220	27%	190	24%
G-Print	133	16%	111	14%
Munken	88	11%	82	10%
Arctic	37	4%	39	5%
AP Tech	9	1%	8	1%
Other		0%		0%
Pulp	341	41%	356	45%
NBSK and derivatives	219	26%	235	30%
Groundwood		0%		0%
CTMP	122	15%	121	15%
Total paper and pulp	827	100%	787	100%

In 2024 there were no material changes to the sales structure of paper and pulp by the Group or in the revenue structure from sales of paper and pulp by the Group by its products. In 2024, there is a quantitative decrease and a quantitative increase in paper and pulp sales.

BUYERS

The base of our customers covers both direct and indirect buyers. Direct buyers purchase the Group’s products at our Paper Mills. Indirect buyers do not buy the Group’s products on their own and they resort to the services of printing houses or paper wholesalers, nevertheless, they constitute an important target group of marketing activities of Arctic Paper since it is indirect buyers that recommend the use of the Group’s papers to direct buyers. The groups of direct and indirect buyers of products include:

- printing houses – they are direct buyers straight from the Group’s Paper Mills,
- wholesalers – they are direct buyers of paper manufactured by the Group for further re-sale,
- publishers – they are direct and indirect buyers of paper manufactured by the Group straight from the Group for their publishing business and instruct or recommend the use of our paper to printing houses to which they commission the printing of books and other publications,
- advertising agencies – they are mainly indirect buyers that do not buy our products directly; however, they play an important role in commissioning and recommending our products to printing houses, in

particular high quality paper to print annual reports of companies, brochures, leaflets and packaging,

- final buyers and brand owners – they are direct and indirect customers who purchase our products directly, as well as playing an important role in recommending the use of our products to printers they have entrusted with printing.

Pulp Mill products are mainly bought by customers that produce paper for printing, paper hygienic products and cardboard as well as electrical devices and filters. Pulp is supplied to entities that do not have the capacity to produce pulp by them and to buyers that produce certain types of pulp and look for suppliers of other types of pulp.

In our opinion, we are not materially dependent on any single specific buyer. The Group’s consolidated revenue for 2024 shows that the share of the largest buyer did not exceed 10% of total sales revenue.



VENDORS & SUPPLIERS

In its business, the Group relies on the following goods and services:

- Pulp for Paper Mills,
- Wood for Pulp Mills,
- Chemicals,
- Electricity,
- Transport services.

PULP

Pulp is the core material used by the Group to produce paper. The Group acquires pulp on the basis of revolving annual contracts concluded under framework agreements or one-off transactions.

WOOD

Wood is the core material used by the Pulp Mills to produce pulp. The Rottneros Group has a purchasing department placing orders at sawmills in Sweden, as well as a subsidiary, SIA Rottneros Baltic, purchasing timber in the Baltic countries.

CHEMICALS

The core chemicals used to produce papers are fillers (mainly calcium carbonate), starch (of maize, potatoes, tapioca), optical bleaching agents and other chemicals. Chemicals are also used to produce cellulose.

ELECTRICITY

In its production processes, the Group uses electricity and heat energy. The entire demand for electricity and heat energy for the Paper Mill in Kostrzyn is covered with its own heat and power plant using natural gas. The gas is supplied pursuant to a contract with a Polish supplier (PGNiG) at annual indexed prices in line with changes to the sectoral indicators published by GUS [Central Statistical Office of Poland] subject to negotiations of the indexation formula when the contractual change levels are exceeded. Gas is acquired from deposits located close to Kostrzyn nad Odrą and delivered to the Paper Mill with a local pipeline.

In autumn 2022, a new boiler designed to generate steam from waste fuels was commissioned at the Arctic Paper Munkedals mill. The boiler is designed to handle any solid fuel. The paper mill is also powered by electricity from an internal hydroelectric power station,

mains electricity and steam from a natural gas boiler. Energy for the Paper Mill Arctic Paper Grycksbo is obtained from biomass and electricity is partly acquired from external suppliers.

The Rottneros Pulp Mill covers its entire demand for electricity with purchases from external suppliers.

The Vallvik Pulp Mill provides for about 75% of its demand for electricity with its own resources. The remaining demand for electricity is covered with purchases from external suppliers.

TRANSPORT SERVICES

The Group does not operate its own means of transportation and resorts to specialised external entities for distribution of its products from Paper Mills and warehouses to buyers.

Entities in the Group are not dependent on those suppliers. Based on the Group’s consolidated costs for 2024, the share of the largest supplier did not exceed 10% of total costs.

INFORMATION ON THE SEASONAL OR CYCALICAL NATURE OF BUSINESS

The demand for the Group’s products is subject to slight variations throughout the year. Reduced demand for paper occurs each year during summer holidays and around Christmas when some printing houses, in particular in Western Europe are closed. Global graphic paper markets are also subject to structural decline due to digitalisation in society, but thanks to its efficient sales process and strong brands, Arctic Paper manages its market shares and overall paper decline better than its competitors.

RESEARCH AND DEVELOPMENT

The Arctic Paper Group mainly carries out development work aimed at streamlining and modernizing production processes, improving cost and energy efficiency and improving the quality of the products offered. During the period covered by this report, the paper and pulp mills carried out development work aimed at improving the production process, reducing energy and raw material consumption and optimising the cost of the production process.

LABOUR MATTERS

Matters relating to the Group’s employees are detailed in the section of the Management Report “Sustainability statement”.

NATURAL ENVIRONMENT

Our Group complies with environmental standards set forth in numerous applicable regulations and in administrative decisions. The standards are aimed at ensuring protection of soil, air and water against pollution as well as noise and electromagnetic fields. In the section “Sustainability statement” we describe how environmental regulations affect the Group’s activities.

Summary of the consolidated financial results

SELECTED ITEMS OF THE STATEMENT OF PROFIT OR LOSS

	2024	2023	Change % 2024/2023
PLN '000			
Continuing operations			
Sales revenue	3 434 693	3 549 153	(3,2)
of which:			
Sales of paper	2 413 663	2 460 441	(1,9)
Sales of pulp	1 021 030	1 088 712	(6,2)
Profit on sales	584 386	745 684	(21,6)
% of sales revenue	17,01	21,01	(4,0) p.p.
Selling and distribution costs	(349 188)	(340 973)	2,4
Administrative expenses	(120 618)	(124 077)	(2,8)
Other operating income	132 055	129 397	2,1
Other operating expenses	(62 341)	(52 963)	17,7
EBIT	184 294	357 068	(48,4)
% of sales revenue	5,37	10,06	(4,7) p.p.
EBITDA	298 596	475 304	(37,2)
% of sales revenue	8,69	13,39	(4,7) p.p.
Finance income	19 686	15 069	30,6
Finance costs	(11 531)	(31 220)	(63,1)

Gross profit/(loss)	192 449	340 917	(43,5)
Income tax	(31 344)	(68 528)	(54,3)
Net profit/(loss)	161 105	272 388	(40,9)
% of sales revenue	4,69	7,67	(3,0) p.p.
Net profit/(loss) for the reporting period attributable to the shareholders of the Parent Company	154 458	247 132	(37,5)

REVENUE

In 2024, consolidated sales revenue reached PLN 3,434,693 thousand compared to PLN 3,549,153 thousand in the previous year and decreased by 3.2% (PLN 114,460 thousand). Revenue from paper sales decreased by 1.9% (PLN 46,778 thousand) and revenue from pulp sales decreased by 6.2% (PLN 67,682 thousand) compared to 2023.

The volume of paper sales in 2024 was 486 thousand tonnes (2023: 431 thousand tonnes) and was 55 thousand tonnes higher than in the previous year. This represents an increase in sales volume by 13%.

Pulp sales volumes in 2024 were 334,000 tonnes (2023: 356 thousand tonnes) and was 22 thousand tonnes lower than in the previous year. This means a decrease in sales volume by 6%.

PROFIT ON SALES, COSTS OF SALES, SELLING AND DISTRIBUTION COSTS, AND ADMINISTRATIVE EXPENSES

Profit on sales in 2024 was by 21.6% lower than in the previous year. Sales profit margin in the current year stood at 17.01% compared to 21.01% (-4.0 p.p.) in the previous year.

The decrease in profit on sales in 2024 compared to 2023 was mainly due to a decrease in paper sales prices with an increase in paper sales volume, as well as a decrease in pulp sales volume due to limited market demand.

In 2024, the selling and distribution costs amounted to PLN 349,188 thousand, up 2.4% on 2023. The selling and distribution costs comprise particularly transportation costs.

In 2024, administrative expenses reached PLN 120,618 thousand, compared to PLN 124,077 thousand in 2023, a decrease of 2.8%. The main reasons for the decrease were lower costs related to the provision of external consultancy services to the Group and lower employee benefit costs.

OTHER OPERATING INCOME AND EXPENSES

Other operating income in 2024 amounted to PLN 132,055 thousand, an increase of PLN 2,658 thousand compared with the previous year.

Other operating expenses in 2024, reached PLN 62,341 thousand, up by PLN 9,378 thousand on the previous year.

A major part of the other operating income and expenses includes revenue and costs of sales of sold energy and other materials. In addition, other operating income in 2024 shows the subsidy granted for the Kostrzyn plant in the amount of PLN 37,041 thousand. This subsidy applied to companies in the energy-intensive industry and was linked to natural gas and electricity prices.

FINANCE INCOME AND FINANCE COSTS

In 2024, finance income amounted to PLN 19,686 thousand and was higher compared to the income received in 2023 by PLN 4,617 thousand, mainly due to positive exchange rate differences.

Finance costs in 2024 amounted to PLN 11,532 thousand compared to PLN 31,220 thousand incurred in 2023. The lower finance costs in 2024 were primarily due to the positive result on exchange rate differences.

INCOME TAX

Income tax in 2024 amounted to PLN -31,344 thousand, while in 2023 it amounted to PLN -68,528 thousand. The effective tax rate to gross profit in 2024 was 16% (2023: 20%).

PROFITABILITY ANALYSIS

The Company uses alternative performance measurements when describing the Group's financial position. In the opinion of the Management Board, these selected indicators provide valuable information on the financial and operational situation (in addition to the data provided by the Company in its financial statements), as well as facilitating the analysis and evaluation of the Group's financial results over the individual reporting periods.

The Company presents alternative performance measurements as they represent standard measures and ratios commonly used in financial analysis, however, these ratios may be calculated and presented differently by different companies. Therefore, the Issuer provides the exact definitions used by the Group in its reporting process. The selection of alternative performance measures was preceded by a thorough analysis of their usefulness in terms of providing shareholders, analysts and investors with useful information on financial position and financial efficiency, which the Company believes allows for an optimal assessment of its financial results.

The ratios presented by the Company were calculated according to the formulas described at the beginning of this report in the "Definitions and explanations of abbreviations".

EBITDA in 2024 was PLN 298,596 thousand, while in 2023 it was PLN 475,304 thousand. The decrease in EBITDA in 2024 is mainly due to lower paper selling prices and lower volumes of pulp sold. EBITDA was additionally negatively impacted by high maintenance and repair costs for machinery and equipment, as well as bad debt write-downs.

In the reporting period, the EBITDA margin was 8.69% versus 13.39% in 2023. Operating profit for 2024 amounted to PLN 184,294 thousand and for 2023 to PLN 357,068 thousand.

The operational profit margin in 2024 was +5.37% versus +10.06% in 2023. The lower operating profit in 2024 was due to lower EBITDA.

Net profit in 2024 was PLN 161,105 thousand, while in 2023 it was PLN 272,388 thousand. Net profit margin in 2024 amounted to +4.69% as compared to +7.67% in 2023.

	2024	2023	Change % 2024/2023
PLN '000			
Profit/(loss) on sales	584 386	745 684	(21,6)
% of sales revenue	17,01	21,01	(4,0) p.p.
EBITDA	298 596	475 304	(37,2)
% of sales revenue	8,69	13,39	(4,7) p.p.
EBIT	184 294	357 068	(48,4)
% of sales revenue	5,37	10,06	(4,7) p.p.
Net profit/(loss)	161 105	272 388	(40,9)
% of sales revenue	4,69	7,67	(3,0) p.p.
Return on equity / ROE (%)	9,1	15,1	(6,0) p.p.
Return on assets / ROA (%)	5,8	10,0	(4,2) p.p.

In 2024, return on equity was +9.1%, while in 2023 it was +15.1%.
In 2024, return on assets was +5.8%, while in 2023 it was +10.0%.
The decrease in return on equity and return on assets in 2024 was mainly due to the decrease in net profit achieved in 2024 compared to 2023.

SELECTED ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.12.2024	31.12.2023	Change 31.12.2024- 31.12.2023
PLN '000			
Non-current assets	1 492 327	1 292 262	200 067
Inventories	495 044	444 930	50 113
Receivables	444 931	416 268	28 663
trade receivables	428 773	415 421	13 352
Other current assets	37 077	68 968	(31 891)
Cash and cash equivalents	287 583	500 449	(212 867)
Total assets	2 756 963	2 722 877	34 086
Equity	1 768 723	1 801 508	(32 785)
Current liabilities	612 680	641 616	(28 937)
of which:			
trade and other payables	427 154	447 917	(20 763)
interest-bearing debt	61 363	48 742	12 621
other non-financial liabilities	124 163	144 958	(20 795)
Non-current liabilities	375 560	279 753	95 807
of which:			
interest-bearing debt	224 848	104 198	120 650
other non-financial liabilities	150 712	175 555	(24 843)
Total equity and liabilities	2 756 963	2 722 877	34 086

As at 31 December 2024, total assets amounted to PLN 2,756,963 thousand as compared to PLN 2,722,877 thousand at the end of 2023.

NON-CURRENT ASSETS

At the end of December 2024, non-current assets amounted to PLN 1,492,327 thousand and accounted for 54.1% of total assets, compared to PLN 1,292,261 thousand at the end of 2023 (47.5% of total assets).

The increase in the value of non-current assets was primarily due to an increase in the value of property, plant and equipment, related to investments under the 4P strategy.

CURRENT ASSETS

As at the end of December 2024, current assets amounted to PLN 1,264,634 thousand as compared to PLN 1,430,616 thousand at the end of December 2023. Within current assets, inventories increased by PLN 50,113 thousand, receivables increased by PLN 28,663 thousand, other current assets decreased by PLN 31,891 thousand, and cash and cash equivalents decreased by PLN 212,867 thousand. Current assets represented 45.9% of total assets as at the end of December 2024 (52.5% as at the end of 2023) and included inventories – 18.0% (16.3% as at the end of 2022), receivables – 16.1% (15.3% as at the end of 2022), other current assets – 1.3% (2.5% as at the end of 2022) and cash and cash equivalents – 10.4% (18.4% as at the end of 2022). The decrease in other current assets was mainly due to a decrease in the positive valuation of forwards mainly for the purchase of electricity. The decrease in cash was mainly due to negative cash flows from investing activities.

EQUITY

As at the end of 2024, the equity amounted to PLN 1,768,722 thousand as compared to PLN 1,801,508 thousand at the end of 2023. As at the end of December 2024, equity accounted for 64.2% of total equity and liabilities (66.2% as at 31 December 2023).

The decrease in equity was primarily due to a reduction in the positive valuation of financial instruments treated as hedges of future cash flows and the payment of dividends to other shareholders, offset in part by net profit for 2024.

CURRENT LIABILITIES

As at the end of December 2024, current liabilities amounted to PLN 612,680 thousand (22.2% of the balance sheet total), compared to PLN 641,616 thousand (23.6% of the balance sheet total) at the end of 2023.

In 2024, there is a decrease in current liabilities of PLN 28,937 thousand mainly due to a decrease in other liabilities, provisions and employee liabilities and income tax liabilities offset in part by an increase in mainly short-term loans.

NON-CURRENT LIABILITIES

As at the end of December 2024, non-current liabilities amounted to PLN 375,560 thousand (13.6% of the balance sheet total), compared to PLN 279,753 thousand (10.3% of the balance sheet total) at the end of 2023. In the year under review, there was an increase of PLN 95,807 thousand in non-current liabilities.

The increase in non liabilities was mainly due to new borrowings.

DEBT ANALYSIS

	2024	2023	Change % 2024/2023
Debt-to-equity ratio (%)	55,9	51,1	4,7 p.p.
Equity to non-current assets ratio (%)	118,5	139,4	(20,9) p.p.
Interest-bearing debt-to-equity ratio (%)	16,2	8,5	7,7 p.p.
Net debt to EBITDA ratio for the last 12 months (x)	(0,00)	(0,73)	0,73
EBITDA to interest coverage ratio (x)	39,8	75,6	(35,9)

As at the end of December 2024, the equity debt ratio was 55.9% and was higher by 4.7 p.p. versus the end of December 2023. The increase in the ratio was mainly due to a decrease in equity.

The non-current assets to equity ratio stood at 118.5% at the end of 2024, which was 20.9 p.p. lower than the level at the end of December 2023 as a result of a decrease in equity and an increase in non-current assets.

The ratio of debt to equity with interest-bearing debt stood at the end of 2024 16.2% and was 7.7 p.p. higher than the level of this ratio calculated at the end of December 2023 as a result of both an increase in interest-bearing debt and a decrease in equity.

The net debt to EBITDA ratio for the last 12 months of 2024 was 0.00, 0.73 lower than the level of this ratio for

2023 as a result of a greater decrease in net debt calculated as interest-bearing liabilities less cash than a decrease in EBITDA.

The EBITDA to net interest expense ratio for the 12 last months of 2024 was 39.8 and it was lower by 35.9 versus the level of the ratio for 2023 as a result of a decrease of EBITDA.

LIQUIDITY ANALYSIS

	2024	2023	Change % 2024/2023
Current ratio	2,1x	2,2x	(0,1)
Quick ratio	1,2x	1,5x	(0,3)
Cash solvency ratio	0,5x	0,8x	(0,3)
DSI (days)	63,4	57,1	6,3
DSO (days)	45,6	42,1	3,4
DPO (days)	54,7	57,5	(2,8)
Operating cycle (days)	109,0	99,3	9,7
Cash conversion cycle (days)	54,3	41,8	12,5

The current and quick liquidity ratios were 2.1x and 1.2x, respectively, at the end of December 2024 and decreased by 0.1 and 0.3 compared to 31 December 2023 mainly due to a higher growth rate of current assets than current liabilities.

The cash solvency ratio stood at 0.5 at the end of December 2024, down from its level at the end of December 2023 (by 0.3) mainly due to a decrease in current liabilities.

The cash conversion cycle for 2024 (54.3 days) was extended by 12.5 days compared to 2023 (41.8 days) mainly as a result of extended receivables and inventory turnover.

SELECTED ITEMS OF THE CONSOLIDATED CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash flows from operating activities reached PLN 188,395 thousand in 2024, compared with PLN 471,203 thousand in 2023. The lower cash flow from operations in 2024 was the result of a decrease in gross profit and working capital.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities in 2024 reached PLN 22,835 thousand compared with PLN -288,933 thousand in 2023. The positive cash flow from financing activities in 2024 was mainly due to the proceeds from borrowings.

CASH FLOWS FROM INVESTING ACTIVITIES

In 2024, cash flows from investing activities amounted to PLN -416,630 thousand compared with PLN -146,720 thousand in 2023 and mainly comprised expenditure on the acquisition of property, plant and equipment.

	2024	2023	Change % 2024/2023
PLN '000			
Cash flows from operating activities	188 395	471 203	(60,0)
of which:			
Gross profit/(loss)	192 449	340 917	(43,5)
Depreciation/amortisation and impairment allowances (reversal)	114 302	118 237	(3,3)
Changes to working capital	(89 597)	52 740	(269,9)
Other adjustments	(28 756)	(40 691)	(29,3)
Cash flows from investing activities	(416 630)	(146 720)	184,0
Cash flows from financing activities	22 835	(288 933)	(107,9)
Total cash flows	(205 400)	35 550	(677,8)

KEY FACTORS AFFECTING THE PERFORMANCE RESULTS

The Group's operating activities have been and will continue to be historically influenced by the following key factors:

- macroeconomic and other economic factors;
- demand growth for products based on natural fibres;
- reduced demand for certain paper types;
- fluctuations of paper prices;
- pulp price fluctuations for Paper Mills, timber for Pulp Mills and energy prices;
- FX rates fluctuation.

MACROECONOMIC AND OTHER ECONOMIC FACTORS

We believe that a number of macro-economic and other economic factors have a material impact on the demand for high-quality paper, and they may also influence the demand for the Group's products and the Group's operating results. Those factors include:

- GDP growth,
- net income – as a metric of income and affluence of the population,
- production capacity – the surplus of supply in the high quality paper segment over demand and decreasing sales margins on paper,
- paper consumption,
- technology development.

DEMAND GROWTH FOR PRODUCTS BASED ON NATURAL FIBRES

The trend observed in developed societies concerning a reduction of man's adverse impact on the environment, in particular reduction of use of disposable, plastic packaging that may not be recycled, offers new opportunities for the development of the pulp & paper sector. In many companies, work has been under way to develop new methods of packaging and production of packaging with natural materials, including pulp, so that it can be recycled. Arctic Paper is also involved in such research. In the near future, the product segment is expected to increase its percentage share in the volumes and revenue of the Arctic Paper Group.

REDUCED DEMAND FOR CERTAIN PAPER TYPES

Development of new technologies, in particular in the areas of information and communication, results in decreasing demand for certain paper types – in particular, this affects newsprint and to a lesser extent – graphic papers. However, despite the increasing popularity of e-books, the volume of book paper produced and sold by Arctic Paper has been stable in the recent years, less sensitive to changing market conditions. Nevertheless, in its strategy Arctic Paper has set a direction of activity so that within several years, the segment of non-graphic papers (that is technical or packaging paper) accounts for 1/5 of its consolidated revenue.

Material information and factors affecting the financial results and the assessment of the financial standing

PAPER PRICES

Paper prices undergo cyclic changes and fluctuations, they depend on global changes in demand and overall macroeconomic and other economic factors such as indicated above. Prices of paper are also influenced by a number of factors related to the supply, primarily changes in production capacities at the worldwide and European level.

COSTS OF RAW MATERIALS, ENERGY AND TRANSPORTATION

The main elements of the Group's operating expenses include raw materials, energy and transportation. The costs of raw materials include mainly the costs of pulp for Paper Mills, timber for Pulp Mills and chemical agents used for paper and pulp production. Our energy costs historically include mostly the costs of electricity, gas and rights to CO2 emissions. The costs of transportation include the costs of transportation services provided to the Group mainly by external entities.

Taking into account the share of those costs in total operating expenses of the Group and the limited possibility of controlling these costs by the Group Companies, their fluctuations may have a major impact on the Group's profitability.

A part of pulp supplies to our Paper Mills is made from our own Pulp Mills. The remaining part of pulp manufactured at our Pulp Mills is sold to external customers.

CURRENCY RATE FLUCTUATIONS

The Group's operating results are significantly influenced by currency rate fluctuations. In particular, the Group's revenue and costs are expressed in different foreign currencies and are not matched, therefore, the appreciation of the currencies in which we incur costs towards the currencies in which we generate revenue, will have an adverse effect on the Group's results. Our products are primarily sold to euro zone countries, Scandinavia, Poland and the UK, thus our revenue are largely denominated in EUR, GBP, SEK and PLN while revenue from the pulp mills are primarily denominated in USD. The Group's operating expenses are primarily expressed in USD (pulp costs for Paper Mills), EUR (costs related to pulp for Paper Mills, energy, transportation, chemicals), PLN (the majority of other costs incurred by the Paper Mill in Kostrzyn nad Odrą) and SEK (the majority of other costs incurred by the Munkedal and Grycksbo Paper Mills as well as the Rottne-ros and Vallvik Pulp Mills).

Exchange rates also have an important impact on results reported in our financial statements because of changes in exchange rates of the currencies in which we generate revenue and incur costs, and the currency in which we report our financial results (PLN).

INFORMATION ON CONTRACTS SIGNIFICANT FOR THE GROUP'S OPERATIONS

CONCLUSION AND TERMINATION OF MATERIAL AGREEMENTS BY THE ISSUER'S SUBSIDIARIES ARCTIC PAPER GRYCKSBO AB AND ARCTIC PAPER MUNKEDAL AB

In May 2024, subsidiaries Arctic Paper Grycksbo AB and Arctic Paper Munkedal AB entered into agreements with S.E.R.. Sverige AB, concerning the installation and grid connection at the two Swedish paper mills, battery-based electricity storage facilities with a total capacity of 24 MW and the provision of system services to the Swedish electricity transmission system operator Svenska Kraftnät.

However, in December 2024 these contracts were terminated, The reason for the termination of the contracts was that the original contractor did not proceed with the contracts according to the schedule agreed by the parties. The above contracts were terminated on 30 days' notice, which will expire on 21 January 2025.

The Issuer plans to continue working on the project with another partner.

CONCLUSION OF A MATERIAL AGREEMENT BY THE ISSUER'S SUBSIDIARY ARCTIC POWER SP. Z O.O.

Arctic Power Sp. z o.o. has entered into an asset purchase agreement with Coral W. Perkowski, J. Perkowski sp.k. in the form of the existing Garwolin photovoltaic installation with a capacity of up to 4 MW, located in Garwolin in the Mazowieckie Voivodeship. The transfer of rights to the Garwolin Installation took place at the conclusion of a distribution service agreement with the distribution system operator competent for the Garwolin Installation. The conclusion of the aforementioned Agreement represents a further step to implement the 4P Strategy in the Company's energy segment, increasing the segment's revenue and supporting the Arctic Paper Group's efforts to achieve carbon neutrality. The energy generated at the Garwolin Installation is sold to customers outside the Arctic Paper Group, with annual energy production estimated at 4,000 MWh per year.

UNUSUAL EVENTS AND FACTORS

In 2024, there were no unusual events or factors.

IMPACT OF CHANGES IN ARCTIC PAPER GROUP'S STRUCTURE ON THE FINANCIAL RESULT

In 2024, there were no material changes in the Arctic Paper Group's structure that would have material influence on the financial result generated.

OTHER MATERIAL INFORMATION

RECEIPT OF THE DECISION TO GRANT SUPPORT TO THE ISSU-ER'S SUBSIDIARY

The Ministry of Development and Technology has de-
cided on state aid for the subsidiary Arctic Paper Kostrzyn
SA for development investments. These investments
will consist of upgrading paper machines, improving the
efficiency and energy intensity of the paper production
process and building infrastructure. The support decision
was granted under the following conditions:
If the tax exemption for eligible costs is used, the ma-
ximum amount of eligible investment costs will be PLN
133.9 million.
The nominal value of the aid in the form of tax
exemptions will amount to a maximum of PLN 53.4 mil-
lion, (40% of the expenditure incurred) and will depend
on the actual investment outlay. Arctic Paper Kostrzyn SA
will be entitled to benefit from the aid upon completion
of the investment within a period of 14 years from the
date of the decision.
The new investments will take place between 1 April 2024
and 31 March 2027.

In addition, Arctic Paper Kostrzyn SA is obliged to meet
certain quality and employment criteria. The planned
investments in the Kostrzyn plant are in line with the
objectives of the 4P Strategy and will bring the Arctic
Paper Group closer to achieving the objectives of the 4P
Strategy in terms of increasing production efficiency and
environmental neutrality of processes.

AWARD OF COMPENSATION BASED ON THE ACT ON THE COMPENSATION SYSTEM FOR ENERGY-INTENSIVE SECTORS AND SUBSECTORS TO A SUBSIDIARY OF THE ISSUER

In November 2024, the subsidiary Arctic Paper Kostrzyn
SA state aid was granted for the transfer of the costs of
purchasing emission allowances to the prices of electricity
consumed in the production of products in energy-inten-
sive sectors or subsectors for the year 2023 in the total
amount of PLN 31.2 million.

Factors influencing
the development
of the Arctic Paper Group

INFORMATION ON MARKET TRENDS

SUPPLIES OF FINE PAPER

In Q4 2024, the Arctic Paper Group reported a 3.4% increase in order levels compared to Q3 2024, with a 2.6% increase in order levels compared to the same period in 2023.

For the full year 2024, the Arctic Paper Group reported a 12.8% increase in order levels compared to the previous year.

Source of data: Arctic Paper analysis

PAPER PRICES

At the end of Q3 2024, prices for uncoated woodfree (UWF) papers in Europe decreased by 0.2% compared to prices at the end of December 2023, while they recorded an increase of 2.2% for coated woodfree (CWF) papers.

At the end of December 2024, manufacturers’ average declared prices for selected paper types and markets: Germany, France, Spain, Italy, the UK for both uncoated woodfree (UWF) and coated woodfree (CWF) papers were lower than at the end of September 2024 by 1.2% and 0.8% respectively.

Arctic Paper’s invoiced prices in EUR of comparable products in the uncoated woodfree paper (UWF) segment fell by an average of 5.7% from the end of September 2024 to the end of December 2024. In the wood-free coated papers (CWF) segment, prices fell by 6.2% over the same period. At the end of Q4 2024, Arctic Paper’s invoiced prices for uncoated woodfree (UWF) papers decreased by 2.1% compared to prices at the end of December 2023, while for coated woodfree (CWF) papers they recorded a decrease of 3.1%.

Source: For market data – RISI, price changes for selected markets in Germany, France, Spain, Italy and the UK in local currencies for graphic papers similar to the product portfolio of the Arctic Paper Group. The prices are expressed without considering specific rebates

for individual customers and they did not include additions nor price reductions in relation to the publicly available price lists. The estimated prices for each month reflect orders placed in the month while the deliveries may take place in the future. Because of that, RISI price estimates for a particular month do not reflect the actual prices at which deliveries are performed but only express ordering prices. For Arctic Paper products, the average invoiced sales prices for all served markets in EUR.

PULP PRICES

At the end of Q4 2024, the pulp prices reached the level of: NBSK – USD 1,482.5/ton and BHKP – USD 1.000/ton.

The average NBSK price in Q4 2024 was 27.7% higher than in the same period last year, while the average BHKP price was 21.2% higher. Compared to Q3 2024, the average pulp price in the fourth quarter of this year fell by 5.2% for NBSK and by 19.9% for BHKP.

Pulp costs are characterised by high volatility. The prices of the raw materials had major impact on the Group’s profitability in the period.

The average cost of pulp used in paper production calculated for the Arctic Paper Group expressed in PLN in Q4 2024 decreased by 5.5% compared to Q3 2024. The average cost of pulp used in paper production in Q4 2024, compared to the same period last year, increased by 27.3%.

The share of pulp costs in the cost of sales after 12 months of the current year was 52%, compared to 49% in the same period of 2023.

The Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 77%, NBSK 18% and other 5%.

Source of data: www.foex.fi Arctic Paper analysis

CURRENCY EXCHANGE RATES

At the end of Q4 2024, the EUR/PLN rate amounted to 4.2730 and was by 1.7% lower than at the end of Q4 2023. The average EUR/PLN exchange rate in Q4 2024 was 4.3074, down 2.5% on the same period in 2023.

The EUR/SEK exchange rate was 11.4527 at the end of Q4 2024 (up 3.2% compared to the end of Q4 2023). For the pair, the average rate was 0.1% higher in Q4 2024 compared to the same period in 2023. The weakening SEK against the euro had a favourable impact on the level of revenue invoiced in euro at the factories in Sweden (AP Munkedals and AP Grycksbo).

The USD/PLN exchange rate at the end of Q4 2024 was 4.1012. In Q4 2024, the average USD/PLN exchange rate was 4.0349, compared to 4.1113 in the same period of the previous year, a decrease of 1.9%. However, it was 3.4% higher than in Q3 2024. The average USD/PLN exchange rate in 2024 was 5.3% lower than for 2023. The year-on-year change had a favourable impact on the costs realised in USD by AP Kostrzyn, in particular pulp costs.

The USD/SEK exchange rate at the end of Q4 2024 was 10.9922. The average rate in Q4 2024 was 10.7670,

compared to 10.6757 in the same period of the previous year, representing a rate appreciation of 0.9%. In Q4 2024, the average USD/SEK exchange rate increased by 3.2% compared to Q3 2024. The change in comparison to the equivalent quarter of 2023 unfavourably affected the costs incurred in USD by AP Munkedals and AP Grycksbo, in particular the costs of pulp.

The EUR/USD exchange rate at the end of December this year was 1.0419, compared to 1.1050 (-5.7%) at the end of December 2023. The average rate in Q4 2024 was 1.0679 compared to 1.0755 in the same period last year and 1.0984 in Q3 2024. This represents a weakening of the EUR against the USD compared to Q4 2023 by 0.7% and compared to Q3 2024 by 2.8%.

The appreciation of PLN versus EUR has adversely affected the Group’s financial profit, mainly due to decreased sales revenue generated in EUR and translated into PLN. The stronger PLN against the USD in turn had a positive impact on the Group’s financial performance, as it resulted in lower purchase costs for the main raw material at the Kostrzyn Mill. The weakening SEK against EUR had a favourable impact on revenue generated in EUR at APM and APG factories.



FACTORS INFLUENCING THE FINANCIAL RESULTS IN THE PERSPECTIVE OF THE NEXT YEAR

The material factors that have an impact on the financial results over the next year, include:

- Shaping demand for high-grade papers in Europe at a time of a tense geopolitical situation, high pulp prices, and an economic slowdown in Germany. Over the recent years there has been a major decrease of demand for fine paper in Europe (level of executed orders). Further negative developments in the market may adversely affect order levels to our Paper Mills. The accelerated digitalisation of legacy print products may have the additional effect of reducing demand for high-quality graphic papers and therefore negatively impact the Group's financial performance.
- Price changes of fine paper. In particular, the possibility to maintain the prices of Arctic Paper products in local currencies in view of the declining supply/demand in Europe and in the context exchange rates fluctuations, will have a material influence on the financial results. Paper prices will play a particularly important role for the Kostrzyn Mill, which is particularly strongly, and negatively, affected by falling sales volumes and prices due to the changes in the market.
- Price fluctuations of raw materials, including pulp for Paper Mills and electricity for all operational entities. In particular, financial results of Paper Mills may be negatively influenced by increasing pulp prices, particularly BHKP. On the other hand, dropping NBSK pulp prices may negatively affect the financial results of Pulp Mills. Fluctuations of electricity prices in Sweden may also have a material impact on the results generated by the Group. In the future, such market changes may translate into changes of sales profitability in Paper Mills of AP Munkedals and AP Grycksbo as well as in Pulp Mills of Rottneros and Vallvik.

- Changes in currency rates, in particular, the appreciation of PLN and SEK in relation to EUR and GBP, the appreciation of PLN in relation to SEK, and the depreciation of PLN and SEK in relation to USD, may have an adverse effect on the financial results. However, the Group's Pulp Mills may benefit from the appreciation of USD in relation to SEK.
- Changes in currency rates, in particular, the appreciation of PLN and SEK in relation to EUR and GBP, the appreciation of PLN in relation to SEK, and the depreciation of PLN and SEK in relation to USD, may have an adverse effect on the financial results. However, the Group's Pulp Mills may benefit from the appreciation of USD in relation to SEK.

RISK FACTORS

RISK FACTORS

Risk factors related to the environment in which the Group operates

The sequence in which the risk factors are presented below does not reflect the likelihood of occurrence, extent or materiality of the risks.

THE RISK RELATED TO INTENSIFYING COMPETITION IN THE PAPER MARKET IN EUROPE

Our Group operates in a very competitive market. The achievement of the strategic objectives assumed by the Group may be made difficult by operations of competitors, particularly integrated paper producers operating on a larger scale than our Group. Any more intensified competition resulting from a potential growth of production capacity of our competitors and thus an increased supply of paper to the market, may adversely affect the achievement of the planned revenue and thus the ability to achieve the underlying financial and operational assumptions.

The Group has a high exposure to this risk.

RISK OF CHANGING LEGAL REGULATIONS

Our Group operates in a legal environment characterised with a high level of uncertainty. The regulations affecting our business have been frequently amended and often there are no consistent interpretations which generates a risk of violating the existing regulations and the resultant consequences even if such breach was unintentional. Additionally, amendments to regulations relating to environmental protection and other regulations may generate

the need to incur material expenditures to ensure compliance, inter alia, more restrictive regulations or stricter implementation of the existing regulations concerning the protection of surface waters, soil waters, soil and atmospheric air.

The Group has a medium exposure to this risk.

FX RISK

Revenue, expenses and results of the Group are exposed to currency risk, in particular relating to exchange rates of PLN and SEK to EUR, GBP and other currencies. Our Group exports a majority of its produced paper to European markets, generating a material part of its sales revenue in EUR, GBP, PLN and SEK. Sales revenue of pulp in the Pulp Mills is subject to USD FX risk. The purchase costs of materials for paper production, in particular pulp for paper mills are paid primarily in USD and EUR. Additionally, we hold loan liabilities mainly in PLN, EUR and SEK. PLN is the currency used in our financial statements and therefore our revenue, expenses and results generated by the subsidiaries domiciled abroad are subject to FX rate fluctuations. Thus currency exchange rate fluctuations may have a strong adverse effect on the results, financial conditions and prospects of the Group.

The Group has a medium exposure to this risk.

INTEREST RATE RISK

The Group is exposed to interest rate risk in view of the existing interest-bearing debt. The risk results from fluctuations of such interest rates as WIBOR for debt in PLN, EURIBOR for debt in EUR and STIBOR for debt in SEK. Unfavourable changes of interest rates may adversely affect the results, financial condition and prospects of the Group.

The Group has a low exposure to this risk.

RISK RELATED TO INCREASING IMPORTANCE OF ALTERNATIVE MEDIA

Trends in advertising, electronic data transmission and storage and in the Internet have adverse impact on traditional printed media and thus on the products of the Group and its customers. Continuation of such changes may adversely affect the results, financial condition and prospects of the Group.

The Group has a high exposure to this risk

The objectives and methods of financial risk management in the Group along with hedging methods of major transactions are detailed in note 5.21 to the consolidated financial statements.

RISK FACTORS RELATING TO THE BUSINESS OF THE GROUP

The sequence in which the risk factors are presented below does not reflect the likelihood of occurrence, extent or materiality of the risks.

RISK RELATED TO RELATIVELY LOW OPERATIONAL MARGINS

Historically, the operational results of the Group are characterised by relatively high volatility and low profit margins on operations. Reduced revenue resulting e.g. from changes to production capacity, output, pricing policies or increased operating expenses that primarily comprise costs of raw materials (mainly pulp for Paper Mills) and energy, may mean the Group's losses in earning capacity. Material adverse changes to profitability may result in reduced prices of our stock and reduced capacity to generate working capital thus adversely affecting our business and deteriorating our prospects.

The Group has a high exposure to this risk.

RISK OF PRICE CHANGES TO RAW MATERIALS, ENERGY AND PRODUCTS

We are exposed to the risk of price changes of raw materials and energy, primarily related to price fluctuations of pulp, gas and electricity. Paper Mills buy pulp under frame agreements or in one-off transactions and do not hedge against fluctuations of pulp prices. A part of pulp is supplied to our Paper Mills from the Pulp Mills of the Rottneros Group. The risk of changing prices of raw materials is related primarily to changing prices of paper and pulp in the markets to which we sell our products. A material growth of prices of one or more raw materials and energy may adversely affect the operating results and financial condition of the Group.

The Group has a high exposure to this risk.

RISK OF DISRUPTION TO PRODUCTION PROCESSES

Our Group holds three Paper Mills operating jointly seven production lines with total annual production capacity of over 700,000 tonnes of paper and two Pulp Mills with a total production capacity of 400.000 tonnes of pulp. Long-lasting disruption to the production process may result from a number of factors, including a breakdown, human error, unavailability of raw materials, natural catastrophes and other that are beyond our control. Each such disruption, even relatively short, may have material impact on our production and profitability and result in material costs for repairs, liabilities to buyers whose orders we are not able to satisfy and other expenses.

The Group has a medium exposure to this risk.

RISK RELATED TO OUR INVESTMENTS

Investments by the Group aimed at expanding the production capacity of the Group require material capital outlays and a relatively long time to complete. As a result, the market conditions under which we operate may be materially changed in the period between our decision to incur investment outlays to expand production capacity and the completion time. Changes of market conditions may result in a volatile demand for our products which may be too low in the context of additional production capacities. Differences between demand and investments in new production capacities may result in failure to utilise the expanded production capacity to the full extent. This may have adverse effect on the operating results and financial condition of the Group.

The Group has a medium exposure to this risk.

RISK FACTORS RELATING TO THE DEBT OF THE GROUP

Our Group mainly has debt under a loan agreement with a consortium of banks (Pekao SA, Santander Bank SA and BNP Paribas SA) of 2 April 2021, loan debt with Danske Bank, Nordea Bank and under leasing agreements.

Failure by the Group to comply with its obligations, including the agreed levels of financial ratios (covenants) resulting from the agreements, will result in default under those agreements. Events of default may in particular result in demand for repayment of our debt, banks taking control over important assets like Paper Mills or Pulp Mills and loss of other assets which serve as collateral, deterioration of creditworthiness and lost access to external funding which will be converted into lost liquidity and which in turn may materially adversely affect our business and development prospects and our stock prices.

The Group has a low exposure to this risk.

RISK RELATED TO INSURANCE LIMITS

In the context of deteriorating situation in paper industry

and the results of the Arctic Paper Group, our suppliers, in particular suppliers of such raw materials as pulp, may have problems with acquiring insurance limits (sale on credit) and thus they may lose the possibility of offering deferred payment terms to the Arctic Paper Group. Such situation may result in deteriorated financial situation and loss of financial liquidity of operating units and as a result this may adversely affect the situation in the entire Group.

The Group has a medium exposure to this risk.

RISK OF RESTRICTED SUPPLIES OF NATURAL GAS

Polskie Górnictwo Naftowe i Gazownictwo S.A (PGNiG) is the sole supplier of natural gas used by AP Kostrzyn to generate heat and electrical energy for paper production (PGNiG). In this context, the business and costs of paper production at AP Kostrzyn is materially affected by availability and price of natural gas. Potential disruptions of supplies of natural gas to the Paper Mill in Kostrzyn nad Odrą may have adverse effect on production, results on operations and financial condition of the Group.

The Group has a low exposure to this risk.

RISK RELATED TO CONSOLIDATION AND LIQUIDITY OF KEY CUSTOMERS

Consolidation trends among our existing and potential customers may result in a more concentrated customer base covering a few large buyers. Such buyers may rely on their improved bargaining position in negotiating terms of paper purchases or decide to change the supplier and acquire products from our competitors. Additionally, in the context of the deteriorating condition in printing industry, such customers as paper distributors, printing houses or publishers may not be able to obtain insurance limits (sale on credit) or have problems with financial liquidity which may result in their bankruptcy and adversely affect our financial results. The above factors may have adverse impact on the operational results and financial condition of the Group.

The Group has a medium exposure to this risk.

RISK RELATED TO COMPLIANCE WITH REGULATIONS ON ENVIRONMENTAL PROTECTION AND ADVERSE IMPACT OF THE PRODUCTION PROCESS ON THE ENVIRONMENT

The Group meets the requirements related to environmental protection; however, no certainty exists that it will always be able to comply with its obligations and that in the future it will avoid material expenses or that it will not incur material obligations related to the requirements or that it will be able to obtain all permits, approvals and other consents to carry on its business as planned. Similarly, considering that paper and pulp production is related to potential hazards relating to waste generated in Paper Mills and Pulp Mills and contamination with chemicals, no certainty exists that in the future the Group is not charged with liability for environmental pollution or that no event that may underlie the liability of the Group has not already occurred. Thus the Group may be required to incur major expenses in connection with the need to remove contamination and land reclamation.

The Group has a medium exposure to this risk.

RISK RELATED TO CO2 EMISSIONS

Our Paper Mills and Pulp Mills are provided with free carbon dioxide emission rights for each period. The emission rights are awarded within the EU Emission Trading Scheme. Should such free carbon dioxide emission rights be cancelled and replaced with a system of paid emission rights, our costs of energy generation will grow accordingly. Additionally, we may be forced to incur other unpredictable expenses in connection with the emission rights or changing legal regulations and the resultant requirements. Due to the above we may be forced to reduce the quantity of generated energy or to increase the production costs which may adversely affect our business, financial condition, operational results or development prospects.

The Group has a low exposure to this risk.

RISK RELATED TO DIVIDEND DISTRIBUTION

The Issuer is a holding company and therefore its capacity to pay dividend is subject to the level of potential disbursements from its subsidiaries involved in operational activity, and the level of cash balances. Certain subsidiaries of the Group involved in operational activity may be subject to certain restrictions concerning disbursements to the Issuer. No certainty exists that such restrictions will have no material impact on the business, results on operations and capacity of the Group to distribute dividend.

In connection with the term and revolving loan agreements, and the agreement between creditors signed on 2 April 2021, the Company's ability to pay dividends is subject to the Group meeting certain financial ratios in the period prior to payment (as that term is defined in the term and revolving loan agreement) and there being no event of default (as that term is defined in the term and revolving loan agreement).

The Group has a medium exposure to this risk.

SUPPLEMENTARY INFORMATION

MANAGEMENT BOARD'S POSITION ON FINANCIAL FORECASTS

The Management Board of Arctic Paper SA did not publish projections of financial results for 2024 and has not published and does not intend to publish projections of financial results for 2025.

PRINCIPLES FOR THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements for the period from 1 January 2024 to 31 December 2024 have been prepared on the basis of International Financial Reporting Standards and related interpretations promulgated as regulations of the European Commission. The financial statements have been prepared on a going concern basis for the foreseeable future. As at the date of the financial statements, there are no circumstances indicating a threat to the Group's and the Issuer's going concern. Details of the preparation of the standalone and consolidated financial statements are discussed in note 2.1 to the 2024 Consolidated Financial Statements.



CHANGES TO THE BODIES OF ARCTIC PAPER SA

As at 31 December 2024, the Company's Supervisory Board was composed of:

- Per Lundeen – Chairman of the Supervisory Board appointed on 22 September 2016 (appointed to the Supervisory Board on 14 September 2016);
- Roger Mattsson – Deputy Chairman of the Supervisory Board appointed on 22 September 2016 (appointed as a Member of the Supervisory Board on 14 September 2014);
- Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008;
- Zofia Dzik – Member of the Supervisory Board appointed on 22 June 2021;
- Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021.

Until the date hereof, there were no changes to the composition of the Supervisory Board of the Parent Company.

As at 31 December 2024, the Company's Management Board was composed of:

- Mr Michał Jarczyński – President of the Management Board
- Ms Katarzyna Wojtkowiak – Member of the Management Board
- Mr Tom Fabian Langenskiöld – Member of the Management Board

Until the date hereof, there were no changes to the composition of the Management Board of the Parent Company.

CHANGES TO THE SHARE CAPITAL OF ARCTIC PAPER SA

In 2024 there were no changes to the Company's share capital.

REMUNERATION PAID TO MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The table below presents information on the total amount of remuneration and other benefits paid or payable to members of the Management Board and of the Supervisory Board of the Parent Company and subsidiaries for the period from 1 January 2024 to 31 December 2024 (data in PLN).

Managing and supervising persons	Remuneration for the functions performed at Arctic Paper SA	Retirement plan	Other	Total
Management Board				
Jarczyński Michał			434 577	2 383 016
Wojtkowiak Katarzyna	805 020		170 439	975 459
Langenskiöld Fabian	1 353 825	487 149	353 222	2 194 195
				5 552 671
Supervisory Board				
Per Lundeen	369 935		412 217	782 152
Roger Mattsson	261 935		113 040	374 975
Thomas Onstad	187 097			187 097
Zofia Dzik	224 516			224 516
Anna Jakubowski	187 097			187 097
				1 755 838

There were no liabilities arising from pensions and benefits of a similar nature for former executives in 2024.

AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD GUARANTEEING FINANCIAL COMPENSATION

As at 31 December 2024 and as at the approval date of this annual report, Members of the Management Board are entitled to compensation in case of their resignation or dismissal from their respective positions with no valid reason or when they are dismissed or their employment is terminated as a result of a merger of the Issuer by take-over. The amount of such compensation will correspond to their remuneration for 6 to 24 months.

INFORMATION ON THE CONTROL SYSTEM FOR EMPLOYEE SHARE SCHEMES

There are no control systems for employee share schemes in the Group.

CHANGES IN HOLDINGS OF THE ISSUER’S SHARES OR RIGHTS TO SHARES BY PERSONS MANAGING AND SUPERVISING ARCTIC PAPER SA

	Number of shares or rights as at 29.04.2025	Number of shares or rights to shares as at 31.12.2024	Number of shares or rights to shares as at 07.11.2024	Change
Management Board				
Michał Jarczyński	5 572	5 572	5 572	–
Katarzyna Wojtkowiak	–	–	–	–
Tom Fabian Langenskiöld	900	900	900	–
Supervisory Board				
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad*	5 323 658	5 323 658	5 323 658	-
Roger Mattsson	–	–	–	–
Zofia Dzik	–	–	–	–
Anna Jakubowski	–	–	–	–

* Direct participation

MANAGEMENT OF FINANCIAL RESOURCES

In 2024, the Group has managed its financial resources appropriately, with the highest possible efficiency in the use of these resources. The sources of funding for the Group’s activities were in particular own funds, bank loans and credits and trade payables.

As of the date hereof, the Company held sufficient funds and creditworthiness to ensure financial liquidity of the Arctic Paper SA Group.

CAPITAL INVESTMENTS

In 2024, the Company used short-term deposits with a maturity of up to six months.

INFORMATION ON FINANCIAL INSTRUMENTS

Information on financial instruments on:

a. the risks of: price changes, credit, material disruption of cash flows and loss of liquidity to which the Group is exposed; and

b. the entity’s financial risk management objectives and policies, including its methods of hedging significant types of forecast transactions for which hedge accounting is used, are disclosed in the consolidated financial statements in notes 5.21.5. and 5.21.8.

INFORMATION ON LOANS TAKEN OUT AND TERMINATED

Information on the Group’s loans can be found in note 5.14 of the financial statements.

INFORMATION OF SURETIES, GUARANTEES AND PLEDGES

As at 31 December 2024, the Capital Group reported:

- a bank guarantee in favour of Skatteverket Ludvika in the amount of SEK 135 thousand;
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 773 thousand;
- a pledge on properties held by Munkedals Kraft AB as required by loan agreements with Nordea Bank for SEK 80,000 thousand (related to the investment in the hydro power plant;
- pledges on shares in subsidiary companies in the Rottneros Group for SEK 284,730 thousand under loan agreements concluded with Danske Bank.

In connection with the term and revolving loan agreements signed on 2 April 2021, on 11 May 2021 the Company signed agreements and declarations pursuant to which the above receivables and other claims were secured in favour of Bank Santander Bank Polska SA acting as Security Agent, i.e.

1. Under Polish law – Collateral Documents establishing the following Collateral:

- financial and registered pledges on all shares or interests held by the Company and Arctic Paper Kostrzyn SA registered in Poland, with the exception of the Company’s shares;
- mortgages on all real properties located in Poland and belonging to the Guarantors;
- registered pledges on all material rights and movable assets owned by the Company and the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
- assignment of (existing and future) insurance policies relating to the assets of the Company Arctic Paper Kostrzyn SA (with the exception of the insurance policies listed in the Loan Agreement);

- declarations by the Company and Arctic Paper Kostrzyn SA on voluntary submission to enforcement, in the form of a notary deed;
 - financial pledges and registered pledges on the bank accounts of the Company and Arctic Paper Kostrzyn SA registered in Poland (the pledges relate to current and future bank accounts; in the event of an event of default, in the event that the pledged receivable or part thereof becomes due, the Company may not draw funds from the pledged receivable, nor may it instruct the bank maintaining the account to disburse the funds);
 - powers of attorney to the Polish bank accounts of the Company and Arctic Paper Kostrzyn SA;
 - civil surety for liabilities granted by Arctic Paper SA, Arctic Paper Kostrzyn SA, Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB.
- corporate mortgage loans granted by the Guarantors registered in Sweden as long as such collateral covers solely the existing mortgage deeds;
 - assignment of (existing and future) insurance policies covering the assets of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB (with the exception of insurance policies listed in the Loan Agreement);
 - pledges on Swedish bank accounts of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as long as such collateral is without prejudice to free management of funds deposited on bank accounts until an event of default specified in the Loan Agreement.

2. Under Swedish law – Collateral Documents establishing the following Collateral:

- pledges over all the Company's and Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB shares or interests registered in Sweden;
- mortgages on all real properties located in Sweden and owned by Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB, provided that only existing mortgage deeds are subject to such security;

MATERIAL OFF-BALANCE SHEET ITEMS

The Group has no significant off-balance sheet items.

ASSESSMENT OF THE FEASIBILITY OF INVESTMENT PLANS

In view of the financial results achieved and subject to accomplishment of the current financial objectives, the Company plans to carry out the investments in line with its financial plan. The core objective of the investments is to develop new products, minimise production costs, including the costs of electricity, and to improve the effectiveness of the production process. The Group intends to finance its investment plan for 2024 with its own funds and external funding sources.

INFORMATION ON SIGNIFICANT COURT AND ARBITRATION PROCEEDINGS AND PROCEEDINGS PENDING BEFORE PUBLIC ADMINISTRATIVE AUTHORITIES

In the period covered by this report, Arctic Paper SA and its subsidiaries were not a party to any material proceedings pending before a court, a competent authority for arbitration proceedings or a public administration authority.

INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES EXECUTED ON NON-MARKET TERMS AND CONDITIONS

During the period under report, Arctic Paper SA and its subsidiaries did not execute any material transactions with related entities on non-market terms and conditions.

INFORMATION ON AGREEMENTS RESULTING IN CHANGES TO THE PROPORTIONS OF SHARE HOLDINGS

Otherwise than stated herein, the Issuer is not aware of any agreements that may in the future generate changes to the proportions of shareholdings by the existing shareholders and bond holders.

INFORMATION ON PURCHASE OF TREASURY SHARES

The Parent Company did not purchase any treasury shares in 2024.

INFORMATION ON THE ISSUE OF SECURITIES

The Company did not issue securities in the 2024 financial year.

INFORMATION ON REMUNERA-
TION OF THE ENTITY AUTHORISED
TO AUDIT THE FINANCIAL STATE-
MENTS

On 22 February 2023, the Company's Supervisory Board, based on the Audit Committee's recommendation on the selection of an auditor, decided to select PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as the auditor of the Company and the Arctic Paper SA Group to audit the financial statements for 2023 and 2024. The recommendation of the Audit Committee was issued as a result of the selection procedure in compliance with the "Policy and procedure for the selection of the audit firm for the statutory and voluntary audit of the consolidated and standalone financial statements of Arctic Paper SA with its registered office in Kostrzyn nad Odrą".

On 14 July 2023, Arctic Paper SA entered into an agreement with PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. to review the Company's interim standalone consolidated financial statements and the Group's interim consolidated financial statements for the periods from 1 January 2023 to 30 June 2023 and from 1 January 2024 to 30 June 2024, and to audit the Company's stand-alone financial statements and the Group's consolidated financial statements for the financial periods from 1 January 2023 to 31 December 2023 and for the financial periods from 1 January 2024 to 31 December 2024. The contract was concluded for the time required to perform the above services.

Other information on the auditor, including information on the audit firm's fees paid or payable for 2024 and 2023, is included in note 7.3 to the consolidated financial statements.

The non-audit services that the Group auditor responsible for the audit of the financial statements provided or is authorised to provide to the Group and its subsidiaries during the period under review are:

1. Performing services related to the verification of the consolidated pro-forma report and the audit of financial ratios for the year ended 31 December 2024, in accordance with the existing credit agreement in favour of Arctic Paper SA.

- 2. Performing services to support the administrative process of filing corrections to two previous VAT returns for 2023 (August and October) for Vallviks Bruk AB.
- 3. Performing support services for the preparation of INTRASTAT and ESPL declarations in Spain for Vallviks Bruk AB.
- 4. Performing support services for the preparation of VAT returns in Germany for Vallviks Bruk AB.
- 5. Performing support services for the preparation of VAT returns in Norway for Vallviks Bruk AB.
- 6. Performing support services for the preparation of VAT returns in Italy for Vallviks Bruk AB.
- 7. Performing services to support the preparation of responses to the Swedish tax authorities on complex tax forms for Arctic Paper Munkedals AB.
- 8. Attestation of CSRD report for 2024 for Arctic Paper Group.

Prior to the performance of the above services, an independence assessment was carried out in relation to the provision of these services, the Audit Committee agreed.

HEADCOUNT

Information on the headcount is provided in note 7.2 to the consolidated financial statements.

STATEMENT ON THE APPLICATION
OF THE CORPORATE GOVERNANCE
RULES

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CE RULES

On 29 March 2021, the Supervisory Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie SA) by Resolution No. 13/1834/2021 adopted corporate governance rules for companies listed on the WSE Main Market – "Best Practice of GPW Listed Companies (Best Practice 2021, DPSN2021).

Best Practice 2021 came into force on 1 July 2021.

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

The text of the "Best Practice of WSE Listed Companies 2021" is available on the websites of the Stock Exchange SA and the Company:

https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.pdf
https://www.arcticpapergroup.pl/globalassets/arcticpapergroup.com/02-about/04-corporate-governance/dpsn21_broszura_wersja_do_druku.pdf

On 22 June 2022, the General Meeting of Shareholders of Arctic Paper SA adopted the "Diversity Policy for the Management Board and Supervisory Board of Arctic Paper SA" by Resolution No. 21/2022.



The policy applies to the Management Board and the Supervisory Board of Arctic Paper SA. Its purpose is to regulate the recruitment and election of members of the Company's Management and Supervisory Boards and to ensure non-discrimination and equal opportunities in the process.

In accordance with the regulations of the Policy, candidates are assessed in accordance with the principles of independence and merit and diversity criteria. The Company endeavours to ensure that the persons selected have a diverse range of education, experience, knowledge and skills, gender and age.

The functions of the members of the Management Board and the Supervisory Board shall be entrusted to specific

persons, irrespective of their gender, but in accordance with the professional preparation and experience of these persons. The composition of the Company's bodies largely depends on the decisions of the Company's shareholders.

The Company aims to keep the proportion of women on the Company's boards to no less than 30%. This aspect is taken into account in the planned recruitment processes.

Information on the extent the Issuer waived the provisions of the corporate governance rules

Arctic Paper SA was striving at applying corporate governance rules as set forth in the document "Best Practice of GPW Listed Companies 2021". In 2024, Arctic Paper SA did not apply the following rules:

BEST PRACTICE – INFORMATION POLICY, COMMUNICATION WITH INVESTORS

Rule 1.3.2

"The company also includes ESG topics in its business strategy, in particular covering: social and labour matters, concerning, inter alia, measures taken and planned to ensure gender equality, sound working conditions, respect for employees' rights, dialogue with local communities, customer relations."

Explanation:

A detailed development of ESG issues covering the entire capital group is presented by the Company in the CSR reports published each year. CSR reports take into account environmental, social, employee and sustainable development issues, including, among others, measures and established goals, description of undertaken and planned actions in the ESG area.

Rule 1.4.2

"In order to ensure proper communication with stakeholders regarding the business strategy adopted, the company publishes on its website information on the assumptions of its strategy, measurable objectives, including in particular long-term objectives, planned activities and progress in its implementation, defined by metrics,

financial and non-financial. Information on ESG strategies should, among other things: provide the value of the pay equity ratio paid to its employees, calculated as a percentage of the difference between average monthly pay (including bonuses, prizes and other allowances) of women and men for the last year, and provide information on actions taken to eliminate possible inequalities in this respect, together with a presentation of the risks involved and the time horizon over which equality is planned to be achieved.

Explanation:

A detailed development of ESG issues covering the entire capital group is presented by the Company in the CSR reports published each year. CSR reports take into account environmental, social, employee and sustainable development issues, including, among others, measures and established goals, description of undertaken and planned actions in the ESG area.

BEST PRACTICE – SYSTEMS AND INTERNAL FUNCTIONS

Rule 3.3

"A company included in the WIG20, mWIG40 or sWIG80 index shall appoint an internal auditor heading the internal audit function, who shall act in accordance with internationally recognised standards of professional practice



for internal auditing. In other companies where no internal auditor meeting the aforementioned requirements has been appointed, the audit committee (or the supervisory board if it performs the functions of an audit committee) shall annually assess whether there is a need to appoint such a person."

Explanation:

Given the size of the Company and the structure and nature of its business, the appointment of an internal auditor is not justified by the assessments carried out by the Management Board and the Supervisory Board. Audit functions responsible for auditing the various divisions of the operating companies have been established in the Company's group entities.

Rule 3.10

"At least every five years, a company included in the WIG20, mWIG40 or sWIG80 index shall have its internal audit function reviewed by an independent auditor selected with the participation of the audit committee."

Explanation:

Given the size of the Company and the structure and nature of its business, the Management Board, the Supervisory Board and the Audit Committee acting within it will consider the need for an independent audit in the future.

BEST PRACTICE – GENERAL MEETING AND RELATIONS WITH SHAREHOLDERS

Rule 4.1

"The company should enable shareholders to participate in a general meeting using electronic means of communication (e-meeting) if this is justified by the expectations of shareholders communicated to the company, as long as it is able to provide the technical infrastructure necessary for holding such a general meeting."

Explanation:

Given the need for many technical and organisational steps and the associated costs and legal risks, the Company has not decided to hold an electronic general meeting at this time.

Rule 4.3

"The company shall provide a publicly available real-time broadcast of the general meeting."

Explanation:

Taking into account the costs and legal risks, the Company has not decided at this time to carry out a general broadcast of the General Meeting. The Company will consider this possibility in the future.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS WITH REFERENCE TO THE DEVELOPMENT PROCESSES OF FINANCIAL STATEMENTS

The Management Board of Arctic Paper SA is responsible for the internal control system in the company and for its efficiency in the development process of financial statements and interim reports, prepared and published in compliance with the rules of the Regulation of the Minister of Finance on current and periodical disclosure by issuers of securities and conditions to recognise as equivalent the information that is required by the law in Non-Member States of 29 March 2018. The Company's financial division headed by the CFO is responsible for the preparation of the Group's financial statements and interim reports. The Company prepares its financial statements and periodic reports on the basis of the procedures of making and publishing periodic reports. The financial data underlying the preparation of the Company's financial statements is derived from the accounting system. The Management Board, after the accounting closure of each calendar month, analyses the company's financial performance in comparison with the budgeted assumptions and the results achieved in the previous reporting year.

The Company's Management Board systematically assesses the quality of internal control and risk management systems with reference to the preparation process of financial statements. On the basis of such review, the Company's Management Board found that as at 31 December 2024 there were no weaknesses that could materially affect the effectiveness of internal control with respect to financial reporting.

SHAREHOLDERS THAT DIRECTLY OR INDIRECTLY HOLD SIGNIFICANT PACKAGES OF SHARES

Information on the shareholders that directly or indirectly hold large packages of shares is presented in the table below – the table presents the situation as at the date of approval of this report.

Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]
Thomas Onstad	47 298 548	68,26%	47 298 548	68,26%
- indirectly via	41 974 890	60,58%	41 974 890	60,58%
Nemus Holding AB	41 374 890	59,71%	41 374 890	59,71%
other entity	600 000	0,87%	600 000	0,87%
- directly	5 323 658	7,68%	5 323 658	7,68%
Other	21 989 235	31,74%	21 989 235	31,74%
Total	69 287 783	100,00%	69 287 783	100,00%
Treasury shares	-	0,00%	-	0,00%
Total	69 287 783	100,00%	69 287 783	100,00%

SECURITIES WITH SPECIAL CONTROL RIGHTS

There are no securities in the Company with special control rights – in particular, no shares in the Company are privileged.

INFORMATION ON MAJOR RESTRICTIONS ON TRANSFER OF TITLE TO THE ISSUER'S SECURITIES AND ALL RESTRICTIONS CONCERNING THE EXERCISING OF VOTING RIGHTS

The Company's Articles of Association do not provide for any restrictions concerning transfer of title to the Issuer's securities.

With the exception of restrictions on the transfer and acquisition of the Company's shares that arise under

common law, there are no restrictions on the transfer of ownership of the Company's securities.

The Company's Articles of Association do not provide for any restrictions on the exercise of voting rights on Arctic Paper SA shares.

DESCRIPTION OF THE PRINCIPLES OF AMENDING THE ISSUER'S ARTICLES OF ASSOCIATION

Changes to the Company's Articles of Association fall within the sole competences of the General Meeting.

There were no changes to the Issuer's Articles of Association in 2024.

Unless the Code of Commercial Companies and Partnerships or the Articles of Association of the Company provide otherwise, resolutions of the General Meeting require an absolute majority of votes.

DESCRIPTION OF THE FUNCTIONING OF THE GENERAL MEETING

The rules of procedure of the General Meeting and its core competences result straight from applicable laws and are partly incorporated in the Company's Articles of Association.

The Company's Articles of Association are available at: https://www.arcticpapergroup.pl/globalassets/arcticpapergroup.com/02-about/04-corporate-governance/corporate-documents/pl/arctic_paper_statut_tekst_jednolity_aktualny_2019_pl.pdf

General Meetings are held in accordance with the following basic rules:

- General Meetings are held in the Company's offices or in Warsaw;
- General Meetings may be ordinary or extraordinary;
- Ordinary General Meetings shall be held within six months after the end of the financial year;
- General Meetings are opened by the Chairperson of the Supervisory Board or a person designated by him/her which is followed by election of the Chairperson of the General Meeting;
- Voting shall be open unless a Shareholder demands a secret ballot or a secret ballot is required by the provisions of the Code of Commercial Companies and Partnerships;
- Unless the Code of Commercial Companies and Partnerships or the Articles of Association of the Company provide otherwise, resolutions of the General Meeting require an absolute majority of votes;
- In compliance with the Company's Articles of Association, the following matters fall within the exclusive competences of the General Meeting:
 - considering and approving the Management Board's report on the Company's and Group's activities and the Company's financial statements and the Group's consolidated financial statements for the previous financial year;
 - granting a vote of approval to members of the Management Board and members of the Supervisory Board for the performance of their duties;
 - decisions concerning distribution of profit or coverage of losses;
 - changes to the business objects of the Company;
 - changes to the Articles of Association of the Company;
 - increase or decrease in the Company's share capital;
 - merger of the Company with another company or

- other companies, split of the Company or transformation of the Company;
- dissolution and liquidation of the Company;
- issues of convertible bonds or pre-emption bonds and issues of subscription warrants;
- purchase and sale of real properties;
- disposal and lease of the entire enterprise or an organised part thereof or establishment of limited rights in rem thereon;
- all other issues for which Articles of Association or the Code of Commercial Companies and Partnerships require a resolution of the General Meeting.

General Meetings may approve resolutions in the attendance of minimum one half of the Company's share capital.

General Meetings approve resolutions with an absolute majority of votes unless the Articles of Association or applicable regulations require a qualified majority.

The shareholders' rights and the way to enforce them result explicitly from law that has been partly incorporated in the Company's Articles of Association.

OPERATION OF THE ISSUER'S MANAGING AND SUPERVISING BODIES AND ITS COMMITTEES AS WELL AS INFORMATION ON THE COMPOSITION OF THOSE BODIES

Management Board

COMPOSITION OF THE MANAGEMENT BOARD

- The Management Board is composed of one to five members, including President of the Management Board;
- The Management Board is appointed and dismissed by the Supervisory Board for a joint term of office;
- The term of office of members of the Management Board is 3 (three) years;
- When the Management Board is composed of more than one person, the Supervisory Board – upon a proposal by the President – may appoint up to three Vice-Presidents from among members of the Management Board. Vice-Presidents may be dismissed subject to a resolution of the Supervisory Board;
- A member of the Management Board may be dismissed by the Supervisory Board at any time;
- A member of the Management Board may be dismissed or suspended in their duties at any time by the General Meeting.

CORE COMPETENCES OF THE MANAGEMENT BOARD

- The Management Board directs the affairs of the Company and represents the Company;
- If the Management Board is composed of more than one person, declarations of intent on the Company's behalf

- shall be made by the President of the Management Board individually or two Members of the Management Board acting jointly or a Member of the Management Board acting jointly with a Proxy;
- The Management Board is obliged to exercise their duties with due diligence and comply with law, the Company's Articles of Association, approved regulations and resolutions of the Company's bodies; decisions shall be taken in line with reasonable economic risk with a view to the interests of the Company and its shareholders;
- The Management Board is obliged to manage the assets and business of the Company and perform its duties subject to due diligence required in business operations and subject to strict compliance with applicable laws, provisions of the Articles of Association and internal regulations as well as resolutions approved by the General Meeting and the Supervisory Board;
- The Company's Management Board shall not be entitled to take decisions on share issues and redemption.
- Each member of the Management Board shall be liable for any damage inflicted upon the Company as a result of their actions or omissions breaching the provisions of law or the Company's Articles of Association;
- The responsibilities of the Management Board include – in compliance with the Code of Commercial Companies and Partnerships – all affairs of the Company not reserved to the General Meeting of the Supervisory Board;
- Guided with the interests of the Company, the Manage-

- ment Board defines the strategy and core objectives of the Company's business;
- The Management Board shall comply with the regulations relating to confidential information within the meaning of the Act on Trading and to comply with all the duties resulting therefrom.

Otherwise, the individual members of the Management Board shall be responsible for their running of the affairs of the Company as resulting from the internal delegation of duties and functions approved by a decision of the Management Board.

The Management Board may approve resolutions at meetings or outside meetings in writing or with the use of direct means of remote telecommunications. The Management Board approves resolutions with a majority of votes cast. Resolutions shall be valid if minimum one half of members of the Management Board are present at the meeting. In case of equal number of votes, the President of the Management Board shall have the casting vote.

With regard to the right to decide on the issue or re-

Supervisory Board

COMPOSITION AND ORGANISATION OF THE SUPERVISORY BOARD

- The Supervisory Board is composed of 5 (five) to 7 (seven) members elected by the General Meeting for a joint three-year term of office. A member of the Supervisory Board may be dismissed at any time;
- The Supervisory Board is composed of the Chairperson, Deputy Chairpersons and other members. The Chairperson of the Supervisory Board and Deputy Chairperson are elected by the Supervisory Board from among its members at the first meeting and – if so required – during the term of office in by-elections;
- Since the General Meeting approved resolutions on the first public issue of shares and having them listed, two members of the Supervisory Board have to be independent;
 - When an independent member of the Supervisory Board is nominated, resolutions on the following matters require consent of minimum one independent member of the Supervisory Board:
 - any benefits to be provided by the Company and any

demption of shares, the provisions of the Commercial Companies Code apply.

The detailed mode of operation of the Management Board is set forth in the Regulations of the Management Board with its updated version available at: <https://www.arcticpapergroup.pl/globalassets/arcticpapergroup.com/02-about/04-corporate-governance/corporate-documents/pl/regulamin-zarzadu-ap-sa.pdf>

- The Management Board of the Company as at the publication hereof was composed as follows:**
- Michał Jarczyński – President of the Management Board appointed on 1 February 2019;
 - Katarzyna Wojtkowiak – Member of the Management Board appointed with effect from 29 May 2023;
 - Fabian Langenskiöld – Member of the Management Board appointed with effect from 14 August 2023.

The Management Board was appointed for a new term of office by resolution of 9 May 2023.

- entity related to the Company for members of the Management Board;
- consent to the Company or its subsidiary to enter into a material agreement with a member of the Supervisory Board or the Management Board and with their related entities, other than agreements concluded in the normal course of the Company's business subject to normal terms and conditions applied by the Company;
- election of auditor to perform audits of the Company's financial statements;
- For the avoidance of doubt, it is assumed that loss of the independent status by a member of the Supervisory Board and failure to appoint an independent member of the Supervisory Board shall not invalidate the decisions approved by the Supervisory Board. Loss by an Independent Member of their independent status during the performance of their function of a member of the Supervisory Board shall not affect the validity or expiry of their mandate;
- In case of expiry of the mandate of a Member of the Supervisory Board before the term of office, the other Members of the Supervisory Board shall be entitled

- to co-opt a new Member of the Supervisory Board is such vacated position by way of a resolution approved with an absolute majority of the other Members of the Supervisory Board. The mandate of such co-opted Member of the Supervisory Board shall expire if the first Ordinary General Meeting to be held after such Member has been co-opted, fails to approve such Member. At any time, only two persons elected as Members of the Supervisory Board in the co-option procedure and who were not approved as candidates by the Ordinary General Meeting, may act as Members of the Supervisory Board. Expiry of the mandate of a co-opted Member of the Supervisory Board as a result of failure to approve such candidate by the Ordinary General Meeting may not be treated as finding any resolution approved with the participation of such Member as invalid or ineffective.
- Chairperson and Deputy Chairperson of the Supervisory Board:
 - maintain contact with the Company's Management Board;
 - manage the operations of the Supervisory Board;
 - represent the Supervisory Board in external contacts and in contacts with the other bodies of the Company, including in contacts with members of the Company's Management Board;
 - approve the presentation of initiatives and proposals submitted for meetings of the Supervisory Board;
 - take other actions as specified in the Company's Regulations and Articles of Association;
 - Members of the Supervisory Board should not resign from their function during the term of office if that could prevent the operation of the Supervisory Board, in particular prevent timely approval of major resolutions;
 - Members of the Supervisory Board shall be loyal to the Company. Should a conflict of interests arise, members of the Supervisory Board shall report it to other members of the Supervisory Board and refrain from participating in discussions and from voting on the issue to which the conflict of interests is related;
 - Members of the Supervisory Board shall comply with law, the Company's Articles of Association and Regulations of the Supervisory Board.

COMPETENCES OF THE SUPERVISORY BOARD

- The Supervisory Board performs overall supervision over the business of the Company in all areas of its operation;
- The Supervisory Board approves resolutions, issues recommendations and opinions and submits proposals to the General Meeting;
- The Supervisory Board may not issue binding instructions to the Management Board concerning the management of the Company's affairs;
- Disputes between the Supervisory Board and the Management Board shall be resolved by the General Meeting;
- In order to exercise their rights, the Supervisory Board may review the business of the Company in any respect, request the presentation of any documents, reports and clarification from the Management Board and issue opinions on issues related to the Company and submit proposals and initiatives to the Management Board;
- Apart from other issues specified in law or in the Company's Articles of Association, the competences of the Supervisory Board include, inter alia:
 - review of the financial statements of the Company;
 - review of the Management Board's report from operations of the Company and proposals of the Management Board concerning profit distribution and coverage of losses;
 - submission to the General Meeting of an annual report from results of the above reviews;
 - appointment and dismissal of members of the Management Board, including the President and Vice-Presidents, and setting the remuneration of members of the Management Board;
 - appointment of the auditor of the Company;
 - suspension of Members of the Management Board in their functions for valid reasons;
 - approval of annual financial plans for the capital group of which the Company and its subsidiaries are members;
 - approval of terms and conditions of bond issues by the Company (other than convertible bonds or bonds with priority rights, referred to in Article 393.5 of the Code of Commercial Companies and Partnerships) and issues of other debt securities, provision of consent to contract financial liabilities or taking actions resulting in contracting any financial liabilities, such as

- borrowings, loans, overdraft facilities, conclusion of factoring, forfeiting, lease contracts and other generating liabilities in excess of PLN 10,000,000;
- approval of the principles and amounts of remuneration of members of the Management Board and other persons in key management functions in the Company as well as approval of any incentive programme, including incentive programmes for members of the Management Board, persons in key management functions in the Company or any persons cooperating with or related to the Company, including incentive programmes for employees of the Company;
- Annually the Supervisory Board submits to the General Meeting a brief assessment of the Company's condition ensuring that it is made available to all shareholders at a time that they are able to review it before the Ordinary General Meeting;
- The Supervisory Board concludes contracts with members of the Management Board on behalf of the Company and represents the Company in disputes with members of the Management Board. The Supervisory Board may authorise by way of a resolution one or more of its members to perform such legal actions.

The Supervisory Board may approve resolutions in writing or with the use of direct means of remote telecommunications. Resolutions approved as specified above shall be valid if all members of the Supervisory Board were notified of the content of the draft resolution. The approval date of the resolution approved as above shall be equivalent to the date of signing by the last member of the Supervisory Board;

Resolutions of the Supervisory Board may be approved when all members have been notified by registered letter, fax or e-mail message, sent minimum 15 days in advance and the meeting is attended by a majority of members of the Supervisory Board. Resolutions may be approved without formal convening a meeting when all members of the Supervisory Board agreed to vote on the specific issue or to the content of the resolution to be approved;

Resolutions of the Supervisory Board require a simple majority of votes; in case of equal votes, the Chairperson of the Supervisory Board shall have the casting vote;

The detailed mode of operation of the Supervisory Board is set forth in the Regulations of the Supervisory Board with its updated version available at: https://www.arcticpapergroup.pl/globalassets/arcticpapergroup.com/02-about/04-corporate-governance/corporate-documents/pl/1_11_2016_appendix-pl_ap-sa---regulamin-rady-nad

The Supervisory Board of the Company as at the publication hereof was composed as follows:

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

By resolution of 22 June 2021, the Supervisory Board was appointed for a new term.

In 2024, the Supervisory Board held meetings on: 2 February, 19 April, 1 July, 7 August, 29 October and 10 December.

Audit Committee

COMPOSITION AND ORGANISATION OF THE AUDIT COMMITTEE

- The Audit Committee is composed of minimum three members of the Supervisory Board, including the Chairperson of the Committee, elected by the Supervisory Board from among its members in compliance with the Articles of Association and Regulations of the Supervisory Board;
- Members of the Audit Committee shall be appointed for three-year terms of office, however no longer than the term of office of the Supervisory Board;
- A majority of the members of the Audit Committee, including the Chairman of the Audit Committee, must be independent members;
- The Audit Committee operates on the basis of the Act on Statutory Auditors, Best Practice of GPW Listed Companies, Regulations of the Supervisory Board and the Regulations of the Audit Committee;
- The Audit Committee performs advisory and consulting functions, operates as a collective body within the Company's Supervisory Board;
- The Audit Committee carries out its tasks by providing the Supervisory Board with its proposals, opinions and reports on its scope in the form of resolutions;
- At least one member of the audit committee shall have knowledge and skills in terms of accounting or auditing financial statements. The Supervisory Board is of the opinion that the requirement of competences in the sphere accounting and financial audit is recognised as satisfied if a member of the Audit Committee has a major experience in financial management in commercial partnerships, internal audit or audit of financial statements, and additionally:
 - has the title of a certified auditor or equivalent international certificate, or
 - has an academic degree in the field of accounting or financial audit, or
 - has long-term experience as a financial director in public companies or in working in an audit committee of such companies;
- Members of the Audit Committee shall have knowledge and skills relating to the industry in which the Issuer operates. This condition is recognised as satisfied if at

least one member of the Audit Committee has knowledge and skills relating to that industry or individual members within specific scopes have knowledge and skills relating to the scope of that industry. The Supervisory Board is of the opinion that the requirement of competences relating to the industry is recognised as satisfied if a member of the Audit Committee has information on the characteristics of the sector, that allows him to obtain a complete picture of the sector's complexity or has knowledge on part of the chain of activities carried out by the Company.

COMPETENCES OF THE AUDIT COMMITTEE

- The basic task of the Audit Committee is advisory to the Supervisory Board on issues of proper implementation and control of the financial reporting processes in the Company, effectiveness of the internal control and risk management systems and cooperation with statutory auditors;
- The tasks of the Audit Committee resulting from supervising the Company's financial reporting process, ensuring the effectiveness of the Company's internal control systems and monitoring of internal audit operations, include in particular:
 - control if the financial information provided by the Company is correct, including the accuracy and consistency of the accounting principles applied in the Company and its Capital Group as well as the consolidation principles of financial statements;
 - assessment minimum once a year of the internal control and management systems in the Company and its Capital Group in order to ensure adequate recognition and management of the Company;
 - ensuring the effective functioning of internal control, in particular by providing recommendations to the Supervisory Board with respect to:
 - strategic and operational internal audit plans and material modifications to such plans;
 - internal audit policies, strategy and procedures, developed in compliance with the approved internal audit standards;
 - audits of specific areas of the Company's operations;

- The tasks of the Audit Committee resulting from monitoring the independence of the statutory auditor and the entity authorised to audit financial statements, include in particular:
 - issuing recommendations to the Supervisory Board relating to the election, appointment and re-appointment and dismissal of the entity acting as the statutory auditor;
 - control of independence and impartiality of the statutory auditor, in particular with a view to replacing the statutory auditor, the level of its remuneration and other relationships with the Company;
 - verification of the effectiveness of the works performed by the statutory auditor;
 - review of reasons of resignation by the statutory auditor;
- The Audit Committee may resort to advisory services and assistance by external legal, accounting or other advisers if it finds it necessary to perform its duties;
- The Audit Committee is obliged to file annual reports from its operations to the Supervisory Board by 30 September in each calendar year.

Meetings of the Audit Committee shall be held minimum three times a year.

In 2024, the Audit Committee held meetings on: 28 March, 7 August and 9 December.

As at 05 August 2021, the Audit Committee was composed of:

Anna Jakubowski – Chairperson of the Audit Committee. Member meeting the criteria for independence. According to the declaration submitted by Ms Anna Jakubowski, she meets the condition of knowledge and skills in accounting or auditing. Ms Anna Jakubowski has several years of experience as a member of the Audit Committee of financial institutions, including Bank Millennium.

Zofia Dzik – Member of the Audit Committee meeting the independence criteria. According to the declaration submitted by Ms Zofia Dzik, she meets the condition of knowledge and skills in accounting or auditing. Ms Zofia Dzik has several years of experience working for Arthur Andersen and Andersen Business Consulting, where she was responsible, among others, for the area of auditing financial statements and consulting in the area of finance.

Roger Mattsson – Member of the Audit Committee – due to his long-standing experience as the financial controller of the Arctic Paper Group and his participation in the Audit Committee for more than three years, Mr Roger Mattsson fulfil the condition for the Audit Committee member to have knowledge and skills in the Company's business. Additionally, he has knowledge and skills in the sphere of accounting or auditing financial statements;

The detailed mode of operation of the Audit Committee is set forth in the Regulations of the Audit Committee.

CORE ASSUMPTIONS UNDERLYING THE POLICY OF SELECTING AN AUDIT FIRM TO CONDUCT AUDITS

- According to the regulations applicable to the Company, the Company's Supervisory Board shall select – by way of a resolution and acting under a recommendation of the Audit Committee – the auditor authorised to carry out the audit;
- The selection is made taking into account the principles of impartiality and independence of the audit firm and the analysis of the audit firm's work carried out in the Company which falls beyond the scope of the audit of financial statements, in order to avoid any conflict of interest (observance of impartiality and independence);
- A request for proposals concerning the selection of an audit firm for statutory audit of the Company's financial statements is developed by the Audit Committee in cooperation with the Company's Chief Financial Officer (CFO);
- After analysing the submitted offers, the Audit Committee shall develop a recommendation with conclusions from the selection procedure to be approved by the Audit Committee and shall submit a recommendation on the selection of the audit firm to the Supervisory Board within such time that will support a resolution on audit firm selection;
- The Supervisory Board shall select the audit firm on the basis of the submitted offers and after becoming acquainted with the Audit Committee's opinion and recommendation;
- If the Supervisory Board's decision differs from the recommendation of the Audit Committee, the Supervisory Board shall justify the reasons for its failure to comply with the Audit Committee's recommendation and shall submit such justification to the body approving the financial statements.
- The Company's Management Board shall enter into a contract with the selected audit firm for the audit of financial statements of the Company.
- The first contract is concluded for minimum 2 years and it may be extended for another two or three years. The duration of the cooperation shall be counted from the first financial year covered by the audit contract, in which the authorised auditor was appointed for the first time to carry out the consecutive statutory audits of the Company.

- After expiry of the maximum period of the cooperation, the authorised auditor or, where applicable, any member of its network, may not undertake a statutory audit of the Company's financial statements for further 4 years.
- The key statutory auditor may not perform a statutory audit in the Company for a period longer than 5 years. The key statutory auditor may conduct a statutory audit again after the expiry of 3 years.
- The maximum period of uninterrupted performance of statutory audits by the same audit firm or an audit firm related to that audit firm or any member of the network operating in the European Union of which the audit firms are members, may not exceed 10 years.

Core assumptions underlying the policy of the provision of permitted services other than audit services by the audit firm performing the audit, by entities related to the audit firm and by a member of the audit firm's network:

- The Audit Committee of Arctic Paper SA shall be responsible for the policy covering the provision of permitted services other than audit services by the audit firm performing the audit, by entities related to the audit firm and by a member of the audit firm's network;
- The Audit Committee of Arctic Paper SA controls and monitors the independence of the auditor and the audit firm, in particular if the audit firm provides other services than audit of statutory financial statements to Arctic Paper SA;
- The Audit Committee of Arctic Paper SA, when so requested by a competent body or person, approves the provision of permitted services by the auditor that are not an audit of Arctic Paper SA;
- The prohibited services do not include:
 - carrying out due diligence procedures for economic and financial condition,
 - issue of letters of support,
 - attestation services related to pro forma financial information, forecast of results, or estimation of results, contained in the issue prospectus of the audited entity;
 - review of historic financial information for projects referred to in the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference

- and publication of such prospectuses and dissemination of advertisement;
 - verifying consolidation packages;
 - confirming the fulfilment of terms and conditions of concluded loan agreements on the basis of the analysis of financial information from the financial statements audited by the audit firm;
 - attestation services related to reporting on corporate governance, risk management, and corporate social responsibility;
 - services consisting in assessing the conformity of information disclosed by financial institutions and investment firms with requirements for disclosure of information on capital adequacy and variable remuneration components;
 - certifying financial statements or other financial information intended for supervisory authorities, supervisory board or other supervisory body of the Company or owners, which falls beyond the scope of statutory audit and helps these bodies to fulfil their statutory obligations.
- Provision of the above services is possible solely to the extent not related to the entity's tax policies after a review by the Audit Committee of hazards and mitigants of the audit firm's independence as referred to in Article 69-73 of the Act on Certified Auditors, Audit Firms and Public Supervision.

On 22 February 2023, the Company's Supervisory Board, based on the Audit Committee's recommendation on the selection of an auditor, decided to select PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as the auditor of the Company and the Arctic Paper SA Group to audit the financial statements for 2023 and 2024. The recommendation of the Audit Committee was issued as a result of the selection procedure in compliance with the "Policy and procedure for the selection of the audit firm for the statutory and voluntary audit of the consolidated and standalone financial statements of Arctic Paper SA with its registered office in Kostrzyn nad Odrą". The audit firm and members of its team performing the audit comply with the requirements to make an impartial and independent report from the audit of the annual consolidated and standalone financial statements of the Arctic Paper Group and of the Company in compliance with the applicable regulations, professional standards and the rules of professional ethics.



REMUNERATION COMMITTEE

COMPOSITION AND ORGANISATION OF THE REMUNERATION COMMITTEE

- The Remuneration Committee is composed of minimum two members of the Supervisory Board, including the Chairperson of the Committee, elected by the Supervisory Board from among its members in compliance with the Articles of Association and Regulations of the Supervisory Board;
- Members of the Remuneration Committee shall be appointed for three-year terms of office, however no longer than the term of office of the Supervisory Board;
- The Chairperson of the Remuneration Committee shall be elected with a majority of votes of its members;
- The Remuneration Committee operates pursuant to the Regulations of the Supervisory Board and the Regulations of the Remuneration Committee;
- The Remuneration Committee performs advisory and consulting functions, operates as a collective body within the Company's Supervisory Board;
- The Remuneration Committee carries out its tasks by providing the Supervisory Board with its proposals, opinions and reports in the form of resolutions.

COMPETENCES OF THE REMUNERATION COMMITTEE

- The basic task of the Remuneration Committee is advisory support to the Supervisory Board on issues related to remuneration policy, bonus policy and other issues related to the remuneration of the employees, members of the Company's authorities and the authorities of Capital Group companies;
- The tasks of the Remuneration Committee resulting from supervision over the Company's remuneration policy and ensuring the effective functioning of the Company's remuneration policy, is to provide recom-

- mendations to the Supervisory Board in particular with respect to:
 - approval and changes to the remuneration principles of members of the Company's bodies;
 - the amount of total remuneration to members of the Company's Management Board;
 - legal disputes between the Company and Members of the Management Board with respect to the tasks of the Committee;
 - proposing remuneration and approving additional benefits to individual members of the Company's bodies, in particular under management option plans (convertible into shares of the Company);
 - strategy of the Company's remuneration and bonus policies and HR policies;
- The Remuneration Committee may resort to advisory services and assistance by external legal or other advisers if it finds it necessary to perform its duties;
- The Remuneration Committee is obliged to file annual reports from its operations to the Supervisory Board by 30 September in each calendar year.

Since 9 February 2017 the Remuneration Committee has been operating in the following composition:
Per Lundeen – Chairman of the Remuneration Committee
Thomas Onstad – Member of the Remuneration Committee
Roger Mattsson – Member of the Remuneration Committee

The detailed mode of operation of the Remuneration Committee is set forth in the Regulations of the Remuneration Committee.

On 31 August 2020, the General Meeting of the Company, bearing in mind Article 90d(1) in connection with Article 90c(2)(1) of the Act of 29 July 2005 on public offerings and conditions for the introduction of financial instruments into the organised trading system and on public companies (i.e. Journal of Laws of 2022, item 2554, as amended) adopted the “Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Arctic Paper SA”. Under the above-mentioned Acts of public companies, including the Company, were obliged to adopt, by resolution, the Remuneration Policy of Management Board and Supervisory Board Members, which is the rules for determining the remuneration of Members of the Management Board and Supervisory Board, by the General Meeting of Shareholders, and to publish a remuneration report. The Company shall pay remuneration to the Members of the Management Board and the Supervisory Board solely in compliance with the adopted Policy. The policy prepared by the Company was drawn up in accordance with the principles set out in the above-mentioned Act and refers to the required elements related to remuneration and other terms of employment for Members of the Management Board and Members of the Supervisory Board. The policy received an opinion from the Remuneration Committee operating at the Supervisory Board, as well as by the Supervisory Board.

On 29 May 2024, the General Meeting of the Company gave a positive opinion on the remuneration report for 2023 prepared by the Supervisory Board. The resolution of the General Meeting on the aforementioned issue is advisory in nature. The report was reviewed by the auditor. The independent auditor’s report on the performance of a service providing reasonable assurance on the assessment of the remuneration report was attached as Appendix 2 to current report No. 12/2024 – “Resolutions adopted by the Annual General Meeting of Arctic Paper SA on 29 May 2024”.

Remuneration Committee meetings were held on: 2 February, 28 February, 28 March.

RISK COMMITTEE

COMPOSITION AND ORGANISATION OF THE RISK COMMITTEE

- The Risk Committee is composed of minimum three members of the Supervisory Board, including the Chairperson of the Committee, elected by the Supervisory Board from among its members. Minimum one member of the Risk Committee shall be independent and hold qualifications and experience in the sphere of finances;
- Members of the Risk Committee shall be appointed for three-year terms of office, however no longer than the term of office of the Supervisory Board;
- The Chairperson of the Risk Committee shall be elected with a majority of votes of its members;
- The Risk Committee operates on the basis of commonly accepted corporate risk management models (e.g. COSO-ERM);
- The Risk Committee performs advisory and consulting functions, operates as a collective body within the Company’s Supervisory Board;
- The Risk Committee carries out its tasks by providing the Supervisory Board with its proposals, opinions and reports in the form of resolutions.

COMPETENCES OF THE RISK COMMITTEE

- The basic task of the Risk Committee is advisory support to the Supervisory Board on issues related to the proper identification, assessment and control of potential risks, i.e. opportunities and threats to realization of the Company’s strategic goals, with particular consideration for financial risk, related to both external factors (such as volatility of FX rates, interest rates, general international economic condition) and internal factors (such as cash flows, liquidity management, variation of budget and financial forecasts);
- The tasks of the Risk Committee resulting from the supervision over the risk management process, include in particular:
 - Supervision over correct identification, analysis and assigning priority to types of risk inherent in the operational strategy and business pursued;
 - Confirmation to the identified risk appetite of the Company;
 - Verification if actions used to mitigate risk are planned and implemented so that the risk is mitigated to a level acceptable by the Company;
 - Monitoring verifying correct risk assessment by the Management Board and the effectiveness of control tools;
 - Supervision over correct notification of stakeholders on the risks, risk strategies and control tools.
- The Risk Committee may resort to advisory services and assistance by external advisers if it finds it necessary to perform its duties.

Since 5 August 2021 the Risk Committee has been operating in the following composition:
Per Lundeen – Chairman of the Risk Committee
Zofia Dzik – Independent Member of the Risk Committee
Roger Mattsson – Member of the Risk Committee

The Risk Committee met on 27 May and on 9 December 2024.

INFORMATION COMPLIANT WITH THE REQUIREMENTS OF SWEDISH REGULATIONS CONCERNING CORPORATE GOVERNANCE

Arctic Paper SA is a company registered in Poland which stock has been admitted to trading at the Warsaw Stock Exchange and at NASDAQ in Stockholm. The Company's primary market is in Warsaw with a parallel market in Stockholm. Companies not registered in Sweden which shares have been admitted to trading at NASDAQ in Stockholm are obliged to comply with:

- the corporate governance rules in force in the country of their registration or
- the corporate governance rules in force in the country where they have their primary trading market, or
- the Swedish corporate governance code (hereinafter the "Swedish Code").

Arctic Paper SA follows the principles set forth in the "Best Practice of GPW Listed Companies 2021" (hereinafter the "Best Practice") that may be applied by companies listed at the Warsaw Stock Exchange and not the Swedish Code. As a result, the conduct of Arctic Paper SA is different from the one set forth in the Swedish Code in the following material aspects.

GENERAL MEETING OF SHAREHOLDERS

The core documents related to General Meetings of Shareholders, such as notices, reports and approved resolutions, are made in Polish and in English instead of Swedish.

APPOINTMENT OF GOVERNING BODIES OF THE COMPANY

The Polish corporate governance model provides for a two-tier system of the Company's bodies which is com-

posed of the Management Board being the executive body appointed by the Management Board which in turns supervises the Company's operations and is appointed by the General Meeting of Shareholders. Auditors are selected by the Supervisory Board.

Neither the Best practice, nor any other Polish regulations require the establishment of a commission in the Company to elect candidates and therefore such commission does not exist among the bodies of the Company. Each shareholder may propose candidates to the Supervisory Board. Appropriate information on candidates proposed to the Supervisory Board is published on the Company's website with appropriate advance so that all shareholders could take an informed decision when voting on the resolution appointing a new member of the Supervisory Board.

TASKS OF THE BODIES OF THE COMPANY

In compliance with the two-tier system of the Company's bodies, the tasks usually performed by the management of Swedish-registered companies are performed by the Management Board or the Supervisory Board of companies subject to Polish law. In accordance with the Polish applicable regulations, members of the Management Board, including its General Director who is the President of the Management Board, may not get involved in competitive activities outside the Company. Pursuing of other business outside the Company is not regulated either in the Best Practice or other Polish regulations; however, certain restrictions are usually incorporated in individual employment contracts.

SIZE AND COMPOSITION OF THE COMPANY'S BODIES

The composition of the Supervisory Board should reflect the independence criteria, just like those specified in the Swedish Code. However, the Management Board being the executive body is composed of persons in executive positions at Arctic Paper SA, and these members may not be treated as independent of the Company. The terms of office of members of the Management Board – just like the members of the Supervisory Board – lasts three years.

CHAIRPERSONS OF THE BODIES OF THE COMPANY

It is the Supervisory Board and not the General Meeting that elects the chairperson and the deputy chairperson from its members.

PROCEDURES OF THE BODIES OF THE COMPANY

The Regulations of the Management Board are approved by the Supervisory Board, and the Regulations of the Supervisory Board are approved by the Supervisory Board. The Regulations are not reviewed each year – they are reviewed and modified as need arises. The same principles apply to regulations of committees operating within the Supervisory Board that are approved by the Supervisory Board. The operation of the General Director is not regulated separately since he/she also acts as the president of the Management Board.

REMUNERATION OF MEMBERS OF THE BODIES OF THE COMPANY AND MANAGEMENT STAFF

The Company shall pay remuneration to the Members of the Management Board and the Supervisory Board solely in compliance with the Remuneration Policy adopted by the General Meeting.

INFORMATION ON CORPORATE GOVERNANCE

The Polish corporate governance rules do not require the same detail as to the disclosed information as required by the Swedish Code. However, information on members of the Company's bodies, company's Articles of Association, internal regulations and a summary of material differences between the Swedish and Polish approach to corporate governance and shareholders' rights is published on the Company's website.



Sustainability statement

1. GENERAL INFORMATION

ESRS 2 GENERAL DISCLOSURES

BP-1 GENERAL BASIS FOR THE PREPARATION OF THE SUSTAINABILITY STATEMENT

[BP -1, 3]
This Sustainability Statement applies to the Arctic Paper SA Group.

The Statement covers the period from 1 January 2024 to 31 December 2024.
Pursuant to Directive (EU) 2022/2464, Arctic Paper SA prepares a Sustainability Statement for the Arctic Paper SA Group for the year ending 31 December 2024, in accordance with the European Sustainability Reporting Standards (ESRS) as approved by Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to sustainability reporting standards. [BP-1, 5a]

The Company will include the Sustainability Statement in the relevant section of its consolidated report on the operations of the Arctic Paper SA Group.

The Sustainability Statement has been prepared in consolidated form and has a scope of consolidation consistent with the Consolidated Financial Statements of the Arctic Paper SA Group for 2024.
[BP-1, 5bi]

The full list of companies covered by the Sustainability Statement can be found on page 17 of the Arctic Paper SA Group's consolidated financial report for 2024.
[BP-1, 5bii]

The Sustainability Statement applies to the upstream and downstream value chain including suppliers and customers of the Arctic Paper SA Group. The company has

taken into account in the prepared statement the material impacts, risks and opportunities associated with direct and indirect upstream and downstream business relationships in the value chain. [BP-1.5c]

The option to omit specific information on intellectual property, know-how or innovation results has not been exercised in accordance with ESRS 1 Section 7.7 "Classified and sensitive information and information on intellectual property, know-how or innovation results". [BP-1, 5d]

The option to omit disclosure of upcoming events or matters during negotiations for companies based in an EU Member State has not been exercised. [BP-1, 5e]

The Arctic Paper Group exercised its option to voluntarily omit the disclosures listed in the "List of phased-in disclosure requirements" during the reported period:

ESRS	Disclosure requirement	Full name of the disclosure requirement	Phase-in or effective date (including the first year)
ESRS 2	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	The undertaking may omit the information prescribed by ESRS 2 SBM-3 paragraph 48(e) (anticipated financial effects) for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS 2 SBM-3 paragraph 48(e) by reporting only qualitative disclosures for the first 3 years of preparation of its sustainability statement, if it is impracticable to prepare quantitative disclosures.
ESRS E1	E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	The undertaking may omit the information prescribed by ESRS E1-9 for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS E1-9 by reporting only qualitative disclosures for the first 3 years of preparation of its sustainability statement, if it is impracticable to prepare quantitative disclosures.
ESRS E2	E2-6	Anticipated financial effects from pollution-related risks and opportunities	The undertaking may omit the information prescribed by ESRS E2-6 for the first year of preparation of its sustainability statement. Except for the information prescribed by paragraph 40 (b) on the operating and capital expenditures occurred in the reporting period in conjunction with major incidents and deposits, the undertaking may comply with ESRS E2-6 by reporting only qualitative disclosures, for the first 3 years of preparation of its sustainability statement.
ESRS E3	E3-5	Anticipated financial effects from water and marine resources-related risks and opportunities	The undertaking may omit the information prescribed by ESRS E3-5 for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS E3-5 by reporting only qualitative disclosures, for the first 3 years of preparation of its sustainability statement.
ESRS E4	E4-6	Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities	The undertaking may omit the information prescribed by ESRS E4-6 for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS E4-6 by reporting only qualitative disclosures, for the first 3 years of preparation of its sustainability statement.
ESRS E5	E5-6	Anticipated financial effects from resource use and circular economy-related risks and opportunities	The undertaking may omit the information prescribed by ESRS E5-6 for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS E5-6 by reporting only qualitative disclosures, for the first 3 years of preparation of its sustainability statement.
ESRS S1	S1-7	Characteristics of non-employee workers in the undertaking's own workforce	The undertaking may omit reporting for all datapoints in this Disclosure Requirement for the first year of preparation of its sustainability statement.
ESRS S1	S1-11	Social protection	The undertaking may omit the information prescribed by ESRS S1-11 for the first year of preparation of its sustainability statement.
ESRS S1	S1-12	Persons with disabilities	The undertaking may omit the information prescribed by ESRS S1-12 for the first year of preparation of its sustainability statement.
ESRS S1	S1-13	Training and skills development	The undertaking may omit the information prescribed by ESRS S1-13 for the first year of preparation of its sustainability statement.
ESRS S1	S1-14	Health and safety	The undertaking may omit the data points on cases of work-related ill-health and on number of days lost to injuries, accidents, fatalities and work-related ill health for the first year of preparation of its sustainability statement.
ESRS S1	S1-14	Health and safety	The undertaking may omit reporting on non-employees for the first year of preparation of its sustainability statement.
ESRS S1	S1-15	Work-life balance	The undertaking may omit the information prescribed by ESRS S1-15 for the first year of preparation of its sustainability statement.

BP-2 DISCLOSURES IN RELATION TO SPECIAL CIRCUMSTANCES

[BP -2 , 6]
The Arctic Paper Group Sustainability Statement uses the definitions of short-, medium- and long-term time horizons in accordance with section 6.4 of ESRS 1. [BP-2, 9, 9a, 9b]

In the Arctic Paper Group Sustainability Statement, the figures presented are taken from the Group’s own sources.

The calculations of Scope 2 and Scope 3 GHG emissions are based, inter alia, on data provided by suppliers and recognised sources of emission factors as referred to in the section of Statements E1-6. [BP-2, 10, 10a, 10b, 10c, 10d, 11a, 11bi, 11bii, 12]

No special circumstances occurred in the Arctic Paper Group during the reporting period that would affect the scope of the reported information or its comparability with information for previous years. The Arctic Paper Group does not have any other legislation in place that requires the company to disclose sustainability information or generally accepted sustainability reporting standards and frameworks [BP-2, 13a, 13b, 13c, 14a, 14b, 14c, 15]

Incorporation by reference – List of disclosure points covered [BP-2, 16]

The following information is incorporated by reference into the 2024 Consolidated Financial Statements:

- financial results of the Arctic Paper Group
- business and product segments revenue information
- information on the Management Board and Supervisory Board of the Arctic Paper Group.

GOV-1 ROLE OF ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

GOV-2 INFORMATION PROVIDED TO THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY AND SUSTAINABILITY MATTERS

The Management Board of the Arctic Paper Group has a key operational and decision-making role in the Company’s strategy and operations, taking into account environmental, social responsibility and corporate governance matters.

The Group Management Board consists of three members elected by the Supervisory Board for a joint three-year term. The Management Board consists of the Managing Director, the Chief Financial Officer and the Chief Sales Officer. As at 31 December 2024, the Management Board of Arctic Paper SA consisted of 2 men and 1 woman. [GOV-1, 21]

	2024
Total number of Management Board members	3
% of women on the Management Board	33%
% of men on the Management Board	66%

Table – Diversity of members of governing bodies. [GOV 1, 21, 21d]

AS AT 31 DECEMBER 2024, THE MANAGEMENT BOARD OF THE ARCTIC PAPER GROUP COMPRISES: [GOV 1, 21C]



MICHAŁ JARCZYŃSKI
President of the Management Board and CEO, General Director

Directs and supervises the Company's operations in the management area. From 2008 to 2013, Mr Michał Jarczyński served as President of the Management Board and Chief Executive Officer of Arctic Paper SA. He obtained his mechanical engineering degree from the Poznań University of Technology and completed postgraduate studies in finance and controlling at the Poznań University of Economics. Mr Michał Jarczyński has held numerous managerial positions in Polish industry, most recently as CEO of Radpol S.A., a Polish technology company listed on the WSE. Mr Michał Jarczyński has 15 years of experience in the paper industry.



KATARZYNA WOJTKOWIAK
Member of the Management Board and CFO, Chief Financial Officer

Directs and supervises the Company's operations in the financial area. Ms Katarzyna Wojtkowiak has many years of experience in positions in finance departments. She has been with the Arctic Paper Group for 11 years, where she served as Chief Accountant and Group Treasury. Ms Katarzyna Wojtkowiak graduated from the Poznań University of Economics with a specialisation in Capital Investments and Financial Strategies of Enterprises; she is also a certified auditor and a member of the Association of Chartered Certified Accountants (ACCA).



FABIAN LANGENSKIÖLD
Member of the Management Board and Vice-President of Sales and Marketing at Arctic Paper

He directs and supervises the company's sales and marketing activities. Fabian Langenskiöld joined Arctic Paper in 2019 and serves as Vice-President Sales and Marketing. Fabian Langenskiöld holds a master's degree in economic sciences from the Hanken School of Economics in Helsinki, Finland. He has more than 25 years of experience in marketing and sales in the paper industry. Previously, he held important positions at companies such as Stora Enso and Shandong Chenming Paper Holdings. In his current role, Fabian Langenskiöld is responsible for directing and overseeing sales and marketing activities at Arctic Paper.

The Arctic Paper Group Management is supported by the Managing Directors of the individual paper and pulp mills, as well as the Managing Directors of the sales offices.

The composition of Arctic Paper SA's bodies does not distinguish between executive and non-executive members. Furthermore, independent board members are not singled out. Such distinctions exist in the structures of subsidiaries based in Sweden. [GOV-1, 21a, 21e]

The bodies of Arctic Paper SA do not include representatives of employee organisations. Workers' representatives sit on the boards of Arctic Paper Group companies based in Sweden. [GOV-1, 21b]

The Arctic Paper Group Management Team consists of Executive Vice-Presidents responsible for various areas of the Arctic Paper Group business, including strategy and sustainability. Persons comprising the Management Team as at 31 December 2024:

- 1. MICHAŁ JARCZYŃSKI**
Chief Executive Officer Arctic Paper SA
Managing Director Arctic Paper Kostrzyn SA
- 2. KATARZYNA WOJTKOWIAK**
Chief Financial Officer of Arctic Paper SA
- 3. FABIAN LANGENSKIÖLD**
Executive Vice-President, Sales and Marketing, Arctic Paper SA
- 4. JACEK ŁOŚ**
Executive Vice-President, Procurement, Arctic Paper SA
- 5. WOLFGANG LÜBBERT**
Executive Vice-President, Strategy and Sustainability, Arctic Paper SA
- 6. MATS FROSTNE**
Group HR Manager Arctic Paper SA
- 7. KENT BLOM**
Managing Director of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB

Members of the Management Board and the Supervisory Board of the Arctic Paper Group have access to expertise in sustainability issues. [GOV-1, 20c]

An advisory role to the Management Board and the Supervisory Board in the sustainability reporting process is played by the Sustainability Team, which includes managerial level employees representing various functions and positions within the Arctic Paper Group. Those serving

as members of the Sustainability Team have access to specialist knowledge in the form of training courses, study programmes and also benefit from professional advice from external experts. The sustainability team reports directly to the Management Board of the Arctic Paper Group. [GOV-1, 22]

The Group's Supervisory Board consists of five members elected by the General Meeting for a joint three-year term. Two members are independent. As at 31 December 2024, the Supervisory Board of Arctic Paper consisted of 3 men and 2 women. [GOV 1, 21]

	2024
Total number of Supervisory Board members	5
% of independent members of the Supervisory Board	40%
% of women on the Supervisory Board	40%
% of men on the Supervisory Board	60%

Table – Diversity of members of supervisory authorities [GOV 1, 21]

As at 31 December 2024, the Supervisory Board of the Arctic Paper Group comprises: [GOV 1, 21c]

PER LUNDEEN
Chair of the Supervisory Board

Mr Lundeen has been involved with the Arctic Paper Group since 2013, at which time he was a member of the Supervisory Board of Rottneros AB. From 2014 to August 2016, Mr Lundeen served as President and Managing Director of Rottneros AB. Since then, he has been Chair of the Board of Directors of Rottneros AB. In addition, Mr Lundeen sits on the Supervisory Boards of the following companies:

- Fiskeby Board AB: Manufacturer of renewable cardboard packaging.
- Rottneros AB: Cellulose producer.
- Strand Packaging AB: Manufacturer of cardboard and cardboard packaging.

Mr Per Lundeen, a Swedish citizen residing in Lund, is a graduate of Chemical Engineering and Paper Technology at Chalmers University of Technology, Goteborg. Mr Per Lundeen has held management positions in the chemical, paper and packaging industries for almost 40 years. He worked at A&R Packaging Group for 20 years, including 12 years as President and Managing Director. He also served as President of ECMA – the European Carton Manufacturers Association.

Mr Per Lundeen serves as Chair of the Remuneration Committee and the Risk Committee.

ROGER MATTSSON
Vice-Chair of the Supervisory Board

Mr Roger Mattson has been a Member of the Supervisory Board since 2014.

Mr Mattsson also currently holds the position of Chief Financial Officer at Nemus Holding AB.

Mr Roger Mattsson holds a university degree, having graduated from the Faculty of Business, Economics and Law at the University of Gothenburg. Mr Mattsson has extensive experience in finance and controlling departments, having worked as a group controller (Toyota Material Handling and Rexam) and as a financial manager (Lantmännen Doggy). He was also the Financial Director Talent Plastics

Group. Mr Mattsson was already involved with the Arctic Paper Group – from 2007 to 2011, he worked as Group Financial Controller at Arctic Paper.

Mr Roger Mattsson serves as a member of the Audit Committee. Due to his long experience as financial controller of the Arctic Paper Group and his several years of experience as a member of committees of the Company's Supervisory Board. In addition, it fulfils the condition for a member of the Audit Committee to have knowledge and skills in the subject matter of the Company's business.

Mr Roger Mattsson also serves as a member of the Remuneration Committee and the Risk Committee.

THOMAS ONSTAD
Member of the Supervisory Board

Mr Thomas Onstad has been the Chair of the Supervisory Board of Arctic Paper SA since 2008.

Mr Thomas Onstad is a graduate from the London School of Foreign Trade.

Mr Thomas Onstad serves as a member of the Remuneration Committee.

ZOFIA DZIK
Member of the Supervisory Board

Ms Zofia Dzik has served as an independent member of the Supervisory Board since 2021. Currently, Ms Zofia Dzik also serves as an independent member of the Supervisory Boards of the following companies:

- BRW S.A. – a leading furniture manufacturer and distributor in Poland and Europe (Vice-Chair);
- PKP CARGO S.A. Europe's leading logistics operator and rail freight carrier (Member of the Audit Committee, Chair of the Nomination Committee);
- Sanok Rubber S.A. – international manufacturer of rubber products and
- CCC S.A. fashion industry, production and sale of footwear and clothing (Member of the Audit Committee).

Ms Zofia Dzik is a graduate of the Cracow University of Economics, the University of Illinois in Chicago, the Warsaw School of Social Sciences and Humanities and the Executive Programs of Stanford University and INSEAD Business School. Ms Zofia Dzik holds an MBA from Manchester Business School. She is a mentor, a certified member of the Association for Project Management (APM), and a certified member of The John Maxwell Team, a leading international organisation of leadership experts. From 1995 to 2003, she was a consultant at Arthur Andersen and Andersen Business Consulting and Director of the Insurance Department responsible for, among other things, projects for the financial services sector in the following areas: strategy, business scalability, mergers, omni-channel sales strategy, reorganisation and finance.

Since 2003, she has been involved with the fintech Group Intouch Insurance (RSA Group), where she served as CEO of Link4 S.A., the first direct insurer in Central and Eastern Europe, from 2004 to 2007 (start-up, brand building, CRM, process automation, individual risk assessment, new technologies, agile method, innovative distribution channels, leadership, people at work, talent management, succession).

From 2007 to 2009, she served as Member of the Management Board of Intouch Insurance B.V. in the Netherlands and as General Manager for Central and Eastern Europe of the Intouch Insurance Group. In this capacity, she was responsible for developing new markets. She was chair of the supervisory boards of companies: TU Link4 S.A. (Council member until July 2015) and Direct Insurance Shared Services Centre in Poland, Intouch Strachowanie in Russia (start-up), Direct Pojistovna in the Czech Republic (start-up) and Vice-Chair of the Supervisory Board of TU na Życie Link4 Life S.A.

Ms Zofia Dzik serves as a member of the Audit Committee and meets the knowledge and skills requirement for accounting or auditing.

ANNA JAKUBOWSKI
Member of the Supervisory Board

Ms Anna Jakubowski has served as an independent member of the Supervisory Board since 2021.

She also currently serves as Chair of the Board at Life Institute Sp. z o.o. Sp. K.

Ms Anna Jakubowski graduated in Business Administration (1990) from Wilfrid Laurier University in Waterloo, Ontario, Canada. Her professional career began at Procter & Gamble (P&G) Canada (1991 – 1993), where she worked, as a National Account Manager. From 1993 to 1998, she held various positions ranging from Pharmacy Channel Manager to Trade Marketing Manager and Area Sales Manager at P&G Poland. In 1998, she took up the position of Regional Customer Business Development Manager for P&G – Central and Eastern Europe, from 1999 to 2007 she worked as New Business Development Manager and (since 2002) as Strategy, Business Development Director for P&G Western Europe. She continued her career in Switzerland at P&G Fabric Care (2007 – 2011) as Associate Director: Marketing. From 2011 to 2016, she was professionally involved with Coca-Cola, where she held the following positions: International Group Marketing/Strategy Director at The Coca-Cola Hellenic Bottling Company (2011 – 2013), Business Capability Director at The Coca-Cola Company (2013) and from 2013 – 2016 Board Member – Managing Director at Coca-Cola Poland Services Sp z o.o. and Franchise General Manager for Poland and the Baltics at The Coca-Cola Company, Board Member at Multivita Sp. z o.o., Board Member – Managing Director at Coca-Cola Balti Jookide AS.

In 2018, she held the position of General Manager for Poland and the Baltics at Marie Brizard Wine & Spirits Sp. z o.o. From 2019 to 2020, she served as general manager at Avon Cosmetics Polska Sp. z o.o.

Ms Anna Jakubowski serves as a member of the Audit Committee and she meets the knowledge and skills requirement for accounting or auditing.

Each of the members of the Management Board and the Supervisory Board and the Management Team, by virtue of their professional experience, education and as a result of their function, have adequate knowledge and skills in business conduct. Members of the Management Board of the Arctic Paper Group [G1 GOV-1,5a, 5b]

Within the structure of the Supervisory Board of the Arctic Paper Group, 3 committees are distinguished: Remuneration Committee, Risk Committee and Audit Committee.

The functions of the members of the Board of Management and the Supervisory Board of the Arctic Paper Group have been entrusted to specific individuals, regardless of their gender, but in accordance with the expertise and experience of these individuals. The composition of Arctic Paper SA's governing bodies largely depends on the decisions of its shareholders, who decide directly on the composition of the Supervisory Board and indirectly on the composition of the Management Board.

Candidates are assessed according to the principles of independence as well as merit and diversity criteria, so as to ensure diversity not only in terms of gender and age, but above all in terms of education, experience, knowledge and skills. [GOV 1, 23, 23a, 23b]

Additional information on the Management Board and Supervisory Board of the Arctic Paper Group is available on page 19 Arctic Paper Group's consolidated financial report for 2024. [GOV-1, 22]

Responsibility for the proper organisation and conduct of the Arctic Paper Group's impact, risk and opportunity management process rests with the Group Management Board, which is responsible for managing these areas at the strategic level and analysing the impacts, risks and opportunities that are considered strategic, and for overseeing the appropriate management of impacts, risks and opportunities at the operational and project levels, which are managed by the responsible managers of the Group's relevant business units and production sites.

The Management Board and the Supervisory Board of the Arctic Paper Group, and in particular the Risk Committee of the Supervisory Board, are responsible for overseeing the process of identifying and managing impacts, risks and opportunities in each country in which the Arctic

Paper Group operates. The Management Board of the Arctic Paper Group, guided by the interests of the Company, defines the strategy and the main objectives of its operations. The Management Board also meets regularly with members of the Management Team, which includes managers responsible for the various operational areas of the Arctic Paper Group. [GOV-1, 22a, 22b]

IN PARTICULAR, THE BOARD IS RESPONSIBLE FOR:

1. shaping and implementing the Risk Management Policy,
2. identifying, analysing and assessing impacts and risks at a strategic level,
3. setting the Group's risk appetite and tolerance limits,
4. taking action in response to identified impacts and risks, including in particular strategic risks,
5. analysing the results of actions taken by managers to identify impacts and risks, analyse risks and apply risk controls,
6. overseeing the conduct of regular and effective impact and risk assessments,
7. review of actions taken.

The risk management process is monitored by the Supervisory Board, which monitors the effectiveness of the Arctic Paper Group's risk management process. [GOV-1, 22a, 22b, 22c]

At least annually, the Group Management Board provides the Supervisory Board with an update on the impact management process, risks, key identified risks and responses to these risks. The Group Management Board, in regular meetings, together with the Management Team, oversees the setting of related targets and monitors progress towards them. These meetings also discuss plans to update the Group's existing policies to bring them in line with the current assessment of impacts, risks and opportunities. The members of the Group Management Board and Supervisory Board, by virtue of their positions and their many years of experience, are well qualified to identify and assess the material impacts, risks and opportunities of the Arctic Paper Group in the Group's operational areas reporting to them. The members of the Management Board and the Supervisory Board improve their knowledge of sustainability topics.

The Management Board took an active part in the workshops that were part of the materiality analysis

study, which were held with a wide range of employees responsible for the reporting process in the Arctic Paper Group. The results of the survey were then analysed and discussed together with the Supervisory Board. For more information on the materiality testing process, see IRO-1 on page 134. [GOV-2, 22d, 23, 26a]

Support from the Management Board of the Arctic Paper Group in achieving its impact and risk management objectives is provided by the risk management function. This function is performed by the group financial controller, supported by the owners of the individual risks. [GOV-1, 22ci]

This function is responsible for defining guidelines and internal procedures, ensuring a consistent approach to risk management across all business units, monitoring risk exposure levels reported by business managers and reporting these levels and key (strategic) risks to the Arctic Paper Group Management Board . [GOV-1, 22cii, 22ciii]

Managers of the Arctic Paper Group's business units or production sites, who also act as Risk Owners for the units they manage, are responsible for managing impacts and risks at the operational level. Each of the Owners of the management of a given area of impacts and risks has many years of experience, knowledge and skills in the position they hold, which allows them to objectively and accurately estimate the magnitude of potential and actual impacts and risks. A more extensive description of the results of the materiality testing process and the identification of impacts and risks in the various management areas is referred to in chapter IRO-1 on page 134. [GOV-1, 22d, 23, 23a, 23b]

IN PARTICULAR, THEY ARE RESPONSIBLE FOR:

1. defining lists of objectives to be achieved by the organisational units (establishments) to which they report and prioritising these objectives,
2. identifying, analysing and assessing key risks in subordinate organisational units from the point of view of achieving the operational objectives in the area in question and documenting (justifying) this assessment accordingly,
3. managing key identified impacts and risks relevant to the business unit of the production facility it manages,
4. the development, implementation and proper functioning of control mechanisms,

5. regularly monitoring and reporting on the level of operational risk to the Risk Manager,
6. ensuring that his chosen course of business conduct complies with the Policy and Procedure.

The Management Board and the Supervisory Board of the Arctic Paper Group consider the impacts, risks and opportunities when overseeing the strategy, major transaction decisions and risk management process. This is reflected in the focus on the implementation of projects and investments aimed, among other things, at diversifying sources of revenue and sources of electricity supply, which the Arctic Paper Group has included in its development plans contained in the 4P Strategy. [GOV-1, 22d, GOV-2, 26B]

In 2024, the most important sustainability topics and identified risks, impacts and opportunities with the highest potential impact and likelihood of occurrence in the Arctic Paper Group, which were analysed by the Management Board and the Supervisory Board of the Arctic Paper Group, included: [GOV-2, 24, 26C]

1. Risk of changes in the geopolitical environment that may affect the Group's production processes and operations;
2. Occupational accident risks and accident rates – LTI;
3. Risk of declining demand for paper products/changing customer preferences – increasing digital demands (popularity of substitute products and services (e.g. eBooks, VOD));
4. Risk of market competition dynamics;
5. Regulatory risks related to, inter alia, planned deforestation regulations;
6. Impact of GHG emissions in own operations and value chain;
7. Impact of water consumption levels in own operations and value chain;
8. High dependence on renewable resources;
9. Risk of low participation of women in leadership positions.

GOV-3 INTEGRATING SUSTAINABILITY-RELATED OUTCOMES INTO INCENTIVE SCHEMES

The remuneration of the members of the Management Board and the Supervisory Board of the Arctic Paper Group is determined based on the provisions of the Remuneration Policy, which is effective as of 31 August 2021. Within the applicable remuneration components, a distinction is made between fixed and variable remuneration. Variable remuneration may be calculated on the basis of financial and non-financial indicators set by the Supervisory Board, which include the Company's achievement of, inter alia, established sustainability and environmental objectives.... The Arctic Paper Group will present revised remuneration performance measures related to sustainability by 2027. [GOV 3-29, AR7] During the reporting period, the Arctic Paper Group did not have key features of an incentive scheme and did not set a percentage of variable remuneration linked to sustainability targets and/or impacts, including those related to climate change.[GOV-3, 29^a, 29Bb 29c, 29d] [E1.GOV-3 13]. Determining the criteria for the amount of variable remuneration is the responsibility of the Supervisory Board of Arctic Paper. [GOV-3, 29e]

GOV-4 DUE DILIGENCE STATEMENT

[30, 32 (AR8-AR10)]
The Arctic Paper Group takes systematic preventive measures to mitigate and remediate potential negative environmental and social impacts, including through the following actions:

1. In line with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, Arctic Paper Group takes into account established policies in the countries in which it operates and considers the views of its stakeholders. We work closely with the local community and are members of local and professional organisations, thus contributing to the development of local communities.
2. As a company listed on the Warsaw Stock Exchange (WSE) and the Swedish Stock Exchange (Nasdaq), Arctic Paper is guided in its business and operational activities by the good corporate governance practices applicable to public companies. More on compliance with the provisions of the Good Practices of Listed Companies

in the section of the consolidated report on corporate governance on page 33. In addition, Arctic Paper and Rottneros AB, as public entities listed on regulated markets, must comply with the disclosure requirements under the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse regarding price-sensitive inside information and must therefore guarantee transparency of business activities. In discharging these responsibilities, Arctic Paper Group Management ensures the integrity of the accounting and financial reporting systems, including independent audit, risk management control systems and financial and operational controls, as well as compliance with the law and relevant standards.

3. We do not tolerate discriminatory or disciplinary actions or engaging in other types of actions that cause reprisals against employees, trade union representatives or other workers’ representatives.
4. The Arctic Paper Group has developed and implemented a risk management system to identify, prevent and mitigate actual and potential negative impacts.
5. The Arctic Paper Group provides its employees and stakeholders with the opportunity to make good-faith, whistle-blowing reports of irregularities observed in the Group’s operations.
6. The Arctic Paper Group’s production units ensure health and safety protection standards, including by preventing accidents and health damage resulting from, related to or arising in the course of work, by minimising, to the extent practicable, the causes of the hazards inherent in the working environment at production facilities.
7. The Arctic Paper Group does not engage in any corrupt actions, including offering, promising or giving any undue financial or other benefits to public officials or employees of persons or entities with which the company has a business relationship, or to their relatives or associates.

All of the above requirements and principles are also placed on our suppliers and are summarised in the Arctic Paper Group’s Code of Conduct for the Value Chain. Arctic Paper Group expects its suppliers and other third parties to adhere to the high standards and values represented by our organisation and described in our Code of Conduct. Suppliers and third parties are expected to sign the “Declaration of Suppliers and Third Parties on Acceptance of and Compliance with the Arctic Paper Group Code of Conduct”. The Arctic Paper Group is committed to maintaining fair and ethical conduct in all its dealings with stakeholders and to upholding the principles of the UN Universal Declaration of Human Rights and the principles of the UN Global Compact.

On 31 May 2023, the European Parliament and the Council of the Union adopted Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 concerning the making available on the Union

market and the exportation from the Union of certain goods and products related to deforestation and forest degradation and repealing Regulation (EU) No 995/2010 (EU Deforestation Regulation (EUDY)). The purpose of the regulation is to ensure that goods imported and exported within the European Union do not contribute to deforestation or forest degradation during their production. The EUDR imposes obligations on importers, exporters and traders of goods with a view to environmental protection and sustainable development. Arctic Paper Group, as a paper and pulp producer, is covered by the regulation, which will come into force on 30 December 2025. In 2024, the Arctic Paper Group undertook work, which will continue into 2025, to prepare the Group to comply with technical requirements related to, among other things, the submission of due diligence statements in a dedicated IT system. Preparatory work is also being carried out by Arctic Paper Group suppliers, who will also be covered by the regulation.

Core elements of due diligence process	Paragraphs in the sustainability statement
a) Consideration of due diligence in management, strategy and business model	ESRS 2 GOV-2, ESRS 2 SBM-3
b) Engagement with affected stakeholders at all key stages of the due diligence process	ESRS 2 GOV-2, ESRS 2 SBM-2, ESRS 2 IRO-1, S1 SBM-2, S1-2, S2-2, S3-2, E1-2
c) Identification and assessment of adverse impacts	ESRS 2 IRO-1, ESRS 2 SBM-3, S1-SBM 3, S2- SBM 3, S3 – SBM 3
d) Taking action to reduce identified adverse impacts	ESRS 2 MDR-A, S1-4, S2-4, S3-4, E1-3, E2-2, E3-2, E4-3,
e) Monitoring the effectiveness of these efforts and providing relevant information in this regard	ESRS 2 MDR-A, ESRS 2 MDR-T, S1-5 – S1-17, E1-5, E1-6, E2-4.

GOV-5 RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

[34, 36a, 36b, 36c, 36d, 36e]

The Arctic Paper Group has set up a Sustainability Team to prepare a “Sustainability Statement”, coordinate the work in the different business units of the Arctic Paper Group, monitor the data collection process. The Sustainability Team consists of 5 members from a variety of roles within the Arctic Paper Group including Legal, Strategy & Development, Environment & Quality Systems, Supply Chain & Logistics, HR. The Sustainability Team reports directly to the Management Board of the Arctic Paper Group, which reports on the status of the sustainability work. The Group’s Management and Supervisory Boards hold regular meetings with the Sustainability Team, which reports on progress, presents material matters and suggests possible solutions.

In the course of the sustainability reporting work carried out in previous years, methods and responsibilities within the Arctic Paper Group for collecting, checking and aggregating data were developed. Those responsible for reporting on sustainability issues participate in workshops and training related to the European Sustainability Reporting Standards.

Selected employees of the Arctic Paper Group’s operating departments are responsible for collecting data from the various areas covered by the reporting. The data is then collected and consolidated by the Sustainability Team, which analyses the data and checks its accuracy. The effectiveness of the data collection process is monitored on an ongoing basis and any discrepancies are explained.

In the course of developing the Arctic Paper Group’s Risk Management Policy, the risk of not meeting national or EU-wide legal requirements for environmental standards and the risk of limited control over suppliers and their practices and the availability of upstream or downstream data, as well as the timing of the availability of information, were identified as one of the material risks associated with sustainability reporting, which, given the Arctic Paper Group makes every effort to maintain the completeness and integrity of data and the accuracy of estimates.

To minimise the risks identified in this area from 2025 onwards, the Arctic Paper Group will use a unified software for collecting and aggregating data on sustainability reporting, which also includes data reporting by the Arctic Paper Group’s suppliers, and will educate employees and use external expert support.

A detailed description of the approach and methodology for assessing risks and impacts is described in chapter IRO-1 on page 134.

SBM-1 STRATEGY, BUSINESS MODEL AND VALUE CHAIN

The principal business of the Arctic Paper Group is production and sales of paper and pulp. We offer voluminous book paper and a wide range of products in this segment, as well as high-grade graphic paper. We produce many types of wood-free uncoated and coated paper as well as wood-based uncoated paper for: printers, paper distributors, book and magazine publishers and the advertising industry. Following the acquisition of shares in the Rottneros Group in December 2012, our product range expanded to include the production of cellulose.

Our paper mills have a combined capacity of more than 695,000 tonnes of paper per year. The pulp mills have a total production capacity of more than 400,000 tonnes of pulp per year.

At 31 December 2024 , the Group had 13 paper sales offices providing access to all European markets, including Central and Eastern Europe. [SBM-1, 42, AR 14]

According to the Arctic Paper Group’s 4P Strategy, adopted in September 2021, 2/3 of its energy needs are met by its own production. More than 50% of the energy consumed comes from renewable sources.

The Arctic Paper Group is investing in the construction of a second moulded cellulose fibre packaging plant to replace plastic food packaging, thereby helping to reduce the generation of plastic waste. In Sweden, a biomass drying and pellet production facility is under construction at the Grycksbo plant. The investment will reduce energy costs by approximately SEK 50 million per year. In addition to electricity and steam, the plant will produce approximately 50,000 tonnes of pellets per year, which is a solid fuel in pellet form, mainly for combustion in individual as well as collective heating systems as an alternative to fossil fuels for heat and power generation.

The above 4P Strategy enhances the level of diversification of the Arctic Paper Group’s revenues and the Group’s energy independence in the long term. [SBM-1, 40, 40g]



Description of the Arctic Paper Group’s business model and value chain [SBM-1, 42, 42^a, 42b, 42c, AR 14]

ARCTIC PAPER GROUP VALUE CHAIN					
identified stakeholders interacting with processes in the value chain					
Suppliers of raw materials, goods and non-commercial services and goods		Employees, investors, financial institutions, public administration, local communities, NGOs		Customers	
UPSTREAM		GRUPA ARCTIC PAPER		DOWNSTREAM	
SUPPUES		GROUP PROCESSES		PROCESSING	WASTE
Suppliers of raw materials	Transport	All entities in the Group with operational and support processes		A customer is an entity that buys and processes a product produced by Arctic Paper Group entities in the course of its business for profit. Arctic Paper's key customers are: - printing houses, - paper distributors, - book and magazine publishers, - the advertising industry and - packaging manufacturers. The consumer - the end-user is the entity using the paper packaging for food packaging.	The waste is: - by-products of paper and pulp production, which are converted into biomass fuel; - packaging used by the consumer.
Suppliers of raw materials that are used in production.	Transport companies delivering products produced at Arctic Paper Group entities to customers.	Operational processes:	Support processes:		
FSC® and PEFC™ certified suppliers are key partners in the supply chain.		- paper and pulp production, - sourcing, - R&D, - logistics, - energy production - from photovoltaic panels, hydroelectric plants, biomass, - quality control, - marketing and PR communication, - sales, - management, - investor relations, - legat services, - IT support.	management, administration, HR, health and safety, finance, accounting, controlling.		
Primary raw materials:					
- wood - pulp - water - pigments - chemical additives					
Origin of raw materials:					
Europe and South America (Brazil, Chile, Uruguay)	Arctic Paper's sales are mainly in European markets, where Germany is the dominant market, accounting for around 22% of sales. Other important markets are Poland (17%), the UK and Ireland (12%), Austria and Central Europe (10%),and France (9%). Smaller shares are held by the Baltic States (6%), Scandinavia (10%), Benelux (4%), and sales outside Europe are around 1%, mainly due to high transport costs.				
Energy raw materials:					
- electricity - gas - heat Energy is sourced: - from its own sources, - Sweden – RES, nuclear power plants - Poland – energy mix		Paper and pulp production plants in Poland and Sweden. Distribution: Sales offices are located in Germany, the UK, France, Poland, Austria, Spain and the Scandinavian and Baltic countries. The sale and distribution of products also includes cooperation with local distributors on other continents.			
STAKEHOLDER GROUPS INFLUENCED BY THE GROUP IN A PARTICULAR LINK IN THE VALUE CHAIN					
suppliers, customer, consumer, potential investors, NGOs, local communities		employees, investors, financial institutions, public administration		customer, consumer, potential investors, NGOs, local communities	

PRODUCT RANGE AND CUSTOMER GROUPS [SBM-1, 40AI, 40E, 40F, 42B, AR 12-13, 14]

- graphic paper, and in particular:
 - white offset paper, which we produce and distribute primarily under the Amber brand, which is one of the most versatile types of paper for a variety of applications;
 - woodfree bulky book paper, which we produce under the Munken brand, used primarily for book printing;
 - high quality graphic paper with a particularly smooth or rough surface, used for printing a wide variety of advertising and marketing materials, which we produce under the Munken Design brand;
- coated wood-free paper,
- uncoated wood-free paper,
- packaging papers,
- sulphated cellulose,
- mechanical fibre cellulose.

Selected Arctic Paper Group products, such as Munken Design, Amber Graphic, G and Arctic Volume White, have been verified and approved for use in Nordic Ecolabel certified products.

The factories in Grycksbo, Kostrzyn and Munkedal have FSC® (Forest Stewardship Council®) and the corresponding PEFC™ (Programme for the Endorsement of Forest Certification™) chain of custody certificates, which guarantee that the raw material comes from sustainable sources. We can therefore guarantee our customers that our products come from well-managed, responsible and certified forest resources.

All wood used for pulp production at Rottneros is traceable and all pulp is available with PEFC™ or FSC® certification.

The cellulose produced by Rottneros is approved for the production of paper and board for food contact, as well as the Nordic Swan and EU Ecolabel.

Food packaging produced at Rottneros Packaging is certified for food contact and is available with FSC® certification.

Over the past three years, demand for the e-cellulose produced by the pulp mill has increased significantly, mainly through the modernisation and overhaul of the electricity grid associated with the transition to renewable energy sources.

The Arctic Paper Group’s customer base includes both direct and indirect customers.

Direct customers purchase the Group’s products from paper mills. Indirect customers do not purchase the Group’s products themselves, using printers or paper wholesalers for this purpose, nevertheless they are an important target group for the Group’s marketing activities , as it is the indirect recipients who recommend or indicate the use of the Group’s products by the direct recipients. The groups of direct and indirect buyers of products include:

- printers – are direct customers, purchasing paper produced by the Group directly from paper mills;
- wholesalers – are direct customers who purchase paper produced by the Group for resale;
- publishers – are direct and indirect customers who purchase paper produced by the Group directly from the Group for use in their publishing activities, and who commission or recommend the use of our paper to printers to whom they themselves commission the printing of books or other publications;
- advertising agencies – mainly indirect customers who do not buy our products directly, but play an important role in commissioning and recommending our products to printers, especially high-quality paper for printing: companies’ annual reports, brochures, leaflets and packaging;
- final customers and brand owners – they are direct and indirect customers who purchase our products directly, as well as playing an important role in recommending the use of our products to printers they have entrusted with printing.

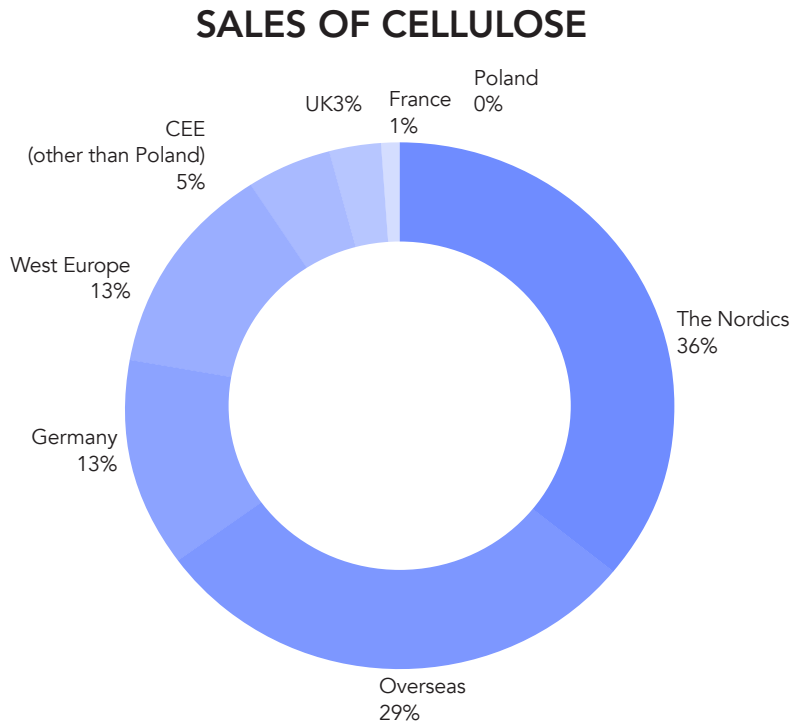
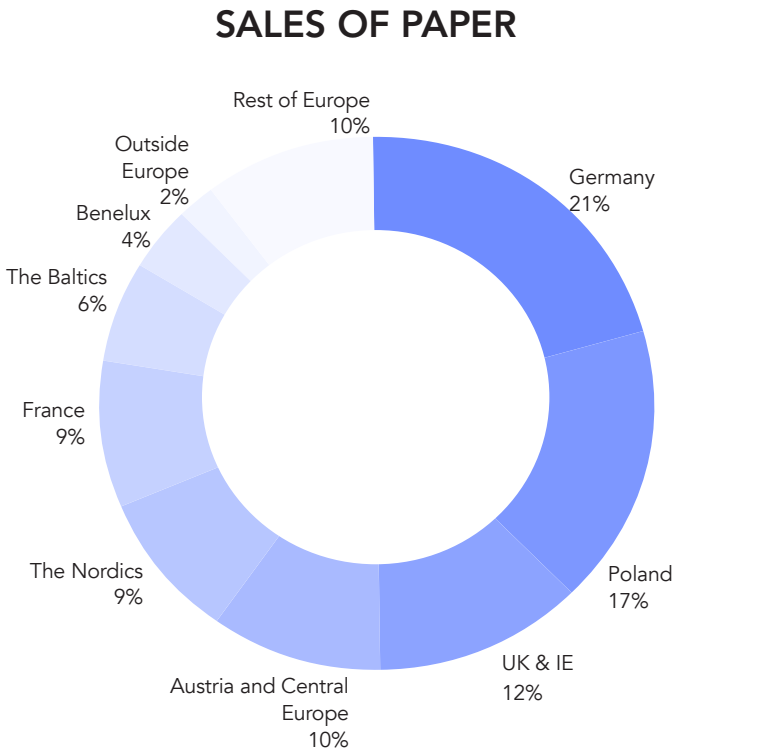
The main customers for the pulp mill’s products are manufacturers of printing paper, paper hygiene products and paperboard, as well as electrical appliances and filters. Pulp is supplied to entities that do not have the capacity to produce pulp by themselves and to buyers that produce certain types of pulp and look for suppliers of other types of pulp.

In our opinion, we are not materially dependent on any single specific buyer. The share of the 3 largest customers in the Group’s consolidated revenues for 2024 did not exceed 20% of the value of total sales revenues.

The Group’s additional business, partly subordinate to paper and pulp production, covers:

- packaging production,
- electricity generation,
- electricity transmission,
- electricity distribution,
- heat production,
- heat distribution,
- logistics services,
- paper and pulp distribution.

OUR MAIN MARKETS [SBM-1, 40AII, AR 12-13]



As of 31 December 2024, the Arctic Paper Group employs more than 1,500 people at its paper mills Arctic Paper Kostrzyn (Poland), Arctic Paper Munkedals(Sweden) and Arctic Paper Grycksbo(Sweden), paper sales companies, pulp companies Rottneros and Vallvik (both located in Sweden) and a food packaging company(Sweden). [SBM-1, 40aiii, AR 12-13]

Country	Number of employees
Sweden	1045
Poland	500
Other	39
Total	1584

The Arctic Paper Group does not manufacture or sell materials, products or services prohibited in certain markets. [SBM-1, 40aiv, AR 12-13]

The Arctic Paper Group’s consolidated sales revenues for the 12 months of 2024 amounted to PLN 3,434 million. The manufacture of paper and wood products is included in the ESRS standards in the SEC-1 classification of sectors of activity code: PW and the main revenues are derived from these activities. The following table sets out revenue and profit and certain assets and liabilities from continuing operations by segment of the Arctic Paper Group for the 12 months ended 31 December 2024 and as at 31 December 2024. [SBM-1, 40b, AR 12-13]

	Paper	Pulp	Total	Continuing operations
Revenues				
Sales to external customers	2 413 663	1 021 030	3 434 693	3 434 693
Sales between segments	–	–	–	–
Total segment revenues	2 413 664	1 021 030	3 434 693	3 434 693

The Arctic Paper Group does not operate and earn revenues from the fossil fuel sector does not operate and earn revenues from the fossil fuel sector (coal, oil and gas), controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons) or tobacco cultivation or production. [SBM-1, 40B, AR 12-13]

SBM-2 INTERESTS AND OPINIONS OF STAKEHOLDERS

At the end of 2023, the current stakeholder group catalogue was revised and, for the materiality analysis process, a cross-sectional Stakeholder Opinion Survey was conducted taking into account the Arctic Paper SA Group and the employees of Rottneros AB. The findings of this study provided a valuable contribution to the many discussions on the relevance of the organisation’s impacts on people, the environment and were taken into account in the materiality analysis process in the context of considering impacts, risks and opportunities. The Arctic Paper Group maintains a systematic dialogue with its stakeholders, as described in the table below. The Group’s key stakeholders emphasize the importance of developing a circular economy through products that are aligned with the Arctic Paper Group’s business model.

The Group’s stakeholders also note the high importance of implementing responsible business and ethical practices throughout the operations and value chain, as these are key to ensuring long-term strategy implementation.

The stakeholder survey was in the form of an online survey sent to 1,273 people, and there were 242 responses received.

The respondents were divided into the following stakeholder groups, the number of answers given is presented according to the category of stakeholder:

- 157 Arctic Paper employees;
- 31 Rottneros employees;
- 12 customers;
- 18 material suppliers;
- 12 suppliers of other services and products related to Arctic Paper products;
- 3 industry/business organisations;
- 3 NGOs, schools or universities;
- 3 representatives of the local community;
- 2 public administration units;
- 1 other.

The selection of both the questions and the group of stakeholders invited to the survey was preceded by a preparatory workshop dedicated to stakeholder mapping in terms of mutual influences between stakeholders and the Arctic Paper Group. [SBM-2, 45a, 45ai, 45aii, AR16]

In addition to the opinion surveys conducted in the form of questionnaires, the Arctic Paper Group conducts continuous correspondence and exchanges with stakeholders, and sensitive matters raised by stakeholders are presented to the Group’s Management and Supervisory Boards for further discussion. An effective and expensive channel for obtaining numerous opinions from outside the organisation is, among other things, the investor box, which receives enquiries from the media or NGOs. In addition, the Arctic Paper Group is an active member of industry associations of paper and pulp producers in Poland and Sweden and in the European Union. An additional communication tool is also the whistleblower channel, which can be used anonymously by any stakeholder. [SBM-2, 45aiii, AR16]

There have been no changes to Arctic Paper’s business model in 2023, nor have there been any events in the environment that would materially affect the model and the nature and scale of Arctic Paper’s social, environmental or economic impact. Nor are changes planned to modify stakeholder relationships and opinions. [SBM-2, 45c, 45ci, 45cii, 45ciii]

The above-described aspects are the subject of an annual broader discussion within our organisation with the participation of the Management and Supervisory Boards of the Arctic Paper Group, with the aim of better understanding the current and future nature of the relationship with the environment in the context of possible changes – including regulatory changes – and observed social trends. As a result, it allows us to understand the current and future nature of our impact on the business environment. Each time, the results of the stakeholder survey are analysed and discussed by the Management Board and the Supervisory Board. [SBM-2, 45av, 45ab, 45d]

Table – Key stakeholders, method and objectives of their involvement [SBM-2, 45ai, 45aii, 45aiii, 45aiv AR16]

Main category of stakeholders	Main dialogue methods and communication channels	Method of engagement	Purpose of engagement
Employees	Direct communication, surveys, satisfaction surveys, intranet, whistleblowing system	Individual meetings, survey, satisfaction research, training and education	Obtaining feedback on the needs and assessment of our actions, understanding the current and potential nature of the organisation’s impact on employee wellbeing
Customers	Direct communication through the sales organisation, value chain code of conduct and sustainability policy, whistleblowing system	Survey	Obtaining feedback on our needs and assess our actions, adjust our product and service offerings
Suppliers	Direct communication through purchasing departments, value chain code of conduct and sustainability policy, whistleblowing system	Survey	Obtaining feedback on the needs and evaluation of our actions
Investors	Investor meetings, investor box, press releases, current and periodic reports available to the public, whistleblowing system	Investor meetings, general meetings of shareholders	Obtaining an assessment of the arctic paper group’s operations, ensure transparency in communication and equal access to information about the arctic paper group’s operations
Local communities	Investor box, press releases, current and periodic reports available to the public, whistleblowing system	Survey, meetings with local authority representatives	Obtaining feedback on the needs and assessment of arctic paper group’s actions on the local environment

SBM-3 MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH THE STRATEGY AND WITH THE BUSINESS MODE

[48a, 48b, 48ci, 48cii, 48ciii, 48civ, 48d, 48f, 48g, 48h] [E4. SBM-3 16 a i, iii] [E4. SBM-3 16 b] [E4. SBM-3 16 c]

Table – Material impacts and their interrelationship with the Arctic Paper Group’s strategy and business model

Material topics identified in the materiality study	Description of impact	Type of impact “+” positive “-” negative “P” – potential “A” – actual	Impact on humans or the environment	Link to the strategy and business model	Current and anticipated effects	Time perspective of the impact and action taken (short-term, medium-term, long-term)	The place of influence in the value chain U – Upstream, O – Own operations D – Downstream
E1: Climate change							
Climate change adaptation	GHG emissions caused by increased energy consumption for the cooling process (servers, factory hall)	– R	Increased GHG emissions contribute to global warming. The need for cooling affects employees’ working conditions and is linked to health and safety.	Link to the strategy: Energy pillar – continue to invest in RES projects and increase the energy efficiency of installations and buildings. Link to business model The nature of the business – cooling and high energy consumption and GHG emissions are a direct result of the paper-based business model.	GHG emissions caused by increased energy consumption for the cooling process necessitate the inclusion of adequate targets in the strategy and a redefinition of the resilience of the business model for low-carbon operations	– medium-term – considering the use of water cooling instead of air cooling, this may lead to a higher consumption of water resources – this may also involve a change in strategy and business model.	O
Climate change mitigation.	GHG emissions in own operations and supply chain	– R	GHG emissions across the value chain include the direct and indirect impacts of a company's operations, resulting from emissions generated by: - own production, – suppliers and their subcontractors, – the production of purchased energy, - employee commuting, - use and processing of products by customers, contributing to global warming.	Link to the strategy: Energy pillar – increased use of RES energy reduces GHG emissions. Increasing energy production from RES. Link to the business model nature of the business – GHG emissions are a direct result of the paper-based business model.	GHG emissions caused by manufacturing operations and an extensive supply chain necessitate the inclusion of adequate targets in the strategy and a redefinition of the resilience of the business model in favour of low-carbon operations and an emphasis on entering into partnerships with sustainable business partners.	– medium-term – maintaining business relationships with entities with proven sustainability practices	U, O, D
	Striving for zero emissions,	+ R	Decarbonising the Group's operations involves reducing GHG emissions throughout the value chain by optimising operational processes, increasing the share of low- and zero-carbon technologies, improving energy efficiency, working with suppliers and promoting sustainable practices among employees.	Link to the strategy: Energy pillar – increased use of RES energy reduces GHG emissions. Increasing energy production from RES. Link to the business model nature of the business – GHG emissions are a direct result of the paper-based business model.	Investing in solutions that minimise the negative impact of operations on the environment and climate is linked to the strategic actions taken in the area of RES (set targets and KPIs in the Group's strategy) and influences the direction of the business model.	– medium-term – investment in efficient energy solutions	O
	Investing in solutions that minimise the negative impact of operations on the environment and climate,	+ R	The implementation of sustainable transport is associated with improved air quality through reduced emissions (exhaust), less transport noise, which has a positive impact on urban ecosystems and wildlife.	Link to the strategy: Pillar Energy. Transport is directly linked to the business model. The Group does not have its own transport fleet.	Implementing sustainable transport may involve increased operational costs and partnerships with socially and environmentally responsible actors.	– medium-term – exerting pressure on transport providers.	U, O, D

Material topics identified in the materiality study	Description of impact	Type of impact “+” positive “-” negative “P” – potential “A” – actual	Impact on humans or the environment	Link to the strategy and business model	Current and anticipated effects	Time perspective of the impact and action taken (short-term, medium-term, long-term)	The place of influence in the value chain U – Upstream, O – Own operations D – Downstream
Energy	Use of renewable energy sources (RES), Improvement of energy efficiency	+ R	The company contributes to reducing GHG emissions, reducing pollution of air and reducing its carbon footprint. The use of RES improves the quality of life of local communities by reducing the negative impacts of conventional energy, such as smog and noise. Reducing energy consumption leads to reduced exploitation of natural resources and reduced CO ₂	Link to the strategy: Energy pillar – further investment in RES projects. Increasing energy production from RES and diversifying revenue sources.	The use of renewable energy sources (RES) influences the setting of strategic targets and increases the level of investment, while reducing the cost of energy purchases.	– long-term – investment in own power generation.	O
ESRS E2 Pollution							
Pollution of air	Atmospheric pollution (production and transport – air emissions (from production processes and transport vehicles in the value chain).	– R	The consumption of fossil fuels by the car fleet (mainly internal combustion engines) and the use of electricity produced from fossil fuels by suppliers generate GHG emissions and air pollutants, affecting climate change and the quality of the local environment, especially in areas with heavy traffic.	No link to the Strategy and indirect link to business model	Atmospheric pollution from production and transport – influences the setting of strategic objectives and increased levels of investment.	– medium-term – selection of transport service providers who guarantee a modern and energy-efficient vehicle fleet	U, O, D
Water pollution	Water contamination in the production process	– R	The negative environmental impacts of include degradation of aquatic ecosystems, reduction of biodiversity and pollution of water resources with harmful chemicals. This can lead to contamination of drinking water, which poses a threat to human health and the quality of life of local communities	No link to the Strategy, but due to production specificity link to business model.	Potential water pollution in the production process does not affect the setting of strategic objectives and the change of the business model. The Group has invested in water treatment and recycling technologies, optimising production processes and implementing environmental management standards, and plans to continue monitoring the level of cleanliness of water discharged into rivers.	— medium-term – investment in the modernisation of water treatment and purification facilities	U
	Supporting scientific projects for the restoration, regeneration and transformation of ecosystems, in partnership with NGOs	+ R	These actions have a positive impact on the environment and people’s lives by restoring the natural balance of ecosystems, improving water, soil and air quality and restoring biodiversity. These actions support the health and wellbeing of local communities.	No link to the Strategy and business model.	The actions carried out in the field of ecosystem regeneration do not affect the setting of strategic objectives and the change of business model at present, but strategic objectives in this area may be set in the future.	– short-term – support for scientific/educational programmes	O
Potentially non-hazardous substances	Use of hazardous and potentially hazardous substances.	– R	Possible negative impacts on the environment and human health through toxic emissions to air, water and soil, leading to degradation of ecosystems and threats to biodiversity. Human exposure to these substances can cause health problems.	No link to the Strategy, but due to production specificity link to business model.	No impact on the setting of strategic objectives at present, but these may be set in the future if only by including in the strategic objectives the desire to minimise the use of such substances by investing in safe alternatives, implementing risk management systems and strictly controlling compliance with regulations.	– medium-term – strict control of the substances used within the framework of permissible standards and regulations	O

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ESRS E3 Water and marine resources							
Water consumption	Water consumption – in its own operations, particularly in the production process (pulp and paper production).	– R	Pulp and paper production is a water-intensive process, which can lead to intensive use of water resources and affect their availability to ecosystems and local communities. Excessive water abstractions can strain local sources, leading to shortages, especially in regions with limited water resources.	No link to the Strategy, but due to production specificity link to business model.	Pulp and paper production is a water-intensive process, with high costs for water abstraction, treatment and discharge. Increases in water prices and environmental charges can affect the profitability of operations. Increasing water costs, growing regulatory requirements and market pressure for sustainable production require investment in water-saving technologies, process optimisation and responsible water risk management, which influences the Group’s strategic decisions.	– medium-term – use of technological processes that reduce water consumption	O
	Water consumption – in the supply chain – especially in areas with high water consumption.	– R		No link to the Strategy, but due to production specificity link to business model.	High water demand in water-scarce areas may lead to higher raw material prices (e.g. pulp and paper pulp) due to restrictions on water availability and possible regulations on water use, which will entail potential modifications to the business model and value chain (seeking suppliers in regions with greater water availability to minimise the risk of supply chain disruptions).	– long-term – cooperation with responsible raw material suppliers	U
Water abstractions	Purchase of cellulose in marine transport – potentially includes ballast water abstraction.	– R	The marine transport of cellulose can negatively impact the environment through the intake and discharge of ballast water, which can contain invasive organisms and chemical contaminants. The introduction of alien species into new ecosystems can lead to biodiversity degradation, disruption of food chains and damage to fisheries and local communities dependent on aquatic resources. In addition, inadequate ballast water management can lead to pollution of port basins by chemicals, and oil.	No link to the Strategy and indirect link to the business model.	In the future, the possibility of implementing sustainable transport strategies, e.g. choosing suppliers that use ballast water treatment systems or greener forms of transport. In the value chain, the impact on logistics and transport costs – the introduction of stricter ballast water standards may increase sea freight costs.	– long-term – cooperation with responsible raw material suppliers	U, O
	Actions in line with the European Green Deal (or other EU/global initiatives) on clean water	+ R	Clean water measures (reduction of pollutant emissions, protection of aquatic ecosystems) in line with the European Green Deal have a positive impact on both society and the environment, contributing to sustainable development and conservation of natural resources.	No link to the Strategy and business model.	Measures in line with the European Green Deal in the context of water conservation involve planning investments in water treatment and recycling systems, which can lead to increased operating costs. The need to invest in innovation to ensure regulatory compliance, economic efficiency and market competitiveness.	– long-term – use of technological processes that reduce water consumption	O
	Reuse of water that has already been used (grey water system).	+ R	Reusing water that has already been used saves the natural resource of water and thus has a positive impact on the environment.	No link to the Strategy. Link to business model through raw material (water as a key raw material)	Minimise the consumption of water resources and reduce the discharge of untreated wastewater into the environment. Reduced costs for the purchase of water, capital expenditure incurred in moving to a sustainable business model.	– medium-term – use of technological processes that reduce water consumption	O

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Water discharges	Water discharges associated with paper and pulp production (including pulp that is purchased, excluding packaging).	– R	Water discharges have the potential to contain organic pollutants which has a material impact on the environment and local communities.	No link to the Strategy. Link to the business model through the raw material (water as a key raw material).	Capital expenditure incurred to reduce negative environmental impacts and focus on discharging clean, good quality water. The need to align strategies, investments and operations with increasing regulatory and market requirements to minimise financial, operational and reputational risks.	– long-term – use of technological processes that reduce water consumption	U, O
	Create products and services that respect water resources and/or reduce water discharges. Improving water quality.	+ R				– long-term – use of technological processes that reduce water consumption	O
Discharges of water into the oceans	Discharges of water into the seas/oceans.	– R				– long-term – use of technological processes that reduce water consumption	U, O

ESRS E4 Biodiversity and ecosystems [E4.SBM-3 16 a i, iii] [E4.SBM-3 16 b] [E4.SBM-3 16 c]

Direct drivers of biodiversity loss: Climate change	Indirect impacts on biodiversity loss and ecosystem health through activity-related emissions.	– R	Emissions from organisations’ activities can indirectly affect biodiversity and ecosystems, contributing to habitat degradation, changes in species composition and loss of ecosystem services	Link to business model through raw material (wood and water as key raw materials). No link to the Strategy.	The need to incorporate biodiversity protection regulation and consider the impact of its emissions (e.g. greenhouse gases, air, water and soil pollutants) on ecosystems within ESG standards such as ESRS E4 and the EU Biodiversity Strategy 2030. Increase in operating costs Higher costs related to emission reductions, afforestation, investment in low-carbon technologies and charges for negative impacts on biodiversity.	– medium-term – compliance with environmental standards and regulations – investment in solutions that reduce water consumption	U, O
Direct drivers of biodiversity loss: Direct operation	Sourcing wood for pulp from a certified supplier and from sustainably managed forests.	+ R	Certified timber suppliers comply with standards and sustainability principles. Sustainable forest management ensures the protection of ecosystems and animal habitats. Responsible tree felling is balanced by new plantings, ensuring the long-term sustainability of forest ecosystems.			– medium-term – cooperation with responsible raw material suppliers	U

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Direct drivers of biodiversity loss: Invasive alien species	Transport of cellulose and products by sea – potentially includes ballast water abstraction with simultaneous transport of invasive species.	– P	Invasive species can damage aquatic ecosystems, negatively affecting fisheries and the availability of water resources. They can displace native organisms, leading to the degradation of aquatic ecosystems and altering the structure of the food chain, which affects the stability of ecosystems.			– medium-term – cooperation with responsible raw material suppliers	U, O
Direct drivers of biodiversity loss: Land use change, fresh water use change and sea use change	Measures to support the protection and restoration of biodiversity aligned, for example, with the EU’s 2030 Biodiversity Strategy. Naturally clean water, advanced treatment processes for contaminated water.	+ R	Protection of aquatic ecosystems leads to - natural water filtration, reducing the need for intensive chemical treatment - less chemical pollution supports healthy habitats for fish, amphibians and other aquatic organisms. Impact on the quality of life and health of the local community.			– medium-term – compliance with environmental standards and regulations – investment in solutions that reduce water consumption	O
Direct drivers of biodiversity loss: Other.	Supporting initiatives to promote biodiversity.	+ R	Supporting local biodiversity initiatives benefits both people and the environment by improving quality of life, strengthening resilience to climate change and protecting ecosystems.			– short-term – compliance with environmental standards and regulations – support for local initiatives	O
Impacts on the extent and condition of ecosystems	Impact on land degradation, desertification or soil sealing.	– R	Soil degradation leads to a reduction in the number of soil microorganisms and organisms, which disrupts the balance of ecosystems. Soil degradation reduces soil fertility which has an impact on the quality of life of local communities.			– medium-term – cooperation with responsible raw material suppliers	U
	Actions to support biodiversity conservation and restoration aligned, for example, with the EU’s 2030 Biodiversity Strategy.	+ R	Rich biodiversity in green spaces promotes better physical and mental health for local communities. Ecological balance is crucial to the functioning of ecosystem services, such as nutrient cycling and water purification.			– medium-term – cooperation with responsible raw material suppliers – purchase of certified raw material	O
	Positive impact on biodiversity – afforestation.	+	Newly created forests become a habitat for a wide range of plant and animal species, which promotes the restoration of ecosystems and increases biodiversity. Trees absorb carbon dioxide and emit oxygen, which contributes to reducing greenhouse gases in the atmosphere and improving air quality. The improved air and water quality resulting from afforestation translates into better health for the local community.			– medium-term – cooperation with responsible raw material suppliers – purchase of certified raw material	U

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Impacts on and dependence on ecosystem services	Strong dependence of activities on ecosystem services – wood raw material as a basis for activities	– R	Overexploitation of forests leads to deforestation, resulting in loss of biodiversity, soil erosion and disruption of the water cycle. The processes involved in the production, transport and processing of wood can lead to GHG emissions, contributing to climate change.	ZLink to the business model through the raw material (wood as a key raw material). No link to the Strategy.		– medium-term – cooperation with responsible raw material suppliers – purchase of certified raw material	U, O
E5 – Circular economy							
Resources introduced, including use of resources	High dependence on non-renewable resources.	– R	The constant consumption of non-renewable raw materials is leading to their gradual depletion, which calls into question the future availability of these materials.	No link to the Strategy. Link to the business model through the raw materials required for the business.	The need to link sustainability strategies to objectives that reduce the negative environmental and social impacts of operations, as well as to increasing consumer and regulatory expectations. Potentially redefining the business model to one less dependent on non-renewable resources.	– medium-term – cooperation with responsible raw material suppliers – purchase of certified raw material	U, O
Discharged resources related to products and services	There is a percentage of waste for disposal that cannot be reused or recycled.	– R	Non-recyclable waste poses a risk to the environment and human health. Landfilling waste can lead to methane and other GHG emissions, contributing to climate change. Some wastes, (e.g. plastics or metals), take a very long time to decompose, leading to their accumulation in the environment and permanent pollution.	No link to the Strategy and link to business model through the Group’s manufacturing nature.	Non-recyclable waste requires specialised disposal methods, which generates additional expenses for transport, storage or incineration. Increased operating costs through the potential burden of additional charges for the introduction of non-recyclable waste into the environment. For the future inclusion of waste minimisation targets in the strategy (further development of the circular economy) – redefined business model.	– short-term – cooperation with specialised suppliers of waste recycling	O
	Action to recover used renewable resources.	+ R	Recycling reduces the need to extract new raw materials, thus conserving scarce natural resources and contributing to their sustainable management. Resource recovery reduces the amount of waste going to landfill, minimising the negative impact on ecosystems and human health.	Link to the strategy: Pillar Packaging – developing a range of packaging that provides an innovative alternative to plastic packaging as based on renewable resources. Production of recyclable packaging. Link to the business model through the Group’s manufacturing nature.	The use of recycled materials can reduce production costs by reducing expenditure on virgin raw materials. The drive for efficient recovery of raw materials is stimulating investment in new technologies and processes.	– medium-term – investment in a cellulose packaging plant – cooperation with specialised suppliers of waste recycling	O

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Waste	Production of disposable and perishable products. Business based on the production of disposable packaging.	– R	Single-use packaging contributes to an increase in waste, which often ends up in landfills or natural ecosystems, causing degradation. The process of manufacturing, transporting and disposing of disposable packaging generates CO ₂ emissions, which contributes to climate change.	Link to the strategy: Pillar Packaging – developing a range of recyclable packaging.	Rising raw material prices and waste management charges may increase production costs (including single-use packaging). The growing environmental awareness of society makes consumers prefer products with eco-friendly packaging, which influences purchasing decisions (expanding the business model to include new activities).	– medium-term – investment in a cellulose packaging plant – carrying out R&D	D
	Circular design – a positive impact on the product.	+ R	Circular design: - minimising waste generation by closing the material cycle, which reduces the burden on landfills and the environment; - reducing the consumption of primary raw materials and energy in production processes.	Link to the strategy: Pillar Packaging – developing a range of packaging that provides an innovative alternative to plastic packaging as based on renewable resources which contributes to reducing microplastic particles in the sea, soil and food. Production of recyclable packaging.		– medium-term – cooperation with specialised suppliers of waste recycling – carrying out R&D	O
	Eliminate waste in the production process wherever possible (including in the production phase, during use and at the end of the product life cycle) – producing as little waste as possible.	+ R	Minimising waste reduces the amount of pollutants entering the soil, water and air, which contributes to improving environmental quality and public health. Reducing waste in production and consumption processes leads to less energy consumption, which consequently reduces GHG emissions.	No link to the Strategy and link to business model through the Group’s manufacturing nature.	The elimination of waste leads to financial savings by reducing costs associated with the purchase of raw materials, waste management and environmental charges. This necessitates strategic decision-making within the Group, efforts to shape a sustainable business model and the search for responsible business partners throughout the value chain.	– medium-term – investment in a cellulose packaging plant	U, O

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S1 – Own workforce							
Working conditions: Job security	Providing employees with a safe working environment, stable employment contracts, competitive salaries and nurturing employee engagement has numerous benefits for both employees and the organisation.	+ R	Offering a safe and stable workplace has a positive impact on the quality of life of employees, providing them with a sense of job security. Competitive salaries, normal working hours (rarely overtime) and regular employee engagement surveys are evidence of the care taken for the employee and affect their well-being. Ensuring legitimate employee representation (unionisation, collective bargaining rights, etc.), including the right to speak out and be consulted, is fundamental to building trust and social dialogue within an organisation.	No link to the strategy and link to the business model through the Group’s manufacturing nature and reliance on human capital.	The human capital business model focuses on building employee trust, respecting diversity, ensuring safe working conditions. These measures favour the long-term employment of employees, which allows knowledge and experience to accumulate in the organisation. This translates into higher operational efficiency and better product quality. Attention to safety, job stability and competitive salaries build the company’s reputation as an attractive employer. Shift work is one element of the Group’s production-based business model.	– short-term – compliance with legislation timely – ensuring health and safety at work	O
Working conditions: Working time	The potential increase in work outside standard working hours and more demanding and less beneficial night shifts for the employee can lead to a number of negative effects on the health and well-being of employees.	– P				– short-term – compliance with legislation timely – ensuring health and safety at work	O
Working conditions: Adequate wage	Competitive remuneration includes adequate salaries in line with market rates and adapted to the employee’s experience and education.	+ R				– short-term – implementation of the diversity policy -equal pay for men and women on the same basis	O
Working conditions: Social dialogue (Dialogue with employees)	Roadside channel for whistleblowing, stakeholder surveys, suggestion boxes, employee satisfaction surveys.	+ R				– short-term – implementing a whistleblowing policy and provide a channel for anonymous whistleblowing	U, O

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Working conditions: Freedom of association, the existence of works councils and workers’ rights to information, consultation and participation	There are trade unions, a works council (at group level).	+ R				– short-term – ensuring the freedom of association of workers – compliance with the law	O
Working conditions: Collective bargaining, including percentage of employees covered by collective agreements	There are also agreements at company level.	+ R				– short-term – ensuring the freedom of association of workers – compliance with the law	O
Working conditions: Work-life balance	Caring for employees’ well-being (physical and mental), work-life balance.	+ R	The Group provides employees with private healthcare and additional health promotion initiatives (e.g. urological cancer screening). It offers extended insurance packages and adheres to set working hours (overtime is avoided as a matter of principle) influencing employee welfare with these measures.			– short-term – financing of medical and life insurance packages	O
Working conditions: Occupational health and safety	Workplace accidents.	– R	Due to the nature of the business, occupational accidents do occur, but high standards of occupational health and safety (OHS), including occupational health and safety systems and the presence of qualified emergency workers equipped with equipment such as defibrillators, have a material impact on the quality of life of employees and their safety in the workplace.			– short-term – ensuring safe working conditions – carrying out regular health and safety training – introduction of modern security systems	O
	High health and safety standards, health and safety system, emergency services (employees with emergency qualifications – defibrillators, etc.)	+ R				– short-term – ensuring safe working conditions – carrying out regular health and safety training – introduction of modern security systems	O

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Equal treatment and equal opportunities: Gender equality and equal pay for work of equal value	Low number of women in managerial positions, limited promotion opportunities	– R	Despite the small number of women in managerial positions, the Group cares for and respects diversity and the rights of people with disabilities in the organisation. Ensuring gender equality and equal pay for equal work, building competencies through training and developing employee skills creates a sense of fairness in the organisation and minimises internal conflict.			– long-term – implementation of the diversity policy – equal pay for men and women in the same positions based on competence	O
	Payment of fair wages – gender equality and equal pay for equal work	+ R				– long-term	O
Equal treatment and equal opportunities: Training and skills development	Staff training programme – developing staff skills	+ R				– long-term – supporting staff competence development – funding for training	O
Equal treatment and equal opportunities: Employment and integration of people with disabilities	Providing convenient working conditions for people with disabilities.	+ R				– long-term – ensuring safe working conditions	O
Equal treatment and equal opportunities: Measures to prevent violence and harassment in the workplace	The Group counteracts harassment and violence in the workplace by implementing policies and providing anonymous channels for reporting misconduct.	+ R				– short-term – implementing a whistleblowing policy and provide a channel for anonymous whistleblowing	O
Equal Treatment and Equal Opportunities: Diversity	Nurturing diversity in the organisation by building diverse teams.	+ R				– long-term – implementation of the diversity policy – supporting staff competence development	O

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S2 – Employees in the value chain							
Working conditions: Job security	Code of conduct in the value chain: Working to create a sustainable supply chain, auditing suppliers on environmental practices and respect for human rights.	+ R	Positive impact on supplier relationships. Impact on the implementation of ESG in the supply chain including environmental care and ethical conduct.	No link to the Strategy.	Meeting strategic objectives and acting in line with the Group's values also in the supply chain.	– long-term – implementation of an on-line platform for collecting data from suppliers – surveys	U
	Educating suppliers on ESG issues by implementing surveys and sharing the Code of Conduct in the value chain	+ R		No link to the Strategy and business model.		– long-term – cooperation/education of suppliers committed to sustainable development	D
S3 – Affected communities							
OTHER: Noise generation	Noise generation	– R	Negative impact on relations with the local community. A reduction in the quality of life for people in the region. Negative impact on the environment – disturbance and obstruction of animal life which may lead to a reduction in biodiversity in the region. Cultural	No link to the Strategy. The link to the business model resulting from the nature of the business.	Noise reduction requires strategic decisions regarding changes to the production process or the application of measures to mitigate the negative impact of the company (financial outlay).	– short-term – use of modern noise control systems in production facilities	O
Economic, social and cultural rights of the community: Water and sanitation	Cleaning up the river so that the local community can use it – fishing and other recreational activities.	+ R	Positive impact on the relationship with local communities. Improving the quality of life and health of the local community. Positive impact on the state of the local environment, including biodiversity.	No link to the strategy and business model.	Support the achievement of strategic objectives and conduct in line with the Group's values.	– long-term – dialogue with local communities, support for local initiatives	O
Civil and political rights of communities: Freedom of expression	Consultation with the local community on matters affecting it.	+ R	Positive impact on the relationship with local communities. Improving the quality of life of the local community. Reduce reputational risks that may arise from negative impacts or incidents related to the local community.			– long-term – dialogue with local communities, support for local initiatives	U, O, D

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OTHER:	Supporting charitable initiatives important to the local community, helping those in need and marginalised people.	+ R	Positive impact on the relationship with local communities, improving the quality of life of the deprived and marginalised.			– long-term – support for local, municipal initiatives	O
OTHER:	We are an important employer for the local community.	+ R	Creating jobs for members of the local community, fosters the development of the local economy and has a positive impact on people's quality of life.			– long-term – promotion of the Group's facilities among local communities	O

G1 – Business conduct

Corporate culture	Strong ethical company culture.	+ R	A strong ethical organisational culture promotes sustainable business practices, including responsible supply chain management and environmental use – impacting employees, consumers and industries. Promoting sustainability, making a long-term positive impact on the environment.	No link to the Strategy Link to ethical business model.	The company's strong ethical corporate culture influences the way it manages its employees and its approach to supplier relations by setting high ethical standards. It supports the achievement of strategic objectives and conduct in line with the Group's values. It results in increasing confidence in the company and building a strong, competitive position in the industry.	– long-term – dialogue with employees, reinforcing positive actions and initiatives	O
Protection of whistleblowers	An effective whistleblowing and whistleblower protection system in the value chain (not in its own operations)	+ R	An effective whistleblowing and whistleblower protection system in the value chain influences an atmosphere of openness by allowing whistleblowers to report violations without fear of retaliation.	No link to the Strategy. No link to the business model.	An effective whistleblowing and whistleblower protection system in the value chain ensures regulatory compliance and supports risk management. It promotes conduct in line with the Group's values resulting in the trust of customers and employees.	– long-term – complying with regulatory requirements by providing a whistleblowing channel, impartial handling of reported claims	U, O, D
Supplier relationship management, including payment practices	There is a Code of Conduct in the value chain, no arrears to suppliers	+ R	The applicable Code of Conduct in the value chain influences suppliers to introduce more ethical behaviour towards people and the environment. The absence of late payments affects good relations with suppliers and does not disrupt their liquidity.	No link to the Strategy. No link to the business model.	The applicable Code of Conduct for the value chain influences the selection of suppliers who meet the Group's ethical standards. It supports the timely achievement of strategic objectives and conduct in line with the Group's values in its supply chain. It influences sustainable relationships with suppliers based on mutual trust, which ensures the stable development of the company and the planning of realistic business goals.	– long-term – compliance with local regulatory requirements	U, O, D

Material topics identified in the materiality study	Description of impact	Type of impact "+" positive "- " negative "P" – potential "A" – actual	Impact on humans or the environment	Link to the strategy and business model	Current and anticipated effects	Time perspective of the impact and action taken (short-term, medium-term, long-term)	The place of influence in the value chain U – Upstream, O – Own operations D – Downstream
Corruption and bribery: Prevention and detection, including training, Incidents	Staff training on the value chain code of conduct, internal payment authorisation procedures, anti-corruption policy, increasing positive impact and ESG opportunities.	+ R	The Code of Conduct and employee training on it positively influence the ethical behaviour of employees. Internal payment confirmation procedures have a positive effect on reducing payment risks and do not disrupt the liquidity of deliveries. Anti-corruption policies have an impact on reducing the risk of corruption. Increasing positive ESG impacts and opportunities has a positive impact on the environment and climate by developing a responsible business model and on people through ethical conduct in relationships across the value chain.	No link to the Strategy. Link to an ethical business model	It influences the creation of a responsible Group business model including a responsible production process. It promotes conduct in line with the Group's values throughout the value chain. It influences the planning of realistic and measurable strategic objectives.	– long-term – providing training and education to employees and managers	O
OTHER: ESG management	High transparency (e.g. through reporting).	+ R	High transparency contributes to building trusting relationships with stakeholders and enhances the credibility of the Group's proceedings also on ESG issues. It can influence a sense of security and equal treatment among employees and encourages open communication.	No link to the Strategy. No link to the business model	Wpływa na tworzenie odpowiedzialnego modelu biznesowego Grupy, w tym odpowiedzialnego procesu produkcyjnego. Wspiera postępowanie zgodne z wartościami Grupy w całym łańcuchu wartości. Wspiera planowanie realnych i mierzalnych celów strategicznych.	– long-term – meeting regulatory requirements in the countries in which the Group operates	U, O, D

TABLE. MATERIAL RISKS AND OPPORTUNITIES AND THEIR INTERRELATIONSHIP WITH THE ARCTIC PAPER GROUP'S STRATEGY AND BUSINESS MODEL

[E1.SBM-18] [E1.SBM-3 AR 8b] [E1.SBM-3 19]

Material topics identified in the materiality study	Description of material risk/opportunity	Risk/opportunity	Link to impact	Link to the strategy and business model	Undertaking's resilience and risk/opportunity management	Current and anticipated financial effect	The place where the risk/opportunity arises in the value chain U – Upstream, O – Own operations D – Downstream
Climate change adaptation	Financial Risk – Increase in energy costs, – Potential increase in the cost of maintaining operations, potential increase in product prices)	Transition risk	GHG emissions due to increased energy consumption for increasingly necessary cooling processes (servers, production hall).	Link to the business model and to the strategy: Energy pillar – increased use of RES energy reduces GHG emissions. Increasing energy production from RES.	Investing in renewable energy sources or long-term fixed-price energy supply contracts. Implementing measures to increase energy efficiency and reduce the consumption of raw materials.	Rising energy prices can lead to increased operating expenses (especially in manufacturing operations with high energy demand). It increases in the prices of raw materials and services required to run the business may put additional strain on the Group's budget.	O, D
Climate change mitigation	Reputational Risk – Changes in customer preferences – Increased stakeholder concerns or negative feedback	Transition risk	No link	Link to the business model due to the nature of the business and no link to the strategy.	Regular market research and analysis of customer feedback allow us to quickly adapt our offerings to changing expectations. Active dialogue with stakeholders enables potential concerns to be identified and addressed before they develop into negative views.	Negative perceptions of the Group can lead to an exodus of customers to competitors, which directly reduces revenues. Changes in customer preferences that are not taken into account in the company's offering may result in a decrease in demand for products or services.	U, O, D
	Political and legal risks – Increased GHG emissions – Increased emissions reporting obligations – Risk of incomplete or incorrect reporting of information – Exposure to litigation	Transition risk	GHG emissions due to increased energy consumption for increasingly necessary cooling processes (servers, production hall).	Link to the strategy: Energy pillar – increased use of RES energy reduces GHG emissions. Increasing energy production from RES. The link to the business model resulting from the nature of the business,	Regularly keeping up to date with updates in emissions and reporting regulations allows you to adapt quickly to new requirements. Implementing innovative solutions reduces emissions, but also generates savings in the long term. Ensuring accuracy and completeness of data through appropriate information management systems and training for reporting staff. Working with legal departments to identify potential risks and develop strategies to minimise them.	The introduction or tightening of greenhouse gas regulations may result in higher costs related to emission fees or the need to purchase emission allowances. It is necessary to invest in technologies that reduce own emissions, which involves additional financial outlay. Reporting requirements on emissions and other environmental aspects may lead to the need for additional staff or the implementation of new IT systems to collect and analyse data. Failure to comply with applicable reporting standards can result in financial penalties and a loss of trust from investors and other stakeholders.	O
	Acute physical risk – Increased intensity of extreme weather events, such as cyclones and floods, droughts, which can affect the fluidity of operations.	Physical risk	No link	No link to the Strategy. Linkage to the business model due to the nature of the business	Carrying out vulnerability analysis of infrastructure and operations to extreme weather events as part of ESG risk projects. Developing and implementing contingency plans to ensure key functions are maintained during and after extreme events. Working with multiple suppliers and distributors in different geographical locations to minimise the risk of disruption. Upgrading and strengthening facilities and systems to make them more resilient to extreme weather conditions.	Extreme weather events can lead to the destruction or damage of key facilities and equipment, resulting in production downtime (loss of all or part of revenue) and the cost of repairing damaged infrastructure.	U, O

Material topics identified in the materiality study	Description of material risk/opportunity	Risk/opportunity	Link to impact	Link to the strategy and business model	Undertaking's resilience and risk/opportunity management	Current and anticipated financial effect	The place where the risk/opportunity arises in the value chain U – Upstream, O – Own operations D – Downstream
Climate change mitigation	Competitive position in low carbon products and services – environmentally responsible brand image – increased reputation	Opportunities related to transition	No link	Link to the strategy: Energy pillar – further investment in RES projects. Pillar of Packaging – increasing the range of more sustainable packaging as an alternative to plastic packaging. Designing recyclable packaging. Pillar Paper – To remain the leading premium paper leader. Linkage to the business model due to the nature of the business	Actions to develop and implement new technologies and production processes that reduce GHG emissions. Networking with suppliers and business partners who also place an emphasis on sustainability. Monitoring changes in customer preferences and environmental regulations, and engage with stakeholders on an ongoing basis.	Increasing consumer awareness of environmental and sustainability issues is leading to a growing demand for low-carbon products and services. A brand perceived as environmentally responsible builds trust among customers, which can translate into customer loyalty and repeat purchases (increased revenue).	O, D
	Ability to access new markets. By actively seeking opportunities in new markets or asset types, you can diversify your business and better prepare for the transition to a low-carbon economy.	Opportunities related to transition	No link	Link to the strategy: Pillar Paper – To remain the leading premium paper leader. Increasing factory capacity to 700,000 tonnes in 2030. Pillar cellulose – Through its 51% stake in Swedish long-fibre cellulose producer Rottneros, Arctic Paper is well positioned to develop cellulose production for paper, packaging, hygiene and technical applications. Pillar of Packaging – increasing the range of more sustainable packaging as an alternative to plastic packaging. The link to the business model resulting from the nature of the business and the need to move towards a low carbon economy.	Conducting research and analysis of potential new markets and identify areas with high growth potential. Further Investment in technologies and solutions that favour emission reductions and promote sustainability. Monitoring of changes in sustainability legislation.	Entering new markets or investing in new types of assets can lead to the generation of additional revenue streams, which will strengthen the financial stability of the company. Expanding into different sectors or geographical markets reduces reliance on a single segment, which can protect the company from market and regulatory fluctuations. Lower cost of capital – financial institutions offer better financing terms for companies committed to sustainability.	O, D
	Efficient use of resources. Improving the efficiency of production and distribution processes, buildings, machinery/equipment and transport.	Opportunities related to transition	No link	Link to the strategy: Energy pillar – further investment in RES projects. Being competent in energy generation and management. Increasing energy production from RES. The link to the business model resulting from the nature of the business.	Monitoring energy and material consumption and identifying areas for improvement. Implementing innovative technological solutions and increasing process efficiency.	Reducing operating costs by improving the efficiency of production and distribution processes, buildings, machinery/equipment and transport. Efficient resource management reduces the amount of raw materials used, which lowers production costs.	O

Material topics identified in the materiality study	Description of material risk/opportunity	Risk/opportunity	Link to impact	Link to the strategy and business model	Undertaking's resilience and risk/opportunity management	Current and anticipated financial effect	The place where the risk/opportunity arises in the value chain U – Upstream, O – Own operations D – Downstream
Energy	Technological/financial risks – The need to replace existing products and services with low-carbon options – the costs of switching to low-carbon technology – Failed investments in new technologies	Transition risk	Equipment with high emissions,- low energy efficiency	Link to the strategy: Energy pillar – further investment in RES projects. Increasing energy production from RES. The link to the business model resulting from the nature of the business.	Action planning for the creation of a long-term low-carbon transition plan, taking into account cost-benefit analysis and potential funding sources.	Adapting current processes and products to low-carbon standards generates additional costs. Investing in new technology carries the risk of not delivering the expected results or of integration problems with existing production lines and systems.	O
	Chronic physical hazards – Changes in precipitation patterns and extreme variability in weather patterns – Rising average temperatures – Lowering of the groundwater level possible disruption to own operations and costs associated with the need for increased energy consumption (e.g. for cooling production halls)	Transition risk	No link	No link to the Strategy. The link to the business model resulting from the nature of the business.	In progress: analysis of the resilience of the business model to climate change (with scenario analysis).	Extreme weather conditions can disrupt transport and supply of raw materials, leading to delays and potential production downtime (potential loss of all or part of revenue)	O
	Lower energy costs Resulting from the transition to low-carbon energy sources.	Opportunity related to transition	No link	Link to the strategy: Energy pillar – further investment in RES projects. Increasing energy production from RES. The link to the business model resulting from the nature of the business and the dependence on energy sources.	Ongoing monitoring of energy consumption and identification of areas where savings can be made. Further investment in RES and maintenance of current infrastructure.	Renewable energy sources are associated with lower operating costs compared to traditional sources. No need to purchase fossil fuels and lower CO ₂ emissions translate into lower operating expenditure.	O
	Resilience to physical threats – by identifying them and initiating mitigating actions.	Opportunity related to transition	No link	No link to the Strategy.	Actions to minimise damage by building knowledge of physical risks and carrying out an analysis of the business model's resilience to physical risks and transitions.	Early identification of risks allows preventive action to be taken, reducing the risk of incidents causing material and financial loss.	O

Material topics identified in the materiality study	Description of material risk/opportunity	Risk/opportunity	Link to impact	Link to the strategy and business model	Undertaking's resilience and risk/opportunity management	Current and anticipated financial effect	The place where the risk/opportunity arises in the value chain U – Upstream, O – Own operations D – Downstream
Water	Physical risk due to high dependence on water resources – high risk in case of water shortages, chronic droughts	Physical risk	Necessary water consumption – in our own operations, especially in the production process (pulp and paper production). Essential water consumption – in the supply chain – especially in areas with high water loads.	No link to the Strategy. The link to the business model resulting from the nature of the business and the dependence on water (a key raw material).	Taking action on innovation – water recycling systems and technologies to minimise water consumption in production processes.	Water shortages can lead to the need to temporarily stop production, resulting in loss of revenue and potential loss of customers.	U, O, D
Direct drivers of biodiversity loss: Land use change, freshwater and marine use change	Legal and operational/financial risks – related to due diligence and deforestation regulations. Risk of loss of raw materials from outside the EU.	Transition risk	Direct impact on biodiversity loss – sourcing wood for pulp from a certified supplier and from sustainably managed forests.	No link to the Strategy. Link to business model due to dependence on raw materials.	Anticipated implementation of a procedure to monitor and document the entire supply chain to ensure compliance with EU regulations (including CSDD).	Implementing and maintaining supply chain monitoring and compliance procedures generates additional operational costs. The need to source raw materials from certified suppliers is associated with higher purchase prices.	U, O
Direct drivers of biodiversity loss: Direct operation	Financial Risk Increased cost of raising capital In case of environmental degradation and negative impact on biodiversity	Transition risk	Direct impact on biodiversity loss – sourcing wood for pulp from a certified supplier and from sustainably managed forests.	No link to the Strategy. Link to business model due to dependence on raw materials.	Ongoing process of integrating environmental measures into Group strategy.	Businesses negatively impacting on biodiversity may be perceived as riskier, which may result in a higher cost of capital or difficulty in raising capital. Failure to comply with environmental requirements and contributing to environmental degradation can lead to financial and legal sanctions.	O
Impacts on and dependence on ecosystem services	Financial/operational risk Risk of loss of raw materials due to high consumption of ecosystem services.	Transition risk	Strong dependence of activities on ecosystem services – wood raw material as a basis for activities	No link to the Strategy. The link to the business model resulting from the nature of the business and the dependence on raw materials.	Identifying the key ecosystem services on which the business depends – understanding the potential risks. Optimising production processes to minimise the use of raw materials and promote environmentally friendly practices.	The degradation of ecosystems can result in a reduction in the availability of key raw materials, such as wood, water, which directly affects the continuity of production processes. Environmental degradation can lead to unforeseen interruptions in the supply of raw materials, which in turn affects the timeliness and efficiency of production (loss of revenue).	U, O
Discharged resources related to products and services	Regulatory risk – e.g. deforestation regulations.	Transition risk	Percentage of waste destined for disposal (instead of reuse or recycling)	No link to the Strategy. Link to business model due to dependence on raw materials.	Anticipated implementation of a procedure to monitor and document the entire supply chain to ensure compliance with EU regulations (including CSDD).	Implementing and maintaining supply chain monitoring and compliance procedures generates additional operational costs. The need to source raw materials from certified suppliers is associated with higher purchase prices.	U, O

Material topics identified in the materiality study	Description of material risk/opportunity	Risk/opportunity	Link to impact	Link to the strategy and business model	Undertaking's resilience and risk/opportunity management	Current and anticipated financial effect	The place where the risk/opportunity arises in the value chain U – Upstream, O – Own operations D – Downstream
Equal treatment and equal opportunities:	Lack of appropriate competences in the organisation – resulting from the shortage of employees in the region: increased salary costs, incentives and higher recruitment expenses. Staffing problems: – Low attractiveness of the company as an employer – Losses due to employee absenteeism – Increased staff turnover (and thus increased recruitment and deployment costs) – Decrease in employee productivity	Risk	Few women in leadership positions, few opportunities for advancement Few women in leadership positions Unfair distribution of wages Avoiding the employment and integration of people with disabilities Failure to provide sufficient protection for whistleblowers	No link to the Strategy. Link to the business model due to the model's reliance on human capital.	Creating a positive employer brand by offering competitive working conditions, nurturing the corporate culture and promoting the Group's values. Caring for long-serving employees.	The limited availability of skilled workers involves offering higher salaries and additional benefits to attract employees. Recruitment processes generate additional operational costs. Rotation generates additional expenditure on recruitment, training and induction of new staff.	O
Working conditions:	Operational risk – failure of employees in the value chain to meet regulatory requirements by suppliers may result in an inability to supply raw materials to the Group.	Risk	Human rights violations in the supply chain – lack of detailed knowledge of workers in the value chain, including those employed by timber (raw material) suppliers. Low levels of transparency in the supply chain. Limited influence on employees in the value chain; we can exert pressure by enforcing compliance with legal requirements or, if necessary, terminating cooperation. Supplier codes of conduct prohibit child and forced labour, violence and harassment in the workplace – signature is mandatory – termination of cooperation is possible if necessary.	No link to the Strategy. Link to business model – business dependent on raw material supply.	Introducing regular assessment and monitoring of suppliers for compliance with legislation and ethical standards. Obligation for suppliers to sign a Code of Conduct for suppliers (requiring respect for human rights and environmental standards).	Potential increase in costs and the need to find new suppliers due to the interruption of supply of key raw materials to the company. (failure of suppliers to comply with applicable regulations and imposing sanctions or banning the supplier).	U

During the reporting period, the Group did not conduct a full resilience analysis of the Strategy in terms of its ability to address its material impacts and risks and to capitalize on its material opportunities. The Group plans to conduct such an analysis in the future to better understand and manage its resilience to climate change.

IRO-1 DESCRIPTION OF THE PROCESS USED TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

In preparation for meeting the new reporting obligation, in line with due diligence, work has already started in the last quarter of 2023 to introduce the new sustainability reporting process into the Arctic Paper Group’s practices.

The aim of the work carried out in 2023 and 2024 was to increase management’s knowledge of the principles of the ESRS standards and to carry out the first process of investigating the dual relevance of sustainability issues – in line with the methodology recommended in the content of the ESRS standard.

- The double relevance test was broken down into 5 key steps:
- 1. Understanding the context of the organisation and gap analysis;
 - 2. Identification of topics to be analysed (including the Stakeholder perspective);
 - 3. Assessment of impacts, risks and opportunities;
 - 4. Selection of material topics;
 - 5. Validation of material topics with Group Management.
- [E2. IRO-1 AR 2, 3] [E3. IRO-1 AR 5] [G1. IRO-1 6]

A stakeholder dialogue was conducted at all stages, with particular emphasis on the stage of identifying topics for analysis (Stakeholder Opinion Surveys) and assessing impacts, risks and opportunities. The workshop work took place with a wide range of staff and with the active involvement of Board members. The results of the survey were then analysed and discussed together with the Supervisory Board. [IRO-1, 53biii] [E2.IRO-1 11b] [E2.IRO-1 11b] [E2.IRO-1 AR 4] [E3.IRO-1 8b] [E5.IRO-1 11b]

In order to properly conduct the double materiality analysis, basic information about the company and the business environment of the Arctic Paper Group was reviewed. An analysis of current sustainability practices was conducted, previous Social Responsibility Reports from 2017-2023 were reviewed and key stakeholder groups previously identified within the organisation were analysed. In addition, the current stakeholder group catalogue was revised and, for the materiality analysis process, a cross-sectional Stakeholder Opinion Survey was conducted taking into account the Arctic Paper Group and the employees of Rottneros AB. The process of double materiality analysis in scope of IRO-1 E1-E5 and IRO-G1, including the methodology used, assumptions and stakeholder consultations, is identical to the general description of the process included in ESRS 2 IRO-1. The Group did not use tools in the analysis process.

- A series of assessment workshops were held to analyse the dual relevance of sustainability issues:
- a) actual and potential impacts on people and the environment in the context of the themes and sub-themes both identified in ESRS Standard 1 AR 16 and from an abstract list of issues selected by the organisation;
 - b) the Group’s risks and opportunities related to social, environmental and organisational governance issues identified in the ESRS standard. [E2. IRO-1 AR 4] [E3. IRO-1 8b] [E5. IRO-1 11b]

The discussion of the importance of the different issues included the perspective of the main links in the Arctic Paper Group’s value chain, i.e. the supply chain (taking into account the resources, raw materials and services that are most important for the Group’s business model), the Group’s own operational activities (including service delivery processes, customer service, ensuring high product quality, customer and supplier relations, and responsible marketing communication principles). It looked at the impact of the manufacture of the Group’s products on the environment and local communities. [E2. IRO-1 11a, AR1] [E3. IRO-1 8a, AR 1] [E5. IRO-1 11a, AR 1]

Discussions on the use of natural resources and waste management have also been included. [E4.IRO-1, 17a, b] The actual and potential impacts on biodiversity and ecosystems in their own locations and in the value chain have been taken into account, [E4.IRO-1,17e] although there has been no detailed consultation with the affected

communities on the assessment of the sustainability of shared biological resources and ecosystems. [E4.IRO-1 19 a AR 7d] Arctic Paper Kostrzyn is located near the Natura 2000 area - the Warta River Mouth Landscape Park. Arctic Paper Munkedals is located on the west coast of Sweden, near the Örekilsälven river, which is also part of the Natura 2000 network. This river originates in the protected area of the Gullmarn Fjord. The impacts of both paper mills on these areas are described in subsection SBM-3 Significant impacts, risks and opportunities and their interrelationships with the strategy and the business model. [E4.IRO-1 19 b] In Arctic Paper Munkedals, the necessary measures to mitigate biodiversity loss are implemented, which are described in subsection E4-3 Activities and resources related to biodiversity and ecosystems. [E4. IRO-1] [E5. IRO-1 11a]

During a series of workshops, a team of experts, made up of employees responsible for different areas of the Arctic Paper Group’s business, participated and identified impacts, risks and opportunities regarding sustainability matters that are relevant from the Group’s perspective. including transition risks and opportunities, systemic risks and physical risks and opportunities. [E4.IRO-1 17d]

A catalogue of impacts, risks and opportunities created on the basis of the ESRS reporting standard was taken into account.

The workshop consisted of an analysis and assessment of impacts, risks and opportunities (IROs) and was designed to familiarise the Arctic Paper Group team with the methodology for identifying them. In addition, for risks and opportunities, consideration is given to how the risks and opportunities (potential and actual) affect the company’s financial position (financial performance, cost and availability of capital, cash flow, impact on growth).

Risks related to sustainability issues from both a regulatory and operational perspective relate to the most significant areas of the Arctic Paper Group’s business. Responsibility for the proper organisation and conduct of the Arctic Paper Group’s impact, risk and opportunity management process lies with the Group Management Board, which is responsible for managing these areas at the strategic level and analysing the impacts, risks and opportunities that are considered strategic, and for overseeing the appropriate management of impacts, risks and



opportunities at the operational and project levels, which are managed by the responsible managers of the Group's relevant business units and production sites, including sustainability risks. [IRO-1,53ciii, 53d, 53e, 53f]

Individual impacts were described and rated on a 3-point scale in each category (scale, extent and irreversibility). Probability was assessed on a scale of 1 to 3, in the short (up to 1 year), medium (1 to 5 years) and long (more than 5 years) time horizons.

SEVERITY IS UNDERSTOOD HERE AS THE SUM OF 3 CATEGORIES:

Scope: Understood as:

- 1 – local scope (relating only to a specific region, individual site),
- 2 – national scope (referring to the impact in one EU country, e.g. Poland, Sweden),
- 3 – non-European scope (referring to actions outside the EU, e.g. sourcing pulp from South America).

Scale: Understood as:

- 1 – small scale (occasional/one-off impacts or negligible harmful/positive impacts on humans or the environment),
- 2 – moderate scale (impact of below average level of phenomenon or impact with moderate level of harm/benefit),
- 3 – high scale (frequent occurrence of the impact/incident or impact with a high level of harm/benefit to people or the environment

Irreversibility: Assessed as:

- 1 – an easily reversible phenomenon,
- 2 – moderately reversible phenomenon (with time, commitment and some reasonable financial investment),
- 3 – irreversible phenomenon (requiring compensation or damages).

Financial materiality:

The scale of the financial effect was assessed subjectively by the entity's experts, on a scale of 1 to 3 (depending on the impact on the Group's financial position, i.e.: its value, financial performance or potential revenues or costs, e.g. due to attracting or losing customers).

The scale of the financial effect has been aligned with the financial thresholds of the risks identified as part of the Arctic Paper Group's risk management process. [IRO-1, 53a, 53b, 53bi, 53bii, 53biv, 53c, 53ci, 53cii, 53e, 53g]

Description of changes in the process of identifying, assessing and managing impacts, risks and opportunities compared to the previous reporting period – not applicable to the Arctic Paper Group during the reporting period. Arctic Paper Group plans to conduct future materiality assessment reviews on a regular basis as part of its reporting work in subsequent reporting periods. [IRO-1, 53h]

CLIMATE RISK ANALYSIS

[E1. IRO-1 20a, AR 9 a b, AR 10] Arctic Paper Group has additionally performed a detailed analysis of climate risks, as a result of which the results of the double materiality analysis have been deepened.[E1. IRO-1 AR 11 a] [E1. IRO-1 AR 11 b] Climate hazards have been identified in the short-, medium- and long-term horizons, assuming the current financial year (1 year) as a short horizon, a period of up to 5 years (in accordance with the standard strategic and financial planning horizon) as a medium horizon (in accordance with the standard strategic and financial planning horizon) and a period of more than 5 years (up to 15 years) as a long horizon to enable the analysis and assessment of risks in a period allowing to take into account the average life cycle of assets, and at the same time the first years of extreme climate-related physical risks).

[E1. IRO-1 21] [E1. IRO-1 AR 11 d] In the first year of reporting, the Arctic Paper Group did not conduct a full scenario analysis, but it took into account two extreme scenarios in its analysis of potential greenhouse gas emission pathways and socioeconomic development pathways: the scenario with the highest transition risks (SSP1-2.6) and the scenario with the highest physical risks (SSP5-8.5). This approach was aimed at providing familiarisation with a wide spectrum of possible paths for the future.

The analysis of climate risks was therefore carried out on the basis of the scenario recommended by the regulations, developed in accordance with current scientific knowledge by the IPCC: SSP5-8.5, which predicts the highest possible physical climate risks, in line with the regulator's intention to approach risk assessment in the most conservative manner possible. Similarly, in the process of analysis and qualitative assessment of transition risks, the following scenario was based on the scenario recommended by the regulations in accordance with the Paris Agreement, developed with current scientific knowledge by the IPCC: SSP1-2.6, which provides for the relatively highest possible transition risks, in line with the regulator's intention to approach risk assessment in the most conservative manner possible.

[E1. IRO-1 AR 15] These scenarios have served to provide an overall basis to support the assessment of climate-related risks and will be used in a more detailed and analytical manner in subsequent reporting cycles. The risk iden-

tification and assessment process was integrated with the overall risk management processes, enabling comparison of the value of climate-related transition risks with other risks identified and assessed by the Group.

PHYSICAL RISKS

[E1. IRO-1 20 b] In the case of climate-related physical risks, the Arctic Paper Group has identified the exposure areas of its key assets, taking into account their location and the presence of 28 physical climate-related risks identified in the EU Taxonomy (Commission Delegated Regulation (EU) 2021/2139). Then, the degree of exposure of the assets and the elements supporting their operation (m.in. transport connections, power lines) was analysed by examining the sensitivity of these elements to physical events.

In the case of climate-related risks, the Arctic Paper Group determined the nature of the effect and the scale of the potential financial consequences based on the subjective assessments of the entity's experts. In the case of the quantitative analysis of physical risks, the scale of the financial impact of each risk was determined in the form of financial thresholds, which are the input data to the model for the quantitative assessment of climate-related physical risks. In the case of qualitative analysis of transition risks, the scale of the financial impact is determined in relation to the previously determined financial impact ranges used to analyse all risks in the Group.

The assessment of probability in the case of quantitative assessment of physical risks was based on conclusions drawn from the analysis of various sources: the results of global climate change modelling, historical data, empirical scientific studies, official analyses and strategies of adaptation to climate change created by various levels of government, and queries on historical climate-related events in the immediate vicinity of the analysed location. A broad review of information sources was intended to capture the premises for determining the point probability of the occurrence of a threat in three time horizons as accurately as possible. The probability score values served as input to the model for the quantitative assessment of climate-related physical risks.

[E1. IRO-1 AR 11 c]

In the course of the analysis of climate-related physical risks, 106 potential physical risks were analysed in detail and the occurrence of 3 risks assessed as high was diagnosed in the locations of key assets, business processes of the Arctic Paper Group or for the systemic dependencies enabling their operation.

Physical risks assessed as high are:

- risk of damage to the roof and stored products/materials in the production hall in Kostrzyn as a result of flooding,
- risk of interruption of operation/closure of the renovation of the Kostrzyn production building due to flooding,
- risk of repair costs due to damage, including flooding of basements, lower warehouses and their contents in the warehouse in Kostrzyn due to flooding.

TRANSITION RISKS

[E1. IRO-1 20 c] [E1. IRO-1 AR 12 a]

The transition risks were identified based on an analysis of the links between the Group's key business areas and climate-related transition events classified by the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD classification in the process of identification and analysis of transition risks has been adapted and developed based on the current diagnosis of the regulatory, political, legal, technological, market and reputational environment of the Group.

To assess transition risks, the Arctic Paper Group used the Company's general risk management policy and a detailed procedure dedicated to climate-related risks. The risk identification and assessment process is integrated into the overall company-wide risk management processes, enabling the value of climate-related transition risks to be compared with other risks identified and assessed by Arctic Paper.

The determination of the probability of transition risks is based on an analysis of trends and available data (such as industry reports) and is expressed on the basis of the scale of risk probability ranges adopted in Arctic Paper's general risk assessment procedure. A broad review of information sources is intended to capture the most accurate premises for determining the point probability of

the occurrence of a threat in three time horizons (1 year, 5 years, 10 years) and in two climate scenarios (SSP1-2.6; SSP5-8.5).

[E1. IRO-1 AR 11 c]

As a result of the transition risk analysis, 22 potential transition risks were analysed in terms of various reasons for the materialisation of a given risk and several specific effects of a given risk on each of Arctic Paper's individual business areas.

Transition risks assessed as high are:

- risk of an increase in the cost of raw materials,
- the risk of a change in consumer shopping preferences.

[E2. IRO-1 IS 9] [E3. IRO-1 IS 15] [E5. IRO-1 AR 7] Details of the results of the materiality assessment are provided in the previous subsection (SBM-3 Material impacts, risks and opportunities and their interrelationships with the strategy and the business model). Unless otherwise specified, material impacts, risks and opportunities apply to all locations of the Group described in this section SBM-1 Strategy, Business Model and Value Chain.

IRO-2 ESRS DISCLOSURE REQUIREMENTS COVERED BY THE UNDERTAKING'S SUSTAINABILITY STATEMENT

Members of the Arctic Paper Group Management Board were involved in deciding on the final materiality or lack of materiality of the sustainability topics analysed, and the results were then presented to the Supervisory Board. The list of impacts and risks reviewed during the work with Board members and the conclusions on the identification of the main business opportunities for the company related to the topic of sustainability form the basis for the Arctic Paper Group to identify a list of ESRS indicators (so-called disclosures), the selection of which is based on confirmation of the materiality of the issue.

In order to determine which topic is material for reporting, it was assumed:

At impact materiality: the cut-off threshold was determi-

ned by calculation: 30% of the score of the product of the average of probability assessed on a scale of 1-3 over 3 time horizons) and severity with a maximum score of 9 consisting of the sum of 3 criteria, i.e. scale (score 1-3), extent (score 1-3) and irreversibility (score 1-3). The cut-off for the maximum assessed impact is 30% of the maximum score. Mathematical rounding has been used to calculate the thresholds for receipts.

- In the case of potential negative impact, the maximum number of points is 27 (cut-off at 8 points). This score was obtained by multiplying (the average of) probability (for potential impacts) by severity (which consists of the extent, scale and irreversible nature of the impact).
- In the case of a potential positive impact, irreversibility was not assessed, therefore the maximum number of points from the severity of the potential positive impact is 6 and the cut-off was expressed: 30% of the product of the maximum likelihood (3) and severity (6), i.e. 30% of 18, giving 5 points.
- In the case of actual impacts, where probability was not assessed (actual impact = currently occurring), the severity of the impacts was analysed and a score is produced by the sum of all severity categories assessed, giving a maximum score for actual negative impacts of 9 and for actual positive impacts of 6 (there is no criterion of irreversibility). The cut-off threshold used in this case is for actual negative impacts 3 and positive impacts 2 points respectively.

Financial materiality was assessed similarly, where the cut-off threshold was determined by calculation: 30% of the result of the product (average of) the probability (assessed on a scale of 1-3) and the financial effect scale (1-3). The cut-off for maximum assessed financial materiality is 30% of the maximum score pool, i.e. out of 9 points, giving a score of 2.7 points. [IRO-2.59]



Index of disclosure requirements met in preparing the sustainability statement, following the outcome of the materiality assessment [IRO-2.56, AR19]

Number and title of the Standard	ESRS Number	Name of disclosure	Page in the report
ESRS 2 General disclosures	BP-1	General basis for making sustainability statements	43
	BP-2	Disclosure of information in relation to specific circumstances	44
	GOV-1	Role of administrative, management and supervisory bodies (incl. G1.GOV-1)	45
	GOV-2	Information provided to the entity's administrative, management and supervisory bodies and the sustainability matters they undertake	45
	GOV-3	Integrating sustainability-related outcomes into incentive schemes (incl. E1.GOV-3)	50
	GOV-4	Due diligence statement	50
	GOV-5	Risk management and internal controls over sustainability reporting	51
	SBM-1	Strategy, business model and value chain	51
	SBM-2	Stakeholder interests and opinions (incl. S1-S3.SBM-2)	55
	SBM-3	Material impacts, risks and opportunities and their interaction with the strategy and with the business model (w tym E1.SBM-3, E4.SBM-3, S1-S3.SBM.3)	57
	IRO-1	Description of the process for identifying and assessing material impacts, risks and opportunities (incl. E1- E5.IRO-1 i G1.IRO-1)	78
	IRO-2	ESRS Disclosure Requirements covered by the undertaking's sustainability statement	81
	MDR-P	Policies adopted to manage material sustainability matters	
	MDR-A	Actions and resources related to material sustainability matters	
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Number and title of the Standard	ESRS Number	Name of disclosure	Page in the report
ESRS E1 Climate change	E1-1	Transition plan for climate change mitigation	90
	E1-2	Policies related to climate change mitigation and adaptation	90
	E1-3	Actions and resources related to climate policy	90
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	E1-5	Energy consumption and energy mix	91
	E1-6	Gross Scope 1, 2 and 3 GHG emissions and total GHG emissions	92
	E1-7	Greenhouse gas removal and mitigation projects financed through carbon credits	94
	E1-8	Internal carbon pricing	94
ESRS E2 Pollution	E2-1	Policies related to pollution	94
	E2-2	Pollution-related actions and resources	94
	E2-3	Targets related to pollution	94
	E2-4	Pollution of air, water and soil	95
	E2-5	Substances of concern and substances of very high concern	95
ESRS E3 Water and marine resources	E3-1	Policies related to water and marine resources	96
	E3-2	Actions and resources related to water and marine resources	96
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ESRS E4 Biodiversity and ecosystems	E4-1	Biodiversity and ecosystem transition plan and integration of biodiversity and ecosystems into the strategy and business model	98
	E4-2	Policies related to biodiversity and ecosystems	98
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	E4-5	Impact metrics related to biodiversity and ecosystem change	98

Number and title of the Standard	ESRS Number	Name of disclosure	Page in the report
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	E5-2	Actions and resources related to resource use and circular economy	99
	E5-3	Targets related to resource use and circular economy	99
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ESRS S1 Own workforce	S1-1	Policies related to own workforce	123
	S1-2	Procedures for working with own workforce and workers’ representatives on matters of impacts	124
	S1-3	Processes for remediating the effects of negative impacts and channels for raising concerns by own workforce	124
	S1-4	Addressing the material impacts on its own workforce and applying approaches to manage material risks and opportunities related to its own workforce and the effectiveness of these actions	124
	S1-5	Targets for managing material negative impacts, enhancing positive impacts and managing material risks and opportunities	125
	S1-6	Characteristics of the undertaking’s staff	125
	S1-8	Scope of collective bargaining and social dialogue	126
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	S2-4	Addressing material impacts on the value chain practitioners and applying approaches to manage material risks and opportunities related to value chain practitioners and the effectiveness of these actions	133
	S2-5	Targets for managing material negative impacts, enhancing positive impacts and managing material risks and opportunities	133
ESRS S3 Affected Communities	S3-1	Policies related to affected communities	136
	S3-2	Collaborative processes with affected communities in terms of impacts	136
	S3-3	Remediation processes for negative impacts and channels for raising concerns by the affected communities	136
	S3-4	Addressing material impacts on affected communities and applying approaches to manage material risks and opportunities related to these communities and the effectiveness of these actions	136
	S3-5	Targets for managing material negative impacts, enhancing positive impacts and managing material risks and opportunities	137
ESRS G1 Business conduct	G1-1	Business conduct policies and corporate culture	138
	G1-2	Supplier relationship management	139
	G1-3	Prevention and detection of corruption and bribery	140
	G1-4	Incidents of corruption or bribery	140
	G1-6	Payment practices	141

Below is an index of all data points from other EU legislation used in this sustainability statement, based on ESRS 2 Appendix B.

Disclosure requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Material/not material topic	Location in the Sustainability State-ment
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex I		Commission Delegated Regulation (EU) 2020/1816 (27), Annex II		Material	
ESRS 2 GOV-1 Percentage of board members who are independent para-graph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		Material	
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex I				Material	
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 (28) Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	
ESRS 2 SBM-1 Involvement in activities related to controversial weapons para-graph 40 (d) iii	Indicator number 14 Table #1 of Annex I		Delegated Regulation (EU) 2020/1818 (29), Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regula-tion (EU) 2020/1816, Annex II		Not material	
ESRS E1-1 Transition plan to reach clima-te neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	Material	
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article12.1 (d) to (g), and Article 12.2		Not material	
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		Material	

Disclosure requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark regulation reference	EU Climate Law reference	Material/not material topic	Location in the Sustainability State-ment
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex I				Not material	
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex I				Material	
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex I				Material	
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex I	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		Material	
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		Material	
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Not material	
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.			Not material	
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-ef-ficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34;Template 2:Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			Not material	

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material topic	Location in the Sustainability State-ment
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Not material	
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex I				Material	
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex I				Material	
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex I				Not material	
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex I				Not material	
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex I				Material	
ESRS E3-4 Total water consumption in m 3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex I				Material	
ESRS 2- SBM 3 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex I				Material	
ESRS 2- SBM 3 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex I				Material	
ESRS 2- SBM 3 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex I				Material	
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex I				Not material	
ESRS E4-2 Sustainable oceans / seas prac- tices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex I				Not material	
ESRS E4-2 Policies to address deforesta- tion paragraph 24 (d)	Indicator number 15 Table #2 of Annex I				Not material	

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material topic	Location in the Sustainability Statement
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex I				Material	
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex I				Material	
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				Material	
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				Material	
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Material	
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Material	
ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				Material	
ESRS S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				Material	
ESRS S1-3 grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				Material	
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				Material	

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material topic	Location in the Sustainability State-ment
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				Material	
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				Material	
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Material	
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				Not material	
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex I				Material	
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex I				Material	
ESRS S2-1Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Material	
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Material	
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex I				Material	
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex I				Material	

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Material/not material topic	Location in the Sustainability State-ment
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Material	
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex I				Material	
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Not material	
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material	
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex I				Not material	
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex I				Non material	
ESRS G1-1 Protection of whistle- blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex I				Material	
ESRS G1-4 Fines for violation of anti-cor-ruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II)		Material	
ESRS G1-4 Standards of anti- corruption and anti- bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex I				Material	

2. ENVIRONMENTAL INFORMATION

ESRS E1 CLIMATE CHANGE

E1-1 TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION

The Arctic Paper Group has not adopted a transition plan for climate change mitigation. [E1-1 14, AR 1] To ensure that its strategy and business model are aligned with the objective of limiting global warming to 1.5 degrees and transitioning to a sustainable economy, the Group is in the process of developing a plan and intends to adopt it by 2028. [E1-1 17]

E1-2 POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

[E1-2 24] [E1-2 25] [MDR-P 65 a] Arctic Paper Group has not adopted a separate Policy related to climate change mitigation and adaptation. The most important document governing the approach to climate change mitigation and adaptation is adopted in September 2021 and updated in 2023. Arctic Paper Group's 4P Strategy 2022-2030. As part of the Strategy, the Arctic Paper Group commits to, among other things, combating climate change by providing products and solutions based on renewable materials and renewable energy, while replacing plastics.

The Arctic Paper Group's Code of Conduct in the Value Chain, which is described in detail in ESRS 2 General Disclosure, is also a document that governs the approach to climate change. The document obliges the production sites to operate in accordance with the ISO 14001 and EMAS environmental management systems, and the Grycksbo and Munkedal plants additionally to have an ISO 50001 certified energy management system. In addition, in accordance with the Code, the Group's employees are expected to:

- read the Sustainable Development Policy, which is described below,
- refrain from activities that would be unethical or harmful to the environment,
- manage and diligently document information on our environmental impact in accordance with legal requirements ensure appropriate environmental permits,
- consider how their team or the area in which they work contributes to the Group's wider contribution to environmental protection,
- wise and rational use of resources, e.g. energy, water, chemicals and materials,
- minimizing travel, using online meeting platforms.

In its Sustainable Development Policy, the Arctic Paper Group clearly states that reducing the impact on the climate is a priority for the organization. The provisions of the regulation also refer to the analysis and management of climate change risks, monitoring of emissions and implementation of solutions aimed at reducing them. The Group also declares its intention to reduce emissions throughout the supply chain. In addition, in the Environmental Policy, it indicates that at every stage of the process, from the purchase of raw materials to production, through quality development, marketing and distribution to end customers, the overriding goal must be the lowest possible negative impact, m.in. in relation to the climate.

[MDR-P 65 b] The scope of the Strategies and Policies described above covers the entire activity of the Arctic Paper Group, [MDR-P 65 c] and the Group's Management Board is responsible for the implementation of the regulations. [MDR-P 65 d] The adopted Climate Change Policies do not refer to third-party standards or initiatives. [MDR-P 65 e] When preparing the content of the documents, the Arctic Paper Group took into account the opinions and interests of the Group's stakeholders. [MDR-P 65 f] The Group makes the regulations available by posting them on the website and on the internal communication channels of individual business units.

[E1-2 24] [E1-2 25] [MDR-P 65 a] At the Rottneros Group, climate change issues are described indirectly in the Sustainable development policy. The Group indicates in the regulation that its goal is to reduce its environmental impact, and its ambition is to conduct business in a sustainable manner. In addition, the Rottneros Group has implemented Energy and environmental policy, which sets out as a goal reduction of emissions to levels that are both economically feasible as well as ecologically justified. With regard to energy consumption, the same approach applies to the choice of energy sources. The intention to reduce energy consumption in both the production and use of the Group's products is indicated. In addition, the content of the Policy indicates that energy and environmental objectives are regularly monitored in conjunction with financial reporting, and the impact of business activities and products on the environment and energy consumption is consulted with stakeholders.

[MDR-P 65 b] The scope of the above Policies covers the entire activity of the Rottneros Group, and [MDR-P 65 c] and the Management Board of Rottneros AB is responsible for the implementation of the provisions of the regulations. [MDR-P 65 d] The adopted Climate Change Policies do not refer to third-party standards or initiatives. [MDR-P 65 e] In preparing the content of the Policies, the Rottneros Group took into account the opinions and interests of the Group's stakeholders. [MDR-P 65 f] The Group makes the regulations available by posting them on the website and on the internal communication channels of individual business units.

E1-3 ACTIONS AND RESOURCES IN RELATION TO CLIMATE POLICY

[E1-3 28] [MDR-A 68] [E1-3 29 a] The Arctic Paper Group's key climate change activities focus on reducing greenhouse gas emissions. In 2024, these were:

- installation of photovoltaic (PV) panels at Arctic Paper Grycksbo and Rottneros;
- installation and operation of electric vehicle charging stations;
- ongoing construction of a bio-pellet production plant at Arctic Paper Grycksbo¹;
- replacement of old lighting with LEDs;
- installation of an electricity storage in the form of a battery in Rottneros;
- replacing older fossil fuel-powered company cars with electric vehicles.

[E1-3 29 b] The Group did not analyse the expected or achieved reductions in greenhouse gas emissions resulting from the implementation of the above activities. [E1-3 29 c] [E1-3 AR 21, 22] [MDR-A 69 a, b] These activities did not require significant capital or operational expenditures.

[E1-3 29 b] [E1-3 29 c] [E1-3 AR 21, 22] [MDR-A 69 a, b] The planned actions and the resources needed for their implementation are currently being developed as part of the Transition Plan. This plan will include the capacity to implement the actions depending on the availability and allocation of resources.

[MDR-A 68 e] This is the first time that the Arctic Paper Group has submitted a Sustainability Statement in accordance with the ESRS standard and therefore does not disclose the progress of its activities compared to previous years' disclosures.

¹After commissioning, the unrefined biomass fuel will be upgraded to high-grade refined fuel, which will save the amount of biomass fuel and transportation.

E1-4 CLIMATE CHANGE MITIGATION AND ADAPTATION OBJECTIVES

[E1-4 32] [MDR-T 80] As the Arctic Paper Group is in the process of developing specific climate change mitigation and adaptation targets and plans to adopt them by 2028, they are not disclosed in this document. Monitoring of progress in this area is done by calculating greenhouse gas emissions.

E1-5 ENERGY CONSUMPTION AND ENERGY MIX

[MDR-T 77 a]

The table below presents the aggregated energy consumption figures across all Arctic Paper Group entities. This consumption includes fuels used in the production process (m.in. biomass, such as tree bark, black liquor, methanol, nitrogen-rich natural gas, LNG, etc.), electricity from purchases and from own RES installations (photo-voltaic installations and hydroelectric power plant), used for production purposes and infrastructure maintenance, steam used in production and transport fuels. In addition, the list takes into account the actual and estimated consumption of electricity and heat in the leased offices and warehouses. However, the estimated energy consumption accounts for less than 0.1% of the Group’s total energy consumption. In connection with emissions reporting under the European Emissions Trading System (EU ETS), the calculations of emissions from installations covered by the EU ETS and the input data used are subject to external verification.

In cases where the basic unit was other than MWh, energy consumption was converted using calorific values. These values were obtained from databases of emission factors used in GHG emission calculations (e.g. the Swedish

Environmental Protection Agency (version 2024), the National Centre for Emissions Management (KOBIZE), DEFRA (version 1.1, 2024)). The supplier-specific calorific values were also used.

The division of consumed electricity into renewable, nuclear and fossil energy was made using the structure of generated electricity appropriate for the supplier in the case of the so-called green tariff. When the Group entities did not purchase electricity under the green tariff, the structure of electricity in terms of its sources appropriate for electricity not covered by guarantees of origin or other reliable instruments (the so-called residual mix) was used. Data on the structure was obtained from the European Residual Mixes 2023 study published by the Association of Issuing Bodies.

By following the ESRS guidelines, the Arctic Paper Group adopts a conservative way of distinguishing between renewable and non-renewable energy sources. Energy is only classified as renewable or nuclear if its origin is clearly stated in contracts with suppliers. If the energy source is uncertain, it is categorized as coming from fossil fuels.



Energy consumption and energy mix	Unit	2024
1) Consumption of fuel from coal and coal products	MWh	0
2) Fuel consumption from petroleum and petroleum products	MWh	31 094.40
3) Fuel consumption from natural gas	MWh	567 241.73
4) Fuel consumption from other fossil sources	MWh	0
5) Consumption of purchased or obtained electricity, heat, steam and cooling from fossil sources	MWh	369 705.68
6) Total fossil energy consumption (calculated as the sum of rows 1-5)	MWh	968 041.81
Share of fossil sources in total energy consumption (%)	%	31,10%
7) Nuclear energy consumption	MWh	195 951.01
Share of nuclear energy consumption in total energy consumption (%)	%	6.30%
(8) Fuel consumption for renewable sources, including biomass (also including industrial and municipal waste of biological origin, biogas, renewable hydrogen, etc.)	MWh	1 715 107.99
9) Consumption of purchased or obtained electricity, heat, steam and cooling from renewable sources	MWh	224 703.50
10) Self-produced renewable energy consumption without the use of fuel*	MWh	8 853.12
(11) Total renewable and low-carbon energy consumption (calculated as the sum of rows 8-10)	MWh	1 948 664.61
Share of renewables in total energy consumption	%	62.60%
Total Power Consumption (calculated as the sum of rows 6, 7, and 11)	MWh	3 112 657.44

* All self-produced renewable energy without the use of fuel is consumed for self-consumption.

E1-5 42] The Arctic Paper Group's operations are 100% in the sector with a significant impact on the climate - NACE 17 (pulp, paper and cardboard production), therefore the Group's total sales reported in the financial statements - PLN 3,434,693,000 are used to determine energy intensity [E1-5 43] (in accordance with Revenue from sales of paper and pulp - Note 4.1.1.).

Energy Intensity	Unit	2024
Total energy consumption associated with activities in sectors with a significant climate impact	MWh	3 112 657.44
Energy intensity resulting from activities in sectors with a significant climate impact (total energy consumption per net revenue)	MWh/ thousand PLN	0.9062

[MDR-T 77 b] The above indicators have not been approved by an external entity other than the entity providing assurance services.

E1-6 SCOPE 1, 2 AND 3 GROSS GREENHOUSE GAS EMISSIONS AND TOTAL GREENHOUSE GAS EMISSIONS

[E1-6 47] The following section presents the results of the Arctic Paper Group's greenhouse gas (GHG) inventories in a dedicated Excel sheet and presents their total emissions related to the Group's operations in the current reporting year. [E1-6 AR 39b] Emissions, measured in tonnes of carbon dioxide equivalent (tCO2e), have been calculated in accordance with the international Greenhouse Gas Protocol methodology. Key guidelines used in the calculations include the GHG Protocol (2004 version), the GHG Protocol Scope 2 Guidance (2015 version), the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011 version), and the Scope 3 Calculation Guidance (2013 version).

The Group has operational and financial control over the entities in its structure, which leads to the full consolidation of Scope 1, Scope 2 and Scope 3 emissions in the Group's GHG inventory. The data used to calculate emissions came from the Group's internal registers and were provided by employees from across the organization.

Scope 1 refers to all direct greenhouse gas emissions from sources owned or controlled by companies within the Group. This category includes emissions from mobile combustion sources, including transport fuels such as diesel and gasoline, and stationary combustion of fuels such as natural gas, LPG, LNG, fuel oil, and industry-specific fuels such as black liquor, methanol, tree bark, and tar oil. In addition, Scope 1 also includes emissions related to refrigerant top-up. Emissions were calculated on the basis of real consumption of liquid and solid fuels (including biofuel) using emission factors obtained from, m.in, the Swedish Environment Agency (version 2024), the British DEFRA (version 1.1, 2024), the National Centre for Emissions Management (KOBIZE, version for 2023 and 2024) and information from suppliers.

For activities covered by the European Emissions Trading System (EU ETS), scope 1 emissions are calculated according to the EU ETS methodology. Several entities within the Group report their CO2 emissions according to the EU ETS. These are: Arctic Paper Kostrzyn SA, Arctic Paper

Munkedals AB, Arctic Paper Grycksbo AB, Rottneros Bruk AB, Vallviks Bruk AB. In connection with emissions reporting under the European Emissions Trading System (EU ETS), the calculations of emissions from installations covered by the EU ETS and the input data used are subject to external verification.

Scope 2 includes indirect greenhouse gas emissions related to the consumption of purchased electricity and steam. The Group uses both market-based and location-based approaches, in line with the GHG Protocol Scope 2 Guidance, to provide a comprehensive assessment of emissions associated with the purchase of energy, which is classified as renewable or nuclear only if its origin is clearly stated in contracts with suppliers. If the energy source is uncertain, it is categorized as coming from fossil fuels. Selected entities from the Arctic Paper Group purchase electricity through green tariffs (54.86%). The emissions were calculated based on the real consumption of electricity and heat. Electricity consumption was estimated only for vehicle charging, which represents 0.012% of Scope 2 emissions. For some sales office companies, the electricity consumption per kilometre travelled by electric vehicles has been estimated. Emission factors were obtained, m.in m.in, through the British DEFRA (version 1.1, 2024), the National Centre for Emissions Management (KOBIZE, version for 2023 and 2024), the Swedish Environment Agency (version 2024) and from information from suppliers and were calculated on the basis of real electricity and heat consumption.

[E1-6 AR 46 h] Scope 3 emissions include all indirect emissions outside of scope 1 and 2 that occur throughout the Group's value chain. These emissions result from a variety of sources, including the purchase of goods and services, capital goods, energy and fuel-related activities not included in Scope 1 or 2, transport and distribution (upstream), waste generated in operations, business travel, and employee commuting. In addition, scope 3 emissions include the treatment of sold semi-finished products, their use and the management of waste generated from sold products at the end of their useful life and investments. [E1-6 AR 46 g] Emissions have been calculated on the basis of real consumption expressed in physical units such as tonnes, litres, MWh where such data were available, and on the expenditure database, in the corresponding currency. The calculations were estimated mainly for categories 10 and 12 (Processing

of sold products and Processing of sold products at the end of their useful life, respectively), where the most likely ways of using and disposing of products sold by the Group were modelled, using the expertise of the staff and available studies. Emissions were also estimated in category 4, Upstream Transport and Distribution, where, in the absence of accurate data on routes travelled, the distance was estimated based on the distance from the manufacturing site to a central point in the country. The next category where emissions were estimated was Category 7 Employee Commuting, where calculations were made based on employee interviews and extrapolated to the total population. For selected sales offices, emissions from category 5 Waste and category 8 Senior assets leased were estimated. Due to the lack of data, studies on average energy consumption for similar facilities were used. 43.72% of Scope 3 emissions were calculated from the estimated input data and are mainly related to the estimation of categories 10 and 12. 3.46% of emissions were calculated on the basis of primary data, i.e. data obtained directly from suppliers and business partners. Supplier-specific emission factors, emissions directly calculated by suppliers related to their activities (e.g. business travel, waste management), were used as primary data. Emission factors were obtained through, m.in, the Swedish Environment Agency (2024 version), the National Centre for Emissions Management (KOBIZE, 2023 and 2024 versions), the Association of Issuing Bodies (AiB, 2023 version), the European Environment Agency (EEA, 2023 version) and the UK’s DEFRA (1.1, 2024). In addition, the Group uses emission factors from the International Energy Agency (IEA, version 2024), the Exiobase (version 3.8.2) and Ecoinvent (version 3.11) databases and, where possible, supplier-specific emission factors.

[E1-6 AR 46 i] Some categories of scope 3 are immaterial due to the nature of the Group’s business. They include downstream transport and distribution, downstream assets and franchises (no activity corresponding to the classification criteria for these categories). In the methodology for calculating GHG emissions, 5% of total emissions was adopted as the materiality threshold. The Scope 3 materiality analysis showed that the following Scope 3 categories are below the materiality threshold: Category 2 Capital Goods, Category 5 Waste generated by operations, Category 6 Business travel, Category 7 Employee commuting, Category 8 Leased upstream assets, Category 11 Use of sold products, and Category 15 Investments.

The categories considered material are, in order, Category 1 Purchased goods and services, Category 3 Fuel and energy related activities (not included in Scope 1 or 2), Category 4 Upstream transport and distribution, Category 10 Processing of sold products, Category 12 Processing of sold products at the end of their useful life.

[E1-6 AR 39 b] Where possible, the Group’s emissions calculations take into account the full spectrum of greenhouse gases, including carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and trifluoride nitride (NF3). Due to data limitations, some sources of emission factors only provide aggregated emissions in CO2 equivalent (CO2e), instead of a detailed breakdown of individual gases.

To ensure accuracy, the Group’s GHG emissions calculations are based on emission factors from a number of recognised sources. These include the Swedish Environment Agency (2024 version), the National Centre for Emissions Management (KOBIZE, 2023 and 2024 versions), the Association of Issuing Bodies (AiB, 2023 version), the European Environment Agency (EEA, 2023 version) and the UK’s DEFRA (1.1, 2024). In addition, the Group uses emission factors from the International Energy Agency (IEA, version 2024), the Exiobase (version 3.8.2) and Ecoinvent (version 3.11) databases and, where possible, supplier-specific emission factors.

The GHG emissions calculations are based on the Global Warming Potential (GWP) values of the IPCC’s Sixth Assessment Report (AR6, 2021). However, when using the DEFRA database, the GWP values from AR5 are used due to the fact that DEFRA does not provide values broken

down by individual greenhouse gases for all indicators. No AR6 conversions were made for DEFRA-related emission factors due to data limitations.

Greenhouse gas emissions	Unit	2024
Scope 1 greenhouse gas emissions		
Gross Range 1	t CO ₂ e	133 442.79
Percentage of Scope 1 greenhouse gas emissions from regulated emissions trading systems	%	92.40%
Scope 2 greenhouse gas emissions		
Scope 2 by location-based method	t CO ₂ e	45 939.28
Scope 2 by market-based approach	t CO ₂ e	152 525.98
Scope 3 greenhouse gas emissions		
Gross Range 3 by Location-Based Method	t CO ₂ e	854 229.18
Range 3 gross according to the market-based method	t CO ₂ e	889 241.47
1 Purchased goods and services	t CO ₂ e	373 187.27.28
2 Capital Goods	t CO ₂ e	24 262.31
3 Fuel and energy activities (not included in scope 1 or 2) by location-based approach (t CO2e)	t CO ₂ e	31 652.39
3 Fuel and energy activities (not included in scope 1 or 2) according to the market-based approach (t CO2e)	t CO ₂ e	66 582.67
4 Upstream transport and distribution	t CO ₂ e	103 422.44
5 Waste generated by the operation	t CO ₂ e	418.98
6 Business Travel	t CO ₂ e	491.77
7 Employee commute to work	t CO ₂ e	1 994.06
8 Location-based Location Leased Senior Assets (t CO2e)	t CO ₂ e	62.37
8 Market-based (t CO2e) leased upstream assets	t CO ₂ e	144.39
9 Downstream transport		N/A
10 Processing of Sold Products	t CO ₂ e	238 844.88
11 Use of Sold Products	t CO ₂ e	1 423.62
12 Processing of Sold Products at End of Life	t CO ₂ e	78 459.43
13 Downstream assets leased		N/A
14 Franczyzy		N/A
15 Investments	t CO ₂ e	9.66
Total greenhouse gas emissions		
Total GHG emissions by location-based approach	t CO ₂ e	1 033 611.24
Total GHG emissions by market-based approach	t CO ₂ e	1 175 210.24

Greenhouse gas intensity	Unit	2024
Total GHG emissions by location-based approach to net revenues	t CO ₂ e/thousand PLN	0.3009
Total GHG emissions by market-based approach to net revenues	t CO ₂ e/thousand PLN	0.3422

[E1-6 55] The total sales of the Group disclosed in the financial statements of PLN 3,434,693,000 were used to determine the greenhouse gas emission intensity (in accordance with Note 4.1.1).

[E1-6 AR 43 c, 45 e, 46 j] Biogenic CO2 emissions are classified as „out-of-range” emissions because the combustion of bioenergy sources is considered carbon neutral over their entire life cycle. This classification is based on the assumption that biomass absorbs an equivalent amount of CO2 released during combustion during the growth phase. However, non-CO2 greenhouse gas emissions from biomass combustion, including methane (CH4) and nitrous oxide (N2O), are covered by scope 1, according to ESRS E1 (AR 43).

Biogenic emissions	Unit	2024
Mobile combustion	t CO ₂ e	1 654,41
Stationary combustion	t CO ₂ e	599 560,74
Steam, heat and cooling purchased	t CO ₂ ee	24 572,91
Category 3 Fuel and energy activities (not included in scope 1 or 2)	t CO ₂ e	1 228,65
Executioner. 11 Use of Sold Products	t CO ₂ e	193 259,69
Amount	t CO ₂ e	820 276.40

E1-7 CARBON CREDIT-FUNDED GREENHOUSE GAS REMOVAL AND MITIGATION PROJECTS

The Arctic Paper Group did not have any greenhouse gas capture and storage projects in 2024.

E1-8 DOMESTIC CARBON PRICING

In 2024, the Arctic Paper Group did not use internal carbon pricing and did not assign a specific financial value to its CO2 emissions as part of its decision-making processes.

E1-9 EXPECTED FINANCIAL IMPACTS FROM MATERIAL PHYSICAL AND TRANSITION RISKS AND POTENTIAL CLIMATE-RELATED OPPORTUNITIES

Arctic Paper Group has made use of the option to omit the information set out in ESRS E1-9 in the first year of the sustainability statement.

ESRS E2 POLLUTION

E2-1 POLLUTION POLICIES

[E2-1 14] [E2-1 15 a] [E2-1 15 c] [MDR-P 65 a] Within the absence of such a need, Arctic Paper Group has no separate policy pollution concerns, including mitigation of their negative impacts or the avoidance of pollution-related incidents and emergencies, as well as Sustainable development policy refers to the use of chemicals. [E2-1 15b] In accordance with the provisions of the regulations, the Arctic Paper Group strives to reduce the amount of chemicals used in the production process and to use those that are safe for people and the environment.

The Rottneros Group has not adopted a regulation dedicated to water, air and soil pollution. In its Sustainable Development Policy, the Group declares to minimise its impact on the environment.

E2-2 POLLUTION RELATED ACTIVITIES AND RESOURCES

[MDR-68 a] [E2-2 18] [E2-2 AR 13] The environmental management systems that are described in this statement, in the section on Policies related to climate change mitigation and adaptation, are considered to be the main tool driving the continuous improvement of processes and systems for monitoring and controlling emissions to air, water and soil, and thus enabling the monitoring and management of pollution-related impacts and risks.

[MDR-A 68 b] [MDR-A 68 c] The actions taken in 2024, which were included in the section on the EU Taxonomy as a Taxonomy-eligible activity, were:

- reconstruction of a biomass boiler at the cellulose plant in Rottneros, which improved its efficiency and reduced the emission of specific pollutants into the air (carbon monoxide and nitrogen oxides);
- equipping the Arctic Paper Kostrzyn wastewater treatment plant with a new air supply system, thereby improving the efficiency of the wastewater treatment plant and reducing water pollution.

[MDR-A 69 a, b] The above activities do not involve the need to incur significant capital expenditures or operational expenditures.

[MDR-A 68 b] [MDR-A 68 c] An additional measure taken in 2024, which did not require significant investment, was the installation of a new EGSB (**Expanded Granular Sludge Bed**) reactor at the anaerobic wastewater treatment plant at the Rottneros plant. The EGSB reactor produces biogas to be used instead of fossil fuel-based LNG to be used to dry pulp in flash dryers, thereby reducing chemical oxygen demand and air pollution from agents such as suspended solids, nitrogen and phosphorus.

[MDR-A 68 e] This is the first time that the Arctic Paper Group has submitted a Sustainability Statement in accordance with the ESRS standard and therefore does not disclose the progress of its activities compared to previous years' disclosures. [MDR-68 a] Future activities in this area have not yet been planned.



E2-3 POLLUTION TARGETS

[E2-3 22] [MDR-T 81] The Arctic Paper Group has not set targets for water, air and soil pollution, as no need for such a need has been identified so far in either a regulatory or strategic context. Monitoring of the progress and effectiveness of actions taken in this area is carried out through the systems in place in the production units for monitoring emissions to air, water and soil.

E2-4 AIR, WATER AND SOIL POLLUTION

[E2-4 30 b, AR 27] [E2-4 30 c] Pollutant emissions from installations for which the relevant threshold value set out in Annex II to Regulation (EC) No 166/2006 of the European Parliament and of the Council is exceeded, excluding greenhouse gas emissions, which are disclosed in Part E1-6 Gross scope 1, 2 and 3 greenhouse gas emissions and total greenhouse gas emissions. This data was based first on the results of direct measurements from auto-

ated systems, and if this was not possible, on periodic measurements or calculations based on site-specific data. In the case of using automated measurement systems, calibration tests were carried out. In the case of Arctic Paper Kostrzyn, contamination measurements are carried out on the basis of permit integrated units.

Air pollutant emissions	Unit	Arctic Paper Munkedals	Arctic Paper Grycksbo	Arctic Paper Kostrzyn	Rottneros	Vallvik	Total in 2024
Methane (CH4)	Kg				1 792.71	10 409.57	12 202.28
Carbon monoxide (CO) ²	Kg	818.00	31 823.00	27 443.36	24 066.50	400 234.31	484 385.17
Hydrofluorocarbons (HFCs)	Kg	342.50		61.90			404.40
Nitrous oxide (N2O)	Kg				1 792.71	9 359.39	11 152.10
Amoniak (NH3)	Kg				1 075.63	63 765.35	64 840.98
Non-methane volatile organic compounds (NMVOCs)	Kg			311.12	7 170.84	436 989.84	444 471.80
Nitrogen oxides (NOx/NO2) ²	Kg	2 300.00	10 629.00	125 039.10	31 948.00	309 924.64	479 840.74
Sulphur oxides (SOx/SO2) ²	Kg			11 904.60	5 274.34	50 790.17	67 997.55
Hydrochlorofluorocarbons (HCFCs)	Kg	-	4.60			-	4.60
Arsenic and his compounds (as As)	Kg				0.07	4.91	4.98
Cadmium and its compounds (as Cd)	Kg				0.18	3.08	3.26
Chromium and its compounds (as Cr)	Kg				0.54	7.70	8.24
Copper and its compounds (as Cu)	Kg				3.59	17.76	21.35
Mercury and its compounds (as Hg)	Kg				0.07	0.53	0.60
Nickel and its compounds (as Ni)	Kg				1.79	17.63	19.42
Lead and its compounds (as Pb)	Kg				3.59	17.76	21.35
Zinc and its compounds (as Zn)	Kg				35.85	72.54	108.39
Chlorine and inorganic compounds (as HCl)	Kg					2 046.68	2 046.68
Particulate matter (PM10) ²	Kg	-	65.00	783.96	91.43	45 668.33	46 608.30

Emissions of pollutants to water	Unit	Arctic Paper Munkedals	Arctic Paper Grycksbo	Arctic Paper Kostrzyn	Rottneros	Vallvik	Total in 2024
Nitrogen ²	Kg	2 727.00	8 945.00	21 386.70	15 857.07	23 040.51	71 956.28
Phosphorus ²	Kg	193.00	79.00	1 176.70	272.59	5 785.30	7 506.59
Arsenic and its compounds (as As) ²	Kg	0.10			2.81	8.74	11.65
Cadmium and its compounds (as Cd) ²	Kg	0.01			0.21	6.93	7.15
Chromium and its compounds (as Cr) ²	Kg	0.31		30.70	13.04	19.34	63.39
Copper and its compounds (as Cu) ²	Kg	4.69		83.90	27.29	57.46	173.34
Mercury and its compounds (as Hg) ²	Kg	0.22			0.21	-	0.43
Nickel and its compounds (as Ni) ²	Kg	1.28		19.60	122.50	16.33	159.71
Lead and its compounds (as Pb) ²	Kg	1.26		26.80	4.05	11.75	43.86
Zinc and its compounds (as Zn) ²	Kg	14.03		153.90	644.75	931.71	1 744.39
Halogenated organic compounds (as AOX) ²	Kg	149.90	255.00			8 967.70	9 372.60
Total Organic Carbon (TOC) (as Total C or COD/3) ²	Kg	15 333.00	21 354.00	5 771.70	632 292.00	861 140.00	1 535 890.70
Chlorides (as total Cl)	Kg			496 189.00	240 707.612	1 024 978.51	1 761 875.12

² The measurement was verified by an accredited laboratory.

The Group does not identify significant emissions of pollutants into the soil.
[E2-4 30 a] This is the first time that the Arctic Paper Group has disclosed the above information and therefore does not disclose the progress of its activities.

E2-5 SUBSTANCES OF CONCERN AND SUBSTANCES OF VERY HIGH CONCERN

The table below presents the quantities of substances of concern that were produced, purchased, used, and sold on their own and as part of a product in 2024. This information is presented by class, according to the highest ha-

zard category of the substance. As a result of the double significance analysis described in General Part ESRS 2 General disclosure of quantities of substances of very high concern, it was considered to be non-significant.

Hazard class	Unit	Manufactured	Purchased	Used	Sold in own form	Sold as part of the product	They left the Group in the form of waste
Carcinogenicity category 1	Kg		1 601 606.29	1 840 027.00			120 579.29
Carcinogenicity category 2	Kg		127 719.00	127 719.00			0.00
Toxic for reproduction category 2	Kg		2.25	0.00		2.25	0.00
Respiratory sensitisation category 1	Kg		957 665.20	360.20		955 205.00	2 100.00
Skin sensitisation category 1	Kg	942 246.00	1 622 395.68	823 628.89	942 246.00	859 097.21	56 469.57
Long-term threat to the aquatic environment category 1	Kg	58 400.00	63 954.59	89 494.74		32 840.80	19.05
Long-term threat to the aquatic environment category 2	Kg		2 890 039.80	2 890 029.00		10.80	0.00
Long-term hazard to the aquatic environment category 3	Kg		176 317.50	0.00		167 250.00	9 067.50
Specific organ toxicity, repeated exposure category 1	Kg		1.50	1.50			0.00
Specific target organ toxicity, single exposure category 1	Kg	1 635 200.00	292 238.03	1 925 200.00			2 238.03
Sum	Kg	2 635 846.00	7 405 939.84	7 241 660.33	942 246.00	2 014 406.06	190 473.44

Data on substances of concern are derived from purchase data, sales data and safety data sheets of purchased products, as well as information related to the nature of the production processes in each unit. The data from Vallvik, Rottneros, Arctic Paper Grycksbo, Arctic Paper Munkedals and Arctic Paper Kostrzyn are high-quality data, containing a CAS (Chemical Abstracts Service) number and annual consumption of this substance. As the concentration of substances of concern in preparations containing such substances is not reported in Arctic Paper Kostrzyn, the full weight of the preparations was used for the calculations. The use of substances of concern is based on estimates, except in cases where substances are burned, for which the data is very accurate. Many substances are reactants that will undergo a chemical reaction and will not be detectable in the product or emissions. The simple inorganic salts and acids used will be completely dissociated in the process and will not exist in the added form, thus remaining undetectable.

E2-6 PROJECTED FINANCIAL IMPACTS ARISING FROM MATERIAL POLLUTION RISKS AND OPPORTUNITIES

Arctic Paper Group has the option to omit the information set out in ESRS E2-6 in the first year of the sustainability statement.

ESRS E3 WATER AND MARINE RESOURCES

E3-1 POLICIES RELATED TO WATER AND MARINE RESOURCES

[MDR-P E3-1 11] Arctic Paper Group has not adopted organization-wide policies related to water and marine resources that address the identified significant impacts, risks and opportunities.

[E3-1 12 a i] [E3-1 12 a ii] [E3-1 12 a iii] [E3-1 12 b] [MDR-P 65 a] Arctic Paper Group: its impact on water resources [MDR-P 65 b] organisation as a whole has regulated the Sustainable development policy, which is described in detail in the section ESRS E1 Climate Change. Unanimously

According to the document, the Group companies make efforts to reduce the consumption of water and wastewater discharged, and the organization reuses water used in the production process. The policy also represents Arctic Paper Group’s commitment to ensure that the water used is first purified and then reintroduced into the environment. The policy emphasizes that the quality of water taken and discharged is monitored. The monitoring requirement also results from water law permits both in Poland and in Sweden (Swedish. Vattendom). [E3-1 12c] The document includes a commitment to reduce water consumption and also applies to value chain operations that can be carried out in areas at risk of water stress.

[MDR-P 62] Due to the fact that the double significance analysis was performed for the first time in 2024. [E3-1 14] The Group has not adopted Policies or practices directly related to the sustainable use of marine and ocean resources.

E3-2 WATER AND MARINE ACTIVITIES AND RESOURCES

[E3-2 17] [E3-2 19] [MDR-A 68 a] [MDR-A 68 b] [MDR-A 68 d] The activities undertaken [MDR-A 68 c] in 2024 in relation to water and marine resources in the Arctic Paper Group focused on its own operations and the continuation of existing processes to minimise water consumption and reuse and recycle it, as well as to reduce the release of pollutants into the water (as described in the section E2-2 Pollution-related activities and resources) and improving marine biodiversity (described in E4-3 Biodiversity and ecosystem-related activities and resources). In Rottneros, the infrastructure has been modernised by installing a metering system at the water inlet to improve the efficiency of water resource management. The group currently has no further activities planned in this area.

[MDR-A 69 a, b, c] Neither the modernization nor the continuation of the existing processes result in significant investment or operating costs.

[MDR-A 68 e] This is the first time that the Arctic Paper Group has submitted a sustainability report in accordance with the ESRS standard and therefore does not disclose the progress of its activities compared to previous years’ disclosures.

E3-3 WATER AND MARINE RESOURCES OBJECTIVES

[E2-3 22] [MDR-T 81] Due to the lack of an identified need in this area, Arctic Paper Group has not set targets for

water and marine resources at Group level. Monitoring of the progress and effectiveness of actions taken in this area is carried out by monitoring water consumption, reuse and recycling.

E3-4 WATER CONSUMPTION

The table below presents the water consumption of Arctic Paper Group’s own operations, the amount of water recycled and reused, and the Group’s water intensity.

[E3-4 28 e]

Water consumption	Unit	2024
Total water consumption	m³	1 358 251,34
Water intake	m³	34 176 694,15
Water discharge	m³	20 398 761,72
Total water use in areas at risk of water stress, including areas with severe water scarcity	m³	0
Total water recycled and reused	m³	47 543 439,55
Total amount of water stored	m³	0
Changes in water storage ⁵	m³	0
Water absorption	m³/EUR 1 million of net revenue ⁵	1 702,97

TOTAL WATER CONSUMPTION

- Total water consumption consists of:
- Steam from the drying process of the main product;
 - Drying fumes in secondary operations (caustic and recovery boiler);
 - Water in the product;
 - Water in waste, such as sludge from wastewater treatment.

WATER INTAKE

Water abstraction consists of water abstracted to the factory through its own preparation of fresh water from the river on the basis of water permits issued in Poland and Sweden (Vatttendom) and water purchased from an external supplier (municipal water).

WATER DISCHARGE

- The discharge of water consists of two streams:
- Wastewater treated in the factory's wastewater treatment plant. The volume is measured using a built-in continuous flow meter. The values shown in the table do not include rainwater.
 - Uncontaminated cooling water returning to the river. This flow is calculated as a residual value for the entire factory, except for Vallvik, where it is measured.

TOTAL WATER RECYCLED AND REUSED

Water recycling in paper mills involves returning water from paper machines to the pulp preparation department. Recirculation is calculated based on the dry content in the raw material stream. The recycling of water at fiberline ,s pulp mill consists of water used in a counter-current from sieving to bleaching to washing. In the chemical recovery system of the pulp mill (only in Vallvik), the condensation water from the evaporation plant is used as washing water on the lime sludge filter. The lime-mud filter filtrate is used as solvent water for molten soda. All volumes are measured using in-line flow meters.

E3-5 PROJECTED FINANCIAL IMPACTS ARISING FROM IMPACTS, RISKS AND OPPORTUNITIES RELATED TO WATER AND MARINE RESOURCES

The Group uses the option to omit the information specified in ESRS E3-5 in the first year of the sustainability statement.

ESRS E4 BIODIVERSITY AND ECOSYSTEMS

SBM-3 MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERRELATIONSHIPS WITH THE STRATEGY AND THE BUSINESS MODEL

- [SBM-3 16 a] Significant locations within the Arctic Paper Group's own operations can be divided into two categories according to the identified impacts:
- located near biodiversity-sensitive areas:
 - Arctic Paper in Kostrzyn, Poland,
 - Arctic Paper in Munkedals, Sweden,
 - located further away from biodiversity-sensitive areas:
 - Arctic Paper Grycksbo in Sweden,
 - Rottneros production site,
 - production plant in Vallvik,
 - production plant in Sunne.

Biodiversity-sensitive areas located in the vicinity of the Group's location are described in the general part, in subsection IRO-1 Description of the processes of identification and assessment of significant impacts, risks and opportunities.

Detailed information on identified impacts and dependencies is presented in the general part (in subsection SBM-3 Material impacts, risks and opportunities and their interrelationships with the strategy and the business model). Unless specified otherwise, material impacts, risks and opportunities apply to all Group locations described in subsection

SBM-1 Strategy, business model and value chain, therefore the Group is not able to present a breakdown of locations by identified impacts and dependencies.

E4-1 BIODIVERSITY AND ECOSYSTEM TRANSITION PLAN AND MAINSTREAMING BIODIVERSITY AND ECOSYSTEMS INTO STRATEGY AND BUSINESS MODEL

[E4-1 13 a, b] Arctic Paper Group has not adopted a biodiversity and ecosystem transition plan and does not take these issues into account in its business strategy. The resilience of current business models and strategies to physical, transitional and systemic risks and opportunities related to biodiversity and ecosystems is described in the general section of this statement (ESRS-2 General Disclosure).

E4-2 BIODIVERSITY AND ECOSYSTEM POLICIES

[E4-2 22] Arctic Paper Group has not adopted a separate Policy related to biodiversity and ecosystems. The business model adopted by the organizations assumes minimizing the impact on the natural environment, which is regulated, m.in, by environmental policies and sustainable development policies. However, these documents do not directly address the issue of biodiversity and ecosystems, [MDR-P 62] due to the fact that the double significance analysis was performed for the first time in 2024. EMAS environmental management systems have been implemented at 3 production sites (in Kostrzyn, Munkedal and Grycksbo). [E4-2 24] A Biodiversity and Ecosystem Policy covering operational locations in or near a biodiversity-sensitive area, sustainable practices or a Land/Agriculture Policy, Sustainable Practices or Ocean/Marine Policy or Deforestation Policy has not been adopted.

E4-3 BIODIVERSITY AND ECOSYSTEM-RELATED ACTIVITIES AND RESOURCES

[MDR-A 68 a] [MDR-A 68 b] The activities undertaken by the Arctic Paper Group related to biodiversity in 2024 are primarily the use of certified wood, FSC® or PEFC™ for production. The aim of this action is to make sure that the wood does not come from areas of endangered dangerment or of special natural value. [E4-3 28 b i] [E4-3 28 b iii] [E4-3 28 c] Fish population density was also measured in Munkedal in 2024 to follow up and improve habitat status. This measurement is required and carried out annually by the Swedish Association of Sport Fisheries and Fisheries Conservation (Sportfiskarna Sveriges Sportfiske- och Fiskevårdsförbund).

[MDR-A 69 a, b] [E4-3 28 b ii] These activities did not require significant investment or operational expenditures.

[E1-3 29 b] [E1-3 29 c] [E1-3 AR 21, 22] [MDR-A 69 a, b] The planned actions and the resources needed for their implementation are currently being developed as part of the Transition Plan.

³ According to the WRI Aqueduct Water Risk Atlas, none of the Group's locations are located in a region with high underlying water stress.

⁴ The group does not store water.

⁵ According to the euro exchange rate in 2024 - 4.3064 PLN. Source: NBP; weighted average price, year 2024; https://www.nbp.pl/home.aspx?f=/kursy/arch_a.html.

E4-4 BIODIVERSITY AND ECOSYSTEM OBJECTIVES

[E4-4 31] [MDR-T 81] Due to the fact that no need for this has been identified so far. Arctic Paper Group has not adopted biodiversity and ecosystem targets other than those described in the other chapters of the environmental section of this statement, [E1-1 17], but is in the process of developing them and plans to adopt them in 2028. Monitoring of progress in this area is carried out through the measurement of fish population density described in the previous section and the monitoring of the origin of the harvested wood using FSC® or PEFC™ certificates.

E4-5 IMPACT MEASURES RELATED TO BIODIVERSITY AND ECOSYSTEM CHANGE

[E4-5 35] Two of the Group's locations are located near biodiversity-sensitive areas:

- Arctic Paper Kostrzyn (covering an area of 10 ha),
- Arctic Paper Munkedals (covering an area of about 25 ha).

[E4-5 38] Arctic Paper Group has not set biodiversity and ecosystem metrics that address the identified material impacts, risks and opportunities, other than those described in this statement under the other relevant topics, in particular in Part E5-4 Resources Introduced. E4-6 Projected financial impacts from material risks and opportunities related to biodiversity and ecosystems Arctic Paper Group enjoys the option to omit the information set out in ESRS E4-6 in the first year of the sustainability statement.

E4-6 PROJECTED FINANCIAL IMPACTS FROM MATERIAL RISKS AND OPPORTUNITIES RELATED TO BIODIVERSITY AND ECOSYSTEMS

Arctic Paper Group enjoys the option to omit the information set out in ESRS E4-6 in the first year of the sustainability statement.

ESRS E5 CIRCULAR ECONOMY

E5-1 POLICIES RELATED TO RESOURCE USE AND THE CIRCULAR ECONOMY

[E5-1 14] [MDR-P 65 a] The Arctic Paper Group does not have organization-wide uniform Policies related to significant impacts on the circular economy or resource use. Some of the double materiality inflows identified during the analysis are managed on the basis of documents adopted by individual companies.

In its Sustainability Policy, the Arctic Paper Group highlights the organisation's co-creation of a sustainable and circular production system. Group [E5-1 15 b] declares the use of renewable resources such as fibre – these resources are reused and recycled with little or no waste. The Group's environmental policy obliges organisations to purchase cellulose from certified and controlled sources and to check the origin of the wood raw material used in its production. The Group declares its efforts to purchase cellulose from sustainably managed forests.

Detailed regulations on the use of resources and the circular economy have been adopted by the paper mills belonging to the Arctic Paper Group.

In addition, Rottneros has adopted a Raw Materials Policy, in which it declares actions to exclude wood from:

- Illegal sources;
- Forests whose protected natural values are threatened by logging. In Sweden, this applies to all timber from key forest habitats cut down against the advice of the Swedish Forestry Agency;
- Forests that have been substantially converted to plantations or other land uses;
- Forest management using genetically modified trees;
- Forest management that violates any of the ILO's core conventions on forced or child labour, freedom of association, collective bargaining, discrimination and harassment;
- Forests that are cut down in violation of human rights;
- Sources that do not comply with the EU Timber Regulation

The Group is certified according to international FSC® and PEFC™ standards for its supply chain.

[MDR-P 65 b] The Raw Materials Policy is in force throughout the Rottneros Group, and [MDR-P 65 c] and the Management Board of the parent company is responsible for implementing and complying with its provisions. [MDR-P 65 d] The provisions of the Policy refer, m.in others, to the standards of the International Labour Organization. [MDR-P 65 e] In preparing the content of the document, the Rottneros Group took into account the opinions and interests of its stakeholders. [MDR-P 65 f] The Group makes the content of the Policy available by posting them on the website and in the internal communication channels of individual organizational units.

E5-2 ACTIVITIES AND RESOURCES RELATED TO RESOURCE USE AND THE CIRCULAR ECONOMY

[E5-2 19] The actions taken in 2024 by the Arctic Paper Group to use resources responsibly and implement the circular economy include, m.in:

- Mainly cellulose made of certified wood, FSC® or PEFC™, is used in all paper mills – in Poland and Sweden. This is to ensure that the wood comes from sustainably managed forests. In the case of Arctic Paper Grycksbo, the cellulose must also be approved by the Nordic Ecolabel (Nordic Swan), which certifies the efficient use of resources – less raw material and energy consumption in the production process;
- Maintaining food contact and FSC® certification for food trays manufactured by the Rottneros Group in Sweden;
- A new tall oil plant at the Vallvik plant, which will provide cleaner and therefore more useful by-product fractions;

[MDR-A 69 a, b] Capital expenditures related to the new tall oil production unit amounted to PLN 22,285 thousand. Other activities do not involve significant capital or operational expenditures.

In 2025, the following activities are planned:

- The fly ash from the steam boiler at the Grycksbo plant will be recirculated on forest land as fertilizer.

[MDR-A 69 a, b, c] Further actions and the resources needed to implement them are currently being planned. These activities are and will be primarily involving internal stakeholders (employees) as well as stakeholders from the upstream value chain (suppliers).

[MDR-A 68 e] This is the first time that the Arctic Paper Group has submitted a Sustainability Statement in accordance with the ESRS standard and therefore does not disclose the progress of its activities compared to previous years' disclosures.

E5-3 RESOURCE USE AND CIRCULAR ECONOMY OBJECTIVES

[MDR-T 80 b] [MDR-T 80 e] [MDR-T 80 c] The 2025 resource use and circular economy target at the Arctic Paper Group is [E5-3 24] [E5-3 25] Sourcing pulp from FSC® or PEFC™ certified suppliers [MDR-T 80 d] Since 2017, the Group has declared that it will source almost 100% of the raw material with the indicated certificates (98% in 2024).

[E5-3 24] The purpose of supply chain verification is to provide assurance that:

- The wood does not come from an illegal source;
- The wood does not come from areas threatened with extinction or of special natural value;
- The wood does not come from genetically modified trees;
- The traditions and rights of the indigenous peoples are not violated during the harvesting.

[MDR-T 80 h] The Group's internal stakeholders were involved in setting the adopted goal, and [MDR-T 80f] no meaningful methods or assumptions were used in its determination. [MDR-T 80 i] This target was not changed in 2024 and [MDR-T 80 e] It does not contain intermediate goals, nor are there any milestones set for it. [MDR-T 80 a] The adopted goal is related to the previously described Policies on the use of resources and circular economy. [E5-3 27] It does not result from the obligations imposed on the Group by external regulations [MDR-T 80g] or from specific scientific evidence directly referring to them. [MDR-T 80i] A description of the methodology for measuring the achievement of this goal can be found in the next section (E5-4 Input Resources).

E5-4 INPUT RESOURCES

The following are the important resources injected into the Arctic Paper Group for the production of paper and pulp.

[E5-4 32, AR 24] The weight was estimated on the basis of purchase invoices and product sheets.

TOTAL WEIGHT OF TECHNICAL MATERIALS ENTERING THE ORGANIZATION

The technical materials whose weight is estimated in this disclosure are:

- Filling and coating pigments,
- Process chemicals used in the processing process,
- Packaging materials except those listed in the bio-based material category.

Resources entered into the organization	Unit	2024
Total weight of products entering the organization	t	0
Total weight of technical materials entering the organization	t	266 007.36
Total weight of biological materials entering the organization	t	1 526 617.19
including sustainably sourced materials	t	1 497 073.57
Total weight of products, technical and biological materials introduced into the organization	t	1 792 624.69
Percentage of bio-based materials used to provide services and produce products (including packaging) from sustainable sources	%	84
Total weight of products, materials, components reused or recycled in the manufacturing process of products (including packaging) or services	t	0
Percentage of products, materials, components reused or recycled in the manufacturing process of products (including packaging) or services	%	0

TOTAL WEIGHT OF BIOLOGICAL MATERIALS ENTERING THE ORGANIZATION

The following biological/compostable materials are included in this category:

- Wood raw material,
- Starch,
- Paper Material.

SUSTAINABLY SOURCED MATERIALS

Materials whose weight is included in this category are wood and cellulose with FSC® and PEFC™ certificates.

TOTAL WEIGHT OF PRODUCTS ENTERING THE ORGANIZATION

The reported weight of resources introduced this year is limited to raw materials and related process materials, mainly process chemicals used in the manufacturing process and packaging materials for finished products leaving production plants, due to the lack of relevant data (kg/year). The following resources consumed are not included in this statement for 2024:

- IT equipment,
- Textiles, such as workwear and machine clothingx,
- Furniture
- Building materials,
- Warehousing and transport equipment and equipment,
- Spare parts and consumables.

E5-5 DISCHARGED RESOURCES

[E5-5 35] The key recyclable and degradable products offered by the Arctic Paper Group are:

- Sheets and rolls,
- Coated and uncoated paper, woodfree and wood-based,
- CTMP pulp from the Rottneros Mill,
- ECF and UKP pulp from the Vallvik Mill pulp mill,
- Injection molded packaging products from Rottneros Packaging.

[E5-5 36] Arctic Paper Group's products are primarily intended for printers, paper distributors, book and magazine publishers, the advertising industry and packaging manufacturers, therefore the expected durability of the final products, their reparability or indicators of recyclable content are not possible to determine.

Arctic Paper products are manufactured with the circular economy in mind. The Group uses the methodology and experience of third parties to develop new ways of producing different types of paper, based on the identification of chemical hazards and the impact of the different solutions on the quality of the products, taking into account both the manufacturing, use and end of life of the product. Selected Arctic Paper products have been tested and approved for use in Nordic Ecolabel certified products. Products from the Arctic Paper Kostrzyn paper mill are EU Ecolabel certified.

In 2024, the total amount of waste in the Arctic Paper Group was 78 323.77 tons, of which approximately 76% was prepared for reuse, recycling or other recovery processes. Detailed data on waste are included in the table below.

Resources discharged from the organization	Unit	2024
Waste avoided disposal	t	57 306.85
Hazardous waste, including:	t	231.01
prepared for reuse	t	0
recyclable	t	87.24
subject to other recovery processes	t	143.76
Non-hazardous waste, including:	t	57 075.84
prepared for reuse	t	2262.09
recyclable	t	43 768.52
subject to other recovery processes	t	11 045.24
Waste sent for disposal	t	21 073.92
Hazardous waste, including:	t	7.76
Burned	t	3.65
Stored	t	0.19
other disposal processes	t	3.91
Non-hazardous waste, including:	t	21 066.16
Burned	t	1482
Stored	t	19 546.38
other disposal processes	t	37.78
Total radioactive waste	t	0
Total waste generated	t	78 323.77
Total hazardous waste	t	238.76
Total non-recycled waste	t	34 468.01
Percentage of non-recycled waste	%	44.01%
Total non-hazardous waste	t	78 085.01

[E5-5 40, AR 33] Waste data are collected from waste recipients and collected at the level of production units. The amount of waste from production facilities is monitored on an ongoing basis and its weight is reported in the relevant reporting systems – BDO for Arctic Paper Kostrzyn and Naturvårdsverket for other production units. Most of the waste generated is waste related to the paper and cellulose production process - sewage sludge from on-site treatment plants. Paper and cardboard packaging and wooden packaging also constitute significant amounts of waste.



E5-6 EXPECTED FINANCIAL IMPACTS ARISING FROM MATERIAL RISKS AND OPPORTUNITIES RELATED TO RESOURCE USE AND THE CIRCULAR ECONOMY

Arctic Paper Group has made use of the option to omit the information set out in ESRS E5-6 in the first year of the sustainability statement.

EU TAXONOMY

The EU Taxonomy is a classification system that establishes criteria for environmentally sustainable economic activities. It plays an important role in helping to scale up sustainable investments and implement the European Green Deal. The EU taxonomy provides businesses, investors and policymakers with the relevant definitions of how an economic activity can be considered environmentally sustainable. In this way, it provides security for investors, protects private investors, and helps companies become more climate-friendly.

Regulation 2020/852 of the European Parliament and of the Council on the EU taxonomy was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020.

It lays the foundations for the EU Taxonomy by setting out 4 overarching conditions that an economic activity must meet in order to qualify as environmentally sustainable. An economic activity qualifies as environmentally sustainable if it:

- a) it makes a substantial contribution to one or more of the environmental objectives;
- b) does not cause significant harm to any of the environmental objectives;
- c) it is carried out in accordance with minimum guarantees;
- d) meets the technical qualification criteria.

The Taxonomy Regulation sets out the following environmental objectives:

- a) climate change mitigation;
- b) adaptation to climate change;
- c) the sustainable use and protection of water and marine resources;
- d) the transition to a circular economy;

- e) pollution prevention and control;
- f) protecting and restoring biodiversity and ecosystems.

In accordance with the Taxonomy Regulation, the Arctic Paper Group discloses in its annual report:

- the percentage of turnover derived from products or services related to environmentally sustainable activities;
- the percentage of capital expenditures (CapEx) corresponding to assets or processes related to environmentally sustainable activities;
- the percentage of operating expenditure (OpEx) corresponding to the assets or processes associated with environmentally sustainable activities.

In this Sustainability Statement 2024, the Arctic Paper Group discloses the percentage of turnover, capital expenditure and operating expenditure eligible for the EU taxonomy and reviews the criteria for environmentally sustainable economic activities set out in Article 3 of Regulation 2020/852 of the European Parliament and of the Council to determine what percentage of these three values are related to environmentally sustainable activities.

The core business of the Arctic Paper Group is the production and sale of paper and pulp. These activities are not covered by the EU Taxonomy.

QUALIFICATION AND TAXONOMY COMPLIANCE ASSESSMENT PROCESS

We have divided the evaluation process into 4 stages:

1. Identification – an overview of all activities carried out by all Arctic Paper Group entities and determining whether and which activities qualify as Taxonomy-compliant activities. The review covered Arctic Paper Group's revenues, capital expenditures and operating expenses. The basis for considering a given activity as eligible was a comparison of the actual activity with the description of the activity detailed under Annex I or Annex II to the Commission Delegated Regulation (EU) 2021/2139, taking into account the Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending the above Regulation and with the description of the activities contained in the Commission Delegated Regulation (EU) 2023/2486.
2. Allocation – assigning the value of turnover, capital expenditures and operating expenditures to specific activities, identified in the first stage.

3. Verification – examination of the criteria of significant contribution and non-significant harm for all identified activities, using the technical screening criteria referred to in the Annexes to Commission Delegated Regulation (EU) 2021/2139.

Verification of compliance with the technical screening criteria was carried out for activities eligible for the EU Taxonomy. and consisted of an analysis of the different criteria for significant contribution and non-significant harm and checking to what extent the activity complies with the technical screening criteria set out in Annexes I and II to Commission Delegated Regulation (EU) 2021/2139, as extended by Commission Delegated Regulation (EU) 2022/1214, Commission Delegated Regulation (EU) 2023/2485 and 2023/2486.

According to the analysis, none of the activities qualified in 2024 meet the technical qualification criteria. Given that the taxonomy does not cover its main activities, the Group does not have documentation confirming the compliance of its other activities. It also did not carry out a climate risk analysis, which is part of the DNSH principle for most eligible activities.

4. The next step was to assess whether the Minimum Guarantees were met.

According to Article 18 of Regulation (EU) 2020/852 of the European Parliament and of the Council: „minimum safeguards, (...), are the procedures applied by an enterprise conducting business activities to ensure compliance 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 set out in the International Labour Organization's Declaration on Fundamental Principles and rights at work and the principles and rights set out in the International Bill of Human Rights.“

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

According to the recommendations, failure to meet the minimum guarantees is at least one of the following four conditions:

- insufficient or non-existent human rights due diligence processes, including labour rights, corruption, taxation and fair competition;

- the company or its top management has been found guilty of violations of labor law or human rights laws in certain types of labor law or human rights court cases;
- lack of cooperation with the OECD National Contact Point (OECD NCP; NCP OECD) on the notification received by the OECD NCP;
- The Business and Human Rights Resource Center (BHRRC) made an allegation against the company, which the company did not respond to within 3 months.

During the verification process at Arctic Paper Group, non-compliance with the above premises was tested as follows:

1. as a result of the internal analysis, it was determined that the Arctic Paper Group has a due diligence process in place:
 - Arctic Paper Group has a whistleblowing system in place;
 - mandatory training for all employees in the field of anti-corruption and anti-competitive practices;
 - Arctic Paper Group implements a supplier sustainability assessment system;
 - The Arctic Paper Group's Code of Conduct in the value chain, the Sustainability Policy and the Diversity Policy were implemented.
2. as a result of verification whether no final convictions were issued in relation to the persons mentioned in the content of the premise, in the period to which the verification relates.
3. A review of the OECD NCP (National Contact Point) notification database was carried out, which showed that there were no notifications concerning the Arctic Paper Group during the review period – <https://mne-guidelines.oecd.org/database/>
4. A verification of the Business and Human Rights Resource Center (BHRRC) application database was carried out, which showed no notifications regarding the Arctic Paper Group during the verification period – <https://www.business-humanrights.org/en/companies/>
5. Calculation – using the information obtained in the second and third stages to prepare tables containing the required information and to develop supplementary information in accordance with the requirements of 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 led by a team of representatives of Arctic Paper Group companies, coordinated by the Sustainability Team.

- The eligibility assessment found that the Arctic Paper Group carries out the following activities:**
- CCM 1.3 – Forest management – services in the field of wood management provided by Rottneros;
 - CCM 4.1 Energy production with the use of photovoltaic energy – production of electricity from photovoltaic farms located in Poland and Sweden;
 - CCM 4.5 Hydropower Generation – at the Munkedals Hydroelectric Power Plant;
 - CCM 4.8 Production of electricity from bioenergy – expenditures on pellet energy generation installations at the factory in Grycksbo;
 - CCM 4.10 Energy storage – capital expenditure related to the installation of battery storage facilities in Rottneros;
 - CCM 4.11 Thermal energy storage – operating expenditure related to the maintenance of the steam accumulator at Munkedals;
 - CCM 4.13 Production of biogas and biofuels for transport and production of bioliquids – revenues from the production of tall oil by the Rottneros plant;
 - CCM 4.20 Cogeneration of heat/cooling energy and electricity from bioenergy – capital expenditures related to the investment in a boiler based on cogeneration from bioenergy at the plant in Vallvik;
 - CCM 4.24 Generation of heat/cooling energy from bioenergy – capital expenditure on the renovation of the heat recovery boiler and turbine at the Vallvik plant;
 - CCM 5.1 Construction, expansion and operation of water abstraction, treatment and supply systems – expenditures related to the modernization and expansion of water intake infrastructure in Munkedals;
 - CCM 6.5 Transport by motorcycles, passenger cars and light commercial vehicles, which evaluates vehicles belonging to the Arctic Paper Group's own and leased fleets used in Arctic Paper's own operations;
 - CCM 6.14 Infrastructure for rail transport – capital expenditures and operating costs of maintenance of the section of railway infrastructure for the transport of raw materials in the factories in Kostrzyn and Rottneros;
 - CCM 7.2 Renovation of existing buildings – capital expenditures incurred for the renovation of buildings belonging to factories;

- CCM 7.3 Installation, maintenance and repair of energy efficiency equipment;
- CCM 7.4 Installation, maintenance and repair of electric vehicle charging stations in the Group's buildings (and car parks);
- CCM 8.1 Data processing; website management (hosting) and similar activities – capital expenditures and operating expenses incurred in connection with the infrastructure necessary to support the management of systems in Kostrzyn and Munkedals;
- WTR 1.1 Manufacturing, installation and related services of leak control technologies to reduce and prevent leakage in water supply systems.

ACCOUNTING POLICIES

The requirements of Delegated Regulation 2021/2178 were applied to the calculation of individual key indicators.

At the stage of identifying Taxonomy-eligible activities and accompanying activities, it was ensured that none of them qualifies for more than one activity, i.e. for example, no investment project meets the definition of more than one activity. In practice, the different activities eligible for the Taxonomy and the related activities relate to separate areas, which eliminates the risk of double inclusion in them.

At the stage of preparation for the process of identifying types of activity, and then allocation and verification, persons responsible for individual business areas were informed about such theoretical risk and instructed that if a given activity meets more than one definition of activity, they should assign it to the definition of this type of activity, which best reflects the specificity and nature of a given activity.

In the reported 2024, no changes were made to the accounting policy.

The following rules are used to calculate the percentage of turnover, CapEx and OpEx eligible for the Taxonomy:

Turnover – in terms of turnover, the basis was the total consolidated revenues of the Arctic Paper Group in 2024, disclosed in the consolidated financial statements under „Revenue from sales of paper and pulp” described in Note 10. The numerator for turnover KPIs in the field of eligible activities consists entirely of the values derived from revenues from contracts with customers. Revenues from Taxonomy-eligible activities are assigned to the numerator.

In 2024, the Arctic Paper Group identified 7 activities from which revenues qualify for the taxonomy.

In 2024, Arctic Paper generated Taxonomy-eligible revenues mainly from the services provided by Rottneros in the areas of timber management services (activity 1.3) and hydropower electricity production (activity 4.5) at the Munkedals factory.

Arctic Paper derives from its own electricity production as indicated in the eligible descriptions of activities 4.1 CCM, 4.5 CCM, 4.8 CCM, 7.6 CCM and biogas/biofuels produced by activities 4.13 CCM. The corresponding amounts were accordingly excluded from taxonomic reporting. In the course of the analysis, no other cases of self-consumption were found that would require disclosure.

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

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA ('DOES NOT SIGNIFICANTLY HARM')						Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2023 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	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)				
		THS Zł	%	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	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)		0	0%	N	N	N	N	N	N	N	N	N	N	N	N				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%								0,00%		
Of which enabling		0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%								0,00%	E	
Of which transitional		0	0,00%														0,00%		T
A.2 Taxonomy-Eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Forest management	CCM 1.3	78 313	2,28%	EL	N	N	N	N	N							T	1,94%		
Electricity generation using solar photovoltaic technology	CCM 4.1		N/EL	N/EL	N/EL	N/EL	N/EL	N	N							T	0,0003%		
Electricity generation from hydropower	CCM 4.5	155	0,00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,10%		
Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM 4.9	3 445	0,10%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,00%		
Construction, extension and operation of water collection, treatment and supply systems	CCM 4.13	32 350	0,94%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,001%		
Construction, extension and operation of waste water collection and treatment	CCM 5.1	63	0,00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,002%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 5.3	60	0,00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,005%		
Montaż, konserwacja i naprawa stacji ładowania pojazdów elektrycznych w budynkach (i na parkingach przy budynkach)	CCM 7.4	12	0,00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	2,41%		
Turnover of Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities) (a.2)		114 399	3,33%	3,33%	0,00%	0,00%	0,00%	0,00%	0,00%								2,41%		
Turnover of taxonomy-eligible activities (A.1 + A.2)		114 399	3,33%	3,33%	0,00%	0,00%	0,00%	0,00%	0,00%										
B. Taxonomy-non-eligible activities																			
Turnover of Taxonomy-non-eligible activities (B)		3 320 294	96,7%																
Total (A+B)		3 434 693	100,0%																

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.
EL – Taxonomy-eligible activity for the relevant 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:

	Proportion of turnover / Total turnover	
	Taxonomy aligned per objective	Taxonomy eligible per objective
CCM	0.00%	3.33%
CCA	0.00%	0.00%
WTR	0.00%	0.00%
CE	0.00%	0.00%
PPC	0.00%	0.00%
BIO	0.00%	0.00%
in thousand PLN		December 31, 2024
Revenue from activities that qualify for systematics		114 339
Consolidated revenue		3 434 693
Revenue ratio related to activities eligible for systematics		3,33%

The percentage of revenues related to Taxonomy-eligible activities is 3.33%.

CapEx – with respect to capital expenditures (CapEx), the basis was capital expenditures settled in the Arctic Paper Group in individual factories and at the headquarters, which consisted of increases in intangible assets of PLN 4,402 thousand, rights of use of PLN 5,113 thousand and increase in fixed assets of PLN 399,608 thousand. The denominator includes an increase in property, plant and equipment and intangible assets during a given financial year before depreciation, amortisation and any revaluation, including those resulting from revaluation and impairment, for a given financial year, excluding changes in fair value.

In 2024, Arctic Paper’s key taxonomy-eligible capital expenditures were related to the installation of photovoltaic farms (activity 4.1) at the Arctic Paper Group’s paper mills and the investment in the construction of a pellet production unit (activity 4.8) at Arctic Paper Grycksbo.

Values for the denominator of KPI CapEx are included in the consolidated financial statements under the following increase items:

- tangible fixed assets – note 5.1;
- right-of-use assets – note 5.2;
- intangible assets – note 5.5.

The numerator is assigned the part of CapEx that relates to activities eligible for the taxonomy.



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

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA ('DOES NOT SIGNIFICANTLY HARM')									
Economic activities (1)	Code(s) (2)	Absolute Capex (3)	Proportion of CapEx (4)	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)	Proportion of Taxonomy- aligned (A.1.) or -eligible (A.2.) CapEx, 2023 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
		ths zł	%	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	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)		0	0%	N	N	N	N	N	N	N	N	N	N	N	N				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%								0,00%		
Of which enabling		0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%								0,00%	E	
Of which transitional		0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%								0,00%		T
A.2 Taxonomy-Eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Electricity generation using solar photovoltaic technology	CCM 4.1	39 808	9,73%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								11,61%		
Electricity generation from bioenergy	CCM 4.8	36 164	8,84%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,00%		
Storage of electricity	CCM 4.10	16 718	4,09%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,00%		
Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM 4.13	22 285	5,45%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,00%		
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	6 119	1,50%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1,29%		

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA ('DOES NOT SIGNIFICANTLY HARM')									
Economic activities (1)	Code(s) (2)	Absolute Capex (3)	Proportion of CapEx (4)	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)	Proportion of Taxonomy- aligned (A.1.) or -eligible (A.2.) CapEx, 2023 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
		ths zł	%	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	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Production of heat/cool from bioenergy	CCM 4.24	15 297	3,74%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,00%		
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	2 406	0,59%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,00%		
Construction, extension and operation of waste water collection and treatment	CCM 5.3	1 759	0,43%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,00%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	639	0,16%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,05%		
Infrastructure for rail transport	CCM 6.14	367	0,09%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,01%		
Renovation of existing buildings	CCM 7.2	9 170	2,24%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								3,43%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	3 614	0,88%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,24%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	3 541	0,87%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,29%		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	2 133	0,52%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,39%		
Data processing, hosting and related activities	CCM 8.1	747	0,18%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0,48%		
CapEx of Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities) (a.2)		160 766	39,30%	39,30%	0,00%	0,00%	0,00%	0,00%	0,00%								23,30%		
CapEx of taxonomy-eligible activities (A.1 + A.2)		160 766	39,30%	39,30%	0,00%	0,00%	0,00%	0,00%	0,00%								23,30%		
B. Taxonomy-non-eligible activities																			
CapEx of Taxonomy-non-eligible activities (B)		248 357	60,7%																
Total (A+B)		409 123	100,0%																

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
EL – Taxonomy-eligible activity for the relevant 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:

	Proportion of OpEx/Total OpEx	
	Taxonomy aligned per objective	Taxonomy eligible per objective
CCM	0,00%	57,62%
CCA	0,00%	0,00%
WTR	0,00%	0,05%
CE	0,00%	0,00%
PPC	0,00%	0,00%
BIO	0,00%	0,00%

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

in thousand PLN	December 31, 2024
Operational expenditure related to Taxonomy-eligible activities	31 942
Total operating expenses	55 384
Indicator of operational expenditure related to Taxonomy-eligible activities	57.67%

The percentage of operating expenses related to eligible activities is 57.67%.

OpEx – with respect to operating expenditure (OpEx), the basis was the costs of day-to-day servicing, repairs and maintenance of the assets of the Group companies. They include such costs as: costs related to repairs and maintenance of equipment/installations, operating leases and research and development costs. The part of OpEx that relates to activities eligible for taxonomy has been assigned to the numerator. The OPEX numerator includes those denominator items that relate to taxonomy-compliant or taxonomy-eligible activities. The vast majority were costs related to the ongoing maintenance of property, plant and equipment (maintenance, repairs, conservation, etc.).

The data used for the calculations came from the financial and accounting systems of the Arctic Paper Group’s operating units. Arctic Paper Group does not use estimates or allocations in the preparation of KPIs in accordance with the EU Taxonomy.

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



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

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA ('DOES NOT SIGNIFICANTLY HARM')									
Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	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)	Proportion of Taxonomy- aligned (A.1.) or -eligible (A.2.) OpEx, 2023 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
		ths zł	%	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	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. Taxonomy eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)		0	0%	N	N	N	N	N	N	N	N	N	N	N	N				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%								0,00%		
Of which enabling		0	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%								0,000%	E	
Of which transitional		0	0,00%																T
A.2 Taxonomy-Eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Forest management	CCM 1.3	1 927	3,48%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	3,20%		
Electricity generation from hydropower	CCM 4.5	610	1,10%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,003%		
Electricity generation from bioenergy	CCM 4.8	539	0,97%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,00%		
Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM 4.13	376	0,68%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,00%		
Installation and operation of electric heat pumps	CCM 4.16	1	0,00%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,01%		
Cogeneration of heat/cool and power from bioenergy	CCM 4.20	10 866		EL	N/EL	N/EL	N/EL	N/EL	N/EL							T			
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	5 148	19,62	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	8,27%		
Construction, extension and operation of waste water collection and treatment	CCM 5.3	3076	%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	6,74%		

				SUBSTANTIAL CONTRIBUTION CRITERIA						DNSH CRITERIA ('DOES NOT SIGNIFICANTLY HARM')									
Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	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)	Proportion of Taxonomy- aligned (A.1.) or -eligible (A.2.) OpEx, 2023 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
		ths zł	%	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	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	509	9,29%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	3,14%		
Infrastructure for rail transport	CCM 6.14	1 958	5,55%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,50%		
Renovation of existing buildings	CCM 7.2	3 458	0,92%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,63%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	386	3,54%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,23%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	9	6,24%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,00%		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	8	0,70%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,002%		
Data processing, hosting and related activities	CCM 8.1	3 041	0,02%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	0,00%		
Produkcja, instalacja i powiązane usługi w zakresie technologii kontroli przecieków umożliwiających redukcję i zapobieganie przeciekom w systemach zaopatrzenia w wodę	WTR 1.1	29	0,01%	EL	N/EL	N/EL	N/EL	N/EL	N/EL							T	2,92%		
OpEx of Taxonomy-eligible, but not environmentally sustainable activities (not Taxonomy-aligned activities) (a.2)		31 942	57,67%	57,62%	0,00%	0,05%	0,00%	0,00%	0,00%								0,00%		
OpEx of taxonomy-eligible activities (A.1 + A.2)		31 942	57,67%	57,62%	0,00%	0,05%	0,00%	0,00%	0,00%								30,12%		
B. Taxonomy-non-eligible activities																	30,12%		
OpEx of Taxonomy-non-eligible activities (B)		23 443	42,3%																
Total (A+B)		55 384	100,0%																

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
EL – Taxonomy-eligible activity for the relevant 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:

	Part of operating expenses/total operating expenses	
	Compliance with the systematics by purpose	Eligibility for systematics by purpose
CCM	0,00%	57,62%
CCA	0,00%	0,00%
WTR	0,00%	0,05%
CE	0,00%	0,00%
PPC	0,00%	0,00%
BIO	0,00%	0,00%

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

in thousand PLN	December 31, 2024
Operational expenditure related to Taxonomy-eligible activities	31 942
Total operating expenses	55 384
Indicator of operational expenditure related to Taxonomy-eligible activities	57.67%

The percentage of operating expenses related to eligible activities is 57.67%.

TRANSFORMATION OF COMPARATIVE DATA

The Arctic Paper Group has been reporting on the EU Taxonomy since 2022, making effort to ensure that the data it discloses reflect the appropriate level of compliance and eligibility of its business activities as accurately as possible. Therefore, in 2024 the Group’s approach to Taxonomy reporting was revised. With respect to the activities reported so far as compliant, the Group does not have full documentation required to formally confirm the criteria for making a material contribution or implementing the DNSH principle. Therefore, all activities reported in 2024 were marked as non-compliant and should be reported in the same way for the previous (2023) year.

Exercising due diligence, the Group also noted that the activities reported for the purpose of Adaptation to climate change were incorrectly reported, including: CCA 4.1 Electricity production using photovoltaic technology, CCA 4.5 Electricity production from hydropower, which were transferred to the Climate Change Mitigation (CCM) objective and activities CE 2.4 Hazardous waste processing and CCA 14.2 Flood risk prevention and protection infrastructure, which it was decided to abandon reporting due to their incorrect inclusion in reporting for 2023.

At the same time, the denominator of the CapEx KPI for 2023 was transformed – it included previously omitted items, which resulted in a change in its amount from PLN 200,173 million to PLN 228,101 million. In connection with this change, the percentage share of individual eligible activities for 2023 was also transformed, as shown in tables on pages 194-197.

After the restatement of data for 2023, the amount of CapEx KPIs for eligible activities amounted to PLN 53,153 million, and for compliant activities amounted to PLN 0.

As part of the transformations, the value of the OpEx KPI for 2023 was also verified. Ultimately, the total value of OpEx KPIs for eligible but non-compliant activities amounted to a total of PLN 49,494 million. The denominator of the OpEx KPI amounted to PLN 164,298 million.

As part of the transformation, the approach to the OpEx KPI for 2023 was also verified. Ultimately, the total value of the OpEx KPI for qualified activities amounted to PLN 49,494 million. Similarly to the case of the other KPIs, no compliant activities were identified after the transformation.

Below is a summary of the data reported in 2023 and the restated data:

KPI Turnover
Reported data 2023

Activity	Values aligned reported in 2023 (in PLN thousand)	Eligible values reported in 2023 PLN thousand)
CCM 1.3 Forest management	8 988	60 153
CCA 4.1 Electricity production using photovoltaic technology	11	0
CCA 4.5 Electricity production from hydropower	6 169	0
CCM 7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings (and in car parks next to buildings)	4	0

KPI CapEx
Reported data 2023

Activity	Values aligned reported in 2023 (in PLN thousand)	Eligible values reported in 2023 (PLN thousand)
BIO 1.1 Conservation, including restoration, of habitats, ecosystems and species	186	0
CCM 4.1 Electricity production using photovoltaic technology	26 454	0
CCA 4.1 Electricity production using photovoltaic technology	11	0
CCA 4.5 Electricity production from hydropower	74	0
CCM 4.20 Cogeneration of heat/cooling and electricity from bioenergy	2 932	0
CCM 6.14 Infrastructure for rail transport	27	0
CCM 7.2 Renovation of existing buildings	7 824	2 432
CCM 7.3 Installation, maintenance and repair of energy efficiency equipment	555	4 969
CCM 7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings (and in car parks next to buildings)	664	0
CCM 7.6 Installation, maintenance and repair of renewable energy technology systems	891	0

Adjusted data 2023

Activity	Values aligned adjusted for 2023 (in PLN thousand)	Eligible but not-aligned values adjusted for 2023 (PLN thousand)
CCM 1.3 Forest management	0	69 141
CCM 4.1 Electricity production using photovoltaic technology	0	11
CCM 4.5 Electricity production from hydropower	0	6 169
CCM 7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings (and in car parks next to buildings)	0	4

Adjusted data 2023

Activity	Values aligned adjusted for 2023 (in PLN thousand)	Eligible but not-aligned values adjusted for 2023 (PLN thousand)
BIO 1.1 Conservation, including restoration, of habitats, ecosystems and species	0	186
CCM 4.1 Electricity production using photovoltaic technology	0	26 466
CCM 4.5 Electricity production from hydropower	0	74
CCM 4.20 Cogeneration of heat/cooling and electricity from bioenergy	0	2 932
CCM 6.14 Infrastructure for rail transport	0	27
CCM 7.2 Renovation of existing buildings	0	10 256
CCM 7.3 Installation, maintenance and repair of energy efficiency equipment	0	5 524
CCM 7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings (and in car parks next to buildings)	0	664
CCM 7.6 Installation, maintenance and repair of renewable energy technology systems	0	891
CCM 7.6 Montaż, konserwacja i naprawa systemów technologii energii odnawialnej	0	891

The total amount of activities eligible for the CapEx KPIs amounted to PLN 53,153 million after data transformation.
In accordance with the change described above, the denominator of the CapEx KPI amounted to PLN 228,101 million.

OpEx KPIs
Reported data 2023

Activity	Values aligned reported in 2023 (PLN thousand)	Eligible values reported in 2023 (PLN thousand)
CCM 1.3 Forest management	683	4 571
CE 2.4 Waste Management	68	0
CCA 4.1 Electricity production using photovoltaic technology	5	0
CCA 4.5 Electricity production from hydropower	586	0
CCM 4.11 Thermal Energy Storage	31	0
CCM 4.16 Installation and operation of electric heat pumps	10	0
CCM 4.20 Cogeneration of heat/cooling and electricity from bioenergy	13 589	0
CCM 4.24 Heating/cooling power generation from bioenergy	83	0
CCM 5.1 Construction, development and operation of water intake, treatment and supply systems	48	0
CCM 5.2 Modernization of water intake, treatment and supply systems	2 442	8 572
CCM 5.3 Construction, development and operation of wastewater collection and treatment systems	1 027	0
CCM 5.5 Collection and transport of non-hazardous waste in source-segregated fractions	1 180	0
CCM 6.5 Transport by motorcycles, passenger cars and light commercial vehicles	741	83
CCM 6.14 Infrastructure for rail transport	1 040	0
CCM 7.2 Renovation of existing buildings	385	0
CCM 7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings (and in car parks next to buildings)	3	0
CCA 14.2 Flood risk prevention and protection infrastructure	4 878	0

Adjusted data 2023

Activity	Values aligned adjusted for 2023 (PLN thousand)	Eligible but not-aligned values adjusted for 2023 (PLN thousand)
CCM 1.3 Forest management	0	5 253
CE 2.4 Waste Management	0	0
CCA 4.1 Electricity production using photovoltaic technology	0	5
CCA 4.5 Electricity production from hydropower	0	586
CCM 4.11 Thermal Energy Storage	0	31
CCM 4.16 Installation and operation of electric heat pumps	0	10
CCM 4.20 Cogeneration of heat/cooling and electricity from bioenergy	0	13 589
CCM 4.24 Heating/cooling power generation from bioenergy	0	83
CCM 5.1 Construction, development and operation of water intake, treatment and supply systems	0	11 061
CCM 5.2 Modernization of water intake, treatment and supply systems	0	0
CCM 5.3 Construction, development and operation of wastewater collection and treatment systems	0	1 027
CCM 5.5 Collection and transport of non-hazardous waste in source-segregated fractions	0	0
CCM 6.5 Transport by motorcycles, passenger cars and light commercial vehicles	0	824
CCM 6.14 Infrastructure for rail transport	0	1 040
CCM 7.2 Renovation of existing buildings	0	385
CCM 7.4 Installation, maintenance and repair of electric vehicle charging stations in buildings (and in car parks next to buildings)	0	3
CCA 14.2 Flood risk prevention and protection infrastructure	0	4 878

After the restatement, the total amount of OpEx KPIs for eligible but non-compliant activities was PLN 49,494 million.
The total amount of the OpEx KPI denominator for 2023 is PLN 164,298 million.

ACTIVITIES OF THE ARCTIC PAPER SA GROUP
RELATED TO NUCLEAR ENERGY AND NATURAL GAS
IN THE CONTEXT OF THE EU ENVIRONMENTAL
TAXONOMY

Disclosure in accordance with Annex III of Commission Delegated Regulation (EU) 2022/1214, supplementing Commission Delegated Regulation (EU) 2021/2178 with Annex XII on standard templates for the disclosure of information referred to in Article 8(6) and (7). – i.e. for activities related to nuclear energy and natural gas.

	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
1	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
2	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
3	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

3. SOCIAL INFORMATION

ESRS S1 OWN WORKFORCE

S1 SBM-2 STAKEHOLDER
INTERESTS AND OPINIONS

[12, AR4, AR5]
The Arctic Paper Group revised its stakeholder group catalogue and, for the materiality analysis research process, conducted a cross-sectional Stakeholder Opinion Survey considering the Arctic Paper SA Group and Rottneros AB.

The stakeholder survey was in the form of an online survey sent to 1,273 people, and own employees were one of the significant groups surveyed:

- 157 Arctic Paper employees;
- 31 Rottneros employees.

Main category of stakeholders	Channels of communication and method of involvement	Purpose of engagement
Employees	Direct communication, surveys, satisfaction surveys, intranet, whistleblowing system (Whistleblowing), training and education, cooperation with trade unions	Obtaining feedback on the needs and assessment of our actions, understanding the current and potential nature of the organisation's impact on employee wellbeing

Although the interests and views of Arctic Paper Group employees do not directly influence the strategy and business model, the Group maintains ongoing communication and dialogue with employees, which is based on face-to-face discussions, periodic meetings and debriefings, an ideas box and surveys. Employee feedback is an important source of information on the organisational and production solutions being implemented. The Arctic Paper Group actively involves employees in the life of the company.

S1 SBM-3 MATERIAL IMPACTS,
RISKS AND OPPORTUNITIES AND
THEIR INTERACTION WITH THE
STRATEGY AND WITH THE BUSINESS
MODEL

All persons who are the Arctic Paper Group's own employees who may be materially affected by the Group are included in the scope of disclosure under ESRS 2. These material influences include influences related to the Arctic Paper Group's own operations and value chain, including through its products or services and business relationships, to the extent that the Group has access to such information. The predominant group of employees significantly affected by the Group's operations are its own employees, who are mainly employed in production and operational areas including sales, logistics, finance and HR, among others. The Arctic Paper Group works to a small extent with employees classified by ESRS standards as non-owner employees who are employees of subcontractors.

The positive impacts identified are the result of a proactive approach to employee development, which helps to retain skilled employees. The Group recognises the importance of having a motivated and loyal workforce, which it seeks to achieve through proactive measures to retain skilled employees and key talent. The negative impacts are mainly related to the specific nature of the Group's operations, i.e. manufacturing activities, which is an environment where there is a risk of accidents. In addition, given the nature of the industry, the Arctic Paper Group identifies as a risk the low proportion of women in managerial positions, which the Group has addressed in the Diversity Policy of the Management Board and the Supervisory Board of Arctic Paper aiming for the proportion of women in the bodies to be no lower than 30%. Therefore, this aspect will be respected in the future recruitment process. [SBM-1, 14, 14a, 15, 16]

Table – Significant risks and significant opportunities arising from Arctic Group's influences and dependencies related to its own employees [SBM-3, 14b, 14c, 14d]

Relevant topics identified in the materiality study	Description of impact	Type of impact “+” positive “-” negative ‘P’ potential “R” actual	Impact on people or the environment	Link to strategy and business model	Current and anticipated impacts	Time perspective of impact and actions taken (short-term, medium-term, long-term)	Place of influence in the value chain U – Upstream, O – Own operations D – Downstream
	S1 – Own employee resources						
Working conditions: Job security	Providing employees with a safe working environment, stable employment contracts, competitive salaries and nurturing employee engagement has numerous benefits for both employees and the organisation.	+ R	Offering a safe and stable workplace has a positive impact on the quality of life of employees, providing them with a sense of job security. Competitive salaries, normal working hours (rarely overtime) and regular employee engagement surveys are evidence of the care taken for the employee and affect their well-being. Ensuring legitimate employee representation (unionisation, collective bargaining rights, etc.), including the right to speak out and be consulted, is fundamental to building trust and social dialogue within an organisation. Providing employees with the opportunity to voice their opinions and concerns (report violations) improves working conditions and employee well-being.	No link to the strategy and link to the business model through the Group’s manufacturing nature and reliance on human capital.	The human capital business model focuses on building employee trust, respecting diversity, ensuring safe working conditions. These measures favour the long-term employment of employees, which allows knowledge and experience to accumulate in the organisation. This translates into higher operational efficiency and better product quality. Attention to safety, job stability and competitive salaries build the company’s reputation as an attractive employer. Shift work is one element of the Group’s production-based business model.	– short-term, medium-term, long-term – compliance with the law – ensuring health and safety at work	O
Working conditions: Working time	The potential increase in work outside standard working hours and more demanding and less beneficial night shifts for the employee can lead to a number of negative effects on the health and well-being of employees.	– P				– short-term, medium-term, long-term – compliance with the law – ensuring health and safety at work	O
Working conditions: Adequate wage	Competitive remuneration includes adequate salaries in line with market rates and adapted to the employee’s experience and education.	+ R				– short-term, medium-term, long-term – implementation of the diversity policy – equal pay for men and women in the same positions	O
Working conditions: Social dialogue (Dialogue with employees)	Roadside channel for whistleblowing, stakeholder surveys, suggestion boxes, employee satisfaction surveys.	+ R				– short-term, medium-term, long-term – implementing a whistleblowing policy and provide a channel for anonymous whistleblowing	U, O
Working conditions: Freedom of association, the existence of works councils and workers’ rights to information, consultation and participation	There are trade unions, a works council (at group level).	+ R				– short-term, medium-term, long-term – ensuring the freedom of association of workers – compliance with the law	O
Working conditions: Collective bargaining, including percentage of employees covered by collective agreements	There are also agreements at company level.	+ R				– short-term, medium-term, long-term – ensuring the freedom of association of workers – compliance with the law	O
Working conditions: Work-life balance	Caring for employees’ well-being (physical and mental), work-life balance.	+ R	The Group provides employees with private healthcare and additional health promotion initiatives (e.g. urological cancer screening). It offers extended insurance packages and adheres to set working hours (overtime is avoided as a matter of principle) influencing employee welfare with these measures.			– short-term, medium-term, long-term – financing of medical and life insurance packages	O

Relevant topics identified in the materiality study	Description of impact	Type of impact " +" positive " - " negative 'P' potential "R" actual	Impact on people or the environment	Link to strategy and business model	Current and anticipated impacts	Time perspective of impact and actions taken (short-term, medium-term, long-term)	Place of influence in the value chain U – Upstream, O – Own operations D – Downstream
	S1 – Own employee resources						
Working conditions: Occupational health and safety		- R	Due to the nature of the business, occupational accidents do occur, but high standards of occupational health and safety (OHS), including occupational health and safety systems and the presence of qualified emergency workers equipped with equipment such as defibrillators, have a material impact on the quality of life of employees and their safety in the workplace.			- short-term, medium-term, long-term - ensuring safe working conditions - carrying out regular health and safety training - introduction of modern security systems	O
	High health and safety standards, health and safety system, emergency services (employees with emergency qualifications – defibrillators, etc.)	+ R				- short-term, medium-term, long-term - ensuring safe working conditions - carrying out regular health and safety training - introduction of modern security systems	O
Equal treatment and equal opportunities: Gender equality and equal pay for work of equal value	Low number of women in managerial positions, limited promotion opportunities	- R	Despite the small number of women in managerial positions, the Group cares for and respects diversity and the rights of people with disabilities in the organisation. Ensuring gender equality and equal pay for equal work, building competencies through training and developing employee skills creates a sense of fairness in the organisation and minimises internal conflict.			- short-term, medium-term, long-term - implementation of the diversity policy - equal pay for men and women in the same positions based on competence	O
	Payment of fair wages – gender equality and equal pay for equal work	+ R				- short-term, medium-term, long-term	O
Equal treatment and equal opportunities: Training and skills development	Employee training programme – developing employee skills	+ R				- short-term, medium-term, long-term - supporting employee competence development - funding for training	O
Equal treatment and equal opportunities: Employment and integration of people with disabilities	Providing convenient working conditions for people with disabilities.	+ R				- short-term, medium-term, long-term - ensuring safe working conditions	O
Equal treatment and equal opportunities: Measures to prevent violence and harassment in the workplace	The Group counteracts harassment and violence in the workplace by implementing policies and providing anonymous channels for reporting misconduct.	+ R				- short-term, medium-term, long-term - implementing a whistleblowing policy and provide a channel for anonymous whistleblowing	O
	Nurturing diversity in the organisation by building diverse teams.	+ R				- short-term, medium-term, long-term - implementation of the diversity policy - supporting employee competence development	O

Material topics identified in the materiality study	Equal treatment and equal opportunities:
Description of material risk/opportunity	Lack of appropriate competences in the organisation – resulting from the shortage of employees in the region: increased salary costs, incentives and higher recruitment expenses. Staffing problems - Low attractiveness of the company as an employer - Losses due to employee absenteeism - Increased employee turnover (and thus increased recruitment and deployment costs) - Decrease in employee productivity
Risk/opportunity	Risk
Link to impact	Few women in leadership positions, few opportunities for advancement Few women in leadership positions Unfair distribution of wages Avoiding the employment and integration of people with disabilities Failure to provide sufficient protection for whistleblowers
Link to strategy and business model	No link to the Strategy. Link to the business model due to the model’s reliance on human capital.
Undertaking’s resilience and risk/opportunity management	Creating a positive employer brand by offering competitive working conditions, nurturing the corporate culture and promoting the Group’s values. Caring for long-serving employees.
Current and anticipated financial effect	The limited availability of skilled workers involves offering higher salaries and additional benefits to attract employees. Recruitment processes generate additional operational costs. Rotation generates additional expenditure on recruitment, training and induction of new employees.
The place where the risk/opportunity arises in the value chain U – Upstream O – Own operations D – Downstream	O

At the time of publication of the Sustainability Statement, the Arctic Paper Group has not yet developed a transition plan to address climate change and therefore cannot make a description of the material impact on employees that may result from transition plans to reduce negative environmental impacts and achieve greener and climate-neutral operations. [SBM-3, 14e]

In the course of its work on the double materiality analysis, Arctic Paper Group did not identify the presence of any material risk of forced or compulsory labour or child labour in its operations or value chain. [SBM-3, 4fi, 14fii, 14gi, 14gii].

S1-1 POLICIES RELATED TO OWN WORKFORCE

The Arctic Paper Group reviews all policies, rules and guidelines at least once every two years.

The Arctic Paper Group’s policies for managing material impacts, risks and opportunities related to its own employee resources and their thematic scope:

- The Arctic Paper Group Value Chain Code of Conduct – the core principles of conduct, ethics and values of the Arctic Paper Group.
- Diversity policies: Management and Supervisory Boards and employees – the principles of diversity.
- The remuneration policy for members of the Management Board and Supervisory Board – the remuneration policy for top management employees in the Group.
- Sustainability policy – Arctic Paper’s principles of environmental and social responsibility.
- Whistleblowing and whistleblower protection policy – anonymous whistleblowing service.

Policies for the management of material impacts, risks and opportunities related to own employee resources in force in Rottneros AB Group and their thematic scope:

- Code of Conduct – a description of Rottneros AB’s key principles and values, including diversity among employees.
- Sustainability policy – principles of environmental and social responsibility Rottneros AB.
- Board diversity policy – principles for maintaining diversity in the management and supervisory bodies.
- Whistleblowing and whistleblower protection policy – an anonymous whistleblowing service.

[S1-1-,19, MDR-P, 65ª, 65b]

The Arctic Paper Group’s commitment to respecting human rights is reflected throughout the Group’s operations and business relationships. We develop and implement our policies and internal regulations in compliance with international standards and initiatives as well as local regulations, including but not limited to:

- UN Global Compact principles;
- OECD Guidelines for Multinational Enterprises;
- UN Guiding Principles on Business and Human Rights;
- UN Universal Declaration of Human Rights;
- Charter of Fundamental Rights of the European Union;

- International Labour Organisation conventions. [S1-1, 21, AR12, MDR-P, 65d]

Policies are posted on public websites and on the intranet. [MDR-P, 65f] Responsibility for preparing, implementing and updating the policies covered by this disclosure rests with the Arctic Paper Group Management Board, the managers of each of the group’s business units and the HR managers. [MDR-P, 65c]

The Arctic Paper Group respects human rights, individual rights, and the dignity of employees and all third parties. We guarantee the right to freedom of association and the right to participate in collective bargaining in accordance with applicable laws and regulations. We promote active dialogue and consultation with stakeholders on matters relevant to their fields. In addition to transparency in internal and external relations, we value constant and transparent communication with our stakeholders, including our employees. We use various forms of communication with employees: direct communication, surveys, satisfaction surveys, intranet, whistleblowing system, training and education, cooperation with trade unions.

The Arctic Paper Group Value Chain Code of Conduct is based on laws and good business practices, which means that any deviation from the principles described in this document may lead to both disciplinary action and legal action against violators. If an employee notices violations of the Code of Conduct or any other Arctic Paper Group policies, they must discuss their concerns with their superior or the relevant department within the company, i.e. the HR or legal department. If an employee does not feel comfortable reporting the above violations to a supervisor, they can use an anonymous whistleblowing service via a web form or dedicated phone line. The attitude and internal regulations of the Arctic Paper Group are designed to encourage employees, contractors and other stakeholders to report irregularities, abuses and violations of the law, ethics or internal company regulations. [S1-1, 20a, 20b, 20c]

The Arctic Paper Group’s policies and internal regulations, and in particular the Arctic Paper Group Code of Conduct for the Value Chain, explicitly address the prohibition of human trafficking, forced or compulsory labour and child labour. The principles expressed in the Arctic Paper

Group’s Code of Conduct for the value chain are intended to aim to eliminate discrimination (including harassment), promote equality of opportunity and otherwise enhance diversity and inclusion. Any discrimination on the basis of racial and ethnic origin, skin colour, gender, sexual orientation, gender identity, disability, age, religion, political opinion, national or social origin is stigmatised in the Arctic Paper Group’s business and is not tolerated in Our business and the business of the entities in Our value chain. [S1-1, 22, 24a, 24b, AR 15-AR 16]

Each organisational unit of the Arctic Paper Group implements its own health and safety policy, complemented by a appropriate rules and procedures. [S1-1, 23]

The aforementioned regulations focus on the inclusion of all groups of employees, do not formulate specific inclusion obligations for people from vulnerable groups within their own workforce, and are implemented with respect for the principles of diversity and inclusion. [S1-1, 24c, 24d]

S1-2 PROCEDURES FOR WORKING WITH OWN WORKFORCE AND WORKERS’ REPRESENTATIVES ON MATTERS OF IMPACT

The Arctic Paper Group actively and continuously engages and dialogues with its employees and their representatives through various communication channels. Employees have the opportunity to express their opinions and evaluations of the Group’s activities by taking part in, for example, surveys, during periodic interviews with their superiors, by submitting proposals to the “Idea Boxes”, or anonymously by using the whistleblower service (WhistleB).

The Arctic Paper Group has a European Works Council (EWC) that meets once a year. The EWC covers all employees (excluding employees of Rottneros AB) in all EU and EEA member states. The EWC is committed to creating the conditions for greater employee participation among all Arctic Paper employees. Responsibility for organising and conducting employee engagement rests with the HR managers of each organisational unit. The Group Management Board, supported by the managers of the Group’s various organisational divisions, is respon-

sible for implementing the results and conclusions of the communication with employees. [S1-2, 27a-27e, 28, AR18-24]

S1-3 PROCESSES FOR REMEDIATING THE EFFECTS OF NEGATIVE IMPACTS AND CHANNELS FOR RAISING CONCERNS BY OWN WORKFORCE

If an employee observes a violation of the Code of Conduct or other Arctic Paper Group policies and rules, he or she should discuss his or her concerns with his or her supervisor or the appropriate department within the unit, e.g. HR or Legal. If an employee does not feel comfortable reporting the above violations to a supervisor, they can use the anonymous whistleblowing service. Through the whistleblowing system, anyone can report suspected serious wrongdoing that is inconsistent with the Arctic Paper Group’s values. Every employee has access to a whistleblowing channel.

At the same time, the Arctic Paper Group conducts outreach activities to disseminate knowledge and raise awareness among employees and contractors on the principles set out in the Whistleblowing and Whistleblower Protection Policy by providing information on whistleblower protection. Every report, signal from an employee is dealt with conscientiously, carefully and impartially.

All communications received shall be treated as fully confidential and those working on them shall be bound in writing to maintain confidentiality. The employees responsible for receiving and processing applications keep track of the inflow of applications by accessing the system. Acceptance of the application is confirmed within 7 days of receipt. Applications are processed within 3 months and the whistleblower is informed of the outcome.

The Arctic Paper Group, together with all of its units, is committed to preventing and responding to retaliation against whistleblowers including discrimination, mobbing and other undesirable behaviour in the work environment. The Arctic Paper Group briefed employees on the implementation of channels for reporting violations and conducted online training on reporting issues. The Arctic

Paper Group has not assessed whether individuals within its own workforce are aware of and trust the presence of these structures or processes as a means of raising their concerns or needs and addressing them [S1-1, 32a, 32b, 32c, 32d, 32e, 33]

S1-4 ACTIONS TAKEN IN RELATION TO MATERIAL IMPACTS ON OWN WORKFORCE AND APPROACHES APPLIED TO MANAGE MATERIAL RISKS AND TO SEIZE MATERIAL OPPORTUNITIES RELATED TO OWN WORKFORCE, AS WELL AS THE EFFECTIVENESS OF THOSE ACTIONS

The Management Board of the Arctic Paper Group and the managers of the Group’s individual business units are responsible for taking action regarding material impacts on their own employee resources.

The actions taken in 2024 and planned for 2025 mainly address the identified negative real-world impacts and risks in the areas of health and safety and diversity. For the other identified positive impacts, the Arctic Paper Group has continued with its existing efforts, including offering competitive remuneration, offering employment with permanent contracts and ensuring a functioning whistleblowing channel.

OCCUPATIONAL HEALTH AND SAFETY

In order to prevent occupational safety hazards, the following measures are being taken to prevent accidents and incidents with the potential to result in actual negative consequences:

- 1. encouraging safety improvement reporting to identify and prevent potential hazards at production sites – in 2024, employees submitted 160 improvement and safety improvement proposals to the ‘Idea Box’, which are then analysed and approved for implementation by the managing directors of the various business units.
- 2. Implementation of the root cause analysis (RCA) method. Root cause analysis) and training for managers responsible for health and safety areas.

- 3. Implementation of a unified hazard and injury reporting system – the PIA system (system implemented at Arctic Paper Group paper mills). Events are reported by a person who is an observer of the event or was directly involved in it. Then, together with the supervisor and safety officer, each report is analysed and action taken to eliminate the cause.
- 4. Production employees receive safety training once a year.

DIVERSITY AND EMPLOYMENT STRUCTURE

- 1. Actions to activate and encourage younger people and women to apply for positions within the organisation, in order to mitigate the risk of underemployment and lower diversity in the workforce.
- 2. Employee training to improve communication, collaboration skills, handling difficult situations. Leaders, managers, receive comprehensive training to improve their competence as managers.
- 3. Competence mapping and structured competence development as part of succession planning for individual posts.
- 4. Building an employer brand and participating in local job fairs and becoming more active on social media in 2025. [S1-4, 37, 38a-38c, 40ª, 40b, AR42, MDR-A, 68ª, 68b, 68c]

The effectiveness of the measures is monitored through engagement and dialogue with employees in the form of surveys, periodic interviews, among others. [S1-4, 38d, AR 38-AR 39]None of the actions listed entail plans that require significant capital or operational expenditure. [S1-4, 43]

At the time of publication of the Sustainability Statement, the Arctic Paper Group has not yet developed a transition plan to address climate change, and therefore cannot make a description of the measures taken to mitigate the negative impact that may arise from transition plans to reduce negative environmental impacts and achieve greener and climate-neutral operations on its own workforce. [S1-4, AR 43]

Due to alignment with ESRS disclosure requirements, not all MDR-A points have been addressed.

S1-5 OBJECTIVES FOR MANAGING MATERIAL NEGATIVE IMPACTS, ENHANCING POSITIVE IMPACTS AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

DIVERSITY

In the Management and Supervisory Board Diversity Policy adopted in 2021 with a time perspective until 2025, the Arctic Paper Group committed to strive to achieve and maintain the proportion of women on the Group’s Management and Supervisory Boards at no less than 30% and to take this aspect into account in future recruitment processes. As of 2022, the Arctic Paper Group is meeting this objective. At the end of 2024, the ratio was 30%. [S1-5, 46]

The proportion of women in management positions was calculated based on the number of all persons serving on the Executive Board, Supervisory Board and management team.

NUMBER OF ACCIDENTS AT WORK

The Arctic Paper Group (excluding Rottneros AB) has set an objective in 2021 for an accident frequency rate (Accident frequency rate with loss of working hours (LTIR) per million man-hours) of less than 4.

For the remaining identified impacts, risks and opportunities, Arctic Paper Group has not introduced additional objectives to manage them.[S1 MDR-T 81]

The Arctic Paper Group will consider introducing the above objectives as shared between Arctic Paper and Rottneros AB in future years.

Own workforce or workers’ representatives were not directly involved in setting objectives. [S1-5, 47a, 47b, 47c, MDR-T]

S1-6 CHARACTERISTICS OF THE UNDERTAKING’S EMPLOYEES

The number of employees is given in terms of persons. Data on the number of employees is given as at the end of the reporting period, including those employed as replacements. The number of employees stated is consistent with the data presented in the financial statements. [S1-6, 50f]

The Arctic Paper Group provides stable and secure employment conditions, with more than 90% of all the Arctic Paper Group’s own employees on permanent contracts. More than 98% of all Arctic Paper Group’s own employees are employed full-time. Fixed-term contracts are usually used during the probationary period of employment. [S1-6, 50d, 50di, 50dii, 50e]

Table – employment information by gender [S1-6, 50a, AR55]

Gender	Number of employees
Man	1198
Woman	386
Other	0
Not reported	0
Total employees	1584

Table – number of employees in countries where the company has at least 50 employees, representing at least 10% of its total workforce. [S1-6, 50a, AR55]

Country	Number of employees
Sweden	1045
Poland	500
Other*	39
Total employees	1584

* number of employees in countries with less than 50 employees and less than 10% of the total workforce.

Table – information on employees by type of employment contract and working hours, broken down by gender [S1-6, 50b, AR55]

Woman	Man	Other	Not disclosed	Total
Number of employees (whole number)				
386	1198	0	0	1584
Number of permanent employees (whole number)				
349	1099	0	0	1448
Number of temporary employees (total number)				
37	88	0	0	125
Number of employees who are not guaranteed working hours (number of employees)				
0	11	0	0	11
Number of full-time employees (total number)				
383	1182	0	0	1565
Number of part-time employees				
3	16	0	0	19

Table – total number of employees who left the company during the reporting period and employee turnover rate during the reporting period [S1-6, 50c, AR59]

Departures/rotation	Current reporting period
Number of employees who left	144
Rotation rate	9,1%

Turnover rate = (number of employees who left/ number of employees as of 31.12.2024) x 100%

S1-8 SCOPE OF COLLECTIVE BARGAINING AND SOCIAL DIALOGUE

Nearly 100% of the Arctic Paper Group’s employees are covered by company labour agreements in Sweden and Poland. They define working conditions, remuneration and the mutual obligations of the parties. As part of the social dialogue, the Arctic Paper Group negotiates with employee representatives and consults on matters that are important for employee welfare.

A European Works Council (EWC) has been established in the Arctic Paper Group, which complements the operation of local employee organisations with its actions. The EWC covers all employees in all EU and EEA member states. The EWC is committed to creating the conditions for greater employee participation. This is ensured by cre-

ating active and open communication and ensuring that the knowledge and expertise of the employees are available to achieve common goals. This means that employee representatives are informed and consulted in advance on transnational matters with a potential impact on two or more countries. The EWC applies to all persons who are employees of companies or entities that are members of the Arctic Paper Group(excluding Rottneros AB) during the term of this agreement and whose results are consolidated in the Annual Financial Statements during the term of this agreement and who work in Member States of the European Union and the European Economic Area. Among the topics discussed at the EWC are the economic and financial situation and the possible development of the business, including the development of production, sales and investments; the labour market situation and the prospects for development in this area; the introduction of new working methods and production processes. [S1-8, 63b]

Table – [S1-8, 60a, 60b, 60c AR71, 63a]

	Collective bargaining coverage		Social dialogue
Coverage rate	Workers – EEA (for countries with >50 workers representing >10% of total workforce)	Workers – non-EEA (estimate for regions with >50 workers representing >10% of total workforce)	Workplace representation (EEA only) (for countries with >50 workers representing >10% of the total workforce)
0–19 %	-	n/d	-
20–39 %	-	n/d	-
40–59 %	-	n/d	-
60–79 %	-	n/d	-
80–100 %	Poland, Sweden	n/d	Poland, Sweden

The Arctic Paper Group has no employee resources of its own outside the EEA. [S1-8, AR70]

S1-9 DIVERSITY METRICS

At the Arctic Paper Group, we believe that the diversity of our workforce is a strength that enables our organisation to grow. In addition to the talent and competence of the workforce, it is the diversity of gender, age, education or background – and therefore experience – that leads to greater openness, better work or new solutions.

The Arctic Paper Group includes in the definition of the category of top-level employees the members of the Management Board (3 persons) and the members of the advisory team of the Management Board of the Arctic Paper Group (7 persons, including 3 members of the Management Board). [S1-9, AR71]

Tabela – [S1-9, 66a, 66b]

Reporting period 2024	Women	Men
Number of employees (number of persons) at top management level	1	6
Percentage of employees at top management level	0.26%	0.50%
Reporting period 2024	Women	Men
Number of workers (persons) under 30 years of age	51	166
Percentage of workers under 30 years of age	13.21%	13.86%
Number of employees (number of people) aged between 30 and 50	204	533
Percentage of employees aged between 30 and 50	52.85%	44.49%
Number of employees (number of people) aged over 50	131	499
Percentage of employees aged over 50	33.9%	41.7%
Total employees	386	1198

S1-10 ADEQUATE WAGE

All employees of the Arctic Paper Group, regardless of their geographic location of employment, receive adequate wages. An adequate wage is a wage that ensures that the needs of the worker and his or her family are met in the light of national economic and social conditions. [S1-10, 69]

S1-14 HEALTH AND SAFETY METRICS

The Arctic Paper Group pursues a systemic approach to safety. We train our employees every year and ensure that our management is well prepared to deal with emergencies in this area. We have also implemented risk assessment programmes.

100% of the Arctic Paper Group’s own employees are covered by a health and safety management system based on legal requirements and/or recognised standards or guidelines.

If systemic problems are detected during the production process, we introduce targeted, continuous action plans. In addition, trained rescue teams are in place at all our production units. We are committed to minimising the number of light and heavy accidents at our workplaces. Our paper mills have an occupational health service, as well as rescue teams trained to respond to emergencies. Some of our employees also belong to local fire departments, where they have been trained to respond to 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.

The various units of the Arctic Paper Group maintain ‘near misses’ and accident registers, where all events are recorded, investigated and analysed. Very few accidents are currently caused by malfunctioning machinery. An important risk factor is human behaviour, hence safety work is becoming increasingly oriented towards creating a safety culture.

Risk assessment before any new machinery is put into operation or working method implemented is the most important tool for increased safety.

In 2024, the number of injuries has decreased. We have implemented safety procedures and expanded cooperation between production units with shared experience and knowledge, but we need to pay more attention to changing the work culture. Injuries occur mainly due to human error. Therefore, it is very important to change behaviour and create a culture of a safe workplace and to create awareness among workers about possible hazards at production sites.

Table – [S1-14, 88b, 88c, AR 89-91]

Current reporting period	
Accidents and injuries among workers	
Minor	32
Severe	2
Fatal	0
Total	34
Accidents and injuries among employees of subcontractors working on company premises	
Minor	6
Severe	0
Fatal	0
Total	6

The rate of recorded accidents at work for own employees (LtiR) in 2024 was 14.7. [S1-14, 88c, AR 89-91]

In order to improve internal risk monitoring, we use an additional accident classification into two categories:

- Minor accidents: work-related incidents resulting in sick leave of up to 7 calendar days.
- Serious accidents: work-related incidents resulting in sick leave of more than 7 calendar days or leading to permanent disability.

This classification is in addition to our standard reporting of Lost Time Injuries (LTI), which are defined as any work-related injury that results in the employee being unable to return to work the following day, in accordance with international standards such as GRI 403 and ILO guidelines.

By integrating this approach, we aim to go beyond regulatory compliance and continuously improve occupational health and safety at all operational levels. Poprzez integrację tego podejścia dążymy do wyjścia poza zgodność z przepisami i ciągłego doskonalenia bezpieczeństwa i higieny pracy na wszystkich poziomach operacyjnych.

S1-16 REMUNERATION METRICS (PAY GAP AND TOTAL REMUNERATION)

The Arctic Paper Group remunerates employees according to their position, qualifications, experience and performance, regardless of diversity factors.

	2024	
Average level of gross hourly pay for men	PLN 130	S1-16, 97a, AR 98 – AR 100
average level of gross hourly pay for women	PLN 121	S1-16, 97a, AR 98 – AR 100
Gender pay gap – the pay gap	7%	S1-16, 97a, AR 98 – AR 100
The ratio of the highest earner’s salary to the median salary	10,48	S1-16, 97b, AR 101 – AR 102

THE WAGE GAP WAS CALCULATED USING THE FORMULA:

((Average level of gross hourly wage of male employees – average level of gross hourly wage of female employees) / Average level of gross hourly wage of male employees)) *100.

The calculation takes into account average salary levels for men and women across the Arctic Paper Group.

THE RATIO OF THE HIGHEST EARNER’S SALARY TO THE MEDIAN SALARY

Annual total remuneration of the highest paid person in the Arctic Paper Group / Median annual total employee remuneration (excluding the highest paid person).

In calculating the remuneration ratio, all employees were taken into account, regardless of the geographical location of the individual units in the Arctic Paper Group where the employees are hired.

In order to determine the highest earner, a review of all salaries for the reporting period was conducted. The full gross salaries of the highest earner were analyzed, including basic salary, bonuses and taxable benefits (such as car allowance) paid during the reporting period.

The calculation of the median salary was based on the sum of the products of the hourly rate, the number of hours in a month and the number of months.

For Rottneros Latvia entities and the Arctic Paper sales organization, available estimates and a market benchmark were used to calculate the median total salary.

Salary values expressed in currencies other than PLN were converted at the exchange rate adopted in the balance sheet section of the financial statements.

S1-17 INCIDENTS, COMPLAINTS AND SERIOUS IMPACT ON RESPECT FOR HUMAN RIGHTS

In 2024, the Arctic Paper Group reported no incidents, labour-related complaints or serious human rights impacts among its employees. The Arctic Paper Group was not a party to the proceedings in this regard.

		2024
103 a AR 103-AR 106	Number of cases of discrimination	0
103 b AR 103-AR 106	Number of complaints made through channels to own employees to express concerns	5
103 b AR 103-AR 106	Number of complaints submitted to OECD National Contact Points for Multinational Enterprises	0
104a AR 103-AR 106	Number of serious human rights problems and incidents related to own workforce	0
104a AR 103-AR 106	Number of serious human rights issues and incidents related to own workforce that constitute non-compliance with the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises	0
AR 106	Number of serious human rights cases in which the company secured remedies for those affected	0
104 b AR 103-AR 106	Amount of significant fines, penalties and compensation for serious human rights issues and incidents related to own workforce	0
103 c AR 103-AR 106	Amount of material penalties, fines and reparations for damage caused by infringements of social and human rights factors	0

ESRS S2 EMPLOYEES
IN THE VALUE CHAIN

S2 SBM-2 STAKEHOLDER
INTERESTS AND OPINIONS

S2 SBM-3 – MATERIAL IMPACTS,
RISKS AND OPPORTUNITIES AND
THEIR INTERRELATIONSHIP WITH
THE STRATEGY AND WITH THE
BUSINESS MODEL

The information disclosed by the Arctic Paper Group on ESRS topic S2 includes employees in the value chain over whom the Group may have a potential material impact. The disclosure covers employees employed by upstream entities in the Group’s value chain, which are primarily suppliers of the raw materials and services required for the production of paper and pulp and who are covered by the provisions of the Arctic Paper Group’s Value Chain Code of Conduct or the analogous Supplier Code of Con- duct document in force at Rottneros.

Although the interests and views of employees in the Arctic Paper Group’s value chain do not directly influence the Group’s strategy and business model, the Group has ongoing communication and dialogue with its employees, which is based on face-to-face discussions and surveys involving representatives of contractor companies where employees in the Arctic Paper Group’s value chain are employed. Thirty of Arctic Paper Group’s main suppliers participated in the survey conducted for the materiality study. [SBM-2, 9, AR4, AR5, SBM-3, 11 AR 6-AR 7, 11 a i-v]

Channels of communication and method of involvement	Purpose of engagement
Direct communication through pur- chasing departments, surveys,	Obtaining feedback on the needs and evaluation of our actions
Value Chain Code of Conduct and Sustainability Policy,	
Whistleblowing system	

The Arctic Paper Group has not identified any specific geographical areas of significance where there is a risk of child or forced labour. [SBM-3, 11b]

The Arctic Paper Group considers child and forced labour to be a material potential negative impact because any actual violation would have a serious impact on the per- son concerned and have significant financial consequen- ces for the Group. [SBM-3, 11c]

The Arctic Paper Group assesses its positive impact on employees in the value chain as limited and this is mainly done through supplier education actions on ESG topics, encouraging suppliers to participate in surveys in which they are asked to respond to issues related to the working conditions at their facilities and concern for the wellbeing of their employees. [SBM-3, 11d]

A potential material risk related to employees in the Arctic Paper Group’s value chain identified as one of the ope- rational risks is the failure of suppliers to meet regulatory requirements, which may result in an inability to supply raw materials to the Group and, as a further consequence, a possible increase in costs due to the need to find new suppliers. [SBM-3, 11e]

The Arctic Paper Group has no knowledge of how employ- ees with specific characteristics, those working in specific contexts or those undertaking specific activities may be particularly exposed to higher risks. None of the material risks or impacts were considered to be related to a specific group of value chain employees. [SBM-3, 12, 13]

Table – material impacts, risks and material opportunities related to employees in the value chain [SBM-3, 10a, 10b, 14d]

Material topics identified in the materiality study	Description of impact	TYPE OF IMPACT: “+” positive, “–” negative, “P” potential, “A” actual	Impact on humans or the environment	Link to strategy and business model	Current and anticipated effects	Time perspective of the impact and action taken (short-term, medium-term, long-term)	The place of influence in the value chain: U – Upstream, O – Own operations, D – Downstream
	S2 – Employees in the value chain						
Working conditions: Job security	Code of conduct in the value chain: Working to create a sustainable supply chain, auditing suppliers on environ- mental practices and respect for human rights.	+ R	Positive impact on supplier relationships. Impact on the implementation of ESG in the supply chain inc- luding environ- mental care and ethical conduct.	No link to the Strategy.	Meeting stra- tegic objecti- ves and acting in line with the Group’s values also in the supply chain.	– short-term, medium-term, long-term – implementation of an online plat- form for collecting data from suppliers – surveys	U
	Educating suppliers on ESG (environmental, social and governance) topics.	+ R		No link to the Strategy and business model.		– short-term, medium-term, long-term – cooperation/edu- cation of suppliers committed to susta- inable development	D

Material topics identified in the materiality study	Description of material risk/opportunity	Risk/opportunity	Link to impact	Link to strategy and business model	Undertaking's resilience and risk/opportunity management	Current and anticipated financial effect	The place where the risk/opportunity arises in the value chain U – Upstream, O – Own operations, D – Downstream
Working conditions:	Operational risk – failure of employees in the value chain to meet regulatory requirements by suppliers may result in an inability to supply raw materials to the Group.	Risk	Human rights violations in the supply chain – lack of detailed knowledge of workers in the value chain, including those employed by timber (raw material) suppliers. Low levels of transparency in the supply chain. Limited influence on employees in the value chain; we can exert pressure by enforcing compliance with legal requirements or, if necessary, terminating cooperation. Supplier codes of conduct prohibit child and forced labour, violence and harassment in the workplace – signature is mandatory – termination of cooperation is possible if necessary.	No link to the Strategy. Link to business model – business dependent on raw material supply.	Introducing regular assessment and monitoring of suppliers for compliance with legislation and ethical standards. Obligation for suppliers to sign a Code of Conduct for suppliers (requiring respect for human rights and environmental standards).	Potential increase in costs and the need to find new suppliers due to the interruption of supply of key raw materials to the company (failure of suppliers to comply with applicable regulations and imposing sanctions or banning the supplier).	U

S2-1 POLICIES RELATED TO THE VALUE CHAIN PRACTITIONERS

The Arctic Paper Group expects its suppliers and other third parties to adhere to the high standards and values described in the Code of Conduct. Suppliers and third parties are expected to sign the “Declaration of Suppliers and Third Parties on Acceptance of and Compliance with the Arctic Paper Group Code of Conduct”. The Arctic Paper Group respects and promotes international human and labour rights. We expect the same commitment from our suppliers and subcontractors. At the same time, the Arctic Paper Group has an information policy to disseminate knowledge and raise awareness among employees and contractors on whistleblower protection information. We do not allow discrimination or harassment of any kind directed at any group: employees, customers, suppliers. We do not allow forced or child labour neither in our mills nor on the part of our suppliers. We expect our suppliers to respect the right of workers to form and join associations, to refrain from any form of discrimination against workers or their contractors and to provide a safe and healthy working environment. [S2-1-,16-17c]

- Policies for managing material impacts, risks and opportunities related to employees in the value chain in place in the Arctic Paper Group and their thematic scope:
- The Arctic Paper Group Value Chain Code of Conduct – the core principles of conduct, ethics and values of the Arctic Paper Group;
 - Sustainability policy – Arctic Paper’s principles of environmental and social responsibility;
 - Whistleblowing and whistleblower protection policy – anonymous whistleblowing service.

- Policies for the management of material impacts, risks and opportunities related to employees in the value chain in force in Rottneros AB Group and their thematic scope:
- Code of Conduct – a description of the key principles and values of Rottneros AB;
 - Sustainability policy – principles of environmental and social responsibility Rottneros AB;
 - Supplier code of ethics – business ethics of suppliers, description of conduct and behaviour when dealing with suppliers;
 - Whistleblowing and whistleblower protection policy – an anonymous whistleblowing service.

[S2-1-,18, MDR-P, 65ª, 65b]

The Arctic Paper Group’s commitment to respecting the human rights of employees is reflected throughout the Group’s operations and business relationships.

- We develop and implement our policies and internal regulations by complying with international standards and initiatives as well as local laws, including those relating to human trafficking, forced or compulsory labour and child labour, among others:
- UN Global Compact principles;
 - OECD Guidelines for Multinational Enterprises;
 - UN Guiding Principles on Business and Human Rights;
 - UN Universal Declaration of Human Rights;
 - Charter of Fundamental Rights of the European Union;
 - International Labour Organisation Convention. [S2-1, 18, 19, AR14, MDR-P, 65d]

Policies are posted on public websites and on the intranet. [MDR-P, 65f] Responsibility for preparing, implementing and updating the policies covered by this disclosure rests with the Arctic Paper Group Management Board, the managers of the group’s various business units and the heads of purchasing and HR. [MDR-P, 65c]

The Arctic Paper Group reviews all policies, rules and guidelines at least once every two years.

As of the end of 2024, the Management Board of the Arctic Paper Group has not been informed of any instances of non-compliance with the UN Guiding Principles on Business and Human Rights, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises that apply to people working in the value chain of the Arctic Paper Group.[S2-1, 19]

S2-2 COLLABORATIVE PROCESSES WITH THE VALUE CHAIN PRACTITIONERS IN TERMS OF IMPACTS

The perspective of those doing work in the value chain does not directly influence the Arctic Paper Group's decisions or actions to manage actual and potential impacts. [S2-2, 22]

The Arctic Paper Group does not have an extensive process for engaging with employees in the value chain. It is mainly based on regular contacts with the employers they represent, who are the suppliers of the raw materials and services necessary for the production of paper and pulp. In addition, one form of cooperation is realised through participation in surveys addressed to suppliers. Suppliers, contractors and their employees can raise their concerns and worries about the performance of the Arctic Paper Group through a publicly available whistleblowing service. [S2-2, 22a, 22b, 24]

Operational responsibility for ensuring that the engagement comes to fruition rests with the managing directors of the Group's various production units and the purchasing managers reporting to them. [S2-2, 22c, AR17-18]

The Arctic Paper Group is not a party to the Global Master Agreement. Global Framework Agreement) or other agreements related to respecting the human rights of those performing work in the value chain. [S2-2, 22d, AR19]

The Arctic Paper Group does not assess the effectiveness of its collaboration with those performing work in the value chain. [S2-2, 22e]

The Arctic Paper Group has no knowledge of the existence of vulnerable or marginalised groups of employees in the value chain. [S2-2, 23]

S2-3 PROCESSES FOR REMEDIATING THE EFFECTS OF NEGATIVE IMPACTS AND CHANNELS FOR RAISING CONCERNS BY THE VALUE CHAIN PRACTITIONERS

Individuals working in the Arctic Paper Group's value chain, if they perceive a violation of the Code of Conduct, or other Arctic Paper Group policies and rules, should discuss their concerns with their supervisor or the appropriate department within the relevant Arctic Paper Group business unit e.g. HR or Legal. If an employee in the Arctic Paper Group value chain does not feel comfortable reporting the above violations to his/her supervisor or directly to an Arctic Paper Group representative, he/she can use the anonymous whistleblowing service under the existing Whistleblower and Whistleblower Protection Policy. Through the whistleblowing system, anyone can report suspected serious wrongdoing that is inconsistent with the Arctic Paper Group's values. Everyone has access to the whistleblowing channel.

At the same, the Arctic Paper Group has an information policy aimed at disseminating knowledge and raising awareness among employees and counterparties of the principles set out in the Policy by providing information on whistleblower protection. Each report, signal is dealt with conscientiously, carefully and impartially by the persons granted access to the whistleblowing system. All communications received shall be treated as fully confidential and those working on them shall be bound in writing to maintain confidentiality. The employees responsible for receiving and processing applications keep track of the inflow of applications by accessing the system. Acceptance of the application is confirmed within 7 days of receipt. Applications are processed within 3 months and the whistleblower is informed of the outcome.

The Arctic Paper Group, together with all of its units, is committed to preventing and responding to retaliation against whistleblowers including discrimination, mobbing and other undesirable behaviour in the work environment. [S2-3, 27a, 27b, 27c, 27d, 28]

S2-4 ADDRESSING MATERIAL IMPACTS ON THE VALUE CHAIN PRACTITIONERS AND APPLYING APPROACHES TO MANAGE MATERIAL RISKS AND OPPORTUNITIES RELATED TO THE VALUE CHAIN PRACTITIONERS AND THE EFFECTIVENESS OF THESE ACTIONS

As part of its efforts, the Arctic Paper Group regularly communicates with and monitors suppliers for compliance with legal regulations and ethical standards, which it does through surveys. In 2024, of the 58 suppliers who received surveys, 41 completed them.

In addition, the Arctic Paper Group expects its suppliers and other counterparties to adhere to the high standards and values described in the Arctic Paper Group's Value Chain Code of Conduct. Suppliers and contractors are expected to sign the "Declaration of Suppliers and Third Parties Concerning Acceptance of and Compliance with the Arctic Paper Group Code of Conduct" or present their equivalent document containing similar commitments. In 2024, 43 suppliers signed the declaration or presented their equivalent document.

In 2025, the Arctic Paper Group plans to pilot an online platform to collect data from suppliers and contractors, who will have self-service, direct access to it and be able to enter data that will be used by Arctic Paper Group to report value chain disclosures under the ESRS standards more broadly. Implementing a platform to collect data from our suppliers and contractors will allow us to ensure a high level of transparency in Our supply chain and manage the risks in the form of limited impact on employees and their employers in the value chain. With greater knowledge in this area, we can more effectively encourage our suppliers and other contractors to make changes and thereby enforce compliance with legal requirements and sustainability standards.

The Arctic Paper Group sources its wood raw material for wood pulp and paper from suppliers that meet high

requirements in terms of both the origin of the raw material and compliance with social responsibility requirements, certified under the PEFC™ (Programme for the Endorsement of Forest Certification) and FSC® (Forest Stewardship Council® - Council for Responsible Forest Management) are international forest certification schemes that promote sustainable forestry based on a comprehensive approach taking into account ecological, social and economic criteria. [S2-4 31, 32a, 32b, 32c, 32d, 33a, 33b, 33c, 34a, 34b, 35, 38, AR28a]

During the reporting period, there were no material adverse effects on people working in the value chain that resulted from Arctic Paper Group actions or operations outside its direct control. As of 31 December 2024, the Arctic Paper Group was not aware of any serious upstream or downstream human rights issues or incidents in the value chain. [S2-4.36]

Due to alignment with ESRS disclosure requirements, not all MDR-A points have been addressed.

S2-5 OBJECTIVES FOR MANAGING MATERIAL NEGATIVE IMPACTS, THE ENHANCEMENT OF POSITIVE IMPACTS AND THE MANAGEMENT OF MATERIAL RISKS AND OPPORTUNITIES

The Arctic Paper Group has not adopted objectives in 2024 for managing material negative impacts, enhancing positive impacts and managing material risks and opportunities in relation to employees in the Group's value chain. The Arctic Paper Group will consider adopting such objectives by 2027. [S2-5, 41, 42, 42a, 42b, 42c, MDR-T 81]

The Arctic Paper Group has limited influence over employees in its value chain and, monitors impacts and risks in this area by enforcing the requirement for suppliers to accept the provisions of the Arctic Paper Group Value Chain Code of Conduct in the form of a written statement. Any refusal to accept the principles adopted by the Arctic Paper Group entails the refusal to cooperate or the termination of cooperation in the event of violations. [S2-5, 81 MDR-T]



ESRS S3 AFFECTED COMMUNITIES

S3 SBM-2 STAKEHOLDER INTERESTS AND OPINIONS

S3 SBM-3 – MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH THE STRATEGY AND WITH THE BUSINESS MODEL

Main category of stakeholders	Channels of communication and method of involvement	Purpose of engagement
Local communities	Investor box, press releases, current and periodic reports available to the public, surveys, whistleblowing system	Obtaining opinions on the needs of local communities and assess the impact of Arctic Paper Group's actions on the local environment

The affected communities covered by the following disclosure include communities that live or work next to the Group's production facilities or at other locations where the company has physical operations. The views, interests and rights of affected communities, including respect for their human rights (and, where applicable, their rights as indigenous peoples) do not affect the Arctic Paper Group's strategy and business model. Although the affected communities of the Arctic Paper Group do not engage directly with the Group, their views can influence the Group's assessment of its strategy and business model. [SBM-2, 7; SBM-3, 9, 9ai]

Material negative impacts include noise generation from the paper mill in Kostrzyn, which is felt by residents of the surrounding residential area. [SBM-3, 9b]

All the factories that make up the Arctic Paper Group are among the largest employers in the regions in which they are located. The Arctic Paper Group is committed to the local community and supports local cultural and sporting events in which members of the local communities participate. We sponsor events and various actions for the local community in which our employees and their families can participate, including local sports clubs. [SBM-3, 9c]

Table – material impacts, risks and material opportunities associated with affected communities [SBM-3, 9b, 9c, 9d]

Material topics identified in the Materiality study	Description of impact	Type of impact "+" Positive, "-" Negative "p" Potential, "A" Actual	Impact on humans or the environment	Link to strategy and business model	Current and anticipated effects	Time perspective of the impact and action taken (short-term, medium-term, long-term)	The place of influence in the value chain U – upstream, O – own operations, D – downstream
S3 – affected communities							
OTHER: Noise generation	Noise generation	- A	Negative impact on relations with the local community. A reduction in the quality of life for people in the region. Negative impact on the environment – disturbance and obstruction of animal life which can lead to a reduction in biodiversity in the region.	No link to the Strategy. The link to the business model resulting from the nature of the business.	Noise reduction requires strategic decisions regarding changes to the production process or the application of measures to mitigate the negative impact of the company (financial outlay).	- short-term, medium-term, long-term - use of modern noise control systems in production facilities	O
Economic, social and cultural rights of the community: Water and sanitation	Cleaning up the river so that the local community can use it – fishing and other recreational activities.	+ A	Positive impact on the relationship with local communities. Improving the quality of life and health of the local community. Positive impact on the state of the local environment, including biodiversity.	No link to the strategy and business model.	Support the achievement of strategic objectives and conduct in line with the Group's values.	- short-term, medium-term, long-term - dialogue with local communities, support for local initiatives	O
Civil and political rights of communities: Freedom of expression	Consultation with the local community on matters affecting it.	+ A	Positive impact on the relationship with local communities. Improving the quality of life of the local community. Reduce reputational risks that may arise from negative impacts or incidents related to the local community.			- short-term, medium-term, long-term - dialogue with local communities, support for local initiatives	U, O, D
OTHER:	Supporting charitable initiatives important to the local community, helping those in need and marginalised people.	+ A	Positive impact on the relationship with local communities, improving the quality of life of the deprived and marginalised.			- short-term, medium-term, long-term - support for local, municipal initiatives	O
OTHER:	We are an important employer for the local community.	+ A	Creating jobs for members of the local community, fosters the development of the local economy and has a positive impact on people's quality of life.			- short-term, medium-term, long-term - promotion of the Group's facilities among local communities	O

The Arctic Paper Group has no knowledge of how affected communities with certain characteristics may be particularly vulnerable to higher risks. None of the material impacts were considered to be related to a specific group of the affected community. [SBM-3, 10, 11, AR8]

S3-1 POLICIES RELATED TO AFFECTED COMMUNITIES

The Arctic Paper Group does not have a separate policy on matters relevant to affected communities. References to affected communities can be found in other regulations of the Arctic Paper Group and the Rottneros AB Group, including but not limited to w: [S3-1, 14, 15]

- Arctic Paper Group Value Chain Code of Conduct – the core principles of conduct, ethics and values of the Arctic Paper Group.
- Sustainability policy – Arctic Paper’s principles of environmental and social responsibility.
- Arctic Paper’s whistleblowing and whistleblower protection policy – an anonymous whistleblowing service.
- Code of Conduct – a description of the key principles and values of Rottneros AB.
- Sustainability policy – principles of environmental and social responsibility Rottneros AB.
- Rottneros AB whistleblowing and whistleblower protection policy – an anonymous whistleblowing service.

[S3-1,14, MDR-P, 65ª, 65b]

Policies are posted on public websites and on the intra-net. [MDR-P, 65f] Responsibility for preparing, implementing and updating the policies covered by this disclosure rests with the Arctic Paper Group Management Board, the managers of the group’s various business units and the heads of purchasing and HR. [MDR-P, 65c]

The Arctic Paper Group’s commitment to respecting human rights and local communities is reflected throughout the Group’s operations and business relationships. The Arctic Paper Group respects and promotes international human and labour rights. We expect the same commitment from our suppliers and subcontractors, to whom we refer in the Arctic Paper Group Value Chain Code of Conduct. [S3-1, 16, 16ª, 16b]

We develop and implement our policies and internal regulations by adhering to international standards and initiatives as well as local laws, including those relating to the issue of human trafficking, forced or compulsory labour and child labour, among others:

- UN Global Compact principles;
- OECD Guidelines for Multinational Enterprises;
- UN Guiding Principles on Business and Human Rights;

- UN Universal Declaration of Human Rights;
- Charter of Fundamental Rights of the European Union;
- International Labour Organisation conventions. [S3-1, 17 AR10, MDR-P, 65d]

As of the end of 2024, the Arctic Paper Group has not been notified of any non-compliance with the UN Guiding Principles on Business and Human Rights, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work or the OECD Guidelines for Multinational Enterprises that affect affected communities. [S3-1, 17]

S3-2 COLLABORATION PROCESSES WITH AFFECTED COMMUNITIES IN TERMS OF IMPACTS

The perspective of affected communities does not directly influence the decisions or actions of the Arctic Paper Group. [S3-2, 21]

The Arctic Paper Group does not have an extensive process for working with affected communities. It is mainly based on contacts with the local authority representatives representing them. One form of dialogue is to invite representatives of local authorities to participate in a stakeholder survey as part of the Arctic Paper Group’s materiality assessment study. In addition, members of the affected community can report their concerns and worries about Arctic Paper Group’s operations through a publicly available whistleblowing service. [S3-2, 21a, 21b]

Operational responsibility for ensuring that the engagement comes to fruition rests with the managing directors of each of the Group’s production units and the Arctic Paper Group Board. [S3-2, 21c, AR 14-15] Arctic Paper Group has not implemented an overall process for engaging with affected communities and is not evaluating the effectiveness of its engagement. [S3-2, 21d, 22, 23 AR13, 24]

S3-3 REMEDIATION PROCESSES FOR NEGATIVE IMPACTS AND CHANNELS FOR RAISING CONCERNS BY THE AFFECTED COMMUNITIES

Members of the affected communities can raise their concerns directly with the Arctic Paper Group’s organization units or use the anonymous whistleblowing service under the existing Whistleblowing and Whistleblower Protection Policy. Through the whistleblowing system, anyone can report suspected serious wrongdoing that is inconsistent with the Arctic Paper Group’s values. Every stakeholder has access to a breach reporting channel and this is publicly available on the Arctic Paper website.

Each application, signal is dealt with conscientiously, carefully and impartially. All communications received shall be treated as fully confidential and those working on them shall be bound in writing to maintain confidentiality. The Arctic Paper Group, together with all its units, is committed to preventing and responding to whistleblower retaliation. [S3-3, 27a, 27b, 27c, 27d, 28] Arctic Paper Group does not have a separate system for assessing the effectiveness of remediation of negative impacts. The Arctic Paper Group does not have mechanisms in place to assess whether affected communities are aware of and trust the structures or processes for raising concerns and providing solutions. [S3-3, 28 AR23]

S3-4 ADDRESSING MATERIAL IMPACTS ON AFFECTED COMMUNITIES AND APPLYING APPROACHES TO MANAGE MATERIAL RISKS AND OPPORTUNITIES RELATED TO THESE COMMUNITIES AND THE EFFECTIVENESS OF THESE ACTIONS

The Arctic Paper Group does not have separate plans to manage the material impacts, risks and opportunities associated with affected communities. The Arctic Paper Group responds promptly to any signals of negative impacts or risks occurring and assesses them on an ongoing basis and takes remedial action. [S3-4, 31, AR25a, 33ª, 33b]

In view of the negative impact involving noise generation by the paper mill in Kostrzyn nad Odrą and the requests made by the local community, the Arctic Paper Kostrzyn nad Odrą production plant has restricted the operation of the paper production lines during the night and has carried out noise-reducing acoustic protection works. The solutions applied have made it possible to reduce the amount of noise emissions to the levels indicated in the Integrated Permit, which was confirmed by noise tests carried out in early 2025 by an accredited environmental testing laboratory. In addition, Arctic Paper Kostrzyn plans to install additional noise dampers and a noise monitoring system within 2025. Completion of these works will further reduce noise emissions. [S3-4, 32a, 32b, 34ª, 34b, AR 25c, AR 25d]

The Arctic Paper Group does not have a separate system for tracking and evaluating the effectiveness of actions or initiatives in delivering the intended outcomes for affected communities. [S3-4, 32d, AR 31 – AR 33, 33c]

All the factories that make up the Arctic Paper Group are among the largest employers in the regions in which they are located. The Arctic Paper Group is committed to the local community and supports local cultural and sporting events involving members of the local communities and Arctic Paper Group employees. We provide financial support to non-governmental organisations working in the fields of health and education, among others.

In 2024, we supported the following programmes and organisations, among others:

- Barncancer Fond – a Swedish fund for children with cancer;
- Movember – prostate and testicular cancer prevention and diagnosis;
- Falun Equestrian Club;
- Paper donation to schools, kindergartens and nurseries in Kostrzyn.

In 2024, the Munkedals Factory has also continued with the Fish Habitat Restoration Project, which focuses on restoring the river to its original state before it was adapted for timber floating, so that the local community can use it – for fishing and other recreational activities. Among other things, large stones have been placed in it, thus recreating salmon and trout breeding areas.

For the remaining receipts, the Arctic Paper Group did not take any material actions in 2024.[S3-4, 25b AR37, 32c]

During the reporting period, there were no material negative impacts related to affected communities that resulted from Arctic Paper Group actions or operations outside its direct control. As at 31 December 2024, Arctic Paper Group was not aware of any serious problems or incidents related to the affected communities [S3-4, 35 AR 30, 36]

None of the actions listed entail plans that require significant investment or operational expenditure. [S3-4, 38]

S3-5 OBJECTIVES FOR MANAGING MATERIAL NEGATIVE IMPACTS, ENHANCING POSITIVE IMPACTS AND MANAGING MATERIAL RISKS AND OPPORTUNITIES

[S3-4, 41, 42, 42a, 42b, 42c, 81 MDR-T]

The Arctic Paper Group monitors its impact on affected communities, but currently does not have set objectives for this topic with defined timelines and desired outcomes. Arctic Paper Group will consider implementing appropriate objectives on this topic in the future.

4. GOVERNANCE INFORMATION

ESRS G1 BUSINESS CONDUCT

G1 IRO-1 DESCRIPTION OF PROCESSES TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

At Arctic Paper Group, we perceive sustainability management as an integral part of business management. We are committed to ensuring that the Group's operations are performed in accordance with the highest standards of conduct and legal regulations, providing transparent information. The identification of risks and opportunities in the area of corporate governance enable them to be properly managed, responding to the real needs of our stakeholders. More information on the identified material impacts, risks and opportunities in relation to business conduct issues is described on page 79 of this report, under ESRS 2. [G1 IRO -1.6]

G1 GOV-1 THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

More information on the identified material impacts, risks and opportunities in relation to business conduct issues is described on page 57 of this report, under ESRS 2. [G1 GOV-1, 5^a, 5b]

G1-1 BUSINESS CONDUCT POLICIES AND CORPORATE CULTURE

We conduct our operations in a stable, long-term and trustworthy manner. We are pioneers in environmental protection and the development of both new products for core markets and those introduced to new markets and new segments. We offer outstanding products and services characterized by innovation and reliable quality, designed to execute the most demanding creative ideas using the latest technologies.

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. We are transparent and ethical in everything we do.

Our core values include:

Transparency – We operate in a transparent and open manner, executing a long-term plan regarding our operations, mindset, and how we are perceived by others. We ensure transparency across all 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 conduct our operations steadily, with a focus on long-term goals.

High-quality products and services – We offer outstanding products and services that are characterised by innovation and reliable quality. They are created to realise our clients’ most demanding creative ideas, using new technologies and innovative approach.

Respect for natural resources – We protect natural resources and continuously strive to create a healthy balance between stakeholder needs, production and operational activities.

The Arctic Paper Group’s principles and values are outlined in the Code of Conduct in the value chain, which applies to every stakeholder in the Group and all areas of its operations. It commits the entire Group and its employees to ethical conduct as well as to acting in full compliance with the laws and regulations applicable to the Group’s operations. Supplementary policies to the Code of Conduct ensure proper understanding and adherence to the principles that are essential for the Group. [G1-1, 7, 9]

- Policies applicable in Arctic Paper Group:
- The Code of Conduct in the Arctic Paper Group value chain;
 - Diversity Policy for the members of the Management Board and the Supervisory Board of the Arctic Paper Group, Diversity Policy for the employees of the Arctic Paper Group;
 - Remuneration Policy for the members of the Management Board and Supervisory Board of the Arctic Paper Group;
 - Sustainability Policy;
 - Whistleblowing and Whistleblower Protection Policy.

- Policies applicable in Rottneros AB Group:
- Code of Conduct;
 - Energy and environmental policy;
 - Diversity Policy;
 - Anti-corruption and anti-competition policies;
 - Raw material policy;
 - Whistleblowing and Whistleblower Protection Policy.

[G1-1, 10b]

We develop and implement our policies and internal regulations in compliance with international standards and initiatives as well as local regulations, including but not limited to:

- The principles of the UN Global Compact;
- OECD Guidelines for Multinational Enterprises;
- UN Guiding Principles on Business and Human Rights;
- UN Universal Declaration of Human Rights;
- Charter of Fundamental Rights of the European Union;
- Conventions of the International Labour Organization.

[G1-1, 7, MDR-P, 65d]

Every manager, employee and collaborator, as well as suppliers and other third parties working with the Arctic Paper Group should be familiar with, understand, and adhere to the Arctic Paper Group’s Code of Conduct, as

well as similar regulations applicable within the Rottneros AB Group and other applicable regulations. Issues arising in connection with the implementation of policies, as well as any comments or suggestions for improvements, must be reported to the Management Board of the Arctic Paper Group and the Management Board of the Rottneros AB Group, whose responsibility is to monitor the functioning of corporate regulations in practice.

Complaints regarding breaching of the Code of Conduct and other regulations applicable within both groups can be submitted directly to the Management Board of the Arctic Paper Group or the Management Board of the Rottneros AB Group by all current and potential shareholders, customers, suppliers, contractors, as well as all employees and managers of the company. All received complaints will be treated confidentially. The Management Board of the Arctic Paper Group does not tolerate any illegal or unethical activities. Any breach of the Code of Conduct may be punishable by disciplinary action. [G1-1/10a, 10e]

At Arctic Paper Group, we are committed to ensuring that all our employees know and respect the provisions of the Code of Conduct and other policies. To this end, nano-learning in the form of online training on business ethics, is conducted, which all employees are required to complete. The Group provides voluntary access to training by offering computers, which can also be used by employees in the production areas. It mainly covers the topics related to corruption and bribery, including how to recognise corrupt behaviour and how to act in such situations, along with information on how to report and how to respond to such situations. Arctic Paper Group does not have a training policy document and implements training based on current training plans and needs. [G1-1, 10g]

BREACH REPORTING AND WHISTLEBLOWER PROTECTION

The Arctic Paper Group strives to maintain openness in its business operations and a high level of business ethics by encouraging the reporting of any irregularities, abuses, and breaches of law, ethics, or internal company regulations through the provision of various anonymous communication channels.

In accordance with applicable legal regulations, the Arctic Paper Group is subject to whistleblower protection requirements and is obliged to provide stakeholders with

channels to report breaches of the law while ensuring whistleblower protection. The existing Whistleblowing and Whistleblower Protection Policy is designed to enable honest dialogue, without fear of potential retaliation. Unfair treatment or other retaliatory actions for making an internal or external report is not permitted under applicable law. [G1-1/11]

The Arctic Paper Group’s Code of Conduct in the value chain also commits the entire Group to preventing and responding to retaliatory actions against whistleblowers including discrimination, mobbing and other undesirable behaviour in the workplace. In addition, the Arctic Paper Group implements an informational policy aimed at spreading knowledge and raising awareness among employees and contractors regarding the principles set out in the Policy.

Every manager, employee, collaborator, and any person representing the Arctic Paper Group, as well as suppliers and other third parties working with the Arctic Paper Group, should be familiar with, understand, and adhere to the Arctic Paper Group’s Code of Conduct. Issues arising in connection with the implementation of the Code, any comments, complaints related to breaches or suggestions for improvement may be reported directly to the Management Board of the Arctic Paper Group. It is the responsibility of the Management Board to monitor the practical implementation of the Code of Conduct in practice and all received complaints are treated confidentially and with due care. [G1-1/10a]

In the event of a suspected or apparent breaches of the Code of Conduct or other Arctic Paper Group policies, employees are required to report it to their superiors, the HR department, or the Legal department. Both internal and external reports can also be made via a dedicated telephone line and email address. In turn, breaches of a broader scope can be reported through the publicly available platform named WhistleB, provided by supplier Navex Global also for external stakeholders such as contractors or customers. The platform guarantees the anonymity of reported cases and is available in several languages to ensure that stakeholders have the broadest possible access to this service. Whistleblower reports are anonymised. [G1-1, 10c]

All breaches are dealt with due care and involve taking all necessary action to clarify the report. Employees who act

unethically or who breach the Code of Conduct or internal regulations of the Arctic Paper Group or the Rottneros Group may be subject to disciplinary action. Depending on the circumstances and facts, such conduct may lead to the termination of cooperation.

The Whistleblowing and Whistleblower Protection Policy requires the Management Board to appoint members to the Whistleblowing Team. It is an impartial internal unit responsible for taking follow-up actions, including verifying internal reports and further communication with the whistleblower. In addition, direct supervisors are obliged to inform subordinate employees about the identified irregularity. Members of the Whistleblowing Team are subject to annual training on whistleblowing management. The members of the Whistleblowing Teams in the various business units of the group are individuals in the roles of HR directors and managers, legal and sustainability managers.

After the initial investigation of the case, the Team may decide whether to accept or reject the report. The process of reviewing the report is conducted with confidentiality and impartiality, carefully listening to the parties involved. The results of the ongoing investigation are presented in the form of a report. Proposals for further actions, including corrective and preventive measures, are also prepared along with the report. If deemed appropriate, changes to internal operating procedures may be implemented. [G1-10a]

Employees involved in procurement processes are the most vulnerable to incidents of corruption or bribery. [G1-1,10h]

G1-2 SUPPLIER RELATIONSHIP MANAGEMENT

Payment matters are regulated by the Arctic Paper Group’s internal procedures, according to which payments should be made on time, within the deadlines agreed with the contractors. Arctic Paper SA and Arctic Paper Kostrzyn S.A. report annually on the applicable payment terms to the Office of Competition and Consumer Protection. The Arctic Paper Group does not have a separate policy for preventing payment delays. At the same time, the Arctic Paper Group settles its liabilities towards sup-

pliers and contractors within the agreed deadlines and in accordance with the established market payment terms. The Arctic Paper Group maintains accurate accounting records, ensuring transparency in financial transactions. Any employee with information about hidden transactions or false entries in the financial and accounting records is required to disclose the information to the Management Board of the Group. [G1-2, 14, AR2, AR3]

Aware of the key role suppliers play in offering high-quality products, we strive to build lasting relationships based on mutual trust. Our suppliers mainly include international corporations and companies listed on stock exchanges, which share our approach to sustainable management and are subject to sustainability regulatory requirements. To ensure standards of ethical conduct throughout the supply chain, our business partners are required to read and sign the Arctic Paper Group’s Code of Conduct in the value chain or present their own equivalent document. The Code of Conduct requires suppliers to, among other things, respecting human rights, treating the environment with respect and prohibiting forced labour and child labour.

We take social and environmental criteria into account during the Arctic Paper supplier selection process. We work with suppliers for whom it is important to respect human rights and comply with the rules on working conditions and to respect the principle of prohibition of forced and child labour.

We maintain an open dialogue with our suppliers and are in constant contact with them. Our suppliers are one important stakeholder group for us, whose opinion and view of our operations are important and this is reflected in the surveys. The most recent survey was conducted as part of the work of the materiality analysis study. The Arctic Paper Group plans to implement regular surveys which will take place every two years. In addition, suppliers will be provided with an online tool where they can fill out surveys and directly submit data related to our ongoing value chain analysis. Furthermore, suppliers and their employees have the opportunity to raise their comments and concerns regarding our operations through publicly available and anonymous whistleblowing channels (whistleblowing channel). [G1-2, 15a, 15b]

G1-3 PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY

G1-4 INCIDENTS OF CORRUPTION OR BRIBERY

[AR5, AR6, AR7, AR8]

In line with the Arctic Paper Group’s Code of Conduct for the Value Chain, any form of corruption, bribery or anti-competitive activities are not subject to any tolerance. Neither the Arctic Paper Group as a whole nor any person representing the Group (including third parties) are allowed to participate in or support any corrupt practices. Employees are expected to report any suspicions or signs of corruption to their superiors, directly to members of the Management Board or through available whistleblowing channels.

Therefore, to minimize the risk of corruption or bribery, a multi-step approach to procurement has been developed under the P06 procedure based on the ISO 9000 standard. All decisions made in the procurement process are based on the agreement of a dedicated group of people, with the final decision not being dependent on a single person.

Purchase items are divided into supply groups. Then, we gather information about the sourcing groups and the market. In the next steps, we create a portfolio of potential suppliers and choose a strategy for each supply group. We then negotiate with selected 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 a single person, the risk of 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 procurement system. The price lists are approved by our management and then shared with members of our sales teams. On the other hand, 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 our customers bonuses for semi-annual and annual periods, but these are linked to sales volumes, the ranges of which are carefully monitored. Arctic Paper does not offer other types of bonuses (for example in-kind) to customers.

The Arctic Paper Group does not have separate investigative committees dedicated to the prevention and detection of corruption or bribery. Incidents or suspicions of corruption can also be reported by external stakeholders through the WistleB whistleblower platform. Reports are handled by the Whistleblowing Team and other units within the company, if necessary, to ensure that the indi-

viduals responsible for conducting the investigation are separate from the management structures involved in the case. [G1-3, 18a, 18b, 18c, 19]

The Code of Conduct in the Arctic Paper value chain and the analogous regulation in place at Rottneros AB are publicly available documents, in addition also made available on the Group’s internal information channels. [G1-3, 20]

Members of the management and supervisory bodies are not provided with additional training on corruption beyond the publicly available training intended for all employees. [G1-3, 21c]

Table – Information on how policies are communicated to those to whom they are material (prevention and detection of corruption or bribery) – [G1-3, 21a, 21b, 21c/AR8]

	Reporting period 2024			
	Risk exposure functions	Managers	Administrative, management and supervisory bodies	Other employees (contract of employment/ B2B, contract of mandate, etc.)
Total number of people at risk of corruption	66	15	40	11
Percentage of functions at risk covered by training programmes	94%			
Number of people at risk of corruption and trained to deal with it	62	15	37	10
Delivery method and duration of training	Delivery method and duration of training			
Work shops	NO	NO	NO	NO
On-line	NO	NO	NO	NO
Training platform	YES	YES	YES	YES
Topics covered	Topics covered			
Definition of corruption	YES	YES	YES	YES
Suspicion/detection procedures	YES	YES	YES	YES
Policy	YES	YES	YES	YES
Frequency	Once a year	Once a year	Once a year	Once a year

Table [G1-4, 24a, 24b] No cases of corruption or bribery were identified in the current reporting year.

	Current reporting period 2024
Number of convictions for breaching anti-corruption regulations	0
Level of fines for breaching anti-corruption regulations	0
Incidents	0

G1-6 PAYMENT PRACTICES

[33a, 33b, 33c, 33d]

Payment issues are governed by the Group’s internal procedures, according to which payments should be made on time, within the deadlines agreed with the contractors. Arctic Paper SA and Arctic Paper Kostrzyn S.A. report annually on the applicable payment terms to the Office of Competition and Consumer Protection. The Arctic Paper Group does not have a separate policy for preventing payment delays. [G1-2/14]

Standard debt payment terms for the Arctic Paper Group range from 30 to 60 days.

Of these, the largest share of payments is for cellulose deliveries, for which the most common payment terms are 30 or 60 days.

To show the average number of days to pay an invoice, the DPO indicator was used - the liabilities turnover ratio - the average state of liabilities for deliveries and services as the sum of these liabilities at the end and beginning of the period divided by 2.

*To calculate the percentage of payments made on time, a uniform calculation method used in Poland for preparing the „Report on payment terms in commercial transactions” was used and the % of payments made within a period not longer than 5 days from the payment date was shown

	Current reporting period (2024)
The average number of days it takes to pay an invoice from the start of the contractual or statutory payment term.	56
Number of pending legal proceedings related to payment delays.	0
Standard payment terms in number of days.	from 30 to 60 days
Percentage (%) of payments made on time in 2024*.	90%

INFORMATION BY THE MANAGEMENT BOARD OF ARCTIC PAPER SA ON SELECTION OF THE AUDIT FIRM

Based on the statement of the Supervisory Board of Arctic Paper SA on the selection of the auditing firm to audit the annual consolidated financial statements of the Arctic Paper Group and the annual separate financial statements of the Company for the financial year ended December 31, 2024 in accordance with the regulations and on the basis of the statement received from PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k., it was decided to select PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as the auditor of the Company and the Arctic Paper SA Group to audit the financial statements for the years 2023 and 2024.

The Management Board of the Parent Company informs that the selection of the audit firm by the Supervisory Board took place in accordance with the regulations and the “Policy and Procedure for the Selection of the Audit Firm for the Statutory and Voluntary Audit of the Consolidated and Separate Financial Statements of Arctic Paper SA with its registered office in Kostrzyn nad Odrą”.

Additionally, the Management Board of the Parent Company reports that the audit firm and members of the audit team complied with the criteria to issue an impartial and independent report on the audit of the annual consolidated financial statements of the Company for the financial year ended on 31 December 2024, in compliance with the applicable laws, professional standards, and the principles of professional conduct.

In addition, the Management Board of the Parent Company reports that the applicable regulations related to the rotation of the audit firm and the key auditor and the mandatory grace periods are complied with. The Arctic Paper Group has a policy relating to the selection of the auditing company and a policy of the provision of services that are not an audit by the audit firm, entities related to the audit firm or a member of its group, including services that are not covered with the ban on being provided by audit firms.

SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD

Position	First and last name	Date	Signature
President of the Management Board; CEO	Michał Jarczyński	29 April 2025	signed with a qualified electronic signature
Member of the Management Board; CFO	Katarzyna Wojtkowiak	29 April 2025	signed with a qualified electronic signature
Member of the Management Board; Vice-President for Sales and Marketing	Fabian Langenskiöld	29 April 2025	signed with a qualified electronic signature

STATEMENTS OF THE MANAGEMENT BOARD

ACCURACY AND RELIABILITY OF THE PRESENTED REPORTS

Members of the Management Board of Arctic Paper SA represent that to the best of their knowledge:

The consolidated financial statements of the Arctic Paper Group for the year ended on 31 December 2024 and the comparable data were prepared in compliance with the applicable accounting principles and they reflect the economic and financial condition of the Capital Group and its financial result for 2024 in a true, reliable and clear manner.

The Management Board's Report from operations of the Arctic Paper Group in 2024 contains a true image of the development, achievements and condition of the Arctic Paper Group, including a description of core hazards and risks.

SIGNATURES OF THE MEMBERS OF THE MANAGEMENT BOARD

Position	First and last name	Date	Signature
President of the Management Board; CEO	Michał Jarczyński	29 April 2025	signed with a qualified electronic signature
Member of the Management Board; CFO	Katarzyna Wojtkowiak	29 April 2025	signed with a qualified electronic signature
Member of the Management Board; Vice-President for Sales and Marketing	Fabian Langenskiöld	29 April 2025	signed with a qualified electronic signature



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