

## **REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD of ARCTIC PAPER S.A.(“the Company”, “Arctic Paper”) in 2023**

The Supervisory Board presents a report on its activities in the financial year 2023, including in particular the results of the assessment of the Management Board's report on the Company's operations in the financial year 2023, the Company's financial statements for 2023, and the evaluation of the Supervisory Board, including the internal control system, the management of material risks for the Company and the internal audit function.

### **1. Composition of the Supervisory Board and Management Board of the Company**

As of 31<sup>st</sup> of December 2023, the Supervisory Board was composed of:

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

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

On 22<sup>nd</sup> of June 2021 Annual General Meeting of Arctic Paper appointed the Supervisory Board in the above composition for another joint term of office.

On 31<sup>st</sup> of December 2023 the Management Board was composed of:

- Michał Jarczyński – President of the Management Board,
- Katarzyna Wojtkowiak – Member of the Management Board;
- Tom Fabian Langenskiöld – Member of the Management Board.

## **2. Activities of the Supervisory Board**

The Arctic Paper Supervisory Board operates under the provisions of the Code of Commercial Companies as well as on the basis of the Company's Articles of Association and Rules of the Supervisory Board dated 24<sup>th</sup> November 2016.

In 2023, the Supervisory Board exercised permanent supervision over the Company's activities in all areas.

During the reporting period the Supervisory Board conducted its activities in the course of meetings convened by the Chairman. Some of the Supervisory Board Meetings were held by means of distance communication as on-line meetings. All meetings were minuted and decisions were taken by the Supervisory Board either in the form of resolutions or stated in the minutes.

In the reporting period, i.e. from 1<sup>st</sup> of January 2023 to 31<sup>st</sup> of December 2023, ten meetings of the Supervisory Board of Arctic Paper S.A. were held on the following dates:

1. 18<sup>th</sup> of January 2023,
2. 22<sup>nd</sup> of February 2023,
3. 9<sup>th</sup> of May 2023,
4. 9<sup>th</sup> of August 2023,
5. 17<sup>th</sup> of October 2023,
6. 12<sup>th</sup> of December 2023.

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

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

### **Audit Committee**

Since 5<sup>th</sup> of August 2021 the Audit Committee is composed of:

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

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

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

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

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

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

On 22<sup>nd</sup> of February 2023 the Supervisory Board based on the recommendation of Audit Committee on selection of an audit firm conducting an audit of the financial statements, took a decision to select PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as an auditor for the Company and the Group for the period 2023-2024. The Audit Committee’s recommendation was made pursuant to the selection procedure in line with the “Policy and procedure of selecting an audit firm to conduct a statutory and voluntary audit of consolidated and separate financial statements of Arctic Paper S.A. with its registered office in Kostrzyn nad Odrą”.

### **Remuneration Committee**

Since 9<sup>th</sup> of February 2017 the Remuneration Committee is composed of:

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

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

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

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

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

On 22<sup>nd</sup> of April 2024 the Supervisory Board has adopted a resolution adopting “Remuneration Report of Members of the Management Board and Supervisory Board of Arctic Paper S.A. for year 2023” and recommends its submission to the Annual General Meeting of the Company.

“Remuneration Report of Members of the Management Board and Supervisory Board of Arctic Paper S.A. for year 2023” was assessed by Grant Thornton Polska spółka z ograniczoną odpowiedzialnością sp. k.. On 22<sup>nd</sup> of April 2024 the auditor has issued a report with an opinion on the Remuneration Report which is enclosed to the draft of the resolution of the Annual General Meeting.

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

## **Risk Committee**

Since 5<sup>th</sup> of August 2021 the Audit Committee is composed of:

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

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

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

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

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

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

At the end of 2023 the Management Board has presented to the Supervisory Board preliminary setup for Enterprise Risk Management system for Arctic Paper Group(ERM) - project aiming to further improve risk management processes in Arctic Paper Group, increase risk awareness and promote risk culture. ERM system is scheduled to be formally implemented in 2024. The project is managed by APSA team, and supported substantively by KPMG Consulting.

#### **4. Assessment of compliance by the Company with its disclosure duties in 2023.**

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

“Best Practice 2021” came into force on 1<sup>st</sup> of July 2021.

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

Pursuant to § 29 (3) of the Rules of the Warsaw Stock Exchange, on 29<sup>th</sup> July 2021 the Management Board of Arctic Paper S.A. published in the form of an EBI report the first statement regarding the Company's application of the principles contained in “Best Practice of GPW Listed Companies 2021” and then updated it with subsequent EBI reports.

Arctic Paper S.A. was striving at applying corporate governance rules as set forth in the document “Best Practice of GPW Listed Companies 2021”.

In 2023, Arctic Paper S.A. did not apply the following rules:

Disclosure Policy, Investor Communication

Rule 1.3.2

Rule 1.4.2

Internal Systems and Functions

Rule 3.3

Rule 3.10

General Meeting, Shareholders Relations

Rule 4.1

Rule 4.3

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

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

In 2023 Arctic Paper S.A. was not involved in any sponsorship, charity or similar activity.

**6. Information on the total remuneration payable by the Company for all audits commissioned (advisers of the supervisory board) by the supervisory board during the financial year.**

There were no orders in question in a given financial year.

**7. Assessment of the Management Board's report on the Company's operations in the financial year 2023, the Company's financial statements for the financial year 2023 and the Management's proposal regarding the distribution of profit generated by the Company in the financial year 2023.**

Acting pursuant to Art. 382 § 3 of the Code of Commercial Companies and in conjunction with the provisions of Art. 18.2 of the Company's Articles of Association, the Supervisory Board has analysed the consolidated and the Company's standalone financial statements for the period from 1<sup>st</sup> of January 2023 to 31<sup>st</sup> of December 2023 prepared by the Management Board and reviewed by the Company's auditor by PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k., consisting of:

- Consolidated balance sheet as at 31<sup>st</sup> of December 2023, with assets and liabilities amounting to PLN thousand 2,722,877 and standalone balance sheet as at 31 December 2023, with assets and liabilities amounting to PLN thousand 1,287,686,
- Consolidated profit and loss account for the period from 1<sup>st</sup> of January 2023 to 31<sup>st</sup> of December 2023, showing a net profit of PLN thousand 272,388 and standalone profit and loss account for the same period showing a net profit of PLN thousand 251,216,
- Consolidated statement of changes in equity for the period from 1<sup>st</sup> of January 2023 to 31<sup>st</sup> of December 2023 showing decrease in equity of PLN thousand 250,674 and standalone statement of changes in equity for the period from 1<sup>st</sup> of January 2023 to 31<sup>st</sup> of December 2023 showing an increase in equity of PLN thousand 61,006,
- Consolidated cash flow statement for the period from 1<sup>st</sup> of January 2023 to 31<sup>st</sup> of December 2023, showing an increase in net cash of PLN thousand of 35,550 and standalone cash flow statement for the period from 1<sup>st</sup> of January 2023 to 31<sup>st</sup> of December 2023, showing a an increase in net cash of PLN thousand 53,011,
- Accounting principles (policies) and additional explanatory notes.

The Supervisory Board has examined the Management Board's report on the Company's operations in the financial year 2023.

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

- the financial statements of Arctic Paper S.A. for the financial year ended 31<sup>st</sup> of December 2023, as well as with the report of an independent certified auditor on the audit of the Company's annual standalone financial statements for the financial year ended 31<sup>st</sup> of December 2023, prepared by KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa,
- the consolidated financial statements of the Arctic Paper Group for the financial year ended 31<sup>st</sup> of December 2023, as well as with the report of an independent auditor on the audit of the annual consolidated financial statements for the financial year ended 31<sup>st</sup> of December 2023, prepared by KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa,

have been prepared correctly in terms of substance and form, in accordance with the books and documents, as well as with the facts, and accurately reflects the financial result and assets of the Company and Arctic Paper Group in the financial year 2023.

The Supervisory Board of Arctic Paper S.A., after review of the reports of the Management Board of Arctic Paper S.A. on the activities of the Arctic Paper Group and the Company for 2023, states that reports have been prepared in accordance with the relevant applicable regulations regarding the reports on the activities and is in accordance with the books, documents and the actual state.

The Supervisory Board adopts the report, expresses its approval for the activities of the Management Board in 2023 and recommends that the Annual General Meeting discharges the Members of the Management Board for the performance of their duties in the financial year 2023:

- Mr Michał Jarczyński for a period from 1<sup>st</sup> of January 2023 until 31<sup>st</sup> of December 2023,
- Mr Göran Eklund for a period from 1<sup>st</sup> of January 2023 until 29<sup>th</sup> of May 2023,
- Mrs Katarzyna Wojtkowiak for a period from 29<sup>th</sup> of May 2023 until 31<sup>st</sup> of December 2023,
- Mr Tom Fabian Langenskiöld for a period from 14<sup>th</sup> of August 2023 until 31<sup>st</sup> of December 2023,

The Supervisory Board requests the Annual General Meeting to grant discharge to members of the Supervisory Board for the performance of their duties in the financial year 2023.

## **8. Proposal regarding the distribution of profit generated by the Company in the financial year 2023**

On 22<sup>nd</sup> April 2024 the Supervisory Board of the Company has approved the submission to the Annual General Meeting of the recommendation of the Management's Board regarding payment of dividend to the shareholders from part of the Company's net profit of the financial year 2023 in the total amount of PLN 69,287,783.00 - 1.00 PLN gross per share. The remaining part of the

Company's net profit of 2023, in the amount of 181,928,491.87 PLN will be allocated to the Company's supplementary capital.

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

## **9. Assessment of the Company's condition**

It was yet another year during which Arctic Paper had to operate in a dynamically changing economic landscape. The economic situation, which was very favorable for the Company in 2022, changed dramatically, leading to a notable decline in demand and results across the entire industry.

Thanks to swift adjustment actions, Arctic Paper achieved very good results even with significantly reduced production.

The achieved EBITDA level is the second-best result in the Group's history.

The Group's robust financial position, strong balance sheet and high level of cash flow. This presents a twofold benefit, as it both reduces financial costs, especially at the current high interest rate levels, and enables the implementation of an ambitious investment plan related to the implementation of subsequent stages of the 4P strategy.

The majority of expenditures are allocated to the development of two new pillars - energy and packaging. In just a few months (June 2024), a photovoltaic installation with a capacity of 17 MW will be commissioned at the Kostrzyn paper mill, and another one (with a capacity of 9 MW) is in the development phase. These initiatives will significantly reduce the carbon footprint of production.

The consistent implementation of the 4P strategy and the resultant accomplishments reaffirm that the Arctic Paper Group is a reliable and solid partner for its clients while simultaneously meeting the expectations of its shareholders.

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