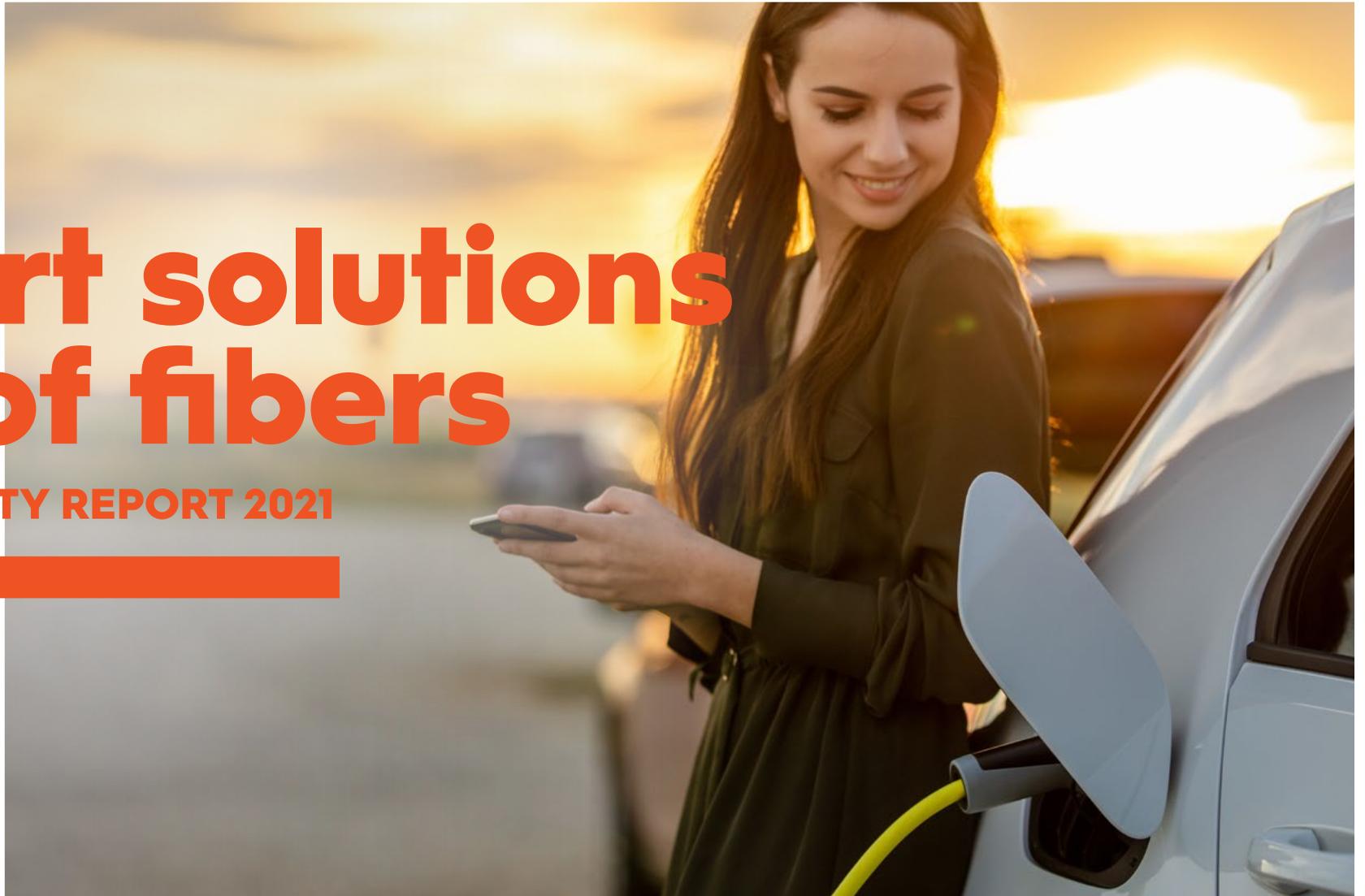


Smart solutions out of fibers

SUSTAINABILITY REPORT 2021





A new concentrated ownership structure

On September 24, 2020, Ahlstrom-Munksjö Holding 3 Oy (formerly Spa Holdings 3 Oy), a consortium consisting of Ahlström Capital, funds managed or advised by Bain Capital as well as Viknum and Belgrano Inversiones, made a public recommended cash tender offer for all shares in Ahlstrom-Munksjö Oy. Ahlstrom-Munksjö Holding 3 Oy received an ownership of more than 90% in February, 2021 and started a compulsory redemption procedure and applied for the delisting of the shares from Nasdaq Helsinki and Nasdaq Stockholm. The last day of trading in Ahlstrom-Munksjö's shares was May 31 and June 23 on the official list of Nasdaq Stockholm and Nasdaq Helsinki, respectively.

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The Sustainability Report 2021 covers non-financial information of the Ahlstrom-Munksjö Holding group of companies, consisting of Ahlstrom-Munksjö Holding 3 Oy as the parent company, and its subsidiaries. Ahlstrom-Munksjö Oy was acquired by SPA Holdings 3 Oy (renamed Ahlstrom-Munksjö Holding 3 Oy) on February 4, 2021.

Imagine fiber

Fibers are one of the wonders of nature forming the structural components of all that's green. Modern technology has allowed man to harness the strength, durability and versatility of fibers and put them to work in everyday products and applications. New fibers have been created from materials like glass and carbon, pushing the boundaries of fiber-based solutions even further.

Smart solutions out of fibers

We add value by combining fibers with our advanced technology and innovative and entrepreneurial culture, constantly exploring new materials and applications. Sustainability, innovation, and quality are central in all our solutions – compostable food and beverage processing and packaging materials, filtration solutions for engines and energy storage applications, diagnostic materials, protective surgical fabrics and water filters are only the beginning. This is why when we imagine the future, we imagine fiber.

Self-testing – an invaluable tool in fighting Covid-19 pandemic

The Covid-19 pandemic has clearly demonstrated the importance of efficient mass screening and rapid diagnosis in determining the status of the spread of the virus, as well as in setting targeted strategies for containing the outbreak. As manufacturer of cellulose-based lateral flow pads included in rapid diagnostic kits, Ahlstrom-Munksjö has increased its efforts and leveraged its expertise to meet the rising demand of diagnostic companies, supporting their needs globally and allowing faster, more accessible and reliable tests.



Year in brief



Improving the circular flow of packaging

Demand for sustainable packaging is increasing as a result of regulation and consumer pressure. An important goal is to reduce landfill waste by developing solutions that are environmentally friendly or recyclable. The choice of materials is becoming increasingly important.

Packaging tape is usually made of plastic, which creates challenges in the recycling process as the recyclable cardboard is contaminated with plastic tape. Recently, Ahlstrom-Munksjö has introduced a fiber-based alternative to improve recycling. The new range has a high bio-based content and thus improves the circular flow of packaging materials.

Ahlstrom-Munksjö's new MasterTape™ Pack Green is designed for pressure-sensitive adhesive tapes and supports tape manufacturers in their transition to more sustainable fiber-based tape solutions, without compromising the performance of the finished tape products.

Ahlstrom-Munksjö encourages global e-commerce stakeholders to consider fiber-based and recyclable packaging tape alternatives instead of the plastic and non-renewable materials that are most common today.

YEAR IN BRIEF

Highlights 2021



New ownership structure

A new and concentrated ownership structure was created as a result of the successfully completed tender offer in February 2021. Together with the management, the owners started a process to accelerate the transformation and develop Ahlstrom-Munksjö to its full potential. During the year, we worked with the business model to create a clearer overview of the most important value drivers and opportunities. As part of this reassessment work, we have placed additional emphasis on important sustainability aspects in our business.

Agile operations

Manufacturing and customer service was uninterrupted, with the exception of a few temporary suspensions due to employee absence or delays caused by bottlenecks in the supply chain and availability of transport.



Two major investments

We decided on a major investment in a new glass fiber tissue production line in the U.S. to support the flooring industry in North America, and we concluded the agreement to acquire 60% of Chinese decor paper producer Minglian New Materials Technology Co.



Gold rating

Ahlstrom-Munksjö was awarded with EcoVadis Gold rating for the company's sustainability management and performance for a fifth consecutive year. This places Ahlstrom-Munksjö in the top 2% of suppliers assessed in the pulp, paper and paperboard manufacturing industry.

Supporting education and children

Through Ahlström Collective Impact we contributed in the investment of 600,000 euros to UNICEF's Global Education Program. For Ahlstrom-Munksjö, the collaboration is a way of contributing to change, promoting equality and improving child-related risk management processes in the company's supply chains.

Record EUR
3.1
billion sales

Both net sales of EUR 3.1 billion and comparable EBITDA of EUR 398 million were record high, driven by benefits of our transformation initiatives and improved business activity as the global economic recovery continued.

7%
reduction in the
incident rate

Continued improvement in total recordable incident rate means reduced risks and creates a healthier and safer work environment, and ultimately a positive effect on the financial performance as fewer accidents mean less absences and higher productivity.



Smart solutions

100% of new products in development were assessed with the EcoDesign Tool – a tool we developed to assess new products from a sustainability and product life-cycle perspective. 83% of the new products had a positive score, meaning their environmental impact is lower than a reference product's. Some of the materials contribute to the ongoing electrification, some to a circular society, while others protect us from viral and bacterial organisms.



We are well on our way to building a better company and I am convinced that we can fulfill our mission of sustainable and innovative fiber-based solutions.

YEAR IN BRIEF

CEO word

The year was marked by important changes in the company in an environment of a continued worldwide pandemic. A new ownership base was created in February 2021 as a result of the successfully completed tender offer.

Already in the beginning of the year, a higher level of performance was set as the top priority in the short term, and as part of this we initiated profit improvement projects in procurement and operations as well as measures to improve our commercial ability. We also challenged our business platform and examined the individual businesses at a more detailed level. As part of the process, we placed additional emphasis on important sustainability aspects and strengthened our capabilities through new recruitments. The purpose of all the efforts is to accelerate the transformation and develop the company to its full potential. The transformation entails active and ambitious measures which are easier to implement in a private setting, and hence the owners also applied for the delisting of the company's share.

Our majority owner Bain Capital has taken an active role in company steering. Bain is a world-class partner and has contributed with new structures and processes, as well as experience and resources with which we will further strengthen our skills in the businesses and strategic functions. We are focusing our efforts, and invest to stay at the forefront of technology and innovation, as well as continuously develop outstanding capabilities in selected areas to deliver true value for our customers.

Our owners appreciate Ahlstrom-Munksjö's position as a global leader in fiber-based solutions and has a strong belief in the company's future in a world with increasing expectations from its stakeholders for sustainability. In this context, it is above all our knowledge, technologies and our offering that make the difference. Our products are mainly made of renewable materials and through their functionality offer sustainability benefits that are of value to our customers and increase our ecological handprint.

Attitudes have sharpened in the society as the effects of climate change have increased. Larger measures will be required to combat the consequences and reverse the trend. The ongoing green transition sets

The ongoing green transition means new business conditions for us as an industrial player, while the environmental challenges can be overcome with our smart fiber-based solutions.

Transformation initiatives contributed to the record high net sales and comparable EBITDA.

new business conditions for us as an industrial player, while environmental challenges can be overcome with our smart fiber-based solutions. This strengthens our business opportunities and makes us more relevant in the society.

Our commitment to sustainability is firm and encompasses the entire value chain from responsible sourcing to the end-time impact of our products. In this area, our work was awarded the EcoVadis Gold rating for the fifth year in a row thanks to our performance in environmental impact, working methods, fair business practices and sustainable procurement. I am also pleased that our preventive measures to strengthen the corporate safety culture have once again yielded good results with a continued reduction in the number of recordable incidents. At Ahlstrom-Munksjö, we work towards a workplace without injuries. During the past year, we have prioritized the long-term strategic sustainability work, which in turn affected partly the progress of our planet related materialities. After all, we continue to strive to reduce our footprint and have more measures and plans underway.

As part of our work to strengthen selected areas in our business portfolio, we made two major strategic investment decisions. Our investment in a glass fiber tissue production line in the United States will support the North American flooring industry with our state-of-the-art technology. In addition, we completed the acquisition of a 60% stake in the Chinese decor paper manufacturer Minglian, thereby creating a global leader in decor paper with improved cost competitiveness and a strong presence in Europe, America and Asia.

In 2021, business activity remained on a good level across our businesses as the global economic recovery continued despite the resurgence of the pandemic. Net sales increased to a record level thanks to higher selling prices and delivery volumes. As a matter of fact, sales volumes in nearly all our businesses exceeded the pre-pandemic levels.

I'm particularly pleased with how well we succeeded in raising our selling prices and delivering on the transformation initiatives, which contributed to the record high comparable EBITDA. The favorable business environment also created bottlenecks in the supply chain of certain raw materials and the availability of transport. We managed these challenges however quite well and our manufacturing suffered only slightly.

Throughout the year, we responded to the development of the pandemic with changes to our safety protocol. We arranged on-site vaccination clinics and encouraged our employees to get vaccinated. Our agility and safety mindset supported us in keeping manufacturing running and customer service in normal order, with the exception of a few temporary suspensions caused by employees' absence in connection with quarantine or infections, or delays caused by bottlenecks in the supply chain and availability of transport. Admittedly, the arrival of Omicron aggravated the situation at the end of the year.

All in all, I thank our employees for the good teamwork and endurance you showed during the prolonged pandemic and our transformation projects, and for the good results and progress we have achieved together, as well as the continued trust from our stakeholders. Together, we are well on our way to building a better company and I am convinced that we can fulfill our mission of sustainable and innovative fiber-based solutions.

Hans Sohlström

President and CEO

The Company



Making indoor environments safer

Ahlstrom-Munksjö has extensive experience in fibers and is known for its solutions in a wide range of end uses, including high-performance filtration materials for liquid and air filtration.

Around the world, there is a growing demand for safe and healthy indoor environments, both in buildings and means of transport. People want to avoid the risk of construction related illness, and seek for protection against contaminants and bacteria as well as well-being from clean air. In response to the growing demand, the applications are being developed for shopping malls, theaters, airports, hospitals and schools and many more. There is also improvement of the air filtration through higher filtration efficiency, more frequent filter changes and renewals or new installations of ventilation systems.

In indoor environments where ventilation systems do not exist, take too long to install or are simply too expensive, air purifiers offer better air quality and additional protection. Recently Ahlstrom-Munksjö has established a partnership for the distribution of an innovative HEPA filtration solution. This solution has quickly met the requirements for increased protection in vehicles and buildings and makes indoor environments safer against Covid-19 as well as other viral and bacterial organisms.

THE COMPANY

This is Ahlstrom-Munksjö

Value through technology and knowhow

As a niche player in high performance fiber-based materials, we strive to deliver true customer value to ensure competitiveness and growth. We improve our existing products, design new solutions and explore emerging technologies, which facilitate a sustainable everyday life.

Identifying trends and driving product development at an ever-faster pace is increasingly important. It forms the core of our value creation. The green transition sets new business conditions for us as an industrial player, while environmental challenges can be overcome with our smart fiber-based solutions. This strengthens our business opportunities and makes us more relevant in the society.

Long-term customer collaboration in product development creates a basis for staying ahead of the competition. Our talented people have a central role in this work. They use the raw materials in an intelligent way and combine them with our know-how and advanced technology. For our employees we strive to provide safe and healthy work environments and nurture a culture where tomorrow's smart fiber-based solutions are created.

Plants and converting sites



45
plants and
converting sites
in 14 countries

8,000
employees

Sales EUR
3.1bn
- Europe 45%
- Americas 41%
- Asia 14%



What we do

- Fibers are at the core of what we do and the common denominator for our products and solutions
- Natural fibers represent about 96% of our total fiber use
- We offer custom-made specialized fiber-based materials
- Our value proposition is based on innovation, quality and service
- Our offering contributes to a more sustainable everyday life by providing renewable materials and solutions with sustainability benefits

Our approach

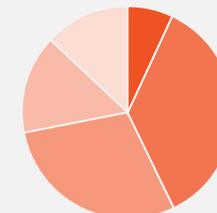
- Leading position in most of the segments where we operate
- Businesses operate in growing markets, serving a variety of consumer and industrial end-user segments
- Balanced geographical exposure to a broad range of end-uses
- Designed sustainable and innovative solutions based on customers' needs
- Common operating platform providing scale advantage

Key facts

- Global network of sales offices, 45 plants and converting sites in 14 countries
- Approximately 8,000 employees
- More than 6,000 customers in over 100 countries
- In 2021, pro forma net sales were approximately EUR 3.1 billion and comparable EBITDA EUR 398 million
- Head office in Helsinki

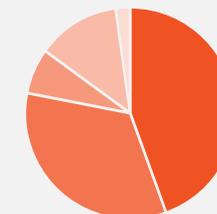
A BALANCED SALES MIX

BREAKDOWN OF SALES BY END USE %



- Health Care and Life Science, **7%**
- Food and Consumer Goods, **36%**
- Building and Furniture, **29%**
- Transportation, **15%**
- Industrial, **13%**

GEOGRAPHICAL SALES BREAKDOWN



- Europe **45%**
- North America **34%**
- South America **7%**
- Asia-Pacific **13%**
- Rest of the world **2%**

Smart solutions for a sustainable everyday life

KNOW-HOW, TECHNOLOGY AND PARTNERSHIP ARE AT THE CENTER OF OUR VALUE CREATION

Ahlstrom-Munksjö plays an important role in the value chain. As a producer of functional materials we create value by adding know-how and advanced technology to fibers that we ensure are responsibly sourced.

In close partnership with our customers we develop fiber-based solutions that often perform vital functions in the value chains and have a positive impact as part of the end product or solution.

With our product offering we facilitate a sustainable everyday life by providing solutions with better performance, safer materials, fewer resources and lower environmental impact. We deliver a clear value proposition for our customers that is based on innovation, quality and customized service. Our customers use our solutions in a large variety of everyday applications within a broad range of end-uses that are underpinned by fundamental business drivers in today's society.

RAW MATERIAL SUPPLIERS

Carefully chosen inputs

Fibers
Chemicals
Energy

Responsible sourcing

Fibers are at the core of everything we do

AHLSTROM-MUNKSJÖ

Smart solutions

Filter media
Packaging and processing papers
Medical fabrics and life science diagnostics
Decorative laminates
Tape and abrasive backings
Insulation papers
... and many more

Know-how & technology

We add value by combining fibers with our know-how and advanced technology

OUR CUSTOMERS

Applications & End-uses

Air and liquid filters
Food and beverage packaging
Labelling
Surgical drapes and gowns, laboratory filters
Furniture and homebuilding
Masking tape and sanding paper
Transformers and high voltage cables
... and many more

Share of sales

7% Health Care and Life Science
36% Food and Consumer Goods
29% Building and Furniture
15% Transportation
13% Industrial

Broad offering

Our customers use our solutions in a large variety of everyday applications

SOCIETY

Sustainable everyday life

Clean air and water
Alternative to single use plastics
E-commerce
Healthy and safe living
Urbanization
Electrification and renewable energy



Sustainability benefits

We facilitate a sustainable everyday life by providing solutions with better performance, safer materials, fewer resources, and a lower environmental impact



THE COMPANY

Trends in our environment

A steadily growing number of factors and trends are affecting and changing Ahlstrom-Munksjö's increasingly complex operating environment. These trends create both opportunities and challenges, some in the short-term and some in the long-term, and their impact varies from business to business.

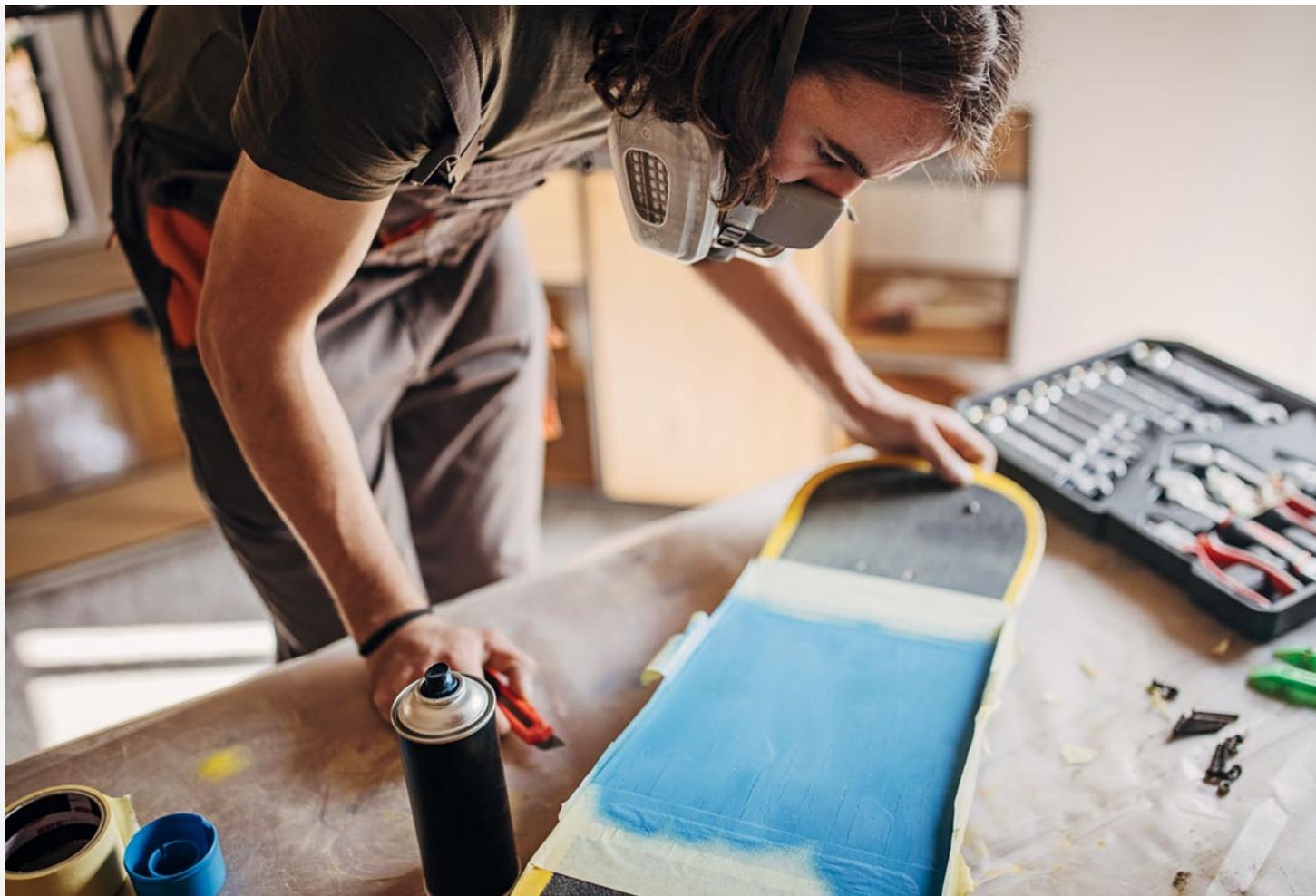
The accelerating pace of change demands readiness and the ability to adapt. In an effort to stay relevant, identifying the crucial factors and trends and then making the right priorities in product development and strategy is more important than ever.

Since Ahlstrom-Munksjö manages a broad platform of businesses and serves a wide range of end uses, it is not likely to be significantly affected at a Group level by individual factors or trends. These can however be of great importance for an individual business.

Ahlstrom-Munksjö designs and develops products and solutions that target selected niche markets. A common denominator is that they are fiber-based with a high degree of complexity and technical content. The main end-user customer segments include food and beverage processing and packaging, transportation, homebuilding and furniture and the health care and life science industries. The baseline for growth in our targeted markets is the general economic development with potential further upside from increased value of new products or expanded product end-uses.

To stay in tune with changing market conditions, we monitor several factors in the operating environment. Each business has its own commercial strategy, taking specific trends relevant to its unique market into account.

The coronavirus pandemic has disrupted consumers' lives and its length will probably be an important determinant on if and how our way of living will permanently change which in turn will affect future business opportunities. The pandemic has in any case led to major changes in household consumption. More time at home has reduced travelling, as well as hotel



stays, restaurant visits and various types of entertainment. At the same time, retail trade, furniture consumption, home renovation and certain durable goods have been positively affected. Local authorities continue with vaccination programs globally meanwhile the pandemic is entering a new phase. The vaccines seem to reduce symptoms and prevent serious illness, allowing the governments to ease on restrictions and keep the society open.

Even if the coronavirus crisis is unlikely to reverse the urbanization trend it might be slowed. The crises has emphasized the need of transformative measures to create environments that are more resilient and sustainable. A new kind of multi-locality has emerged, which will have an impact on people's lifestyles and well-being.

Digitalization has taken a leap forward. Businesses have provided collaborative applications already for years, while the "work from home" needs generated by the pandemic created a hyper-acceleration in adaptation.

Retail has been dramatically affected. Street businesses providing products and services on the spot were already in decline before the outbreak due to the rise of e-commerce. The pandemic has accelerated the trend of growing online and click-and-collect way of shopping.

The pandemic is also felt across the transportation sector. Focus has shifted from moving people to keeping core transportation system operational to ensure freight and key workers can travel. Commuting and travelling may take years to recover to their pre-pandemic level.

Already important priorities in consumers' lifestyles, health, hygiene and wellness have become increasingly meaningful,

and created higher demand for medical devices, protective medical fabrics, and diagnostics and screening tools as well as air-purifying filtration materials that are manufactured by Ahlstrom-Munksjö.

Sustainability and climate change

The shift towards a sustainable, mostly fossil-free and circular economy, is a megatrend which impacts and drives us forward on many levels. The desire to replace plastic and aluminum provides growing markets for products such as cooking and baking papers made from vegetable parchment as well as teabags and coffee pods made from compostable fiber materials. There is a growing trend of prohibiting the use of plastics for many uses such as shopping bags, disposable drinking straws and food packaging.

Our products often perform vital functions in value chains and have a positive impact as part of an end product or solution. Our high-end filtration solutions enable longer uptime for gas turbines and power plants and safer and cleaner indoor environment. Automotive filtration solutions significantly reduce the need for changing the filter, due to the product's durability and multilayer technology. Water filtration products using our proprietary technology can reduce the demand for bottled water by improving tap water and thus helping to achieve a significant positive end impact on the environment.

At the same time, Ahlstrom-Munksjö is part of a resource-intensive manufacturing industry and costs and availability of raw materials and energy impact our performance.

Potential scarcity of water, the need for sustainable forestry practices and the extensive use of chemicals in

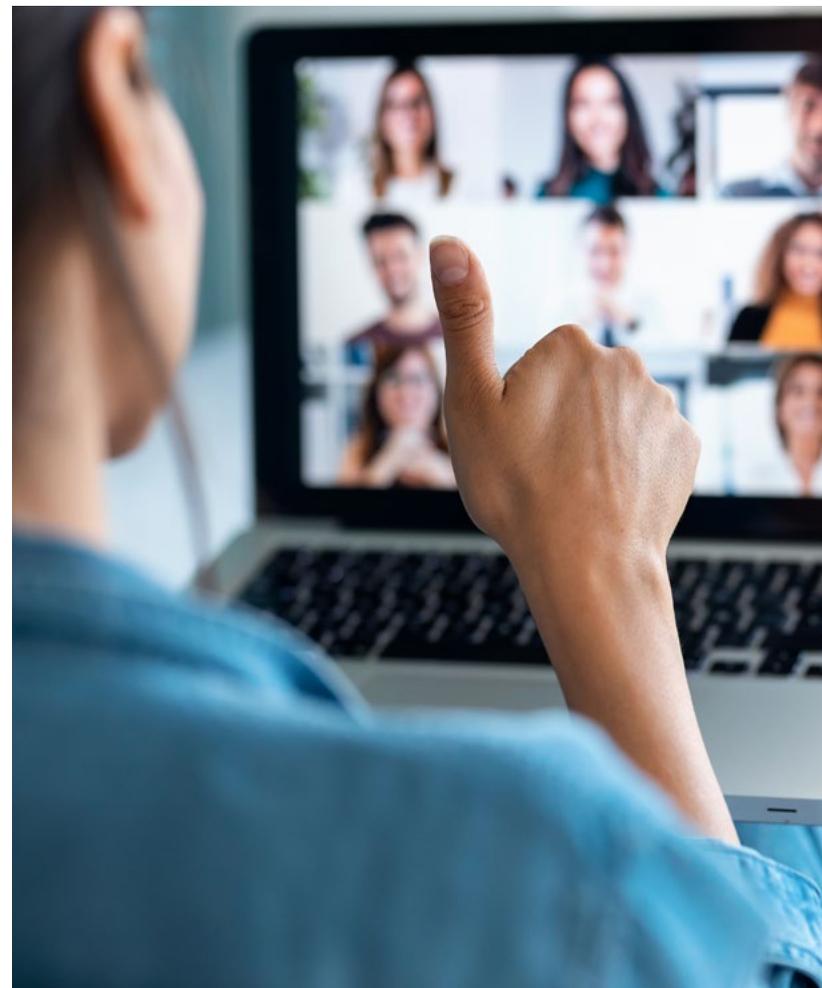
The crises has emphasized the need of transformative measures to create environments that are more resilient and sustainable.

our industry are all challenges we are addressing. Also, contributing to the Paris climate agreement requires an energy conversion. Water shortage may occur in densely populated areas and during periods of low rainfall. Sustainable forestry is crucial in combating climate change and provides numerous ecosystem services.

The issue of chemicals keeps growing in prominence as consumers and brand owners are looking for reduction or elimination of harmful chemicals and increased supply chain transparency. In many cases, this provides opportunities as advanced technology and demanding product features work to our advantage. Our offering includes, for example, paper solutions free from formaldehyde and fluorinated resins.

Demographics and urbanization

Today, 56% of the world's population lives in urban areas, a proportion that is expected to increase to 68% by 2050. Projections show that urbanization, the gradual shift in residence of the human population from rural to urban areas, combined with the overall growth of the world's population could add another 2.5 billion people to urban areas by 2050, with close to 90% of this increase taking place in Asia and Africa, according to United Nations data. This means a





The electrification of mobility is picking up momentum and impacting the transportation industry, one of our larger customer segments.

growing competition for resources and an increase in demand for consumer goods as general affluence rises. This demand will have to be met with truly sustainable products.

Accelerating urbanization, for example, greatly impacts the construction and furniture industries as lighter, more affordable and sustainable products are demanded and needed.

Globalization

Increased global interaction and integration among people, companies and economies worldwide drive growth of international trade and the exchange of ideas and culture. Strong global economic growth has increased purchasing power in large parts of the population and given rise to a quickly expanding global middle class. This reinforces consumption and demand for consumer goods that before were out of reach for large parts of the population in emerging economies. At the same time the business landscape has changed radically with intensified industrial competition and companies from China and other developing markets taking a larger share of the market.

Digitalization, electrification and automation

Digitalization, driven by information and communication technologies, is fundamentally changing economies, business and even societies. There is uncertainty about how this will affect jobs and wages as well as consumer preferences. It drives E-commerce and packaging, as well as product marking and labelling. It is instrumental in increasing transparency and facilitates a rapid spread of the latest trends and preferences as well as a sharper sustainability focus worldwide. For the manufacturing industry, it also provides resource optimization opportunities.

The electrification of mobility is picking up momentum and impacts one of our larger customer segments - the transportation industry - where new types of filters are needed for applications like battery cooling and air filtration. This transformation together with the increase in renewable energy production and need for energy storage applications also have ramifications for the power grid infrastructure where also our products play an important role.

Even if the coronavirus crisis is unlikely to reverse the urbanization trend it might be slowed.

Reducing air pollution and CO₂ emissions

The transportation industry is witnessing rapid electrification, driven by the global need to reduce air pollution and CO₂ emissions. As the charging infrastructure expands and offers fast, reliable and convenient charging, a rapid conversion to electric vehicles is expected. Major car manufacturers are targeting electric vehicles to represent a significant share of their new offering in the coming years, while some even plan to discontinue manufacturing combustion engine driven cars by next decade. Currently battery electric vehicles represent the majority of electric vehicles, while fuel cell is another mobility alternative that is growing in importance, especially among medium and heavy-duty vehicles.

Demand for energy storage is expected also to grow significantly in the coming years, driven by vehicle electrification, a shift towards renewable energy, increasing demand for stationary applications and effective electricity supply chain management. Batteries are key devices in storing energy and thus crucial enablers in reducing carbon dioxide emission. Therefore, global demand for batteries is expected to grow rapidly over the coming years, making the batteries market segment a strategic pillar of the global energy market.

Thanks to its in-depth knowledge in cellulose, glass microfibers and specialty nonwoven materials, Ahlstrom-Munksjö has developed filtration solutions for all electric and fuel cell vehicles, as well as energy storage applications.

Business



Grease resistance without fluorochemicals

Fluorochemicals have traditionally been used in the paper industry to give paper grease resistance properties - a important requirement for many types of food packaging materials.

Ahlstrom-Munksjö has a long history of manufacturing grease-resistant papers and based on its proprietary FluoroFree® technology, the company has developed paper solutions that provide outstanding grease resistance without the use of fluorochemicals for a broad range of food packaging applications, each with a number of other requirements.

Recently Ahlstrom-Munksjö introduced Servera®Ultra for food packaging manufacturers and brand owners in the quick service restaurant market. This innovative food packaging solution provides grease and water resistance in addition to heat retention without the use of fluorochemicals.

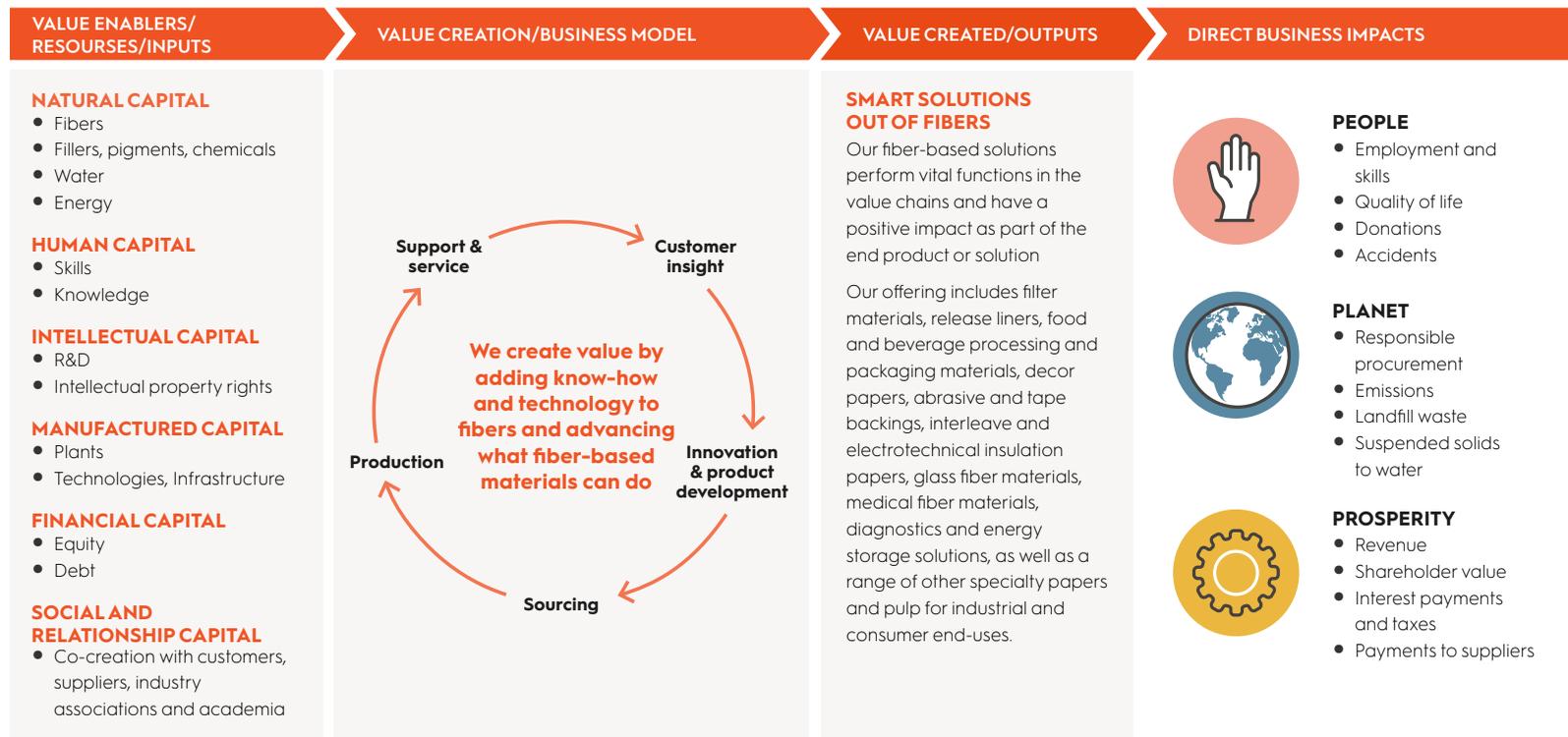
BUSINESS

Value creation

Ahlstrom-Munksjö's ambition is to create value for all stakeholders – customers, investors, employees and communities. By engaging the resources, we have available in the most efficient and sustainable way possible, we create solutions and products that deliver true value to our customers and the society.

At the center stand Ahlstrom-Munksjö's dedicated and skilled people that make intelligent use of the raw materials we use, combining them with our know-how and experience and extensive and agile manufacturing platform. A constant and relentless pursue of improvement and innovation allows us to push the boundaries for what fibers can do and how they can be employed in new innovative products to meet new customer needs and demands.

VALUE CREATION – OUR VALUE CHAIN





Natural Capital

Ahlstrom-Munksjö is a resource-intensive industry and has therefore a particular responsibility to enhance environmental performance throughout its operations and supply chains.

We strive for continuous improvement in several areas, including minimizing the environmental impact of the supply chain, making efficient and innovative use of raw materials and reducing energy and water use, as well as waste and carbon dioxide emissions linked to our manufacturing footprint.

Responsible management of raw materials is of considerable importance for the company's profitability given its meaningful share of total costs. The price volatility of the raw materials can have a short-term impact on profitability, while a careful selection of raw materials used is of greater importance in the longer term.

Our key operating criteria for the management of our raw materials are competitive total cost of ownership, security of supply, category management as well as governance and compliance. Procurement is managed in accordance with the daily requirements and aligned with the company's strategy, while in the long term, it strives for a sustainable competitive advantage for the business.

As the immediate phase of the pandemic subsided and the restrictions have been gradually lifted, economies have recovered sharply globally. Consumers have shifted household spending because of increased work at home, less traveling, increased distancing, and made large purchases with savings accumulated

during the pandemic. At the same time, entire industries have not been able to respond quickly to demand, creating shortages in labor and in the supply of inputs and transport.

Despite our broad offering and extensive global operating platform, we have managed this quite well and our manufacturing has suffered only slightly in 2021. The favorable demand environment also caused significant cost increases in many of our important inputs, but these we have offset by raising our selling prices.

Supply chain

Ahlstrom-Munksjö uses a wide range of raw materials and energy in its global operations and is committed to ensuring that raw materials are responsibly sourced. The company strives to make the supply chain as sustainable as possible and with lowest achievable environmental impact given the current technological and economic circumstances. In this context, sustainability also includes sourcing in the most cost-efficient way to secure the company's long-term financial health and prosperity.

Ahlstrom-Munksjö works with a large number of suppliers to ensure the high quality and diverse inputs needed to create its portfolio of fiber-based solutions. The largest procurement categories are managed globally, and we strive to increase the regional procurement. Centrally managed activities create conditions for better service and lower costs. Fewer suppliers imply less administration and allow improved compliance.

The most important raw materials include fibers, particularly wood pulp, manmade fibers, chemicals, water, and energy used in the production process. The company also uses indirect suppliers, such as utilities, transportation services, and equipment providers.

To deliver its customers truly sustainable solutions, Ahlstrom-Munksjö expects also its suppliers to uphold high standards for ethical and socially and environmentally responsible business practices and that they work toward similar sustainability targets as the company. Sound procurement practices also mitigate business risks for the company, our customers, and our investors.

Ahlstrom-Munksjö employs a rigorous vetting and evaluation process for all types of suppliers to ensure that they meet the required standards. Suppliers are evaluated across eight sets of parameters including production and financial risks, logistical risks as well as Corporate Social Responsibility parameters. The framework is defined by Ahlstrom-Munksjö's Supplier Code of Conduct which establishes clear, non-negotiable minimum requirements related to legal compliance, human rights and the prevention of child labor, health and safety, responsible business practices, environmental impacts, and transparency. Ahlstrom-Munksjö maintains a regular dialogue with suppliers as well as systems for risk assessment and conducts field audits. The company has established targets to track its progress in this area.

Ahlstrom-Munksjö expects that all suppliers are signatories of its Supplier Code of Conduct or considered compliant. At the end of 2021, 93% (97) of fiber suppliers, 91% (96) of chemical suppliers, 59% (60) of the energy suppliers and 34%

(39) of the indirect suppliers had signed the Supplier Code of Conduct or were considered compliant. At the end of 2021, 85% of raw material costs, corresponding to approximately 160 suppliers, were evaluated through supplier risk assessment.

The target for the 2021 to 2025 period is that a Corporate Social Responsibility audit has been carried out at all those suppliers that are considered high risk. Typically, heightened risk is associated with certain geographies or that there is a lack of transparency.

Thanks to determined supplier development work we succeeded in improving the conditions and reducing the risk level at three suppliers that had been considered high risk based on important criteria for Corporate Social Responsibility. One audit was carried out in 2021, and at year end four high risk suppliers remained to be audited.

The company is currently in the process of updating its expectations towards suppliers and in this process CO₂ emissions have been identified as one of the key parameters.

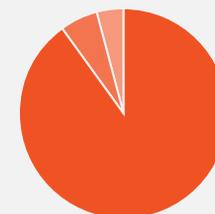
Fibers and chemicals

Ahlstrom-Munksjö is using fiber-based raw materials to deliver excellent product performance tailored to specific applications for which Ahlstrom-Munksjö is renowned.

In the forest fiber supply chain Ahlstrom-Munksjö has policies in place to ensure sustainable forest management and fiber production practices.

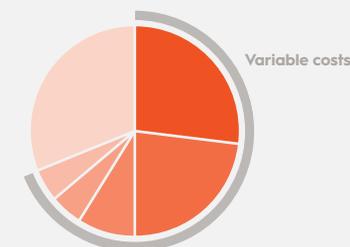
The basic premise is that all forest fiber-based raw materials are purchased as certified or as a minimum controlled wood for sustainable forest management. Ahlstrom-Munksjö carries out an annual due diligence system

FIBERS USED IN AHLSTROM-MUNKSJÖ'S SMART SOLUTIONS



■ Pulp, **90%**
 ■ Other renewable fibers, **6%**
 ■ Synthetic fibers, **4%**

OPERATING COSTS, 2021



■ Fibers, **27%**
 ■ Other raw materials, **23%**
 ■ Energy, **9%**
 ■ Transportation, **5%**
 ■ Other variable, **5%**
 ■ Fixed costs, **31%**

to ensure the compliance with the regulations. The system is audited by third party and complies with the requirements of SGS wood legality assessment, which covers main legislations; EU Timber Regulation (EUTR), US Lacey Act and the Australian Illegal Prohibition Regulation. In addition, our plants have third party audited Chain of Custody certificates FSCTM, PEFACTM and SFITM. All certifications can be found from Ahlstrom-Munksjö webpages. In 2021, renewable fibers constituted 96% (95) of the total fiber volume.

Man-made fibers and various coatings make up a smaller portion in terms of volume for Ahlstrom-Munksjö, but they play a vital and integral part in many of our products. Man-made fibers are sometimes required for products to achieve the performance needed by customers. In many cases they contribute to the efficiency and lifespan of the end product and help reduce the environmental impact of the end product.

Part of the man-made fibers include plastics. There is a need to shift away from single-use plastics and to replace fossil-based plastics as far as possible and Ahlstrom-Munksjö plays a role in this pursuit by finding solutions to compostable and bio-degradable materials.

Besides fibers, chemicals are a large raw material category used by Ahlstrom-Munksjö. They are used in the production to deliver functionality and performance. Regulations on chemicals are being monitored in all business to move towards applications which are sustainable. These efforts are driven both centrally in our R&D function and in our businesses in close cooperation with suppliers and customers. In many instances Ahlstrom-Munksjö reacts in advance of regulations and standards coming into force.

Energy, water, and waste

In addition to raw materials, Ahlstrom-Munksjö's manufacturing facilities use energy and water in the production of sustainable fiber-based solutions. Through operational efficiency and continuous improvement activities, the company strives to reduce energy consumption and the amount of waste. Local permits and regulations set the limits for emissions, noise and other impacts on the environment.

Energy and CO₂ emissions

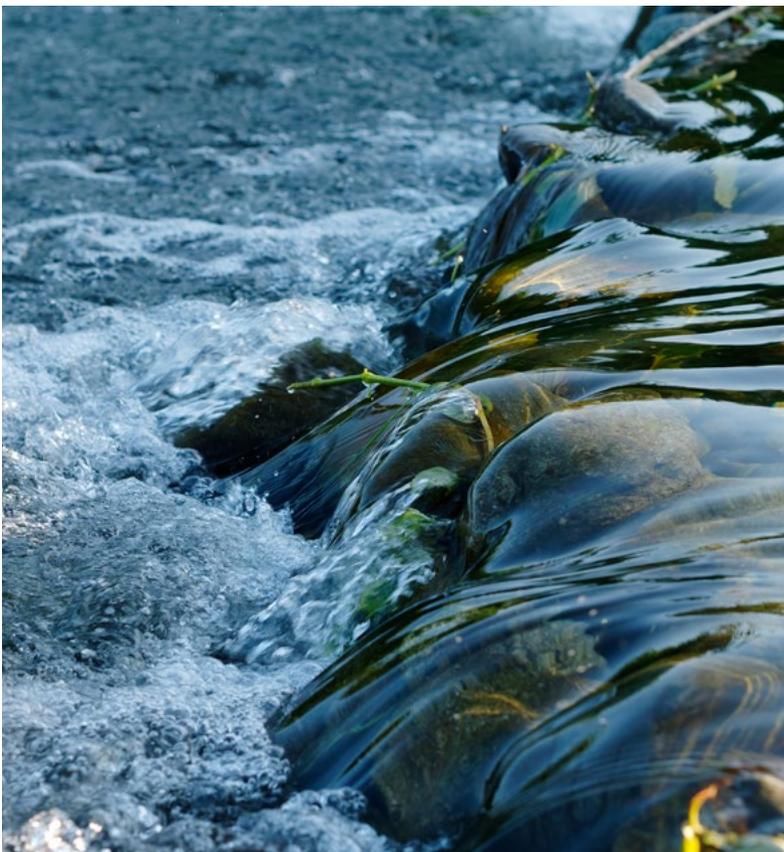
Ahlstrom-Munksjö uses a wide range of energy sources and energy is the primary source for the company's CO₂ emissions. Approximately two thirds of the company's energy consumption is based on fossil fuels and one third on renewable sources. Of the total energy consumption, about one third is generated on-site, while the remaining two thirds are purchased externally. Fuels used include fossil such as natural gas, lignite and coal, and renewable fuels like bark and black liquor. Electricity is sourced primarily from external suppliers, but it is also generated internally in some manufacturing sites. The company responds proactively to an evolving regulatory environment, particularly in the European Union where many of our production sites are based.

Based on a study done in 2020 on energy use and efficiency, and an Environmental, Social & Governance diagnostic in 2021 with more than 300 initiatives, a roadmap to reducing CO₂ emissions has been designed. Key components in the plan are to replace the use of coal with natural gas and biomass and increase the use of renewable energy and other low-carbon energy sources. The plan is progressing at the



In 2021, renewable fibers were 96% (95) of the total fiber volume.

A roadmap to reducing CO₂ emissions has been designed.



same time as further analyzes have been carried out, partly due to reassessment of the business platform and the ongoing strategy work.

The company has established a target to track its progress in this area. The target for the 2021 to 2025 period is to reduce CO₂ Scope 1 and Scope 2 emissions by at least 15%. In 2021, the Scope 1 emissions were 1,459 (1,338) thousand tons and Scope 2 carbon dioxide emissions were 571 (603) thousand tons. More than half of the increase in Scope 1 emissions comes from the integrated mills in the U.S., where scheduled maintenance downtime in the pulp mills deteriorated the energy balance on the site and paper mills had to rely on a larger proportion of coal as a fuel. The growth in product manufacturing also contributed to the increase in Scope 1 emissions. The reduction in Scope 2 emissions is a result of increased purchases of renewable electricity. Scope 1 and 2 emissions per ton of net saleable product remained stable at 1.18 (1.20).

Ahlstrom-Munksjö also strives for a continuous reduction in energy use per gross ton production. In 2021, total energy use in millions GJ was 43.3 (41.9). Energy consumption per ton of net saleable product decreased by 3.0% to 25.2 GJ/ton (25.9). The improvement is a result of efficiency measures and the growth in product manufacturing.

WATER

Ensuring the access to clean water for people and business, and a minimum impact from our operations to the surrounding environment and biodiversity are in key role on Ahlstrom-Munksjö's sustainability agenda.

Ahlstrom-Munksjö operates mainly in places that have good access to water resources, but also in some locations with potential water shortages. To mitigate the water shortage risk, the company has set as a target to have water management plans in place for all plants in water stressed areas by end of 2025.

Ahlstrom-Munksjö strives for a continuous reduction in water use per gross ton production. Water use in cubic meters per ton of net saleable product increased in 2021 by 2.1% to 69.5 cubic meter per ton (68.1). Total water use in million cubic meters increased to 119.5 (110.0), reflecting growth in product manufacturing.

WASTE

Waste is an outcome of manufacturing products. Some waste is recoverable and used for recycling, but some amounts of waste are non-recoverable or non-recyclable waste.

Currently in Ahlstrom-Munksjö we have two sites with zero waste to landfill, while certain locations have landfilled materials such as green liquor, ash or sludge. At our locations, studies and collaboration activities continue to find alternatives for landfilled waste.

We strive to reduce waste to landfill. Waste (hazardous non-recoverable) per ton of net saleable product increased by 6.4% in 2021 to 7.3% per ton (6.9). In 2021, a total of 125,986 tons of waste was generated, compared with 111,283 tons in 2020. The increase was due to higher product manufacturing, as well as increased ash at the integrated plants in the USA due to the larger share of coal power production. Disruptions in a sludge press also increased the non-recyclable proportion of waste.



Human Capital

At the center of Ahlstrom-Munksjö's value creation are our skilled and dedicated people who combine their expertise with our technology and raw materials to create value-added solutions for our customers. We aim to provide safe and healthy work environments that are free from discrimination, and full of opportunities to learn, develop and grow – all of which contribute to the well-being of our employees. Ahlstrom-Munksjö's continued progress in these areas is essential to our long-term success in attracting and retaining talent with the right mindset to create smart fiber-based solutions.

Continuous learning culture drives performance development

The company provides on-the-job training, as well as development programs within leadership and other strategic competence areas. Through these efforts, Ahlstrom-Munksjö can meet evolving challenges and build valuable human capital across teams to achieve greater results within and beyond Ahlstrom-Munksjö. The Human Resources team leads the people development and tracks the progress towards targets in this area.

In 2021 we continued to develop our company-wide LearningHub that can be accessed anywhere and anytime by our employees. More than 70 courses and webinars were added in 2021 and over 10 000 courses were completed. Currently LearningHub is available mostly to our office employees, but by the end of 2022 it will be extended to all our

KEY PEOPLE STATISTICS 2021

About 8,000 employees

We are truly a global and diverse company

14 countries

Our 45 locations are based across the globe

18%

of our workforce are women

55 nationalities

Our people come from all walks of life

3% of office employees were promoted during the year

We value the knowledge and experience of our people

Employee engagement score 7.2 out of 10

Reflecting the challenges of COVID-19 and our ongoing transformation



plant workers. This will improve the way we deliver effective and timely training. In 2021 our sales development program WIN was launched. A total of 5 000 hours of learning were delivered throughout the program.

At Ahlstrom-Munksjö, we represent a diverse group of professionals across the 14 countries we operate in. Although we use local languages in our daily work, in our global environment the common business language is English. To overcome some of the language barriers existing in our

local communities, we continue to provide all employees the opportunity to study English in the world's largest virtual school. The school and teachers were available anywhere, anytime – even via smart phones. Over 200 employees studied English in 2021. English language tests and courses have been used also in our JUMP leadership development program for early talents.

Focus on employee well-being

Employee well-being progress is measured by the Employee Engagement Index and by tracking what percentage of employees have had a performance and development discussion with their manager in the past year. The Employee Engagement Index was established and measured during our 2020 employee survey, setting a baseline at 8. The target was set at 8 through year 2025. In 2021, the Employee Engagement Index was 7.2. With the help of the survey we were able to identify strengths such our culture, safety conscious way of working, teamwork and social wellbeing. Areas in which Ahlstrom-Munksjö has the opportunity to improve are workload-related factors, especially for office employees and the recognition of employee performance. Multiple transformation projects have likely contributed to a higher workload and affected employees' motivation and engagement. Also, people did not fully see the targets or the benefits of the ongoing transformation, which is something to expect at this point. Results are discussed in all teams and development will be followed up with Pulse surveys throughout 2022.

Our strengths are our culture, teamwork, and safety conscious way of working.

25%
of our top leaders are women and our goal is to increase this proportion every year.

Leadership development

Due to the COVID-19 travel restrictions and our efforts to improve and develop, our leadership programs have morphed into blended learning experiences. After multiple virtual sessions, our young professionals in the JUMP program were able to conclude their learning journey in Noormarkku, Finland. The week-long get together achieved a top review. Also, our executive development program, LEAD, was able to conclude the program in Helsinki, Finland. Even though many participants appreciated the convenience of virtual learning, the physical gathering with colleagues topped the experience.

The importance of inclusive leadership is about making sure diverse thinking is respected and managed to achieve better decision-making. It is also about being transparent, keeping everyone informed and ensuring that our employees can perform at their best and know what is expected of them for the company to deliver on its strategy. Our leaders play a key role in creating a culture of success, while enabling a good work life balance.

During 2021, we paid even more attention to our gender diversity within our leadership programs and launched a new mentoring program, NICE (Nurturing, Inclusive, Collaborative, Equal), for selected female employees. Through NICE, Ahlstrom-Munksjö strives to support women's career opportunities and provide mechanisms for managing work in a male-dominated work environment as ours. The program was well received, and we plan to expand it to other employee groups in 2022. 25% of our top leaders are women and our goal is to increase this proportion every year.

Mentoring continues to be integrated within our leadership development programs and is vital to its overall goals and



purpose. During 2021, we also participated in the Ahlström Capital network's mentoring program by offering our people development expertise, mentors, and mentees.

To bolster wellbeing, and knowledge sharing among all our leaders, our regular communication channels a monthly Leadership Matters newsletter and an intranet page for line managers called "Manager's Toolbox" were utilized. We also supported our line managers with a low threshold mental wellbeing program, where each manager could receive 5 sessions with a certified therapist or psychologist. Due to the popularity of the program, it was extended to all employees during the fall. In addition, we continued popular mindfulness program supporting self-leadership and wellbeing.

Our ambition is to have applicants of the underrepresented gender among final candidates in both internal and external recruitments.

Diversity is key to our success

Diversity is one of our culture cornerstones and we consider it valuable to our success. With 55 nationalities, operating in 45 locations in 14 countries, we have a unique resource with different backgrounds to build on. Our employees shall come to work knowing that they are valued and accepted – regardless of who they are or where they come from.

Our employees value a company culture that celebrates diversity and inclusion – and this is what future employees also look for. By encouraging diversity, we create a culture where everyone can be themselves and share their unique experience, knowledge and views for the benefit of the whole company. Our cultural cornerstones and leadership principles guide us in building a culture, where diversity and inclusion are part of our identity.

In addition to preventing discrimination based on gender, in accordance with our Human Rights activities, Ahlstrom-Munksjö is working to proactively ensure equal opportunities for all employees and applicants.

In our work to identify talent, we have ensured that gender equality is respected. Moving forward, the company will continue to proactively support gender equality in the workplace. The ambition is to always have applicants of the underrepresented gender among final candidates in both internal and external recruitments and narrow any gender gaps.

We aim to narrow the gender gap in the overall workforce, as well as increase the amount of female line managers. Gender diversity is considered during recruiting, hiring and promotion.



We have also established targets to track gender representation in managerial roles, to increase female managers to 30% by 2025. In 2021, 18% (18%) of employees and 21% (21%) of managers were female.

Cultural cornerstones guide our way of working –

- We build on sustainability, including safety, in everything we do
- We are an innovative leader in fiber-based solutions
- We are customer centric and we have a result-oriented way of working
- We are one team, one family with roots
- We operate with trust
- We are a truly global and diverse company

DIVERSITY STATISTICS**22%**

of total hires were female in 2021 compared to 24% in 2020

246

women hired in 2021

21%

of our managers are female

Giving our employees a voice

Conducting surveys at a global and local level provides our employees and leaders with a specific channel to express their views, confidentially. Survey results are crucial to supporting how we operate, providing leaders and teams with insights into areas that are good or need improvement. If our people are happy and engaged, then our customers will be more satisfied – ultimately leading to a better company performance. During 2021, we conducted multiple transformation related pulse surveys in addition to our annual company-wide employee survey. These pulse surveys were important in understanding the level of motivation of our employees, their insight into the benefits of transformation and whether they have sufficient information about transformation initiatives that are relevant to them.

Safety is our mindset

Ahlstrom-Munksjö works towards a zero-injury workplace by setting ambitious targets for continuous improvement and developing consistent safety practices and competencies at every level. We also strive to create a safety culture for all employees, contractors, and visitors at our sites that builds on local responsibility and accountability. The main element of our health and safety strategy is to work actively with our preventative measures to further strengthen the corporate safety culture.

Achieving our common safety key performance indicators assures all our stakeholders that we are continually reducing risks and creating a healthier and safer work environment. Continuous improvement also has a positive effect on

financial performance as fewer accidents means fewer absences, better housekeeping, higher productivity, and no unwanted stoppages. We have also continued implementing ISO45001:2018 safety management system in production sites, and 95% are now certified.

In Ahlstrom-Munksjö we believe that getting everyone involved in any activity within safety, creates a culture that seeks to identify and control hazards, which over time will reduce risks and the potential for harm, and ultimately affects greatly a positive safety mindset. We believe that zero accidents are possible, and this is our long-term aspiration.

To measure our progress in the complete area of safety, Ahlstrom-Munksjö tracks two priority metrics: Total Recordable Incidents Rate (TRIR), and employee safety participation. The main lagging indicator is the TRIR where a baseline of 2.2 was established in 2017. In 2021, the TRIR decreased by 7% to 1.31 (1.42 in 2020). The TRIR target for the 2021 to 2025 period is 1.0. The target for employee safety participation this year were to get an 80% participation across all employees, and we exceeded this target and ended up with 87%, 12% higher than 2020.

We have continually modified and responded to the COVID-19 crisis throughout 2021 with changes in our Pandemic COVID-19 Safety Protocol. This has demonstrated our strength, agility, safety mindset and kept our operations uninterrupted.

Diverse and smart work

Ahlstrom-Munksjö aims to be a flexible employer, which is why we introduced a global smart and diverse working guideline to all employees in 2020. In 2021, we localized the guideline to

80%

Estimated COVID-19 vaccination rate on group level

87%

Of employees actively participated in health and safety preventative activities

95%

Of our plants hold an accredited safety management systems certification.

7%

Decrease in total recordable injuries

DEVELOPMENT OF TRI* AND TRIR



* TRI: Sum of all recorded occupational accidents for own employees; lost time accidents, occupational diseases, light duty cases, and other recordable incidents. Total Recordable Incidents Rate (TRIR); (TRI/Total hours worked) x 200,000.

all our countries. Bringing an innovative mindset into the way we work and operate on a day-to-day basis is essential and the ability to positively influence the work-life balance builds motivation and creates engagement among our people.

Culture Ambassadors network of 70+ employees meet up in virtual coffee sessions to discuss and share topical matters regarding the way we work together. This year the focus has been in channeling the feedback related to the transformation.

Respect for human rights

Ahlstrom-Munksjö is highly committed to respecting fundamental human rights in all its activities and expects the same from suppliers. Human rights violations in the supply chain is considered a larger risk than in Ahlstrom-Munksjö's own operations.

As laid out in the company Code of Conduct, this means for example that all employees must be treated with respect and given equal opportunities for personal growth and professional development regardless of their gender, age, race, ethnicity, disabilities, nationality, sexual orientation, religious beliefs, political affiliations, marital or economic status, or position within the company.

Mitigating risks of violations in human rights along the supply chain such as poor employment and working conditions can also counteract negative impacts to sustainable development at large and minimize reputational risks.

Ahlstrom-Munksjö also supports the United Nations Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles



It is my duty and moral responsibility as an Ahlstrom-Munksjö leader to ensure a safe work environment for our employees. The key elements of a safe work environment – compliance with disciplined processes, good team work and engaged leadership available to our employees – are the same elements that help us to develop an attractive and balanced workplace and a strong, sustainable performance.

– Tomas Wulkan,
EVP Decor Solutions business area

and Rights at Work, the OECD Guidelines for Multinational Enterprises, and the UN Global Compact. This commits to eradicating child labor and forced labor anywhere in the supply chain and recognizing employees' right to freedom of association and collective bargaining.

Compliance with Human Rights issues in the operations is governed by Ahlstrom-Munksjö's Code of Conduct and in the supply chain by the Supplier Code of Conduct. Ahlstrom-Munksjö has an externally hosted system, SpeakUp, where employees can report violations confidentially.

PREVENTATIVE ACTIVITIES

Ahlstrom-Munksjö's 10 Leading Indicators

- We Report Hazard and Near Misses
- We Measure Rolling Near Miss Corrective Actions %
- We Conduct Safety Inspections
- We Analyze Incidents & Share Actively Our Learning
- We Continually Improve Through Active Sharing Of Best Practices
- We Perform Behaviour Based Safety Interactions
- We Measure Employee Safety Participation %
- We Measure Contractors Safety Training Hours
- We Measure Employees Safety Training Hours
- We Measure Actions Closed From Annual Safety Audit

Reports of violations may also be made by third parties to a dedicated and confidential mailbox at codeviolation@ahlstrom-munksjo.com. Our management approach is to focus on full legal compliance and investigate and resolve any reports of potential violations in a thorough and timely manner.

In order to make sure that all our employees are both aware of and understand Ahlstrom-Munksjö's Code of Conduct, they are expected to complete the Code of Conduct course which needs to be renewed biennially and is part of our introduction package for new hires. To date 80% of all employees of the Ahlstrom-Munksjö Group have completed the course. The decrease in the completion rate compared to the prior year, is mostly contributed to the fact that classroom trainings were not offered due to the Covid-19 pandemic restrictions on our plants.

Responsible business practices

Ahlstrom-Munksjö is committed to conducting its business ethically and responsibly in local and global communities. Adhering to ethical business practices is a fundamental principle for the company's work across the globe. To foster this the company has a compliance program in place which is led by the company's Chief Compliance Officer who reports to the Audit Committee. Ahlstrom-Munksjö's Code of Conduct provides the expectations for integrity and ethical behavior throughout the operations, including compliance with all appropriate national and international laws and regulations.

During 2021 Ahlstrom-Munksjö conducted a series of anti-bribery and corruption risk assessments on its global

Our health and safety strategy is to work actively with our 10 preventative measures in order to strengthen the safety culture.

operations. During this year the company has also enhanced its trade compliance program to address and mitigate third party compliance risks, which will continue in 2022. The company has many policies and other lower level guidelines to provide further instructions in relation to specific topics such as anti-bribery, trade compliance, competition compliance as well as data protection. The policies are communicated throughout the organization, and online training is provided to employees in accordance with a yearly training plan. 90.2% of office employees have taken the eLearning on Data Protection and 80% have completed Code of Conduct training, as mentioned previously. Additionally, in 2021, the company launched a training on Business Ethics for all new office employees.

The company promotes a culture of open reporting on ethical issues and concerns. Any unethical or unlawful activity can be reported internally to a manager, or the Human Resources or Legal department. Employees can also report any unethical or unlawful activity using an externally hosted SpeakUp whistleblowing system via phone or web-service 24/7. Our employees are encouraged to raise their good faith concerns through these different channels without fear of retaliation. All reports are reviewed, and investigation and corrective actions are taken as necessary.

Intellectual Capital



As a producer of functional materials, innovation and product development are the core of value creation. Innovation enables Ahlstrom-Munksjö to constantly improve its offering of products, services, applications, and solutions that address sustainable functionality and design. We place emphasis on important sustainability aspects because the green transition sets new business conditions and environmental challenges which we can meet with smart fiber-based solutions.

A strong innovation platform allows Ahlstrom-Munksjö to select lower impact materials and additives, improve production processes and empower customers to create more sustainable solutions. This generates benefits within and beyond Ahlstrom-Munksjö. While we work continuously to reduce the footprint of our operations and throughout our supply chain, great potential lies in the positive effects we achieve when our materials and solutions are used by our customers - our handprint.

In addition to our technical knowhow, we choose renewable materials wherever they can deliver the high product performance demanded in the specific applications. Man-made fibers and various coatings make up a smaller portion in terms of volume, but they play an important and integrated role in many of our products. These are sometimes required for products to achieve the performance that customers need for specific applications. In many cases,

our solutions contribute to the end product's efficiency and lifespan and help reduce the environmental impact of the final product.

Product development driven by the businesses

Ahlstrom-Munksjö has extensive research and development capabilities in each business. Product development in the businesses is carried out at the various plants and in collaboration with customers. We also work with suppliers, authorities and other stakeholders to further improve the solutions. The company operates also a research center at two French sites in Pont-Evêque and Apprieu. The research center employing about 70 people works in close cooperation with the businesses and provides centralized services, and develops new products and next generation technology platforms.

Company-wide research and development work is governed by a steering committee chaired by the Executive Vice President, Innovation, Sustainability and Commercial Excellence and composed by key representatives from business areas, centralized R&D and Intellectual Property function. In addition, marketing, sales and customer service organizations support the R&D process by identifying areas where development needs to be prioritized or quality improved, or where customers are looking for new applications.

In 2021, 100% of new products in development were assessed with the tool, and 83% of the new products had a positive score.

Designing new solutions with EcoDesign Tool

Ahlstrom-Munksjö uses an in-house EcoDesign tool to evaluate and assess new products from a sustainability perspective. The principle of the tool is that new products should provide a more sustainable solution than the existing products. This is achieved by evaluating the performance of the potential new product against a set of criteria and by comparison with an existing product.

Four aspects are considered for a sustainable design. First, where possible, lower-impact materials, such as renewable, recycled, recyclable, or biodegradable materials that have improved end-of-life outcomes in terms of sustainability are selected. Second, focus on responsible chemical use, including reducing or eliminating hazardous chemicals wherever possible. Third, seeking process efficiencies to make good use of raw materials, water, and energy. Finally, design for product efficiencies, including sustainability performance for customers all along the value chain and end of life disposal.

Ahlstrom-Munksjö customizes a large part of products and solutions according to desires and needs from customers. The EcoDesign Tool is a useful instrument in those discussions as it communicates in an effective way our effort and commitment to provide them fully featured products with the lowest possible environmental impact.

Performance and targets in 2021

We have set as a target that all new products in development are assessed with the EcoDesign Tool and that all have a positive EcoDesign score by 2025, meaning their environmental impact is lower than a reference product's. In 2021, 100% of

new products in development were assessed with the tool, and 83% of the new products had a positive score, meaning their environmental impact is lower than a reference product's.

The company also aims for sales from new products launched during the last three years to reach 15% by 2025. In 2021, 12% (Ahlstrom-Munksjö: 12% in 2020) of sales came from new products launched during the last three years. The company's expenditure on R&D was approximately EUR 27 million (Ahlstrom-Munksjö: 12% in 2020). The figure does not include technical product development costs carried out in close cooperation with customers.

Great potential lies in our handprint

As part of the overall reassessment work of the business platform that was conducted during the year, the sustainability values of the operations and how these affect the financial result were also analyzed. The work included current product offering, as well as our product development pipeline and proprietary technologies. In order to improve transparency within the Group and the overview of the Group's product development portfolio, the management and processes of the activities are also reviewed. An increased focus of our efforts and closer collaboration between the business could possibly give us additional resources to invest to stay at the forefront of development and continuously develop outstanding capabilities for our customers.

Collaboration with stakeholders

Ahlstrom-Munksjö delivers high performance materials with high added value that are oriented towards customer

Ahlstrom-Munksjö uses its EcoDesign tool to evaluate and assess new products from a sustainability perspective.





requirements rather than industry standards. Typically, the materials form an important part of an end product, or perform crucial tasks in a production process.

The long-term collaboration in product development with customers forms the basis for developing the capacity for what fiber-based materials can do. Through our academic network, we participate in research programs within themes of high strategic importance to the group. Our strong collaboration with suppliers makes it also possible to involve and engage them in the work to achieve the overall goal of genuinely sustainable fiber-based solutions. Coordinated collaboration between all stakeholders is critical to succeed

and reverse the climate change. Ahlstrom-Munksjö is an active member of a number of coalitions to support circular and bioeconomy as well as decarbonization:

- **4evergreen** to generate awareness about the benefits of fiber-based packaging materials, advocate for EU legislation supporting product design for recyclability and appropriate recycling infrastructures.
- **Sustainable Packaging Coalition** to bring together businesses, educational institutions, and government agencies to collectively strengthen and advance the business case for more sustainable packaging, delivering results-oriented projects and cutting-edge resources.
- **F3 – Films For Future** to support the development work of new packaging materials and technologies to replace fossil-based raw materials with materials manufactured using renewable resources. New solutions reduce the carbon footprint and the waste caused by packaging and promote the recycling and reuse of waste.
- **Soteria Battery Innovation Group** to connect strategic partners and make safe portable lithium-ion batteries. The consortium allows a faster technical ramp-up to manufacture and commercialize fiber-based separator solutions for the lithium-ion battery industry.
- **Cellulose valley** to develop new high-performance cellulose-based materials for the packaging industry. The collaboration encompasses a four-year teaching and research initiative by a partnership between the Laboratory of Pulp and Paper Science and Graphic at Grenoble, France, and several industrial companies across the packaging materials value chain.

Among the strategic themes of the research center

REDUCING THE USE OF PLASTICS

One of the strategic directions of the company is to propose alternatives to plastic solutions as well as to increase the sustainability of its products by using biobased raw material and tailoring their end of life without compromising their functional properties. Our project portfolio includes both developments related to cellulose (nano- and microfibrillated) and biopolymer from which we can make fibers and nonwovens, and having fast degradation in home composting conditions for example.

FLUORO-FREE SOLUTIONS

Ahlstrom-Munksjö has developed paper solutions that are designed to deliver outstanding grease resistance without the use of PFAS (fluorochemicals) for a broad range of grease resistant food packaging applications, each with unique performance requirements. Quick service restaurant applications, microwave popcorn bags, and other papers are specially manufactured to meet or exceed sustainability goals.

ACCELERATING DECARBONIZATION THROUGH ELECTRIFICATION

Ahlstrom-Munksjö is responding to the fast growing electrification with both existing and new fiber-based solutions thanks to its extensive expertise in cellulose, microglass and special fiber materials. Fiber-based materials are widely used in energy storage units and various applications in fuel cells and all electric vehicles.

Combating climate change with new solutions

In 2021, we introduced several new advanced materials that capture the opportunities fiber-based materials to develop and renew applications and solutions. Some of the materials we launched contribute to the ongoing electrification while others to a circular society. We also launched materials that play an important role in applications that protect people from COVID-19 as well as other viral and bacterial organisms, to name a few examples.

Accelerating decarbonization

Within the electrification of the transportation industry, which is accelerated by the global need to reduce air pollution and CO₂ emissions, we launched a new range of filtration materials for electric vehicles. Using our expertise in cellulose, glass microfibers and special fiber materials, we have also developed solutions for energy storage applications, which will be required to a greater extent due to the rapidly growing number of electric vehicles and expanding renewable power generation.

Improving the circular flow

Within sustainable packaging, a trend accelerated by regulation and consumer pressure, we introduced a fiber-based alternative to plastic packaging tape. The new range has a high bio-based content that improves the circular flow of packaging materials in society. Usually, packaging tape is made of plastic, which creates challenges in the recycling process as the recyclable cardboard is contaminated with plastic tape. In addition, we introduced a new barrier technology made from 100% cellulose fibers. With its

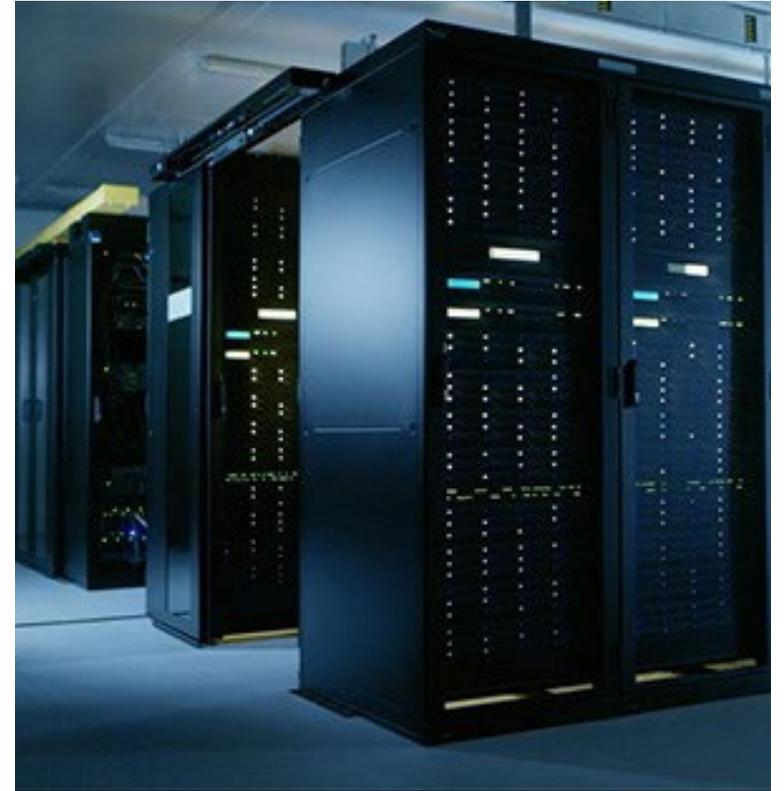
biodegradability and compostability features, it improves the end-of-life impact compared to existing non-renewable barriers. Furthermore, we have also had several of our packaging products certified as recyclable, compostable or biodegradable, which provides reliability and transparency for our customers, regardless of whether they are converters or brand owners. The certifications help all players in the value chain to achieve the sustainability goals.

Providing safer alternatives

As part of our commitment to safe food packaging materials we continued leveraging our FluoroFree® technology by expanding the offering further across grease resistant food packaging applications. Fluorochemicals (PFAS) have been traditionally used in the paper industry on a global scale to give paper grease resistance properties - a core requirement for many types of food packaging.

Protecting people from airborne infections

In the fight against Covid-19, we expanded our offering of protective medical fabrics and diagnostic materials for rapid testing kits and ventilation filters with particulate air filter solutions for filter devices that protect passengers and operators in emergency vehicles, school buses and public transport vehicles. It is also suitable for offices, restaurants and museums. The innovative solution makes indoor environments safer against COVID-19 as well as other viral and bacterial organisms. These high-efficiency particulate air filters have met the demand for increased protection as societies as societies have reopened.



Electricity is stored in batteries from renewable but variable energy sources, such as wind farms or solar panels, to support peak consumption or meet grid frequency regulation.

Manufacturing Capital

Ahlstrom-Munksjö operates a network of 45 plants and converting sites on four continents in the production of fiber-based materials and solutions. The company possesses unique know-how in fibers, chemistry and materials technology and the plants cover all major web forming and paper manufacturing technologies. In 2021, sold production increased by 6% to 1,672,000 tons, driven by good customer activity as the global economic recovery continued.

Investing in our business

Reported capital expenditure¹ totaled EUR 145.5 million and related to maintenance, cost and efficiency improvements as well as growth initiatives. This includes maintenance related capital expenditure of EUR 71 million. Reported depreciation and amortization on fixed assets was EUR 172.3 million, including depreciation and amortization arising from PPA of EUR 62.6 million.

During the year, work continued completing two strategic growth investments. The investment in the Beverage & Casing business aims to strengthen the company's market position in biodegradable and compostable tea bags, coffee and meat casings. The investment project in the Filtration business will strengthen the company's European manufacturing platform for high performance filtration and energy storage applications. Both investments are expected to be completed during the first half of 2022.



In February 2022, the construction work of a new glass fiber tissue line facility commenced in Madisonville, Kentucky, U.S.

In September, Ahlstrom-Munksjö entered into an agreement to acquire 60% of Chinese decor paper producer Minglian New Materials Technology Co., Ltd. By combining Minglian with its existing Decor business, Ahlstrom-Munksjö will create a global leader in decor papers with improved cost competitiveness and strong presence in Europe, Americas and Asia. The annual production capacity is approximately 50,000 tons compared to Ahlstrom-Munksjö's decor paper production capacity of some 210,000 tons. The transaction was completed on January 14, 2022.

In May, Ahlstrom-Munksjö decided to invest EUR 58 million in a new glass fiber tissue production line in the U.S. to support the flooring industry in North America. The new line will produce a full range of glass fiber tissue with a main focus on Luxury Vinyl Tiles and Vinyl sheet materials. Customer deliveries are expected to start in mid-2023.

¹In the reported figures Ahlstrom-Munksjö is consolidated from the date of the acquisition of February 4, 2021.



Financial Capital

Ahlstrom-Munksjö Holding's financial capital is divided into equity and debt. The company aims to keep an optimal capital structure to reduce the cost of capital.

The main source of borrowings includes term loans, bonds and bank loans. At the end of the year gross borrowings were EUR 2,246.8 million, including senior term credit facilities of EUR equivalent 1,340.4 million and senior secured notes of EUR equivalent 581.6 million.

The principal sources of liquidity are cash flow from operating activities, financing cash flow from drawings under the revolving credit facility and committed and uncommitted lines, as well as the commercial paper program.

In 2021 the Group renegotiated its factoring arrangement facility to EUR 300 million and increased factoring volumes to optimize working capital management.

At the end of the reporting period, Ahlstrom-Munksjö Holding's net indebtedness was EUR 2,084.2 million, translating into a net indebtedness to adjusted EBITDA ratio of 3.6.

Social and Relationship Capital

Social and relationship capital is a prerequisite for Ahlstrom-Munksjö's value creation. Through our actions, we build trust and meaningful contacts with all our stakeholders, which contributes to the well-being of the local community and improves the company's image and attracts potential employees and customers. The interaction with stakeholders provides us also insight and contributes to our competence, as well as guides and supports us in our strategy execution.

Ahlstrom-Munksjö has been a supporter of the United Nations Global Compact initiative since 2017. We annually renew our support and commitment to its 10 Principles relating to human rights, labor, environment and anti-corruption. We have included the UN Global Compact and its principles as part of our core values in our everyday life and publish the Communication on Progress every year as part of the key requirement. For Ahlstrom-Munksjö, these principles are essential in ensuring full compliance with all applicable laws and regulations, managing risks in procurement and operations, building a trusted brand and reputation, and identifying opportunities to contribute further to social and environmental outcomes. As a Global Compact participant,



Ahlstrom-Munksjö has been a supporter of the United Nations Global Compact initiative since 2017.

the company is dedicated to responsible practices from the highest level of leadership to the most local concern in a supply chain or at a production site.

We are collaborating with our peers in UN Global Compact Networks, which is a valuable forum for us to shape a long-term sustainable future with other businesses and organizations. Also, being a participant means that our employees can utilize learning opportunities in the UN Global Compact Academy for knowledge and learning of sustainability objectives regardless of location or function.

Ahlstrom-Munksjö is also actively involved in several partnerships between the academia, industry and private foundations. The company is part of the UN Global Compact local network in Finland and a member of the Swedish and International Forest Stewardship Councils (FSC®) and we actively support their objectives. Through our involvement, we seek to support responsible forest practices and forest product supply chains.

Ahlstrom-Munksjö is a member of the Finnish organization for sustainable business practices (FIBS), the European Disposables and Nonwovens Association (EDANA), and the Sustainable Packaging Coalition based in North America. Through several local Forest Industries Federations and Associations, the Wisconsin Paper Council, USA, and the Confederation of European Paper Industries (CEPI), the Federation of European Producers of Abrasives and Food Packaging Institute, Ahlstrom-Munksjö also engages in public affairs. Ahlstrom-Munksjö shares information with decision makers to ensure all aspects of specialty fiber sustainability are reflected in policies that may impact company

operations and supply chains. We provide transparent and timely information to our stakeholders by reporting on our performance in accordance with the core requirements of the Global Reporting Initiative (GRI) Standards.

Driving social responsibility through Ahlström Collective Impact

Ahlström Collective Impact is a unique co-operation model designed for targeted strategic investments that support the realization of selected United Nations' Sustainable Development Goals (SDGs). The partnership is committed to creating change by investing in a better future for children in partnership with UNICEF Finland. In 2021 the focus has been on quality education, and the commonly selected SDGs 4. Quality education, 5. Gender equality and 17. Partnerships for the goals have guided the investments and activities of the partnership during the year. To support the goal for quality education, Ahlström Collective Impact directed its investment of 600,000 euros to UNICEF's Global Education Program.

Ahlstrom-Munksjö has played a key role in developing Ahlström Collective further to make impact and to create engagement among our stakeholder groups. For us, the collaboration is a way of influencing and contributing to change, promoting equality and improving child-related risk management processes in the company's supply chains. Ahlström Collective Impact consists of Ahlstrom-Munksjö, Ahlström Capital, Antti Ahlström Perilliset, Destia, Glaston, the Eva Ahlström Foundation, the Walter Ahlström Foundation, Suominen Corporation, and Enics.



Local Community Projects 2021

Project #3: Building for Kids Children's Museum - increasing awareness and understanding of diversity in American children



Local Community Projects 2021

Project #5: Anarde Foundation – improving quality of life in rural India

World Children's Day

World Children's Day was first established in 1954 as Universal Children's Day and is celebrated on 20 November each year to promote and celebrate children's rights.

In 2021, all Ahlström Collective Impact partners were again actively involved in planning and executing joint campaigns to celebrate this important day. At Ahlstrom-Munksjö, we launched a series of internal and external initiatives and communication activities to advocate, promote and celebrate children's rights. We believe our participation in this important day and our actions will translate into dialogues and actions among our people that will help build a better world for children across the globe.

Local community projects 2021 – donating to local initiatives

All Ahlstrom-Munksjö employees were again invited to submit proposals for projects or efforts that they feel are important to them and to their local communities. This year our local community initiatives focused on funding projects dedicated to quality education, gender equality or clean water and sanitation work in line with UN's Sustainable Development Goals (SDGs) 4, 5 and 6. Six projects were selected based on each initiative's potential impact, meaningfulness and geographical or regional diversity. The selected projects are well established organizations that have been actively working for the good of the community already for some time, and they resonate one or more of our focus SDGs.

SELECTED PROJECTS 2021:

- **Project #1:** Loisirs Pluriel – supporting disabled children and their families in France
- **Project #2:** Associazione Quore APS – providing shelter to the LGBTQI community in Italy
- **Project #3:** Building for Kids Children's Museum – increasing awareness and understanding of diversity in American children
- **Project #4:** Women's Line – digital self-defense training for girls and women in Finland
- **Project #5:** Anarde Foundation – improving quality of life in rural India
- **Project #6:** Yusuf Meherally Centre – supporting children and families in India

Ahlstrom-Munksjö's Business Model

Ahlstrom-Munksjö has an integrated business model with a focus on innovative fiber-based solutions that are continuously developed and improved in close collaboration with customers.

As a producer of functional materials we create value by adding know-how and advanced technology to carefully chosen fibers that we ensure are responsibly sourced.

A close partnership with customers in combination with sustainable sourcing and an efficient production platform constitutes a virtuous circle where insight and knowledge gained in each step of the process can be fed back and strengthen competitiveness.

Ahlstrom-Munksjö delivers a clear value proposition that is based on innovation, quality and customized service. Our customers use our solutions in a large variety of everyday applications within a broad range of end-uses that are underpinned by fundamental business drivers in today's society.

BUSINESS MODEL





Outputs

Ahlstrom-Munksjö provides advanced fiber-based solutions with high degree of complexity and technical content that often perform important functions in the value chain or the product solution.

Ahlstrom-Munksjö makes relatively few products that are intended for end use by customers. Instead, we deliver fiber-based materials that form part of either a product used by consumers, like different types of tape or rapid test kits, or used in industrial processes, for example to deliver clean air for gas turbines or as carriers of self-adhesive materials. In many cases, like backings for abrasive products, they are used in both. Our products therefore form an integral and important part of many value chains.

One crucial aspect of our materials is functionality and that is something we are constantly striving to improve. Our materials and products perform a task and a function that improves the end product. We want that function to constantly improve while also becoming more sustainable. Close collaboration with our suppliers and customers makes sure this continues.

Our materials and products perform a task and a function that improves and enhances the end product.

One example is our recently launched PureBarrier™ technology, which has numerous attributes including oxygen and gas barrier properties as well as natural wet strength. It also is naturally grease resistant and does not contain any loose fiber or added chemicals and can be made heat sealable with a biopolymer which makes it suitable for a limitless number of applications. The barrier material is produced from responsibly sourced and renewable wood pulp, certified according to Forest Stewardship Council® standards and is biodegradable and certified compostable.

Business Impacts

Our business and operations have an impact on communities, economies, and the environment. We work to minimize potentially negative effects and contribute as much as possible to local communities and economies where we operate.

Ahlstrom-Munksjö is keenly aware that our operation and manufacturing sites are important to many local communities. They are typically located in rural areas and therefore are important for local employment opportunities.

We contribute to local economies by providing employment with opportunities for advancement and training and skills development on the job. We also contribute through taxes and by using local suppliers when possible. In some communities we may be one of the larger private employers.

As a manufacturing company we recognize that our factories have an impact on the local and global environment. We strive to reduce that impact by operating in a responsible way, using sustainable water and raw material supplies, and reducing our air emissions and carbon footprint. This is also done in dialogue with local authorities and communities.

As a manufacturing company we recognize that our factories have an impact on the local and global communities and environment.

Our solutions and products help to improve our customers' end products and processes and we innovate and develop to push the boundaries for how our solutions can contribute as much as possible to a more sustainable society.

Finding ways to enhance the efficiency and prolonging the end of life for products is one way to achieve that and developing fiber-based solutions that can replace non-renewable materials is another. Our ambition is to be at the forefront of this development as well as other areas such as reducing the need for chemicals and in particular chemicals that can be potentially harmful. Ideally, we can, as a market leader in many of the niches we operate in, also be an inspiration to other market participants and our customers. Coordinated collaboration between all stakeholders is critical to succeed and reverse the climate change.



CSR Data



Limited impact of the pandemic

During the pandemic, there have been major changes in household consumption. More time at home has reduced travelling, as well as hotel stays, restaurant visits and various types of entertainment. At the same time, retail trade, furniture consumption, home renovation and certain durable goods have been positively affected.

Within Ahlstrom-Munksjö's wide range of fiber-based solutions, the pandemic's impact on customer activity has been rather limited, except during the global lockdown in the second quarter of 2020. We have experienced strong demand in the end-use segments health care and life science. Solutions for personal protective equipment, such as face masks, draperies and dresses, as well as diagnostic materials for rapid test kits and ventilation filters for devices used in the treatment of patients with respiratory problems, have been in great demand. Increased spending on home furniture and home renovation has driven order intake for decor paper, while demand for transport-related applications recovered quickly as the economy proved more resilient. Demand for consumer goods-related applications, where food and beverage and packaging make up the largest share, remained generally good. However, it varied depending on end use.

All together delivery volumes exceeded the pre-pandemic level in almost all of Ahlstrom-Munksjö's businesses in 2021.

CSR DATA

Sustainability reporting

This is Ahlstrom-Munksjö's fifth report prepared in accordance with the GRI Standards guidelines in the Core version. We have also reported information relating to our own material topics in accordance with the GRI Standards' reporting principles, and we have taken into account the statutory requirements concerning the reporting of non-financial and diversity data.

The Ahlstrom-Munksjö Sustainability Report is prepared and published annually. The reporting cycle is for the full year, containing information for the reporting period of January 1, 2021 to December 31, 2021. Ahlstrom-Munksjö's Sustainability Report 2020 was published on February 25, 2021.

CONTENT OF THE REPORT

Ahlstrom-Munksjö's Sustainability Report focuses on strategy, the achievement of objectives and targets, and operational results for the past year. Our general ambition for the report is to be transparent, relevant and comparable.

The sustainability report is based on Ahlstrom-Munksjö's first materiality assessment, which was completed in 2017, and on the results of a second materiality assessment completed in 2019.

The materiality assessment is based on our dialogue with stakeholders and it is designed to identify the issues that are most critical to Ahlstrom-Munksjö's social, environmental and economic value creation.

REPORTING BOUNDARIES

Reporting is limited to those areas in which the company exercises complete control over the collection of data and quality of information unless otherwise indicated.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is part of Ahlstrom-Munksjö's commitment to responsible business practices and critical to our long-term business success. An ongoing exchange involves sharing our progress with our key stakeholder groups in a transparent way and understanding their needs and expectations for the company.

Effective and transparent dialogue allows us to better prevent and manage risks by more quickly identifying and responding to stakeholder expectations, and identify opportunities for new and more innovative products that can drive growth in areas of stakeholder interest. Ahlstrom-Munksjö focuses on engaging five key stakeholder groups; (1) our customers, (2) our investors, (3) our employees and the unions that in some cases represent them, (4) our suppliers and (5) the local communities that host our production sites.

These stakeholder groups were selected based on internal qualitative analyses ranking which groups have the most impact on the company's business and are in turn the most directly impacted by our activities. Our stakeholder collaboration work provides us important input for our long-term development efforts.

Investors

Our investors put a lot of interest in the company's environmental, social and governance (ESG) processes. The company regularly engages in dialogue with investors through quarterly updates and annual reporting through our digital platforms, in-person meetings and events, as well as individual conversations. The company also responds to information requests and questionnaires to ensure investors obtain the accurate status of our ESG performance and targets.

To remain an attractive investment according to the investors Ahlstrom-Munksjö needs to carefully consider future trends in sustainable consumer behavior and direction of regulatory changes in its product development and long-term R&D work. The company need also to actively work with risks and opportunities due to climate change as well as lower green-house gas emissions in line with climate science.



Customers

Our customers are as diverse and specialized as our product portfolio. They often have unique requirements in addition to quality, supply chain and cost expectations for our high performing, innovative products. The company engages in frequent individual and small group conversations with current and potential customers to ensure we meet their needs on an ongoing basis. Ahlstrom-Munksjö also solicits customer feedback through regular customer surveys conducted through a third party to promote honest feedback.

Based on the dialogue and the customer survey in 2020, ensuring responsibility at all parts of the whole supply chain was seen as a priority by customers. Climate issues such as energy and carbon as well as the properties of our materials in terms of using renewable, recyclable and reusable materials when appropriate is valued by customers as well as the availability of certifications as all of these also help the customer to be more responsible.

Employees & unions

Our employees have a central role in our operations and are the key contributor for the company's long-term value creation. We engage employees in continuous dialogue through surveys, trainings, internal communication, events, and individual and small group conversations. Ahlstrom-Munksjö conducts surveys directed at all employees on a regular basis throughout the year as well as more targeted deep dives for specific employee groups based on for example site, function or position using digital platforms as well as group or individual discussions.

Based on these interactions and survey answers, a top area of interest for employees is wellbeing, which is seen to be as working for a company that listens to employee concerns, minds health & safety as well as emphasizes the importance of conducting business in an ethical manner and ensuring equal and fair treatment for all. In addition to this, employees place importance in environmental issues such as energy and water.

In addition to regularly engaging individual employees, Ahlstrom-Munksjö is also committed to active dialogue with unions, including European Works Council (EWC) representatives. This will include plant tours that encourage mutual learning and cross-fertilization and discussions about company sustainability performance in top areas of EWC interest, such as business results, health and safety, and company values.

Suppliers

Ahlstrom-Munksjö suppliers are diverse in terms of size, footprint, products, and geography. Our fiber suppliers include commodity pulp suppliers, large companies producing man-made fibers, and smaller farmers selling niche products such as abaca, which is annual fiber. We also work with chemical suppliers and indirect suppliers including equipment, energy, water, and service suppliers on scales from the global to the highly local. Ahlstrom-Munksjö strives to build productive relationships with our suppliers through regular contact primarily through individual and small group conversations as well as answer to inquiries and share our EcoVadis scorecard. In addition to this, we work together with chosen suppliers to create awareness about sustainable working standards and drive common responsibility advancements.

Based on the Procurement team's expert knowledge, in general, our suppliers primarily seek clarity on our sustainability initiatives and requirements that impact their operations.

Local communities

Ahlstrom-Munksjö is often a significant employer in the areas where we operate, creating a special responsibility and interest among local authorities, local suppliers, direct plant neighbors, employees' families and other community members. Production sites also work to be a good neighbor and quickly respond to any nuisance complaints related to regular plant activities and are in contact with local media. Although slightly differing across sites, regular activities include open houses and plant tours, educational or professional development

opportunities for young people, such as internships or collaborations with local schools and universities, and providing charitable donations and in-kind support to community enrichment activities.

Although local communities' concerns vary significantly by production site context, based on interviews with plant managers, the top concerns that emerges across these diverse plants are environmental issues relating to use of energy, consumption and quality of water, waste, health and safety of the employees, and financial profitability, in the context of the company continuing to provide good employment opportunities in the areas where it operates.

SUSTAINABILITY POLICY AND MANAGEMENT APPROACH

The Group's Sustainability Policy defines the formal sustainability governance structure. The company's sustainability work is governed by the Sustainable Business Council with representatives from business areas and functions. The Council oversees the integration of sustainability practices into business operations and sets targets and monitors progress. The Sustainable Business Council's work is led by the Executive Vice President, Sustainability, Innovation, Commercial Excellence. The Sustainable Business Council sets targets and monitors progress set for the material topics. The Council further discusses deviations from targets and the introduction of new targets and how these have been managed. For 2021, the Sustainable Business Council found the management in each material topic in terms of targets to be satisfying. Additional emphasis was placed on important sustainability aspects and the sustainability function was strengthened with several new roles.

IDENTIFYING WHAT IS IMPORTANT

New sustainability material topics were identified in 2020 based on the views and expectations of key stakeholder groups. The material topics were formulated based on the materiality assessment, which is updated every two years. A materiality survey was conducted in 2019 with internal and external stakeholders. In 2020 the work was extended to include deep dives with surveys and interviews

for investors, top leaders and site human resources contacts as well as an extensive customer survey. The various stakeholders were asked to rank the importance of the material topics and indicate how they perceive sustainability at Ahlstrom-Munksjö currently and in the future.

The number of material topics was reduced from nine to five to provide more focus for the future development work. In addition to the identified material topics and set targets, Ahlstrom-Munksjö collects base data continuously on the other areas falling under people, planet and prosperity topics to ensure that the full scope of ESG matters is covered and progress on these is tracked.

Based on input from our stakeholders and Ahlstrom-Munksjö's analysis new material topics were formulated. Ahlstrom-Munksjö reports progress on the following materialities:

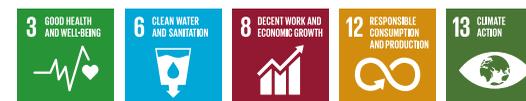
Materialities and Targets 2021-2025

Material Topics	Targets 2021-2025	SDGs
PEOPLE		
1. A Safe and Responsible Culture	Wellbeing: Employee Engagement Index 80	3
	Safety: Total Recordable Incidents Rate below 1	3
PLANET		
2. Energy and Carbon Emissions	CO ₂ emission reduction -15%	13
3. Responsible Water Consumption	All plants in water stressed areas have a water management plan	6
4. Sustainable Procurement	Corporate Social Responsibility audits on Suppliers assessed with High risk status	12
PROSPERITY		
5. Sustainable Innovations	All new products in development are assessed with the EcoDesign Tool	8
	All new products have a positive EcoDesign score	8

The commitment to the UN Global Compact and the Sustainable Development Goals was part of the materiality assessment. All 17 SDGs are important to Ahlstrom-Munksjö's sustainability agenda, but five SDGs were identified to be the most relevant currently.

TOPIC BOUNDARIES

	Material topics	Value chain phases/Boundary
People	1. A Safe and Responsible Culture	Production
	2. Energy and Carbon Emissions sourcing, production	Sourcing, Production
Planet	3. Responsible Water Consumption	Sourcing, Production
	4. Sustainable Procurement	Sourcing
Prosperity	5. Sustainable Innovations	Customer insight, Innovation & product development



ALIGNMENT WITH INTERNATIONAL SUSTAINABLE DEVELOPMENT INITIATIVES AND INVOLVEMENT IN PARTNERSHIPS AND PUBLIC AFFAIRS

Ahlstrom-Munksjö works to understand and effectively respond to upcoming global trends that will impact our business. We also seek to align with and contribute to a range of internationally recognized organizations and standards that help guide our strategy and activities. Alignment with global initiatives impacts each stage of our value chain.

Ahlstrom-Munksjö is a participant of the United Nations Global Compact initiative. The ten foundational principles are core company values. As a participant, the company is dedicated to responsible practices from the highest level of leadership to the most local concern in a supply chain or at a production site. We are committed to continuing our work to uphold the principles on respecting human rights, responsible labor practices, environmental quality, and anti-corruption practices.

For Ahlstrom-Munksjö, these principles are essential in ensuring full compliance with all applicable laws and regulations, managing risks in procurement and operations, building a trusted brand and reputation, and identifying opportunities to contribute further to social and environmental outcomes.

Ahlstrom-Munksjö is also actively involved in several external partnerships that support the company's strategy. The company is part of the UN Global Compact local network in Finland and a member of the Swedish and International Forest Stewardship Councils (FSC®) and we actively support their objectives.

Through our involvement, we seek to support responsible forest practices and forest product supply chains that will be economically, environmentally, and socially sustainable over the long term.

Ahlstrom-Munksjö is a member of the Finnish organization for sustainable business practices, FIBS, and EDANA, European Disposables and Nonwovens Association, and the Sustainable Packaging Coalition based in North America.

Through several local Forest Industries Federations and Associations, the Wisconsin Paper Council, USA, and the Confederation of European Paper Industries (CEPI), Ahlstrom-Munksjö also engages in public affairs. Ahlstrom-Munksjö shares information with decision makers to ensure all aspects of specialty fiber sustainability are reflected in policies that may impact company operations and supply chains.

We provide transparent and timely information to our stakeholders by reporting on our performance in accordance with the core requirements of the Global Reporting Initiative (GRI) Standards updated in 2016.

Environmental Certifications and Standards

Ahlstrom-Munksjö adheres to a range of internationally recognized, third-party audited standards that support our sustainability progress. For a full list, visit the sustainability section of our website. ISO standards ensure effective, well-designed environmental and energy management systems. Meeting these standards helps Ahlstrom-Munksjö identify opportunities for more efficient resource use and achieve cost savings, contributing to our environment objectives. By the end of 2020, 38 and 17 of our operating sites had achieved ISO 14001 and ISO 50001 certifications, respectively. Similarly, achieving the ISO45001:2018 occupational safety management certification at 40 of our sites demonstrates our continued dedication to employee well-being. Improving health and safety practices is primarily about ensuring employee safety, but also helps Ahlstrom-Munksjö ensure legal compliance, manage risks, and support productivity across its businesses. 42 plants are certified according to the Quality Management System standard (ISO 9001 or similar) to ensure quality, helping to reduce waste and reliably meet customer needs. Other plants achieve certifications specific to their products, including quality management systems for medical devices (ISO 13485, EC), hygiene standards for food packaging materials (BRCS Packaging Materials, ISO 22000, FSSC 22000), and Kosher requirements for certain food-related products.

GRI CONTENT INDEX - General Disclosures

Disclosure Number	Description	Response/Page
GRI 102: GENERAL DISCLOSURES		
Organizational Profile		
102-1	Name of the organization	Contents
102-2	Activities, brands, products and services	9-11
102-3	Locations of headquarters	9
102-4	Location of operations	9
102-5	Ownership and legal form	Contents
102-6	Markets served	9
102-7	Scale of the organization	9-11
102-8	Information on employees and other workers	23-29
102-9	Supply chain	19-21
102-10	Significant changes to the organization and its supply chain	Contents
102-11	Precautionary principle or approach	Board of Directors' Report 2021
102-12	External initiatives	47
102-13	Membership of associations	47
Strategy		
102-14	Statement from senior decision-maker	6-7
102-15	Key impacts, risks, and opportunities	11, 18-41
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Code of conduct
Governance		
102-18	Governance structure	45

Total number of employees

a) By gender	
Female	1,424
Male	6,614
b) By region	
Belgium	83
Brazil	687
China	359
Finland	235
France	1,545
Germany	549
India	107
Indonesia	4
Italy	561
Japan	3
Korea	131
Lithuania	7
Mexico	4
Poland	1
Russia	86
Spain	173
Sri Lanka	2
Sweden	804
Taiwan	3
Thailand	5
UK	200
USA	2,489
c) By employment type	
Full time	7,884 of which Female 1,339, Male 6,545
Part time	154, of which Female 85, Male 69
d) Significant portion non-employees	
No	
e) Variations in a), b) or c)	
No	
f) Data compiling	
Global HR master data	

Disclosure Number	Description	Response/Page
GRI 102: GENERAL DISCLOSURES		
Stakeholder engagement		
102-40	List of stakeholder groups	43-45
102-41	Collective bargaining agreements	Code of conduct
102-42	Identifying and selecting stakeholders	43
102-43	Approach to stakeholder engagement	43
102-44	Key topics and concerns raised	43-45
Reporting practice		
102-45	Entities included in the consolidated financial statements	Financial statements 2021
102-46	Defining report content and topic Boundaries	46
102-47	List of material topics	46
102-48	Restatements of information	-
102-49	Reporting period	Reported metrics are for the full year.
102-51	Date of most recent report	March 21, 2022
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Back cover
102-54	Claims of reporting in accordance with the GRI Standards	43
102-55	GRI content index	48-50
102-56	External assurance	The GRI-report has not been audited

GRI CONTENT INDEX - Topic-Specific Standards

Disclosure Number	Description	Response
GRI 305: EMISSIONS		
103-1	Explanation of the material topic and its Boundary	21-22
103-2	The management approach and its components	21-22
103-3	Evaluation of the management approach	45
305-1	Direct (Scope 1) GHG emissions	Energy and Carbon Emissions
AHLSTROM-MUNKSJÖ'S OWN DISCLOSURES		
Developing safe and responsible culture		
103-1	Explanation of the material topic and its Boundary	23-39
103-2	The management approach and its components	23-29
103-3	Evaluation of the management approach	45
Sustainable Procurement		
103-1	Explanation of the material topic and its Boundary	19-20
103-2	The management approach and its components	19-20
103-3	Evaluation of the management approach	45
Responsible Water Consumption		
103-1	Explanation of the material topic and its Boundary	22
103-2	The management approach and its components	22
103-3	Evaluation of the management approach	45
Sustainable Innovations		
103-1	Explanation of the material topic and its Boundary	30-33
103-2	The management approach and its components	30-33
103-3	Evaluation of the management approach	45

CROSS-REFERENCE TABLE

UN Global Compact

As of 2017, Ahlstrom-Munksjö is a signatory to the United Nations Global Compact and its ten principles. Ahlstrom-Munksjö's Sustainability Report 2021 also serves as Ahlstrom-Munksjö's Communication on Progress (COP). The table shows where each Global Compact principle can be found in Ahlstrom-Munksjö's Sustainability Report 2021.

UN Global Compact ten principles	Page reference
HUMAN RIGHTS	
1. Businesses should support and respect the protection of internationally proclaimed human rights in the spheres they can influence	28
2. Businesses should make sure that they are not complicit in human rights abuses	28
LABOUR	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	28
4. Businesses should work to eliminate all forms of forced and compulsory labour	28
5. Businesses should work to abolish child labour	20, 28
6. Businesses should eliminate discrimination in respect of employment and occupation	26
ENVIRONMENT	
7. Businesses should support a precautionary approach to environmental challenges	19-22
8. Businesses should undertake initiatives to promote greater environmental responsibility	19-22
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	30-33
CORRUPTION	
10. Businesses should work against corruption in all its forms, including extortion and bribery	29, 36, 47



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