Annual Report 2021

Huhtamaki

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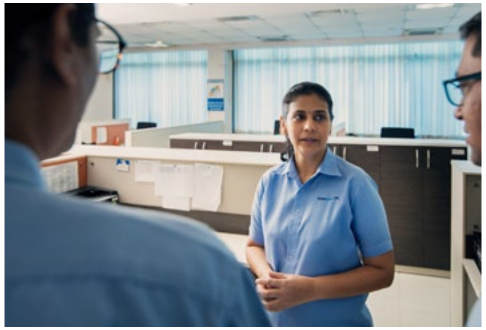

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The Huhtamaki Annual Report 2021 is composed of four sections describing our 2030 Strategy, sustainability and financial performance, and governance.

This Annual Report is not an xHTML document compliant with the ESEF (European Single Electronic Format) regulation. The Financial Statements and Directors' report 2021 in accordance with ESEF regulations are available at www.huhtamaki.com/investors.

BUSINESS OVERVIEW

We delivered a solid financial performance in 2021

2021 was affected by a volatile and complex business environment, linked to the continued COVID-19 pandemic due to the emergence of new variants, and the subsequent significant disruption of the value chain. Throughout the year, we continued to focus on the health, safety and wellbeing of our employees and to ensure business continuity under these exceptional circumstances.

During the year, we saw gradual improvements in consumer demand, linked to progress with vaccination deployment and restrictions easing across most geographies. This was visible in our foodservice packaging business globally, particularly in Europe and US. Solid growth continued in categories supported by in-home consumption, such as flexible packaging and retail tableware. Throughout the year, supply chain disruptions driven by the pandemic resulted in extraordinary inflation of input costs, particularly high in raw materials. Additionally, freight, energy and labor inflation rose significantly in the second half of the year.

In the face of this challenging operational environment, we delivered a solid performance. This reflects the resilience of our diversified

"The key to creating value for all our stakeholders lies in partnering with multiple partners across the value chain to address the challenges and opportunities we face today."

Charles Héaulmé
President and Chief Executive Officer

product portfolio and our ability to manage adverse conditions. Our annual net sales amounted to EUR 3.6 billion with comparable net sales growth of 7%. Extraordinary input cost levels throughout the year have challenged our profitability levels. However, our adjusted EBIT improved by 4%, reflecting our operational performance and ability to manage the inflation impact.

We believe that food packaging is essential

We believe packaging forms an integral part of our food system bringing real benefits for the future of our world, not only concerning food safety – as highlighted by the continuing COVID-19 pandemic – and availability of food for the world's population, but also by playing a key role in reducing food wastage, which accounts for 10% of global greenhouse gas emissions.

As the carbon footprint of packaged food is up to 30 times higher than that of its packaging, having the right packaging for each food system pays off from a climate protection perspective. Importantly, recent studies show that single-use paper-based packaging used in Quick Service Restaurants has a lower carbon and freshwater footprint than reusable systems because of the energy and water needed to wash and dry foodservice tableware. Flexible packaging, on the other hand, has a lower carbon footprint than the alternatives due to its light-weight nature.

Going forward, we know that it is essential to improve the sustain-ability profile of packaging to reduce the impact further whilst at the same time improving its functionality and therefore its value.

This is why we at Huhtamaki are material positive. We develop fit-for-purpose packaging that is best suited for the product and the environment. It is also why we continue to innovate with more sustainable packaging, designed to play its role in delivering systemic change towards a low-carbon circular economy in our industry. It is also why we want to leverage digitization to develop smart packaging which not only helps us address traceability but is also a game changer for recyclability.

We continue to focus on our strategic priorities

In 2020, we launched our renewed 2030 Strategy, which builds on five priorities: **Growth** through organic and inorganic investments; **Competitiveness** through scale and performance; **Talent** through developing strategic capabilities and a high-performance culture; **Sustainability** through an ambitious agenda for our operations and product innovation; and **Digitalization,** to improve our operational performance and explore new business growth avenues.

In 2021, we made good progress implementing our strategic priorities. On sustainability, Huhtamaki's climate targets were approved and validated by the globally recognized Science Based Targets initiative (SBTi). In addition, our EcoVadis Gold medal for our sustainability performance in 2021, and our improved rankings in the CDP and the S&P Global Corporate Sustainability Assessment – used for selecting the constituents of the Dow Jones Sustainability Index (DJSI) – are strong indicators of our progress in embedding sustainability in everything we do.

2021 also saw the launch of several of our new transformative sustainable packaging solutions addressing our customers' and their consumers' increased demand for sustainable packaging solutions. For example, in July, we launched Push Tab® paper, an industry-first sustainable renewable paper-based blister solution for the global healthcare industry. We also announced the next generation of tube laminates for use in both the cosmetics and food sectors in partnership with LyondellBasell, Plastuni Lisses and Groupe Rocher. Also, our new fiber-based Sundae cup and lid won the "Bio Based" category at the 2021 Sustainability Awards in August and took home the World Packaging Organisation's prestigious WorldStar award in December.

In September, we completed the acquisition of Elif, a major supplier of sustainable flexible packaging for global FMCG brand owners, operating out of Turkey and Egypt. The acquisition of Elif expands our technology capabilities and product range. It also strengthens our position as a leading flexible packaging company in emerging markets. In addition, during the year we acquired Hihio-Art Packaging, a leading manufacturer of paper bags, wrapping paper and folding carton packaging in China.

Local solutions to global challenges

We want to see a real push for systemic change towards a low-carbon circular economy that goes beyond individual companies, bringing value chains together for the good of our planet and its people. Achieving this will require hard work but by creating appropriate national and international collaborative platforms to drive solutions, we believe success is achievable. Collaboration is needed across the value chain, involving stakeholders from industry, civil society and government.

We are committed to working collectively to foster innovation to find ways of driving systemic change. In 2021, for example, through our work with WasteAid, we supported the delivery of education and training on waste management and circular systems in South Africa, Vietnam and India. We also supported the development and piloting of a river-waste collection vehicle, invented by the Finnish cleantech start-up RiverRecycle, on the Mithi river in India.

Furthermore, by working across the value chain, we see innovation and partnerships as the way forward to building a material-positive system for fit-for-purpose food packaging. Here, the materials which provide access to safe, affordable foods and help prevent food waste, can then continue their journey through a low carbon circular economy, being recycled in ways that maximize their value to both the planet and people.

In 2021, Huhtamaki made demonstrable progress on its strategic priorities. This was only possible because of our high-performing teams, whom I thank for the continued dedication, entrepreneurship and focus on delivery. I am also thankful for the support and recognition our customers, suppliers and other stakeholders have shown us throughout the year.

Charles Héaulmé
President and Chief Executive Officer

Read more abot our 2030 Strategy on page 13.

Read more about our financial performance in the Directors' report 2021 on page 47.

This is Huhtamaki

Huhtamaki is a global leader in sustainable packaging solutions with a Nordic heritage of more than 100 years. We believe in protecting food, people and the planet.

A global leader in sustainable packaging solutions

We are a fast-growing global food packaging company with a heritage of innovative and transformative solutions, touching the daily lives of people everywhere. Our products are used by quick service restaurants, fast-moving consumer goods companies and retail channels.

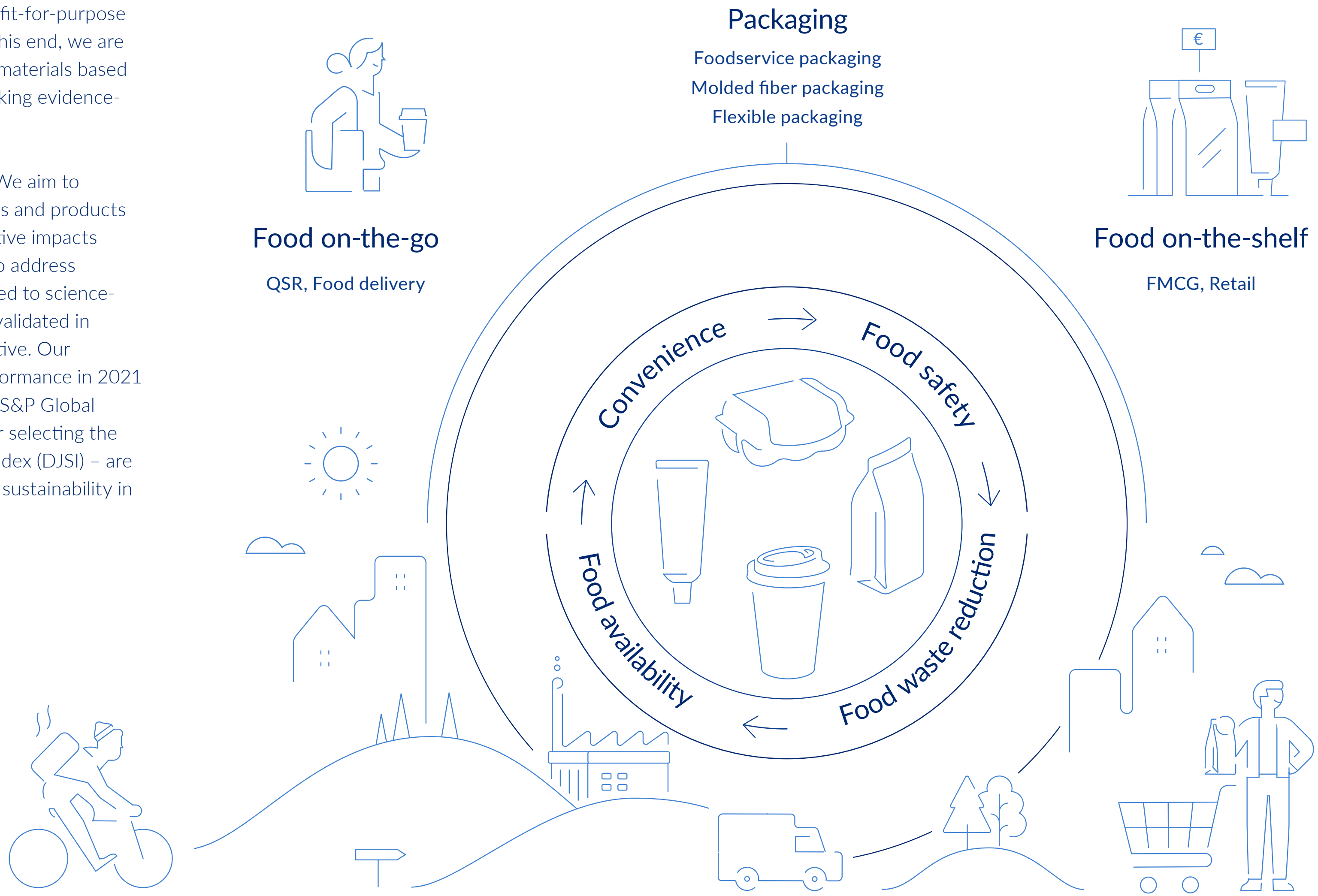
Our broad, diversified product portfolio, serving food on-the-go and food on-the-shelf, is based on paperboard conversion for foodservice packaging, molded fiber packaging and flexible packaging technologies.

The main raw materials we use are paperboard, recycled fiber and plastic resins. We made a commitment in 2020 to achieving carbon neutral production and designing all our products to be recyclable, compostable or reusable by 2030. Today, 65 percent of all the raw materials we use in manufacturing our products are renewable, and 98 percent of the fiber raw materials are from recycled or sustainably managed sources.

We believe that food packaging is essential. By ensuring hygiene and the safety of food, packaging keeps food edible for longer, thereby reducing food waste, and plays an instrumental role in driving access to affordable food for consumers, wherever they are in the world. We also believe in developing fit-for-purpose packaging which is integral to the product. To this end, we are material positive, choosing the right packaging materials based on their functionality and full life cycle, and making evidence-based decisions to drive the circular economy.

We embed sustainability in everything we do. We aim to minimize the negative impacts of our operations and products on the environment whilst maximizing the positive impacts for our stakeholders, consumers and society. To address challenges of climate change, we have committed to science-based emission reduction targets, which were validated in 2021, through the Science Based Targets initiative. Our EcoVadis Gold medal for our sustainability performance in 2021 and our improved rankings in the CDP and the S&P Global Corporate Sustainability Assessment – used for selecting the constituents of the Dow Jones Sustainability Index (DJSI) – are strong indicators of our progress in embedding sustainability in everything we do.

Fit-for-purpose food packaging enables a sustainable society



We support our customers, wherever they are

Number of employees
19,564

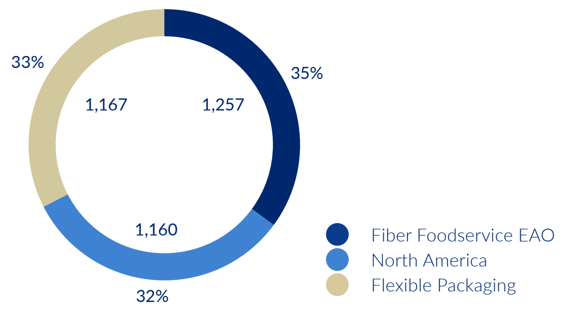
Operating locations
114

Operating countries
38

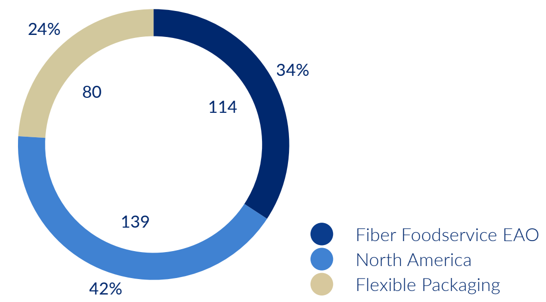
All figures as of December 31, 2021.

Huhtamaki in figures

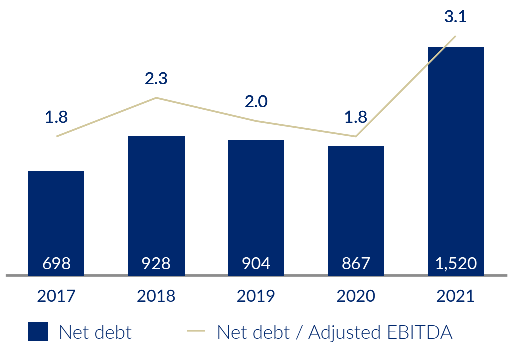
Net sales
EUR 3,575 million



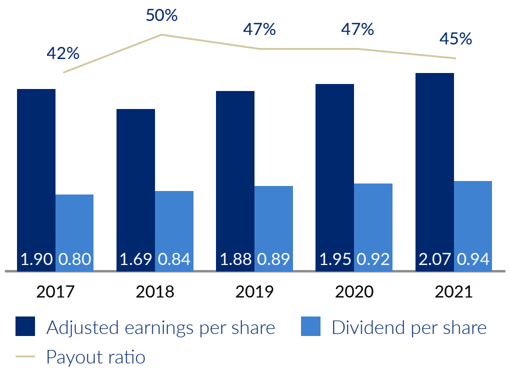
Adjusted EBIT
EUR 315 million



Net debt and Net debt / Adjusted EBITDA
EUR million



Adjusted earnings and dividend per share
EUR



Business segments' net sales include internal sales of EUR 9 million in total. Group's Adjusted EBIT includes Other Activities EBIT of EUR -18 million. Adjusted EBIT, Adjusted earnings per share and Net debt and Net debt / Adjusted EBITDA are presented excluding items affecting comparability. 2021 dividend as proposed by the Board of Directors. 2018 figures for Adjusted earnings per share, Adjusted EBIT and Net debt and Net debt / Adjusted EBITDA have been restated due to adoption of IFRS 16 Leases standard.

Circularity

66.6%

Share of all materials used that are renewable or recycled

Operations

72.3%

Share of non-hazardous waste recycled or composted

Climate

18.0%

Share of renewable electricity used in operations

Huhtamaki's science-based targets were validated and approved in 2021

People

LTIFR 1.4

Safety, Lost Time Injury Frequency Rate

Read more about our sustainability ambitions in the Sustainability Performance supplement, page 155.

Highlights of 2021

An overview of some of our 2021 highlights

JANUARY

Huhtamaki announced an investment in a new world-class manufacturing unit in Port Klang, Selangor State, the capital region of Malaysia. By investing in this strategically located facility, Huhtamaki creates a platform for future growth in the South East Asia region.

ⓘ | *Read more on huhtamaki.com*

APRIL

Huhtamaki acquired Hihio-Art Packaging, a leading manufacturer of paper bags, wrapping paper and folding carton packaging in China. With this acquisition, Huhtamaki continued to strengthen its position as the leading foodservice packaging provider in Asia and expanded its product portfolio in China to better serve its existing and new customers in this exciting growth market.

ⓘ | *Read more on huhtamaki.com*

MAY

Huhtamaki announced the setting up of new fiber packaging capacity in South Africa. This investment will allow Huhtamaki to serve its existing and new egg packaging customers in the KwaZulu-Natal area with a broad range of locally produced packaging solutions. Also, the proximity of this unit to one of South Africa's main export ports will also drive access to markets across East Africa.

ⓘ | *Read more on huhtamaki.com*

JULY

The German Packaging Institute awarded Push Tab® Paper, an industry-first and paper-based blister solution, the 2021 Sustainability Award. This breakthrough innovation responds to the high demand of the global healthcare industry for a sustainable alternative to traditional push-through packaging. Designed to meet the stringent safety requirements of regulated pharmaceutical packaging, the new product was developed in partnership with Syntegon and is available on European markets today.

ⓘ | *Read more on huhtamaki.com*

AUGUST

Huhtamaki reinforced its leadership position in emerging markets with the acquisition of Elif, a major supplier of sustainable flexible packaging. With state-of-the-art operations in Turkey and Egypt, Elif is a trusted long-term partner for major global consumer brands in Europe, the Middle East and Africa. As with Huhtamaki, sustainability is also at the core of its business model.

ⓘ | *Read more on huhtamaki.com*

Huhtamaki partnered with RiverRecycle and VTT to develop technology to solve the floating waste issue on the Mithi River in Mumbai, India. The waste collector technology is an integral part of RiverRecycle's solution to tackle marine waste, one of the biggest global challenges of our times. With Huhtamaki's support, a prototype was built and tested in Finland and then transported to and assembled in Mumbai where it is being used today.

ⓘ | *Read more on huhtamaki.com*

SEPTEMBER

Huhtamaki's targets to combat climate change were validated by the Science Based Targets initiative, a globally recognized initiative that seeks to drive ambitious climate action in the private sector. The approval is an important milestone, endorsing Huhtamaki's company-wide greenhouse gas reduction initiatives and its alignment with the science-based climate framework.

ⓘ | *Read more on page 155.*

Huhtamaki received the gold medal from EcoVadis for its sustainability performance in 2021, ranking in the top 5% among 75,000 rated companies around the world. This significant improvement in Huhtamaki's scores was driven by the company's environmental policy and actions towards energy efficiency and waste management, as well as sustainable procurement.

ⓘ | *Read more about our other sustainability ratings on page 157.*

OCTOBER

Huhtamaki won the award in the "Bio Based" category for its new plastic-free Sundae cup and lid at the 2021 Sustainability Awards, hosted by Packaging Europe. The prestigious panel of international judges selected our fully renewable, recyclable Sundae cup and lid as the best packaging solution due to its significant positive impact in packaging applications. The sustainable packaging innovation was developed jointly with Havi and McDonald's and has been launched in France. In December, the Sundae cup and lid was also received the World Packaging Organisations' prestigious WorldStar award.

ⓘ | *Read more on page 20.*

Our 2030 Strategy

We remain committed to the solid and robust foundation on which our 2030 Strategy is built, rooted in our belief in the essential nature of food packaging. The COVID-19 pandemic has highlighted the need for health and safety, and the significant role packaging plays in assuring this.

The future of food packaging continues to be impacted by four transformative trends

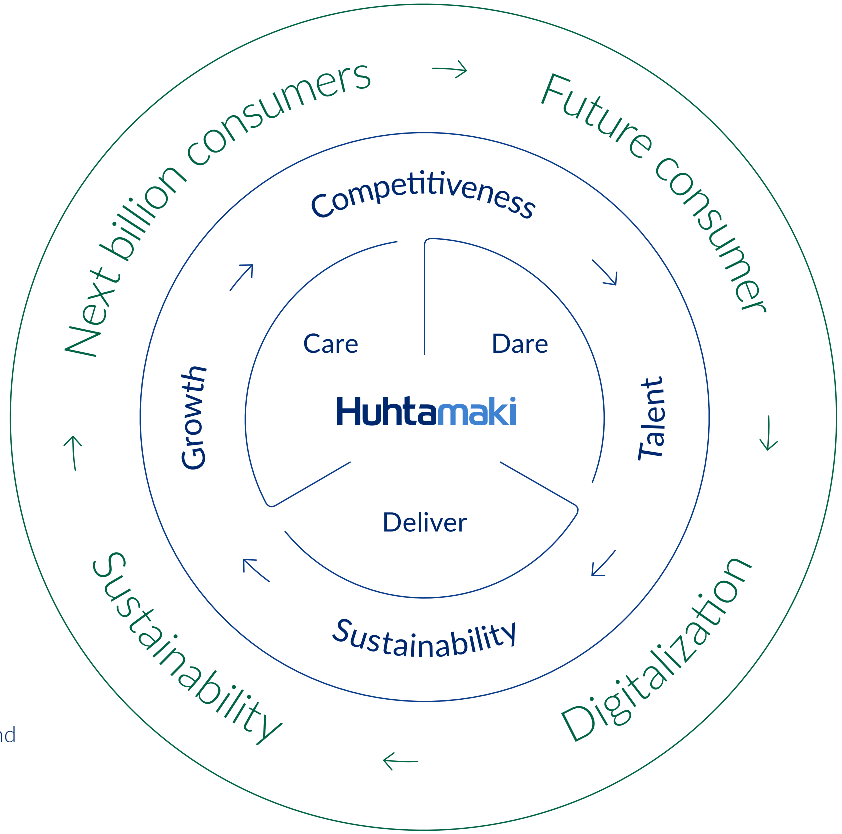
The world of food and packaging is transforming, driven by a growing middle-class, sustainability, digitalization, and personalization of consumer offerings. These trends are rapidly changing our industry and operating environment.

The next billion consumers will come from emerging markets

- Growing globally, the middle class is expected to increase by 1.8 billion people in the next 10 years
- Coming from China, India, South East Asia and longer-term Africa
- Demanding safe access to affordable food every day, enabled by packaging
- Driving the need for local scale and cost competitiveness

Sustainability will drive innovation and collaboration

- Increasing consumer sentiment and regulation globally, demanding circularity and plastic substitution solutions
- Driving a need for innovation in products and business models, creating better and smarter packaging
- Requiring greater investment in infrastructures for recycling, incentivization to drive consumer behavior, and better regulation to enable innovation
- Requiring us to collaborate across the value chain to address challenges in the development of a circular economy and be part of the solution



The future consumer will require packaging to be smart, individual and sustainable

- The increasing appreciation of convenience and traceability of e.g. product origin
- The growing awareness of personal and environmental well-being
- The emerging demand for brands and models with room for self-expression in food delivery, fast-moving consumer goods and retail

Digitalization will influence packaging and the way we do business globally

- Digitalization will accelerate, creating demand for smart packaging for product traceability and consumer engagement
- Digital technologies and data will reshape operations and processes globally
- Digital-enabled business models will emerge, including better integration across the value chain e.g. for recycling

Our 2030 Strategy builds on transformative trends impacting the future of packaging

Packaging creates value by securing hygiene, food availability and food safety for consumers around the globe. In addition, with an increasing focus on the future of the planet, packaging also plays an instrumental role in reducing food waste, which today still remains by far the biggest environmental impact from food systems on climate change. Thanks to today's digital breakthroughs, packaging also offers solutions including traceability of products and, increasingly, circularity. Our customers, consumers, communities and the planet need our sustainable packaging solutions more than ever before.

Our objective is to further expand our company globally and continue to develop innovative transformative sustainable packaging with uncompromised quality. Our ambition is to be the first choice in sustainable packaging solutions.

We will continue to grow by scaling up our core businesses, expanding in emerging markets, developing sustainable solutions and food delivery packaging and focusing on long-term innovation and venturing. Through this, we will become the most reliable solutions-focused partner for our customers.

We will become more competitive by digitalizing all our operations, running our manufacturing more efficiently and simplifying the way we work globally to achieve world-class operational performance.

We will continue to develop, grow and nurture our talent by building strategic capabilities and a high-performance culture based on our values Care Dare Deliver.

Protecting food, people and the planet

Our ambition is to be the first choice in sustainable packaging solutions, enabling wellbeing and convenience for people around the world

Growing our business	Improving our competitiveness	Developing our talent

Embedding sustainability in everything we do

Driven by digital technologies and data

Our values Care Dare Deliver help us to make a difference, where it matters

How we create value as a food packaging manufacturer

Key inputs

Raw materials
- Paperboard
- Plastic resins
- Recycled fiber
- Approximately 65% of raw materials used in manufacturing our products are renewable

Energy and water
- Energy 2,244 GWh
- Water intake 8.7 million m^3

Global operations
- 79 manufacturing units, 23 sales offices, 38 countries

Personnel
- Competence and know-how of 19,564 employees

Stakeholders
- Key stakeholder relationships
- Collaboration with key customers and suppliers

Intellectual property
- Immaterial rights, patents
- Brand and reputation

Financial resources
- Equity M€ 1,597
- Net debt M€ 1,520

Our activities

Advanced manufacturing using multiple technologies
- Cup forming
- Folded carton production
- Smooth and rough molded fiber production
- Extrusion and lamination
- Thermoforming and injection molding
- Printing and digital printing

Resource efficiency
- Energy: 4% improvement in energy efficiency in 2017–2021

Innovations
- Digitalization and design of sustainable packaging solutions
- Continuous product development

Leadership and management
- Strive for excellence and collaboration between our business segments and centralized functions to benefit our customers
- Workplace safety improved 45% in 2017–2021 with the Lost Time Injury frequency rate decreasing from 2.4 to 1.4
- Guiding principles and systems (e.g. Code of Conduct)
- Continuous improvement (Lean Six Sigma, Total Productive Manufacturing)

Organic growth and acquisitions
- Growing both organically and through acquisitions
- Capital expenditure M€ 259

Key outputs

Safe, convenient and fit-for-purpose consumer packaging
- Cups, plates, bowl, utensils and folded cartons for foodservice and retail products
- Laminates, pouches and labels for food and personal care
- Molded fiber packaging for eggs and fruit

Emissions and waste
- Relative GHG emissions reduced 9% in 2019–2021
- Waste in 2021
  - Recycling 72%
  - Energy recovery 10%
  - Incineration without energy recovery >1%
  - Landfill 18%

Intellectual property
- Immaterial rights, patents

New manufacturing assets
- Through investments and acquisitions
- Unique Huhtamaki developed conversion equipment
- Customer equipment and engineering services supporting their filling lines

Economic value
- Gross profit M€ 594

Key impacts

Environment
- Replacing non-renewable materials with alternative renewable materials
- Reducing food waste with fit-for-purpose packaging, designed for circular economy, e.g. packaging that is recyclable and recycled
- Impact on climate change from manufacturing and waste to landfill

Intangible assets
- Huhtamaki brand value
- Product and design innovations

Stakeholders
- Customer satisfaction
- Employee engagement and increased know-how through learning
- Job opportunities and value for local communities

Financial economic value distributed in 2021
- Profit M€ 203
- Wages and benefits M€ 710
- Net financial items M€ 33
- Taxes and similar M€ 60
- Dividends M€ 96

"The diverse consumers of today are rapidly transforming the world of food and packaging. This creates opportunities to develop more sustainable, convenient and functional packaging. We focus our innovation on solutions to replace fossil-based plastics and, where possible, to implement mono-structures for improved recyclability, whilst preserving and enhancing functionality."

Marina Madanat
Executive Vice President,
Strategy and Business Development

INNOVATION

The innovation catalyst

As an advanced manufacturer, we are at the center of the value chain. We focus on understanding and delivering on our customers' needs. Our vision for the future raises our ambition level considerably. We want to become a proactive innovation catalyst for our customers and partners both upstream and downstream. This pioneering work comes from anticipating the needs of tomorrow's society to identify where we can develop new solutions, such as smart packaging, and add value by bringing transformative packaging solutions.

In 2021, we consciously decided to invest in acquiring and developing new technological capabilities, leveraging expertise across the segments to solve key innovation challenges and bringing best practices to strengthen our innovation capabilities. Today, we also partner with multiple stakeholders across the value chain and across industries to design for circularity, covering a wide range of systems and products. We believe that together we can create incremental, breakthrough and transformative innovation that can lead to systemic, long-lasting change beyond the present. Ultimately this collective effort can help us succeed in protecting food, people, and the planet whilst also bringing significant commercial value.

Material positive innovation push our sustainability initiatives forward

Our ambition drives us to become a proactive innovation catalyst for our customers and partners. As an advanced manufacturer, we are at the center of the value chain: we identify, enable, and monetize sustainable innovation – both upstream and downstream.

In 2021, we continued to leverage expertise across our business segments to solve key challenges for our customers through innovation. We also focused on developing best practices to strengthen our innovation capabilities, globally. Our centers of technological and scientific expertise enable us to work closely with customers and stakeholders to co-create sustainable, socially responsible, and economically viable next-generation solutions.

"There is an exciting shift in the technology to improve sustainability of packaging. We are pleased to introduce fiber-based products such as a paperboard yogurt cup to the North American market. We continue to innovate future product applications as it is clear that consumer product companies are looking for the next step in sustainable packaging that includes the benefits of fiber-based packaging along with a more recycle-friendly barrier coating. Introducing the forming capability is our first step in that offering."

Ron Robertson
Senior Manager, Paperboard Technology,
Huhtamaki North America

Savaday® molded fiber cafeteria trays

Made in the US from 100% recycled material and/or renewable resources, Savaday® molded fiber cafeteria trays are the economical and environmentally conscious alternative to foam.

Chinet®

Brand refresh for Classic™, Comfort™, and Crystal™ series of disposable tableware products that are tailored to address today's consumer needs.

Paperboard Yogurt Container

Our edge protected paperboard container is made from FSC certified sustainably sourced material and contains 80% less plastic as compared to PP plastic cups.

Huhtamaki Sipp Straw

Made from materials that are USDA-certified BioPreferred, Consisting of USDA-certified BioPreferred materials, our Sipp Straw is FDA-approved for single-use food contact as well as PFAS, BPA and gluten free.

Future Smart™ Duo Fiber lids

Our award-winning fiber lids, introduced to our key QSR customers as a sustainable alternative to plastic lids, are 100% plant based, recyclable and compostable.

Home Delivery Range

With over 100 products in the portfolio, our home delivery range of natural Kraft paperboards offers an attractive and sustainable packaging for food service providers.

Smilepack egg carton

Optimally designed for retail shelves in the US and Brazil. Made from sustainably produced molded fiber, Smilepack is a high-quality, plastic-free alternative to traditional plastic egg packaging.

Futuro egg carton

Presenting the first 100% plastic-free egg carton for cooked colored eggs in Europe, our Futuro egg carton contains post-consumer recycled fiber and comes with a reduced carbon footprint.

Push Tab® paper

Push Tab® paper is the industry's first paper-based tablet packaging made from renewable FSC™ certified paper approved for pharmaceutical use.

Blueloop™ tube laminate, with ISCC certified renewable content

Launched in partnership with LyondellBasell, Plastuni Lisses and Groupe Rocher, for use in cosmetics and food sectors, the next generation of tube laminates contains more than 40% recycled content from renewable based plastics.

"Our transformative innovation will define the future, enable us to develop an entirely new offering and shape a leading business right from the very beginning."

Francisco Galindo
Head of Technology, Fiber Packaging, Huhtamaki Fiber Foodservice EAO

"By creating scalable and viable alternatives for plastic substitution, we at Huhtamaki are delivering sustainable options to customers, in line with our 2030 Strategy."

Jelle Post
Technology & Development Manager, Fiber Packaging, Huhtamaki Fiber Foodservice EAO

Leveraging our innovation capabilities to best in class

Climate change and its impact on sustainability on the one hand and legislations focused on the removal of plastics on the other, have sparked a shift in the way we do business. We know that developing innovation in sustainable packaging is paramount, not just for the future of our planet but also ours. We at Huhtamaki are transforming and leveraging our innovation capabilities to become best in class so we are able to take a leading role in addressing the global challenges of climate change by finding circular solutions.

Together with our partners, we are working to substitute existing plastics. For example, in the Huhtamaki Fiber Technology Centre, we are developing smooth molded fiber (SMF) products using Huhtamaki technology in our core processes.

At present, we use SMF technology to create, for example, lids and trays for foodservice operators and retail sales. The end products are strong, lightweight and with the high quality that meets food safety standards. We believe that the future of SMF lies here, and that we have the experience and know-how to develop this complex but exciting technology, having produced molded fiber egg trays since 1938.

Adopting a start-up mindset ensures we are agile

The vision of the Huhtamaki Fiber Technology Centre is to shape a new market by building technology and machines that do not exist yet. To bring this to fruition, we are working as a start-up with a clear philosophy within the company. To find these game-changing solutions, we must be bold in innovating quickly, fail fast, learn fast and try again. By dramatically decreasing our development time, reducing our time to market, then building the capacity to manage this increased speed, we will be able to lead and steer with the needed agility.

Our advantage is that we have a solid foundation as a key global player in food on-the-go and food on-the-shelf packaging solutions. Building on this, we must boost our capacity, expand our technical capabilities, implement technological changes and follow the principles of lean innovation and lean engineering to enable us to take care of the resulting increase in the complexity of our technology.

A transformation of this scale requires a change in the mindset of our teams as well. We want them to feel empowered to share ideas, voice opinions and make crucial decisions independently and quickly. As collaboration is vital, we are also working closely with our colleagues across Huhtamaki to help achieve these goals, whilst continuously listening to customer feedback.

Our innovative plastic substitution technology holds immense potential

Whilst plastic substitution is a reality now, it is still a developing technology. We know that smooth molded fiber holds enormous potential in combination with barrier property development. In Europe, for instance, Huhtamaki co-developed a smooth molded fiber Sundae cup with lid and a cold cup lid for McDonald's, which was launched during Q1 2021. In terms of molding technology, we are now working on the first generation of SMF machines, upgrading them from high precision to ultra-precision, and we have reached a very good maturity level.

All in all, foodservice packaging is changing rapidly. The plastic substitution strategy we have established around our smooth molded fiber technology will enable us to gain a competitive advantage and be at the forefront of innovation.

"In 2021, we continued to scale-up our core business both through organic investments in Malaysia and South Africa as well as acquisitions in China and Turkey. These strategic initiatives strengthen our global manufacturing footprint and our position as a key advanced manufacturer of sustainable packaging solutions."

Thomas Geust
Chief Financial Officer

GROWTH AND COMPETITIVENESS

Growth and competitiveness are the cornerstones of our 2030 Strategy

To continue our growth trajectory, we continue to focus on creating scale in our core businesses both through organic investments as well as mergers and acquisitions. We have the necessary key technologies, key customer relationships and a global geographical footprint, to target organic growth as well as the requisite financial health to look for inorganic growth.

In line with our strategy, innovation, digitalization, sustainability and productivity are key growth levers for us and bring real commercial value across all our operations.

Key to our innovation is our ability to develop transformative sustainable solutions. A core part of this is our ability to replace both fossil-based plastics and, where possible, implementing mono-structures for improved recyclability without compromising on quality and safety. We also view digitalization and personalization as areas of long-term innovation, and we aim to venture in new business opportunities created by evolving consumer lifestyles.

To improve our competitiveness, we concentrate on world-class operational performance, productivity, process performance, and digitalization. Digitalizing our operations, IT systems and infrastructure helps us achieve efficiencies and strategic insights. We also believe that by achieving growth and scale we can gain structural efficiencies across the company.

Huhtamaki's long-term financial ambitions

Adjusted EBIT margin
10+%

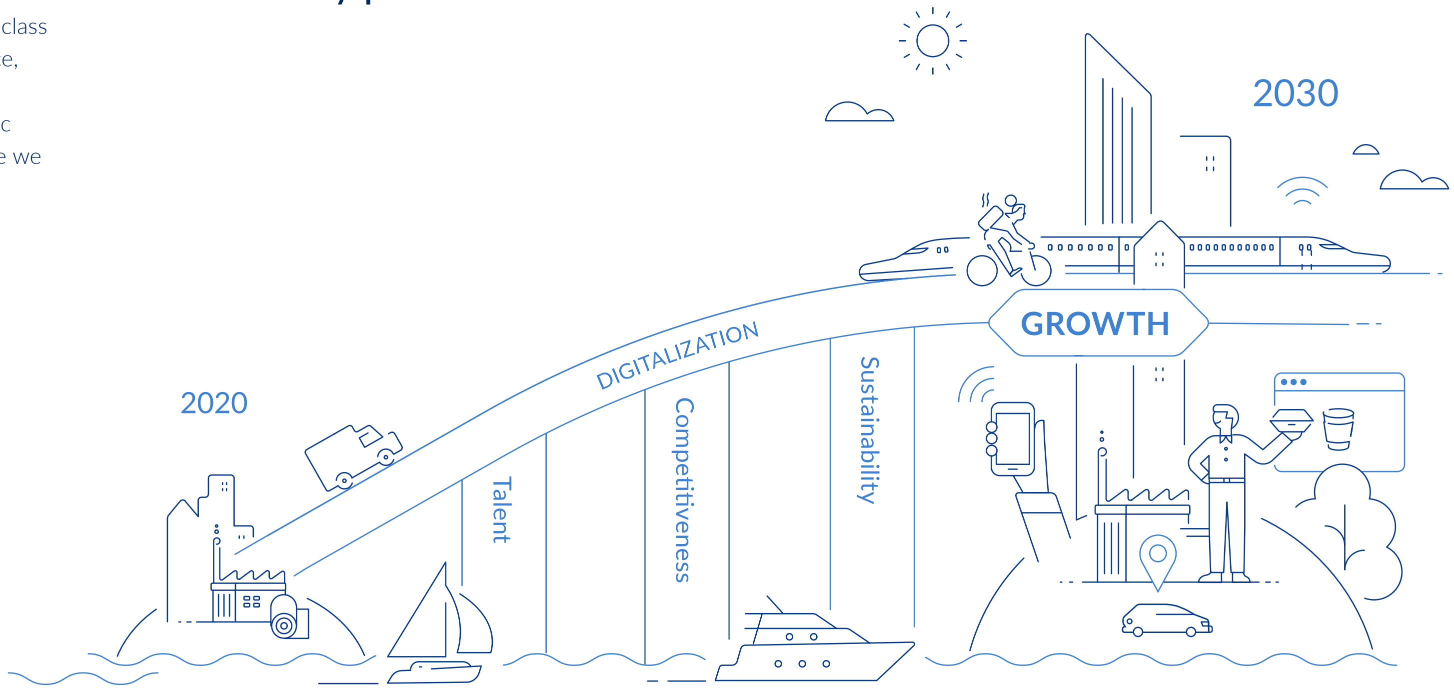
Comparable growth
5+%

Net debt / Adjusted EBITDA ratio
2–3

Dividend payout ratio
40–50%

Read more about our financial performance in the Directors' report 2021 on page 48.

Our 2030 Strategy is built on five key priorities



TODAY
Solid player in 38 countries

Sustainable and profitable growth, scaling and expanding

2030 AMBITION
Large and strong player in a global, growing market

Digitalization is the enabler and connector of our strategic priorities

"As a multinational company that has been operating in China for over two decades, we welcome the increased focus on sustainability by the government, as well as the moves by brands towards more sustainable packaging solutions."

Angela Huang
Vice President, Strategy and Business Development, Greater China at Huhtamaki

"Our activities in India focus on driving cost competitiveness to ensure that sustainable packaging solutions remain affordable for all."

Vinit Mahadevan
Vice President, Strategy and Business Development, India, SEA and MEA at Huhtamaki

Growth in China and India is all about partnership – both from an innovation and a sustainability perspective

The next billion consumers are anticipated to come from emerging markets

These consumers will expect packaging to be innovative, individual and sustainable. As 45% of total global GDP growth is set to come from Mainland China and India by 2030, these two are important geographies for the future of Huhtamaki.

We aim to build on our leading position in the Chinese market

The foodservice and FMCG markets in China are by far the largest in comparison to other developing economies, making them a focus for many of our customers. This highly innovative, constantly evolving market offers potential applications and insights that can be applied in our developed markets.

Today, roughly 50% of the population in China belongs to the middle-class, which is projected to rise to roughly two-thirds of its total population by 2030. Greater purchasing power and the expected increase in urbanization will reshape how food is produced, distributed and consumed locally, contributing to significant demand for packaged goods.

To better serve both existing and new customers in China, we acquired Jiangsu Hihio-Art Packaging, a privately owned manufacturer of paper bags, wrapping paper and folding carton packaging in 2021. The acquisition expands our product portfolio and strengthens our position as a leading foodservice packaging provider in Asia.

In China, we are focused on becoming increasingly agile as a food packaging provider and as a solution provider. Our ability to support and lead on rapid innovation cycles for sustainable solutions together with our customers will drive our success. With the rapid rise of consumer digital platforms and ecosystems, this dynamic market offers opportunities for growth through innovation and sustainability, and our customers and new business areas definitely have a great need of that.

A young population makes India an attractive market

The Indian market is an exciting one for Huhtamaki. The country has its largest ever adolescent population. According to projections by the United Nations Population Fund (UNFPA), India will continue to have one of the youngest populations in the world until 2030. Whilst most consumer goods companies have an established presence in India, the level of technology capability within the supplier base in India is quite low, providing an excellent opportunity for a key global player such as Huhtamaki. Also, India is an attractive export location especially for Africa, the Middle East and parts of South East Asia.

We see the following trends taking place in India. To start with, there will be an increased need to manage smaller volumes to meet customer demand, so there will be a need to focus on small pack stock keeping units, which are smaller than 100 milliliter or gram.

Secondly, there will be a focus on sustainability and recycling. We are investing in solutions to address this and we expect there to be consolidation of technologies to address this going forward.

Finally, there is smart packaging. Broadly, smart packaging covers everything from interactive packaging, QR codes and augmented reality to supply chain traceability. Providing information around hazardous products and expired safety standards is the next big wave in India.

"Developing our diverse talent is a core element in our 2030 Strategy and is key to our future success. To build the strategic capabilities – in areas such as long-term innovation, digitalization and sustainability – we must nurture the potential of our people and continue to create a high-performance culture."

Teija Sarajärvi
Executive Vice President,
Human Resources and Safety

DEVELOPING OUR TALENT

Our people matter – building a high-performance culture

When it comes to talent, recruiting the right people into the business and having the right measures in place to enable them to shine is key to creating a productive high-performance culture.

By staying true to our values of Care Dare Deliver, we all become the driving force behind bringing our strategy to life. Without our colleagues, our purpose and vision of protecting food, people and the planet would not be possible.

Employee engagement has been put to the test during the COVID-19 pandemic, and as has been widely noted people are changing jobs more frequently now more than before. The impact is clear on labor-intensive industries, such as manufacturing. Therefore, we continuously focus on improving our OHS performance and building our capabilities and competencies across the organization in order to provide our people with a safe working environment. In addition, we put emphasis on building engagement and high-performing teams to drive our strategy forward. Three key pillars underpin our drive towards a high-performance culture within Huhtamaki.

"Corporate Governance is a basis for how we work and how we are organized. In this, we are guided by our values Care Dare Deliver and our Global Code of Conduct. Our Code of Conduct works as a compass enabling us to navigate and resolve professional and ethical dilemmas if they arise; it empowers us to maintain consistent ethical judgment in our daily work. Our Speak Up channel empowers our employees anywhere in our organization to raise concerns so that these are addressed quickly and resolved efficiently."

Sami Pauni
Executive Vice President, Corporate Affairs and Legal, Group General Counsel

High performance is built on leadership

Our leaders play an important role in Huhtamaki's success, particularly in communicating our strategy, purpose and values to their teams across the organization. Without their ability to consistently cascade important information down the line we would not be able to drive high-performance.

In 2021, together with a group that had a global representation from all segments, we created our new leadership model called Leadership Imprint. Our Imprint combines our values Care Dare Deliver and three dimensions of leadership: lead yourself, lead others and lead business. It is used to guide Huhtamaki leaders in their daily work and to shape their own leadership footprint. It is the foundation to our global leadership development portfolio and used, for example, in recruitment and in our annual performance reviews.

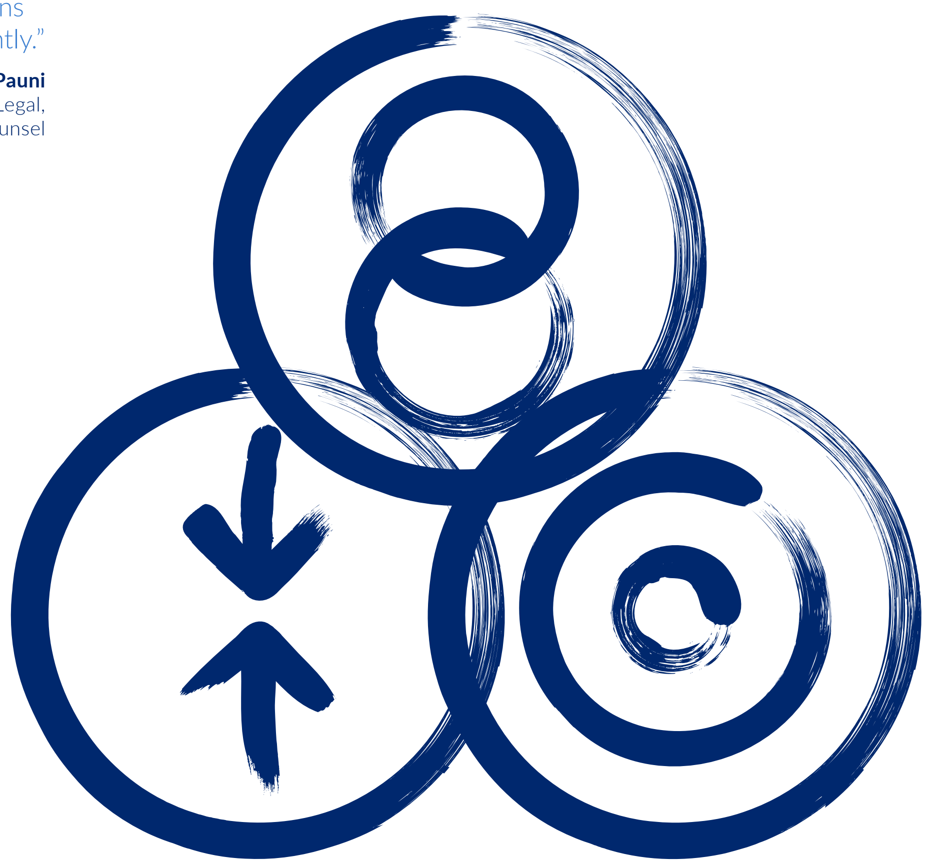
High performance is built on feedback

Feedback is the most valuable tool that enables us to build a high-performance culture. Once targets are in place, continuous feedback helps people perform to their full potential. Feedback also helps people to grow and learn.

We believe leaders need to lead by example and not only actively give feedback, but also ask for feedback on their own work. Performance management is also an important form of

Care

We care for the planet, people, customers and partners



Dare

We dare to innovate, grow and have an impact on the future

Deliver

We deliver on our promises, with integrity and as a team feedback. It is part of every leader's role and a key element of treating our people not just fairly but well – according to our values and Code of Conduct.

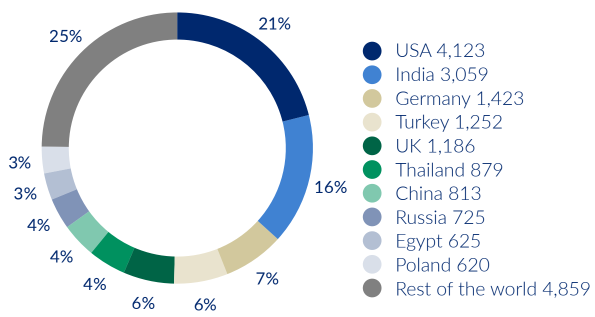
High performance is built on learning

We firmly believe that employees should trace their own path at Huhtamaki by deciding the direction in which they want to grow and driving their own career at the company. We support them by providing learning opportunities in the form of structured learning, on-the-job training and learning from others.

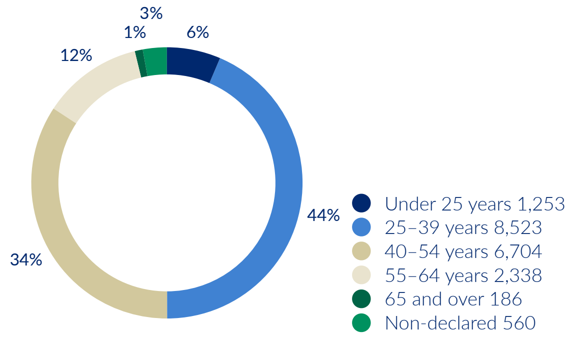
Although the ongoing pandemic has limited our opportunities to provide a full set of learning solutions in 2021, we have seen a significant increase in employees' take up of on-demand virtual learning. The number of LinkedIn Learning users has increased, coaching and mentoring are becoming more popular, and we are constantly engaging talent in our strategic initiatives. People Leaders were offered different online seminars and workshops on relevant topics to further their growth. In addition, Total Productive Manufacturing (TPM) provides continuous training to our factory workers.

With digitalization, sustainability and innovation identified as our growth levers, we will be expanding our learning offerings in 2022 to drive strategic capabilities in those areas. We are looking to invest in our future by providing a range of new learning solutions in these key areas and in an all-new leadership development portfolio targeting our People Leaders. We are encouraging and supporting our people to learn every day and we will expect our leaders to set an example by taking time to not only upskill themselves but also ensure their team members have time to invest in their own skills.

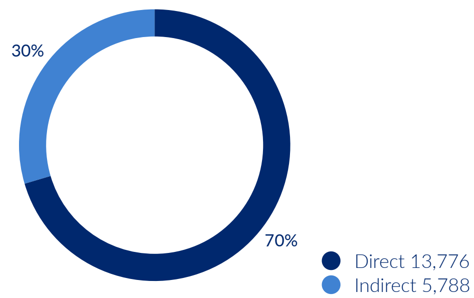
10 largest countries by number of employees



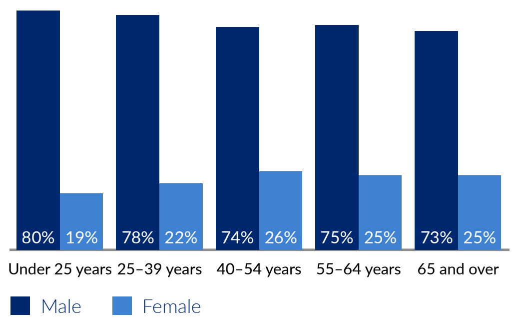
Employees by age groups



Employees by employee category

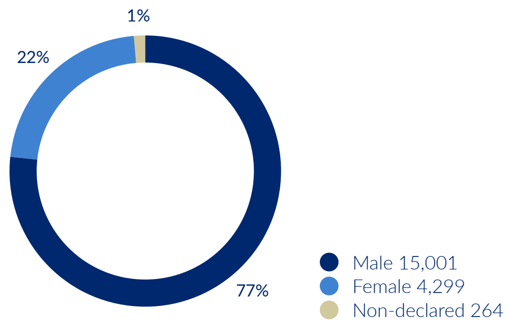


Employees by age group and gender*



*Excluding non-declared and Elif's employees.

Employees by gender



We have established Global Huhtamaki Working Conditions Requirements on ethics, employment and occupational health and safety practices, adherence to which is mandatory across our organization. The requirements follow the principles set out by the International Labour Organization, the United Nations Universal Declaration of Human Rights and the Ethical Trading Initiative.

2021 Connect Survey

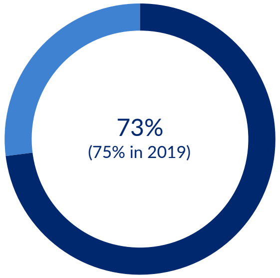
Our Connect Survey, conducted every two years globally, helps us to collect feedback on how successful we are in building a high-performance workplace and culture.

Whilst we are pleased to note that, in 2021, we had a very respectable response rate of 79%, down from our previous survey's record high rate of 88%. We follow three key indices: engagement, enablement and leadership. Compared to 2019, the engagement index has dropped slightly (from 75% to 73%) whilst enablement stayed the same (76%) and the leadership index increased (76% to 77%).

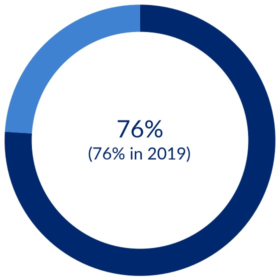
The excellent results displayed under the leadership index are thanks to our People Leaders at all levels across the business who have done outstanding work in advancing integrity, a sense of fairness and direction amidst the challenges of the pandemic and several organizational changes.

We have identified performance management, resources, diversity and career opportunities as our global focus areas going forward. Overall, we are proud of our results. The largest improvements can be seen under ethics, values and on understanding our strategy and goals. According to the results, employees know what is expected of them and how their job contributes to Huhtamaki's 2030 Strategy and goals, which bodes well for 2022 and beyond.

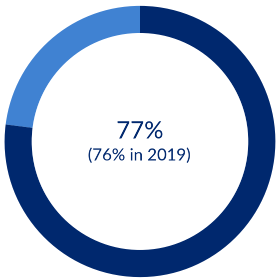
Engagement



Enablement



Leadership index



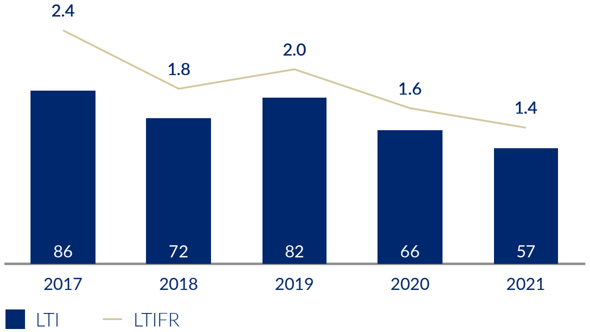
We listen to feedback from our employees in many ways

Employee dialogue and feedback is very important for Huhtamaki's growth. Managers and employees on all levels are encouraged to engage in meaningful dialogue to share experiences and feedback. Connect, our global employee engagement survey that covers all our employees, is conducted every second year, and based on survey results measures to be followed up on are agreed. We also meet with our European Works Council (EWC) once a year, and with the EWC Steering Committee at least once a quarter, to discuss topical issues. At our plants, all-hands and townhall meetings are organized locally. We also meet regularly with unions and employee representatives and conduct statutory negotiations in a timely manner. Finally, Huhtamaki Speak Up globally, and the Alertline® hotline in the US, are channels through which employees can raise concerns on misconduct and governance anonymously.

We believe in equal opportunities for all

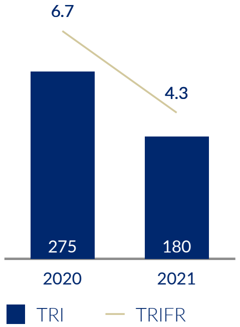
As outlined by our Code of Conduct and our values, treating employees equally and with respect is key to successful leadership, and ultimately, to a successful business. Ensuring transparency and standardization is important in driving equal treatment. We are able to provide this by managing most of our employment-related processes digitally. The successful implementation of our 2030 Strategy requires a working culture that is conducive to innovation and creativity. That, in turn, is possible only through the active promotion of diversity and inclusion. Our leadership model, our values and the work we carry out to develop our strategic capabilities all support this goal.

Number and frequency of lost time injuries 2017–2021, Group



LTI = Lost time injury
LTIFR = Lost time injury frequency rate per million hours worked

Number and frequency of total recordable injuries 2020–2021, Group



TRI = Total recordable injury
TRIFR = Total Recordable Injury Frequency Rate

Machine safety

The Occupational Health and Safety team at Huhtamaki strives to go beyond just complying with laws and standards. Machine safety has always been an important safety factor at Huhtamaki, but in 2021, the introduction of a global standard took the company's machine safety efforts to a new level. A new global, multidisciplinary team was put in place to build momentum, starting from a third-party selection process of machine safety experts. The new Global Machine Safety Standard is Huhtamaki's new operating model, globally.

The new standard was established to synchronize machine safety across Huhtamaki's global operations. It is an embodiment of the Huhtamaki value of Care: its aim is to deliver in line with our business expectations and by ensuring the safety of everyone in our global community.

By consistently deploying driving shared standards across the organization, we harmonize our operational practices, remove or mitigate the role of subjectivity, and promote ever safer ways of working.

The machine safety program is a component in our journey toward our 2030 health and safety ambition of becoming best in class in safety by integrating it into our company DNA. This program has renewed our focus on upskilling our colleagues on machine safety with customized technical training. Safety is an imperative in our field and a path to sustainability.

Read more about our Occupational Health and Safety performance and our employment related data in the Sustainability Supplement on pages 182–184.

"Safety needs to be part of our DNA of everything we do, in the way we act and in the decisions that we make, globally."

Miia Hapuoja
Vice President,
Employment, Resourcing, Health & Safety at Huhtamaki

"For our success as a company and as individuals, it is important to make sure that our knowledge, skills and competencies are up to date, helping us deliver on our 2030 Strategy."

Hanna Heikkilä
Vice President, Organization & People Development at Huhtamaki

We build a high-performance culture by investing in the continuous development of our people

A core element in our 2030 Strategy is developing our diverse talent. It is key to our future success. Talent development is the way in which we build the competencies and capabilities of our employees so that they can thrive in their jobs.

In line with this, we have renewed our leadership model, Leadership Imprint, to integrate our values Care Dare Deliver with three leadership areas: leading business, leading others and leading yourself. The model is a foundation for all our leadership development efforts, and we are, for instance, building a new program that will be mandatory for every leader in Huhtamaki as of 2022. The purpose of the program is to establish a common language when talking about leadership, make sure that all leaders know what is expected of them, and provide tools to help leaders succeed in their work.

Digitalization, sustainability and innovation are our strategic capabilities

To become the most engaging, motivating and safest workplace for our people, we need to adopt new ways of working and build our strategic capabilities: digitalization, sustainability and innovation. We are still at the early stages but have already launched an e-learning course addressing our digital agenda, and another e-learning course on sustainability and safety will also be available shortly. We are also developing learning solutions for our sales professionals in order for them to be equipped to deal with topics related to sustainability and digitalization with our customers.

For our employees, career development is a key engagement driver. At Huhtamaki, we talk about "tracing your own path," encouraging our employees to drive and plan their own career with the support of their managers. Ensuring people have time to learn whilst achieving business targets is a balance we are constantly striving for. Whilst the COVID-19 pandemic has limited our capacity to facilitate face-to-face training, we try to actively incorporate learning in the flow of work. For example, our many strategic projects provide great learning opportunities, and our management is an active promoter of internal mobility.

For talent to thrive, we must provide our people with a safe working environment

For us, safety is the core upon which we build our high-performance culture. We want everyone to stay healthy and work safely.

After outlining our global 2030 Occupational Health and Safety (OHS) ambition and targets, we identified the key building blocks to enable us to realize this goal. One of them is to ensure a high level of health and safety competencies across the entire organization. Another element is the continuous development of KPIs that not only aim at reducing the number of injuries globally, but also strive to prevent the reoccurrence of a health and safety issue. In addition to tracking lost time and medical treatment injuries, we have also begun to follow up on learnings from lost-time injuries.

Automation and digitalization form the third key building block. Automation has the potential to minimize human error. In terms of health and safety digitalization, we can become more efficient in sharing best practices across factories and sites by offering a platform that enables anyone to easily report situations which could potentially cause an incident.

Developing a global company mindset whereby nobody gets hurt and everyone goes home safely at the end of the day entails a cultural change. Such a shift takes time. Changing our culture requires not only implementing robust processes, but also addressing behaviors and picking up habits and routines that enhance safety consciousness and safety accountability.

"Digitalization is a key transformative trend for the food packaging industry. It can unlock big opportunities in the way we work with our customers and suppliers and how we design our packaging to be smarter and more sustainable. It is also a lever that enables growth by making our core business more efficient, from operations to sales management."

Antti Valtokari
Head of Digital and Process Performance, acting

DIGITALIZATION

Digitalization is the enabler and connector of our strategic priorities

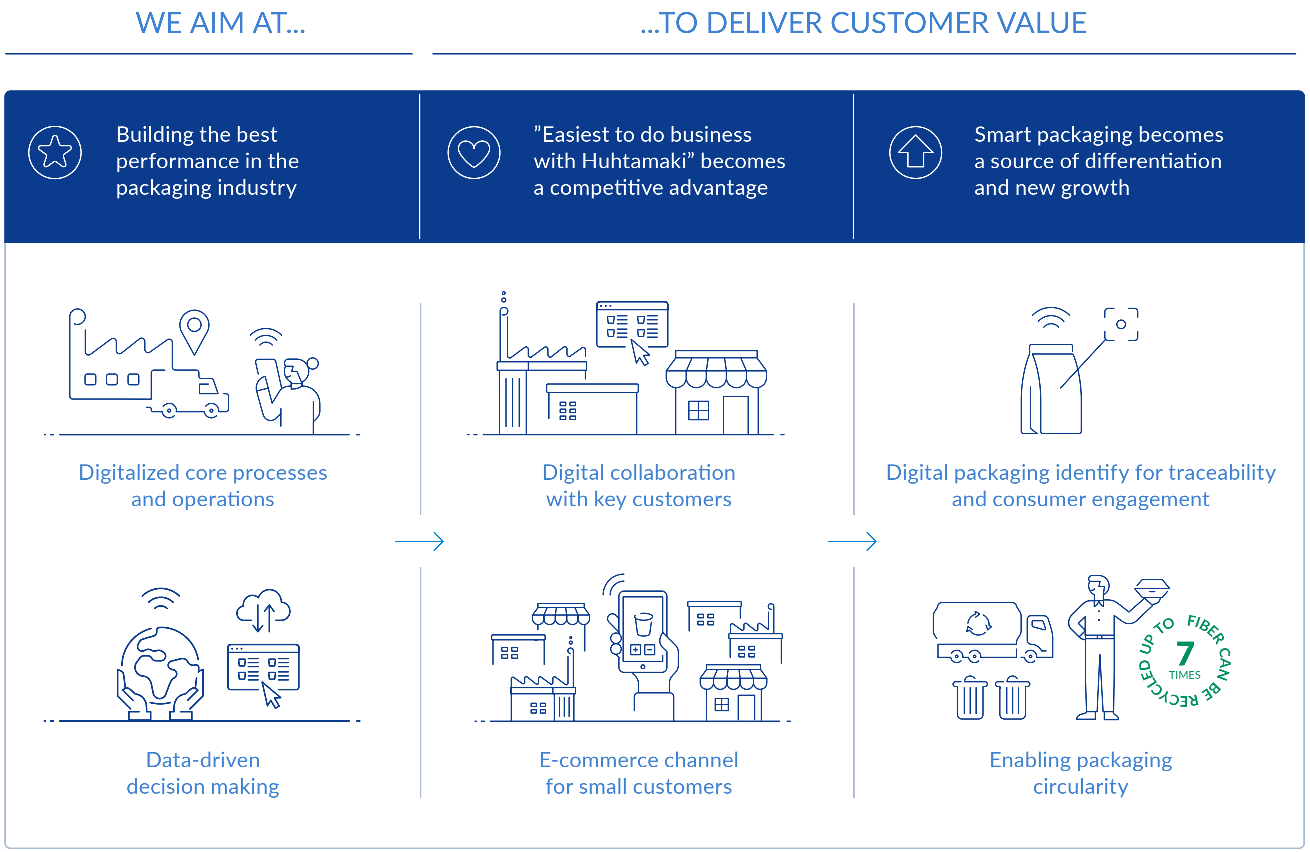
The pace of digitalization is accelerating and it is no longer optional. External factors such as COVID-19, changing consumer behavior and greater sustainability legislation have hastened the need for digitalization even further.

At Huhtamaki, digitalization a key differentiator for our products and a business imperative for our operations. It is inevitable that digital technology and data will reshape the way we do business with our customers and our operations.

We see digitalization as the enabler and connector for our strategic priorities to deliver growth. To become the first choice in sustainable packaging solutions, we must digitally enhance the efficiency of our operations, facilitate ease of doing business with us for our customers and develop digital products and services including smart packaging.

Our three digital ambitions focus on creating value. We will improve our operational performance and have 100% of our production sites and equipment digitized and connected. We will strengthen our business model by digitalizing all of our customer transactions worldwide. We will also explore new business growth avenues and work to make smart packaging a source of differentiation.

We will reach our 2030 ambition by using digital technologies and data



100% of our production sites and equipment are digitized and connected

100% of all our worldwide customer transactions are digital

100% of packaging has a digital identity

"B2B e-commerce is set to grow and we strongly believe that we need to be in this marketplace."

Susanna Graeffe
Category Director Distribution, Catering & Retail, Huhtamaki Fiber Foodservice EAO

"Collaboration creates connectivity. It allows us to become not just a supplier, but a trusted digital partner to our customers."

Shawn Reckrodt
Head of Supply Chain Planning & Special Projects, Huhtamaki North America

Advancing digitalization to promote ease of doing business sets us up for the future

Our e-commerce sales and marketing channel is part of a greater customer journey

To broaden our product portfolio whilst simultaneously making the serving of small and medium-sized customers more cost effective, we are building a B2B e-commerce sales and marketing channel that aims to provide 24/7 self-service with an industry best customer experience. The e-commerce channel is scheduled to go live soon.

We have started defining the role of this channel and its strategy. Work has begun to design the customer experience as well as to understand customer expectations and drivers for satisfaction. In addition, steps have been taken to establish a highly automated business model, build processes and skills for online-specific activities and form a dedicated team with focused targets.

Our e-commerce platform serves as another avenue for existing customers who are more comfortable working through digital means. It is also a way for us to reach out to new customers. Together with our other customer service tools, which will remain in use, Huhtamaki will be more accessible, visible and relevant as a supplier to our customer market, globally.

The sustainability requirements for the products we develop and manufacture are quite high. Our e-commerce sales and marketing channel will be an appropriate venue for us to share not just product information but also our sustainability-driven packaging solutions with both current and potential customers.

Digital connections enable us to be the most reliable solutions-focused partner for our customers

In North America, our business has changed rapidly in the last few years. Supply streams are under pressure because of material constraints brought about by the impact of COVID-19. Weather-related issues are on the increase, demand trends are harder to predict and labor availability continues to pose a challenge across the entire industry.

Due to this, we must keep the lines of communication across our supply chain wide open. We must clearly understand our customers' needs and share what is happening in our business as well. It is not enough to receive data. We also need to apply the data to help us make better decisions.

Other digital solutions currently in place include business intelligence software, supply chain management, demand and inventory planning systems, and third-party applications to help manage pricing and promotions.

To increase our responsiveness to changes in demand and supply, we have boosted real time visibility through an online portal for outbound customer orders and by rolling out further automation for inbound delivery scheduling.

Today, there are elements of our business that have operated effectively in a digital format for several years. In the end, business is about people, and digital tools like Microsoft Teams facilitate collaboration. It was already our primary tool for internal collaboration and file sharing before the pandemic started. We have since expanded its use to include suppliers and customers to offer them multiple ways of engaging with us depending on their need.

We will continue focusing on becoming a more digitally integrated organization and show our customers how our digital assets can create value for them in 2022.

"Sustainability lies at the center of our strategy. As a leader in the packaging industry, we have a duty to make the right decisions to ensure that our current systems are sustainable and then improve them further by making them regenerative. We need to embody change by thinking through solutions and then act to deliver at scale."

Thomasine Kamerling
Executive Vice President,
Sustainability and Communications

SUSTAINABILITY

Embedding sustainability in everything we do

Whilst our key focus is on circularity solutions and climate action, our sustainability approach is comprehensive, covering all three pillars of sustainability related to the environment, social accountability as well as governance and ethics. During the past year, we have taken important steps in all these areas, demonstrating our commitment to reach our goals.

Our operations

We have raised the bar across the board for our activities and elevated our sustainability ambitions. Our commitment is to support the UN Global Compact and the UN Sustainable Development Goals and to achieve carbon neutrality in our production and science-based targets by 2030.

We continue to invest in renewable energy to attain carbon neutrality, recently concluding a Virtual Power Purchasing Act (VPPA), covering approximately 80% of the current electricity usage of our 18 manufacturing units in our 10 European operating countries. In 2021, the series of climate change mitigation targets we submitted were approved and validated by the Science Based Targets initiative (SBTi). We are committed to reducing our absolute scope 1 and 2 GHG emissions by 27.5% by 2030 from a 2019 base year. We are also working to decrease our absolute scope 3 GHG emissions from the end-of-life treatment of sold products by 13.5% within the same timeframe.

Our social agenda

Just as we look to make a positive contribution to the world through our sustainable products, we will also ensure we contribute positively to our social environment. We will do no harm and we will do the right thing. We believe in fair employment practices for everyone, everywhere.

As part of this, in 2021 we continued our human rights journey. We performed a review of our existing policies and procedures and a global assessment of our potential human rights risks and impacts. We also carried out our first human rights impact assessment as a pilot at one of our sites. The findings from both the global review and the local level assessment will feed into our work on strengthening our human rights due diligence and help us grow other elements of social sustainability across the entire enterprise.

Sustainable packaging solutions

We continue to focus our innovation, designing all our products to be recyclable, compostable or reusable by 2030. Our future is better, smarter packaging, with packaging as an integral – not a superfluous – part of the product, which at its core delivers hygienic, safe and accessible food wherever you are. Smart packaging enables traceability as well as information on the raw materials used and the composition of the package. This is essential to collection and segregation, and our ability to ensure that not only are our products recyclable but are, in fact, also recycled.

Furthermore, we believe that circular packaging plays a pivotal role in protecting the planet. We use evidence-based decisions to drive a step-change to fit-for-purpose, material positive packaging solutions that are smart, personalized and sustainable. Being material positive means choosing the best viable option in the selection of materials to ensure fit-for-purpose packaging, which supports how we play our part in delivering systems that are both circular and low carbon.

We will work to minimize waste, and where we create waste, to reuse it. This is a considerable paradigm shift, and our focus on circularity strives to keep materials, substances, and by-products in the economy, generating value for as long as possible. Our mission to make packaging more circular globally, has forged valuable collaborations with our customers and partners to gather the right knowledge and develop solutions for greater recyclability.

Strengthening our sustainability governance

In 2021, we launched the Sustainability Committee – a steering committee – consisting of selected members of the Global Executive Team (GET), including the President and CEO, the three business segment Presidents, and EVP Sustainability and Communications, who also chairs the committee. The committee is a decision-making body which meets quarterly to review and discuss progress made by various enterprise-wide working groups on key initiatives aimed at helping to embed and accelerate our sustainability agenda. Given the importance of energy in terms of our ability to deliver carbon neutrality in our production by 2030, a separate steering committee, consisting of EVP Sustainability and Communications, CFO, EVP Corporate Affairs and Legal, as well as business segment representatives, was established to support the implementation of the group-level Energy Strategy and to drive ambitious emissions reductions in Huhtamaki's own operations. This resulted in the signing of Huhtamaki's first VPPA covering 80% of energy consumption in Europe in 2021.

In addition, in 2021, we renewed the Huhtamaki Group Environmental Policy reflecting our commitment to protect food, people, and the planet by offering sustainable packaging solutions. The objective of the policy is to ensure a group-wide understanding of our environmental commitments. It covers the topics of climate and energy; water and effluent; sustainable forestry and biodiversity; waste, design for circularity and chemicals.

Acknowledging stakeholder interest in chemical management, we made the decision in Q4 2021 to develop a Global Chemical Policy to address the three categories in chemical management: product safety, environmental safety and occupational health and safety. This new corporate-wide policy will be built on current segment-specific policies and will consolidate our best practices in chemical management.

Recyclable products alone are not enough – recycling infrastructures must also be developed

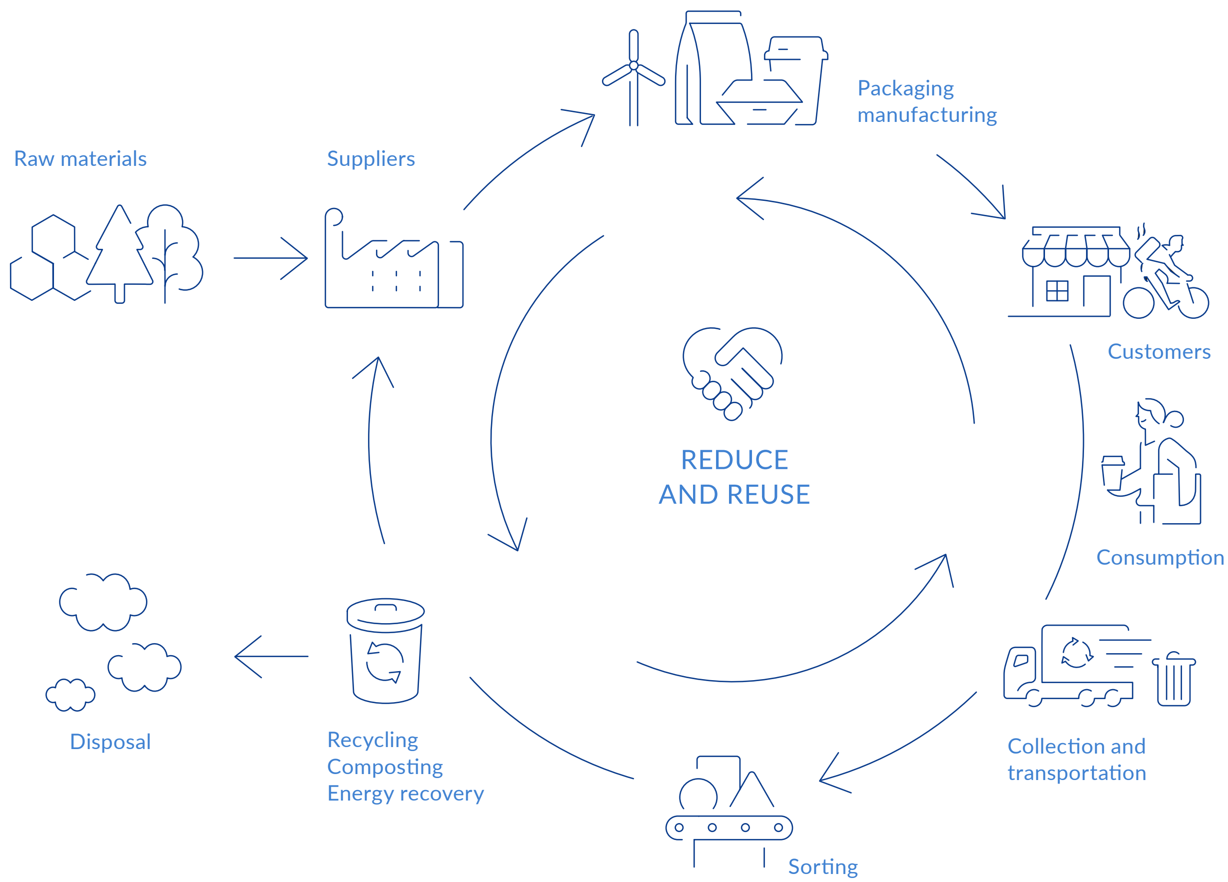
Why does the packaging that surrounds a product become waste? The simple answer is that there are failings in the systems which collect, sort and recycle packaging materials. In many countries these systems do not even exist, leading to more acute issues of pollution.

At Huhtamaki, we see waste as a valuable secondary material, and we believe that both packaging and the systems which enable material recovery must become sustainable. However, this does not mean a one-size-fits-all approach will deliver the best results. We must recognize that what delivers the best environmental outcome in Europe may not bring about the most sustainable impact in other geographies – depending on local factors. To us, innovation across the value chain is the key to ensuring packaging materials are not wasted, and the resource they represent is recovered and reused.

We believe:

1. In designing products that use just the right amount of raw materials for functionality and can still be recycled, composted or reused.
2. In increasing the use of recycled raw materials, whilst ensuring packaging maintains high safety levels for food contact.
3. In optimizing our operations to minimize waste.
4. In recycling, composting or reusing packaging.
5. In accelerating the collection, sorting and recycling infrastructure by working with our value chain.

Enabling a circular economy together with our value chain



Embedding sustainability in everything we do

To strengthen our commitment to sustainability, in 2021 we introduced our Global Sustainability Index (GSI), which links the short-term incentives of the President and CEO and other GET members to our sustainability performance. As of 2022, sustainability objectives will be rolled out to all employees taking part in the short-term incentive plan. We also created sustainability roadmaps for all our sites. The roadmaps are based on site-specific sustainability performance to clearly identify the sustainability priorities and concrete actions related to those for each site.

Whilst the steps we have taken thus far affirm our commitment to embed sustainability in everything we do, we recognize that we still have a way to go. Real change requires collective action. We want to see a real push for systemic change towards low-carbon circularity that goes beyond individual companies, bringing value chains together for the planet. National and international collaboration is needed across the value chain, involving stakeholders from industry, civil society and government.

We believe the positive value of packaging is more than its impact on the planet and we will continue to protect food, people and the planet.

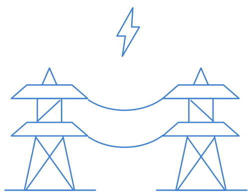
Read more about our sustainability ambitions and performance in the full Sustainability Supplement, page 155.

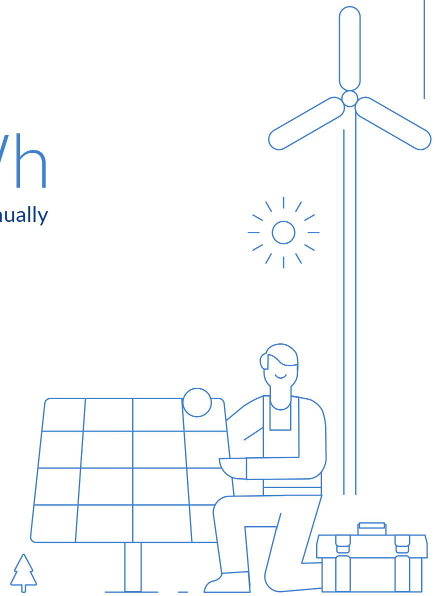
"For many years within our North American operations, we have worked on efficiency improvements and the optimization of material and energy consumption. This focus has primarily been to continuously deliver cost reduction. Now with our global 2030 Strategy, we are further directing our efforts with a new level of diligence and ambition as we seek to lessen our impact upon the planet. As an example, I am proud to share that our Marion, Indiana facility is the first Huhtamaki site to sustain "Zero to Landfill" for 12 months and will continue to do so into the future."

Marc Doiron
Head of Fiber & Pressboard Operations,
Sustainability Operations Lead,
Huhtamaki North America

200 GWh
of solar power produced annually

89,000
tons of CO_2 emissions saved per year





Major step towards delivering on our climate ambitions through virtual Power Purchase Agreements

The science-based targets validated and approved by the Science Based Targets initiative in 2021 mean that we need to address our Scope 1, 2 and 3 emissions. Today, the majority of our Scope 2 emissions are related to purchased electricity and we can address them efficiently by switching to renewable electricity.

In 2021, we made a significant leap forward towards our target of using 100% renewable electricity and a carbon neutral production by closing two 10-year virtual Power Purchase Agreements (VPPA) with global renewable energy developer BayWa r.e.

A VPPA is a contract structure in which a power buyer, in this case Huhtamaki, agrees to purchase a project's renewable energy at a pre-agreed price. With future cash flows secured, the developer can build a new renewable asset. We consciously prefer this mechanism, because corporate VPPAs for new wind and solar projects lead to new renewable generation in the electricity grid, most often replacing fossil fuel powered generators. Therefore, there is a clear decarbonization impact of these VPPAs.

As part of the VPPAs, BayWa r.e. will build two new solar installations in Spain bringing a significant addition of renewable energy to the European grid. The two new solar sites have a combined volume of 200 GWh of renewable electricity per year - enough electricity to power almost 25,000 households – resulting in saving over 89,000 tons of CO_2 annually. The agreements form the largest solar VPPA for the packaging industry in Europe, as well as the first major solar VPPA by a Finnish company. The agreements cover approximately 80% of Huhtamaki's current electricity usage in Europe, where we have 18 manufacturing sites in 10 countries.

The agreement with BayWa r.e. was Huhtamaki's first VPPA. In February 2022, Huhtamaki announced a VPPA in the United States.

"Innovation and value chain collaboration are key when driving systemic change towards circularity."

Tanja Virtanen-Leppä
Head of Sustainability Center of Excellence at Huhtamaki

It is not enough that we manufacture recyclable products – we have to improve actual recycling

Focusing on our part of the value chain is not enough when protecting food, people and the planet

The world's resources are limited. With a growing population and the rise in consumption that comes with growth, there is no other way around this fact: there simply will not be enough resources to sustain production in the years to come.

At Huhtamaki we see post-consumer packaging as a valuable secondary resource. Today, all packaging does not find its way to collection and sorting after being used to protect the product. These gaps explain why packaging is not actually recycled even when it is recyclable by composition. Our possibilities to use recycled materials in direct food contact are limited as there are not many food safe, secondary resources that are within our reach. Finding ways around this is important for us. We welcome regulation development allowing recycled plastics to be used in direct food contact as this is needed to allow circularity. Currently the use is limited to certain plastic grades like rPET.

Our recycling initiatives today highlight the challenges we face

In our view, collaboration can make a real difference. It is important that solutions are not one-size-fits-all but are appropriate to local conditions and scalable. We aim to find best possible value chain partners to work with in order to create tangible impact.

For example, we have begun a pilot together with Coca-Cola, McDonald's and Costa Coffee in the UK that involves the watermarking of paper cups to follow up the recycling of our packaging. We have also participated in anti-littering campaigns to raise consumer awareness in the UK along with the Glasgow Cup Movement, Square Mile Challenge and Neat Streets with Hubbub. In the United States, we have supported the activities of the Food Packaging Institute's Paper Cup Alliance. There, a definite highlight of the year is the progress made in funding the capabilities of many local and regional recyclers.

Moreover, we promote internal closed loop sourcing, for example, from our paper cup production to our fiber units and we also sell these secondary raw materials.

Designing for circularity through material choices and partnerships

At Huhtamaki, we design products with circular economy as a guiding principle. We continuously work towards sustainable packaging solutions by paying close attention to material and structure choices, helping build waste collection infrastructure and guiding people in how to correctly dispose of our food packaging materials to minimize environmental impact and use of resources.

We are part of different circular economy driving initiatives. With Holy Grail 2.0, we collaborate in launching an industrial pilot, proofing the technical and economic viability of digital watermarking technologies. These pioneering digital technologies can drive better sorting and higher-quality recycling rates for packaging. We see that these types of joint efforts are crucial in enabling circularity.

Our partnership with the international charity WasteAid drives community-level circular economy innovation and supports local entrepreneurs in countries such as Vietnam, India and South Africa. Together, we are working to raise awareness and build the needed infrastructure to recycle and end packaging waste in the environment.

We will continue to work with several partners in 2022 to develop recycling pilots that are scalable. This way we ensure that not only are our products recyclable, but that we enable post-consumer packaging as a resource by transforming end-of-life products into secondary raw materials, and improve packaging recycling rates.

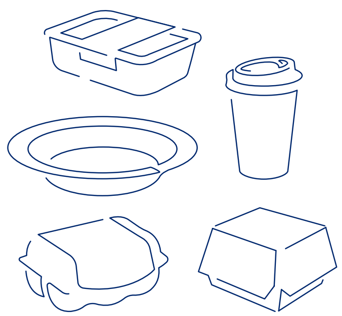
Our business segments

We have a complementary business portfolio that is based on three key technologies and packaging types: paperboard conversion packaging, molded fiber packaging and flexible packaging. Our packaging offers consumers food availability, food safety, hygiene and food waste reduction.

Huhtamaki operates across three businesses

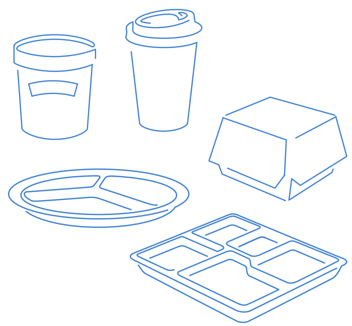
We have organized our business into Fiber Foodservice Europe-Asia-Oceania, North America and Flexible Packaging. With our global network of manufacturing and sales units, we are well positioned to support our customers' growth wherever they operate.

Fiber Foodservice Europe-Asia-Oceania



We offer high-quality paperboard and molded fiber packaging for fresh food and beverages across Europe, Asia and Oceania. We serve quick service and fast casual restaurants, coffee shops and vending operators with paper cups and other food-to-go packaging. We provide safe and recyclable egg cartons and trays, fruit packaging and bottle dividers to protect, preserve and help with the handling of delicate food products.

North America



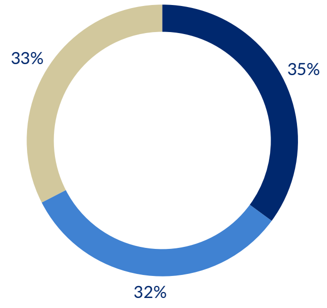
We offer a wide range of packaging for foodservice operators and branded consumer products e.g. ice cream packaging, catering disposables, food on-the-go packaging. We also offer a range of Retail tableware products across our Private Label products, supporting retail brand strategies. Our Chinet® branded products and Private Label are one of the most recognized premium retail tableware brands.

Flexible Packaging

Flexible packaging is used for a wide range of pre-packed consumer products. We offer light and innovative flexible packaging materials, pouches and labels for food and beverage, coffee packaging, pet food packaging, barrier packaging, retort pouches and packaging for healthcare products. We serve global and local brands across Europe, Middle East, Asia, Oceania, and South America.

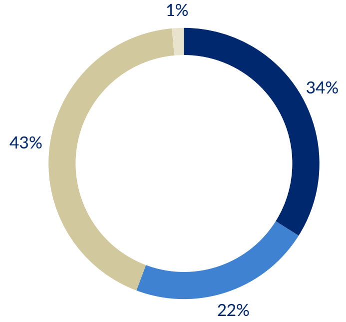
Net sales

EUR million



- Fiber Foodservice EAO
- North America
- Flexible Packaging

Employees



- Fiber Foodservice EAO 6,637
- North America 4,261
- Flexible Packaging 8,387
- Other activities 279

Fiber Foodservice Europe-Asia-Oceania

The Fiber Foodservice EAO business is strong with a unique combination of paperboard conversion and molded fiber technologies which offer us growth opportunities globally. We have 34 manufacturing units across 28 countries and thanks to our global footprint are well positioned to expand in emerging markets and grow our product portfolio.

In line with our 2030 Strategy, we are focused on driving innovation for plastic substitution supported by our two different technologies. We have the means to develop complex sustainable solutions, whilst our global reach and scale allows us to industrialize new and sustainable solutions quickly.

Using paperboard conversion and molded fiber technology, we offer high-quality packaging for fresh food and drinks across Europe, Asia and Oceania. Our customers include, among others, quick service and fast casual restaurants, fast-moving consumer goods companies, coffee shops and vending operators. We also provide safe and recyclable egg cartons and trays, fruit packaging and bottle dividers to protect, preserve and help with the handling of delicate food products. Food delivery continues to be a growth area for us.

34 MANUFACTURING UNITS IN 28 COUNTRIES

Net sales
€ 1,257

Adjusted EBIT margin
9.1%

Employees
6,637

"Packaging plays a significant role in driving access to safe and hygienic food for millions across the world. Today, based on real life data, we also know that compared to reusables, paper-based single-use food packaging used in Quick Service Restaurants can deliver significantly better environmental outcomes and improved hygiene, whilst also being a better financial proposition."

Eric Le Lay
President, Fiber Foodservice Europe-Asia-Oceania.
Acting President of the European Paper Packaging Alliance (EPPA)*


Image: Future Smart Duo fiber lid.

Evidence-based decision making is needed when looking at environmentally viable solutions

Globally, food packaging ensures safety and hygiene – and enables access to safe, hygienic food for all wherever you are
The World Health Organization (WHO) estimates there are 600 million cases of foodborne illnesses worldwide each year and food safety agencies and authorities have long recognized the role of cross-contamination as the most frequent cause of foodborne illness. Food packaging was developed to address this, and today it continues to play a crucial role in preventing cross-contamination.

As evidenced during the global COVID-19 pandemic, the complex and interconnected nature of global societies highlights the need for resilient supply chains – enabled by fit-for-purpose packaging – capable of meeting unexpected challenges. In addition to enabling the continued flow of goods to market shelves, without the right packaging it would have been difficult for cafes and restaurants to provide take-away food in a Covid-secure manner, as acknowledged by the European Environment Agency.

Evidence-based decision making is needed
Despite widely held common misconceptions, today's scientific data gives clear evidence that reusables can carry significant environmental burdens. Based on real life data by a leading global, independent consultancy, Ramboll, there is no longer any doubt that paper-based single-use food packaging used in Quick Service Restaurants delivers significantly better environmental outcomes, supporting public health and European consumers.

To make environmentally viable decisions, it is imperative to establish scientific evidence on the true impacts throughout the full life cycle of existing alternatives, and thereby provide crucial data for conversations around food packaging, climate and better regulation. We need to move into the future and not rely on conventional choices which are not always the best when it comes to climate impact, freshwater use, or other environmental categories. Moreover, it is paramount that policy decisions adopted today consider both carbon emissions and freshwater consumption and that all industries and sectors review how they can reduce their impacts.

We should stop the guessing game when looking at environmentally viable solutions, trust the science and work together to make our economies circular. With the right infrastructure for recycling, paper-based single use packaging will help Europe achieve low carbon circularity and its Green Deal goal.

Our commitment to continually improving single-use packaging
Huhtamaki is committed to innovation and to having more than 80% of its raw materials be either renewable or recycled by 2030. In 2021, we continued to find ways to take single-use packaging to the next level. Our new 100% plastic-free Future Smart™ Duo lids are recyclable and industrially compostable; as they are made of renewable, plant-based fiber, they help to reduce the consumption of fossil materials. We also launched Futuro egg cartons, made of post-consumer recycled fiber, with a new design that makes the cartons 10% lighter than standard fiber cartons, reducing their carbon footprint as well.

Sustainable fiber packaging delivers safety, reduces food waste, and enables well-being and convenience. By partnering across the value chain, we will be able to develop sustainable and circular packaging solutions for the future.

*EPPA: The European Paper Packaging Alliance (EPPA) is a not-for-profit association representing food and food service packaging companies from across Europe. An up-to-date list of EPPA members is available here.

North America

The North America segment serves the retail tableware, foodservice and consumer goods packaging markets. In foodservice, food delivery/takeaway and foam-based packaging replacement are growth drivers. On-the-go lifestyles and convenience are rising trends which have shaped consumption patterns and are propelling growth for our business overall. In addition, the trend towards smaller family units and households is pushing the demand for single-serve options. It is important for our customers and the consumers that we, through our products, offer them a variety of modern lifestyle attributes: convenience, food safety, food availability and food waste reduction.

We have a unique set of capabilities to capture growth opportunities in North America. Our strong retail and tableware brand building expertise, combined with our know-how in a range of packaging technologies as well as a strong track record in sustainability, make us considerably well positioned in the industry for future growth. Our manufacturing units provide broad regional capabilities and allows us to offer the right products to the right customers in the right markets.

We are an industry-leading manufacturer of packaging for consumer-packaged goods, as well as tableware, cups, folding cartons, containers, carriers, trays and service ware for the foodservice industry and retail market. We are also the proud owner of Chinet®, one of the most recognized premium retail tableware brands.

We have production in the United States and Mexico.

18 MANUFACTURING UNITS IN 2 COUNTRIES

Net sales	Adjusted EBIT margin	Employees
€ 1,160	12.0%	4,261

"We are working to continue our progress on selecting and developing the most effective packaging materials based on sustainably sourced materials that can be recycled, reused or brought back in use for other applications. 'Fit-for-purpose' packaging is our approach to promoting the circular economy as delivering a sustainable solution depends on the context of how it is used by the consumer and the environment in which it exists."

Ann O'Hara
President, North America

Image: Paperboard Yogurt Container

Being material positive supports how we contribute to circular and low-carbon systems

Huhtamaki is a material positive company. We examine various material options – their function and benefits – in each application to ensure fit-for-purpose packaging that protects food, people and the planet. There is no one material that is suitable for every conceivable application.

The distinction of being material positive is important to us. In the pursuit of sustainability, there exists a number of trade-offs where the performance capability of a particular packaging solution relies on its composition and usage. This is the science of optimizing and creating a package that is fit for its purpose.

Innovating to optimize paperboard container barriers and edge protection

One of our initiatives in North America involves investing heavily in sustainable paperboard barrier containers. Traditionally, food items such as yogurt, cottage cheese or butter go into plastic containers. Today, we are seeing the tendency for customers to revert to a more renewable material such as paper.

Packaging yogurt and the like in paperboard containers requires special barriers and edge protection. This technology is not necessarily new to the world, but it is new to our region, and we are actively working to optimize it and make it scalable. The first step is to change how the containers are constructed with an additional barrier on the seam of the cup to meet the shift from plastic to paper. In the future, this will mean the use of dispersion coatings or compostable resins, as opposed to plastic film. These barrier layers keep out water and moisture, and acts as the glue that helps hold the container together.

Paperboard is a recyclable material. However, when traditional barrier layers are added to protect it from getting wet, the same coatings prevent the paper from breaking down in a compost pile. The barrier layers also make recycling more difficult. When extracting and recovering fibers from the paper proves to be problematic and expensive, recyclers tend to reject this material. Huhtamaki aims to minimize these barriers to make paperboard more efficient to recycle, and in some cases, possible to compost.

Using more and more recyclable material in food packaging is a developing technology

In the past, recycled packaging was generally reserved for non-food applications. As we make the transition to using more recycled material in food packaging, we are working to enable consumers to view paperboard as beneficial and food safe whilst providing the same functionality as plastic.

Furthermore, we follow the principles of green chemistry, a tool for the sustainable development of chemistry and the chemical industry. At the same time, we have a robust material evaluation qualification process in our division. Our established database approach, which includes traceability of documents from suppliers, allows us the flexibility to adapt to changing regulations and shifting customer demands. We also focus on educating our customers by providing evidence-based information on chemicals.

One of the most important roles of packaging is to protect its content. We take the time to fully understand our customers' products and what we need to do on our end, to maintain the integrity of the contents. Assessing which materials and forms can properly accomplish this objective and producing packaging that takes into consideration the end users' environment adds up to a better offering overall.

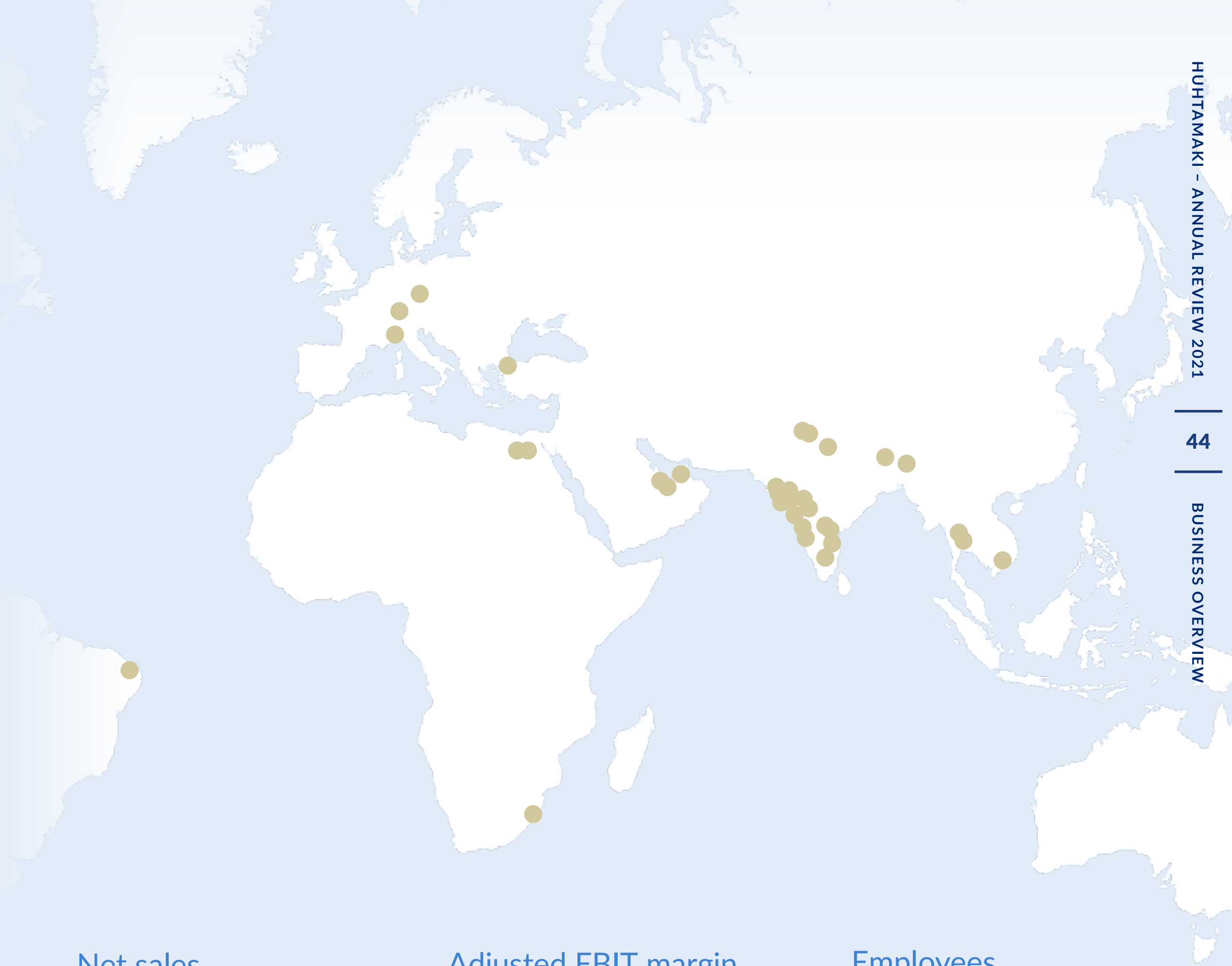
Flexible Packaging

We are a leading flexible packaging company in emerging markets with 27 manufacturing units in 17 countries. Huhtamaki's strong customer relationships and our wide manufacturing footprint gives us an advantage globally, as we can provide local solutions for local customers across our sites and respond to fast changing customer needs. The growth of the middle class in emerging markets offers great growth opportunities for us. Improving standards of living in emerging economies are translating into greater purchasing power, thus fueling consumer demand for high-quality products that are affordable and sustainable.

We produce state-of-the-art packaging for all different kind of products whilst meeting quality standards. We offer light and innovative flexible packaging materials, pouches and labels for food and beverages, coffee packaging, pet food packaging, barrier packaging, retort pouches and packaging for healthcare products.

We serve global and local brands across the globe, with a focus on Europe, Middle East and Africa, Asia, Oceania and South America.

27 MANUFACTURING UNITS IN 17 COUNTRIES



Net sales

€ 1,167

Adjusted EBIT margin

6.8%

Employees

8,387

"Flexible packaging reduces waste at every stage of its life. It requires less energy and material to manufacture, reduces transportation costs because of its lighter weight, and sends less material to landfills. One of its greatest contributions is the reduction of food waste. Huhtamaki is working to consolidate its leadership position in this business, tap into new markets and develop the next generation of fully circular flexible packaging."

Marco Hilty
President, Flexible Packaging

Huhtamaki champions sustainable growth with investment in flexible packaging and recycling

To Huhtamaki, a sustainable and growing world economy is not a contradiction in terms

Far from it, we believe that the move to sustainable packaging will make us and our planet healthier, wealthier and more secure. This is not just an ideal but an imperative, as the alternatives are quite literally unsustainable: we cannot continue with degenerative systems which deplete our natural resources with a resultant disproportionate impact on emerging markets. We should leverage innovation and digitalization to drive a systemic shift in sustainability which helps emerging markets with a developing middle-class leapfrog into the next generation of sustainable solutions.

Our acquisition of Elif is a perfect example of turning this theory into practice. Based in Turkey and Egypt, Elif is a prominent enterprise in the flexible packaging business whose products are already nearly all recyclable. In addition, their technologies in flexo printing and polyethylene (PE) film production complete our offering in Europe, Middle East and Africa. Acquiring their operations and technology therefore not only dovetailed with our aims to promote talent and sustainability, but it crucially supported our growth and competitiveness strategy. Briefly put, Huhtamaki and Elif are a perfect match for one another.

Elif will enhance Huhtamaki's portfolio

By helping to preserve food for longer, the packaging sector can reduce food waste that, according to WWF, is currently responsible for roughly 10% of global emissions. Research suggests that lightweight flexible pouches are the most climate-friendly packaging type. This is where also Elif comes in: as an established flexible packaging company, they will increase our manufacturing capabilities and capacity. We are also able to join forces in innovation. Just recently in December 2021 Elif's innovative ElifProLite was selected as the winner in the "Packaging Materials & Components" category in the prestigious 2022 Worldstar Competition awards.

To take a significant stride forward, we will need to address recycling and the materials we use

One of the biggest challenges we face is recycling. To fully tap into the environmental potential of flexible packaging, we need a systemic transformation to develop the necessary processes and systems for a circular economy. We launched the Huhtamaki blueloop platform in 2019 to improve circularity in high-performance flexible packaging solutions. We are working hard to turn all our products into mono-material structures which are fully recyclable. In addition, we are setting up partnerships with others in the value chain to ensure the necessary recycling infrastructure and that changes in consumer behavior become a reality to ensure recycling is not just eco-friendly but the easy solution for us all.

Image: ElifProLite

Circularity in flexible packaging

Lightweight flexible packaging is resource efficient. It protects food and extends shelf life, preventing food waste and reducing greenhouse gas (GHG) emissions. For example, 40 percent of food in Europe is packaged in lightweight flexible packaging, accounting for only 10 percent of all consumer packaging materials. At the same time, 600 million people fall ill due to consumption of contaminated food every year and approximately 10 percent of global GHG emissions are caused by food loss and waste. Lightweight flexible packaging helps to prevent food-borne illnesses and food waste.

Packaging is shifting to a circular model where materials are collected, recycled and reused. One of our paths to circularity is Huhtamaki blueloop, the collaborative platform launched in 2019 to drive the move from a linear to a circular economy in flexible packaging. Huhtamaki blueloop is more than a product range; it is a platform introducing a range of recyclable solutions with mono-material structures.

Read more on huhtamaki.com/blueloop.

FINANCIALS

Directors' report 2021

Operating environment

The year 2021 was marked by a challenging business environment, linked to the continued COVID-19 pandemic, fueled by the appearance of new variants, and the subsequent significant disruption of the value chain and markets.

Demand for foodservice packaging was negatively impacted by the COVID-19 pandemic due to closures of quick-service restaurants and restrictions on movement throughout the year. Demand improved gradually during the first three quarters due to vaccination deployment and as restrictions started to be lifted. Demand remained resilient through Q4 despite the new acceleration of new Covid variants. In addition, demand for food delivery increased reflecting emerging new consumption habits with more people continuing to stay at home.

Demand for food on-the-shelf packaging, mainly flexible packaging and fiber packaging, remained relatively resilient to the effects of COVID-19. The impact on retail business and consumer goods products was limited, though demand for egg-packaging softened against high 2020 comparisons.

The pandemic-driven supply chain disruptions throughout the year led to scarcity, particularly in raw materials, that resulted in extraordinary inflation in input costs, and started to impact our operations. Freight, energy and labor inflation also increased significantly in the second half of 2021.

Sustainability is key to Huhtamaki and its stakeholders and Huhtamaki is taking a leading role within the food packaging industry in addressing the global challenges of circularity and climate change. Packaging forms an important part of the food system bringing real benefits for the future of the world, not only concerning food safety and availability of food for the world's population, but also by playing a key role in reducing food wastage, which accounts for 10% of global greenhouse gas emissions. It is essential to improve the sustainability profile of packaging to reduce the impact further whilst at the same time improving its functionality and therefore its value.

Strategic development

In 2020, Huhtamaki launched its renewed 2030 Strategy, which builds on five priorities: growth through organic and inorganic investments, competitiveness through scale and performance, talent through developing strategic capabilities and a high-performance culture, sustainability through an ambitious agenda for Huhtamaki's operations and product innovation as well as digitalization to improve operational performance and explore new business growth avenues. In 2021, Huhtamaki made good progress implementing the strategic priorities.

Huhtamaki launched Push Tab® paper, an industry-first sustainable renewable paper-based blister solution for the global healthcare industry. Another innovation that was announced was the next generation of tube laminates for use in both the cosmetics and food sectors in partnership with LyondellBasell, Plastuni Lisses and Groupe Rocher. The company also announced Future Smart fiber lids, replacing plastic lids. These new fiber lids are made of renewable material are recyclable and compostable.

On sustainability, Huhtamaki's climate targets were approved and validated by the globally recognized Science Based Targets initiative. Huhtamaki also received recognition of its commitment to ESG agenda by improved ratings in three key ESG Ratings: EcoVadis, CDP as well as S&P Global CSA. To develop its climate-related governance and reporting further, Huhtamaki started to align its process with the TCFD, Task Force on Climate-Related Financial Disclosures, recommendations. With the launch of the EU taxonomy regulation in 2021, Huhtamaki is reporting on the eligibility of its economic activities with the taxonomy for the first time.

Huhtamaki also introduced the Global Sustainability Index (GSI), which links the short-term incentives of the President and CEO, as well as other GET members to the Group's sustainability performance. The index tracks Huhtamaki's progress towards its 2030 sustainability ambition. Linking remuneration and sustainability further strengthens Huhtamaki's commitment to sustainability and drives actions to help achieve its ambitious targets.

Huhtamaki announced and completed two acquisitions and acquired full ownership of its Ireland based joint venture company. Huhtamaki acquired Jiangsu Hihio-Art Packaging Co. Ltd, a leading manufacturer of paper bags, wraps and folding carton packaging in China. With the acquisition, Huhtamaki continues to strengthen its position as the leading foodservice packaging provider in Asia and expands its product portfolio in China allowing it to better serve its existing and new customers in this exciting growth market. Huhtamaki also acquired Elif Holding A.Ş. (Elif), with operations in Turkey and Egypt. As a major supplier of sustainable flexible packaging to global FMCG brand owners, this acquisition adds scale in strategic geographies and supports Huhtamaki's progress towards reaching its high sustainability ambitions.

In addition to the acquisitions, Huhtamaki decided to invest in a new state-of-the-art foodservice manufacturing unit in Malaysia and in a new fiber packaging manufacturing site in South Africa.

In 2021, the Board of Directors focused on contributing to and following implementation of Huhtamaki's long-term strategy and supporting management in its continuing efforts to limit the impact from COVID-19. The Board also continued to following development and strengthening of the company's people capabilities and resources, sustainability initiatives as well as innovation and digitalization activities.

Key figures

EUR million	2021	2020	2019
Net sales	3,574.9	3,301.8	3,399.0
Comparable net sales growth	7%	-2%	6%
Adjusted EBITDA[1]	488.4	473.1	456.3
Margin[1]	13.7%	14.3%	13.4%
EBITDA	469.6	464.5	448.8
Adjusted EBIT[2]	315.3	302.1	293.1
Margin[2]	8.8%	9.1%	8.6%
EBIT	296.0	265.3	285.5
Adjusted EPS[3]	2.07	1.95	1.88
EPS, EUR	1.91	1.69	1.82
Adjusted ROI[2]	11.3%	11.7%	12.3%
Adjusted ROE[3]	15.1%	14.8%	15.2%
ROI	10.6%	10.3%	11.9%
ROE	13.9%	12.9%	14.8%
Capital expenditure	259.4	223.5	203.9
Free Cash Flow	-26.1	207.1	225.8

[1] Excluding IAC of EUR -18.7 million in 2021 (EUR -8.6 million in 2020 and EUR -7.6 million in 2019).
[2] Excluding IAC of EUR -36.8 million in 2021 (EUR -7.6 million in 2020 and EUR -25.5 million in 2019).
[3] Excluding IAC of EUR -26.2 million in 2021 (EUR -5.9 million in 2020 and EUR -20.6 million in 2019).

Unless otherwise stated, all comparisons in this report are compared to the corresponding period in 2019. Figures of return on investment (ROI), return on equity (ROE) and return on net assets (RONA) as well as net debt to EBITDA presented in this report are calculated on a 12-month rolling basis.

IAC includes, but is not limited to, material restructuring costs and acquisition related costs (gains and losses on business combinations, professional and legal fees, material purchase price accounting adjustments for inventory, material purchase price amortization of intangible assets and changes in contingent considerations) as well as material impairment losses and reversals, gains and losses relating to sale of intangible and tangible assets and fines and penalties imposed by authorities.

The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures.

Financial review 2021

Net sales by business segment

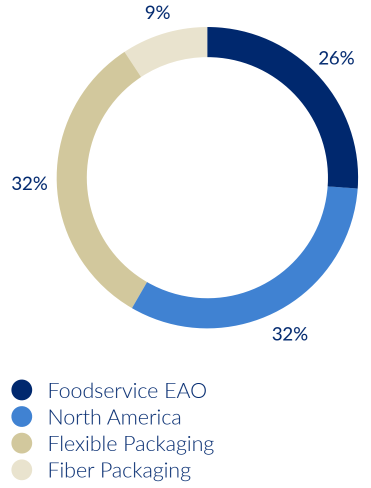
EUR million	2021	2020	Change
Foodservice Europe-Asia-Oceania	941.8	829.1	14%
North America	1,160.3	1,138.9	2%
Flexible Packaging	1,166.6	1,050.8	11%
Fiber Packaging	333.6	307.8	8%
Elimination of internal sales	-27.4	-24.8	
Group	3,574.9	3,301.8	8%

Comparable net sales growth by business segment

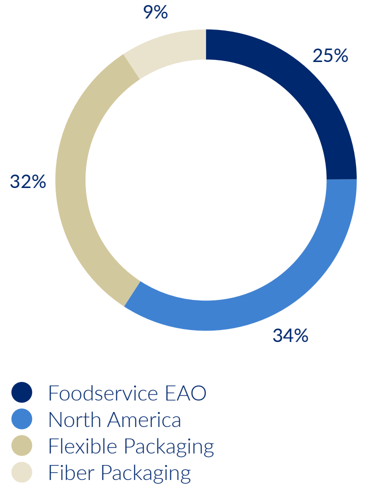
EUR million	2021	2020	2019
Foodservice Europe-Asia-Oceania	11%	-10%	4%
North America	6%	1%	9%
Flexible Packaging	7%	1%	3%
Fiber Packaging	2%	9%	6%
Group	7%	-2%	6%

The Group's net sales increased 8% to EUR 3,575 million (EUR 3,302 million) during the reporting period. Comparable net sales growth was 7%. Net sales increased especially in the Foodservice Europe-Asia-Oceania segment, driven by the continued recovery in demand for foodservice products. Sales of retail tableware in North America was strong. The Group's growth in emerging markets was 13%. Foreign currency translation impact on the Group's net sales was EUR -54 million (EUR -89 million) compared to 2020 exchange rates.

Net sales by segment 2021



Net sales by segment 2020



Adjusted EBIT by business segment

				Items affecting comparability	
EUR million	2021	2020	Change	2021	2020
Foodservice Europe-Asia-Oceania	77.8	60.9	28%	0.8	-30.0
North America	139.1	136.6	2%	-1.9	-6.5
Flexible Packaging	79.8	80.7	-1%	-16.1	-6.2
Fiber Packaging	36.4	37.4	-3%	-1.1	-5.2
Other activities	-17.8	-13.5		-1.0	11.0
Group	**315.3**	**302.1**	**4%**	**-19.3**	**-36.8**

Adjusted EBIT margin by business segment

EUR million	2021	2020	2019
Foodservice Europe-Asia-Oceania	8.3%	7.3%	9.0%
North America	12.0%	12.0%	9.7%
Flexible Packaging	6.8%	7.7%	8.1%
Fiber Packaging	10.9%	12.2%	9.9%
Group Total	**8.8%**	**9.1%**	**8.6%**

The Group's adjusted EBIT increased to EUR 315 million (EUR 302 million) and reported EBIT was EUR 296 million (EUR 265 million). Adjusted EBIT improved following net sales growth, continued focus on operational efficiency and pricing actions and was offset by higher input costs. The Group's adjusted EBIT margin decreased and was 8.8% (9.1%). Foreign currency translation impact on the Group's earnings was EUR -6 million (EUR -8 million).

Adjusted EBIT excludes EUR -19.3 million (EUR -36.8 million) of items affecting comparability (IAC).

Adjusted EBIT and IAC

EUR million	2021	2020
Adjusted EBIT	315.3	302.1
Acquisition related costs	-8.8	-1.0
Restructuring gains and losses, including writedowns of related assets	-6.0	-47.6
PPA depreciation and amortization	-2.0	-
Settlement and legal fees of disputes	-1.5	-10.5
Property damage incidents	-0.9	-
One-time gain from acquisition of Laminor	-	22.4
EBIT	**296.0**	**265.3**

Net financial expenses were EUR 33 million (EUR 28 million). Tax expense was EUR 60 million (EUR 53 million). The effective tax rate was 23% (23%). Profit for the period was EUR 203 million (EUR 184 million). Adjusted earnings per share (EPS) were EUR 2.07 (EUR 1.95) and reported EPS EUR 1.91 (EUR 1.69). Adjusted EPS is calculated based on adjusted profit for the period, which excludes EUR -17.1 million (EUR -26.2 million) of IAC.

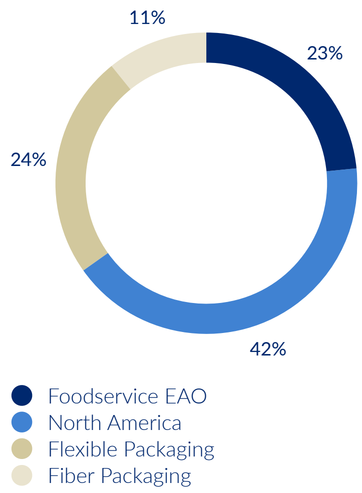
Adjusted profit and IAC

EUR million	2021	2020
Adjusted profit for the period attributable to equity holders of the parent company	216.0	203.0
IAC in EBIT	-19.3	-36.8
IAC in Financial items	-2.9	3.0
Taxes relating to IAC	5.1	7.6
Profit for the period attributable to equity holders of the parent company	198.8	176.8

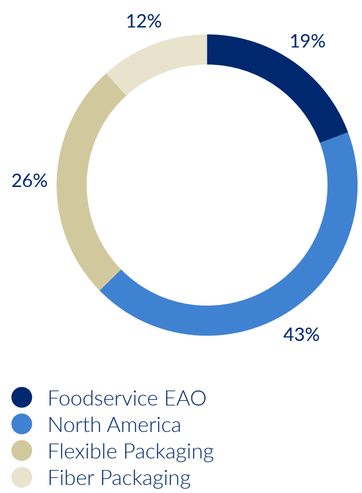
Statement of financial position and cash flow

The Group's net debt increased mainly due to the acquisitions and was EUR 1,520 million (EUR 867 million) at the end of December. The level of net debt corresponds to a gearing ratio of 0.95 (0.64). Net debt to EBITDA ratio (excluding IAC) was 3.1 (1.8). Average maturity of external committed credit facilities and loans was 2.6 years (2.7 years).

Adjusted EBIT by segment 2021



Adjusted EBIT by segment 2020



On January 7, 2021, a signing of a EUR 400 million syndicated multi-currency revolving credit facility loan agreement (“RCF”) with a maturity of three (3) years was announced. The RCF refinanced an earlier EUR 400 million credit facility signed in January 2015 and will be used for general corporate purposes of the Group. The RCF has two one-year extension options and the interest margin is tied to three sustainability indicators: share of renewable or recycled material in products, share of non-hazardous waste recycled and EcoVadis rating. During the third quarter of 2021, Huhtamäki Oyj signed a bridge financing facility of USD 500 million to support the financing of the acquisition of Elif. On December 16, 2021, Huhtamäki Oyj signed a confirmation to extend the maturity of the EUR 400 million syndicated revolving credit facility loan agreement for a further period of one year in accordance with the extension option of the loan agreement.

Capital expenditure was EUR 259 million (EUR 223 million). The largest investments for business expansion were made in North America, Germany and Russia. The Group’s free cash flow was EUR -26 million (EUR 207 million) mainly impacted by increased working capital following market recovery and inflationary impact in raw materials as well as higher cash taxes.

Cash and cash equivalents were EUR 179 million (EUR 315 million) at the end of December and the Group had EUR 382 million (EUR 310 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 4,542 million (EUR 3,596 million).

Acquisitions and divestments

On April 21, 2021 Huhtamaki announced its agreement to acquire the assets of Jiangsu Hihio-Art Packaging Co. Ltd., a leading manufacturer of paper bags, wraps and folding carton packaging in China. With this acquisition, Huhtamaki continues to strengthen its position as the leading foodservice packaging provider in Asia and expands its product portfolio in China, allowing it to better serve its existing and new customers in this exciting growth market. Jiangsu Hihio-Art Packaging employs approximately 200 people in its manufacturing unit in Xuzhou city, Jiangsu. In 2020 the annual net sales of the privately owned business were approximately EUR 20 million. The debt free purchase price was EUR 31 million. The acquisition was completed on June 11, 2021 and since then the business has been reported as part of the Foodservice Europe-Asia-Oceania business segment.

On August 16, 2021 Huhtamaki announced its agreement to acquire Elif Holding A.Ş. (Elif), a major supplier of sustainable flexible packaging to global FMCG brand owners, with operations in Turkey and in Egypt. In line with Huhtamaki’s 2030 growth strategy, the acquisition adds scale in strategic geographies and supports Huhtamaki’s progress towards reaching its high sustainability ambitions. The acquisition also expands Huhtamaki’s technology capabilities and product range, allowing it to serve its customers even better. The net sales of the acquired business were approximately EUR 163 million (USD 195 million) in 2020. Elif employs approximately 1,500 people in its two manufacturing locations in Istanbul, Turkey and Cairo, Egypt. The cash free debt free purchase price was EUR 412 million (USD 483 million). The acquisition was completed on September 23, 2021 and since then the business has been reported as part of Huhtamaki’s Flexible Packaging business segment.

On November 30, 2021, Huhtamaki acquired full ownership of its Ireland based joint venture company Huhtamaki CupPrint Limited from the founding shareholders. Huhtamaki acquired 70% majority ownership in the company (that time Cup Print Unlimited Company) on May 31, 2018. CupPrint is specialized in short run custom printed cups with quick delivery time. It has an on-line service model which allows efficient design and delivery of small volumes. The purchase price for the additional shares was approximately EUR 11 million. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment since June 2018.

Significant events after the reporting period

On January 3, 2022, Huhtamaki announced that it has acquired full ownership of its Polish joint venture company Huhtamaki Smith Anderson sp. z o.o. from Smith Anderson Group Ltd. The company manufactures and sells foodservice paper bags in Eastern Europe at Huhtamaki’s facility in Czeladz, Poland. Paper bags have become an increasingly important part of Huhtamaki’s product offering and the acquisition enables the company to invest in and further grow the business in Eastern Europe. The purchase price for additional shares and related manufacturing equipment is approximately EUR 2 million. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment since beginning of operations in 2018.

Business review by segment

Foodservice Europe-Asia-Oceania

EUR million	2021	2020	Change
Net sales	941.8	829.1	14%
Comparable net sales growth	11%	-10%	
Adjusted EBIT[1]	77.8	60.9	28%
Margin[1]	8.3%	7.3%	
Adjusted RONA[1]	9.2%	7.7%	
Capital expenditure	85.0	78.7	8%
Operating cash flow[1]	8.9	41.6	-79%
Items affecting comparability (IAC)	0.8	-30.0	

[1] Excluding IAC.

Throughout 2021, demand for foodservice packaging was negatively impacted by the COVID-19 pandemic. Demand improved gradually during the first three quarters as restrictions started to be lifted and remained resilient through Q4 despite the new acceleration of new Covid variants. Compared to the previous year, polymer prices increased, whereas prices of paperboard remained relatively stable.

Net sales in the Foodservice Europe-Asia-Oceania segment increased. Comparable net sales growth was 11% Net sales increased in all main markets and was especially strong in Central and Eastern Europe as well as Middle East and Africa.

The impact of currency movements on the segment’s reported net sales was EUR 2 million.

The segment’s adjusted EBIT improved, as a result of increased sales, pricing actions and continued focus on operational efficiency and was partially offset by higher polymer prices.

The impact of currency movements on the segment’s reported earnings was EUR -0 million.

North America

EUR million	2021	2020	Change
Net sales	1,160.3	1,138.9	2%
Comparable net sales growth	6%	1%	
Adjusted EBIT[1]	139.1	136.6	2%
Margin[1]	12.0%	12.0%	
Adjusted RONA[1]	17.5%	16.8%	
Capital expenditure	70.6	71.7	-2%
Operating cash flow[1]	117.0	150.1	-22%
IAC in EBIT	-1.9	-6.5	

[1] Excluding IAC.

Demand for foodservice packaging was subdued in the beginning of the reporting period and improved towards the end of the period as restrictions were lifted particularly in schools and other venues. Demand for retail tableware was consistently strong throughout the period, defying old seasonal patterns. Raw material prices and distribution costs were higher compared to the previous year, particularly towards the end of the period.

Net sales in North America segment increased, supported by favorable currency movements in the second half of the year. Comparable net sales growth was 6%. Growth was driven by both price and volume and was strongest in retail tableware and supported by strong recovery in foodservice.

The impact of currency movements on the segment's reported net sales was EUR -44 million.

The segment's adjusted EBIT improved. The improvement in profitability was driven by volume growth and pricing actions partially offset by higher raw material prices and distribution costs.

The impact of currency movements on the segment's reported earnings was EUR -5 million.

Flexible Packaging

EUR million	2021	2020	Change
Net sales	1,166.6	1,050.8	11%
Comparable net sales growth	7%	1%	
Adjusted EBIT[1]	79.8	80.7	-1%
Margin[1]	6.8%	7.7%	
Adjusted RONA[1]	8.0%	10.1%	
Capital expenditure	46.0	35.9	28%
Operating cash flow[1]	54.9	83.8	-34%
IAC in EBIT	-16.1	-6.2	

[1] Excluding IAC.

Demand for flexible packaging varied between product categories and markets throughout the year. The competitive situation remained tight, and some emerging markets continued to be disrupted. The supply environment was volatile and cost levels increased compared to prior year in critical categories, such as raw material, energy and transport.

Net sales increased in the Flexible Packaging segment. Comparable net sales growth was 7%. Growth was driven by Middle East and Africa, and Southeast Asia and Oceania. The Elif acquisition has been included in the reporting since Q4 and contributed favorably to the reported net sales.

The impact of currency movements on the segment's reported net sales was EUR -17 million.

The segment's adjusted EBIT decreased due to higher raw material prices, partially offset by pricing actions and improved operational efficiency. Earnings growth was highest Middle East and Africa. The Elif acquisition contributed favorably to adjusted EBIT.

The impact of currency movements on the segment's reported earnings was EUR -1 million.

Fiber Packaging

EUR million	2021	2020	Change
Net sales	333.6	307.8	8%
Comparable net sales growth	2%	9%	
Adjusted EBIT[1]	36.4	37.4	-3%
Margin[1]	10.9%	12.2%	
Adjusted RONA[1]	14.0%	15.8%	
Capital expenditure	56.2	36.7	53%
Operating cash flow[1]	-9.3	18.9	-149%
IAC in EBIT	-1.1	-5.2	

[1] Excluding IAC.

Demand for fiber-based packaging normalized on the back of very strong growth in consumption in 2020. Demand for egg packaging softened throughout the year, while increased demand for on-the-go products continued. Prices of recycled fiber increased compared to the previous year.

Net sales in the Fiber Packaging segment increased, supported by continued demand, onboarded capacity and pricing. Comparable net sales growth was 2%.

The impact of currency movements on the segment's reported net sales was EUR 4 million.

The segment's adjusted EBIT decreased as continued operational efficiency and pricing actions only partially offset the increased raw material prices and energy prices.

The impact of currency movements on the segment's reported earnings was EUR 1 million.

Non-Financial Review

Huhtamaki's ambition is to become the first choice in sustainable packaging solutions, as defined in the Group's 2030 Strategy. Sustainability is at the core of the strategy and Huhtamaki has defined a set of 2030 sustainability ambitions to guide its sustainability work. Huhtamaki is committed to doing business in a responsible and sustainable manner and expects the same commitment from its business partners and suppliers globally. Huhtamaki is a participant in the UN Global Compact Initiative and is guided by the UN Sustainable Development Goals (SDGs), helping the company to embed sustainability in all operations. Huhtamaki complies with local laws and regulations and acts in accordance with commonly accepted best practices everywhere it operates. Huhtamaki does not accept the violation of any laws or regulations or any unethical business dealings.

This review represents an overview of the non-financial and sustainability matters material to Huhtamaki. To develop its climate-related governance and reporting further, the Group has started to align its process with the recommendations of the Task Force on Climate-Related Disclosures (TCFD) in 2021. With the launch of the EU taxonomy regulation in 2021, Huhtamaki is reporting on the eligibility of its economic activities with the taxonomy for the first time. Both the TCFD index and the taxonomy related disclosures are presented as part of this review. More information on Huhtamaki's sustainability work and performance can be found in Huhtamaki's Business Overview and its Sustainability Performance supplement, which are part of this Huhtamaki Annual Report 2021. Huhtamaki's business model is described on page 64 of this Huhtamaki Annual Report 2021 publication. Risks and risk management procedures related to the non-financial review are described in a separate section within this Directors' Report.

Sustainability governance and management

At Huhtamaki, sustainability is ultimately governed by the Board of Directors and at the operational level, by the CEO, the Global Executive Team, the Sustainability Global function and other senior staff across the different business units. The Board is the highest body to approve the guiding policies for sustainability and outline sustainability principles regarding the Group's strategy. It monitors and evaluates the risk management activities of the Group, including the sustainability risks such as climate-related risks. It approves the risk level that the Group is capable and prepared to accept and the extent to which risks have been identified, addressed, and followed up.

In 2021, a Sustainability Steering Committee, presided by selected members of the Global Executive Team, was founded at Group level, with the mission to steer transformative sustainability initiatives. A separate steering committee was established to support the implementation of the group-level energy strategy.

The Group's sustainability performance is tracked regularly in its operations: at the manufacturing unit, business segment and Group-levels. The results are collected and monitored at Group-level in the sustainability dashboard which is discussed in the Global Executive Team and presented quarterly to the Board of Directors. For more information about the Group's sustainability performance, see the Sustainability Performance section.

In 2021, Huhtamaki introduced the Global Sustainability Index (GSI), which links the short-term incentives of the President and CEO, as well as other members of the Global Executive Team to the Group's sustainability performance. The index tracks Huhtamaki's progress towards its 2030 sustainability ambition. KPIs within the index are linked to the sustainability dashboard and relate, for example, to the share of renewable or recycled materials, the share of renewable electricity, and the share of non-hazardous waste recycled. As of 2022, the GSI will also be applied as a business objective for all employees working in Global Functions and taking part in the short-term incentive plan. As for the rest of the employees within the short-term incentive plan, there is a requirement to have at least one site- or segment-specific sustainability-related personal objective that is linked to the sustainability dashboard. Linking remuneration and sustainability further strengthens Huhtamaki's commitment to sustainability and drives actions to help achieve its ambitious targets.

Material topics

To ensure that the Group's sustainability work is focused on the most material issues, Huhtamaki continuously follows the most recent developments and trends in the field of sustainability, changes in legislation as well as input from stakeholders. Huhtamaki also updates its materiality assessment regularly, although the material sustainability topics tend to stay the same over the years, with only slight variations to their relative importance. A substantial update of the materiality analysis was performed in 2018, followed by lighter updates in 2019 and 2020.

In general, the updated 2020 assessment reaffirmed that Huhtamaki's sustainability ambitions cover the most material topics for the Group and its stakeholders. The transition to a circular economy was added as a completely new topic in the materiality assessment, and it has a central role in the 2030 sustainability ambitions. The effects of the COVID-19 pandemic could be seen through clearly increased emphasis on product safety as well as occupational health and safety. Managing product safety is essential in Huhtamaki's business when delivering material that will be in contact with food. Huhtamaki continues ensuring that its global Quality and Food Safety fundamentals are implemented in local quality management systems. Also, Huhtamaki is committed to safeguarding the health and safety of its employees and is building a safety culture for everyone, everywhere.

Impacts of COVID-19 on Huhtamaki's sustainability work

The ongoing COVID-19 pandemic continues to affect Huhtamaki's operating environment, and although there has not been a significant impact on the Group's sustainability work overall, the pandemic has however slowed down the work especially in developing Huhtamaki's supply chain due diligence process. Supply streams are under pressure because of constraints brought about by the impact of the pandemic, and therefore the Group has been unable to roll out the supplier audit program as had been planned. Huhtamaki is committed to strengthen its efforts in this area in 2022.

The pandemic has also limited the Group's capacity to facilitate face-to-face trainings for its employees. To accommodate for this, Huhtamaki has focused on actively incorporate learning in the flow of work and has invited employees to contribute online to global and local initiatives and has provided online training opportunities. Hybrid working models were trialed at office locations, but due to the worsening of the pandemic situation, remote work has largely continued at the offices.

The pandemic has had some effect on Huhtamaki's non-financial KPIs, but not to a material degree. Huhtamaki has been able to continue advancing towards its sustainability ambitions and is committed to protecting its employees as well as business continuity.

Environmental matters

Policies

- Huhtamaki Code of Conduct
- Code of Conduct for Huhtamaki Suppliers
- Global Environmental Policy
- ISO management systems 14001, 50001

Circularity and climate are key focus areas in Huhtamaki's 2030 sustainability agenda. Similar to many companies, the largest environmental impacts and the majority of Huhtamaki's total greenhouse gas emissions arise from its value chain. The largest impacts are related to raw materials and the end-of-life treatment of products. In terms of the Group's own operations, greenhouse gas emissions and production waste are the main environmental impacts. Additionally, water usage is a material topic in the Group's molded fiber manufacturing operations.

Huhtamaki's ambition of becoming the first choice in sustainable packaging solutions puts high emphasis on the environmental performance of the company, mainly related to mitigating climate change. In 2021, Huhtamaki's Scope 1, 2 and 3 greenhouse gas (GHG) emissions reduction targets were approved and validated by the Science Based Targets initiative based on the well-below 2°C scenario. These targets guide Huhtamaki's low-carbon transition plan to ensure the resilience of its business model with the 1,5°C target set by some stakeholders. Huhtamaki's science-based targets add to the previously defined metrics on sourcing 100% of renewable electricity and carbon neutral operations by 2030. Huhtamaki aims to reduce operations-related absolute Scope 1 and Scope 2 GHG emissions by 27.5% by 2030 from a 2019 base year. During 2021, Huhtamaki focused on setting the foundations for a decade-long emissions reduction pathway by defining and launching a global energy strategy to improve energy efficiency, switch to low-carbon fuels and increase the share of renewable electricity, globally. In order to reduce the Scope 3 emissions from the value chain, Huhtamaki aims to drive emissions reductions related to the raw materials and to reduce the emissions from the end-of-life treatment of products. Huhtamaki has committed to ensuring that 70% of suppliers, by spend, sign up to setting their own science-based targets by 2026. In the downstream value chain, Huhtamaki is committed to reducing the GHG emissions from the end-of-life treatment of its products by 13.5% by 2030 from a 2019 base year.

During 2021, the Sustainability Global function conducted internal preparatory workshops to assess the resilience of the Group's strategy against climate change. Going forward, Huhtamaki will benchmark different options and select which publicly available climate-change scenarios will be used for assessing the impacts of the physical and transition risks to the company. Read more about the current climate-related risks and opportunities that have been identified in the Risk management section.

The Group's operating principles regarding environment are set out in the Huhtamaki Code of Conduct, the Code of Conduct for Huhtamaki Suppliers and the Global Environmental Policy. The Environmental Policy was updated in 2021. The objective of the policy is to ensure a group-wide understanding of Huhtamaki's environmental commitments and covers the topics of climate and energy; water and effluent; sustainable forestry and biodiversity; waste, design for circularity and chemicals.

These policies are supported by Total Productive Manufacturing trainings and ISO management systems and are implemented on manufacturing unit level. At the end of 2021, 54 (53) manufacturing units, representing 66% (66%) of all manufacturing units followed an externally certified environmental management system such as ISO 14001, the Eco-Management and Audit Scheme (EMAS) or the internal Environmental Care Program which is primarily implemented in North America.

Huhtamaki continuously looks for ways to improve resource efficiency, which is supported by a strong environmental and financial rationale. The Group has defined internal management streams for implementing the Group's 2030 Strategy, which also outline how Huhtamaki measures, develops and communicates sustainability performance against its commitments.

The main environmental KPIs and performance are:

EUR million	2021	2020	Change
Share of renewable or recycled materials (%)	66.6	67.3	-0.7pp
Share of non-hazardous waste recycled (%)	72.3	70.1	2.2pp
Share of total waste to landfill (%)	17.9	19.7	-1.8pp
Share of renewable electricity (%)	18.0	3.8	14.2pp
Greenhouse gas emissions, incl. Scope 1 and Scope 2* (tCO_2e)	705,000	708,000	-0.4%
Share of certified or recycled fiber	98.0	98.4	-0.4pp

* Scope 2 GHG emissions are calculated using the market-based calculation method. The figure has been updated from the one reported in 2020 due to updates in available emission factors.

In 2021, the absolute GHG emissions from the Group's own operations (Scope 1 and 2) decreased by 0.4% (3,100 t) while the production volume increased by 6% compared to 2020. Hence, the GHG intensity per sellable ton produced decreased by 6% compared to 2020. As a result, the Group achieved a reduction of 43,700 metric tons CO_2e in its GHG emissions when adjusted for the change in the production volume. This positive development was achieved due to the increased share of renewable electricity in the Group's operations. This development is in line with Huhtamaki's GHG emissions reduction targets resulting in 58,700 t (8%) reduction from the base year 2019 level. The calculation of emissions intensity and reduction covers Scope 1 and Scope 2 emissions. The Group's absolute Scope 3 GHG emissions increased by 4% mainly due to the increase in production and the related material purchases when compared to 2020. The Group saw a 4% growth both in the emissions related to purchased materials and in the emissions related to the end-of-life treatment of sold products. Due to the indirect nature of Scope 3 emissions and the variety in the emissions sources, Huhtamaki's calculations include both simplifications and estimations in several categories. As the Group proceeds with its Scope 3 emissions reduction roadmap, it will also constantly improve the accuracy of its calculations.

The Group's share of renewable and recycled materials decreased slightly, mainly due to the recent Elif acquisition where the integration of environment, health and safety processes and practices started at the end of 2021 only. The share of non-hazardous waste recycled increased while the share of waste to landfill decreased as our manufacturing units found more sustainable solutions for their waste disposal. Huhtamaki continues to identify and develop recycling solutions for non-hazardous production waste.

Huhtamaki's environmental operating costs totaled EUR 16 million (EUR 16 million). The costs consist mainly of expenses related to waste and wastewater management as well as environmental management.

The environmental data includes the units that have been acquired during the reporting year 2021. Units closed during the reporting year 2021 are included in the data until their closing date.

Huhtamaki is in the process of aligning its reporting about climate-related impacts on its business with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. By using this framework, Huhtamaki supports transparency and aims to increase understanding of the impacts of climate change on its business environment and operations. Huhtamaki is still assessing the financial exposure that the physical and transition risks related to climate change pose. Over the coming years, the Group will continue to develop its reporting in this area.

	TCFD recommended disclosures	Location of disclosures
Governance	The Board's oversight of climate-related risks and opportunities	Non-financial review, page 52 Sustainability Performance, page 161
	Management's role in assessing and managing climate-related risks and opportunities.	Non-financial review, page 52 Sustainability Performance, page 161
Strategy	Climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Risk review, page 59
	The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Risk review, page 59 Sustainability performance, page 155
	The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Non-financial review, page 53 Risk review, page 60, describes how Huhtamaki has piloted scenario analysis. Scenario analysis is still under development.
Risk management	The organization's processes for identifying and assessing climate-related risks.	Risk review, pages 59–60
	The organization's processes for managing climate-related risks.	Risk review, pages 59–60
	How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Risk review, pages 59–60
Metrics and targets	GHG emissions "cross-industry categories" Metric: Absolute Scope 1, Scope 2, and Scope 3 GHG emissions Target: Science-based targets (Scope 1+2, and 3)	Non-financial review, page 53 Risk review, pages 59–60 Sustainability Supplement, page 169

Eligibility with EU Taxonomy regulation

The EU Taxonomy is a green classification system that translates the EU's climate and environmental objectives into criteria for specific economic activities for investment purposes. It recognizes as environmentally sustainable, those economic activities that make a substantial contribution to at least one of the EU's six climate and environmental objectives, while at the same time not significantly harming any of these objectives and meeting minimum social safeguards. The six environmental objectives are 1. Climate change mitigation, 2. Climate change adaptation, 3. The sustainable use and protection of water and marine resources, 4. The transition to a circular economy, 5. Pollution prevention and control, and 6. The protection and restoration of biodiversity and ecosystems. The two climate change-related environmental objectives already published as a Delegated Act address emission-intensive economic activities with an aim to guide development towards climate change mitigation and adaptation. The criteria for substantial contribution and significant harm are given in the Technical Screening Criteria for each environmental objective.

Most of Huhtamaki's economic activities are not considered emission-intensive and, therefore, they are not considered eligible under the currently disclosed technical screening criteria. However, the manufacture of plastic films is considered eligible under 3.6 manufacture of other low carbon technologies category in the NACE coding system. Based on this, Huhtamaki Flexible Packaging is, as a business segment, considered to be an economic activity that is eligible by providing packaging solutions aiming at substantial GHG emission reductions in other sectors of the economy. Hence, Huhtamaki reports the taxonomy-eligibility of this economic activity in 2021 and reports the alignment based on the screening criteria starting from 2022. Huhtamaki continues to develop its taxonomy-related reporting, assessing current alignment in 2022 and also reviewing the Taxonomy's eligible economic activities against further updated information from the European Commission.

KPIs for the taxonomy-eligible economic activities – 3.6 Manufacture of other low carbon technology as an enabling activity

Turnover of eligible activities	Total turnover EUR 3,574.9 million Eligible turnover 32%
CAPEX of eligible activities	Total CAPEX EUR 259.4 million Eligible CAPEX 18%
OPEX of eligible activities based on the taxonomy definition of OPEX	KPI is under development. The EU taxonomy adheres to a different definition than is used in current financial reporting. Huhtamaki develops taxonomy-related reporting based on further information from the European Commission. The OPEX eligibility is to be reported in 2022.

Personnel and social matters

Policies

- Huhtamaki Code of Conduct
- OHSAS 18001 / ISO 45001
- Global Employment Guidelines
- Huhtamaki Working Conditions Requirements
- Group Performance Management Policy
- Performance Review Guidelines
- Group Compensation and Benefits Policy
- Huhtamaki Human Trafficking and Modern Slavery Statement
- Global Human Rights Policy
- Global Occupational Health and Safety Policy

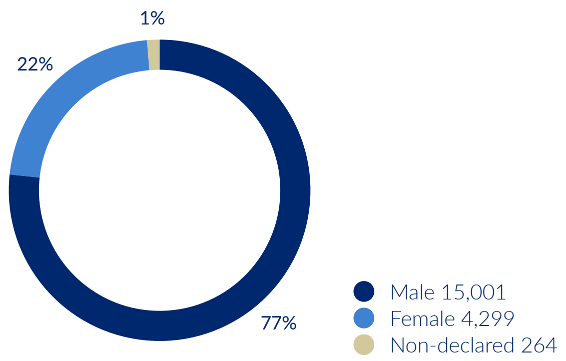
Huhtamaki aims to create a safe, engaging and high-performance culture by encouraging its employees to act according to its new values Care Dare Deliver. The Group's functional people processes and solutions support the business in reaching strategic and operational targets. Data analysis and digital workplace tools help the Group make informed decisions and enables employees to succeed in their work.

In 2021, the average number of employees was 18,385 (18,440), of which 70% (70%) worked directly in production. Countries with the largest number of employees were US, India and Germany, which accounted for 44% (49%) of the Group's personnel. At the end of the year Huhtamaki had a total of 19,564 (18,227) employees.

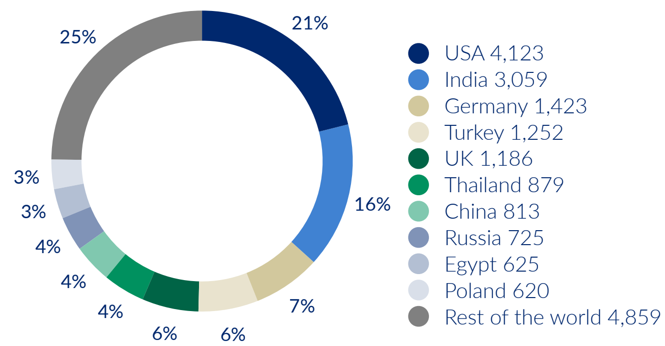
In 2021, Huhtamaki started to engage its employees with the Group's refreshed values which were introduced in 2020. This was done through facilitated events with the purpose to give all employees an opportunity to discuss the meaning of the values more informally. Some events were organized outside taking into consideration all the necessary safety measures, while some events were conducted fully online.

Huhtamaki's latest employee engagement survey, Connect, was conducted in September 2021 with the response rate at 79% (88%). The employee engagement index was at 73% (75%) and employee enablement index at 76% (76%). In comparison to 2019, when the previous survey was conducted, the largest improvements were in ethics, values, and understanding Huhtamaki's strategy and goals. The increased focus on strategy communications has paid off along with the investment on leadership development. A very positive development, in line with the Group's values being of key importance, is that employees feel that their leaders and colleagues act ethically, fairly and according to Huhtamaki's values Care Dare Deliver.

Employees by gender



10 largest countries by number of employees



The Group has identified performance management, resources, diversity and career opportunities as its global focus areas. Teams have reviewed and discussed their results with managers and started to plan actions for the areas of improvements. Teams are also encouraged to select at least one strength they want to maintain.

As the pandemic resulted in all face-to-face training programs being put on hold, Huhtamaki invited employees to contribute online to global and local initiatives, such as e-learnings on digitalization and safety. Also Huhtamaki's strategic key projects provide a wide range of learning opportunities at the same time increasing collaboration across the organization.

In addition, in 2021 Huhtamaki provided a LinkedIn Learning license to more than 350 employees across the globe. With this, the Group wants to support employees' development with access to a platform that offers courses taught by industry experts specializing in personal and business skills.

The prolonged COVID-19 pandemic accelerated the development of a hybrid model where office employees have the possibility to work part of the work week remotely. Two major office sites, the headquarters in Espoo (Finland) and the Corporate office in De Soto (US), were selected to pilot the model. Managers were trained to facilitate discussions with their teams and agree the ways of working in the hybrid model. However, the worsening of the pandemic put the pilots on hold for the remainder of 2021 as national remote work recommendations came back into force. The pilots will continue in 2022 with the vaccination program proceeding and as soon as it is safe for employees to return to offices.

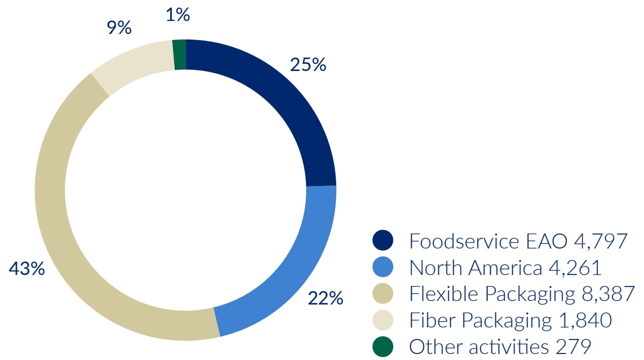
Business units adhere to Huhtamaki's global Working Conditions Requirements that cover topics such as anti-corruption, safety, work ergonomics, work contracts, working hours, grievances, and supplier management. During 2021, the focus was on the renewal and development of a risk-based audit program.

Occupational Health and Safety (OHS) is a top priority for Huhtamaki. Huhtamaki is building a safety culture and strives to embed safety across the whole organization. Huhtamaki's ambition is to develop a mindset to deliver an organization where nobody gets hurt and everyone goes home safe at the end of the day.

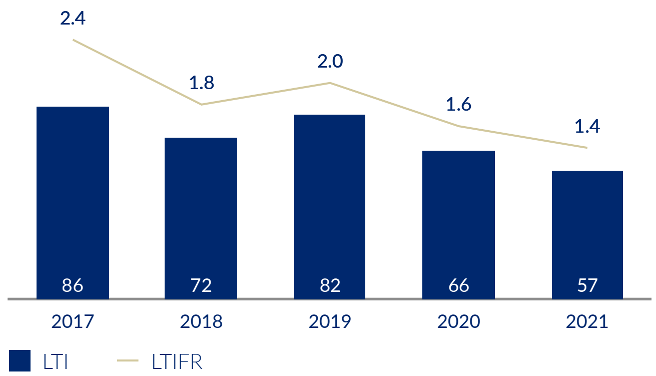
In 2021, a key global safety project addressing all segments was related to machine safety. The project aimed for establishing a global program to identify and mitigate risks related to machine procedures and process by installing a Global standard which states the company position in respect to compliance and safety for all employees. The target is for alignment of machine safety standards, machine compliance processes and upskilling of employees. The basis was established in 2021 and the real outcomes of the program will be visible during 2022–2023 through the expansion of the program.

The key OHS indicators for 2021 are Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR). In 2021, LTIFR decreased to 1.4 (1.6 in 2020, 2.0 in 2019 and 1.8 in 2018). When calculating LTIFR Huhtamaki considers lost time injuries and actual working hours of Huhtamaki employees and external workers. TRIFR in 2021 was 4.3. There were no fatalities during 2021.

Number of employees by segment

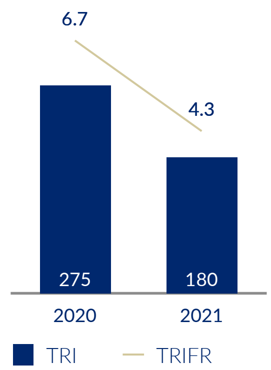


Number and frequency of lost time injuries 2017–2021, Group



LTI = Lost time injury
LTIFR = Lost time injury frequency rate per million hours worked

Number and frequency of total recordable injuries 2020–2021, Group



TRI = Total recordable injury
TRIFR = Total Recordable Injury Frequency Rate

Human rights

Policies
- Huhtamaki Code of Conduc
- Code of Conduct for Huhtamaki Suppliers
- Global Human Rights Policy
- Huhtamaki Human Trafficking and Modern Slavery Statement

Huhtamaki recognizes that, as a global company, its actions can have both positive and negative impacts on people either directly through its own operations, or indirectly through its value chain. Ensuring that human rights are respected throughout the value chain is a key element of Huhtamaki's 2030 sustainability agenda. Huhtamaki is committed to taking responsibility for the impact it can have on individuals and for making sure that there is no harm to people as a result of its activities.

The Global Human Rights Policy reflects Huhtamaki's commitment to human rights as set forth in the United Nations International Bill of Human Rights and taking into account the UN Guiding Principles on Business and Human Rights.

The Huhtamaki Code of Conduct sets out standards for ethical behavior for all employees. Huhtamaki does not allow for example workplace violence or the use of child labor or forced labor. All employees globally are expected to participate in the mandatory Code of Conduct training annually.

Human rights due diligence is built into several of the Group's key processes, for instance, in its Global Working Conditions Requirements, in its health and safety management systems, in supply chain management and in its compliance system.

In the Group's own operations, risks for human rights issues are identified via the global Enterprise Risk Management, the global Ethics and Compliance program and by following incidents reported through the grievance system. The Global Working Conditions Requirements are implemented at all production sites and cover topics such as anti-corruption, safety, work ergonomics, work contracts, working hours, grievances, and supplier management. Occupational health and safety have been identified as key topics. As a result, all manufacturing units monitor safety metrics monthly, and performance is assessed against targets. Engaging with local communities gives valuable feedback from local stakeholders. In mergers and acquisitions, environmental and social impact assessments are part of the standard due diligence process.

Huhtamaki's updated supply chain due diligence process has been built to identify risks in the supply chain. All key suppliers, corresponding to the top 80% in terms of procurement spend, are now systematically screened in the Group's supplier monitoring tool against for example sanctions lists, watch lists and negative media, helping Huhtamaki to identify and address risks related to human rights in the supply chain.

In 2021, the Group took steps to strengthen its human rights due diligence by performing a global assessment of potential human rights risks and impacts and a review of existing policies and procedures. Huhtamaki also conducted its first human rights impact assessment pilot to gain a deeper understanding of its human rights impact at site level. The pilot was conducted in Egypt and included a country-level human rights analysis and a deep dive impact assessment. The findings from both the global review and the local level assessment will feed into developing a more structured approach to human rights.

Anti-corruption and anti-bribery

Policies
- Huhtamaki Code of Conduct
- Code of Conduct for Huhtamaki Suppliers
- Group Trade Compliance Policy
- Group Investigations Policy

The Huhtamaki Global Ethics and Compliance program focuses on Huhtamaki's commitment to integrity and legal compliance across the Group's global organization. The program serves as a toolkit supporting Huhtamaki in conducting its business in compliance with laws, regulations and the Group's ethical standards and ensuring that the Group has adequate procedures in place to prevent Huhtamaki taking part in any unethical business activities. During 2021, Huhtamaki continued to execute the key initiatives supporting the Global Ethics and Compliance program, and continuously developed further the key elements of the ethics and compliance framework.

The Huhtamaki Code of Conduct is the core element of Huhtamaki's Global Ethics and Compliance program. The Code works as a compass, helping the Group to navigate and use consistent legal and ethical judgment in its daily work and decision-making. Anti-bribery and corruption provisions are an integral part of the Code. In addition, these provisions are included in the Code of Conduct for Huhtamaki Suppliers. The Global Ethics and Compliance function oversees the implementation of the company's Ethics and Compliance program by advising and supporting the conduct of business with high integrity and in compliance with laws and regulations, including anti-bribery and corruption provisions.

Huhtamaki strongly believes that conducting business with integrity is the right thing to do and it is also its license to operate. At Huhtamaki, integrity applies to every part of Huhtamaki's business, and the company highlights the importance of the commitment at every level. The Group's structured compliance program also helps Huhtamaki answer to the growing interests of its external stakeholders by establishing a standard, structured approach to handle ethics and compliance matters in its units globally.

One of the key elements of Huhtamaki's Global Ethics and Compliance program framework is training and communication. In 2021, based on the Group's risk assessment, Global Ethics and Compliance focused on raising awareness of integrity and ethical business conduct in the Middle East and Africa region. Employees were invited to discuss and review case examples of selected compliance topics like anti-corruption, gifts and hospitality and conflict of interest situations. Additionally, face-to-face training sessions were organized by Global Ethics and Compliance for Huhtamaki's entities in Egypt, the UAE and Turkey. The function also continued to raise awareness of trade sanctions and other new compliance topics also in Huhtamaki's other operating geographies during 2021 by providing training and communication through various online channels.

Huhtamaki employees are required to complete the Huhtamaki Code of Conduct training, which is cascaded to all employees as part of the Group's annual mandatory Ethics and Compliance online training program. The Code of Conduct training, which contains also an anti-corruption section with the commitment not to tolerate corrupt practices of any kind and practical examples for ethical decision-making, was completed by 95.4% (2020: 95.7%) of Huhtamaki's employees globally in 2021.

In addition to the Code of Conduct online training, in-depth e-learning courses on anti-trust and competition compliance as well as data privacy and information security related topics are mandatory for selected employees. These online trainings are part of the annual Ethics and Compliance training program.

In accordance with Huhtamaki's values, the Group promotes a speak-up culture and encourages everyone to raise their concerns and to report any suspected or observed violations of the Huhtamaki Code of Conduct, any other Huhtamaki policies or laws and regulations. If an employee has concerns about potential misconduct or is made aware of a violation, the employee is expected to report the violation by contacting either his/her manager, over manager, a local Human Resources representative or Global Ethics and Compliance. To support the compliance with laws and regulations and the ethical business conduct, the company offers various channels to report concerns, including a dedicated email address and the Huhtamaki Speak Up channel, a web-based whistleblowing system, which allows for anonymous reporting and is open to employees and external stakeholders if they want to report concerns or suspected misconduct. The Huhtamaki Speak Up channel can be accessed by visiting the website: report.whistleb.com/Huhtamaki. Retaliation or any negative actions against an employee reporting a suspected violation in good faith is explicitly prohibited and may result in disciplinary action.

The Global Ethics and Compliance function coordinates the Speak Up channel and oversees the overall investigation process of alleged violations. The Global Ethics and Compliance function is responsible for all investigations involving serious allegations. All breaches and suspected breaches of the Huhtamaki Code of Conduct brought to the attention of Global Ethics and Compliance are investigated and reported further according to the Group Investigation Policy. The Huhtamaki Ethics and Compliance Committee, the Global Executive Team and the Audit Committee of the Board of Directors follow up on the reported incidents and review the implementation of mitigating activities regularly.

Risk review

Risk management

Risk management at Huhtamaki aims to identify potential events that may affect the achievement of the Huhtamaki's objectives as outlined in its 2030 Strategy. Its purpose is to manage risks to a level that the Group is capable and prepared to accept, so that there is reasonable assurance and predictability regarding the achievement of the Group's objectives. The aim is also to enable the efficient allocation of resources and risk management efforts.

The Group Enterprise Risk Management (ERM) Policy defines the objectives, scope and responsibilities of risk management. Efficient risk management ensures timely identification and assessment of opportunities and risks in the short, medium, and long term, as well as relevant measures to manage them. Detailed risk management procedures are described in the Group's ERM framework and process guidelines. Huhtamaki's risk management process is based on the Enterprise Risk Management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In order to systematize and facilitate the identification of risks, they are categorized as strategic, operational and financial risks. These categories are closely aligned with the strategic, operational and financial objectives of Huhtamaki, with sustainability and compliance embedded in all of them. Huhtamaki assesses risks in terms of their impact and the likelihood of their occurrence. A risk impact is considered in terms of impact on the organization's annual EBIT margin. The likelihood of a risk occurring is generally considered in terms of the expected frequency of occurrence. To further evaluate the residual risk level when risk controls are in place, Huhtamaki assesses the effectiveness of those controls over the impact and likelihood of the risk.

In 2021, business units, segments and global functions identified and assessed strategic, operational and financial risks and opportunities against the impact on the achievement of the strategic priorities and performance objectives. These risk assessment results were consolidated from business unit to segment and further to Group level and used to identify the key risks at segment and Group level. The process was complemented with workshops, insight sessions and online surveys. Risk treatment actions were defined in order to reach acceptable risk levels at each stage. The acceptable risk levels associated with appropriate risk management efforts were deliberated by the Global Executive Team, reviewed by the Audit Committee of the Board of Directors and finally approved by the Board of Directors. Agreed risk management efforts will be conducted and monitored during 2022.

During 2021, the key risks identified in the 2020 risk assessment process were monitored to assess their existing and newly implemented controls and any changes in the risk level itself. Actions to manage those risks were planned and executed at Group or segment level and followed by the Global Risk Management function, with a focus on each business segment's most significant risks.

The most significant strategic risks

Huhtamaki's 2030 strategic priorities are to grow its business, drive competitiveness, digitalize operations, develop talent and embed sustainability in everything it does. Huhtamaki views that the most significant risks and opportunities for growth arise from the uncertainty and unpredictability in macroeconomic and political environment. Continued uncertainty due to the impact of COVID-19 may impact consumer buying behavior, and thus demand for the Group's products. Further, uncertainty on trade agreements as well as trade wars and political unpredictability may slow down investment and economic growth in impacted geographies. Yet, these changes, together with certain changes in demand also present opportunities to build agile business models and grow in product categories that serve food delivery, casual at home entertaining and everyday convenience. Another key risk for growth arises from the Group's ability to identify and invest in profitable and growth-enhancing initiatives. Huhtamaki manages the mentioned risks by developing its range of product offering, allocating capital and resources carefully and diversifying investments geographically.

The key risks and opportunities to Huhtamaki's competitiveness arise from dependence on large customers, changes in competitive landscape and capability to identify and react to in time to new technologies and shifts in materials. Activities to manage the threats and seize the opportunities involve active dialogue with the customers to develop ways to increase value and understand Huhtamaki's competitive position as well as cross-functional and cross-segment collaboration. To mitigate the risk of its technology and machinery becoming outdated, inefficient or unfit for serving customer demand, the Group continuously monitors and anticipates long term needs for replacement investments. Huhtamaki is also actively working on strategic partnerships and M&A to secure a competitive advantage on new technology innovations.

In terms of talent development, the key risks and opportunities are identified to arise from Huhtamaki's ability to develop the organization structure and operating model in line with the strategy. The risk management actions include strategic planning, focus on change management as well as explicit accountability and responsibility structures.

The most significant strategic risks and opportunities impacting the Group's sustainability ambition arise from potential new laws and regulations impacting the products as well as from changes in consumer and customer preferences. The company's future growth and success depend on its continued ability to predict and respond to changes and its ability to innovate and develop new sustainable products and solutions in a timely manner. Understanding consumers enables Huhtamaki to realize business opportunities in building long-term sustainable growth in partnership with its customers. On the other hand, regulatory changes may introduce material bans, reduction targets and increased cost. Further, these regulatory changes include a level of unpredictability, especially in certain geographics. Negative media attention on plastics and single-use products which does not take into consideration the value of packaging within the broader sustainability context, may drive attitudes and legislation. To manage the threats, Huhtamaki is focused on driving an evidence-based discussion to deliver data on the value of packaging in terms of hygiene, food safety, food availability and food waste prevention. Furthermore, Huhtamaki actively tracks early stages of regulatory initiatives and potential regulatory changes so as to reflect these in the development and commercialization of its products and solutions.

Operational and financial risks

Disruption in raw material or energy supply is considered one of the biggest operational risks to the Group. The risk is managed, e.g., by extending the Group's supplier network, securing volumes in advantage, monitoring and maintaining safety inventory levels and standardizing raw materials.

Risks and opportunities related to the ability to manage prices so that price changes are implemented in a timely manner and with correct cost and market intelligence data as well as the ability to pass increases in the cost of raw materials and energy to the price of the products are key for the Group. Risk management actions include ongoing monitoring of raw material and energy costs and focus on contract management with energy and material escalation clauses included in customer contracts when possible.

Risks related to property damage and IT infrastructure, systems and applications are important operational risks potentially impacting the business continuity of Huhtamaki. The company performs a continuous improvement program in property risk control, mitigating the impact and likelihood of hazards, such as fire, explosion, flood or windstorm, that may lead to property damage and business interruption. To minimize the impact of a potential business interruption, Huhtamaki maintains and further develops its disaster recovery and business continuity plans and allocates manufacturing capacity to several locations. Huhtamaki is also renewing its ERP systems, modernizing business software and updating hardware.

To manage the risks and opportunities relating to leadership and human capital, Huhtamaki has focused on developing the skills of leaders and managers, global and local talent pools and succession planning, as well as performance management activities supporting a high-performing and diverse culture.

Occupational health and safety is top priority at Huhtamaki. The Group is building a safety culture and strives to embed safety across the whole organization. Risks related to incidents that potentially compromise employee health and safety are managed by training, audits, monitoring of safety metrics and fostering safety awareness and culture.

Risk related to non-compliance with laws and sanctions include risk of penalties or claims for compensation, or indictment due to a failure to comply with applicable legislation such as anti-bribery, competition, product, environmental or other legislation or applicable sanctions. Key risk management actions include policies and processes to identify and mitigate the non-compliances and training on various compliance topics.

Product safety and quality are high on the Group's agenda. While consistent high quality and safety in Huhtamaki's products build a competitive advantage, a critical shortcoming in product safety or quality could negatively impact the company's reputation resulting in a decrease in sales. The Group applies rigorous quality control processes in all its manufacturing operations and has formal trial processes for new products and materials. Quality and hygiene management systems, such as ISO 9001 and BRCGS, provide a solid base for securing manufacturing consistency.

Foreign exchange transaction risk remains among Huhtamaki's key risks. More information on financial risks and risk management can be found in Note 5.8 of the Financial statements 2021.

None of the key risks identified in connection with the 2021 risk assessment are considered of a magnitude that could not be managed or would endanger the implementation of Huhtamaki's 2030 Strategy.

When considered necessary, appropriate risk treatment actions may also involve a risk transfer by means of insurance. The Group maintains a number of global insurance programs. The need for insurance, including the adequacy of its scope and limits, is continuously evaluated by the Global Risk Management function.

Risks and risk management procedures related to non-financial information

The Enterprise Risk Management (ERM) of Huhtamaki includes the assessment of sustainability risks and opportunities. Strategic sustainability risks relate to changes in the business environment or events that may impact the Group's reputation. Operational sustainability risks relate to production, human resources, crime and fraud. Risks are assessed in terms of their impact and the likelihood of their occurrence. A risk impact is considered in terms of impact on the organization's annual EBIT. Going forward, Huhtamaki will conduct a more detailed and sophisticated analysis of the risks and opportunities caused by climate change.

Sustainability risks and opportunities arising from changes in the business environment can include bans on chemicals and materials used in products as well as new laws and regulations affecting Huhtamaki's products, plants or processes. Concerns on plastics, non-recyclable and non-renewable products as well as related consumption reducing measures or bans and increased costs on Huhtamaki's flexible packaging and foodservice products can affect the business. Further, the business environment is affected by changes in consumer and customer preferences. Thus, the Group is continuously evaluating and developing its product portfolio and production capabilities to match market expectations on sustainability. It monitors regulatory changes and drivers through several sources and stakeholders. The Group views that changes can also bring significant business opportunities, which it is well-placed to address with its current knowledge and expertise of different raw materials and conversion technologies combined with an understanding of its customers and consumers.

In the medium to long term, climate change is likely to increase the frequency and severity of natural disasters such as windstorms, droughts and floods that pose a threat to Huhtamaki's manufacturing and distribution continuity. The physical damage that extreme weather conditions may cause to manufacturing facilities or infrastructure could disrupt Huhtamaki's own, its customers', raw material, energy or utilities suppliers', or transportation suppliers' business. The company manages these risks with appropriate precautions in high-risk locations as well as with disaster recovery and business continuity plans. The locations for proposed greenfield or acquisition targets are evaluated for exposure to natural disasters, and must be considered acceptable, prior to proceeding with a project. Risks related to existing manufacturing facilities are reduced by allocating capacity to several locations.

Medium to long term transitional climate change risks may impact the availability and cost of raw materials and energy. Continuous product innovation, including a special focus on plastic substitution, plays an important role in managing these risks. Huhtamaki's ambition is to increase the share of renewable and recycled raw materials to 80% and use only certified or recycled fiber by 2030. Moreover, Huhtamaki is shifting to renewable energy sources with an aim to reach carbon neutral production by 2030. The Group not only considers the risk of climate change to its business but to the entire planet and its people. The Group sees that as an advanced packaging manufacturer it is responsible for protecting the planet by offering and developing sustainable packaging solutions. More information on the sustainability of the Group's products can be found in the Business Overview section of this Annual Report 2021 publication.

Climate change related risk and opportunities are included and taken into account in the risk register used in the ERM process. The ERM process is described in the Risk management section, page 58. To support the ERM process, Huhtamaki conducted in 2021 internal preparatory workshops to assess the resilience of its strategy against climate change and in that connection piloted certain scenario analyses on selected climate change related physical risk and transition risk assessments. The work was based on the Business-As-Usual scenarios by the International Panel for Climate Change (RCP 4.5 and RCP 8.5 scenarios) that would deliver a temperature increase of 2–4 degrees. Going forward, Huhtamaki will benchmark different options and select which publicly available climate-change scenarios will be used for assessing the impacts of the physical and transition risks to the company. Huhtamaki recognizes the critical importance of risks and opportunities related to climate change and will continue developing its climate related risk assessment in order to further improve its governance, measurements and disclosure related to the topic.

Short to medium term sustainability risks and opportunities relating to production involve occupational health and safety, product safety and quality, and environmental impacts of Huhtamaki operations.

Risk management relating to environmental and occupational safety as well as social responsibility is integrated in day-to-day business processes and standard practices and the way we work. These must comply with applicable laws and regulations, as well as the ethical and societal responsibilities set out in the Group's Code of Conduct and Huhtamaki Working Conditions Requirements. Risk prevention also involves regular training and continuous improvement programs for all employees. The Group measures its progress and monitors its compliance by regular audits. Regarding the environmental impacts of the Group's operations, more information on water risk and waste management can be found in the Sustainability supplement of this Annual Report 2021 publication.

Short to medium term sustainability risks relating to human resources are assessed in terms of human resources risks in general, as well as in terms of labor relations risks, and human rights risks. Sustainable human resources management focuses on fostering a work culture built on the Group's values, Code of Conduct and Huhtamaki leadership competencies. The Group aims to provide all its employees a safe workplace, development opportunities, as well as systematic performance and talent management and succession planning. More information on the Group's People strategy can be found in the Business Overview section of this Annual Report 2021 publication.

In the 2021 ERM assessment, changes in laws and regulations impacting Huhtamaki's products, changes in consumer and customer preferences as well as human resources represented the most significant sustainability risks and opportunities for Huhtamaki. All three were among the top ten risks. Occupational health and safety, product safety and quality risks, non-compliance with laws and sanctions, human rights and sustainability requirements affecting manufacturing units or processes were considered medium or medium-low risks to the Group.

Sustainability is also considered in connection with reputational risks relating to products, employer image, governance, and corporate citizenship. Reputational risks are considered to pose a medium-low risk to the achievement of Huhtamaki's objectives. Reputational risk management focuses on managing the potential root causes of the risks.

Corruption risk is included in the ERM assessment and considered as an operational as well as a reputational risk. While the risk of corruption and bribery in general is considered medium-low in the 2021 ERM assessment, anti-corruption is seen as a key element of the company's Global Ethics and Compliance program. Ethics and business integrity requirements, including anti-corruption and zero tolerance to bribery, are also an integral part of Huhtamaki Working Conditions Requirements. Key risk management actions include policies and processes to identify and mitigate the non-compliances and training on various compliance topics. More information on the Group's Global Ethics and Compliance program can be found in the Sustainability supplement of this Annual Report 2021 publication.

Personnel

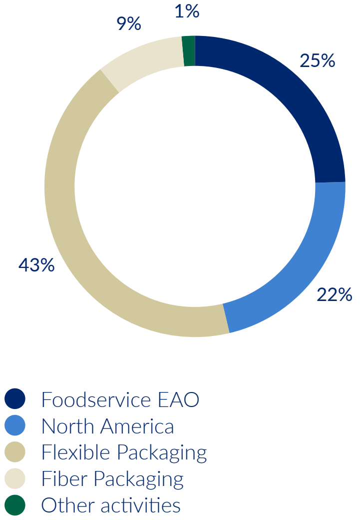
Number of personnel

	December 31, 2021	December 31, 2020	Change
Foodservice Europe-Asia-Oceania	4,797	4,591	4%
North America	4,261	4,185	2%
Flexible Packaging	8,387	7,468	12%
Fiber Packaging	1,840	1,849	-0%
Other activities[1]	279	134	108%
Group	**19,564**	**18,227**	**7%**

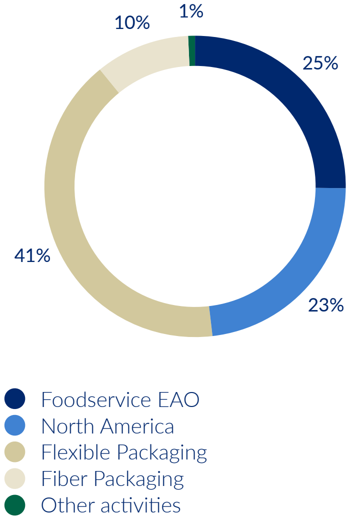
[1] Including global functions in Finland

At the end of December 2021, the Group had a total of 19,564 (18,227) employees. The number of employees was 7% higher than in the comparison period, driven mainly by the impact of the two acquisitions.

Employees by segment on December 31, 2021



Employees by segment on December 31, 2020



Changes in management

Ann O'Hara, MBA, BSE (Chemical Engineering), was appointed President, North America and a member of the Global Executive Team as of January 1, 2021.

Marco Hilty, Ph.D. (Business Administration) was appointed President, Flexible Packaging and a member of the Global Executive Team as of September 1, 2021. Arup Basu, President, Flexible Packaging, decided to leave Huhtamaki on May 12, 2021.

Ingolf Thom, MBA, was appointed Executive Vice President, HR and Safety and a member of the Global Executive Team as of January 10, 2022. It was announced on July 22, 2021 that Teija Sarajärvi, Executive Vice President, Human Resources and Safety, and a member of Huhtamaki Global Executive Team, would leave Huhtamaki in order to pursue another career opportunity.

Fredrik Davidsson, Bs (Engineering), has been appointed Executive Vice President, Digital and Process Performance and a member of the Global Executive Team as of June 1, 2022, at the latest. Antti Valtokari, Executive Vice President, IT and Process Performance, will assume the role of Senior Vice President, Operating Model and Systems reporting to Fredrik Davidsson.

It was announced on December 21, 2021, that President and CEO Charles Héaulmé would take a leave of absence from early January to undergo medical treatment. He is expected back in Q2 2022. Thomas Geust, CFO, was appointed as interim Deputy CEO, effective January 1, 2022. He reports to the Board of Directors and assumes the duties of the CEO until the end of Charles Héaulmé's leave of absence. Eric Le Lay, President Fiber Foodservice EAO, was appointed interim Chief Operating Officer effective January 1, 2022. He reports to the Board of Directors on the said position until the end of Charles Héaulmé's leave of absence. Marco Hilty, President, Flexible Packaging, and Ann O'Hara, President, North America, will report to Eric Le Lay.

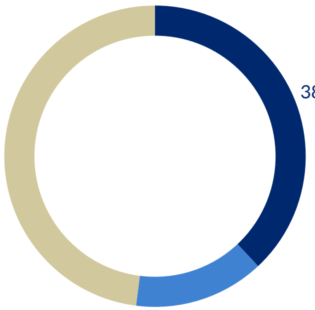
Share capital, shareholders and trading of shares

Share capital and share data

	2021	2020	2019
Registered share capital[1], EUR million	366	366	366
Total number of shares[1]	107,760,385	107,760,385	107,760,385
Shares owned by the Company[1]	3,395,709	3,410,709	3,410,709
% of total number of shares	3.2%	3.2%	3.2%
Number of outstanding shares[1, 2]	104,364,676	104,349,676	104,349,676
Average number of outstanding shares[2, 3]	104,360,114	104,349,676	104,344,950
Number of shares traded[4], million	51.0	59.0	55.0
Closing price on final day of trading, EUR	38.89	42.26	41.38
Volume-weighted average price, EUR	40.12	37.34	34.74
High, EUR	45,93	46.62	42.20
Low, EUR	36,57	23.48	26.81
Market capitalization[1], EUR million	4,191	4,554	4,459
Earnings per share, EUR	1.91	1.69	1.82
Earnings per share, diluted, EUR	1.91	1.69	1.82
Dividend per share, EUR	0.94[5]	0.92	0.89
Dividend to earnings	49%[5]	54%	49%
Effective dividend yield	2.4[5]	2.2	2.2
Price to earnings ratio[1]	20.4	25.0	22.7
Equity per share[1], EUR	14.11	12.31	12.92

[1] At the end of period
[2] Excluding shares owned by the Company
[3] Average number of outstanding shares used in EPS calculations
[4] Number of shares traded on Nasdaq Helsinki
[5] 2021: Board proposal

Sharehoder structure as at December 31, 2021



The number of registered shareholders at the end of December 2021 was 43,774 (36,764). Foreign ownership including nominee registered shares accounted for 48% (50%).

Trading of shares

During the reporting period, the Company's shares were quoted on Nasdaq Helsinki Ltd on the Nordic Large Cap list under the Industrials sector. It was a component of the Nasdaq Helsinki 25 Index.

At the end of December 2021, the Company's market capitalization was EUR 4,191 million (EUR 4,554 million). With a closing price of EUR 38.89 (EUR 42.26) at the end of the reporting period, the share price decreased approximately 8% from the beginning of the year. During the reporting period the volume weighted average price for the Company's shares was EUR 40.12 (EUR 37.34). The highest price paid was EUR 45.93 (EUR 46.62) and the lowest was EUR 36.57 (EUR 23.48).

During the reporting period, the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 2,027 million (EUR 2,217 million). The trading volume of approximately 51 million (59 million) shares equaled an average daily turnover of 200,455 (235,468) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 6,022 million (EUR 5,673 million). During the reporting period, 66% (63%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, fragmentation.fidessa.com)

Resolutions of the Annual General Meeting 2021

Huhtamäki Oyj's Annual General Meeting of Shareholders was held on April 22, 2021 in Espoo. The meeting adopted the Annual Accounts including the Consolidated Annual Accounts for 2020, discharged the members of the Company's Board of Directors and the CEO from liability, and approved all proposals made to the Annual General Meeting by the Board of Directors and the Shareholders' Nomination Board. The Annual General Meeting also approved the Remuneration Report for the Company's Governing Bodies presented to it.

The Annual General Meeting resolved that an aggregate dividend of EUR 0.92 per share be paid based on the balance sheet adopted for the financial period ended on December 31, 2020. The dividend was paid in two instalments. The first dividend instalment, EUR 0.46 per share, was paid to shareholders registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the record date for the first dividend instalment April 26, 2021. The payment date for the first dividend instalment was May 3, 2021. The second dividend instalment, EUR 0.46 per share, was paid to shareholders registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the record date for the second dividend instalment October 1, 2021. The payment date for the second dividend instalment was October 8, 2021.

The number of members of the Board of Directors was confirmed to as seven (7). Mr. Pekka Ala-Pietilä, Mr. Doug Baillie, Mr. William R. Barker, Ms. Anja Korhonen, Ms. Kerttu Tuomas, Ms. Sandra Turner and Mr. Ralf K. Wunderlich were re-elected as members of the Board of Directors for a term ending at the end of the next Annual General Meeting. The Annual General Meeting re-elected Mr. Pekka Ala-Pietilä as the Chairman of the Board and Ms. Kerttu Tuomas as the Vice-Chairman of the Board.

The Annual General Meeting resolved that the annual remuneration to the members of the Board of Directors will be paid as follows: to the Chairman of the Board EUR 140,000, to the Vice-Chairman EUR 75,000 and to the other members EUR 62,000 each. In addition, the Annual General Meeting resolved that the annual remuneration to the Chairman and members of the Board Committees will be paid as follows: to the Chairman of the Audit Committee EUR 15,000 and to the other members of the Audit Committee EUR 5,000 as well as to the Chairman of the Human Resources Committee EUR 5,000 and to the other members of the Human Resources Committee EUR 2,500. In addition, the Annual General Meeting resolved that EUR 1,500 will be paid for each Board and Committee meeting attended. Traveling expenses of the Board members will be compensated in accordance with the Company policy.

KPMG Oy Ab, a firm of authorized public accountants, was re-elected as Auditor of the Company for the financial year January 1–December 31, 2021. Mr. Henrik Holmbom, APA, will continue to act as the Auditor with principal responsibility.

The Annual General Meeting authorized the Board of Directors to resolve on the repurchase of an aggregate maximum of 10,776,038 of the Company's own shares. Own shares may be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. The authorization covers also directed repurchases of the Company's own shares. The authorization remains in force until the end of the next Annual General Meeting, however, no later than June 30, 2022.

The Annual General Meeting authorized the Board of Directors to resolve on the issuance of shares and the issuance of special rights entitling to shares. The aggregate number of new shares to be issued may not exceed 10,000,000 shares which corresponds to approximately 9.3 percent of the current shares of the Company, and the aggregate number of own treasury shares to be transferred may not exceed 4,000,000 shares which corresponds to approximately 3.7 percent of the current shares of the Company. The authorization covers also directed issuances of shares. The authorization remains in force until the end of the next Annual General Meeting, however, no later than June 30, 2022.

Short-term risks and uncertainties

The COVID-19 pandemic may create further disturbances in the Group's trading conditions and its operating environment, as well as in demand for the Group's products. Availability and cost of raw material, distribution and energy as well as movements in currency rates are considered to be relevant short-term business risks and uncertainties in the Group's operations. General political, economic and financial market conditions can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings. Further, natural disasters and social unrest may have negative effects on the Group's operating environment.

Outlook for 2022

The Group's trading conditions are expected to improve compared to 2021, however with continued volatility in the operating environment. Huhtamaki's diversified product portfolio provides resilience and the Group's good financial position enables addressing profitable growth opportunities.

Dividend proposal

On December 31, 2021 Huhtamäki Oyj's distributable funds were EUR 462 million (EUR 542 million). The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.94 (EUR 0.92) per share be paid.

Annual General Meeting 2022

The Annual General Meeting of Shareholders (AGM) will be held on Wednesday, April 27, 2022 with exceptional meeting procedures based on the Finnish temporary legislative act (375/2021). The AGM will be held without the presence of shareholders or their representatives in order to ensure the health and safety of the Company's shareholders, personnel and other stakeholders. After the AGM, shareholders will be provided with an opportunity to follow a webcast where the Chairman of the Board and other Company's representatives will address topical themes of the Company.

Corporate Governance Statement and Remuneration Report

The Corporate Governance Statement and Remuneration Report have been issued separately and are presented in a section of this Huhtamaki Annual Report 2021 publication. The statements are also available on the Group's website www.huhtamaki.com.

How we create value as a food packaging manufacturer

Key inputs

Raw materials
- Paperboard
- Plastic resins
- Recycled fiber
- Approximately 65% of raw materials used in manufacturing our products are renewable

Energy and water
- Energy 2,244 GWh
- Water intake 8.7 million m^3

Global operations
- 79 manufacturing units, 23 sales offices, 38 countries

Personnel
- Competence and know-how of 19,564 employees

Stakeholders
- Key stakeholder relationships
- Collaboration with key customers and suppliers

Intellectual property
- Immaterial rights, patents
- Brand and reputation

Financial resources
- Equity M€ 1,597
- Net debt M€ 1,520

Our activities

Advanced manufacturing using multiple technologies
- Cup forming
- Folded carton production
- Smooth and rough molded fiber production
- Extrusion and lamination
- Thermoforming and injection molding
- Printing and digital printing

Resource efficiency
- Energy: 4% improvement in energy efficiency in 2017–2021

Innovations
- Digitalization and design of sustainable packaging solutions
- Continuous product development

Leadership and management
- Strive for excellence and collaboration between our business segments and centralized functions to benefit our customers
- Workplace safety improved 45% in 2017–2021 with the Lost Time Injury frequency rate decreasing from 2.4 to 1.4
- Guiding principles and systems (e.g. Code of Conduct)
- Continuous improvement (Lean Six Sigma, Total Productive Manufacturing)

Organic growth and acquisitions
- Growing both organically and through acquisitions
- Capital expenditure M€ 259

Key outputs

Safe, convenient and fit-for-purpose consumer packaging
- Cups, plates, bowl, utensils and folded cartons for foodservice and retail products
- Laminates, pouches and labels for food and personal care
- Molded fiber packaging for eggs and fruit

Emissions and waste
- Relative GHG emissions reduced 9% in 2019–2021
- Waste in 2021
  - Recycling 72%
  - Energy recovery 10%
  - Incineration without energy recovery >1%
  - Landfill 18%

Intellectual property
- Immaterial rights, patents

New manufacturing assets
- Through investments and acquisitions
- Unique Huhtamaki developed conversion equipment
- Customer equipment and engineering services supporting their filling lines

Economic value
- Gross profit M€ 594

Key impacts

Environment
- Replacing non-renewable materials with alternative renewable materials
- Reducing food waste with fit-for-purpose packaging, designed for circular economy, e.g. packaging that is recyclable and recycled
- Impact on climate change from manufacturing and waste to landfill

Intangible assets
- Huhtamaki brand value
- Product and design innovations

Stakeholders
- Customer satisfaction
- Employee engagement and increased know-how through learning
- Job opportunities and value for local communities

Financial economic value distributed in 2021
- Profit M€ 203
- Wages and benefits M€ 710
- Net financial items M€ 33
- Taxes and similar M€ 60
- Dividends M€ 96

Financial statements

Consolidated financial statements

Consolidated statement of income (IFRS)

EUR million	Note	2021	2020*
Net sales	**2.1.**	**3,574.9**	**3,301.8**
Cost of goods sold		-2,980.4	-2,749.3
Gross profit		**594.4**	**552.5**
Other operating income	2.5.	24.4	42.8
Sales and marketing		-84.8	-86.1
Research and development		-25.7	-21.9
Administration expenses		-207.6	-203.7
Other operating expenses	2.6.	-4.8	-18.8
Share of profit of equity-accounted investments		-	0.4
Earnings before interest and taxes	**2.2., 2.3.**	**296.0**	**265.3**
Financial income	5.1.	4.0	10.2
Financial expenses	5.1.	-37.0	-38.4
Profit before taxes		**263.0**	**237.1**
Income tax expense	2.7.	-60.3	-53.3
Profit for the period		**202.7**	**183.7**
Attributable to:			
Equity holders of the parent company		198.8	176.8
Non-controlling interest		3.8	6.9

EUR			
EPS attributable to equity holders of the parent company	2.8.	1.91	1.69
Diluted EPS attributable to equity holders of the parent company	2.8.	1.91	1.69

*Restated (see note 1.5. Change in accounting policy: presentation of amortization)

Group statement of comprehensive income (IFRS)

EUR million	Note	2021	2020
Profit for the period		**202.7**	**183.7**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans	2.2.	35.7	-1.4
Income taxes related to items that will not be reclassified	2.7.	-8.0	2.0
Total		**27.8**	**0.7**
Items that may be reclassified subsequently to profit or loss			
Translation differences		117.8	-153.6
Equity hedges		-17.9	17.2
Cash flow hedges	5.5.	4.9	-2.3
Income taxes related to items that may be reclassified	2.7.	-1.1	0.7
Total		**103.8**	**-138.1**
Other comprehensive income, net of tax		**131.5**	**-137.4**
Total comprehensive income		**334.2**	**46.3**
Attributable to:			
Equity holders of the parent company		330.1	39.9
Non-controlling interest		4.1	6.4

Consolidated statement of financial position (IFRS)

Assets

EUR million	Note	2021	2020
Non-current assets			
Goodwill	3.2.	1,000.9	732.4
Other intangible assets	3.3.	121.5	37.4
Tangible assets	3.4.	1,674.1	1,365.3
Other investments	5.7.	2.2	2.3
Interest-bearing receivables	5.2., 5.7.	2.0	3.3
Deferred tax assets	2.7.	55.1	61.3
Employee benefit assets	2.2.	67.6	57.4
Other non-current assets		5.6	3.4
		2,929.1	**2,262.8**
Current assets			
Inventory	4.1.	665.7	473.4
Interest-bearing receivables	5.2.	1.9	7.4
Current tax assets		22.0	16.3
Trade and other current receivables	4.2., 5.7.	744.9	520.5
Cash and cash equivalents	5.3., 5.7.	178.7	315.5
		1,613.1	**1,333.0**
Total assets		**4,542.2**	**3,595.8**

Equity and liabilities

EUR million	Note	2021	2020
Share capital	5.4.	366.4	366.4
Premium fund	5.4.	115.0	115.0
Treasury shares	5.4.	-31.2	-31.3
Translation differences	5.4.	-102.4	-202.3
Fair value and other reserves	5.5.	-72.4	-103.8
Retained earnings		1,245.3	1,140.1
Total equity attributable to equity holders of the parent company		**1,520.7**	**1,284.1**
Non-controlling interest		76.5	80.4
Total equity		**1,597.2**	**1,364.5**
Non-current liabilities			
Interest-bearing liabilities	5.6., 5.7.	1,275.6	941.4
Deferred tax liabilities	2.7.	131.9	99.1
Employee benefit liabilities	2.2.	197.2	228.5
Provisions	4.3.	13.1	12.1
Other non-current liabilities		5.1	12.6
		1,622.8	**1,293.6**
Current liabilities			
Interest-bearing liabilities			
Current portion of long term loans	5.6., 5.7.	157.1	95.4
Short-term loans	5.6., 5.7.	270.1	156.2
Provisions	4.3.	4.7	22.1
Current tax liabilities		55.0	66.6
Trade and other current liabilities	4.4., 5.7.	835.3	597.4
		1,322.2	**937.7**
Total liabilities		**2,945.0**	**2,231.3**
Total equity and liabilities		**4,542.2**	**3,595.8**

Consolidated statement of changes in equity (IFRS)

		Attributable to equity holders of the parent company								
EUR million	Note	Share capital	Share issue premium	Treasury shares	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance on Jan 1, 2020		**366.4**	**115.0**	**-31.3**	**-65.8**	**-103.4**	**1,067.1**	**1,348.0**	**89.1**	**1,437.1**
Dividends paid	2.8.						-92.9	-92.9		-92.9
Share-based payments	6.3.						2.9	2.9		2.9
Total comprehensive income for the year					-136.5	-0.4	176.8	39.9	6.4	46.3
Acquisition of non-controlling interest							9.6	9.6	-8.6	1.1
Other changes							-23.5	-23.5	-6.5	-30.0
Balance on Dec 31, 2020		**366.4**	**115.0**	**-31.3**	**-202.3**	**-103.8**	**1,140.1**	**1,284.1**	**80.4**	**1,364.5**
Dividends paid	2.8.						-96.0	-96.0		-96.0
Share-based payments	6.3.			0.1			5.4	5.6		5.6
Total comprehensive income for the year					99.8	31.4	198.8	330.1	4.1	334.2
Acquisition of non-controlling interest							-3.0	-3.0	-8.0	-11.0
Other changes							0.0	0.0	-0.0	-0.0
Balance on Dec 31, 2021		**366.4**	**115.0**	**-31.2**	**-102.4**	**-72.4**	**1,245.3**	**1,520.7**	**76.5**	**1,597.2**

Consolidated statement of cash flows (IFRS)

EUR million	Note	2021	2020
Profit for the period		202.7	183.7
Adjustments		267.1	271.3
Depreciation and amortization		173.7	199.2
Share of profit of equity-accounted investments		-	-0.4
Gain/loss from disposal of assets		-3.8	0.5
Financial expense/-income		33.0	28.2
Income tax expense		60.3	53.3
Other adjustments, operational		4.0	-9.6
Change in inventory		-105.0	-4.7
Change in non-interest bearing receivables		-150.2	50.9
Change in non-interest bearing payables		116.4	-6.6
Dividends received		0.2	0.0
Interest received		2.2	2.6
Interest paid		-25.4	-23.4
Other financial expense and income		-2.4	-0.4
Taxes paid		-82.8	-44.9
Net cash flows from operating activities		**222.7**	**428.6**
Capital expenditure		-259.4	-223.5
Proceeds from selling tangible assets		10.5	1.9
Acquired subsidiaries and assets	3.1	-365.2	-39.0
Proceeds from long-term deposits		1.8	0.9
Payment of long-term deposits		-0.4	-0.2
Proceeds from short-term deposits		7.0	34.2
Payment of short-term deposits		-1.4	-28.7
Net cash flows from investing activities		**-607.0**	**-254.3**

EUR million	Note	2021	2020
Proceeds from long-term borrowings		621.3	345.2
Repayment of long-term borrowings		-257.3	-199.4
Change in short-term loans		-15.8	-94.8
Acquisition of non-controlling interest		-15.1	-
Dividends paid		-96.0	-92.9
Net cash flows from financing activities	5.6.	**237.1**	**-41.8**
Change in liquid assets		**-136.8**	**116.0**
Cash flow based		-147.2	132.5
Translation difference		10.4	-16.5
Liquid assets period start		315.5	199.4
Liquid assets period end		178.7	315.5

Notes to the consolidated financial statements

1. Basis of preparation

1.1. CORPORATE INFORMATION

Huhtamaki Group is a global specialist in packaging for food and drink with operations in 38 countries. The Group's focus and expertise are in paperboard based foodservice packaging, smooth and rough molded fiber packaging as well as flexible packaging. Huhtamaki offers standardized products, customized designs as well as total packaging systems and solutions. Main customers are food and beverage companies, quick service and fast casual restaurants, foodservice operators, fresh produce packers and retailers.

The parent company, Huhtamäki Oyj, is a public limited liability company domiciled in Espoo, Finland and listed on NASDAQ OMX Helsinki Ltd. The address of its registered office is Revontulenkuja 1, 02100 Espoo, Finland. A copy of consolidated financial statements is available at Group's website www.huhtamaki.com.

These Group consolidated financial statements were authorized for issue by the Board of Directors on February 9, 2022. According to the Finnish Companies Act shareholders decide on the adoption of financial statements at the general meeting of shareholders held after the publication of the financial statements.

1.2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the IAS and IFRS standards as well as SIC- and IFRIC- interpretations which were valid on December 31, 2021. IFRS, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of said Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulations (EC) No 1606/2002 of the EU.

The consolidated financial statements have been prepared under the historical cost convention except for other investments at fair value through other comprehensive income, financial instruments at fair value through profit or loss, derivative instruments and cash-settled share-based payment arrangements that are measured at fair value. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. The use of estimates and assumptions is described in more detail in note 1.6. Use of estimates and judgments. The consolidated financial statements are presented in millions of euros. Figures presented are exact figures and consequently the sum of individual figures may deviate from the sum presented.

1.3. DESCRIPTION OF THE IMPACT OF COVID-19 ON THE BUSINESS

Description of the impact of COVID-19 on the business can be found in the Directors' Report in chapter “Non-Financial Review”.

1.4. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following amended standards have been adopted as of January 1, 2021:

- Revised IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (Interest Rate Benchmark Reform, Phase 2). Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements. Group's risk exposure that is directly affected by the reform are fair value hedge accounting of long-term fixed rate debt for changes in fair value attributable to changes in EURIBOR and cash flow hedge accounting for long term floating rate debt for fair value changes attributable to changes in USD LIBOR. The Group will continue to monitor the effects of the IBOR reform. The amendments had no impact on the consolidated financial statements.

The Group plans to adopt the following amendments in 2022 and they are not expected to have material impact on the consolidated financial statements:

- Revised IFRS 3 Business Combinations. The amendments update the outdated reference to the Conceptual Framework.
- Revised IAS 16 Property, Plant and Equipment. Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.
- Revised IAS 37 Provisions, Contingent Liabilities and Contingent Assets. When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.
- Annual Improvements to IFRS standards 2018–2020. Annual improvements include smaller amendments to four standards.

The Group plans to adopt the following amendments later than 2022 and they are not expected to have material impact on the consolidated financial statements:

- Revised IAS 1 Presentation of Financial Statements. The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.
- Revised IAS 1 Presentation of Financial Statements ad IFRS Practice Statement 2. The amendments clarify the application of materiality to disclosure of accounting policies.
- Revised IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.
- Revised IFRS 12 Income Taxes. The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

1.5. CHANGE IN ACCOUNTING POLICY: PRESENTATION OF AMORTIZATION

The Group has changed its accounting policy for presentation of amortization in the consolidated statement of income. Amortization is reclassified from Other operating expenses to Sales and Marketing, Research and development and Administration expenses based on the function that the underlying intangible assets relate to. This change results reliable and more relevant information about the Group's financial performance. The change is applied retrospectively and the year 2020 is restated. The comparative amounts related to the consolidated statement of income are adjusted accordingly. Since this is a reclassification between the line items of the consolidated statement of income, there is no impact to the consolidated statement of financial position.

1.6. PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements include the parent company Huhtamäki Oyj and all its subsidiaries where over 50% of the subsidiary's voting rights are controlled directly or indirectly by the parent company, or the parent company is otherwise in control of the company for example based on Shareholder's Agreement.

Acquired subsidiaries are accounted for using the acquisition method. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. Divested subsidiaries are included up to the date the control ceases.

All intercompany transactions, receivables, liabilities and unrealized profits, as well as distribution of profits within the Group, are eliminated.

Profit and loss for the period attributable to equity holders of the parent company and to non-controlling interest is presented in the income statement. Comprehensive income attributable to equity holders of the parent company and to non-controlling interest is presented in the statement of comprehensive income. Comprehensive income is attributed to the owners of the parent company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Non-controlling interest is disclosed as a separate item within equity.

Associated companies and joint ventures

Associated companies, where the Group holds voting rights of between 20% and 50% and in which the Group has significant influence, but not control, over the financial and operating policies, are consolidated using the equity method. Joint arrangements are companies over whose activities the Group has joint control, established by contractual agreement. The joint arrangements classified as joint ventures are consolidated using the equity method. When the Group's share of losses exceeds the carrying amount of the equity accounted investment, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the equity-accounted investments. The Group's share of result of equity-accounted investments is presented as a separate item above Earnings before interest and taxes. Correspondingly the Group's share of changes in other comprehensive income is recognized in the Group statement of comprehensive income.

EUR million	Restated 2020	Change	2020
Net sales	**3,301.8**	**-**	**3,301.8**
Cost of goods sold	-2,749.3	-0.7	-2,748.6
Gross profit	**552.5**	**-0.7**	**553.3**
Other operating income	42.8	-	42.8
Sales and marketing	-86.1	-4.7	-81.4
Research and development	-21.9	-1.2	-20.7
Administration expenses	-203.7	-4.1	-199.6
Other operating expenses	-18.8	10.6	-29.4
Share of profit of equity-accounted investments	0.4	-	0.4
Earnings before interest and taxes	**265.3**	**-**	**265.3**
Financial income	10.2	-	10.2
Financial expenses	-38.4	-	-38.4
Profit before taxes	**237.1**	**-**	**237.1**
Income tax expense	-53.3	-	-53.3
Profit for the period	**183.7**	**-**	**183.7**
Attributable to:			
Equity holders of the parent company	176.8	-	176.8
Non-controlling interest	6.9	-	6.9
EUR			
EPS attributable to equity holders of the parent company	1.69	-	1.69
Diluted EPS attributable to equity holders of the parent company	1.69	-	1.69

1.7. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into functional currency at the rates of exchange prevailing at the date of the transaction. The consolidated financial statements are presented in EUR, which is the Group's presentation currency and the parent company's functional currency. Monetary assets and liabilities are translated at the rates of exchange at the reporting period closing date. The exchange rate used at the reporting period closing date is the rate of the date prior to the last working day of the reporting period closing date. Foreign exchange differences arising from translation are recognized in the income statement. Foreign exchange gains and losses relating to operating activities are recognized in the same account as the underlying transaction above Earnings before interest and taxes. Foreign exchange differences relating to financial liability are recognized in financial income or expense except for those currency differences that relate to loans designated as a hedge of the net investment in foreign operations. Those currency differences are recognized as translation differences in other comprehensive income.

On consolidation the income statements of foreign entities are translated into euros at the average exchange rate for the accounting period. The statements of financial position of foreign entities are translated at the exchange rate of reporting period closing date. The exchange rate used at the reporting period closing date is the rate of the date prior to the last working day of the reporting period closing date. Differences resulting from the translation of income statement items at the average rate and items in the statement of financial position at the closing rate are recognized as part of translation differences in other comprehensive income.

On consolidation, exchange differences arising on the translation of the net investments in foreign subsidiaries, associated companies and joint ventures are recognized as translation differences in other comprehensive income. A similar treatment is applied to intragroup permanent loans, which in substance are equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as part of the gain or loss on sale.

1.8. USE OF ESTIMATES AND JUDGMENTS

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, income and expenses, as well as the disclosure of contingent assets and liabilities. The estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, which form the basis of making the judgments about carrying values. These estimates and assumptions are reviewed on an ongoing basis. Possible effect of the changes in estimates and assumptions are recognized during the period they are changed.

The following items and related notes include significant estimates and judgments that are subject to a risk of changes in the carrying values within next financial year: impairment testing (note 3.2. Goodwill), measurement of pension liabilities (note 2.2. Employee benefits), litigation and tax risks (notes 2.7. Income taxes and 6.6. Litigations), restructuring plans (note 2.4. Restructuring items), provision for inventory obsolescence (note 4.1. Inventories), probability of deferred tax assets being recovered against future taxable profits (note 2.7. Income taxes), business combinations related contingent considerations (note 5.6. Interest-bearing liabilities) and purchase price allocations (note 3.1. Business combinations).

Notes to the consolidated financial statements

2. Financial performance

2.1. SEGMENT AND REVENUE

Information

The Group's operating segments are strategic business units which produce different products and which are managed as separate units. The Group's segment information is based on internal management reporting. The Group has three business areas which are organized into four reporting segments:

Foodservice Packaging:

- **Foodservice Europe-Asia-Oceania:** Foodservice paper and plastic disposable tableware is supplied to foodservice operators, fast food restaurants and coffee shops. The segment has production in Europe, Middle East, Asia, Africa and Oceania.
- **North America:** The segment serves local markets in North America with Chinet® disposable tableware products, foodservice packaging products, as well as ice cream containers and other consumer goods packaging products. The segment has rigid paper, plastic and molded fiber manufacturing units in the United States and Mexico.

Flexible Packaging:

Flexible packaging is used for a wide range of consumer products including food, pet food, hygiene and health care products. The segment serves global markets from production units in Europe, Middle East, Asia and South America.

Fiber Packaging:

Recycled fiber is used to make fresh product packaging, such as egg and fruit packaging. The segment has production in Europe, Oceania, Africa and South America.

In the Group the performance assessment of segments and decisions on allocation of resources to segments are based on a segment's potential to generate earnings before interest and taxes (EBIT), operating cash flow and return on net assets. In management's opinion these are the most suitable key indicators for analyzing the segments' performance. The Chief Executive Officer is the highest decision maker regarding the above mentioned assessments and allocation of resources.

Segment's net assets include items directly attributable to a segment and items which can be allocated on a reasonable basis. Net assets comprise intangible assets (including goodwill), tangible assets, equity-accounted investments, inventories, trade and other receivables, accrued income and prepayments, trade payables, other payables and accrued expense. Capital expenditure includes acquisition of tangible and intangible assets which will be used during more than one reporting period. Intersegment pricing is based on fair market value.

Other activities include unallocated corporate costs and royalty income and related net assets. Unallocated assets and liabilities relate to post-employment benefits, taxes and financial items.

Group net sales 2021

Segments 2021

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Fiber Packaging	Segments total
Net sales	937.8	1,156.1	1,165.6	315.4	3,574.9
Intersegment net sales	4.0	4.2	0.9	18.3	-27.4
EBIT	78.5	137.3	63.6	35.2	314.7
Net Assets	930.9	838.1	1,272.7	272.8	3,314.6
Capital Expenditure	85.0	70.6	46.0	56.2	257.7
Depreciation and amortization	55.3	50.9	42.9	21.8	170.9

Segments 2020

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Fiber Packaging	Segments total
Net sales	825.9	1,134.2	1,046.5	295.2	3,301.8
Intersegment net sales	3.2	4.7	4.3	12.6	-24.8
EBIT	30.9	130.1	74.5	32.2	267.7
Net Assets	789.8	748.3	783.1	242.4	2,563.6
Capital Expenditure	78.7	71.7	35.9	36.7	223.0
Depreciation and amortization	74.0	55.3	42.0	25.5	196.7

Intersegment net sales are eliminated on consolidation.

Net sales from transactions with a single customer do not amount 10 percent or more of the Group's net sales.

ⓘ | *See notes 3.1., 2.3., 3.3. and 3.4.*

Reconciliation calculations

Result

EUR million	2021	2020
Total EBIT for reportable segments	314.7	267.7
EBIT for other activities	-18.7	-2.4
Net financial items	-33.0	-28.2
Profit before taxes	**263.0**	**237.1**

Assets

EUR million	2021	2020
Total assets for reportable segments	4,099.3	3,116.9
Assets in other activities	106.7	6.5
Unallocated assets	336.3	472.4
Group's total assets	**4,542.2**	**3,595.8**

Liabilities

EUR million	2021	2020
Total liabilities for reportable segments	784.8	553.3
Liabilities in other activities	45.0	38.1
Unallocated liabilities	2,115.2	1,639.9
Group's total liabilities	**2,945.0**	**2,231.3**

Geographical information

In presenting information on geographical basis revenues are reported based on the selling entity's location. Assets are reported based on geographical location of the assets. Non-current assets are presented excluding financial instruments, deferred tax assets and post-employment benefit assets.

2021

EUR million	External net sales	Non-current assets
United States	1,154.0	606.2
Germany	455.4	147.2
India	276.2	91.1
The United Kingdom	255.1	58.9
Australia	172.1	49.6
Thailand	133.2	-23.3
China	110.2	63.2
South Africa	104.2	2.9
Russia	99.5	65.4
United Arab Emirates	87.2	39.8
Finland	62.3	83.0
Other countries	665.6	732.0
Total	**3,574.9**	**1,916.1**

2020

EUR million	External net sales	Non-current assets
United States	1,128.7	630.3
Germany	430.8	181.0
India	269.4	111.7
The United Kingdom	253.7	138.3
Australia	152.9	58.9
Thailand	129.1	63.2
China	91.2	79.4
South Africa	89.4	36.7
United Arab Emirates	85.0	38.7
Russia	79.7	50.4
Finland	58.5	78.2
Other countries	533.3	668.5
Total	**3,301.8**	**2,135.1**

ACCOUNTING PRINCIPLES

Revenue recognition

The revenue is recognized at an amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. The transaction price is usually fixed, but may also include variable considerations such as volume or cash discounts. The variable considerations are estimated using the most likely value method if not yet realized in the end of reporting period. The revenue further adjusted with indirect sales taxes and exchange rate differences relating to sales in foreign currency is presented as net sales.

Typical contracts with customers include a sale of goods to a customer with only one performance obligation. The revenue recognition occurs at a point in time, when the control of the goods is transferred to the customer according to the delivery terms. Payment terms are typical to the business and contracts do not include significant financing components.

Earnings before interest and taxes

Earnings before interest and taxes consists of net sales less costs of goods sold, sales and marketing expenses, research and development expenses, administration expenses, other operating expenses plus other operating income and share of result of equity-accounted investments. Foreign exchange gains and losses and changes of fair value of the derivative financial instruments relating to business are included in Earnings before interest and taxes.

2.2. EMPLOYEE BENEFITS

Personnel expenses

EUR million	2021	2020
Wages and Salaries	584.3	596.3
Compulsory social security contributions	53.5	60.6
Pensions		
Defined benefit plans	7.1	6.9
Defined contribution plans	17.2	16.1
Other post-employment benefits	-2.7	2.2
Share-based payments	2.7	3.7
Other personnel costs	48.1	35.7
Total	**710.3**	**721.4**

Remuneration paid by the parent company to the members of the Board of Directors as well as the Chief Executive Officer (CEO) of Huhtamäki Oyj (8 people) amounted to EUR 3.5 million (EUR 2.4 million).

Average number of personnel	2021	2020
Group	18,385	18,440
Huhtamäki Oyj	134	125

See notes 6.2. Related party transactions, 6.3. Share-based payments and Remuneration Statement.

Pension plans

The Group has established a number of defined benefit plans providing pensions and other post-employment benefits for its personnel worldwide. The US, the UK, Germany and the Netherlands are the countries having major defined benefit plans comprising approximately 90% of the Group consolidated defined benefit obligation.

The US and the UK defined benefit plans are organized through a pension fund and the German and Dutch defined benefit plans through an insurance company. The major pension plans are funded and the assets of these plans are segregated from the assets of the Group. The subsidiaries' level of funding of the plans and asset allocation to asset categories meet local authority requirements.

In the defined benefit pension plans the pensions payable are based on salary level before retirement and number of service years. Some plans can include early retirement. The calculations for defined benefit obligations at reporting period closing date have been made by qualified actuaries.

The Group has also unfunded post-employment medical benefit plans, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for the defined benefit pension schemes.

These defined benefit plans expose the Group to actuarial risks, such as inflation risk, interest rate risk, life expectancy and market risk.

ACCOUNTING PRINCIPLES

Employee benefits

Employee benefits are all forms of consideration given in exchange for service rendered by employees or for the termination of employment.

The Group companies have various pension and other postemployment benefit plans in accordance with local conditions and practices worldwide. These plans are classified as either defined contribution plans or defined benefit plans.

In defined contribution plans, the Group pay fixed contributions into a separate entity such as an insurance company. The Group has no legal or constructive obligations to pay further contributions. The contributions are recognized in the income statement as personnel expenses in the period to which they relate.

In defined benefit plans, the Group is obligated for the current contributions, but also for sufficiency of the plan assets to provide agreed benefits for employees. The liability recognized in the statement of financial position is the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of defined benefit plan obligation is calculated annually by independent actuaries using projected unit credit method. The present value is determined by discounting estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity terms approximating to the terms of the related obligation. The cost of providing defined benefit plans is recognized in the income statement as personnel expense, when the service is rendered by employees or when a plan amendment or curtailment takes place. The net interest expense is recognized in the income statement as financial expense. Remeasurements, including actuarial gains or losses, are recognized through other comprehensive income in shareholder's equity in the period which they rise and are not reclassified to profit or loss in subsequent periods.

EUR million	Defined benefit obligations 2021	Defined benefit obligations 2020	Fair value of plan assets 2021	Fair value of plan assets 2020	Effect from asset ceiling 2021	Effect from asset ceiling 2020	Net defined benefit liability 2021	Net defined benefit liability 2020
Balance at January 1	592.1	591.3	-421.1	-421.5	-	-	171.0	169.8
Included in Income statement								
Current service cost	9.4	9.2					9.4	9.2
Plan amendment and curtailment cost (+) / income (-)	-5.0	-0.2					-5.0	-0.2
Interest cost (+) / income (-)	8.6	10.2	-7.1	-8.7			1.6	1.5
	13.1	**19.2**	**-7.1**	**-8.7**			**6.0**	**10.5**
Included in Other comprehensive income								
Remeasurements								
Actuarial loss (+) / gain (-) arising from								
Demographic assumptions	-1.3	0.0					-1.3	0.0
Financial assumptions	-23.1	38.8					-23.1	38.8
Experience adjustment	2.6	3.4					2.6	3.4
Actual return on plan assets less interest income			-18.1	-40.9			-18.1	-40.9
Changes in asset ceiling less interest					4.1	-	4.1	
	-21.8	**42.3**	**-18.1**	**-40.9**	**4.1**	**-**	**-35.7**	**1.4**
Other movements								
Benefits paid	**-40.8**	-33.5	34.5	26.9			-6.3	-6.6
Contribution by employer			-5.0	-3.0			-5.0	-3.0
Contribution by employee			-0.2	-0.2			-0.2	-0.2
Obligations and assets assumed in business combinations	1.7	0.0	0.0	-			1.7	0.0
Assets extinguished on plan amendment			-0.7	-			-0.7	-
Effect of movements in exchange rates	25.2	-27.1	-26.6	26.3			-1.4	-0.8
Balance at December 31	**569.6**	**592.1**	**-444.3**	**-421.1**	**4.1**	**-**	**129.5**	**171.1**

Significant actuarial assumptions	2021	2020
Discount rate %		
Europe	0.3–1.9	0.0–1.7
Americas	2.6–6.8	2.1–6.8
Asia, Oceania, Africa	2.2–9.8	1.8–9.1
Annual increase in healthcare costs %		
Americas	7.0	5.8
Asia, Oceania, Africa	6.6	6.0

The effect of changes of significant actuarial assumptions on the defined benefit obligations

EUR million	2021	2020
1% p. increase in discount rate	-74.2	-79.4
1% p. decrease in discount rate	84.4	90.7
1% p. increase of estimated healthcare cost	0.5	1.2
1% p. decrease of estimated healthcare cost	-0.5	-1.0

Reflected to statement of financial position	2021	2020
Employee benefit assets	67.6	57.4
Employee benefit liabilities	197.2	228.5
	129.5	**171.1**

Amounts of funded and unfunded obligations	2021	2020
Present value of funded obligations	537.5	558.5
Present value of unfunded obligations	32.0	33.6
	569.6	**592.1**

Plan assets comprise:	2021	2020
European equities	14.8	22.5
North American equities	61.0	47.9
European debt instruments	20.5	24.5
North American debt instruments	134.7	126.7
Property	22.6	19.2
Insured plans	92.5	90.8
Other	98.2	89.5
	444.3	**421.1**

All equity and debt instruments have quoted prices in active markets.

Expected contribution to defined benefit plans during 2022 is EUR 4.5 million.

The weighted average duration of defined benefit obligation was 15 years (15 years).

2.3. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR million	2021	2020*
Depreciation and amortization by function:		
Production	143.5	164.9
Sales and marketing	1.3	6.1
Research and development	0.6	1.6
Administration	6.2	10.2
Other	22.1	16.5
Total	**173.7**	**199.2**

*Restated, See note 1.5. Change in Accounting policy: Presentation of Amortization.

EUR million	2021	2020
Depreciation and amortization by asset type:		
Land	0.4	0.5
Buildings	32.8	42.2
Machinery and equipment	121.1	135.3
Other tangible assets	7.4	7.5
Intangible assets	12.1	13.8
Total	**173.7**	**199.2**

EUR million	2021	2020
Impairments by asset type:		
Buildings	-2.8	2.7
Machinery and equipment	-	2.5
Goodwill	-	3.2
Other Intangible assets	-	-
Total	**-2.8**	**8.4**

2.4. RESTRUCTURING ITEMS

In 2021 restructuring cost of EUR 6.0 million (EUR 47.6 million) were booked to improve competitiveness and efficiency. Restructuring related items have been booked to Consolidated statement of income according to the table below:

EUR million	2021	2020
Cost of goods sold	8.3	33.6
Administration expenses	2.8	9.6
Other operating income	-4.8	-
Other operating expenses	-0.2	4.4
Total	**6.0**	**47.6**

ACCOUNTING PRINCIPLES

Depreciation and amortization

Depreciation and amortization is recorded on a straight-line basis over the estimated useful lives of the owned tangible and intangible assets or over the lease term of right-of-use assets. Land is not depreciated.

The estimated useful lives of the owned tangible and intangible assets are (years):

Buildings and other structures	20–40
Machinery and equipment	5–15
Other tangible assets	3–12
Intangible assets	3–20

ⓘ | *See notes 2.1., 3.3. and 3.4.*

2.5. OTHER OPERATING INCOME

EUR million	2021	2020
Grants	3.1	7.7
Gain on disposal of tangible assets	6.6	0.6
Insurance reimbursements for property damage incidents	3.9	3.2
One-time gain from acquisition of Laminor	–	22.4
Royalty income	0.2	0.1
Rental income	0.9	0.7
Other	9.7	8.1
Total	**24.4**	**42.8**

ⓘ | *See also note 3.1. Business combinations.*

2.6. OTHER OPERATING EXPENSES

EUR million	2021	2020*
Strategic project expenses	0.3	1.0
Settlement of industrial dispute	0.0	10.5
Loss on disposal of tangible assets	0.7	0.0
Other	3.7	7.3
Total	**4.8**	**18.8**

*Restated (see note 1.5. Change in accounting policy: presentation of amortization)

In 2021, total auditing costs of the Group amounted to EUR 2.3 million (EUR 2.3 million). KPMG network has also provided other consultancy not related to auditing worth of EUR 0.9 million (EUR 0.7 million) of which KPMG Oy Ab accounted for EUR 0.5 million (EUR 0.4 million). Such other consultancy services are subject to separate review and approval process concerning the provision of non-audit services by the Auditor and included e.g. advisory in connection with various tax, reporting and other local compliance matters.

ACCOUNTING PRINCIPLES

Other operating income

Other operating income includes gains from disposal of assets and regular incomes, such as royalty income, rental income and gains relating to business combinations, which have not been derived from primary activities.

Other operating income includes also grants. Government or other grants are recognized in the income statement on a systematic basis in the same periods in which the expenses are incurred. Investment grants are presented in the statement of financial position as deferred income and recognized as income on a systematic basis over the useful life of the asset.

ACCOUNTING PRINCIPLES

Other operating expenses

Other operating expenses include amortization of intangible assets, losses from disposal of assets and other costs not directly related to production or sale of products such as strategic project expenses.

2.7. INCOME TAXES

EUR million	2021	2020
Current period taxes	50.9	63.6
Previous period taxes	11.6	-5.1
Deferred tax expense	-2.2	-5.1
Total tax expense	**60.3**	**53.3**
Profit before taxes	263.0	237.1
Tax calculated at domestic rate (20%)	52.6	47.4
Effect of different tax rates in foreign subsidiaries	2.9	4.3
Non-deductible expenses and tax-exempt income	3.8	-2.2
Tax effect of unrecognized tax losses	-0.0	6.8
Previous period taxes	11.6	-5.1
Other items[1]	-10.5	2.2
Total tax expense	**60.3**	**53.3**

[1] Other items include changes in local tax rates.

Tax effects relating to components of other comprehensive income

	2021			2020		
EUR million	Before tax amount	Tax expense/ benefit	Net of tax amount	Before tax amount	Tax expense/ benefit	Net of tax amount
Cash flow hedges	4.9	-1.1	3.9	-2.3	0.7	-1.6
Remeasurements on defined benefit plans	35.7	-8.0	27.8	-1.4	2.0	0.7

ACCOUNTING PRINCIPLES

Income taxes

The Group income statement includes current taxes of Group companies based on taxable profit for the financial period according to local tax regulations as well as adjustments to prior year taxes and changes in deferred taxes. Tax effect relating to items recognized directly in equity or in other comprehensive income is recognized in equity or in other comprehensive income.

Deferred tax assets and liabilities are recognized using the liability method for all temporary differences arising from the difference between the tax basis of assets and liabilities and their carrying values for IFRS reporting purposes. Deferred tax is not recognized for non-deductible goodwill and for differences in investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is not recognized in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. In the determination of deferred income tax the enacted tax rate is used.

Principal temporary differences arise from tangible assets, untaxed reserves, tax losses carried forward, financial instruments and defined benefit plans. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which such assets can be utilized.

In accordance with IFRIC 23 the Group recognizes provisions for uncertain tax positions when the Group has a present obligation as a result of a past event and management judge that it is probable that there will be a future outflow of economic benefits from the Group to settle the obligation. Uncertain tax positions are assessed and measured on an issue by issue basis within the jurisdictions that we operate either using management's estimate of the most likely outcome where the issues are binary, or the expected value approach where the issues have a range of possible outcomes.
The Group recognizes interest on late paid taxes as part of financing costs, and any penalties, if applicable, as part of the income tax expense.

Deferred taxes

EUR million	2021	2020
Deferred tax assets by types of temporary differences		
Tangible assets	6.0	4.8
Employee benefit	45.3	51.3
Provisions	7.0	9.5
Unused tax losses	13.8	16.0
Other temporary differences	19.2	24.2
Total	**91.4**	**105.7**
Deferred tax liabilities		
Tangible assets	92.1	73.3
Intangible assets	5.1	11.9
Employee benefit	20.2	21.0
Other temporary differences	50.8	37.3
Total	**168.2**	**143.5**
Net deferred tax liabilities	76.8	37.8
Reflected in statement of financial position as follows:		
Deferred tax assets	55.1	61.3
Deferred tax liabilities	131.9	99.1
Total	**76.8**	**37.8**

December 31, 2021 the Group had EUR 111 million (EUR 145 million) worth of deductible temporary differences, for which no deferred tax asset was recognized. EUR 99 million of these temporary differences have unlimited expiry, EUR 1 million expire over five years and EUR 12 million in five years.

2.8. EARNINGS AND DIVIDEND PER SHARE

Earnings per share

EUR million	2021	2020
Net income attributable to equity holders of the parent company (basic/diluted), EUR million	198.8	176.8
Weighted average number of shares outstanding, in thousands	104,360	104,350
Effect of share-based payments, in thousands	–	15
Diluted weighted average number of shares outstanding, in thousands	**104,360**	**104,365**
Earnings per share from the profit for the period attributable to equity holders of the parent company		
Basic earnings per share, EUR	1.91	1.69
Diluted earnings per share, EUR	1.91	1.69

Dividend per share

The dividends paid in 2021 were EUR 0.92 per share, totaling EUR 96.0 million (EUR 0.89 per share, totaling EUR 92.9 million). A dividend of EUR 0.94 per share will be proposed at the Annual General Meeting on April 27, 2022, corresponding to total dividends of EUR 98.1 million for 2021. This dividend is not reflected in the financial statements.

ACCOUNTING PRINCIPLES

Earnings per share

The basic earnings per share figure is calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of shares by the effect of diluting shares due to Performance Share Arrangement in the Group.

Dividend per share

Dividends proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the Company's shareholders at the Annual General Meeting.

Notes to the consolidated financial statements

3. Acquisitions and capital expenditure

3.1. BUSINESS COMBINATIONS

On June 11, 2021 Huhtamaki completed the acquisition of Jiangsu Hihio-Art Packaging Co. Ltd.'s business operations. Jiangsu Hihio-Art Packaging is a privately owned manufacturer of paper bags, wraps and folding carton packaging in China. The acquisition strengthens Huhtamaki's position as the leading foodservice packaging provider in Asia and expands its product portfolio allowing it to better serve both existing and new customers in China. The debt free purchase price was EUR 31 million including a contingent consideration. The acquired business is incorporated into and reports as part of the Foodservice Europe-Asia-Oceania reporting segment as of June 11, 2021. The goodwill from the acquired business is expected to be non-deductible for income tax purposes. The transaction costs EUR 0.9 million are included in the Group income statement in Administration expenses (EUR 0.6 million) and in Other operating expenses (EUR 0.3 million).

The values of acquired assets and liabilities at time of acquisition were as follows:

EUR million	2021
Other intangible assets	1.5
Tangible assets	14.0
Inventory	3.3
Total assets	**18.9**
Interest bearing liabilities	-0.7
Deferred tax liabilities	-0.4
Total liabilities	**-1.1**
Net assets total	**17.8**
Goodwill	13.0
Consideration	**30.7**
Consideration, paid in cash	24.7
Consideration, contingent	6.1

Analysis of cash flows of acquisition

EUR million	
Purchase consideration, cash payment	-24.7
Cash and cash equivalents in acquired companies	-
Transaction costs of the acquisitions	-0.9
Net cash flow on acquisitions	**-25.6**

The net sales of the acquired business included in the Group income statement since acquisition date were EUR 12.6 million and result for the period was EUR 0.0 million.

On September 23, 2021 Huhtamaki completed the acquisition of Elif Holding A.Ş. (Elif), a major supplier of sustainable flexible packaging to global FMCG brand owners, with operations in Turkey and in Egypt. With this acquisition, Huhtamaki reinforces its position as a leading flexible packaging company in emerging markets and strengthens its existing flexible packaging business in attractive consumer product categories. The cash free debt free purchase price was EUR 412 million (USD 483 million). The acquired business is reported as part of Huhtamaki's Flexible Packaging business segment as of September 23, 2021. The goodwill from the acquired business is expected to be non-deductible for income tax purposes. The transaction costs EUR 8.8 million are included in the Group income statement in Administration expenses (EUR 6.6 million) and Financial expenses (EUR 2.2 million).

The draft values of acquired assets and liabilities at time of acquisition were as follows:

EUR million	2021
Other intangible assets	78.5
Tangible assets	96.8
Inventory	58.7
Trade and other current receivables	53.4
Cash and cash equivalents	28.4
Total assets	**315.8**
Interest bearing liabilities	-111.2
Deferred tax liabilities	-30.5
Trade and other liabilities	-35.3
Total liabilities	**-176.9**
Net assets total	**139.0**
Goodwill	219.3
Consideration	**358.3**
Consideration, paid in cash	358.3

Analysis of cash flows of acquisition

EUR million	
Purchase consideration, cash payment	-358.3
Cash and cash equivalents in acquired companies	28.4
Transaction costs of the acquisitions	-8.8
Net cash flow on acquisitions	**-338.6**

The net sales of the acquired business included in the Group income statement since acquisition date were EUR 56.7 million and result for the period was EUR -0.2 million.

The Group net sales would have been approx. EUR 3,720 million and the Group result for the period approx. EUR 210 million if the acquired businesses of Jiangsu Hihio-Art Packaging and Elif Holding would have been consolidated from January 1, 2021 onwards.

On November 30, 2021, Huhtamaki acquired full ownership of its Ireland based joint venture company Huhtamaki CupPrint Limited from the founding shareholders. Huhtamaki acquired 70% majority ownership in the company (that time Cup Print Unlimited Company) on May 31, 2018. The purchase price for the additional shares was approximately EUR 11 million. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment since June 2018.

ACCOUNTING PRINCIPLES

Acquisitions

Business combinations are accounted for using the acquisition method. The identifiable assets and liabilities are measured at their fair value at the date of acquisition, any non-controlling interest is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognized in profit or loss or other comprehensive income, as appropriate. The aggregate of consideration transferred, any non-controlling interest and any previously held equity interest, less acquired net assets is recognized as goodwill.

Any possible contingent consideration is recognized at fair value at the acquisition date and it is classified as a financial liability or equity. Contingent consideration classified as a financial liability is remeasured at reporting period closing date and the related profit or loss is recognized in the income statement. Contingent consideration classified as equity is not remeasured.

Acquisition related costs are expensed as incurred.

3.2. GOODWILL

Goodwill allocation by groups of cash-generating units

Goodwill acquired through business combinations has been allocated to the level of groups of cash-generating units that are expected to benefit from the synergies of the acquisition, which represent the lowest level at which the goodwill is monitored for internal management purposes. Goodwill allocation by groups of cash-generating units and the weighted average pre-tax discount interest rates used in discounting the projected cash flows to their present value are presented in the table below:

	2021		2020	
EUR million	Goodwill	Discount interest rates used (pre-tax), %	Goodwill	Discount interest rates used (pre-tax), %
Flexible Packaging Global	398.5	9.7	162.9	11.2
North America	224.3	7.6	215.2	7.7
Foodservice EAO Global	100.7	8.1	93.6	8.0
Flexible Packaging Europe	96.2	7.9	95.5	7.9
	819.8		**567.2**	
Multiple units with smaller goodwill amount	181.1	7.6–18.2	165.2	7.4–26.2
Total goodwill	**1,000.9**		**732.4**	

The multiple units with smaller goodwill represent smaller scale units in different segments.

Impairment testing

Goodwill has been tested for impairment and since the recoverable value of the groups of the cash-generating units has been higher than the carrying value, no impairment charges have been recognized.

In assessing whether goodwill has been impaired, the carrying value of the group of cash-generating units has been compared to the recoverable amount of the group of cash-generating units. The recoverable amount is based on value-in-use, which is estimated using a discounted cash flow model. The cash flows are determined using five-year cash flow forecasts, which are based on business plans. The plans are based on experience as well as future expected market trend. The plans are approved by management and are valid when impairment test is performed. Cash flows for future periods are extrapolated by using 1.5 percent growth rate in developed countries, 1.7 percent growth rate in developing countries and 2.7 percent growth rate in high growth countries. The management views these growth rates as being appropriate for the business, given the long time horizon of the testing period.

Sensitivity analysis around the key assumptions (EBIT and discount rates) have been performed and management believes that any reasonably possible change in the key assumptions would not cause carrying amount of a group of cash-generating units to exceed its recoverable amount.

ACCOUNTING PRINCIPLES

Goodwill

Goodwill arising from an acquisition represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired. Goodwill is allocated to groups of cash-generating units that are expected to benefit from the synergies of the acquisition and is not amortized but tested annually for impairment. For associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill is valued at cost less impairment losses.

Impairment testing

Goodwill is tested annually or more frequently if there are indications of impairment. In assessing whether goodwill has been impaired, the carrying value of the group of cash-generating units has been compared to the recoverable amount of the group of cash-generating units. The recoverable amount is based on value-in-use, which is estimated using a discounted cash flow model. The cash flows are determined using five-year cash flow forecasts, which are based on business plans. Cash flows for future periods are extrapolated by using defined growth rates for developed countries, developing countries and high growth countries. The discount rate used in the calculation reflects the weighted average cost of capital (WACC) and risks to the asset under review.

A goodwill impairment loss is recognized immediately as an expense and is not subsequently reversed.

3.3. INTANGIBLE ASSETS

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2021
Acquisition cost on January 1, 2021	844.3	49.1	87.4	46.9	1,027.7
Additions	-	-	1.1	1.7	2.8
Disposals	-	-	-1.5	-0.3	-1.8
Intra-balance sheet transfer	-	-	3.3	6.1	9.4
Business combinations	230.5	60.2	0.5	18.6	309.8
Changes in exchange rates	40.9	4.8	1.9	1.9	49.6
Acquisition cost on December 31, 2021	1,115.7	114.1	92.7	74.9	1,397.4
Accumulated amortization and impairment on January 1, 2021	-111.9	-31.3	-78.6	-36.0	-257.9
Accumulated amortization on disposals and transfers	-	-	1.5	0.0	1.5
Amortization during the financial year	-	-6.8	-3.8	-1.5	-12.1
Impairments during the financial year	-	-	-	-	-
Changes in exchange rates	-2.8	-1.8	-1.6	-0.3	-6.4
Accumulated amortization and impairment on December 31, 2021	-114.8	-39.9	-82.5	-37.8	-275.0
Book value on December 31, 2021	**1,000.9**	**74.2**	**10.3**	**37.1**	**1,122.4**

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2021
Acquisition cost on January 1, 2020	847.6	40.8	88.9	25.4	1,002.6
Additions	-	-	0.4	0.1	0.5
Disposals	-	-	-3.4	21.9	18.5
Intra-balance sheet transfer	-	-	3.4	0.1	3.5
Business combinations	37.6	11.6	0.0	0.5	49.7
Changes in exchange rates	-40.9	-3.3	-2.0	-1.0	-47.1
Acquisition cost on December 31, 2020	844.3	49.1	87.4	46.9	1,027.7
Accumulated amortization and impairment on January 1, 2020	-111.9	-28.5	-80.0	-11.3	-231.7
Accumulated amortization on disposals and transfers	-	-	3.4	-23.1	-19.7
Amortization during the financial year	-	-5.1	-3.7	-1.9	-10.6
Impairments during the financial year	-3.2	-	-	-	-3.2
Changes in exchange rates	3.1	2.3	1.7	0.2	7.3
Accumulated amortization and impairment on December 31, 2020	-111.9	-31.3	-78.6	-36.0	-257.9
Book value on December 31, 2020	**732.4**	**17.7**	**8.7**	**10.9**	**769.8**

ACCOUNTING PRINCIPLES

Intangible asset

In addition to goodwill other intangible assets include customer relations, patents, copyrights, trademarks, emission rights and software licenses. These are measured at cost and amortized on a straight-line basis over the estimated useful lives, which may vary from 3 to 20 years.

Bought emission rights will be initially valued at cost. Emission rights, which are traded on active markets, are not amortized, as the carrying value of those emission rights is considered to account for initial value. Emission rights will be derecognized at transaction date, when actual emissions have been defined.

The estimated useful lives are (years):

Intangible rights up to	20
Software	3–5
Customer relations	7

Subsequent expenditure on capitalized other intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.4. TANGIBLE ASSETS

EUR million	2021	2020
Owned property, plant and equipment	1,510.4	1,219.8
Right-of-use assets	163.7	145.6
Total tangible assets	**1,674.1**	**1,365.3**

	Owned assets					
EUR million	Land and land improvements	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2021
Acquisition cost on January 1, 2021	30.0	423.7	1,816.4	178.6	93.9	2,542.5
Additions	0.1	2.1	15.8	258.6	2.5	279.1
Disposals	-0.6	-2.2	-80.1	-1.8	-1.5	-86.2
Intra-balance sheet transfer	4.4	12.7	155.7	-188.0	5.9	-9.4
Business combinations	4.5	9.7	77.8	1.1	0.1	93.2
Changes in exchange rates	1.7	28.4	122.6	8.5	4.5	165.7
Acquisition cost on December 31, 2021	39.9	474.4	2,108.2	257.0	105.4	2,985.0
Accumulated depreciation and impairment on January 1, 2021	-	-176.2	-1,081.7	-	-64.9	-1,322.7
Accumulated depreciation on disposals and transfers	-1.4	0.8	77.7	-	2.5	79.7
Depreciation during the financial year	-0.1	-17.3	-112.3	-	-7.2	-136.8
Impairments during the financial year	-	-	-	-	-	-
Impairments reversed during the financial year	-	2.8	-	-	-	2.8
Changes in exchange rates	-0.1	-13.5	-80.6	-	-3.4	-97.5
Accumulated depreciation and impairment on December 31, 2021	-1.5	-203.3	-1,196.8	-	-73.0	-1,474.6
Book value on December 31, 2021	**38.4**	**271.1**	**911.4**	**257.0**	**32.5**	**1,510.4**

	Right-of-use assets				
EUR million	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Total 2021
Acquisition cost on January 1, 2021	14.5	177.1	35.9	0.6	228.1
Additions	0.3	18.1	8.4	0.1	26.9
Disposals	-1.0	-15.4	-6.1	-0.2	-22.6
Intra-balance sheet transfer	-	-	-	-	-
Business combinations	-	14.7	-	0.2	14.9
Changes in exchange rates	1.1	6.7	1.1	0.0	8.9
Acquisition cost on December 31, 2021	14.9	201.2	39.3	0.7	256.1
Accumulated depreciation and impairment on January 1, 2021	-4.6	-62.3	-15.2	-0.4	-82.5
Accumulated depreciation on disposals and transfers	-	14.8	5.8	0.2	20.8
Depreciation during the financial year	-0.4	-18.3	-8.7	-0.2	-27.6
Changes in exchange rates	-0.4	-2.3	-0.5	-0.0	-3.1
Accumulated depreciation and impairment on December 31, 2021	-5.4	-68.0	-18.7	-0.4	-92.5
Book value on December 31, 2021	**9.5**	**133.2**	**20.6**	**0.3**	**163.7**

ACCOUNTING PRINCIPLES

Tangible asset

Tangible assets include both owned property, plant and equipment and right-of-use (ROU) assets.

Tangible assets comprising mainly of land, buildings, machinery, tooling and equipment are valued at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of material, direct labor costs and an appropriated proportion of production overheads. When an asset includes major components that have different useful lives, they are accounted for as separate items. The costs of right-of-use assets include the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less lease incentives received, any direct costs and an estimate of dismantling costs. The carrying amount is further adjusted for any remeasurement of the lease liability.

Expenditure incurred to replace a component in a tangible asset that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the asset. All other expenditure such as ordinary maintenance and repairs is recognized in the income statement as an expense as incurred. The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition cost.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the owned property, plant and equipment or over the lease term of right-of-use assets. Land is not depreciated.

The estimated useful lives of the owned property, plant and equipment are (years):

Buildings and other structures	20–40
Machinery and equipment	5–15
Other tangible assets and land improvements	3–12

Tangible assets which are classified as held for sale are valued at lower of its carrying amount or fair value less costs to sell. The depreciation of these assets will be ceased when assets are classified as held for sale. Gains or losses arising from the disposal of tangible assets are included in Earnings before interest and taxes.

EUR million	Owned assets Land and land improvements	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2021
Acquisition cost on January 1, 2020	30.8	432.1	1,873.1	124.2	91.6	2,551.8
Additions	-	1.4	6.6	212.3	2.9	223.2
Disposals	-	-4.3	-40.6	-0.6	-3.4	-48.8
Intra-balance sheet transfer	-	19.1	118.3	-146.8	5.9	-3.5
Business combinations	1.3	8.1	2.2	0.1	2.3	14.0
Changes in exchange rates	-2.1	-32.7	-143.3	-10.5	-5.5	-194.2
Acquisition cost on December 31, 2020	30.0	423.7	1,816.4	178.6	93.9	2,542.5
Accumulated depreciation and impairment on January 1, 2020	-	-170.3	-1,074.8	-	-63.9	-1,308.9
Accumulated depreciation on disposals and transfers	-	4.0	38.9	-	3.0	45.8
Depreciation during the financial year	-	-19.0	-124.4	-	-7.5	-150.8
Impairments during the financial year	-	-2.7	-2.5	-	-	-5.2
Changes in exchange rates	-	11.8	81.0	-	3.5	96.3
Accumulated depreciation and impairment on December 31, 2020	-	-176.2	-1,081.7	-	-64.9	-1,322.8
Book value on December 31, 2020	**30.0**	**247.6**	**734.7**	**178.6**	**29.0**	**1,219.8**

EUR million	Right-of-use assets Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Total 2021
Acquisition cost on January 1, 2020	21.6	177.7	39.8	0.7	239.8
Additions	9.4	17.5	10.5	0.1	37.5
Disposals	-15.0	-11.8	-12.5	-0.1	-39.4
Intra-balance sheet transfer	-	-0.0	-	-	-0.0
Business combinations	-	-	-	-	-
Changes in exchange rates	-1.5	-6.3	-2.0	-0.0	-9.8
Acquisition cost on December 31, 2020	14.5	177.1	35.9	0.6	228.1
Accumulated depreciation and impairment on January 1, 2020	-10.7	-53.8	-19.6	-0.4	-84.5
Accumulated depreciation on disposals and transfers	6.0	9.6	11.9	0.1	27.5
Depreciation during the financial year	-0.5	-20.5	-8.4	-0.1	-29.5
Changes in exchange rates	0.5	2.5	1.0	0.0	4.0
Accumulated depreciation and impairment on December 31, 2020	-4.6	-62.3	-15.2	-0.4	-82.5
Book value on December 31, 2020	**9.9**	**114.9**	**20.7**	**0.2**	**145.6**

ACCOUNTING PRINCIPLES

Impairment of assets

The carrying amounts of assets are assessed at each reporting period closing date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of assets or cash-generating unit exceeds the recoverable amount. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying value of goodwill allocated to groups of cash-generating units and then to reduce the carrying amount of other assets in the group of units on pro rata bases.

For intangible and tangible assets the recoverable amount is the higher of the fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value based on the average cost of capital rate (pre-tax) of the cash-generating unit where the assets are located, adjusted for risks specific to the assets.

In respect of tangible assets, and other intangible assets excluding goodwill, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is never reversed.

Notes to the consolidated financial statements

4. Working capital

4.1. INVENTORIES

EUR million	2021	2020
Raw and packaging material	261.1	167.8
Work-In-Process	102.8	69.6
Finished goods	280.2	228.6
Goods in transit	21.6	7.4
Total	**665.7**	**473.4**

The value at cost for finished goods amounts to EUR 310.6 million (EUR 248.1 million). An allowance of EUR 30.4 million (EUR 26.8 million) has been established for obsolete items. Total inventories include EUR 1.2 million resulting from reversals of previously written down values (EUR 0.4 million). Reversals relate to sold finished goods inventories.

4.2. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	2021	2020
Trade receivables	568.5	402.9
Other receivables	106.4	64.1
Accrued interest and other financial items	6.4	21.5
Other accrued income and prepaid expenses	42.0	32.1
Total	**744.9**	**520.5**

Other accrued income and prepaid expenses include prepayments for goods, accrued royalty income, rebates and other miscellaneous accruals.

Aging and impairment losses of trade receivables at the closing date

EUR million	Gross 2021	Impairment 2021	Gross 2020	Impairment 2020
Not past due	502.9	1.3	355.8	0.7
Past due 0–30 days	47.2	-0.2	34.2	0.2
Past due 31–120 days	15.1	0.6	14.0	0.3
Past due more than 120 days	13.1	8.1	7.9	7.8
Total	**578.3**	**9.8**	**411.9**	**9.0**

ACCOUNTING PRINCIPLES

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of inventories is determined using the first-in first-out (FIFO) principle and include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Costs for produced finished goods and work-in-process represent the purchase price of materials, direct labor costs, other direct costs and related production overheads excluding selling and financial costs.

ACCOUNTING PRINCIPLES

Trade and other current receivables

Trade and other current receivables are financial assets initially measured at fair value and subsequently measured at amortized cost by using the effective interest method. The Group uses simplified approach to measure a loss allowance for expected credit losses on trade receivables that do not contain a significant financing component, where the Group always measures the loss allowance at an amount equal to the lifetime expected credit losses. For this purpose, trade receivables are grouped based on geographical location, product type and customer rating. The Group uses its historical credit losses experience adjusted with supportable information about current and future conditions to define the expected credit losses. The amount of expected credit losses is updated at each reporting date.

4.3. PROVISIONS

Restructuring provisions

Restructuring provisions include mainly costs for various ongoing projects to streamline operations. Provisions relate to employee termination benefits.

Other provisions

Other provisions include mainly captive insurance provisions relating to workers.

EUR million	Restructuring reserve	Other	Total 2021	Total 2020
Provision on January 1, 2021	11.0	23.1	34.2	21.6
Translation difference	0.3	1.1	1.4	-0.9
Provisions made during the year	3.7	6.3	10.0	28.7
Provisions used during the year	-11.0	-16.1	-27.1	-14.9
Unused provisions reversed during the year	-0.3	-	-0.3	-0.3
Unwind of discount	-	-0.3	-0.3	-
Provision on December 31, 2021	**3.6**	**14.2**	**17.8**	**34.2**
Current	3.6	1.1	4.7	22.1
Non-current	-	13.1	13.1	12.1

ACCOUNTING PRINCIPLES

Provisions

Provisions are recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle such obligation, and a reliable estimate of the amount of the obligation can be made. Provisions arise from restructuring plans, onerous contracts, legal proceedings and from environmental litigation risks. Obligations arising from restructuring plans are recognized when the detailed and formal plans have been established and when there is a valid expectation that such plan will be carried out (plan has been announced). Provision from emissions is recognized according to actual emissions.

4.4. TRADE AND OTHER CURRENT LIABILITIES

EUR million	2021	2020
Trade payables	550.0	362.6
Other payables	113.9	66.5
Accrued interest expense and other financial items	21.6	17.4
Personnel and social security accruals	84.8	81.2
Other accrued expenses	65.1	69.8
Total	**835.3**	**597.4**

Other accrued expenses include accruals for purchases of material and other miscellaneous accruals.

ACCOUNTING PRINCIPLES

Trade and other current liabilities are measured at amortized cost.

Notes to the consolidated financial statements

5. Capital structure and financial items

5.1. NET FINANCIAL ITEMS

EUR million	2021	2020
Interest income		
Financial assets at amortized cost		
Interest-bearing receivables and other receivables	2.2	2.6
Financial assets at fair value through profit or loss		
Derivatives	0.4	0.4
Defined benefit plans	1.2	1.6
Dividend income		
Other investments	0.2	0.0
Other financial income		
FX revaluation gains		
Interest-bearing assets and liabilities	0.0	1.1
Derivatives	0.0	1.4
Change in fair value of contingent consideration	-	3.0
Financial income	**4.0**	**10.2**
Interest expense		
Financial liabilities measured at amortized cost		
Interest-bearing liabilities (excl. lease liabilities)	-19.9	-20.8
Lease liabilities	-3.6	-4.0
Financial liabilities at fair value through profit or loss		
Derivatives	-3.8	-6.8
Defined benefit plans	-2.8	-3.2
Other financial expense		
FX revaluation losses		
Interest-bearing assets and liabilities	-2.1	-2.0
Derivatives	-0.1	-0.1
Change in fair value of contingent consideration	-0.7	-
Fees related to committed credit facilities	-4.3	-1.3
Other fees	-	-0.3
Financial expense	**-37.2**	**-38.4**
Net financial items	**-33.2**	**-28.2**

ACCOUNTING PRINCIPLES

Net financial items

Gains and losses on fair value hedges are reported net of the gain or loss on the hedged item. Taxes reported in other financial expenses are taxes payable in some jurisdictions on financial transactions. Only foreign exchange revaluation gains and losses arising from purely financial exposures such as loans denominated in foreign currencies are reported in other financial items. Changes in fair value of contingent considerations related to business combinations are reported as other financial income or expense.

5.2. INTEREST-BEARING RECEIVABLES

	2021		2020	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Current				
Loan receivables	0.8	0.8	6.4	6.4
Finance lease receivables	1.0	1.0	1.0	1.0
Current interest-bearing receivables	**1.9**	**1.9**	**7.4**	**7.4**
Non-current				
Loan receivables	0.0	0.0	1.5	1.5
Finance lease receivables	2.0	2.0	1.8	1.8
Non-current interest-bearing receivables	**2.0**	**2.0**	**3.3**	**3.3**

Finance lease receivables

EUR million	2021	2020
Finance lease receivable is payable as follows:		
In less than one year	1.0	1.0
Between one and five years	2.0	1.8
Total minimum lease payments	**3.1**	**2.8**
Present value of minimum lease payments		
In less than one year	0.9	0.9
Between one and five years	1.9	1.7
Total present value of minimum lease payments	**2.8**	**2.6**
Unearned future financial income	**0.3**	**0.3**

Finance lease receivables relate to packaging machines leased to customers.

ACCOUNTING PRINCIPLES

Interest-bearing receivables

Interest-bearing receivables are measured at amortized cost. Fair values have been calculated by discounting future cash flows of each major receivable at the appropriate market interest rate prevailing at closing date. The fair value of current interest-bearing receivables is estimated to equal the carrying amount.

5.3. CASH AND CASH EQUIVALENTS

EUR million	2021	2020
Cash and bank	176.7	293.6
Liquid marketable securities	1.9	21.9
Total	**178.7**	**315.5**

ACCOUNTING PRINCIPLES

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and short-term highly liquid money market securities for the Group's cash management purposes that are subject to insignificant risk of changes in value.

5.4. SHAREHOLDERS' EQUITY

Share capital	Number of shares	Share capital EUR	Share premium EUR	Treasury shares EUR	Total EUR
January 1, 2020	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-31,343,038.88**	**450,065,373.50**
Own shares conveyance through performance share incentive plan	-	-	-	-	-
December 31, 2020	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-31,343,038.88**	**450,065,373.50**
Own shares conveyance through performance share incentive plan	-	-	-	137,850.00	137,850.00
December 31, 2021	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-31,205,188.88**	**450,203,223.50**

All shares issued are fully paid.

Share capital of the parent company

Huhtamäki Oyj has one series of shares. Each share entitles its holder to equal voting rights and equal distribution of dividend and other assets. The Company's Articles of Association do not contain rules regarding the minimum or maximum number of shares or the minimum or maximum share capital. Shares do not have a nominal value. All shares issued are fully paid.

The amount of the subscription price exceeding the par value of shares (EUR 3.40) received by the Company in connection with share subscriptions based on option rights granted under the option rights plan established under the old Companies Act (734/1978) has been recorded in the share premium. The Company's last existing option rights plan ceased on April 30, 2014.

Based on the authorization given by the Annual General Meeting of Shareholders on March 25, 2002, the Company repurchased in total 5,061,089 own shares during 2002 and 2003. After 2003 no own shares have been repurchased. The Annual General Meeting of Share-holders on April 22, 2021 authorized the Board of Directors to decide on the repurchase of the Company's own shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2022. The authorization by Annual General Meeting on April 29, 2020 to the Board of Directors to resolve on the repurchase of own shares terminated at the end of the Annual General Meeting on April 22, 2021.

The Annual General Meeting of Shareholders on April 22, 2021 authorized the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2022. This authorization cancelled the authorization given by the Annual General Meeting on April 29, 2020 to decide on the issuance of shares as well as the issuance of special rights entitling to shares. During 2021 a total of 15,000 own shares were transferred based on the authorization (during 2020 no own shares were transferred).

On December 31, 2021 the Company owned a total of 3,395,709 own shares (3,410,709 own shares).

Members of the Board of Directors and the CEO of the Company owned on December 31, 2021 a total of 56,600 shares (40,600 shares). These shares represented 0.05% (0.04%) of the total number of shares and voting rights in the Company on December 31, 2021.

ACCOUNTING PRINCIPLES

Equity, dividends and own shares

The Group's equity includes instruments that evidences a residual interest in the assets of an entity after deducting all of its liabilities and contains no contractual obligation for the issuer to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions which are unfavorable to the issuer. When Huhtamäki Oyj's own shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction in equity. Dividends proposed by the Board of Directors are not recognized in the financial statements until the shareholders have approved them at the Annual General Meeting.

Proposal of the Board of Directors to distribute the earnings

On December 31, 2021 Huhtamäki Oyj's non-restricted equity was EUR 462,068,354.50 of which the result for the financial period was EUR 21,000,198.19. The Board of Directors proposes that dividend will be distributed at EUR 0.94 per share. No dividend for the own shares held by the Company on the record date shall be distributed.

The total amount of dividend on the date of this proposal would be EUR 98,102,795.44.

No significant changes have taken place in the Company's financial position since the end of the financial year. The Company's liquidity position is good and the proposed distribution does not, in the view of the Board of Directors, risk the Company's ability to fulfill its obligations.

Treasury shares

Treasury shares include the purchase price of Huhtamäki Oyj's shares held by Group companies. In 2021 own shares were transferred according to the terms and conditions of the CEO signing bonus (in 2020 no own shares were transferred). The purchase price of transferred shares was EUR 0.1 million. There are no additions in treasury shares in 2021.

Translation differences

Translation differences contain the differences resulting from the translation of foreign entities' financial statements into euros. Also gains and losses from net investments in foreign entities are reported in translation differences. Hedges of those investments are reported in translation differences, if hedge accounting criteria is met.

5.5. FAIR VALUE AND OTHER RESERVES

EUR million	
December 31, 2019	**-103.4**
Cash flow hedges recognized in other comprehensive income	-2.2
Cash flow hedges transferred to profit or loss	0.4
Cash flow hedges transferred to statement of financial position	-0.5
Deferred taxes	0.7
Change of remeasurements on defined benefit plans	-1.4
Deferred taxes	2.0
Change of non-controlling interest in other comprehensive income	0.5
December 31, 2020	**-103.8**
Cash flow hedges recognized in other comprehensive income	5.5
Cash flow hedges transferred to profit or loss	-0.5
Cash flow hedges transferred to statement of financial position	-0.1
Deferred taxes	-1.1
Change of remeasurements on defined benefit plans	35.7
Deferred taxes	-8.0
Change of non-controlling interest in other comprehensive income	-0.3
December 31, 2021	**-72.4**

Fair value and other reserves

Fair value and other reserves contain the effective portion of fair value changes of derivative instruments designated as cash flow hedges, the change in fair value of other investments, the change of remeasurements on defined benefit plans and the change of non-controlling interest. Also deferred taxes in equity are reported in fair value and other reserves.

ACCOUNTING PRINCIPLES

Fair value and other reserves

All derivative financial instruments are measured at fair value. The Group applies hedge accounting for certain interest rate swaps and foreign exchange forwards that meet hedge accounting criteria as defined in IFRS 9. The hedged item must be highly probable to occur and must ultimately affect the income statement. The hedges must be highly effective prospectively. For qualifying cash flow hedges, the portion of any change in fair value that is effective is included in other comprehensive income, and any remaining ineffective portion is recognized in the income statement. The cumulative changes of fair value of the hedging instrument that have been recognized in equity are transferred from equity and included in the income statement when the forecasted transaction is recognized in the income statement. When the hedged forecast transaction subsequently results in the recognition of non-financial asset or non-financial liability, the cumulative change of fair value of the hedging instrument that has been recognized in equity is transferred from equity and included in the initial carrying amount of the asset or liability at the time it is recognized.

For qualifying fair value hedges, the valuation is recognized in the income statement relating to the hedged risk. Derivative instruments that are designated as hedging instruments but not accounted for according to the principles of hedge accounting or which do not fulfill IFRS 9 hedge accounting requirements are classified as financial instruments at fair value through profit or loss and valued at fair value. Changes in fair values of these derivative financial instruments are recognized in the income statement. A non-split presentation is applied to liabilities at fair value through profit or loss because the presentation in OCI would create or enlarge an accounting mismatch in profit or loss.

The Group uses foreign exchange forwards and foreign currency loans to hedge net investments in foreign entities. Hedges of net investment in foreign entities must meet the same hedge accounting criteria as cash flow hedges as detailed in IFRS 9. All changes in fair value arising from the hedges are recognized as a translation difference in other comprehensive income if hedge accounting criteria are met. If the hedged entity is disposed of, the cumulative changes in fair value of the hedging instrument that have been recognized in equity are included in the income statement at the time of disposal.

5.6. INTEREST-BEARING LIABILITIES

	2021		2020	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Current				
Loans from financial institutions				
fixed rate	320.4	320.3	20.0	20.0
floating rate	74.4	74.4	197.7	197.7
Bonds				
fixed rate	-	-	-	-
Other current loans				
floating rate	0.2	0.2	0.2	0.2
Contingent considerations	3.3	3.3	10.7	10.7
Lease liabilities	28.8	28.8	23.0	23.0
Total	**427.2**	**427.1**	**251.6**	**251.6**
Non-current				
Loans from financial institutions				
fixed rate	98.0	92.0	177.5	173.0
floating rate	691.3	691.3	292.2	292.2
Bonds				
fixed rate	323.7	305.8	324.8	312.9
Other non-current loans				
floating rate	0.7	0.7	-	-
Contingent considerations	15.2	15.2	15.5	15.5
Lease liabilities	146.8	146.8	131.4	131.4
Total	**1,275.6**	**1,251.7**	**941.4**	**925.0**

Repayment	Loans from financial institutions	Bonds	Other loans	Contingent considerations	Lease liabilities	Total
2022	394.8	-	0.2	3.3	28.8	427.1
2023	542.2	-	0.1	15.2	22.6	580.1
2024	41.3	149.9	0.2	-	19.1	210.4
2025	167.0	-	0.2	-	16.4	183.6
2026	0.3	173.8	0.2	-	13.0	187.3
2027–	38.6	-	-	-	75.6	114.2

ACCOUNTING PRINCIPLES

Interest-bearing liabilities

Interest-bearing loans and borrowings are classified as other liabilities. Interest-bearing loans and borrowings are originated loans and bank loans, and are carried at amortized cost by using the effective interest rate method. All interest-bearing liabilities are other liabilities than liabilities for trading purposes or derivative financial instruments defined in IFRS 9 and as such are carried at amortized cost. Fair values have been calculated by discounting future cash flows at the appropriate market interest rate prevailing at period end closing date. Interest rates for measuring fair values of interest-bearing liabilities were 0.33%–1.43%. The fair value of current interest-bearing liabilities is estimated to equal the carrying amount.

Contingent considerations related to business combinations classified as financial liabilities are measured at fair value through profit or loss and reported in the interest-bearing liabilities.

Lease liabilities are recognized at the commencement date of the lease. Lease liabilities are measured at the present value of future lease payments using an effective interest rate method. The carrying amount is reduced to reflect the lease payments made and the interest expense is allocated over the lease term. A lease liability is remeasured, when there is a lease modification or reassessment.

Reconciliation of liabilities arising from financing activities

	2021							2020
			Non-cash changes					
EUR million	Total	Cash flows	Business combinations	Contingent considerations	Foreign exchange movement	Reclassification from long-term to short-term	Other	Total
Long-term loans	1,128.8	364.0	31.6	15.2	21.4	-86.8	-26.6	810.0
Short-term loans	398.4	13.0	67.0	3.3	7.0	86.8	-7.3	228.6
Long-term lease liabilities	146.8	0.0	14.6	-	5.2	-21.9	17.4	131.4
Short-term lease liabilities	28.8	-28.8	1.8	-	1.0	21.9	9.9	23.0
Total liabilities from financing activities	**1,702.8**	**348.2**	**115.1**	**18.4**	**34.6**	**0.0**	**-6.5**	**1,193.0**

	2020							2019
			Non-cash changes					
EUR million	Total	Cash flows	Business combinations	Contingent considerations	Foreign exchange movement	Reclassification from long-term to short-term	Other	Total
Long-term loans	810.0	145.9	-	15.5	-12.2	-96.2	14.3	742.7
Short-term loans	228.6	-65.2	-	10.7	-5.6	96.2	-21.7	214.2
Long-term lease liabilities	131.4	0.0	-	-	-4.7	-22.3	21.4	137.0
Short-term lease liabilities	23.0	-29.7	-	-	-1.1	22.3	4.9	26.5
Total liabilities from financing activities	**1,193.0**	**51.0**	**0.0**	**26.2**	**-23.7**	**0.0**	**19.0**	**1,120.4**

5.7. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million	2021	2020
Financial assets at fair value through profit or loss		
Derivatives	20.4	7.8
Derivatives designated for hedge accounting	1.8	5.9
Financial assets at amortized cost		
Non-current interest-bearing receivables	2.0	3.3
Other non-current assets	4.7	2.5
Current interest-bearing receivables	1.9	7.4
Trade and other current receivables	675.2	466.9
Cash and cash equivalents	178.7	315.5
Other investments	2.2	2.3
Financial assets total	**886.9**	**811.6**
Financial liabilities at fair value through profit or loss	9.5	6.5
Derivatives	18.4	26.2
Contingent considerations	8.5	8.7
Derivatives designated for hedge accounting		
Financial liabilities at amortized cost		
Non-current interest-bearing liabilities	1,260.5	925.9
Other non-current liabilities	3.3	9.3
Current portion of long-term loans	153.8	95.4
Short term loans	270.1	145.4
Trade and other current liabilities	640.5	424.3
Financial liabilities total	**2,364.5**	**1,641.8**

In the statement of financial position derivatives are included in the following groups: non-current interest-bearing liabilities, other non-current assets, trade and other current receivables, other non-current liabilities and trade and other current liabilities.

ACCOUNTING PRINCIPLES

Financial assets and liabilities

Financial assets are classified according to IFRS 9 on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics to the following categories: financial assets at fair value through profit or loss, financial assets at fair value through OCI and financial assets at amortized cost. Financial liabilities are classified to financial liabilities at fair value through profit and loss and financial liabilities at amortized cost.

Publicly traded and unlisted shares are classified as financial assets at fair value through OCI. Publicly traded shares are recognized at fair value, which is based on quoted market prices at the reporting period closing date. Gains or losses arising from changes in fair value are recognized in other comprehensive income and are presented in equity in fair value reserves. Unlisted shares are measured at cost, as their fair value cannot be measured reliably.

Non-derivative assets with fixed or determinable payments that are not quoted in an active market are classified as financial assets at amortized cost. Trade receivables and other receivables are included in this category. Trade and other receivables are measured at amortized cost by using the effective interest rate method.

The Group recognizes a loss allowance for expected credit losses on financial assets based on the general approach, where a loss allowance is measured at amount equal to 12-month expected credit losses if there has not been a significant increase in credit risk since the initial recognition. The Group measures expected credit losses based on historical credit losses experience, current and future conditions. Simplified approach is used for trade receivables that do not contain a significant financing component, where the Group always measures the loss allowance at an amount equal to the lifetime expected credit losses. The amount of expected credit losses is updated at each reporting date.

Fair values of foreign exchange forwards are calculated using market rates on the reporting period closing date. Fair values of foreign exchange options are calculated with the Garman-Kohlhagen model. Fair values of interest rate swaps, futures and forwards are based on net present values of estimated future cash flows. Cash, short-term loans and overdrafts have fair values that approximate to their carrying amounts because of their short-term nature. The recoverable amount for financial investments is calculated as the present value of expected future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted.

Contingent considerations related to business combinations classified as financial liabilities are measured at fair value through profit or loss and reported in the interest-bearing liabilities.

EUR million

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total 2021
Assets				
Derivatives				
Currency derivatives	-	21.3	-	21.3
Interest rate derivatives	-	0.9	-	0.9
Other investments	-	-	2.2	2.2
Total	**-**	**22.2**	**2.2**	**24.4**
Liabilities				
Derivatives				
Currency derivatives	-	16.2	-	16.2
Interest rate derivatives	-	1.5	-	1.5
Contingent considerations		-	18.4	18.4
Total	**-**	**17.7**	**18.4**	**36.2**

EUR million

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total 2020
Assets				
Derivatives				
Currency derivatives	-	12.9	-	12.9
Interest rate derivatives	-	0.8	-	0.8
Other investments	-	-	2.3	2.3
Total	**-**	**13.7**	**2.3**	**16.0**
Liabilities				
Derivatives				
Currency derivatives	-	11.8	-	11.8
Interest rate derivatives	-	3.4	-	3.4
Contingent considerations	-	-	26.2	26.2
Total	**-**	**15.2**	**26.2**	**41.4**

The Group uses income approach in determining the fair value. Inputs used are foreign exchange rates, interest rates and yield curves as well as implied volatilities.

Group's currency and interest rate derivatives are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. The amounts are not offset in the statement of financial position.

Unquoted investments are carried at cost, as their fair value cannot be measured reliably.

The levels of the fair value hierarchy are defined as follows:
Level 1: Quoted prices in active markets.
Level 2: Valuation techniques based on observable market data.
Level 3: Valuation techniques incorporating information other than observable market data.

5.8. MANAGEMENT OF FINANCIAL RISKS

The objective of financial risk management is to ensure that the Group has access to sufficient funding in the most cost-efficient way and to minimize the impact on the Group from adverse movements in the financial markets. As defined in the Group Treasury Policy, management of financial risks is guided and controlled by a Finance Committee, led by the Chief Financial Officer (CFO). The Finance Committee reviews risk reports on the Group's interest-bearing balance sheet items, commercial flows, derivatives and foreign exchange exposures and approves required measures on a monthly basis.

The Group Treasury department at the Espoo headquarters is responsible for the Group's funding and risk management and serves the business units in daily financing, foreign exchange transactions and cash management coordination.

Currency risk

The Group is exposed to exchange rate risk through cross-border trade within the Group, exports and imports, funding of foreign subsidiaries and currency denominated equities.

Transaction risk

The largest transaction exposures derive from capital flows, imports, exports and royalty receivables. The objective of currency transaction risk management is to protect the Group from negative exchange rate movements. Business units are responsible for actively managing their currency risks related to future commercial cash flows, in accordance with policies and limits defined by the business unit and approved by the Finance Committee. As a rule, commercial receivables and payables recorded on the balance sheet are always fully hedged, as well as 25% of probable flows over a minimum 12 month horizon. Eligible hedging instruments include currency forwards and in authorized subsidiaries also currency options. The business units' counterparty in hedging transactions is mainly Huhtamäki Oyj.

Translation risk

As a main rule individual subsidiaries do not carry translation risk as they are financed in local currencies. As an exception, the Finance Committee can approve the use of foreign currency borrowing in countries with high local interest rates. In 2021 and 2020 on reporting period closing dates no such borrowings were outstanding.

The main translation exposures derive from equities and permanent loans, which in substance form a part of the net investment in the US, India and UK based subsidiaries. The Group hedges its translation risks selectively by using foreign currency loans and derivatives. Equity hedging decisions are made by the Finance Committee, who in its decision making considers the hedge's estimated impact on the Group's key indicators, long-term cash flows and hedging cost. On the reporting period closing date the Group had outstanding translation risk hedges of USD 223 million (of which USD 90 million in the form of currency loans and USD 133 million in the form of derivatives) and of GBP 20 million (of which GBP 20 million in the form of derivatives) (USD 223 million, of which USD 110 million in the form of currency loans and USD 113 million in the form of derivatives and GBP 20 million, of which GBP 20 million in the form of derivatives).

A 10% appreciation of the EUR versus the USD, INR and GBP would as of the reporting period closing date decrease the result before taxes by EUR 9.9 million (EUR 13.1 million) and the Group consolidated equity by EUR 107.4 million (EUR 62.7 million).

EUR million	EUR exposure in companies reporting in GBP		CNY exposure in companies reporting in HKD		USD exposure in companies reporting in AUD		USD exposure in companies reporting in EUR		EUR exposure in companies reporting in RUB	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Trade receivables	3.4	4.1	0.1	0.1	1.4	1.0	0.1	0.1	1.2	2.1
Trade payables	-14.9	-10.0	-4.7	-4.6	-4.5	-3.0	-11.3	-5.0	-6.5	-5.1
Net balance sheet exposure	-11.5	-5.8	-4.7	-4.5	-3.2	-2.1	-11.2	-4.9	-5.3	-3.0
Forecasted sales (12 months)	13.4	16.1	3.5	3.7	6.1	5.1	0.6	1.6	29.5	25.2
Forecasted purchases (12 months)	-74.2	-55.1	-16.2	-17.0	-45.4	-51.0	-32.0	-22.0	-34.4	-30.6
Net forecasted exposure	-60.8	-39.0	-12.8	-13.3	-39.3	-45.9	-31.4	-20.4	-4.8	-5.5
Hedges										
Currency forwards (12 months)	36.6	17.8	6.7	5.9	16.2	24.6	24.7	11.4	8.5	1.1
Currency options (12 months)	-	17.0	-	-	-	-	-	-	-	-
Total net exposure	**-35.7**	**-10.1**	**-10.8**	**-12.0**	**-26.3**	**-23.4**	**-17.9**	**-13.9**	**-1.6**	**-7.4**

Interest rate risk

The interest-bearing debt exposes the Group to interest rate risk, namely re-pricing and price risk caused by interest rate movements. Management of interest rate risk is centralized to the Group Treasury. The Group's policy is to maintain in the main currency debt portfolios a duration that matches a benchmark duration range based on the Group's estimated cash flow, selected balance sheet ratios and also the shape of the yield curve. The objective of interest rate risk management is to reduce the fluctuation of the interest charge, enabling a more stable net income. The Group manages interest rate risk by selection of debt interest periods and by using derivatives such as futures, forward rate agreements, interest rate swaps and options.

At the reporting period closing date the average interest rate on Group interest-bearing net debt was 1.6% (1.8%) and average duration 1.6 years (3.3 years). A one percentage point rise in market interest rates would increase Group net interest expense by EUR 6.6 million (EUR 3.3 million) over the following 12 months. A similar rise in interest rates would increase Group equity with EUR 7.5 million (EUR 1.7 million) due to mark-to-market revaluations of interest rate derivatives designated for cash flow hedges.

Currency split and repricing schedule of outstanding net debt including hedges (excl. lease liabilities)

	2021							2020
		Debt repricing in period, incl. derivatives						
Currency	Amount EUR million	2022	2023	2024	2025	2026	Later	Amount EUR million
EUR	939.2	507.3	79.8	166.5	30.0	125.0	30.5	459.8
USD	107.6	19.4	30.9	8.8		13.2	35.3	27.3
GBP	121.7	121.7						117.7
HKD	77.6	77.6						72.1
AUD	38.6	38.6						40.8
Other	60.0	60.0						-5.2
Total	**1,344.6**	**824.6**	**110.7**	**175.3**	**30.0**	**138.2**	**65.8**	**712.4**

Liquidity and refinancing risk

The Group maintains sufficient liquidity reserves at all times by efficient cash management structures such as cash pools, concentration accounts and overdraft financing facilities. To mitigate the refinancing risk, the Group diversifies funding sources as well as the maturity structure of loans and debt facilities. The Group utilizes a EUR 400 million Finnish commercial paper program and uncommitted credit facilities with relationship banks for short-term financing purposes. At the reporting period closing date, the Group had committed credit facilities totaling EUR 841 million (EUR 400 million) of which EUR 382 million (EUR 310 million) remained undrawn. Undrawn committed long-term debt facilities are sufficient to ensure adequate financing resources in all foreseeable circumstances. During the third quarter of 2021, Huhtamäki Oyj signed a bridge financing facility of USD 500 million to support the financing of the acquisition of Elif. On December 16, 2021, Huhtamäki Oyj signed a confirmation to extend the maturity of the EUR 400 million syndicated revolving credit facility loan agreement for a further period of one year in accordance with the extension option of the loan agreement.

Debt structure

EUR million	2021									2020		
				Maturity of facility/loan								
	Amount drawn	Amount available of committed	Total	2022	2023	2024	2025	2026	Later	Amount drawn	Amount available of committed	Total
Committed revolving facilities	458.8	382.4	841.2		441.2		400.0			89.6	310.4	400.0
Bonds and other loans	785.0		785.0	130.2	163.0	191.3	87.8	174.3	38.6	826.4		826.4
Commercial paper program	150.0		150.0	150.0						35.0		35.0
Uncommitted loans from financial institutions	114.9		114.9	114.9						61.4		61.4
Contingent considerations	18.4		18.4	3.3	15.2					26.2		26.2
Lease liabilities	175.6		175.6	28.8	22.6	19.1	16.4	13.0	75.6	154.4		154.4
Trade and other current liabilities	772.3		772.3	772.3						597.4		597.4
Total	**2,475.1**	**382.4**	**2,857.4**	**1,199.4**	**641.9**	**210.4**	**504.2**	**187.3**	**114.2**	**1,790.4**	**310.4**	**2,100.8**

Credit risk

The Group is exposed to credit risk from its commercial receivables and receivables from financial institutions based on short-term investment of liquid funds as well as derivatives transactions.

The business units are responsible for the management of commercial credit risk in accordance with policies defined by the business units and approved by the Finance Committee. A Group policy sets out certain minimum requirements as to credit quality, sales terms and collection. The commercial credit risk for the Group as a whole is considered low as the receivable portfolio is diversified and historical credit loss frequency is low (see note 4.2.).

Liquid funds are from time to time invested in short-term bank deposits at relationship banks with a solid credit rating, in government bonds, treasury bills or in commercial papers issued by corporate borrowers with an investment grade rating. Credit risk stemming from receivables from financial institutions, including derivative transaction settlements, is considered small and is managed centrally by the Group Treasury department and in accordance with limits set by the Finance Committee.

Capital management

The Group's objective is to maintain an efficient capital structure. Consequently, the Group aims to maintain in the long term the net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio in a range between 2–3. Net debt is defined as interest-bearing liabilities less interest-bearing receivables, cash and cash equivalents.

The Group is subject to a restriction on its net debt to EBITDA ratio (excluding items affecting comparability) through a clause in a key financing agreement. This restriction is not seen hindering the Group's ability to carry out its business or its strategy.

Changes in the capital structure are resulting from capital investments in the business and cash returns to shareholders, which are funded by the stable cash flow.

Capital structure

EUR million	2021	2020
Interest-bearing liabilities	1,702.8	1,193.0
Interest-bearing receivables, cash and cash equivalents	182.6	326.1
Net debt	1,520.2	866.8
Total equity	1,597.2	1,364.5
Net debt to equity (Gearing ratio)	**0.95**	**0.64**
Net debt to EBITDA (excluding items affecting comparability)	**3.11**	**1.83**

Nominal values of derivative financial instruments

EUR million	2021							2020
	Nominal Value	Maturity Structure						Nominal Value
Instrument		2022	2023	2024	2025	2026	Later	
Currency forwards								
for transaction risk								
Outflow	-128.4	-126.2	-2.2					-178.0
Inflow	129.1	126.9	2.2					174.6
for translation risk								
Outflow	-141.2	-141.2						-114.2
Inflow	134.8	134.8						117.8
for financing purposes								
Outflow	-1,136.8	-1,134.9	-1.9					-572.4
Inflow	1,146.0	1,144.0	2.0					574.1
Currency options								
for transaction risk								
Bought options								24.2
Sold options								-13.7
Interest rate swaps								
EUR	25.0					-50.0	75.0	-50.0
USD	119.1	30.9	30.9	8.8		13.2	35.3	101.8
Cross currency swaps								
EUR	-18.3	-18.3						-18.3
USD	17.6	17.6						16.3

Fair values of derivative financial instruments

EUR million	2021			2020		
Instrument	Positive Fair values	Negative Fair values	Net Fair values	Positive Fair values	Negative Fair values	Net Fair values
Currency forwards						
for transaction risk	1.8	-0.6	1.1	1.9	-5.4	-3.5
of which cash flow hedges[1]	0.9	-0.6	0.3	0.6	-3.0	-2.3
for translation risk		-5.4	-5.4	4.5	-0.3	4.1
of which hedges of net investment[2]		-5.4	-5.4	4.5	-0.3	4.1
for financing purposes	19.5	-9.5	10.0	6.4	-3.8	2.6
Currency options						
for transaction risk				0.2	-0.4	-0.3
Interest rate swaps[3]						
EUR	0.6	-0.4	0.2	0.8		0.8
of which fair value hedges[4]		-0.4	-0.4	0.8		0.8
of which cash flow hedges[5]	0.6		0.6			
USD	0.3	-1.4	-1.1		-3.3	-3.3
of which cash flow hedges[5]	0.3	-1.4	-1.1		-3.3	-3.3
Cross currency swaps						
EURUSD		-0.7	-0.7		-2.1	-2.1
of which cash flow hedges[6]					-0.1	-0.1
of which fair value hedges[7]		-0.7	-0.7		-2.0	-2.0

1 Fair values of currency forwards designated as cash flow hedges are reported in fair value and other reserves.
2 Fair values of currency forwards designated as hedges of net investment in foreign subsidiaries are reported in equity in translation difference.
3 Fair values of interest rate swaps include accrued interest which is reported in the income statement in financial expense.
4 Fair values of interest rate swaps designated as fair value hedges are reported in the income statement in financial income.
5 Fair values of interest rate swaps designated as cash flow hedges are reported in fair value and other reserves.
6 The interest rate revaluation result of cross currency swaps designated as cash flow hedges is reported in fair value and other reserves. The fair value includes accrued interest which is reported in the income statement in financial expense.
7 The foreign exchange revaluation result of cross currency swaps designated as fair value hedges is reported in the income statement in net financial items.

Notes to the consolidated financial statements

6. Other disclosures

6.1. EQUITY-ACCOUNTED INVESTMENTS

The Group has investments in the following associates and joint arrangements::

Company	Country	Ownership 2021	Ownership 2020
Laminor S.A. (joint venture)	Brazil	100.0%	100.0%[1]

[1] On March 31, 2020 Huhtamaki completed the acquisition of full ownership of its joint venture company Laminor S.A. in Brazil. The Group increased its ownership in Laminor S.A. (Laminor) which was a previous joint venture with Bemis. The Group's ownership in Laminor increased to 100%. Based on the 100% ownership the Group has control in the company, which enables the Group to consolidate the previous joint venture as a subsidiary in the Group's financial reporting as of April 1, 2020. Until then the share of profit from Laminor has been consolidated using equity method.

Group's share of results:

EUR million	2021	2020
Share of profit in a joint venture	-	0.4[2]

[2] Share of profit in Laminor before April 1, 2020. The Group started to consolidate the previous joint venture as a subsidiary in financial reporting since April 1, 2020.

6.2. RELATED PARTY TRANSACTIONS

Huhtamaki Group's related parties include the parent company, subsidiaries, associates, joint ventures and pension funds that are separate entities. Related parties also include the key management, their close family members and entities in which they have control or joint control. The key management personnel are the members of the Global Executive Team and the Board of Directors. Related parties also include Shareholders of Huhtamäki Oyj controlling more than ten per cent of the shares or voting rights of Huhtamäki Oyj.

Details of transactions and outstanding balances between the Group and its related parties are disclosed below. Intragroup related party transactions and balances are eliminated on consolidation.

The Global Executive Team and the Board of Directors

Compensation to the Global Executive Team and the Board of Directors is disclosed in the following tables. In addition, the key management is receiving dividends based on their ownership of Huhtamäki Oyj shares. There has not been any other transactions between the Group and the key management, their close family members or entities in which they have control or joint control.

The President and CEO Charles Héaulmé's pension coverage is arranged by the President and CEO himself. The company contributes towards the pension through monthly cash payments to the President and CEO. The total cash payment is EUR 280 thousand per annum. Some of the other Global Executive Team members belong to a supplementary defined contribution pension plan. In 2021, the Company paid a total of EUR 245 thousand (EUR 264 thousand) to pension arrangements of the other GET members, excluding the CEO. Members of the Board of Directors and the Global Executive Team owned a total of 94,409 shares (91,951 shares) shares at the end of the year 2021.

Employee benefits of CEO and members of the Global Executive Team

EUR million	2021	2020
Salaries and other short-term employee benefits	5.5	6.6
Post-employment benefits	0.2	0.3
Share based payments	2.8	1.8
CEO and members of the Global Executive Team in total	**8.5**	**8.7**

Remunerations of CEO and members of the Board of Directors

In thousand euros	2021	2020
CEO Charles Héaulmé	2,699	1,733
Board members		
Ala-Pietilä Pekka	179	151
Tuomas Kerttu	118	100
Baillie Doug	103	87
Barker William R.	103	86
Korhonen Anja	117	96
Turner Sandra	105	83
Wunderlich Ralf K.	102	86
CEO and Board in total	**3,526**	**2,420**

Associated companies and joint ventures

The Group's related parties do not include any associated companies or joint ventures. In 2020, the Group increased its ownership in Laminor S.A. which is a previous joint venture. The Group's ownership in Laminor has increased to 100%. Based on the 100% ownership the Group has control in the company, which enables the Group to consolidate the previous joint venture as a subsidiary in the Group's financial reporting as of 1 April 2020. Before this there was no material transactions with Laminor S.A in 2020.

Pension funds

The Group's related parties include post-employment benefit plans that are separate entities. These entities are in Finland, India, the UK and the U.S.. For more information, see note 2.2. Employee benefits. The Group made EUR 2.1 million (EUR 2.7 million) contributions to the plans and there was related outstanding balance of EUR 0.2 million. There was no other transactions or outstanding balances.

6.3. SHARE-BASED PAYMENTS

Performance Share Arrangement 2010

On March 12, 2010 the Board of Directors of the Company decided on establishing a Performance Share Arrangement to form a part of the long-term incentive and retention program for the key personnel of the Company and its subsidiaries. The Performance Share Arrangement offers a possibility to earn the Company shares as remuneration for achieving established targets. The Arrangement consists of annually commencing individual three-year performance share plans. A possible reward shall be paid during the calendar year following each three-year plan. Commencement of each three-year plan will be separately decided by the Board of Directors.

The aggregate maximum of 400,000 shares and as part of the reward, a cash payment equivalent to taxes and tax-like charges arising to the key personnel from the reward may be granted under each three-year plan. GET members that are participants to the performance share plan shall hold at least half (50%) of the shares received until he/she holds shares received from the performance share plans corresponding in aggregate to the value of his/her annual gross base salary. Other participants to the plan shall hold at least half (50%) of the shares received until he/she holds shares received from the performance share plans corresponding in aggregate to the value of his/her six (6) months' gross base salary. The ownership requirement applies until termination of employment or service.

Performance Share Plan 2017–2019

The Performance Share Plan 2017–2019 commenced in 2017 and the possible reward will be based on the Group's earnings per share (EPS) in 2019. The Performance Share Plan 2017–2019 was directed to 122 persons at the end of 2019.

The target, Group's earnings per share (EPS) in 2019, set forth in the Performance Share Arrangement 2010 for the earnings period 2017–2019, was not reached. Pursuant to the IFRS standards, no expense relating to the Performance Share Plan 2017–2019 was recorded for the reporting periods 2017–2019. For the reporting period ending 31 December 2019, a positive impact totaling EUR 1,138,535 resulting from prior years' accrual reversing was recorded.

Performance Share Plan 2018–2020

The Performance Share Plan 2018–2020 commenced in 2018 and the possible reward will be based on the Group's earnings per share (EPS) in 2020. The reward, if any, will be paid during 2021. The Performance Share Plan 2018–2020 was directed to 106 persons at the end of 2020.

The target, Group's earnings per share (EPS) in 2020, set forth in the Performance Share Arrangement 2010 for the earnings period 2018–2020, was not reached. Pursuant to the IFRS standards, no expense relating to the Performance Share Plan 2018–2020 was recorded for the reporting periods 2018–2020. For the reporting period ending 31 December 2020, a positive impact totaling EUR 1,360,465 resulting from prior years' accrual reversing was recorded.

ACCOUNTING PRINCIPLES

The Group has incentive plans which include equity-settled or cash-settled share-based payment transactions. The fair value of equity-settled share-based payments granted is recognized as an employee expense with a corresponding increase in equity. The fair value of cash-settled share-based payments is valued at each reporting period closing date and the changes in fair value of liability are recognized as expense when incurred. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the actual number of awards that will be vested. Non-market vesting conditions are not included in the value of share-based instruments but in the number of instruments that are expected to vest. At each reporting period closing date, the estimates about the number of awards that are expected to vest are revised and the impact is recognized in income statement.

Performance Share Plan 2019–2021

The Performance Share Plan 2019–2021 commenced in 2019 and the possible reward will be based on the Group's earnings per share (EPS) in 2021. The reward, if any, will be paid during 2022. The Performance Share Plan 2019–2021 was directed to 87 persons at the end of 2021.

The target, Group's earnings per share (EPS) in 2021, set forth in the Performance Share Arrangement 2010 for the earnings period 2019–2021, was not reached. Pursuant to the IFRS standards, no expense relating to the Performance Share Plan 2019–2021 was recorded for the reporting periods 2019–2021. For the reporting period ending 31 December 2021, a positive impact totaling EUR 3,687,657 resulting from prior years' accrual reversing was recorded.

Performance Share Plan 2020–2022

The Performance Share Plan 2020–2022 commenced in 2020 and the possible reward will be based on the Group's cumulative earnings per share (EPS) for the earning period 2020–2022. The reward, if any, will be paid during 2023. The Performance Share Plan 2020–2022 was directed to 119 persons at the end of 2021.

Performance Share Plan 2021–2023

The Performance Share Plan 2021–2023 commenced in 2021 and the possible reward will be based on the Group's cumulative earnings per share (EPS) for the earning period 2021–2023. The reward, if any, will be paid during 2024. The maximum value of the reward payable to the participants based on the Performance Share Plan 2021–2023 is limited by a cap linked to Company's share price development. The Performance Share Plan 2021–2023 was directed to 134 persons at the end of 2021.

Restricted Share Arrangement 2021

As part of the long-term incentive and retention program for the key personnel of Huhtamaki, the Board of Directors of the Company decided on February 10, 2021 on establishing a restricted share arrangement as a share-based long-term incentive arrangement (Restricted Share Arrangement). The aim of the restricted share arrangement is to retain, motivate and reward selected key employees in order to increase the shareholder value in the long term. The restricted share arrangement consists of individual share plans. The commencement of each plan will be separately decided by the Board of Directors. Each plan comprises of three consecutive calendar years.

Share rewards will be paid in shares of the Company. No reward will be paid if the participant's employment or service ends before the payment of the reward. The members of the Global Executive Team shall retain at least 50% of the shares received until the value of their share ownership in the Company corresponds to their annual gross base salary. The maximum value of the reward payable to the participants based on the restricted share arrangement is limited by a cap linked to Company's share price development.

The first share plan within the Restricted Share Arrangement, covering the years 2021–2023, commenced as of the beginning of the year 2021. The aggregate maximum number of shares payable based on the first plan is 163,500 shares and possible rewards will be paid in 2023 and 2024. For potential subsequent share plans the aggregate maximum number of shares payable is 60,000 shares per plan.

CEO sign-in bonus

The signing bonus of the President and CEO consisted of two parts. The second part of the signing bonus (15,000 shares (net)) was paid in April 2021 and the first part (15,000 shares (net)) of the signing bonus was paid in April 2019. The second part of the signing bonus was subject to reaching an EBIT target for 2020 which was reached. In addition, the Company processed a cash payment to cover taxes and tax related payments. A lock-in period of 12 months will apply.

6.4. LEASES

Right of use assets are presented in note 3.4. Tangible Assets. Right of use depreciations are presented in note 2.3. Depreciation, amortization and impairment. Lease liabilities are presented in note 5.6. Interest bearing liabilities. Lease liability interests are presented in note 5.1. Net Financial Items. Items where Huhtamaki is the lessor are presented in note 5.2. Interest Bearing receivables.

EUR million	2021	2020
Short-term leases	4.2	2.9
Low-value leases	0.3	0.4
Variable lease payments based on use/performance	3.8	-0.6
Lease payments in Profit or Loss	**8.3**	**2.7**
Cash based lease payments in total	**37.1**	**32.4**

ACCOUNTING PRINCIPLES

Leases

The leases that the Group recognizes in the statement of financial position include mainly land, building, machinery and equipment. Short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value are not booked to the statement of financial position. Payments for short-term and low-value leases and variable lease payments are expensed in P&L.

Right of use (ROU) assets are recognized at the commencement date of the lease. ROU assets are measured at cost less accumulated depreciation and impairment losses. The costs include the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less lease incentives received, any direct costs and an estimate of dismantling costs. The carrying amount is further adjusted for any remeasurement of the lease liability. Depreciation is expensed to the income statement on a straight-line basis over the lease term. The lease term includes the noncancelable period of lease together with any extension or termination options that are reasonably certain to be exercised. ROU assets are presented as tangible assets in the statement of financial position.

Lease liabilities are recognized at the commencement date of the lease. Lease liabilities are measured at the present value of future lease payments using an effective interest method. The carrying amount is reduced to reflect the lease payments made and the interest expense is allocated over the lease term. A lease liability is remeasured, when there is a lease modification or reassessment. Lease liabilities are presented as current and non-current interest-bearing liabilities in the statement of financial position.

6.5. COMMITMENTS

EUR million	2021	2020
Capital expenditure	81.4	45.2
Total commitments	**81.4**	**45.2**

EUR million	2021	2020
Capital expenditure commitments		
Under 1 year	81.4	45.2
Total	**81.4**	**45.2**

6.6. LITIGATIONS

The European Commission announced on March 7, 2019 to open an investigation into Luxembourg's tax practices, in particular Huhtamaki tax rulings from the years 2009, 2012 and 2013. The investigation is not targeted at Huhtamaki and Huhtamaki has not been approached by the European Commission. The European Commission is investigating whether the tax ruling could potentially be considered as prohibited state aid by Luxembourg. State aid means that a public authority has granted a selective (not available for everyone) competitive advantage to a company in Europe. Huhtamaki monitors the situation and is cooperating with authorities. Huhtamaki complies with all laws and regulations and it is important for Huhtamaki to secure predictability in financial and tax affairs. In Huhtamaki's view, the structure in question is legal and approved by tax authorities, and was not set up to gain unfair competitive advantage in Europe.

6.7. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On January 3, 2022, Huhtamaki announced that it has acquired full ownership of its Polish joint venture company Huhtamaki Smith Anderson sp. z o.o. from Smith Anderson Group Ltd. The company manufactures and sells foodservice paper bags in Eastern Europe at Huhtamaki's facility in Czeladz, Poland. Paper bags have become an increasingly important part of Huhtamaki's product offering and the acquisition enables the company to invest in and further grow the business in Eastern Europe. The purchase price for additional shares and related manufacturing equipment is approximately EUR 2 million. The business has been reported as part of the Foodservice Europe-Asia-Oceania business segment since beginning of operations in 2018.

ACCOUNTING PRINCIPLES

Commitments

Capital expenditure commitments are commitments at the balance sheet date to acquire tangible and intangible assets in the future.

Subsidiaries

The list contains significant subsidiaries. A complete list is enclosed in the official statutory accounts which may be obtained from the company on request.

Country	Company	Group holding %
Australia	Huhtamaki Australia Pty Limited	100.0
	Huhtamaki Tailored Packaging Pty Ltd - Group	74.5
Brazil	Huhtamaki do Brasil Ltda	100.0
	Huhtamaki Embalagens Flexíveis do Brasil Ltda	100.0
Czech Republic	Huhtamaki Ceska republika, a.s.	100.0
	Huhtamaki Flexible Packaging Czech a.s.	100.0
	LeoCzech spol s r.o.	100.0
Egypt	Elif Global Packaging S.A.E.	99.0[2]
	Huhtamaki Egypt L.L.C.	75.0
	Huhtamaki Flexible Packaging Egypt LLC	100.0
Finland	Huhtamaki Foodservice Nordic Oy	100.0
France	Huhtamaki Foodservice France S.A.S	100.0
	Huhtamaki La Rochelle S.A.S	100.0
Germany	Huhtamaki Flexible Packaging Germany GmbH & Co. KG	100.0
	Huhtamaki Foodservice Germany Operations GmbH & Co. KG	100.0
	Huhtamaki Foodservice Germany Sales GmbH & Co. KG	100.0
Hungary	Huhtamaki Hungary Kft	100.0
India	Huhtamaki Foodservice Packaging India Private Limited	100.0
	Huhtamaki India Limited[3]	67.7
Ireland	Huhtamaki CupPrint Limited	100.0
Italy	Huhtamaki Flexibles Italy S.r.l.	100.0
Luxembourg	Huhtamaki S.à r.l.	100.0
Malaysia	Huhtamaki Foodservice Malaysia Sdn. Bhd.	100.0
Mexico	Huhtamaki Mexicana S.A. de C.V.	100.0
Netherlands	Huhtamaki B.V.	100.0
	Huhtamaki Finance B.V.	100.0
	Huhtamaki Molded Fiber Technology B.V.	100.0
	Huhtamaki Nederland B.V.	100.0
	Huhtamaki Paper Recycling B.V.	100.0
New Zealand	Huhtamaki Henderson Limited	100.0
	Huhtamaki New Zealand Limited	100.0
Philippines	Huhtamaki Philippines, Inc.	100.0
People's Republic of China	Huhtamaki Foodservice (Shanghai) Limited	100.0
	Huhtamaki Foodservice (Tianjin) Ltd.	100.0
	Huhtamaki Foodservice (Xuzhou) Ltd.	100.0
	Huhtamaki (Guangzhou) Limited	100.0
People's Republic of China/Hong Kong	Huhtamaki Hong Kong Limited	100.0
Poland	Huhtamaki Foodservice Gliwice Sp. z o.o.	100.0
	Huhtamaki Foodservice Poland Sp. z o.o.	100.0
Russia	Huhtamaki Fiber Alabuga LLC	100.0
	OOO Huhtamaki Foodservice Alabuga	100.0
	OOO Huhtamaki S.N.G.	100.0
Saudi Arabia	Arabian Paper Products Company	50.0[1]
Singapore	Huhtamaki Singapore Pte. Ltd.	100.0
South Africa	Gravics Systems South Africa (Pty) Limited	100.0
	Huhtamaki South Africa Holdings (Pty) Ltd	70.0
	Huhtamaki South Africa (Pty) Ltd.	70.0
	Huhtamaki Flexible Packaging South Africa (Pty) Limited	70.0
Spain	Huhtamaki Spain S.L.	100.0
Switzerland	Elif Global S.A.	100.0
Thailand	Huhtamaki (Thailand) Ltd.	100.0
Turkey	Elif Global Ambalaj Pazarlama Anonim Şirketi	100.0
	Elif Holding Anonim Şirketi	100.0
	Elif Plastik Ambalaj Sanayi ve Ticaret Anonim Şirketi	100.0
	Huhtamaki Turkey Gıda Servisi Ambalajı A.Ş.	100.0
Ukraine	Huhtamaki Foodservice Ukraine LLC	100.0
United Arab Emirates	Arabian Paper Products FZCO	50.0[1]
	Huhtamaki Flexible Packaging Middle East LLC	49.0[2]
	Positive Packaging United (M.E.) FZCO	100.0
	Primetech (M.E.) FZE	100.0
United Kingdom	Huhtamaki BCP Limited	100.0
	Huhtamaki Foodservice Delta Limited	100.0
	Huhtamaki (Lisburn) Limited	100.0
	Huhtamaki (Lurgan) Limited	100.0
	Huhtamaki (UK) Limited	100.0
United States	CupPrint LLC	100.0
	Huhtamaki, Inc.	100.0
Vietnam	Huhtamaki (Vietnam) Limited	100.0

1 The Group's control is based on a Shareholders' Agreement according to which the Group has control in the company.
2 The Group has control in the company and can consolidate the company as a fully owned subsidiary based on a Shareholders' Agreement.
3 For more information: www.huhtamaki.com/en-in/flexible-packaging/investors

The following German subsidiaries are exempt from the duty of corporations to audit and disclose financial statements pursuant to German legislation (Sec. 264b HGB): Huhtamaki Flexible Packaging Germany GmbH & Co. KG, Huhtamaki Foodservice Germany Operations GmbH & Co. KG, Huhtamaki Foodservice Germany Sales GmbH & Co. KG, Huhtamaki Real Estate Holding B.V. & Co. KG.

Parent company financial statements

Parent company income statement (FAS)

EUR	Note	2021	2020
Other operating income	1	129,211,249.41	71,366,255.03
Sales and marketing		-10,150,297.29	-4,974,144.15
Administration expenses		-69,508,274.55	-37,598,056.26
Other operating expenses	2	-10,661,943.24	-5,410,392.87
Earnings before interest and taxes	**3, 4**	**38,890,734.33**	**23,383,661.75**
Net financial income/expense	5	-10,650,803.89	-9,453,921.98
Profit before appropriations and taxes		**28,239,930.44**	**13,929,739.77**
Group contribution		-1,000,000.00	-7,000,000.00
Income tax expense	6	-6,239,732.25	-872,507.68
Profit for the period		**21,000,198.19**	**6,057,232.09**

Parent company balance sheet (FAS)

Assets

EUR	Note	2021	2020
Non-current assets			
Intangible assets	7		
Intangible rights		373,411.55	398,571.39
Development expenditure		5,332,469.08	-
Other capitalized expenditure		2,657,897.05	1,768,653.42
Construction in progress and advance payments		6,788,551.79	5,674,674.16
		15,152,329.47	7,841,898.97
Tangible assets	8		
Machinery and equipment		332,255.39	338,824.26
Other tangible assets		96,301.19	96,301.19
		428,556.58	435,125.45
Investments			
Investment in subsidiaries		2,044,741,422.87	1,729,876,381.36
Other shares and holdings		843,711.73	960,695.73
		2,045,585,134.60	**1,730,837,077.09**
Current assets			
Non-current receivables			
Loan receivables	9	408,244,833.37	82,053,882.00
Current receivables			
Loan receivables	9	83,824,423.87	385,022,070.72
Accrued income	10	50,238,683.22	58,928,280.24
Other receivables	9	103,947,728.45	27,369,778.84
		646,255,668.91	**553,374,011.80**
Cash and bank		7,068,379.50	66,472,724.12
Total assets		**2,714,490,069.06**	**2,358,960,837.43**

Equity and liabilities

EUR	Note	2021	2020
Shareholders' equity	11		
Share capital		366,385,309.00	366,385,309.00
Premium fund		115,023,103.38	115,023,103.38
Retained earnings		446,400,625.39	536,358,895.22
Profit for the period		21,000,198.19	6,057,232.09
		948,809,235.96	**1,023,824,539.69**
Liabilities			
Non-current liabilities			
Loans from financial institutions	12	1,077,222,648.81	787,861,380.10
Other non-current liabilities	13	807,256.72	944,540.79
		1,078,029,905.53	**788,805,920.89**
Current liabilities			
Loans from financial institutions	12	358,954,122.84	156,439,556.64
Other loans	12	255,586,377.69	300,261,841.07
Trade payables	14	11,214,158.01	22,239,681.25
Accrued expenses	15	53,329,376.36	48,624,246.32
Other current liabilities	14	8,566,892.67	18,765,051.57
		687,650,927.57	**546,330,376.85**
Total equity and liabilities		**2,714,490,069.06**	**2,358,960,837.43**

Parent company cash flow statement (FAS)

EUR	2021	2020
Earnings before interest and taxes	38,890,734.33	23,383,661.75
Adjustments		
Depreciation and amortization	1,560,716.15	1,178,999.28
Other adjustments	-	-983,969.00
Change in non-interest-bearing receivables	-54,393,551.01	-12,617,180.03
Change in non-interest-bearing payables	-13,088,145.75	37,238,521.98
Net financial income and expense	-9,437,543.87	-28,619,907.68
Taxes paid	-7,463,492.09	2,017,434.54
Net cash flow from operating activities	**-43,931,282.24**	**21,597,560.84**
Capital expenditure	-7,732,440.83	-8,115,645.35
Disposal of tangible and intangible assets	20,366.13	14,834,663.10
Investments in subsidiaries	-314,865,041.51	-
Proceeds from subsidiary investments	1,343,567.96	205,261,323.39
Change in non-current deposits	-326,190,951.37	-82,053,882.00
Change in current deposits	301,197,646.85	42,125,987.51
Net cash flow from investing activities	**-346,226,852.77**	**172,052,446.65**
Change in non-current loans	269,248,785.58	78,715,418.58
Change in current loans	157,839,102.82	-146,991,827.85
Dividends paid	-96,334,098.01	-92,814,159.46
Cash flow from financing activities	**330,753,790.39**	**-161,090,568.73**
Change in liquid assets	-59,404,344.62	32,559,438.76
Liquid assets on January 1	66,472,724.12	33,913,285.36
Liquid assets on December 31	7,068,379.50	66,472,724.12

Parent company accounting principles

The financial statements of Huhtamäki Oyj have been prepared according to Finnish Accounting Standards (FAS). The financial statements have been prepared on the basis of historical costs and do not take into account increases in the fair value of assets, unless otherwise stated.

Foreign currency

Foreign currency transactions are recorded according to the exchange rates prevailing on the transaction date. Receivables and payables are revalued at the rate of exchange on the balance sheet date. The exchange rate used at the balance sheet date is the rate of the date prior to the last working day of the reporting period closing date. Exchange rate differences arising from translation of receivables are recognized under other operating income, and exchange rate differences on payables under costs and expenses. Exchange rate differences on translation of financial items, such as loans and deposits, are recognized under financial income and expenses.

Derivative instruments

Foreign exchange derivative contracts are used for hedging the company's currency position. The company manages its interest rate risks using interest rate derivatives. The prudence principle is applied to derivatives in the financial statements. However, also the positive changes in market values of foreign exchange derivatives are recognized in the income statement and the balance sheet in cases where corresponding negative changes in market values exists. Foreign exchange derivatives are marked-to-market at the rate of exchange on the balance sheet date and recorded in the income statement as an adjustment to financial items or sales and purchases only to the extent they relate to balance sheet items being hedged. Interest derivatives used for hedging the company's loans are stated at historical cost. Interest derivatives used for hedging subsidiaries' external loans are stated at lower of historical cost or market value. Interest income or expenses deriving from such instruments are accrued over the contract period.

Intangible assets

Intangible assets are amortized on a systematic basis over their estimated useful life. The period of amortization does not exceed 20 years.

Tangible assets

Items of tangible assets are stated at historical cost and depreciated using the straight-line method over their estimated useful lives. The period of depreciation does not exceed 12 years. Leases of tangible assets are classified as operating leases.

Investments

Investments classified as long-term assets are carried at cost, less amounts written off to recognize permanent declines in the value of the investment. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognized as income or expense.

Investments in subsidiaries are carried at cost in the balance sheet of the company.

Income taxes

The income statement includes income taxes of the Company based on taxable profit for the financial period according to local tax regulations as well as adjustments to prior year taxes.

Other operating income and revenue recognition

The Company's operations comprise investment to subsidiaries and offering services to subsidiaries. The revenue relating to sale of services is reported under Other operating income. Revenue is recognized at the date of delivery. In addition, gains from disposal of assets, royalty and rental income are included in Other operating income.

Other operating expenses

Other operating expenses include e.g. losses from disposal of assets.

Appropriations

Gains and losses from appropriations include items which fall outside the ordinary activities of the company, such as group contribution or divestment related items.

1. OTHER OPERATING INCOME

EUR million	2021	2020
Royalty income	57.1	36.3
Group cost income	56.4	22.0
IT recharge	12.6	9.1
Other	3.1	3.9
Total	**129.2**	**71.4**

2. OTHER OPERATING EXPENSES

EUR million	2021	2020
Intercompany other operating expenses	10.5	4.7
Other	0.2	0.7
Total	**10.7**	**5.4**

3. PERSONNEL EXPENSES

EUR million	2021	2020
Wages and salaries	20.3	17.2
Pension costs	3.7	2.9
Other personnel costs	1.7	2.1
Total	**25.7**	**22.2**

The above amounts are on accrual basis. Remuneration paid by the parent company to the members of the Board of Directors as well as the CEO of Huhtamäki Oyj (8 people) amounted to EUR 3.5 million (EUR 2.4 million).

Average number of personnel	2021	2020
Huhtamäki Oyj	134	125

4. DEPRECIATION AND AMORTIZATION

EUR million	2021	2020
Depreciation by function:		
Administration	1.6	1.2
Total	**1.6**	**1.2**
Depreciation and amortization by asset type:		
Machinery and equipment	0.2	0.2
Intangible rights	0.1	0.1
Development expenditure	0.4	-
Other capitalized expenditure	0.9	0.9
Total	**1.6**	**1.2**

5. FINANCIAL INCOME AND EXPENSE

EUR million	2021	2020
Dividend income	**1.3**	**0.0**
Interest and other financial income		
Intercompany interest income	11.7	14.2
Other interest income	0.4	0.5
Total interest income	**12.1**	**14.7**
Other financial income	231.8	217.3
Total interest and other financial income	**245.2**	**232.1**
Interest and other financial expense		
Intercompany interest expense	-0.5	-0.8
Other interest expense	-17.7	-22.3
Total interest expense	**-18.2**	**-23.0**
Other financial expense	-237.8	-218.5
Total interest and other financial expense	**-256.0**	**-241.5**
Net financial items	**-10.7**	**-9.5**

6. TAXES

EUR million	2021	2020
Ordinary taxes	6.2	0.9
Total	**6.2**	**0.9**

Deferred taxes are not included in income statement or balance sheet. Unrecognized deferred tax asset from timing differences is EUR 0.3 million (EUR 0.0 million).

7. INTANGIBLE ASSETS

EUR million	Intangible rights	Development expenditure	Other capitalized expenditure	Construction in progress and advance payments	2021 Total	2020 Total
Acquisition cost on January 1	1.0	-	42.2	5.7	48.9	82.4
Additions	0.0	-	0.2	8.5	8.7	9.7
Disposals	0.0	-	-	-	-	-43.2
Intra-balance sheet transfer	0.0	5,7	1.6	-7.3	0.0	0.0
Acquisition cost on December 31	1.0	5,7	44.0	6.8	57.5	48.9
Accumulated amortization on January 1	0.6	-	40.5		41.0	68.4
Accumulated amortization on disposals and transfers	0.0	-	-		-	-28.4
Amortization during the financial year	0.1	0,4	0.9		1.4	1.0
Accumulated amortization on December 31	0.6	0,4	41.4		42.3	41.0
Book value on December 31, 2021	**0.4**	**5,3**	**2.7**	**6.8**	**15.2**	**-**
Book value on December 31, 2020	0.4	-	1.8	5.7	-	7.9

8. TANGIBLE ASSETS

EUR million	Machinery and equipment	Other tangible assets	2021 Total	2020 Total
Acquisition cost on January 1	3.8	0.1	3.9	3.7
Additions	0.2	-	0.2	0.3
Disposals	-	-	-	-0.1
Acquisition cost on December 31	4.0	0.1	4.0	3.9
Accumulated depreciation on January 1	3.4	-	3.4	3.3
Accumulated depreciation on disposals and transfers	-	-	-	-0.1
Depreciation during the financial year	0.2	-	0.2	0.2
Accumulated depreciation on December 31	3.6	-	3.6	3.4
Book value on December 31, 2021	**0.3**	**0.1**	**0.4**	**-**
Book value on December 31, 2020	0.3	0.1	-	0.4

9. RECEIVABLES

EUR million	2021	2020
Current		
Loan receivables from subsidiaries	83.8	385.0
Accrued income	33.8	25.2
Accrued corporate income	16.5	33.8
Other receivables	0.0	0.7
Other receivables from subsidiaries	103.9	26.7
Total	**238.0**	**471.3**
Non-current		
Intercompany loan receivables	408.2	82.1
Total	**408.2**	**82.1**
Total	**646.2**	**553.4**

10. ACCRUED INCOME

EUR million	2021	2020
Accrued interest and other financial items	6.3	7.6
Currency derivative assets	20.8	12.6
Accrued corporate income and prepaid expense	16.5	33.8
Other	6.7	5.0
Total accrued income	**50.2**	**59.0**

11. CHANGES IN EQUITY

EUR million	2021	2020
Restricted equity		
Share capital January 1	366.4	366.4
Share capital December 31	366.4	366.4
Premium fund January 1	115.0	115.0
Premium fund December 31	115.0	115.0
Restricted equity total	**481.4**	**481.4**
Non-restricted equity		
Retained earnings January 1	542.4	630.3
Dividends paid	-96.0	-92.9
Obsolete dividends	0.0	0.0
100 year donations	-	-1.1
Profit for the period	21.0	6.1
Development expenditure	-5.3	-
Retained earnings December 31	462.1	542.4
Non-restricted equity total	**462.1**	**542.4**
Total equity	**948.8**	**1,023.8**

For details on share capital see note 5.4. in the consolidated financial statements.

12. LOANS

EUR million	2021	2020
Non-current		
Loans from financial institutions	1,077.2	787.9
Non-current loans from financial institutions total	**1,077.2**	**787.9**
Current		
Current portion of long-term loans from financial institutions	82.4	71.5
Loans from financial institutions and other current loans	276.6	84.9
Current loans from financial institutions total	**359.0**	**156.4**
Loans from subsidiaries	255.6	300.3
Other loans total	**255.6**	**300.3**
Changes in non-current loans		
Loans from financial institutions		
January 1	787.9	720.7
Additions	458.0	275.2
Decreases	-188.6	-196.5
FX movement	20.0	-11.5
Total	**1,077.2**	**787.9**

Repayments	Loans from financial institutions
2022	359.0
2023	522.4
2024	185.7
2025	164.9
2026	173.8
2027–	30.5

13. OTHER NON-CURRENT LIABILITIES

EUR million	2021	2020
Loans from subsidiaries	0.0	0.0
Employee benefits	0.8	0.9
Total	**0.8**	**0.9**

14. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

EUR million	2021	2020
Trade payables	7.9	3.6
Intercompany trade payables	3.3	18.6
Trade payables	**11.2**	**22.2**
Other current liabilities	0.9	3.5
Other current liabilities to subsidiaries	7.6	15.3
Other current liabilities	**8.6**	**18.8**

15. ACCRUED EXPENSES

EUR million	2021	2020
Accrued interest and other financial expense	4.3	4.5
Currency derivative liabilities	16.4	9.8
Accrued expense to subsidiaries	18.9	24.4
Salaries and social security	9.8	6.3
Accrued income taxes	2.5	3.1
Miscellaneous accrued expense	1.5	0.5
Total	**53.3**	**48.6**

16. DERIVATIVES

Fair values of derivatives, EUR million	2021	2020
Currency derivatives		
with external parties	4.4	2.8
with subsidiaries	6.7	-8.9
Interest rate swaps	-0.9	-2.6
Total	**10.2**	**-8.7**

Nominal values of principles, EUR million	2021	2020
Currency derivatives		
with external parties	1,425.0	854.2
with subsidiaries	393.7	430.2
Interest rate swaps	262.4	170.1
Total	**2,081.1**	**1,454.5**

The nominal value of external currency derivatives is EUR 1,425.0 million and the nominal value of internal currency derivatives allocated to them is EUR 393.7 million. For the rest of the external currency derivatives hedge accounting is applied.

See note 5.8. in the consolidated financial statements for more information on the Group's financial risk management.

17. COMMITMENTS AND CONTINGENCIES

EUR million	2021	2020
Operating lease payments		
Under one year	1.1	1.0
Later than one year	0.7	1.6
Total	**1.8**	**2.6**
Guarantee obligations		
For subsidiaries	94.3	63.3

Signatures of the Board of Directors' Report and Financial Statements

Espoo, February 9, 2022

Pekka Ala-Pietilä	Kerttu Tuomas	Doug Baillie	William R. Barker
Anja Korhonen	Sandra Turner	Ralf K. Wunderlich	

Thomas Geust
Deputy CEO

Auditor’s Report

This document is an English translation of the Finnish auditor’s report.
Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Huhtamäki Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Huhtamäki Oyj (business identity code 0140879-6) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.6. to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matter	How the matter was addressed in the audit
Valuation of goodwill and acquisition related intangible assets (Refer to notes 3.1., 3.2. and 3.3. to the consolidated financial statements)	
At year end 2021 goodwill and intangibles totalled EUR 1,122 million and represented 25 percent of the consolidated total assets. On September, 2021 Huhtamaki expanded its operations through the acquisition of Elif Holding A.S. (Elif). Based on the preliminary Purchase Price Allocation a goodwill of EUR 219 million was recognized. Goodwill is tested for impairment at least annually. Preparation of cash flow projections used as the basis for the impairment tests requires management judgments and assumptions for profitability, long-term growth rate and discount rate. Based on the preliminary Purchase Price Allocation the Elif acquisition-related recognised assets for customer relationships and trademark at the year-end 2021 totalled to EUR 79 million. These intangible assets have finite useful lives and are amortized on a straight-line basis over their useful lives. Due to the uncertainty related to the projections used in the impairment testing and the significant carrying amounts involved, valuation of goodwill is considered a key audit matter.	Our audit procedures included assessment of the key assumptions used in the impairment tests by reference to the budgets approved by the parent company's Board of Directors, data external to the Group and our own views. We involved KPMG valuation specialists to assess the mathematical accuracy of the calculations and to compare the assumptions to externally available market and industry data. In respect of the acquisition-related intangible assets of Elif we evaluated the preliminary Purchase Price Allocations by assessing the related calculations and the underlying assumptions. In addition, we considered the appropriateness of the disclosures presented.
Revenue recognition (Refer to note 2.1. to the consolidated financial statements)	
Huhtamäki Group revenues are generated from sales of disposable tableware products, foodservice packaging products as well as ice cream containers and other consumer good packaging products. Consolidated net sales in 2021 was EUR 3,575 million. Sales contracts with customers include several different delivery terms, which determine when the ownership of the product is transferred to the customer. Revenue recognition is considered a key audit matter due to the considerable number of sales transactions and risk that revenue is recognized in an incorrect period.	In our audit of revenues, we have tested key controls related to sales and performed substantive audit procedures, by using e.g. data-analytics. • We have assessed the accounting principles and practises for different revenue streams and evaluated the appropriateness of the revenue recognition principles in relation to the IFRS-standards. • We have tested revenue, discounts, and pricing using data-analytics. • We have tested selected samples of sales transactions comparing them to sales invoices, contracts, delivery notes, external confirmations and payments received. • We have verified that revenues have been recognized in the appropriate financial year by comparing sales transactions, invoices and delivery terms to actual deliveries as well as by inspecting credit invoices made in early 2022. • In addition, we considered the appropriateness of the disclosures regarding net sales.

The key audit matter	How the matter was addressed in the audit
Valuation of inventories (Refer to note 4.1. to the consolidated financial statements)	
Group's value of inventories totalled EUR 666 million at year end 2021. Inventory management, stocktaking routines and costing of inventories are underlying key factors in determining the value of inventories. The valuation of inventories involves management judgement and assessment in relation to obsolete inventory and net realisable value for finished goods and therefore considered a key audit matter.	We have evaluated the appropriateness of the valuation principles in relation to the IFRS-standards and tested related key controls and performed substantive audit procedures, by using e.g. data-analytics. • We have attended stock takings in selected inventory locations and assessed the appropriateness of the stock taking processes. • We have compared the value of selected finished goods inventory items to the sales prices. • We have analysed slow-moving inventory items and items with exceptional values using data analytics. • We have assessed the inventory valuation principles and the adequacy of the provisions recorded.
Income taxes (Refer to note 2.7. to the consolidated financial statements)	
Income taxes are material to the financial statements as a whole. The Group's presence is global, and it operates in several countries with different and changing tax rules. Management use judgments when assessing tax matters and -risks and impacting on the recognition of deferred tax assets, -liabilities and tax provisions. Due to the above income taxes are considered a key audit matter.	We have evaluated the appropriateness of the accounting principles in relation to the IFRS-standards and the processes for recognizing and assessing current and deferred tax. Our audit procedures for calculation and valuation of deferred taxes and tax provisions included assessment of assumptions and methodologies used by management and correspondence with tax authorities. We involved KPMG tax specialists both on group level and in significant subsidiaries. In addition, we considered the appropriateness of the disclosures regarding income taxes.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on April 29, 2020, and our appointment represents a total period of uninterrupted engagement of 2 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 9 February 2022

KPMG Oy Ab
Henrik Holmbom
Authorised Public Accountant, KHT

Definitions for performance measures

Performance measures according to IFRS

Earnings per share (EPS) attributable to equity holders of the parent company =	Profit for the period – non-controlling interest / Average number of shares outstanding
Diluted earnings per share attributable to equity holders of the parent company (diluted EPS) =	Diluted profit for the period – non-controlling interest / Average fully diluted number of shares outstanding

Alternative performance measures

EBITDA =	EBIT + depreciation and amortization
Dividend yield =	100 x Dividend per share / Share price at December 31
Shareholders' equity per share =	Total equity attributable to equity holders of the parent company / Number of shares outstanding at December 31
P/E ratio =	Share price at December 31 / Earnings per share
Market capitalization =	Number of shares outstanding multiplied by the corresponding share price on the stock exchange at December 31
Return on investment (ROI) =	100 x (Profit before taxes + interest expenses + net other financial expenses) / Statement of financial position total – interest-free liabilities (average)
Return on equity (ROE) =	100 x Profit for the period / Total equity (average)
Net debt to equity (gearing) =	Interest-bearing net debt / Total equity
Solidity =	100 x Total equity / Statement of financial position total – advances received
Current ratio =	Current assets / Current liabilities
Times interest earned =	Earnings before interest and taxes + depreciation, amortization and impairment / Net interest expenses
Return on net assets (RONA) =	100 x Earnings before interest and taxes (12m roll.) / Net assets (12m roll.)
Operating cash flow =	Adjusted EBIT + depreciation and amortization (including impairment) – capital expenditure + disposals +/– change in inventories, trade receivables and trade payables
Free cash flow =	Net cash flow from operating activities – capital expenditure + proceeds from selling tangible and intangible assets
Comparable net sales growth =	Net sales excluding foreign currency changes, acquisitions and divestments

In addition to IFRS and alternative performance measures presented above, Huhtamaki may present adjusted performance measures, which are derived from IFRS or alternative performance measures by adding or deducting items affecting comparability (IAC). The adjusted performance measures are used in addition to, but not substituting, the performance measures reported in accordance with IFRS.

Key figures and financial development

Huhtamaki 2017–2021

EUR million		2021	2020	2019	2018	2017
Net sales		3,574.9	3,301.8	3,399.0	3,103.6	2,988.7
Increase in net sales	%	8.3	-2.9	9.5	3.8	4.3
Net sales outside Finland		3,523.1	3,252.5	3,342.8	3,055.4	2,941.7
Earnings before interest, taxes, depreciation, amortization and impairment		469.6	464.5	448.8	390.3	386.3
Earnings before interest, taxes, depreciation and amortization/net sales (%)	%	13.1	14.1	13.2	12.6	12.9
Earnings before interest and taxes		296.0	265.3	285.5	225.5	264.3
Earnings before interest and taxes/net sales (%)	%	8.3	8.0	8.4	7.3	8.8
Profit before taxes		263.0	237.1	256.7	194.4	246.8
Profit before taxes/net sales (%)	%	7.4	7.2	7.6	6.3	8.3
Profit for the period		202.7	183.7	199.0	156.9	196.5
Total equity		1,597.2	1,364.5	1,437.1	1,267.3	1,208.2
Return on investment (%)	%	10.6	10.3	11.9	10.4	13.4
Return on shareholders' equity (%)	%	13.9	12.9	14.8	12.8	16.6
Solidity (%)	%	35.4	38.1	39.9	39.2	41.4
Net debt to equity		0.95	0.64	0.63	0.73	0.58
Current ratio		1.22	1.42	1.39	1.29	1.48
Times interest earned		14.25	15.44	16.23	13.21	24.01
Capital expenditure		259.4	223.5	203.9	196.9	214.8
Capital expenditure/net sales (%)	%	7.3	6.8	6.0	6.3	7.2
Research & development		25.7	20.7	22.0	20.2	19.2
Research & development/net sales (%)	%	0.7	0.6	0.6	0.6	0.6
Number of shareholders (December 31)		43,774	36,764	31,056	31,755	30,474
Personnel (December 31)		19,564	18,227	18,598	17,663	17,417

IFRS 16 Leases standard has been adopted as of January 1, 2019 using full retrospective transition method. The financial information for 2018 has been restated. Financial information for 2016–2017 is not restated and thus not fully comparable.

Key exchange rates in euros

EUR million		2021 Income statement	2021 Statement of financial position	2020 Income statement	2020 Statement of financial position
Australian Dollar	AUD	0.6350	0.6413	0.6040	0.6240
British Pound	GBP	1.1625	1.1915	1.1249	1.1073
Indian Rupee	INR	0.0114	0.0119	0.0118	0.0111
Russian Rouble	RUB	0.0115	0.0118	0.0121	0.0109
Thai Baht	THB	0.0264	0.0264	0.0280	0.0272
US Dollar	USD	0.8447	0.8823	0.8765	0.8143

The exchange rates used at the month end are the rates of the date prior to the last working day of the month, due to the change of publication time of the ECB euro foreign exchange reference rates.

Share and shareholders

The Company has one class of shares. Each share carries one vote at the General Meeting of Shareholders. The Company does not have in force any option rights plan or any other plan based on which the Company can issue special rights entitling to subscription of the Company's shares.

Article 11 of the Articles of Association of the Company contains provisions concerning the redemption obligation of shareholders. Election of the members of the Board of Directors and the Chief Executive Officer is stipulated in Articles 4, 5 and 8 of the Articles of Association.

The Annual General Meeting of Shareholders on April 22, 2021 authorized the Board of Directors to decide: (i) on the repurchase of the Company's own shares and (ii) on the issuance of shares as well as the issuance of special rights entitling to shares. The authorizations remain in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2022.

Certain agreements relating to the financing of the Company as well as supply agreements entered into with certain most significant customers contain terms and conditions upon which the agreement may terminate if control in the Company changes as a result of a public tender offer.

Per share data

EUR million		2021	2020	2019	2018	2017
Earnings per share	EUR	1.91	1.69	1.82	1.50	1.86
Earnings per share (diluted)	EUR	1,91	1.69	1.82	1.50	1.85
Dividend (nominal)	EUR	0,94[1]	0.92	0.89	0.84	0.80
Dividend/earnings per share	%	49.2[1]	54.3	48.9	56.0	43.0
Dividend yield	%	2.4[1]	2.2	2.2	3.1	2.3
Shareholders' equity per share	EUR	14.57	12.31	12.92	11.70	11.13
Average number of shares adjusted for share issue		104,360,114[2]	104,349,676	104,344,950	104,281,454	104,050,625
Number of shares adjusted for share issue at year end		104,364,676[2]	104,349,676	104,349,676	104,334,676	104,112,067
P/E ratio		20.4	24.9	22.7	18.0	18.8
Market capitalization at December 31	EUR million	4,058.7[2]	4,409.8	4,318.0	2,824.3	3,643.9
Trading volume in NASDAQ OMX Helsinki Ltd	units	50,514,600[3]	59,337,954	54,959,467	75,209,544	67,759,658
Trading volume in alternative trading venues	units	99,597,314[4]	92,820,000	90,523,665	125,806,431	108,324,464
Trading volume, total	units	150,111,914	152,157,954	145,483,132	201,015,975	176,084,122
In relation to average number of shares	%	143.8[2]	145.8	139.4	192.8	169.2
Development of share price						
Lowest trading price	EUR	36,57	23.48	26.81	22.96	31.45
Highest trading price	EUR	45,93	46.62	42.20	36.89	37.68
Trading price on December 31	EUR	38,89	42.26	41.38	27.07	35.00

[1] 2021: Board's proposal
[2] Issue-adjusted and excluding treasury shares
[3] Source: Nasdaq Helsinki Ltd
[4] Source: Fidessa Fragmentation Index, fragmentation.fidessa.com

See also note 2.8. Earnings per share.

Distribution of ownership by number of shares on December 31, 2021

Number of shares	Number shareholders	% of shareholders	Number of shares	% of shares
1–100	23,278	53.2%	913,459	0.8%
101–1,000	16,786	38.3%	6,125,843	5.7%
1,001–10,000	3,430	7.8%	8,675,054	8.1%
10,001–100,000	232	0.5%	6,385,802	5.9%
100,001–1,000,000	39	0.1%	11,967,402	11.1%
More than 1,000,000	9	0.0%	73,624,965	68.3%
Total	43,774		107,692,525	99.9%
In the joint book-entry account			67,860	0.1%
Number of shares issued			**107,760,385**	**100.0%**

Distribution of ownership by sector on December 31, 2021

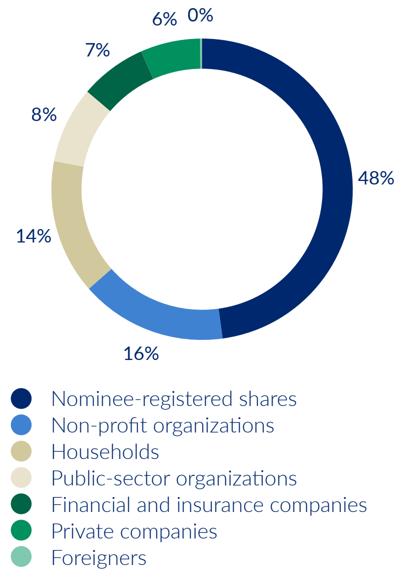
Sector	Number of shares	%
Nominee-registered shares	51,491,156	47.8%
Non-profit organizations	16,910,320	15.7%
Households	15,587,824	14.5%
Public-sector organizations	8,854,397	8.2%
Financial and insurance companies	7,711,883	7.2%
Private companies	6,898,538	6.4%
Foreigners	238,407	0.2%
In the joint book-entry account	67,860	0.1%
Number of shares issued	**107,760,385**	**100.0%**

Largest registered shareholders on December 31, 2021*

Sector	Number of shares and votes	%
Finnish Cultural Foundation	11,314,840	10.5
Ilmarinen Mutual Pension Insurance Company	3,145,000	2.9
Varma Mutual Pension Insurance Company	2,745,809	2.5
Holding Manutas Oy	1,370,000	1.3
Elo Mutual Pension Insurance Company	1,163,221	1.1
Society of Swedish Literature in Finland	963,500	0.9
Security Trading Oy	780,000	0.7
OP-Finland	769,198	0.7
The State Pension Fund	650,000	0.6
Total	**22,901,568**	**21.3**

* Excluding own shares acquired by Huhtamäki Oyj totaling 3,395,709 and representing 3.2% of the total number of shares.

Shareholder distribution by sector on December 31, 2021

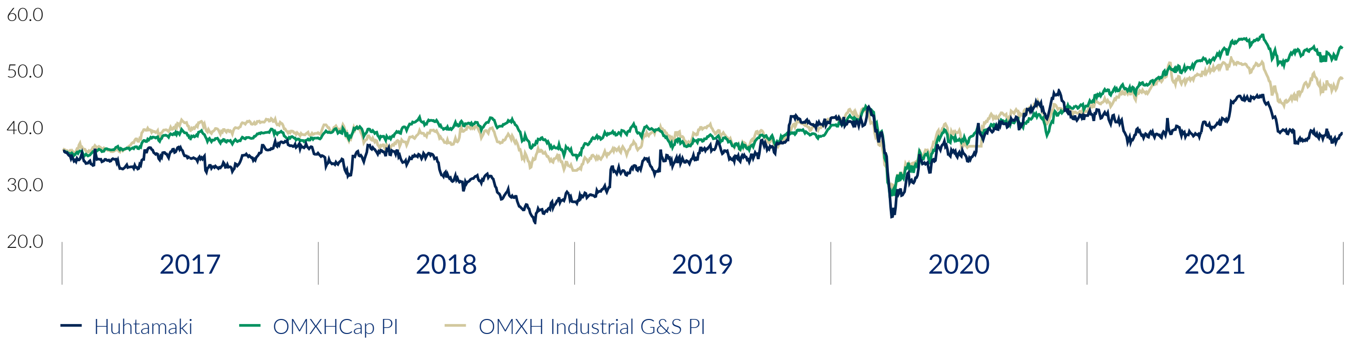


The list above includes only direct registered shareholders and is based on information available from Euroclear Finland Ltd., excluding 3,395,709 shares held by Huhtamäki Oyj that represent 3.2% of the total number of shares. Nominee-registered holdings, which may be substantial, are not included. On December 31, 2021 nominee-registered shareholders held in total 48% of Huhtamäki Oyj's shares.

Lannebo Fonder AB, whose shareholding is nominee-registered, has requested to be identified as a major shareholder of Huhtamäki Oyj. According to documentation provided by Lannebo, on December 31, 2021, they held 3,000,450 Huhtamäki Oyj shares, representing 2.9% of the total number of shares.

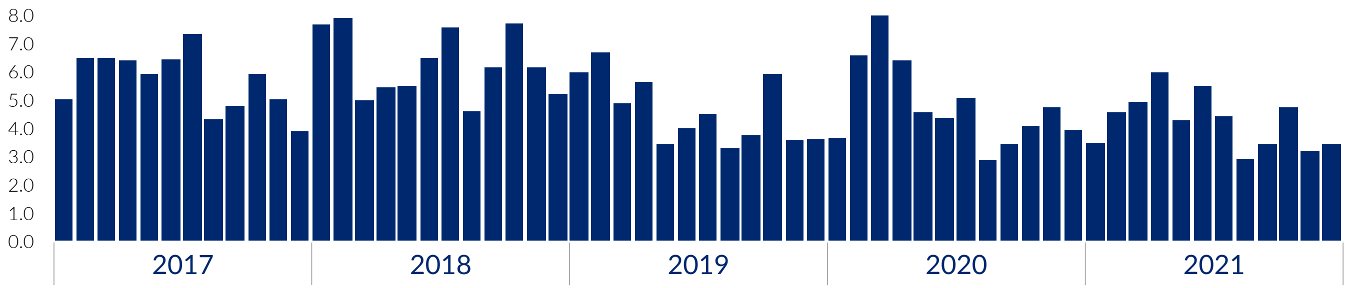
Development of Huhtamaki's share price January 2, 2017–December 31, 2021

EUR



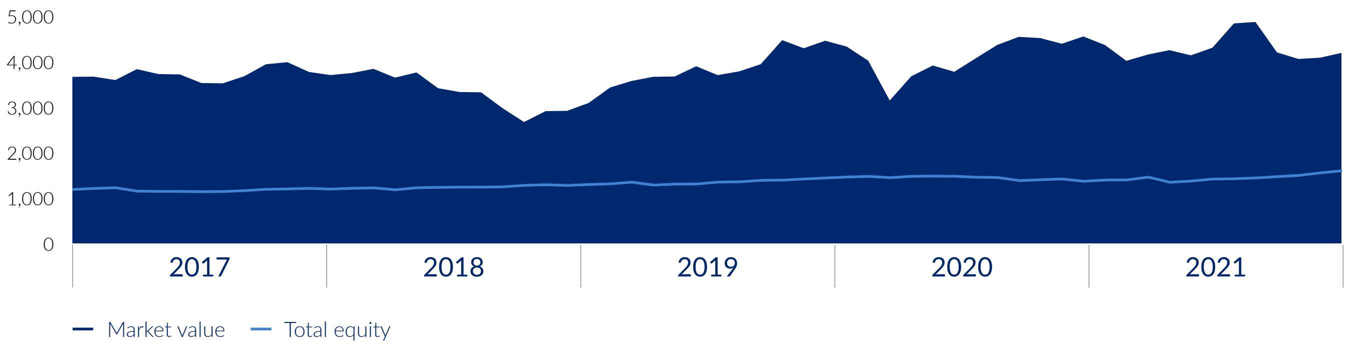
Monthly trading volume on Nasdaq Helsinki, 2017–2021

Shares million



Market value and equity, 2017–2021

EUR million




GOVERNANCE

Corporate Governance Statement

Introduction

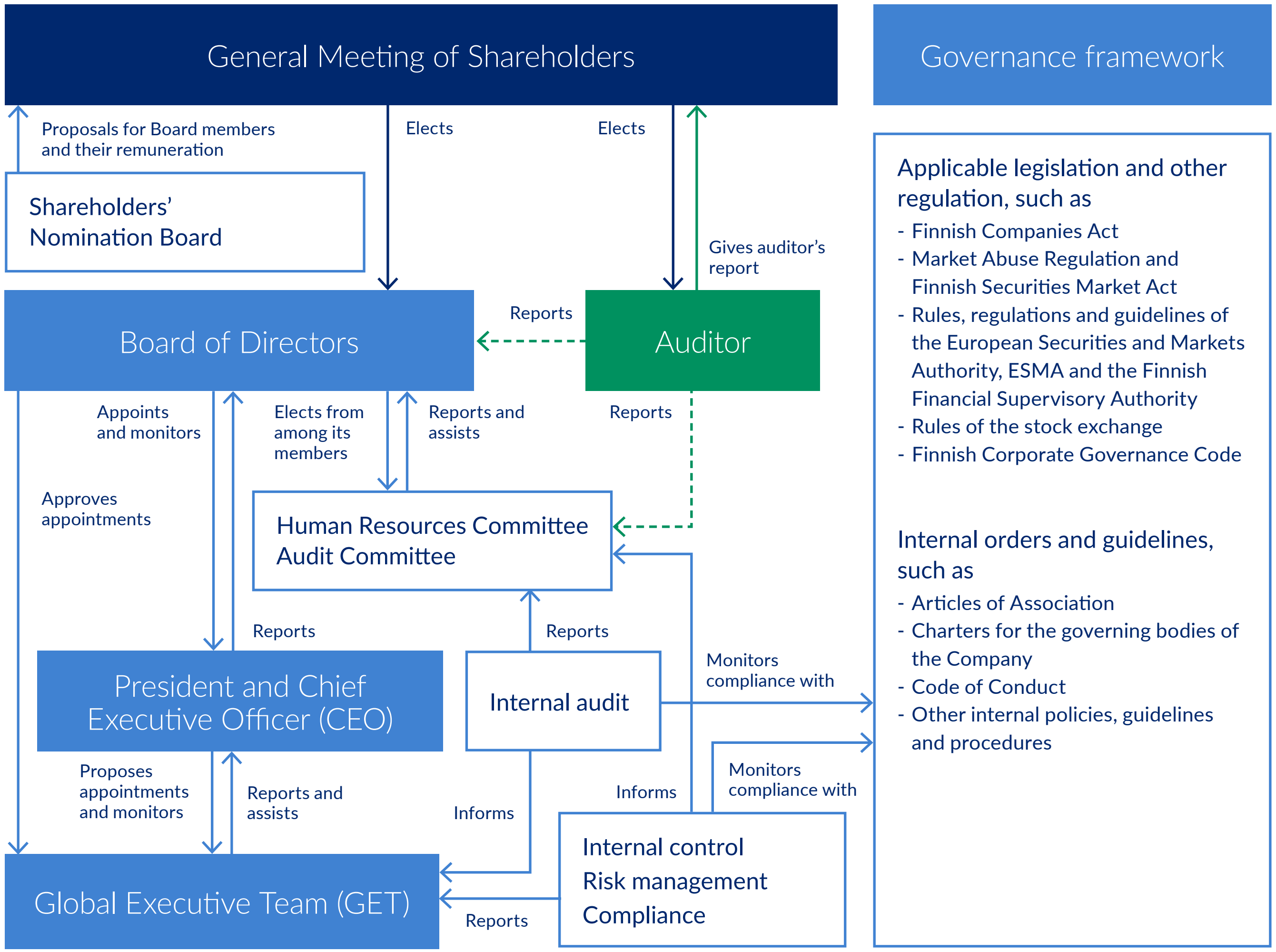
Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Corporate Governance Statement complies with the Code effective from January 1, 2020. The Code is available in its entirety on the internet at www.cgfinland.fi. Huhtamäki Oyj is a support member of the Securities Market Association.

This separate Corporate Governance Statement has been issued and published in connection with the Directors' Report. The Audit Committee of the Board of Directors of the Company has reviewed the statement and it has been approved by the Board of Directors. The Auditor of the Company has reviewed that the statement has been issued and that the description of the main principles of internal control and risk management systems of the financial reporting process fully complies with the financial statements of the Company.

The Company's corporate governance comprises the General Meeting of Shareholders, the Shareholders' Nomination Board (Nomination Board), the Board of Directors (Board) and the Committees founded by it, the President and Chief Executive Officer (President and CEO) and the Global Executive Team (GET), laws and regulations applicable in countries where the Group operates as well as the Group's internal policies, guidelines and practices.

Updated information on the governance of the Company is available on the Company's website in section "Corporate Governance" (www.huhtamaki.com – Investors – Corporate Governance).

Corporate governance structure



Descriptions concerning corporate governance

Shareholders' Nomination Board

Huhtamäki Oyj's Annual General Meeting of Shareholders (AGM) resolved on April 29, 2020 to establish a Shareholders' Nomination Board and to adopt the Charter of the Shareholders' Nomination Board. The Nomination Board was established until further notice. The Nomination Board is responsible for preparing proposals to the General Meeting for the election and remuneration of the members of the Board of Directors.

Each of the four largest shareholders of the Company determined annually on the basis of the shareholders' register on August 31 have a right to appoint one member to the Nomination Board. In addition, the Chairman of the Board of Directors of the Company shall serve as an expert member of the Nomination Board. The representative of the largest shareholder will be the Chairman of the Nomination Board, unless the Nomination Board decides otherwise. The term of office of the members of the Nomination Board ends annually after the new Nomination Board has been nominated.

The members of the Nomination Board are not entitled to any remuneration on the basis of their membership in the Nomination Board. The members' travel expenses are reimbursed in accordance with the Company's travel policy.

Tasks and duties of the Shareholders' Nomination Board

The tasks and duties of the Nomination Board are defined in the Charter of the Shareholders' Nomination Board. The Charter is available on the Company's website in section "Shareholders' Nomination Board" (www.huhtamaki.com – Investors – Corporate Governance – Shareholders' Nomination Board).

The tasks and duties of the Nomination Board include, among other things,

- preparing and presenting to the General Meeting proposals for:
  - the remuneration and coverage of expenses of the members of the Board of Directors and the Board Committees
  - the number of the members of the Board of Directors
  - the election of the members of the Board of Directors, Chairman and Vice-Chairman
- seeking prospective successor candidates for the members of the Board of Directors
- participating in the development of the principles on diversity of the Board of Directors.

The members and meetings of the Shareholders' Nomination Board

The following persons belonged to the Nomination Board on December 31, 2021:

Chairman Mr. Antti Arjava
Born 1961
Main occupation: Secretary General, The Finnish Cultural Foundation
Education: Ph.D. (Philosophy)

Ms. Annika Ekman
Born 1977
Main occupation: Head of Direct Equity Investments, Ilmarinen Mutual Pension Insurance Company
Education: M.Sc. (Economics)

Mr. Risto Murto
Born 1963
Main occupation: President and CEO, Varma Mutual Pension Insurance Company
Education: Ph.D. (Economics)

Mr. Johan Ståhl
Born 1963
Main occupation: Portfolio Manager, Lannebo Fonder
Education: B.Sc. (Economics), Stockholm University

Mr. Pekka Ala-Pietilä (Expert member)
Chairman of the Board of Directors of Huhtamäki Oyj
Curriculum vitae of Pekka Ala-Pietilä is available on page 135.

In 2021, the Nomination Board held five meetings. The average attendance of the members at the Nomination Board meetings was 100%.

Board of Directors

Election and composition of the Board

The Shareholders' Nomination Board shall prepare a proposal concerning the composition of the Board to be presented to the General Meeting of Shareholders. The General Meeting elects the Board members for the term of office expiring at the close of the AGM following the election, including the Chairman and Vice-Chairman. The Articles of Association of the Company do not contain any provisions on a special order of appointment of the Board members. Any shareholder of the Company may also make a proposal directly to the General Meeting in accordance with the Finnish Companies Act. If the President and CEO of the Company was elected to the Board, the President and CEO could however not be elected as the Chairman of the Board.

When preparing its proposal concerning the composition of the Board, the Nomination Board shall take into account the independence requirements under the Code, the results of the annual performance assessment of the Board, the principles on diversity of the Board and other applicable rules and regulations. According to the Articles of Association of the Company the Board shall consist of a minimum of six and a maximum of nine members. There are no limitations as to the number of terms a person may be elected as Board member or as to the maximum age of a Board member. The Nomination Board may also consult an external expert in order to find and assess suitable candidates.

Board members

The AGM 2021 elected the following seven individuals to the Board:

Chairman Mr. Pekka Ala-Pietilä

Born 1957, Finnish citizen

Independent of the Company and significant shareholders

Starting date: April 24, 2012

Board Committees: Chairman of the Human Resources Committee

Main occupation: Miscellaneous positions of trust

Education: M.Sc. (Econ); D.Sc. (Econ) h.c. and D.Sc. (Tech) h.c.

Primary working experience: Blyk Services Ltd., Co-founder and CEO (2006–2011); Nokia Corporation, several different roles (1984–2005), last positions as President (1999–2005), Member of the Group Executive Board (1992–2005) and Nokia Mobile Phones, President (1992–1998)

Key positions of trust: HERE Technologies, Chairman of the Supervisory Board (2021–); Sanoma Corporation, Chairman of the Board (2016–) and Board member (2014–2016); SAP SE, Supervisory Board member (2002–2021); Netcompany A/S, Chairman of the Board (2017–2019); Pöyry PLC, Board member (2006–2017); Solidium Oy, Chairman of the Board (2011–2015)

Vice-Chairman Ms. Kerttu Tuomas

Born 1957, Finnish citizen

Independent of the Company and significant shareholders

Starting date: April 27, 2017

Board Committees: Member of the Audit Committee

Main occupation: Miscellaneous positions of trust

Education: B.Sc. (Econ)

Primary working experience: KONE Corporation, Executive Vice President, Human Resources and member of the Executive Board (2002–2017); Elcoteq Network Corporation, Group Vice President, Human Resources (2000–2002); MasterFoods Oy (Mars), Personnel & Organization Manager (1994–1999); Mercuri Urval, Consultant (1987–1993)

Key positions of trust: Medix Biochemica Group Oy, Board member (2018–); Finnish National Opera and Ballet, Board member (2016–); Kemira Oyj, Vice-Chairman of the Board (2014–2021) and Board member (2010–2014)

Mr. Doug Baillie

Born 1955, U.K. citizen

Independent of the Company and significant shareholders

Starting date: April 21, 2016

Board Committees: Member of the Human Resources Committee

Main occupation: Miscellaneous positions of trust

Education: BComm, Business Finance, Marketing & Business Administration

Primary working experience: Unilever Group, several different roles (1978–2016), last positions Chief Human Resources Officer and a member of the Executive Board (ULE) of Unilever Group (2008–2016), President, Western Europe (2008–2011), Chief Executive Officer & Group Vice President, South Asia, Hindustan Unilever (2006–2008) and Group Vice President, Africa, Middle East & Turkey (2004–2005)

Key positions of trust: Little Sun Foundation, Board member (2020–); Airtel Africa PLC, Board member (2019–); The MasterCard Foundation, Board member (2015–); Leverhulme Trust, Board member (2015–)

Mr. William R. Barker

Born 1949, U.S. citizen

Independent of the Company and significant shareholders

Starting date: March 24, 2010

Board Committees: Member of the Human Resources Committee

Main occupation: Miscellaneous positions of trust

Education: MBA and B.Sc. (Chem. Eng.)

Primary working experience: Milacron LLC, Executive Vice President (2013–2014); Mold-Masters (2007) Limited, President and CEO (2010–2013); The Whitehawk Group LLC, CEO (2009–2010); Rexam PLC, Board member and Rexam Beverage Can, Group Executive Director (2005–2009); Rexam Beverage Can Americas, President & CEO (2001–2004); Textron, Inc., President, Textron Fastening Systems – Commercial Solutions (2000–2001); OEA Inc., President, OEA Automotive Safety Products (1998–2000); Bosal International N.V., President, Bosal North America (1995–1998); Gates Rubber Company, Vice President, Gates Power Drive Products, Managing Director, Asia Pacific Operations and other positions (1972–1995)

Key positions of trust: Shield Holdco LLC (holding company of Dynatect Manufacturing, Inc.), Chairman of the Board (2014–2019) and Board member (2014–); Shape Technologies Group, Inc., Chairman of the Board (2015–2019) and Board member (2015–2019); Leeds School of Business, University of Colorado, Board member (2008–2018); The Carlstar Group LLC, Board member (2014–2017); Mcron Acquisition Corporation (holding company of Milacron LLC), Board member (2013–2014); Mold-Masters (2007) Limited, Board member (2010–2013); Rexam PLC, Board member (2005–2009)

Ms. Anja Korhonen

Born 1953, Finnish citizen

Independent of the Company and significant shareholders

Starting date: April 25, 2018

Board Committees: Chairman of the Audit Committee

Main occupation: Miscellaneous positions of trust

Education: M.Sc. (Econ.)

Primary working experience: Nokia Corporation, several different roles (1996–2011), Senior Vice President, Corporate Controller (2006–2011), Vice President, Business Controller, Mobile Phones (2004–2006) and Senior Vice President, Business Controller, Mobile Phones (1996–2003); Hewlett-Packard, several different roles (1983–1996), including Nordic Controller and Finance & Admin Manager, Finland (1996) as well as other management and finance positions in Finland and abroad

Key positions of trust: Oriola Oyj, Board member (2014–); Outotec Oyj, Board member (2013–2020)

Ms. Sandra Turner

Born 1952, U.K. citizen

Independent of the Company and significant shareholders

Starting date: April 20, 2011

Board Committees: Member of the Audit Committee

Main occupation: Miscellaneous positions of trust

Education: BA (Marketing) Honours

Primary working experience: Tesco PLC, several different roles in United Kingdom and Ireland (1987–2009), last position Commercial Director, Tesco Ireland Limited (2003–2009)

Key positions of trust: Greggs PLC, Board member (2014–); McBride PLC, Board member (2011–2020); Greene King PLC, Board member (2019); Berkhamsted School, Board of Governors, Vice-Chairman (2013–2021) and member (2011–2013); Carpetright PLC, Board member (2010–2019); Countrywide PLC, Board member (2013– 2014); Northern Foods PLC, Board member (2010–2011)

Mr. Ralf K. Wunderlich

Born 1966, German citizen

Independent of the Company and significant shareholders

Starting date: July 1, 2018

Board Committees: Member of the Human Resources Committee

Main occupation: Senior Adviser, Independent Consultant and Operating Partner to private equity companies

Education: B.Sc. (Business Administration)

Primary working experience: Amcor Group, President and Managing Director, Flexibles, Asia Pacific and Member, Global Management Team (2010–2016); LINPAC Packaging Ltd, President and Managing Director, and Executive Director, LINPAC Group companies (2008–2009); Rio Tinto Alcan, several different roles (1993–2007), including President, Alcan Packaging Global Tobacco and Member, Alcan Packaging Executive Committee United States and United Kingdom (2005–2007) as well as other management positions in Germany, Italy, Malaysia and Singapore

Key positions of trust: AptarGroup, Board member (2009–); Essentra PLC, Board member (2017–); Shepherd Building Group, Board member (2021–)

Diversity of the Board

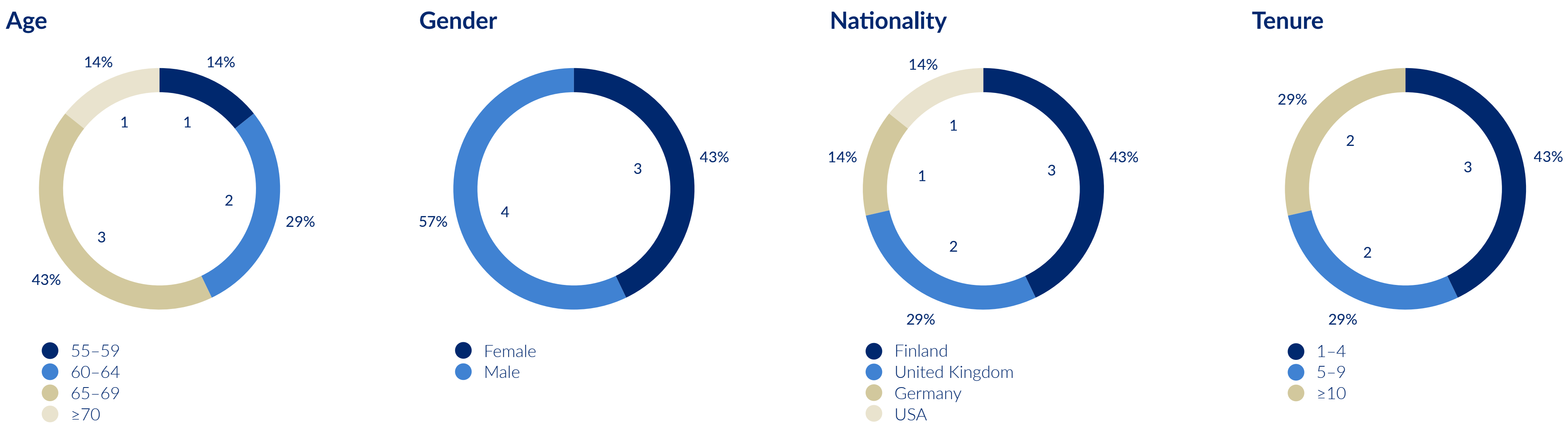
The principles on diversity of the Board are defined in the Charter of the Shareholders' Nomination Board. According to the Charter of the Nomination Board, the Board must have sufficient expertise, competence and experience related to the Company's line of business. The composition of the Board shall reflect the requirements set by the Company's operations and development stage. The Board must specifically have sufficient collective knowledge and competence in:

- matters pertaining to the Company's line of business and its business operations
- management of an internationally operating public limited company of corresponding size
- group and financial management
- strategy as well as mergers and acquisitions
- internal control and risk management
- corporate governance

The selection of the members of the Board is based on candidates' background and competence to understand Huhtamaki's current and future markets, strategy, employees and customers, including a sound understanding of financials and business dynamic. The Board must as a whole have combined experience in different markets, geographies and important topics like digitalization and sustainability. The most important nomination criteria for the candidates of the Board are competency, knowledge, personal qualities and integrity. Both genders shall be represented on the Board. These principles on diversity are central to achieving objectives concerning the diversity and ensuring that the Board composition corresponds to the needs of Huhtamaki.

The objectives concerning the diversity of the Board have been achieved well. According to the Shareholders' Nomination Board, the composition of the Board comprises qualifications defined in the principles on diversity of the Charter of the Nomination Board, that were valid at the time of the election of the Board members, in a balanced way. As regards diversity in terms of gender, both genders are represented in the Board in a well-balanced manner and both genders have been represented in the Board for a long time. Since 2009, two to three Board members have been female thus representing 25–43% of all Board members. At the AGM in 2021 seven members representing four different nationalities were elected to the Board. Currently, the age structure of the Board members is 55–72 years and three Board members are female (43%) and four are male (57%). The Board members have international experience in different roles in global companies operating in the different businesses and geographical market areas that are important for the Group. Board members hold or have held management positions and positions of trust in both listed and unlisted companies. All Board members have a university level degree, mainly in technology or finance. More information on the educational and professional background of the Board members is available on pages 141–143.

Diversity of the Board*



* Composition of the Board on December 31, 2021

In the view of the Nomination Board, the current composition of the Board ensures well both comprehensive knowledge of the Company and new insights. The Board strives to ensure that experienced Board members with longer history in the Company's Board and with wide knowledge of the Company's various stages transfer their Company specific knowledge and expertise to the new members thereby ensuring that the knowledge stays in the Board also in the future.

Board expertise areas

			Independent of		Committee memberships in 2021	
Name	Board member since	Principal expertise areas	Company	Significant shareholders	Audit Committee	Human Resources Committee
Pekka Ala-Pietilä	2012	Digitalization, Emerging markets	●	●		Chairman
Kerttu Tuomas	2017	Human Resources, Emerging markets	●	●	Member	
Doug Baillie	2016	FMCG and retail, Sustainability, Human Resources, Emerging markets	●	●		Member
William R. Barker	2010	Packaging industry, Emerging markets	●	●		Member
Anja Korhonen	2018	Finance and accounting, Risk management, Emerging markets	●	●	Chairman	
Sandra Turner	2011	FMCG and retail	●	●	Member	
Ralf K. Wunderlich	2018	Packaging industry, Sustainability, Emerging markets	●	●		Member

All board members have experience in global business leadership and the table sets out the additional expertise areas of each Board member. The fact that an item is not highlighted for a Board member does not mean that such member does not possess expertise in that area.

Independence of the Board members

All Board members are non-executive. The Board considers all Board members independent of the Company and independent of the significant shareholders of the Company. It was noted in the consideration that despite William R. Barker and Sandra Turner having served as directors for more than 10 consecutive years, the Board has determined no reasons justifying them to be considered dependent of the Company. The evaluation has been made based on the actual circumstances from both the perspective of the Company and the director in question.

Shares owned by the Board members on December 31, 2021

Pekka Ala-Pietilä	3,250
Kerttu Tuomas	3,000
Doug Baillie	1,000
William R. Barker	0
Anja Korhonen	2,000
Sandra Turner	1,000
Ralf K. Wunderlich	16,350
Board total	**26,600**

The shareholdings include the Company's shares owned by the Board members and by any potential corporations over which a Board member exercises control. Board members do not own any shares in any other Group companies than the Company. Information on the remuneration of the Board members is available in the Remuneration Report for the Governing Bodies issued and published in connection with the Directors' Report and available on the Company's website in section "Remuneration" (www.huhtamaki.com – Investors – Corporate Governance – Remuneration).

Responsibilities and duties of the Board

In addition to the powers vested in the Board by the Companies Act and the Articles of Association, the essential duties and working principles of the Board are defined in the Company's Charter of the Board of Directors.

The responsibilities and duties of the Board include, among other things,

- organizing the Company's management and operations including e.g.
  - appointing and dismissing the President and CEO and approving the proposals by the President and CEO for GET members' appointments and dismissals
  - deciding on the compensation of the President and CEO within the framework of the Remuneration Policy and of other GET members and annually reviewing the performance of the President and CEO and other GET members
  - defining the Group's ethical values and methods of working including e.g. the approval of the Company's Code of Conduct
  - deciding on related party transactions that are not part of the ordinary course of business of the Company or are not implemented under arms-length terms
- directing the Company's business and strategy including e.g.
  - establishing strategic and financial targets as well as dividend policy and approving the strategic plans and budget as well as monitoring their implementation
  - approving acquisitions and divestments as well as capital expenditure proposals exceeding EUR 10 million or proposals which are otherwise of material importance to the Group
  - discussing and approving of financial statements, Directors' Report, interim reports, Corporate Governance Statement, Remuneration Policy and Remuneration Report for the Governing Bodies and Sustainability Report
- financial communication and outlook
- internal control and risk management and
- preparation of matters to be resolved by the AGM.

The Board conducts an annual evaluation of its own performance and working methods. The evaluation may be conducted as an internal self-evaluation or by using an external evaluator. In 2021, the evaluation was done by using an external evaluator.

In order to discharge its duties, the Board requires sufficient information on the structure, business operations and markets of the Group. Each Board member is provided with a monthly report on the financial situation and markets of the Group. In addition, if necessary, the Board is informed of all material events in the Group. New Board members are properly introduced to the operations of the Company with induction presentations and materials as well as visits to selected manufacturing units.

Board meetings

The meetings of the Board are held at the Company's headquarters in Espoo or in other Group locations or in other places as decided by the Board. The Board may also hold its meetings by video or telephone and make decisions without convening a meeting. According to the Charter of the Board of Directors, it shall hold at least six regular meetings each year. In 2021, the Board held sixteen (16) meetings, eight (8) of which were video or telephone meetings and seven (7) were held without convening. The average attendance of the members at the Board meetings was 100%.

The President and CEO is usually attending all Board meetings. Other GET members are also invited to participate Board meetings depending on the matters to be deliberated in the respective meeting. The Auditor is participating annually in the meeting deliberating the financial statements. The Group General Counsel of the Company acts as the secretary of the Board.

Board members' attendance at the Board meetings in 2021

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	100	16/16
Kerttu Tuomas	100	16/16
Doug Baillie	100	16/16
William R. Barker	100	16/16
Anja Korhonen	100	16/16
Sandra Turner	100	16/16
Ralf K. Wunderlich	100	16/16

Board Committees

In order to focus on certain responsibilities, the Board may appoint Committees consisting of three to five Board members each. The Board also appoints the Chairman of each Committee. Each Committee member shall have the qualifications required by the duties of the Committee.

Board Committees and their duties and responsibilities

The Board currently has two Committees: the Human Resources Committee and the Audit Committee. The duties and responsibilities of the Committees are described in the charter for each Committee approved by the Board. The Committees assist the Board by preparing matters belonging to the competence of the Board. Each Committee regularly reports on its work to the Board. The Committees have no autonomous decision-making power and, thus, the Board passes its resolutions collectively. The entire Board remains responsible for the duties assigned to the Committees.

The duties and responsibilities of the Board Committees

Human Resources Committee

- To prepare, review and discuss development and implementation of people and organization strategy, talent management as well as other human resources matters and relating policies to be further deliberated by the Board
- To prepare the Remuneration Policy for the Governing Bodies and the Remuneration Report
- To prepare the appointment of the CEO and other GET members, including the terms and conditions as well as remuneration
- To review and assess the performance and remuneration of the CEO and other GET members and
- To review succession and contingency planning for the CEO and the GET including training development and talent management.

Audit Committee

- To monitor and assess Company's financial reporting system
- To monitor and assess the effectiveness and efficiency of the Company's internal control, internal audit and risk management systems
- To monitor and assess how agreements and other legal acts between the Company and its related parties meet the requirements of the ordinary course of business and arm's length terms
- To monitor and evaluate the independence of the statutory auditor, and in particular the provision of non-audit services
- To monitor the Company's auditing
- To prepare and make the recommendation to the Board for the election of the statutory auditor at the AGM
- To review the financial statements, Directors' Report, interim reports, Corporate Governance Statement and Sustainability Report.

The members and meetings of the Board Committees

Human Resources Committee

The Human Resources Committee shall meet at least twice a year. The following individuals have comprised the Human Resources Committee in 2021: Pekka Ala-Pietilä (Chairman), Doug Baillie, William R. Barker and Ralf K. Wunderlich. In 2021, the Human Resources Committee held seven meetings. The average attendance of the members at the Human Resources Committee meetings was 97%.

Members' attendance at the Human Resources Committee meetings in 2021

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	86	6/7
Doug Baillie	100	7/7
William R. Barker	100	7/7
Ralf K. Wunderlich	100	7/7

Audit Committee

The Audit Committee members shall have sufficient expertise and experience with respect to the committee's area of responsibility and the mandatory tasks relating to auditing. At least one member shall have competence in accounting and/or auditing. The Audit Committee members shall not be involved in the day-to-day management of the Group. The majority of the members shall be independent of the Company and at least one member shall be independent of the Company's significant shareholders. In addition to the Audit Committee members, the CFO of the Company and when considered necessary also other members of the Company's management participate in the Committee's meetings. The Auditor participates regularly in the meetings.

The Audit Committee shall meet in accordance with the schedule determined by the Committee but at least four times a year. The following individuals have comprised the Audit Committee in 2021: Anja Korhonen (Chairman), Kerttu Tuomas and Sandra Turner. In 2021, the Audit Committee held six meetings. The average attendance of the members at the Audit Committee meetings was 100%.

Members' attendance at the Audit Committee meetings in 2021

	Attendance (%)	Meetings attended
Anja Korhonen (Chairman)	100	6/6
Kerttu Tuomas	100	6/6
Sandra Turner	100	6/6

President and Chief Executive Officer

The President and CEO manages the Group and its businesses. According to the Companies Act the President and CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board and is responsible for ensuring that the book-keeping of the Company complies with the law and that the financial administration is arranged in a reliable manner. The President and CEO is responsible for the achievement of the goals, plans and objectives set by the Board. The President and CEO is the Chairman of the GET.

Charles Héaulmé (born 1966), B.Sc. (Business Administration), has acted as the Group President and CEO of Huhtamaki as of April 26, 2019. Before joining the Company, Charles Héaulmé acted in several different roles in Tetra Pak Group, latest position being Vice President Europe and Central Asia. Further information on the President and CEO Charles Héaulmé as well as his shareholding in the Company is available later in this statement in connection with information on other GET members.

Certain key conditions of the written Service Agreement between the Company and the President and CEO Charles Héaulmé, President and CEO's remuneration and information on the pension arrangement of the President and CEO are available in the Remuneration Report for Governing Bodies and published in connection with the Directors' Report and available on the Company's website in section "Remuneration" (www.huhtamaki.com – Investors – Corporate Governance – Remuneration).

Global Executive Team

The GET supports the President and CEO in the management of the Group and its businesses. It addresses and follows the implementation of the Group strategy and overall financial performance as well as the fulfillment of significant projects and set targets. The GET has no formal status under company law. The GET consists of the President and CEO as the Chairman and the executives approved by the Board. The GET members report to the President and CEO. Each GET member has a clear operational responsibility within a Global function or a business segment. The GET convenes at least once a month.

GET members

The following persons belonged to the GET on December 31, 2021:

Mr. Charles Héaulmé

Born 1966, French citizen

Chairman of the GET, President and Chief Executive Officer (CEO)

GET member since: April 26, 2019

Joined the company: 2019

Education: B.Sc. (Business Administration)

Primary working experience: Tetra Pak (1999–2019), several different roles in Europe and Americas, latest positions as Executive Vice President, Tetra Pak Europe & Central Asia (2015–2019), Vice President South Europe (2012–2014), Managing Director Southern Cone (2010–2012), Managing Director Central America & Caribbean (2007–2010). Prior to Tetra Pak, several Finance leadership positions at Bosch Braking Systems (1996–1999); AlliedSignal Automotive (1993–1996); KPMG (1990–1993); BRGM Gabon (1988–1990)

Key positions of trust: Fedrigoni Group, Board member (2021–)

Mr. Thomas Geust

Born 1973, Finnish citizen

Chief Financial Officer (CFO)

GET member since: October 1, 2013

Joined the company: 2013

Education: M.Sc. (Econ)

Primary working experience: ABB Group (2004–2013), several different roles, last position as Group Vice President, Global Controller, Business Unit Marine & Cranes; Schneider Electric (2003–2004), Global Division Controller, Vice President, Control; Lexel Group (2000–2003), Production Controller; KPMG (1998–2000), Auditor

Key positions of trust: –

Mr. Marco Hilty

Born 1972, Swiss and U.S. citizen

President, Flexible Packaging

GET member since: September 1, 2021

Joined the company: 2021

Education: Ph.D. (Management)

Primary working experience: Rubicon Technologies LLC (2018-2021), Chief Commercial Officer; Amcor (2007-2018), various regional and global commercial, GM and R&D roles in Switzerland and the United States; latest position as Vice President and General Manager, Amcor Flexibles North America; Vice President Business Group Sales and Commercial Excellence; McKinsey & Company (2004-2007), Engagement Manager; Hilty Business Consulting (2000-2004), Owner

Mr. Eric Le Lay

Born 1962, French citizen

President, Fiber and Foodservice Europe-Asia-Oceania

GET member since: March 12, 2008

Joined the company: 2008

Education: MBA, M.Sc. (Eng.)

Primary working experience: Huhtamäki Oyj (2008–), previous position as Executive Vice President, Foodservice Europe-Asia-Oceania; Amcor Limited (1997–2008), several different roles, last position as Managing Director, Chilled Foods, Amcor Flexible Europe; United Biscuits (1996–1997), Plant Manager; Johnson & Johnson International S.A. (1994–1996), Deputy Plant Manager; Kraft General Food France S.A. (1986–1994), various positions in operations and finance/controlling

Key positions of trust: European Paper Packaging Alliance (EPPA), President (2021–)

Ms. Ann O'Hara

Born 1970, U.S. citizen

President, North America

GET member since: January 1, 2021

Joined the company: 2020

Education: MBA, BSE (Chemical Engineering)

Primary working experience: Four Provinces Investments LLC (2019–2020), Managing Director; Global Products for the Intertek Group (2019), Executive Vice President; Amcor Limited (2008–2019), several different roles, last position as Vice President and General Manager, Rigid Plastic Diversified Products; General Electric Company (2003–2008), several different roles, last position General Manager, HC Lifescience Service; McKinsey & Company (1999–2003), Engagement Manager; Procter & Gamble (1993–1997), Technical Services Manager, Guangzhou, China and Tianjin, China & Product Development Engineer

Key positions of trust: Foodservice Packaging Institute, Board Member (2021–)

Ms. Thomasine Kamerling

Born 1972, Dutch citizen

Executive Vice President, Sustainability and Communications

GET member since: March 1, 2020

Joined the company: 2020

Education: M.A. (HONS)

Primary working experience: Varanah Ventures (2019–2020), Head of Communications and Public Affairs; Viskumed (2019–2020), Head of Value Creation; Hoffman-La Roche Pharmaceuticals (2015–2019), several positions, latest Head of Communications & Public Affairs, Europe; General Electric Oil & Gas (2010–2013), General Manager and Director, Global Communications; APCO Worldwide (1996–2008), several positions, latest Managing Director, Africa (Public Affairs & Strategic Communications)

Key positions of trust: –

Ms. Marina Madanat

Born 1979, Finnish citizen

Executive Vice President, Strategy and Business Development

GET member since: January 1, 2020

Joined the company: 2018

Education: M.Sc. (Econ.), B.Sc. (Electrical Eng.)

Primary working experience: Huhtamäki Oyj (2018–), previous position as Vice President, Strategy; Bain & Company (2007–2018) in Stockholm, Sweden; Helsinki, Finland and Boston, USA

Key positions of trust: –

Mr. Sami Pauni

Born 1974, Finnish citizen

Executive Vice President, Corporate Affairs and Legal, Group General Counsel

GET member since: February 12, 2015

Joined the company: 2006

Education: LL.M., EMBA

Primary working experience: Huhtamäki Oyj (2006–), several different legal and corporate affairs roles, previous position as Group Vice President, Legal, and General Counsel; Roschier Attorneys Ltd. (2001–2006), Attorney

Key positions of trust: International Chamber of Commerce (ICC), member of the Finnish Committee (2020–); Securities Market Association, member of the Market Practice Board (2013–); Confederation of Finnish Industries EK, member of the Legal Affairs Committee (2013–)

Ms. Teija Sarajärvi

Born 1969, Finnish citizen

Executive Vice President, Human Resources and Safety

GET member since: October 1, 2015

Joined the company: 2015

Education: M.A.

Primary working experience: Huhtamäki Oyj (2015–),previous position as Senior Vice President, Human Resources; OP Financial Group (2012–2015), Executive Vice President HR; Metso Oyj (2009–2012), several different roles, last position as Senior Vice President, Human Resources; Nokia Oyj (1998–2009), several different roles, last position as Director, Human Resources, Nokia Markets; ABB Oyj (1993–1998), several different roles

Key positions of trust: Neles Oyj, Board member (2020–)

Mr. Antti Valtokari

Born 1975, Finnish citizen

Head of Digital and Process Performance, acting

GET member since: January 1, 2020

Joined the company: 2018

Education: M.Sc. (Computer Science)

Primary working experience: Huhtamäki Oyj (2018–), previous position as Chief Information Officer; KONE Oyj (2013–2018), several different roles, last position as Head of Finance Development and Head of Shared Services; Fiskars Oyj (2009–2013), several different roles, last position as Director, Chief Architect; Nokia Oyj (2002–2009), several different roles, last position as Senior Manager, Retail Processes; Iocore Suomi Oy (2000–2002), Technology Manager; Open Solutions Oy (1996–2000), Partner, Product Development Manager

Key positions of trust: –

Changes in Global Executive Team

The following changes to the GET that take place during 2022 have been announced at the date of this statement:

On December 21, 2021, it was announced that the President and CEO Charles Héaulmé has been diagnosed with a cancer and is taking a leave of absence from early January 2022, to undergo treatment. He is expected back in the second quarter of 2022. Thomas Geust, CFO, has been appointed as interim Deputy CEO of Huhtamäki Oyj, effective January 1, 2022. Thomas Geust reports to the Board of Directors and assumes the duties of the CEO until the end of Charles Héaulmé's leave of absence. Eric Le Lay, President Fiber Foodservice EAO, has been appointed as interim Chief Operating Officer effective January 1, 2022. Eric Le Lay reports to the Board of Directors on the said position until the end of Charles Héaulmé's leave of absence. The two Business Segment Presidents Marco Hilty, President Flexible Packaging, and Ann O'Hara, President North America, will report to Eric Le Lay.

Ms. Teija Sarajärvi, (born 1969), Executive Vice President, Human Resources and Safety has left Huhtamaki effective December 31, 2021.

Mr. Ingolf Thom (born 1975), MBA, has been appointed Executive Vice President, Human Resources and Safety and a member of the Global Executive Team at Huhtamaki as of January 10, 2022. Most recently, Mr. Ingolf Thom was the Chief Human Resources Officer for K + S Group, a publicly traded minerals company headquartered in Germany. Prior to this, he has worked for 16 years in various leadership and change management roles in human resources at the Dow Chemical Company in Europe, India, Asia-Pacific, and North America.

Mr. Fredrik Davidsson (born 1968), with Degree from Swedish National Defense College, has been appointed Executive Vice President, Digital and Process Performance and member of the Global Executive Team as of June 1, 2022 at the latest. Mr. Fredrik Davidsson joins Huhtamaki from Tetra Pak where his latest position has been Vice President Services, Europe & Central Asia. Prior to this he has worked in various leadership roles driving large-scope R&D programs and key change management programs, as well as large European services businesses. Prior to his career at Tetra Pak, Mr. Davidsson worked at Sony Ericsson and at the Swedish Armed Forces.

Mr. Antti Valtokari, currently Head of Digital and Process Performance (acting), will continue as a member of the Global Executive Team until Fredrik Davidsson joins Huhtamaki.

Updated information on the GET members is available on the Company's website in section "Management" (www.huhtamaki.com – Investors – Corporate Governance – Management).

During 2021, Mr. Arup Basu has been a GET member until May 12, 2021.

Mr. Arup Basu

Mr. Arup Basu's CV is presented as it was on May 12, 2021.

Born 1967, Indian citizen

President, Flexible Packaging

GET member: February 1, 2020–May 12, 2021

Joined the company: 2017

Education: PhD (Technology)

Primary working experience: Huhtamaki PPL Limited (2017–2020), Managing Director (CEO); Tata Chemicals Limited (2004–2017), several different roles, previous position as President & CTO – New Businesses and Innovation Centre; Accenture (1998–2004), Senior Manager — Management Consulting; Indian Aluminium Company Limited (INDAL) (1994–1998), Superintendent – Research & Development

Key positions of trust: –

Shares owned by the GET members on December 31, 2021

Charles Héaulmé	30,000
Thomas Geust	16,000
Marco Hilty	0
Eric Le Lay	10,464
Ann O'Hara	0
Thomasine Kamerling	0
Marina Madanat	0
Sami Pauni	5,375
Teija Sarajärvi	5,720
Antti Valtokari	250
GET total	**67,809**

The shareholdings include the Company's shares owned by the GET members and by any potential corporations over which a GET member exercises control. GET members do not own any shares in any other Group companies than the Company.

Information on the remuneration of the GET members is available on the Company's website in section "Remuneration" (www.huhtamaki.com – Investors – Corporate Governance – Remuneration).

Descriptions of risk management systems, internal control procedures and internal audit function

Overview of the risk management systems

Principles of risk management

Risk management is an essential part of the internal control system of the Group and an active means to analyze and manage opportunities and threats related to the business strategy and operations. The Company has defined the principles applied in the organization of the risk management. The purpose of risk management is to identify potential events that may affect the achievement of the Group's objectives in changing business environment and to manage such risks to a level that the Group is capable and prepared to accept so that there is reasonable assurance and predictability on the achievement of the Group's objectives. The risk management process of the Group is based on Enterprise Risk Management (ERM) framework of Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Risk management process and responsibilities

The Group's risk management process involves assessing risks systematically by business unit, segment and Global function, improving risk management awareness and quality, sharing best practices and supporting cross-functional risk management initiatives. In order to systematize and facilitate the identification of risks they are categorized as strategic, operational, financial, and information risks. These categories are closely aligned with the strategic, operational, financial and compliance objectives of the Group.

Huhtamaki Group Enterprise Risk Management (ERM) Policy defines the objectives, scope and responsibilities of risk management. Compliance with the risk management policy assures timely identification and recording of risks and the application of relevant risk management measures to address these risks. More detailed risk management procedures are set forth in the Group's ERM framework and process guideline.

The Audit Committee monitors the implementation of risk management activities, and evaluates the adequacy and appropriateness of ERM. The Audit Committee reports regularly to the Board, which is responsible for reviewing the Group's strategic, operational, financial and information risks. The Board approves the risk level that the Group is capable and prepared to accept and the extent to which risks have been identified, addressed and followed up.

The GET is responsible for the adoption and deployment of the Group's internal control principles and procedures relating to risk management. The risk management process includes systematic identification and assessment of risks in each business segment and their business units as well as at Group level. Risks are consolidated from the business unit to the segment level and from the business segment to the Group level. At each level risk treatment actions are defined in order to reach acceptable risk levels. Execution and supervision of these risk treatment actions is a task of line management. Upper level line management always approves lower level risk mitigation actions and the risk level reached after implementation of such actions. The Global Risk Management function monitors and reports the achievement of these actions. The purpose is to verify that risk treatment actions support the achievement of the Group's strategic, operational, financial and compliance objectives.

The Global risk management function organizes, instructs, supports, supervises and monitors risk management activities on an ongoing basis. The function also analyzes changes in the impact, likelihood and level of control for each identified business risk. It reports results of the risk management process to the Audit Committee annually. The Global risk management function also prepares reports to the business segment and Group management as well as the internal audit and the Auditor.

Business unit, segment and Group level risk management process and activities are integrated into the Group's strategic planning and budgeting processes. Risk management process may be commenced any time in the course of the financial year should a certain business area encounter essential strategic changes requiring initiation of the risk management process.

Risk management focus

A description of the risks that are material to the Group as well as of the focus of the risk management processes in 2021 is available in the Directors' Report and on the Company's website in section "Risk management" (www.huhtamaki.com – Investors – Corporate Governance – Risk management).

Overview of internal control

Successful business requires continuous development and monitoring of the Group's operations, processes and procedures. Internal control is an essential part of the corporate governance and management of the Group. The Company has defined the operating principles for internal control. The Board and the President and CEO are responsible for adequate internal control. The Audit Committee is monitoring the effectiveness and efficiency of the internal control systems and the correctness of the financial reporting.

Internal control is a process aiming at providing reasonable assurance on achievement of Group's strategic and financial objectives. The responsibility for arranging the internal controls belongs to the executive management of the Group and is being carried out by the whole organization. The aim of internal control is to ensure reliability of financial reporting, effectiveness and efficiency of operations as well as compliance with laws and regulations.

Control of financial reporting assures that financial statements are prepared in a reliable manner. The aim is also to ensure that all financial reports published and other financial information disclosed by the Company provide a fair view on the Group's financial situation. Control of operations is aiming to ensure effectiveness and efficiency of operations and achievement of the Group's strategic and financial objectives.

Control of compliance ensures that the Group follows applicable laws and regulations.

Foundation of all Group's activities lies with Huhtamaki values and principles providing discipline and structure for the operations formalized in policies and guidelines on integrity, ethical behavior and management of personnel. Allocation of authorities and responsibilities as well as segregation of duties allow efficient and proper decision-making procedures.

Group policies, standards and guidelines are deployed in all business segments and business units. Policies, standards and guidelines on financial, human resources, corporate responsibility, environmental, legal and compliance as well as risk management related matters have been issued in the Group. In addition to the Group policies, there are more specific local policies in the business segments and their business units.

Reliability of financial reporting

The Global finance function and the network of business segment and business unit controllers are supporting and coordinating the financial management and financial control of operations in the Group. The Group's financial reporting guidelines and standards are applicable throughout the financial reporting process of the Group. The interpretation and application of accounting standards are centralized in the Global finance function which maintains the financial reporting guidelines and standards and takes care of communicating such throughout the Group. The Global finance function also supervises the compliance with such guidelines and standards. Supervision of reporting and budgeting processes is based on the Group's reporting standards which are determined and updated by the Global finance function. The reporting standards are uniformly applied in the whole Group and a unified Group reporting system is used.

Effectiveness and efficiency of operations

The Group's strategic direction, objectives and related actions are deployed and communicated throughout the Group. Key performance indicators and annual targets are agreed, approved and communicated as part of the annual planning process. Achievements are followed monthly and quarterly in business review meetings that are held with line management in all business segments and business units.

Key operational performance indicators are monitored continuously. Key process controls aim at identifying risks as well as designing preventive and detective controls. Corrective actions are implemented and monitored by business segment and business unit management. These activities need to be in compliance with Group policies and standards. Internal controls related to quality, safety and environmental processes and procedures are audited both internally and by external service providers.

The Group is applying Lean Six Sigma process in all business segments to identify and implement continuous improvement projects.

Compliance with laws and regulations

Group-wide policies, for example on corporate governance for subsidiaries, competition compliance, data privacy, contracts and agreements, management of claims, disputes and proceedings as well as insider matters have been issued. Compliance with the policies is facilitated through communication and training. The Group has a Global compliance function. Internal audit also covers the compliance with policies.

Overview of internal audit

The objective of the internal audit is to improve the effectiveness of supervising obligation of the Board. Internal audit aims at ensuring that the Group's operations are efficient, information is adequate and reliable and that set policies and procedures are properly followed by the organization.

The Group has an internal audit function, and in 2021 internal audit field work has been managed in cooperation with Deloitte Oy. The Code of Ethics and other standards and guidelines issued by the Institute of Internal Auditors are complied with in internal audit activities.

In 2021 internal audits have been conducted in various Group and business segment level processes as well as in business units on a monthly basis according to an approved annual internal audit plan.

Global internal audit function evaluates independently and systematically Group's management and governance systems as well as the effectiveness, efficiency and appropriateness of the Group's business processes and risk management. The internal audit function provides development recommendations for the aforementioned systems and processes in the internal audit reports. The main purpose of these activities is to assure achievement of strategic and financial objectives of the Group.

The Audit Committee approves the annual internal audit plan. Audit engagements are included in the plan in accordance with the Group's strategic objectives, assessed risks, focus areas defined by the Board and the executive management of the Group on a rotation basis. The internal audit function reports to the Audit Committee. Additionally, the President and CEO, the CFO, the Group General Counsel, the Compliance Counsel, other representatives of relevant Global functions as well as the management of the business segment and business unit where the audit has been conducted are informed of the results of the audit. Achievement of actions related to internal audit recommendations are followed by segment management and internal auditor. Results of these internal audit follow-ups are reported to the Audit Committee.

Internal audit pre-material, documentation and data are collected before internal audit field work. During the field work further findings are recorded at site. Internal audit reports include key findings, conclusions and recommendations for control improvements. The management of the audit target prepares an action plan to mitigate risks and develop controls to improve recommended audit issues. The implementation of the action plans is followed up regularly by the line management and the Group internal audit manager.

Other information

Insider administration

Legal framework

The Company follows the Regulation No. 596/2014 of the European Parliament and of the Council (the Market Abuse Regulation), the Finnish Securities Market Act and the thereto relating regulations and guidelines by the European Securities Markets Authority, the Finnish Financial Supervisory Authority and Nasdaq Helsinki Ltd. In addition, the Group has an insider policy. Certain key provisions of the Company's insider policy have been described below. The insider policy clearly defines certain practices and decision-making procedures in order to ensure that insider administration in the Company is arranged in a consistent and reliable way.

Assessment regarding inside information

The assessment whether certain information constitutes inside information is made by the President and CEO after consultation with the Group General Counsel. Similarly, the President and CEO also determines, after consultation with the Group General Counsel, whether the Company is to immediately disclose the information or whether conditions exist to delay the disclosure. The Company properly records any decisions to delay disclosure and the grounds for such decision, and follows set procedures as required by applicable laws and regulations.

Insider list

The Company maintains an insider list for recording the persons having inside information. The Company's employees and service providers who have access to inside information are entered into a relevant project-specific section of the insider list. The decision to establish such section is made by the President and CEO. The Company has decided not to establish a permanent insider section. Each person entered into a project-specific section is notified by e-mail of the entry, the duties entailed and the applicable sanctions. The person receiving such notification shall promptly confirm their acknowledgment of such notification in written form. The decision to terminate the project-specific section is made by the President and CEO after consultation with the Group General Counsel and persons entered into such list are notified by email of the termination of the project-specific section. Service providers may assume the task of maintaining insider lists of their employees as decided by the Company on a case-by-case basis.

Trading restrictions

Insider dealing is always prohibited. In addition, there are trading restrictions imposed on certain managers and employees of the Company even when such parties do not hold any inside information.

The Company has defined the Board and the GET members as persons discharging managerial responsibilities in accordance with the Market Abuse Regulation. Such managers cannot, subject to the exceptions set out in the applicable regulations, conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to the Company's shares or debt instruments or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim report or a year-end report.

The Company also applies a specific recommendation not to trade to its employees who regularly receive information on the contents of the Company's interim and year-end reports before their publication due to the highly confidential nature of the unpublished financial information. Such restricted period commences 30 calendar days before the announcement of an interim report or a year-end report.

Notification obligation

The persons discharging managerial responsibilities at the Company i.e. the Board and the GET members as well as their related parties must notify the Company and the Finnish Financial Supervisory Authority of the transactions conducted on their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto. The notification obligation applies to any transaction made once a total value of EUR 5,000 has been reached within a calendar year (calculated without netting). The Company has an obligation to publish the received notification through a stock exchange release.

Related party transactions

The Company and its Board monitor and evaluate transactions between the Company and its related parties. The Company has defined principles and processes for identifying the Company's related parties and the transactions to be carried out with them as well as for evaluating and reporting the nature and terms of such transactions. In order to identify its related party transactions, the Company keeps record of the persons that are its related parties. The Audit Committee of the Board monitors the Company's related party transactions in accordance with the Company's reporting practices. Transactions between the Company and its related parties are typically part of the ordinary course of business of the Company and implemented under arms-length terms. Related party transactions that are not part of the ordinary course of business of the Company or are not implemented under arms-length terms require a decision by the Board. Board members cannot participate in deciding a related party transaction concerning themselves or their related parties in accordance with applicable laws and regulations.

The Company has not concluded transactions with its related parties in 2021 that are material to the Company and that either deviate from the Company's normal business operations or are not made on market or market equivalent terms.

Audit

The Company must have one Auditor, which is an accounting firm approved by the Auditor Oversight unit of the Finnish Patent and Registration Office. The AGM elects the Company's Auditor. The AGM 2021 elected the Authorized Public Accountant firm KPMG Oy Ab as the Company's Auditor. Mr. Henrik Holmbom, APA, has acted as the auditor with principal responsibility. Each subsidiary is subject to local auditing under the local regulations, which is conducted by representatives of the KPMG network in each country. KPMG Oy Ab has acted as the Company's Auditor since the AGM 2020. During the financial years 2010–2019 the Company's Auditor was the Authorized Public Accountant firm Ernst & Young Oy and auditors representing it.

Fees paid to the Auditor (MEUR)

	2021	2020
Auditing costs	2.5	2.3
Other consultancy not related to auditing*	0.9	0.7
Total	**3.4**	**3.0**

* Such other consultancy services are subject to separate review and approval process concerning the provision of non-audit services by the Auditor and included e.g. advisory in connection with various tax, reporting and other local compliance matters.

Remuneration Report 2021

Introduction

Huhtamäki Oyj (the Company, and together with its group companies Huhtamaki) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Remuneration Report has been prepared in accordance with the Code effective from January 1, 2020. The Code is available in its entirety on the internet at www.cgfinland.fi. Huhtamäki Oyj is a support member of the Securities Market Association.

This separate Remuneration Report has been issued and published in connection with the Directors' Report. The Human Resources Committee of the Board of Directors has reviewed the report and it has been approved by the Board of Directors. The Company's Auditor has reviewed that the report has been issued.

The Remuneration Report provides information on the remuneration paid to the Board of Directors (Board) and the Managing Director (President and CEO since April 26, 2019 and CEO until April 25, 2019) during the financial year 2021. Updated information on the remuneration of the Company is available on the Company's website in section "Remuneration" (www. huhtamaki.com – Investors – Corporate Governance – Remuneration).

Remuneration paid to the Board members and the President and CEO during the financial year 2021 was in line with the Remuneration Policy for the Governing Bodies (Remuneration Policy) approved by the Annual General Meeting of the Company (AGM) on April 29, 2020. There were no deviations from the Remuneration Policy. The Company uses clawback and malus provisions in its incentive plans (in both short- and long-term incentives) and no claw back on compensation has been used during the financial year 2021.

According to the Remuneration Policy, the annual compensation of Board members shall be in proportion to the time commitment required from the Board members and be competitive to attract and retain professionals with strong expertise and knowledge relevant in conducting the Board's responsibilities, such as establishment of strategic and financial directions and monitoring their implementation. Thereby, the remuneration contributes to the Company's long-term financial performance and success. The remuneration of the Board members during the financial year 2021 consisted of annual compensation and meeting fees paid for each meeting attended as approved by the AGM.

According to the Remuneration Policy, the remuneration principles applied to the President and CEO contribute towards creating shareholder value through competitive remuneration based on performance and linking remuneration to the business strategy. Total remuneration shall be in line with the relevant market practices in corresponding global industries to ensure motivation and engagement. The President and CEO's remuneration during the financial year 2021 consisted of a non-variable annual base salary, benefits and performance-based short-term incentive plan. The Company also focused on shareholder value creation by aligning the interests of the President and CEO with those of the shareholders through share-based long-term incentive plans.

Development of remuneration over the past five financial years

During the past five financial years the Company's net sales has increased with 20%. Improvement in adjusted EBIT was 18% and improvement in adjusted EPS was 9% during the same period. The Company's adjusted EBIT margin has changed from 9.0% in 2017 to 8.8% in 2021.

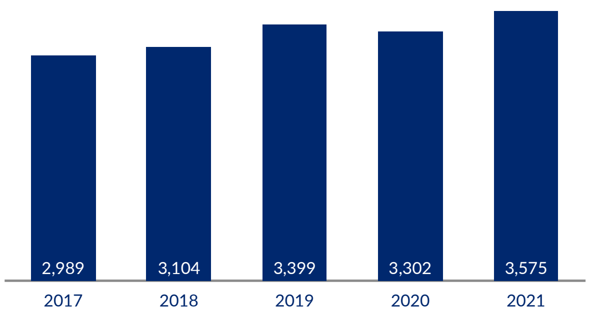
The remuneration of the Board of Directors has been decided by the Annual General Meeting of the Company. The annual remuneration of the Board members was increased in 2021. The Annual General Meeting of 2021 also decided on annual remuneration to the Chairman and members of the Board Committees. As part of these changes the meeting fee paid for each Board and Committee meeting attended was unified to EUR 1,500. The previous increase in Board remuneration was done in 2019 when meeting fees were increased.

	Paid compensation (EUR)				
	2021	2020	2019	2018	2017
Board of Directors[1]	826,365	687,490	679,790	687,590	663,590
President and CEO Charles Héaulmé (President and CEO since April 26, 2019)	2,699,262	1,732,507	1,368,666	-	-
CEO Jukka Moisio (CEO until April 25, 2019)	-	-	243,143	2,538,525	2,755,159
Employees' average remuneration[2]	29,753	32,601	29,990	29,200	28,780

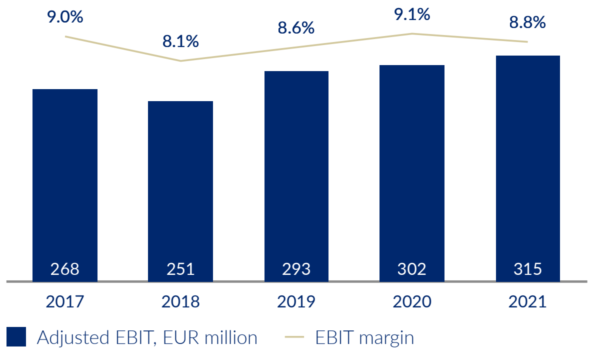
[1] Total compensation of the Board of Director's

[2] The total wages and salaries amount of Huhtamaki reduced with the wages and salaries amount (excluding share-based payments) paid to the managing director and Board members of the Company and divided with the number of employees of Huhtamaki (other than the managing director) in the end of the respective financial year. Short-term incentives are taken into account on the year they are paid. Pensions are not included. 2021 figure includes Elif that was acquired on September 23, 2021.

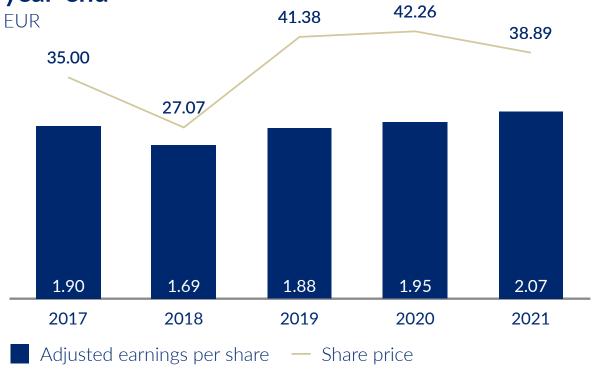
Net sales
EUR million



Adjusted EBIT and EBIT margin



Adjusted earnings per share and share price, year-end
EUR



Adjusted EBIT, Adjusted EBIT margin and Adjusted earnings per share are presented excluding items affecting comparability.

IFRS 16 Leases standard has been adopted as of January 1, 2019 using full retrospective transition method. The financial information for 2018 has been restated. Financial information for 2017 is not restated and thus not fully comparable.

Board of Directors

In accordance with the resolution passed by the AGM held on April 22, 2021, as of the AGM 2021 the annual compensation for the Chairman of the Board is EUR 140,000, for the Vice-Chairman EUR 75,000 and for other members EUR 62,000. In addition, the following annual remuneration is paid to the Chairman and members of the Board Committees: to the Chairman of the Audit Committee EUR 15,000 and to the other members of the Audit Committee EUR 5,000 as well as to the Chairman of the Human Resources Committee EUR 5,000 and to the other members of the Human Resources Committee EUR 2,500. In addition, a EUR 1,500 meeting fee is paid for each Board and Committee meeting attended. Traveling expenses of the Board members are compensated in accordance with the Company policy. In addition, the Chairman of the Board has a mobile phone benefit.

None of the Board members were employed by the Company or any company belonging to its group or acted as an advisor thereof. Thus, Board members were not eligible for any employment relationship related salaries, remuneration or financial or other benefits not related to the Board work nor were they eligible for any pension scheme. Board members did not receive the Company's shares as remuneration and they were not participants in the Company's share-based or other incentive plans. The Shareholders' Nomination Board is recommending all members of the Board of Directors to own shares of Huhtamäki Oyj.

The following remuneration was paid to the members of the Board for the financial year 2021.

	2021 (EUR)		
	Annual compensation	Meeting fees	Total
Pekka Ala-Pietilä[1]	138,990	40,000	178,990
Kerttu Tuomas	77,000	40,500	117,500
Doug Baillie	62,625	40,500	103,125
William R. Barker	62,625	40,500	103,125
Anja Korhonen	72,000	45,000	117,000
Sandra Turner	64,500	40,500	105,000
Ralf K. Wunderlich	62,625	39,000	101,625
Total	**540,365**	**286,000**	**826,365**

[1] Annual compensation for Pekka Ala-Pietilä includes a mobile phone benefit.

President and CEO

The following remuneration was paid to the President and CEO for the financial year 2021.

Remuneration	2021 (EUR)
Non-variable annual base salary and benefits[1]	**1,209,476**
Signing bonus[2]	
Number of shares received as signing bonus	15,000
Value of the shares at the time of transfer	623,775
Amount of income taxes and tax-like charges arising based on the shares received	346,011
Total value of the signing bonus	969,786
Short-term incentives[3]	
Remuneration based on the performance in the year preceding the payment year	520,000
Long-term incentives[4]	
Number of shares received as a reward	-
Value of the shares at the time of the transfer	-
Amount of income taxes and tax-like charges arising based on the shares received	-
Total value of the reward	-
Total remuneration	**2,699,262**

[1] Non-variable annual base salary and benefits includes cash payments for pension.
[2] The signing bonus consists of two parts. The second part of the signing bonus (15,000 shares (net)) was paid in April 2021 and the first part (15,000 shares (net)) of the signing bonus was paid in April 2019.
[3] Short-term incentives are presented in the table on the year they have been paid. The total amount of remuneration includes remuneration paid under the short-term incentive plan 2020.
[4] Share-based incentives include the monetary value of the payments based on the performance share plans at the time of awarding the shares and including the value of taxes and tax-like charges arising based on the received shares. The share-based incentives are based on the performance in the year preceding the payment year and they are presented in the table on the year they have been paid. The adjusted EPS target for the performance share plan 2018-2020 was not reached and, therefore, no shares under the long-term incentive plan was paid during the financial year 2021.

The remuneration of the President and CEO consisted in the financial year 2021 of a non-variable annual base salary and an annually determined short-term incentive plan. In addition, the President and CEO participated in the long-term incentive plans of the Company (Performance Share Plan and Restricted Share Plan) and had the following benefits:

- Car benefit
- Housing benefit
- Support for child's education
- Support for insurance premiums

The pension coverage is arranged by the President and CEO himself. The Company contributes towards the pension through monthly cash payments to the President and CEO. The total cash payment in 2021 was EUR 280,000 gross.

The total compensation paid (excluding EUR 280,000 pension allowance) to the President and CEO in the financial year 2021 was EUR 2,419,262 of which 62% consisted of variable compensation. Variable compensation consisted of short-term incentive 2020 (paid in 2021) and second part of the signing bonus (paid in April 2021) which was subject to reaching an adjusted EBIT target in 2020. There was no payout under the Performance Share Plan 2018–2020 (adjusted EPS target was not reached).

Variable remuneration earning opportunity and performance measures

The President and CEO's earning opportunity in short-term incentive plans 2020 and 2021 is 100% of the annual base salary. Group level criteria and payments under the short-term incentive plans are presented in the table below. Compensation under the short-term incentive plan is paid in cash which is aligned with Finnish Corporate Governance Code and market practice.

	Short-term incentive plan 2020	Short-term incentive plan 2021
Criteria	Adjusted EBIT	Adjusted EBIT
	Free Cash Flow	Free Cash Flow
		Huhtamaki Global Sustainability Index*
Paid 2021	EUR 520,000	
Payment due in 2022		EUR 800,000**

**The amount includes remuneration paid under the short-term incentive plan 2021 and a one-time incentive plan.

Long-term incentive and other share-based remuneration grants

President and CEO has been granted shares under the following Performance Share Plans and Restricted Share Plan.

Long-term incentive plan	Earning opportunity	Performance measure	Pay-out year	Achievement
Performance Share Plan 2018–2020	31,000 shares (net)	Adjusted EPS	2021	Target was not reached
Performance Share Plan 2019–2021	31,000 shares (net)		2022	Target was not reach
Performance Share Plan 2020–2022	62,000 shares (gross)		2023	in progress
Performance Share Plan 2021–2023	62,000 shares (gross)		2024	in progress
Restricted Share Plan 2021–2023	11,000 shares (gross)	Continuous employment	2023	in progress

As per Finnish market practice, President and CEO shall hold at least half (50%) of the Company's shares received until he holds shares received from the long-term incentive plans corresponding in aggregate to the value of his annual gross base salary. The ownership requirement applies until termination of employment or service.

President and CEO's signing bonus

The signing bonus of the President and CEO consists of two parts. The second part of the signing bonus (15,000 shares (net)) was paid in April 2021 and the first part (15,000 shares (net)) of the signing bonus was paid in April 2019. The second part of the signing bonus was subject to reaching an adjusted EBIT target for 2020 which was reached. The Company has in addition processed a cash payment to cover taxes and tax related payments. A lock-in period of 12 months will apply.

*In 2021 the Company introduced Huhtamaki Global Sustainability Index as one business objective in the short-term incentive plan. Sustainability is a key element in Company's strategy and thus it's important that our pay is also linked to sustainability. More info on Huhtamaki Global Sustainability Index can be found here.

SUSTAINABILITY PERFORMANCE

Our approach to sustainability

Sustainability is at the core of our 2030 Strategy and a key differentiator for us at Huhtamaki – we embed sustainability in everything we do. Our sustainability approach is comprehensive, covering the three pillars of sustainability related to the environment, social accountability as well as governance and ethics.

Read more about our approach to sustainability in the Business Overview on page 33.

Our 2030 sustainability ambitions

Our ambition is to become the first choice in sustainable packaging solutions. To achieve our ambition, we launched our new 2030 Strategy in 2020 with sustainability as a key lever. In line with the new strategy, we also introduced our 2030 sustainability ambitions, to guide our sustainability work.

Read more about our 2030 Strategy in the Business Overview on page 15.

Our 2030 sustainability ambitions focus on two key topics: transitioning to a circular economy and taking climate action, whilst not forgetting other environmental and social aspects of sustainability. For us, sustainability means considering our impact – both positive and negative – throughout the entire value chain, in terms of the environment, social responsibility as well as business ethics and governance and pro-actively working on becoming a leader in all three sustainability pillars by minimizing the negative impacts of our operations and products on the environment while maximizing the positive impacts on our stakeholders, consumers, and society.

To keep us focused and on track on our transformation journey, we do quarterly sustainability reporting aligned to financial reporting. We have developed a global sustainability dashboard with a selection of key performance indicators. These key performance indicators reflect our entire ESG agenda and may be revised from time to time, as needed. The global dashboard is updated regularly, and we release issue of the dashboard results at least twice a year to communicate our performance against our commitments to external stakeholders. Our sustainability dashboard with the group results for 2021 is presented on page 156.

We are a participant in the UN Global Compact Initiative and are guided by the UN Sustainable Development Goals (SDGs), using the SDG universal framework to help us embed sustainability across all three ESG pillars, to accelerate our transformation as part of our 2030 Strategy. We have identified three SDGs to which we can contribute the most and two supporting ones that are also relevant to our business.

"We support the UN Global Compact initiative. Our sustainability ambitions are in line with the ten principles, which cover the areas of human rights, labor, environment and anti-corruption."

Charles Héaulmé
President and CEO

WE SUPPORT
UN GLOBAL COMPACT

Our three main Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

Providing a healthy, safe and inclusive working environment for our people is our utmost priority. We foster human rights and sustainability throughout our value chain.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We are material positive; making the best viable choices to ensure safe, fit-for-purpose and circular packaging. We ensure the responsible use of natural resources in our products and processes.

13 CLIMATE ACTION

Packaging that reduces waste and enables efficient recycling makes a great contribution to climate action. We have set ambitious science-based targets for emissions reductions and our ambition is to achieve carbon neutral production by 2030.

Our two supporting Sustainable Development Goals

6 CLEAN WATER AND SANITATION

We focus on managing and mitigating our impacts on water resources in our water management plans. We safeguard water ecosystems especially in water stress areas.

15 LIFE ON LAND

We use certified fiber to promote biodiversity and best practices in sustainable forest management.

Our 2030 sustainability ambitions

Our ambition

First choice in sustainable packaging solutions

100%
of products designed to be recyclable, compostable or reusable

>80%
renewable or recycled materials

100%
of fiber from recycled or certified sources

>90%
of non-hazardous waste recycled or composted

100%
renewable electricity

Carbon neutral production
and science-based emissions targets

We offer the most engaging, motivating and safest workplace for our people

We ensure human rights are respected throughout our value chain

We support the UN Global Compact and the UN Sustainable Development Goals

"In 2021 we made good progress on our sustainability ambitions. Going forward we know that to drive the necessary systemic change we will need a step change which focuses on key initiatives that drive circularity. Recycling initiatives, where we work with others on ensuring that our products are not just recyclable but are recycled, is an example. As is focusing on renewable energy, and there are many others."

Thomasine Kamerling
Executive Vice President,
Sustainability and Communications

Huhtamaki's science-based targets

We reduce
27.5%
in absolute scope 1 and 2 GHG emissions by 2030, from a 2019 base year

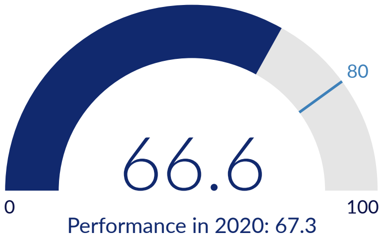
We reduce
13.5%
in absolute scope 3 GHG emissions from the end-of-life treatment of sold products within the same timeframe

Our suppliers, covering
70%
of the spend for purchased goods and services, will have science-based targets by 2026

Sustainability dashboard 2021

We have developed a global sustainability dashboard with the essential key performance indicators that help us monitor and communicate about our progress against our 2030 sustainability ambitions.

Renewable or recycled materials
% of total materials



Performance in 2020: 67.3

Certified or recycled fiber
% of fiber-based raw materials

Performance in 2020: 98.4

Renewable electricity
% of total electricity consumed

Performance in 2020: 3.8

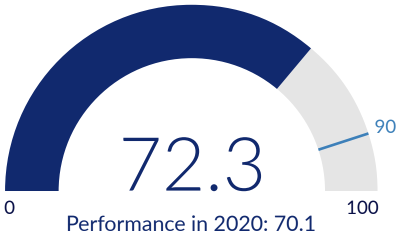
Health and safety

Lost time injury frequency rate (LTIFR)
1.4
2020: 1.6

Total recordable injury frequency rate (TRIFR)*
4.3
2020: 6.7

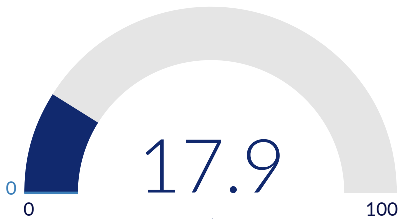
*In 2021, we set in place two key OHS metrics: LTIFR and TRIFR. Hence, TRIFR is reflected in our sustainability dashboard instead of the previous LDR (Lost Day Rate).

Non-hazardous waste recycled or composted
% of total non-hazardous waste



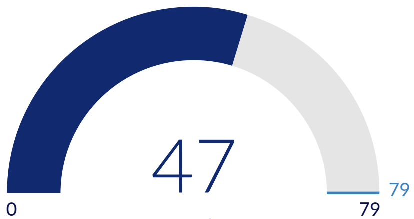
Performance in 2020: 70.1

Waste to landfill
% of total waste



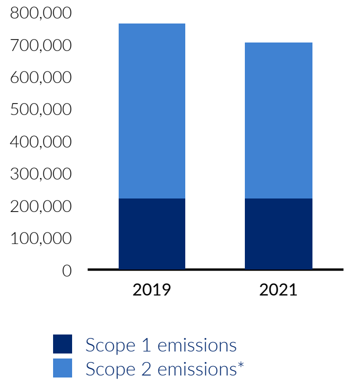
Performance in 2020: 19.7

Water management plans
available in number of sites



Performance in 2020: 2

Greenhouse gas emissions
t CO_2e



*Scope 2 emissions are calculated using the market-based calculation method.

— Figures in light blue indicate Huhtamaki Group's 2030 ambitions.

Highlights and external recognition for our sustainability work in 2021

We introduced our Global Sustainability Index (GSI), which **links the short-term incentives of the President and CEO and other GET members to our sustainability performance.** As of 2022, sustainability objectives will be rolled out to all employees taking part in the short-term incentive plan.

We solidified our climate commitment by having our **climate targets validated and approved by the Science Based Targets initiative.**

We took a major step towards carbon neutral production by **signing our first Virtual Power Purchasing Agreement (VPPA)** in Europe with the renewable energy developer BayWa r.e.

We continued with our human rights work and **conducted our first country level analysis and site-level human rights impact assessment** in Egypt.

Our journey towards our 2030 sustainability ambitions has been recognized externally, with high scores in four key ESG indices: MSCI, EcoVadis, CDP and the S&P Global Corporate Sustainability Assessment for the Dow Jones Sustainability Index.

Read more at huhtamaki.com.

MSCI ESG RATINGS BBB

CCC | B | BB | BBB | A | AA | AAA

In 2021, Huhtamaki received a rating of BBB (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. The MSCI ESG rating measures a company's resilience to long-term, industry material environmental, social and governance risks and how well it manages those risks relative to peers.

GOLD 2021 ecovadis Sustainability Rating

Huhtamaki earned the Gold medal by EcoVadis for its sustainability performance in 2021. The EcoVadis rating covers a broad range of non-financial topics including environmental, labor & human rights, ethics and sustainable procurement. Each company is rated on the material issues as they pertain to their company's size, location and industry.

CDP DISCLOSURE INSIGHT ACTION

Huhtamaki discloses its climate change, forests, and water security impacts through CDP, a global non-profit that runs the world's leading environmental disclosure platform. In 2021, our CDP ratings improved from the Awareness to the Management level in all three areas, showing our progress in environmental stewardship.

S&P Global Corporate Sustainability Assessment (CSA) for the Dow Jones Sustainability Index (DJSI)

The S&P Global CSA is used as the basis for inclusion in the DJSI, one of the most respected independent sustainability ranking systems that measures the performance of companies with ESG criteria, using a best-in-class approach. Although Huhtamaki is not a member of the DJSI family yet, we have improved our total score in the CSA for the fourth consecutive year and ranked seventh in our industry group.

Managing sustainability

Our sustainability work is based on our 2030 Strategy and is underpinned by our recently renewed values – Care Dare Deliver – which guide everything that we do. Our 2030 sustainability ambitions set the framework for our sustainability initiatives across the organization, globally.

Huhtamaki is committed to doing business in a responsible and sustainable way, and we expect the same commitment from our business partners. We comply with local laws and regulations and follow commonly accepted best practices. We do not accept the violation of any laws or regulations or any unethical business dealings.

The mandatory Huhtamaki Code of Conduct sets the standard for ethical behavior for all our employees. This is supplemented by other policies and guidelines. The same overarching policy framework governs all our manufacturing units. Huhtamaki aims to follow the precautionary principle in all its operations and to minimize negative impacts while maximizing the positive impacts on our business and the society.

In 2021, we renewed the Huhtamaki Group Environmental Policy reflecting our commitment to protect food, people, and the planet by offering sustainable packaging solutions. The objective of the policy is to ensure a group-wide understanding of our environmental commitments.

Our management approach, World Class Management, is designed to help us deliver on our 2030 Strategy. This recently introduced management program is a vehicle to drive cross-segment, cross-functional transformation in the context of our 2030 Strategy. It helps us implement high impact transformative initiatives, raise performance and build strategic capabilities across Huhtamaki. The sustainability stream of this management model defines how we measure, develop and communicate on our sustainability performance against our commitments. The sustainability stream focuses on environmental aspects of sustainability and is complemented by other streams focusing on, for example, human resources and occupational health and safety, sourcing, innovation and digitalization. Some of the related key performance indicators are already included in our sustainability dashboard, some are still under development.

We track our sustainability performance through regular assessments at the manufacturing unit, business segment and Group levels. We also evaluate our sustainability work regularly by benchmarking other companies and best practices, listening to stakeholders, analyzing external ESG rankings, updating our materiality assessment regularly and investigating reports made through our Speak Up channel.

Our 79 sites report on their sustainability performance regularly: either monthly or quarterly. The frequency depends on the topic reported. The results are collected and combined in our sustainability dashboard, which is discussed in the Global Executive Team and presented quarterly to the Board of Directors. The dashboard is shared with a wider audience during our internal quarterly update by our EVP Sustainability and Communications at a global town hall meeting led by our CEO. The sustainability dashboard is also shared with external stakeholders regularly.

In 2021, we created sustainability roadmaps for all our sites. The roadmaps are based on site-specific sustainability performance and identify the sustainability priorities and concrete actions related to these for each site. These roadmaps ensure that site level contribution to the Huhtamaki 2030 sustainability ambitions is tangible. During the reporting year, we also introduced our Global Sustainability Index (GSI), which links the short-term incentives to our sustainability performance. GSI was rolled out first with the Global Executive Team. In 2022 all site general managers will have a site sustainability target set as part of their personal performance objectives.

Read more about our incentivization program on page 162.

During 2021 we have further developed the integration of sustainability into the Huhtamaki capital investment process. Leveraging our existing EHS approach in the investment approval process, we have introduced a more detailed sustainability criteria for certain pilot projects setting relevant best practices which all investments should meet. These sustainability criteria can include for example energy efficiency.

An important part of how we manage sustainability is identifying sustainability-related risks and opportunities. This is covered by our Enterprise Risk Management (ERM). Our risk management procedures and key sustainability risks are presented in the Risk Review in the Directors' Report (see page 59).

Developing our reporting to meet a broader set of expectations

To develop our climate-related governance and reporting further, we have started to align our process with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2021. Our TCFD index is presented in the Non-Financial Review in the Director's report (page 54). Recognizing the increasing interest of sustainability focused investors on sustainability data, we have this year also adopted the Sustainable Accounting Standards Board (SASB) standard. We recognize the critical importance of risks and opportunities related to sustainability in general, and climate change in particular and will continue developing our sustainability and climate-related risk assessment in order to further improve our governance, measurements and disclosure on the relevant topics going forward.

With the launch of the EU Taxonomy Regulation in 2021, we are reporting on the eligibility of our economic activities with the taxonomy for the first time. This information is included in the Non-Financial review on page 54.

Identifying material topics

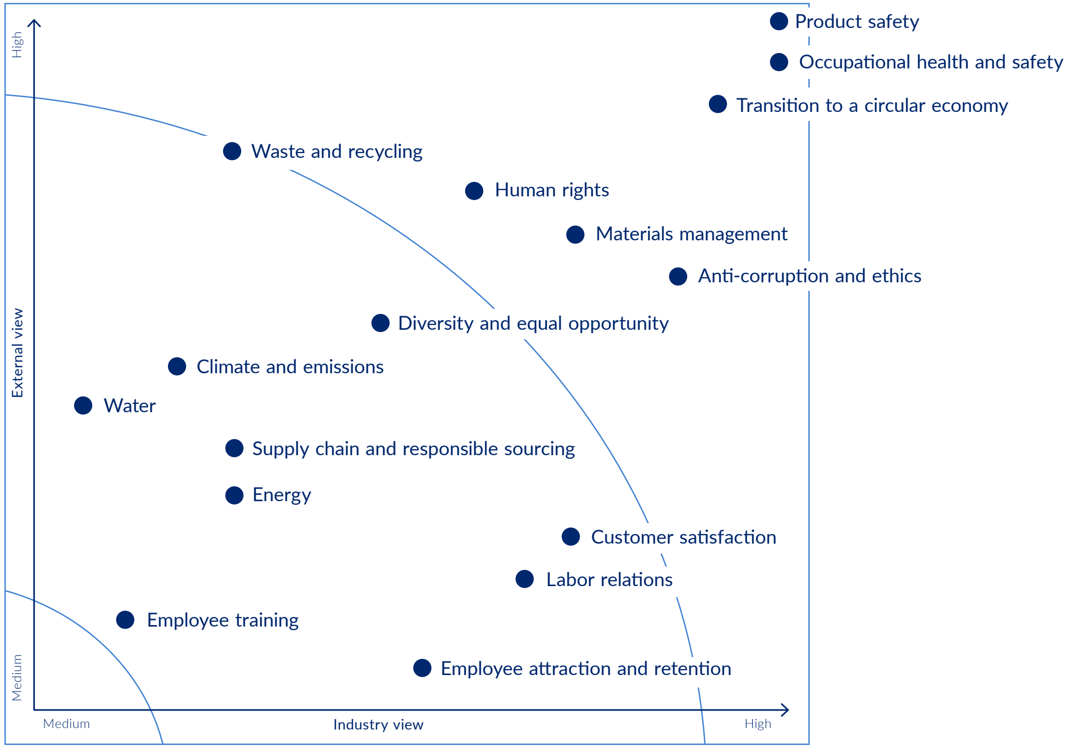
To ensure that our sustainability work concentrates on the most material topics, we continuously follow the most recent developments and trends in the sustainability field, changes in legislation as well as input from stakeholders. We also update our materiality assessment regularly, although our material sustainability topics tend to stay the same over the years, with only slight variations to their relative importance.

We performed a substantial update of our materiality analysis in 2018, where we applied a data-driven approach and included information from several different sources, including corporate reports, hard and soft law, news and social media. The assessment was also supplemented by integrating sustainability-related standards and the results of a survey amongst both internal and external stakeholders. The analysis resulted in 26 ESG topics identified as material for us, which were then grouped into 15 higher-level topics that were mapped in a matrix according to their significance from an external and internal point of view.

In 2019 and 2020 lighter updates were done to the assessment. A gap analysis performed in 2020 confirmed that the material topics remained the same, with one slight modification, as the transition to a circular economy was identified as a new topic. This came as no surprise for us, as circularity is already one of the key topics in our 2030 sustainability agenda.

In general, the updated 2020 assessment reaffirmed that our sustainability ambitions cover the most material topics for us and our stakeholders. The effects of the COVID-19 pandemic could be seen through clearly increased emphasis on product safety as well as occupational health and safety. Managing product safety is essential in our business when delivering material that will be in contact with food. We continue ensuring that our global Quality and Food Safety fundamentals are implemented through our local quality management systems. Also, the health and safety of our employees continues to be a top priority for us. We are committed to safeguarding our people's health and safety and are building a safety culture for everyone, everywhere. Safety is indeed one of our KPI's on our sustainability dashboard.

Materiality matrix 2021



Even though safety topics have risen to the top of the list of material topics, we have not made changes to the weight of the environmental issues, as we see that this change clearly is a result of the ongoing pandemic. Climate and emissions, energy, waste and water continue to be key topics for us. A topic that we can see is emerging is biodiversity, which we have started to address for the first time in a more structured way and is also presented in this report (see page 178).

Our materiality assessment also identified as key topics human rights, responsible sourcing, anti-corruption and ethics, as well as employee-related topics such as diversity and equal opportunities. We continue addressing these issues in cross-functional teams, constantly looking for ways to improve our policies and processes in order to achieve world-class performance in these areas. This sustainability supplement reflects the results of our analysis of material topics.

The results from the latest assessment are mapped in the adjacent matrix, where the X-axis represents the industry view, including internal stakeholder surveys and corporate reports, and the Y-axis represents the external view, including external stakeholder surveys, online news, regulations, Twitter, and international standards.

Engaging with our stakeholders

Collaboration and co-creation with stakeholders across the value chain is key to achieving our sustainability ambitions. Stakeholder dialogue not only helps us align our strategies and actions to the expectations of various stakeholder groups, but also gives us valuable information about the possible risks and opportunities related to our business.

The list of our key stakeholder groups remains the same compared to previous years:

- Customers
- Suppliers
- Employees and contingent workers
- Shareholders
- Investors
- Consumers
- Industry associations
- Public authorities
- Non-Governmental Organizations
- Trade unions
- Communities near our manufacturing units
- Media

Our 2030 Strategy and sustainability ambitions cover many of the issues that our stakeholders are most concerned about. In order to respond to stakeholder expectations, we strive to be:

- The most reliable, solutions-focused partner for our customers,
- The safest and most sustainable choice for consumers,
- The most engaging, motivating, and safe workplace for our people,
- The most attractive innovation and growth catalyst for our partners,
- The industry's thought leader and a respected member of communities.

Our approach to stakeholder engagement

We use multiple tools to identify stakeholders and both structured and ad hoc approaches to engage with them. For example, we use surveys, such as the global employee engagement survey and the stakeholder survey included in our materiality assessment. In our latest materiality assessment in 2020, we involved a larger number and a wider range of stakeholders compared to previous years to capture a wide scope of topics that are important to stakeholders. Our latest global employee engagement survey took place in 2021, giving us valuable feedback on how our employees perceive Huhtamaki as an employer and how successful we are in building a high-performance workplace and culture.

The Huhtamaki 2030 ambition is to become the first choice in sustainable packaging solutions. We see that to achieve this ambition, it is critical that we actively embrace customer centricity. To us, being the first choice means being the most reliable solutions-focused partner for our customers. In 2021, we introduced the Voice of Customer survey, a comprehensive customer satisfaction survey to review and develop our positioning in innovation and sustainability in the light of our 2030 ambitions. The survey also helps us understand the needs of our customers better and to deliver value through continuous improvement based on their feedback. Based on the 2021 survey result, Huhtamaki is developing segment-specific development roadmaps to address the selected areas of improvement.

In addition to conducting surveys, we also receive information through our whistleblowing channel, social media, and investor meetings. Our stakeholder engagement also includes active membership of trade associations, participation in external meetings, responding to consultations and requests for information, contributing to working groups, answering surveys and working as part of multi-stakeholder projects. We participate actively in benchmarking and transparency initiatives including CDP, EcoVadis and the S&P Global Corporate Sustainability Assessment

Stakeholder engagement should create value for all parties, and therefore, we do not take a 'one size fits all' approach. We adapt our engagement depending on the needs of our stakeholders. Different customers have different needs, and investors need information in a different format than our employees do. Communities around our manufacturing units require contact with local management, whereas global stakeholders require contact with our segment teams or global functions. Our engagement with stakeholders is always guided by Huhtamaki's values and Code of Conduct.

In 2020, Huhtamaki stepped up its stakeholder engagement. We launched the Think Circle initiative, a platform that brings together key stakeholders from across the global food value chain to openly address issues we face as we design for packaging circularity. This platform reflects differing viewpoints from a range of contributors, such as leaders from academia, business, NGOs and other key institutions. Its aim is to move the circularity dialogue forward, contribute to a common understanding and arrive at breakthroughs that deliver significant progress. Think Circle continued in 2021 with four roundtable discussions that Huhtamaki hosted during the year. The topics of the roundtables covered how better regulation is needed for delivering on EU's Green Deal, how digitalization can deliver circular and sustainable manufacturing, what role Finnish companies play in creating sustainable societies globally and how important fit for purpose packaging is in building sustainable food systems. Read more about Think Circle and the stakeholders involved on our website: www.think-circle.com

Key topics and concerns of stakeholders

Our stakeholders continue to be concerned by the impact of plastic waste on the environment and are also increasingly seeking low carbon solutions. Huhtamaki continues to support plastic substitution, plastic reduction and solutions that increase the circularity of packaging, including the recycling of used packaging to enable the re-use of materials. Huhtamaki also strongly supports the objectives of the EU Green Deal and has set high ambitions to achieve carbon neutral production and science-based emission reduction targets. We continue to invest and work across the value chain to develop and deliver lower carbon, sustainable and circular packaging solutions.

During the year we have worked with stakeholders and policymakers to drive a better understanding of the essential nature of food packaging and how it plays a crucial role within food systems in delivering safe, hygienic, affordable, accessible and durable food around the world. The UN Food Systems Summit and the EU's contingency plan for food supply and food security both recognized the importance of food packaging in food systems in 2021*. Moreover, the benefits of food packaging in preventing food waste are increasingly understood given that the environmental benefit of avoided food waste is usually 5 to 10 times higher than the environmental cost of the packaging. We also continued our work with international charity WasteAid to support its work to improve waste management in developing countries and participated in a COP26 panel on the topic.

Along with most stakeholders, we think policies need to be evidence-based so that unintended consequences on the environment, businesses and consumers can be avoided. In 2020, we contributed to an independently verified Life Cycle Assessment (LCA) conducted by independent third-party consultants comparing single-use and multi-use systems used for dine-in meals in European Quick Service Restaurants. The study, undertaken by Ramboll, found that paper-based single use products provide significant environmental advantages in key impact categories. The study was updated in 2021 and found that in the baseline scenario, the polypropylene-based multi-use system (or so-called reusables) was responsible for generating 2.8 times more CO_2e emissions than the paper-based single-use system. The single main contributor to climate change in the multi-use baseline scenario is the electricity related to the washing process. The study also found that the multi-use system used 3.4 times the amount of freshwater in the baseline scenario. In simple terms, if the multi-use system was introduced across Europe for dine-in service alone, its environmental impact would be the equivalent of adding 1 million extra petrol cars each year to Europe's roads and would equal the freshwater needs of a city of 750,000 people. Further information on the study is available at www.eppa.eu.org.

*EU Commission communication: Contingency plan for ensuring food supply and food security in times of crisis. "...there is a need for an integrated food systems' approach which recognises interdependencies and includes.... industries providing necessary inputs and packaging material." https://ec.europa.eu/info/sites/default/files/food-farming-fisheries/key_policies/documents/com2021-689-pe-2021-7931_en.pdf

We collaborate with several international initiatives and associations

Huhtamaki is a member of several external initiatives and associations that drive development related to matters such as sustainable packaging solutions, recycling infrastructure, climate protection and more. Huhtamaki is an active member in key associations because we believe that collaboration with different entities across the value chain and beyond is needed to solve pressing societal and sustainability issues.

Below is a selection of the key associations and initiatives that we were a member of during 2021:

- 4evergreen
- ACPP (Association of the Pulp and Paper Industry)
- Business Europe
- Call on Carbon Initiative
- CDP
- CeFlex
- Climate Leadership Coalition
- Consumer Goods Forum
- EcoVadis
- European Carton Manufacturers Association (ECMA)
- European Moulded Fibre Association (EMFA)
- European Organization of Packaging and the Environment (EUROPEN)
- European Paper Packaging Alliance (EPPA)
- Finnish Business and Society (FIBS)
- Flexible Packaging Europe
- Foodservice Packaging Institute (FPI)
- HolyGrail 2.0; the Digital Watermarks Initiative
- Industrievereinigung für Lebensmitteltechnologie und Verpackung (IVLV)
- Industry Council for Research on Packaging and the Environment (INCPEN)
- Sedex
- Taskforce on Nature-related Financial Disclosures Forum (TNFD Forum)
- The Life Cycle Initiative hosted by UN EnvironmentUN Global Compact

Our sustainability governance structure

At Huhtamaki, sustainability governance is actively monitored at three levels:

Board of Directors (BoD): The highest body to approve the guiding policies for sustainability and outline sustainability principles regarding the Group's strategy. The BoD approves the Annual Report, including the sections that cover sustainability and the non-financial information as a part of the Directors' Report. It monitors and evaluates the risk management activities of the Group, including the sustainability risks like climate-related financial risks. It approves the risk level that the Group is capable and prepared to accept and the extent to which risks have been identified, addressed, and followed up. A deep dive on sustainability is held once a year with the BoD (September 2021) during which the BoD reviewed the entire span of our sustainability agenda across our operating environment, our operations and also our products. Regular updates on progress made is shared with the BoD as part of quarterly updates.

Global Executive Team (GET): Monitors sustainability performance, sets and reviews sustainability targets. Adapts and deploys the Group's internal control principles and risk management procedures, approves global policies. Makes sure sustainability is embedded in everything we do. Business segment and unit management teams are responsible for integrating sustainability matters into daily business decision-making and practices and ensuring that the required processes are in place.

Sustainability Committee: In 2021, we launched the Sustainability Committee to further strengthen our sustainability focus. The Sustainability Committee is a steering committee consisting of the Business Segment Presidents, CEO, CFO, EVP Business Development and Innovation and a cross-functional working group. It is chaired by the EVP Sustainability and Communications. The role of the committee is to accelerate our sustainability agenda by selecting transformative sustainability initiatives, review their progress and act as a decision-making body on key sustainability issues whilst keeping the full GET abreast with the latest sustainability-related developments. The Sustainability Committee had its first meeting in Q4 2021. Going forward, the Sustainability Committee will convene on a quarterly basis.

The Executive Vice President Sustainability and Communications leads the Huhtamaki Group global sustainability organization and is a member of the GET. The EVP Sustainability and Communications ensures that the GET and the Board are well informed on sustainability issues. The global sustainability organization consists of two teams: **the Sustainability Strategy and Operations team** and **the Sustainability Center of Excellence team**. These teams are global functions that support the business segments and units in all sustainability matters, identify Group-level sustainability opportunities and risks, promote responsible operating practices throughout the value chain, and publish the Group's annual Sustainability Performance report (this supplement).

Ethics and Compliance Committee (ECC): the committee oversees the investigation processes related to violations of the Huhtamaki Code of Conduct. The ECC is chaired by Group General Counsel. The Executive Vice President HR and Safety and Chief Financial Officer are permanent members of the ECC.

Sustainability-related incentives: In 2021 we introduced our Global Sustainability Index (GSI), which links the short-term incentives of the President and CEO as well as other GET members to our sustainability performance. The index tracks our progress towards our 2030 sustainability ambitions. KPIs within the index are linked to our sustainability dashboard and relate, for example, to share of renewable or recycled materials, share of renewable electricity, and share of non-hazardous waste recycled.

As of 2022, the GSI will also be applied as one business objective for all employees working in Global Functions and taking part in the short-term incentive plan. As for the rest of the employees within the short-term incentive plan, there is a requirement to have at least one site- or segment-specific sustainability objective (in personal objectives) that is linked to our sustainability dashboard. Linking remuneration and sustainability further strengthens our commitment to sustainability and drives actions to help achieve our ambitious goals.

Our key guiding principles

Sustainability area	Guiding principles and management systems	Responsibility
Environment	• Huhtamaki Code of Conduct • Code of Conduct for Huhtamaki Suppliers • Global Environmental Policy • ISO management systems 14001, 50001 • Group Food Contact Packaging Safety Policy • Quality management system ISO 9001 • Food safety management systems (GFSI recognized and other FSMS)	• GET • Business segments • Manufacturing units • Global functions
Social accountability	• Huhtamaki Code of Conduct • ISO 45001 • Global Employment Guidelines • Huhtamaki Working Conditions Requirements • Group Performance Management Policy • Performance Review Guidelines • Group Compensation and Benefits Policy • Huhtamaki Human Trafficking and Modern Slavery Statement • Global Human Rights Policy • Global Occupational Health & Safety Policy	• GET • Business segments • Manufacturing units • Global functions
Ethical business practices and governance	• Huhtamaki Code of Conduct • Finnish Corporate Governance Code • Group Corporate Governance Policy for Subsidiaries • Huhtamaki Group Policy on Compliance with Competition and Antitrust Laws • Group Claims Policy • Group Disclosure Policy • Group Investigations Policy • Group Insider Policy • Group Enterprise Risk Management Policy • Group Internal Audit Policy • Group Data Privacy Policy • Group Trade Compliance Policy • Code of Conduct for Huhtamaki Suppliers • Huhtamaki Human Trafficking and Modern Slavery Statement • Global Human Rights Policy	• Board of Directors • President and Chief Executive Officer (CEO) • Global Executive Team (GET) • Global functions

More information on corporate governance, including a description of the governance structure and processes can be found in the Corporate Governance Statement 2021 (part of the Huhtamaki Annual Report 2021) and from our website www.huhtamaki.com.

Environment

We are driving the transition to a carbon-neutral and circular economy by using renewable, natural resources, focusing on waste management, ensuring our products are recyclable, compostable or reusable and minimizing our environmental footprint across the value chain by focusing on designing for circularity and promoting sustainable end-of-use for packaging.

Designing safe products for the circular economy

We promote the following UN Sustainable Development Goals:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

15 LIFE ON LAND

Theme	KPIs	Performance in 2021
Designing for circularity	100% of products designed to be recyclable, compostable or reusable.	71% of our products fulfilled these criteria.
	>80% renewable or recycled materials by 2030.	66.6% of total materials were renewable or recycled materials.
	100% of fiber from recycled or certified sources by 2030.	98.0% of fiber-based materials were from recycled or certified sources.
Product safety	All our products comply with Huhtamaki Global Food Contact Packaging Safety Policy.	Digitalization project of food contact material (FCM) compliance documentation continued. Cross-functional global FCM team in place for knowledge sharing.
	Zero food contact compliance related claims reported.	Zero significant incidents of non-compliance reported.

Information disclosed in this section

GRI standards:
301 Materials
416 Customer health and safety

SASB standards:
Accounting metrics (RT-CP-000.A, RT-CP-000.B)
Product lifecycle management (RT-CP-410a.1, RT-CP-410a.2, RT-CP-410a.3)
Supply chain management (RT-CP-430a.1)
Product safety (RT-CP-250a.2)

Packaging plays a fundamental role in protecting food. It guarantees food safety and hygiene, helps prevent food waste and gives access to food by supporting easy and efficient delivery. At Huhtamaki, we want to become the first choice in sustainable food packaging solutions, and we believe that transitioning to a circular economy is the key to unlocking sustainability. In this transition, the change starts from our product design and innovation, and is reflected throughout the entire life-cycle of our products. We value digitalization as a major driver to achieving circularity, for example by enabling materials to be correctly sorted for recycling, and have therefore incorporated digitalization in our strategy to help achieve our sustainability ambitions. Digital watermarks for smart packaging are potential to revolutionize the way packaging is sorted, as they open new possibilities currently not feasible with existing technologies.

Our guidelines for circular design

At Huhtamaki, we integrate circularity principles into our product development and innovation process from start to finish. We guide our design process through our 'golden rules', the principles that must be considered as we develop smart and low-carbon products. They are related to the product characteristics, life-cycle approach and mindset & collaboration. Our golden rules help ensure that we do not compromise on product safety, quality and functionality, and that we always consider the full environmental and social life-cycle impacts of our products and foster collaboration with our stakeholders in their development.

When evaluating potential solutions for each product, we focus on our material selection, so that we are material positive, product structure and the end-of-life treatment of our products at the design stage of product development.

In 2021, we introduced a new KPI related to designing our products for circularity. Going forward, we will report the percentage of our products designed to be recyclable, compostable or re-usable annually. Today, 71% of Huhtamaki products are designed to meet these criteria, which represents approximately EUR 2,605 million in revenue in 2021. However, we acknowledge that the actual level of recycling, composting and reuse depends on the local recycling infrastructure and on the willingness of consumers to participate in recycling schemes. Huhtamaki aims to accelerate the development of collection, sorting and recycling infrastructure by working together with our value chain. In Q4 2021, we started a dedicated working group focusing on advancing the transition to a circular economy globally. We will report on our progress with the recycling initiatives in 2022.

Read more about our recycling initiatives in 2021 on page 37.

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Our guiding principles help us take informed decisions when designing our products through their entire life-cycle

As a global packaging solution provider, we are committed to contributing to the transition from a linear to a circular economy, where products and materials are kept in circulation in a closed loop system. This change starts from our product design and affects the entire life-cycle of products. We have developed a Design Guide for ensuring innovation and new product development towards the goal of achieving circularity. This guide sets the foundation for our technical design framework. When developing our products, we are guided by the following key principles:

MATERIAL SELECTION: The main materials we use are renewable materials, recycled materials and polymers. We are guided by minimizing the environmental and social impacts when selecting materials for our products.

PRODUCT STRUCTURE: We make sure circularity is considered in the product design and structure, by designing high quality, durable packaging that is fit for purpose, without excessive use of packaging, and by optimizing the amount of materials and resources used in our products while ensuring technical recyclability.

PRODUCT END-OF-LIFE: We use materials compatible with collection and recovery systems, ensure sufficient consumer information and ease of use for collection and support easy, automatic sorting.

Overall environmental impact guides our product design

We see environmental science as crucial for ensuring that product design decisions are evidence-based when developing sustainable packaging solutions. Our goal at Huhtamaki is to contribute to a resource-efficient circular economy and we are advocates for the systemic change towards a low carbon economy. In 2021, Huhtamaki joined the Life Cycle Initiative, a public-private multi-stakeholder initiative aiming to enable the global use of credible life cycle knowledge by private and public decision makers. Hosted by the United Nations Environment Programme (UNEP), the Life Cycle Initiative facilitates the application of life-cycle knowledge in the global sustainable development agenda in order to achieve global goals faster and more efficiently.

Life Cycle Assessments (LCA) provide us with fact-based information on the environmental impact of our products throughout their life cycle. With the LCA tool, we can simulate the environmental impacts of different product recipes in given scenarios based on reliable data. It helps us to benchmark products and production options and identify improvement areas. Results are shared with our customers and other relevant stakeholders to help drive better informed decision making.

Being material positive when we select material to ensure fit-for-purpose packaging

We are material positive, meaning that we make the best possible choice in the selection of materials to ensure environmentally viable, functional, fit-for-purpose packaging, which supports how we play our part in delivering systems which are both circular and low carbon. In a material positive system, the materials which provide access to safe, affordable food and help prevent food waste, then continue their journey through a low carbon circular economy by being recycled in ways that maximize their value to both the planet and people.

When selecting materials for our products and technology for our operations, we are guided by our desire to minimize the environmental and social impacts of the materials we use: renewable and recycled materials, as well as polymers.

In renewable materials, one of the main considerations is the traceability of the supply chain through a process for certified fiber. We manage our part in this with our externally certified chain of custody process. In terms of recycled materials, we continuously work on increasing the recycled content in our products while never compromising on the need for food contact safety and product quality. When it comes to plastics, we are focusing on next generation mono-materials that minimize the number of different layers used in the product thereby limiting the use of problematic plastics. At the same time, we are focusing on new high precision technology which will help drive plastic substitution by using fiber-based materials where possible.

When using additional components in our products, such as additives, inks and adhesives, we support the continued development of innovative alternatives to existing chemicals. Huhtamaki is committed to protecting the environment and public health including the restriction and the substitution of potentially hazardous high impact chemicals, globally. We aim to minimize the consumption of chemicals in our products and production, and to reduce the environmental impact of our business, across all our operations.

In our GreeNest® carton for eggs, we use innovative technology to produce a completely natural product made with 50% grass fibers. The alternative grass fiber is not treated or fertilized and it is sourced from protected wilderness areas dedicated to sustainable agriculture. By sourcing grass fiber from these areas, we are also supporting their maintenance and not competing on the same grasslands with livestock. The carton is home-compostable or can also be recycled into a new packaging product or paper item. The GreeNest production line has also lowered the overall carbon footprint for production by 10% compared to conventional molded fiber carton.

Huhtamaki's blueloop platform ensures that circular design principles are integrated into our flexible packaging products. As part of blueloop, Huhtamaki has designed a metallized polyethylene (PE) pouch, replacing the conventional laminated metal foil pouch. The new innovative structure enables a significant reduction in the amount of raw material used and improved recyclability. To achieve full product circularity, we substituted a multi-material structure consisting of separate layers of PE and aluminium foil with a metallized PE film with minimized layers. This product has been validated for full recyclability based on industry standards by independent testing authorities.

Read more about our innovative packaging solutions contributing to the transition to a circular economy on page 18.

Materials consumption

At Huhtamaki, the main raw materials used are paperboard and paper (36%), recycled fiber (29%) and plastic polymers (25%).

Virgin paperboard is used to manufacture disposable tableware, such as hot and cold drink cups, plates, food containers and ice cream packaging. In polycoated paperboards, we are working on decreasing the level of polymers. Our goal is to achieve a level of less than 10% polymer coating. Food safety regulations related to direct food contact are adhered to with virgin paperboard when the use of recycled content is not possible.

Post-consumer recycled fiber, such as old newspapers, is used to manufacture molded fiber packaging, such as egg and fruit packaging and foodservice cup carriers. **Post-industrial recycled fiber**, such as cutting waste from our paper cup manufacturing, is used to manufacture molded fiber disposable tableware, such as Chinet® plates.

Polymers such as PS (polystyrene), PET (polyethylene terephthalate), recycled PET and PLA (polylactic acid, derived from renewable resources) are used to manufacture disposable tableware, such as transparent cups, tumblers, containers, lids and cutlery. Polymers such as PE (polyethylene), PET and PP (polypropylene) are the main materials in multilayer flexible packaging. In mono-material flexible packaging, the main materials used are PE and PP.

In addition to the main raw materials mentioned above, we use packaging materials, inks, dyes, adhesives, other chemicals, metals and alternative fibers (i.e. fibers from non-wood sources such as grass). The use of alternative non-wood fiber e.g. grass is limited to certain products. The composition of printing inks varies based on the needs and features of the final product. Both solvent-based and water-based inks are used. The majority of the metals we use is aluminum. Huhtamaki does not use any conflict minerals.

In 2021, the share of renewable materials of all materials used across Huhtamaki globally was 66% (67%). Most of the renewable material was wood fiber-based materials, either virgin fibers or recycled paper. The most used recycled raw material was post-consumer recycled paper. The share of recycled materials remained at 29% (29%) in 2021.

Material use, 1,000 metric tons

	2021	2020	2019
Total material usage	1,392	1,353	1,387
Renewable materials used	925	911	937
Non-renewable materials used	468	442	451
Share of renewable materials, %	66	67	68
Share of recycled input materials, %	29	29	28
Share of recycled renewable materials, %	28	28	28

Production volume, 1,000 metric tons

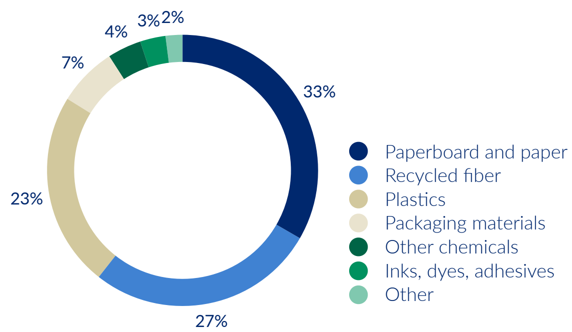
	2021	2020	2019
Total production volume*	1,108	1,048	1,093
Fiber-based products	729	701	730
Plastic-based products	274	246	256
Other products	105	102	106

* Label and cylinder manufacturing units excluded from production volume mass

Material procurement, 1,000 metric tons

	2021	2020	2019
Total wood fiber procured	470	477	504
Share from certified sources, %	96	97	N/A
Total aluminum procured	26	25	27

Material use by volume



At Huhtamaki, certified and recycled fiber are key components in designing for circularity

Paper, cardboard and recycled fiber are the main raw material we use, by volume. Nearly 70% of our product portfolio is made of fiber – either virgin or recycled. Virgin fiber is used for most food packaging with direct food contact to meet food safety and hygiene regulations. For a specific type of food packaging, such as egg trays, recycled fiber can be used, as eggshells provide the needed natural barrier to prevent direct food contact. Recycled fiber is sourced from manufacturing or from post-consumer recycled material. We use residual clippings from our own paper cup manufacturing to make new fiber plates with our molded fiber technology. From post-consumer recycled paper, we produce egg cartons and trays, as well as cup carriers and wine bottle protectors.

Forests are an important natural resource and Huhtamaki wants to advance the sustainable management of all forest types. When trees are well managed, they provide livelihood, clean air and water, conserve biodiversity and mitigate climate change. Huhtamaki is committed to zero deforestation and no use of illegal or controversial wood fiber sources. We do not use tree species listed by the

Convention of International Trade on Endangered Species (CITES) for any of our raw materials or in any of our products. The virgin fiber that we use is certified by organizations such as the Forest Stewardship Council® (FSC®), the Programme for the Endorsement of Forest Certification™ (PEFC™) and the Sustainable Forestry Initiative® (SFI®) program. These certification schemes ensure that forests are not used excessively, new trees are planted to replace harvested timber and the forests are ecologically maintained and balanced for their long-term health. The certification systems also take the social aspect of forest management into account.

Securing a sustainable supply chain for fiber is crucial and a key part of our 2030 sustainability ambition. Our goal is to source 100% of the wood fiber that we use from recycled or certified sustainable sources. In 2021, 96% (97%) of our fiber raw materials (excluding recycled fiber) were certified with PEFC™, FSC® or SFI® certifications, which guarantee that the fiber is traceable to sustainably managed forests. Huhtamaki has Chain of Custody certified operations to enable certified products to reach our customers and finally consumers.

We continue working to reach our 100% goal, recognizing that the remaining percentage is under constant change as we develop new products and test alternative materials. For example, today, in certain products, we use alternative non-wood based fibers such as grass for which there is no certification scheme available, currently. Huhtamaki welcomes the development of sustainability certification schemes for alternative fiber from non-forest sources to complement the use of virgin and recycled forest-based fiber.

Designing for product end-of-life

The final and crucial step in promoting a closed-loop circulation of materials is how we design for the end-of life of our products. We see waste as a valuable secondary resource and want to ensure that materials are kept in circulation for as long as possible through recycling, composting, or reusing. Reflecting this, our aim is to have a 100% of our products designed to be recyclable, compostable or re-usable by 2030.

We are committed to increasing the recyclability of our products. Our principles related to material selection focus on the requirements of the end-of-life stage. Other areas of importance are the materials' compatibility with existing local collection, sorting and recycling infrastructures, availability of collection and sorting information for consumers and sufficient testing to guarantee the recyclability or compostability of the products.

In 2021, we engaged with The Rubbish Project to pilot a fully closed-loop supply chain for our products. The Rubbish Project is a start-up focusing on closed loop solutions for food and drink packaging, focused on PET cups (e.g. beer tumblers) and an event-based post-consumer collection and recycling model which enables post-consumer cups to be recycled back into cups. Their offering covers developing collection systems, material tracking, digital dashboards and recycling. As part of this project, Huhtamaki has started to identify potential pilots to build digital and physical infrastructure to recycle our products within our units, including offices. Going forward, we will use the learnings from the pilots to further develop this model with the goal to extend it to all units and also the value chain.

To address challenges with the existing recycling infrastructure, in 2020 Huhtamaki supported the German start-up Recyda in developing an IT tool to assess packaging recyclability in Europe and help fight packaging waste across the continent. Recyda's software consolidates research on recyclability country by country and embeds this information in an easy-to-use web application. Building on the initial successful collaboration, Huhtamaki continued working with Recyda in 2021 and implemented the software across different business units. The Recyda software application is an important tool to design for recycling in a transparent way, assess our current product portfolio and elaborate country-specific recyclability to customers. The Recyda app also makes it possible to see how changes made in the packaging structure affect the recyclability of packaging in different markets. For more information see www.recyda.com

Read more about our partner collaboration on page 37 in the Business Overview.

Recycling technologies

In 2021 we commissioned VTT, the Technical Research Centre of Finland Ltd, to produce a white paper on recycling technologies for food packaging. The report aims at giving a view into the latest technological innovations in food packaging recycling with emphasis on solutions foreseen to be commercial in the next five years. We will use the report's findings as part of our work with others across the value chain to support solutions that improve the circularity of post consumer packaging.

Our zero compromise on product safety and quality

Designing for circularity offers exciting opportunities to develop new packaging solutions to address the needs of our society. However, we are also clear that when making choices in the product design phase, for example regarding the choice of materials or the structure of the packaging, there can never be a compromise on the safety and quality of the final product that is to be used in food contact.

Food packaging plays a vital role in ensuring the availability of safe, hygienic, and affordable food products. Product safety is non-negotiable and managing food contact safety is at the core of our sustainable packaging solutions for food. We are committed to providing safe, fit-for-purpose and high-quality packaging products for food and drink packaging customers globally. Each Huhtamaki product meets high quality and food safety standards that give our customers and their customers, the consumers, confidence in our products. Our approach to food safety covers our entire supply chain. Proactive communication between all parties in the value chain regarding raw materials, composition and intended use of the final food packaging is essential when we design our products.

Our Global Food Contact Packaging Safety Policy ensures food safety

At Huhtamaki, we define our fundamentals for Quality and Food Safety globally and implement them locally. Regulatory requirements drive compliance as they vary from region to region. The Huhtamaki Global Food Contact Packaging Safety Policy describes food safety related requirements that are included in the local quality management systems. In this way, the policy brings consistency throughout our value chain and food safety related measures. We have dedicated product safety teams in place globally to provide guidance, training, and support to our sites. Leaders of these teams form a cross-functional global food contact team. This team is managed by the Sustainability Center of Excellence.

When designing our products, we use a safety by design approach. Raw materials are qualified for food contact suitability for the intended use prior to being introduced. The finished articles are assessed and tested in accordance with legal requirements. Our internal procedures are based on hazard analysis, critical control point (HACCP) assessments and good manufacturing practice (GMP) requirements. On a day-to-day basis, we manufacture and deliver products that meet regulatory requirements and the highest quality and food safety standards globally. The quality standards include ISO 9001 and food safety standards include ISO 22000 and GFSI recognized schemes like BRCGS. In addition to our internal procedures and controls, we are regularly audited by our customers and their auditing partners on matters related to quality and food contact safety.

During 2021, there were no incidents of food contact non-compliance related to chemical safety or hygiene. No food contact safety or hygiene related fines were paid.

Chemical considerations included in our product design

Our safety by design approach includes chemical considerations. As stated in the Huhtamaki Environmental Policy, we are committed to protecting the environment and public health including the restriction and the substitution of potentially hazardous high impact chemicals, globally. We aim to minimize the consumption of chemicals and to reduce the environmental impact of our business, across all our operations. Huhtamaki adopts and implements all relevant regional, national and global chemicals related laws and regulations including for example REACH EU regulation on chemical substances in Europe and GHS classification and labelling of chemicals from the United Nations globally.

Although Huhtamaki does not produce chemicals, we are aligned with frameworks developed for the chemical industry, for example Responsible Care by American Chemical Council and Safe and Sustainable by Design by the European Chemical Industry Council. Our process to identify emerging materials and chemicals include monitoring of potential regulatory developments and engaging with stakeholders in dedicated chemistry related forums, e.g. working groups organized by trade organizations.

Manufacturing units with certified quality, hygiene and safety management systems in 2021, % of manufacturing units

	ISO 9001	BRCGS or other GFSI recognized mgmt system, AIB or ISO 22000
Group	77%	82%
Foodservice E-A-O	91%	100%
North America	22%	100%
Flexible Packaging	90%	100%
Fiber Packaging	100%	55%

Climate action throughout the value chain

We promote the following
UN Sustainable Development Goals:

13 CLIMATE ACTION

Theme	KPIs	Performance in 2021
Climate	100% renewable electricity	18% of total electricity consumed was from renewable sources
	Carbon neutral production and science-based targets	Science-based targets approved and validated by the Science Based Targets initiative in 2021. The targets are as follows: • 27.5% reduction in absolute Scope 1 and 2 emissions by 2030 from a 2019 base year • 13.5% reduction in absolute Scope 3 emissions from end-of-life treatment of sold products within the same timeframe • 70% of our suppliers, by spend, sign up to setting their own science-based targets by 2026 Going forward, we will start reporting on our progress against these targets.

Information disclosed in this section

GRI standards:
302 Energy
305 Emissions

SASB standards:
GHG emissions (RT-CP-110a.1, RT-CP-110a.2)
Air quality (RT-CP-120a.1)
Energy management (RT-CP-130a.1)

At Huhtamaki, our ambition is to strive for carbon neutral production with science based targets for ambitious greenhouse gas (GHG) emissions reduction targets and strong collaboration with our suppliers and business partners. Today, Huhtamaki's own operations account for approximately 20% of our total GHG emissions, while 80% arise from other parts in the value chain. In addition to reducing the GHG emissions from our own operations, we will increasingly engage with our suppliers and business partners to reduce the emissions stemming from our supply chain and facilitate reuse, recycling, and recovery of our products at the end of their life-cycle. In 2021, Huhtamaki joined the Call on Carbon initiative to call on governments to back their net-zero targets with effective, robust, reliable and fit-for-purpose carbon pricing instruments.

ⓘ | *Read more about our efforts to promote circularity on pages 164.*

Our science-based climate ambition

In line with our overall 2030 sustainability ambition, we solidified our climate commitment in 2021 by having our climate targets approved and validated by the Science Based Targets initiative (SBTi). Our target setting covers the largest emissions sources along our entire value chain, as well as our own operations. The approval from the SBTi signifies that our targets have been externally reviewed and validated are rooted in climate science and in line with limiting global warming to well below 2°C. Huhtamaki has set three science-based targets: one related to our own operations and two related to our value chain.

In our operations, we aim to reduce our absolute Scope 1 and Scope 2 GHG emissions by 27.5% by 2030 from a 2019 base year. During 2021, we focused on setting the foundations for our decade-long emissions reduction pathway by defining and launching a global Energy Strategy to improve our energy efficiency, switch to low-carbon fuels and increase the share of renewable electricity, globally

In order to reduce the Scope 3 emissions from our value chain, we aim to drive emissions reductions related to the raw materials that we use in our production and to reduce the emissions from the end-of-life treatment of our products. Huhtamaki has committed to ensuring that 70% of our suppliers, by spend, sign up to setting their own science based targets by 2026. In our downstream value chain, we are committed to reducing the GHG emissions from the end-of-life treatment of our products by 13.5% by 2030 from a 2019 base year.

Our energy strategy guides the transformation of own operations

To drive ambitious emissions reductions in our own operations, we have devised a group-level energy strategy and set up a steering committee for decision making. The steering committee members include EVP Sustainability and Communications, CFO, EVP Corporate Affairs and Legal, as well as business segment representatives. During 2021 we decided to focus on two main levers: improving our energy efficiency and increasing the share of renewable electricity. Going forward as we roll-out our strategy, additional elements will be included alongside efficiency and renewable electricity, such as switching to low carbon fuels, electrification of systems as well as technology development.

Improving energy efficiency across our operations is one of the cornerstones of our Energy Strategy. This is particularly important given our high growth ambitions – we must constantly find ways to produce more efficiently to counter the emissions arising from growing production. During 2021, we mapped out all our operations globally to identify the largest potential for improvements in energy management. Additionally, we commissioned energy efficiency audits at two manufacturing sites in Europe to identify concrete energy efficiency improvement actions.

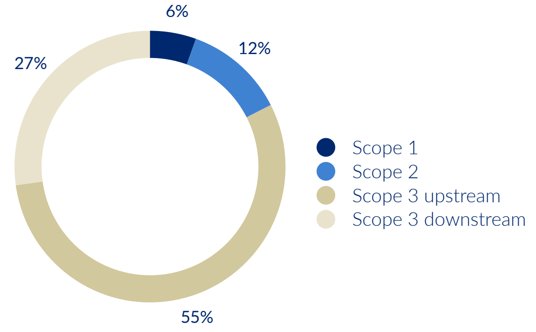
Increasing the share of renewable electricity is another critical lever to combat our emissions. In 2021, we took a major step forward in this area by signing two 10-year Virtual Power Purchase Agreements (VPPA) with the global renewable energy developer BayWa r.e. As part of the VPPAs, BayWa r.e. will build two new solar installations in Spain, bringing a significant addition of renewable energy to the European grid. The two new solar sites have a combined volume of 200 GWh of renewable electricity per year and cover approximately 80% of Huhtamaki's current electricity usage in Europe. Going forward, we will continue with VPPAs also in other regions, the next one planned to take place in the US in 2022.

ⓘ | *Read more about the VPPAs in the Business Overview, page 36.*

In addition to the VPPAs we will, wherever feasible, implement on-site generation of renewable energy, mainly through photovoltaic solar panels on factory roofs. Generating renewable electricity on-site is a cost-efficient way to reduce our GHG emissions associated with the electricity we would otherwise purchase from the local grid. During 2021, we completed installations for photovoltaic panels at manufacturing units located in India, China and South Africa. Generating renewable electricity on-site is a cost-efficient way to reduce our GHG emissions associated with the electricity we would otherwise purchase from the local grid.

Going forward, another important but more context-dependent lever in our Energy Strategy is switching to low-carbon fuels. For example, we see great potential in using biofuels in markets where they are accessible. Additional components of our energy strategy include electrification of systems as well as technology development in production machinery.

Huhtamaki greenhouse gas inventory



Huhtamaki GHG Inventory today

Scope 1 – Direct emissions occurring in our own operations as a result of using fossil fuels. Most (>90%) of our Scope 1 emissions result from the use of natural gas in our manufacturing units, where we use this fuel for heating and drying.

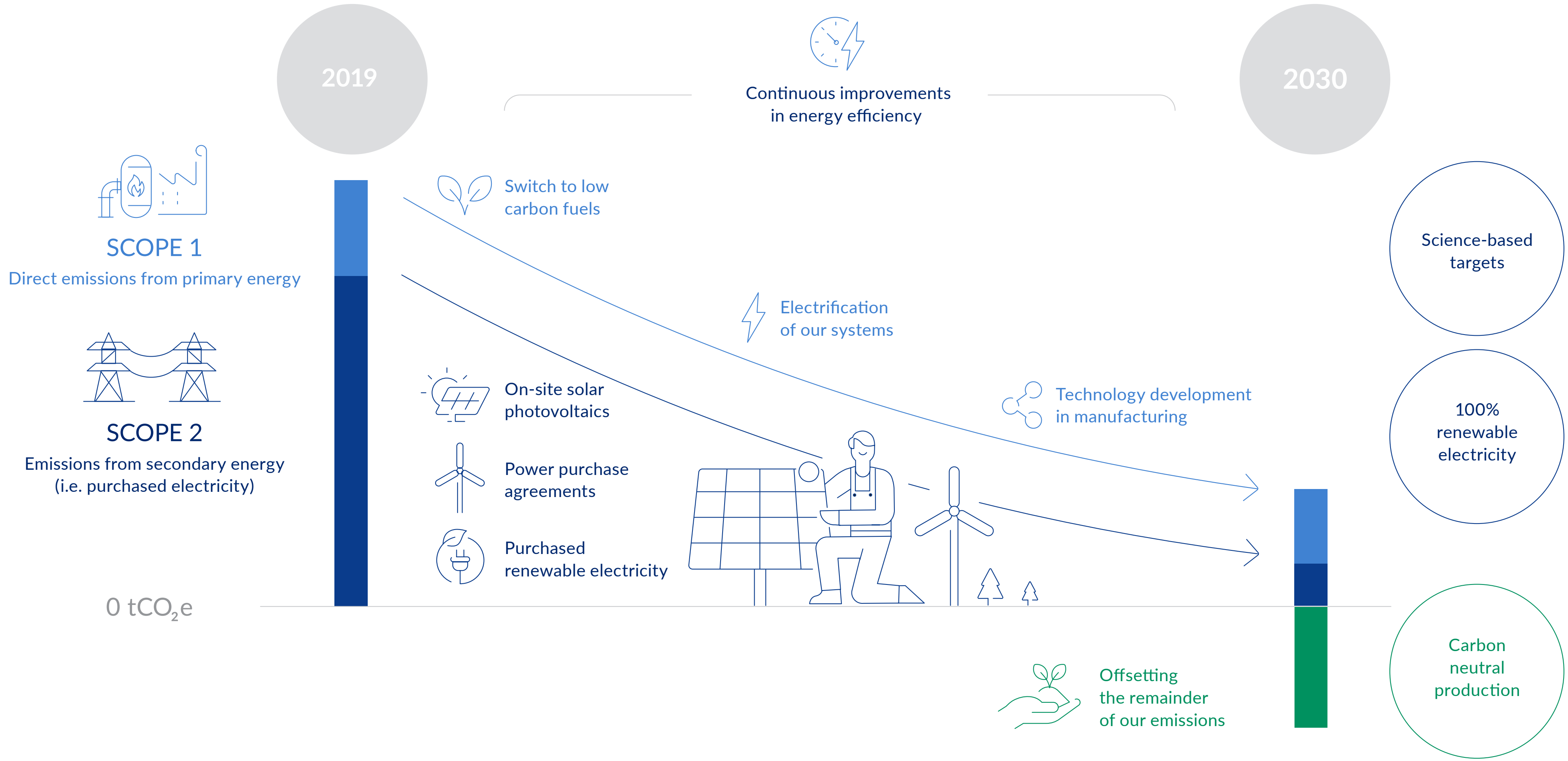
Scope 2 – Indirect emissions associated to the fossil-fueled generated electricity that we purchase for powering our manufacturing processes. Scope 2 emissions are about twice as large as our Scope 1 emissions.

Scope 3 – Other indirect emissions – associated with activities happening upstream and downstream in our value chain – account for 83% of our GHG inventory. The largest categories and their shares relative to our Scope 3 inventory are: purchased raw materials (57%) and waste-treatment methods of our products at their end-of-life (31%). The remaining 12% consists of other, various upstream and downstream activities (transportation of goods, employee commute, business travel, etc.)

Virtual Power Purchase Agreements as a tool for delivering on our climate ambitions

A Virtual Power Purchase Agreement (VPPA) is a contract structure in which a power buyer, in this case Huhtamaki, agrees to purchase a project's renewable energy for a pre-agreed price. With future cash flows secured, the developer can build a new renewable asset. We consciously prefer this mechanism, because it has the attribute of additionality: corporate VPPAs for new wind and solar projects lead to new renewable generation in the electricity grid, most often replacing fossil fuel powered generators. Therefore, there is a clear decarbonization impact of these VPPAs.

Our journey towards carbon neutral production by 2030



Climate action throughout the value chain with suppliers and partners

Similar to many companies, the majority of Huhtamaki's total carbon emissions arise from our value chain. We see clear opportunities in engaging and working together with our suppliers and partners to promote and achieve large-scale emissions reductions.

As the majority of our value chain emissions are related to the raw materials that we use in our manufacturing process, collaboration with our suppliers is one of our priorities. We are committed to ensuring that 70% of our suppliers, by spend, sign up to setting their own science-based targets by 2026 and, in this way, reduce emissions in their own operations and respective value chains. While our supplier base is vast and diverse, we can play our part by educating and increasingly demanding focused climate action from them. During 2022, we will define a more detailed supplier engagement strategy for roll-out.

The second largest emissions impact in our value chain arises from the end-of-life treatment of our products. To bring about change, we need cross-industry collaboration with policymakers and other stakeholders to improve the current recycling and waste management infrastructure and drive incentivization. To facilitate collaboration and a fact-based conversation, Huhtamaki is collaborating in several different circular economy initiatives. We have also set up a cross-segment working group to actively identify opportunities for new, game changing recycling initiatives. We will communicate on the progress of these initiatives during 2022.

Read more about our circular economy initiatives on page 37 in the Business Overview.

Our efforts to reduce emissions in the value chain and to promote a transition to a more circular economy are interconnected.

Read more about how we promote the transition from a linear economy to a circular one on pages 164–168.

Emissions performance

Greenhouse gas (GHG) emissions are one of the main environmental impacts of our manufacturing operations, and we aim to reduce them in the long-term in line with our science-based targets. Our manufacturing units are governed by applicable environmental permits, which set limits for emissions to air. Our most significant emissions to air are carbon dioxide (CO_2) and volatile organic compound (VOC) emissions.

Our own operations account for approximately 20% of our total greenhouse gas (GHG) emissions, while 80% arise from other parts in the value chain. Out of the emissions from our own operations, approximately 30% are Scope 1 emissions from the direct fuel usage at our sites, whereas the majority of 70% can be attributed to Scope 2 emissions mainly from purchased electricity.

In 2021, the absolute GHG emissions from our own operations (Scope 1 and 2) decreased by 0.4% (3,100 t) while our production volume increased by 6% compared to 2020. Hence, our GHG intensity per sellable ton produced decreased by 6% compared to 2020. As a result, we achieved a reduction of 43,700 metric tons CO_2e in our GHG emissions when adjusted for the change in the production volume in 2021. This positive development is in line with our GHG emissions reduction targets and was achieved due to the increased share of renewable electricity in our operations, resulting in a 58,700 t (8%) reduction from the base year 2019 level. The calculation of emissions intensity and reduction covers Scope 1 and Scope 2 emissions.

Our absolute Scope 1 emissions increased by 2% compared to 2020, mainly due to the increase in the production volume. Scope 1 emissions cover methane (CH4) and nitrous oxide (N2O) gases besides CO_2. 27% of our Scope 1 emissions are covered by EU ETS.

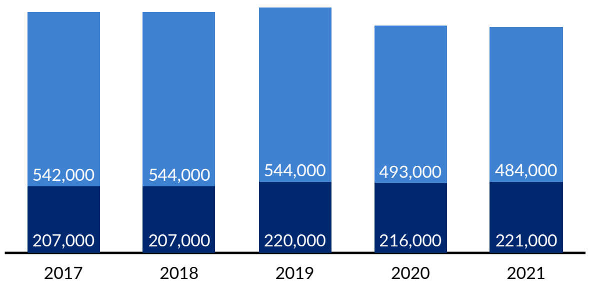
Our absolute Scope 2 emissions calculated using the market-based calculation method decreased by 2% compared to 2020, thanks to the significant increase in the share of certified renewable electricity used in our operations. 68% of the total greenhouse gas emissions generated by our operations originate from purchased electricity. The indirect CO_2e emissions are highly dependent on the mix of the energy sources available in the national energy grids of our operating countries. We calculate our Scope 2 emissions using both the market-based and the location-based methods, the former in our target setting. The market-based calculation uses both supplier-specific emission factors and factors from emission factor libraries. The location-based calculation method takes into consideration the national average mix of the energy sources available in our operating countries. When using the location-based calculation method, our Scope 2 emissions were 706,000 metric tons CO_2e in 2021.

Most of our Scope 3 emissions originate both from the extraction and processing of all the materials that we purchase and from the end-of-life treatment of our sold products, meaning the waste-treatment method used after the disposal of the product. In 2021, our absolute Scope 3 GHG emissions increased by 4% mainly due to the increase in our production and the related material purchases when compared to 2020. We saw a 4% growth both in the emissions related to our purchased materials and in the emissions related to the end-of-life treatment of our sold products. Due to the indirect nature of Scope 3 emissions and the variety in the emissions sources, our calculations include both simplifications and estimations in several categories. As we proceed with our Scope 3 emissions reduction roadmap, we are also constantly improving the accuracy of our calculations. We report our detailed Scope 3 emissions inventory annually in our response to CDP's Climate Change questionnaire.

In addition to monitoring greenhouse gas emissions, we are committed to monitor non-GHG air emissions such as Volatile Organic Compound (VOC) emissions. In 2021, our VOC emissions totalled 6,700 tons (6,500). The main source of VOC emissions is the use of solvent-based printing inks in our manufacturing units. We use both recovery and combustion for VOC abatement. The recovery system enables recycling and reuse of the solvents used in printing inks. We also use water- and oil-based printing inks which are solvent-free and do not result in VOC emissions, but they do, instead, require more energy for evaporation. In 2021, 14% (13%) of printing inks used in Huhtamaki were water- or oil-based.

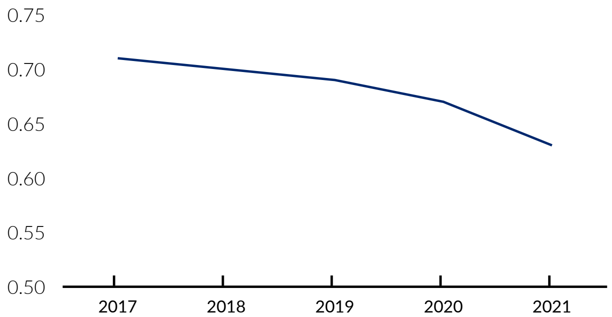
Greenhouse gas emissions, Scope 1 and Scope 2

metric tons CO_2e



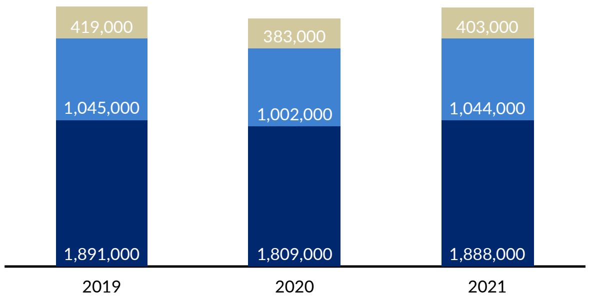
Greenhouse gas emissions intensity

metric tons CO_2e/Sellable ton produced



Greenhouse gas emissions, Scope 3

metric tons CO_2e



Energy consumption

At Huhtamaki, we use primary energy such as natural gas, oil and coal, mainly in the drying process for our recycled fiber-based packaging. The main source of secondary energy is purchased electricity which accounts for over 52% of our total energy consumption.

In 2021, our total energy consumption was 2,244 GWh (2,142 GWh), increasing by 5% compared to 2020. Consumption of primary energy was 1,063 GWh (1,036 GWh) and consumption of secondary energy was 1,181 GWh (1,105 GWh). The increase in energy consumption was attributable to the increased production volume.

In order to be resource efficient, it is essential to increase energy efficiency and reduce the energy intensity of our processes. Our Operational Excellence teams, across our manufacturing units, work on this continuously for the benefit of both our business and the environment. Energy efficiency improvement is one of the levers we use to reduce our carbon emissions when rolling out our 2030 sustainability ambition to operations.

In 2021, our energy efficiency improved to some extent compared to 2020. Energy consumption per sellable ton produced (STP) was 2.01 MWh/STP (2.03), which translates into a 1% improvement compared to the previous year. The figure includes all forms of energy used within Huhtamaki.

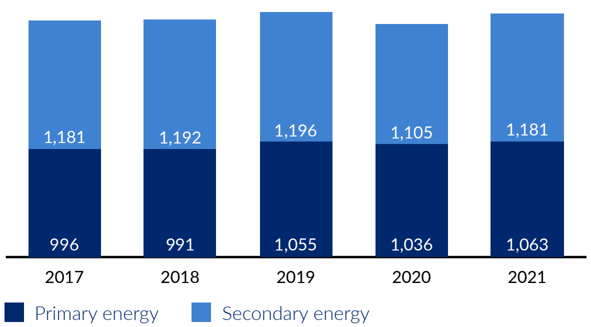
During 2021, we also took the first major steps towards carbon neutrality and reaching our science-based targets as the share of our certified renewable electricity consumption increased to 13% (4%). The increase of the share is both impacted by the development of our reporting guidance and focus on our suppliers' renewable energy statements as well as to actual changes in purchase contracts.

Energy consumption, GWh and %

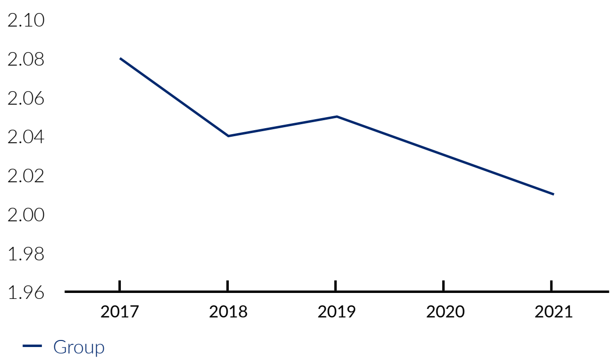
		2021		2020		2019	
Primary energy consumption	Gas	993	44%	971	45%	984	44%
	Oil	69	3%	66	3%	71	3%
	Coal	0	0%	0	0%	0	0%
	Renewable fuels	0	0%	0	0%	0	0%
Secondary energy consumption	Electricity	1,175	52%	1,094	51%	1,181	52%
	Share of certified renewable electricity[1]	151	13%	42	4%	18	2%
	Share of renewable electricity	212	18%	42	4%	18	2%
	Other secondary energy[2]	6	0.3%	12	1%	16	1%
Total energy consumption		**2,244**	**100%**	**2,142**	**100%**	**2,252**	**100%**

[1]2021 includes purchased electricity pertaining to the Renewable Portfolio Standards (RPS) in the US
[2]Heating, cooling and steam combined due to small consumption. No energy sold. Units report energy consumption in a specific management system.

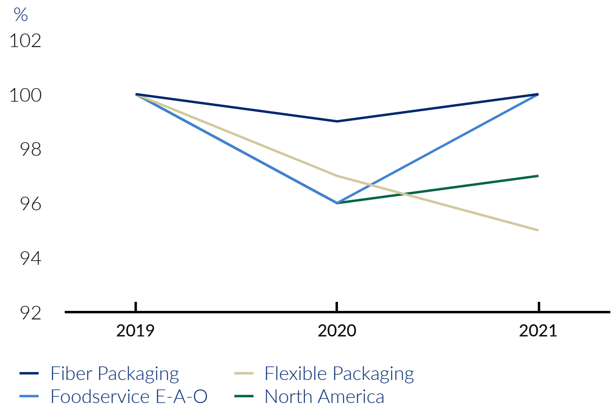
Total energy consumption
GWh



Energy intensity
MWh/Sellable ton produced



Indexed energy intensity
Percentage of 2019 level



Taking care of our environment

We promote the following UN Sustainable Development Goals:

Theme	KPIs	Performance in 2021
Water	Water management plans in place at all our sites by the end of 2022	47 (59% of all sites) sites have water management plans in place.
Waste	More than 90% of the non-hazardous waste from our production will be either recycled or composted by 2030	72.3% of non-hazardous waste was recycled or composted
	No waste is sent to landfill by 2030	17.9% of total waste was sent to landfill

Information disclosed in this section

GRI standards:
303 Water and effluents
306 Waste

SASB standards:
Water management (RT-CP-140a.1, RT-CP-140a.2)
Waste management (RT-CP-150a.1)

In addition to greenhouse gas emissions, production waste and water usage are the main environmental impacts of our manufacturing operations. Water usage is a material topic in our molded fiber manufacturing operations.

In 2021, we renewed the Huhtamaki Group Environmental Policy reflecting our commitment to protect food, people, and the planet by offering sustainable packaging solutions. The objective of the policy is to ensure a group-wide understanding of our environmental commitments. The environmental sustainability topics covered in the Huhtamaki Group Environmental Policy are climate and energy; water and effluent; sustainable forestry and biodiversity; waste, design for circularity and chemicals. The environmental policy can be found on our website: www.huhtamaki.com

Huhtamaki acknowledges the stakeholder interest in chemical management. In Q4 2021, we made the decision to develop a Global Chemical Policy to address the three categories in chemical management: product safety, environmental safety and occupational health and safety. This new corporate-wide policy is to be built on current segment-specific policies and it consolidates our best practices in chemical management.

Our manufacturing units continuously work to improve their resource efficiency. This is supported by a strong environmental and financial rationale. Huhtamaki's operating principles regarding the environment are set out in the Huhtamaki Code of Conduct, the Code of Conduct for Huhtamaki Suppliers, and the global Environmental Policy. These policies are implemented on the manufacturing unit level and supported by Total Productive Manufacturing trainings and ISO management systems. At the end of 2021, 54 (53) manufacturing units, representing 66% (66%) of all manufacturing units in the Group followed an externally certified environmental management system such as ISO 14001, the Eco-Management and Audit Scheme (EMAS) or the internal Environmental Care Program implemented in North America.

Ensuring responsible water use

In Huhtamaki we care for water as a valuable natural resource, indispensable for food, people and the planet. Acknowledging the human right to water and sanitation, we focus on managing and mitigating our impact on water resources.

Most of the water we consume is used in our molded fiber manufacturing units, where water plays a key role in pulping the recycled fiber before further processing. In other operations, water is mostly used for sanitation and hygiene purposes (e.g. canteens, toilets, showers), and for the cooling and cleaning of the facilities. In most of the geographies we operate in, water is relatively abundant. However, we acknowledge that water scarcity is a global challenge and that, as an advanced manufacturer of sustainable packaging solutions, we need to address this across all our operations. Even though our food packaging manufacturing units have relatively low water intensity compared to other industries in the food value chain, we are aware of the risk exposures related to water that could have an effect on or cause disruption in our production capacity, or have an impact on the surrounding communities.

As stated by the United Nations, water use has been growing globally at more than twice the rate of the population increase in the last century, and an increasing number of regions are reaching the limit at which water services can be sustainably delivered, especially in arid regions. We use the Aqueduct Water Risk Atlas by the World Resource Institute (WRI) to determine the water-related risk profile of our sites and to identify which sites are located in water-stressed areas. As per CDP recommendations, we use this established tool to classify an area as water-stressed if the ratio of total water withdrawals to available renewable surface and groundwater supplies is equal to or greater than "High". Based on this assessment, 23 of our 79 sites operated in areas classified as water-stressed in 2021.

Delivering on our commitment to water management is essential for us

Water security is integral to our environmental policy. The policy states our commitment to align our practices with water stewardship and the principles of circular water management: reducing water losses by boosting water efficiency, reusing water that needs minimal or no treatment, recycling water, restoring water by returning it to source at the same or better quality and recovering resources from wastewater. Our commitment to safely managed Water, Sanitation and Hygiene (WASH) in the workplace is included in the Huhtamaki Working Conditions policy.

To ensure that we take the steps needed to responsibly manage our water resources, in 2020 we began developing a comprehensive water stewardship plan with the involvement of the relevant site-level stakeholders. In 2021, we continued by aligning water-related goals to the local context with site-specific assessments, our so-called water management plans. A water management plan is a site-owned water assessment that identifies, evaluates and manages the water-related risks and opportunities at the site. The plans include alignment with the Huhtamaki strategy, site-specific water risk assessments, objectives aligned with performance indicators, as well as control and monitoring metrics that facilitate the follow-up and identification of improvement areas. The global sustainability function is driving this strategic initiative, by supporting local stakeholders in conducting the analysis and management of the water resources.

Our goal is that all sites have water management plans in place by the end of 2022. During 2021 we made significant progress by delivering 45 new water management plans. This means that 59% of Huhtamaki sites had a structured water management plan in place by the end of the year, including all 23 sites located in water-stressed areas.

As an outcome of the water management plans, several local water initiatives are now being implemented at our sites across the globe. For instance, in our Mexican manufacturing unit, located in a water-stressed area, a multidisciplinary team has been empowered by the local management to roll-out the initiatives outlined in the water management plan. In the first implementation stage, the team conducted a water saving project by replacing old sanitary facilities with smaller and more efficient ones. In the second stage, a water recovery project, mainly based on collecting rainwater, is being put in place. The recovered water from the roof will be reused for sanitary purposes. The impact of these improvements at this facility is a reduction of 50% of water consumed from a 2019 baseline.

Our water footprint

Our freshwater intake increased slightly by 0.5%, reamining at 8.7 million m³ (8.7 million m³) in 2021. This slight increase was due to increased production.

Process water is purified by our own or municipal treatment plants before being discharged, hence the impact of our operations in the downstream water quality is negligible or very limited. Other non-process water is safely released to the sewage network where possible, or the discharge is commissioned to authorized suppliers in those sites where sewage network is not available. The total volume of water discharged was 7.6 million m³ (7.5 million m³) in 2021.

Our water withdrawal intensity, i.e. water withdrawn per sellable ton produced, improved by 5% in 2021. In 2021, our water consumption was 1.1 million m³ (1.2 million m³). Our relative water consumption, meaning water consumed in relation to the production volume, decreased 10%. The improvements were due to continuous improvement projects. The most water-intensive business at Huhtamaki is the manufacturing of molded fiber packaging. Due to the relatively water-intensive nature of these operations, we have efficient water re-circulation systems in place at these manufacturing units.

Water consumption*, million m³ and % of total

	2021	2020	2019
Huhtamaki Group – total	**1.1**	**1.2**	**1.2**
Water stress areas – total	0.3	NA	NA
Water stress areas – % of total	23	NA	NA

*Water consumption = total water withdrawal - total water discharge

Water withdrawal by source, million m³ and % of total

	2021		2020		2019	
Huhtamaki Group – total	**8.7**	**100%**	**8.7**	**100%**	**8.8**	**100%**
Surface water	3.6	41%	4.2	49%	4.1	47%
Groundwater	1.2	14%	1.2	14%	1.1	12%
Third-party water	3.4	39%	3.2	37%	3.6	41%
Produced water[1]	0.5	6%	0.0	0.1%	NA	NA
Water stress areas – total	**1.0**	**100%**	**0.4**	**100%**	**NA**	**NA**
Surface water	0.5	57%	0.0	0.2%	NA	NA
Groundwater	0.1	14%	0.1	20%	NA	NA
Third-party water	0.3	30%	0.3	80%	NA	NA
Produced water[1]	0.0	0.2%	0	0%	NA	NA

[1]Water that enters Huhtamaki operations as a result of any raw material use

Minimizing waste in our operations

For Huhtamaki, tackling the waste challenge involves both production waste and the end-of-life of our products. Our approach is based on preventing and mitigating waste in our production, designing for circularity and reducing use of natural resources across the value chain.

Read more about our work on designing for circularity and product end-of-life on pages 164–167.

The main waste streams in our processes are cutting waste from paperboard packaging manufacturing, materials rejected during the fiber pulping process, and plastic waste. Cutting waste from our paperboard packaging manufacturing is either recycled as raw material for fiber packaging inside Huhtamaki or sent for external recycling. The waste disposal method is determined on the manufacturing unit level based on the available infrastructure and type of waste.

Our total waste volume increased by 7%, mainly driven by the increased production. The volume of hazardous waste represented 4% (4%) of the total waste. Hazardous waste was treated locally by dedicated hazardous waste handlers in line with local regulatory requirements. The recycling rate of total waste increased to 72% (70%). Huhtamaki continues to identify and develop recycling solutions for non-hazardous production waste.

In order to tackle the complex issue of waste, we are partnering with stakeholders across the value chain. Through our participation in organizations such as Europen and Ceflex, we aim to influence the recycling infrastructure development in Europe. We also contribute to concrete initiatives to mitigate waste in many different ways.

Read more about the various initiatives that we are involved in on page 37.

Waste by type and disposal method, metric tons

		2021	2020	2019	2018	2017
Non-hazardous waste	Landfill	35,200	36,100	36,800	20,300	21,400
	Recycling*	141,700	129,000	140,500	156,900	149,100
	Energy recovery	18,700	17,800	13,100	12,500	12,800
	Incineration without energy recovery	600	600	100	400	200
Hazardous waste	Landfill	1,600	1,200	1,000	1,200	900
	Recycling*	5,400	4,800	5,100	4,500	4,200
	Energy recovery	1,000	1,000	1,200	1,100	1,100
	Incineration without energy recovery	1,100	1,400	800	500	500
Total		**205,300**	**191,700**	**198,600**	**197,400**	**190,300**
Recycling rate (%)		72	70	73	82	81
Recycling rate of non-hazardous waste (%)		72	70	74	83	81
Recycling rate of hazardous waste (%)		59	57	62	63	63
Hazardous waste (% of total)		4	4	4	4	4

*Recycling refers to recycling within another Huhtamaki manufacturing site, external recycling and reuse.

Protecting biodiversity and ecosystems

We see that protecting biodiversity plays an important role in our business with climate change as one of the main drivers of biodiversity loss. Biodiversity loss is a threat to long-term economic sustainability, as species and ecosystems cannot adapt to severe climate change.

Biodiversity is the variety of living species and ecosystems on Earth. Healthy ecosystems generate oxygen, supply food and resources, provide wildlife habitat and ensure pollination. Biodiversity is part of renewable natural capital, and it is affected by climate and human activities, such as forest and land use, agriculture and manufacturing.

Promoting biodiversity through sustainable sourcing of fiber and local cooperation

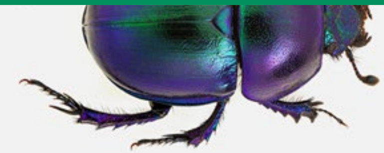
For Huhtamaki, forests are one of the main natural resources for fiber-based materials. Preventing loss or degradation of forests is essential to mitigate climate change and manage fiber-based production systems sustainably. Conservation of natural habitats helps reduce the amount of greenhouse gas emissions in the atmosphere. Growing forests remove carbon and store them in carbon sinks. In biologically diverse forests, organisms can adapt to continually changing environmental conditions and maintain ecosystem functions.

As Huhtamaki does not own forests directly, we promote forest biodiversity by engaging with our suppliers in protecting natural ecosystems, managing land and water use sustainably, as well as ensuring sustainable sourcing practices. During 2021, we published our Environmental Policy where we commit to sustainable forestry and biodiversity protection. Huhtamaki is committed to zero deforestation and no use of illegal or controversial wood fiber sources. We do not use tree species listed by the Convention of International Trade on Endangered Species (CITES) in our raw materials or products. To ensure that our wood fiber supply is responsibly produced, we source virgin fiber from certified forests (FSC®, PEFC™ or SFI®) and target to have 100% fiber from recycled or certified sources by 2030.

Read more about our certified fiber sourcing practices on page 166.

We acknowledge that local communities contribute to biodiversity conservation through their knowledge of local flora and fauna, local circumstances and practices. We aim to cooperate with local communities through structured community work and ensure their involvement in relevant decision-making processes. In 2021, Huhtamaki engaged with community involvement projects that had significant impact on biodiversity protection and restoring degraded habitats, such as cleaning up the Mithi river in India and working with WasteAid in Vietnam, India and South Africa to drive innovations supporting circular economy in urban areas. Going forward, we will continue to safeguard biodiversity in our operations and work closely with our value chain to promote the protection of ecosystems and our natural capital.

In 2021, we joined the Taskforce on Nature-related Financial Disclosures (TNFD) that aims to provide organizations a framework for evaluating, mitigating, and disclosing their nature-related risks and opportunities. The TNFD is a joint initiative by Global Canopy, United Nations Development Programme (UNDP), United Nations Environment Programme Finance Initiative (UNEP FI) and the World Wildlife Fund (WWF). Joining TNFD helps us deepen our understanding on how our activities impact nature, and to explore potential ways to measure and address our nature related risks and opportunities.



We believe food packaging can help protect nature's habitats

Read more at huhtamaki.com/webelieve

Social accountability

Our social responsibility focus is on securing good working conditions across all our operations globally, safeguarding human rights across the entire value chain and ensuring fair employment practices for everyone, everywhere. We invest in developing our talent and are building diversity and inclusion into the ways we work. We are committed to being good corporate citizens with a positive impact on the communities we operate in.

Human rights

We promote the following
UN Sustainable Development Goals:

8 DECENT WORK AND ECONOMIC GROWTH

Theme	KPIs	Performance in 2021
Human rights	Our overarching goal is to ensure that human rights are respected throughout our value chain.	• Performed a high-level global assessment of our potential human rights risks and impacts as well as a review of our current policies and processes • Carried out our first human rights impact assessment as a pilot at one of our sites

As a global company, we recognize that our actions can have both positive and negative impacts on people – either directly through our own operations, or indirectly through our value chain. We are committed to taking responsibility for the impact we can have on individuals and for making sure that there is no harm to people as a result of our activities.

Ensuring that human rights are respected throughout our value chain is a key element of Huhtamaki's 2030 sustainability agenda. Our commitment to human rights is grounded in our values – Care Dare Deliver – which are the foundation on which we conduct our business. While human rights aspects are already included in many of our policies and processes, we acknowledge that we still have areas where we need to develop better governance as we grow in line with our strategy. We are committed to continuous improvement, and have during the past year started taking action to better integrate human rights into our processes and to develop a framework for addressing human rights in a more structured way.

The foundation for our human rights work

Our global Human Rights Policy reflects Huhtamaki's commitment to human rights as set forth in the United Nations International Bill of Human Rights and taking into account the United Nation's Guiding Principles on Business and Human Rights (UNGP). Human rights due diligence is built into several of our key processes, for instance, in our Global Working Conditions Requirements, in our health and safety management systems, in supply chain management and in our compliance system.

In our own operations, risks for human rights issues are identified via the global Enterprise Risk Management, the global Ethics and Compliance program and by following incidents reported through the grievance system. Our Global Working Conditions Requirements are implemented at all our sites and cover topics such as anti-corruption, safety, work ergonomics, work contracts, working hours, grievances, and supplier management. The performance in these areas is audited with SMETA audits. Occupational health and safety have been identified as key topics. As a result, all manufacturing units monitor safety metrics monthly, and performance is assessed against targets. Engaging with local communities gives us valuable feedback from local stakeholders. In mergers and acquisitions, environmental and social impact assessments are part of the standard due diligence process.

Our updated supply chain due diligence process has been built to identify risks in the supply chain. All key suppliers, corresponding to the top 80% in terms of procurement spend, are now systematically screened in our supplier monitoring tool against for example sanctions lists, watch lists and negative media, helping us to identify and address risks related to human rights in our supply chain.

Enhancing our human rights due diligence

Recognizing the importance of human rights, we initiated a project in 2020 to address the topic in a more structured way. We wanted to take action to understand our impacts on human rights better, to identify potential vulnerable groups and to align our human rights due diligence with the recommendations laid out in the UNGP. We continued to work on this project throughout 2021. The project entailed working together with a cross-functional team and an external human rights expert team to identify our potential human rights risks and impacts, and to make sure we have adequate policies and procedures in place to address them. The process included desk-top research, an extensive review of internal systems and practices, as well as numerous interviews with key internal stakeholders.

Our first objective was to gain a better understanding of what our potential human rights impacts are by conducting a high-level assessment of our most significant human rights risks and impacts. The analysis resulted in a heat map and a preliminary list of salient human rights issues. The next step will be to validate this priority list to make sure we have captured the most relevant human rights topics that we should be focusing on, and to define actions for each identified issue.

We also performed a gap analysis of our current policies and procedures to identify what areas of our human rights due diligence we still need to strengthen. The gap analysis showed that although certain aspects related to human rights are covered in existing policies and operational procedures, there is an opportunity for Huhtamaki to better integrate human rights into our processes and to develop a more systematic approach. The analysis helped us identify a number of areas to focus on going forward, primarily related to identifying human rights risks more systematically, for example, in mergers and acquisitions, risk management and sourcing. During the second half of 2021, we have taken action on key findings, including initiating a project for developing the audit framework we use for auditing our own operations by broadening the scope of the audits to better identify potential human rights issues at our operating sites.

Conducting our first human rights impact assessment

Most recently, Huhtamaki conducted its first local level human rights impact assessment pilot to gain a deeper understanding of our human rights impact at site level. The pilot was conducted in Egypt and included a country-level human rights analysis and a deep dive impact assessment at one of our manufacturing sites in the country. The results from the assessment will be used to also assess our two other production sites in Egypt, as part of the audit process that we are currently developing.

The pilot assessment was a very valuable exercise for us and demonstrated concretely what type of human rights impacts our activities might have. Whilst the final analysis of the results is not yet complete, the preliminary findings indicate that potential impacts relate to health and safety of employees, sourcing practices and equal opportunities for women. Based on the findings from this pilot, we will develop and refine the impact assessment methodology and conduct further impact assessments at other sites, the locations of which will be decided based on the high-level global risk analysis that we ran earlier during the year.

Moving forward, Huhtamaki is dedicated to developing its human rights due diligence processes and to taking action on closing the identified gaps. We will also focus on training our employees and raising awareness of human rights throughout the organization. We will start communicating about how we are addressing the identified issues, and what actions we are taking to prevent and mitigate any potential negative impacts.

Our human rights journey

2018

Foundation: Huhtamaki's commitment to the United Nations International Bill of Human Rights solidified in our Global Human Rights Policy

2020

Human rights project initiated: Internal awareness raising workshop, planning and scoping of human rights impact assessments

2021

Human rights due diligence analysis: high-level assessment of Huhtamaki's human rights risks and impacts, globally, gap analysis of current policies and processes

Human rights impact assessment: a country-level human rights analysis conducted in Egypt with a deep dive impact assessment at one of our manufacturing sites

2022 →

Improvement of policies and procedures, working on closing the identified gaps, further country and local level impact assessments in the pipeline

Key elements of Huhtamaki human rights due diligence:

Global policies
- Human Rights Policy
- Modern Slavery Statement
- Code of Conduct
- Code of Conduct for Suppliers
- Global working conditions requirements

Key processes that we are developing further for identifying risks and impacts:
- Human rights are included in the risk registry of our Enterprise Risk Management process
- Environmental and social impact assessments performed as part of M&A
- Auditing of our own sites to make sure they fulfill our Global Working Conditions Requirements
- Screenings of our key suppliers as part of our supply chain due diligence process
- Compliance program and grievance system
- Engaging with external stakeholders, such as the communities where we operate
- Human rights impact assessments and social audits at our sites

Safety for everyone, everywhere

We promote the following
UN Sustainable Development Goals:

8 DECENT WORK AND ECONOMIC GROWTH

Theme	KPIs	Performance in 2021
Occupational health and safety	Our ultimate goal is that nobody gets hurt. The target for Lost Time Injury Frequency Rate (LTIFR) for 2021 was 1.4	LTIFR was 1.3 (excluding recent Elif acquisition)
	We want everyone to go home safe. The target for Total Recordable Injury Frequency Rate (TRIFR) for 2021 was 6.0	TRIFR was 4.3 (excluding recent Elif acquisition)

Information disclosed in this section

GRI standards:
403 Occupational health and safety

We are building a safety culture and strive to ensure safety for everyone, everywhere. Our ambition is to develop a global mindset where nobody gets hurt and everyone goes home safe at the end of the day. Health and safety is one of the core elements of our sustainability agenda, and one of the essential KPIs on our sustainability dashboard, which is discussed in the Global Executive Team and presented quarterly to the Board of Directors.

OHS Management Approach

OHS Certification and Management Systems

Effective Health and Safety at Huhtamaki sites is delivered through health and safety management systems. These are implemented in each operating site across Huhtamaki with an overarching Global OHS policy statement and form part of 'Working Conditions Requirements' which include ethics, employment practices and occupational health & safety. A competent OHS person is responsible for implementation of the management system, risk assessments and continuous improvement plans in each factory site.

Our management systems are built to ensure that all our factory sites meet or exceed local laws and regulations, Huhtamaki internal requirements and customer expectations. Several of our factory sites are certified with OHSAS 18001 or ISO 45001 standards and all sites follow our internal risk management and mitigation processes. The management system covers all activities, Huhtamaki employees, external workforce, as well as contractors and visitors on sites, including all facilities and operations within the factory site.

Risk Based Approach

Each Huhtamaki factory site maintains a risk-based approach to manage health and safety hazards. We use the hierarchy of hazard controls as a method to reduce hazards and exposure to risks. Appropriate actions are assigned to mitigate the risks for residual hazards.

Factories undertake regular risk reviews to identify areas for improvement. Consolidated risk reviews take place quarterly at a segment level. Management teams on sites and at segment level have oversight of risks and support the improvement plans with budget and governance.

Employees are encouraged to report work related hazards, risks and improvements promptly and directly to their manager, or through local reporting systems or the global Ethics & Compliance reporting channel 'Speak Up' or 'Ethicspoint' (in USA). Employees are entitled to remove themselves from work situations that they believe could cause injury or ill health.

An investigation process for work related incidents is in place at all factory sites. The process consists of review, response, follow-up and escalation. Sites are requested to systematically share the learnings from the serious incidents internally in the segment and in global networks.

Employee Consultation

Employee participation and consultation ensures successful implementation of our OHS management system. We see that a health and safety committee with representation from leadership, health and safety professionals and employees provides an excellent forum for local dialogue and foundation for improvement. The health and safety committees at our factory sites are formed and managed as per local laws and practices. Topics for the committee typically arise from employee feedback and suggestions, occurred incidents and improvement programs. Committees review injuries, near misses and any outstanding corrective actions and results from latest safety audits.

Worker Training

Organizational training is a key enabler for a safe and healthy work environment and work practices.

Site and job specific health and safety training is provided as part of the induction process for all new employees and repeated frequently.

In addition, training solutions with segment or technology specific content are available on our online training platform. In 2021, we developed a new Occupational health & Safety e-learning mainly for our non-production employees highlighting the importance to stop and think the impact of daily decisions to safety.

Worker Health

We require all our sites to conduct occupational health risk assessments covering all activities. All sites also have plans in place in case of a pandemic disease including activities to prevent the spread of such disease at the site.

All our employees have access to Occupational Health Services. Health services are locally contracted: some sites have a permanent doctor and/or nurse on site while other sites have a contract with a nearby health service center. Additional health services and programs are provided in many sites to support employees' overall wellbeing and health. Participation to such additional programs is on voluntary basis.

We follow the local law requirements for the scope and frequency for medical and health checks. A regular specific health check is required at least annually for employees who are exposed to occupational health hazards such as noise, chemical fumes or heavy lifting. The employee shall receive the results of such checks and have a possibility to ask questions from the medical personnel on the results.

Non-occupational health services vary globally as they are delivered locally. These locally defined services may include access to wider medical insurance, dental care or vision services. Our sites also tailor voluntary health promotion campaigns and programs for employees to promote non-work-related health and wellbeing such as healthy diet, physical exercise and access to flu shots. Participation in voluntary health programs or use of non-occupational medical services do not result in unfair treatment.

Results from any health and medical checks shall not be used in a discriminatory way. Privacy and confidentiality shall be ensured when maintaining and storing medical records.

Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

Employees performing jobs outside our own premises must follow the health and safety processes of the host company, in addition to established Huhtamaki processes including travel safety guidelines.

OHS Indicators

Work-related injuries

We continued our improving trend in our Lost Time Injury Frequency Rate (LTIFR), the year ending up at 1.4 when including our recent acquisition of Elif from October 2021 onwards. The global LTIFR excluding the Elif acquisition was 1.3, which is well below the targeted 10% reduction from 2020. Elif is excluded from the 2021 target as the integration of EHS processes and practices only started at the end of 2021.

The total number of Lost Time Injuries (LTI) in 2021 was 57. This number includes our recent acquisition of Elif from October 2021 onwards. Of the total LTIs 7% were considered high-consequence injuries. Of the lost time injuries, 21% were categorized as 'fracture/break', 21% categorized as 'cut', 19% categorized as 'sprain/strain' and 12% categorized as 'bruise/contusion'.

Our 2021 key project to address the LTIs was related to machine safety. The project aimed for establishing a global program to identify and mitigate risks related to machine procedures and process by installing a Global standard which states the company position in respect to compliance and safety for all our employees. The target is for alignment of machine safety standards, machine compliance processes and upskilling of our employees. The basis was established in 2021 and the real outcomes of the program will be visible during 2022–2023 through the expansion of the program.

Read more about our key projects in health safety on pages 28–29 in the Business Overview.

Total number of all recordable injuries is also on an improving trend with 180 recorded injuries, and the frequency rate (TRIFR) of 4.3%. This is thanks to continuous focus on safety.

OHS data

	2021	2020	2019	2018	2017
Lost time injuries (LTI)	57	66	82	72	86
Huhtamaki employees	52	61	75	63	81
External labor	5	5	7	9	5
Medical treatment injuries (MTI)	123	209	N/A	N/A	N/A
Huhtamaki employees	112	182	N/A	N/A	N/A
External labor	11	27	N/A	N/A	N/A
High-consequence injuries	4	2	N/A	N/A	N/A
Fatalities	0	0	0	0	1
Lost time injury frequency rate (LTIFR)	1.4	1.6	2.0	1.8	2.4
Huhtamaki employees	1.5	1.7	2.1	1.8	2.4
External labor	0.8	0.8	1.1	2.0	3.6
Total recordable injury frequency rate (TRIFR)	4.3	6.7	N/A	N/A	N/A
Huhtamaki employees	4.6	7.0	N/A	N/A	N/A
External labor	2.4	5.0	N/A	N/A	N/A
Rate of high-consequence injuries	0.10	0.05	N/A	N/A	N/A
Lost day rate (LDR)	322	454	526	358	614
Number of hours worked	41,968,500	41,320,700	41,433,300	40,052,300	35,105,500
Huhtamaki employees	35,412,600	34,861,300	35,269,200	35,536,800	33,720,000
External labor	6,555,800	6,459,400	6,164,000	4,515,500	1,385,500

Injury rate by business segment

	Foodservice E-A-O	North America	Flexible Packaging	Fiber Packaging
LTIFR	1.2	2.9	0.9	1.0
TRIFR	5.2	7.2	3.0	2.0

LTI: Lost time injury, an accident or incident that causes an employee an injury that prevents the employee from being available to or able to work the next day and/or shift.
MTI: Medical treatment injury, an injury that results in a certain level of treatment by a physician or medical personnel, and that causes the employee to miss some working hours but less than one full shift.
LTIFR: Lost time injury frequency rate, calculated per million hours worked.
TRIFR: Total recordable injury frequency rate, calculated per million hours worked.
LDR: Lost day rate, hours lost per million hours worked.

Engaged and motivated employees

We promote the following
UN Sustainable Development Goals:

8 DECENT WORK AND ECONOMIC GROWTH

Theme	KPIs	Performance in 2021
Employee engagement	Employee engagement index >70%	With the engagement index of 73% we have been able to maintain the level we set for our 2020 target, which was to reach more than 70%. In 2022 we will revisit our People KPIs and introduce a revised employment KPI later on.

Information disclosed in this section

GRI standards:
401 Employment
404 Training and education
405 Diversity of governance bodies and employees

To ensure the implementation of our 2030 Strategy, we aim to create a safe, engaging and high-performance culture by encouraging our employees to act according to our values Care Dare Deliver. We embrace diversity and inclusion and are building diversity into the ways we work and behave.

Read more about our People strategy on pages 24–29 in the Business Overview.

Our functional people processes and solutions support the business to reach strategic and operational targets. Our data analysis and digital workplace tools help us make informed decisions and enables employees to succeed in their work.

At the end of 2021, there were 19,564 (18,227) employees in total. The average headcount in 2021 was 18,385. In addition we had 1,578 contingent employees at the end of 2021.

The majority of our employees worked full-time, with less than 2% working as part-time. 70% (70%) of the employees worked in production while 30% (30%) were engaged in non-production duties. The majority, 77%, of our employees are male, especially in production.

Engaging and involving employees helps to improve our processes

Our latest employee engagement survey, Connect, was conducted in September 2021 with the response rate at 79% (88%). The employee engagement index was at 73% (75%), employee enablement at 76% (76%) and the leadership index at 77% (76%).

We have identified performance management, diversity, resources and career opportunities as our global focus areas. Teams have gone through their results with managers and started to plan actions for their areas of improvements. Teams are also encouraged to select at least one strength they want to maintain.

Read more about the Connect survey results on page 27 in the Business Overview.

In addition to the Connect survey, we monitor the employee turnover rate to evaluate the effectiveness of our employee retention measures. Voluntary turnover of employees in 2021 was 13.9% (9.4%). Voluntary turnover reporting has changed in 2021 to exclude retirements, thus 2020 comparable number has been adjusted accordingly. The number of new hires was 3,692 (2,370) by the end of the year. Voluntary turnover and the number of new hires exclude the data from the recently acquired Elif.

In Europe, our collaboration with employee representatives is complemented by the European Works Council (EWC), which gathers Huhtamaki's senior management and elected EWC representatives from all our manufacturing units in Europe once a year. We also meet with the EWC Steering Committee at least once in a quarter to discuss topical issues. Discussion items are decided together with the EWC Steering Committee and the Executive Vice President HR and Safety. In 2021 the European Works Council's annual meeting was held virtually in June, due to COVID-19 travel restrictions. The 2021 meeting topics included business reviews as well as key updates on the strategy, sustainability and occupational health & safety. We also agreed on the Brexit appendix for the EWC agreement to ensure that the UK will remain part of Huhtamaki EWC even after Brexit. At the plants, all hands and townhall meetings are organized locally. We also meet regularly with unions and employee representatives, and conduct statutory negotiations in a timely manner. The Huhtamaki Speak Up channel is a way for employees to raise concerns about misconduct.

Huhtamaki recognizes employees' right to join or not to join organizations of their own choice, according to local laws. 39% (39%) of our employees were covered by collective bargaining agreements in 2021.

Diversity and inclusion

We believe that diverse teams are fuel for innovation. Diversity at Huhtamaki is not seen only in terms of demographics, with similarities or differences in characteristics such as gender, age, ethnicity, education, and profession. It is also about cognitive diversity, in other words similarities or differences in how we see things, what perspectives we have, and how we approach problems.

During 2021 we have embedded these principles in our leadership model and discussed diversity and inclusion with senior managers to collect ideas for further initiatives. The work will continue in 2022.

Professional development

We invite our people to clarify their own career aspirations, share knowledge in networks and appreciate feedback as a method of learning. In addition to classroom trainings, we believe that seizing opportunities, growing with experience and taking on challenging assignments are exciting and motivating ways for development.

Read more about our investments in people development on page 26 in the Business Overview.

Our annual global performance review process is conducted for all non-production employees. Local performance review processes for production employees are not reported on the global level. 96% (97%) of non-production employees received a performance review for 2021.

Composition of governance bodies – Gender

	Male	Female
Board of Directors	57%	43%
Global Executive Team	60%	40%

Composition of governance bodies – Age

	Board of Directors	Global Executive Team
Under 25 years	0%	0%
25–39 years	0%	0%
40–54 years	0%	80%
55–64 years	43%	20%
65 years and over	57%	0%

Employment data

	Female			Male			Non-declared			Altogether		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Total number of employees												
	4,299	4,073	4,147	15,001	13,868	13,838	264	286	394	19,564	18,227	18,379
Employees by gender												
	22%	22%	22%	77%	76%	76%	1%	2%	1%			
Employees by age group*												
Under 25 years	19%	NA	NA	80%	NA	NA	1%	NA	NA	6%**	NA	NA
25-39 years	22%	NA	NA	78%	NA	NA	0%	NA	NA	44%**	NA	NA
40-54 years	26%	NA	NA	74%	NA	NA	0%	NA	NA	34%**	NA	NA
55-64 years	25%	NA	NA	75%	NA	NA	0%	NA	NA	12%**	NA	NA
65 years and over	25%	NA	NA	73%	NA	NA	2%	NA	NA	1%**	NA	NA
Employees by employment contract type												
Regular	19.4%	20.3%	20.2%	73.1%	72.9%	71,4%	1.2%	1.4%	1.4%	93.6%	94.5%	93.0%
Fixed term	2.6%	2.1%	2.4%	3.6%	3.2%	3,9%	0.2%	0.2%	0.7%	6.4%	5.5 %	7.0 %
Employees by time type												
Full-time	21%	21%	NA	77%	77%	NA	1%	2%	NA	98%	98%	NA
Part-time	63%	66%	NA	37%	34%	NA	0%	0%	NA	2%	2%	NA
Employees by employee category												
Direct	18%	18%	18%	81%	80%	79%	1%	2%	2%	70%	70%	71%
Indirect	32%	33%	34%	67%	66%	65%	1%	1%	2%	30%	30%	29%
Employees by business segment												
Foodservice E-A-O	33%	31%	31%	63%	66%	65%	4%	3%	5%			
North America	32%	33%	34%	67%	67%	66%	0%	0%	0%			
Flexible packaging	12%	13%	13%	88%	87%	87%	0%	0%	1%			
Fiber packaging	13%	13%	13%	84%	81%	80%	2%	6%	7%			
Managers with subordinates												
Executives	40%	40%	NA	60%	60%	NA	0%	0%	NA			
Senior managers	24%	22%	NA	75%	78%	NA	1%	0%	NA			
Other managers	22%	21%	NA	77%	78%	NA	1%	1%	NA			
All people managers	22%	22%	NA	77%	77%	NA	1%	1%	NA			

*Data is a combination of age and gender when both are available. Excludes Elif.
**Includes Elif
Regular: Employees with indefinite contract with Huhtamaki
Fixed term: Employees with a fixed term contract with Huhtamaki
Direct employees: Employees in production
Indirect employees: Non-production employees

Community involvement

In line with our purpose of protecting food, people and the planet, we are committed to being a good corporate citizen with a positive impact on the communities we operate in. We implement this through a philanthropic approach: every year we encourage our local operations to donate money, time and product to make a difference where it matters.

Our philanthropy strategy ensures that our corporate social responsibility (CSR) activities across the globe are aligned with our commitment to advancing the UN Sustainable Development Goals and our 2030 Strategy. Our efforts can broadly be classified under three priority areas:

- Driving the development of a circular economy by improving waste management and product end-of-life treatment
- Driving the development of a circular economy through innovation and digitalization
- Having a positive impact on the local communities we operate in

The CSR activities are governed either at a local (site), regional or global level based on the size of the project and/or donation. While the majority of activities are typically carried out locally, the year 2020 marked a special year as Huhtamaki made a series of global donations totaling EUR 3 million on top of its usual CSR focused activities and charitable contributions, in line with its CSR program. These were global sustainability initiatives with a local impact – acting today, educating for tomorrow and funding innovation for the future, to help address global sustainability challenges and build circular economy initiatives. Most of these global projects continued in 2021.

Driving the development of circular economy by improving waste management and product end-of-life treatment

Finding new ways to address the environmental challenges that we face relies on our ability to foster innovation and drive systemic change. To support such innovation and progress towards circularity, two of the three projects that Huhtamaki donated to as part of its 100-year anniversary focused on improving waste management and product end-of-life treatment.

Huhtamaki and the international charity WasteAid announced a partnership in 2020 and continued to work together in 2021. The Huhtamaki funded project has provided financial support to WasteAid to deliver education and training on waste management and circular systems. The funding has enabled WasteAid to work with key stakeholders in South Africa, Vietnam and India to fast-track and amplify local solutions that create value and reduce waste and pollution, in line with the UN's Sustainable Development Goals. The partnership continued in 2021 with several initiatives, for example through the launch of WasteAid's Zero Cities Challenge – an initiative to find six entrepreneurs with innovative ideas to increase recovery and reuse of waste. Over a hundred entries were collected and thirty-six entrepreneurs were selected to receive business incubator support to go through an 8-week intensive business support program. The entries ranged from providing refill solutions to digital apps connecting waste collectors and households, as well as companies recycling low value plastics into useful materials, and others focused on food waste recovery. A final pitch to industry experts was held in each region, where six winners were chosen and awarded EUR 10,000 for their concept.

Huhtamaki also funded a project that aims to stop the flow of plastic into the Indian Ocean from the Mithi River in Mumbai. The project is run by a global partnership between UNTIL (now known as UN Global Pulse), VTT Technical Research Centre of Finland Ltd, RiverRecycle and Earth5R, an India-based citizen-led environmental movement. The project uses emerging technologies to collect plastic waste and seeks ways to valorize it by turning it into valuable fuels, chemicals, bioenergy and fertilizers.

Huhtamaki donated EUR 600,000 to fund the development and piloting of a river waste collector, invented by the Finnish cleantech start-up RiverRecycle. The collector is an integral part of RiverRecycle's solution to solve the issue of marine waste, one of the biggest global challenges of today. With Huhtamaki's support, a prototype waste collector was built and tested in Finland. After the inauguration in Mumbai in August 2021, the device is now operational and will be collecting waste from the Mithi River for the next 12 months.

In addition to building, setting up and operating the river cleaner for a year, Huhtamaki's donation has been used to organize local hands-on workshops on effective waste management and recycling with a view to drive systemic change. The project also provides input to VTT, the Technical Research Centre of Finland, on floating waste and its seasonal variations, which can be used to optimize clean-up operations and recycling processes for the future.

Driving the development of circular economy through innovation and digitalization

Huhtamaki and the impact-focused start-up accelerator, Food System 6, ran the "Huhtamaki Circular Economy Start-up Program" in 2020, aimed at surfacing and supporting the most innovative circular economy startups worldwide. The purpose of the program was to accelerate the development of young and promising companies working to deliver innovative sustainable solutions in areas such as waste management, sustainable packaging alternatives, materials innovation, and regenerative production models.

Eight candidates were selected for the program for their unique and timely innovations across the impact areas of circularity, healthy people, vibrant farms, sustainable ecosystems, and justice & fairness. These companies got to deep dive into impact communications, coaching, and mentorship, and participated in a three-day immersive session, hosted virtually by the FS6 and Huhtamaki teams. Based on their presentation and program participation, three companies, SoluBlue, Andes Ag, and Nafici Environmental Research received additional equity-free grant funding of USD 50,000, USD 50,000 and USD 100,000, respectively, and one year of on-call custom support from Food System 6 to support them in achieving their upcoming milestones.

In 2021, Food System 6 followed up the Huhtamaki Circular Economy Accelerator program with continued engagement with Huhtamaki and the innovations on the cohort, many of which have gone on to win awards globally, launch funding rounds, and build out new areas of their business.

Having a positive impact on local communities

We at Huhtamaki believe it is very important to be present and active in our local communities, for example, through product donations and volunteering activities. In addition, every year we make direct monetary contributions to different causes. In recent years, these have been primarily focused on healthcare, sanitation, education, social welfare, and sustainability.

During the COVID-19 crisis, Huhtamaki teams across the globe have sought opportunities to assist their local communities and make a difference where it matters. The teams have undertaken initiatives that include producing face shields for healthcare workers and donating products to health care systems to ensure food hygiene and safety.

Below are some concrete examples of the various initiatives that have taken place during 2021 across our organization:

In Germany, where devastating floods caused considerable damage in 2021, our sites in Ronsberg and Alf donated both money and disposable products to help the village of Kreuzberg which had been badly affected. Employees at the site in Alf, located close to the village, were in contact with the local fire inspector to find out what kind of equipment was most needed.

In Lurgan, Ireland, Huhtamaki has supported Recycling Rewards since 2015. Together with Bryson Recycling, a subsidiary of Bryson Charitable Group, the Lurgan team collects post-consumer newspaper from over 180,000 households in Northern Ireland to be up-cycled as egg packaging and cup containers for key customers. Moreover, for each ton of newspaper collected by Bryson Recycling, Huhtamaki Lurgan donates one pound to the Bryson Charitable Fund. A different charity is nominated each year, and in 2021, the funds were directed to help local youth who have been most affected by the COVID-19 pandemic, providing them with opportunities to learn in school as well as acquire skills outside the academia.

In the US, community involvement and employee volunteering are well-established practices. All Huhtamaki sites in the US contribute to the local communities in various ways. For example, in 2021, employees at our Hammond, Indiana, site sponsored and participated in a charity event that supports a local food bank. Operations employees from our site in Los Angeles donated to a local STEM (Science, Technology, Engineering and Mathematics) program that helped to purchase STEM kits for students. The kit supports students as they continue their education and prepare for high school. In Leesburg, Ohio, a historic restoration project was supported by our New Vienna facility with a USD 1,000 donation. Our New Vienna location supports many local charities throughout the year.

In India, where Huhtamaki operates 16 sites, employees have actively been engaging with the local communities that have been badly affected by the COVID-19 crisis. In 2021, Huhtamaki India has donated protection kits to frontline workers as well as medical equipment and other materials to local hospitals. Further, our labels team at the Mahape facility organised a free vaccination drive for a nearby village, Adavali Buthavali, and successfully inoculated over 250 villagers in the age group of 18 years and above.

Ethical business practices and governance

Corporate Governance is a basis for how we work and how we are organized. It is important both internally and externally and applies to every one of us. Internally, it starts with and is built on our values: Care Dare Deliver. We value integrity and we want to do what is right, wherever we are in the organization.

Ethics and compliance

Information disclosed in this section

GRI standards:
205 Anti-corruption

We Care Dare Deliver – with integrity. We are committed to foster an atmosphere of openness and transparency and maintaining the highest ethical standards in everything we do. We see compliant and ethical business conduct as responsible leadership and something that is relevant for all our employees and in every business transaction we are involved.

Our commitment to Ethics and Compliance

The Huhtamaki Global Ethics and Compliance program focuses on Huhtamaki's commitment to integrity and legal compliance across our global organization. The program serves as a toolkit supporting Huhtamaki in conducting its business in compliance with laws, regulations and our ethical standards and ensuring that we have adequate procedures in place to prevent Huhtamaki taking part in any unethical business activities. During 2021 we continued to execute the key initiatives supporting the program, and continuously developed further the key elements of the ethics and compliance framework.

The main purpose of our compliance work is to enable and inspire all our employees to make the right decisions and to foster an open and ethical company culture. We strongly believe that conducting business with integrity is the right thing to do, and it is also our license to operate. At Huhtamaki, integrity applies to every part of our business, and we highlight the importance of the commitment at every level. Our structured compliance program also helps us answer to the growing interests of our external stakeholders by establishing a standard, structured approach to handle ethics and compliance matters in our units globally. In addition, it fosters the culture of compliance and integrates ethics even further into the everyday decision making.

Our governance and oversight

A dedicated Global Ethics and Compliance function, which sits within our Legal team, has the overall responsibility for ensuring that our Global Ethics and Compliance program is designed and developed to meet Huhtamaki's needs, and that related support and training is provided to the whole organization. It is an advisory function that supports Huhtamaki in conducting its business in compliance with laws, regulations, and Huhtamaki's values and ethical standards by advising in certain key areas, such as anti-corruption, supply chain transparency, trade compliance, conflict of interest situations, competition compliance and data privacy related matters.

In addition, the Global Ethics and Compliance function helps our business to create policies and processes to identify and mitigate compliance risks and organizes trainings on various ethics and compliance topics. Furthermore, Global Ethics and Compliance is responsible for our whistleblowing system, the Huhtamaki Speak Up channel. The implementation of the program is reported to and followed up by the Huhtamaki Global Executive Team and the Audit Committee of the Board of Directors.

Our Code of Conduct sets the basic requirements

The Huhtamaki Code of Conduct is the core element of our Global Ethics and Compliance program and the basis for everything we do. The Code is a set of ethical guidelines that outline the expected behavior of all employees and defines how we treat each other, do business, and engage with our stakeholders. It also explains how we conduct our business in an ethical and responsible manner in order to earn the trust of our customers and other stakeholders.

The Code of Conduct for Huhtamaki Suppliers sets out the ethical business practice requirements we expect from our suppliers and other business partners. The Code for suppliers covers areas such as business ethics, social responsibility but also environmental commitments and expectations toward our suppliers. Both the Huhtamaki Code of Conduct and our Code for suppliers are available to all employees on our intranet and are also publicly available on our company webpage.

Our actions to prevent corruption

We operate in 38 countries and 79 sites around the world, including high-risk markets that offer good business opportunities but may also entail exposure to serious compliance risks such as bribery and corruption. As a global corporate citizen, we are committed to the laws and regulations of the countries where we operate, but also applicable international laws and regulations. At Huhtamaki, we have zero tolerance for corruption, and bribes and corrupt practices are not allowed anywhere in our operations, regardless of location.

Anti-bribery and corruption provisions are an integral part of the Huhtamaki Code of Conduct with which all our employees globally are expected to comply with. In line with the Codes of Conduct, we do not award donations to political parties or political activities, religious organizations, authorities or local administrations. Our annual Code of Conduct training contains an anti-corruption section and provides practical guidance and examples for ethical decision making for all Huhtamaki employees. In addition, these provisions are included in the Code of Conduct for Huhtamaki Suppliers, which sets the minimum principles we expect also our suppliers and contractors to uphold. Ethics and business integrity requirements, including anti-corruption and zero tolerance for bribery and corrupt practices, are also an integral part of Huhtamaki Working Conditions Requirements.

Corruption risk is included into our Enterprise Risk Management (ERM) assessment and considered as an operational, as well as a reputational risk. While the risk of corruption and bribery in general is considered medium-low in the 2021 ERM assessment, anti-corruption is seen as a key element of the company's Global Ethics and Compliance program.

Our new Trade Compliance Program focuses on sanctions risks

Huhtamaki conducts business globally, including countries with higher compliance risks. Our new Group Trade Compliance Policy was approved by the Group Executive Team in 2021. It highlights our commitment to compliance with all applicable national and international trade compliance laws and regulations, including international sanctions and export control regulations.

The Policy sets out the trade compliance principles and expectations and requires all Huhtamaki entities that engage in exports directly or indirectly with a country identified as a risky country to follow sanctions screening procedures before entering into business transactions.

Our investment on training and communication

We strive to ensure that all of our employees and business partners understand what ethical business conduct means and know how they should respond to any ethical dilemmas that may arise. Communications and training are a crucial part of our compliance work. All Huhtamaki employees are required to complete the Code of Conduct online training annually. The Code of Conduct e-learning focuses on Huhtamaki's commitment to integrity, and it provides us with the guidance and principles to adhere to the highest standards of legal compliance and ethical conduct across the organization. We aim to ensure that all our new employees receive the same training as part of their onboarding process within their first month of employment.

Our Code of Conduct online training is available in 26 languages. The Code of Conduct training was completed by 95.4% (2020: 95.7%) of employees globally in 2021.

In addition to our Code of Conduct online training, in-depth e-learning course on anti-trust and competition compliance is mandatory for employees who are interacting with third parties like customers or suppliers. Further, e-learning on data privacy and information security is mandatory for selected employees working in EU countries. These online trainings are part of the annual Ethics and Compliance training program. All line managers are asked to confirm as part of the year-end review process that their team members have completed all mandatory Ethics and Compliance trainings, including the Code of Conduct e-learning.

In 2021, based on our risk assessment, we focused on raising awareness of integrity and ethical business conduct in the Middle East and Africa region. Local management team members and other employees in central positions like sales or procurement were invited to discuss and review case examples of selected compliance topics like anti-corruption, gifts and hospitality and conflict of interest situations. Additionally, face-to-face training sessions were organized by Global Ethics and Compliance for our entities in Egypt, the UAE and Turkey. Additionally, Global Ethics and Compliance continued to raise awareness of trade sanctions and other compliance topics also in Huhtamaki's other operating geographies during 2021 by providing training and communication through various online channels.

Our aspiration for a culture of open discussion

In accordance with Huhtamaki values, we promote a speak-up culture and encourage everyone to raise their concerns and to report any suspected or observed violations of the Huhtamaki Code of Conduct, any other Huhtamaki policies or laws and regulations. In effect this means that if the employee has concerns about potential misconduct by colleagues, managers, suppliers, customers, other business partners, or about how we conduct business within Huhtamaki, the employee is expected to report the violation by contacting either his or her manager, a local Human Resources representative or Global Ethics and Compliance directly.

Alternatively, the employee can report any suspected violation through the Huhtamaki Speak Up channel, which is a global, web-based whistleblowing system operated by an external provider and managed by Huhtamaki Global Ethics and Compliance. Our Speak Up channel is available for Huhtamaki employees, suppliers, customers and other stakeholders, and can be accessed by visiting the website: https://report.whistleb.com/Huhtamaki. Additionally, in some countries, reports can also be submitted through local reporting channels. Retaliation or any negative actions against an employee reporting a suspected violation in good faith is explicitly prohibited and may result in disciplinary action.

During 2021, a total of 46 (2020: 49) cases of suspected misconduct were reported to Global Ethics and Compliance team either directly or through the Huhtamaki Speak Up channel. Investigated non-compliances were related to possible conflict of interest situations, suspected fraud or corrupt practices, misbehavior or other non-compliance with policies and guidelines, including the Huhtamaki Code of Conduct. Additionally, several local grievance cases have been reported and managed through the local grievance mechanisms. There were no cases reported relating to human rights violations or environmental matters.

All breaches and suspected breaches of the Huhtamaki Code of Conduct, any other Huhtamaki policies as well as laws and regulations brought to the attention of Global Compliance were investigated in accordance with the Group Investigations Policy providing a mechanism for investigating and addressing alleged violations in a structured and timely manner. Preventive and corrective actions were taken when necessary. Based on investigations, 55% of cases closed in 2021 were found to be either substantiated or partially substantiated. As a result of these investigations, seven employment contracts were terminated, and six investigations resulted in the termination of business relationships. The Huhtamaki Ethics and Compliance Committee, the Global Executive Team and the Audit Committee of the Board of Directors followed the reported incidents and the implementation of mitigating activities regularly.

We encourage early detection of potential misconduct. We consider that trust, commitment to non-retaliation and a clear process for handling the Code of Conduct investigations and possible violations are the foundation for building an open culture where our personnel feel comfortable raising concerns.

Responsible sourcing

We promote the following
UN Sustainable Development Goals:

We work together with approximately 20,000 suppliers globally. Our supplier network consists of global key suppliers and a large network of local partners close to our manufacturing units. The main direct materials we source are paperboard, recycled fiber, plastics and chemicals. Indirect sourcing and services include, for example, logistics services, energy and protective packaging. Purchasing is done in part centrally in each business segment and partly at the local manufacturing unit level, following the guidelines set out by the Code of Conduct for Huhtamaki Suppliers. There have not been any significant changes in our supply chain during 2021.

We are committed to ensuring our supply chain adheres to the Huhtamaki Code of Conduct for Suppliers and that we work with responsible suppliers across all our operations globally. Responsible sourcing is based on close cooperation, and it includes developing and utilizing supplier screening tools and processes as well as aligning with third-party verifications and standards.

In this section, we describe our general supply chain due diligence procedures that apply to all key suppliers. As fiber-based materials, such as paper, cardboard and recycled fiber are the main raw material that we purchase, we have defined more specific souring requirements for these materials. Securing a sustainable supply chain for fiber is crucial and a key part of our 2030 sustainability ambition and our commitment to designing for circularity. Our fiber sourcing procedures are described in more detail on pages 166-167.

Our supply chain due diligence process covers ethical, social and environmental criteria

As a responsible company we want to ensure that our suppliers meet the environmental, social and governance expectations we set out in our Code of Conduct for Huhtamaki Suppliers. Over the past years, we have focused on improving our supply chain due diligence system.

In 2019, Huhtamaki updated its due diligence processes and tools for supplier monitoring with the aim of increasing visibility across the supply chain. This included defining new internal procedures, updating technical solutions, as well as providing training for relevant employees. The updated due diligence process was rolled out to all business segments in 2020 and covers approximately 80% of supplier spend globally. In 2021 we reviewed the suppliers that are covered by the process and updated the supplier base to reflect the current set of key suppliers who are actively supplying to us. We will continue making step-by step improvements to the process to ensure that there are no violations in our supply chain. In December 2021, the Sustainability Committee decided to integrate responsible sourcing in the World Class Management (WCM) program to further develop our ways of working in responsible sourcing.

Information disclosed in this section

GRI standards:
414 Supplier social assessments

Key elements of our supply chain due diligence

Our supply chain due diligence is built on three key elements:

1. Code of Conduct for Huhtamaki Suppliers
2. Screenings and questionnaires, targeted to key suppliers through NAVEX RiskRate
3. Third-party corporate responsibility audits, utilizing Sedex tools

As a global company, we work with thousands of suppliers around the world. While they are all important to us, we have decided to focus our due diligence efforts on key suppliers in the first phase.

We define key suppliers as suppliers that:

- Are strategically important for Huhtamaki
- Fall into the top 80% of procurement spend or are the only supplier of a certain raw material or service to Huhtamaki
- Fall mainly into one of the following categories: Traded Goods, Distributor, Raw Material Supplier, Transportation or Warehouse, Consultant, Agent, Insurance or Benefits Supplier, Utility or Energy Supplier, or Contractor

We have identified certain attributes that define the initial profile risk level of each key supplier during onboarding. We use a three-level system: suppliers can be low, medium or high risk. The attributes determining the initial profile risk level are the location, category and spend amount of the supplier, and/or whether the supplier is owned by a state or a public official. The depth of the due diligence with each key supplier depends on their risk level.

Our Supplier Code of Conduct sets the framework

The Code of Conduct for Huhtamaki Suppliers is the foundation for our supply chain due diligence and sets out what we expect our suppliers to comply with. It covers topics related to business ethics, as well as social and environmental responsibility. Our goal is that all key suppliers work with us to deliver on our Code of Conduct for Huhtamaki Suppliers. The number of key suppliers who have acknowledged the Code is monitored through the NAVEX RiskRate tool. For other suppliers, monitoring is done at the unit level. Huhtamaki's suppliers are also responsible for their subcontractors' compliance with the requirements.

We also provide suppliers with the opportunity to share their own Code of Conduct with us. If their own Code of Conduct fulfils the requirements of Huhtamaki, it is possible for us to accept it as a substitute. Our suppliers and workers in the value chain can report any violations of the Code of Conduct for Huhtamaki Suppliers or other Huhtamaki policies via Huhtamaki's global whistleblowing system, the Huhtamaki Speak Up channel.

Today, 94.9% of active key suppliers that have gone through the full due diligence process in Navex RiskRate have accepted the Code, and 3.2% have provided their own Code of Conduct which was approved after review. A few suppliers were exempted from the Code of Conduct acknowledgement requirement due to the nature of their business with Huhtamaki. These suppliers have only been included in the screening processes.

Screenings and questionnaires provide insights into suppliers' compliance practices

A key element of Huhtamaki's due diligence processes is the use of the NAVEX RiskRate tool. All key suppliers are screened in RiskRate against sanction lists, watchlists, Politically Exposed Persons lists and adverse media. The screening continues for as long as the supplier is an active key supplier for Huhtamaki. If there are any matches in the abovementioned lists, RiskRate will automatically alert us with more case details.

Based on the suppliers' initial profile risk level, they are also sent a questionnaire during the onboarding process. All suppliers are asked to acknowledge compliance with the Code of Conduct for Huhtamaki Suppliers. Medium-risk suppliers are asked questions that help assess the risk of corruption and compliance with law. Possible high-risk suppliers receive additional questions on sanctions as well as ethics and compliance.

We have defined risk scorings for the questions, and if necessary, each questionnaire answer is checked individually to determine whether further actions or explanations are required from the supplier. Both the screening results and the answers to the questionnaire are combined in the final risk rating of the supplier. This final risk rating also uses a three-level system: low, medium or high risk. We have defined internal processes for the review and approval of the results, which vary, depending on the risk level.

Currently, 93.7% of our key suppliers, representing at least 80% of total supplier spend, have completed the screening and the Huhtamaki onboarding questionnaire, including the acknowledgement of our Code of Conduct for Huhtamaki Suppliers. Based on the selected attributes, the initial profile risks of suppliers were: 1.0% high risk, 59.2% medium risk, 39.8% low risk. After the screening results and answers to questionnaires were analysed and additional information collected, no suppliers were rejected in 2021.

Supplier audits impacted by the COVID-19 pandemic

The third component of our supply chain due diligence process is supplier auditing. We conduct audits of our suppliers regularly, focusing on quality. We also want to increase the number of third-party corporate responsibility audits conducted to make sure we gain an objective view on suppliers' environmental, social and governance performance.

We are a corporate member of Sedex, an organization that works to improve ethical performance in global supply chains and are developing an audit program that will be based on utilizing the tools that Sedex provides. Due to the COVID-19 pandemic, there has been significant challenges in rolling out the planned audits. In 2020, all planned audits were put on hold until further notice in order to protect the employees of our suppliers and auditors. In 2021, the difficult situation continued, as the pandemic put an unprecedented strain on our sourcing teams. We trialled some of the Sedex tools and started gathering audit information from suppliers that were deemed as most high-risk. However, we were unable to roll out the audit program as had been planned. This was highly disappointing for us and we are committed to strengthen our efforts in this area in 2022.

We have already identified the suppliers to be audited based on certain attributes, such as their location and supplier category, and have selected the audits and certifications that Huhtamaki accepts from suppliers. Once we can start auditing, we will start engaging with our suppliers to increase the number of those that are audited, to monitor corrective actions after the audits, and to support suppliers in performance improvements. Suppliers will also be asked to fill in the Sedex Self-Assessment Questionnaire, which supplements the information gathered from audits.

Economic responsibility

Huhtamaki's ambition is to be the first choice in sustainable packaging solutions. With our strategy focused on four pillars we aim to deliver sustainable profitable growth. Huhtamaki has several financial long-term ambitions. We aim for 5+% comparable growth and an Adjusted EBIT margin improvement of 10+%. In addition, our ambition is to maintain a Net debt / Adjusted EBITDA ratio of 2–3 and to pay a dividend of 40–50% of our profit.Huhtamaki's economic responsibility in 2021

In 2021, the economic value generated by the Group was EUR 1,270 million (EUR 1,221 million) of which EUR 899 million (EUR 895 million) was distributed to stakeholders and EUR 371 million (EUR 326 million) retained in the Group for operational development and further growth. The Group achieved 7% organic and 2% acquisitive growth. Adjusted EBIT margin, excluding items affecting comparability (IAC) of EUR -19.3 million, was 8.8%. Dividends paid to shareholders correspond to a 47% payout ratio (of 2020 profit).

Huhtamaki as a taxpayer

Huhtamaki wants to make a positive contribution to the world and is committed to paying all taxes and complying with other related obligations according to local laws and regulations. Moreover, the Huhtamaki values, the requirements of our Code of Conduct and the Code of Conduct for Huhtamaki Suppliers transcend national boundaries and complement the framework for our business operations. Huhtamaki's Public Tax Strategy is available on our website.

One of our operating principles is to ensure the predictability and optimization of taxation. In addition to ensuring that taxes are paid correctly in all locations, we also seek to ensure that we do not pay excess taxes and that we capitalize on tax deductions enabled by local tax regulations. The Group's tax expenses in 2021 increased to EUR 60 million (EUR 53 million) and paid taxes amounted to EUR 83 million (EUR 45 million). The corresponding tax rate was 23% (23%).

In intercompany business transactions, we comply with the OECD guidelines on transfer pricing. Intersegment net sales were EUR 27 million (EUR 25 million), less than 1% of the Group's net sales. Our business decisions are made keeping our strategy, financial ambitions and commercial environment in mind whilst at the same time aiming to serve our customers better. While taxation is one factor to be considered, it is not a dominant factor.

Direct economic value generated and distributed

EUR million		2021	2020
Customers	Net sales	3,575	3,302
Suppliers	Purchases	2,305	2,081
	Economic value generated	1,270	1,221
Personnel	Personnel expenses	710	721
Shareholders	Dividends	96	93
Debt investors	Net financial expenses	33	28
Public sector	Taxes	60	53
	Economic value distributed	899	895
	Economic value retained in the Group	371	326

Information disclosed in this section

GRI standards:

201 Economic performance

Reporting principles and assurance

Reporting principles and scope

This Sustainability Performance supplement 2021 has been prepared in accordance with Global Reporting Initiative (GRI) Standards, Core Option, as well as the Sustainability Accounting Standards Board (SASB) Sustainability Accounting Standard for the Containers & Packaging Industry. This supplement also describes our progress in 2021 with the ten principles of the UN Global Compact in the areas of human rights, labor rights, environment and anticorruption principles, and with the UN Sustainable Development Goals.

The supplement contains information on Huhtamaki's sustainability performance in the period January 1–December 31, 2021. Some indicators also include historical data. The previous Sustainability Performance supplement 2020 was published in March 2021. The Sustainability Performance supplement and financial statements are published annually by calendar year.

DNV Business Assurance, an independent third party, have provided limited assurance on selected KPIs that we report and on the status of compliance of this report with GRI Standards core criteria and SASB Sustainability Accounting Standard for the Containers and Packaging Industry. The assurance report is attached to this report on page 198. The Global Executive Team will review the observations and recommendations related to the external assurance.

This Sustainability Performance supplement follows the same consolidation principles as Huhtamaki Financial Statements 2021 and covers all four reporting segments. In order to align them with Huhtamaki's financial reporting principles, the GRI disclosures have not been reported by region, but certain indicators are reported per business segment.

In 2021, we updated to the latest version of the GRI waste standard: GRI 306: Waste 2020 (previously GRI 306 Effluents and waste 2016).

Data collection and measurement

In this report, metric tons are used as the mass unit. The 2021 environmental efficiency indicators for energy, greenhouse gas (GHG) emissions and water consumption per sellable ton produced exclude printing cylinder manufacturing and label units, which are part of the Flexible Packaging segment. Units closed during the reporting year 2021 are included in the data until their closing date.

The number of manufacturing units with certified hygiene and safety management systems excludes the manufacturing units not producing food contact materials.

The data on our supply chain is based on key suppliers – the definition of key supplier can be found on pages 193. Each key supplier may consist of several business and/or legal units in different locations. Supply chain data is monitored by a risk assessment tool built for the purpose.

Social indicators have not been reported by gender where the difference between genders was not considered material. For employee data, we use the same age groups that are used in our internal reporting. Financial information originates from the financial reporting processes.

The occupational health and safety data and environmental data is collected and monitored in a specific management system, in which manufacturing units submit information regularly. The reporting frequency varies, and may be monthly, quarterly or annual. Other employee data is gathered from the HR information system.

The greenhouse gas emission calculations are based on guidelines provided by the Greenhouse Gas Protocol of the World Resource Institute and the World Business Council for Sustainable Development. Scope 1 emissions are calculated by multiplying our primary energy consumption with the source-specific emission factors of GHG Protocol/IEA (11/2021) - IEA 2021 library. In the reported Scope 2 emissions, the emissions from steam, district heating and cooling were calculated using the emission factors of GaBi v14 (12/2021) library. To calculate Scope 2 emissions from purchased electricity, two methods were used. The emission factors of GHG Protocol/IEA (11/2021) - IEA 2021 were used in calculating the location-based emissions. To calculate the market-based emissions, supplier specific emission factors were used for the sites where those were available, and the emission factors of Residual Mixes 9.0 (06/2021) and GHG Protocol/IEA (11/2021) - IEA 2021 libraries were used for the sites that did not have the market-based emission factor available. The emission factor libraries are updated automatically when new updates become available. Due to updates of emission factors under the impact libraries used, the GHG emissions of previous years have changed from the ones reported in 2020.

Scope 3 emissions are reported as per calculated GWP(100a) values obtained with CML 2001 impact assessment method. The calculation process of our Scope 3 emissions utilizes primary data from our operations and service providers as well as secondary data from the ecoinvent database and GaBi emission factor library. Due to the indirect nature of Scope 3 emissions and the variety in the emissions sources, our Scope 3 calculation process includes both simplifications and estimations in several categories. The Scope 3 categories relevant to Huhtamaki are categories 1, 2, 3, 4, 5, 6, 7, 9 and 12. The calculation of category 2 is currently very limited as it only includes workstations and displays. Planning of the data collection for the rest of the items in the category 2 is ongoing.

Data collection practices have been reviewed by DNV Business Assurance during the assurance process.

Reporting boundaries

Huhtamaki has both direct and indirect impacts on the material topics identified. The data provided in this report concentrates on matters that are directly under Huhtamaki's control. Our materiality analysis was last updated in 2020. The material topics and reporting boundaries are visible in the adjacent table.

Identified material topics and boundaries

Theme	Identified material topics	Material GRI standard	GRI topic boundary
Environment	Transition to a circular economy	GRI 301 Materials GRI 302 Energy GRI 303 Water GRI 305 Emissions GRI 306 Waste	Huhtamaki Group
	Product safety & customer satisfaction	GRI 416 Customer health and safety	Consumers, customers
	Materials management	GRI 301 Materials	Huhtamaki Group manufacturing units
	Waste and recycling	GRI 306 Waste	Huhtamaki Group manufacturing units
	Energy	GRI 302 Energy	Huhtamaki Group manufacturing units
	Water	GRI 303 Water	Huhtamaki Group manufacturing units
	Climate and emissions	GRI 305 Emissions	Huhtamaki Group manufacturing units
Social accountability	Human rights	GRI 103 Management approach	Huhtamaki Group, Group's key suppliers
	Occupational health and safety	GRI 403 Occupational health and safety	Huhtamaki Group
	Diversity and equal opportunity	GRI 405 Diversity and equal opportunity	Huhtamaki Group
	Labor relations	GRI 401 Employment	Huhtamaki Group
	Employee training	GRI 404 Training and education	Huhtamaki Group
	Employee attraction and retention	GRI 401 Employment	Huhtamaki Group
Ethical business practices and governance	Anti-corruption and ethics	GRI 205 Anti-corruption	Huhtamaki Group, Group's key suppliers, Customers, Partners
	Supply chain and responsible sourcing	GRI 103 Management approach	Group's key suppliers

Independent Limited Assurance Report to the Management of Huhtamaki Oyj

Scope of Engagement

Huhtamaki Oyj ("Huhtamaki") commissioned **DNV Business Assurance Finland OY/AB** ("DNV") to conduct a limited assurance engagement over the performance indicators presented in the Huhtamaki Annual Report 2021 Sustainability Performance section ("Report") for the reporting period 1st January to 31st December 2021.

Selected Information

The scope and boundary of our work is restricted to the General and Topic-specific GRI-disclosures and SASB Containers and Packaging industry disclosures (the "Selected Information"). The location of Selected Information in the Report is specified in the "GRI index and SASB index".

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used Global Reporting Initiative's GRI Standards, Sustainability Accounting Standards Board (SASB) Sustainability Accounting Standard for the Containers & Packaging Industry and Huhtamaki's reporting principles and scope, (the "Criteria", see page 196).

We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on Huhtamaki's website for the current reporting period.

Our conclusions

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria. We believe that the Report is in line with the "Core" requirements of the GRI Standards.

This conclusion relates only to the Selected Information and is to be read in the context of this Assurance Report, in particular the inherent limitations explained below.

Standard and level of assurance

We performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance.

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less detailed than those undertaken during a reasonable assurance engagement, so the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so that the risk of this conclusion being in error is reduced, but not reduced completely.

Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information; our work included, but was not restricted to:

- Assessing the appropriateness of the Criteria for the Selected Information;
- Conducting interviews with Huhtamaki's management to obtain an understanding of the data management systems and processes used to generate, aggregate and report the Selected Information;
- Conducting three remote site audits to review processes and systems for preparing site-level data consolidated at Head Office. The site visits were conducted at:

  - Huhtamaki Fiber Packaging: Lurgan, UK,
  - Huhtamaki Foodservice: Windsor, Australia, and
  - Huhtamaki North America: Hammond, IN, US.

DNV was free to choose the sites on the basis of materiality;

- Reviewing data at source and following this through to consolidated Group data;

- Reviewing whether the evidence, measurements, and scope of the Selected Information is prepared in accordance with the Criteria; and
- Reviewing the Report and narrative accompanying the Selected Information in the Report with regard to the Criteria.
- Evaluation of the disclosed information in the Report for “in accordance – Core” reporting requirements of GRI Standards.

Inherent limitations

Our assurance relies on the premise that the data and information provided by Huhtamaki to us as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. Energy use data utilized in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Report.

Our competence, independence and quality control

DNV established policies and procedures are designed to ensure that DNV, its personnel and – where applicable – others are subject to independence requirements (including personnel of other entities of DNV) maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals, whose members have not been involved in the development of any of the Criteria. Our multi-disciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

Responsibilities of the Management of Huhtamaki and DNV

The Management of Huhtamaki have sole responsibility for:

- Preparing and presenting the Selected information in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to Huhtamaki in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

For and on behalf of DNV Business Assurance Finland OY/AB
Espoo, Finland

1st February 2021

Mikael Niskala
Lead Auditor
DNV – Business Assurance

Olli Miettinen
Principal Consultant and Reviewer
DNV – Business Assurance

GRI index

GRI standards		Location	External assurance	Relevant SDGs
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GRI 102: General disclosures 2016				
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GRI standards		Location	External assurance	Relevant SDGs
Reporting practice				
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GRI 103: Management approach 2016				
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GRI 200 Economic standards				
GRI 205: Economic Performance 2016				
201-1	Direct economic value generated and distributed	194		8
GRI 205: Anti-Corruption 2016				
205-1	Operations assessed for risks related to corruption	190–191	●	
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GRI 300 Environmental standards				
GRI 301: Materials 2016				
301-1	Materials used by weight or volume	166	●	8, 12, 15
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GRI 302: Energy 2016				
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302-3	Energy intensity	173–174	●	8, 12, 13
302-4	Reduction of energy consumption	173–174	●	8, 12, 13
GRI 303: Water and Effluents 2018				
303-1	Interactions with water as a shared resource	175–176	●	6, 12
303-2	Management of water discharge-related impacts	175–176	●	6, 12
303-3	Water withdrawal	175–176	●	6, 12

GRI standards		Location	External assurance	Relevant SDGs
GRI 305: Emissions 2016				
305-1	Direct (Scope 1) GHG emissions	172–173	●	12, 13, 15
305-2	Energy indirect (Scope 2) GHG emissions	172–173	●	12, 13, 15
305-3	Other indirect (Scope 3) GHG emissions	172–173	●	12, 13, 15
305-4	GHG emissions intensity	172–173	●	12, 13, 15
305-5	Reduction of GHG emissions	172–173	●	12, 13, 15
GRI 306: Waste 2020				
306-1	Waste generation and significant waste-related impacts	35, 37, 164–167, 177	●	12, 13, 15
306-2	Management of significant waste-related impacts	164–167, 177	●	12, 13, 15
306-3	Waste generated	177	●	12, 13, 15
306-4	Waste diverted from disposal	177	●	12, 13, 15
306-5	Waste directed to disposal	177	●	12, 13, 15
GRI 400 Social standards				
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	185	●	8
GRI 403: Occupational Health and Safety 2018				
403-1	Occupational health and safety management system	182	●	8
403-2	Hazard identification, risk assessment, and incident investigation	182	●	8
403-3	Occupational health services	183	●	8
403-4	Worker participation, consultation, and communication on occupational health and safety	182	●	8
403-5	Worker training on occupational health and safety	182	●	8
403-6	Promotion of worker health	183	●	8
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	182	●	8
403-9	Work-related injuries	183–184	●	8
GRI 404: Training and education 2016				
404-3	Percentage of employees receiving regular performance and career development reviews	186	●	8
GRI 405: Diversity and Equal Opportunity				
405-1	Diversity of governance bodies and employees	186	●	8
GRI 414: Supplier social assessment 2016				
Huhtamaki's own KPI	Supply chain due diligence system in place covering ethical, social and environmental criteria	192–193	●	8
Huhtamaki's own KPI	All fiber sourced from recycled or certified sustainable sources	166–167	●	8, 12, 13, 15
GRI 416: Customer Health and Safety 2016				
416-1	Assessment of the health and safety impacts of product and service categories	168	●	12
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	168	●	12
Huhtamaki's own KPI	Zero food contact compliance related claims reported	168		12
Huhtamaki's own KPI	All our products comply with Huhtamaki's Global Food Safety Policy	168		12

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Topic	Code	Accounting metric	Location and comments	External assurance
Greenhouse Gas Emissions	RT-CP-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	172–173	●
	RT-CP-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets.	169–172	●
Air quality	RT-CP-120a.1	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) volatile organic compounds (VOCs), and (4) particulate matter (PM)	VOC emissions are disclosed on page 172. Emissions of NOx, SOx and particulate matter are not relevant in our operations and are therefore not reported at Group level.	●
Energy management	RT-CP-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy	(1) Total energy consumed and (3) Percentage renewable, page 174 (2) Percentage grid electricity and (4) total self-generated energy – data not available yet.	●
Water management	RT-CP-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Page 176. For water consumption, we use GRI's definition, which is total water withdrawal – total water discharge.	●
	RT-CP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	175–176	●
	RT-CP-140a.3	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Data not available yet.	
Waste management	RT-CP-150a.1	Amount of hazardous waste generated, percentage recycled	177	●
Product safety	RT-CP-250a.1	Number of recalls issued, total units recalled	Data not available yet.	
	RT-CP-250a.2	Discussion of process to identify and manage emerging materials and chemicals of concern	168	●
Product lifecycle management	RT-CP-410a.1	Percentage of raw materials from: (1) recycled content, (2) renewable resources, and (3) renewable and recycled content	166	●
	RT-CP-410a.2	Revenue from products that are reusable, recyclable, and/or compostable	164	●
	RT-CP-410a.3	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	164–167	●
Supply chain management	RT-CP-430a.1	Total wood fiber procured, percentage fromcertified sources	167	●
	RT-CP-430a.2	Total aluminum purchased, percentage from certified sources	Total aluminum purchased, see page 166. Information on the share of certified aluminum is not yet available.	●
Activity metrics	RT-CP-000.A	Amount of production, by substrate	Page 166. Many of our products consist of several substrates and therefore the amount of production by substrate is calculated based on raw material data, which acts as a good proxy.	●
	RT-CP-000.B	Percentage of production as: (1) paper/wood, (2) glass, (3) metal, and (4) plastic	Data not available yet.	
	RT-CP-000.C	Number of employees	185	●

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