Huhtamaki

Annual Report 2020

Contents

The Huhtamaki Annual Report 2020 is comprised of four sections describing our 2030 Strategy, sustainability and financial performance and governance. Huhtamaki does not publish a separate sustainability report for 2020.

This PDF is intended to be used on widescreen computers. A PDF optimized for printing is available for download at www.huhtamaki.com/investors.

This Annual Report is not an xHTML document compliant with the ESEF (European Single Electronic Format) regulation. The Financial Statements and Directors' report 2020 in accordance with ESEF regulations are available at www.huhtamaki.com/investors.

Business Overview

President and CEO's foreword

2020 a 21st century turning point

2020 will be remembered as a turning point in the 21st century. 2020 has enhanced our responsibility in safeguarding the health and safety of our communities, employees, partners and our planet. 2020 refocused attention on the need for hygiene, health and safety. At Huhtamaki, we believe that protecting food, people and the planet is paramount. Before the pandemic disrupted the world at the start of 2020, we had made a conscious choice. To put the future of the planet at the center of everything we do. In March 2020, we renewed our long-term strategy with this ambition in mind, embedding sustainability across our operations. We believe strongly in the role of packaging to protect our lives and in the necessity of the packaging circularity to protect our planet. We will learn from 2020 and will continue building our legacy to deliver a better world to the generations to come.

Building on our 100 years legacy

For us, 2020 was also the opportunity to celebrate our hundred years legacy. We have come a long way since our founder, the young visionary Heikki Huhtamäki, set up a confectionary factory in a barn in rural Finland in 1920. In the early days, Huhtamaki made wooden boxes and containers to package the delicacies it produced. Those boxes were the start of our journey in packaging. Since then, we have followed in our founding father's footprints, by continuously taking on new challenges to become a company that delivers sustainable packaging solutions to billions of consumers around the world. Our 100th anniversary year has not been easy. As everyone has, we have faced unprecedent challenges due to the global impact of the coronavirus pandemic and we have focused on safeguarding our people and our business. At the same time, we have remained committed to our ambition to become the preferred choice in sustainable packaging solutions. I am proud of the resilience the entire global team has shown during this turbulent time, looking at new opportunities and continuing to be focused on delivering value to our customers globally.

Delivering a solid performance despite the impact of the pandemic

As with many others, our business has been affected by the crisis. However, after a dip in the second quarter, the demand for food on-the-go products gradually improved and is starting to recover to pre-pandemic levels. Across the world, the significant gap in consumption in restaurant services was partly compensated by the fast-increasing trend in food delivery. The demand for food on-the-shelf products remained strong throughout the crisis. The increased in-home consumption supported growth of our retail tableware, our consumer goods paper-based and flexible packaging and of our fiber packaging, driven by high demand for eggs and continued substitution of plastics. We have enhanced our profitability, with continued focus on improving our operational performance. The 2019 dividend paid to our shareholders during 2020 marks the eleventh year of continuous dividend increase. We maintained a strong balance sheet at the end of 2020.

During the crisis, we used manufacturing capacity, made idle due to the crisis, to produce protective face shields for health care workers and also launched a range of high-quality affordable and reusable consumer face masks for everyday use. We also built and executed on a EUR 3 million donation, focusing on key challenges for the development of the circular economy with three global NGO's. In addition, we responded to the immediate COVID-19 crisis needs with a donation to the International Red Cross.

"At Huhtamaki, we foresee a significant opportunity for the global food packaging industry. Our customers, consumers, communities and the planet, need our sustainable packaging solutions more than ever before."

Embedding sustainability in everything we do

We conducted a thorough strategy review at the start of the year and launched our long-term 2030 Strategy to maintain our growth trajectory. At Huhtamaki, we foresee a significant opportunity for the global food packaging industry. Our customers, consumers and communities need our sustainable packaging solutions more than ever before. This gives us a responsibility as a business to protect food, people and the planet. With today's concern for the health and safety of the population across the globe, packaging plays a key role in securing hygiene, food availability and food safety. With increased concern for the future of the planet, packaging plays an instrumental role in reducing food waste, which remains by far the biggest environmental impact from the food systems on climate change. With today's digital breakthroughs, packaging will offer solutions for product traceability and efficient circularity. We believe that no single organization holds all the answers to resolving climate change. All stakeholders must cooperate across the value chain and in the society to make a difference where it matters.

Focusing on the future

We have high aspirations for our future and are committed to the ambitious targets we have set ourselves to make our operations more sustainable, working on designing for circularity across systems and products. We know that developing innovation in sustainable packaging is paramount for the future of our planet and we want to take a leading role within the industry in addressing the global challenges of circularity and climate change. Our aspiration is that when future generations look back to 2020, they recognize that Huhtamaki embarked on a transformation, setting us up for the next 100 years, together with all our partners and employees across the world.

Charles Héaulmé
President and CEO

Financials of 2020 in brief

- Net sales decreased 3% to EUR 3,302 million (EUR 3,399 million)
- Adjusted EBIT was EUR 302 million (EUR 293 million); reported EBIT was EUR 265 million (EUR 286 million)
- Adjusted EPS was EUR 1.95 (EUR 1.88) reported EPS was EUR 1.69 (EUR 1.82)
- Comparable net sales growth was -2% at Group level and -6% in emerging markets
- The Board of Directors proposes a dividend of EUR 0.92 (0.89) per share

Huhtamaki 2030 Strategy priorities

- Growing our business
- Driving our competitiveness
- Developing our talent
- Embedding sustainability in everything we do

Huhtamaki's response to the COVID-19 crisis

Read more on page 19 about the impact the pandemic had on our business.

Read more on page 20 about how we leveraged our expertise to kick-start the production of protective face visors.

Read more on huhtamaki.com about our entrance to the retail space with the launch of the reusable high-quality face mask, Huhta Mask.

How we create value

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 remains by far the biggest environmental impact from food systems on climate change. Also, thanks to today's digital breakthroughs, packaging also offers solutions including traceability of products and efficient circularity. Our customers, consumers, communities and the planet need our sustainable packaging solutions more than ever before.

A global leader in sustainable packaging solutions

Today, we are a fast-growing global food packaging company with strong Nordic roots and philosophy, and a heritage of innovative and transformative solutions. 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.

We touch the daily lives of people everywhere through our customers, from quick service restaurants and fast-moving consumer goods companies to retail channels. Our products offer consumers important attributes: food availability, food safety, hygiene, convenience and food waste reduction.

We embed sustainability in everything we do. We aim to minimize the negative impacts of our operations and products on the environment while maximizing the positive impacts on our stakeholders, consumers and society.

We are a participant in the UN Global Compact. In 2020, we received an MSCI ESG Rating of A on a scale of AAA-CCC. To address the challenges of climate change, we have committed to set science-based targets through the Science Based Targets initiative. We have been awarded the Silver Medal by EcoVadis for our performance in sustainability. We are focused on achieving carbon neutral production and designing all our products to be recyclable, compostable or reusable by 2030.

We serve the food on-the-go and food on-the-shelf markets

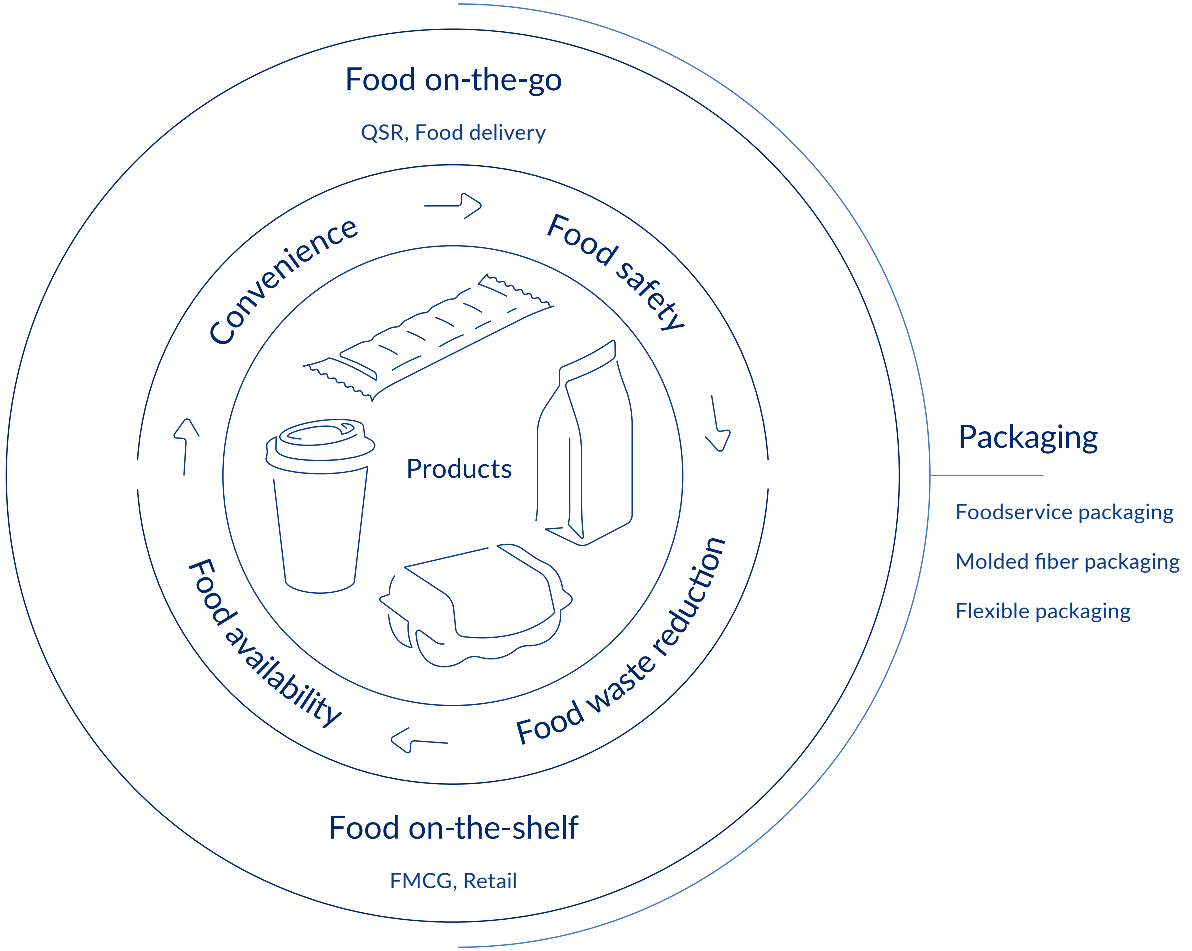
Today our customers, consumers, communities and the planet, need our sustainable packaging solutions more than ever before. This gives us a profound responsibility as a business to protect food, people and the planet. By protecting great products, delicious food and beverages, we ensure hygiene and safety. By preventing food waste, our packaging reduces the biggest environmental impact of daily food consumption globally. By developing environmentally responsible products and processes, we ultimately protect the planet.

Our products offer consumers convenience, food safety, food availability and food waste reduction. We use three key technologies and packaging types: paperboard conversion for food packaging, molded fiber packaging and flexible packaging.

Our business model is to convert raw materials into safe, convenient and fit-for-purpose food packaging for consumers, thereby supporting food availability and at the same time reducing food waste.

The main raw materials used are paperboard, recycled fiber and plastic resins. Of all the raw materials we use in manufacturing our products, 66 percent are renewable and 98 percent of all our fiber is either recycled or from sustainably managed sources.

The main conversion technologies include cup forming, folded carton, extrusion and lamination, molded fiber, and plastic thermoforming.



How we create value as a food packaging manufacturer

Key inputs

Raw materials
- Paperboard
- Plastic resins
- Recycled fiber
- Approximately 66% of raw materials used in manufacturing our products are renewable

Energy and water
- Energy 2,142 GWh
- Water intake 8.7 million m^3

Global operations
- 81 manufacturing units, 35 countries

Personnel
- Competence and know-how of 18,227 employees

Social capital
- Key stakeholder relationships
- Collaboration with key customers and suppliers

Intellectual property
- Immaterial rights, patents
- Brand and reputation

Financial resources
- Equity M€ 1,364
- Net debt M€ 867

Our activities

Advanced manufacturing
- Cup forming
- Folded carton production
- Smooth and rough molded fiber production
- Extrusion and lamination technology
- Plastic thermoforming
- Printing and digital printing

Resource efficiency
- Energy: 5% improvement in energy efficiency in 2016–2020

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 2016–2020 with the Lost Time Incident rate decreasing from 2.9 to 1.6
- 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€ 223

Key outputs

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

Emissions and waste
- Relative GHG emissions reduced 11% in 2016–2020
- Waste in 2020
  - Recycling 70%
  - Energy recovery 10%
  - Landfill 19%

Intellectual
- Immaterial rights, patents

New manufacturing assets
- Through investments and acquisitions

Economic value
- Gross profit M€ 553

Key impacts

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

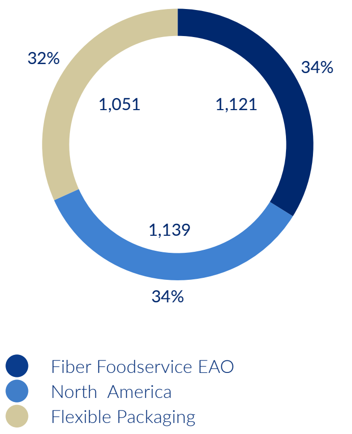
Intellectual
- Huhtamaki brand value
- Product and design innovations

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

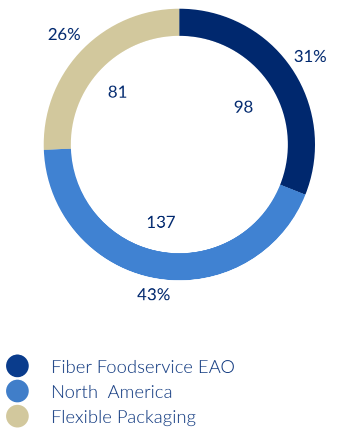
Financial economic value distributed in 2020
- Profit M€ 184
- Wages and benefits M€ 721
- Net financial items M€ 28
- Taxes M€ 53
- Dividends M€ 93

Huhtamaki in figures

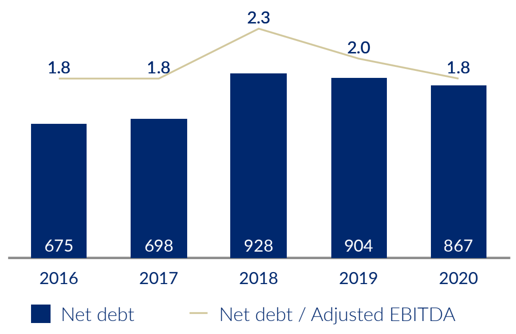
Net sales
EUR 3,302 million



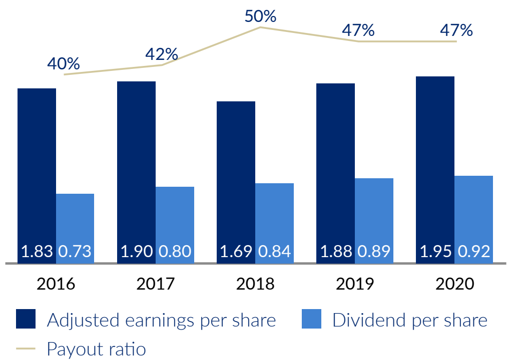
Adjusted EBIT
EUR 302 million



Net debt and Net debt / Adjusted EBITDA
EUR million



Adjusted earnings and dividend per share
EUR



Circularity
67.3%
Share of all materials used that are renewable or recycled

Operations
70.1%
Share of non-hazardous waste recycled or composted

Climate
3.8%
Share of renewable electricity used in operations

We have committed to setting science-based emission target

People
LTIFR 1.6
Safety, Lost Time Injury Frequency Rate

Business segments' net sales include internal sales of EUR -13 million in total. Group's Adjusted EBIT includes Other Activities EBIT of EUR -13.5 million. Adjusted EBIT, Adjusted earnings per share and Net debt and Net debt / Adjusted EBITDA are presented excluding items affecting comparability. 2020 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.

Read more about our sustainability ambitions on page 41.

We're positioned to support our customers wherever they operate

Number of employees

18,227

Manufacturing units

81

Operating countries

35

2020 highlights

MARCH

Huhtamaki launches its new 2030 Strategy and ambition – to become the first choice in sustainable packaging solutions. At the core of the strategy is growth, competitiveness, talent and sustainability. As a part of the strategy, the integration of Fiber Packaging and Foodservice EAO business segments is announced.

Read more about our 2030 Strategy on page 17.

JULY

Huhtamaki takes first steps on its renewable energy journey with the installation of solar panels at two of its manufacturing units in South Africa. Later in the year, similar installations went live in 3 manufacturing units in India. In 2021, more solar panels will be installed in both South Africa and India, as well as in other countries, for example in China.

Read more on page 44.

Read more about our product innovation and highlights on page 26.

MAY

To drive circular economy innovation, Huhtamaki and international charity WasteAid announce partnership. The project will support WasteAid to deliver education on waste management and circular systems in key locations in South Africa, Vietnam and India.

Read more on huhtamaki.com

JUNE

Huhtamaki announces it will enter the retail space with a new product group by launching Huhta Mask, the reusable high-quality face mask, to help a responsible return to a new normal.

Read more on huhtamask.com

SEPTEMBER

MSCI ESG RATINGS

CCC	B	BB	BBB	A	AA	AAA

Huhtamaki is rated 'A' (on a scale of AAA-CCC) on the MSCI ESG Ratings assessment. The rating of 'A' or above is only given to 25% of the companies in the packaging sector. Our improvement is driven by our commitment to reduce the environmental impact of our products, optimize recyclability, as well as by our governance practices.

Read more at huhtamaki.com

NOVEMBER

Huhtamaki celebrates its centennial with a series of stakeholder events during "Founder's week" and publishes its first stakeholder report on the requirements of designing for circularity.

Read more on page 27.

Our journey to 2030

With 100 years of history and a strong Nordic heritage in sustainable food on-the-go and food on-the-shelf packaging solutions, we at Huhtamaki are committed to making packaging more circular with a lower carbon footprint and embedding sustainability in everything we do.

Marina Madanat
Executive Vice President, Strategy and Business Development

The future of food packaging

With 100 years of history and a solid Nordic heritage, today Huhtamaki is a key global player in food on-the-go and food on-the-shelf packaging solutions. We have delivered strong growth over the past years and have focused on building global reach and a solid foundation for the future. At the same time, our world of food and packaging is transforming, driven by sustainability, digitalization, personalization of consumer offerings and growth of a strong middle class in Asia. These trends are rapidly changing our industry and operating environment.

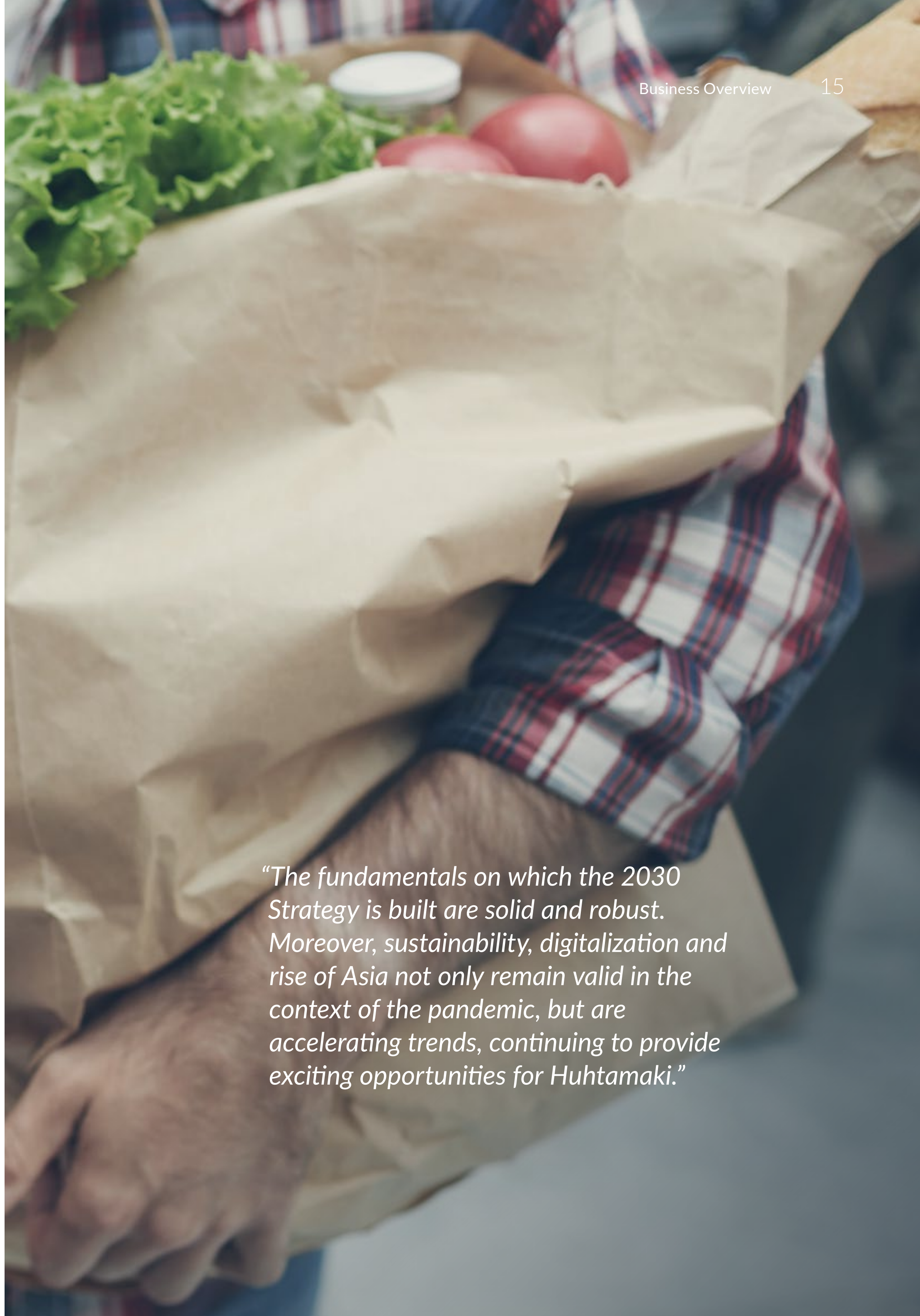
Our size and global reach, coupled with high growth ambition, enables us a unique opportunity to become a trailblazer amidst this exciting industry transformation. We renewed our holistic long-term 2030 strategy in March 2020, taking a daring enterprise-wide perspective and setting an ambitious agenda of growth, competitiveness and sustainability.

Multiple initiatives have been initiated to implement our 2030 Strategy, rapidly building strong momentum despite the challenges of the world-wide pandemic. Amongst such initiatives is our World Class Management (WCM) program, launched to transform our performance in areas of highest business impact. The WCM covers seven areas critical for our long-term success: digitalization, innovation, operations, sales, sourcing and working capital, sustainability, and people and safety. The program has allowed us to create organic communities across our organization to promote the sharing of ideas, best practices and experiences, while focusing on most significant transformational initiatives with long-term key performance indicators.

It is often said that even the best plans rarely survive contact with reality. As the world-wide COVID-19 pandemic unfolded this year, we had to ask ourselves the hard question of whether the priorities and strategic course we had laid out earlier this spring are still valid. The pandemic highlighted the need for health and safety and the importance of packaging in assuring this. Additionally, the fundamentals on which the 2030 Strategy is built are solid and robust. Moreover, sustainability, digitalization and the rise of Asia not only remain valid in the context of the pandemic, but are accelerating trends, continuing to provide exciting opportunities for Huhtamaki. Our entrepreneurial roots and global reach will allow us to thrive and remain competitive in our changing industry. Our bias for action, low hierarchy, ability to listen to consumers and our customers and react and innovate for their needs, as well as our passion for results, sets us on the path to reach new heights. In our changing society, building on our strong legacy of responsibility and delivering results, we believe in the great value of sustainable packaging.

Marina Madanat
Executive Vice President, Strategy and Business Development

Read more about our 2030 Strategy on page 17.



"The fundamentals on which the 2030 Strategy is built are solid and robust. Moreover, sustainability, digitalization and rise of Asia not only remain valid in the context of the pandemic, but are accelerating trends, continuing to provide exciting opportunities for Huhtamaki."

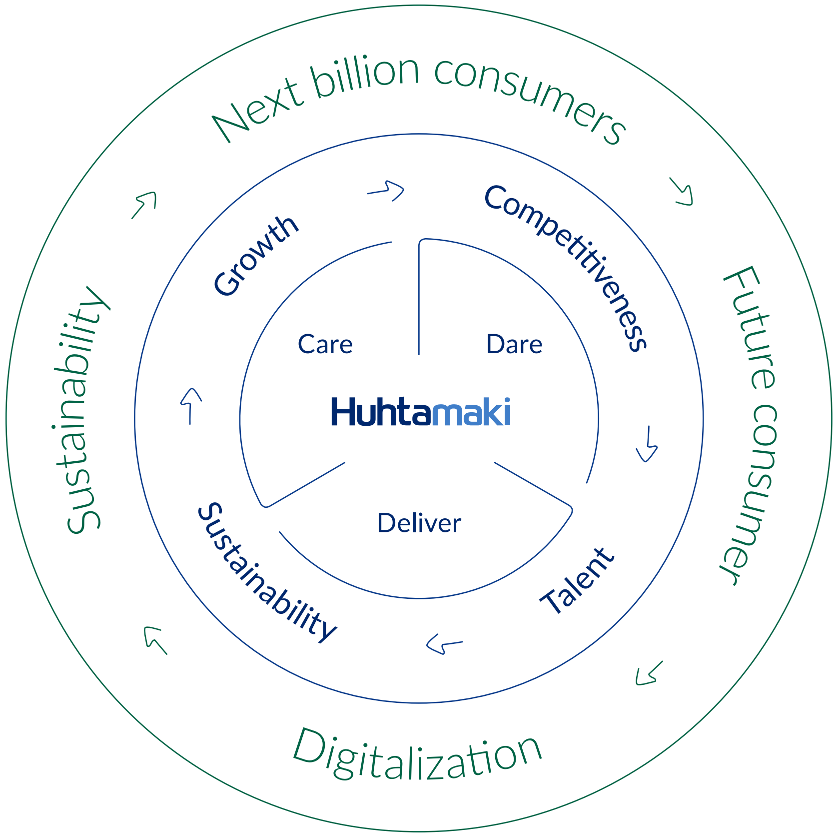
The future of food packaging is impacted by four transformative trends

The next billion consumers will come from emerging markets

- Globally, the middle class is expected to increase by 1.8B 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 and requiring greater investment in infrastructures for recycling and need for changes in consumer behavior
- Requiring us to collaborate across the value chain to address challenges in the development of a circular economy



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

- Future consumers value convenience and traceability
- Consciousness of personal and environmental wellbeing is increasing
- New brands and models with room for self-expression are emerging in food delivery, fast-moving consumer goods and retail

Digitalization will influence packaging and the way we do business globally

- The pace of digitalization will accelerate, creating demand for smart packaging for product traceability and consumer engagement
- Technology and data analytics will reshape operations globally
- New digital-enabled business models will rise, including better integration across the value chain through the digitalization of processes

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

Our objective is to further expand our company globally and 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 develop and grow our talent by building strategic capabilities, nurturing our values and a high-performance culture.

In this, we are guided everyday by 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	Driving our competitiveness	Developing our talent

Embedding sustainability in everything we do

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

Thomas Geust
Chief Financial Officer

Growing our business, driving our competitiveness

In recent years, Huhtamaki has delivered good growth and built the foundations for the next decade and beyond. Two of the cornerstones in our 2030 Strategy are growth and competitiveness. To continue the growth trajectory of recent years, we have focused on several actions.

Firstly, we will pursue scale in our core businesses both through organic investments and mergers & acquisitions. We have the necessary qualities, such as key technologies, global key customer relationships and a global geographical footprint, to target organic growth as well as the requisite financial health to look for inorganic growth. Secondly, we will further continue to expand in emerging markets, building on our strong presence and experience of operating in developing economies, offering us possibilities for further expansion. Thirdly, we will develop sustainable solutions. This includes both replacing fossil-based plastics and, where possible, implementing mono-structures for improved recyclability. Lastly, we will develop packaging for food delivery, and we will step up our on long-term innovation. We will venture in new business opportunities created by evolving consumer lifestyles.

To improve our competitiveness, we are concentrating on world-class operational performance, process performance, and digitalization. We believe that by achieving growth and scale we can gain structural efficiencies across the company. We can also achieve higher competitiveness and insight by digitizing our operations and modernizing our IT systems and infrastructure.

We believe that we have the strength to deliver sustainable profitable growth in accordance with our 2030 Strategy.

Thomas Geust
Chief Financial Officer

Huhtamaki's long-term financial ambitions

Comparable growth	Adjusted EBIT margin	Net debt / Adjusted EBITDA ratio	Dividend payout ratio
5+%	10+%	2–3	40–50%

Read more about our financial performance in the Directors' report 2020 on page 69.

COVID-19 impact

As a global leader in food packaging, Huhtamaki is an integral part of the supply chain, making food safe, convenient and available to everyone in the world. Packaging promotes hygiene and prevents the spread of disease. It keeps food safe, prevents spoilage, preserves the food's original properties and helps in avoiding food waste.

Huhtamaki's diversified portfolio of food on-the-go and food on-the-shelf packaging has provided resilience from the impact of COVID-19. This has been most significant in terms of drop in demand in product categories related to foodservice. The impact has been visible following, for example, the closures of quick-service restaurants. At the same time, demand for food delivery has increased as people have stayed home more. However, this increase in demand has not compensated the decline of in-store restaurant sales.

In contrast, demand for food on-the-shelf packaging, comprising mainly of flexible and fiber packaging, has remained relatively resilient to the effects of COVID-19. The impact on retail business and consumer goods products has been limited, as some of Huhtamaki's customers have been stocking up to meet demand. The overall impact from COVID-19 on demand reduced as countries and governments lifted restrictions on movement and access to establishments, although we are seeing this take up again as countries enter a 2nd and 3rd wave.

To manage the impact of COVID-19, Huhtamaki has implemented a phased approach. In the first phase, the crisis was handled daily at a global and unit level. The focus during this point was to protect employees as well as business continuity. In addition, the company's cash position was managed daily and effectively through an increased focus on cost management and the prioritization of investments as well as securing liquidity through financing arrangements and postponement of dividend. In a second phase, the company concentrated on its competitiveness in preparation for a post-COVID future. Currently, in the third phase, the company is working on defining the opportunities that will emerge from the crisis. This includes, among others, generating innovation and identifying immediate opportunities and long-term shifts in our operating environment.

Case study: Our Business

Leveraging our core competencies to deliver real time solutions to pressing needs in our local communities

In the spring of 2020, the COVID-19 outbreak abruptly disrupted our customers' business, forcing many of our manufacturing units around the globe to adapt. In the UK, the sudden change in the operating environment and drop in demand forced Huhtamaki Foodservice Belfast, which manufactures paper folding carton packaging for food, household goods and fast food markets, to scale down production and look for alternative ways to cope with the situation.

The unit saw an opportunity to help scale up the production of protective face shields in partnership with Bloc Blinds, a local blind manufacturing company. Face shields are crucial for frontline and essential workers as well as for others working in close contact occupations. To manufacture the face shields, Huhtamaki Belfast repurposed its folding carton packaging machinery – idle due to the pandemic related drop in demand – to precision-cut optically clear and lightweight visors. Streamlining the process and using Huhtamaki's high-speed packaging lines for automation, made it possible to multiply the weekly production volume. Soon, production was expanded to the nearby Huhtamaki Antrim unit as well.

After the success of the Belfast and Antrim operations – which were producing 4 million units weekly for the UK national healthcare system in early May 2020 – Huhtamaki decided to leverage this know-how and announced plans to ramp up the production of the visors. Currently, we are working to bring a next-generation version of the visor to market to better serve the needs of the healthcare sector in the longer term.

Daring to rise to the occasion

The challenge for the Huhtamaki employees at the Belfast site involved learning to handle polyethylene terephthalate (PET) and producing goods with a short turnaround time. Training to run machines with PET instead of the usual paper, and also die cutting the new material, was a true on-the-job training experience for both managers and experienced machine operators. The re-skilling has clearly raised the confidence of our operators and contributed to their wellbeing at work – with them being able to make a difference to the national health system and others during a time of crisis.

"What made this project special was that this happened during furlough. We called people back, and everybody was extremely committed to get the job done. People shared their knowledge, understanding that getting the issues solved fast and production started as quickly as possible will benefit everyone", says Chris Quigg, Factory Manager at Huhtamaki Foodservice Belfast.

ⓘ | *Read more about our face shields at huhtamaki.com.*

CHALLENGE: In the UK, COVID-19 disrupted the business of many of our customers, forcing Huhtamaki Belfast to scale down its operations.

SOLUTION: Huhtamaki Belfast partnered with a local company, Bloc Blinds, to scale-up the production of protective face shields using Huhtamaki's high-speed packaging lines and repurposed folding carton packaging machinery, allowing Huhtamaki to call back employees from furlough.

RESULTS: An innovative response to a crisis bore fruit. The manufacture of face shields was ramped up across different sites, helping people working in close contact industries such as foodservice, personal care, retail and manufacturing to return to work safely.

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

Culture is the cornerstone of ethical behavior

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. Externally, good governance and ethical behavior are the cornerstone of a global company's operations – consumers, our customers and other stakeholders expect us to be a safe pair of hands as well as to work and act with highest ethical standards. It goes without saying that all applicable listed company regulations and governance reporting requirements providing transparency towards our shareholders and investors are strictly followed by Huhtamaki.

At Huhtamaki, we take ethics and compliance very seriously. Shared ethical principles and company guidelines mean nothing if they are merely written on a piece of paper or appear on a website and employees do not understand how to apply them in practice. This is where corporate culture becomes the cornerstone of operations. When the culture is deeply rooted in doing what is right, you do not cut corners and become involved in activities that could potentially endanger your employees, your customers or your reputation.

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.

We have always been committed to Huhtamaki's role as a global corporate citizen, but never more so than during the coronavirus pandemic, as evidenced by our face shield initiative and other actions we took in our local communities. We play an essential role in ensuring food safety and availability and reducing food waste, as has been acknowledged by governments around the globe, which granted our operations essential status during the pandemic. Maintaining our operations has been just one part of our support towards alleviating the impact of the pandemic globally. When the coronavirus pandemic started, we reacted and formed a crisis management team immediately. This group monitored the development and impact of the situation and acted as an effective forum for information sharing and decision making across all our sites and employees. Early on, we also partnered with the International Red Cross to do our share in helping respond to the humanitarian aspect of the COVID-19 crisis. In addition, throughout the year we made product donations through our local communities.

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

Read more about Ethics and Compliance in the Sustainability Performance supplement on page 196.

Donation to the Red Cross

In April 2020, as the coronavirus crisis unfolded, Huhtamaki announced a donation of EUR 0.5 million in support of the International Federation of Red Cross and Red Crescent Societies' (IFRC) COVID-19 appeal. The funds were channelled via the Finnish Red Cross to support emergency relief efforts in Asia and Europe particularly for the most vulnerable communities.

The Red Cross donation was one part of our support towards alleviating the impact of the pandemic. In addition, globally Huhtamaki teams across its 81 locations have sought opportunities to assist their local communities, be it in the form of producing face shields for healthcare workers or donating products to health care systems to ensure food hygiene and safety, making a difference where it matters.

Antti Valtokari
Executive Vice President, IT and Process Performance

Digitalization and innovation partnerships will unlock sustainability

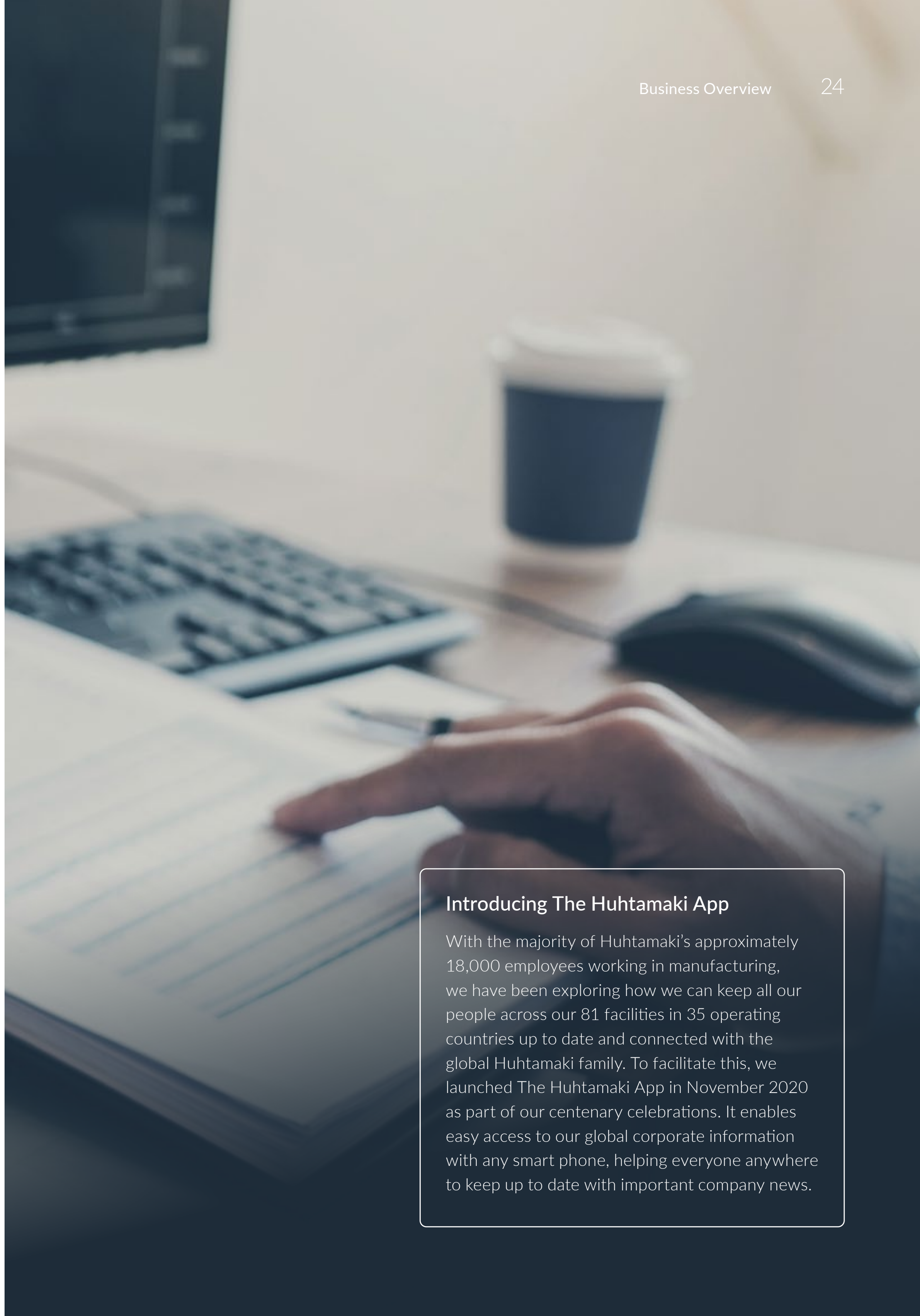
Digitalization is an important transformative trend for the food packaging industry. It enables us to make our core business more efficient, from operations to sales management, but it can also unlock even bigger opportunities in the way we collaborate with our customers and suppliers, and how we design our packaging to be smarter and sustainable.

The potential impact of digitalization is clear both in the way we work with our customers and in how we organize our operations. While digital improvements in our manufacturing units – such as the use of real time machine data, preventative maintenance and automated material flows – will lead to potentially significant improvements in efficiency, what will truly enable us to create added value for our customers is the way we will be able to use digital tools to integrate our customer-facing processes with those of our customers. Simply put, by digitalizing our activities, we will become the first-choice partner for many customers because we will be the company easiest to do business with in our industry. This, ultimately, will play a key part in how we deliver on the ambitions of our 2030 Strategy.

To get to this digital future, we must first become a truly digitally integrated company and a data-savvy organization. This entails gathering data holistically across the company and making better decisions by using advanced data analytics. We see potential in building our digital capabilities to create a better customer experience for existing and new customers, whose transactions with us – from quotes and order confirmations to invoices – will be electronic. Efficiency in these fundamental everyday activities will have real customer benefits saving time and money, but more importantly, this will mean we can collaborate with our customers in new ways. To do this, we must use digital tools and ways-of-working across the organization to become faster in all of our processes as well as in the deployment of new capabilities.

Digitalization also touches on the design of smart packaging. At Huhtamaki, we foresee printed tags and codes that enable packaging to have a true digital identity to provide substantial added value. One of the key values in smart packaging is the easy access to information on the raw materials used in the packaging, which facilitates easier recycling, customer engagement with the content and traceability of the origin of the product. Smart packaging goes beyond printed tags, codes and other potential features, it can unlock sustainability and contribute to circularity. Today we are actively exploring our role in providing these types of digital services to our global customers in the future.

Antti Valtokari
Executive Vice President, IT and Process Performance



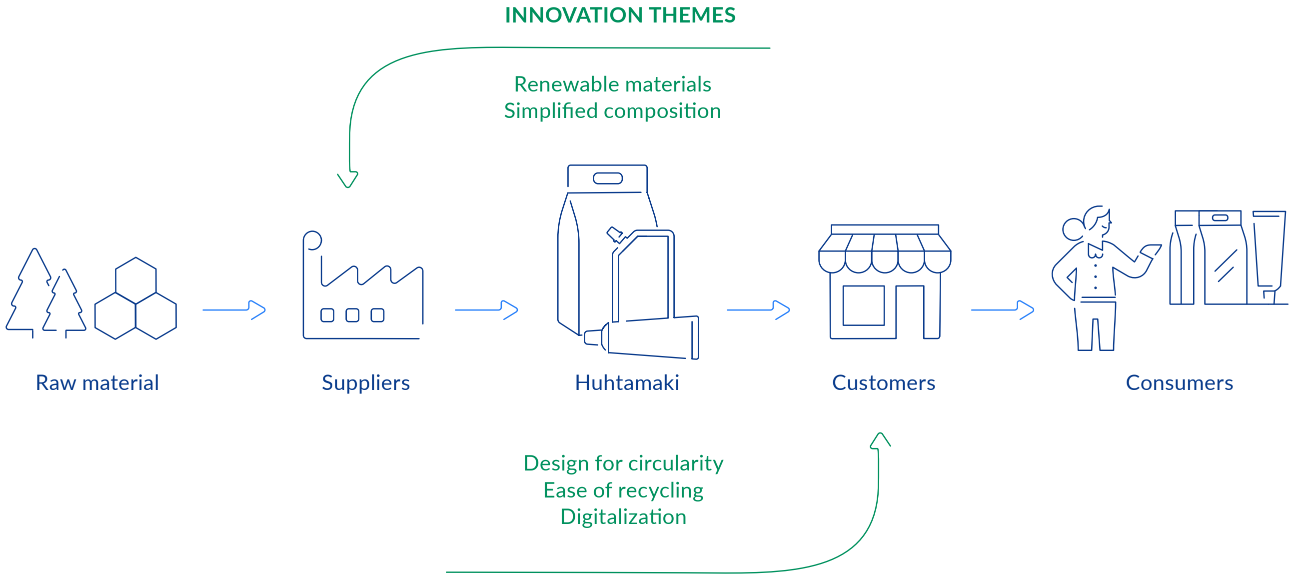
Introducing The Huhtamaki App

With the majority of Huhtamaki's approximately 18,000 employees working in manufacturing, we have been exploring how we can keep all our people across our 81 facilities in 35 operating countries up to date and connected with the global Huhtamaki family. To facilitate this, we launched The Huhtamaki App in November 2020 as part of our centenary celebrations. It enables easy access to our global corporate information with any smart phone, helping everyone anywhere to keep up to date with important company news.

Co-creating sustainable innovation

We believe that the key to creating sustainable innovation lies in partnering with multiple stakeholders across the value chain to address the challenges and opportunities we face today. To deliver on a green economic recovery we need to create the right legislative framework for innovation and systemic change for a circular economy together. Today, our innovation focuses on developing smart, sustainable packaging solutions to address the needs of society. We know that sustainability is a key differentiator and that it provides a return on investment.

As an advanced manufacturer, we are at the center of the value chain



Circular economy start-up program

As part of its centenary celebrations Huhtamaki donated EUR 1 million to run a start-up accelerator program in partnership with the U.S.-based nonprofit Food System 6 (FS6) in 2020. The Huhtamaki Circular Economy Startup Program by Food System 6 was designed to accelerate the development of young and promising companies working for a more sustainable future. It focused on identifying and developing early-stage companies with innovative sustainable solutions in areas such as waste diversion, sustainable packaging alternatives, new materials innovations, and regenerative production models.

The program focused on fostering innovative solutions for the development of a circular economy across the food system value chain with the aim of increasing the long-term health and resilience of our planet. Through the partnership with Huhtamaki, FS6 provided critical mentorship, advising and networking resources to give direct support to selected participants to help build on their ideas and work towards building to scale.

Up to $300,000 in equity-free grants were disbursed to eight selected global companies. The eight cohort members were chosen for their unique and timely innovations across the impact areas of circularity, healthy people, vibrant farms, sustainable ecosystems, as well as justice and fairness.

Read more at huhtamaki.com

We identify, enable and monetize sustainable innovation across the value chain

Delivering incremental innovation for our customers every day

Fiber Foodservice EAO

In response to the increased demand for delivery and take-out packaging during the COVID-19 pandemic, our unit in Blackburn UK quickly developed a new addition to the Food-to-Go range in the form of "Taste" fluted carton containers.

North America

Although many schools in North America closed or moved to hybrid learning, the need for school lunches remained and Huhtamaki responded by designing and launching a folding carton sleeve that protects the contents of the typical school lunch tray.

Flexible Packaging

To support our customers in making their products more sustainable, we designed new fully recyclable PE-based, easy-to-carry bulk bags. The objective of the development is to replace an existing product that is harder to recycle with a more sustainable alternative. While product development took place in 2020, full commercialization is proceeding in 2021.

Driving sector transformation through innovation

Blueloop technology

Huhtamaki blueloop is a collaborative platform driving the move from a linear economy to a circular economy. A polyolefin-based barrier laminate for shampoo sachets is on the market and other solutions have passed long-run trials and are ready for wider market adoption.

Paper straws

Our **recyclable paper straws** are made with 100% PEFC certified paper, come with highest levels of food safety certifications and are made in European facilities with only the best equipment and raw materials.

Future Smart Duo Fiber Lid

Future Smart Duo fiber lids are made from an optimal mixture of wood and bagasse fibers. We continue to work on product development and will bring other fiber lid types to market. In 2021, we are starting the production of fiber lids in Alf, Germany, to better serve the needs of our European customers.

Fresh

Huhtamaki Fresh disposable food tray for ready-to-eat meals is both oven proof and microwavable. It is fiber-based, recyclable and certified for home composting.

Alternatives for plastic cup lids

In North America, Huhtamaki is introducing a **paper plug lid,** designed and produced in Goodyear Arizona, as an alternative to plastic lids. The paper plug lid launches in Q1 2021. In Europe, we have co-developed a **smooth molded fiber Sundae cup with lid and a cold cup lid for McDonald's,** which will be launched fully during Q1 2021.

ⓘ | *Read more on page 53.*

Introducing recycled plastic to food packaging

Mars Incorporated, in partnership with Huhtamaki and petrochemical leader SABIC, will use recycled plastic which has been manufactured using an advanced recycling process for its pet food packs. The bags were piloted in Europe in 2020 and volumes used will be increased in 2021.

Fully commercialized

Recently launched

Case study: Stakeholders

An industry-wide stakeholder platform to unlock packaging circularity

"While we have seen a significant leap forward in terms of our industry-wide commitment to sustainability, we know that to deliver groundbreaking solutions, we have to work across the industry. No single organization holds all the answers," says Thomasine Kamerling, Executive Vice President, Sustainability and Communications at Huhtamaki.

Launched by Huhtamaki, Think Circle is a platform bringing together key stakeholders from across the global food value chain to openly address issues 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.

In addition to Huhtamaki, the first Think Circle initiative comprises perspectives from Stora Enso, McDonald's, Mars Petcare, Food System 6, WasteAid, The Happy Pear, Closed Loop Partners, The Finnish Innovation Fund Sitra, a Member of European Parliament, an academic at Cambridge University and VTT Technical Research Center of Finland. The first edition of the Think Circle Circularity report is available at www.think-circle.com.

Topics highlighted in the report were discussed in Designing for Circularity, a Think Circle roundtable discussion held on November 10, 2020. Panelists included Caesaré Assad, CEO of Food System 6; Annica Bresky, President and CEO of Stora Enso; Charles Héaulmé, President and CEO of Huhtamaki; Frank Heidlberger, Global Packaging Director for McDonald's; and Jyrki Katainen, President of The Finnish Innovation Fund Sitra.

"Think Circle is a solution that brings together key stakeholders from across the global food value chain to openly address issues as we design for packaging circularity."

CHALLENGE: No one organization has the answer. To meet ambitious sustainability agenda, the global food packaging industry needs to work on designing for circularity across systems and products. Lasting solutions will only be found with cooperation across the value chain.

SOLUTION: Launched by Huhtamaki, Think Circle is a platform that brings together multi-perspective stakeholders from across the global food value chain to address issues facing us as we try to find solutions for a circular economy.

RESULTS: The first edition of Think Circle, now online, was launched via a virtual roundtable in November 2020. Similar, regional roundtable talks will be hosted in the future.

Case study: Innovation

Effective partnerships drive innovation and plastic substitution

Mars stepped up its efforts to reduce virgin plastics use across its packaging portfolio in 2020. Mars wants to play its part in building a circular economy 'where no packaging becomes waste' and achieve its aim to use 30 percent recycled content and reduce virgin plastic use by 25 percent by 2025. The multinational manufacturer, with its portfolio of confectionery, food, and pet care products and services, has begun to incorporate circular certified polypropylene plastic into its primary packaging for some of its most popular pet food brands. The polypropylene plastic is verified through the ISCC (International Sustainability and Carbon Certification) PLUS system.

This development was made possible thanks to a strategic partnership between Mars, Huhtamaki and petrochemical leader SABIC. Circular certified food grade resins are made by taking mixed used plastics – that are otherwise difficult to recycle – and putting them through a chemical process called pyrolysis, which produces a so called "pyrolysis oil". This oil is then further refined by SABIC and is used to produce virgin resin feedstock.

"The collaboration showcases Huhtamaki's in-depth knowledge of materials, expertise in forming networks with suppliers and customers, and proactivity in looking for innovation opportunities."

These food-grade recycled resins are used by Huhtamaki to develop its proprietary "easy-tear" Terolen® sealing film which is used today in Mars pet food packaging. Tests have been conducted to make sure that the resulting packaging material does not compromise the food grade and food quality of the final product. Thanks to this approach, the packs do not feel any different from those made with traditional virgin plastic, but will have the added benefits of including recycled material from previously used plastic products.

Mars launched its pilot in Europe in 2020 and is expected to scale-up volumes in 2021, with ambitions to expand the use of recycled content to other brands.

The collaboration showcases Huhtamaki's in-depth knowledge of materials, expertise in forming networks with suppliers and customers, and proactivity in looking for innovation opportunities.

CHALLENGE: Mars Incorporated is focused on reducing virgin plastic use across its packaging portfolio and is aiming to use 30% recycled content and 25% less virgin plastic by 2025.

SOLUTION: Mars, in partnership with Huhtamaki and SABIC, has begun to introduce circular certifiable food grade polypropylene plastic into its pet food pouches to support a circular economy.

RESULTS: Mars released pilot quantities in Europe in 2020 and will ramp up volumes in 2021, with ambitions to expand the use of recycled food grade plastic to its other brands.

Teija Sarajärvi
Executive Vice President,
Human Resources and Safety

Developing our talent

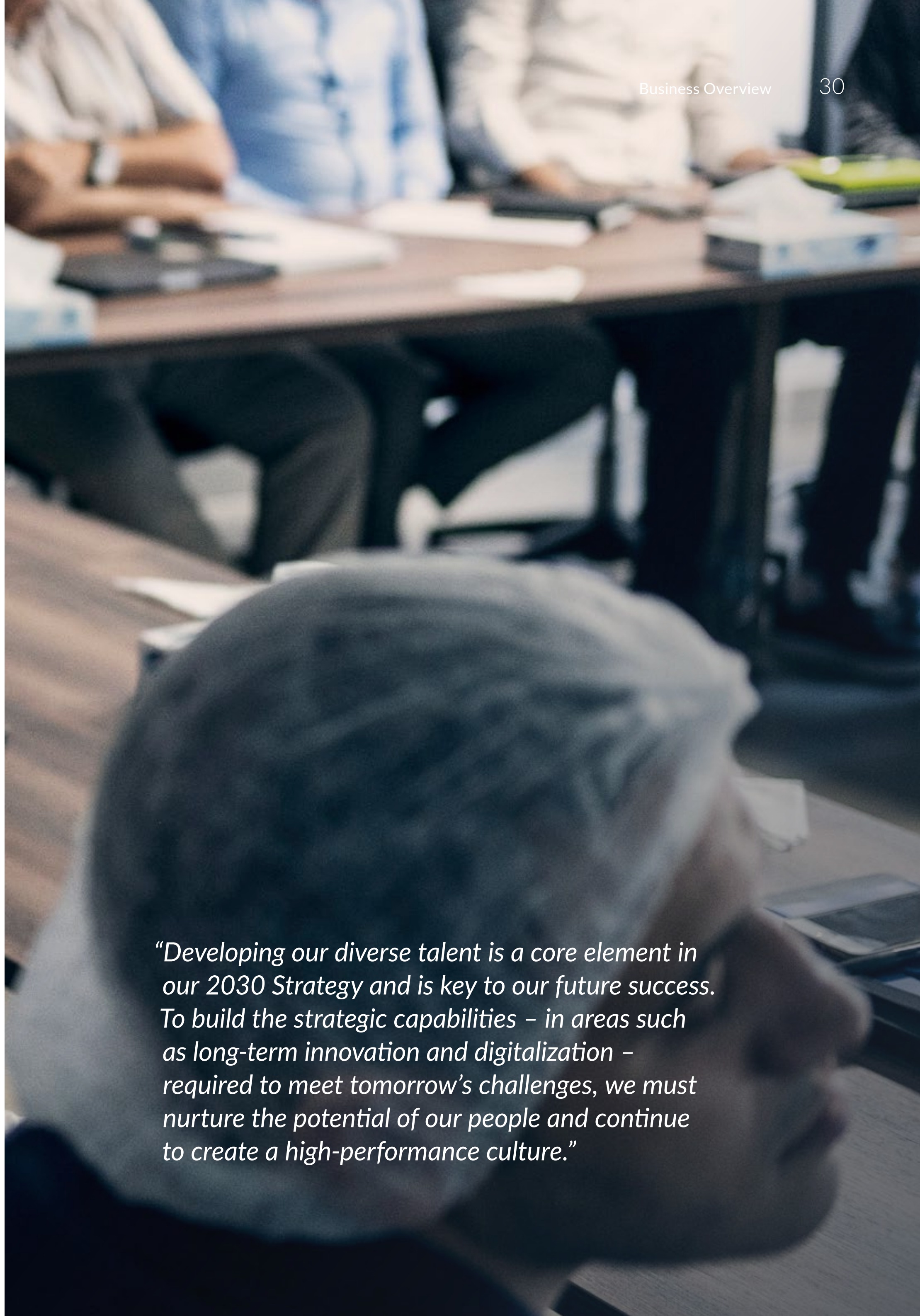
In 2020, Huhtamaki's centennial and renewed 2030 Strategy provided an excellent opportunity to refresh our values. The new values Care Dare Deliver are not only true to our legacy but simultaneously drive a forward-looking mindset. For us, values are not just principles. They shape our decisions and help us make a difference where it matters, together, across businesses and geographies. Aside from unifying us as one Huhtamaki family to make a positive contribution to the world, they also function as the foundation for our high-performance culture and strategy.

Developing our diverse talent is a core element in our 2030 Strategy and is key to our future success. Diversity needs to be evident across our entire organization from global leadership to local operations. So today, with the new appointments announced in 2020, I am glad to be able to say that our Global Executive Team is diverse in terms of experience and background. To build the strategic capabilities – in areas such as long-term innovation and digitalization – required to meet tomorrow’s challenges, we must nurture the potential of our people and continue to create a high-performance culture. In 2020, despite COVID-19, we continued to work hard to develop and provide the most engaging, motivating, and safest workplace in the sector. We provided our people with opportunities to take charge of their own careers by broadening their own skills through various virtual training programs and virtual learning tools.

For talent to thrive, we must provide our people with a safe working environment. This means focusing on improving our OHS performance, building our capabilities and competencies across the organization and shaping a zero-accident culture – continuously, until we can truly become an accident-free workplace. The COVID-19 pandemic has tested our newly refreshed values and has made us even more focused on safeguarding our employees and their health and safety. In response, we quickly built a crisis management process and provided daily guidance for employees on sites as well as those working remotely. Safety – especially in a time of crisis – is of utmost importance, and in the end, even a single accident or injury is one too many.

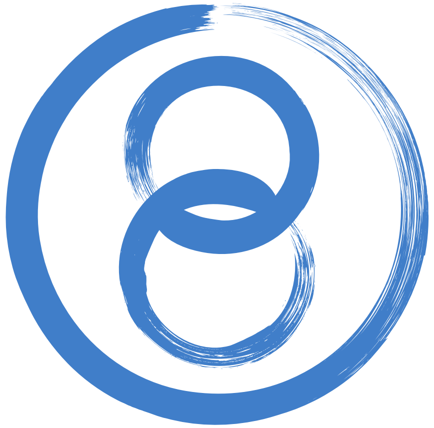
Going forward, to achieve our 2030 ambitions we will continue to build on our strategic priorities and embed our values Care Dare Deliver in the way we work across the entire organization every day and at all times.

Teija Sarajärvi
Executive Vice President, Human Resources and Safety



Our values help us make a difference where it matters

One hundred years ago in Finland, Heikki Huhtamäki established a sweets factory employing 60 people. Since then, his entrepreneurial spirit and values have helped Huhtamaki grow into a company of approximately 18,000 employees, globally.



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

100 Huhtamaki

100 years of heritage

To celebrate Huhtamaki’s 100th anniversary in November 2020, we invited our employees to share their thoughts on the values. Nearly 100 videos were submitted, which tells us that our values are not just principles but they inspire our teams and truly guide our way of working across the enterprise. Watch the video here

Our people

We aim to create a safe, engaging and high-performance culture by encouraging our employees to act according to our values Care Dare Deliver.

During the COVID-19 pandemic we focused on our employees and on safeguarding their health and safety. Already in January, we started managing the crisis and set up a global corona working group, focusing on our operations and on providing guidance to safeguard employees on sites as well as those requested to work remotely. We regularly reviewed the guidance and addressed issues and questions raised across our operations by our employees.

Working remotely was supported by providing essential office tools and equipment at home where possible. We also provided advice and suggestions for behaviors and ways of working to help make remote work more efficient and easier for colleagues. We conducted a check in on the well-being of our employees after a couple of months through a survey focused on understanding how employees felt and how they were coping with working remotely. Overall, the results were very positive, although many colleagues did say they missed casual discussions with colleagues at the office. Encouraged by the experience, we have continued to explore what kind of impacts the work arrangements made during the pandemic have for the future of work at Huhtamaki.

Read more about our response to the COVID-19 crisis on p. 19.

"We aim to create a safe, engaging and high-performance culture by encouraging our employees to act according to our values Care Dare Deliver."

Our functional people processes and solutions support the business in reaching strategic and operational targets. Our data analysis and digital work place tools, launched globally in 2018, help us make informed decisions and enables employees to succeed in their work.

We are guided by our values and our Global Code of Conduct

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.

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 actions are agreed and followed up on based on survey results. 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 on timely manner. Globally Huhtamaki Speak Up, and in the US the Alertline, are channels through which employees can raise concerns on misconduct and governance anonymously.

Employee engagement survey

Our latest employee engagement survey, Connect, was conducted in September 2019 and yielded the highest response rate ever at 88%, up from 80% in the previous survey in 2017. The employee engagement index was at 74%, compared to 69% in the previous survey, while Employee Enablement stayed at the same level at 75%. During the past year, teams have reviewed and discussed the results, looked for ways to cultivate the areas that are clearly appreciated by employees, and found means to improve those which were reported to require more attention. These areas included Collaboration, Training and development, Resources and Performance management. The next survey will be conducted in mid-2021.

We believe in the fair treatment of employees

Most of our employment-related processes are managed digitally and are therefore standardized and transparent to the extent possible. According to the results of a third-party evaluation, for example, the compensation structure at Huhtamaki has been found to treat men and women fairly equally in terms of career advancement and pay. Pay growth and career opportunities are equal among men and women, and promotions do not favor either gender.

We encourage learning and development

We invite our people to define their own career aspirations, share their knowledge in networks and welcome feedback as a constructive opportunity to learn. In addition to classroom trainings, we believe that seizing opportunities, growing with experience and taking on challenging assignments are valuable sources of motivation and exciting ways for self-development.

Huhtamaki ensures equality in pay and career opportunities

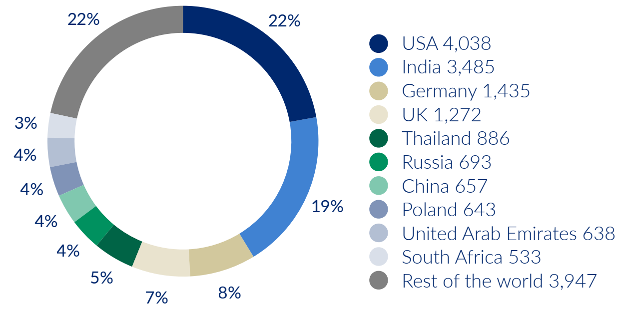
In 2020, our compensation structure and pay drivers were evaluated by an external party. According to the report, men and women are treated fairly equally at Huhtamaki when it comes to career advancement and pay, and Huhtamaki pay drivers are exemplary when compared to other Finland and U.S. based companies.

While the evaluation has not raised any red flags, it has identified a couple of areas for improvement. These involve the alignment between our incentivization programs and our 2030 Strategy, in particular sustainability, and ensuring that compensation is targeted appropriately to support us on our objective to create a high-performing culture. With this in mind, we have developed a Global Group Sustainability Index aligned with our 2030 ambitious sustainability targets which will be rolled out in 2021. Through this Index, we will monitor and incentivize constantly our progress towards our long-term sustainability targets.

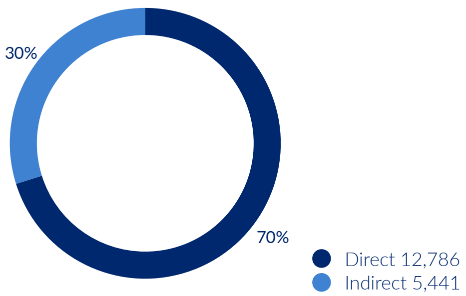
Developing our people with digital tools

In 2020, we provided a LinkedIn Learning license to approximately 200 employees across the globe. This provides them with access to a platform that offers courses taught by industry experts specializing in personal and business skills. The participants are in charge of their own learning and are supported by facilitated learning groups. The average usage during 2020 was approximately 7 hours per learner, which is above average among all LinkedIn Learning users, indicating that our employees are actively developing their skills.

10 largest countries by number of employees



Employees by employee category



We embrace diversity and inclusion

We are building diversity into the ways we work and behave. We believe that cognitive diversity especially, where different views and perspectives are welcomed, fuels innovation. Inviting and accepting everyone for who they are is key to providing emotional safety, which in turn has a direct impact on productivity.

We want everyone to stay healthy and work safely

We are building a safety culture and strive to embed safety in everything we do. Our ambition is to develop our mindset to deliver an organization where nobody gets hurt and everyone goes home safe at the end of the day.

Our refreshed 2020 OHS governance and policy strengthens the focus on key development programs. In 2020, we initiated two major improvement projects, one related to improving safe work practices with machines, and another one on chemical management. Both projects address technical, behavioral and leadership elements.

Going forward, in 2021 we will be introducing new KPIs that not only aim at reducing the number of injuries globally, but also strive to prevent the reoccurrence of an event. In addition to tracking lost time and medical treatment injuries, we will also start following learnings shared from lost time injuries.

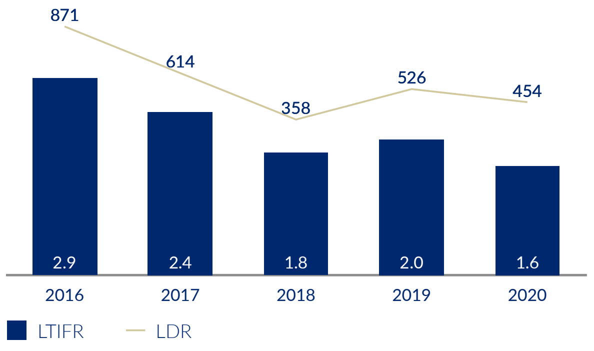
Read more on page 35.

OHS is a top priority at Huhtamaki

"Occupational health and safety is a top priority at Huhtamaki and we want to be a responsible and great place to work. Reflecting this, in 2020 we set a global 2030 OHS ambition and target. In essence, we want to drive our injuries down to zero and to ensure all of us get home safe at the end of the day. To achieve this, we want to cultivate a holistic culture of safety by focusing on behavior – on how we can work together to improve safety. An example of this is the development of the leading metrics we are setting in place across the organization, which we will be rolling out and reporting on in 2021."

Michael Sudds
Head of Global OHS at Huhtamaki

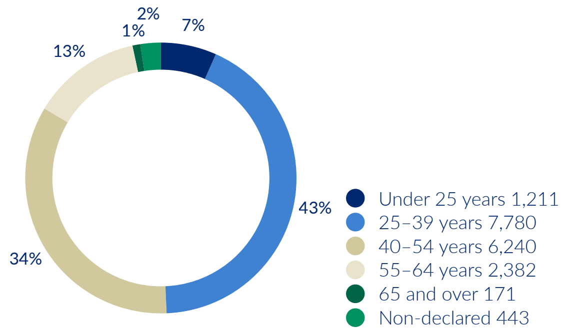
Incident frequency and severity 2016–2020, Group



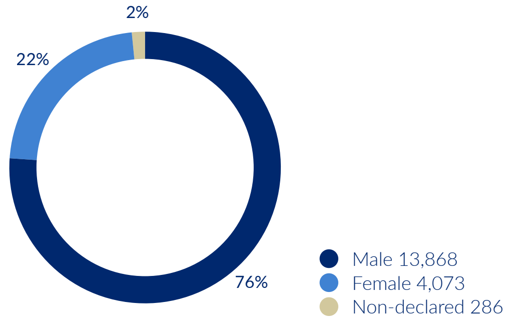
LTIFR = Lost time incident frequency rate per million hours worked.
LDR = Lost day rate, hours lost per million hours worked.

Graph has been updated to include both Huhtamaki employees and external labor.

Employees by age groups



Employees by gender



Case study: Occupational Health and Safety

Flexible Packaging improves safety performance with leading metrics

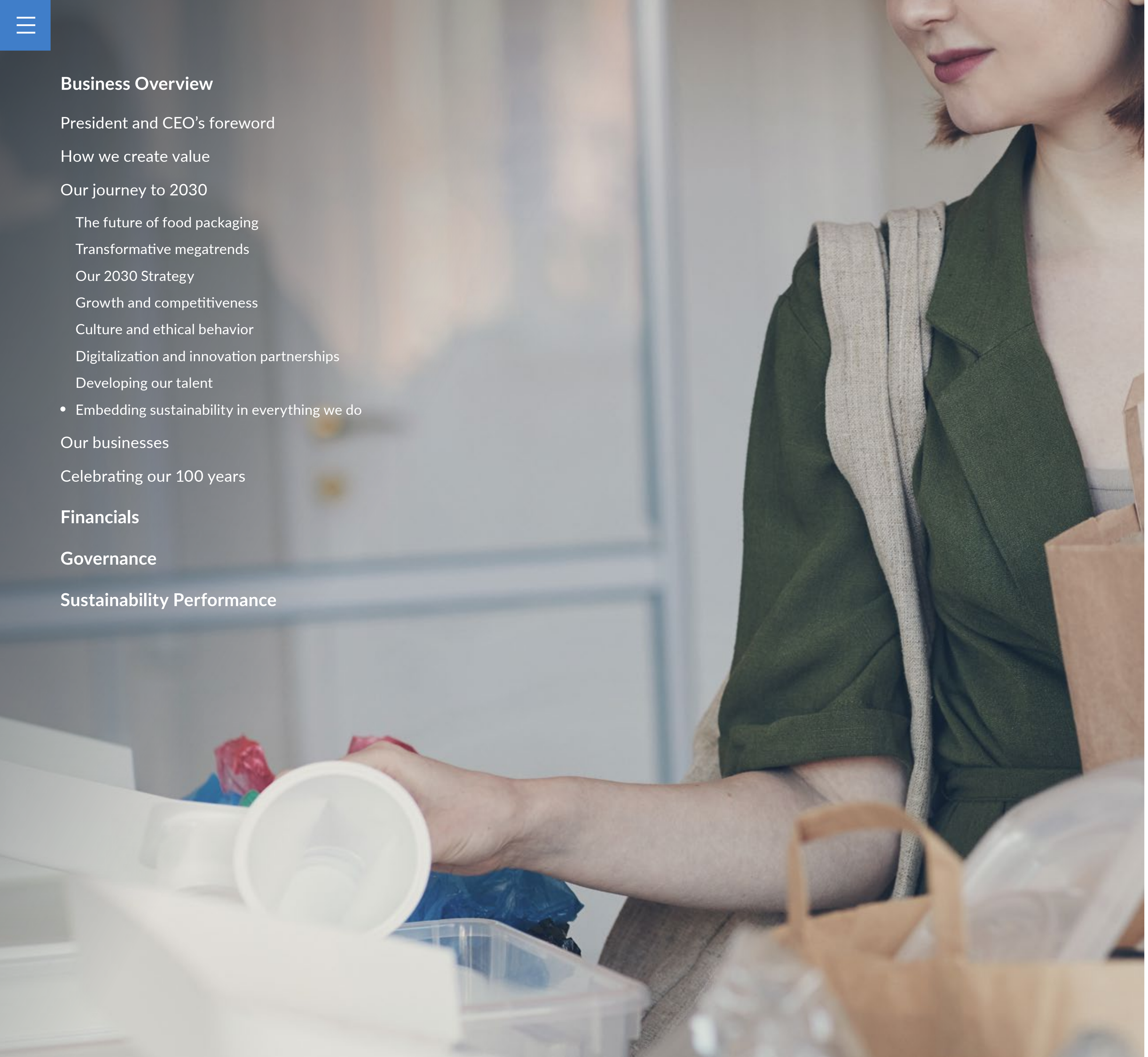
In 2019, when the safety performance at the Flexible Packaging business segment saw an increase in Lost Time Injuries, the segment acted promptly. To drive safety behavior in the desired direction, the segment decided to concentrate on creating new safety metrics. Focus was placed on leading metrics to reduce risk of incidents by improving the safety behavior of employees and increasing the number of preventive activities. Taken together, these activities ultimately led to a lower number of injuries.

During the year, segment management worked with individual manufacturing units and the global Sustainability team to identify and refine new leading safety metrics and integrate these into Huhtamaki's global reporting tool. The new metrics on training, toolbox talks, near misses as well as actions from unsafe acts and unsafe situations have all been implemented. Importantly, the metrics also measure how our employees learn to improve safety at work. Currently, the safety focus in the Flexible Packaging manufacturing units is very good; the number of injuries remain low and many of the metrics on actions management are close to 100 percent met.

CHALLENGE: In 2019, the Flexible Packaging business segment saw an increase in the number of Lost Time Incidents compared to 2018.

SOLUTION: To reverse the trend, the segment set new metrics tracking activities aimed at preventing injuries, with the goal of focusing safety leadership in manufacturing units to the areas of highest impact on OHS performance.

RESULTS: Safety performance in the segment has improved in 2020; the number of injuries is low and many of the new metrics are now close to 100 percent met.



Thomasine Kamerling
Executive Vice President,
Sustainability and Communications

Embedding sustainability in everything we do

Today's food ecosystem faces serious challenges. 25 percent of global greenhouse gas emissions comes from food systems and one-third of food produced is lost or wasted. This is where well-designed packaging can help, by preserving food for longer, preventing food waste and improving food safety.

Packaging has a fundamental role in building sustainable and resilient food systems globally. But just as with all innovations, there are challenges to be dealt with. Each year over eight million tons of plastic packaging enters our oceans and recycling rates across the globe remain pitifully low.

There is the paradox. On the one hand, society wants to see fewer materials used, less packaging waste and less litter. On the other hand, it also wants safer products, less food waste and a longer shelf life. The debate should not be about more or less packaging. It should be about how we make packaging smarter and more sustainable with better end-of-life management; packaging that considers the full environmental, social and governance impacts.

We believe that the value of packaging is more than its impact on the planet and that we can make a difference in the food system value chain in several ways. Our ambition is to be the first choice in sustainable packaging solutions. Sustainability lies at the center of the Huhtamaki strategy. We support the UN Global Compact and the UN Sustainable Development Goals, and in 2020, we launched our 2030 sustainability ambitions. For example, within ten years we will be carbon neutral in our production, using 100 percent renewable electricity across our global operations.

In addition to sustainability, innovation is at the heart of Huhtamaki's 2030 Strategy. We have committed to having 100 percent of our products designed to be recyclable, compostable or reusable by 2030.

In order to achieve our ambitions, we collaborate with key stakeholders – we believe that no organization can address the challenges of sustainability alone. Together, we must build a common understanding of sustainable development that considers the balance between environmental, social and economic factors, and is based on fact-based conversations.

Thomasine Kamerling
Executive Vice President, Sustainability and Communications

How we define sustainability at Huhtamaki

Our sustainability approach covers environmental, social and governance pillars

Environmental • Raw materials used • Production process • Product end-of-life	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 and bio-degradable and minimizing our environmental footprint across the value chain by focusing on designing for circularity and promoting sustainable end-of-use for packaging.
Social • Working conditions • Human rights, fair living wage • Local communities	Our social responsibility focus is on securing good working conditions across all our operations globally, safeguarding human rights across the entire value chain, paying fair compensation and supporting local communities through donations, volunteering and sponsorships.
Governance • Global Code of Conduct • Ethics and compliance • Corporate governance and management policies	Our global good governance initiatives include ethics and compliance encapsulated in our mandatory Huhtamaki Code of Conduct. The code of conduct sets the framework for how we operate across the world and ensures we implement compliance in everything we do.

Driving responsible sourcing through supply chain due diligence

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. To address this, in 2019 Huhtamaki updated its global due diligence processes and digital platform for supplier monitoring and conducted a trial with the updated features in North America. In 2020, the process rolled out across all three businesses with 92.5% of key suppliers now covered by the process, representing at least 80% of our total procurement spend. Our objective is to reach 100% compliance by the end of 2021.

Read more about our supply chain due diligence on page 187 in the Sustainability Performance supplement..

Our mandatory global Code of Conduct

The Huhtamaki Code of Conduct is a core pillar of our global Ethics and Compliance program, which is part of our Governance focus in ESG. The Code works as a compass that enables all employees to navigate and resolve professional and ethical challenges. It helps drive consistency across the entire organization no matter where you are and what you do. It guides the organization in how to adhere to the highest standards of integrity, regulatory compliance and ethical conduct.

Aligning with the UN Global Compact and the UN Sustainable Development Goals

Our sustainability focus is in line with the 10 principles of the UN Global Compact initiative, which covers the areas of human rights, labor, environment and anti-corruption.

The UN Sustainable Development Goals (SDG) set out a holistic approach and areas of focus. We recognize their value ensuring a sustainable, resilient and inclusive future in which no one is left behind. In 2020 we reviewed our contribution to the SDGs and identified the areas within the 17 SDGs most relevant to what we do. This resulted in the alignment with three main goals and two supporting goals as a basis for our 2030 sustainability ambition.

Defining where we have most impact in the Sustainable Development Goals

- By assessing the relevance and importance of the issue to our value chain and our stakeholders
- By identifying our potential to drive positive change and mitigate possible negative impacts together with our stakeholders across the value chain
- By outlining key actions which we can implement directly to make a difference and drive change.

"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

Acting on climate change by defining our Science Based Targets

We have set ourselves high sustainability ambitions for 2030, with carbon neutral production as one of the key goals. In line with this, in 2020, **we committed to set emission reduction targets aligned with the Science Based Targets initiative** (SBT). Our assessment is that the SBTi provides the best way to develop our emission reduction targets in line with climate science. We plan to submit our targets for emission scopes 1, 2 and 3 in spring 2021 in order to have them validated and published by the end of 2021.

Our three main Sustainable Development Goals

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

We continue to make safety and how we engage with our people to reach their full potential a top priority. We believe that providing a healthy and safe working environment, respecting human rights and maintaining a fair, diverse and inclusive workplace are instrumental in advancing sustainability throughout our value chain.

Read more about our approach to our people and safety on page 32 and in the Sustainability Performance supplement on page 179.

SDG 12: Ensure sustainable consumption and production patterns

We support sustainable use of natural resources by:

- Developing safe resource-efficient products that enable wellbeing and convenience
- Designing these products to be recyclable, compostable or reusable
- Developing our processes to ensure responsible use of water and other natural resources.

SDG 13: Take urgent action to combat climate change and its impacts

We are committed to set science-based carbon emission targets by 2022 and actively encourage our suppliers, distributors and customers to also sign-up and set their targets accordingly. We believe that packaging that protects the product, reduces waste and enables efficient recycling will make a great contribution towards a sustainable future. It also will help to transition to a climate neutral society. Our ambition is to achieve carbon neutral production by 2030.

As part of our due diligence processes we also identify and evaluate climate change risks to the business and take appropriate mitigating and adaptive action.

Our two supporting Sustainable Development Goals

SDG 6: Ensure availability and sustainable management of water and sanitation for all

We focus on managing and mitigating our impacts on water resources in our water management plans. We safeguard water ecosystems especially in the water stress areas.

SDG 15: Protect sustainable use of terrestrial ecosystems and sustainably manage forests

We use certified fiber to promote biodiversity and best practices in sustainable forest management.

Read more about our approach in the Sustainability Performance supplement on page 169.

Our sustainability ambition at a glance

We see sustainability as a key differentiator. Our work in the Packaging for Good program, launched in 2018, has been the founding block for our 2030 sustainability ambition. Going forward, delivering on our 2030 sustainability ambition will set the pace and framework for how we embed sustainability across our organization.

Our 2030 sustainability ambition and related goals

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 emission target

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

WE SUPPORT UN GLOBAL COMPACT

Read more about how we deliver on our ambition in the Sustainability Performance supplement, page 169.

Sustainability dashboard

To help us stay true to our ambitions, we have developed a global sustainability dashboard with key performance indicators. This global dashboard is used regularly to communicate our performance against our commitments to external stakeholders. We are also planning on developing individual site dashboards providing us insights into possible roadblocks to delivering on our 2030 ambition at an operational level.

Renewable or recycled materials
% of total materials

Performance in 2019: 67.6

Renewable electricity
% of total electricity consumed

Performance in 2019: 1.5

Non-hazardous waste recycled or composted
% of total non-hazardous waste

Performance in 2019: 73.8

Health and safety

Lost time incident frequency rate (LTIFR)

1.6

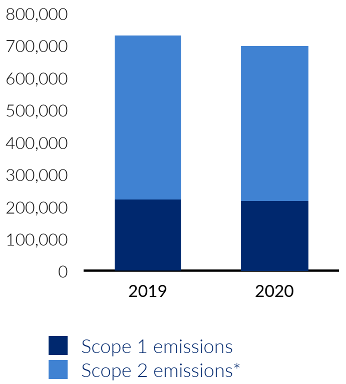
2019: 2.0

Lost day rate (LDR)

454

2019: 526

Greenhouse gas emissions
t CO_2e



*Scope 2 emissions are calculated using location-based calculation method. Market-based calculation method to be taken into use in 2021.

Waste to landfill
% of total waste

Performance in 2019: 19.0

Water management plans
available in number of sites

Performance in 2019: 2

Certified or recycled fiber
% of fiber-based raw materials

Calculation of the KPI was set up in 2020

— Figures in light blue indicate Huhtamaki Group's 2030 ambitions.

We continue to develop our sustainability reporting. Read more about our efforts in the Sustainability Performance supplement, page 173.

Innovation is key for unlocking sustainability

The global food packaging industry is setting ambitious targets to make its operations more sustainable, working on designing for circularity across systems and products. Lasting solutions need cooperation between different contributors. No single organization holds all the answers

We believe that the key for unlocking sustainability is innovation, and in order to innovate, we need partners across the value chain. We want to be an enabler and a catalyst for change, which is why we work together with many different stakeholders in order to be able to deliver on our ambitious sustainability agenda. Innovative packaging solutions are necessary to transform the sector and help solve global challenges.

We partner with stakeholders to address sustainability challenges through innovation and also with a view to creating a common understanding and alignment in terms of what is needed to address these. In 2020, we played a key role in facilitating fact-based discussions between the packaging industry and regulators to help move the sustainability agenda forward and create a favorable environment for innovation. It is this shared understanding underpinned by fact-based conversations that will drive evidence-led decision-making and avoid unintended and damaging consequences.

ⓘ | *Read more about our innovation on pages 26, 53 and 62.*

External recognition for our sustainability work

Our journey towards our 2030 ambitions has been recognized externally, with Huhtamaki improving its score in 3 key ESG indices: MSCI, EcoVadis and the SAM Corporate Sustainability Assessment for the Dow Jones Sustainability Index.

ⓘ | *Read more at huhtamaki.com*

MSCI ESG RATINGS A

CCC	B	BB	BBB	A	AA	AAA

In 2020, Huhtamaki received a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. Our rating was upgraded from "BBB", where it has been for the last 4 years. 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.

SILVER 2020 ecovadis Sustainability Rating

Huhtamaki was awarded the Silver medal by EcoVadis for performance in sustainability in 2020. 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.

SAM Corporate Sustainability Assessment (CSA) for the Dow Jones Sustainability Index (DJSI)

Although Huhtamaki is not a member of the DJSI family yet, we have improved our total score in the SAM CSA for the third consecutive year. The DJSI is one of the most respected independent sustainability ranking systems that measures the performance of companies with ESG criteria using a best-in-class approach.

Case study: Sustainability

Shifting to renewable energy sources to reach carbon neutral production

In North America, the objective is to transition a significant amount of Huhtamaki's total electricity consumption to a renewable source by exploring a Virtual Power Purchase Agreement (VPPA). By engaging in a VPPA, Huhtamaki contributes to more renewable energy capacity being built, and reduces its carbon footprint. The next steps involve evaluating the best renewable electricity developer to build renewable capacity of around 165,000 MWh.

In addition to this, there are several smaller projects on-going across geographies. 2020 saw solar panels being installed on several factories in South Africa and India. Future plans include similar installations being set-up in a number of factories, for example in China where construction is expected to start in early 2021.

While a great first step towards the ambitious goal of using 100% renewable energy by 2030, such installations on their own are not sufficient to reach the target. Therefore, Huhtamaki has launched an initiative to build site-specific carbon reduction roadmaps. The kick-off will involve two sites in early 2021, with plans to then roll out across all major sites.

CHALLENGE: Huhtamaki has an ambitious sustainability target to use 100% renewable electricity and achieve carbon neutral production by 2030. Some key projects have been initiated as a first step of its transformation journey.

SOLUTION: Huhtamaki's current share of renewable electricity is at around 4.6 percent. In 2020, the transformation journey to achieve our renewable energy targets was kicked off with a large-scale project in North America and smaller, site-specific roadmaps across all regions.

RESULTS: Huhtamaki is targeting to contract renewable energy capacity of around 165,000 MWh in North America. In addition, several sites with ongoing and completed plans for solar installations and other carbon reduction schemes are contributing to our renewable energy target.

Case study: Sustainability

Designing for circularity and partnering for change in waste management

For Huhtamaki, tackling the waste challenge involves addressing both production waste and the end-of-life of the product. We address this complex issue through cooperation with stakeholders across the entire value chain and by designing for circularity, minimizing waste in our own production and finding solutions to develop waste management infrastructure.

Our new sustainability agenda addresses waste as one of the key topics. By 2030, we aim to use at least 80 percent renewable or recycled materials in our products, recycle or compost over 90 percent of non-hazardous waste, and send 0 percent of production waste to landfill.

Some of the pilot projects related to waste management that we have partnered on include:

Huhtamaki has partnered with **WasteAid,** a UK-based waste management charity, to drive community-level circular economy innovation in Vietnam, India and South Africa. Aside from providing education and training on waste management and circular systems, the project will enable WasteAid to work with key stakeholders to fast-track and amplify local solutions that create value and reduce waste and pollution in line with the UN Sustainable Development Goals. WasteAid brings its expertise in sustainable waste management to share skills, drive innovation, develop business ideas and create end-markets for recyclable materials.


Photo: Abdullah Al Mahfuts

Huhtamaki has also funded a project that aims to stop the flow of plastic into the Indian Ocean from the Mithi River in Mumbai. The **Mithi River Project** is a global partnership between the United Nations Technology Innovation Labs (UNTIL), VTT Technical Research Centre of Finland, RiverRecycle and Earth5R. The project uses emerging technologies to collect plastic waste and seeks ways to valorize it by turning it into valuable fuels, chemicals, bio energy and fertilizers.

To address challenges with the existing recycling infrastructure, Huhtamaki has 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. Huhtamaki and two other corporate partners provided the early-stage company's young innovators with technical expertise and commercial insight. The Recyda app makes it possible to see how changes made in the packaging structure affect the recyclability of packaging. For more information see www.recyda.com.

CHALLENGE: Waste management is a big problem in society. For Huhtamaki, this involves two types of waste: our production waste and product end-of-life.

SOLUTION: Waste is addressed as part of Huhtamaki's sustainability ambitions for 2030. By 2030, our aim is to use at least 80% renewable or recycled materials in our products, that over 90% over non-hazardous waste should be recycled or composted and 0% of waste should be sent to landfill.

RESULT: By designing for circularity and cooperating with stakeholders in different parts of the value chain, Huhtamaki is tackling waste in many ways in order to deliver on its ambitions.

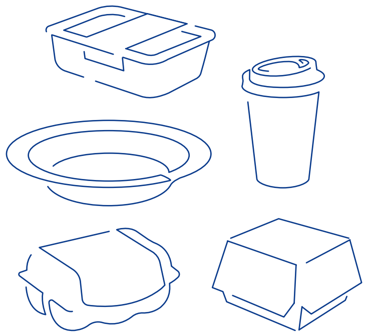
Our businesses

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 convenience, food safety, food availability and food waste reduction.

Huhtamaki operates across three businesses

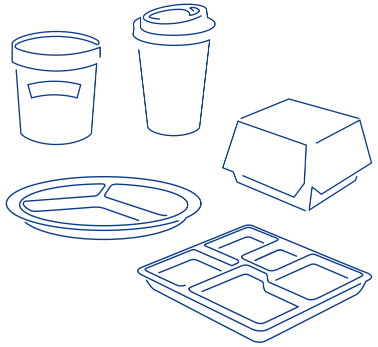
We have organized our business into Fiber Foodservice Europe-Asia-Oceania, North America, and Flexible Packaging. With our global network of manufacturing and sales units, we are well placed to support our customers' growth wherever they operate.

Fiber Foodservice Europe-Asia-Oceania



We offer high-quality paperboard and molded fiber packaging for fresh food and drinks 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

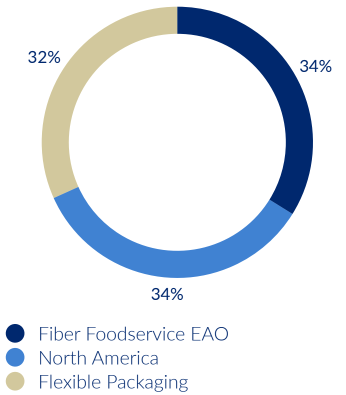


We offer a wide range of packaging for foodservice operators and branded consumer products e.g. ice cream packaging, catering disposables, food-to-go packaging. We are also the proud makers of Chinet®, one of the most recognized premium retail disposable tableware brand. We have production in the United States and Mexico.

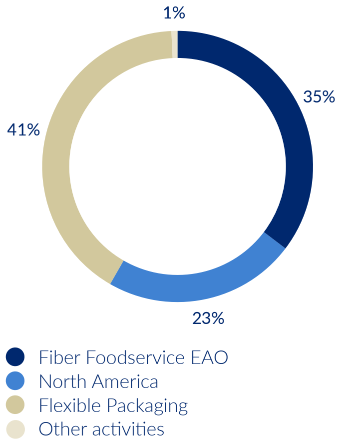
Flexible Packaging

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 drink, coffee packaging, pet food packaging, barrier packaging, retort pouches and packaging for pharmaceutical products. We serve global and local brands across Europe, Asia, Oceania, and South America.

Net sales
EUR million



Employees



Fiber Foodservice Europe-Asia-Oceania

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.

Our market position is strong, and we are the #1 globally operating fiber foodservice company in the world. We have production in Europe, South Africa, Middle East, Asia and Oceania.

In March 2020, we announced the integration of Foodservice EAO and Fiber Packaging as of June 1, 2020. This integration allows the company to capture growth opportunities more efficiently by improving customers' access to both molded fiber and paperboard forming technologies.

34 manufacturing units in 28 countries

Net sales

€ 1,121

Adjusted EBIT margin

8.7%

Employees

6,440

Fiber Foodservice EAO

Business and strategy

Global key accounts in QSR, Coffee and FMCG

- Strong business with room to grow the product portfolio and expand geographically
- Well positioned to expand in emerging markets
- Plastic substitution
- Unique platform in paperboard conversion and molded fiber, to develop complex sustainable solutions
- Our molded fiber technology and application development capabilities position us well to capture the opportunity in plastic substitution
- Global reach and scale allows to industrialize new solutions fast

Egg and fruit protective packaging

- Steady underlying growth and plastic substitution in some geographies
- Room to expand geographically, within product categories and to take share from plastic
- Base to develop circular models together with Foodservice

Agile models

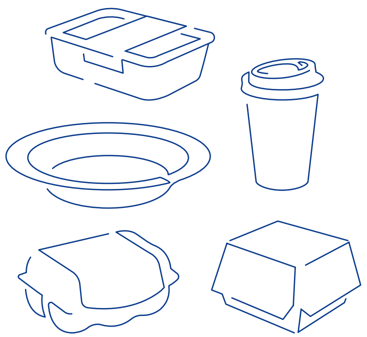
- Agile model serving small accounts, combining short-run, long-run, sourcing and distribution capabilities
- Base to build a strong food delivery packaging business

Our products

High-quality molded fiber and paperboard packaging for fresh food and drinks

Examples of products:

- Paper cups for hot and cold drinks
- Paper and molded fiber plates
- Folded carton packaging
- Plastic cold drink cups and containers
- Molded fiber products, e.g. egg packaging, bottle dividers, cup carriers and fruit packaging



Our customers

Quick service and fast casual restaurants, coffee shops and vending operators as well as egg, fruit and vegetable producers

Examples of customers:

McDonald's, Burger King, KFC, Bunzl, Unilever, Costa, Starbucks, Kwetters, NNZ

Sustainability focus

- Huhtamaki offers high-quality, sustainable paper straws. The paper straws are made of fiber coming from sustainably managed forests and 100% of the paper used in the straws and in their wrapping is PEFC™ certified.
- Protective high-quality face shields by Huhtamaki, provides protection from liquid splashes and spray, suitable for healthcare professionals and people in close contact occupations such as retail, foodservice, personal care and manufacturing.
- Huhtamaki Future Smart™ paper cup is the first 100% renewable paper cup made from plants and contain no carbon content older than 100 years as verified by the 14C carbon dating method.
- Plastic substitution: Our molded fiber technology and application development capabilities position us well to capture new opportunities within the plastic substitution.

Focusing on Fiber to drive growth for the future

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 we 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, while our global reach and scale allows us to industrialize new and sustainable solutions quickly. We have focused on expanding our egg and fruit packaging geographically which has also seen an increase as a result of the COVID-19 pandemic. Also, as seen during the COVID-19 pandemic, food delivery is a growth area for us.

Leveraging our agility in 2020

In 2020, we started selling face shields and face masks. The production of face shields out of our Belfast operations (see case study on page 20), began as an idea to repurpose our idle machinery to manufacture personal protective equipment for use during the crisis. The Huhta Mask, meanwhile, is suitable for everyday use and helps reduce the spread of droplets into the environment. While sustainable food packaging remains our core business, we are committed to protecting food, people and the planet and enabling society to recover from the effects of the outbreak. True to our entrepreneurial spirit at Huhtamaki, we wanted to do our part and support a responsible return to a new normal.

Following our 2030 Strategy, we decided to merge our Foodservice Europe-Asia-Oceania and Fiber Packaging business segments into Fiber Foodservice EAO, as of June 1, 2020. By merging these segments, we can improve our customers' access to combined molded fiber and paperboard conversion technologies, leverage synergies and develop integrated solutions for plastic substitution and food delivery.

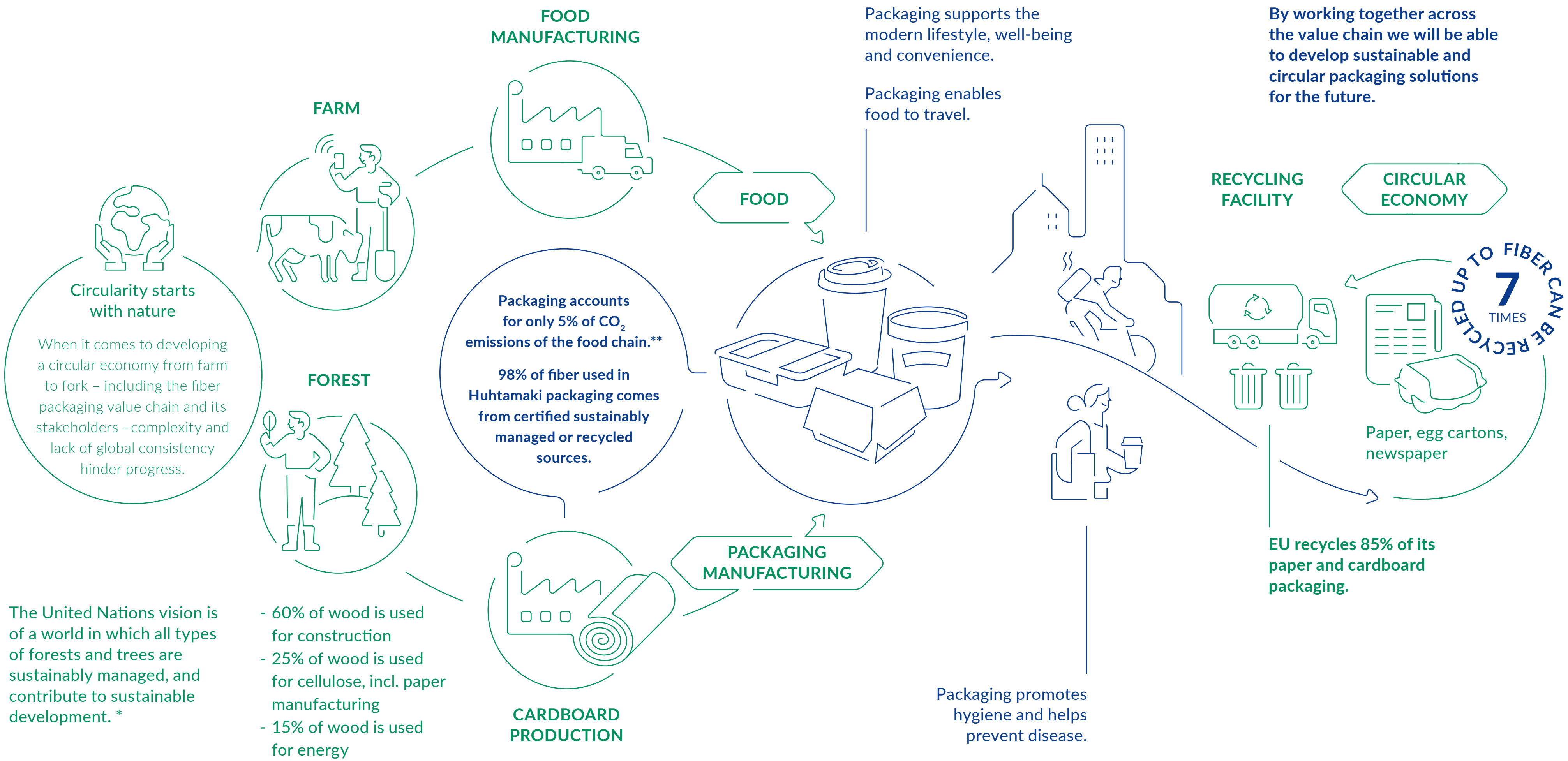
Eric Le Ley
President, Foodservice Europe-Asia-Oceania and Fiber Packaging

COVID-19 impact

The outbreak of COVID-19 had a significant negative impact on the demand for foodservice packaging as lockdowns and restrictions on movement reduced the need for our customers' products and services and also impacted our operations globally. In effect, quick-service restaurants operated with limited seating and opening hours or were altogether closed for a period of time across countries. While the demand for foodservice products started to gradually recover during the summer as restrictions were lifted, overall it remained low during the year. In contrast, demand for fiber packaging increased in 2020, driven by lifestyle changes during the pandemic. The demand grew for egg packaging, but also for cup carriers owing to an increase in take-away consumption.

Fiber packaging and circular economy

Sustainable fiber packaging delivers safety, reduced 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.



The United Nations vision is of a world in which all types of forests and trees are sustainably managed, and contribute to sustainable development. *

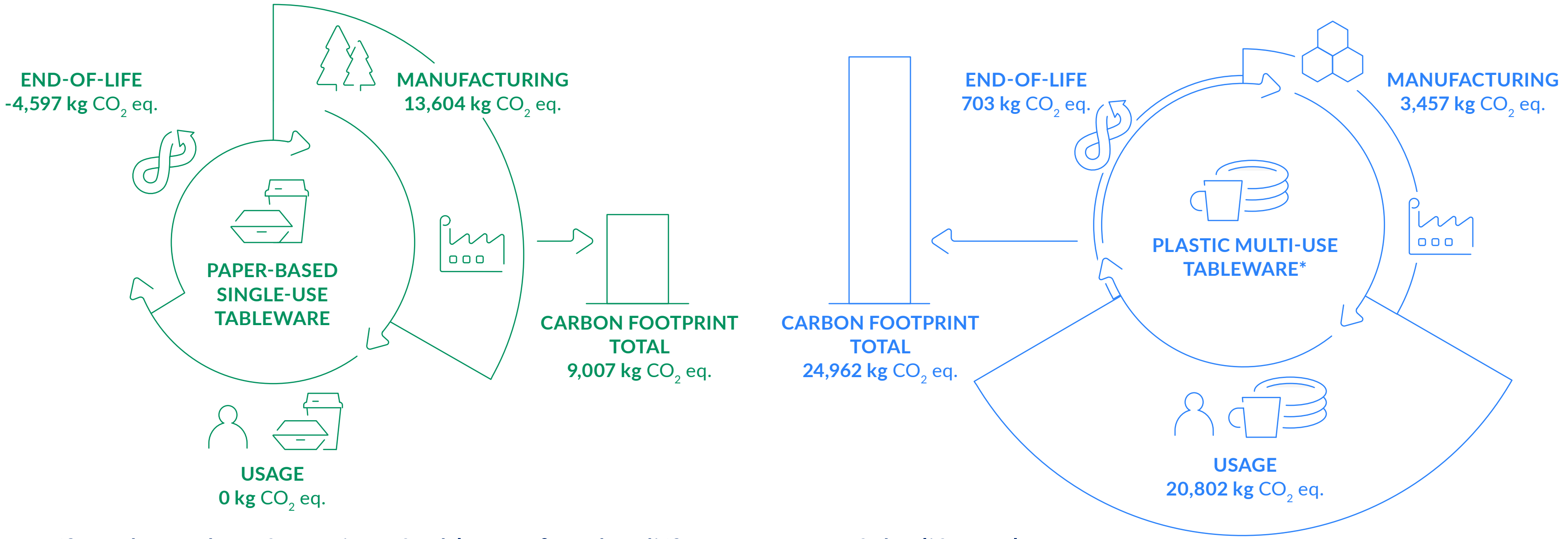
- 60% of wood is used for construction
- 25% of wood is used for cellulose, incl. paper manufacturing
- 15% of wood is used for energy

*UN Forest Forum

**Poore and Nemecek https://ourworldindata.org/food-ghg-emissions

Comparing carbon footprints of single and multi-use systems

Paper-based single-use tableware systems have over 2.5 times lower carbon footprint than multi-use tableware systems.[1]



Factors that affect the carbon footprint of tableware[2] at the different stages of the life-cycle

MANUFACTURING
Manufacturing of raw materials and packaging, distribution of food and beverage tableware

Includes e.g.:
- Production of paper or plastic resin
- Transport

USAGE
Usage includes operations and use of multi-use tableware at Quick Service Restaurants (QSR) (e.g. in-house dishwashing and drying)

The electricity demand of the washing process is the single main contributor to climate change impact in the multi-use scenario, accounting for 83% of the total impact.

END-OF-LIFE
End-of-life treatment of multi-use and single-use tableware

Includes e.g.:
- Incineration of tableware with energy recovery
- Recycling of tableware materials
- Landfilling

The size of the pie segments in the chart are for illustrative purposes only. The data is assumed as EU-27 and UK average grid mix.
[1] Source: Comparative Life-cycle Assessment (LCA), single-use and multiple-use dishes systems for in-store consumption in Quick Service Restaurants, Ramboll 2020. Third-party accreditation by TÜV. The study is available at www.eppa-eu.org
[2] The functional unit was the in-store consumption of foodstuff and beverages with single-use or multi-use dishes (including cups, lids, plates, containers and cutlery) in an average QSR for 365 days in Europe in consideration of established facilities and hygiene standards as well as QSR-specific characteristics (e.g. peak times, throughput of served dishes). *Baseline scenario - Polypropylene tableware

Case study: Fiber Foodservice EAO

Partnering to develop sustainable packaging alternatives for one of the world's largest quick service restaurant companies

The lid for cold beverages and sundae cups that Huhtamaki has developed in close association with McDonald's are made from natural, renewable wood fibers from PEFC™ and FSC® certified sustainably managed forests. Both innovations come without a plastic lining and are easily recyclable and biodegradable, making them sustainable alternatives to existing polystyrene lids and PET plastic packaging.

At first glance, these molded fiber lids may look simple, but they are actually some of the most demanding fiber products to make and get right. For example, the fiber lid for cold cups has been designed to ensure excellent fit and functionality to prevent spillage. The sundae cup and lid, meanwhile, have an insulating effect—which keeps the ice cream it contains from melting—while also being pleasant to the touch.

"These fiber products came about as a result of a partnership between McDonald's and Huhtamaki. Together we explored various approaches to developing viable sustainable solutions. This partnership showcased Huhtamaki's knowledge of materials and highlighted our expertise in setting up high-volume manufacturing operations and our network of manufacturing partners," says Neal Mccone, Category Director, Quick Service Restaurants and Specialty Coffee, Fiber and Foodservice Packaging at Huhtamaki.

"These fiber products came about as a result of a partnership between McDonald's and Huhtamaki. Together we explored various approaches to developing viable sustainable solutions."

CHALLENGE: As part of its sustainability agenda, McDonald's wants to switch to more sustainable packaging for its sundaes and cold fountain drinks while still delivering a great experience for its customers.

SOLUTION: Huhtamaki partnered with McDonald's to develop a lid for cold beverages to substitute polystyrene covers, and a sundae cup and lid to replace existing PET plastic packaging. Both are made from natural, renewable wood fibers as alternatives.

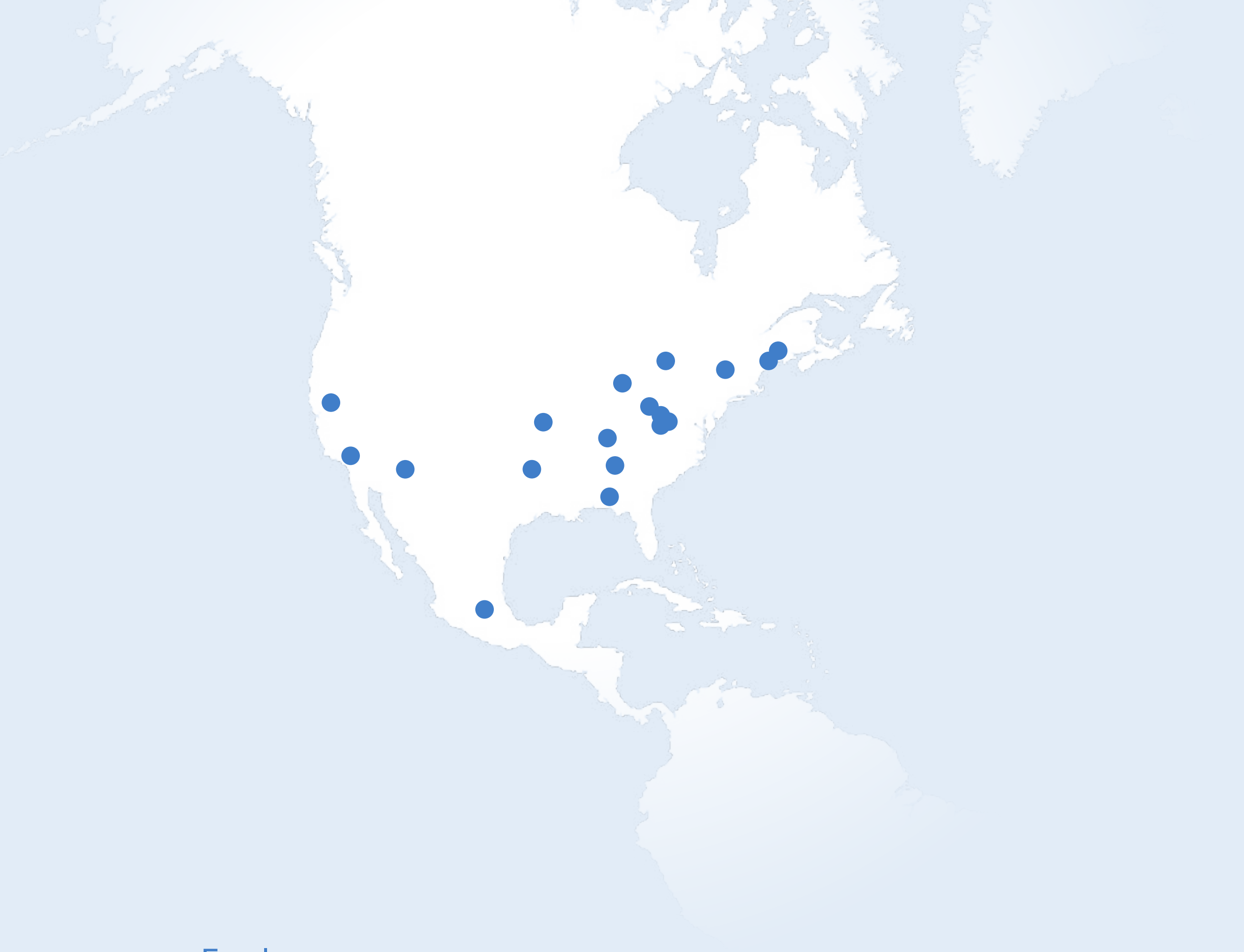
RESULTS: McDonald's has introduced the cold cup lid in France and is preparing to formally launch the sundae cup and lid across Europe in early 2021.

North America

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

We have production in the United States and Mexico.

18 manufacturing units in 2 countries



Net sales

€ 1,139

Adjusted EBIT margin

12.0%

Employees

4,185

North America

Business and strategy

Retail, Foodservice, Consumer goods

- Convenience lifestyle driving growth for our core products
- Room to expand in growing categories – folded carton, molded fiber, private label pressed plates

Unique capabilities position us well to capture growth

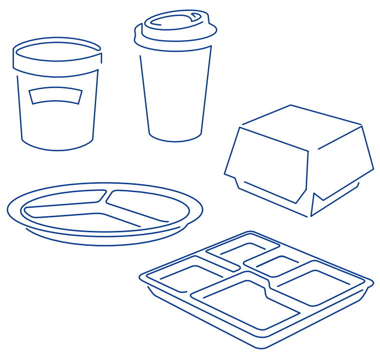
- Brand building and retail expertise
- Ice cream systems and capabilities
- Paperboard technology and ability to do complex promotion management
- Molded fiber technology and scale
- Strong track record in sustainability
- National network allowing us to offer right products in the right markets to the right customers

Our products

Wide range of packaging for foodservice operators and branded consumer products e.g. ice cream packaging, catering disposables, food to go packaging

Examples of products:

- Food containers, boxes, trays and bowls
- Packaging for ice cream, yogurt and other dairy products
- Plates, bowls, cups under the Chinet® brand



Our customers

Foodservice operators and distributors, consumer goods companies and retailers

Examples of customers:

Taco Bell, Walmart, Wendy's, Sam's Club, Unilever, Nestlé, Popeye's, Costco

Sustainability focus

- Reduction in packaging waste for transport of materials from one facility to another: Utilized reusable packaging in some or all transport for materials shipped between one facility and another. For some units packaging waste was reduced to zero in some years and very low in others.
- Effluent volume management: Variety of projects implemented in several facilities to reduce wastewater, good results in several locations.

Unique set of capabilities to capture growth opportunities in North America

The North America segment serves local markets in North America with retail tableware, foodservice and consumer goods packaging. In foodservice, food delivery and takeaway are growth drivers and we see that the convenience lifestyle is boosting demand for our core products. 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 extremely important for our 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 brand building and strong retail expertise, combined with our know-how in packaging technologies as well as a strong track record in sustainability, make us considerably well positioned in the industry for future growth. Our national network of manufacturing units allows us to offer the right products to the right customers in the right markets.

Clay Dunn
President, North America

COVID-19 impact

Our diversified product portfolio and strong market position made us fairly resilient throughout the COVID-19 crisis. As elsewhere, the outbreak had a negative impact on demand for foodservice products, following closures of quick-service restaurants and restrictions in movement across the US. On the other hand, demand for food delivery increased as people were forced to stay at home. Also, demand for retail tableware was strong throughout the year, partially supported by COVID-19-driven consumption spike. Demand for ice cream in-home packaging increased, likewise supported by changes in consumption habits during the pandemic.

A change in leadership

After 15 years of outstanding leadership as President of our North America business segment, Clay Dunn retired at the end of 2020. Since 2005, Clay has successfully guided our business to achieve unprecedented growth. During this time, the segment's product portfolio expanded to include drink cups, pressed paper plates and folded carton products, allowing the company to serve a significantly larger and growing market. Clay also successfully led the two largest green field investment projects in the Group's history, namely the building of our state-of-the-art manufacturing units in Batavia, Ohio, and Goodyear, Arizona.

Ann O'Hara joined Huhtamaki in November 2020 and following a handover process with Clay, became the new President of our North America segment as of 1st January 2021. She joined the company after a series of significant general management roles at major multinational companies.

Case study: North America

Supporting local communities in North America

As part of our sustainability commitment, we also focus on being socially responsible, which includes supporting the communities where we have operations. Our North America business strives to ensure this with gifts of time through volunteer activities, financial support and material donations. Obstacles brought on by the pandemic arose in 2020, creating an even greater need to help residents in surrounding areas and our employees took action.

Providing school children with lunches in Fulton, New York

As schools closed in the Fulton area, many children were at risk of being left without a lunchtime meal they had come to rely on. School districts in the area immediately responded by moving their operation from serving in-house meals to providing food to-go for their students. Our employees in Fulton quickly produced thousands of containers that made serving those meals much easier.

This is in addition to a campaign where the company and employees raised USD 5,000 to support frontline healthcare workers. Later in 2020, the Centerstate Corporation for Economic Opportunity named the Fulton facility a COVID-19 Resilient Response Honoree for all their efforts through a difficult year.

Creating a community food pantry in Marion, Indiana

Employees at our Marion facility frequently volunteer and provide tremendous support to the St. Martin Community Center. The center works to provide meals and a food pantry to help meet the basic needs of community members struggling to support their families.

As precautions to help stop the spread of COVID-19 prevented the center from serving meals indoors, the task of offering meals became more difficult especially on days where weather prevented outdoor service.

All it took was a phone call to their neighbors at our Marion facility and a temporary outdoor service area was set up in less than a day, offering a place where meals could be distributed in rain or sunshine.

Marion employees volunteer twice per week and further support the center both financially and through material donations.

CHALLENGE: The COVID-19 pandemic presented obstacles for local charitable organizations in North America, making it more difficult for them to serve their clients.

SOLUTION: Our commitment to sustainability includes supporting the communities where we have operations. Our facilities met the challenge in this difficult situation with donations of time and materials.

RESULTS: Huhtamaki's social responsibility efforts supports good collaboration with surrounding communities. During the pandemic our donations has made it easier to safely serve food to those in need.

Flexible Packaging

Our flexible packaging ensures that the products are packaged well enough to preserve the products' state, extend its shelf life and induce consumers to purchase. We produce state-of-the-art packaging for all different kind of products while meeting quality standards. We offer light and innovative flexible packaging materials, pouches and labels for food and drink, coffee packaging, pet food packaging, barrier packaging, retort pouches and packaging for pharmaceutical products.

We serve global and local brands across Europe, Asia, Oceania, and South America.

29 manufacturing units in 16 countries

Net sales
€ 1,051

Adjusted EBIT margin
7.7%

Employees
7,468

Flexible Packaging

Business and strategy

Strong demand for flexible packaging

- Strong underlying demand for FMCG products, driven by emerging markets
- Flexible packaging remains as the superior solution for modern retail supply chain
- Footprint in fast growing emerging markets with further room to expand
- Accelerating innovation in line with our customer needs positions us for growth above market

Competitiveness, agility and sustainability

- Improving operations to be the best-in-class will drive rise in profitability
- Increasing agility, while maintaining quality and reliability
- Actions in circularity, advocacy and innovation for sustainability will enhance our industry leadership

Our products:

Light and innovative flexible packaging materials, pouches and labels for food and drink, coffee packaging, pet food packaging, barrier packaging, retort pouches and packaging for pharmaceutical products

Examples of products:

- Packaging for soups and sauces, biscuits and snacks, confectionery, ready meals, coffee, dry and wet pet food
- Tube laminates for beauty care and oral care

Our customers

Fast moving consumer goods companies

Examples of customers:

Unilever, Nestlé, Procter & Gamble, Mondelēz International, Mars, Albéa, The Coca-Cola Company

Sustainability focus

- Huhtamaki blueloop, a flexible packaging designed for recycling. Blueloop solutions are mono-material structures made from PP, PE and paper, building on the standard materials that are widely recycled and will have an economically viable use after collection. Available for several end applications ranging from candy and chocolates to dry foods and personal care products.

Flexible Packaging reflects the shift in consumer trends

We are the leading flexible packaging company in emerging markets with 29 manufacturing units in 16 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 changing customer needs in an agile manner. 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.

Lightweight flexible packaging is resource efficient. It protects food and extends shelf life, preventing food waste and reducing greenhouse gas 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 8 percent of global GHG emissions are caused by food loss and waste. Lightweight flexible packaging helps to prevent food-borne illnesses and food waste.

Circularity in flexible packaging

Packaging is shifting to a circular model where materials are collected, recycled and reused. One path to circularity at Huhtamaki 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. Several blueloop innovations were launched in 2020, read more on page 26.

Another area of innovation towards circularity is Huhtamaki´s strategic partnership with Mars and SABIC. Mars, in collaboration with Huhtamaki and SABIC has begun to introduce circular certifiable food grade polypropylene plastic into its pet food pouches. This new flexible packaging structure with recycled food-grade plastic is an important milestone on Huhtamaki´s journey towards achieving more than 80 percent of raw materials we use to be either renewable or recycled. Read more about the partnership on page 27.

Arup Basu
President, Flexible Packaging

COVID-19 impact

Demand for food on-the-shelf flexible packaging remained resilient to the effects of COVID-19. In 2020, demand has generally been good across most of our markets. Restrictions and lockdowns, however, have moderated demand in some areas and parts of the markets. The emerging markets have been impacted by the economic slowdown, resulting in lower demand for flexible packaging.

A change in leadership

After 30 years in various positions in Huhtamaki, Olli Koponen, previously President, Flexible Packaging, retired in 2020. He left behind him an impressive legacy at Huhtamaki. Arup Basu was appointed President, Flexible Packaging, as of February 2020.

Arup Basu served as Managing Director of Huhtamaki's Flexible Packaging business in India since 2017 and continued to head the Indian business until the nomination of Sudip Mall, who joined Huhtamaki as Managing Director of Huhtamaki India effective January 4, 2021. Sudip Mall is a seasoned business leader with a track record of growing and building businesses in emerging Asian markets with several leading consumer goods firms.

Flexible packaging plays a key role in modern food systems

Lightweight flexible packaging is resource efficient. It protects food and extends shelf life, preventing food waste and reducing greenhouse gas emissions.

40% of food in Europe

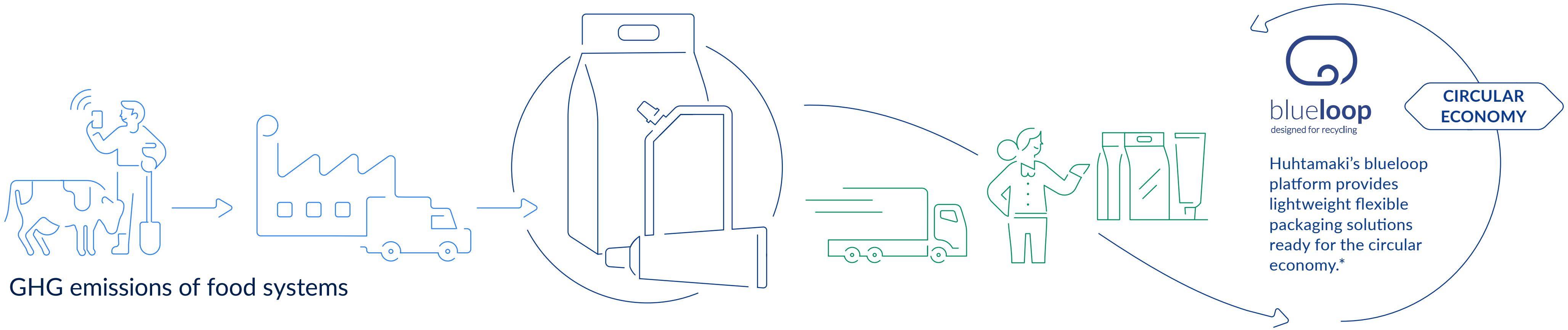
is packaged in lightweight flexible packaging, accounting for only 10% of all consumer packaging materials.[1]

600 million people

fall ill due to consumption of contaminated food every year.[2] By protecting food against contamination and extending its shelf life, lightweight flexible packaging helps to prevent food-borne illnesses and food waste.

8% of global GHG emissions

are caused by food loss and waste.[3] In industrialized countries, over 40% of food losses occur at retail and consumer levels, while in developing countries more than 40% of food losses occur at post-harvest and processing levels.[4]



GHG emissions of food systems

80%

of GHG emissions in food systems are attributable to food production, from farm to manufacturer. The three key elements of these emissions are land use, crop production, and livestock and fisheries.[5]

5%

of GHG emissions in food systems are attributable to packaging.[5]

15%

of GHG emissions in food systems occur while making food accessible through transport and distribution.[5]

*Read more at huhtamaki.com/blueloop

Sources: 1 Flexible Packaging Europe, 2 World Health Organisation, 2020, 3 CGIAR Research Program on Climate Change, Agriculture and Food Security (CCFAS), 4 Food and Agriculture Organization (2011), 5 Poore and Nemecek (2018)

Case study: Flexible Packaging

Rethinking flexible packaging for a circular economy

Strong collaboration to drive innovation

Flexible packaging plays a transformational role as it protects food and extends shelf life, preventing food waste and reducing greenhouse gas emissions. Currently, approximately 8% of global GHG emissions are caused by food loss and waste. Flexible packaging can therefore contribute to overarching sustainability goals and drive circularity. We partner with our key customers to deliver these groundbreaking solutions. We collaborate throughout the entire value chain with leading industry stakeholders who share the same values and vision in terms of how flexible packaging can make a real difference.

A recent example of this industry-wide collaboration involves the deployment of 19% recycled plastics in post-industrial (PIR) tubes, which can be used across various food and non-food categories such as cosmetics and toothpaste. In 2020, the tube produced with Huhtamaki’s laminate containing 19% Mersalen® recyclates – manufactured by the German recycling technology company APK AG – managed to achieve standards of performance which were nearly identical with the standard structure produced with virgin plastic inputs. The integration of recycled plastics into existing product ranges and supply chains represents both a significant technological challenge and an important milestone. Our R&D team is now looking at further increasing the percentage of recycled content across the products portfolio.

Huhtamaki blueloop accelerates the adoption of circular flexible packaging

Another area of innovation towards circularity is within Huhtamaki blueloop, the collaborative platform launched in 2019 to drive the move from a linear to a circular economy in flexible packaging.

Design is at the heart of Huhtamaki blueloop. By promoting mono-materials, and avoiding critical polymers like PVC, as well as adopting a holistic approach to package design, products can be made easier to recycle, sustainable and smart. Made from polypropylene (PP), polyethylene (PE) and paper, Huhtamaki blueloop solutions build on standard materials that are widely recycled and have an economically viable use after collection.

In 2020, we launched several blueloop innovations. For instance, major technical improvements were achieved to develop a new recyclable PP based tube laminate, allowing the production of mono-material PP tubes with PP hinged caps predominantly for the cosmetics industry. The recyclability of this product has been externally certified by Suez, a global multinational specializing in recycling, recovery and waste management. Other innovations include recyclable PE based pouches for pet food, recyclable PP based laminates for confectionery and recyclable paper-based laminates for tea envelopes.

Sustainability continues to push innovation

As a global solutions provider in food and non-food flexible packaging, we are fully committed to sustainability as one the strongest transformative opportunities for our stakeholders and customers. We will continue to invest in sustainability-led innovation and develop cross-industry partnerships, which improve the environmental performance of our products.

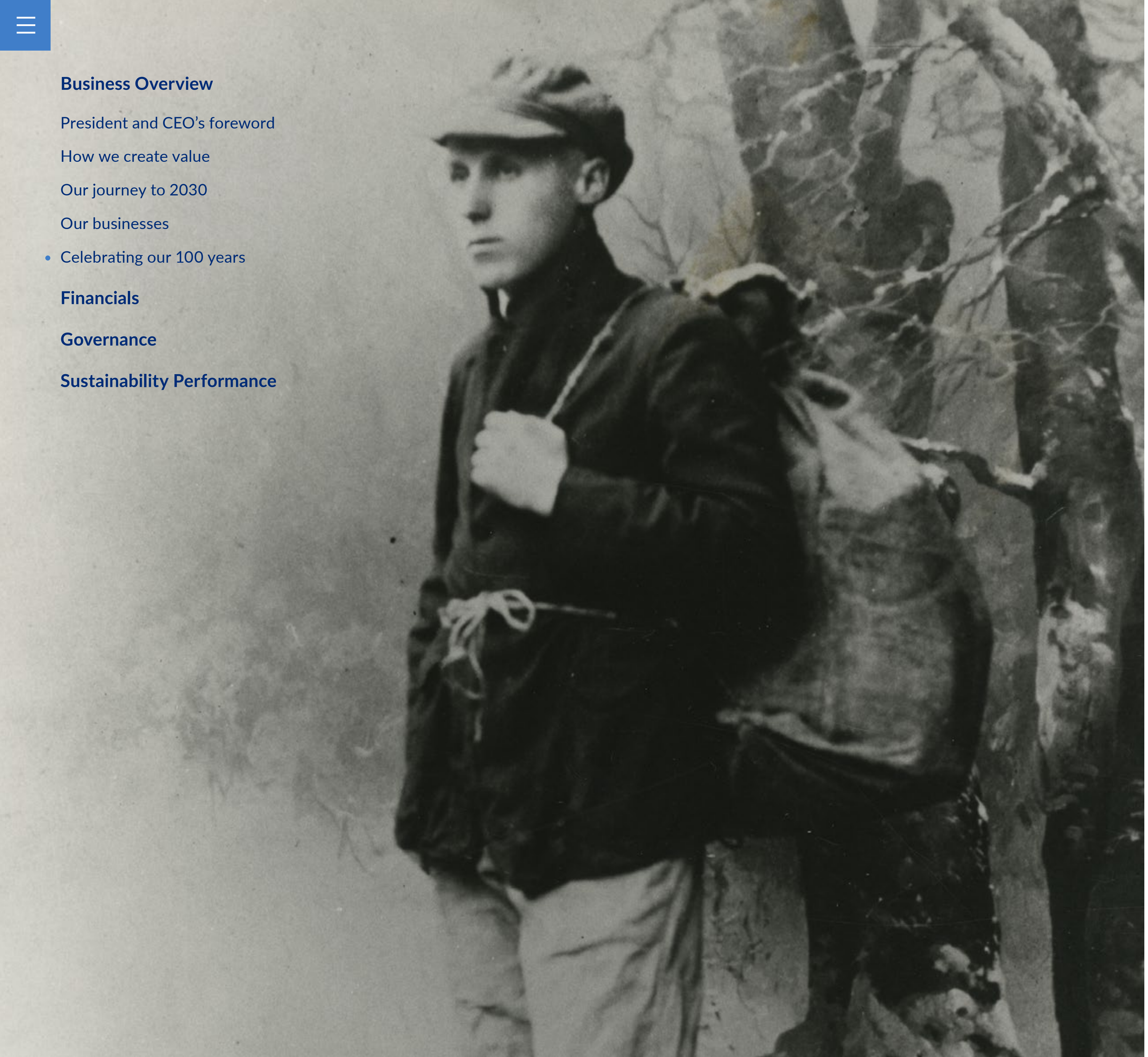
CHALLENGE: The packaging industry is at a turning point, with consumer expectations and new legislation driving a big shift towards more sustainable solutions. Flexible packaging manufacturers need to find ways to meet the demands of this changing environment.

SOLUTION: Huhtamaki Flexible Packaging is rethinking flexible plastic packaging for a circular economy. By partnering on innovation and looking at the whole value chain of a product – from the design phase to end-of-life management – flexible packaging is focused on becoming a cornerstone of the circular economy.

RESULTS: Our trademarked **Huhtamaki blueloop** platform is accelerating the adoption and scaling of circular flexible packaging, with several applications in, for example, recyclable PP based tube laminates and PE based pouches for petfood launched in 2020.

Celebrating our 100 years

We proudly bear the name of our founder, Heikki Huhtamäki. Young Heikki, a village baker's son, established Huhtamäki Industries in 1920 in Kokkola, Finland. Ever since, we've followed his spirit of adventure in exploring new opportunities across the world.



Huhtamaki has come a long way since our founder, the young visionary Heikki Huhtamäki, set up a confectionery factory in a barn in rural Finland a hundred years ago. Since then, we have followed in our founding father's footprints. By continuously taking on new challenges, we have become a company that delivers sustainable packaging solutions to billions of consumers around the world.

At its creation O/Y Huhtamäen Tehtaat – A/B Huhtamäkis Fabriker, as the company was known then, made 46 different types of handmade candy and produced wooden boxes and containers for the confectionery items. The company expanded into food and pharmaceuticals in the 1930s and 1940s.

By the mid-1960s, Huhtamaki's packaging business was fully established, and it became the leader in the European paper cup market. During the 1970s and 1980s, Huhtamaki became a global conglomerate with interests in confectionary, healthcare and packaging. Packaging became the main focus of the company during the 1990s and 2000s.

Today our customers, consumers, communities and the planet need our sustainable packaging solutions more than ever before. We remain committed to our ambition to become the world's preferred choice in sustainable packaging solutions.

We want to make a difference where it matters most. On our centennial in 2020, we made donations to three circular economy initiatives to address global sustainability challenges. The selected projects are in line with our sustainability strategy with the aim of creating a circular economy at different levels: acting today, educating for tomorrow, and innovating for the future. We also made a contribution to International Red Cross to help alleviate the COVID-19 crisis as a way to provide immediate help during the global pandemic.

To celebrate Huhtamaki's founding day on November 12, we held several virtual events: We celebrated with our employees across the world through a virtual global event and local programs, and by engaging everyone to discuss our values in their everyday life at Huhtamaki. We established Think Circle, a platform that brings together key stakeholders from across the global food value chain to address issues in the pursuit of packaging circularity solutions. Think Circle will continue in 2021 with a bespoke program with stakeholders across the value chain.

1920s

Huhtamaki founded in Kokkola, Finland

1930s

Acquisition of a confectionary manufacturer Hellas

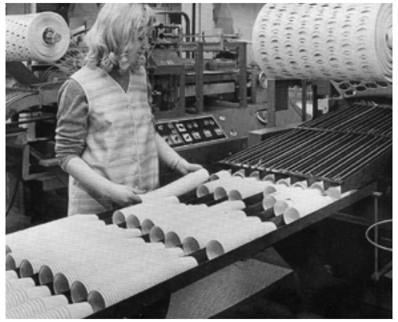
1940s

Huhtamaki Yhtymä Oy established as a limited company. Acquisition of berry wine producer Marli, founding of pharmaceutical company Leiras.

1950s

Establishment of cosmetics company Fincos. Huhtamaki listed on the Helsinki Stock Exchange.

1960s



Acquisition of Mensa, making Huhtamaki part of the packaging industry. Packaging becomes a separate business line.

1970s

Company name shortened to Huhtamäki Oy

1980s

Multiple confectionary acquisitions in the US

1990s

Focus shifts to packaging

2000s

Decision to focus on consumer packaging

2010s

Rigid plastic business sold. Prioritizing foodservice, molded fiber and flexible packaging products.

Financials

Directors' report 2020

Operating environment

The year 2020 was dominated by the COVID-19 pandemic and its impact on demand and the operating environment. Demand for both food on-the-go and food on-the-shelf packaging was good in the beginning of the year, but the outbreak of COVID-19 and the restrictions on movement, in response to the pandemic, that followed changed the direction of the year.

Following closures of quick-service restaurants, demand for food on-the-go packaging was negatively impacted by COVID-19, at times significantly. Demand improved gradually during the second half of the year but remained lower than in the previous year. The increased demand for food delivery did not compensate the decline in demand of in-store restaurant sales.

Demand for food on-the-shelf packaging remained resilient to the effects of COVID-19. Demand in certain product categories in retail tableware in North America was strong as in-home consumption was higher than normal following the restrictions related to COVID-19. Demand for egg packaging was also higher than normal, as consumers have stayed more at home as a result of the pandemic.

Sustainability and substitution of plastics continued to be an important topic for Huhtamaki and its stakeholders despite COVID-19. The interest in substituting plastic foodservice packaging with alternatives, made for example out of paperboard, continued. Overall, packaging is shifting to a circular model where materials are collected, recycled and reused.

The raw material price environment was somewhat favorable in 2020. The prices of most raw materials were broadly unchanged while the prices of plastic resins decreased following the outbreak of COVID-19.

Strategic development

In March 2020, Huhtamaki announced its renewed long-term strategy. The priorities for the 2030 strategy are growth, competitiveness and talent while embedding sustainability across all the operations. The focus areas for growth are scaling up the core business, expanding in emerging markets, developing sustainable solutions and food delivery packaging, and focusing on long-term innovation and venturing. Areas of focus to improve competitiveness are digitalization of operations, increasing efficiency in manufacturing and achieving world-class operational performance. To develop and foster talent, Huhtamaki focuses on building strategic capabilities, nurturing the company's values and a high-performance culture.

Sustainability has a key role in Huhtamaki's 2030 strategy. The company is taking a leading role within the food packaging industry in addressing the global challenges of circularity and climate change. Acknowledging that packaging has a significant role to play, the company is raising the bar across its activities and has set high sustainability ambitions.

During 2020, Huhtamaki completed two acquisitions, Mohan Mutha Polytech in India and the joint venture company Laminor S.A. in Brazil, but no new acquisitions were announced. Carrying out acquisitions was more difficult in 2020 as travel and other restrictions related to COVID-19 were in effect for much of the year. Despite no new acquisitions in 2020, acquisitive growth, together with organic growth, continues to be in focus as a way of scaling up the business.

To provide organic growth in the future, Huhtamaki announced in December 2020 that the company is setting up a new fiber packaging manufacturing plant at its existing site in Alabuga, Tatarstan. The new plant responds to the fast development of the retail business and egg packaging industry in Eastern and Central parts of Russia. At the end of the year, preparatory work on the site was ongoing and production of fiber packaging is expected to begin during the first quarter of 2022.

During the COVID-19 pandemic, Huhtamaki has been conscious about its role as a corporate citizen. The company has played an active part in making a difference in where it matters the most. For example, Huhtamaki donated EUR 0.5 million to the International Red Cross, announced a EUR 0.9 million partnership with international charity WasteAid to drive community-level circular economy innovation in Vietnam, India and South Africa for a two-year period, and made a EUR 0.6 million donation to help clean plastics from the Mithi River in Mumbai, India. Additionally, Huhtamaki launched together with Food System 6, the impact-focused startup accelerator, a circular economy start-up program, with the purpose to accelerate the development of young and promising companies working to deliver innovative sustainable solutions. During the pandemic, Huhtamaki also made product donations to ensure food hygiene and food safety, started production of high-quality protective face shields for health care workers, and launched a range of reusable face masks, called Huhta Mask, for consumers.

In 2020, two members of the Global Executive Team, Olli Koponen, President, Flexible Packaging and Clay Dunn, President, North America, retired. Both had a long and successful career at Huhtamaki. Arup Basu was appointed President, Flexible Packaging as of February 1, 2020 and Ann O'Hara was appointed President, North America business as of January 1, 2021. Additionally, Thomasine Kamerling was appointed Executive Vice President, Sustainability and Communications as of March 1, 2020. All three were also appointed as members of the Global Executive Team.

Business Overview

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Definitions for performance measures

Key figures and financial development

Share and shareholders

Governance

Sustainability Performance

In 2020, the Board of Directors focused on developing Huhtamaki's long-term strategy and supported management in efforts to limit the impact from COVID-19. The Board also continued to follow development and strengthening of people capabilities and resources, sustainability initiatives as well as innovation and digitalization activities. Due to the pandemic, the Board was not able to follow its established practice to have meetings by visiting units in different geographies.

Key figures

EUR million	2020	2019	2018
Net sales	3,301.8	3,399.0	3,103.6
Comparable net sales growth	-2%	6%	5%
Adjusted EBITDA[1]	473.1	456.3	398.7
Margin[1]	14.3%	13.4%	12.8%
EBITDA	464.5	448.8	390.3
Adjusted EBIT[2]	302.1	293.1	251.0
Margin[2]	9.1%	8.6%	8.1%
EBIT	265.3	285.5	225.5
Adjusted EPS[3]	1.95	1.88	1.69
EPS, EUR	1.69	1.82	1.49
Adjusted ROI[2]	11.7%	12.3%	11.6%
Adjusted ROE[3]	14.8%	15.2%	14.5%
ROI	10.3%	11.9%	10.4%
ROE	12.9%	14.8%	12.8%
Capital expenditure	223.5	203.9	196.9
Free Cash Flow	207.1	225.8	79.6

[1] Excluding IAC of EUR -8.6 million in 2020 (EUR -7.6 million in 2019 and EUR -8.4 million in 2018).
[2] Excluding IAC of EUR -36.8 million in 2020 (EUR -7.6 million in 2019 and EUR -25.5 million in 2018).
[3] Excluding IAC of EUR -26.2 million in 2020 (EUR -5.9 million in 2019 and EUR -20.6 million in 2018).

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.

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 2020

Net sales by business segment

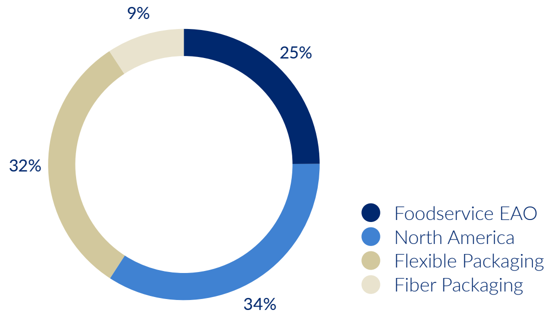
EUR million	2020	2019	Change
Foodservice Europe-Asia-Oceania	829.1	956.7	-13%
North America	1,138.9	1,152.7	-1%
Flexible Packaging	1,050.8	1,016.4	3%
Fiber Packaging	307.8	293.4	5%
Elimination of internal sales	-24.8	-20.2	
Group	3,301.8	3,399.0	-3%

Comparable net sales growth by business segment

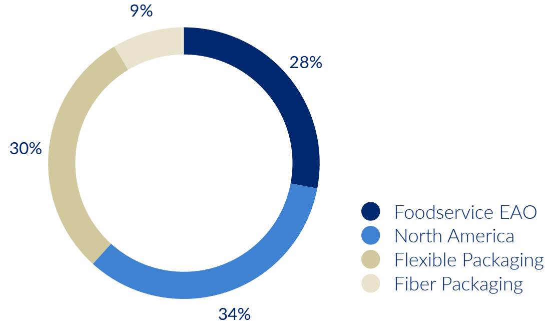
EUR million	2020	2019	Change
Foodservice Europe-Asia-Oceania	-10%	4%	4%
North America	1%	9%	5%
Flexible Packaging	1%	3%	7%
Fiber Packaging	9%	6%	4%
Group	-2%	6%	5%

The Group's net sales decreased 3% to EUR 3,302 million (EUR 3,399 million) during the reporting period. Comparable net sales growth was -2%. Net sales decreased especially in the Foodservice Europe-Asia-Oceania segment, following the impact of COVID-19. The Group´s growth in emerging markets was -6%. Foreign currency translation impact on the Group's net sales was EUR -89 million (EUR 90 million) compared to 2019 exchange rates.

Net sales by segment 2020



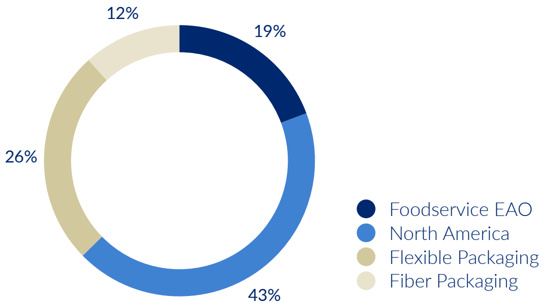
Net sales by segment 2019



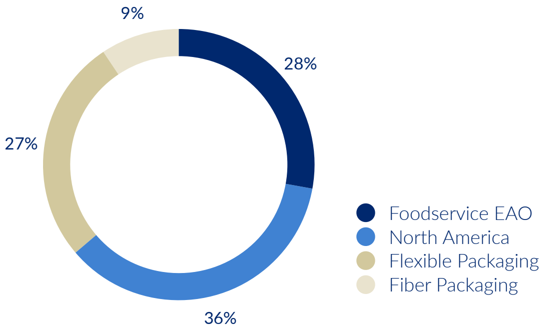
Adjusted EBIT by business segment

				Items affecting comparability	
EUR million	2020	2019	Change	2020	2019
Foodservice Europe-Asia-Oceania	60.9	85.7	-29%	-30.0	-0.5
North America	136.6	111.4	23%	-6.5	-3.1
Flexible Packaging	80.7	82.6	-2%	-6.2	-0.7
Fiber Packaging	37.4	29.0	29%	-5.2	-1.2
Other activities	-13.5	-15.6		11.0	-2.0
Group	302.1	293.1	3%	-36.8	-7.6

Adjusted EBIT 2020



Adjusted EBIT 2019



Adjusted EBIT margin by business segment

EUR million	2020	2019	Change
Foodservice Europe-Asia-Oceania	7.3%	9.0%	8.7%
North America	12.0%	9.7%	7.3%
Flexible Packaging	7.7%	8.1%	7.1%
Fiber Packaging	12.2%	9.9%	11.0%
Group Total	**9.1%**	**8.6%**	**8.1%**

The Group's adjusted EBIT increased to EUR 302 million (EUR 293 million) and reported EBIT was EUR 265 million (EUR 286 million). The increase in earnings was supported by the North America and Fiber Packaging segments. The Group's adjusted EBIT margin improved and was 9.1% (8.6%). Foreign currency translation impact on the Group's earnings was EUR -8 million (EUR 8 million).

Adjusted EBIT excludes EUR -36.8 million (EUR -7.6 million) of items affecting comparability (IAC).

Adjusted EBIT and IAC

EUR million	2020	2019
Adjusted EBIT	302.1	293.1
Acquisitions	-1.0	-2.2
Restructuring costs including write-downs of related assets	-47.6	-
Settlement of industrial dispute	-10.5	-
One-time gain from acquisition of Laminor	22.4	-
Environmental provision	-	-1.0
Losses from property damage incidents	-	-4.3
EBIT	**265.3**	**285.5**

Net financial expenses were EUR 28 million (EUR 29 million). Tax expense was EUR 53 million (EUR 58 million). The corresponding tax rate was 23% (23%). Profit for the period was EUR 184 million (EUR 199 million). Adjusted earnings per share (EPS) were EUR 1.95 (EUR 1.88) and reported EPS EUR 1.69 (EUR 1.82). Adjusted EPS is calculated based on adjusted profit for the period, which excludes EUR -26.2 million (EUR -5.9 million) of IAC.

Adjusted profit and IAC

EUR million	2020	2019
Adjusted profit for the period attributable to equity holders of the parent company	203.0	196.0
IAC in EBIT	-36.8	-7.6
IAC in Financial items (related to reversal of contingent consideration related to acquisition)	3.0	-
Taxes relating to IAC	7.6	1.7
Profit for the period attributable to equity holders of the parent company	176.8	190.1

Statement of financial position and cash flow

The Group's net debt decreased, and at the end of December, net debt was EUR 867 million (EUR 904 million). The level of net debt corresponds to a gearing ratio of 0.64 (0.63). Net debt to EBITDA ratio (excluding IAC) was 1.8 (2.0). Average maturity of external committed credit facilities and loans was 2.7 years (3.4 years).

On June 26, 2020, a signing of a EUR 150 million freely transferable loan agreement (Schuldschein) was announced. The loan is divided into two floating rate and two fixed rate tranches with maturities of 3 and 5 years. The funds, which were received in July, will be used for refinancing and general corporate purposes of the Group.

Cash and cash equivalents were EUR 315 million (EUR 199 million) at the end of December and the Group had EUR 310 million (EUR 302 million) of unused committed credit facilities available.

Total assets on the statement of financial position were EUR 3,596 million (EUR 3,611 million).

Capital expenditure was EUR 223 million (EUR 204 million). The largest investments for business expansion were made in the U.S., the UK and Germany. The Group's free cash flow was EUR 207 million (EUR 226 million).

Acquisitions and divestments

On September 30, 2019, Huhtamaki announced its agreement to acquire the assets and operations of Mohan Mutha Polytech Private Limited (MMPPL), a privately-owned flexible packaging manufacturer located in Sri City, Andhra Pradesh, India. The acquisition allows Huhtamaki to speed up its growth in India by improving its capability to serve the customers in South India. MMPPL has approximately 160 employees and its net sales in 2018 were approximately EUR 9 million. The debt-free purchase price was approximately EUR 10 million. The acquisition was completed on January 10, 2020 and since then the business has reported as part of the Flexible Packaging business segment.

On December 23, 2019, Huhtamaki announced its agreement to acquire full ownership of its joint venture company Laminor S.A. in Brazil. Laminor is specialized in high-quality tube laminates, particularly for oral care applications, and was set up in 2002 as a 50/50 joint venture together with Bemis Company, which is now part of Amcor. The acquisition enables Huhtamaki to expand its tube laminate business, an important part of the Group's flexible packaging offering. Laminor has approximately 130 employees and its net sales in 2018 were approximately EUR 25 million. The additional shares were acquired at a price of approximately EUR 28 million and the acquisition was completed on March 31, 2020. The business has been consolidated as a subsidiary in the Group's financial reporting and it has been reported as part of the Flexible Packaging business segment as of April 1, 2020. As a result of the transaction, a gain from the difference between remeasured interest according to the purchase price and previously held equity interest of approximately EUR 22 million has been recognized in the income statement as item affecting comparability in Q1–Q4 2020 financial results.

Significant events during the reporting period

On March 23, 2020, Huhtamaki announced its long-term 2030 strategy in order to maintain its growth trajectory and meet future transformative trends. Going forward, Huhtamaki will focus on growth, competitiveness, talent and sustainability. The company's ambition is to become the first choice in sustainable food packaging. Huhtamaki also outlined its long-term financial ambitions and introduced its new 2030 sustainability ambitions. The strategy emphasizes strong core values: Care, Dare, Deliver. In line with its renewed strategy, the company decided to integrate its Foodservice Europe-Asia-Oceania and Fiber Packaging business segments. The segments will continue to be reported separately. Eric Le Lay will continue as President for the combined Fiber and Foodservice EAO (Europe-Asia-Oceania) segment. This change became effective as of June 1, 2020.

On March 26, 2020, Huhtamaki announced that it has decided to withdraw its outlook for 2020 (published on February 13, 2020) due to the unprecedented and accelerated situation caused by the COVID-19 and its impact on the Group's trading conditions. It was announced that the company will provide a new outlook when impacts of the changing business environment on its trading conditions in 2020 can be assessed in a reliable manner. Huhtamaki announced a new outlook for 2020 on July 23, 2020, in conjunction with its Half-yearly Report January 1–June 30, 2020.

On March 26, 2020, Huhtamaki announced that the Board of Directors changed its proposal for use of the profit shown on the balance sheet and proposed that no dividend payment would be decided by the Annual General Meeting. Instead, the Board of Directors proposed to the Annual General Meeting that the Annual General Meeting would authorize the Board of Directors to decide at a later stage and in its discretion on a dividend payment in one or several installments of a total maximum of EUR 0.89 per share. On September 17, 2020, Huhtamaki announced that the Board of Directors decided to pay out a dividend of EUR 0.89 per share from the distributable funds of the Company. The dividend was paid to a shareholder who on the dividend record date September 18, 2020 was registered as a shareholder in the Company's shareholders' register held by Euroclear Finland Ltd. The dividend was paid on September 25, 2020.

Significant events after the reporting period

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 refinances an existing 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.

Business review by segment

Foodservice Europe-Asia-Oceania

EUR million	2020	2019	Change
Net sales	829.1	956.7	-13%
Comparable net sales growth	-10%	4%	
Adjusted EBIT[1]	60.9	85.7	-29%
Margin[1]	7.3%	9.0%	
Adjusted RONA[1]	7.7%	11.4%	
Capital expenditure	78.7	74.7	5%
Operating cash flow[1]	41.6	66.8	-38%
Items affecting comparability (IAC)	-30.0	-0.5	

[1] Excluding IAC.

Demand for foodservice packaging was good in the first two months of the year, but the outbreak of COVID-19 had a significant negative impact on demand for foodservice packaging as governments across markets imposed restrictions on movement to contain the spread of the virus. Demand improved gradually during the reporting period, but the overall demand remained low. Compared to the previous year, prices of paperboard increased, and prices of plastic resins decreased, though with variation between markets and types of resin.

Net sales decreased significantly in the Foodservice Europe-Asia-Oceania segment. Comparable net sales growth was -10%. Net sales decreased in all main markets. During the reporting period, Huhtamaki started selling face shields and face masks, which partially offset the decline in net sales.

The impact of currency movements on the segment's reported net sales was EUR -24 million.

The segment's adjusted EBIT decreased as a result of lower utilization of assets due to lower demand.

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

North America

EUR million	2020	2019	Change
Net sales	1,138.9	1,152.7	-1%
Comparable net sales growth	1%	9%	
Adjusted EBIT[1]	136.6	111.4	23%
Margin[1]	12.0%	9.7%	
Adjusted RONA[1]	16.8%	12.7%	
Capital expenditure	71.7	54.6	31%
Operating cash flow[1]	150.1	125.0	20%
IAC in EBIT	-6.5	-3.1	

[1] Excluding IAC.

Demand for foodservice packaging decreased following the outbreak of COVID-19. Demand for retail tableware was strong throughout the year, partially supported by the consumption spike related to COVID-19. Demand for ice cream in-home packaging improved. Compared to the previous year, costs of transportation fuel, energy and plastic resins remained generally stable through the year although trending up at the end of the year.

Net sales growth in the North America segment was strong in Q1 but during the rest of the reporting period growth was impacted by the outbreak of COVID-19. Comparable net sales growth was 1% in 2020. Growth was strong within retail tableware while COVID-19 impacted foodservice packaging sales negatively. Net sales growth was driven primarily by strong demand for retail tableware plates and in-home ice cream packaging.

The impact of currency movements on the segment's reported net sales was EUR -22 million.

The segment's adjusted EBIT increased, and profitability was strong. Earnings improved as a result of the continuation of the margins established in 2019 and favorable sales mix.

The impact of currency movements on the segment's reported earnings was EUR -3 million.

Flexible Packaging

EUR million	2020	2019	Change
Net sales	1,050.8	1,016.4	3%
Comparable net sales growth	1%	3%	
Adjusted EBIT[1]	80.7	82.6	-2%
Margin[1]	7.7%	8.1%	
Adjusted RONA[1]	10.1%	11.0%	
Capital expenditure	35.9	44.4	-19%
Operating cash flow[1]	83.8	88.8	-6%
IAC in EBIT	-6.2	-0.7	

[1] Excluding IAC.

Demand for flexible packaging was good across most markets. However, pandemic-driven supply chain disruptions impacted the market especially in the second quarter of the year. The competitive situation in Southeast Asia remained tight. Raw material prices decreased compared to the previous year.

Net sales increased in the Flexible Packaging segment. Comparable net sales growth was 1%. Growth was strongest in Southeast Asia and Oceania. Restrictions and lockdowns related to COVID-19 impacted sales negatively in India and the United Arab Emirates. Net sales was supported by the new unit in Egypt, inaugurated in April 2019, and the acquired units.

The impact of currency movements on the segment's reported net sales was EUR -28 million.

The segment's adjusted EBIT decreased due to COVID-19 related production and logistics interruptions in India mainly during Q2 2020, and the impact of strict restrictions related to COVID-19 in the United Arab Emirates. Cost management actions, lower raw material prices and the acquired units supported earnings.

The impact of currency movements on the segment's reported earnings was EUR -2 million.

Fiber Packaging

EUR million	2020	2019	Change
Net sales	307.8	293.4	5%
Comparable net sales growth	9%	6%	
Adjusted EBIT[1]	37.4	29.0	29%
Margin[1]	12.2%	9.9%	
Adjusted RONA[1]	15.8%	12.1%	
Capital expenditure	36.7	29.5	24%
Operating cash flow[1]	18.9	22.4	-16%
IAC in EBIT	-5.2	-1.2	

1 Excluding IAC.

Demand for fiber-based packaging was strong throughout the year, especially in egg packaging. Demand for cup carriers decreased following the outbreak of COVID-19 but increased as restrictions related to COVID-19 were lifted. Prices of recycled fiber were at similar levels compared to the previous year.

Net sales growth in the Fiber Packaging segment was strong. Comparable net sales growth was 9%. Net sales increased especially in Europe. Net sales growth was driven primarily by volume following the increased demand due to COVID-19 pandemic.

The impact of currency movements on the segment's reported net sales was EUR -14 million.

The segment's adjusted EBIT increased driven especially by volume growth but also by pricing actions implemented earlier. The development and commercialization costs of the Fresh ready meal tray had a negative impact on the segment's earnings growth.

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

Non-Financial Review

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 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.

In 2020, Huhtamaki introduced key sustainability ambitions, as part of its renewed 2030 Strategy. Huhtamaki's previous sustainability program, Packaging for Good, has been a building block for the new sustainability ambitions since 2018. Building on this, Huhtamaki has defined internal actions to achieve its 2030 ambition. The Group has also developed an external dashboard with the aim of tracking progress through regular performance assessments at the manufacturing unit, business segment and Group levels.

To ensure that the Group's sustainability work is focused on the most material issues, a materiality assessment is performed regularly using a data-driven approach, powered by Datamaran's artificial intelligence platform. Datamaran tracks approximately 100 Environmental, Social and Governance (ESG) topics across corporate reports, mandatory regulations and voluntary initiatives, news, as well as social media. In 2020, Huhtamaki went through these sustainability topics. As a result, the topics "Transition to a circular economy" and "Transition to renewable energy" were included as new topics to be tracked via Datamaran. "Transition to renewable energy" was grouped under the already existing "Energy" topic, while "Transition to a circular economy" was added as a new topic. Also, the number of surveys sent out to internal and external stakeholders as part of the assessment was increased.

The updated assessment indicated some changes in the order of importance of the material topics. It also reaffirmed that the new sustainability ambitions cover the most material topics and that Huhtamaki's sustainability efforts continue to focus on the right issues. More information on Huhtamaki's sustainability work and the materiality assessment can be found in Huhtamaki's Business Overview and its Sustainability Performance supplement, which are part of this Huhtamaki Annual Report 2020.

Huhtamaki's business model is described on page 9 of this Huhtamaki Annual Report 2020 publication. Risks and risk management procedures related to the non-financial review are described in a separate section within this Directors' Report, on pages 77–79.

Impact of the COVID-19 pandemic

Huhtamaki's diversified portfolio of food on-the-go and food on-the-shelf packaging solutions has provided resilience from the impact of COVID-19. This has been most significant in terms of drop in demand in product categories related to foodservice. The impact has been visible following, for example, the closures of quick-service restaurants. At the same time, demand for food delivery has increased as people have stayed home more. However, this increase in demand has not compensated the decline of in-store restaurant sales.

In contrast, demand for food on-the-shelf packaging, comprising mainly of flexible and fiber packaging, has remained relatively resilient to the effects of COVID-19. The impact on retail business and consumer goods products has been limited, as some of Huhtamaki's customers have been stocking up to meet demand. The overall impact from COVID-19 on demand reduced as countries and governments lifted restrictions on movement and access to establishments.

To manage the impact of the COVID-19 pandemic, Huhtamaki has implemented a phased approach. In the first phase, the crisis was handled daily at a global and unit level. The focus during this point was to protect employees as well as business continuity. In addition, the company's cash position was managed daily and effectively through an increased focus on cost management and the prioritization of investments as well as securing liquidity through financing arrangements and postponement of dividend. In a second phase, the company concentrated on its competitiveness in preparation for a post-COVID future. Currently, in the third phase, the company is working on defining the opportunities that will emerge from the crisis. This includes, among others, generating innovation and identifying immediate opportunities and long-term shifts in our operating environment.

Huhtamaki plays an essential role in in ensuring food safety and availability and reducing food waste, as has been acknowledged by governments around the globe, which granted its operations essential status during the pandemic. Maintaining its operations has been just one part of Huhtamaki's support towards alleviating the impact of the pandemic globally, as evidenced by Huhtamaki's face shield initiative and other actions the Group took in its local communities. When the coronavirus pandemic started, the Group reacted and formed a crisis management team immediately. This team monitored the development and impact of the situation and acted as an effective forum for information sharing and decision making across all Huhtamaki sites and employees. Huhtamaki also partnered with the International Red Cross to do its share in helping respond to the humanitarian aspect of the COVID-19 crisis. In addition, throughout the year the Group made product donations through its local communities.

Environmental matters

Policies

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

Huhtamaki continuously looks for ways to improve resource efficiency, which is supported by a strong environmental and financial rationale. Circularity is a key focus area in the Group's 2030 sustainability ambition. Greenhouse gas emissions and production waste are the main environmental impacts of the Group's manufacturing operations. Additionally, water usage is a material topic in the Group's molded fiber manufacturing operations.

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. These policies are supported by Total Productive Manufacturing trainings and ISO management systems and are implemented on manufacturing unit level. At the end of 2020, 53(52) manufacturing units, representing 66% (68%) 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.

The main environmental KPIs and performance are:

EUR million	2020	2019	Change
Energy consumption per sellable tons produced (MWh/STP)*	2.03	2.05	-1%
Greenhouse gas emissions per sellable tons produced (t CO_2 eqv/STP)	0.64	0.66	-3%
Recycling rate (%)	70%	73%	-3.5pp

*2019 figures have been updated to include previously excluded sites.

The Group's energy consumption and emissions per ton of product decreased compared to 2019. The total amount of waste decreased by 3%. The recycling rate declined to 70% (73%). The recycling landscape has fundamentally changed over the last 3 years. Now Europe and

America need to develop their own recycling infrastructure as exporting to South East Asia for processing into recycled raw materials is no longer an option. In 2020, this new infrastructure is not yet widely in place, and because of this, recycling rates for non-hazardous production waste have tended to decline. Huhtamaki continues to identify and develop recycling solutions for non-hazardous production waste.

The environmental data excludes the units that have been acquired during the reporting year 2020 based on the transition period needed to introduce Huhtamaki reporting. Units closed during the reporting year 2020 are included in the data until their closing date.

The Group's Natural Resource Plan continued to focus on climate and emissions, water and waste. During 2020, the Natural Resource Plan was merged into the sustainability working stream in the newly launched World Class Management (WCM) project implementing Huhtamaki's 2030 Strategy. The Natural Resource Plan forms the environmental core of the WCM sustainability stream. The stream defines how Huhtamaki measures, improves and communicates sustainability performance against its commitments.

Huhtamaki's environmental operating costs totaled EUR 16 million (EUR 13 million). The costs consist mainly of expenses related to waste and wastewater management as well as environmental management.

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.

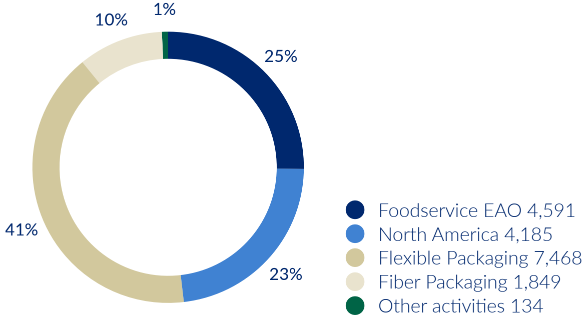
In 2020, the average number of employees was 18,440 (18,125), of which 70% (71%) worked directly in production. Countries with the largest number of employees were USA, India and Germany, which accounted for 49% (50%) of the Group's personnel. At the end of the year Huhtamaki had a total of 18,227(18,598) employees

In 2020, Huhtamaki renewed its values, respecting the tone and message behind its original values. Huhtamaki's new values are Care Dare Deliver. For Huhtamaki, values are not just principles. They shape the decisions that are made and help make a difference where it matters, across businesses and geographies. They unify the organization as one Huhtamaki family, to make a positive contribution to the world.

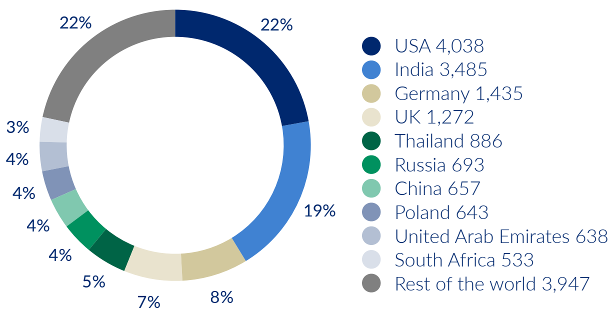
Huhtamaki's latest employee engagement survey, Connect, was conducted in September 2019 with the highest response rate ever at 88% (80%). The employee engagement index was at 74%, (69%) and Employee Enablement at 75% (75%). During the past year, teams in the organization have reviewed and discussed the results, looked for ways to cultivate the areas that are clearly appreciated by employees, and found means to improve those which were reported to require more attention. These areas included Collaboration, Training and development, Resources and Performance management. The next survey will be conducted in 2021.

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 the Huhtamaki 100 years

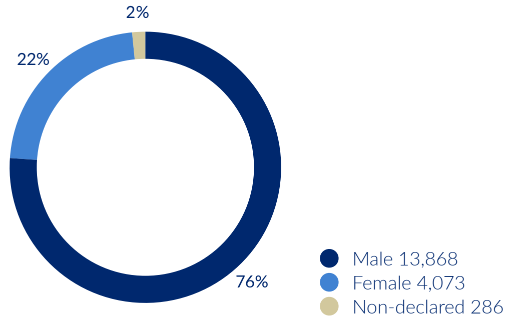
Number of employees by segment



10 largest countries by number of employees



Employees by gender

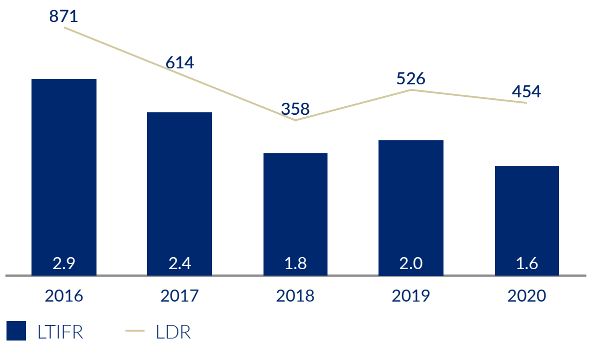


celebration, Connect action planning and strategic key projects, to provide a wide range of learning opportunities, especially in the areas of leadership and collaboration skills. In addition, in 2020 Huhtamaki provided a LinkedIn Learning license to approximately 200 employees across the globe. With this, the Group wants to support their development with access to a platform that offers courses taught by industry experts specializing in personal and business skills.

During the COVID-19 pandemic the Group focused on safeguarding the health and safety of its employees. Already in January, the Group started managing the crisis and set up a global COVID-19 working group, focusing on its operations and on providing guidance to safeguard employees on sites as well as those requested to work remotely. The guidance covered instructions for increased hand and respiratory hygiene, avoiding close contact, identifying early symptoms and assisting a potentially infected employee promptly and safely in testing and treatment. Guidance was also provided for a safe return to offices, which included promoting social distancing and limiting meeting room and office seat occupancy. Huhtamaki regularly reviewed the guidance and addressed issues and questions raised across its operations by its employees.

Working remotely was supported by providing essential office tools and equipment at home where possible. Huhtamaki also provided

Incident frequency and severity 2016–2020, Group



LTIFR = Lost time incident frequency rate per million hours worked.
LDR = Lost day rate, hours lost per million hours worked.

Graph has been updated to include both Huhtamaki employees and external labor.

advice and suggestions for behaviors and ways of working to help make remote work more efficient and easier for employees. The Group conducted a check in on the well-being of employees after a couple of months through a survey focused on understanding how employees felt and how they were coping with working remotely. Overall, the results were very positive, although many employees did say they missed casual discussions with colleagues at the office. Encouraged by the experience, Huhtamaki has continued to explore what impact work arrangements made during the pandemic have for the future of work at Huhtamaki.

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 2020, the implementation of the Working Condition Requirements was focused mainly on the renewal of the health and safety ambition and its future roadmap.

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.

Huhtamaki's 2020 refreshed OHS governance and policy strengthens the focus on key development programs. In 2020, two major improvement projects were initiated, one related to improving safe work practices with machines, and another focused on chemical management. Both projects address technical, behavioral and leadership elements.

Going forward, in 2021 new KPIs will be introduced that not only aim at reducing the number of injuries globally, but also strive to prevent the reoccurrence of an event. In addition to tracking lost time and medical treatment injuries, the Group will also start following learnings shared from lost time injuries.

The key OHS indicators for 2020 are Lost Time Incident Frequency Rate (LTIFR) and Lost Day Rate (LDR). In 2020, LTIFR decreased to 1.6 (2.0 in 2019 and 1.8 in 2018). When calculating LTIFR Huhtamaki considers lost time incidents and actual working hours of Huhtamaki employees and external workers. There were no fatalities during 2020. Severity of incidents, measured in LDR, was down to 454 in 2020 (526 in 2019 and 358 in 2018). Huhtamaki calculates LDR by counting the scheduled workdays lost starting from the next workday after the incident.

Human rights

Policies

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

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. Respecting human rights within the Group as well as in its supply chains, is essential to Huhtamaki.

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.

All suppliers are expected to comply with the Code of Conduct for Huhtamaki Suppliers. The document is available on the Group's website and it is also referred to in the Huhtamaki General Terms and Conditions of Purchasing. The Code of Conduct for Huhtamaki Suppliers covers requirements related to compliance with laws and regulations as well as fundamental rights of employees, including provisions for providing a safe and healthy work environment. Huhtamaki's suppliers are responsible also for their subcontractors' compliance with the requirements.

Huhtamaki also provides suppliers with the opportunity to share their own Code of Conduct. If a supplier's Code of Conduct fulfils the requirements of Huhtamaki's policy, it can be accepted as equivalent.

Huhtamaki uses the NAVEX RiskRate tool to monitor the compliance of its suppliers with the Code of Conduct for Huhtamaki Suppliers. The focus is on key suppliers, defined as strategically important suppliers that fall into the top 80% of the procurement spend and into certain supplier categories. Additionally, NAVEX RiskRate is used to monitor all key suppliers inter alia against sanction lists, watch lists and adverse media, which helps Huhtamaki to control risks of any human rights violations in its supply chains. Each key supplier is assigned a risk rating in NAVEX RiskRate, and depending on this rating suppliers might be required to answer a specific questionnaire. The answers provide Huhtamaki more insights into suppliers' compliance practices.

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. After conducting a successful trial in the North America business segment in 2019, the updated due diligence process was rolled out to all business segments in 2020. The process now covers approximately 80% of supplier spend globally. In 2020, 92.5% of key suppliers accepted the Code of Conduct for Huhtamaki Suppliers, and 4.7% 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.

Huhtamaki is a corporate member of Sedex, the world's largest collaborative platform for sharing responsible sourcing data on supply chains. As a part of strengthening its supply chain due diligence processes, Huhtamaki will start utilizing more third-party corporate responsibility audits in supplier assessments. Such audits give information on the environmental, social and ethical performance of Huhtamaki's suppliers, helping to identify and monitor potential corrective actions. The plan for 2020 was to start the work with third-party corporate responsibility audits. Suppliers to be audited were identified based on certain attributes, such as their location and supplier category, concentrating first on key suppliers. Due to the COVID-19 pandemic, all planned supplier audits were put on hold until further notice, in order to protect the employees of Huhtamaki Group's suppliers and auditors.

Recognizing that human rights is a topic that continues to increase in importance for stakeholders, Huhtamaki initiated a project in 2020 to further sharpen its human rights due diligence by assessing its processes and looking at where the Group still needs to develop. This work will continue in the form of a human rights impact assessment, which will start with a pilot in 2021.

Huhtamaki also expects suppliers to comply with its Human Trafficking and Modern Slavery Statement, which is available on the Group's website. Suppliers, including labor agencies and recruiters, are required to have processes to ensure that they do not take part in human trafficking or modern slavery.

Huhtamaki's suppliers and workers in its value chain can report any violations of the Code of Conduct for Huhtamaki Suppliers or concerning other Huhtamaki policies through Huhtamaki's global whistleblowing system, the Huhtamaki Speak-Up channel.

Anti-corruption and anti-bribery

Policies
- Huhtamaki Code of Conduct
- Code of Conduct for Huhtamaki Suppliers

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. 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 conduct of business with high integrity and in compliance with laws and regulations, including anti-bribery and corruption provisions.

The Huhtamaki Global Ethics and Compliance program and related framework was introduced in 2019. The program focuses on Huhtamaki's commitment to integrity and the highest ethical standards across the global organization. During 2020, Huhtamaki continued to execute the key initiatives supporting the Ethics and Compliance program, and continuously developed further the key elements of the framework.

Huhtamaki strongly believes that conducting business with integrity is the right thing to do, and is also its license to operate. The structured ethics and compliance program also helps Huhtamaki to answer to the growing interest of external stakeholders on ethics and compliance matters, and to the needs of Huhtamaki's global organization by establishing a standard, structured approach to handle ethics and compliance matters across all Huhtamaki units globally.

One of the key elements of Huhtamaki's Ethics and Compliance program framework is training and communication. In 2020, Code of Conduct and anti-bribery and corruption face-to-face training sessions were organized by the Global Ethics and Compliance function for the units in Saudi Arabia and South Africa. Additionally, the function continued to raise awareness of corruption and other compliance risks also in Huhtamaki's other operating geographies during 2020 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 annual Code of Conduct e-learning was renewed in 2020, and it contains also an anti-corruption section with the commitment not to tolerate corrupt practices of any kind and practical examples for ethical decision-making. In 2020, 95.7% (84.7%) of Huhtamaki's employees globally completed the mandatory Code of Conduct e-learning. For the first time, all line managers also need to confirm as part of the year-end review process that their team members have completed all mandatory Ethics and Compliance trainings.

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 were rolled out globally as part of the annual Ethics and Compliance training program to key internal stakeholders.

In accordance with Huhtamaki's values, the Group promotes a speak-up culture and encourages everyone to speak up and raise concerns if there is any suspicion of a breach of the Huhtamaki Code of Conduct, any other Huhtamaki policies and guidelines or laws and regulations. If an employee 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 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. In the United States, reports can also be submitted through the local Alertline system. 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 channels 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 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 in the short, medium and long-term that may affect the achievement of 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.

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.

During 2020, the key risks identified in the 2019 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 on a quarterly basis, with a focus on each business segment's most significant risks.

During the first half of 2020, business units, segments and global functions identified and assessed business risks against their short, medium- and long-term objectives. These risk assessment results were consolidated from business unit to segment and further to corporate level and used to identify the key risks at segment and corporate level. At each level from business unit to Group, risk treatment actions were defined in order to reach acceptable risk levels. Building on this risk assessment, the most relevant risks and opportunities were further assessed in connection with Huhtamaki's and segments' strategy review and budget preparation. Connections between the most important long-term strategic risks and medium to short-term operational and financial risks were identified and analysed both at Group and segment levels. The acceptable risk levels associated with appropriate risk management efforts were approved 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 2021.

The most significant strategic risks

Huhtamaki's 2030 strategic priorities are to grow its business, drive competitiveness, develop talent and embed sustainability in everything it does. Huhtamaki views that the most significant risks and opportunities for growth arise from the macroeconomic environment. Continued uncertainty due to the impact of COVID-19 on the economy may impact consumer buying behavior, and thus demand for the Group's products. Uncertainty on trade agreements, particularly post Brexit, as well as trade wars and political unpredictability may slow down investment and economic growth in impacted geographies. Another key risk to growth arises from the Group's ability to hold and increase its market position while during and post pandemic the competitive environment is volatile and market dynamics are changing. 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. Huhtamaki manages the 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 its ability to manage prices effectively in the presence of aggressive competition, a rise in raw material pricing, it's capability to meet customer demand for technology and digital solutions and its ability to benefit from its global position in terms of sales and sourcing. Activities to manage the threats and seize the opportunities involve cross-functional and cross-segment collaboration and active dialogue with the customers to develop ways to increase value and understand Huhtamaki´s competitive position. Furthermore, Huhtamaki's competitiveness relies on the successful completion of its key projects as part of its World Class Management system. This is supported with good project governance and explicit accountability and responsibility structures.

To successfully reach its goals in talent development, the Group focuses on managing the risks and opportunities relating to leadership and human capital. These include developing the skills of leaders and managers, global and local talent pools and succession planning, and performance management activities that support a high-performing and diverse culture.

In terms of the Group's sustainability ambition, the biggest strategic risks and opportunities arise from changes in consumer behavior and potential new environmental legal requirements on single-use products. 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, 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 depress demand for Huhtamaki's products. Negative media attention may also drive governmental 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

Huhtamaki's ability to pass increases in the cost of raw materials and energy to the price of its products is considered one of the biggest operational risks and opportunities to the Group. The risk is managed by increased centralized purchasing by the business segments. Raw material and energy prices are monitored on an ongoing basis, and energy and material escalation clauses are included in contracts when possible.

Risks related to destruction of facilities and dis-continuity of operations, disruption in raw materials or energy supply as well as 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, the company 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.

Product safety and quality is a number one priority to Huhtamaki. 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 BRC, provide a solid base for securing manufacturing consistency.

Huhtamaki has made substantial investments into the production machinery serving its technology platforms. 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.

Foreign exchange transaction risk remains among Huhtamaki's twenty most important risks and is slightly increased in 2020 versus 2019. More information on financial risks and risk management can be found in Note 5.8. of the Financial statements 2020.

None of the risks identified in connection with the 2020 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.

Short to medium term sustainability risks and opportunities arising from changes in the business environment include bans on chemicals and materials used in products as well as new legal requirements 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 and Foodservice products affect the business. Thus, the Group is continuously evaluating and developing its product portfolio 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.

In the medium to long term, climate change is likely to increase the frequency and severity of weather-related 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 interrupt 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. Proposed greenfield or acquisition target locations' exposure to natural disasters is evaluated and must be considered acceptable, prior to proceeding with a project. Risks relating 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 on its business but on 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 2020 publication, pages 28, 53 and 62.

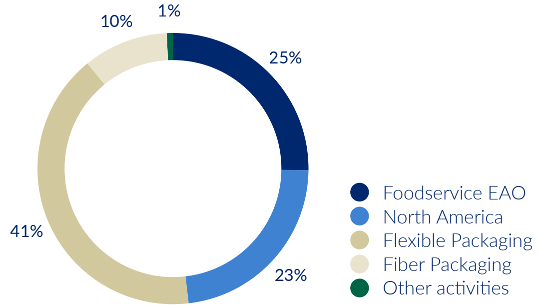
Short to medium term sustainability risks and opportunities relating to production involve occupational health and safety, product safety and quality, and environmental impacts of Huhtamaki operations. Risk management relating to environmental and occupational safety as well as social responsibility 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 2020 publication, pages 190–195.

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 the most engaging, motivating and safest workplace in the sector. More information on the Group's sustainable People strategy can be found in the Business Overview section of this Annual Report 2020 publication, pages 29–35.

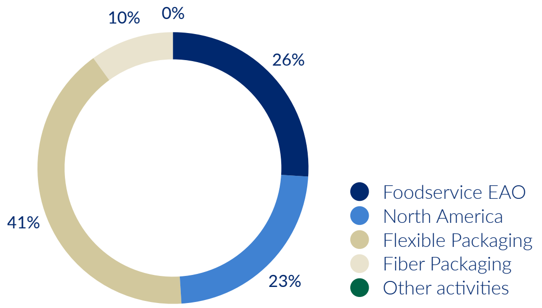
In the 2020 ERM assessment, changes in legal requirements on food packaging, human resources, as well as product safety and quality risks represented the most significant sustainability risks and opportunities for Huhtamaki. All three were among the top ten risks. Occupational health and safety, labor relations, human rights, sustainability requirements affecting manufacturing units or processes, as well as bans on materials used in products were considered medium risks to the Group.

Sustainability is also considered in connection with reputational risks relating to products, workplace, governance, and corporate citizenship. Reputational risks related to corporate citizenship and products are considered to pose a medium risk to the achievement of Huhtamaki's objectives, whereas reputational risks relative to

Employees by segment on December 31, 2020



Employees by segment on December 31, 2019



workplace and governance are seen a medium-low risk. Reputational risk management focuses on managing the potential root causes of the risks.

Corruption risk is included in the ERM assessment and considered an operational as well as a reputational risk. While the risk of corruption, bribery, and fraudulent activity in general is considered medium-low in the 2020 ERM assessment, anti-corruption is a key element of the company's ethics and compliance program framework. Ethics and business integrity requirements, including anti-corruption and zero tolerance to bribery, are also an integral part of Huhtamaki Working Conditions Requirements. Corruption and bribery risk and the related preventative procedures are evaluated in connection with a biennial ethics and compliance assessment, previously conducted in 2019 and scheduled to be refreshed in 2021.

Personnel

Number of personnel

	December 31, 2020	December 31, 2019	Change
Foodservice Europe-Asia-Oceania	4,591	4,927	-7%
North America	4,185	4,209	-1%
Flexible Packaging	7,468	7,544	-1%
Fiber Packaging	1,849	1,835	1%
Other activities[1]	134	83	61%
Group	**18,227**	**18,598**	**-2%**

[1] Including global functions in Finland

The number of employees decreased by 2% during the review period. At the end of December 2019, the Group had a total of 18,227 (18,598) employees. The total number of employees has decreased slightly in 2020 as the Company continued to adjust its operational model towards an optimal structure to deliver on the 2030 Strategy. Huhtamaki has strengthened some of its functions as well as centralized resources by shifting employees from segments to global functions.

Changes in management

Marina Madanat, M.Sc. (Economics and Business Administration), B.Sc. (Electrical Engineering), was appointed Executive Vice President, Strategy and Business Development as of January 1, 2020.

Antti Valtokari, M.Sc. (Computer Science), was appointed Executive Vice President, IT and Process Performance as of January 1, 2020.

Leena Lie, Executive Vice President, Marketing and Communications, and a member of the Global Executive Team decided to leave Huhtamaki to pursue other career opportunities on January 16, 2020.

Arup Basu, PhD (Technology), was appointed President, Flexible Packaging and a member of Global Executive Team as of February 1, 2020. Olli Koponen, President, Flexible Packaging, stepped down from the Global Executive Team and was appointed as Senior Vice President, Total Productive Manufacturing until his retirement.

Thomasine Kamerling, M.A., Modern History, was appointed as Executive Vice President, Sustainability and Communications and a member of Global Executive Team as of March 1, 2020.

Ann O'Hara, MBA, BSE (Chemical Engineering), was appointed President, North America business segment and a member of the Global Executive Team as of January 1, 2021. Clay Dunn, President, North America business segment retired at the end of 2020 after successfully leading Huhtamaki's business in North America since 2005.

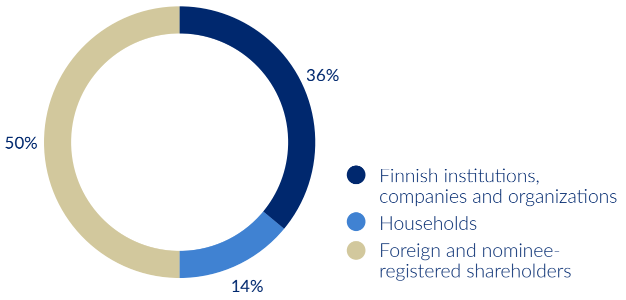
Share capital, shareholders and trading of shares

Share capital and share data

	2020	2019	2018
Registered share capital1, 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]	3,410,709	3,410,709	3,425,709
% of total number of shares	3.2%	3.2%	3.2%
Number of outstanding shares[1, 2]	104,349,676	104,349,676	104,334,676
Average number of outstanding shares[2, 3]	104,349,676	104,344,950	104,281,454
Number of shares traded[4], million	59.0	55.0	75.2
Closing price on final day of trading, EUR	42.26	41.38	27.07
Volume-weighted average price, EUR	37.34	34.74	31.03
High, EUR	46.62	42.20	36.89
Low, EUR	23.48	26.81	22.96
Market capitalization1, EUR million	4,554	4,459	2,917
Earnings per share, EUR	1.69	1.82	1.49
Earnings per share, diluted, EUR	1.69	1.82	1.49
Dividend per share, EUR	0.92[5]	0.89	0.84
Dividend to earnings	54%[5]	49%	56%
Effective dividend yield	2.2[5]	2.2	3.1
Price to earnings ratio[1]	25.0	22.7	18.2
Equity per share[1], EUR	12.31	12.92	11.65

[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] 2020: Board proposal

Sharehoder structure as at December 31, 2020



There were 36,764 (31,056) registered shareholders at the end of December 2020. Foreign ownership including nominee registered shares accounted for 50% (48%). At the end of the year, the largest shareholder was the Finnish Cultural Foundation holding 10.5 percent of all shares.

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 2020, the Company's market capitalization was EUR 4,554 million (EUR 4,459 million). With a closing price of EUR 42.26 (EUR 41.38) the share price increased approximately 2 percent from the beginning of the year. During the reporting period the volume weighted average price for the Company's shares was EUR 37.34 (EUR 34.74). The highest price paid was EUR 46.62 (EUR 42.20) and the lowest was EUR 23.48 (EUR 26.81).

During the reporting period, the cumulative value of the Company's share turnover on Nasdaq Helsinki Ltd was EUR 2,217 million (EUR 1,905 million). The trading volume of approximately 59 million (55 million) shares equaled an average daily turnover of 235,468 (219,838) shares. The cumulative value of the Company's share turnover including alternative trading venues, such as BATS Chi-X and Turquoise, was EUR 5,673 million (EUR 5,036 million). During the reporting period, 63% (64%) of all trading took place outside Nasdaq Helsinki Ltd. (Source: Fidessa Fragmentation Index, fragmentation.fidessa.com)

Resolutions of the Annual General Meeting 2020

Huhtamäki Oyj's Annual General Meeting of Shareholders was held in Helsinki on April 29, 2020. The meeting adopted the Annual Accounts including the Consolidated Annual Accounts for 2019, 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. The Annual General Meeting also decided to approve the Remuneration Policy for the Company's Governing Bodies presented to it.

The Annual General Meeting authorized the Board of Directors to decide at a later stage and in its discretion on the distribution of dividend in one or several instalments of a total maximum of EUR 0.89 per share.

The number of members of the Board of Directors was confirmed to be 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 Board of Directors elected Mr. Pekka Ala-Pietilä as the Chairman of the Board and Ms. Kerttu Tuomas as the Vice-Chairman of the Board.

KPMG Oy Ab, a firm of authorized public accountants, was elected as Auditor of the company for the financial year January 1 - December 31, 2020. Mr. Henrik Holmbom, APA, will be 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. The Annual General Meeting also 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 remains in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2021.

The Annual General Meeting resolved to establish a Shareholders' Nomination Board and to adopt the Charter of the Shareholders' Nomination Board. The Shareholders' Nomination Board replaces the Nomination Committee of the Board of Directors. The Shareholders' Nomination Board comprises one member appointed by each of the four largest shareholders of the Company in accordance with the appointment procedure set out in the Charter. The Chairman of the Board of Directors serves as an expert member of the Shareholders' Nomination Board.

The Annual General Meeting resolved to amend the Articles of Association in accordance with the proposal of the Board of Directors so that amendments related to the establishment of the Shareholders' Nomination Board and certain other technical amendments were made to the Articles of Association. As a result of the amendments, the Chairman and the Vice-Chairman of the Board of Directors can in the future be elected at the General Meeting.

Short-term risks and uncertainties

The COVID-19 pandemic is a significant short-term risk potentially creating disturbance in the Group's trading conditions and its operating environment, as well as in demand for the Group's products. Volatile raw material and energy prices 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.

Outlook for 2021

The Group's trading conditions are expected to improve compared to 2020, 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, 2020 Huhtamäki Oyj's distributable funds were EUR 542 million (EUR 630 million). The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.92 (EUR 0.89) per share be paid.

Annual General Meeting 2021

The Annual General Meeting of Shareholders (AGM) will be held on Thursday, April 22, 2021 with exceptional meeting procedures based on the Finnish temporary legislative act to limit the spread of the COVID-19 pandemic (677/2020). 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 the President & CEO 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 2020 publication. The statements are also available on the Group's website www.huhtamaki.com.

Financial statements

Consolidated financial statements

Consolidated statement of income (IFRS)

EUR million	Note	2020	2019
Net sales	**2.1.**	**3,301.8**	**3,399.0**
Cost of goods sold		-2,748.6	-2,816.2
Gross profit		**553.3**	**582.8**
Other operating income	2.5.	42.8	7.4
Sales and marketing		-81.4	-85.2
Research and development		-20.7	-22.0
Administration expenses		-199.6	-179.7
Other operating expenses	2.6.	-29.4	-19.8
Share of profit of equity-accounted investments		0.4	2.0
Earnings before interest and taxes	**2.2., 2.3.**	**265.3**	**285.5**
Financial income	5.1.	10.2	8.4
Financial expenses	5.1.	-38.4	-37.1
Profit before taxes		**237.1**	**256.7**
Income tax expense	2.7.	-53.3	-57.8
Profit for the period		**183.7**	**199.0**
Attributable to:			
Equity holders of the parent company		176.8	190.1
Non-controlling interest		6.9	8.9
EUR			
EPS attributable to equity holders of the parent company	2.8.	1.69	1.82
Diluted EPS attributable to equity holders of the parent company	2.8.	1.69	1.82

Group statement of comprehensive income (IFRS)

EUR million	Note	2020	2019
Profit for the period		**183.7**	**199.0**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit plans	2.2.	-1.4	-11.3
Income taxes related to items that will not be reclassified	2.7.	2.0	8.3
Total		**0.7**	**-3.1**
Items that may be reclassified subsequently to profit or loss			
Translation differences		-153.6	47.5
Equity hedges		17.2	-9.1
Cash flow hedges	5.5.	-2.3	-5.0
Income taxes related to items that may be reclassified	2.7.	0.7	0.6
Total		**-138.1**	**34.0**
Other comprehensive income, net of tax		**-137.4**	**31.0**
Total comprehensive income		**46.3**	**229.9**
Attributable to:			
Equity holders of the parent company		39.9	221.2
Non-controlling interest		6.4	8.7

Consolidated statement of financial position (IFRS)

Assets

EUR million	Note	2020	2019
Non-current assets			
Goodwill	3.2.	732.4	735.7
Other intangible assets	3.3.	37.4	35.2
Tangible assets	3.4.	1,365.3	1,398.1
Equity-accounted investments	6.1.	0.0	4.9
Other investments	5.7.	2.3	2.4
Interest-bearing receivables	5.2., 5.7.	3.3	4.2
Deferred tax assets	2.7.	61.3	50.9
Employee benefit assets	2.2.	57.4	55.4
Other non-current assets		3.4	3.1
		2,262.8	**2,290.1**
Current assets			
Inventory	4.1.	473.4	497.8
Interest-bearing receivables	5.2.	7.4	12.9
Current tax assets		16.3	14.6
Trade and other current receivables	4.2., 5.7.	520.5	595.9
Cash and cash equivalents	5.3., 5.7.	315.5	199.4
		1,333.0	**1,320.6**
Total assets		**3,595.8**	**3,610.6**

Equity and liabilities

EUR million	Note	2020	2019
Share capital	5.4.	366.4	366.4
Premium fund	5.4.	115.0	115.0
Treasury shares	5.4.	-31.3	-31.3
Translation differences	5.4.	-202.3	-65.8
Fair value and other reserves	5.5.	-103.8	-103.4
Retained earnings		1,140.1	1,067.1
Total equity attributable to equity holders of the parent company		**1,284.1**	**1,348.0**
Non-controlling interest		80.4	89.1
Total equity		**1,364.5**	**1,437.1**
Non-current liabilities			
Interest-bearing liabilities	5.6., 5.7.	941.4	879.7
Deferred tax liabilities	2.7.	99.1	97.7
Employee benefit liabilities	2.2.	228.5	225.2
Provisions	4.3.	12.1	13.2
Other non-current liabilities		12.6	7.0
		1,293.6	**1,222.9**
Current liabilities			
Interest-bearing liabilities			
Current portion of long term loans	5.6., 5.7.	95.4	92.7
Short-term loans	5.6., 5.7.	156.2	148.0
Provisions	4.3.	22.1	8.4
Current tax liabilities		66.6	50.5
Trade and other current liabilities	4.4., 5.7.	597.4	651.0
		937.7	**950.7**
Total liabilities		**2,231.3**	**2,173.6**
Total equity and liabilities		**3,595.8**	**3,610.6**

Consolidated statement of changes in equity (IFRS)

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, 2019		**366.4**	**115.0**	**-31.5**	**-104.2**	**-96.1**	**965.5**	**1,215.1**	**52.2**	**1,267.3**
Dividends paid	2.8.						-87.6	-87.6		-87.6
Share-based payments	6.3.			0.1			0.9	1.0		1.0
Total comprehensive income for the year					38.4	-7.3	190.1	221.2	8.7	229.9
Acquisition of non-controlling interest							-6.2	-6.2	26.3	20.2
Other changes							4.5	4.5	1.8	6.3
Balance on Dec 31, 2019		**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**

Consolidated statement of cash flows (IFRS)

EUR million	Note	2020	2019
Profit for the period		183.7	199.0
Adjustments		271.3	239.3
Depreciation and amortization		199.2	163.2
Share of profit of equity-accounted investments		-0.4	-0.1
Gain/loss from disposal of assets		0.5	-0.6
Financial expense/-income		28.2	28.8
Income tax expense		53.3	57.8
Other adjustments, operational		-9.6	-9.8
Change in inventory		-4.7	19.1
Change in non-interest bearing receivables		50.9	-40.2
Change in non-interest bearing payables		-6.6	66.4
Dividends received		0.0	0.0
Interest received		2.6	3.8
Interest paid		-23.4	-22.6
Other financial expense and income		-0.4	0.8
Taxes paid		-44.9	-39.3
Net cash flows from operating activities		**428.6**	**426.4**
Capital expenditure		-223.5	-203.9
Proceeds from selling tangible assets		1.9	3.3
Acquired subsidiaries and assets		-39.0	-32.5
Proceeds from long-term deposits		0.9	0.5
Payment of long-term deposits		-0.2	-2.0
Proceeds from short-term deposits		34.2	1.0
Payment of short-term deposits		-28.7	-4.8
Net cash flows from investing activities		**-254.3**	**-238.5**

EUR million	Note	2020	2019
Proceeds from long-term borrowings		345.2	477.1
Repayment of long-term borrowings		-199.4	-299.2
Change in short-term loans		-94.8	-180.3
Acquisition of non-controlling interest		-	-1.4
Dividends paid		-92.9	-87.6
Net cash flows from financing activities	**5.6.**	**-41.8**	**-91.4**
Change in liquid assets		**116.0**	**104.4**
Cash flow based		132.5	96.5
Translation difference		-16.5	7.9
Liquid assets period start		199.4	95.0
Liquid assets period end		315.5	199.4

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 35 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 10, 2021. 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, 2020. 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 1.7.

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 – Impact of the COVID-19 pandemic".

1.4. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following new or amended standards and interpretations have been adopted as of January 1, 2020:

- Revised IAS 1 Presentation of Financial Statements and revised IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify the definition of material and how it should be applied. The amendments had no impact to the consolidated financial statements.
- Revised IFRS 3 Business Combinations. The amendments clarify the definition of a business and help to determine whether an acquisition made is of a business or a group of assets. The amendments had no impact on the consolidated financial statements.
- Revised IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform). The amendments modify specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should be continued to be recorded in the income statement. The 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. For the fair value hedge accounting relationships, the fair value of the hedged item and hedging instruments are calculated with an identical interest rate and therefore no ineffectiveness is expected. For the cash flow hedge accounting relationships, some minor ineffectiveness may occur. The Group will continue to monitor the effects of the IBOR reform and its potential uncertainty on hedge accounting.
- Revised Conceptual Framework for Financial Reporting. The amendments include revised definitions for an asset and a liability, new guidance on measurement and derecognition, presentation and disclosure. The amendments had no impact on the consolidated financial statements.

The Group plans to adopt the following amendments in 2021 and they are not expected to have material impact on the consolidated financial statements:

- Revised IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and 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.

The Group plans to adopt the following amendments and new standards later than 2021 and they are not expected to have 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 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.
- Revised IFRS 3 Business Combinations. The amendments update the outdated reference to the Conceptual Framework.
- Annual Improvements to IFRS standards 2018–2020. Annual improvements include smaller amendments to four standards.

1.5. 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.

1.6. 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.

1.7. 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 estimates and assumptions that have a significant risk of causing adjustment to the carrying value of assets within next financial year relate to: impairment testing (Note 3.2 Goodwill), the 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), the probability of deferred tax assets being recovered against future taxable profits (Note 2.7 Income taxes) and contingent considerations related to business combinations (Note 5.6 Interest-bearing liabilities).

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 2020

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
RONA, % (12m roll.)	0.8%	1.7%	1.0%	1.6%	
Operating Cash Flow	41.6	150	83.8	18.9	

Segments 2019

EUR million	Foodservice Europe-Asia-Oceania	North America	Flexible Packaging	Fiber Packaging	Segments total
Net sales	952.8	1,145.3	1,011.5	289.4	3,399.0
Intersegment net sales	3.9	7.4	4.9	4.0	-20.2
EBIT*	85.1	108.3	82.0	27.8	303.2
Net Assets	799.8	836.0	769.0	236.6	2,641.3
Capital Expenditure	74.7	54.6	44.4	29.5	203.2
Depreciation and amortization	50.7	50.4	38.6	19.7	159.5
RONA, % (12m roll.)	11.4%	12.7%	11.0%	12.1%	
Operating Cash Flow	66.8	125.0	88.8	22.4	

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	2020	2019
Total EBIT for reportable segments	267.7	303.2
EBIT for other activities	-2.4	-17.7
Net financial items	-28.2	-28.8
Profit before taxes	**237.1**	**256.7**

Assets

EUR million	2020	2019
Total assets for reportable segments	3,116.9	3,243.3
Assets in other activities	6.5	16.3
Unallocated assets	472.4	351.0
Group's total assets	**3,595.8**	**3,610.6**

Liabilities

EUR million	2020	2019
Total liabilities for reportable segments	553.3	602.0
Liabilities in other activities	38.1	43.9
Unallocated liabilities	1,639.9	1,527.7
Group's total assets	**2,231.3**	**2,173.6**

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.

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
Other countries	591.8	746.7
Total	**3,301.8**	**2,135.1**

2019

EUR million	External net sales	Non-current assets
United States	1140.4	666.3
Germany	435.0	145.2
India	305.5	113.0
The United Kingdom	229.6	143.2
Australia	156.2	57.9
Thailand	125.7	68.1
China	115.4	86.3
South Africa	69.4	37.6
United Arab Emirates	95.8	46.3
Russia	107.9	59.9
Other countries	618.0	750.2
Total	**3,398.9**	**2,174.0**

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	2020	2019
Wages and Salaries	596.3	559.1
Compulsory social security contributions	60.6	59.2
Pensions		
Defined benefit plans	6.9	6.7
Defined contribution plans	16.1	17.3
Other post-employment benefits	2.2	2.0
Share-based payments	3.7	1.8
Other personnel costs	35.7	40.3
Total	**721.4**	**686.3**

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 2.4 million (EUR 2.3 million).

Average number of personnel	2020	2019
Group	18,440	18,125
Huhtamäki Oyj	125	106

See note 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.

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
EUR million	2020	2019	2020	2019	2020	2019
Balance at January 1	591.3	539.6	-421.5	-383.6	169.8	156.0
Included in Income statement						
Current service cost	9.2	8.7			9.2	8.7
Plan amendment and curtailment cost (+) / income (-)	-0.2	0.0			-0.2	0.0
Interest cost (+) / income (-)	10.2	15.2	-8.7	-12.3	1.5	2.9
	19.2	**23.9**	**-8.7**	**-12.3**	**10.5**	**11.6**
Included in Other comprehensive income						
Remeasurements						
Actuarial loss (+) / gain (-) arising from						
Demographic assumptions	0.0	-14.8			0.0	-14.8
Financial assumptions	38.8	65.2			38.8	65.2
Experience adjustment	3.4	-2.5			3.4	-2.5
Actual return on plan assets less interest income			-40.9	-36.5	-40.9	-36.5
	42.3	**47.8**	**-40.9**	**-36.5**	**1.4**	**11.3**
Other movements						
Benefits paid	-33.5	-32.4	26.9	25.5	-6.6	-7.0
Contribution by employer			-3.0	-3.1	-3.0	-3.1
Contribution by employee			-0.2	-0.3	-0.2	-0.3
Obligations and assets assumed in business combinations	0.0	-	0.0	-	0.0	-
Effect of movements in exchange rates	-27.1	12.4	26.3	-11.2	-0.8	1.2
Balance at December 31	**592.1**	**591.3**	**-421.1**	**-421.5**	**171.1**	**169.8**

Significant actuarial assumptions	2020	2019
Discount rate %		
Europe	0.0–1.7	0.3–2.3
Americas	2.1–6.8	3.0–7.4
Asia, Oceania, Africa	1.8–9.1	1.8–9.1
Annual increase in healthcare costs %		
Americas	5.8	6.1
Asia, Oceania, Africa	6.0	6.2

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

EUR million	2020	2019
1% p. increase in discount rate	-79.4	-49.0
1% p. decrease in discount rate	90.7	60.8
1% p. increase of estimated healthcare cost	1.2	1.4
1% p. decrease of estimated healthcare cost	-1.0	-1.2

Reflected to statement of financial position	2020	2019
Employee benefit assets	57.4	55.4
Employee benefit liabilities	228.5	225.2
	171.1	**169.8**

Amounts of funded and unfunded obligations	2020	2019
Present value of funded obligations	558.5	555.9
Present value of unfunded obligations	33.6	35.4
	592.1	**591.3**

Plan assets comprise:	2020	2019
European equities	22.5	14.2
North American equities	47.9	59.9
European debt instruments	24.5	26.3
North American debt instruments	126.7	112.9
Property	19.2	21.0
Insured plans	90.8	85.6
Other	89.5	101.5
	421.1	**421.5**

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

Expected contribution to defined benefit plans during 2021 is EUR 4.5 million.

The weighted average duration of defined benefit obligation was 15 years (14 years).

2.3. DEPRECIATION AND IMPAIRMENT

EUR million	2020	2019
Depreciation and amortization by function:		
Production	164.2	133.3
Sales and marketing	1.4	1.4
Research and development	0.4	0.5
Administration	6.1	6.6
Other	27.2	21.5
Total	199.2	163.2

EUR million	2020	2019
Depreciation and amortization by asset type:		
Land	0.5	1.2
Buildings	42.2	33.5
Machinery and equipment	135.3	112.7
Other tangible assets	7.5	6.9
Intangible assets	13.8	9.0
Total	199.2	163.2

EUR million	2020	2019
Impairments by asset type:		
Buildings	2.7	0.0
Machinery and equipment	2.5	-
Goodwill	3.2	-
Other Intangible assets	-	-
Total	8.4	0.0

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.

2.4. RESTRUCTURING ITEMS

In 2020 restructuring costs of EUR 47.6 million were booked in all segments to improve competitiveness and efficiency. In 2019 the Group did not implement any new restructuring programs.

EUR million	2020
Cost of goods sold	-33.6
Administration expenses	-9.6
Other operating expenses	-4.4
Total	-47.6

2.5. OTHER OPERATING INCOME

EUR million	2020	2019
Grants	7.7	2.0
Gain on disposal of tangible assets	0.6	1.4
Insurance reimbursements for property damage incidents	3.2	-
One-time gain from acquisition of Laminor	22.4	-
Royalty income	0.1	0.1
Rental income	0.7	0.3
Other	8.1	3.6
Total	**42.8**	**7.4**

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

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.

2.6. OTHER OPERATING EXPENSES

EUR million	2020	2019
Amortization intangible assets	13.8	9.0
Losses from property damage incidents	-	4.3
Strategic project expenses	1.0	2.2
Settlement of industrial dispute	10.5	-
Loss on disposal of tangible assets	1.0	1.0
Environmental provision	-	1.0
Other	3.0	2.3
Total	**29.4**	**19.8**

In 2020, total auditing costs of the Group amounted to EUR 2.3 million (EUR 2.2 million). KPMG network has also provided other consultancy not related to auditing worth of EUR 0.7 million (of which KPMG Oy Ab accounted for 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 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	2020	2019
Current period taxes	63.6	47.1
Previous period taxes	-5.1	-0.5
Deferred tax expense	-5.1	11.1
Total tax expense	**53.3**	**57.8**
Profit before taxes	237.1	256.7
Tax calculated at domestic rate (20%)	47.4	51.3
Effect of different tax rates in foreign subsidiaries	4.3	5.1
Non-deductible expenses and tax-exempt income	-2.2	-3.6
Tax effect of unrecognized tax losses	6.8	4.6
Previous period taxes	-5.1	-0.5
Other items[1]	2.2	0.7
Total tax expense	**53.3**	**57.8**

1 Other items include changes in local tax rates.

Tax effects relating to components of other comprehensive income

	2020			2019		
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	-2.3	0.7	-1.6	-5.0	0.6	-4.3
Remeasurements on defined benefit plans	-1.4	2.0	0.7	-11.3	8.3	-3.1

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	2020	2019
Deferred tax assets by types of temporary differences		
Tangible assets	4.8	3.5
Employee benefit	51.3	48.1
Provisions	9.5	4.5
Unused tax losses	16.0	15.3
Other temporary differences	24.2	19.5
Total	**105.7**	**90.9**
Deferred tax liabilities		
Tangible assets	73.3	78.8
Intangible assets	11.9	10.4
Employee benefit	21.0	20.6
Other temporary differences	37.3	27.8
Total	**143.5**	**137.6**
Net deferred tax liabilities	37.8	46.8
Reflected in statement of financial position as follows:		
Deferred tax assets	61.3	50.9
Deferred tax liabilities	99.1	97.7
Total	**37.8**	**46.8**

December 31, 2020 the Group had EUR 145 million (EUR 144 million) worth of deductible temporary differences, for which no deferred tax asset was recognized. EUR 134 million of these temporary differences have unlimited expiry, EUR 1 million expire over five years and EUR 10 million in five years.

2.8. EARNINGS AND DIVIDEND PER SHARE

Earnings per share

EUR million	2020	2019
Net income attributable to equity holders of the parent company (basic/diluted), EUR million	176.8	190.1
Weighted average number of shares outstanding, in thousands	104,350	104,345
Effect of share-based payments, in thousands	15	–
Diluted weighted average number of shares outstanding, in thousands	**104,365**	**104,345**
Earnings per share from the profit for the period attributable to equity holders of the parent company		
Basic earnings per share, EUR	1.69	1.82
Diluted earnings per share, EUR	1.69	1.82

Dividend per share

The dividends paid in 2020 were EUR 0.89 per share, totaling EUR 92.9 million (EUR 0.84 per share, totaling EUR 87.6 million). A dividend of EUR 0.92 per share will be proposed at the Annual General Meeting on April 22, 2021, corresponding to total dividends of EUR 96.0 million for 2020. 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 January 10, 2020 Huhtamaki completed the acquisition of the assets and operations of Mohan Mutha Polytech Private Limited (MMPPL), a privately-owned flexible packaging manufacturer located in Sri City, Andhra Pradesh, India. The consideration in cash amounted to EUR 9.4 million. The business has been reported as part of the Flexible Packaging business segment as of January 10, 2020. The goodwill from the acquired business is expected to be non-deductible for income tax purposes.

On March 31, 2020 Huhtamaki completed the acquisition of full ownership of its joint venture company Laminor S.A. in Brazil. Laminor is specialized in high-quality tube laminates, particularly for oral care applications, and was set up in 2002 as a 50/50 joint venture together with Bemis Company, which is now part of Amcor. Due to the full ownership in Laminor the Group has control in the company and the previous joint venture has been consolidated as a subsidiary in the Flexible Packaging business segment as of April 1, 2020. The

goodwill from the acquired business is expected to be non-deductible for income tax purposes. The consideration in cash for the additional shares amounted to EUR 28.6 million. As a result of the transaction, a gain of EUR 22.4 million from the difference between remeasured interest according to the purchase price and previously held equity interest is recognized in the income statement.

The costs relating to advice etc. services EUR 0.4 million are included in the Group income statement in account Other operating expenses.

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

EUR million	2020
Other intangible assets	8.8
Tangible assets	13.1
Other non-current assets	3.8
Inventory	3.5
Trade and other current receivables	8.5
Cash and cash equivalents	0.0
Total assets	**37.7**
Deferred tax liabilities	-6.4
Other non-current liabilities	-0.1
Non-current provisions	-2.2
Trade and other current liabilities	-4.4
Total liabilities	**-13.0**
Net assets total	**24.7**
Goodwill	39.4
Remeasurements	26.1
Consideration	**38.0**

Analysis of cash flows of acquisition

EUR million	
Purchase consideration, cash payment	-38.0
Cash and cash equivalents in acquired companies	0.0
Transaction costs of the acquisitions	-0.4
Net cash flow on acquisitions	**-38.3**

The net sales of the acquired businesses included in the Group income statement since acquisition date were EUR 27.0 million and result for the period was EUR 1.7 million. The net sales and the result for the period of the acquired business would not have had material effect in the Group income statement, if the acquired business had been consolidated from January 1, 2020.

On December 18, 2019 Huhtamaki completed the acquisition of the majority of the business of Everest Flexibles (Pty) Limited ("Everest"), a privately-owned flexible packaging manufacturer in South Africa. The values of assets, liabilities and goodwill have changed from the values reported in the annual financial statements for 2019.

EUR million	2020
Other intangible assets	3.7
Tangible assets	19.5
Inventory	6.9
Trade and other current receivables	11.9
Cash and cash equivalents	-
Total assets	**42.0**
Deferred tax liabilities	-1.8
Trade and other current liabilities	-8.8
Total liabilities	**-10.6**
Net assets total	**31.5**
Non-controlling interest	-9.4
Goodwill	24.5
Consideration	**46.6**
Consideration, paid in cash	33.3
Consideration, paid in shares	13.3

Analysis of cash flows of acquisition

EUR million	
Purchase consideration, cash payment	-33.3
Cash and cash equivalents in acquired companies	-
Transaction costs of the acquisitions	-0.6
Net cash flow on acquisitions	**-33.9**

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 unit

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:

EUR million	Goodwill	Discount interest rates used (pre-tax), %	Goodwill	Discount interest rates used (pre-tax), %
North America	215.2	7.7	225.9	8.3
Flexible Packaging Global	162.9	11.2	143.4	12.0
Flexible Packaging Europe	95.5	7.9	95.9	7.9
Foodservice EAO Global	93.6	8.0	100.3	8.4
	567.2		**565.5**	
Multiple units with smaller goodwill amount	165.2	7.4–26.2	170.2	8.3–28.6
Total goodwill	**732.4**		**735.7**	

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 has 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 past 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 1.4 percent growth rate in developed countries, 1.5 percent growth rate in developing countries and 2.8 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 2020
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**

EUR million	Goodwill	Customer relations	Software	Other intangibles (including intangible rights)	Total 2020
Acquisition cost on January 1, 2019	808.8	39.6	86.6	24.4	959.4
Additions	-	-	0.8	1.2	1.9
Disposals	-	-	-0.7	-0.5	-1.1
Intra-balance sheet transfer	-	-	1.5	0.1	1.6
Business combinations	26.2	-	-	-	26.2
Changes in exchange rates	12.7	1.1	0.7	0.2	14.7
Acquisition cost on December 31, 2019	847.6	40.8	88.9	25.4	1,002.6
Accumulated amortization and impairment on January 1, 2019	110.7	23.4	76.6	10.2	220.9
Accumulated amortization on disposals and transfers	-	-	-0.7	-0.0	-0.7
Amortization during the financial year	-	4.4	3.5	1.1	9.0
Impairments during the financial year	-	-	-	-	-
Changes in exchange rates	1.2	0.7	0.6	0.1	2.6
Accumulated amortization and impairment on December 31, 2019	111.9	28.5	80.0	11.3	231.7
Book value on December 31, 2019	**735.7**	**12.2**	**8.9**	**14.1**	**771.0**

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	2020	2019
Owned property, plant and equipment	1,219.8	1,242.8
Right-of-use assets	145.6	155.3
Total tangible assets	**1,365.3**	**1,398.1**

	Owned assets					
EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2020
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**

	Right-of-use assets				
EUR million	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Total 2020
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
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

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	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.

	Owned assets					
EUR million	Land	Buildings and constructions	Machinery and equipment	Construction in progress and advance payments	Other tangible assets	Total 2020
Acquisition cost on January 1, 2019	29.6	386.1	1,650.6	135.6	85.3	2,287.3
Additions	-	1.7	14.8	186.9	2.1	205.5
Disposals	-	-4.0	-21.0	-0.1	-1.7	-26.8
Intra-balance sheet transfer	0.0	37.0	166.3	-204.3	4.5	3.5
Business combinations	-	-	16.8	-	0.0	16.8
Changes in exchange rates	1.2	11.3	45.5	6.1	1.4	65.5
Acquisition cost on December 31, 2019	30.8	432.1	1,873.1	124.2	91.6	2,551.7
Accumulated depreciation and impairment on January 1, 2019	-	149.1	967.2	-	57.3	1,173.5
Accumulated depreciation on disposals and transfers	-	0.7	-20.8	-	-1.1	-21.2
Depreciation during the financial year	-	16.6	103.9	-	6.8	127.3
Impairments during the financial year	-	-	-	-	-	-
Changes in exchange rates	-	3.9	24.4	-	0.9	29.2
Accumulated depreciation and impairment on December 31, 2019	-	170.3	1,074.8	-	63.9	1,308.9
Book value on December 31, 2019	**30.8**	**261.8**	**798.4**	**124.2**	**27.7**	**1,242.8**

	Right-of-use assets				
EUR million	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Total 2020
Acquisition cost on January 1, 2019	23.4	131.7	40.5	0.5	196.1
Additions	0.2	96.7	11.7	0.2	108.9
Disposals	-2.7	-48.2	-13.4	-0.0	-64.4
Intra-balance sheet transfer	-	-5.1	-	-	-5.1
Changes in exchange rates	0.7	2.6	1.0	0.0	4.3
Acquisition cost on December 31, 2019	21.6	177.7	39.8	0.7	239.8
Accumulated depreciation and impairment on January 1, 2019	9.6	46.5	21.9	0.3	78.3
Accumulated depreciation on disposals and transfers	-0.3	-10.2	-11.7	-0.0	-22.2
Depreciation during the financial year	1.2	16.9	8.8	0.1	27.0
Changes in exchange rates	0.3	0.6	0.6	0.0	1.5
Accumulated depreciation and impairment on December 31, 2019	10.7	53.8	19.6	0.4	84.5
Book value on December 31, 2019	**10.9**	**123.9**	**20.2**	**0.3**	**155.3**

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	2020	2019
Raw and packaging material	167.8	161.6
Work-In-Process	69.6	65.7
Finished goods	228.6	265.4
Advance payments	7.4	5.2
Total	**473.4**	**497.8**

The value at cost for finished goods amounts to EUR 248.1 million (EUR 280.9 million). An allowance of EUR 26.8 million (EUR 20.7 million) has been established for obsolete items. Total inventories include EUR 0.4 million resulting from reversals of previously written down values (EUR 4.4 million).

4.2. TRADE AND OTHER CURRENT RECEIVABLES

EUR million	2020	2019
Trade receivables	402.9	492.3
Other receivables	64.1	62.9
Accrued interest and other financial items	21.5	13.1
Other accrued income and prepaid expenses	32.1	27.6
Total	**520.5**	**595.9**

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 2020	Impairment 2020	Gross 2019	Impairment 2019
Not past due	355.8	0.7	430.7	1.9
Past due 0–30 days	34.2	0.2	42.7	0.2
Past due 31–120 days	14.0	0.3	18.4	1.5
Past due more than 120 days	7.9	7.8	7.9	3.8
Total	**411.9**	**9.0**	**499.6**	**7.3**

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 compensation and provision related to settlement of industrial dispute.

EUR million	Restructuring reserve	Other	Total 2020	Total 2019
Provision on January 1, 2020	6.2	15.4	21.6	31.7
Translation difference	-0.0	-0.9	-0.9	0.3
Provisions made during the year	13.5	15.1	28.7	4.6
Provisions used during the year	-8.7	-6.2	-14.9	-14.3
Unused provisions reversed during the year	-0.0	-0.2	-0.3	-0.6
Provision on December 31, 2020	**11.0**	**23.1**	**34.2**	**21.6**
Current	10.3	11.8	22.1	8.4
Non-current	0.7	11.3	12.1	13.2

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	2020	2019
Trade payables	362.6	405.6
Other payables	66.5	90.0
Accrued interest expense and other financial items	17.4	20.7
Personnel and social security accruals	81.2	72.7
Other accrued expenses	69.8	62.1
Total	**597.4**	**651.0**

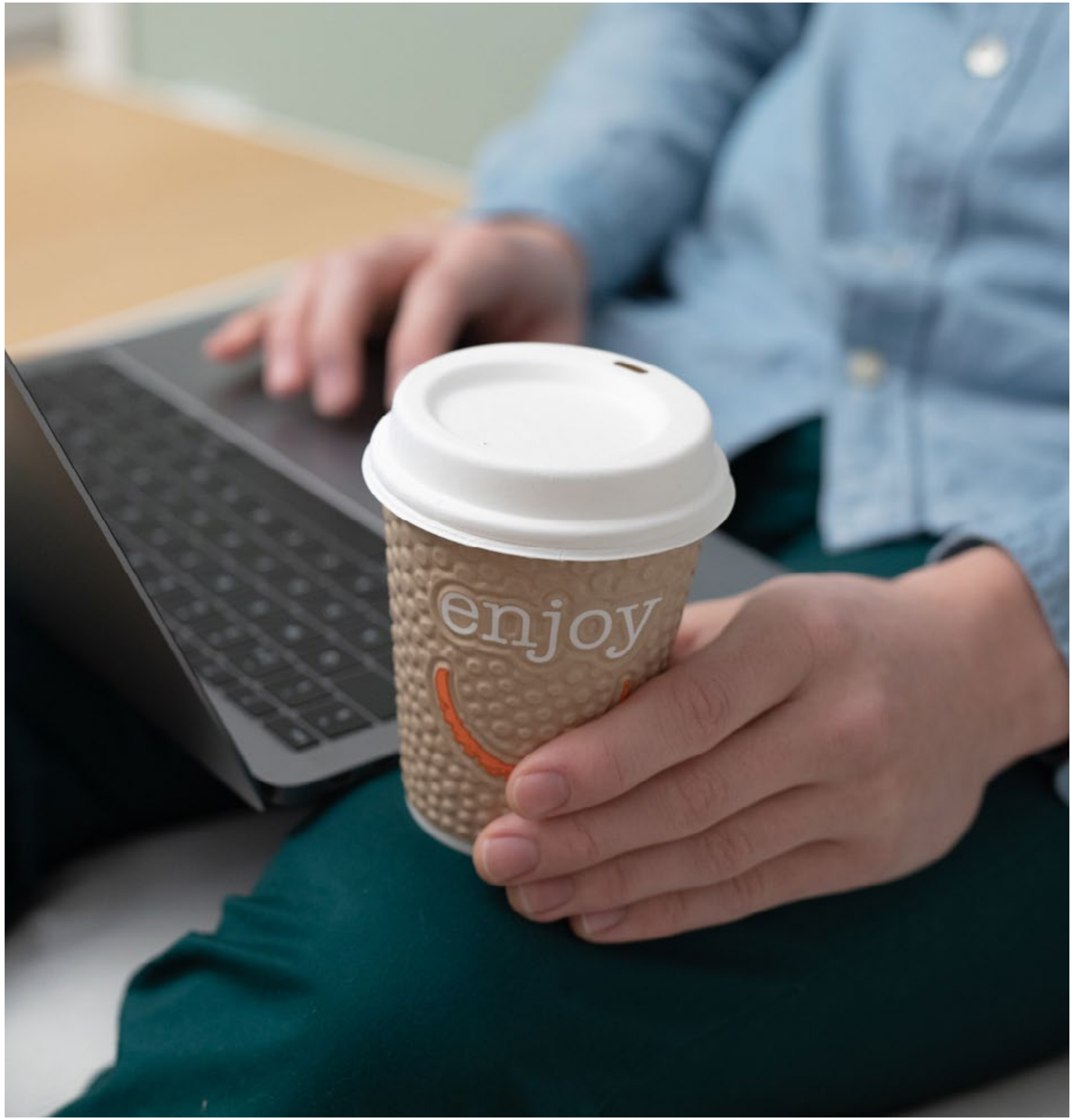
Other accrued expenses include accruals for purchases of material and other miscellaneous accruals.

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	2020	2019
Interest income		
Financial assets at amortized cost		
Interest-bearing receivables and other receivables	2.6	3.8
Financial assets at fair value through profit or loss		
Derivatives	0.4	0.9
Defined benefit plans	1.6	2.0
Dividend income		
Other investments	0.0	0.0
Other financial income		
FX revaluation gains		
Interest-bearing assets and liabilities	1.1	0.5
Derivatives	1.4	1.1
Change in fair value of contingent consideration	3.0	-
Financial income	**10.2**	**8.4**
Interest expense		
Financial liabilities measured at amortized cost		
Interest-bearing liabilities (excl. lease liabilities)	-20.8	-13.7
Lease liabilities	-4.0	-4.4
Financial liabilities at fair value through profit or loss		
Derivatives	-6.8	-11.5
Defined benefit plans	-3.2	-4.9
Other financial expense		
FX revaluation losses		
Interest-bearing assets and liabilities	-2.0	-0.3
Derivatives	-0.1	-0.6
Fees related to committed credit facilities	-1.3	-1.7
Other fees	-0.3	-0.1
Financial expense	**-38.4**	**-37.1**
Net financial items	**-28.2**	**-28.8**

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

	2020		2019	
EUR million	Carrying amount	Fair value	Carrying amount	Fair value
Current				
Loan receivables	6.4	6.4	11.6	11.6
Finance lease receivables	1.0	1.0	1.3	1.3
Current interest-bearing receivables	**7.4**	**7.4**	**12.9**	**12.9**
Non-current				
Loan receivables	1.5	1.5	1.5	1.5
Finance lease receivables	1.8	1.8	2.7	2.7
Non-current interest-bearing receivables	**3.3**	**3.3**	**4.2**	**4.2**

Finance lease receivables

EUR million	2020	2019
Finance lease receivable is payable as follows:		
In less than one year	1.0	1.3
Between one and five years	1.8	2.7
Total minimum lease payments	**2.8**	**4.0**
Present value of minimum lease payments		
In less than one year	0.9	1.1
Between one and five years	1.7	2.5
Total present value of minimum lease payments	**2.6**	**3.6**
Unearned future financial income	**0.3**	**0.4**

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	2020	2019
Cash and bank	293.6	182.6
Liquid marketable securities	21.9	16.8
Total	**315.5**	**199.4**

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, 2019	**107,760,385**	**366,385,309.00**	**115,023,103.38**	**-31,480,888.88**	**449,927,523.50**
Own shares conveyance through performance share incentive plan	-	-	-	137,850.00	137,850.00
December 31, 2019	**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**

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 Shareholders on April 29, 2020 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, 2021. This authorization cancelled the authorization given by the Annual General Meeting on April 25, 2019 to decide on the repurchase of the Company's own shares.

The Annual General Meeting of Shareholders on April 29, 2020 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, 2021. This authorization cancelled the authorization given by the Annual General Meeting on April 25, 2019 to decide on the issuance of shares as well as the issuance of special rights entitling to shares. During 2020 no own shares were transferred (during 2019 a total of 15,000 own shares were transferred based on the authorization in force at that time).

On December 31, 2020 the Company owned a total of 3,410,709 own shares (3,410,709 own shares).

Members of the Board of Directors and the CEO of the Company owned on December 31, 2020 a total of 40,600 shares (39,600 shares). These shares represented 0.04% (0.04%) of the total number of shares and voting rights in the Company on December 31, 2020.

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, 2020 Huhtamäki Oyj's non-restricted equity was EUR 542,416,127.31 of which the result for the financial period was EUR 6,057,232.09. The Board of Directors proposes that dividend will be distributed at EUR 0.92 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 96,001,701.92.

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 2020 no own shares were transferred (in 2019 own shares were transferred according to the terms and conditions of the CEO sign-in bonus). There are no additions in treasury shares in 2020.

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, 2018	**-96.1**
Cash flow hedges recognized in other comprehensive income	-4.4
Cash flow hedges transferred to profit or loss	0.1
Cash flow hedges transferred to statement of financial position	-0.7
Deferred taxes	0.6
Change of remeasurements on defined benefit plans	-11.3
Deferred taxes	8.3
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**

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

EUR million	2020 Carrying amount	2020 Fair value	2019 Carrying amount	2019 Fair value
Current				
Loans from financial institutions				
fixed rate	20.0	20.0	-	-
floating rate	197.7	197.7	148.8	148.8
Bonds				
fixed rate	-	-	65.0	65.0
Other current loans				
floating rate	0.2	0.2	0.5	0.5
Contingent considerations	10.7	10.7	-	-
Lease liabilities	23.0	23.0	26.5	26.5
Total	**251.6**	**251.6**	**240.7**	**240.7**
Non-current				
Loans from financial institutions				
fixed rate	177.5	173.0	122.5	123.0
floating rate	292.2	292.2	295.4	295.4
Bonds				
fixed rate	324.8	312.9	323.7	325.8
Other non-current loans				
floating rate	-	-	1.2	1.2
Contingent considerations	15.5	15.5	-	-
Lease liabilities	131.4	131.4	137.0	137.0
Total	**941.4**	**925.0**	**879.7**	**882.3**

EUR million	Loans from financial institutions	Bonds	Other loans	Contingent considerations	Lease liabilities	Total
2021	217.7	-	0.2	10.7	23.0	251.6
2022	175.1	-	-	-	19.7	194.8
2023	143.6	-	-	15.5	15.0	174.1
2024	35.0	149.9	-	-	12.7	197.6
2025	85.5	-	-	-	11.6	97.1
2026–	30.5	174.9	-	-	72.4	277.8

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 0.39%–0.98%. 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

	2020							2019
			Non-cash changes					
EUR million	Total	Cash flows	Acquisition	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**	**-**	**26.2**	**-23.7**	**0.0**	**19.0**	**1,120.4**

	2019							2018
			Non-cash changes					
EUR million	Total	Cash flows	Acquisition	Contingent considerations	Foreign exchange movement	Reclassification from long-term to short-term	Other	Total
Long-term loans	742.7	177.9	-	-	5.4	-67.5	0.2	626.8
Short-term loans	214.2	-151.4	-	-	18.9	67.5	-3.8	282.9
Long-term lease liabilities	137.0	0.0	-	-	2.3	-26.8	59.1	102.4
Short-term lease liabilities	26.5	-28.9	-	-	0.6	26.8	3.9	24.0
Total liabilities from financing activities	**1,120.4**	**-2.4**	**-**	**-**	**27.2**	**0.0**	**59.5**	**1,036.2**

5.7. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million	2020	2019
Financial assets at fair value through profit or loss		
Derivatives	7.8	1.5
Derivatives designated for hedge accounting	5.9	1.6
Financial assets at amortized cost		
Non-current interest-bearing receivables	3.3	4.2
Other non-current assets	2.5	2.1
Current interest-bearing receivables	7.4	12.9
Trade and other current receivables	466.9	555.2
Cash and cash equivalents	315.5	199.4
Other investments	2.3	2.4
Financial assets total	**811.6**	**779.3**
Financial liabilities at fair value through profit or loss		
Derivatives	6.5	10.5
Contingent considerations	26.2	-
Derivatives designated for hedge accounting	8.7	7.9
Financial liabilities at amortized cost		
Non-current interest-bearing liabilities	925.9	879.7
Other non-current liabilities	9.3	5.0
Current portion of long-term loans	95.4	92.7
Short term loans	145.4	148.0
Trade and other current liabilities	424.3	487.4
Financial liabilities total	**1,641.8**	**1,631.3**

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 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**

EUR million

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total 2019
Assets				
Derivatives				
Currency derivatives	-	2.1	-	2.1
Interest rate derivatives	-	1.0	-	1.0
Other investments	-	-	2.4	2.4
Total	**-**	**3.1**	**2.4**	**5.6**
Liabilities				
Derivatives				
Currency derivatives	-	16.0	-	16.0
Interest rate derivatives	-	2.4	-	2.4
Contingent considerations	-	-	-	-
Total	**-**	**18.4**	**-**	**18.4**

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 2020 and 2019 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 110 million in the form of currency loans and USD 113 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 13.1 million (EUR 11.6 million) and the Group consolidated equity by EUR 62.7 million (EUR 61.8 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 GBP		EUR exposure in companies reporting in RUB	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Trade receivables	4.1	2.0	0.1	0.8	1.0	1.0	0.0	0.0	2.1	0.8
Trade payables	-10.0	-10.8	-4.6	-10.0	-3.0	-7.2	-0.5	-3.6	-5.1	-5.1
Net balance sheet exposure	-5.8	-8.8	-4.5	-9.1	-2.1	-6.2	-0.5	-3.6	-3.0	-4.3
Forecasted sales (12 months)	16.1	21.8	3.7	4.4	5.1	5.5	0.1	0.0	25.2	10.0
Forecasted purchases (12 months)	-55.1	-63.9	-17.0	-21.9	-51.0	-48.8	-8.5	-13.9	-30.6	-31.7
Net forecasted exposure	-39.0	-42.1	-13.3	-17.6	-45.9	-43.3	-8.4	-13.9	-5.5	-21.7
Hedges										
Currency forwards (12 months)	17.8	29.5	5.9	14.4	24.6	26.4	11.7	8.8	1.1	13.5
Currency options (12 months)	17.0	-	-	-	-	-	4.1	-	-	-
Total net exposure	**-10.1**	**-21.5**	**-12.0**	**-12.3**	**-23.4**	**-23.1**	**6.9**	**-8.6**	**-7.4**	**-12.5**

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 1.8% (2.3%) and average duration 3.3 years (2.8 years). A one percentage point rise in market interest rates would increase Group net interest expense by EUR 3.3 million (EUR 2.7 million) over the following 12 months. A similar rise in interest rates would increase Group equity with EUR 1.7 million (EUR 2.8 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)

	2020							2019
		Debt repricing in period, incl. derivatives						
Currency	Amount EUR million	2021	2022	2023	2024	2025	Later	Amount EUR million
EUR	459.8	-13.2	39.3	81.6	166.5	30.0	155.5	393.9
USD	27.3	-41.9	28.5	28.5	8.1		4.1	126.1
GBP	117.7	117.7						135.2
HKD	72.1	72.1						76.1
AUD	40.8	40.8						40.5
Other	-5.2	-7.9	2.7					-31.4
Total	**712.4**	**167.5**	**70.5**	**110.1**	**174.6**	**30.0**	**159.6**	**740.4**

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 400 million (EUR 400 million) of which EUR 310 million (EUR 302 million) remained undrawn. Undrawn committed long-term debt facilities are sufficient to ensure adequate financing resources in all foreseeable circumstances. EUR 400 million syndicated multicurrency revolving credit facility has been refinanced in January 2021 (see Significant events after the reporting period).

Debt structure

EUR million	2020									2019		
				Maturity of facility/loan								
	Amount drawn	Amount available of committed	Total	2021	2022	2023	2024	2025	Later	Amount drawn	Amount available of committed	Total
Committed revolving facilities*	89.6	310.4	400.0		400.0					98.3	301.7	400.0
Bonds and other loans	826.4		826.4	121.5	85.5	143.6	184.9	85.5	205.4	687.0		687.0
Commercial paper program	35.0		35.0	35.0						80.0		80.0
Uncommitted loans from financial institutions	61.4		61.4	61.4						91.7		91.7
Contingent considerations	26.2		26.2	10.7		15.5				-		-
Lease liabilities	154.4		154.4	23.0	19.7	15.0	12.7	11.6	72.4	163.5		163.5
Trade and other current liabilities	597.4		597.4	597.4						651.0		651.0
Total	**1,790.4**	**310.4**	**2,100.8**	**849.0**	**505.2**	**174.1**	**197.6**	**97.1**	**277.8**	**1,771.5**	**301.7**	**2,073.2**

*Refinanced in January 2021 (see Significant events after the reporting period)

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	2020	2019
Interest-bearing liabilities	1,193.0	1,120.4
Interest-bearing receivables, cash and cash equivalents	326.1	216.5
Net debt	866.8	904.0
Total equity	1,364.5	1,437.1
Net debt to equity (Gearing ratio)	**0.64**	**0.63**
Net debt to EBITDA (excluding items affecting comparability)	**1.83**	**1.98**

Nominal values of derivative financial instruments

EUR million	2020							2019
	Nominal Value	Maturity Structure						Nominal Value
Instrument		2021	2022	2023	2024	2025	Later	
Currency forwards								
for transaction risk								
Outflow	-178.0	-174.9	-3.1					-226.2
Inflow	174.6	171.6	3.0					223.3
for translation risk								
Outflow	-114.2	-114.2						-124.5
Inflow	117.8	117.8						120.7
for financing purposes								
Outflow	-572.4	-539.9	-32.6					-541.1
Inflow	574.1	541.5	32.6					530.9
Currency options								
for transaction risk								
Bought options	24.2	24.2						6.8
Sold options	-13.7	-13.7						-6.8
Interest rate swaps								
EUR	-50.0						-50.0	-125.0
USD	101.8	32.6	28.5	28.5	8.1		4.1	116.2
Cross currency swaps								
EUR	-18.3		-18.3					-18.3
USD	16.3		16.3					17.9

Fair values of derivative financial instruments

EUR million	2020			2019		
Instrument	Positive Fair values	Negative Fair values	Net Fair values	Positive Fair values	Negative Fair values	Net Fair values
Currency forwards						
for transaction risk	1.9	-5.4	-3.5	0.8	-3.2	-2.3
of which cash flow hedges[1]	0.6	-3.0	-2.3	0.4	-1.7	-1.3
for translation risk	4.5	-0.3	4.1	0.3	-3.4	-3.1
of which hedges of net investment[2]	4.5	-0.3	4.1	0.3	-3.4	-3.1
for financing purposes	6.4	-3.8	2.6	1.0	-9.0	-8.0
Currency options						
for transaction risk	0.2	-0.4	-0.3	0.0	-0.0	0.0
Interest rate swaps[3]						
EUR	0.8		0.8	0.9	-0.6	0.3
of which fair value hedges[4]	0.8		0.8	0.9	-0.6	0.3
USD		-3.3	-3.3	0.1	-1.3	-1.2
of which cash flow hedges[5]		-3.3	-3.3	0.1	-1.3	-1.2
Cross currency swaps						
EURUSD		-2.1	-2.1		-0.9	-0.9
of which cash flow hedges[6]		-0.1	-0.1		-0.4	-0.4
of which fair value hedges[7]		-2.0	-2.0		-0.5	-0.5

[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 2020	Ownership 2019
Laminor S.A. (joint venture)	Brazil	100.0%[1]	50.0%

[1] The Group has increased its ownership in Laminor S.A. (Laminor) which is a previous joint venture with Bemis. 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 April 1, 2020. Until then the share of profit from Laminor has been consolidated using equity method.

See note 3.1.

The carrying amounts of interests and Group's share of results:

EUR million	2020	2019
Interest in a joint venture	-	4.9
Share of profit in a joint venture	0.4[2]	2.0

[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. They 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 2020, the Company paid a total of EUR 264 thousand (EUR 17 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 91,951 shares (154,893) at the end of the year 2020.

Employee benefits of CEO and members of the Global Executive Team

EUR million	2020	2019
Salaries and other short-term employee benefits	6.6	3.8
Share based payments	1.8	0.8

Remunerations of CEO and members of the Board of Directors

In thousand euros	2020	2019
CEO Charles Héaulmé	1,733	1,369
CEO Jukka Moisio	-	243
Board members		
Ala-Pietilä Pekka	151	147
Tuomas Kerttu	100	93
Baillie Doug	87	82
Barker Willam R.	86	80
Korhonen Anja	96	86
Turner Sandra	83	80
Wunderlich Ralf K.	86	82
Suominen Jukka	-	32
CEO and Board in total	2,420	2,294

Associated companies and joint ventures

The Group's related parties do not include any associated companies or joint ventures. In 2020, the Group has 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 April 1, 2020. Before this there was no material transactions with Laminor S.A in 2020 (dividend payment of EUR 2.1 million in 2019).

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 2.7 million (EUR 2.5 million) contributions to the plans and received no returns (EUR 0.4 million) from the plans. There was no other material 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 2016–2018

The Performance Share Plan 2016–2018 commenced in 2016 and the possible reward is based on the Group's earnings per share (EPS) in 2018. The Performance Share Plan 2016–2018 was directed to 87 persons at the end of 2018.

The target, Group's earnings per share (EPS) in 2018, set forth in the Performance Share Arrangement 2010 for the earnings period 2016–2018, was not reached. Pursuant to the IFRS standards, no expense relating to the Performance Share Plan 2016–2018 was recorded for the reporting periods 2016–2018. For the reporting period ending 31 December 2018, a positive impact totaling EUR 1,161,722 resulting from prior years' accrual reversing was recorded.

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

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.

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.

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 103 persons at the end of 2020.

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 131 persons at the end of 2020.

CEO sign-in bonus

The signing bonus of the President and CEO consists of two parts. The second part of the signing bonus (15,000 shares (net)) is due in 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. The Company will in addition process 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 and amortization. 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	2020	2019
Short-term leases	2.9	3.6
Low-value leases	0.4	0.7
Variable lease payments based on use/performance	-0.6	1.5
Lease payments in Profit and Loss	**2.7**	**5.8**
Cash based lease payments in total	**32.4**	**34.7**

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	2020	2019
Capital expenditure	45.2	45.7
Total commitments	**45.2**	**45.7**

EUR million	2020	2019
Capital expenditure commitments		
Under 1 year	45.2	45.7
Total	**45.2**	**45.7**

6.6. LITIGATIONS

On July 11, 2019 the General Court of the European Union announced that it has dismissed Huhtamaki's appeal against the European Commission's decision on anticompetitive behavior. In June 2015 the European Commission announced that it had found certain of Huhtamaki's former operations to have been involved in anticompetitive practices during years 2000–2006 and imposed a EUR 15.6 million fine on Huhtamaki. The fine and legal costs of EUR 2.7 million were recognized as a non-recurring expense in the Group's Q2 2015 result and the payment of fine was made during Q3 2015.

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 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 refinances an existing 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.

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	71.2
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	Huhtamaki Egypt L.L.C.	75.0
	Huhtamaki Flexible Packaging Egypt LLC	75.0
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 PPL Limited[4]	66.9
Ireland	Huhtamaki CupPrint Limited	70.0[1]
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 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 (Guangzhou) Limited	100.0
People's Republic of China/Hong Kong	Dixie Cup (Hong Kong) Limited	54.0

Country	Company	Group holding %
	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[2]
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
Thailand	Huhtamaki (Thailand) Ltd.	100.0
Turkey	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[2]
	Huhtamaki Flexible Packaging Middle East LLC	49.0[3]
	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	70.0[1]
	Huhtamaki, Inc.	100.0
Vietnam	Huhtamaki (Vietnam) Limited	100.0

[2] The Group's control is based on a Shareholders' Agreement according to which the Group has control in the company.
[3] The Group has control in the company and can consolidate the company as a fully owned subsidiary based on a Shareholders' Agreement.
[4] 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	2020	2019
Other operating income	1	71,366,255.03	72,976,735.13
Sales and marketing		-4,974,144.15	-3,488,453.18
Administration expenses		-37,598,056.26	-36,712,502.13
Other operating expenses	2	-5,410,392.87	-5,828,421.57
Earnings before interest and taxes	**3, 4**	**23,383,661.75**	**26,947,358.25**
Net financial income/expense	5	-9,453,921.98	41,137,254.48
Profit before appropriations and taxes		**13,929,739.77**	**68,084,612.73**
Group contribution		-7,000,000.00	-
Income tax expense	6	-872,507.68	-4,395,575.01
Profit for the period		**6,057,232.09**	**63,689,037.72**

Parent company balance sheet (FAS)

Assets

EUR	Note	2020	2019
Non-current assets			
Intangible assets	7		
Intangible rights		398,571.39	455,857.25
Other capitalized expenditure		1,768,653.42	2,542,358.76
Construction in progress and advance payments		5,674,674.16	10,887,094.26
		7,841,898.97	**13,885,310.27**
Tangible assets	8		
Machinery and equipment		338,824.26	281,654.27
Other tangible assets		96,301.19	104,402.21
		435,125.45	**386,056.48**
Investments			
Investment in subsidiaries		1,729,876,381.36	1,935,137,704.75
Other shares and holdings		960,695.73	924,230.10
Loan receivables	9	-	3,345,085.77
		1,730,837,077.09	**1,939,407,020.62**
Current assets			
Non-current receivables			
Loan receivables	9	82,053,882.00	299,854,808.27
Current receivables			
Loan receivables	9	385,022,070.72	123,948,164.19
Accrued income	10	58,928,280.24	46,310,737.18
Other receivables	9	27,369,778.84	16,468,205.54
		553,374,011.80	**486,581,915.18**
Cash and bank		66,472,724.12	33,913,285.36
Total assets		**2,358,960,837.43**	**2,474,173,587.91**

Equity and liabilities

EUR	Note	2020	2019
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		536,358,895.22	566,636,347.49
Profit for the period		6,057,232.09	63,689,037.72
		1,023,824,539.69	**1,111,733,797.59**
Liabilities			
Non-current liabilities			
Loans from financial institutions	12	787,861,380.10	720,705,429.19
Other non-current liabilities	13	944,540.79	908,075.07
		788,805,920.89	**721,613,504.26**
Current liabilities			
Loans from financial institutions	12	156,439,556.64	259,236,769.00
Other loans	12	300,261,841.07	344,456,456.56
Trade payables	14	22,239,681.25	4,229,070.45
Accrued expenses	15	48,624,246.32	30,694,175.98
Other current liabilities	14	18,765,051.57	2,209,814.07
		546,330,376.85	**640,826,286.06**
Total equity and liabilities		**2,358,960,837.43**	**2,474,173,587.91**
Total retained earnings available for distribution		**542,416,127.31**	**630,325,385.21**

Parent company cash flow statement (FAS)

EUR	2020	2019
Earnings before interest and taxes	23,383,661.75	26,947,358.25
Adjustments		
Depreciation and amortization	1,178,999.28	1,139,295.46
Other adjustments	-983,969.00	197,825.49
Change in non-interest-bearing receivables	-12,617,180.03	18,635,504.17
Change in non-interest-bearing payables	37,238,521.98	6,718,148.71
Net financial income and expense	-28,619,907.68	4,089,553.99
Taxes paid	2,017,434.54	-7,527,043.09
Net cash flow from operating activities	**21,597,560.84**	**50,200,642.98**
Capital expenditure	-8,115,645.35	-11,449,500.43
Disposal of tangible and intangible assets	14,834,663.10	96,059.54
Proceeds from subsidiary investments	205,261,323.39	47,900,000.00
Change in non-current deposits	-82,053,882.00	-13,058,167.23
Change in current deposits	42,125,987.51	-64,608,742.14
Net cash flow from investing activities	**172,052,446.65**	**-41,120,350.26**
Change in non-current loans	78,715,418.58	112,623,932.33
Change in current loans	-146,991,827.85	-2,366,992.39
Dividends paid	-92,814,159.46	-87,628,524.82
Cash flow from financing activities	**-161,090,568.73**	**22,628,415.12**
Change in liquid assets	32,559,438.76	31,708,707.84
Liquid assets on January 1	33,913,285.36	2,204,577.86
Liquid assets on December 31	66,472,724.12	33,913,285.36

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	2020	2019
Royalty income	36.3	39.0
Group cost income	22.0	25.7
Rental income	-	1.3
IT recharge	9.1	0.5
Other	3.9	6.4
Total	**71.4**	**73.0**

2. OTHER OPERATING EXPENSES

EUR million	2020	2019
Intercompany other operating expenses	4.7	3.3
Other	0.7	2.5
Total	**5.4**	**5.8**

3. PERSONNEL EXPENSES

EUR million	2020	2019
Wages and salaries	17.2	15.2
Pension costs	2.9	2.5
Other personnel costs	2.1	2.7
Total	**22.2**	**20.4**

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 2.4 million (EUR 2.3 million).

Average number of personnel	2020	2019
Huhtamäki Oyj	125	106

4. DEPRECIATION AND AMORTIZATION

EUR million	2020	2019
Depreciation by function:		
Administration	1.2	1.1
Total	**1.2**	**1.1**
Depreciation and amortization by asset type:		
Machinery and equipment	0.2	0.3
Intangible rights	0.1	0.1
Other capitalized expenditure	0.9	0.8
Total	**1.2**	**1.1**

5. FINANCIAL INCOME AND EXPENSE

EUR million	2020	2019
Dividend income	**0.0**	**47.9**
Interest and other financial income		
Intercompany interest income	14.2	19.2
Other interest income	0.5	1.4
Total interest income	**14.7**	**20.5**
Other financial income	217.3	153.5
Total interest and other financial income	**232.1**	**221.9**
Interest and other financial expense		
Intercompany interest expense	-0.8	-0.7
Other interest expense	-22.3	-24.6
Total interest expense	**-23.0**	**-25.3**
Other financial expense	-218.5	-155.5
Total interest and other financial expense	**-241.5**	**-180.8**
Net financial items	**-9.5**	**41.1**

6. TAXES

EUR million	2020	2019
Ordinary taxes	0.9	4.4
Total	**0.9**	**4.4**

Deferred taxes are not included in income statement or balance sheet. Unrecognized deferred tax asset from timing differences is EUR 0.0 million (EUR 0.6 million).

7. INTANGIBLE ASSETS

EUR million	Intangible rights	Other capitalized expenditure	Construction in progress and advance payments	2020 Total	2019 Total
Acquisition cost on January 1	1.0	70.5	10.9	82.4	71.4
Additions	0.0	0.1	9.6	9.7	11.1
Disposals	0.0	-28.4	-14.8	-43.2	0.0
Intra-balance sheet transfer	0.0	0.0	0.0	0.0	0.0
Acquisition cost on December 31	1.0	42.2	5.7	48.9	82.4
Accumulated amortization on January 1	0.5	67.9		68.4	68.1
Accumulated amortization on disposals and transfers	0.0	-28.4		-28.4	-0.5
Amortization during the financial year	0.1	0.9		1.0	0.9
Accumulated amortization on December 31	0.6	40.4		41.0	68.4
Book value on December 31, 2020	**0.4**	**1.8**	**5.7**	**7.9**	**-**
Book value on December 31, 2019	0.5	2.5	10.9	-	13.9

8. TANGIBLE ASSETS

EUR million	Machinery and equipment	Other tangible assets	2020 Total	2019 Total
Acquisition cost on January 1	3.6	0.1	3.7	4.3
Additions	0.3	-	0.3	0.1
Disposals	-0.1	-	-0.1	-0.7
Acquisition cost on December 31	3.8	0.1	3.9	3.7
Accumulated depreciation on January 1	3.3	-	3.3	3.8
Accumulated depreciation on disposals and transfers	-0.1	-	-0.1	-0.7
Depreciation during the financial year	0.2	-	0.2	0.3
Accumulated depreciation on December 31	3.4	-	3.4	3.3
Book value on December 31, 2020	**0.3**	**0.1**	**0.4**	**-**
Book value on December 31, 2019	0.3	0.1	-	0.4

9. RECEIVABLES

EUR million	2020	2019
Current		
Loan receivables from subsidiaries	385.0	123.9
Accrued income	25.2	19.3
Accrued corporate income	33.8	27.1
Other receivables	0.7	1.3
Other receivables from subsidiaries	26.7	15.1
Total	**471.3**	**186.7**
Non-current		
Intercompany loan receivables	82.1	303.2
Total	**82.1**	**303.2**
Total	**553.4**	**489.9**

10. ACCRUED INCOME

EUR million	2020	2019
Accrued interest and other financial items	7.6	9.3
Currency derivative assets	12.6	2.1
Miscellaneous accrued income	-	4.5
Accrued corporate income and prepaid expense	33.8	27.1
Other	5.0	3.4
Total accrued income	**59.0**	**46.3**

11. CHANGES IN EQUITY

EUR million	2020	2019
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	630.3	654.3
Dividends paid	-92.9	-87.6
Obsolete dividends	0.0	0.0
100 year donations	-1.1	-
Profit for the period	6.1	63.7
Retained earnings December 31	542.4	630.3
Non-restricted equity total	**542.4**	**630.3**
Total equity	**1,023.8**	**1,111.7**

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

12. LOANS

EUR million	2020	2019
Non-current		
Loans from financial institutions	787.9	720.7
Non-current loans from financial institutions total	**787.9**	**720.7**
Current		
Current portion of long-term loans from financial institutions	71.5	65.0
Loans from financial institutions and other current loans	84.9	194.2
Current loans from financial institutions total	**156.4**	**259.2**
Loans from subsidiaries	300.3	344.5
Other loans total	**300.3**	**344.5**
Changes in non-current loans		
Loans from financial institutions		
January 1	720.7	608.2
Additions	275.2	373.9
Decreases	-196.5	-264.4
FX movement	-11.5	3.0
Total	**787.9**	**720.7**

Repayments	Loans from financial institutions
2021	156.4
2022	169.6
2023	143.0
2024	184.9
2025	85.5
2026–	204.9

13. OTHER NON-CURRENT LIABILITIES

EUR million	2020	2019
Loans from subsidiaries	0.0	0.0
Employee benefits	0.9	0.9
Total	**0.9**	**0.9**

14. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

EUR million	2020	2019
Trade payables	3.6	3.6
Intercompany trade payables	18.6	0.6
Trade payables	**22.2**	**4.2**
Other current liabilities	3.5	0.8
Other current liabilities to subsidiaries	15.3	1.4
Other current liabilities	**18.8**	**2.2**

15. ACCRUED EXPENSES

EUR million	2020	2019
Accrued interest and other financial expense	4.5	4.4
Currency derivative liabilities	9.8	14.6
Accrued expense to subsidiaries	24.4	4.9
Salaries and social security	6.3	6.1
Accrued income taxes	3.1	-
Miscellaneous accrued expense	0.5	0.7
Total	**48.6**	**30.7**

16. DERIVATIVES

Fair values of derivatives, EUR million	2020	2019
Currency derivatives		
with external parties	2.8	-12.6
with subsidiaries	-8.9	-1.2
Interest rate swaps	-2.6	-1.8
Total	**-8.7**	**-15.6**

Nominal values of principles, EUR million	2020	2019
Currency derivatives		
with external parties	854.2	840.3
with subsidiaries	430.2	482.2
Interest rate swaps	170.1	259.1
Total	**1,454.5**	**1,581.6**

The nominal value of external currency derivatives is 854.2 MEUR and the nominal value of internal currency derivatives allocated to them is 430.2 MEUR. 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	2020	2019
Operating lease payments		
Under one year	1.0	1.1
Later than one year	1.6	2.2
Total	**2.6**	**3.3**
Guarantee obligations		
For subsidiaries	63.3	77.6

Signatures of the Board of Directors’ Report and Financial Statements

Espoo, February 10, 2021

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

Charles Héaulmé
President and 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, 2020. 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 (Refer to note 3.2 to the consolidated financial statements) At year end 2020 goodwill totalled EUR 732 million and represented 20 percent of the consolidated total assets. 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. 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 addition, we considered the appropriateness of the disclosures regarding goodwill.
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 2020 was EUR 3,302 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 2021. • 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 473 million at year end 2020. 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 appointed as auditors for the financial year 2020 by the Annual General Meeting on April 29, 2020.

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, 10 February 2021

KPGM 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 2016–2020

EUR million		2020	2019	2018	2017	2016
Net sales		3,301.8	3,399.0	3,103.6	2,988.7	2,865.0
Increase in net sales	%	-2.9	9.5	3.8	4.3	5.1
Net sales outside Finland		3,252.5	3,342.8	3,055.4	2,941.7	2,817.8
Earnings before interest, taxes, depreciation, amortization and impairment		464.5	448.8	390.3	386.3	380.1
Earnings before interest, taxes, depreciation and amortization/net sales (%)	%	14.1	13.2	12.6	12.9	13.3
Earnings before interest and taxes		265.3	285.5	225.5	264.3	266.2
Earnings before interest and taxes/net sales (%)	%	8.0	8.4	7.3	8.8	9.3
Profit before taxes		237.1	256.7	194.4	246.8	239.3
Profit before taxes/net sales (%)	%	7.2	7.6	6.3	8.3	8.4
Profit for the period		183.7	199.0	156.9	196.5	191.5
Total equity		1,364.5	1,437.1	1,267.3	1,208.2	1,182.2
Return on investment (%)	%	10.3	11.9	10.4	13.4	14.7
Return on shareholders' equity (%)	%	12.9	14.8	12.8	16.6	17.6
Solidity (%)	%	38.1	39.9	39.2	41.4	41.2
Net debt to equity		0.64	0.63	0.73	0.58	0.57
Current ratio		1.42	1.39	1.29	1.48	1.21
Times interest earned		15.44	16.23	13.21	24.01	14.11
Capital expenditure		223.5	203.9	196.9	214.8	199.1
Capital expenditure/net sales (%)	%	6.8	6.0	6.3	7.2	7.0
Research & development		20.7	22.0	20.2	19.2	17.2
Research & development/net sales (%)	%	0.6	0.6	0.6	0.6	0.6
Number of shareholders (December 31)		36,764	31,056	31,755	30,474	26,407
Personnel (December 31)		18,227	18,598	17,663	17,417	17,076

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		2020 Income statement	2020 Statement of financial position	2019 Income statement	2019 Statement of financial position
Australian Dollar	AUD	0.6040	0.6240	0.6209	0.6253
British Pound	GBP	1.1249	1.1073	1.1397	1.1736
Indian Rupee	INR	0.0118	0.0111	0.0127	0.0125
Russian Rouble	RUB	0.0121	0.0109	0.0138	0.0144
Thai Baht	THB	0.0280	0.0272	0.0288	0.0299
US Dollar	USD	0.8765	0.8143	0.8931	0.8937

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 29, 2020 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, 2021.

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		2020	2019	2018	2017	2016
Earnings per share	EUR	1.69	1.82	1.50	1.86	1.81
Earnings per share (diluted)	EUR	1.69	1.82	1.50	1.85	1.80
Dividend (nominal)	EUR	0.92[1]	0.89	0.84	0.80	0.73
Dividend/earnings per share	%	54.3[1]	48.9	56.0	43.0	40.3
Dividend yield	%	2.2[1]	2.2	3.1	2.3	2.1
Shareholders' equity per share	EUR	12.31	12.92	11.70	11.13	10.93
Average number of shares adjusted for share issue		104,349,676[2]	104,344,950	104,281,454	104,050,625	103,822,029
Number of shares adjusted for share issue at year end		104,349,676[2]	104,349,676	104,334,676	104,112,067	103,856,539
P/E ratio		24.9	22.7	18.0	18.8	19.5
Market capitalization at December 31	EUR million	4,409.8[2]	4,318.0	2,824.3	3,643.9	3,664.1
Trading volume in NASDAQ OMX Helsinki Ltd	units	59,337,954[3]	54,959,467	75,209,544	67,759,658	57,912,190
Trading volume in alternative trading venues	units	92,820,000[4]	90,523,665	125,806,431	108,324,464	110,013,193
Trading volume, total	units	152,157,954	145,483,132	201,015,975	176,084,122	167,925,383
In relation to average number of shares	%	145.8[2]	139.4	192.8	169.2	161.7
Development of share price						
Lowest trading price	EUR	23.48	26.81	22.96	31.45	27.14
Highest trading price	EUR	46.62	42.20	36.89	37.68	42.33
Trading price on December 31	EUR	42.26	41.38	27.07	35.00	35.28

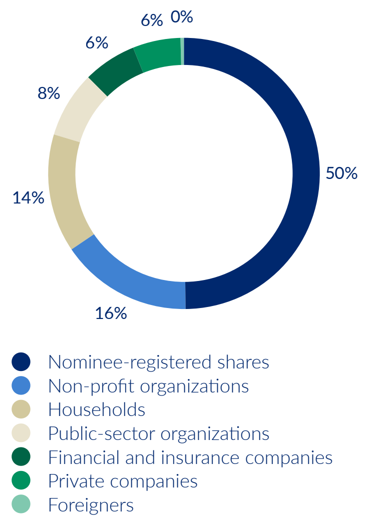
[1] 2020: Board's proposal
[2] Issue-adjusted and excluding treasury shares
[3] Source: Nasdaq Helsinki Ltd
[4] Source: Fidessa Fragmentation Index, fragmentation.fidessa.com

ⓘ | *See also note 2.8. Earnings per share.*

Distribution of ownership by number of shares on December 31, 2020

Number of shares	Number shareholders	% of shareholders	Number of shares	% of shares
1–100	17,520	47.7%	718,363	0.7%
101–1,000	15,520	42.2%	5,792,536	5.4%
1,001–10,000	3,438	9.4%	8,805,086	8.2%
10,001–100,000	239	0.7%	6,737,250	6.3%
100,001–1,000,000	39	0.1%	11,482,083	10.7%
More than 1,000,000	8	0.0%	74,157,183	68.7%
Total	36,764		107,692,501	99.8%
In the joint book-entry account			67,884	0.2%
Number of shares issued			**107,760,385**	**100.0%**

Shareholder distribution by sector on December 31, 2020



Distribution of ownership by sector on December 31, 20200

Sector	Number of shares	%
Nominee-registered shares	53,644,272	49.8%
Non-profit organizations	16,927,519	15.7%
Households	15,197,950	14.1%
Public-sector organizations	8,496,985	7.9%
Financial and insurance companies	6,840,222	6.3%
Private companies	6,136,535	5.7%
Foreigners	449,018	0.4%
In the joint book-entry account	67,884	0.1%
Number of shares issued	**107,760,385**	**100.0%**

Largest registered shareholders on December 31, 2020*

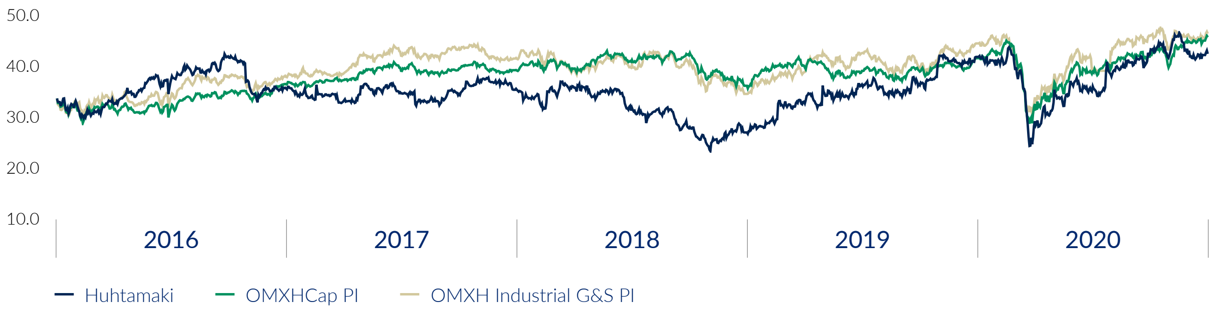
Sector	Number of shares	%
Finnish Cultural Foundation	11,314,840	10.5
Ilmarinen Mutual Pension Insurance Company	2,830,000	2.6
Varma Mutual Pension Insurance Company	2,725,809	2.5
Elo Mutual Pension Insurance Company	1,155,431	1.1
Society of Swedish Literature in Finland	988,500	0.9
The State Pension Fund	695,951	0.6
Mandatum Life Insurance Company Ltd.	683,167	0.6
Danske Invest Finnish Equity Fund	670,000	0.6
Nordea Nordic Fund	589,000	0.5
Holding Manutas Oy	515,000	0.5
Total	**22,167,698**	**23.3**

* Excluding own shares acquired by Huhtamäki Oyj totaling 3,410,709 and representing 3.2% of the total number of shares.

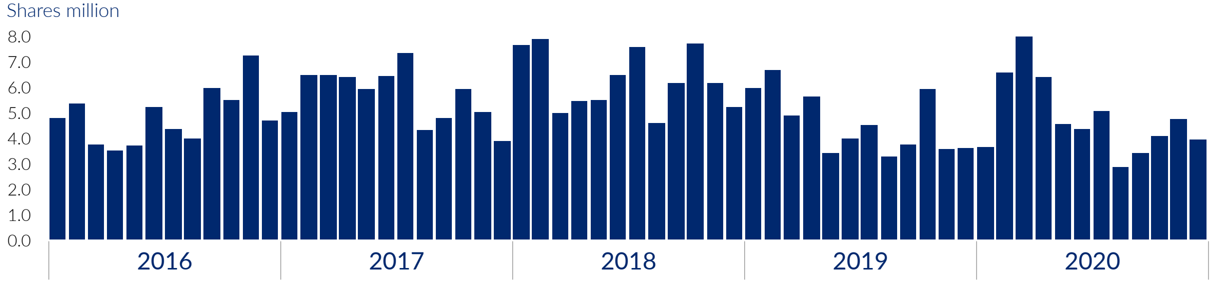
The list on the left includes only direct registered shareholders and is based on information available from Euroclear Finland Ltd., excluding 3,410,709 shares held by Huhtamäki Oyj that represent 3.2% of the total number of shares. Nominee-registered holdings, which may be substantial, are not included. On December 31, 2020 nominee-registered shareholders held in total 50% 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, 2020, they held 2,926,573 Huhtamäki Oyj shares, representing 2.8% of the total number of shares.

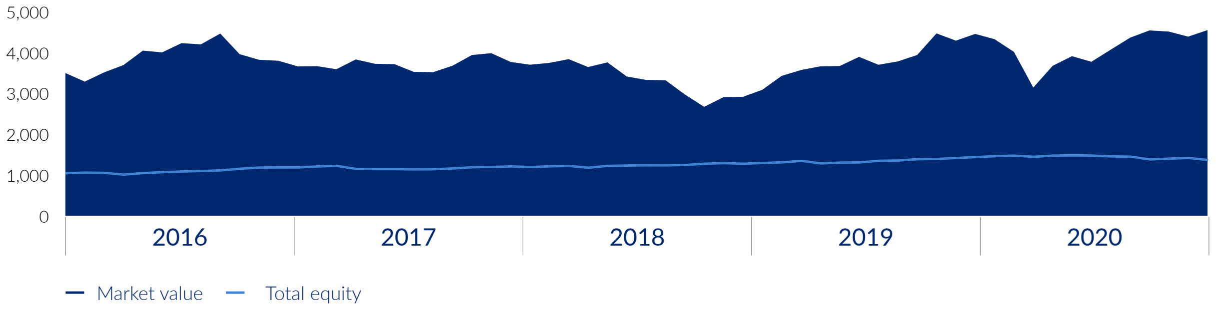
Development of Huhtamaki's share price, January 4, 2016–December 31, 2020



Monthly trading volume on Nasdaq Helsinki, 2016–2020



Market value and equity, 2016–2020



Governance

Corporate Governance Statement

Introduction

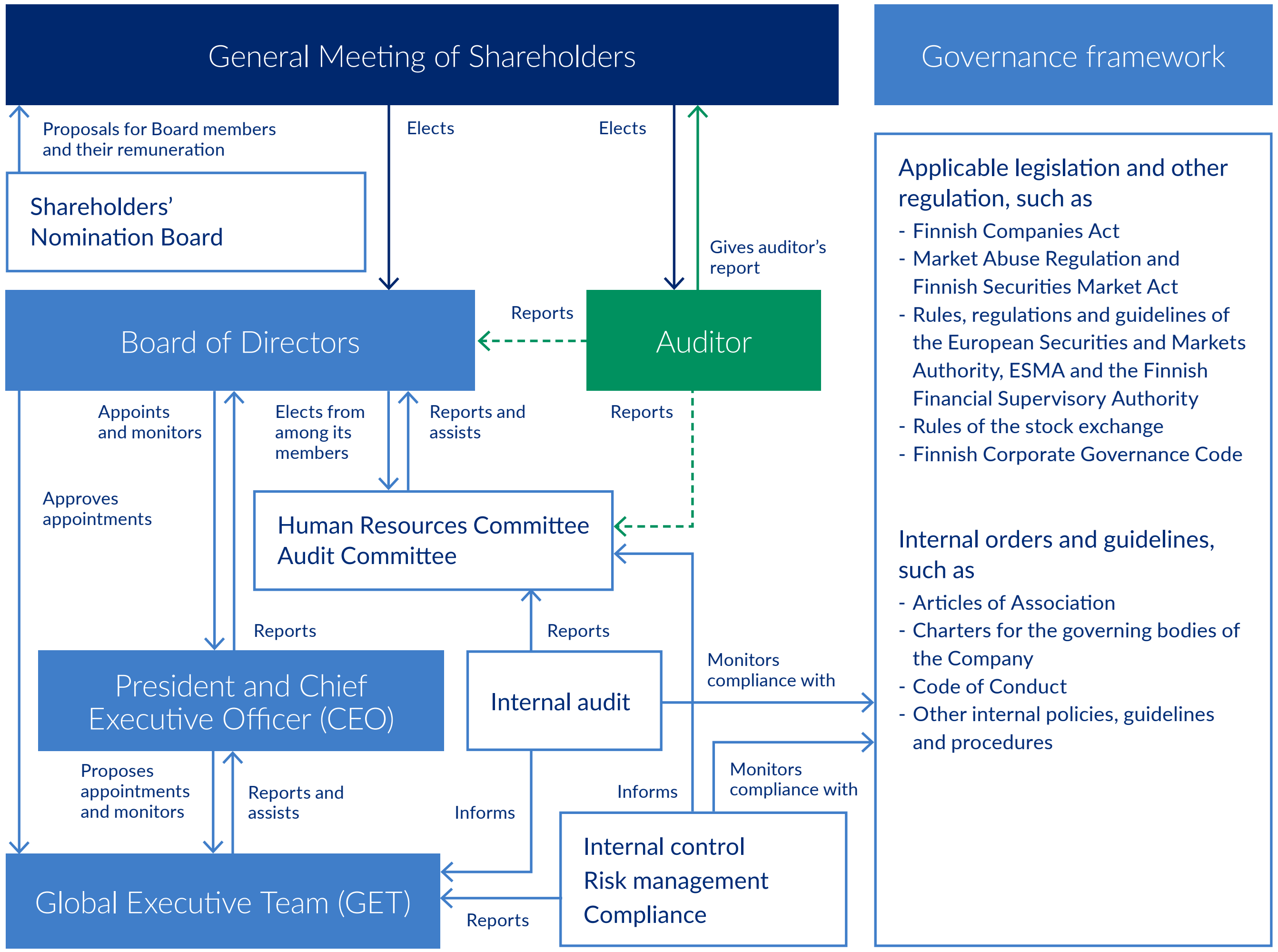
Huhtamäki Oyj (the Company) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Corporate Governance Statement complies with the Code effective from January 1, 2020. The Code is available in its entirety on the internet at www.cgfinland.fi. Huhtamäki 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 Nomination Board must submit its proposals to the Board of Directors no later than on January 20 preceding the AGM. The proposals of the Nomination Board are published through a stock exchange release and included in the notice to the General Meeting.

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, 2020:

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 152.

Between the AGM held on April 29, 2020 and the end of year 2020, the Nomination Board held two 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 2020 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: Sanoma Corporation, Chairman of the Board (2016–) and Board member (2014–2016); SAP SE, Supervisory Board member (2002–); 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: Kemira Oyj, Vice-Chairman of the Board (2014–) and Board member (2010–2014); Medix Biochemica Group Oy, Board member (2018–); Finnish National Opera and Ballet, Board member (2016–); Aamu Suomen Lasten Syöpäsäätiö sr, Board Member (2017–); CEMS (the Global Alliance in Management Education), member of the Strategic Board (2008–2016); Federation of Finnish Technology Industries, member of the working committees: Employer & labor market relations (2007–2015), Employee safety (2009–2010), Education and labor issues (2007–2008); JTO School of Management, Board member (2007–2010)

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–) 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–)

Diversity of the Board

The principles on diversity of the Board have been defined in the Charter of the Shareholders' Nomination Board since the establishment of the Nomination Board on April 29, 2020. Prior to that and at the time of the election of the Board members, the principles on diversity of the Board have been defined in the Charter of the Board. According to the currently valid 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:

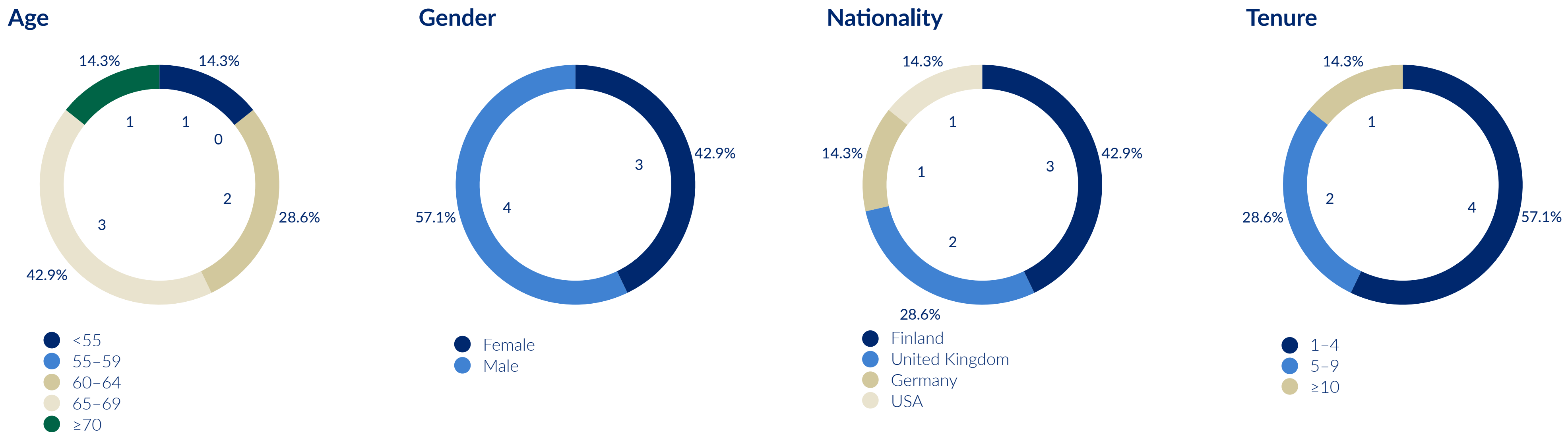
- matters pertaining to the Company's line of business and its business operations
- management of an internationally operating public limited company of corresponding size
- group and financial management
- strategy as well as mergers and acquisitions
- internal control and risk management
- corporate 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.

The objectives concerning the diversity of the Board have been achieved well. According to the Nomination Committee of the Board that was operational until April 29, 2020, the composition of the Board comprises qualifications defined in the principles on diversity of the Charter of the 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 2020 seven members representing four different nationalities were elected to the Board. The age structure of the Board members has been 54–71 years and three Board members have been female and four male. 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 158–160.

In the view of the Nomination Committee of the Board that was operational until April 29, 2020, 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.

Diversity of the Board*



* Composition of the Board on December 31, 2020

Board expertise areas

Name	Board member since	Principal expertise areas	Independent of: Company	Independent of: Significant shareholders	Committee memberships in 2020: Audit Committee	Committee memberships in 2020: Human Resources Committee	Committee memberships in 2020: Nomination Committee*
Pekka Ala-Pietilä	2012	Digitalization, Emerging markets	●	●		Chairman	Chairman
Kerttu Tuomas	2017	Human Resources, Emerging markets	●	●	Member		Member
Doug Baillie	2016	FMCG and retail, Sustainability, Human Resources, Emerging markets	●	●		Member	Member
William R. Barker	2010	Packaging industry, Emerging markets	●	●		Member	
Anja Korhonen	2018	Finance and accounting, Emerging markets	●	●	Chairman		
Sandra Turner	2011	FMCG and retail	●	●	Member		
Ralf K. Wunderlich	2018	Packaging industry, Sustainability, Emerging markets	●	●		Member	

* Nomination Committee was operational until April 29, 2020.

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 Mr. William R. Barker having served as a director for more than 10 consecutive years, the Board has determined no reasons justifying him 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, 2020

Pekka Ala-Pietilä	3,250
Kerttu Tuomas	3,000
Doug Baillie	1,000
William R. Barker	0
Anja Korhonen	1,000
Sandra Turner	1,000
Ralf K. Wunderlich	16,350
Board total	**25,600**

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 2020, the evaluation was done as an internal self-evaluation without 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 2020, the Board held twelve (12) meetings, eight (8) of which were video or telephone meetings and three (3) were held without convening. The average attendance of the members at the Board meetings was 98%.

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 2020

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	100	12/12
Kerttu Tuomas	100	12/12
Doug Baillie	100	12/12
William R. Barker	100	12/12
Anja Korhonen	100	12/12
Sandra Turner	83	10/12
Ralf K. Wunderlich	100	12/12

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 Nomination Committee of the Board was operational until April 29, 2020 when the AGM decided to establish the Shareholders' Nomination Board.

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 effeciency 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 2020: Pekka Ala-Pietilä (Chairman), Doug Baillie, William R. Barker and Ralf K. Wunderlich. In 2020, the Human Resources Committee held six meetings. The average attendance of the members at the Human Resources Committee meetings was 100%.

Members' attendance at the Human Resources Committee meetings in 2020

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	100	6/6
Doug Baillie	100	6/6
William R. Barker	100	6/6
Ralf K. Wunderlich	100	6/6

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 2020: Anja Korhonen (Chairman), Kerttu Tuomas and Sandra Turner. In 2020, the Audit Committee held six meetings. The average attendance of the members at the Audit Committee meetings was 94%.

Members' attendance at the Audit Committee meetings in 2020

	Attendance (%)	Meetings attended
Anja Korhonen (Chairman)	100	6/6
Kerttu Tuomas	100	6/6
Sandra Turner	83	5/6

Nomination Committee*

The following individuals have comprised the Nomination Committee from the date of the AGM in 2019 to the date of the AGM in 2020: Pekka Ala-Pietilä (Chairman), Doug Baillie and Kerttu Tuomas. In 2020, the Nomination Committee held one meeting. The average attendance of the members at the Nomination Committee meetings was 100%.

Members' attendance at the Nomination Committee* meetings in 2020

	Attendance (%)	Meetings attended
Pekka Ala-Pietilä (Chairman)	100	1/1
Doug Baillie	100	1/1
Kerttu Tuomas	100	1/1

* The Nomination Committee was operational until April 29, 2020 when the AGM decided to establish the Shareholders' Nomination Board

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, 2020:

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, last position as Vice President, Tetra Pak Europe & Central Asia; Bosch Braking Systems (1996–1999), Financial Controller; AlliedSignal Automotive (1993–1996), Financial Analyst; KPMG (1990–1993), Senior Auditor; Bureau de Recherches Geologiques et Minieres (1988–1990), Accounting and Reporting

Key positions of trust: –

Mr. Arup Basu

Born 1967, Indian citizen

President, Flexible Packaging

GET member since: February 1, 2020

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: –

Mr. Clay Dunn

Born 1957, U.S. citizen

President, North America

GET member since: June 1, 2005

Joined the company: 2005

Education: BBA (Marketing and Management)

Primary working experience: Dow Chemical Company (1979–2005), several different roles, including positions as Vice President, Global Sourcing and Vice President, Polystyrene

Key positions of trust: –

Mr. Eric Le Lay

Born 1962, French citizen

President, Foodservice Europe-Asia-Oceania and Fiber Packaging

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: –

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: –

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), several different consulting roles in Stockholm, Sweden; Helsinki, Finland and Boston, USA; Polar Bear Engineering (2002–2007), Manager

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

Executive Vice President, IT and Process Performance

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 2021 have been announced at the date of this statement:

Mr. Clay Dunn, (born 1957), President, North America, has retired effective December 31, 2020 after leading Huhtamaki's business in North America since 2005. Ms. Ann O'Hara (born 1970), MBA, BSE (Chemical Engineering), was appointed President, North America, and a member of the Global Executive Team as of January 1, 2021. Ms. Ann O'Hara joined Huhtamaki on November 1, 2020 and assumed the role of President, North America on January 1, 2021. Ann O'Hara joined Huhtamaki after a series of significant general management roles at major multinational companies such as Intertek Group, Amcor and General Electric. In the packaging industry Ann held several leadership roles with Amcor in Australia and North America. Her most recent position was Vice President and General Manager, Rigid Plastic Diversified Products for North America.

Updated information on the GET members is available on the Company's website in section "Management" (www.huhtamaki.com – Investors – Corporate Governance – Management).

During 2020, Mr. Olli Koponen has been a GET member until January 31, 2020 and Ms. Leena Lie has been a GET member until January 16, 2020.

Mr. Olli Koponen

Mr. Olli Koponen's CV is presented as it was on January 31, 2020.

Born 1959, Finnish citizen

Executive Vice President, Flexible Packaging

GET member: January 1, 2011–January 31, 2020

Joined the company: 1990

Education: M.Sc. (Eng., Automation & Information Technology), B.Sc. (Eng., Automation Technology)

Primary working experience: Huhtamäki Oyj (1990–), several different roles, previous positions as Executive Vice President, Molded Fiber, Senior Vice President, Molded Fiber Europe as well as General Manager positions in Hämeenlinna, Finland, Turkey, Hong Kong and Russia; Systecon Oy (1984–1990), several different roles, last position as Product Manager

Key positions of trust: –

Ms. Leena Lie

Ms. Leena Lie's CV is presented as it was on January 16, 2020

Born 1968, Finnish citizen

Senior Vice President, Marketing and Communications

GET member: August 27, 2018–January 16, 2020

Joined the company: 2018

Education: M.Sc. (Econ.)

Primary working experience: Cargotec Corporation (2015–2018), Senior Vice President Communications & IR; Kemira Oyj (2009–2015), several different roles, last position as Senior Vice President, Communications and Corporate Responsibility; KONE Corporation (2006–2009), several different roles, last position Vice President, Brand and Reputation Management; Nokia Corporation (1999–2006), several different roles, last position as Head of Communications, Nokia, Customer and Market Operations; Hartwall Arena (1997–1999) Marketing, Communications and Event Manager; Nokia Mobile Phones (1995–1997), Communications officer

Key positions of trust: –

Shares owned by the GET members on December 31, 2020

Charles Héaulmé	15,000
Arup Basu	0
Clay Dunn	13,792
Thomas Geust	16,000
Thomasine Kamerling	0
Eric Le Lay	10,464
Marina Madanat	0
Sami Pauni	5,375
Teija Sarajärvi	5,720
Antti Valtokari	0
GET total	**66,351**

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 2020 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 2020 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 2020 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 2020 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 2020 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)

	2020	2019
Auditing costs	2.3	2.2
Other consultancy not related to auditing*	0.7	0.5
Total	**3.0**	**2.7**

* 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 2020

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 2020. 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 2020 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 and no claw back on compensation has been used.

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 2020 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 2020 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 a share-based long-term incentive plan.

Development of remuneration over the past five financial years

During the past five financial years the Company's net sales has increased with 15%. Improvement in adjusted EBIT was 13% and improvement in adjusted EPS was 7% during the same period. The Company's adjusted EBIT margin has changed from 9.4% in 2016 to 9.1% in 2020. At the same time, the development of remuneration over the past five financial years and compensation changes have been moderate.

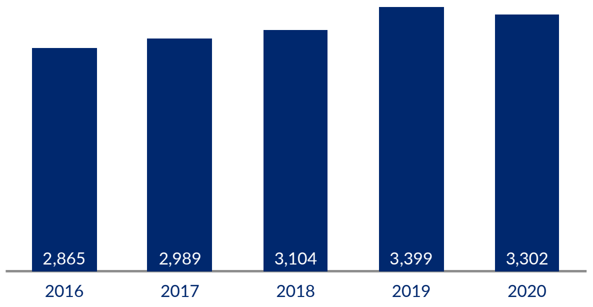
The remuneration of the Board of Directors has been decided by the Annual General Meeting of the Company. The annual remuneration of the Board members has remained unchanged from 2016. The meeting fees were increased in 2019.

	Paid compensation (EUR)				
	2020	2019	2018	2017	2016
Board of Directors[1]	687,490	679,790	687,590	663,590	621,090
President and CEO Charles Héaulmé (President and CEO since April 26, 2019)	1,732,507	1,368,666	-	-	-
CEO Jukka Moisio (CEO until April 25, 2019)	-	243,143	2,538,525	2,755,159	2,278,727
Employees' average remuneration[2]	32,601	29,990	29,200	28,780	27,636

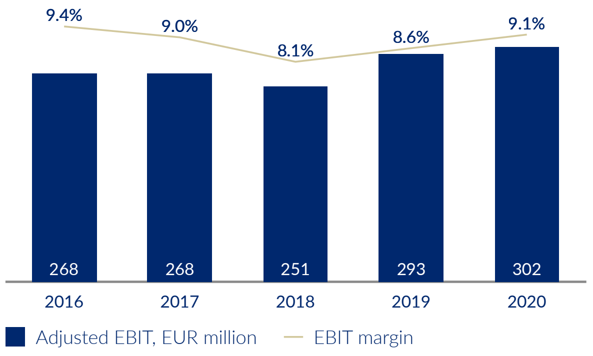
[1] Total compensation of the Board of Director's

[2] The total wages and salaries amount (excluding share-based payments) 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.

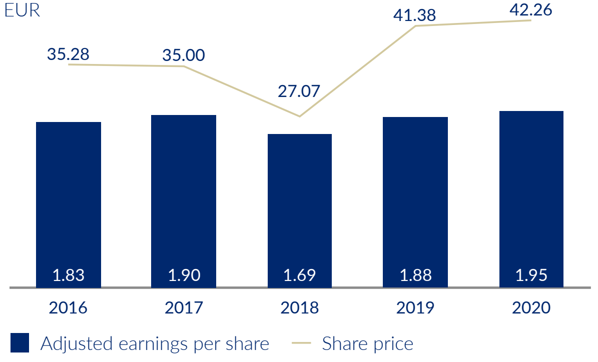
Net sales
EUR million



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 2016–2017 is not restated and thus not fully comparable.

Board of Directors

In accordance with the resolution passed by the AGM held on April 29, 2020, as of the AGM 2020 the annual compensation for the Chairman of the Board is EUR 120,000, for the Vice-Chairman EUR 68,000 and for other members EUR 57,000. In addition, the following meeting fees are paid for each meeting attended: EUR 1,500 for all meetings, except EUR 3,000 to the Chairman of the Audit Committee for the Audit Committee meetings and EUR 1,750 to the Chairman of the Human Resources Committee for the Human Resources Committee meetings. 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. Board members are not obliged to acquire the Company's shares.

The following remuneration was paid to the members of the Board for the financial year 2020.

	2020 (EUR)		
	Annual compensation	Meeting fees	Total
Pekka Ala-Pietilä[1]	120,240	31,250	151,490
Kerttu Tuomas	68,000	31,500	99,500
Doug Baillie	57,000	30,000	87,000
William R. Barker	57,000	28,500	85,500
Anja Korhonen	57,000	39,000	96,000
Sandra Turner	57,000	25,500	82,500
Ralf K. Wunderlich	57,000	28,500	85,500
Total	**473,240**	**214,250**	**687,490**

[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 2020.

Remuneration	2020 (EUR)
Non-variable annual base salary and benefits[1]	**1,209,476**
Signing bonus[2]	
Number of shares received as signing bonus	-
Value of the shares at the time of transfer	-
Amount of income taxes and tax-like charges arising based on the shares received	-
Total value of the signing bonus	-
Short-term incentives[3]	
Remuneration based on the performance in the year preceding the payment year	523,031
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	**1,732,507**

[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)) is due in 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 2019 and a one-time incentive plan.
[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 2017–2019 was not reached and, therefore, no shares under the long-term incentive plan was paid during the financial year 2020.

The remuneration of the President and CEO consisted in the financial year 2020 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 plan of the Company (Performance 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 2020 was EUR 280,000 gross.

The total compensation paid (excluding EUR 280,000 pension allowance) to the President and CEO in the financial year 2020 was EUR 1,452,507 of which 36% consisted of variable compensation. The relatively small part of variable compensation is due to the fact that there was no payout under the Performance Share Plan 2017-2019 as the adjusted EPS target was not reached.

According to the Service Agreement between the Company and the former CEO Jukka Moisio, termination compensation amounting to 18 months' base salary was paid to the former CEO during the financial year 2020.

Variable remuneration earning opportunity and performance measures

The President and CEO's earning opportunity in short-term incentive plans 2019 and 2020 is 100% of the annual base salary. Group level criteria and payments under the short-term incentive plans are presented in the table below.

	Short-term incentive plan 2019	Short-term incentive plan 2020
Criteria	Adjusted EPS	Adjusted EBIT
	Return on Investment (ROI)	Free Cash Flow
Paid 2020	EUR 356,364	
Payment due in 2021		EUR 520,000

Long-term incentive and other share-based remuneration grants

President and CEO has been granted shares under the following Performance Share Plans.

Long-term incentive plan	Earning opportunity	Performance measure	Pay-out year	Achievement
Performance Share Plan 2017–2019	31,000 shares (net)	Adjusted EPS	2020	Target was not reached
Performance Share Plan 2018–2020	31,000 shares (net)		2021	Target was not reached
Performance Share Plan 2019–2021	31,000 shares (net)		2022	in progress
Performance Share Plan 2020–2022	62,000 shares (gross)		2023	in progress

President and CEO shall hold at least half (50%) of the Company's shares received until he holds shares received from the performance share plans corresponding in aggregate to the value of his annual gross base salary. The ownership requirement applies until termination of 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)) is due in 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 will in addition process a cash payment to cover taxes and tax related payments. A lock-in period of 12 months will apply.

Sustainability Performance

In 2020, we have integrated our sustainability and annual reports into one report. In the Business Overview section, we set out our sustainability ambitions within the context of our 2030 Strategy and how we embed sustainability across our business operations globally. In the Business Overview we also present our new sustainability dashboard. As a result, this supplement focuses primarily on our 2020 sustainability performance data, the GRI index and the independent assurance report on our GRI data.

Sustainability Framework

Our 2030 sustainability ambition

Our ambition is to be the first choice in sustainable packaging solutions by 2030. In order to achieve our ambition, we launched our new 2030 Strategy in 2020, with sustainability as a key driver. Read more about our new 2030 Strategy and ambition on page 17 and 41 in the Business Overview.

We want to become world-class in all three sustainability pillars covering the environment, social responsibility and governance (ESG). We believe that innovation will help to unlock sustainability and so are also focused on delivering incremental and transformative innovation: designing all our products to be recyclable, compostable or reusable. Our most recent materiality analysis validated that our sustainability ambitions are in line with stakeholder expectations regarding sustainability.

We are guided by the UN Sustainable Development Goals (SDGs) and use the SDG universal framework to help us identify and focus on embedding sustainability across all three ESG pillars, to accelerate our transition to our 2030 Strategy. Read more about our approach to the SDGs on page 40 in the Business Overview.

Packaging for Good program

In 2020, we continued to work towards the goals that we set in our Packaging for Good sustainability program for 2018–2020, whilst simultaneously working on establishing our new 2030 sustainability ambition. In the Packaging for Good program we had four themes: People, Packaging, Supply Chain and Operations, with targets for each theme. This section of the Annual Report 2020 will focus on the developments against the targets set as part of this program.

The Packaging for Good program created the foundation and building blocks for our 2030 sustainability ambition. Going forward, we are embedding sustainability in everything we do through even more ambitious goals as part of our 2030 Strategy launched in 2020. We will be reporting on our progress against the goals regularly through our Sustainability dashboard. Read more about our sustainability dashboard on page 42 and how we aim to deliver on our sustainability ambition on page 200.

Packaging for Good overview and performance in 2020

Theme	2020 goal	Performance in 2020
People	Employee Engagement index >70%	• The latest Employee Engagement survey was carried out in 2019. The Employee Engagement index was 74% in 2019.
	Huhtamaki Group Lost Time Incident Frequency Rate: 1.7	• LTIFR was 1.6.
	Community programs in place on site level and Group level	• Work continued to concentrate on 3 donation projects for 2020 as part of Huhtamaki's 100 year celebrations. • Additional community projects were undertaken in response to the COVID-19 pandemic by our operations around the world.
Packaging	All our products comply with Huhtamaki's Global Food Contact Packaging Safety	• Digitalization project for food contact material (FCM) documentation started. • Cross-functional global FCM team in place for knowledge sharing.
	Zero food contact compliance related claims reported	• There were zero incidents of non-compliance reported.
	Product innovation	• Innovations related to plastic substitution with fiber-based materials, improving recyclability and use of recycled content. • Sustainability dashboard including two KPIs related to designing products for circular economy introduced in 2020.
Supply chain	Supply chain due diligence system in place, covering ethical, social and environmental criteria	• The system was rolled out to all segments in 2020, representing approximately 80% of sourcing spend.
	All fiber sourced from recycled or certified sustainable sources	• More than 98% of all fiber was sourced from recycled or certified sustainable sources.
Operations	Natural Resource Plan	• Natural Resource Plan is now integrated into the new strategy; sustainability KPI dashboard in place. • Scope 3 emissions reported for the first time, commitment to set science-based emission targets.
	All plants in water-stressed areas have a water management plan	• Developing plans for each operating site is still work in progress. A new Sustainability Specialist, Climate and Water, in place to improve the process and support plants in water management.

Managing Sustainability

Our sustainability work is based on our new 2030 Strategy and is underpinned by our recently renewed values – Care Dare Deliver which guide everything that we do, so we make a difference where it matters. Our 2030 sustainability ambition sets the frame for our sustainability initiatives across the organization, globally. For us, sustainability means considering the impact we have – both positive and negative – throughout the value chain, in terms of the environment, social responsibility and governance.

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 in the countries where we operate, and act in accordance with 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. All our manufacturing units are governed by the same overarching policy framework. Huhtamaki aims to follow the precautionary principle in all operations, and to minimize the negative impacts while maximizing the positive impacts on both our business and the societies around us.

In 2020, we introduced a new management approach, World Class Management, to help us deliver on our 2030 Strategy. The sustainability stream of our new management model has been developed based on the Packaging for Good program during 2020. This new management program implements transformative initiatives, raises performance and capabilities across Huhtamaki and provides structure to achieve and sustain results. The program embeds our new strategy across all functions and all operations globally - we are embedding sustainability in everything we do.

Tracking our performance

We track the progress of our sustainability performance through regular assessments at the manufacturing unit, business segment and Group levels. We also evaluate our sustainability work by benchmarking other companies and best practices, listening to stakeholders, updating our materiality assessment regularly and investigating reports made through our Speak Up channel.

Our performance in 2020 is reported against initial KPIs set in the Packaging for Good program. Going forward, we will be reporting according to the new 2030 sustainability ambition. The sustainability stream in our new World Class Management program started in 2020. The stream defines how we measure, improve and communicate on our sustainability performance against our commitments. In 2020 we developed a dashboard for regular internal and external communication on key sustainability performance. While one stream in the program focuses on environmental aspects of sustainability, the other streams encompass matters including human resources and occupational health and safety, sourcing and innovation. Some of the related key performance indicators are already included in our dashboard, some of them are still under development.

All our 81 sites report on non-financial performance on a regular basis; either monthly or quarterly. The frequency depends on the topic reported. The results are collected and combined for our sustainability dashboard, which is discussed in the Global Executive Team and presented to the Board on a quarterly basis. The dashboard is shared with a wider audience during our internal quarterly update, through a townhall meeting led by our CEO. The sustainability dashboard is also shared with external stakeholders regularly. Read more about the dashboard on page 42 in the Business Overview section of this report.

Our sustainability governance structure

Board of Directors (BoD): The highest body to approve the guiding policies for sustainability and to outline sustainability principles in relation to the Group's strategy. It approves the Annual Report, including the sections that cover sustainability as well as the non-financial information as part of the Directors' Report. It monitors and evaluates the risk management activities of the Group. 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.

Global Executive Team (GET): Monitors sustainability performance, sets and reviews sustainability targets. Adapts and deploys the Group's internal control principles and procedures relating to risk management. Approves global policies. Makes sure sustainability is embedded in everything we do. Business segment and unit management teams: Responsible for integrating sustainability subjects into daily business decision-making and practices and for ensuring that the required processes are in place.

Appointed in March 2020, **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: 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 2020 we examined the possibility to link remuneration to sustainability. We have introduced sustainability related incentives for the short-term incentive plan 2021. To begin, all direct reports to the GET and all General Managers must have at least one sustainability-related KPI in their personal objectives. Also other employees working with sustainability related programs should link their personal objectives to these programs. Read more about remuneration's link to sustainability on our website. Linking remuneration and sustainability further strengthens our commitment to sustainability and drives actions to help achieve our ambitious targets. The sustainability related KPIs in short-term incentive plans are still being developed and further decisions to increase the scope of employees covered will be made in 2021.

More information on corporate governance, including a description of the governance structure and processes can be found in the Corporate Governance Statement 2020 (part of the Huhtamaki Annual Report 2020) and from our website www.huhtamaki.com.

Our **key guiding principles** relating to sustainability are presented on the next page.

Our key guiding principles

Packaging for Good theme	Guiding principles and management systems	Responsibility
Foundation	• 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	• Board of Directors • President and Chief Executive Officer (CEO) • Global Executive Team (GET) • Ethics and Compliance Committee (ECC) • Global Functions
People	• 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 & Safety Policy	• GET • Business segments • Manufacturing units • Global Functions
Packaging	• Huhtamaki Code of Conduct • 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
Supply chain	• Huhtamaki Code of Conduct • Code of Conduct for Huhtamaki Suppliers • Global Human Rights Policy • Huhtamaki Human Trafficking and Modern Slavery Statement	• GET • Business segments • Manufacturing units • Global Functions
Operations	• Huhtamaki Code of Conduct • Group Environmental Policy • Group Property Risk Control and Business Continuity Policy • ISO management systems 14001, 50001	• GET • Business segments • Manufacturing units • Global Functions

Materiality

Identifying the most material topics

To ensure that our sustainability work concentrates on the most material topics, we update our materiality assessment regularly. In 2018, we made a substantial update by applying a new data-driven approach, provided by Datamaran. Datamaran tracks around 100 environmental, social and governance (ESG) topics from 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, as we were already aware of the material topics, the assessment was supplemented by updating underlying data sources and increasing the number of stakeholder surveys included.

In 2020, we performed a gap analysis of the topics included in our assessment. As a result, the topics “Transition to a circular economy” and “Transition to renewable energy” were included as new topics to be tracked via Datamaran. “Transition to renewable energy” was grouped under the already existing “Energy” topic, while “Transition to a circular economy” was added as a new topic. We also increased the number of surveys sent out to our stakeholders to make sure we gathered a broad set of data to include in the assessment. The gap analysis showed that the material topics for Huhtamaki have remained largely the same over the years. In general, the updated assessment for 2020 reaffirmed that our sustainability ambition covers the most material topics.

The content of this Sustainability Performance supplement is based on the materiality assessment. We report at least one GRI Standards disclosure for each topic that has been identified as most material.

The assessment resulted in the following materiality matrix.

- The X-axis represents the industry view, including internal stakeholder surveys and corporate reports.
- The Y-axis represents the external view, including external stakeholder surveys, online news, regulations, Twitter and international standards.

Managing material topics

Below is a general overview of the impact related to the material topics and how we manage this. More detail on each topic can be found under each topic specific disclosure.

Safety topics high on the agenda

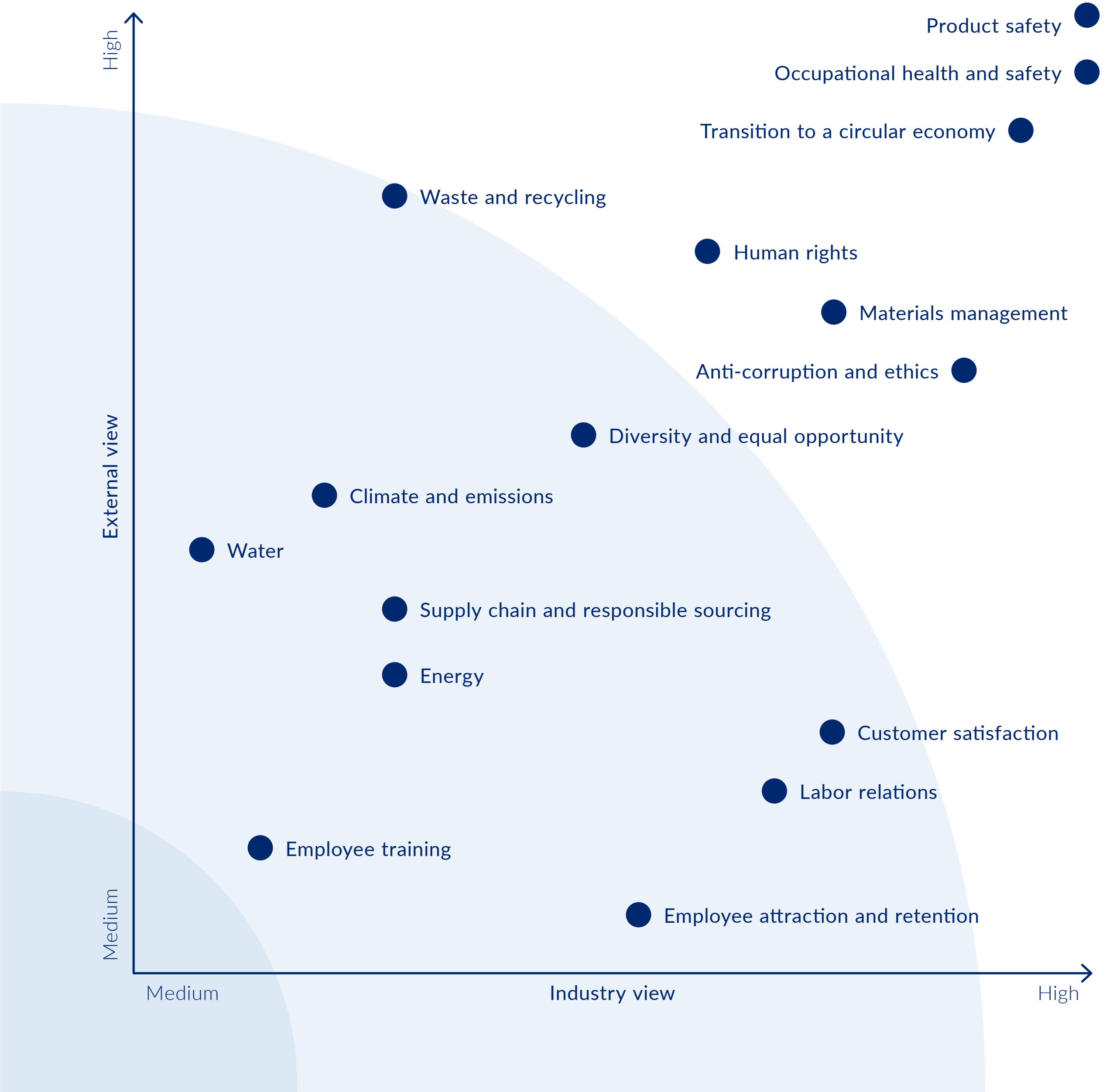
The result of the materiality assessment is a clear reflection of the year 2020 and the challenges that the COVID-19 pandemic has highlighted. Product safety as well as Occupational Health and Safety (OHS) have both clearly increased in importance. We see this as a natural result of the crisis, and safety continues to be top priority for us. We are committed to safeguarding our people's health and safety and are building a safety culture for everyone, everywhere. Read more about our health and safety initiatives and management on page 34 in the Business Overview and pages 181–183 of this supplement.

Managing product safety is essential in our business when delivering material that will be in contact with food. Our Quality and Food Safety fundamentals are defined globally and then implemented locally. The Huhtamaki Global Food Contact Packaging Safety Policy describes the food safety related requirements to be included in the local quality management system. Read more about product safety on page 185.

Operational impact

As a result of safety topics rising to the top of the list of material topics, several environmental topics, including climate, waste and water have all decreased in significance in relative terms. We have, however, not made changes to the weight of the environmental issues, as we see that it clearly is a result of the ongoing pandemic. Climate and emissions, energy, waste and water continue to be key topics for us.

Materiality matrix 2020



We addressed this in our Natural Resource Plan in the Packaging for Good program. This plan evolved during 2020 and is now an integral part of our sustainability ambition going forward. Read more about how the Natural Resource Plan is integrated in our sustainability ambition on page 190.

Operational efficiency is crucial for Huhtamaki, both to drive cost-efficiency as well as to reduce our environmental impact. We have used the Lean Six Sigma methodology to optimize our processes, primarily in manufacturing operations, but also in other functions throughout the company, since 2006. In 2020 we moved forward in continuous improvement. Building on the Lean Six Sigma foundation we initiated a Total Productive Manufacturing program to enhance our agility and efficiency.

Designing for circularity

The new topic – Transition to a circular economy – landed very high on the materiality matrix, this came as no surprise to us. This is one of the key topics in our new 2030 sustainability agenda. Our ambition is that all our products will be designed for the circular economy by 2030. We have also defined circularity criteria for our raw materials and products, and also for our production processes.

We strive to design our products for circularity and to develop low-carbon and plastic substitution solutions. Life Cycle Assessments (LCA) provide us 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. Read more about our sustainability ambition on page 41, and about innovation and how we design for circularity on pages 26, 51 and 62.

We are working collaboratively with our customers and partners to develop more sustainable solutions. Customer insight is an integral part of the development process. In 2020 we initiated a qualitative customer study and will continue with a more comprehensive customer satisfaction study in 2021.

Ethics and compliance

Anti-corruption and ethics remained a highly important topic from both the external and internal points of view. The Global Ethics and Compliance function oversees the implementation of our Ethics and Compliance Program. It supports the business segments in conducting business in compliance with laws, regulations and our ethical standards, and organizes trainings and coordinates our whistleblowing system, the Huhtamaki Speak Up channel. The Huhtamaki Code of Conduct is a core pillar of the Ethics and Compliance Program. In 2020, an updated version of the Code of Conduct e-learning tool was launched. For more information on our Ethics and Compliance program, see page 196.

Human rights and responsible sourcing

The importance of human rights remained high. Human rights, as well as other responsible sourcing aspects, are at the center of our strengthened supply chain due diligence procedures. As a responsible company, we want to ensure that our suppliers meet the ethical, social and environmental expectations we set out in our Code of Conduct for Huhtamaki Suppliers. Over the past years, we have improved and extended our supply chain due diligence process, which now covers approximately 80% of supplier spend globally. See more information about our supply chain due diligence on page 187.

We recognize that human rights is a topic that continues to increase in importance for our stakeholders. Therefore, we initiated a project in 2020 to further sharpen our human rights due diligence by assessing our processes and looking at where we still need to develop. We will continue our focus by performing a human rights impact assessment in 2021 which we will kick off with a pilot.

Our people

Developing our talent is a core element in our 2030 Strategy and is key to our future success. To build strategic capabilities to deliver the 2030 Strategy, we must nurture the potential of our people and continue to create a high-performance culture. We embrace diversity and inclusion and are building diversity into the ways we work and behave. The managers of our manufacturing units are trained on the Huhtamaki Working Conditions Requirements. These include topics such as anti-corruption, health and safety, work ergonomics, work contracts, working hours, grievances and supplier management. The training provides tools and techniques for evaluating and assessing performance in these areas. More insights about our People Agenda on pages 32–35 in the Business Overview, and pages 179–183 in this supplement.

Active risk management provides predictability

Risk management is an essential part of our business management and enables us to analyze and manage opportunities and threats related to our business strategy and operations. 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 our ERM framework and process guidelines.

The purpose of risk management is to identify potential events that may affect the achievement of Huhtamaki's objectives in the changing business environment, and to manage such risks to a level that we are capable and prepared to accept so that there is reasonable assurance and predictability on the achievement of the objectives. Our 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.

We assess 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. On Group level an impact at or above 5% is regarded as medium, whereas an impact at or above 10% on the Groups EBIT margin is regarded as high. 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 we have our risk controls in place, we assess the effectiveness of those controls over the impact and likelihood of the risk.

Special focus is given to the efficient management of risks that are considered medium-high to high across the organization, globally. On Group level the acceptability of risk levels associated with appropriate risk management actions is reviewed and approved by the Global Executive Team, the Audit Committee of the Board of Directors and finally by the Board of Directors.

Our Enterprise Risk Management (ERM) includes the assessment of sustainability risks and opportunities. Strategic sustainability risks relate to changes in the business environment or events that may impact Huhtamaki's reputation. Operational sustainability risks relate to production, human resources, crime and fraud. Furthermore, our risk assessment process evaluates the material sustainability related topics, as required per the CDP questionnaires on Climate Change, Water and Forests. We collaboratively conduct the risk assessment with the relevant stakeholders and by these means, we have the insights to influence our strategic and financial planning.

In the medium to long term, climate change is likely to increase the frequency and severity of weather-related natural disasters such as windstorms, droughts and floods that pose a threat to our manufacturing and distribution continuity. The physical damage that extreme weather conditions may cause to manufacturing facilities or infrastructure could interrupt Huhtamaki's own, its customers', raw material, energy or utilities suppliers', or transportation suppliers' business.

We manage these risks with appropriate precautions in high-risk locations as well as with disaster recovery and business continuity plans. Proposed greenfield or acquisition target locations' exposure to natural disasters is evaluated and must be considered acceptable, prior to proceeding with a project. Risks relating 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 special effort on plastic substitution, plays an important role in managing these risks. Our ambition is to increase the share of renewable and recycled raw materials to 80% and use only certified or recycled fiber by 2030. Moreover, we are shifting to renewable energy sources with an aim to reach carbon neutral production by 2030. Huhtamaki not only considers the risk of climate change on its business but on the entire planet and its people. We see that as an advanced packaging manufacturer, we are responsible for protecting the planet by offering and developing sustainable packaging solutions.

We recognize the critical importance of risks and opportunities related to climate change and will continue developing our climate-related risk assessment in order to further improve our governance, measurements and disclosure on the topic.

Stakeholders

Collaboration and co-creation with stakeholders across the value chain is key to our ability to achieve our sustainability ambition. Engaging in dialogue with stakeholders not only helps us align our strategies and actions to the expectations of our various stakeholder groups, but also gives us valuable information on 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

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 employee engagement survey and the stakeholder survey included in our materiality assessment. We also receive information through our whistleblowing channel, social media and investor meetings. In our materiality assessment in 2020, we included a larger number and wider range of stakeholders compared to previous years in order to capture a wide scope of topics that are important to stakeholders.

Our stakeholder engagement also includes participating in meetings, responding to consultations and requests for information, contributing to working groups, answering surveys and working as part of multi-stakeholder projects. We participate in benchmarking and transparency initiatives including CDP and the SAM Corporate Sustainability Assessment. In 2020 we committed to set science-based emission reduction targets through the Science Based Target initiative.

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. Read more about Think Circle and the stakeholders involved on page 27.

Our new 2030 Strategy and sustainability ambition answer many of the issues that our stakeholders are most concerned with. 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 safest workplace for our people
- The most attractive innovation and growth catalyst for our partners
- The industry's thought leader and respected member of communities

Key topics and concerns of stakeholders remain the same

The topic of plastics continues to be a key topic of concern for our stakeholders. Huhtamaki supports plastic substitution and the over-arching objectives of EU Single-Use Plastics Directive, the EU Green Deal and the Circular Economy Action Plan. We invest in innovation and work with partners across the packaging value chain to develop sustainable circular packaging solutions.

We think policymaking needs to be evidence-based and are concerned about the unintended consequences for the environment, businesses, and consumers when this is not the case. Consumer safety and food hygiene are paramount and must be ensured for all, globally. The environmental footprint evaluation must be made using LCA methodology and taking into consideration the complete value chain. In 2020, we contributed to a peer-reviewed LCA study comparing single-use and multi-use systems carried out by Ramboll. The study found that paper-based single use products provide significant environmental advantages in key impact categories, such as carbon emissions, when compared to reusable tableware for in-store dining in Quick Service Restaurants. Read more about the study on huhtamaki.com.

In 2020, Huhtamaki contributed to the launch of the European Paper Packaging Alliance (EPPA) with other leading manufacturers of paper and fiber-based food and foodservice packaging. Huhtamaki is a co-founder in this alliance which is committed to finding concrete solutions to increase recycling and to reduce the carbon emissions of food and foodservice packaging without compromising food safety and human health protection.

We collaborate with several international initiatives and associations

Huhtamaki is a participant in the UN Global Compact and supports the UN Sustainable Development Goals. Our Global Human Rights Policy reflects our commitment to human rights as set forth in the United Nations International Bill of Human Rights and takes into account the UN Guiding Principles on Business and Human Rights.

Below is a selection of the external initiatives and key associations that we were a member of during 2020:

- 4evergreen
- ACPP (Association of the Pulp and Paper Industry)
- 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)
- Forest Stewardship Council® (FSC®)
- Industrievereinigung für Lebensmitteltechnologie und Verpackung (IVLV)
- Industry Council for Research on Packaging and the Environment (INCPEN)
- International Foodservice Manufacturers Association (IFMA)
- Programme for Endorsement of Forest Certification (PEFC)
- Sedex
- Sustainable Forestry Initiative® (SFI) program
- UN Global Compact

Key performance indicators

People

Theme	KPIs	Performance in 2020
People	• Employee Engagement index >70%	• The latest Employee Engagement survey was carried out in 2019. The Employee Engagement index was 74% in 2019.
	• Huhtamaki Group Lost Time Incident Rate: 1.7	• LTIFR was 1.6.
	• Community programs in place at site level and Group level	• Work continued to concentrate on 3 donation projects for 2020 as part of Huhtamaki's 100 year celebrations. • Additional community projects where undertaken in response to COVID-19 pandemic by our operations around the world.

Information disclosed in this section - GRI standards:

401 Employment
403 Occupational health and safety
404 Training and education
405 Diversity and equal opportunity

We promote the following UN Sustainable Development Goals:

8 DECENT WORK AND ECONOMIC GROWTH

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.

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 2020, there were 18,227 (18,598) employees in total. The majority of our employees worked full-time, with less than 2% working as part-time. 70% (71%) of the employees worked in production while 30% (29%) were engaged in non-production duties. The majority, 76%, of our employees are male, especially in production.

Most of our employment-related processes are managed digitally and are therefore standardized and transparent to the extent possible. As an example, our compensation structure has been evaluated by a third party, and according to that men and women are fairly equally treated at Huhtamaki in terms of career advancement and pay. Pay growth and career opportunities are equal among men and women, and promotions do not favor either gender.

In 2020 we renewed our values, building on our original values. For us, values are not just principles. They shape our decisions and help us make a difference where it matters, together, across businesses and geographies. They unify us as one Huhtamaki family, to make a positive contribution to the world. Our new values are Care Dare Deliver. Read more about our renewed values on page 31 in the Business Overview.

Employees by employment contract type and gender

	Female			Male			Non-declared			Altogether		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Regular[1]	20.3%	20.2%	19.6%	72.9%	71.4%	71.3%	1.4%	1.4%	1.1%	94.5 %	93.0%	92.0%
Fixed term[2]	2.1%	2.4%	2.8%	3.2%	3.9%	4.9%	0.2%	0.7%	0.3%	5.5 %	7.0%	8.0%
Total	**22.4%**	**22.6%**	**22.4%**	**76.1%**	**75.3%**	**76.2%**	**1.6%**	**2.1%**	**1.4%**	**100.0%**	**100.0%**	**100.0%**

[1]Employees with indefinite contract with Huhtamaki
[2]Employees with a fixed term contract with Huhtamaki
Data was not collected by gender before 2018.

Employees by employee category and gender

	Female			Male			Non-declared			Altogether		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Direct[1]	2,278	2,376	2,269	10,277	10,418	10,140	231	311	187	12,786	13,105	12,596
Indirect[2]	1,795	1,771	1,675	3,591	3,420	3,321	55	83	71	5,441	5,274	5,067
Total	**4,073**	**4,147**	**3,944**	**13,868**	**13,838**	**13,461**	**286**	**394**	**258**	**18,227**	**18,379**	**17,663**

[1] Employees in production
[2] Non-production employees
Data was not collected by direct/indirect categorization before 2018.

Employees by business segment and gender

	Female		Male		Non-declared	
	2020	2019	2020	2019	2020	2019
Foodservice E-A-O	31%	31%	66%	65%	3%	5%
North America	33%	34%	67%	66%	0%	0%
Flexible Packaging	13%	13%	87%	87%	0%	1%
Fiber Packaging	13%	13%	81%	80%	6%	7%

Data was not collected by segment/gender categorization before 2019.

Managers with subordinates, by gender

	Female	Male	Non-declared
Executives	40%	60%	0%
Senior managers	22%	78%	0%
Other managers	21%	78%	1%

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	14%	90%
55–64 years	29%	10%
65 years and over	57%	0%

Engaging and involving employees helps to improve our processes

(Own KPI: Employee engagement index)

Our latest employee engagement survey, Connect, was conducted in September 2019 with the highest response rate ever at 88% (80%). The employee engagement index was at 74%, (69%) and Employee Enablement at 75% (75%). The next survey will be conducted in 2021.

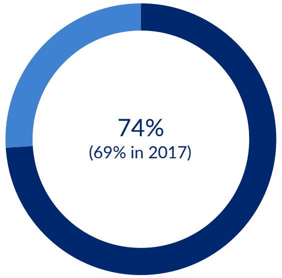
During the past year, teams have reviewed and discussed the results, looking for ways to maintain the areas that are clearly appreciated by employees and finding ways to improve those which were reported by employees as requiring more attention.

Globally we identified four areas requiring more focus:

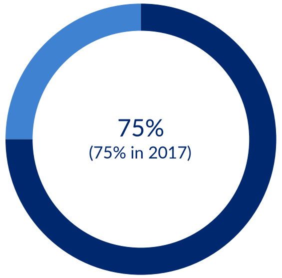
- Collaboration
- Training and development
- Resources
- Performance management

Out of these, Collaboration and Training & Development were selected for a cross-functional and cross-segment action planning

Engagement



Enablement



project, while the other two topics are already included in other existing development projects.

In addition to tracking our engagement levels through the employee engagement survey, we also meet with our European Works Council (EWC) once a year, and with the EWC Steering Committee at least once in a quarter to discuss topical issues. At the plants, all hands and townhall meetings are organized locally. We also meet regularly with unions and employee representatives, and conduct statutory negotiations on timely manner. The Speak Up channel and Alertline (in USA) are channels for employees to raise concerns on misconduct.

Professional development

(GRI 404-3)

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

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. 97% (95%) of non-production employees received a performance review for 2020.

Collective Bargaining

(GRI 102-41)

Huhtamaki recognizes employees' right to join or not to join organizations of their own choice, according to local laws.

39% (42%) of our employees were covered by collective bargaining agreements in 2020.

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. Discussion items are decided together with the EWC steering committee and the Executive Vice President HR. In 2020 the European Works Council's annual meeting was held virtually in October due to COVID-19 travel restrictions. The 2020 meeting topics included financial business updates, strategy, introduction of the new values, our sustainability ambition and occupational health & safety update.

Employee turnover

(GRI 401-1)

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 2020 was 12% (14%), and number of new hires was 2,370 (4,015) by end of the year.

Occupational Health and Safety

(GRI 403, Own KPI: Lost Time Incident Frequency Rate)

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.

Our 2020 refreshed OHS governance and policy strengthen the focus on key development programs. In 2020 we initiated two major improvement projects, one related to improving safe work practices with machines, and another focused on chemical management. Both projects address technical, behavioral and leadership elements.

Going forward, in 2021, we will introduce new KPIs that not only aim at reducing the number of injuries globally, but also strive to prevent the reoccurrence of an event. In addition to tracking lost time and medical treatment injuries, we will also start following learnings shared from lost time injuries. Read more about our approach to OHS in the Business Overview, page 34.

OHS Management Approach Disclosures

OHS Certification and Management Systems

(GRI 403-1)

Effective Health and Safety at Huhtamaki sites is delivered through health and safety management systems. These are implemented in each factory 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 OHSAS18001 or ISO45001 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

(GRI 403-2)

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 improvements. Consolidated risk reviews take place quarterly on segment level. Management teams on sites and on 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 'Alertline' (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. Going forward, the sites are requested to systematically share the learnings from the incidents internally in the segment and in global networks.

Employee Consultation

(GRI 403-4)

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

(GRI 403-5)

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. More courses will be added there during 2021, with special focus on health and safety leadership.

Worker Health

(GRI 403-6)

All our employees have access to Occupational Health Services. 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 to voluntary health programs or use of non-occupational medical services do not result into unfair treatment.

Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

(GRI 403-7)

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.

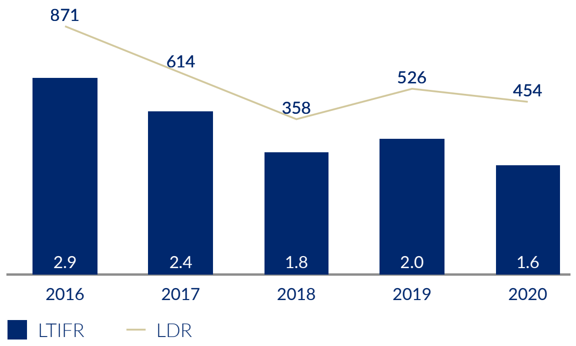
OHS Indicators

Work-related injuries

(GRI 403-9)

2020 results regarding Lost Time Injury Frequency Rate (LTIFR) were favorable when compared against the target set. The global LTIFR was targeted to be below a ceiling of 1.7. The performance in 2020 achieved a result of 1.6 LTIFR. Of the lost time injuries, 28% were categorized as 'fracture/break', 17% categorized as 'bruise/contusion', 15% categorized as 'cut' and 15% categorized as 'sprain/strain'.

Incident frequency and severity 2016–2020, Group



LTIFR = Lost time incident frequency rate per million hours worked.
LDR = Lost day rate, hours lost per million hours worked.

Graph has been updated to include both Huhtamaki employees and external labor.

Lost time incidents, medical treatment injuries, high-consequence injuries and fatalities

	2020	2019	2018	2017	2016
LTIs	66	82	72	86	93
Huhtamaki employees	61	75	63	81	89
External labor	5	7	9	5	4
MTIs	209	N/A	N/A	N/A	N/A
Huhtamaki employees	182	N/A	N/A	N/A	N/A
External labor	27	N/A	N/A	N/A	N/A
High-consequence injuries	2	N/A	N/A	N/A	N/A
Fatalities	0	0	0	1	0

Lost time incident rate and severity by business segment

	Foodservice E-A-O	North America	Flexible Packaging	Fiber Packaging
LTIFR	1.1	3.6	0.9	2.1
LDR	316	1,069	274	358

Frequency rates of injuries

	2020	2019	2018	2017	2016
LTIFR	1.6	2.0	1.8	2.4	2.9
Huhtamaki employees	1.7	2.1	1.8	2.4	2.8
External labor	0.8	1.1	2.0	3.6	15.2
TRIR	6.7	N/A	N/A	N/A	N/A
Huhtamaki employees	7.0	N/A	N/A	N/A	N/A
External labor	5.0	N/A	N/A	N/A	N/A
Rate of high-consequence injuries	0.05	N/A	N/A	N/A	N/A

Number of hours worked

	2020	2019	2018	2017	2016
Number of hours worked	41,320,700	41,433,300	40,052,300	35,105,500	32,159,500
Huhtamaki employees	34,861,300	35,269,200	35,536,800	33,720,000	31,895,800
External labor	6,459,400	6,164,000	4,515,500	1,385,500	263,700

LTI: Lost time incident, an accident or an incident that causes the employee to miss at least one working 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 incident frequency rate, calculated per million hours worked.
TRIR: Total recordable incident rate, calculated per million hours worked.
LDR: Lost day rate, hours lost per million hours worked.

Community involvement

(Own KPI: Community programs in place on site level and Group level)

As part of Huhtamaki's commitment to sustainability, we want to support the communities in which we are active.

In 2020, we made several donations to international NGO's as part of our 100th anniversary. These were global sustainability initiatives with a local impact - acting today, educating for tomorrow and funding innovation for the future, making a difference where it matters most to help address global sustainability challenges and build circular economy initiatives.

Huhtamaki and the international charity WasteAid announced a partnership in 2020. The Huhtamaki funded project will provide financial support to WasteAid to deliver education and training on waste management and circular systems. It will enable 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.

Huhtamaki and the impact-focused startup accelerator Food System 6 announced the "Huhtamaki Circular Economy Start-up Program", aimed at surfacing and supporting the most innovative circular economy startups worldwide.

Huhtamaki also funded a project that aims to stop the flow of plastic into the Indian Ocean from the Mithi River in Mumbai. The Mithi River Project is a global partnership between the United Nations Technology Innovation Labs (UNTIL), VTT Technical Research Centre of Finland, RiverRecycle and Earth5R. The project uses emerging technologies to collect plastic waste and seeks ways to valorize it by turning it into valuable fuels, chemicals, bio energy and fertilizers.

Huhtamaki has also been conscious about its role as a corporate citizen and donated EUR 0.5 million in support of the International Federation of Red Cross and Red Crescent Societies' (IFRC) COVID-19 appeal. The funds were channeled via the Finnish Red Cross to support emergency relief efforts in Asia and Europe particularly for the most vulnerable communities. The Red Cross donation was one part of our support towards alleviating the impact of the pandemic.

In addition, globally Huhtamaki teams across its 81 locations have sought opportunities to assist their local communities, be it in the form of producing face shields for healthcare workers or donating products to health care systems to ensure food hygiene and safety making a difference where it matters. Read more about these projects on pages 20 and 57.

Packaging

Theme	KPIs	Performance in 2020
Packaging	• All our products comply with Huhtamaki Global Food Contact Packaging Safety Policy	• Digitalization project of food contact material (FCM) compliance documentation started • Cross-functional global FCM team in place for knowledge sharing
	• Zero food contact compliance related claims reported	• Zero significant incidents of non-compliance reported
	• Product innovation	• Innovations related to plastic substitution with fiber-based materials, improving recyclability and use of recycled content • Sustainability dashboard including two KPIs related to designing products for circular economy introduced in 2020

Information disclosed in this section - GRI standards:

416 Customer health and safety

We promote the following UN Sustainable Development Goals:

Food packaging guarantees safety and hygiene, helps prevent food waste and gives access to food by supporting easy and efficient delivery. Product safety is non-negotiable and managing food contact safety is at the core of sustainable packaging solutions for food.

We are committed to providing safe, fit-for-purpose and high-quality packaging products to 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 the entire supply chain. Proactive communication between all parties in the value chain regarding raw materials, compositions and intended use of the final food packaging is essential when we design our products.

The Global Food Contact Packaging Safety Policy ensures food safety

(416-1; Own KPI: All our products comply with Huhtamaki's Global Food Contact Packaging Safety Policy)

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 the food safety related requirements that are included in the local quality management system. In this way, the policy brings consistency through food safety related actions.

We have dedicated product safety teams in place to provide guidance, training, and support to our sites. Leaders of these teams form a cross-functional Global food contact team.

When designing our products, we use a safety by design approach. Raw materials are all qualified for food contact suitability for the intended use prior to being introduced. The finished articles are assessed and tested in accordance with the 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. The quality standards include ISO 9001, and food safety standards include GFSI recognized schemes like BRC and ISO 22000. 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.

Manufacturing units with certified quality, hygiene and safety management systems in 2020, % of manufacturing units

	ISO 9001	BRCGS or other GFSI recognized mgmt system, AIB or ISO 22000
Group	78%	93%
Foodservice E-A-O	95%	100%
North America	22%	100%
Flexible Packaging	90%	100%
Fiber Packaging	100%	55%

Zero food contact compliance related claims reported

(416-2, Own KPI: Zero food contact compliance related claims reported)

During 2020, 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.

New production innovations enable circular packaging and reduction of plastics

(Own KPI: Product innovation)

Our innovation focuses on developing smart, sustainable packaging solutions to address the needs of society. We are driving the transition to a low-carbon and circular economy by using renewable, natural resources and minimizing our environmental footprint. By designing for circularity, we promote sustainable end-of-use for packaging.

During 2020, we continued innovation related to plastic substitution by increasing renewable packaging solutions. We developed our KPI tracking by introducing a sustainability KPI dashboard to monitor our progress when moving towards our 2030 ambition. In this dashboard, there are two KPIs related to designing our products for circular economy:

- 100% of products designed to be recyclable, compostable or re-usable
- >80% renewable or recycled materials

Read more on our innovation in the case studies in the Business overview on pages 28, 53 and 62.

Digitalizing food contact material process

In 2020, we started a project to digitalize our food contact material compliance process. We use a digital tool to integrate up-to-date global food contact legislation obtained online, raw material data and the supporting documents from our suppliers and external laboratory testing results of our products. This tool combining internal and external data on products and raw materials, suppliers and regulatory requirements has been piloted in flexible film applications in Europe already earlier. It is now rolled out in other packaging applications in Europe, Asia and Oceania starting from Europe.

Supply chain

Theme	KPIs	Performance in 2020
Supply Chain	• Supply chain due diligence system in place, covering ethical, social and environmental criteria • All fiber sourced from recycled or certified sustainable sources	• The system was rolled out to all segments in 2020, representing approximately 80% of sourcing spend. • More than 98% of all fiber sourced was from recycled or certified sustainable sources

Our supplier network consists of global key suppliers and a large network of local partners close to our manufacturing units. Responsible sourcing is based on close cooperation, and it includes developing and utilizing new supplier screening tools and processes as well as aligning with third-party verifications and standards.

We work together with approximately 20,000 suppliers globally. 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 on 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 2020.

Improved supply chain due diligence process now in place

(Own KPI: Supply chain due diligence system in place covering 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. After conducting a successful trial in our North America business segment in 2019, the updated due diligence process was rolled out to all business segments in 2020. The process now covers approximately 80% of supplier spend globally. We will continue with these step-by-step improvements to ensure that there are no violations in our supply chain. Due to the COVID-19 pandemic, all planned supplier audits for 2020 were put on hold until further notice. We are however following the situation closely and will resume our planned audits as soon as possible.

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 together with over 20,000 suppliers around the world. While they are all important to us, we have decided

Information disclosed in this section - GRI standards:

414 Supplier social assessment

We promote the following UN Sustainable Development Goals:

8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND

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. 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. 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 fulfills 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.

In 2020, 92.5% of key suppliers accepted the Code of Conduct for Huhtamaki Suppliers, and 4.7% 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 were only 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. All suppliers are asked to acknowledge compliance with the updated 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, 92% 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: 1.7% high risk, 57.0% medium risk, 41.2% low risk. After the screening results and answers to questionnaires were analyzed and additional information collected, no suppliers rejected in 2020.

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 in order 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. In 2019, the focus was on learning to use the different tools that Sedex provides. The plan for 2020 was to start putting these tools into further use in our supplier monitoring. We started by identifying the suppliers to be audited based on certain attributes, such as their location and supplier category, concentrating first on key suppliers. However, due to the COVID-19 pandemic, all planned supplier audits were put on hold until further notice, in order to protect the employees of our suppliers and auditors.

We have evaluated the possibility to use remote auditing as an alternative, but are of the opinion that it does not give the same level of quality and insight as a physical site visit does. If the pandemic continues, we will re-evaluate this decision.

We 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.

Certified and recycled fiber a key component of our sourcing practices

(Own KPI: All fiber sourced from recycled or certified sustainable sources)

Paper, cardboard and recycled fibers are the main raw material for us by volume. Nearly 70% of our product portfolio is made of fiber, either virgin or recycled. Securing a sustainable fiber supply is crucial, and a key part of our 2030 sustainability ambition.

Forests are an important natural resource. When trees are well managed, they provide livelihood, clean air and water, conserve biodiversity and mitigate climate change. To ensure that forests regenerate and grow, it is important that they are sustainably maintained.

Huhtamaki wants to advance the sustainable management of all forest types. This is why 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 to some extent.

Virgin fibers are used for most food packaging with direct food contact to meet food safety and hygiene regulations. For a specific type of food packaging (egg trays), recycled fiber is also used, as eggshells provide the natural barrier needed. Recycled fibers are sourced from manufacturing or from post-consumer recycled materials. 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.

Our goal is to source 100% of the wood fiber that we use from recycled or certified sustainable sources. In 2020, we were at a level of 98%. We continue working to reach the 100% goal, recognizing that the remaining percentage is under constant change as we develop new products and test alternative materials. We are using alternative non-wood based fibers like grass in certain products, and currently there is no certification scheme available for all alternative fiber types.

For more information on the different programs for certified fiber, see the Forest Stewardship Council (FSC®), the Programme for the Endorsement of Forest Certification (PEFC™) and Sustainable Forestry Initiative® (SFI) program.

Operations

Theme	KPIs	Performance in 2020
Operations	• Natural Resource Plan	• Natural Resource Plan is now integrated into the new 2030 Strategy; sustainability KPI dashboard in place • Scope 3 emissions reported for the first time, commitment to set science-based emission targets
	• All plants in water-stressed areas have a water management plan	• Developing plans for each operating site is still work in progress. New Sustainability Specialist Climate and Water in place to improve the process and support plants in water management

The Natural Resource Plan project continued to focus on climate and emissions, water, waste and product innovation. During 2020 we transformed this project into a sustainability working stream in the newly launched World Class Management project implementing our new 2030 Strategy. The Natural Resource Plan is now the environmental core of the WCM sustainability stream. The stream defines how we measure, improve and communicate our sustainability performance against our commitments.

In 2020 we developed a dashboard for tracking and regular communication on our sustainability performance. During the year we developed our environmental key performance indicators and published the new sustainability KPI dashboard in Q4 2020. Next year we plan to develop performance indicators for product innovation in a separate WCM innovation stream.

Our manufacturing units continuously work to improve their resource efficiency. This is supported by a strong environmental and financial rationale. Greenhouse gas emissions and production waste are the main environmental impacts of our manufacturing operations. Additionally, water usage is a material topic in our molded fiber manufacturing operations.

The Group'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 2020, 53 (52) manufacturing units, representing 66% (68%) 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.

Materials consumption

(GRI 301-1, 301-2)

The main raw materials used by Huhtamaki are paperboard, recycled fiber and plastic polymers.

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.

Information disclosed in this section - GRI standards:

301 Materials
302 Energy
303 Water
305 Emissions
306 Effluents and Waste

We promote the following UN Sustainable Development Goals:

Virgin paperboard is used to manufacture disposable tableware, such as hot and cold drink cups, plates, food containers and ice cream packaging. Food safety regulations related to direct food contact are met with virgin paperboard when the use of recycled content is not possible.

Polymers such as PS, PET, 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, PET and PP are the main materials in multilayer flexible packaging.

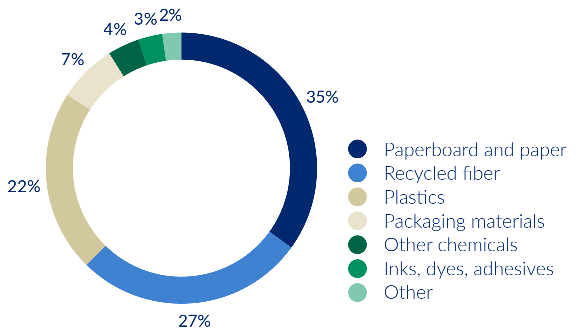
In addition to the main raw materials mentioned above, we use packaging materials, inks, dyes, adhesives, other chemicals, metals and alternative fibers (i.e. fibers from non-wood sources such as grass). The use of alternative non-wood fiber e.g. grass is limited to certain niche products. The composition of printing inks varies based on the needs and features of the final product. Both solvent-based and water-based inks are used.

In 2020, the share of renewable materials of all materials used across Huhtamaki was 67% (68%). Most of the renewable materials were 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 increased by 3%, reaching the level of 29% (28%) in 2020 and 97% of our fiber raw materials (excl. recycled fiber) were certified with PEFC™, FSC® or SFI® Chain of Custody 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.

Material use, 1,000 metric tons

	2020	2019	2018
Total material usage	1,353	1,387	1,366
Renewable materials used	911	937	917
Non-renewable materials used	442	451	449
Share of renewable materials, %	67	68	67
Share of recycled input materials, %	29	28	27

Material use by volume



Energy consumption

(GRI 302-1)

We use both primary energy sources (fuel) and secondary energy (electricity and heat) in our operations. Primary energy is mainly used in the drying process of recycled fiber-based packaging. In 2020, our total energy consumption decreased to 2,142 GWh (2,252 GWh). Consumption of primary energy was 1,036 GWh (1,055 GWh) and consumption of secondary energy was 1,105 GWh (1,196 GWh). The main source of secondary energy was electricity, which accounted for 99% (99%) of the total consumption. The share of renewable energy increased to 2% (1%).

The decrease in the energy consumption was mainly driven by continuous improvement projects and temporarily decreased production during COVID-19 restrictions at several locations during the year. The Group's energy efficiency per sellable ton produced improved by 1%.

In 2020 we started to focus more on the use of renewable energy and increased circularity to build a roadmap to carbon neutral production in 2030. Read more about our renewable energy pilots on page 44.

Energy

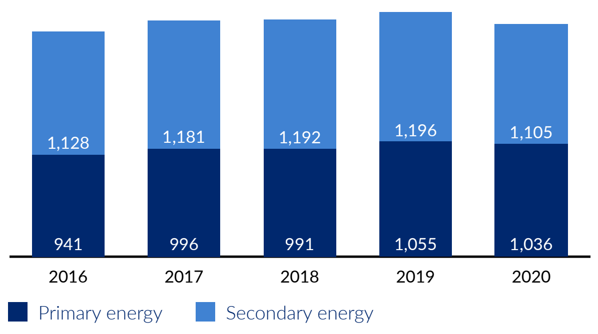
(GRI 302-3, 302-4)

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 the manufacturing units work on these 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 going forward when we roll out our 2030 sustainability ambition to operations.

In 2020, our energy efficiency improved to some extent compared to 2019. Energy consumption per sellable ton produced (STP) was 2.03 MWh/STP (2.05). The figure includes all forms of energy used within Huhtamaki.

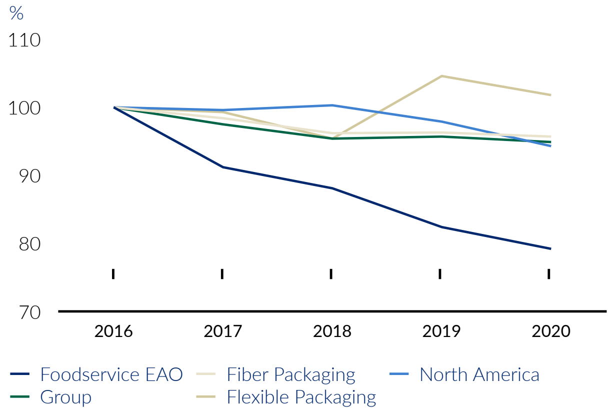
Total energy consumption

GWh



Indexed energy intensity

MWh/STP



STP = Sellable Ton Produced

Energy consumption, GWh and %

		2020		2019		2018	
Primary energy consumption	Gas	971	45%	984	44%	912	42%
	Oil	66	3%	71	3%	79	4%
	Coal	0	0%	0	0%	0	0%
	Renewable fuels	0	0%	0	0%	0	0%
Secondary energy consumption	Electricity	1,094	51%	1,181	52%	1,177	54%
	Share of renewable electricity	42	4%	18	2%	53	4%
	Other secondary energy[1]	12	1%	16	1%	15	1%
Total energy consumption		**2,142**	**100%**	**2,252**	**100%**	**2,183**	**100%**

[1]Heating, cooling and steam combined due to small consumption. No energy sold. Units report energy consumption in a specific management system.

Emissions

(GRI 305-1, 305-2, 305-4, 305-5)

In 2020 we committed to set science-based emission reduction targets in line with the Science Based Targets initiative, and started the scoping to set our emission reduction targets. Greenhouse gas (GHG) emissions are one of the main environmental impacts of our manufacturing operations. 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 compounds (VOC). During the reporting year, we disclosed our Scope 3 emissions for the first time.

In 2020, our absolute Scope 1 emissions decreased 2% from 2019. Scope 1 emissions cover methane (CH_4) and nitrous oxide (N_2O) gases besides CO_2. Scope 1 emissions are calculated by multiplying our primary energy consumption with the source specific emission factors of GHG Protocol/IEA v14 (11/2020) library.

Our Scope 2 emissions decreased 9% in 2020 when compared to 2019. 68% of 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. The Scope 2 emissions are calculated by using the location-based method. The consumption of secondary energy is multiplied with the emission factors of GHG Protocol/IEA v14 (11/2020), GaBi v13.0 (12/2020). Due to updates of emission factors under the impact libraries used, the GHG emission of previous years have changed from the ones reported in 2019. When using the market-based Scope 2 calculation method, our Scope 2 emissions are 502,000 tCO_2e in 2020. The market-based calculation uses both supplier specific emission factors and factors from emission factor libraries.

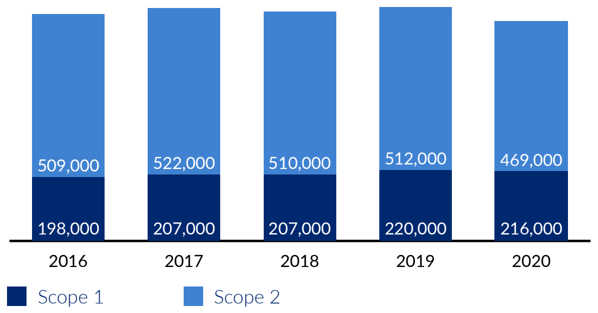
Our GHG intensity per sellable ton produced decreased 3% in 2020 when compared to 2019. Our production volume decreased 4% in 2020. Hence, we have achieved a reduction of 17,600 metric tons CO_2e in our GHG emissions when adjusted for the change in the production volume. The calculation of emissions intensity and reduction covers Scope 1 and Scope 2 emissions.

In 2020, we finalized setting up the calculation process of our Scope 3 emissions. The process 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 work in 2020 focused on determining our Scope 3 emissions of the previous year to define the baseline on which to set our science-based GHG emissions reduction target. We reported our Scope 3 emissions of 2019 in our 2020 response to the CDP's Climate Change questionnaire. The Scope 3 emissions related to our operations amount to roughly 80% of our total Scope 1, 2, and 3 emissions. Most of our Scope 3 emissions originate from the production of the packaging raw materials that we purchase from our suppliers, and end-of-life treatment of our sold products.

The main source of our Volatile Organic Compound (VOC) emissions is the use of solvent-based printing inks. Our manufacturing units with recognizable VOC emissions typically have a VOC incinerator or a VOC recovery unit installed. The recovery system enables recycling and reuse of the solvent used in printing inks. We also use water-based printing inks, which are solvent free and do not result in VOC emissions, but they do, instead, require more energy for evaporation. In 2020, 13% (16%) of printing inks used in Huhtamaki were water- or oil-based.

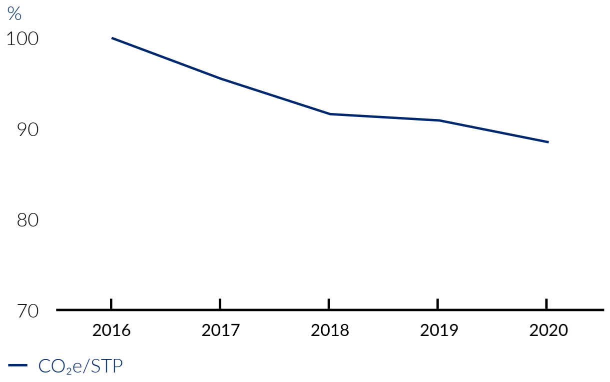
Total greenhouse gas emissions

metric tons CO_2 eqv



Indexed greenhouse gas emissions intensity

metric tons CO_2 eqv



STP = Sellable Ton Produced

Water

(GRI 303-1, 303-2, 303-3, Huhtamaki's own KPI: All plants in water stressed areas have a water management plan)

Besides the water consumed for sanitary and domestic purposes at our facilities e.g. canteens, toilets, showers and gardening, we use water in our process mainly for cooling and cleaning. Water is relatively abundant in most of our production locations. Huhtamaki is aware of the risk exposures related to water that could have an effect or a disruption in our production capacity, though our food packaging manufacturing units have relatively low water intensity compared to other industries in the food value chain.

Huhtamaki has mapped the water related risks according to the Aqueduct Water Risk Framework of the World Research Institute to be able to understand water risks, impacts and challenges. In 2020 we began to develop a comprehensive water stewardship plan with the involvement of the relevant site level stakeholders. We will continue this in 2021 and align water-related goals to the local context with site-specific assessments, the water management plans. These structured plans include alignment with strategy, site-specific water risk assessment, objectives aligned with performance indicators, as well as control and monitoring metrics that facilitate the follow up and identification of improvement areas. During 2020 two pilot sites assessed earlier finished their water management plans. Unfortunately, water management plan development was delayed at site level because of limited resources related to COVID-19 in 2020. We noticed that more support from Group level is needed to accelerate the process in the future and so we have allocated more resources to this in the last quarter of 2020.

Our freshwater intake decreased to 8.7 million m^3 (8.8 million m^3) in 2020. This was mainly driven by temporarily decreased production during COVID-19 restrictions at several locations during the year.

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 commissioning the discharge to authorized suppliers in those sites where sewage network is not available. The total volume of water discharged was 7.5 million m^3 in 2020.

The water efficiency of the Group deteriorated by 3% in 2020. 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. The total volume of water recycled in our operations and as cooling water was 1.0 million m^3 in 2020. In 2020, our water consumption was 1.2 million m^3.

Water withdrawal by source, million m^3 and % of total

		2020		2019		2018	
Huhtamaki group	Surface water	4.2	49%	4.1	47%	4.8	50%
	Groundwater	1.2	14%	1.1	12%	1.3	13%
	Third-party water	3.2	37%	3.6	41%	3.5	37%
	Produced water[1]	0.01	0.1%	NA	NA	NA	NA
Huhtamaki group - total		**8.7**	**100%**	**8.8**	**100%**	**9.5**	**100%**
Water stress areas	Surface water	0.001	0.2%	NA	NA	NA	NA
	Groundwater	0.1	20%	NA	NA	NA	NA
	Third-party water	0.3	80%	NA	NA	NA	NA
	Produced water[1]	0.0	0%	NA	NA	NA	NA
Water stress areas - total		**0.4**	**100%**	**NA**	**NA**	**NA**	**NA**

[1]Water that enters Huhtamaki operations as a result of any raw material use

Managing water discharge impacts in 2020

- Huhtamaki minimizes downstream water-related impacts by being proactive and sponsoring projects that improve the quality of effluents on-site.
- In Taloja, India, we commissioned a mechanical vapor recompression system that efficiently cleans the process effluent and allows its recirculation to our demineralization water plant, with a recovery of 95%. A high recovery rate means that there are no liquid discharges, but a sludge that is treated accordingly.
- In Czeladź, Poland, we implemented a novel water treatment process during 2020 that allows treating waste water on-site. The separation process is based on filtration and substantially improves the discharge parameters of the liquid stream. The effluent is recirculated back to our process for cleaning purposes, which reduces our consumption of fresh water.
- Huhtamaki shares good effluent management practices across our production units to further improve our sustainability performance.

Waste

(GRI 306-2)

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 decreased by 3%, mainly driven by temporarily decreased production during COVID-19 restrictions. 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 declined to 70% (73%). The recycling landscape has fundamentally changed over the last 3 years, since China and other countries in South East Asia no longer process imported waste into recycled raw materials. As a result, Europe and America need to develop their own recycling infrastructure as exporting is no longer an option. In 2020 this new infrastructure is not yet widely in place, and because of this, recycling rates for non-hazardous production waste have tended to decline. 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 our initiatives on page 45.

Waste by type and disposal method, metric tons

		2020	2019	2018	2017	2016
Non-hazardous waste	Landfill	36,100	36,800	20,300	21,400	18,000
	Recycling	129,000	140,500	156,900	149,100	131,200
	Energy recovery	17,800	13,100	12,500	12,800	15,900
	Incineration without energy recovery	600	100	400	200	0
Hazardous waste	Landfill	1,200	1,000	1,200	900	1,200
	Recycling	4,800	5,100	4,500	4,200	4,000
	Energy recovery	1,000	1,200	1,100	1,100	700
	Incineration without energy recovery	1,400	800	500	500	0
Total		**191,700**	**200,300**	**196,800**	**189,200**	**170,900**
Recycling rate (%)		70	73	82	81	79
Hazardous waste (% of total)		4	4	4	4	3

Ethics and compliance

We Care Dare Deliver – with integrity. We are committed to complying with the Huhtamaki Code of Conduct, other policies and guidelines, as well as laws and regulations, and acting with integrity. Highest ethical standards in all our actions are key to succeeding in our business.

Commitment and compliance oversight

At Huhtamaki, integrity applies to every part of our business, and we highlight the importance of the commitment at every level. The Global Ethics and Compliance function oversees the implementation of our Global Ethics and Compliance program. It is an advisory function that supports Huhtamaki in conducting its business in compliance with laws, regulations and Huhtamaki's ethical standards by advising in certain key areas, such as Code of Conduct, anti-corruption, supply chain transparency, trade compliance, conflict of interest, competition compliance and data privacy related matters. In addition, Global Ethics and Compliance 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.

Conducting our business with integrity

The Huhtamaki Global Ethics and Compliance program focuses on Huhtamaki's commitment to integrity and the highest ethical standards across our global organization. During 2020 we continued to execute the key initiatives supporting the program, and continuously developed further the key elements of the ethics and compliance framework.

We strongly believe that conducting business with integrity is the right thing to do, and it is also our license to operate. 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 for all of us – so that it is everyone's responsibility.

We are thousands of employees, in dozens of countries, with one Code of Conduct

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 works as a compass, helping us to navigate and use consistent legal and ethical judgment in our daily work. The Code is available to all employees on our intranet and is also publicly available on our company webpage. All Huhtamaki employees are required to complete our annual mandatory Code of Conduct online training.

Communications and training are a crucial part of our compliance work. We strive to ensure that Huhtamaki's employees and business partners all understand what ethical behavior is, and how they should respond to any ethical dilemmas that may arise. Our annual, mandatory Code of Conduct e-learning was renewed in 2020. We all share the same Code of Conduct and the new e-learning provides us with the guidance and principles to adhere to the highest standards of integrity, legal compliance and ethical conduct across the organization. The Code of Conduct online training is available in 26 languages.

In 2020, Code of Conduct and anti-bribery and corruption face-to-face training sessions were organized by the Global Ethics and Compliance function for our units in Saudi Arabia and South Africa. Additionally, Global Ethics and Compliance continued to raise awareness of corruption and other compliance risks also in Huhtamaki's other operating geographies during 2020 by providing training and communication through various online channels.

In addition to our 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 were rolled out globally as part of the annual Ethics and Compliance training program.

We encourage everyone to speak up!

In accordance with our Huhtamaki values, we promote a speak-up culture and encourage everyone to raise concerns if there is any suspicion of a breach of the Huhtamaki Code of Conduct, any other Huhtamaki policies and guidelines or laws and regulations. In effect this means that if an employee finds out that another employee has violated the rules, the employee is expected to report the violation by contacting either his or her manager, over manager, a local Human Resources representative or Global 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 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. In the United States, reports can also be submitted through the Alertline system. 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 2020, 49 (2019: 95) cases of potential misconduct were reported to the Global Compliance team either directly or through the Huhtamaki Speak Up channels. They were related to, among other things, suspected misbehaviors, health and safety concerns, possible fraud or conflicts of interest situations or other violations of policies and guidelines, including the Huhtamaki Code of Conduct.

All breaches and suspected breaches of the Huhtamaki Code of Conduct brought to the attention of Global Compliance were investigated and reported according to the Group Investigation Policy which provides a mechanism for investigating and addressing alleged violations of the Code of Conduct, any other policies, as well as laws and regulations in a structured and timely manner. Corrective and preventative actions have been taken based on the outcome of the investigations, as needed. The Huhtamaki Ethics and Compliance Committee, the Global Executive Team and the Audit Committee of the Board of Directors follow 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. In 2020, there were no fines or non-monetary sanctions for non-compliance with laws and regulations related to anti-corruption, product health or safety and security, environment, data privacy, export control laws or taxation.

Anti-bribery and corruption is considered a highly important topic in the ethics and compliance program

(GRI: 205-1)

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, bribery, and fraudulent activity in general is considered medium-low in the 2020 ERM assessment, anti-corruption is seen as a key element of the company's Global Ethics and Compliance Program framework. 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 and bribery risk and the related preventative procedures are evaluated in connection with a biennial ethics and compliance assessment, previously conducted in 2019, and scheduled to be refreshed in 2021.

Communicating and training on anti-corruption policies and procedures

(GRI: 205-2)

Huhtamaki operates in locations including high-risk markets that offer good business opportunities but may also entail exposure to serious compliance risks such as corruption and fraud. 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 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.

All Huhtamaki employees are required to complete the Huhtamaki Code of Conduct, which is cascaded to our employees as part of our annual mandatory Ethics and Compliance online training program. The annual Code of Conduct e-learning was renewed in 2020 and it also contains an anti-corruption section with the commitment not to tolerate corrupt practices of any kind and practical examples for ethical decision-making.

The Code of Conduct training, including the anti-corruption section, was completed by 95.7% (2019: 84.7%) of employees globally in 2020. For the first time in 2020, all line managers also need 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.

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 2020

(GRI 201-1)

In 2020, the economic value generated by the Group was EUR 1,220 million (EUR 1,209 million) of which EUR 895 million (EUR 861 million) was distributed to stakeholders and EUR 325 million (EUR 348 million) retained in the Group for operational development and further growth. The Group achieved -2% organic and 2% acquisitive growth. Adjusted EBIT margin, excluding items affecting comparability (IAC) of EUR -36.8 million, was 9.1%. Dividends paid to shareholders correspond to a 47% payout ratio (of 2019 profit).

Huhtamaki as a taxpayer

Huhtamaki 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 2020 decreased to EUR 53 million (EUR 58 million) and paid taxes amounted to EUR 45 million (EUR 39 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 25 million (EUR 20 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		2020	2019
Customers	Net sales	3,302	3,399
Suppliers	Purchases	2,082	2,190
	Economic value generated	1,220	1,209
Personnel	Personnel expenses	721	686
Shareholders	Dividends	93	88
Debt investors	Net financial expenses	28	29
Public sector	Taxes	53	58
	Economic value distributed	895	861
	Economic value retained in the Group	325	348

New sustainability ambition going forward

In this Sustainability Performance supplement, we present our performance against our sustainability program Packaging for Good 2018-2020. Going forward, delivering on our 2030 sustainability ambition will set the pace and framework for how we embed sustainability across our organization.

Unpacking our 2030 sustainability ambition

Our 2030 ambition	How we deliver on our ambition	
• **Our products are designed for the circular economy** • **100% of products designed to be recyclable, compostable or reusable**	Product design	• Formalize the Huhtamaki design guide for circularity • Incorporate design guide into new product development process
	Partnerships	• Collaboration across the value chain in developing circular economy through advocacy, thought leadership and product development
	Innovation	• Enable incremental and breakthrough innovation • Joint development with customers and suppliers
• **We take care in selecting the best raw materials from suppliers we trust** • **>80% renewable or recycled materials** • **100% of fiber from recycled or certified sources**	Materials	• Continuous product innovation, with special effort on plastic substitution • R&D to improve the composition of our products
	Certified fiber	• Most sites already at 100% • Case-specific action plans for the handful of sites with longer way to go
	Supplier due diligence	• Supply chain due diligence process that covers ethical, social and environmental criteria
• **We minimize and recycle our production waste** • **>90% of non-hazardous waste recycled or composted**	Production waste	• Improve measures to minimize waste • Continuously benchmark production sites and transfer good practices • Increase recycling and avoid landfill
• **We will reduce resource consumption, and increase the use of renewable energy** • **100% renewable electricity** • **Carbon neutral production and science-based emission target**	Energy	• Shift to renewable energy sources and reach carbon neutral production • Taking a holistic approach: avoid emissions, reduce emissions, replace sources
	Water	• Improve water availability, quality and accessibility and implement site-specific water management plans
• **We work relentlessly to ensure a safe working environment with zero accident culture and respect for human rights, throughout our value chain** • **We offer the most engaging, motivating and safest workplace for our people**	Our People	• Focus on high performance culture and developing our talent • Raise our standards even more through a project approach focused on key themes, e.g., machine and chemicals risks • Continuously improve capability and competency across the OHS and leadership communities; simplify and standardize ways of working
	Human rights	• Initiate Human Rights Impact Assessments, including fair employment conditions • Included in Huhtamaki Code of Conduct for Suppliers and supplier audits

Reporting principles and scope

This Sustainability Performance supplement 2020 has been prepared in accordance with Global Reporting Initiative (GRI) Standards, Core Option. We have reported at least one disclosure for each GRI standard that has been identified most material, based on our materiality assessment. The report contains information on Huhtamaki's sustainability performance in the period January 1 – December 31, 2020. Some indicators also include historical data. The previous report, called Huhtamaki Sustainability Report 2019, was published in March 2020. The Sustainability Report and financial statements are published annually by calendar year.

The disclosures listed in the GRI Index have been externally assured by DNV GL Business Assurance, an independent third party. The assurance of this report is limited to disclosures required by the GRI Standards Core Option. The assurance report is attached to this report. The Global Executive Team will review the observations and recommendations related to the external assurance.

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.

In 2020, we updated our materiality assessment by performing a gap analysis to identify if any new topics should be added to our assessment, and as a result two new topics were added: Transition to a circular economy and Transition to renewable energy, which was grouped under the broader heading of Energy. We also made some updates to some of the topic names to better describe the matters that were grouped under each topic. The updated topic names are visible in the adjacent table and in the materiality matrix on page 175.

Identified material topics and boundaries

Theme	Identified material topics	Material GRI standard	GRI topic boundary
People	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
Packaging	Product safety	GRI 416 Customer health and safety	Consumers, customers
	Customer satisfaction	GRI 416 Customer health and safety	Customers
Supply chain	Supply chain and responsible sourcing	GRI 103 Management approach	Group's key suppliers
	Human rights	GRI 103 Management approach	Group's key suppliers
Operations	Materials management	GRI 301 Materials	Huhtamaki Group manufacturing units
	Waste and recycling	GRI 306 Effluents and 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
Circular economy	Transition to a circular economy	GRI 301 Materials GRI 302 Energy GRI 303 Water GRI 305 Emissions GRI 306 Effluents and waste	Huhtamaki Group
Foundation	Anti-corruption and ethics	GRI 205 Anti-corruption	Huhtamaki Group, Group's Key suppliers, Customers, Partners

*Excluding offices

In some of the reported GRI disclosures, we updated to the latest version of the standard: in Occupational Health and Safety we are now reporting according to GRI Standard 403 (2018) and in water we are now reporting according to GRI Standard 303 (2018).

This Sustainability Performance supplement follows the same consolidation principles as Huhtamaki Financial Statements 2020 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 this report, metric tons are used as the mass unit. The 2020 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. Environmental data included in this Sustainability Performance supplement excludes the units that have been acquired during the reporting year 2020 based on the transition period needed to introduce Huhtamaki reporting. Units closed during the reporting year 2020 are included in the data until their closing date.

The number of manufacturing units with certified quality, hygiene and safety management systems excludes units that were acquired in 2020 or closed during the reporting year. Also, units not producing food contact materials are excluded when assessing food safety management systems.

The data on our supply chain is based on key suppliers – the definition of key supplier can be found on pages 187–188. Each key supplier may consist of several business and/or legal units in different locations.

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.

Data collection and measurement

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. The emission factors of GHG Protocol/IEA v14 (11/2020) - IEA 2020 library were used to calculate the reported Scope 1 emissions. In the reported Scope 2 emissions, the emissions from district heating and cooling were calculated using the emission factors of GaBi v13.0 (12/2020) library. To calculate Scope 2 emissions from purchased electricity, two methods were used. The emission factors of GHG Protocol/IEA v14 (11/2020) - IEA 2020 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 RE-DISS (12/2020) v8.1 and GHG Protocol/IEA v14 (11/2020) - IEA 2020 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.

Supply chain data is monitored by a risk assessment tool built for the purpose. Financial information originates from the financial reporting processes.

Data collection practices have been reviewed by DNV GL Business Assurance during the assurance process.

Independent Limited Assurance Report to the Management of Huhtamaki Oyj

Scope of Engagement

Huhtamaki Oyj ("Huhtamaki") commissioned **DNV GL Business Assurance Finland OY/AB** ("DNV GL") to conduct a limited assurance engagement over the performance indicators presented in the Huhtamaki Annual Report 2020 Sustainability Performance section ("Report") for the reporting period 1st January to 31st December 2020.

Selected Information

The scope and boundary of our work is restricted to the key sustainability performance indicators and metrics included within the Report (the "Selected Information"), listed below:

- GRI 102-8 Information on employees and other workers (number of)
- GRI 102-41 Collective bargaining agreement (%)
- GRI 205-1 Operations assessed for risks related to corruption
- GRI 205-2 Communication and training about anti-corruption policies and procedures
- GRI 301-1 Materials used by weight or volume (t)
- GRI 301-2 Recycled input materials used (%)
- GRI 302-1 Energy consumption within the organization (GWh)
- GRI 302-3 Energy intensity (%)
- GRI 302-4 Reduction of energy consumption (%)
- GRI 303-3 Water withdrawal (m^3)
- GRI 305-1 Direct (Scope 1) greenhouse gas (GHG) emissions (tCO_2e)
- GRI 305-2 Energy indirect (Scope 2) GHG emissions (tCO_2e)
- GRI 305-4 Greenhouse gas emissions intensity (%)
- GRI 305-5 Reduction of GHG emissions (%)
- GRI 306-2 Waste by type and disposal method (t)
- GRI 401-1 New employee hires and employee turnover (number of, %)
- GRI 403-9 Work-related injuries (number of, rate)
- GRI 404-3 Percentage of employees receiving regular performance and career development reviews (%)
- GRI 405-1 Diversity of governance bodies and employees (%)
- GRI 416-1 Assessment of the health and safety impacts of product and service categories (%)
- GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services (number of)

The location of the Selected information in the Report is specified in the GRI content 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 and Huhtamaki's reporting principles and scope, (the "Criteria", see pages 201–202).

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 GL 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: La Rochelle, France,
  - Huhtamaki Flexible Packaging: Ronsberg, Germany, and
  - Huhtamaki North America: Goodyear, AZ, US.

DNV GL 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 GL 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 GL established policies and procedures are designed to ensure that DNV GL, its personnel and – where applicable – others are subject to independence requirements (including personnel of other entities of DNV GL) 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 GL

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 GL Business Assurance Finland OY/AB
Espoo, Finland

4th February 2021

Mikael Niskala
Lead Auditor
DNV GL – Business Assurance

Souvik Kumar Ghosh
Principal Consultant and Reviewer
DNV GL – Business Assurance

GRI content index

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GRI 205: Anti-Corruption 2016			
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GRI 303: Water and effluents 2018			
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GRI standards		Location	SDG
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