

**Segezha Group**  
**The Report on Sustainable Development in 2020**

**BASED ON PUBLIC DISCUSSION**

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## Disclaimer




The sustainability report has been prepared using information available to Segezha Group at the time of its preparation, including information received from third parties. Segezha Group reasonably believes that this information is complete and accurate at the time of publication of this Sustainability Report, but does not represent or warrant that this information will not be further clarified, revised or otherwise changed.

The Sustainability Report contains statements of an estimate or forecasting nature regarding production, financial, economic, social and other indicators characterizing the development of the Group.


Segezha Group does not represent or guarantee that the results of operations indicated in the forward-looking statements will be achieved. Segezha Group does not bear any responsibility for losses that may be incurred by individuals or legal entities acting on the basis of forward-looking statements.

Minor deviations in the calculation of interest, changes in subtotals and totals in the charts and tables of this annual report are explained by rounding.

## Key indicators of sustainable development

	2018	2019	2020
 <b>Economy</b>			
Segezha Group revenue, billion RUB	57.9	58.5	69.0
Share of foreign currency revenue, %	72.7	73.1	72.0
Number of products sale countries	>100	>100	>100
 <b>Environment protection</b>			
Total expenses for environment protection, million RUB	275	270	439
Certified forest, according to the FSC <sup>1</sup> Standard, %	86	86	83
Total greenhouse gas emissions in CO <sub>2</sub> equivalent, thousand tonnes	554	545	469
 <b>Personnel</b>			
Number of employees to have been trained in labour protection, persons	2,300	3,972	3,396 employees were trained, +93 %

<sup>1</sup> FSC-C133272

			compared to 2019
Costs for occupational safety and health, million RUB	134	153	242
Personnel turnover, %	32	33	29
Number of employees, thousand persons	12,678	12,896	13,117
LTIFR, %	3.24	2.5	2.1
 <b>Community</b>			
The amount of taxes paid to the budget in all countries of presence, million RUB	6 374	7 607	9 187
The volume of charitable support, million RUB	25.1	27.6	74.4

### Key events in the field of sustainable development of Segezha Group

2020	
<b>INNOVATIVE FOREST BUSINESS</b>	<b>Technologies in production</b> <ul style="list-style-type: none"> <li>• <b>May:</b> Segezha Group tested computer vision technologies for identifying the round timber volume</li> <li>• <b>June:</b> Segezha Group completed testing of the Smart Timber mobile application for measuring round timber dense volume.</li> <li>• <b>September:</b> The transition to SAP S / 4HANA was completed for the main assets of the Group, which entered the first wave of transformation.</li> <li>• <b>November:</b> Segezha Group implemented the pilot project on digital inventory of raw timber warehouses at the Segezha Pulp and Paper Mill using drones, computer vision and machine learning technologies.</li> <li>• <b>November:</b> Segezha Group shifted processes of accounting and control of timber transporting by the Group's logging enterprises to the automated dispatching system (ADS) "SegezhaLes".</li> </ul>
	<b>Technologies in management</b> <ul style="list-style-type: none"> <li>• <b>February:</b> Segezha Group introduced "The Client's Personal Account", created on the basis of the CRM system.</li> <li>• <b>March:</b> Segezha Group continued introduction of digital technologies for managing pulp and paper production based on SAP, and connected the digital platform for managing assets outside Russia based on SAP Business One.</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>April:</b> Segezha Group implemented the digital cloud platform #CloudMTS for management based on SAP solutions.</li> <li>• <b>June:</b> Segezha Group implemented the Creatio CRM system for its Russian and European subsidiary assets for automating client interaction.</li> </ul> <p><b>Events after the reporting date</b></p> <ul style="list-style-type: none"> <li>• <b>January 2021:</b> The Company announced establishment of the Innovation Centre, a new structural unit aimed at creating more efficient and high-tech products in the field of paper packaging.</li> <li>• <b>February 2021:</b> Segezha Group launched the first in Russia large-scale industrial production of CLT panels with the capacity of 50 thousand m3 per year. Application of these panels significantly accelerates the pace of construction, and can be used in the course of eliminating consequences of natural disasters, implementing the emergency relocation of people from unfit housing facilities, as part of the renovation and improvement of the urban environment.</li> <li>• <b>September 2021:</b> Segezha Group switched to SAP S/4HANA.</li> </ul>
<p><b>CLIMATE-ORIENTED FOREST MANAGEMENT AND PRODUCTION</b></p>	<p><b>Waste-free and eco-friendly production</b></p> <ul style="list-style-type: none"> <li>• <b>February:</b> In Onega, the Arkhangelsk Region, the fourth energy boiler operating on bark and wood waste was launched, which allowed Segezha Group to become the leader in production of “green” energy in the north-west of Russia.</li> <li>• <b>March:</b> Segezha Group increased the production of eco-friendly biofuel, and created waste-free production at the Vyatka Plywood Mill.</li> <li>• <b>April:</b> At Segezha Group’s Lesosibirsk Saw and Wood-Working Mill No. 1, the second stage of the fuel pellet production plant was launched</li> <li>• <b>September:</b> Segezha Group signed the contract with Hekotek (Estonia) for construction of the pellet production and the recycling boiler facilities at the Sokol Wood-Working Mill site.</li> </ul> <p><b>Development of the Segezha Pulp and Paper Mill</b></p> <ul style="list-style-type: none"> <li>• <b>January:</b> Segezha Group allocated about 100 million RUB for renovation of the biological sewage treatment station of the Segezha Pulp and Paper Mill to increase the level of wastewater treatment and invested more than 800 million RUB in modernisation of the treatment equipment of the Segezha Pulp and Paper Mill.</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>February:</b> The public presentation of the environmental program and plans for further development of the Segezha Pulp and Paper Mill took place in Segezha.</li> <li>• <b>July:</b> The Segezha Pulp and Paper Mill purchased electric filters with the solid particles capture efficiency of about 99.97 %.</li> </ul> <p><b>Sustainable forest management and reforestation programs</b></p> <ul style="list-style-type: none"> <li>• <b>February:</b> The Company started developing forest seed centres.</li> <li>• <b>May:</b> The Company continued to implement the comprehensive program for artificial and natural forest restoration in the Krasnoyarsk Krai, the Republic of Karelia, the Arkhangelsk, Vologda and Kirov Regions.</li> <li>• <b>July:</b> Segezha Group is switching to a model of intensive use and reproduction of forests in the Republic of Karelia to preserve the biological functions of forests, investments in the project amounted to 365 million rubles.</li> <li>• <b>July:</b> Segezha Group took part in forest fires suppression in the Krasnoyarsk Krai, and implemented the set of measures for forest fires prevention and reforestation in the regions of its presence.</li> </ul> <p><b>Events after the reporting date</b></p> <ul style="list-style-type: none"> <li>• <b>February 2021:</b> Segezha Group invested 350 million RUB in the development of eco-friendly production in Sokol.</li> <li>• <b>February 2021:</b> Segezha Group's Vyatka Plywood Mill officially joined the European Federation of the Parquet industry (FEP).</li> <li>• <b>February 2021:</b> Segezha Group entered the TOP 30 most eco-friendly companies in Russia, according to the Forbes rating.</li> <li>• <b>March 2021:</b> Segezha Group and WWF Russia signed the agreement on conservation of intact forests in the Arkhangelsk Region.</li> <li>• <b>July 2021:</b> Segezha Group has successfully completed the procedure of international certification in accordance with the requirements of international standards ISO 9001, ISO 14001, ISO 45001. External recertification audits were held at the Management Company (Moscow) and at the key enterprises of the Group: Segezha PPM, Sokolsk PPM, Segezha Upakovka, LDK Segezhskiy, LLDK No. 1, Sokol SEITi, S-Dock, LPK Kipelovo, VFK, Giprobium. External audits were carried out by the leading auditors of TMS RUS LLC, a representative of the global</li> </ul>
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	<p>leader in the field of certification of management systems of the German concern TUV Nord.</p>
<p><b>COMFORTABLE LIFE IN THE FOREST REGIONS OF RUSSIA</b></p>	<p><b>Social activities and development of the regions</b></p> <ul style="list-style-type: none"> <li>• <b>April:</b> The company has allocated about 18 million rubles for the purchase of medical equipment for the Segezha Central Republican Hospital.</li> <li>• <b>October:</b> The Company launched the grants competition for social projects “Segezha Group’s Good Forests”. The objectives of the competition are formation of the ecological culture, creation and reconstruction of public spaces in the cities of presence.</li> <li>• <b>October:</b> Segezha Group announced its intention to implement investment projects for promoting socio-economic development of the Arctic zone.</li> <li>• <b>December:</b> Segezha Group signed agreements with the Ministry of Economic Development of the Russian Federation on protection and promotion of capital investments for investment projects in the Republic of Karelia and the Vologda Region.</li> </ul>
<p><b>RESPONSIBLE SUPPLY CHAIN IN THE FOREST INDUSTRY</b></p>	<ul style="list-style-type: none"> <li>• <b>June:</b> The Company continued the digital transformation of Segezha SAPIence, and the introduction of the integrated management system based on SAP S/4HANA for improving its procurement system: more than 90 % of Segezha Group’s procurement procedures will be switched to the new digital platform.</li> </ul> <p><b><i>Events after the reporting date</i></b></p> <ul style="list-style-type: none"> <li>• <b>March 2021:</b> Segezha Group joined the UN Global Compact on Common Values and Principles in the Field of Sustainable Development, for the purpose of promoting universal principles in the field of human rights, labour standards, environment protection and the fight against corruption.</li> </ul>

## Response to the pandemic

### On the impact of coronavirus



**Mikhail Shamolin,**  
President of Segezha Group



**Mikhail Mileschin,**  
Member of the Board, Vice President of  
Segezha Group for Marketing and Innovation

*“Despite slowdown in the global economy against the background of the coronavirus pandemic, Segezha Group maintained high growth rates of its main financial and operational indicators, and ensured the upgrowth of production volumes of all major types of products. In Q1 of 2020, the Company’s activities were minimally affected. The pandemic has caused some difficulties in the supply chain. Nevertheless, we optimized our work processes and adopted alternative routes, which allowed us to reduce potential risks”.*

*“The stable business structure of Segezha Group allowed minimizing the risks associated with the deep economic crisis against the background of the COVID-19 pandemic. In 2020, Segezha Group formed an anti-crisis team in time, optimized business processes, sales channels, focused on high-margin segments, and reduced costs. The company strengthened its value proposition, both on account of new products introduction, and the higher level of customer service. It is important to mention that the pandemic has opened up opportunities for development. There were qualitative changes in the structure of consumption: remote work led to increase in demand in the segment of suburban housing construction, renovation and finishing, which stimulated the demand for wood products. Ongoing monitoring and flexible commercial policy allowed the company to adjust and comply with new market needs, achieving confident results against the background of instability”.*

At the beginning of 2020, there was the outbreak of new coronavirus (COVID-19) in the world, which the World Health Organisation (WHO) declared a pandemic in March. Efforts to prevent COVID-19, undertaken by many countries, led to significant restrictions on the work of enterprises



operating in various industries, including, but not limited to: disruptions due to production restrictions or shutdowns, supply chain disruptions, quarantine, demand reduction, and global decline in economic and financial activities. The COVID-19 pandemic has affected the global economy and major financial markets.

Segezha Group made significant efforts to minimize the impact of the COVID-19 pandemic on the implementation of the sustainable development strategy. The Company continued to implement the investment program and projects in the field of sustainable development, and did not change its long-term goals and key elements of the strategy.

The Company paid serious attention and spent significant resources to optimizing business processes, and fulfilling its obligations to clients and customers, simultaneously ensuring its employees' life and health safety, and providing maximum possible assistance to the regions of its presence.

Starting from March 2020, responsible units of the Group were promptly organized into working groups in the following areas: employees' protection, continuity of production processes, procurement and delivery of necessary protective equipment, prompt informing of all interested parties, adaptation of work schedules and business processes, assistance to local communities. In Segezha Group, the permanent working group was established, and weekly monitoring was organized. Corporate management bodies regularly reviewed key events information.

The pandemic primarily negatively affected logistics and commercial activities. There appeared the imbalance of import and export cargo flows. Against the background of the pandemic, many supply chains and circular routes have significantly changed, which resulted in revising rates, and affected availability of free transport offer on the market. Rail transport was less affected: freight capacity and the level of rates remained stable. Under these conditions, Segezha Group showed flexibility by testing new destination and logistic routes. Previously, the key link of container export was the port of St. Petersburg; now the Company successfully exports products through Novorossiysk and through the ports of the Far East (Vladivostok, Vostochny), as well as by direct railway traffic to China, as part of container trains.

All companies of the Group strictly followed the directives in force in the countries of the Group's assets presence; all facilities were brought in short time into compliance with all newly introduced health and safety standards. This allowed all the Group's production sites to follow the production load plan as much as possible during the restrictive measures imposed by the state.

### **Employees' protection**

More than 44 million RUB were allocated for purchasing personal protective equipment and additional aids against COVID-19.

At all Segezha Group production facilities, the culture of employees' safe behaviour was formed. For protecting its employees, Segezha Group implemented the following measures:

- All employees are provided with personal protective equipment (PPE) and disinfectants, regular thermometry and PCR testing are carried out. The PPE use in public transport, at the enterprise and during delivery of employees to work is monitored.
- At Segezha Group enterprises, disinfection of premises and equipment was strengthened, air recirculators were installed.

- The personnel with administrative and support functions were transferred to remote work.
- People of the older generation (over 60 years old), as well as people with chronic diseases, were released from work, with their full pay.
- Additional small-sized transport was allocated for moving employees in small groups, the traffic schedule was adjusted to the new shift schedule, mandatory procedures for airing and disinfecting transport between trips to be introduced.
- Measures of informing (posters, mailings, markings) about the need for excluding personal contact: observing the distance of 1.5–2 meters in communication and work processes were developed.
- The schedule of shifts at various sites in the same unit was altered to prevent accumulation of people in showers and changing rooms at the beginning and end of the shift, and to let high-quality conditioning of premises. For maintaining the necessary distance, small groups' passage to changing rooms was provided.
- The flows of employees in the premises were delimited (signal, fencing tapes).
- Types of activities that require teamwork were minimized.
- Personnel meetings in welfare spaces were cancelled: the shift was transferred using high-quality records in the system: register books, stands, monitors. Before the start of work, the manager could check health condition of his/her employees in small groups in the production premise.
- All mass events were cancelled, and the number of meetings requiring the presence of more than two people in a closed room was minimized.
- The meal schedule was adjusted to the new shift schedule, food delivery to welfare spaces within the units was restricted, if possible.
- The presence of employees in groups in places for smoking and eating was restricted, including due to opening of new local welfare spaces.
- Official business trips were limited.
- Duration of shifts for shift workers was increased up to two months.
- The protective masks and disinfectants reserve was created.

### **Community protection**

As part of the fight against the coronavirus infection spread, the Company implemented a number of social projects in the regions of its presence:

- Segezha Group has allocated about 18 million RUB for purchasing medical equipment for the Segezha Central District Hospital.
- Segezha Group provided charitable assistance to the Lesosibirsk Infectious Diseases Hospital for 1 million RUB.

- The Company helped purchase additional medical equipment for the hospital in Kostomuksha.

19.2 million RUB was allocated for supporting the regions during the COVID-19 pandemic.

Segezha Group is the leader of the RAEX-Europe ESG ranking among companies in the forest industry.

Segezha Group entered the TOP 30 most eco-friendly companies in Russia, according to the Forbes rating.




The rating agency "Expert RA" assigned Segezha Group the credit rating of debt instrument, bond loan of the 001P-01R series, at the level of ruA-(EXP).

Segezha Group entered the TOP 100 employers in the HeadHunter rating for 2020 (67 position, 92.59 points).

Segezha Group received ESG risk rating from Sustainalytics; the company was assigned 21.4 points, which corresponds to the "average" value as of August 2021. The holding entered the top 25% of the best companies in the "Paper and Timber Industry" sector allocated by Sustainalytics and in the top 20% in the "Paper and Pulp" sub-sector.

## Awards

<p><b>The leader of the Russian and international markets</b></p> 	<p>Segezha Group is the winner of the Cbonds Awards in the nomination "The best primary placement transaction in the non-financial sector".</p> <p>According to the results of the All-Russian competition "Leaders of Russian business: trends, responsibility, sustainability-2019", held by the RSPP, Segezha Group was awarded the nomination "For contribution to social development of territories".</p> <p>Segezha Group is the winner of the All-Russian competition "Leaders of Russian business: trends, responsibility, sustainability-2019" of the Russian Union of Industrialists and Entrepreneurs (RSPP) in the nomination "For contribution to social development of territories".</p>
<p><b>One of the largest exporters</b></p> 	<p>Segezha Pulp and Paper Mill was awarded the All-Russian award "Exporter of the Year" in the category "Big Business".</p>
<p><b>Innovative company</b></p>	<p>Segezha Group received the SAP Value Award.</p> <p>Segezha Group won the award for the implementation of an integrated enterprise management system based on SAPS / 4HANA. The project won the SAP ValueAward2020 Platinum</p>

	<p>Award in the Reference Purchase nomination for the most cost-effective procurement and best supplier and contractor relationships. Thanks to the implementation of SAP Ariba, the group of companies plans to increase efficiency and transparency of procurement. Within the framework of SPIEF-2021 in St. Petersburg, Segezha Group received the SAP Unstoppable Business award for the implementation of the most complex complex project to transform business in a pandemic and lockdown. The award is unique - out of all SAP partners, only one holding was selected for the presentation - Segezha Group from the CIS countries.</p>
<p><b>Environmentally responsible company</b></p> 	<p>Segezha Group Packaging Europe was awarded in 2021 the Gold Level of the international EcoVadis platform, which assesses the level of corporate, social and environmental responsibility.</p> <p>Segezha Group's project of the pellet plant was awarded the special prize of "The Green Project of the Year-2020 Award".</p>
<p><b>Corporate spirit</b></p> 	<p>Segezha Group entered the leading in charity companies ranking, in the nomination "The best program promoting sustainable development via grant competitions", having received the diploma "Promising debut in the nomination".</p>

## Address of the President, Chairman of the Board of Segezha Group

### **Dear shareholders, partners, employees of Segezha Group!**

I am pleased to present you the Survey on the Sustainable Development of our Company. Throughout its history, Segezha Group has paid the closest attention to the issues of sustainable development against the background of our business growth, and the positive trends of operational and financial results.

Segezha Group is one of the largest Russian timber industry holdings. The company strives to meet the needs of today without compromising future generations, paying special attention to improving business efficiency, rational use of resources, and intensification of forest management.

At the beginning of 2021, Segezha Group joined the United Nations Global Compact (the UN Global Compact), confirming its commitment to principles in the field of human rights, labour, environment and anti-corruption.

We correlate our activities with the UN strategic priority goals in the field of sustainable development, focusing our efforts on such areas as ensuring conditions for climate-oriented and reasonable forest management and production, further development of innovative forest business, creating comfortable living conditions in the regions where we operate, as well as increasing the transparency of the supply chain and building a rational consumption model.

Segezha Group, as the company-leader of its industry, strives for expanding its product line, and bringing to the market innovative products that have no analogues. The Group intends to increase shares of high-margin products, segments and markets in its portfolio, and, at the same time, presents to consumers products meeting the most stringent environmental standards.

Implementation of bioeconomics principles is an important area in execution of Segezha Group's policy in the field of sustainable development. In 2020, we have increased the capacity of pellet production; pellets are an eco-friendly, renewable energy source to be in demand all over the world. The Company has launched production of a new type of plywood for use in Segezha EcoFloor floor coverings, and paper with addition of secondary/waste paper raw materials, as well as packaging based on it.

We are the first in Russia to launch industrial production of CLT panels – modern glued structures to be used for the construction of both individual and multi-storeyed houses. Construction using CLT panels minimally affects the environment.

In 2020, our estimated cutting area has grown to 8.1 million m<sup>3</sup>, and 83 % of Segezha Group's forest resources are certified according to the standards of the Forest Stewardship Council (FSC), as the result of comprehensive audit of the Company's forest management and logging.

Reforestation is an integral part of responsible forestry production. In 2020, the area of reforestation in the regions where Segezha Group enterprises are harvesting forests amounted to more than 29 thousand ha, showing 11.9 % growth compared to 2019. Last year, our Company allocated 141.5 million RUB for the restoration and preservation of ecological and social functions of forests, which is 44.7 % more than a year earlier.

In March 2021, Segezha Group and WWF Russia signed the agreement on the conservation of forests of great environmental value. Among them, there are pristine forests, intact forest areas,

where many rare species of plants and animals live. The Company as a certified forests user has made commitments to conserve valuable forests.

One of main objectives of Segezha Group's long-term environmental strategy is to progressively reduce carbon footprint of our enterprises. We plan to regularly do the inventory of greenhouse emissions, improve reporting in this field, and strive for carbon neutrality.

The Company implements projects on the installation of modern electric filters, use of environmentally neutral fuels in multi-fuel boilers, as well as those on reduction of overall energy consumption. In 2020, the Segezha Pulp and Paper Mill launched the investment program in the amount of 1 billion RUB for the modernisation and replacement of purification equipment with more modern and technological one, which will allow the enterprise to significantly decline harmful emissions into the atmosphere.

For several years, Segezha Group has been consistently reducing the volume of production waste that requires special disposal and storage at landfills. In 2020, the total mass of waste of all hazard classes decreased by 47 % compared to the previous year, and amounted to 708.5 thousand tonnes.

Segezha Group traditionally actively invests in human capital, developing the creative and professional potential of its employees. The Company strives for providing its employees with salaries at the competitive market level, and allocates significant resources for training employees. In the framework of personnel development programs, the Group interacts with specialized educational institutions of higher and secondary education.

In 2020, we managed to reduce personnel turnover; more importantly, the injury rate decreased to 2.1, which is 13 % less than in 2019. In December 2020, the long-term Strategy for improving the Company's industrial safety and labour protection function until 2023 was adopted.

The Company carefully selects contractors and service providers, checking that these organisations follow the rules of labour protection and environmental safety, the principles of ethical business. Segezha Group's procurement procedures are carried out in a competitive way, including using the electronic trading platform (ETP). In 2020, share of purchases made by competitive methods amounted to 86 % of the total cost volume of purchases. In 2020, 2 thousand employees of Segezha Group were trained and tested on business ethics and anti-corruption issues.

As a party to the UN Global Compact, we pay close attention to environmental and social responsibility, as well as corporate governance (ESG). The assignment of a risk rating to our company ESG by the leading international agency Sustainalytics and entry into the global top 20-25% of the industry was a very important event for us. We intend to continue our efforts to comply with the world's best practices.

I would like to express my sincere gratitude to all our employees, partners, customers, and residents of the regions for sharing our values, and contributing to the achievement of the sustainable development goals.

**MIKHAIL SHAMOLIN,**

**President, Chairman of the Board of Segezha Group**

## Address of the Chairman of the Board of Directors of Segezha Group

### Dear colleagues!

For several years, Segezha Group has demonstrated outstanding business growth rates: the Company directs large-scale investments in modernisation and opening of new production facilities, expands geography of sales and discovers new sales markets, maintains high profitability, and increases returns to shareholders in the form of dividends payment.

This work resulted in Segezha Group's entering into the new orbit: in April 2021, another company in the investment perimeter of AFK Sistema held successful IPO, and raised significant funds on the public capital market.

Segezha Group strictly follows the principles of responsible business conduct, sets goals in accordance with the principles of sustainable development, and implements the best ESG practices in all areas of its activities. In March 2021, the Board of Directors approved the updated Strategy for the Group's Sustainable Development until 2025, its main areas and targets until 2025. The Strategy update is based on the management system diagnostics, analysis of key trends in the field of sustainable development; it also reflects the corporate strategy activities impact.

One of priorities for the Company's work in the field of sustainable development is ensuring comfortable living conditions in the forest regions of Russia. Segezha Group purposefully supports the socioeconomic development of the regions of its presence through the payment of taxes to regional budgets, creation of new jobs, implementation of charitable projects, improvement of territories, development of social infrastructure.

Segezha Group operates in single-industry towns where the forestry and timber processing industry is the traditional employment sphere. The main goal of the Company's social investments is to improve the quality of life in settlements, and increase their attractiveness for residents. Therefore, in these single-industry towns, Segezha Group creates not only jobs for local residents, but also the sociocultural environment for the population life.

The Group's enterprises provide hot water and heat to local residents in Segezha, Sokol, Kirov, Lesosibirsk and Onega; in 2020, Segezha Group's expenses for these purposes amounted to 767 million RUB. Today, the Segezha Pulp and Paper Mill provides heat to 95 % of population in the single-industry town of Segezha, and the Onega-Energia enterprise – to 83 % of population in the single-industry town of Onega.

Segezha Group develops its logistics infrastructure that contributes to increasing transport accessibility of the territories. In 2020, the Company built 651 km of forest roads for the total amount of 645 million RUB.

In the regions, the Group implements the comprehensive charity program. The Company regularly holds grants competitions, implements projects on landscaping in cooperation with local communities. In the reporting year, the spread of coronavirus infection caused the expansion of social interaction between the Company and the regions of its presence. In 2020, we more than doubled the budget for charitable activities to assist struggling single-industry towns in their fight against the COVID-19 pandemic: more than 74 million RUB were allocated for the implementation of 44 projects and programs to support local communities. In total, for 2018–2020, the Company allocated for the implementation of charitable projects more than 127 million RUB.

In 2020, the Group implemented the project on supporting the Segezha Central District Hospital: medical equipment, as well as ambulances, were purchased and given to the hospital. For the direct support of medical workers, the Company organized the payment of taxis, and purchased additional volumes of oxygen. Similar assistance was provided to the Lesosibirsk City Hospital (the Krasnoyarsk Krai) and the Hospital of Kostomuksha (the Republic of Karelia).

Segezha Group's charitable and social actions are highly appreciated by the expert community. In 2020, the Group once again entered the ranking of leading companies in the field of charity, according to the Vedomosti newspaper.

On behalf of the Board of Directors, I thank all Segezha Group employees for their excellent work and commitment to principles of responsible business, and our partners and stakeholders for their support and fruitful cooperation.

**ALI MUSSAYEVICH UZDENOV,**

**Chairman of the Board of Directors, member of the Nomination and Remuneration Committee, member of the Strategy and Sustainable Development Committee**



## **Address of Deputy Chairman of the Board of Directors, Senior Independent Director, Chairman of the Strategy and Sustainable Development Committee of Segezha Group**

**Dear stakeholders!**

AFK Sistema in general and Segezha Group in particular consider the construction of the modern corporate management model as one of key components of responsible business operating in compliance with Sustainable Development Goals. The Company's corporate management practice is based on strict compliance with Russian legislation, and the desire for continuous development based on the best international practices in this field.

In 2020, Segezha Group continued to monitor and implement the best corporate management practices. The work of the Board of Directors of Segezha Group PJSC, the Board and relevant committees during the year was aimed at improving the corporate management system performance, and contributed to the successful development of Segezha Group. To date, five of the nine members of the Board of Directors are Independent Non-Executive Directors. The Board of Directors includes two women.

The Board of Directors takes necessary measures to ensure that the sustainable development agenda is properly taken into account in the practice of strategic decision-making. In 2020, the Strategy and Sustainable Development Committee was established; among its tasks, there is the development and improvement of sustainable development issues management, as well as the coordination and promotion of ESG practices in the Company. Segezha Group has adopted the Position in the field of human rights, and the Policy in the field of sustainable development, which, among others, touches upon issues of inclusion and gender equality.

Like all companies of the Corporation, Segezha Group strives for creating fair working conditions, non-discrimination, and is committed to principles of respect for human rights. So, although working in the forestry and pulp and paper industry is considered traditional male occupation, a lot of women work in Segezha Group, and the Company protects their interests equally with male employees. At the end of 2020, in Segezha Group, the number of women in senior positions was 24 % among top managers, and 35 % among middle and junior managers. Over the past three years, these shares have only been increasing. Women make up more than a third of 10 % highest-paid employees of the Group. About half (45 %) of all employees who received promotion in 2020 are women.

As the Head of the Strategy and Sustainable Development Committee and a member of the Board of Directors, I intend to contribute to the development of positive trends in the ESG agenda in the Company in the future. In general, one of the most significant competencies of the Board of Directors remains controlling how the key areas of Segezha Group's sustainable development activities are integrated into the corporate strategy, how the relevant key indicators and specific target values are implemented and evaluated, and how these goals achievement is taken into account in the management remuneration system. The Board of Directors will strive for carefully ensuring that the Group's management has necessary understanding of key risks associated with the aspects of sustainable development, and that these risks are properly integrated into the Company's risk management system.

There is no doubt that Segezha Group will continue to actively implement ESG-oriented practices in all areas of activity, will adhere to the highest standards of corporate management, study and use the best experience, and maintain the balanced approach to decision-making.

**ANNA GRIGORYEVNA BELOVA,**

**Deputy Chairperson of the Board of Directors, Senior Independent Director, Chairperson of the Strategy and Sustainable Development Committee, member of the Nomination and Remuneration Committee, member of the Audit Committee**

## CHAPTER 1. SUSTAINABLE DEVELOPMENT MANAGEMENT IN SEGEZHA GROUP

### 1.1. About the Group of Companies

Segezha Group is the largest responsible forest user in the European part of Russia. The Company takes care of forests, preserves biodiversity of the regions of its presence, invests in reforestation, takes into account water and soil landscapes conditions.

Segezha Group's absolute priority is to maintain the balance between efficient economic activity and the preservation of ecosystems for future generations. Segezha Group pays close attention to improving the quality and composition of forest resources.

In April 2021, Segezha Group approved the Strategy and Policy in the field of sustainable development. The Strategy focuses on four key areas: innovative forest business, comfortable life in the forest regions of Russia, climate-oriented forest management and production, as well as responsible supply chain in the forest industry.



**Mikhail Valeryevich Shamolin,**

President, Chairman of the Board of Segezha Group

Executive Director

Member of the Board of Directors' Strategy and  
Sustainable Development Committee

*"Segezha Group is one of the largest Russian timber industry holdings, responsible and sustainable business. The Company strives for meeting the needs of today without compromising the development of future generations, paying special attention to improving business efficiency, rational use of resources, and intensification of forest management. The Strategy and Policy in the field of sustainable development adopted in 2021 is the natural continuation of Segezha Group's strategy. One of its priorities is to develop the decarbonisation strategy on the ground of Science Based Targets. We intend to make efforts to decarbonise the industry, and strive for full participation in the carbon market".*

The Company has adopted the Roadmap that includes tasks in the field of sustainable development management.

The Company strives for contributing to the timber industry transparency growth. In 2016, Segezha Group, together with WWF Russia, voluntarily took the initiative to create the first rating of environmental responsibility of companies in the Russian forest sector.

11	> 100	> 13.1 thousand
countries of presence	countries of sales geography	employees
<p><b>Segezha Group is in the TOP 30 most environmentally friendly companies in Russia</b></p> <p>In 2021, Segezha Group entered the TOP 30 most environmentally friendly companies in Russia, according to the Forbes rating, scoring 45.2 overall points, 79.3 points for environmental policy, and 37.7 points for reducing emissions. Segezha Group is the only representative of the timber industry in the rating.</p> <p>Assessment is based on the methodology used by the American editorial board of Forbes and the investment company Just Capital, when compiling the Just 100 rating, which combines American corporations with the best ESG practices. Contribution of Russian companies to nature protection is analyzed by the authoritative international publication for the first time.</p> <p><b>The leader of the RAEX-Europe ESG ranking among the forest industry companies</b></p> <p>Segezha Group has become a leader in the integrated ESG ranking of the independent credit rating agency RAEX-Europe. The Company took the first place among environmentally responsible domestic companies in the forest industry, while taking 36th place in the general list of Russian companies.</p> <p><b>Rated by Sustainalytics</b></p> <p>The company was assigned 21.4 points, which corresponds to the "average" value as of August 2021. The holding entered the top 25% of the best companies in the "Paper and Timber Industry" sector allocated by Sustainalytics and in the top 20% in the "Paper and Pulp" sub-sector.</p>		

Segezha Group is a dynamically developing Russian timber holding with the largest vertically integrated structure and the full cycle of logging and deep processing of wood. The Company is part of AFK Sistema PJSC.

In April 2020, Segezha Group was included in the group of system-forming companies, in accordance with the approved list of the Government Commission for Improving Sustainability of the Russian Economy<sup>2</sup>.

### Core facts and figures

<b>Segezha Group</b>
Leading international timber holding
Geography of sales covers more than 100 countries
<b>No. 1 in Russia in terms of paper bags production</b>
<b>No. 2 in Europe in terms of paper bag production</b>
<b>No. 3 in the world in terms of high-quality unbleached bag paper production</b>
<b>No. 1 in Russia in terms of softwood lumber gross production</b>
<b>1st place in Russia in terms of glued timber pre-cut houses production</b>
<b>No. 5 in the world in terms of large-format birch plywood production</b>
59 % of the Russian paper packaging consumption market in 2020
<b>Share of sales by segment in the Group's total revenue</b>
Forest resources and woodworking 28 %
Other, including glulam and pre-cut houses 9 %
Paper and packaging 52 %
Plywood and fibreboard 11 %
<b>Financial indicators</b>
Revenue: 69.0 billion RUB in 2020. Revenue growth by 18 %, compared to 2019
OIBDA: OIBDA growth by 24.5 %
OIBDA margin indicator: 25.3 %
CAPEX volume in 2020: 15.3 billion RUB

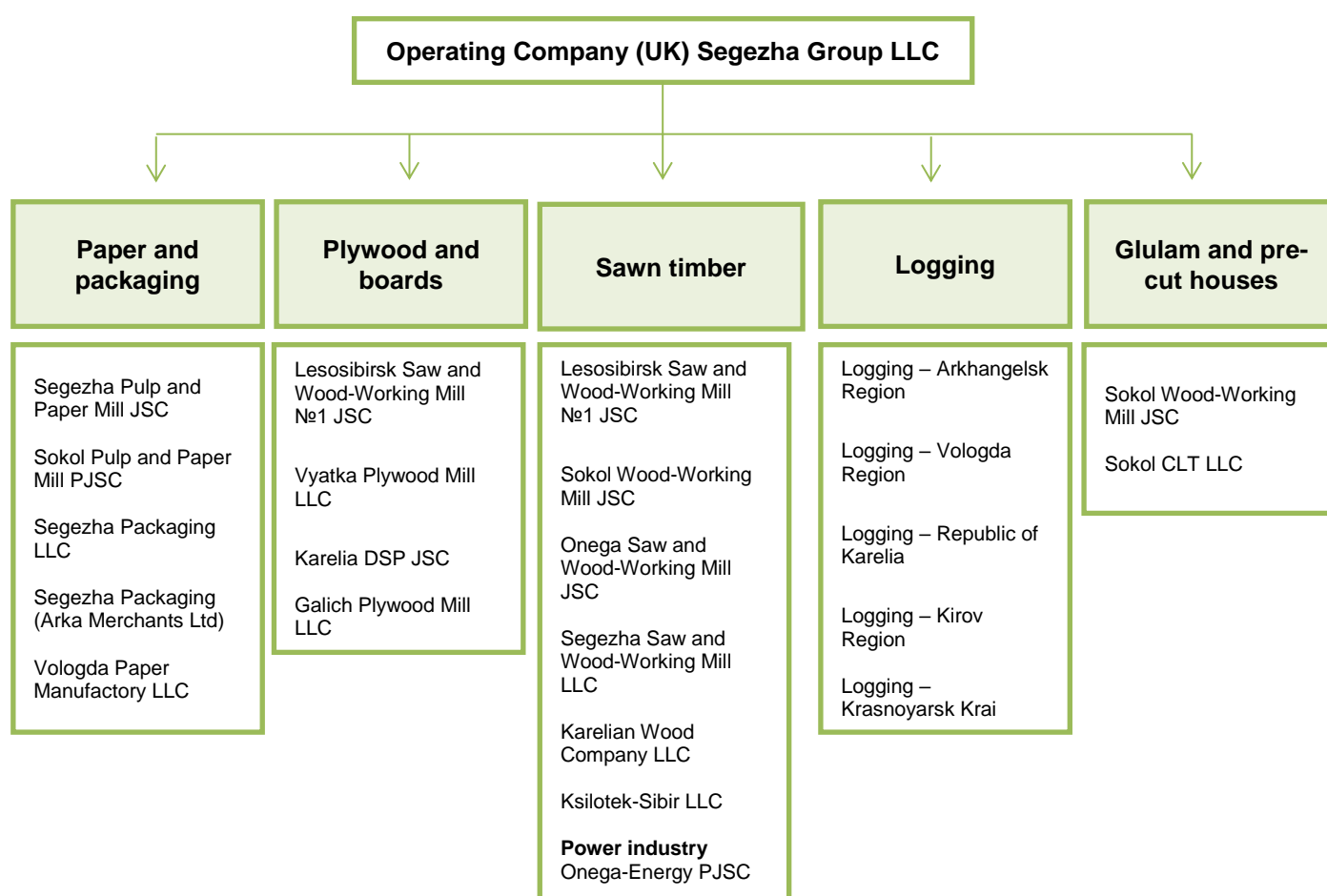
<sup>2</sup> <https://nangs.org/news/economics/stal-izvesten-perecheny-iz-646-sistemoobrazuyushtih-organizatsiy-ekonomiki-rf>

<b>Raw material safety</b>
5.4 million m <sup>3</sup> of own logging
83 % FSC Certified
> 80 % of the raw material needs are covered by our own cutting area (growth by 10 %)

#### GRI 102-4

Segezha Group includes Russian and foreign enterprises of the forest, wood-working, pulp and paper industry, as well as enterprises for paper packaging production.

#### Segezha Group membership



#### GRI 102-4

#### Geography of presence

Segezha Group is present in 6 regions of Russia, unites 17 enterprises in 11 countries. In 2020, the Group's assets included:

- Karelian Wood Company LLC (in January 2020), a logging and wood-working enterprise in the Republic of Karelia;
- Giprobum CJSC (in February 2020), the oldest Russian institute and engineering company for designing the pulp and paper industry facilities.

<b>Main production sites</b>
Pulp and paper production - 2
Plywood production - 2
Wood-working mill - 5
Paper packaging production - 10
<b>8.1 million m<sup>3</sup> was the estimated cutting area of Segezha Group in 2020</b>
<b>The estimated cutting area map</b>
Republic of Karelia: number of forestries 9; the share of conifers is 89%; allowable cut 2.4 million m <sup>3</sup> , clear cut area of forest plantations 9.4 thousand hectares, reforestation area 8.1 thousand hectares
Vologda Oblast: the number of forestries is 9; the share of conifers 34%; allowable cut 1.5 million m <sup>3</sup> , clear cut area of forest plantations 5.6 thousand hectares, Reforestation area 4.8 thousand hectares
Kirov region: the number of forestries is 4; the share of conifers is 31%; allowable cut 0.6 million m <sup>3</sup> , clear cut area of forest plantations 1.8 thousand hectares, Reforestation area 2.7 thousand hectares
Arkhangelsk region: the number of forestries is 3; the share of conifers is 97%; allowable cut 0.8 million m <sup>3</sup> , clear cut area of forest plantations 4.6 thousand hectares, Reforestation area 4.3 thousand hectares
Krasnoyarsky Kray: number of forestries 7; the share of conifers is 60%; allowable cut 2.8 million m <sup>3</sup> , clear-cut area of forest plantations 11.1 thousand hectares, Reforestation area 9.2 thousand hectares
Dublin (Ireland), Aalborg (Denmark), Frankfurt (Germany), Clamart (France), Ahern (Germany), Uvalno (Czech Republic), Varese (Italy), Pori (Finland), Petrozavodsk, Moscow, Onega, Sokol, Kirov, Lesosibirsk, Ploiesti (Romania), Salsk, Izmir (Turkey)
6 regions of Russia, 11 European countries; 8 countries with the Group's production assets: 100 countries use the Group's products; >72 % of finished products are exported



Development



Progressiveness



Responsibility



Caring for ecosystems  
for future  
generations



Caring for people –  
employees,  
partners and clients

## GRI 102-15

### Production

Segezha Group is one of the largest forest users in Russia with estimated cutting area of 8.1 million m<sup>3</sup>. The Group produces complex products with high added value, and uses more than 80 % of wood resources due to its own logging. The Group operates in 10 main segments, in which the Company occupies a leading position in the Russian and international markets.



Paper  
production

bags

1st

**place** in Russia

2nd

**place** in Europe



Production of craft  
bag paper

1st

**place** in Russia

3d

**place** in the world



Production of large-  
format birch plywood

5th

**place** in the world



Production of pre-cut  
houses made of  
glued beams

1st

**place** in Russia



Sawn  
production

timber

1st

**place** in Russia

Production of glulam  
houses





Pellet production



Imitation parchment  
production



Wood-fibre boards  
(fibreboards)  
production



Briquettes production

## Key performance indicators

Segezha Group products	2018	2019	2020
Paper, thousand tonnes	375	388	402
Sawn timber, thousand m <sup>3</sup>	830	920	1,042
Bags and consumer packaging, million pcs	1,286	1,262	1,291
Glulam pre-cut houses, thousand m <sup>3</sup>	26	28	19
CLT, thousand m <sup>3</sup>	51	55	38
Plywood, thousand m <sup>3</sup>	136	192	192
Wood-fibre boards, million conv. m <sup>2</sup>	25	25	25
Pellets, thousands t	6	72	88
Logging volume, thousand m <sup>3</sup>	4.5	4.9	5.4

## Market position

Segezha Group is a large Russian forest-industry holding that unites Russian and European enterprises of the forest, woodworking and pulp and paper industries. The Group has a vertically integrated structure, and performs the full cycle of logging and deep processing of wood.

Key operating segments:

- Paper and packaging
- Logging and wood-working
- Plywood and boards
- Other (products made of glulam, and activities that do not generate revenue).

In 2020, Segezha Group ranked the 2nd in the world and the 1st in Russia for the production of paper for multilayer bags, the 2nd in the world and the 1st in Russia for the production of industrial paper bags, the 5th in the world for the production of large-format birch plywood, and the 1st in Russia for the production of sawn timber.

Segezha Group's asset base is large and diversified, and consists of manufacturing enterprises and plants located in the immediate vicinity of the Group's forest resources, as well as conversion plants, whose strategic location allows serving key markets.

Most of Segezha Group's production assets are concentrated in the European part of Russia and Europe. Segezha Group manages 17 enterprises and two assets under construction. The Company's enterprises include pulp and paper mills, plywood and wood-working mills, plants for production of glulam and CLT panels, as well as plants for production of paper bags in Russia and Europe.

### Key export regions

32 % – Europe

24 % – Asia

10 % – Middle East and North Africa

### Exports share in sales by key product segments

89 % – bag paper

67 % – paper bags

79 % – plywood

100 % – sawn timber

## Strategy

Segezha Group's strategic goals are leadership in the wood-working industry, ensuring manufacturing of products with high added value, and introduction of advanced wood-working technologies.

The Group's strategy is focused not only on achieving business results, but also on creating value for all stakeholders. Segezha Group strives for balanced business development by consistently implementing the principles of sustainable development, the responsible approach to ecology and modern solutions for creating comfortable for human environment in harmony with nature.

Segezha Group produces products from wood obtained from its rationally used and renewable source of raw materials in the form of forest resources. Segezha Group implements a number of initiatives aimed at reducing the impact on environment, including areas of reforestation, sustainable forest management and corporate social responsibility.

Segezha Group is a member of the UN Global Compact. Segezha Group demonstrates its commitment to the principles of the UN Global Compact in the field of human rights, labour, environment and anti-corruption.

The United Nations Global Compact is the UN's initiative in the field of corporate social responsibility and sustainable development, which at the international level unites businesses striving for responsible business practices and strengthening their good reputation.

Due to organic growth, modernisation and assets acquisitions, Segezha Group has built the fully integrated and diversified platform. The Group has successful experience in implementing large and complex investment projects aimed at increasing enterprises' performance, and ensuring organic growth. The Company significantly invests in the construction and modernisation of its production platform.

From 2015 to 2020, the Company invested about 49 billion RUB in the development of its assets base, which allowed, among other things, to increase bag paper production by 50 %, double the production capacity of plywood, and triple the production capacity of sawn timber, as well as substantially increase the logging volume.

21 % – the average return on capital employed (ROCE) of Segezha Group in 2018–2020.

### *Trends in the development of the timber processing market*

Segezha Group's key sales markets are experiencing fundamental growth against the backdrop of the global economic recovery after its slowdown in 2020 because of the pandemic. Demand growth is outpacing production capacity in the industry, which contributes to the dynamic recovery of prices for all the Company's key products.

The long-term growth of Segezha Group's sales markets is due to various macroeconomic trends in the sales markets. The demand for the Company's products is promoted by globalisation, economic growth, population growth, urbanisation and the global trend for sustainable development. These trends support the demand for eco-friendly paper packaging and bags, development of the construction segment, housing and furniture.

Increasing attention to environmental protection contributes to new trends, such as the replacement of plastic products, increased demand for biodegradable materials and consumers' choice in favour of eco-friendly manufacturers and products. Favourable regulatory legislation also contributes to increasing the demand for eco-friendly materials in various product lines. The Company elicits its potential for competitive advantages against the background of these trends, and has already become one of the leading manufacturers in its key markets of plant fibre materials. On the backdrop of global trends in reducing non-degradable waste, combating plastic pollution of the world's oceans and climate changes, the demand for these materials continues to grow.

According to forecasts, in the period from 2019 to 2025, the compound annual growth rate (CAGR) of global demand will be +2.5 % for multilayer bags paper, +2.5 % for bags and sacks paper, +1.4 % for birch plywood, and +2.0 % for sawn timber. It is expected that, in the period from 2019 to 2025, annual demand for consumer paper packaging in Russia will grow by 5.0 %.

This dynamic increase of demand and price recovery, along with megatrend for sustainable development and production volumes growth, make it possible to optimistically forecast of favourable market development and operating environment for Segezha Group in 2021.

Business model

Segezha Group has built a vertical business model that covers all stages of wood production: from planting forests to transporting finished products to the consumer. In the Company, organisation of activities has elements of the circular business model. Segezha Group is engaged in reforestation and processing of waste into biofuel. In addition, to meet its energy needs, the Company is introducing hog fuel boilers.

The efficient corporate management system combined with the risk management system allows Segezha Group to adapt its business model to external challenges, to climate changes in particular. The company also has the R&D unit that develops solutions for increase productivity, and reducing the environmental impact of products.

The Company realizes that its activities have affected the wide range of stakeholders. In the business model diagram, the results of activities, both positive and negative, are presented in the context of the UN Sustainable Development Goals.

Capital	Resources			Activity scheme	Products	Results			Priority SDGs to be affected by the results
		2019	2020	Forest resources: <ul style="list-style-type: none"><li>Paperwood (blocks)</li><li>Coniferous sawlog</li><li>Process feedstock</li><li>Birch veneer log</li></ul>	Paper, 409,000 t Paper packaging, 1,328 million pcs CLT panels, 50,000 m³ Glulam, 100,000 m³ Plywood, 192,000 m³		2019	2020	
Human	List number of the personnel, persons Share of employees to be trained, %	12 896	13 117	Enterprises: <ul style="list-style-type: none"><li>Pulp and Paper Mill X2</li><li>Converting plants X10</li><li>Woodworking plant X5</li><li>Plywood mill X2</li></ul>		Staff turnover,%	33%	29%	8
						Number of employees trained, people	1 755	3 396	
				Basic products: <ul style="list-style-type: none"><li>Paper</li><li>Paper packaging</li><li>Sawn wood products</li><li>CLT panels</li><li>Gwc</li><li>Prefabricated houses</li><li>Plywood</li></ul>		The total mortality rate at work (in terms of 1000 thousand labor hours)	0,04	0	
						Employees trained in the field of ecology (cumulative), people	1 867	2 578	12, 13
Production	Number of production	35	34			Introduction of eco- technologies	Installation of electrostatic precipitators at Segezha PPM		9, 13

	enterprises, pcs			<b>Other products:</b> <ul style="list-style-type: none"><li>• Lignin</li><li>• Lignosulfonates</li><li>• Wood chemistry</li><li>• Chipped wood</li><li>• Pellets</li><li>• MDF</li><li>• MDF</li><li>• Briquettes</li></ul>		Share of renewable fuels in total energy consumption	25%	21%	12	
Financial	Net debt, billion rubles	39,3	49,6							
					Net profit, million RUB	4,8	(1,3)	8		
					Taxes paid, billion RUB	7 607	9 187	8		
					CAPEX, billion RUB	7,6	15,3	9		
Natural	Leased forest area, million hectares  AAC, mln m3  Water consumption, thousand m3  Energy consumption, GJ	7,4	8,1  8,1  75 952  26 381 387			Environmental protection expenses, million RUB	270	439	12, 13	
					Waste, thousand tonnes Discharges, thousand m³	1 326 53 140	708 54 655	12, 13		
					Logging, thousand m³ Reforestation area, thousand ha GHG emissions in CO₂ equivalent, thousand tonnes	5,1 26 545	5,4 29,1 469	13		
					Introduction of new technologies	Digital platform for Segezha Packaging management based on SAP Business One Digital cloud platform # CloudMTC CRM system Creatio			9	
					Implementation of sustainable development policy	Human rights position Sustainable Development Policy			12, 13	
Social and reputational	Membership in associations	Union of Timber Industrialists and Timber Exporters of Russia; Social Charter of Russian Business; Association of Russian Managers;		Number of agreements concluded with the regions, pcs	8	8	8			
			Purchases from Russian suppliers in the procurement budget, %	76%	94%	8				
			Number of universities, research institutes or other scientific organisations	71	73	9				

		Boreal forest platform				supported by the Company, pcs			
	Number of suppliers	5 142	5 448						



## 1.2. Corporate management and risk management

### Corporate management

GRI 102-10  
GRI 102-18  
GRI 102-21  
GRI 102-22

Segezha Group strictly follows the Russian legislation, and develops the corporate management system in accordance with the best international practices.

The Company strives for increasing the efficiency of the corporate management system, and ensuring stakeholders' confidence in the validity and consistency of decision-making and implementation of the Company's strategy.

Segezha Group has implemented and complies with following corporate management principles:

- protection of its shareholders' (participants') rights in significant corporate actions;
- adoption of the balanced and realistic development strategy and control over its implementation;
- improving performance of the formed management and control bodies;
- creation of effective risk management systems and prevention of conflicts of interests;
- implementation of ethical principles;
- implementation of the corporate strategy of high social responsibility;
- implementation of the effective management system for subsidiaries;
- development of principles of the top managers remuneration policy.


Segezha Group's corporate management system is regulated by the following documents:

- Charter;
- Regulations on the Board of Directors;
- Regulations on the Sole Executive Body;
- Regulations on the Audit Commission;
- Regulations on specialized committees under the Board of Directors;
- Regulations on corporate governance of Segezha Group's organisations;
- Regulations on remuneration and compensation paid to members of the Board of Directors;
- Regulations on the Corporate Secretary;
- Regulations on insider information.

The Chairman of the Board of Directors in the period from January 01 to December 31, 2020 was A.M. Uzdenov

None of the members of the Board of Directors revealed the existence of some conflict of interests, including those related to participation in the management bodies of Segezha Group's competitors.

## Structure of Segezha Group's management and control bodies

Agreement on the transfer of powers of the Sole Executive Body to the management company
Segezha Group Management Company, LLC
100 % subsidiary of Segezha Group LLC
Segezha Group organisations
Internal Control and Audit Department 
General Meeting of Shareholders
Corporate Secretary
Management bodies of the Management Company (the Board of Directors, the Management Board and the President) determine the position and develop recommendations for the adoption of Segezha Group organisations on the key issues of activity
Board of Directors
Committees of the Board of Directors
AUDIT COMMITTEE
STRATEGY COMMITTEE
NOMINATION AND COMPENSATION COMMITTEE
Management Board
President
President-sponsored Committees
PROJECT COMMITTEE
DISCIPLINE COMMITTEE
PRICE COMMITTEE
SAFETY COMMITTEE
Segezha Group LLC
Holding Company of the Group

### The Board and the President

- Segezha Group's executive management bodies;
- Powers: to manage current activities on issues requiring collective decision-making within the framework of the competencies specified in the Charter;
- They are guided by the Charter and the Regulations on the Board of Segezha Group Operating Company LLC.

### General Meeting of Participants

- Segezha Group's Supreme Managing Body;
- Powers: to define main areas of activity, to form the Board of Directors and control bodies, to approve the independent auditor, to approve major transactions and interested party transactions, etc.;
- It is guided by the legislation of the Russian Federation and the Charter of Segezha Group Operating Company LLC.

### The Board of Directors

- Segezha Group's collegial management body;
- Powers: to carry out strategic management, to control over executive bodies' performance, except for resolving issues assigned to the General Meeting of Participants, etc.;

- It is guided by the Federal Law “On Limited Liability Companies”, the Charter and the Regulations on the Board of Directors of Segezha Group Operating Company LLC.

#### **Independent members of the Board of Directors**

- The Board of Directors includes three independent directors, whose work makes significant contribution to the Board of Directors’ activities, and making balanced informed decisions.
- All independent directors meet the criteria of independence in compliance with the requirements of the Corporate Governance Code of the Russian Federation.

Description	2018	2019	2020
Total number of directors in the Board, persons	8	8	8
Number of independent directors, persons	3	2	3
Number of women in the Board of Directors, persons	0	0	1

In 2020, the total remuneration paid to members of the Board of Directors amounted to 20.5 million RUB.

Type of remuneration, 2020	Volume, RUB
Remuneration for work in the Board of Directors and in committees under the Board of Directors	15,482,609
Bonus payments	5,044,519
Wage	0
Reimbursement of expenses related to performance of their duties by members of the Board of Directors	0

In 2020, the total remuneration of Segezha Group’s members of the Board and the President amounted to 565.2 million RUB.

Type of remuneration, 2020	Volume, RUB
Wage	188,169,289.97
Bonus payments	377,049,756.21
Other types of remuneration	0

**8** members of the Board of Directors as of December 31, 2020

**18 sessions** of the Board of Directors in 2020

**23 sessions** of the General Meeting of Participants (Shareholders) were held in 2020

*For more information on the corporate management system, see Segezha Group Annual Report for 2020.*

### **The Strategy and Sustainable Development Committee under the Company's Board of Directors**

In 2021, in Segezha Group, the Strategy and Sustainable Development Committee under the Board of Directors was established. The Committee is formed from members of the Board of Directors, the Company's employees, and external experts. The Committee's tasks are as follows:

- to develop and improve strategic management in Segezha Group of Companies;
- to monitor compliance in Segezha Group of Companies with the requirements of the legislation, the Company's Charter, Policies and Procedures regulating strategic management and sustainable development issues;
- to develop and improve the management of sustainable development issues;
- to supervise the execution of the Board of Directors' decisions on strategic management and sustainable development issues.

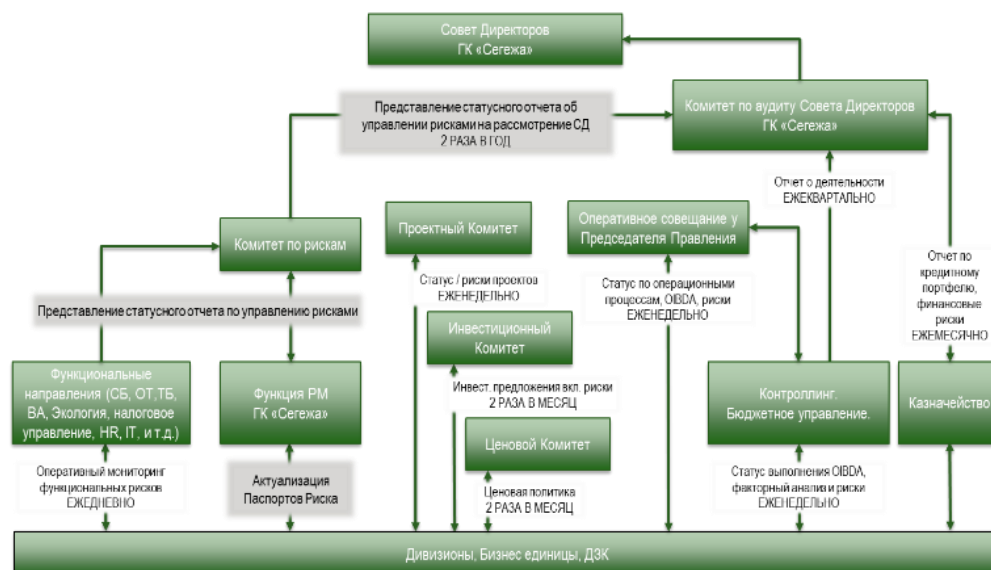
### **Risk management**

Segezha Group is interested in the timely identification and efficient control of all significant risks, and develops effective risk-informed management framework. In 2020, Segezha Group Risk-Informed Management Policy that defines key principles in the field of risk management was approved:

- promotion of commitment to risk-informed management at all levels of management, starting from the top managers level;
- coordination of approaches to risks control, considering the integrated management system (IMS), which is aimed at comprehensive work to achieve the sustainable development goals – increasing consumers satisfaction, steady product quality assurance, reducing negative environmental impact, protecting the employees' health, ensuring all stakeholders' safety;
- embedding and developing elements of risk-informed management in all key business processes, as well as in the framework of organizing functional management systems.

This allows Segezha Group's management to adapt its work to changing conditions, while maintaining the flexibility, efficiency and functionality of risk management systems for rapid response to emerging challenges and increasing environmental uncertainty. Within the framework of risk-informed management in all key business processes, the Group's current risks are assessed, prioritized and ranked by management level at which risk control is carried out. Operational decisions on mitigation are made in accordance with the level of risk.

## Segezha Group's Risk Management System



Board of Directors of Segezha Group

Submission of the status report on risk management to the Board of Directors TWICE A YEAR

Audit Committee of the Board of Directors of Segezha Group

Activity Report QUARTERLY

Risk Committee

Project Committee

Brief meeting with the Chairperson of the Board

Status / risks of projects WEEKLY

Status on the operational processes, OIBDA, risks WEEKLY

Credit portfolio report, financial risks MONTHLY

Submission of a status report on risk management

Investment Committee

Functional areas (Security Department, HSE, IA, Environment, Tax Department, HR, IT, etc.)

PM function of Segezha Group

Invest, offers incl. Risks TWICE A MONTH

Controlling. Budget Office.

Treasury

Price Committee

Operational monitoring of functional risks DAILY

Updating Risk Passports

Price Policy TWICE A MONTH

OIBDA progress status, factorial analysis and risks WEEKLY

Divisions, Business Units, Subsidiaries and Affiliates

Segezha Group's risk-informed management process involves managers at all levels. Key risks are promptly controlled at meetings of senior and middle management, for the organisation of cross-functional interaction, key functional managers are included in the committees under the management.

Information on the processes and results of risk management is regularly submitted to the Board of Directors and the Audit Committee under the Board of Directors.

At the Group level, integration and coordination within the framework of risk-informed management is provided by the Risk Management Unit of Segezha Group Operating Company

LLC. Segezha Group's management believes the system and approach to risk management to have proven their efficiency in difficult conditions of 2020.

During the coronavirus pandemic, Segezha Group updated its functional strategy in the field of logistics, and optimized the industry monitoring and marketing system. This allowed the Company to bring the quality of forecasting market trends and responding to a new level; to identify and grade business risks in time; to flexibly manage logistics and pricing, effectively develop regions and sales channels, expand the purchase funnel and service offer.

As a result of effective and risk-oriented management, Segezha Group's team managed to minimize business risks while observing necessary measures to protect people.

Segezha Group's approach to risk management has allowed the Company not only to maintain the high performance of business processes in the midst of the pandemic, but also to manage ESG risks<sup>3</sup>, which contributes to achieving Sustainable Development Goals in the future.

The table below presents Segezha Group's risk profile, which reflects the relevant UN Sustainable Development Goals, the Company's tasks in the field of sustainable development, general principles of the TCFD standard, and interests of the stakeholders involved.

#### **The Risks Committee**

Since 2016, the Group has had the Risks Committee – the operational collegial advisory body for developing recommendations for management bodies on risk management issues. The Risks Committee's activities are regulated by the Regulations to be updated in 2020. The Risks Committee is responsible for:

- forming the list of priority risk areas in operational activities;
- risk assessment, ranking and prioritisation, drawing up risks map and profile;
- harmonisation of the risks response strategy, and the risk management action plans;
- monitoring risk management measures performance, audit of the risk-informed management system;
- consideration and approval of cross-functional documents or regulations on interaction regarding risks, among Segezha Group's companies and units;
- approval of top-level programs, as well as the organization of control in the field of labor protection with the participation of interested parties;
- control over the implementation of the occupational health and safety policy;
- consideration of proposals and approval of top-level ESG risk management programs.

#### **Plans for 2021**

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<sup>3</sup>ESG-risks are risks in the field of sustainable development (environmental, social risks, as well as corporate governance risks)

In 2021, Segezha Group plans to continue the development of risk-informed strategic management, budget management and project management frameworks, as well as the development of the internal audit system and the legal and compliance risks control system.

The Group's priority is to automate risk data exchange in the framework of digital transformation, and further develop the risk-informed management culture.



### 1.3. Sustainable Development Strategy

#### Description of the Sustainable Development Strategy

In April 2021, Segezha Group approved the Strategy and Policy in Sustainable Development. The Company identifies significant areas based on strategic priorities, analysis of the social and environmental impact of its activities, assessment of risks and opportunities, stakeholders' interests, as well as compliance with priorities of the socio-economic development of the regions of its presence, and the UN SDG.

The Policy defines principles of responsible business conduct that Segezha Group adheres to:

- Risk management
- Good faith and fair dealing, and transparency
- Respect for human rights
- Ethics, loyalty and honesty in relations with personnel, partners and contractors
- Caring of the employees
- Careful attitude to the environment
- Focusing financial and intellectual resources on designing innovations
- Investing part of the profit in socially significant projects and programs

The Company identifies **four key areas**, the development of which it contributes to, and within which it can have the significant positive impact, and create value for stakeholders:

- Innovative forest business.
- Comfortable life in the forest regions of Russia.
- Climate-oriented forest management and production.
- Responsible supply chain in the forest industry.

Key areas of sustainable development	Targets until 2025
<b>Innovative forest business</b> <ul style="list-style-type: none"> <li>• Customer service development.</li> <li>• Final product improvement.</li> <li>• New technologies.</li> <li>• Research and development.</li> </ul>	<ul style="list-style-type: none"> <li>• Development and approval of the R&amp;D program.</li> <li>• Revenue from carbon-depositing products is not less than 10%</li> <li>• Reflection of ESG trends in all functional strategies by updating current strategies or developing new ones.</li> <li>• NPS (Net Promoter Score) &gt;55 %.</li> </ul>
<b>Comfortable life in the forest regions of Russia</b> <ul style="list-style-type: none"> <li>• Supporting local communities.</li> <li>• Employees' and contractors' safety.</li> <li>• Attracting and retaining qualified personnel.</li> <li>• Increasing attractiveness of forest professions.</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing LTIFR to the best in the industry practices level.</li> <li>• Assessment of the stakeholders' satisfaction with social investments performance in the regions of presence.</li> <li>• Regular participation of the Company's experts in international professional skill championships.</li> <li>• Preferred choice of the employer in the regions of presence</li> </ul>
<b>Climate-oriented forest management and production</b> <ul style="list-style-type: none"> <li>• Climate and sustainable ecosystem management.</li> <li>• Energy efficiency.</li> <li>• Responsible use of water resources.</li> <li>• Responsible waste management.</li> </ul>	<ul style="list-style-type: none"> <li>• Development and approval of the Decarbonisation Strategy based on the Science Based Targets Initiative.</li> <li>• Compliance with the industry's best practices on environmental indicators.</li> <li>• 100 % of the forest lease is certified in compliance with FSC/PEFC standards.</li> <li>• 100 % of investment projects are approved considering ESG factors.</li> <li>• 50 % of "green" financing in the CAPEX program.</li> <li>• 100% self-sufficiency in planting material</li> <li>• Implementation of an intensive forest management model</li> </ul>
<b>Responsible supply chain in the forest industry</b> <ul style="list-style-type: none"> <li>• Responsible procurement.</li> <li>• Intolerance to unethical behaviour.</li> <li>• Transparency.</li> </ul>	<ul style="list-style-type: none"> <li>• Full supply chain certification, confirming responsibility, inclusiveness and sustainability of the supply chain.</li> <li>• Development and implementation of the Suppliers Code of Conduct.</li> <li>• Participation in ESG ratings at the level of international industry competitors.</li> <li>• Implementation of the SegezhaLes system for 100 % of leased plots.</li> <li>• Digitalization of forest management</li> <li>• Updating forest inventory data</li> </ul>

GRI 102-19  
GRI 102-26

As part of its sustainable development management activities, Segezha Group PJSC focuses on the following recognized international documents and standards:

- Conventions and Declarations of the United Nations (UN) and the International Labour Organisation in part of human rights.
- The UN Sustainable Development Goals/Transformation of our World: The 2030 Agenda for Sustainable Development.
- The UN Guiding Principles of Business Activity in the Aspect of Human Rights.
- Principles of the UN Global Compact.
- OECD Guidelines for Multinational Enterprises.
- The AA1000SES Stakeholder Engagement Standard.
- The ISO 26000 standard is the Guide to social responsibility.
- Global Reporting Initiative (GRI) Sustainability Reporting Standards.

The Group has adopted the following regulatory documents in the field of sustainable development:

- Sustainable development policy;
- Segezha Group’s position in the field of human rights;
- Code of Ethics of Segezha Group;
- Labor protection and industrial safety policy;
- Regulations on the Strategy and Sustainable Development Committee of the Board of Directors.

The Company is working on the harmonisation of the procedure for disclosing its ESG initiatives with international practices. One of the priorities is the development and approval of the Decarbonisation Strategy on the ground of the Science Based Targets Initiative.

**Sustainable development management**

Sustainable development is an integral element of Segezha Group’s corporate management and culture. The structure of the sustainable development management includes the Group’s management bodies as follows:

Name of the corporate management body	Scope of responsibility
The Board of Directors	The Board of Directors manages Segezha Group’s activities and is responsible for the strategic management and evaluation of management performance.

<b>The Strategy and Sustainable Development Committee</b>	Preliminary approval of the strategy and strategic goals; consideration of M&A deals and major investment projects. Consideration of sustainable development issues in general, development of preliminary formulation of Segezha Group's strategy in this area.
<b>The Audit, Finance and Risk Committee</b>	Assessment of the risk management system, including risks in the field of sustainable development.
<b>The Committee on Appointments, Remuneration and Corporate Management</b>	<p>Facilitating the development of the efficient corporate management system that meets international standards.</p> <p>Assistance in formation and control over the execution of the strategy in the field of personnel management.</p> <p>Development of the employees' motivation and remuneration policy.</p> <p>Promoting development of the corporate culture.</p>
<b>The Ethics and Control Committee</b>	<p>Ensuring the efficient system of economic and corporate security.</p> <p>Monitoring compliance with the requirements of the Code of Ethics.</p> <p>Assistance in functioning of the system for combating corruption and fraud, as well as other abuses related to violations of applicable legislation.</p>
<b>The President and the Board</b>	<p>Management of the current activities of Segezha Group PJSC for achieving strategic goals.</p> <p>Defining the methods and ways of implementing the development strategy of Segezha Group PJSC, designing development plans, determining and supervising implementation of the investment process.</p> <p>Develop and improve the management of sustainable development issues, taking into account a risk-based approach</p> <p>Review weekly reports on environmental, social development and corporate governance issues</p>
<b>The Risk Management and Insurance Department</b>	<p>Cross-functional exchange of information and coordination of actions related to risks at the Group level.</p> <p>Integration within the framework of the Integrated Management System (IMS) on risk subjects, including sustainable development issues.</p>

<b>The State Development Programs and Forest Policy Department</b>	<p>Implementation of the strategy in sustainable development.</p> <p>Communication with stakeholders on sustainable development issues.</p> <p>Development of the management system in the field of sustainable development.</p> <p>Public non-financial reporting.</p>
<b>The Public Relations Department</b>	<p>Management of charitable activities.</p> <p>Assess the effectiveness of social performance projects.</p>
<b>The Labour Protection and Process Safety Department</b>	<p>Introduction and improvement of management systems.</p> <p>Ensuring the employees' work safety</p> <p>Development of the safety culture.</p> <p>Assessment of risks in occupational safety and fire safety.</p>
<b>The Ecology Department</b>	<p>Introduction and improvement of management systems.</p> <p>Minimisation of the environmental impact, and rational use of natural resources.</p> <p>Assessment of risks in environmental protection.</p>
<b>The Human Resources Department</b>	<p>Compliance with the employees' labour rights.</p> <p>Ensuring decent working conditions and remuneration rate.</p> <p>Implementation of programs for the personnel's professional development.</p> <p>Development of the corporate culture and volunteer activities.</p>
<b>The Government Relations Department</b>	<p>Issues of regional policy.</p> <p>Interaction with regional authorities and local communities.</p>
<b>Other units</b>	<p>Some aspects of sustainable development (corporate management, ethics, innovation, procurement, etc.) and interaction with stakeholders – in accordance with their competence.</p>

### **The UN Goals and the Group's contribution to their achievement**

In March 2021, Segezha Group Timber Holding became a full member of the United Nations Global Compact. This is the largest and most respected worldwide initiative in the field of corporate sustainable development, which at the international level unites businesses striving for responsible business practices and good reputation.


<p><b>The UN Global Compact</b> is a framework for the voluntary harmonisation of its members' strategies and tactics for promoting principles in the field of human rights, labour standards,</p>
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environmental protection and anti-corruption. The initiative implies active involvement of the business community in cooperation with civil society and representatives of the trade union sector. The Global Compact is the key tool for strengthening cooperation between business and the UN. Currently, the UN Global Compact includes more than 16 thousand commercial organisations and non-profit associations from more than 160 countries of the world.

Segezha Group strives for active participation in the harmonious development of economic, environmental and social spheres of community.

Segezha Group contributes to the achievement of the United Nations Sustainable Development Goals until 2030 (hereinafter referred to as the UN SDGs). The Group considers following the UN SDGs to be an integral initiative for the forest industry and for its business. Information on Segezha Group's contribution to achieving the UN SDG is presented in the Table.


## Segezha Group's contribution to achieving the UN SDGs


The UN SDG	SDG tasks	Segezha Group's activities	Segezha Group's achievements in 2020
<b>Innovative forest business</b>			
 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Goal 9: Develop resilient infrastructure, promote inclusive and sustainable industrialisation and innovation.</p> <p>9.5 Enhance research, increase the technological potential of industrial sectors, including by stimulating innovation activities by 2030, and significantly increasing the number of employees in the field of R&amp;D, as well as public and private R&amp;D funding.</p>	<ul style="list-style-type: none"> <li>• Development, innovation and cooperation with clients and partners for development of safe, eco-friendly, responsibly produced products that support the circular economy.</li> <li>• Designing high-value-added products from renewable forest resource.</li> <li>• Development of the product and service quality management system in conditions of global competition.</li> <li>• Boosting automation and robotisation, to increase labour productivity and reduce costs.</li> <li>• Development of the “lean manufacturing” system in key subsidiaries.</li> <li>• Improvement of the sustainable development management system, and enhancement of the quality of competencies in this area.</li> </ul>	<p>Segezha Group brought the following innovative products with high added value to the market:</p> <ul style="list-style-type: none"> <li>• CLT-panels are a completely new product for the Russian market, cross-laminated timber panels to be applied in high-rise construction.</li> <li>• Segezha Ecofloor is an engineered board used as a base for laying parquet.</li> <li>• New packaging solutions: small-format packaging and bags with viewports.</li> <li>• Tanker plywood is designed for lining tanks of gas carriers, characterized by ruggedness and resistance to extremely low temperatures.</li> </ul>


			<ul style="list-style-type: none"> <li>• Paper with addition of recycled/pulp raw materials, and packaging made of it.</li> </ul> <p>In the reporting year, key projects in the field of digital transformation were:</p> <ul style="list-style-type: none"> <li>• launching the SAP S/4HANA enterprise management system;</li> <li>• replication of the Creatio CRM across different locations of the Group in Russia and Europe;</li> <li>• implementation of pilot IT projects: digital inventory of warehouses, launch of the system for monitoring forest resource flows, Data Lake;</li> <li>• Automated Dispatching System “SegezhaLes”.</li> </ul>
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Goal 11: Ensuring openness, security, resilience and environmental sustainability of cities and human settlements.</p>	<ul style="list-style-type: none"> <li>• Segezha Group develops wooden house-building to solve social and climatic problems.</li> <li>• Segezha Group promotes landscaping urban spaces, to enhance the environmental sustainability of cities. For improving the residents' well-being, the Group</li> </ul>	<p>The group of companies uses innovation and scientific development to develop products from a renewable forest resource that serve the social and environmental goals of consumers.</p>






	<p>11.1 By 2030, ensuring universal access to sufficient, safe and affordable housing and basic services, as well as slum upgrading.</p>	<p>implements investment projects on jobs creation, and urban infrastructure development.</p>	<p>CLT panels as a product solution are aimed at greening the construction industry, supporting a circular economy and taking into account the global climate change agenda. The use of CLT panels has significant potential to reduce CO2 emissions in construction. On October 22, 2020, the new Sokol CELT plant produced the first trial CLT panel measuring 3 by 6 meters.</p> <p>767 million RUB were spent on supplying heat and hot water to the population.</p> <p>The Segezha Pulp and Paper Mill provides heat to 95 % of population in the single-industry town of Segezha, and the Onega-Energia enterprise provides heat to 83 % of population of the single-industry town of Onega. At some enterprises, there is a special program for paying employees' utilities.</p>
<p><b>Comfortable life in the forest regions of Russia</b></p>			



<div> <div>3</div> <div>GOOD HEALTH AND WELL-BEING</div>  </div>	<p>Goal 3: Ensuring healthy lifestyle, and promoting well-being for everyone at any age.</p> <p>3.4. By 2030, reducing, due to prevention measures and cure, premature mortality from non-communicable diseases by a third, and promoting mental health and well-being.</p>	<ul style="list-style-type: none"> <li>• Segezha Group implements charitable programs to support physical culture and sports, as well as programs to help orphanages and veterans.</li> <li>• The Group's companies help in organizing medical care for population of small settlements.</li> <li>• The Group implements programs to support employees' healthy lifestyle, and takes measures to make working conditions safe.</li> </ul>	<p>More than 74 million RUB were allocated for implementing charitable projects.</p> <p>44 projects and programs to support local communities were realized.</p> <p>22 projects from the centralized charity program were carried out.</p> <p>The following target programs and projects were accomplished:</p> <ul style="list-style-type: none"> <li>• the grants competition "Good Forests" was held in the city of Segezha, the Republic of Karelia, and in the city of Lesosibirsk, the Krasnoyarsk Krai;</li> <li>• additional sports infrastructure was created in the city of Segezha, the Republic of Karelia;</li> <li>• support was provided to educational institutions of the city of Onega, the Republic of Karelia;</li> <li>• assistance was provided in the execution of the urban</li> </ul>
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			<p>environmental program in the city of Segezha, the Republic of Karelia.</p> <p>More than 19 million RUB were allocated for measures to prevent the spread of COVID-19, and combat the consequences of the virus, including assistance to medical institutions in single-industry towns of presence.</p>
	<p>Goal 5: Ensuring gender equality, and empowering all women and girls.</p> <p>5.5. Ensuring full and effective participation of women and equal opportunities for them to lead at all levels of decision-making in political, economic and public life.</p>	<ul style="list-style-type: none"> <li>• Segezha Group does not allow any form of discrimination and pressure at the workplace, regardless of gender. The Group also promotes women to management positions at its enterprises.</li> <li>• Segezha Group creates fair working conditions, and follows the principles of respect for human rights (including the freedom of association, fair compensation, regardless of age, gender, sexual orientation, ethnic origin, disability or nationality).</li> </ul>	<p>As of the end of 2020, 35 % of the Company's employees were women.</p> <p>The number of women in senior positions in Segezha Group, as of the end of 2020, was 24 % of senior managers, and 35 % of middle and junior managers.</p> <p>In Segezha Group's Board of Directors, 2 of 9 directors are women.</p>

<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> 	<p>Goal 8: Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p> <p>8.2 Achieving increased productivity in the economy through diversification, technical modernisation and innovation, including by focusing on high-value-added and labour-intensive sectors.</p> <p>8.5 Ensuring full and productive employment and decent work for all women and men, including young people and disabled persons, and equal pay for work of equal value.</p> <p>8.8 Protecting labour rights, and promoting safe and secure working conditions for all workers, including migrant workers, especially migrant women, and seasonal workers.</p>	<ul style="list-style-type: none"> <li>• The Group ensures fair competitive remuneration of employees, and pays attention to its personnel's occupational development.</li> <li>• Segezha Group works on improving the status of forest professions, and attracting young experts to the forest industry.</li> <li>• The Company invests in the development of transport infrastructure (construction and maintenance of forest roads).</li> <li>• Segezha Group pays attention to heat supply for heating and providing hot water to residents in the regions of presence.</li> <li>• The Company performs educational and training events.</li> <li>• Segezha Group strives for the development of social entrepreneurship in the regions of presence, enhancing social value for local communities and its employees through significant social investments and charitable projects.</li> <li>• The Group's system of financing and reporting in the field of social investments is transparent.</li> <li>• Segezha Group targets at increasing productivity through intensive forest management.</li> <li>• The Group's activities are aimed at creating new decent jobs, to boost employment.</li> </ul>	<p>More than 242 million RUB were spent on labour protection in 2020 (+58 % compared to 2019).</p> <p>In 2020, more than 6,000 employees of the Company were trained in the field of labour protection.</p> <p>The injury frequency coefficient (LTIFR) was 2.1, which is 13 % less than in 2018.</p> <p>Average monthly salary at Segezha Group's Russian enterprises increased from 58.4 thousand RUB to 60 thousand RUB.</p> <p>More than 3 thousand employees received professional training. Expenses for training the personnel amounted to 33.5 million RUB.</p> <p>About 700 million RUB were invested in forest roads construction in the regions of presence.</p>
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		<ul style="list-style-type: none"> <li>The Group guarantees observance of human rights and labour rights at its enterprises.</li> </ul>	
<b>Climate-oriented forest management and production</b>			
<b>6</b> CLEAN WATER AND SANITATION 	<p>Goal 6: Ensuring availability and rational use of water resources and sanitation for all.</p> <p>6.3. By 2030, improving water quality by reducing pollution, eliminating waste disposal, and minimizing emissions of hazardous chemicals and materials, halving the share of untreated wastewater, and significantly enhancing the scale of recycling and safe re-use of wastewater worldwide.</p>	<ul style="list-style-type: none"> <li>For the rational use of water resources, at its enterprises, Segezha Group conducts environmental monitoring of the consumed water volume, composition of wastewater at treatment facilities and water quality control in rivers.</li> <li>The Group upgrades wastewater treatment control systems, to minimize chemicals in the composition of the water.</li> </ul>	<p>Segezha Pulp and Paper Mill JSC accomplished the project for the renovation of final clarifier of used water at the biological water treatment facilities. It resulted in boosting the efficiency of the treatment facilities, due to increasing the performance of final clarifiers.</p>
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<p>Goal 7: Ensuring universal access to affordable, reliable, sustainable and modern energy sources for all.</p> <p>7.2 By 2030, significantly increasing the share of energy from renewable sources in the global energy balance.</p> <p>7.3 Doubling the global energy efficiency indicator by 2030.</p>	<ul style="list-style-type: none"> <li>Segezha Group implements projects on improving energy efficiency at the Group's enterprises, developing thermal energy from renewable energy sources (biofuel) for production processes, and reducing its own energy consumption.</li> </ul>	<p>In 2020, in the city of Onega, the Republic of Karelia, the fourth energy boiler functioning on bark waste, instead of non-renewable fossil sources, was launched, which allowed Segezha Group to become the leader in the production of "green" energy in the north-west of Russia.</p> <p>In Lesosibirsk, the Krasnoyarsk Krai, the second stage of the pellets production plant started to</p>

			<p>work, which increased the total capacity of the Company's pellet production to 110.5 thousand tonnes of products per year.</p> <p>In Sokol, the Vologda Region, the new plant for the production of technical powdered lignosulfonates, which are obtained from liquid lignosulfonates, and are a by-product of pulp production, was put into operation. When drying them, advanced eco-friendly technologies are used.</p>
<p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p> 	<p>7.2. By 2030, significantly enhancing the share of energy from renewable sources in the global energy balance</p> <p>7.3. Doubling the global energy efficiency indicator by 2030</p>	<ul style="list-style-type: none"> <li>• Segezha Group is involved in ensuring universal access to affordable and reliable energy sources for residents of the regions where it operates.</li> <li>• The Group's companies provide residents of small villages with fuel wood.</li> </ul>	<p>Bioenergy development projects:</p> <ul style="list-style-type: none"> <li>• development of pellets production;</li> <li>• launching hog fuel boilers.</li> </ul> <p>In 2021, Segezha Packaging's paper sack plant in Aalborg, Denmark became the first Segezha Group facility to use CO2-free electricity (RES).</p>

	<p>Goal 13: Taking urgent actions, to combat climate change and its consequences.</p> <p>13.1. Enhancing resilience and ability to adapt to dangerous climatic events and natural disasters in all countries.</p> <p>13.2. Integrating climate change responses into policies, strategies and planning at the national level.</p> <p>13.3. Improving education, dissemination of information and the capacity of people and institutions to mitigate and reduce climate change effects by adapting to them and early warning.</p>	<ul style="list-style-type: none"> <li>Segezha Group's technologies for improving energy efficiency and developing energy from renewable energy sources reduce GHG emissions into the atmosphere, mitigate the negative impact on atmospheric air and climate change in general.</li> </ul>	<p>Investment projects with direct or indirect environmental impact, production sites, million RUB.</p> <p>The total volume of GHG emissions of Russian enterprises in CO<sub>2</sub> equivalent amounted to 468.5 thousand tonnes.</p> <p>The total energy consumption of Segezha Group's enterprises amounted to more than 26,381,387 GJ.</p>
	<p>Goal 15: Protecting and restoring terrestrial ecosystems, and promoting their rational use, rational forest management, combating desertification, stopping and reversing land degradation, and discontinuing the loss of biodiversity.</p>	<ul style="list-style-type: none"> <li>The Group carries out activities for the conservation and restoration of forests, prevention of forest fires, protection of forests from illegal logging, and defends forest biodiversity.</li> <li>The Company strives for improving the efficiency of natural resources use, reducing the impact on aquatic</li> </ul>	<p>In the reporting year, the area of reforestation was 29.1 thousand ha.</p> <p>Expenses for reforestation amounted to 141.5 million RUB.</p>

	<p>15.1. By 2020, ensuring conservation, restoration and rational use of terrestrial and inland freshwater ecosystems and their services, including forests, wetlands, mountains and arid lands, in accordance with obligations arising from international agreements.</p> <p>15.2. By 2020, promoting introduction of methods for the rational use of all types of forests, discontinuing deforestation, restoring degraded forests, and significantly expanding the scale of afforestation and reforestation worldwide.</p> <p>15.5. Immediately taking significant measures to curb the degradation of natural habitats, stopping losses of biological diversity, and by 2020, ensuring conservation and prevention of endangered species.</p>	<p>and terrestrial ecosystems, and maintaining biodiversity.</p> <ul style="list-style-type: none"> <li>• The Group implements the principles of circular economics, bioenergetics, and uses renewable energy sources.</li> <li>• The Group implements programs of environmentally sustainable forest management and reforestation, conducts forest certification, as well as strives for intensifying forest use.</li> <li>• Segezha Group is developing the system of accounting the environmental impact of its activities.</li> <li>• The Group is committed to reducing CO<sub>2</sub> emissions, including those from mobile sources, and supports the Science Based Targets (SBT) initiative.</li> <li>• The Company assesses climate risks and manages them.</li> <li>• The Group's priority areas include waste reduction and the development of waste recycling, improving the energy efficiency and energy conservation of production processes.</li> </ul>	<p>More than 500 species listed in the IUCN Red List and in the National List of Nature Conservation have habitats in the areas affected by Segezha Group's activities.</p> <p>In 2020, Segezha Group began the transition to a model of intensive forest use in the Republic of Karelia</p>
<b>Responsible supply chain in the forest industry</b>			



<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>Goal 12: Ensuring transition to rational consumption and production models.</p> <p>12.2. By 2030, achieving rational development and efficient use of natural resources.</p> <p>12.6 Encouraging companies, especially large and multinational ones, to apply sustainable production methods and reflect information on the rational use of resources in their reports.</p>	<ul style="list-style-type: none"> <li>• Segezha Group promotes principles of responsible wood consumption on the ecological basis.</li> <li>• The Group's activities are certified by the FSC (the Forest Stewardship Council), which allows tracking products from the logging location to the end consumer. This excludes penetrating of wood of unknown origin into the supply chain.</li> <li>• The Group's business is based on the principles of responsible forest management; Segezha Group expands recycling the waste in hog fuel boilers.</li> </ul>	<p>In 2020, environmental costs of Russian enterprises amounted to 439 million RUB, +63 % year-on-year,</p> <p>83 % was the share of the forest fund certified in compliance with the FSC standard</p>
	<p>Goal 17: Strengthening the means of implementation, and revitalizing the work in the framework of the Global Partnership for Sustainable Development.</p> <p>17.16 Strengthening the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships mobilizing and disseminating knowledge, experience, technology and financial resources, for the purpose of supporting achievement of the</p>	<ul style="list-style-type: none"> <li>• Segezha Group implements the principles of sustainable development in its procurement activities, creating more diverse and reliable supply chain.</li> <li>• Segezha Group is intolerant of corruption and unethical behaviour, and provides maximum assistance in the observance and equality of the rights and freedoms of interested parties.</li> <li>• The Group implements disclosure and transparency principles, when interacting with stakeholders.</li> <li>• The company participates in ESG ratings, develops partnerships in the field of sustainable development. Segezha Group took first place among environmentally responsible domestic companies in the forest industry</li> </ul>	<p>The share of competitive purchases – 86 %</p> <p>The share of purchases from local suppliers – 94 %</p> <p>In 2021, Segezha Packaging (holding company Arka Merchants Ltd.) were awarded the gold level of the EcoVadis platform.</p>

	<p>UN SDG in all countries, especially in developing ones.</p> <p>17.17 Encouraging and promoting efficient partnerships between public organisations, between the public and private sectors and between civil society organisations, considering the partners' experience and strategies of using resources.</p>	<p>in the integral ESG-ranking of the RAEX-Europe agency, while taking 36th place in the general list of Russian companies.</p>	
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## 1.4. Interaction with stakeholders

### GRI 103-1

Segezha Group's activities affect the wide range of stakeholders. The Group is aware of the need for maintaining the fruitful dialogue with stakeholders, and takes their opinions into account in its activities.

11 key groups of stakeholders were identified as a result of survey in 2021

7 out of 40 proposals of stakeholders were taken into account in the preparation of this Report, the rest will be provided for in the preparation of subsequent reports of the Company. A complete list of requests is given in Appendix 6.

### GRI 103-2

The Company conducts dialogues and working meetings with stakeholders' representatives. On Segezha Group's initiative, the Public Environmental Council was established under the administration of the Segezha Municipal District. The Company's President, Mikhail Shamolin, conducts open dialogues with stakeholders several times a year, during which anyone can ask a question. There is also a hotline for receiving requests from stakeholders [greenline@segezha-group.com](mailto:greenline@segezha-group.com).

Stakeholder Engagement - Regular certification process against international voluntary forest certification standards - Consultations are regularly held during FM and / or Controlled Wood certification. Stakeholders are involved in the process of preparing the Sustainable Development Report when identifying material topics, as well as during public hearings on the draft Report.

Segezha Group became a member of the RSPP Committee on Climate Policy and Carbon Regulation. At this stage, the Company is the only representative of the Russian forest industry in the Committee. As one of the largest forest users in Russia, Segezha Group is ready to actively share its industry expertise.

Also in 2021, the company's specialists joined the Expert Council for Sustainable Development under the Ministry of Economic Development of Russia. In February 2021, chaired by the Minister of Economic Development of the Russian Federation M.G. Reshetnikov, the first meeting of the Expert Council on Sustainable Development under the Ministry of Economic Development of Russia took place. The event was attended by the heads and representatives of the largest Russian and foreign companies, as well as leading experts. Among the issues discussed were: the integration of the UN Sustainable Development Goals (SDGs) into the Russian economic context, the climate agenda and low-carbon development issues.

### Principles of interaction with stakeholders

#### Regularity

- Providing information at regular intervals

#### Credibility

- The information provided is true

#### Completeness

- Of the information provided in full

#### Responsiveness

- Quick notification about important events

#### Availability

- Free access to the disclosed information

#### Regularity

- Providing information at regular intervals

#### Credibility

- The information provided is true

#### Completeness

- Of the information provided in full

#### Responsiveness

- Quick notification about important events

#### Availability

- Free access to the disclosed information

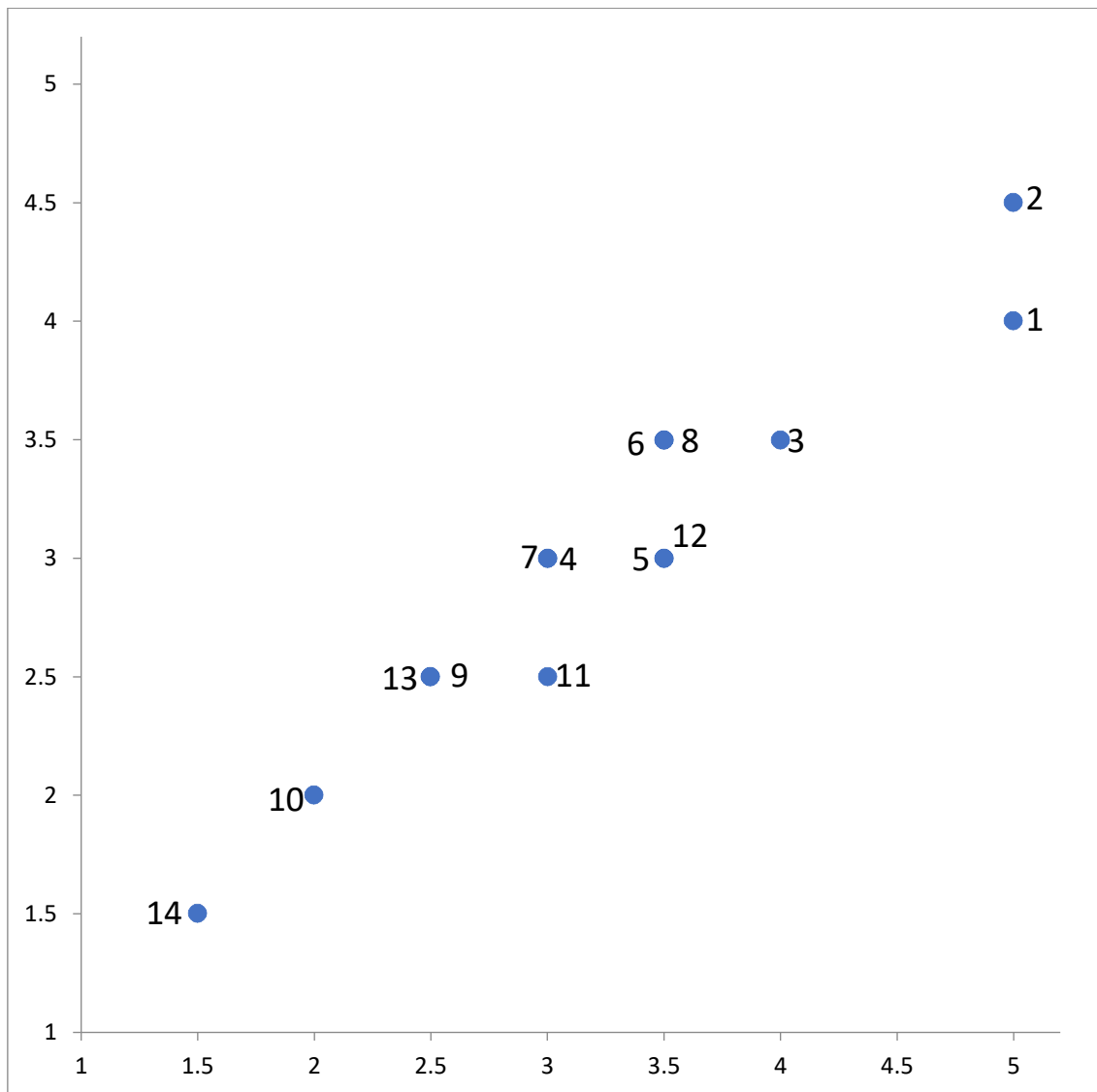
**GRI 102-40**

### Key stakeholders

**GRI 102-42**

For identifying key stakeholders, in the course of preparing this Report, the managers' survey was conducted. Segezha Group's representatives answered how much each of the stakeholders influences on the Group of Companies' activities, and vice versa (using the three-point scale). The stakeholders located in the upper right part of the map above the cut-off line, were recognized as the key ones.

### Rank map of stakeholders



1	Shareholders
2	Top management
3	Buyers and consumers
4	State control bodies
5	Government departments
6	Local government bodies
7	Business partners
8	Staff
9	mass media
10	Professional associations
11	Public environmental organizations
12	Population of regions of presence
13	Public social and charitable organizations
14	Science community

**GRI 102-43**

**Key tools of interaction and results with stakeholders in 2020**

**GRI 102-44**

<b>Top Management</b>	
Requests	Achievement of strategic goals;  Getting information on development prospects of Segezha Group.
Interaction in 2020	Continuous interaction in the course of activities, sessions and meetings.
Results in 2020	Developed and approved functional strategies in the field of personnel management, industrial safety and labor protection, product R&D, logistics development, marketing strategy, as well as internal control and audit
<b>Shareholders</b>	
Requests	Boosting capitalisation, Segezha Group's growth and development;  Transparency of activities;  Long-term growth of the Company's value;  High level of dividend yield.
Interaction in 2020	Holding meetings of the Board of Directors, meetings of shareholders' representatives with managers, field events;  Representation of the shareholder in the Board of Directors of the parent company and main organisations of Segezha Group of Companies;  Conducting working sessions of independent members of the Board of Directors with managers of the Operating Company and OGCS.
Results in 2020	In April 2021, Segezha Group held one of the largest IPOs during last years, and entered the Moscow Stock Exchange, having managed to attract 30 billion RUB. More than 25% of funds were interested in certain aspects of ESG or noted the attractiveness of the ESG aspect in the business of Segezha Group as a competitive advantage in the framework of the IPO
<b>Buyers and consumers</b>	
Requests	High quality and product safety, reliable supplies;  Availability of products with high consumer and environmental parameters.
Interaction in 2020	Launch of a separate program in the field of product R&D

Results in 2020	<ul style="list-style-type: none"> <li>• Certification according to international standards of product quality and safety</li> <li>• Carrying out activities to improve customer focus</li> <li>• Improving logistics procedures</li> <li>• 50 calls to the Single hotline</li> <li>• In 2021, within the framework of the 25th international exhibition of the packaging industry RosUpack 2021, Segezha Group became the winner in three nominations of the international prize in the field of production and packaging design Part Awards</li> </ul>
<b>Business partners</b>	
Requests	<p>Organisation of competitive procurement;</p> <p>Timely and accurate execution of contracts;</p> <p>Compliance with ethical standards.</p>
Interaction in 2020	<p>Conclusion of contracts;</p> <p>Seminars for getting acquainted procurement requirements of Segezha Group.</p>
Results in 2020	<p>No facts of violation of legislation in the field of countering unfair competition;</p> <p>Reduction of lawsuits;</p> <p>Clarification and discussion of approaches to procurement.</p>
<b>Personnel</b>	
Requests	<p>Career and salary growth;</p> <p>Social protection;</p> <p>Safe workplace.</p>
Interaction in 2020	<p>Negotiations with representatives of trade unions, the results of which are recorded in documents;</p> <p>Meetings with the labour collective.</p>
Results in 2020	<p>In 2020, collective agreements were concluded on a number of assets, the terms of which not only guarantee mandatory benefits and guarantees under the labour legislation, labour protection requirements, but also expand them taking into account financial capabilities of particular enterprises and general corporate standards;</p> <p>In 2020, more than 6,500 employees were covered by collective agreements.</p>
<b>Population in the regions of presence</b>	

Requests	Job creation;  Contribution to development of social infrastructure, charitable projects;  Minimizing the negative impact on the environment on the territories of presence;  Ensuring production safety of high level;  Awareness of the Group of Companies' activities.			
Interaction in 2020	Consideration of complaints received through the Single hotline and other communication channels;  Conducting public hearings in the course of the environmental impact assessment of the scheduled economic activity;  Conducting open dialogues between stakeholders and the President of the Company.			
Results in 2020	Measures on reducing the Company's environmental impact;  Plans for urban infrastructure development;  Charity projects.			
		2019	2020	Change, %
	Charity, million RUB	27.6	74.4	>2.5x
State authorities, self-government bodies				
Requests	Timely payment of taxes;  Investments in the development of regions, ensuring employment in the region;  Urban infrastructure development;  Construction of new production facilities, modernisation of current ones;			
Interaction in 2020	Conclusion of cooperation agreements with the regions;  Working meetings with the regional administration;  Meetings of the Public Environmental Council under the administration of the Segezha Municipal District;			
Results in 2020	8 existing agreements with the regions of presence.			
State bodies of control and supervision				
Requests	Compliance with the legislation;			



	Timely payment of taxes and fines; Regular inspections
Interaction in 2020	Interaction in the course of inspections
Results in 2020	9,2 billion RUB is the amount of taxes paid to the budgets.
<b>Public environmental organisations</b>	
Requests	Minimizing the negative impact on the environment; Ensuring of the high level production safety; The Company's enterprises' energy efficiency growth.
Interaction in 2020	Meetings within the framework of procedures established by the FSC; Participation in the Boreal Forest Platform (WWF).
Results in 2020	<ul style="list-style-type: none"> <li>• 5 meetings of the Commission of the Public Environmental Council of the Segezha Municipal District were held</li> <li>• In 2021, Segezha Group and WWF Russia signed an open-ended Agreement on the conservation of high conservation value forests (HCVF) in forest areas managed by JSC Onezhsky LDK in the Arkhangelsk region. The company will voluntarily preserve about 600,000 hectares of high conservation value forests on the territory of its lease in the Onega, Severodvinsky and Priozernoye forestries of the Arkhangelsk region, of which more than 150,000 hectares will be completely prohibited from logging. The purpose of the signed agreement is to preserve pristine forests, called by scientists intact forest areas, where many rare species of plants and animals live.</li> </ul>
<b>Educational institutions</b>	
Requests	Conclusion of cooperation agreements; Providing places for students to practice, guaranteeing graduates' employment.
Interaction in 2020	Joint educational programs with Lesosibirsk Technological Technical School, Petrozavodsk State University, State Autonomous Institution of Vocational Education "Northern College".
Results in 2020	<p><b>3,396</b> employees were trained, +93 % compared to 2019</p> <p>The number of students who underwent internship at the facilities of the Segezha Group, 425 people.</p> <p>The number of agreements concluded with educational institutions, 1 pcs.</p>

Media	
Requests	Regular receipt of relevant information; Meetings of corporate experts with journalists.
Interaction in 2020	Regular information posts on the website; Timely informing the media through press releases; Meetings of corporate experts with journalists.
Results in 2020	113 publications in the media on the Company's corporate social responsibility in 2020.

## GRI 102-12

## GRI 102-13

### Segezha Group membership in external initiatives

Operating company	Union of Timber Producers and Timber Exporters of Russia; Social Charter of Russian Business; Association of Managers of Russia; The Boreal Forest Platform <sup>4</sup> .
SDCs (Enterprises)	The UN Global Compact; European Association of Paper Bag Manufacturers in Europe (Eurosac); Association of European Manufacturers of Bag Paper and Kraft Paper CEPI Eurokraft; Association of Paper Bag Manufacturers in Germany (GemPSI); Association of Paper Bag Manufacturers in Italy (GIPSAC); Association "National Working Group on Voluntary Forest Certification"; Entrepreneurship Development Assistance Fund; Self-regulating organisation Association "Design Organisations of the North-West"; Union of Industrialists and Entrepreneurs of the Republic of Karelia; Non-profit partnership SRO "Lesnoy Soyuz"; Regional Chambers of Commerce and Industry (the Republic of Karelia, as well as the Vologda and Arkhangelsk Regions);

<sup>4</sup>The Boreal Forest Platform is a platform for the exchange of experience. The platform hosts discussions in the field of intensive sustainable forestry. The discussions are aimed at achieving the balance between the development of the forest industry and the preservation of high environmental values of forests.

	<p>Non-profit partnership "Self-Regulating Corporation of Builders of the Krasnoyarsk Krai";</p> <p>Association of Wooden Housing Construction of the Vologda Region;</p> <p>Association Self-Regulating Organisation "Baltic Construction Complex";</p> <p>Russian Association of Organisations and Enterprises of the Pulp and Paper Industry RAO "Bumprom".</p>
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**Segezha Group's participation in associations aimed at solving environmental and social problems**

Year	Organisation
2015	Union of Timber Producers and Timber Exporters of Russia, and regional associations in the regions of presence
2015	Non-Profit Partnership "National Working Group on Voluntary Forest Certification" (FSC)
2017	WWF Boreal Forest Platform
2018	The United Nations Global Compact. Western assets
2019	The Charter on Wood Turnover
2020	The Social Charter of Russian Business RSPP
2020	The RSPP Committee on Climate Policy and Carbon Regulation
2021	The United Nations Global Compact. The whole group
2021 (plan)	World Business Council for Sustainable Development/ International Initiative for Sustainable Development and Sustainable Forest Management

## CHAPTER 2. INNOVATIVE FOREST BUSINESS

Segezha Group PJSC is struggling with perception stereotypes about the forest industry as historically closed and conservative. Representing modern successful business, the Group competes with world leaders, provides the highest quality of products and services, uses innovations, scientific developments, best practices and achievements of the digital economy. “Segezha” designs, produces and develops products from renewable forest resource, which serves consumers’ social and environmental goals.

The company produces and promotes safe, eco-friendly, responsibly produced innovative products that support the circular economy, including development of resource-saving products, eco-design of products and optimized use of resources. The product solutions offered by the Group help reduce CO<sub>2</sub> emissions throughout the entire chain.

The Company pays attention to further improving the capacity for the re-use of packaging and the continuous development of sustainable alternatives to packaging materials from fossil fuels.

### Relationship with the UN SDGs

#### Strategic priority goals:

Goal 9: Develop resilient infrastructure, promote inclusive and sustainable industrialisation and innovation.

9.5 Enhance research, increase the technological potential of industrial sectors, including by stimulating innovation activities by 2030, and significantly increasing the number of employees in the field of R&D, as well as public and private R&D funding.

#### Goals integrated into current activities:

Goal 11: Ensuring openness, security, resilience and environmental sustainability of cities and human settlements.

11.1 By 2030, ensuring universal access to sufficient, safe and affordable housing and basic services, as well as slum upgrading.

#### Key targets until 2025:

1. Development and approval of the R&D program.
2. Revenue from carbon-depositing products is not less than 10%
3. Reflection of ESG trends in all functional strategies by updating existing ones or developing new ones.
4. NPS (Net Promoter Score, Consumer Loyalty Index) >55 %.

### 2.1. Clients

#### GRI 103-2

In 2020, Segezha Group developed and adopted the marketing strategy until 2025, which resulted in the clear action plan for increasing the Company’s margin income and OIBDA. The approved action plan covers not only the current production, but also the implementation of future investment projects.

The main goal of the adopted marketing strategy is to increase the share of high-margin products, segments and markets in the Group's portfolio. The Company carefully monitors and analyzes market dynamics, trends, and customer preferences, and, considering all the information, develops new products or improves existing ones.

Segezha Group's priority is to expand its presence in the most profitable markets. The strategic regions of activity for us are the CIS market and Eastern Europe, the most capacious markets of Indonesia and China, where the Group has considerably increased its share, the growing market of Africa, the high-margin and promising market of Latin America.

Due to unprecedented challenges for the pulp and paper and wood-working industries emerged in 2020, both in Russia and in the world, caused by the COVID-19 pandemic, Segezha Group has significantly renovated its business processes, and reduced costs, radically expanded the purchase funnel, and optimized sales channels. The situation was monitored 24/7, which allowed the Company to use alternative shipping schemes and flexibly manage commodity flows, redirecting volumes to markets that were not badly affected by the pandemic, or had already overcome its peak.

At the same time, the pandemic opened up many opportunities for the Company's development. There have been qualitative changes in the structure of consumption: remote work has led to growth in demand in such segments as suburban housing construction and DIY, especially in the field of repair and decoration of premises, as well as in the furniture segment. The explosive growth was demonstrated by online trade, in particular, food trade via the Internet, becoming a driver of demand for packaging solutions. Segezha Group made the full use of the opportunities to have opened up, adapting products and improving customer service to the new realities of the market.

Priorities of the marketing strategy:

- increasing production capacity in key business segments;
- boosting Segezha Group's share in high-margin markets;
- further diversification of the product and customer portfolio, to maintain balanced growth;
- comprehensive work on products quality at all stages of production;
- improvement of customer service.

Segezha Group's new sales markets in 2020:

ARMENIA, BELGIUM, GUINEA, IRAQ, IRELAND, CANADA, KENYA, COLOMBIA, KOSOVO, MALI, TAJIKISTAN, TOGO

Segezha Group's marketing system includes three main areas – analytics, R&D and marketing communications.

### **Analytics**

Marketing analytics is one of the key areas of work of the Marketing Department. The purpose of marketing studies is to provide Segezha Group with operational market and industry data and their interpretation, which form the basis of the most important management decisions, and also allow it to respond quickly to changes in market conditions.

In 2020, we managed to create the database of sources of high-quality industry information (consulting and analytical agencies, statistical databases, our own studies, operational data from clients). This allowed us to bring the quality of forecasting market trends to a new level, timely identify and level risks, flexibly manage pricing, effectively develop regions and sales channels, expand the purchase funnel and service offer.

### **Product development in Segezha Group**

The share of new products in the portfolio increased by 5 times

The year 2020 became crucial for the Group's product development. The Company's R&D strategy until 2025 was developed and adopted, which consolidated the Company's goals, principles and approaches to designing and launching innovative products on the market. The centralized R&D team was also formed, consisting of professionals specializing in particular product groups, and having deep understanding of production specific features, the needs of customers and end consumers.

Segezha Group is in the process of establishing the Innovation Centre for Paper Packaging – a new structural unit for designing more efficient and high-tech packaging solutions. The centre will be furnished with the most modern testing and measuring equipment for testing new materials and coatings, manufacturing prototypes and preparing products for mass production, creating prototypes – more than 30 pieces of equipment in total. The innovation centre is scheduled to be fully equipped and launched by the end of 2021. Investments in the project will amount to about 90 million RUB.

A key challenge for the team is to transform to a disruptive product innovation model. As pilot areas, the production of plywood and paper packaging were selected, because of their innovative potential, raw material synergy and potential speed of introduction.

Product development and customer experience will be managed on the basis of the open innovation model. Leading universities, Russian and foreign start-ups, customers and suppliers will be involved in cooperation. This approach will allow Segezha Group to continuously expand the list of projects, find new ideas for development and attract the necessary expertise.

At the beginning of 2021, Segezha Group signed the Memorandum on strategic partnership in the field of R&D with St. Petersburg State University of Industrial Technologies and Design.

### **New products of Segezha Group**

Segezha Ecofloor is an engineered board used as a base for laying parquet. In 2020, the Group joined the European Association of Parquet Manufacturers, whose technical committee highly appreciated Segezha Ecofloor plywood.

New packaging solutions – small-format packaging and bags with viewing windows.

Tanker plywood is designed for lining tanks of gas carriers, its specific features are ruggedness and resistance to extremely low temperatures

Paper with the addition of recycled/waste paper raw materials and packaging made of it.

CLT-panels are a completely new product for the Russian market, cross-laminated timber panels to be applied in high-rise construction.

The company aims to significantly increase its share of revenue from products related to sustainable development by 2025.

Revenue from selected sustainable products, including products with a minimum carbon footprint, thousand rubles

Product	2018	2019	2020
Consumer packaging	262 518	417 348	458 439
Pellets	30 132	553 687	686 589
Plywood	4 054 333	5 223 141	6 191 335
Glued wooden structures	1 198 212	1 247 570	991 198
Total	<b>5 545 196</b>	<b>7 441 745</b>	<b>8 327 562</b>

## Marketing communications

Segezha Group implements the comprehensive market promotion strategy based on key customer marketing tools (ABM, account-based marketing) and inbound marketing. This approach allows the Company to increase the loyalty of anchor customers, and enhance their LTV (life-time value), while simultaneously expanding the base of mid-level customers and increasing the brand awareness of Segezha in the industry community.

Marketing of key clients is distinguished by individual approach to each client and designing the most customized offer for the client's tasks.

In 2020, together with Knauf Kuban, Segezha Group experts conducted a number of tests on the packaging with gypsum mixture. The purpose of the test was to find a new construction of the bag to increase the shelf life of the products.

The Group continuously works to improve the customer service, for which it regularly conducts the study of customers' opinion, using the NPS method<sup>5</sup>. During the studies, consumers evaluate products quality, sales managers' work, the packaging quality, delivery terms, claims-work and other parameters.

According to the results of the study for 2020 conducted by the leading agency in the field of data collection and analytics Nielsen, Segezha Group customer loyalty index (NPS) increased to 52 %, which is a significant achievement compared to the global average in the field of paper and wood-working production at 48 %. The average score for product quality, packaging, and the manager's work was 4.1 out of 5 possible. Based on the results of the study, each unit forms its action plan to improve current processes and customer service.

## Customers and sales markets

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<sup>5</sup>NPS (Net Promoter Score) is an index of consumer loyalty to a product, brand or company.

Segezha Group's products exports geography covers more than 100 countries, the share of exports of finished products is 72 %. Segezha Group holds leading positions in Russia, Europe and the world in production of paper bags, unbleached bag paper and sawn timber.

**Segezha Group's main clients**

**Segezha Group's top 10 sales countries in 2020, % of the Group's revenue**

Country	% of the revenue
Russia	28.0
China	15.0
Germany	6.1
Egypt	5.1
Finland	3.6
Netherlands	2.7
Denmark	2.7
Turkey	2.4
Italy	2.3
France	2.2



Paper total: 289 thousand tonnes		Paper bags total: 1,301 million pcs	
country	share, %	country	share, %
China	19.6	Russia	33.3
Russia	10.6	Germany	11.9
Saudi Arabia	9.8	Netherlands	5.7
Mexico	6.4	Romania	5.6
Egypt	5.0	Denmark	5.0
Turkey	4.5	Kazakhstan	4.6
Others	44.1	Others	33.9
Sawn timber total: 1,217 thousand m <sup>3</sup>		Plywood total: 186 thousand m <sup>3</sup>	
country	share, %	country	share, %
China	48.1	Russia	21.4
Egypt	17.1	USA	14.3
U.K.	8.2	Germany	13.6
Finland	8.2	Netherlands	8.6
France	5.2	Korea	7.3
Germany	3.2	Canada	5.6
Others	10	Others	29.2
Glulam total: 38 thousand m <sup>3</sup>			
country	share, %		
Italy	47.8		
Germany	25.1		
Austria	11.1		
Hungary	3.8		
Poland	2.8		
Others	9.4		

## 2.2. Final products

### Paper and packaging

Segezha Pulp and Paper Mill and Sokol Pulp and Paper Mill, which are part of the Group, produce bag paper and imitation parchment. Total production capacity of the enterprises is 409 thousand tonnes per year. Segezha Pulp and Paper Mill, production capacity of which is 384 thousand tonnes per year, makes paper from coniferous balance wood and technological chips.

For their products, Segezha Group pulp and paper mills use only coniferous wood raw materials. The raw materials are pre-analyzed for quality, fractional composition, the presence of bark, impurities and humidity.

81 % of the pulp and paper mills' needs for wood raw materials are provided by the Group's logging enterprises and wood-working plants in Segezha, Onega, and Sokol. The rest of raw material is purchased from third-party suppliers.

In October 2020, Segezha Pulp and Paper Mill became the winner of the district stage of the All-Russian Award "Exporter of the Year" in the North-Western Federal District.

Product	Bag Paper	Imitation parchment
Competitive advantages	<ul style="list-style-type: none"><li>• Moisture resistance.</li><li>• Unique tensile strength.</li><li>• Increased porosity.</li><li>• Eco-friendliness.</li></ul>	<ul style="list-style-type: none"><li>• Made of natural fibre, with no chemicals.</li><li>• Ruggedness.</li><li>• Heat resistance up to 250 °C.</li></ul>
Scope of application	<ul style="list-style-type: none"><li>• Industrial bags.</li><li>• Packaging solutions: bags, sacks and other products.</li></ul>	<ul style="list-style-type: none"><li>• Food packaging.</li><li>• Fast food.</li><li>• Bakery production.</li></ul>

### Certification of enterprises

Enterprise	ISO 9001	ISO 14001	ISO 45001
The Segezha Pulp and Paper Mill	✓	✓	✓
The Sokol Pulp and Paper Mill	✓	✓	✓

### Segezha Group launches the first in Russia line for applying glue to package by the digital way

In 2020, the new production line DIGITAL PASTING AM 8135 of the German engineering company Windmüller&Hölscher was installed at Segezha Packaging Russia. Its uniqueness is

in the digital application of glue to the package. This technology will improve the quality and speed of gluing, as well as the quality and eco-friendliness of finished products.

Segezha Group produces paper packaging at enterprises in Russia and Europe. In Russia, Segezha packaging plants with total capacity of 668 million bags per year are located in the Republic of Karelia, the Rostov Region, as well as in the city of Lobnya, the Moscow Region. In Europe, the Company produces paper packaging at 7 Segezha Packaging plants with the total capacity of 720 million bags per year. European production facilities of the Group are located close to the sales markets, providing the Company's advantage with the short logistics shoulder.

Availability of own raw materials allows restraining packaging production costs growth, reduces volatility, and increases margin income. This makes it possible for Segezha Group to successfully compete with other manufacturers on the Russian and global markets.

About 29 % of Segezha Group's bag paper is converted into paper packaging. The Group is actively increasing its capacity in the consumer packaging segment, investing in acquisition of new production lines.

Segezha Group produces bags of various designs for the wide range of applications, and also consults its clients on product packaging options.

In 2020, the share of Segezha Packaging on the Russian paper packaging market was 57 %<sup>6</sup>. The Group continued to work on increasing the share of high-margin products in the sales portfolio, including due to construction of new facilities in the Moscow Region.

Development of paper packaging production is designated as one of the main priorities within the framework of the R&D strategy adopted by the Company until 2025. The strategic goal of developing innovations in packaging is to achieve at least 10 % of the share of new products in the product portfolio by 2022.

For the development of the industrial segment, the Company has chosen the most promising and popular areas for customers: small-format packaging for dry building mixes, packaging with protection against counterfeit, plastic-free bags, packaging made of rugged i4 paper, packaging for frozen products

Product	Industrial bag	Consumer package
Competitive advantages	<ul style="list-style-type: none"> <li>• Moisture resistance.</li> <li>• High-speed filling.</li> <li>• Various valve options.</li> <li>• Ultrasonic valves.</li> <li>• Easy to use.</li> <li>• Security label.</li> <li>• Wide possibilities of colour printing.</li> </ul>	

<sup>6</sup>Source: Fisher International.

	<ul style="list-style-type: none"> <li>Eco-friendliness.</li> </ul>	
Scope of application	<ul style="list-style-type: none"> <li>Construction industry.</li> <li>Food industry.</li> <li>Agricultural industry.</li> <li>Chemical industry.</li> <li>Mineral industry.</li> </ul>	<ul style="list-style-type: none"> <li>Paper bags and bags for retailers, retail enterprises.</li> </ul>

In November 2020, Segezha Packaging Russia was awarded with “Industry Leader 2020” award.

### Certification of enterprises

Enterprise	ISO 9001	ISO 14001	ISO 45001
Segezha Packaging Russia	✓	✓	✓
Segezha Packaging Europe	✓		

### Plywood

Segezha Group produces plywood at Vyatka Plywood Mill, design capacity of which is 192 thousand m<sup>3</sup> of plywood per year. All the enterprise's products meet requirements of international quality and safety standards. Vyatka Plywood Mill has extensive production capabilities, and is furnished with modern equipment.

The enterprise produces a number of products: plywood with coloured melamine, phenolic films of a various scope of application, plywood with transparent melamine films, and also develops individual solutions according to clients' drawings.

In 2020, Segezha Group continued to work on development of its product portfolio: a new type of plywood for use in floor covering – Segezha EcoFloor – was released to the market, important features of the plywood are increased requirements for humidity and thickness tolerances. The Company also launched mass sale of 5 types of plywood, released to the market in 2019. Segezha ClearPly (plywood covered with transparent films OpalWhite, Transparent) is in great demand on the markets of the USA, Canada, New Zealand and Australia.

Competitive advantages	<ul style="list-style-type: none"> <li>High strength characteristics, resistance to temperature and humidity changes.</li> <li>Ability to withstand heavy loads, durability.</li> <li>Stability of linear dimensions.</li> <li>High quality of the polished surface.</li> </ul>
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	<ul style="list-style-type: none"> <li>• Attractive veneer texture.</li> <li>• Option of producing plywood according to the customer's individual requirements.</li> </ul>
Scope of application	<ul style="list-style-type: none"> <li>• Construction.</li> <li>• Transport.</li> <li>• Furniture manufacturing.</li> <li>• Floor coverings.</li> </ul>

Introduction of certification standards in the Company allows enhancing clients' confidence in products quality, reduce unproductive costs, and improve efficiency of management systems in production.

In 2020, Vyatka Plywood Mill successfully passed the inspection audit of the quality management system for compliance with requirements of the international standard ISO 9001, the environmental management system for compliance with requirements of ISO 14001, the occupational health and safety management system for compliance with requirements of ISO 45001. The audit was conducted by DNV GL (Det Norske Veritas Germanischer Lloyd), one of the leading international experts on certification of activities and management systems.

Enterprise	ISO 9001	ISO 14001	ISO 45001
Vyatka Plywood Mill LLC	yes	yes	yes

Also in 2020, during the planned audit, Vyatka Plywood Mill confirmed the certificate of compliance with FPC (Factory Production Control), and CE marking<sup>7</sup>. The FPC audit was conducted by the European Certification Body Eurofins Expert Services Oy.

In accordance with Segezha Group's strategy for transition to waste-free production, two modern automated thermal oil installations were brought to the design capacity at Vyatka Plywood Mill, in which bark waste is used as fuel.

Thanks to the introduced equipment, the Company managed to completely solve the problem of waste disposal, and at the same time obtain additional thermal energy for technological needs of the workshops, as well as reduce the use of natural gas, thereby minimizing the enterprise's environmental impact.

Segezha Group plywood production is mainly export-oriented: in 2020, the share of foreign currency revenue from sales of this type of product was 79 %. The main export destinations were

<sup>7</sup>CE (Conformité Européenne, European Conformity) is the only conformity mark on the territory of the European Union. By placing the CE marking on its products, the manufacturer confirms that they comply with European safety standards.

the USA, Germany, the Netherlands, South Korea and Canada. In 2020, the Group adjusted sales of plywood to markets of South Africa, France and China, and also significantly increased the volume of deliveries to South Korea.

In 2020, Segezha Group continued the implementation of the investment project for the construction of a plywood mill in Galich, the Kostroma Region. In the future, the mill will produce unique products not only for the Russian, but also for the world market – plywood of the maxi format, premium quality, especially in demand on European markets (see more details in “Key investment projects”, p. **Ошибка! Закладка не определена.**).

## Sawn timber

Segezha Group’s sawn timber is produced at 5 high-tech plants located in Siberia and in the north-west of Russia. High-quality and environmentally friendly forest is used for production. Consistently high quality of raw materials is provided by the Group’s own logging, and high-level diversification allows flexibly redistributing commodity flows, depending on current challenges and opportunities.

Segezha Group produces high-quality edged sawn timber from softwood. Due to the high resin content, coniferous wood is characterized by high strength and resistance to external damage. In addition, the Group’s enterprises produce premium products from Siberian larch.

Product	Sawn timber	Pellets	Technological chips (by-product)
<b>Competitive advantages</b>	<ul style="list-style-type: none"> <li>• High-quality edged sawn timber made of coniferous wood.</li> <li>• A wide range of species and size-quality features.</li> <li>• Convenient geographical location and logistical availability of production.</li> <li>• Stable raw material base.</li> </ul>	<ul style="list-style-type: none"> <li>• High heat emission.</li> <li>• Produced from renewable, FSC-certified raw materials.</li> <li>• Chemically and biologically safe.</li> <li>• Harmless to the environment.</li> <li>• Comply with SBP и EN Plus A1 standards.</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated use of forest resources.</li> <li>• Improving energy efficiency.</li> <li>• Eco-friendly utilisation of waste.</li> </ul>
<b>Scope of application</b>	<ul style="list-style-type: none"> <li>• Construction.</li> <li>• Production of blanks for furniture.</li> <li>• Production of blanks for glulam.</li> </ul>	<ul style="list-style-type: none"> <li>• Production of electricity from renewable sources.</li> </ul>	<ul style="list-style-type: none"> <li>• Pulp production.</li> <li>• Production of fibreboard.</li> <li>• Eco-friendly biofuel for boiler houses.</li> </ul>

	<ul style="list-style-type: none"> <li>Segment of wooden containers and packaging.</li> </ul>		
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In September 2020, Lesosibirsk Wood-Working Mill No. 1 was recognized as the winner of the All-Russian Award in the field of international cooperation and export “Exporter of the Year”, organized by The Russian Export Centre JSC. Lesosibirsk Wood-Working Mill No. 1 was declared the best in the Siberian Federal District in the category “Exporter of the Year in the Field of Industry”, in the category “Large Business”.

In January 2021, the cooperation agreement was signed between Segezha Group and the government of the Arkhangelsk Region on attracting investments, advanced technologies, and personnel training systems to the region. In particular, as part of the investment project of 2021–2023 on construction of a new production complex with total investment of up to 6.8 billion RUB, Segezha Group will ensure accelerated development of the production site of Onega Wood-Working Mill and creation of new jobs for the local population.

### Glulam and pre-cut houses

In 2020, Sokol Wood-Working Mill signed the protocol of mutual understanding with the Department of Economic Development of the Vologda Region on participation in the regional integration project “Synergy of Growth”. Since 2020, Sokol Wood-Working Mill has been a resident of the national project on boosting production efficiency “Labour Productivity and Employment Support”.

The key product produced by Segezha Group in the glued constructions segment is glulam, which is made of high-strength tree species that are resistant to the external environment. Segezha Group produces glulam made of spruce, the experimental batch made of Siberian larch was also produced, and in 2021 it is planned to use pine. The high quality and unique properties of glulam allow it to be used in construction of not only wooden houses, but also various buildings and structures in combination with other materials.

The production is carried out in strict compliance with the European quality standards EN 14080:2013, EN 14081, and the strength parameters GL24h, GL28h.

<b>Competitive advantages</b>	<ul style="list-style-type: none"> <li>Very high quality of front surfaces that do not require additional processing.</li> <li>Strict compliance with production standards in compliance with requirements of EN 14080 and EN 14081.</li> <li>High robustness of the adhesive joint.</li> <li>High dimensional stability and accuracy, stable geometric shapes.</li> </ul>
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	<ul style="list-style-type: none"> <li>• Eco-friendliness.</li> <li>• Spruce trees from northern regions are used as raw materials.</li> </ul>
<b>Scope of application</b>	<ul style="list-style-type: none"> <li>• Construction of wooden houses.</li> <li>• Inter-storey floors.</li> <li>• Load-bearing structures.</li> <li>• Truss system.</li> <li>• Various canopies and other small architectural forms.</li> </ul>

Segezha Group produces pre-cut houses made of glulam. The Company offers each client individual solutions meeting all requirements of environmental and fire safety.

Competitive advantages	<ul style="list-style-type: none"> <li>• Rapid construction.</li> <li>• Reliability.</li> <li>• Functionality.</li> <li>• Adaptability.</li> <li>• Cost-effectiveness.</li> <li>• Modern design.</li> <li>• Compliance with environmental standards.</li> </ul>
Scope of application	<ul style="list-style-type: none"> <li>• Construction of wooden buildings and structures for various purposes, including individual houses and tenement ones.</li> </ul>

Construction of houses can be performed in any climatic zone, regardless of the season. Low shrinkage of the walls of houses made of glulam contributes to the high speed of construction and rapid commissioning of such buildings.

### **CLT panels**

A new plant for CLT production, with capacity of 50 thousand m<sup>3</sup>, was launched in February 2021, on the territory of Sokol Wood-Working Mill in the Vologda Region.

CLT panels are modern glued structures of high industrial readiness, which are used for the construction of both individual houses and tenement ones, and are popular among architects. Application of CLT panels in construction minimally affects the environment.

CLT panels are cross-glued layers of softwood that are not inferior in strength to traditional concrete, steel and brick, and exceed them in such features as cost, eco-friendliness and ease of operation. CLT technologies are actively used abroad for construction of commercial and private buildings above 10 floors.



At the “Sokol CLT” enterprise, production out of monospecies of wood is provided, which will permit Sokol Wood-Working Mill to synchronize the production program, and boost performance of the cutting tools involved. The new plant can produce large-format, unique for Russia, 9-layer CLT panels 16x3.5x0.4 m. The volume of wood in one panel is 22.4 m<sup>3</sup>, the weight of the panel is about 9.5 tonnes.

CLT panels will facilitate the development of the low-rise wooden construction sector, as well as the formation in Russia of tenement housing construction with the application of new structural materials. In particular, the application of CLT panels significantly accelerates the pace of buildings construction, which can be successfully used in the course of elimination of natural disasters consequences, implementation of emergency resettlement programs for people from dilapidated housing, as well as renovation projects and development of the urban environment.

Segezha Group’s project “Construction of the plant for CLT (Cross-Laminated Timber) panels production in Sokol” is included by the Ministry of Industry and Trade of Russia in the list of priority investment projects in the field of forest development.

In 2020, the investment agreement was signed between the “Sokol CLT” and the Government of the Vologda Region.

Segezha Group’s representatives actively cooperate with the Ministry of Construction of Russia and the Ministry of Industry and Trade of Russia for improving the regulatory framework of the construction sector of the Russian Federation, in part of applying wooden structures, including CLT panels, in residential and public tenement houses; particularly, the existing national standard for CLT panels application is being revised, as well as the standard for testing methods of technology is being developed.

Competitive advantages	<ul style="list-style-type: none"> <li>• Excellent physical and mechanical properties.</li> <li>• High rigidity due to layers, tolerance to heavy loads without shrinkage or deformation.</li> <li>• Good thermal insulation properties; low thermal conductivity makes it possible to use CLT panels in the regions of the Far North.</li> <li>• Rapid construction. Minimum complexity of the construction. Saving on the foundation due to light weight of CLT panels, easy assembly on site.</li> <li>• Easily compatible with other building materials.</li> <li>• High fire resistance.</li> <li>• Eco-friendliness.</li> <li>• Modern design.</li> </ul>
Scope of application	<ul style="list-style-type: none"> <li>• Construction of low-rise houses and tenement buildings.</li> </ul>

## Fibreboard

Segezha Group produces fibreboards by dry and wet production methods. Fibreboard made by the dry production method is a plate produced by the dry continuous method on the basis of the calender press, out of wood fibres with urea-formaldehyde resin as a binder. Wood fibre mat shaping occurs in the air environment. Fibreboard made by wet production method is produced hot pressing of wood fibres, with phenol-formaldehyde resin as a binder.

Competitive advantages	<ul style="list-style-type: none"> <li>• Wide range of brands, thicknesses and formats of the plate.</li> <li>• Convenient geographical location and logistical availability of production.</li> <li>• Technical support, including the technologist's consultation, on-site visits when setting up new equipment, launching a new product from at counterparty's site.</li> <li>• Prompt response to customer requests.</li> </ul>
Scope of application	<ul style="list-style-type: none"> <li>• Construction and finishing works.</li> <li>• Packaging of mechanical engineering products and other industrial products.</li> <li>• Production of moulded products.</li> <li>• Furniture production.</li> <li>• Production of door panels.</li> </ul>

Vyatka Plywood Mill produces dry-type fibreboard, with thickness of 3.0 to 7.0 mm, as well as RUF fuel briquettes. Lesosibirsk Wood-Working Mill produces wet-type fibreboard.

Segezha Group's industry-diversified client database makes it possible to avoid sales seasonality that is typical for fibreboard application industries.

In 2020, a new site for RUF fuel briquettes production was launched at Vyatka Plywood Mill. Fuel briquettes are made from sawdust, which do not contain any harmful impurities and have significant advantages over traditional fuels. In terms of calorific value, they twice exceed dry birch firewood, and the firewood of natural humidity – three times. When burning, they do not spark and practically do not leave ash. The carbon footprint (emission of CO<sub>2</sub>, when burning) of wood briquettes is 10 times less than that of natural gas, and 50 times less than that of coal.

Due to additional capacities to be launch, production of fuel briquettes will increase by more than 1.5 times, and plywood production waste will be completely disposed.

## Pellets

The production of biofuels is an important area in the implementation of Segezha Group's policy in the field of environmental protection. Pellets are an eco-friendly, renewable energy source that is in demand all over the world.

In September 2020, the project of the Xilotek-Siberia pellet plant was awarded a special prize of the All-Russian FSC competition “Green Project of the Year 2020” in the economic nomination.

The calorific value of pellets manufactured under high pressure without the addition of chemical binders is almost equal to the calorific value of coal. But, during the burning process, pellets emit much smaller volume of sulphur compounds. Thus, the production of pellets reduces GHG emissions, which are one of key factors leading to negative climate changes.

At Lesosibirsk Wood-Working Mill No. 1, for manufacturing pellets, sawdust and small fraction of wood chips are used, obtained during the production of softwood sawn timber from northern wood species, which were previously used for the operation of the heat station of the mill, and were sold to third-party buyers. Pellet production supplies to Russian consumers and customers in European countries biofuels for automated boiler houses for heating public buildings and individual homes. The product quality meets the highest requirements of the European SBP and ENplus® A1 standards.

In 2020, Lesosibirsk Wood-Working Mill No. 1 and Xilotek-Siberia LLC received updated SBP certificates, including changes in the field of certification. In December 2020, Xilotek-Siberia LLC successfully passed the control audit assessment according to the ENplus® pellet quality standard, and confirmed the validity of the ENplus® certificate with the A1 quality mark for 2021.

## Wood chips

Technological chips are a by-product for Segezha Group wood-working enterprises, which is used in pulp and paper production and for manufacturing pellets. Technological chips from Segezha Wood-Working Mill and Onega Wood-Working Mill are delivered to Segezha Pulp and Paper Mill. Sokol Wood-Working Mill provides wood chips to Sokol Pulp and Paper Mill and for the production of pellets, as well as carries out export deliveries of wood chips. Lesosibirsk Wood-Working Mill No. 1 produces wet-type wood-fibre plates and pellets from the by-products of sawmilling. Wood chips are also used as fuel for boiler houses.

Manufactured at:	Supplied to:	Further use	
Segezha Wood-Working Mill	Segezha Pulp and Paper Mill	Pulp production	Biofuels for boiler houses
Onega Wood-Working Mill	<i>Segezha Pulp and Paper Mill receives <b>69 % of wood chips</b> from the Group's woodworking enterprises (367.2 thousand m<sup>3</sup>)</i>		
Sokol Wood-Working Mill			
Sokol Wood-Working Mill	Sokol Pulp and Paper Mill	Pulp production Third-party sales	

Lesosibirsk Wood-Working Mill No. 1	Internal use	Manufacturing wet-type fibreboard Production of pellets	
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## Lignosulfonates

In August 2020, a new production facility for manufacturing powdered lignosulfonates was launched on the territory of Sokol Pulp and Paper Mill. Capacity of the plant is 21 thousand tonnes per year. Areas of application:

- production of carbon black;
- oil industry;
- foundry production;
- production of cement;
- construction;
- production of fibreboard, chipboard and mineral wool boards;
- road construction.

Technical powdered lignosulfonates are a high-tech product with high added value, which is obtained from liquid lignosulfonates – a by-product of pulp production. When drying them in a special dryer, natural gas is used as a heat carrier, advanced eco-friendly technologies are used (the cleaning equipment retains 97 % of solid particles).

The production will allow the company to enter the market (including the international one) of the new product to be applied in many industries: from construction to cement manufacturing and the oil industry.

## 2.3. New technologies, research and development

### GRI 103-1

Segezha Group is actively engaged in the development and introduction of IT and digital technologies, based on the best international practices.

### GRI 103-2

Current digital solutions in modern conditions have the significant effect on the entire chain of the Company's functioning. Such decisions are made for achieving efficiency, expansion, and reduction of costs by the enterprise.

### GRI 103-3

Segezha Group has developed the project map, according to which key projects are implemented. This card goes through procedures of approval and agreement by the Investment Committee.

The Group also has the procedure for approving new project initiatives. The Investment Committee approves new projects based on the results of implementation of pilot projects, after which the tender procedure is conducted for realisation of the project.

Segezha Group strives for becoming a Company that implements advanced technologies: the Group's comprehensive digitalisation will increase the profitability of the business, reduce operating costs and transaction costs, and also provide the decent level of attractiveness for young professionals. For this purpose, the Group has adopted the Digital Transformation Strategy, which describes the Company's priorities and plans.

*The Group's strategic priorities in terms of digitalisation are:*

- working with data (receiving, accumulating and filtering, increasing reliability, analytics, creating the architecture of data sources, excluding a person from the "data provider – intermediary" section, creating a data policy);
- testing digital technologies at different stages of the production cycle to identify and implement the most effective ones in business processes;
- robotic process automation (RPA)<sup>8</sup> in the entire Group;
- launch of new enterprises in accordance with the Industry 4.0 paradigm;
- unification of IT landscape;
- creation of the unit to manage processes of digital transformation.

*Key projects of digital transformation in the reporting year were:*

- launching the SAP S/4HANA enterprise management system;
- replication of the Creatio CRM system across different locations of the Group in Russia and Europe;
- implementation of pilot IT projects: digital inventory of warehouses, launch of the system for monitoring forest resource flows, Data Lake;
- Automated Dispatching System "SegezhaLes".

### **Segezha SAPience Enterprise Management System**

In 2020, the Group put into commercial operation the SAP S/4HANA integrated enterprise management system, the work on which was started a year earlier. The launch took place against the background of large-scale restrictions due to the epidemiological situation, and the freezing of similar projects almost all over the world.

The aim of the project was to change the principles of management, and increase the competitiveness of the Company, to enter new markets and enhance the value of the business.

The SAP S/4HANA system allows planning and modelling business scenarios, and making important management decisions in a timely manner based on aggregate data received both from production and from employees, strengthening the competitive advantages of the business. For example, it helps to solve problems of planning and optimizing production, to calculate in advance the future expenses and cost of production by conversion, to assess profitability of the product portfolio.

In the reporting year, the SAP S/4HANA system was implemented on all main assets of the Group, which were included in the first wave of transformation. The project covered more than 10 locations and all areas of the Company's work: logging, production of pulp, paper, and paper packaging, plywood and sawn timber. In 2021, the list of enterprises to be included in the second

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<sup>8</sup>Robotic Process Automation (RPA) allows automating business processes through the use of bots. They repeat users' routine actions, freeing up employees' working time to perform more important and complex tasks.

wave of transformation to SAP S/4HANA will be determined. In addition, the Company plans to test and stabilize the system at enterprises where it has already been implemented.

The SAP platform combined the processes of production, quality, supply and inventory management, warehouses, repair, sales and transportation, – more than 100 production and management systems of the Company in total, – and allowed unifying the accounting and reporting methodology.

Thus, SAP made it possible to create solution for financial planning and budgeting, consolidated management and IFRS reporting, as well as for centralized cash management at all enterprises of the Group. The key element was the SAP Central Finance system, which allows getting all primary information in real time.

The production management system based on SAP solutions will increase the Group's economic stability, enhance its production and logistics capacities, volumes and the range of products. For example, the introduction of the system will reduce unscheduled costs in terms of financial accounting by 65 %.

#### **SINGLE EXPERIENCE OF USING SAP FRONT OFFICE**

Marketing

Sales

Service and support

#### **BACK OFFICE**

Finance

Purchases Stocks

Projects

Repairs

#### **PRODUCTION, SUPPLY MANAGEMENT, TRANSPORTATION**

#### **DIGITAL SCORE**

In 2020, main measures in terms of business digitalisation were deployment and testing of the system. Testing was carried out with the participation of employees of enterprises who were also engaged in training and supporting end users after launching the system.

The Group plans to replicate the solution for all enterprises, digital transformation in the field of integrated business planning and e-commerce, development of the system for personnel management, industrial safety, labour protection and ecology. Also, in the future, on the basis of SAP, the Group will be able to implement advanced technologies using artificial intelligence and the Internet of Things.

An important element of digitalisation of Segezha Group's business processes was implementation of a supply management system based on SAP Ariba, integrated with SAP S/4HANA.

After the implementation of SAP Ariba, all the Group's procurement procedures were brought to a common standard, and a single end-to-end logistics process was also built up for all Russian enterprises.

As a result of the automation of the supply system, the Company will be able to further increase the number of suppliers, reduce average purchase prices, and facilitate the procurement management process.

The implementation of SAP Ariba has gained for the Group a platinum award in the "Reference Procurement" category of the SAP Value Award — an annual SAP award for customers from the CIS countries, awarded for the most effective projects.

### **Implementation of Creatio CRM System**

In 2020, the Russian and Western enterprises of Segezha Group continued to implement CRM Creatio, a system for automating customer relations. The functions of the CRM system are registration of all incoming requests, their categorisation, maintaining a single database of counterparties and recording the history of communication with each client. Also, users can prepare commercial proposals and send them to customers directly from the system, receive an up-to-date status on the stages of order execution, the status of its production and shipment. In fact, the CRM system allows you to build a single sales route with the same efficiency at each enterprise, to streamline the communication process with the client, and to gain access to the reviews required for decision-making.

At the beginning of 2020, the CRM system was implemented at the enterprises of the Forest Resources and Woodworking and House Building divisions. It was also integrated with the new SAP S/4 HANA system, which allows forming a full history of customer relationships, including execution and shipment under product orders.

In 2020, the implementation of the CRM Creatio system started with the European production facilities of the Group: the system was launched at factories in Germany, Italy, Turkey, Romania, Czech Republic and France (sales office). Furthermore the CRM system was integrated with the SAP in Germany and Romania. In 2021, it is planned to implement CRM and ERP integration in other countries.

The main results of the project: improvement of the operational efficiency of sales management and the reduction of the number of data errors as the result of the business processes automation.

The Group plans to improve customer service by combining different communication channels with a single purchase history, introducing an e-commerce trading platform, launching a buyer's personal account for orders through the website.

### **Segezha Group's Packaging Assets Streamline Warehouse Logistics on SAP Platform**

Segezha Group's industrial packaging facilities located in Europe continue to streamline digital manufacturing processes and move towards Industry 4.0.

Segezha Packaging GmbH (Germany) and Segezha Packaging A/S (Denmark) have installed a special SAP module to streamline the warehouse operations. The module was developed and integrated by Serkem (Germany).

Now all the warehouse operations – the receipt of raw materials, their movement over the technological chain, storage and shipment – can be quickly entered from any mobile device of the operator into the common database. To automate processes under the project, barcode scanners were also installed. An employee only needs to scan barcodes to get comprehensive information about the lot and its movements.

## **Other IT projects**

In the summer of 2020, Segezha Group completed a pilot project to use machine vision to monitor timber flows, including determining the dense volume of timber supplied to timber processing plants. The pilot stage of the project has demonstrated its performance: more than 4 thousand timber trucks were reviewed with the accuracy of the system of more than 98 %.

The use of digital technologies allows strengthening control over raw material flows and avoiding acceptance of timber in the manual way, to save time, to reduce errors and losses, and to ensure high accuracy of measurements.

Modern technologies fully automate the procedures for matching packs, determining the breed, determining the stacking factor and volume. The measurements also concern the traffic pattern of timber trucks, which reduces logistics costs: The group will be able to refuse the services of contractors that previously carried out manual acceptance of raw materials. Due to machine vision technologies, the system automatically detects low-quality photos and makes adjustments.

In 2021, the Company plans to launch the system at all sites receiving timber raw materials at the Segezha PPM, and in case of successful operation, to replicate it to other enterprises of the Group. In the medium term, this technology can streamline all stages of round wood movement control and become the new industry measurement standard.

### *Warehouse management*

Segezha Group has implemented a pilot project for the digital inventory of timber warehouses at Segezha PPM, where more than 200 thousand m<sup>3</sup> of timber is stored. Before the introduction of digitalisation, the volume of logs was measured manually, that resulted in a high level of error.

Under the pilot project, a survey of wood piles was carried out from a drone, and based on the data obtained, a high-precision 3D model of the plant's warehouses was built, with key production coefficients automatically measured. Weekly filming will allow you to track changes in dynamics, produce reviews, connect video cameras and GPS sensors from the equipment that loads and unloads timber to the system. The results of measurements using new technologies based on the results of the pilot stage of the project surpassed the results of traditional inventory methods. In the future, this method can replace the inventory with human participation and improve its accuracy.

### *Determining the amount of plywood*

In 2020, Vyatka Plywood Mill applied efforts to develop technologies for determining the number of plywood sheets in bundles using computer vision and machine learning. A mobile application is under development to identify the number of plywood sheets in a bundle and automatically perform a quantitative estimation of other items. Completion of the project is scheduled for 2021.

### *Big data*

In 2020, the Segezha PPM continued the process of introducing Data Lake, a software and hardware complex for raw materials accounting, designed to exclude the human factor from the process, increase the speed and reduce measurement errors, as well as increase the reliability of information on the raw material flow.



In the reporting year, several production areas of the plant were included in the Data Lake perimeter. In 2021, it is planned to expand the system to more areas of the production chain, as well as to deploy it at the Vyatka Plywood Mill and at foreign assets.

### *SegezhaLes ADS*

Segezha Group is preparing to transfer the accounting and control processes for timber removal at the enterprises of the Forest Resources and Woodworking Division to the automated dispatching system SegezhaLes.

The ultimate goal of the project is to fully digitize the chain of movement of forest products and the movement of fuels and lubricants (FL). SegezhaLes will cover the entire chain of operations and all timber movements, allow maximum control over the exported raw materials, provide control over the consumption of fuels and lubricants, abnormal stops on the route, the movement of third-party vehicles on the territory of the Company's lease base, and will help fight non-production losses. In addition, the system will facilitate the management of scheduled maintenance and equipment maintenance schedules.

Tasks	Effect	Effect source
Digitalisation of the entire timber chain	FL control – cost reduction	Sensors at gas stations, equipment, fuel trucks and data analysis from them within a single system
Retrofitting of the forestry equipment with sensors for data transmission	Controlling the movement of timber – reduction of the illegal use of raw materials	Data transfer from sensors and AWP's at each control stage and their analysis in a single system
Implementation of automated work places (AWP) at each section of the movement of raw materials	Optimisation of logistics planning	Geolocation
Creation of a unified data collection and analysis system	Resource planning optimisation	Real-time raw material movement and volume data

In 2020, new important functionality was added to the project. SegezhaLes ADS was tested at LPK Kipelovo JSC, where the parameters of operation and fuel consumption were monitored for more than 200 units of equipment. For various categories of employees, automated workstations were developed, data from which were transmitted to the Unified Dispatch Centre for review.

The main work on the implementation of the system is planned for 2021. The project will be implemented in the Republic of Karelia, Krasnoyarsk Krai, as well as in the Arkhangelsk, Vologda and Kirov regions.

### *3D-model of the construction site of the Galich Plywood Mill*

During the construction of a plywood mill in Galich, Kostroma Region, a pilot technology is used: an accurate digital 3D model of the site was created using drone photography. The technology

allows you to organize the work of contractors and monitor the dynamics of the work performed in your personal account, their compliance with project documentation and design marks, and carry out automatic calculations.

The Company plans to install video cameras at the construction site to monitor employees' compliance with labour protection and industrial safety requirements.

If the pilot project is successful, it is planned to expand the use of the technology to other investment projects of the Group.

## CHAPTER 3. COMFORTABLE LIFE IN FOREST REGIONS OF RUSSIA

Segezha Group is focused on the long-term development of Russia's traditionally forested regions. The company implements programs to increase the prestige of forestry professions and industry, and also promotes the employer brand. Subsidiaries of Segezha Group are represented in seven regions of Russia: The Republic of Karelia, Arkhangelsk, Vologda, Kirov, Rostov, Kostroma regions and in the Krasnoyarsk Krai. As an anchor investor and developing city-forming enterprises in six mono-cities, the Company invests in the development of social infrastructure, road construction, provides services to individuals for the supply of vital products and services, pays special attention to supporting local communities. Areas of interaction include the social and cultural area, health care, education, and support for veterans. Segezha Group is open to developing joint programs with government authorities aimed at long-term sustainable development of the regions where it operates. The group is focused on the development and implementation of social investment projects with a focus on impact effect (KPI).

Employees of the company are professionals in their field; they take good care of a renewable natural resource, apply modern standards in their work, pass on professional knowledge from generation to generation. Segezha Group provides jobs for more than 13,000 people, excluding people employed in related industries. The company prioritizes safe working conditions, applying the latest standards in the area of labour protection, health and safety of personnel. The group promotes zero-injury principles through its work with suppliers and contractors. Segezha Group assesses employee engagement, strives for fair and competitive remuneration, and implements other measures to increase it.

### Link to the UN Sustainable Development Goals

#### Strategic priority goals:

Goal 8: Promote progressive, comprehensive and sustainable economic growth, full and productive employment and decent work for all.

8.2 Achieve increased productivity in the economy through diversification, technical modernisation and innovation, including by focusing on high value-added and labour-intensive sectors.

8.5 Ensure full and productive employment and decent work for all women and men, including young people and people with disabilities, and equal payment for work of equal value.

8.8 Protect labour rights and promote safe and secure working conditions for all workers, including migrant workers, especially women migrants, and those who don't have stable employment.

#### Goals integrated into current activities:

Goal 3: Ensuring healthy lifestyles and promoting well-being for all at all ages.

3.4. By 2030, reducing by one third the premature mortality from noncommunicable diseases through prevention and treatment, and support of mental health and well-being.

Goal 5: Achieving gender equality and expanding rights and opportunities for all women and girls.

5.5. Ensuring the full and real participation of women and equal opportunities for them for leadership at all levels of the decision-making process in political, economic and public life.

**Key targets until 2025:**

1. Reducing LTIFR <sup>9</sup> to the level of best practices in the industry.
2. Assessment of stakeholders' satisfaction with the performance of social investments in the regions of presence.
3. Regular participation of the company's experts in international professional excellence championships.
4. The preferred employer choice in the regions of presence.

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<sup>9</sup> LTIFR – Lost time injury frequency rate.

### 3.1. Local communities

#### GRI 103-1

Segezha Group is a socially responsible company and purposefully supports the social and economic development of the regions of its presence thanks to the taxes transferred to regional budgets, creation of new jobs, implementation of social projects, improvement of territories, and a contribution to the development of the regional infrastructure.

#### GRI 103-2

As part of the Strategy for corporate social responsibility and charity of Segezha Group until 2025, the Company has established the area “Comfortable life in forest regions”. While implementing this area, Segezha Group sets the following tasks for itself:

- implementation of joint CSR projects with local authorities in the regions of presence;
- involvement of residents of the regions of presence in the events of the Group;
- improving the residents’ assessment of the environmental and social contribution of Segezha Group.

#### *Organisational structure of management*

Vice President for Relation with Government Authorities is responsible for interactions with governmental bodies.

#### *Regulatory documents*

- Policy for interaction with public authorities;
- 8 agreements on cooperation of Segezha Group with the constituent entities of the Russian Federation;
- Strategy for the development of corporate social responsibility and charity of Segezha Group.

#### **Contribution to the economic development of the regions of presence**

In order to develop the regions of presence, Segezha Group cooperates with state and municipal authorities, local authorities. Interaction with regional administrations and municipalities is regulated by joint agreements, which cover implementation of infrastructure and social projects, modernisation of production, and landscaping. In 2020, the Company interacted with local authorities and communities under cooperation agreements with the governments of key regions of operation including the Republic of Karelia, Krasnoyarsk Krai, Vologda, Arkhangelsk, Kirov, Rostov Regions, as well as agreements of intent with Kostroma and the Sakhalin Regions.

#### ***Key achievements under relations with the regions of Segezha Group’s presence in 2020:***

Audience	Priorities	Main results of the year
Local communities	<ul style="list-style-type: none"><li>• Creating a comfortable life in the forest regions of presence</li><li>• Implementation of a centralized charity program</li></ul>	<ul style="list-style-type: none"><li>• Creation of an environmental council in Segezha to address issues concerning protection and rational use of natural resources</li></ul>

		<ul style="list-style-type: none"> <li>• Implementation of the environmental program at Segezha PPM</li> <li>• 767 million RUB are expenses for providing the citizens with heat and hot water</li> </ul>
Authorities	<ul style="list-style-type: none"> <li>• Joint continuous work on the development of the Russian forest industry</li> <li>• Timely and full payment of taxes to federal and regional budgets</li> </ul>	<ul style="list-style-type: none"> <li>• Attraction of subsidies under various mechanisms of state preferences</li> <li>• A number of Segezha Group's investment projects in the Republic of Karelia have been awarded the status of a resident of the Arctic zone, which will allow them to receive additional funds from the regional and federal budgets for the development of significant projects</li> <li>• Joint initiatives with the EMERCOM of Russia to update the regulatory framework in the field of fire safety of buildings and structures using timber structures, including CLT panels</li> <li>• Signing an agreement on the protection and encouragement of investment (SZPK) for investment projects with the Ministry of Economic Development of Russia: in the Republic of Karelia (under two projects – Segezha West and complex modernisation and reconstruction of Segezha PPM JSC) and in Vologda region under the project for modernisation and reconstruction of the Sokol PPM</li> <li>• Implementation of a priority investment project for the construction of a plywood mill in the Kostroma region. The plant is located on the territory of priority social and economic development "Galich".</li> </ul>

## Development of single-industry towns

Segezha Group operates in municipalities that are single-industry towns, where the forestry and timber processing industry has become a traditional sphere of employment for the population:

- town of Onega, Arkhangelsk region
- vil. Muezersky, Republic of Karelia
- Segezha, Republic of Karelia
- town of Sokol, Vologda region
- Lesosibirsk, Krasnoyarsk Krai

The company also invests in the construction of a new plywood mill in Galich, Kostroma region, included in the list of Russian mono-cities.

The main goal of Segezha Group's social investments is to improve the quality of life in settlements and increase their attractiveness for residents. Therefore, in these single-industry towns, Segezha Group creates not only jobs for local residents, but also a socio-cultural environment for the life of the local people.

### **Segezha Group continues to invest in the development of sports infrastructure in the Onega single-industry town**

In January 2020, a sports training complex with a shade canopy was equipped in the city park of Onega, Arkhangelsk region. Segezha Group enterprises are located in the region – Onezhsky LDK with a large logging division and JSC Onega-Energia.

To expand the sports infrastructure in the single-industry town, the Company signed a Social Partnership Agreement with the municipality of Onega Municipal District and allocated 1 million RUB in 2019. Simulators and sports complexes under the shade canopy have not only Russian, but also European quality certificates. The manufacturer guarantees the service life of the structures for at least 10 years.

Outdoor sports simulators and playgrounds were also installed in Karelia, Krasnoyarsk Krai, Vologda and Kirov regions.

An important area of the Company's activity is the diversification of the economy of single-industry towns of presence and the creation of a comfortable urban environment:

- the Group's enterprises provide hot water and heat energy to local residents in the regions of presence in Segezha, Sokol, Kirov, Lesosibirsk and Onega;
- Segezha Group implements a comprehensive charity program in the following areas: sports, ecology, education, infrastructure and medicine;
- the company holds grant competitions, implements landscaping and beautification projects in cooperation with local communities;
- Segezha Group develops a logistics infrastructure, which, among other things, increases the transport accessibility of territories.

In 2020, Segezha Group built 651 km of forest roads for a total amount of 645 million RUB.

In the regions where it operates, the Company implements the Cozy Plant program. The program is aimed at the modernisation of factories, as well as improving the standard of living in the towns and cities of presence. First of all, the program will affect single-industry towns in which Segezha Group implements large-scale investment programs.

### Tax payments

Segezha Group timely and fully pays taxes to the budgets of all regions of its presence, thereby contributing to the socio-economic development of the forest regions of the Russian Federation.

The Group provides a significant amount of tax revenues to the budgets of all levels, totalling RUB 18.5 billion in 2018–2020.

### Tax payments by Segezha Group, million RUB

Country	Budget	2020
RUSSI	Federal	2 109
	Regional and local	3 076
	Extrabudgetary funds	2 299
	<b>TOTAL (excluding VAT refunded from the budget)</b>	<b>7 483</b>
GERMANY		520
DENMARK		324
IRELAND		12
ITALY		148
NETHERLANDS		272
ROMANIA		248
TURKEY		104
FRANCE		15
CZECH		61
<b>TOTAL</b>		<b>9 187</b>

### Creation of new jobs

Segezha Group pays special attention to the creation of new jobs, improving the image of forestry and working professions, minimizing the risk of personnel drain, development of the industry and human potential in the regions. New jobs are created as part of the development of investment projects: modernisation of the Segezha PPM, launch of the second stage at the Vyatka plywood mill, the program for the construction of a plywood mill in Galich, Kostroma region, as well as under the project to increase the capacity of paper packaging production in the Republic of Karelia, Moscow and Rostov regions.

### Construction of a plywood mill in the Kostroma region



- 14 billion RUB, incl. VAT – investment volume
- 125 thousand m<sup>3</sup> – designed capacity of the plant
- More than 1,000 jobs are planned to be created in the Kostroma region

Segezha Group is implementing a priority investment project for the construction of a plywood production in the town of Galich, Kostroma region. The plant is located on the territory of the priority social and economic development “Galich” (PSEDA “Galich”) – a special zone, the development of which will contribute to the diversification of the city’s economy, reducing its dependence on the city-forming enterprise.

It is planned that the launch of production will take place in 2021, due to which Segezha Group will reach a cumulative production of about 320 thousand m<sup>2</sup> of birch plywood per year.

Particular attention is paid to the environmental efficiency of the enterprise under construction and reducing the burden on the environment, for which the following measures will be applied:

- a hundred-meter sanitary protection zone around the site;
- the building of the production workshop, made of noise-absorbing material;
- modern filters with a purification level of up to 99 % – captured wood dust will be processed into fuel briquettes;
- low-toxic resins with formaldehyde emission class below E1, safe even for children’s furniture;
- modern technology of heating, completely eliminating waste, during hydrothermal processing of wood.

One of the key elements of the project’s environmental program is a 36 MW power centre , which will operate based on wood waste and will fully provide heat supply for the production, administrative and technological premises of the plant.

## Supply of vital products and services

In 2020, the enterprises of the Group of Companies provided heat to the residential and commercial fund of a number of single-industry towns in the regions of presence (Segezha, Sokol, Lesosibirsk, Onega). Today Segezha PPM provides heat to 95 % of the population of the single-industry town of Segezha, and the Onega-Energia enterprise – 83 % of the population of the single-industry town of Onega. At some enterprises there is a special program for paying utility bills for workers.

### ***Total expenses of Segezha Group for providing the population with heat and hot water in 2018–2020, thousand RUB***

Company	Town	2018	2019	2020
Segezhsky PPM JSC	Segezha	404,247	368,965	350,870
Sokol PPM JSC (incl. Vologda Paper Manufactory LLC)	Sokol	123,868	126,756	127,297

Vyatka Plywood Mill LLC	Kirov	112,105	62,128	0 <sup>10</sup>
S-DOK JSC	Sokol	48,554	51,265	53,859
Housing and communal services LDK No. 1 LLC	Lesosibirsk	67,131	61,162	59,819
Onega-Energia JSC	Onega	101,618	93,743	166,843
LDK Segezhsy LLC	Segezha	10,028	7,431	9,033
<b>TOTAL</b>		<b>867,552</b>	<b>771,450</b>	<b>767,321</b>

**767 million RUB** were spent by Segezha Group to provide the population with heat and hot water in 2020

### FSC Compliance

Forest Stewardship Council® (FSC) certification requires the Company to contribute to the maintenance or enhancement of the social and economic well-being of local communities, and to ensure that the rights of indigenous peoples are respected. In addition to implementing various socially-oriented projects, the Company provides direct support to single-industry towns and municipalities by supplying wood fuel for heating needs at no cost.

Segezha Group's activities involve a wide range of stakeholders. The company strives to maintain an effective dialogue with stakeholders and take their opinion into account in its activities. In particular, LPK Kipelovo JSC, a subsidiary of the Group in the Novosibirsk region, interacts with indigenous peoples (Vepsians) in the field of forest relations on the territory of leased and controlled areas within the framework of the signed agreement.

Veps (Veps. Vepsläižed; officially until 1917 - Chud) - a small people of the Finno-Ugric language group, traditionally living in the Republic of Karelia, Vologda and Leningrad regions in Russia.

### Charity and social projects

#### GRI 103-1

Adhering to the principles of high social responsibility, Segezha Group pays special attention to improving the quality of life of the population in the regions where it operates, and implements a range of social and charitable projects.

#### GRI 103-2

Charitable and social projects are carried out in accordance with Segezha Group's Corporate Social Responsibility and Charity Development Strategy.

The main areas of charitable activities of Segezha Group:

- implementation of charitable projects, including in cooperation with local authorities in the regions of operation;
- supplying residents with vital products and services;

<sup>10</sup> The boiler room was transferred to the municipal ownership of the city of Kirov from 01.08.2019.

- development of regional infrastructure, including through the introduction of the foundations of social design within the framework of grant competitions.

**Key indicators and achievements of Segezha Group charity program in 2020:**

<b>&gt; 74 million RUB</b>  investments in the implementation of charitable projects	<b>44 projects and programs</b>  supporting local communities	<b>22 projects</b>  centralized charity program
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In 2020, the COVID-19 pandemic required a revision of the existing practices of social interaction between the Company and the regions of its presence. In the reporting year, Segezha Group more than doubled its charitable budget to support urgently needed single-industry towns in the fight against COVID-19. The company also continued to support the population of single-industry towns in four main areas, responding quickly and adapting to the new reality:

<b>Infrastructure for the city</b>  Goal: improving the quality and comfort of the urban environment in direct interaction with local residents.	Grant competition “Good Forests”  (Segezha, Lesosibirsk)	Training the local population in the basics of social design with the further selection of the most demanded initiatives and the allocation of grants for the implementation of projects
<b>Sports</b>  Goal: popularisation of sports among the local population by increasing the availability of sports events and infrastructure	Creation of additional sports infrastructure  (Segezha city)	Construction of a multifunctional sports ground in Segezha  Participation in a partner project to prepare for the opening and purchase of equipment for an indoor ice rink in Segezha, opened in 2020
<b>Education</b>  Purpose: identifying, supporting and developing the abilities and talents of children and youth, including through the digital educational environment	Support for educational institutions  (city of Onega)	Assistance to the Onega Industrial Technical School in the purchase of equipment for training a potential personnel reserve for the Onega Sawmill

<b>Ecology</b>  Objective: to raise the awareness of the population and employees about the importance of an environmentally responsible lifestyle and involve them in environmental initiatives	Assistance in the implementation of the urban environmental program  (Segezha)	Project for the humane reduction of the number of stray animals
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In 2018–2020, the total amount of funds allocated by the Company for the implementation of charitable projects exceeded 127 million RUB.

***Segezha Group charity expenditures by area, mln RUB***

<b>Investment directions</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Sports	8.5	5.3	1.5
Infrastructure for the city	9.0	11.3	44.2
Ecology	2.7	2.5	10.4
Education	0.9	4.1	2.7
WWII veterans	1.9	2.5	2.1
FSC charity	1.9	1.9	3.5
Other	-	-	10 <sup>11</sup>
<b>TOTAL</b>	<b>25.1</b>	<b>27.6</b>	<b>74.4</b>

In addition to the centralized charity program, the corporate social responsibility of Segezha Group includes support for a number of special projects aimed at developing the regions where it operates.

In 2020, the Group implemented a project to support the Segezha Central District Hospital: medical equipment (ventilators, patient monitors, anti-plague suits, transport isolation boxes, isolation suits), as well as ambulances were purchased and donated free of charge. Taxi payments and the purchase of additional volumes of oxygen were organized to directly support the health workers.

In addition, similar assistance was provided to the Lesosibirsk city hospital (Krasnoyarsk Krai) and the hospital in the city of Kostomuksha (Republic of Karelia).

In 2021, Segezha Group decided to direct a record amount of investments into social infrastructure in the city of Segezha in the Republic of Karelia: more than 150 million RUB are
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<sup>11</sup> Contribution to the Sistema JSFC Charitable Foundation

planned to be spent on overhaul of the city's central roads, improvement of recreation areas, sports and playgrounds, assistance to sports and creative schools etc.

### **Supporting Seniors and Veterans during the COVID-19 Pandemic**

Due to the fact that the elderly are one of the main risk groups during the COVID-19 pandemic, traditional assistance to the veterans of the Great Patriotic War on the eve of Victory Day was provided in full and in a special mode, taking precautions. The entire amount of assistance was made in the form of financial support and through the provision of free pharmacy certificates to citizens. In 2020, more than 2 million RUB were invested in a project to help veterans.

In honor of the 75th anniversary of the Victory in the Great Patriotic War, Segezha Group helped to install a memorial sign "To Sokol residents – home front workers and children of war" in the town of Sokol, Vologda Region.

In 2020, Segezha Group once again entered the ranking of leading companies in the field of charity in the nomination "The best program contributing to sustainable development through grant competitions" as the leader of corporate charity according to the newspaper "Vedomosti", having won the diploma "Promising debut in the nomination".

### 3.2. Safety of employees and contractors

#### GRI 103-1

In its activities, Segezha Group uses machines, equipment and tools that can pose a potential danger to the life and health of employees, therefore, ensuring the safety of working conditions for employees is an unconditional priority of the Group of Companies. The strategic goal of Segezha Group is to eliminate fatal injuries by introducing the best international practices and to become the best company in Russia in terms of key industrial safety indicators.

#### GRI 103-2

##### Labour protection system

The enterprises of the Group have organized a system for ensuring industrial safety and labour protection, the main objectives of which are:

- creating safe working conditions and preserving the life and health of employees;
- ensuring operational reliability and reducing the risk of accidents at hazardous production facilities;
- developing safe behaviour habits in employees and developing skills in preventing accidents.

The company systematically and consistently works to manage health and safety among employees and contractors. Segezha Group strives to minimize the number of industrial injuries and prevent fatalities, for which the Company implements technical and organisational measures to prevent injuries.

The main internal document in the field of labour protection and industrial safety in Segezha Group is the Labour Protection Policy. Segezha Group develops and improves the management system in accordance with the requirements of international standards ISO 45001 (health and safety management systems).

##### *Key indicators of 2020 Segezha Group in the field of labour protection*

	2018	2019	2020
<b>Labour protection costs, mln RUB</b>	<b>134</b>	<b>153</b>	<b>242</b>
242 million RUB – health and safety costs in 2020			
58 % – growth by 2019			
<b>Reducing occupational injuries</b>			
<b>6,040 employees</b>	<b>2.1<sup>12</sup></b>		
have been trained in the field of labour protection	Injury Frequency Rate (LTIFR)		

#### GRI 403-2

Injury Frequency Rate (LTIFR) in 2020 in Russia was 2.1, 13 % less than in 2019.

2018	2019	2020
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<sup>12</sup> Calculated only on the basis of data from enterprises operating in Russia.

3.24	2.5	2.1
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***The total mortality rate at work (in terms of 1000 thousand labor hours), Russian subsidiaries***

2018	2019	2020
0	0,04	0

In December 2020, a long-term Strategy for improving the functions of industrial safety and labour protection until 2023 was adopted

**Occupational health and safety management system at Segezha Group**

Regulatory documents:	
<ul style="list-style-type: none"> <li>• International standard ISO 45001</li> <li>• Legislative requirements of the Russian Federation in labour protection</li> <li>• Occupational health and safety policy of Segezha Group</li> </ul>	
Goals:	Principles:
<ul style="list-style-type: none"> <li>• creating safe working conditions and preserving the life and health of workers;</li> <li>• ensuring operational reliability and reducing the risk of accidents at hazardous production facilities;</li> <li>• formation of safe behaviour models among employees and development of skills for preventing accidents.</li> </ul>	<ul style="list-style-type: none"> <li>• priority of the life and health of employees in relation to the results of production activities;</li> <li>• mandatory compliance with the requirements of regulatory enactments;</li> <li>• prevention of any injuries, accidents and other incidents at work;</li> <li>• support and encouragement of a safety culture among employees;</li> <li>• openness and availability of information;</li> <li>• start work only if it can be done safely.</li> </ul>
Components:	
<ul style="list-style-type: none"> <li>• security risk management;</li> <li>• contingency plan and measures to eliminate their consequences;</li> <li>• collection and analysis of incident data;</li> <li>• education and training of personnel in accordance with the requirements of federal legislation, corporate distance learning.</li> </ul>	

Activity:
<ul style="list-style-type: none"> <li>• industrial safety expertise;</li> <li>• activities of labour protection commissions formed on a parity basis from the representatives of the employer, trade unions and employees of enterprises;</li> <li>• interaction with trade union organisations;</li> <li>• regular special assessment of working conditions (SOUT);</li> <li>• internal and external independent audits.</li> </ul>

**Segezha Pulp and Paper Mill was awarded a certificate of honour for achievements in the field of labour protection**

On September 29, 2020, the Coordination Council for Labour Protection under the Government of the Republic of Karelia, Segezha PPM was awarded an honorary diploma for achievements in the field of labour protection.

The plant implements programs aimed at ensuring the safety and health of workers in the framework of their work and organized recreation. A program for the development of occupational safety was introduced, an integrated industrial safety management system was implemented, with a clear definition of areas of responsibility, and key safety rules were developed on the territory of the enterprise. All employees of the plant are equipped with certified personal protective equipment and regularly undergo preventive medical examinations.

The main results of these measures are a decrease in the level of industrial injuries, the absence of occupational diseases among workers, an improvement in sanitary and living conditions, and the involvement of the entire team in the work on compliance with industrial safety.

To reduce the number of industrial injuries, Segezha Group is introducing a risk-based approach to health and safety management and industrial safety standards. The Company regularly monitors the level of safety of technological processes, including through external independent audits.

In 2020, six enterprises of the Group completed the reporting period without registered cases of loss of ability to work (Segezha Upakovka LLC branch in Salsk, VBM LLC , VFK Forest Resources branch , Karelian Wood Company LLC, Onega Energy JSC, Sokol CLT LLC).

Also, according to the results of 2020 , six enterprises reduced the injury rate compared to 2019 (Segezha PPM JSC, Sokol PPM JSC, LDK No. 1 JSC, Onega LDK JSC, LPK Kipelovo JSC, S -DOK JSC).

The managers and specialists of Segezha Group annually undergo special training in labour protection and industrial safety. In 2020, 6,040 employees underwent such training, which is 52 % more than in the previous year.



In accordance with Russian law, an investigation is carried out for each case of industrial injuries in Segezha Group, following which the Company takes measures to prevent similar incidents in the future at all enterprises where similar risks exist.

The annual special assessment of workplaces covers 100 % of the Company's employees.

***Special assessment of workplaces by working conditions in 2018–2020, % of workplaces***

<b>2018</b>	<b>2019</b>	<b>2020</b>
100	100	100

In 2020, at Segezha Group enterprises, the implementation of measures to improve the occupational health and safety system, related not only to industrial safety, but also to improving working conditions for the Group's employees, continued.

In 2020, working conditions at Sokol PPM were significantly improved by repairing utility rooms, installing lighting and asphaltting roads, and clearing the territory of the enterprise.

Also in the reporting year, a simulator was purchased at the Sokol woodworking mill for training in methods of first aid and cardiopulmonary resuscitation. In addition, the household premises were repaired.

In 2020, at Segezha PPM, a development program for occupational safety was implemented, an integrated industrial safety management system was introduced with a clear distribution of areas of responsibility. The Integrated Industrial Safety Management System (ISMS) was introduced.

**Occupational safety measures during the COVID-19 pandemic**

In 2020, all enterprises of the Group continued to operate normally with enhanced measures to prevent and prevent the spread of coronavirus infection. Despite the current situation in the world, Segezha Group managed to maintain jobs, labour productivity, stable wages and fulfil its obligations.

The occupational health and safety measures of Segezha Group in 2020 included a set of measures to counter the spread of the coronavirus infection COVID-19. The program budget was 44 million RUB.

**Occupational safety management system**

In order to ensure a high level of industrial safety and labour protection, Segezha Group develops and improves the management system in accordance with the requirements of the international standards OHSAS 18001: 2007 "Health and safety management system. Requirements".

Activities carried out by the Company to reduce the risk of injury:

- purchase of overalls and personal protective equipment;
- safety control of technical devices (the Group has developed an Action Plan to ensure industrial safety at especially hazardous facilities);
- tick-borne encephalitis vaccination for forest workers.

Segezha Group keeps track of and investigates industrial injuries. For each accident, a separate investigation is carried out and an electronic mailing is carried out to all enterprises of Segezha Group for taking preventive action.

Sokol PPM has created a modern training class for labour protection, industrial and fire safety, civil defence and emergency situations, as well as training in the provision of first aid. The class is equipped with demonstration stands, visual aids, specialized literature, primary fire extinguishing equipment for practicing the skills of using them, as well as a robot simulator.

### GRI 403-3

#### Occupational diseases

Segezha Group identifies special categories of workers with a high level of injuries, the protection of which requires a number of measures.

	Categories of workers	Activities
Workers with high risk of injury	operators (mesh workers); dryers; paper machine presses; slitting machine cutters; filling and packaging machine operators; drivers of vehicles for hauling timber.	purchase of overalls and personal protective equipment; safety control of technical devices; conclusion of contracts for the repair of technical devices; tick-borne encephalitis vaccination.
Employees with harmful working conditions	operators (mesh workers); dryers; paper machine presses; slitting machine cutters; filling and packaging machine operators; drivers of vehicles for hauling timber; electric and gas welders; fellers of the forest; skidders;	milk supply; reduced workday; additional vacation; spa treatment; additional payment for harm.

	slingers, etc.	
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## GRI 403-2

### Occupational Disease Ratio (ICR) <sup>13</sup>

2018	2019	2020
0.044	0.00	0.00

Work on the prevention of occupational diseases includes a complex of organisational, sanitary, medical and technical measures. Activities carried out by the Group of Companies to reduce the risk of occupational diseases:

- reduced workday;
- additional vacation;
- spa treatment;
- additional payment for harm.

### Occupational safety training

Segezha Group employees undergo systematic training in the field of labour protection. In 2019, about 4,000 managers and specialists underwent such training, and in 2020 more than 6,000 employees.

#### *Number of employees trained in occupational safety techniques, people*

2018	2019	2020
2,300	3,972	6,040

The Group of Companies has created modern training classes for employees for training in the field of labour protection, industrial and fire safety, civil defence and emergency situations, as well as providing first aid, using robotic simulators.

### Providing fire safety

Segezha Group takes a responsible approach to fire safety issues. The main goals in this area are determined by the Company for itself:

- prevention of fires at production facilities;
- ensuring the reliable protection of employees and property from hazardous fire factors.

### Compliance with labour safety principles by contractors

The occupational safety principle also applies to the contractors of Segezha Group. When performing work on the territory of the Group's enterprises, contractors undertake to ensure that their employees and contractors engaged by the labour protection and industrial safety

<sup>13</sup>  $KPZ = H * 1000/R$ , where H is the number of cases of occupational diseases; P is the number of persons who have passed the medical examination.

requirements regulated by state regulations and internal documents of the Company. This obligation is enshrined in the contracts concluded. Contractors, in turn, provide instructions and training on safe work for their employees and subcontractors.

The management of Segezha Group considers each case of violation of safety rules by the personnel of contractors. Based on the results of inspections, action plans are adopted to prevent such incidents.

### 3.3. Qualified personnel

#### GRI 103-1

#### Personnel management and personnel policy

The personnel policy of Segezha Group is aimed at attracting and retaining the best managers and industry specialists, constantly improving labour relations, creating conditions for effective and safe work, ensuring career growth, a decent standard of living and social well-being of employees in all assets of the Company.

#### GRI 103-2

Segezha Group is a responsible employer that respects the labour rights of employees. In relations with personnel, the Company is guided by the Labour Code of the Russian Federation, as well as its own Code of Ethics, based on the best international practices. Segezha Group strives to provide maximum observance of human rights in accordance with the adopted Position on Human Rights and strives to ensure equal working conditions regardless of the gender of the employee.

The main areas of personnel development for the Group of Companies are:

- creation of a unified effective system for managing organisational potential, development of the talent pool and continuity;
- formation of a corporate culture and a recognizable brand of the employer;
- increasing the operational efficiency of the personnel based on the flexible and transparent tools of material and non-material motivation.

Main areas of activity:

- organisation of staff work during a pandemic and measures to combat the spread of coronavirus infection among workers;
- development of personnel policy and reduction of staff turnover;
- providing employees with a competitive salary and social package;
- staff development;
- reduction of industrial injuries;
- development of corporate culture and volunteer movement.

#### ***Key indicators of 2020 of Segezha Group in the field of personnel management***

<b>13.1 thousand people</b>	<b>28.5 % staff turnover</b>
average number of employees	-3.4 % compared to 2019

#### **Development of personnel policy**

The employees of the Group are our main value, which is important for the implementation of strategic priorities and sustainable development of the Group. Segezha Group strives to create an attractive working environment for existing and potential employees and implements a culture of leadership and achievement.

Segezha Group HR strategy for 2021–2024 includes the following areas:

- increasing productivity and organisational effectiveness;
- development of a personnel attraction system, incl. by developing the employer's brand;
- transformation of corporate culture;
- work with staff involvement;
- automation of HR processes;
- equalisation of the level of wages;
- maintaining the optimal number and organisational structure of personnel;
- development of internal communications, uniform standards of behaviour and cross-functional interaction;
- personnel training and development;
- career guidance projects and work with the youth.

In 2021, the Group plans to update the standards of the social package, expand the distribution of voluntary health insurance among employees and expand the list of services included in the insurance programs.

In addition, in 2021, it is planned to start developing a program for improving the housing conditions of employees, as well as a non-state pension program with various forms of participation of the employer and employees.

The Company is also faced with the tasks of developing the HR function and increasing its efficiency. By 2023, it is planned to build all business processes for personnel management, form competence centres in key HR areas within Segezha Group and take the role of a strategic partner and business consultant (HR Business Partner).

#### **TOP-100 in the rating of employers in Russia**

In 2020, the Group took part in the annual "Rating of Russian employers", which is conducted by the HeadHunter recruitment service. Segezha Group entered the list of the largest TOP-100 companies in 2020. The company was noted as an attractive and open employer, successfully developing HR processes and the company's image.

The assessment was carried out according to three indicators: the opinions of applicants-authorized users of the hh.ru website, an assessment of the level of involvement of the company's employees and an expert assessment of the effectiveness of the HR-functions of companies.

"The digital transformation of the company also requires a rethinking of the personnel management function," says Oksana Tikhonova, Vice President for Human Resources at Segezha Group. "We are introducing new tools in the personnel management process: online surveys, online corporate events, in 2021 we plan to launch a new corporate portal with an employee's personal account and implement several more interesting projects."

### Automation of HR processes

Segezha Group continues to implement the HR-process automation program. As part of the project, the remuneration system and personnel records will be unified using modern IT solutions.

The project includes two conceptual blocks: methodology of HR administration and payroll processes and automation of processes based on a single platform 1C ZUP CORP.

### Main characteristics of personnel

The average number of employees of the Group as of December 31, 2020 was 13,117 people. The overall turnover rate (including planned optimisation) decreased by 3.4 % (from 31.9 % to 28.5 %), while the turnover rate during the trial period is 3 %. Most of Segezha Group employees (over 56 %) are in the age category from 36 to 55 years old.

#### *Personnel structure by age groups, %*

18–25 years old	26–35 years old	36–45 years old	46–55 years old	More than 55 years
7	25	31	25	12

### GRI 102-8

#### *Headcount of Segezha Group by region, people.*

Region of presence	2018	2019	2020
Republic of Karelia	3 783	3 680	3 833
Krasnoyarsk Krai	2 959	3 074	3 069
Vologodsk Region	2 104	2 131	2 125
Kirov region	1 549	1 757	1 773
Arkhangelsk region	1 266	1 272	1 307
West	670	658	626
Moscow and Moscow region	233	210	220
Rostov region	110	110	110
Altai	3	5	1
St. Petersburg	–	–	52
Kostroma region	–	–	14
<b>TOTAL</b>	<b>12 678</b>	<b>12 896</b>	<b>13 131</b>

**GRI 102-7****Number of payroll employees by category, people**

	2018		2019		2020	
Senior managers	110	1 %	94	1 %	94	1 %
Middle managers	477	4 %	472	4 %	375	3 %
Junior managers	821	6 %	742	6 %	665	5 %
White Collars	1748	14 %	1854	14 %	2,133	16 %
Blue Collars	9,522	75 %	9,734	75 %	9,851	75 %
<b>TOTAL</b>	<b>12,678</b>	<b>100 %</b>	<b>12,896</b>	<b>100 %</b>	<b>13,117</b>	<b>100 %</b>

**GRI 102-8****Headcount of employees by gender, %**

Period	Men	Women
<b>2018</b>	65	35
<b>2019</b>	64	36
<b>2020</b>	65	35

More than half of the employees are men, that is related to the peculiarities of work in the forest industry.

**GRI 102-8****Number of employees broken down by the type of employment contract, people**

2018		2019		2020	
Permanent	Fixed term	Permanent	Fixed term	Permanent	Fixed term
12,135 (96 %)	543 (4 %)	12,293 (95 %)	603 (5 %)	12,552 (96 %)	565 (4 %)
TOTAL: 12,678 (100 %)		TOTAL: 12 896 (100 %)		TOTAL: 13,117 (100 %)	

More than 96 % of employees work on the basis of a permanent employment contract.

**Payroll number of full-time employees by type of employment, people**

2018		2019		2020	
Full	Partial	Full	Partial	Full	Partial
11,591 (100 %)	44 (0 %)	11,811 (100 %)	47 (0 %)	11,810 (100 %)	42 (0 %)
TOTAL: 11,635 (100 %)		TOTAL: 11,858 (100 %)		TOTAL: 11,852 (100 %)	

**GRI 102-8** *Headcount of employees by line of business, %*

Direction of activity	2018	2019	2020
Primary production	49	48	51
Auxiliary production	32	32	30
Commercial staff	3	4	4
Administrative staff and industry	16	16	14

The largest number of employees is employed in the main production.

*Number of women on executive positions, people*

Category	2018	2019	2020
Senior managers	21	18	20
Middle managers	163	202	188
Junior managers	316	210	203

*Career promotion of women in the Group, %*

Category	2019	2020
Female employees who get promoted	44 %	55 %
Employed female employees	30 %	34 %

The number of women in executing positions at Segezha Group at the end of 2020 was 24 % among senior managers and 35 % among middle and junior managers. During 3 years, these shares have only grown, which shows that there is no discrimination in the Company.

Women represent more than a third of the top 10 % of the Group's highest paid employees. More than half (55 %) of all employees promoted in 2020 are also women.

Women social entrepreneurs and representatives of budgetary institutions of single-industry towns Lesosibirsk and Segezha for the most part become the winners of grant programs for the development of local initiatives "Segezha Group's Good Forests".

**GRI 102-8** *Headcount of employees by education level, %*

The level of education	2018	2019	2020
Higher education	28	31	27,8
Incomplete higher education	0.2	0.3	0.5
Secondary and specialized secondary education	72	69	66.1
Postgraduate education	0.05	0.1	5.5



Basically, the Company employs employees with secondary and specialized secondary education.

#### **Indicators of other characteristics of personnel**

	2018	2019	2020
Payroll number of seasonal employees, people	95	109	109
Number of employees working at the enterprise for more than 10 years, %	28	29	24
The number of senior managers hired from among the representatives of the local population or nearby regions, %	57	55	51

#### **The total number of employees hired, people**

	2018	2019	2020
Recruited, total	3,512	3,599	4,157

#### **Number of jobs created**

	2018	2019	2020
New personnel members at the end of the period	306	-	698

#### **Segezha Group staff turnover, % of the total headcount**

	2018	2019	2020
Senior management turnover	27.5 %	38.3 %	39.3 %
Middle management turnover	20.9 %	11.7 %	21.8 %
Junior management turnover	11.7 %	16.9 %	19.6 %
White collar turnover	35.4 %	21.5 %	25.6 %
Blue collar turnover	24.4 %	35.8 %	29.9 %
<b>Turnover, total</b>	<b>25.0 %</b>	<b>31.8 %</b>	<b>28.5 %</b>

#### **Competitive salary and benefits package**

The use of flexible and transparent tools of material and non-material motivation allows the Group to achieve high indicators of operational efficiency of personnel. Segezha Group strives to provide its employees with wages at a competitive market level, as well as to empower employees by offering new, innovative products and services.

#### **Average monthly salary at Russian enterprises of Segezha Group in comparison with other enterprises in Russia<sup>14</sup>, thousand RUB.**

	2018	2019	2020

<sup>14</sup> According to Rosstat: Russian Statistical Yearbook 2020.

Segezha Group, Russia	57.8	58.4	60
Woodworking enterprises, Russia	26.2	29.4	31
Pulp and paper manufacturers, Russia	42.8	47.5	52

Due to the rise in the consumer prices for goods and services, the Company is indexing the wages. This is one of the ways to ensure an increase in the level of the real wages.

***The ratio of the minimum wage for entry-level employees and the minimum wage in the region (minimum wage), %***

Region	2018	2019	2020
Moscow and Moscow region	175	181	198
Kirov region	115	125	100
Arkhangelsk region	100	100	100
Vologda Region	115	100	100
Republic of Karelia	100	108	100
Rostov region	100	100	100
Krasnoyarsk Krai	100	100	117

Ensuring an increase in the level of real salary content of Segezha Group personnel is carried out by increasing official salaries, paying bonuses, indexing salaries, and other incentive payments.

**Segezha Group joined the Social Charter of Russian Business**

The timber industry group of companies Segezha Group (part of AFK Sistema) became the 269th member of the Social Charter of Russian Business, which unites industrial and regional business associations, companies and non-profit organisations with a total number of more than 6 million employees under the patronage of the Russian Union of Industrialists and Entrepreneurs (RUIE)

The Russian Union of Industrialists and Entrepreneurs drew attention to the successful implementation of Segezha Group Sustainable Development Strategy until 2025, as well as to the compliance of the holding's business with the fundamental principles of responsible business practice.

The Group has a developed personnel motivation system, which is regulated by the Regulations on Bonuses to Employees of Subsidiaries and Affiliated Companies and Management Companies, Regulations on Bonuses to Project Teams at Enterprises Engaged in Investment Activities.

Segezha Group provides its employees with social support in full compliance with Russian legislation, and also implements programs aimed at creating comfortable working conditions and professional development of personnel. Employee benefits and guarantees may include:

- voluntary medical insurance;
- social benefits: payment of vouchers, rent of sports facilities;
- social guarantees: children's New Year gifts, sports and cultural events, material assistance in difficult life situations;
- compensation for rental housing, relocation, travel costs to the place of rest, treatment costs.

***Expenses for social programs of Russian enterprises of Segezha Group, thousand RUB / person***

	2018	2019	2020
Social benefits (payment for vouchers, rent of gyms, swimming pool)	1.4	1,3	0.6
Social guarantees (children's New Year gifts, sports and cultural events, material assistance)	3.3	4.9	3.0
Compensation (payment of travel to the place of rest, when moving, medical expenses)	3.3	3.7	3.0
Social expenditures and non-industrial facilities	0.2	0.1	0.1
Voluntary health insurance	1.0	1.9	2.5
TOTAL	9.2	12.0	9.1

**GRI 401-3**

The group of companies provides its employees with parental leave, which includes both men and women.

***Payroll number of employees on maternity leave, childcare up to 1.5 and 3 years old, people***

Employees	2018	2019	2020
Men	8	2	11
Women	217	212	133
Total	225	214	144

In 2019–2020 in the Republic of Karelia, Segezha Group invested about 33 million RUB in the implementation of the program of voluntary medical insurance for employees, more than 119 million RUB were spent on compensations (in case of relocation, rent of housing, travel

expenses to the place of rest, treatment costs and social benefits), and more than 35 million RUB for sports and cultural events for employees and residents.

In 2021, Segezha Group plans to continue working to increase the attractiveness of the social package; it is also planned to expand it by including measures for housing support, opportunities for participation in the non-state pension insurance program.

Segezha Group is a socially responsible employer and strives to develop social partnership. In 2020, collective agreements were signed on a number of assets, the terms of which not only guarantee the mandatory benefits and guarantees established by labour legislation, labour protection requirements, but also expand them, taking into account the financial capabilities of specific enterprises and general corporate standards. Obligations under collective agreements, including the indexation of employees' salaries, are fulfilled and financed by the Group in full. In 2020, more than 6,500 employees were covered by collective bargaining agreements.

#### **Free vouchers for employees' children to the Orlyonok Exhibition Centre**

In December 2020, children of Segezha Group employees, who have a residence permit in Moscow and the Moscow Region, participated in the 13th profile shift of the technical detachment at the Orlyonok VDC located in the Krasnodar Krai. Vouchers were provided free of charge, staff paid only for travel expenses.

The shift program included compulsory training according to the school curriculum, additional training in the competencies of World Skills standards, preparation for subject Olympiads, general developmental training programs – journalism and sports competitions.

## **GRI 404-2 HR development**

Segezha Group consistently creates and improves conditions for personal and professional growth of employees. The group provides an opportunity for training, participation in large-scale projects, provides safe working conditions, and provides additional social protection measures. The working environment of the Company contributes to maximum team efficiency and unlocking the potential of each employee.

<b>3 396</b> employees completed training + 93 % compared to 2019	<b>106</b> personnel reservists	<b>33.4 million RUB</b> employee training costs + 6 % compared to 2019
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## **GRI 404-1 Number of employees trained (internal and external), people**

Categories	2018	2019	2020
Senior managers	12	21	46
Middle managers	52	122	201
Junior managers	72	74	192

White Collars	234	715	615
Blue Collars	1,485	1,661	1,989
TOTAL	1,855	2,593	3,043

**GRI 404-1  
UNCTAD**

***Learning and development indicators***

	<b>2018</b>	<b>2019</b>	<b>2020</b>
Number of training hours, h	249,103	214,344	168,104
Average number of training hours per employee per year, h.	19	17	13
Personnel training costs, thousand RUB	39,735	31,593	33,459

**Segezha Group promotes the development of professional education of employees**

Segezha Group provides financial support to promising specialists when studying at specialized Russian universities and applies modern methods of selecting candidates for managerial positions in the company.

Under the Agreement for personnel training in the following areas made with the St. Petersburg State Technological University of Industrial Technologies and Design (SPbGUPTD): "Technological machines and equipment", "Chemical technology", "Power engineering and electrical engineering", the employees of the Company gain knowledge in off-work hours, with entrance exams and most of the sessions held at the university branch in the Northern College of Segezha. Depending on academic performance, labour success and the degree of demand for the chosen direction, the plant reimburses 60–90 % of training costs, provided that the work continues at the SPPM within three years after graduation.

Segezha Group implements targeted training of personnel for key management positions that have a significant impact on the business. The personnel reserve, as a tool for filling vacancies in key positions allows preparing a pool of highly qualified managers required in a dynamically developing and changing business.

In 2020, 106 people were enrolled in the talent pool, of which 17 people were appointed to new positions during the year. By 2023, the Group plans to double the number of talent pool employees (up to 308 people).

Segezha Group implements a number of educational programs for the education and training of employees. In 2020, 3,396 employees of the Russian enterprises of the Group completed training, 425 students completed internships at the enterprises of the Group.

The Company is introducing educational online programs that allow employees to improve their qualifications at any time, regardless of the region of presence. In 2021, it is planned to introduce

a learning management system<sup>15</sup> and fill it with a base of educational courses for different categories of employees.

#### **Lean production**

Sokol woodworking mill introduces new methods of increasing labour productivity and lean production and takes part in the national project “Labour productivity and employment support”, the goal of which is to increase labour productivity at medium and large enterprises in the basic sectors of the economy.

Within the framework of the project, the company organized specialized trainings on the topic of lean production, carried out a comparative analysis with European competitors.

In the sawmill of Sokol woodworking mill, a “reference site” was created – a site for sorting and packaging lumber, for which a current map of the processes of the sawmill was developed, indicating all the problems, measurements were made, timing of equipment operation, the time of cycles and work cycles were calculated.

#### **Personnel assessment**

In 2020, the Group implemented a number of projects to assess key personnel. At Segezha PPM, the project “Assessment and development of production personnel” was completed, where 55 employees of the enterprise (top management, employees of the pilot shop) participated.

In the period from September 2020 to January 2021, a project was implemented to assess the management of Segezha Group – SSC LLC, where 60 people participated. The assessment was carried out in order to determine the development potential of employees and the subsequent formation of a training and development program for SSC employees.

#### **GRI 103-1**

#### **Corporate culture**

#### **GRI 103-2**

The key to the Company’s successful activities is the constant development of potential and the creation of a favorable social environment at enterprises and the formation of a corporate culture. This policy allows attracting the most talented and qualified workforce, as well as creating comfortable conditions for self-realisation and comprehensive support of employees.

A strong corporate culture allows Segezha Group to maintain a high level of employee engagement and loyalty. The Group’s enterprises regularly host various corporate events for employees and their families, including volunteer programs and clean-ups, health days, intellectual games, professional and children’s contests.

#### **GRI 401-2**

Segezha Group supports employees’ sports activities. In 2020, the second winter corporate sports contest was held in Petrozavodsk, in which more than 200 employees from six regions took part. For the first time, new types of team competitions were presented, for example, curling. The national team of the Republic of Karelia won the competition. A single team was formed from the best athletes of the Spartakiad, which represented the Group at the Winter Spartakiad of AFK

<sup>15</sup> Learning management system (LMS) is a software application for administering distance learning courses.

Sistema. Segezha Group team won first place in the Corporation's overall team classification for the first time.

In 2020, more than 1,300 employees of the Group's enterprises received awards, of which 26 were awarded at the federal level, and 183 employees received regional and municipal awards.

#### **Segezha Group – growing together for 6 years**

In 2020, Segezha Group held the first large-scale online event for the first time, timed to coincide with the Forest Worker Day and the Company's birthday. A website was developed for the event, radio and online broadcasting were carried out.

During the radio broadcast, which lasted three hours, the presenters received calls from all over Russia – from Sokol, Lesosibirsk, Segezha, Vyatka and other cities.

On the day of the broadcast, 4,923 ip-addresses were connected to the airwaves, and in total 12,371 ip-addresses, including Western enterprises, viewed the event website from September 16 to 20.

As part of its activities, Segezha Group maintains continuous communication with its employees to maintain and improve the quality of working conditions at its enterprises. Key internal communication tools – the official website of the Company, <https://segezha-group.com>, Single hotline <https://segezha-group.com/hotline/> and +7 (911) 053-33-00, corporate newspaper and mailing lists for targeted communications with employees.

Employees of the Group of Companies take part in various volunteer charitable projects, the topics of which include helping vulnerable groups of the population, holding sports events, and eco-clean-ups.

#### **Volunteering Segezha Group**

	<b>2018</b>	<b>2019</b>	<b>2020</b>
Number of volunteer projects	40	56	7
Number of volunteers participating in events	1 800	873	30

#### **Idea Factory**

Employees of Segezha Group enterprises are actively proposing ideas for improving production.

Since 2016, Segezha PPM has been operating the "Ideas Factory" – a tool for involving personnel and a source of useful ideas aimed at improving processes or services. Each mill employee can claim a loss or offer an idea of how to reduce costs and improve processes in their daily work.

In 2020, the efficiency service of Segezha PPM reviewed a record 332 rationalisation proposals, about a third of which were accepted into operation, 84 ideas were implemented.

## Human Rights

Segezha Group recognizes and respects the rights and freedoms of its stakeholders, provides maximum assistance in respecting their rights, seeks to raise their awareness of human rights issues.

The group of companies acts in strict accordance with Russian legislation, as well as generally recognized international documents in the field of human rights:

- UN Global Compact <sup>16</sup> ;
- UN Universal Declaration of Human Rights <sup>17</sup> ;
- Declaration of Fundamental Rights and Principles at Work by the International Labour Organisation (ILO) <sup>18</sup> .

The Company has approved its Position on the observance of human rights. Obligations to respect and protect human rights in Group Companies in this area are enshrined in local regulations:

- The Code of Ethics;
- The “Prevention and Combating Corruption” Policy;
- Occupational health and safety policy.

With regard to Segezha Group employees:

- does not use child labour;
- does not allow the use of violence against employees, the use of forced and bonded labour;
- considers all forms of discrimination in relation to employment and work unacceptable;
- promotes equality of opportunity, takes measures to protect the rights of vulnerable groups;
- ensures the right to safe working conditions;
- respects the right to form trade unions and does not prevent employees from joining them;
- respects the right to bargain collectively.

In the framework of interaction with contractors, Segezha Group requires compliance with Russian labor legislation, as well as the legislation of the regions of presence. In relation to partners, the Company:

- considers any corrupt practices in the supply chain absolutely unacceptable;
- following a due diligence principle, selects suppliers based on their experience with human rights;
- promotes the principles of international human rights agreements in the supply chain.

For local communities, Segezha Group:

- recognizes their right to live in accordance with their traditions, culture, history;
- identifies and controls the facts of its impact on their rights;
- protects the traditions, culture of the indigenous small-numbered peoples of the north, as well as their rights to property, use and manage lands, territories and resources;
- considers any corrupt actions absolutely unacceptable.

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<sup>16</sup> Adopted by the UN General Assembly on June 26, 2000.

<sup>17</sup> Adopted by the UN General Assembly on October 10, 1948.

<sup>18</sup> Accepted on June 18, 1998.



With regard to customers and consumers, the Company:

- guarantees the safety of its products for their health;
- respects their right to be informed about the properties of products

In addition, as part of its interaction with contractors, Segezha Group requires compliance with Russian labour legislation, as well as the legislation of the regions of its presence.

Interested parties can send complaints related to violations of human rights in the Group through the “One Hotline” on the corporate website ( <https://segezha-group.com/hotline/> ).

Segezha Group pays special attention to consideration of appeals and complaints on human rights issues, and also does everything possible to prevent violations of human rights, promotes an open dialogue with employees, business partners, local communities, consumers.

### 3.4. The attractiveness of forestry professions

#### **Career guidance and youth work**

As part of personnel development programs, the Company interacts with specialized educational institutions of higher and secondary education: in 2020, the Group had cooperation agreements with 73 educational institutions.

Among the partners of the Group are Petrozavodsk State University, St. Petersburg State University of Industrial Technologies and Design, Vyatka State University, Northern (Arctic) University named after M.V. Lomonosov and other higher educational institutions. In 2020, agreements were signed with the National Research University Higher School of Economics, as well as OGBPOU Galich Agricultural and Technological College of the Kostroma Region, on the basis of which basic theoretical education is planned for future specialists of the Galich Plywood Mill under construction.

Partnership programs with educational institutions aimed at improving the qualifications of the Group’s employees and attracting new personnel include:

- participation of Segezha Group in job fairs and open days;
- conducting “days without turnstiles” and excursions to production;
- organisation of production master classes for students;
- professional retraining of teachers at Segezha Group enterprises;
- implementation of joint innovation, educational and consulting projects;
- conducting internships and internships at the enterprises of the Group.

On the basis of educational institutions, joint innovation and educational projects are being implemented. In each region of the Company’s presence, there is a plan for interaction with specialized educational institutions, the implementation of which is the responsibility of the head of the enterprise.

**Segezha Group and Vologda State University are establishing cooperation in the field of innovations**

Segezha Group and Vologda State University made a cooperation agreement.

The focus of attention is the development and implementation of innovative achievements of science and technology in production and organisational processes. The parties intend to jointly develop new complex areas of scientific research. It is planned to modernize and diversify the training of highly qualified specialists in the system of secondary vocational and higher education.

The parties will also study the development and implementation of educational programs for secondary vocational and higher education aimed at meeting the needs of Segezha Group in personnel and advanced training of employees. The Agreement provides for the organisation of internships and internships for VoGU students at the enterprises of the Group.

Also, Segezha Group is a member of the Lift to the Future online platform. This is the all-Russian program of career guidance and professional development, AFK Sistema. The Lift to the Future online platform gives schoolchildren and students across the country equal and free access to career guidance services, educational courses and helps them find their first job. The company posts vacancies on the platform, and also conducts career guidance events.

The Russian forest industry faces a significant shortage of professional personnel with higher and secondary specialized vocational education, which creates difficulties in recruiting personnel. Timber companies pay special attention to raising the standards of professional training and qualifications of personnel through professional championships.

In 2020, due to the prevailing epidemiological situation, most of the events for working with students were transferred to an online format, for example, a job fair at the Higher School of Economics, and Open Days “Lift to the Future” at Petrozavodsk State University (Petrozavodsk) and Vyatka State University (Kirov). Segezha Group experts held presentations for students about working in the company, as well as an online quiz with prizes and a master class with useful life hacks for building a well-thought-out career path. The total number of participants was 400 people.

The company supports the holding of regional industry forums and championships of professional skills: in 2020, Segezha Group sponsored the IV Regional Championship “Young Professionals” (WorldSkills Russia) of the Republic of Karelia” and supported the participants of the “Labour Protection” competence.

## CHAPTER 4. CLIMATE-ORIENTED FOREST MANAGEMENT AND PRODUCTION

According to Segezha Group's new Sustainable Development Policy until 2025, the Company aims to ensure profitability, utility and profitability by organizing environmentally and climate-neutral production processes. Segezha Group invests in reforestation, takes into account the transformation of habitats of plants and animals, the state of water, soil and unique landscapes, preserving biodiversity and a balance between active economic activity and the preservation of affected ecosystems for future generations.

The company is guided by the requirements of domestic and international certificates throughout the entire product chain. Segezha Group complies with the principles of responsible forest management, in particular, the Group's production is certified according to FSC and PEFC. This guarantees an annual audit of compliance with the principles of a responsible forest management system, as well as transparency of the entire route of certified material from the forest from the place of harvest to the final product on the market. Segezha Group is considering investments in the development of its own selection and seed production centres for growing seedlings with a closed root system for effective reforestation.

### Link to the UN Sustainable Development Goals

#### Strategic priority goals:

##### Goal 13: Take urgent action to combat climate change and its impacts.

13.1. Increase resilience and the ability to adapt to dangerous climatic events and natural disasters in all countries.

13.2. Incorporate climate change responses into national policies, strategies and planning.

13.3. Improve education, information dissemination and the ability of people and institutions to mitigating, adapting to and early warning of climate change.

#### Goals integrated into current activities:

##### Goal 6: Ensuring the availability and sustainable use of water and sanitation for all.

6.3. By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and significantly increasing the recycling and safe reuse of wastewater worldwide

##### Goal 7: Ensuring universal access to affordable, reliable, sustainable and modern energy for all.

7.2 By 2030, significantly increase the share of renewable energy in the global energy balance.

7.3 By 2030, double the global rate of improvement in energy efficiency.

##### Goal 15: Protecting and restoring terrestrial ecosystems and promoting sustainable use thereof, forest conservancy, combating desertification, halting and reversing land degradation and stopping biodiversity loss.

15.1. By 2020, ensuring conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, including forests, wetlands, mountains and dry lands, in accordance with obligations arising from international agreements.

15.2. By 2020, promoting sustainable management of all types of forests, halting deforestation, restoring degraded forests and significantly expanding afforestation and reforestation over the whole world.

15.5. Immediately taking meaningful measures to contain the degradation of natural habitats, halting the loss of biological diversity and by 2020 ensuring the conservation and prevention of the extinction of endangered species.

#### **Key targets until 2025:**

1. Development and approval of a Decarbonisation Strategy based on the Science Based Targets Initiative
2. Compliance with industry best practices for environmental performance
3. 100 % forest lease certified according to FSC/PEFC standards
4. 100 % of investment projects are approved taking into account ESG factors
5. 50 % “green” financing in the CAPEX program
6. 100% self-sufficiency in planting material
- 7.
8. Implementation of an intensive forest management model

#### **4.1. Climate and sustainable ecosystem management**

In 2020, Segezha Group's long-term Environmental Safety Strategy for 2021—2025 was developed and approved.

The main principles of the Company's strategy in the field of environmental protection are:

- focus on modern international and national requirements in the field of ecology, prevention of consequences;
- compliance of the regulatory framework, principles and policies in the field of ecology with the best world practices, environmental compliance;
- identification and mitigation of environmental risks;
- the objectivity of the assessment and the timeliness of informing the management;
- a clear, transparent system of internal reporting, regular environmental audits, corporate environmental monitoring;
- promptly informing management about threats and ways to eliminate them;
- balance of environmental and economic interests of the Company;
- review of the adequacy of investment projects and other costs in the field of ecology;

- interaction with government agencies, public and other organisations, taking into account the economic interests of the Company.

The objectives of Segezha Group strategy in the field of environmental protection:

- reduction of greenhouse gas emissions;
- minimisation of environmental impact;
- prevention of consequences as a result of the implementation of environmental risks;
- building a reputation as an environmentally responsible company.

Key indicators for 2020		
<b>439 million RUB</b>  environmental protection costs  + 63 % p.a.	<b>83 %</b>  forests certified according to the FSC standard	<b>711</b>  employees completed environmental training in 2020

#### GRI 103-1

Segezha Group has a significant impact on the state of the forest cover in Russia and therefore treats its obligations for the protection and restoration of forests with full responsibility. The group is actively implementing a strategy of intensive forest management, which implies the rational use of forest resources, which will contribute to preserving biodiversity and preventing deforestation.

29 thousand ha is the area of reforestation in 2020.

#### ***The volume of felling of forest stands and the area of reforestation of Segezha Group from 2017 to 2020***

Year	Volume of wood harvesting in own lease base for clear felling, mln m3	Clear felling area of forest plantations, thousand ha	Reforestation area, thousand ha
2017	4,0	24,4	18,6
2018	4,8	28,4	22,9
2019	5,1	29,1	26,0
2020	5,5	32,4	29,1

#### GRI 103-2

#### **How we are working**

### *Segezha Group Environmental Responsibility Principles*

- We practice sustainable forest management (conservation and restoration of forest resources to prevent deforestation, land and soil degradation).
- We are introducing an intensive forest management model.
- We strive to preserve the biodiversity of forests leased to the Company's enterprises.
- We develop projects for the disposal and recycling of industrial waste.
- We support the fight against illegal logging and timber theft.
- We are creating buffer zones along the borders of high conservation value forests, where no forestry activities are carried out.
- We carry out environmental education.
- We use technologies to generate energy from renewable sources.

### *External regulations*

- Forest Code of the Russian Federation.
- Paris Climate Agreement <sup>19</sup>.
- Convention on Biological Diversity.
- Convention on Wetlands of International Importance, mainly as habitat for waterfowl.
- Convention concerning the Protection of the World Cultural and Natural Heritage.
- Convention on International Trade in Endangered Species of Flora and Fauna.
- FSC (Forest Stewardship Council) Principles for Responsible Sustainable Forest Management.
- Environmental safety strategy of the Russian Federation for the period up to 2025.
- Forest Code of the Russian Federation (with all applicable amendments).
- Decree of the Government of the Russian Federation of December 29, 2018 No. 1741 "On approval of the Rules for the implementation by persons carrying out the construction of buildings, structures, structures within the boundaries of forest park green belts or applying to change their boundaries, including for the purpose of transferring forest lands included in forest parks green belts, in lands of other categories, works for reforestation or afforestation".
- Regional guidelines for biodiversity conservation in timber harvesting.

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<sup>19</sup> The Paris Climate Agreement was adopted on December 12, 2015 following the 21st Conference of the Framework Convention on Climate Change in Paris. The official name of the document is the Paris Agreement under the Framework Convention on Climate Change.

- Charter in the field of timber turnover (valid in the territory of the Arkhangelsk region).
- Charter in the field of timber turnover (valid on the territory in the Vologda region).

#### *Internal regulations*

- Declaration of Association with FSC.
- Position on the strategy of environmental safety.
- Policy in the field of ecology and environmental protection.
- Responsible forest management and procurement policy.
- Regulations “Environmental management”.
- Regulations “Production planning in Segezha Group”.
- Standard “Organisation and planning of hazard identification, and risk assessment of industrial safety and labour protection, fire safety and ecology.”

#### *Obligations of the Company in the field of ecology and environmental protection*

- Strict compliance with all applicable requirements of Russian legislation and the legislation of the countries of presence by the Company and its contractors;
- Open interaction with stakeholders on environmental issues;
- Identification and assessment of environmental risks, taking measures to minimize them and reduce negative consequences in the event of their occurrence.

#### ***Investment projects in the field of sustainable forest management, million RUB\****

	2018	2019	2020
Investment projects for sustainable forest management	383	765	1062

\* Investments in forest inventory, road construction, purchase of equipment for road construction, purchase of equipment for thinning within the framework of forest management intensification projects are taken into account.

8.1 million hectares – the total area of the leased forest fund of Segezha Group
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#### **GRI 103-3**

#### **FSC certification**

The forests leased by Segezha Group are certified according to the Forest Stewardship Council (FSC) standards based on a comprehensive audit of forestry and logging in accordance with the FSC requirements.

Forest Stewardship Council® (FSC) – is an international non-profit organisation whose main goal is to promote environmentally responsible, socially oriented and economically sustainable forest management and management of the world's forests. FSC has two areas of certification: forest management and supply chain. FSC certification confirms compliance with three aspects: economic sustainability of the company, social responsibility, environmental safety of business. The FSC certificate for responsible forest management/supply chain is issued by an independent certification organisation for 5 years based on a comprehensive review of forest management or supply chain in accordance with the requirements of FSC standards. Compliance with all FSC requirements ensures that FSC-labelled forest materials and forest products are manufactured under responsible forest management.

FSC certification ensures the demand for the Group's products in world markets, including Europe. In 2020, all enterprises of Segezha Group confirmed compliance of their activities with the requirements of voluntary forest certification according to FSC standards. Each certified facility of the Group has been assessed for compliance with the FSC requirements. For all the comments, enterprises promptly and in the shortest possible time took measures to eliminate them and then prevent them.

In 2019–2020, the share of FSC certificated enterprises of the Group decreased to 83 %, which was due to an increase in the leased forest area by 275 thousand hectares. In 2021, it is planned to cover 406 thousand hectares of forest areas in the Siberia business unit and 284 thousand hectares in the Karelia business unit by FSC. In addition, it is planned to certify forest areas transferred for the implementation of an investment project in the Kostroma region.

In March 2021, Segezha Group and WWF Russia made an agreement on the conservation of high conservation value forests (HCVF) in forest areas managed by Onezhsky LDK JSC in the Arkhangelsk region.

Onezhsky LDK JSC will voluntarily preserve forests of high conservation value on the territory of its lease in Onezhsky, Severodvinsky and Priozernoye forestries of the Arkhangelsk region. The total area of forest areas where forestry activities will be limited is about 600,000 hectares, of which more than 150,000 hectares will be completely prohibited from logging. They include pristine forests, called by scientists intact forest areas, where many rare species of plants and animals inhabit.

Intact forest areas are large forest areas not significantly affected by humans. Part of the intact forest areas according to the Russian national FSC standard (FSC C128025) refers to high conservation value forests. The company has committed itself to preserving valuable forests as a forest user certified under the appropriate voluntary forest certification scheme.

In 2020 in the business unit "Karelia", within the framework of a dialogue with the Karelian regional public organisation "Northern Environmental Coalition" (KROO SPOK), options were discussed for preserving intact forest areas leased by the logging enterprises of the business unit. For a number of sites, enterprises have imposed voluntary restrictions on the workpieces until the final approval of their protection and use regimes.



### **Segezha Group forest management area**

	2018	2019	2020
Leased area, mln ha	7.4	7.4	8.1
Rated wood cutting, thousand m3	7.5	7.8	8.1
Percentage of forests certified by FSC <sup>20</sup> , %	86	86	83

The calculation and establishment of the rated wood cutting is carried out based on forest management materials in the order established by federal legislation: in accordance with the Forest Code of the Russian Federation, Order of the Federal Forestry Agency dated May 27, 2011 No. 191 "On approval of the Procedure for estimating the rated wood cutting". The change in the rated wood cutting is carried out after the forest management, which is carried out in accordance with the Forest Instruction, approved by order of the Ministry of Natural Resources of the Russian Federation dated March 29, 2018 No. 122 "On approval of the Forest Instruction."

### **Forest management**

GRI 304-1

In the timber industry, own logging is one of the most effective tools to curb the growth of production costs. In line with this approach, Segezha Group is increasing the volume of logging in its own lease, modernizing its logging capacity and infrastructure, and taking a responsible approach to forest management.

As of the end of 2020, the total area of 87 leased forest areas of Segezha Group amounted to 8,074 thousand hectares, which is 9 % more vs the same period in 2019 (7,425 thousand hectares) with unrated wood cutting of 8080 thousand m<sup>3</sup>, 4 % more than in 2019 (7756 thousand cubic meters), including, for coniferous – 5,306 thous. m<sup>3</sup>, which is 3 % more than in 2019 (5,149 thousand cubic meters).

The increase in the rated wood cutting in 2020 is associated with the acquisition of Karelian Wood Company LLC and LEND-10 LLC, as well as the conclusion of forest lease agreements for the implementation of priority investment projects in forest development (PIP)<sup>21</sup> Segezha PPM in the Republic Karelia and Sokol CLT LLC in the Vologda region. It is expected that the currently agreed PIP will allow Segezha Group to increase the rated wood cutting by an additional 2.1 million cubic meters. m.

### **Logging volumes, thousand m3**

	2018	2019	2020
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<sup>20</sup> FSC-C133272.

<sup>21</sup> PIP (Priority Investment Projects) in the field of forest development is a mechanism of state support, within the framework of which the state provides the forest user with various favorable conditions and investment incentives, including preferential terms for leasing forest plots, and the investor assumes obligations for construction or modernisation of objects of forestry and timber processing infrastructure.

	Total	Including on leased forest plots	Total	Including on leased forest plots	Total	Including on leased forest plots
Kirov region	383,0	383,0	394,4	394,4	408,7	408,7
Arkhangelsk region	660,4	660,4	625,1	625,1	608,4	608,4
Vologodsk region	1 143,5	1141,5	1 139,0	1 139,0	1 306	1 295,3
Republic of Karelia	1 750,9	1338,9	1 594,6	1 568,6	1 867,9	1 867,9
Krasnoyarsk Krai	1 672,1	1 672,1	1 882,7	1 882,7	1867,6	1 867,6
TOTAL	5 609,9	5 195,9	5 635,8	5 609,8	6058,6	6 047,9

### **Intensive forest management**

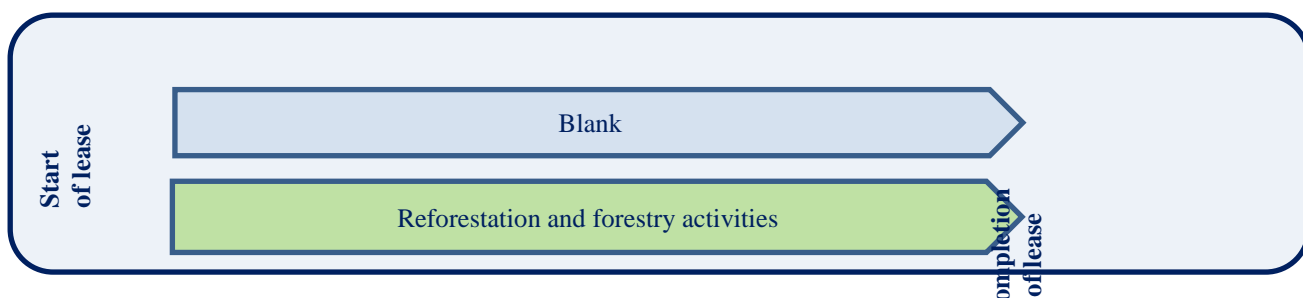
The model of intensive forest use includes a set of measures for economically and ecologically sound forest management cycle. First of all, Segezha Group plans to switch to a model of intensive forest use in the Republic of Karelia.

The use of an intensive forest management model reduces the pressure on undeveloped forests with high ecological value, helps to preserve biodiversity and the natural ecosystem of forests in areas not involved in forest management, and reduces the risk of forest fires. In the long term, such a system improves the productivity of forests, stimulates industrial production and contributes to the socio-economic development of the regions.

Intensive forest management will make it possible to provide Segezha Group's timber processing facilities with wood raw materials.

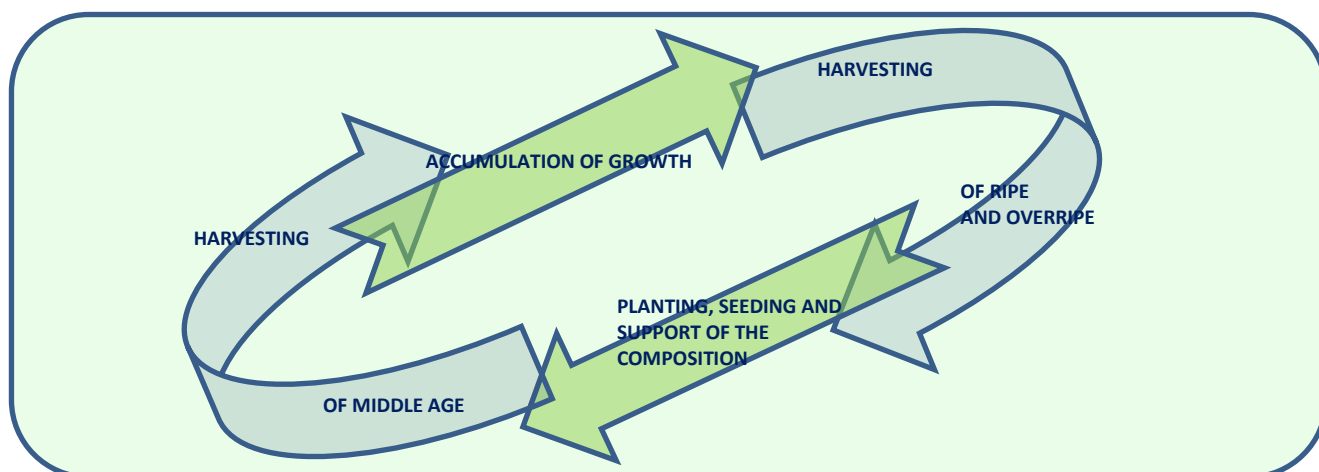
## Comparison of extensive and intensive forest management models

### Extensive model



Reforestation and forestry activities are mandatory by law, but at the same time unprofitable work that have prospects for compensation when the forest stand reaches maturity.

### Intensive model



A complex of forestry, reforestation, economically feasible measures aimed at growing target tree species is being performed target assortments

In 2019, the St. Petersburg Scientific Research Institute of Forestry (SPSRIF), with the support of Segezha Group in Karelia, developed standards for intensive forest use, including amending the Rules for improvement cutting in terms of increasing cutting standards. Order of the Ministry of Natural Resources of the Russian Federation No. 737 of November 13, 2019 was registered by the Ministry of Justice of the Russian Federation.

The standards stipulated by the orders of the Ministry of Natural Resources of the Russian Federation have been included in the forestry regulations of the forestries of the Ministry of Natural Resources of the Republic of Karelia, as well as in forest development projects to lease agreements for forest areas of the Karelia business unit. The quantitative indicators of intensive forest use are determined by the Timber Harvesting Rules (approved by Order of the Ministry

of Natural Resources of Russia dated December 01, 2020 No. 993) and the Rules of improvement cutting (approved by Order of the Ministry of Natural Resources of the Russian Federation dated July 30, 2020 No. 534).

## Reforestation

Reforestation is an obligatory part of the reforestation cycle in forestry production and must ensure the preservation of the ecological and social functions of the forest. Reforestation is not only planting, but also the further care of forest crops before the transfer of these plots to a forested area. After that, support is also carried out -improvement cutting is carried out.

### ***Volumes of forest cuttings and areas of reforestation by Segezha Group from 2018 to 2020\****

	2018	2019	2020
The volume of timber harvesting in the own lease base for clear felling, mln m <sup>3</sup>	4.8	5.1	5.5
Area of clear felling of forest plantations, thousand hectares	28.4	29.1	32.4
Reforestation area, thousand ha	22.9	26	29.1

\* The clear cut area is indicated taking into account the forest infrastructure facilities included in the balance sheet. Their reclamation is carried out when there is no need for them.

## Reforestation process

Forestry operations are carried out throughout the entire forest growth cycle, which lasts about 70 years.

**0 years:** seeding

**3–5 years:** planting

**0–7 years:** agronomic care of young forest growth

**7–10 years:** cutting of lighting of the main tree species

Cutting of shrubs, associated species shading the main tree species; withering and badly damaged trees. The purpose is sanitary

**10–20 years:** cleaning

Formation of the most productive and biologically stable plantations. Purpose: to care for the composition of the plantation.

**40–60 years:** severance cutting

Cutting of crooked and dry trees, partial cutting of associated species that interfere with the growth of the best trees of the main species. Purpose: care for the trunk shape

**60–80 years:** cutting is forbidden

**81 years and more:** clearings

Segezha Group is actively carrying out reforestation work throughout the leased area. Particular attention is paid to the transformation of animal habitats, as well as the state of water and land objects.

In 2020, the area of reforestation in the regions where Segezha Group enterprises are logging amounted to 29.1 thousand hectares, showing an increase of 11.9 % compared to 2019. The company spent 141.5 million RUB for forest restoration last year, which is 44.7 % more than a year earlier.

The increase in Segezha Group's expenses for reforestation in 2020 was due to an increase in the number of leased forest areas, logging volumes and an increase in prices for reforestation and planting material. The increase in costs has also been driven by an increase in the share of closed-root seedlings in forest plantations.

In 2021, Segezha Group will restore forests in the Kirov region with closed-root seedlings. In 2021, the company will restore more than 280 hectares of forest in nine districts of the Kirov region, 29 hectares more than in the previous year. Work to promote natural reforestation – preservation of undergrowth and mineralisation of the soil surface in the Kirov region – will be carried out on an area of 1,231.5 hectares. Within the framework of artificial reforestation, the planting and replenishment of forest cultures will be carried out for the first time with seedlings with a closed root system – using special forest planting pipes. The area of such works will affect 78.4 hectares.

### ***Segezha Group's work on reforestation***

GRI 304-3

Type of work	Description of work	2018	2019	2020
Seeding, ha	Seeding	1,558	2,298	1,668
Seeding, ha	Planting of seedlings with open and closed root systems	1,181	1,688	3,023
Natural reforestation (promotion of natural regeneration, natural reforestation due to natural processes), hectares	Preservation and care of undergrowth of the main tree species during felling; mineralisation of the soil surface; abandoning seed trees	19,959	21,842	24,016
Combined reforestation, ha	Combination of artificial (planting, sowing) and natural methods of reforestation	214	210	354
TOTAL, ha		22,912	26,038	29,061

At Segezha Group sites in the Vologda Region, the total area of reforestation in 2020 amounted to 4.8 thousand hectares (4,806.7) or 100 % of the clear cut area in 2019 (4,813.4 hectares). Forest renewal was carried out by means of artificial, natural and combined reforestation within the framework of forest development projects that have passed the state expertise. In the course of artificial reforestation in 2020, 43.2 kg of coniferous seeds were sown in the Vologda Region and 2.7 million seedlings were planted, of which more than 1.5 million were planted with an open root system and over 1.1 million with a closed root system.

Improvement cutting in young forests is aimed at improving the species and quality composition of young forests, regulating the density of stands and improving the growth conditions for trees of target tree species.

#### ***Segezha Group expenses for thinning in young stands***

	2018	2019	2020
Thinning in young stands, ha	6,432	8,346	9,105
Improvement cutting in young forests, million RUB	24.7	37.8	39.3

In September 2021, in the city of Galich, Kostroma region, it is planned to launch a tree nursery with an output of 4 million units of seedlings by 2023.

The total investment in the tree nursery will amount to about 120 million RUB. The planting volumes will not change, but the quality will significantly improve, since the key advantage of seedlings with a closed root system (seedlings grown in special containers rooted in the soil of containers) are year-round survival and convenient transportation, the root system of such plants is not injured, they quickly adapt and begin to grow.

#### **Forest protection from illegal logging. Segezha Group's actions to combat illegal logging**

##### **Prevention**

- Preventive conversations with the local population
- Control of the origin of supplied wood

##### **Transfer of data to law enforcement agencies**

- Transfer of data on revealed facts of illegal logging and theft of timber to forestry, police and environmental prosecutor's office

##### **Revealing**

- Application of an integrated geographic information system for forest management
- Use of radio frequency tags (RFID)

## Tracking

- Participation in the annual meetings of the executive branch on forest management problems

## Preventing forest fires

Forest fires damage biodiversity, habitats of valuable and rare species of animals and plants. Smoke also causes significant harm to public health.

Forest fires also affect climate change. During a fire, the forests, burning, do not have time to compensate for the emissions of greenhouse gases (carbon dioxide) by the production of oxygen, but only increase its content in the atmosphere. In addition, forest damaged by fires regenerates more slowly, absorbs less carbon dioxide and releases oxygen, which means that it does not help slow down climate change.

Segezha Group enterprises annually take measures to protect forests from fires:

- pedestrian and car patrolling of leased forest areas;
- aerial monitoring of forest fires;
- clearing felling areas from felling residues;
- the creation of voluntary fire brigades and the training of leaders in extinguishing forest fires;
- construction and maintenance of fire reservoirs;
- implementation of fire-prevention measures (arrangement of resting places, installation of sold-out houses, arrangement of mineralized strips and maintenance of them).

## ***Forest fires in Russia and Segezha Group***

	2018	2019	2020
Number of hot spots, Russia, pcs	12,125	13,602	14,812
Number of hot spots, Segezha Group, pcs	0	46	43
Area, Russia, thousand hectares	7,408	8,678	7,021
Area, Segezha Group, thousand ha	0	23.6	2.9

## ***Segezha Group expenses for reforestation, forestry and fire-fighting works***

	2018	2019	2020
Expenses for reforestation, forestry and fire-fighting works, RUB mln	83.3	142.5	186.1
Of these, the cost of reforestation, %	67.1	68.6	76

## Measures to preserve high conservation value forests

In the leased forest areas of Segezha Group enterprises, forest protection areas are preserved, in addition, the enterprises, in cooperation with interested and affected parties, voluntarily allocate forests of high value. On the basis of consultations, the regimes of protection and use are established in such areas.

As part of the fulfilment of the terms of lease agreements for forest plots, the Kipelovo timber industry concern, a subsidiary of Segezha Group, monitors the maintenance of the lands transferred to the logging enterprise. In connection with the increasing incidence of solid municipal waste dumps in the forests of the Vologda Region, the enterprise approved for implementation a plan for the prevention of unauthorized dumps. As part of this plan, the specialists organized a series of public discussions in the settlements of the Vologda Region. In total, 8 meetings were held in 2020.

As a result of the meetings in LPK "Kipelovo", memorandums of citizens' stay in the forest were developed, preventive conversations were held with local residents, participants of dacha cooperatives located in the vicinity of the district, on the topic of preventing the appearance of landfills.

GRI 304-1

### *Owned, leased, managed production sites adjacent to protected areas, ha*

Type	Subtype	2017	2018	2019	2020
1. Forest areas with high biodiversity significant at the global, regional or national level	1.1 Specially protected natural areas (SPNA)	198,461	185,744	185,595	179,817.3
	1.2. Areas of concentration of rare and endangered species	1792	1,794	1,794	10,157.8
	1.3. Areas of concentration of endemic species	8,103	8,103	8,103	0
	1.4. Key seasonal animal habitats	7,960	7,907	8,250	19,675.8
2. Large forest landscapes of global, regional or national significance		26,113	130,632	130,632	195,137.3
3. Forest areas that include rare or		65,916	75,412	75,257	75,473.6



endangered ecosystems					
4. Forest areas with special protective functions	4.1. Forests of special water conservation importance	943,859	977,330	981,466	978,203.3
	4.2. Forests with special anti-erosion value	97,211	97,405	97,577	101,071
	4.3. Forests of special fire-fighting significance	283	10,465	10,465	10,481
5. Forest areas necessary to ensure the existence of the local population		39,735	36,894	36,963	50,486
6. Forest areas necessary to preserve the original cultural traditions of the local population		498	498	498	792

#### GRI 304-2 Biodiversity conservation

Segezha Group is attentive to the conservation of biodiversity, since as a result of the Company's activities, the habitat of animals is being transformed, among which there are species listed in the Red Book: reindeer, roe deer, white-tailed eagle, golden eagle, peregrine falcon, eagle owl and other animals.

The development of a protection regime for each leased area is carried out with the involvement of interested parties.

Segezha Group constantly keeps track of forest areas where rare ecosystems are found. In the process of logging, specialists identify local valuable ecosystems at each logging site and preserve them. In addition, the Company carries out annual monitoring of high conservation value forests, based on the results of which it makes a decision on the adequacy of protection measures.

#### GRI 304-4 **Total number of IUCN Red List and National Conservation List species found in areas affected by Segezha Group activities**

Risk level	Republic of Karelia	Vologda region	Kirov region	Arkhangelsk region	Krasnoyarsk Krai
2018					

Critically endangered	2	4	10	4	0
Endangered	8	11	15	3	0
Vulnerable	8	51	65	15	6
In a near-endangered condition	6	152	3	30	14
Least Concern	22	30	1	10	13
TOTAL	46	248	94	71	33
2019					
Critically endangered	2	4	13	4	0
Endangered	8	11	19	3	0
Vulnerable	8	51	70	15	6
In a near-endangered condition	6	152	4	30	14
Least Concern	22	30	7	10	13
TOTAL	46	248	113	71	33
Critically endangered	2	4	13	4	0
Endangered	8	11	19	3	0
Vulnerable	8	51	70	15	nine
In a near-endangered condition	6	152	4	39	16
Least Concern	22	30	7	10	16
TOTAL	46	248	113	71	41

To preserve the population of species included in the Red Book, several approaches are used:

- preservation of the forestry allotment or its part;
- preservation of objects important for survival;

- preservation of individuals;
- refusal to use pesticides.

All certified tenants of Segezha Group forest fund have committed themselves to preserving valuable forest areas – forests of high conservation value. Under FSC certification, such areas are divided into six categories, according to which special protection regimes are established, and maps of valuable areas are available to all interested parties.

In addition to preserving forests of high conservation value, enterprises in the process of logging conserve valuable areas and at the local level – key biotopes and key elements of biodiversity.

In 2018-2019, the logging enterprises of the Arkhangelsk region carried out large-scale work with environmental organisations to identify and agree on the ecological framework <sup>22</sup> within the boundaries of intact forest areas. Currently, this work is at the final stage.

#### **Segezha Group's plans for responsible forest management:**

- to continue the development of the allowable cut of the leased forest fund;
- increase the area of the leased forest fund by leasing forest plots, as well as through M & A transactions;
- improve the implementation of an intensive forest management model in the Republic of Karelia;
- to increase the efficiency of the use of lightweight logging equipment for the implementation of the program for the intensification of forest use;
- continue updating its own fleet of logging, automotive forestry and road equipment;
- continue work on the use of an efficient scheme of raw materials flows and consolidate the fleet of logging equipment at the enterprises;
- improve the forest supply planning system for the uninterrupted timely supply of raw materials to enterprises.
- to carry out forest management certification of uncertified leased forest areas.

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<sup>22</sup> The ecological frame of a territory is a combination of its ecosystems with an individual regime of nature management for each area, forming a spatially organized infrastructure that maintains the ecological stability of the territory, preventing the loss of biodiversity and landscape degradation.

## Development of the environmental protection system

Segezha Group's approach to sustainable development is based on a responsible attitude to environmental protection and preservation of natural resources for future generations. The key document regulating the work in the field of ecology of Segezha Group is the Policy in the field of ecology and environmental protection, which sets forth the Company's obligations:

Commitment	Measures taken
Strict compliance with all applicable legal requirements by the Company and its contractors	Incorporation of relevant clauses into contracts and agreements with suppliers. In the event that suppliers and contractors do not fulfil the necessary requirements, Segezha Group has the right to terminate the contract with them.
Open interaction with stakeholders on environmental issues	Conducting public hearings to assess the potential impact of production development projects on the environment.  Formation of the Public Council on Ecology under the Administration of the Segezha Municipal District.
Identification and assessment of environmental risks, minimisation and reduction of negative consequences in the event of their occurrence.	Consideration of environmental factors when planning the construction and modernisation of production facilities.  Comprehensive inspections, internal and external audit, assessment and analysis of the level of environmental pollution, monitoring of the concentration of harmful substances.

In 2020, the Russian enterprises of Segezha Group allocated 439 million RUB to environmental protection projects .

### ***Environmental protection costs , RUB mln***

2018	2019	2020
275	270	439 + 63 % yoy

### ***Investment projects with direct or indirect environmental impact in Russian subsidiaries, million RUB (CAPEX)***

	2018	2019	2020
Investment projects with environmental impact, production sites	856.8	613	603

Investment projects for sustainable forest management	383	765	1,062
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Segezha Group keeps records of its environmental impact and pays for negative environmental impact. Payments and fines amount to 10-12 % of total environmental protection costs.

***Payment for negative impact on the environment, million RUB***

**GRI 307-1**

	2019	2020
Segezha PPM JSC	0.38	112.5
Lesosibirskiy LDK No. 1 LLC	0.17	113.5
Sokol PPM PJSC	0.01	0.3
LDK Segezhskey LLC	0.14	0.3
Sokol WWM JSC	33.85	0.3
LLC Segezha Packaging, Salsk	0.98	n/a
<b>Total</b>	<b>35.52</b>	<b>226.9</b>

**Environmental training for employees**

Segezha Group personnel are regularly trained to improve their skills in the field of environmental protection. As of the end of 2020, more than 2.5 thousand employees of the Company's enterprises were trained in the field of ecology.

***Employees trained in the field of ecology (cumulative), people***

2018	2019	2020
1,785	1,867	2,578

**Relations with contractors**

Segezha Group expects strict compliance with environmental legislation from its contractors: relevant provisions are included in contracts and agreements with suppliers. In the event that suppliers and contractors do not fulfil the necessary requirements, Segezha Group has the right to terminate the contract with them.

When working with contractors, the Company requires them to:

- presence of certificates (in the field of environmental management, quality management);
- presence of agreements with third-party organisations for waste disposal.

## 4.2. Energy efficiency

**GRI 103-1**

### **Ecological footprint and sustainable use of resources**

**GRI 103-2**

Environmental protection and environmental safety are among the priority areas of Segezha Group. Improvement of production processes, implementation of environmental protection measures, development of environmental management allows Segezha Group to improve environmental performance and reduce negative impact on the environment.

In January 2020, with the support of Segezha Group, a public ecology council was established in Segezha, the purpose of which is to address issues in the field of environmental protection and rational use of natural resources. The council included the chief ecologist of the Segezha PPM, as well as representatives of the authorities and the public, including residents of the city. This is the first public body in the Republic of Karelia to control the environmental situation, air purity and water quality, unauthorized dumps and bulky waste disposal.

In 2020, all Segezha Group production facilities carried out planned activities to minimize the negative impact on the environment:

- control of emissions of pollutants;
- checking the efficiency of the gas cleaning equipment;
- collection, removal and transfer for utilisation or burial of industrial waste;
- wastewater quality control;
- observation of water bodies, cleaning the coastal zone from debris;
- cleaning of production sites and adjacent territories.

### **Circular Economy and Bioenergy**

The basic principles of the circular economy are based on the recycling of secondary raw materials, the transition from fossil fuels to the use of renewable energy sources.

Segezha Group is focused on building its own production according to the closed-cycle model, which involves the use of secondary waste – biomass.

The concept of renewable energy sources (hereinafter – RES) includes such forms of energy as: solar, geothermal, wind, energy of sea waves, currents, tides and the ocean, biomass energy, hydropower (hydroelectric power of small hydroelectric power plants).

### **Segezha Group in Denmark switched to wind energy**

Segezha Packaging production facility located in Aalborg, Denmark is the first facility within Segezha Group to use CO<sub>2</sub>-free electricity. A drastic decrease in indicators was achieved due to the transfer of production operations to renewable energy sources. Now 100 % of the electricity purchased for the production of paper packaging comes from the wind energy.

Segezha Packaging in Denmark switched to green electricity from the beginning of 2021, coordinating its efforts with the announced goal of the local government to reduce CO<sub>2</sub> emissions by 70 % by 2030. Thus, the company also contributes to the energy transformation of the region of its presence.

At the same time, the transition to wind energy will help reduce the total carbon footprint of Segezha Group's European facilities. The annual report on CO<sub>2</sub> emission and other greenhouse gas emissions from Segezha Packaging's operations confirms the positive trend in this area: in 2018, the company's carbon footprint decreased by 14 %, in 2019 – by 5 %. Calculations are carried out in accordance with the Protocol methodology for assessing the emission of gases responsible for the greenhouse effect, taking into account direct (production facilities and vehicles) and indirect (purchased energy) CO<sub>2</sub> emissions.

Large amounts of bark and wood waste (bark, sawdust, substandard chips) are produced from the core Group operations. The high humidity of such waste, which is about 60 %, complicates their disposal. To solve the problem of accumulation of bark and wood waste Segezha Group is taking further actions:

- acquires steam boilers for burning bark and wood waste;
- engages contractors for waste disposal;
- complies with the conditions of waste storage;
- monitors environmental pollution;
- prepares sites for temporary accumulation of woodworking waste.

One of the priorities of Segezha Group's Environmental Policy is the development of biofuel production and recycling of production waste in boilers operating on wood waste. Such projects can significantly reduce the burden on the environment.

In 2020, in the city of Onega in the Republic of Karelia, the fourth energy boiler using bark and wood waste instead of non-renewable fossil sources was launched, which allowed Segezha Group to become a leader in the production of green energy in north-west Russia. The boiler house will meet the needs of Onega LDK and the population of Onega for thermal energy. The use of bark and wood waste as a raw material for the boiler house and a decrease in diesel fuel consumption in the future will significantly improve the environmental performance of the enterprise, as well as increase the total capacity of Onega Energia by 30 %. Investments in the project exceeded 200 million RUB.

One of Segezha Group's activities is the production of wood fuel pellets (pellets), which are manufactured under high pressure without the addition of chemical binders. The creation of pellets allows you to reduce the consumption of fossil fuel sources and solve the problem of

recycling sawmill waste. Compared to coke, coal and natural gas, fuel pellets emit tens of times less greenhouse gas CO<sub>2</sub> during combustion.

In 2020, Segezha Group pellet plant project was awarded a special prize for the Green Project of the Year 2020 FSC Russia. Pellet plant Xylotek-Siberia LLC, erected on the site of Lesosibirskiy LDK No. 1 JSC in the Krasnoyarsk Krai – part of the priority investment project in the field of forest development “Development of a full cycle woodworking complex in Lesosibirsk”. The project is designed for the integrated use of forest resources, ensuring the utilisation of forest waste by converting them into biofuel pellets and thermal energy. The capacity of the enterprise is 110.5 thousand tons of pellets per year.

## Use of energy resources

At the enterprises of Segezha Group, the system of assessment and management of energy resources is constantly being improved. Improving energy efficiency is one of the tasks of the Group of Companies, the solution of which will help to reduce the use of non-renewable energy resources, as well as optimize economic costs and increase competitiveness in the market.

The table below lists the fuels and energies used by Segezha Group. The company not only purchases, but also produces energy. Part of the generated energy is sold to third parties, this amount is excluded from the Group's total energy consumption. The own consumption of the generated energy is taken into account once as part of the fuel consumption.

	2018		2019		2020	
	GJ	RUB million	GJ	RUB million	GJ	RUB million
<b>Power consumption:</b>						
Electricity	3,063,086	2,630	3,197,454	2,784	3,206,285	2,627
Heating	408,048	281	386,925	229	701,225	411
Cooling	2,279	3	2,101	3	1,697	0
Steam	8,033,527	2,335	8,128,801	2,089	8,658,709	2,356
<b>Energy sales:</b>						
Electricity	9,990	9	9,356	30	10,670	34
Heating	2,115,120	929	1,846,377	812	1,515,212	697
Steam	562 313	144	538,631	138	552,895	148
<b>Fuel consumption:</b>						
Coal	2,457,120	95	2,052,019	87	1,948,106	87



Natural gas	4,481,548	480	3,694,075	403	3,650,025	406
Diesel fuel	955,779	996	1,026,889	1,114	1,133,520	1,189
Petrol	75,526	77	76,259	79	78,260	83
Fuel oil	4,646,573	1,745	2,456,534	908	3,550,821	960
Fuel wood (renewable fuel)	3,798,135	266	6,136,111	676	5,510,176	695
Share of fuel in total energy consumption, %	65,0		62,3		60,2	
Share of renewable fuels in total energy consumption, %	15,0		24,8		20,9	
<b>Total energy consumption</b>	25,254,178	7,844	24,781,514	7,452	26,381,387	8,005

### Use of materials

Segezha Group strives to increase the share of renewable materials in the total amount of materials used.

The table below summarizes the costs of purchasing renewable and non-renewable materials for the Russian assets of Segezha Group. Renewable materials include various wood materials, for example, round wood, wood chips, fuel pellets. Non-renewable includes various chemicals, technological materials, non-renewable fuels, for example, glue, paint, fuel oil.

### Material costs, thousand rubles (Russian subsidiaries)

	2019	2020
Renewable	7 060 454	7 082 043
Non-renewable	7 686 049	7 863 246
Total	14 746 502	14 945 289
Share of renewable	47,9%	47,4%

## Greenhouse gas emissions

The main blocks of initiatives for the transition to a low-carbon economy of the Segezha Group: consumption of "clean" energy and production of biofuels; low carbon construction and infrastructure; materials and finished products with a minimum carbon footprint; carbon sequestration and / sequestration by ecosystems in the perimeter.

Greenhouse gases are a group of gaseous compounds that are found in the Earth's atmosphere. They practically do not pass through themselves the thermal radiation emanating from the planet. The main greenhouse gases of the Earth (in order of influence on the heat balance) are carbon dioxide, methane, ozone.

An increase in the concentration of greenhouse gases in the atmosphere is causing the greenhouse effect, which leads to climate change, natural disasters, a decrease in biodiversity, and an increase in risks to human health.

Segezha PPM installs electrostatic precipitators with an efficiency of collecting particulate matter of about 99.97 percent manufactured by the Russian company Fingo-Complex, one of the leading suppliers of innovative air purification technologies. Treatment equipment is installed at soda recovery boilers of the thermal power plant, which supplies the enterprise with steam and electricity. TPP-2, one of the main sources of emissions into the atmosphere, consists of three recovery boilers (SRB), which return previously produced sulfates to production and thus make the process cyclical. Each SRK is equipped with a special electrostatic precipitator to purify emissions into the atmosphere. Replacement of electrostatic precipitators at two of the three existing SRCs is envisaged, which will give a significant reduction in emissions. The third SRK in 2018 was equipped with a special electrostatic precipitator for capturing and purifying atmospheric emissions worth 200 million RUB.

In the town of Sokol, Vologda region, a new production facility was put into operation for the production of technical powdered liginosulfonates, which are obtained from liquid liginosulfonates and are a by-product of cellulose production. Advanced eco-friendly technologies are used to dry them. So, the cleaning equipment will retain 97 % of the solid particles contained in the coolant. As the dryer will more efficiently use the pulp by-products, the mill will take another step towards creating a closed cycle production and reduce the plant's environmental burden. The capacity of the plant is 21 thousand tons per year. In total, about 350 million RUB were invested in this project.

### ***Total greenhouse gas emissions in CO equivalent<sub>2</sub> in 2020 in Russian subsidiaries, thousand tonne<sup>23i</sup>***

Paper and Packaging Division	468.2
Forest Resources and Woodworking Division	0.0

<sup>23</sup> The methodology for calculating greenhouse gas emissions in 2020 was carried out in accordance with the requirements of the Order of the Ministry of Natural Resources of Russia dated June 30, 2015 N 300 "On approval of guidelines and guidelines for quantifying the volume of greenhouse gas emissions by organizations carrying out economic and other activities in the Russian Federation."

Plywood and Plates Division	0.013
Housing Construction Division	0.2
<b>TOTAL</b>	<b>468.5</b>

**Total greenhouse gas emissions in Russian assets of Segezha Group in CO equivalent 2 thousand tonnes**

2018	2019	2020
553.8	368.2	468.5

In 2021, as part of the first stage of developing the Decarbonization Strategy, the Company conducted a study of CO<sub>2</sub> emissions and removals at enterprises in the Republic of Karelia for 2016-2020. The results of the assessment formed the basis for the analysis of industrial emissions to build a roadmap for the Group's decarbonization strategy for all regions of presence. According to the IPCC recommendations, emissions from the activities of enterprises were taken into account in the coverage area one (transport, production), two (electricity consumption) and three (upstream wood products procurement). The balance of emissions and removals showed that Segezha Group's activities in Karelia are a net sink of greenhouse gases, net removals are estimated at 2.84 million tons of CO<sub>2</sub>-eq. per year from 2016 to 2020.

Emissions, tonnes CO<sub>2</sub>-eq.

	Source	Область охвата			Итого
		1	2	3 (только upstream)	
IPCC Sector Energy	Fleet Emissions	26 162	-	28 955	55 116
	Production Emissions	297 344	306 038	30 151	633 533
	<b>Sub-total</b>	<b>323 506</b>	<b>306 038</b>	<b>59 106</b>	<b>688 649</b>
IPCC Sector AFOLU	Forest Fires	1 787	-	-	1 787
	Emissions from Dead Wood Pool	997 680	-	187 533	1 185 213
	Emissions from Harvested Wood Product Pool	1 312 442	-	246 699	1 559 141

	Removals from Forest Regrowth after Logging	- 6 274 976	-	-	- 6 274 976
	<b>Sub-total</b>	<b>- 3 963 067</b>	<b>-</b>	<b>434 231</b>	<b>- 3 528 836</b>
	Net GHG Emissions				- 2 840 186

***Nitrogen oxide emissions in Russian subsidiaries, thousand tonnes***

2018	2019	2020
1 753	1 602	1 357

***Sulphur dioxide emissions in Russian subsidiaries, thousand tonnes***

2018	2019	2020
3 126	2 038	2 183

### 4.3. Responsible use of water resources

Segezha Group pays significant attention to the responsible use of water resources. The standards for the permissible content of substances and microorganisms in effluents are established by the Federal Agency for Water Resources of Russia. In addition, the Company receives a discharge permit from Rospirodnadzor, which also stipulates the list and permissible maximum concentrations of pollutants. For example, in 2020, Segezha PPM JSC, in accordance with the established deadlines, received a full set of permits in the field of water protection activities, taking into account a step-by-step plan to reduce emissions.

The production of pulp and paper products and timber requires a large amount of water. In 2018-2020, the total water consumption of Segezha Group amounted to more than 197 million cubic meters.

Segezha Pulp and Paper Mill has implemented a project to reconstruct secondary waste water settling tanks at a biological water treatment plant. The result was an increase in the efficiency of the structures with an increase in the productivity of secondary clarifiers.

**GRI 303-5**

***Total water consumption in Russian assets of Segezha Group, thousand cubic meters m***

2018	2019	2020
61,592.16	59,520.67	75,952.39

**Volume of water consumption in Russian assets of Segezha Group, cubic meters per ton of products**

2018	2019	2020
4.14	3.84	4.88

**GRI 303-1 Water withdrawal from all sources in the Russian assets of Segezha Group, thousand cubic meters**

Sources	2018	2019	2020
of natural sources (surface, groundwater, rainwater)	53,360.39	52,044.24	63,594.96
third-party water (municipal and other water supply systems)	4,892.58	5,108.73	12,357.44
from other sources	3,339.19	2,367.70	0.00

**UNCTAD Volume of reused water as a percentage of total water withdrawn in Russian assets of Segezha Group, %**

	2018	2019	2020
Vyatka Plywood Mill LLC	38.6	45.9	39,0
Sokol PPM PJSC	33.0	42.0	52,0

**Wastewater disposal in the Russian assets of Segezha Group, thousand cubic meters**

	2018	2019	2020
Total, including:	54,393.60	53,139.77	54,655.14
discharged into water bodies without treatment	6,602.83	6,057.10	6,406.01
purified water	40,644.45	40,845.10	41,981.86
transferred for cleaning to specialized enterprises (sewage)	7,146.32	6,237.57	9,751.15

**Water consumption by Segezha Packaging, thousand cubic meters**

Company	2019	2020
Arka Merchants Limited (Ireland)	0.015	0.019
Segezha Packaging B.V. (Netherlands)	3.3	3.23

Segezha Packaging A/S (Denmark)	7.6	8.7
Segezha Packaging s.r.o. (Czech)	2.6	2.8
Segezha Packaging S.R.L. (Romania)	2.7	2.4
Segezha Packaging S.P.A. (Italy)	3.7	3.4
Segezha Packaging (Germany)	4.0	3.29
Segezha Ambalaj Sanayi Ve Ticaret Anonim Sirketi (Turkey)	0,8	1.38
<b>Total</b>	<b>24.72</b>	<b>25.22</b>

In 2020, at the biological treatment plant of Segezha PPM JSC, repairs were carried out along the entire wastewater treatment chain. The station is one of the most important objects in the system of protection of water natural resources; it prevents hazardous production wastes from entering the lake water area and at the same time carries out additional treatment of wastewater from the city sewerage system.

#### 4.4. Responsible waste management

Responsible waste management is one of Segezha Group's priorities, as logging waste left unchecked can harm rented forest areas.

The main waste from logging is bark and wood waste. Segezha Group is committed to increasing the proportion of waste that is recycled and used for energy and bioreactors or for the production of fuel pellets.

For several years, Segezha Group has been reducing the volume of production waste that requires special disposal and storage at landfills.

**GRI 306-1, 306-2**

#### ***Total weight of waste by hazard class in 2018–2020 in Russian subsidiaries, tonnes***

<b>Hazard Class</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Total:	1,466,333.8	1,326,365.84	699 747,4
among them: Hazard Class I	6.2	5.1	2,5
Hazard Class II	6.2	6.6	8,9
Hazard class III	2,850.0	166.9	61,2

Hazard Class IV	766,034.5	676,529.12	189 863,0 <sup>24</sup>
Hazard Class V	697,436.9	649,658.124	509 811,8

**GRI 306-2**

***Total mass of waste by treatment methods in Russian subsidiaries, %***

**GRI 301-2**

Methods of treatment	2020
Transferred to third parties	47.78
Reuse	16.60
Release of valuable components, including the release of energy	11.74
Burning	18.90
Other	7.69

***Waste by type and method of disposal in Russian subsidiaries, tonnes***

Indicators	2020
Total amount of solid waste sent to landfills	175,367.76
Total hazardous waste (I-IV class)	339,749.88

**GRI 306-4**

The Company transfers hazardous production wastes to third-party licensed organisations for disposal.

A new wood waste briquetting site was commissioned at the Vyatka Plywood Mill (VFK). Thanks to the launch of additional capacities, the production of fuel briquettes will increase by more than 1.5 times, and the waste from plywood production will be completely utilized.

Investments in the project amounted to about 40 million RUB, and its implementation allows increasing the production of environmentally friendly biofuel and at the same time solves the problem of creating a waste-free production.

RUF fuel briquettes are a relatively new product. They are made from sawdust, which does not contain any harmful impurities and has significant advantages over traditional fuels. In terms of calorific value, they are twice as high as dry birch firewood, and firewood of natural moisture is three times higher. When burning, they do not spark and practically do not leave ash. Carbon

footprints (emission of CO<sub>2</sub> during combustion) in wood briquettes is 10 times less than that for natural gas, and 50 times less than that for coal.



## CHAPTER 5. RESPONSIBLE SUPPLY CHAIN IN THE FOREST INDUSTRY

Segezha Group PJSC under its activities has a significant impact on the development of the regions of presence, the forestry industry at the national and global levels, as well as related business sectors. The group of companies sets a high standard for sustainable development along the entire product value chain.

When conducting its business, Segezha Group PJSC considers absolutely unacceptable any corrupt practices, both in relation to itself and its business partners. The group considers all forms of discrimination in relation to employment and work unacceptable, promotes equality of opportunity, and takes measures to protect the rights of vulnerable groups. The company pays special attention to the consideration of appeals and complaints, promotes an open dialogue with employees, business partners, local communities, and consumers. Segezha Group PJSC systematically implements commitments that are voluntarily and consistently developed with the participation of key stakeholders, and also strives to contribute to increasing the transparency of the entire industry.

### Link to the UN Sustainable Development Goals

#### Strategic priority goals:

Goal 12: Ensuring the transition to rational patterns of consumption and production.

12.2. By 2030, achieving sustainable development and efficient use of natural resources.

12.6 Encouraging companies, especially large and multinational companies, to adopt sustainable production practices and reflect sustainability information in their reports.

#### Goals integrated into current activities:

Goal 17: Strengthening the means of implementation and revitalize the Global Partnership for Sustainable Development.

17.16 Strengthening the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and disseminate knowledge, experience, technology and financial resources to support the achievement of the Sustainable Development Goals in all countries, especially developing countries.

17.17 Promoting and encouraging effective partnerships between government, public and private sectors, and between civil society organisations, building on the experience and strategies for using partners' resources.

#### Key targets until 2025:

1. Full supply chain certification, demonstrating responsibility, inclusiveness and supply chain sustainability.
2. Development and implementation of a Supplier Code of Conduct.
3. The level of participation in ESG ratings is at the level of international industry competitors.
4. Implementation of the SegezhaLes system in 100 % of the leased plots.
5. Digitalization of forest management

## 6. Improvement of forest inventory.

### 5.1. Responsible purchasing. Supplier behaviour

#### GRI 103-1

Segezha Group develops cooperation with contractors and suppliers, paying particular attention to the transparency of procurement activities and ensuring fair competition. At the same time, the Group in its efforts is devoted to a responsible approach to the selection of suppliers, contractors and responsible parties. The Company achieves this effect through the use of modern digital solutions.

#### GRI 103-2

Segezha Group's procurement activities are governed by internal regulations based on Russian legislation and regulations governing the forestry industry. To achieve the highest economic efficiency and timeliness of procurement procedures, Segezha Group annually forms an annual procurement plan.

The main purpose of the Company's procurement activities is the acquisition and timely provision of the necessary material and technical resources, works and services of proper quality at an optimal price.

#### **Relationship with contractors**

External contractors may perform part of the functions of Segezha Group, however, the Company is responsible for the quality of goods and services. This imposes additional obligations to stakeholders for the activities of contractors. Therefore, Segezha Group implements international quality management standards throughout the entire product creation chain and pays close attention to working with suppliers.

#### **Requirements for contractors**

Segezha Group promotes the principles of responsible business conduct among its suppliers and assesses the level of their implementation of these principles. The Group is developing due diligence practices to minimize the risks of sourcing material from unacceptable sources.

Segezha Group extends the principle of labour safety to contractors. When performing work on the territory of Segezha Group enterprises, the heads of contractors undertake to ensure compliance with labour protection and industrial safety requirements, regulated by state regulations.

The company conducts an audit of contractors for logging and construction of forest roads, inspecting the equipment used, its condition, as well as the availability of relevant permits from its operators. Service providers that do not meet Segezha Group's requirements for compliance with industrial and environmental safety standards are either not allowed to work, or are disqualified and suspended from fulfilling contracts based on our internal investigations.

Segezha Group also has a Due Diligence System Regulation, which contains requirements and procedures to ensure that the Company complies with the requirements of the standards, directives and policies of the FSC (Forest Stewardship Council®). The Regulation regulates purchases of wood products by the Group and is intended to reduce the risks associated with the acquisition of non-FSC certified wood.

The share of purchased wood or paper-based materials that are subject to FSC certificates in 2020 was about 65%, which is 10% more than in 2019.

Key indicators for 2020:

<b>32 % of costs</b> covered by category management	<b>94 %</b> purchases are carried out from Russian manufacturers
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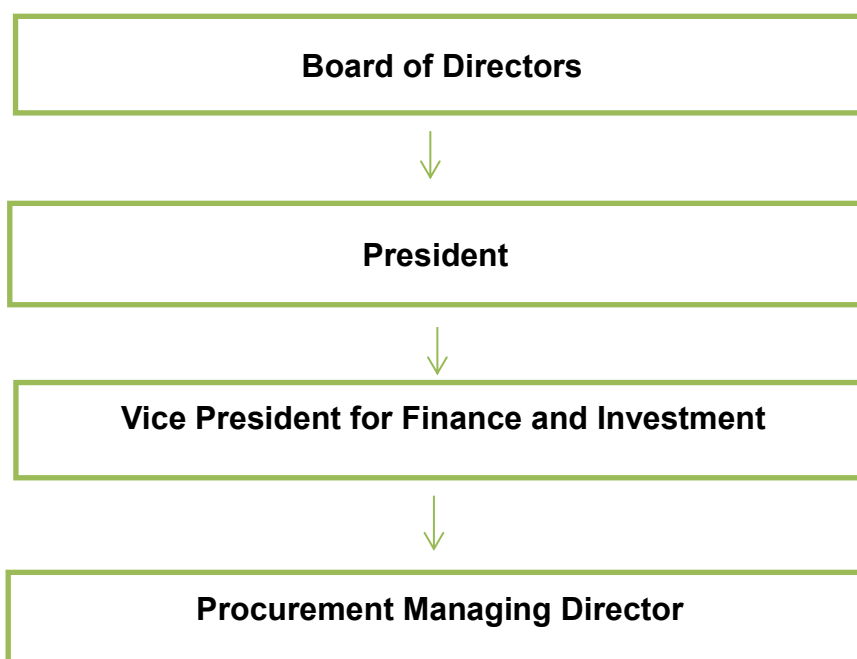
### Procurement management system

The main purpose of the procurement activities of Segezha Group is to acquire the necessary material and technical resources (MTR), works and services of proper quality at an optimal price and to ensure production with them.

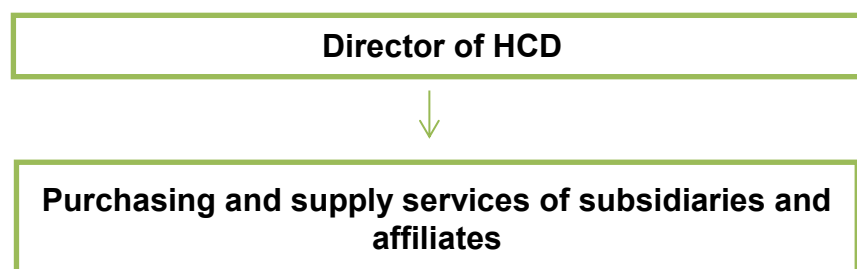
The main documents regulating the procurement activities of Segezha Group:

- Procurement Policy ,
- Regulations “On procurement activities”,
- Regulations and instructions based on the requirements of Russian laws and regulations governing the forestry industry.

### Organisational structure of procurement management



HCD



## GRI 103-3

### Principles of conducting procurement activities:

Principle	Key implementation tools
Competition	Implementation of procedures aimed at creating a reasonable level of competition among potential suppliers
Equality	Ensuring equal competitive opportunities and uniform rules for all participants in the procurement procedure prior to its commencement
Economic expediency	Assessment of the need for procurement from the point of view of economic feasibility at any stage of procurement
Openness in relations with suppliers	Use of open competitive procedures as a priority form of procurement
Transparency of the procurement procedure	Monitoring and control of procurement activities at all stages
Compliance with Anti-Corruption Policy	Compliance with the provisions and requirements of the Anti-Corruption Policy of Segezha Group

In 2020, the Russian enterprises of the Group centralized the procurement system at the level of the General Service Centre (GSC), within which more than 80 % of the categories of purchased materials and services and services were centralized.

Segezha Group's procurement function is responsible for providing the assets with forest resources, including timber harvesting and delivery services.

### Procurement results in 2020

Segezha Group's procurement procedures are carried out in a competitive manner, including using an electronic trading platform (ETP). In 2020, the share of competitive purchases amounted to 86 % of the total value of purchases. On average, four potential suppliers took part in one competitive procurement procedure. The competitive field has grown in relation to 2019 due to an increase in the number of procedures carried out on the e-marketplace and in the SAP Ariba procurement system.

	2019	2020
--	------	------

Percentage of wood or paper based products purchased that are FSC certified	54 %	64 %
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To achieve the highest economic efficiency and timeliness of procurement procedures, Segezha Group uses a category management system. Category strategies covered over 32 % of the Group's costs. The economic effect from the procurement activities of the Group in 2020 amounted to 7 % of the total costs.

#### ***Procurement activities of Segezha Group***

	2018	2019	2020
Purchase volume, thousand RUB	15 488 695	31 740 136	29 281 499
Number of suppliers, pcs.	3 872	5 142	5 448
Share of competitive purchases, %	77	86	86
Volume of purchases from local suppliers and contractors, thousand RUB	13 359 824	24 065 175	27 436 764
Share of purchases from local suppliers, %	86	76	94

Procurement structure in 2020:

- Raw materials – 32 %
- Material and technical resources – 36 %
- Works and services – 32 %

#### ***Information resources publishing information on procurement procedures***

 <i>Segezha Group corporate website</i>	 <i>Electronic trading B2B-Centre platform</i>	 <i>SAP Ariba – procurement and supplier relationship management platform</i>
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In July 2020, the SAP 4/S HANA automated system was put into commercial operation at Segezha Group enterprises, offering a set of solutions for building a common information space on the basis of an enterprise and efficient planning of resources and work processes.

Index	Result
Competitive purchases, %	86
Share of purchases from Russian suppliers, %	94
Average number of participants in competitive procurement	4
Economic effect of the procurement procedures performed, %	7

### **Segezha Packaging awarded EcoVadis Gold Level**

In 2021, Segezha Packaging Europe (holding company Arka Merchants Ltd.) was awarded the gold level of the EcoVadis platform for the first time.

“According to the results of the audit in 2020, the European enterprises of Segezha Group received the EcoVadis gold level and a very high 67 points. 7 points improved last year’s performance in the groups Environment, Sustainable procurement and others. “Gold” means that we have entered the TOP of the best companies evaluated by the platform”, said Rinat Stark, CEO of Segezha Packaging.

The EcoVadis platform aims to improve the performance of environmental organisations, business ethics and global supply chain practices. The methodology is based on international corporate social responsibility standards, taking into account the principles of the UN Global Compact, the International Labour Organisation (ILO) conventions, the Global Reporting Initiative (GRI), ISO 26000 Sustainable Development, and CERES (Coalition for Environmentally Responsible Business).

An international platform assesses the state of corporate, social and environmental responsibility. Based on the audit results in 2018 and 2019. The company was awarded a silver level.

### **Development plans**

In 2021, Segezha Group plans to develop procurement activities in the following areas:

- development of the process of annual and operational planning of supplies, work with bid campaigns;
- updating the methodology for assessing the effectiveness of procurement procedures;
- improvement of regulatory documentation in the field of planning and inventory management, warehouse operations and execution of contracts;
- advanced training of employees of purchasing departments;
- further building of procurement processes in SAP 4/S HANA and SAP Ariba.

## 5.2. Compliance and business ethics. Intolerance of unethical behaviour

### GRI 103-1

Segezha Group has an anti-corruption system, which includes a set of constantly improving organisational, economic, legal and informational measures.

### GRI 103-2

In its daily activities and in the implementation of projects around the world, Segezha Group adheres to the principle of rejection of corruption in all its forms and manifestations. This principle applies to interaction with participants in procurement procedures, investors, counterparties, government officials, subsidiaries and other persons.

The prevention of corruption offenses is the responsibility of all Segezha Group employees. Employees undergo periodic training and testing on corporate ethics and anti-corruption requirements, including studying the procedure for submitting an Ethical Declaration of Conflicts of Interest.

When hiring new employees, in order to familiarize themselves with the main provisions of the Anti-Corruption Group's regulations, training in anti-corruption measures is provided, as well as the business reputation and reliability of candidates for vacancies are studied.

In 2020, about 2 thousand Segezha Group employees underwent training and testing on business ethics and anti-corruption issues.

#### **Segezha Group joined the UN Global Compact**

Segezha Group has become a full member of the United Nations Global Compact.

The Global Compact is based on the ideas of UN Secretary General Kofi Annan: in 1999, at the World Economic Forum, he appealed to the leaders of the business community to conclude a "global agreement" on common values and principles so that the world market would acquire a "human face". Currently, the UN Global Compact includes more than 16 thousand commercial organisations and non-profit associations from more than 160 countries of the world. It is the world's largest and most respected corporate sustainability initiative. This mechanism voluntarily harmonizes the strategies and tactics of the participants in order to promote universal principles in human rights, labour standards, environmental protection and the fight against corruption through the active involvement of the business community in this activity in cooperation with civil society and representatives of the trade union sector. The participants in the UN Global Compact make a tangible contribution to the implementation of the sustainable development goals. The Treaty itself is a key instrument for strengthening cooperation between business and the UN.

"Segezha Group fully shares the ideology of sustainable business development. Our holding supports the Ten Principles of the UN Global Compact not only in words, but also in deeds – they are integrated into the relevant policies and strategies of the company, as well as into daily working practice. We intend to expand participation in programs aimed at realizing the UN Sustainable Development Goals. For us, joining the UN initiative is an opportunity not only to share our positive experience at the international level, but also to adopt from first-hand the world's best practices in sustainable development", comments the Managing Director for the Implementation of State Development Programs and Forest Policy of Segezha Group Nikolay Ivanov.

## **Ethical Guiding Principles**

### Confidence

During its existence, Segezha Group has managed to win the trust of counterparties and customers. Having built friendly partnerships with its shareholders, investors and employees, Segezha Group is committed to maintaining, strengthening and developing in the future.

### Openness

A transparent information policy not only guarantees the right of all interested parties to receive reliable and up-to-date information about the activities of Segezha Group, but is also one of the most important components of our corporate culture.

### Respect for people

The personnel policy is expressed in providing equal opportunities to all employees regardless of their nationality and religion, political views, personal convictions, gender and age.

### Professionalism

All decisions are made on the basis of properly verified data and professionally sound judgments.

### Impartiality and objectivity

All decisions, including the choice of counterparties, partners, the formulation of conditions for interaction with them, personnel and administrative decisions are made on transparent, fair market conditions without unreasonable preferences or prejudices, as well as on the basis of professionally grounded judgments.

### Refusal of corruption and unfair competition

Segezha Group refrains from engaging in unethical, illegal or unfair activities, and makes reasonable efforts and measures to ensure that business partners, counterparties, employees are devoted to the same high ethical standards in business relations.

## **Anti-corruption management system in Segezha Group. Regulatory documents<sup>25</sup> :**

Policy "Preventing and combating corruption": defines the basic principles and requirements in the field of combating corruption, contains a general description of all key elements of the anti-corruption system and procedures implemented in Segezha Group in order to prevent corruption.

Anti-Corruption Concept: an appendix to the Prevention and Anti-Corruption Policy, which systematizes the main approaches, procedures and tools used by Segezha Group to prevent/combat corruption and respond to corruption offenses.

Code of Ethics: contains the key principles of interaction: within the Group, with customers, the public and government agencies, as well as requirements for compliance with applicable laws.

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<sup>25</sup> Developed on the basis of Russian legislation and international standards: The United Nations Convention against Corruption, the Organization for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Officials in International Business Transactions and the UK Bribery Act 2010.



Internal Audit Code: regulates the administration of the United Hotline, as well as the conduct of inspections of compliance with the requirements of anti-corruption legislation and internal procedures in Segezha Group.

Regulations on the conduct of internal investigations: determines the procedure for organizing and conducting events aimed at a complete and objective study of facts, events and circumstances that have signs of a illegal acts, timely identification and prevention of conflicts of interest, corruption components in the activities of Segezha Group.

## GRI 102-16

### Anti-corruption principles:

- Rejection of corruption in any form and manifestation – prohibition of all managers, specialists, other employees, as well as persons acting on behalf of Segezha Group or in its interests, directly or indirectly, personally or through intermediaries, to participate in corrupt activities:
- Legality
- Personal example of leadership
- Business openness
- Due diligence – a comprehensive analysis of counterparties, including for their reliability
- Involvement of employees in anti-corruption
- Informing
- Refusal of retaliatory measures and sanctions – protection of the interests of employees who have reported in good faith , including anonymously, of the facts of corruption offenses known to them, as well as employees who have refused to commit such offenses, or participate in their commission as an intermediary.

### Basic tools:

“Single Hotline” (SHL) – a program for reporting deficiencies. Information about SHL is posted on all information resources of Segezha Group and in contracts concluded with counterparties.

Information channels:

Email to [hotline@segezha-group.com](mailto:hotline@segezha-group.com);

By phone + 7 (911) 053-33-00;

Letter to the address: 185035, Republic of Karelia, Petrozavodsk, 21 Lenin Street, marked “Single hotline”;

Through the site <http://segezha-group.com> on the Hotline page.

SHL promotes the development of dialogue between members of management bodies, partners, shareholders, counterparties and employees of the Group of Companies, as well as prevention of possible violations by timely informing the management of Segezha Group about the implementation of potential risks.

The company regularly reminds its employees about the key tasks of the SHL and the ways of transferring information to the responsible departments and implements measures aimed at improving the efficiency of the SHL in order to increase the share of targeted requests.

In total, in 2020, about 50 messages on the SHL were considered, of which 30 cases of corruption were confirmed. Based on the results of a thorough inspection, damage was paid to both individuals and legal counterparties of the Company. The total amount of prevented damage as a result of calls to the single hotline was about 4 million RUB.

#### **Activities:**

- monitoring of signal information about possible illegal activities of personnel, contractors and other interested parties;
- periodic assessment of corruption risks;
- publication of information subject to disclosure in the public domain on the official website on the Internet;
- ensuring the opportunity of informing about probable corruption actions on a confidential basis;
- monitoring and control of investment, purchasing and contracting activities;
- monitoring the actions of all participants in procurement procedures;
- inclusion of an anti-corruption clause in treaties;
- control of the agreement negotiation process, verification of counterparties to establish affiliated ties, identify factors of increased corruption risk;
- centralisation of information on counterparties in the 1C Holding Management program;
- comprehensive analysis in personnel work, including when hiring employees;
- training of personnel in anti-corruption practices and their testing.

In order to minimize the risk of corruption, the Security Directorate has organized and compulsory checks of counterparties in order to establish affiliated ties, identify factors of increased corruption risk.

At the end of 2020, **3,200 contractors** were checked, of which **57 were** not recommended for cooperation.

#### ***Number of Segezha Group employees trained***

	<b>2018</b>	<b>2019</b>	<b>2020</b>
Total, people	617	720	2000
% Of the total	5 %	6 %	15 %

**Number of checks for illegal actions, pcs.****GRI 205-1**  
**UNCTAD**

2018	2019	2020
168	172	178

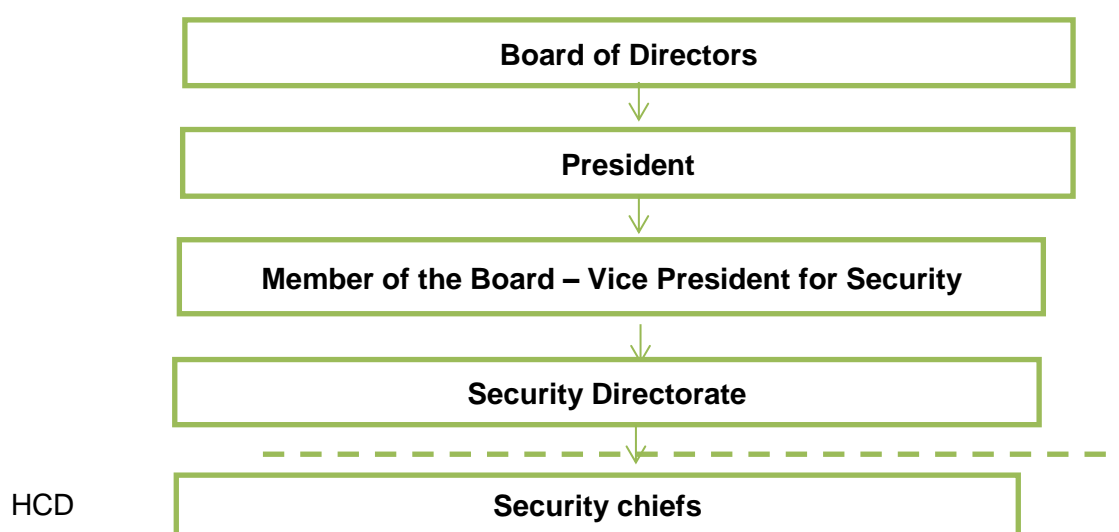
**GRI 205-3****Results of checks for illegal actions, pcs. (confirmed cases of violations)**

2018	2019	2020
12	7	4

**GRI 102-17****Corruption reporting system**

	2018	2019	2020
Targeted messages received via the "Single hotline", pcs.	55	52	50
Prevented/identified damage, mln RUB	0,9	4,6	278,8
Disciplinary measures taken against employees, pcs.	3	5	2

Responsible for the Anti-Corruption Department is the Vice President for Security.

**Organisational structure of the anti-corruption department**

## 5.3. Transparency

### Ethics and anti-corruption training for personnel

**GRI 103-3** Segezha Group employees undergo periodic education and training on corporate ethics and anti-corruption requirements, including studying the procedure for submitting an Ethical Declaration on Conflicts of Interest.

**GRI 205-2** When hiring new employees, in order to familiarize themselves with the main provisions of the Anti-Corruption Group's regulations, training in anti-corruption measures is provided, as well as the business reputation and reliability of candidates for vacancies are studied.

### Conflict of interests

**GRI 102-25** A conflict of interest arises when the personal interests of an employee affect or may affect the conscientious performance of his duties or lead to the use of his official position in order to obtain benefits or advantages if his interests do not coincide with the interests of the Company. If an employee believes that he has or may have a conflict of interest, then he is obliged to immediately send to the internal control and audit department of the Company the completed and signed Declaration on "Ethics and Conflict of Interest" and further assist in the prompt resolution of the conflict of interest.

### Relations with contractors

The Group continues to introduce anti-corruption clauses in contracts with contractors in order to familiarize contractors with the anti-corruption regulations of Segezha Group. In addition, the Company checks the business reputation of contractors and the absence of conflicts of interest with the Group.

Information about verified counterparties and subsequent work with them is centralized in the implemented information program "1C Holding Management".

**GRI 205-2** *Number of business partners familiar with anti-corruption policies and regulations, %*

Form of contract	2018	2019	2020
Segezha Group Form	100	100	100
Counterparty form	95	99	99
Account agreement	0	0	0

### Development plans

- Conducting training and educational events on prevention and combating corruption, aimed at informing Segezha Group employees about compliance with the requirements of business ethics and anti-corruption procedures.

- Formation of a clear understanding of the position of Segezha Group on the rejection of corruption in any form and manifestation among shareholders, partners, counterparties and employees.
- Updating local regulations in accordance with the current Russian and international anti-corruption legislation.
- Improvement of existing measures to minimize corruption and fraud risks by periodically assessing these risks.
- Carrying out work on the formation of a negative attitude towards corruption among Segezha Group employees.

## Annexes

### Annex 1. About the Report

Segezha Group presents its fourth Sustainability Report (hereinafter referred to as the Report). The report has been prepared in accordance with the best international practices for non-financial reporting.

#### Basic information about the Report

<b>Report format</b>	Sustainability report
<b>International standards</b>	GRI Standards (standards for reporting in sustainable development) AA1000SES (Stakeholder Engagement Standard)
<b>Disclosure Level GRI Standards</b>	The report was prepared in accordance with GRI Standards: basic level
<b>Reporting cycle</b>	1 year
<b>Reporting period</b>	2020
<b>Date of issue of the previous Report</b>	29.12.2019
<b>Certification of the content of the Report</b>	Internal audit. Public assurance. No professional audit assurance has been performed.

#### Report Boundaries

Sustainable development management is recorded at the level of Segezha Group Management Company – Segezha Group Management Company LLC.

Information in the Report is disclosed for the following structural units of Segezha Group:

- Management Company;
- Subdivisions of the Company for the production of paper and packaging (including foreign assets);
- Woodworking divisions of the Company;
- Subdivisions of the Company for the production of plywood and panels;
- Subdivisions of the Company for the procurement of forest resources;
- Subdivisions of the Company for housing construction.

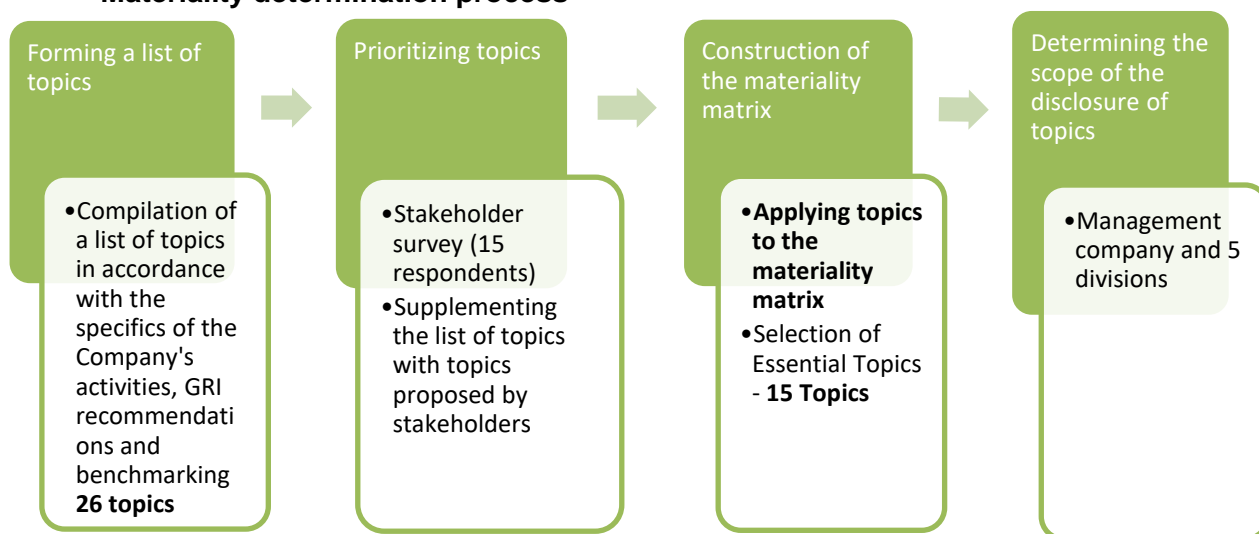
The scope of disclosure for each material topic is described in Appendix 2.

*For more details on the boundaries of the Report and the composition of structural units, see Appendix 2.*

In this Report, some indicators have been reformulated, detailed information on this is indicated in the relevant sections of the Report.

## Defining the content of the report

### Materiality determination process



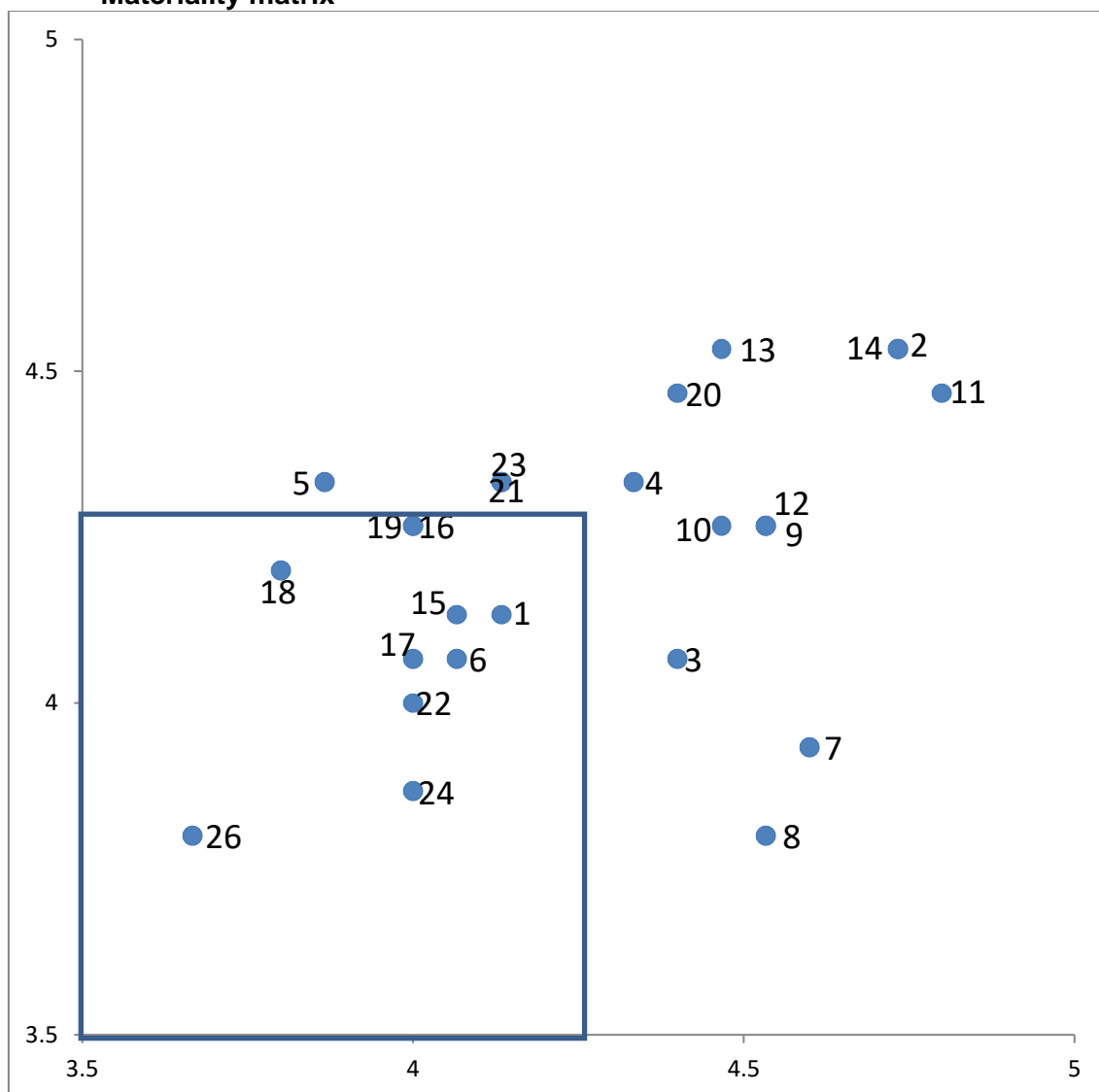
### Number of stakeholders involved in the materiality determination process, people

Key executives and personnel  
Professional associations  
Public authorities  
Public environmental organisations  
Public social and charitable.  
Educational institutions  
Science  
Shareholder



15 topics located in the upper right part of the materiality matrix were recognized as mandatory for disclosure.

**Materiality matrix**



1	Economic performance
2	Innovation and technology development
3	Indirect economic impacts
4	Responsible purchases
5	Anti-corruption
6	Markets and competition
7	New market trends related to sustainable development
8	Change of the climate
9	Power
10	Water resources
11	Carbon footprint
12	Waste
13	Materials (edit)
14	Restoring forests and caring for forest dwellers
15	Environmental Compliance
16	Employment
17	Qualification pit and staff shortage
18	Relationship between employees and management



19	Social obligations to employees
20	Occupational Safety and Health
21	Training and education
22	Anti-discrimination
23	Service quality
24	Social and economic situation in the regions of presence
25	Cybersecurity
26	Compliance with legal requirements in the provision of services

The 15 essential topics are highlighted in green.

#### Additional topics suggested by stakeholders

Stakeholder request	Information disclosure
Changing consumer preferences in Russia and abroad towards more environmentally friendly products and products with a lower carbon footprint	The Company's forecast on the impact of sustainable development trends on the market is presented in the Strategy section, page XX
Potential Impact of a Frontier Carbon Tax on a Company's Export Revenue	The issue will be considered when preparing the report for 2021.
The company's attitude to implementation of stricter regulation of greenhouse gas emissions in Russia, the company's participation in global industry initiatives to reduce emissions, the company's attitude to the introduction of a carbon tax in Russia	The issue will be considered when preparing the report for 2021.
Transition to an intensive model of forest use and restoration	Information on the intensive forest management model is presented in the Climate and Sustainable Management of Ecosystems section, p. XX
Implementation of the principles of social partnership; discrimination against employees of the same profession/specialty, but different branches/areas	The issue will be considered when preparing the report for 2021.

# Compliance with material topics of GRI

Essential topic	GRI Themes
Innovation and technology development	-
Indirect economic impacts	203
Responsible purchases	204
Anti-corruption	205
New market trends related to sustainable development	-
Change of the climate	307
Power	302
Water resources	303
Carbon footprint	305
Waste	306
Materials (edit)	301
Restoring forests and caring for forest dwellers	304
Occupational Safety and Health	403
Training and education	404
Service quality	419

## Appendix 2. Material Disclosure Limits

The data in the Report are disclosed for the Group of Companies as a whole, unless the text specifies a different boundary for disclosing aspects. Explanations regarding changes in the scope of disclosure and approaches to the calculation of indicators are indicated in the text of the Report in the form of notes.

Indicators reflecting the impact of the Company on the environment are disclosed for individual companies within divisions (they did not go through a special verification procedure).

Essential topic	Holding company LLC "GK" Segezha "Management company LLC" MC "Segezha Group"	Company divisions for the production of paper and packaging		Subdivisions of the Company for the procurement of forest resources	Subdivisions of the Company for the production of plywood and panels	Woodworking divisions of the Company	Subdivisions of the Company for housing construction	Energy divisions of the Company
		Segezha Packaging Russia	Segezha Packaging Europe					
102 General	+	+	+	+	+	+	+	+
103 Management Approach	+	+	+	+	+	+	+	+
201-1 Direct economic value generated and distributed	+	+	+	+	+	+	+	+
202-2 Proportion of senior management hired from the local community	+	+		+	+	+	+	+
203-1 Infrastructure investments and services supported	+	+		+	+	+	+	+
204-1 Proportion of spending on local suppliers	+	+		+	+	+	+	+
205-2	+	+	+	+	+	+	+	+

Communic ation and training about anti- corruption policies and procedures								
205-3 Confirmed incidents of corruption and actions taken	+	+	+	+	+	+	+	+
301-1 Materials used by weight or volume	+	+		+	+	+	+	+
301-2 Recycled input materials used	+	+		+	+	+	+	+
302-1 Energy consumptio n within the organizatio n	+	+	+	+	+	+	+	+
303-1 Interactions with water as a shared resource	+	+	+	+	+	+	+	+
303-2 Manageme nt of water discharge- related impacts	+	+	+	+	+	+	+	+
303-3 Water withdrawal	+	+		+	+	+	+	+
303-4 Water discharge	+	+		+	+	+	+	+
303-5 Water consumptio n	+	+	+	+	+	+	+	+
304-1 Operational sites owned, leased, managed in, or	+	+	+	+	+	+	+	+

adjacent to, protected areas and areas of high biodiversity value outside protected areas								
304-2 Significant impacts of activities, products, and services on biodiversity	+	+	+	+	+	+	+	+
304-3 Habitats protected or restored	+	+	+	+	+	+	+	+
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	+	+	+	+	+	+	+	+
305-1 Direct (Scope 1) GHG emissions	+	+		+	+	+	+	+
305-2 Energy indirect (Scope 2) GHG emissions		+		+		+		+
305-3 Other indirect (Scope 3) GHG emissions		+		+		+		+
305-7 Nitrogen oxides (NOx), sulfur	+	+		+	+	+	+	+

oxides (SOx), and other significant air emissions								
306-1 Waste generation and significant waste-related impacts	+	+		+	+	+	+	+
306-2 Management of significant waste-related impacts	+	+		+	+	+	+	+
306-3 Waste generated	+	+		+	+	+	+	+
306-4 Waste diverted from disposal	+	+		+	+	+	+	+
306-5 Waste directed to disposal	+	+		+	+	+	+	+
307-1 Non-compliance with environmental laws and regulations	+	+	+	+	+	+	+	+
401-1 New employee hires and employee turnover	+	+	+	+	+	+	+	+
401-3 Parental leave	+	+		+	+	+	+	+
403-1 Occupational health and safety management system	+	+	+	+	+	+	+	+
403-2	+	+		+	+	+	+	+

Hazard identification, risk assessment, and incident investigation								
403-3 Occupational health services	+	+		+	+	+	+	+
403-4 Worker participation, consultation, and communication on occupational health and safety	+	+		+	+	+	+	+
403-5 Worker training on occupational health and safety	+	+		+	+	+	+	+
403-6 Promotion of worker health	+	+		+	+	+	+	+
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	+	+		+	+	+	+	+
404-1 Average hours of training per year per employee	+	+		+	+	+	+	+
419-1 Non-compliance with laws	+	+	+	+	+	+	+	+

and regulations in the social and economic area								
Taxes	+	+	+	+	+	+	+	+

## Enterprises that are part of divisions

### Paper and Packaging Division

Subdivisions of the Company for the production of paper and packaging:

- 1 Segezha Pulp and Paper Mill JSC;
- 2 Sokol PPM PJSC;
- 3 Segezha Packaging LLC, (Russia);
- 4 Segezha Packaging Europe:
  - Arka Merchants Limited (Ireland)
  - Segezha Packaging B.V. (Netherlands)
  - Segezha Packaging A/S (Denmark)
  - Segezha Packaging s.r.o. (Czech)
  - Segezha Packaging S.R.L. (Romania)
  - Segezha Packaging S.P.A. (Italy)
  - Segezha Packaging Germany (Germany)
  - Segezha Ambalaj Sanayi Ve Ticaret Anonim Sirketi (Turkey)
- 5 Vologda Paper Manufactory LLC

### Logging Division

Subdivisions of the Company for the procurement of forest resources:

- 1 Branch of Segezha PPM JSC for forest resources;
- 2 Branch of Vyatka Plywood Mill LLC for forest resources;
- 3 Lendersk LPH JSC;
- 4 Muezersk LPH JSC;
- 5 LPK Kipelovo JSC;
- 6 Xylotech-Siberia LLC;
- 7 Onegales JSC;
- 8 PAO Volomsk KLPH Leskarel;
- 9 Ledmozerskoe LZH LLC;
- 10 Severlesprom LLC

### Plywood and Plates Division

Subdivisions of the Company for the production of plywood and panels:

- 1 Lesosibirsk LDK No. 1 JSC;
- 2 Vyatka Plywood Mill LLC;
- 3 Galich Plywood Mill LLC.

### Lumber Division

Woodworking divisions of the Company:

- 1 SDOK JSC;
- 2 Lesosibirsk LDK No. 1 JSC, including forest branches;



- 3 PO LDK No. 1 LLC;
- 4 LDK Segezha LLC;
- 5 Onezhsky LDK JSC;
- 6 Medvezhyegorsk Lespromkhoz LLC;
- 7 Xylotek-Siberia LLC (pellet production was also launched, therefore the enterprise also carries out woodworking);
- 8 Karelian Wood Company LLC (since January 2020).

Energy divisions of the Company:

- 1 Housing and Communal Services LDK No. 1 LLC;
- 2 Onega-Energia JSC.

### **Laminated Wood Structures and House Kits Division**

Subdivisions of the Company for housing construction:

- 1 SDOK JSC;
- 2 Sokol CLT LLC.

### **Others**

- 3 Segezha Group OCO LLC
- 4 Palace of Sports LLC.

## Appendix 3. GRI Content Index

### Main factors

GRI standard	Index	Report section	Excluded information
GRI 101 Basic provisions 2016 (does not contain indicators)			
GRI 102 Main indicators 2016	102-1 Organisation name		
	102-2 Types of products and services		
	102-3 Location of headquarters		
	102-4 Location of subdivisions		
	102-5 Nature of ownership and legal form		
	102-6 Markets in which the organisation operates		
	102-7 Scale of the organisation		
	102-8 Personnel Information		Breakdowns by gender, region and type of contract are shown separately.
	102-9 Supply chain		
	102-10 Changes in the scale, ownership structure or supply chain of an organisation		
	102-11 Precautionary Principle	Guided by the precautionary principle, the Company strives to avoid harm to the environment and conserve natural resources. The company conducts an assessment of environmental risks and measures that are aimed at preventing and reducing the negative impact on the ecosystem and possible risks.	
	102-12 External Initiatives		
	102-13 Membership in Associations		
	102-14 Statement by the Director		

	General / Chairman of the Board of Directors		
	102-16 Values, principles, standards and norms of behaviour of the organisation, codes of conduct / codes of ethics		
	102-18 Corporate governance structure		
	102-40 List of stakeholder groups		
	102-41 Collective agreements	Personnel management and personnel policy, p. XX	
	102-42 Identification and selection of stakeholders		
	102-43 Approach to Stakeholder Engagement		
	102-44 Key Stakeholder Requests		
	102-45 Legal entities included in the consolidated financial statements		
	102-46 Methodology for defining report content and topic boundaries		
	102-47 List of significant topics		
	102-48 Adjustments to information disclosed in previous reports		
	102-49 Changes in reporting		
	102-50 Reporting period		
	102-51 Date of publication of the previous report		

	102-52 Reporting cycle		
	102-53 Contact person for questions about the report		
	102-54 GRI Compliance Declaration		
	102-55 GRI Content Index		
	102-56 External assurance		

#### Essential topics

GRI standard	Index	Report section	Excluded information
GRI 203 Indirect Economic Impacts 2016	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	203-1 Investment in infrastructure and supported services		
GRI 204 Procurement Practices 2016	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	204-1 Percentage of purchases from local manufacturers and		
GRI 205 Anti-Corruption 2016	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	205-2 Communication		The number of employees who

	and training on anti-corruption policies and practices		underwent training is indicated without breaking down by categories of employees and regions of presence. The number of inspections for business partners is indicated without breakdown by types of partners and regions of presence. Information on the training of members of the Board of Directors is not provided.
	205-3 Confirmed Incidents of Corruption and Actions Taken		Not listed: number of confirmed cases that resulted in employees being fired or disciplined; the number of confirmed cases, as a result of which relations with counterparties were terminated (or were not renewed); cases of lawsuits against the company or its employees related to corruption and their results.
GRI 301 Materials 2016	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	301-1 Materials used by weight or volume		
	301-2 Recycled materials used		
GRI 302 Energy 2016	103-1 Characteristics of		

	the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	302-1 Energy consumption within the organisation		
GRI 303 Water and Goods 2018	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	303-1 Use of water as a shared resource		
	303-2 Management of impacts associated with water discharge		
	303-3 Water Intake <sup>26</sup>		The breakdown into fresh and other water is not indicated.
	303-4 Discharge		The breakdown into fresh and other water is not indicated, information on the presence of pollutants in the effluents is not indicated
	303-5 Water consumption		
GRI 304 Biodiversity 2016	103-1 Characteristics of the topic and scope of disclosure	Climate and sustainable ecosystem management, p. XX	
	103-2 Management Approach		
	103-3 Assessment of management approaches		

<sup>26</sup> Factor for converting thousand cubic meters to MI

	304-1 Operational sites owned, leased, managed or protected areas and adjacent areas, as well as areas of high biodiversity value outside protected areas		
	304-2 Significant impact of activities, products and services on biodiversity		
	304-4 Species on the IUCN Red List and on the National List of Protected Species with habitats in the area affected by the organisation's activities		
GRI 305 Emissions 2016	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	305-1 Direct greenhouse gas emissions		The gases included in the calculation are not indicated; no biogenic CO2 emissions reported.
GRI 306 Waste 2020	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	306-1 Waste generation and significant impacts associated with waste		

	3 06-2 Management of significant impacts associated with waste		
	306-3 Waste generation		
	306-4 Not buried waste		No breakdown by hazard class for non- buried waste provided (diverted from disposal)
	306-5 Buried waste		
GRI 307 Environmental Compliance 2016	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	307-1 Non- compliance with environmental laws and regulations		
GRI 403 Health and Safety at Work 2018	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	403-1 Occupational Health and Safety Management System		
	403-2 Hazard identification, risk assessment and incident investigation		
	403-3 Occupational health care		
	403-4 Personnel consultation on health and safety		
	403-5 Employee health and safety training		



	403-6 Improving worker health		
	403-7 Prevention and Mitigation of Health and Safety Impacts from Business Relationships		
	403-10 Occupational Diseases		Occupational diseases are not indicated; information on the number of injuries associated with occupational diseases is given indirectly in the form of a bullpen without breakdown by employees and contractors.
GRI 404 Training and Education 2016	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	404-1 Average annual teaching hours of one employee		Average duration of training is indicated without breakdown by gender and employee category.
GRI 419 Social and Economic Compliance	103-1 Characteristics of the topic and scope of disclosure		
	103-2 Management Approach		
	103-3 Assessment of management approaches		
	419-1 Violation of laws and regulations in social and economic spheres	There were no significant fines in the social and economic spheres of activity in 2020.	

Material topics not relevant to GRI topics

Subject	Index	Report section
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Innovation and technology development	103-1 Characteristics of the topic and scope of disclosure	New technologies, research and development
	103-2 Management Approach	
	103-3 Assessment of management approaches	
	List of used innovative technologies	
New market trends related to sustainable development	103-1 Characteristics of the topic and scope of disclosure	Strategy
	103-2 Management Approach	
	103-3 Assessment of management approaches	
	Overview of market trends related to sustainable development	

GRI indicators that are not included in the number of material, but which the Company considers important for disclosure

GRI standard	Index	Report section	Excluded information
GRI 202 Market presence 2016	202-2 Percentage of senior management recruited from the local community	Personnel management and personnel policy	
GRI 401 Employment 2016	401-3 Parental leave	Personnel management and personnel policy	The degree of retention for employees who took parental leave is not specified.

## Appendix 4. Key risks in the field of Segezha Group's sustainable development management

## Appendix 5. Summary of public hearings on the draft Sustainable Development Report Segezha Group for 2020.

Public hearings on the draft Sustainability Report of Segezha Group for 2020 (hereinafter referred to as the Report) were held on October 14, 2021 (14.00-15: 45) within the framework of the RBC ESG - (R) Evolution Congress (Moscow, Pokrovka St. , 47, "Digital Business Space", Auditorium-1), as well as with the addition of a part of the participants in the format of video conferencing on the Zoom platform.

Before the meeting, the participants of the public hearings received the following information materials:

- event program;
- Draft Segezha Group Sustainability Report 2020 (for public comment).

The event was attended by:

Segezha Group representatives		
1.	<b>Shamolin Mikhail</b>	CEO, Segezha Group
2.	<b>Ivanov Nikolay</b>	Vice-President for the State Programs Implementation, Sustainable Development and Forest Policy, Segezha Group
3.	<b>Mileshin Mikhail</b>	Member of the Management Board – Vice-President for Marketing and Innovation, Segezha Group
4.	<b>Vysokikh-Alyasiri Alena</b>	Sustainable Development Department, Segezha Group
5.	<b>Kalashnik Ekaterina</b>	Sustainable Development Department, Segezha Group
Representatives of the shareholder (PJSC Sistema) and subsidiaries		
6.	<b>Lebedkova Tatiana</b>	Business development & Communications Manager, Segezha Packaging
7.	<b>Chechik Anna</b>	Development Director of the Sistema Charitable Foundation
8.	<b>Kobyakov Maxim</b>	Head of Sustainable Development Department Moscow Territorial Administration of Etalon Group
9.	<b>Kovaleva Evgeniya</b>	Head of the Sustainable Development Department of JSC Agroholding "STEP"
Government representatives		
10.	<b>Panfilov Alexander</b>	Deputy Head of the Federal Forestry Agency
11.	<b>Shushpanova Gemma</b>	Leading Advisor of the Department of State Policy in the Timber Industry Complex of the Ministry of Industry and Trade of Russia
Investment community representatives		
12.	<b>Popov Ivan</b>	Director of the Agent Block of the Government of the Russian Federation VEB.RF
13.	<b>Nikitchanova Ekaterina</b>	Deputy Director - Head of the Expert Center of NP "Russian Institute of Directors"
14.	<b>Bekenev Maxim</b>	Independent financial consultant
Representatives of environmental organizations		
15.	<b>Shmatkov Nikolay</b>	FSC Russia, Editor-in-chief of the magazine "Sustainable Forest Management" WWF Russia
16.	<b>Voropaev Alexander</b>	Head of FTN Russia - Association of Environmentally Responsible Timber Industry, WWF Russia
17.	<b>Trushevskaya Natalia</b>	Director of Forest Certification LLC
18.	<b>Bakhalkhanov Nikolay</b>	Green movement of Russia ECA
19.	<b>Afanasyeva Kristina</b>	Ecoactivist and eco-trainer ECOCHELOVEK
Business community		
20.	<b>Safronov Anatoly</b>	First Deputy General Director of SFT Group
21.	<b>Ipp Sergey</b>	Managing Director of the Agro block of Cntrl2Go

<b>Mass Media</b>		
22.	<b>Chernogolovina Anna</b>	Channel +1 (Plus One)
<b>Public organizations</b>		
23.	<b>Sarkisova Svetlana</b>	Donor Forum, Project Manager
24.	<b>Botvina Elena</b>	Investment and Enterprise Division of the United Nations Conference on Trade and Development (UNCTAD)
<b>Representatives of educational and scientific organizations</b>		
25.	<b>Gerasimova Svetlana</b>	Head of the School of CSR and Sustainable Development of the Moscow International Higher School of Business "Mirbis"
26.	<b>Akim Mikhail</b>	Professor, PhD, Graduate School of Business / Department of Operations Management and Logistics, NRU HSE
27.	<b>Olga Korableva</b>	Doctor of Economics, Professor of St. Petersburg State University
<b>Representatives of the expert community</b>		
28.	<b>Zagidullin Zhan</b>	General Director of AKR "Yes-Strategy", member of the RSPP Council for Non-Financial Reporting (moderator of the hearings)
29.	<b>Semenova Anna</b>	Deputy Head of Reporting of AKP "Yes-Strategy"
30.	<b>Yulkin Mikhail</b>	General Director of CarbonLab LLC, member of the Working Subgroup on Carbon Regulation and the Carbon Trading System at the Bank of Russia
31.	<b>Dolgikh Elena</b>	General Director of the Agency "SSG Em", member of the Council of the Russian Union of Industrialists and Entrepreneurs for non-financial reporting
32.	<b>Zamorova Tatiana</b>	General Director of DuPont Sustainable Solutions (Russia and CIS)
33.	<b>Kotlamin Valentin</b>	Head of the "Petrochemicals, Consulting, CIS" direction of the "Argus Media" company
34.	<b>Pertseva Elena</b>	Deputy Director of the Department of Corporate Governance and Sustainable Development of FBK "Grant-Thornton"
35.	<b>Donnik Galina</b>	Manager, Corporate Governance and Sustainable Development, PwC Russia
36.	<b>Kharlamov Vyacheslav</b>	Executive Director Green Blue Management

## **I. Opening of public hearings**

The Public Hearings were opened by the presenter, Zhan Zagidullin, a member of the RSPP Council for Non-Financial Reporting, who introduced the participants to the hearings about the specifics of holding public hearings in a mixed format of face-to-face participation and video conferencing on the Zoom platform, the regulations, the program, and the objectives of the event.

## **II. Significance of ESG Agenda for Segezha Group: Strategic Perspective**

**The President and Chairman of the Management Board of Segezha Group Mikhail Shamolin** formulated the priority of the ESG agenda for the further successful development of the Company. He said that the Segezha Group conducted the first ESG audit on a voluntary basis, according to the results of which, in particular, for all the Company's assets, the task was set to have a positive balance of carbon units. According to M.V. Shamolin, this goal is achieved not only due to the large volume of leased forests, but also due to the transition of electricity generation from fuel oil to the use of bark and wood waste. The President of Segezha Group also confirmed the Company's intention by the end of 2022 to settle the entire range of environmental issues in the city of Segezha, Republic of Karelia, where the Group's main production cluster is located.

## **III. Forest and Climate Agenda: Prospects for Segezha Group**

**Ivanov Nikolay, Vice-President for the implementation of state programs, sustainable development and forestry policy of Segezha Group**, made a report on the strategic goals in the field of ESG, as well as on key projects in this area. He said that for the next three to five years, the Company has allocated four blocks of concentration of efforts in the field of ESG: an innovative forest business, a comfortable life in the forest regions of Russia, a responsible supply chain, as well as climate-oriented forest management and production.

According to the speaker, the most important tasks of the Company in the field of ecology are sustainable forest management, assessment of climate risk management, implementation of an intensive model, prevention and fire fighting. Ivanov N.M. emphasized that Segezha Group has already reached 100% reforestation in relation to the volume of logging in the previous year.

Other important ESG challenges include increasing the share of clean energy consumption, producing biofuels from waste and by-products of woodworking and logging, and moving to a fully closed production cycle. Segezha Group contributes to low carbon construction (CLT), the release of new types of biodegradable packaging in relation to its recyclability and use. The speaker also noted that the Segezha Group is introducing an automated dispatching system "Segezha Les", which allows you to effectively control the work of forestry equipment, plan the forest fund, forecast the forest resource base and create forest infrastructure. Simultaneously with these processes, Segezha Group is introducing an intensive forest management model on the territory of its forest lease, which will significantly increase the absorbing capacity of forests in up to ten years. In conclusion of the report Ivanov N.M. announced the targets and plans of the Company in the field of ESG for the future period.

## **IV. Innovative forestry business: prospects for products from renewable materials**

**The Vice President for Marketing and Innovation of Segezha Group Mikhail Mileschin** made a presentation on the agenda for innovative development of the forest business and the introduction of new technologies into the Company's activities. The speaker spoke about the drivers of the Company's development and product innovations. According to him, the main emphasis in product development was made by the Company in three areas: packaging business (biodegradable solutions from kraft paper and thermoformed packaging from cellulose fiber); plywood and boards; glued wooden structures and house building technologies. The speaker spoke in detail about the effectiveness of low-carbon construction technology based on CLT panels and the launch of the first large-scale industrial production of CLT panels in Russia for mass wooden housing construction, including multi-storey ones. In conclusion, the speaker spoke about the planned construction projects based on CLT-panels - a hotel and tourist complex and a golf club.

**V. Submission of the 2020 Sustainable Development Report. Social responsibility of Segezha Group: employee development and social investments in the regions of presence**

**Alena Vysokikh-Alyasiri, Director for Sustainable Development of Segezha Group,** presented the Sustainable Development Report for 2020 and the standards for which it was made, also provided stakeholders with information on the Company's contribution to the fight against COVID-19, on the main social results and achievements of the Company for 2020, marked the key ESG projects on interaction with local communities in the regions of presence, implemented in the reporting period.

**Vi. Stakeholder presentations**

Representatives of stakeholders were invited to assess the completeness and materiality of the information disclosed in the Report and to express their wishes and recommendations for the Company's activities in the field of ESG in general.

All the participants in the hearings who spoke positively assessed the completeness and materiality of the information presented in the Report.

***Comments and suggestions from interested parties participating in the hearings:***

<b>Representative</b>	<b>Comments</b>	<b>Suggestions</b>
1. Panfilov Alexander, Rosleskhoz (in person)	The report is quite interesting and unique for the industry; the format of today's event is also useful. At the very least, it deserves to be continued and extended to other companies in the industry.	<ol style="list-style-type: none"> <li>1. For the balance of the Report, it is important to take into account that the ecology of forest companies is not only a climate agenda, but also the obligations that the Company undertakes to care for the leased forest.</li> <li>2. In the future, include in the reporting perimeter of the Company newly acquired assets while maintaining the total volume of information and disclosed indicators.</li> <li>3. In the following reports, it makes sense to pay special attention to the issues of traceability of the Company's products, issues of timber turnover, which in the context of the European carbon tax will be of great importance in the future.</li> <li>4. In the future, it is recommended to invite representatives of the Ministry of Industry and Trade and the Ministry of Energy of Russia to public hearings on the Company's Report, since some of the Company's projects are related to another industry (for example, the energy sector includes a plan to switch from fossil fuels to biofuels).</li> </ol>
2. Bakhalkhanov Nikolay, Green Movement of Russia ECA (in person)	I appreciate the report and the format of the dialogue	5. To consider for the Company the possibility of implementing volunteer projects with the participation of the population on forest planting and firefighting in the regions of Segezha Group presence (there is a great demand for such projects).
3. Shmatkov Nikolay, FSC (online)	The report is good, high quality.	6. In the next reporting cycles, tell in more detail about the results of the implementation of the FSC standard.

		<p>7. It is worth assessing the Company's contribution to the achievement of the UN SDGs, in the prevention of greenhouse gas emissions by preserving intact forests (FSC plans to develop a similar calculator).</p> <p>8. In the following reporting cycles, provide information on the results of reforestation in a broader manner: provide a separate line for thinning, as well as data on plantations of target species by the areal method, and, if possible, provide a map on the website indicating the planted target species.</p>
4. Yulkin Mikhail, CarbonLab (online)	The report is interesting and sets a positive precedent in Russia: a public company issues non-financial statements.	<p>9. Companies should pay special attention to:</p> <ul style="list-style-type: none"> <li>a. to take into account climatic risks;</li> <li>b. the need to have a climate strategy, climate goals, which can become an important factor in obtaining loans and investments;</li> <li>c. the importance for end users of consistent reduction of the carbon footprint of the Company's products.</li> </ul>
5. Trushevskaya Natalya, Forest certification (full-time)	We were pleasantly surprised by the quality of openness and awareness of the Segezha Group's forestry business.	<p>10. It is advisable in future reports to reflect exactly how the recently acquired asset (Russian Forest Group) will be integrated into the Segezha Group's responsible and transparent business standards.</p> <p>11. We warmly support the goals of Segezha Group mentioned in the Report for 100% forest certification in accordance with FSC standards.</p>
6. Bekenev Maxim, financial analyst (in person)	Excellent format of a conversation with the Company.	<p>12. For the future period, link the results and actions of the Company on fire extinguishing of forest fires for the reporting period, so that the contribution of the Company directly can be determined.</p> <p>13. Provide target metrics and goals for forest firefighting, forest fire prevention, and forest fire risk reduction.</p>
7. Akim Mikhail, Higher School of Economics (online)	Very good activities, great performances. A very worthy Report, it provides information in full.	<p>14. Consider a wider range of ESG ratings to represent the development of this practice in the Company.</p> <p>15. Try to reduce duplication of information from the Annual Report.</p> <p>16. Provide detailed explanations of the dynamics of the figures in the Report.</p> <p>17. To systematically represent how the task of switching to biodegradable packaging is being implemented in other areas of the Company's activity (in particular, in R&amp;D research and in the formation of new products).</p> <p>18. Whenever possible, provide information not only on direct, but also on indirect</p>

		<p>costs for the environment (specialized equipment, technical innovations, etc.).</p> <p>19. To improve understanding of the figures in the Report, it is advisable to provide them with a comparison with some benchmark (for example, data on wastewater disposal).</p> <p>20. It would be nice to explain how the topic of human rights is being implemented in digitalization projects (cooperation with SAP) and the conclusion of agreements with universities.</p> <p>21. Explain how executive compensation relates to the achievement of ESG KPIs, especially environmental issues.</p> <p>22. Explain which part of the Company's products and why can serve as a carbon dioxide deposit.</p> <p>23. The phrase in the Report that the Company's products are "made from natural fiber without the use of chemicals" needs to be clarified, since the production of paper is directly related to the use of a large number of chemicals.</p> <p>24. In future reports, supplement the disclosed indicators with data on greenhouse gas emissions (scope 3).</p>
8. Nikitchanova Ekaterina, (online)	RID In the report, the Company presented an important transparency format, it is convenient. The information in the Report is substantial, but not complete and is inconsistent with the data of the Annual Report for certain points.	<p>25. In the Report, more use of structural schemes, in particular, when presenting the corporate governance system of the Company, indicating the competence of the board of directors and other management bodies.</p> <p>26. Synchronize (unify) the sections on corporate governance between the Annual Reports and the Sustainable Development Report.</p> <p>27. Pay particular attention to the uniformity in the Annual Report and the Sustainability Report of the descriptions of the corporate governance bodies, the number and names of the committees of the board of directors. Include in the Reports an explanation of the changes in the composition and names of these committees.</p> <p>28. It is advisable to explain in future reports the relationship between senior management remuneration and the implementation of KPIs in the field of ESG, as well as the ratio of remuneration of top management and personnel of the Company.</p> <p>29. Show the dynamics of the development of gender diversity in the management of the Company in a uniform manner in the Annual Report and the Report on</p>



		<p>Sustainable Development, disseminating this information not only to the board of directors, but also to the management of the Company.</p> <p>30. It is also important in the Report to disclose information on the ESG issues considered by the Board of Directors of the Company.</p>
9. Safronov Anatoly, SFT Group (in person)	Very good event, data from the hearing, very good report of the Company, it can be used as a best practice for benchmarking.	31. From the point of view of educating the younger generation and developing resource conservation practices, I invite the Company to get acquainted with the SFT Group's Paper Boom project together with UPM. Perhaps this will be useful and give you new ideas for projects.
10. Voropaev Alexander, WWF (in person)	The report is complete and contains material information.	<p>32. In the future, it is recommended to ensure transparency and public acceptance of the methodology for collecting carbon footprint data, as well as verify these data.</p> <p>33. In the long term, reflect in the Report how the Company is adapting to climate change in the long term (specifics of logging in warmer climates, dry or humid forests, wind strength, etc.), and how it will cope with these challenges.</p> <p>34. Consider the possibility of involving the population of the regions of presence in the forestry management scheme, providing them with more information and communication with the Company about its plans, launching volunteer reforestation projects, etc. All this can reduce the risks associated with interaction with indigenous and small peoples in the regions where the Company operates.</p> <p>35.</p>
11. Chechik Anna, Sistema CF (online)	Congratulations to the Company on a successful event and an excellent Report.	36. In future reports, more broadly tell about social projects implemented by the Company in cooperation with the Sistema Charitable Foundation.

#### **Vi. Completion of public hearings**

At the end of the hearing Ivanov N.M. and Mileshin M.A. thanked all the participants in the public hearings and noted that the recommendations received will be taken into account as much as possible in the current report and in the activities of the Company, as well as in the next reporting cycles.

**Hearing host, General Director of NP AKR "Yes-Strategy", Zagidullin Zh.K.**

**Vice President for Government Programs, Sustainable Development and Forest Policy, Segezha Group, Ivanov N. M.**

## Appendix 7. Table of consideration of comments and recommendations of stakeholders

Representative	Stakeholder comments and recommendations	Company Response
1. Recommendations received from the stakeholder survey to determine materiality	1.Changing consumer preferences in Russia and abroad towards more environmentally friendly products and products with a lower carbon footprint	The Company's forecast on the impact of sustainable development trends on the market is presented in the Strategy section.
	2.Potential Impact of a Carbon Border Adjustment Tax on a Company's Export Revenue	The issue will be considered when preparing the report for 2021.
	3.The company's attitude to the introduction of stricter regulation of greenhouse gas emissions in Russia, the company's participation in global industry initiatives to reduce emissions, the company's attitude to the introduction of a carbon tax in Russia	The issue will be considered when preparing the report for 2021.
	4. Transition to an intensive model of forest use and restoration	Information on the intensive forest management model is presented in the Climate and Sustainable Ecosystem Management section.
	5.Implementation of the principles of social partnership; discrimination against employees of the same profession / specialty, but different branches / areas	The issue will be considered when preparing the report for 2021.
2. Panfilov Alexander, Rosleskhoz (in person)	6.For the balance of the Report, it is important to take into account that the ecology of forest companies is not only a climate agenda, but also the obligations that the Company undertakes to care for the leased forest.	The obligations of the Company to care for the forest are disclosed in the subsections Reforestation, Prevention of forest fires, Measures to preserve high conservation value forests, Conservation of biodiversity.
	7.In the future, include in the reporting perimeter of the Company newly acquired assets while maintaining the total volume of information and disclosed indicators.	It will be taken into account when preparing subsequent reports of the Company.
	8.In the following reports, it makes sense to pay special attention to the issues of traceability of the Company's products, issues of timber turnover, which in the	

	context of the European carbon tax will be of great importance in the future.	
	9. In the future, it is recommended to invite representatives of the Ministry of Industry and Trade and the Ministry of Energy of Russia to public hearings on the Company's Report, since some of the Company's projects are related to another industry (for example, the energy sector includes a plan to switch from fossil fuels to biofuels).	
3. Bakhalkhanov Nikolay, Green Movement of Russia ECA (in person)	10. To consider for the Company the possibility of implementing volunteer projects with the participation of the population on forest planting and firefighting in the regions of Segezha Group presence (there is a great demand for such projects).	The issue will be considered by the management of the Company.
4. Shmatkov Nikolay, FSC (online)	11. In the next reporting cycles, tell in more detail about the results of the implementation of the FSC standard.	It will be taken into account when preparing subsequent reports of the Company.
	12. It is worth assessing the Company's contribution to achieving the UN SDGs, in preventing greenhouse gas emissions by preserving intact forests (FSC plans to develop a similar calculator).	The issue will be considered by the management of the Company.
	13. In the following reporting cycles, provide an expanded information on the results of reforestation: provide a separate line for thinning, as well as data on plantations of target species by the areal method, and, if possible, provide a map on the website indicating the planted target species.	It will be taken into account when preparing subsequent reports of the Company.
5. Yulkin Mikhail, CarbonLab (online)	14. Companies should pay special attention to: a. to take into account climatic risks; b. the need to have a climate strategy, climate goals, which can become an important factor in obtaining loans and investments; c. the importance for end users of consistent reduction of the carbon footprint of the Company's products.	Information on risks, including climatic ones, is disclosed in Appendix 3. Key risks in the field of sustainable development management of Segezha Group. The possibility of expanding the disclosed information will be considered in the preparation of subsequent reports of the Company.
6. Trushevskaya Natalya, Forest certification (full-time)	15. It is advisable in future reports to reflect exactly how the recently acquired asset (Russian Forestry Group) will be integrated into the Segezha Group's responsible and transparent business standards.	It will be taken into account when preparing subsequent reports of the Company.

	16.We warmly support the goals of Segezha Group mentioned in the Report for 100% forest certification in accordance with FSC standards.	-
7. Bekenev Maxim, financial analyst (in person)	17.For the future period, link the results and actions of the Company on fire fighting forest fires for the reporting period, so that the contribution of the Company directly can be determined.	It will be taken into account when preparing subsequent reports of the Company.
	18.Provide target metrics and goals for forest firefighting, forest fire prevention, and forest fire risk reduction.	
8. Akim Mikhail, Higher School of Economics (online)	19.Consider a wider range of ESG ratings to represent the development of this practice in the Company.	It will be taken into account when preparing subsequent reports of the Company.
	20.Try to reduce duplication of information from the Annual Report.	
	21.Provide detailed explanations of the dynamics of the figures in the Report.	
	22. To present systematically how the task of switching to biodegradable packaging is being implemented in other areas of the Company's activity (in particular, in R&D research and in the formation of new products).	
	23.Whenever possible, provide information not only on direct, but also on indirect costs for the environment (specialized equipment, technical innovations, etc.).	
	24.To improve understanding of the figures in the Report, it is advisable to provide them with a comparison with some benchmark (for example, data on wastewater disposal).	
	25.It would be nice to explain how the topic of human rights is being implemented in digitalization projects (cooperation with SAP) and the conclusion of agreements with universities.	
	26.Explain how executive compensation relates to the achievement of ESG KPIs, especially environmental issues.	
	27.Explain which part of the Company's products and why can perform the function of carbon dioxide deposition.	The section Greenhouse gas emissions describes the Company's initiatives to account for carbon dioxide deposition.
	28.The phrase in the Report that the Company's products are "made from natural fiber without the use of chemicals" needs to be clarified, since the production of paper is directly related to the use of a large number of chemicals.	It will be taken into account when preparing subsequent reports of the Company.

	29. In future reports, supplement the disclosed indicators with data on greenhouse gas emissions (scope 3).	
9. Nikitchanova Ekaterina, RID (online)	30. In the Report, more use of structural schemes, in particular, when presenting the corporate governance system of the Company, indicating the competence of the board of directors and other management bodies.	It will be taken into account when preparing subsequent reports of the Company.
	31. Synchronize (unify) the sections on corporate governance between the Annual Report and the Sustainable Development Report.	Partially taken into account in the current report, it will also be taken into account in the preparation of subsequent reports of the Company.
	32. Pay particular attention to the uniformity in the Annual Report and the Sustainability Report of the descriptions of the corporate governance bodies, the number and names of the committees of the board of directors. Include in the Reports an explanation of the changes in the composition and names of these committees.	
	33. It is advisable to explain in future reports the relationship between senior management remuneration and the implementation of KPIs in the field of ESG, as well as the ratio of remuneration of top management and personnel of the Company.	It will be taken into account when preparing subsequent reports of the Company.
	34. Show the dynamics of the development of gender diversity in the management of the Company in a uniform manner in the Annual Report and the Report on Sustainable Development, disseminating this information not only to the Board of Directors, but also to the management of the Company.	Partially taken into account in the current report, it will also be taken into account in the preparation of subsequent reports of the Company.
	35. It is also important in the Report to disclose information on the ESG issues considered by the Board of Directors of the Company.	It will be taken into account when preparing subsequent reports of the Company.
10. Safronov Anatoly, SFT Group (in person)	36. From the point of view of educating the younger generation and developing resource conservation practices, I invite the Company to get acquainted with the SFT Group's Paper Boom project together with UPM. Perhaps it will be useful and give you new ideas for projects.	The issue will be considered by the management of the Company.
11. Voropaev Alexander, WWF (in person)	37. In the future, it is recommended to ensure transparency and public acceptance of the methodology for collecting carbon footprint data, as well as verify these data.	
	38. In the long term, reflect in the Report how the Company is adapting to climate change in the long term (specifics of logging in warmer climates, dry or humid forests, wind strength, etc.), how it will cope with these challenges.	It will be taken into account when preparing subsequent reports of the Company.

	39. Consider the possibility of involving the population of the regions of presence in the forestry management scheme, providing them with more information and communication with the Company about its plans, launching volunteer reforestation projects, etc.	The issue will be considered by the management of the Company.
12. Chechik Anna, Sistema CF (online)	40. In future reports, more broadly tell about social projects implemented by the Company in cooperation with the Sistema Charitable Foundation.	Partly taken into account in the current report and will be taken into account when preparing subsequent reports of the Company.

## Glossary

<b>Business model</b>	a description of significant factors and mechanisms through which the organization ensures creation, growth, and retention of value over a long period of time, transforming resources available to it into the results of its business activities
<b>Climate-related opportunities</b>	potentially promising areas of activity that, considering climate change as well as measures aimed at preventing negative climate impact taken by governments and regulators of the countries – members of the Paris Agreement, can be used and developed by companies to create competitive advantage and increase organization's attractiveness in the eyes of various stakeholders
<b>Renewable resources</b>	natural resources, the reserves of which either recover faster than they are used, or do not depend on whether they are used or not
<b>Felling age</b>	a condition that is most consistent with the functional purpose of the forests
<b>Divisional management structure</b>	organizational management type, in which strategy and general coordination are centralized, whereas mid-term and operational decision-making is decentralized
<b>Due diligence in sustainable development</b>	a procedure that enables organization to identify, prevent, mitigate, or account for the actual or potential negative impacts on the environment (including climate), on the social sphere (including human rights protection) and on the economy produced by the organization itself, by its suppliers, contractors, customers and consumers.
<b>Stakeholders</b>	state bodies, local authorities, public law entities, legal entities and individuals who may be interested in the results of the organization's activities and its value creation and (or) may have a significant impact on the activities, products and services of the company, or whose decisions or actions can affect the organization's ability to create value, successfully implement its strategies and achieve its goals, as well as the individuals and entities affected by the organization's activities
<b>"Green" project</b>	a project that meets the criteria for green projects established by Decree of the Government of the Russian Federation dated 09.21.2021 No. 1587 "On approval of criteria for sustainable (including green) development projects in the Russian Federation and requirements for the verification system for sustainable (including green) development projects in the Russian Federation" and corresponding to one or several main directions of sustainable (including green) development of the Russian Federation (waste management; energy; construction; industry; transport and industrial equipment; water supply and sanitation; natural landscapes, rivers, reservoirs and biodiversity; agriculture). Green projects are aimed at achieving the goals of the Paris Agreement or one or more of the UN Sustainable Development Goals (No. 6-9, 11-15). Implementation of such projects contributes to the achievement of goals related to positive environmental impact (preservation, protection and improvement of the environment; reduction of emissions and pollutants discharges and (or) prevention of their impact on the environment; reduction of greenhouse gas emissions; energy saving and increased efficiency of resources usage, etc.).

	Unlike adaptational projects, it sets higher criteria for similar areas. Projects also cover topics of construction, water supply and sanitation, natural landscapes, rivers, reservoirs and biodiversity.
<b>Climat risks</b>	risks that are associated with the impact of climate change and measures taken by governments and regulators to prevent the negative impact of people on climate and that can have a negative impact on the organization's activities. They include physical climate risks and transient climate risks.
<b>Reforestation</b>	growing forests in areas subject to felling, fires, etc.
<b>Cutting area</b>	a section of the forest set aside for felling
<b>Firebreaks</b>	this is an artificially formed fire barrier created by cleaning a linear section of the territory bordering a forest from combustible materials (plowing the soil with a tractor to a certain width)
<b>Non-renewable resources</b>	natural resources that cannot be restored on their own and are not artificially renewable
<b>Responsible forest management</b>	economically profitable, environmentally responsible, socially oriented forest management that takes into account long-term preservation of the value and diverse functions of forests for present and future generations of people at the local, regional and global levels
<b>Scope 1 / Tier 1 greenhouse gas emissions</b>	direct emissions of greenhouse gases from sources owned or controlled by the company. For example, emissions from production, emissions from the company's own vehicle fleet.
<b>Scope 2 / Tier 2 greenhouse gas emissions</b>	greenhouse gas emissions from the production of heat and electricity purchased and consumed by the company
<b>Scope 3 / Tier 3 greenhouse gas emissions</b>	other indirect greenhouse gas emissions (excluding Tier 2 greenhouse gas emissions (Scope 2) that occur in the company's value chain, including on the side of consumers and suppliers. For example, emissions associated with the transportation and processing of products, business travel, franchises, investments, etc.
<b>Pellets (fuel briquettes)</b>	standardized cylindrical products made by high-pressure pressing of agricultural waste, dried and shredded wood, or other biomass without the use of any binding elements
<b>Absorption/sequestration of greenhouse gases</b>	a natural process or type of economic activity, as a result of which greenhouse gases are extracted from the atmospheric air and accumulated in other components of the natural environment, natural-anthropogenic and anthropogenic objects (the concept is defined in Federal Law dated 02.07.2021 No. 296-FZ "On limiting greenhouse gas emissions").
<b>Allowable cut</b>	the permitted maximum annual volume of timber harvesting by final felling within a certain territory and economic section
<b>Carbon footprint</b>	the total volume of greenhouse gas emissions and absorption of greenhouse gases generated during the production of products or during the provision of services, which includes direct greenhouse gas emissions (generated as a result of economic and other activities), indirect greenhouse gas emissions (associated with the consumption of electricity, heat energy, other resources



	used to support economic and other activities and obtained from external facilities), absorption of greenhouse gases as a result of economic and other activities, with consideration of the carbon units for which the offset was made (the concept is defined in the Federal Law of 02.07. 2021 No. 296-FZ "On limiting greenhouse gas emissions").
<b>Functional management structure</b>	the management structure, formed in accordance with the main directions of the organization's activities, where the divisions are combined into blocks
<b>Sustainable Development Goals</b>	list of goals set in the document "The 2030 Agenda for Sustainable Development", adopted by the resolution of the United Nations General Assembly on September 25, 2015

## Abbreviations

<b>JSFC "Sistema"</b>	Joint-stock financial corporation "Sistema", the management company of the Segezha Group.
<b>LVPTs</b>	forests of high conservation value, in which the value of the wood raw materials stored in them is of secondary importance in comparison with their importance for the preservation of biodiversity, maintaining ecological balance and / or meeting the needs of the local population
<b>IFRS</b>	International Financial Reporting Standards, a set of documents (standards and interpretations) that regulates financial statements required by external users to make economic decisions in relation to an enterprise
<b>SPNA</b>	plots of land, water surface and airspace above them, where natural complexes and objects are located that have special environmental, scientific, cultural, aesthetic, recreational and health-improving significance, which are wholly or partially restricted from economic use by the state authorities and for which special protection regime is established
<b>RSPP</b>	The Russian Union of Industrialists and Entrepreneurs, a Russian public organization representing the interests of the business community
<b>UN SDGs</b>	United Nations Sustainable Development Goals
<b>FSC</b>	Forest Stewardship council ®, Forest Stewardship Council
<b>GRI</b>	Global Reporting Initiative, the Global Reporting Initiative, an organization dedicated to developing and promoting non-financial reporting standards
<b>ISO 14 001</b>	international standard containing requirements for environmental management system
<b>OHSAS 18 001</b>	health and safety management system
<b>OIBDA</b>	Operating Income Before Depreciation And Amortization, an analytical indicator that means operating income before deducting depreciation of fixed assets and intangible assets
<b>R&amp;D</b>	Research & Development

<b>WWF</b>	WWF, a non-governmental organization working in areas related to the conservation, research and restoration of the environment
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## Units

<b>ha</b>	A hectare is a unit of measure for area equal to 10,000 m <sup>2</sup> .
<b>GJ</b>	Gigajoule is a unit of measure for work, energy and amount of heat in the International System of Units
<b>Gcal</b>	Gigacalorie - thermal energy or the amount of heat that is needed to heat 1,000 m <sup>3</sup>
<b>kW * h</b>	Energy, heat produced or consumed, and mechanical work performed
<b>m<sup>3</sup></b>	Cubic meters
<b>RUB mln</b>	One million rubles
<b>RUB bln</b>	Billion rubles
<b>T</b>	Tons
<b>th. rubles</b>	Thousand rubles

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