

APPROVED by
the Board of Directors
of
Segezha Group PJSC on
April 9, 2021,
Minutes No. 10/21 dated
April 9, 2021

**INTERNAL AUDIT
CODE
OF SEGEZHA GROUP
K 002-1-2021**

Document details

Document type	Code
Description	This document regulates the internal audit processes in the entities of Segezha Group
First audit year	2024
Audit frequency	3 years

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APPROVED:

By the Resolution of the Board of Directors of Segezha Group PJSC (Minutes No. 10/21 dated April 9, 2021)

REPLACES K 002-2021. The Internal Audit Code of Segezha Group, approved by Order of the President of Segezha Group PJSC No. 15 dated February 12, 2021 (based on the Resolution of the Board of Directors of Segezha Group PJSC dated February 12, 2021 (Minutes No. 4/21 dated February 12, 2021))



	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 3 of 15

TABLE OF CONTENTS

1. PURPOSE OF THE CODE	4
2. RESPONSIBILITY FOR APPLICATION	4
3. REGULATORY REFERENCES	4
4. GENERAL PROVISIONS.....	5
5. GOALS AND OBJECTIVES OF THE INTERNAL AUDIT SYSTEM.....	5
6. PRINCIPLES OF THE IAD'S OPERATION	6
7. INTERNAL AUDIT DUTIES.....	7
8. CONDUCTING AUDITS	8
9. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAM	12
10. PROCEDURE FOR MAKING AMENDMENTS AND SUPPLEMENTS TO THE CODE.....	13

	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 4 of 15

1. PURPOSE OF THE CODE

This Code regulates the internal audit processes in Segezha Group PJSC (hereinafter referred to as the "Company") and in other entities that are a part of Segezha Group¹ (hereinafter referred to as the "Organizations of Segezha Group"), for which the Managing Director and Chief Internal Auditor is responsible.

This Code establishes the overall goals, objectives, and operating principles of the internal audit of the Company and the Organizations of Segezha Group and the allocation of duties and powers of their subjects.

2. RESPONSIBILITY FOR APPLICATION

The following officers of the Company and the Organizations of Segezha Group shall read this Code and use it in their work:

- President;
- Vice Presidents;
- Heads of Divisions;
- Heads of Business Units;
- Heads of the Organizations of Segezha Group.

This Code shall become binding on the Organizations of Segezha Group from the moment of their adherence to the Code by issuing an order to that effect. Control over compliance with the requirements and procedures stipulated by this Code in the Organizations of Segezha Group shall be exercised by the Managing Director and Chief Internal Auditor.

The executives and employees of the Company and the Organizations of Segezha Group shall be personally liable for compliance with the requirements of this Code, as well as for actions of their subordinates in terms of compliance with the principles and requirements of the Code.


Persons who violate the requirements of this Code may be subject to disciplinary, administrative, civil or criminal liability pursuant to the procedure and on the grounds set forth by the laws of the Russian Federation, the Articles of Association of the Company, bylaws and employment contracts.

3. REGULATORY REFERENCES

This Code has been drafted pursuant to the current laws of the Russian Federation, with due regard for international corporate governance practices and the recommendations and provisions contained in the following documents:

- COSO Internal Control, which is a methodology developed by COSO for building and assessing an internal control system;
- The International Professional Practices Framework (hereinafter, the "IPPF") developed by the International Institute of Internal Auditors;
- The Corporate Governance Code recommended for use by the Bank of Russia;
- Federal Law No. 402-FZ dated December 6, 2011 "On Accounting";
- Information of the Ministry of Finance of Russia No. PZ-11/2013 "Management and internal control of ongoing business operations, bookkeeping and compilation of accounting (financial) statements by an economic agent";
- Information Letter of the Bank of Russia No. IN-06-28/143 dated October 1, 2020 "Recommendations on Organizing Risk Management, Internal Control, Internal Audit, and the

¹ Legal entities whose financial statements are consolidated with the Company's IFRS financial statements and legal entities in which the Company owns, directly or indirectly, more than 50% of the share capital.

 segezha group	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 5 of 15

Operation of the Audit Committee of the Board of Directors (Supervisory Board) in Public Joint Stock Companies";

- The Foreign Corrupt Practices Act (FCPA), a law adopted in 1977 to counteract fraud and corruption in foreign economic activities;
- The Code of Ethics of Segezha Group approved by the Board of Directors of the Company (hereinafter, the Code of Ethics);
- The Code of the Internal Control System of Segezha Group approved by the Board of Directors of the Company;
- The Regulations on the Audit Committee of the Board of Directors of the Company;
- The Regulations on the Internal Audit Division;
- Other internal documents of the Company.

4. GENERAL PROVISIONS

The internal audit functions in the Company and the Organizations of Segezha Group shall be exercised by the Internal Audit Division of the Company (hereinafter, the "IAD").

The IAD is a business unit independent from the Company's management and provides the Company's Board of Directors with independent and unbiased assurance and advice aimed at adding shareholder value and improving the operations of the Company.

Assurance is an unbiased analysis of available audit evidence to deliver an independent assessment of the internal control system, corporate governance, and risk management processes in the Company.

Advice is internal audit activities for providing consulting services and recommendations, designed to render assistance and improve internal control, corporate governance processes, and risk management in the Company, excluding the assumption of responsibility for management decisions by internal auditors.

The IAD is headed by the Managing Director and Chief Internal Auditor, who reports to the Company's President (administratively) and the Company's Board of Directors (functionally). The Managing Director and Chief Internal Auditor is appointed and dismissed by the sole executive body (President) of the Company on the basis of a resolution of the Board of Directors of the Company. Consideration of proposals on the appointment (dismissal) of the Managing Director and Chief Internal Auditor, as well as the terms of the employment contract with him/her, including the amount of his/her remuneration and key performance indicators, is carried out by the Board of Directors of the Company with preliminary consideration of these matters by the Audit Committee of the Board of Directors of the Company.

At least once a year, the Managing Director and Chief Internal Auditor shall confirm the organizational independence of the IAD before the Audit Committee and the Company's Board of Directors.


5. GOALS AND OBJECTIVES OF THE INTERNAL AUDIT SYSTEM

The goal of the internal audit system is to assist shareholders and the management of the Company and the Organizations of Segezha Group in adding shareholder value and improving the operations of the Company.

Such assistance is provided by conducting audits and implementing control measures designed to assess and improve the efficiency of the internal control system and the risk management and corporate governance system.

The objectives of the internal audit system are as follows:

- providing the Company's management and shareholders with unbiased information on any actual and potential risks and threats;
- assessing the effectiveness of the internal control system with respect to business processes;

	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 6 of 15

- assessing the effectiveness of the risk management and corporate governance system;
- ensuring the protection of the legitimate interests of all the Company's shareholders;
- raising the awareness level of the Company's management and shareholders about the performance of the Company and the Organizations of Segezha Group;
- exercising control over the accomplishment of goals and objectives set by the Company's Board of Directors;
- other objectives stipulated by other internal documents of the Company.

6. PRINCIPLES OF THE IAD'S OPERATION

Within the framework of its activities, the IAD shall ensure the mandatory application of and compliance with the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing (guidance from the IPPF).

6.1. In their activities, IAD employees shall be guided by the principles of honesty, impartiality, confidentiality, and professional competence (hereinafter referred to as the "Principles"), as well as the applicable laws of the Russian Federation and bylaws of the Company.

6.2. To confirm compliance with the Principles, all IAD employees shall annually sign a Declaration of Conformity (Appendix 1) in which they shall indicate all deviations from the requirements for a qualified internal auditor (if such deviations occurred during the reporting year). Based on the results of a reporting period, the Managing Director and Chief Internal Auditor shall inform the Audit Committee of the Company's Board of Directors about whether the IAD's employees have complied with the Principles and, in the event of any deviations, about corrective actions taken to mitigate risks.


6.3. The Managing Director and Chief Internal Auditor has the right to take part in meetings of the Audit Committee of the Board of Directors and the Board of Directors of the Company (as a permanent invitee), the Management Board of the Company (as a permanent invitee), as well as in the work and meetings of collegial governing bodies of the Organizations of Segezha Group (in each case, without the right to vote). The Managing Director and Chief Internal Auditor may delegate the right to participate in meetings of collegial governing bodies of the Company and the Organizations of Segezha Group to another IAD employee (also without the right to vote).

6.4. The Managing Director and Chief Internal Auditor shall be entitled to direct access to the Company's President, the Chair of the Audit Committee of the Company's Board of Directors and the Chair of the Company's Board of Directors.

6.5. When implementing the internal audit function, independence is achieved by distinguishing between the administrative and functional subordination of the internal audit.

6.5.1. Functional subordination to the Company's Board of Directors envisages, among other things:

- approval of this Code, the Regulations "On the Internal Audit Division," the annual audit plan, and the IAD budget;
- approval and dismissal of the Managing Director and Chief Internal Auditor, as well as approval of the terms of the employment contract with him/her;
- receipt of an annual report on the function's performance, including the results of internal and external assessments of the IAD's activities;
- interaction with the Managing Director and Chief Internal Auditor in terms of organizing and conducting internal audits;
- consideration of significant restrictions on the IAD's powers or other restrictions that could adversely affect the internal audit activities.

 segezha group	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 7 of 15

6.5.2. Administrative subordination to the Company's executive bodies envisages, among other things:

- allocation of the budget funds required to implement and operate the internal audit function;
- receipt of reports on the IAD's performance and reports on conducted audits;
- administration of the IAD's internal regulations;
- provision of support in the IAD's interaction with divisions of the Company and the Organizations of Segezha Group.

6.5.3. To ensure the independence and impartiality of internal auditing, the Company's Board of Directors and the President are advised to exclude factors that may create conditions for any conflict of interests caused, among other things, by:

- simultaneous performance by the Managing Director and Chief Internal Auditor of management/decision-making functions in terms of the activities of the Company and/or the Organizations of Segezha Group, including membership in collegial executive bodies;
- participation (membership) of the Managing Director and Chief Internal Auditor and/or IAD employees in the management bodies of the Company and/or the Organizations of Segezha Group, such as Boards of Directors and committees of the respective Boards of Directors;
- imposition of any duties not related to the Company's internal audit on the Managing Director and Chief Internal Auditor or IAD employees;
- appointment of employees from other business units of the Company or the Organizations of Segezha Group, whose activities are not related to internal auditing to the IAD.

6.6. As part of their activities, IAD employees may, in writing (including by e-mail), request any information needed to perform their duties from the heads of business units and employees of the Company or the Organizations of Segezha Group; in particular, they may be granted access to any information resources needed to perform their functions.

The business units heads and employees of the Company or the Organizations of Segezha Group shall, at the request by the IAD, provide explanations in oral and written form and shall not permit any actions aimed at limiting the IAD's activities.

6.7. The IAD is entitled to receive the resources of the Company and the Organizations of Segezha Group needed to conduct audits and engage external advisors and experts, provided that the information disclosed to external advisors and experts for audit purposes will not lead to a violation of the Company's internal procedures and applicable laws.


6.8. Internal auditing shall be performed by conducting audits and taking control measures which help assess the reliability and make recommendations to improve the efficiency of the internal control, risk management, and corporate governance systems.

7. INTERNAL AUDIT DUTIES

To achieve goals and attain the set objectives, the IAD shall perform the following duties:

7.1. Planning, organizing, and conducting audits of business processes, functions, projects, business units, the Organizations of Segezha Group, and other facilities of the Company to ensure:

- assessment of the effectiveness of the internal control system, risk management, and corporate governance system;
- compliance with statutory requirements, industry regulations, internal regulatory documents and obligations under contracts and agreements;
- execution of the decisions and instructions of governing bodies and the requirements of organizational and administrative documents;
- efficiency, cost effectiveness, and performance;

 segezha group	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 8 of 15

- integrity, timeliness, reliability, and completeness of financial statements and management reporting.

7.2. Conducting audits and executing instructions of the Board of Directors, the Audit Committee of the Board of Directors, the Management Board, and the President of the Company on matters falling within the internal audit's scope of authorities.

7.3. Taking part in official investigations with respect to abuses and fraud, damage to the Company and/or the Organizations of Segezha Group, inappropriate use of funds and assets and other improper actions of employees.

7.4. Notifying the Board of Directors, the Audit Committee of the Board of Directors, and the President of the Company about the results of audits and providing recommendations for eliminating violations and deficiencies identified during audits and proposals for increasing the efficiency of the internal control, risk management, and corporate governance system and improving the Company's operations.

7.5. Monitoring the implementation of the plan to eliminate deficiencies (hereinafter referred to as the "Corrective Action Plan") and measures to increase the efficiency of the internal control system and improve the Company's operations.

7.6. Providing advice to the management and the Board of Directors of the Company on internal control, risk management, and corporate governance matters (subject to maintenance of the independence and impartiality of the internal audit function).

7.7. Other functions aimed at achieving the goals and objectives determined by this Code and the Regulations "On the Internal Audit Division."

8. CONDUCTING AUDITS

This section establishes the procedure for the planning and conduct of audits by the IAD, as well as the duties and responsibilities of all employees of the Company and the Organizations of Segezha Group taking part in such process and the principles of interaction between them.

If any third party interferes with the audit process established by this Code or something affects the IAD's independence, the Managing Director and Chief Internal Auditor shall inform the Company's President, the Chair of the Audit Committee of the Company's Board of Directors, and/or the Chair of the Company's Board of Directors in writing to enable them to take corrective actions.


8.1. Audit plan

8.1.1. A risk-oriented work plan for the respective year shall serve as the documentary basis for the IAD's operation; such plan usually states that at least 30% of the time shall be spent on unscheduled audits to be conducted at the request of the authorized governing bodies of the Company.

8.1.2. The annual audit plan shall be formed on the basis of a risk and process matrix combining information about the risks of the Company and the Organizations of Segezha Group, business processes and their materiality, the effectiveness of the internal control system with respect to business processes (according to the assessment by the IAD), and other factors affecting the materiality and relevance of matters that may be subject to audits.

8.1.3. The executives of the Company and the Organizations of Segezha Group may, upon requests by the IAD, by or before October 31 of the year preceding the year being planned, propose to include topics, business processes, divisions, or individual operations in the plan, with a justification for their audit. As a rule, the IAD shall send such a request to the Company's management at least two weeks prior to the due date on which such information is to be provided.

8.1.4. By or before November 25 of the year preceding the year being planned, the IAD shall draw up a draft annual audit plan, taking into account the proposals sent by the executives of the Company

 segezha group	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 9 of 15

and the Organizations of Segezha Group and received by the IAD. The draft annual plan shall be submitted for discussion to the Company's President. By or before December 25 of the year preceding the year being planned, the annual audit plan shall be considered by the Audit Committee of the Company's Board of Directors and approved by the Company's Board of Directors (together with the resource plan and budget of the IAD for the year).

8.2. Grounds for an audit

8.2.1. The IAD shall decide to commence preparing for a scheduled audit based on the IAD audit plan for the current year, approved by the Company's Board of Directors.

8.2.2. The decision to conduct an unscheduled audit shall be made by the Managing Director and Chief Internal Auditor subject to any of the following grounds:

- a resolution by the Company's Board of Directors (Minutes / Extract from the Minutes of the meeting);
- a resolution by the Committees of the Company's Board of Directors (Minutes / Extract from the Minutes of the meeting);
- an order/instruction of the Chair of the Company's Board of Directors;
- an order/instruction of the Chairs of the Committees of the Company's Board of Directors;
- an order/instruction of the Company's President;
- a decision of the Managing Director and Chief Internal Auditor.

8.3. Main audit stages


When a scheduled or unscheduled audit is planned and conducted by the IAD, the following main stages shall be distinguished:

- notifying the head of the audited business unit of the Company / Head of the Segezha Group Entity / Business Process Owner (hereinafter referred to as the "Audited Entity") of the audit's commencement;
- audit planning, in particular, preparing the Audit Program;
- conducting the audit;
- holding a final meeting with the head of the Audited Entity;
- preparing and releasing the IAD's preliminary report/opinion on the audit results;
- discussing the IAD's preliminary report/opinion with the head and managers of the Audited Entity;
- preparing and issuing a final report/opinion;
- development of a Corrective Action Plan by the head of the Audited Entity and its approval by the IAD;
- monitoring the implementation of the Corrective Action Plan based on the audit findings.

8.4. Audit notification and audit planning

8.4.1. Information about a forthcoming audit may be sent in the form of a letter or e-mail or communicated by means of an official notification at a personal meeting of the Audit Lead (IAD employee) and the audited business unit of the Company / Segezha Group Entity.

8.4.2. At the audit planning stage, the IAD shall form an Audit Team and appoint an Audit Lead. If an employee of a business unit of the Company or the Organizations of Segezha Group is to be included in the Audit Team, the Managing Director and Chief Internal Auditor shall obtain consent for such employee's participation in the audit from the head of the respective business unit. When obtaining consent, the Managing Director and Chief Internal Auditor shall take into account the risks of a potential conflict of interests.

 segezha group	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 10 of 15

8.4.3. At the stage of audit planning and preliminary review of the information about the Audited Entity, the Audit Team shall consolidate and record information about the business process or function which will be audited in order to clarify the main audit matters, methodology, audit scope and audit sampling, and the necessary resources and deadlines.

8.4.4. The results of the planning stage shall be recorded in the form of an Audit Program (hereinafter referred as to the Audit Program) containing the following mandatory information:

- the audit grounds and the Audited Entity;
- the Audit Team members;
- the audit goals and main areas of focus;
- the list of risks inherent to the Audited Entity;
- control procedures and audit measures;
- the size and justification of the audit sampling for control procedures;
- the initial and final audit date, including the deadline for preparing a preliminary report and a final report/opinion and the deadline for developing a Corrective Action Plan and obtaining the IAD's approval.

8.4.5. In some cases (when conducting urgent unscheduled audits, internal checks with respect to fraud, monitoring the implementation of a Corrective Action Plan, and in other similar cases), if the Managing Director and Chief Internal Auditor so decides, an Audit Program need not be drawn up.

8.5. Procedure for interaction during an audit

8.5.1. The audit time frame shall be determined depending on the complexity and scope of the Audit Programme. Generally, an audit shall not continue for more than eight (8) calendar weeks from the approval of the Audit Program to the issue of a preliminary report.


8.5.2. Based on the received audit notice, the head of the Audited Entity shall:

- within two (2) business days, appoint an Audit Coordinator from among the managers of the Audited Entity, and such Coordinator shall be authorized to resolve matters related to the audit to be conducted. During his/her absence, a Deputy Coordinator shall be appointed;
- within three (3) business days, provide the Audit Team with a list of employees responsible for certain activity areas within the framework of an audit or their stand-ins, specifying their contact information, and ensure their availability for an interview during such audit period. If a meeting with an employee who is not included in the previously approved list of contact persons is required, such meeting shall be agreed upon with the Audit Coordinator in due course;
- before the audit's commencement, ensure that the IAD is, upon request, provided with documents and information necessary for the development of the Audit Program, including access to the respective information systems and databases;
- during an audit, ensure that the Audit Team members are provided with the necessary documents and information and the acceptable conditions to hold meetings and interviews with employees of the Audited Entity.

8.5.3. The head of the Audited Entity shall ensure that the Audit Team has, if necessary:

- a separate room equipped with computer, telephone, and electronic means of communication;
- access to databases related to the current audit, local networks, and the Internet;
- company transportation, including transfer from and to an airport, railway station, etc., and hotel booking, if necessary;
- other necessary working conditions.

8.5.4. At the request of the Audit Team members, including oral requests, the Audited Entity employees shall provide available documents and drafts thereof, analytical information, and explanations

 segezha group	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 11 of 15

on matters related to the audit within the time frame determined by the Audit Team. By the decision of the Audit Team members, information shall be provided in soft and/or hard copy, depending on the availability of one medium or the other.

8.5.5. During the audit, the Audit Lead may discuss preliminary findings with the head and managers of the Audited Entity and/or the persons responsible for audited areas to reach an understanding on the audit results and eliminate identified deficiencies and risks.

8.5.6. If any material facts that require immediate intervention of the Audited Entity or the Company management are identified during an audit, the Audit Lead shall immediately notify the Managing Director and Chief Internal Auditor, who shall make a decision on communicating this information to the Company's management to eliminate an identified risk.

8.5.7. Upon completion of the information collection and analysis stage, the Audit Team may hold a final meeting with the head and managers of the Audited Entity. The purpose of the final meeting is to inform the Audited Entity management about the preliminary audit results, receive comments on the correctness of facts, and discuss measures to eliminate the identified deficiencies.

8.6. Procedure for interaction during approval of audit results

8.6.1. Based on the audit results, the Lead and the members of the Audit Team shall draw up a Preliminary Report based on working papers prepared by the Audit Team members.

The Preliminary Report shall contain the following information:

- the audit objectives and scope;
- identified deficiencies in the risk management, internal control, and corporate governance system, if any, that the auditors deem to be key ones, meaning those that significantly affect the effectiveness of the Audited Entity;
- causes of the identified deficiencies, if any;
- consequences of the identified deficiencies (usually presented in numerical terms);
- preliminary findings of the Audit Team;
- preliminary recommendations to eliminate deficiencies and improve the efficiency of the risk management, internal control, and corporate governance systems.

8.6.2. The Preliminary Report shall be issued within two (2) weeks after the completion of the audit and sent to the management of the Audited Entity for approval. In the case of an unscheduled audit, a Preliminary Report shall also be sent to the initiator of the audit request.


8.6.3. Upon receipt of the Preliminary Report, in the event of disagreement with certain facts, findings, or recommendations set out in the report, the head and managers of the Audited Entity shall, within one (1) week, prepare a detailed and reasoned justification for their disagreement and suggest wordings of the facts that are, in their opinion, correct. Comments of the management of the Audited Entity shall be sent by e-mail to the Audit Lead and the Managing Director and Chief Internal Auditor.

If the head and managers of the Audited Entity do not send their reasoned disagreement in a timely fashion, the Preliminary Report based on the audit results shall be deemed approved.

8.6.4. Upon the approval of the Preliminary Report, the Audit Team shall prepare a Final Report/Opinion containing the most important information on the results of the work performed during the audit. If the Final Report/Opinion contains information that has not been agreed upon with the management of the Audited Entity and is not specified in the Preliminary Report, the Audit Lead may notify the management of the Audited Entity thereof prior to the issue of the Final Report/Opinion.

8.6.5. The Final Report/Opinion shall contain the following sections:

- brief information about the Audited Entity;
- observations, control criteria, and deficiencies identified in the internal control system;

 segezha group	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 12 of 15

- assessment of the effectiveness of the internal control, risk management, and corporate governance systems within an audited business process or project, if applicable;
- the events and circumstances that resulted in violations and deficiencies;
- risks and consequences of each key internal control system deficiency that has a material negative impact on the effectiveness of the Audited Entity (the decision to classify the deficiencies as key ones shall be made by the Managing Director and Chief Internal Auditor);
- recommendations to eliminate the causes of identified violations and deficiencies;
- assessment of the economic effect that may result from the implementation of the recommendations, if possible.

8.6.6. The Final Report/Opinion shall be issued by the Audit Team within two (2) calendar weeks after the receipt of detailed and reasoned comments from the management of the Audited Entity and other stakeholders. The Final Report/Opinion shall have the same sections as the Preliminary Report/Certificate and take into account the received comments.

8.6.7. If any disagreement between the auditors and the management of the Audited Entity is not resolved within the time frames established by this Code, this shall be recorded by the auditors in the Final Report/Opinion.

8.6.8. The Final Report/Opinion shall be approved by the Managing Director and Chief Internal Auditor and sent to the President of the Company. The Report/Opinion may also be sent to the Chair of the Company's Board of Directors, the Chair of the Audit Committee of the Company's Board of Directors and the request initiator (in the case of an unscheduled audit).

8.7. Developing a Corrective Action Plan and its follow-up

8.7.1. Upon the receipt of the Final Report/Opinion, the management of the Audited Entity shall develop a Corrective Action Plan, which shall include measures to eliminate key and other deficiencies identified during the audit and specify responsible persons and deadlines.


8.7.2. The level of detail of the Corrective Action Plan shall be such that auditors can deem it sufficient for eliminating the identified deficiencies. The Corrective Action Plan shall be developed by the audited business unit, signed by the head of the Audited Entity and approved by the Managing Director and Chief Internal Auditor.

8.7.3. Approved measures of the Corrective Action Plan shall be entered into the Electronic Document Management System (EDMS) by IAD employees. To ensure timely and high-quality implementation of such measures, the IAD shall organize follow-up of the Corrective Action Plan.

8.7.4. In case of the need to cancel or change the content or deadlines of the measures stipulated by the Corrective Action Plan (change in business processes, organizational structure, performers, the effect of external factors, etc.), the head of the Audited Entity or the employee responsible for the implementation of the Corrective Action Plan shall send a request to that effect to the EDMS specifying the justification for the changes. The decision to change an approved Corrective Action Plan shall be made by the Managing Director and Chief Internal Auditor.

8.7.5. In case of the need to change the content or deadline of the measures stipulated by the Corrective Action Plan again, the head of the Audited Entity shall send a written request (Memorandum) to that effect to the Company's President, specifying the reasons and grounds for such changes. Upon receipt of the resolution by the Company's President, the person responsible for the implementation of the Corrective Action Plan shall, through the EDMS, send a request for changes in the measures and enclose the decision of the Company's President. After that, the Managing Director and Chief Internal Auditor shall make a decision to change the approved Corrective Action Plan or discuss alternative options with the Company's President.

9. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 13 of 15

Pursuant to the IPPF and best practices, the IAD shall develop and implement an Internal Audit Quality Assurance and Improvement Program of the Company (hereinafter referred to as the "Quality Assurance and Improvement Program").

The main goal of the Quality Assurance and Improvement Program is to provide reasonable assurance to all stakeholders that the IAD's activities are carried out pursuant to the Internal Audit Code of Segezha Group, the Regulations "On the Internal Audit Division," the IPPF and the Code of Ethics; that the IAD performs its functions efficiently and with a proper level of quality; and that the internal audit function in the Company is being improved on an ongoing basis.

The Quality Assurance and Improvement Program shall be developed by the Managing Director and Chief Internal Auditor and approved by the Audit Committee of the Company's Board of Directors.

The Managing Director and Chief Internal Auditor shall annually inform the Board of Directors, the Audit Committee of the Company's Board of Directors and the Company's President about the results of the implementation of the Quality Assurance and Improvement Program, the results achieved and the need for corrective measures. The report on the results of the implementation of the Quality Assurance and Improvement Program shall be submitted as part of the Report on the results of the activities of the IAD for the reporting year.

10. PROCEDURE FOR MAKING AMENDMENTS AND SUPPLEMENTS TO THE CODE


Any amendments or supplements to the Code may only be made by issuing a new version of the Code. A new version of the Code may not be approved more often than once a calendar quarter and shall come into effect on the 1st day of the first month of a quarter (except for emergencies when changes are introduced to the applicable laws of the Russian Federation, statutory requirements of higher authorities are imposed or targeted decisions of the Company's executive bodies are adopted).

Amendments to this Code may be initiated by the Managing Director and Chief Internal Auditor, the Company's President, the members of the Audit Committee of the Board of Directors and the members of the Board of Directors of the Company.

One of the grounds for revising the provisions of this Code may be introduction of amendments to the IPPF and/or internal audit professional standards. The Managing Director and Chief Internal Auditor shall consider the need to introduce amendments to the Code on a regular basis but not less than once a year.

If the Company acquires public status, this Code shall remain in effect.

The Managing Director and Chief Internal Auditor shall bear the responsibility for the development, revision, and amendment of this Code.

	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 14 of 15

Appendix 1.

DECLARATION ON THE INDEPENDENCE, IMPARTIALITY AND ABSENCE OF CONFLICT OF INTEREST OF AN INTERNAL AUDITOR OF SEGEZHA GROUP

Question 1: Are you aware of and do you understand all four (4) principles of the Code of Ethics of an Internal Auditor, namely, honesty, impartiality, confidentiality, and professional competence?

Question 2: Over the past twelve (12) months, have you observed the principle of honesty of an internal auditor, which means that you:

- 2.1) have performed your work honestly, in good faith and in a responsible manner;
- 2.2) have acted in compliance with the laws and, if required by the law or professional standards, disclosed the appropriate information;
- 2.3) have not knowingly taken part in actions that discredit the profession of an internal auditor or your company;
- 2.4) have respected the legally and ethically justified goals of your company and contributed to their achievement?

Question 3: Over the past twelve (12) months, have you observed the principle of impartiality of an internal auditor, which means that you:


- 3.1) have not engaged in any activity that could damage your impartiality or be perceived as causing such damage? This provision also applies to activities and relationships that may contradict the company's interests;
- 3.2) have not accepted any gift that could damage your professional opinion or be perceived as causing such damage;
- 3.3) have disclosed all material facts known to you which could distort the reports on the Audited Entity if not disclosed?

Question 4: Over the past twelve (12) months, have you observed the principle of confidentiality of an internal auditor, which means that you:

- 4.1) have been reasonable and prudent when using and retaining information received while performing your duties;
- 4.2) have not used the information for personal benefit or in any other way that is contradictory to the law or could prevent the achievement of the legally and ethically justified goals of the company?

Question 5: Over the past twelve (12) months, have you observed the principle of professional competence, which means that you:

- 5.1) have taken part in performing only those tasks for which you have sufficient professional knowledge, skills, and experience;
- 5.2) have rendered internal audit services pursuant to the International Standards for the Professional Practice of Internal Auditing;
- 5.3) have continuously improved your professionalism and the efficiency and quality of the rendered services?

	MOSCOW	Segezha Group JSC		
	K 002-12021	Internal Audit Code of Segezha Group	Version 5	Page 15 of 15

Question 6: Do you confirm that, as of the date of completion of this questionnaire:

- there has been no conflict of interests between you and the Company or the Organizations of Segezha Group and there have been no circumstances that could create an impression that you are acting under the influence of a conflict of interests?

If you answered "NO" to any question(s), please describe what, in your opinion, the non-compliance with the principles of the Code of Ethics of an Internal Auditor consisted of. If you have any questions, you can contact your immediate manager.

By signing this questionnaire, I confirm that I filled it in personally and voluntarily and that the information I have provided is up to date, accurate, complete and reliable, and I hereby express consent for the processing of my personal data² contained herein.

Full name of the employee	Employee post	Date of completion	Signature of the employee

² Personal data contained herein and received directly from a personal data subject shall be processed by the Company to protect the Company's legitimate interests if, during the performance of employment or other duties, any conflict is detected between the Company's interests and the interests of the personal data subject. Personal data shall be processed using automated tools (and/or without using them) by means of collection, systematization, accumulation, retention, clarification (update, change), use, blocking, depersonalization, and destruction.