

ANNUAL REPORT 2022

UNLOCKING FOREST POTENTIAL



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ON THIS REPORT

The Report is presented by PJSC Segezha Group⁽¹⁾ and by companies in the same group of entities (hereinafter referred to as the Group, the Company, Segezha Group), for the year ended 31 December 2022.

The report was prepared using the management accounts of PJSC Segezha Group and based on consolidated financial statements of PJSC Segezha Group and its subsidiaries for 2022, in accordance with IFRS, and describes the performance of the Group.

Disclaimer

The Annual Report is prepared using the information available to Segezha Group at the time of its compilation, including information received from third parties. Segezha Group reasonably believes that this information is complete and accurate at the publication date of this Report; however, it does not make any representations or warranties that this information will not be further clarified, revised or otherwise amended.

The Annual Report includes estimates or forward-looking statements related to production, financial, economic, social and other indicators that can be used to assess the development of Segezha Group.

Segezha Group does not make any representations or warranties that the results indicated in the forward-looking statements will be achieved. Segezha Group shall not be responsible for any losses or damages that may be incurred by any person or company acting on the basis of such forward-looking statements.

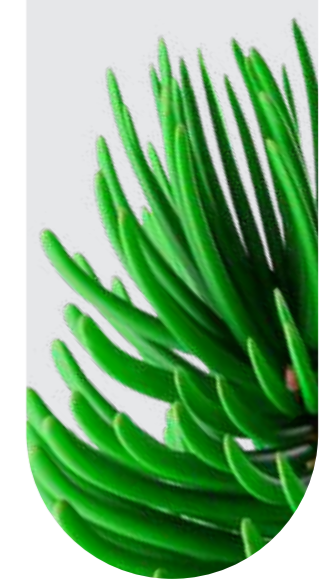
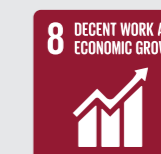
Any small variations in percentage calculations, differences in subtotal data or discrepancies in totals in tables or charts contained in this annual report are due to rounding.

Starting from February 2022, a number of countries have imposed sanctions on various Russian banks, commercial organisations and some citizens, as well as on certain sectors of the Russian economy. Given the impact of the sanctions on the Russian economy and the Russian forest industry in particular, Segezha Group continues to operate in an unstable environment, the business implications of which have yet to be fully assessed.

At the same time, the Group is doing all in its power to adapt the business to the current circumstances of geopolitical and economic turbulence and to ensure stable operational and financial performance, while maintaining development plans and respecting the interests of stakeholders.

⁽¹⁾ Before 07 April 2021 – JSC Segezha Group, on 07 April 2021 the public status of the Company was registered.

SUSTAINABLE DEVELOPMENT GOALS





STATEMENT OF THE SEGEZHA GROUP'S PRESIDENT, CHAIRMAN OF THE MANAGEMENT BOARD

Dear Shareholders!

The year of 2022 was a strategically important year for Segezha Group. It was a year of new challenges, responsible decisions and a great deal of devotion. We were able to build and **implement new business development models**, while adapting effectively to changes and **entering new markets**. I consider this to be a significant achievement for the Company's staff and management.

Strategy

Despite substantial pressures and shifts in the economic landscape, the **Company continued to grow, adapted flexibly to turbulent alterations, entered new markets, and grew its market share** in a number of regions where it operates. Equally crucially, **we maintained our leadership position in the forest industry in 2022, both nationally and globally**, while maintaining the efficacious operation of all our production assets. Furthermore, we fortified our team of skilled professionals with a heightened focus on bolstering the sustainability and adaptability of our business model.

In 2022, Segezha Group was taking focused efforts in all strategic areas, including the **digital transformation of the business, the development of the forest resource base, the modernisation of key production sites**, and the introduction of new modern technologies and advanced sustainability practices. In particular, the Company hiked its self-sufficiency wood ratio to 93%, opened a new centre of digital competencies, invested in existing assets, and achieved positive dynamics in key sustainability indicators.

93%
self-sufficiency
in wood supply



Mikhail Shamolin
President, Chairman
of the Management Board
of Segezha Group





Statement of the Segezha Group's President, Chairman of the Management Board

15%
YEAR-ON-YEAR
revenue growth

25
RUB BN
OIBDA

16.4
RUB BN
record dividend

Operational and Financial Performance

Throughout 2022, Segezha Group was able to respond to the challenges posed by the market uncertainty, as well as take advantage of opportunities for further development.

The Company accomplished sound financial results, as it increased the consolidated revenues by 15% year-on-year to RUB 106.8 bn. However, OIBDA amounted to RUB 24.7 bn, down 16% compared to the previous year due to higher input costs of certain items and a dramatic growth in logistics costs. In 2023, we will continue to adapt to the new environment and focus on keeping down production costs, reducing operating expenses and expanding into new markets.

In my opinion, one of the greatest accomplishments in 2022 was Segezha Group's contribution to the development of wooden housing in Russia through the construction of the country's first multi-storey wooden houses in Sokol, the Vologda region, using a material unique to Russia, namely CLT-panels⁽¹⁾ manufactured at the Group's company Sokol CLT. This initiative provided the impetus to enhance the legislative framework for the use of wood in multi-storey houses and helped prepare the Russian market for the mass use of this innovative product. The project has won prestigious awards in the field of eco-technologies, with CLT-panels produced by Segezha Group being recognised both on domestic and international markets. We will certainly carry on to work towards promoting such a high-tech material as CLT-panels in Russia.

Another milestone was the launch of the new Galich Plywood Mill, which has an annual capacity of 125 ths cu m of plywood. This is one of the largest greenfield projects in the Russian timber industry and the first maxi-size plywood production facility based on the most advanced technologies.

The Company has remained committed to its strategic priority of creating and introducing high-margin value-added downstream products. For example, in 2022, after the first shipments of plywood for LNG tankers were successfully carried out, we developed an innovative product – shrinkage-free glulam squared log combining the advantages of log canting technology and CLT-panels. The corporate R&D centre continued its work in the Republic of Karelia.

We have also successfully coped with the global change in the economic circumstances and with the transformation of international supply chains by redirecting a portion of shipments to the CIS, South East Asia, and the MENA⁽²⁾ region, while concurrently raising the number of deliveries to the domestic market. We have actively built up new logistics routes and alternative means of transportation. Clear examples of such efforts were test shipments of kraft paper produced by the Segezha PPM along the Northern Sea Route to China, and of birch plywood and glulam beams along the North–South international transport corridor to India. In addition, a new sales channel was launched in 2022: retail sales of plywood and briquettes manufactured by Segezha Group were launched on Russia's largest marketplaces.

Sustainable Development

Over the course of 2022, Segezha Group also traditionally pivoted around the ESG agenda and initiatives aimed at sustainable development of the business and all regions where we operate. In particular, Sokol Sawmills switched to the green energy concept and a closed production cycle through the recycling of wood waste. In addition, as part of the environmental programme at the Segezha PPM, we have reached the final stage of the electric precipitators replacement project and will soon complete the overhaul of the soda recovery boilers⁽³⁾. The recently commissioned Galich Plywood Mill fully closed its consumption of water; the wood dust generated during production is captured and recycled into fuel briquettes.

The Company completely implemented its reforestation plans for 69 ths hectares of forest. At the same time, the Company's first tree nursery in Sharya reached full capacity, with two million seedlings produced.

Segezha Group continued to pay great attention to ensuring safety at all stages of its operations and preserving the lives and health of its employees. In 2022, we achieved paramount results in this area: the injury frequency rate at the Group's enterprises decreased to 1.66. A year earlier the figure was 2.06.

Given the last-year required coordinated decisions and their consistent implementation, I would like to emphasise the role of each of our employees. This year, we stepped up social support for our workforce by allocating around RUB 1.3 bn to index wages ahead of schedule.

Understanding the importance of the ESG agenda regardless of the economic environment, we continued to implement corporate social programmes in the regions where we operate, embedding the sustainability principles in the supply chain and addressing health and safety issues.

Corporate Governance and Relations with Investors

Our goal is to sustainably pay dividends to our shareholders by maintaining a high level of corporate governance and by prudently investing capital in high quality assets with a large resource base. In particular, a record RUB 16.4 bn was allocated to dividend payments in 2022.

Throughout 2022, a new version of the Charter was approved, marking the transition of the Company's corporate governance to a more mature level. In the reporting year, we finalised our base of local regulatory documents and we are committed to further evolving in this direction in order to comply with best Russian and international practices.

It is also vital to us that, as a public company, Segezha Group maintains a high level of transparency and continues to actively engage with both institutional and private investors.

As the Company is changing with the world, it remains concentrated on the long-term and efficient operation of its innovative facilities and on the achievement of the operational and financial targets. We believe that any business challenges necessarily bring opportunities and prospects. We carefully monitor costs, work to improve our operational efficiency, and invest in what we believe in shared value creation for each stakeholder, careful stewardship of resources, and further unlocking the industry potential, as well as the viability of our projects and the underlying principles that underpin our work.

Mikhail Shamolin
President, Chairman
of the Management Board
of Segezha Group

69
THS HA
OF FOREST
the Company
completely
implemented its
reforestation plans

1.3
RUB BN
social support
for our workforce

125
THS CU M
of plywood –
new Galich
Plywood Mill
annual capacity

⁽¹⁾ CLT-panels – see [Glossary](#) on page 282.

⁽²⁾ MENA – see [Glossary](#) on page 283.

⁽³⁾ Soda recovery boilers – see [Glossary](#) on page 284.



ABOUT THE COMPANY



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SEGEZHA GROUP

IN FOCUS

Segezha Group is one of Russia's largest vertically integrated holdings that covers an entire range of the value adding chain, from logging through to advanced wood processing operations. Segezha Group's geographical reach covers 10 countries(1). The Group employs 20.8 ths people. The Group is the largest producer of sack paper, paper sacks, glulam beam, and prefabricated home kits in Russia, while also holding the leading positions in sawn softwood timber and large-size birch plywood manufacturing in Europe and globally.

Our mission

We create conditions for development, we empower people to improve their quality of life, and we take pride in what they do.

10
COUNTRIES(1)
geography
of assets

>80
COUNTRIES
geography of sales

20.8
THS
employees

15.9
M HA
total area
of leased forest

23.3
M CU M
annual
available cut

93%
self-sufficiency
in wood supply

Segezha Group is among the biggest forest users in the world.

The total area of forest leased by the Company is 15.9 m cu m, with the annual available cut of 23.3 m cu m.



Segezha Group encompasses 25 production sites(1), most of which are located in close proximity to the Company's forest resources and converting plants. The latter are strategically placed, thus being able to serve key markets. The Group's operations include pulp & paper mills, plywood mills, sawmills, and converting plants, producing paper sacks and packaging. Segezha Group's production assets are primarily located in Russia.

With a presence in more than 80 countries, the Company feels confident in the global market for forest products and responds flexibly to the slightest changes in the global business environment. The Group's development is focusing on the production of a wide range of high-margin products using environmentally friendly technologies for the deep processing of timber and the most waste-free use of raw materials.

Our values

01 OPENNESS



In our work, we adhere to the principles of honest and respectful communication and open interaction in order to understand the common goals and objectives. What is more, we have the willingness to change and continuously evolve.

02 EFFECTIVENESS



We set ourselves ambitious goals and achieve them by doing our best to obtain the desired result, and by recognising and seizing opportunities.

03 PARTNERSHIP



We value our reputation as a responsible, honest, competent, and stable partner. To achieve our common goals, we strive to work as a team, demonstrate leadership, and work together to create a productive working environment.

04 SAFETY



Safety is the highest priority and value. The Company ensures that the workplace is safe both physically and emotionally. To develop a culture of safety for employees, the Company, and the environment, we adhere to the principles of risk-based thinking and zero tolerance for safety violations.

(1) As of 31 December 2022. European assets withdrew from Segezha Group on 22 February 2023.

No 1

in Russia in terms of sack paper manufacturing(1)

No 1

in Russia in terms of paper sacks manufacturing(1)

No 2

globally in terms of multi-wall sack paper manufacturing(1)

Segezha Group is focused on increasing its self-sufficiency in sourcing raw materials. In 2022, 93% of our wood requirements were met by the Company's own forest resources. This enables the Company to effectively control its production costs and reduces dependence on prices for wood, while creating conditions for successful competition with other producers both in the Russian and global markets.

The Company is actively adopting the ESG principles for its business. Segezha Group is a member of the United Nations Global Compact, a UN initiative in corporate social responsibility and sustainable development. In order to increase the contribution of Russian forests to the global fight against climate change, as well as to improve their productivity, the Company introduced

a scientifically proven and intensive model based on the sustainable forest management principles in all of its forest sites.

Segezha Group has been a public company since 2021. The Company's securities are included in the first level quotation list on the Moscow Stock Exchange.

(1) According to Fisher International estimate.

Segezha Group deals with forest resources, which are a fully renewable raw material

01 HIGH ADDED VALUE

- ✓ Deep processing products
- ✓ Maximisation of resource use
- ✓ Low level of costs



02 SUSTAINABILITY IN WOOD SUPPLY

- ✓ Segezha Group is one of the largest forest users in the world
- ✓ The own-to-purchased wood ratio of 93% is one of the major competitive advantages in the international market



03 COMMITMENT TO SUSTAINABLE DEVELOPMENT PRINCIPLES

- ✓ Fully renewable raw wood
- ✓ Product certification
- ✓ Reforestation
- ✓ Social investments



No 9

in Europe in terms of sawn softwood timber manufacturing(2)

No 3

globally in terms of birch plywood production capacity(3)

No 1

in Russia in terms of glulam construction beam and glulam-based home kits manufacturing(4)

No 1

in Russia in terms of CLT-panels manufacturing(4)

(2) Source: <https://www.timber-online.net>.

(3) Sources: Internal research of Segezha Group, Whatwood's data. Data includes capacities of the Galich Plywood Mill.

(4) Source: Internal research of Segezha Group.



KEY PERFORMANCE INDICATORS

IN 2022

FINANCIAL PERFORMANCE

107

RUB BN
Revenue
+15%
year-on-year

25

RUB BN
OIBDA

23%

OIBDA margin

6

RUB BN
Net profit⁽¹⁾

29

RUB BN
CAPEX, including
M&A

16.4

RUB BN
dividends paid
in 2022

⁽¹⁾ Net income (loss) attributable to shareholders of PJSC Segezha Group.

OPERATIONAL PERFORMANCE



8.3

M CU M
harvesting volume
+43%
year-on-year



336

THS T
paper



1.4

BN PCS
sacks and
consumer
packaging



2,239

THS CU M
sawn timber⁽²⁾
+91%
year-on-year



162

THS CU M
birch plywood



27

THS CU M
glulam-based
and prefabricated
home kits



14

THS CU M
CLT-panels

⁽²⁾ Including sawn timber produced at the Sokol PPM.

ESG-INDICATORS

120

RUB M
charity costs

555

RUB M
environmental
costs⁽³⁾

448

RUB M
industrial safety
and occupational
health costs
+23%
year-on-year

1.66

LTIFR⁽⁴⁾
(2.06 in 2021)

33,863

TJ
energy
consumption

76%

share
of purchases
from Russian
suppliers
+14 p.p.
year-on-year

⁽³⁾ Excluding LLC TimberTrans.

⁽⁴⁾ LTIFR (Lost time injury frequency rate) – see [Glossary](#) on page 283.

KEY BUSINESS AREAS

PAPER & PACKAGING



Paper

Sack paper and artificial parchment⁽¹⁾ based on unbleached kraft pulp as well as the entire range of brown sack paper grades with unique strength properties.

Packaging

Paper packaging for cement, dry mix mortars, chemicals, and food, as well as bags and carriers for retailers.

Production capacity

413
THS T
paper

1.6
BN PCS
paper
packaging

Share in revenue

38%

Products

- ✓ Sack paper
- ✓ Artificial parchment
- ✓ Paper sacks
- ✓ Consumer packaging
- ✓ Forest chemicals

⁽¹⁾ Artificial parchment – see [Glossary](#) on page 282.

FORESTRY MANAGEMENT & WOOD-WORKING



Sawn timber

High-quality sawn softwood timber, which is used in construction, the manufacturing of furniture and glulam products, as well as wooden packaging.

Pellets

A modern environmentally friendly fuel with high energy value. Pellets are produced from sawdust, which is a side product of sawmilling, without any chemical additives.

Production capacity

2,954
THS CU M
gross output
capacity⁽²⁾

388
THS T
pellets

Share in revenue

47%

Products

- ✓ Sawn timber
- ✓ Chips
- ✓ Pellets
- ✓ Fibreboard

⁽²⁾ The total sawn timber capacity includes all sawmilling capacity of the Group's assets as of 31 December 2022, including sawn timber sent for further processing, i. e. the production of glued beams, CLT-panels, etc.

PLYWOOD & BOARDS



Plywood

Highly adaptable-to-manufacturing birch plywood of various sizes. End uses include construction, furniture manufacturing, transportation, and packaging applications.

Wood based panels

Dry process and wet process fibreboard. End uses include manufacturing of doors, wall panels, flooring materials, and profiled sawn products (mouldings) as well as the production of furniture.

Production capacity

192
THS CU M
birch
plywood

35
THS CU M
softwood
plywood

72
M EQUIV. SQ M
fibreboard

Share in revenue

10%

Products

- ✓ Birch and softwood plywood
- ✓ Briquettes
- ✓ Fibreboard

LAMINATED WOOD PRODUCTS



Glulam products

Glued timber products and glulam-based home kits for housing construction.

Prefabricated home kits

Design and construction of glulam-based houses of various degrees of complexity. The production process is certified in accordance with European standards.

CLT-panels

A wood panel product made from gluing together softwood lumber in such a manner that each layer is oriented perpendicular to the adjacent one. The strength of the resulting panel is equal to that of conventional concrete, steel, or brick. CLT-panels are widely used for residential construction of individual houses and buildings with 10 or more storeys.

Production capacity

100
THS CU M
glulam products,
incl. home kits

50
THS CU M
CLT-panels

Share in revenue

5%

Products

- ✓ Glulam
- ✓ Glulam beam
- ✓ Glulam-based home kits (houses, saunas, gazebos)
- ✓ CLT-panels
- ✓ Pellets
- ✓ Chips
- ✓ Sawn timber

BUSINESS GEOGRAPHY

Segezha Group includes pulp and paper mills, plywood mills, sawmills, glulam, and CLT-panels manufacturing operations as well as factories producing paper sacks. Segezha Group's operations are primarily located in Russia.

10

COUNTRIES
Segezha Group's geographical reach (1)

10

REGIONS
where the Company operates

>80

COUNTRIES
Geography of sales

23.3

M CU M
Annual available cut

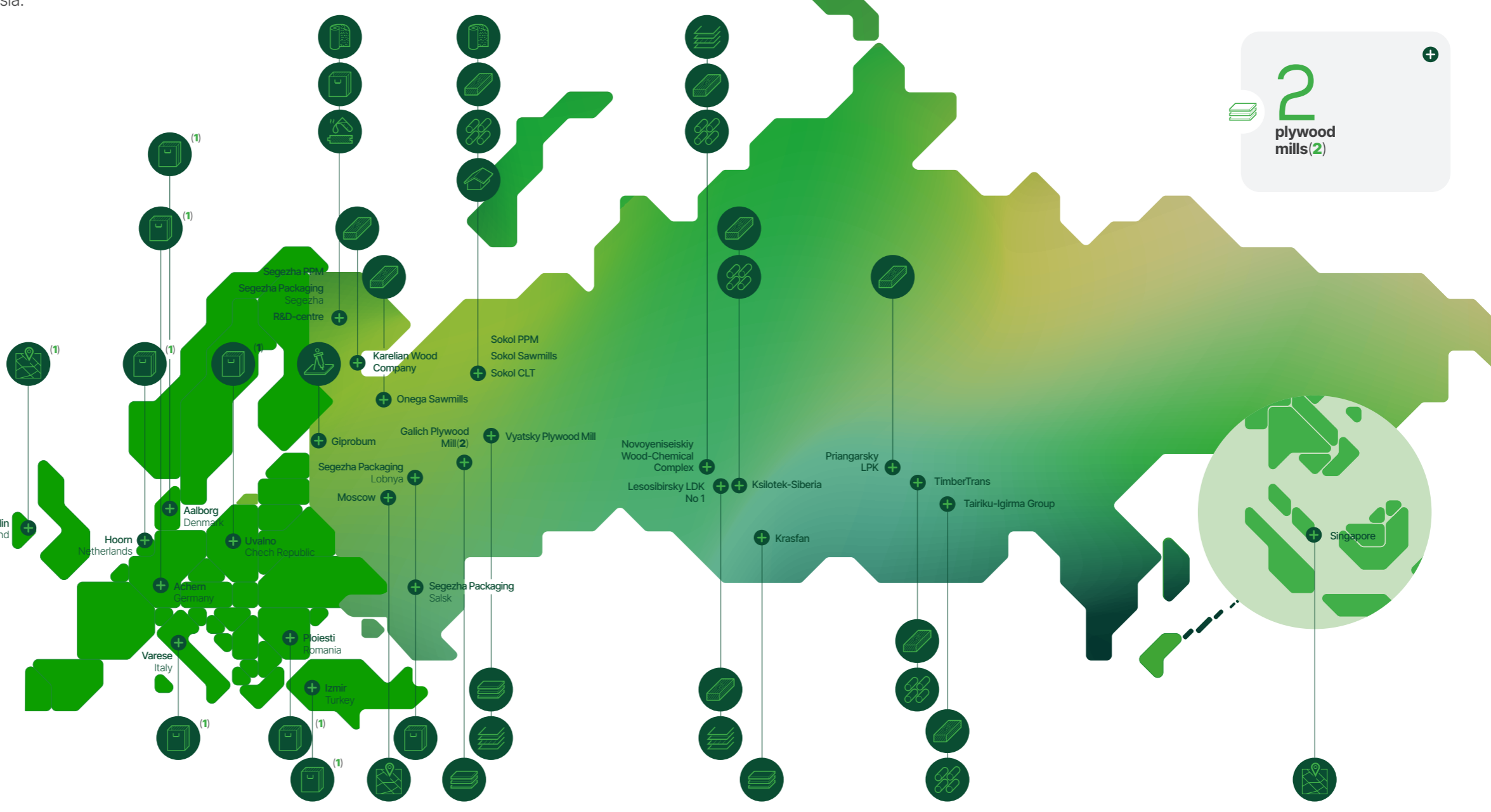
2
pulp and paper mills

10
converting plants

8
sawmills

5
pellet plants

2
plywood mills(2)



3
fibreboard mills

2
mills producing glulam, home kits, and CLT-panels

2
representative offices / sales offices

1
R&D-centre

1
design institute

(1) As of 31 December 2022. European assets were withdrawn from Segezha Group on 22 February 2023.

(2) The performance results of the Galich Plywood Mill are not consolidated by the Group under the terms of its corporate governance agreement with the bank.



KEY HIGHLIGHTS OF 2022

- Production
- Financial performance
- Achievements
- Sales and transportation
- ESG

February



Segezha Group launches the final stage of a **long-term environmental programme** to overhaul the soda recovery boilers and replace the electrostatic precipitators at the Segezha Pulp and Paper Mill.

2

RUB BN
The total project costs

April



Construction of houses made of innovative CLT-panels produced by Segezha Group starts in Sokol, the Vologda region.



May



Segezha Group's Annual General Meeting of Shareholders **decided to pay dividends of RUB 0.64 per ordinary share for 2021, for a total of**

10

RUB BN



June

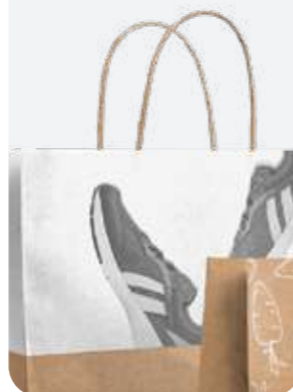


Segezha Group wins the **"Ecotech Leader 2022" environmental technology award** for the construction of Russia's first multi-storey CLT-panel houses.



ЭКОТЕХ-ЛИДЕР 2022

Segezha Group **wins two "Part Awards 2022"** in Packaging Production and Design.



July



The Company opens its **first forest seed nursery in Sharya, the Kostroma region, to carry out its reforestation programme.**



September



Segezha Group announces **plans to open an official representative office in China.**



Segezha Group is in the **first group of the ESG index of RBC and of the NCR rating agency** with a high level of corporate governance.



12 top managers of Segezha Group are included in the annual Top 1000 Russian Managers rating by RMA (Russian Managers Association) and Kommersant Publishing House.

October



Segezha Group's flagship glulam production facility, Sokol Sawmills, **switches to zero-waste production.** A new bark boiler running on sawmilling waste with a **capacity of 20 t of steam per hour** is commissioned.



The Company makes **first shipments of kraft paper to China by the Northern Sea Route** on the nuclear-powered lighter carrier named Severmorput.



Segezha Group is among the **Top-3 winners** at the IX OpEx Bootcamp 2022 **Operational Excellence Case Championship.**

November



Segezha Group delivers its **first shipment of birch plywood to India via the North-South international transport corridor.**



Segezha Group launches sales of

>118

TYPES of plywood
via Ozon marketplace.

Segezha Group launches the **retail sales of glulam structural beams.**

December

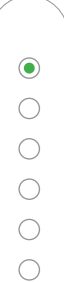


The Galich Plywood Mill in the Kostroma region with a **capacity of 125 ths cu m per year** is put into operation.

12

RUB BN
The project cost

Russia's first multi-storey CLT-panel houses manufactured by Segezha Group are commissioned in Sokol, the Vologda region.



Smart Timber

Smart Timber, a **joint project** of Segezha Group and Computer Vision Systems, is named the **best in the "Digital Transformation in Industry"** category of the RB Digital Awards 2022.

Events after the reporting date

2023

February



Segezha Group **starts selling housing in Russia's first multi-storey CLT-panel houses** in Sokol, the Vologda region.



Segezha Group signs **an agreement to sell seven Segezha Packaging converting plants** in Europe and Turkey with a total capacity of 704 million paper sacks per year.



March



Segezha Group enters the market with a **new product, Segezha Vulcan fireproof plywood.**



INVESTMENT ATTRACTIVENESS

LEADERSHIP IN ATTRACTIVE MARKET SEGMENTS

Segezha Group holds leading positions in the fast-growing high-margin market segments.

No 2 globally in terms of kraft paper and industrial packaging manufacturing⁽¹⁾

2%⁽¹⁾ market growth forecast for 2022–2027 (CAGR)



Growth of the construction market, one of the major industrial paper packaging consumers

Growth of retail and internet trading

Growing importance of environmental agenda resulting in the replacement of plastic packaging with bio-degradable one

No 1 in Russia and **No 9** in Europe in terms of sawn softwood timber manufacturing⁽²⁾

2%⁽³⁾ market growth forecast for 2022–2027 (CAGR)




Residential construction growth

Increased emphasis on sustainable production

No 3 globally in terms of large-size birch plywood manufacturing capacity⁽⁴⁾

3.7%⁽⁵⁾ of the large size plywood segment market growth forecast for 2022–2027 (CAGR)

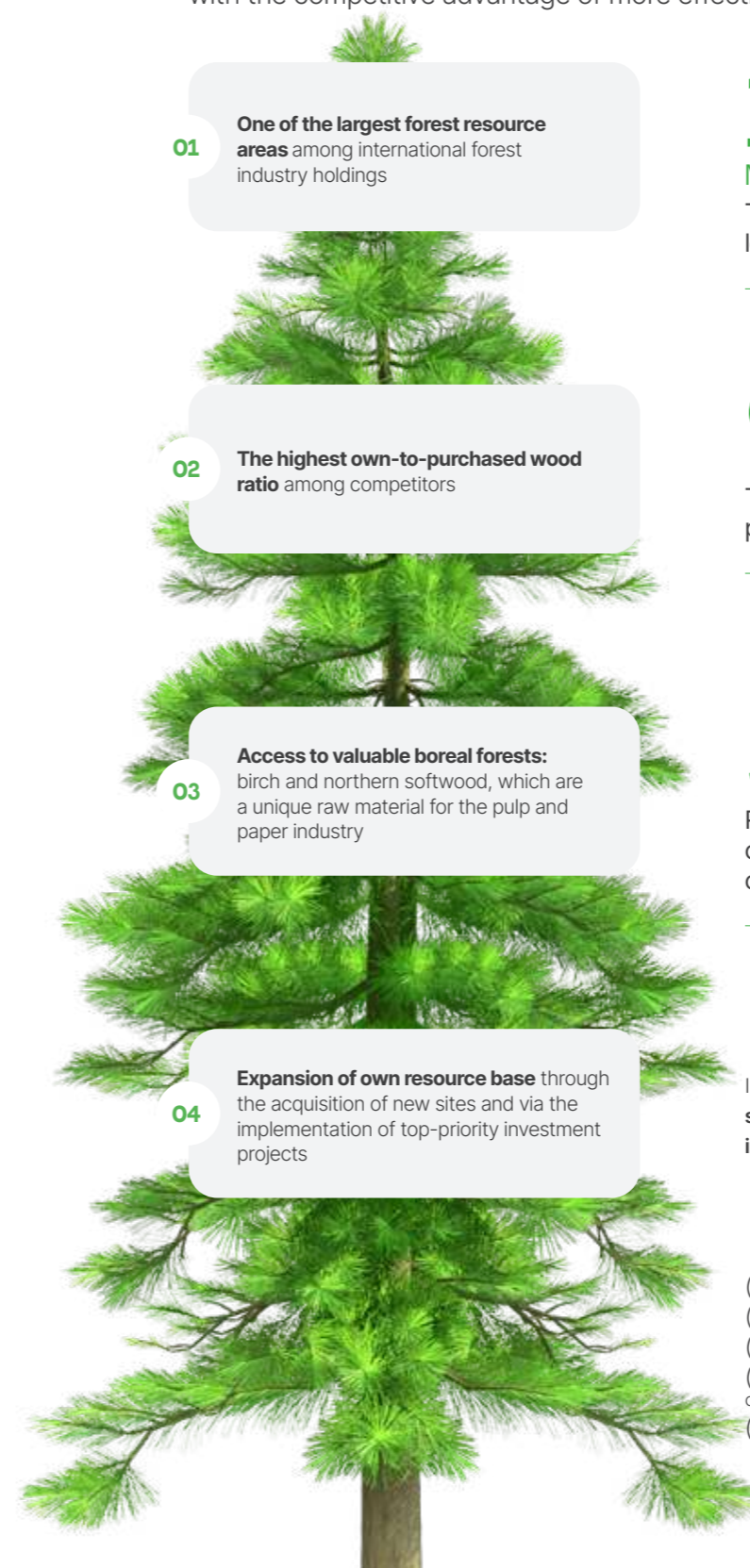


Do-it-yourself (DIY) market growth

Hiking construction and furniture manufacturing volumes

SUBSTANTIAL AND RAPIDLY GROWING FOREST RESOURCE BASE

The availability of abundant forest resources provides Segezha Group with the competitive advantage of more effective manufacturing cost control.



01 One of the largest forest resource areas among international forest industry holdings

02 The highest own-to-purchased wood ratio among competitors

03 Access to valuable boreal forests: birch and northern softwood, which are a unique raw material for the pulp and paper industry

04 Expansion of own resource base through the acquisition of new sites and via the implementation of top-priority investment projects

15.9 M HA
Total area of leased forests

23.3 M CU M
Annual available cut (AAC)



93%
The Company's own-to-purchased wood ratio

50%
Russia's share of the world's reserves of boreal forests

Northern wood offers a wide variety of advantages that make it a preferred raw material. First and foremost is its **density**, which is substantially higher than that of trees growing in other regions.

In 2022, Segezha Group expanded its AAC to 23.3 m cu m through signing lease agreements for the implementation of priority investment projects in the Vologda and Kostroma regions.

(1) Fisher International estimation, Segezha Group's expert opinion.
(2) Source: <https://www.timber-online.net>.
(3) Sources: FAOSTAT, Woodstat and GWMI estimations, Segezha Group's expert opinion.
(4) Sources: Internal research of Segezha Group, Whatwood's data. Data includes the capacities of the Galich Plywood Mill.
(5) Sources: Whatwood's data, Segezha Group's expert opinion.



HIGHLY EFFICIENT ASSET BASE

10.2

RUB BN

In 2022, Segezha Group invested in greenfield and brownfield projects to maintain and modernise its production

A large diversified asset base that was formed, among others, through significant investments since Company's foundation



(1) European assets were withdrawn from Segezha Group on 22 February 2023.

WELL-ESTABLISHED PROJECT PORTFOLIO SUPPORTING ORGANIC GROWTH

Segezha Group is actively investing in its development.

Key objectives of Segezha Group's investment projects:

- modernisation of production capacity by improving the technical equipment of existing facilities and by building new ones;
- boosting high value-added production;
- launching new products;
- reducing the Company's environmental impact, including through the increased reuse of waste from the main production activities, improved energy efficiency, and via other environmental projects.

Unique competitive advantages of Segezha Group

Forest resources account for a substantial share of manufacturing costs, enabling the Company to control costs effectively next to high wood self-sufficiency ratio.

93%

The Company's wood self-sufficiency

Vertically and horizontally intergated business model. The full production lifecycle, covering the entire value-added chain from logging operations to enhanced value product manufacturing, and generating value from each harvested tree in an optimal manner.

Vertical integration facilitates the production of a wide range of value-added downstream products.

Horizontal integration enables Segezha Group to obtain the maximum value from each tree through utilising the whole assortment recovered from each felled stem: pulpwood(2) for pulping and subsequent paper making; sawlogs for sawn timber, glulam and other wood products manufacturing; chips and sawdust for the production of pellets and briquettes.

For more information see [Business model](#) on page 38.

(2) Pulpwood – see [Glossary](#) on page 283.

>10

successful investment projects

28.6

RUB BN total investment costs in 2022, including M&A

The construction of the Galich Plywood Mill in the Kostroma region completed in 2022

125

THS CU M annual capacity

12

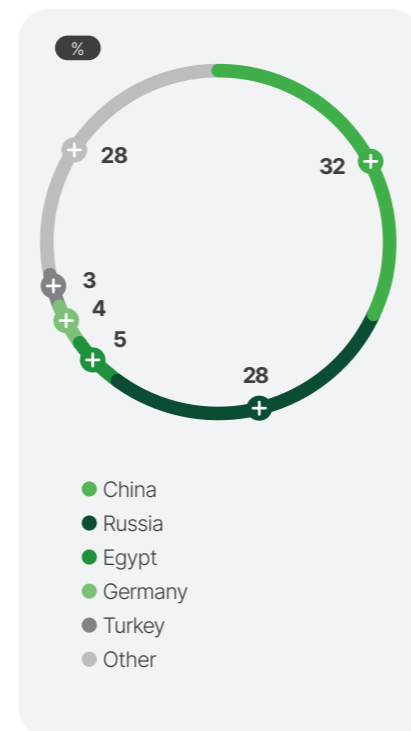
RUB BN total project investments



BALANCED STRUCTURE OF REVENUES AND GEOGRAPHICAL DIVERSIFICATION

Segezha Group is striving to support its sales strategy through diversification of markets, sales channels, and output. This enables the Company to adapt as quickly and effectively as possible to the current geopolitical turbulence and market volatility, and to respond promptly to changes in the market environment, while reducing risks associated with product sales.

Segezha Group's revenue by country



The Company's key products are exported to

>80

COUNTRIES

Looking for opportunities to boost its margins, the Company works to enlarge the share of direct sales to end-users.

HIGH LEVEL OF CORPORATE GOVERNANCE

Segezha Group is following the best corporate governance practices.



Principles	Implementation
<p>01 Equal and fair treatment of all shareholders</p>	<p>The Company strictly adheres to the legislation requirements of the Russian Federation and follows the best recommendations of the Corporate Governance Code by the Bank of Russia, while complying with international practices in regard to preparation and holding General Meetings of Shareholders.</p> <p>The Company strives to provide the most favorable opportunities for shareholders to participate in General Meetings of Shareholders and to form an informed position on all issues included in the agenda. All shareholders have the right to provide their opinion on issues under consideration.</p>
<p>02 Professionalism and leadership of the Board of Directors and its reporting to the shareholders</p>	<p>The current Board of Directors is formed based on the principles of diversity and inclusiveness and has the experience and all the necessary competencies to manage Company's business most effectively.</p>
<p>03 Transparency</p>	<p>Segezha Group is a public company. It complies with the up-to-date information disclosure standards.</p> <p>In 2022, despite geopolitical and economic turbulence and legislative changes regarding information disclosure, the Company maintained a high level of transparency, including the publication of its operational and financial results.</p> <p>Segezha Group is committed to building trust relations with investors and shareholders, making every effort to safeguard their interests and maintaining an ongoing open dialogue.</p>
<p>04 Zero tolerance for corruption</p>	<p>Segezha Group introduced and continuously improves an anti-corruption system, which includes measures related to organisational, economic, legal, and informational matters.</p> <p>Universal Hotline (UHL) is a key instrument of the afore-mentioned system and a whistleblowing programme. In 2022, the line received 1,249 calls, 86 of which were targeted messaging. The total damage revealed by the line accounted for RUB 6.1 m.</p>

COMMITMENT TO THE BEST ESG PRACTICES AND SUSTAINABLE DEVELOPMENT PRINCIPLES

Segezha Group recognises its responsibility to society, nature, and future generations, and believes that sustainable development is the key to ensuring long-term stability, competitiveness, and creating additional value for all stakeholders.

For more information see the [Sustainable Development section](#) on page 148.

01 Segezha Group is a member of the UN Global Compact

As a member of the UN Global Compact since 2021, Segezha Group confirms its commitment to the principles of anti-corruption efforts, human rights, environmental protection, and occupational health and safety.

02 Responsible forest management

Throughout 2022, Segezha Group launched a forest seed centre in Sharya, the Kostroma region.

4^M PCS

The annual capacity of seedlings for the reforestation programme implementation

778

RUB M
Group's reforestation costs over 2022

03 Positive trends of the Group's key EHS-indicators⁽¹⁾

Reduction in greenhouse emissions was achieved

9%

FOR SCOPE 1

1.66

LTIFR⁽²⁾

– 19% p.p.

5x

YEAR-ON-YEAR
Reforestation costs

04 Voluntary certification of the Group's key companies in accordance with international standards

An integrated management system meeting the requirements of the following ISO international standards was implemented within the Group: ISO 9001, ISO 14001, ISO 45001.

05 Initiatives to reduce the negative impact on the environment

Over the course of 2022, we continued to implement programmes to improve operational and environmental efficiency at the Group's facilities.

3.5^{RUB BN}

Capital expenditures with direct or indirect environmental impact

06 High ESG ratings by leading agencies

Segezha Group obtained ESG rating from the largest national agencies:

- ✓ topped the ESG ranking by RAEX-Europe, among forest industry companies;
- ✓ received the highest ESG maturity level (Group I) according to the ESG index of RBC and the National Rating Agency (NRA);
- ✓ awarded by Expert RA rating agency in the ESG Transparency Ranking in the category "For Leadership in ESG Transparency among Pulp and Paper Companies";
- ✓ received the second ranking of the Green Brands League.



SUSTAINALYTICS

Also, in April 2022, the European converting assets of Segezha Group – Segezha Packaging⁽³⁾ – were awarded the golden status by the platform EcoVadis for their performance in 2021.

In July 2021, PJSC Segezha Group received a 21.4 rating from Sustainalytics, which is considered to correspond to the medium risk level.

⁽¹⁾ Environment, health and safety (EHS) – see Glossary on page 282.

⁽²⁾ Lost Time Injury Frequency Rate – see Glossary on page 283.

⁽³⁾ The assets of Segezha Packaging withdrew from the Group on 22 February 2023.

SUSTAINABLE BUSINESS DEVELOPMENT

Segezha Group has a Sustainable Development Strategy and Policy in place. The Company has identified important directions taking into account strategic priorities, analysis of social and environmental impact of operations, assessment of risks and opportunities, stakeholder interests, as well as compliance with priorities of socio-economic development of regions where the Company operates and with the UN SDGs.



For more information see the [Sustainable Development section](#) on page 148.

During 2022, Segezha Group received external recognition for the openness and efficiency for its ESG activities.



RAEX-Europe
ESG-ranking

Leader among the forest industry companies



Green Brands League's ranking

The second ranking



ESG transparency ranking by **Expert RA**

Award in the category "For Leadership in ESG Transparency among Pulp and Paper Companies"



ESG index of **RBC and the National Rating Agency (NRA)**

The highest ESG maturity level (Group I)



Forbes

"Russia's Top 100 Employers"
Gold



The annual donor forum competition

"A" ranking of corporate charity leaders



The IX All-Russian tourist award "Route of the Year"

The first place in the "Best Ecotourism Route" category for the projects "Birds, Fish and Whales" and the "Kenezersky National Park"



Throughout 2022, Segezha Group continued to build on its sustainability priorities

The Company achieved success in the following ESG directions

01 The medium-term targets to reflect internal and external developments were updated and incorporated into the updated Sustainable Development Policy.

02 The Company actively participated in task forces on sustainable development at national and international levels, including those of the Russian Ministry of Economic Development, Russian Union of Industrialists and Entrepreneurs, National ESG Alliance, UN Global Compact National Network, and the Food and Agriculture Organisation of the United Nations.

03 The methods and approaches in calculating a number of non-financial indicators using Power BI software⁽¹⁾ were improved.

04 Internal supplementary assessment of water stress areas was conducted, including updating initiatives to reduce the impact on water resources in areas of high water stress.

05 Basic steps of the climate management process were approved, including climate risk assessment and management.

06 Internal competencies of key participants in the sustainable investment projects management were built in accordance with international standards.

⁽¹⁾ Including assets acquired in 2021, namely: LLC Inter Forest Rus and JSC Novoeniseisky Wood-Chemical Complex.



STRATEGIC

REPORT

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DEVELOPMENT STRATEGY OF SEGEZHA GROUP

SEGEZHA GROUP'S BUSINESS builds upon its Development Strategy 2027, approved by the Board of Directors in 2018 and updated in 2021.

The implementation of plans and investment projects outlined in the strategy to 2027 will enable the Company to create the highest added value from the invested capital of shareholders and become the Russian forest industry leader in terms of efficiency, safety, and using the most advanced technologies.



Mikhail Shamolin
President, Chairman
of the Management Board

Segezha Group's strategy centres around bringing up a leading global forest industry company with a diversified product portfolio. The Group holds front-running positions both in key Russian markets and globally. To achieve its strategic goals, Segezha Group is developing existing production assets and investing in projects to widen capacity, introduce state-of-the-art technologies, brush off infrastructure, and acquire new assets. Segezha Group invents own logging operations and broadens high-margin production capacity along with penetrating new industry segments.

In pursuit of controlling the full supply chain, the Group seeks to enlarge its forest base and raise the share of in-house wood supply to its enterprises. Segezha Group is a global leader in terms of the area of forests it leases and the AAC it holds among public companies. The own-to-purchased wood ratio of the Company accounts for 93%. In five years, Segezha Group's AAC has quadrupled to 23.3 m cu m, while the actual cut has tripled to 8.3 m cu m.

Efficient forest management and reforestation are among strategic priorities of the Group. The list of the Group's activities therefore includes not only harvesting operations but also building and maintenance of year-round forest roads, forest care, and reforestation.

As one of Russia's largest forest industry players, Segezha Group strives to introduce cutting-edge technologies for wood processing, devise high-tech solutions, and bring high-value-added products to the market.

Guided by the principles of sustainable development, Segezha Group is committed to reducing negative environmental impact, contributing more to the socio-economic prosperity of regions where it operates and to environmental and industrial safety, while also generating a stable and favourable social environment and caring for its staff and members of their families. The Company has a Sustainable Development Strategy in place, where milestones of strategic development until 2025 are outlined.

See more in the [Sustainable Development Strategy](#) section on page 150.

Segezha Group established Segezha Digital Solutions company on the course to active implementation of its digital transformation programme. This company will focus on centralised management of corporate information systems and on analysis and implementation of information technologies. Other activities include the creation of software, identification of business growth points through the adoption of digital solutions, and automation of Segezha Group's business processes.

Segezha Digital Solutions will bring together the digital competences of the Group in the field of own IT solutions in addition to adopting homeland digital solutions, with the aim of strengthening own expertise and supporting the Group's pioneering digital brand.

See more in the [Business Digitalisation](#) section on page 68.

Segezha Group's Strategic Priorities Implementation Plans

01 Forest resources base development



- ✔ Hiking the share of own wood supplies to all plants of the Group through an AAC expansion and a better utilisation rate.
- ✔ Adopting intensive forest management practices in all harvesting regions, a progressive AAC expansion.
- ✔ Implementing investment programmes to replace harvesting and wood transportation machinery.
- ✔ Construction of forest roads.

02 Production assets



- ✔ Upgrading the Segezha PPM's existing operations to bolster the mill's capacity and lower its costs.
- ✔ Ameliorating Onega Sawmills to increase the mill's annual output by 48 ths cu m of sawn timber and by 30 ths t of pellets.
- ✔ Increasing the sack paper and grease-proof paper output at the Sokol PPM.
- ✔ Renovating the Lesosibirsky LDK No 1 to boost the mill's capacity by 50 ths cu m of sawn timber and by 100 ths t of pellets per year.
- ✔ Increasing the plywood output at the Vyatsky Plywood Mill by 64 ths cu m annually.

04 Sustainable development



- ✔ Modernising and replacing effluent treatment equipment at the Segezha PPM.
- ✔ Decreasing the environmental impact and adopting state-of-the-art production technologies.
- ✔ Executing the sustainable forest management policy through a forest seed complex located in the Kostroma region.
- ✔ Minimising the number of occupational injuries.
- ✔ Implementing umbrella charity projects: "Infrastructure for the city", "Sport", "Education", "Environment".

03 Innovations



- ✔ Extending and evolving existing IT projects of the Group, including SAP solutions based on the own expertise centre, the automated dispatch SegezhaLes system etc.
- ✔ Widening the number of automated data sources and extending the system for production statistics storing and processing.
- ✔ Developing augmented VR and robotisation products (Robotic Process Automation, RPA).
- ✔ Establishing R&D centres to drive innovation solutions for the Company's product portfolio.
- ✔ Utilising scientific expertise of JSC Giprobum for designing production facilities of the Company.

The **wooden housing construction segment**, including the production of groundbreaking building material such as **CLT-panels** is strategically important to Segezha Group.

The first pilot high-rise buildings made of CLT were built in 2022 by Segezha Group in Sokol, the Vologda region. A construction project of two CLT-panel campuses in Sarov, the Nizhny Novgorod region, was also carried out at the request of Rosatom State Corporation. The first houses with a total area of 6 ths sq m were finished in four months, which confirmed the high speed of construction to be the main benefit of the CLT-based technology.

In 2022, Segezha Group, in partnership with the Federal State Budgetary Institution Russian Order Badge of Honour Research Institute of Fire Defense under the Russian Emergencies Ministry, successfully conducted fire tests of CLT-structures, which will result in the composition of codes of practice in 2023, allowing the construction of multi-storey buildings from CLT-panels.

At the same time, special seismicity specifications were laid out in 2022 and the design of an CLT-based apartment block in Baikalsk, the Irkutsk region, was completed. The seismicity of this area is nine points.

Based on the construction and testing results, amendments to the relevant legal acts will be finalised in April 2023. Therefore, a new market will be opened up for CLT-panels in seismically active regions.

In addition, the Company has made up a catalogue of standard solutions for designing buildings made of CLT-panels for the individual housing construction segment, and is also producing a catalogue of standard designs. This applies first and foremost to complex housing and public development projects in areas where the speed of construction is especially vital.

Throughout 2022, the viability of CLT-panels was appreciated by large construction companies, including the PIK Group. Modular house designs that had been created will be actively implemented and ramped up by the Company in 2023.



Risks Associated with the Strategy Implementation

The Group's development strategy takes into account possible risks of its implementation. Segezha Group undertakes measures to minimise the level of risks associated with the Company's development strategy and their impact on the business.

In 2022, the main risks for the strategy implementation were related to changes in the geopolitical and economic circumstances. These include tough competition for wood products in the domestic market and in new sales markets, the need to find new markets and alternative logistics routes, rising transportation tariffs, unsteady supplies of foreign equipment and spare parts, and the strengthening of the rouble.

Despite changes in the market conditions and the volatile economic situation, the Group was able to manage the challenges and did not change its long-term goals or the key elements of its strategy. In order to minimise the impact of unfavourable factors on its business, Segezha Group executed measures aimed at:

- ✔ replacing European raw materials, supplies and spare parts required for production and maintenance with Asian and Russian counterparts;
- ✔ redirecting sales channels towards markets in Asia, MENA, as well as ramping up deliveries to the domestic market;
- ✔ adopting new logistics routes.

Strategy Implementation Plans

Segezha Group will continue to optimise logistics flows and redirect sales to new markets, while also optimising the cash flow and decreasing its debt burden. The Company intends to start up new investment initiatives as well as complete previously launched projects in a timely manner.



BUSINESS MODEL OF SEGEZHA GROUP

RESOURCES

Financial capital

RUB **107** BN
revenue

RUB **25** BN
OIBDA

23%
OIBDA margin

Human capital

20.8 THS
PEOPLE
average headcount

Natural capital

15.9 M HA
total area
of leased forests

23.3 M CU M
AAC

93%
self-sufficiency
in wood supply

Productive capital

25
production sites(1)

8.3 M CU M
actual cut

Intellectual capital

R&D centre for developing
and testing new products
in the Republic of Karelia

Design Institute
in St. Petersburg

14 THS CU M
production of innovative
CLT-panels

Social and reputational capital

Segezha Group's securities are
included in the **Level 1 Quotation List
on the Moscow Stock Exchange**

No 2 GLOBALLY
in terms of multi-wall sacks
manufacturing(2)

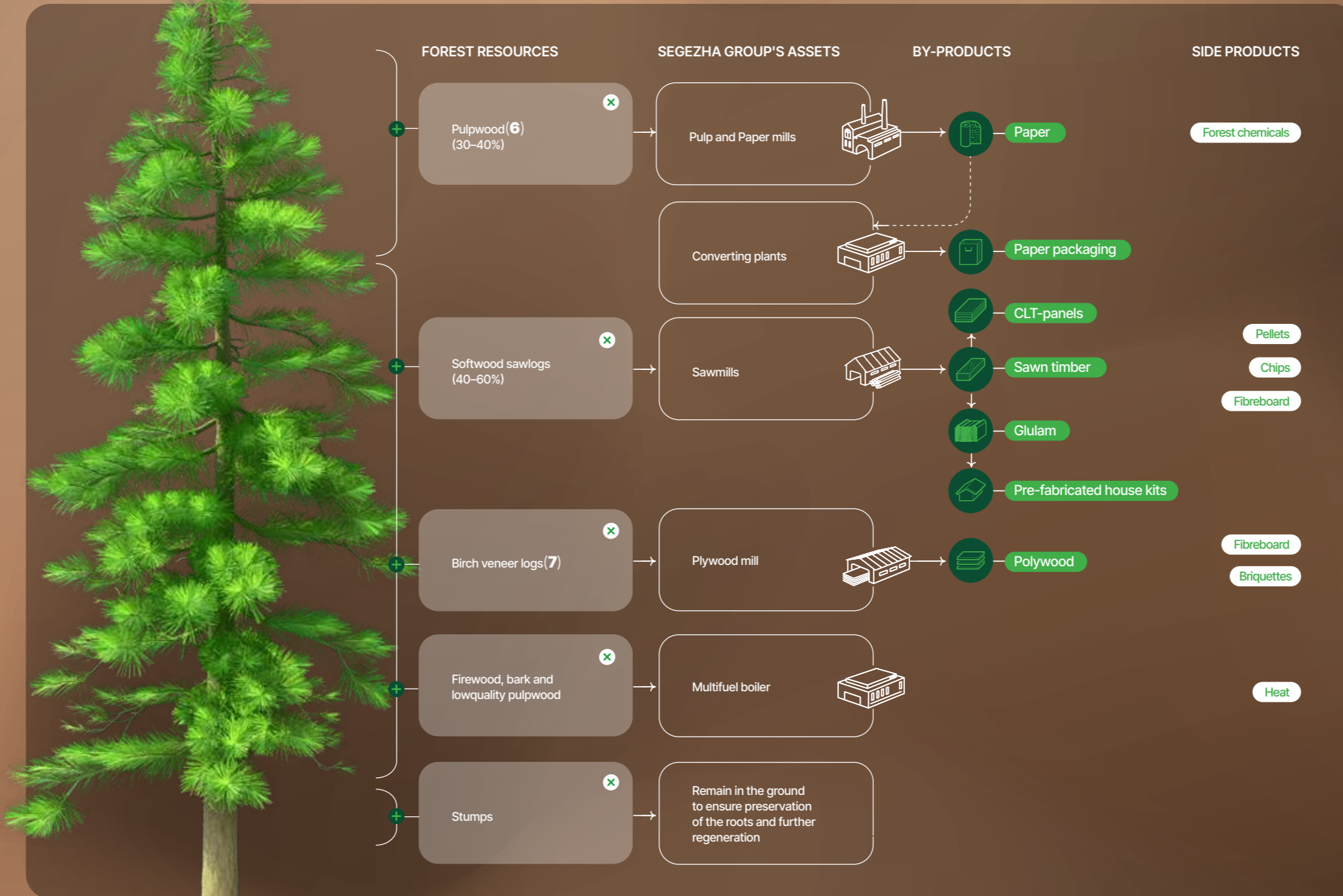
No 9 IN EUROPE
in terms of softwood sawn timber
manufacturing(3)

No 3 GLOBALLY
in terms of birch plywood
manufacturing(4)

No 1 IN RUSSIA
in terms of structural glulam beam
and glulam-based home kits
manufacturing(5)

ESG RATINGS
from leading Russian
and international agencies

BUSINESS PROCESSES



VALUE FOR STAKEHOLDERS

Shareholders and investors

RUB **16.4** BN
interim and final dividends
for nine and 12 months of 2021

Buyers and customers

>80 COUNTRIES
geography of sales

Personnel

10%
wage indexation

44%
VHI(8) coverage increased

1.66
LTIFFR
-19% p. p.

Local communities

RUB **120** M
charity projects
expenditure

756 KM
roads built

Business partners

76%
share of procurement
from Russian suppliers

70%
share of procurement
on a competitive basis

(1) As of 31 December 2022, European assets withdrew from Segezha Group on 22 February 2023.
 (2) Fisher International estimation.
 (3) Source: https://www.timber-online.net/sawn_timber/2022/12/new-sawmill-podium-in-europe.html.
 (4) Sources: internal research of Segezha Group, WhatWood's data. Data includes assets of the Galich Plywood Mill.
 (5) Based on internal research of Segezha Group in 2022.
 (6) Pulpwood – see Glossary on page 284.
 (7) Birch veneer logs – see Glossary on page 282.
 (8) VHI – see Glossary on page 284.

CONTRIBUTION TO ACHIEVING THE UN SDGs

SUSTAINABLE DEVELOPMENT GOALS

- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 13 CLIMATE ACTION
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 8 DECENT WORK AND ECONOMIC GROWTH

- Innovative forestry business
- Comfortable life in the forested regions of Russia
- Climate-oriented forest management and operations
- Responsible supply chain in the forest industry

STRATEGIC PRIORITIES

- Development of the forest resource base
- Development and modernisation of the production assets
- Sustainable development
- Innovation

FACTORS FOR INVESTMENT ATTRACTIVENESS

- Leadership in attractive market segments
- A vast and rapidly growing forest resource base
- A highly effective asset base
- A robust portfolio of projects delivering organic growth
- Balanced revenue structure and geographical diversification
- Commitment to the best ESG and sustainability practices
- High level of corporate governance



MARKET OVERVIEW

In 2022, the pulp & paper and wood products industry faced major global challenges, which resulted in the global trade reshaping. The ban on imports of wood products, pellets, sack paper, and plywood from Russia to the European Union, along with the introduction of import duties in the UK, Japan, and the US, led to the diversion of Russian exports, redirecting them to countries in Asia, the MENA(1) region, etc.

In addition, Q2 and early Q3 2022 saw a record rise in the cost of logistics services, primarily due to the withdrawal of international container shipping lines from the Russian market. In particular, transportation costs to Latin America, India, and several

countries in Southeast Asia and Africa more than tripled, largely reducing the attractiveness of these markets from a commercial perspective. These challenges had an impact on the availability of Russian goods on the global market for a certain

period of time, but solutions were found at the quickest possible pace. As early as Q3-Q4, the transport market stabilised noticeably, including through the emergence of new logistics operators and the development of alternative delivery routes.

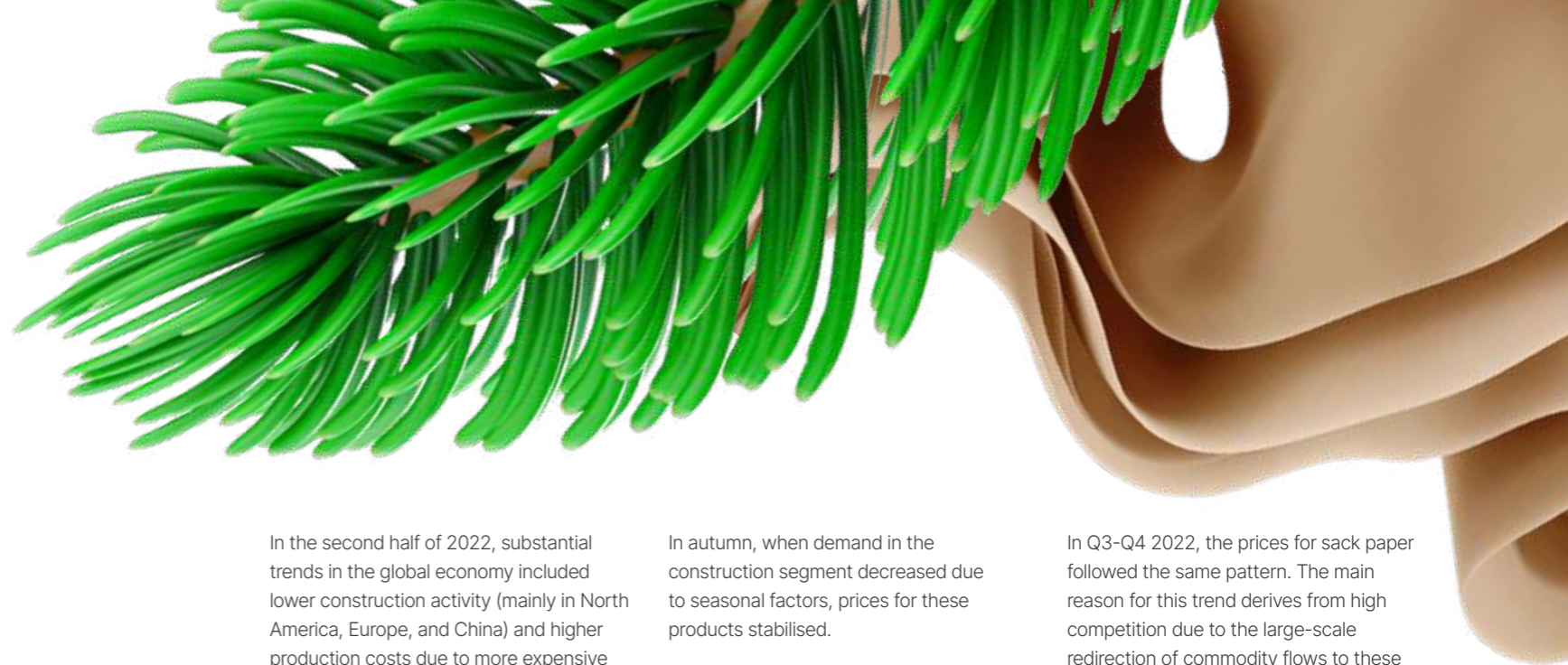
In the second half of 2022, substantial trends in the global economy included lower construction activity (mainly in North America, Europe, and China) and higher production costs due to more expensive raw materials and energy.

In Europe, the energy crunch and wood supply shortages were accompanied with record high prices of sack paper and birch plywood.

In autumn, when demand in the construction segment decreased due to seasonal factors, prices for these products stabilised.

Over the course of Q2-Q3 2022, there was a decline in pricing for sawn timber and birch plywood in Segezha Group's key markets: China, Asia, and MENA.

In Q3-Q4 2022, the prices for sack paper followed the same pattern. The main reason for this trend derives from high competition due to the large-scale redirection of commodity flows to these markets by Russian exporters. However, prices stabilised as early as Q4 2022, with a number of items showing growth.



Despite the economic volatility and the challenging geopolitical situation, Segezha Group managed, as early as in Q3-Q4 2022:

✓ stabilise its sales;

✓ find alternatives to traditional logistics solutions;

✓ create opportunities for future growth;

✓ reorient supplies to new countries and regions;

✓ meet its obligations towards all customers.

In particular, road deliveries to a number of countries in the Middle East replaced maritime transport. New shipping routes were established to Africa and the Middle East via Black Sea ports and to China and other Asian countries via ports in the Far East. For shipments to Africa and Latin America the alternative ships, such as roll-on/roll-off vessels, bulk carriers, and reefer ships, were used instead of container ships.



Throughout 2022, Segezha Group significantly changed its distribution footprint, opening up new markets and segments for its products.

In particular, there were increases in the shipments of birch plywood to the Asian, African, and MENA(1) markets that had not been previously targeted but have a significant growth potential.

The Company was able to quickly redirect the deliveries of market paper. Instead of transporting shipments to own converting facilities in Europe, the paper was sold to domestic customers, thus contributing to the development of the paper packaging production sector in Russia, as well as to new customers in China and Turkey.

In total, Russia, CIS countries, China, and Turkey accounted for more than 60%(2) of paper shipments (including intragroup shipments) in 2022.

The share of paper supplies to the Russian market grew from 15% in 2021 to 28% in 2022, while deliveries to China and Turkey doubled over the same time period.

In addition, the Group's products were in demand in Asia, MENA, Africa, and Latin America.

>60%

of paper shipments in 2022 came from Russia, CIS countries, China and Turkey(2)

(1) MENA – see [Glossary](#) on page 283.

(2) Of total sales in terms of volume (tonnes).

No 2

globally by production of paper for multi-wall sacks⁽¹⁾

Segezha PPM is Russia's only producer of unbleached micro-crepe sack paper with enhanced strength

77%

Segezha Group's share in Russia's production of sack paper⁽¹⁾

71%

of sack paper is exported

Sack Paper

Segezha Group accounts for over 77%⁽¹⁾ of sack paper production in Russia. Over 2022, more than 44% of paper was supplied to Segezha Group's own converting plants. Exports accounted for 86% of market paper sales, with the geography of supplies including 60 countries. In 2022, a part of Segezha Group's export deliveries was redirected to alternative markets. The key markets for the Group in 2022 were China, Southeast Asia, the Middle East, the CIS, and Turkey. In the reporting year, the Segezha PPM continued the production of white micro-crepe paper, which bettered the Company's self-sufficiency in raw material supplies and brought down the dependence on third-party suppliers.

Global Market

Throughout 2022, the sack paper market recorded a slight decline in consumption. However, at the beginning of 2022, there was a high supply deficit accompanied by a more than 40% increase in quotations on the European market compared to the end of 2021⁽²⁾. With buyers looking to maximise stocks ahead of a ban on Russian-made paper entering Europe on 10 July 2022, there was virtually no stock available. The positive price trend was also driven by rising costs due to higher energy, raw material, and freight prices.

Among the force majeure situations affecting the paper supply in the market were strikes at pulp and paper mills in Europe and in the transport sector in Canada and Europe, as well as natural disasters.

Global demand for paper sacks and sack paper began to stabilise in the second half of 2022. The logistics market also stabilised. As a result, the price hikes that began in January 2021 came to a halt. Some European producers continued to apply so-called "energy surcharges", but this practice became less common. In addition, changes in the sack paper pricing were largely linked to the downturn in the European industry and the construction sector in particular, and to the worsening epidemiological situation in China.

Amid the complexity of building logistics routes for deliveries to export markets and the high freight rates, Segezha Group propped up deliveries to its own converting facilities in Russia, thus providing for import substitution of industrial sacks in the domestic market. The Group saw a growth in sales in Russia, the CIS, Turkey, South Africa, and China. In addition, the Group developed alternative logistics routes to Latin America, MENA⁽⁴⁾, and Southeast Asia.

This helped reduce delivery costs and resume shipments to countries where logistics were temporarily absent in the first half of the year.

Russian Market

The Russian sack paper market is export-oriented and has a limited capacity. In the reporting year, Russian producers faced challenges in marketing their products to European countries and redirected their supplies to domestic consumers and alternative markets, such as Asia, MENA⁽⁴⁾, Africa, Latin America, and Turkey.

During 2022, the consumption of unbleached paper in Russia was estimated at 120 ths t⁽⁵⁾, of which 70 ths t came from Segezhszkaya Upakovka. The Group contributes greatly to the growth of domestic paper supply and consumption by deliberately increasing sack paper production at its mills.

Today, the Group is the main supplier of micro-crepe paper to the markets of the Russian Federation, successfully replacing imports from Europe. The growth in sales of micro-crepe paper on the Russian market arose also from most cement plants in Russia switching from three-ply sacks to high-tech two-ply sacks produced from micro-crepe paper. In addition, the Group expanded its paper supplies in other market segments: cable industry, furniture manufacturing, adhesive tapes.

Global consumption of kraft paper⁽³⁾, 2020–2022



⁽¹⁾ Estimated by Fisher International.

⁽²⁾ Estimated by the Fastmarkets.

⁽³⁾ Estimated by Segezha Group.

⁽⁴⁾ MENA – see [Glossary](#) on page 283.

⁽⁵⁾ Estimated by Segezha Group.



No 1
in Russia in terms of paper sacks manufacturing(1)

No 2
globally in terms of manufacturing of paper for multi-wall sacks(1)

65%
is Segezha Group's share in the Russian paper sack market in 2022(2)

Paper Sacks

Segezha Group produces paper sacks at Segezhsкая Upakovka's Russian facilities and at Segezha Packaging's(3) foreign sites in Europe and Turkey.

Segezha Group is the largest producer of paper sacks in Russia. The Company is also actively developing the production of consumer packaging: bags with flat and twist handles, bags used in retail and e-commerce, and small-size packaging for the food industry.

The domestic market is a priority market for the Group's Russian companies. The share of export in Segezhsкая Upakovka's sales was 12% in 2022. The main export markets are neighboring countries, to include Belarus, Kazakhstan, Kyrgyzstan and Uzbekistan.

European Market

Demand for paper sacks on the European market declined in 2022. This trend was set in the summer due to a slowdown in construction activity. Demand from the cement industry and the dry building mix segment, which account for more than 60% of paper sack consumption in Europe, remained relatively low until the end of the year.

Russian Market

Throughout 2022, paper sack consumption in Russia was estimated at 946 m pcs(4), which was 4% higher than in 2021. Demand for industrial packaging remained high in 2022, with the market facing the need for import substitution due to lower supplies of paper sacks from abroad.

The volume of imports was estimated to have fallen by 10%(2), with the dry building mix segment being the main contributor. In 2022, production of industrial sacks at Segezha Group's Russian factories went up by 10% year-on-year on the back of new production line (E11) reaching its designed capacity, which had been installed in the city of Segezha in 2021. This made it possible to offer an additional output on the domestic market, thus compensating for the volume lost due to the reduction of paper sack imports to Russia.

Russia's consumption of paper sacks(5), 2020–2022



(1) Estimated by Fisher International.
 (2) Source: internal research of Segezha Group.
 (3) Withdrawn from Segezha Group on 22 February 2023.
 (4) Estimated by Segezha Group.
 (5) Estimated by Segezha Group (updated information).

No 9
in Europe in terms of softwood sawn timber manufacturing(6)

11%
is Russia's share in global softwood sawn timber production(7)

97%
of Segezha Group's sawn timber sales are exports

Sawn Timber

Segezha Group exports 97% of its sawn timber output to dozens of countries around the world, with construction, furniture, and packaging manufacturers being its key consumers. Major supplies are made to China, MENA countries, Russia, Korea, Japan, the CIS, and European countries.

In 2022, Segezha Group was able to significantly boost its sawn timber supplies to the Chinese market. This was possible due to the integration of LLC Inter Fores Rus and JSC Novoyeniseiskiy Wood-Chemical Complex, which are located in close proximity to Asian markets. Another reason was Sokol Sawmills, Onega Sawmills, and Karelian Wood Company redirecting a part of their sales to this region. In 2022, the share of sales to China in the Group's portfolio climbed up by 32 p.p. to 73%, while the share of sales to Europe decreased by 29 p.p. to 3%.

Global Market

The global softwood sawn timber market was estimated at 325 m cu m(7) in 2022. The US and China remain the world's largest consumers of sawn timber, which is mainly used in construction and furniture manufacturing. In 2022, global sawn timber consumption declined by around 7%(8) year-on-year.

In 2022, all Segezha Group's markets experienced high sawn timber stocks, low demand, lower pricing, and significant competition from European suppliers.

In the reporting year, pricing for sawn timber products in all markets where Segezha Group operates fell down compared to the record values of 2021. The trend emerged in Q2 2022 and intensified in the second half of the year. This development was driven not only by the high base effect of last year, but also by a supply surplus, high inventory levels, and weak end-user activity in the market.

Global sawn timber consumption(9), 2020–2022



(6) Source: https://www.timber-online.net/sawn_timber/2022/12/new-sawmill-podium-in-europe.html.
 (7) Sources: FAOSTAT, Segezha Group's estimation.
 (8) Sources: proceedings of industry conference CGTC 2022, FAOSTAT, Segezha Group's estimation.
 (9) Sources: FAOSTAT, Segezha Group's estimation, industry media.



Russian Market

Russia's softwood sawn timber production in 2022 was estimated at 36 m cu m⁽¹⁾, 10%⁽²⁾ down from 2021. Russia is the world's fifth-largest producer of softwood sawn timber after Europe, the US, China, and Canada, with a share of 11%⁽¹⁾. In 2022, export sales of Russian sawn timber accounted for more than 60%⁽³⁾ of the total production.

Over the course of 2022, the Russian softwood sawn timber exports fell by 22%, to 23 m cu m⁽²⁾ (60% of total production), driven by a ban on sales to the European Union and due to a decline in construction activity in China. With global chains undergoing transformation and Russian manufacturers⁽⁴⁾ "pivoting to the East", China's share in Russian sawn timber exports increased by 8% to 61%. The CIS countries were the second largest destination for sawn timber shipments, with a total share of 18%. The MENA⁽⁵⁾ region's share in Russian deliveries grew by 2% to 8%⁽⁶⁾ in 2022.



No 3
GLOBALLY
in terms of birch
plywood production
capacity⁽⁸⁾

52
COUNTRIES
Segezha Group's
birch plywood
sales geography



Plywood

In the year of 2022, despite a number of serious constraints facing the Russian forest industry, Segezha Group managed to adapt to the new market and economic realities and maintain a stable position in the plywood market. The launch of the Galich Plywood Mill and the integration of the Krasfan Plywood Mill enabled the Group to become the third-largest producer of birch plywood globally⁽⁹⁾.

Despite the 13% year-on-year⁽¹⁰⁾ decline in global birch plywood consumption, the Company fortified its presence on the Russian market and managed to boost its share by 5% to 7%⁽¹¹⁾, with local sales growing by 104% year-on-year.

The share of Segezha Group's export deliveries was 65%, with the distribution footprint covering 52 countries. With the global birch plywood market undergoing structural changes, the Company rapidly redirected shipments from the traditional European market to alternative ones. The key markets included the Middle East, Africa, the CIS, and China. Sales growth to the new markets amounted to 65% compared to 2021.

Global Market

In 2022, the birch plywood market was undergoing significant structural changes due to restricted access to the traditional European market for Russian producers. In addition, import duties on plywood from Russia imposed by the US and Canada, as well as a sharp increase in logistics rates contributed to a decline in supplies to North America, the second-largest region for Russian plywood exports in 2021. In alternative markets, supply exceeded demand in the second half of 2022, which in turn led to lower birch plywood pricing.

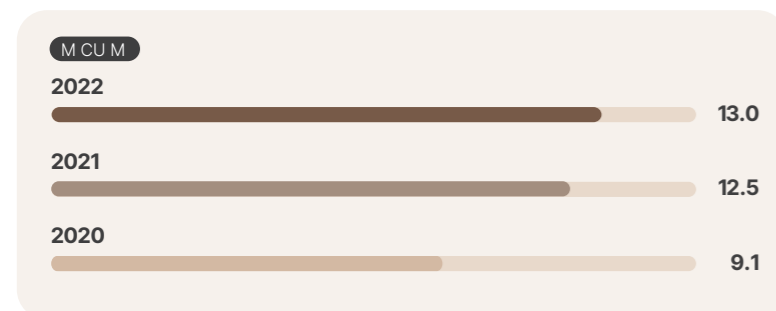
In this situation, Russian plywood mills were forced to reduce production, while European companies, amid rising energy prices and a ban on imports of wood from Russia, were unable to rapidly accelerate their birch plywood output. As a result, the global market fell by 13% to 4.2 m cu m from the previous year. European countries reduced their exports in 2022⁽⁹⁾. In Finland, for example, exports fell by 14% year-on-year⁽¹²⁾.

Global plywood consumption⁽¹⁰⁾, 2020–2022



⁽⁸⁾ Sources: internal research of Segezha Group, WhatWood data. Data includes capacities of the Galich Plywood Mill.
⁽⁹⁾ Sources: Segezha Group's internal estimations, WhatWood data.
⁽¹⁰⁾ Sources: Vision Hunters, WhatWood data, internal research of Segezha Group.
⁽¹¹⁾ Sources: WhatWood data, internal research of Segezha Group.
⁽¹²⁾ Source: EUWID.

Russia's sawn timber consumption⁽⁷⁾, 2020–2022



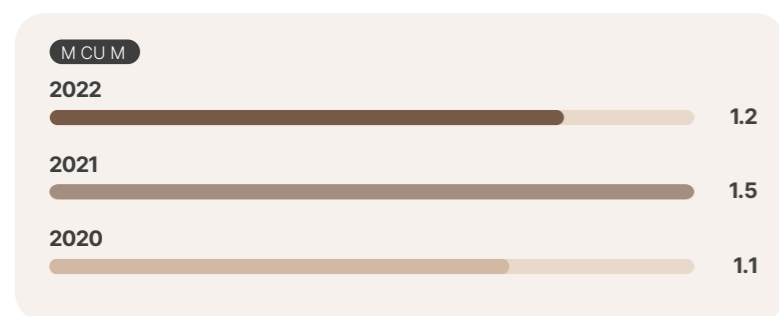
⁽¹⁾ Source: FAOSTAT, dynamics in 2022 – Rosstat data, Segezha Group's estimation.
⁽²⁾ Sources: FAOSTAT, Segezha Group estimations.
⁽³⁾ Source: WhatWood (Russian Timber Journal, 01-2023).
⁽⁴⁾ Source: Russian Sawn Timber Market, № 22, What Wood.
⁽⁵⁾ MENA – see [Glossary](#) on page 283.
⁽⁶⁾ Source: WhatWood (Sawn Softwood Market in Russia, 01-2023).
⁽⁷⁾ Sources: Segezha Group's estimation based on WhatWood's industry estimates, Woodstat, FAOSTAT, Timber-online.

As opportunities to substitute birch plywood in technically demanding industries such as construction and transport (heavy haulage, LNG tankers, etc.) are limited, and given the positive momentum in these areas, the global supply and demand for birch plywood are forecast to rebalance over the next five years⁽¹⁾.

Russian Market

In 2022, challenges confronted by Russian birch plywood producers reinforced restrictions on supplies to European countries, high logistics costs, the withdrawal of Western partners from Russia, and a strong local currency. In 2022, Russian plywood production dropped by 24% compared to 2021, amounting to 3.2 m cu m. This said, Russia remains the undisputed global leader in birch plywood production: in 2022, the country's share in global production was 73%⁽²⁾, while Segezha Group's share of Russia's birch plywood production was 5.1%⁽³⁾.

Russia's plywood consumption⁽⁴⁾, 2020–2022



⁽¹⁾ Sources: Woodworking Network, businesswire.com, SG estimate.
⁽²⁾ Sources: internal research of Segezha Group, WhatWood data.
⁽³⁾ Sources: WhatWood data, statements of Segezha Group.
⁽⁴⁾ Source: WhatWood data.



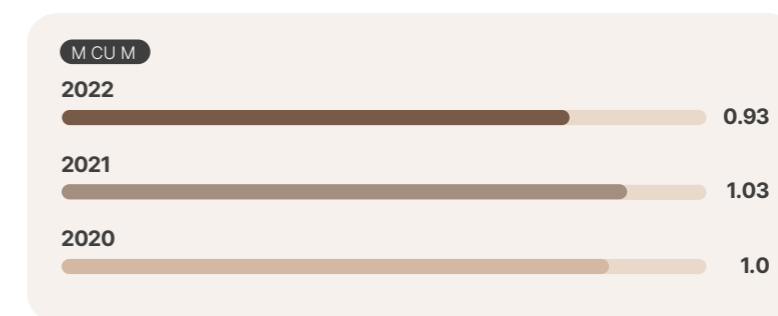
Fibreboard

In 2022, both the global and Russian fibreboard markets showed a negative trend. However, compared to the birch plywood and oriented strand board (OSB) segments, the decline was less considerable.

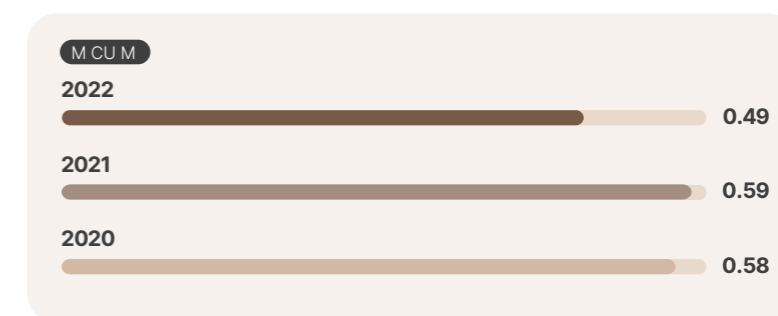
In the reporting year, the global fibreboard⁽⁵⁾, market amounted to 930 ths cu m⁽⁶⁾, with Russia's share of fibreboard consumption at 53%. In 2022, the fibreboard production in Russia decreased by 10% to 630 ths cu m⁽⁵⁾, with the share of fibreboard exports amounting to about 22%⁽³⁾.

Russia and CIS countries remain the main regions for Segezha Group's fibreboard sales, as well as for other Russian producers.

Global fibreboard consumption⁽⁵⁾, 2020–2022



Russia's fibreboard consumption⁽⁵⁾, 2020–2022



⁽⁵⁾ Sources: internal research of Segezha Group, WhatWood data (conversion from sq m to cu m for the main thicknesses of manufactured boards of 3–4.2 mm).
⁽⁶⁾ Hereinafter: wet and dry process fibreboard, excluding MDF and HDF.



No 1

in Russia in terms of glulam and home kits manufacturing(1)

95%

of glulam manufactured by Segezha is exported

Glulam (glulam beam)

The construction industry is the main consumer of Segezha Group's glulam. The Group's glulam production has historically been exported to European countries. Due to the restrictions imposed on deliveries of timber products from Russia to Europe, the geography of glulam sales changed, with the share of such countries as Japan, Israel, and Turkey growing in the Company's sales portfolio. Deliveries to the domestic market also went up substantially.

Global Market

European countries and Japan are the main consumers of glulam beams globally. Austria(2) (1.6 m cu m in 2022) and Germany(2) (1.4 m cu m in 2022) are the largest producers of glulam. In 2022, European glulam production was estimated at 3.8 m cu m(3), an increase of 2% over 2021. The reason for this development was the increase in glulam supply from Germany due to the commissioning of new production capacity.

In the first quarter of 2022, market players registered(4) a fairly strong demand for glulam in Europe. In January-February, European importers began to build up stocks earlier than usual.

Demand exceeded the actual market capacity by 20-30%, which, in turn, was reflected in higher prices. A decline in new orders since the beginning of April put pressure on prices. Demand was falling since the end of March. Additionally, since the beginning of May the anticipated market upturn didn't occur, which is traditional for this time of year. The number of new orders was well below the average for this time of year, whereas the average waiting time for orders was cut in half compared to the first quarter of 2022, i. e. to 2-3 weeks.

Since the second quarter of 2022, the glulam market in Europe and Japan was characterised by a downward price trend. By mid-May, glulam prices in Germany had fallen by an average of EUR 20-30/cu m. This trend continued until the end of 2022, with prices falling by the end of the year by about 30% compared with April. In the third quarter of 2022, the decline of glulam pricing slowed down, and in the fourth quarter of 2022 stocks of both producers and consumers shrank. At the same time, market players were cautious about placing new orders in the current unstable price environment.

(1) Source: internal research of Segezha Group.
(2) Sources: <https://www.timber-online.net>, internal research of Segezha Group.
(3) Source: Segezha Group's estimation.
(4) Sources: EUWID, Timber-online.

No 1

in Russia in terms of home kits manufacturing capacity(5)

12%

is Segezha Group's share in the Russian home kits market(5)

Prefabricated home kits

Segezha Group mainly sells its prefabricated home kits in Russia. In 2022, it led the market with a solid share of 12%(5).

Over 2022, Russia's market for housing based on glulam products was estimated at 146 ths cu m, showing a 7% decline year-on-year(5). Over the last 15 years, the share of wooden residences more than doubled and is estimated at 20.3 m m of housing(6).

Timber frame housing construction is the most popular wood building technology in Russia (more than half of all structures), followed by log houses and glulam based houses, whose share varies from 5.5 to 7%(7). In Russia wooden houses are mostly built as low-rise constructions, the share of which in the total volume of housing commissioned is approaching 60%.

In 2022, the Russian timber housing market(8) saw a decline in demand, estimated at 20-50% depending on the region and the technology used. In the second half of the year, there was a decline in the number of new orders owing to a lower purchasing power and a higher market uncertainty. As a result, most home kit manufacturers reported lower rates of capacity utilisation. The main risk factors for the Russian timber housing construction development are lower income growth rates, reduced availability of mortgage lending, and limited access to imported construction equipment. At the same time, the growth in state orders, increased demand for land plots, the development of mortgage lending, and the government measures for the individual housing construction segment can be the main drivers of the market growth in Russia.

(5) Source: internal research of Segezha Group.
(6) Sources: Federal State Statistics Service, Vertical Integrated System of Information.
(7) Source: internal research of Segezha Group.
(8) Source: proceedings of the Lesdrevmash conference, 2022.



No 1

in Russia in terms of CLT-panels production⁽¹⁾

CLT-panels

During 2022, the CLT-panel market in Europe continued its upward trend. Consumer demand for environmentally friendly and safe housing, including multi-storey housing remained the main driver of the market growth. In European countries, production of CLT-panels was estimated at 1.33 m cu m⁽²⁾ (up 17% year-on-year) in 2022, with current production capacity amounting to 2.0 m cu m.

The increase in CLT production was fuelled by the commissioning of new production capacity in 2020–2021, which ramped up capacity utilisation in 2022. The output is projected to reach 1.8 m cu m⁽²⁾ in the next two years, with new CLT-factories commissioned in 2023.



⁽¹⁾ Source: internal research of Segezha Group.

⁽²⁾ Source: https://www.timber-online.net/wood_products/2022/11/sustained-strong-growth.html.

Pellets

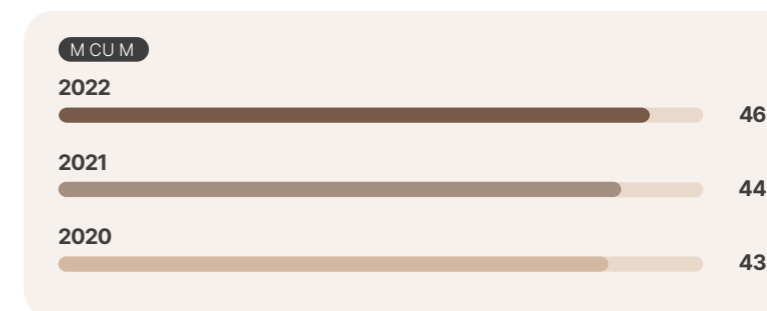
In 2022, pellet production in Russia was about 2.5 m t⁽³⁾, 18% lower compared to 2021. At the same time, exports fell by 25% to 1.8 m t.

The Russian pellet industry underwent a significant transformation in the second half of the year due to the restrictions imposed by the European Union. In July 2022, pellet production and exporting dropped significantly. Producers in Northwest Russia, whose sales have historically been targeted at the European market, found themselves in a particularly difficult situation.

It took several months for the plants in Siberia to redirect their sales from the European market to the Asian one. Traditional importers of Russian pellets – Denmark, Belgium, Italy, Great Britain – were replaced by South Korea and Turkey in the second half of 2022.



Global pellets consumption⁽⁴⁾, 2020–2022



⁽³⁾ Sources: Russian Timber Journal, WhatWood.

⁽⁴⁾ Sources: FAOSTAT, Segezha Group's estimation.

SELF-SUFFICIENCY IN WOOD SUPPLY AND FOREST RESOURCES DEVELOPMENT

Segezha Group is one of the largest forest leaseholders globally

93%
self-sufficiency
in wood supply

Russia holds a quarter of the world's forests, covering almost half of its territory. As of 1 January 2022, the total forest area of the Russian Federation was over 1,190 m ha⁽¹⁾. Segezha Group is the largest forest leaseholder in the European part of Russia. Therefore, the success of the Company's business is directly related to the condition of its forest resources.

Segezha Group's forest management operations are carried out in accordance with Russian law, taking into account the characteristics of forest areas located in different climatic conditions, with the aim of their rational, continuous, and sustainable use.

Self-sufficiency and increasing the share of own wood supply

Segezha Group maintains a high level of its own wood supplies through AAC expansions and better utilisation rates, aiming at securing self-sufficiency in wood supply, given the Group's growth plans.

As of the end of 2022, the share of wood supplied from its own harvesting operations accounted for 93%.

The Group incorporated harvesting companies that supply mills with its own wood from forests with the total AAC of 23.73 m cu m and the area of leases accounting for 15.9 m ha.

In pursuit of controlling the full supply chain, Segezha Group works to enlarge its forest base and hike the share of own wood supply to its enterprises, while also developing its own harvesting companies as part of the Group.

Availability of own harvesting operations provides Segezha Group with the means to solve a whole range of tasks:

✓ control costs and ensure high quality wood;



✓ rapidly re-distribute wood flows among the companies of the Group should any of them experience a shortage in wood supply;



✓ supply the Group's companies with wood that is suitable for their processes and equipment;



✓ promptly expand the range of products according to the market demand.



✓ plan logging volumes according to the production needs of the Group's companies;



Wood supply structure by business area:



(1) According to the State Forestry Register, 2021.



Share of wood in the manufacturing cost structure of key products of the Group(1):



Harvesting operations

The company harvests a wide range of wood assortments(2), different in terms of properties and grades. Softwood assortments are mainly used for the production of paper and paper packaging, sawn timber, glulam products, CLT-panels and pellets, whereas hardwood ones are used for manufacturing high-tech plywood of various sizes (birch) and for producing wood-based panels, heat, and elements of forest roads (aspens).

Harvesting shall be carried out in a manner that ensures maximum preservation of undergrowth and young trees. If the amount of retained undergrowth and young trees does not provide natural regeneration in accordance with the established requirements, artificial reforestation is arranged at the harvesting site. If necessary, the upkeep and supplementation of young forests is carried out.

Segezha Group doubled its actual cut in 2022, primarily due to the integration of logging companies of Novoyeniseiskiy Wood-Chemical Complex and LLC Inter Forest Rus, which became part of the Group in 2021.

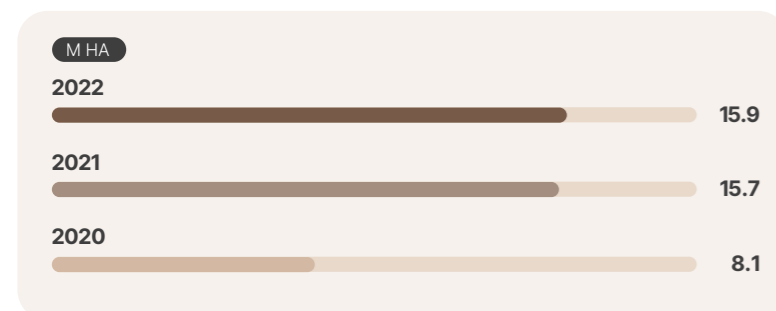
From the moment the holding was established in 2014, Segezha Group has been focusing on a major upgrade of its technical fleet. As part of the existing investment programme, 118 new units of harvesting and wood transportation machinery were bought in 2022.

The Company substantially improved its leadership position by consolidating the assets of JSC Novoyeniseiskiy Wood-Chemical Complex and LLC Inter Forest Rus in 2021.

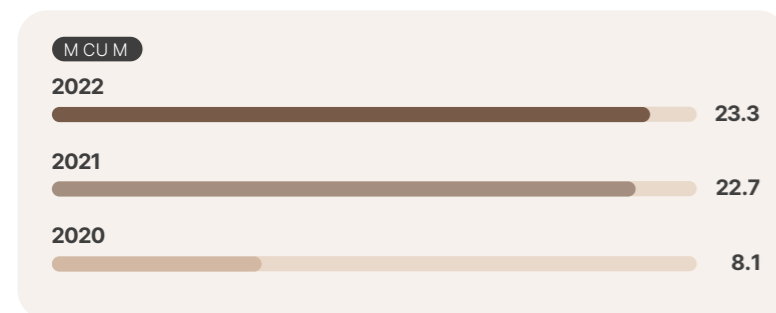
Throughout 2022, the AAC rose by 0.6 m cu m compared to 2021, including by 0.4 m cu m through signing three forest lease agreements for the implementation of priority investment projects in the Vologda and Kostroma regions.



Leased forest area



Annual available cut

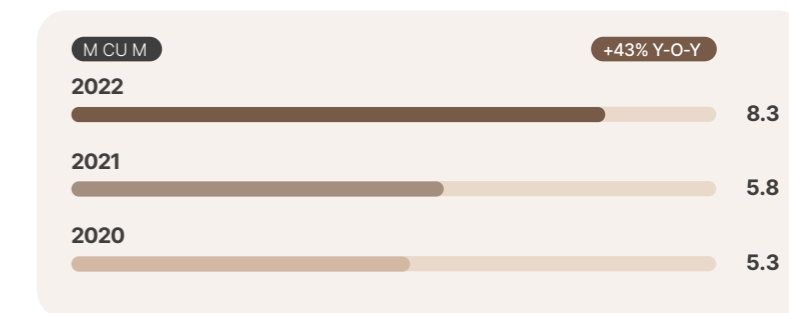


(1) Data on products sold, 2022.
(2) Assortment – see Glossary on page 282.





Segezha Group has own logging operations

7 IN REGIONS OF RUSSIA

Actual cut



During 2022, the Company acquired the following machinery for its harvesting operations:

-  **60 forest infrastructure machinery units:** log trucks with a grapple and a trailer, excavators, tractors, creeps, dump-trucks, skidders, and others;
-  **7 harvesting complexes,** each consisting of a forwarder and a harvester;
-  **30 motor vehicles;**
-  **21 pieces of road construction equipment.**

Forest management

Segezha Group uses the concept of sustainable forest management, which provides for the use of forest resources and their benefits not only for economic purposes, but also for the conservation of biodiversity and forest productivity, reproduction, viability and sustainability of forests and their respective environmental and social functions at local, regional and global levels.

Segezha Group uses the intensive forest management model in the Republic of Karelia. The model envisages a set of measures aiming at organising forest management practices in an economically sound manner, to include reforestation and young growth thinning activities. Utilisation of this forest management system is essential when it comes to providing Segezha Group's facilities with wood in a sustainable manner and boosting the growth rate of middle-aged and mature stands.

Forest road building

Segezha Group is implementing a road construction project in the regions where it operates. The forest roads are used not only for logging and wood transportation, protection and preservation of forests, but also for social purposes by local residents.



756

KM

of forest roads will be built on leased forest areas of the Group in 2022

740


M

RUB The total investment in construction in 2022

The establishment of intensive forest management practices reduces the harvesting operations expansion to unexploited forests, conserves the biodiversity and natural eco-system of forests, while also lowering the probability of fires.

Segezha Group actively carries out reforestation works throughout the leased area, which encompasses not only planting, but also further care of young trees before the plots are transferred officially to forested area and thinning can be performed. Over the course of 2022, the reforestation area accounted for 68.7 ths ha, including 13.1 thousand ha of artificial reforestation. At the same time, Segezha Group grew its reforestation expenses more than fivefold to RUB 778 m compared to 2021. This growth was mainly due to the accession of new assets.

In order to prevent forest fires, Segezha Group has implemented a comprehensive programme that features setting up special rest and smoking areas for forest visitors; posting notices with information about forest fire prevention measures; laying, cleaning and renewing mineralised strips; building and maintaining fire prevention roads. Volunteer fire brigades from among the Company's staff are formed on an annual basis for rapid responses to wildfire outbreaks and for taking primary measures of fire prevention. Over 2022, 64 forest fires with a total area of 2.2 ths ha were detected in the leased forest areas, which is almost eight times less than in 2021. The main fire hotspots were identified in the Irkutsk and Krasnoyarsk regions.

 More information on intensive forest management, reforestation, forest fire, and illegal logging prevention can be found in the [Environmental protection](#) section on page 180.

Segezha Group, **key strategic goals** in the forestry area

✓ **Expanding the AAC and improving its utilisation rate.**



✓ **Advancing the own-to-purchased wood ratio for the Group's companies.**





✓ **Adhering to the responsible forest management principles.**




✓ **Hiking the share of high-margin value-added wood products in the product portfolio.**





In order to obtain the maximum **value from the forest resources** as well as to **ensure the responsible forest management**, Segezha Group:



-  upgrades the harvesting and wood transportation fleet with modern vehicles, including small ones;
-  invests in reforestation and forest fire prevention measures;
-  builds and maintains year-round forest roads;
-  utilises the intensive forest management model in the Republic of Karelia;
-  modernises existing production facilities to reduce pollutant emissions and maximise value from wood;
-  implements projects for deep wood processing and improved efficiency in the use of raw materials;
-  produces new types of value-added products.

 For more information, see [Environmental protection](#) section on page 180.

Plans

In 2023, Segezha Group intends to continue bolstering logging volumes based on the market demand and to ensure further improvement of its self-sufficiency in wood supplies through:

-  improving the AAC utilisation rate within leased areas;
-  increasing the area of forest leases by assigning priority status to investment projects in the Vologda, Kirov and Arkhangelsk regions with the Federal Forestry Agency and the Russian Ministry of Forestry, as well as via M&A transactions;

-  continuing the project to renew the company's own fleet of logging, wood transport, and road building machinery;
-  further enhancing the flow of raw materials between the Group's companies.



KEY INVESTMENT PROJECTS

Segezha Group is executing an investment programme, which is focused on updating environmental and industrial safety, boosting the manufacturing of products with the maximum added value, enhancing production effectiveness. In addition, the Company recognises that sustainable development lies at the heart of its investment policy and seeks to take into account the impact of its activities on all stakeholders.

As a response to the high macroeconomic uncertainty in 2022, Segezha Group has reviewed and optimised its investment portfolio to maximise returns on invested capital.

RUB **10.2** BN
excluding VAT,
investments in maintaining,
constructing or rebuilding
the production base

RUB **8.4** BN
investments in completing
the acquisition
of LLC Inter Forest Rus

COMPLETED PROJECTS

Construction of the Galich Plywood Mill (finished)(1)

Implementation timeframe:
2020–2023

>0.6 THS

NEW JOBS

plans envisage the creation
new jobs in the Kostroma
region

RUB **12.2** BN
total investment cost,
VAT excl.

RUB **2.0** BN
invested in 2022,
VAT excl.

The Galich Plywood Mill is among the largest greenfield projects finalised in the Russian forest industry. Construction was commenced in 2020, as a priority status investment project in the Kostroma region, in the Galich (ASDT Galich) territory of accelerated social and economic development.

Particular attention is being paid to the environmental performance of the mill and to the reduction of its environmental impact. A 36 MWt energy centre is the key environmental element of the project. The boiler runs on wooden residuals and fully satisfies the needs of the process, offices, and supporting buildings for heat.

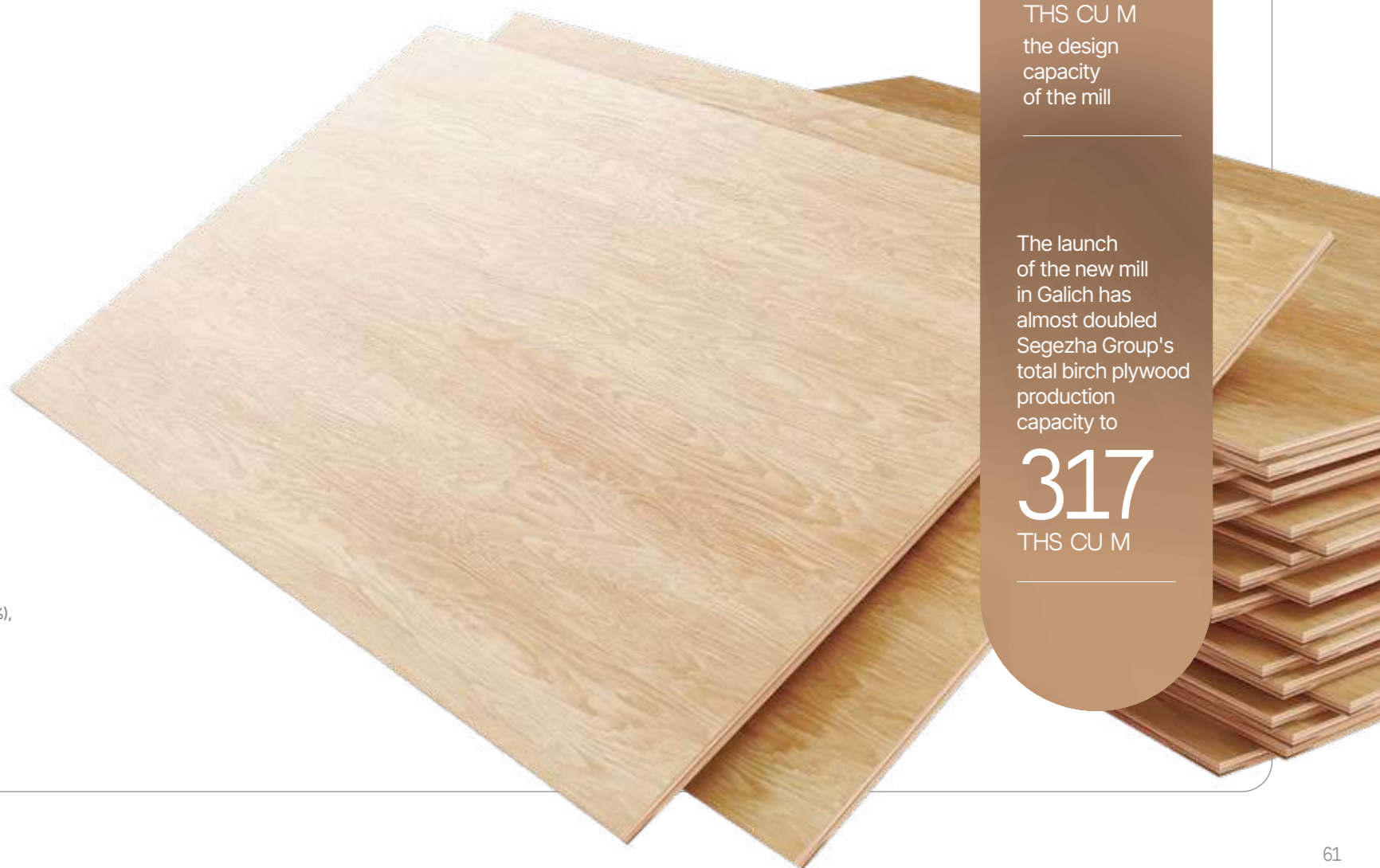
The complete closed water cycle is another essential engineering solution for the environment, as the production processes are based on a continuous circulation of water within the mill without wastewater generation.

In December 2022, the mill was commissioned in full compliance with the authorities' requirements. Commercial production has started and 30% of the design capacity has been achieved. In 2023, it is planned to complete the adjustments of the equipment and production processes to attain the rated capacity.

(1) The Group is party to a joint venture (for the purposes of this paragraph, the term "joint venture" is used in the meaning defined in the International Financial Reporting Standard (IFRS) 11 "Joint Arrangements", that was implemented on the basis of the Order 217H dated 28.12.2015 of the Ministry of Finance of the RF and based on which financing is carried out for the construction of a plywood mill in the city of Galich, the Kostroma region through GalichLes LLC and Galich Plywood Mill LLC. The total project cost is up to RUB 14 bn. The project is financed by a combination of equity (30%) and debt (70%). The Group has a call-option to acquire the JV, if the net debt to EBITDA (earnings before interest, tax, depreciation and amortisation) is less than 3.5x.



The Galich Plywood Mill project has been implemented under the national project **"International Cooperation and Export"**.



125
THS CU M
the design
capacity
of the mill

The launch
of the new mill
in Galich has
almost doubled
Segezha Group's
total birch plywood
production
capacity to

317
THS CU M



Forest Nursery in Sharya, the Kostroma region (finished)

Implementation timeframe:
2020–2023

~ **RUB 129** M
total investment cost,
VAT excl.

RUB 64 M
invested in 2022,
VAT excl.

In July 2022, Segezha Group opened a forest seed farm in Sharya, the Kostroma region, which is an paramount element of the Group's large-scale climate and carbon projects development programme. The forest nursery will be involved in the reforestation programme, both as prescribed by Russian law and beyond legislative requirements.

Over the course of 2022, the nursery grew around two million European spruce tubed seedlings that were moved to growing-finishing fields for tempering and adaptation. This will help them later strike roots more effectively in the forest. The seedlings will be used for reforestation purposes in the European part of Russia, primarily in the Kostroma region.

The nursery is highly automated. Fundamental labour-intensive operations from loading the peat to placing the seeds in the container are robotised. The nursery has its own self-contained power station to deal with possible power failures, as the seedlings need stable supply of light, heat, and humidity. The nursery operation is essential when it comes to securing the extremely effective use of planting material.

By the third quarter of 2023, the nursery is to produce its first four million seedlings, which will be used for the reforestation programme and for sale within the region.

Segezha Group plans to set up tree nurseries in other regions where it operates to meet the needs of the Group's companies and the industry as a whole.

4 M
seedlings
per year –
production
capacity



ONGOING PROJECTS

Segezha PPM modernisation (ongoing)

Implementation timeframe:
2017–2023

RUB 4.5 BN
total investment cost,
VAT excl.

RUB 0.4 BN
invested in 2022,
VAT excl.

Throughout 2022, the Company proceeded with the modernisation programme at the Segezha PPM. Associated undertakings include the partial renovation of buildings, machinery, and equipment. Also, a project to create a comprehensive anti-terrorist security system for the fuel and energy facilities was completed.

The Company made great progress in executing the mill's ambitious environmental programme. In particular, the overhaul of the second and third recovery boilers was completed, an electrostatic precipitator was installed for the second boiler, a new causticising plant and an upgraded cooking area were commissioned.

As part of the overhaul, lime kiln coolers were replaced, with key components being repaired.

Plans for 2023 envisage the completion of the environmental programme, to include an overhaul of the fourth recovery boiler, the installation of an electrostatic precipitator for the third boiler, the reconstruction of the biological treatment plant, the construction of a 4–5 hazard class waste landfill, the modernisation of the water treatment system, including chemical treatment.

Completion of the project will be instrumental in achieving nearly complete capture of lime dust with the new filters (over 99%).

Engineering centre in Krasnoyarsk (ongoing)

Implementation timeframe:
2022–2023

19
PEOPLE
new jobs creation

RUB 144 M
total investment cost,
VAT excl.

The centre was established to design equipment and spare parts as a constituent of the import substitution programme for Segezha Group facilities.

In the course of 2022, work started to form a project team, design documentation for the roundwood measuring conveyor with an X-ray scanner for LLC TimberTrans in Ust-Kut was composed.

Other activities included designing the roundwood sorting line and preparing the design documentation for sawing line components.

RUB 1 M
invested in 2022,
VAT excl.



Lesosibirsky LDK No 1 rebuild (ongoing)

Implementation timeframe:
2021-2024

704
PEOPLE
new jobs creation⁽¹⁾

RUB **5.5** BN
total investment cost,
VAT excl.

RUB **0.5** BN
invested in 2022,
VAT excl.

The large-scale modernisation programme was launched in 2021 to rebuild the Lesosibirsky LDK No 1, to enlarge its operational efficiency, and to create a closed-loop production process. Plans envisage the installation of a new 40 MWt power plant, the construction of 12 batch kilns, a logs sorting line, a sawn timber storage, along with purchasing new process and construction machinery.

Over the year of 2022, a 140,000 cu m/year kilning complex was commissioned, the foundations for a 40 MWt power plant were laid, and the first batch of boiler equipment was received. The debarker was modernised, which eliminated the manual sorting of roundwood and allowed the sawing of non-standard logs.

The delivery of the logs sorting line is expected in 2023. The concreting of the log yard site is scheduled to begin. The modernisation of Lesosibirsky LDK No 1 is expected to be completed in 2024.

The pellet plant expansion by 100 ths tonnes and the dry sawn timber sorting line projects were suspended.

The sawn timber output will be increased
50
BY THS CU M



⁽¹⁾ The number of operating staff has been optimised by eliminating inefficient production facilities, making production more technologically efficient and automated.

Harvesting and transportation machinery purchasing (ongoing)

The project is
being implemented
on an ongoing basis

RUB **0.9** BN
invested in 2022,
VAT excl.

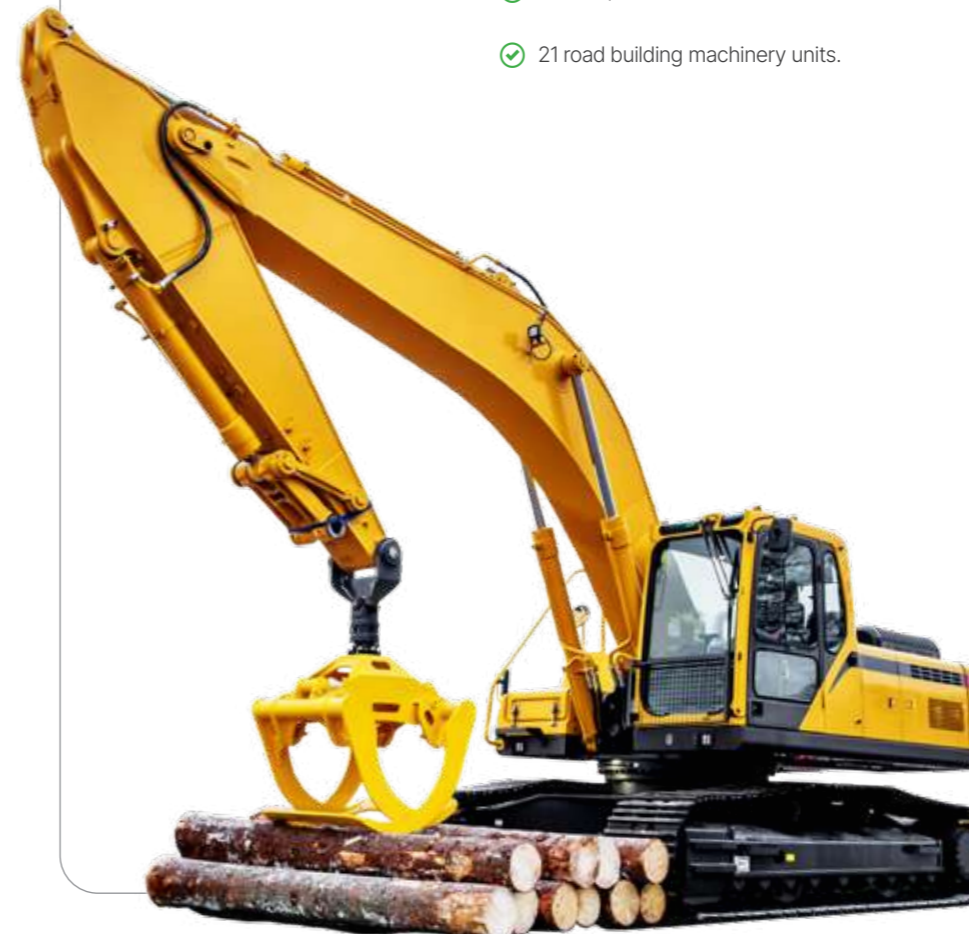
Segezha Group is investing in the renewal of its harvesting and transportation machinery fleet. The project aims to boost the efficiency of logging operations and to enhance the quality of harvested roundwood, while also ensuring a high level of industrial safety with minimal harmful effects on the environment.

The year of 2022 witnessed the purchasing of the following machinery units for the Company's needs:

- ✓ 60 transportation vehicles, to include trucks with a grapple and a trailer, excavators, tractors, low-bed trucks, dump-trucks as well as other machinery;
- ✓ seven harvesting pairs, each consisting of a harvester and a forwarder;
- ✓ 30 cars;
- ✓ 21 road building machinery units.

The main focus was on bump up the efficiency of logging operations in the Irkutsk and Krasnoyarsk regions: 7 harvesting machinery units and 15 timber trucks with semi-trailers were purchased.

118
machinery units
were purchased
in 2022





SUSPENDED PROJECTS

Sokol PPM rebuild (on hold)

Implementation timeframe:
2020–2024

164 PEOPLE
new jobs creation⁽¹⁾

~ **15** BN
RUB total investment cost,
VAT excl.

2.0 BN
RUB invested in 2022,
VAT excl.

⁽¹⁾ The number of operating staff has been optimised by eliminating inefficient production facilities, making production more technologically efficient and automated.

During 2020, Segezha Group launched a large-scale rebuild project at the Sokol PPM. Plans include the installation of a new 65 ths t paper machine, the construction of a lignosulfonates drier, the construction of a new effluent treatment plant, and the rebuild of the energy plant. The new paper machine will assist in expanding the product mix and in penetrating the promising market for grease-resistant paper, while securing the supplies of sack paper of the required quality for Segezha Group's own converting plants.

In order to respond to the changes in the external economic conditions, it was decided to continue the acceptance of the main process equipment supplied for the paper machine and the wastewater treatment plants, while extending the delivery contracts.

Over 2022, buildings for the paper machine and stock preparation department were built without utilities. The completion of the Sokol PPM rebuild project is planned for 2024.



Vyatsky Plywood Mill capacity expansion (on hold)

Implementation timeframe:
2021–2024

179 PEOPLE
new jobs creation

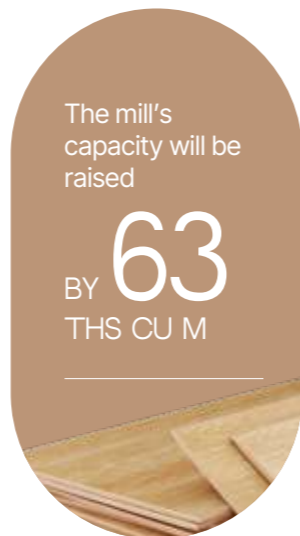
6.5 BN
RUB total investment cost,
VAT excl.⁽³⁾

The capacity expansion project, which started off in 2021, will significantly bolster the Vyatsky Plywood Mill capacity, while also enlarging the share of special products, such as films, coverings, impregnated and CNC-plywood⁽²⁾, by 25%.

The year of 2022 saw the delivery of the main process equipment and the completion of the building for special products manufacturing. The project was put on hold.

1.3 BN
RUB invested in 2022,
VAT excl.

⁽²⁾ CNC-plywood – see [Glossary](#) on page 282.
⁽³⁾ Expected investment cost.

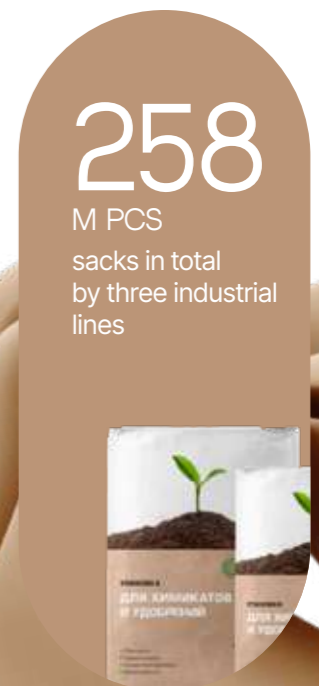


Paper packaging output expansion (on hold)

3.8 BN
RUB total investment cost,
VAT excl.

0.3 BN
RUB invested in 2022,
VAT excl.

The project is aimed at devising packaging solutions, expanding Segezha Group's production capacity, upgrading the existing equipment, and acquiring new equipment for the Group's domestic and international assets. Due to the unstable economic situation, the project was put on hold.



Omega Sawmills rebuild (on hold)

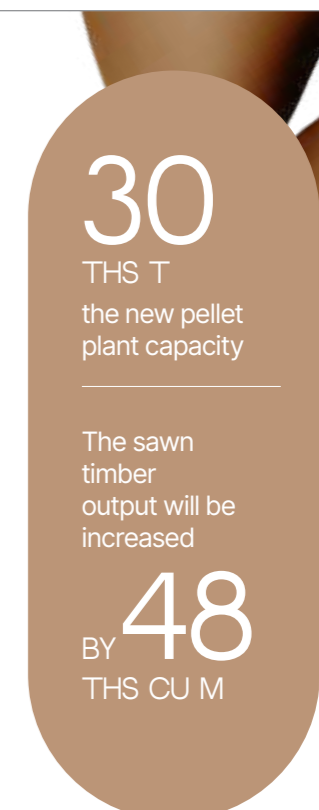
Implementation timeframe:
2021–2024

313 PEOPLE
new jobs creation

5.5 BN
RUB total investment cost,
VAT excl.

During the course of 2022, Segezha Group launched the Omega Sawmills rebuild project that envisages the replacement of the existing sawing equipment, upgrading it to a capacity of 48 ths cu m as input, the construction of the boiler plant and pellet plant with an annual capacity of 30 ths t. The project was put on hold.

0.3 BN
RUB invested in 2022,
VAT excl.





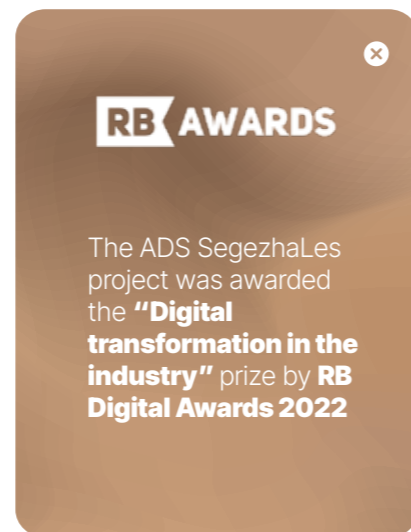
BUSINESS DIGITALISATION

Segezha Group is implementing a large-scale digital transformation programme aimed at the efficiency and profitability of the Group's business, reducing transaction and operating costs, developing and maintaining the attractiveness of the brand for IT professionals.

In addition, despite the turbulent economic situation, in 2022 the Company managed to successfully overcome the consequences of foreign vendors leaving Russia by launching a programme aimed at import substitution of IT technologies and by creating a promising industry centre of digital competence.

Segezha Group also succeeded in strengthening its digital brand and boosting its appeal to young professionals, along with continuing executing core IT projects.

Segezha Group's digital business transformation projects have repeatedly been nominated for the most prestigious awards in the IT industry.



Segezha Digital Solutions is a new promising industry competence centre

In 2022, a subsidiary of Segezha Group was incorporated, which includes all of the Group's digital competencies. The new company will support and develop current corporate systems, while designing its own groundbreaking IT solutions. Other activities include implementing new projects, providing infrastructure support, digital transformation, information and cybersecurity. In the medium term, Segezha Digital Solutions intends to become an industry digital competence centre and offer its products to export markets.



The Group has the following strategic priorities pertaining to digitalisation

Active development of own IT products and use of domestic digital solutions in order to reduce dependence on imported foreign technologies

Developing and maintaining a modern digital brand to make the Company more appealing to investors, employees, and young professionals

Operations with data, to include receiving, accumulating, screening, increasing credibility, analysing, constructing a data source architecture, removing humans out of the "provider-intermediary" loop, creating a data operation policy

Robotics Process Automation, RPA⁽¹⁾ across the Group

Centralised management of digital transformation processes as part of specialised management processes

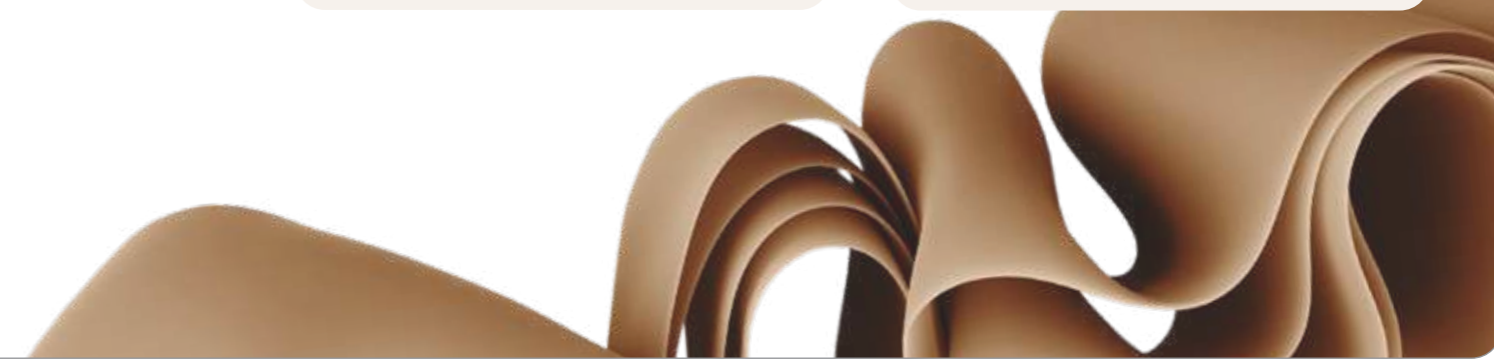
On-going search, analysis, and selection of new digital technologies, followed by pilot testing at diverse stages of the production cycle, with the most efficacious solutions identified and carried out in business processes

Implementation of projects based on technologies that had been subjected to pilot testing and proven to be applicable under given conditions

Launch of the new plants in compliance with the Industry 4.0 paradigm

Harmonising the IT-landscape

⁽¹⁾ RPA – see [Glossary](#) on page 284.



Group's Digital Services

Segezha SAPIence Mill Management System

In 2022, Segezha Group completed the formation of the SAP Customer Expertise Centre, an internal team to support and develop implemented SAP solutions. Having internal expertise empowers the company to reduce software costs and improves the quality of services, while also reducing risks associated with purchasing IT consulting solutions and services from third-party vendors.

In 2022, specialists from the SAP Expertise Centre helped solve a number of organisational issues:

- ✓ consolidation of 5 logging companies of Lesosibirsky LDK No 1 into one business unit;
- ✓ integration of 24 assets in the Irkutsk and Krasnoyarsk regions into the centralised process of treasury operations management;
- ✓ reorganisation of LLC MC Segezha Group into a public joint-stock company.

The reporting year saw the completion of the SAP-system implementation process at the Galich Plywood Mill and GalichLes enterprise. All core specialists were trained and adapted to work with the system.

The SAP Customer Expertise Centre is a dedicated organisational unit responsible for providing a package of centralised services, to encompass:

- ➔ ensuring continuous operation of implemented SAP solutions;
- ➔ providing multilevel, high-quality, continuous, and qualified support for business processes implemented in SAP systems;
- ➔ ensuring that the development of SAP solutions, as well as processes and support tools, is in line with current requirements and planned business development.



RB AWARDS

The Smart Timber project reached the finals of the independent **RB Digital Awards 2022** in the "Digital Transformation in the Industry" category, where more than 53 projects were submitted.

CRM Creatio System

In 2022, Segezha Group completed the introduction of the CRM Creatio system for its Russian and Western assets to automate interaction with customers. The system makes it possible to build a transparent history of mutual exchange with customers and grow the operational efficiency of sales management by automating customer services, including by receiving prompt feedback on customer requests and addressing issues in an online mode. The company plans to further meliorate customer service by working with marketplaces, setting up a block to inform customers about new products and services, as well as by bringing together various communication channels with a unified history of customer requests.

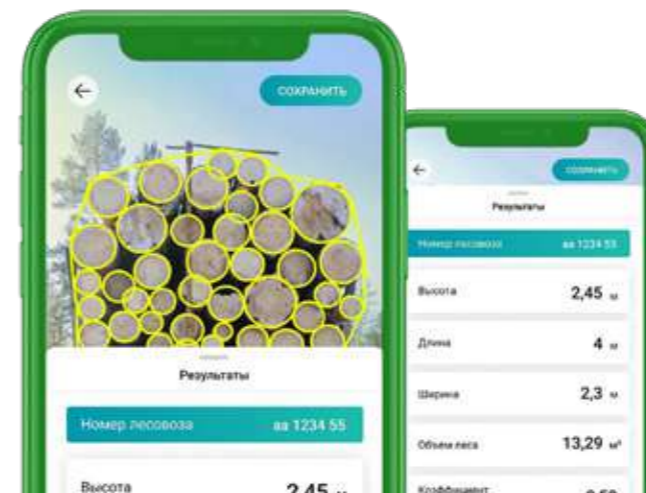
Wood Flows Control

In 2022, Segezha Group continued studying and testing algorithms for the Smart Timber project, which involves utilising a new method for measuring round wood based on computer vision and machine learning algorithms. Neural networks will determine timber parameters from the photostream. In particular, they will calculate the dense volume of round wood. The system can be based on the client-server architecture (fixed stations at large hubs). Measurements can also be carried out directly at harvesting plots using mobile devices. In the medium term, this method of measurement can become a new industry standard and replace the geometric method, thus eliminating the human factor, while significantly enhancing the accuracy of forest measurements to above 97%.

The Smart Timber system is scheduled to be put into commercial operation in 2024-2025.

Segezha Group's plans until 2023 to:

- 1 conduct any necessary adjustments;
- 2 test the algorithms as part of a hardware-software complex;
- 3 hike the number and level of detail of data sources in the Smart Timber system;
- 4 carry out an interaction test for miscellaneous interfaces.



Big Data

The year of 2022 saw adoption of a software product for collecting, storing, analysing, and visualising production data at Segezha PPM and Vyatsky Plywood Mill. The system will be fully integrated with the SCADA level and will cover all processing lines of the mills. The start of industrial operation is planned for the first quarter of 2023.

At Segezha Pulp and Paper Mill, this system will not only centrally store production data and transfer them to accounting systems, but will completely replace the Manufacturing Execution System, MES(1). From 2023, it is planned to unify the MES employed by the Group's companies based on Russian software products with a gradual migration of existing systems to the new environment.

SegezhaLes ADS

In 2022, Segezha Group progressed on with preparations for the transfer of wood transportation accounting and control processes within the Forestry Management and Woodworking Division from manual to automatic procedures based on the automatic dispatch SegezhaLes system. Currently, the system is normally operated by the Group's companies in the regions of Vologda, Arkhangelsk, Irkutsk, Krasnoyarsk, and in the Karelian Republic.

In 2022, new functions of wood measurement were added to the system as part of the "Raw material flows control" project implemented in 2021: the number of users was raised, the analytical component was strengthened, new roles were added, and integrations with other systems of the Group were made.

The aim of the ADC SegezhaLes project is

making the wood, fuel, and lubricants flow chain fully digitalised. Implementation of this project will provide control over the entire chain of operations and over all wood transportation, consumption of fuel, incidental stops along the transportation and over third-party traffic through forest leases. In addition, SegezhaLes will assist in unproductive losses control. Other benefits include equipment maintenance works and schedule management.



Plans for 2023 include pressing ahead with the system development, with ready modules transferred to the commercial operation as they become available, in a stepwise manner.

(1) Manufacturing Execution System, MES – see [Glossary](#) on page 283.

Information Security Programmes Implementation

Measures and programmes to enhance the security of information systems and automated process control systems are implemented at all companies within the Group.

>5 THS
COMPANY EMPLOYEES

were trained in cybersecurity, followed by knowledge testing in 2022

An Information Security Policy has been **adopted by the Company, with the following instruments put in place for the Policy implementation:**

- ✓ identification and classification of information assets, categorisation of critical information infrastructure in accordance with the requirements of Russian legislation;
- ✓ staff training in and education for cybersecurity;
- ✓ responding to cyber incidents;
- ✓ managing access to information assets;
- ✓ assessing IT projects with respect to the cyber security requirements;
- ✓ vulnerability management⁽¹⁾ and patch management⁽²⁾
- ✓ protection of sensitive information;
- ✓ protection of personal information of employees.

In addition, the Policy defines the involvement of the Company's Board of Directors and Management Board in cybersecurity issues.

Their responsibilities include, among other duties, organising the information security risk management system and reviewing and approving budgets for programmes and projects in this area.

⁽¹⁾ Vulnerability management – see [Glossary](#) on page 284.

⁽²⁾ Patch management – see [Glossary](#) on page 283.

IKSAR Augmented Reality

In 2022, several pilot projects involving the use of the augmented reality platform developed in Russia were launched.

As part of pilot projects, business processes related to repair and routine maintenance of logging and wood transportation machinery were studied and user scenarios were outlined. Other measures included selection of sites, training of staff, and field testing of the product. In 2023, the Company plans to continue pilot projects implementation in this area and decide whether the system should be put into operation on a pilot basis.



Future Plans

In the next few years, Segezha Group plans:

- ① to minimise the use of foreign products in the Group's IT landscape;
- ② to develop augmented and virtual reality products to reduce personnel qualification requirements and to offset the outflow of expatriate specialists. Along with reverse-engineering, these measures will help in commissioning, maintaining, and repairing equipment, while reducing the risks of downtime and malfunctions associated with the lack of necessary skills of personnel and refusal of equipment maintenance by foreign suppliers;
- ③ to actively develop robotic process automation (RPA) based on the Russian platform by in-house specialists;
- ④ to scale up and further the Group's existing IT projects.



BUSINESS

OVERVIEW



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OPERATIONAL OVERVIEW

PAPER & PACKAGING

413

THS T
paper production capacity

336

THS T
paper production in 2022



Paper production is an integral part of Segezha Group's portfolio. The Company produces a full range of brown sack paper with unique strength, white semi-stretch and white micro-crepe paper, and artificial parchment from unbleached kraft pulp.

Segezha Group's products have broad applicability in a variety of end uses. In particular, kraft paper is utilised for the production of sacks for cement, building mixes, chemical and fertiliser products, animal feed, food, as well as packaging solutions for retail and e-commerce. The greaseproof artificial parchment, which is highly resistant to moisture, is very popular in the catering segment, where it is used for food preparation and storage.

The raw material for the Group's kraft paper is virgin Nordic softwood pulp. This ensures high-level durability and sound tensile strength, which makes the paper suitable for running even on the fastest converting lines. Another distinctive feature of the entire range of Segezha Group papers is their impeccably smooth surface, which is paramount when it comes to achieving exceptional print quality. In addition, the paper's high porosity makes it ideal for packaging cement and dry mixes, as it is suitable for high-speed packaging, and provides good sack moisture resistance, while also reducing product loss.

Product

Sack Paper

Artificial Parchment

Competitive advantages

- ➔ Moisture resistance
- ➔ Unique tensile strength
- ➔ High porosity
- ➔ Environmental friendliness
- ➔ Heat resistance

- ➔ Based on natural fibre without chemical additives
- ➔ High-degree strength
- ➔ Heat resistance up to 250 °C

End uses

- ➔ Industrial sacks
- ➔ Packaging solutions: carrier bags, pouches and other goods
- ➔ Cables manufacturing

- ➔ Food packaging
- ➔ Fast food
- ➔ Bakery

No 1

in Russia in terms of paper and paper sacks manufacturing(1)

No 2

globally in terms of paper sacks manufacturing(1)

No 2

globally in terms of production of paper for multi-wall sacks manufacturing(1)

(1) Source: Fisher International.

Production Facilities

The Group includes two pulp & paper mills: the Segezha PPM in the Republic of Karelia and the Sokol PPM in the Vologda region, which produce sack paper and artificial parchment. The combined capacity of the two mills is 413 ths t of paper per year. They use only softwood chips for pulping, with the entire volume being scrutinised for quality, size distribution, bark and impurities content, as well as moisture content. The mills are certified in accordance with ISO 9001, ISO 14001 and ISO 45001.

with increased strength. In addition, since 2021 the Mill's product range includes white semi-stretch and white micro-crepe papers.

In 2022, the Segezha PPM continued its programme to renovate buildings, to upgrade machinery and equipment, commissioned its own fire-fighting department, and completed a project to create a comprehensive anti-terrorist security system for the fuel and energy facilities.

Segezha Pulp and Paper Mill

The Segezha PPM is the Group's flagship operation and one of the largest producers of unbleached sack paper in the world, with its capacity amounting to 388 ths t of finished products annually. The mill's paper manufacturing operations are based on softwood pulpwood and chips. The Segezha PPM is Russia's only producer of unbleached high porosity sack paper

Sokol PPM

The Sokol Paper Mill, located in the Vologda region and founded in 1899, is one of the oldest forest industry factories in Russia. It produces sack paper and is also the only company in the country to produce unbleached greaseproof paper (artificial parchment).



Segezha Group's paper production facilities

2 mills

2 regions

413 ths t

Paper manufacturing capacity

THS T

388

25

Segezha PPM
Republic of Karelia

Sokol PPM
Vologda region

In 2022, the Segezha PPM celebrates the 5th anniversary of the paper machine (PM11)⁽¹⁾ with a capacity of 110 thousand tons of paper per year. It is Russia's only project in the last 30 years to install a completely new paper machine for the production of various types of market sack paper. The modern high-tech facility has produced almost 0.5 million tonnes of kraft paper in five years.

The sack paper produced with PM11 is unique to Russia and has features that are greatly appreciated. These include increased durability, which allows increasing the acceptable packaging loads with fewer layers of paper.

Segezha PPM's Environmental Programme

Over the course of 2022, Segezha PPM completed an overhaul of its second and third recovery boilers, and installed an electrostatic precipitator for the second boiler. A new causticising plant and a modernised pulp cooking department were commissioned. As part of the overhaul, the lime kiln coolers were replaced, with key components repaired.

In 2023, the environmental programme is expected to be completed. The plans include an overhaul of the fourth recovery boiler and installation of an electrostatic precipitator for the third boiler, renovation of the biological treatment plant, construction of a landfill for 4-5 hazard class waste, modernisation of chemical water treatment, and a water preparation system.

Since the beginning of 2022, the Sokol PPM has switched to a bisulphite pulping process, which has increased the pulp yield from wood and improved the quality and consumer properties of lignosulphonates, which are a by-product of pulp production.

The Sokol PPM is implementing a programme to modernise its facilities, aimed not only at boosting the capacity, but also at reducing the environmental impact (wastewater discharge and atmospheric emissions) by closing the production cycle to a maximum possible extent. The modernisation of the process equipment in 2022 significantly reduced the sulphur dioxide and lignosulphonate

>99%
the new filters will capture nearly all lime dust particles

Completion of the project will significantly reduce the mill's environmental impact: the new filters will capture nearly all lime dust particles, with their efficiency reaching more than 99%.

dust emissions by the recovery island, lignosulphonates (TLS) department and acid treatment area by 24%, 58% and 78% respectively. The TLS gas scrubbing efficiency reached 99.8%. In addition, the wire section of the paper machine is being modernised, which will significantly bolster its capacity and enhance the quality of the paper.

To date, as part of the upgrade programme at the Sokol PPM, contracts have been signed for the delivery of a paper machine and wastewater treatment equipment. The framework of the main warehouse building for process equipment storage has been set, with the first such building already erected.

⁽¹⁾ Paper machine (PM11) – see [Glossary](#) on page 283.

Production and Sales

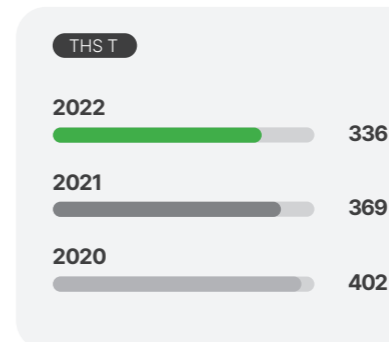
Paper production and sales decreased in 2022 due to challenging geopolitical environment and a structural market transformation. In response to external difficulties, Segezha Group widened its share of paper sales in Russia and, given the toughened competition in the domestic sack paper and artificial parchment market, developed and began supplying new products: cable paper, fluting, paper base for phenolic impregnation (for plywood manufacturing), along with coloured and greaseproof artificial parchment.

Segezha Group exported the bulk of its sack paper production to more than 60 countries in 2022. The Company entered new markets in South Africa, Saudi Arabia, South Korea, and Uzbekistan. In addition, Segezha Group fortified its presence in the Chinese market: new traders were brought in, new buyers were found, and the share of the Chinese market in the Company's paper sales revenue amounted to 14%. In the reporting year, the paper domestic supplies soared, reaching 29%.

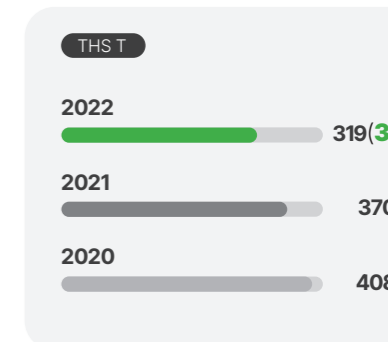
Development Plans for 2023

- ➔ Continue to expand sales geographically, find new customers and alternative logistics routes.
- ➔ Complete the final phase of the long-term environmental programme to overhaul the recovery boilers and replace the electrostatic precipitators at the Segezha PPM.
- ➔ Replace an industrial wastewater collector, build a landfill for hazard class 4-5 waste at the Segezha PPM.
- ➔ Kick off the biological treatment project at the Segezha PPM, including repairing of sedimentation tanks, a filter press, compressors and transformers, along with the construction of a sludge collector dam.
- ➔ Launch a project to upgrade the chemical water treatment and water preparation facilities at the Segezha PPM.
- ➔ Complete the construction of a new state-of-the-art finished product warehouse at the Segezha PPM.

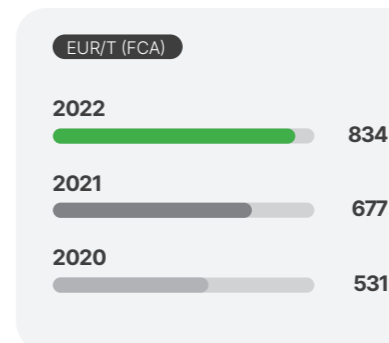
Production of paper



Sales of paper⁽²⁾



Sales prices of paper



Segezha Group's paper sales revenue by country⁽⁴⁾ in 2022



⁽²⁾ Sales volumes include volumes directed to the own converting plants.

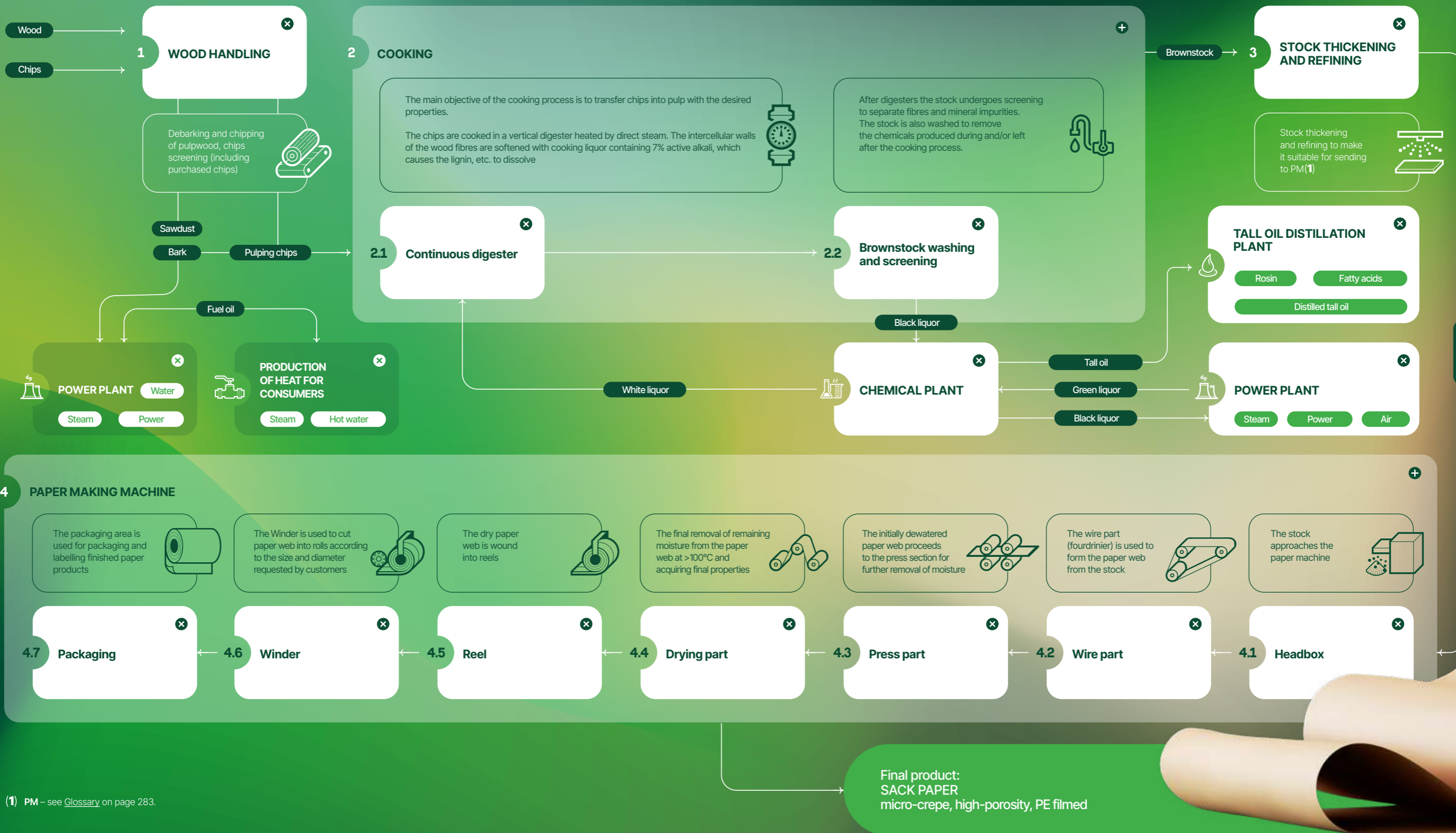
⁽³⁾ Sales volume, including paper allocated to Segezha Group's own converting facilities.

⁽⁴⁾ Total may not equal the sum of the components due to rounding.



PAPER

PRODUCTION PROCESS IN A NUTSHELL



(1) PM – see Glossary on page 283.

1.6

BN PCS
paper packaging
capacity

1.4

BN PCS
paper packaging
production
in 2022

PAPER PACKAGING

Segezha Group develops and manufactures a wide range of packaging solutions for various end uses. Packaging products are utilised for dry mixes, cement, chemicals, fertilisers, pet products, charcoal and foodstuffs. Packaging solutions are in demand in the retail, e-commerce, and delivery markets.

The paper packaging is made from environmentally friendly raw materials. No elementary chlorine or chlorine compounds are used in the production as there is no bleaching process. Water-soluble and completely environmentally healthy inks are used when applying the logo to the packaging.

The Company works individually with each client, helping choose an optimal packaging solution that would not only protect the product, but also emphasise its benefits. Having high-quality colour texts and images in up to eight colours enables creative ideas from designers and situational marketers to be implemented effectively.



Product

Industrial sack

Consumer-carrier bag

Competitive advantages

- ➔ Moisture resistance
- ➔ High-speed filling
- ➔ Various valve solutions, including ultrasonic sealable valves
- ➔ Ease of use
- ➔ Security label
- ➔ Wide-ranging opportunities for colour printing
- ➔ Environmental friendliness
- ➔ High strength

End uses

- ➔ Construction
- ➔ Food
- ➔ Agriculture
- ➔ Chemicals
- ➔ Minerals
- ➔ Packaging solutions: paper bags and carrier bags for retailers

Innovations in Paper Packaging

The development of paper packaging production is one of the top priorities under the Company's R&D strategy for the period until 2025.

Since 2021, Segezha Group has operated Russia's first corporate R&D centre in Segezha, the Republic of Karelia. The centre specialises in devising innovative types of packaging, as it is equipped with more than 30 pieces of modern equipment, such as testing and measuring devices. The emphasis is on replacing plastic products and on meeting the current demands of consumers, who are focused on the environmental friendliness of the materials used.

The Company remains committed to innovation, with a sound focus on both industrial and consumer segments.

Segezha Re-Kraft is consumer packaging partially made from recycled paper, which reduces the environmental impact and makes this paper packaging even more environmentally friendly. Base paper for Segezha Re-Kraft is produced by the Group's Sokol PPM in the Vologda region. The pouches have high durability and a premium appearance. These qualities allow them to be used in a wide range of applications, including fashion retail.

Until recently, almost all such packaging was imported from Europe; Segezha Group's innovation will assist in addressing the problem of import substitution. Re-Kraft was recognised at the Part Award 2022 in the "Sustainable Packaging" nomination, "Roll Packaging Materials and Package Products" category.

Fully biodegradable industrial packaging with a barrier layer is another innovative product by Segezha Group. This biodegradable barrier layer has the same characteristics as the conventional polyethylene film, but it is disposed of together with the paper packaging layers. This type of packaging is offered for dry construction mixes. Reducing the volume of industrial bags with a polyethylene film will help reduce the carbon footprint of the construction industry.



Security Label

Segezha Group has set itself the task to meet the **highest expectations of its customers**, in particular in terms of ensuring the safe circulation of its products on the market.

According to various estimates, the share of adulterated construction products is high and reaches 50–60% in some market segments. In order to combat product counterfeiting, luminous fibres are integrated into the furnish, so that customers can check the originality of the packaging. Such bags help prevent counterfeiting of expensive building materials.

Security products include glue and **paint with UV additives**, and **RFID tags** that allow brands to track the movement of goods, and **holographic stickers** on which brand logos, security codes, and other information can be applied.



Production Facilities

Segezha Group produces paper packaging both in Russia and Europe(1). The Russian assets of the Group include three converting plants. The converters in Segezha in the Republic of Karelia and Salsk in the Rostov region are focused on industrial sack production, whereas the plant in Lobnya in the Moscow region specialises in the production of consumer packaging. All Segezha Group's converting facilities are certified in accordance with ISO 9001, ISO 14001, and ISO 45001.

The European assets include seven converting plants of Segezha Packaging. The European operations are located close to sales channels, providing the Company with the advantage of having short logistics distances.

The Company's converting operations are primarily based on the captive supplies of raw materials – kraft paper and white paper. More than 45% of its own produced paper is converted to paper packaging.

The Group has been actively expanding the converting capacity for the consumer packaging segment by investing in new manufacturing lines.

When producing consumer packaging, Segezha Group strives to meet the highest customer requirements in terms of colour and print quality. In 2022, Segezha Packaging invested in upgrading support equipment, in particular, a new eight-colour printing machine was launched at the site in Lobnya, Moscow region, in January 2022.

Due to shortages of raw material supplies for sack production (white paper, glue, ink, film) from abroad, Segezha Group reoriented towards using materials from the Segezha PPM while also searching for Russian suppliers. Thus, in 2022 the corporate R&D centre in Segezha of the Republic of Karelia tested Russian-made raw materials, which helped find alternative materials with a minimal cost and timespan.

No 1
in Russia in terms of paper sacks manufacturing(2)

No 2
globally in terms of paper sacks manufacturing(2)

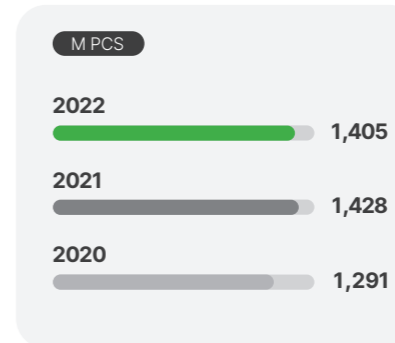
Production and Sales

Segezha Group's share of the Russian paper sack market amounted to 65%(3) in 2022. The Group continued to work on raising the share of high-margin products, optimising design, and standardising the product portfolio in order to improve productivity and hike production volumes to meet more customer needs.

Development Plans for 2023

- ➔ In the current tense geopolitical situation, a development strategy with a focus on the geographical expansion of sales is gaining special relevance.
- ➔ There are plans to launch a bag standardisation project in 2023, which will boost equipment productivity and provide additional capacity to meet customer demand.
- ➔ Segezha Group will continue efforts to better equipment reliability, while maintaining a priority of health and safety, to ensure the availability of the mills infrastructure.

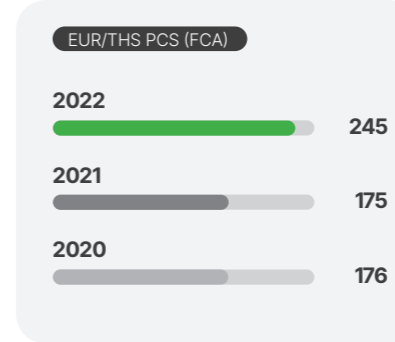
Production of paper sacks



Sales of paper sacks



Sales prices of paper sacks

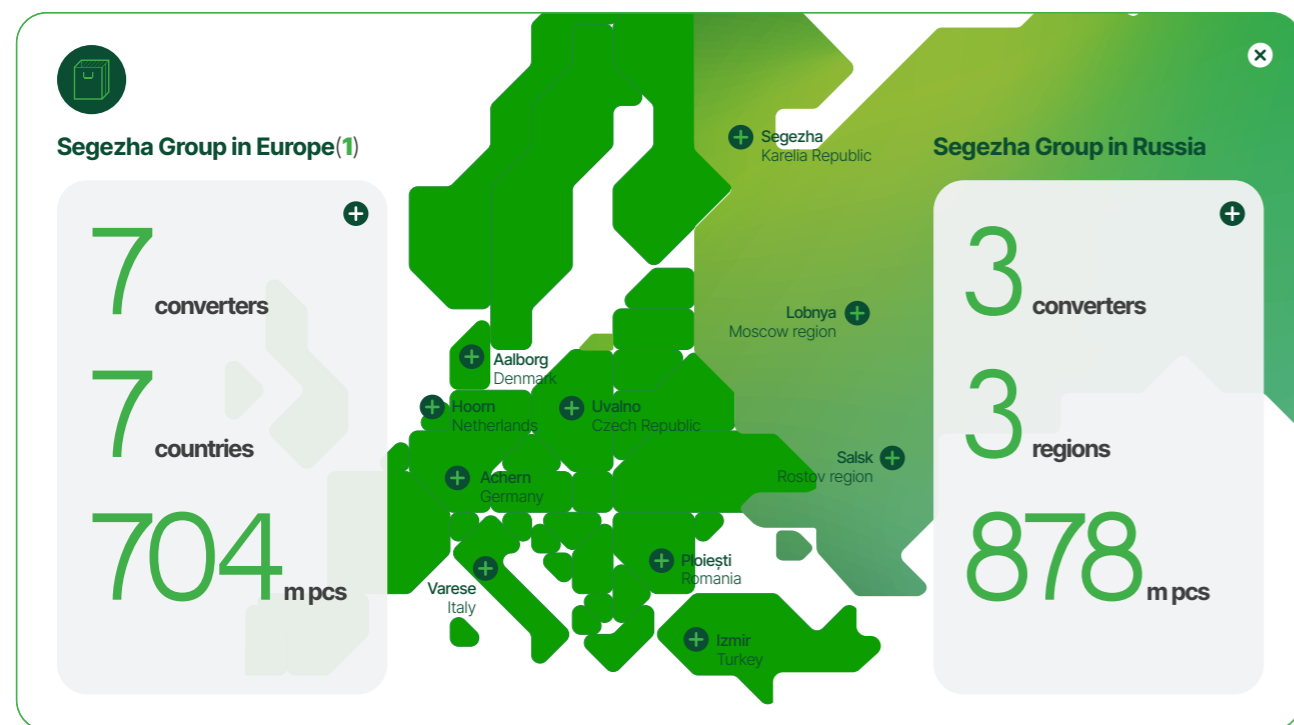


Segezha Group's sales of paper sacks by country(3) in 2022



(1) Assets disposed of on 22 February 2023.
 (2) According to estimates by Fisher International and by Segezha Group.
 (3) Source: Fisher International.
 (4) Total may not equal the sum of the components due to rounding.

65%
Segezha Group's share of Russian paper sack market in 2022





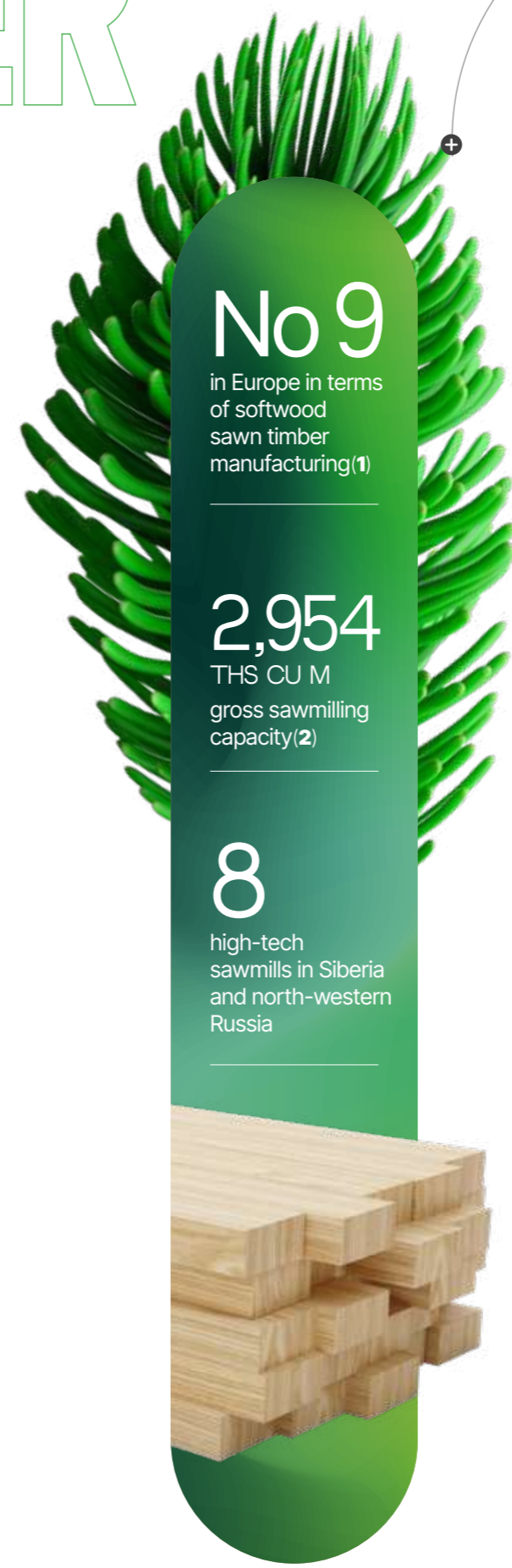
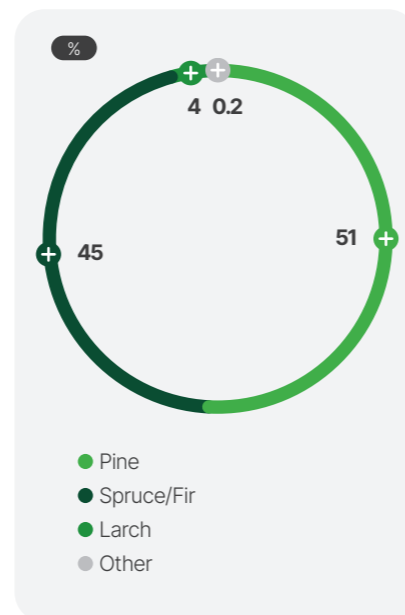
SAWN TIMBER

Segezha Group produces high quality kiln-dried edged sawn timber at modern high-tech sawmills, which are located in Siberia and the north-western part of Russia.

Each of Segezha Group's eight sawmills is supported by its own unique raw material base and has specific approaches to sorting finished products, shipping methods and sales destinations. In addition, the Group is able to guarantee the required volume and consistently high quality of its raw material through availability of own logging operations.

Sawmills located in north-western Russia specialise in the production of spruce and pine sawn timber, whereas the Group's plants in the Krasnoyarsk and Irkutsk regions produce sawn timber from Angara pine, spruce, fir and Siberian larch. Segezha Group's sawn timber products are offered in a wide range of lengths (from 2.7 to 6.0 metres) and sizes (height from 16 to 75 mm, width from 75 to 225 mm).

Wood species for sawn timber manufacturing



No 9
in Europe in terms of softwood sawn timber manufacturing(1)

2,954
THS CU M
gross sawmilling capacity(2)

8
high-tech sawmills in Siberia and north-western Russia

93%
self-sufficiency in wood supply

Production Facilities

Availability of own harvesting operations, which are carried out in seven regions of the Group's activity – the Karelian Republic, the Arkhangelsk, Vologda, Kirov, Kostroma, Irkutsk and Krasnoyarsk regions – is instrumental in guaranteeing a consistently high quality of sawn timber. The self-sufficiency of the Group's sawmills in wood supply is 93%.

Segezha Group produces sawn timber at eight high-technology sawmills. These sawmills with a total capacity of 2,954(2) ths cu m are located in two production clusters, in north-western and eastern Russia. Sokol Sawmills, Onega Sawmills and Karelian Wood Company are certified in accordance with ISO 9001, ISO 14001 and ISO 45001, and have voluntary certificates for their products.

In addition, Novoeniseyskiy Wood-Chemical Complex implemented an integrated management system and was audited accordingly in 2022.

The volatile economic environment notwithstanding, Segezha Group's sawmills continued to develop.

The main results are as follows:

- ✓ improvement of wood processing, automation of production processes;
- ✓ improvement of product quality and competitiveness in the sawn wood export markets;
- ✓ sustainable and integrated use of wood, zero-waste production;
- ✓ reducing inbound logistics.

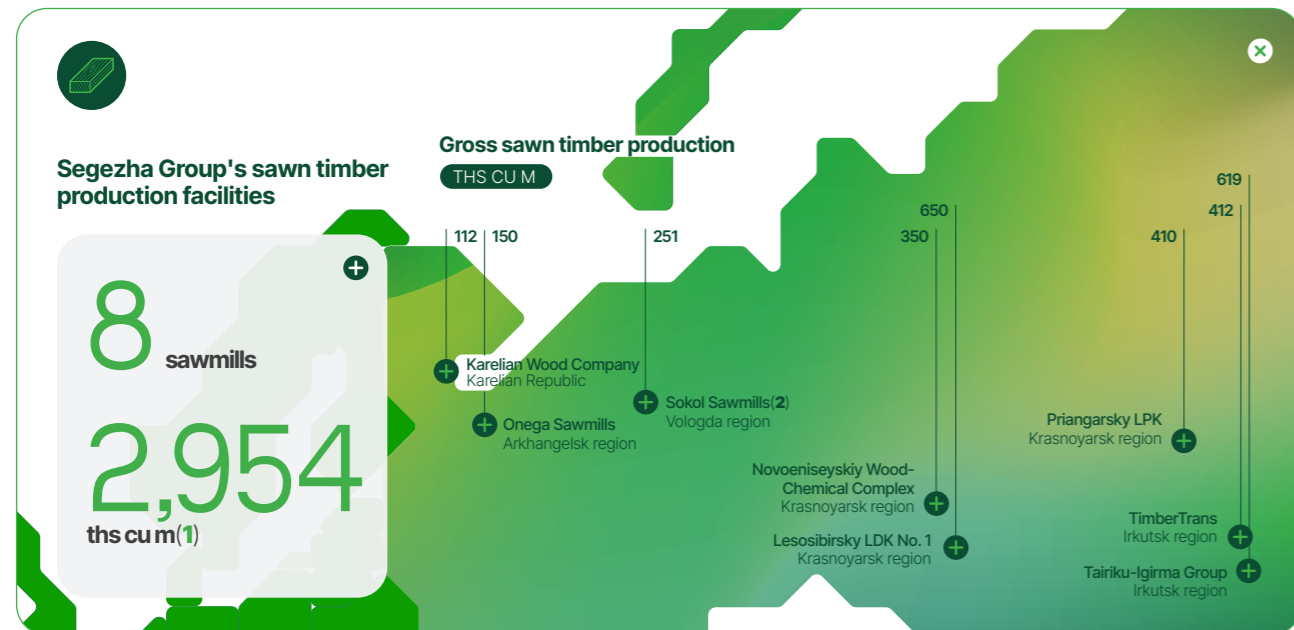
In 2022, Onega Sawmills' machinery was partially renewed, to include replacement of a front-end wood loader and construction of new passing railway tracks. Also, some new equipment is expected to be delivered.

Karelian Wood Company has set up an own workshop as part of its import substitution programme. The sawmill has also launched new products, as it commissioned a planned goods production area.

In 2022, the sawmilling facilities of LLC Inter Forest Rus, which joined Segezha Group in 2021, were integrated into the Group's asset management system. Operational data and management reporting were prepared in accordance with the Group's standards, centralised procurement programmes were implemented, etc.

(1) Source: <https://www.timber-online.net>.
 (2) Gross sawn timber production capacity includes all sawn timber production capacity of the Group's assets as at 31 December 2022, including sawn timber sent for further processing for the production of glulam beams, CLT-panels, etc.

Product	Sawn timber	Pellets	Pulping chips (side product)
<p>Competitive advantages</p> <ul style="list-style-type: none"> ➔ High quality edged sawn softwood ➔ A wide range of products by species, size and quality ➔ Beneficial geographic location and logistics accessibility ➔ Consistent resource base 	<ul style="list-style-type: none"> ➔ High energy value ➔ Manufactured from renewable raw materials ➔ Chemically and biologically safe ➔ Environmental friendly 	<ul style="list-style-type: none"> ➔ High energy value ➔ Manufactured from renewable raw materials ➔ Chemically and biologically safe ➔ Environmental friendly 	<ul style="list-style-type: none"> ➔ Full utilisation of forest resources ➔ A means of energy efficiency improvement ➔ Environmental friendly waste usage
<p>End uses</p> <ul style="list-style-type: none"> ➔ Construction works ➔ Furniture elements production ➔ Glulam elements production ➔ Wooden containers and packaging 	<ul style="list-style-type: none"> ➔ Production of energy from renewable sources 	<ul style="list-style-type: none"> ➔ Production of energy from renewable sources 	<ul style="list-style-type: none"> ➔ Pulp production ➔ Fibreboard production ➔ Environmental friendly fuel for boilers



Process Automation and Innovative Technologies at Segezha Group's Facilities in 2022

- ✔ A unique X-ray scanner, unparalleled in the Russian timber industry, has been purchased and prepared for installation at TimberTrans company. The scanner is installed at the roundwood sorting line. It allows for more precise sorting of sawlogs based on their geometry, as it uses an X-ray technology and measures logs without taking bark into account.
- ✔ At Lesosibirsky LDK No. 1, new kilns have been installed and put into operation. The kilns are equipped with modern controllers and are integrated into a mill common network, which significantly optimises the production process, while improving the product quality management. Monitoring of accounting data of the drying equipment is fully automated.
- ✔ Testing of a unified process monitoring and control system that consolidates real-time accounting data from various sources – from the logs receiving to the dry sawn timber sorting – has started.
- ✔ The control and production reporting software for the two dry sawn timber sorting lines and the dry sawn timber scanner has been updated, to include installation of an additional data receiving module.
- ✔ A new engineering centre has been launched. Design documentation for parts and components of sawmilling and value adding machinery has been prepared with a view of substituting those from foreign suppliers. The first parts and components of existing lines are being worked on to develop an autonomous capacity for production.

In 2022, the modernisation programme for Lesosibirsky LDK No. 1 continued, providing for:

- 1 acquisition of construction equipment and process machinery;
- 2 procurement and supply of construction equipment;
- 3 design and construction of 12 batch kilns, a 20 MW heating plant, and a stick-stacking line;
- 4 modernisation of the sawlogs storing and sorting area;
- 5 purchasing and installing a butt reducer for the debarker and a logs sorting line;
- 6 concreting of the sawlogs sorting line area.

In particular, nine new kilns and a debarker butt reducing rotor were commissioned. Also, the TS-3 foundation work was completed(3) in 2022.

(1) Total gross sawn timber production capacity includes all aggregate sawn timber production capacity of the Group's assets as of December 31, 2022, including sawn timber for further processing and production of glulam beams, CLT-panels, etc.

(2) The production capacity of sawn timber for sale is 7 thousand cu m.

(3) TS No 3 – see [Glossary](#) on page 284.

Production and Sales

In 2022, the volume of sawn timber sales and production increased twofold compared to the previous year, as sawn timber sales to China increased amid the global commodity markets transformation. The year-on-year decrease in sales prices of Segezha Group's sawn timber is due to changes in market conditions and supply geography.

China and Egypt have always been Segezha Group's key markets for sawn timber. These markets have continued to play a key role, increasing in importance: China's share of sales revenue in 2022 increased from 41% to 73%. In addition, the Company redirected shipments from Europe to other countries in Asia and the MENA(4) region in 2022. In order to expand sales markets, efforts were made to obtain ISO 38200 certification for sawn timber manufactured by Segezha Group.

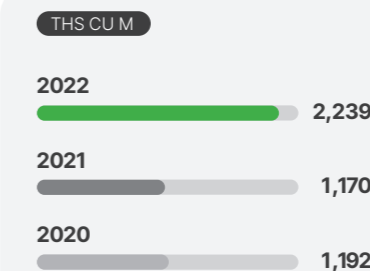
The certification will enable the Company to attract new customers in prospective markets, as it demonstrates that its supply chain is capable of consistently delivering on its commitments and goals, while minimising the risk of offering wood and products of unidentified origin. The relevant certificate is planned to be issued in the first half of 2023.

In 2022, Segezha Group experienced congestion at Far Eastern ports and the Russian Railways in the eastern direction when shipping sawn timber. As a result, the Company developed and implemented alternative logistics routes and schemes:

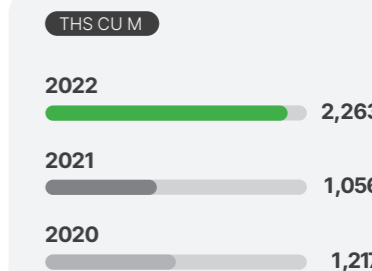
- ➔ allocation of shipments between overland routes via land border crossings to China and via Far East ports with sea freight;
- ➔ export by ship consignment from Onega, Arkhangelsk, St. Petersburg to Egypt;
- ➔ redirecting cargo flows through Georgia, Mongolia, Kazakhstan, China.

(4) MENA – see [Glossary](#) on page 283.

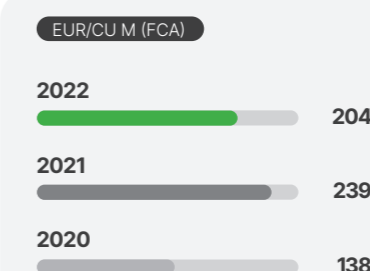
Sawn timber production



Sawn timber sales



Sawn timber sale prices



Segezha Group's sawn timber sales by country in 2022



>30 COUNTRIES

Segezha Group exports sawn timber

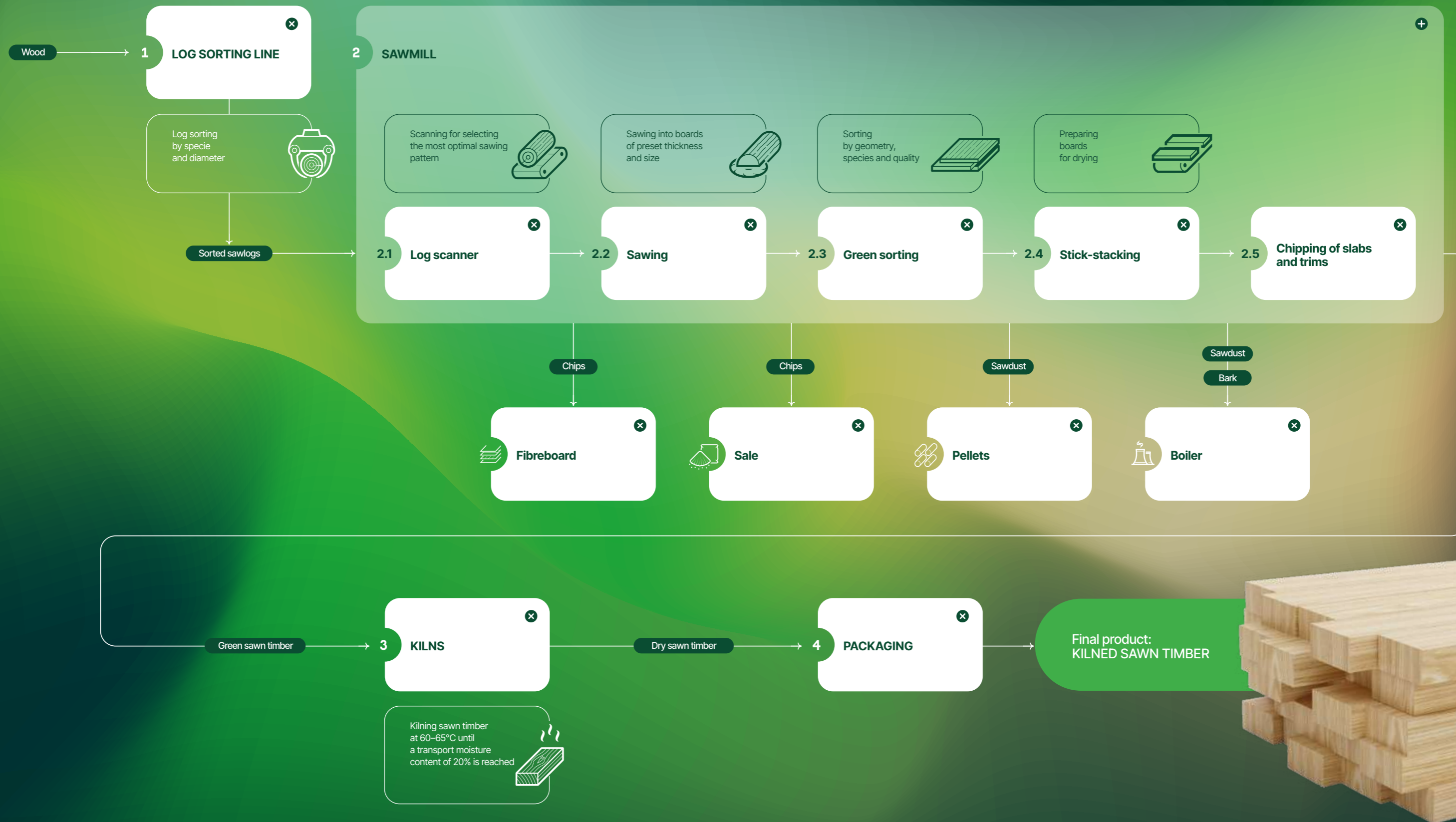
Development Plans for 2023

- ➔ Pressing ahead with the rebuild projects for the Lesosibirsky LDK No 1, that are aimed at increasing the output, increasing the net yield of sawn timber, improving production automation and energy efficiency, increasing production of pellets.
- ➔ Upgrade of measurement and control systems for production lines. The main objective is to improve the accuracy of the data obtained, minimise human error, reduce production and operating costs and increase overall production volumes and economic efficiency.
- ➔ Implementation of measures aimed at import substitution via manufacturing equipment assemblies, parts and modules.



SAWN TIMBER

PRODUCTION PROCESS IN A NUTSHELL



No 3

in terms of large-size birch plywood manufacturing capacities globally⁽¹⁾

192

THS CU M birch plywood manufacturing capacity

35

THS CU M softwood plywood manufacturing capacity

PLYWOOD

Segezha Group produces birch, softwood, and combined plywood. In addition to standard solutions, the Company's portfolio features specialised high technology products, such as plywood with enhanced fire resistance, flexible plywood, plywood for finishing and furniture production, wire-mesh plywood (for vehicles), plywood with plastic coating, for LNG tankers, etc.

Production Facilities

Segezha Group produces birch plywood at the Vyatsky Plywood Mill in the Kirov region, as well as at the Galich Plywood Mill in the Kostroma region, launched in 2022, and the Krasnoyarsk region's Krasfan mill, which joined the Group in 2021. All plywood mills are certified in accordance with ISO 9001, ISO 14001 and ISO 4500 standards, and also hold mandatory and voluntary certificates for certain types of products.

Vyatsky Plywood Mill

The Vyatsky Plywood Mill is equipped with state-of-the-art machinery and commands a wide variety of manufacturing capabilities. The mill's product mix includes plywood covered with coloured melamine or phenol films for diverse end uses. The mill also devises individual solutions based on drawings provided by customers.



RUB **24^M** investments in the green production cycle at the Vyatsky Plywood Mill

The Vyatsky Plywood Mill is constantly evolving in line with shifts in the market conditions. In 2022, the Company successfully passed **certification by Gaztransport & Technigaz** according to MARK III, GST, NO96 L03 & L03+, NO96 SUPER+ systems. **This will empower Segezha Group to supply plywood to a new high-margin segment such as shipbuilding companies in China, Korea, and Russia.**

Efforts to revamp the mill and hike its capacity continued in 2022. Reconstruction of one of the production buildings (VFK-1) was finished, the building for production of new plywood grades (UF-filmed plywood, CNC-plywood⁽²⁾) was erected. In addition, new core-building lines and a trimming line filter were put into operation. A vast range of works was done to upgrade the mill's utilities: the power supply for the production sites and new equipment were commissioned, preparation of foundations and laying of main pipelines for the thermal oil plant were completed.

The mill actively incorporates production waste into the green production cycle. In the reporting year, a bark and wood waste shredding unit was introduced. The end product is biofuel for subsequent combustion in a thermal oil plant and the production of heat. Investments in the project amounted to more than RUB 24 m.

Galich Plywood Mill⁽³⁾

The Galich Plywood Mill was commissioned at the end of 2022. This is one of the largest greenfield-projects of the Russian forest industry with the production capacity of 125 ths cu m.

The mill is Russia's first plant to produce a maxi size plywood (7 × 13 ft). The full production cycle of this type of plywood was established in October 2022.

The Company's products have passed the necessary certification. The mill started supplying plywood to Russian buyers and for export. Plans include manufacturing products, which are new for Segezha Group, to include wire-mesh plywood (for vehicles), plywood that undergoes additional machine processing for cut formats, plywood with various types of plastic coating (for vehicles and concrete forming⁽⁴⁾), as well as special grades, such as plywood for laser cutting.

Krasfan

The Krasfan Plywood Mill with an annual capacity of 35 ths cu m of plywood became part of Segezha Group in 2021 as a result of LLC Inter Forest Rus acquisition. At the time of its merger with Segezha Group, the mill was producing softwood and mixed wood plywood, fuel briquettes and a number of side timber products, such as bars, cores, wood chips, etc.

Product

Plywood

Competitive advantages

- ➔ High strength, resistance to temperature and humidity fluctuations
- ➔ Capability to withstand high loads, durability
- ➔ Dimensional stability
- ➔ High quality of sanded surface
- ➔ Excellent visual appearance of veneer
- ➔ Customised manufacturing

End uses

- ➔ Construction
- ➔ Transportation
- ➔ Furniture
- ➔ Flooring

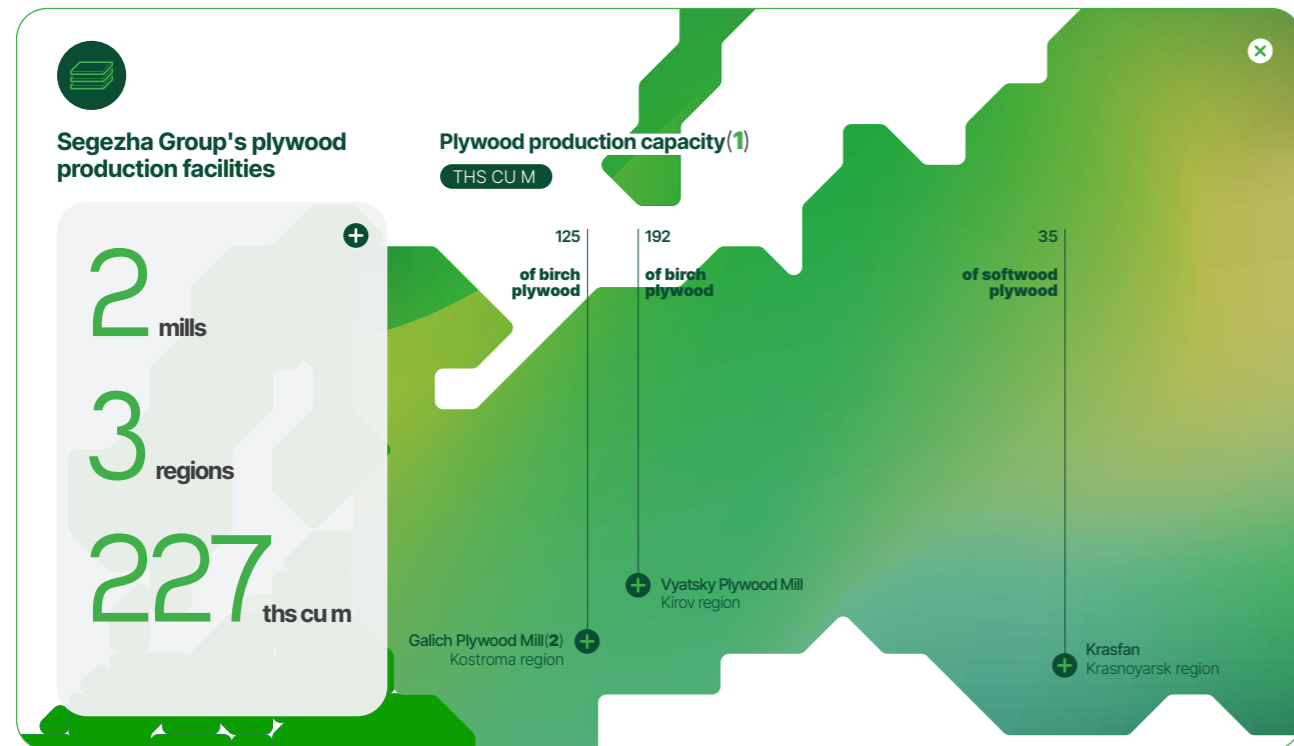
⁽¹⁾ Sources: internal research of Segezha Group, WhatWood data.

⁽²⁾ CNC-plywood – see [Glossary](#) on page 282.

⁽³⁾ The Galich Plywood Mill's performance results are not consolidated in accordance with the terms of the loan agreement.

⁽⁴⁾ Concrete forming – see [Glossary](#) on page 282.





Production and Sales

Production and sales of plywood in 2022 decreased due to the structural market transformation.

Due to the challenging global geopolitical circumstances in 2022, the Company stepped up shipments to the domestic market and new priority markets of China, Egypt, Israel, Turkey, India, etc. In response to the requests of new buyers, the supply of standard plywood faced with brown film rose.

The year of 2022 saw the first shipments of plywood for new end uses: shipbuilding for liquefied natural gas (LNG) transportation and onshore terminals construction for its storage. A long-term contract was signed to supply LNG plywood for LNG tankers construction in China. Furthermore, sales of Segezha Ecofloor engineered board took off for flooring end use, which is also a novelty to the Company.

Segezha Group's Plywood Starts Selling on OZON

At the end of 2022, Segezha Group kicked off selling plywood through the Ozon online marketplace, where more than 118 grades of plywood are available. The partnership with the marketplace will facilitate the Company's reach-out to an additional target audience of customers. Now one can purchase Segezha Group's plywood in just a few clicks, even in a small batch of five sheets, pay online, and order delivery straight to the door.

One of Segezha's most popular products on Ozon is ClearPly, an interior plywood covered with transparent and translucent films in Opal White shade, which visually brighten the interior, as well as in Transparent shade.

The film covering ClearPly does not deform when drilled or cut, nor does it swell or tear, nor does it change colour when exposed to moisture or sunlight. ClearPly does not require additional processing in the manufacture of furniture or wall panels. The product is very durable, it is suitable for both interior and exterior use, for decoration of facades, equipment for outdoor cafes, recreation areas, playgrounds.



(1) The Galich Plywood Mill was put into operation on 14 December 2022. The performance results of the Galich Plywood Mill are not consolidated by the Group in accordance with the terms of the loan agreement between JSC Alfa-Bank and LLC GPM dated 20 March 2020. Data is not consolidated.

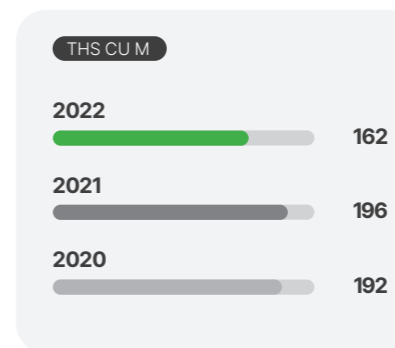
(2) The Galich Plywood Mill's performance results are not consolidated in accordance with the terms of the loan agreement.

In response to the logistics challenges of 2022, various transportation options were explored, to encompass container deliveries through Novorossiysk and ports of the Far East, rail shipments to China, as well as multi-modal transport schemes with transshipment in Turkey, China, South Korea to Latin and South America via Iran and India.

Development Plans for 2023

- ➔ Bolster the geography of sales and the customer base.
- ➔ Further expand the product portfolio. Start producing UF-resin based plywood, UV coating plywood, vibration and soundproof plywood at the Vyatsky Plywood Mill. Further widen production of 7×13 ft plywood at the Galich Plywood Mill.
- ➔ Enlarge production of hardwood plywood, sanded and filmed plywood, as well as 2,500×1,250 mm plywood at Krasfan in the Krasnoyarsk region.
- ➔ Continue the implementation of the Vyatsky Plywood Mill capacity expansion project.
- ➔ Diversify sales for industrial end uses: production and supply of plywood for the motor vehicle, shipbuilding and machine-building industries.
- ➔ Expand sales for the tanker plywood segment for customers from Russia, China, and South Korea.
- ➔ Establish a buffer warehouse in Turkey to ensure fast delivery to neighboring regions.
- ➔ Open sales office in China.

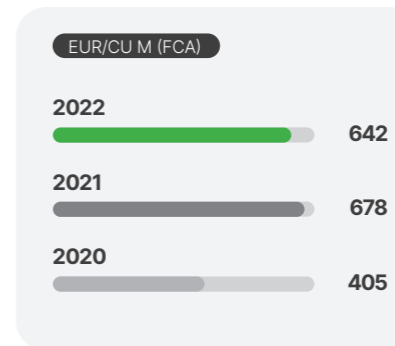
Plywood production



Plywood sales



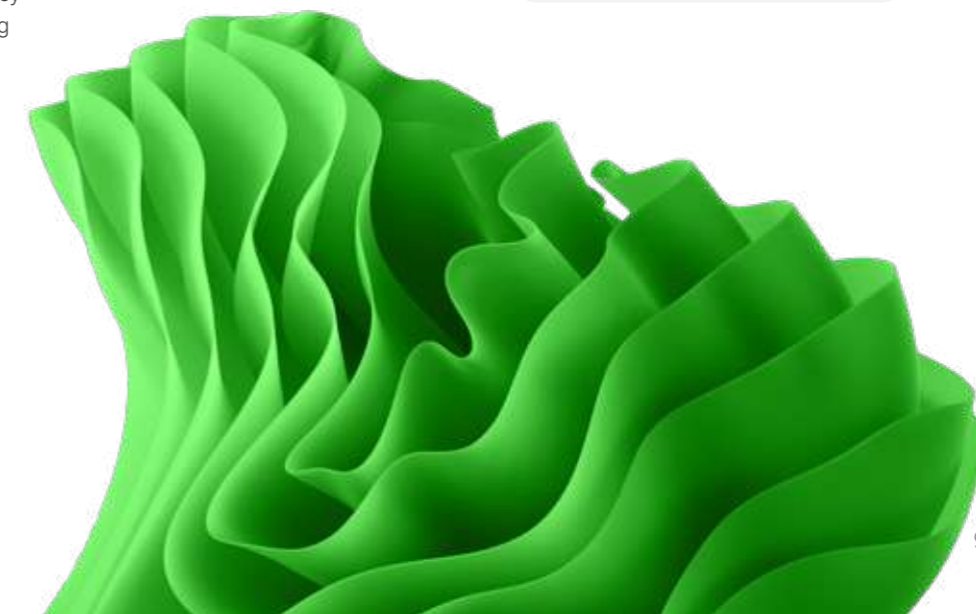
Sales price for plywood



Segezha Group revenues from plywood sales by country(3) in 2022



(3) Total may not equal the sum of the components due to rounding.





PLYWOOD

PRODUCTION PROCESS



(1) Ply-logs – see Glossary on page 283.

FIBERBOARD

72

M EQUIV. SQ M
fibreboard
production
capacity

86%

of fibreboard
is sold
domestically



Segezha Group's fibreboards are produced using two technologies: a dry process – by drying and pressing the raw materials – and a wet process, which makes it possible to produce the most environmentally friendly product. Raw materials for fibreboard production are softwood and birch wood sawing waste ground into wood fibres, due to the use of which Segezha Group's fibreboard stands out for its high quality.

Dry process fibreboard is a wood particle board that is engineered from fibres of wood using a continuous calendar as the equipment and UF resin as the binder. Matte formation is accomplished using air as a forming medium.

Wet process fibreboard is manufactured by hot pressing of fibres of wood. This method involves minimal use of synthetic additives, the fibers are bound together by lignin, which is a natural glue substance found in wood.



Fibreboards are used in the manufacturing of doors, wall panels, milled mouldings and furniture, as well as in construction

The Vyatsky Plywood Mill produces

RUF

briquettes



Production Facilities

Fibreboard is produced by the Lesosibirsky LDK No 1 in the Krasnoyarsk region and by the Vyatsky Plywood Mill in the Kirov region, as well as by Novoyeniseyskiy Wood-Chemical Complex in the Krasnoyarsk region. The Lesosibirsky LDK No 1 and the Vyatsky Plywood Mill are certified in accordance with ISO 9001, ISO 14001 and ISO 45001, and have voluntary certificates for their products. The Novoyeniseyskiy Wood-Chemical Complex successfully underwent certification audits in 2022 for compliance with ISO standards.

Lesosibirsky LDK No 1

The Lesosibirsky LDK No 1 utilises the wet process. The mill has a long history. It was built in 1973 based on the design by Zemak (Poland). The present fibreboard manufacturing capacity is 26 m equiv. sq m. The products manufactured by the Lesosibirsky LDK No 1 are used in construction and in manufacturing of milled mouldings, furniture and packaging.

Novoyeniseyskiy Wood-Chemical Complex

The Novoyeniseyskiy Wood-Chemical Complex is based on the dry process. The mill is capable of producing a wide range of fibreboard with a thickness varying from 2.5 to 5.0 mm for various end uses.

Vyatsky Plywood Mill

The Vyatsky Plywood Mill produces RUF briquettes and dry process fibreboard with a thickness range of 3.0 to 7.0 mm. The fibreboard production was inaugurated in 2003. Fibreboards produced by the Vyatsky Plywood Mill are used in the manufacturing of doors, wall panels, milled mouldings and furniture, as well as in construction.

Product

Fibreboard

Competitive advantages

- Wide range of product types, thicknesses and sizes
- Beneficial geographic location and logistics accessibility
- Prompt responses to clients' enquiries

End uses

- Construction and finishing works
- Packaging for mechanical engineering goods and other industrial products
- Production of milled mouldings
- Furniture manufacturing
- Manufacturing of doors



Segezha Group's plywood production facilities

Fibreboard production capacity

M EQUIV. SQ M

3 companies

2 regions

72 m equiv. sq m

26

Vyatsky Plywood Mill
Kirov region

20

Novoyeniseyskiy Wood-Chemical Complex
Krasnoyarsk region

26

Lesosibirsky LDK No 1
Krasnoyarsk region



Production and Sales

Production and sales of fiberboard in 2022 declined due to the geopolitical circumstances and amid tightened competition in the domestic market, taking into account stronger position of suppliers from Belarus among others.

In 2022, Segezha Group sold its products primarily on the Russian market. The main customers were manufacturers of doors, packaging and wall panels, many of whom established sales offices in Turkey and the CIS countries and started to sell their products outside of Russia for the first time.

The company was able to adequately respond to the challenges posed by market uncertainty, such as the emergence of new competitors, significant price reductions by other fibreboard producers and the temporary withdrawal of some customers from the Russian market.

In particular, Segezha Group:

01 gradually reduced prices for fibreboard;

02 introduced 2.5-2.8 mm thick plywood into its product portfolio;

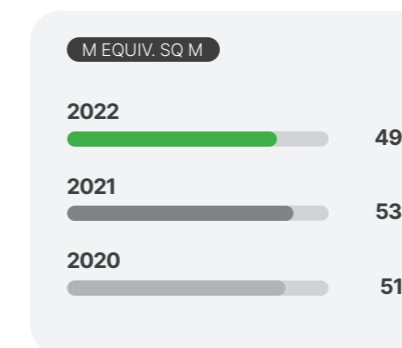
03 expanded its customer base by enhancing the loyalty of existing customers and attracting new ones.

This allowed the Company to expand its customer base with new segments: manufacturers of packaging, children's toys, kits for creativity, etc.

Production of fibreboard



Sales of fibreboard



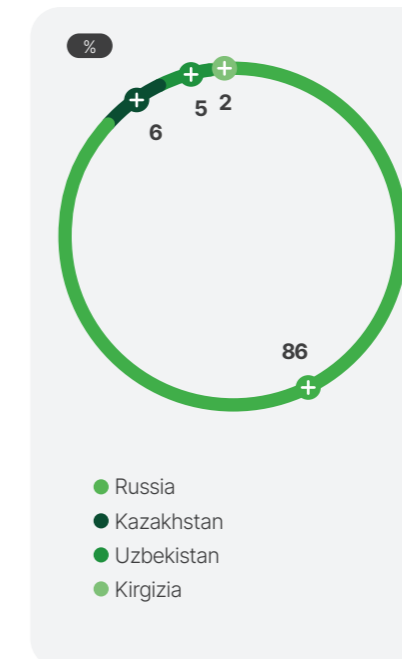
Development Plans for 2023

- ➔ Redirect sales to the domestic market, including Siberia and the Far East. Further widen the customer base, search for new consumers and sales markets, including the CIS countries.
- ➔ Bolster positions on the Russian market, support and develop current customers, optimise the finished products stock.

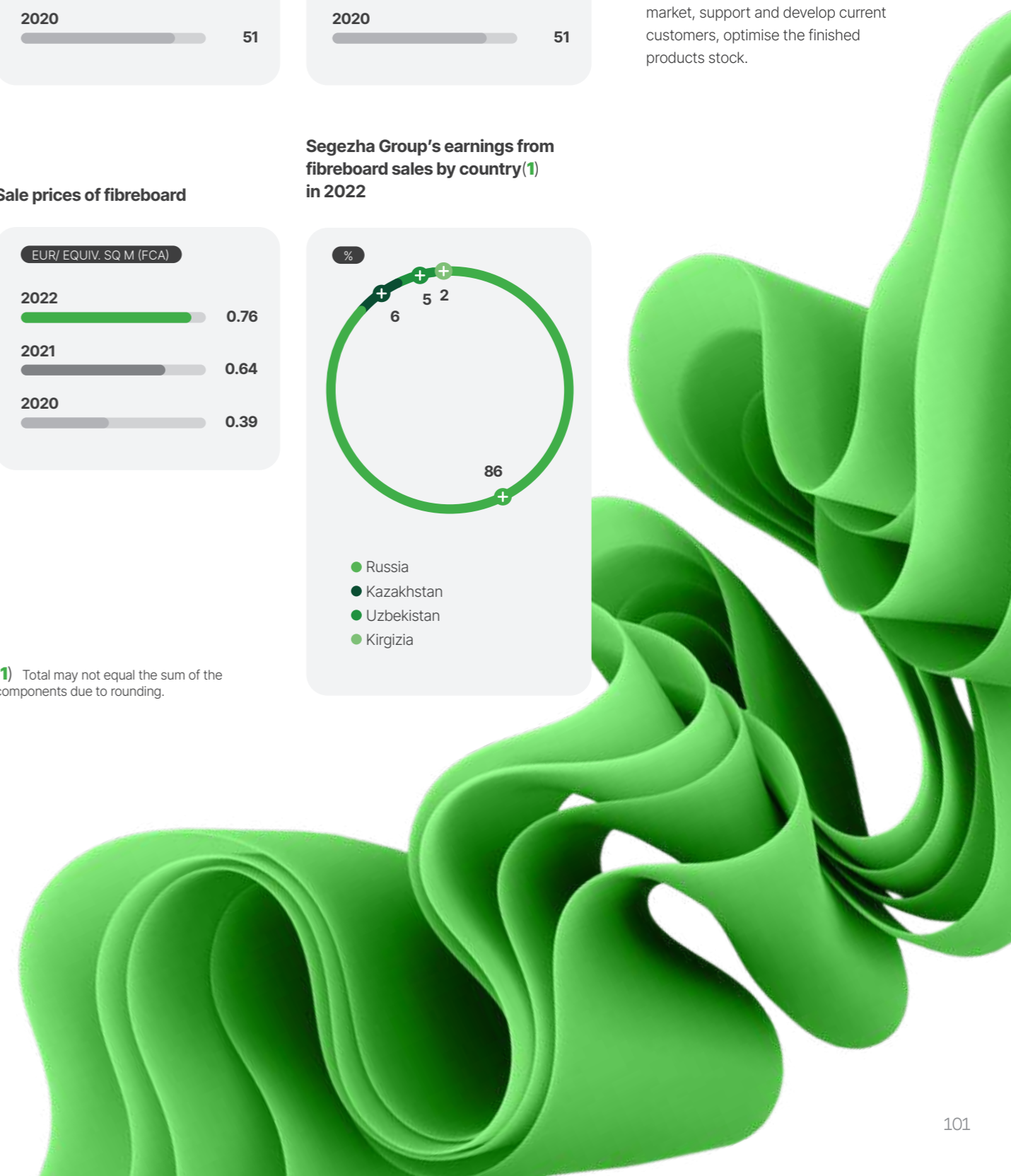
Sale prices of fibreboard



Segezha Group's earnings from fibreboard sales by country(1) in 2022



(1) Total may not equal the sum of the components due to rounding.



No 1

in Russia in terms of glulam-based home kits manufacturing⁽¹⁾

51%

growth of CLT-panel production in 2022, year-on-year

GLUAM, CLT-PANELS & HOME KITS

Production Facilities

Segezha Group produces glulam (laminated timber products, including glulam construction beams and prefabricated home kits) at Sokol Sawmills, and CLT-panels (cross-laminated timber for wooden housing construction) at Sokol CLT. Both companies are certified according to ISO 9001, ISO 14001, and ISO 4500. In 2022, a voluntary environmental certification of the companies' output was carried out by an independent certifying company NEPCON (formerly the FSC operator).

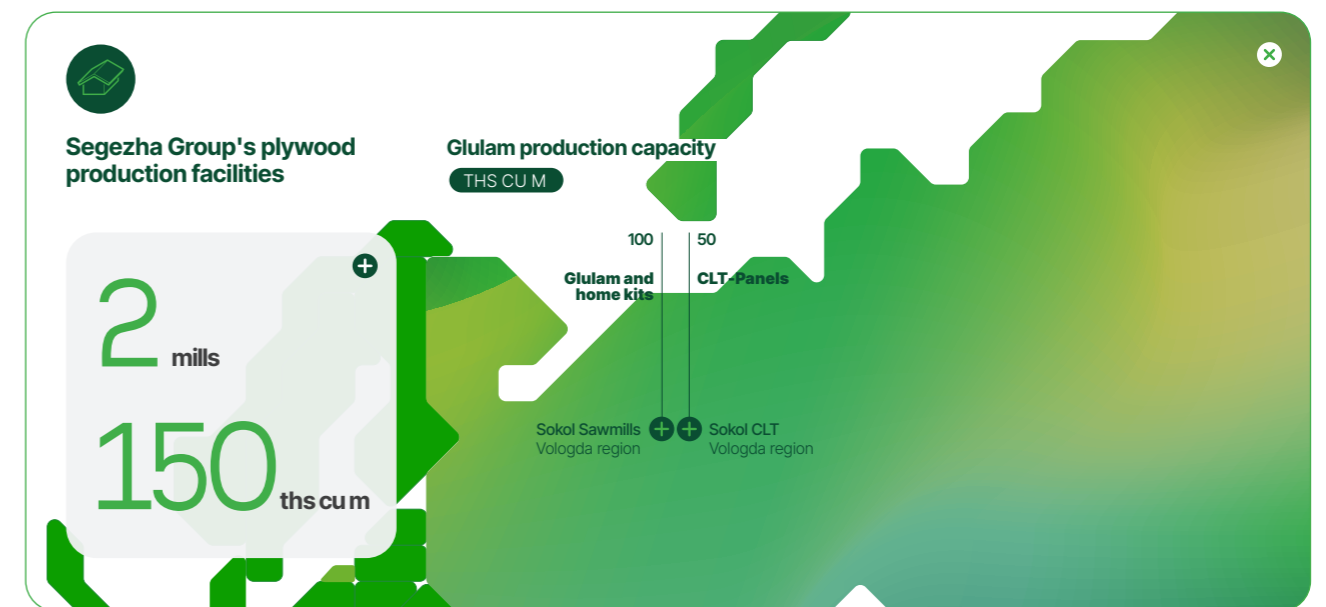
Sokol CLT with the annual capacity of 50 ths cu m of CLT-panels was put into commercial operation in 2021. The entire CLT-manufacturing line is controlled by a computer system. Process control and real-time availability of information are automated at all stages of the production process.

Sokol Sawmills was founded in 1942 and is located in the town of Sokol, the Vologda region. The mill has come a long way to a modern world-class enterprise for value added processing of wood. Today its production capacity is 100 ths cu m of glulam and home kits. The mill is constantly improving and developing. In particular, in 2022 the production process became non-waste, as the new boiler house, which runs on the bark waste from sawmilling and has the capacity of 20 tons of steam per hour, kicked off operation in October.

The sawmill produces over 60 ths solid cu m of bark annually, which will now be fully burnt by the new plant. Thanks to the new boiler house, heat is produced not only for the production process, but also for heating 89 apartment buildings near the sawmill.

In 2022, Sokol Sawmills acquired the territory of the neighboring sawmill Soldek, thus expanding its production site. As part of this integration the railroad tracks were upgraded. This made it possible to provide two container trains at a time for loading and to hike the deliveries of sawn timber by rail.

Since 2021, Sokol Sawmills has been implementing the Labour Productivity and Employment Support and Lean Production projects to reduce costs and increase labour productivity. In 2022, the sawmill implemented the Idea Factory corporate project for continuous improvement management. Other activities included standardising basic production operations and training the production personnel pool as part of the Foreman School corporate programme.



Adapting to the New Economic Environment

The economic and geopolitical conditions faced by the Company in 2022 posed difficult challenges for the Laminated Wood Products business area, including the need to find new markets and alternative logistics routes. Segezha Group was able to adapt to the circumstances and continued to develop its production of glulam, home kits and CLT-panels, in particular through the following:

✔ first contacts were established with customers from China, India, Iran, Brazil, Turkey, Israel, Algeria, Egypt, Gulf countries (UAE, Saudi Arabia). At the end of the year, trial deliveries to India and sales to Israel and Turkey were launched;

✔ presence in the domestic market of wooden housing construction was strengthened both in construction beam and CLT-product areas, new distribution programmes were launched;

✔ glulam products were promoted in new end uses for Russia: livestock farming, chemical production, infrastructure facilities;

✔ in order to encourage the regulatory framework development for the use of CLT-structures in high-rise apartment buildings, the Group invested in the construction of two four-storey CLT-houses in Sokol, the Vologda region.

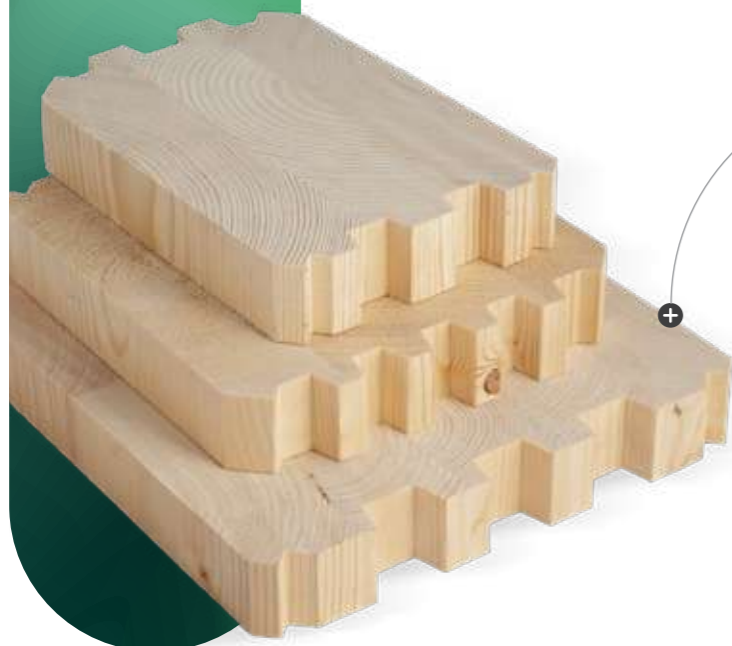
⁽¹⁾ According to internal research by Segezha Group as of 31 December 2022.

GLULAM (GLUED TIMBER PRODUCTS)

27

THS CU M
glulam production
in 2022

The glulam product range of Segezha Group includes a construction beam which is produced from softwood species having a high degree of strength and excellent resilience to external influences. These properties make it possible not only to use glulam in timber housing construction, but also to combine it with other building materials in construction of various structures.



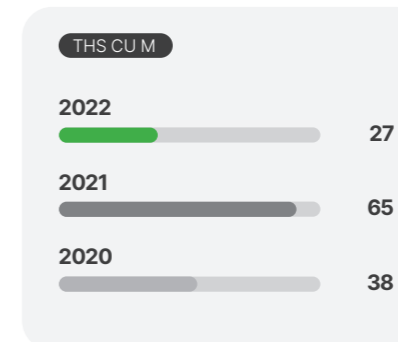
475
EUR/CU M (FCA)
sales Price
of Glulam in 2022

Production and Sales

With the market structure undergoing transformation, production and sales of glulam decreased in 2022.

In 2022, the Company managed to redirect glulam supplies to the markets of Turkey, Israel, and India, while concurrently raising the share of sales in Russia.

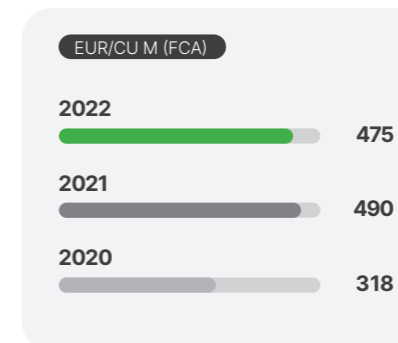
Production of glulam



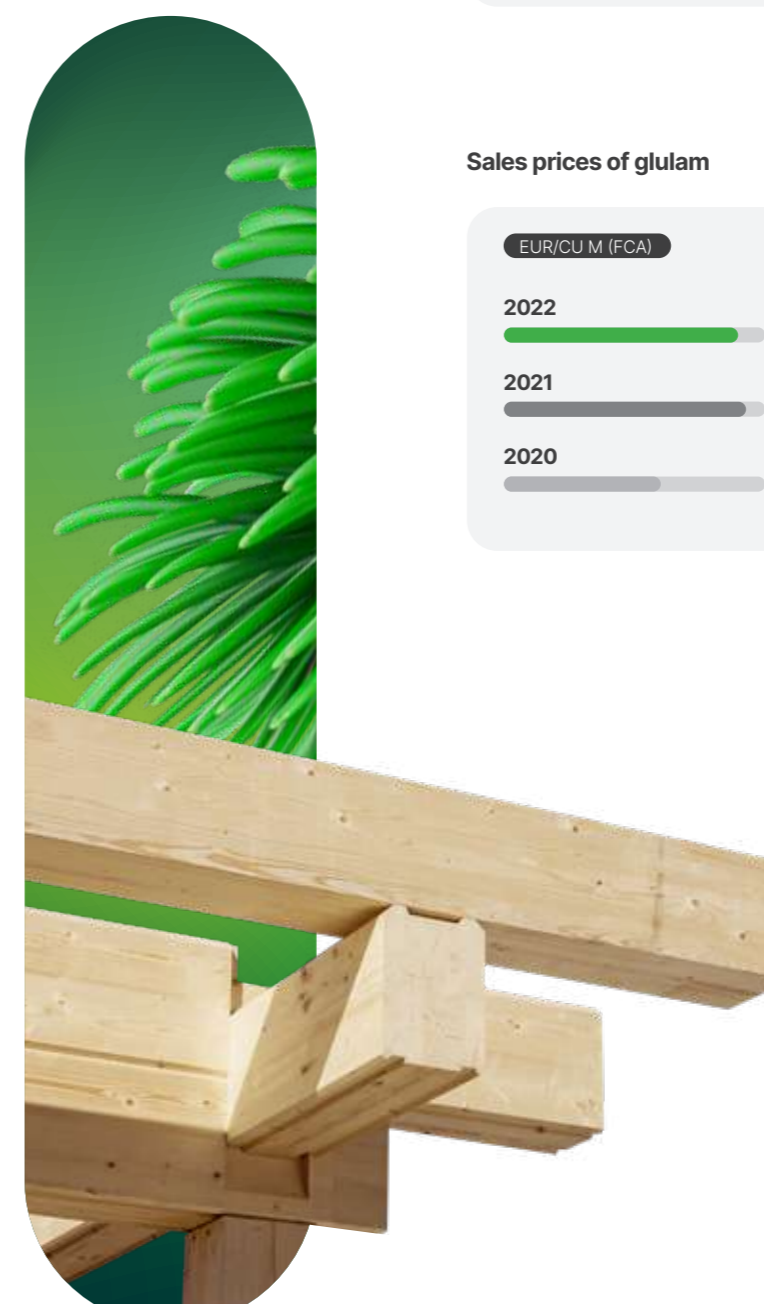
Sales of glulam



Sales prices of glulam



Segezha Group's earnings from sales of glulam by country(1) in 2022



(1) Total may not equal the sum of the components due to rounding.



Product

Glulam

Competitive advantages

- ➔ Highest quality of surfaces that do not require any additional processing or treatment
- ➔ Strict compliance of the process with market requirements
- ➔ High strength of the adhesive bond
- ➔ Environmental friendliness
- ➔ High stability and accuracy of sizes, consistent geometry of product
- ➔ Resilience to corrosion
- ➔ All-season construction
- ➔ Use of northern spruce as a raw material

End uses

- ➔ Construction of wooden houses
- ➔ Ceilings in multi-storey buildings, bearing constructions and rafter systems
- ➔ Warehouses and storages at mills exposed to aggressive environments
- ➔ Construction of various sheds and other small architectural forms



GLULAM PRODUCTS

PRODUCTION PROCESS



The steps of kilned sawn timber process are described on the diagram on page 90.



PREFABRICATED HOME KITS

Segezha Group produces prefabricated home kits based on glued bars at Sokol Sawmills. The Company offers tailor-made solutions to its clients, adhering to all environmental and fire safety requirements. Construction of glued timber-based prefabricated home kits can be executed in any climatic zone and does not depend on the season. Walls manufactured from glued timber have low shrinkage properties, which is beneficial in terms of accelerating construction speed and securing efficient commissioning.



670
EUR/CU M (FCA)
sales Price of home kits in 2022

Production and Sales

In 2022, production and sales of prefabricated home kits decreased by 13 and 8% respectively, as a result of a shrunk demand on the house-building market driven by lower purchasing power and due to a high degree of uncertainty. Amid economic volatility, the Company managed to expand its geography of supplies, thus adding the Primorsky Krai, Irkutsk region, Armenia and Kazakhstan to the map of regions where it operates.

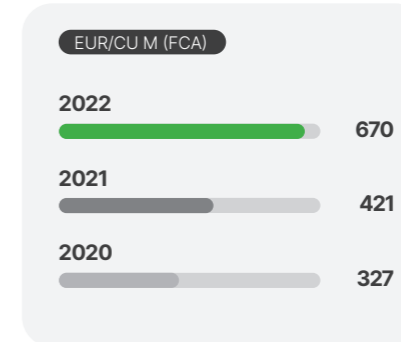
Production of home kits



Sales of home kits



Sales prices of home kits



Home kits manufactured by Segezha Group are sold primarily on the Russian market. With the view of maximising coverage of all possible targets end uses, the Company developed new products and penetrated new market segments in 2022. In particular, Sokol Sawmills developed a new high-margin product, namely: shrinkage-free bar that combines the advantages of solid wood and CLT-technologies, resulting in a unique product. It is characterised by zero shrinkage and has excellent visual appearance. It is also simple to design and easy to install.

In addition, the year of 2022 saw the **supply** of prefabricated home kits **for a new market segment**, namely: the construction of tourist facilities such as hotels, duplexes, cottages, recreation centres. This has been possible in large measure owing to the state support of the tourist sector.



Product

Home kits based on glued bars

Home kits based on CLT-panels

Competitive advantages

- Easy to design and build
- Reliability
- Functionality
- Manufacturability
- Cost-effectiveness
- Modern design
- Compliance with environmental standards

- Quick to build
- No-shrink condition
- Reliability
- Functionality
- Manufacturability
- Cost-effectiveness
- Modern design
- Compliance with environmental standards

End uses

- Construction of wooden houses and structures for various applications, including individual houses and multi-storey building



CLT-PANELS

CLT-panels are a modern, high-availability glued timber product made by gluing together several layers of lumber boards stacked in alternating directions.

CLT-panels are used for the construction of both individual houses and multi-storey buildings and are popular among architects. It should be emphasised that the use of

CLT-panels for construction has the least harmful impact on the environment. Their distinctive features include the complete absence of shrinkage and a high speed of assembly.

Construction of the First Multi-Storey Houses from CLT-panels by Segezha Group



ЭКОТЕХ-ЛИДЕР 2022

In July 2022, Segezha Group won the "ECOTECH LEADER 2022" environmental technology award.

The company was awarded in the "Perspective" category for the construction of Russia's first multi-storey houses made of CLT-panels, a modern eco-friendly construction material based on cross-laminated wood.

In order to prepare the Russian market for the widespread use of an innovative product in construction, i. e. CLT-panels, Segezha Group implemented a project to build Russia's first multi-storey houses based on materials from own manufacturing in Sokol, the Vologda region. The project included a total of 64 apartments of 48 to 65 sq m in two houses.

The construction of the first multi-storey CLT-based houses has given impetus to the adjustment of the legislative framework to accommodate the use of wood in multi-storey houses. The Ministry of Construction and Ministry of Emergency Situations of Russia approved the Action Plan for wooden housing construction development until 2024. It is planned to allow the construction of wooden houses over three floors in accordance with the usual procedure, without developing special technical specifications (STS).

In addition, in 2022 a project was implemented to build two CLT-panel based campuses in Sarov, the Nizhny Novgorod region, as requested by Rosatom State Corporation. In 2023 it is planned to build a dormitory and administrative buildings of the complex.

In 2022, the design and development of the STS for the construction of a high-rise building made of CLT-panels in Baikalsk, the Irkutsk region, was kicked off. The design will be tested for a seismic resistance. The active phase of the project implementation is scheduled for 2023.

Product

CLT-Panels

Competitive advantages

- Quick to build
- Environmental friendliness
- Modern design
- All-season construction
- Ability to implement almost any geometric shapes in the design of buildings

End uses

- Construction of low-rise and high-rise houses, industrial and commercial buildings



Production and Sales

In 2022, production and sales of CLT-panels grew by 51% and 94% respectively, including through Segezha Group's multi-storey house construction project. Most of the sales on the Russian market came from the individual housing construction segment.

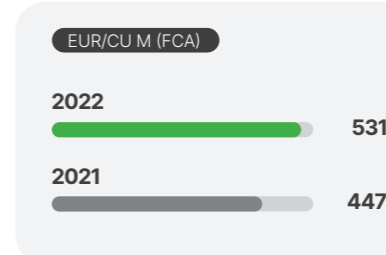
In severely turbulent market conditions, every effort was made to ensure that the product area quickly adapted to the changes and cemented the Company's leading position in the industry.

In particular, sales were redirected to the domestic market and a pivot was placed on the development of CIS destinations. In December 2022, the certificate of the Republic of Kazakhstan for CLT-panels was received, and cooperation with a new dealer in this country was started. This will allow the Company to increase CLT-panel sales in the region, while ensuring their maximum compliance with local technical requirements.

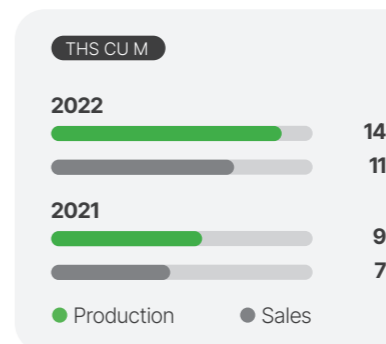
The Company has done a lot of work to familiarise relevant ministries and departments with the CLT-panels production process and with the peculiarities of their application in construction. In addition, properties of the material were studied and agreements on cooperation in this area were sealed with the All-Russian Research Institute of Fire Protection under the Ministry of Emergency Situations of Russia and with the St. Petersburg State University of Architecture and Construction.

The domestic market was dominated by the sales of CLT-panel based home kits, which are ready for assembly. Most of the sales took place in the Moscow and Leningrad regions. In 2022, the Company started supplying CLT-panels to India.

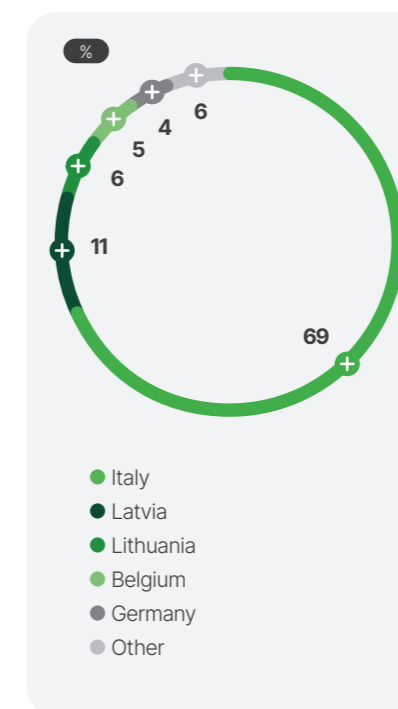
Sales prices for CLT-panels



Production and sales of CLT-panels



Sales structure of CLT-panels produced by Segezha Group by country (1) in 2022



Development Plans for 2023

- Continue redirecting sales to markets of Russia and the CIS countries, as well as to new export destinations, including India, Iran and Turkey. Markets of China, Brazil, Algeria, Egypt and Persian Gulf countries are considered to be promising.
- Carry on the construction of multi-storey houses from CLT-panels. Extend the CLT-based construction experience to other segments of the construction sector.
- Further implementation of the glulam and CLT-panels distribution program. Develop architectural and engineering solutions for construction of agricultural and industrial facilities exposed to aggressive environments.
- Participate in the construction of prefabricated CLT-based houses, increase sales of CLT for the individual housing construction end use.
- Continue development of guidelines for designing houses made from CLT-panels, elaborate amendments to the Russian Construction Codes and Regulations (SNiP) and other regulatory documents.
- Launch a long-term project for standardisation of glulam products in Russia together with the Wooden Housing Association of Russia, study the properties of glulam and CLT for the purposes of adjusting building codes and regulations.
- Continue extending the Lean Production project to all production lines of Sokol Sawmills and involve about 80% of employees in the project.

(1) Total may not equal the sum of the components due to rounding.



CLT - PANELS

PRODUCTION PROCESS



Production process steps are described on the flow diagram on page 106.



388

THS T pellets producing capacity

5

pellet plants



PELLETS

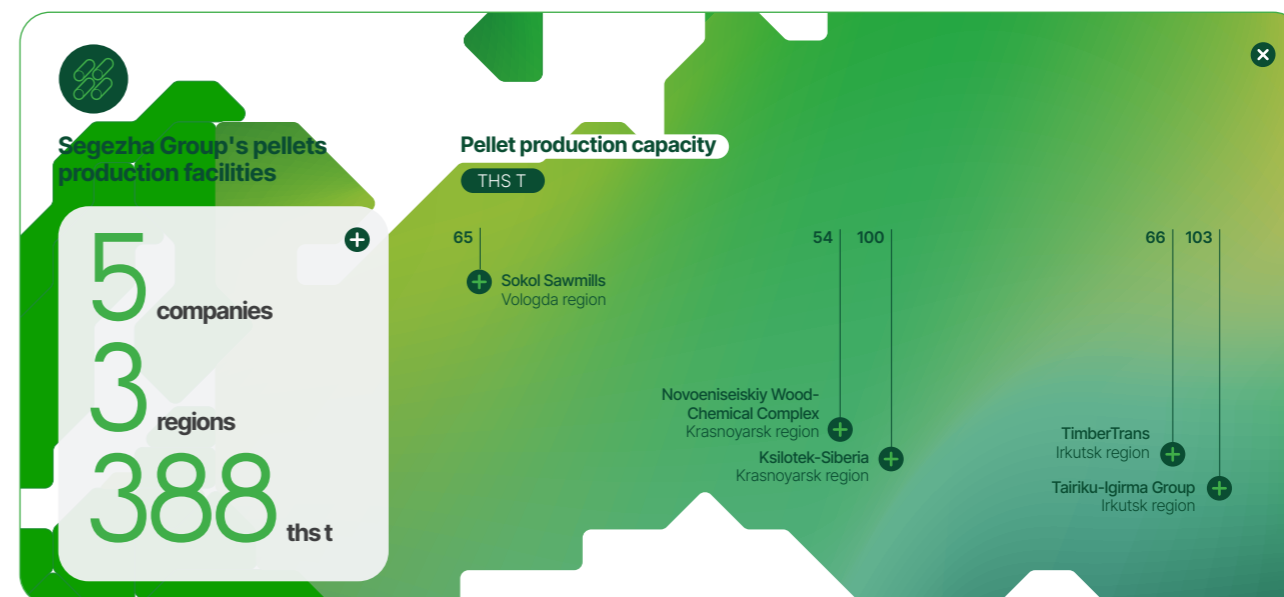
In order to make the most efficient use of wood, including sawmill waste, the Group's companies produce pellets. Pellets are fuel made from sawmill waste (sawdust and chips) under high pressure without the addition of any chemical binders.

Pellet production uses sawdust and fine chips obtained in the manufacturing of sawn softwood, which are further screened into fine and large sizes. The fine size then undergoes drying and shredding, followed by pressing into pellets.

Having bark and wood waste-fired boiler plants and pellet production facilities in operation, Segezha Group's companies can be run as closed-cycle mills. The integrated, rational use of forest resources substantially hikes the economic efficiency of enterprises, including by reducing gas consumption, and shrinks the carbon footprint thanks to the transition to zero-waste production.

Biofuel production also contributes to Segezha Group's environmental protection policy, since pellets are an environmentally friendly renewable energy source that is much sought-after all over the world. The heat value of pellets is roughly equal to that of coal, coke, and natural gas. Briquettes emit tens of times less carbon dioxide when burning. Therefore, pellet production reduces greenhouse gas emissions, which are some of the key contributors to negative climate change.

The pellet plants supply Russian and European consumers with biofuel to be burnt in automatic boilers to produce heat both for commercial sectors and households.



Production Facilities

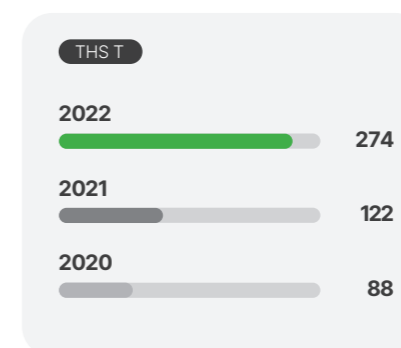
Pellets are produced at five Segezha Group's companies: Sokol Sawmills in the Vologda region, Ksilotek-Siberia in the Krasnoyarsk region, as well as at the facilities of JSC Novoeniseiskiy Wood-Chemical Complex and LLC Inter Forest Rus, which joined the Group in 2021, namely: Timber Trans, Tairiku-Igirma Group, Novoeniseiskiy Wood-Chemical Complex. The acquisition of new strategic assets in 2021 made it possible to triple Segezha Group's pellet production capacity. Sokol Sawmills and Ksilotek-Siberia are ISO 9001, ISO 14001 and ISO 45001 certified⁽¹⁾. The plants make use of advanced processes and equipment to manufacture products that comply with international quality and safety standards.

Production and Sales

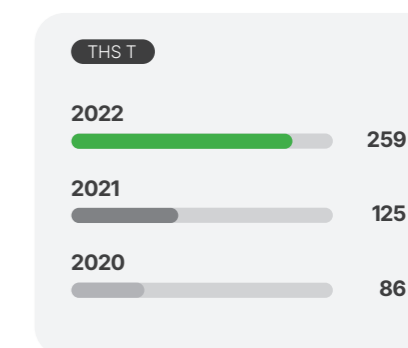
Responding to changes in the market circumstances and taking into account the geopolitical challenges, Segezha Group is considering opportunities to expand its supply geography and modify its logistics to suit its business needs. Turkey, Serbia and Asian markets, primarily South Korea, which is characterised by a significant consumption of pellets, are regarded as promising export destinations.

Pellet sales in 2022 amounted to 259 ths t, which is two times higher compared to the previous year. The increase in production and sales in 2022 was due to consolidation of the previously acquired assets.

Pellets production



Pellets sales



Sales price for pellets



Sales of pellets produced by Segezha Group, by country⁽¹⁾ in 2022



⁽¹⁾ Ksilotek-Siberia is also certified ISO 9015.

⁽²⁾ Total may not equal the sum of the components due to rounding.

Product

Pellets

Competitive advantages

- High heat output
- Based on a renewable feedstock
- Chemically and biologically safe
- Efficacious usage of wood resources, waste-free production
- Environmental friendly

End uses

- Production of electric power from renewable sources

LINGOSULPHONATES

141

THS T
PER YEAR
lignosulphonates
plant capacity

26

THS T
lignosulphonates
production in 2022



Segezha Group produces industrial lignosulphonates, a cutting-edge value added forest chemical. Liquid lignosulphonates are derived as a side product of pulp production and are used to produce powdered lignosulphonates.

The process involves drying the atomised liquid lignosulphonate particles for a few seconds in a hot air stream in a drying tower. Through raising the overall efficiency and assisting waste-free production, the drying plant is one of the paramount elements of a closed cycle system, thus supporting the mill's environmental load reduction. In addition, the existing process of exhaust air purification and powder collection allows for almost complete cleaning of the heat carrier before it is discharged into the atmosphere (the cleaning efficiency exceeds 93%).

The lignosulphonates project implementation has empowered the Company to penetrate new markets, as lignosulphonates enjoy numerous end uses, in areas including construction, cement, and the oil industry.

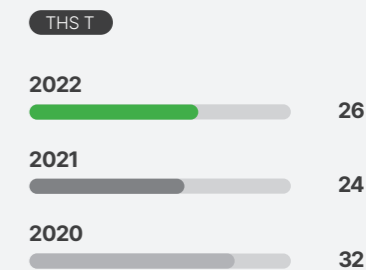
Production Facilities

Lignosulphonates are produced at the Sokol PPM in the Vologda region. Production was launched in 2021, the capacity is 21 ths t/year. Full design capacity was reached in 2022. The company is certified in accordance with ISO 9001, ISO 14001 and ISO 45001.

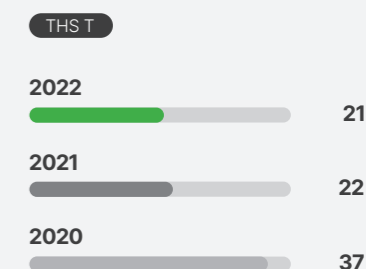
In 2022, the Company's production and logistics processes were optimised. The bulk weight and capacity of flexible big-bag containers utilised for shipping powdered lignosulphonates were boosted.



Lignosulphonates production



Lignosulphonates sales



Production and Sales

In 2022, the production of powdered lignosulphonates rose by 8% as the manufacturing line reached full capacity, while sales fell slightly amid the turbulent geopolitical situation and the commodity markets transformation.

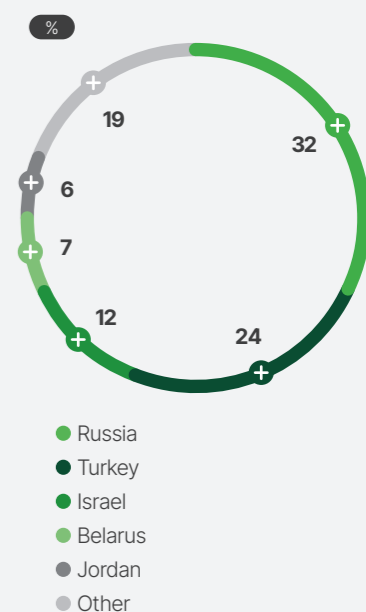
The global geopolitical situation and the transformation of commodity markets resulted in the Company being unable to supply lignosulphonates to conventional markets, while also leading to a substantial hike in the cost of logistics services. Segezha Group managed to adapt to the current circumstances and carried on developing this product area, as it took steps to search for alternative markets and logistics routes. In 2022, vital progress was made in this regard, as demonstrated by the following:

- ✔ promoting and supplying lignosulphonates for new end uses, to also feature the chemical industry and the production of drilling fertilisers;
- ✔ alternative logistics routes and schemes were introduced, encompassing shipments of lignosulphonates to Israel.

Development Plans for 2023

- ➔ Expanding the geography of sales and the customer base.
- ➔ Further enhancement of alternative logistics routes and shipping methods.
- ➔ Joint research and development with the National Research Moscow State Construction University (NRU MSCU) and the Lomonosov Northern (Arctic) Federal University (NAFU) to better the quality of produced lignosulphonates as well as their application in new end uses.

Segezha Group's revenue from lignosulphonates by country in 2022



Product



End uses

Lingosulphonates

- ➔ Technical carbon
- ➔ Drilling mud for the oil industry
- ➔ Foundry
- ➔ Cement and cement mortar
- ➔ Construction
- ➔ Fibreboard, particleboard and mineral wool boards
- ➔ Road building (dedusting of gravel roads, preparation of roads for asphaltting)

CHIPS



As a side product, Segezha Group's sawmills produce wood chips: fuel chips, which are burnt in boiler houses; and pulping chips, which are used to produce pulp, paperboard, fibreboard (FB), pellets, and briquettes.

1,386
THS CU M
production
of chips in 2022

41%
of those was
consumed
internally

34%
was sold to third
parties

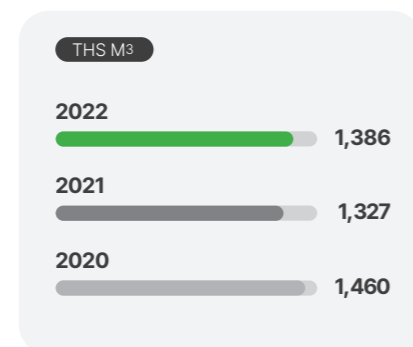
25%
was supplied
to Segezha
Group's pulp and
paper mills

Internal chips supplies help mills within the Group eliminate excess side products and utilise this manufacturing waste to produce high-margin environment-friendly products. In addition, pulping chips are sold to third parties.

Production

Production of chips in 2022 amounted to 1,386 ths cu m. 41% of those was consumed internally by the Group's sawmills, 25% was supplied to Segezha Group's pulp and paper mills as part of intragroup transactions, and 34% was sold to third parties.

Production of chips⁽¹⁾



⁽¹⁾ Production of chips in 2021 and 2022 includes Vyatsky Plywood Mill and Sokol Sawmills.

Producer:	Consumer:	Further use
+ Onega Sawmills	✓ Segezha PPM	➔ Pulp production
+ Sokol Sawmills	✓ Sokol PPM ✓ Segezha PPM ✓ External sales	➔ Pulp production
+ Lesosibirsky LDK No 1	✓ Sokol PPM	➔ Wet process fibreboard production ➔ Pellets production ➔ Biofuel for boiler houses
	✓ External sales	➔ Pulp production
	✓ Novoyeniseiskiy Wood-Chemical Complex	➔ Pellets production
+ Vyatsky Plywood Mill	✓ Internal use ✓ External sales	➔ Dry process fibreboard production ➔ Briquettes production
+ Krasfan	✓ Internal use ✓ External sales	➔ Briquettes production
+ Karelian Wood Company	✓ Segezha PPM	➔ Pulp production
+ TimberTrance	✓ External sales	➔ Pulp production ➔ Paperboard production
+ Tairiku-Igirma Group	✓ External sales	➔ Briquettes production
+ Priangarsky LPK	✓ External sales	➔ Briquettes production



FINANCIAL REVIEW

SEGEZHA GROUP REVENUE STRUCTURE IN 2022

72%
share of export sales



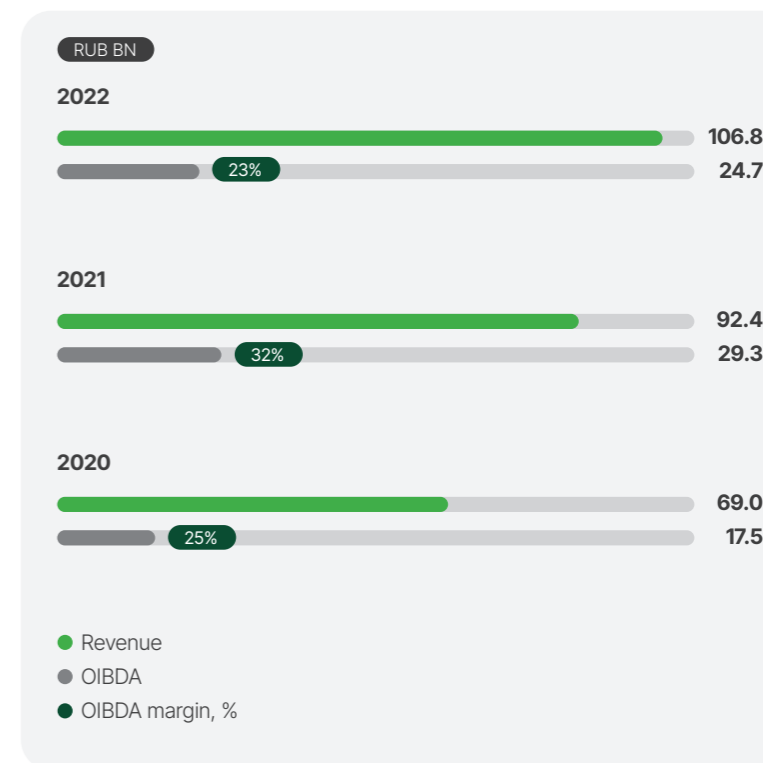
28%
share of sales in Russia

See Consolidated financial Statements and independent Auditor's Report for the year ended 31 December 2022 on the [official website](#) of Segezha Group.



~107
RUB BN
Revenue in 2022

Revenue, OIBDA and OIBDA margin



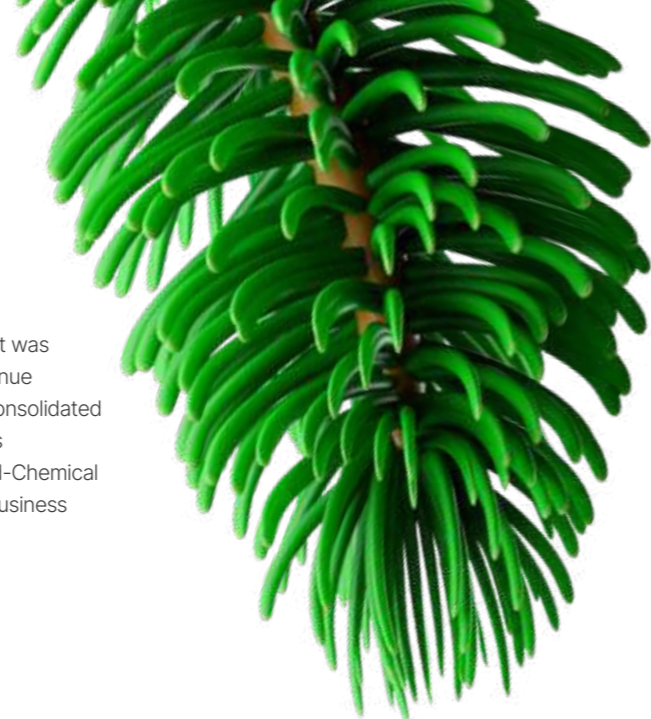
Key financial performance indicators of Segezha Group, RUB bn

	2020	2021	2022	2022/2021
Revenue	69.0	92.4	106.8	+15%
OIBDA ⁽¹⁾	17.5	29.3	24.7	(16%)
OIBDA margin, %	25	32	23	(9 p. p.)
Operating income	11.2	22.4	10.1	(55%)
Net profit (loss)	(1.3)	15.2	6.1	(60%)
Net loss ⁽²⁾	49.6	61.1	101.0	65%
Net debt / OIBDA, x	2.8	2.1	4.1	-
CAPEX ⁽³⁾ , incl. M&A	12.7	43.3	28.6	(34%)
Share of foreign currency revenues, %	72	74	72	(2 p. p.)

⁽¹⁾ OIBDA – see [Glossary](#) on page 283.

⁽²⁾ Total debt on loans and credits, net of cash.

⁽³⁾ CAPEX – see [Glossary](#) on page 282.



The Company's revenue amounted to RUB 106.8 bn, up 15% year-on-year, mainly due to the price increases for a number of products, and on the back of consolidation of JSC Novoyeniseyskiy Wood-Chemical Complex and LLC Inter Forest Rus assets, which became part of the Group in the third and fourth quarters of 2021, respectively.

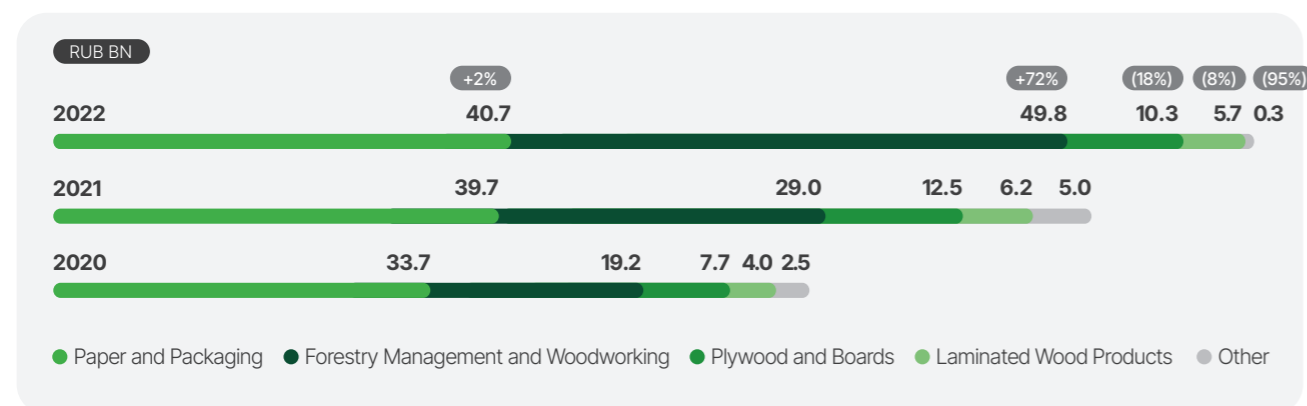
The Forestry Management and Woodworking business segment was the main contributor to the revenue growth, as the majority of the consolidated business of LLC Inter Forest Rus and JSC Novoyeniseyskiy Wood-Chemical Complex is accounted for this business segment.

Over the course of 2022, OIBDA decreased by 16% to RUB 24.7 bn. Lower margins were driven by inflation in key production inputs, and higher logging and transportation costs on the back of higher logging rates at our Siberian assets. Other factors included a significant growth in logistics costs and a stronger ruble against foreign currencies: 17% against the euro, 10% against the RMB, and 5% against the US dollar.

Forestry Management and Woodworking business sector showed the largest year-on-year decline among Segezha Group's divisions, largely due to the high-base effect for the revaluation adjustment of JSC Novoyeniseyskiy Wood-Chemical Complex acquired in 2021. The 2021 revaluation adjustment amounted to RUB 3.8 bn, which was reflected in the result of this segment.

OIBDA margin declined by 9 p. p. to 23% due to the negative impact of cost inflation and the ruble strengthening against foreign currencies.

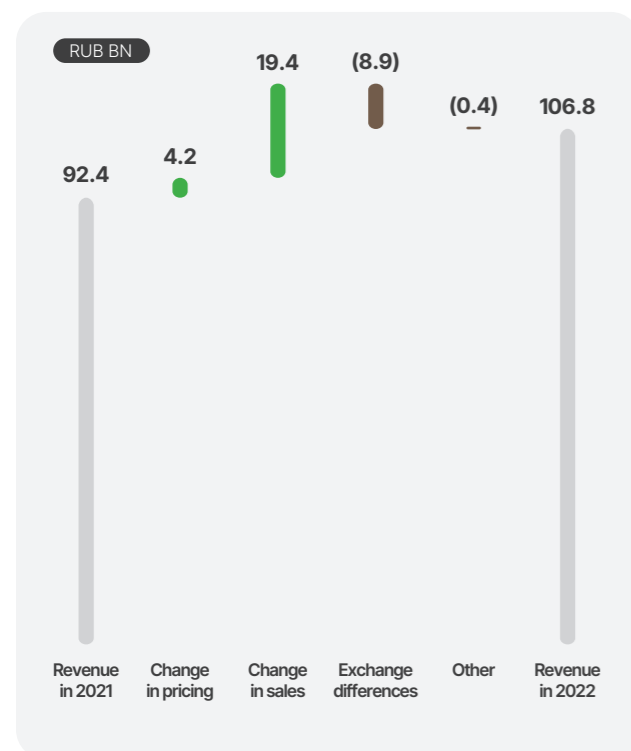
Segezha Group's revenue by business area



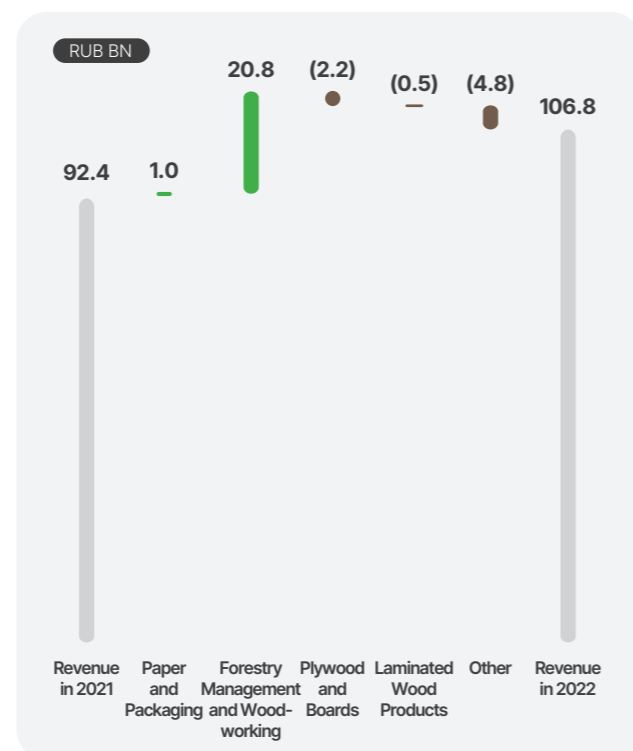
Segezha Group's OIBDA by business areas



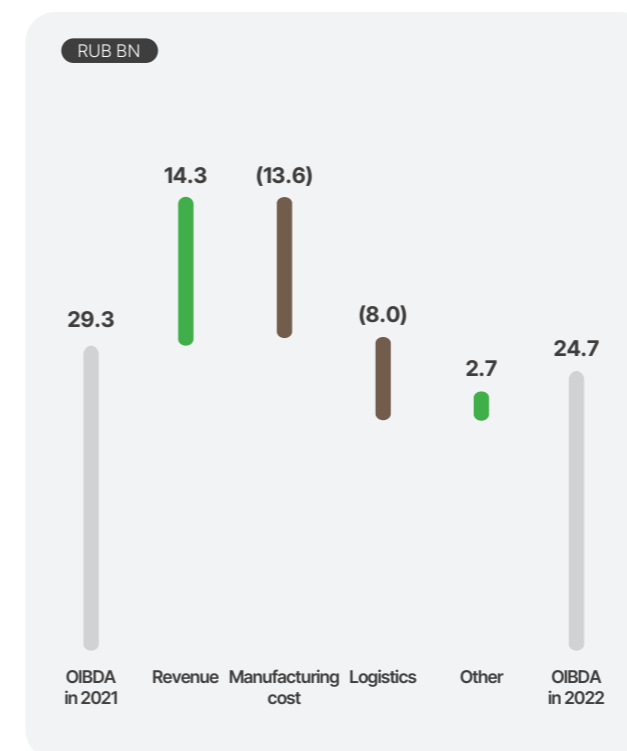
Factors influencing Segezha Group's revenue in 2022



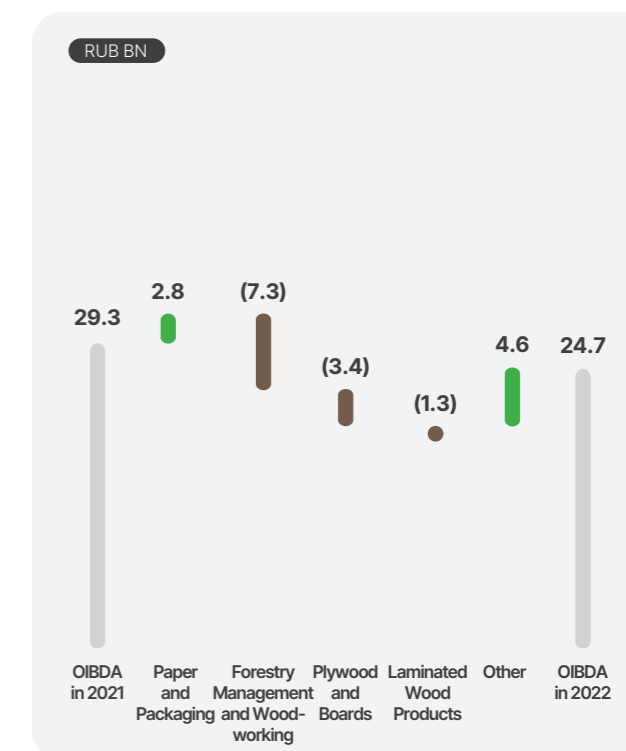
Segezha Group's revenue by business area in 2022



Factors influencing Segezha Group's OIBDA in 2022



Segezha Group's OIBDA in 2022 by business segment





40.7

RUB BN
revenue
+2%
year-on-year

11.2

RUB BN
OIBDA
+33%
year-on-year

28%

OIBDA margin
+7 p. p.
year-on-year

PAPER &

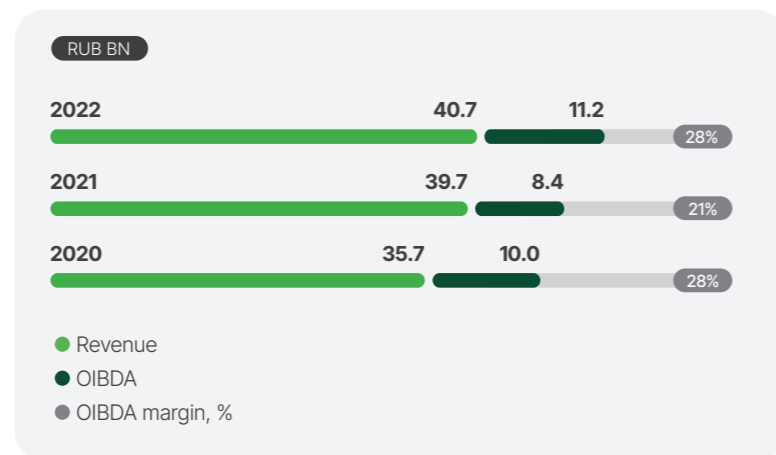
The segment's financial performance is driven by revenues from the sales of sack paper and artificial parchment produced by the Segezha PPM and the Sokol PPM; paper sacks and consumer packaging manufactured by converting plants in Russia and Europe⁽¹⁾, as well as other products, including lignosulphonates, forest chemicals, heat, etc.

Revenues from the sale of paper amounted to RUB 40.7 bn in 2022, showing year-on-year increase of 2%. The growth was mainly driven by increase in selling prices. The main reason for the price increase in 2022 was supply shortages resulting from a number of factors, such as the introduction of restrictions on supplies of Russian products to Europe, rocketing costs due to higher energy, raw material, and freight prices, strikes at pulp and paper mills in Europe and in the transport sector in Canada and Europe, etc. During 2022, part of Segezha Group's export deliveries was successfully redirected to alternative markets. Key customers for the Group in 2022 were China, Southeast Asia, the Middle East, the CIS, and Turkey.

There was also a positive trend in the Russian paper sack market, where demand and prices for packaging remained high in 2022. In particular, Segezha Group boosted sales to the domestic market as part of the import substitution strategy.

The OIBDA of the Paper and Packaging segment hiked by 33% year-on-year to 11.2 RUB bn in 2022, whereas the OIBDA margin accounted for 28%. The drive-up in the Paper and Packaging segment's margins was due to the faster growth in product prices.

Financial performance of Paper and Packaging business segment



⁽¹⁾ European assets withdrew from Segezha Group on 22 February 2023.

PACKAGING

38%

the segment's share in the Group's revenue

45%

the segment's share in the Group's total OIBDA





FORESTRY & WOOD

MANAGEMENT WORKING

49.8

RUB BN
revenue
+72%
year-on-year

9.0

RUB BN
OIBDA

18%

OIBDA margin

The segment's financial performance is driven by revenues from the sales of sawn timber, pellets, fibreboard, and chips manufactured by the Lesosibirsky LDK No 1, Onega Sawmills, Segezha Sawmills and Karelian Wood Company, as well as sawn timber and pellets produced by JSC Novoyeniseykiy Wood-Chemical Complex.

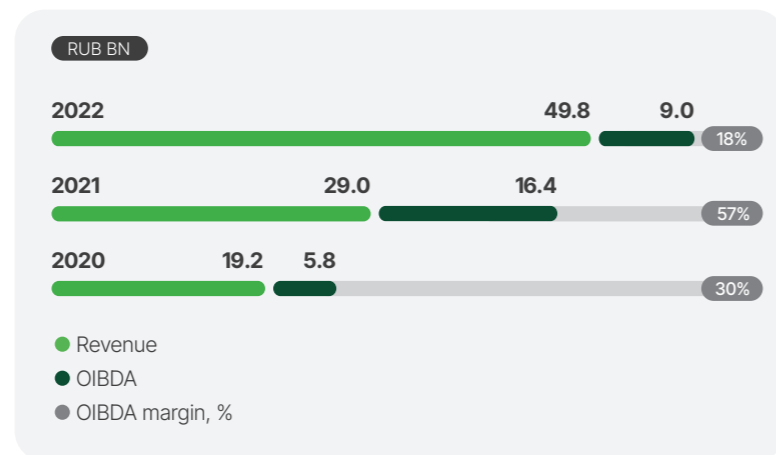
Revenue from sawn timber sales amounted to RUB 49.8 bn, up 72% year-on-year. The doubling of product sales compared to the previous year had a significant influence on the segment performance owing to the consolidation of assets acquired by the Group in 2021, including LLC Inter Forest Rus and JSC Novoyeniseykiy Wood-Chemical Complex.

The OIBDA of the Forestry Management and Woodworking segment was RUB 9 bn, down 45% year-on-year. The fall in OIBDA is primarily due to the high-base effect for the 3.8 RUB bn revaluation adjustment of JSC Novoyeniseykiy Wood-Chemical Complex acquired in 2021. An additional contributor was a drop in the average selling price of sawn timber.

38%

the segment's share
in the Group's total OIBDA

Financial performance of Forestry Management and Woodworking business segment



47%

the segment's share
in the Group's revenue



10.3

RUB BN
revenue

3.0

RUB BN
OIBDA

29%

OIBDA margin

PLYWOOD

The segment's financial performance is driven by revenues from the sales of plywood, fibreboard, and briquettes produced by the Vyatsky Plywood Mill in the Kirov region and by Krasfan Company, which was acquired as part of LLC Inter Forest Rus acquisition.

Revenue from plywood sales was RUB 10.3 bn, down 18% year-on-year. This was due to the structural transformation of the sales geography as well as lower average selling prices.

The OIBDA of the Plywood and Boards segment was RUB 3 bn (down 53% year-on-year), mainly due to the negative impact of ruble appreciation against foreign currencies, as well as cost inflation, including logistics.

Financial performance of Plywood and Boards business segment



& BOARDS

10%

the segment's share in the Group's revenue

12%

the segment's share in the Group's total OIBDA



LAMINATED

The financial performance of this segment is driven by revenues from sales of sawn timber, glulam beam, prefabricated home kits as well as CLT-panels produced by Sokol Sawmills and Sokol CLT.

5.7
RUB BN
revenue

2.0
RUB BN
OIBDA

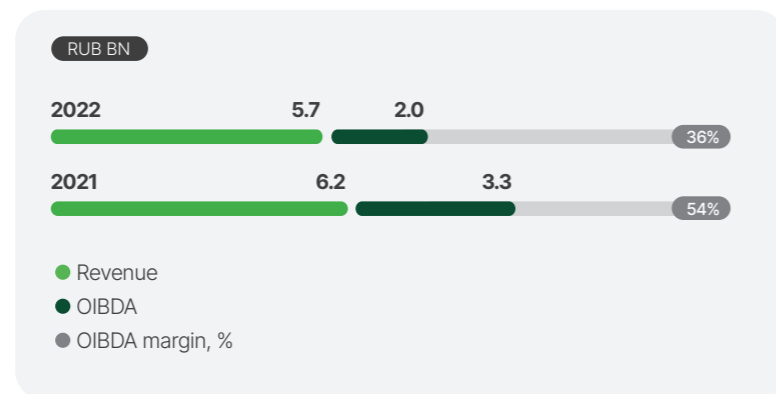
36%
OIBDA margin

Revenues of the Laminated Wood Products segment amounted to RUB 5.7 bn in 2022, down 8% compared to the previous year. Such dynamics is due to a number of factors. The production and sales of glulam and prefabricated home kits experienced a certain collapse in 2022 on the back of a structural transformation

of the markets and lower demand in the housebuilding market amid falling purchasing power and a high degree of uncertainty.

The OIBDA was RUB 2.0 bn, down 39% year-on-year due to the need to refocus sales on alternative markets, as well as higher logistics costs. OIBDA margin was 36%.

Financial performance of Laminated Wood Products business segment



OTHER

Other revenue includes revenues of companies that do not represent operational segments, i. e. revenues of the management and holding companies.

The Other segment's revenue in 2022 was RUB 0.3 bn, whereas OIBDA was RUB 0.6 bn. During the reporting period, the Group ceased to provide trading services for paperboard produced by the Vyborg Pulp and Paper Mill on a tolling basis, with the results previously reported within this segment.

WOOD PRODUCTS

8%
the segment's share
in the Group's total OIBDA



5%
the segment's share
in the Group's revenue

28.6

RUB BN
Segezha Group's
CAPEX in 2022

23%

expenditures
on maintaining
existing assets

64%

expenditures
on M&A
transactions

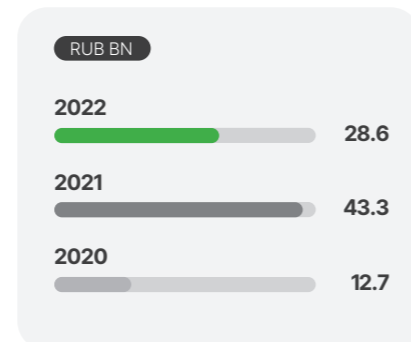
13%

expenditures
on new capacity
expansion
projects

CAPEX

Segezha Group's capital expenditure in 2022 plunged by 34% to RUB 28.6 bn, of which 13% was allocated to new projects, 23% to maintaining existing assets. 64%, or RUB 18.4 bn, was allocated to the completion of the M&A transaction to acquire LLC Inter Forest Rus.

CAPEX spending in 2020–2022



CAPEX Spending in 2022



Debt

At the end of 2022, total debt stood at RUB 123.8 bn, 68% higher than in 2021. The upward trend was mainly due to the acquisition of LLC Inter Forest Rus and the implementation of the capital investment programme.

Interest expense net of interest income for 2022 totalled approximately RUB 10 bn.

Adherence to the natural hedge policy, combined with a consistent cooperation with creditors and the deployment of financial instruments enables the Company to achieve sustainable results with low sensitivity to currency market fluctuations and to have a lower average rate year-on-year.

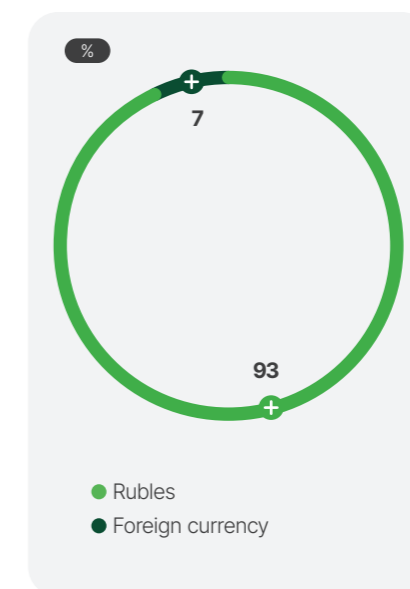
As of 31 December 2022, the weighted average loan funding rate was 9.7% per annum.

The weighted average financing period was 2.2 years.

Outstanding liabilities of Segezha Group, RUB bn

	2020	2021	2022	2022/2021
Net debt ⁽²⁾	49.6	61.1	101.0	65%
Net debt / OIBDA, x	2.8	2.1	4.1	–

Debt structure by currency



Debt structure by maturity



(1) Total may not equal the sum of the components due to rounding.
(2) Total debt on loans and credits, net of cash.



MARKETING AND PRODUCTION INNOVATIONS

Segezha Group has a marketing strategy that governs a five-year action plan. The strategy is updated annually, aiming to enlarge the share of high-margin products and the number of regions in the portfolio, along with maximising capacity utilisation at the Group's enterprises. Over 2022, the marketing strategy was updated for 2022–2023, the main focus being on assessing risks related to volume and price forecasts and on the Group's actions to mitigate these risks.



Key Strategic Objectives for Marketing

01 Responding to market developments in a timely manner, depending on the market trends

02 Widening the share in priority sales markets, such as China, Asia, and MENA(1)

03 Creating demand in niche segments to boost the share of customised products: edging, CNC-machining(2), non-standard films/coverings for plywood, growing the share of elements in the CLT-panel portfolio, consumer packaging

04 Integrating the Group's new assets: application of a single pricing policy, advancing markets, products, and sales channels

05 Entering new markets and segments

(1) MENA – see [Glossary](#) on page 283.

(2) CNC-plywood – see [Glossary](#) on page 282.

Segezha Group's Response to Major Trends and Challenges in Key Markets

Throughout the year of 2022, the pulp & paper and wood product industries faced serious challenges resulting from significant changes in the global market environment. **The main challenges for Segezha Group were:**

- ➔ ban on the imports of wood products, pellets, sack paper, plywood from Russia into the EU, and the introduction of import duties in the UK, Japan, and the USA;
- ➔ record growth in the cost of logistics services, primarily due to the withdrawal of international container shipping lines from the Russian market.

The company was able to adapt effectively to the changed conditions by refocusing exports to Asia and the MENA region, and by speeding up deliveries to the domestic market. The impact of rising logistics service costs was minimised by using alternative logistics routes.

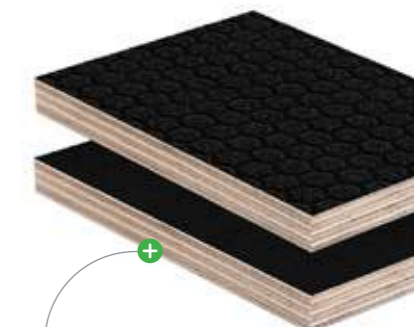
📄 For more information, see [Market Overview](#) on page 40.

Segezha Group's Product Development

Diversification of the product portfolio reduces Segezha Group's dependence on competitors, increases its margins, mitigates market risks, better the efficiency of raw material processing, and enables the creation of customised products that best meet customer requirements.

In the year of 2022, Segezha Group's new products included paper, paper packaging, plywood, and housing construction segments:

- ① plywood with enhanced strength properties and superior slip resistance;
- ② shrinkage-free timber, combining the advantages of squared logs and CLT-panels;
- ③ fireproof plywood;
- ④ paper packaging for gypsum-containing mortars and bulk products;



- ⑤ plywood with superior abrasion resistance, water repellency, and visual appearance for use mainly in the transport sector.

Over 2022, the Group's product portfolio will be complemented by **fireproof plywood** with special flame retardant treatment.



This type of plywood:

- ✔ was designed for use as a building material on sites with special fire safety requirements;
- ✔ can be used as a decoration, cladding, and construction material, and as a material for parts in wheeled, rail, and marine transport.

The Group's R&D centre established in Segezha in 2022 developed a new type of paper packaging for gypsum-containing mortars and other dry bulk products. The pilot production is planned for the first quarter of 2023. The packaging reliably protects the contents from water, air, oils, and fats, and can easily be recycled and disposed of in an environmentally friendly manner.

In addition, the corporate R&D centre focused on devising new types of heat-moldable and small-size packaging, as well as packaging for the food industry, retail and e-commerce. The centre moves on to work on new structures and designs for paper bags, conducting laboratory research on various grades of kraftliner⁽¹⁾, in order to solve the issue of import substitution of raw materials for end products manufacturing.

For more information on the R&D centre's work on paper packaging innovations, see [Paper Packaging](#) on page 76.

Marketing Analytics

The company actively uses marketing analytics tools for obtaining up-to-date market and industry data and for their interpretation. Segezha Group is equipped with a stock of and quality industry information sources, to include consulting and analytical agencies, statistical databases, in-house research, and operational data from customers. Marketing analytics serves as the basis for paramount management decisions and enables the Company to rapidly respond to changes in market conditions.

Marketing Communications

As the economic and geopolitical situation changed in 2022, the Company significantly revised its sales geography. This required new marketing activities, including the adaptation of marketing materials to promote the Group's products in new priority sales markets.

⁽¹⁾ Kraftliner – see [Glossary](#) on page 283.



During the year of 2022, Segezha Group was named the winner of the international **Part Award 2022**. The Group won the first place in the **"Eco-Friendly Packaging" category**. The award went to Segezha Re-Kraft packaging, produced using recycled wood fibre.

Particular emphasis was placed on the Chinese and Turkish markets. In addition, a large-scale digital campaign was launched to promote Segezha Group's products in China.

Segezha Group continued to use account-based marketing (ABM) and inbound marketing tools. This enabled Segezha Group to significantly expand its customer base, strengthen anchor customers' loyalty, and work with their LTV (life-time value).

Throughout 2022, Segezha Group began working more actively with the B2C segment. In particular, the company offered several products (plywood and fuel briquettes) on the Ozon marketplace.

In addition, Segezha Shop, the company's own online shop, is in the final stages of development. Its portal infrastructure for working with individuals is already available for deployment.

Event Marketing

In 2022, Segezha Group actively participated in the most significant industry events both in Russia and internationally:

- ✓ RosUpack 2022 – the largest trade fair in the industry;
- ✓ BALTIMIX 2022 – the international conference of dry build mix manufacturers;

- ✓ Russian Forest – the international forestry forum and exhibition;
- ✓ India Wood 2022 – the exhibition for the furniture and wood product industries;
- ✓ BakuBuild 2022 – the international exhibition for construction and finishing materials in Azerbaijan and the Caucasus Region;
- ✓ Zodchestvo 2022 – the international architectural festival;
- ✓ Furniture. Interior. Wood products – the leading Kazakhstan project dedicated to the furniture and wood products industry.

Like in the previous year, a specialised conference dedicated to forest chemicals was organised for customers at the Segezha PPM. The purpose of the conference was to provide customers with information about the equipment installed at the mill, present the year's performance highlights, discuss the main industry trends, and go over plans for the next year.

The Company's plans for 2023 include participation in Russia's largest packaging exhibition RosUpack 2023, as well as in several international exhibition events, such as Dubai Wood Show, UZBuild, and Delhi Wood. In addition, Segezha Group will continue to hold a series of client and internal events at its production sites to demonstrate new equipment and discuss medium-term plans.

Rebranding

As part of the Segezha Group brand management strategy until 2025, the **All around the Wood** communication platform was used in the reporting year, on the basis of which the development of a communication strategy and brand positioning management are being carried out.

In order to strengthen its market position, the Company will continue to move towards an umbrella brand management system in 2023, including an integrated product sub-brands system.

Developing the Corporate Website segezha-group.com

The www.segezha-group.com website is a universal communication platform for interaction with clients, investors, future employees, and the media. The website has feedback forms for effective interaction with users of all categories.

Over the year of 2022, Segezha Group continued to hone its corporate website in the following areas:

- ① new sections (Forest chemicals, Lignosulphonates, Artificial parchment) were developed, with detailed product descriptions and specifications;
- ② the Plywood section was significantly updated to suit customer needs for easy retrieval of information on plywood products;

③ the Sustainable Development section was updated, to include description of the environmental and social areas of Segezha Group's business and publication of the Sustainable Development Strategy 2025, with details on the sustainable development goals according to the UN SDG classification;

④ a section dedicated to the Group's charitable activities was included, presenting key projects in each region where Segezha Group operates.



During the year of 2022, Segezha Group's website became a platform for attracting and encouraging talented students pursuing secondary and tertiary forestry education. Thanks to the **scholarship programme** posted on the website, students were able to apply and be competitively selected for Segezha Group scholarships.



LOGISTICS

Given the current transformation of the economy and global supply chains, logistics became one of the most vital areas of Segezha Group's activities in 2022.

The Logistics Directorate is responsible for this area functioning and development at the Group level. It ensures not only the supply of Segezha Group's output to domestic and export markets, but also ensures the transportation of wood to companies within the Group⁽¹⁾.

In 2022, Segezha Group faced a number of challenges related to the unstable geopolitical situation and economic volatility. In particular, major international container companies left the Russian market, with the tariffs of the remaining carriers ballooning exponentially. At the same time, Russia's exporting companies redirected their cargo traffic to the south and east, which, in turn, caused significant congestion in Far Eastern ports and the Russian Railways network in these directions. Challenges also include the European Union's ban on Russian-flagged ships entering its ports, the small supply of routes and services by Russian carriers as well as risks of inability to use foreign software on the Russian market.

However, despite those challenges, the Company's logistics division worked hard and evolved efficiently. Product deliveries by ship were arranged, new logistics routes were devised together with partner forwarders, ways of transition to Russian software were elaborated.

The Company continually analyses the logistics market, including supply and demand, costs, availability of container facilities, and uses a flexible and varied approach to organising cargo carriage, combining diverse modes of transportation and capabilities of various transportation service providers. Segezha Group annually designs and approves the Logistics Operational Excellence Program, which features both qualitative measures aimed at upgrading and honing processes, automation, digitalisation and robotisation of logistics, and quantitative measures implemented to reduce logistics costs in all areas of transportation.

Segezha Group's sales structure is predominated by export deliveries. In 2022, the Company supplied products to over 80 countries worldwide, making use of all the main methods of transportation, such as multimodal and sea supplies, rail and road deliveries. The main part of deliveries (76% of exports) is realised by container multimodal transportation, which is the most efficient type of logistic service in terms of cargo safety and optimisation of time and financial expenses. All of the Group's products can easily be containerised, while some cases requiring careful storage and handling conditions (e. g., paper), which are more difficult to ensure when dispatching shiploads.

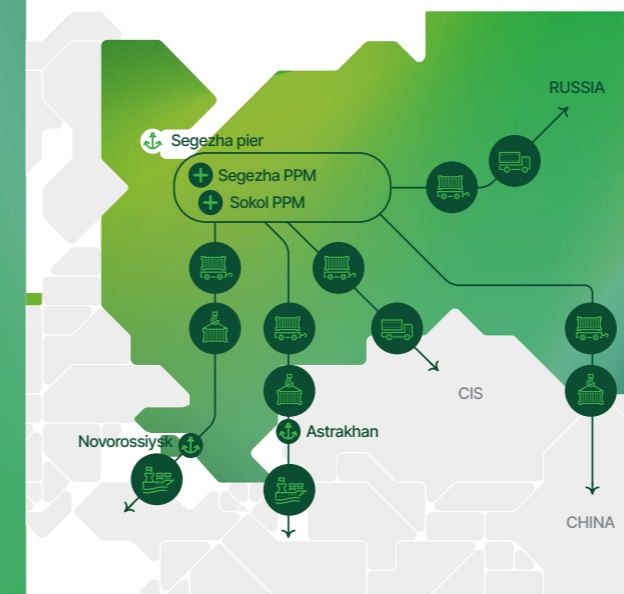
Segezha Group is a participant of the programme of subsidising transportation costs for the export of high-tech industrial products in accordance with the Russian Federation Government Decree of 28 July 2022 № 1347. The programme is being carried out by the Russian Export Centre serving as an agent for granting subsidies from the federal budget within the framework of the state programme of the Russian Federation Industry Development and Competitiveness Improvement. The programme provides subsidies for up to 80% of the logistics cost, but no more than 25% of the cost of the product. In 2022, the amount of subsidies allocated to Segezha Group was RUB 2.1 bn.

Segezha Group's shipments by type of transport



LOGISTICS OF SEGEZHA GROUP BY BUSINESS AREA

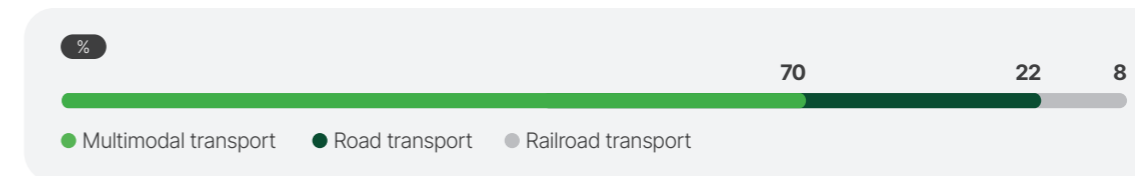
PAPER



Finished Product Transportation

Destination	Transportation mode
Russia and the CIS	Railroad/road
China, Turkey	Multimodal transport/railroad
Asia	Multimodal transport
MENA ⁽²⁾	

Type of delivery by volume for 2022



Finished Product Transportation Options

- ➔ Multimodal container transportation to the ports of St. Petersburg, Novorossiysk (rail or road transport), then to export markets.
- ➔ Multimodal container transportation to China via ports of the Far East.
- ➔ Direct container transportation to China through land border crossings.
- ➔ Railroad or road transportation within Russia and the CIS.

Wood Supply Logistics

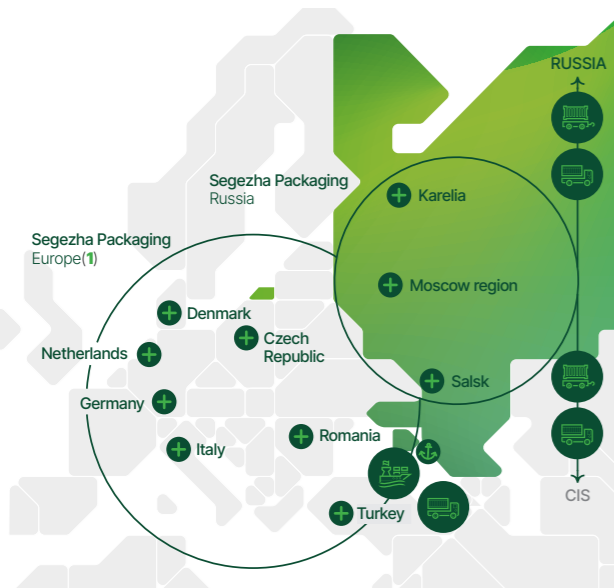
- ➔ During the navigation period water transportation to the pier of the Segezha Pulp and Paper Mill.
- ➔ Railroad transportation to the Segezha PPM and Sokol PPM from Segezha Group harvesting companies and third-party suppliers.
- ➔ Road transportation.



⁽²⁾ MENA – see [Glossary](#) on page 283.

⁽¹⁾ The Logistics Directorate is responsible for supplying wood to the Group's companies by rail and water, while the Woodworking and Forestry Management Division is responsible for supplying wood from logging sites by road.

PAPER PACKAGING

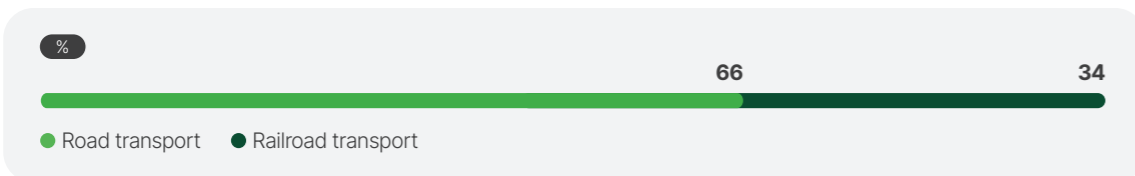


Finished Product Transportation

Destination	Transportation mode
Russia and the CIS	Railroad/road
Export markets	Railroad

(1) Withdrawn from Segezha Group on 22 February 2023.

Type of delivery by volume for 2022



Finished Product Transportation Options

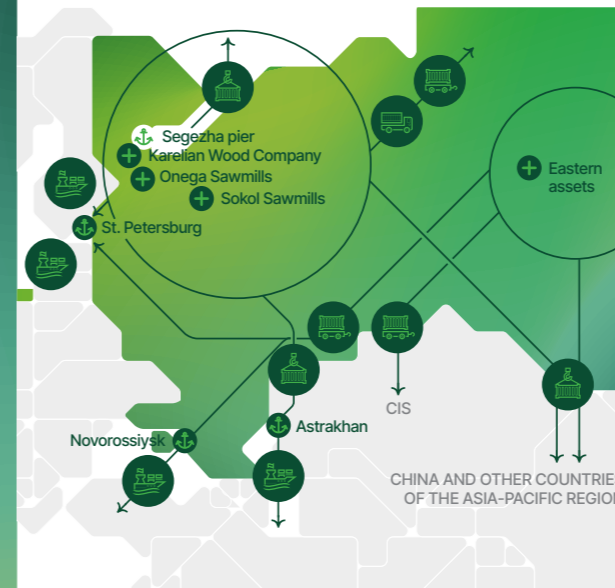
- ➔ The Russian assets of Segezha Packaging: railroad/road transportation to the CIS and within Russia.
- ➔ The European assets of Segezha Packaging: mainly FCA delivery terms (free carrier, or "ex-works") – customers pick up their cargos directly from the converting plants.

Raw Material (Paper) Supply Logistics

- ➔ The Russian assets of Segezha Packaging: railroad/road transportation.
- ➔ The European assets of Segezha Packaging: until July 2022, paper was delivered from Russia by road/direct container trains, and from July 2022 by road within the European Union.



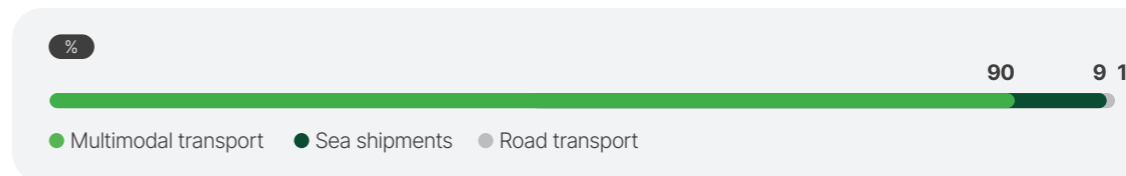
SAWN TIMBER



Finished Product Transportation

Destination	Transportation mode
Russia	Railroad/road
Egypt	Sea shipments
Asia	Multimodal transport

Type of delivery by volume for 2022



Finished Product Transportation Options

Western assets of the Group

- ➔ Multimodal container shipments to St. Petersburg ports (by rail or road transport), then to export markets.
- ➔ Multimodal container shipments to China through ports of the Far East.
- ➔ Direct container shipments to China through land border crossings.
- ➔ Shiploads from Onega Sawmills to Egypt.
- ➔ Railroad or road transportation within Russia.

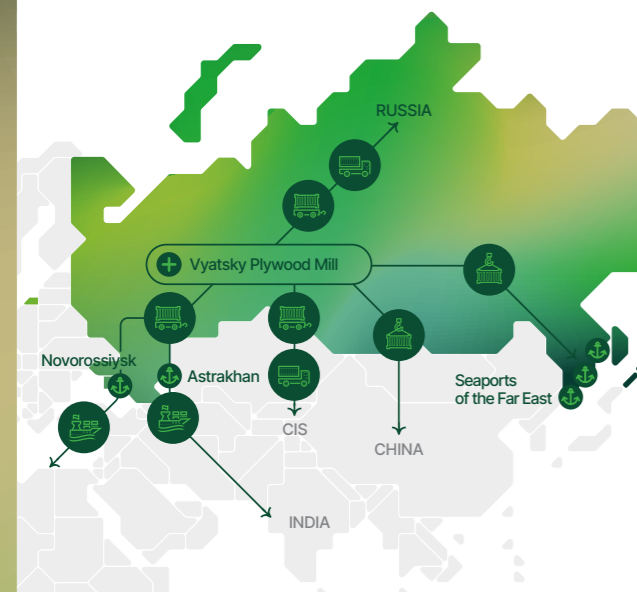
Eastern assets of the Group

- ➔ Multimodal container shipments to Egypt, China, Turkey and South Korea, as well as through ports of the Far East and the port of Novorossiysk.
- ➔ Direct container shipments to China through land border crossings. Railroad transportation within Russia and the CIS.
- ➔ Road transportation within Russia.






Wood supply logistics

- ➔ Wood is delivered by railroad, road and water transport.

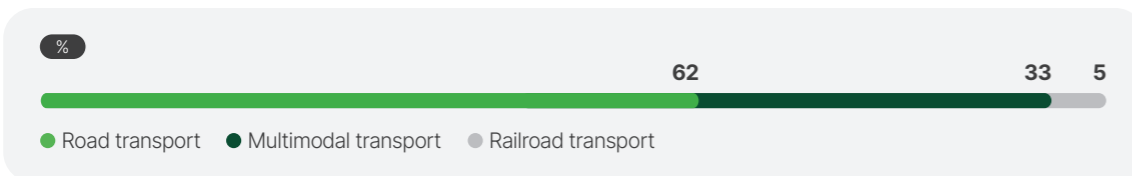
PLYWOOD AND FIBREBOARD



Finished Product Transportation

Destination	Transportation mode
Russia and CIS	Railroad/road  
Asia	Multimodal transport 
MENA	
North/Latin America	

Type of delivery by volume for 2022



Finished Product Transportation Options

- ➔ Multimodal container shipments through ports of St. Petersburg, Novorossiysk, Astrakhan to America, MENA countries, India, etc.
- ➔ Multimodal Container Transportation through ports of the Far East to South-East Asia.
- ➔ Direct container trains to China through land border crossings.
- ➔ Transportation by road and rail to the port of Novorossiysk, accumulation and preparation of shiploads, delivering shiploads to the markets of Israel and Egypt.
- ➔ Railroad and road transportation within Russia and the CIS.

Wood Supply Logistics





- ➔ Delivery by rail and road from Segezha Group harvesting companies and third-party suppliers.



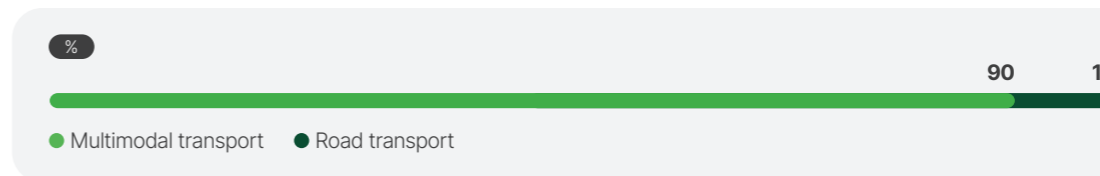
GLULAM AND CLT-PANELS



Finished Product Transportation

Destination	Transportation mode
Russia	Road transport 
Israel	Multimodal transport 
India	
South Korea	

Type of delivery by volume for 2022



Finished Product Transportation Options

- ➔ Multimodal container shipping through seaports of the Caspian basin of Russia (Astrakhan), ports of the Azov-Black Sea basin (Novorossiysk), ports of the Far Eastern basin (Vladivostok, Nakhodka) further to seaports of Israel, India, Japan, South Korea, etc.
- ➔ Railroad and road transportation within Russia and the CIS.

Wood Supply Logistics

- ➔ Delivery by rail and road from Segezha Group harvesting companies and third-party suppliers.



Segezha Group's response to the logistics challenges of 2022

In 2022, the Company was substituting the EU market by exporting its products to other countries, such as paper to Turkey and South Africa, glulam and CLT panels to Kazakhstan, Israel, India, and South Korea.

The year 2022 was marked by a whirl of new logistical challenges, which Segezha Group successfully solved.

For more information on sales of [Segezha Group products](#), see page 76.

Sea transportation

Challenges

- ➔ Closure of ports in Europe and a number of other countries for Russian-flagged ships
- ➔ Withdrawal of major international container companies from the Russian market
- ➔ Impossibility to use the standard export route via the port of St. Petersburg
- ➔ Overloading of Far Eastern ports
- ➔ Multiple increase in freight rates

Solutions

- ✔ Using vessels under flags of foreign countries
- ✔ Focusing on the Black Sea and Far East basins
- ✔ Devising alternative routes: the North-South transport corridor and the Northern Sea Route
- ✔ Developing bulk transportation with maximum enlargement of shiploads

Railway transportation

Challenges

- ➔ Limited capacity of Russian Railways infrastructure in the eastern direction
- ➔ Substantial excess of demand over supply for direct express container trains to China
- ➔ Congested land border crossings with China

Solutions

- ✔ Redirecting cargo flows to alternative markets via Georgia, Mongolia, Kazakhstan, and China
- ✔ Distribution of container trains between land and multimodal routes through the ports of the Far East, St. Petersburg

Road transportation

Challenges

- ➔ Closure of European borders for export/import of products by trucks with Russian license plate numbers
- ➔ Multiple increase in freight rates

Solutions

- ✔ Redirecting shipments to other modes of transport
- ✔ Redirecting shipments by road transport to Turkey and the domestic market

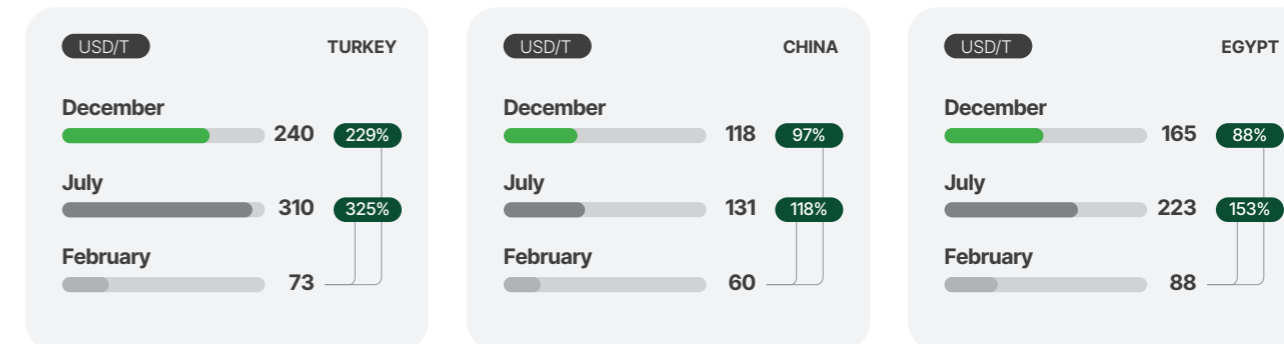
In 2022, due to the volatility of the container market and general transformation of logistics chains, freight rates soared. At the same time, a tendency for an active pivot towards Russian

transport companies and the growth of competition between them. New foreign companies entered the market, as big international players left the Russian market of transport services. This suggests

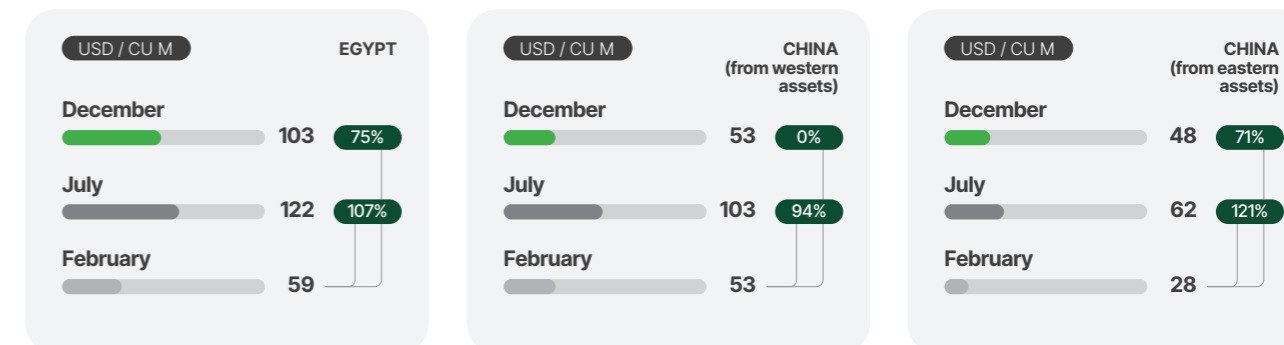
that the market and freight rates may stabilise in the medium term, and even indicates a reduction in freight rates and logistics costs on the whole.

Freight Rates Development in 2022

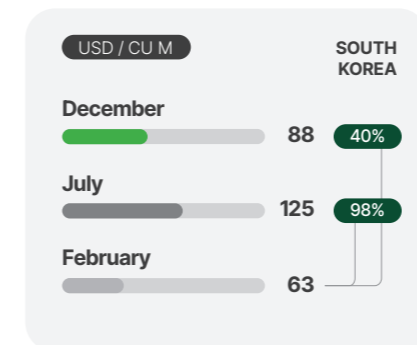
Paper and Packaging



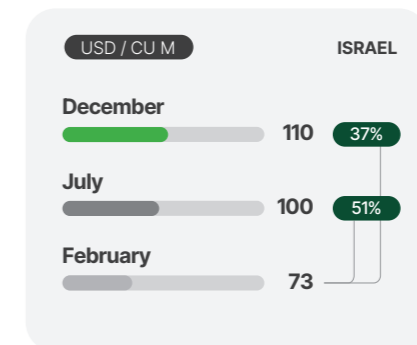
Sawn Timber



Plywood, Fibreboard



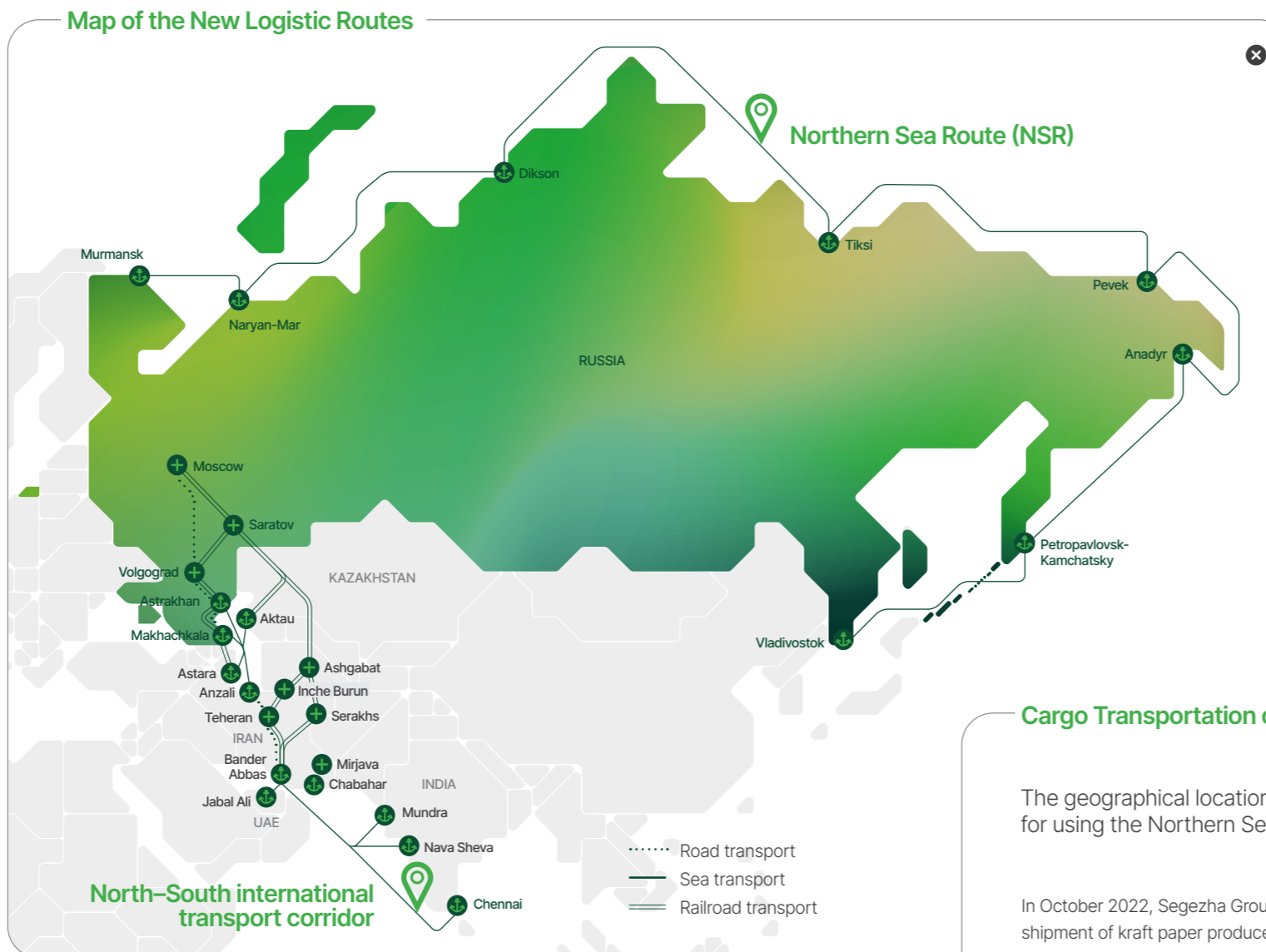
Glulam, CLT-Panels



An important logistical challenge in 2022 was the introduction of limits at Far Eastern ports and terminals, the limited exchange of rail cars at land border crossings with China, and overloading of the rail network in the eastern direction. In response to this challenge, Segezha Group was actively involved in the outlining of new freight routes, such as the Northern Sea Route transport corridor and the North-South international transport corridor.

7.2
THS KM
length of the
North-South corridor

15-20
DAYS
cargo delivery time
by North-South corridor



The company is constantly bettering its logistics operations. In 2022, a plethora of measures was successfully implemented in the field of logistics: declaration and reporting were automated, logistics processes were robotised, savings were achieved in tariff payments through booking railway cars in groups under one consignment note, container loading standards were increased, the Vyatsky Plywood Mill's products were shipped by container trains, etc.

Development Plans

Segezha Group's plans for 2023 include:

- ➔ participating in the development and testing of new and alternative logistics routes;
- ➔ carrying on working on optimising the cost of product transportation and increasing the operational efficiency of logistics;
- ➔ developing new transportation routes with partners, including container shipments from the port in St. Petersburg to ports in China;
- ➔ expanding the geography of supply.

Cargo Transportation on the Northern Sea Route

The geographical location of Segezha Group's Western cluster companies creates a sound basis for using the Northern Sea Route (NSR) as an alternative logistics route.

In October 2022, Segezha Group delivered the first test shipment of kraft paper produced by the Segezha Pulp and Paper Mill via the NSR by the Severmorput nuclear lighter carrier from the St. Petersburg stevedoring terminal in China.

The NSR has become an alternative route through the Suez Canal and the ports of East and Southeast Asia. It is the shortest sea route between the European part of Russia and the Far East passing through the seas of the Arctic Ocean and part of the Pacific Ocean.

The advantages of the NSR as an alternative logistics route include a short delivery distance and a high degree of predictability of operations provided an appropriate regular service has been organised.

The Russian government approved a strategic document for the NSR development: the road map until 2035, which provides for the construction of new marine terminals, the development of Murmansk and Arkhangelsk transport hubs, the creation of western and eastern ports-hubs for a transit line with a Russian operator, the provision of the NSR waters transportation with associated rail infrastructure.

The Company intends to actively participate in the development of this route and deliver new shipments via the NSR.

Cargo Transportation along the North-South Transport Corridor

In November 2022, Segezha Group delivered a birch plywood shipment from the Vyatsky Plywood Mill along the North-South international transport corridor for the first time.

The corridor was created more than 20 years ago by India, Russia and Iran. Later it was joined by 10 other countries, including Azerbaijan, Armenia and Kazakhstan. The 7,200-kilometer route is a multimodal transportation system, as it involves sea, river and railroad transportation. Compared to the traditional route via Novorossiysk and the Suez Canal, the North-South corridor reduces the time it takes to deliver goods from Russia to India by about a half, to 15-24 days.

In the future, the sea route will be expanded, thus making it possible to attract international cargo flows, including container ones, to the Volga waterway. Segezha Group is to participate in the development of the route and make further deliveries of new shipments of paper and plywood along the North-South corridor.





SUSTAINABLE

DEVELOPMENT

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SUSTAINABLE DEVELOPMENT STRATEGY

Since its foundation, Segezha Group has been guided by responsible business ethics. The Group's position is fully in line with the Sustainable Development Goals set by the UN General Assembly in 2015, which the Company contributes to through the implementation of its environmental and social programmes.



The Group's sustainable development activities are systemic and results-oriented. The Company has a Sustainable Development Strategy until 2025, which identifies significant areas of focus.

When defining these areas, the strategic priorities, the social and environmental impact of the Company's activities, the risks and the opportunities, the stakeholder interests, as well as the priorities of the social and economic development of the regions where the Company operates and the UN Sustainable Development Goals were taken into account.

01 Innovative forestry business



02 Comfortable life in Russia's forested regions



Key sustainable development areas

- 1 Customer service development
- 2 Final product improvement
- 3 New technologies
- 4 Research and development activities

Targets until 2025

- ➔ Formulation and adoption of the product innovation development programme
- ➔ Adoption of the business digital transformation strategy
- ➔ Increasing the share of revenue from carbondepositing(1) products
- ➔ Reflecting ESG-trends in all functional strategies by updating existing or developing new ones

Performance in 2021

- ✔ The share of revenue from sustainable products in the Group's portfolio rose from **42%** to **44%** in 2022.
- ✔ Pilot projects for business processes digitalisation within the Forestry Management and Woodworking Division were executed using the Russian augmented reality platform **IKSAR**.
- ✔ **The Smart Forest** machine vision system was launched in test mode for wood flows accounting by enterprises in the Vologda region and in the Republic of Karelia.
- ✔ **Two new types of plywood** were introduced to the market.
- ✔ **5.3 ths t** of products were manufactured using recycled materials (waste paper).

Key sustainable development areas

- 1 Supporting local communities
- 2 Safety of own employees and contractors
- 3 Attracting and retaining qualified personnel
- 4 Increasing the attractiveness of forestry occupations

Targets until 2025

- ➔ Lowering LTIFR to the level of the industry best practices
- ➔ Assessment of stakeholders' satisfaction with the effectiveness of social projects in regions where the Company operates
- ➔ Preferred employer in regions where the Company operates
- ➔ Regular participation of the Company's experts in international professional skill championships

Performance in 2021

- ✔ In 2022, LTIFR decreased from **2.06** to **1.66**.
- ✔ Five production facilities **reduced their injury rate** compared to 2021.
- ✔ Investments in charitable projects amounted to around **RUB 120 m**.
- ✔ Agreement for the Company to join the **National Council for Corporate Volunteering** was concluded.
- ✔ **Segezha Group's Employee Well-Being Programme** Segezha Group. We are here was formed, including physical, mental health, social, financial, and professional development sections.
- ✔ **425 trainees** received on-the-job training at Group companies in 2022.
- ✔ **The first scholarship programme** for students of secondary vocational education institutions was launched to create an external talent pool and promote forestry professions.
- ✔ The Group was included in Forbes' list of **Russia's Best Employers**, earning a gold status.

03 Climate-based forest management and production



Key sustainable development areas

- 1 Climate-based forest management and production
- 2 Climate and sustainable ecosystem management
- 3 Energy efficiency
- 4 Responsible use of water resources
- 5 Responsible waste handling

Targets until 2025

- ➔ Development and implementation of the Decarbonisation Strategy using a scientifically based approach
- ➔ Structuring of the key climate risks assessment and accountability system
- ➔ Compliance with the industry best practices with regard to environmental performance
- ➔ **100%** of investment projects are approved with ESG factors taken into consideration
- ➔ Structuring of projects involving green financing as part of the CAPEX programme
- ➔ Self-sufficiency of up to **100%** in terms of seedlings supply in regions where there is a shortage of tubed nursery stock
- ➔ Adoption of the intensive forest management model based on efficiency assessment in regions included in the list of pilot projects and supported by related legislation

Performance in 2021

- ✔ **17 Group's companies** confirmed compliance with **ISO 9001:2015** (quality management system), **ISO 14001:2015** (environmental management system), and **ISO 45000:2018** (health and safety management system).
- ✔ Four new Group's companies were included in the **integrated ISO management system(2)** in 2022, namely: the Galich Plywood Mill, Krasfan, Novoyeniseyskiy Wood-Chemical Complex, Segezhsкая Upakovka's branch in Lobnya.
- ✔ The Group launched its own forest seed centre in the town of Sharya in the Kostroma region. The first **two million tubed European spruce seedlings** will be used by the Group's companies for reforestation activities in the Vologda, Kirov, and Kostroma regions in 2023.
- ✔ In 2022, the next round of forest management activities was completed for a total area of **2,281 ths ha**, aimed at updating the forest inventory data, as well as at designing measures for sustainable use, regeneration, protection, preservation, improvement of productivity and sustainability of forests.
- ✔ Greenhouse gas emissions were reduced by **9%** for **Scope 1**.
- ✔ The share of own bark and wood waste sent for incineration and energy increased to **49%**.
- ✔ The environmental protection costs amounted to **RUB 555 m(3)**.
- ✔ The number of projects in the green project portfolio increased to **43**. These are activities in the areas of forest fire prevention, reforestation, sustainable forest management, energy efficiency, and reducing the negative impact of industrial emissions and waste.
- ✔ Capital expenditure on production processes with an associated environmental effect, including the modernisation of production facilities to enhance their environmental safety and energy efficiency, amounted to **RUB 3.5 bn** in 2022.
- ✔ **15 members** of investment project teams were trained in sustainable project management according to the international standard **GPM-b Certification – Green Project Management**.

(1) Products that are designed for long-term use and have the maximum potential for carbon conservation through the use of renewable raw materials and reduced consumption of fossil resources.
 (2) An ISO integrated management system (IMS) – see [Glossary](#) on page 283.
 (3) With exclusion of LLC TimberTrans.

04 Responsible supply chain in the forest industry



Key sustainable development areas

- 1 Responsible procurement
- 1 Zero tolerance of unethical behaviour
- 1 Transparency

Targets until 2025

- ➔ Complete supply chain certification affirming the responsibility, inclusiveness, and sustainability of the supply chain
- ➔ Development and adoption of the Code of Conduct for suppliers
- ➔ Participation in ESG ratings at the level of international industry competitors
- ➔ Adoption of the automatic dispatch SegezhaLes system in all forest leases
- ➔ Bringing forest management works in line with the federal 10-year plan
- ➔ Implementation of the state information system LesEGAIS

Performance in 2021

- ✔ Transition to an independent forest certification scheme **SFMRU/38200(1)** was completed, based on the expert standards of the Forest Management and Forestry Association and on the wood and wood-based products chain of custody standard **ISO 38200:2018**.
- ✔ In 2022, the Company participated actively in the development of national standards for voluntary forest certification.
- ✔ The Group is improving its corporate due diligence system for wood procurement operations.
- ✔ **77%(1)** of forests leased by Segezha Group are certified in accordance with international voluntary forest certification schemes.
- ✔ **Second ranking in the League of Green Brands** was received.
- ✔ Segezha Group won the **ESG transparency** ranking award in the category "Leadership in ESG Transparency among the Pulp and Paper Industry companies" organised by Expert RA.
- ✔ The company was assigned the **highest ESG maturity level**(Group I) according to the ESG index of RBC and the National Rating Agency (NRA).
- ✔ Segezha Group topped the **ESG ranking RAEX-Europe** among the forest industry businesses.

(1) Including LLC Inter Forest Rus which joined the Group on 28 December 2021. Data as of 04.03.2022 for PEFC certification and 08.04.2022 for FSC certification. As of these dates, these certification systems have suspended their certificates.

(2) **SFMRU/38200** – see [Glossary](#) on page 284.

In addition to the four focused SDGs, the Company also highlights **seven additional SDGs**, that are integrated into the current business activity:

01 Ensuring universal access to affordable, reliable, sustainable and modern sources of energy for all



02 Protecting and restoring terrestrial eco-systems and promoting their sustainable use, sustainable forest management and combating desertification, arresting and reversal of land degradation and halting the loss of biodiversity



03 Promoting gender equality and empowerment for all women and girls



04 Strengthening the means of implementation and enhancing the work of the Global Partnership to the benefit of sustainable development



05 Ensuring the openness, security, resilience and environmental sustainability of cities and settlements



06 Ensuring availability and sustainable management of water and sanitation for all



07 Ensuring healthy lives and promoting well-being for all at all ages



International and National Standards as well as Segezha Group's Internal Regulatory Documents in the Field of Sustainable Development

From 2021, Segezha Group is a fully-fledged member of the UN Global Compact and is committed to its principles in the field of human rights, labour, environment, and countering corruption. The Group regularly reports on progress in implementing the UN SDGs and supports related national working groups and initiatives. In 2022, Segezha Group participated actively in several committees of the National ESG Alliance: Ecology, Climate, Environmental Protection, International Cooperation, ESG Infrastructure and Standardisation, Sustainable Finance.

Segezha Group is a member of the Social Charter of Russian Business of RUIE and a member of the RUIE Committee on Climate Policy and Carbon Regulation. Throughout 2022, the Company joined the Expert Council for Sustainable Development of the Ministry of Economic Development of the Russian Federation. Segezha Group participated actively in national consultative initiatives on sustainable development, including the Environmental Committee of the Russian Union of Timber Industrialists and Exporters and the Strategic Session supported by the Federation Council Committee on Agrarian and Food Policy and Use of Natural Resources.

Segezha Group's sustainability management is guided by recognised **international instruments and standards**, to include:

- ✔ United Nations and International Labour Organisation human rights conventions and declarations;
- ✔ SDG Transforming our world: the 2030 sustainable development agenda;
- ✔ Guiding Principles on Business and Human Rights;
- ✔ Principles of the UN Global Compact;
- ✔ Organisation for Economic Cooperation and Development Guidelines;
- ✔ Standard on corporate engagement with stakeholders AA1000SES;
- ✔ ISO 26000 Social Responsibility Guidance;
- ✔ Global Reporting Initiative sustainable development reporting standards (GRI).

Sustainable development regulatory documents:

- ✔ Sustainable Development Policy;
- ✔ Segezha Group's Human Rights Position;
- ✔ Segezha Group's Code of Conduct;
- ✔ Occupational Health and Industrial Safety Policy;
- ✔ Regulations on the Strategy and Sustainable Development Committee under the Board of Directors;
- ✔ Anti-Corruption Policy.



SUSTAINABLE DEVELOPMENT GOVERNANCE FRAMEWORK



The Company enjoys a regular cycle of sustainable development management processes, comprising higher order control and cascading of monitoring processes to the working group level. Such processes include overseeing the sustainable development strategy implementation, monitoring the ESG performance indicators, and adjusting activities incorporated into the Group's sustainable development functional strategy roadmap.

35%

proportion of ESG-related issues out of the total number of issues dealt with as part of the corporate governance process⁽¹⁾

Sustainable development governance framework

01 THE HIGHEST LEVEL



- ✔ **General Meeting of Shareholders** – consideration of the election of the Board of Directors, the Audit Commission; approval of the annual report; approval of a number of transactions in accordance with legal requirements, as well as decisions on participation in associations and other alliances of commercial organisations, including those dealing with sustainable development, environmental protection, etc.
- ✔ **Review Committee** – monitoring the financial and economic activities of the Company, engaging experts and independent auditing companies on a contractual basis if necessary

02 STRATEGIC LEVEL



- ✔ **General Meeting of Shareholders** – leadership and responsibility for strategic management and evaluation of sustainability management performance
- ✔ **Strategy and Sustainable Development Committee** – preliminary approval of the strategy and strategic goals, control of investment activities for sustainable development, approval of sustainable development indicators and medium-term plans
- ✔ **Nomination and Remuneration Committee** – promoting an effective corporate governance framework development in line with international standards, helping to formulate and monitor a human resources strategy, developing motivation and remuneration policies, promoting corporate culture
- ✔ **Audit Committee** – evaluation of the sustainability risk management system

03 EXECUTIVE LEVEL



President, Chairman of the Board – management and control
Vice Presidents – management and control

AREAS

Environmental management

- ✔ Climate
- ✔ Eco-systems
- ✔ Water resources
- ✔ Waste
- ✔ Emissions
- ✔ Energy efficiency
- ✔ Renewable energy

Social management

- ✔ Employees shortages
- ✔ Attractiveness of professions in forest industry
- ✔ Unwanted employees turnover
- ✔ Impact-investing
- ✔ Human rights and personnel diversity
- ✔ Occupational health and safety
- ✔ Volunteering

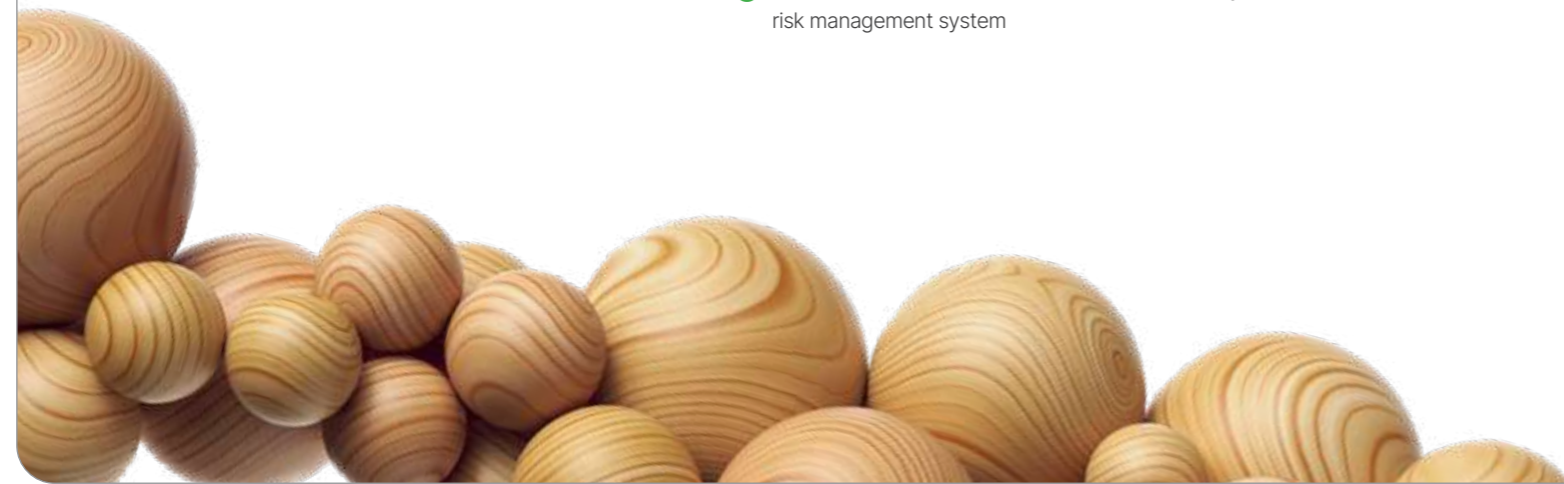
Corporate governance

- ✔ ESG-KPIs in the remuneration system
- ✔ ESG-evaluation of capital expenditures
- ✔ Automation and digitalisation of ESG-processes
- ✔ Supply chain and logistics
- ✔ Certification and standardisation

ESG Working Group – coordinating actions and decisions in the field of sustainable development
Chairman of the Management Board – Vice-President for State Programmes Implementation, Sustainable Development and Forest Policy


Ethics and Discipline Committee – ensuring an effective economic and corporate security system, monitoring compliance with the requirements of the Code of Conduct, promoting a system to combat corruption, fraud, and other abuses relating to violation of applicable laws

⁽¹⁾ Board of Directors, Nomination and Remuneration Committee, Strategy and Sustainable Development Committee, Audit Committee.





STAKEHOLDER ENGAGEMENT

✓ **Customers and consumers** 

Priority


- 1 High quality, safe products, and reliable deliveries
- 2 Availability of products with high consumer and environmental performance
- 3 Availability of information on new technologies and products
- 4 High level of customer service

Form of engagement

- ➔ Feedback on product quality and safety
- ➔ Strategy sessions and mill tours for customers
- ➔ Participation in trade fairs and conferences
- ➔ Development of innovative, efficient, and high-tech paper packaging products in response to market demands using the premises of the Paper Packaging R&D Centre
- ➔ Maintaining product certification to confirm compliance with technical standards and accepted quality and safety requirements
- ➔ The Company's presence in the digital environment

Key 2022 highlights

- ✓ More **than 20 certificates** were obtained/validated for the Group's products, including for new products (fire-proof plywood).
- ✓ **Two conferences and mill tours** for customers were held within the Laminated Wood Products and Paper & Packaging divisions in Vologda and Segezha.
- ✓ Participation in **eight industry exhibitions** and conferences, including international ones (RosUpack 2022, India Wood 2022, Baku Build 2022).
- ✓ The information on **Segezha Group's website** was updated with respect to its products and the Group as a whole.
- ✓ The Company's account was created on the marketplace **Ozon**.

✓ **Employees** 

Priority


- 1 Career growth and competitive wages
- 2 Social support
- 3 Safe workplace
- 4 Training and professional development

Form of engagement

- ➔ Employee meetings with management and senior management
- ➔ Employee Well-Being Programme Segezha Group. We are here
- ➔ Implementing measures to increase staff engagement
- ➔ Organising employees appraisal, development and training
- ➔ Company interaction with trade union representatives

Key 2022 highlights

- ✓ Wages of all employees at all Group's assets were raised by **10%**.
- ✓ The **VHI coverage increased by 44%** compared to 2021.
- ✓ **Youth movements** were set up in **five Group's companies**.
- ✓ **More than five thousand people** registered on the Group's Corporate University platform and gained access to **60 courses** in more than **15 areas**.
- ✓ **Five Group's companies** joined the **SNAMI** adaptation app.
- ✓ **Five online meetings** were held with the Company's Vice Presidents on corporate strategy, employee compensation packages, market conditions, etc.
- ✓ **LTIFR** dropped from **2.06** to **1.66**.

✓ **Shareholders** 

Priority


- 1 Increasing capitalisation, long-term and sustainable growth of Segezha Group
- 2 High level of dividend yield
- 3 High standards of corporate governance
- 4 Ethical business practices
- 5 Transparency of operations

Form of engagement

- ➔ Disclosure of information about the company and material events on the official website and the website of the Corporate Disclosure Centre at www.e-disclosure.ru
- ➔ Holding general (including annual, extraordinary) meetings of shareholders
- ➔ Making presentations to investors
- ➔ Conducting online and offline meetings with investors
- ➔ Publication of operational and financial results
- ➔ Publication of annual reports

Key 2022 highlights

- ✓ Two meetings of the highest governing body, the General Meeting of Shareholders, were held.
- ➔ For more details see the [Corporate Governance](#) section on page 202.
- ✓ Over 2022, Segezha Group continued a sustained dialogue with a wide range of institutional and private investors, in order to provide securities market participants with complete information about its activities.
- ✓ Full disclosure of Segezha Group's operating and financial results, regular investor calls with the Company's managers, meetings with representatives of the investment community.
- ✓ Mill tours were organised for investors.
- ✓ Segezha Group was one of the first issuers to participate in two retail investor conferences and hold a Q&A session.
- ✓ The Company continued to work on its official corporate account on the [Tinkoff Pulse](#) platform and publish posts in key investment Telegram channels and dedicated websites.

✓ **Top managers** 

Priority

- 1 Achieving strategic goals
- 2 Operational and financial efficiency
- 3 Risk management


Form of engagement

- ➔ Ongoing interaction in the process of works, holding meetings including operational ones
- ➔ Risk-oriented management

Key 2022 highlights

- ➔ During 2022, seven meetings of the Board were held (one in person, six in absentia), at which **21 issues** were addressed.
- ➔ There were six collegiate and advisory bodies operating under the President.
- ➔ For more details see the [Corporate Governance](#) section on page 202.
- ➔ **100% of calls** received by the Universal Hotline was handled to prevent possible violations in the areas of procurement, financial and economic performance, relations with contractors, compliance with the Anti-Corruption Policy, labour legislation, as well as health, safety and environment regulations.
- ➔ For more information see [Responsible Procurement](#) on page 198.



✔ **Business partners and suppliers** 

Priority


- ① Adherence to ethical standards
- ② Organisation of competitive procurement
- ③ Timely and accurate execution of contracts

Form of engagement

- ➔ Direct communication
- ➔ Contractual relationships
- ➔ Industry exhibitions and conferences
- ➔ Meetings and discussions on major procurement, construction and modernisation projects

Key 2022 highlights

- ✔ A smooth transition to an e-commerce platform and other collaboration automated tools was carried out to advance the supply chain transparency and procurement speed.
- ✔ Import substitution and the search for new channels to supply spare parts for the main process equipment, raw materials, and specialised vehicles were implemented.

✔ **Local communities** 

Priority


- ① Creating jobs
- ② Awareness of the Group's activities
- ③ Contribution to social infrastructure, charity projects
- ④ Minimising the negative environmental impact of the areas of operation

Form of engagement

- ➔ Implementation of investment projects
- ➔ Execution of a centralised charity programme based on social impact assessment
- ➔ Conducting public discussions on planned economic activities
- ➔ Conducting open dialogues between local communities and company management
- ➔ Handling complaints received through the Universal Hotline and other communication channels

Key 2022 highlights

- ✔ Over the course of 2022, around **RUB 120 m** were allocated to charity programme activities in regions where the Company operates.
- ✔ **Five meetings** of the Public Environmental Council of Segezha were held.
- ✔ There were **230 cases** of targeted two-way interaction with local and indigenous people. The topics included providing assistance to local communities, maintaining local infrastructure, conducting logging activities (meetings, consultations, correspondence, implementation of social projects and provision of assistance).
- ✔ **756 km** of roads were built costing **RUB 740 m**.
- ✔ The costs of providing heat and hot water to the community amounted to **RUB 1,247 m**.

✔ **Public authorities, self-governing bodies, state control and oversight bodies** 

Priority


- ① Compliance with the law
- ② Timely tax payments
- ③ Investing in the development of regions
- ④ Greenfield and brownfield projects
- ⑤ Payments on time
- ⑥ Regularly undergoing inspections

Form of engagement

- ➔ Regulatory cooperation
- ➔ Conclusion of cooperation agreements with regions
- ➔ Working meetings with regional authorities
- ➔ Regular reporting
- ➔ Cooperation with supervisors when undergoing inspections

Key 2022 highlights

- ✔ **11 priority status investment projects** were being implemented.
- ✔ **Mandatory reporting** to Rosprirodnadzor (the Russian environmental authority), including 2-TP (waste), 2-TP (water), 4-OS (environmental costs), 2-OS (water protection measures), reports declaration of environmental impact, reporting on environmental charges, organisation of industrial environmental control and its results.
- ✔ Planning and implementation of forestry activities were carried out in accordance with current legislation and in full compliance with the Forest Plan, forest management regulations, lease agreements, forest exploitation projects, and forest use declarations.

✔ **Educational institutions** 

Priority

- ① Providing places for students to practice their vocational skills
- ② Guaranteeing employment for graduates
- ③ Developing students' vocational skills

Form of engagement

- ➔ Signing agreements on cooperation
- ➔ Joint educational activities
- ➔ Internships at the Group's companies
- ➔ Joint educational and advisory projects
- ➔ Launching a scholarship programme to support students in core professions

Key 2022 highlights

- ✔ **425 trainees** completed internships at Segezha Group's facilities.
- ✔ **89 contracts** were concluded with educational institutions.
- ✔ **219 university and college graduates**/students were employed by the Group's companies.
- ✔ **38 people** from six regions received the Group's scholarship. **Seven companies** and **eight educational institutions** participated in the programme.





HR POLICY AND PERSONNEL DEVELOPMENT

Segezha Group's main priority in the human resource and personnel development is to create conditions for talent development and respect for human rights. The Company is convinced that it is the unlocking of human potential that will contribute most to the efficiency of its enterprises.

Russia's Top-100 Employers

Segezha Group is constantly developing its employer brand through creating **the most attractive working conditions for current and potential employees and improving the culture of leadership and achievements that has been embedded in the Company.**



In 2022, the Group entered the **Top-100 companies in the HeadHunter Employer Rating, ranking 63rd out of 1,082 companies** that made it to the final.

TOP-100
companies in the HeadHunter Employer Rating



The Group was also included in Forbes' list of **Russia's Best Employers**, achieving **gold status**. The Company managed to achieve a higher position than last year in terms of key ESG-ranking indicators:

- ★ **Employees and the Society – gold**
- ★ **Corporate Governance, Environment – platinum**

Position on Human Rights

Segezha Group recognises and respects **the rights and freedoms of its stakeholders (employees, business partners, local communities, clients, and customers)**, offering maximum cooperation in compliance with these standards. This is incorporated in the Group's official Position on Human Rights document.

The Company adheres to the principles of international documents, such as the UN Global Compact, the Universal Declaration of Human Rights, and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. The Group acts within the framework of the Constitution of the Russian Federation and adheres to the socially responsible business conduct of the Social Charter of Russian Business. Segezha Group complies with the legislation of the countries in which it operates.

The Company strictly applies the following principles to its employees and:

- ✔ does not use child labour;
- ✔ does not allow the use of violence against employees, forced labour, or bonded labour;
- ✔ considers unacceptable all forms of discrimination in employment and work;
- ✔ promotes equality of opportunity, undertakes measures to protect the rights of vulnerable groups;
- ✔ ensures the right to a safe working environment;
- ✔ respects the right to form trade unions and does not prevent workers from joining them;
- ✔ respects the right to collective bargaining.

The Company believes that its people remain its core asset. It creates all the necessary conditions for the development of its employees, giving them the opportunity to better their quality of life and to take pride in their work. The principles and mechanisms of personnel management and motivation are laid down and detailed in the following corporate documents:

- ✔ Human Resources Management Policy;
- ✔ Regulations on Recruitment and Adaptation;
- ✔ Regulations on Bonuses and Wages;
- ✔ Regulations on Training;
- ✔ Regulations on the Personnel Committee;
- ✔ Guidelines for Including Candidates in the Managerial Pool of Segezha Group;
- ✔ Regulations on the Scholarship Programme;
- ✔ Code of Conduct.

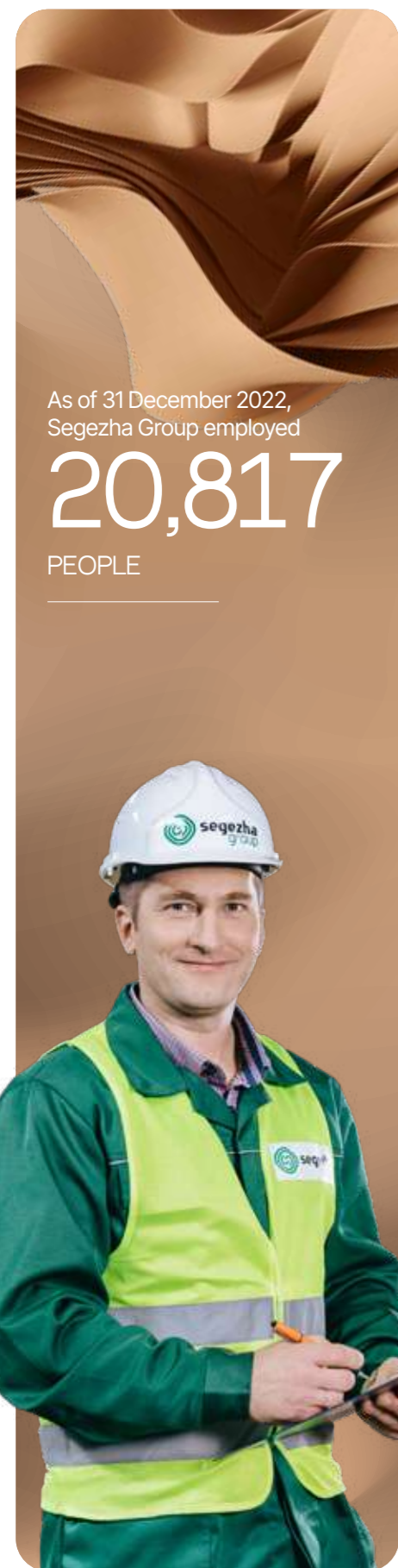
The human resources policy is aimed at:

- ✔ **finding talent and professionals in the labour market**
- ✔ **promoting the image of an attractive employer in the labour market**
- ✔ **providing training and development opportunities for all Segezha Group's employees**
- ✔ **effective personnel and records management**
- ✔ **fostering an internal talent pool**
- ✔ **implementing social policies**

Segezha Group expects its employees to provide:

- ✔ a high level of professional and managerial competencies;
- ✔ the ability to tackle large-scale tasks within tight deadlines while making the most efficient use of available resources;
- ✔ proactivity;
- ✔ commitment to the goals and values of the Company.



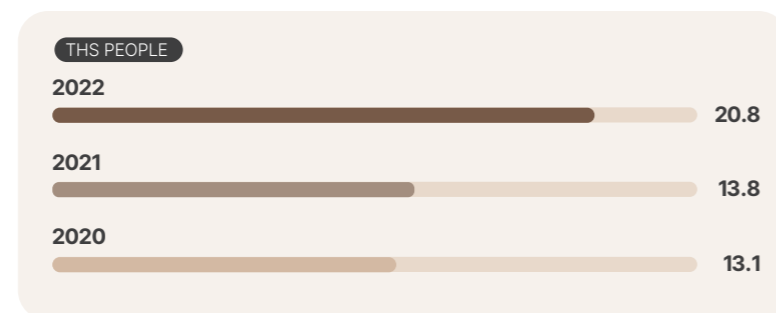


As of 31 December 2022,
Segezha Group employed
20,817
PEOPLE

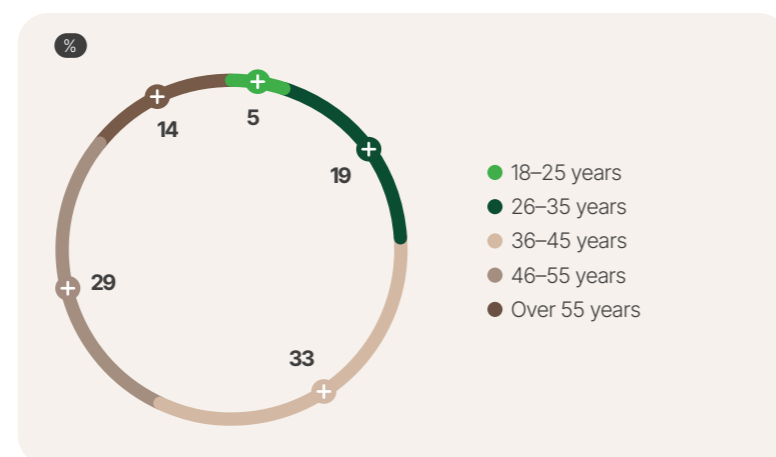


Employees of Segezha Group at a Glance

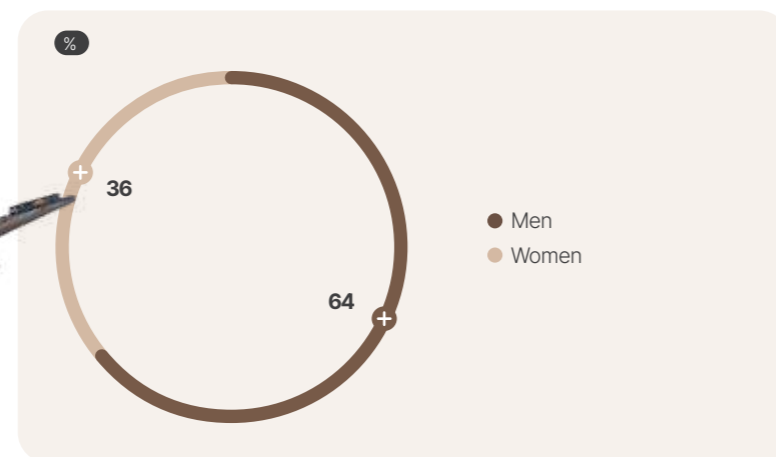
Headcount within the Russian assets



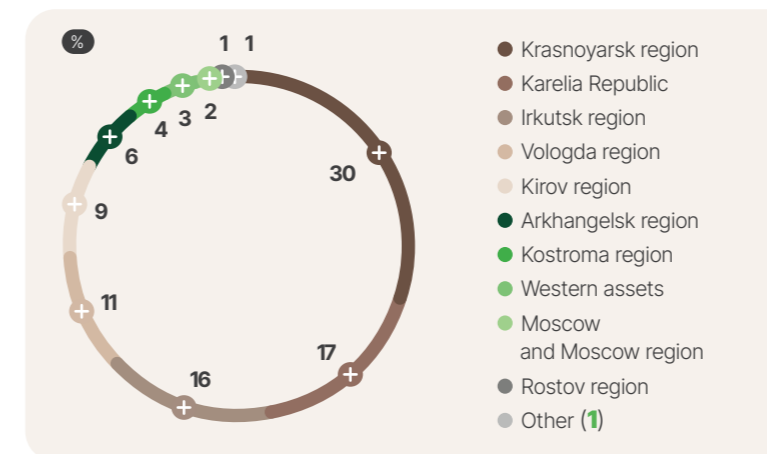
Headcount by age within the Russian assets in 2022



Headcount by gender within the Russian assets in 2022



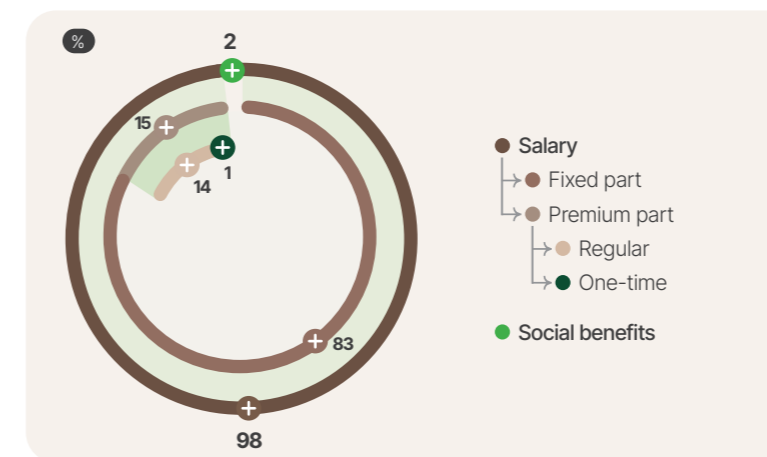
Segezha Group's headcount by region in 2022



Headcount by category in 2022



Segezha Group's Compensation package structure within the Russian assets



A flexible and transparent system of material and non-material incentives is an indispensable tool for maintaining a high level of employee engagement at Segezha Group. The Company strives to provide its employees with competitive salaries and periodically indexes them.

The Group has established incentive schemes for employees, governed by the Regulations on Providing Bonuses to Employees of Subsidiaries, Affiliated and Managing Companies, and for Investment Project Teams at the Mills.

The Group undertakes a comprehensive approach to determining employee remuneration, which may include a fixed salary and a variable component of the salary. The variable component depends on the performance and can be applied on a monthly, quarterly, or annual basis.

Every year, the Company reviews salary levels and the currently applied incentive system. Over 2022, **Segezha Group conducted a general wage indexation for employees of all assets by 10%.**

Employee benefits and guarantees may include:

- ✓ voluntary health insurance (VHI);
- ✓ social benefits (travel passes for treatment and recreation, sports facilities rental expenses);
- ✓ social guarantees (New Year presents for children, sporting and recreational activities, financial assistance in hardship);
- ✓ relocation expenses, travel expenses for holidays, treatment costs.

Every year, the Group expands the VMI programme coverage to more employees. In particular, 9,186 employees were insured in 2022, up 40% compared to 2021.

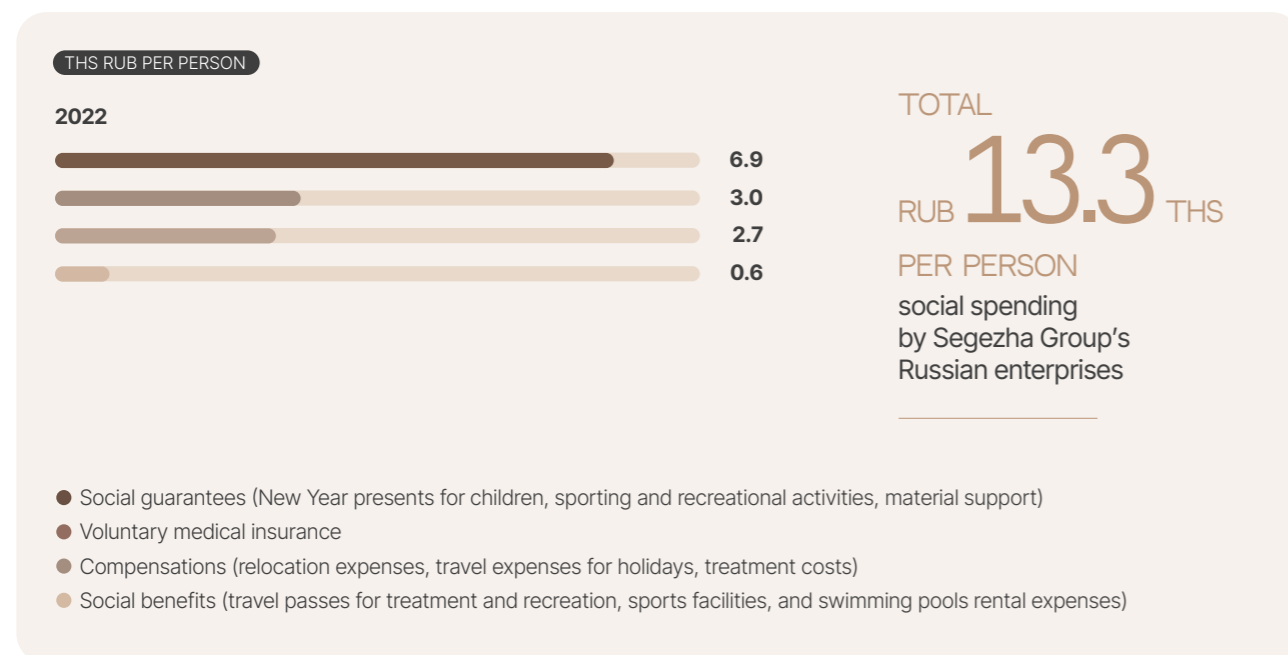
(1) St. Petersburg and Leningrad region, Republic of Buryatia, Tver region, Republic of Altai.

Throughout 2022, a plan was approved for the implementation of the Corporate Pension Programme and pension plans, co-financed by the employee and the employer on a parity basis. A pilot project of this kind is being implemented at the Segezha PPM. The minimum contribution for an employee ranges from 1.5% to 3% of his/her salary depending on his/her age, while the mill's contribution is up to 5%.

Every year, the Company organises free trips for employees' children to the All-Russian Children's Centre Orlyonok in the Krasnodar region as part of the Dedicated Techno-Squads programme. In 2022, 51 children took part in this programme. The Company traditionally sponsored the event, while for the first time presenting its competencies "Industrial Robotics" and "Operation of Unmanned Aerial Systems".

The Group's companies have collective bargaining agreements in place, covering around 6 ths employees by the end of 2022. They not only guarantee the mandatory benefits and guarantees established by labour law, but also expand them, taking into account the financial capabilities of specific enterprises and general corporate standards. In addition, 8% of our employees were members of trade unions in 2022.

Social spending by Segezha Group's Russian enterprises



Participation in the All-Russian Championship Lumberjack-2022

In 2022, Segezha Group's employees participated in the VII Russian Championship Lumberjack-2022, which was held in Krasnoyarsk. In particular, 74 specialists from 17 Russian regions demonstrated their skills in felling, bucking, and delimiting trees, loading and unloading logs. In addition, they also participated in relay races. The Company's employees won prizes in the individual competition, whereas the Republic of Karelia became the absolute champion in the team competition.



HR Processes Automation

Over the course of 2022, Segezha Group continued to develop its HR process automation programme aimed at brushing off the methodology of HR and the payroll processes, as well as at automating processes based on the unified 1C IT-platform.

In addition, the year of 2022 saw the continued implementation of cloud technology and modern tools in the areas of personnel training, attracting, management, and engagement. The following systems are utilised and in operation within the Company:

- ✔ recruitment system POTOK: the system comprises 44 recruiters, the data base includes 53 ths people, with more than 3 ths vacancies;
- ✔ the mobile app SNAMI for the onboarding of new employees at the Company headquarters, Segezha PPM, Vyatsky Plywood Mill, Galich Plywood Mill, and CIO;
- ✔ Segezha Group Corporate University, an online platform with training courses and webinars for distance learning and personnel development.

Personnel Training and Development

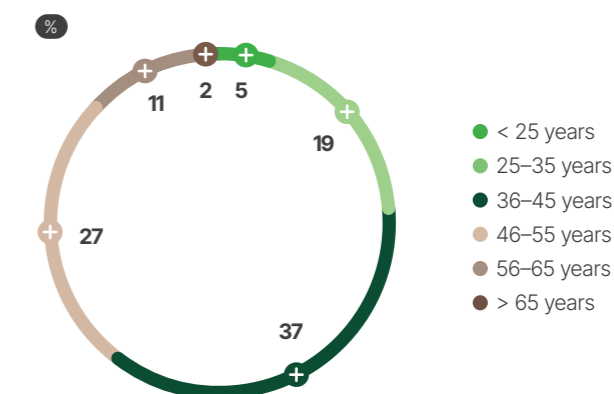
6 THS

of employees underwent training in 2022

22 HOURS

of training on average per employee at Segezha Group

Age distribution of those who underwent training⁽¹⁾



>280 THS

candidates in Segezha Group's management talent pool

RUB **62.6** M
training costs
in 2022

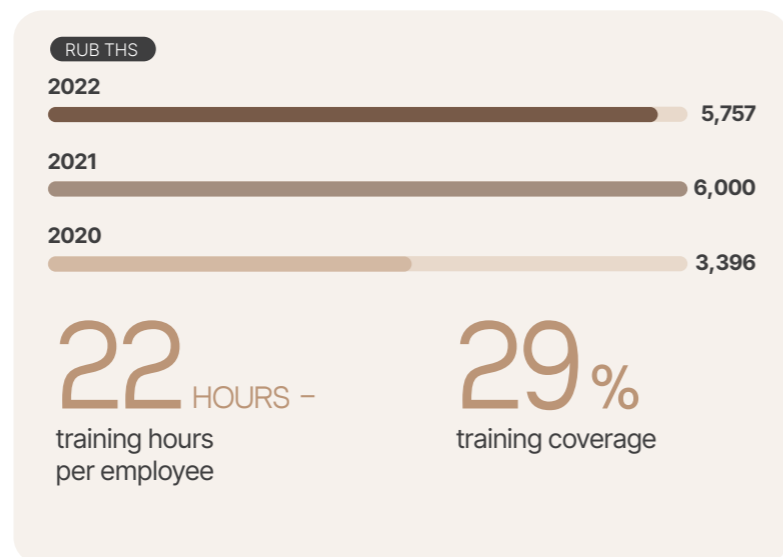
RUB **10.9** THS
annually
per person

⁽¹⁾ Total may not equal the sum of the components due to rounding.

Segezha Group is constantly working to improve its HR development system. In particular, in 2022:

- ✔ Segezha Group's Corporate University, a platform available to all employees of the Group, was launched. More than 60 courses in various areas have already been made available to 5 ths users. The courses focus on such relevant topics as leadership, strategic thinking, marketing and innovation, customer relations, etc.
- ✔ Training programmes were designed to develop and enhance the competencies of staff to ensure the implementation of long-term objectives, as determined by assessing the managerial and professional competencies of employees;
- ✔ The mentoring programme at the Group's companies was expanded. It became an effective tool for adapting and promoting corporate values;
- ✔ The Masters' School project implementation continued, aiming to improve the professional and managerial competencies of employees. The project assists in identifying high-potential employees acting as leaders in their team and workplace.

Spending on training, 2020–2022



Personnel Reserve

Segezha Group develops a talent management system and provides its employees with attractive career prospects and growth opportunities. This is essential when it comes to employee retention and engagement, along with ensuring a high level of employee satisfaction, increasing the number of internal appointments to management positions, and reducing staff turnover and recruitment costs.

Every year, the Company updates its talent pool lists. Selection is based on an assessment of Segezha Group's managerial and corporate competencies, as well as on recommendations from line managers. Depending upon the degree of candidates' preparedness, soft skills training tracks are assigned. In the year of 2022, Segezha Group's talent pool grew by 78% to 284 employees. The Group's plans for 2023 are to continue building the talent pool and to support training events.

Segezha Group's Leadership Programme

Together with the Higher School of Business under the National Research University, a comprehensive programme was carried out in 2022 to train the front line of the Segezha Group Leaders talent pool.

Over a six-month period, 50 managers from the Group's companies and divisions mastered a range of business-critical disciplines: change management, design thinking, operational efficiency, performance management, business value growth, and non-directive leadership.

Throughout the course, students were on their own quest for the development of projects in relevant subjects for the holding company in product, logistics, and production areas. The final projects were presented to an offsite project committee of the Higher School of Business under the National Research University, attended by Segezha Group's top managers.

Solutions devised by the leadership programme students will be applied at Group's companies.

Case-Study Championship on Operational Efficiency OpEx Bootcamp 2022

Segezha Group was one of the three winners of the IX OpEx Bootcamp2022, which was held this autumn at the Higher School of Business under the National Research University in Moscow. Teams from leading Russian companies competed for the title of the case-study championship winner.



Segezha Group's Scholarship Programme

Over 2022, Segezha Group launched its corporate Scholarship Programme, a system of incentives for talented and promising students of forest industry technical schools and colleges. The goal of the project is to provide companies with employees from among the students of educational institutions in the cities where the company operates, to enhance the Segezha Group employer brand, to raise the level of loyalty among the students, and to bolster the prestige of industrial and forestry professions.

The project covered six regions of operation, namely: the Republic of Karelia, the Krasnoyarsk, Arkhangelsk, Vologda, Kostroma, and Kirov regions. The programme included 38 second-to-fourth year students from nine technical schools and colleges studying the forestry profession.

Career Guidance and Youth Work

In order to boost the share of highly qualified specialists in the labour market, the Company cooperates with more than 70 specialised educational institutions in the regions where it operates and works on a number of joint innovative, educational, and consulting projects. Segezha Group organises master classes and guest lectures, internships and work placements at its facilities for students, while also being an active participant in the federal Professionalism programme.

One example of efficacious work in this area is the Kindergarten – School – Higher Educational Institution – Mill project, launched at Sokol Sawmills and Sokol CLT. The project includes paid internships for students of the Sokol Timber Polytechnic Complex (STPC), company presentations for students and schoolchildren, as well as a scholarship programme for STPC students.

Over the course of 2022, the Novoeniseisky Wood-Chemical Complex, which joined the Group in 2021, for the first time organised the case-study championship Wood Processing Business Development, including solving real problems and challenges of the company by university and school students.

In addition, Segezha Group takes part in various career guidance projects aimed at promoting forestry professions. In 2022, the career guidance event Lift to the Future was organised at the Ocean Children's Centre (Vladivostok). More in detail, 200 schoolchildren from 16 Russian regions learnt about professions of the future, including the forestry ones.



Corporate Culture

Every day, Segezha Group creates its corporate culture guided by the simple idea of giving every employee an opportunity to make a difference in their life, their city, and their region, and to see the results of these changes not only in the future, but also in the present. In order to achieve these ambitious goals, the Company has successful experience, state-of-the-art technology and, most importantly, human resources, and natural capital.

The Group's companies hold a variety of corporate events for employees and their families, including volunteer programmes and clean-ups, health days, intellectual games, professional and children's competitions. In 2022, more than 2 ths of Segezha Group employees received various awards, both national (66 people) and regional/local (260 people). Moreover, 1,504 employees were awarded with internal signs of encouragement, and 235 received Letters of Gratitude from the President of the Company, Mikhail Shamolin.

Developing a Value Proposition

A corporate culture consists of ideas, attitudes, underlying values that are shared by members of the organisation. We believe that it is the values that define the corporate culture as a whole. Our mission and values were approved in 2022 and are actively embedded in our corporate culture.

For more information, see [About the Company](#) on page 10.

Internal Communications

The Group is establishing a system of combined internal communications to support change within the Company, maintain high levels of commitment, and promote a corporate culture that is aligned with the Company's goals.

In 2022, to boost trust and openness, the Open Dialogue project was introduced, where every employee could ask questions and hear the views of senior management. The Company's vice presidents were the speakers in the project.

Segezha Group, together with the Kostroma region administration, participates in the social project Talents for the Forest Industry of the Kostroma region. The project aims to provide opportunities for professional self-realisation of young people, taking into account the priorities of the local forest industry and obtain professions that are in demand by Segezha Group. The project is designed to better young people's level of training and strengthen their motivation to enter educational programmes necessary for the local forest industry.

The Idea Factory continuous improvement management project, which aims to optimise business processes in production operations, carried on its work. The project provides financial incentives for the authors of the best proposals for contributing to production and operational efficiency.

>2 THS
EMPLOYEES
of Segezha Group received various awards in 2022

REGIONAL DEVELOPMENT AND CHARITY

Segezha Group focuses on the long-term development of the Russian regions where it operates. The Group makes tangible commitments to the development of local communities and regions through paying taxes, providing employment for local inhabitants, and inviting local suppliers and contractors.

Social programmes

Despite the current economic volatility and new challenges of 2022, **Segezha Group continued to implement its social programme.**

In the framework of Segezha Group's Sustainable Development Strategy to 2025, the Company focuses on activities within the Comfortable Life in Forested Regions concept and works towards the following goals:

- 01 **Implementation of joint projects in the area of corporate social responsibility with local authorities in the regions where the Company operates;**
- 02 **Involving the local communities in the implementation of activities pursued by the Group;**
- 03 **Improving the assessment of Segezha Group's environmental and social contribution to the regions where the Company operates by the local communities.**

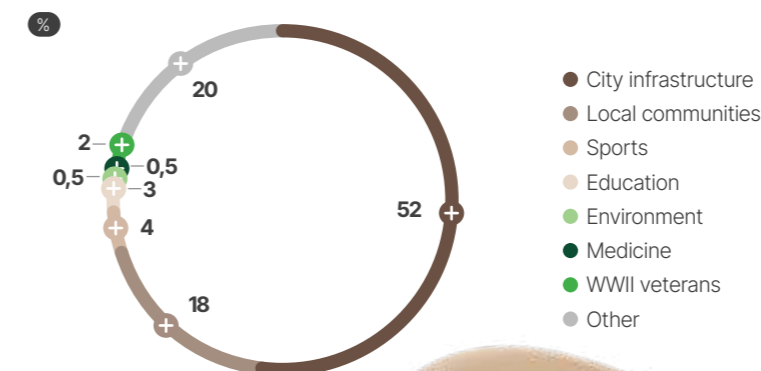
RUB **120** M
invested in charity projects

Continuation of the **flagship charity project Walking the Streets of Segezha**

The project was initiated in 2021 and is planned to continue until 2024

Development of corporate volunteerism

Segezha Group's charity costs by focus area in 2022



Contribution to the Economic Development of Regions Where the Company Operates

Segezha Group's relationships with the authorities, local government and non-profit organisations are based on the principles of strict compliance with Russian legislation, regional and municipal regulations, taking into account mutual interests and social responsibility. In accordance with the Sustainable Development Strategy, the Company finances a wide range of activities, including those aimed at supporting people with disabilities and the elderly, along with implementing youth and social policies, educational programmes, supporting culture and sports, etc.

In 2022, the Company interacted with local authorities and communities under existing cooperation agreements with the governments of the key regions where it operates – the Republic of Karelia, the Krasnoyarsk, Vologda, Kirov, Rostov, Kostroma, Arkhangelsk, and Irkutsk regions. The agreements cover a wide range of issues related

to the socio-economic development and implementation of investment projects in the regions.

Mono-cities Development

As an anchor investor, the Company is developing mills that are the only major employers in six mono-cities:

- ✔ Sokol, the Vologda region; the ongoing programmes: the Fun Run #ForForest, campaigns #WeRememberTogether, The Garden of Remembrance, Grant Contest The Kind Forests, Segezha Group's Chess Landing Force;
- ✔ Galich, the Kostroma region; the ongoing programmes: Galichskoe Zaozerye, improvement of the central square as part of the national project Galich is a Town by a Blue Lake, Preserving the Forest, The Garden of Remembrance, Sportsman's Day;
- ✔ Segezha, Karelian Republic; the ongoing programmes: Walking the Streets of Segezha, Professioncity, Clean Games, The Clean Arctic;

- ✔ Kostomuksha, Karelian Republic; the ongoing programmes: the Fun Run #ForForest, campaign #WeRememberTogether;
- ✔ Lesosibirsk, the Krasnoyarsk region; the ongoing programmes: the Fun Run #ForForest, campaign #WeRememberTogether, Green Fitness, Grant Contest The Kind Forests;
- ✔ Onega, the Arkhangelsk region; the ongoing programmes: the Fun Run #ForForest, campaign #WeRememberTogether, Sportsman's Day, skating rink improvement, The Garden of Remembrance.

The main objective of Segezha Group's social investment in monocities is to diversify their economies, improve the quality of life in the communities, and make the settlements more attractive for inhabitants.

Events in the regions of presence

Over 2022, Segezha Group continued to invest in the **development of sports infrastructure in the mono-city** of Onega through implementing a project to upgrade the ice rink. In addition, the city traditionally hosted charity sports events, such as the **Fun Run #ZaLes** and **Sportsman's Day**.

In 2022, the joint project with **Kenozersky National Park** and the Russian Ministry of Natural Resources and Environment continued, providing for the construction of an ecological trail and a whale observation tower near Cape Glubokiy in the Onega District of the Arkhangelsk Region. Following the results of the All-Russian **tourist award "Route of the Year 2022"**, the **eco-trail Birds, Fish and Whales won the first place in the nomination "Best eco-tourism route"**.

In Galich, sports events were traditionally held on the trail **Galichskoe Zaozerye**, to include skiing competitions in winter, whereas in summer the first **Day of Running** was held.

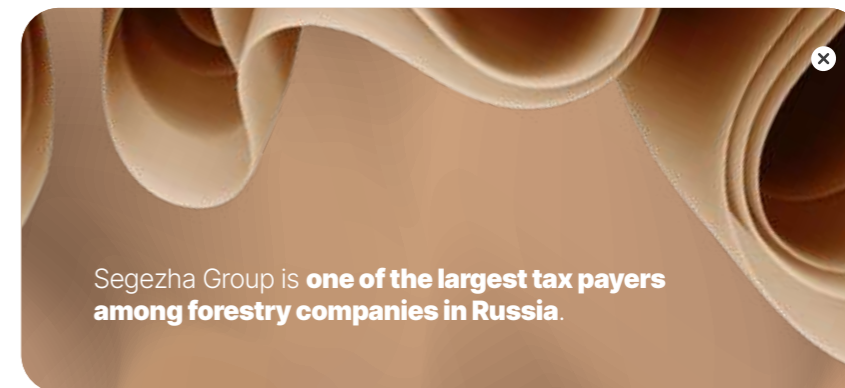
Supported by Segezha Group, the mono-city of **Galich received federal investment to refurbish its central square**. In addition, the city has launched development projects driven by public initiatives with **more than 16 ths beneficiaries**, namely: **Renovation of a public garden, including the installation of a monument to Home Front Workers, and Arrangement of playgrounds and sports grounds at the Yubileyny sports complex**.

In the reporting year, Segezha Group was also actively involved in city overhaul campaigns, through supplying lumber for the construction and repair of small architectural forms, as well as for the installation of a stage in the city recreation park.



Tax Payment

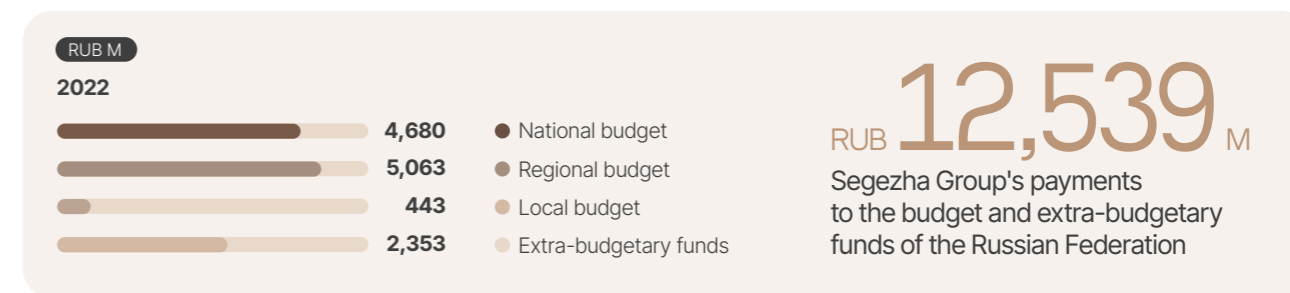
Segezha Group fully and punctually pays all taxes to regional governments, thus contributing to the social and economic development of the forested regions of the Russian Federation. The Company's tax policy is well-balanced and aims to keep the accounts as accurate as possible and to ensure transparency for all stakeholders.



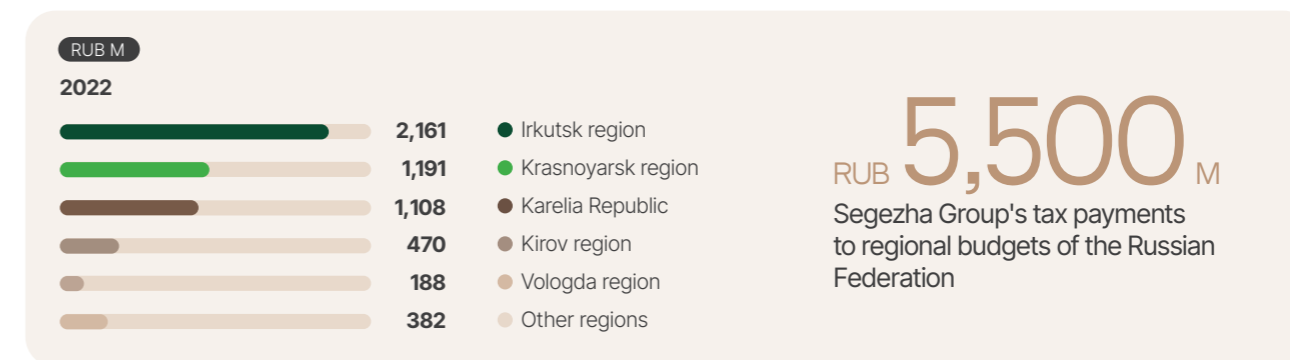
Segezha Group's tax payments in Russia

RUB M	2020	2021	2022
Profit tax	1,978	6,040	1,852
Personal income tax	1,087	1,443	2,555
Insurance premiums paid into the non-budgetary funds	2,289	3,201	4,680
Other non-taxation payments	891	1,183	2,300
Other tax payments to the budget	1,224	1,547	1,132
Total taxes paid in the Russian Federation	7,469	13,414	12,518

Segezha Group's payments to the budget and extra-budgetary funds of the Russian Federation in 2022



Segezha Group's tax payments to regional budgets of the Russian Federation in 2022



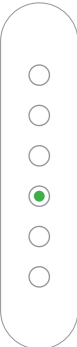


Creation of New Jobs

Segezha Group pays special attention to creating new jobs, improving the image of forestry occupations, minimising the risk of staff attrition, and developing industry and human potential in the regions. In particular, the launch of a new plywood mill in Galich, the Kostroma region, will create an additional 1.2 ths jobs in 2022.

Charity Projects Implementation and Infrastructure Development

Throughout 2022, Segezha Group invested more than RUB 119.7 m in charitable projects within the areas of City Infrastructure, Education, Local Communities Development, Environment, Sports, and Medicine.



WALKING THE STREETS OF SEGEZHA is the Company's anchor project that embodies charity activities of the entire forest holding company.



As part of the Professioncity project in Segezha, the Company is creating an **Arctic educational and production cluster using the premises of the Northern College. The cluster will integrate the educational organisation with the supporting employer, i. e. the Segezha Pulp and Paper Mill.**



Over the course of the reporting year, Segezha Group held **Clean Games** twice in Segezha. **About 70 local residents** took part in the first team competition in garbage collection and sorting and **collected about 2.4 t of waste** made of plastic, metal, and glass. In addition, a game for schoolchildren was held: in one hour children collected and sent for recycling **more than 1.5 t of waste.**



Segezha Group improves public urban spaces, parks and playgrounds, while also building and repairing roads. One example is investing **more than RUB 27 m in upgrading Segezha's municipal roads in 2022. Segezha Group continues to restore the Central Recreation Park in Segezha.**



In 2022, the **film Keys to Karelia**, dedicated to the history and traditions of the Republic, was shot with the support of Segezha Group. The film was screened as part of the St. Petersburg International Economic Forum.

Segezha Group makes a significant contribution to implementation of events dedicated to social initiatives. In the year of 2022, Segezha Group organised career guidance camps for children at the Artek and Smena recreation centres and the All-Russian Ocean Children's Centre on the Sea of Japan, and took part in collecting study cases In Search of Sources of

Growth for the Higher Business School of the National Research University Higher School of Economics. Also continued were activities related to the project of social impact in the sphere of education in the Kostroma region with a view of building a trajectory School – Higher Educational Institution – Mill to provide personnel for the plywood mill in Galich.

The year of 2022 was marked by the relaunch of corporate volunteering through new projects. The volunteer movement is actively evolving in the eight regions where the Company operates with the participation of local communities, non-profit organisations, municipal and regional authorities, etc. On 7 July, Segezha Group signed an agreement to join the National Council for Corporate Volunteering.

Over 2022, **200 volunteers conducted 50 socially relevant campaigns** in the environmental, social, and intellectual areas.

In August 2022, volunteers of Segezha Group organised an ecological community day on the coast of the White Sea. **More than seven km of the coastline** of the unique biosphere reserve in Onega Pomorye – Kenozersky national park – was cleaned from the anthropological trace. Volunteers collected nine bags of plastic, glass, and coastal trash, and cleaned the ecological trail Birds, Fish and Whales.

Volunteers of Segezha Group, together with local residents of the cities where the Company operates, regularly organise environmental events and landscaping activities with tree and shrub planting to reduce the carbon footprint and actively join actions held in this area (World Cleanup Day and others).

Corporate Volunteering in Segezha Group

Well-deserved recognition

Many of Segezha Group's social projects received **well-deserved recognition** in 2022.



One such endeavour was a joint project with the young Krasnoyarsk artist Viktor Kaplun. Drawings with the common idea **"A tree lives, a man lives"** focusing on forest fire prevention were placed on publicity media in the city of Lesosibirsk, the Krasnoyarsk region. In 2022, the project was short-listed for the all-Russian **"OBJECTIVE Charity" award.**



In the reporting year, the **Segezha PPM's team won the All-Russian award "Way to be heroes!"** in the category **"Team of Heroes"**. The employees fought fire trying to protect residents and property of countryside houses and local inhabitants for several days, risking their lives.

Plans for 2023

01

Continue implementation of the charitable **Walking the Streets of Segezha** programme, along with a grant contest of Kind Forests social projects.

02

Further expand community outreach and corporate volunteering.

03

Develop the charity programme with a focus on new assets in the Krasnoyarsk and Irkutsk regions.

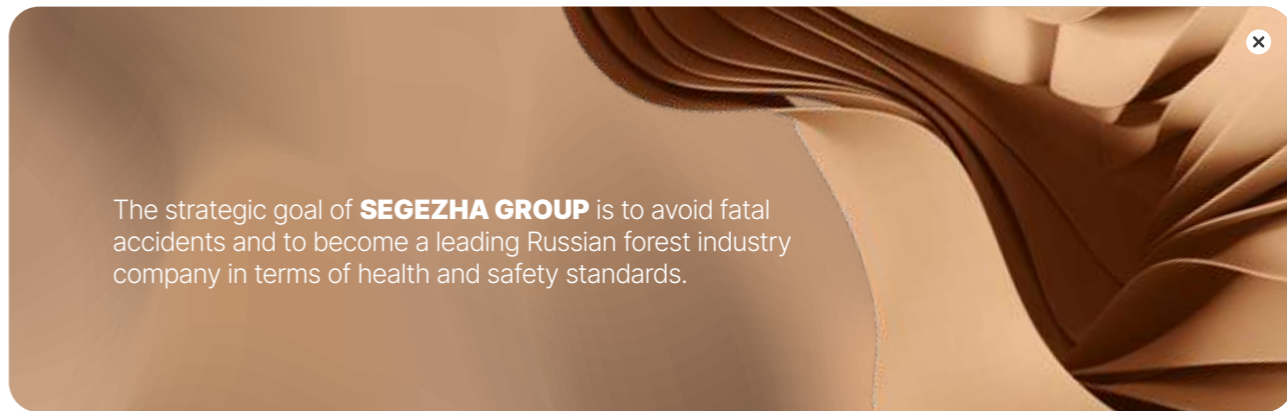
04

Scale up the Group's most successful projects.



OCCUPATIONAL HEALTH AND SAFETY

One of Segezha Group's top priorities is to protect the lives and health of employees, contractors, and local communities in the regions where we operate, as well as to ensure safety at all stages of operations.



The strategic goal of **SEGEZHA GROUP** is to avoid fatal accidents and to become a leading Russian forest industry company in terms of health and safety standards.

448

RUB M
health and safety
expenses in 2022
+ 23%
year-on-year

The funds were applied towards working conditions improvement, workplace certification, medical examinations, sanitary and preventive measures, providing first-aid kits and personal protective equipment, as well as fire safety

1.66

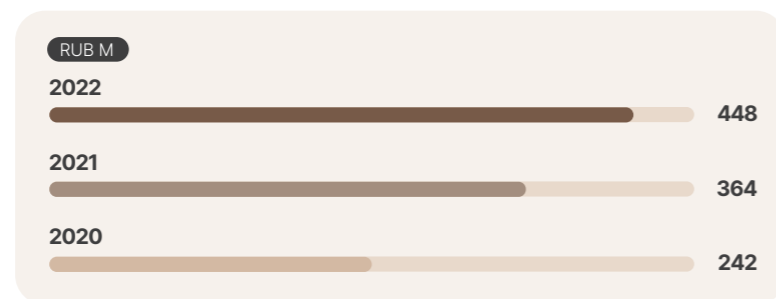
Lost Time Injury
Frequency Rate
(LTIFR)(1)
in 2022

Occupational Health and Safety Management System

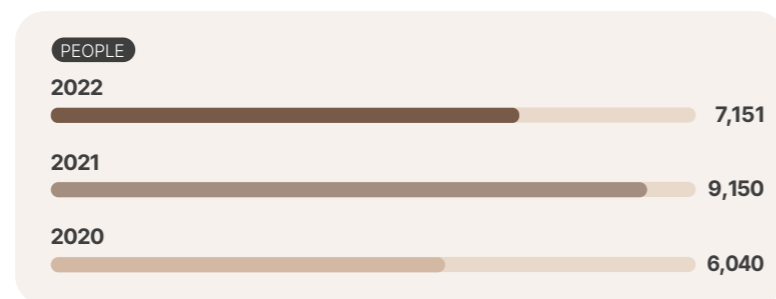
The Company strives to eliminate fatal accidents and establish an advanced risk management system, while being committed to sustained improvement in safety performance among employees and contractors.

To this end, a range of technical and organisational measures is implemented across the Group to prevent injuries and analyse accidents that have occurred.

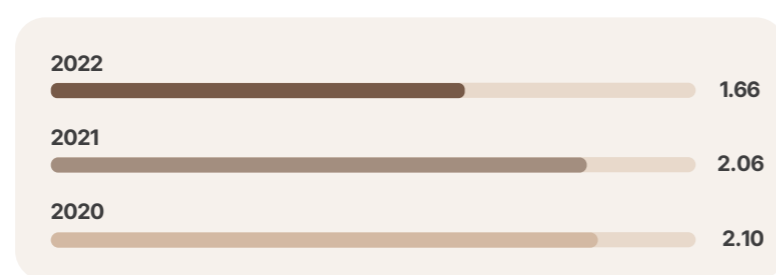
Health and safety expenses



Employee training in occupational safety



Lost Time Injury Frequency Rate (LTIFR)(2)



(1) LTIFR (Lost Time Injury Frequency Rate) – see [Glossary](#) on page 282.
(2) Calculated on the basis of data from enterprises operating in Russia.

Occupational health and safety management system



In 2022, the Group developed and implemented 22 internal regulations aimed at improving the occupational health and safety performance and at upgrading the professional skills of the officials responsible.

The Company regularly monitors the process safety, including through external independent audits.

Over 2022, based on assessments conducted by specialised third-party organisations, a decision was made to update and revise process flowcharts for certain types of equipment in accordance with a unified standard.

In addition, the Company carries out regular internal audits of the occupational health and safety management system. An annual assessment of workplaces covers 100% of the Group's employees.

The main indicator of the Company's injury rate is the LTIFR⁽¹⁾. There is a management system of ESG key efficiency indicators (KPI) in the Company, which has been adopted until 2025. One of the main objectives of the system is a gradual decrease of LTIFR, so that it is in line with the best industry practices. In 2022, the LTIFR fell by 0.48 p. p. to 1.66.

5

PLANTS

of Segezha Group **reduced the injury rate in 2022** compared to 2021: Novoyeniseyskiy Wood-Chemical Complex, Segezha Packaging, Segezha PPM, Sokol Sawmills and Vyatsky Plywood Mill.

Key regulatory internal and external documents

+ International standard ISO 45001

+ Labour safety legislation of the Russian Federation

+ Segezha Group's Occupational Health and Industrial Safety Policy

Objectives

- ✔ create safe working conditions and protect the life and health of employees;
- ✔ ensure reliable performance and mitigate emergency situation risks at hazardous plants;
- ✔ foster safe behaviour and accident prevention skills among employees.

Principles

- ✔ life and health of employees have priority over the financial performance of the Group;
- ✔ requirements of safety regulations should be strictly followed;
- ✔ prevention of any accidents, emergency, or any other abnormal situations in the production process;
- ✔ supporting and encouraging a positive safety culture among employees;
- ✔ openness and easy use of information;
- ✔ work can be started only if it can be performed in a safe way.

Elements

- ➔ safety risk management;
- ➔ action plan on behaviour during emergency situations and measures to undertake to rectify any consequences;
- ➔ gathering and analysing information on accidents;
- ➔ staff education and training in accordance with the requirements of Russian law, including remote corporate trainings.

Activities

- ① industrial safety examination;
- ② investigation of accidents and possible adverse events that could lead to injury to employees;
- ③ health and safety risk management system;
- ④ activity of occupational health commissions formed on a parity basis and including representatives of the employer, trade union and staff;
- ⑤ cooperation with trade unions;
- ⑥ special assessment of working conditions on a regular basis;
- ⑦ internal and external independent audits.

The low rates are achieved thanks to the Company's high safety culture and well-developed system of control over compliance with safety requirements. In particular, the main production facilities are equipped with training classrooms with simulators, where the algorithms of the optimal safety behaviour of employees in simulated standard situations are practiced, and safety briefings are conducted. In addition, systematic work continued on identifying and eliminating potentially harmful and hazardous factors at workplaces and analysing hazards and injury statistics at enterprises in the form of risk maps.

The Company pays special attention to the occupational safety of employees with disabilities. Segezha Group guarantees job quotas for them and creates the necessary working conditions in accordance with its individual development plan. Each employee with a disability has a shorter working day (shift) and working week, and an extended paid annual leave. At the same time, labour remuneration for reduced working hours is paid as for regular working hours. A total of 160 employees with disabilities work within the Group.

Occupational Health Management System

Segezha Group's companies have a procedure for investigating incidents in place, based on the world's best practices and in accordance with the requirements of Russian legislation.

The Five Whys approach is used to identify the root causes of each incident. The approach is instrumental in investigating all possible adverse events that could lead to employee injuries. Electronic flash-messages are used to inform employees of incidents and analyse the possibility of a similar situation occurring at each production site. Required prevention measures are developed and undertaken by the Company based on the results of such investigations to avoid re-occurrence in the future. Relevant actions include making changes in training materials and the development of skills, and in the training of employees in safety methods. Behavioural talks are held with safety violators. In the case of serious offences, sanctions are applied.

During 2022, 17 companies of the Group confirmed their compliance with ISO 45000:2018 (health and safety management system). In addition, four new Group's companies were included in the integrated ISO⁽²⁾ management system in 2022: the Galich Plywood Mill, Krasfan, Novoyeniseyskiy Wood-Chemical Complex, and Segezha Packaging branch in Lobnya.

Additionally, the number of joint health, safety, and security committees with direct employee involvement almost tripled and amounted to 127 in 2022.

To reduce the risk of injuries, the Company acquires protective clothing and personal protective equipment for employees at all levels and carries out vaccination against tick-borne encephalitis for forest workers. In addition, the Group developed an action plan to ensure industrial safety at critical sites.

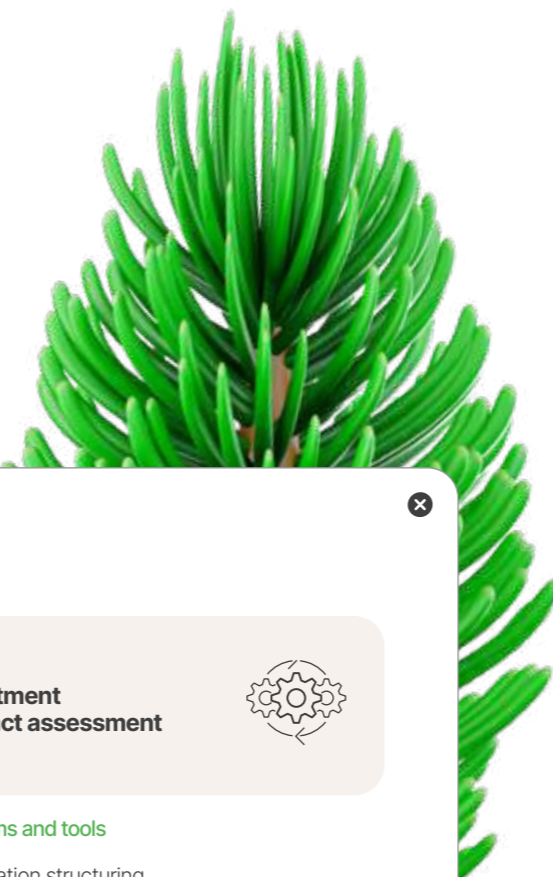
⁽¹⁾ LTIFR (Lost Time Injury Frequency Rate) – see [Glossary](#) on page 282.

⁽²⁾ An ISO integrated management system (IMS) – see [Glossary](#) on page 282.

Risk Management

With a view to reducing the number of occupational injuries, Segezha Group executes a risk-based approach to health and safety management and adopts production safety standards.

Occupational safety committees were established to develop the system in the field. The Company's specialists annually review and update the list of occupational safety critical risks, taking into account previous data on accidents and potentially dangerous events.



Segezha Group's industrial safety risk management system. Five steps to success

01 Risk identification



Mechanisms and tools

- ✔ Policy of openness and trust
- ✔ Check lists
- ✔ Registers of work with violators, accounting of risks and especially dangerous objects

02 Risk treatment and impact assessment



Mechanisms and tools

- ✔ Information structuring
- ✔ Digital resources

03 Risk level reduction



Mechanisms and tools

- ✔ HAZID(1) methodology
- ✔ Risk calculator

04 Deciding on significant risk mitigation



Mechanisms and tools

- ✔ Decisions at the Risk and Investment Committee level

05 Monitoring



Mechanisms and tools

- ✔ Sustainability assessment

(1) HAZID – see [Glossary](#) on page 282.

Occupational Diseases

The prevention of occupational diseases includes a set of organisational, sanitary, and technical measures, such as shorter working hours, additional leave, health-resort treatment, extra pay for harmful work conditions, the provision of personal protective equipment, and preventive nutrition.

Employee Training & Development of a Safety Culture

Segezha Group carries out all training programmes required by health and safety legislation, and conducts additional courses aimed at enhancing culture and safety in the Group and at motivating and involving employees. Training begins immediately after recruitment with an introductory safety briefing, followed by on-the-job coaching. Thereafter, employees receive further training on a regular basis, in accordance with existing course programmes.

Segezha Group's managers and specialists undergo annual special health and safety training both immediately upon hiring and on a regular basis in the course of their work. Over the course of 2022, 7,151 employees received such training.

The Group established modern facilities for providing employees with training in occupational health, industrial and fire safety, civil defence and emergency situations, as well as first aid with the use of robot simulators. What is more, the Company uses modern digital formats for online training and runs thematic courses on issues such as accident investigation, violators education, and hazardous work.

Equally importantly, Segezha Group implemented a safety culture development project to eliminate the risk of potentially hazardous incidents and to optimise functions performed by its employees. As part of the undertaking, project managers were allocated and trained at a number of the Group's companies, and a random analysis of the employees' actual functions and responsibilities compliance with their job descriptions was carried out.

Fire Safety

Segezha Group takes a responsible approach to fire safety issues. The Company sets itself the following main goals in this field:

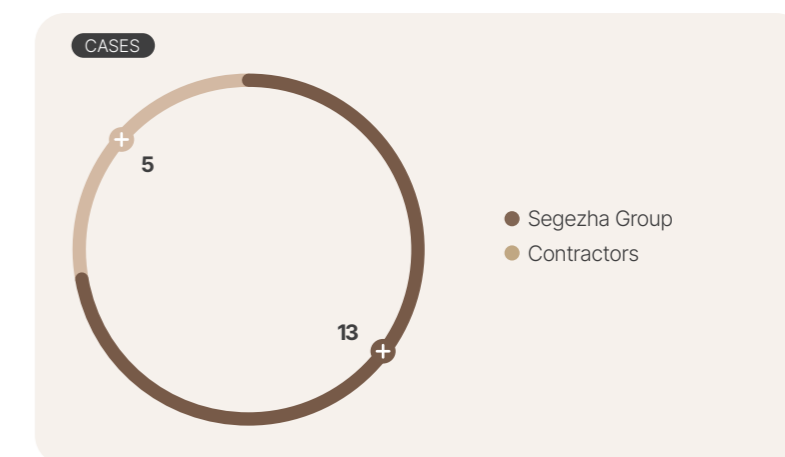
- ➔ prevention of fires at production facilities;
- ➔ ensuring that staff and assets are reliably protected from fire hazards.

Contractors Health and Safety Assessment

Segezha Group has a special standard in place that sets requirements for contractors at various stages of their engagement, including the selection stage. When carrying out works on the territory of Segezha Group's mills, contractors, their employees, and subcontractors are obliged to follow safety rules stipulated by national legal acts and the internal rules of the Group, with the obligations being incorporated into related service purchasing contracts.

Any breach of safety regulations by contractors is investigated individually by managers of Segezha Group. The Company acts in accordance with the findings and plans actions to prevent re-occurrence of incidents.

Violations of occupational health and safety requirements resulting in injuries to contractors' employees





187

EMPLOYEES received environment protection education in 2022

ENVIRONMENT PROTECTION

Over 2022, the Company pressed ahead with the implementation of the long-term strategy for environmental sustainability for 2021–2025.



RUB **555** M
environmental protection costs⁽¹⁾

Segezha Group's environmental strategy goals

- 01 Mitigate the environmental impact
- 02 Prevent the impacts of the environmental risks materialisation
- 03 Implement the principles of a cyclical economy based on renewable resources
- 04 Reduce GHG emissions
- 05 Bolster the Company's reputation as an environmentally responsible business

Key Principles of Segezha Group's Environmental Strategy

- ✓ compliance with environmental regulations and requirements, and prevention of adverse environmental impact in accordance with the national standards
- ✓ objectivity of assessment and timeliness in informing senior staff
- ✓ promptly informing senior staff of possible environmental risks and of effective ways to detect and address such risks
- ✓ consideration of the environmental factors in investment activities planning, the analysis of other environmental expenditures
- ✓ compliance with the regulatory framework, principles, policies, and approaches in the field of environment with the international best practices and recommendations
- ✓ optimally organised, transparent internal reporting system, regular environmental audits and corporate environmental monitoring
- ✓ balancing the environmental and economic interests of the Company
- ✓ interaction with governmental bodies, public and other organisations on environmental protection issues, taking into account the economic interests of the Company
- ✓ identification and mitigation of the environmental risks

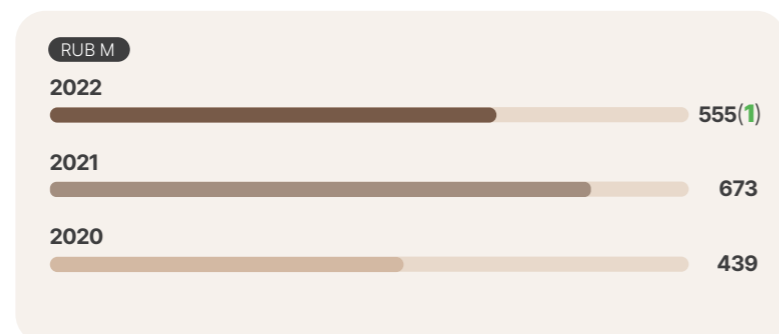
⁽¹⁾ Excluding LLC TimberTrans.



Environment Protection System Development

Segezha Group adheres to a sustainable development approach, which is based on a responsible attitude to the protection of the environment and the natural resources for the future generations. The key document governing Segezha Group's environmental work is the **Regulation on Organising Environmental Safety**, which sets out the Company's commitments.

Environmental protection costs



Capital Investment Management Based on ESG Effects Evaluation

Environmental factors are taken into account in Segezha Group's integrated ESG assessment process when planning production development. The Group's greenfield and brownfield projects for production facilities include environmental targets. In the process of assessing the potential environmental impact, the Company actively engages with stakeholders.

Adverse impact on the environment is targeted through actions organised by all Segezha Group's mills on an on-going basis:

- polluting emissions control;
- checking the efficiency of gas cleaning systems;
- collection and transportation for handling or landfilling industrial waste;
- controlling the quality of waste water;
- monitoring the status of a river or a lake on a regular basis, cleaning the shoreline from garbage;
- cleaning up the production site and the surrounding territories.

Segezha Group's Commitment to Environmental Safety



✔ Prioritising environmental safety over other Company's goals and objectives

Measures undertaken

- ✔ Prevention of accidents and man-made disasters negatively affecting the environment
- ✔ Ongoing monitoring and analysis of the environmental safety of the Company's assets
- ✔ Minimisation of negative impact and potential environmental damage by adopting the best available technologies

✔ Strict observance of all applicable legislative requirements by the Company and contractors

Measures undertaken

- ✔ Compliance with the legal requirements and regular reporting on the environmental impact. Disclosure of information on production and consumption waste, environmental costs, organisation and results of the environmental control and other areas of environmental management
- ✔ Provisions related to sustainability issues and requirements are included into contracts and agreements with suppliers. In the event that suppliers or contractors do not fulfil related obligations, Segezha Group is entitled to terminate the contract

✔ Open dialogue with related parties in regard to environmental protection issues

Measures undertaken

- ✔ Public hearings, consultations, or other applicable forms of interaction are held in order to evaluate the potential impact of development projects on the environment
- ✔ Interactions with stakeholders within public organisations, including the Public Environmental Council of the Segezha Municipal District Administration

✔ Identification and evaluation of risks to the environment, minimisation and mitigation of possible consequences should they occur

Measures undertaken

- ✔ Environmental factors are considered in greenfield and brownfield project planning
- ✔ Comprehensive inspections, internal and external audits, evaluation and analysis of environment pollution and pollutants concentration monitoring are carried out

(1) Excluding LLC TimberTrans.

The Group's Sustainable Development Strategy Areas

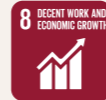
01 Innovative forestry business



ESG evaluation criteria

- ✔ Level of customer service (delivery time, product quality)
- ✔ Production of new products with improved quality/environmental performance

02 Comfortable life in Russia's forested regions



ESG evaluation criteria

- ✔ Significant impact on the urban environment or the cultural heritage (construction noise, traffic patterns)
- ✔ Social security (taxes, staff positions, career opportunities, medicine, occupational safety, incentives and benefits etc.)

03 Climate-based forest management and production



ESG evaluation criteria

- ✔ Significant changes in the emissions, use, and discharges of water, waste generation, use of energy
- ✔ Application of the principles of circular economy, recycling of materials
- ✔ Compliance with the best available technologies
- ✔ Impact on forest and aquatic eco-systems, biodiversity

04 Responsible supply chain in the forest industry



ESG evaluation criteria

- ✔ Significant influence of project suppliers on ESG issues (occupational safety, formal employment, compliance with migration legislation, environmental protection)
- ✔ Change in the share of local, small, and medium-sized enterprises among suppliers and contractors

Sustainable Forest Management

Segezha Group takes into account the provisions of the Russian forestry legislation in discharging its forest management activities. Russia's fundamental regulatory documents in this area are the Forest Code of the Russian Federation⁽¹⁾, the regional forest plans⁽²⁾ and forestry regulations⁽³⁾.

The state provides forest areas for timber harvesting on a lease basis. In accordance with the Forest Code of the Russian Federation, forests are exploited in a manner ensuring their multipurpose, rational, sustainable use with respect to the intended purposes and the useful functions performed by them. The Code regulates that exploitable forests are to be utilised with the aim of sustainable and maximum effective production of high quality raw materials and timber products, while preserving the useful functions of forests. It establishes the norms for the permissible withdrawal of wood resources with the aim of preserving natural and natural-anthropogenic sites; ensuring the sustainable functioning of natural ecological systems and preventing their degradation.

The Company aims to make the most efficient use of leases in forests designated for harvesting without compromising their protective functions.

Segezha Group's activities impact a wide range of stakeholders, including indigenous minorities. The Company seeks to maintain an effective dialogue with stakeholders and take their views into account in its activities. In particular, the Group engages with the Veps⁽⁴⁾ in the Vologda region, with the indigenous peoples of the North, the Evenks⁽⁵⁾, in the Irkutsk region on issues related to forestry operations in the leased and controlled areas.

For more information on the intended use of forests managed by Segezha Group, please see [Annex 1](#) on page 246.

During 2022, the next **round of forest management activities** was completed by Segezha Group for a total area of

2,281 THS HA

aimed at **updating the forest inventory data**, as well as at designing measures for rational use, reproduction, conservation and protection of forests, increasing their productivity and sustainability



⁽¹⁾ The Forest Code of the Russian Federation – see [Glossary](#) on page 282.

⁽²⁾ The Forest Plan of the region – see [Glossary](#) on page 282.

⁽³⁾ Forestry regulations – see [Glossary](#) on page 282.

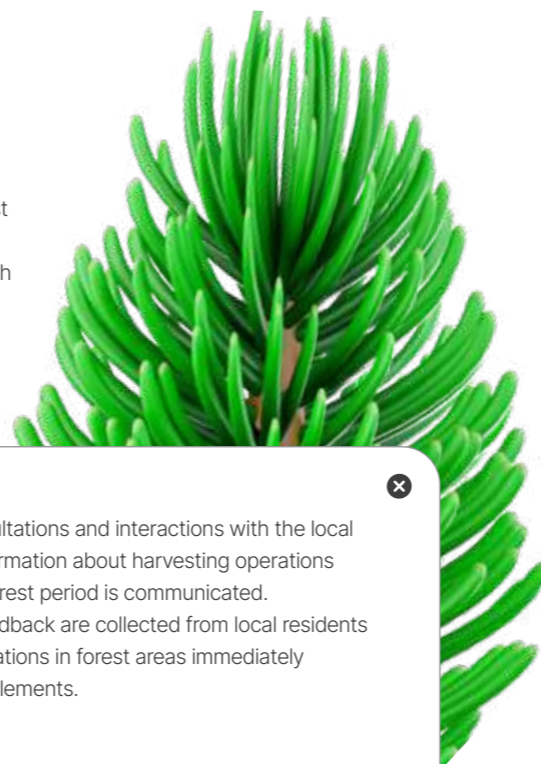
⁽⁴⁾ The Veps – see [Glossary](#) on page 284.

⁽⁵⁾ The Evenks – see [Glossary](#) on page 282.

Intensive Use of Forests

Since 2019, the Company has been developing an intensive forest management model in forest leases in the Republic of Karelia. The adoption of intensive forest management practices reduces the harvesting operations expansion to unexploited forests,

conserves the biodiversity and natural eco-system of forests, while also reducing the risks of fires. The intensification of forest management operations is implemented through improving conditions for tree growth by the means of special forestry practices, such as clearing and thinning.



Prevention of Illegal Logging

Segezha Group is creating an effective system to combat illegal logging in the regions where it operates. The Company conducts regular inspections of forest areas and collects information on illegal activities from local residents. Also, special checkpoints have been established at the borders of forest areas leased by the Company, which control vehicles passing through forestry roads.

During public consultations and interactions with the local authorities, the information about harvesting operations planned for the nearest period is communicated. Complaints and feedback are collected from local residents about logging operations in forest areas immediately adjacent to the settlements.

The introduction of the intensive forest management model allows to:

- ✔ **better forest productivity**, i. e. hike growth rates, including through qualitative improvements in the standing stock composition;
- ✔ **boost carbon sequestration** by forest eco-systems compared to a normal natural forest scenario or traditional forest management practices;
- ✔ **expand logging volumes** through the middle-aged forests cut, which is now possible according to new regulations and based on new technology;
- ✔ **reduce the wood transportation cost** from the logging site to the mill gate by reducing transport distances and using the existing forest infrastructure;
- ✔ **partially abandon the purchase of expensive pulpwood** by raising the volume of logging in areas located close to the mill;
- ✔ **ameliorate the species and assortment composition** of the standing stock;
- ✔ **reduce the risk** of fire outbreaks during fire-hazardous periods;
- ✔ **provide new employment opportunities** for local people in forest settlements by raising the number of own and contractors' employees to carry out additional work in allocating plots for logging, forest valuation, timber harvesting and transporting, reforestation, and the care of forests.



Wildfire Prevention and Control

Segezha Group has implemented a comprehensive programme to prevent forest fires. The Company employees carry out the following activities:

- ➔ provide designated recreation facilities and smoking areas for forest visitors;
- ➔ post notices to provide information about forest fire prevention measures;
- ➔ lay and renew mineralised strips;
- ➔ build and maintain fire prevention roads on the territory of forests leased by the Company.

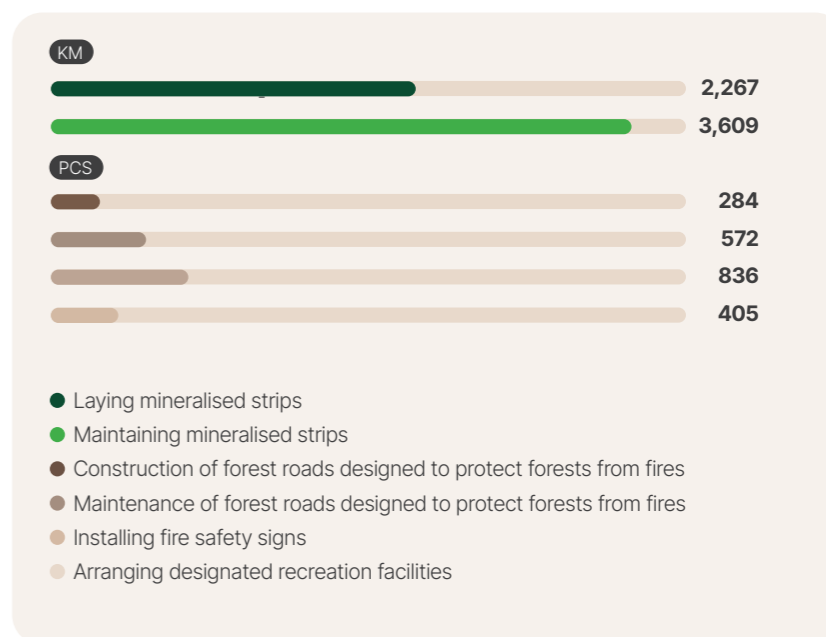
Volunteer fire brigades from among the Company's staff are established every year for rapid responses to wildfire outbreaks and for undertaking primary measures of fire suppression.

The year of 2022 was marked by serious fire hazard conditions. The Company seeks to contribute to combating climate change and to ensuring the sustainable management of eco-systems, which is why it assisted in extinguishing wildfires on territories outside its leases in regions where it operates. Fire detection specialists and machinery were assigned for this purpose.

Number of fire outbreaks and area of fires

	2020	2021	2022
Number of fire outbreaks, Russia	14,811	15,112	12,528
Number of fire outbreaks, Segezha Group	43	91	64
Area of fires, Russia, ths ha	9,267	10,059	3,345
Area of fires, Segezha Group, ths ha	3	16	2

Fire prevention measures in 2022



Reforestation

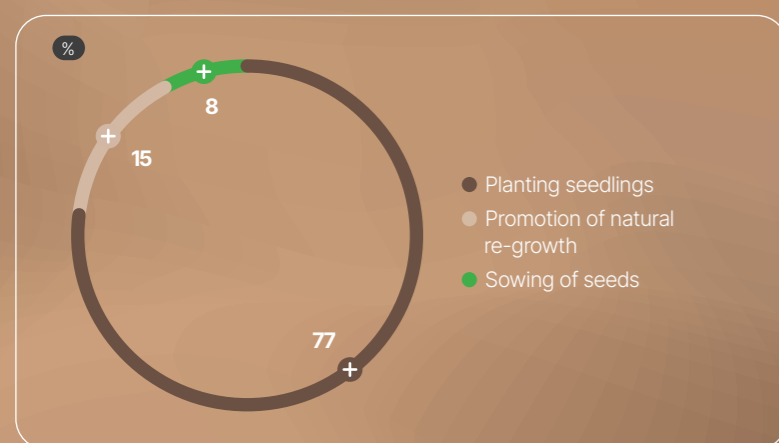
Throughout the course of 2022, Segezha Group's reforestation area was expanded by 97%, to 68.7 ths ha, following the increase in the number of forest leases and the volume of harvesting operations. At the same time, the efficiency of reforestation activities was improved. In 2022, reforestation costs skyrocketed five-fold, to RUB 778 m.

Reforestation area **THS HA**
and reforestation/harvesting area **%**

97%
growth over the previous year

69
THS HA
104%

Reforestation expenses in 2022



For more information on reforestation activities, please see [Annex 1](#) on page 246.

29
THS HA
90%

35⁽¹⁾
THS HA
110%

⁽¹⁾ The reforestation area in 2021 does not include the reforestation of LLC Inter Forest Rus, which joined the Group on 28 December 2021.

Segezha Group's Forest Nursery in Sharya, the Kostroma region

Efficient forest management and reforestation are among the priorities of Segezha Group.

As part of the seed centres development project to produce tubed seedlings, the Company inaugurated a forest nursery in Sharya, in the Kostroma region. In 2022, seeds of European spruce were sown. The first two million tubed seedlings will be used by the Group's companies in 2023 for forest cultivation. Once the forest nursery reaches full capacity, the number of seedlings will reach four million. This will meet up to 100% of the Group's demand for tubed seedlings in the Vologda, Kirov, and Kostroma regions in accordance with the 2024 forest regeneration regulations.

Tubed seedlings are grown in special containers and are outplanted without removing the roots from the containers. The use of containers prevents the damage. Tubed seedlings quickly adapt and begin to grow. They are easy to transport and have high survival rates.

4 M PCS
SEEDLINGS

full capacity of the forest nursery in Sharya



Maintaining Biodiversity

Segezha Group is attentive to biodiversity conservation. The Company's lease area is home to Red Book species: reindeer, roe deer, white-tailed eagle, golden eagle, peregrine falcon, eagle owl, and other animals; pinniped nectar, lobaria pulmonaria, lady's slipper orchid, and other plants. The protection regime for each leased area is developed in accordance with national legislation and with the involvement of stakeholders.

For more information on the number of species included in the Red Book of the Russian Federation that are prospectively inhabiting areas affected by Segezha Group's operations in 2022, please see [Annex 1](#) on page 246.

ISO Certification

Four new enterprises of the Group were included in the ISO integrated management system in 2022: the Galich Plywood Mill, Krasfan, the Novoyeniseiskiy Wood-Chemical Complex, and Segezha Packaging's branch in Lobnya. Thus, 17 entities of the Group, including PJSC Segezha Group, hold certificates of compliance with ISO 9001:2015 (quality management), ISO 14001:2015 (environmental management), and ISO 45001:2018 (health and safety management) standards.

⁽²⁾ SFMRU/38200 – see [Glossary](#) on page 282.

Voluntary Forest Certification

Segezha Group implements a programme of sustainable forest management, forestry operations, and timber origin control, including the voluntary forest certification, provided that the requirements of the national legislation are fulfilled.

Given its commitment to the UN Sustainable Development Goals and as a member of the UN Global Compact, Segezha Group has decided to systematically test the domestic voluntary forest certification system SFMRU/38200⁽²⁾. This combination of standards will preserve the principles of sustainable forest management and the chain of custody through the use of:

- ✓ forest management standards specific to boreal forests;
- ✓ independent recognised supply chain standards based on an internationally acknowledged certification institute (International Organisation for Standardisation, ISO).

The combination of SFMRU/38200 certification and the implementation of the international supply chain standard ISO 38200, as they are finalised and harmonised with the evolving Russian regulatory framework for forestry relations and standardisation, can be an effective tool for proper risk management throughout the forest products supply chain.

Should the pilot projects for the transition to the new certification standard yield positive results, Segezha Group plans not only to carry out this approach for all controlled forest areas and timber/timber products supply chains, but also to expand the voluntary forest certification schemes

coverage to 100%. In addition, the Group fully shares the position on the need for the development of a single consolidated approach to the goals and objectives of responsible forest management systems at a national level.

Water Resources

The potential water-related risks are an urgent predicament that has become a global challenge.

The Group has been assessing water stress zones since 2022, including through statistical databases⁽¹⁾.

In 2022, Segezha Group companies were located in the areas of the following water bodies: in Russia – the Onega Bay, the Volga, Lena, Yenisei, Angara, Oka, Onega, and Don rivers; abroad – the Rhine, Oder, Danube, Po, Stord, and Gediz rivers. Based on the audit results, most of the Group's enterprises were at a low level of water stress (<10%). The exceptions are the four paper packaging plants in the Czech Republic, Denmark, Turkey, and Romania⁽²⁾, and the Segezha Packaging branch in Salsk, the Rostov region.

Maintaining aquatic biodiversity

During all of 2022, the Group's entities in the Krasnoyarsk region took part in events organised as part of the compensatory environmental programme for the reproduction of aquatic biological resources and habitat. In September, 12.6 ths Siberian sturgeon fry were released into the Prutovsky Shallow Water Area, a specially protected natural area created in the Yenisei District of the Krasnoyarsk region to preserve the population of valuable fish species (Siberian sturgeon, sterlet, whitefish, tugun) and their natural habitat.

Over three years, Segezha Group has released more than 320 ths sturgeon and grayling into the natural habitat of the Yenisei District.

Amount of energy resources used

The total consumption of energy resources increased in 2022 following the acquisition of LLC Inter Forest Rus, a sawn timber and plywood manufacturing company.

At the same time, total energy costs were roughly the same as in 2021 on the back of the efficient use of renewable fuels in energy consumption. In 2022, the use of fuelwood and wood as a raw material doubled year-on-year within the Group. Fuel oil consumption significantly decreased at the Segezha Pulp and Paper Mill, whereas the Vyatsky Plywood Mill doubled the use of fuelwood in the company's energy system.

For more information on energy consumption, please see [Annex 1](#) on page 246.

Amount of energy resources used at the Segezha Group's entities

	2020		2021 (3)		2022	
	GJ	RUB M	GJ	RUB M	GJ	RUB M
Total energy consumption	26,381,387	8,005	26,281,517	11,771	33,862,570	12,645

Greenhouse Gas Emissions

As part of measures undertaken to address climate change and assess absorption, Segezha Group has regularly calculated greenhouse gas emissions since 2020 in accordance with the GHG Protocol, IPCC and national guidelines for estimating Scope 1, 2, and 3 greenhouse gas emissions. The calculations are based on an internal climate reporting system that takes into account all aspects of the Group's operations. Data are recorded in accordance with GRI principles and disaggregated between production and forestry emissions.

Significant changes to the Company's geographical coverage due to major M&As have made it necessary to re-estimate emission inventory and adjust the internal climate reporting guidelines. The calculation methodology has also been upgraded to include as much detail as possible.

For more information on direct emissions by business area, please see [Annex 1](#) on page 246.

Scope 1 and 2 greenhouse gas emissions by business area

EQUIV.T OF CO ₂	2021	2022
	Paper and Packaging	667,836
Plywood and boards	58,038	69,907
Forestry Management and Woodworking, Laminated Wood Products	240,518	221,738
Forest Resources	108,860	91,962
Energy	137,370	145,932
Other	23,163	22,563

(3) Data for 2021 include assets of JSC Novoyeniseyskiy Wood-Chemical Complex, which became part of the Group in 2021.

All Group companies are committed to reducing their use of water. Mills located in water stress areas are undertaking certain groups of initiatives to reduce their impact on water resources:

- 01 use of faucet aerators to save domestic water use;
- 02 use of water heated to 35–45°C for washes, thus reducing the amount of water needed to clean the equipment components;
- 03 washing equipment components by pre-soaking the parts to facilitate the removal of dirt and consequently to save water;
- 04 inspection of shut-off valves by maintenance personnel for leaks;
- 05 use of water consuming equipment with a pulse flow meter, enabling the control of the water consumption for each glue-making session.

Total water withdrawal of Segezha Group in 2022 and its sources

THS CU M	2020	2021	2022
Total water withdrawal (water intake), including:	58,678	58,961	54,726
from natural sources (surface water, groundwater, rainwater)	53,127	52,489	50,897
water from third parties (municipal and other water supply systems)	5,551	6,472	3,829

(1) Using statistics from the Aqueduct tool, part of the World Resources Institute's water programme, which provides analytics for corporate water management: www.wri.org/applications/aqueduct.

(2) Withdrew from Segezha Group on 22 February, 2023.

The Decarbonisation Strategy until 2030

In December 2021, the Group's Strategy and Sustainable Development Committee approved the concept of the Decarbonisation Strategy until 2030. The concept envisages bringing Scope 1 and 2 emissions to net-zero by 2030, taking into account uptake by carbon deposit products. The outcomes of the regular greenhouse gas emissions and their sources inventory are the basis for the roadmap for the strategy implementation.

The roadmap was updated and developed in 2022, providing for:

- introduction of the best energy management practices, modern energy saving, and the best available technologies;

- full utilisation of secondary fuels (bark, sawdust, black liquor, secondary resources from biological effluent treatment, etc.);
- phasing out the use of fuel oil and other fossil fuels by 2030;
- increasing the share of durable products, as well as those produced using recycled materials;
- using renewable sources of energy.

Carbon Absorption Capacity of the Leased Forests

Segezha Group's operations in the Republic of Karelia result in a net excess of greenhouse gas uptake over emissions in all forest growth scenarios⁽¹⁾. The amount of the net uptake in this region varies, depending on the forest growth scenario from 2.95 m t CO₂e/year to 1.57 m t CO₂e/year from 2016 to 2020.

Once the market for carbon units in Russia is established, the Company will be able to take advantage of the tangible financial and economic benefits from the commercialisation of the carbon potential of forests. The Company is working on several issues related to potential land-use projects: accelerating forest regeneration in areas where reforestation is difficult, establishing sustainable forest management practices for areas where the intensive model is being implemented, reducing the frequency of wildfire occurring⁽²⁾ by improving fire prevention, monitoring and extinguishing, etc.

For more information on the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code, please see [Annex 2](#) on page 249.

Introducing Cyclical Economy Principles

Segezha Group creates its own products that meet the principles of environmental sustainability. In addition, the Company actively uses secondary resources in its operations.



Climate-neutral building materials: plywood and CLT-panels

Provided that all environmental requirements are met in the production process, CLT-panels are a climate-neutral building material. They are reported to contain 610 kg less of embodied carbon per sq m of product.



Renewable energy sources: pellets and wood chips

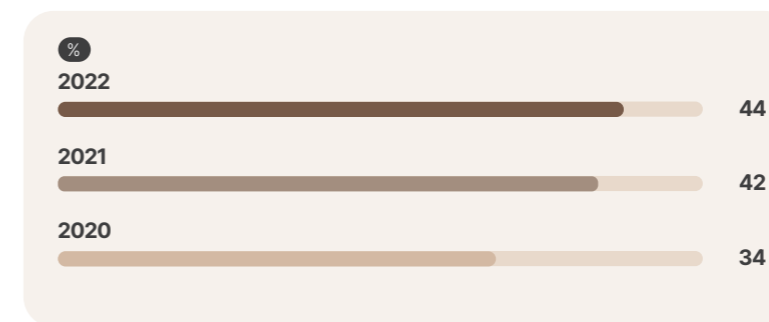
The use of sawmilling waste, such as pellets and wood chips, for energy generation reduces the Company's Scope 1 carbon footprint according to the international principles for calculating greenhouse gas emissions. It also reduces Scope 2 and 3 emissions when motivated to switch to renewable energy sources along the supply chain.



Cyclical economy and renewable materials: forest chemicals

The Group's pulp and paper mills produce a number of high-value-added by-products during pulp manufacturing, including lignosulphonates.

Revenue from sustainable products in the Group's portfolio⁽¹⁾



Waste Management

In 2022, the Company will keep the amount of Hazard Class I-III hazardous waste at the same level as in 2021. The Group is developing effective methods of waste management. In 2022, 22% (348,906.57 t) and 42% (650,392.56 t) of the total waste mass was allocated to reuse and to incineration with energy recovery, respectively.

The total mass of waste by hazard class is presented in [Annex 1](#) on page 246.

Environmental Development Plans

01 Continuation of the strategic and operational investment programme, to include the introduction of mitigation technologies

02 Further work on obtaining a complex environmental permit for the Segezha and Sokol paper mills

03 Updating the list of the Group's sustainable (green) projects including the environmental effect targets, the substantiation of the methodology for calculating the environmental effect, the criteria for identifying and managing potential project risks, including the application of sustainable financing instruments

04 Annual mandatory reporting of greenhouse gas emissions in accordance with the provisions of Federal Law No. 296-FZ of 2 July 2021 on limiting greenhouse gas emissions

05 Testing of existing national voluntary forest certification systems for forest management, including the SFMRU/38200 certification system based on the ISO standard and local forest management and forestry standards

06 Participation in the development of new national standards for voluntary forest certification

07 Assessment and verification of the carbon footprint of CLT-panels produced by Segezha Group

08 Deciding whether to undertake a climate project in one of the areas in which the Company is making additional efforts to reduce CO₂ emissions and increase uptake

09 Implementing a scenario-based assessment of the Group's climate risks

⁽¹⁾ According to the 2021 assessment. To calculate emissions and uptake from forestry operations, the VM10 guidelines for Improving Forest Management was used, namely: Transition from Harvested Forests to Protected Forests (VCS 2016). This methodology estimates not only forest carbon emissions and uptake, but also emissions of harvested wood (Harvested Wood Products), as well as energy and fuel from harvesting, transporting and processing operations. The following carbon footprints were selected for the pilot project.

⁽²⁾ Wildfire occurring – see [Glossary](#) on page 284.

⁽³⁾ Includes climate-neutral, long-life materials and products made from recycled materials, biofuels.



COMPLIANCE AND BUSINESS ETHICS

Segezha Group believes that honest and open interaction with all stakeholders, adherence to the best corporate governance practices and business ethical norms, and maintenance of a high level of corporate culture contribute to cementing the Company's business reputation and to improving its position in key sales markets.

Guiding Ethical Principles

The Group has a Code of Ethics in place, carries out mandatory annual ethics certification, audits annual accounting and financial statements, while also monitoring, identifying and resolving cases that are or may be the cause of conflicts of interest. In addition, the Policy on Preventing and Combating Corruption was updated in 2022.

Countering Corruption

Segezha Group has a continuously evolving anti-corruption system in place that combines organisational, economic, legal, and informational measures.

In its day-to-day activities and when implementing projects around the world, Segezha Group fully commits itself to the principle of zero tolerance for corruption.

The company anticipates compliance with the fundamental values and principles of sound and just business conduct from both employees and all business partners. In addition, the principle of zero tolerance for corruption applies to interactions with all stakeholders, including bidding participants, investors, counterparties, and government representatives.

Compliance with the anti-corruption system is monitored by the Security Department jointly with the Internal Audit Department.

In May 2022, Segezha Group joined the All-Russia Association of Employers Russian Union of Industrialists and Entrepreneurs (OOR RSPP). The anti-corruption policy reflects the commitment of RSPP, its management, and member companies to high ethical standards and the principles of open and honest business conduct, while contributing to maintaining the positive business reputation of its members and improving their corporate culture and corporate governance.

Membership in this organisation will enable Segezha Group to team up with like-minded experts to advance the Russian business environment, while also helping maintain effective social and labour relations within the Group.

Anti-Corruption Regulating Documents(1):

- ✓ Preventing and Combating Corruption Policy;
- ✓ Anti-Corruption Concept;
- ✓ Code of Conduct;
- ✓ Code of Internal Control and Audit;
- ✓ Regulations on Internal Investigations.

Guiding Ethical Principles

01 TRUST



During its existence, Segezha Group has managed to build amicable partnerships with its shareholders, investors, and employees, and is looking forward to their further maintenance, strengthening and development.

02 OPENNESS



Segezha Group complies with modern information disclosure standards, while striving for the maximum level of information transparency. A transparent information policy guarantees the right of all stakeholders to receive reliable and up-to-date information about Segezha Group's activities.

03 IMPARTIALITY AND OBJECTIVITY



All decisions, including the selection of counterparties and partners, the composing of terms of interactions with them, personnel-related and administrative decisions are made under transparent and fair market conditions, without unreasonable preferences or prejudices, while being based on professionally reasoned judgments.

04 PROFESSIONALISM



Segezha Group employees are one of the Company's core assets. It is their competence, professionalism, cooperation, and team spirit that make it possible to achieve the goals set and ensure the stable development of the Group. All decisions in the Company are made on the basis of duly verified data and professionally substantiated judgments.

05 RESPECT TO EMPLOYEES



The human resources policy features the provision of equal opportunities to all employees regardless of their national and religious affiliation, political views, personal convictions, gender, and age.

06 RENOUNCING CORRUPTION AND UNFAIR COMPETITION



Segezha Group has zero tolerance for corruption, bribery, and fraud, and implements measures to counteract them in the supply chain.

(1) The documents were elaborated in accordance with the Russian and international legal frameworks: the United Nations Convention against Corruption, OECD Anti-Bribery Convention that criminalises bribery of foreign public officials in international business transactions as well as the UK Bribery Act 2010, regulations of the Serious Fraud Office (SFO) in the UK, the U.S. Foreign Corrupt Practices Act, the Council of Europe Criminal Law Convention on Corruption.

Segezha Group's employees trained in and tested for business ethics and anti-corruption knowledge¹



Employees undergo regular training and testing on corporate ethics and anti-corruption requirements, including learning how to submit an Ethical Declaration of Conflicts of Interest.

2,394
GROUP EMPLOYEES were tested on business ethics and anti-corruption matters in 2022

Anti-Corruption Instruments and Measures

Segezha Group adheres to the principle of zero tolerance to corruption and considers dishonest and illegal ways of doing business unacceptable.



Anti-Corruption Measures

- ➔ Monitor information from whistleblowers on potential corrupt behaviour by employees
- ➔ Evaluate corruption risks on a regular basis
- ➔ Monitor and control investing, procuring, and contracting activities
- ➔ Supervise activities of all participants in bidding
- ➔ Include the anti-corruption clause into contracts
- ➔ Oversee contract negotiating processes, check counterparties for affiliates, identify corruption risks
- ➔ Publish disclosures on the official website
- ➔ Provide opportunities for reporting potential violations on the condition of anonymity
- ➔ Centralise information on counterparties within the 1C Holding Management information software
- ➔ Conduct Complex employee analysis, including during the recruitment process
- ➔ Educate staff on anti-corruption practices and test their knowledge

⁽¹⁾ Employees of the Group's Russian assets who have been trained in business ethics and anti-corruption.

Universal Hotline

Universal Hotline (UHL) is the main anti-corruption instrument of Segezha Group. It contributes greatly to preventing potential violations by informing Segezha Group management and officials of potential risks in a timely manner.

Checking Counterparties

With the aim of minimising corruption risks, the Security Department has established and is conducting a mandatory system to check counter parties for affiliates and identify corruption risks.

Universal Hotline

Information Channels

Email: hotline@segezha-group.com

Phone: [+7 \(911\) 053-33-00](tel:+7(911)053-33-00)

Mailing address: 23112, Russia, Moscow, Presnenskaya naberezhnaya, 10, block C. PJSC Segezha Group, to be marked Universal hotline

Website <http://segezha-group.com> Hotline section



1,249
MESSAGES

In total, in 2022, the Universal Hotline

At the same time, 86 corruption-specific messages were examined. The reported corruption component was not confirmed.

4,323

counterparties where vetted, of those 81 were not recommended for commercial relationships in 2022

Corruption reporting system (Universal Hotline) and its results

	2020	2021	2022
Total messages received by the Universal Hotline	1,582	1,690	1,249
Corruption-specific messages received by the Universal Hotline, qty	50	53	86
Prevented/Detected/Recovered Damage, RUB m	278.8/3.4/0.0	0,7/1,2/0.0	6.1/0.5/0.3
Disciplinary action taken against staff members, qty	2	-	1

Checks for wrongful acts and their outcomes

	2020	2021	2022
Number of checks for wrongful acts (misconduct)	178	269	559
Outcomes of checks for wrongful acts (confirmed misconduct cases)	4	17	72 ⁽²⁾

⁽²⁾ Criminal proceedings were brought.



RESPONSIBLE PROCUREMENTS

6,271
total number of procurement proceedings

76%
+ 14 p. p.
the share of procurement from Russian suppliers

85%
+ 5 p. p.
are carried out from Russian companies, including Customs Union companies

Segezha Group makes efforts to ensure the sustainability of its supply chain through a commitment to responsible procurement. Segezha Group develops cooperation with contractors and suppliers, focusing on the transparency of procurement procedures and ensuring fair competition. In doing so, the Group adheres to a responsible approach to selecting suppliers, contractors, and manpower.

Throughout 2022, a new set of regulations for Segezha Group's procurement activities was fully updated and approved: additional control measures were defined, mechanisms for applying new procurement tools (options, additional volumes of work and services, etc.) were clarified, work on low-cost procurement was described in more detail, etc.

Thus, Segezha Group's procurement activities are governed by internal regulatory documents based on Russian

and international best practices, and taking into account the requirements of Russian legislation in the area of forestry regulation:

- ✓ Procurement Policy;
- ✓ Regulation on Procurement Activities;
- ✓ Regulation on Collegiate Bodies;
- ✓ Regulations and instructions, including Standard forms to be used in procurement activities.

Use of **sustainability criteria / ESG** when selecting suppliers and contractors

Segezha Group promotes responsible business principles among its suppliers and assesses their adherence to these principles. When engaging with suppliers, the Group focuses not only on the technical and economic parameters of purchased materials or services, but also on sustainable development / ESG indicators.

When carrying out works at Segezha Group facilities, contractors' managers undertake to ensure compliance with occupational health and safety requirements, as governed by state regulations. The Company audits logging and forestry road construction contractors by inspecting the equipment, its condition, and availability of relevant permits from its operators.

ESG

23.6
RUB BN
total value of procurement in 2022

70%
procurements done through competitive bidding

3
average number of bidders

Basic principles for interaction with suppliers and contractors

01 COMPETITION



02 EQUALITY



03 ECONOMIC VIABILITY



04 TRANSPARENCY IN RELATIONS WITH SUPPLIERS



05 TRANSPARENCY OF PROCUREMENT PROCEDURES



06 ADHERENCE TO SUSTAINABLE DEVELOPMENT PRIORITIES / ESG



06 ADHERENCE TO THE ANTI-CORRUPTION POLICY





Procurement Performance in 2022

Despite the difficult economic and geopolitical situation, all Group's companies were fully supplied with the necessary materials and services in 2022, with purchases totalling RUB 23.6 bn.

When procuring services, materials, and equipment, Segezha Group gives preference to a competitive selection of suppliers and contractors, including through the use of an electronic trading platform (ETP). During 2022, the share of purchases made through competitive bidding procedures amounted to 70% of the total procurement. In addition, the Company largely refocused on local manufacturers of equipment and spare parts, significantly hiking the share of purchases from Russian suppliers, by 14 p. p. to 76%. The simultaneous reduction in the total number of procurement proceedings – by 60% year-on-year – is attributable to European suppliers abandoning cooperation with Russian buyers, the reorientation of logistics routes to alternative destinations, the redistribution of financial resources within the Company.

Over the course of 2022, the main challenge for Segezha Group in procurement was the shortage of process equipment, spare parts, and consumables supply due to geopolitical changes. Previously, they were purchased from international suppliers with a significant share of imported components.

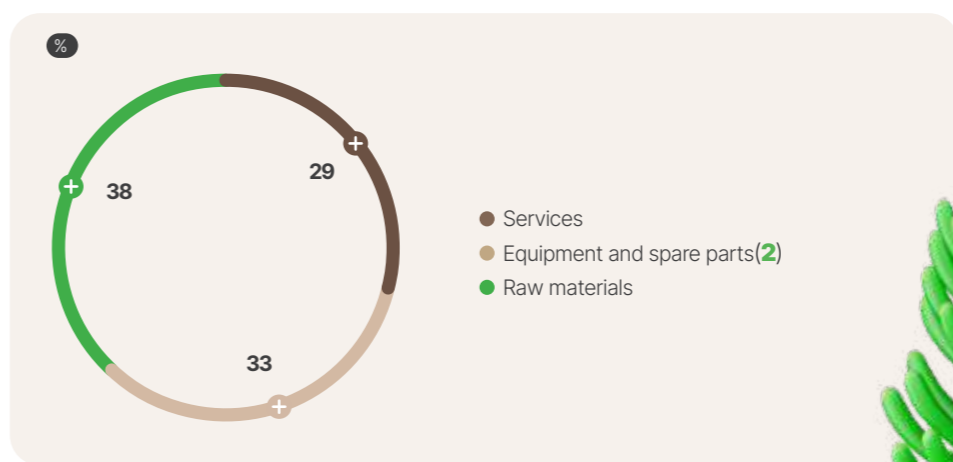
In particular, a number of foreign suppliers of process equipment closed their representative offices in Russia and refused to fulfil existing contracts or to enter into new contracts. Other equipment manufacturers maintained their presence in the Russian market, but adjusted the list of supplied items in accordance with existing sanction restrictions.

During the reporting year, Segezha Group was carrying out import substitution by replacing items from foreign suppliers with those from Russian ones and by using such methods as parallel import, reverse-engineering, and assembly replacement. What is more, the Company managed to reduce its investment risks by determining ex ante a minimum amount of advance payments to be made under signed contracts, as well as by measures aimed at refunding, offsetting advance payments, etc.

During 2022, the key suppliers of forestry machines used by Segezha Group stopped servicing them. The Company is executing a joint project with the Russian Ministry of Industry and Trade and a partner company to create analogues of logging equipment and timber trucks previously purchased from major international suppliers. Test operation is scheduled for the fourth quarter of 2023. In addition, options were elaborated on for the supply of logging machinery through parallel imports. A trial purchase of trucks from alternative suppliers was carried out.

In the course of 2022, with a view to ensure import substitution of imported software products in the field of procurement, the Programme of Procurement Process Automation was initiated and implemented. The programme covers stages from purchase ordering to delivery and warehouse logistics management. In particular, the first phase envisages automation of the procurement, review, and contracting processes.

Procurement structure in 2022(1)



Procurement Development Plans

Segezha Group's core competence and major focus in procurement is flexibility in addressing the current challenges and economic situation. Thus, in 2023, the Group plans to continue its efforts in import substitution, searching for new partners in Asia and Latin America, and developing cooperation with Russian suppliers with a view of creating new equipment and machinery.

In addition, Segezha Group plans to advance its inventory management, including the more active use of unclaimed production orders and sale of unclaimed stock. An important step will be to coordinate all divisions, from finance and production to IT, in terms of the automation and unification of regulatory and reference information.

(1) Total may not equal the sum of the components due to rounding.
(2) Equipment and spare parts – see [Glossary](#) on page 282.





CORPORATE

GOVERNANCE



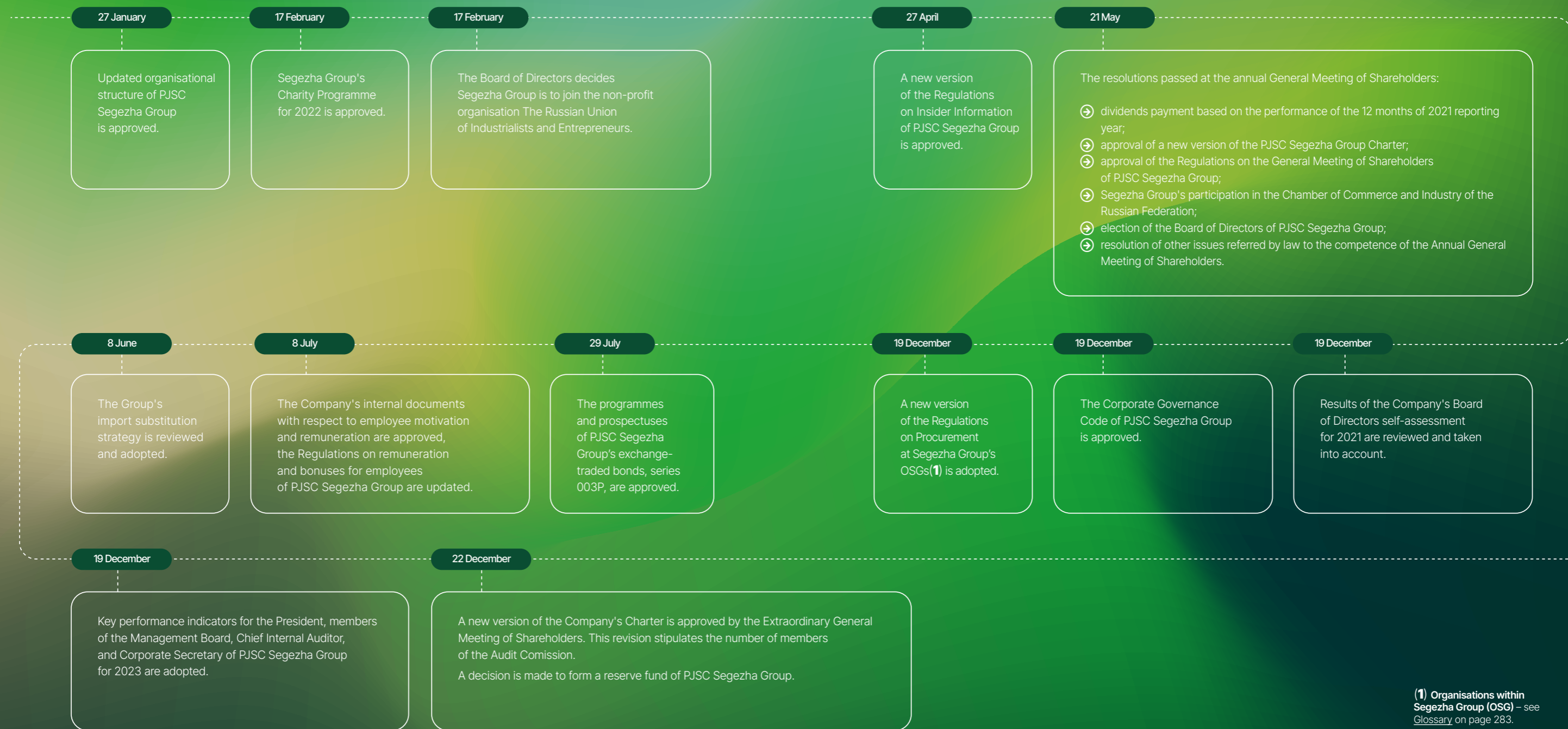
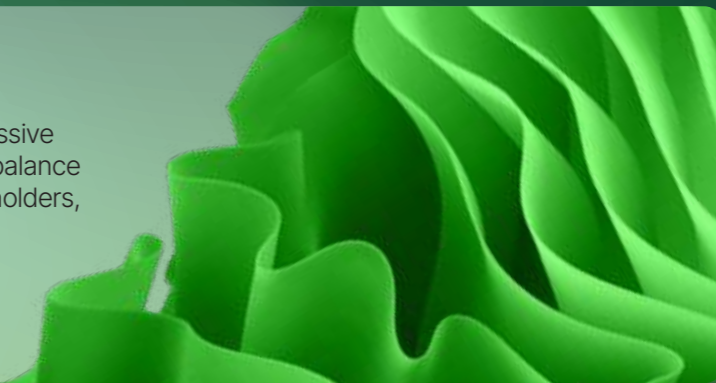
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KEY HIGHLIGHTS OF CORPORATE GOVERNANCE PERFORMANCE IN 2022

In the reporting year, Segezha Group maintained a high level of corporate governance framework, focusing on ensuring efficient and responsible business conduct, creating value for all stakeholders, maintaining trust-based relationships with investors, protecting shareholder rights and interests, and adapting to the changing economic and geopolitical environment.

The superior quality of Segezha Group's corporate governance ensures the progressive development of the Company, upholds a balance between the rights and interests of shareholders, investors and other stakeholders, while also making it possible to adhere strictly to the defined strategic priorities.



⁽¹⁾ Organisations within Segezha Group (OSG) – see Glossary on page 283.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of PJSC Segezha Group reiterates its ongoing commitment to comply with all requirements of the Russian legislation, as well as with the listing rules of PJSC Moscow Stock Exchange, while also following the best corporate governance standards.

The Company's corporate governance model ensures the efficiency of the entire corporate governance framework, defines the clear lines of authority and responsibilities of each governing body of PJSC Segezha Group, while also envisaging a mechanism for assessing their performance, along with establishing a risk management and internal control system. In addition, the model focuses on respect for the interests of investors and shareholders of the Company and on the observance of high standards of information disclosure.

By accepting and strictly observing the provisions of the Corporate Governance Code recommended by the Bank of Russia (hereinafter the Corporate Governance Code), PJSC Segezha Group's Board of Directors reaffirms its desire to promote the best corporate governance practices within the Company.

The degree of PJSC Segezha Group's actual compliance with the recommendations of the Corporate Governance Code is annually reflected

in the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code, which is reviewed and approved by the Board of Directors and is included in the Annual Report as an appendix. Compliance with the principles of corporate governance was assessed by analysing and comparing the Charter, internal documents of the Company, and available information with the principles and recommendations of the Corporate Governance Code⁽¹⁾.

PJSC Segezha Group and its Board of Directors believe that with the exception of provisions specified in clauses 4.2.2 and 4.3.2 of the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code recommended by the Bank of Russia (Annex 4 to this Report), the Company complied with the Corporate Governance Code during the reporting period. Matters regarding remuneration for members of the Company's Board of Directors, executive bodies, and other key managers using the Company's shares are currently being discussed and developed.

In 2022, PJSC Segezha Group worked extensively to improve its corporate governance: the self-assessment procedure of the Board of Directors was carried out, with its results approved;

the Regulations on the General Meeting of Shareholders were developed and approved; the Corporate Governance Code of PJSC Segezha Group was approved; a Senior Independent Member of PJSC Segezha Group's Board of Directors was elected; the Information Policy of PJSC Segezha Group was adopted; the provisions of PJSC Segezha Group's Charter were updated in order to improve the balance of corporate operational management between PJSC Segezha Group and its OSGs, focusing the Company's governing bodies on addressing strategy and improving business processes in key areas of activity. In addition, the procedures for assessing and analysing the compliance of candidates to the Board of Directors with independence criteria were improved in the reporting year. In the future it is planned to introduce

an assessment of the adequacy of the time spent by members of the Board to carry out their duties, along with an individual appraisal of each member of the Board.

In order to further strengthen the confidence of shareholders, investors, and other stakeholders, the Company goes beyond compliance with the Corporate Governance Code recommendations and bases its corporate governance practices on the principles of generally recognised Russian and international corporate governance standards.

For detailed information see the Corporate Governance Code Compliance Report (Annex 3 to this Report).



In 2022, measures to improve the corporate governance model and practices for 2023 were defined. In particular, PJSC Segezha Group set the following objectives to fulfil:

- ① form the Board of Directors taking into account the requirements and recommendations of the Bank of Russia and PJSC Moscow Stock Exchange on the composition of the Board of Directors, namely: independent directors shall constitute at least one third of the total number of the Board of Directors, with at least three independent directors; the Audit Committee and the Remuneration and Nomination Committee shall be headed by independent directors (deadline: no later than 30 June 2023);
- ② implement the practice of holding regular on-site events to increase the involvement of Board members in the Company's production and operational processes (holding at least one on-site Board meeting per year at Segezha Group's production sites) (deadline: no later than 31 October 2023);
- ③ include benchmarking of Segezha Group's peers in Europe and Russia in the analytical materials submitted to the Board of Directors to improve strategic decision-making processes (deadline: ongoing);
- ④ revise issues to be included on the agenda of the Board of Directors' meetings in terms of defining priorities for strategic development and ensuring financial sustainability (deadline: ongoing).



⁽¹⁾ Compliance with the corporate governance principles set forth in the Corporate Governance Code was assessed in accordance with the form of the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code, to be included in the annual report of a public joint-stock company, as recommended by the Bank of Russia.

Compliance with the Corporate Governance Code Principles of the Bank of Russia

	Conforms			Partially conforms			Does not conform		
	+			+ -			-		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Rights of shareholders and equal treatment of shareholders in exercising their rights	5	11	12	2	2	1	6	-	-
The Company's Board of Directors	11	26	29	11	9	7	14	1	-
The Company's Corporate Secretary	1	2	2	-	-	-	1	-	-
The system of remuneration for members of the Board of Directors, executive bodies and other key managers of the Company	3	8	8	1	-	-	6	2	2
Risk management and internal control system	-	6	6	3	-	-	3	-	-
Disclosure of information about the Company, Information Policy of the Company	2	2	5	4	4	2	1	1	-
Major corporate actions	4	5	5	1	-	-	-	-	-



CORPORATE GOVERNANCE FRAMEWORK

The corporate governance framework of Segezha Group complies with requirements of Russian law, the listing rules of PJSC Moscow Stock Exchange, the principles set forth in the Corporate Governance Code approved by the Bank of Russia, as well as with the best Russian and international practices.

Governance, management, and control in PJSC Segezha Group are exercised by shareholders via the General Meeting of Shareholders, the Board of Directors, the collective executive body (the Management Board), and the sole executive body (the President).

The corporate governance framework also includes committees under the Board of Directors and committees under the President, as well as the Audit Commission and Internal Audit Office.

governance system, primarily in terms of increasing the guarantee of shareholders' and investors' rights and focusing the Group's governing bodies on strategic issues, along with improving the functioning of business processes in key activity areas.

In 2022, Segezha Group continued to systematise and update the internal documents regulating its corporate

Key Principles of the Corporate Governance Framework

01 Accountability of the Board of Directors to shareholders



06 Strict adherence to the law



02 Equal and fair treatment of all shareholders



07 Clearly ensuring the rights of shareholders and potential investors



03 Ensuring corporate transparency



08 Respect for human rights and personnel care



04 Compliance with the principles of sustainable development, taking into account the views of stakeholders



09 Environmentally friendly and socially responsible business



05 Open and clear decision-making



10 Development of innovations



Developments in 2022

01 Charter

The new version of the Charter:

- competences of the governing bodies of PJSC Segezha Group were updated;
- qualitative and quantitative criteria for examining specific issues related to activities of PJSC Segezha Group and its OSGs(1) at the level of the Board of Directors and the Management Board were raised;
- techniques to be employed for strategic issues examining were further elaborated upon;
- number of members of the Audit Commission as a body supervising the financial and economic activities of PJSC Segezha Group was formalised.

02 Regulations on the General Meeting of Shareholders

This new document was developed and implemented to define the procedure for preparing, convening, holding, and counting the vote of the General Meeting of Shareholders of PJSC Segezha Group.

The Regulations endorse the status of the General Meeting of Shareholders as the supreme governing body of the Company, provide for regulations for holding meetings of the General Meeting of Shareholders, as well as for other issues related to the legal status of this governing body.

03 Corporate Governance Code

The document addresses and regulates issues related to the principles of the corporate governance framework of PJSC Segezha Group and its OSGs(1), outlines key corporate procedures implemented by governing bodies, as well as outlines the aspects of information disclosure, along with the protection of investor and shareholder interests.

Key objectives of the document:

- ensuring that the rights and legitimate interests of Segezha Group's shareholders and other stakeholders are protected;
- ensuring the availability of information about PJSC Segezha Group and its OSGs, their performance, and governing bodies, as well as on the procedure, principles of adoption, and content of key strategic decisions;
- creating an atmosphere of openness, trust, and cooperation in relations between PJSC Segezha Group, its shareholders, managers, investors, employees, counterparties, and other stakeholders.

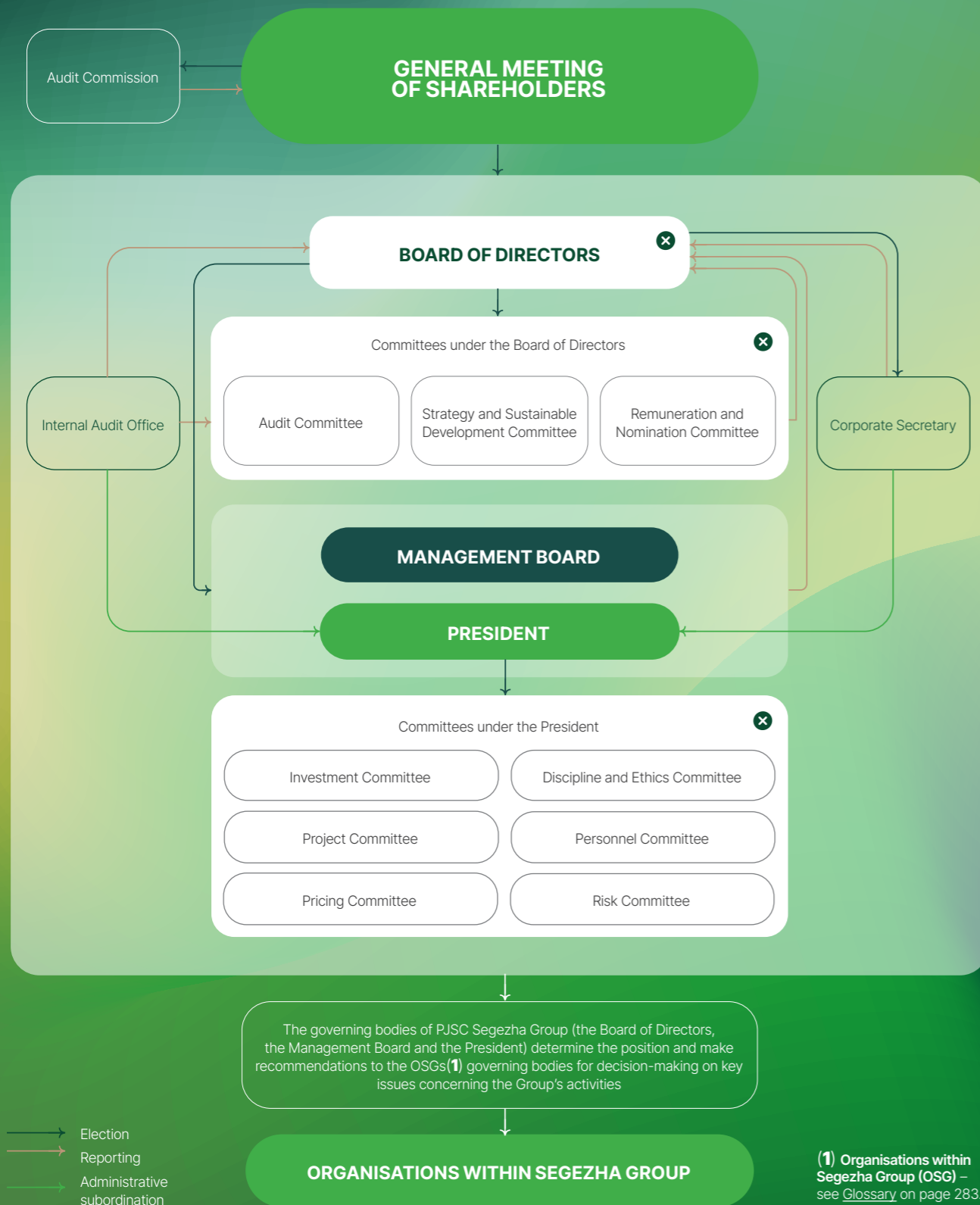
Documents regulating Segezha Group's corporate governance framework are presented on the Company's website: <https://segezha-group.com/investors/corporate-documents/>.



(1) Organisations within Segezha Group (OSG) – see [Glossary](#) on page 283.



MANAGEMENT AND CONTROL STRUCTURE OF SEGEZHA GROUP



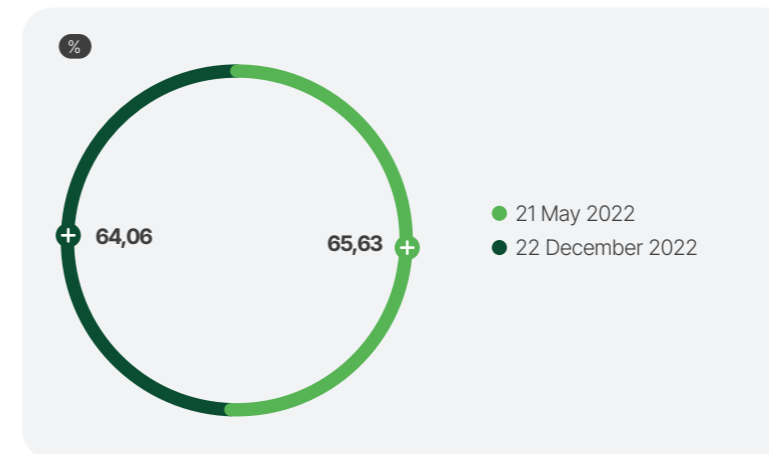
⁽¹⁾ Organisations within Segezha Group (OSG) – see Glossary on page 283.

GENERAL MEETING OF SHAREHOLDERS

In its activities, the General Meeting of Shareholders operates in compliance with the laws of the Russian Federation and abides by the Company's Charter. The procedure for holding the General Meeting of Shareholders aims to ensure the rights of all shareholders.

Two meetings of the supreme governing body were conducted during 2022. The Annual General Meeting of Shareholders was held on 21 May 2022 (Minutes No. 1/22 of the regular General Meeting of Shareholders of PJSC Segezha Group dated 25 May 2022).

Quorum of the General Meetings of Shareholders in 2022, %



Adoption of decisions on the following essential matters related to the Company's activities fall under the authority of the General Shareholder Meeting:

- ✔ defining the main directions of the Company's activities;
- ✔ appointing the Board of Directors and control bodies;
- ✔ approval of an independent auditor (RAS and IFRS);
- ✔ approval of major transactions and related party transactions;
- ✔ other matters provided for by the Charter and Russian law.

The Resolutions Passed at the Annual General Meeting of Shareholders in 2022

- 01 The new version of the Charter of PJSC Segezha Group was adopted.
- 02 A decision to distribute PJSC Segezha Group's profit based on the results of the 2021 reporting year was made.
- 03 A decision for the Group to participate in the Chamber of Commerce and Industry of the Russian Federation was taken.
- 04 A new composition of the Board of Directors of PJSC Segezha Group was approved.
- 05 The Regulations on the General Meeting of Shareholders of PJSC Segezha Group were approved.
- 05 The Group's reserve fund was formed.



BOARD OF DIRECTORS

The Board of Directors of PJSC Segezha Group provides overall strategy guidance of activities and monitors the performance of executive bodies of the Group, with the exception of matters related to the competence of the supreme governing body. The Board of Directors monitors compliance with the supreme governing body's decisions as well as with the requirements of Russian law with respect to protecting the rights and legitimate interests of shareholders.

The Board of Directors is guided by current law of the Russian Federation, and by the Charter and Regulations on the Board of Directors.

In 2022, the Board of Directors held 22 meetings, five of which were held in person and 17 were conducted by absentee voting. The members of the Board of Directors participate in the annual Strategic Session of Segezha Group as well as run workshops with top managers to discuss various issues related to the Group's activities.

Key functions of the Board are to:

- review and adopt a development strategy;
- establish an effective organisational structure and governance system;
- define approaches to investment projects' implementation;
- approve specific strategic investment projects, consolidated budgets, investment plans, performance assessment principles and remuneration system for managers, as well as the salary ranges for the Group's top management;
- monitor and assess the performance of the executive bodies and top managers;
- assess and manage risks (including in the field of industrial safety, occupational health, and environmental protection);
- make recommendations on the amount and manner of net profit distribution;
- ensure an effective system of internal control, etc.

Key Resolutions Passed by the Board of Directors in 2022

- 01** Updating of Segezha Group's strategy.
- 02** Approval of the Charity Programme for 2022.
- 03** Decision on the completion of credit and banking transactions of significance to the Company.
- 04** Adoption of new documents guiding the Group's corporate governance framework, namely: Corporate Governance Code, a new version of the Regulations on Insider Information.
- 05** Recommendations to the General Meeting of Shareholders in regard to dividends payments.
- 05** Approval of the Segezha Group's import substitution strategy.

Composition of the Board of Directors

As of 31 December 2022, the Board of Directors consists of nine members and was approved by decision of the Annual General Meeting of Shareholders on 21 May 2022 (Minutes No. 1/22 of the Annual General Meeting of Shareholders dated 25 May 2022). The members of the Board of Directors are elected by the General Meeting of Shareholders for a term until the next General Meeting of Shareholders. The current composition of the Board of Directors is well-balanced in terms of the necessary competencies and professional experience and meets the goals and objectives of the Group to the maximum possible extent, while ensuring the high quality of managerial decisions, and respecting the interests of all shareholders.

The current Board of Directors includes:

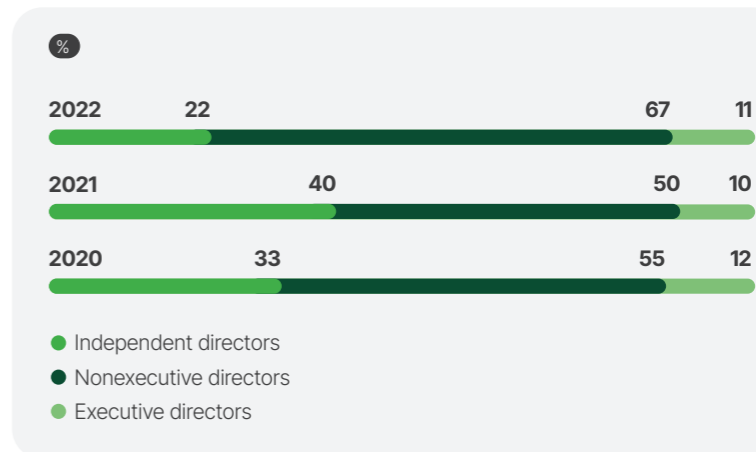
- two independent directors, who form a highly professional and independent opinion on the respective agenda;
- five nonexecutive directors;
- two executive directors.

Due to the geopolitical circumstances and economic turbulence in the world and in Russia, the Board of Directors was formed to ensure Segezha Group's prompt response to any external challenges. The directors have all the necessary competencies and extensive knowledge of the global and Russian timber industry and the financial sector, as well as in strategic planning and stress management.

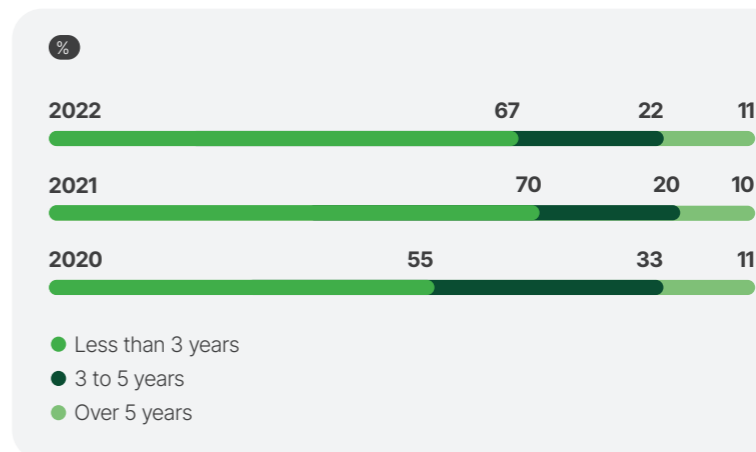
9 MEMBERS

are on the Board of Directors as of 31 December 2022

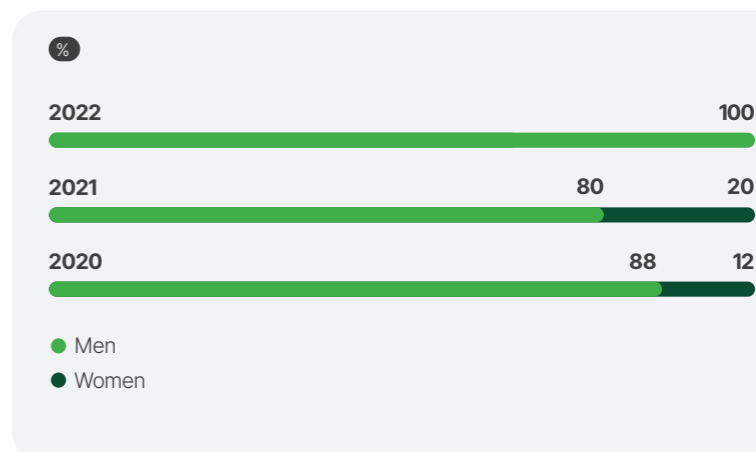
Status of members of the Board of Directors



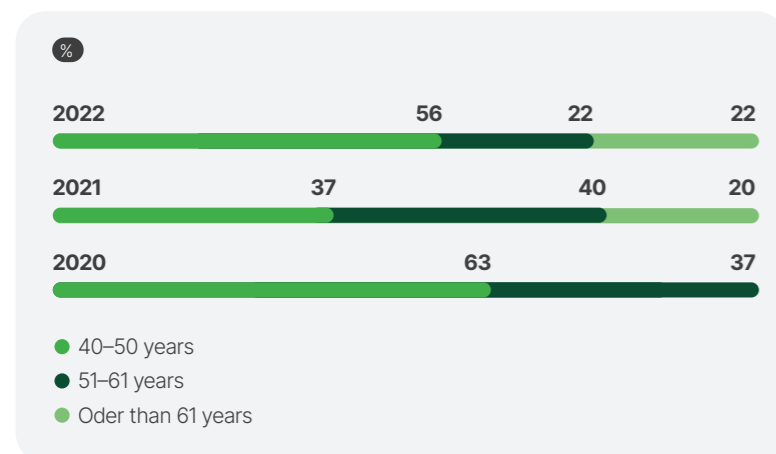
Service on the Board of Directors



Gender balance in the Board of Directors



Age of members of the Board of Directors



Board of Directors' Experience and Competences

The currently effective Board of Directors is formed on the basis of principles such as diversity and inclusiveness. It has necessary experience and competences to effectively guide the performance of PJSC Segezha Group and of the organisations within Segezha Group⁽¹⁾. The members of the Board have an impeccable business and personal reputation.

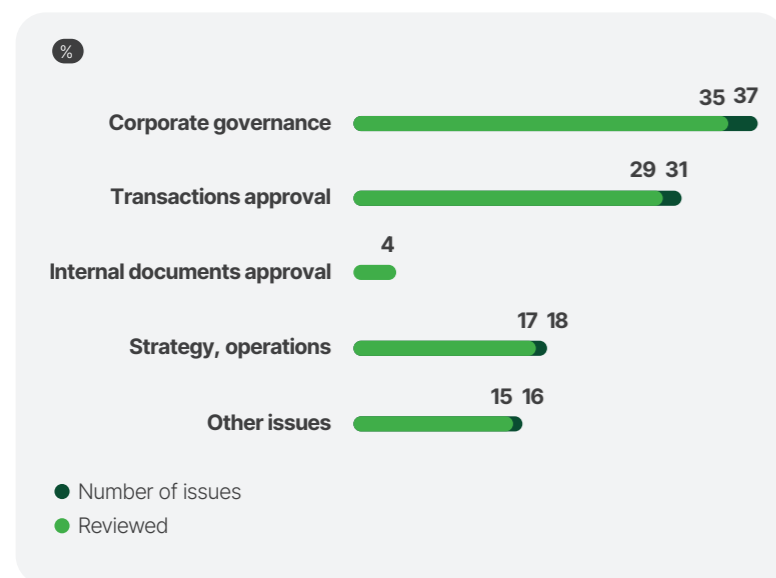
Remuneration to the Members of the Board of Directors

The Regulations on the Remuneration and Compensation to the Members of the Board of PJSC Segezha Group specify how such compensation is paid. Net profit of the Group is the source of remuneration and compensation.

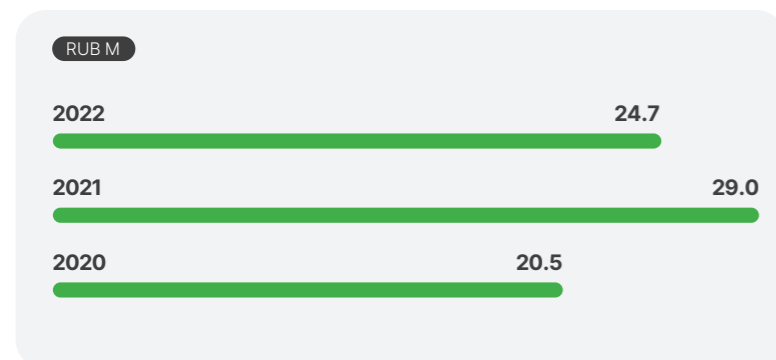
Remuneration to the independent members of the Board of Directors is composed of two parts: basic remuneration and additional remuneration. The basic remuneration for being a member of the Board amounts to RUB 6 m per corporate year and is paid in cash in equal quarterly installments.

⁽¹⁾ Organisations within Segezha Group (OSG) – see [Glossary](#) on page 283.

Structure of issues considered by the Board of Directors in 2022



Remuneration to the members of the Board of Directors



The additional remuneration is paid for chairing the Board of Directors, being a Deputy Chairman, or being a member of a committee under the Board.

The payment of basic and additional remuneration does not depend on meeting attendance.

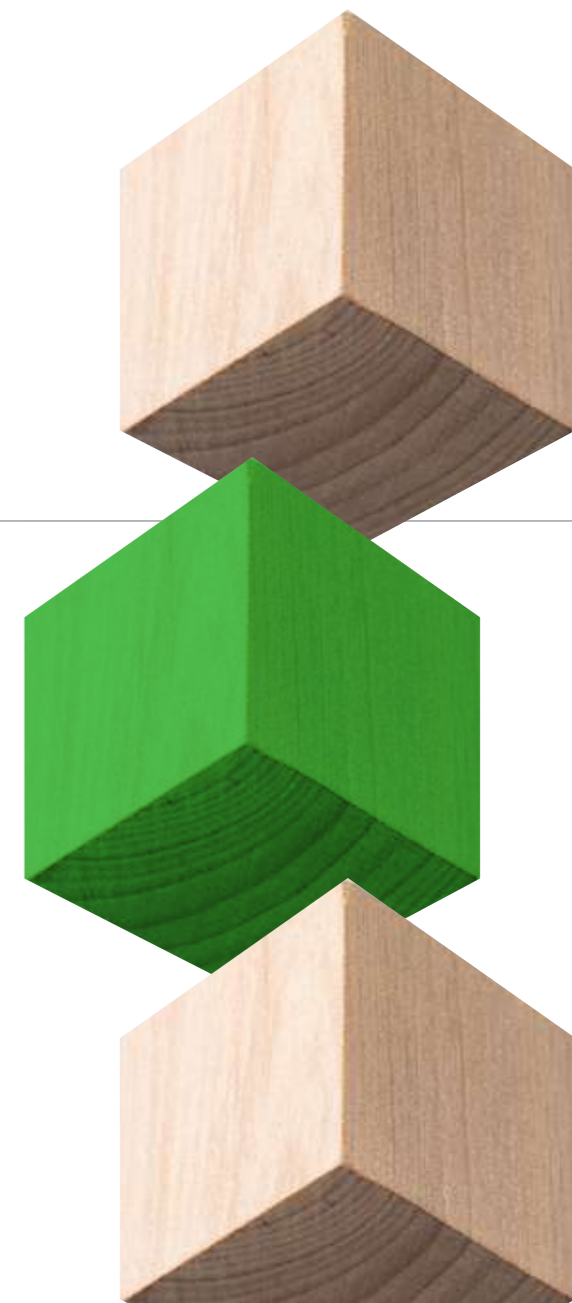
- ✔ For chairing the Board of Directors, a member of the Board of Directors is paid an additional remuneration in the amount of RUB 1.25 m per quarter.
- ✔ For performing the duties of a Deputy Chairman of the Board of Directors of PJSC Segezha Group, a member of the Board of Directors is paid an additional remuneration in the amount of RUB 625 ths per quarter.
- ✔ For participating in meetings of the committees under the Board of Directors, additional remuneration is paid to its members in the amount of RUB 1.5 m per corporate year.
- ✔ For chairing the Committee under the Board of Directors of PJSC Segezha Group, directors are also paid an additional remuneration in the amount of RUB 70 ths per quarter.

All payments are made in equal instalments on a quarterly basis.

Independent directors may be paid an annual performance bonus on the basis of the decision of the General Meeting of Shareholders in exceptional cases and if there is sufficient justification for such payment.

The Regulations also provide for the right to compensation for overhead expenses related to the performance of duties of a member of the Board of Directors of the Company. This provision applies to all categories of members of the Board of Directors of the Company.

RUB **24.7** M
aggregate remuneration to the members of the Board of Directors in 2022 amounted to





Board of Directors' Performance Appraisal

Segezha Group has a commitment to continuous improvement in the performance of the Board of Directors. A key tool for implementing this principle is the establishment of a regular appraisal of the Board performance.

On 6 October 2021, the Board of Directors approved a self-appraisal methodology for evaluating the performance of PJSC Segezha Group's

Board of Directors, while also indicating the need for carrying out external appraisals at least once every three years. The availability of procedures for the self-appraisal and external evaluation of the Board of Directors is an integral element of the corporate governance framework for public companies, while also being an indicator of compliance with the best corporate practices.

The first self-appraisal of the Company's Board of Directors to evaluate their performance in 2021 was carried out in the form of a questionnaire in April–May 2022. The assessment procedure is open and transparent. It is based on value judgements, which are made by the Board members themselves, according to criteria contained in the questionnaires. The performance is rated on a five-point scale.

COMMITTEES UNDER THE BOARD OF DIRECTORS

Dedicated committees are established under the Board of Directors – collegial advisory bodies responsible for preliminary consideration and discussion of issues within the competence of the Board of Directors within its competence. Decisions made by the committees are of recommendatory nature.

In 2022, an analysis of the strengths and weaknesses of the Board of Directors and its committees was conducted from the perspective of the directors in the following areas:

- ✓ composition and structure of the Board of Directors and its committees;
- ✓ organisation of the work and the agenda of the meetings of the Board of Directors and its committees;
- ✓ corporate governance;
- ✓ effectiveness of the committees under the Board of Directors.

General assessment of the Board of Directors performance: average score 4.5

⊕ The composition and structure of the Board of Directors and its committees: 4.45

The number of the Board members

Average score: **4.5**

Balance of knowledge, skills, and industry experience of the members of the Board of Directors

Average score: **4.4**

⊕ Agendas for meetings and organisation of work of the Board of Directors and its committees: 4.5

The content of the agendas for the Board meetings

Average score: **4.5**

The quality and timeliness of materials

Average score: **4.5**

The quality of the debate at the Board meetings

Average score: **4.5**

⊕ Corporate governance: 4.6

Ensuring the rights of shareholders

Average score: **4.8**

Alignment to the best practice

Average score: **4.7**

Information Policy

Average score: **4.5**

⊕ Effectiveness of the committees under the Board of Directors: 4.8

Strategy and Sustainable Development Committee

Average score: **4.9**

Audit Committee

Average score: **4.8**

Remuneration and Nomination Committee

Average score: **4.7**

Three committees under the Board of Directors that were operational in 2021:

- ➔ The Strategy and Sustainable Development Committee;
- ➔ The Audit Committee;
- ➔ The Remuneration and Nomination Committee.

The Audit Committee includes one independent member of the Board of Directors who chairs the committee.

The Remuneration and Nomination Committee includes a Senior Independent Member of the Board of Directors, who is also the Chairman of the Committee, and who has the necessary qualification, knowledge, and skills to participate in the work of the Committee.





Performance of the Committees under the Board of Directors in 2022

Functions: Supporting the Board of Directors in addressing the following issues

Number of meetings in 2022

Recommendations to the Board of Directors on the following issues

Strategy and Sustainable Development Committee

- Development strategy of Segezha Group
- Strategic planning and management
- Determining the priority activity areas
- Evaluating M&As, large scale investment projects, and monetisation issues
- Control over the sustainable development management cycle / ESG
- Monitoring Segezha Group's compliance with requirements of the valid legislation, the Charter, internal regulations guiding sustainable development strategic management issues / ESG

5 meetings in person

- Approving specific investment projects as part of Segezha Group's development strategy
- Evaluating the implementation of the Group's key investment projects
- Reviewing current strategic risks of Segezha Group's development
- The Group's activity in occupational health and safety, environmental protection (analysis of systemic causes of accidents in occupational health and safety)
- Reviewing Segezha Group's import substitution strategy
- Considering the strategic redirection of Segezha Group's trade flows to new geographic markets
- Approving the Charity Programme Implementation Report for 2021
- Approving the Charity budget for 2022
- Reviewing cybersecurity issues within Segezha Group

Audit Committee

- Maintaining the reliability of financial reporting
- Analysing the essential aspects of and significant changes in Segezha Group's Accounting Policy
- Analysing the possible effects of changes in the accounting system and statements as well as in the legislation on Segezha Group's financial position, the budgetary process
- Approval of major transactions, related party transitions and special procedure transactions
- Evaluating and overseeing the effectiveness of the internal control system and of the risk management including the Financial Risk Management Policy
- Conflict of Interest Management Policy review and evaluation
- Selection of and interactions with external auditors
- Providing direction and main principles for financial, credit, and budget policies
- Monitoring of Segezha Group's accounting (financial) reporting and auditing processes as well as consolidated financial statements
- Assessment of compliance with applicable legal requirements in the field of financial reporting, auditing, and planning

13 meetings
8 in person
5 in absentia

- Approving transactions made by PJSC Segezha Group and determining the position on transactions made by Organisations within Segezha Group⁽¹⁾
- Selecting auditors for auditing of organisations within the Group in accordance with IFRS and RAS standards, determine the size of their remuneration
- Reviewing the results of IFRS and RAS auditing for the reporting period; review the auditing plan for 2022
- Reviewing and approve the financial performance of Segezha Group and the budget performance reports; review the reports on the Internal Control and Audit Office performance and risk management reporting, on a quarterly basis
- Providing recommendations to Segezha Group's entities with regard to the size of dividends for corresponding periods and the way they are paid
- Reviewing and approve the Group's consolidated budget draft, including investment plan and CAPEX programme for 2023
- Approving the ethics and conflict of interest appraisals within Segezha Group
- Reviewing the outcomes of the Universal Hot Line operation
- Reviewing current tax issues of the Group
- Reviewing Segezha Group's working capital optimisation plan for 2022
- Reviewing the status report of Segezha Group's internal control system plan implementation

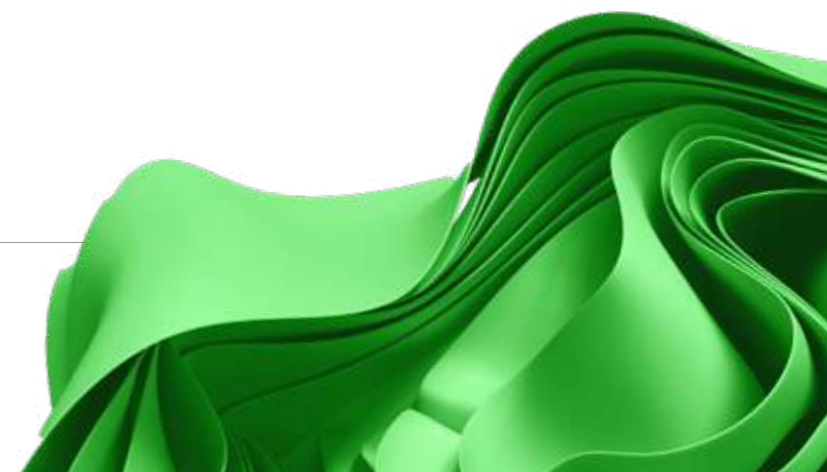
Remuneration and Nomination Committee

- Recommending candidates for positions in governance bodies
- Providing recommendations on motivation system issues and on the remuneration of employees
- Recommending candidates for the positions of President, members of the Management Board, and other senior appointments under the direct supervision of the President
- Recommending candidates for positions with an annual compensation exceeding RUB 12 m
- Paying compensation to employees, under the Charter of PJSC Segezha Group
- Providing recommendations on the contents of internal regulations in regard to the HR Management Strategy
- Appraisal of the performance of the President and the members of the Management Board as well, as other senior staff, and determining the size of the associated remunerations
- Defining positions on appointing CEOs and key senior staff for major Organisations within Segezha Group
- Performing an annual detailed and formalised self-appraisal or external appraisal procedures to evaluate the performance of the Board of Directors and its members, as well as of the Committees under the Board of Directors
- Providing recommendations to shareholders in regard to the voting on the election of candidates to the Board of Directors of the Company

12 meetings
5 in person
7 in absentia

- Appointing chief executives for Segezha Group's Organisations
- Approving the new organisational structure of PJSC Segezha Group
- Appointing senior executives of the Group and approve the terms of associated employment contracts
- Evaluating the performance results and determine the amount of bonus remuneration of the President, members of the Management Board and individual senior officials of PJSC Segezha Group for 2022
- Approving the KPIs for 2023 for the President and senior management
- Including candidates suggested by the participants into the list of nominees to the Board of Directors and Audit Commission of PJSC Segezha Group
- Determining salary ranges for senior staff of Segezha Group;
- Reviewing approaches to a long-term motivation programme for key employees

⁽¹⁾ Organisations within Segezha Group (OSG) – see [Glossary](#) on page 283.





PRESIDENT, CHAIRMAN OF THE MANAGEMENT BOARD

THE PRESIDENT OF PJSC SEGEZHA GROUP is vested with all the necessary powers to manage operational activities of PJSC Segezha Group and of entities controlled by Segezha Group. The President is also entitled to deal with matters that do not fall under the remit of the General Meeting of Shareholders, Board of Directors, Management Board or the competence of bodies that manage and control entities within Segezha Group. The President heads the Management Board and organises its work.



Mikhail Valeryevich Shamolin has held the position of President and Chairman of the Management Board of the Group since 13 March 2018.

MANAGEMENT BOARD

The Management Board, together with the President, is responsible for the daily operations of Segezha Group and provides guidance on matters that require collegial decision-making and fall under its competence in accordance with the Charter. The Management Board reports to the Board of Directors and the supreme governing body. The Management Board acts on the basis of the Charter and the Regulations on the Management Board.

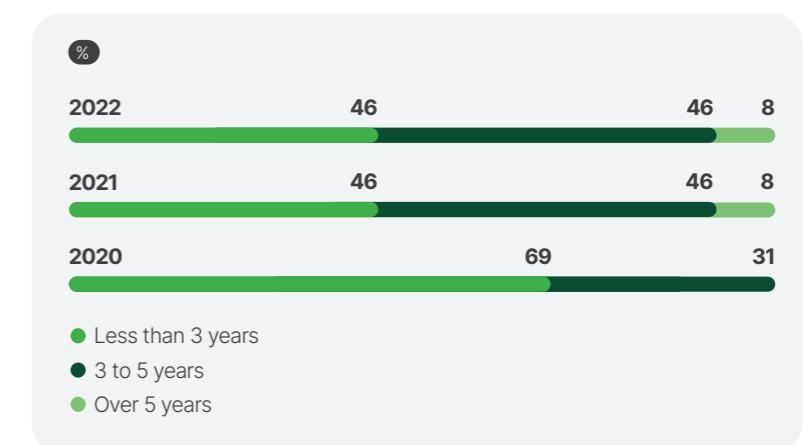
Key Issues Addressed by the Management Board in 2022

- 01 Providing recommendations with respect to the main OSGs reorganisation(1)
- 02 Preliminary review of quarterly reports on consolidated operating results and the consolidated budget of the Group
- 03 Preliminary review of the Group's consolidated budget and proposals to update it during the reporting period
- 04 Providing recommendations regarding KPIs for the sole executive bodies and top executives of major OSGs(1); evaluation of their implementation rates
- 05 Providing recommendations for the indexation of wages of OSG employees(1)
- 06 Providing recommendations on the terms and conditions of OSGs(1) transactions in accordance with the Charter
- 07 Review and selection of candidates to represent the Group in the governing and controlling bodies of the OSGs(1)
- 08 Follow-up the implementation of measures included in the corrective action plan based on the outcomes of the Group's internal audit.

With respect to existing restrictions and to implement Rospotrebnadzor's (the Federal Service for Oversight of Consumer Protection and Welfare) recommendations to avoid the spread of COVID-19, the Management Board meetings to discuss matters that fall under the remit of the Management Board were mostly held in the form of absentee voting in 2022, as in the preceding year.

In 2022, the Management Board held seven meetings (one in person and six in absentia), where 21 issues were considered.

Service on the Management Board

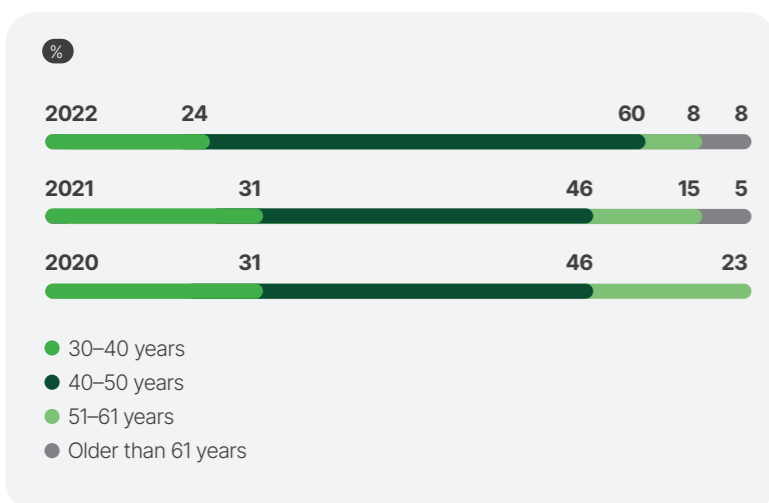


(1) Organisations within Segezha Group (OSG) – see [Glossary](#) on page 283.

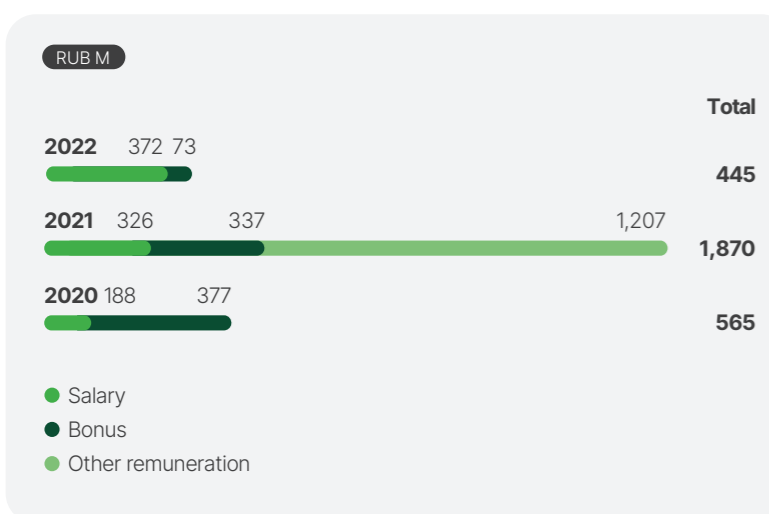
Gender balance of the Management Board



Age of members of the Management Board



Remuneration of the Management Board



Remuneration of the Management Board and the President

The amount of remuneration paid to the members of the Management Board and the President corresponds to the Group's Standard for Rationing Expenses of the Company's Top Management. The Standard envisages reimbursement of costs associated with relocation, travel expenses, mobile phone charges, office vehicles, corporate taxi, representative expenses, optional medical insurance, etc. The total amount of remuneration paid to members of the Management Board and the President of Segezha Group accounted for RUB 445,397 m in 2022.



RUB 445 M
the total amount of remuneration paid to members of the Management Board and the President of Segezha Group accounted in 2022

COMMITTEES UNDER THE PRESIDENT

There are six operational committees under the President – collegial advisory bodies, whose decisions are taken into account by the President in the course of the decision-making process:

- Project Committee;
- Pricing Committee;
- Discipline and Ethics Committee;
- Personnel Committee;
- Investment Committee;
- Risk Committee.

Discipline and Ethics Committee

The Discipline and Ethics Committee was established in order to boost workplace discipline within Segezha Group. The Committee provides recommendations to the Group's managers in the course of their decision-making process aiming at:

- ensuring compliance with the principles of legality;
- ensuring compliance of employees with requirements of labour laws, and with internal regulations and resolutions of the governing bodies of Segezha Group;
- ensuring coherent approach to disciplinary sanctions and other measures taken in accordance with the law.

Investment Committee

The purpose of the Investment Committee is the implementation of a common Investment Policy within the Group, as well as the improvement of the investment process' effectiveness. In this regard, the Committee set the following objectives to fulfil:

- consideration and approval of financing of investment projects with a budget over RUB 30 m, including VAT;
- selection of the most efficient investment projects;
- making suggestions on improvement key indicators of the projects under consideration, as well as improvement of the efficiency of the project portfolio.

Project Committee

The Project Committee is an instrument for achieving the strategic goals of Segezha Group through the implementation of key projects. In this regard, the Committee has set the following objectives to fulfil:

- determining areas for the project management development;
- making key decisions with regards to project implementation, except financing issues;
- reviewing, negotiating, and approving investment projects;
- operational monitoring over project implementation.

Personnel Committee

The purpose of the Personnel Committee is to provide recommendations to the President and senior managers of Segezha Group in regard to the following issues:

- personnel appointments in governing bodies of the Group's companies, including CEOs and top managers under their direct (immediate) authority;
- develop and monitor the effectiveness of the Group's staff motivation and compensation system;
- develop and control the effectiveness of the motivation system for the directors of the Group's enterprises and senior officials under their direct (indirect) subordination.

Risk Committee

The Risk Committee is a workshop for cross-functional interactions on risks, their analysis, and the coordination of mitigation methods. The Risk Committee has the following tasks:

- ensuring a process approach to risks mitigation within the Company;
- mitigation of risks associated with management systems;
- preparing draft decisions; making decisions on risk mitigation issues, within its sphere of competence;
- providing recommendations to governing bodies on issues pertaining to risks mitigation and opportunities;
- periodic evaluation of Occupational Health and Safety Management System;
- ensuring safe working conditions providing compliance with requirements of labour protection in the Group's mills;
- providing recommendations on implementation of the best global standards and practices in the area of risk-oriented control and management systems' development and enhancement.

Pricing Committee

The Pricing Committee was established to provide an effective pricing policy and increase the Group's profitability through:

- development of the existing product pipeline and introduction of new products;
- maintaining a balance of sales in current and new markets, after considering the existing production and sales opportunities.



Performance of the Committees under the President in 2022

Number of meetings in 2022 | **Agenda**

Project Committee

15 meetings

13 in-person
1 in absentia
1 offsite

- review of ongoing projects reports, receiving information on achieved and expected performance, which is needed for making decisions on further actions;
- review and approval of investment proposals;
- appointments to key roles in projects;
- remuneration for project teams.

Pricing Committee

137 meetings in absentia

- setting prices for existing and new products;
- planning the sales' budget and optimising the portfolio and sales channels with a view of increasing profitability;
- analysing the quality of products to ensure that it is in line with that of key competitors of Segezha Group and providing recommendations to improve quality;
- developing measures that will help expand Segezha Group's share in strategic markets.

Discipline and Ethics Committee

4 meetings in-person

- taking disciplinary measures against Segezha Group's employees based on internal investigations' results.

Personnel Committee

6 meetings

2 in-person
4 in absentia

- approval of changes in the organisational structure;
- approval of establishing new staff units;
- approval of changes in pay conditions;
- review of operational efficiency projects performance;
- approval of personnel management projects.

Number of meetings in 2022 | **Agenda**

Risk Committee

3 meetings

1 in-person
2 in absentia

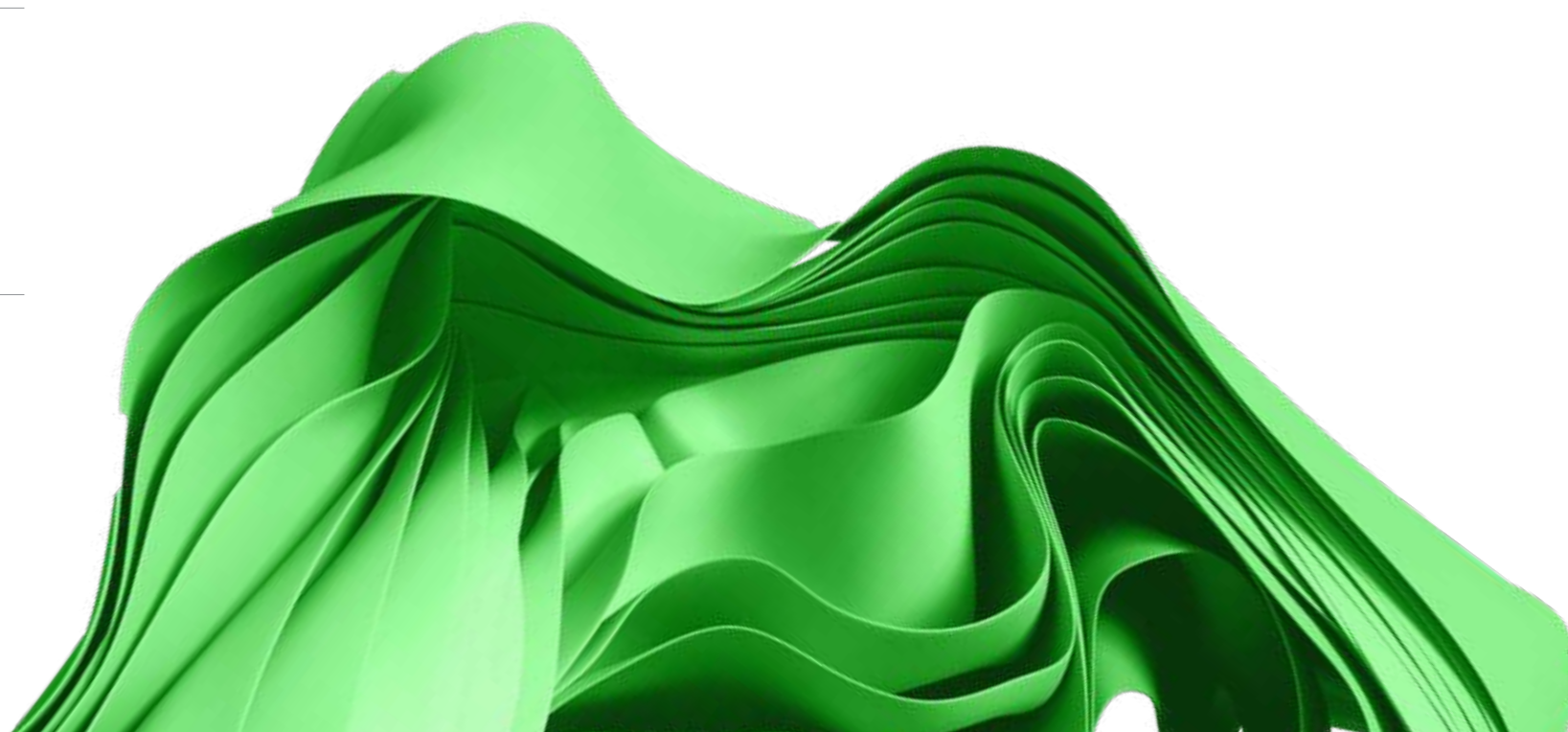
- risk information assessment, risk ranking, and prioritisation at the Group level;
- approval of the risk response strategy and the risk management action plans;
- monitoring the implementation and effectiveness of risk management action plans;
- approval of high level programmes and providing recommendations on safe working conditions and on compliance with requirements of labour protection on the principles of social partnership (with the participation of stakeholder representatives);
- review of proposals, approval of high level programmes as well as recommendations to the Group's companies on ESG risk management issues;
- review of strategic directions for the integrated management system development and for risk-oriented management.

Investment Committee

21 meetings

14 in-person
7 in absentia

- review and approval of the investment program for 2023 for all companies within the Group;
- review, approval, and initiation of investment projects funding (as indicated by the materiality threshold);
- review and reapproval of ongoing project parameters in case of alarming signs emergence (in terms of budget, schedule, IRR, payback period);
- formulation of additional criteria for the investment process.



CORPORATE SECRETARY

The Corporate Secretary provides the effective communication with shareholders and participants of Segezha Group and coordinates actions for protection of their rights and interests, while providing organisational support to the Board of Directors of Segezha Group and its committees. Other functions of the Corporate Secretary include organisational support in preparing and conducting General Meetings of Shareholders, ensuring storage of corporate documents, participating in actions to improve the corporate governance framework and practice.

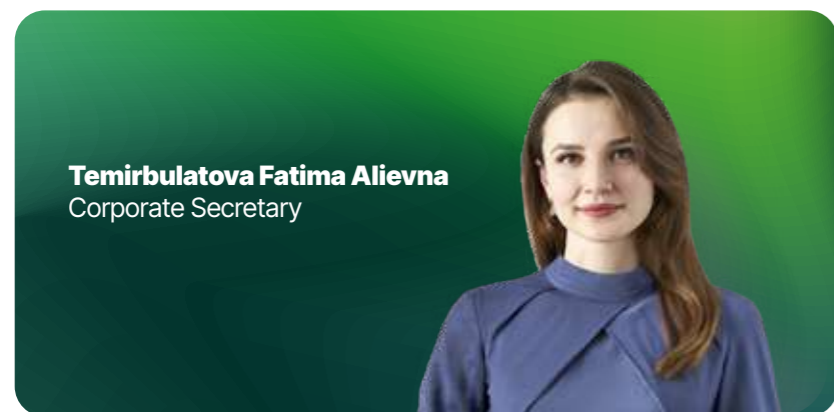
In 2022, the top-priority responsibilities of the Corporate Secretary's work included the improvement of the corporate governance system in terms of forming a complete base of local regulations in the field of corporate governance, introduction and implementation of self-assessment procedures for the Board of Directors of PJSC Segezha Group, and organisational

management of the Board of Directors in the current economic conditions and geopolitical instability.

The Corporate Secretary reports directly to the Board of Directors of PJSC Segezha Group, while interacting with all corporate departments of the Company. The Board of Directors establishes the principles

for evaluating the Corporate Secretary's performance and for defining the associated remuneration system, including rewarding.

Fatima Alievna Temirbulatova has been holding the position of Corporate Secretary to the Board of Directors of PJSC Segezha Group since March 2016.



Temirbulatova Fatima Alievna
Corporate Secretary

Education

Moscow State Institute of Foreign Affairs (university) of the Ministry of Foreign Affairs of the Russian Federation.

Bachelor's degree in International Law with Knowledge of Foreign Languages, diploma with honours.

Master's degree in International Financial Law, diploma with honours.

Corporate Secretary professional development programme.

Professional experience

2015 – Trainee in tax practices organised by Anton Nikiforov, LLC Pepelyaev Group.

2015–2016 – Lead tax specialist in LLC LP Management.

2016 – April 2021 – Corporate secretary, LLC MC Segezha Group.

April 2021 – present – Corporate secretary, PJSC Segezha Group.

Fatima Temirbulatova was included in the rating "25 Best Corporate Governance Directors / Corporate Secretaries" in 2021. The results were announced as part of the XVI National Award "Director of the Year" held by the AID and RUIE.

She made a presentation on Independent Director in the Corporate Governance System within the framework of the XII International Forum of Corporate Secretaries held by NACS (the National Association of Corporate Secretaries, 2018).

Key functions of the Corporate Secretary:

- ✔ enhancing the corporate governance practices;
- ✔ developing/updating of the Group's internal documents pertaining to the corporate governance;
- ✔ preparing and conducting General Meetings of Shareholders of the Group;
- ✔ participating in and monitoring of the Disclosure Policy;
- ✔ organising interactions between the Company and shareholders;
- ✔ organising interactions between Segezha Group and regulators, stock auction organisers, registrars and other professional securities market participants, within the authority of the Corporate Secretary.

CORPORATE GOVERNANCE FRAMEWORK ENHANCEMENT

Segezha Group has been consecutively developing its corporate governance framework in line with best practices. The development of the Company's corporate governance system is geared towards enhancing its transparency and ensuring the confidence of all stakeholders, including shareholders and investors, in the consistency of the strategy and decisions.

In 2022, despite the external challenges Segezha Group continued to develop its corporate governance framework to ensure reliable, sustainable, and efficient operations of the Company, in particular:

- ✔ Segezha Group's corporate governance structure was improved, and a new organisational structure of the Group was adopted⁽¹⁾;
- ✔ new internal documents defining the corporate governance framework were adopted, such as the Regulations on the General Meeting of Shareholders and the Code of Corporate Conduct, aimed at enhancing investor protection, including in terms of obtaining timely and reliable information about Segezha Group's operations;

✔ a new version of Segezha Group's Charter was approved, updating the competencies of the Group's governing bodies and allowing them to focus on strategic issues and on achievement of planned results;

✔ PJSC Segezha Group's corporate governance bodies made a number of important decisions that can make a significant impact on the Group's activities in 2022 and in the medium term, such as the formation of a reserve fund, the approval of an import substitution strategy, Segezha Group's participation in the Chamber of Commerce and Industry of the Russian Federation and in the All-Russian Union of Industrialists and Entrepreneurs;

✔ a new Board of Directors was formed, which is well balanced in terms of competencies and professional experience and is capable of ensuring Segezha Group's prompt response to any external challenges in the most efficient way.

⁽¹⁾ The changes are due to the acquisition of LLC Inter Forest Rus and JSC Novoyeniseykiy Wood-Chemical Complex: the position of Vice President – Head of the Siberia cluster – was created, reporting directly to the President of PJSC Segezha Group. Main tasks include developing the Group's assets in Siberia and managing the Group's investment program in this region.

CONTROL AND AUDIT

The control and audit bodies work to ensure that the entire spectrum of the Company's activities is transparent to the highest degree, economically efficient, and complies with the legislative requirements.

Audit Comission

The Audit Comission is an elective, permanently operating body that was established with a view of providing control over the financial and business activities of PJSC Segezha Group and of monitoring the performance of its governing bodies and management. Control is also extended to the stand-alone entities, services, branches, and representation offices of PJSC Segezha Group.

The Audit Comission is independent from the management members of PJSC Segezha Group. It reports directly to the General Meeting of Shareholders. The Audit Comission is responsible to the General Meeting of Shareholders for the reliability and credibility of audits. There is no remuneration for being a member of the Audit Comission.

Audit Comission was approved by the General Meeting of Shareholders on 9 April 2021 (Minutes No 3/21, dated 13 April 2021). Accordingly, the Audit Comission provides documentary and factual checks of:

- ➔ the legality, economic feasibility, and effectiveness (appropriateness) of the business and actual transactions performed during the period under review;
- ➔ the completeness and correctness of the business and financial transactions recorded in the management documents of PJSC Segezha Group;
- ➔ the legality, economic feasibility, and effectiveness of individuals holding decision-making positions in PJSC Segezha Group and its structural units (services, branches, representation offices) with respect to the compliance of their performance with the Russian law, the Company's Charter, the approved plans and programmes as well as other internal documents of PJSC Segezha Group.

The mission of the OIA is to assist the shareholders and senior management of Segezha Group in their efforts to increase shareholder value and enhance business operations.

The Internal Audit Code and the Internal Audit Assurance and Improvement Programme are two basic instruments that govern the activities of the OIA. The OIA is operating in a way that is consistent with the Basic Principles for the Professional Practice of Internal Auditing, the Code of Ethics for Internal Auditing, the International Framework for the Professional Practice of Internal Auditing and the Definition of Internal Audit, while also adhering to the Russian legislative requirements. The OIA is guided in its actions by the principles of honesty, objectivity, confidentiality, and professional competence.

The management of OIA is exercised by the Managing Director – Senior Internal Auditor, who reports administratively to the President and functionally to the Board of Directors of Segezha Group. The Managing Director – Senior Internal Auditor is appointed and released from duty by the Board of Directors.

The OIA applies a risk-priority approach while carrying out inspections and providing recommendations. In 2022, 15 audits were conducted, resulting in a proposed 38 corrective measures, which were aimed at strengthening the internal audit system and improving the operational effectiveness of key business processes and projects of Segezha Group.

Internal Audit

An independent department responsible for internal audit – the Office of Internal Audit (OIA) – was formed and is successfully operating in PJSC Segezha Group. The Office of Internal Audit provides risk-oriented audits and implements monitoring arrangements that are aimed at evaluating and enhancing the effectiveness of the system of internal control, risk management, and corporate governance.

Composition of the Audit Comission

- 1 Irina Borisenkova
- 2 Artem Gorlov
- 3 Viktor Cherkasov

Functions of the Internal Audit Department

- ✔ Providing consultancy support to the senior managers and the Board of Directors of Segezha Group with regard to internal controls, risk management, and corporate governance.
- ✔ Reporting to the Board of Directors, the Audit Committee under the Board of Directors and to the President of Segezha Group on audit findings and providing associated recommendations to remove identified deficiencies and gaps.
- ✔ Planning, organising, and carrying out audit missions with respect to business processes, functions, projects, structural departments, and subsidiaries of Segezha Group.
- ✔ Verifying compliance with the OIA's recommendations developed based on audit findings improving the effectiveness of the internal control system and on enhancing the performance of Segezha Group.
- ✔ Carrying out checks on instructions from the Board of Directors, the Audit Committee under the Board of Directors, and the President of Segezha Group.

Andrey Anatolyevich Porokh
Managing Director –
Chief Internal Auditor



Since April 2021, Andrey Porokh has been holding the position of the Managing Director – Chief Internal Auditor.

Andrey Porokh is an expert in internal audit and control, compliance, management consulting, and risk-management with more than 15 years of experience both in Russia and abroad. He was the Chief Auditor, Vice President for Internal Control and Audit of PJSFC Sistema, and also held the position of Director of the Internal Control and Audit Department in the companies of PJSFC Sistema Group. He has worked for Shell, Ernst & Young, PIK Group, Severstal and others.

External Audit

The annual Consolidated Financial Statements of Segezha Group, prepared in accordance with the International Financial Reporting Standards (IFRS), are subject to external audit to verify its fair presentation. Since 2019, interim condensed consolidated financial statements for the first six months of the year have been subject to review by an external auditor of the Group.

Auditors are appointed for three years, based on open competitive selection procedures. The auditor and amount of annual remuneration are approved by the Audit Committee and the Board of Directors of the Group, respectively.

JSC Deloitte and Touche CIS was acting as the auditor of Consolidated Financial Statements of Segezha Group to verify their compliance with IFRS, from 2018 to 2021. JSC Deloitte and Touche CIS changed its name to JSC Business Solutions and Technologies (Delovye Reshenia I Technologii, or JSC DRT) effective from 20 May 2022. In 2021, the total remuneration of JSC DRT amounted to RUB 54.6 m, excl. VAT, including the fee paid for auditing and non-auditing services.





RISK MANAGEMENT

The Company identifies all essential risks associated with the activities of Segezha Group in a timely manner. The development of effective risk-oriented mechanisms supports the achievement of the strategic objectives of the group and provides timely information on political, legal, economic, informational, and technical threats, while undertaking appropriate measures to mitigate the risks.

The risk mitigation activities of the Company's employees and senior managers are guided by the Risk-Oriented Management Policy adopted by PJSC Segezha Group in April 2021, with a view to further develop the risk-oriented control of the Group's business.

Since 2016, the Company's senior managers have been diligently working to improve the corporate risk management system. The adoption of the Policy is a testament to Segezha Group's commitment to best practice risk-oriented business management practices.

The Policy establishes the management system, the risks mitigation elements of which should be integrated into all key business processes, while aiming at the achievement of agreed goals and maintaining the Group's risk within limits acceptable for shareholders and senior managers. An appropriate responsible risk-informed Tone at the top has been set at the senior management level, based on the principles of a moderate appetite for business risks and a focus on sustainable development objectives.

Companies within the Group, along their functional lines and key business processes, are guided by internal

documents specifying the mitigation and control procedures for selected groups of risks. They take into account threats associated with security, occupational health and safety, environment, operation, finance, etc.

Within the framework of the existing business processes of the Group, risks, as well as proactive and operational managerial decisions that emanate from their analysis, are documented, with mitigation measures planned and followed up. All relevant risks of the Group are assessed, prioritised and ranked. Decisions on reducing the risk level or eliminating risks are made based on the risk analysis.

Risk Management Process Model of Segezha Group

Risk Management System Principles of Segezha Group

01

To ensure the development of risk-oriented business control, the risk management process within Segezha Group is aligned with the objectives, strategy, internal and external conditions (environment) for running the business as well as with the corporate culture of the Group.

03

Risk management integration into the Group's management processes is a dynamic process, which accompanies the development and enhancement of corporate governance, taking into consideration the needs and capacity of each company and the Group as a whole.

02

Segezha Group's senior managers seek to ensure that the risk mitigation practices of the Group's companies constitute an inherent part of the strategy, target setting, corporate governance, leadership, teamwork, and commitment.

04

Any employee is responsible for risk management to the best of his/her competence, knowledge, authority, and available resources.

05

Risk management is carried out by each company within Segezha Group and by each part of its organisation structure.

Risk Management System of Segezha Group

THE BOARD OF DIRECTORS OF SEGEZHA GROUP



Segezha Group's risk-oriented management process embraces managers at all levels on a daily basis. Key business risks are managed reactively at senior and middle management meetings, where risks are analysed to decide on appropriate responses.

Information on risk management processes and results within the Group as well as a list of threats monitored by the Board of Directors are provided to the Board of Directors and to the Audit Committee on a regular basis.

At the Group level, the Risk Management Direction of Segezha Group is responsible for the risk-oriented management information integration and coordination of approaches.

Responsibilities of Segezha Group's Risk Management Direction

- ✔ Methodological support, cross-functional information exchange, and coordination of interactions with other departments with a view to integrate risk-oriented management elements into the business processes of the Group.
- ✔ Preparation of integrated corporate reporting and disclosure of risks relating to Segezha Group.
- ✔ Integration of risks into the integrated management system in accordance with the valid standard requirements.
- ✔ Administering of Segezha Group's insurance activities.
- ✔ Monitoring of the risk-oriented management best practices, building a knowledge base, training in risk management, development of competences of all employees of the Group.
- ✔ Interactions with supervision and audit bodies on issues related to submitting information on Segezha Group's risk-oriented management for supervising and auditing purposes.
- ✔ Supporting the Risk Committee operation and participating in its activity.
- ✔ Introducing and developing the risk culture within the Group.

Segezha Group's Plans to Improve the Risk Management System in 2022

- 01 Introduction of risk-oriented mechanisms into the project activities management process.
- 02 Completion of a project to implement an internal control and operational risk management system.
- 03 Introduction of a regular risk management assessment by the Group's managers.
- 04 Further developing and deepening the culture of risk-oriented management at the Group's companies.

Key Risks of Segezha Group in 2022

The list of risk factors presented below is not expected to be exhaustive or the only valid list, and only reflects the point of view and assessments of Segezha Group's senior managers at the time of writing this Annual Report,

which can evolve or change over time. The emergence of new risks and uncertainties about which the senior managers are currently not aware, or the occurrence of risks that the senior managers consider insignificant in the current environment, may also affect the business of Segezha Group in the future.

In 2022, a number of countries imposed sanctions on several Russian banks, commercial organisations, and individuals, as well as on certain industries in the Russian Federation. Segezha Group analyses the potential impact of the changes in the macro and micro-economic conditions on the Company's business and financial position.

In 2021, Segezha Group continued to pursue the risk management integration into the management processes and systems

- ✔ The Group's functional strategies in eight areas are implemented and monitored taking into account a risk-based approach.
- ✔ On-site environmental audits of the Group's main industrial facilities were conducted, the results of which a risk mitigation plan will be developed on and measurement control will be performed.
- ✔ A project was launched to calculate greenhouse gas emissions for Scopes 1 and 2 and to identify and assess the climate risk management process according to the framework recommended by TCFD.
- ✔ 17 companies of the Group confirmed their compliance with ISO 9001:2015 (quality management system), ISO 14001:2015 (environmental management system) and ISO 45000:2018 (occupational health and safety management system).
- ✔ 4 new assets of the Group were included in the integrated ISO management system in 2022, namely: the Galich Plywood Mill, Krasfan, the Novoeniseisky Wood-Chemical Complex, Segezha Packaging's branch in Lobnya.

Risk	Description	Mitigation measures
Industry risks		
Market	<p>High level of market competition</p> <p>Volatility in the demand for some of the Group's products (exposure to sectoral or seasonal cycles)</p> <p>Price risk in sales</p> <p>Closure of the markets for sales</p>	<p>Proactive and comprehensive plan to streamline and develop activities, covering all companies of the Group.</p> <p>Diversification of the business, the product portfolio, the assortment, the geography of supplies and the product mix to reduce the risk of price fluctuations and the dependency on certain markets.</p> <p>Implementation of the R&D programme.</p> <p>Regular monitoring of the market conditions, updating of the corporate strategy with regard to the macro-economic changes.</p> <p>Adoption and monitoring of the functional strategies in terms of the business activities, the marketing, and the developing manufacturing assets of the Group.</p> <p>Voluntary certification and control of the compliance with the international requirements for product quality and the environmental safety of production processes.</p>

Risk	Description	Mitigation measures
+ Logistics	<p>Potentially restricted availability of the logistics infrastructure for raw materials or finished products transportation</p> <p>Underdevelopment of the transportation infrastructure in the regions of Russia</p> <p>Rising prices for products transportation service</p>	<p>Adoption and monitoring of a functional strategy in terms of logistics.</p> <p>Development of own transportation and logistics infrastructure, improved inventory management and planning.</p> <p>Constant monitoring of the logistics services market.</p> <p>Interactions with stakeholders: flexible terms of contracts with partners, signing of contracts for alternative raw materials/products transportation options, a constant dialogue with local authorities and logistics centres.</p> <p>Development and testing of new logistics routes and services.</p> <p>Development of large-scale bulk shipping.</p>
+ Raw materials	<p>Shortages in wood supplies and the availability of wood resources</p> <p>Potential changes in the prices for manufacturing inputs, such as power, wood, synthetic materials, and chemicals</p>	<p>Active and large-scale expansion of the Segezha Group's strategic assets, modernisation of the existing production capacity.</p> <p>Development and management of wood resources: full utilisation and expansion of AAC, signing long-term lease agreements; the introduction of the intensive forest management system; the creation of an own forest protection, safety, and reforestation infrastructure; carrying out forest inventories and reforestation activities; the creation of a corporate information-based digital platform for monitoring harvesting levels and wood flows.</p> <p>Performance improvement activities: development of zero-waste production methods; increasing the share and depth of wood processing; development of transportation infrastructure within the Group; improved planning of internal raw material flows, flexible redirection of raw material flows from third-party suppliers.</p>
+ Increased tariffs on natural monopolies	<p>Risk of increased tariffs on natural monopolies: energy sector and railway transportation</p>	<p>Operating in the power wholesale market, reduction of natural monopoly utilities services, investing in own power generation.</p> <p>Looking for alternative means of transportation (by trucks and/or water transport) and increasing the flexibility of logistics planning and managing.</p> <p>Signing agreements on the protection of investments, given the regulations and tariffs of natural monopolies as well as stumpage rates.</p>



Natural and Environmental Risks(1)

+ Natural risks	<p>Forests exploited by the Group are exposed to a number of natural risks, including fires, insect infestations, diseases, epidemics, extreme weather conditions, droughts, and floods</p> <p>Reduced availability of resources (natural, infrastructural) and reduced personnel efficiency due to the weather and other environmental variations because of the global climate change</p>	<p>Regular fire inspections of the leased forests, annual personnel training and examining on forest fire safety.</p> <p>Anti-fire measures: regular maintenance of the automatic protection systems and anti-fire facilities; purchase and maintenance of fire-fighting equipment and machinery, the establishment of own fire teams and volunteer fire brigades, upgrading of fire-fighting systems.</p> <p>Interactions with stakeholders: prompt notification to administrative bodies and the MES of the occurrence of forest fires, carrying out workshops and field exercises involving the territorial forces and MES facilities, direct collaboration with the Aviation Forest Service, assistance in firefighting and fire containing activities in accordance with the existing legislation.</p>
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Risk	Description	Mitigation measures
+ Climatic and environmental risks	<p>Climate change, associated legislation or market-related measures that affect the Group's operations</p> <p>Potential increase in the cost of penalties for the negative impacts on the environment</p> <p>Risk of violating the legislation regulating the business activities or risk due to the lack of environmental permits for the Group's operations</p>	<p>Updating of the sustainable development strategy: the risk-oriented principles of responsible business practices were validated.</p> <p>Comprehensive measures for the Strategy implementation are carried out on the basis of cross-functional and risk-oriented approaches under the ESG-agenda of the Group.</p> <p>Implementation of the Group's functional strategy in terms of environmental safety adopted at the end of 2020.</p> <p>Monitoring of the environmental legislation on a constant basis, monitoring the timely implementation of actions to meet international requirements with respect to product quality and the environmental safety of the manufacturing process.</p> <p>Waste management: transition from hydrocarbon to wood residuals and bark burning for energy production; looking for additional external sources of waste handling; monitoring waste landfilling conditions.</p> <p>Reduction of environmental pollution: continuous monitoring of pollution indicators, installing electrical precipitators for air cleaning, building water chemical treatment plants to decrease the load on rivers or lakes.</p>

Financial risks

+ Liquidity risks	<p>Interest rate risk</p> <p>Covenant risks under credit agreements</p> <p>Availability of debt capital</p>	<p>Leverage funding—preferably at fixed rates—to reduce the interest rate volatility risk.</p> <p>Adoption of flexible refinancing policies and credit portfolio diversification.</p> <p>Monitoring the loan portfolio performance in terms of covenants fulfilment; if necessary, in advance discussing their renegotiation with banks.</p> <p>Debt and borrowing monitoring.</p> <p>Maintaining sufficient levels of financial reserves.</p>
+ Foreign exchange risk	<p>Risk of loss of earnings due to adverse exchange rate movements</p>	<p>Mitigation of the risk through natural hedging: part of the credit portfolio is in foreign currencies.</p> <p>Better alignment of assets/liabilities and income/expenses structures in terms of currencies and maturities. Finished product manufacturing cost control.</p>

Legal risks

Segezha Group's operations are subject to adherence to various laws and regulations in all jurisdictions in which it operates, including international, national, regional, and local laws and regulations. These cover laws and regulations, including those related to the forestry industry, environmental protection, natural resource management, and the use of hazardous substances, greenhouse gas emissions, exports, price controls, import controls, capital repatriation, customs and foreign exchange controls, sanctions, countering corruption, data protection, human rights, labour standards, and occupational health and safety.

+ Tax risks	<p>Changes in the tax legislation</p> <p>Misinterpretation and/or misapplication of the tax legislation</p>	<p>Improving control over conducting activities in full compliance with the international tax legislation, carrying out internal audits on a regular basis.</p> <p>Monitoring changes in the tax legislation on a continuous basis and adjusting the accounting policies accordingly.</p> <p>Digitalisation: adoption of SAP, unifying of the accounting and reporting methods.</p> <p>Interactions and consultations with the tax authorities.</p> <p>Preparations for the transition of JSC Segezha PPM to fiscal supervision in the form of tax monitoring, starting from 1 January 2022.</p>
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(1) See Annex 3 – Identification of risks and opportunities related to climate change.

Risk	Description	Mitigation measures
+ Changes in the sectoral legislation	Risks associated with changes in the Forest Code of the Russian Federation and in other laws impacting the activities of the Group	<p>Conceptual changes in the forest law introduced in 2021 to monitor the raw materials and finished products trade with a view of decriminalising the sector and improving transparency in the sector. This bolsters the opportunities for Segezha Group to expand the AAC and improve the wood supply effectiveness for the business.</p> <p>Monitoring of legislative developments.</p> <p>Interactions with the authorities and participation in sectoral associations for the creation and presentation of a consolidated position on sectoral legislation and regulation.</p>
+ Changes in the customs control regulations and in the export duties for the Group's products	Risks associated with customs duties or antidumping duties, import quotas, or other tariffs imposed by individual states, alliances of states, or trade blocs	Protection of Segezha Group's rights and legitimate interests in competent bodies and organisations.
+ Compliance risks	Risks associated with the illegal actions of employees and violations of corporate business ethics	<p>Internal regulations on Segezha Group's insider information were adopted; follow-up and preventive measures are undertaken to hinder the abuse of confidential and insider information.</p> <p>Anti-corruption measures: ethical standards and the Preventing and Combating Corruption Policy; the training of employees and partners on the basic requirements of the Policy and its application in practice. There is a hotline to improve corruption prevention procedures and mechanisms; comprehensive security screening of partners to check their reliability, availability of own corruption-counteracting procedures and the absence of conflict of interests.</p> <p>Transparency: basic information about the Group's activities, other information subject to disclosure is posted in the public domain on the website of Segezha Group.</p>
+ Reputation risks	Risk of loss from the tainted perception of the Group's image by stakeholders	<p>Adoption of the best available practices and voluntary certification of the mills in accordance with the international standard requirements.</p> <p>Interaction with stakeholders: consideration of stakeholders' interests, including in the regions where the Group operates; conducting a constructive dialogue on environmental, economic, and social development issues.</p> <p>Developed an external communication system: managing the social media image and media visibility rating, daily monitoring and analysis of media and information, publishing news.</p>

Strategic risks

+ Strategic risks	<p>Risk of not achieving strategic targets by the Group</p> <p>Integration and performance of newly acquired assets</p>	<p>Evaluation of related risks in taking large-scale strategic decisions; planning actions to reduce risk levels as part of strategic transactions and projects implementation.</p> <p>Increasing the own-to-purchased wood ratio, while concurrently expanding the area of forests controlled by the Group and also increasing their utilisation rate.</p> <p>Adoption of intensive forest management practices; voluntary certification of forest leases; investing in wood harvesting and transporting machinery.</p> <p>Reduction of production risks through the implementation of both greenfield and brownfield investment projects.</p> <p>Improving the operational efficiency through the implementation of costs and energy consumption reduction programmes; reducing the environmental impact by upgrading production and effluent treatment facilities.</p>
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Risk	Description	Mitigation measures
		<p>Introduction of modern technologies, digital management and business intelligence platforms, establishing and developing research and development centres for the elaboration of innovative elaboration.</p> <p>Consolidation of entities; successful integration into the Company's business processes and management structure; improving the efficiency of processes and debottlenecking.</p>

+ Project risks	Risk of exceeding the budget or falling behind the project schedule or not reaching project targets	<p>Adoption of the best available project management practices: proper planning and daily control of the project status and project team performance, conducting due diligence, project risk management.</p> <p>Mitigating the risks of breach of contracts by suppliers and contractors through the system of penalties, claim work with suppliers and contractors.</p>
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Risks associated with the Group's operations

+ Operational risks	<p>Risk associated with the unstable operation of manufacturing infrastructure</p> <p>Risk of not achieving production targets</p> <p>Risk of work emergencies, accidents and occupational injuries</p>	<p>Securing the stable operation of the production infrastructure: implementation of a full-scale programme for production assets rebuild and upgrade; systemic planning of the maintenance programme and monitoring the technical conditions of equipment and mechanisms, building up operational stores of spare parts and consumables; property and civil liability insurance.</p> <p>Planning and monitoring of the functional strategy implementation in terms of harvesting machinery management.</p> <p>Adoption and monitoring of functional strategy implementation in terms of industrial safety and occupational health.</p> <p>Measures to ensure industrial safety: compliance with the OHSAS 18000 standard, existing labour protection policies and internal regulations; provision of working uniforms and PPE; investigation of underlying causes and prevention of incidents and accidents; education and information of personnel on safety and health.</p>
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+ HR-risks	Risks of HR availability for the Group's operational process and development strategy implementation	<p>Levelling up and maintaining the salary level within the Group in line with competitive market benchmarks.</p> <p>Implementation of socially important programmes and projects in the regions of where the Group operates, development of the social environment.</p> <p>Projects aimed at improving work conditions at production sites.</p> <p>Youth care projects; working with higher educational institutions and vocational schools in order to employ young specialists.</p>
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+ Cyber-risks	<p>Risk of IT systems instability or disruption of work during the introduction of new IT systems</p> <p>Risks of unauthorised access to confidential information and of information distortion or loss</p>	<p>Implementation of the Digital Transformation Strategy and complete business digitalisation.</p> <p>Investing in upgrading IT technologies, centralisation of the IT systems, introduction and development of SAP.</p> <p>Enhancing information security, monitoring of the hardware and software operations.</p> <p>Building the Second line of defence from Russian-made systems.</p> <p>Piloting solutions from Russian manufacturers.</p> <p>Providing up-to-date backups of information resources and equipment configurations.</p>
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SECURITIES AND INVESTOR RELATIONS

SHARES

Shareholders' Equity

The authorised capital of PJSC Segezha Group consists of 15,690,000,000 ordinary shares with a par value of RUB 0.1 each. All shares of the Company have voting rights, on a one-vote-per-share basis.

The Company has the right to distribute declared ordinary shares in the amount of 8,190,000,000, with a nominal value of RUB 0.1 per share. The Company's Charter features the possibility of issuing preference shares.

According to PJSC Moscow Stock Exchange, the free float was 25% as of 31 December 2022.

Segezha Group's shares are traded on the Moscow Stock Exchange under the ticker SGZH and are included in the First Level Quotation List.

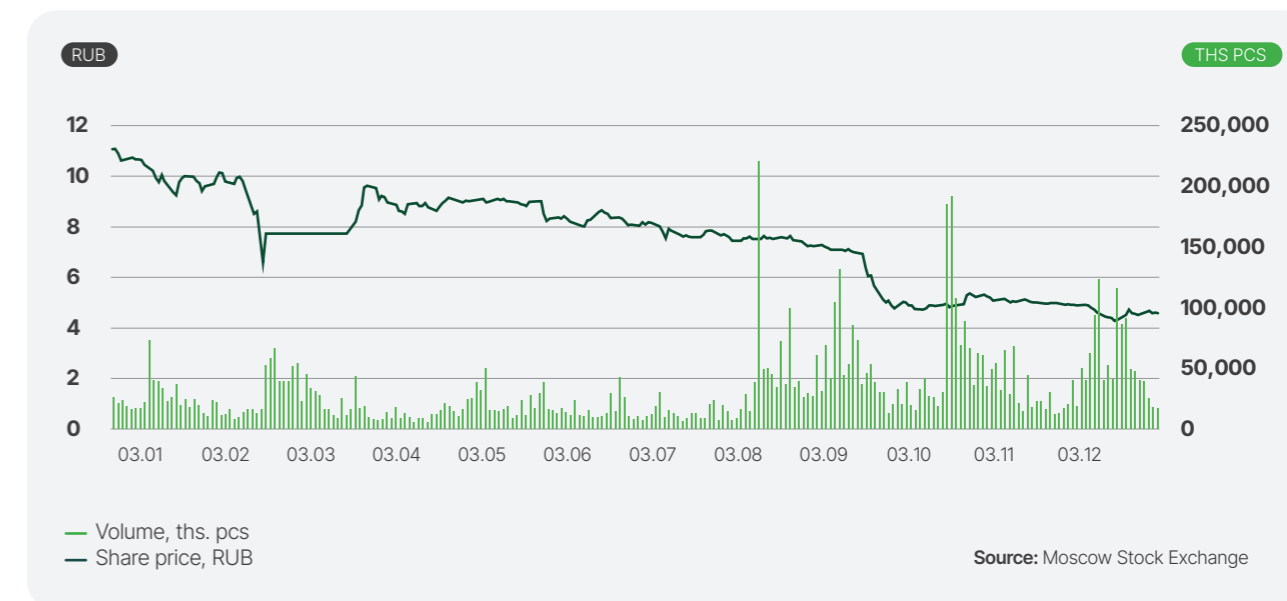
As of 31 December 2022, Segezha Group had a market capitalisation of RUB 72 bn.

Ordinary shares	
Registered No	
1-01-87154-H	1-01-87154-H
Registration date	
18.12.2020	01.04.2021
ISIN	
RU000A102XG9	RU000A102XG9
Nominal value, RUB	
0.1	0.1
Number, pcs	
11,940,000,000	3,750,000,000
Date of state registration of the securities emission report	
01.02.2021	11.05.2021



Stock Performance

Performance of Segezha Group's stock (SGZH) at the Moscow Stock Exchange in 2022



Segezha Group's share price dynamics in 2022

RUB	
First trading day	11.07
Minimal	4.28
Maximal	11.08
Last trading day	4.58

Source: Moscow Stock Exchange

Information on registrar

JSC Reestr is the Registrar of PJSC Segezha Group, License No 045-13960-000001 of 13 September 2002 for keeping a register of securities owners.

The Shareholder's Personal Account online portal is available for PJSC Segezha Group's shareholders, which allows:

- remote participation in the General Meetings of Shareholders by filling in the electronic form of a general voting ballot on the web-site of JSC Reestr;
- request and receive account statements and statements of transactions in paper and electronic form;
- view, confirm or, if necessary, adjust personal data in the accounts of the registered person;
- carry out online registrar services;
- control the balances of securities in the accounts of the registered person;
- receive information on accrued and paid dividends.

RIGHTS OF SHAREHOLDERS

PJSC Segezha Group provides equal rights and equal treatment to all shareholders of the Company. The procedure for the exercise of rights by shareholders is determined in accordance with the Charter of PJSC Segezha Group and Federal Laws On Joint Stock Companies and On Securities Market, as well as with other laws and regulations of the Russian Federation.

DIVIDEND POLICY

On 9 April 2021, the Board of Directors of PJSC Segezha Group adopted the Dividend Policy (Minutes No 10/21, dated 9 April 2021).

The Policy is based on the following principles:

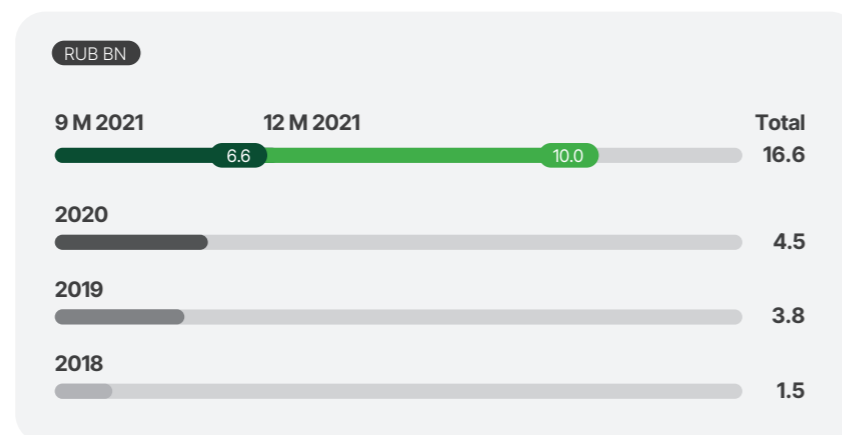
- ➔ compliance with existing legislation of the Russian Federation, as well as with the Charter and internal documents of PJSC Segezha Group;
- ➔ respecting the rights and interests of all shareholders;
- ➔ adopting a maximum transparency mechanism for determining the size of dividends paid to shareholders of PJSC Segezha Group;
- ➔ continuously boosting the Company's investment attractiveness, its market capitalisation, and total shareholder return;
- ➔ striving to make economically informed decisions in regard to dividend payments, seeking a balance between the short-term and long-term interests of shareholders and those of the Company in terms of its investment needs.

Dividend payments' terms at PJSC Segezha Group

Description	2021-2023	2024 onwards
Basis for dividends calculation	Fixed payment	Free cash flow (FCF ⁽¹⁾)
Payment	3-5.5 RUB BN	75-100% OF FCF
Frequency	At least once a year	
Terms	When meeting the dividend payout limit, one should take into account that the total equity as shown in the consolidated financial statements must exceed the amount of the authorised capital after the dividends have been distributed	

Dividend Policy is available on the Company's website at: <https://segezha-group.com/investors/dividends/>.

Dividend history (dividends paid and recommended) of Segezha Group⁽²⁾



⁽¹⁾ Free Cash Flow – see [Glossary](#) on page 282.

⁽²⁾ Until 28 December 2020 LLC GC Segezha (legal predecessor of PJSC Segezha Group).

Dividend history on Segezha Group's shares

Period for which dividends are payable	Record date of the resolution on dividends by the General Meeting of Shareholders	Record date of the list of persons entitled to receive dividends	Total amount of announced dividends, RUB	Dividend amount per one share, RUB
12 M 2021	21.05.2022	02.06.2022	10 041 600 000	0.64
9 M 2021	29.12.2021	08.01.2022	6 589 800 000	0.42
2020 ⁽³⁾	29.06.2021	–	–	–

TAXATION OF SECURITIES

The income generated by securities is taxed in accordance with the applicable laws of the Russian Federation on taxes and local fees, to include requirements of the Tax Code of the Russian Federation (Chapter 23 Individual Income Tax and Chapter 25 Corporate Profit Tax).

In accordance with international double tax agreements, to which the Russian Federation is a party, foreign tax residents are entitled to apply for reduced tax rates at source in Russia or on exemption from tax in Russia.

Taxes on income generated by securities

Description	On operations, %	On interest, %	On dividends, %
INDIVIDUALS			
Residents	13 ⁽⁴⁾ (⁵)	13 ⁽⁵⁾	13 ⁽⁵⁾
Non-residents	30 ⁽⁴⁾	30	15
LEGAL ENTITIES			
Residents	20 ⁽⁴⁾	20	13 ⁽⁶⁾
Non-residents	20 ⁽⁷⁾	20	15

⁽³⁾ No decision to pay dividends on shares for the 2020 reporting year was taken.

⁽⁴⁾ Or 0% in the case of the Company's shares sale provided that such shares have been held for more than five years as of the date of sale and that the requirements for the share of immovable property in the Company's assets as set out in Article 284(2) of the Russian Tax Code are met.

⁽⁵⁾ If income is paid after 1 January 2021, a tax rate of 15% applies to amounts exceeding RUB 5 m for the tax period.

⁽⁶⁾ Or 0% if the Russian entity owns 50% (or more) of the company's share capital for 365 days (or more) on the date of the decision to pay dividends.

⁽⁷⁾ If such income relates to income of a foreign organisation from sources in Russia in accordance with Article 309(1) of the Russian Tax Code.

BONDS

Segezha Group is constantly taking steps to optimise the structure and characteristics of its debt portfolio and adapt financing instruments to the current market situation.

A large part of the Company's debt is represented by exchange-traded bond liabilities, a means of stabilising the Group's debt portfolio amid the current high volatility of the markets.

In October 2022, the Expert RA rating agency confirmed Segezha Group's credit rating at ruA+ with a negative outlook.

The Company placed seven issues of Ruble Bonds in 2022 and registered Segezha Group's Series 003P Exchange Traded Bond Programme and Prospectus on the Moscow Stock Exchange.

The programme was assigned registration number 4-87154-H-003P-02E and has

a maximum value of RUB 100 bn. Segezha Group adheres to a policy of natural hedging as it refocuses on new markets and seeks financial instruments to diversify the currency structure of its debt. In 2022, the Company became one of the first to place RMB-denominated bonds. As of the end of 2022, there were eight RUB-denominated exchange-traded bonds and one currency-denominated bond issue with a total value of RUB 76.4 bn.

Issuer	PJSC SEGEZHA GROUP		
Instrument	Exchange-traded bonds 001P-01R	Exchange-traded bonds 002P-01R	Exchange-traded bonds 002P-02R
ISIN	RU000A101D13	RU000A1041B2	RU000A1043G7
Placement date	31.01.2020	17.11.2021	23.11.2021
Maturity date	26.01.2023	13.11.2024	17.11.2026
Amount, RUB bn	10	10	10
Coupon rate, % per annum	7.10	9.85	9.70
Coupon period	Every 182 day (from the placement date)		

Instrument	Exchange-traded bonds 002P-03R	Exchange-traded bonds 002P-04R	Exchange-traded bonds 002P-05R
ISIN	RU000A104FG2	RU000A104UA4	RU000A1053P7
Maturity date	24.01.2024	27.11.2023	12.02.2026
Maturity date	24.01.2024	27.11.2023	12.02.2026
Amount, RUB bn	9	8.2	10
Coupon rate, % per annum	10.90	11.00	10.75
Coupon period	Every 91 day (from the placement date)	Every 182 day (from the placement date)	

Instrument	Exchange-traded bonds 002P-06R	Exchange-traded bonds 002P-07R	Exchange-traded bonds 003P-01R
ISIN	RU000A1055U2	RU000A105AD7	RU000A105EW9
Placement date	06.09.2022	12.10.2022	10.11.2022
Maturity date	02.09.2025	10.04.2024	06.11.2025
Amount, RUB bn	5	10	4.2 ⁽¹⁾
Coupon rate, % per annum	10.75	10.83	4.15
Coupon period	Every 91 day (from the placement date)		

⁽¹⁾ Currency of the placement is RMB, the amount is denominated in RUR at the exchange rate of the Central Bank of the Russian Federation on the date of placement.

INVESTOR RELATIONS

Segezha Group is a public company, it complies with up-to-date information disclosure standards and is committed to ensure the highest quality levels of information transparency and establish relations of trust and fairness with all investors and shareholders.

Essential information on the Company's activities is disclosed timely in the form of press releases or corporate action notices via authorised information disclosure services, as well as by posting such information on the Company's website. Additionally, the corporate materials such as presentations, annual reports, DataBook, investors' calendar, analysts

contacts, are regularly updated and available on the official corporate website under the For Investors and Shareholders section. Given investors' strong focus on sustainability (ESG), Segezha Group's website provides an overview of the Company's performance in this area, under Sustainable Development section.

In 2022, despite geopolitical and economic turbulence and legislative changes with respect to information disclosure, Segezha Group continued the ongoing dialogue with a wide range of institutional and private investors to ensure that capital market players are fully informed about its operations.

The Company fully discloses data on its operating and financial performance, arranges conference-calls with investors attended by the Company's top management, holds meetings with investors, shareholders and other stakeholders, participates in conferences for retail investors, and conducts dedicated events.

Segezha Group was among the first companies to actively engage with individual investors through publishing dedicated materials, maintaining accounts on relevant platforms, conducting dialogues with top management, etc.

Over 2022, the Company was also engaged in a continuous dialogue with private investors

- ✔ The Company hosted webinars with key investment bloggers, including a series of Q&A sessions with the audience.
- ✔ Calls were held in Russian on the Company's financial and operational performance, attended by the Group's President and top managers.
- ✔ Investors, major investment bloggers, and opinion leaders visited the Segezha PPM and Lesosibirsky LDK No 1 for mill tours and a Q&A session with the Group's management.
- ✔ Segezha Group was one of the first issuers to participate in two retail investor conferences and to hold Q&A session.
- ✔ The Company continued to develop an official corporate account on the [Tinkoff Pulse](#) platform (26.2 ths subscribers as of the end of 2022), and regularly posted information relevant to investors along with answers to questions from the investment community. Currently, the Group's account is one of the largest issuer accounts on the platform.
- ✔ Posts were published in key Telegram investment channels and profile websites.





ANNEXES

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ANNEX 1

Segezha Group's Environmental Performance

Forest areas under the Company's control, by their intended use, ths ha⁽¹⁾

Forest intended use	Area	%
Protective forests, total	2,025	13
Including:		
1) forests located in specially protected wilderness areas	22	0.1
2) forests located in water protection zones	1,091	7
3) forests that protect natural and other objects, total	178	1
of those:		
a) forests located in the second and third belt of the clean drinking and public water source sanitary protection zones;	0.2	0.0
b) forests located in shelterbelts	113	0.7
c) forests located in green zones	64	0.4
d) forests located in national parks	1	0.0
e) mountain-sanitary protection forests	-	-
4) valuable forests, total	734	5
of those:		
a) state shelterbelts;	-	-
b) erosion control forests;	-	-
c) desert and semi-desert forests;	-	-
d) forest-steppe;	-	-
e) forest-tundra	-	-
f) mountain forests	-	-
g) forests of scientific or historical and cultural importance;	3	0.0
h) forests in the nut-bearing zones;	10	0.1
i) fruit-bearing forests;	-	-
j) belt forests	-	-
k) forbidden forest zones located along water bodies	427	3
l) spawning forest zones	294	2
5) urban forests	-	-
Exploitable forests, total	13,869	87
Reserve forests, total	-	-
Forests, total	15,894	100

(1) Forests located on the forest fund land, according to Article 10 of the Forest Code of the Russian Federation, are divided into the following types: 1) protective forests; 2) exploitable forests; 3) reserve forests.

Reforestation activities in 2022, ha

Indicator	Krasnoyarsk region	Irkutsk region	Karelian Republic	Vologda region	Arkhangelsk region	Kirov region	Kostroma region	Total
Reforestation, ha, including:	25,824	21,638	9,697	5,466	4,010	1,893	284.1	68,812
1. Planting, including:	229	724	2,102	1,211	4	179	4	4,453
<i>open root plantlets</i>	188	0	737	810	0	110	0	1,844
<i>tubed plantlets</i>	40	724	1,366	402	4	80	4	2,619
2. Seeding	435	2,770	626	23	0	0	0	3,854
3. Combined reforestation	0	4,583	0	66	109	0	0	4,758
4. Work to help the natural regeneration of forests	25,160	13,395	4,944	4,166	3,897	1,087	280	52,929
5. Naturally driven reforestation	0	166	2,025	0	0	626.7	0	2,817

Total number of species included in the Red Book of the Russian Federation that are prospectively inhabiting areas affected by Segezha Group's operations, 2022

Risk level	Karelian Republic	Vologda region	Kirov region	Arkhangelsk region	Krasnoyarsk region	Irkutsk region	Kostroma region
critical	2	4	14	3	0	0	0
endangered	8	11	19	3	0	3	0
vulnerable	8	51	84	17	9	41	0
near-threatened	6	152	5	68	16	1	0
least concern	22	30	7	19	16	1	0
Total	46	248	129	110	41	46	0

Information on the amount of energy used

The table below lists the fuels and energy used by Segezha Group. The Company not only purchases but also produces energy. Part of the energy produced is sold to third parties – this value is excluded from the total energy consumption of the Group. Own consumption of produced energy is counted once as part of fuel consumption.

Description	2020		2021(1)		2022	
	GJ	RUB m	GJ	RUB m	GJ	RUB m
Energy consumption:						
power	3,206,285	2,627	2,401,908	2,838	3,466,073	3,004
heat	701,225	411	908,998	2 761	2,400,003	1,430
cooling	1,697	0	1,841	3	0	0
steam	8,658,709	2,356	8,029,246	2,818	8,159,027	3,785
Energy sales:						
power	10,670	34	14,994	13	12,853	14
heat	1,515,212	697	1,229,506	1,146	1,180,839	1,217
steam	552,895	148	619,357	186	608,006	182
Fuel consumption:						
coal	1,948,106	87	2,095,641	99	2,218,825	131
natural gas	3,650,025	406	4,069,626	458	4,568,174	548
diesel	1,133,520	1,189	1,284,741	1,456	1,727,770	2,285
petrol	78,260	83	73,470	89	80,577	92
fuel oil	3,550,821	960	3,530,980	1,888	3,198,249	1,782
firewood (renewable fuel)	5,510,176	695	5,718,934	678	10,013,605	1,028
Total energy consumption	26,381,387	8,005	26,281,517	11,771	33,862,570	12,645

Direct emissions by source, t equiv CO₂(2)

Source	2022
Vehicles	164,358
Generation of heat for production processes	451,003
Generation of heat for sale	111,091
Burning of biofuel(3)	19,960
Use of carbonates for pulp cooking (CO ₃ ²⁻)	5,160
Generation of power for production processes	4,866
Coolers (PCF/HFC)	55
Gas welding	42

Total waste by hazard class, t

Hazard class	2020	2021	2022
Total:	699,747	891,108	1,543,156
Of which: Hazard class I	3	3	1
Hazard class II	9	7	1
Hazard class III	61	221	160
Hazard class IV	189,863	167,923	293,127
Hazard class V	509,812	724,974	1,249,792

ANNEX 2

Identification of risks and opportunities associated with climate change was based on the structure recommended by the Task Force on climate-related financial disclosures (TSFD)

TCFD recommendation element	Performance in 2022	Plans for 2023
+ Corporate governance	The mechanism of cross-functional interaction on climate risk management was improved, including greenhouse gas emission reporting, inventory maintaining and updating on a regular basis, prioritising and assessing of physical and adaptation climate risks, as well as developing and updating of the Group's low-carbon roadmap. Relevant changes were agreed for inclusion into the Group's Sustainability Policy.	<ul style="list-style-type: none"> Implementation of climate management functions and processes in line with the Sustainable Development Policy Improving climate risk management processes and integrating them into the risk management system, taking into account the planned recommendations from the Bank of Russia
+ Strategy	The share of revenue from sustainable products in the Group's portfolio was increased. The Group's strategy envisages launching products with maximum carbon conservation potential through the reduced consumption of fossil resources and the use of renewable raw materials to manufacture products designed for long-term use, including CLT-panels.	<ul style="list-style-type: none"> Assessment and verification of the carbon footprint of CLT panels produced by Segezha-Group Scenario-based assessment of the Group's highest-priority climate risks
+ Risk management	Examine the likelihood and impact of climate risks at the Board Risk Committee (at the end of 6 months, through 2022).	<ul style="list-style-type: none"> Regular reporting on the likelihood and impact of climate risks to the Board Risk Committee Presenting roadmaps for improved ecosystem management to the Risk and Strategy and Sustainability Committees
+ Metrics and targets	Companies that were incorporated into the Group via M&As have been included in the climate reporting system.	<ul style="list-style-type: none"> In addition to estimating emissions from Scopes 1 and 2, developing a consolidated methodological approach to estimate Scope 3 emissions.

(1) Data for 2021 include JSC Novoyeniseyskiy Wood-Chemical Complex and LLC Inter Forest Rus, which were consolidated to the Group in 2021.

(2) The calculation for 2022 is based on the methodology approved by the Order of the Ministry of Natural Resources and Environment of the Russian Federation No. 371 of 27.05.2022 On Approval of Methodologies for Quantification of Greenhouse Gas Emissions and Greenhouse Gas Absorption. In 2021 the calculation was based on the methodology of quantification of greenhouse gas emissions, approved by the Order of the Ministry of Natural Resources and Environment of the Russian Federation dated 30.06.2015 No. 300 On Approval of Methodology and Guidelines for Quantification of Greenhouse Gas Emissions by Organisations Carrying out Economic and Other Activities in the Russian Federation, valid until 01.03.2023.

(3) Only N₂O and methane are taken into account during biofuel combustion.

The Group's climate risk analysis carried out in 2022 identified physical risks (associated with changes in weather and climate conditions and with other environmental parameters due to global climate change) and adaptation risks (associated with moving towards low-carbon development and the most relevant for the Group's operations).

Direct physical risks were identified and categorised by exposure, in particular:

I. Risks of reduced availability of wood due to:

- ① the loss of standing stock due to the intensified frequency and severity of forest fires, extreme weather events;
- ② forest damage caused by changes in the frequency and severity of outbreaks of insect pests and pathogens;
- ③ shifted boundaries of forested areas, changes in forest species distribution and in the productivity of forest ecosystems.

II. Risks of reduced staff performance due to:

- ① worsening of well-being and an increase in the number/length of sick leave days during heat waves;
- ② worsening of well-being and an increase in the number/length of sick leave days caused by smoke from wildfires;
- ③ worsening of well-being and an increase in the number/length of sick leave days due to the longer and more intense allergy season, the more intense spread of natural focal infections, viral infections.

III. Risks for production facilities:

- ① production going down due to the reduced availability of water resources;
- ② interruption of production due to adverse weather events, such as floods, wildfires, strong winds;
- ③ accelerated deterioration of equipment, buildings, and structures due to changes in temperature;
- ④ changes in energy consumption due to hiked demand for air conditioning during the warm season and reduced demand for heating during the cold season.

IV. Risks to electricity generation:

- ① reduction in own electricity generation due to higher ambient air temperature;
- ② severe reduction in the available capacity of own and external power plants during extreme heat;
- ③ higher frequency of accidents in power supply systems due to extreme weather events, including thunderstorms, winds and ice.

V. Logistics risks:

- ① disruption of raw material supply and product deliveries by road and rail due to roads flooding as a result of the higher frequency of excess rain and floods, snow drifts, ice phenomena, reduced visibility in case of more intensive fogging, erosion damage, etc.;
- ② disruption of product shipments through seaports due to higher frequency of weather events leading to temporary port closures, complications in navigation, mooring, loading and unloading conditions, as well as a gradual rise in sea level and flooding of port infrastructure;
- ③ complexity of transporting wood by water due to changes in the hydrological regime of rivers, including changes in low flows, floods, ice drifts, etc.

Opportunities in terms of physical processes of climate change:

- ✔ A gradual bump-up in the productivity of forest ecosystems in northern European Russia and Siberia. At the same time, hiked forest ecosystem productivity can also be a factor in complicating logging operations and inflating costs.
- ✔ Reduced need for heating during the cold season. As a result of higher average monthly temperatures in autumn and spring, which should be expected in Europe and Siberia in the coming decades under virtually all scenarios, the heating season will start later and end earlier.

The transition risks were identified as follows:

VI. Risks related to stricter reporting requirements on greenhouse gas emissions:

- ① introduction of mandatory reporting of greenhouse gas emissions in Russia for all enterprises with emissions over 150 ths t of CO₂ and over 50 ths t of CO₂ from 2023 and 2024, respectively.
- ② stricter reporting requirements on imports of products to China

VII. Regulatory risks relating to current goods and services:

- ① change in the labelling rules for paper products;
- ② imposing restrictions on trade in timber products;
- ② changing the requirements for packaging materials to contain recycled pulp;
- ④ tightening the environmental requirements for packaging materials in China.

VIII. Risks associated with an increase in the price of carbon:

- ① introducing a carbon price in Russia after 2030.

IX. Process risks:

- ① lagging behind competitors in terms of the adoption of renewable energy based processes;
- ② lagging behind competitors in terms of recycling-based processes adoption;
- ③ using processes and/or equipment that do not meet the modern decarbonisation requirements in the pulp and paper industry in terms of energy consumption per tonne of pulp cooked or market product;
- ④ the technology gap widening (including due to restrictions on the imports of high-tech equipment).

X. Market risks:

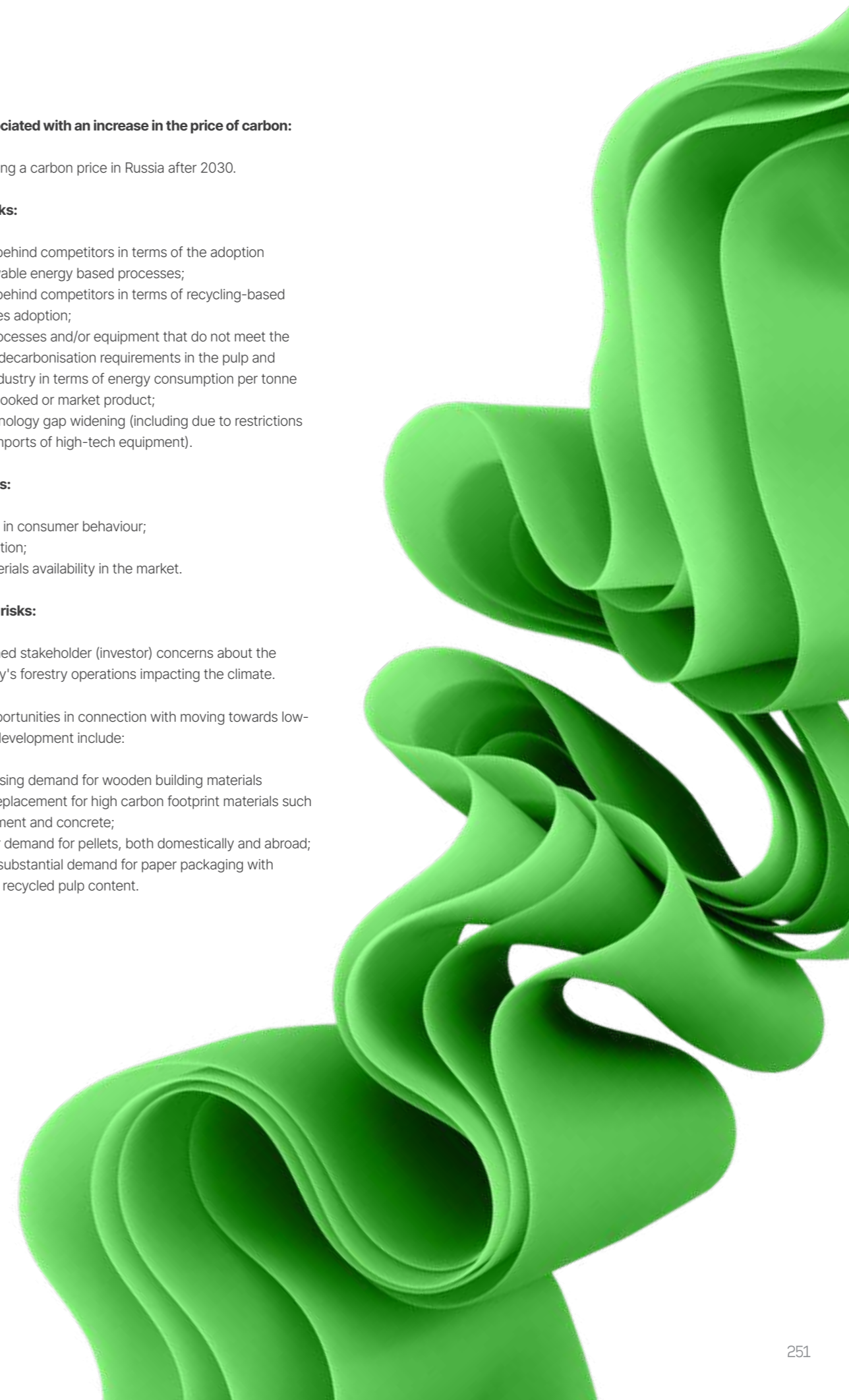
- ① changes in consumer behaviour;
- ② digitalisation;
- ③ raw materials availability in the market.

XI. Reputation risks:

- ① heightened stakeholder (investor) concerns about the Company's forestry operations impacting the climate.

New opportunities in connection with moving towards low-carbon development include:

- ➔ increasing demand for wooden building materials as a replacement for high carbon footprint materials such as cement and concrete;
- ➔ higher demand for pellets, both domestically and abroad;
- ➔ more substantial demand for paper packaging with a high recycled pulp content.





ANNEX 3

Report on Compliance with the Principles and Recommendations of the Corporate Governance Code by the Bank of Russia

This Report on Compliance with the Principles and Recommendations of the Corporate Governance Code was reviewed by the Board of Directors of PJSC Segezha Group at the meeting on 18 May 2023 (Minutes No9/23 dated 18 May 2023).

The Board of Directors confirms that the data presented in this report contain complete and reliable information on the Company's compliance with the principles and recommendations of the Corporate Governance Code for 2022.

N	Corporate Governance Principle	Criteria for assessing compliance with the Corporate Governance Principle	The status of compliance with the Corporate Governance Principle	Explanations of deviations from the criteria for assessing compliance with the Corporate Governance Principle
1	2	3	4	5
1.1	The Company must ensure equal and fair treatment of all shareholders when they exercise their right to participate in the management of the Company			
1.1.1	The Company provides the best possible conditions for shareholders to participate in General Meetings of Shareholders, to formulate an informed position on the agenda of a General Meeting of Shareholders, to coordinate their actions and provide their views on issues under consideration.	1. The Company provides accessible communication means, such as a hotline, email or Internet Forum, as a space for shareholders to express their opinions and direct their questions regarding the agenda of a General Meeting of Shareholders during preparation for the meeting. These actions were taken by the Company and made available to shareholders on the eve of each General Meeting of Shareholders held during the reporting period.	✔ Fulfilled	The General Meetings of Shareholders' convocation, preparation and conducting procedures are set forth within the Company's Charter and Regulations on the General Meeting of Shareholders, which are published on Segezha Group's website and are publicly available. During each General Meeting of Shareholders, the Company provides shareholders with an e-mail address, where they can express their opinion and send questions regarding the General Meeting of Shareholders, including its agenda.
1.1.2	Procedures set forth for the notice of holding of a General Meeting of Shareholders and for providing materials to be submitted to the General Meetings of Shareholders give shareholders the opportunity to prepare in due course for their participation in the General Meeting of Shareholders.	1. In the reporting period, the notification on holding of the General Meeting of Shareholders is placed (published) on the Company's web-site no later than 30 days before the date of the General Meeting of Shareholders, unless the legislation provides for a longer period. 2. Notices of the General Meetings of Shareholders list documents needed to access the place. 3. Shareholders had access to the information on who proposed items for the agenda and who nominated candidates for the Board of Directors and the Audit Commission of the Company (if forming of the Committee is provided for in the Company's Charter).	✔ Fulfilled	In accordance with the Company's Charter, notices of the General Meetings of Shareholders, containing information on the place, date and time of the meeting, as well as on documents needed to access the place, were published on the Company's web-site as well as on https://www.e-disclosure.ru/portal/company.aspx?id=38038 no later than 30 days before the date of the Meeting. Information on who proposed each of items for the agenda and who nominated candidates for the Company's governing bodies was provided in Memos or other materials on associated matters.
1.1.3	During the preparation and holding of the General Meetings of Shareholders, shareholders had the opportunity to freely and timely receive information about the meeting and materials for it, to ask questions to the executive bodies and to members of the Board of Directors as well as to communicate with each other.	1. During the reporting period, shareholders were given the opportunity to ask questions to members of the executive bodies and of the Board of Directors on the eve of and during holding of the annual General Meeting. 2. The position of the Board of Directors (including dissenting opinions described in the minutes, if available) on each item on the agenda of general meetings held during the reporting period was included in the materials for the General Meeting of Shareholders 3. The Company gave eligible shareholders access to the list of persons entitled to participate in the General Meeting of Shareholders, starting from the date of its receipt by the Company and for all general meetings held in the reporting period.	✔ Fulfilled	During the preparation for the annual General Meeting of Shareholders in 2022, shareholders had the opportunity to receive answers to their questions by contacting the Company's head office or sending their questions to ir@segezha-group.com . The list of persons entitled to participate in the General Meeting of Shareholders was available to shareholders through the Corporate Secretary of PJSC Segezha Group.
1.1.4	The right of shareholders to demand the convening of the General Meeting, nominate candidates to the Company's bodies and to introduce proposals into the agenda of such a meeting was not exercised as an unreasonably complex effort	1. Based on the Company's Charter, shareholders have a statutory period of at least 60 days as from the ending of the corresponding calendar year, to propose items to be included in the agenda of the annual general meeting 2. During the reporting period, the Company did not decline any items to be included in the agenda or rejected candidates to be nominated to the Company's bodies due to typing errors and other minor deficiencies in the shareholder's proposal	✔ Fulfilled	The Company's Charter stipulates a statutory period of maximum 100 days as from the ending of the reporting year for shareholders to propose items to be included in the agenda of the Annual General Meeting. Should a shareholder's proposal contain significant deficiencies, the Company informs the shareholder in advance on such deficiencies, so that the shareholder has the opportunity to adjust the proposal accordingly, prior to the Board's approval of the meeting agenda and of the list of candidates to be nominated to the Company's bodies. During 2022, the Company did not decline any items to be included in the agenda or rejected candidates to be nominated to the Company's bodies due to typing errors and other minor deficiencies in the shareholder's proposal
1.1.5	Every shareholder was able to vote in the easiest and most convenient way.	The Charter of the Company provides for the possibility of filling out an electronic form of a ballot on the website on the Internet, the address of which is indicated in the notice of the general meeting of shareholders.	✔ Fulfilled	The Charter of the Company provides for the possibility of remote participation in the General Meeting of Shareholders, of discussion of agenda items without being present at the place of the General Meeting of Shareholders, as well as of making decisions on issues put to a vote by filling out an electronic form of the ballot. The address on the Internet, at which a person entitled to participate in the General Meeting of Shareholders, can register to participate in the General Meeting of Shareholders, fill out an electronic form of ballots and vote with this ballot, is determined by the Board of Directors and is indicated in the notice of the General Meeting of Shareholders



N	Corporate Governance Principle	Criteria for assessing compliance with the Corporate Governance Principle	The status of compliance with the Corporate Governance Principle	Explanations of deviations from the criteria for assessing compliance with the Corporate Governance Principle
1.1.6	The procedure for holding a General Meeting of Shareholders established by the Company provides an equal opportunity for all parties attending the meeting to express their opinion and ask questions of interest to them.	<ol style="list-style-type: none"> During General Meeting of Shareholders held in the reporting period in the form of a meeting (of joint presence of shareholders), sufficient time was allowed for shareholders to express their opinion on and discuss matters included in the agenda. The Company invited candidates to the Company's governance and control bodies and took all measures to ensure their presence at the General Meetings of Shareholders, at which they were put to the vote. Candidates for the Company's governance and control bodies were available to answer shareholders' questions at the meeting at which they were present. The Company's sole executive body, a person responsible for accounting, chairman or other members of the Board of Directors responsible for audit were available to answer shareholders' questions at meetings held in the reporting period. During the reporting period, the Board of Directors used telecommunication facilities to provide shareholders with remote access to General Meetings, or the Board of Directors rightly established that there was no need (possibility) for using such facilities in the reporting period. 	<p>⊕ ⊖ Partially fulfilled</p>	<p>In the reporting period, no general meetings of shareholders were held in the form of a meeting (of joint presence of shareholders).</p> <p>According to Federal Law N 25-FZ dated 25.02.2022 the prohibition of holding general meetings of shareholders in absentia was suspended until 31.12.2023 inclusive, which allowed holding such meetings virtually in the reporting period. Subsequent general meetings of shareholders are planned to be held by the Company in person, provided there are no objective reasons to the contrary.</p> <p>Candidates for election to the Board of Directors were not present at the corresponding General Meeting of Shareholders due to the fact that such meetings were held virtually.</p> <p>The Company's Shareholders can use the electronic voting system on the website of the Company's registrar – JSC Reestr. Shareholders could vote remotely if such a technical possibility was provided by the relevant depository.</p> <p>All persons mentioned in item 3 were available for answering shareholders' questions sent to ir@segezha-group.com.</p> <p>During the reporting period, the Company provided all shareholders with the opportunity to participate in general meetings of shareholders of PJSC Segezha Group by filling out an electronic form of voting ballots on the website on Internet: http://www.aoreestr.ru/shareholders/e-voting.</p>
1.2	Shareholders are given an equal and fair opportunity to have the share of the Company's profits by receiving dividends.			
1.2.1	The Company has developed and implemented a transparent and comprehensible method for determining the size and paying out of dividends.	<ol style="list-style-type: none"> The Company's dividend policy has been approved by the Board of Directors and disclosed on the Company's website. If the Dividend Policy of the Company preparing consolidated financial statements uses the Company's statements to determine the amount of dividends, the related provisions of the Dividend Policy are based on consolidated financial statements. The rationale for the proposed net profit distribution, including for the payment of dividends and the Company's own needs, as well as an assessment of its compliance with the Dividend Policy adopted in the Company, including explanations and an economic justification for the need to allocate a certain part of net profit for own needs in the reporting period, were included in the materials for the general meeting of shareholders, the agenda of which includes the issue of distribution of profits (including the payment (announcement) of dividends). 	<p>✔ Fulfilled</p>	<p>The Company's Board of Directors has adopted the Dividend Policy Regulations, which were made available on the corporate website on the Internet.</p>
1.2.2	The Company does not decide on payment of dividends, if such a decision, while formally obeying restrictions established by law, is economically unsound and may lead to misrepresentation of the Company's performance	<ol style="list-style-type: none"> The Dividend Policy Regulations, aside from restrictions established by law, provide clear indications of financial/economic circumstances under which the Company should not resolve to pay dividends. 	<p>✔ Fulfilled</p>	<p>The Dividend Policy Regulation contains Sections 4 and 6, which define the sources, terms and conditions for determining the amount of dividends and their payment to the Company's shareholders.</p> <p>In accordance with the Regulations on the Dividend Policy, dividends to the Company's shareholders are paid only if there are sources and grounds in place for the payment determined by the legislation of the Russian Federation.</p>
1.2.3	The Company does not allow the dividend rights of existing shareholders to deteriorate.	<ol style="list-style-type: none"> In the reporting period, the Company did not take any actions that might result in existing shareholders' dividend rights deterioration. 	<p>✔ Fulfilled</p>	<p>The Company issued only one type of ordinary shares.</p> <p>In the reporting period, the Company did not take any actions that might result in ordinary shares holders dividend rights deterioration.</p>
1.2.4	The Company seeks to exclude shareholders from using other means of generating profits (income) in the Company, other than dividends and liquidation value.	<ol style="list-style-type: none"> During the reporting period, other means of generating profits (income) in the Company, other than dividends (for example, by means of transfer pricing, unjustified provision of services to the Company by a controlling individual at inflated prices, as well as by means of providing internal loans to a controlling individual and (or) his/her subordinates instead of dividends) were not used by the Company's controlling individuals. 	<p>✔ Fulfilled</p>	<p>The Code of Conduct was adopted and is operating within the Company, which establishes the obligation of senior managers, who are responsible for transactions, to notify the Board of Directors of any conflicts of interest in a timely manner.</p>
1.3	The corporate governance system and practice ensure equality of conditions for all shareholders – owners of shares of the same category (type), including minority (small) shareholders and foreign shareholders, and equal treatment of them by the Company			
1.3.1	The Company created conditions ensuring fair treatment of each shareholder by its governance bodies and controlling individuals, including that major shareholders do not abuse minority ones.	<ol style="list-style-type: none"> In the reporting period, the Company's controlling individuals did not abuse the rights of minority shareholders. Conflicts among shareholders, if any, have been given due consideration by the Board of Directors. 	<p>✔ Fulfilled</p>	<p>All conditions have been created in the Company to prevent actions of shareholders that might harm other shareholders or the Company, as well as to avoid other abuses of shareholders' rights.</p> <p>During the reporting period, there were no conflicts between the Company's shareholders.</p>
1.3.2	No action is taken by the Company that leads or can lead to artificial redeployment of corporate control.	<ol style="list-style-type: none"> Quasi-treasury shares do not exist or they were not admitted to voting in the reporting period. 	<p>✔ Fulfilled</p>	<p>Quasi-treasury shares did not exist in the reporting period.</p>





N	Corporate Governance Principle	Criteria for assessing compliance with the Corporate Governance Principle	The status of compliance with the Corporate Governance Principle	Explanations of deviations from the criteria for assessing compliance with the Corporate Governance Principle
1.4	Shareholders are provided with reliable and efficient ways of recording rights to shares, as well as the possibility of free and unhindered disposal of their shares.			
1.4.1	Shareholders are provided with reliable and efficient accounting for the rights to shares, as well as with the possibility of the free and easy alienation of shares belonging to them.	1. The technologies used by the Company's registrar and the conditions of the services provided meet the needs of the Company and its shareholders, while ensuring that the rights to shares are taken into account and the rights of shareholders are exercised in the most effective way.	✓ Fulfilled	The Company's registrar is one of Russia's largest authorised registrars. It possesses robust and mature technologies that ensure accounting and exercising of shareholders' rights in the best possible manner. The Company, together with the registrar, carries out activities intended to update information on shareholders included in the register.
2.1	The Board of Directors carries out strategic management of the Company, determines the basic principles and approaches to organising a risk management and internal control system within the Company, controls the activities of the Company's executive bodies, while concurrently implementing other key functions.			
2.1.1	The Board of Directors is in charge of making decisions relating to the appointment and dismissal of people in executive positions, including for improper fulfillment of their responsibilities. The Board of Directors also exercises control over the fact that the executive bodies of the Company act in accordance with the approved development strategy and in line with the Company's key business activities	1. The Company's Charter authorises the Board of Directors to assign and dismiss from office and to determine terms of contracts signed with members of executive bodies. 2. During the reporting period, the Nominations (appointments, personnel) Committee considered the compliance of the professional qualifications, skills and experience of members of the executive bodies with the current and expected needs of the Company dictated by the approved strategy of the Company. 3. The Board of Directors has reviewed the report(s) of the sole executive body and the members of the collegial executive body (if any) on the Company's strategy implementation	✓ Fulfilled	According to the Company's Charter, appointment of the President, election of the Management Board members, and dismissal thereof, as well as approval of terms of contracts with the President and members of the Management Board fall within the scope of the Board of Directors' competence The Nomination and Remuneration Committee of the Board of Directors forms the Board of Directors' position on the nomination of candidates for the positions of sole executive bodies of the main Organisations within Segezha Group. The Nomination and Remuneration Committee preliminarily evaluates and approves the achievement of key performance indicators by members of executive bodies for the reporting period. The Board of Directors regularly monitors the implementation of Segezha Group's development strategy by the Company's executive bodies.
2.1.2	The Board of Directors sets the main guidelines for the Company's long-term activities, evaluates and approves key performance indicators and main business goals of the Company, while also assessing and approving strategies and business plans concerning the Company's main activities	1. In the reporting period, issues related to the implementation and updating of the Company's strategy and business plan, approval of the financial and business plan (budget), as well as criteria and indicators (including intermediate ones) for their implementation were addressed at the meetings of the Board of Directors.	✓ Fulfilled	The Board of Directors monitors and maintains the process of the Company's strategy and consolidated budget development and implementation at every stage. The strategy and business plans adopted by the Board of Directors for the Company contain clear criteria, the majority of which are quantified and have intermediate benchmarks. The Board of Directors adopts a consolidated budget for the Company on an annual basis, and follows up its implementation on a quarterly basis. The Board of Directors at least once a year reviews the strategy of the Company, assessing the progress of its implementation and the need to update.
2.1.3	The Board of Directors determines principles and approaches to organising risk management and internal control system for the Company.	1. The principles and approaches to the organisation of the risk management and internal control system are defined by the Board of Directors and are fixed in the internal documents of the Company defining the Policy in the field of risk management and internal control. 2. In the reporting period, the Board of Directors approved (revised) an acceptable amount of risks (risk appetite) for the Company; or the Audit Committee and/or the Risk Committee (if any) considered the expediency of submitting to the Board of Directors the issue of reviewing the risk appetite of the Company.	✓ Fulfilled	The Board of Directors approved the Internal Control System Code, as well as the Risk-oriented Management Policy of Segezha Group, which enshrine the principles and approaches to the organisation of the risk management and internal control system in the Company. The Board of Directors reviews the risk management report at least once every six months, including assessing the need to review the approved risk appetite of the Company.
2.1.4	The Board of Directors determines the Company's Remuneration and (or) Reimbursement of Expenses (Compensations) Policy for members of the Board of Directors, executive bodies and other key executives of the Company.	1. There is a Remuneration and Reimbursement of Expenses (Compensations) Policy (Policies) for members of the Board of Directors, executive bodies and other key executives of the Company, adopted by the Board of Directors. 2. In the reporting period, issues related to the aforementioned Policy (Policies) were addressed at the Board of Directors' meetings.	✓ Fulfilled	The General Meeting of Shareholders has adopted the Remuneration and Compensations Policy for the members of the Company's Board of Directors. The Board of Directors of the Company approved the HR management strategy, as well as documents on remuneration and employee reward systems. The Board of Directors also approved the parameters and principles of reimbursement of expenses of the Company's employees and expenses of senior officials of the Company. The Board of Directors reviews matters related to motivation at least once every six months.
2.1.5	The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts between the Company's bodies, shareholders and employees.	1. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts. 2. The Company has established a system for identifying transactions related to conflicts of interest and a system of measures aimed at resolving such conflicts.	✓ Fulfilled	The Board of Directors takes all necessary measures to prevent and resolve internal conflicts. The Company regularly receives information on persons affiliated with and related to members of the Board of Directors and to members of the Company's executive bodies. In accordance with the Code of Conduct, managers responsible for transactions, are subject to an ethical appraisal once a year, in the course of which they fill out ethics and conflict of interest declarations. The Office of Internal Audit analyses information on signs of presence or absence of conflict of interest with managers responsible for transactions. Decisions on related party transactions are made by persons who are not in a conflict of interest. Compliance with the conflict of interest resolving regulations by the Company's employees is ensured by potential disciplinary sanctions.
2.1.6	The Board of Directors plays a key role in ensuring the transparency of the Company, the timeliness and completeness of information disclosure, and easy access for shareholders to the Company's documents.	1. Persons responsible for the information Policy implementation have been defined in the Company's internal documents.	✓ Fulfilled	The Company has approved the Information Policy which makes the Public Relations Directorate responsible for its implementation. Responsibilities for monitoring compliance with the provisions of the Regulations on Information Policy, are, inter alia, assigned to the Corporate Secretary, who is accountable to the Board of Directors of the Company.





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2.1.7	The Board of Directors exercises control over corporate governance practices, while playing a key role in significant corporate events of the Company.	1. In the reporting period, the Board of Directors reviewed the results of the self-assessment and (or) of external audits of the Company's corporate governance practices.	✔ Fulfilled	In the reporting period, the assessment procedure was conducted through self-assessment by the Board of Directors of its performance. The Board of Directors' self-assessment conducted in 2022 resulted in the overall performance evaluated at 4.5 points (on a five-point scale), the associated decision dated 19.12.2022.
2.2	The Board of Directors is accountable to the Company's shareholders			
2.2.1	Information about the Board of Directors' performance is disclosed and provided to shareholders.	1. The Company's Annual Report for the reporting year contains information on attendance of the Board and Committees meetings by individual directors. 2. The Annual Report contains key information on the Board of Directors' performance and its evaluation (self-assessment) in the reporting year.	✔ Fulfilled	In the Annual Report, the Company discloses the number of meetings of the Board of Directors and its committees held during the previous year, indicating the form of the meeting and information on attendance of the meetings by members of the Board of Directors. Key outcomes of the Board of Directors and executive bodies performance assessment are also disclosed in the Annual Report.
2.2.2	The Chairman of the Board of Directors is accessible to the shareholders of the Company	1. There is a transparent procedure established in the Company to enable shareholders to send questions to and receive feedback from the Chairman of the Board of Directors (or to the Senior Independent Director, if applicable).	✔ Fulfilled	Shareholders have the opportunity to ask questions to the Chairman of the Board of Directors concerning issues that fall within the scope of the Board of Directors' competence, as well as bring their opinion (position) on such issues into notice of the Chairman via the Corporate Secretary.
2.3	The Board of Directors acts as an effective and professional management body of the Company, capable of making objective independent judgments and of making decisions that meet the interests of the Company and its shareholders.			
2.3.1	Only persons who have an impeccable business and personal reputation and possess the knowledge, skills and experience necessary to make decisions within the competence of the Board of Directors and required for the effective implementation of its functions can be elected to the Board of Directors.	1. During the reporting period, the Board of Directors (or its dedicated committee on nominations) assessed candidates for the Board of Directors in terms of experience, knowledge, business reputation, lack of conflict of interest, etc.	✔ Fulfilled	The Nomination and Remuneration Committee of the Board of Directors evaluates all candidates nominated for election to the Board of Directors for compliance with the criteria of independence and possible contribution to the work of the Board of Directors. Important criteria for evaluating candidates nominated for election to the Board of Directors are the applicant's sufficient professional industry experience and business reputation and the absence of a conflict of interest.
2.3.2	Election of members of the Board of Directors is based on transparent processes, enabling shareholders to obtain sufficient information on candidates and create realistic expectations as to their personal and professional qualities.	1. Whenever the agenda of General Meetings of Shareholders held in the reporting period included election of members of the Board of Directors, the Company provided shareholders with biographical data relating to all the candidates, with their appraisals by the Board of Directors (or by the Nomination Committee) as well as with information on candidates' compliance with the independency criteria set forth in recommendations 102-107 of the Code, and with a written consent of the candidates to be elected to the Board of Directors.	✔ Fulfilled	During the reporting period, the Company provided shareholders with biographical data of candidates nominated for election to the Board of Directors, as well as information on the availability of written consent of candidates for election to the Board of Directors. The information was provided as part of the materials for general meetings of shareholders, the agenda of which included the election of the Board of Directors. The status of the newly elected members of the Board of Directors, including their independence, is confirmed by the associated resolution of the Board of Directors made at the first meeting of the Board of Directors after the new composition has been elected.
2.3.3	The composition of the Board of Directors is balanced, inter alia, in terms of qualifications of its members, their experience, knowledge and business acumen, while enjoying the trust of shareholders.	1. During the reporting period, the Board of Directors analysed its needs with respect to professional qualifications, experience and skills, and determined the competencies required by the Board of Directors in the short and long term.	✔ Fulfilled	The approved procedure for the Board of Directors self-assessment includes an assessment of its members' competencies and their compliance with the needs of the Company
2.3.4	Membership of the Board of Directors makes it possible to organise its work in the most efficient way, including setting up of dedicated committees, while enabling substantial minority shareholders to elect the candidate for whom they wish to vote.	1. In the reporting period, the Board of Directors examined the Board's membership meeting the needs of the Company and interests of shareholders.	✔ Fulfilled	The Board of Directors reviewed the compliance of the Board membership with the needs of the Company and with the interests of shareholders. The review was part of the issue of including candidates nominated by shareholders in the list of candidates for voting on elections to the Board of Directors at the General Meeting of Shareholders of the Company.
2.4	The Board of Directors includes a sufficient number of independent directors.			
2.4.1	A member of the Board of Directors is qualified as an Independent Director if he/ she has adequate professionalism, experience and independence for developing his/her own opinion; is able to make objective and fair judgements immune from influence by the Company's executive bodies, individual shareholders groups or other related parties. At the same time, there is a need to understand that in normal conditions a candidate (elected member of the Board of Directors) cannot be qualified as independent, if he is related to the Company, its substantial shareholder, substantial counter agent or competitor, or if he/she is related to the state.	1. In the reporting period, all independent members of the Board of Directors met all the criteria of independency specified in recommendations 102 – 107 of the Code, or they were qualified as independent by resolution of the Board of Directors.	✔ Fulfilled	The criteria for determining the independence of members of the Company's Board of Directors comply with the criteria recommended by the Corporate Governance Code and the listing rules of the Moscow Stock Exchange. All members of the Board of Directors whom the Company qualified as independent in the reporting year met the specified criteria or were recognised as independent by resolution of the Board of Directors.



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2.4.2	Candidates' eligibility for the Board of Directors is assessed in terms of meeting the independency criteria, as well as an examination of the Board's members compliance with the independency criteria is carried out on a regular basis. In such examination, substance should take precedence over form.	<ol style="list-style-type: none"> In the reporting period, the Board of Directors (or the Nomination Committee) formed a view as to the independency of each candidate to the Board of Directors and submitted it to shareholders. In the reporting period, the Board of Directors (or the Nomination Committee), at least once reviewed the independency of existing members of the Board of Directors (after their election). The Company has procedures in place that determine necessary actions of a member of the Board of Directors in the event that he ceases to be independent, including the obligation to timely inform the Board of Directors about this. 	<p>✔ Fulfilled</p>	<p>In each case of election of a new Board of Directors, the Board of Directors reviewed the issue of determining the status of members of the Board of Directors.</p> <p>The Corporate Secretary regularly analyses the compliance of independent members of the Board of Directors with the independence criteria.</p> <p>Members of the Board of Directors, when elected to the Board, give a written obligation to inform the Company about any circumstances that may affect their ability to have independent judgments on matters reviewed by the Board of Directors.</p> <p>According to the Regulations on the Board of Directors, a member of the Board of Directors shall provide the Company with the following information: about himself/herself and his/her affiliates, as well as other information, data and documents necessary for the Company to comply with Russian law and achieve its goals in accordance with Appendix 1 to the Regulations on the Board of Directors. If any changes are made to the information provided, the member of the Board of Directors must notify the Company of such changes</p>
2.4.3	Independent directors make up at least one third of the Board of Directors composition.	1. Independent directors make up at least one third of the Board of Directors composition	<p>⊕ ⊖ Partially fulfilled</p>	In the reporting year, at least one third (2 out of 9) of the members of the Board of Directors were independent.
2.4.4	Independent directors play a key role in the prevention of internal conflicts within the Company and in significant corporate actions carried out by the Company.	In the reporting year, independent directors (who have no conflict of interest) preliminarily assessed significant corporate actions associated with a possible conflict of interest, with the findings presented to the Board of Directors	<p>✔ Fulfilled</p>	<p>In preparation for meetings of the Board of Directors and Committees, independent directors conduct a preliminary assessment of possible actions and decisions of the Company that may lead to a conflict. In particular, the Audit Committee preliminarily reviews all related party transactions.</p> <p>The opinions of the members of the Board of Directors are attached to the meeting materials.</p>
2.5	The chairman of the Board of Directors contributes to the most efficient implementation of functions assigned to the Board of Directors.			
2.5.1	An independent director is elected as the chairman of the Board of Directors, or a senior independent director is selected from among the elected independent directors to coordinate the work of independent directors and to interact with the chairman of the Board of Directors.	<ol style="list-style-type: none"> The chairman of the Board of Directors is an independent director, or a senior independent director has been selected from among the independent directors. The role, rights and responsibilities of the chairman of the Board of Directors (and, if applicable, the senior independent director) are duly defined in the Company's internal documents. 	<p>✔ Fulfilled</p>	<p>The role of the Chairman of the Board of Directors is defined in Regulations on the Company's Board of Directors adopted by the General Meeting of Shareholders.</p> <p>A Senior Independent Director was also elected who, together with the Corporate Secretary, ensures the interaction of independent directors with the Chairman of the Board of Directors.</p> <p>Each independent director has the opportunity to convey to the Chairman of the Board of Directors his/her position on any matter on the agenda of the Board of Directors.</p>
2.5.2	The chairman of the Board of Directors ensures a constructive atmosphere for meetings, in which matters included in the agenda of the meeting could be freely discussed, and decisions made by the Board of Directors could be followed up.	The performance of the chairman of the Board of Directors was assessed as part of the procedure for evaluating the effectiveness (self-assessment) of the Board of Directors in the reporting period.	<p>✔ Fulfilled</p>	During the self-assessment procedure the Board of Directors also assessed the extent to which the Chairman of the Board of Directors contributed to the most effective implementation of the functions assigned to the Board of Directors and ensured an effective decision-making process
2.5.3	The chairman of the Board of Directors takes necessary measures to timely provide the members of the Board of Directors with information necessary for making decisions on agenda items.	The obligation of the chairman of the Board of Directors to take measures to ensure the timely provision of complete and reliable information to members of the Board of Directors on issues on the agenda of a meeting of the Board of Directors is enshrined in the Company's internal documents.	<p>✔ Fulfilled</p>	In accordance with the Regulations on the Board of Directors, the Chairman of the Board of Directors takes necessary measures to timely provide the members of the Board with information necessary for making decisions on agenda items.
2.6	Members of the Board of Directors act reasonably and in good faith serving the interests of the Company and its shareholders and on the basis of sufficient information, with the due diligence and care.			
2.6.1	The members of the Board of Directors make decisions with due regard of all available information and in the absence of a conflict of interest, while taking into account equal treatment of the Company's shareholders and within the framework of normal business risk.	<ol style="list-style-type: none"> The internal documents of the Company establish that a member of the Board of Directors is obliged to notify the Board of Directors if he/she has a conflict of interest in relation to any matter on the agenda of a meeting of the Board of Directors or of a committee of the Board of Directors, prior to the discussion of the relevant agenda item. The Company's internal documents provide that a member of the Board of Directors must abstain from voting on any issue in which he has a conflict of interest. The Company has established a procedure that allows the Board of Directors to receive professional advice on issues within its competence at the expense of the Company. 	<p>✔ Fulfilled</p>	<p>The Regulations on the Board of Directors and the Company's Code of Conduct provide for the obligation of members of the Board of Directors to promptly notify the Company of a conflict of interest and refrain from making decisions on any matter in which they have a conflict of interest.</p> <p>The Board of Directors has the right, at the expense of the Company, to engage external independent experts in the examination of draft decisions.</p>
2.6.2	The rights and obligations of members of the Board of Directors are clearly formulated and enshrined in the Company's internal documents.	The Company adopted and published an internal document clearly defining the rights and obligations of members of the Board of Directors.	<p>✔ Fulfilled</p>	The rights and obligations of the members of the Board of Directors are enshrined in the Charter of the PJSC Segezha Group and in the Regulation on the Board of Directors of PJSC Segezha Group.





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2.6.3	Members of the Board of Directors have sufficient time to carry out their duties.	<p>1. In the reporting period, individual attendance at Board and Committee meetings, as well as time devoted to the work of the Board and Committees, were accounted for as part of the evaluation (self-assessment) process of the Board of Directors.</p> <p>2. In accordance with the internal documents of the Company, members of the Board of Directors are obliged to notify the Board of Directors of their intention to become a member of management bodies of other organisations (in addition to organisations controlled by the Company), as well as of the fact of such appointment.</p>	+ - Partially fulfilled	<p>Sufficiency of time for work on the Board of Directors, including on its committees, was analysed as part of the procedure for assessing (self-assessing) the performance of the Board of Directors.</p> <p>Provisions assessed did not include an item on assessment of individual attendance of meetings of the Board of Directors and relevant committees. Nevertheless, the Company plans to introduce an assessment of this aspect during the planned update of the Methodology for assessment (self-assessment) of the Company's Board of Directors.</p> <p>Pursuant to the Regulations on the Board of Directors, members of the Board of Directors shall notify the Board of Directors of their intention to become members of governing bodies of other organisations, as well as of the fact of such appointment</p>
2.6.4	All members of the Board of Directors are equally able to access documents and information of the Company. Newly elected members of the Board of Directors are provided with sufficient information about the Company and the work of the Board of Directors as promptly as possible.	<p>1. In accordance with the Company's internal documents, the members of the Board of Directors have the right to receive information and documents required by the members of the Board of Directors of the Company for the performance of their duties concerning the Company and the organisations controlled by it, whereas executive bodies of the Company are obliged to provide relevant information and documents.</p> <p>2. The Company has a formalised programme of familiarisation events for newly elected members of the Board of Directors.</p>	✓ Fulfilled	<p>Members of the Board of Directors of the Company have the opportunity to promptly receive answers to their inquiries and any information they need directly from the executive bodies or through the Corporate Secretary.</p> <p>The obligation of employees to provide such information is enshrined in the internal documents of the Company.</p> <p>The Corporate Secretary familiarises newly elected members of the Board of Directors with the activities of the Board of Directors in accordance with the Regulations on the Board of Directors.</p>
2.7	Preparation for, holding of and participation in meetings of the Board of Directors by members of the Board ensure the effective performance of the Board of Directors.			
2.7.1	Meetings of the Board of Directors are held as needed, taking into account the scale of activities and with regard of challenges confronting the Company in a certain period of time.	The Board of Directors held at least six meetings during the reporting year.	✓ Fulfilled	<p>Meetings of the Board of Directors are held at least nine times a year on the basis of the work plan approved for the Board of Directors.</p> <p>In 2022, 22 meetings of the Board of Directors were held.</p>
2.7.2	The procedure for preparing and holding meetings of the Board of Directors has been developed and is enshrined in the Company's internal documents, which provide members of the Board of Directors with the opportunity to properly prepare for meetings.	<p>1. The Company has approved an internal document defining the procedure for preparing and holding meetings of the Board of Directors, which, among other things, stipulates that a notice of holding a meeting must be made typically at least five days before the date of the meeting.</p> <p>2. During the reporting period, members of the Board of Directors who were absent from the venue of the meeting of the Board of Directors were given the opportunity to participate in the discussion and vote remotely – via conference calls and video conferencing.</p>	✓ Fulfilled	<p>The Regulations on and the Rules of the Board of Directors define the procedure and schedule for preparing and holding meetings of the Board of Directors.</p> <p>Members of the Board of Directors have constant access to the work plan. All information for meetings of the Board of Directors is provided by the Corporate Secretary at least five working days before the meeting.</p> <p>During the reporting period, members of the board of directors who were not present at the meeting venue were given the opportunity to participate in the discussion of agenda items and to vote remotely – via video conferencing and by submitting written opinions indicating the voting options for each of the agenda items.</p>
2.7.3	The format of a meeting of the Board of Directors is decided on with due regard of the importance of matters included in the agenda. The most important issues are dealt with in person meetings.	The Company's Charter or internal document stipulates that the most important matters (including those listed in recommendation 168 of the Code) should be dealt with in person meetings.	✓ Fulfilled	<p>All scheduled meetings of the Board of directors are held in a in person format.</p> <p>Meetings in absentia are held when questions arise that require urgent consideration.</p> <p>The Regulation on the Board of Directors determines that a number of the most important issues are considered at in person meetings.</p>
2.7.4	Resolutions on the most important issues concerning the Company's activities are made at a meeting of the Board of Directors by a qualified majority of vote or by the majority of vote of all elected members of the Board of Directors.	The Company's Charter provides that resolutions on the most important issues set out in recommendation 170 of the Code must be made at a meeting of the Board of Directors by a qualified majority, not less than three-quarters of the votes, or by a majority of votes of all elected members of the Board of Directors.	✓ Fulfilled	<p>The Charter of PJSC Segezha Group provides that decisions on issues related to the increase in the authorised capital, placement of certain type of securities, approval of large transactions and related-party transactions, suspension of the powers of the managing organisation (manager), simultaneously with making a decision on the formation of a temporary sole executive body as well as decisions on a number of other matters are taken with application of special voting rules.</p> <p>Decisions on remaining issues on the agenda are taken by a simple majority of votes.</p>
2.8	The Board of Directors establishes committees for preliminary reviewing of the most important issues related to the Company's activities			
2.8.1	For preliminary reviewing of matters related to control over the financial and economic activities of the Company, an Audit Committee was established consisting of independent directors.	<p>1. The Board of Directors has established an Audit Committee composed exclusively of independent directors.</p> <p>2. The internal documents of the Company define functions of the audit committee, including, inter alia, tasks contained in recommendation 172 of the Code.</p> <p>3. At least one member of the Audit Committee, who is an independent director, has experience and expertise in dealing with preparation, analysis, assessment and audit of accounting (financial) statements.</p> <p>4. In the reporting period, Meetings of the audit committee were held at least once a quarter.</p>	+ - Partially fulfilled	<p>The Company has established the Audit Committee under the Board of Directors and approved Regulations on the Committee. Functions of the Committee set out in the Regulations are in line with recommendations of the Corporate Governance Code. The Audit Committee includes one independent director, who is also the Chairman of the Committee (1/3).</p> <p>The Audit Committee held 13 meetings during the reporting period.</p> <p>On 14 April 2023, the Board of Directors resolved to establish the Audit Committee under the Board of Directors with a new composition consisting of more than ½ of independent directors. Establishing the Committee consisting entirely of independent directors is impossible due to objective reasons.</p>





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2.8.2	For preliminary reviewing of issues related to creating efficient transparent the Remuneration Committee was established consisting of independent directors and chaired by an independent director, who is not the Chairman of the Board of Directors.	<ol style="list-style-type: none"> The Board of Directors has established a Remuneration Committee composed exclusively of independent directors. The Chairman of the Remuneration Committee is an independent director, who is not the Chairman of the Board of Directors. The internal documents of the Company define functions of the Remuneration Committee, including, inter alia, tasks contained in recommendation 180 of the Code, as well as conditions (events) conditions (events), upon the occurrence of which the remuneration committee considers revising the Company's Remuneration Policy for members of the Board of Directors, executive bodies and other key executives. 	+ - Partially fulfilled	<p>The Company has established the Nomination and Remuneration Committee under the Board of Directors and approved Regulations on the Committee. Functions of the Committee set out in the Regulations are in line with recommendations of the Corporate Governance Code. The Nomination and Remuneration Committee of the Board of Directors consists of less than half of independent directors (1 out of 4).</p> <p>The Committee is chaired by M. Eskindarov, Senior Independent Director, who is not the Chairman of the Board of Directors.</p> <p>On 14 April 2023, the Board of Directors resolved to establish the Nomination and Remuneration Committee with a new composition consisting of more than ½ independent directors. Establishing the Committee consisting entirely of independent directors is impossible due to objective reasons.</p>
2.8.3	For preliminary reviewing of issues related to personnel planning (succession planning), to the professional composition and efficiency of the Board of Directors, a Nomination Committee (responsible for nominations, HR) has been established, the majority of which are independent directors.	<ol style="list-style-type: none"> The Board of Directors has established a Nomination committee (or its functions stipulated in recommendation 186 of the Code are implemented by another committee), the majority of which are independent directors. The internal documents of the Company define functions of the Nomination Committee (or another committee with associated functions), including, inter alia, tasks contained in recommendation 186 of the Code. In order to form a board of directors that best meets the goals and objectives of the Company, the Nomination Committee, independently or jointly with other committees of the Board of Directors or a division of the Company authorised to be responsible for interactions with shareholders, organised interactions with shareholders that included but were not limited to the largest shareholders. The interactions were aimed at selecting candidates to the Board of Directors of the Company. 	+ - Partially fulfilled	<p>The Company has established the Remuneration and Nominations Committee under the Board of Directors and approved Regulations on the Committee. Functions of the Committee set out in the Regulations are in line with recommendations of the Corporate Governance Code. The Nomination and Remuneration Committee of the Board of Directors consists of less than half of independent directors (1 out of 4).</p> <p>The Committee is chaired by M. Eskindarov, Senior Independent Director, who is not the Chairman of the Board of Directors.</p> <p>On 14 April 2023, the Board of Directors resolved to establish the Nomination and Remuneration Committee with a new composition consisting of more than ½ independent directors. Establishing the Committee consisting entirely of independent directors is impossible due to objective reasons.</p>
2.8.4	Taking into account the scale of activities and the level of risk the Board of Directors of the Company made sure that the composition of its committees fully meets the objectives of the Company's activities. Additional committees were either formed or were not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	<p>In the reporting period, the Board of Directors of the Company examined the compliance of the composition of its committees with the scale, nature, objectives, needs, and risk profile of the Company.</p> <p>Additional committees were either formed or were not deemed necessary.</p>	✓ Fulfilled	The Board of Directors of the Company at the first meeting after the election of the Board of Directors, forms committees of the Board of Directors in accordance with the objectives and goals of Segezha Group.
2.8.5	The composition of the committees was determined in such a way that it allows for an in-depth discussion of the issues reviewed preliminarily and taking into account different opinions.	<ol style="list-style-type: none"> The Audit Committee, Remuneration Committee, and Nomination Committee (or the relevant joint committee) were chaired by independent directors during the reporting period. The internal documents (policies) of the Company contain provisions according to which persons who are not members of the Audit Committee, the Nomination Committee (or the relevant joint committee) and the Remuneration committee can attend committee meetings only upon the invitation of the chairman of the relevant committee 	✓ Fulfilled	<p>Each Committee of the Board of Directors consists of at least three members of the Board of Directors.</p> <p>The Audit Committee and Nomination and Remuneration Committee are chaired by independent directors. A non-executive Director is the Chairman of the Strategy and Sustainable Development Committee, for which there are no regulatory requirements for composition.</p> <p>The Company strives to include independent directors in each profile committee to ensure their participation in the discussion of the most important areas of activity for the Company.</p> <p>Individuals who are not members of the Audit Committee or Nomination and Remuneration Committee may attend meetings of the Committees upon the invitation of their chairpersons.</p>
2.8.6	Committee chairpersons keep the Board of Directors and the Chairman of the Board of Directors inform of their committee's performance.	In the reporting period, committee chairpersons regularly reported on the performance of the committees to the Board of Directors.	✓ Fulfilled	Committee chairpersons regularly inform the Chairman of the Board of Directors on their committee's performance as part of in person meetings of the Board of Directors.
2.9	The Board of Directors should ensure evaluation of the performance of the Board of Directors, its committees and members			
2.9.1	Evaluation of the Board of Directors performance is aimed at determining the degree of efficiency of the work of the Board of Directors, its committees and members, the compliance of their work with the needs of the Company development, at revitalising the work of the Board of Directors and at identifying areas in which their performance can be improved.	<ol style="list-style-type: none"> The Company's internal documents define procedures for conducting an assessment (self-assessment) of the Board of Directors' performance. The assessment (self-assessment) of the Board of Directors performance carried out in the reporting period included an assessment of the work of the committees, individual members of the Board of Directors and the Board of Directors as a whole. The results of the self-assessment of the Board of Directors, conducted in the reporting period, were reviewed at a in person meeting of the Board of Directors 	+ - Partially fulfilled	<p>The Board of Directors' self-assessment procedure was approved by the Company for the first time in the reported period.</p> <p>The approved methodology for self-assessment of the Board of Directors performance includes assessment of the committees work. Therefore, the assessment of the Board of Directors' performance in the reported period included assessment of the work of committees and the Board of Directors as a whole.</p> <p>The results of the first self-assessment of the Board of Directors' performance were reviewed at the Board of Directors' meeting in absentia.</p> <p>The Company will examine the expediency of introducing individual assessment of each member of the Board of Directors in the planned update of the Assessment Methodology (by means of self-assessment) for the Company's Board of Directors' performance.</p>



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2.9.2	The performance of the Board of Directors, its committees and members is evaluated on a regular basis, at least once a year. An external organisation (consultant) is engaged periodically, at least once every three years, to conduct an independent evaluation of the Board of Directors' performance.	The Company engaged an external organisation (consultant) at least once during the last three reporting periods, in order to conduct an independent assessment of the performance of the Board of Directors.	+ - Partially fulfilled	During the reporting period, no external independent assessment of the Board of Directors performance was carried out. Nevertheless, the Board of Directors, by its decision, highlighted its commitment to this practice and the need to conduct an external assessment of the Board of Directors' performance at least once every three years. Conducting of an external independent assessment of the Board of Directors' performance is planned for no later than 2024
3.1	The Corporate Secretary provides for effective interaction with shareholders, coordination of the Company's actions to protect the rights and interests of shareholders and support for the Board of Directors' effective performance.			
3.1.1	The corporate secretary has the expertise, experience and qualifications sufficient to perform the duties assigned to him/her, possesses an impeccable reputation and enjoys the trust of shareholders.	The Company's website and the Annual Report contain biographical data of the corporate secretary (including information on age, education, skills, experience). The Company's website on the Internet and the annual report provide biographical data of the corporate secretary (including information on age, education, qualifications, experience), as well as information on positions in the governing bodies of other legal entities held by the corporate secretary for at least the last five years.	✓ Fulfilled	The Company's Board of Directors has adopted the Regulations on the Corporate Secretary of PJSC Segezha Group. The Regulation establishes requirements for the person holding the position of the Corporate Secretary in accordance with recommendations of the Corporate Governance Code. The text of the Regulation is available on the corporate website. Information about the Corporate Secretary is disclosed in the Annual Report.
3.1.2	The Corporate Secretary is sufficiently independent from executive bodies of the Company and has necessary authorities and resources to perform functions assigned to him/her.	1. The Company has adopted and disclosed an internal document – the regulation on the corporate secretary. 2. The Board of Directors approves the candidate for the position of Corporate Secretary, terminates his/her powers, and considers paying him/her additional remuneration. 3. The Company's internal documents stipulate the right of the corporate secretary to request and receive Company documents and information from governing bodies, structural divisions and officials of the Company.	✓ Fulfilled	The Corporate Secretary is accountable for his/ her activities directly to the Board of Directors. The Corporate Secretary is appointed and dismissed by resolution of the Board of Directors. The Board of Directors of PJSC Segezha Group approved the Regulation on the Corporate Secretary of the Company, which establishes requirements for the Corporate Secretary, the procedure for the appointment and termination of his/her powers, for subordination, for interaction with governing bodies and structural divisions, while also stipulating his/her functions, rights and obligations, describing the responsibility and outlining conditions and procedure for payment remuneration. The Company's internal documents stipulate the right of the corporate secretary to request and receive Company documents and information from governing bodies, structural divisions and officials of the Company
4.1	The level of remuneration paid by the Company is sufficient to attract, motivate and retain persons who have the competence and qualifications necessary for the Company. Remuneration to members of the Board of Directors, executive bodies and other key managers of the Company are paid in accordance with the Remuneration Policy adopted by the Company.			
4.1.1	The level of remuneration paid by the Company to members of the Board of Directors, executive bodies and other key management personnel provides sufficient motivation for their effective work, allowing the Company to attract and retain competent and qualified specialists. At the same time, the Company avoids a higher than necessary level of remuneration, as well as an unreasonably large gap between the levels of remuneration of aforementioned persons and other employees of the Company.	Remuneration of members of the Board of Directors, executive bodies and other key executives of the Company is determined with regard of the results of a comparison with the level of remuneration in comparable companies.	✓ Fulfilled	Approaches to remuneration of members of the Board of Directors are defined by the Regulation on Remuneration and Compensation paid to Members of the Board of Directors of the Company (approved by the General Meeting of Shareholders). This document is available for review on the Company's website. Remuneration of key executives is regulated by the Company's internal documents, which establish principles and approaches to remuneration of all its employees. The level of remuneration of members of the Board of Directors and executive bodies of the Company and other key executives corresponds to the level of remuneration in comparable companies.
4.1.2	The Company's Remuneration Policy was developed by the Remuneration Committee and approved by the Company's Board of Directors. The Board of Directors, with the support of the Remuneration Committee, ensures control over the adoption and implementation of the Remuneration Policy, and, if necessary, revises it and makes adjustments to it.	In the reporting period, the Remuneration Committee revised the Remuneration Policy (policies) and (or) its implementation practices, while assessing their effectiveness and transparency and providing associated recommendations to the Board of Directors on revising the Policy (Policies) wherever deemed necessary.	✓ Fulfilled	PJSC Segezha Group's Remuneration Policy is developed by the Nomination and Remuneration Committee of the Board of Directors and approved by the Board of Directors. The Board of Directors approved internal documents with respect to remuneration and bonuses of employees. During the reporting period, the Nomination and Remuneration Committee reviewed and approved a new version of the employee Remuneration Policy.
4.1.3	The Company's Remuneration Policy contains transparent mechanisms for determining the amount of remuneration for members of the Board of Directors, executive bodies and other key managers of the Company, as well as regulates all types of payments, benefits and privileges provided to such persons.	The Company's Remuneration Policy (Policies) contains transparent mechanisms for determining the amount of remuneration for members of the Board of Directors, executive bodies and other key executive employees of the Company, while also regulating all types of payments, benefits and privileges provided to such persons.	✓ Fulfilled	Internal documents of the Company regulate in detail the procedure for determining the amount and payment of all remuneration and compensation components. Decisions on the amount of remuneration of a person are made in absence of such a person and are not discussed with him/her.



N	Corporate Governance Principle	Criteria for assessing compliance with the Corporate Governance Principle	The status of compliance with the Corporate Governance Principle	Explanations of deviations from the criteria for assessing compliance with the Corporate Governance Principle
4.1.4	The Company defines a Reimbursement (Compensation) Policy that specifies a list of expenses to be reimbursed and the level of service that can be claimed by members of the Board of Directors, by executive bodies and other key executives of the Company. Such a Policy can be an integral part of the Company's Remuneration Policy.	The Remuneration Policy (Policies) or other internal documents of the Company establish the rules for reimbursing the expenses of members of the Board of Directors, executive bodies and other key managers of the Company.	✔ Fulfilled	According to the internal documents of the Company, only expenses of the members of the management bodies that are directly related to activities implemented to the benefit of the Company are subject to compensation. The level of service to which members of the Board of Directors, the President, members of the Management Board and other key executives can claim in the exercise of their duties is regulated by associated local documents.
4.2	The remuneration system for members of the Board of Directors ensures that financial interests of directors are aligned with long-term financial interests of shareholders.			
4.2.1	The Company pays fixed annual remuneration to members of the Board of directors. The Company does not pay fees for attending selected meetings of the Board of Directors or its Committees. The Company does not use any form of short-term motivation or additional material incentives with respect to members of the Board of Directors.	1. In the reporting period, the Company paid remuneration to members of the Board of Directors in accordance with the Remuneration Policy adopted by the Company. 2. In the reporting period, the Company did not use forms of short-term motivation or additional financial incentives with respect to the members of the Board of Directors, as the payment of their remuneration depends on the results (indicators) of the Company's activities. Remuneration for participation in individual meetings of the Board or committees of the Board of Directors was not paid.	✔ Fulfilled	According to the Regulations on Remuneration and Compensation paid to members of the Board of Directors of the Company, the main form of remuneration of members of the Board of Directors is fixed (basic) remuneration. The Company also pays additional remuneration to the members of the Board of Directors, and also can pay bonus remuneration based on the decision of the General Meeting of Shareholders of the Company in exceptional cases and if there is sufficient justification for such payment.
4.2.2	Long-term ownership of the Company's shares contributes most to aligning of financial interests of members of the Board of Directors with the long-term interests of shareholders. At the same time, the Company does not support linking the right to sell shares to achieving certain performance results, whereas members of the Board of Directors do not participate in option programmes.	If the internal document (documents) – the Company's Remuneration Policy(s) provide for the provision of shares of the Company to members of the Board of Directors, clear rules for the ownership of shares by members of the Board of Directors should be provided for and disclosed, with the view of stimulating the long-term ownership of such shares.	✖ Not fulfilled	The Regulations on Remunerations and Compensations paid to the members of the Board of Directors does not provide for the mechanism of payment of remuneration in the form of the Company's shares. Nevertheless, the Company plans to revisit the issue of introducing a mechanism for granting shares to members of the Board of Directors once the macroeconomic situation has stabilised.
4.2.3	The Company does not provide for payment of any additional remuneration or compensations, in the event of early termination of the powers of members of the Board of Directors due to the transfer of control over the Company or owing to other circumstances.	The Company does not provide for any additional payments or compensations in the event of early termination of the powers of members of the Board of Directors due to the transfer of control over the Company or owing to other circumstances.	✔ Fulfilled	Any additional payments or compensations in the event of early termination of the powers of members of the Board of Directors due to the transfer of control over the Company or owing to other circumstances, are not provided for.
4.3	The system of remuneration for executive bodies and other key managers of the Company provides for linking the amount of remuneration to the Company's performance and to their personal contribution to the achievement of this result.			
4.3.1	The remuneration of the executive bodies or other key executive employees of the Company is determined in such a way as to ensure a reasonable and meaningful balance between the fixed and variable portions of the remuneration, taking into account the Company's performance and the employee's personal (individual) contribution to this performance.	1. In the reporting period, annual performance indicators approved by the Board of Directors were used to determine the amount of variable remuneration for members of executive bodies and other key management personnel of the Company. 2. In the course of the latest evaluation of the remuneration system for members of executive bodies and other key managers of the Company, the Board of Directors (Remuneration Committee) made sure that the Company applies an effective fixed to variable remuneration ratio. 3. When determining the amount of remuneration paid to members of the executive bodies or other key executives of the Company, the risks borne by the Company are taken into account in order to avoid creating incentives for making excessively risky managerial decisions.	✔ Fulfilled	The Company has a system of motivation for members of executive bodies and other key executives approved by the Board of Directors. The Board of Directors approves key performance indicators as elements of the remuneration system. The Nomination and Remuneration Committee of the Board of Directors participates in the development of key indicators on the basis of which the motivation system is built, including analysing the ratio of fixed and variable parts of remuneration. The results of the motivation programme implementation are also evaluated by the Nomination and Remuneration Committee and the Board of Directors at in person meetings at the end of the year. In case facts of performance indicators manipulation or other unfair actions are detected on the part of employees, that were committed to the detriment of the long-term interests of shareholders, the relevant employees are held liable and must compensate the losses to the Company in accordance with the valid legislation.
4.3.2	The Company has implemented a long-term motivation program for its executive bodies and other key managers by means of providing them with the Company's shares (options or other derivative financial instruments, the underlying asset for which is the Company's shares).	If the Company has implemented a long-term motivation program for members of the executive bodies and other key executives using the Company's shares (financial instruments based on the Company's shares), the programme provides that the right to sell such shares and other financial instruments comes no earlier than three years from the date of their provision. At the same time, the right to sell such instruments is conditioned by the Company's performance.	✖ Not fulfilled	The Nomination and Remuneration Committee has reviewed the draft Long-Term Incentive Programme for key employees of Segezha Group, but due to unstable market conditions caused by external circumstances the Company has not currently approved it for members of executive bodies and other key management personnel using the Company's shares. The Company plans to revisit this issue in the future.
4.3.3	The amount of compensation (golden farewell) paid by the Company in the event the term of office of executive bodies or key executives is terminated early at the initiative of the Company and as long as there were no unfair actions on their part, does not exceed two times the fixed portion of the annual remuneration.	In the reporting period, the amount of compensation (golden farewell) paid by the Company in the event the term of office of executive bodies or key executives is terminated early at the initiative of the Company and, as long as there were no unfair actions on their part, did not exceed two times the fixed portion of the annual remuneration.	✔ Fulfilled	The amount of compensation paid by the Company in the event the term of office of executive bodies or key executives is terminated early at the initiative of the Company does not exceed the mandatory amount established by labour legislation, which is not less than three times the average monthly salary.





N	Corporate Governance Principle	Criteria for assessing compliance with the Corporate Governance Principle	The status of compliance with the Corporate Governance Principle	Explanations of deviations from the criteria for assessing compliance with the Corporate Governance Principle
5.1	The Company has established an efficiently functioning risk management and internal control system aimed at providing reasonable confidence in the achievement of the goals set for the Company.			
5.1.1	The Board of Directors has determined the principles and approaches to the organisation of the risk management and internal control system in the Company.	Functions of various management bodies and divisions of the Company associated with the risk management and internal control system are clearly defined in internal documents/ relevant Company policy approved by the Board of Directors.	✓ Fulfilled	The Board of Directors approved the Risk-oriented Management Policy of Segezha Group, as well as the Internal Control System Code. The risk management and internal control system has been built at the operational and organisational levels. The roles and tasks of various bodies of the Company in this process are established by the above documents.
5.1.2	The executive bodies of the Company ensure establishing and maintaining of an effective risk management and internal control system in the Company.	The executive bodies of the Company established clear lines of responsibilities and functions related to risk management and internal control between heads (managers) of divisions and departments reporting to them.	✓ Fulfilled	To implement risk management activities, a division has been created within the Finance and Investment Department. Heads of the Company's divisions, in accordance with their functional responsibilities, are responsible for the development, documentation, implementation, monitoring and development of the risk management and internal control system in the functional areas entrusted to them.
5.1.3	The risk management and internal control system of the Company provides an objective, fair and clear view of the current state and prospects of the Company, the integrity and transparency of the Company's reporting, the rationality and acceptability of the risks accepted by the Company.	1. The Company has approved an Anti-Corruption Policy. 2. The Company has established a safe, confidential and accessible way (the HotLine) of informing the Board of Directors or the Audit Committee about violations of legislation, internal procedures, and the Company's Code of Code.	✓ Fulfilled	The internal control and risk management system allows the Company to respond to emerging risks in a timely manner. The Company has approved an Anti-Corruption Policy, as well as established a Universal hotline, through which any employee or counterparty can report any possible violations of the Company and (or) its officials. The purpose of the Universal Hotline is to counteract possible abuses in project implementation and in business activities, including the purchase of goods, works, services, as well as the prevention of possible corruption or fraud. The person who provided the relevant information is protected from any form of pressure (including dismissal, harassment, any form of discrimination).
5.1.4	The Company's Board of Directors takes necessary measures to ensure that the Company's risk management and internal control system complies with the principles and approaches to its organisation defined by the Board of Directors and functions effectively.	1. During the reporting period, the Board of Directors (audit committee and/or risk committee (if any) organised an assessment of the reliability and effectiveness of the risk management and internal control system. 2. During the reporting period, the Board of Directors reviewed the results of the assessment of the reliability and effectiveness of the Company's risk management and internal control system, with information on the outcomes of the review included in the Company's annual report.	✓ Fulfilled	The Board of Directors regularly (at least once every six months) reviews the organisation, functioning and effectiveness of the risk management and internal control system and, if necessary, makes recommendations for improvements. Information on the results of the Board of Directors' consideration of the effectiveness of the risk management and internal control system is provided to shareholders as part of the Annual Report.
5.2	A systematic independent assessment of the reliability and efficiency of the risk management and internal control system and corporate governance practices requires that the Company carry out an internal audit.			
5.2.1	A separate structural unit has been created in the Company or an independent external organization has been involved to conduct audits. The functional and administrative accountability of the internal audit department are differentiated. The internal audit department functionally reports to the Board of Directors.	To conduct internal audit, the Company has created a separate internal audit department that is functionally accountable to the Board of Directors. Otherwise an independent external organisation has been involved based on the same accountability principle.	✓ Fulfilled	The Company has established the Office of Internal Audit guided by the Regulations on the Office of Internal Audit. The Office is functionally accountable to the Audit Committee and administratively to the President. The head of the Office is appointed to the position and dismissed from it by order of the President on the basis of the Board of Directors' relevant resolution.
5.2.2	The Internal Audit Department evaluates the reliability and effectiveness of the risk management and internal control system, as well as carries out the assessment of corporate governance, applying generally accepted standards for internal audits.	1. In the reporting period, the reliability and effectiveness of the risk management and internal control system were assessed as part of the internal audit. 2. In the reporting period, the internal audit included an assessment of corporate governance practice (individual practices), covering procedures for communications (including on internal control and risk management) at all levels of the Company's management, including interaction with stakeholders.	✓ Fulfilled	The internal audit procedure includes an assessment of the effectiveness of the internal control system and the risk management system in the Corporation, as well as an assessment of corporate governance.
6.1	The Company and its activities are transparent for shareholders, investors and other stakeholders			
6.1.1	The Company has developed and implemented an Information Policy that ensures effective informational communication between the Company, shareholders, investors and other stakeholders.	1. The Board of Directors of the Company has approved the Information Policy of the Company, which was developed with due regard of recommendations contained in the Code. 2. In the reporting year, the Board of Directors (or one of its committees) reviewed issues related to the effectiveness of communications between the Company, shareholders, investors and other stakeholders, along with the rational (need) for reviewing the Company's Information Policy.	✓ Fulfilled	PJSC Segezha Group has an Information Policy of Segezha Group in place. In the reporting period, the Board of Directors did not formally review the effectiveness of the persons specified in this clause with respect to information communication. In the reporting period, the Board of Directors and the Strategy and Sustainable Development Committee reviewed the issue of communication with investors, and the development of information on ESG effects included in Segezha Group's investment programme along with its presentation to stakeholders.

N	Corporate Governance Principle	Criteria for assessing compliance with the Corporate Governance Principle	The status of compliance with the Corporate Governance Principle	Explanations of deviations from the criteria for assessing compliance with the Corporate Governance Principle
6.1.2	The Company discloses information about its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code	<ol style="list-style-type: none"> The Company discloses information about its corporate governance system and on the general principles of corporate governance applied in the Company, including through posting relevant information on the Company's website on the Internet. The Company discloses information on its executive bodies and the Board of Directors composition, on the independence of the Board members and on their membership in the committees of the Board of Directors (in accordance with the definition of the Code). If there is a person controlling the Company, the Company publishes a memorandum of the controlling person regarding the plans of such person in relation to corporate governance in the Company. 	<p>⊕ ⊖ Partially fulfilled</p>	<p>Information on the general principles of corporate governance is also disclosed on the Company's website.</p> <p>The controlling persons of the Company did not publish a memorandum on the plans of such persons regarding corporate governance in the Company during the reporting period.</p> <p>Due to external circumstances beyond the Company's control, no information on the governing bodies and their composition, including the curricula vitae of members of the governing bodies, is currently disclosed on the Company's website.</p> <p>Non-compliance with these aspects of this principle is limited in time and the Company will make every effort to achieve full compliance with the principles of the Code in the future.</p>
6.2	The Company timely discloses comprehensive, up-to-date and reliable information on the Company in order to provide the Company's shareholders and investors with the opportunity to make well-informed decisions.			
6.2.1	The Company discloses information in accordance with the principles of regularity, consistency and timeliness as well as accessibility, reliability, completeness and comparability of disclosed data	<ol style="list-style-type: none"> The Company has defined a procedure that ensures coordination of all structural divisions and employees of the Company related to the disclosure of information or whose activities may lead to the need for disclosure of information. If the Company's securities are traded on foreign organised markets, disclosure of essential information in the Russian Federation and on such markets is carried out synchronously and equivalently during the reporting year. If international shareholders own a significant number of shares of the Company, then during the reporting year the information was disclosed not only in Russian, but also in one of the most common foreign languages. 	<p>✔ Fulfilled</p>	<p>The work of all services and structural units related to information disclosure is coordinated with respect to information disclosure.</p> <p>The aspects specified in paragraphs 2 and 3 of this principle do not apply to the Company.</p>
6.2.2	The Company avoids a formal approach when disclosing information and discloses essential information about its activities, even if the disclosure of such information is not provided for by law.	<ol style="list-style-type: none"> The Company's Information Policy defines approaches to disclosure of information about other events (actions) that have a significant impact on the value or quotations of its securities, disclosure of information about which is not provided for by law. The Company discloses information on the Company's capital structure in accordance with Recommendation 290 of the Code in the annual report and on the Company's website on the Internet. The Company discloses information about subordinate organisations that are of significant importance to it, including about the key areas of their activities, the mechanisms that ensure accountability of subordinate organisations, along with the powers of the Company's Board of Directors with respect to determining the strategy and evaluating the performance of the subordinate organisations. The Company discloses a non-financial report – a sustainable development report, an environmental report, a corporate social responsibility report or another report containing non-financial information, including factors related to the environment (including environmental factors and factors related to climate change), society (social factors) and corporate management, except for the report of the issuer of equity securities and the annual report of a joint-stock Company. 	<p>✔ Fulfilled</p>	<p>PJSC Segezha Group has the Information Policy of Segezha Group in place.</p> <p>The Company discloses information on the Company's capital structure and controlled entities that are material to the Company, along with the sustainability report on the Company's website, as well as in the annual report and the issuer's report.</p> <p>The Company discloses information on the controlled entities that are material to it, including the key areas of their activities, the mechanisms that ensure accountability of the controlled entities, the authority of the Company's board of directors to determine the strategy and assess the performance of the controlled entities.</p> <p>The Company discloses non-financial reports on the Company's website at https://segezha-group.com/sustainable-development/.</p>
6.2.3	The Annual Report, being one of the most important tools for communicating with shareholders and other related parties, contains information enabling such parties to assess the Company's performance for the year.	<ol style="list-style-type: none"> The Company's annual report contains information on results of the audit committee's assessment of the external and internal audit processes effectiveness. The Company's annual report contains information on the Company's environmental and social policies. 	<p>⊕ ⊖ Partially fulfilled</p>	<p>The Company discloses all the basic information in the Annual Report in accordance with recommendations of the Corporate Governance Code.</p> <p>The Annual Report includes all essential data from annual accounting and financial statements, as well as information on the Company's activities in the field of environmental protection and social responsibility.</p> <p>In future reporting periods, the Company will endeavour to provide more detailed and complete information regarding the of the external and internal audit process effectiveness assessment by the Audit Committee.</p>
6.3	The Company provides information and documents at the request of shareholders in accordance with the principles of equal accessibility and ease.			
6.3.1	The exercise by shareholders of their right to access documents and information of the Company is not an unreasonably complex effort.	<ol style="list-style-type: none"> The Information Policy (internal documents defining the Information Policy) of the Company defines a non-burdensome procedure for providing access to information and documents of the Company at the request of shareholders. The Information Policy (internal documents defining the Information Policy) contains provisions stipulating that if a shareholder receives a request to provide information about organisations controlled by the Company, the Company makes necessary efforts to obtain such information from relevant organisations controlled by the Company. 	<p>✔ Fulfilled</p>	<p>The Company's Information Policy and Regulations on the General Meeting of Shareholders provide for the procedure for providing access to the Company's information and documents upon shareholders' request.</p> <p>Exercise by shareholders of their right of access to the Company's documents and information is not unreasonably complicated, and the Company ensures provision of information to shareholders in accordance with the existing legislation.</p>





N	Corporate Governance Principle	Criteria for assessing compliance with the Corporate Governance Principle	The status of compliance with the Corporate Governance Principle	Explanations of deviations from the criteria for assessing compliance with the Corporate Governance Principle
6.3.2	When submitting information on the Company to shareholders, a fair balance is ensured between interests of specific shareholders and those of the Company, as the latter strives to keep confidential important commercial information that may impact significantly the Company's competitiveness.	<ol style="list-style-type: none"> In the reporting period, the Company did not reject information requests from shareholders, except cases when such refusals were substantiated. In certain events specified by the Company's Information Policy, shareholders are warned about the confidential nature of the information and undertake to maintain its confidentiality. 	✓ Fulfilled	There have been no cases when the Company refused to provide information to shareholders during the reporting period
7.1	Actions that significantly affect or may affect the Company's equity structure and financial condition and, accordingly, the position of shareholders (major corporate actions) are carried out under fair conditions that ensure the observance of the rights and interests of shareholders and other related parties.			
7.1.1	Reorganisation of the Company, acquisition of 30 or more percent of the voting shares of the Company (a merger), settlement of essential transactions, an increase or decrease in the equity, listing or delisting of the Company's shares, as well as other actions that may lead to a significant change in rights of shareholders or violation of their interests are recognised as major corporate actions. The charter of the Company contains a list (criteria) of transactions or other actions that are qualified as major corporate actions falling under the competence of the board of directors of the Company.	The Company's Charter contains a list (criteria) of transactions or other actions qualified as major corporate actions. Based on the Company's Charter, decisions on major corporate actions are the responsibility of the Board of Directors. In cases where major corporate actions are directly attributed by law to the competence of the General Meeting of Shareholders, the Board of Directors provides shareholders with appropriate recommendations.	✓ Fulfilled	Despite the fact that the Company's Charter does not provide for a formal list of major corporate actions, decision-making on a number of transactions and other actions that are essential corporate actions falls under the competence of the Board of Directors and the General Meeting of Shareholders, respectively.
7.1.2	The Board of Directors plays a key role in making decisions or providing recommendations on major corporate actions, with the position of the Company's independent directors taken into account.	The Company has a procedure in place, in accordance with which independent directors declare their position on major corporate actions before their approval.	✓ Fulfilled	
7.1.3	When executing major corporate actions affecting the rights and legitimate interests of shareholders, equal conditions for all shareholders of the Company are ensured, and if the mechanisms provided for by law are insufficient to protect the rights of shareholders additional measures to protect the rights and legitimate interests of shareholders of the Company are taken. At the same time, the Company is guided not only by compliance with formal requirements of the legislation, but also by the principles of corporate governance set out in the Code.	<ol style="list-style-type: none"> With due regard to the specifics of the Company's activities, the Charter of the Company establishes that the competence of the Board of Directors includes approval of transactions of significant importance to the Company, in addition to those provided for by law. In the reporting period, all major corporate actions underwent an approving procedure prior to their execution 	✓ Fulfilled	<p>The Company's Charter provides for a number of transactions with a special order of settlement, which require the prior approval of the Board of Directors or executive bodies by virtue solely of the statutory provisions.</p> <p>The Charter of the Company establishes lower than the statutory minimum criteria for submitting the Company's transactions to the Board of Directors for consideration.</p> <p>In the reporting year, all actions classified as major corporate actions were approved by the Board of Directors prior to their settlement.</p>
7.2	The Company ensures such a procedure for executing major corporate actions that allows shareholders to receive full information on such actions in a timely manner, while providing them with the opportunity to influence the execution of such actions and guaranteeing observance and an adequate level of protection of their rights when performing such actions			
7.2.1	Information on major corporate actions is disclosed with an explanation of reasons, conditions and implications of such actions.	If the Company executed significant corporate actions during the reporting period, the Company promptly and in detail disclosed information about such actions, including the reasons, conditions and implications of such actions for shareholders	✓ Fulfilled	The Company, as a public Company, discloses the fullest possible information about any corporate actions, including those affecting the dividend and (or) other rights of shareholders.
7.2.2	The rules and procedures related to the execution of major corporate actions by the Company are enshrined in the Company's internal documents.	<ol style="list-style-type: none"> The Company's internal documents provide for engaging an independent appraiser to determine the value of property alienated or acquired as part of a major or interested party transaction. The Company's internal documents provide for engaging an independent appraiser to determine the cost of acquiring and repurchasing the Company's shares. In the absence of a formal interest of a member of the Board of Directors, a sole executive body, a member of the collegial executive body of the Company or a person who is the controlling person of the Company, or a person who has the right to give the Company mandatory instructions, in transactions of the Company, but in the presence of a conflict of interests or other actual interest, the internal documents of the Company provide that such persons do not take part in voting on the approval of such a transaction 	✓ Fulfilled	<p>To the extent that the rules and procedures related to the implementation of significant corporate actions by the Company are not established by applicable law, such rules and procedures are established by internal documents of the Company.</p> <p>When considering significant transactions at a meeting of the Board of Directors, an independent appraiser may be involved for the purpose of determining the transaction price.</p> <p>Only members of the Board of Directors who are not in a position of conflict of interest and are not interested in making the transaction participate in voting on issues of approval of interested-party transactions.</p>

ANNEX 4

List of the Company's transactions completed in the reporting year and qualified by Federal Law On joint stock companies as large transactions

1.

Transaction date	12.04.2022
Subject matter and other essential terms of the transaction	Loan agreements. Provision of a repayable interest loan to fund the working capital. Transaction value: RUB 3,500,000,000.00 (three billion five hundred million). Repayment of the principal debt at the end of the loan agreement validity term Interest rate: 9.7% (Nine point seven per cent) per annum Interest payable during the entire agreement validity term is 673,419,178 .
Person(s) being a party (parties) and beneficiary (beneficiaries) of the transaction	Lender: PJSC Segezha Group Borrower/Beneficiary: JSC Segezha PPM
Information on compliance with the requirements for state registration and (or) notarisation of the transaction in cases stipulated by the legislation of the Russian Federation	Not applicable
Size (value) of the transaction (indicated in monetary terms and as a percentage of the book value of the issuer's assets as of the end date of the last completed reporting period preceding the date of the transaction (ABV))	29,881,000,000 27.27% of ABV
The maturity date for the fulfilment of obligations under the transaction, as well as information on the fulfilment of these obligations	Deadline for performing the obligations under the material transaction: up to 15.02.2024
In the event of a delay in the fulfilment of obligations by the counterparty or by the Issuer, please specify reasons for such delay (if known to the Issuer) and implications for the counterparty or the Issuer, indicating assumed penalties	Not applicable
Transaction category	Large transaction
The Issuer's governing body that approved or decided on a subsequent approval of the transaction	The Company's Board of Directors
Date, on which the transaction was approved, or a decision was made on a subsequent approval of the transaction	31.03.2022
Date of the Minutes of the Meeting, at which the transaction was approved, or a decision was made on a subsequent approval of the transaction	Minutes No 4/22 dated 31.03.2022
Other information on the completed transaction specified by the Issuer at its sole discretion	No

2.

Transaction date	01.06.2022
Subject matter and other essential terms of the transaction	The provision of loans by the Bank to the Borrower to finance current and investment activities, including, but not limited to: Financing of production operations of the Company; Repayment of current (including restructured) arrears of taxes, fees, duties and other obligatory payments to budgets, state non-budgetary funds of all levels; Employee salaries and payroll deductions (incl. remuneration, bonuses); → advertising expenses; → rent payments and maintenance costs; → acquisition of movable and immovable property and intangible assets; → providing loans to Segezha Group companies; → dividend payment.
Person(s) being a party (parties) and beneficiary (beneficiaries) of the transaction	Bank: PJSC CREDIT BANK OF MOSCOW. Borrower: PJSC Segezha Group
Information on compliance with the requirements for state registration and (or) notarisation of the transaction in cases stipulated by the legislation of the Russian Federation	Not applicable
Size (value) of the transaction (indicated in monetary terms and as a percentage of the book value of the issuer's assets as of the end date of the last completed reporting period preceding the date of the transaction (ABV))	Maximum credit limit RUB 16,871,000,000.00 (Sixteen billion eight hundred and seventy-one million). Maximal transaction value including interest: RUB 33,742,000,000.00 28.5 % of ABV
The maturity date for the fulfilment of obligations under the transaction, as well as information on the fulfilment of these obligations	The term of the Master agreement– not more than 60 months. The term of each loan (tranche) – not more than 36 months. Interest rate: Maximal interest rate for the use of loan: → Fixed rate – not more than 20% per annum, → Float rate: Bank of Russia key rate + no more than 5% per annum
In the event of a delay in the fulfilment of obligations by the counterparty or by the Issuer, please specify reasons for such delay (if known to the Issuer) and implications for the counterparty or the Issuer, indicating assumed penalties	For each day of delay by BORROWER of any payment under the Loan Agreement (% p.a. of the amount of obligations not discharged on time): at the Bank of Russia key rate in effect on the day for which the penalty is charged, increased by 5% (Five percent) p.a. of the amount of the outstanding obligation for each day of delay).
Transaction category	Large transaction
The Issuer's governing body that approved or decided on a subsequent approval of the transaction	The Company's Board of Directors
Date, on which the transaction was approved, or a decision was made on a subsequent approval of the transaction	01.06.2022
Date of the Minutes of the Meeting, at which the transaction was approved, or a decision was made on a subsequent approval of the transaction	Minutes No 8/22 dated 01.06.2022
Other information on the completed transaction specified by the Issuer at its sole discretion	None

3.

Transaction date	29.08.2022
Subject matter and other essential terms of the transaction	<p>Master Agreement for a revolving framework credit line with differentiated interest rates with PJSC Segezha Group (Master Agreement)</p> <p>The Bank opens a revolving framework credit line for the Borrower to finance current and investment activities, including, but not limited to:</p> <ul style="list-style-type: none"> ➔ Financing of production operations of the Company; ➔ Repayment of current (including restructured) arrears of taxes, fees, duties and other obligatory payments to budgets, state non-budgetary funds of all levels; ➔ Employee salaries and payroll deductions (incl. remuneration, bonuses); ➔ advertising expenses, ➔ rent payments and maintenance costs; ➔ acquisition of movable and immovable property and intangible assets; ➔ renovation costs; ➔ providing loans to Segezha Group companies; ➔ dividend payment; ➔ full or partial repayment of obligations to the Bank or other creditors, including repayment of previous loans. <p>Loan period – not exceeding 60 months from the date of the Master Agreement.</p> <p>The term of the Master agreement – until the Parties have fully performed their obligations under the Master Agreement and the Loan Transactions entered into under the Master Agreement</p> <p>The lending period for any Credit Transaction may not exceed 1,095 (One thousand ninety-five) days.</p>
Person(s) being a party (parties) and beneficiary (beneficiaries) of the transaction	<p>Bank: PJSC Sberbank</p> <p>Borrower: PJSC Segezha Group</p>
Information on compliance with the requirements for state registration and (or) notarisation of the transaction in cases stipulated by the legislation of the Russian Federation	Not applicable
Size (value) of the transaction (indicated in monetary terms and as a percentage of the book value of the issuer's assets as of the end date of the last completed reporting period preceding the date of the transaction (ABV))	<p>Maximum credit limit RUB 15,000,000,000 (Fifteen billion).</p> <p>Maximal transaction value including interest: 26,256,164,383.56 .</p> <p>27.9 % of ABD</p>
The maturity date for the fulfilment of obligations under the transaction, as well as information on the fulfilment of these obligations	<p>The term of the Master agreement – not more than 60 months.</p> <p>The term of each loan (tranche) – not more than 36 months.</p>

In the event of a delay in the fulfilment of obligations by the counterparty or by the Issuer, please specify reasons for such delay (if known to the Issuer) and implications for the counterparty or the Issuer, indicating assumed penalties	<p>Penalties:</p> <ol style="list-style-type: none"> 1. If the Borrower fails to make a timely payment of the loan repayment, and/or interest, and/or Fees, excluding the early loan repayment fee, under a separate Loan Transaction or Agreement, the Borrower shall pay a penalty at the interest rate of the respective Loan Transaction, increased by 2 (two) percentage points, as a percentage per annum. The penalty shall be calculated on the amount of the overdue payment for each day of delay from the date of occurrence of the overdue debt (not including this date) to the date of full repayment of the overdue debt (inclusive). 2. If Borrower and/or Segezha Group companies breach credit turnover obligations, Creditor has the right to demand that Borrower pay a penalty in the following amounts: <ul style="list-style-type: none"> ➔ provided that the amount of outstanding credit turnover obligations, determined as the difference between the estimated credit turnover for the relevant accounting period and the actual credit turnover for the same accounting period, does not exceed 20%, no penalty shall be charged; ➔ provided that the amount of outstanding credit turnover commitments, determined as the difference between the estimated credit turnover for the relevant reporting period and the actual credit turnover for the same reporting period, is between 20% and 30%, a penalty of 0.1% of the amount of outstanding credit turnover commitments shall be charged; ➔ provided that the amount of outstanding credit turnover commitments, determined as the difference between the estimated credit turnover for the relevant reporting period and the actual credit turnover for the same reporting period, exceeds 30%, a penalty of 0.2% of the outstanding credit turnover commitments shall be charged.
Transaction category	Large transaction
The Issuer's governing body that approved or decided on a subsequent approval of the transaction	The Company's Board of Directors
Date, on which the transaction was approved, or a decision was made on a subsequent approval of the transaction	26.08.2022
Date and number of the minutes of the meeting of the Issuer's authorised governing body at which it was decided to approve or further approve the transaction	Minutes No 14/22 dated 26.08.2022
Other information on the completed transaction specified by the Issuer at its sole discretion	Collateral for the transaction: Surety JSC Lesosibirsky LDK No 1

4.

Transaction date	07.10.2022
Subject matter and other essential terms of the transaction	Subject matter of the transaction: change in an interest rate and extension of the revolving loan agreement with the purpose of funding the working capital.
Person(s) being a party (parties) and beneficiary (beneficiaries) of the transaction	<p>Lender: PJSC Segezha Group</p> <p>Borrower/Beneficiary: JSC Segezha PPM</p>
Information on compliance with the requirements for state registration and (or) notarisation of the transaction in cases stipulated by the legislation of the Russian Federation	Not applicable





Annex ► Annex 4

Transaction date	07.10.2022
Size (value) of the transaction (indicated in monetary terms and as a percentage of the book value of the issuer's assets as of the end date of the last completed reporting period preceding the date of the transaction (ABV))	RUB 10,000,000,000 (ten billion) 31.54%
The maturity date for the fulfilment of obligations under the transaction, as well as information on the fulfilment of these obligations	The agreement validity 29.01.2026
In the event of a delay in the fulfilment of obligations by the counterparty or by the Issuer, please specify reasons for such delay (if known to the Issuer) and implications for the counterparty or the Issuer, indicating assumed penalties	Not applicable
Transaction category	Large transaction
The Issuer's governing body that approved or decided on a subsequent approval of the transaction	The Company's Board of Directors
Date, on which the transaction was approved, or a decision was made on a subsequent approval of the transaction	19.09.2022
Date of the Minutes of the Meeting, at which the transaction was approved, or a decision was made on a subsequent approval of the transaction	Minutes No 15/22 dated 20.09.2022
Other information on the completed transaction specified by the Issuer at its sole discretion	Interest rate: 11% (Eleven) per cent per annum

5.

Transaction date	07.10.2022
Subject matter and other essential terms of the transaction	Subject matter of the transaction: change in the interest rate of the signed revolving interest loan agreement for financing working capital. Repayment of the principal debt at the end of the loan agreement validity term.
Person(s) being a party (parties) and beneficiary (beneficiaries) of the transaction	Lender: PJSC Segezha Group (OGRN 1207700498279) Borrower/Beneficiary: JSC Segezha PPM (OGRN 1027739127734)
Information on compliance with the requirements for state registration and (or) notarisation of the transaction in cases stipulated by the legislation of the Russian Federation	Not applicable
Size (value) of the transaction (indicated in monetary terms and as a percentage of the book value of the issuer's assets as of the end date of the last completed reporting period preceding the date of the transaction (ABV))	RUB 9,700,000,000.00 (Nine billion seven hundred million). 31.54% of ABV
The maturity date for the fulfilment of obligations under the transaction, as well as information on the fulfilment of these obligations	The agreement validity 10.08.2026
In the event of a delay in the fulfilment of obligations by the counterparty or by the Issuer, please specify reasons for such delay (if known to the Issuer) and implications for the counterparty or the Issuer, indicating assumed penalties	Not applicable
Transaction category	Large transaction
The Issuer's governing body that approved or decided on a subsequent approval of the transaction	The Company's Board of Directors

Date, on which the transaction was approved, or a decision was made on a subsequent approval of the transaction	19.09.2022
Date of the Minutes of the Meeting, at which the transaction was approved, or a decision was made on a subsequent approval of the transaction	Minutes No 15/22 dated 20.09.2022
Other information on the completed transaction specified by the Issuer at its sole discretion	Interest rate: 11% (Eleven) per cent per annum

6.

Transaction date	07.10.2022
Subject matter and other essential terms of the transaction	Subject matter of the transaction: Change of interest rate on the contracted interest-bearing loan for the purpose of financing working capital Repayment of the principal debt at the end of the loan agreement validity term.
Person(s) being a party (parties) and beneficiary (beneficiaries) of the transaction	Lender: PJSC Segezha Group (OGRN 1207700498279) Borrower/Beneficiary: JSC Segezha PPM (OGRN 1027739127734)
Information on compliance with the requirements for state registration and (or) notarisation of the transaction in cases stipulated by the legislation of the Russian Federation	Not applicable
Size (value) of the transaction (indicated in monetary terms and as a percentage of the book value of the issuer's assets as of the end date of the last completed reporting period preceding the date of the transaction (ABV))	RUB 3,500,000,000.00 (Three billion five hundred million). 31.54%
The maturity date for the fulfilment of obligations under the transaction, as well as information on the fulfilment of these obligations	The agreement validity 15.02.2024
In the event of a delay in the fulfilment of obligations by the counterparty or by the Issuer, please specify reasons for such delay (if known to the Issuer) and implications for the counterparty or the Issuer, indicating assumed penalties	Not applicable
Transaction category	Large transaction
The Issuer's governing body that approved or decided on a subsequent approval of the transaction	The Company's Board of Directors
Date, on which the transaction was approved, or a decision was made on a subsequent approval of the transaction	19.09.2022
Date of the Minutes of the Meeting, at which the transaction was approved, or a decision was made on a subsequent approval of the transaction	Minutes No 15/22 dated 20.09.2022
Other information on the completed transaction specified by the Issuer at its sole discretion	Interest rate: 11% (Eleven) per cent per annum



GLOSSARY

AAC – annual allowable cut; a maximum volume of wood that can be harvested annually within a given territory or unit, using clear cut logging methods.

Artificial parchment – thin, flexible, elastic paper, which is made from low freeness pulp. Artificial parchment has high grease resistance and mechanical strength and is used for food packaging.

Assortment – round timber of a specific purpose, meeting specified requirements.

Birch veneer logs – the lower parts of a birch tree used for the production of plywood.

CAGR – compound annual growth rate.

CAPEX (Capital expenditures) – funds used by a company to acquire, modify (expand, equip, or rebuild) or upgrade physical assets.

Carbon-depleting products – products that have the maximum potential to conserve carbon by using renewable raw materials, reducing consumption of fossil resources, and are designed for long term use.

CLT-panels (Cross-laminated timber) – wood product, which is made from gluing layers of solid-sawn timber together under high pressure, with each layer of boards being orientated perpendicular to adjacent layers. The product is used for timber housing construction.

CNC-plywood – plywood which is processed with the help of computer numerical control (CNC) machines, to meet specific requirements of individual customers. Such processing can include cutting, milling, chamfering, sawing, etc.

Concrete forming – a removable wooden or metal form in which mortar is poured during the construction of concrete and reinforced concrete structures.

Converting plant – a mill that converts sack paper into sacks and pouches.

CRM (Customer relationship management) – software used by a company to make communication strategies with customers (clients) automatic. Dry process fibreboard – wood particle board that is engineered from fibres of wood by means of UF resin in a dry, continuous calendar-based process. Energy efficiency – the use of less energy to maintain the energy supply at a given level.

Dry process fibreboard – wood particle board that is engineered from fibres of wood by means of UF resin in a dry, continuous calendar-based process.

EBITDA – Earnings before interest, taxes, depreciation and amortization.

EHS (Environment, health and safety) – the methodology that studies and implements the practical aspects of protecting the environment and maintaining health and safety at occupation.

Energy efficiency – using less energy to support the same level of energy supply.

EPD (Environmental Product Declaration) – an international certificate, which quantifies the life cycle environmental impact of the produced material.

Equipment and spare parts (MTR) – Material and technical resources.

ESG – Environment, society, governance.

Ewenks – an indigenous people of the Tunguso-Manchurian group in Eastern Siberia.

Fibreboard – a type of engineered wood product that is made out of wood fibers.

Fire frequency – an indicator defined by the number and area of forest fires within an area.

Forest Code of the Russian Federation – a codified legal act and the main source of regulating relations in the sphere of forest management in Russia.

Forest Plan of the region – a document that determines the intensity of timber withdrawal from the forest fund lands and defines measures for the planned forest exploitation within the boundaries of forestry units located on the territory of a constituent entity of the Russian Federation.

Forestry regulations – documents developed by a forestry unit to establish types of permitted forest use, cutting ages, restrictions in accordance with the requirements of forest legislation, requirements for protection, conservation and reproduction of forests. The requirements are determined on the basis of forest management documentation, information from the state forest registry and spatial planning. The document defines the use, protection, conservation, protection and regeneration of forests located within the borders of the forestry unit.

Formwork – an arrangement of wooden boards, bolts, etc, used to shape reinforced concrete while it is setting.

Fuel briquettes – a product of various wood waste, peat, agricultural waste, etc. handling for use as fuel.

Glulam – glued timber products or glued laminated timber.

Harvesting pair – a combination of a harvester that cuts a tree and forwarder that is used for the cut tree skidding.

HAZID (Hazard identification) – hazard identification (hazard mapping) used at early stages of projects implementation.

IFRS (International Financial Reporting Standards) – a set of documents (standards and interpretations) providing a framework to create financial reporting that can be used by external parties in making economic decisions regarding the company.

Intensive forest management – a system of cohesive and coherent procedures aiming at increasing the yield of wood and obtaining a larger amount of target assortments over a shorter period of time.

ISO (International Organisation for Standardisation) – a combination of two or more management systems of an organisation functioning as a single system.

IT – information technologies.

KPI – Key Performance Indicator.

Kraftliner – reinforced container protection for transport and storage of all items.

Kraft pulp – pulp produced by digesting of wood chips in white liquor containing caustic soda and sodium sulphide as main ingredients. Sodium sulphide contained in the white liquor is obtained by sodium sulphate reduction in the recovery process.

LDK – a Russian abbreviation for a sawmill, i.e. a mill that produces sawn timber products.

Logging site – an area of forest allocated for harvesting.

Lignin – a biosynthesis product, a complex organic polymer, which is part of plants.

Lignosulfonate – a chemical by-product from the production of wood pulps using sulphite pulping process.

LPK – a Russian abbreviation for an industrial complex that combines integrated forestry related processes at a single site, for example pulp production and paper production, or sawn timber production and biofuel manufacturing.

LPH – a Russian abbreviation for a wood harvesting company.

LTIFR (Lost Time Injury Frequency Rate) – the number of injuries occurring in a workplace over a certain period of time per one the employees.

M&A (Mergers & Acquisitions) – economic processes aiming at consolidation of businesses and capital and resulting in larger companies coming to operate in the market.

MC – managing company.

MENA (Middle East & North Africa) – geographical region covering Maghreb and Middle East countries;

MES (Manufacturing Execution System) – a production process control system, a specialised application software designed to solve the tasks of synchronisation, coordination, analysis and optimisation of production output within a production facility;

MR – materials and resources;

NSR – the Northern Sea Route.

OHSAS 18000 – a series of standards which provide requirements and a framework to develop and implement systems of occupational health and safety management. The usage of such systems provides an organisation with means of managing related risks, while enhancing the efficiency of the management system operation.

OIBDA – Operating Income Before Depreciation and Amortization.

Organisations within Segezha Group (OSG) – legal entities, whose financial statements are consolidated with those of the Group in accordance with International Financing Reporting Statements, as well as legal entities, in which the Group directly or indirectly owns more than 50% stake.

Patch management – the process of managing software updates to ensure the security of the IT infrastructure.

Pellets – products of a standard cylindrical shape that are made by compressing agricultural wastes, dried and milled wood or other biomass under high pressure without using any binding agents.

Plylogs – bottom part of a birch log, which is used for plywood manufacturing.

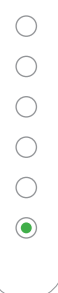
PM – paper machine.

PPM – pulp and paper mill.

Pulpwood – the top part of a tree or curved logs from which a good quality straight board cannot be sawn. Usually used for pulp and chip production.

R&D – Research and Development.

RAS (Russian Accounting Standards) – a set of norms of federal legislation of the Russian Federation and accounting regulations.





Responsible forest management – practices, that are income-generating, environmentally responsible and socially oriented. They are concerned with securing the long-term sustainability of various functions and values of forests for present and future generations, on local, regional and global levels.

RPA (Robotics Process Automation) – a system that automates business processes by using robots. They replicate routine user activities, thus freeing up staff time to solve more important and complex tasks.

SAP – computer software, which is used to automate business activities of a company.

SFMRU/38200 – an independent forest certification system based on the SFMRU/38200-ST-1:2022 forest management and forestry standard of the Forest Certification Development Centre and the ISO 38200:2018 standard for the supply chain of wood and wood products.

SOUT – a Russian abbreviation for the process of work place certification.

SPIEF – St Petersburg International Economic Forum.

SRB (soda recovery boiler) – a high-temperature energy plant, the furnaces of which are used to achieve chemical reactions to recover the mineral matter of black liquor, while burning the organic substances, with the combustion products used to produce steam.

Stakeholder – a person or entity with an interest in and an ability to influence the Group's activities. In a broad sense it means a group of individuals or legal entities that can influence the Group's activities and depends on the Group's activities. More specifically, stakeholders comprise state and local authorities, commercial companies, non-governmental and not-for-profit organisations that publicly express their position on the Group's operations and are both social and Group oriented.

STU – a Russian abbreviation for project specific design codes.

Sustainable development – coordinated development of the economy in a way that is both socially and environmentally acceptable while also concerned with preserving the environment for future generations.

TES – a Russian abbreviation for a co-generation power plant.

TS No 3 – designation of the type and method of earth works for the overhead line pylon foundations.

UHT – Universal Hot Line.

Veneer – wooden material in the form of thin slices of wood of 0.1 to 10 mm in thickness.

Veps – small-numbered people of the Finno-Ugric language group, traditionally living in the Republic of Karelia and in the Vologda and Leningrad regions in Russia.

VHI – Voluntary health insurance.

Vulnerability management – the process of identifying, assessing and remediating cyber vulnerabilities across software and security systems.

Wet process fibreboard – wood particle board that is engineered from fibres of wood that are pressed and glued together with PF resin.

Wildfire occurrency – an indicator determined by the number and area of forest fires.

Works to help natural regeneration of forests – silvicultural measures aimed at creating favourable conditions for successful forest regeneration, carried out before and after harvesting, during harvesting, as well as in no connection with harvesting.

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