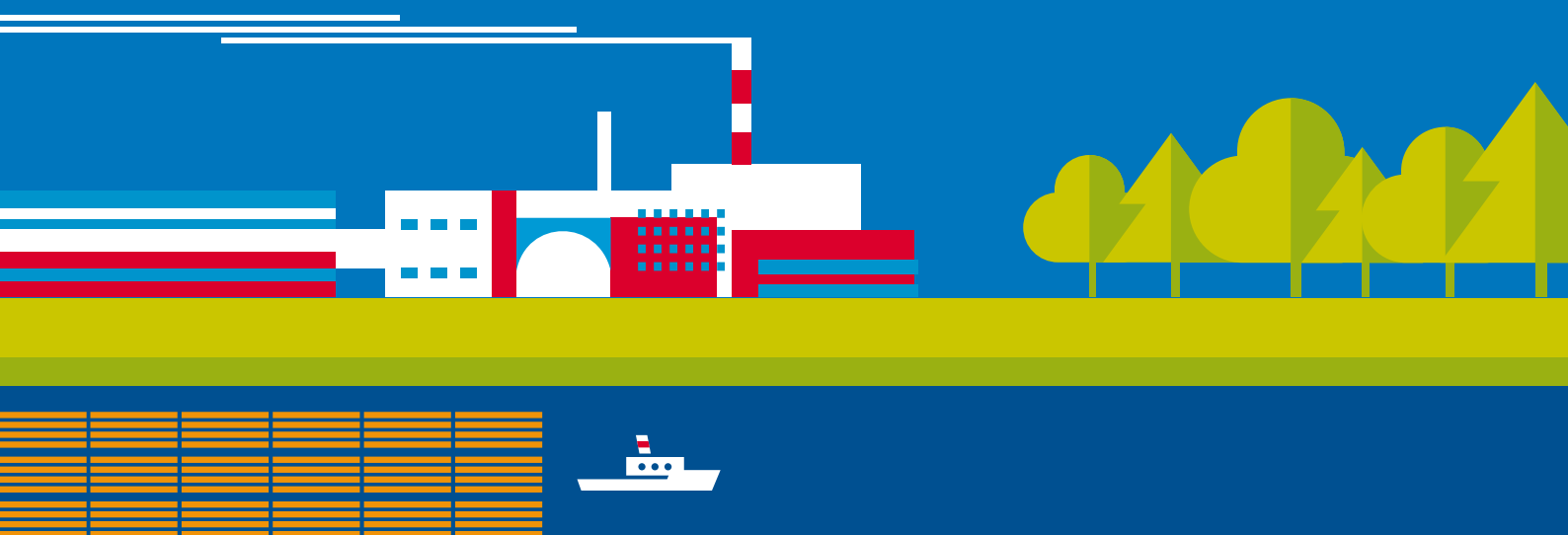




# REPORT ON ARKHANGELSK PPM'S SOCIAL ACTIVITIES 2018





REPORT  
ON ARKHANGELSK PPM'S  
SOCIAL ACTIVITIES  
2018





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## 1. From general director of Arkhangelsk PPM



2018 was a year of development for Arkhangelsk PPM and for the Company's Shareholder, Pulp Mill Holding. The cooking targets have been met by the Company in the full extent, hitting 870,000 tons. The net profit achieved by APPM is 8,758.7 mn rubles. Due to the fact that the prices for the pulp and paper products remained at a high level, the Company has been able to make extra revenues. The funds earned were used for financing upgrade projects and to pay off loans. As of the end of December 2018, the amount of the Company's loan liabilities was 11.5 bn rubles.

Today, the key objective of APPM's development strategy is to implement the forest management investment project called «Cardboard Production Reconstruction», which has been included by the Russian Ministry of Industry and Trade in the list of top priority projects. As part of the second phase of this project, the Company has completely upgraded the second board machine and constructed the CHP-2 Evaporator for cardboard production. Significant steps were taken to develop the Company's production, power generation, environmental involvement, including production of pulp, paper, biotreatment at the Company's first thermal power plant. All projects were based on using the best available technologies and implemented in cooperation with the leading solution developers and manufacturers of equipment for the pulp and paper industry.

A total of 8 bn rubles were invested in upgrading by Arkhangelsk PPM in 2018. The amount expected to be spent in 2019 is 8.370 bn rubles. Some 4 bn will be invested in plant upgrade in 2020, and approximately 6 bn rubles in 2021.

The plans include launching a global perspective project to convert the Company's energy generation to use gas, which will allow us to become more energy-independent. This is an expensive project that is of great importance for the environment, and the decision has been made to complete it by 2025.

A total of **8** billion rubles were invested in upgrading Arkhangelsk PPM in 2018

Arkhangelsk PPM, Arkhbum make up a unified, vertically integrated structure within the system of Pulp Mill Holding. Arkhangelsk PPM's affiliated company, Arkhbum, owns two corrugated packaging factories in the Moscow region cities of Podolsk and Istra. In addition, an LLC Europack corrugated packaging factory was acquired in 2018 in the Voronezh region. These production sites have state-of-the-art equipment and are capable of manufacturing high quality corrugated products. After all the factories of Pulp Mill Holding, which use the Company's cardboard as the feedstock, start running at full capacity, it is expected that their total output of corrugated products will be about 850 mn m<sup>2</sup> per year. This will allow our vertically integrated structure to claim the top spot among the Russian corrugated packaging manufacturers and to keep all added value within the Holding. For Arkhangelsk PPM, this outlook means guaranteed sales of the finished rolled products.

The start-up of one more factory, LLC Arkhbum Tissue Group, located in the tech park of Vorsino, Kaluga region, is planned for 2019. This company specialized in sanitary products will use FSC-certified virgin-pulp semi-product produced by APPM.

In compliance with the Russian laws and the Company's collective bargaining agreement, Arkhangelsk PPM's Shareholder strictly adheres to all commitments made to grant benefits and social guarantees to the employees. Starting from August 1, 2018, the Company's paycheck rose by 5%. In 2018, 328.8 million rubles were allocated for social programs and measures. The Company is involved in a broad range of social activities and provides its employees with comfortable conditions for work and recreation.

The comprehensive set of actions to be continued includes personnel training, disease prevention, improvement of work, health and safety conditions, mitigation of occupational risks.

An important change in 2018 was the establishment of an automobile transportation service as part of the Company's operations structure, which increased the Company's staff by more than 200. The ATS previously was a part of Arkhbum Company. The step is intended to optimize the internal logistics processes. This service has fit in seamlessly and efficiently with the Company's operations.

Arkhangelsk PPM maintains a Procedure for submission, review and implementation of improvement suggestions, which allows the personnel to put forward ideas aimed to improve the Company's economic, operational, environmental, and social performance. Authors receive a bonus for suggestions approved by experts and implemented.

APPM's corporate social responsibility is focused on ensuring the Company's stable development in the short and long run. The Company realizes its exceptionally important role in resolving social problems in the area of presence.

We are a large company with tens of workshops, thousands of employees, and stable future and the Company's success depend on each of us. Today, Arkhangelsk PPM is not only a fast-growing manufacturer, but also a socially responsible company that pursues a multifaceted social policy.

General Director  
of Arkhangelsk PPM  
**Dmitry ZYLEV**



## 2. APPM: mission and values

### Mission

*The Company's mission is to operate efficiently in order to not only make a profit but also for social and economic development of the city of Novodvinsk, the Arkhangelsk region and the Russian Federation, and to improve the quality of life of the Company's employees and the comfort of living in the area of presence.*

### Values

In accordance with the international practice, Arkhangelsk PPM's Shareholder and management understand corporate social responsibility as a set of commitments to all concerned parties. This includes the Company's efforts in relation to:

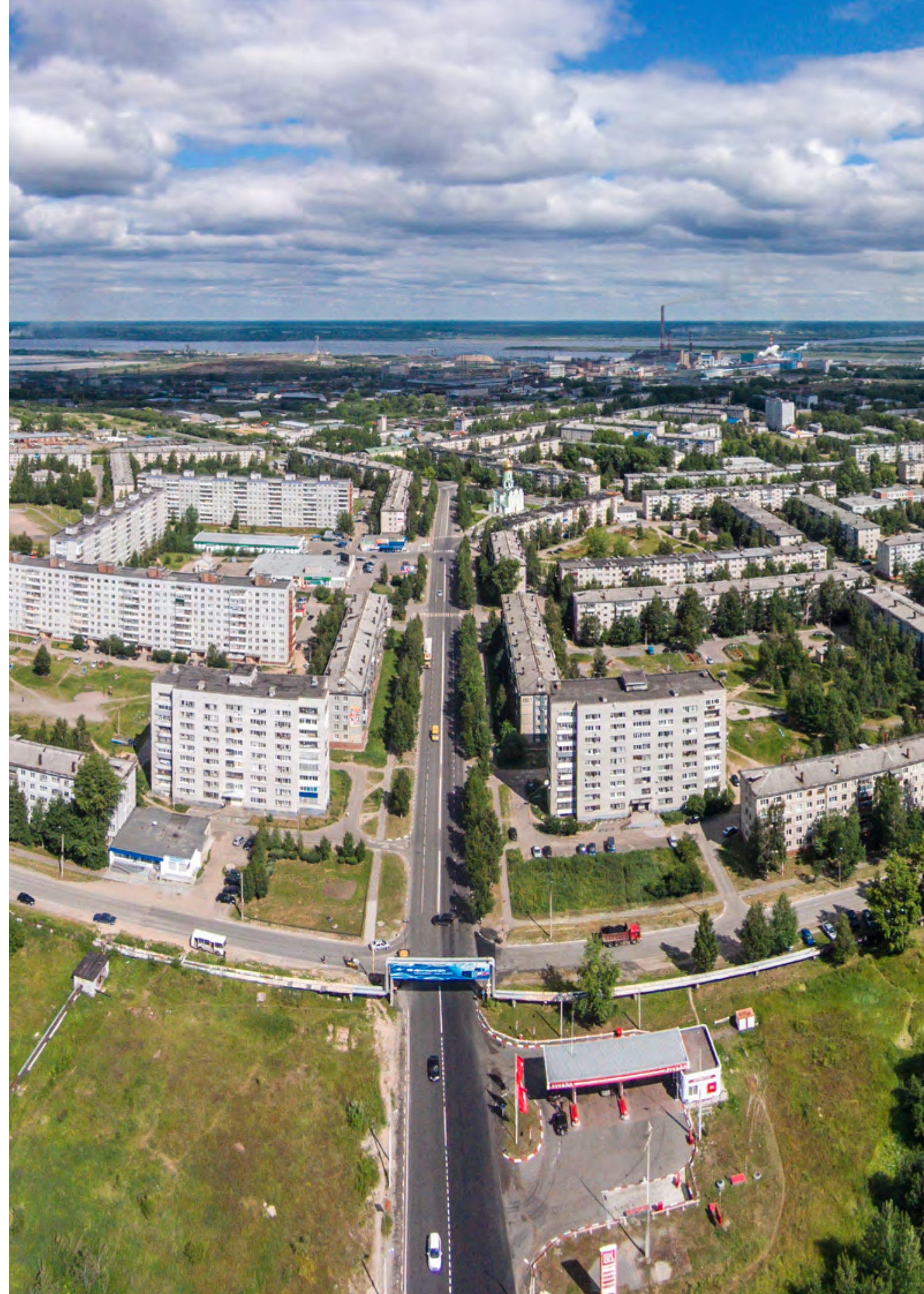
- environmental protection;
- development of public relations;
- economic growth.

Arkhangelsk PPM meets its social commitments in an open, public and voluntary way, in strict compliance with the Russian and international law.

Arkhangelsk PPM exercises continuous proper monitoring of environmental safety in the area of presence. With new projects for an upgrade of its production capacity, the Company at the same time strives to enhance its engagement in social responsibility. APPM relies on improving the human resource management performance, achieving constructive and compromise-based relations between the employees and employer, fostering a beneficial atmosphere among the Company's employees. These approaches allow the Company to consistently implement its production plans and address its upgrade issues.

APPM continues to expand its product range and upgrade the manufacturing capacity in order to maintain independence and strengthen its positions among Russian and global manufacturers, and keep pursuing an efficient social policy.

In **1940** Arkhangelsk PPM  
manufactured its first commercial products





### 3. Arkhangelsk PPM: overview

Arkhangelsk PPM is a leading manufacturer of pulp and paper products in Russia and Europe.

**Full name:** Joint-Stock Company «Arkhangelsk Pulp and Paper Mill»

**Abbreviated name:** Arkhangelsk PPM

**Start-up date** 1940

**Registered location and postal address:** Russian Federation, 164900, Arkhangelsk region, Novodvinsk, Melnikov Street, 1  
Telephone: (8 81852) 6-32-02, Fax: (8 81852) 6-32-31

#### Details of state registration

**Date of state registration:** December 25, 1992

**Registration number:** 8/189

**State registration authority:** administration of the city of Novodvinsk

**Date of state registration of Company after 1 July 2002:** August 1, 2002

**Certificate of Record in Uniform State Register of Juridical Persons registered before 1 July 2002:** series 29 no. 000312037

**Main state registration number:** 1022901003070

**State registration authority:** Interdistrict Inspectorate of RF Ministry of Taxes and Duties no.3 in Arkhangelsk region (Taxpayers Services Department no. 1)

AO «Arkhangelsk PPM» was established pursuant to RF President Decree «On organizational measures for conversion of state enterprises, voluntary associations of state enterprises to joint-stock companies» no. 721 as of 1 July 1992

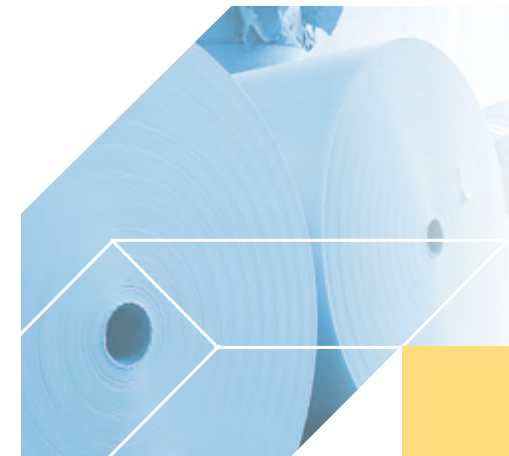
**Purpose of incorporation:** generation of profit, efficient performance and strong contribution to the city of Novodvinsk, region and country's economy, and responsible attitude toward the personnel, society and the environment

#### Arkhangelsk PPM's key businesses:

- manufacturing of pulp and paper products and associated goods, work and services
- wood processing
- international economic activity
- construction, installation and repairs
- transportation services
- initial professional training

#### Authorized capital

The Company's authorized capital consists of 2,000,000 uncertificated registered ordinary shares with nominal value 16 rubles per 1 share and is 32,000,000 rubles.



**4187** was the average number of staff at Arkhangelsk PPM in 2018

#### 3.1. Company shareholders list and structure

As of 31 December 2018, the Company's sole shareholder is Pulp Mill Holding GmbH (Reichsratstrasse 11/3B, A-1010, Vienna, Austria), which owns 2,000,000 shares, or 100.0 % of the Authorized Capital.





**328.8** million rubles were spent  
by Arkhangelsk PPM on social activity in 2018

*Arkhangelsk PPM maintains a Declaration  
of Corporate Values, which states the  
following key objectives:*

*The Company adheres to the  
following policies:*

### 3.2. Corporate Management Model

Arkhangelsk PPM's corporate management system ensures a well-defined distribution of functions for strategic and operational management of the Company between the representative body of the shareholder (Board of Directors) and the management.

Corporate management is carried out in compliance with the Russian Federation Act «On corporations» and other laws which regulate corporations' activities in the Russian Federation, the Charter, and internal documents of Arkhangelsk PPM. The Company follows the international practice of good management in order to secure the rights and interests of its shareholders and investors.

- ensure stability and sustainable development, positive financial results of activity by using the best available technologies, introducing new equipment, and manufacturing competitive high-quality products;
  - ensure and strengthen leadership in the pulp and paper industry;
  - actively engage in the life and development of the city of Novodvinsk, supply heat and power resources to the municipality;
  - introduce new environment protection technologies to minimize negative environmental impact.
- 
- observe the rights and social guarantees of employees and investors as provided in the relevant laws, the Company's Charter and other regulations;
  - pursue a common corporate policy toward affiliated companies;
  - maintain openness and transparency in communication;
  - maintain business ethics and integrity in business activities.

### 3.3. About the Principles of Corporate Social Responsibility

The Company views its own structure of corporate social responsibility as an ongoing and developing system based on efficient cooperation with all concerned parties. Such cooperation helps make decisions mutually beneficial for all parties, including the employees, labor union, shareholders and investors, consumers, residents of the region of presence, state and local authorities, public organizations, vendors and business partners.





## 4. APPM: contribution to the development of the area of presence

### 4.1. Social Investments and Projects

In pursuing its social goals, Arkhangelsk PPM primarily focuses on projects which make a real contribution to the development of the region of presence and improve the living conditions for its residents. Socially oriented programs are developed with active participation of the state and local authorities.

Social welfare of employees is ensured through benefits, guarantees and compensations, medical and health resort services, different types of personal insurance, provision of optimal and safe working conditions, employee training.

Arkhangelsk PPM's social policies include providing the Company's employees with extra opportunities for engagement in sport activities to maintain fitness and a responsible attitude to their health, promoting the «Fit for Work and Defense» physical training system.

The Company encourages its employees and residents of the Arkhangelsk region to get involved in mass cultural events, sports, health and fitness activities.

*The top priority areas of social investment for Arkhangelsk PPM in the region of presence include:*

- payment of taxes;
- ensuring a high rate of employment among residents;
- improving the urban environment;
- development of sports, health care, education, culture;
- involvement with children and youth;
- involvement with elderly;
- implementation of socially important projects as part of social initiative contests;
- charity and sponsorship activities.

In 2018, Arkhangelsk PPM allocated 328.8 million rubles for social programs, benefits and social guarantees for its employees. This includes 31.1 million rubles in charity aid. The Company's investments in the social sphere per year per one employee are 82,884 rubles.

**3,401.761** million rubles was allocated by Arkhangelsk PPM for tax payments to the budgets of all levels and for contributions to non-budgetary funds for 2018

*Drawing by Nalina Kurbanova, 11 yo*



### 4.2. Tax Payments and Employment

As a systemic and a major budget revenue generating company, Arkhangelsk PPM is one of the largest taxpayers in the region of presence. Absolute compliance with the laws in force and payment of all taxes and levies is a very important illustration of the Company's social responsibility.

As of 2018, tax contributions by Arkhangelsk PPM to the budgets of all levels and payments to non-budgetary funds amounted to 3,401,761 k rubles.

Arkhangelsk PPM provides jobs to many residents of Novodvinsk, Arkhangelsk, Primorsky district of the

Arkhangelsk region. Nearly all employees of the Company and its affiliates, contractors working with the Company, logging companies which supply timber to the Company, are residents of the region.

The fact that the Company and its affiliates employ professionals from local population and offer a competitive level of wages is a significant contribution to sustainable development of the Arkhangelsk region's economy and to achieving the set of high-profile social and economic goals at the regional and federal levels.

### 4.3. Company's Involvement in Social, Economic, Political Life in the Area of Presence

Arkhangelsk PPM is the core of the «Innovative Local Timber Industry Cluster of Arkhangelsk Region», «PomorInnovaLes». Its members include small, medium and large businesses, scientific and educational institutions, transportation companies. The association is supported by the government of the Arkhangelsk region. The cluster's mission is to achieve Russian-wide leadership in sustainable forest use and production of quality pulp and paper products based on innovative technologies.

Arkhangelsk PPM employees working constructively with the administration of the Novodvinsk municipality provide assistance in improving the management model for the city's social and welfare infrastructure.

The Company's representatives engage in various entities and bodies of local governance to make a meaningful contribution to the development of a

comfortable urban environment. The Company's employees elected to the City Council of Novodvinsk are actively involved in the drafting and implementation of the social and economic development strategy for the city and the Arkhangelsk region.

Arkhangelsk PPM's employees participate in the activities of the Russian Union of Manufacturers and Entrepreneurs, Chamber of Commerce and Industry, Russian Military Historic Society and a number of other important public entities.

Arkhangelsk PPM ensures a continuous and full supply of heat and hot water to the municipality of Novodvinsk, despite the Housing Utilities Company and Network Company's considerable debt for the resources supplied.

The social work carried out by Arkhangelsk PPM is reflected effectively and in detail on the pages of the Papermaker newspaper.



#### 4.4. Assistance in the Development of Social and Cultural Infrastructure

Arkhangelsk PPM voluntarily provides assistance in sociocultural and economic development of the area of presence. The Company invests significant funds in the improvement of social infrastructure. In particular, Arkhangelsk PPM provides special-purpose funding for social and cultural facilities incorporated in the Company's affiliate, JSC BYT.

18.6 million rubles was allocated in special-purpose funding for BYT Company's facilities (fitness and recreation complex, Pearl of the North health

resort including Doctor Bubnovsky's Center, Community Cultural Center, Uytut Hotel).

Currently, Arkhangelsk PPM is considering ways to improve the social tools in order to encourage an even greater number of employees to engage in mass cultural events, increase the accessibility of sports activities and promote healthy lifestyle. The Company wants its employees to be healthy, vital and well-educated. This is key to boosting the Company's performance and competitive edge.

##### BYT's sociocultural facilities:

- Community Cultural Center
- sports and recreation center, including Dvina sports facility (with indoor gyms, boxing hall, women's sports club «Image», workout room, outdoor football pitch and a hockey court) and Aquarius swimming pool (with a workout gym)
- Pearl of the North health and recreation resort, with Doctor Bubnovsky Center
- Uytut hotel

Over **18.6** million rubles provided in special-purpose financing by Arkhangelsk PPM for BYT's facilities



Drawing by Maxim Sovetov, 11 yo



#### 4.5. Going ahead with APPM's second contest for social initiatives «4D: Social Dimension – Let's Do Good Things»

In 2018, Arkhangelsk PPM financed social projects as part of the contest called «4D: Social Dimension – Let's Do Good Things» («4D» stemming from the Russian abbreviation), designed to develop the city's social sphere. The winners received support in materializing their ideas for landscaping, sports and play grounds, cultural events, etc. The goal of the contest is to support public initiatives and create conditions for the development of civil institutes.

The first experience gained in conducting a similar contest in 2017, which was called «40 Good Deeds for Novodvinsk's 40-th Anniversary», was deemed to be a success. When asked to evaluate the project's significance, over 75% of Novodvinsk residents surveyed said the idea was useful or very useful.

The 2018 contest was called «4D: Social Dimension – Let's Do Good Things». In 2018, the geographic boundaries of the contest were expanded as compared to the previous year, to include, in addition to Novodvinsk residents, the left-bank municipalities of the Primorsky district. Representatives of the communities of Vaskovo, Laysky Dok, Lugovoy, Katunino,

Zaostrovskoe, Lisestrovo offered their projects for consideration by the experts.

The largest number of applications for the contest were filed by the following municipal cultural institutions: Novodvinsk City Cultural Center, Children & Youth Center, Children's Activity Center. The project initiators included: schools, pre-school educational institutions, public organizations, initiative groups.

The contest was launched in early 2018. Some 100 socially-significant applications for participation were gathered. Based on popular vote and the expert board's decision, 47 projects were selected and received funds for implementation. The total amount of financing provided by Arkhangelsk PPM was approximately 2.5 mn rubles.

Arkhangelsk PPM's experience was acknowledged as noteworthy and exemplary at the «North-West Corporate Charity Leaders» contest, and the Company's social initiatives contests were recognized as a role model of a socially responsible business at the Russian-wide level.





## The Company's Good Deeds

The social initiatives contest «4D: Social Dimension – Let's Do Good Things» included seven nominations: culture, art, skills, volunteering, comfortable neighborhood, patriotic education, sports and healthy lifestyle, scientific and technical creativity, ecology, and «I Love Novodvinsk».

The qualified expert group which evaluated the projects included representatives of Arkhangelsk PPM, municipalities and non-commercial associations. They reviewed in detail the significance of the suggestions that were put forward, the target audiences and the proposed solutions for existing problems.

The leader of the «4D» contest was the «Steps to Health» project, which garnered 377 votes. Its main objective was to create a safe porch with a ramp at the central entrance of the district hospital in Zaostrovskoe, and landscaping of the medical institution's site. This proposal was brought up by a medical worker from the Zaostrovskoe district hospital, Natalya Flegler.

Another example: landscaping of a Novodvinsk neighborhood, a project proposed by an initiative group of local residents at: 3-rd Five Year Plan Str., 29, 29/1, Mira Str., 8, 6, and Pervomayskaya Str., 8, which was called «The Neighborhood You Live In!»

APPM's social contest opened the doors for the «Give Goodness» project offered by the local branch of the public organization «Red Cross». It covered a number of areas. The most important goal was to provide lunches to junior school students of 1st to 4th grades from deprived backgrounds. This program started operating in September 2018.

The ideas that won the social initiatives contest in 2018 included the most popular project of 2017, «Five Evenings». It was organized by the city administration and the Novodvinsk City Cultural Center.

The contest also included express projects, where the most interesting ones received micro grants. For instance, thanks to this subprogram, Day Care Center No.24 held a create-a-brain-teaser contest, and Day Care Center No.12 organized robotics classes and a chess tournament for pre-school children. On May 16, 2018, Day Care Center No.18 «Little Woodsman» rolled out the Spring Fair, where kids and their parents showcased their handcrafted goods and various treats.

**47** social projects proposed by activists from Novodvinsk and left-bank municipalities of the Primorsky district were supported as part of APPM's social initiatives contest «4D»



**Dmitry ZYLEV,**  
General Director of Arkhangelsk PPM:

*– It is telling that the number of applications to participate in APPM's social projects contests increases every year. This shows us that the residents of Novodvinsk and the Primorsky district actively engage in civic activities. They are ready to improve their lives, beautify their communities. The Company always supports this approach.*

*When they received a start-up capital for their projects and felt the assistance from a powerful company that Arkhangelsk PPM is, the authors of the initiatives put their best efforts and their time into resolving specific socially important tasks and formed effective teams of like-minded people.*



## 5. APPM, a socially oriented company

Arkhangelsk PPM's social responsibility in the present context reflects a wide range of relations. A crucial component is the Company's contribution to the economy of the region and Novodvinsk. The interaction between the Company and the community is reflected in the attitude toward the employees, support for the region's education and science institutions which provide human resources for the Company's various applied pulp-and-paper qualifications, in the Company's responsible attitude toward the environmental issues.

Social projects are an integral part of Arkhangelsk PPM's mission and development strategy. The Company's Shareholder and Management do not only declare this, but always persistently pursue and accomplish a socially-oriented policy. The Company pays special attention to environmental activity, continually improves and supplements the Collective Bargaining Agreement which provides for social programs and benefits for the Company's employees, their children, and veterans.

**16.225** million rubles were spent by Arkhangelsk PPM on annual medical checkups for its employees in 2018

### 5.1. Health promotion and preventive health care for APPM's employees

The employees' wellness and preventive care are an essential segment of Arkhangelsk PPM's social activity. APPM has always engaged in health care for its employees and taken measures to boost disease prevention.

One of the important tasks facing the Company's shareholders and management is to excite the interest of as many APPM employees as possible in health protection and improvement, enhance the quality of people's lives, and thereby help the employees become more active and goal-oriented. Voluntary medical insurance policies (VMI) also covered the provision of health care to employees under the Out-patient Care program. 36,145.46 k rubles were paid in 2018 in insurance premiums under VMI policies. Under an agreement with Medexpress insurance company, the Company's employees can use emergency hospitalization services, outpatient care, planned hospitalization services. The list of available medical services and health care facilities has been extended considerably.

*Drawing by Artemiy Roskov, 7 yo*



According to the insurance program, the Company's employees have access to emergency care under the VMI policy across Russia, more than 100 kilometers away from the place of domicile. In addition, emergency medical care is also available and paid for abroad under the terms of SAO Medexpress' «International Travelers' Insurance Policy», based on standard program «A» with a 40,000 equivalent units limit and a maximum duration of 30 days. The service is provided once per year.

In 2018, 697 employees of the Company were offered remedial care and health recovery treatment at the «Pearl of the North» preventive care spa, and 236 employees improved their health at spa centers in other regions.

Health care is the basics. Arkhangelsk PPM allocates significant funds to employees' treatment and disease prevention. This is part and parcel of the Company's social policies, and is of great importance to each of the Company's employees.

The Company paid 16,225.2 k rubles on the annual medical checkups for its employees. The cost of pre-employment medical examinations was 1,317.7 rubles.

In 2018, 220 vacation packages were purchased for retirees, former employees of the Company, seven of these - for retirees awarded the «Honorable Worker

of the Mill» title. 7,151.0 k rubles were spent on purchasing the vacation packages.

Medical meals were provided in accordance with the regulatory requirements of the Russian Ministry of Health and Social Development and the List of APPM Employees' Trades and Positions. These expenditures for the year amounted to 2,601.64 k rubles.

Milk, dairy products and juice were provided to the Company's employees working in harmful conditions in accordance with the regulatory requirements of the Russian Ministry of Health and Social Development and the List of Jobs, Trades and Positions Entitled to Free Milk or Other Equivalent Food. The employees can also receive compensation payments equivalent to the cost of milk. The overall costs were 8,478.62 k rubles.

Soda machines were installed in the Company's workshops. The related maintenance cost in 2018 was 558.0 k rubles.

In 2018, the medical stations continued operating on Arkhangelsk PPM's site, as subsidiaries of the Novodvinsk Medical Center. The medical stations' key tasks are to provide first aid, preventive care or treatment on request, and preventive vaccinations. A total of 11,100 k rubles were allocated for the medical stations over the year.





## 5.2. Company's Support of Healthy Lifestyle and Mass Sports Events

The Company actively promotes healthy lifestyle among its employees and in the area of presence. The Company's employees can engage in fitness dancing exercises at the Well-Being Studio.

An additional incentive is provided for Arkhangelsk PPM's employees to pass the «Ready for Work and Defense» test at the Russian Physical Education and Sports Complex in Novodvinsk. All those who have passed the test are in for corporate bonuses.

Sports facilities (gyms, gymnastics room, stadium, swimming pool, workout room) were rented for 146 hours per week at BYT's sports complex for general physical exercises and competitions among employees of Arkhangelsk PPM's businesses. The monthly occupancy of the gymnasiums was 1499 visits, gymnastics room – 748 visits, swimming pool – 1112 visits, workout room – 746 visits.

On May 9, 2018, the 53-rd traditional athletics relay race took place for prizes put up by Arkhangelsk PPM and gathered 80 teams, including three men's and two women's teams of Arkhangelsk PPM's employees. Annual family races were also held, gathering 38 families in the so-called Winter Fun and 87 families in indoor competitions.

Throughout the year, competitions were held as part of Arkhangelsk PPM's public multi-discipline olympics, which engaged seven teams from the Company, counting a total of 670 employees.

Arkhangelsk PPM's non-working retirees have access to free exercises at the Sports Center base and have the opportunity to participate in the Health Day (skiing race) held specially for them.



**80** teams took part in the May's traditional athletics relay race for Arkhangelsk PPM's prizes in 2018

Overall expenditures on mass sport events were 33,703.8 k rubles. In 2018, funds were allocated for organizing and holding sporting events to local public organization «Physical Culture and Sports Development Board in the City of Novodvinsk», public organization «Arkhangelsk Region Floorball Federation», Novodvinsk-based public organization «Wrestling Federation».

As part of healthy lifestyle promotion, the Paper-maker newspaper publishes a periodical supplement to the Wellness magazine, which covers Arkhangelsk PPM's diverse social initiatives focused on promoting healthy lifestyle among the Company's employees and Novodvinsk residents. The primary objective is to use the new project to excite the interest of as many of the Company's employees and city residents as possible in health protection and improvement, enhance the quality of people's lives, help them become more active and goal-oriented.

The paper's pages frequently feature physicians from the Novodvinsk Medical Center, who offer their advice and recommendations, as well as sports club coaches and leaders of wellness groups from BYT Company.

**670** employees participated in the Spartakiad (sports and athletic contest) of Arkhangelsk PPM, JSC in 2018





**33.703** million rubles were spent by APPM on mass sports events in 2018



**Olga SAVVINA,**  
Administrative Manager  
at Arkhangelsk PPM:

– *The team, the employees are the Company's most important asset. Taking care of the employees, protecting their interests, ensuring a productive and safe working process - this is the vital mission for a company that wants to build a stable future and is interested in the wellbeing of its area of presence.*

*The social benefits and security package provided by our Company greatly exceeds the requirements of the Russian laws. The Shareholder and the management commit significant funds for the implementation of the social policies and strive to resolve any issues through a constructive dialog with the employees.*

### 5.3. Assistance in Education and Science Development

Arkhangelsk PPM makes a significant contribution to the development of science and the education system in the Arkhangelsk region and Novodvinsk. The Company places a special focus on the improvement of vocational education for the employees.

The human resource development for worker trades includes career guidance activities in conjunction with the Novodvinsk Industrial College and Secondary School No.1 in Novodvinsk, and engineer training with the Lomonosov Northern (Arctic) Federal University.

Besides that, the Company is implementing a continuous training system called «The Steps», which represents a logically linked chain: pre-school institutions – school – university – company.

Thanks to Arkhangelsk PPM, 10 students from the Novodvinsk Industrial College went on a career guidance trip to Austria, where the young people visited European pulp and paper industry factories (Brigl&Bergmeister, UPM, Andritz Group, and Mondi).

School No.1 in Novodvinsk has a «Forest Class», where students dedicate much time to studying pulp and paper production and environmental issues. Arkhangelsk PPM provides significant assistance in achieving the goals of the Forest Class's curriculum. In 2018, APPM together with Municipal Secondary School No.1 in Novodvinsk held two specialized excursions for the class students to a biological treatment facility, and introduced the students to some of the peculiarities of the pulp and paper process engineer's trade. Representatives of the Company's youth board discussed with the kids from the Forest Class the outlook for a professional career with the Company. The students also met representatives of the NAFU higher schools and Titan Group and discussed conditions of admission, special enrolment options offered by the main university of the Russian North, and subsequent employment opportunities. Arkhangelsk PPM purchased equipment for the Forest Class's classroom: a laptop for the teacher, a projector and a screen.

The NAFU and Arkhangelsk PPM have an Agreement for Cooperation in Applied Research and Development Projects for the Pulp-and-Paper Industry, and an Agreement on Cooperation in Human Resource Development in the Russian Arctic. The Agreements provide for conventional and well-proven forms of cooperation, including various types of hands-on training, career guidance excursions to the factory, classes at the university's specialized department for pulp and paper production technology, which operates at the Company.



Around **260** students completed hands-on training at Arkhangelsk PPM's businesses in 2018

As part of the «Perspective» program, in 2018 Arkhangelsk PPM together with NAFU selected candidacies for the Company's scholarships among students majoring in areas such as process and production automation, process machinery and equipment, industrial thermal engineering, electric power and electrical engineering. The scholarship holders successfully completed the summer hands-on training at the Company with the automation department, Chief Mechanic's department, CHP-1, and selected the subjects for their thesis projects.

After accomplishing their thesis, the best scholarship holders will be offered employment with the Company.

In 2018, Arkhangelsk PPM welcomed more than 2000 young people from Novodvinsk and Arkhangelsk, who came to receive hands-on training or with excursions to their respective plant sections.

In 2018, Arkhangelsk PPM took part in a career guidance project for school students aged 14 to 17, called «Development Region 29». The Company together with the organizers delegated 13 school students from 26 municipalities of the Arkhangelsk region to complete the summer specialist tour. The students were to receive training in «Energy Technology». In addition, the tour participants were introduced to the specifics of the Company's thermal engineers' work at CHP-1. During the summer tour, the «Energy Technology» participants assisted by their mentors from Arkhangelsk PPM successfully defended a project for waste gas utilization in thermal engineering.





More than **1000** children of Arkhangelsk PPM's employees attended free New Year's concerts in 2018

#### 5.4. Support for Culture in the Area of Presence

In 2018, Arkhangelsk PPM not only sponsored but also organized public cultural events multiple times. The total cost of organized public cultural events was 4020.7 k rubles.

Let us talk about some of them. Traditionally, dedicated to the Company's anniversary, Arkhangelsk PPM held the «APPM Veteran» award ceremonies celebrating the Company's best workers and delivering certificates of merit and letters of commendation from the ministries and agencies, complete with a gala concert for the employees. In honor of the Company's female employees, a holiday concert was held on the occasion of the International Women's Day. A city concert for the Victory Day was organized by the Company together with the administration of Novodvinsk.

During the New Year holidays, children shows took place for the Company employees' children at BYT's Cultural Center and were attended by over 1000 youngsters. The Company's expenditures for these shows were 352.4 k rubles. A New Year's corporate event with a splendid entertainment program was held for the Company's employees.

Many employees of the Company and Novodvinsk residents will remember the skills contest for the Company's employee teams, called «Our Name Is The Team!». Upon initiative of and with support from APPM's veterans board, a number of holiday events were organized for the Company's former workers.

#### 5.5. Assistance in Educational and Publishing Activities

In 2017, 2000 copies of the book for children titled The Paper Stories were published to promote children's interest in the history of Arkhangelsk PPM, speaking in a simple form about the introduction of paper, the history of the paper industry, and Arkhangelsk PPM. A sequel of the book, titled «The Journey to the Paper Country», was published in 2018. Some 500 books were given by the Company's management to libraries, schools, kindergartens, cultural and supplementary education institutions.

Employees of Arkhangelsk PPM's corporate projects department are actively engaged in the Company's educational and publishing activities. The Papermaker newspaper won the award at the Russian-wide Corporate Publications Contest «Silver Threads 2018».



**645** children of APPM's employees visited children's recreation camps in 2018

#### 5.6. Children and Youth Activities

Arkhangelsk PPM pays significant attention to children and youth activities, provides assistance for events targeting children and teenage audiences, helps youth culture and leisure centers. In addition to that, the Company spends considerable funds on organizing summer recreation holidays for the children of its employees.

Among other things, the Company spent 2,471.56 k rubles on the purchase of 2548 New Year gifts for the Company's employees' children. The Company met its commitments in financing the cost of rest and recreation for Arkhangelsk PPM employees' children during summer vacations.

645 children of the Company's employees spent vacations at children's recreation & wellness camps in 2018, including BYT's Pearl of the North health resort, children's recreation camp «Tender Coast» at the Black Sea, sports and recreation camp «Pearl of the Sea».

Of the total expenditures on children's vacations (19,588.2 k rubles), the share of funds from the profit was 44.1%, and the share of funds allocated by the region was 42.4%. Despite the annual rise in the cost of vacations purchased by the Company, the amount that had to be paid by the Company's employees re-

mained the same. It is 14-16% of the total price for the vacation, the rest is paid by the Company from its profits and by the regional budget.

In addition, Arkhangelsk PPM sponsored the purchase of New Year gifts for children from low-income and large families, Novodvinsk Complex Center for Social Services for children with disabilities, Novodvinsk City Public Organization of the Disabled, Novodvinsk Children Care Home.

The Company also provided copybooks to kindergartens, children from low-income families, care homes, orphan asylums, disabled children homes and complex centers for social services as part of the charity campaign «Help the Children of Pomorie».

#### 5.7. Assistance in the Company's Youth Board Activities

The Youth Board consisting of representatives of the young generation of employees has been operating at Arkhangelsk PPM for several years now. During the year, a number of events were initiated by the Youth Board with the Company's support. These included sport contests involving the city's schools and the Novodvinsk Vocational School, environmental events, intellectual & entertainment games, Healthy Life-





**Spouses Dmitry and Vera Sharkovs,**  
raising two sons and a daughter:

– We think that we're really lucky! Last year we bought a three-room apartment using a mortgage. Thanks to APPM, we are now able to pay off the loan early. As a result of the Company's participation in this program, we have received a certificate worth over a million rubles.



**Sergei ANDREEV,**  
Head of Municipality «City of Novodvinsk»:

– Over the years of participation in the federal program, 48 families of the Company's employees have moved in to new apartments. In 2018, the cost of the certificates varied between 500,000 rubles and 1,130,000 rubles. The total amount of social benefits in 2018 was 18,738,000 rubles, of which about five million was allocated by the city's mainstay company. It is crucial that young people stay in their home town. One of the key factors in this is availability of housing.

style events for APPM's employees, educational entertainment projects for children from the Novodvinsk Center of Social Services.

The Company's youth board activists regularly organize and attend professional skills contests for the Company's professionals, as well as entertainment, social, sports, and environmental events at Arkhangelsk PPM and in Novodvinsk. The Youth Board actively cooperates with many institutions and entities in the region.

## 5.8. Help to Company's Veterans Board

Some 5000 retirees who worked at Arkhangelsk PPM live in Novodvinsk and the Arkhangelsk region. The Company engages in significant social work with this group of residents.

In 2018, upon initiative and with support from APPM's veterans board, a concert dedicated to the Day of Older Persons was held on October 1, a meeting of veterans took place as part of the Victory Day celebrations, a New Year party and excursions were organized for former employees of the Company.

Non-working retirees of Arkhangelsk PPM have access to free of charge exercises at BYT Company's sports facility. A health day was held for them (with a skiing race).

## 5.9. Social Support for Employees' Families

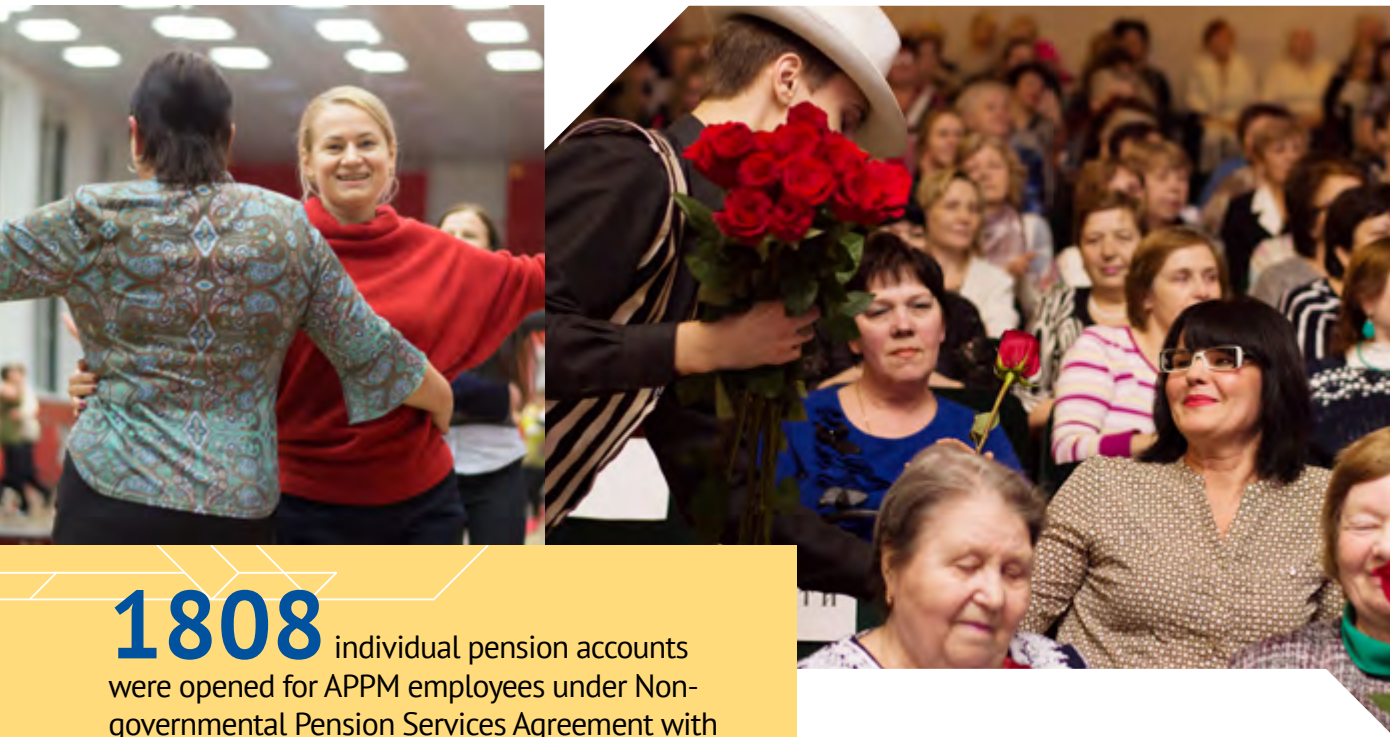
Arkhangelsk PPM provides social assistance not only to its employees, but also to their family members. In 2018, the Company co-financed the Housing for Young Families program. 23 families of the Company's employees received certificates of entitlement to social benefits for the acquisition of residential housing or development of an individual housing property. The Shareholder of Arkhangelsk PPM made the decision to support this initiative four years ago. The Company pays for the municipal share of the program financing. This allows young families of the Company's employees to acquire the preferential right to obtain housing certificates.

Arkhangelsk PPM currently continues its involvement in the Housing for Young Professionals program.

In 2018, the amount of financial aid allocated by Arkhangelsk PPM to multi-child families of its employees was 1,152.0 k rubles, financial aid for childbirth – 882.0 k rubles, financial aid for funerals – 1,491.5 k rubles, financial aid for surgery and examinations – 668.9 k rubles. The Company compensated its employees' costs of moving to a new residence in the amount of 420.3 k rubles.







**1808** individual pension accounts were opened for APPM employees under Non-governmental Pension Services Agreement with Non-governmental Pension Fund «VTB Pension Fund»

### 5.10. Company's Charity Activities

In 2018, Arkhangelsk PPM many times rendered charity aid to social institutions and public organizations of the city and the region.

The total amount allocated for these purposes in 2018 was 31,136.1 k rubles.

Charity aid was provided to local public organization «Russian Union of Afghanistan Veterans», Novodvinsk City Public Organization of the Disabled, Novodvinsk orphan asylum, Novodvinsk care home, under the special-purpose program «Together We Can Do More» for payments for medical services, medications and adaptation equipment for disabled children, to the Novodvinsk Center of Social Services.

Funds were provided to the Museum Association of the Arkhangelsk region; Renat Ibragimov's Art School; Arkhangelsk Region Foundation of Presidential Program Participants; Severyanka folk song, music and dance ensemble; Northern Information Agency association for research activities; the World Wildlife Fund; Novodvinsk City Cultural Center for events; Novodvinsk children's skills boarding home.

New Year gifts were purchased for children from low-income and large families, for children with dis-

abilities from the Novodvinsk Center of Social Services, Novodvinsk City Public Organization of the Disabled, Novodvinsk Children Care Home.

Copybooks were provided to kindergartens, schools, children from low-income families, children from Syrian Arab Republic, centers of social services as part of the charity campaign «Help the Children of Pomorie». Assistance was also provided to the Russian Military Historical Society.

### 5.11. Non-governmental Pension Services for APPM's Employees

The Company participates in a non-governmental pension service program. The program implemented in cooperation with VTB Pension Fund provides for an additional, non-governmental pension to be paid to participants in addition to the governmental pension (consisting of the insurance part and the funded part).

Arkhangelsk PPM employees participating in the program will transfer 1% of their salary every month to their own pension account opened under this program. Arkhangelsk PPM in turn will add 2% to the participant's account, and the VTB Pension Fund will

add the investment income on the entire amount on the pension accounts.

Upon eligibility for retirement, the VTB Pension Fund will pay the non-governmental pension for the entire period determined by the Company's employees themselves (but as a minimum for 5 years) from the funds accumulated on the pension accounts over the program participation time. Employees who have worked for the Company for at least 5 years are eligible for the corporate pension. Importantly, pension contributions made under the corporate pension program and accrued income are inheritable both at the accumulation and payment phases.

As of December 31, 2018, 1808 individual pension accounts were opened for the Company's employees under Non-governmental Pension Services Agreement No. /02-01-001/20 with Non-governmental Pension Fund «VTB Pension Fund». The amount of pension contributions made by Arkhangelsk PPM's employees in 2018 under this corporate pension plan was 17,655.1 k rubles.

### 5.12. Arkhangelsk PPM's Collective Bargaining Agreement

A reporting conference of the workers' associations of Arkhangelsk PPM, Arkhbum and BYT took place on May 23, 2018 to report on compliance with the Collective Bargaining Agreements. The meeting delegates unanimously affirmed that the standards provided for in the CBAs for the Company and its affiliates are maintained to the full extent.

CBAs valid from 2018 to 2020 were adopted in December 2017. They preserved all the social benefits and guarantees for the employees that were provided in the previous revisions of these agreements. In a number of provisions, the employees' rights and opportunities were actually expanded.

As the number of the Company's employees who are members of the labor union is currently less than half of all employees, the applicable laws do not require the employer to sign a collective bargaining agreement with the labor union organization. However, the shareholders and the management of Arkhangelsk PPM, Arkhbum, and BYT have always viewed this document as a necessary solution designed to strengthen the partnership relations with the employees.

The employees of Arkhangelsk PPM, Arkhbum, BYT acknowledge the Shareholder's and the management's openness to dialog, the aspiration for maximum transparency and efficiency of social and business operations intended to improve the employees' performance and wellbeing and develop the area of presence.



**Doroteya CHERNOGORENKO,**  
Chair of Primary Labor Organization  
at Arkhangelsk PPM:

*– The existing versions of collective bargaining agreements are signed for three years, which is the maximum possible term according to the Russian labor laws. Each party that signed the agreements thoroughly fulfils the commitments that it makes. This is a very important factor for the companies' wellbeing, operational performance, financial, economic, social standing of our companies.*

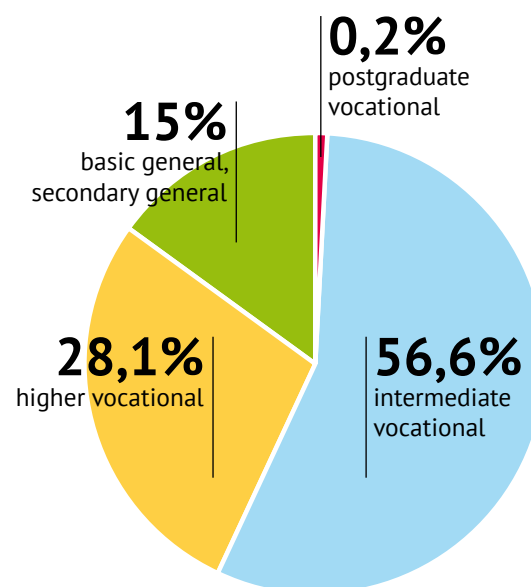
The current version  
of Arkhangelsk PPM's Collective  
Bargaining Agreement is signed for **3** years



## 6. APPM: collective portrait

**598** persons hired  
by Arkhangelsk PPM in 2018

Education level of Arkhangelsk PPM's employees



Arkhangelsk PPM considers highly-skilled human resources to be the key advantage and places a high priority on performance quality and high motivation of employees.

### 6.1. Company employee dynamics

The number of personnel employed by Arkhangelsk PPM as of December 31, 2018 was 4187. This includes 2761 men and 1426 women. The level of staffing as of the end of 2018 was 100%.

598 persons were hired by Arkhangelsk PPM in 2018

Of the total number of employees as of December 31, 2018, the number of workers was 3090, or 73.8%, the number of managers, specialists, office workers (MSO) was 1097, or 26.2%.

In terms of the length of service, the largest group at the Company are employees who have worked at the Company for more than 15 years.

The average age of the Company's employees as of December 31, 2018, was 42.45 years, including: men - 42.02, women - 43.29. The average age of managers was 43.66 years.

The education background data for Arkhangelsk PPM's employees shows that more than half of the Company's employees have secondary vocational training background, i.e. 2371 (56.6% of all staff).

15.0% or 631 employees have secondary or basic education background (8-11 grades), these are mostly workers.

1178 employees (28.1%) have higher vocational education background, mostly employed as managers, specialists or office personnel. The personnel's education level dynamics in the past five years shows a trend of an increasing number of employees who have a higher vocational education background.

### 6.2. Professional training and personnel development

One of the key areas in human resource management at Arkhangelsk PPM is instruction, professional training, retraining, and competence development of the Company's employees.

The key component in the training structure in 2018 is pre-qualification training and qualification of managers and specialists in Rostekhnadzor regulations, mandatory training in health and safety, fire safety, transportation safety, radiation safety, etc., professional training and re-training of workers.

In 2018, training was provided to 2877 employees, which is 69% of the total number of staff, including 1247 managers and specialists and 1630 workers.

*Drawing by Sofia Klimova, 14 yo*







### Knowledge is the Priority

Arkhangelsk PPM places a special emphasis on the environmental competence of its employees. This is one of the key areas in the Company's education activities. For instance, specialists from the Russian Environmental Agency in the Arkhangelsk region conduct periodical Days of Environmental Awareness for the Company's management. These events include discussions of various issues such as compliance with standards, changes in the environmental requirements, types of oversight, inspection procedures, and companies' rights during such inspections.

Instruction and professional training are provided according to the plan and within the allocated budget funds.

The number of workers who received training in 2018 was 1630, including those who completed their first training, training in a second associated trade, a competence upgrade, re-training, as well as mandatory training in health and safety, fire safety, etc., pre-qualification training and qualification for awareness of Rostekhnadzor regulations, and attendees of operation guidelines courses.

1247 managers and specialists completed mandatory training, attended competence upgrade courses, workshops, trainings and webinars.

The fact that employees are trained mostly on the Company's premises enables a more efficient use of funds and an optimal combination of employees' training and actual work activity.

An increase in the qualification of managers, specialists and office workers (MSO) is observed at courses, workshops held with the purpose of improving the skills of using software and equipment (ValmetDNA, Cisco, Siemens range), the departments' alignment with changes in the Russian laws (corporate, labor, financial laws, customs, transportation laws), improvement of the quality management system, increasing the level of awareness of information security and industrial safety issues.

In the reporting year, the Company invested 16,609.69 k rubles in training and competence improvement of its human resources, a 9% increase compared to the previous year.

The key goals that were set in 2018 have been achieved. Hiring and personnel displacements are consistent with the Company's demand for workforce and headcount optimization measures. Instruction and professional training are provided according to the plan and within the allocated budget funds.

**1178** employees of Arkhangelsk PPM have higher vocational education background

### 6.3. Wage structure and monthly average wage

Moral and financial incentives for personnel take into account their contribution to the improvement of the quality of processes and products, as well as improving Arkhangelsk PPM's performance.

The Company employees' remuneration is based on wage rates, piece work rates, position-based salaries approved by the Company, and is determined in accordance with the applicable laws and the Collective Bargaining Agreement.

Bonuses were awarded according to the indicators specified in the Regulation on Bonuses for Operating Performance. The average bonus percentage in the last year was 24.4%, the maximum rate was 25%.

The monthly average wage in 2018 per employee was 50,535 rubles, including 42,157 rubles among workers, 73,858 rubles among MSO. The monthly average wage level in the reporting year exceeded the 2017 level by 3419 rubles, or 7.3%.

The monthly average wage of Arkhangelsk PPM's employees in 2018 was **50,535** rubles

### 6.4. Personnel motivation

In 2018, 760 employees of Arkhangelsk PPM received different forms of recognition, including:

- state awards of the Russian Federation and Letters of Recognition from the State Duma of the Russian Federation Federal Assembly – 6 employees;
- Certificates of Merit from the Russian Ministry of Industry and Trade – 8 employees;
- Certificates of Merit from the Governor of the Arkhangelsk region – 3 employees;
- Certificate of Acknowledgement from the Governor of the Arkhangelsk region – 5 employees;



- Certificates of Merit and Certificates of Acknowledgement from the Arkhangelsk region Assembly – 13 employees;
  - Certificates of Merit and Certificates of Acknowledgement from the Arkhangelsk region Ministry of Natural Resources and Forestry – 12 employees;
  - Certificates of Merit and Certificates of Acknowledgement from the Administration of Municipality «City of Novodvinsk» and the City Council – 50 employees;
  - entry on the Novodvinsk municipality's Board of Honor – 5 employees;
  - titles «Honorary Worker of Arkhangelsk PPM» – 5 employees;
  - entry on the Board of Honor of Arkhangelsk PPM – 10 employees (including one from Arkhbum and BYT companies each);
  - Certificates of Merit and Certificates of Acknowledgement from Arkhangelsk PPM – 235 employees;
  - honorary title of «Veteran of Arkhangelsk PPM» – 127 employees (including one employee of Arkhbum and four employees of BYT Company);
- 11 employees received regional level awards on the occasion of the Forest Worker's Day.

As part of the Fatherland Defender's Day celebration on February 23, a one-time monetary reward was paid to 74 former Afghanistan, Chechnya combatants, and Chernobyl accident liquidators.

Pursuant to the Collective Bargaining Agreement for 2018-2020, 203 employees received a testimonial and a one-time reward payment for long service and diligence on the occasion of their 50-th, 55-th, 60-th, 65-th anniversaries.

14 employees of BYT Company received Certificates of Merit and Letters of Acknowledgement from Arkhangelsk PPM for the Company's 78-th anniversary.

## Reward for Labor

A gala concert dedicated to Arkhangelsk PPM's 78-th anniversary took place on August 24, 2018. The main heroes of the celebration were the Company's employees who were honored on that day with various titles and rewards.

One of those who received the scarlet ribbon of honorary worker was paper machine operator Sergei Kuznetsov. Sergei Nikolaevich joined the mill's team straight after service in the armed forces, and in a short while achieved the top qualification ranking. Today, he operates Paper Machine 6, which exports over 30% of its output. Colleagues repute him as an experienced mentor, a true professional whose opinion is appreciated by the team and the management.

Igor Turovsky, lime burner at the cardboard plant causticizing and regeneration unit became a hero on the Company's Board of Honor. He devoted 34 years to the Mill. Sense of duty, responsibility, inexhaustible energy and incredible commitment are but a few qualities that characterize this top class employee. Over the years of work he has been honored with various rewards multiple times.

**760** employees of Arkhangelsk PPM received different forms of recognition in 2018





## 7. APPM: betting on sustainability

The reduction of negative impact on the environment and improvement of the ecological standards of production is an organic part of Arkhangelsk PPM's business strategy and an element of social responsibility. This work aims to improve the production and financial performance in the interests of the Shareholder, partners, employees of Arkhangelsk PPM, as well as the Company's area of presence.

### 7.1. Company's environmental policy

Arkhangelsk PPM is a large business, and therefore the environmental issues are essential for the Company.

The key objectives in environment protection include:

- efficient use of natural resources, including forest resources, developing the business while safeguarding and protecting the forests;
- implementing measures to minimize negative environmental impact and making sure that production is in conformity with current international and national standards.

The Company continually implements projects designed to minimize the environmental impact and create favorable conditions for an efficient business activity.

Arkhangelsk PPM is an incumbent member of the Russian Association of Environmentally Responsible Timber Producers and engages in a meaningful dialog with International Organization «Greenpeace», the World Wildlife Fund, addresses the issues of forest certification in the Arkhangelsk region, takes action to implement the principles of sustainable forest management.

The Company has developed and successfully implemented a long-term program to minimize negative environmental impact and bring about a beneficial setup for high business performance and create advantageous work conditions for the people.

Pursuant to Arkhangelsk PPM's Quality & HSE Policy, in 2018 the Company continued its efforts to improve personnel's professionalism in environmental protection and to draw the attention of the public to the ecological aspects.



### 7.2. APPM's socially important environmental activities

In connection with the Year of Volunteer that 2018 was declared in the Russian Federation by the Decree of RF President V.V. Putin, in the reporting year Arkhangelsk PPM released 2018 young bulltrout into the Onega river as part of voluntary efforts for preservation of water bio resources. The release took place on the World Environment Day.

In total, in 2018 Arkhangelsk PPM released into the water body 9,600 juvenile bulltrout in order to compensate for the damage that had been caused to the water biological resources by withdrawal of water resources in 2017.

3,335 k rubles was spent on the reproduction of water biological resources.

In 2018, Arkhangelsk PPM joined the international Earth Overshoot Day campaign as a general sponsor. As part of the campaign, APPM managers and representatives of Titan Group and Sawmill 25 received training in sustainable forest management with participation of experts from World Wildlife Fund Russia.

The Company together with the Russian Environmental Agency in the Arkhangelsk region continued the social education project EcoKids in 2018. Three classes from Novodvinsk schools participate in the Company's independent project «EcoKids Novodvinsk». Arkhangelsk PPM organized and conducted the following events for the ecology kids:

- excursions to the region's factories;
- environmental cleanup days;
- waste paper collection campaigns;
- contests;
- educational environmental classes with participation of experts from Arkhangelsk PPM, BYT Company, Dvina Region Water Company, Russian Environmental Agency in the Arkhangelsk region, Arkhangelsk region public rights advocacy environmental foundation «Biamia», NP Russian Arctic, Sawmill 25, Arkhangelsk region branch of the Russian-wide public organization «Russian Environmental Society», Kenozer'sky National Park.

In December 2018, APPM became the first platform and organizer for a regional children's environmental conference for EcoKids project participants, with support from the Russian Environmental Agency in the Arkhangelsk region and the Municipality of the City of Novodvinsk.

In 2018, Arkhangelsk PPM for the first time conducted the «5 Environmental Days» campaign, which included:

- Novodvinsk EcoKids' meeting with General Director of Arkhangelsk PPM D.I. Zylev;
- an environmental quiz «EcoMind» and a poster contest «Manage Waste Right!» among the Company's employees and their family members;
- a pavement drawing contest for children, collecting waste paper from local residents.

Consultants from CCGS LLC held a topic meeting on climate change prevention dedicated to the International Climate Day.





### 7.3. Achieving environmental objectives

The cost of environmental action and introduction of the best available technologies as part of Arkhangelsk PPM's Environmental Management Program in 2018 was 3,516.5 mn rubles.

The most important actions included:

- construction of Evaporator and installation of equipment to neutralize sulfur-containing (malodorous) emissions;
- upgrade of Boiler Turbine Plant for CHP 1: install a coal-fired boiler at boiler units No.7 - No.9 using low-emission burners and high-performance gas treatment equipment;
- upgrade of BTP for CHP 1 with conversion of coal-fired boilers to use gas;
- reconstruction of Cinder Dump Section IV;
- reconstruction of Cinder Dump Section III and water recycling system;
- modernization of Cinder Dump Sections I-II;
- upgrade of gas treatment systems and foul condensate treatment systems for Vacuum Evaporators

3 and 4, gas treatment systems of the Pulp Cooking Plant.

The implementation of the above activities continues.

In 2018, the amount charged for negative impact on the environment was 9.048 mn rubles. Due to a change in the laws concerning the charges for negative environmental impact in 2016, Arkhangelsk PPM accrued an overpaid amount for negative environmental impact.

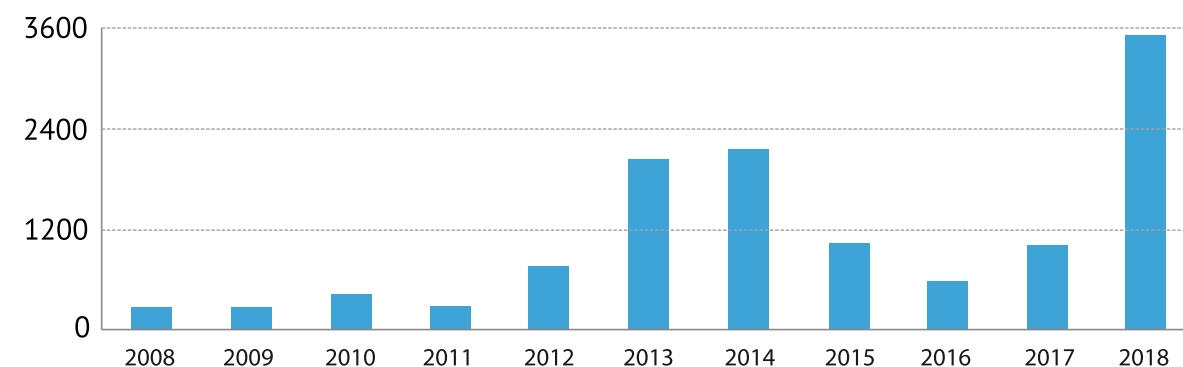
In 2018, the Russian Environmental Agency in the Arkhangelsk region partly offset the overpaid amount for 2016 based on the Company's request. Advance payments were made partly (for pollutant discharge in part for Quarter I and in full for Quarters II and III, for disposal of production and consumption waste partly for Quarter III, no advance payments were made for atmospheric pollutant emissions). The amount paid by Arkhangelsk PPM for negative environmental impact in 2018 was 1,474 k rubles.

The amount paid for the use of water bodies was: 57,407.2 k rubles (charged), 47,720.9 k rubles (transferred). Compared to 2017, the payment increased by 18.7% or 8,953.1 k rubles.

The amount of the land tax was: 14,401 k rubles.

**3,516.5** million rubles was spent on the environmental activities and introduction of the best available technologies as part of Arkhangelsk PPM's Environmental Management Program in 2018

Cost of activities based on the BAT (Best Available Technologies) principles, mln rubles



### 7.4. Minimizing Water Intake and Pollutant Discharge to Water Bodies

In 2018 as compared to 2017, pulp cooking by Arkhangelsk PPM was up 0.8%, or 7,245 tons, to 870,260 tons.

On the whole, the Company's water consumption in 2018 as compared to 2017 increased in proportion to the increase in cooking (by 0.9% or 1.4 mn m<sup>3</sup>) to 156.6 mn m<sup>3</sup>. This includes: intake (extraction) of water resources from the water body increased by 2.2% (2.7 mn m<sup>3</sup>) to 127.2 mn m<sup>3</sup>; consumption of recycled warm water after turbine condenser cooling at CHP 1 dropped by 4.3 % (1.3 mn m<sup>3</sup>) to 29.4 mn m<sup>3</sup>. Thus, specific total water consumption by the Company per ton of pulp cooked as compared to the data reported for 2017 remained nearly unchanged; the specific intake of fresh water rose by 1.3%.

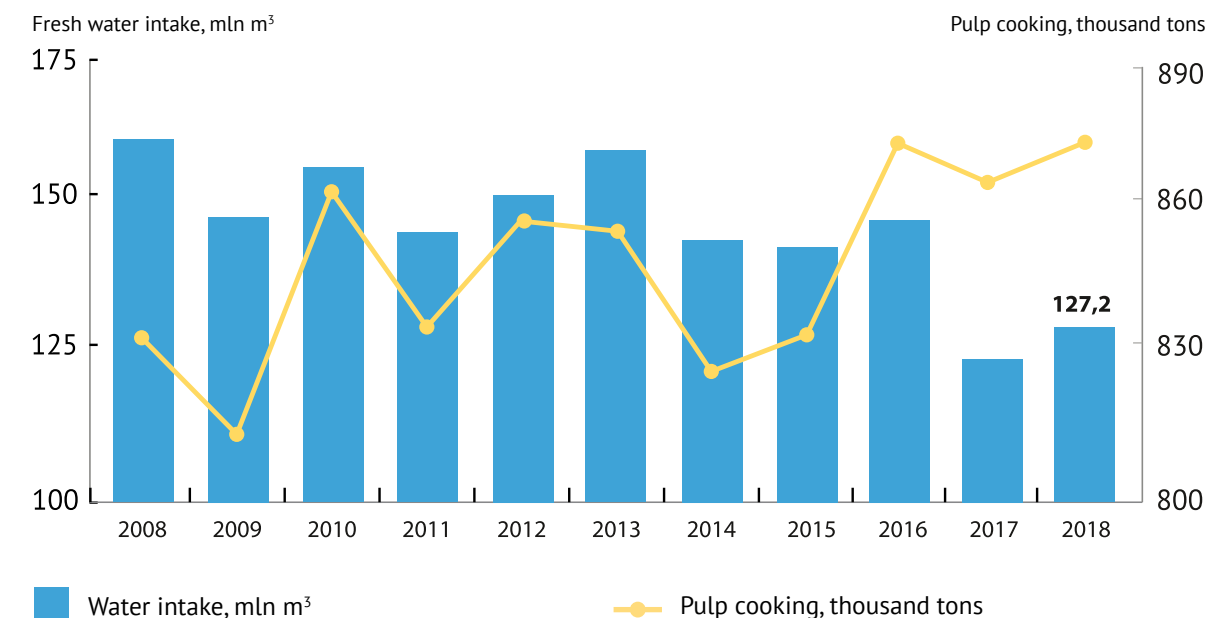
In the reporting year, water consumption decreased for cardboard production, woodyard, biological treatment. Water consumption increased for pulp production. Water consumption for paper production and CHP 1 remained at the same level.

Waste water discharge to the water body via a dissipating outlet (treated process waste water, clean and gray waste water) was reduced by 0.4% (0.4 mn m<sup>3</sup>) to 108.4 mn m<sup>3</sup>; the discharge of warm waste water via outlet no.3 (after turbine condenser cooling) increased by 6.6% (1.1 mn m<sup>3</sup>) to 17.6 mn m<sup>3</sup>.

Compared to 2017, in 2018 pollutant discharge with waste water via (dissipating) outlet No.1 increased by 10.0 % (828.239 tons) to 9,076.337 tons. Despite the total gross increase in pollutant discharge as compared to 2017, there was a reduction in the gross discharge of suspended matter by 0.7% (10.695 tons), phenols by 41.1% (0.058 tons), oil products by 6.6% (0.613 tons), anionic synthetic surfactants by 38.5% (5.327 tons).

Pollutants were discharged by the Company within the specified acceptable discharge limits, with the exception of COD, TBOD, suspended matter, BOD<sub>5</sub>, which were discharged within the specified limits.

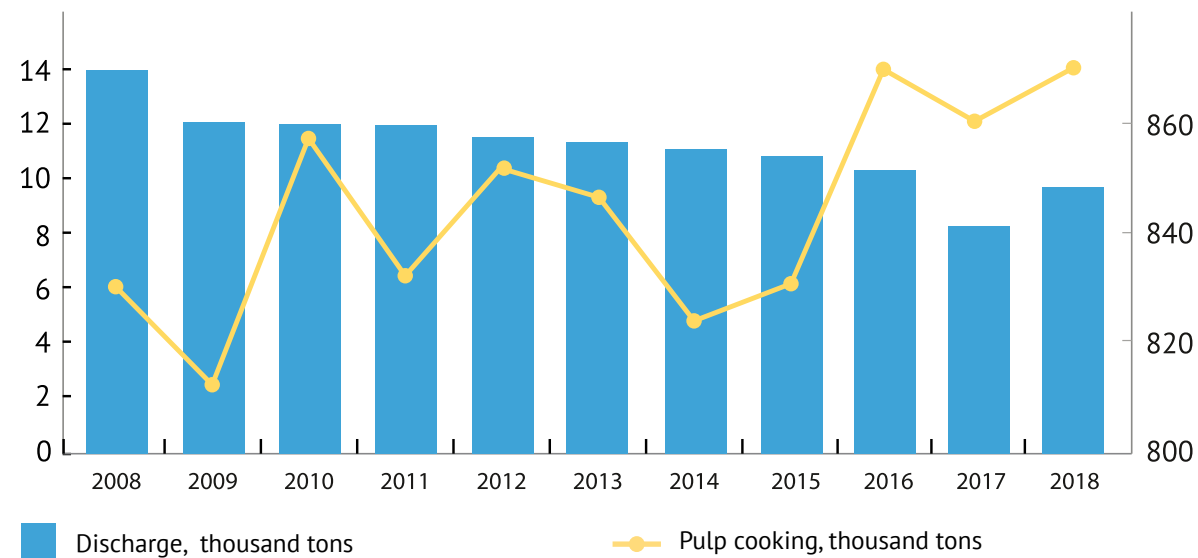
Dynamics of water intake and pulp cooking by Arkhangelsk PPM





Drawing by Matvei Fomin, 11 yo

Pollutant discharge to water bodies and pulp cooking by Arkhangelsk PPM



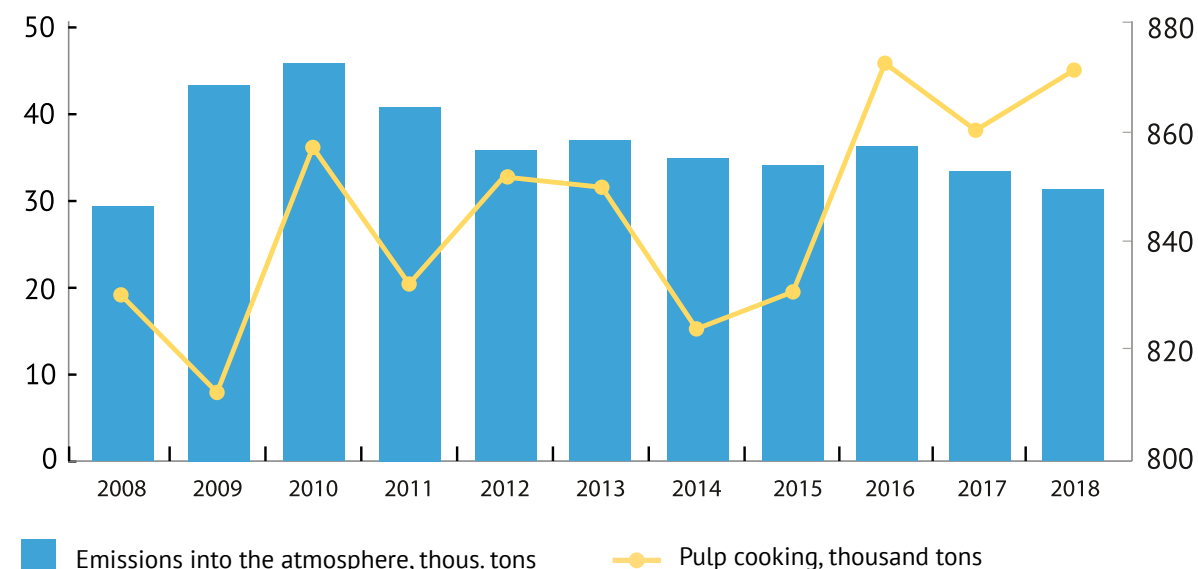
## 7.5. Minimizing Atmospheric Pollutant Emissions

In 2018, the total gross atmospheric pollutant emissions as compared to 2017 dropped by 1130.139 tons (3.5%) to 30,847.42 tons. This includes a drop in solid emissions by 1160.320 tons (10.4%), gas and liquid releases remaining at the 2017 level.

The bulk of the Company's gross emissions (85.5 %) in 2018 was attributed to the emission sources of thermal power plant CHP 1. The total gross emis-

sions of CHP 1 compared to 2017 dropped by 5.9 % (or 1,667.423 tons). The reduction in the Company's total emissions is primarily a result of changed properties of the coal used. For instance, coal ash emissions was down 12.4% (or 1,164.914 tons); the gross emissions of sulfur dioxide by CHP 1 fell 6.2% (or 858 tons), with the sulfur content of coal reduced by 7.3%.

Pollutant emission to the atmosphere and pulp cooking by Arkhangelsk PPM



In 2018, APPM reduced the total gross atmospheric pollutant emissions as compared to 2017 by

**1,130.139** tons

## 7.6. Waste Management

According to the waste management record data, in 2018 waste generation decreased by 5.4% (48,683 tons) as compared to 2017 to 855,309 tons. This was mainly due to a reduction in the generation of the following major waste types:

- soil generated by earthworks, not contaminated by hazardous materials, reduced by 51% (4,200 tons) to 4,000 tons
- unsorted wood waste from natural virgin wood (bark/wood waste), reduced by 12.0% (64,200 tons) to 494,000 tons
- waste (sludge) from mechanical and biological waste water treatment, reduced by 23% (35,700 tons) to 116,200 tons
- ash and slag from coal firing (practically non-dangerous), reduced by 2% (2,700 tons) to 133,400 tons.

Measures to recycle undercooked pulp in the process eliminated the type of waste called «wood

waste and mineral waste in pulp production sorting process (undercooked pulp)».

Spent oil products, emulsions, spent tires, spent mercury-containing lamps, thermometers, polyethylene waste were all transferred to specialized organizations for disposal/recycling and/or neutralization.

In 2018, Arkhangelsk PPM completed a comprehensive evaluation of the energy potential of waste disposed of at the Company's waste disposal sites, and the capacity for its efficient use. The goal was to carry out an advanced and comprehensive assessment, e.g. by field and laboratory testing, of the fuel value of waste accumulated at the waste disposal sites owned by APPM, as well as the possibility and feasibility of using it for plant operation through recovering and firing landfill gas, waste/landfill material, and any necessary associated activities.





**Evgeniya MOSKALYUK,**  
Chief Ecologist at Arkhangelsk PPM:

– Today, all bark and wood waste and sludge from waste water generated by the mill is used as fuel for Arkhangelsk PPM's CHP 1 and CHP 3. This became possible through projects implemented to increase the share of biomass in the Company's fuel balance.

## 7.7. Greenhouse Gas Emission Management

In 2018, Arkhangelsk PPM's greenhouse gas emission statements for 2017 successfully passed verification for conformity with the requirements of ISO 14064-1 – 2006 GREENHOUSE GASES – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals. As part of the verification, an on-site inspection was conducted and the emission statements for the production sites of Arkhangelsk PPM and its affiliated companies were verified.

The 2017 Report covers direct emissions and energy indirect emissions, as well as other indirect emissions. According to the Report on GHG emissions for 2017, Arkhangelsk PPM's GHG emissions (including all affiliates and their subsidiaries) totalled 1,802,046 tons of CO<sub>2</sub> eq., which is 1,301,375 tons of CO<sub>2</sub> eq., or 41.9%, lower than the baseline level of 1990, and 18.1% lower than the GHG emission limit of 2,200,000 tons of CO<sub>2</sub> eq. per annum, which was set as a voluntary limit by the organization for the period until 2020.

Compared to 2016, the total direct and energy indirect GHG emissions fell 4.3% or 80,927 tons of CO<sub>2</sub> eq. Specific GHG emissions in 2017 per ton of pulp cooked were 2.088 tons of CO<sub>2</sub> eq./ton of pulp, which is 5.1% lower than the level established by voluntary commitment, 2.2 tons of CO<sub>2</sub> eq./ton of pulp. Relative to 2016, specific GHG emissions dropped by 3.4%

The key factors in the reduction of GHG emissions by Arkhangelsk PPM include:

- increasing the share of biomass in the fuel balance;
- reducing the amount of energy required for production;
- reduction in pulp cooking;
- reducing consumption of received/purchased electricity.

According to the climate strategy adopted until 2020, Arkhangelsk PPM is consistently implementing a number of projects designed to reduce greenhouse gas emissions at the production site in the city of Novodvinsk. The key carbon projects are the biomass waste recovery project for CHP 3, implemented under Article 6 of the Kyoto Protocol, and the multifuel boiler construction project for APPM's CHP 1 (the projects have been completed). In 2017, overall reduction in GHG emissions resulting from implementation of the carbon projects was 246,700 tons of CO<sub>2</sub> eq. per ton of pulp.

In 2018, Arkhangelsk PPM continued participation in the Carbon Disclosure Project (CDP) – an

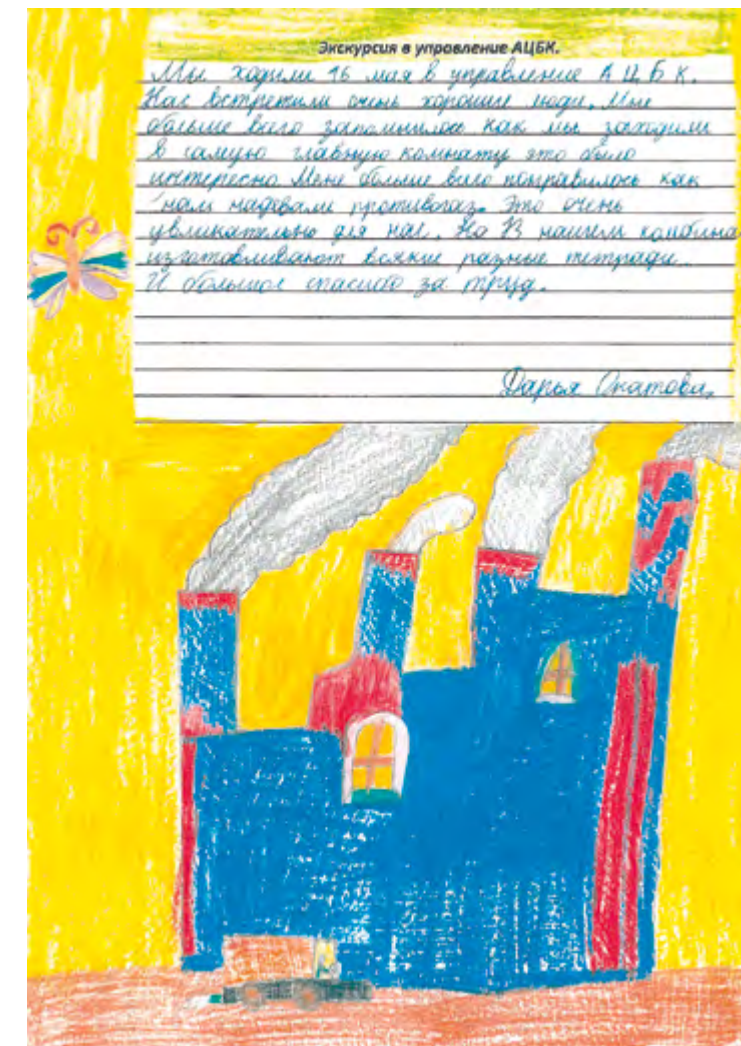
international project for greenhouse gas emissions disclosure. As reported for 2018, APPM confirmed its leadership among Russian companies in the climate domain, showing performance at an average global level.

In 2018, Arkhangelsk PPM calculated the carbon intensity (carbon footprint) of the Company's finished products and services for 2017 according to GOST R 56276-2014/ISO/TS 14067:2013 "Greenhouse gases. Carbon footprint of products. Requirements and guidelines for quantification and communication".

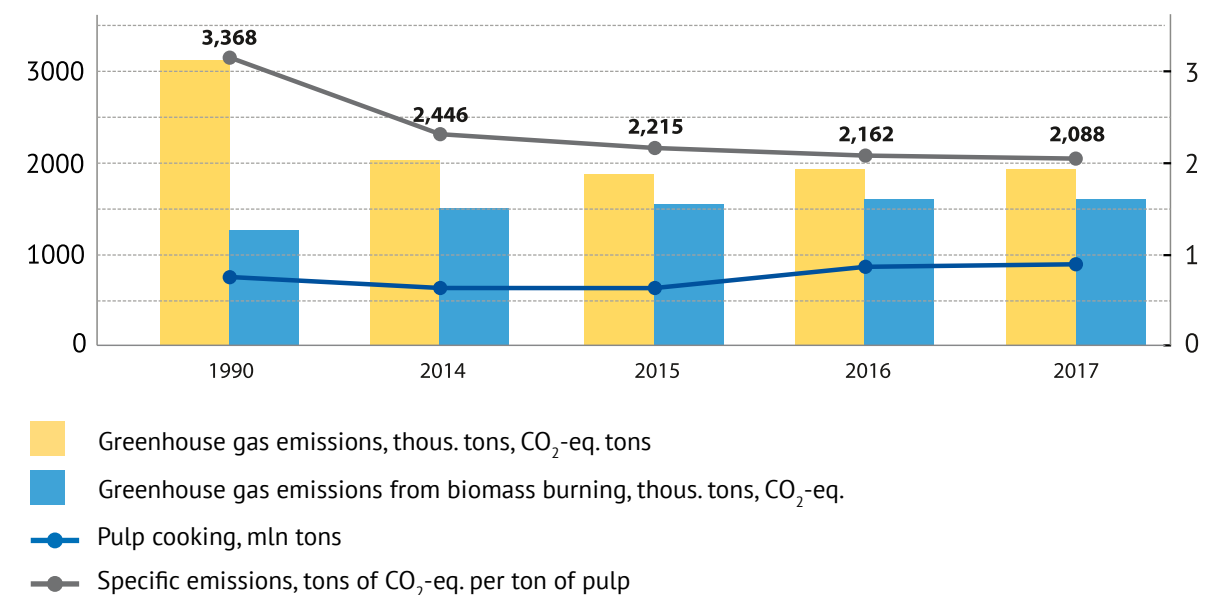
This work identified emissions upstream the supply chain for 28 types of the key outside resources (feedstock, chemicals, fuel and energy) used by the Company; the carbon footprint was calculated for nine key types of commercial products and 12 other types of commercial products.

In **2018**, Arkhangelsk PPM continued participation in the Carbon Disclosure Project (CDP) – an international project for greenhouse gas emissions disclosure

Drawing by Daria Okatova, 9 yo



Dynamics of reduction in greenhouse gas emissions by Arkhangelsk PPM





## 8. APPM: development of integrated management system at APPM



1. In February 2018, the Company had the second inspection audit of the chain of custody in compliance with the requirements of the Forest Stewardship Council®, after recertification in 2016.

The inspecting expert from NEPCo LLC issued a conclusion that the system maintained by Arkhangelsk PPM conforms to the requirements of the FSC chain of custody certification and controlled wood standards, as well as the use of FSC's trademarks, and confirmed the validity of the existing certificate.



2. In April 2018, Arkhangelsk PPM completed a recertification audit of the Integrated Management System (IMS). The audit was conducted by leading experts from the certification authority, TMS RUS Technical and Management Services, a member of TÜV SÜD group and the exclusive representative of TÜV SÜD in the Eurasian Economic Union countries. TÜV SÜD is one of the leading international organizations offering certification, testing, audit and training services.

Recertification was successfully completed and APPM received new certificates of compliance with the requirements of International Standards ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007. These standards are long recognized around the world and used in practice by an increasing number of all kinds of organizations. Successful recertification of the Company was a legitimate result of two years of hard work by the managers and specialists from most units of APPM to align the management system with the new revisions of ISO 9001 and ISO 14001.

Today, one of the Company's most important goals is to increase the processing of FSC-certified raw wood and, accordingly, expand the output of certified finished products, which will allow the Company to feel confident in the environmentally sensitive markets, which impose stringent requirements for both the assurance of stable high quality of the finished products and the transparency of the origin of wood used for manufacturing the products.



## 9. Introduction of the procedure for submission, review and implementation of improvement suggestions at APPM

The «Procedure for submission, review and implementation of improvement suggestions» was introduced into effect with the purpose of improving the Company's performance by stimulating the creative potential of its employees. Over the course of testing of this system from 1 February to 31 July 2018, 89 suggestions were received from the company's employees, 23 of which were approved for implementation by the Expert Board. Activities were of a wide-ranging nature, and the total annual economic effect amounted to 202,274 k rubles.

According to the «Procedure for submission, review and implementation of improvement suggestions», every employee of the company is able to propose initiatives, that can be aimed at achieving an economic and environmental effect, improvement of the product quality or integrity, working conditions and production safety, growth of intensity of business-processes. The authors of the ideas, that have successfully passed the expert evaluation, receive a material reward.

After a suggestion is received, its initial evaluation takes place. Then the suggestion is referred to an expert, who within 10 working days analyses it. The time limit for review of an initiative is one month.

The expert decides on the necessity of proposing the improvement suggestion for review by the Expert Board, that is composed of the Mill's management representatives. The suggestion can be forwarded to the authors and experts for finalization with indication of a deadline for its repeated proposal for review by the Expert Board. After the improvement suggestion is approved by the Board, the general director of the company signs an order for its introduction, and a realization schedule is drawn up, if necessary.

Beside the monetary reward, other ways of non-material promotion of the improvement suggestion authors are possible at the company. Proactive employees, who provide effective ideas, can be considered by the management as candidates during setting of the talent pool.



**Andrey SHAALAUROV,**  
APPM's Deputy Chief Mechanic for Maintenance,  
Cardboard Production Shop Block Maintenance  
Engineer:

– Since the beginning of operation of the new chip pumps Hidrostahl 106V at the semi-chemical pulp production area of the cardboard production facility, the bearing 23028K/C3 was malfunctioning. We came to the conclusion that the reason for this was the incorrect sizing of the bearing and incorrect design of the bearing assembly.

Therefore, we suggested to switch from the 23028K/C3 bearing in the forward bearing support to the bearing NU 2228. This allowed us to extend the bearing assembly service life and, accordingly, to increase the equipment interrepair cycle. Our suggestion was approved at the Expert Board meeting and as of now is implemented. The cooperative preparation of the proposal turned out to be a very interesting task. Each one of us understood that this initiative would greatly benefit the Mill.



## 10. APPM: improvement of conditions, health and safety



The company continually strives to improve the level of occupational safety and health of its employees, create comfortable working conditions, and reduce the risk of accidents and occupational diseases.

The employees are provided with personal protective equipment according to the standards developed for the Company's business units, with due consideration of the specific work conditions. The PPE provision rates established by the Company are considerably higher than those specified in the typical industry standards.

All personal protective equipment, safety clothes and footwear purchased by the Company are certified for conformity with the state health and safety requirements and supplied with a declaration of conformity. Based on the typical industry requirements, the Company has issued the standards for the provision of PPE, safety clothes and footwear to employees with consideration of their working conditions. Any PPE that gets worn out early without the worker's fault is promptly replaced.

In 2018, the Company spent 112,763 k rubles on the plan to improve working conditions, health and safety in accordance with the Collective Bargaining Agreement, which is 16,521 k rubles lower than the previous year.

The Quality Management System of Arkhangelsk PPM complies with the requirements of GOST R 54934-2012/OHSAS 18001:2007.

**112.763** million rubles were spent by JSC Arkhangelsk PPM on improvement of employees' conditions and health and safety



**Dmitry ANIKIEV,**  
JSC Arkhangelsk PPM Health  
and Safety Department Manager

*– Particular attention at Arkhangelsk PPM is paid to health and safety. The Mill not only seeks to introduce new technologies, develop new types of products, but also cares for an efficient health and safety system. The idea is simple: a healthy, prepared and protected employee means a successful team that can achieve a lot.*

## 11. APPM: scores, awards and ratings

### 11.1. Awards

In 2018, during the federal stage of the annual contest «Russia's 100 Best Products», JSC Arkhangelsk PPM was awarded the «Quality Leader». This award was given only to six Russian goods producers from among the winners and laureates, stably manufacturing high quality and safe products or providing quality and safe services.

An Arkhangelsk PPM's product – bleached sulfate pulp from a mixture of hardwood species – was awarded the title «Golden 100» and a honorary certificate. APPM was also awarded the cup «For Commitment to Quality» and jubilee medal «For Loyalty to Quality» from the Academy of Quality in addition to the «Golden 100» certificate. Bleached hardwood sulfate pulp, school notebooks and kraftliner became the contest laureates. Machine glazed EDP paper (label paper) and machine glazed ODP (backing paper for application of a coating) won the contest certificates.

The badge of honour for «Excellence in Quality» was awarded to Olga Chudaikina – QCD Deputy Manager, Head of the Pulp Production Laboratory.

Arkhangelsk PPM was awarded the title «Arkhangelsk Region Benefactor».

By decision of the Grand Expert Council of the All-Russian competition «Silver Threads 2018», Arkhangelsk PPM was named a leader in nomination «The Best Corporate Book» (for the «The Paper Stories» book), and also won the award for «The Best Special Project In Corporate Communications: Social Technologies» (for the implementation of the public initiatives contest «40 Good Deeds for Novodvinsk's 40-th Anniversary»).

By decision of the Grand Expert Council of the All-Russian competition «Silver Threads 2018», the Papermaker newspaper won in nomination «High Level of Solving Corporate Tasks».

Arkhangelsk PPM was awarded a Certificate of Acknowledgement by the Arkhangelsk region Ministry of Natural Resources and Forestry for taking an active part in the organization and holding of the Year of Ecology activities in Arkhangelsk region.

APPM was written a Letter of Appreciation by the Arkhangelsk Region Assembly for taking an active part in the realization of the Year of Ecology activities in Arkhangelsk region.

The Company was also recognized by a Letter of Appreciation from the Region Public Human Rights Environmental Foundation «Byarmia» for its contribution to the development of rational use

of natural resources, support and taking an active part in activities aimed at preserving Pomorye environment.

### 11.2. Ratings

JSC Arkhangelsk PPM has been recognized as a business leader in environmental investments according to RAEX. Arkhangelsk PPM is one of the three companies that were awarded in the rating «Business leaders: environmental expenditure».

Arkhangelsk PPM ranked first among the Russian pulp and paper companies according to the Annual Ecological and Energy Efficiency Rating of Companies by Interfax-ERA.

Arkhangelsk PPM also ranked first among the Arkhangelsk region companies in environmental transparency according to the Annual Ecological and Energy Efficiency Rating of Companies by Interfax-ERA.

At the «100 Best Products» contest, Arkhangelsk PPM won the «Quality Leader» prize

### Among the top 100

In 2018, 36 companies from Arkhangelsk region participated in the XXI All-Russia contest «Russia's 100 Best Products» in 98 kinds of products and services. 59 kinds of products and services were presented at the federal stage from Pomorye.

Arkhangelsk PPM, based on an independent expert assessment, won the highest award for the stable output of quality and safe products and was awarded the «Quality Leader» award. Bleached sulfate pulp, produced by the company, was listed among the «Golden 100» of the country's best goods. APPM products rank high every year in the «Russia's 100 best products» top-list.



## 12. APPM: prospects

### Company's strategic objectives

- Increase pulping capacity to one million tons per year
- Increase presence on domestic and international markets

Accomplishment of the Company's strategic objectives will be facilitated by supporting organizational strategies, including:

### Financial:

strengthen the Company's financial stability and independence through optimization of cash flow management

### Marketing:

- maximum satisfaction of customers' demand;
- retain the Company's domestic market share in beneficial competitive conditions on the pulp and containerboard markets;
- high quality of products and increased yield of high grade products;
- retain the existing clients and search for new ones;
- ensure maximum guarantees of payment by clients through the use of bank instruments (factoring, guarantees) and insurance instruments.

### Production:

- maintain stable and highly productive operation of all process streams;
- reduce production costs and use resources efficiently to increase the competitive ability of the products;
- ensure total utilization of the production capacity, while maintaining the maximum cooking performance;
- introduce new technology to improve the environmental situation;
- improve the quality management system and production process management;
- improve and introduce new modules of the SAP R-3 integrated system at different stages of the production process;
- develop and implement investment projects to revamp the power facilities and develop cardboard and pulp manufacturing in order to increase the Company's pulp production capacity to million tons of high-grade pulp per year (cooking capacity).

### Environmental:

- reduce the negative impact on the environment by implementing projects to optimize the existing technology;
- introduce the best available technologies to reduce pollutant generation in the process cycle.

### Personnel management:

- improve labor productivity e.g. by using advanced processes, implement improvement suggestions;
- improve the employee incentive system and personnel qualification development;
- implement modern HR technologies in order to get the personnel involved into the Company's business and to improve the team cohesiveness;
- form positive public opinion and company's reputation as a reliable and attractive employer;
- introduce social programs and benefits for the Company's employees and their families.

**Currently, JSC Arkhangelsk PPM is the second largest producer of containerboard in Russia and fourth in pulping. The Mill is the country's leader in the production of school notebooks. The Company enjoys a high share of loyal clients, holds a stable market share and works constantly on reducing the environmental pressures.**

**At the same time, the company pursues a multifaceted social policy, aimed not only at its own staff, but also at the development of the region of presence. Thanks to its successful and diversified activities, APPM makes a significant contribution to the social and economic development of the municipality of the City of Novodvinsk, Arkhangelsk region and Russia.**