



**REPORT
ON ARKHANGELSK PPM'S
SOCIAL ACTIVITIES
2020**



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1. Word from Director General of JSC Arkhangelsk PPM



The year 2020 saw APPM's 80th anniversary. It is a respectable age, yet we have celebrated this anniversary through implementation of promising projects and fostering of new ideas. Over the eight decades the Mill has become an integral part of the county's wood processing industry. JSC Arkhangelsk PPM has been included into the list of backbone companies of the Russian Federation. Successful and sustainable activities of APPM are essential for the economy of Pomorie and Russia. Today, the Mill is the largest manufacturer of cardboard and one of the leading producers of pulp in Russia. We also produce paper. Our products are available in 75 countries worldwide.

In 2020, which has been marked by COVID-19 pandemic, net income of the company was 3,370.7 mn Rubles. As we have planned, commissioning of new production facilities allowed us to arrive at producing almost one million tons of pulp per year. In 2020 we produced 994 thousand tons of pulp. We estimate to close 2021 with 1,012.4 thousand tons of pulp produced. This is a historical milestone! For the first time in history, Arkhangelsk PPM will cross a million mark in terms of pulp production.

Constantly driven towards development, APPM has become an unquestionable powerful competitor. It allowed us to build up a necessary safety margin, which helps to fulfill all of our community responsibilities and weather the most difficult storms. This strategy has been formulated with direct involvement of the member of Board of Directors, Chief Investment Officer, Vladimir Yaroslavovich Krupchak.

The objectives of upgrade programs are increased production output, better quality, and minimization of environmental impact. Over the last 20 years, nearly 60 billion Rubles have been invested in production development. In 2020 we have completed «Cardboard Production Reconstruction» invest-

ment project, which lasted for 12 years. Pursuant to Order of the Russian Federation Ministry of Industry and Trade, it was listed as a priority investment project in the field of forest management. The project progressed in stages, among which retrofitting of the first board machine, complete upgrade of BM-2, commissioning of a new semichemical pulp process, reconstruction of soda recovery boilers Nos. 1 and 2 at CHP-2, construction of a new coal-fired boiler unit No. 9 at CHP-1, erection of a new cooling tower, and extensive construction works and commissioning of a new evaporation plant. Furthermore, to meet the increased demand for raw materials post reconstruction of BM-2, we have expanded our fleet of harvesting, road, and specialty vehicles. Actual investments in the project amounted to 18.8 bn Rubles, including loan funds. Investment project «Cardboard Production Reconstruction» is a good example of concerted effort of business, regional and federal authorities.

In 2020, 5.4 bn Rubles have been invested in upgrade of the company facilities. As part of APPM development strategy, more than 20 bn Rubles will be invested in upgrade of facilities by 2025. In 2021 alone, we will allocate about 6 bn Rubles for this purpose. Among the main activities planned for 2021 are preparations for construction of a new pulping site equipped with a boarding machine with capacity of 700 thousand tons of cardboard per year, as well as preparations for shifting the Mill's power utilities to fuel gas, upgrade of pulp production process.

Arkhangelsk PPM is not only the largest company in Pomorie, but also is at the core of the vertically integrated Pulp Mill Holding company. Today, apart from the Mill, the holding company includes several major enterprises: JSC Arkhbum, which is a specialized producer of corrugated packaging and has processing centers in Istra-1, Istra-2, Podolsk,

Voronezh, and Ulyanovsk, and Arkhbum Tissue Group, Ltd, one of the leading manufacturers of sanitary tissue products under its own brand «Soffione». All of them source raw materials from Arkhangelsk PPM, which guarantees sales of the Mill's products in the increasingly competitive cardboard market.

Today, the personnel of Arkhangelsk PPM includes more than 4,150 employees. Pursuant to the Russian laws and the existing collective bargaining agreement, we strictly adhere to all commitments to provide benefits and social protection, as well as ensure safety and security of company's premises.

We continue our programs in the fields of personnel training, disease prevention, improvement of occupational safety and health, mitigation of occupational risks. The Company maintains an integrated management system in conformity with the requirements of the international quality and HSE standards. We increase pay of our employees annually. Reaching new performance heights, strengthening our stand, we at Arkhangelsk PPM also direct our efforts towards developing a diversified social policy. The Company spends over 320 mn Rubles on community service per year. Corporate social responsibility of APPM is aimed not only at our own sustainable growth, but at growth and development of Novodvinsk, Pomorie, and the whole of Russia.

We constantly seek to improve our commercial and production performance, as well as enhance community-oriented and environmental activities. We have good potential, a powerful staff of professionals, and lots of energy to make all our plans come true. We are on the right track!

Director General
of Arkhangelsk PPM,
Dmitry ZYLEV

2. JSC Arkhangelsk PPM: overview

1935: the construction of Arkhangelsk PPM begins

JSC Arkhangelsk PPM is one of the leading pulp-and-paper manufacturers in Russia and Europe specialized in the following product types:

- bleached sulfate pulp (hardwood, hardwood mixture, softwood)
- cardboard (including universal cardboard for corrugated board liners);
- paper.

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

Abbreviated name: JSC Arkhangelsk PPM.

Construction started: 1935.

Start-up date: 1940.

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

Details of state registration

Date of state registration: December 25, 1992.

State registration authority: administration of the city of Novodvinsk.

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

Registration number: 8/189.

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).

Purpose of incorporation: generation of profit, efficient performance and strong contribution to the economy of the city of Novodvinsk, Arkhangelsk region, and the Russian Federation, responsible attitude towards the personnel, society, and the environment.

As of December 31, 2020, the Company's average number of staff was 4,153.

Arkhangelsk PPM's key businesses:

- foreign trade
- construction, installation and repairs
- transportation services
- initial professional training
- other activities which are not prohibited by law.

Authorized capital

The authorized capital of the company consists of 2,000,000 ordinary registered ordinary uncertified shares with a par value of 16 Rubles per share and amounts to 32,000,000 Rubles.

As of December 31, 2019, 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.



Pulp Mill Holding GmbH



Arkhangelsk PPM



Subsidiaries

JSC BYT

JSC ARKHBUM

Arkbum Tissue Group Ltd

ARKHBUM Ltd

ARKHBUM Upak Ltd

ARKHBUM-Pak Ltd

3. Company's Mission and Values

3.1. Mission

The Company's mission is to operate efficiently in order to make a strong contribution to the region and country's economy, be responsible towards the Company's personnel and the public, improve quality of life of our employees, and increase comfort of living in the areas of presence.

3.2. Values

In accordance with the international practice, Arkhangelsk PPM understands corporate social responsibility as a set of commitments to all concerned parties. In particular, this includes:

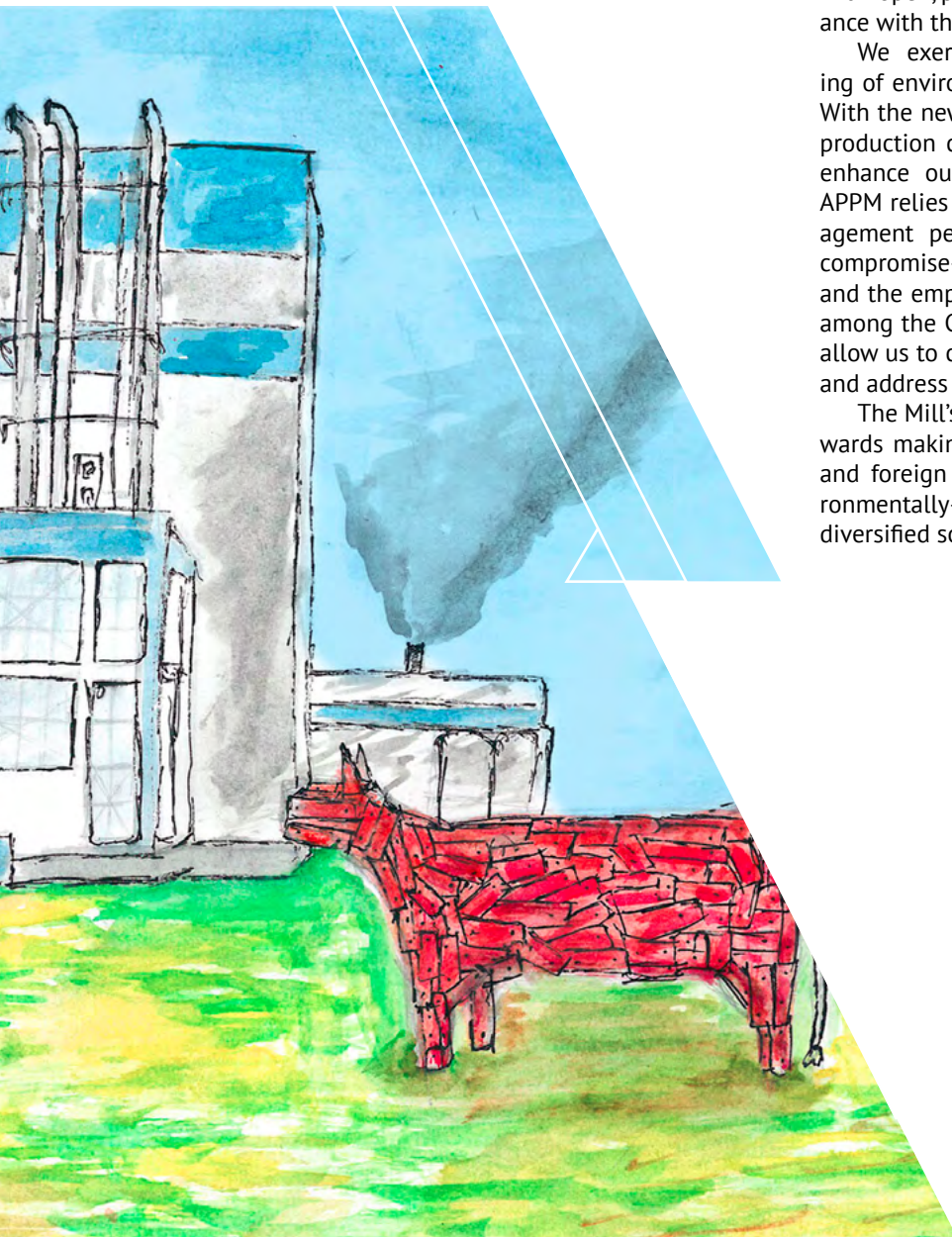
- environmental protection;
- public relations;
- economic growth.

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

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

The Mill's Shareholder and Management work towards making high profits, expanding the domestic and foreign sales markets, technological and environmentally-oriented upgrades, as well as pursuing diversified social policy.

1940: commissioning
of the first shopfloors of Arkhangelsk PPM



4. Company's Corporate Management Model

A Declaration of Corporate Values has been adopted at JSC Arkhangelsk PPM. Its philosophy is as follows:

The objectives of the Company's policy are as follows:

Principles of Corporate Social Responsibility

Corporate management model of Arkhangelsk PPM ensures a well-defined distribution of functions of strategic and operational management of the Company between the representative body of the Shareholder (the Board of Directors) and the management. Corporate management is carried out in accordance with the Russian Federation Federal Act «On stock companies», other laws which regulate stock company's activities in the Russian Federation, the Charter, and internal documents of JSC 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 stable and sustainable development, as well as positive financial results through application of the best available technologies, introduction of new equipment, and manufacture of 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 utilities to the municipality;
- introduction of new environment protection technologies to minimize negative environmental impact.

- reserve and extend the rights and social guarantees of employees and investors as provided in the applicable laws, the Company's Charter, and other regulations;
- enforce a common corporate policy in relation to subsidiaries;
- maintain openness and transparency of information;
- maintain business ethics and integrity in business activities.

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 which are beneficial for all stakeholders, including the employees, labor union, shareholders and investors, business partners, residents of the region of presence, government and local authorities, public organizations, vendors, and private sector.



5. Contributing to Development of the Area of Presence

In **2020**, JSC Arkhangelsk PPM invested 320 million Rubles in socially-oriented activities

5.1. Social Investments and Projects

Arkhangelsk PPM is a socially responsible company. Our development and industrial accomplishments guarantee well-being of the region and the people who live here. First and foremost, our social policy lies in responsible use of natural resources and care for the region's environment, contribution to economic growth of the region and expansion of business, development of human resources and research potential, social infrastructure, implementation of charity programs, and community outreach.

In pursuit of our social policy objectives, we focus on projects which will make a real contribution to development of the region of presence and improve the living conditions of its residents. Socially oriented programs are developed with active participation of the government 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 policy is aimed, among other things, at providing our employees with additional opportunities to engage in sports and recreational activities, as well as promotion of a responsible attitude to their health through «Fit for Work and Defense» physical training system.

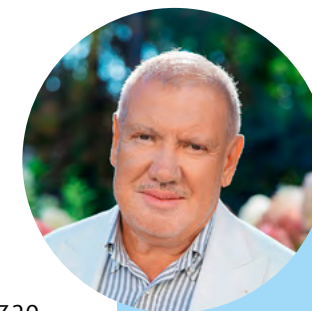
The Company encourages its employees and residents of the Arkhangelsk region to take part in mass cultural events, sports and fitness events.

Priority areas of social investment of Arkhangelsk PPM are as follows:

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

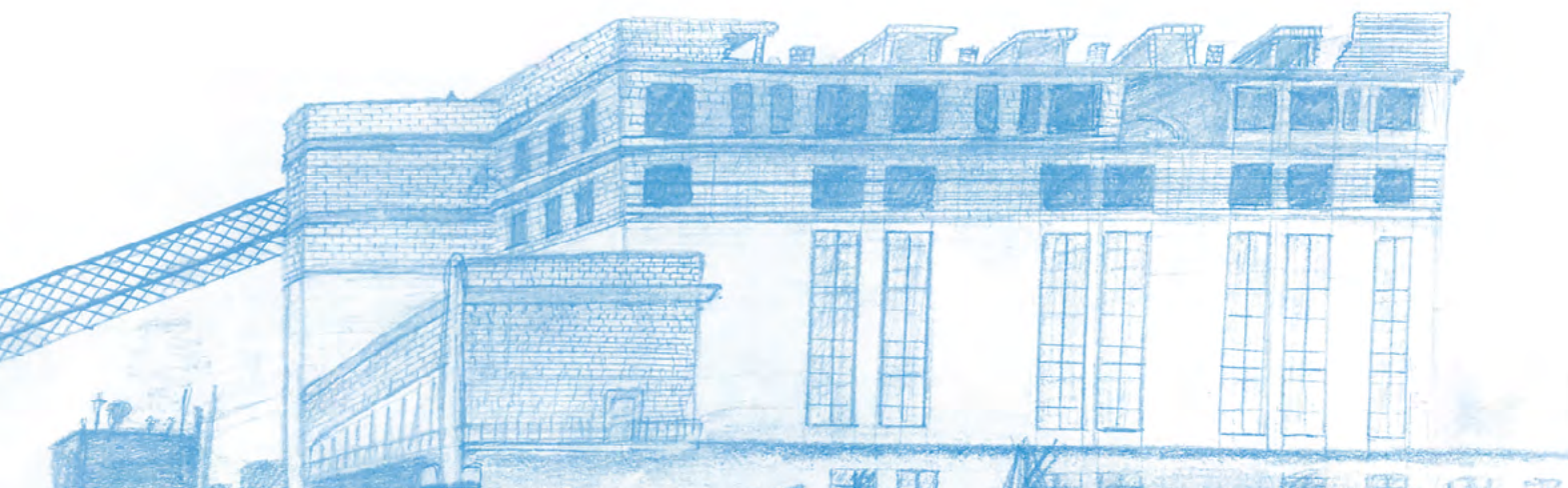
In 2020, JSC Arkhangelsk PPM continued to fulfill its social obligations of providing the employees with social benefits and guarantees in keeping with the Russian Labour Code and the collective bargaining agreement, as well as took upon itself new obligations of COVID-19 prevention.

In 2020, JSC Arkhangelsk PPM allocated 320 mn Rubles for social programs, provision of benefits and social guarantees for its employees. Of which 68,737 thousand Rubles were donated as charity to the municipal and regional social institutions and public organizations. The annual Company's investments in the social sphere per one employee make 77,500 Rubles.



Vladimir KRUPCHAK,
Chief Investment Officer of Pulp Mill Holding group, member of the Board of Directors, JSC Arkhangelsk PPM:

– Arkhangelsk PPM has always been a socially oriented company. We give a wide range of social guarantees for our staff, constantly provide sponsorship and charitable assistance to those who need it, and regularly organize and sponsor various socially important events and projects. Every year we spend hundreds of millions of Rubles on socially-oriented activities.





5.2. Tax Payments and Employment

Arkhangelsk PPM is one of the largest taxpayers in the region of presence. In fulfillment of our social responsibilities, we strictly comply with all applicable laws and pay all taxes.

As of year-end 2020, tax contributions by Arkhangelsk PPM to the budgets of all levels and payments to non-budgetary funds amounted to 2,144,547 thous. Rubles.

Our company provides jobs to many residents of Novodvinsk, Arkhangelsk, Primorsky district of

the Arkhangelsk region. Nearly all employees of the Mill, its subsidiaries, contractors, logging companies which supply timber to the Company, are residents of the Arkhangelsk region.

The Company and its subsidiaries employ specialists from local population and offer them competitive wages, which is a significant contribution to sustainable development of the region's economy and to achieving the set of high-profile social and economic goals on the regional and federal levels.

In 2020, Arkhangelsk PPM allocated **2,144,547** thous. Rubles for tax payments to the budgets of all levels and contributions to non-budgetary funds

5.3. Involvement in Public, Economic, and Political Life in the Area of Presence

JSC Arkhangelsk PPM establishes productive cooperation with the government of Arkhangelsk region, the administration of city district of Arkhangelsk region «City of Novodvinsk», the administration of municipality «Primorskii municipal district» and assists in improving the management system of the social sphere in the region of presence.

The Company cooperates with various local government authorities, thus making a significant contribution to the development of a comfortable environment for daily activities of the populace. The Company's employees elected to the City Council of Novodvinsk actively participate in formulation and implementation of the strategy of social and economic development of Novodvinsk and Arkhangelsk and the whole of Pomorie region.

APPM is at the core of the wood processing innovation cluster of Arkhangelsk region, PomorInnovaLes. Its

members include small, medium, and large businesses, research and educational institutions, transportation companies. The association is supported by the government of the Arkhangelsk region. The cluster's mission is to become the Russia's leader in sustainable forest use and production of quality pulp and paper products through innovations.

Our employees participate in the activities of the Russian Union of Manufacturers and Entrepreneurs, the Chamber of Commerce and Industry, the Russian Military and Historic Society, the Union of Journalists of Russia, and a number of other major unions.

JSC Arkhangelsk PPM covers all heat and power demands of the city district «City of Novodvinsk» of the Arkhangelsk region without any interruptions. Socially-oriented activities of Arkhangelsk PPM are extensively highlighted in newspaper «Bumazhnik».





5.4. Assistance in Development of Social, Cultural, and Health-promoting Infrastructure

In planning and implementation of social activities, we at Arkhangelsk PPM strive to achieve increased social responsibility. Taking into account the expectations of our personnel, citizens, and other stakeholders, APPM invests heavily in improvement of social infrastructure. In particular, Arkhangelsk PPM provides target financing of social and cultural facilities incorporated in the Company's subsidiary, JSC BYT.

JSC BYT is a 100 % subsidiary of Arkhangelsk PPM. Its business units operate to provide services and create comfortable working and recreational conditions

primarily for the Company's employees, their families, and the residents of the area of presence. JSC BYT's business units are the place where we implement some of the social wellness and health promotion programs for Arkhangelsk PPM employees. In 2020, we allocated 26,500 thous. Rubles for target financing of facilities of JSC BYT.

Arkhangelsk PPM is continuously working towards expansion of its social capabilities to encourage even more employees to participate in mass cultural events, improve accessibility to sports, and promote a healthy lifestyle.

Social, cultural, and health promoting facilities of JSC BYT include:

- Entertainment Center;
- Sports and recreation center, including Dvina sports facility (with indoor halls, boxing hall, women's sports club «Image», gym, outdoor football pitch, and a hockey court) and swimming pool «Aquarius» (with a gym)
- Health and recreation resort «Zhemchuzhina Severa», with Doctor Bubnovsky Center;
- Hotel «Uiut».

In 2020, Arkhangelsk PPM allocated over
26,500 thous. Rubles for target financing of facilities of JSC BYT

5.5. Social Program «Do Good to Each Other»

Over the last four years, JSC Arkhangelsk PPM has been running a social initiative contest titled «Do Good to Each Other», which is aimed at support of social projects and promotion of volunteering in Novodvinsk and Primorskii district. According to the results of the contest, promising social projects receive assistance in the form of financial grants. The idea of social initiative contest was suggested by Director General of Arkhangelsk PPM, Dmitry Zylev, with support from the member of the Board of Directors, Vladimir Krupchak.

In 2020, the social initiative contest of JSC Arkhangelsk PPM was titled «Do Good to Each Other 2020». This program helped the projects, which were being implemented in Novodvinsk city, get the necessary support. The budget of the contest was 2 mn Rubles. There were seven nominations, like in previous years. Due to the COVID-19 pandemic, a major emphasis was put on landscaping projects. Implementation of such projects generally requires simultaneous participation of less people, thus the risk of contracting a virus is minimized. Max. amount of grant in nomination «Landscaped neighborhood» was increased from 50 thous. to 100 thous. Rubles.

In 2020, the beginning of the contest was a bit delayed, until early July, due to COVID-19 pandemic. During the first stage, 62 project applications

have been filed. The projected ideas were evaluated against the following criteria:

- social significance of the idea;
- novelty of the idea;
- whether the idea is made clear and realistic;
- whether the project has future potential after the contest is over.

After the expert review, the ideas which would receive financial support were selected. In the end, 32 projects were chosen. The total amount of money paid to designers of the projects was 1,886,175 Rubles.

In 2020, Arkhangelsk PPM allocated
1,88 million Rubles for the social initiatives contest



Dmitry ZYLEV,
Director General of Arkhangelsk PPM:

As far as nomination breakdown, the projects landed as follows:

- landscaping: 8 projects;
- volunteering: 5 projects;
- culture, arts, creative work: 9 projects;
- patriotic education: 2 projects;
- sports and healthy lifestyle: 4 projects;
- ecology: 4 projects.

Most participants of the APPM's social project came from Novodvinsk and Primorskii district – employees of government, educational, and cultural institutions.

– The «DGEO» contest is addressed primarily for people with proactive attitude who put their heart and invest time in promoting ideas which make a difference for society. We at Arkhangelsk PPM are happy to help them make life in Novodvinsk ever more attractive and exciting. Participants of this program get a chance to test their projected ideas and receive feedback from experts and fellow activists. New project teams and ideas emerge in the course of this program.



In 2020, **32** socially-oriented projects came to life in Novodvinsk and Primorskii district as part of the social initiative contest «DGEO» of Arkhangelsk PPM

Anna LEVCHENKO,
librarian of the reading hall of Novodvinsk central municipal library:

– In 2020, with support from Arkhangelsk PPM and as part of the project «DGEO: Do Good to Each Other» we opened a training school «Razvitie» (Development) in Novodvinsk. This platform is created for youth; it allows them to communicate with each other, acquire knowledge, and learn the principles of effective communication, confidence, personal growth, and development of creative potential. The training school «Razvitie» conducts workshops for youth age 14 and up. The school team prepared a workshop on «Social workshop management» and training exercises titled «Time management: How to manage your time effectively», «Creative thinking», «Effective communications», «Confident behavior», etc.



6. Company's Social Activities

In 2020, Arkhangelsk PPM continued to fulfill its obligations in the social sphere and to provide employees with social benefits and guarantees defined in the Labor Code of the Russian Federation and the collective bargaining agreement, and also took upon itself additional obligations to prevent the spread of COVID-19.

In 2020, Arkhangelsk PPM allocated a total of 320 mn Rubles for social programs and benefits, which is 45.7 mn Rubles less than the last year. This reduction is due to the high-alert mode and restrictions to prevent the spread of COVID-19 which were introduced in 2020. Pursuant to the Decree of the Governor of Arkhangelsk region, the summer recreational campaign for children was cancelled, accommodation in health and recreation resorts was restricted, periodic check-ups, sports and mass cultural events were put on hold, the number of VMI requests from employees decreased, activities related to full-time training of personnel have been cancelled.

Arkhangelsk PPM's social responsibility in the present context reflects a wide range of objectives pursued by the Company. A crucial component is the Company's contribution to the economy of the region and Novodvinsk. Effective cooperation between the Company and the community can be seen in the attitude towards the employees, support of the educational and science institutions which provide human resources in various applied pulp-and-paper fields, in the Company's responsible attitude toward the environment.

6.1. Promotion of Health and Prevention of Diseases among APPM employees

Promoting healthy lifestyle among the Company's employees and Novodvinsk citizens is an important part of the Company's social policy. Arkhangelsk PPM makes an invaluable contribution to the functioning of JSC BYT's social facilities, as well as sponsors and organizes various fitness and health events.

One of the important tasks of the Company's Shareholder and Management is to encourage as many Company's employees as possible to commit to the ideas of health maintenance and improvement, enhance the quality of people's lives, thus helping the employees become more active and purpose-driven.

In 2020, rehabilitation treatment was provided to:

- 496 employees of JSC Arkhangelsk PPM at «Zhemchuzhina Severa» health and recreation resort;
- 7 employees at health and recreation resorts in other regions.

The expenses were covered by the voluntary medical insurance policies of employees under the «Rehabilitation Treatment» program. 159 resort packages

were purchased for retired Mill employees. 5,335.3 thous. Rubles of the profits were spent to purchase the packages for the retired workers.

Voluntary medical insurance policies (VMI) also covered the provision of health care to employees under the Outpatient Care program. In 2020, APPM allocated 38,500 thous. Rubles for health care and rehabilitation treatment of employees at the expense of voluntary medical insurance funds 135 employees received financial aid for surgeries and screenings. For that APPM paid 701.9 thous. Rubles.

Under the VMI policy, by doctor's referral the employees can also receive rehabilitation treatment in Bubnovskii Center. For those employees who went through COVID-19, health and recreation resort «Zhemchuzhina Severa» offers a special rehabilitation program.

In 2020, the 24-hour medical office (subsidiary of Novodvinsk Medical Center) continued to operate on Arkhangelsk PPM's premises. The key services provided by the medical office include first aid treatment,

In 2020, **503** employees of APPM received rehabilitation treatment at «Zhemchuzhina Severa» health and recreation resort as well as other resorts

11,647 thousand Rubles were spent by Arkhangelsk PPM on annual medical check-ups of its employees in 2020





Olga SAVVINA,
Administrative Manager
at Arkhangelsk PPM:

– Voluntary medical insurance policies issued to the Mills' employees allow them to seek medical assistance in multiple healthcare facilities. In accordance with the main and supplement agreements between APPM and SAO «Medekspress» and within the scope of VMI, our employees can call for a planned or urgent hospitalization, receive outpatient treatment and medical follow-up care in Novodvinsk health center.

prophylactic treatment and immunization. Annual cost of upkeep of the medical office totalled 19,206 thous. Rubles.

Medical offices of Arkhangelsk PPM offered an opportunity to get a flue vaccine, especially since there is still a risk of contracting flue and COVID-19 simultaneously. Such a meeting of two dangerous viruses in a body may be very severe.

11,647 thous. Rubles were spend on annual medical check-ups. Additional 1,749 thous. Rubles were spend on preliminary physical examinations.

Therapeutic and preventive nutrition 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. Over the year, the costs amounted to 2,610.6 thous. Rubles.

Milk, dairy products, and juices 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. Employees may file a written request to substitute milk rations with compensation payments in the equivalent amount. The total cost was 9,265.63 thous. Rubles.

Starting from 2012, carbonated water machines were installed on the Company's shopfloors as a replacement for the provision of bottled mineral water to the employees. The related maintenance cost in 2020 was 894.8 thous. Rubles.



Arkhangelsk PPM allocated **38,500** thous. Rubles for health care and rehabilitation treatment of employees at the expense of voluntary medical insurance funds

6.2. COVID-19 Spread Prevention

In 2020, APPM energetically joined in the fight against COVID-19 and supported the healthcare institutions. The Mill allocated funds to the Arkhangelsk Region Hospital for procurement of medical equipment and preventive means. The Mill furnished the Novodvinsk City Hospital with oxygen concentrators, antibacterial recirculators, rooms decontamination equipment, bedding, respirators, no-touch thermometers, pulsimeters, face masks (including children's).

On the initiative of Vladimir Krupchak, member of the Board of Directors of Arkhangelsk PPM and «Titan» Group and Chief Investment Officer of Pulp Mill Holding Group, we launched an aid program for the regional healthcare institutions and families in a difficult life situation. This program is in force in all areas of presence of the holding group.

Thanks to effective cooperation of the local office of «United Russia» and Arkhangelsk PPM, the child health center received two brand new MFPs Xerox. We allocated funds for procurement of oxygen concentrators, pulseoxymeters Topmed FP 30. These devices are in high demand for therapy of COVID-19.

We also aided the medical workers of the papermakers city in procurement of vehicles. Teams of doctors answered house calls of COVID patients in vehicles bearing the Mill's insignia.

Thanks to the Mill we were able to install a partition with a dedicated door in the fluorography waiting room. This helped to divide people in two flows:

patients with respiratory diseases and those who are here for health check-ups.

Since the first days of the pandemic, we at Arkhangelsk PPM have strictly observed COVID-19 preventive measures. We enforced mandatory wearing of masks, regularly cleaned the rooms and treated the surfaces with disinfectants. Employees with respiratory symptoms were not allowed in the workplace.

Members of the Mill's fire and gas safety team participated in disinfection of various places in Novodvinsk.

Meetings were held remotely. A portion of employees were



Konstantin GRIGOROV,
Chief Physician of Novodvinsk
Central Municipal Hospital:

– Many thanks to the Shareholder and Management of Arkhangelsk PPM and Vladimir Krupchak personally for their help to our institution in battling COVID-19!

More than **11** million Rubles were allocated by Arkhangelsk PPM to aid healthcare institutions during COVID-19 pandemic





Vladimir KRUPCHAK,
Chief Investment Officer of Pulp
Mill Holding group, member
of the Board of Directors, JSC
Arkhangelsk PPM:

– COVID-19 pandemic is one of the most formidable threats in modern times. Much has been done to beat COVID, any help mattered. Arkhangelsk PPM and Pulp Mill Holding group are successful undertakings. Even when others suffered the decrease of economic indicators, we proved to be efficient at the same staying committed to all our social responsibilities. Amidst the raging pandemic, we understood our special responsibility to the country, residents of the region and Novodvinsk, therefore we supported healthcare institutions. This is our civic duty!

sent to work remotely on a flexible schedule. We procured a large amount of surface disinfectants, hand sanitizers, medical gloves and masks, thermometers, infrared thermometers for temperature control. 120 anti-bacterial recirculators have been installed in shopfloors.

Contractor specialists who arrived from other territorial subjects of the Russian Federation were not allowed on Company's premises, unless they had a negative COVID-19 testing certificate. The Mill paid for COVID-19 testing of those employees who first contacted with the patient.

We set up a response team to monitor the situation and make prompt decisions; the employees are continuous advised on COVID-19 prevention measures, symptoms, rules of conduct; a hot telephone

line was launched, etc. Further, we have devised a whole set of organizational and administrative measures. Over 17 mn Rubles were spent on preventive measures.

These measures allowed to effectively control the spread of COVID-19 among Company's personnel. APPM exhibited one of the lowest number of cases in the region.

At the present time, we continue to implement COVID-19 preventive measures, which includes a vaccination campaign.

JSC Arkhangelsk PPM spent more than **17** million Rubles on COVID-19 prevention





6.3. Promotion of Healthy Lifestyle and Hosting Mass Sports Events

Arkhangelsk PPM lays special emphasis on promotion of physical training, sports, and healthy lifestyle among our employees and their family members, as well as development of organizational culture.

To allow Company's employees access to physical exercises and hosting of sports competitions, we have rented sports facilities at JSC BYT sports complex (gyms, gymnastics room, stadium, swimming pool, workout room). Gyms and stadium were attended by 1271 people, gymnastics room – by 980 people, swimming pool – by 905 people, workout room – by 617 people.

We hosted annual family competitions with participation of 35 families. We held an open Spartakiad, which was attended by eight women's and ten men's teams of workers. The Mill maintains a procedure and has all appropriate facilities for "Fit for Work and Defense" testing.

In 2020, teams of APPM employees participated in seven regional competitions:

- Arkhangelsk Region Futsal Championship and Cup;
- Arkhangelsk City Futsal Championship and Cup;
- Arkhangelsk Region Floorball Championship and Cup;
- Severodvinsk Mayor Floorball Cup.

The "Dancing for Health" project continues. Training sessions are held three times a week for 1.5 hours. This project has two components: the work of "Studio of Well-being", where they teach dancing, and complex medical consulting. It was management of Arkhangelsk PPM who came up with the idea of the project "Health in the Workplace". The project centers around a unique method of promoting a healthy lifestyle developed by Arkhangelsk Center of Preventive Healthcare. Its core idea is physical activity through dancing. It is important to mention that this approach is successfully practiced in the Center of Preventive Healthcare and is scientifically proven.

Non-working retirees of Arkhangelsk PPM have access to free of charge exercises at the sports facil-

ity. We hosted a «Health day» for them (with a skiing race).

The cost of mass sport events totalled 27,810.6 thous. Rubles.

To promote a healthy lifestyle, the newspaper «Bumazhnik» publishes periodical «Wellness», which tells about various social initiatives of Arkhangelsk PPM aimed at promoting healthy lifestyle among the Company's employees and citizens of Novodvinsk. Thanks to this periodical, more and more workers of the Mill opt for sports, physical exercise, and healthy lifestyle.



Olga VORONINA,
senior specialists of corporate
projects department at APPM:

“ I was hired by Arkhangelsk PPM in 2020 and right away I joined the project «Dancing for Health». Through dancing the Mill employees get a chance to get to know each other, communicate, and boost their spirits. Our choreographic training engages all groups of muscles. It involves simple but at the same time dynamic moves which can be done by everybody. ”

In 2020, APPM spent **27,810**
thousand Rubles on mass sports events

6.4. Assistance to the Educational System and Science

JSC Arkhangelsk PPM contributes significantly to development of science and educational system of Arkhangelsk Region and Novodvinsk. To create a pool of potential candidates for employment in worker trades, we conduct career guidance in collaboration with Novodvinsk Industrial College and Novodvinsk High School No. 1, and conduct training of engineers with the Northern (Arctic) Federal University named after M.V. Lomonosov.

The NARFU and Arkhangelsk PPM have an Agreement for Cooperation in Applied Research and Deve-

lopment Projects for the Pulp-and-Paper Industry and an Agreement for Cooperation in Human Resource Development in the Russian Arctic. The Agreements provide for conventional and well-proven forms of co-operation, including various types of hands-on training, career guidance tours to the Mill, classes at the university's specialized department for pulp and paper production process, which operates at the Company.

Arkhangelsk PPM is implementing a continuous training system called the «Steps», which represents a logically linked chain: pre-school institutions – high school – university – company.

High School No.1 in Novodvinsk has a special forest class, where a considerable portion of the curriculum is dedicated 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 2020, as part of «Perspective» program, Arkhangelsk PPM together with NARFU selected candidates among students of the Novodvinsk Industrial College and Northern (Arctic) Federal University named after M.V. Lomonosov who will receive scholarships from the Company for vocational training in the following fields: Industrial Heat Engineering, Electric Power and Electrical Engineering, Process and Plant Automation, Process Machines and Equipment, Chemical Engineering, Power Supply. In 2020, 19 students of Novodvinsk Industrial College and 10 students of NARFU received scholarships from APPM.

In 2020, 15 students of Novodvinsk Industrial College who got scholarships from APPM, graduated. Eleven of them joined Arkhangelsk PPM. One 2019 NARFU graduate, holder of APPM scholarship, was also hired by the Mill in 2020.

A total of 15 Novodvinsk Industrial College graduates and 9 NARFU graduates were employed by Arkhangelsk PPM in 2020.

In 2020, 104 students of Novodvinsk Industrial College and 3 students of Northern (Arctic) Federal University named after M.V. Lomonosov received undergraduate training at Arkhangelsk PPM. 36 students of Novodvinsk Industrial College, 194 high school students from Novodvinsk, Arkhangelsk, and Arkhangelsk region, and 47 kindergartners visited the Mill shopfloors on tours.

In 2020, **107** students completed hands-on undergraduate training at JSC Arkhangelsk PPM

In 2020, **29** students of Novodvinsk Industrial College and Northern (Arctic) Federal University named after M.V. Lomonosov received scholarships from Arkhangelsk PPM



6.5. Mass cultural events

Arkhangelsk PPM creates opportunities for leisure and pastime of its employees. Hosting mass cultural events is one of the most affordable ways to promote team spirit and encourage in-house competitive mindset. During 2020, the Company not only sponsored but also hosted many public cultural events. In total, APPM spent 1208.719 thous. Rubles for hosting mass cultural events and leisure activities.

In 2020, which was marked by COVID-19 pandemic, all APPM's contests were hosted remotely. The Mill's festivities were organized taking into account the restrictive measures. In view of the existing restrictions, hosting of mass events was not possible.

In 2020 we managed to host:

- Celebration of 80th anniversary of JSC Arkhangelsk PPM, including:
 - award of titles «Veteran of JSC Arkhangelsk PPM» (to employees with continuous experience in the Company: men – at least 25 years, women – at least 20 years);
 - presentation of awards to employees (state awards of the Russian Federation, certificates of merit and letters of gratitude from Arkhangelsk PPM, the

administration of Novodvinsk, the Ministry of Industry and Trade of the Russian Federation and the Ministry of Natural Resources and Forestry of the Arkhangelsk region, the Governor of the Arkhangelsk region, the Arkhangelsk Region Assembly);

- gala concert.
- In-house contests, including:
 - APPM's 80th anniversary video greetings contest;
 - contest «I, sports»;
 - contest «New Year Inspiration»;
 - contest «When Your Soul Rhymes»;
 - contest «Countryside Deeds».
- Gala concerts for the employees, including:
 - celebrating Defender of the Fatherland Day;
 - celebrating International Women's Day.
- Events of the Mill's Board of Veterans, including:
 - tours of APPM for former employees;
 - reunion of former chlorine production workers;
 - congratulation of war veterans on May 9th;
 - congratulation of pulp production veterans on 45th anniversary of Phase 3 of APPM;
 - congratulation of retired workers on the New Year.

In total, APPM spent **1208.719** thous. Rubles for hosting mass cultural events and leisure activities

6.6. Education and Publishing

We at Arkhangelsk PPM invest heavily into education and publishing. On the initiative of the member of the Board of Directors of APPM, Vladimir Krupchak, and with great support of the Director General, Dmitrii Zylev, and Administrative Manager, Olga Savvina, in 2020 we published a book called «Time of Brave Deeds. 1934-1940», which tells the history of the Mill and Arkhangelsk region during the World War II. The book authors are members of APPM's corporate projects team, Pavel Fasonov and Elena Zakharova. The narrative is complemented with unique illustrations. The publication is a captivating account of the challenging historic period and is intended for all those who are interested in the past of the country, the timber industry, and the home land. This book is a second volume of a historico-literary diology. The first book, «Birth of a Giant. 1934-1940» was published by Arkhangelsk PPM in 2019.

We prepared this publication for more than 10 years. It involved scrutiny of thousands of archive documents, including those from the Central Archives of the Ministry of Defence of the Russian Federation, the Russian State Archive of Economics, archives of directorates of Federal Security Service and Ministry of Internal Affairs of the Russian Federation, the State Archive of the Arkhangelsk region. Some of the documents were declassified only recently.

The narrative is complemented with unique illustrations. These include artist impressions created specifically for the book and about a hundred of old photographs. Almost all of them has been reconstructed and digitized exclusively for this two-volume book.

The book «Time of Brave Deeds. 1934-1940» received the main award - Grand Prix of the Grand National Contest of Corporate Media Outlets «Silver Threads», i.e. this book was acclaimed as the best





Aleksandr Tsybulskii,
the Governor of the Arkhangelsk region:

– Every year, the M.V. Lomonosov Award gains ever more consequence and recognition. And not only in the scientific fields, but also among the hands-on manufacturers, cultural figures, and scientists from other regions of Russia. The science in the North is developing!

among publications of the Russian companies in 2020.

In 2020, the book «Time of Brave Deeds. 1934–1940» was declared a winner of the contest for publishers and typographers of Arkhangelsk region «Book of the Year 2020», which is hosted by the Arkhangelsk Regional Research Library named after N.A. Dobroliubov, in the special nomination «In Memoriam of the Great Victory».

The APPM's two-volume book «Birth of a Giant. 1934–1940» and «Time of Brave Deeds. 1941–1945» received a prestigious M.V. Lomonosov award instituted by the Government of the Arkhangelsk region, the administration of Arkhangelsk, and the trans-regional Lomonosov public fund.

Management of Arkhangelsk PPM's social network communities received high praise at the Grand National Contest of Corporate Media Outlets «Silver Threads». Corporate account of Arkhangelsk PPM finished third at the Grand National Contest of Corporate Media Outlets «Silver Threads 2020». It was the first time that the account of Arkhangelsk PPM entered into a national contest. The debut was a success: Arkhangelsk PPM's communities in social networks finished third in nomination «Best Corporate Social Network Account».

Moreover, the section «I paint the Mill» of the newspaper «Bumazhnik» won the Grand National Contest of Corporate Media Outlets «Silver Threads 2020» in nomination «Most Creative Section in the Corporate Periodical».

6.7. Support of Children and Youth

Arkhangelsk PPM is greatly devoted to work with children and youth, provides efficient occupational and living conditions for the younger generation, assists in hosting events targeted for children and teenage audiences. The Mill spends significant sums of money on organization of summer recreational activities for children of its employees.

In 2020, in accordance with the Decree of the Governor of the Arkhangelsk region, we were forced to cancel the summer recreational campaign for the employees' children.

In 2020, 2,593.71 thous. Rubles were spent on

purchasing New Year presents (2,506 ea.) for the employees' children aged 1 to 15.

Furthermore, under the special program «Together We Can Do More» the APPM allocated funds to the Novodvinsk Social Services Center for coverage of healthcare services, medications, and adaptation equipment for disabled children. We have provided charity support to the Novodvinsk Orphanage, allocated funds to Arkhangelsk Youth Theater for hosting of street theater festival, Novodvinsk Municipal Cultural Center for hosting of mass cultural events, including for children audiences.

JSC Arkhangelsk PPM purchased **2,506**
New Year presents for the employees' children

6.8. Assistance to the Company's Youth Board

JSC Arkhangelsk PPM's Youth Board is a team of pro-active young employees of our Company. With support from the Company, the Youth Board puts forward initiatives throughout the year to hold events engaging students from the city's schools and the Novodvinsk Industrial College. The Youth Board effectively cooperates with numerous institutions, public organizations, government and local authorities. 2020 saw a number of high-profile and high-impact

events hosted on the initiative of the Youth Board of Arkhangelsk PPM:

- Esports tournament;
- Contest for the best postcard to the Mill;
- Football in valenkis tournament.

Apart from that, the activists of the Youth Board participated in voluntary clean-up events and a tourist rally, helped the people at the Novodvinsk Social Service Center.

6.9. Help to Company's Veterans Board

Some 5000 retirees, who worked at Arkhangelsk PPM, live in Novodvinsk and the Arkhangelsk region. The Company puts in much effort to provide social support for this group of people.

In 2020, on the initiative and with support from APPM's Veterans Board, a concert dedicated to the Day of Elderly was held, a meeting of veterans took place as part of the Victory Day celebrations, a New Year's party and tours were organized for the former employees of the Company.

Non-working retirees of Arkhangelsk PPM have free of charge access to JSC BYT's sports facility. We hosted a «Health Day» specifically for them (including skiing races and active outdoor games).

According to the Company's Collective Bargaining Agreement, non-working retirees receive financial support every five years on their anniversary (starting from the age of 55). In 2020, the amount of financial aid paid to non-working retirees on the occasion of their anniversaries was 2,148 thous Rubles. 716 retired employees of the Company received financial aid.



Galina TRAVINA,
activist of the Veterans Board
of Arkhangelsk PPM:

– We do a lot to support our veterans. The Mill's management really helps us at the Veterans Board. According to the plan, which is approved through the APPM Administrative Manager's office, we have weekly meetings with the retirees, review applications for financial aid, distribute packages for health and recreation resort «Zhemchuzhina Severa» among retirees, provide care for single retirees who need social support, organize hospital visits to the elderly.

Arkhangelsk PPM spent **2,148** thous. Rubles
on payments to the Company's retirees on anniversary dates





6.10. Social Support for Employees' Families

APPM also supports family members of its employees. Over the last five years, our Company implements a corporate social non-commercial project titled «Housing for Young Specialists». Within the scope of this project funding is allocated in favor of the municipal subprogram «Housing for Young Families». This entitles young families of the Company's employees to the preferential right to get housing certificates.

In 2020, we co-financed the «Housing for Young Families» program. As a result, 14 young families received housing certificates, which entitle them to social benefits for acquisition of residential housing or development of an individual housing property. The Company paid for the municipal share of the program financing.

In 2019, the amount of financial aid provided by JSC Arkhangelsk PPM to large families of its employees amounted to 1,164 thous. Rubles (97 employees aided), childbirth aid amounted to 720 thous. Rubles (79 employees aided), funeral aid amounted to 2,850 thous. Rubles (285 employees aided). The Company compensated the relocation costs of its employees in the amount of 235 thous. Rubles.



Natalia and Andrei FEDOTOVY,
a family of employees
of Arkhangelsk PPM:

– We have three daughters: Arina (7 years old), Daria (6 years old), and Taisia (2 years old). The day when we got the housing certificates is a big day for us, a truly special day! We live in the mortgaged apartment. Having received the housing improvement certificate, thanks to APPM, now we can use this money to repay our loan.

With the Mill's support, **14**
young families of the employees of
Arkhangelsk PPM received certificates for
improvement of housing conditions



6.11. Company's Charity Activities

The amount of charitable aid provided by Arkhangelsk PPM to social institutions and public organizations of Novodvinsk and the Pomorie region in 2020 was 68,737 thous. Rubles. Compared to 2019, charity donations increased by 45 mn Rubles.

Charity aid was provided to local public organization «Russian Union of Afghanistan Veterans», Novodvinsk Municipal Public Organization of the Disabled, Novodvinsk Social Services Center, Novodvinsk Orphanage under the special program «Together We Can Do More» for coverage of healthcare services, medication, and adaptation equipment for disabled children.

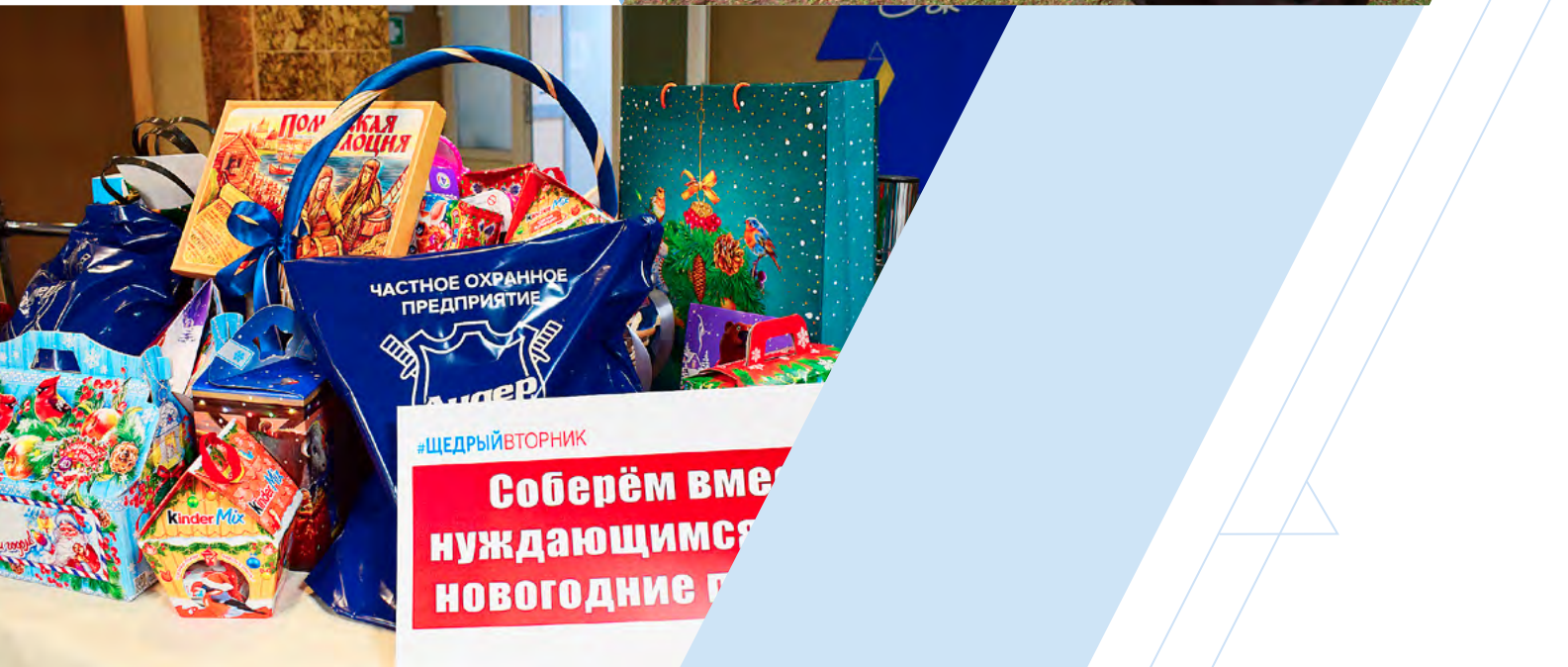
Support was given to cultural and sports institutions. Funds were allocated to the Novodvinsk Physical Fitness and Sports Promotion Board for organization and hosting of sports events; to city district «City

of Novodvinsk» of Arkhangelsk region for hosting of festivities, to Arkhangelsk Youth Theater for hosting of street theater festival; to Novodvinsk Municipal Cultural Center for hosting of mass cultural events.

Funds were allocated to the World Wildlife Fund; to «Sustainable Growth of Pomorie» fund» for the editorial staff of trans-regional environmental media project «Ecologies of Pomorie»; to Siya Monastery of St. Antonius for hosting of its 500 anniversary celebrations.

Exercise books were donated as part of charity event «Let's Help Children of Pomorie!» and to the Social Center of Borovsk, Kaluga region.

In keeping with the tradition, APPM gave New-Year presents to children from Novodvinsk's large families, low-income families, orphanage, and foster children of the Organization of the Disabled and Red Cross.



Arkhangelsk PPM gave **68,737** thous
Rubles in charity donations to social institutions and
public organizations of Novodvinsk and Pomorie



6.12. Non-governmental Pension Services for APPM's Employees

The Company participates in a non-governmental pension service program. The program is implemented in cooperation with VTB Pension Fund and 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 the employee is eligible for retirement, the VTB Pension Fund will pay him/her the non-governmental pension for the entire period determined by him/herself (for a minimum of 5 years) from the

funds accumulated on his/her pension account over the program participation time. To become eligible for the corporate pension, an employee has to work for the Company for at least 5 years. It is important to mention that pension contributions made under the corporate pension program and accrued income are inheritable both during the accumulation and payment phases.

As of December 31, 2020, 1299 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».

In 2020, a total of 19,370,331 thous. Rubles in pension contributions was transferred to the individual pension accounts of participants under Agreement No. /02-01-001/20.

1299 individual pension accounts were opened for APPM employees under Non-governmental Pension Services Agreement with Non-governmental Pension Fund «VTB Pension Fund»

6.13. APPM's Collective Bargaining Agreement is one of the most Progressive in the Industry

APPM's Collective Bargaining Agreement is a legal instrument which regulates social, financial, and labor relationship between the employer and the employees.

The current legislation does not bind JSC Arkhangelsk PPM to enter into collective bargaining agreement with the labor union, since less than half of the Company's staff have its membership.

The JSC Arkhangelsk PPM's Collective Bargaining Agreement in force was effected in late 2017. Today, it has been extended until 2023. There are eight Sections: «Obligations of the parties to a collective agreement», «Salary», «Occupational health and safety», «Work hours and breaks», «Social guarantees and rewards», «Social sphere», «Relations with the Labor Union», and «Final provisions».

The collective bargaining agreement provides, among others, the following extensive social benefits and guarantees: summer health and recreational campaign for employees' children, voluntary medical insurance of employees, optional participation in VTB's non-governmental pension service, partial compensation of expensive treatment, health and recreational resorts, procurement of New Year presents for employees' children, compensation of vacation travel expenses for employee and his/her children (once every two years).

The collective bargaining agreement specifies a system of corporate rewards for many years of highly skilled labor: through letters of gratitude and certificates of merit, award of titles Veteran and Honorable Worker of APPM, inclusion to the Company's Wall of Fame. Each award comes with some kind of remuneration.

The Shareholder and management of the Company appreciate the contribution of our dear veterans to establishment and growth of the Mill. That is why the collective bargaining agreement provides social guarantees not only to the employees, but for non-working retirees of the Company as well. Furthermore, the Mill undertakes to allocate money for target needs of the Board of Veterans of APPM.

It also pertinent to mention that APPM's collective bargaining agreement was recognized as one of the best in the whole of Northwestern Federal District. The

wide extent of social guarantees for the employees as stipulated in this agreement, has been repeatedly praised by representatives of other companies.

For APPM employees, the collective bargaining agreement is a guarantee of social support from the Company; it gives confidence in a better tomorrow. The APPM signed this agreement voluntarily which is intended to reinforce social partnership between the employer and the employees. The representative of the employer (in the name of Director General) and representatives of the employees (in the name of union committee) agree on mutual obligations and provision of social guarantees, rewards, and compensations to the employees which are beyond the provisions of the labor legislation. These terms are formalized in the collective bargaining agreement. The said benefits shall be financed from the Company's profits according to its financial standing and suggestions of the employees. Every year, APPM fulfills its social obligations under the collective bargaining agreement towards employees in full.



Anna NOSOVA,
Chairman of the Labor Union
of JSC Arkhangelsk PPM:

“Collective bargaining agreement is important for both parties. It reinforces confidence of the employees in provision of social guarantees, while increasing confidence of the employer in motivation and loyalty of the employees. The current collective bargaining agreement of Arkhangelsk PPM has been repeatedly praised. We showcased it on many labor union conventions and forums and always received positive feedback about social guarantees which the Mill provides to the employees.”

6.14. Conclusions on Social Activities of APPM

APPM's Shareholder and Management are fully aware that a lucrative business is always a socially responsible business. We respect the international and Russian labor laws, maintain a constructive dialog with the labor unions on the principles of social

partnership. Today, the Shareholder, the management, the staff, the labor union have multiple ways of productive cooperation. All this work is aimed at increasing the financial and economical stability of the team.

7. Company's Team Profile

Our employees is our main resource; it is a core of the control subsystem of the Company. Amid the ongoing upgrade, advancements of technology, introduction of the best available technologies, the staff has become the main driver of development of the Mill.

The Shareholder and management of APPM are doing a lot to improve working conditions for employees, increase motivation of team members, and increase the efficiency of personnel.

7.1. Company's Team Overview

As of December 31, 2020, the number of personnel employed at JSC Arkhangelsk PPM was 4,153. Staffing level as of the end of 2020 is 98.2 %. In 2020, JSC Arkhangelsk PPM hired 301 people.

The majority of APPM's employees have in-house working experience of 15 to 25 years.

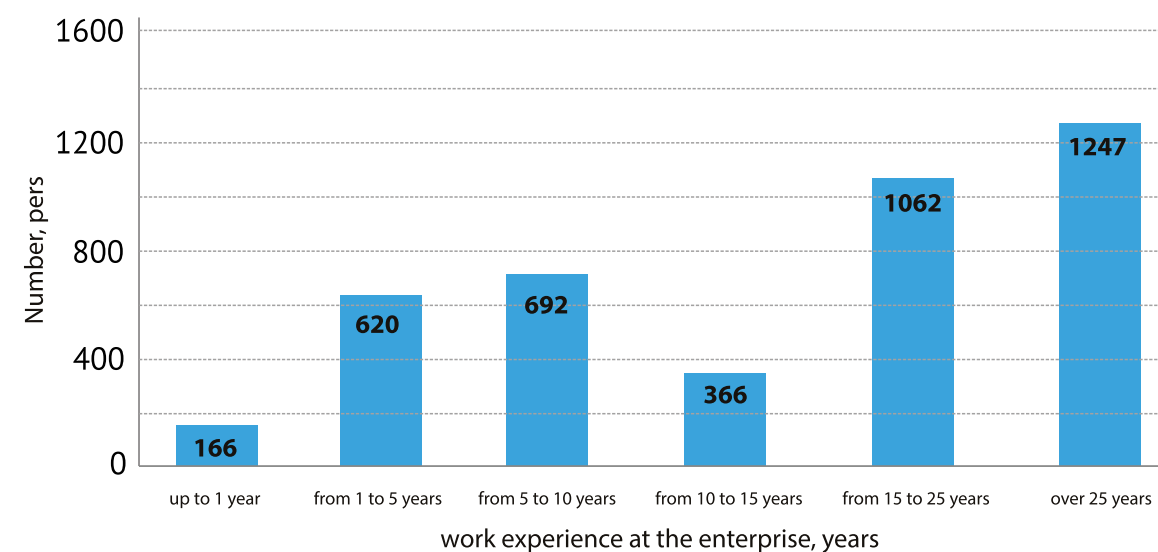
Analysis of the personnel's education over the past five years shows that the number of employees with a university degree is increasing.

As of December 31, 2020, the average age of the Company's employees was 43 years, of which: men - 42.4, women - 43.9. There are 3001 workers (72.0 % of Company's staff), 1152 managers, specialists, and clerks (28.0 %), of which there are 490 managers, 656 specialists, and 6 clerks.

The educational profile of employees of JSC Arkhangelsk PPM shows that 2,280 people have a secondary vocational degree, 1,191 have a university degree, eight have post-graduate degrees.

1,062 employees of APPM have in-house working experience of 15 to 25 years

Profile of company's staff according to experience



7.2. Professional training and personnel development

Training of personnel and career guidance are significant spheres of social activities of Arkhangelsk PPM.

The key components in training system are pre-training, additional training, and advanced training of employees, as well as mandatory education in keeping with qualification of personnel against Rostekhnadzor regulations, training in occupational health, fire, transportation, environmental, and radiation safety, etc.

In 2020, Arkhangelsk PPM held 4,392 training courses for 2,543 people (61 % of average number of staff). 1,992 workers received training in 2020. 199 employees were trained in an adjacent secondary trade, 84 employees completed an advanced training course, 50 employees completed additional training, 563 employees attended courses in Operating Procedures (at combined heat & power plants CHP-1, CHP-2, CHP-3), 59 employees completed pre-qualification training and were certified for the knowledge of Rostekhnadzor rules (Federal Environmental, Technical and Nuclear Supervision Service of Russia), 1073 employees received mandatory training (in occupational safety, fire safety, carriage of hazardous cargo, etc.).

551 managers and specialists received training: 227 employees were certified for knowledge of Rostekhnadzor rules, 454 employees completed mandatory training (in occupational safety, fire safety, radiation safety, etc.), 54 employees completed advanced training courses, attended workshops and webinars.

In 2020, the majority of training was conducted remotely, which amid the prevailing COVID-19 pandemic allowed us to organize for APPM's employees and conduct pre-qualification training for certification in Rostekhnadzor, mandatory training required to get a work permit, advanced training of specialists. 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.

Today, there is still a stable demand for advanced training of managers, specialists, and clerks in courses and workshops for improving their skills with software and equipment (ValmetDNA, Cisco, Siemens). The departments operations shall be in line with changing Russian Federation laws (corporate, labor, financial, customs, transportation laws, etc.). We shall improve the quality management system and increase the expertise in the area of industrial safety.

As part of development of an in-house HR reserve pool, any APPM employee can file an application for inclusion into the pool, subject to qualification. To create an outside pool of potential candidates for employment in worker trades, we conduct career guidance in collaboration with Novodvinsk Industrial College and Novodvinsk High School No. 1, and conduct training of engineers with the Northern (Arctic) Federal University.

according to the indicators specified in the Regulation on Bonuses for Operating Performance.

Starting from October 1, 2020, Arkhangelsk PPM increased hourly wages and fixed salaries by 5 percents.

The monthly average pay in 2020 per employee was 57,908 rubles. The average monthly remuneration level in the reporting year exceeded the 2019 level by 2645 rubles.

In 2020, **2,543** employees of Arkhangelsk PPM received vocational training

7.3. Remuneration

Incentives for personnel are applied taking into account their contribution to improving the quality of processes and products and bolstering the Company'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





7.4. Employee rewards

In 2020, 1008 employees of Arkhangelsk PPM received different forms of recognition, including:

- four employees received state decorations of the Russian Federation;
- three employees received the «Honored Worker of Timber Industry» title;
- fifteen persons received certificates of merit from the Russian Ministry of Industry and Trade;
- three persons received certificates of merit from the Governor of the Arkhangelsk region;
- four employees received letters of acknowledgement from the Governor of the Arkhangelsk region;
- twelve persons received certificates of merit and letters of acknowledgement from the Arkhangelsk Region Assembly;
- thirteen employees of the Company received certificates of merit and letters of acknowledgement from the Arkhangelsk region Ministry of Natural Resources and Forestry;
- sixty-five persons received certificates of merit and letters of acknowledgement from the administration of Novodvinsk municipality and the City Council;
- five employees' names were entered on the Novodvinsk municipality's Board of Honor;
- eight employees received the «Honored Worker of Arkhangelsk PPM» title;
- ten employees' names were entered on Arkhangelsk PPM's Board of Honor (including one employee of ARKHBUM and one employee of BYT);
- two hundred and eighty-nine persons received certificates of merit and letters of acknowledgement from Arkhangelsk PPM;
- one hundred and seventy-five employees were awarded the honorary title «Veteran of Arkhangelsk PPM», including one employee of Arkhbum, five BYT employees and one employee of Novodvinsk Medical Centre);

Twenty-eight employees received regional and municipal level awards on the occasion of the Forest Worker's Day.

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

Pursuant to the Collective Bargaining Agreement for 2018–2020, two hundred and eighty-three 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.

Nine employees of BYT and two employees of Novodvinsk Medical Centre received certificates of merit and letters of acknowledgement from APPM for the company's 80-th anniversary.



Zoya MAKKOVEEVA,
bleacher at the bleaching section
of APPM pulp production facility:

– During the APPM's 80-th anniversary celebration, I was awarded a certificate of merit from the Ministry of Industry and Trade of the Russian Federation. This was, of course, very nice and meant a lot to me. I've been working at the plant since 1977. Many things have changed since that time: new technologies were introduced and labour conditions got better.

1008 employees of Arkhangelsk PPM
received some sort of commendation in 2020

8. Environmental activities

Arkhangelsk PPM is a leading pulp-and-paper company in Russia in terms of introduction and application of sustainable technologies. The company is committed to consistent reduction of negative

production impact on the environment and is aiming to meet the best international standards in environmental protection. The climatic agenda has been around at APPM for more than 20 years.

The Company exercises a high level of environmental responsibility in production. APPM's Shareholder and Management pay great attention to environmental issues. The Plant's priorities at all levels of management hierarchy include reduction of negative production impact and sustainable use of natural resources. It is worth mentioning that APPM has obtained actual results in terms of gradual decrease in the environmental load of the plant.

APPM is in top **18** of world leading pulp-and-paper companies that have received «A-» climatic rating

8.1. APPM achievements in environmental activities

In 2020, Arkhangelsk PPM continued participation in the Carbon Disclosure Project (CDP) - an international project for greenhouse gas emissions disclosure. As reported in 2019, APPM received the highest «A-» rating among Russian companies. At the same time, the Plant was included in the top 18 of world leading pulp-and-paper companies that received the «A-» climatic rating.

In the reporting year, Arkhangelsk PPM won the international PAP-FOR Awards in nomination «Effective strategy in environmental protection». This was the first time the Awards were held during an on-line PAP-FOR forum. The award is conferred to pulp-and-paper mills, equipment manufacturers and vendors, service providers for significant contributions to the development of pulp-and-paper industry in Russian and the CIS.



8.2. Environmental action

The cost of environmental action and introduction of the best available technologies as part of Arkhangelsk PPM's Environmental Management Program in 2020 was 1.135 bn rubles.

To reduce negative impact on the environment, the Company continued its production upgrade, carried out pilot operation testing to adopt environmentally effective processes.

In terms of reducing negative impact on the en-

vironment and promoting sustainable use of natural resources, the following activities formed the basis of APPM upgrade program:

- construction of a new evaporator and installation of equipment to neutralize sulfur-containing emissions and treat foul condensate;
- construction of a new coal-fired boiler using low-emission burners and high-performance gas treatment equipment;

- upgrade of filtered water chiller at pulp production facility;
- upgrade of pulp shop bleaching section building a hydrogen peroxide reception, storage and feeding station while excluding sodium hypochlorite from the process;
- introduction of local treatment of woodyard waste water;
- reconstruction of cinder dump;
- installation of fish protection devices at the first-stage pump stations No. 1, 2, 3.

In 2020, Arkhangelsk PPM carried out environmental protection activities under the permits and licences issued. No violations of permits and licences were identified in 2020.

As a result of the environmental protection measures and the introduction of the best available technologies, lower environmental load is expected in 2021 with higher production capacities.

8.3. Lowering water consumption and pollutant discharge into water body

The total water consumption by Arkhangelsk PPM in 2020 versus 2019 decreased by 12.6 million cubic meters (8.0%) and amounted to 144.6 million cubic meters. In particular, intake (extraction) of water resources from the water body decreased by 7.2 million m³ (5.7%) and amounted to 119.6 million m³; consumption of warm water decreased by 5.4 million m³ (17.7%) and amounted to 25 million m³.

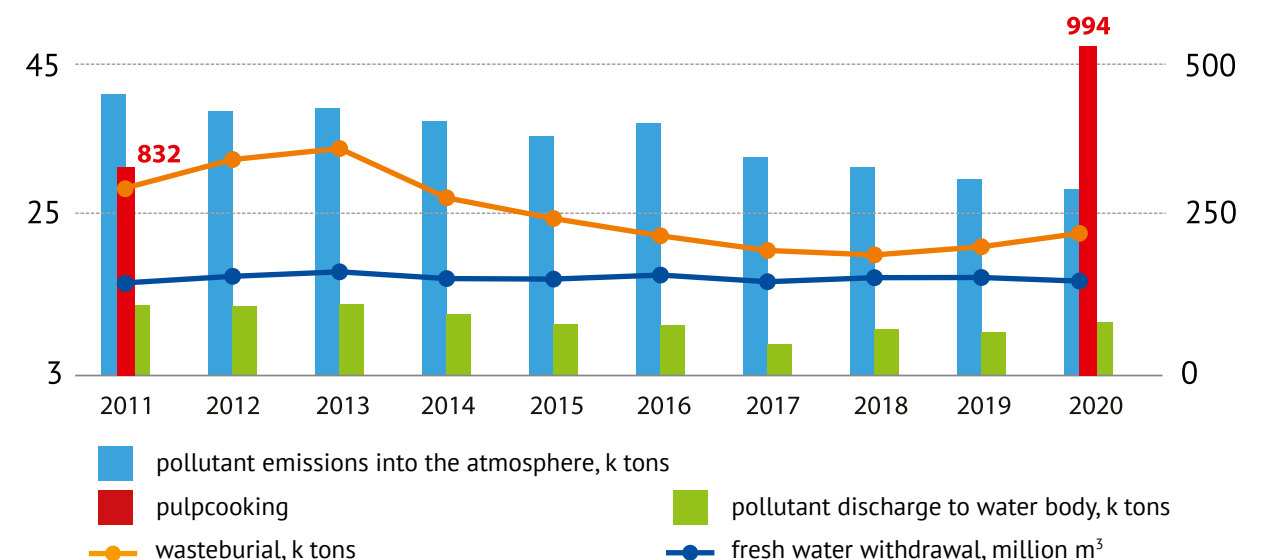
In 2020, waste water discharge into the water body via the dissipating outlet was reduced by 5.4% (5.7 million m³) and amounted to 100.4 million m³. In particular, water discharge via stream No.1 (after biotreatment facilities) increased by 4.9% (3.8 million m³); waste water discharge via stream No.2 (conditionally clean water) decreased by 34% (9.5 million m³). Re-distribution of waste water streams was

caused, among other things, by commissioning of cinder dump section No.4 in the fourth quarter of 2019.

Treated waste water were discharged to the water body via the dissipating outlet (outlet No.1). Gross discharge of pollutants increased by 13.2% (1218 tons) and amounted to 10,464.4 tons. Specific pollutant discharge per ton of pulp cooked decreased by 6%. Discharge of the following pollutants increased considerably: suspended matter, COD, ammonium ions, phosphates (P), aluminium, BOD5 (increase of 11.3% to 56.5%). Discharge of the following pollutants decreased: anionic synthetic surfactants, phenols, formaldehyde, total BOD, oil products, methanol, nitrite ions.

The discharge of pollutants by the Plant was within the allowable discharge rates and limits.

APPM activities to reduce atmospheric emissions and pollutant discharge into the water body



8.4. Waste generation reduction

Starting with 2020, the waste inventory results show that the list of wastes generated by Arkhangelsk PPM has been shortened considerably, leading to the reduction of waste generation. According to the primary waste records, the total amount of waste generated in 2020 amounted to 170.925 thousand tons.

As a result of environmental protection activities in 2020, all of the undercooked pulp was utilized in the cardboard production process, which altogether excluded the waste item «Wood waste and mineral waste in pulp production sorting process (undercooked pulp)».

8.5. Reducing atmospheric pollutant emissions

In 2020, the total gross atmospheric pollutant emissions at APPM as compared to 2019 dropped by 2069.235 tons (7%) to 27,353.495 tons. The bulk of the Company's gross emissions (84.5%) in 2020 was attributed to the emission sources of thermal power plant CHP-1. The total gross emissions of CHP-1 compared to 2019 dropped by 10.5 % to 23,121 tons).

Commissioning of a new evaporator at the cardboard production facility (with decommissioning

of the old evaporator) resulted in the reduction of methylmercaptan and hydrogen sulphide emissions by approx. 50% and 80%, respectively, compared to the time the construction of the new evaporator began. As compared to 2019, methylmercaptan emissions dropped by 8.5 tons (47.9%) to 9.25 tons; hydrogen sulphide emissions dropped by 45.8 tons (79%) to 12.2 tons. By the end of 2020, the established maximum allowable concentrations of these substances in the air were met.



Compliance with the established maximum allowable concentrations of the substances in question in the air.

Compliance with MACs for substances in the air (according to Rosgidromet) in Novodvinsk	hydrogen sulfide		methylmercaptan	
	2019	2020	2019	2020
MACone-time/MACshift-av, mg/m³	0,008/–		0,006/–	
Maximum MAC exceedance	5,13	1,9	no	no
Number of MAC exceedance instances	26	1	no	no

8.6. Greenhouse gas emission reduction activities

In 2020, the APPM's Greenhouse Gas Emission Report for 2019 was successfully verified in accordance with the International Standard for Assurance Engagements (ISAE) 3410. As part of the verification, the emission statements for the production sites of Arkhangelsk PPM and its subsidiaries were verified. Verification was conducted by auditing company KPMG. The 2019 Greenhouse Gas Emission Report was developed in accordance with the requirements of Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.

Starting with 2012, the inventory includes emissions of all subsidiaries. In 2019, the total direct and the total direct and power generation-related indirect GHG emissions (Scope 1 + 2) of Arkhangelsk PPM (including all subsidiaries and their branches) amounted to 1,845,785 tons of CO2 equivalent. The total emission is:

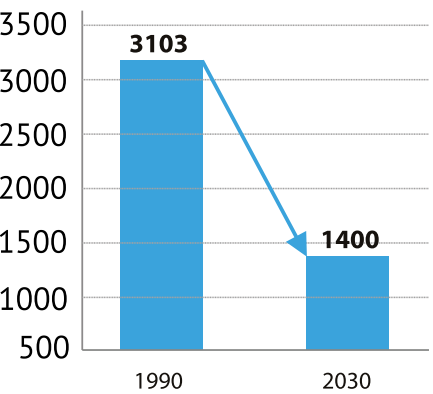
- 1,257,636 tons of CO2-eq. or 40.5% lower than the baseline (1990);
- at the GHG emission level of 2015 (1,819,368 tons of CO2-eq.);
- 16.1 % below the voluntary GHG emission limit adopted by the company for the period up to 2020 in the amount of 2,200,000 tons of CO2-eq. per year.

In 2020, APPM calculated the carbon intensity (carbon footprint) of the Company's finished products

and services in 2019 according to the requirements of ISO/TS 14067:2018 and GOST R 56276-2014/ISO/TS 14067:2013, and with due account for the recommendations and guidelines mentioned in PAS 2050:2011, GHG Protocol Product Life Cycle Standard and other standards. Carbon intensity was determined for 18 types of APPM products manufactured in 2019 in Novodvinsk (including waste water treatment of third parties, heat generation for third parties, and other services), seven of which (six types of pulp-and-paper products and thermal power for third parties) were classified as main products. Besides, carbon intensity was estimated for the products of Arkhbum branches located in Podolsk, in Istra district of the Moscow region, and in the Voronezh region, as well as the products of Arkhbum Tissue Group (Kaluga region).

In 2020, the company continued with the justification of the goals for specific GHG emission reduction at APPM for the period up to 2030 in accordance with the Science Based Targets initiative (SBTi) manual. Along with its commitment to reduce absolute GHG emissions by 2030, APPM has chosen to establish, following the Sectoral Decarbonization Approach (SDA) recommendations, verify and obtain SBTi approval of a scientifically defined goal to reduce specific GHG emissions per product item, which would meet the goals and objectives of the Paris Agreement with respect to climate change mitigation.

Total direct and power generation-related indirect greenhouse gas emission dynamics, thousand tons of CO2-eq. per year



Arkhangelsk PPM's greenhouse gas verification statement





8.7. Social, educational activities and environmental projects

In 2020, APPM continued with its project «EcoKids Novodvinsk» involving the students of four classes of Novodvinsk schools and some preschool children. The company organized environmental cleanup days, waste paper collection campaigns, contests and educational environmental classes for project participants with the involvement of specialists and company representatives. Arkhangelsk PPM organized the third regional children's environmental conference for the participants of the «EcoKids» project. A traditional event for the company was held to celebrate the day of the ecologist - «5 Ecological Days».

APPM is strengthening its personnel policy to improve its environmental protection activities. In particular, APPM facilitated participation of a group of its production and utility specialists in the Lomonosov Northern (Arctic) Federal University's Master's degree program «Industrial Ecology and Sustainable Use of Natural Resources». As a result of strategic measures aimed at training specialized professionals, we expect more effective management of the plant's production and energy processes from the perspective of modern-day ecologically-oriented business management approach.



In **2020**, APPM continued with its project «EcoKids Novodvinsk»

9. Development of integrated management system

In February 2020, the Company had its fourth inspection audit of the chain of custody in compliance with the requirements of the Forest Stewardship Council®, after recertification in 2016.

The inspecting experts from NEPKon LLC issued a conclusion that the system maintained by Arkhangelsk PPM (trademark license code FSC-C002853) conforms to the requirements of the FSC standards for chain of custody certification and the use of trade marks, and confirmed the validity of the existing certificate.

In 2020, the project aimed at bringing the current APPM's management system in compliance with up-to-date international trends in occupational health and safety resulted in successful certification of conformity with the requirements of new standard ISO 45001:2018 Occupational Health and Safety Management Systems – Requirements with Guidance for Use. Before that, starting with 2006, the company has been certified for compliance with OHSAS 18001.

Implementation of ISO 45001 at APPM was carried out in accordance with a specially developed action plan from the beginning of 2019 and up to the inspection audit of the Integrated Management System (IMS), during which the company was supposed to switch to ISO 45001:2018.

The 2020 inspection audit was divided in two stages due to the complicated epidemic situation in the country. The first stage of IMS external inspection was

carried out in May remotely – in management divisions and among the top managers of the company, including the general director. The second (field) audit stage was conducted in 2020 at the plant's production premises and in chief specialist offices, while complying with all preventive measures adopted at the time.

Following the results of both audit stages, certification body TMS RUS, which is a part of the group of companies TÜV SÜD, decided that APPM IMS complied with the requirements of ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. After the audit report was prepared and checked by the German partners, the certification body issued a new certificate of conformity with ISO 45001:2018 to APPM in October 2020.

APPM never stops improving its integrated management systems and ensuring that it fulfils all its voluntary commitments, including those in quality assurance, HSE, and social responsibility. The company management believes that IMS development contributes to APPM's stable performance, while keeping it in the lead and allowing it to continue with its investment projects even in most complicated and unfavourable conditions.

The development follows the path of analyzing and optimizing business processes, using up-to-date management tools, including «Lean production», engaging all company employees in this process by providing them with an opportunity to submit improvement suggestions and receive a well-deserved award.

In February **2020**, the Company had the fourth inspection audit of the chain of custody in compliance with the requirements of the Forest Stewardship Council®



10. Implementation of improvement suggestions

Starting from February 1, 2019, to improve Arkhangelsk PPM's performance by stimulating its employees' creative potential, the updated Procedure for submission, review and implementation of suggestions for improvement (hereinafter - Procedure), which was successfully tested in 2018, took effect on a permanent basis.

In 2020, 26 suggestions were submitted from APPM employees under this procedure (51 suggestions in 2019, 89 suggestions in 2018).

In 2020, in accordance with the Procedure, 42 employees of the company became authors/co-authors of improvement suggestions (around 1 % of the total APPM's staff headcount); six people are the authors/co-authors of two and more suggestions.

Out of six improvement suggestions approved by the board of experts for implementation in 2020, the economic effect was estimated for one suggestion. For two suggestions, the economic effect will be estimated after implementation. As for the remaining three

suggestions approved, the economic effect is either absent or impossible to estimate.

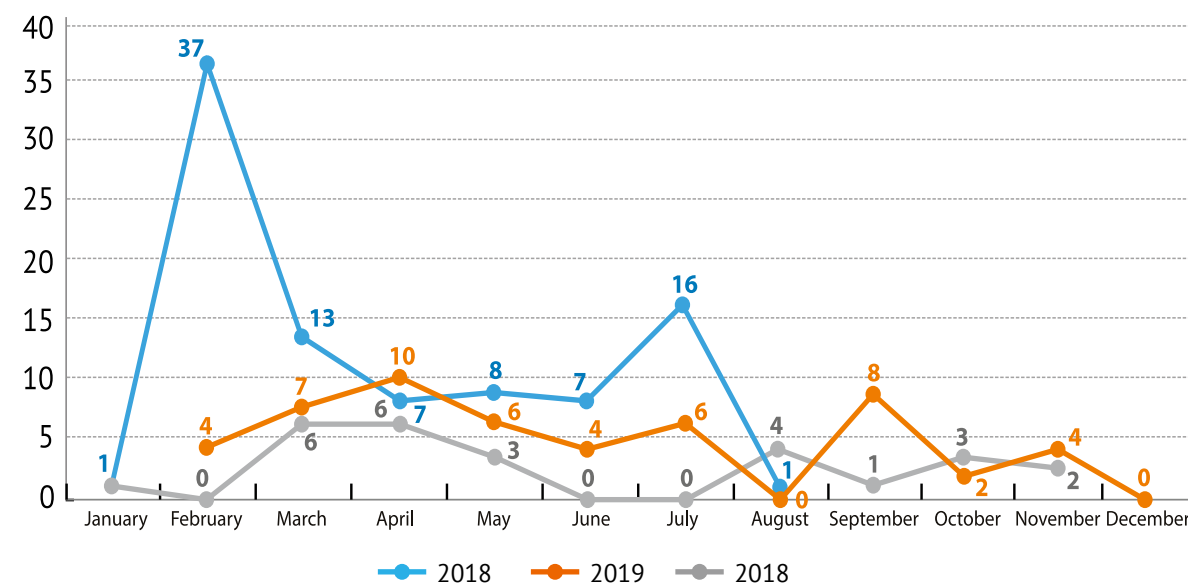
The majority of suggestions received in 2020, same as the year before, aim at cost reduction, resource saving, and time saving for certain operations.

The total annual economic effect of improvements approved for implementation was 182,100 rubles in 2020 and 18,999,511 rubles in 2019. During the test period in 2018, the total (adjusted) economic effect was 125,424 thousand rubles.

The amount of payments made to the company employees in 2020 as awards for submitting improvement suggestions (including those submitted in 2019) in accordance with the Procedure was 1,135,000 rubles.

Information on implemented improvement suggestions and the procedure for reviewing employees' ideas is periodically published in the Papermaker newspaper, as well as on APPM's portal and news ticker.

Improvement suggestions submission dynamics by months in 2018–2020

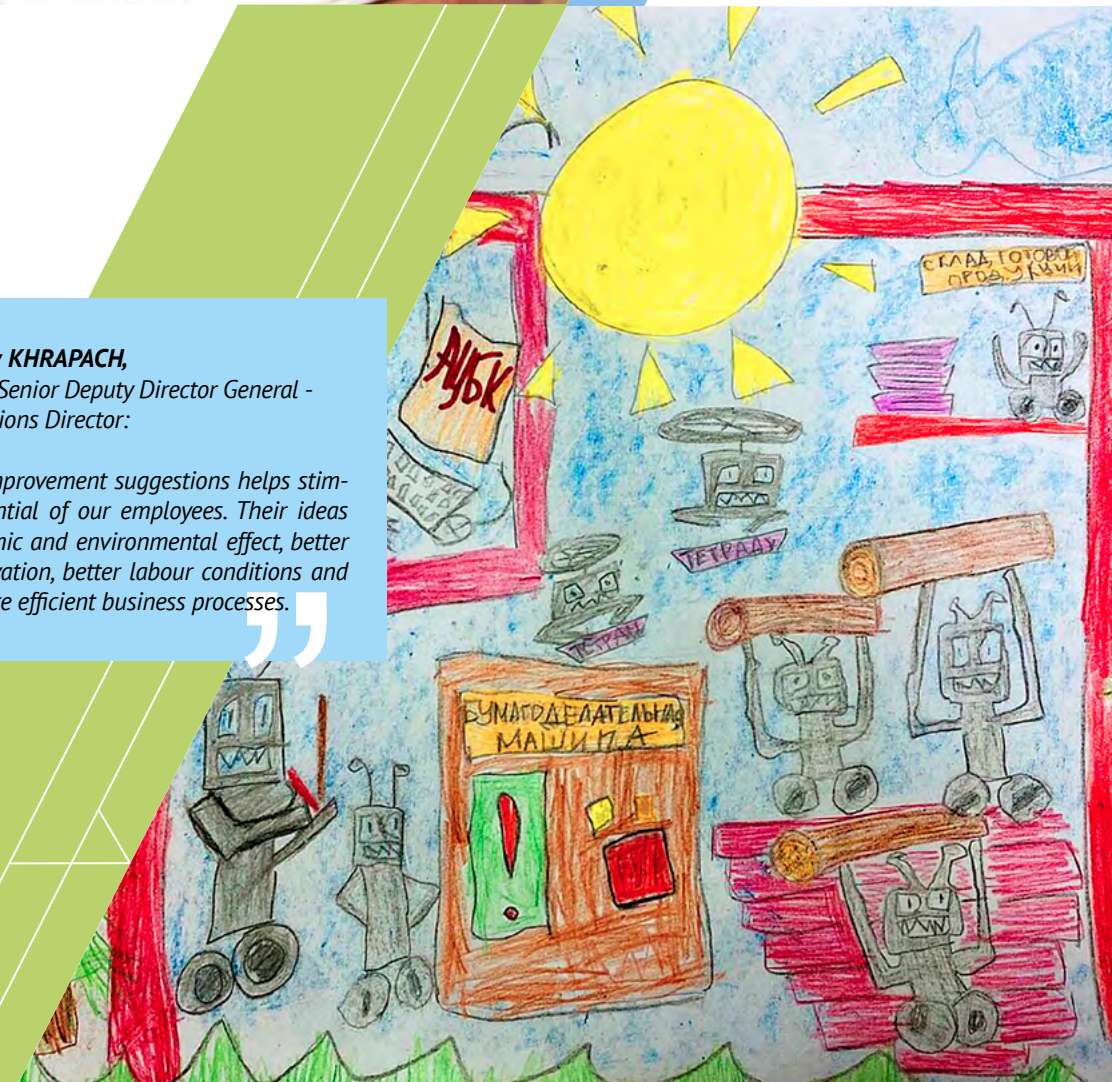


1,135 thousand rubles was paid to APPM employees in 2020 as awards for submitting improvement suggestions, including those submitted in 2019



Dmitry KHRAPACH,
APPM Senior Deputy Director General -
Operations Director:

– The ability to submit improvement suggestions helps stimulating the creative potential of our employees. Their ideas may target higher economic and environmental effect, better product quality or preservation, better labour conditions and production safety, and more efficient business processes.



11. Implementation of «Lean production» management concept

Within the framework of «Lean production» management concept, APPM is optimizing certain processes, including «Preparation and execution of repairs under permits-to-work» and «Provision of personal protective equipment».

Starting from June 2020, APPM has been implementing a pilot project «Preparation and execution of repairs under permits-to-work» at its pulp production facility. After a comprehensive review using lean production tools, such as mapping, observation and time tracking at workplaces, three main problems have been identified: a lot of time is spent for preparation, coordination and approval of permits-to-work (PTW); teams may stand idle while waiting for PTWs; there is a risk that not all scheduled activities will be completed while the equipment is shut down. Our working group members have compiled a list of proposals to improve performance. Firstly, it was decided to implement the proposals dealing with work process organization, which required no implementation costs.

Now, all PTWs for hot works are issued, approved and handed over to the shift foreman one day before the repairs are to start. Then, day and night shift fore-

men register PTWs in the logbooks, prepare workplaces for hot works where possible and appropriate.

It was decided to use light silica fabric as cover material. A special check list was developed to ensure the most efficient utilization of cover material when preparing workplaces for hot works. Cover material issue and return were registered in a dedicated logbook. By implementing these simple and quick-to-implement solutions, we managed to reduce time losses during workplace preparation, as well as workers' downtime while waiting for PTWs. Besides, it became possible to adjust the workload of shift foremen by providing a seamless working procedure depending on equipment readiness and the required sequence of certain works.

In addition, APPM continues optimizing the «Provision of personal protective equipment». Employees lose precious working time by visiting the main warehouse to receive PPE. The working commission members timed the losses and decided to issue PPE via parcel lockers placed on the way to workplaces. First lockers will be installed in the cardboard and paper shop of the cardboard production facility.

From June **2020**, APPM is implementing a pilot project «Preparation and execution of repairs under permits-to-work» at its pulp production facility in line with «Lean production» management concept



Andrey DRUZHKOVA,
Manager of Efficient Production
Administration, Arkhangelsk PPM:

– All members of process optimization working groups take special training in lean production principles. Company specialists involved in the change process are making an invaluable contribution to APPM development. Appropriate use of lean production tools will improve the company's competitive advantage in today's changing market environment. In many respects, successful project implementation in line with this concept is a key to improve the company's performance.

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12. Activities to improve working conditions and occupational safety

12.1. Expenditures on implementation of the Work Conditions and Health and Safety Improvement Plan

According to the Labour Code of the Russian Federation, the amount of financing for measures to improve working conditions and occupational safety shall constitute at least 0.2 percent of the production costs (to manufacture products, perform works or render services). In 2020, APPM spent 139,500.6 thousand rubles on implementing the Work Conditions, Health and Safety Improvement Plan.

Scheduled special assessment of working conditions was carried out at the pulp production facility, biotreatment facility, and mechanical repair shop. APPM spent 1,146.5 thousand rubles for scheduled and off-schedule special assessment of working conditions at workplaces of the plant's production and management units.

APPM provides working clothes washing, dry cleaning and repair services for employees. This is implemented via a contract with JSC BYT, a laundry company. A total of 4,748.4 thousand rubles was spent under this contract.

In accordance with Order No.302н dated 12.04.2011 of the Russian Ministry of Health and Social Development, groups of employees subject to medical examination were identified in order to organize and carry out such examinations. Company employees took medical examinations in accordance with the name lists. Periodic medical examinations were carried out by Novodvinsk Medical Centre specialists. 11,515.1 thousand rubles was spent on medical examinations.

Company employees are provided with PPE, including detergents and sanitizers, according to the PPE provision rates developed for the company divisions. 54,174 thousand rubles was spent to purchase PPE.

728 thousand rubles was spent to purchase carbonated water machines and water treatment units with water heaters.

Plans for in-process monitoring of workplace air were prepared for in-process monitoring of working conditions at work places in production units. An accredited laboratory performs the monitoring. 16,393,9 thousand rubles was spent on monitoring.

The remaining amount of 50,794.7 thousand rubles was allocated for occupational health and safety training for managers, specialists and workers, repairs of amenity rooms, and sports, health and other activities to ensure safe working conditions.



139,500.6 thousand rubles was spent by APPM in 2020 on implementing Work Conditions, Health and Safety Improvement Plan

12.2. Health and safety policy implementation efforts

Every year, Arkhangelsk PPM strives to improve occupational safety and health of its employees, create comfortable working conditions, and reduce the risk of accidents and occupational diseases. The Quality Management System of Arkhangelsk PPM complies with the requirements of GOST R 54934-2012/OHSAS 18001:2007.

Company 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 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.

Arkhangelsk PPM launched a campaign to attract the Company employees' attention to health and safety issues. All of the Company's media resources are used for this purpose, including: the Papermaker newspaper, social networks, internal radio channel, «News Ticker» information display, information stands in the Company's premises.

In 2020, an important information project was continued by the chief engineer's office and the corporate project department of the APPM's administrative director office to create a series of corporate health and safety posters «Your Me». They were created with participation of more than 100 children of the Company employees aged 2 to 16. On the posters placed in the plant shops, the kids ask their parents to observe safety precautions, wear safety clothes, and use personal protective equipment (PPE).



Sergey ULANOV,
Deputy Chief Engineer
of APPM (for oversight):

“Particular attention at Arkhangelsk PPM is paid to health and safety issues. Detailed analysis enables us to take efficient preventive measures and make correct decisions aimed at improvement of the production process safety level.”



13. 2020 highlights of APPM and its subsidiaries

Arkhangelsk PPM

In January, cardboard production rates reached planned values after a large-scale upgrade of the second board machine (BM-2).

- In September, the Minister of Industry and Trade of the Russian Federation Denis Manturov participated in the official ceremony of opening the evaporator at APPM costing 6.5 bn rubles.

- In December, the Minister of Industry and Trade of the Russian Federation Denis Manturov signed an order, according to which the APPM forest exploitation project included in the list of top-priority investment project by the Russian Ministry of Industry and Trade was completed. The total amount of investments was 18.8 bn rubles.

- APPM confirmed the conformity of its management system to the requirements of new international standard ISO 45001.

Arkhum Tissue Group LLC

- In September, the Governor of the Kaluga region Vladislav Shapsha officially launched a sanitary tissue plant of Arkhum Tissue Group LLC (Industrial park «Vorsino»). This is a major investment project of APPM in deep processing of its own products with the cost of 11.5 bn rubles.

- The company has passed an audit and received a certificate of conformity to the requirements of FSC (FSC chain of custody certificate code NC-COC-059866 and FSC trademark licence code FSC-C155683).

- Delivery of base paper in jumbo rolls to Europe has started.

- A contract for phase 2 construction of the plant with the capacity of 70 thousand tons per year. The new production facility will be similar to phase 1. Thus, the total production capacity of Arkhum Tissue Group LLC will increase to 140 thousand tons per year.

Arkhum JSC

- Successful implementation of the project combining all branches into a single production planning system on the basis of OMP CSBS 4.70.

JSC Arkhum, Podolsk branch

- The second BOBST MASTERLINE HD has been launched;

- Industrial operation of the second BOBST has started.

JSC Arkhum, Istra branch

- Construction of the second production building Istra-2 has been completed and the second corrugated packaging machine BHS has been started-up (the total project cost was about 3 bn rubles).

JSC Arkhum, Ulyanovsk site

- The Arkhum construction project of corrugated board packaging production plant with the capacity of 90 million sq.m per year has received the status of a particularly important investment project in the Ulyanovsk region.

JSC Arkhum, Voronezh site

- Upgrade has been completed;

- Planned production capacity has been reached (approx. 200 million sq.m of finished products).

Environment

- APPM received the highest climate resilience rating according to CDP (an international project for disclosing data on greenhouse gas emissions) among all Russian companies. Following the results of a third-party evaluation of the report submitted by the company, APPM received the «A-» rating.



- CDP (international Carbon Disclosure Project) rated APPM very high based on the evaluation of the Plant's activities in greenhouse gas emission control along its supply chain.

- The Plant was removed from the Barents list as a potential source of environmental pollution with dioxins (A9-1).

- APPM is among the first 1000 of world companies to announce in SBTi its intent to establish science based targets in GHG emission reduction.

Social policy

- APPM and its subsidiaries have made a great contribution to assisting all areas of presence in their fight against the coronavirus infection (Arkhangelsk, Moscow, Kaluga, Voronezh region), first of all – to healthcare workers, and low-income families, NGOs, educational institutions and other organizations. The assistance program was adopted at the end of March

2020 at the initiative of Vladimir Krupchak, an APPM's board of directors' member.

- As part of the «Housing for Young Specialists» project, APPM gave housing certificates for a total amount of 3.7 million rubles to 14 families of its employees.

- Despite all the challenges of COVID-19 pandemic (epidemiological situation, economic factor), APPM's shareholder – Pulp Mill Holding Group – decided to increase the current wage rates and salaries of workers, specialists, clerks and managers by 5% in all business units of the company from October 1, 2020.

- With the assistance of APPM, a monument to the Great Patriotic War pilot heroes of the Yagondik island was unveiled in Novodvinsk.

- Once again, APPM became the general sponsor of the world-wide Earth Hour event, which continued the long cooperation with the World Wildlife Fund (WWF).

14. Awards and ratings

Awards

- Employees of the corporate project department (within the administrative director office) and the Papermaker newspaper have won the M.V. Lomonosov Award for APPM; this award was established by the Arkhangelsk region government, the Arkhangelsk administration and the trans-regional Lomonosov public fund.
- APPM has become the winner of the first international PAP-FOR Awards in environmental protection.
- The APPM's book «Time of Brave Deeds.1941–1945» has won the main prize of the Grand National Contest of Corporate Media, Silver Threads 2020.
- APPM has won the regional stage of the «Russian Company of High Social Efficiency» contest.
- The APPM's two-volume book «Birth of a Giant. 1934–1940» became the winner of the contest for publishers and typographers of Arkhangelsk region «Book of the Year – 2019» in the main nomination «The Best Book About The Russian North.Author».
- The products of Arkhbum Tissue Book LLC under its own brand Soffione have won the Green Awards 2020 in a special nomination «The Best Eco-Brand Producing Sanitary Tissue Products».
- Arkhbum Tissue Group LLC became the winner of the Private Label Awards 2020.
- Arkhbum Tissue Group LLC became the investor of the year according to the «Kaluzhsky Business - 2020» award.

Rankings

- TOP-COMM 2020: Arkhangelsk PPM was included in the top 100 organizations in the field of corporate communications in Russia.

The Expert RA rating agency confirmed the credit rating of the non-financial company Arkhangelsk PPM at ruA level. The rating outlook is stable.



15. Arkhangelsk PPM's main objectives

Strategic objectives

- increasing the pulping capacity to over 1 million tons per year
- increasing presence on domestic and international markets

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

Financial

- strengthening the Company's financial stability and independence through optimization of cash flow management.

Marketing

- maximum satisfaction of customers' demand
- retaining 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.

Production

- maintaining stable and highly productive operation of all process streams
- reducing production costs and using resources efficiently to increase the competitive ability of the products
- introducing new technology to improve the environmental situation
- improving the quality management system and production process management
- improving and introducing new modules of the SAP R-3 integrated system at different stages of the production process
- developing and implementing investment projects to revamp the power facilities and develop cardboard and pulp manufacturing in order to increase the Company's pulp production capacity over million tons of high-grade pulp per year (cooking capacity).

Personnel management:

- improving labor productivity e.g. by using advanced processes
- improving the employee incentive system and personnel qualification development
- introducing social programs and benefits for the Company's employees and their families.

APPM and its subsidiaries are constantly working to modernize their product range, expand and improve production facilities, improve their own economic indicators in order to maintain independence and strengthen their positions among Russian and global manufacturers.

At the same time, social activities, focused not only on the company's staff, but also on ensuring the well-being of the territory of the company presence, is an integral part of the mission and development strategy of APPM.

