



2019 SUSTAINABILITY REPORT

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MESSAGE FROM CEO



Dear friends!

This year, we joined the United Nations Global Compact, an international initiative whose participants strive to conduct their business for the benefit of nature, society and future generations. Today this global movement of responsible top companies unites more than 13 thousand participants from nearly 160 countries of the world. Thus, we have pledged certain commitments in the field of corporate social responsibility and sustainable development.

However, this does not mean that we are starting to move in a new direction with a clean slate. Responsible attitude towards environment, concern for the well-being and safety of employees, assistance to local communities in the regions where we operate have been the basis of our activities since the establishment of Sveza Group.

In the present report we summarize the results of our work in the field of sustainable development in 2019.

In the reporting year, the Company launched a long-term development strategy aimed at strengthening its leadership position and finding new growth points.

We challenged ourselves to make the most efficient use of renewable forest resources, to improve the quality of service and to produce more and more products that meet a wide range of our customers' requests.

It is worth noting that we have successfully advanced in all these areas. In 2019, we started our own procurement of raw materials, discovered new markets, strengthened our positions in previously developed areas, and finished the year with good financial results in general. More than 7.6 billion rubles have been spent on expansion and modernization of existing production facilities, as well as on environmental, energy, and quality improvement programs.

However, the COVID-19 coronavirus pandemic has dramatically affected the situation in the world, in the industry and at our enterprises. Business plans for 2020, made at the end of last year, have lost their relevance. Sveza, being an export-oriented company, largely depends on the dynamics of global demand. Therefore, we are closely monitoring not only the Russian restrictive measures introduced due to the pandemic, but also the situation in other countries of the world.

We conducted stress tests of our business development, taking into consideration the possible duration and consequences of restrictive measures due to coronavirus in different countries. Although we assume the possibility of production volumes reduction, all the scenarios considered are ultimately aimed at protecting production, preserving workers associations and stability of the Company.

Regardless of the development of the situation, nothing should change for our clients.

They should still receive the products they need. We continue to produce products that bring

added value to customers, improve customer service in key industries, and work to reduce delivery times.

We follow the previous course towards innovation both in the field of creating new types of products, improving production technology and in improving business processes.

The coronavirus pandemic will not affect the fulfillment of our commitments regarding responsible forest utilization and minimization of environmental impact.

We always paid great attention to the safety of workers, but in the context of the pandemic, this issue has become literally vital. Sveza is included in the list of system-forming organizations of the Russian Federation economy, which is why the production process does not stop even during the pandemic. The Company has already allocated about 50 million rubles to ensure anti-epidemic safety measures. Since the announcement of the pandemic, the Company took steps by equipping all of its industrial areas with special marking system to maintain social distance, providing personal protective equipment and contact-free temperature check for employees. For this purpose, 7.3 million rubles were allocated for the installation of thermal imagers at entrance checkpoints. Enterprises have intensified the disinfection of premises and equipment, installed air recirculators, introduced additional routes for corporate buses to reduce the number of passengers, and much more.

Our priority is to create a culture of safe behavior for employees.

Therefore, the next step was a project that we named as epidemiological mini-transformation. At the first stage, we analyzed best practices and quick solutions to ensure safety during the epidemic. The second stage is training of managers in the field of effective management in crisis situations. The third stage is aimed at maintaining sustainability. The task is to involve all employees in the process of security measures improvement, following these measures and consolidate the results achieved.

We also, of course, maintain our obligations to ensure the financial security of our employees. Despite the economic situation, salaries were indexed in April this year.

During this difficult time, our companies hand over personal protective and disinfection equipment to medical institutions, law enforcement agencies and volunteers, and help to heat the homes of production veterans, elderly residents and disabled people.

Today, an open dialogue with society is more important than ever.

Therefore, I am pleased to present you the first report on corporate social responsibility and sustainable development of the Sveza Group.

**Chief Executive Officer
Anatoliy Frishman**

A handwritten signature in blue ink, appearing to read 'A. Frishman'.



ABOUT SVEZA ¹

Economy	People	Environment		
<p>No 1 in the world in production of birch plywood</p> <p>7 production mills</p> <p>1.4 MILLION M³ of products per year</p> <p>200+ product sizes and thicknesses options</p> <p>90+ countries-customers on five continents</p>	<p>7,000 employees</p> <p>2.23 Lost Time Injury Frequency Rate (LTIFR) in 2019</p> <p>72 MILLION RUBLES investment in training</p> <p>43% proportion of female managers</p> <p>67% employee engagement rate</p>	<p>>1 MILLION TREES were planted as part of reforestation process</p> <p>>240 MILLION RUBLES have been spent on environmental projects over the past three years</p>	<p>1.1 KEY ACHIEVEMENTS IN SUSTAINABLE DEVELOPMENT IN 2019</p> <p>1.2 KEY EVENTS IN THE COMPANY HISTORY</p> <p>1.3 OUR VALUES</p> <p>1.4 LOCATION OF OPERATIONS</p> <p>1.5 NEW DEVELOPMENT STRATEGY</p> <p>1.6 MARKETS SERVED</p> <p>1.7 ACTIVITIES, BRANDS, PRODUCTS AND SERVICES</p>	<p>6</p> <p>8</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p>

KEY ACHIEVEMENTS IN SUSTAINABLE DEVELOPMENT IN 2019

1.1



1st position among companies in the timber industry in HeadHunter portal rating "100 Best Employers in Russia", 3rd position among all companies in St. Petersburg and 36th position in Russia



The Company enterprises in Kostroma and Uralskiy became winners in the "Big Business" category of the all-Russian award "Exporter of the Year"



295th position in the RBC-500 rating (+49, 2018 — 344)



355th position in "Expert-400" rating of the "Expert RA" rating Agency



Sveza mills in Kostroma and Manturovo became winners in the "Social Partner of the Year" category in the regional competition "The Best Industrial Enterprise of Kostroma Region"



Mill Sveza in Verhnaya Sinyachiha was ranked the best in the category "Charity Activities of Timber Industry Enterprises" in 2019 under Days of Mercifulness of the Sverdlovsk Region

Sveza Active team in Uralskiy (Perm Region) received an award in "Important Business" category of the district competition "Youth-2019"



Winner of "Victoria" competition in the "Promotion of Sports" category (Verkhnyaya Sinyachiha)



Winning two categories in the Eco Best Awards contest, the independent public award for the best products and practices in the field of ecology, energy and resource conservation



Mill Sveza in Manturovo won 1st place in nomination "Labor Protection" at the regional stage of the All-Russian competition "Organization of High Social Efficiency". They also won 3rd place in the competition "The Best Specialist in the Field of Labor Protection of Kostroma Region"

Sveza mills in Uralskiy and Verkhnyaya Sinyachiha are included in the Federal register of the all-Russian book of honor. The Book of honor includes the most worthy organizations of various forms of ownership and areas of activity that contribute to the socio-economic development of their district, city, region, as well as to improving the efficiency of their industry



1.2

KEY EVENTS IN THE COMPANY HISTORY

1997

Foundation of Sveza Company

Acquisition of a stock of shares in UIFK JSC, village of Pontonny

1999

The Sveza Group was joined by Fanplit JSC, Kostroma

2002

Acquisition of Veliky Ustyug Plywood Mill Novator JSC, Vologda region

2006

Perm Plywood Mill LLC became a part of Sveza Group, Perm region

2007

The Group was joined by OJSC Manturovo Plywood Mill, Kostroma region

2012

ZAO Fankom became part of the Group, Sverdlovsk region

2015

The Group of Companies united under a single brand Sveza

2018

Tyumen Plywood Mill, LLC, Tyumen joined the Group

OUR VALUES

1.3

- Safety
- Customer-oriented approach
- Teamwork
- Efficiency
- Respect for people

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LOCATION OF OPERATIONS

1.4

Sveza Group is one of the largest vertically integrated companies in the timber industry. Production of plywood and other products is organized at seven Russian mills. The activities of production organizations are regulated by the management Company

SVEZA-Les LLC, which also sells finished products of the mills in the target markets. In addition, the Group has created an organization that deals with the procurement of raw materials, and the number of other companies also exists inside the Group.

Sveza mills are located in areas that are traditionally rich in birch forests. The convenient geographical location of the mills ensures optimal logistics. Delivery of products is carried out by sea, rail and road transport.

SVEZA-Les LLC in Saint Petersburg

Management Company (Central office)

Sveza in Saint Petersburg

Plywood production

Sveza in Kostroma

Production of plywood and particle boards

Sveza in Manturovo, Kostroma region

Plywood production

Sveza in Novator, Vologda region

Plywood production

Sveza Resource, Vologda region

Forest operation

Sveza in Uralskiy, Perm Region

Production of plywood and particle boards

Sveza in Verhnaya Sinyachiha, Sverdlovsk region

Plywood production

Sveza in Tyumen

Plywood production

NEW DEVELOPMENT STRATEGY

1.5

In 2019, Sveza developed a new long-term development strategy. It is designed to help the Company take its business to a higher level. The strategy is aimed at the most efficient use of forest resources by applying integrated wood processing. The Company implements innovations not

only in the field of creating new types of products and improving production technology, but also in improving business processes. One of the links in the updated strategy of Sveza is the launch of its own procurement. At the same time, Sveza strives to reduce the impact of its enterprises on

the environment. The Company was one of the first companies in Russia to develop bioeconomics, which focuses on the use of renewable sources of energy for the sustainable development of society and for the production of products that people need.

Our Main Strategic Priorities



Customer Centricity

Become a customer-centric company

- Development of product differentiation, brands and special products
- Sales growth in current markets and segments
- Sales development in new markets and segments
- Receiving additional bonus through service, sales channel management and commercial terms



Sustainable Development

Increase the level of environmental, social and economic sustainability, reduce risks

- Elimination of risks
- Increasing the business personnel security and the personnel involvement
- Development of operations area



Operational Efficiency

Be the cost leader in the industry

- Ensuring raw material security
- Reduced cost



New Points of Growth

Innovation is the driver of the company's growth

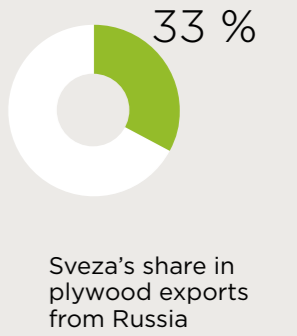
- Search and integration of new growth points



MARKETS SERVED

1.6

No 1



90+

countries around the world where Sveza products are delivered

16+

new countries where companies joined the list of customers

68 %

is the proportion of exports in Sveza sales

Main Industries – Consumers of the Company Products

Construction

- Slab formwork
- Panel formwork
- Farm structures
- Industrial floors, decking
- Scaffolding
- External finishing of buildings
- Interior decoration of buildings
- Playgrounds

Transport

- Buses
- Trailers, semi-trailers
- Vans
- Minibuses
- Campers
- Carriers for animals
- LNG tankers
- Boats, yachts
- Passenger trains
- Airplanes

Furniture and Interiors

- Furniture frames
- Furniture drawers
- Furniture for covering
- Wall panels
- Engineering boards
- Floor underlays
- Laser forms
- Toys, souvenirs
- Audio speakers



ACTIVITIES, BRANDS, PRODUCTS AND SERVICES 1.7

Plywood is one of the most eco-friendly types of woodworking products. Birch plywood is characterized by exceptional strength, surface hardness, unique ability to withstand heavy loads, beautiful wood texture, ease of mechanical processing, and the ability to maintain properties under different temperature conditions. Company product portfolio includes plywood and boards presented in more than 200 sizes and thickness options, fully produced from birch raw materials, including special sorts of plywood that meet the highest requirements of the application industries, which are produced under their own brands.

Plywood



Laminated plywood

Film faced plywood covered with a special wear-resistant material



Plywood of FC brand

High quality construction material for interior use with high durability and attractive appearance



Plywood of FSF brand

High quality plywood for indoor and outdoor use with high strength and increased moisture resistance



Specialized plywood products

15 products with special performance characteristics, tailored to the needs of the end user

Chipboard



Chipboard

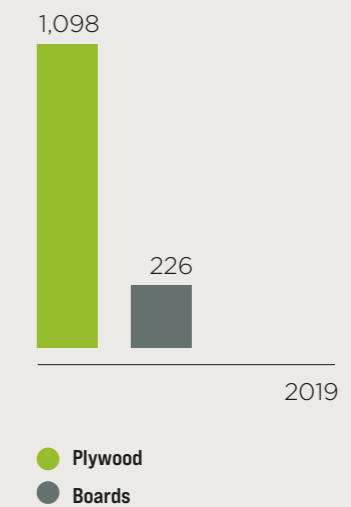
A construction material made of birch chips and a binder by hot pressing



Laminated chipboard

Base plate covered with high quality melamine films

Total Production, m³





SUSTAINABLE ² DEVELOPMENT AND CSR STRATEGY



Sveza supports the 2030 Sustainable Development Agenda and the UN Sustainable Development Goals

11

goals of sustainable development are supported by the Company, 6 are identified as priority for 2020

9

stakeholder groups are among key stakeholders of Sveza Company

70%

of purchases are made by key partners who follow the principles of sustainable development

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MANAGING SUSTAINABLE DEVELOPMENT ISSUES

2.1

In 2019, Sveza adopted a new long-term strategy based on four key priorities. It focuses on customer-centricity, operational efficiency, sustainable development and new growth points. The processes of change that take place in the Company involve its development with an emphasis on efficiency, as well as the ability to respond to economic and market changes.

Sveza relies on three main factors:

- 1 Managing the efficiency of production processes
- 2 Development of a business system that includes a set of principles, tools, and practices that contribute to business progress
- 3 Human resources management and organizational development

Sustainable Development

- 1 Increasing the business personnel security and the personnel involvement
- 2 Elimination of risks
- 3 Development of operations area



Sveza is undergoing a cultural and structural transformation while actively looking for opportunities to create new products. In its effort to become a leader in the timber processing industry, Sveza pays great attention to taking care of nature and sustainable development.

As part of the new strategy, the Company intends to use the tree as efficiently as possible, because this is not only a matter of profit, but also of preserving the environment for future generations. In our activities, we are guided by the principles of responsible production, rational use of forest resources, we strive for integrated wood processing, we increase the share of green energy and practice circular economy. Consumers of our products can be sure that these products come from forests with environmentally and socially responsible forestry approach.

Sveza is a reliable employer: the Company provides modern job facilities in Russian regions where dynasties of experienced specialists work; it evaluates the work of employees in a fair way and provides them with a comprehensive social package. We believe that the safety of our employees is the top priority and we do our best to provide them with comfortable work environment. Sveza develops corporate culture, provides conditions for self-realization and development within the Company. It is important to note that our social policy applies not only to our employees, but also to the territory where the Company operates. Here Sveza implements corporate social responsibility programs, provides charitable assistance, and supports social infrastructure facilities.

The main directions of Sveza CSR

- Improvement of the territories where the Company operates
- Environmental education for children and youth
- Caring for socially vulnerable groups of the population: children, veterans and the elderly
- Support for mass sports and healthy lifestyles
- Support for projects in the field of culture and art

Basic forms of CSR

- Charity and sponsorship
- Corporate volunteering
- Educational activity
- Participation in social programs within the framework of multilateral cooperation

The governance structure of SVEZA-Les LLC includes functional departments that are also responsible for economic, environmental and social topics that arise in the Group activities. The following departments are responsible for making key decisions in the field of sustainable development:






Functional unit	Area of responsibility
Department of Economics and Finance	Economic development issues
Production Department	Environmental impact and other environmental issues. Industrial safety and labor protection
Department of Organizational Development and Personnel	Human resource management, social issues related to labor relations
Department of Communications	Internal and external communications, digital communications, product promotion, corporate social responsibility, interaction with local communities and corporate volunteering
Department for Interaction with Government Authorities	Relations with authorities at all levels, including Supervisory authorities
Purchasing and Logistics Department	Issues of forest management and reforestation control, support for small and medium-sized businesses

In 2015, at the historic UN summit in New York, world leaders adopted the 2030 agenda for sustainable development and the sustainable development goals (SDG). The main responsibility for

implementing the goals lies with the UN member States. However, the United Nations assigns a crucial role to business in achieving the SDG. The UN also challenges responsible companies to align

their business strategy with the global priorities of the world community. Sveza contributes to the implementation of the new agenda, taking into account the specifics of its activities.



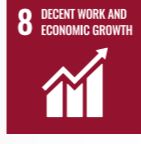

The Main Directions of Sustainable Development of Sveza

Sustainable Development Goals	Company Activities
Environmental Sustainability	
 <p>6.3 Improve water quality by reducing pollution, eliminating waste discharges and minimizing the release of hazardous chemicals and materials, halving the proportion of untreated wastewater, and significantly increasing recycling and safe reuse of wastewater</p>	<ul style="list-style-type: none"> • Modernization and construction of treatment facilities • Construction of local treatment facilities to ensure water circulation in a closed cycle • Renovation of swimming pools for hydrothermal treatment of raw materials
6.b	<ul style="list-style-type: none"> • Support of local communities to participate in improving water management and sanitation • Participation of the Company and employees in riverbank cleaning and improvement activities initiated by local communities
 <p>7.1 Ensuring access to affordable, reliably and modern energy supply</p>	<ul style="list-style-type: none"> • Energy supply to localities in the regions of presence, including using carbon-neutral fuel • Production of fuel briquettes • Provision of firewood to local residents and social infrastructure facilities
 <p>11.6 Reducing the negative environmental impact of cities on a per capita basis, including focusing on air quality and the disposal of urban and other waste</p>	<ul style="list-style-type: none"> • Timely renewal of the gas treatment plant fleet • Construction and launch of mini-thermal power plants that run on carbon-neutral fuel
11.7	<ul style="list-style-type: none"> • By 2030, providing universal access to safe, accessible and inclusive green spaces and public areas • Improvement of the infrastructure of cities and towns where enterprises are located. Improvement, construction of sports facilities and recreational areas
 <p>12.4 Environmentally sound management of chemicals and all wastes throughout their life cycle and reduction of their release to air, water and soil</p>	<ul style="list-style-type: none"> • The reduction of waste placed in landfills • Increase in the portion of raw materials used for production
12.6	<ul style="list-style-type: none"> • Use of sustainable production methods and reflecting information on the rational use of resources in reports • Preparation of sustainable development reports
 <p>15.1 Conservation, restoration and management of terrestrial and inland freshwater ecosystems and their services, including forests, wetlands, mountains and drylands</p>	<ul style="list-style-type: none"> • Sustainable forest management and management in accordance with FSC principles and criteria • Preservation of high conservation value forests
15.2	<ul style="list-style-type: none"> • Implement sustainable management of all types of forests, stop deforestation, restore degraded forests and significantly increase afforestation and reforestation • Reforestation, forest care and fire prevention activities • Countering illegal logging

Sustainable Development Goals

Company Activities



Social Sustainability

 <p>3.8 Universal health coverage, including protection from financial risks, access to quality basic health services</p>	<ul style="list-style-type: none"> • Voluntary health insurance for employees • Annual medical examinations • Medical centers at all enterprises • Payment for health resort treatment • Projects to support mass sports and healthy lifestyles
 <p>4.4 Increase in the proportion of people who have in-demand, including professional and technical, skills for employment and decent work</p>	<ul style="list-style-type: none"> • Partnerships in the regions of presence in the field of personnel training • Training sites based on the Company and specialized educational institutions • Student internships at the Company enterprises • Staff training programs • Additional professional education for employees of pre-retirement age
4.7	<ul style="list-style-type: none"> • Knowledge and skills needed to promote sustainable development, including through training on sustainable development • Environmental educational events for young people and school children • Support of student projects in the field of ecology and sustainable development
 <p>8.2 Increasing productivity in the economy through technical modernization and innovation</p>	<ul style="list-style-type: none"> • "Ideas Factory" project • Center of technological development • Using machine vision to evaluate product quality
8.4	<ul style="list-style-type: none"> • Improving global resource efficiency in consumption and production systems, and ensuring that economic growth is not accompanied by environmental degradation • Reduction of energy consumption • Reduction of water consumption • Reduction of waste generation
8.8	<ul style="list-style-type: none"> • Protection of labour rights and promotion of safe and secure working conditions • Participation in industry agreements on Russian Federation timber industry • Health and safety management system • Employees compliance with safety regulations throughout the production chain • Reducing injury rates • Social and household standard • Improving working conditions in the workplace • Virtual reality simulators for training employees in the field of safe working methods
 <p>16.5 Reducing corruption and bribery in all their forms</p>	<ul style="list-style-type: none"> • Measures to implement the Anti-Corruption Policy of SVEZA-Les LLC and related legal entities
16.10	<ul style="list-style-type: none"> • Ensuring public access to information • Publishing press releases and social media posts • Holding events for the press • Preparation of sustainable development reports

Sustainable Development Goals

Company Activities

Economic Sustainability

	<p>9.3 Increasing access of small-scale industrial and other enterprises to financial services, including low-cost credit, and strengthening their integration into value chains and markets</p>	<ul style="list-style-type: none"> Investment projects to support suppliers of wood raw materials from among SMEs through the allocation of funds for the purchase of equipment, rent or replenishment of working capital
	<p>9.4 Upgrading infrastructure and re-equipment of industrial enterprises to make them sustainable by improving resource efficiency and increasing the use of clean and environmentally friendly technologies</p>	<ul style="list-style-type: none"> Reduction of the raw material consumption coefficient at the veneer peeling stage due to the installation of new equipment and modernization of the existing one Adjustment of equipment settings and additional training of personnel
	<p>17.17 Promote effective partnerships between public organizations, between public and private sectors, and between civil society organizations, based on the experience and strategies of using partners resources</p>	<ul style="list-style-type: none"> Participation in projects aimed at solving priority problems of the presence regions

In preparation for joining the UN Global compact, the Company analyzed the Group's short-term development strategy in terms of its contribution to promoting sustainable development by minimizing negative consequences and maximizing the positive impact on the social area and the environment in the presence regions. In 2019, at the annual conference, the Company executives expressed their opinion on the Group's priority sustainable development goals in an online vote.

Six goals were later identified as priorities for 2020:

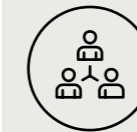
		
		

STAKEHOLDERS ENGAGEMENT 2.1

Approaches Towards Engagement with Stakeholders

We build relationships with stakeholders on the basis of equal dialogue and a balance of interests. Sveza carefully examines the views of stakeholders on issues that are important to them and applies a wide range of interaction mechanisms. The Company uses feedback channels to assess the satisfaction level of stakeholders with various aspects of their activities, determine reasonable expectations and concerns of stakeholders and consistently respond to them, including through reporting in the field of sustainable development.

The preliminary list of stakeholders included 24 categories of organizations and social groups that have an impact on the achievement of individual goals or on the work of the Company as a whole, as well as experience the impact of its activities/products. Directors of all Company departments took part in the procedure for determining the list of key stakeholders. Based on the results of the voting, a list of priority stakeholders was formed. The list below is not final and may be revised in the future.



The Key Sveza Stakeholders are:

- Customers (B2B)
- Consumers (B2C)
- Suppliers and contractors
- Employees
- State Authorities
- Shareholder
- Media and social networks (journalists, bloggers, influencers)
- Universities and educational institutions
- NGOs, environmental activists

Stakeholders	Key Interests and Topics for Interaction	Channels of Interaction
Customers (B2B)	<ul style="list-style-type: none"> Competitive price Stable supply Quality of products Responsible forest management FSC certification. For more information, see the section “Independent Forest certification” Timely delivery 	<ul style="list-style-type: none"> Bargaining Study of customer satisfaction “Voice of the Client” Handling complaints and dealing with requests Participation in industry conferences and exhibitions Client services on the corporate website Social media Media Customer events (visits to the production facilities)
Consumers (B2C)	<ul style="list-style-type: none"> Sustainable production Responsible forest management FSC certification Quality and variety of products Product safety Fast feedback in the confirmation of orders and resolution of claims Production and delivery time 	<ul style="list-style-type: none"> Handling complaints and dealing with requests Participation in industry conferences and exhibitions Corporate website Social media Media
Suppliers and Contractors	<ul style="list-style-type: none"> Transparency and accessibility of procurement procedures Sustainable production Occupational health and safety Environmental impact Compliance with labor and environmental laws Long-term partnership 	<ul style="list-style-type: none"> Corporate website Email Vis-à-vis meetings and bargaining Specialized exhibitions and business events Conferences Social media Media
Employees	<ul style="list-style-type: none"> Competitive salary and social package Safe working conditions Training and development Promotion opportunities 	<ul style="list-style-type: none"> Corporate magazine Single hot line Ethics Committee Informational meetings with management: cascade meetings and annual conference The Survey “Voice of Sveza” Collective bargaining Dialogues on goals Personnel committees Corporate Intranet portal Social media Newsletters email Information stand Corporate events Training events and trainings System of electronic distance learning Electronic library

Stakeholders	Key Interests and Topics for Interaction	Channels of Interaction
State Authorities	<ul style="list-style-type: none"> Stable payment of taxes Ensuring raw material safety Responsible forest management Research and development Compliance with legislation Deep processing of raw materials Attracting investments Participation in the socio-economic development of territories 	<ul style="list-style-type: none"> Bargaining on inclusion of priority investment projects to the lists Investment agreements Participation in the work of Advisory and expert councils under governance Participation in industry associations and business events Vis-à-vis meetings and bargaining Media
Media and Social Media (Journalists, Bloggers, Influencers)	<ul style="list-style-type: none"> Employment Environment, responsible water use and impact on atmospheric environment Economic stability Responsible forest exploitation and management Participation in the socio-economic development of territories 	<ul style="list-style-type: none"> Distribution of press releases and messages in social media Press conference Round tables Press-tours to enterprises
Universities and Educational Institutions	<ul style="list-style-type: none"> Research and development Career opportunities Cooperation in the field of personnel training for LPC 	<ul style="list-style-type: none"> Cooperation agreement Information meetings Career days Internships at the enterprises Career guidance lessons, lectures and field trips
NGOs, Environmental Activists	<ul style="list-style-type: none"> Responsible forest management FSC certification Biodiversity conservation Responsible reforestation Prevention of forest fires Resource saving Reducing negative impact on environment 	<ul style="list-style-type: none"> Publishing press releases and social media posts Round tables and conferences Public hearings Working parties

A special group of stakeholders consists of individuals and organizations that have a legitimate interest in the products and services that are generated in the process of forest management, as well as those who are interested in the environmental and social effects of forest management.

Consultations with such stakeholders are an integral part of the FSC audit and include both questionnaires and direct meetings. For more information, see the sections **“Environmental Responsibility in the Supply Chain”** and **“Supplier Social Impact Assessment”**.

Suppliers and Contractors

The purchasing direction, which is a part of purchasing and logistics Department of the management company, provides the goods and services necessary for the stable life of the Company.

The category purchases direction provides Sveza mills with basic (resins and films) and indirect materials for the plywood production. Chemical products are supplied by leading Russian

companies in the industry. Sveza signed a contract with the largest European manufacturer to purchase phenolic films used for plywood lamination. Approximately 16% of the total procurement volume, mainly in the field of services, is carried out in the regions of presence.

The investment purchases direction provides investment programs with new equipment.

It should be noted that the priority is given to the proposals of industry leaders, global companies specializing in the production of specialized equipment, regardless of their geographical location.

Taking into consideration the policy of centralization, the part of procurements in the category of "Maintenance and Repairs" is performed directly via manufacturers or

via their official representatives. Non-centralized spare parts purchases are focused on local suppliers with minimum delivery times. Approximately 36% these purchases (excluding purchases of plywood raw materials) are carried out in the regions of presence: St. Petersburg, Kostroma region, Tyumen, Sverdlovsk region, Perm region, Vologda region. For interaction with wood suppliers, see also the section **"Supply Chain"**.

Management company representatives conduct

bargaining and contract work with major manufacturers of resins and films, support business processes and implement strategic agreements. Employees from Procurement Service at mills conduct operational purchasing activities for spare parts and indirect materials for production within the framework of standard business processes (bargaining with suppliers, placing and executing orders, communication with suppliers). A special section on the corporate **website*** is open for suppliers.

Today, Sveza does not evaluate suppliers according to environmental and social criteria, with the exception of suppliers of plywood raw materials and contractors who perform various types of work or provide services on the territory of Sveza enterprises. However, approximately 70% of purchases are made by key partners who follow the principles of sustainable development and implement various initiatives to improve occupational safety and health of employees, use modern resource-saving technologies and reduce the negative impact on the environment, respect human rights and promote the sustainable functioning of the economy and social area in the presence regions. The vast majority of suppliers are ISO 9001 and ISO 14001 certified.

In June 2019, representatives of leading Finnish manufacturers of industrial equipment, services and materials visited the Sveza mill in St. Petersburg and discussed prospects for cooperation. During the same period, a working meeting with suppliers was held at the mill in Tyumen, where they were introduced to the rules of working with Sveza Company.



16%

of the total volume of category purchases are made in the regions of presence

36%

of purchases in "Technical Maintenance and Repairs" category are carried out in the regions of presence

70%

of purchases are made by key partners who follow the principles of sustainable development

* <https://www.sveza.com/suppliers/>

Customers and Consumers

One of the features of plywood market is that 90% of Sveza products are purchased by large wholesale companies, and only about 10% of the products are delivered directly to end users. Sveza clients include about 400 distributors and traders.

Customer-oriented approach has always been one of the Company's main focuses. In addition, Sveza new long-term development strategy focuses on customer-centricity.

Transformation of processes and mechanisms for working with clients is a key necessity for maintaining leadership positions. That is why we are constantly looking for solutions that allow us to strengthen our position as a reliable supplier and improve the quality of interaction with partners.

In 2019, the marketing direction was allocated to a separate Department, which is tasked with promoting Sveza products on the market, studying the needs of the industry and specific customers in order to offer them in-demand solutions.

The high quality of Sveza products is largely the result of constant communication with customers. Feedback from customers helps to adjust the operation of enterprises taking into consideration customer comments and preferences.

In turn, many customers, especially the ones from abroad, have increased demands not only towards the quality of products, but also on the environmental and social aspects of the Company's activities.

Sveza mills regularly undergo customer audits for compliance with the requirements of key customers.

In 2019, another study of the level of customer loyalty was conducted using the NPS (Net promoter score) methodology. The NPS level increased by 20 p.p. compared to the previous period (from 26 to 46%), and loyalty across all sales channels increased (by 28% on average for each channel). At the same time, the most important areas for the Company's development were specified: customer service, pricing, and logistics.



In 2019, representatives of the Korean company, as well as auditors of the Argentine Institute of standardization and certification visited the Sveza mill in St. Petersburg. Facility in Tyumen had a planned production audit conducted by German Institute for wood research.

Various channels are used to inform existing and potential customers: product presentation at specialized exhibitions, targeted distribution of materials about products and product solutions, road shows, etc.

In 2019, the Company official website sveza.com was updated while improving the site sections and launching new tools. The "Products" section is structured by application areas and has a system of filters that makes the search process easier. A feedback

service for customers with the functionality of an online store is implemented. By filling out the form, the customer can quickly contact the region sales manager, select the necessary products, specify the quantity and delivery methods.

The Company customers — wholesale buyers — are able to control the location of orders by tracking the shipped products. Currently, the system simultaneously tracks from 1.5 to 2 thousand vehicles that deliver Sveza products to customers. The service covers all export vehicles, as well as sea containers. Data is updated daily, as information is received from shipping agents. More than 150 Company customers have already joined the service. Previously, in order to find out the

goods location, customers had to send a written request to the sales Department. The new application has also an English-language interface, which makes it convenient for foreign partners.

As part of the project aimed at operational efficiency improvement, a new customer service was created — an electronic shipment queue. This logistics tool allows planning shipments evenly, minimizing downtime, and providing customers with affordable slots for transportation arrival.

A large amount of useful information is properly arranged in the "Documents" section. The website also regularly publishes news about the Company key events.

Cooperation with Employees

An open and honest dialogue with employees is the basis of Company HR policy. Various communication channels are used to get feedback.

A single hotline is designed to help employees get an answer to their question as quickly as possible, respond to a complaint or problem, and record important information or suggestions. Requests are accepted by phone, email, or through the corporate portal. The service is available 24/7 and has options either to specifying the working place and department or to remain anonymous.

All hotline calls are registered in a single database, and a responsible person is assigned for each of the requests, along with the time frame for solving the problem. In 2019, the hotline received 186 calls. Most of them were related to personnel

issues (remuneration, bonuses, and other payments). All requests were processed, and all employees who requested for help received the necessary assistance.

Any employee who faces violations of Corporate Behaviour rules and who failed to resolve the issue through their direct supervisor can contact the Ethics Committee. The request can be sent to the Committee email address. The Ethics Committee guarantees confidentiality and objectivity of the investigation. The Committee consists of:

- Organizational Development and Personnel Director;
- Business Support Director;
- Economics and Finance Director;
- Head of the Legal Department

The Committee is headed by the CEO. Members of the Committee discuss each concern separately and make a collective decision. Each situation is reviewed during one month to thoroughly analyze all aspects of the problem.

The Committee also provides guidance on the provisions of the Code of Conduct and deals with issues towards its improvement. In 2019, the Committee handled five requests from employees. One of the requests was partially confirmed, and administrative response measures were taken.

A series of cascading meetings is held on a quarterly basis, which begins with a meeting between the CEO and members of labor associations. The meeting is organized in a face-to-face format at one of the factories or



at Central office. Employees of other companies of the Group participate in it via teleconference. The meeting summarizes the results of the past quarter/year, defines priorities and sets tasks for the current period. Each employee can send a question to the CEO in advance or ask it during the conference itself and get an answer online. After the meeting with the CEO, the information is broadcasted to all employees in the course of similar events at the mills. They are conducted by enterprise directors and production managers with specific data on their business unit. Information from meetings is additionally posted in the corporate magazine, on information stands and on the corporate portal.

At the annual business conference, key managers discuss the Company results for the year and determine its development priorities. This meeting is traditionally joined by the shareholder, the CEO of Severgroup Alexey Mordashov.

“My Sveza” magazine, electronic newsletters and news feed on the corporate portal; TV screens at factories, as well as information stands are actively used to provide employees with information. At the moment, the Company is developing a single standard for the design of information stands: their outlook and content will be brought to a single format at all mills.

All employees can access the “SAP Personal Account”. Every employee, regardless of their position, can access their personal page from any computer or mobile device and get comprehensive information on personal issues: from the salary list and vacation balance to work tasks and results.



It also has the option of contacting the manager. Using personal account it is possible to plan a vacation, order a certificate from your working place and access “My Training and Development” portal which contains e-courses, books, and other useful information. For the convenience of employees, information kiosks are installed at the mills and it is possible to access the personal accounts using them.

All of the above makes it possible to adjust and improve interaction process, increases the level of engagement and motivation in the Company.

Trade Unions

The Company respects the right of employees to freedom of associations and collective bargaining. Primary trade union organizations of Professional union of forest industry workers of Russian Federation (Roslesprofsoyuz) operate at Sveza enterprises in Kostroma, Manturovo, Novator and Uralskiy.

As a member of all-Russian industry Association of employers “Union of Timber Producers and Timber Exporters of Russia”, the Company participated in the

work of Commission on collective bargaining and preparation of the draft Industry agreement on the timber industry of Russian Federation for 2018-2020.

The following issues are discussed during meetings with trade union leaders:

- Implementation of enterprises collective agreements;
- Interaction with administration to improve labor protection and industrial safety;
- Events planned in cooperation with administration;
- Work of trade union representatives in commissions and committees, etc.;
- children recreation activities, health resort treatment of employees (distribution of vacation packages).

On the role of trade unions in ensuring occupational safety and security, see section “**Trade Union Participation in Occupational Safety**”.

State Authorities

In order to turn the forest industry into an investment-attractive industry that can bring significant funds to the Federal and regional budgets, the state uses the mechanism of priority investment projects. An investor who has undertaken to build a modern deep wood processing enterprise that produces products with high added value receives a forest resource from the state without conducting auctions or other forms of competitive procedures and, in fact, at minimum rates for renting forest plots.

Sveza is in constant dialogue with Federal and regional authorities, including issues of improving the investment attractiveness of the industry, ensuring the Company's raw material security, and implementing its own priority investment projects. Plans for significant investments in the development of existing or new production facilities are accompanied by signing of cooperation agreements with regional authorities.

Thus, in 2018, an investment agreement was signed between

Sveza Manturovo NJSC and administration of Kostroma region. The Company confirmed the implementation of investments in the amount of 1.77 billion rubles for the modernization and expansion of the plywood mill operating in the region and completed the project on time. Under the terms of the agreement, the Company was granted tax and other benefits, as well as most-favored-nation treatment in the field of forest development.

In Perm region, the list of priority investment projects in the field of forest development includes the "+40" project, which provides for the expansion of production at Sveza mill in Ural region. Modernization of existing lines will increase the production of birch plywood by 40 thousand m³ per year, as well as increase labor productivity, energy and environmental efficiency of the enterprise. 3.5 billion rubles have been invested in the implementation of Sveza modernization projects in Uralskiy, including 2.4 billion rubles for the construction of a mini thermal power plant.



In order to evaluate how investors comply with their obligations and to determine the status of projects that have received priority status, on-site inspections are conducted by an interdepartmental Commission that includes representatives of Russian Ministry of industry and trade, Federal forestry Agency and regional Executive authorities.

Participating in work of advisory and expert structures, Sveza conducts a dialogue with the state on issues related to the effectiveness of state forest management, law enforcement of forest legislation, protection of forest resources.

Company representatives participate in the following activities:

- Council for the development of forest complex under the government of Russian Federation;
- Expert Council on forestry, woodworking, pulp and paper industry under the Committee on economic policy, industry, innovative development and entrepreneurship of State Duma;
- Working group on improving forest legislation under the Federation Council;
- Expert Advisory Council for the development of the forest complex of the Ministry of industry and trade of the Russian Federation;
- Council for development of forest complex under Governor of Vologda region.



Business and Public Organizations, Participation in Industry Events

In order to keep abreast of the best world market practices, to exchange professional experience and to participate in industry effective solutions, we participate in activities of specialized public organizations and industry associations.

Sveza is a member of The European Panel Federation and is a Member of The Lignin Club, an organization that unites participants of the forest industry who are interested in creating a global ecosystem for the use of lignin.

In Russia, the Company is a member of the following associations: the Union of timber producers and timber exporters and the Association of furniture and woodworking enterprises in Russia.

In 2019, Sveza joined the "National Working Group on Voluntary Forest Certification" association, which unites all parties interested in developing FSC certification in Russia. Membership in Association allows the Company to have a greater influence on the Association activities both at the national and international levels, to quickly obtain the necessary information and to build professional contacts with colleagues.

In 2019, Sveza also started the process of joining the UN Global compact and joining the "National Global Compact Network" Association in Russia, which was successfully completed in early 2020.

Although not a member of these organizations, Sveza actively cooperates with the Russian chamber of Commerce and industry and the Association of paper industry specialists, as well as with the Russian Union of Industrialists and entrepreneurs.

At the regional level, the Company enterprises are part of the chambers of commerce and industry of St. Petersburg, Kostroma, Vologda, Sverdlovsk and Tyumen regions, and Perm region.

In September 2019, the Company management met with representatives of the largest production enterprises of Cherepovets district at the premises of St. Petersburg Sveza mill, on the

initiative of Cherepovets city branch of the Union of industrialists and entrepreneurs of Vologda region. The delegation got acquainted with Sveza mill in St. Petersburg and discussed the prospects for

cooperation. The Company was also visited by a delegation of Tallinn business club.

The mill in St. Petersburg was widely represented at the



In 2019, Sveza Group Participated in More than 50 Industry Events, Including:

- Russian Championship “Logger of the 21st Century” in the village Oktiabrskiy, Arkhangelsk region;
- National Forest Forum in Tyumen and Perm;
- St. Petersburg International Timber Industry Forum;
- Second World BioEconomy Forum in Finland;
- Nothern Light Summit;
- Conference of the National working group on voluntary forest certification;
- Round table of the Association of furniture and woodworking enterprises “Prospects of the Plywood Industry in Russia 2019–2023”, etc.

In addition, the Company products were presented at international exhibitions MosBuild/WorldBuild (Moscow, Russia), Branchentag Holz (Cologne, Germany), AWFS (Las Vegas, USA), Kormarine (Seoul, Korea), TIMBER ISRAEL 2019 (Tel Aviv, Israel), Cairo WoodShow (Cairo, Egypt), BATIMAT 2019 (Paris, France).

IV Business forum of industrial enterprises and entrepreneurs of the Kolpinsky district. An exhibition of the Company products was organized for applicants, partners and students, and the mill Director D. Alekseev made a speech at the plenary session dedicated to supporting business and entrepreneurship.

The CCI of Kostroma region issues certificates of origin, as well as certificates of expertise for clients of Sveza Manturovo NJSC. Sveza mills are also part of the Union of timber producers and timber exporters of Kostroma region.

As a member of “Timber Producers of Prikamye” Association, Sveza is actively involved in planning projects of local regulations on development of wood production complex of Perm region and organization of joint profile events.

In April, a field meeting of participants of the National Forest Forum was held on the territory of Sveza mill in Tyumen. The Company production site was visited by more than 50 guests, including representatives of government authorities, business, industry associations and academia. Tyumen mill is also a member of the Union of builders-employers of Tyumen region.

Universities and Educational Institutions

Timber industry enterprises have been experiencing significant personnel problems in recent years. The number of secondary professional education institutions is decreasing, the number of students who are obtaining the specialties needed by the industry in higher education institutions is decreasing, and timber industry is not considered prestigious among young people.

Sveza is constantly growing and developing: its production capacity is increasing and new directions are opening up. In order to guarantee the stable development of the Company and create a personnel reserve, Sveza calculates the need for personnel for several years to come. Implementing a program to improve personnel security, the Company systematically interacts with higher and secondary

specialized educational institutions that are located near the mills and offer targeted training in technical specialties. However, there is still a gap in the training system for future specialists in timber industry between the training programs and the real needs of the industry. To overcome this gap, companies of timber industry complex need to combine their efforts.

The new educational platform can help provide specialists with specialized education for several new Sveza projects in Vologda region: its own logging and expansion of production at the Company mill in Novator. In addition to training, the technical school will provide advanced training and professional retraining for specialists of enterprises participating in the agreement on establishment of a training ground.

Summer Internship Program

Sveza has a summer internship program for University students and graduates, which provides an opportunity to observe how the Company is operating from the inside. The three-month program is aimed not only at students of specialized universities related to logging, but also at future managers, accountants and administrators. Only the best candidates who have successfully passed the video interview, testing, and office interview are invited to the internship.

The interns do not just perform routine duties, but they are also involved as full-fledged participants in the work process. Each trainee must prepare and defend a project aimed at solving a specific problem that the Company is facing. The trainee works in a team of

Strengthening the Material Base of Educational Institutions

In Vologda region, a training ground is being equipped on the basis of Cherepovets forestry and mechanical technical school named after V. P. Chkalov with the participation of Sveza and a number of other companies in the industry. Sveza invested 2.25 million rubles. Thus, the Company made it possible to establish training laboratory for automation of technological processes for training in the specialties “Automated Process Control System”, “Locksmith” and “Electrician”.



experienced specialists, and their ideas are corrected and refined together with other members of the team. After successful defence, they can get a job offer. The summer internship program helps to improve the quality of technical education and reduce the gap between the education system and the actual needs of production.

At Sveza mill in Kostroma, students were trained at production sites, in the technology and quality service, the business support service, and the technical service. In 2019, seven students of Kostroma state University took part in the summer internship program.

The target program of summer internships is also held at the Sveza mill in the village of Novator in Velikiy Ustyug district. Senior students, master students, and University graduates are invited to participate. In 2019, ten students participated in the summer internship program by joining the team of mill employees with official salary and their own work places in the technical service, business support services, business system development, labor protection, industrial safety and ecology.

In 2019, Sveza mill in Tyumen joined the summer internship program and hired first students. More than 150 applications were submitted for five open positions from leading regional universities — Tyumen State University, Tyumen Industrial University, Tyumen Agricultural University of the Northern TRANS-Urals. The trainees worked in the labor protection, industrial safety and environment service and in the service for organizational development and personnel. Graduates of specialized educational institutions can complete summer internship with the possibility of further employment at St. Petersburg Sveza mill. In the reporting year, 12 people were trained in various services of the mill. In addition, the mill has started cooperation with St. Petersburg State Forest Engineering University named after S. M. Kirov. About 40 University students have already visited the mill with a tour. Open days are held twice a year at the mill, when schoolchildren, students and their parents can get acquainted with the Company activities. Sveza mill in Uralskiy has started

to solve personnel problems in cooperation with one of the local schools, as well as the Ural State Forestry University, one of the leading universities in Russia in the system of training personnel for the forest, chemical, and pulp and paper industries. The goal of the partnership is to increase interest in the timber processing industry among young people, as well as to implement the knowledge gained in the course of training. In March 2019, Sveza employees took part in informational meeting with II-IV year's students from Ural Institute of Forestry Business and Road Construction and the Institute of Forest and Nature Management. Company representatives told the meeting participants about the summer internship program.

A total of 52 people have already taken part in the summer internship program, including 19 people in 2019.

In order to introduce students to the Company, its products and available vacancies, to tell young people about the advantages of employment in the industry, Sveza specialists conduct active career guidance. They use various platforms: they take part in job fairs, open days of higher educational institutions, organize and conduct tours to production facilities.

In order to demonstrate students what exactly is engineering work in timber industry, the Company is preparing a series of videos about prestigious and highly paid specialties in the industry.

The head of Sveza Business System in Manturovo mill held two classes for students of Manturovo and Sharyinsky technical schools on the topic of using Business System tools and lean production.



WorldSkills Russia 2019

Sveza in Kostroma has been helping organizers to prepare competition sites for participants of regional WorldSkills Russia (“Young Professionals”) competitions for several years. In 2019, competitions were organized in 20 core competencies. The total number of students involved in the event was about 200 people. The mill provided assistance in equipping booths for the “Electrical Installation” and

“Electrical Work” competencies. As part of the championship, Sveza Company information stand was organized on the basis of specialized educational institutions. All those wishing were told in detail about the development programs that the Company offers for its employees. About a dozen students studying in the specialty of “Electrical Installation” filled out the intern questionnaires right there during the event.



Students of Tyumen forestry engineering school and technical school of construction industry and urban economy visited Sveza mill with a tour. Future carpenters and woodworkers listened to the technologist lecture and had a chance to observe eco-friendly wood processing. The event coincided with International Forests Day.

Career Guidance for Students

The Company is interested in attracting young professionals and increasing the prestige of working and engineering professions. Career guidance activities help students decide on their future profession. Special attention is paid to working with high school students.

During the year, career guidance tours for high school students and students were held at all the mills. The “Day Without a Turnstile” campaign is aimed at implementing the early career guidance program for young people. In September, employees of Sveza mill in Verkhnyaya Sinyachiha conducted a series of

tours for high school students in the city of Alapaevsk, Sverdlovsk region. In addition to exploring the options for future professions, students were told about the unique economic potential of the region territories, the history of Sveza Group, its products, and the areas of plywood application. Sveza mill in Kostroma also traditionally took part in the “Week Without a Turnstile” campaign and held a series of career-oriented tours to the mill. During the summer holidays, children of the mill employees were given master classes on plywood production.

Five career guidance tours were conducted at the mill in Tyumen in 2019, and seven — in Manturovo. The tours for students of Uralskiy and Nitvensk towns were carried out on a monthly basis at Uralskiy mill.

At the beginning of 2019, Sveza mill in Uralskiy, Ural Forestry Engineering University and Uralskiy Village School signed a three-way agreement aimed at creating favorable conditions for professional orientation and environmental education of

schoolchildren. As a result of cooperation within the framework of the professional guidance program “School — University — Enterprise”, students acquire the necessary applied knowledge at the stage of pre-university training, which must meet the needs of real production. In spring, Uralskiy schoolchildren presented their research papers on responsible wood processing at the National Forest Forum in Perm. In summer, a group of students participating in the pre-university training program of Ural Forestry Engineering University took part in a four-day training tour to the mill and studied all the stages of plywood production.

The Company is implementing a large-scale training and development program at the Sveza mill in Saint Petersburg. As part of the open days held twice a year, schoolchildren, students and their parents can get acquainted with the activities of the mill.



GOVERNANCE

3

390 MILLION RUBLES

invested by Sveza in projects aimed at improving technology and product quality

351,9 MILLION RUBLES

economic effect from the implementation of proposals of the "Ideas Factory" program in 2019 (199 million rubles in 2018)

No 1

First place in the average Media Index among the top-4 companies in the industry

44%

of Sveza employees became the authors of ideas, a total of 5,170 proposals were implemented

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GOVERNANCE STRUCTURE

3.1

Sveza Group includes 18 private organizations, including both non-public joint-stock companies and limited liability companies. The Group is based on seven manufacturing companies that produce plywood products and particle boards. In addition, Sveza Group includes organization that deals with the procurement of raw materials, and a trade organization that also serves as a management company for the Group production enterprises.

The management of production enterprises operating performance, as well as determining the organization values and strategic development direction of Sveza Group is carried out by the sole Executive body, management company, SVEZA-Les LLC. The function of the sole executive body of management organization in SVEZA-Les LLC,

is performed by CEO. CEO is appointed by Company participants. Candidates for the positions of functional directors of management company are suggested by the Department for organizational development and personnel, and approved by CEO. Since January 11, 2017, A. S. Frishman is the CEO of Sveza Group.

In accordance with the legislation and charters of industrial enterprises, the Company mission is determined by the main shareholder (participant).

Production enterprises for the production of plywood and particle boards (branches) are managed by directors. Directors of production enterprises are subordinate to the Operations Director, directors of functional divisions of the management organization SVEZA-Les LLC are subordinate to the General Director of SVEZA-Les LLC. Through the regulations on branches, job descriptions and issued power of attorney they are delegated with authority, as well as with responsibilities for solving economic, environmental and social issues. Branch directors, in turn, delegate responsibilities and authority to their subordinates responsible for the relevant areas of activity, through orders, memorandums, service instructions and powers of attorney.



BUSINESS SYSTEM

3.2

To create a sustainable competitive advantage, the Company implements its own way of conducting and improving business at all Group enterprises, which are called Sveza Business System (SBS).

A business system is a set of management principles, tools and practices that operate at all levels and are based on a culture of continuous improvement. The main goal of SBS is to increase the efficiency of all processes and involve each employee in the process of achieving the Company goals. The SBS implementation process is managed by the management company business system development Department, and at enterprises it is managed by the mills business system development services.

The SBS contains a number of practices and tools that help to improve business efficiency.

Shift Meetings

Meetings at the beginning and at the end of a shift, which provide shift feedback to the foreman and allow to find out the reasons for the deviation from the schedule and determine the activities for the next shift

Problem Solving Board

A tool for fixing and organizing the process of solving problems that interfere with work. Available to all employees

Kaizen Teams

Working in a group to solve a specific problem related to quality, productivity, safety and working conditions, etc.

Manufacturing Competition

Organization of focal improvements of production KPIs by involving employees in competitions. Determination of the shift that provided the best quality (cost) indicators. The winners receive a cup and material rewards

Ideas Factory

A program for collecting and implementing employee suggestions for improvement

5 C

An efficient workplace organization system that helps to reduce operational time

Two-Tier Bonus System

A system that motivates to achieve ambitious goals through monetary incentives. Upon reaching the basic goal for key performance indicators, the employee receives a bonus, if an ambitious goal is achieved the employee receives an increased bonus

Standard Operating Procedure (SOP)

A document describing the optimal course of production operations, the lead time, as well as the tools and PPE necessary for this process

This set of tools is basic and is used in all production divisions of the Company. To respond quickly to external factors and requests the Department for Development of Business Systems engaged in the exploration and implementation of new tools.

The projects implemented in 2019 using SBS tools resulted in improvement of production, technological, and logistics processes and operations, improvement of product quality, and cost reduction.



Effective application of Business System tools helps Company to achieve its goals in the field of sustainable development. In particular, due to SBS, Sveza employees have the opportunity to:

-  earn more by improving production indicators, simple and clear payment system
-  get more satisfaction from work
-  learn and develop professionally
-  improve working conditions and improve safety level in the workplace
-  provide career growth
-  achieve goals

INNOVATION MANAGEMENT 3.3

Severgroup enterprises, Sveza Company being among them, introduce “Ideas Factory” — a system for collecting and implementing innovation suggestions from employees. Any Sveza employee has an opportunity to suggest an idea for improving any process.

An idea is a suggestion that provides for a new design or modification of an existing product design, modification of production technology, as well as a new organizational suggestion that saves material and financial resources. All incoming ideas are registered in a special system

that makes it possible to replicate the best suggestions at other enterprises of the Group. Members of the technical Council, including the supervisor of suggestion initiator, the technologist and the technical service employee, collectively decide on the implementation, rejection or submission of the suggestion for revision. The initiator is provided with feedback.

Approved ideas are rewarded with a cash bonus, and if the economic effect is confirmed, the employee receives an additional reward of up to 10% of the achieved savings amount. The winners from mills

participate in the corporate contest “Best Idea”, and according to the annual results they are getting awarded by the General Director of Sveza-Les LLC managing organisation.

Based on the results of 2019, 44% of Sveza employees became initiators of ideas and a total of 5,170 proposals were implemented



351.9 MILLION RUBLES ↑

the confirmed economic effect from implementation of suggestions from “Ideas Factory” program in 2019

199 mln rubles in 2018

96.5 MILLION RUBLES

worth projects are currently in the process of implementation

Technological Development Centers

Those employee suggestions that require significant financial investment or technical development are transferred from “Ideas Factory” to Technological Development Center (TDC). The first center of this kind started to operate as a pilot project in the second quarter of 2019 at Sveza mill in St. Petersburg. The task of the center is to search, analyze and implement innovative solutions in the Company aimed at improving the efficiency of the technological process, launching new products and reducing costs. In September, the mill hosted an IT&Digital workshop dedicated to the latest information technologies and their role in the development of Sveza production process. It was also attended by Severstal and Siemens digitalization experts. During the workshop, 98 ideas were suggested, 16 of them were accepted for consideration by the mill TDC.

In total, during its operation, the technological development center in St. Petersburg processed 312 ideas, 73 of them were accepted for further study. For 55 projects, a preliminary calculation of the financial model was made with the planned economic effect of about 1,595 million rubles per year. Seven investment projects and two projects that do not require investment were defended by the investment Committee with a confirmed effect.

The second TDC was opened at Sveza mill in Kostroma.

Digital Innovation

The trend towards digitalization in various fields of activity has also affected such a conservative industry as the timber industry. In the first quarter of 2019, the Company launched a recruitment system based on the Sever.AI platform using artificial intelligence.

The HR robot selects candidates for the positions of production manager and sales support specialists. The application provides round-the-clock replenishment of the database of applicants, reducing time resources for searching, analyzing questionnaires and conducting interviews.

At the mill in Kostroma, the Company launched a virtual training simulator for practicing safe actions of personnel on the most traumatic machine — a birch veneer dryer. With the help of virtual reality glasses, employees of the Company acquire skills of safe behavior when working with this equipment. Virtual training helps to eliminate the possibility of an accident in real conditions. In the near future, the development will be applied also at other Sveza mills.

The Company is implementing an innovative project to detect defects using machine vision. Using a database of thousands of photos,



experts train the camera to “see” defects and to accurately classify plywood sheets by sorts. Sveza mill in Manturovo (Kostroma region) was selected as a test site for using this system.

Participation in Research and Development

While building its development strategy, Sveza is actively searching for new opportunities to produce products from renewable forest resources using the most advanced methods of mechanical and thermochemical wood processing. In 2018, Severstal created a separate department for development of venture projects in the field of new production technologies and materials — Severstal Ventures. Due to being a member of Severgroup, in addition

to traditional forms of collecting and processing ideas within the Company, Sveza interacts with the infrastructure of the best industry startups around the world through a corporate venture Fund.

Along with other companies that are global leaders in the timber processing industry, Sveza participates in the program of the industry-leading Finnish state scientific and technical research center (VTT). The program is aimed at searching for an alternative to plastics based on the use of wood fibers. Sveza has also joined an international program for developing cost-effective applications of lignin, one of the two main substances that make up wood, along with cellulose. Lignin is world number one renewable materials as per the amount of

its existing stock, and it is still practically unused.

The updated strategy of the Company also involves expanding the production portfolio and developing a whole line of modern biological products. For more information, see the section **“Waste Management and Production of Biological Products”**.

QUALITY MANAGEMENT 3.4

Sveza Group applies a single quality management system (QMS) for all its mills. The QMS of five mills meets the requirements of ISO 9001:2015 standard and is approved by independent certification bodies*. Each mill has developed a quality policy, defined the goals and objectives of the management system, and developed the main processes in the form of documented procedures. At the management company level, quality issues are the responsibility of the Operations Director and the head of technology development and quality assurance, and at enterprises – the heads of technology and quality services.

The mill production control systems are certified according to the 2+ system in accordance with the requirements of the European standard EN 13986:2004+A1:2015, which is confirmed by certificates and protocols of regular Supervisory audits.

Sveza's quality standards are harmonized with Russian GOST (all-union state standards) 3916.1-2018. Sveza plywood successfully passes regular tests in foreign laboratories* and meets international quality standards:

- EN 636:2012+A1:2015;
- EPA TSCA Title VI;
- CARB ATCM;
- DIN 68705-3:1981 (BFU 100).

* TUV NORD (at the mill in Saint Petersburg), TUF CERT together with TUF THURINGEN, etc.

** MPA Bremen, MPA Eberswalde, PFS TECO.

Requirements for Flexural strength, tensile strength, and cleavage meet European standards (EN). Confirmation of conformity gives the right to apply the CE certification mark in the product marking. Sveza products meet Russian, American and European requirements for formaldehyde content. For more information, see the section **“Environmental Characteristics of Products”**.

At the mill in Saint Petersburg, plywood is certified according to the Mark III system for transportation and storage of liquefied natural gas. The full list of certificates confirming compliance of Sveza products with international quality standards is available on the Company website.

In order to maintain a high level of quality, a systematic approach to problem solving, multi-step monitoring, and an 8D methodology are used to identify underlying deficiencies. Today, Sveza mills are equipped with the most advanced technologies and systems to maintain a stable

quality of products. The main part of the production capacity is new or upgraded equipment from leading European manufacturers.

In order to improve the consumer properties of products in 2018, the Company adopted a comprehensive investment program for quality. As part of the program, all production sites of the Group are equipped with modern control and measuring devices-moisture meters and multi-channel flaw detectors that can detect hidden defects. The introduction of innovative control methods allows not only to eliminate defects, but also to prevent their occurrence.

In 2019, Sveza invested about 390 million rubles in projects aimed at improving technology and product quality.



“Defect-Efficiency” Project

In order to minimize the production of defective products and quality losses, the “Defect-Efficiency” project was launched at Uralskiy and Novator mills in 2019. The objective of the project teams was to implement a systematic approach to solving problems that prevent defect reduction, involve all staff in the improvement process, and reduce the level of internal defect by a third compared to the previous year. During the project implementation, personnel surveys, technical audits, visual control of deviations, “Quality Day” and other methods of Sveza Business System were performed. The “Quick Victories” method, aimed at finding solutions that do not require major technical changes or financial costs, showed

high efficiency. The project will be implemented at all other Company mills during 2019–2020.

It is expected that results of the project are going to help reducing the level of defect in 2020. The project success breaks the stereotype that 0% defect level is an unattainable goal.

As a result of the “Defect-Efficiency” project for 2019, the defect rate across the entire Sveza Group decreased by 29% compared to the results of the previous period (from 2.2 to 1.56%).

CUSTOMER-ORIENTED APPROACH

3.5

Customer-oriented approach is one of the five key values of Sveza. We are constantly looking for solutions that allow us to strengthen our position as a reliable supplier and improve the quality of interaction with partners. Moreover, the new development strategy of the Company already refers to customer-centricity, which means providing the highest value for the client at optimal costs for the Company.



At the same time, the Company focuses both on product innovations, introducing technically new or improved products, and on process innovations, mastering new technologies to improve production efficiency and commercialization of products.

Sveza marketing strategy is aimed at strengthening its market position in key segments and application fields. The stability of the Company position is achieved largely due to the broad diversification of the product portfolio, as well as individual approach to customers in different markets.

We strive to produce personalized products for different consumers, responding to a wide range of requests. Sveza Group portfolio includes 14 own plywood brands. These are special products that have distinctive characteristics and are designed to meet the requirements of end users. The Company strives to constantly increase the share of specialized high-margin products designed for the specific needs of specific industries and customers.

At the mill in St. Petersburg, the flagship of Sveza Company for the production of specialized products, a new line for the production of products with the application of UV-treated coatings was put into operation in 2019. The unique technology makes plywood particularly strong, resistant to mechanical damage and exposure to sunlight. The whole process is fully automated and absolutely eco-friendly, because unlike traditional lacquers made on the basis of

organic solvents, UV-lacquers are completely non-toxic. Such products are in demand in the furniture industry, the production of toys, furniture parts and interior elements. Earlier, this Company launched a CNC machining center with a replaceable shop for manufacturing parts of any shape and complexity from plywood boards.

In 2019, Sveza launched a new product SVEZA Hexa — birch plywood with anti-slip coating and embossed in the shape of a regular hexagon. The product is intended for floors of low-tonnage commercial vehicles, as well as warehouses, children, sports and concert grounds. It has a high level of wear resistance and anti-slip properties. The new product will help the Company to expand its portfolio of products exported to the markets of Europe, North America and Asia.

Transformation of processes and mechanisms of work with clients is a basic element on the way to maintain a leading position in the market of birch plywood.

Sveza cooperates with more than 150 carriers, using different types of transport for transportation of raw materials and finished products. To ensure high-quality and timely delivery of orders, the Company uses a single logistics platform. In addition to road transport, the multimodal transport was also included in the unified information environment in 2019. Increasing the level of automation of Sveza transport logistics is an important step in improving customer service. It also made it possible to optimize work with road carriers, reduce the impact of the human factor and reduce transportation costs.



ETHICAL BUSINESS CONDUCT AND INFORMATION TRANSPARENCY

3.6

Anti-Corruption

Sveza operates in a highly competitive market, and this competition increases every year. Nevertheless, the Company attaches great importance to conducting business in accordance with generally recognized ethical standards, rejects unfair competition and considers any cases of bribery and corruption on the part of employees or business partners unacceptable. Since 2014, the Company has been implementing the **Anti-Corruption Policy** of SVEZA-Les LLC and related legal entities.

In the first place, the policy regulates employee behavior in areas such as gifts and representation expenses, hiring officials, and interaction with third parties. The policy also regulates the procedure for evaluating organizations, individual entrepreneurs and individuals who are planning to provide sponsorship or charitable assistance.

In addition to the policy, anti-corruption articles contain the **Code of Conduct for Sveza Employees**, as well as the **Code of Business Partnership** that is currently being developed.

All new employees of the Company must be informed with the requirements of the policy within ten days from the date of starting work in the Company. The electronic document management system has a mandatory e-learning course on Anti-Corruption Policy. In 2019, 48 managers and specialists attended the distance course "Anti-Corruption Policy".

Employees of the Company are required to report any known cases of bribery and corruption, as well as violations of the policy, to the immediate supervisor, to the ethics Committee or to the Business Support Service (BSS), which assesses risks and monitors compliance with the policy. Employees who inform BSS about a corruption violation committed against them may be rewarded.

The main corruption risks are related to committing illegal actions to the detriment of the Company's interests and in the interests of third-party legal entities and individuals in exchange for illegal remuneration (effecting the results of the tender, granting preferences in the form of more favorable prices compared to competitors, additional volumes, concealment of poorly performed work, failure to submit penalties, etc.).

BSS provides prevention, detection and suppression of violations of corporate principles and legislation of Russian Federation by employees and contractors resulting from imperfect processes within the Company, negligence and lack of proper control by managers and responsible persons.

The following preventive measures are used:

- inclusion of an anti-corruption clause in contracts with contractors that provides for penalties for unfriendly influence;
- periodic audit of contracts in which the initiators omitted the inclusion of an anti-corruption clause;
- signing non-disclosure agreements for confidential information;
- BSS participation in tender procedures;
- sending letters to contractors about the need to comply with the requirements of anti-corruption policy and legislation;
- BSS meetings with contractors on the subject of violations and abuses;

- random checks of employees, candidates and contractors;
- entrance control during employment and periodic psychophysiological examinations.

Violation of the policy is fraught with disciplinary measures for the Company's employees, including dismissal, and for contractors who have been caught in corruption, criminal, civil or administrative liability measures in accordance with the legislation of Russian Federation. BSS prepares reports on the results of internal audits, which it introduces to the Company's management, and in some cases sends applications to the internal affairs bodies.

For example, during the tender process, one of the contracting organizations attempted to bribe a procurement specialist at Sveza mill in St. Petersburg. The employee contacted the security service, which promptly responded and attracted representatives of law enforcement agencies. In 2019, the head of the contractor company and his representative were fined a large sum by a court decision. Penalties in accordance with the terms of the contract were also applied to one of the suppliers for attempting to commercially bribe the controllers of the Sveza raw materials warehouse in Uralskiy for loyal acceptance of raw materials that do not meet the quality requirements.

In 2019, according to the materials of the BSS inspections, two criminal cases were also initiated: on collusion between the bidders for asphaltting the territory of the mill in Manturovo and against an employee of one of the supervisory agencies who issued phytosanitary certificates without conducting an inspection of products in the interests of a timber supplier to the mill in Verkhnyaya Sinyachiha.

Sveza Mill in Novator Joined the Charter in the Area of Wood Turnover of Vologda Region

The Anti-Corruption Policy is mandatory for all companies of the Group. In addition, some mills participate in various regional anti-corruption initiatives. Thus, Sveza mill in Novator joined the Charter in the area of wood turnover of Vologda region. The Charter is a joint document of the government and the business community on countering illegal actions on the forest products market. The Charter participants guarantee perfect transparency of their business, confirm their commitment to the principles of fair competition, and undertake to pay taxes on time and in full. They take the obligation to show good faith when choosing a



counterparty or cargo carrier, to purchase forest products directly from producers, processors, commission companies or other bona fide participants, including those who signed the Charter, as well as to comply with the

requirements of the legislation of Russian Federation when transporting forest products by road.

Information Transparency

Sveza strives to develop integrity in terms of interaction with society. In 2018–2019, the management company established a Corporate Communications Department and formed a team in the presence regions, which was tasked with building relationships with all stakeholders: employees, customers and partners, as well as local residents.

We encourage effective communication with the external environment and actively use all possible communication channels: TV, print and online media, social media, speaking at public events, and publishing reports.

Any information about Sveza operation can be found in official resources of the Company, it is also available upon request in a

free format. We try to maintain a high level of transparency and constantly interact with the media: we send out news about events and new projects of Sveza, prepare comments, organize press events and public speeches of the Company experts. We always respond to requests from the media and disclose as much information as possible, taking into account the fact that Sveza is not a public company.

In all our communications, we strive to comply with ethical standards and rules of corporate behavior, demonstrate transparency and show respect for human dignity.

For more efficient use of resources and achieving a synergistic effect, the Company has implemented

an integrated communications strategy that provides for active cooperation of all services that interact with the external environment. In 2019, in order to organize effective communication with target groups, the Company official website sveza.com was updated.

In 2019, the Group share in the information field among the leading companies in the industry increased from 10% to 14%. Publications about the Company are published in three dozen of federal, regional and industry media. 39% are positive materials, 59 % are neutral materials.

Sveza has accounts on [Facebook](#), [VKontakte](#), [YouTube](#) and [Instagram](#). The total coverage of information posts on the



14,000

visitors per month on the Company official corporate websites sveza.ru and sveza.com

2,737

publications (+18 % in 2019), were published according to Medialogia.*

No 1

The best average media Index among top 4 companies in the industry.

* <https://www.mlg.ru/>

Company official social media accounts is more than 11 million people per year.

The Company businesses are open to journalists and representatives of other interested parties.

In March, bloggers with over thousand followers, participants of “Opening Russian Silver Necklace” project, visited the production and Museum of Sveza mill in Novator to prepare posts in top blogs. The total of 38 different events took place in the mill museum in 2019 and about 600 people visited it. “Channel 12 Cherepovets” production team prepared the story on implementation of “Novator +52” project for a documentary about development of Veliky Ustyug.

In 2019, Sveza Company became a partner of Earth Hour, an annual international campaign of the World Wildlife Fund (WWF), which aims to draw attention to the careful attitude to nature and the problem of climate change. In March, Sveza Group social media account published a series of video interviews with company employees, in which they talked about their attitude towards environment.

In April, participants of the National Forest Forum in Tyumen visited Sveza mill. The Company production site was visited by about 50 guests, including representatives of government authorities, business, industry associations and academia. On the second day of the forum, one of the key topics of discussion was responsible attitude to forest resources and their effective application. The Company specialists told about the voluntary certification of the supply chain of timber products to the mill under FSC system and about plans to modernize and increase the production capacity of Tyumen enterprise.

In September, immediately before the Day of Forest and Timber Processing Industry Workers, representatives of Sverdlovsk mass media visited Sveza mill in Verkhnyaya Sinyachiha. After the Company presentation, visitors were given a tour to the production facility, in modernization of which significant funds have been invested.

In October, Sveza initiated and organized a round table on “Socially responsible environmental management in Kostroma region:

experience and best practices” topic. Representatives of state authorities, industrialists, heads of NGOs, scientists from Kostroma and Vologda regions met to share best practices in the field of environmental protection and responsible nature management. With the participation of media representatives and regional authorities, the mill held presentations of new equipment twice.



In December, Uralskiy mill and “Kommersant-Prikamye” newspaper held a business lunch to discuss environmental issues of forest management. The meeting was attended by representatives of the Ministry of Natural Resources of Perm region, the charity environmental Fund “Inhabited Ural”, members

of “Timber Producers of the Kama Region” association and other public members. Denis Maltsev, Director of Sveza mill in Uralskiy, and Alexander Protchenko, Head of the Forest Management Department at SVEZA-Les LLC were presenting speeches at the meeting.



GREEN PRODUCTION

4

>1 MILLION

trees planted by the Company in 2019

230 MILLION RUBLES

the total expected economic effect of environmental projects aimed at energy saving by 2025

240 MILLION RUBLES

invested in the implementation of environmental projects from 2016 to 2019

39 MILLION RUBLES

invested in forest fire prevention

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SUSTAINABLE FOREST MANAGEMENT

4.1

Forest Management

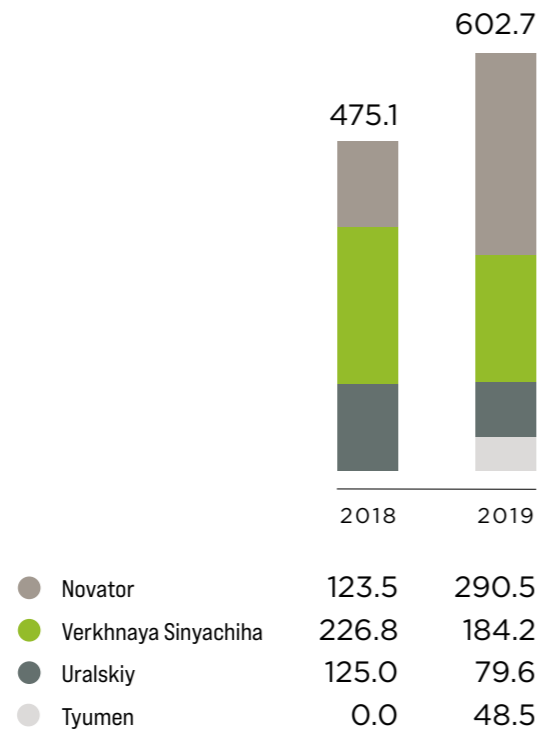
Sveza Group has a long-term lease of forest areas with a total area of 457 hectares with a total estimated wood-cutting area of 989 thousand m³ in four regions of Russian Federation: Vologda, Tyumen and Sverdlovsk regions and Perm region. General management of forest operations (strategy, development, budget and control functions) is carried out by the employees of the Forest Management Department in the Central office in Saint Petersburg. In each region, there are also regional forest managers who perform control functions over forest management.

Logging and forestry work on leased forest plots are carried out by contractors. By involving local contractors, Sveza provides jobs for the population and provides opportunities for development of small and medium-sized enterprises in the forest sector in the presence regions. In Vologda region, the management of leased land plots is carried out by Sveza Resource LLC, a private logging Company established in 2019.

Number and Area of Leased Plots in 2019

Mill	Number of lease agreements	Total area, ha
Novator	6	97,080
Uralskiy	1	41,964
Verhnaya Sinyachiha	2	130,240
Tyumen	3	175,939

Actual Procurement, Thousand m³



Sveza is in the process of obtaining additional forest plots for priority investment projects in Uralskiy (annual estimated cutting area of 322 thousand m³) and Manturovo (annual estimated cutting area of 175 thousand m³). Both investment projects have been approved at the regional and federal levels and are at the stage of rights registration to receive forest plots for rent.

Sveza annually organizes the construction of logging roads for the operation of leased forest plots.

Volume of Road Construction and Exploitation, km

Mill	Year	Construction	Repair and reconstruction	Content
Novator	2018	2.4	0	0
	2019	1	1.6	0
Uralskiy	2018	0	0	0
	2019	0.3	0.8	22.7
Verhnaya Sinyachiha	2018	6	22,7	23.55
	2019	9.1	24	30.75
Tyumen	2018	1.6	30.3	195
	2019	1.5	25.1	195



Reforestation Works

Forest restoration is one of the most important areas of the Company forest policy. We conduct forestry in accordance with the principles of responsible forest management and carry out a full range of reforestation activities on leased forest plots. Sveza protects forests from fires and makes efforts to ensure that their biodiversity and composition are preserved and improved. The Company works

only with those suppliers of raw materials and contractors who can guarantee the restoration of forest resources, and monitors their compliance with all legal requirements in terms of reforestation and forestry work.

In the reporting year, the forest restoration work was completed by Sveza in full. The Company increased the area of restored plots by 24% (from 1,670 ha in

2018 to 2,200 ha in 2019) using all possible methods – from planting seedlings and sowing seeds to Promoting Natural Reforestation (PNR). After reforestation, seedlings and young trees are taken care of. In 2020, the plan is to plant almost a million seedlings. The Company plans to intensify the reforestation process using the most modern technologies of seedlings with a closed root system.

Volume of Reforestation Works, ha

	Novator		Uralskiy		Verknyaya Sinyachiha		Tyumen		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Natural regrowth	0	0	0	0	0	7.3	0	0	0	7.3
PNR	151.1	501.6	488	395.4	645.09	155.2	129.4	761.8	1,413.59	1,814.00
Planting seedlings	0	13.7	36	45.3	74.1	67.2	60.5	110.3	170.6	236.5
Sowing seeds	0	0	0	0	0	8.7	0	0	8.7	0
Combined reforestation	0	6.5	0	0	23	23	0	0	23	29.5
Supplementing forest crops	0	0	46.5	83.3	17.1	18.2	0	0	63.6	101.5
Reforestation total:	151.1	521.8	570.5	524.0	759.3	279.6	189.9	872.1	1,671	2,198

Thinning in Young Stands, ha

	Cleaning		Clearing	
	2018	2019	2018	2019
Novator	42.2	147.4	28.7	31.4
Uralskiy	53.9	45.7	93.5	129.8
Verhnaya Sinyachiha	0	0	43	43
Tyumen	0	40.2	139.2	163.8

In order to reduce the competition of valuable target breeds with secondary ones and improve the breed composition, clearing operations are carried out.



>1,000,000 trees planted by the Company in 2019



Ecology Projects

The Company regularly conducts public environmental events, which attract residents of the regions. More than 30 thousand new trees appeared as part of “All-Russian Forest Planting Day” campaign with the participation of Sveza. This kind of event involve not only employees of the Company, but also their families, as well as

volunteers, including students and schoolchildren. In September, in support of “Ecology” national project, tenants of forest plots in Tyumen region took part in reforestation. Sveza Tyumen Mill planted over 380 thousand seedlings of Scots pine on an area of 87.13 hectares.

Fire Prevention Measures in Forest Areas

Forest fires have a negative impact on almost all components of ecosystems, damage forestry, and harm human health and safety. Uncontrolled spread of fire is extremely destructive for forest biodiversity, leads to degradation of ecosystems, reduction of the number of forest species of animals and plants, and deterioration of the composition of the forest fund. Forest fires also cause significant economic damage. Buildings and structures near forest areas, infrastructure objects, and even entire localities are often destroyed.

Sveza is a conscientious forest user and is responsible for the implementation of fire prevention measures. Forest development projects provide for a whole system of preventive measures to prevent forest fires.

A high probability of forest fires occurs after the snow cover disappears and with the beginning of stable warm weather. Therefore, the main work on fire protection is carried out in spring and should be completed in the second quarter.

In 2019, Sveza conducted a spring fire prevention campaign on all leased forest plots in Vologda, Sverdlovsk and Tyumen regions, as well as in Perm region. The Company builds and reconstructs fire roads in the regions where it operates. In 2019, 250 km of new mineralized fire lanes were created and more than 1,750 km of existing ones were put in order. These areas are cleared of burnt wood residues (branches, dead wood), they have been mechanically treated, which prevents the spread of fire.

Due to regular fire-prevention measures, there were practically no forest fires on the forest plots leased by the Company. With the exception of two fires in Tyumen on the territory of forest management in 2018 and 2019 (the reason is careless handling of fire in a recreational area).

For information about fire safety at enterprises, see also the section **“Measures to Improve the Level of Fire Protection”**.



39 MILLION RUBLES

were invested in fire prevention

250 KM

of new mineralized fire lanes were created

1 750 KM

of existing mineralized fire lanes were put in order



Fire-prevention measures in forest areas on leased forest plots also provide for the organization of water intake sites and entrances to them, the arrangement of recreation areas in the forest and the installation of fire-prevention propaganda stands. In those regions where a special fire protection regime is introduced by the decision of local authorities during the dry period, employees of factories and specialists of contractors conduct patrols in leased forests.

Own Logging

Until 2019, Sveza used the services of contractors for procurement of wood on its leased forest plots. The updated strategy of the Company assumes an increase in processing capacity, which requires the introduction of its own logging, which reliably ensures stable supplies of plywood ridge.

In December 2019, Sveza launched a pilot project of its own timber procurement, which is implemented by Sveza Resource LLC. The planned volume of harvesting in Totem and Tarnog districts of Vologda region is 250 thousand m³ per year, including 62 thousand m³ — plywood ridge. Sveza Resource will be engaged not only in providing plywood mills with raw materials from its own forest lease, but also in selling the procured wood to external consumers. Currently, the main volume of raw materials is supplied to Sveza woodworking mill in the village of Novator in the Velikiy Ustyug district of Vologda region, and the balance sheets are purchased by producers of pulp and paper products. In addition to the most modern procurement complexes for sorted procurement, Sveza Resource operates 35 units of specialized road construction, logging and auxiliary equipment, which has already been used to build 15 km of logging roads.

Thus, the Company has formed a complete production chain — from procurement of raw materials to sales of finished products. Own timber procurement is intended not to replace, but to supplement the resource base. Sveza does not plan to abandon the raw materials from existing suppliers, continuing to support them through



investments in timber procurement equipment and transport. Vertical integration will allow the Company to increase the raw material security and sustainability of its growing business.

In 2021, in order to expand its own procurement operations, a separate department Sveza Resource will appear in city of Manturovo (Kostroma region). In the next three years, it is also planned to launch its own procurement in the village of Uralskiy (Perm region).

>270 MILLION RUBLES

Investments in Sveza Resource for 2019. By 2028 will amount to 1.5 billion rubles.

The goal is to increase the volume of raw material supplies from own lease by

45 %

Independent Forest Certification



The Company is responsible for the origin of wood raw materials and uses timber from proven legal sources in production. All products manufactured under the Sveza brand meet the requirements of Forest Stewardship Council™ (FSC™), (license code FSC™-C107425), a non-governmental non-profit organization that develops the world largest voluntary forest certification system. FSC certification is widely recognized in all environmentally sensitive markets where Sveza products are sold. For most high-profile customers, the FSC certificate is a prerequisite for delivery.

All mills of Sveza Group, as well as the management company, are certified according to FSC standards of the supply chain (Chain of Custody, CoC) and Controlled Wood (CW). Some branches also have forest management certificates for leased forest plots (Forest Management, FM). Thus, FSC certification confirms that all products produced at the Company enterprises are the result of processing legally procured wood obtained from controlled or certified sources.

Organizations certified according to FSC standards sign a Declaration of compliance with FSC values, committing themselves directly or indirectly (through suppliers) not to participate in the following unacceptable activities:

- illegal wood procurement or trade of illegal timber or forest products;
- violation of traditional or human rights in forest management;
- destruction of high environmental values in the process of forest management;
- significant conversion of forests to plantations or non-forest land;
- use of genetically modified organisms in forest management;
- violation of any of the main ILO conventions defined in the ILO Declaration on fundamental principles and rights at work.

Managing the process of preparation for the certification in the Company is centralized. It provides for staff training, development of guidelines, procedures and techniques, annual control audits, verification of compliance with the requirements of standards and other FSC documents by suppliers and contractors, as well as a full range of corrective measures, if necessary.

Best practices and successful experience in fulfilling certification requirements are scaled across all branches of the Group. In 2019, the FSC supply chain certificate (license code FSC™-C144965) was awarded to Tyumen plywood mill, which joined Sveza Group in 2018. This document was issued by the NEPCo certification body based on the results of a successful audit. It confirms that the procedures for controlling the supply chain and the Company due diligence system meet the requirements of FSC standards.

Sveza also requires FSC certification from contractors involved in timber procurement, road construction, and forestry operations. At the end of 2019, preparation for certification of the wood supply chain was organized for four contractors of Sveza mill in Uralskiy, whose certification is planned for the beginning of 2020.

Conservation of Biodiversity and Forests of High Conservation Value

The value of any forest area is determined not only by the amount of wood growing on it, but also by the ecosystem that it forms. The forest absorbs carbon from the air and stores it in wood and soil, maintains a favorable humid climate, retains precipitation and moisture in the soil, feeds streams and rivers with water, prevents erosion of riverbanks and slopes, and is home to thousands of species of plants, animals,

fungi and microorganisms. Some sites that perform important environmental and ecosystem functions are more valuable than others. Therefore, all forests in Russia are divided into protective, whose main task is to maintain the forest environment and perform conservation functions, and operational, intended for wood production with the preservation and maintenance of protective and ecosystem functions.



List of High Conservation Value Forests (Hcvf) Allocated under Certification on Leased Forest Plots of Sveza Mill in the Village of Verhnaya Sinyachiha

HCVF type	Area covered by forest, ha	% of the total rental area
Forest areas with high biodiversity that is significant at global, regional and national levels	2,641.3	2.0
SPNA	2,471	1.9
Places where rare and endangered species are concentrated	—	—
Places where endemic species are concentrated	—	—
Key seasonal habitats of animals	170.3	0.1
Large forest landscapes that are important at the global, regional, and national levels	—	—
Forest areas that include rare or endangered ecosystems	—	—
Forest areas that perform special protective functions	9,113.2	7.0
Forests of special water protection significance	9,113.2	7.0
Forests that have a special anti-erosion value	—	—
Forests of special fire protection significance	—	—
Forest areas necessary to sustain the local population	5,380.9	3.6
Forest territories necessary for preserving the original cultural traditions of the local population	—	—
TOTAL:	17,135.4	13.2



Due to the work carried out, about 15% of the leased Sveza forest plots in Verkhnyaya Sinyachiha are excluded from forest use and are preserved in accordance with FSC standards.

Part of the leased area of Sveza Company in Verkhnyaya Sinyachiha is located in the regional specially protected natural area (SPNA): the landscape reserve “Bogs “Chistoe-Alapaevskoe” and “Strokinskoe”. The other part is located in the regional protected area of Sinyachikhinsky genetic reserves of forest — forming breeds No. 2 and No. 3. Sections of these protected areas with a total area of 2,471 ha, which make up 1.9% of Sveza lease area in Verkhnyaya Sinyachiha, are completely excluded from forest use.

Part of the leased land plots of Sveza Company in Novator are located on the territory of regional protected areas — Totemsky state natural Zoological Reserve and Kemsky State Natural Zoological Reserve. The protection regime of both these reserves does not provide for any significant restrictions on wood procurement.

An exception is the ban on logging around capercaillie streams and along rivers inhabited by beavers, where according to current legislation, wood procurement is not allowed.

There are several regional protected areas on the leased areas of Sveza in Tyumen. This is state complex biological reserve of federal importance “Tyumensky”, a state complex biological reserve of regional value “Guseneevo” and natural monument of regional significance “Novoalekseevsky”.

More detailed information about the HCVF allocated under certification on leased sites of enterprises in Novator, Tyumen and Uralskiy will be provided in the next sustainable development report.

There is no HCVF on Sveza leased land plots in Uralskiy.

Wood procurement on leased forest plots has a direct impact on biodiversity and leads to the transformation of habitats at the site of logging. However, this effect is temporary: after two to three years, either the felling

of deciduous and coniferous trees is naturally overgrown, or reforestation is carried out artificially by planting coniferous forest crops. In addition, the area of annual wood procurement usually does not exceed 1% of the area of the leased plot, so such an impact can be recognized as not exceeding the natural range of changes in forest cover.

In addition to deforestation, longer-term habitat transformation occurs in the area of logging roads and forest warehouses under construction, but the scale of this impact is much smaller than the area of annual deforestation.

Reforestation and logging also have some impact on biodiversity, but since they are aimed at restoring forest ecosystems that have already been disrupted by logging, they are more likely to have a positive impact.

With regard to the conservation of red book listed species and their habitats, Sveza and wood procurement contractors use the long-established experience in Russia within the framework of forest management certification in identifying and preserving typical or key habitats of rare species during the survey of areas where harvesting is planned and the subsequent allocation of cutting areas. Lists of key habitats (key biotopes) are compiled for each region, taking into account the recommendations of ecologists and included in the regional recommendations for the conservation of biodiversity in wood procurement. Sveza specialists consider this approach to the conservation of rare species habitats to be quite reasonable.

Supply Chain

For the production of rotary cut veneer, from which plywood is made, the enterprises of the Sveza Group use logs (ridges) of birch of two botanical types: drooping birch (*Bétula péndula*) and downy birch (*Bétula pubéscens*). There are no restrictions on procurement for this category of wood, provided for by Russian legislation and international agreements. The timber used by the plywood mills is procured in 23 regions of Russian Federation.

Since in forests of natural origin the content of birch among other species usually does not exceed 40%, procuring a large amount of veneer logs in one forest area is impossible. For this reason, plywood mills work with a large number of suppliers to provide raw materials. In 2019, Sveza Group supply chain included 577 suppliers of wood raw materials, some of which served for several mills simultaneously. Mills enter into contracts with such suppliers independently.

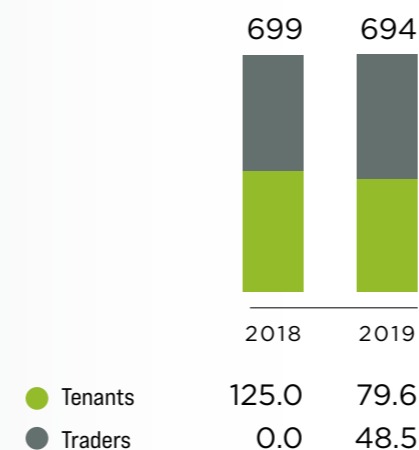
Average Number of Suppliers at Sveza Group Enterprises in 2019

Mill	Quantity
Saint Petersburg	83
Novator	106
Kostroma	100
Manturovo	67
Uralskiy	132
Verhnaya Sinyachiha	119
Tyumen	87

At present, priority when concluding a contract for the supply of forest products is given to direct loggers or tenants working under a lease agreement for a forest plot or under contracts for the sale and purchase of forest plantations.

The suppliers of Sveza enterprises are both logging companies (tenants) and trader companies.

Total Number of Wood Raw Material Suppliers



In Most Cases, Sveza Group Enterprises Use a Chain of Two or Three Links



There are no chains with a large number of links at the mills due to the high risk of mixing wood and the inability to trace the reliability of its origin along the entire chain from the logger to the mill.

Sveza Group is actively working to reduce the number of links in the supply chain, and encourages suppliers to do so. Various support mechanisms and investment projects are used to attract direct loggers.

Funds within the framework of investment projects can be provided to suppliers for the purchase of logging equipment, as well as construction equipment necessary for the construction of logging roads. The duration of investment projects is from one to three years. For more details, see the section “Economic Impact on the Regions of Presence”

Environmental Responsibility in the Supply Chain

Prior to the start of procurement, the Company analyzes the lease agreements for forest plots and contracts for the sale and purchase of forest plantations of all suppliers for the absence of wood harvested in high conservation value forests in the supply chains, including:

- territories with high biodiversity, significant at the global, national or regional level;
- large natural landscapes;
- rare and endangered ecosystems;
- forests that have special protective functions for ecosystems.

In the presence of such plots in the timber harvesting area, mills may take one of the following measures with respect to suppliers, provided for by the due diligence system that operates at each enterprise:

- refuse to purchase wood from this site;
- on the basis of the available documentation, make sure that the logging was carried out in compliance with the forest use regime, legally established as “Specially Protected Natural Areas” (SPNA) or “Especially Protected Areas” (EPA);
- make sure that the forest use regime has been agreed with the stakeholders, if for a given area it is not established by law as a protected area or SPNA.

Verification of Suppliers

Verification of suppliers also includes field inspections, interviews with stakeholders, study of information in the media, including on court cases or the results of inspections by regulatory authorities in order to identify claims against suppliers for violations of environmental legislation

Supplier Environmental Assessment

Desk Audit

(before signing the agreement)

- Verification of documents on the wood origin, as well as other documents confirming the reliability of the supplier
- Analysis of open data on the supplier’s activities, including analysis of publications in the media, information on court cases or the results of inspections by regulatory authorities
- Consulting with stakeholders

Field Audit

(before delivery starts)

- Verification of an extended set of documents for assessing the environmental and social aspects of logging
- Inspection of timber harvesting sites
- Interviews with the supplier (sub-supplier) employees
- Consulting with stakeholders

More detailed information on the environmental impact of a particular supplier (sub-supplier) can be obtained from the annual field checks. Each mill has its own program, designed in such a way as to cover 20–25% of the total number of permanent suppliers with field inspections per year. Thus, all suppliers are tested in 4–5 years. When scheduling inspections, priority is given to new suppliers for whom there is insufficient information or doubts about their full compliance with the requirements.

Field audits also assess a number of environmental criteria:

- compliance with the rules for timber harvesting, forest care, fire safety rules in forests, as well as sanitary rules in the part related to timber harvesting;
- performance of work stipulated by the lease agreement for a forest area, compliance with the established deadlines and performance of work in an appropriate manner;
- compliance with the established regimes of protected areas, no violations of the law when harvesting timber in protective forests and in specially protected areas, as well as the absence of commercial harvesting in protective forests under the guise of sanitary felling;
- absence of cases of forest pollution as a result of logging activities (pollution of soil, water and vegetation by spills of fuels and lubricants, the presence of domestic and industrial waste in the forest);
- no cases of harvesting wood contaminated with radionuclides, harvested in violation of the requirements;
- absence of facts of supply of wood species prohibited for harvesting, including those listed

in the lists of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)*.

If violations of environmental requirements are revealed, the supplier is given time to eliminate them. If the identified inconsistencies are not eliminated within the timeframe set by the mill, the purchase of wood from the supplier is terminated.

During random field inspections, in addition to familiarization with documents, inspections of timber harvesting sites, lower and intermediate warehouses, interviews of personnel of participants in the supply chain, as well as consultations with stakeholders are carried out: with forestries and other regulatory organizations, with local administrations and employees of enterprises.

Based on the verification results for a given supply chain, the mill can:

- confirm the fulfillment of obligations on the part of the supplier and continue deliveries;
- identify inconsistencies that must be eliminated within the time frame agreed with the supplier;
- identify unrecoverable inconsistencies and decide to terminate the supply of wood.

Unscheduled inspections of supplies are carried out when a high risk of violation of requirements for all categories of controlled wood is identified in the event of:

- identification of repeated or unresolved reprimands from suppliers based on the results of scheduled inspections for the previous year;



* CITES — The Convention on International Trade in Endangered Species of Wild Fauna and Flora.

- updating the summary table of risk assessment of controlled wood supply;
- identifying a high risk of mixing controlled wood with wood of unknown origin.

In 2019, as a result of inspections at all mills, there were found to have minor inconsistencies at 50-60% of controlled wood suppliers. Significant violations that would entail serious damage to the environment and, as a result,

the refusal to purchase timber, were generally not identified. Sveza mill in Tyumen refused to purchase wood from four suppliers (approximately 20% of the number of suppliers assessed in the framework of field inspections), which did not eliminate inconsistencies identified during scheduled inspections previously.

The most common violations that were noted during field inspections were: joint storage of industrial and household waste in places of

timber harvesting, storage of fuels and lubricants without pallets or on unprotected pallets, lack of sorbent on the plots to eliminate possible fuel spills.

Currently, more than half of the suppliers who had inconsistencies promptly eliminated them and provided supporting documents.

Supplier Social Assessment

Along with the environmental assessment, suppliers are also screened in terms of social aspects of their activities, including the observance of labor and human rights.

All suppliers of plywood mills annually undergo an audit for the absence of wood harvested in high conservation value forests in the supply chains. Such forests, in particular, include forests of particular importance for the local population (picking mushrooms and berries, hunting grounds,

procurement of firewood and building materials, etc.), as well as forests of special cultural and historical value (revered natural sites, cult structures, places of military glory, architectural monuments, etc.). Within the framework of camera inspections, the location of traditional forest use sites, cultural and religious significance in relation to the place of timber harvesting is checked using maps (<http://hcvf.ru>). To identify possible conflicts between the supplier and local communities and (or) the local population in

relation to the above forest areas, a media analysis is carried out.

In supply areas classified as indigenous and traditional peoples, interviews are conducted with indigenous peoples to confirm that there are no heated disputes related to logging in the area and the rights of indigenous peoples.

In order to confirm the observance of the right of workers to self-organize and to conduct collective bargaining, inquiries are sent to the trade union, face-to-face interviews

In addition, as part of the annual field verification program (which includes 20-25% of suppliers annually), FSC and supply chain tracking specialists at the mills verify suppliers against a number of additional social criteria:

● **Fulfillment of labor protection and safety requirements, absence of facts of their violation:**

- Obligations to ensure safe working conditions for employees assigned to the employer;
- Labor protection and safety requirements for workers;
- Providing employees with personal protective equipment.

● **Compliance with labor laws, no facts of their violations:**

- Working and rest hours;
- Sanitary provision of workers;
- Technological process;
- Employment contracts;
- Terms of payment of salary and other amounts due;
- Procedures for dismissing employees.

with a trade union representative or interviews with employees of the enterprise are conducted in a confidential manner. Similar tools are used to ensure that there is no discrimination based on gender or race (nationality).

All inspections are carried out by Sveza Group in accordance with the National Risk Assessment for Controlled Wood (FSC-NRA-RU V 1-1), as well as in accordance with the current legislation, including labor legislation, and legislation on personal data.

Supplier inspections also reveal that there is a risk of forced labor in logging. The mills have developed and are applying in their activities a system of due diligence (DFA), according to which at all mills (with the exception of Sveza mills in Kostroma and Verkhnyaya Sinyachiha), timber supplies from organizations that are managed by correctional labor institutions and where prisoners are used are not allowed for harvesting and hauling timber. To prevent timber from such forest areas from entering the supply chain, control of constituent documents of suppliers and sub-suppliers is carried out at each mill. If organizations run by correctional labor institutions are identified, five out of seven mills refuse to purchase timber from forest areas managed by these organizations.

At Sveza mills in Kostroma and Verkhnyaya Sinyachiha, when identifying the organization's affiliation with correctional labor institutions, a request is made from the supplier and sub-suppliers of documents describing the organization of timber harvesting, as well as the use of prisoners' labor in harvesting and hauling. When submitting contracts for work and



subcontracting, confirming that the labor of prisoners is not used for harvesting and transportation, requests are made to the relevant forestry and to the territorial public observation commission for the observance of human rights in places of detention to confirm the information. The purpose of the request is to obtain confirmation of the absence of violations of the rights of prisoners when harvesting wood at a particular enterprise.

In doubtful cases and upon receipt of conflicting information, a field check is carried out in order to obtain additional information and clarify the situation related to the violation of human rights or the use of forced labor in the harvesting and transportation of timber.

In 2019, supplies from organizations belonging to managed correctional labor institutions were not available at all of the Group mills.

Sveza mills operate in accordance with the laws of Russian Federation. Compliance with the Labor Code of Russian Federation guarantees the non-use of child labor by factories, which are the final links in the supply

chain*. In addition, the National Risk Assessment for Controlled Wood, which guides the mills in their activities, determines the risk of using child labor as low throughout Russian Federation.

As an additional measure during field inspections, all Sveza enterprises interview HR specialists and supplier employees to assess the risk of child labor in their supply chains. During the reporting period, not a single case of child labor was detected in companies that are links in the supply chain to Sveza mills.

During consultations with stakeholders during field inspections (in person) and desk reviews (by phone or e-mail), additional materials are collected at all mills on the participation of suppliers and sub-suppliers in the life of local communities, as well as on the possible negative consequences of forestry activities of tenants and loggers on local population and / or local communities.

* Article 63 of the Labor Code of Russian Federation.

In case of violations of social criteria, suppliers are informed of the non-compliance with the established deadline for elimination. If the violations are not eliminated within the established time frame, the mills stop the work with the respective suppliers.

In 2019, based on the results of remote (desk) inspections, as well as planned and unscheduled field inspections of significant inconsistencies in the field of social impact, causing significant damage to the local population and (or) local communities, including indigenous peoples, as well as the life and health of workers, not found at any of Sveza mills.

It should be noted that in the course of field inspections, about 30–40% of Sveza suppliers were found to have minor

inconsistencies and requirements were made to eliminate them within a period not exceeding 9–12 months. These include violations of labor protection and safety measures both by employers (lack of valid results of a special assessment of working conditions) and by employees (non-use of personal protective equipment).

During the reporting period, no conflicts with the local population and indigenous peoples over the development of places of traditional forest use, cultural and religious significance, as well as discrimination in the workplace on gender and racial (ethnic) grounds were identified. In the process of interviewing employees of suppliers and sub-suppliers during field checks of complaints about informal employment, violation of the procedure for

dismissing employees or the timing of payment of salary and other amounts due (payment of vacations, payments upon dismissal), as well as obstruction by employers of the right of workers to self-organize and collective bargaining has not been reported.

In the course of consultations with stakeholders, information was received that the vast majority of suppliers and sub-suppliers (tenants and loggers) of Sveza mills actively participate in the social life of their districts, are socially responsible, open and cooperative companies, provide the local population with firewood on preferential terms, in winter they participate in clearing roads, help local administrations financially or provide the necessary materials for the holidays.



LOWERING ENVIRONMENTAL FOOTPRINT

Environmental Policy and Management

The development strategy of Sveza Group is aimed at taking a leading position in terms of business efficiency among international woodworking companies. This implies a responsible attitude towards preserving a healthy environment for present and future generations.

The environmental protection policy of Sveza Group* is aimed at minimizing the negative impact of production activities on the environment and provides for this a number of processes:

- Reducing the concentration of pollutants in discharges;
- Reducing the concentration of pollutants in emissions;
- Ensuring proper management of waste generated in the course of the Company's business activities, optimization of their collection and disposal, in the future, the transition to waste-free production;
- Implementation of energy saving programs to reduce the consumption of energy and non-renewable natural resources, as well as water;
- Reducing the consumption of raw materials per unit of output, harvesting wood raw materials in accordance with the requirements of sustainable forest management and forest management.



>240 MILLION RUBLES

are aimed at the implementation of environmental projects from 2016 to 2019

Management of environmental issues at the level of Sveza Group is carried out by the direction of labor protection, industrial safety and ecology (HSE), which is part of the production management of the management company. Corresponding services also operate at each enterprise, and they include environmental specialists.

* <https://www.sveza.ru/upload/iblock/85e/85e12c4dc488033e8a43ae24df1160d7.pdf>

The Company engages employees in activities to reduce environmental risks and improve indicators in the field of environmental protection, improves the environmental education system, including the study of legal and other requirements related to the environmental aspects of enterprises.

Environmental Training in 2019

Training topics	Number of trainees
Ensuring environmental safety by managers and specialists of environmental services and environmental control systems	23
Ensuring environmental safety when working in the field of hazardous waste management	35

When implementing new projects, we are always guided by the principles of a responsible manufacturer, so that technical progress and production development do not negatively affect the quality of life of residents and the environmental situation in the regions of presence. It is necessary to know how the manufacture of new products will affect the volume and structure of wastewater, how it will affect air emissions, the amount and structure of waste. Therefore, when developing and testing products, new materials are

evaluated in terms of the safety of their production for workers and the impact on consumers. In addition, HSE employees are required to take part in the approval of technical specifications for the modernization of equipment in order to avoid the risks of its non-compliance with safety standards.

For timely management decisions, regular internal environmental control is carried out.

The Company has committed to launch effective tools for recording environmental impacts, including those on air and water, in 2020.

Forest Management and Climate Change Mitigation

The forestry sector of the economy, which uses wood raw materials, is especially susceptible to the effects of climate change, which in the long term may affect the existing management practice. There are certain risks and opportunities associated with climate change that cannot be ignored.

Most of the exploitable forest areas in Russia are located on waterlogged soils, where the use of heavy logging equipment in the spring-summer season is difficult. Such plots are available for logging mainly in the winter period. Thus, a decrease in the transport accessibility of forests due to a decrease in the duration of the logging season due to an increase in average annual temperatures can cause a decrease in the volume of logging.

In addition, as a result of climate change, in particular due to winters with little snow, the accumulated moisture reserve in forest ecosystems is decreasing. During prolonged droughts, the risk of forest fires increases, during which significant amounts of carbon are released into the atmosphere. There is a growing risk of insect pests and tree disease outbreaks.



The forest industry plays an important role in tackling the challenges of climate change. Healthy, young, sustainably managed forests absorb more carbon from the atmosphere per unit area than almost any other type of land cover. A significant part of the carbon contained in wood remains bound in the finished product. The production of wood products requires less energy and is accompanied by much less harmful emissions than the production of artificial building materials.

Additional opportunities for the Company are opening up the growing demand for wood and biomass products, the development of renewable energy and biofuel markets, and the improvement of its production technology.

Our Contribution to Climate Change Mitigation

Development of production of bioproducts from wood waste

see the section **Waste Management and Production of Bioproducts**

Implementation of innovative products

see the section **Innovation Management**

Implementation of sustainable forest management practices

see the sections **Reforestation and Fire-Fighting Measures in Forest Areas**

Reduce the use of fossil fuels and use carbon neutral biofuels as an alternative

see the section **Energy Efficiency**

Impact on Atmospheric Air

The technological processes of plywood production are accompanied by emissions of various pollutants into the atmosphere. The main sources of pollution are their own boiler houses, which provide the needs of enterprises with thermal and electric energy and use wood waste and natural gas as fuel. The combustion of fuels in boilers produces, in particular, nitrogen oxides (NOx), carbon monoxide (CO) and sulfur oxides (SOx),

and in the case of fossil fuels, -greenhouse gases.

When veneer is heated in dryers and when decorative coatings are applied to particle boards, as well as in the process of pressing the boards and cooling the finished product, aldehydes (including formaldehyde) and other volatile organic compounds (VOCs) are released, which are part of many resins used for the production of plywood and particle board.

During mechanical processing of wood raw materials, as well as during cutting and grinding of plywood and particle board, wood dust is formed.

The Company efforts are aimed at reducing the concentration of pollutants in emissions and preventing exceeding the regulatory permissible levels.

Air Emissions of Significant Pollutants in 2019, t

Mills	Nitrogen oxide	Sulphur dioxide	VOC	Solid particles	Carbon oxide	Miscellaneous	TOTAL
Saint Petersburg	110	—	44	48	959	6	1 167
Novator	205	—	8	20	2,438	—	2,672
Kostroma	114	1	19	—	731	5	871
Manturovo	186	32	5	514	4,108	1	4,845
Uralskiy	194	—	5	167	773	2	1 143
Verhnaya Sinyachiha	319	178	77	2,089	3,658	83	6,404
Tyumen	182	—	6	44	1 110	—	1 341
Total for the Company	1,310	212	165	2 881	13,777	98	18,443



The enterprises carry out industrial control of atmospheric air. For its implementation, independent accredited laboratories are involved. Technical inspections and maintenance, checking the performance of gas cleaning equipment and scheduled preventive maintenance are carried out.

At Sveza mill in Novator, a line for cyclonic purification of exhaust gases from fly ash generated during the combustion of solid fuel was put into operation. The new

equipment is installed in addition to the existing system, it allows reducing the concentration of suspended particles in flue gases from 0.87 to 0.35 mg/m³. Due to the new gas cleaning system, the volume of ash emissions at the mill will be significantly reduced, which will improve the environmental situation in the village Novator.

Bag filters are installed at the mill in Kostroma, which ensure 99% purification of emissions. The captured dust is briquetted for use as fuel. In 2019, the

mill launched a unique veneer dehydration press. Pre-pressing green veneer improves the drying line performance by an average of 4% and burns 20% less fuel.

Due to the use of renewable fuel sources, the launch of an autonomous small combined heat and power plant at Manturovo mill

in 2018 ensured a more rational use of natural resources. The emission of harmful substances into the atmospheric air has significantly decreased due to multi-stage fuel combustion and the installation of modern gas cleaning equipment.

The park of cyclones is planned for renovation at the mill in Uralskiy in terms of investment program. 13 devices of this type will be replaced here within four years.

Impact on Water Bodies

Water supply for Sveza mills is carried out from surface water sources, mainly through the water supply and sewerage systems, as well as through own water intakes. In addition, Kostroma mill operates

wells at one of its two production sites. Two mills (in Novator and St. Petersburg) have their own treatment facilities.



Water Bodies Affected by the Company Water Intake and Wastewater Discharge

Mill	Water Intake		Discharge
	drinking water	industrial water	
Saint Petersburg	WSS*	Bol. Izhorka river	
Novator	Sukhona river		
Kostroma	WSS	Gorky reservoir	Volga river through water supply
		Kostroma groundwater deposit	
Manturovo	WSS	Unzha river	Unzha river (independently and through water supply)
Uralskiy	Votkinsk reservoir through water supply		
Verhnaya Sinyachiha	WSS	Verkhnyaya Sinyachiha reservoir	WSS
			Vogulka river
Tyumen	Tura river (through water supply)	Pesyanoe lake (independently and through water supply)	

There are a number of water intensive processes in plywood and wood waste mills. In the production of plywood, at one of the stages of the production process, the logs are placed in a special pool with water at a temperature of 40–50° C for a period of 20 to 36 hours depending on the season. Hydrothermal

treatment makes wood fibers more plastic, which contributes to obtaining a veneer with a flat and smooth surface during the peeling process (cutting the trunk into veneer sheets).

Water consumption at the enterprises of the Group in 2019 amounted to 2,369 thousand m³ (1,940 thousand m³ in 2018).

* Water supply and sewerage facilities. WSS.

Responsible use of water resources involves:

- rational water consumption;
- accounting for quantity and quality control of used and discharged waters: minimization of concentrations of harmful substances;
- preventing the discharge of untreated wastewater into natural water bodies;
- compliance with legal requirements.

Uralskiy

At Sveza mill in Uralskiy, the reconstruction of treatment facilities was carried out. Major attention is paid to compliance with wastewater discharge standards. Within the framework of the project, a mechanical grid, automatic mixers were installed, and the trays at the primary sedimentation tanks were replaced and repaired. Crushed stone was also purchased and biofilters, where biological wastewater treatment directly takes place, were completely overloaded. In addition, scientific support was organized for the repair, operation and evaluation of the efficiency of the structures. As part of environmental investment projects, the mill continues to upgrade

storm sewers and modernize hydrothermal treatment pools. The possibility of additional purification of water at treatment facilities for the creation of closed systems is being considered.

Novator

Sveza mill in Novator provides water supply to consumers and purifies wastewater in the Samotovinskoye rural settlement of Velikoustyug district. In 2018, the mill implemented a project to collect condensate from 5x5 steam presses and return it to TPPs, which eliminates condensate discharge from the presses.

Saint Petersburg

The treatment facilities of the enterprise receive not only waste water from the mill, but also household waste water from the village of Pontonny Based on the results of the pre-design study of the optimization of the wastewater disposal system, it is planned to reconstruct the networks and treatment facilities. The Company implements projects to improve technological processes to minimize the negative impact of production on the environment.

In 2019, the mill in St. Petersburg won in the “Rational use of water resources” nomination of the “Crystal Drop” competition, which was organized by the branch of the State Unitary Enterprise “Vodokanal of St. Petersburg”.

Kostroma

Sveza mill in Kostroma is located almost in the city center, on the bank of the Volga River. As part of supporting the “Clean Volga” project, the mill refused to ship raw materials for plywood production by water transport. The enterprise has its own water intake and fish protection facilities. Heat recuperators are installed on the drying lines, which take hot humid air, mix it with water from the pool and return the heated water back to the pool, where the wood is steamed. The Company has developed a project for the construction of sewage treatment mills for storm sewers. Sveza employees were the first to respond to the call of the local authorities and went out to clear the coastline, where it is planned to make a pedestrian zone along the Volga bank.

Manturovo

To generate heat and electricity, an autonomous small combined heat and power plant (mini-CHP) at Sveza mill in Manturovo draws water from the Unzha river. To prevent the negative impact on fish spawning grounds in the creek, diving works are being carried out to check the effectiveness of fish protection devices, and the discharge of conditionally clean waters is redirected to Unzha.

Verkhnyaya Sinyachiha

To minimize wastewater discharges, the possibility of using closed-loop technological processes is being considered. In 2020, the Company plans to start designing treatment facilities for the treatment of storm water, industrial and domestic wastewater.

In 2019, discharges of domestic water as a whole for the Group amounted to 1,676 thousand m³ (926 thousand m³ in 2018).

RESPONSIBLE CONSUMPTION

4.3

Efficient Energy Consumption

Development of thermal and electric energy at the enterprises of the Company produced due to the combustion of mixed fuel (wood waste and natural gas). Sveza consistently pursues a policy of energy saving and is steadily moving towards creating a closed-loop economy by recycling waste from the main production to generate its own green energy. The Company implements several major investment projects for the construction of power plants where waste from plywood production is disposed (incinerated).

The heat energy generated by incineration of waste (bark and wood chips) is used for drying veneer and gluing plywood. For this purpose, thermal oil installations are used that heat the coolant. Waste is also used to generate electricity. The boilers produce steam that turns the turbines, which are connected to generators that generate electricity.

In 2019, the Company average specific electricity consumption was 212.5 kWh/m³ (+ 10.4%). The specific consumption of natural gas increased and averaged 39.8 m³/m³ (+19.0).

Construction of a mini-thermal power plant worth 2.5 billion rubles is nearing completion at Sveza mill in Uralskiy (Perm region). With the launch of equipment, Sveza will be able to meet a third of its needs



At the end of 2018, a mini-thermal power plant with a thermal capacity of 36 MW and an electric capacity of 4 MW was put into operation at Sveza mill in Manturovo (Kostroma region). The volume of investment in the construction of the facility amounted to more than 1.2 billion rubles.

The mini-TPP project at Sveza mill in Manturovo received the Lesprom Awards 2018 industrial award in the “Green Energy” category and the Eco Best Awards in 2019.

in Uralskiy using its own energy generation. Mini-TPP will create the necessary amount of heat for the village, reduce production costs, and reduce the impact on the environment.

The capacity of the new steam production equipment will reach 80 MW, and electricity generation will exceed 30 million kWh per year. In addition, the Company is starting to design a third station for Sveza mill in Verkhnyaya Sinyachiha (Sverdlovsk region) with an estimated cost of more than 2 billion rubles.

Construction of the second stage of a thermal oil boiler with a total capacity of 14 MW also continued at Verkhnyaya Sinyachiha mill in 2019. The boiler house will supply the mill production with thermal energy. Another similar boiler plant with a capacity of 12 MW was launched in 2019 at Sveza mill in the village of Novator of Vologda region. More than 1.4 billion rubles have been invested in the construction of these facilities.



>200 MILLION RUBLES

The total expected economic effect of environmental projects aimed at energy conservation by 2025

7,1 BILLION RUBLES

volume of investments for the construction of power generation facilities

130 MILLION RUBLES

will be invested additionally in the energy efficiency projects

Such installations provide cost-effective ways to generate heat and electricity from biofuels. New energy capacities allow enterprises to fully provide heat and electricity to production. Such equipment reduces the annual cost of purchasing energy resources by replacing them with renewable energy sources. The technologies applied make it possible to convert up to 100% of all waste generated in the technological cycle (crushed wood, sawdust, grinding dust, bark) into energy, instead of disposing of waste at the MSW landfill. The emission of harmful substances into the atmospheric

air has significantly decreased due to multi-stage fuel combustion and the installation of modern gas cleaning equipment.

As part of the integrated investment program to increase productivity "+40", a line for drying and sorting veneer was put into operation in the second plywood building in 2019 at Sveza mill in Uralskiy. Due to this measure, the site will reduce the consumption of electricity and consumption of up to 5 million m³ of natural gas per year, which will reduce production costs by 25 million rubles per year.

In addition to major investment projects, each mill regularly implements plans to improve energy efficiency: reducing the consumption of heat, electricity, water and compressed air. All mills use cost-effective technologies: the use of energy-saving lamps, the installation of various frequency drives (VFDs) and soft starters.

In 2020, the Company will invest an additional 130 million rubles in energy efficiency projects.

Raw Materials Conservation

One of the main ways to improve the efficiency of enterprises is to reduce the raw material consumption coefficient (RMCC). This indicator reflects the amount of raw materials (plywood ridge) spent on the production of 1 m³ of plywood. Deeper processing of wood allows you to get the maximum useful product. Previously, the process of peeling veneer formed waste with a diameter of 80 mm, the so-called "pencils", which were not used in further production and were sold mainly to the local population for heating. Currently, the Company is acquiring modern equipment that allows you to halve the diameter of the "pencil" and increase the volume of veneer due to additional processing of raw materials. The new lines allow to reduce the raw material consumption coefficient during the veneer peeling process by at least 2%. Reducing the coefficient by 1% leads to a reduction in raw material consumption by about 30 thousand m³ per year.

This task is especially relevant for Sveza mills in Kostroma region, which do not have their



own logging and have to import significant volumes of plywood ridge from other regions.

In particular, due to the implementation of investment projects, in 2019 Sveza mill in Uralskiy reduced the consumption of raw materials by more than 6%, and in three years this figure was 14%. Thus, every year Sveza saves about 80 thousand m³ of wood in Uralskiy, and this volume is enough for more than a month of the mill operation.

At the mill in St. Petersburg, due to the adjustment of equipment settings, additional training of personnel and other organizational solutions, in 2019 it was possible to reduce the coefficient of raw material consumption by 10%.

According to the results of work for 2019, the mills in Kostroma, Manturovo, St. Petersburg and Novator showed the best result in the industry in terms of raw material consumption.

Environmental Characteristics of Products

In order to confirm the safety of products for customers, the Company regularly tests plywood and other products in external laboratories in accordance with modern requirements and methods. Samples for testing are selected by representatives of independent bodies by random sampling.

Formaldehyde-containing resins are used all over the world for the production of compressed wood materials, including plywood, particle board and fiberboard. At Sveza Group mills, urea-formaldehyde resins are used for gluing FC plywood intended for indoor use, while phenol-formaldehyde resins are

used for FSF plywood intended primarily for outdoor use.

Since formaldehyde is toxic, its emission is strictly regulated — in Russia by state standards for plywood (for coniferous, deciduous and laminated plywood), and in other countries — by state and non-state technical regulations.



In 2019, Sveza Group received a certificate of product compliance with the new EPA TSCA Title VI regulation developed by the Us Federal environmental protection Agency (EPA). This document confirms the ultra-low level of formaldehyde emissions and the complete safety of Sveza products for consumers. The certificate allows the Company to export its products to the United States.

Phenol formaldehyde in finished products is contained as a strongly bound stable compound. Precise compliance with all technological requirements ensures not only high product quality, but also a low level of formaldehyde release.

The safety and environmental friendliness of Sveza products is under constant internal and external control. These products are declared in the GOST R system for safety (formaldehyde content and release) and basic physical and mechanical parameters and meet the requirements of sanitary and hygienic standards in accordance with international standards.

All mills are recognized as manufacturers of products with ultra-low formaldehyde emissions and are exempt from mandatory CARB*/EPA certification. All Sveza

plywood also meets the new strict formaldehyde emission requirements introduced by Germany from 01.01.2020, the so-called E05, and this is also confirmed by the test reports and certificates of the German certification body MPA Bremen.

As the requirements of European regulatory authorities regarding formaldehyde emissions are constantly being tightened, the Company is preparing for possible changes and is working to improve the technology. Sveza is engaged in research and engages research laboratories to conduct tests in order to work out all the details of the production process in advance and achieve a reduction in emissions without compromising quality, without increasing the cost of the final product for the consumer.

Waste Management and Bio-Products Production



Sveza Group enterprises produce more than 1 million m³ of plywood per year. However, finished products account for only about 30% of the total volume of wood used. 2 million m³ is accounted for by-products, which are mostly industrial waste. The Company new development strategy until 2029 provides for 100% use of the forest resource. This is why the Company makes considerable investment in modernizing equipment and building eco-friendly production systems focused on the rational use of raw materials and waste recycling.

The Company new development strategy until 2029 provides use of the forest resource for

100 %

* CARB, California Air Resources Board (California Board for the protection of air resources).

Currently, a significant part is burned in our own boiler houses to generate heat and electricity (for more details, see the section “Rational Energy Consumption”), the rest is used for the production of particle boards, for snowing raw materials and for sale.

Sveza expands its product line not only by adding new types of plywood, but also by releasing various types of products from production waste.

The switch to renewable resources increases the demand for wood fuel, in particular for briquettes,

which are produced by pressing shredded dry wood waste. In European countries, where a course towards a gradual abandonment of the use of fossil fuels and, first of all, coal, is taken, one of the main consumers of briquettes is the heat and power generation market. Briquettes are used for heating the residential sector and at production sites. Compared to coal and natural gas, fuel briquettes during combustion emit ten times less greenhouse gas CO₂, have a high heat transfer, and after their combustion there is a minimum of waste (about 1% of the mass).

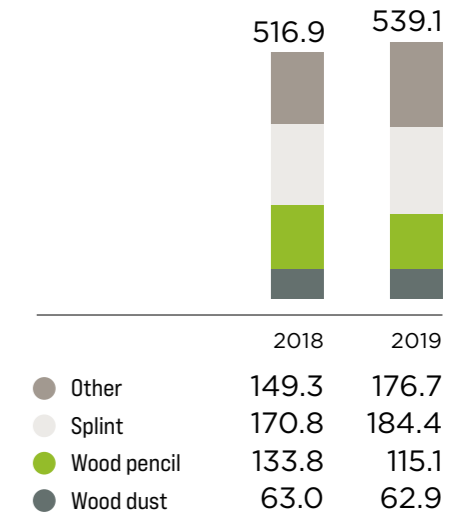


Production of Fuel Briquettes from Wood Dust

All Sveza mills are equipped with production shops for the production of fuel briquettes from wood dust remaining after plywood sanding. Grinding dust makes up 3-4% of the total volume of wood waste. The briquetting process consists

of pressing wood dust at a high pressure of 300-400 bar using a hydraulic press. No additional materials and binders are required during the pressing process. The factories produce RUF briquettes with a weight of 1 kg/piece.

Volume of By-Product Production, Thousand m³



3 KG

of firewood can be replaced by one briquette

Another bioproduct that is in steady demand in the retail and HoReCa markets is charcoal. It is obtained by heating wood without oxygen. Wood-polymer composite materials are also promising bio-products. They consist of shredded wood (content from 30 to 80%), thermoplastic polymer and special chemical additives (modifiers). In particular, boards are made of wood-polymer material, which, unlike ordinary

wooden products, do not crack or deform under the influence of the external environment, do not need protection from rot and mold, and have increased mechanical strength. Production of coal and wood-polymer composites will begin in 2020.

In the future, the new strategy provides for the development of such areas as the production of textiles and biochemical products.

The transition to the production of bio-products provides the Company with an opportunity to occupy its own niche in new growing markets, earn additional profit and prepare in advance for the update of forest legislation. Starting from 2022, Russia plans to completely prohibit the disposal of wood remaining as a result of industrial activities, using ground disposal and incineration.

Using Waste for Storage of Raw Materials

In order to ensure the stability of production and smooth operation of the mills, the Company creates reserves of raw materials for the summer and autumn periods, when timber harvesting is carried out at a slower pace. To protect wood from cracks and rot, as well as from damage by fungi and insects, snowing of timber is used. Wood

raw materials are covered with snow, tamped, and then covered with a layer of sawdust, creating a heat-insulating layer. This method of conservation is one of the most environmentally friendly. It makes it possible to maintain the safety and optimal texture of wood in a condition suitable for the production of high-quality

plywood. Thus, small-fraction wood waste is reused, and production is guaranteed to be provided with high-grade veneer. The volume of raw materials prepared in this way at the Company enterprises increases every season.



Construction Project of the Biotechnological Complex

The Company development strategy until 2029 is aimed at rational use of resources in order to produce as many types of products as possible from fewer amounts of raw materials. Sveza is making significant investments in modernizing equipment and building eco-friendly production systems in order to switch to 100% use of forest resources, and plans to develop such areas as textile production, biochemistry, and green energy generation.



Since 2013, the Company has been developing a project to build a new generation biotechnological complex that will produce high-quality pulp and a significant amount of clean energy from renewable sources.

Production of pulp uses mainly deciduous pulpwood, which is not in demand in Russia and, as a rule, remains in cutting areas, causing damage to the environment. The total consumption of the pulp mill is about 5.7 million m³ of wood raw materials. Thus, low-grade wood that is not currently used can fully ensure the operation of the mill without harming the forest ecosystem and thus solve the issue of waste disposal of the cutting area.

Finished products and raw materials supplied to the mill must undergo a voluntary forest certification procedure under the Forest Stewardship Council (FSC) scheme. This event will dramatically improve the culture of forest management in the region, will force loggers to comply with all the requirements

of logging and reforestation, will ensure the inexhaustible use of forest resources and improve the ecological situation in the forests.

In the process of preparing the project, the Company considered several sites for the new mill in Vologda region. The site in Suda settlement of Cherepovets district was considered a priority, and therefore the main activity was associated with this particular territory. In 2014–2015, the stage of forming land plots for prospective construction was completed, and relevant public hearings were held. Then, a comprehensive economic and financial assessment of the costs of implementing the investment project, as well as a social and environmental assessment of the consequences of its implementation was continued.

Environmental, geodetic, geological and hydrological works have been carried out at the future production site, and engineering and archaeological surveys are continuing. Currently, work is actively underway on the

project of the enterprise and the development of an environmental impact assessment (EIA), the infrastructure of the new mill is being worked out, the gas pipeline is being designed, the options for the power supply of the mill are being considered, and the issues of transportation by rail are being discussed.

The biotechnological complex project is undergoing a comprehensive assessment and expertise, which include taking into account all environmental, technical and socio-economic factors. For their in-depth analysis, independent specialized companies with a worldwide reputation were involved. The conclusions of the experts will be used in the project documentation, which will be submitted to RosPrirodNadzor (environmental expertise) and GlavGosExpertise of Russia, as well as presented to the public. Only after this work is completed, the project receives an EIA, passes the State environmental assessment and



GlavGosExpertise, the investor will decide on the future of this project.

The project entered the active phase of development in 2018, which prompted discussion of the project among residents of Cherepovets district and the city of Cherepovets. The main topic of public discussions is the ecological well-being of the territory. For Cherepovets and the surrounding area, this topic has always been relevant due to the fact that there are a large number of large industrial enterprises (Cherepovets metallurgical plant, PhosAgro) that were built in the Soviet Union times. It is important to note that at the moment these enterprises are completely modernized and show positive results in terms of reducing the burden on the environment.

Sveza stands for the complete openness of the Company plans in connection with the new construction project for public organizations, environmental activists and simply concerned citizens. This is why the Company conducts two-stage public discussions. All questions, comments and suggestions received during the period of public discussions must be taken into account and submitted to the State Environmental Expertise as part of the materials of the project

documentation. The majority of residents of Vologda region in general and Suda rural settlement in particular support the project and believe that its launch will help solve many socio-economic problems.

In 2019, Sveza continued active open communication with residents of territories where there is a request for information in connection with the project (Yaroslavl region, Kostroma region). A large-scale educational campaign was carried out in the mass media of these regions. Events were held with the participation of representatives of local communities: round tables, meetings with the population of the main interested territories (more than a dozen meetings were held). At the same time, the Company relies on the opinion of experts who do not consider the issue of the negative transboundary impact of the biotechnological complex on neighboring regions to be urgent.

The environmental protection system developed for the pulp mill has no analogues in the world. It is able to provide a high level of environmental safety of wastewater and air emissions. There are practically no enterprises with this level of protection in the world.

The positive social impact of the project should also be taken into account. Up to 77,000 jobs will be created during the construction period. At least 800 permanent jobs (including outsourcing companies) will appear on the site of the mill after the mill is put into operation. The main principle in the analysis and planning of human resources is to focus on the local population (residents of Vologda region).

The construction of the mill will have a significant multiplier effect. Within a radius of 250–300 km from the mill, it will be necessary to create up to 4 thousand additional jobs in related and service industries (logging, logistics, services). According to preliminary calculations, the project implementation process will involve various sectors of the economy, from construction to trade and services, as well as enterprises of 21 districts of Vologda region.

The construction of a new mill opens up new prospects for the development of education field in Cherepovets. New training programs designed to meet the needs of new industries will be provided with guaranteed jobs. This will contribute to retaining able-bodied and ambitious youth in the city, which today needs to be shown the prospects of working with a decent salary.

Strict compliance with all-Russian and international rules and requirements at every stage of project implementation is an absolute priority of Sveza. The presence of at least one non-compliance with these requirements will become an obstacle to making a positive decision on an investment project.

In order to provide the public with objective information about the project progress on an ongoing basis, Sveza expresses its readiness to form a public environmental monitoring group.

Since objective results of a comprehensive assessment have yet to be obtained, the Company considers it unacceptable to spread false information about the possible negative impact of the mill on the situation in the region.

INDUSTRIAL SAFETY AND LABOR PROTECTION

4.4

Policy and Management

Sveza Group enterprises apply occupational health and safety management system (OHSMS). It is based on the principles formulated in the corporate policy in the field of occupational health and safety. The system helps meet the requirements of Russian legislation in the field of occupational health and safety and is based on the basic principles of international standards for occupational health and safety management (ISO 45001, OHSAS 18001:2007).

In addition to the policy and regulations on the health and safety management system of Sveza Group for 2015–2020, the Company has adopted a number of supporting standards, procedures, instructions and guidelines that regulate the procedure for safe work in various conditions, including the standard for performing work by contractors. The main documents from this list are available on the corporate [website](#).

As a priority, the OHSMS considers proactive actions in the field of labor protection aimed at preventing accidents instead of responding to negative events that have already caused someone to

* <https://www.sveza.ru/documents/standards/>

Key Principles in the Field of Labor Protection

1 People are the most important value of the Sveza Group. Nothing is more important than employees who contribute to the Company's business results

2 The health and safety management system is part of the Company's unified business system

3 All accidents at work, industrial incidents are preventable

4 Each employee must be responsible for both personal safety and the safety of their colleagues

5 Ignorance, misunderstanding or failure to comply with legal or corporate requirements in the field of occupational health and safety are unacceptable

suffer, or have caused serious risks to property or environment. In addition, the main task is to change the personal approach of managers and each worker to security issues, to move to a more conscious and safe performance of operations by workers and their understanding of their own responsibility.

For the management of HSE issues at the level of Sveza Group, the management company has allocated the direction of labor protection, industrial safety

and ecology. The corresponding services are also available at each enterprise. Their area of responsibility is labor protection, industrial, fire and environmental safety. In total, about 50 specialists of various profiles work in the field of HSE. Line managers ensure compliance with health and safety requirements and regulations on site.

The HSE department interacts with all functions and accompanies all the main business projects of the Company.

During the annual internal audit of the accident prevention system, an assessment is made of the compliance of the Group enterprises with Russian and international safety standards, progress in the use of an OSHMS, understanding and quality of the application of security tools. The team of auditors includes experts from the management company, and experts from Sveza or Severstal may also be involved.

Identification, Analysis and Elimination of Hazard Sources

In order to guarantee the right of every employee to work safely, it is necessary to promptly identify deviations from the requirements, rules and standards of safety,

as well as take the necessary measures to eliminate them. One of the most effective ways to prevent injuries, accidents, incidents or fires is industrial control, which is based

on a system of regular inspections with the participation of managers at different levels.

Basic Production Control Tools

Participants	Tool	Objective
Workers	Problem solving Board	Recording problems and difficulties at work, including issues related to labor protection
	Production safety audit	Detailed analysis of a production operation to determine how to perform it as efficiently and safely as possible
Foremen	Behavioral audit	Employee-Leader dialogue to prevent accidents, encourage safe behaviors and correct unsafe behaviour
	Scheduled labor protection inspections	Inspection of a separate area as a whole: monitoring the operation of equipment, the state of transport, roads, engineering systems
Heads of production, employees of HSE and technical service, director of the mill	Risk assessment	Monitoring the production process, identifying and eliminating hazardous conditions, making a decision on the acceptability of risk during work and choosing measures to reduce it, analyzing the causes of all injuries and microtraumas that have occurred with their subsequent elimination
	Investigation of incident	Identifying the cause of incidents and taking reactive measures
	Dealing with violators	Identification of the causes of hazardous behavior of employees; determination of measures of influence on violators of labor protection requirements

According to statistics obtained as a result of the analysis of the causes of accidents, the most dangerous at work are the moving and rotating parts of machines and mechanisms, especially in those nodes where pinching or entrapment of body parts or clothing (pinch points) can occur. Most often, such injuries occur during maintenance or repair of equipment when the protective devices provided by the design are removed.

To assess and reduce/eliminate the risks associated with moving equipment elements, a comprehensive "Pinch Points" program was launched in 2019. In 2020, work with "Pinch Points" should be among the priority areas for improving the security system.

A significant proportion of accidents are related to elevation changes. In order to minimize this category of risks, work is underway to assess walking routes and check stairs. The unevenness of the floor inside the production and warehouse premises is eliminated, and periodic repairs of the road surface of the territories are carried out.

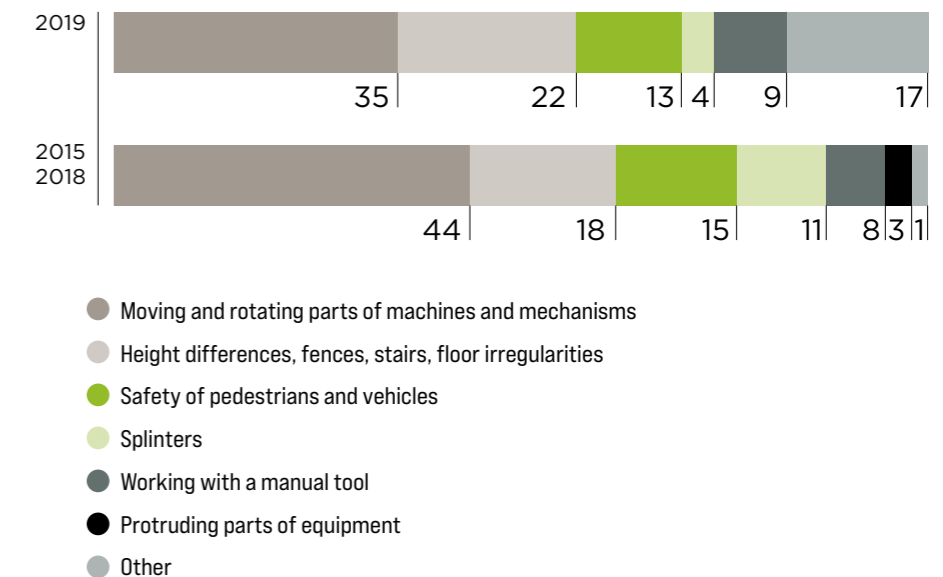
To improve the safety of pedestrians on the territories of Sveza production facilities, the processes of transportation of interoperable products are being optimized and, as a result, the number of loaders is being reduced (program "O Loaders"). The application of special markings and the installation of physical barriers are aimed at dividing the flows of people and transport in time or territory (the program "Human — Transport").

Top Sources of Danger Leading to Injuries in 2019

Trouble Spots	Corrective Actions
Moving and rotating parts of machines and mechanisms	"Pinch Points" program
Elevation differences	Risk assessment of pedestrian routes, checking stairs, eliminating roughness, road repairs
Pedestrian and vehicle safety	"O loaders" program "Human — Transport" program



Main Sources of Danger, %



Training

Improving labor safety depends not only on the availability of special protective equipment and the timely replacement of obsolete equipment. Only 10-15% of injuries are related to technological causes. The remaining 85-90% are organizational and human factors. Therefore, the Company strives to change the mentality of its employees, create a culture of safe work, and train employees in safe behavior.

Compulsory training in labor protection, regulated by law, includes more than 20 programs. A total of 16,775 people were trained. Another 2,500 people attended corporate trainings.

In the process of adaptation for all new employees at the mills, a mandatory group training "ABC of Security" is conducted.

Foremen and production managers are trained in production control tools. The new Last Minute Risk Assessment (LMRA) tool is designed to develop safety measures for non-routine jobs that are carried out rarely or for the first time. First of all, managers and specialists are trained in the use of LMRA, and then workers are trained in this method.

Corporate Trainings in 2019, pers.

Training	Number of trainees
ABC of security	1.560
Risk assessment	535
LMRA	405

Also, the Company's enterprises conduct interactive briefings with films and presentations as part of a dialogue between employees and the manager, as well as other formats for involving employees in safety issues are used.

For example, the "Safety Formula" competition is held annually at the mill in St. Petersburg. In 2019, the labor protection service prepared a brain-ring for the workers of Sveza mill in Uralskiy on knowledge of the basics of safety.



Results of Injury Prevention Measures

In 2019, there were a total of 29 accidents, including one fatal one. The main causes of injuries were:

- dangerous actions of the employee;
- unsafe state of the work area;
- gaps in risk assessment and management in the organization of work.

The increase in injuries in 2019 was affected by:

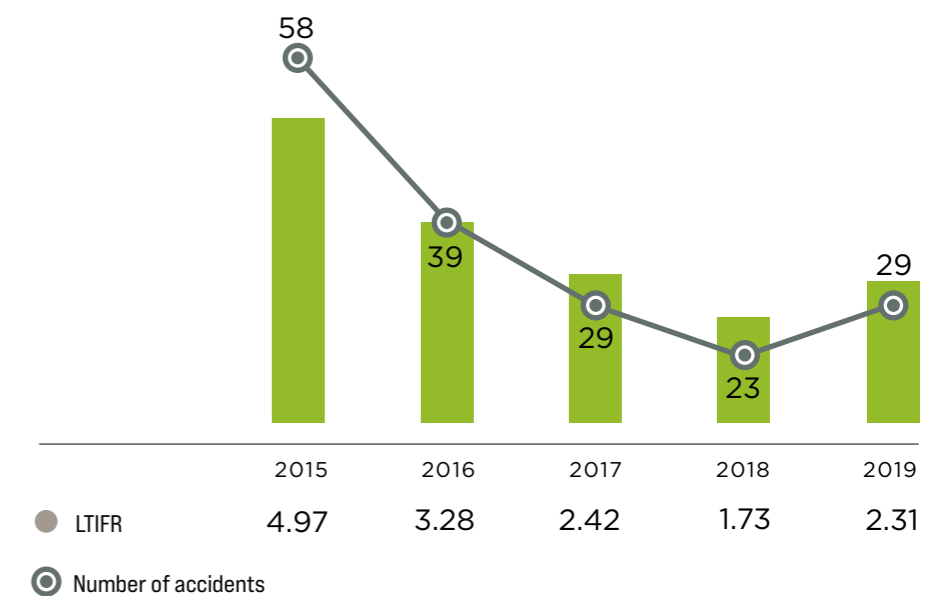
- gaps in staff competencies and risk management;
- low level of technical security of equipment (prevention of access to dangerous areas; blocking of dangerous energy; elaboration of procedures for safe maintenance of equipment);
- formal attitude to the tools of production control;
- formal attitude to training personnel on security issues.



Number of Accidents at Sveza Enterprises in 2019

Mill	Qty.
Central office	1
Saint Petersburg	1
Novator	4
Kostroma	1
Manturovo	2
Uralskiy	5
Verhnaya Sinyachiha	7
Tyumen	8

The Level of Industrial Injuries at Sveza Mills



Over the past five years, the Lost Time Injury Frequency Rate (LTIFR) reduced more than twice.

Trade Union Participation in Labor Protection

10 Key Safety Rules for Sveza

- 1 I come to work sober, healthy, and rested.
- 2 I know that smoking on the territory of the mill is allowed only in specially designated and equipped areas.
- 3 I am sure that the use of personal protective equipment will save my life and health.
- 4 I stay away from suspended loads because it's safe.
- 5 I always follow the procedure for blocking and isolating sources of dangerous energy when working on electrical equipment and engineering systems.
- 6 I always operate equipment with installed and serviceable safety fences.
- 7 I know that intra-factory transport is a source of increased danger.
- 8 I am always very careful when performing work or being near railway tracks.
- 9 I always stop the dangerous actions of my colleagues, contractors, and visitors.
- 10 I am responsible for the safety of my subordinates. Before I assign a task to a subordinate, I personally make sure that the subordinate can perform this task safely.

Trade unions exercise control over compliance with labor protection requirements established by the regulatory legal acts of the Russian Federation. Occupational safety committees (commissions) are formed at Sveza enterprises on a parity basis from representatives of the employer, trade unions and representatives of the labor collective. Together with the employer, trade unions select and train labor protection commissioners, members of labor protection committees (commissions) and organize their effective work.

Trade unions also represent the interests of workers in the investigation of industrial accidents and cases of occupational diseases, monitor the provision of guarantees and compensation in connection with the performance of hard work, work in harmful, dangerous and other special working conditions.



The collective agreement for 2018–2021 contains a section “Occupational Safety and Health”, which formulates the obligations of the employer and the employee. This document also reflects issues such as:

- remuneration for employees engaged in work with harmful and (or) hazardous working conditions;
- reduced working hours for employees with disabilities of groups I and II;
- reduced working hours for employees who are employed in workplaces that are assigned classes 3.3 and 3.4 based on the results of the special assessment;
- the duration of daily rest from the end of one shift to the beginning of the next one is at least 12 hours.

Improving the Level of Fire Protection at Enterprises

Woodworking enterprises are classified as a high fire hazard category. Sveza mills use dry wood as a raw material, produce and store finished products, and also receive significant volumes of easily combustible wood interoperational and secondary products.

To prevent fire risks and minimize their consequences, the Company conducts:

- operational measures aimed at maintaining the order of workplaces and equipment;
- mandatory scheduled fire drills;
- control measures for hot work;
- measures to maintain premises in a basic safe condition;
- measures of the comprehensive investment program for fire safety.

The main cause of fires at the mills is the human factor.

Depending on a number of parameters (the method of extinguishing, the operation of automatic systems, the duration of equipment downtime, damage assessment, the number of victims, etc.), all fires belong to one of five categories. There have been no critical fires in the past four years.

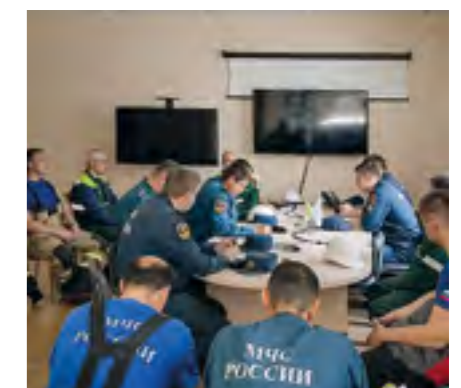
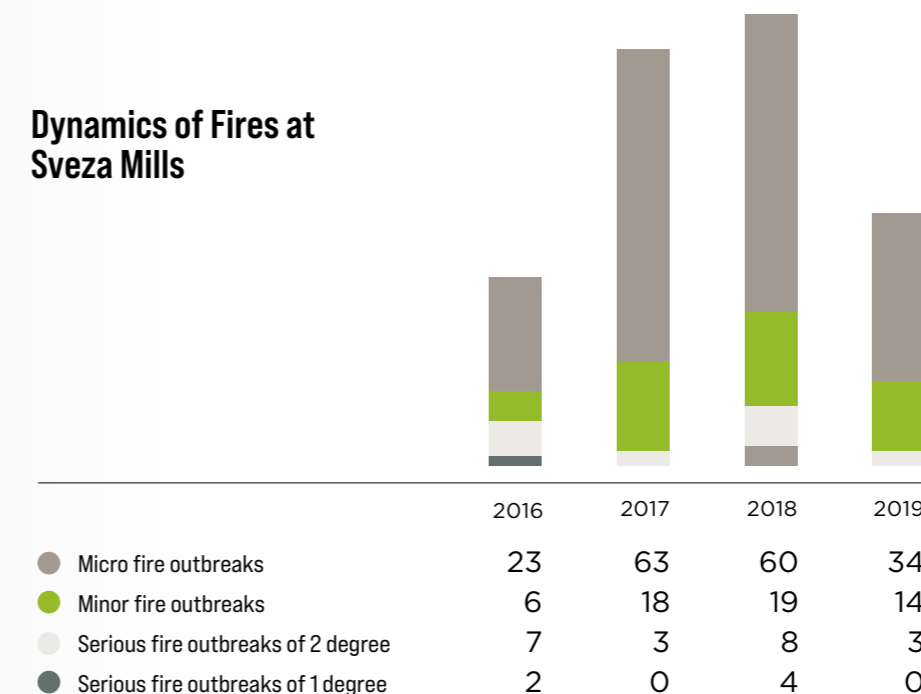
Careful observance of all safety standards allows avoiding fires, save lives and health of people, protecting enterprises and products from fire. For this purpose, employees of occupational health and safety, ecology service, fire protection employees and line managers carry out constant multi-level production control.

The Main Causes of Fires in 2019, %



- Poor-quality cleaning and violation of requirements for storing lumber and waste 70
- Electrical equipment failure 11
- Violation of safety requirements during fire operations 8
- Non-compliance with regulations during operation of equipment and violations of safety rules during work 6
- Other 5

Dynamics of Fires at Sveza Mills



The measures of the comprehensive investment program are aimed at eliminating risks: providing premises with fire alarm systems, fire extinguishing and spark extinguishing, updating the fleet of fire trucks, as well as installing fire zoning systems and evacuation systems.

Almost all premises at enterprises are equipped with fire alarm systems, and production buildings and warehouses of finished products are equipped with fire extinguishing systems. To extinguish the flame, both sprinkler systems that use water and are connected to pumping stations, and autonomous fire extinguishing systems that spray a special composition are used.

In 2019, Sveza invested 20 million rubles in the installation of a fire pumping station and laying an underground water supply system for the production of large-format plywood at Kostroma mill.

The equipment allows providing water to all fire extinguishing systems in the production during the elimination of possible fires. The pumping station is completely autonomous and does not depend on the municipal water supply system.

In 2019, a project was completed to provide engineering and technical security equipment for the mill in Tyumen. Within the framework of "Program to Improve Fire Safety" project, the protection of workers, technological equipment and material assets from possible fire in production has been strengthened.

Daily preventive measures are carried out at enterprises, including general control of production facilities and processes. Special attention is paid to the production of fire and welding works.

In the reporting year, more than 68.4 million rubles were invested in fire prevention. Fire safety training is provided to all employees once a year, and fire safety training is scheduled in each division. Internal volunteer fire brigades have been set up at each site, and their members are additionally trained in the use of fire-fighting equipment.

Professional rescuers from fire departments of the Ministry of emergency situations are also involved in training. In 2019, fire and tactical exercises with the participation of employees of Kostroma fire and rescue garrison were held on the territory of Sveza mill in Kostroma.

In January 2019, a fire occurred at Sveza mill in Verkhnyaya Sinyachiha in a bark warehouse. The Company took all possible measures to eliminate the fire. However, even after the fire was extinguished, smoke continued to rise from the hearth for some time. The cause of the smoke was spontaneous combustion of the fuel mixture. The Ministry of emergency situations and the administration of Alapaevsk were informed about the incident. As the incident caused public concern, the Company's Director met with local residents. After the incident, Sveza developed a plan of measures to help avoid a repeat of the situation in the future. An automatic fire extinguishing system is installed on the territory of the plywood building No. 1. In the event of a fire in the room, one or more sprinklers located in the high temperature zone are triggered. Water that is in the system under pressure is immediately fed to the fire source. This eliminates possible damage from getting wet in areas where the temperature increase is not recorded. The total investment in the project was about 60 million rubles.



>68,4* MILLION RUBLES
were invested in fire prevention in the reporting year

* Without VAT.

Prevention of Occupational Diseases

In accordance with the legislation, a special assessment of working conditions is carried out to classify organization activities as a safe or dangerous type of production. Based on the results of a special assessment of working conditions, each workplace is assigned a corresponding class/subclass.

More than a quarter of the Company jobs are characterized by optimal (1 class) and acceptable (2 class) working conditions. About a third of jobs are associated with the presence of factors that affect the employee increases the risk of harm to health (3.1 CL.). 37% of jobs belong to the class of working conditions 3.2. Working on them is accompanied by negative phenomena that lead to the early stages of occupational diseases. An extremely small number of jobs (2%) is associated with the possibility of diseases of mild and moderate severity (3.3 grade). In the near future, it is planned to completely eliminate such jobs. There are no working conditions under which severe forms of occupational diseases can occur, as well as dangerous (extreme) working conditions at the enterprises of the Group.

Noise prevails among the main harmful production factors at the combines (82% of jobs). In addition to personal protective equipment, anti-noise screens on equipment and anti-noise cabins for operators are used to reduce the impact of this factor.

The severity of the labor process in some workplaces is associated with lifting a certain weight during the shift without the use of lifting devices, in others — with performing long work in a standing



position. In order to reduce the burden of labor, mechanization and various devices are used to help move loads. There are also jobs with a combination of various harmful factors.

Prevention of occupational diseases includes a set of organizational, sanitary, medical and technical

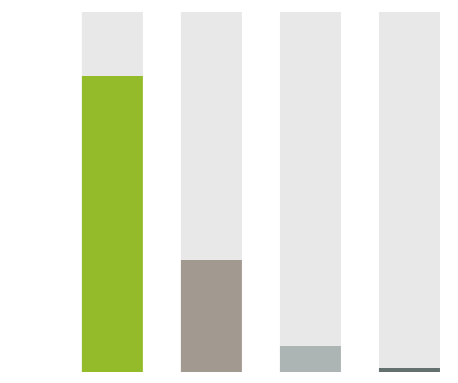
measures aimed at reducing the impact of harmful production factors in the workplace, ensuring comfortable work and reducing the severity of the labor process.

Distribution of Classes of Working Conditions in the Group Based on the Results of a Special Assessment of Working Conditions, %



1 class	0.30
2 class	27.00
3.1 class	32.30
3.2 class	37.00
3.3 class	2.00

Main Harmful Production Factors, %



Noise	82
Severity of the labor process	31
Chemical factor	7
APFD (Aerosols of Predominantly Fibrogenic Action)	1

Improving Working Conditions



The Company strives to create the most comfortable and safe working conditions for employees. Most of the enterprises are equipped with reliable equipment that allows you to automate the most dangerous production processes.

All employees are provided with personal protective equipment: suits, special shoes, gloves, headphones, etc., noise-insulating cabins are installed at the workplace.

Taking into account the continuous nature of production at the Sveza enterprises, special attention is paid to the installation of modern ventilation and fire alarm systems.

Air conditioning systems are installed at the mills, and there are sanitary and hygienic laboratories for monitoring the air condition of the working area. A social and household standard has been put into effect, which guarantees employees the opportunity to use places for eating, comfortable changing rooms, and comfortable and clean showers.

Responsibility in Supply Chain

All contractors that carry out construction and installation, repair, service and other types of work on the Group territory must comply with the basic rules of health, labor safety, fire, industrial and environmental safety. These requirements are ruled by the corporate standard “Ensuring the Safe Conduct of Contract Work” – an integral annex to any contract concluded by the Group’s enterprises for the performance of work with the involvement of employees of third-party organizations.

Verification of the contractor before entering into a contract is made on the basis of a questionnaire, which should describe the state of the system of labor protection, industrial, fire and environmental safety in the organization. This questionnaire is an integral part of the tender documentation. Sveza reserves the right to request copies of documents confirming the information specified by the candidate in the questionnaire.

For admission to work, employees of contracting organizations must pass an introductory briefing. The specialists of occupational health, occupational, industrial safety and environmental protection service of the enterprise check the level of competence of contractors in safety for the performance of work, as well as evaluate technical and project documents. Increased requirements are imposed when conducting fire work.

The contractor is fully responsible for compliance with the legislation of Russian Federation in the field of occupational, industrial and

fire safety, as well as standards, policies, procedures, and instructions adopted by the Group.

All cases of violations by the contractor personnel are recorded in acts that are considered by the Commission from among the representatives of the Department of industrial safety, labor protection and ecology and other interested departments. If the information provided in the report is considered to be justified, the contractor is subject to penalties depending on the type of violation committed. In 2019, contractors were issued 127 fines for various violations in the field of labor protection and industrial safety and 24 fines for fire safety violations.

Failure by the contractor (subcontractor) or their employees to observe the rules and requirements stated in the standard, which entailed grave consequences, may result in immediate stop work termination and removal of such organization or any of its employees from the territory belonging to the Group. The reason for termination of relations with the contractor may be, for example, any actions (omissions) that led to an accident, including a fatal one, with an employee of the Group or with an employee of the contractor organization.



Countering the Spread of Coronavirus Infection

In the context of the COVID-19 coronavirus pandemic, Sveza production facilities, among other system-forming enterprises in the country, continue to operate normally. Operational headquarters have been set up in the management company and at all the mills of the Group, which monitor the situation and take all necessary measures to protect people. The Company representatives interact with the authorities, including the heads of the constituent entities of Russian Federation and municipalities.

The enterprises have introduced special measures to localize the spread of the disease. The Company personnel are provided with personal protective equipment in the required amount. Visual monitoring of employees health status is performed, as well as instrumental temperature measurement. Employees, contractors, as well as representatives of customers and partners with high temperatures

and signs of ARVI are not allowed on the territory of the mills. Employees of the Company must use hand sanitizers when entering any premises, as well as maintain a safe distance. For this purpose, the appropriate markings were applied throughout the territory of the mills.

At the checkpoints, as well as at all industrial and household sites, disinfection and ventilation

are regularly carried out. At the checkpoints of the factories, in locker rooms and in canteens, bactericidal recirculators are installed, which destroy pathogenic microbes. At the checkpoints of mills, remote temperature control systems are installed, which allow to quickly and accurately monitor the body temperature of everyone who enters. Set meals are served in closed disposable containers.



The Company rented more buses to transport workers to the mills separately from the general flow of passengers. At the same time, the salons are treated with disinfectants before and after the flight. The Company canceled business trips and public events.

The mills of Sveza Company have passed inspections by Federal Service for Supervision of Consumer Rights Protection and Human Welfare and regional operational headquarters for monitoring compliance with sanitary requirements to combat the spread of coronavirus infection. The representatives of departments noted the high degree of effectiveness of the measures taken.

The maximum possible number of Company employees was transferred to a remote work format. This required additional efforts from IT Department to provide such employees with technology, to establish a secure connection and the smooth operation of the corporate network. An information program has also been developed to support the situation with the coronavirus. A closed Group "Sveza in Touch" was launched for the Company employees on the social network VKontakte. A series of information posters has been developed and placed at the mills. Coronavirus videos are broadcast on corporate TV.

Sveza is traditionally actively involved in solving social problems that arise in the regions of its presence. Sveza mills in Kostroma and Manturovo donated masks, gloves and antiseptics to police officers, doctors and volunteers.



Sveza mill in Uralskiy provided firewood for the veterans of enterprise and elderly residents of the village, as well as residents of the Urals with disabilities living in houses with stove heating (a total of 56 houses). More than two hundred families of employees living in houses with stove heating will also receive 5 m³ of firewood.

Despite the fact that the Company has developed a number of measures to protect the supply chain and financial stability, Sveza is considering various scenarios for the development of events, but in the implementation of any of them, the Company will continue to fulfill its basic social obligations in the regions of its presence, in particular with regard to water supply and supply warm.



LOCAL COMMUNITIES

5

3,4 BILLION RUBLES

tax payments to budgets of various levels, as well as various non-tax deductions for the Group as a whole in 2019

>90%

of suppliers belong to small and medium-sized businesses

>30

organizations received financial and other material assistance

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ECONOMIC IMPACT ON THE REGIONS OF PRESENCE

5.1

Sveza Group enterprises are located in the North-West of Russia (Saint Petersburg, village of Novator of Vologda region), in Kostroma and the Kostroma region (town of Manturovo), in the Urals (village of Verkhnyaya Sinyachiha, Sverdlovsk region, village of Uralskiy of Perm region) and in Tyumen. The territories of presence are interested in the creation of new modern enterprises that carry out deep processing of timber, as well as in the modernization of existing industries. This approach guarantees a significant financial contribution to the economy of the regions of presence, additional payments to the budgets of all levels, the preservation of existing and the creation of new jobs with a decent level of salary.



3,4 BILLION RUBLES

tax payments to budgets of various levels, as well as various non-tax payments for the Group as a whole in 2019

>90%

of suppliers are SMEs

Projects of Sveza Group for the reconstruction and modernization of production facilities, an increase in the volume of products, contribute to the growth of trade turnover and improve the investment climate, provide a good incentive for the development of enterprises in related industries and have a beneficial effect on maintaining social stability.

More than 700 organizations supply wood raw materials to Sveza mills. The vast majority of suppliers (more than 90%) belong to small and medium-sized businesses. At the same time, the Company tries to give priority to local producers, which are based in the immediate vicinity of each specific plywood mill, which also reduces logistics costs. Sveza orders not only provide loading for local suppliers, but also give them opportunities for development.

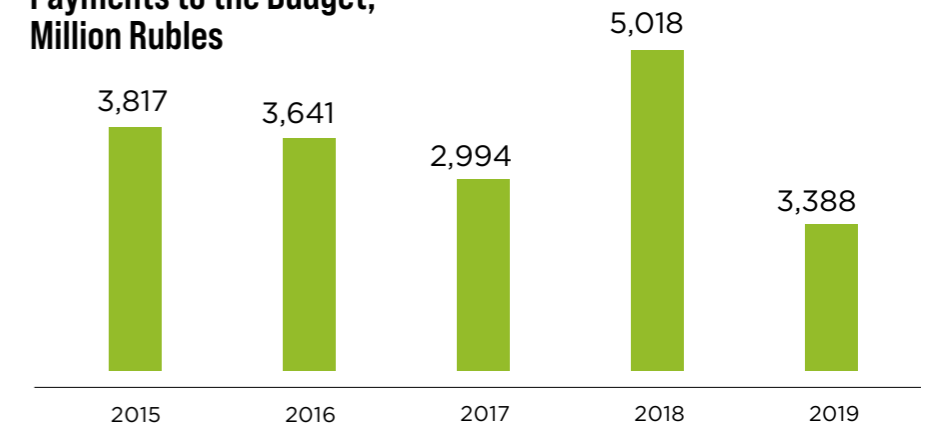
Supplier support mechanisms provide funds for a period of one month to one year, which can be used, for example, to pay for rent, to carry out forestry activities, or to replenish working capital. At the same time, the repayment of borrowed funds is made by products of our own production: birch logs for the production of shelled veneer.

Sveza implements an investment program at all the Group enterprises aimed at developing local suppliers-loggers and increasing the volume of logging in the regions. Funds within the framework of investment projects can be provided to suppliers for the purchase of logging equipment, as well as construction equipment necessary for the construction of logging roads. The duration of investment projects is from one to three years.

In order to increase the volume of harvesting in the regions where the Company operates, Sveza enterprises enters into strategic agreements with logging companies for a period of three years or more. This allows suppliers to plan production activities for a long period, as well as ensures full utilization of the capacity of logging enterprises and guaranteed sales of plywood raw materials at market prices.

The Company mills, which are located in small localities (Verkhnyaya Sinyachiha, Novator, Uralskiy, and Manturovo), are actually the city-forming enterprises that determine the economic and social well-being of the territory. Many of them also provide energy and water supply to the housing sector and social facilities.

Payments to the Budget, Million Rubles



Verhnaya Sinyachiha

Sveza mill in Verkhnyaya Sinyachiha is a backbone enterprise and one of the largest taxpayers in the region. In the last five years alone, transfers to the budget of the Sverdlovsk Region have exceeded one billion rubles. More than a thousand people work here. A large number of employees are residents of the village and neighboring villages. An increase in the tax base, including due to the annual indexation of salary, has a favorable effect on the socio-economic situation of the village: funds appear for

the construction and repair of infrastructure facilities, and the development of the settlement. The mill regularly allocates funds for the improvement and organization of leisure activities for residents. In 2019, a joint project with the administration was implemented to build a skate area, which provides an additional opportunity for young people to play sports. In addition, the mill rents gyms for employees and their families to train at the local physical culture and sports center. Monthly lease payments help the physical culture and sports center reach self-sufficiency.



Novator

The village of Novator is located in the Veliky Ustyug District of Vologda Region. The Sveza plywood mill is the town-forming enterprise for the village. The Company investment strategy aims to increase output by 52 thousand m³ per year. The implementation of such projects as “Novator +52” not only helps to increase the output and increase the competitiveness of Sveza Group at the world market, but also allows to solve a number of important social and economic problems. More than 100 new jobs will be created here for residents of Vologda region, and tax deductions to budgets of various levels will increase by tens of millions of rubles.

Even before the construction is completed, the “Novator +52” investment project is already having a positive impact on the district economy. About 300 employees of contracting companies are employed at the construction site and in related organizations, which rent housing

from local residents, and also purchase goods and services in the Veliky Ustyug district.

In order to provide raw materials for growing production, in 2019 the Company started logging operations in the Totem district of Vologda region. In the new subsidiary, Sveza Resource LLC, more than 100 jobs were created, tax and non-tax deductions in 2019 amounted to 3.6 million rubles.

Residential fund village of Novator is the main consumer (84%) of Sveza thermal power plant. The plant heats 32 apartment buildings, and also provides reliable and uninterrupted heat supply to social infrastructure objects: kindergarten, school, library, community centre, sports and recreation center, outpatient clinic and shop. During the 2019–2020 heating season, from September to May, 5,034 Gcal of heat was released to consumers. For its production, 805 tons of wood chips were used — an environmentally friendly and economical fuel that is formed at the plywood mill as a result of its own technological processes.



The mill thermal power plant in Novator not only provides residents with heat and hot water, but also helps prevent problems caused by flooding. In spring, the mill supplies city services with wood ash, which is scattered along river banks to speed up ice melting. “Blackening” of ice on the Sukhona and Severnaya Dvina rivers is a traditional flood control measure in Veliky Ustyug. Sveza is also preparing to implement a large-scale coast protection project and the construction of a flood wall. It is planned to strengthen the coastline with a total length of more than 800 m. About 2 thousand m³ of soil will be used to protect the Sukhona coast from flood waves and erosion.

In 2019, at the request Samotovinsky village administration, which includes the village of Novator, Sveza provided the road services with a brick break in the required volume for the current repair of village roads.

Uralskiy

The vital activity of Uralskiy village depends entirely on the activities of Sveza mills. About 20% of the residents work here. As part of the “+40” project, Sveza mill in Uralskiy plans to expand plywood production by 40 thousand m³ per year and build a mini-thermal power plant. These projects are included in the list of priority investment projects in the field of forest development in Perm region. After the project is launched, 20 new jobs will be created. In total, taking into account the shift nature of work, 47 people will be additionally employed. The new mini-CHP not only guarantees uninterrupted power supply to the production processes of the enterprise, but also creates the necessary amount of heat energy for the village. Significant changes

in the mill activities also affect the socio-economic development of the territory.

Manturovo

The town-forming enterprise of Manturovo, Sveza mill, accounts for about 90% of the shipment volume of the city processing enterprises and about 20% of the working population of the municipality. More than 20 local small and medium-sized businesses work at the mill on contract terms. The total number of contractors' employees is more than 100 people. Basically, they provide services in the field of construction and repair, logging, transport, etc.

All waste is processed here into a wood-based fuel mixture, which is used in the energy supply cycle of the enterprise. The new mini-CHP plant supplies heat and electricity to the mill, and in the cold season it heats 11 private housing buildings and one apartment building.

Kostroma

Sveza mills in Kostroma and Manturovo are among the largest taxpayers in the budget of Kostroma region. The improvement in economic performance of the mills as a result of the implementation of major investment projects has a positive impact on budget revenues at all levels.

The timber industry is a region-forming sector for the regional economy. In the structure of region export, plywood occupies the first place, it accounts for 50% of supplies, another 15% are occupied by other woodworking products. About a third of the total list of wood products produced in Kostroma region is produced by Sveza mill in Kostroma.



Together with the city administration, Sveza mill in Kostroma began work on the improvement of the walking area from the central embankment to the bridge over the river.

The Company was the first to respond to the call of the city authorities to put in order the pedestrian path along the left Bank of Volga to the Ipatievsky monastery. Here the grass was mown and fallen trees were removed. In 2020, the embankment improvement work will continue.

Saint Petersburg

The St. Petersburg Sveza mill, located in Pontonny, is one of the town-forming enterprises of the village. The mill provides jobs for about 650 residents of Pontonny, the villages of Metallostroy and Saperny, the city of Kolpino and other nearby municipalities. The mill makes a significant contribution to the social and economic well-being of the village. Pontonny Thus, the boiler house of the mill provides residential buildings with heat,

and the enterprise allocates wood trimmings to the veterans of production who live in houses with stove heating. The mill regularly provides assistance in the improvement of social facilities — the village sports stadium “Parus”, educational organizations and kindergartens, as well as a memorial in the municipal recreation park dedicated to the workers of the mill who died during the war.

Tyumen

The mill provides jobs for about 600 residents of Tyumen. Over the past two years, transfers to Tyumen Oblast budget have exceeded 1 billion rubles. The increase in the tax base is also due to the annual indexation of salary. The mill annually provides charitable assistance to promote extreme sports.

SOCIAL PROJECTS

5.2

Social Projects and Charitable Assistance

Sveza Company strives not only to be an attractive employer who cares about its employees, but also to help maintain a decent standard of living for residents of the regions where it operates. All the Group enterprises are actively engaged in social and charitable activities.



Almost all Sveza mills are city-forming enterprises and have an impact on the social environment and daily life of local communities. All the Company enterprises implement charity programs and participate in the construction and maintenance of social infrastructure facilities.

The main directions of the Company social and charitable activities are landscaping, support for sports and healthy lifestyle, care for socially vulnerable categories of the population, assistance to schools, kindergartens, leisure and sports institutions, and support for cultural projects.

As a charitable aid, the Company's enterprises donate finished products to various educational



and socially significant institutions and organizations for carrying out repair and construction work, making sports equipment, teaching aids and handicrafts. About 30 organizations also received financial and other material assistance. A list of Sveza main beneficiaries is provided in **Appendix 2** of this Report.

Environmental Education for Children and Youth

Environmental education of children and youth is an important area of Sveza social policy. The Company goal is to create a responsible and careful attitude to the forest among children and young people, to improve environmental culture and literacy. In the regions of its presence, Sveza conducts environmental lessons at schools and thematic conferences, supports school forestry, organizes environmental camps and subbotniks (community cleanup).

In 2019, Sveza employees conducted more than 25 lessons in schools and school forestries in Vologda, Kostroma, Sverdlovsk regions, as well as in Perm region. To conduct the classes, "Lesomania" teaching materials

were used, developed by the World Wildlife Fund (WWF) of Russia. Schoolchildren and teachers of small rural schools accepted with interest the unusual format of interactive lessons about forest and climate. Students and teachers of small rural schools were interested in the unusual format of interactive classes about the forest and climate.

Thus, students of one of Kostroma schools took part in the environmental lesson "Can we live without forest?". In a playful way, Sveza employees told the children about how useful the forest is and what are the ways to restore it. Another lesson, "Forests of Russia", was taught by the Company employees for the students of Chentsovsky center for helping

children left without parental care. At the end of the lesson, children planted fruit trees donated by Sveza on the territory of the center.

Another environmental lesson ended up by planting trees in the schoolyard in the village of Uralskiy, Perm region. During the lesson, employees of Sveza mill told students about the environment, natural resources, environmental safety and measures that can be taken to reduce the negative impact on the world around them. Students discussed the problems of separate waste collection, water treatment and tree planting.

Students of 7-9 grades in the village of Suda of Vologda region took part in a thematic team

Interschool Scientific and Practical Conference in Manturovo

Thematic conferences are an effective tool for environmental education of young people. Their goal is to promote environmental culture and responsible environmental management, develop project work skills, and involve young people in scientific and practical activities. In autumn, on the basis of one of the city schools of Manturovo, an interschool scientific and practical conference on ecology and responsible environmental management, initiated by Sveza mill, was held. The conference was attended by 12 high school students from ten city district schools. The authors of the best works received valuable prizes.





19th Meeting of School Forestries of Perm Region

As part of “Timber Producers of Prikamye” association, Sveza, together with the regional education authorities, took part in organizing the 19th meeting of school forestries of Perm region. The three-day meeting brought together 120 students, members of school forestry departments who are engaged in environmental and educational activities, conservation and enhancement of forests. Within the framework of the rally, there were individual “Forest Robinsonada” competitions, “Preservation of Forests” foresight sessions, where children presented cases on organizing the work of school forestries within the framework of implementation of “Ecology” national project, and “Young Forester” competition.

game and learned from Sveza staff in Novator about the use of forests for maintaining the natural balance. After the lesson, 12 students signed up for the school forestry.

The Company specialists conducted field career guidance events for students of Veliky Ustyug high school No. 9 and No. 15. Krasavino. In 2019, more than 600 students from the district schools took a tour of the corporate Museum and plywood production facilities. The Company donated apple and pear seedlings, flower seedlings to Veliky Ustyug center for helping children left without parental care for landscaping the territory of the center and environmental education of the wards.

More than 100 schoolchildren who are having a rest in the children camp named after A. Yashin in Nikolsky district of Vologda

region, took part in an informative lesson about the world around them, which was conducted by teachers of Vologda state University in exciting ways.

In the territories of its presence, Sveza actively cooperates with school forestries, which are created with the aim of educating children in a responsible attitude to nature, transferring knowledge in the field of forestry and ecology. In Manturovo urban district, the “Green World” school forestry is successfully functioning, established on the basis of a secondary school in the village of Oktiabrsky. In June, employees of Manturovo mill visited one of the children work sites. Sveza employees gave them a career guidance lesson and told them about the Company and the mill.

Sveza mill in Tyumen actively cooperates with Tyumen Society of Foresters, a school forestry; in 2019, the mill representatives spoke

at a meeting of school forestries, and employees of the organizational development service held a master class for children.

In 2019, Sveza in Uralskiy with the assistance of the Ministry of Natural Resources, Forestry and Ecology of Perm region on the basis of an elementary school in the village of Uralskiy established the first school forestry “Friends of the Forest”. Waste paper collection became a joint project of schoolchildren and Sveza. Environmental campaign helped the participants send more than 4 tons of secondary raw materials for processing.

For children of primary school age, the format of a summer eco-camp has been developed. The first such camp was organized by Sveza on the basis of a secondary school in the village of Uralskiy Together with teachers, counselors and volunteers of Sveza mill, 212 schoolchildren took a course of environmental education.

Childhood Support

Child support is one of the key directions of social initiatives that Company implements in the interests of local communities. Sveza helps children educational, sports and leisure institutions, provides targeted assistance to large families and families in difficult life situations, and cooperates with charitable organizations working in the field of prevention of social orphanhood.

The Company supports the activities of the “Way Home” program of Severstal, aimed to solve the problems of social orphanhood and prevent juvenile delinquency. Since 2011, Sveza annually allocates about 2 million rubles to support this program.

In Veliky Ustyug district of Vologda region, the proportion of families in difficult life situations is invariably high, therefore social assistance is in great demand here. In 2019, the Company allocated funds for “Way Home” and “Start+” projects in the town of Krasavino and “Social Ambulance” project. In August 2019, Sveza mill in Novator took part in the charity event “Backpack of Happiness”, one of the events of “Social Ambulance” project. Sets of school supplies were formed for 19 families and children received them at “First-Class Day” just before the beginning of the school year. Sveza mill in Novator, together with other enterprises of the district, joined the “Family Circle” campaign, due to the Company support in August 2019, the “Mother and Child” rehabilitation camp in Santa Claus Estate (Veliky Ustyug) was visited by the family with a disabled child from Krasavino.

Almost all Group enterprises participate in charity events dedicated to the beginning of the school year. Short before the beginning of school year (First of September), all parents of first-graders at Sveza mill in Manturovo received gift certificates for purchasing school supplies. In addition, Manturovo branch provided charitable assistance to the city social service center for the purchase of school supplies for children from large and low-income families. In total, the mill helped 85 first-graders get ready for school. The mill in Manturovo traditionally participates in the preparation of educational institutions for the beginning of the new school year. In summer of 2019, material support was provided to secondary school No. 3. Every year, the Company purchases construction materials and provides special equipment for the production of technically complex works.

In the reporting year, the Novator mill provided free assistance to eight social infrastructure facilities — schools, kindergartens, sports clubs and creative teams of the city. In particular, the Company provided plywood for repairing activities and for home economy classes for a number of educational institutions, as well as for “Alyonushka” kindergarten in the village of Novator, which is mainly attended by children of the mill employees. The kindergarten and children boarding school also received financial assistance from the mill. In 2019, more than seventy children of employees of Sveza mill in Novator went to the first grade. For them, the Company traditionally prepared sets of school supplies and organized a visit to Santa Claus zoo.

Sveza mill in Uralskiy participated in purchase of office supplies for primary school students before the new school year. The help was directed to families from Nytva, Grigorievsky, Novoilinsky, Uralskiy, Tchaikovsky, as well as the villages of Opalikha, Rybkhov and other settlements. Some of the gifts were delivered to the children by employees of Sveza mill.

Before the start of the new school year, Sveza mill in Verkhnyaya Sinyachiha traditionally congratulates first-graders. In 2019, a big kid’s party was arranged for all village children. 81 children were awarded with gift certificates for the purchase of office supplies. On the terms of co-financing, the mill, together with the administration of the municipality of Alapaevskoye, organized a summer vacation on the Black Sea coast for 22 children of employees. About 50 New Year gifts were sent to children left without parental care.

Every year, Sveza mill in Kostroma issues certificates to parents of first-graders to prepare their children for school. In 2019, a big



holiday with creative and sports competitions was organized for the Children's Protection Day. For several years, the mill has been patronizing two Kostroma schools. Sveza in Kostroma is a partner of children projects of the regional branch of the all-Russian "School of Security" movement. In 2019, the mill employees held a thematic safety flash mob in the rehabilitation center for children in difficult life situations in Krasnoselsky district. They told kids how important it is to know the basics of safe behavior during summertime, and then they planted fruit trees and bushes on the territory of the center. In summer of 2019, as part of the "Summer WITHOUT Dangers" children project, a bus with social

advertising on board appeared at the streets of Kostroma. Children prepared posters on different topics such as how to help a drowning man, what to do if there is a fire in the house, and other topics. Young rescuers hope that this form of agitation will attract the attention of adults.

Support of educational organizations located in the village of Pontonny — one of the main directions of charitable activities of St. Petersburg mill. In 2019, the mill purchased office equipment for kindergartens No. 8 and No. 39, and helped kindergarten No. 8 to purchase household items for the pupil's bedroom. Secondary school No. 520 received assistance in the improvement of recreational

area. The mill employees cleared the territory of school No. 400 of snow. Also, at the request of the school administration, lamps were purchased. Last year, the mill representatives took part in the village festival of children creativity, where they congratulated the participants on their creative and sporting achievements, presented the heads of educational organizations with certificates for the purchase of necessary equipment. Every year the mill implements the "Growing Together" program, which includes a series of study tours to the production for children of employees, students of schools and specialized higher education institutions. In 2019, the mill was visited by more than 200 children and teenagers.

As part of the "Growing Together" program, Sveza in St. Petersburg conducted a field trip for employees children to the "Neptune" oceanarium, which was visited by about 75 children. Every year, the mill arranges an off-site event "Family Day" for the families of employees. For children, there is an entertainment program and a playground. In addition, Sveza implements a summer recreation program for employees' children. Last year, about 40 children and teenagers had a rest in children health camps.

In 2019, Sveza mill in Tyumen, in honor of Children's Protection Day, bought gifts for children from large families and families in difficult life situations. By September 1, the Company provided kits to employees' children for a successful start of the new school year.

facade and interior of the building. "Children Polyclinic" project. Art reloading has been existing for several years. During this time, the artists designed five children medical institutions in Kostroma and five more in other cities of Russia. The project was made possible due to the support of city administration, as well as partners, Sveza being among them.

Art Subbotnik in Kostroma

Sveza Company in Kostroma took part in Art Subbotnik (community cleanup) of the "Center for Social Initiatives" non-profit organization. Employees and volunteers of the center developed a design project and prepared the facade of the children clinic for art painting. And city residents, including employees of Sveza mill in Kostroma, painted the



Supporting Sports and Healthy Lifestyle

Sports and healthy lifestyle are an important element of corporate culture. Sveza pays great attention to the health of its employees and invests heavily in sports infrastructure in the regions where its mills operate. All enterprises have sports halls. Each mill has its own football and volleyball teams that compete in district and regional tournaments and take part in the annual corporate sports competition.

Uralskiy

Every year, Sveza mill in Uralskiy supports professional and amateur sports, allocates funds for the maintenance of sports facilities and the local sports institution "Sports Development Center". With the support of the Company, local teams participate in the regional championships among young men, veterans and amateur teams. Adult teams of Sveza successfully play in the Perm region championship in football, the Perm region championship in hockey and the regional volleyball tournament

"League West", and young amateur athletes play yard football. With the support of the Company, a traditional regional tournament among children and youth teams, an ice hockey tournament "Lesovik" among young men was held in the village. Right before the day of forest workers and the timber processing industry and within the framework of "Month of Road Safety" preventive action, Sveza Company and traffic police in Nytvensky district held a "multi-sport" tournament in Uralskiy.



Sveza stadium in the village of Uralskiy received an award from Perm region football Federation for the high level of organization and attendance of matches of Perm region football championship in 2019 season. In the reporting year, Sveza allocated 4.9 million rubles for sports development in Uralskiy.

Manturovo

For many years, Sveza mill in Manturovo has been filling and servicing the city only ice rink, which can be used free of charge by all residents. The local hockey team also plays its home games here. In 2018, the Company arranged high-quality lighting at the rink, and in 2019, it carried out major repairs to the court, adjacent locker rooms and gym, which the mill employees attend. The mill provides annual assistance to FC Spartak and the local football team.



Kostroma

Sveza in Kostroma supports its employees' passion for sports. Mini-football and volleyball teams were formed on the basis of the Company. Employees of the mill perform well at city and regional level competitions.

Volunteers from Sveza Active and employees of the mill in Kostroma took part in Volga ecological half marathon, which was organized by the All-Russian Athletics Federation, the All-Russian Ecological Movement "Green Russia" and Kostroma Region Administration. More than 20 employees of the mill successfully covered the distance of 3 km. Sveza in Kostroma also supported "Hello, Kostroma!" half marathon. With the assistance of the Company, the All-Russian mass ski race "Ski Track of Russia" was also held here. Every year Sveza

mill in Kostroma participates in the festival of working youth, where teams of large city enterprises compete in sports and creative competitions.

With the Company support, a hockey rink with lighting for students and local residents was equipped on the territory of school No. 7. And in July, the second corporate sports contest Sveza was held in Kostroma. Teams of all Sveza enterprises competed in shooting, long jump, running, football and volleyball competitions. For the first time a corporate tournament of this kind was held in 2018 in St. Petersburg.

In 2019, Sveza Company became the general sponsor of one of the most exciting mass sports events in Kostroma region — snowkiting championship "WINDY GAMES 2019".

Verhnaya Sinyachiha

Due to support of Sveza mill in Verkhnyaya Sinyachiha, the first skate-ground for extreme sports appeared in Alapaevsky district of Sverdlovsk region. When creating sports facilities, Sveza plywood was used, which has high strength and increased moisture resistance. It is possible to ride skateboards, roller skates, BMX stunt bikes and scooters on the sports ground. Extreme sports are very popular among young people, so the sports ground is specifically designed in a way so that beginners can also use it. It is possible to practice here until the first snow.

Sveza also became a partner of the "Ultimate Strength" regional sports festival and supported the track and field competition in Verkhnyaya Sinyachiha.

Tyumen

In 2019, Sveza became a partner of the largest sports festival "Extreme EXPO" in Tyumen. More than 400 athletes from a dozen cities competed in parachuting, rock climbing, mixed martial arts, power extreme sports, and cheerleading. The Company provided its products for the construction of the main sports facilities. For the 13-meter climbing wall and the complex of skateboarding jumps, moisture-resistant plywood was used, and for the areas with non-slip surfaces, laminated plywood with a mesh surface was used. The Company also supported the Russian ice climbing championship, which was held in Tyumen in December 2019.



The Company encourages a healthy lifestyle for its employees and their families. They annually receive gift certificates for visiting the sports and fitness center, where the mill rents gyms for sports.

Novator

The Company supports its employees' soccer and volleyball teams that compete in district and regional tournaments. In 2019, the mill team reached the third place in volleyball and second — in football competitions of the regional sports competition among enterprises. Sveza in Novator also focuses on basketball, which is popular in Vologda region. The Company supports varsity

men and junior women teams. Young basketball players born in 2007—2008, including several children of employees of the mill, with the financial support of Sveza, represented Veliky Ustyug at the "League of Friends" tournament in Ryazan.

In 2019, Sveza held friendly football and volleyball matches in Veliky Ustyug between Sveza mills from Novator and Manturovo. The sports festival gathered hundreds of spectators in the stands. For them, during the breaks between matches, the Company arranged contests with a drawing of branded souvenirs.

Saint Petersburg

For the second year in a row, Sveza mill in Saint Petersburg supports sports events in the village of Pontonny, where the Company is located. In 2019, it provided assistance in holding competitions in draughts, darts, table tennis, arm wrestling, volleyball, pionerbol, as well as children and youth sports games and family competitions "Dad, Mom, Me". In addition, the mill provided plywood for the reconstruction of the village stadium "Parus".

Assistance to Veterans and the Elderly

One of the directions of the Company social policy is to help the elderly and veterans. Special attention is paid to retired former employees of the mills. Most of the events in this area are dedicated to the celebration of Victory Day and the Day of the Elderly.

In 2019, Sveza mill in Kostroma supported the “Trophy-Victory March” charity race on off-road vehicles, organized with the support of the Regional Council of Veterans and “Russian Roads” club. The race is held annually in Kostroma region and brings together about 100 participants from different regions of Russia. On May 8, a commemorative meeting dedicated to the Victory in the Great Patriotic War was held on the territory of the mill. Veterans and home front workers, employees of the enterprise, as well as students of the sponsored school gathered together at the monument for those who perished. Also for the Victory Day, the mill provided financial

assistance to 26 veterans, and to the Day of the Elderly — to 331 people. Pensioners holding the title of “Honorary Worker of the Mill” are given a free trip to the sanatorium once a year and a bonus for the Day of Forest Workers.

The mill in Manturovo annually provides free firewood to veterans living in houses and apartments with stove heating. On the occasion of holidays, veterans receive gift certificates for purchasing goods in stores. On May 9, a tour to the production facility was organized for the veterans.

Sveza mill in St. Petersburg, on the occasion of Victory Day, organized a traditional festive dinner for war veterans, home front workers and residents of besieged Leningrad. The guests were congratulated by the staff of the mill and students of secondary school No. 400 in the village of Pontonny Volunteers from the central office and the mill

brought the gifts home to those veterans who could not attend the holiday. The Company regularly presents gifts to veterans of the mill on the occasion of birthdays and anniversaries (from 90 years), as well as for the New Year.

In Uralskiy, the mill provides transport for field events of the society of labor and war veterans. On Victory Day, a “Soldier’s Porridge” campaign took place in the village — a field kitchen with soldier’s food for everyone was deployed. Also, as part of the “30 Days to Victory” campaign, workers of Sveza mill in Uralskiy and volunteers of the “Awakening” detachment of Children Art Center personally visited and congratulated veterans of the Great Patriotic War and home front workers. Sveza in Uralskiy also finances regular course treatment of veterans of the mill in the dispensary. Members of the public organization of veterans



of Perm plywood mill received financial assistance in the amount of 2.2 million rubles.

Employees of Sveza mill in Verkhnyaya Sinyachiha personally congratulated veterans on the occasion of Victory Day. About 100 retired workers, former employees of the mill, visited the enterprise, which had been established with their efforts. Such tours taking place on the occasion of Day of the Elderly and Day of Forest Workers at Sveza mill in Verkhnyaya Sinyachiha have become a tradition.

Sveza mill in Novator provided financial assistance to the Council of veterans of Veliky Ustyug district and the “Children of War” organization in Krasavino for holding events in honor of Victory Day.

Sveza mill in Tyumen, in cooperation with the city administration, organized the delivery of gifts for veterans.

In addition to the insurance fees that Sveza, as a responsible employer, regularly and fully transfers to the pension Fund of Russia, the Company provides various types of financial assistance to retired former employees of enterprises. Permanent employees who have reached the retirement age (women — 55 years, with preferential seniority — 50 years, men — 60 years, with preferential seniority — 55 years) are paid a one-time bonus for many years of conscientious work. The amount of the bonus varies from 3 to 20 thousand rubles, depending on the duration of continuous work experience at the enterprise.



On the basis of a collective agreement, employees of the enterprise, as well as pensioners living in houses or apartments with stove heating, are provided with 4.5 m³ of wood waste once per a calendar year. In addition, financial assistance or a gift certificate is provided on the occasion of the Day of the Elderly.

Culture Support

In 2019, Sveza mill in Verkhnyaya Sinyachiha and the Verkhnyaya Sinyachiha local history museum jointly organized a museum exposition that tells about the history of the Company development. More than 200 exhibits are presented in the museum hall. An interactive model of plywood production workshop became the central piece of the exhibition.

In October, a field practical laboratory “Made in a Museum” was held in Kostroma with the support of Sveza. The event is the first stage of the X grant competition for the “Museums of the Russian North” projects. The support program for regional museums has been implemented by Severstal since 2007. The mill also provided special uniform for employees of the open-air museum.



In November, in Veliky Ustyug Sveza supported the popular show “Time of Dance. Kids”. Sveza mill in Novator also provided financial and organizational support to Veliky Ustyug gymnasium in conducting the Total Dictation. The event in Veliky Ustyug district was held for the first time and attracted great interest of local residents and the media.

Due to the support of Manturovo mill, the youth center “Yunost (Youth)”, the main city community centre, which has the only cinema in the city, children leisure facilities and the largest city stage resumed their work.



EMPLOYEES

6

About

7,000

employees worked at seven mills in six regions of the country in 2019

44% ↑ 4%

total personnel security in the Company in 2019.

69% ↑ 2%

employee satisfaction rate based on the "Career Opportunities" factor

72 MILLION RUBLES ↑ 9%

investment in recruitment and training in 2019

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STAFF STRUCTURE AND PERSONNEL POLICY

6.1

about **7,000**

employees worked at seven mills in six regions of the country in 2019

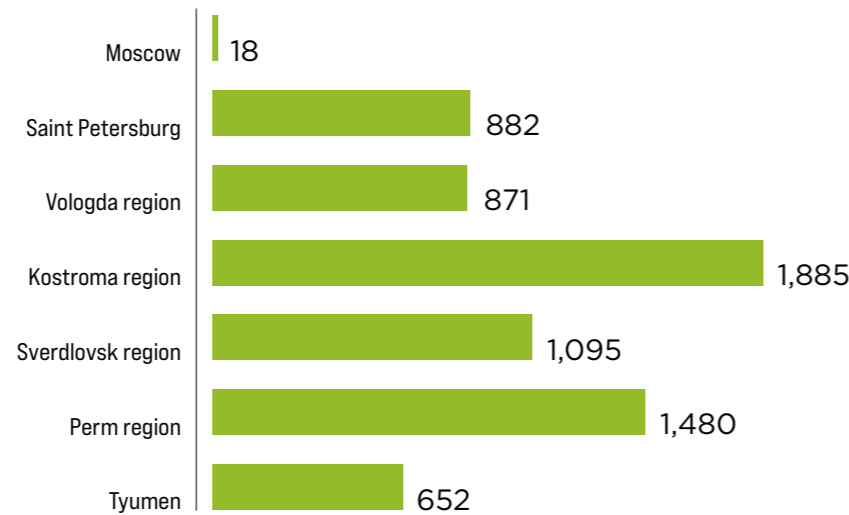
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new jobs were created within the framework of the Sveza Resource project aimed to open its own logging facility

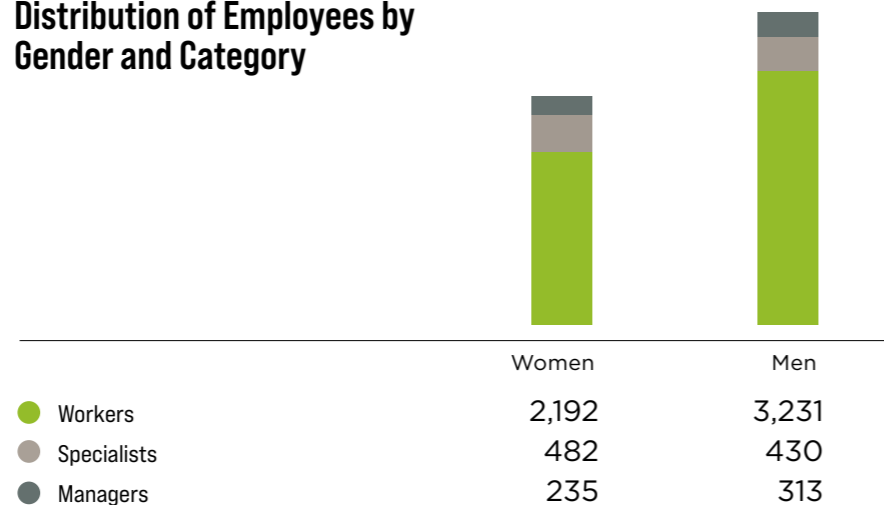
The largest share of the Company employees (27%) is in Kostroma region, where two Sveza enterprises are located. Uralskiy mill in Perm region is the largest on as per the number of employees.

The share of women in the total number of employees is 42%, which is four percentage points higher than the same indicator for the manufacturing industry in the country. At the same time, their share among the Company managers is even higher (43%), and among the "Specialists" category, women predominate (53%). Two women are among the Company top managers.

Average Number of Employees by Main Regions of Presence



Distribution of Employees by Gender and Category



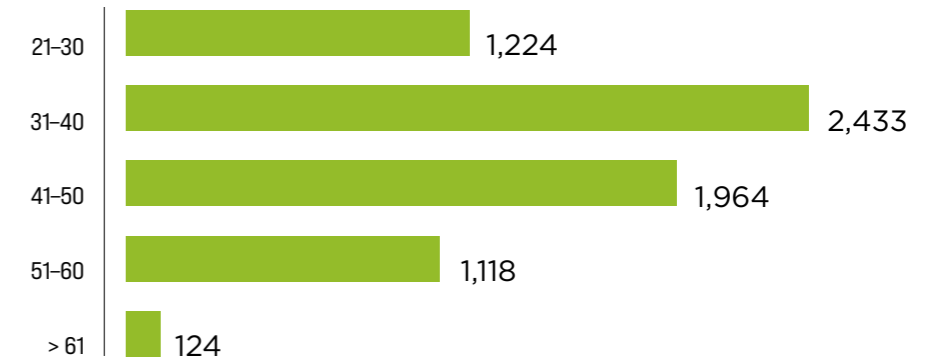
Almost two thirds of employees are in the 30–50 age group, which combines advanced professional skills and good physical shape. However, Sveza, like other companies in the industry, is facing the general trend towards an aging workforce and a gradual increase in the proportion of older workers.

The management of personnel issues in Sveza Group is carried out by Department for Organizational Development and Personnel of Management Company and corresponding services at the enterprises.

Personnel policy of Sveza is primarily aimed at achieving the production goals of the Group enterprises and is designed to solve the following tasks:

- Improvement of the personnel management system.
- Recruitment, maintaining the quality and quantity of staff at the optimal level, maintaining the image of the organization in the labor market as an attractive employer.
- Adaptation of personnel, quick integration of a new employee, creation of a favorable social and psychological climate in the working team.
- Motivation and remuneration, maintaining a competitive salary level.
- Training and development: identifying employees with high potential and forming a talent pool, maintaining the skills of employees at an optimal level.
- Corporate Culture Development

Payroll Number of Employees at the End of the Year, by Age



40 YEARS

the average age of employees in 2019

42 ↑ 16%

new managers were appointed from the personnel reserve in 2019

69% ↑ 2%

employee satisfaction based on the "Career Opportunities" factor

The Key Aspects of the Personnel Policy that Regulate Work with Personnel are Recorded in a Number of Internal Documents

- Internal labor regulations
- Regulations on employee compensation
- Code of Conduct for Sveza Group employees
- Regulations on bonuses for employees
- Regulations on business trips
- Regulations on entertainment allowance
- Regulations on conditions for admission and transfer of employees to work in another locality
- Regulations on provision of voluntary medical insurance and insurance under NS
- Regulations on conducting "Dialogue on Goals" for managers, specialists and workers
- Regulations on rules for setting, revising and summing up key performance indicators for the annual horizon
- Procedures for dealing with violators of labor protection requirements
- Regulations on social guarantees and benefits

RECRUITMENT AND PROMOTION SYSTEM, RESPECT FOR HUMAN RIGHTS

6.2

Sveza mills the principles of an open personnel policy, which presupposes the search for the necessary specialists in the external labor market, with the use of its own talent pool and promotion of lower-level employees up the career ladder to higher positions.



1,400

vacancies closed in 2019

44% ↑ 4%

of the total personnel security in the Company in 2019*

* Based on the results of the "Progress Reserve" committees.

In the context of a shortage of qualified specialists in the country timber industry, personnel security is one of the Company strategic priorities. Sveza implements an integrated approach to solving the problem of the personnel reserve. The main activities include:

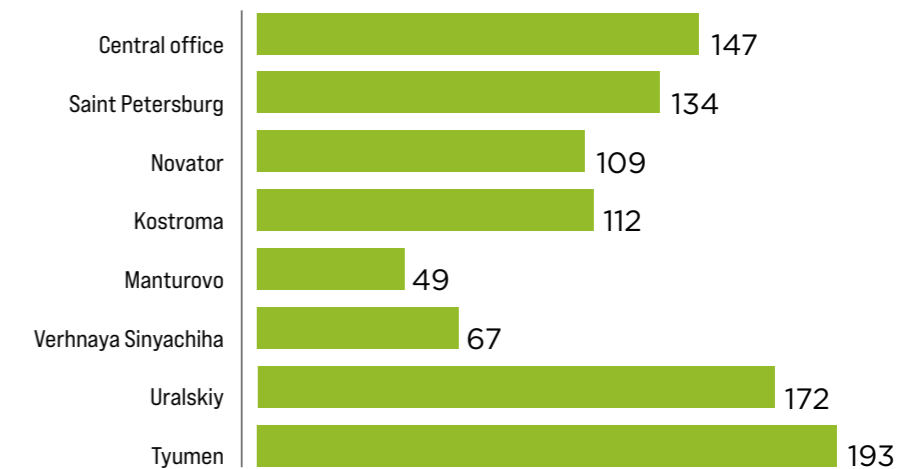
- career guidance lessons and field trips for students of local schools, colleges and universities;
- systematic work with secondary and higher education institutions in the regions of presence in the most popular specialties;
- the program of summer internships for students with subsequent employment based on the results of practice;
- developed mentoring system;
- training program for employees with leadership potential;
- joining efforts in the field of personnel training with other companies in the industry.

The most effective employees are included in the personnel reserve. They get all the opportunities for professional and career growth — in particular, they improve their skills during training in internal and external programs for managers and workers. It often happens in the Company when ordinary specialists reach the level of foremen and middle managers in a short time.

At the same time, all employees of the enterprise, including employees who have reached retirement age, can undergo training. There are no age restrictions for either professional growth or for employment in the Company. When hiring, HR departments of enterprises first of all evaluate experience, professionalism and development potential. Sveza does not discriminate on national, religious or gender grounds when applying for employment or

At the end of 2019, Sveza Group showed the best result among timber companies in the "Russian Employers Rating", which is compiled by Headhunter according to market participants, employees and job seekers, and took 36th place in the overall list.

Number of Newly Hired Employees in 2019



promotion not only at the Group mills, but also requires respect for human rights from suppliers of wood raw materials, which is regulated by the due diligence system adopted by all the Company enterprises.

In addition, we strive to create a safe and comfortable workplace, to create an environment in which our employees grow and develop as professionals every day.

A total of 983 people were employed in 2019. The total real turnover of staff (all except transfers) decreased compared to the previous period and amounted to 14.29% (16.07% in 2018), undesirable turnover (voluntary dismissal) — 6.58% (5.75% in 2018).

Sveza was the first Russian production Company to implement an automated system

for searching and evaluating candidates using artificial intelligence Sever.AI. The trained computer program, acting on a given algorithm, searches for the necessary resumes in the database, contacts applicants via SMS, e-mail, phone calls, messenger messages, conducts video interviews with them and analyzes the results. Based on the results of the analysis of the resume and video interviews, artificial intelligence issues ratings, on the basis of which the recruitment specialist can conclude that the applicant meets the requirements

Currently, the HR robot selects candidates for the positions of production manager and sales support specialists. Sever.AI Technologies will allow employees of human resources services to significantly save working time.

Onboarding

It is important for the Company to quickly and efficiently adapt newly arrived employees and employees transferred to another department to perform other functional duties or to a management position. The Company has created unified adaptation plans for all categories of employees. The adaptation process is designed for three months. The adaptation process takes three months.

“Welcome to Sveza!” one-day training is a must for all new employees and is designed to quickly introduce a newcomer to the Company, talk about the production process, organizational structure and products.

A new employee must subscribe to a chatbot for adaptation based on the Teams platform and Vkontakte social network. During the first three months, the virtual assistant “Dasha” monitors the main stages of adaptation, communicates important information about the Company, answers questions, and reminds of scheduled meetings. The chatbot is programmed in such a way that it can provide the necessary information or advice on almost all household and administrative issues. If the chatbot does not know the answer to a question, it gives the contacts of a responsible manager who can help. This technical solution raises the employee level of awareness,

reduces stress levels and allows for the fastest possible integration into the Company culture.

The key role in the adaptation process is assigned to the immediate supervisor of the new employee, who prepares an adaptation plan for him, during the trial period meets with him and his mentor several times, checks the implementation of the plan, summarizes the first results of the work, finds out what difficulties the newcomer faces and will help him if there is a need. High results are demonstrated by the mentoring system, when experienced workers train young specialists, help them get used to the profession, and immerse themselves in the nuances of production processes.

At the end of the probationary period, with a mutual decision to continue working, the manager and the employee draw up an individual development plan, which sets out goals for the next year. The result of effective adaptation is a loyal, engaged employee who demonstrates high personal efficiency already in the first months of work.

Training sites on the basis of the Company and specialized educational institutions, internships for students and senior schoolchildren, internships at enterprises, the Leader Path project and the mentoring system break the stereotype about the timber industry as an insufficiently technological industry.

Effective adaptation helps attract and retain young promising employees.



In 2019, 233 people under the age of 30 were involved in production.

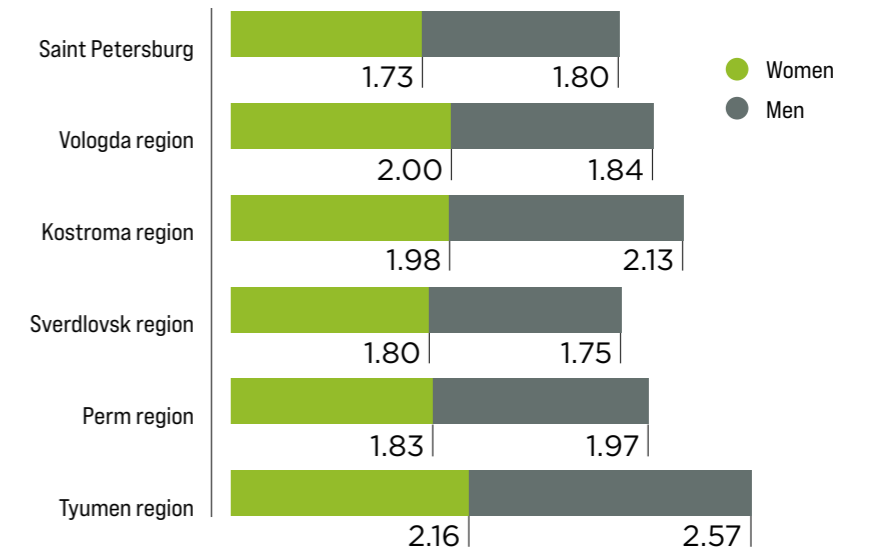
MOTIVATION AND REMUNERATION

6.3

Our goal is to be an attractive and reliable employer. Sveza Group applies an integrated approach to the employee remuneration system and guarantees a decent wage. The Company has adopted the Regulation on the remuneration of employees and the Regulation on bonus payments to employees.

Much attention is paid to improving the wage system with the aim of increasing internal wage fairness and its competitiveness. The standard entry-level salary for blue-collar occupations tends to average almost double the minimum wage.

Ratio of Standard Entry-Level Wages in Blue-Collar Occupations to Minimum Salary in the Main Regions of Presence in 2019





Salaries are indexed annually. HR employees regularly monitor the dynamics of wage growth in the regions of presence, monitor inflation forecasts and take these data into account when revising salary. Thus, in the last three years alone, the Company salaries have grown 1.6 times. In 2019, the salary increase in the Sveza Group averaged 3%.

One of the main goals of the Company remuneration policy is to attract and retain highly qualified employees. At the end of 2019, the salary at the Company mills was on average 11% higher than the average salary in the corresponding region (in 2018 — by 14%). The exception was Tyumen region, which is distinguished by a high concentration of oil and gas industry enterprises and ranks 10th in terms of the average salary in the country.

Salary growth occurs due to the annual revision of not only salary part, but also bonus system when the results are achieved for the month, quarter and year. At the mills, bonuses are also provided based on the results of quarterly production competitions between the shift teams of the same section working on the same type of equipment or using the same technology.

Employees can also receive a cash bonus for participating in the work of kaizen teams, for making an improvement proposal through the "Ideas Factory", as well as for mentoring young or retraining employees.

All enterprises have a two-level bonus system "Base — Ambition", which motivates employees to achieve high production results. When the basic goal for key

performance indicators (KPI) is achieved, the employee receives a bonus, when an ambitious goal is achieved he receives an increased bonus. The implementation of the "Base — Ambition" system at the Company mills allows employees to achieve an increase in the amount of bonuses from 7 to 15% by improving the quality and increasing the efficiency of labor.

Employees receive not only benefits provided by law, but also have an extended social package. For more details, see the section **"Social Guarantees and Benefits for Employees"**.

EVALUATION OF EMPLOYEES PERFORMANCE

6.4

Since 2017, the Group plywood mills have been conducting a comprehensive assessment of craftsmen. This tool allows you to identify focal areas for professional development of production managers throughout the year. Based on the results of the assessment, each of the heads of production sites receives one of four levels, which is formed taking into account a personal assessment and assessment of the team's work. Employees with the first and second levels can be considered as a personnel reserve for higher positions. Level 3 and 4 employees receive a detailed corrective action plan.

To evaluate values and competencies of employees, the "360 Degrees" method is also used, which makes it possible to draw up a comprehensive description of the employee. The evaluation process involves colleagues, immediate supervisor, subordinates (if any), as well as the employee himself.

Since the beginning of 2017, the mills have also been running the program "Dialogues About Goals with Workers", within the framework of which basic and ambitious goals are set for each employee. Their achievement and other production successes are directly reflected in the amount of salary.

From 2020, after the implementation of HR management tools in the new business is completed, 100% of employees will be periodically evaluated for performance and career development.



TRAINING AND DEVELOPMENT 6.5

The success and well-being of a Company largely depends on the professionalism and competence of its employees. Sveza has introduced a comprehensive personnel training and development system, which applies to all functions and divisions and to all categories of employees — from top managers to workers in production.

The Company applies the principle of mixed learning (70–20–10), and uses various training formats: distance, group, individual. Internal trainers and external providers are involved in the training process. The internal trainers are experts from various services and Department of the Company, who, in addition to performing their main work, conduct classes with colleagues.

Main directions of corporate training:

- Professional training and retraining programs for working and engineering specialties.
- Functional training (competence development or professional development).
- Training and development programs for managers of all levels (Severstal Business Academy, Leader Sveza, School of Masters).
- Business processes of the Company.
- Mentor development programs.
- Learning the tools of Sveza Business System.
- Mandatory training on industrial safety and labor protection.
- Learning foreign language.

For employees of working professions, industrial training is intended, which allows them to acquire the knowledge and skills necessary for work. New employees receive mandatory training under the guidance of mentors. Depending on the profession, it lasts from one month to six months. At the end of the training process, employees pass an exam and are allowed to work independently. For all new employees of the Company, regardless of their position, the “Plywood Production Technology” training is held once a quarter. The opportunity to study additional specialties gives employees more chances for promotion and professional growth.



Four Standard Tools are Used at Different Stages in Sveza Industrial Training System

Professional Competency Model

a document that describes the requirements for a particular profession and workplace in a structured way

Skills Matrix

a tool that helps you analyze what level the skills of each employee are

Training Diary

a list of what an employee should learn in his/her profession, grouped by job functions and types of training. It is used for planning on-the-job training and evaluating the employees' level of knowledge and skills

Industrial Training Folder

a set of professional training materials created by the Company experts and based on real-world practices

72 MILLION RUBLES ↑ 9%

were invested by Company in recruitment and training in 2019, which is 9% more than the level of expenses in 2018

13,5

the average number of hours of training per employee in 2019. (Excluding distance learning)

One of the key elements of the personnel training system at Company enterprises is the “School of Masters” management program”. The program is aimed at professional training of line managers, developing their leadership skills and strengthening the authority of the master.

The “Sveza Leader” modular leadership training program aims to develop leaders and share experiences between employees from different regions.

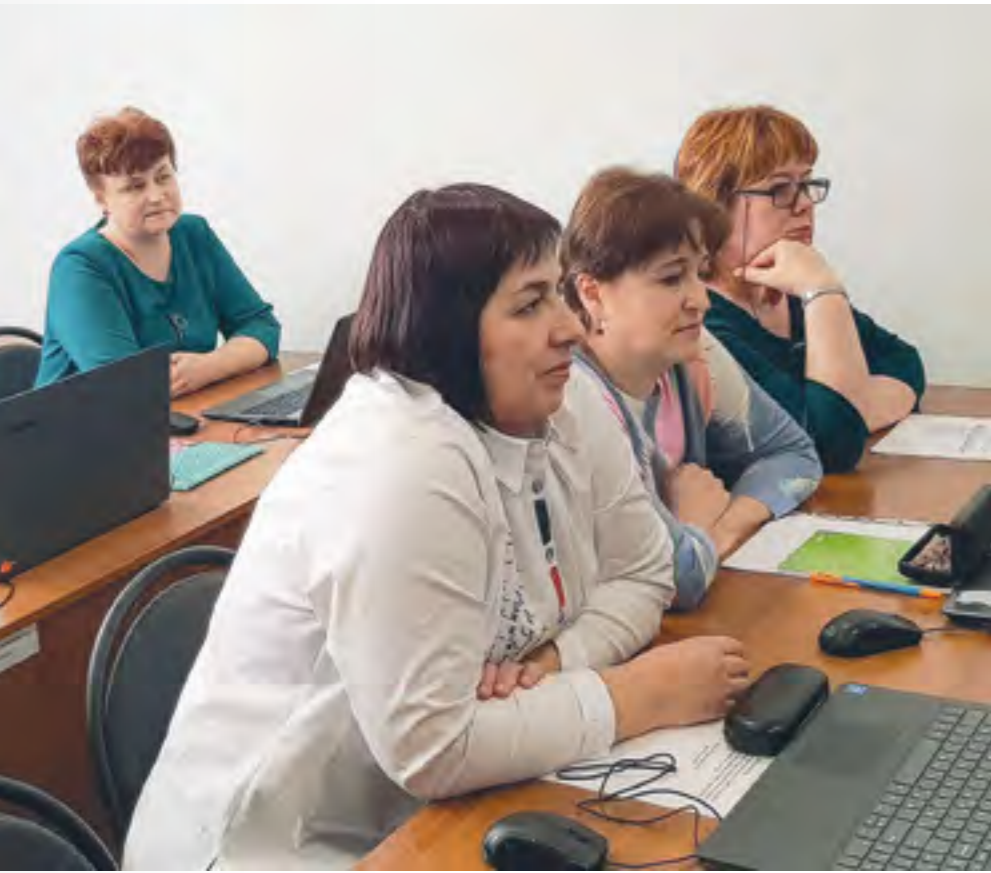
The “Leader Path” program is designed to develop young professionals with the potential to become leaders. As part of a two-year program, the Company helps talented employees quickly grow to a senior position.

In addition to its own professional development programs, the Company uses the opportunity



to train and retrain employees within the framework of state programs. In such cases, training is carried out under contracts with employment centers at the expense of the Company, with subsequent compensation for money spent on education of employees in the form of a state subsidy.

In 2019, every fourth employee completed full-time training in corporate or professional programs.



In accordance with the federal project “Elderly Generation” and within the framework of the state program “Promotion of Population Employment” the constituent entities of Russian Federation promote professional training and additional professional education for citizens of pre-retirement age. Sveza joined this program in 2019. The Company welcomes the desire of elderly employees to learn and helps them get additional skills before retirement to feel confident in the new environment. In the reporting year, Sveza mill in Kostroma helped 13 of its employees, who have less than five years left to retire, gain new knowledge. In 2020, the Company plans to train 50 more people as part of this project.

Distance Learning



In 2019, 1,535 employees (22%) completed distance learning in 7,448 courses.

Distance learning in the Company is implemented through the corporate portal “My Training and Development”. It contains more than 2.5 thousand e-courses, webinars and materials for

development in various disciplines required by the Company employees. In 2019, through the portal, managers, specialists and employees of the Company gained access to an extensive electronic library of the well-known Russian publishing house of business literature “MYTH”. More than 700 books on business, marketing, time management and many other areas are now available through the portal “My Training and Development”.

Sveza cooperates with Skyeng, the largest online English language school. The Company provides free training to employees who are determined by their managers based on business needs and strategic goals. Other employees and their families receive a significant discount on training.

SOCIAL SUPPORT FOR EMPLOYEES

6.6

Social Guarantees and Benefits for Employees

The composition of social package for employees is regulated by Regulation on Social Guarantees and Benefits in force in the Company and collective agreements.

The social package of Sveza employees provides for voluntary health insurance from the first day of work.

The list of benefits includes payment for sanatorium and rehabilitation treatment, as well as trips to children recreation camps.

Compensation for food, delivery to the place of work and back by official transport is also provided. Certain categories of employees are provided with mobile service.

In case of the event which requires significant expenses, and in different life situations (registration

of marriage, birth of a child, death of an employee or a close relative), employees are provided with financial assistance. Financial assistance is also provided for certain categories of employees (war veterans, large families, and single parents). In addition, enterprises allocate funds to purchase gifts for employees on occasion of February 23 and March 8, also for employees children on the occasion of New Year and for first-graders on Knowledge Day.



Health of Employees

Caring for the health of employees is an important part of the corporate culture and one of the focus areas of Sveza as a responsible employer.

All enterprises have well-equipped medical centers that allow to get qualified help on the spot. To do this, the employee does not need to go to the clinic, stand in line or wait for an appointment with a doctor. Annual medical examinations are held at the mills, specialist doctors come, and free vaccination against seasonal diseases is provided.

So, the medical center of Sveza mill in Kostroma functions as a full-fledged polyclinic. In the two-story building, general practitioners and narrow specialists from medical institutions in Kostroma are constantly receiving patients. The next stage of a comprehensive approach to improving the health of the mill employees was the opening of a well-equipped office for physiotherapy. More than a hundred employees of the Company will be able to undergo an individual rehabilitation program based on the results

of annual on-the-job medical examinations, which includes providing medicines and conducting physiotherapy.

As part of VMI, the Company provides its employees with the opportunity to check their health. Thus, more than 500 people in Uralskiy took advantage of this offer and were tested under the specialized programs “Healthy Heart”, “Healthy Endocrine System”, “Women’s Health”.

In addition, the Company employees can improve their health in sanatoriums or undergo rehabilitation in the nearest medical centers based on the results of examinations. They are provided with additional benefits for health resorts, rehabilitation and rehabilitation treatment and organization of summer holidays for children of employees with partial payment.

The Company provides its employees with free and high-quality food. In Uralskiy, a Commission consisting of employees of the mill visits corporate canteens on a monthly basis and monitors the organization of food and compliance with sanitary and hygienic standards for cooking and storing food.



CORPORATE CULTURE AND VOLUNTEERING

6.7

Corporate Culture

Sveza develops a corporate culture based on shared values and a common attitude to work, interaction with colleagues, clients and partners. The Company strives to create a comfortable organizational environment in which employees consciously approach their work, feel the importance of their contribution to the overall result, and have opportunities for development and growth. This approach is universal for all the Company assets and divisions.

Sveza Corporate Culture is based on:

- Company values
- Employee Code of Conduct
- Code of Business Partnership
- System for internal personnel reserve development. For more details, see the section **“Recruitment and Promotion System, Respect for Human Rights”**
- Developed internal communication system. For more information, see the section **“Interaction with Employees”**
- Feedback system. For more information, see the section **“Interaction with Employees”**
- Adopted corporate symbols and traditions of the company



Sveza Values

Safety	Elimination of hazardous factors:	Monitors and eliminates hazardous factors
	Occupational safety priority:	Doesn't make decisions to the detriment of safety
	Implements and supports initiatives to improve labor safety	
	Compliance with health and safety rules:	Follows himself/herself, requires others to comply with the rules of health and safety
Client-focused	Customer Satisfaction:	Complies with the agreed deadlines, standards, quality and service requirements
		Timely solves customer problems and excludes their repetition
	Regular contact with clients:	Knows, understands, systematically clarifies the needs of clients
		Creates proposals and promptly corrects them in regular interaction with the client
Exceeding customer expectations:	Proactively finds and implements unique solutions, new opportunities that exceed customer expectation	
Teamwork	Creating a positive atmosphere:	Creates a positive atmosphere, inspires colleagues and subordinates
		Interact using both logic and emotion
	Team priority:	Coordinates interests with the interests of the business (team)
		Takes responsibility for the team's results, incl. for failure
	Honesty and openness:	Regularly and openly discusses with the team the current situation, goals and essence of changes
		Speaks about problems honestly and in a timely manner
	Active participation in knowledge sharing:	Actively requests and willingly shares experience, knowledge, information.
		Applies the acquired knowledge in practice
		Builds and uses a network of professional contacts both within the company and outside it
	Self-organization for the purpose:	Achieves goals and solves problems, including outside formal duties
Is actively involved and involves others in the work of self-organizing teams		

Efficiency	Setting and achieving ambitious goals:	Sets ambitious goals for himself/herself and the team and achieves them
		Provides maximum upgrade rate
	Openness to new things:	Critically evaluates the usual way of working, looking for more effective solutions
		Open to the ideas of others
		Timely corrects targets when the situation changes
	Ability to try new things:	Makes experiments, takes into account the lessons and learns from them
		Supports others' experiments
	Achieving goals in an optimal way:	Achieve goals in an optimal way with maximum return on the resources used
		Develops successes, eliminates failures
	Problem analysis and prioritization:	Analyzes problems in depth, taking into account both details and the "big picture"
Makes practical conclusions and sets priorities		
Ability to listen and give feedback:	Knows how to listen and explains clearly	
	Asks for and gives feedback. Celebrates successes, sincerely thanks	
Development of oneself and others:	Knows, uses and actively develops strengths of his/her own, team, colleagues	
	Proactively develops and engages the missing competencies	
	Timely parts with those who do not develop	
Personal presence at production:	Personally goes to production, to the department, to clients in order to understand the situation, seek improvements and collectively solve problems	
	Offers and creates new sources of income for the company	
Business development:	Creates joint value in working with partners	
	Monitors and uses new opportunities in own and other areas	
Respect for People	Politeness and restraint:	Communicates politely, controls emotions
	Caring for people:	Takes care of people, takes into account their feelings and emotions, needs and interests
	Compliance with agreements:	Keeps agreements and promises

11 rules of Conduct for Sveza Employees

- 1 We put safety first.
- 2 We treat others the way we want them to treat us
- 3 We openly talk about our problems
- 4 We work as a team to achieve a common goal
- 5 We do not mix work and personal life
- 6 We treat the property of the Company with care
- 7 We do not disclose confidential information
- 8 When performing our work duties, we always act in the interests of Sveza
- 9 We do not accept gifts that may put us and our contractors in a dependent position
- 10 We respect and value our customers and partners
- 11 We behave responsibly in the public space

Code of Conduct for Sveza Employees

Every new employee must read and accept Sveza Employee Code of Conduct when applying for a job. It sets out the basic principles of corporate culture, norms and rules of working interaction, and provides specific examples and algorithms of behavior in ambiguous situations. In 2020, a standard of employee behavior will be developed and adopted based on the Code.

If an employee notices that the rules and standards of conduct set out in the Code are violated, he/she can contact the Ethics Committee, where each specific situation is reviewed with the participation of the Company CEO.

Code of Business Partnership

The Company is developing a Code of Business Partnership, which sets out the principles of employee interaction with suppliers and customers, obligations to them and expectations from partners. Every employee who interacts with colleagues from external organizations must comply with the Code and inform partners about its content.

Sveza Voice Research

Sveza corporate culture implies a free exchange of opinions and a feedback system. To do this, the tools as “360° Assessment”, “Quick Feedback”, Ethics Committee, and the “Unified Hotline” are used. The most ambitious tool, the employee engagement survey, Sveza Voice is annual anonymous sociological survey in which everyone can participate. The purpose of the survey is to determine how employees perceive the Company culture and give them an opportunity to express their opinion about various aspects of their work. According to the results of research, plans of corrective measures are formed, which are aimed at improving problem areas.

In 2019, more than 6.5 thousand people, or 94% of the Company employees, participated in the engagement survey. In order to obtain objective data, the survey is conducted by an external provider using a method that allows covering all the key topics for the Company. In 2018-2019, the work was focused on five factors: “Processes”, “Interaction with Related Parties”, “Recognition”, “Independence”, and “Satisfaction with Result”.

Improvement of current processes, cross-functional interaction and strengthening of direct dialogue between managers and employees allowed to ensure growth of indicators for all five factors.

Based on the survey results, at all levels of management (from leaders of small teams to senior management), discussions are held with teams, plans for corrective actions are drawn up that will help eliminate problems and consolidate positive changes.

Cascading Meetings

Sveza has a system of cascading meetings, which assumes that information from the CEO is vertically communicated to all employees. Such meetings are an important element of corporate culture, they guarantee transparency in decision-making, provide access to information for all employees, and provide an opportunity to directly get an answer to a question of concern from Company leaders. For more details, see the section “Interaction with Employees”.

Sveza Active Program

To develop corporate culture, the Company launched Sveza Active program in 2019. Its main idea is to unite the most active and involved employees of Sveza in the central office and at all mills. Any employee who is willing to invest time in his/her own creative development and use his/her talents to strengthen Sveza brand as a socially responsible Company can become a program participant.

Engagement Level at Sveza Enterprises, %

	2018	2019
Central office	68	69
Saint Petersburg	63	74
Kostroma	60	60
Manturovo	79	81
Novator	76	66
Uralskiy	68	63
Verhnaya Sinyachiha	74	75
Tyumen	51	33



Goals of Sveza Active Program:

- Creating internal community of engaged and active employees
- Promotion of the Company brand as an employer within the Company
- Increase of recognition and growth of the Company prestige outside
- Raising awareness about Company projects and initiatives among colleagues
- Strengthening the dialogue between management and employees
- Supporting development of the region and local communities by participating in volunteer events

67%

the Company employees engagement rate in 2019



Areas of Activists Activity

External Brand Support

- Ecology
- Social projects
- Sports initiatives
- Development of the home region

Internal Communications

- Informing about key initiatives and Company news
- Support for large corporate projects

Sveza Active team in 2019 in all regions of presence consisted of more than 180 people. About 100 events and actions with the participation of activists were held, among them: community cleanups (subbotnik), charitable events on the occasion of Victory Day, various master classes for schoolchildren, organization of playgrounds in villages, participation in bike races, marathons, in business events as Company representatives and much more. For more details, see the **“Corporate Volunteering”** section.

Corporate Events

The results of internal research show that it is important for people to understand their value for the Company, to be able to develop professionally, and move up the career ladder.



Best in the Profession

A new element of the corporate culture is competitions for the title of “Best in the Profession”, which encourage employees to achieve high performance in their professional activities. In 2019, a total of 197 people took part in

this competition, representatives of two specialties: “Veneer Sorter” and “Repairman”. All Sveza mills passed the qualifying stages, which included written testing and practical tasks. The participants who scored the highest number of points at the end of the selection process received cash prizes.

14 first-place finalists went to the super final of the competition, which was held on November 21 in St. Petersburg. All participants of the super final received diplomas and gifts, which were presented to them by Anatoly Frishman, CEO of Sveza.

Since its creation, the Company has developed a number of traditions that support team cohesion. Corporate events help to develop mutual understanding between employees, give an opportunity to celebrate the achievements and successes of both the Company and individual employees and teams.

On the third Sunday of September, all Sveza enterprises traditionally celebrate a professional holiday — the Day of Forestry and Timber

Processing Industry Workers. In 2019, the mill in Verkhnyaya Sinyachiha together with the village administration organized festive events for residents, employees and their families. More than 150 best employees of the mill were awarded with certificates. In Manturovo, the best workers of the city-forming enterprise were awarded with letters of commendation and gratitude from the administration of Kostroma region, Kostroma regional Duma, administration

and Duma of the city district of Manturovo. In addition to the ceremonial part, entertainment programs are also organized for guests.

It is common for Sveza to celebrate together not only its professional holiday, but also New Year, March 8 and February 23, to participate in contests and sports competitions together. See **“Support for Sports and Healthy Lifestyle”**.

Corporate Volunteering

Corporate volunteering is one of important areas of corporate social responsibility of Sveza Group. Volunteering develops social skills, increases professional self-esteem and employees satisfaction with their work, gives a sense of being needed and unites the team.

Main Directions of Corporate Volunteering:





16

environmental
community cleanups
were held in 2019

> 2,000

trees were planted by
employees

Hundreds of volunteers from the Company employees annually participate in various environmental and social events.

Corporate volunteering in the Company is mostly developing within the framework of Sveza Active program. Thus, Sveza Active team of the mill in St. Petersburg organized a series of community cleanup (subbotnik) in Pontonny. Volunteers from Sveza Active in Verkhnyaya Sinyachiha conducted tours to production facility for retired people, former employees of the mill. During the charity yoga marathon “Goodness in Palms”, volunteers from Sveza mill in Uralskiy raised funds for purchasing developmental equipment for “Smart Baby” early aid service.

The most important activity of corporate volunteers is participation in environmental projects and campaigns.

In July – August, Sveza in Saint Petersburg supported the Eco-life project of AIESEC international student organization. AIESEC activists conducted trainings for Sveza employees on the UN sustainable development goals, life without plastic, and everyday environmental habits. In turn, Sveza employees told them about the practices of responsible forest management and the principles of FSC certification. Sveza employees and youth community activists held a joint environmental clean-up in Pontonny, where the Company St. Petersburg mill is located.



In September, on the world cleanliness day, Sveza team, together with representatives of other socially responsible companies, took part in the next stage of the all Russian ecological tournament on “Clean Games” – “Cleanliness Cup” in St. Petersburg. The all-Russian campaign “Clean Games” is aimed at attracting public attention to acute environmental problems, improving the environment and environmental education. Participants are divided into teams and compete in the speed and quality of cleaning the territory. The goal of the competition is to score as many points as possible for the collected garbage.

Sveza supported the campaign in Alexandrino Park, located in the South-West of Saint Petersburg. As a result of the competition, the

Company team of volunteers got the first place in the corporate classification of the tournament.

Earlier, teams from Sveza mills from Uralskiy and Verkhnyaya Sinyachiha took part in the “Clean Games” eco-quest. Employees of Sveza Group in Kostroma, Uralskiy and Verkhnyaya Sinyachiha also participated in environmental campaign “All-Russian Forest Planting Day”.

On the last Friday of September, on the initiative of the Forest stewardship Council, the Day of responsible attitude to the forest is celebrated. Sveza joined the FSC-Friday celebration and, in order to draw employees attention to the problems of conservation, restoration and enhancement

of forest resources, held quizzes about the forest in the Central office and at the mills. The events were organized by participants of Sveza Active program.

In 2020, Sveza Group intends to pay more attention to the development of corporate volunteering and involvement of new employees.

Sveza Active team in Uralskiy (Perm region) received an award in the “Important Business” nomination in district competition “Youth-2019”.



ABOUT THE REPORT

7

This document is the first sustainability report of Sveza Group (also referred to as “Company” and “Group” in the report) for 2019 . The report also includes information about significant events that go beyond the reporting period, but due to their importance should be reflected in this report. In the future, the Company intends to carry out an annual reporting period.

7.1 APPENDICES

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The document contains information about the values and strategy of Sveza Group, key events and results, principles of social responsibility and sustainable development, data on the impact of Company production activities on the economy, society and environment in the regions of its presence, as well as on its interaction with stakeholders.

The report was prepared in accordance with GRI standards, the “Core” version. The report presents the results of the analysis of Sveza Group priorities in the field of sustainable development, comparison with the UN sustainable development goals, and data on the Company contribution to achieving the priority SDG. The report also discloses information on topics that are significant in connection with the requirements of Forest Stewardship Council for companies that are responsible for the use of forests while using wood from proven sources in production.

The report mainly discloses information on the management Company SVEZA-Les LLC, on the Company operating in the field of harvesting forest resources, SVEZA Resource LLC, as well as on seven production branches of the Group that carry out woodworking and production of plywood and boards. Indicators of financial and economic performance are given taking into account a number of service companies of the Group that perform the functions of a financial and leasing agent.

Such topics as “Occupational Health and Safety” and “Environmental and Social Responsibility”, as well as “Respect for Local Communities Rights” and “Anti-Corruption” are

considered significant outside the organization. This information regarding contractors is provided in the relevant thematic sections.

The report mostly provides information on topics that were selected as significant by stakeholders.

To determine the content of the report in accordance with GRI Standards, a materiality assessment procedure was performed with involvement of interested parties’ representatives. In order to determine the main topics to be reflected in the report, a survey of stakeholders was conducted. A total of 71 questionnaires were received, including 62 from representatives of external stakeholders (local communities, non-profit organizations, business partners, media and social media users, state and local authorities). Nine questionnaires were received from internal stakeholders — employees of the Company. In the questionnaire, the respondents rated the significance of each topic based on a 10-point scale. At the same time, the most complete list of topics provided by the GRI Standards was considered. For each topic, the average score was calculated for the both participating categories, and the final score was obtained for each topic. Based on the survey results, a ranking of topics and a materiality matrix were compiled. Topics with a final score exceeding 8 points were highlighted as the most significant ones.

In addition, in order to identify material issues for the stakeholders, the following aspects were analyzed while preparing the report:

- materials of Federal media, local and corporate press, in particular — publications in social media;
- materials of Company employees feedback and results of their surveys.

When determining the materiality level, the working group took into account the significance of these aspects for the Company, key stakeholders, the materiality in terms of the global context and the business obligations, including those set out in international and Russian documents and initiatives, including the UN Global Compact and the Sustainable Development Goals.

In this regard, additional topics were included such as “Assessing Environmental Aspects of Suppliers Activities”, “Land Resources and Impact on Biodiversity”, “Air Emissions”, “Impact on Local Communities, Including Cooperation and Development Programs”, “Anti-Corruption”, “Assessing Suppliers Compliance with Labor and Human Rights”, “Interaction with Trade Unions and Collective Bargaining”.

Based on the above stated analysis, the working group approved the following list of the most significant topics to be disclosed in the report.

Economy

- 1 Economic performance
- 2 Employee compensation (by regions) compared to the market

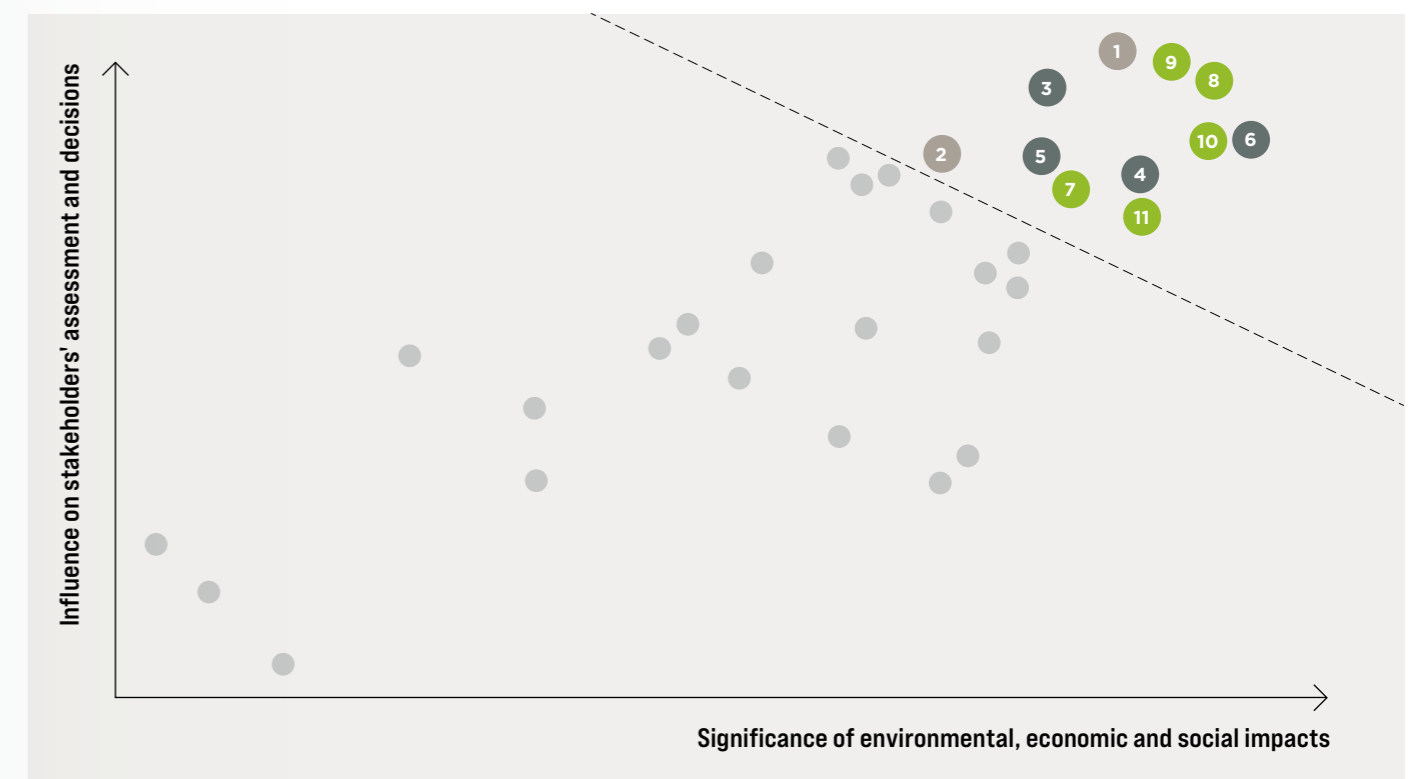
Community

- 3 Health and safety in the workplace
- 4 Employment
- 5 Employee training and education
- 6 Impact on local communities, including cooperation and development programs

Environment

- 7 Water use and impact on water resources
- 8 Compliance with the environmental legislation
- 9 Use of raw materials
- 10 Discharges and waste, including wastes recycling and reuse
- 11 Energy consumption and energy efficiency

Materiality Matrix:



The document contains data collected within the corporate reporting system, including information received from the divisions in response to the requests made in accordance with the recommendations of the GRI Standards. The report includes data for 2019 calendar year, and where it seemed significant — in dynamics for a number of years in a row. In terms of material aspects, the report describes

management approaches and all of the Company’s most significant impacts. Indicators of sustainable development for other categories, in particular for the environment, are mainly given for all the major operating enterprises. Coordination of preparation of the report for 2019 was carried out by Communications Department

with the participation of all key divisions of the Group. In order to ensure the quality of the report, working group followed key principles set out in the GRI standards. The report is balanced by providing both positive information about the Company achievements and critical information about areas that require development. Compatibility of the report will increase as

the Company develops a data collection system and is able to present information in dynamics over several years. Accuracy and reliability of data included in the report was ensured during the information collection and consolidation using standard procedures and confirmed by the departments responsible for preparing the corresponding block of information. The data is subject to internal approval, and its completeness and

correctness are checked at the level of departments which present them, as well as at the level of the functional divisions of the management Company. Links to external and internal sources that guide the Company in the field of sustainable development are provided in the text of the report. In order to ensure that the document is clear and accessible to various groups of stakeholders, the authors of the report avoided special terms and abbreviations.

The report on sustainable development is prepared in Russian and English. External certification was not performed. To request additional information on the report subject, as well as to express your views on this publication and make your suggestions for improving Sveza non-financial reporting, please contact Daria Morachevskaia, CSR and Brand Manager, e-mail: da.morachevskaia@sveza.com

Legal Entities whose Financial Statements are Included in the Consolidated Financial Statements

Company Name	Major Activity
Plywood Segment	
SVEZA, LLC	Holding Company
SVEZA-Les, LLC	Sale of plywood and particle boards
SVEZA Ust-Izhora, NCJSC	Plywood production
SVEZA Kostroma, NCJSC	Production of plywood and particle boards
SVEZA Novator, NCJSC	Plywood production
SVEZA Uralskiy, LLC	Production of plywood and particle boards
Perm plywood mill, JSC	Granting of loans and other types of credit
SVEZA Verkhnyaya Sinyachiha, NCJSC	Plywood production
SVEZA Manturovo, NCJSC	Plywood production
Uralskiy municipal service, LLC	Providing public services
Fantrans, LLC	Providing transportation services
Tyumen plywood factory, LLC	Plywood production
Tyumen plywood, LLC	Sale of plywood
SVEZA Bioproduct, LLC	Sale of other products related to the production of plywood
Cellulose Segment	
Vologda pulp, LLC	Construction of a pulp mill
UK Suda, JSC	Service organization
Logging Segment	
SVEZA Resource, LLC	Timber cutting

APPENDICES

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Table of Report Compliance with GRI Standards

● Significant topic

Elements of GRI Standards reporting	Place in the report/comment
General Reporting Elements	
1. Organizational Profile	
102-1 Name of organization	SVEZA-Les LLC
102-2 Activities, brands, products, and services	Activities, brands, products and services
102-3 Location of headquarters	Putilkovo, Krasnogorsk district, Moscow region
102-4 Location of operations	Location of operations
102-5 Ownership and legal form	Governance structure
102-6 Markets served	Markets served
102-7 Scale of the organization	Sveza in 2019
102-8 Information on employees and other workers	Staff structure and personnel policy
102-9 Organization supply chain	Supply Chain
102-10 Significant changes to the organization its supply chain	Own logging
102-11 Precautionary principle or approach	Environmental Policy and Management
102-12 External initiatives	Independent forest certification
102-13 Membership in associations	Business and public organizations, participation in industry events
2. Strategy	
102-14 Statement from senior decision-maker	Message From CEO
102-15 Key impacts, risks and opportunities	Improving the Level of Fire Protection at Enterprises Economic Impact on the Regions of Presence Identification, Analysis and Elimination of Hazard Sources Lowering Environmental Footprint Innovation Management
3. Ethics and Integrity	
102-16 Values, principles, standards, and norms of behavior	Our Values Anti-corruption
102-17 Mechanisms for advice and concerns for ethics	Cooperation with Employees

Elements of GRI Standards reporting	Place in the report/comment
4. Governance	
102-18 Governance structure	Governance Structure
102-19 Delegating authority	Governance Structure
102-20 Executive-level responsibility for economic, environmental, and social topics	Governance Structure
102-21 Consulting stakeholders on economic, environmental, and social topics	Supplier Environmental Assessment
102-22 Composition of the highest governance body and its committees	Governance Structure
102-23 Chair of the highest governance body	Governance Structure
102-24 Nominating and selecting the highest governance body	Governance Structure
102-25 Conflict of interest	Anti-Corruption Policy of SVEZA-Les LLC and Related Legal Entities.
102-26 Role of highest governance body in setting purpose, values and strategy	Governance Structure
102-32 Role of highest governance body in sustainability reporting	Report is approved by the CEO
5. Stakeholders Engagement	
102-40 List of stakeholder groups	Approaches Towards Engagement with Stakeholders
102-41 Collective bargaining agreements	Participation of Trade Unions in Labor Protection. Assistance to Veterans and the Elderly
102-42 Identifying and selecting stakeholders	Approaches Towards Engagement with Stakeholders
102-43 Approach to stakeholder engagement	Approaches Towards Engagement with Stakeholders
102-44 Key topics and concerns raised	Stakeholders Engagement
6. Reporting Practice	
102-45 Entities included in the consolidated financial statements	About the Report
102-46 Defining report content and topic boundaries	About the Report
102-47 List of material topics	About the Report
102-48 Restatements of information	Absented
102-49 Changes in reporting	Absented
102-50 Reporting period	About the Report
102-51 Date of most recent report	About the Report
102-52 Reporting cycle	About the Report
102-53 Contact point for questions regarding the report	About the Report
102-54 Claims of reporting in accordance with the GRI Standards	About the Report

Elements of GRI Standards reporting	Place in the report/comment
102-55 GRI content index	Table of report compliance with GRI Standards
102-56 External assurance	About the report
Economy	
201 Economic Performance	
103-2 Management approach disclosures	Governance
201-2 Financial implications and other risks and opportunities due to climate change	Forest management and climate change mitigation
201-3 Defined benefit plan obligations and other retirement plans	Assistance to Veterans and the Elderly
201-4 Financial assistance received from government	Sveza Training System
202 Market Presence	
103-2 Management approach disclosures	Staff Structure and Personnel Policy
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Motivation and Remuneration
203 Indirect Economic Impacts	
103-2 Indirect economic impacts	Economic Impact on the Regions of Presence
203-1 Management approach disclosures	
203-2 Investment in infrastructure and gratuitous services	
204 Procurement Practices	
204-1 Proportion of spending on local suppliers	Suppliers and Contractors
205 Anti-Corruption	
205-1 Operations assessed for risks related to corruption	Anti-corruption
205-2 Communication and training about anti-corruption policies and procedures	Anti-corruption
205-3 Confirmed incidents of corruption and actions taken	Anti-corruption
206 Anti-Competitive Behavior	
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Absented
Environment	
301 Materials	
301-1 Materials used by weight or volume	Forest Management
301-2 Recycled input materials used	Waste Management and Bio-products Production
301-3 Reclaimed products and their packaging materials	Waste Management and Bio-products Production

Elements of GRI Standards reporting	Place in the report/comment
302 Energy	
103-2 Management approach disclosures	Efficient Energy Consumption
302-3 Energy intensity	Efficient Energy Consumption
302-4 Reduction of energy consumption	Efficient Energy Consumption
303 Water and Effluents	
103-2 Management approach disclosures	Impact on Water Bodies
303-1 Interactions with water as a shared resource	Impact on Water Bodies
303-2 Management of water discharge-related impacts	Impact on Water Bodies
304 Biodiversity	
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Conservation of Biodiversity and Forests of High Conservation Value
304-2 Significant impacts of activities, products and services on biodiversity	Conservation of Biodiversity and Forests of High Conservation Value
304-3 Habitats protected or restored	Conservation of Biodiversity and Forests of High Conservation Value
305 Emissions	
103-2 Management approach disclosures	Impact on Atmospheric Air
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	Impact on Atmospheric Air
306 Waste	
103-2 Management approach disclosures	Waste Management and Bio-products Production
306-1 Waste generation and significant waste-related impacts	Impact on Water Bodies
306-2 Management of significant waste-related impacts	Waste Management and Bio-products Production
306-3 Significant spills	Absented
306-5 Water sources that are significantly affected by the organization's wastewater discharge	Impact on Water Bodies
307 Environmental Compliance	
103-2 Management approach disclosures	The Policy and Environmental Management
307-1 Non-compliance with environmental laws and regulations	Penalties were imposed on two enterprises in connection with violation of legal requirements to accumulation of fluorescent lamps (Kostroma) and violation of water consumption rules during water extraction and wastewater discharge (Tyumen) for an overall amount of 182 thousand rubles.

Elements of GRI Standards reporting	Place in the report/comment
308 Supplier Environmental Assessment	
308-1 New suppliers that were screened using environmental criteria assessment	Environmental Responsibility in the Supply Chain
308-2 Negative environmental impact in the supply chain and countermeasures	Environmental Responsibility in the Supply Chain
Social Area	
401 Employment	
103-2 Management approach disclosures	Staff Structure and Personnel Policy
401-1 New employee hires and employee turnover	Recruitment and Promotion System, Respect for Human Rights
401-2 Benefits provided to full-time employees that are not provided to not temporary or part-time employees	Remuneration, Social Guarantees and Benefits for Employees
401-3 Parental leave	The total number of employees who were entitled to parental leave in 2019 and took this leave was 341 (5% of the total number of employees), including 337 women and 4 men. According to the results of three months of 2020, 31% came out of vacation, 11% left, and 58% remain on parental leave
402 Cooperation with Employees	
402-1 Minimum notice periods regarding operational changes	2 months — article 74 of the Labor Code of Russian Federation on changing working conditions, 3 months — article 75 of the Labor Code of Russian Federation on changing the owner of an organization
403 Occupational Health and Safety	
103-2 Management approach disclosures	Industrial Safety and Labor Protection Policy and Management
403-1 Occupational health and safety management system	Trade Union Participation in Labor Protection
403-2 Hazard identification, risk assessment, and incident investigation	Results of Injury Prevention Measures
403-3 Occupational health services	Identification, Analysis and Elimination of Hazard Sources
403-4 Worker participation, consultation, and communication on occupational health and safety	Trade Union Participation in Labor Protection
404 Training and Education	
103-2 Management approach disclosures	Sveza Training System
404-1 Average hour of training per year per employee	Sveza Training System
404-2 Programs for upgrading employee skills and transition assistance programs	Sveza Training System

Elements of GRI Standards reporting	Place in the report/comment												
404-3 Percentage of employees receiving regular performance and career development reviews	9,1%, including: 99,8% of women and 98,6% of men including: 99,0% workers 99,3% of managers 99,5% of specialists												
405 Diversity and Equal Opportunities													
	<table border="1"> <thead> <tr> <th>Age, years</th> <th>Women</th> <th>Men</th> </tr> </thead> <tbody> <tr> <td>31-40</td> <td>2</td> <td>4</td> </tr> <tr> <td>41-50</td> <td>—</td> <td>12</td> </tr> <tr> <td>51-60</td> <td>—</td> <td>4</td> </tr> </tbody> </table>	Age, years	Women	Men	31-40	2	4	41-50	—	12	51-60	—	4
Age, years	Women	Men											
31-40	2	4											
41-50	—	12											
51-60	—	4											
405-1 Diversity of governance bodies and employees													
405-2 Ratio of basic salary and remuneration of women to men	The basic salaries of men and women for different categories of employees in the Company do not differ, since the gender aspect is not taken into account when assigning wages for equal work												
406 Non-Discrimination													
406-1 Incidents of discrimination and corrective actions taken	Absented												
407 Freedom of Association and Collective Bargaining													
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Interaction with trade unions Environmental responsibility in the supply chain There is no risk of violation of the right to use freedom of association and collective bargaining												
408 Child Labor													
408-1 Operations and suppliers at significant risk for incidents of child labor	Supplier Social Assessment Due to the specifics of the industry, there is no risk of child labor at the Company's enterprises												
409 Forced or Compulsory Labor													
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Supplier Social Assessment There is no risk of using forced or compulsory labor at the Company's enterprises												
411 Rights of Indigenous Peoples													
411-1 Incidents of violations involving rights of indigenous peoples	Absented												
413 Local Communities													
103-2 Management approach disclosures	Social Projects and Charitable Assistance												
413-1 Operations with local communities engagement, impact assessments, and development programs	Social Projects and Charitable Assistance												

Elements of GRI Standards reporting	Place in the report/comment
413-2 Operations with significant actual and potential negative impacts on local communities	Absented
414 Supplier Social Assessment	
414-1 New suppliers that were screened using social criteria	Supplier Social Assessment
414-2 Units with significant actual and potential negative impacts on local communities	Supplier Social Assessment
415 Public Policy	
415-1 Political contributions	Absented
416 Customer Health and Safety	
416-1 Assessment of the health and safety impacts of product and service categories	Environmental Characteristics of Products
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Absented
417 Marketing and Labeling	
417-1 Requirements for product and service marketing and labeling	Environmental Characteristics of Products
417-2 Incidents of non-compliance concerning product and service information and labeling	Absented
417-3 Incidents of non-compliance concerning marketing communications	Absented
418 Customer Privacy	
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Inapplicable. There is no collection of personal data of consumers

Appendice 2

List of Organizations that Received Assistance with Finished Products and Wood Waste

Company	Benefactor
Saint Petersburg	<ul style="list-style-type: none"> • 20th squad of the Federal fire service in Saint Petersburg • Youth club “Z” • The reconstruction of “Parus” stadium • Federal scientific center for rehabilitation of disabled people named after G. A. Albrecht
Novator	<ul style="list-style-type: none"> • Veliky Ustyug district organization of the all-Russian society of disabled people • Veliky Ustyug comprehensive boarding school for students with disabilities • Center for additional education, Veliky Ustyug • Evening (shift) secondary school, Veliky Ustyug • Goluzin secondary school, village of Novator • Kindergarten “Alyonushka”, village of Novator • Veliky Ustyug cultural and leisure center • Krasavin psychoneurological boarding school • Shelter for homeless animals “Good Heart”, Veliky Ustyug
Kostroma	<ul style="list-style-type: none"> • Kostroma state University • Energy technical school named after Chizhov • ANO “National ballet “Kostroma” (repair of dance classes)
Manturovo	<ul style="list-style-type: none"> • Administration of the city of Sharia (XXV interregional festival “We are from the Vetluga-River”)
Verhnaya Sinyachiha	<ul style="list-style-type: none"> • Secondary school No. 3 • Integrated social service center for the population of Alapaevsk and Alapaevsky district • “Orion” sports and fitness center
Uralskiy	<ul style="list-style-type: none"> • Novoilinsky Cossack Cadet Corps named after Ataman Ermak • Secondary school of Uralskiy
Tyumen	<ul style="list-style-type: none"> • Interactive playground “Woodpile” at a city event “Working Tyumen” (the Day of the city) • Closing the “Labor Summer”(temporary employment program for teenagers and youth “Mayor’s Detachments”) • The competition “Extreme Expo”: manufacturing climbing walls • “World Skills” professional contest

List of Organizations that Received Financial and Other Assistance

Company	Benefactor
Saint Petersburg	<ul style="list-style-type: none"> • Secondary school No. 400 named after Alexander Nevsky, village of. Pontonny
Novator	<ul style="list-style-type: none"> • Administration of Samotovinsk rural settlement • All-Russian society of disabled people, Veliky Ustyug district organization • Veliky Ustyug comprehensive boarding school for students with disabilities • Kindergarten “Alyonushka”, village of Novator • Kindergarten “Vasilek”, village of Valga • Veliky Ustyug city Council of veterans • Veliky Ustyug district Council of women • Children and youth sports school of Veliky Ustyug • Functional multi-sport federation, Veliky Ustyug • Sports and recreation centre, village of Novator • Novator community centre
Kostroma	<ul style="list-style-type: none"> • Kostroma regional charity anti-cancer Fund “Until Trouble has Affected Everyone” • Kostroma regional public educational and training organization “Knowledge” • ANO “Center for Social Initiatives” • Kostroma regional branch of the all-Russian public organization of veterans (pensioners) of war, labor, the armed forces and law enforcement agencies
Manturovo	<ul style="list-style-type: none"> • Kostroma regional charity anti-cancer Fund “Until Trouble has Affected Everyone” • The youth center “Yunost” • “Faithful Hearts” charity foundation (animal shelter) • Manturovo complex center of social service for the population • Sports and recreation complex “Spartak” • Secondary school No. 3 • Manturovo Central district hospital
Verhnaya Sinyachiha	<ul style="list-style-type: none"> • “Orion” sports and fitness center • Secondary school No. 3
Uralskiy	<ul style="list-style-type: none"> • Children creativity center • Kindergarten “Beryozka” • Society of disabled people “Nadezhda” (“Hope”) • Hospital palliative care department in the village of Uralskiy



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