



**SUSTAINABILITY
REPORT**

**CONCERNING
FOR THE
FUTURE**

2021



SUSTAINABILITY REPORT





CONTENTS

ABOUT THE COMPANY 4

About the Company	6
Statement by the Chief Executive Officer	8
Mission and Values.....	10
Geography of Operations	12
Key Events and Achievements of 2021	18
Stakeholder Engagement	20
Material Topics.....	26
Contribution to Achieving the Sustainable Development Goals.....	28

RESPONSIBLE FOREST MANAGEMENT 30

Responsible Forest Management.....	32
Intensive Reforestation	33
Certification.....	35
Natural Values and Conservation of Biodiversity.....	37

HUMAN RESOURCES..... 44

Human Resources	46
Management Approach	46
Employee Support and Engagement	53
Training and Development	60

OCCUPATIONAL HEALTH AND SAFETY 64

Occupational Health and Safety	66
Industrial and Fire Safety	76

LOCAL COMMUNITIES 78

Local Communities Engagement.....	80
Support of the Regions of Presence	80
Social Programs and Support Measures	81

THE ENVIRONMENT 88

Climate Strategy and Environmental Protection.....	90
Energy Efficiency	97
Emissions of Pollutants	98
Water Resources	104
Waste Management	108

CORPORATE GOVERNANCE 110

Corporate Governance	112
Corporate Governance Structure	114
General Meeting of Shareholders.....	116
Ethics and Compliance	122
Risk Management.....	128
Innovation Development	130

SUPPLY CHAIN MANAGEMENT 132

Supply Chain Management	134
Supply Chain Management System: Transparency of Procurement Activities.....	135
Supply Chain Sustainability Principles	138
Supply Chain Certification	139
Supplier Blacklist	140
Responsible Approach to Working with Customers.....	141
Digital Projects Within Supply Chain Development	142

APPENDICES..... 144

Appendices	146
GRI Index.....	146
SASB Index.....	150
Additional Information	151
Contact Details	153



ABOUT THE REPORT

Ilim Group is pleased to present its 2021 Sustainability Report (hereinafter referred to as the Sustainability Report or the Report). The Report contains a comprehensive review of the Company's activities and approach to sustainable development management and information on key achievements in the reporting period. This Report is the Company's first sustainability report. The Company's annual reports can be found on [the official website](http://www.ilimgroup.ru)



www.ilimgroup.ru



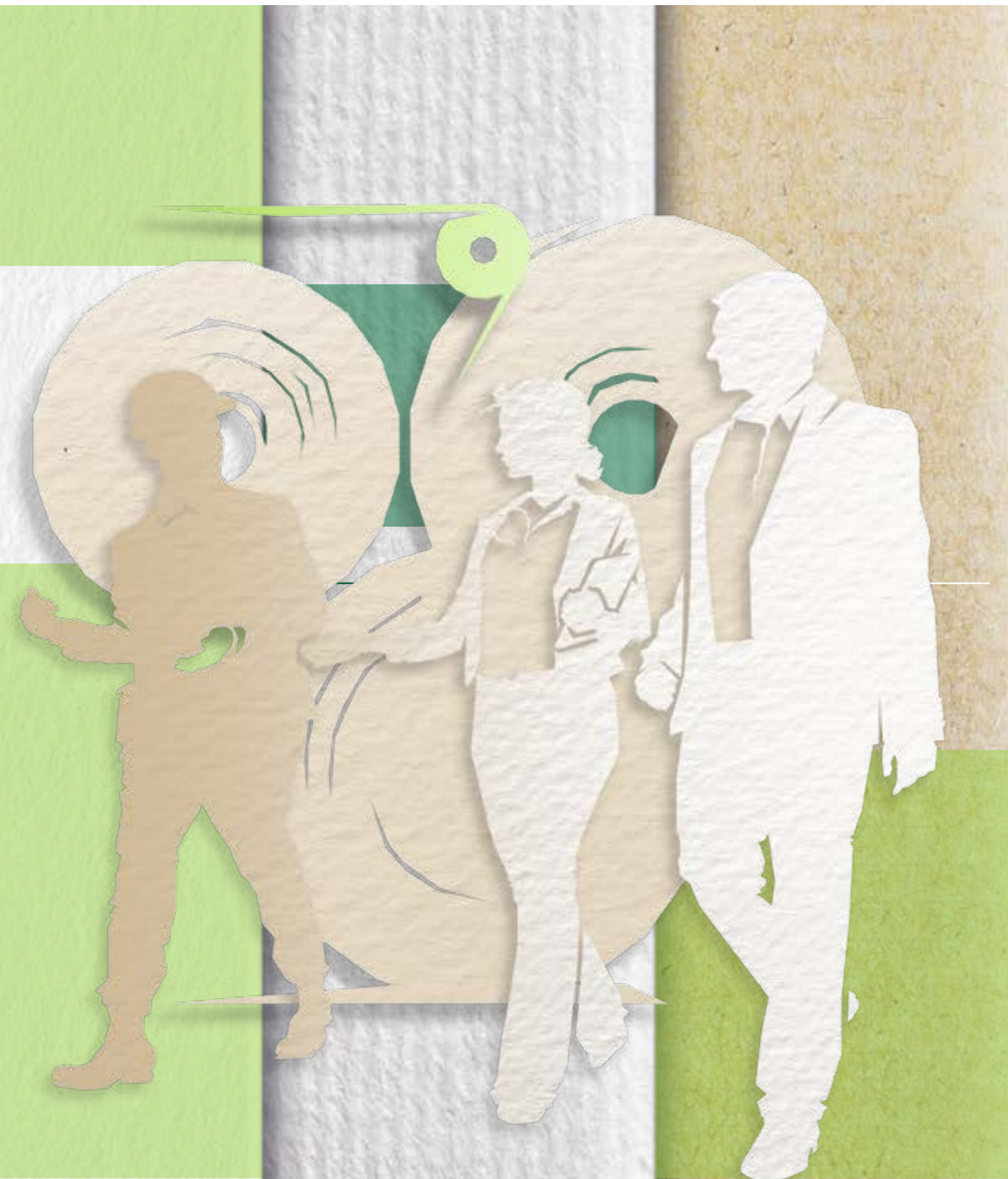
When compiling the Report, we were guided by the Global Reporting Initiative (GRI) and the standards of the Sustainability Accounting Standards Board (SASB), as well as the recommendations of the Task Force Team on Climate-Related Financial Disclosures (TCFD). The Report also discloses information on the Company's compliance with the UN's Sustainable Development Goals (SDGs).

By voluntarily publishing the Sustainability Report, we emphasize our commitment to transparency in our stakeholder engagement and commitment to the principles of sustainable development. Going forward, Ilim plans to publish the Report on a yearly basis. When compiling this Report, we were guided by the principles of completeness and integrity of the information disclosed, the context of sustainable development, as well as the significance of certain topics for our stakeholders and from the viewpoint of the impact of the group.

In this Report, the term JSC Ilim Group refers to Ilim Group Joint Stock Company. The terms "Ilim Group," "Ilim," "company," and "group", as well as the pronoun "we" and its various forms should be understood

as a set of companies that are part of JSC Ilim Group and companies included in its group of entities. Unless otherwise specified, the information presented in this Report reflects information from January 1 to December 31, 2021 (hereinafter referred to as the reporting period). In some cases, material events that occurred in the first half of 2022 have been disclosed. To reflect the Company's progress in the field of sustainable development, we have presented information for 2020 and 2021 for some indicators.

The data provided in the Report may slightly differ from previously published data because of differences in the rounding off of indicators. This Report contains certain statements that are forecasts or may be considered as such. Forward-looking statements may contain words such as "estimate," "plan," "forecast," "anticipate," "believe," "expect," "may," or "will" in various forms, as well as statements regarding future events, strategies, plans, goals, and objectives of the group. Such statements should be considered in light of risks, contingencies, and uncertainties as they relate to events and depend on circumstances that may not happen in the future.



**ABOUT
THE COMPANY**

01

ABOUT THE COMPANY

Ilim Group is the leader of the pulp and paper industry in Russia in terms of volume and production efficiency, and the largest investor in the industry. Production assets in the Arkhangelsk, Irkutsk, Leningrad, and Moscow Regions are key sites in the timber industry of the Russian Federation.



70+

COUNTRIES WORLDWIDE

RECEIVE OUR PRODUCTS

8

MILLION HA

OF LEASED FORESTS

3.64

MILLION TONS

OF PRODUCTS PRODUCED PER YEAR

17,000

PEOPLE

NUMBER OF EMPLOYEES

11

COMPANIES

INCLUDED IN ILIM GROUP

7

REGIONS

WHERE WE OPERATE

33-FOLD

INCREASE IN EXPORTS TO CHINA
SINCE 1996

WE WORK WITH

500

FACTORIES

IN 20 REGIONS OF CHINA

IN 2021 ILIM GROUP PRODUCED:

79%

OF PULP IN RUSSIA

16%

OF PACKAGING MATERIAL
IN RUSSIA

23%

OF WHITE APERS IN RUSSIA

4%

CORRUGATED
PACKAGING IN RUSSIA

STATEMENT BY I LIM GROUP'S CHIEF EXECUTIVE OFFICER



KSENIIA SOSNINA

Chief Executive Officer of
JSC Ilim Group

DEAR FRIENDS,

Ilim Group strives to set high standards and create maximum value for the stakeholders in all its activities. We understand that taking into account the scale of Ilim, which is 17,000 employees, 8 million hectares of leased forests, 7 regions where we operate, and 3.6 million tons of products per year, the development of the Company as an autonomous unit is impossible. Today, many companies feel that they are more than just a business and are becoming ambassadors of not only economic, but also social, cultural, and environmental change. It is impossible to solve such problems as, for instance, a negative climate change and social inequality without the involvement of global players. Ilim Group makes every effort to bring about the most positive changes in the lives of the cities where it operates and society in general.

We have included the main areas and initiatives in the field of ESG that the company is implementing in Ilim Group's 2021 Sustainability Report.

Ilim is additionally developing its own ESG and climate strategy. We plan to publicly commit ourselves and publish long-term goals in line with the UN's Sustainable Development Goals to be achieved by 2030.

People are Ilim Group's core asset, so the Company's top priorities are the health and safety of its employees. Last year, Ilim launched a transformation of the occupational health and safety system aimed at improving the efficiency of risk management in this area. Our goal is zero LIFE incidents.

We respect our employees, create comfortable working conditions for them, and strive to provide everyone with opportunities for growth. Ilim's employees development and training system is aimed at creating a talent pool and increasing employees' leadership potential. The company has a corporate university. In 2021, nearly 10,000 Ilim employees completed advanced training and employee education programs.

As a responsible forest user, Ilim restores 50,000 hectares of forest annually. The company was the first in the Russian sector of the pulp and paper industry to calculate greenhouse gas absorption from forest management activities. We are considering various opportunities to increase the share of CO₂ absorption, also using an intensive reforestation model. This model allows for harvesting in already leased forest areas, where there is a constant and controlled reproduction of coniferous species.

Ilim was the first in Russia to switch to intensive reforestation and is constantly improving its reforestation practices. One of Ilim's key projects in this area is construction of a new 7-million seedling

forest nursery in the Irkutsk Region with a closed root system with the possibility of increasing it up to 12 million per year.

The share of projects in Ilim's investment portfolio with an environmental aspect is steadily growing. Every year, the company allocates around a third of its annual investment program to the execution of such projects. The initiatives implemented will make it possible to reduce the performance of plants in terms of emissions and discharges in the short-term run. In 2021, Ilim completed the next stage of a large-scale environmental upgrade in Bratsk where indicators for emissions of non-condensable gases and discharges over five years were reduced by 57% and 18%, respectively.

Ilim Group is implementing a project for a new paperboard and paper mill (KLB Mill) in the Irkutsk Region, the largest kraftliner production facility in Russia and one of the largest in the world. After the commissioning of the KLB Mill, the Company's capacity will increase by 600,000 tons of finished products per year, and Ilim will enter a new investment phase. We will focus on projects aimed at improving the environmental efficiency of the mills and ensuring the uninterrupted production at our sites.

Social investments also remain one of Ilim Group's priorities. The company traditionally supports cultural and healthcare institutions, orphanages, children's sports, veterans, and children

with disabilities. Our understanding of social investments, however, is much broader. Ilim strives to not just implement socially focused initiatives, but to also contribute to the positive transformation of the society in general, creating comfortable living conditions, also in the regions where we operate.

The interests of our employees, their desire to grow along with the Company directly depends on this. We strive to maintain an open dialogue with local communities and invest heavily in large-scale infrastructure projects. For instance, Ilim completed two major airport development projects in Ust-Ilimsk (Irkutsk Region) and Kotlas (Arkhangelsk Region) in 2021 and 2022.

I would like to conclude by saying that sustainable development today is not just a reputational bonus, but a meaningful approach for many market leaders. Many companies, including Ilim, are revisiting their approach to their corporate culture, work and management practices. Ilim Group will continue to integrate ESG principles into the Company's production and business processes. We are pleased that in the field of sustainable development we can also pave way for the implementation of the practices that will lead to a fundamental change to make the difference.

Kseniia Sosnina
Ilim Group's Chief Executive Officer



MISSION



MISSION:

from tree to paper – using renewable natural resources, we create value and improve the lives of people in Russia and across the globe.

ILIM GROUP

- CREATES ENVIRONMENTALLY FRIENDLY PRODUCTS FROM WOOD
- MANAGES FORESTS, WHILE PRESERVING RESOURCES FOR FUTURE GENERATIONS
- CARES ABOUT THE ENVIRONMENT AND THE PLANET

As a leader in the forest industry, we offer solutions made from the planet's renewable resources. We invest in sustainable growth and innovate to reduce the impact of production on the ecosystem in the future.

Responsibility is at the heart of everything we do.

Forests are a renewable source of raw materials for a broad assortment of products: from basics to groundbreaking innovations.

Growing forests are also one of the largest carbon sinks on the planet, second only to the world's oceans. They are crucial for biodiversity and protection of aquatic systems. For many, they are a source of well-being and relaxation. Today, forests are more important than ever before.

VALUES



SAFETY AND ENVIRONMENT

Safety of people and environment protection are our key values.

SUSTAINABLE DEVELOPMENT

Our priorities are sustainable growth, responsible forest management, social responsibility and talent development.

COMPLIANCE

We implement global best practices, promote manufacturing excellence, improve the quality of our products and support proactivity.

CUSTOMER FOCUS

Customer satisfaction is our key goal at every stage of product manufacturing and delivery process.

INDUSTRY LEADERSHIP

We operate in accordance with our corporate rules and standards and take accountability for results.

As part of the global bioeconomy, Ilim Group is a leading supplier of renewable products in the areas of pulp, packaging materials, packaging, timber, wood chemicals and paper, and one of the largest private forest leaseholders in Russia. We believe that much of products made from non-renewable resources today can be created from wood tomorrow.



GEOGRAPHY OF OPERATIONS

All of Ilim Group's production assets are structured based on the so-called product-geographical principle

The Koryazhma Branch of Ilim Group, Koryazhma Forest, a service (repair) enterprise, and an enterprise engaged in the production of wood chemicals (Arkhangelsk Region), as well as a transport-logistics company (St. Petersburg), and corrugated packaging plants in the Leningrad and Moscow Regions are located in the European part of Russia.

The Bratsk Branch of Ilim Group and the Branch of Ilim Group in the Bratsk District, the Ust-Ilimsk Branch of Ilim Group and the Branch of Ilim Group in the Ust-Ilimsk District, a design institute in Irkutsk, as well as logging enterprises operating in the Vologda and Irkutsk regions, and the Krasnoyarsk Territory¹ are located in the Asian part of Russia.

A trading company (Switzerland), as well as a firm providing consulting services (China) are located outside the CIS.

The Company's representative offices are located in Moscow, Arkhangelsk, Irkutsk, and Beijing (China).

Headquarters of the company are located in St. Petersburg.

KORYAZHMA BRANCH OF ILIM GROUP

1.4
MILLION TONS
OF PRODUCTS PER YEAR

50% of products are supplied to the domestic market, the remainder is exported to Europe, Latin America, Asia, and the Middle East.

PRODUCTS

- Packaging materials
- White papers
- Pulp
- Wood chemicals

Kommunar production plant

- Corrugated packaging

Dmitrov production plant

- Corrugated packaging

BRATSK BRANCH OF ILIM GROUP

1.3
MILLION TONS
OF PRODUCTS PER YEAR

80% of the total volume of exported products are delivered to China and Southeast Asia.

PRODUCTS

- Packaging materials
- Pulp
- Wood chemicals

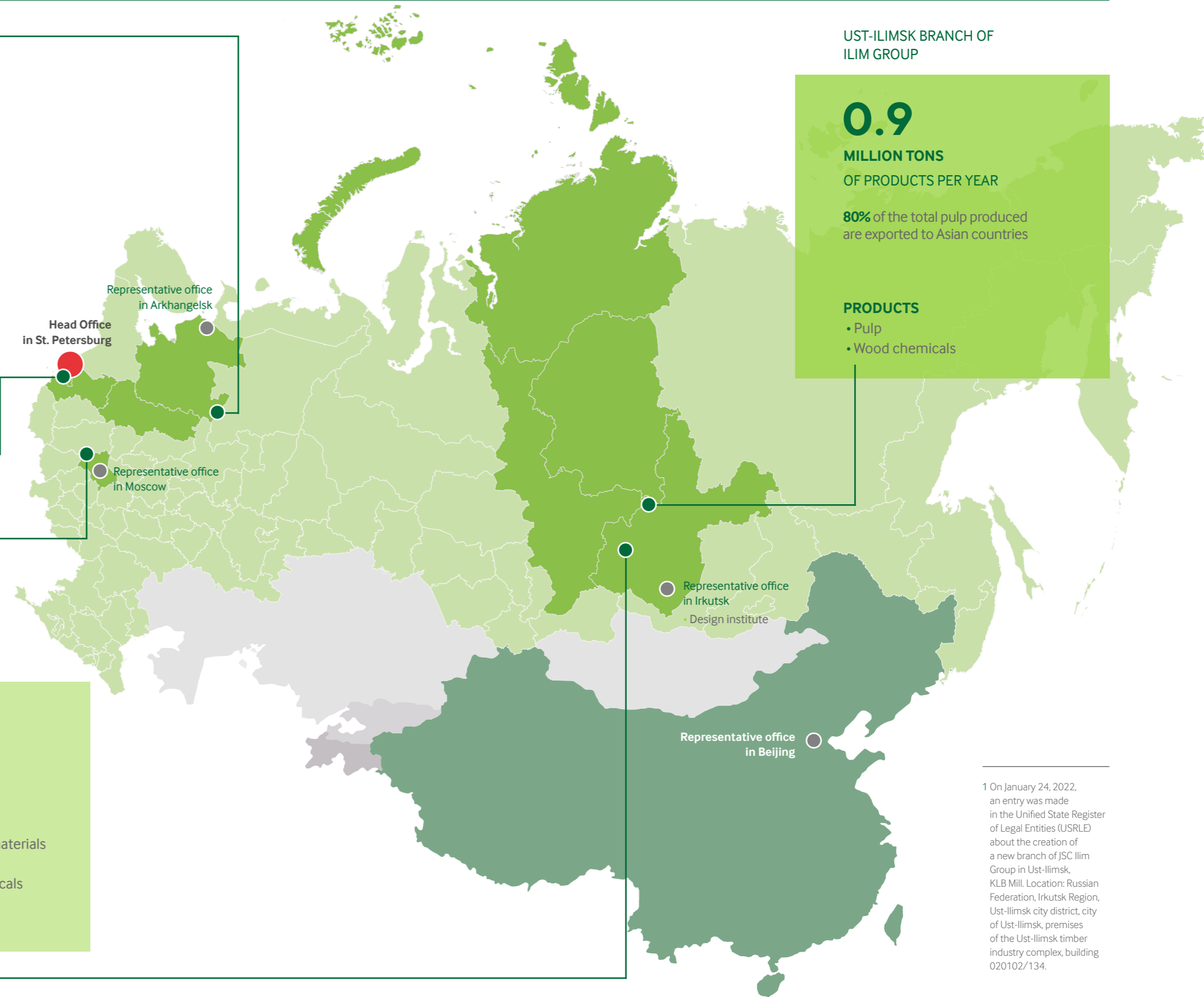
UST-ILIMSK BRANCH OF ILIM GROUP

0.9
MILLION TONS
OF PRODUCTS PER YEAR

80% of the total pulp produced are exported to Asian countries

PRODUCTS

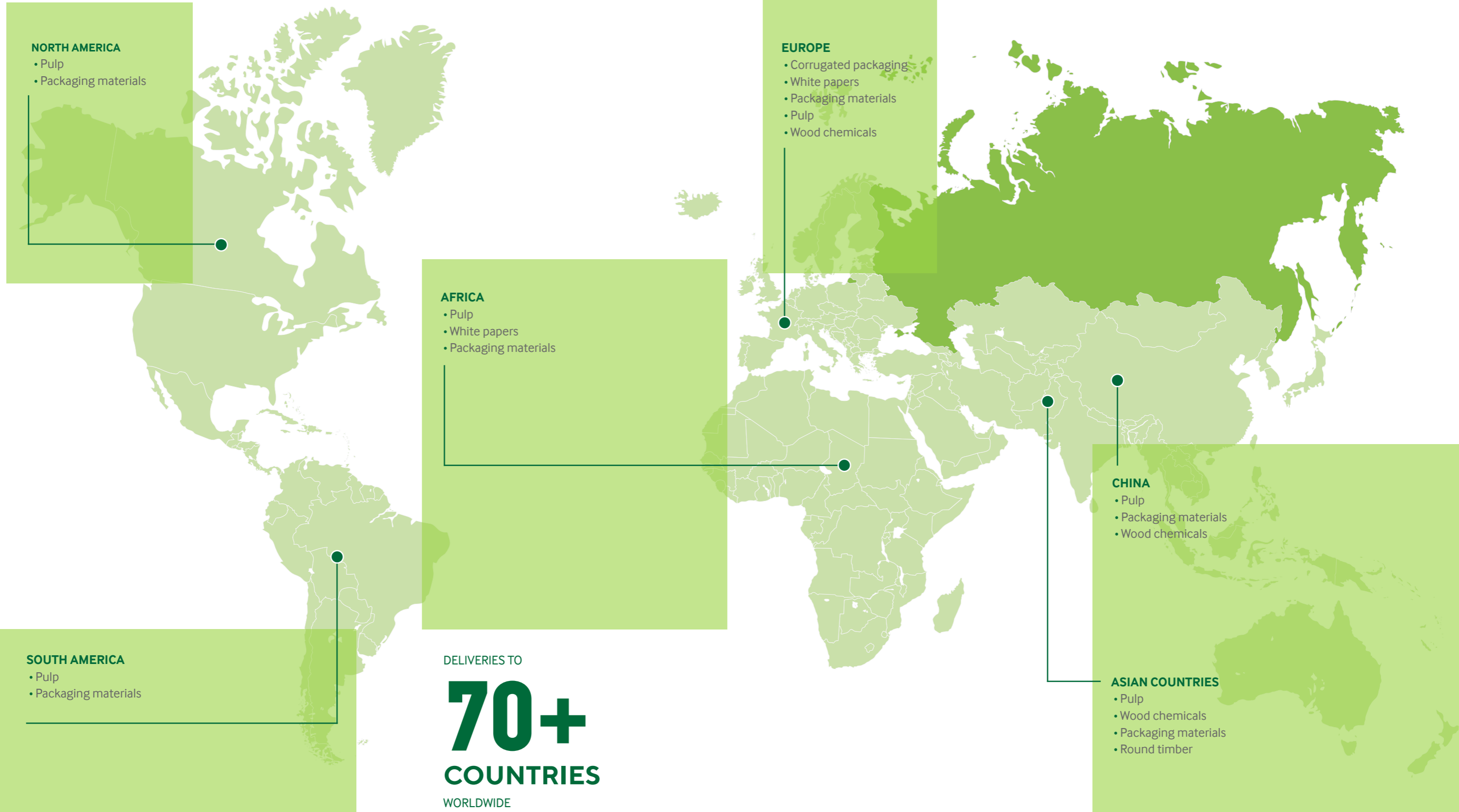
- Pulp
- Wood chemicals



¹ On January 24, 2022, an entry was made in the Unified State Register of Legal Entities (USRLE) about the creation of a new branch of JSC Ilim Group in Ust-Ilimsk, KLB Mill. Location: Russian Federation, Irkutsk Region, Ust-Ilimsk city district, city of Ust-Ilimsk, premises of the Ust-Ilimsk timber industry complex, building 020102/134.

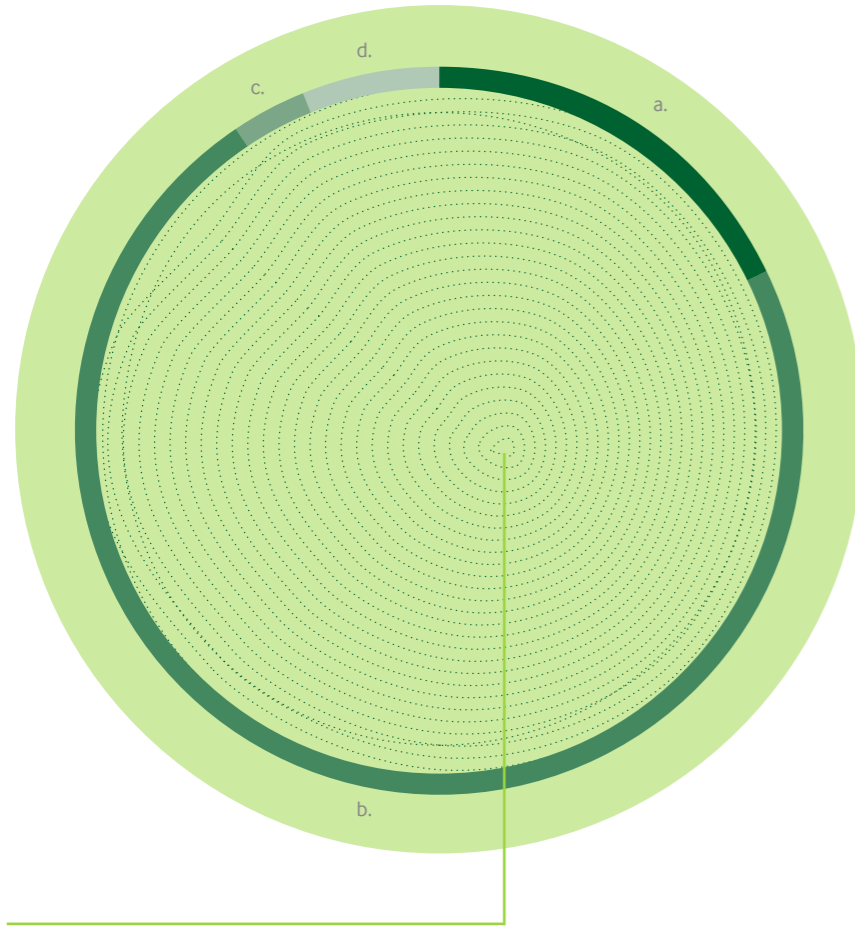


GEOGRAPHIC AREA OF DELIVERIES IN 2021



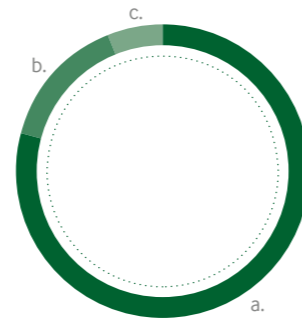
DELIVERY STRUCTURE IN 2021

Pulp, %



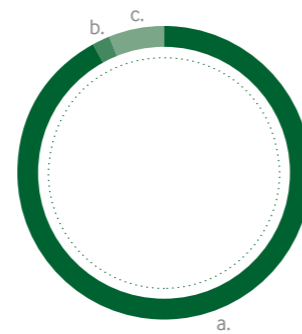
a. Russia	18.0
b. Asia	72.7
c. Other countries	3.3
d. Europe	6.0

Wood chemicals, %



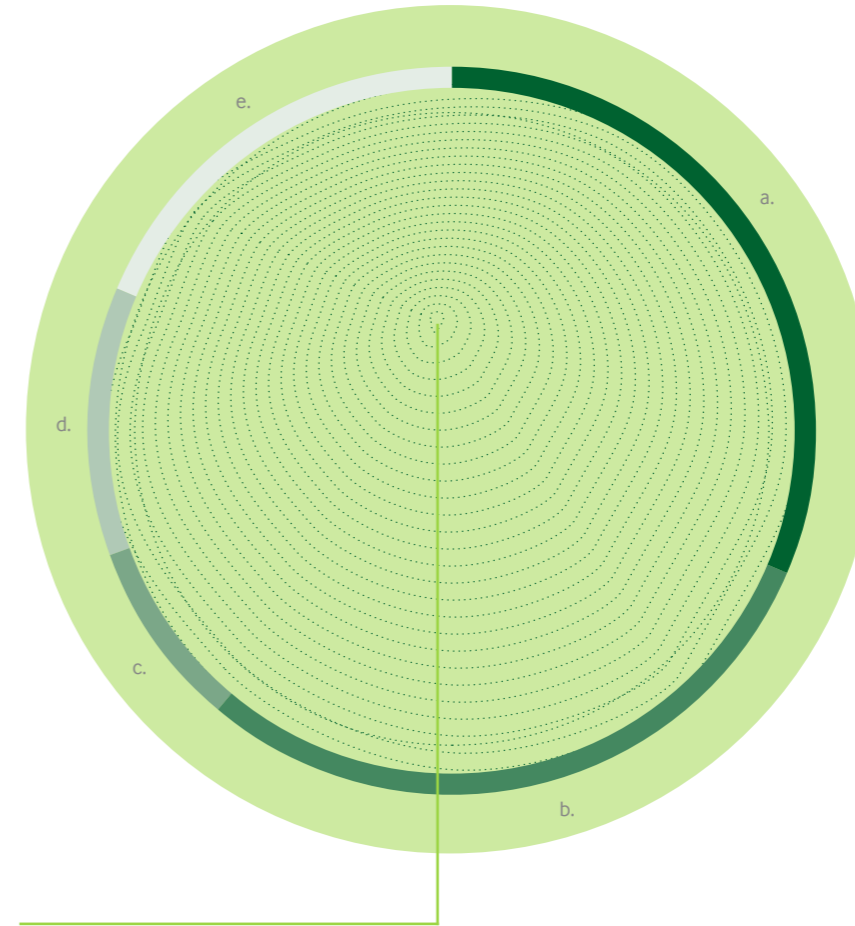
a. Russia	79.3
b. Europe	14.8
c. Asia	5.9

White paper, %



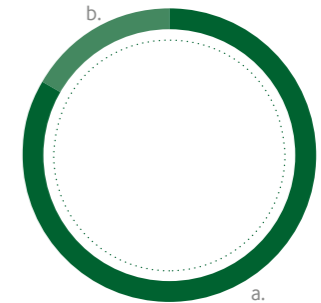
a. Russia	92.2
b. Asia	1.8
c. Other countries	6.0

Packaging materials, %



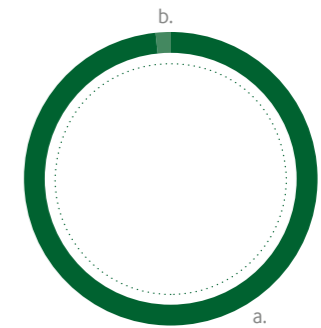
a. Asia	31.5
b. Russia	29.8
c. North and South America	8.4
d. Other countries	11.8
e. Europe	18.5

Corrugated packaging, %



a. Russia	83.6
b. Other countries	16.4

Round wood, %



a. Russia	98.4
b. Asia	1.6

3.64
MILLION TONS
OF PRODUCTS PRODUCED
PER YEAR



KEY EVENTS AND ACHIEVEMENTS IN 2021



Ilim Group in its activities relies on the principles of sustainable development, and is primarily guided by the balance of natural resources, production capacities, and market demand. The most important elements of the ESG agenda for us are projects that introduce the best available technologies and social investments intended to improve the quality of life. The Company allocates at least a third of its annual investments to environmental and social projects.

The Company is developing a carbon strategy with priority areas including the reduction of its carbon footprint, increase in the rate of reforestation, and introduction of digital methods for end-to-end monitoring of forest operations.

Kseniia Sosnina
Chief Executive Officer of
JSC Ilim Group

• IILIM GROUP CELEBRATED 25 YEARS OF WORK IN CHINA

The leader of the pulp and paper industry in Russia, Ilim Group, celebrated an important anniversary in 2021 – 25 years since the start of the export of its products to China. Over the years, the company has gained a reputation as a reliable partner and has become the largest supplier of bleached softwood pulp in China. We plan to further expand our presence and share in the Chinese market.

Over the years, the Company has gained a reputation as a reliable partner and has become the largest supplier of bleached softwood pulp in China. Since 1996 we have increased our annual exports to China 33-fold. Our partnership and joint efforts to develop sales helped the Company to deliver more than 24 million tons of pulp and paper products to China over these years. We plan to further expand our presence and share in the Chinese market. Alongside an increase in the volume of products supplied, the company will pay special attention to the development of logistics infrastructure for deliveries to the country's southern regions by both sea and river.

• IILIM GROUP TOOK PART IN PREPARATIONS FOR THE INTERNATIONAL UN CLIMATE CHANGE CONFERENCE

On February 24, a webinar was held with the representatives of international enterprises from the pulp and paper industry and experts concerning preparations for the 26th session of the Conference of the Parties of the UN Framework Convention on Climate Change held in November 2021 in Glasgow (Scotland).

• IILIM GROUP WON THE BEST SOCIAL PROJECTS IN RUSSIA AWARD

Ilim Group submitted When I Grow Up, I'll Become an Ecologist book to the competition and received an award in the Environmental Projects and Initiatives category. The Company pays great attention to environmental education and the promotion of environmental awareness among children, annually implements training and educational projects that address environmental issues and lay the foundation for respect to nature, as well as stimulate the interest of the younger generation in the companies that practice a responsible environmental and social approach. The implementation of these initiatives is part and parcel of the Company's sustainable development policy.

• IILIM GROUP SUPPORTED THE MESSAGE TO MAN FILM FESTIVAL

Ilim Group sponsored the 31st International Film Festival Message to Man. The Company has supported the event for five consecutive years. Traditionally, Ilim hands out an award to one of the films in the national competition at the Festival. In partnership with the event's organizing committee, the Company implements a socio-cultural project called "Echo of the Festival" and organizes film screenings of the best works in the regions where it operates.

• INTEGRATED ENVIRONMENTAL PERMIT OBTAINED

JSC Ilim Group received an integrated environmental permit (IEP) for its Koryazhma Branch that confirms the high level of environmental safety. Over the past 10 years, Ilim Group has spent around 12 billion rubles on introducing the best available techniques (BAT) and the implementation of environmental measures at its Koryazhma Mill. These funds were used to implement projects that made it possible to put production on par with the global environmental standards.

• CHILDREN'S BOOK ABOUT ECOLOGY FROM IILIM GROUP WINS AN INTERNATIONAL COMPETITION

When I Grow Up, I'll Become an Environmentalist won in the Eco-Education category under the Environmental culture. Peace and Harmony international project. The competition has been held by V.I. Vernadsky non-governmental foundation since 2012. Its goal is to popularize and encourage projects aimed at developing an environment-focused culture.

SUSTAINABILITY MANAGEMENT

Sustainable development is an integral part of Ilim Group's business. We believe that to create value, you need to take into consideration the interests of all stakeholder groups, as well as economic, environmental, and social aspects. As a company with production sites in seven regions and over 17,000 employees, we strive to contribute to the development of the regions where we operate, to have a positive impact on local communities, and to minimize the impact of production on the environment.

ILIM GROUP ORGANIZES ACTIVITIES FOLLOWING INTERNATIONAL STANDARDS:

- ISO 9001:2015
Quality management systems
- ISO 14001:2015
Environmental management systems
- ISO 45001:2018
Occupational health and safety management systems
- ISO 50001:2018
Energy management systems
- ISO 37301:2021
Compliance management systems

All of Ilim Group's branches already have valid FSC forest management certificate that is validated annually.

KEY PRINCIPLES:

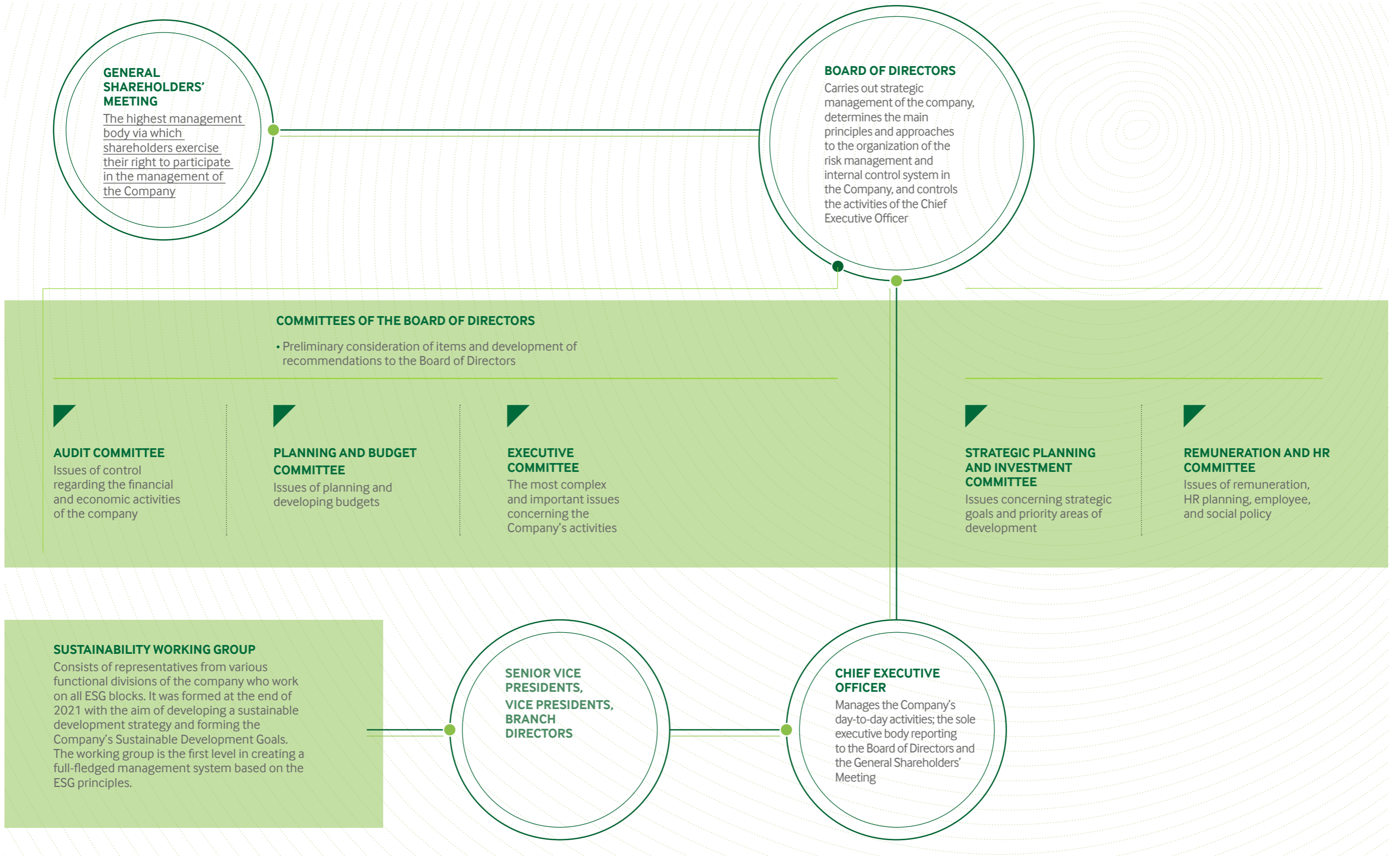
- OUR MAIN PRIORITY IS THE LIFE AND HEALTH OF OUR EMPLOYEES
- WE EVALUATE SUSTAINABILITY RISKS, INVEST IN MITIGATING THEM, AND TAKE PRECAUTIONS¹
- WE ARE CONTINUOUSLY WORKING TO IMPROVE OUR PRODUCTION AND INNOVATE TAKING INTO ACCOUNT ECONOMIC, SOCIAL, AND ENVIRONMENTAL FEEDBACK
- WE ARE CAREFUL TO ENSURE THE SAFETY OF PRODUCTION PROCESSES
- WE TAKE A PREVENTATIVE AND MITIGATION APPROACH TO PRODUCTION AND VALUE FOR STAKEHOLDERS

The sustainable development management structure covers all levels of management, including:

- strategic – approval of the overall approach and strategic priorities, as well as control over the execution of strategic tasks by the Board of Directors;
- operational – development and management of the execution of programs to achieve Sustainable Development Goals at the CEO and top management team level.

¹ Principle adopted by the United Nations Conference on Environment and Development (1992) that a precautionary principle should be widely applied in order to protect the environment. This means that if there is a threat of serious or irreversible damage to the environment, a lack of scientific validity of these assumptions should not be used as a reason to delay the implementation of cost-effective measures aimed at preventing environmental degradation.

CORPORATE GOVERNANCE STRUCTURE





STAKEHOLDER ENGAGEMENT

As a leader in the forest industry, we understand the importance of maintaining an open dialogue with all stakeholder groups to ensure economic, environmental, and social well-being and long-term prosperity.

Ilim Group uses various forms of communication and selects the most appropriate channels to exchange information to develop long-term constructive relationships, search for new opportunities for cooperation, and create value through interaction with all stakeholder groups.

In order to identify stakeholders, Ilim Group conducted a management survey and the Sustainability Working Group, with the involvement of external consultants, held consultations concerning its main business functions.

When determining stakeholder groups, we were guided by the following:

- the significance of the company for stakeholders;
- the impact of Ilim Group's activities on stakeholders;
- the significance of stakeholders for Ilim Group;
- the influence of stakeholders on the Company's activities; and
- the frequency of cooperation.

KEY STAKEHOLDER GROUPS AND FORMS OF ENGAGEMENT

Shareholders

- Shareholders' meetings
- Provision of information upon demand
- Disclosure of required information in Ilim Group's reports and on the Company's website

Non-Profit Organizations, Including Charitable, Social, and Environmental

- Regular cooperation with organizations
- Participation in the activities of various committees and working groups

Media

- Interviews
- Press releases
- Communication

Business Partners Including Customers, Suppliers, and Contractors

- Regular meetings
- Ilim Group's participation in specialized forums and conferences
- Conclusion of agreements
- Organization of events
- Disclosure of required information in Ilim Group's reports and on the Company's website

Governmental Departments

- Participation in ministerial, inter-agency, and regional meetings
- Provision of information to regulatory bodies
- Implementation of joint programs in the areas where we operate
- Agreements on social and economic partnerships

Educational Institutions

- Support for educational programs
- Internships for students
- Participation in conferences and Career Days

Local Communities

- Hotline for local residents
- Own themed events
- Implementation of social programs

Employees and Trade Unions

- Direct cooperation with employees via managers
- Internal portal
- Ilim Group and branch newsletter
- Ilim Group's corporate publications
- Corporate events
- Meetings between managers and trade union representatives
- Research on employee engagement
- Hotline

MATERIAL TOPICS

When preparing the report, we paid careful attention to the aspects that have a significant impact on the activities of Ilim Group and are significant for all stakeholders.

The content of the Report was selected based on the analysis of topics that are most important for our stakeholders in the areas of the economy, environment, and society.

An integrated approach was applied to identify material topics. The first step included an analysis of industry standards and recommendations (GRI and SASB), integral industry topics recommended for disclosure by ESG ratings, as well as reports on the sustainable development of international companies. As a result, a preliminary list of material topics was drawn up. Ilim Group further organized an online survey of stakeholders, inviting respondents to rank the significance of topics on a scale from 1 to 5, with 1 meaning "The topic is not integral/significant for the respondent," and 5 meaning "The topic is very integral/significant for the respondent." A materiality matrix was compiled based on the results of the analysis and online survey.



- Environmental aspects
- Social aspects
- Economic aspects



THE COMPANY IS FIGHTING CLIMATE CHANGE BY IMPROVING ITS PRODUCTION

CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

In 2021, against the backdrop of the protracted COVID-19 pandemic and a changing business environment, Glasgow hosted the 26th UN Climate Change Conference. The main item on the agenda was the update on the efforts taken by participating countries and corporations to mitigate the adverse environmental impact and keep the growth of average global temperatures "well below" 2 °C.

Ilim Group is aware of the need for business community representatives to contribute to the achievement of Sustainable Development Goals (SDGs) and fully supports the achievement of the said goals, taking them into consideration when developing its activities. Recognizing the importance of all 17 Sustainable Development Goals, we have identified 10 as priorities, which achievement will have the greatest impact on the company.

Perceiving its responsibility to society and employees, Ilim Group bases its sustainable development efforts on three fundamental pillars: the planet, people, and effective business. This means we continuously strive to minimize our adverse environmental impact, treat our stakeholders with respect, and create an effective business via our products and business processes.

EFFECTIVE BUSINESS

Innovations

Climate change and resource scarcity affect the environment, economy, and society as a whole. Ilim Group strives to minimize the negative impact described; therefore, we focus on the projects related to the efficient use of primary resources and by-products.

Corporate governance

Ilim Group's high standards of corporate governance are a determining factor for the Company, as we seek to strengthen our leading position in the industry. National and professional diversity are factors distinguishing the Company's Board of Directors and senior management.

Supply Chain

Ilim Group responsibly adheres to the requirements outlined in the international product supply chains standards. The company annually assesses customer satisfaction (customer satisfaction index) throughout the lead cycle: from production to product delivery to buyers.

SDGs

8
9

PLANET

SDGs

6 12 13 15

Air

We are striving to reduce air emissions by upgrading equipment at the Company's mills, introducing the best available technologies, and expanding the use of renewable fuels.

Our aim is to reduce CO₂ annually and achieve Net Zero by 2050.

[More](#)

Forest

Transition to the intensive use model and restoration of forests ensures sustainable growth and reforestation.

In 2021, the company approved a Sustainable Forest Management Policy, and measures to combat and prevent fires.

[More](#)

Water

We are committed to responsible water management. We are concentrating our efforts on continuously improving the quality of our water discharges, reducing water consumption, and focusing on understanding the risks associated with water quality in the areas where we operate.

[More](#)

Waste

In a circular economy, less becomes more and waste is minimized as materials are reused and recycled to maximize their value. Ilim Group is working to attain this goal. Most of the waste produced by Ilim Group is disposed of via incineration at its own sites to generate heat and electricity.

[More](#)

PEOPLE

SDGs

3 4 5 8 9 11

Core Value

People play the key role in the Company's achievements. We support the principles of respect for human rights, freedom of association, fair compensation, and diversity, regardless of age, religion, gender, or nationality.

[More](#)

Development

Employees who find meaning in their work are happier, more productive, and more engaged. That is why we are constantly improving our HR strategy.

We feel that our employees are the beating heart of our business whom we support in every possible way, giving individuals the chance to grow, develop, and attain self-fulfillment.

[More](#)

Health and Well-being

The safety of our employees is Ilim Group's main priority. The company invests significant resources in corporate safety programs, equipment upgrades, as well as improvement of workplace conditions, and safety.

[More](#)

Local communities

We are proud that we support the communities where we work.

Our aim is to increase the social sustainability of the regions where the company operates. We achieve this by focusing our efforts in such areas as education, sports, medicine, and culture.

We also make a significant impact on the development of local communities by creating new jobs and developing the infrastructure of cities and other settlements.

[More](#)





RESPONSIBLE FOREST MANAGEMENT

02

RESPONSIBLE FOREST MANAGEMENT

Ilim Group adheres to the concept of sustainable forest management, which means the sustainable supply of raw wood materials to timber processing sites in the long term run, while preserving biodiversity and maintaining the social value of forests. This approach makes it possible to ensure both the profitability of forest management and the preservation of the ecological and social functions of forests.

In 2021, the company approved a Sustainable Forest Management Policy with the following main principles:



RESPONSIBLE FOREST MANAGEMENT

- Improving the efficiency of logging through high quality of forest management, introduction of state-of-the-art logging technologies, integrated use of raw wood materials, and minimization of the loss of market wood.
- Transition to intensive use and reproduction of forests.
- Building mutually beneficial and responsible relationships with suppliers of raw wood materials.
- Introduction of digital technologies and modern methods for remote reconnaissance of the Earth during forest inventory.
- Ensuring sustainable forest management.



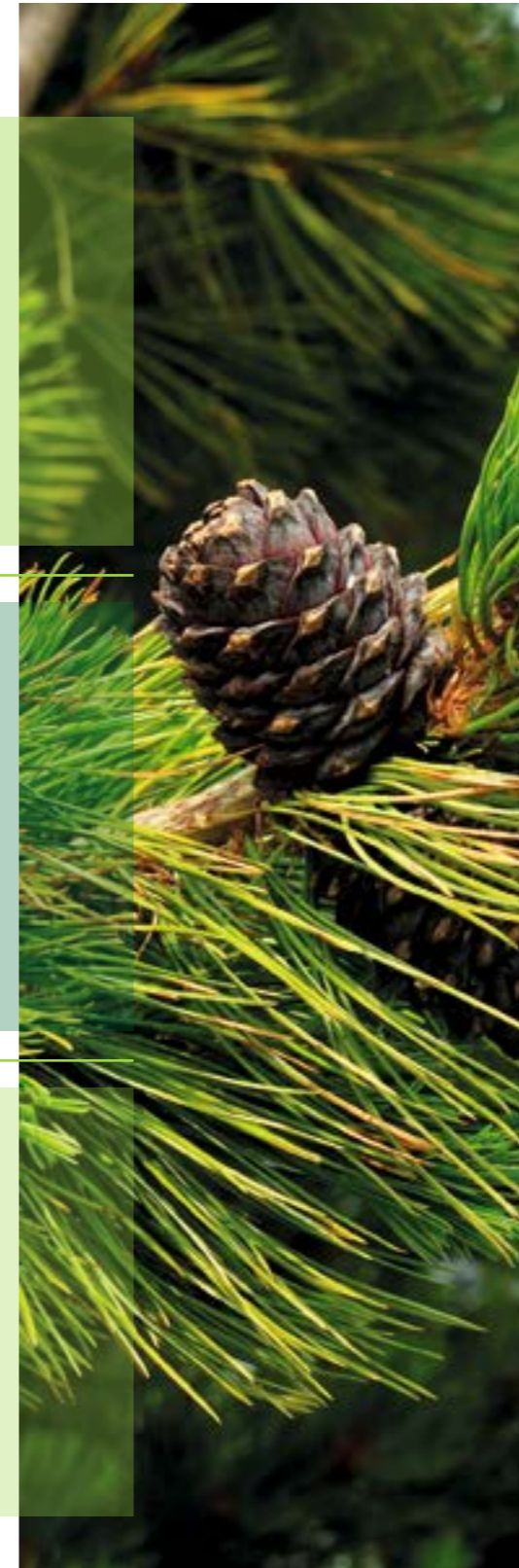
PROTECTION OF THE ENVIRONMENT

- Preservation of the biodiversity and ecological functions of forests during harvesting.
- Reducing environmental impact risks when planning forest management and forest infrastructure.
- The scientific community and stakeholders engagement to underscore high nature conservation values in the forest areas leased by the company.
- Improving the quality of reforestation by using closed root system planting material.
- Monitoring the Company's environmental impact.



SOCIAL STABILITY

- Local Communities Engagement.
- Respecting the traditions and customs of indigenous peoples.
- Carrying out social programs in the regions where the Company operates.
- Raising the safety culture of work to world class levels.



INTENSIVE REFORESTATION

As a leader in the timber industry, Ilim Group was the first in Russia to switch to a model of intensive use and reproduction of forests. This is just one of a set of measures for environmental protection and sustainable forest management.

The transition to an intensive use model and restoration of forests ensures sustainable growth and reforestation. The essence of this model is that the company restores the forest directly where it performed logging. The new model allows for harvesting in already leased forest areas where there is a constant and controlled reproduction of coniferous species rather than in intact forests or other areas with high conservation value. With the right approach, it is possible to grow a forest with the necessary qualitative and quantitative specifications. Ilim Group applies an

intensive forest management model in the Arkhangelsk and Irkutsk regions where the Company's production sites are located.

Such forest management is not only efficient in terms of environmental balance, but also allows us to supply timber processing plants with wood and reduce transportation costs in the future.

Ilim Group implements the world's best practices. For instance, in terms of reforestation the Company uses Scandinavian technology of planting closed root system seedlings that have been grown in special containers. Seedlings grown using this technology are not damaged during planting, unlike seedlings with an open root system. Seedlings with a closed root system take hold better and can also be planted from May to September, and not in summer only. The Scandinavian technology was chosen because the climate in Finland, Sweden, and Norway is similar to that in Russia, while reforestation has been carried out there for more than 100 years.

ILIM GROUP ANNUALLY RESTORES AROUND 50,000 HECTARES OF FORESTS ON LEASED PLOTS AND INTRODUCES PRACTICES TO IMPROVE QUALITY.



IN 2021, THE COMPANY CARRIED OUT FOREST RESTORATION OVER AN AREA OF 47,000 HECTARES – 6 MILLION SEEDLINGS AND 4 TONS OF PINE AND SPRUCE SEEDS WERE GROWN AND PURCHASED. THE COMPANY PLANS TO PURCHASE 7.4 MILLION SEEDLINGS IN 2022.



CONSTRUCTION OF A FOREST NURSERY IN BRATSK

One of Ilim Group's largest reforestation projects involves the construction of a forest nursery in Bratsk. The Company plans to build a modern forest nursery in the Irkutsk Region with a capacity to hold 7 million closed root system seedlings (pine and spruce) per year (with a further

increase to 12 million), which will also use the Scandinavian growing technology. It will be one of the largest in Russia. Closed root system spruce and pine are planned to be grown there. In order for seedlings to grow into a full-fledged forest, trees require special care.

First and foremost, it is important to adhere to the technology of growing seedlings in greenhouses. Ilim's experts make sure that the root system of the trees is formed properly. This will allow the seedlings to be more sustainable.

The next stage is adhering to the planting technology. In order for the seedlings to take root at the cutting site, the soil is specially prepared before planting, and micro-elevations are created. At this stage, the trees need to be protected from unwanted vegetation and to secure a nutrient medium for growth.

It is equally important to monitor how saplings and then mature trees grow. Ilim pays special attention to both agrotechnical and silvicultural tending. The Company's experts carry out weeding, loosen soil, remove herbaceous and shrubby vegetation, as well as excess or dead trees. The number of tending activities is clearly set out.

CERTIFICATION

The forest plots of 7 million hectares leased by Ilim Group are certified according to **Forest Stewardship Council®¹ and Program for the Endorsement of Forest Certification² – PEFC™** standards, as well as the Company annually confirms compliance with international voluntary forest certification systems.

There is a special eco-label, which is aimed to understand that wood or pulp is obtained from sustainably managed forests. FSC labels can also be found on consumer products made from wood or pulp.

The Koryazhma Branch of Ilim Group has a valid LegalSource™ certificate confirming compliance of the forest products sold with the requirements of the European Timber Regulation (EU Regulation No. 995/2010).

In 2021, Ilim Group implemented a number of projects to increase the transparency of timber transportation.

In developing projects to automate the transfer of data from logging equipment processors, new forwarders have been purchased with on-board computers that allow you to keep track of working time. And the software to generate reports on the products produced during each shift is constantly refined.



ILIM GROUP'S SUSTAINABLE FOREST MANAGEMENT EVENTS IN 2021

REFORESTATION EVENTS COMPLETED

- Reforestation completed over an area of 47,000 hectares
- Expenditures on reforestation in the amount of 600 million rubles
- More than 6 million seedlings planted, including more than 4 million seedlings with a closed root system

INTRODUCTION OF INTENSIVE FOREST MANAGEMENT

- Increase in the volume of timber harvesting during thinning up to 840,000 m³
- Felling for young growth carried out on an area of 7,800 hectares, including uniform thinning technology on an area of 2,300 hectares

VOLUNTARY FOREST CERTIFICATION

- Secured international certificates in forest management and supply chain
- Secured the LegalSource™ (NC-LS-023019) certificate for the Koryazhma Branch of Ilim Group

1 FSC (FSC-C129100, FSC-C129102, FSC-C129099).

2 PEFC™ (NC-PEFC/FM-023735, NC-PEFC/FM-023019, NC-PEFC/FM-023737).



The installation of modems on contractor logging equipment was completed at the Branch of Ilim Group in the Ust-Ilimsk District to transfer daily reports on harvesting volumes to Ilim Group's server.

The development of mobile systems to measure timber in logging trucks at intermediate warehouses based on ASM "Photoscan" platform is currently underway.

The commercial operation of ASM "Photoscan" has begun at Ilim Group's remote warehouses in the rafting zone of the Bratsk water reservoir.

During annual inventory, hard-to-reach stacks of round timber were measured at the timber exchange of the Bratsk Branch of Ilim Group via unmanned aerial vehicles. Regular surveys of timber stocks are also carried out for operational management and monthly reporting. Unmanned aerial vehicles were purchased to replicate the technology for timber exchange at the Koryazhma and Ust-Ilimsk Branches.

As part of a project to transfer accounting at all timber exchanges to a single SAP EHS platform, pilot operation is nearing completion at the Koryazhma and Ust-Ilimsk, Branches while work has already begun at the Bratsk Branch.

A pilot unified vehicle management system was implemented at the Koryazhma Forest Branch of Ilim Group based on SAP Transportation Management, and work is underway to manage water transport.

We replaced outdated server equipment for the forest geoinformation system at Ilim Group's Branches.

Zulu GIS Mobile licenses were purchased, an infrastructure solution was implemented to securely connect mobile devices to the corporate network, and a program was developed for field-testing of a forest geographic information system for allotment and evaluation of cutting sites at the Ust-Ilimsk Branch.

NATURAL VALUES AND CONSERVATION OF BIODIVERSITY

PRIORITY ENVIRONMENTAL PROTECTION AREAS ARE SET FORTH IN ILIM GROUP'S SUSTAINABLE FOREST MANAGEMENT POLICY AND INCLUDE:



- PRESERVATION OF THE BIODIVERSITY AND ENVIRONMENTAL FUNCTIONS OF FORESTS DURING HARVESTING.
- IMPROVING THE QUALITY OF REFORESTATION THROUGH THE USE OF CLOSED ROOT SYSTEM PLANTING MATERIAL.
- REDUCING THE RISKS OF ENVIRONMENTAL IMPACT WHEN PLANNING FOREST MANAGEMENT AND FOREST INFRASTRUCTURE.
- MONITORING THE COMPANY'S ENVIRONMENTAL IMPACT.
- THE SCIENTIFIC COMMUNITY AND STAKEHOLDERS ENGAGEMENT TO UNDERScore HIGH NATURE CONSERVATION VALUES IN THE FOREST AREAS LEASED BY THE COMPANY.

Before launching new projects and during the implementation of current production activities, Ilim Group implements a comprehensive system of measures to assess any potential impact on the environment and biodiversity, including an analysis of the possible negative impact of economic activities on natural values, both at the local (cutting site) and landscape level.

- Natural values include:
- high conservation values;
 - representative plots;
 - rare species;
 - key biotopes;
 - aquatic sites.

We pay considerable attention to minimizing the negative impact on biodiversity and promoting the conservation of biodiversity in the regions where the company operates. Ilim Group constantly implements biodiversity-related initiatives:

- consistent work to identify high conservation values;
- determination of the use of an HCV (high conservation values) regime taking subject to consultations with stakeholders and affected parties;
- conducting training for specialists involved in planning and selection of segments for felling;
- monitoring the status of identified HCVs, and the effectiveness of measures to protect them, assessing related impact of

the economic activities of the Company and third parties, as well as the emergence of new information about HCVs;

- carrying out forest management activities and creating infrastructure sites.

The following projects were implemented jointly with Wildlife of Asia Baikal Field Research Center in the reporting period:

- scientific and research work to determine the conservation value of Tangui planned reserve territory;
- identification of potential impact on the Red List species of the Russian Federation and the Irkutsk Region, which actually and possibly inhabit (grow) on the timberland of the Branch of Ilim Group in the Bratsk district;



ILIM GROUP ACTIVELY SUPPORTS SCIENTIFIC AND RESEARCH PROJECTS FOCUSED ON BIODIVERSITY. A NUMBER OF RESEARCH PROJECTS WERE IMPLEMENTED IN 2021, WITH SOME WORK CARRIED OVER TO 2022.



- identification of habitats for rare species of fungi, lichens, vascular plants, mammals, amphibians, and reptiles from the Red List of the Russian Federation and the Irkutsk Region on the leased base of the Barnch of Ilim Group in the Bratsk District

The following projects were implemented in cooperation with Bratsk State University:

- Methodological recommendations for the identification of high conservation values (HCVs);

- research to develop a methodology needed to substantiate low-disturbed forest tracts (LDFT) on the customer's timberlease and measures for their conservation.

A research project was also implemented on behalf of Ilim Group:

- field surveys to identify and monitor the habitats of rare species in managed forest areas in accordance with FSC-STD-RUS-02-2020 RU (criterion 6.4).

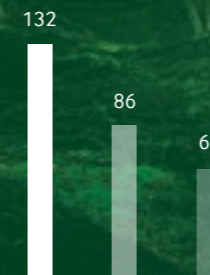
The following types of HCVs are distinguished by Ilim Group:

HCV Type	Area, ha
HCV 1. Species diversity. The concentration of biological diversity of international, regional, and national significance, including endemic, rare, and endangered species.	194,734.9
HCV 2. Ecosystems and their combination at the landscape level. Intact forest areas, other large ecosystems, as well as combinations thereof at the landscape level (of international, regional, or national significance), and characterized by the presence of viable populations of a majority of naturally occurring species with both natural distribution and abundance.	275,426.4
HCV 3. Ecosystems and habitats. Rare, threatened, or endangered ecosystems, habitats, and refugia.	72,391.7
Representative plots	6,729
Total HCV:	549,282

8
MILLION HA
OF LEASED FORESTS



Number of branch employees trained on biodiversity conservation in 2021, people.



- ▼ Bratsk Branch of Ilim Group
- ▼ Koryazhma Branch of Ilim Group
- ▼ Ust-Ilimsk Branch of Ilim Group



Biodiversity issues are becoming key to the global sustainable development agenda. In order to implement the best practices, our employees have trainings in the conservation of biodiversity in forest ecosystems on an ongoing basis.

FOREST RECONNAISSANCE

Before carrying out work at a forest site, you need to carefully study the territory because you may find rare animals and IUCN Red List plants there. In the Irkutsk Region, Ilim employees carry out this "forest reconnaissance" armed with the so-called "Field Identifier." This book contains photographs of rare plants and animals of the region, a description of them, as well as instructions on how to allocate a buffer zone. The publication was prepared by Ilim in cooperation with Wildlife of Asia Baikal Center for Field Research. One of the editors of the Red List in the Irkutsk Region, Viktor Popov, an ornithologist at the Baikal Center for Field Research, has been working with the branch for many years. When coming across a rare Red List species, Ilim employees mark it in the navigator and allocate a security zone and no work will be carried out there thereafter.





ILIM GROUP IN 2021 WHEN CARRYING OUT COMPENSATORY MEASURES TO FISH STOCKING BODIES OF WATER IN THE IRKUTSK AND ARKHANGELSK REGIONS PRODUCED

ABOUT

2.7

MILLION

SPECIMENS OF FRY AND YOUNG FISH

THE COMPANY ALSO PAYS GREAT ATTENTION TO THE PRESERVATION OF BIODIVERSITY OF THE AQUATIC TERRITORIES ADJACENT TO FORESTS.

ABOUT

2

MILLION RUBLES

SPENT FOR MONITORING AND ASSESSMENT OF THE IMPACT ON THE STATE OF AQUATIC BIOLOGICAL RESOURCES AND THEIR HABITAT

MORE THAN

37

MILLION RUBLES

SPENT ON COMPENSATORY MEASURES



BRATSK BRANCH OF ILIM GROUP

Takes such compensatory measures as fish restocking, aimed at restoring the aquatic biological resources of the Bratsk water reservoir.

Over the last five years, the Bratsk Branch of Ilim Group has produced about 8.8 million fry. Compensatory measures like fish restocking, aimed at restoring the aquatic biological resources of the Bratsk water reservoir include the following:



ANNUALLY

MORE THAN

2

MILLION

SPECIMENS OF FRY RELEASED

ABOUT

29

MILLION RUBLES

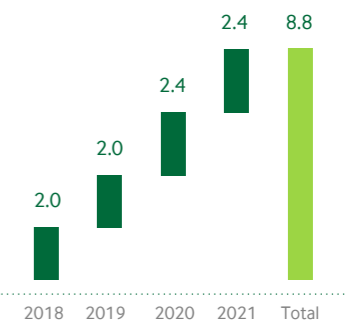
SPENT ON MONITORING AND EVALUATION

29

MILLION RUBLES

SPENT ON COMPENSATORY MEASURES

Number of fry released into the Bratsk water reservoir, M specimens





UST-ILIMSK BRANCH OF ILIM GROUP

Reproduction of fish stocks: release of fry to compensate for any damage caused to aquatic biological resources as a result of water intake and wastewater discharge.

Over the last five years, the Ust-Ilimsk Branch of Ilim Group has produced about 1.0 million fry. Compensatory measures like fish restocking, aimed at restoring the aquatic biological resources of the Bratsk water reservoir take place annually.



KORYAZHMA BRANCH OF ILIM GROUP

Carries out the artificial reproduction of fish stocks: release of fry to compensate for any damage caused to aquatic biological resources as a result of water intake and wastewater discharge.

From 2013 to 2021, the Koryazhma Branch of Ilim Group produced about 11.5 million specimens of young fish. Such compensatory measures as fish restocking, aimed at restoring the aquatic biological resources of the rivers of the Barents region in 2021.



ANNUALLY

MORE THAN

0.3

MILLION SPECIMENS

OF FRY RELEASED

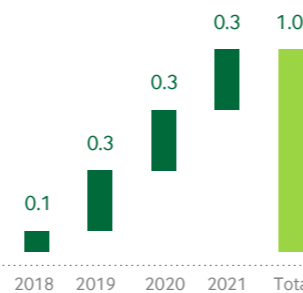
ABOUT

6.4

MILLION RUBLES

SPENT ON COMPENSATORY MEASURES (RELEASE OF FISH IN PRICES FOR 2021)

Number of fry released into the Bratsk water reservoir, M specimens



MORE THAN

5,000

SPECIMENS

OF FRY RELEASED

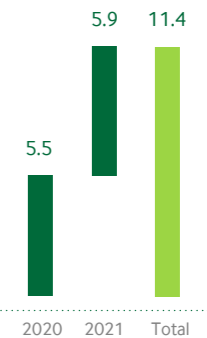
MORE THAN

2

MILLION RUBLES

SPENT ON COMPENSATORY MEASURES

Number of fry released into the rivers of the Barents region, thousands of specimens



MORE THAN

0.3

MILLION RUBLES

SPENT ON MONITORING AND EVALUATION



HUMAN RESOURCES

03

HUMAN RESOURCES

MANAGEMENT APPROACH

Ilim Group unites more than 17,000 employees around the country. Understanding the full responsibility for its employees, their development, as well as ensuring safe and high-quality working conditions, the Company pays special attention to efficient employee management and implementation of its HR strategy. Ilim Group takes pride in its talented people and regularly invests in developing their potential. The Company implements HR practices meant to develop a corporate culture, leadership potential, employee motivation, and ensuring decent working conditions.

The determination of strategic goals of employee management is within the purview of Ilim Group's Board of Directors. The Remuneration and HR Committee provides recommendations to the Board of Directors on employee policy, development of an HR strategy, development and approval of KPIs, selection of candidates to management bodies, and determination of

remuneration. The Chief Executive Officer manages Ilim Group's day-to-day activities, including employee management. The HR Department coordinates employee management at the Company level. The department is led by the Senior Vice President of Human Resources who reports to the CEO. Employee management is the responsibility of the relevant HR departments of each Branch.

The main internal documents regulating Ilim Group's HR activities include the Code of Business Ethics, Human Resources Policy, Remuneration Policy, Regulations on Remuneration and Bonuses, Regulations on Non-Material Motivation, as well as collective bargaining agreements and other HR documents.

RISK ASSESSMENT OF HR RESOURCES

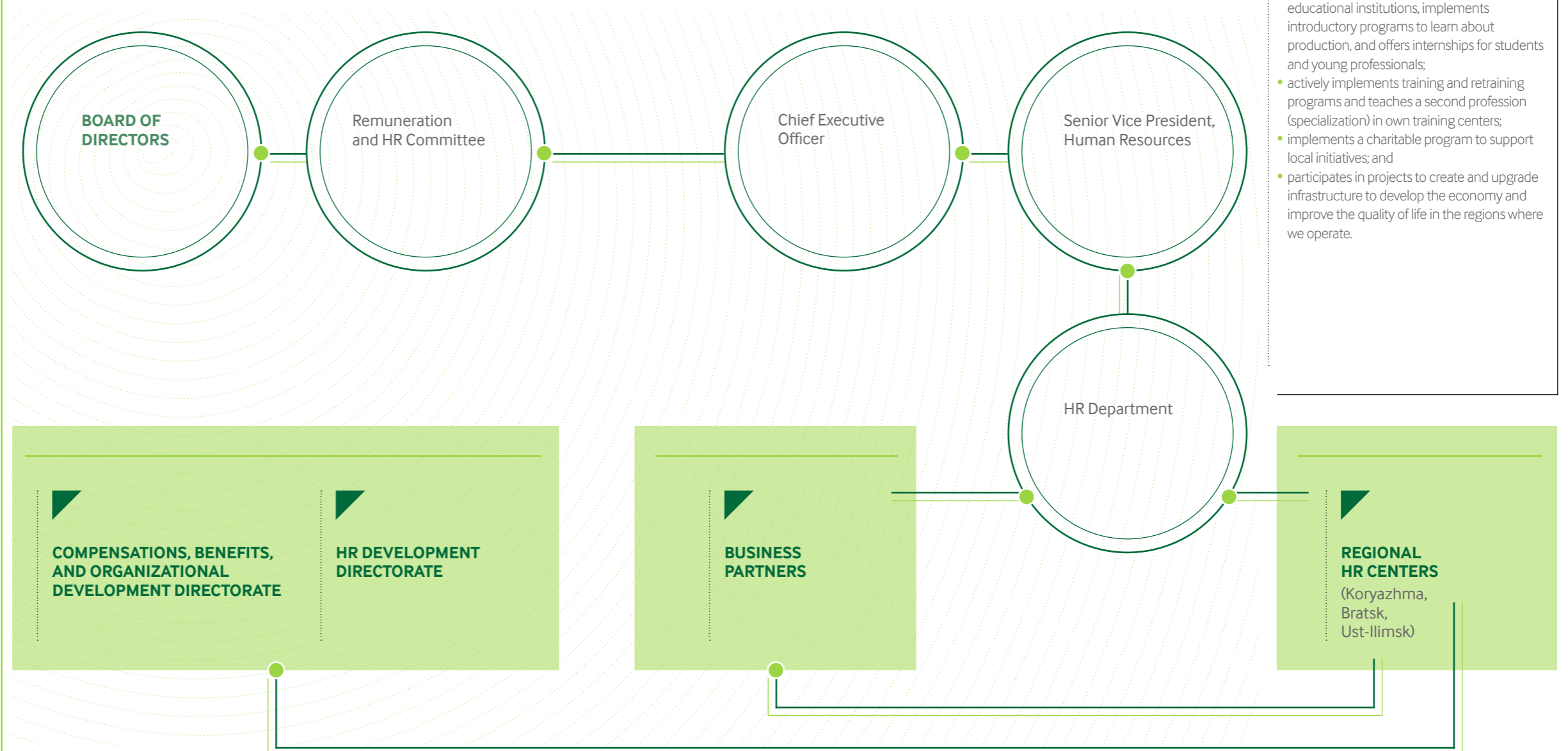
Ilim Group provides jobs for over 17,000 people in nine regions where the group operates. As a major employer, we carefully approach the assessment of potential risks in the field of employee management. Ilim Group's main risks are associated with the development, retention, and attraction of talent. As a large employer, Ilim Group faces problems concerning the gap between the level of training of graduates and the requirements for potential employees, as well as a shortage of qualified blue-collar workers. Risks may also be associated with the implementation of projects, including digital initiatives affecting the number and composition of employees, demonstration

of disrespect for the Company's values by individual employees, financial restrictions during annual salary indexation, and others.

Ilim Group finds the social situation in the regions where it operates stable and adheres to the following rules to prevent and minimize potential risks to employees:

- fulfills the requirements of Russian legislation, follows the requirements and recommendations of the Industry Agreement and collective bargaining agreements;
- maintains a helpful dialogue with the representatives of the PPO and actively interacts with regional authorities and local self-government;
- takes a socially responsible position;
- actively cooperates with specialized educational institutions, implements introductory programs to learn about production, and offers internships for students and young professionals;
- actively implements training and retraining programs and teaches a second profession (specialization) in own training centers;
- implements a charitable program to support local initiatives; and
- participates in projects to create and upgrade infrastructure to develop the economy and improve the quality of life in the regions where we operate.

HR MANAGEMENT STRUCTURE AT ILIM GROUP



HR STRATEGY

The well-being and safety of employees are of paramount importance to Ilim Group. Ilim Group has developed and implemented an HR strategy that is approved by the Board of Directors and updated annually. The HR strategy of Ilim Group is aimed at

- providing business with sufficient and qualified labor resources, taking into account our main strategic initiatives;
- developing a talent pool and implementing a full-cycle talent management system;
- developing a comprehensive social program and creating a comfortable and safe environment for work and recreation;
- partnering with businesses to ensure sustainability and high performance; and
- improving the efficiency of employees cost management.

The estimated key performance indicators for Ilim Group's HR management for 2021 are higher than the average market indicators.

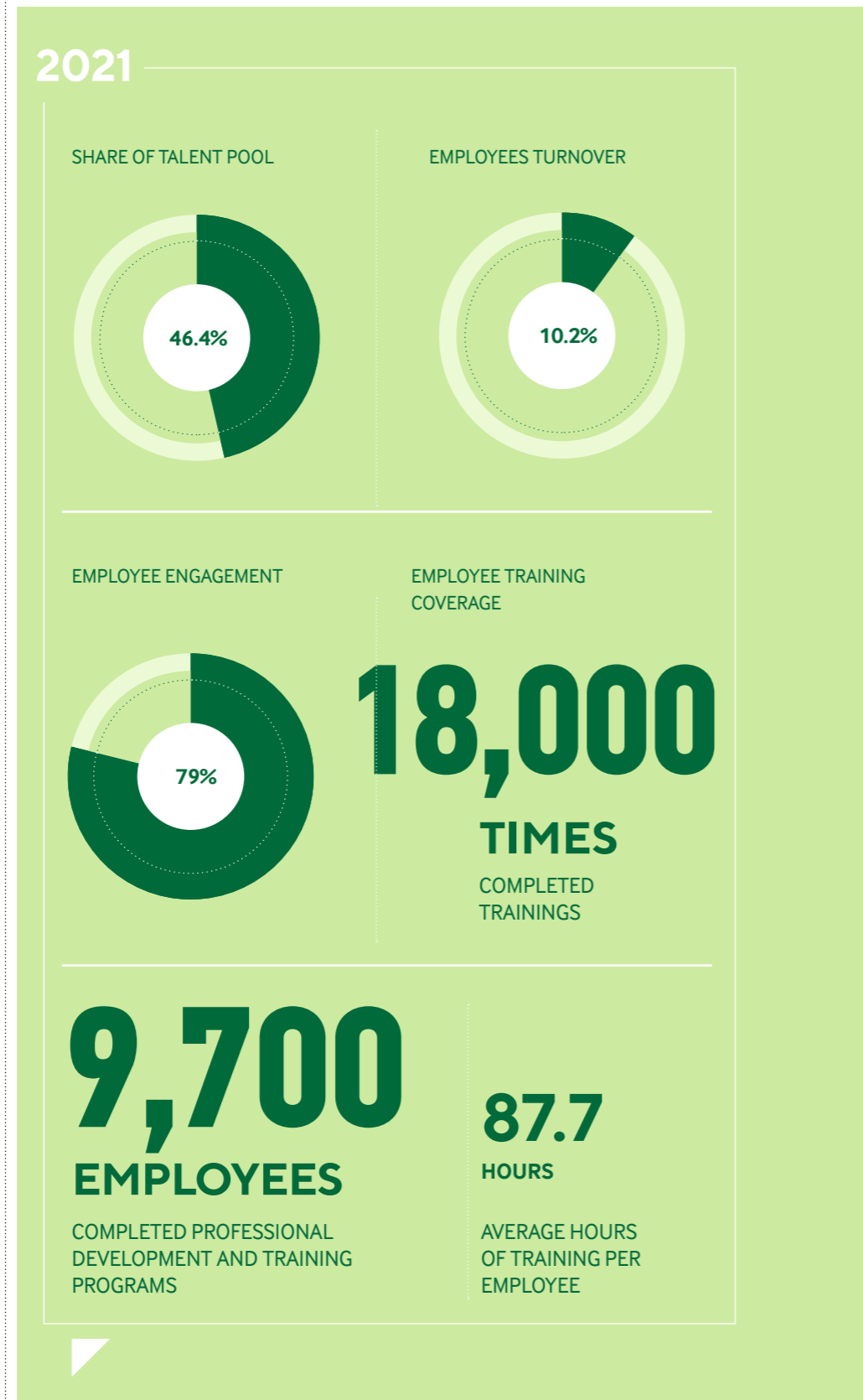
In future reporting periods, Ilim Group plans to focus on the following areas in order to provide its employees with the best opportunities for professional and personal development:

- transformation of corporate culture;
- development and implementation of a comprehensive social program;
- deployment of a full cycle of talent management;
- creation and development of new skills; and
- improvement of employees efficiency in partnership with business.

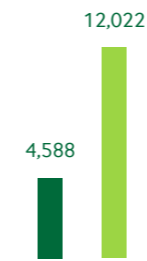
OUR EMPLOYEES

The total number of employees in 2021 remains stable compared to 2020 being 17,400 people. Nearly all our employees work full-time. The vast majority of employees (96% in 2021) work under permanent employment contracts.

THE EFFICIENCY OF IILIM GROUP'S HR MANAGEMENT IS ASSESSED ANNUALLY BASED ON KPIS, INCLUDING THE FOLLOWING INDICATORS¹:

**TOTAL HEADCOUNT IN 2021 BY CONTRACT TYPE AND GENDER, PEOPLE**

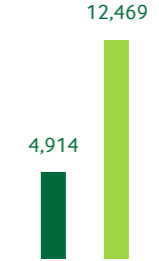
Number of employees with a permanent (open-term) employment contract



Number of employees with a fixed-term employment contract



Number of employees with a full-time employment contract



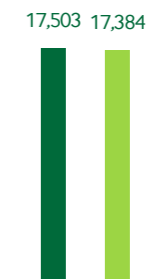
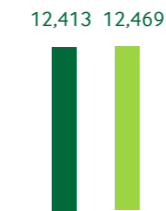
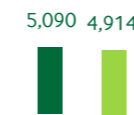
Women
Men

HUMAN RESOURCES DYNAMICS, 2020–2021, PEOPLE

Women

Men

Total



2020
2021

Employee turnover² at Ilim Group in 2021 was 10%. Employee turnover in 2021 accumulated from the delayed effect of 2020 and reflected the market trend towards the stabilization of employee confidence.

In 2021, 84% of Ilim Group employees and 100% of employees at the Koryazhma, Bratsk, and Ust-Ilimsk Mills were covered by collective bargaining agreements. The share of employees employed locally at Ilim Group's Mills at the end of 2021 was 98%.

Ilim Group provides stability and broad opportunities for development. Over 50% of employees in key positions have been with the company for over 10 years. And 23% of these employees have been with us for more than 20 years.

When hiring, Ilim Group provides equal opportunities to applicants. We are strictly against discrimination based on race, gender, age, or other grounds, including different political opinions.

Ilim Group is committed to increasing diversity at all levels, including the Board of Directors, Senior Vice Presidents and Vice Presidents, directors and middle managers. Appointments to senior positions are made based on achievements, experience, skills, and competencies, which ensures a balance and diversity of expertise. The combination of expertise, education, and personal qualities of managers and employees provides a diversity of opinions and a broader knowledge base.

29%
OF WOMEN
AMONG MANAGERS
AT ALL LEVELS

¹ Actual performance in 2021.

² Voluntary layoffs.



Ilim Group employees are selected and appointed to positions in accordance with their professional qualifications and performance.

In 2021, Director-level Executives in St. Petersburg took part in diversity training aimed at eliminating gender, age, and other stereotypes and promoting a culture of equal opportunities in the company.

We ensure equal opportunities for employee promotion by expanding the diversity of talents we attract, and we embrace diversity of views and cultural values.

Different viewpoints, experience, and knowledge of people of different gender, age, and background contributes to the development and implementation of innovative solutions the business needs.

In 2021, Ilim Group hired 2,400 new employees. A total of 56% of the Company's new hires are aged 30-50, 7% are over 50, and 37% are under 30. Job requirements are clearly set out in advance to avoid bias in the selection of candidates. The remuneration is set solely based on the candidate's professional qualities, the level of remuneration on the labor market, and the Company's wage plans.

For detailed information on new hires and human resources turnover, see page 151 of the Appendix to the Report.

TALENT POOL

In addition to working with external candidates, Ilim Group is actively implementing talent development activities in order to create a talent pool.

As part of the development of a talent pool, an annual Leadership Forum for managers and employees with high potential is held. This is an annual conference where participants obtain new knowledge, develop strategies, offer their ideas for business development, and discuss innovative solutions.

For mid-level managers, the Grow and Lead program is available. This includes performance management, managing a team and difficult subordinates, effective cross-functional communication, public speaking skills, reporting conference, and practical assignment.

Management for Foremen course is offered to line managers and talent pools from industrial sites. This course discusses the main functions and responsibilities of a manager, effective business communication, personal effectiveness of a manager, company values, and understanding of business.

For Ilim Group, talent pool development is a strategically important task to ensure sustainable development. Employees from the talent pool regularly attend training programs offered by external providers and recognized professionals in the area of business consulting and training. In 2020 and 2021, managers who were part of the talent pool were trained at the Skolkovo Business School under the Accelerated Talent Pool Training program, and took part in the Management Change program by Prosci.

The goals of the training are to form and develop a talent pool for current and strategic business objectives, including improving business manageability and balance, developing a long-term strategy, implementing an investment program, business upgrade, developing innovation and digitalization, as well as developing new leadership skills.

For more about training opportunities for employees see p. 151

IDENTIFICATION OF THE TALENT POOL AND EMPLOYEES WITH HIGH POTENTIAL

POTENTIAL ASSESSMENT

SETTING DEVELOPMENT GOALS

IMPLEMENTATION OF DEVELOPMENT PROGRAMS

ASSESSMENT OF DEVELOPMENT PROGRESS

SYSTEM OF WORKING WITH THE TALENT POOL





EMPLOYMENT OF INDIVIDUALS WITH DISABILITIES

Ilim Group provides necessary working conditions, including working hours and rest, the duration of annual and additional paid holidays and specialized workplace equipment to employ citizens with disabilities in accordance with the requirements of Russian legislation. The admissions quota for employees with disabilities at Ilim Group's branches is 3% of the number of jobs without hazardous working conditions. Ilim Group maintains relations with organizations for the disabled to support the maintenance of additional jobs for the disabled in the regions where we operate.

GENDER COMPOSITION OF IILIM GROUP

Ilim Group strives to fully involve women in every aspect of its activities and management, taking into consideration the specifics of jobs in the pulp and paper industry. Ilim Group's CEO is Kseniia Sosnina. She has repeatedly received awards and commendations for her achievements. In 2020, Ksenia Sosnina was awarded a professional prize "CEO in Europe" according to Fastmarkets Risi and became the first woman to receive this award. Besides this, 29% of Ilim Group managers are women.

Ilim Group values each and every employee and provides them with equal rights and opportunities. The production activities of Ilim Group are partly associated with hazardous sites, and women's access to work in such areas is strictly regulated by Russian legislation. Ilim Group respects industry restrictions while doing its best to create a diverse and inclusive environment, including for women.

Grades for managers, specialists, and employees have been introduced at Ilim Group. There is a wage scale for employees with specializations. Employees of the same specialty, qualifications, level of education and labor achievements, working in the same conditions, have the same level of remuneration.

Main provisions of the policy for remuneration and/or reimbursement of expenses

Ilim Group provides a level of remuneration for employees similar to that found in the leading companies in Russia. The amount of remuneration is based on the level of the position within the structure of the

company, job responsibilities, and employee performance. Remuneration includes a fixed salary and may also include a variable salary component. The fixed salary is a remuneration for the performance of official duties and is dependent on the area of responsibility. The relations between the employee and the employer, as well as the working conditions are formalized in the employment contract.

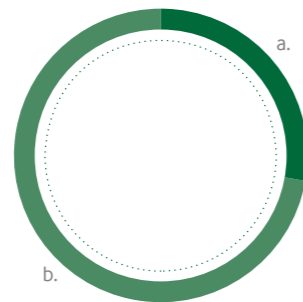
In accordance with the procedure established by current legislation,

employee's salary may be changed as a result of the assessment of their work, qualification requirements, transfer to another position, or in connection with the requirements of current legislation.

The variable portion of the salary is based on the achievement of certain planned results and related indicators that ensure growth and increase the efficiency of Ilim Group. Ilim Group uses all existing forms of incentives, as well as material and non-material motivation of employees.

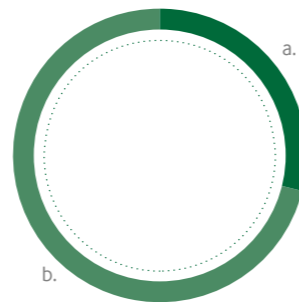
GENDER COMPOSITION OF IILIM GROUP IN 2021, %

Overall employees



a. Women	28
b. Men	72

Management



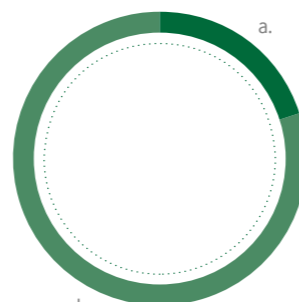
a. Women	29
b. Men	71

Subject-matter experts



a. Women	44
b. Men	56

Blue collars



a. Women	20
b. Men	80

SUPPORT OF AND INCREASE IN EMPLOYEE ENGAGEMENT

Ilim Group creates a favorable working environment in which every employee feels accepted, respected, and heard. Employees are able to communicate openly, feel safe, and know they will be heard.

Ilim Group implements programs for the development and social support of employees, the rights to social security, education, family prosperity, the right to housing, freedom for creativity, and participation in cultural life.

SOCIAL PROGRAMS

Under its HR strategy Ilim Group is implementing a comprehensive social program that includes both participation in such external infrastructure projects as the infrastructure revamp in the cities where we operate, corporate social programs, and city improvement campaigns, as well as internal initiatives ranging from safety and comfort in the workplace to health programs, sports, and corporate events.

The social package of Ilim Group not only fully complies with mandatory requirements in accordance with current legislation and the Industry Agreement, but also provides employees with the benefits recommended by the Industry Agreement. Ilim Group provides employees with such additional benefits as voluntary health insurance programs, pensions, compensation for employee travel with their minor family members to the vacation destination, health resort treatment, sports, payments to retired employees, cultural and sports organizations, additional holidays and payments in connection with significant dates such as the birth of a child, marriage and others. Both full-time and part-time employees have equal access to all benefits.





The following additional benefits for employees in 2021 are worth noting:



VOLUNTARY HEALTH INSURANCE (VHI)

Ilim Group provides voluntary health insurance for employees, including programs for outpatient care and dentistry. Ilim Group provides 100% of employees (who have passed the probationary period) with VHI and accident insurance policies.



PSYCHOLOGICAL SUPPORT

Supporting mental health is an important element in aiding social well-being. In 2021, Ilim Group hired a corporate psychologist whose services can be used by every employee.



SUPPORT FOR SPORTS

Ilim Group actively supports the aspirations of its employees to play sports, organizes sporting events and finances the operation of sports facilities. For instance, Ilim is a sponsor of the Olympus sports complex in Koryazhma with a swimming pool having an area of more than 3,000 m2, while employees in Bratsk and Ust-Ilimsk also have access to swimming pools and gyms. Ilim Group supports corporate football (soccer), organized an experimental running club in St. Petersburg, and also purchased special sports applications for its employees. Ilim Group supports the participation of employees in such city sports events as Zabeg.rf.



EVENTS FOR CHILDREN

Employees' children are engaged in Ilim's life from a young age and know where their parents work. We organize various educational and recreational activities for children. Children take active part in children's drawing contests, career guidance quizzes, and other events where the company not only shares knowledge about what the pulp and paper industry creates, but also hands out nice prizes to the younger generation.

Ilim Group also makes payments to the families of branch employees with three or more minor children for September 1 for each child, and also gives New Year gifts to children of all branch employees under the age of 14 inclusive. Additional New Year gifts are allocated to children from large families: they include money collected by Mill employees via the traditional all-win lottery.



ADDITIONAL VACATION

Ilim Group provides additional paid vacations in connection with significant events for employees.



ADDITIONAL PAYMENTS TO EMPLOYEES

Employees who retire from Ilim Group receive a lump sum payment depending on their continuous service with the company.

Ilim Group also pays additional remuneration to branch employees who have professional industry awards, including the Labor Veteran status.

Ilim makes financial assistance payments to support the families of employees, including for the birth of a child, marriage, and other events.



ADDITIONAL MEDICAL SCREENING

Ilim Group periodically carries out additional medical screenings of employees in the regions in order to prevent and identify a number of diseases at an early stage, including cancer and cardiological diseases.

In 2021, 68% of employees at the Koryazhma branches underwent Stop Cancer and Stop Stroke examinations under the Ilim Cares program with 31% of them being women.



ADDITIONAL PENSION SUPPORT

In addition to the system of compulsory state pension insurance, Ilim Group participates in financing of a parity plan for non-state pension coverage of employees in accordance with the regulations on additional non-state pension coverage for Ilim Group's employees. Employees

participate in the corporate pension program on a voluntary basis.

The corporate pension program covers all Ilim Group employees and is additional to existing social programs and employer payments.



HOLIDAY TRAVEL COMPENSATION FOR ALL BRANCHES ONCE EVERY 2 YEARS

Ilim Group provides employees of all branches and their minor children with the right to the reimbursement of the cost of travel to and from the place of their annual vacation once every two years.



REHABILITATION AFTER COVID-19

Ilim Group pays for the rehabilitation and recovery treatment for employees who have had severe cases of COVID-19. Ilim Group provides an additional paid vacation day to employees who have been vaccinated/revaccinated against COVID-19 within 30 calendar days from the date of undergoing the corresponding stage of vaccination/revaccination. The 2021 results showed that the herd immunity among Ilim Group employees was 78%.



HOUSING BENEFITS

Ilim Group provides housing benefits to relocated employees. The Company provides accommodation in property owned by Ilim Group or rents apartments for employees for an amount depending on the position level and family size of the relocated subject-matter expert (SME). Upon relocation, Ilim Group also provides the employee with transportation and transportation of luggage to the new place of work, and provides a start-up allowance.



HEALTH RESORT TREATMENT AND TOURS FOR EMPLOYEES' CHILDREN

Ilim Group reimburses a portion of the cost of vouchers for health resort and preventive treatment to branch employees, organizes summer vacations for their children aged 7 to 15 years at children's health camps, and also partially reimburses the cost of vouchers. In 2021, over a thousand children of employees spent their holidays at the children's health camps.



FINANCIAL ASSISTANCE TO INDIVIDUALS EXPERIENCING DIFFICULT LIFE SITUATIONS

Ilim Group provides financial aid to employees who find themselves in emergency situations due to natural disasters, fires, cancer, or other serious diseases that require the purchase of expensive medicines or expensive surgery, including the closest relatives of the employee.

Ilim Group's expenses for employee social support have grown by more than 20% since 2018 and amounted to more than 550 million rubles in 2021. The main social expenditures are incentive payments to employees, including additional payments for vacations, payments to employees with the Labor Veteran status, as well as compensation of expenses, including for rent and relocation. The latter amounted to more than 123 million rubles and 163 million rubles, respectively.

Ilim Group provides equal opportunities for all employees on parental leave. Women made up the majority of employees who went on maternity (parental) leave in 2021.

NUMBER OF EMPLOYEES ON MATERNITY AND PARENTAL LEAVE CARING FOR CHILDREN UNTIL THE AGE OF 1.5 AND 3, SHARE



SUPPORT PROGRAM FOR FORMER EMPLOYEES AND MEMBERS OF THEIR FAMILIES

Part of Ilim Group's corporate social policy is continuous support of former employees.

Ilim Group provides financial assistance to its former employees, retirees and labor veterans, including participation in a program aimed to support the activities of veterans' organizations.

The Retirement Assistance Program provides for retirement benefits to employees in an amount dependent upon their continuous service in Ilim Group – employees receive a lump sum payment depending on their service record.

Ilim Group also provides targeted assistance to former employees and their families to improve their health, medicines, ritual services, and helps the employees experiencing hardships in life.

COMPENSATORY MEANS FOR HARD LABOR

Ilim Group regularly carries out special assessment of working conditions in accordance with the legislation of the Russian Federation. If the score exceeds "2," employees receive appropriate additional payments for harmful working conditions and additional vacation days as required by law.

Employees working in jobs with especially harmful and harmful working conditions are provided (at the Ilim Group's expense) with therapeutic and healthy nutrition, milk or other equivalent food products in accordance with the norms established by the Company's regulations and applicable law.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING AGREEMENTS

Ilim Group recognizes the right of employees to join associations to protect their interests. In 2021, 84% of Ilim Group employees and 100% of employees at the Koryazhma, Bratsk, and Ust-Ilimsk Mills were covered by collective bargaining agreements. All enterprises have collective labor councils or representatives of the labor collective elected to interact with the employer, and joint commissions with representatives of both the employer and employees are continuously working to regulate social and labor relations.





EMPLOYEE ENGAGEMENT

Ilim Group annually evaluates its internal social environment. In 2021, more than 40% of employees took part in a survey, according to which, involvement in the Company is 79%, which exceeds the average industry indicators for the market. Based on the results of the assessment, Ilim Group develops an action plan aimed at eliminating bottlenecks and increasing engagement. Furthermore, information about ongoing activities, including the improvement of jobs, is available to all employees in the regular weekly publication of the United Newspaper, on the Company's Intranet, as well as Ilim Team corporate telegram channel, Ilim internal social environment, and Corporation magazine.

Ilim Group has a Hotline that any employee can send a question to, which will definitely be reviewed with relevant feedback provided.

Based on performance, Ilim Group annually conducts a competition to identify the best employees. This award is handed out for a unique and significant personal contribution to the Company's development. Nominees are awarded the Best Employee certificate and a voucher to receive a monetary compensation of their travel expenses or purchase digital or household appliances. Based on the 2021 results, 20 employees from different Ilim Group's sites received awards.

Ilim Group regularly holds events aimed at increasing employee engagement, including:

- Regular meetings between management and employees. Ilim Group's management discusses the results of the Company's activities, significant events for the company, investment projects, development strategy, and answers questions of interest to employees at these meetings.
- Health and sports programs.
- Corporate events are usually timed to celebrate the Forest Worker's Day, Company Day, and public holidays (New Year, March 8th).



IDEA FACTORY

We are proud of and marvel at our talented employees! Since 2014, Ilim Group has had a so-called "Idea Factory," a program to support innovation. Each employee can put forth their ideas to improve workflow and everything related thereto. Suggestions can concern any area: from the technological process to working conditions.

Employees submit around 2,000 suggestions annually. In case of a positive assessment, the author of the idea receives a prize, and the most active authors are awarded a pin of distinction and a valuable gift. If the implementation of an idea benefited the Company economically, then a bonus is also paid to the entire team of employees who implemented the successful project.

The Idea Factory helps not only to improve the Company's performance and safety, but also to identify and resolve problems in a timely manner. Overall, about 20,000 applications have been submitted since the project was launched. In 2021, a total of 1,773 applications were received, and a third of them were implemented.

- Ilim Group regularly holds Career Days for students from educational institutions, including specialized universities and colleges in the cities where we operate. Ilim Group additionally runs an internship program, which gives a chance to gain valuable experience in a large company. All program participants are considered candidates to new positions.
- Ilim Start is a long-term internship program at Ilim Group that began in 2017. More than 100 interns have completed the program since its inception, with a conversion rate of 70%. The services of Ilim Group that have accepted interns over the years include the automation service, occupational health and safety units, water transport, logging service, maintenance service, forestry department, logging sites, and many others.
- The Energy of Leadership competition is aimed at identifying and supporting students with a high level of intellectual development, creative abilities, social skills, and ambition to achieve high academic results, to actively participate in socially significant activities that would support their own development and contribute to positive social transformation. The total scholarship fund of the competition is 500,000 rubles.
- The following number and size of scholarships have been established: one first-prize scholarship in the amount of 50,000 rubles; two second-prize scholarships in the amount of 40,000 rubles each; three third-prize scholarships in the amount of 30,000 rubles each; two special Ilim Group branch scholarships in the amount of 30,000 rubles based on the results of project defense.
- Ilim Group regularly organizes various events to aid in the career guidance of schoolchildren. Some 2021 graduates are already studying in the Company's core specialties. As part of the Prof Ilim project, a tour was organized to the Bratsk Mill for high school students in 2021. They learned about the history of the Mill at the on-site museum, and also visited the pulp line.
- By tradition, Ilim Group holds a series of intellectual games, known as "Ilim Quiz" for schoolchildren and students.
- In December 2021, the topic of the online quiz was "Pulp, paper and logging production processes". In 2021, a game was also held among employees dedicated to the 60th anniversary of the KPPM. During three rounds, seven teams from different industries battled demonstrating their knowledge of the paper making technology, the history of the Mill, as well as creative abilities on topics related to the Mill life. Many teams have been around for over 20 years. The game connects different generations, reveals the employees' potential, and establishes a link with production, which has become an integral part of life. Such competitions are highly valued not only by the participants, but also by spectators who are Mill workers and townspeople.
- The Company has Ilim humanitarian club where philosophical, literary, and historical topics are discussed. The aim of the humanitarian club is to provide an opportunity for dialogue and involve employees in the discussion of a wide range of worldview topics, broaden their horizons, and switch attention from pressing issues to essential ones.

TRAINING AND DEVELOPMENT

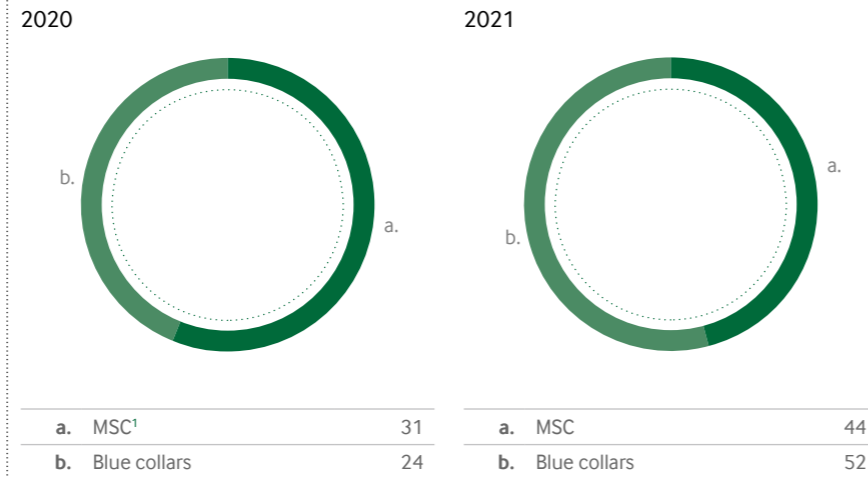
Ilim Group creates every opportunity for development, encouraging employees to acquire new professional knowledge and leadership skills.

In 2021, the number of hours of training completed by Ilim Group employees exceeded 857,000. Ilim Group invested 236 million rubles in employee training. Ilim Group's goal is to motivate and inspire employees to develop professional competences and to master new skills in order to achieve the Company's goals together and maintain Ilim Group's status as an industry leader. In 2021, almost 10,000 Ilim Group employees completed professional development and training programs, while the average number of training hours per trained employee during the reporting period was 87.7 hours.

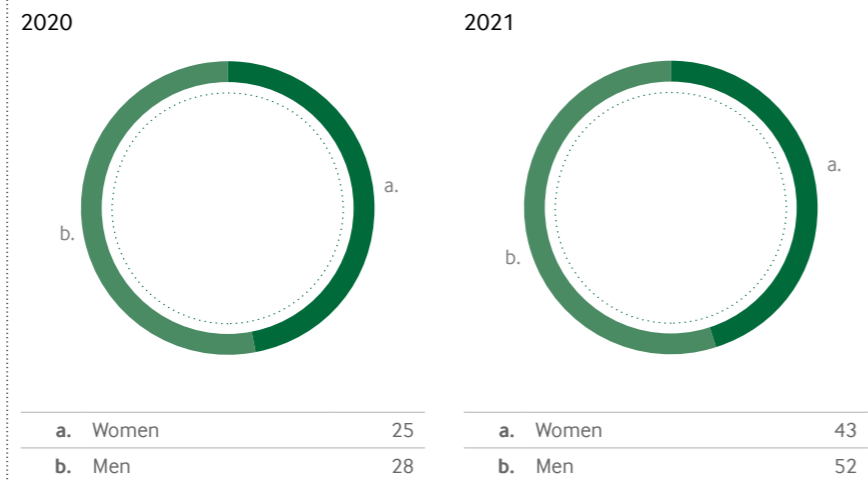
It is worth noting that Ilim Group also provides employees with the opportunity to obtain a second profession, which increases the efficiency of operations, but is a socially oriented structure that allows our employees to always stay up-to-date when professions evolve, when they enter retirement and in other situations.

Ilim Group's corporate university, which will be celebrating ten years in 2022, offers training and development of managers at all levels and is involved in forming a talent pool. The corporate university is an educational facility aimed at developing the professional and leadership qualities of employees, business skills, and operational excellence.

AVERAGE ANNUAL NUMBER OF TRAINING HOURS PER EMPLOYEE AT THE END OF THE YEAR BY POSITION, PERSON-HOURS



AVERAGE ANNUAL NUMBER OF TRAINING HOURS PER EMPLOYEE AT THE END OF THE YEAR BY GENDER, PERSON-HOURS



¹ Managers, specialists and employees.



ILIM GROUP'S CORPORATE UNIVERSITY IN 2021

AIMS OF THE CORPORATE UNIVERSITY:

- ensure the implementation of the Company's strategic objectives;
- ensure sustainable business development;
- introduce innovative and continuous improvement mechanisms in the company;
- preserve cultural heritage, strengthen and develop the corporate culture;
- develop managerial potential;
- assimilate new managers into the company and retain valuable employees; and
- assess managerial potential.



9,735

EMPLOYEES

COMPLETED TRAINING IN 2021

857,000

HOURS

VOLUME OF IMPLEMENTED PROGRAMS

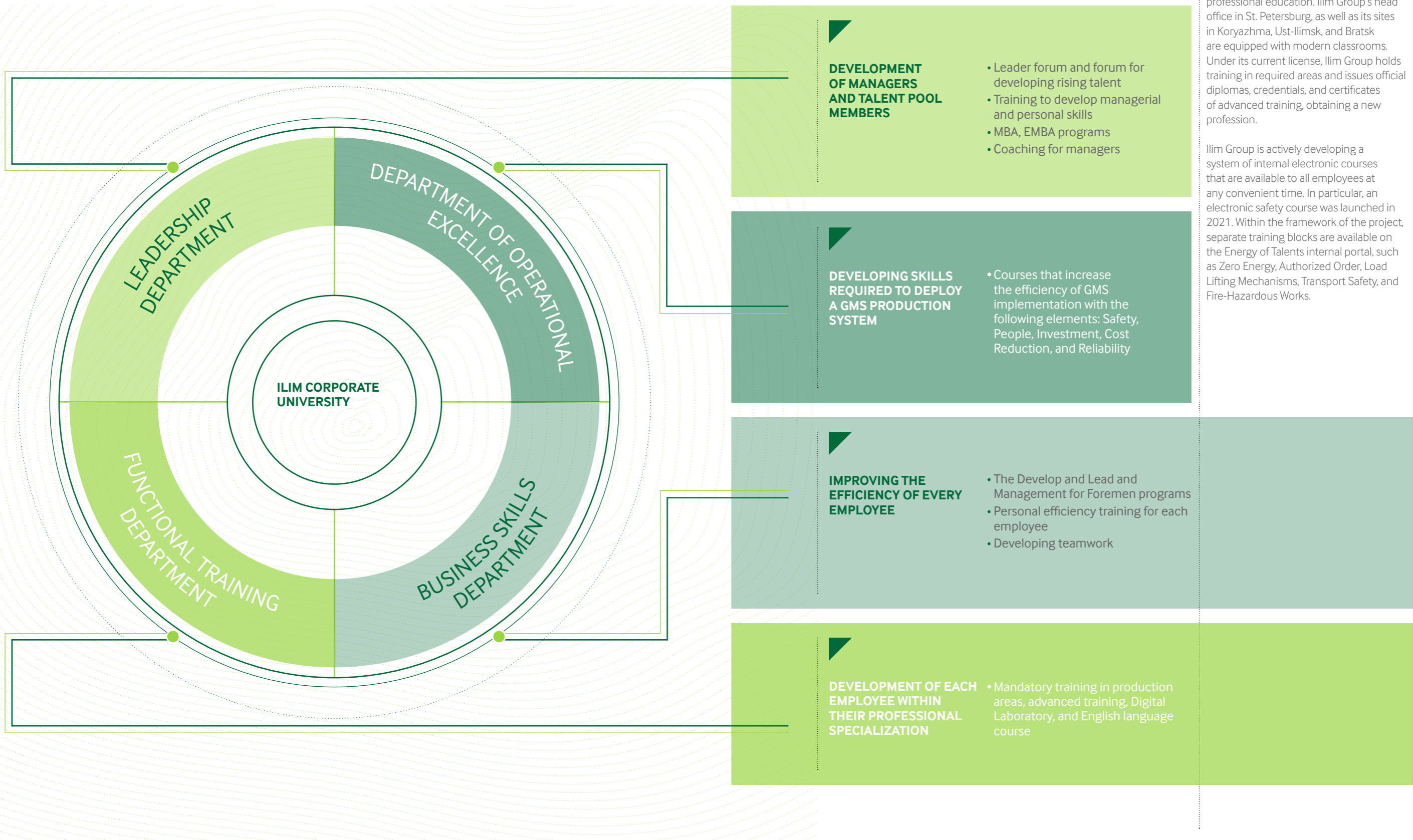
93%

ASSESSMENT OF TRAINING SATISFACTION

814

TRAINED IN A NEW PROFESSION (SPECIALIZATION) IN 2021

THE UNIVERSITY HAS FOUR DEPARTMENTS THAT COVER VARIOUS AREAS



In 2020, Ilim Group received a license to provide professional and additional professional education. Ilim Group's head office in St. Petersburg, as well as its sites in Koryazhma, Ust-Ilimsk, and Bratsk are equipped with modern classrooms. Under its current license, Ilim Group holds training in required areas and issues official diplomas, credentials, and certificates of advanced training, obtaining a new profession.

Ilim Group is actively developing a system of internal electronic courses that are available to all employees at any convenient time. In particular, an electronic safety course was launched in 2021. Within the framework of the project, separate training blocks are available on the Energy of Talents internal portal, such as Zero Energy, Authorized Order, Load Lifting Mechanisms, Transport Safety, and Fire-Hazardous Works.



OCCUPATIONAL HEALTH AND SAFETY

04

OCCUPATIONAL HEALTH AND SAFETY

As a company with more than 17,000 employees, production sites in 7 regions, and a cutting area of 16 million m³, we set the life and health of our employees and the population of the regions where we operate as key priorities. Ilim Group invests significant resources in corporate safety programs, upgrading equipment, improving working conditions and labor safety, and most importantly, involves not only employees, but also contractors' HR in occupational safety issues.

Occupational Health and Safety Management System

Ilim Group has implemented an occupational health and safety management system based on the requirements of the Labor Code of Russia and international standards. It includes a HR safety policy, distribution of powers and responsibilities for occupational health and safety between managers, specialists and workers, work with employees in the field of HR safety, assessment and management of professional risks.

The occupational health and safety management system applies to Company management and to all branches of the

company, covers all types of activities and workplaces, as well as all types of employees. The occupational health and safety management system covers all employees of the Ilim Group, as well as the HR of contractors working at Ilim Group sites, in accordance with Ilim Group's Management of Contractor Industrial Safety policy.

The Ilim Group has built an occupational health and safety system at all corporate levels. The general management over compliance with the occupational healthy and safety requirements is the responsibility of the Occupational Health and Safety Service, which is part of the EHS Directorate of the Company's Head Office.

Each branch has directorates for occupational health and safety that include occupational safety departments/services, groups to develop occupational safety and groups for organizing safe work by contractors. In order to develop a safety culture in the company, the Leadership in Safety project is implemented. It implies the involvement of managers at all levels in the safe organization of work and the development of leadership skills of managers to ensure employee safety.

The occupational health and safety management system complies with the requirements of Russian legislation and international standards. Production

branches have been certified for compliance with the international standard ISO 45001.

The in-house regulatory documents include an occupational health, fire and environmental safety policy, regulations on the occupational health and safety management system, and a standard for risk assessment in the field of occupational health and safety.

The Company's branches have organized the work of occupational safety and health commissioners in accordance with the Occupational Safety and Health Commissioner Standard approved by CEO's Order in April 2021.

Standards and regulations for organizing work in the field of occupational health and safety instructions are agreed upon with the trade union committee. Employees and the trade union committee participate in the special assessment of conditions in the workplace. All employees are briefed on the results of a special assessment on working conditions.



The main documents regulating occupational health and safety in the Company are:

- Occupational Health, Fire, and Environmental Safety Policy;
- Regulations on the occupational health and safety management system;
- ISO 45001:2018.

**IT'S ABOUT LIFE PROGRAM**

Since 2018, It's About LIFE program has been in place at the Company. It is aimed at eliminating the most significant risks for Ilim Group.

The constituent elements of It's About LIFE program are:

- protection of machines and mechanisms/zero energy;
- driver and pedestrian safety;
- protection against falls;
- motorized equipment;
- hazardous substances and environments;
- and
- contractor safety.

Working groups operate in the branches for each element of the program under the chairmanship of directors for specific areas. A set of measures is developed and implemented annually to reduce occupational risks in each area of It's About LIFE program. Standards for organizing safe work have been developed for each element of the program and are currently functioning.

Ilim Group's occupational safety training programs are developed in accordance with the requirements of Russian legislation, and also provide for training in accordance with additional corporate requirements, for instance, hazard identification, risk assessment, behavioral audits, and zero energy. Company employees take occupational health and safety training. Primary occupational health and safety training and assessment of the employees' knowledge are carried out before employees are allowed to work without assistance. In addition, all Company employees undergo first aid training. Employees performing specialized, hazardous work, such as work at heights, work in confined space, high-risk work, and earthworks, have additional trainings and assessment of their knowledge on the safe way to carry out this work.

Prior to being allowed to work unassisted, workers have an internship guided by an experienced employee to develop safe working skills. Employees from certain professions engaged in equipment maintenance, additionally, after their knowledge assessment, have shadowing practice, that is they work with an experienced employee to learn. All workers are briefed on labour protection. Some workers receive repeated, unscheduled, and targeted briefings.

With the help of the Company's internal trainers, as well as interactive training courses, training is also provided under the following programs:

- behavioral safety audits;
- internal incident investigations;
- risk assessment;
- leadership in safety;
- organization of high-risk work;
- zero energy;
- elevated work;
- hot work;
- load handling; and
- transport safety.

Some 3,998 employees (153,168 people/hour) from the Company were trained in occupational health and safety in 2021.

**SCHOOL FOR CONTRACTORS**

The School for Contractors continued to successfully function in 2021. Prior to admission to the Company's mills, Ilim Group organizes occupational safety training for contractor employees in the form of interactive training courses on the Company's website.

In the summer of 2020, Ilim Group launched the first distance learning system in Russia for occupational health and safety. The unique online project is designed for Ilim employees and contractors, as well as visitors to the production sites of the plants. The system helps to optimize the Company's resources and minimize risks amid the difficult conditions of the pandemic.

Over 8,000 registered users have already been trained and received certificates giving them permission to work at the Company's mills.

The internet project of School for Contractors was developed by the employees of Ilim Group's Occupational Health and Safety Service. This is the first use of such a system in Russia. Remote learning permits you to reduce preparation time, and an unlimited number of participants can attend courses at the same time. Each module consists of video lectures, interactive assignments, and a final test.

The school now has courses in the following areas: zero energy, work at heights, high-risk work, fire-hazardous work, lifting operations, transport safety, introductory briefings for contractors and visitors at all Company mills, as well as safety courses for Ilim Group employees and contractors amid the coronavirus pandemic.

The Company plans to add training materials on organizing safe working conditions in confined space, earthworks, use of power tools, a course on the protection of machines and mechanisms, and the use of personal protective equipment (PPE).

**SAFETY LEADERSHIP**

A culture of safety begins with management's commitment to safety principles. The first stage of the Safety Leadership project was implemented in 2021. It provides for the involvement of managers at all levels in organizing safe work and the development of leadership skills of managers in the field of HR safety.

The project is based on Balmert Consulting's tools of effective occupational health and safety management. Ilim Group organized training and certification of internal trainers to implement this project. After training, line managers are certified to consolidate their knowledge and practical application of leadership tools. Certification includes the initial assessment of the application of leadership tools, elaboration of a development plan, an additional day of training, support and mentoring of candidates for certification, final assessment of the application of leadership skills, and a final exam.

As part of the Safety Leadership project, the Company has regulations for carrying out industrial safety rounds and holding occupational health and safety meetings. The company organizes forums for managers to consolidate their acquired knowledge and put their actions into practice.

Overall, more than a thousand managers and subject-matter experts from the company are engaged in the project. In 2021, 345 line managers were trained and successfully certified.

IDENTIFICATION AND PREVENTION OF HAZARDS AND ACCIDENTS

The procedure for identifying hazards and assessing occupational risks is determined by the Occupational Safety and Health Risk Assessment Standard, approved by the CEO's Order in 2017. The procedure is meant to reduce the risks of injuries and occupational diseases of Company and contractor employees.

In accordance with the requirements of Russian legislation, the Company conducts a special assessment of working conditions (SAWC) at workplaces. Harmful and dangerous production factors that could affect workers in the course of their work are determined within SAWC, and measures are developed to reduce such factors.

The composition of commissions for hazard identification and risk assessment is determined by orders from branch directors and department heads. Hazard identification and risk assessment are carried out at each workplace and for each type of work performed and cover employees at all levels.

Organization of audits and investigations

The Company's system of behavioral safety audits applies to managers at all levels, SMEs, and workers. It includes monitoring, identification of hazardous activities and hazardous conditions, behavioral conversations, and elimination of hazardous conditions.

The Company has software that allows you to maintain a record of observations and behavioral conversations, inform managers about identified hazardous situations, monitor the elimination of hazardous conditions and the implementation of corrective actions, keep a record of incidents, and inform employees thereof.

Accident investigation is performed in accordance with the Labor Code of Russia and the Standard for Internal Investigation of Accidents with HR, approved by a CEO's

Order decree from the General Director in 2019. The standard determines a procedure and timing for conducting incident investigations, methods to be used to investigate and develop corrective actions, procedure for reporting incidents and learning lessons from incidents in the Company's units. All managers and specialists who organize work production and affect the HR safety undergo additional training under an internal program for investigating incidents with employees.

In addition, accident investigations are carried out by the internal accident investigation committees of our branches using methods to identify the root causes of accidents: a timeline and a tree of accident causes.

Heads of units, technical SMEs, and occupational health and safety SMEs are members of the committees investigating internal incidents.

The company has organized a record of accidents, microtrauma injuries, traffic accidents and near misses. All company employees are informed about the circumstances of a particular incident based on the results of internal incident investigations, including the results of the investigation and the lessons learned from this incident. The Company's units take measures to mitigate the risk of recurrence of such incidents.

Based on the results of the investigation of incidents and risk assessment, the following hierarchy of control measures is used: elimination of the source of danger; substitution, technology change; technical measures (isolation, fencing, blocking, etc.); technical control; changing procedures; training and provision information; use of personal protective equipment (PPE).

In order to prevent occupational injuries, a set of measures has been developed to reduce the risks of exposure to hazardous and harmful production factors for Ilim Group employees and contractors.

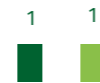
Accident numbers for 2020-2021

We are sad to report that, despite our efforts in the area of occupational health and safety, there were six work-related fatalities in the reporting period. We mourn with the families of our workmates and go an extra mile to create a safe working environment. Ilim Group's objective is to achieve zero fatalities and avoid injuries to employees.

In 2022, we developed a comprehensive safety indicator model that includes seven key elements. A safety condition index is defined for each element. Our goal is to achieve the maximum level of protection in all areas.

NUMBER OF WORKPLACE FATALITIES

2020



2021



Workplace injuries

ACCIDENT TRENDS, 2020-2021

2020



2021

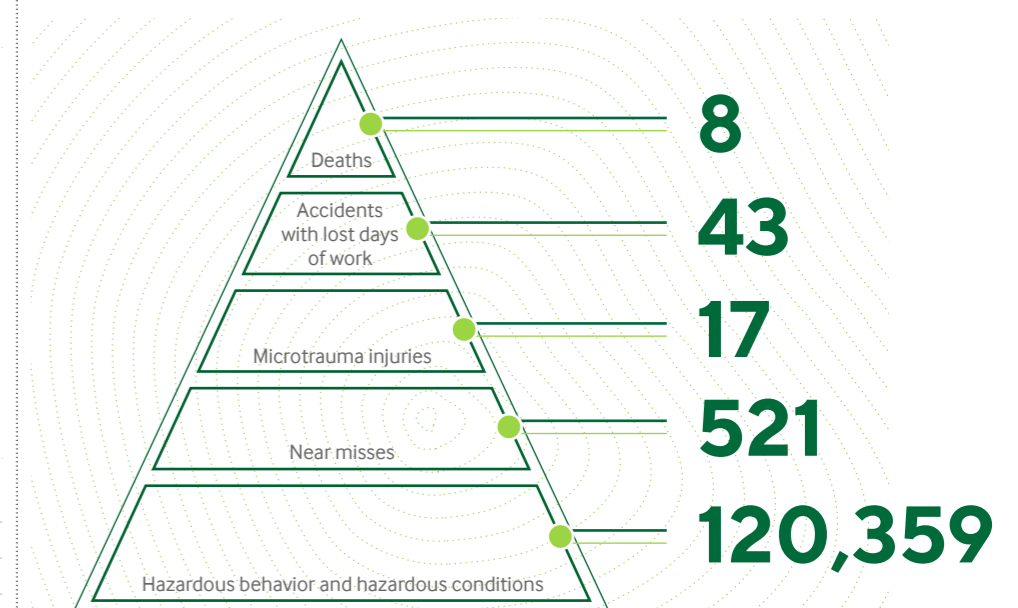


Ilim Group
Contractors

Lost time injury frequency rate

Total recordable injury frequency rate	TIR	per 200,000 individuals	0.15 in 2020	0.39 in 2021
Lost time injury frequency rate	LWIR	per 200,000 individuals	0.14 in 2020	0.29 in 2021

NUMBER OF INCIDENTS IN ILIM GROUP EMPLOYEES AND CONTRACTORS



PREVENTION OF OCCUPATIONAL DISEASES AND COUNTERMEASURES AGAINST COVID-19

Company employees can boost their health by using voluntary medical insurance program that stipulates additional examinations, laboratory tests, ultrasound visualization, additional consultations with medical specialists, dentistry, highly qualified medical services in complex cases and online

consultations (telemedicine) with niche medical specialists.

Ilim Group also carries out actions aimed at promoting healthy lifestyle: sports competitions for workers in various sports, payment for workouts and competitions, and provision of special fees to Company employees to visit swimming pools and sports and recreational facilities in the regions where the Company operates.

The Company's branches annually develop and implement programs aimed at improving working conditions based on the recommendations from the results of special assessment of working conditions and accident investigation.

The number of workplaces with harmful conditions are reduced on an annual basis.



MEDICAL SERVICE

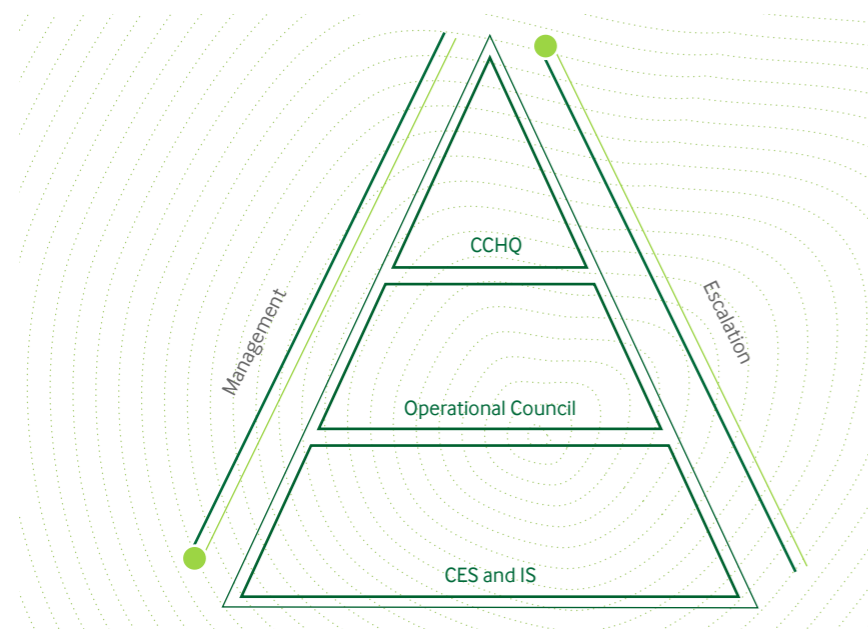
Company employees are expected to take pre-employment and periodical medical examinations in accordance with the requirements of current legislation of the Russian Federation. Human resources mobilized to carry out work in harmful and hazardous working conditions take medical examinations every five years in the occupational pathology center.

There are 24-hour paramedic points at the Company's locations that provide emergency medical care and pre-trip and post-trip medical checkups of drivers.

A medical team with an ambulance and resuscitation equipment is on 24-hour duty in each branch to provide urgent medical aid to accident casualties and those suffering from general diseases. Ilim branch employees can enjoy treatment at health and spa facilities located in the regions where the Company operates or at Russian resorts.



Measures taken in connection with COVID-19



In 2021, the Company adhered to the Standard on Safe Operations of JSC Ilim Group to Prevent the Spread of the Novel Coronavirus Infection (COVID-19) and 10 STOP COVID-19 Safety Rules and responded to changing epidemiological conditions depending on the COVID-19 pandemic stage that can be conditionally split into five stages:

- CONTAINMENT
- INITIAL SPREAD
- RAPID GROWTH
- END OF ACTIVE PHASE
- TRANSITION TO EVERYDAY MODE

In 2021, due to the COVID-19 pandemic, the Company continued to operate in the high-alert mode. The Corporate Crisis Management System operated on an ongoing basis at level of the Corporate Crisis Team (CCT), Advisory Board and Emergency and Industrial Safety Commission (E&ISC) in the branches. The Company spent RUB 370.5 million to contain the COVID-19 pandemic and provide everything employees needed.

CARRIED OUT IN 2021:

19	3	76
CORPORATE CRISIS HQ (CCHQ) MEETINGS HELD	ADVISORY BOARD MEETINGS HELD	E&ISC MEETINGS HELD AT BRANCHES

In order to respond to pandemic-related risks, the Company developed a Business Continuity Plan and Dashboard in 2021 and identified key risk indicators for core and supporting business processes. A total of 51 risk indicators included the Company's core processes such as production, sales, and strategic investment projects, as well as auxiliary processes like continuity management and coordination of pandemic fighting efforts.

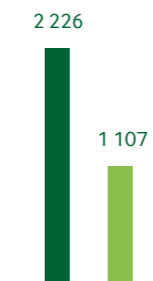
Additionally to the COVID-19 containment system in place, a focus in 2021 was on employee vaccination and formation of herd immunity at 60% and 80%. Different programs were launched to this end aimed to motivate human resources and a set of tools was used to promote vaccination. By the end of 2021, a total of 9,169 employees completed vaccination, which is 65.9% of the headcount.

The impact of the COVID-19 pandemic on the operations of JSC Ilim Group was assessed according to the severity matrix. Legislative changes were tracked down continuously with weekly forecast updates. Ilim Group employees were provided with PPE and technical means to comply with the disease control measures. Some of the Company's employees started working remotely. Over the year, business trips and visits to branches were limited, self-isolation was controlled, and entrance testing for COVID-19, and medical assistance (custodial care) were organized for employees. Checks and control of COVID-safety of Mill and contractor employees were carried out. A communication plan concerning COVID-19 was implemented, and a corresponding section was maintained on Ilim Group's website.

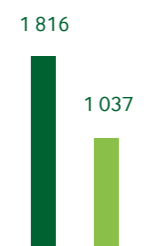


NUMBER OF VACCINATED EMPLOYEES

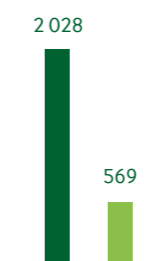
Bratsk



Ust-Ilimsk



Koryazhma



St. Petersburg



▼ City
▼ District



INDUSTRIAL AND FIRE SAFETY

Production control regulations were developed in Ilim Group's Branches in accordance with the requirements outlined by Decree of the Government of the Russian Federation No. 2168 of December 18, 2020 "On Organizing and Securing Production Control over Compliance with Industrial Safety Requirements". Responsibility for complying with the industrial safety requirements, lies with Branch Managers; responsibility for production control is vested with the OHS managers of the Company's branches, while heads of production control offices are in charge of production control in the structural units of the Company's branches.

The Company's branches that operate Hazard Class 1 and 2 hazardous industrial facilities put in place an industrial safety management system with production control as its component in accordance with Federal Law "On Industrial Safety of Hazardous Industrial Facilities" No. 116-FZ of July 21, 1997 and Decree of the Government of the Russian Federation No. 1243 of August 07, 2020 "On Approval of Requirements for Documentation Support of Industrial Safety Management Systems".

In order to maintain a high level of industrial safety in the Company, a set of actions is continually implemented to support key production assets and implement best available technologies ensuring safe process operations subject to compliance with the industrial safety requirements and given the requirements of the Production System and international FM Global standards.

Set of measures aimed at ensuring compliance with industrial safety requirements at Ilim Group in 2021:

- The audit of risks which are critical to the Company's industrial assets was conducted, the following actions were identified and implemented in collaboration with JSC Marsh Insurance Brokers, a global leader in risk management;
- In order to integrate global standards in the Company in-house documents, internal regulations were enacted to improve the safety management system.
- Industrial safety policy applicable to the use, storage or transportation of asbestos, asbestos-containing materials and items;
- Policy for the safe operation of heating systems, ventilation and air conditioning in buildings;
- Policy for safe operation of maintenance platforms, flight stairs and vertical ladders;
- Safety Manual. Procedures for Condition Inspection and Useful Life Assessment for Recovery Boilers Operated at JSC Ilim Group Facilities;
- Policy on the safe operation of stacks and gas chimneys;
- best international practices were implemented for the Production System sub-element: Support of the Facility Infrastructure;
- a plan was developed and implemented to ensure compliance with the requirements of new regulations with regard to the expansion of the list of equipment examined and the examination scope.
- A total of 10 industrial safety investment projects were implemented;
- 109 measures were taken to eliminate critical risks to building structures of buildings and constructions with a cost budget of 253.5 million rubles;
- the action plan for mandatory expert examinations in the field of industrial safety in accordance with the

requirements of Federal Law No. 116-FZ of July 21, 1997, "On the Industrial Safety of Hazardous Production Sites" was 100% implemented;

- in order to implement the requirements of Decree No. 1365 of the Government of the Russian Federation of October 25, 2019, "On Training and Certification in the Field of Industrial Safety, on the Safety of Hydraulic Structures, Safety in the Electric Power Industry," the Company completed the implementation of the "Unified Testing Portal" information system;
- work was carried out to identify hazardous production sites at the Company's branches..

Due to the effectiveness of the measures taken in 2021, Ilim Group managed to reduce the number of industrial safety accidents.

In 2021, the Company continued dedicated work to ensure the safety of production processes and to increase HR protection.

In 2021, the company also continued to work to improve the sustainability of its production processes in emergency situations and maintain the continuity of business processes in a crisis. Practical corporate exercises were conducted to prevent the development of a crisis in the event of environmental incidents with the participation of the heads of key business functions of the Company's head office, and action plans were developed to prevent and eliminate emergencies at branches.

Professional rescue units from the Company's branches were recertified to conduct rescue operations in case of oil spills on land and bodies of water.

The Company is actively working to prevent the spread of forest fires to preserve the ecological, economic,

109

EVENTS COMPLETED

TO REMOVE CRITICAL RISKS TO THE CONDITION OF BUILDING STRUCTURES AND SITES WITHIN THE BUDGETED EXPENDITURES

Branch	Number of events completed	Expenditures, RUB M
Koryazhma Category B, C	57	84.2
Bratsk Category A, B, C	35	132.2
Ust-Ilimsk Category A, B, C	17	36.8



and social functions of forests. A slight increase in burning and fires was recorded in comparison to 2020: 3 fires were registered. In 2021, \$1.5 million in investments was allocated to improve the fire safety of the Company's mills, making it possible to implement six fire safety investment projects. Thanks to investments in forest fire equipment, the creation of mobile rapid response teams to fight forest fires, the training of emergency forest fire units, and

exercises, that, despite an increase in the number of fires (+21%), it was possible to reduce their area by 5.6% compared to 2020 – from 26,600 hectares to 25,100 hectares – and ensure a response to forest fires and their localization on the first day. This not only allows us to conserve available and developed forest resources for logging, but it is also an important factor in reducing carbon emissions and contribution to the global warming of our planet.



VOLUNTEER RESCUERS

In 2021, the Volunteer Rescuers movement celebrated its first anniversary of five years in service. Ilim Group officially launched the Volunteer Rescuers project in April 2016. Today it is a corporate movement with over 1,500 members.

The project's main goal is to involve Company employees in promoting industrial safety. Program participants are engaged in the prevention of emergencies at work and are ready to take action when needed.

In the Year of the Volunteer in the Russian Federation (2018), the project won The Best Social Projects in Russia, national competition, and was also recognized as the best in the Corporate Projects category at The Best Social Projects of Russia 2017-2018 All-Russian competition. Volunteer Rescuers took part in one of the largest-scale sports competitions in Russia of Race of Heroes twice and finished among the top five corporate teams.

Additional information on Ilim Group's activities in the area of occupational safety as well as industrial and fire safety can be found in the relevant section of the Company's Annual Report for 2021.





**LOCAL
COMMUNITIES**

05

LOCAL COMMUNITIES ENGAGEMENT

CONTRIBUTING TO THE DEVELOPMENT OF THE REGIONS OF OPERATION AND IMPROVING THE QUALITY OF LIFE WITHIN THE FOOTPRINT

For Ilim Group as a socially responsible business, it is important to develop the regions where employees and their families, customers, contractors and other persons affected by the Company's activities live and work. The Group makes a significant contribution to the development of these regions by implementing targeted and joint programs of social and economic partnership and cooperation.

In 2021, the Company invested 833 million rubles in charitable and social programs implemented within its footprint. The main areas of support included projects related to healthcare, education and culture, youth sports, assistance to orphanages, people with disabilities, WWII and labor veterans, and infrastructure development.

When implementing social programs, Ilim Group carefully monitors the fulfillment of its obligations in good faith and assesses the outcome of its social activities on an on-going basis.

SOCIAL PROGRAMS AND SUPPORT MEASURES

Ilim Group not only produces high-quality products, pays taxes and complies with all applicable Russian laws, but also contributes to social sustainability within its footprint while maintaining high ethical standards of doing business.

The Company has identified the following goals of its charitable activities:

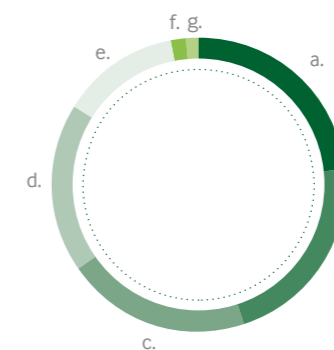
- improving social sustainability within its footprint;
- strengthening the image of a socially responsible business;
- assistance in staffing the needs of the Company through the implementation of socially significant vocational education projects.

Ilim Group implements social and charitable programs in partnership with Ilim-Garant Charity Fund. All external social activities of the Company are performed in the area where it operates: Irkutsk Region, Krasnoyarsk Region, Arkhangelsk Region, St. Petersburg, Komi Republic, Kirov Region, and Vologda Region.

To decide on whether to support any particular significant program, meetings of advisory and expert councils, which include representatives of local public organizations, regional authorities and Ilim Group, are held annually.



IN 2021, ILIM GROUP ALLOCATED 833 MILLION RUBLES FOR SOCIAL AND CHARITABLE PROJECTS, INCLUDING:



a.	Education	196
b.	Healthcare and environment	179
c.	Infrastructure	171
d.	Youth sports	153
e.	Culture	109
f.	Assistance to WWII and labor veterans	14
g.	Assistance to orphanages and people with disabilities	11



833

MILLION RUBLES

SPENT ON CHARITABLE AND SOCIAL PROGRAMS IN 2021

240

CHARITY

PROJECTS



KEY SOCIAL (CHARITY) PROJECTS IN BRATSK IN 2021



YOUTH SPORTS

Construction of an amenity building for Ilim hockey court, construction of a shared path from the Tsentralny District to Severny Artek (development of the city's infrastructure)

HEALTHCARE AND ENVIRONMENT

Purchase of oxygen concentrators for the city's medical facilities and a package of endoscopic equipment for the children's municipal hospital

A joint environmental program with the region's authorities (construction of a shared path from Bratsk to Severny Artek, organization of children's recreation, a green space expansion program, etc.)

CULTURE

Repair of the skatepark's roofing system, restoration of ancient monuments in the Angarskaya Derevnya Museum



KEY SOCIAL (CHARITY) PROJECTS IN UST-ILIMSK IN 2021



YOUTH SPORTS

Supporting children's sports at the Children's and Youth Sports School and Ilim Sports Complex

HEALTHCARE AND ENVIRONMENT

Purchase of a digital screening device and motor vehicles for municipal medical facilities, setting up a PCR laboratory in Municipal Outpatient Clinic No. 2

CULTURE

The Modern School Program (classroom and gym equipment)



KEY SOCIAL (CHARITY) PROJECTS IN KORYAZHMA IN 2021



YOUTH SPORTS

Supporting and developing children's sports in Koryazhma at the Children's and Youth Sports School (Olymp Sports Complex and Trud Stadium)

Completion of the construction of a sports and technical zone (go-cart track) for School No. 1

CULTURE

Planning and preparation of the Alexandrovsky Park territory for renovation, supporting children's on-stage performance groups

EDUCATION

Replacement of window units at Koryazhma's day-care facilities (four facilities)

Education system development program: fitting out the Korchaginets Club, granting ILIM scholarships, Swimming Uni-Ed scholarships, etc.



With the support of Ilim Group, the revamp of the Kotlas Airport, Arkhangelsk Region, continued last year. Thanks to the work performed, the air link between Kotlas and St. Petersburg was restored. The runway was overhauled with its length increased to 1,800 m, which made it possible to receive higher-class aircrafts. Earlier, Ilim Group had helped the airport to purchase and instal new lighting equipment, renovate the terminal building and purchase a runway cleaning machine.



In 2021, Ilim Group continued financing the development of the Ust-Ilimsk Airport, Irkutsk Region. The taxiway and apron were repaired, a garage box was erected for parking and maintenance of special equipment, the airport was equipped with a radar complex for perimeter protection and other equipment necessary to ensure runway operation.

SUPPORTING CULTURE AND ARTS IN ST. PETERSBURG

In September 2021, Ilim Group became a partner of the Golden Mask Festival in St. Petersburg. The project is part of the large regional program "The Golden Mask Festival in Russian Cities", within the framework of which the Golden Mask productions were shown in 13 Russian cities.

Ilim Group was a strategic partner of the 9th Context International Festival of Contemporary Choreography. Diana Vishneva. The key event was the Modern Russian Choreography Night, held in two cities - Moscow and St. Petersburg, as well as Scheherazade ballet with the participation of Diana Vishneva, People's Artist of the Russian Federation, principal dancer at the Mariinsky Theater.

In November 2021, Ilim Group sponsored the 31st International Film Festival Message to Man. The Company has supported the event for the fifth year in a row. By tradition, the Company awarded its special prize and in 2021 it went to the documentary The Long Shot directed by Vladimir Golovnyov (Russia).



In 2021, the Company became winner in the Best Social Projects in Russia competition: Ilim received an award for the children's book on ecology (When I Grow Up, I'll Become an Ecologist). The book also won the Environmental Culture: Peace and Harmony international competition.

АО «ГРУППА «ИЛИМ»

PRIZE WINNER OF THE BEST SOCIAL PROJECTS IN RUSSIA PROGRAM AND WINNER OF THE ENVIRONMENTAL CULTURE: PEACE AND HARMONY INTERNATIONAL COMPETITION

When I Grow Up, I'll Become an Ecologist book published by Ilim Group, received a prize in the Environmental Projects and Initiatives category of the The Best Social Projects in Russia program and became the winner in the Eco-Education category of the Environmental Culture: Peace and Harmony international competition held by Vernadsky Non-Governmental Foundation since 2012. The Company pays great attention to environmental education and the formation of environmental awareness among children. It implements annual training and educational projects that address environmental issues and lay the foundation for respect for nature.



Ilim Group also actively invests in innovative and technology development of regions and society. Thus, in 2021, the Company launched a competition to search for innovative projects and technology on the GreenTech StartUp Booster Skolkovo platform, Russia's first accelerator of environmental technology startups.

Ilim Group has a permanent Innovation Committee, whose activities are aimed at finding, evaluating and implementing state-of-the-art cost-effective technology, product and digital solutions. The Company is ready to consider ideas and pilot projects within its priority focus. These include projects for carbon footprint reduction, waste recycling and other ESG projects.

Environmental protection and innovations are among the Company's inherent priority areas of long-term sustainable development. GreenTech StartUp Booster Skolkovo is an accelerator operating at the junction of these two areas and ensuring their synergy. Through this joint search, we hope to soar to new heights and find solutions to improve the environment and the quality of life. Such programs allows us to take a fresh look at and receive new answers to such global ESC challenges as carbon footprint reduction, waste recycling, etc.

As part of the GreenTech StartUp Booster program, Ilim plans to find projects to promote the use of the entire biomass of a tree in the production cycle as well as projects for the deep processing of wood-chemical by-products. The key selection criterion for projects will be the use of "green technologies" that meet the ESG criteria.

Ilim plans to select up to 20 projects on the GreenTech StartUp Booster platform and make use of the same to further assess the potential for implementation across its sites.



THE ENVIRONMENT

06

CLIMATE STRATEGY AND ENVIRONMENTAL PROTECTION

Forests are one of the most important tools for combating climate change impacts. According to the International Union for Conservation of Nature and the World Bank, they absorb approximately 2.6 billion tons of CO₂ annually, which is one third of the carbon dioxide emitted by burning fossil fuels. In addition, forests help to combat the problem of climate change not only by absorbing greenhouse gases, but also by forming more sustainable landscapes: regulating water regimes, improving soil conditions, creating migration corridors for plants and animals. Thus, investments in responsible forest management can reduce existing and potential vulnerability to climate change.

Climate change is one of the most serious risks for sustainable development today, deserving both our closest attention and urgent action. That is why both foreign and Russian regulators are taking active measures to update and implement relevant laws aimed at mitigating this risk and creating tools to manage it. At the same time, strategies are being created at the level of states and global associations that set clear goals for combating climate change impacts.

Thus, according to the 2050 Strategy of Social and Economic Development with Low Greenhouse Gas Emission, the goal is to prevent an increase in greenhouse gas emissions in the industrial sector (including pulp and paper industry) by 2030, and to reduce them by 16 % by 2050.

To achieve the above goals, the regulator plans to introduce financial and tax policy measures at the industry-wide level to stimulate the reduction of greenhouse gas emissions, develop a system of public non-financial reporting of companies, increase energy and environmental efficiency in economy sectors, create a sufficient science and technology infrastructure to manage and prevent climate change impacts, and set industry targets to reduce target emissions.

In addition, the Strategy sets out goals for responsible forest management to maintain a sufficient level of greenhouse gas absorption across managed ecosystems. These goals include:

- maintaining the existing trends in the development of the forest complex and existing forest management practices

through more efficient use of naturally formed forests with underutilized resources;

- improving the effectiveness of fire safety measures in forests, the efficiency of fire extinguishing and preventing the occurrence and spread of forest fires;
- reforestation and afforestation, improving sanitary safety measures in forests and eliminating pest outbreaks;
- watering previously drained swamps, ensuring their fire safety, managing the water balance in swamps;
- anti-erosion and field-protective measures, conservation plowing, ensuring the fire safety of cultivated lands, rational use of water resources.

According to the Strategy, the absorption capacity of the managed ecosystems is expected to increase from the current 535 million tons of carbon dioxide equivalent to 1,200 million tons of carbon dioxide equivalent in forestry. In addition, activities will be deployed to create new technologies aimed at reducing emissions and increasing absorption of greenhouse gases by forests and other ecosystems.

Ilim Group supports the above-mentioned goals and intentions of the state to reduce greenhouse gas emissions and maintain a sufficient level of their absorption by forest ecosystems and will make efforts on its part to achieve the same.

In 2021, Ilim Group developed its first Climate Strategy setting goals to reduce CO₂ emissions (Scope 1 and Scope 2) by 12% by 2030. The Company will strive to achieve carbon neutrality in every possible way by 2050.

Ilim Group has developed the following promising steps to implement the Climate Strategy approved in 2021:

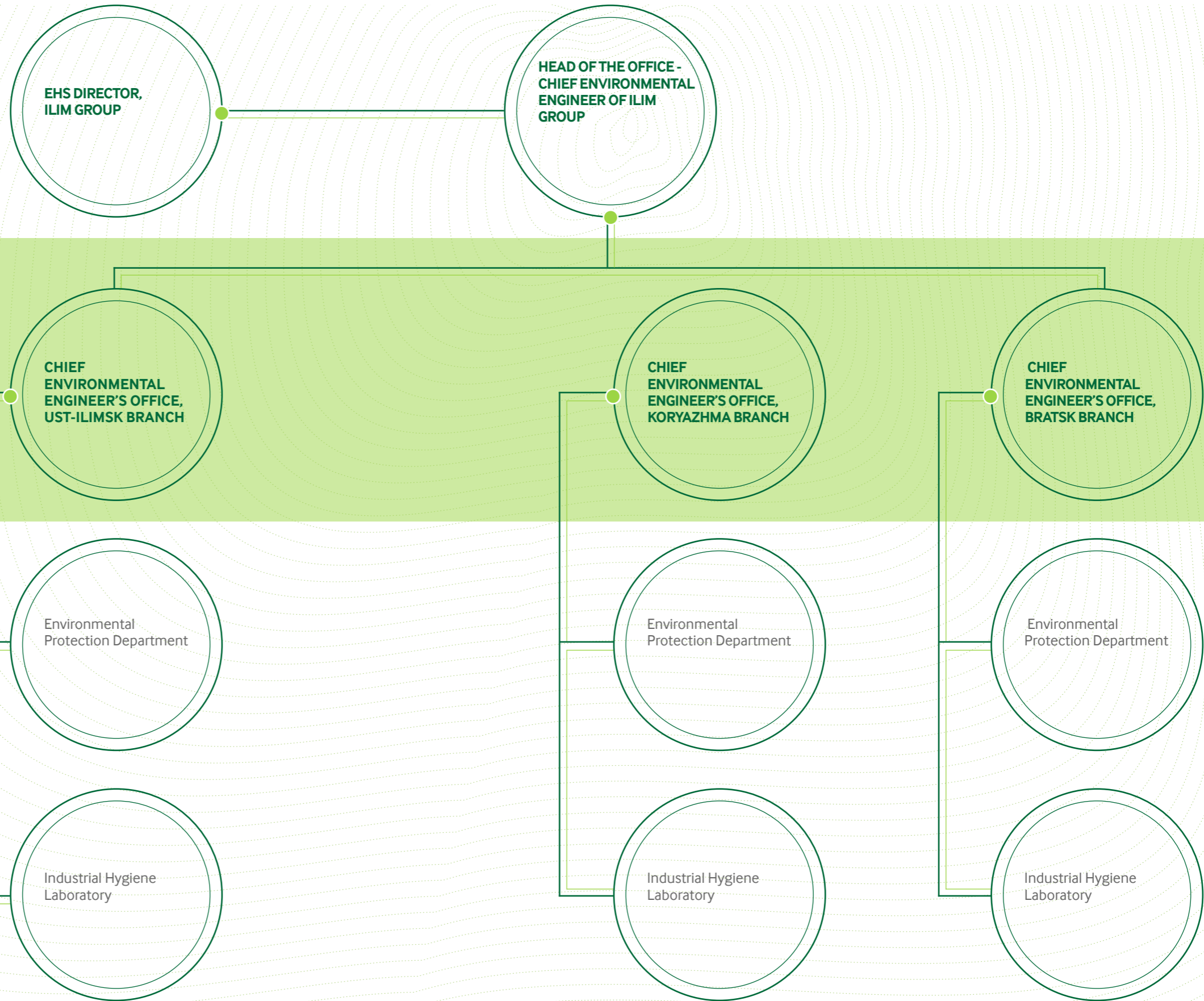
- disclose voluntary targets/commitments to reduce greenhouse gas emissions and increase absorption in the short and long term;
- assess physical climate risks as per the recommendations of the TCFD or other regulators;
- create a line of low-carbon / carbon-free products;
- develop KPIs for line and top managers to reduce greenhouse gas emissions;
- join Russian and global ESG ratings;
- arrange for the construction of an experimental demonstration site to test forest management intensification methods (a carbon polygon);
- develop a roadmap to reduce GHG emissions and increase absorption with its subsequent disclosure in the Sustainable Development Report;
- involve Company employees in the search and development of projects that potentially lead to a reduction in GHG emissions / an increase in GHG absorption;
- develop an IT system to automate the quantitative assessment of greenhouse gas emissions and the carbon footprint from products.



Environmental protection is among Ilim Group's overarching priorities. The Company annually reduces the burden on the environment and keeps its production green.

Ilim Group's strategy relies on the best available technology, rational use of natural resources, and reduction of environmental risks across all production stages.








¹ Strategy of socio-economic development of Russia with a low level of greenhouse gas emissions until 2050. [ADKkCzp3fW032e2yA0BhtlpzWfHaiUa.pdf \(government.ru\)](https://www.government.ru/documents/ADKkCzp3fW032e2yA0BhtlpzWfHaiUa.pdf)



When setting up manufacturing processes, Ilim focuses on environmental issues, taking all necessary measures to prevent environmental pollution.

Strategic decisions are made at the level of the Chief Executive Officer and the Board of Directors. The Company's structure provides for specialized environmental protection functions at the executive management level.

Industrial environmental control (IEC) structure across Ilim Group's branches

INDUSTRIAL ENVIRONMENTAL CONTROL (IEC) ORGANIZATION	BASIS	MAIN OBJECTIVES / ITEM TO MONITOR	CONSUMER
Branch Director; Scope of responsibility: environmental safety	Order No. GD-007/21 of March 05, 2021	<ul style="list-style-type: none"> receiving information about the results of environmental control making decisions on informing stakeholders 	 Management of JSC Ilim Group
Chief Environmental Engineer's Office, Environmental Protection Department; Scope of responsibility: environmental impact assessment Industrial Hygiene Laboratory; Scope of responsibility: completeness and correctness of laboratory tests	Job descriptions Branch orders on the appointment of officers responsible for water consumption and wastewater discharge, wastewater quality, atmospheric air quality around the perimeter of sanitary protection zones (SPZ)	Scope of quality control: <ul style="list-style-type: none"> discharges (shop wastewater, efficiency of industrial wastewater treatment processes, discharge of treated wastewater, monitoring of water bodies) emissions (air PE quality, GCU performance, monitoring of the quality of air emissions (AE) around the SPZ perimeter) waste (control over the volumes of waste disposal, the state of waste disposal sites (WDS)) Inspections at business units Accident investigations Providing all forms of state reporting Environmental impact assessment Bringing information about environmental risks to the branch management	 Manufacturing engineers  Branch management  State authorities  Stakeholders
Heads and SMEs of business units; Scope of responsibility: ensuring that the workflow complies with established standards	Branch orders on the appointment of officers responsible for water consumption and wastewater discharge, wastewater quality, the performance of gas cleaning units (GCU), the quality of air pollutant emissions (PE), waste management Orders for business units	Scope of control: <ul style="list-style-type: none"> compliance with the requirements of external and internal regulatory documents in the field of environmental protection; compliance by employees with process regulations, process flow diagrams and parameter charts; compliance with the standards on wastewater quality, air pollutant emissions, generation and disposal of waste; accounting for water consumption; localization of emergencies (incidents); and taking environmental protection measures 	 Branch management  Chief Environmental Engineer's Office

The Ilim Group follows the Occupational Health, Fire and Environmental Safety Policy approved in 2018, which was developed in accordance with the standards as follows:

- ISO 14001-2015;
- ISO 9001:2015;
- ISO 45001:2018;
- FSC-STD-RUS-02-2020;
- collective bargaining agreements;
- agreements with trade unions;
- risk assessment standard in the field of occupational health and safety.

This Policy applies to all branches of the Company. In accordance with the Policy, Ilim Group implements and employs the best available production methods and techniques, using safe, resource-saving and low-waste technology, striving to ensure rational and efficient use of natural resources, preventing emergencies, incidents, severe damage to the environment. The Company focuses on preventive measures and the concept of continuous improvement of its management system.

The manufacturing branches of the Company are certified to the ISO 14001-2015 standards. To confirm the certification, the branches annually undergo an external audit.

Round-the-clock industrial environmental control is ensured at each manufacturing branch. Accredited sanitary and industrial laboratories monitor the environment within the limits of each branch's exposure. Each branch has a laboratory outfitted with state-of-the-art equipment.

The following indicators are subject to monitoring and laboratory control:

- quality indicators of industrial effluents;
- wastewater treatment quality across all stages;
- quality indicators of treated wastewater;
- quality of surface and ground waters;
- qualitative composition of air emissions;
- air quality around the perimeter of the sanitary protection zone;
- performance of dust and gas cleaning equipment;
- soil quality indicators; and
- noise level.



Ilim Group has a scrupulous approach toward the environment. The Company's need for vehicles is regularly assessed, and their number is kept at the level necessary and sufficient to provide human resources with the opportunity for timely and convenient movement, but without exceeding the number of vehicles in the Company's fleet in order to minimize the effect of emissions into the environment.



The Ilim Group spent RUB 13.3 bln on environmental protection in 2021, of which RUB 9.1 billion was spent to reduce negative impacts.

Costs	Amount, RUB bn
Current environmental costs , including:	
<ul style="list-style-type: none"> • maintenance of buildings, facilities, structures and equipment intended for nature protection purposes; • treatment of pollutant emissions/discharges; • PPE maintenance and overhauls in order to ensure trouble-free operation of equipment; • measures for the conservation and restoration of natural resources; • organizing monitoring and control over the quality indicators of environmental components; • scientific and research work 	4.2
Investments	9.1
Including:	
Environmental protection measures aimed at reducing negative impacts, introducing the best available technology, including strategic projects with an environmental effect	9.07
Automation of environmental accounting processes (digitization) - introduction of SAP EHSM solutions	0.03
Total	13.3

For our stakeholders, especially for local communities, environmental issues are significant. Ilim Group adheres to the principles of transparency and inclusive dialogue. Ilim Group's branches annually provide information on how manufacturing processes affect the environment and on environmental protection measures taken.

The branches are also actively involved in preparing annual environmental digests "The State and Protection of the Environment in the Arkhangelsk Region" and "The State and Protection of the Environment in the Irkutsk Region."

ENERGY EFFICIENCY

Energy efficiency is one of Ilim Group's areas of activity to minimize environmental damage and reduce its carbon footprint. The Company maintains records of energy resource consumption, strives to reduce the consumption of non-renewable energy sources, and also implements energy efficiency projects across its manufacturing facilities.

The obligation of the Company to efficiently and safely use energy resources is set out in Ilim Group's Environmental Policy.

In 2021, the Company used the following types of energy resources: electricity, heat, gasoline, diesel, fuel oil, gas, coal.

Energy resource	Unit of measurement	Generated		Purchased	
		Total (by volume)	including for own needs (by volume)	by volume	by value, RUB M
Electric energy	million kWh	2,194	2,173	1,612	3,404
Thermal energy	k Gcal	15,575	15,069	1,512	1,791
Motor gasoline	tons	–	–	1,441	75
Diesel fuel	tons	–	–	58,917	2,870
Fuel oil	tons	–	–	93,361	2,170
Gas	k m ³	–	–	847,767	3,671
Coal	tons	–	–	3,811	12

13.3
BILLION RUBLES
TOTAL ENVIRONMENTAL COSTS

INCLUDING

9.1
BILLION RUBLES
TOTAL ENVIRONMENTAL COSTS

In 2021, JSC Ilim Group did not use other types of energy resources. The total funds the Company spent in 2021 to pay for the energy resources used over the reporting period were RUB 25,253,377 thousand.



DIGITAL TWIN TECHNOLOGY FOR ENERGY EFFICIENCY

In 2021, after several years of operation of the dispatch and process control system, the Bratsk Pulp and Paper Mill decided to expand the system with a module (digital twin) for network calculations on the two most problematic high-duty busducts.

These busducts used to experience constant problems with maintaining required voltage level due to new consumers and when switching on/off in-house consumers. Shutdowns of power-factor correction units were particularly frequent, and the self-start of high-performance engines could lead to process shutdown.

As part of the project, a network model combining Busduct 3 and Busduct 4 was created, based on the actual parameters of equipment and network sections. The model was linked to the measured data of the dispatching system. Tools for managing the network model were developed (simulating switch controls, changes in power, generators, power-factor correction units, external network parameters).

The digital twin of the electric network helps operators to check the correctness of switching before actual switching (it allows monitoring the current load of network elements and equipment, as well as voltage levels), optimally load generators in given conditions, control the operation of power-factor correction units. In addition, with the help of this module, one can set up modes of network and in-house generation for a long term, thereby contributing to the safe and efficient daily control of the corporate power system.

EMISSIONS OF POLLUTANTS

Air emissions by stationary sources of pollution are approved on a case-by-case basis and require a regular permit or an Integrated Environmental Permit. The permit establishes its validity period, the list of pollutants permitted for emission, standards, as well as other conditions and requirements that ensure the protection of atmospheric air.

All production sites have permits for air emissions. The Koryazhma Mill has an Integrated Environmental Permit.

Pollutant emissions are monitored by the Chief Environmental Engineer's Office, laboratory control is performed by industrial sanitary laboratories.

Items to control:

- state of atmospheric air around the perimeter of the sanitary protection zone;
- emissions of pollutants from stationary pollution sources of the plant's business units as per the Schedule of Laboratory Control over Compliance with Maximum Allowable Emissions (MAE) and Temporarily Agreed Emissions (TAE) at Air Pollution Sources;
- performance of gas treatment units (GTU) at manufacturing facilities.

Additional control over emissions of pollutants during adverse weather conditions (AWC) is ensured across all manufacturing branches.

Forecasting a rampant increase of pollutants in the air (the onset of AWC) and informing about the same in order to prevent air pollution are outsourced to a qualified contractor.

THE VOLUME OF GREENHOUSE GAS EMISSIONS IN 2021¹:

SCOPE 1²

2.7

MILLION METRIC TONS OF CO₂ EQUIVALENT

SCOPE 2

1.1

MILLION METRIC TONS OF CO₂ EQUIVALENT

TOTAL

3.8

MILLION METRIC TONS OF CO₂ EQUIVALENT

All branches have developed procedures to reduce pollutant emissions during AWC periods, which are part of regulatory permits.

In 2020, Ilim Group conducted a comprehensive assessment of greenhouse gas emissions within Scope 1 and Scope 2. The Company's largest emissions come from stationary combustion of fossil fuels. More than half of the total GHG emissions are generated by the Koryazhma Mill due to the high share of fossil fuels in stationary combustion.

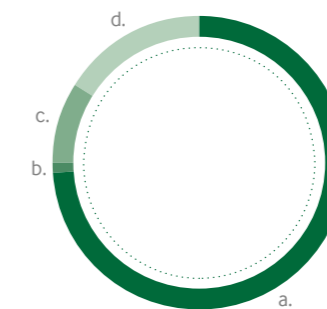
¹ Gases taken into account while calculating: CO₂, CH₄, N₂O.

² Given the Company's materiality threshold of 5 % for total greenhouse gas emissions (hereinafter, GHG), in the course of quantifying the Company's GHG emissions, the following sources of GHG emissions were excluded from accounting: operation of refrigeration and climate control equipment; welding operations; supply of materials, raw materials and finished products, whose weight in the Company's total annual supply is 1 % or less.

GREENHOUSE GAS EMISSION INTENSITY FACTOR

1.02

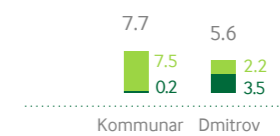
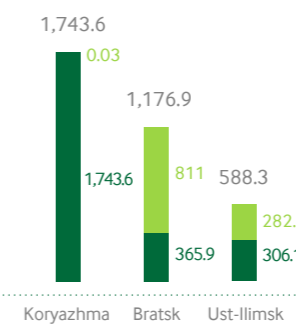
General structure of GHG emissions, %



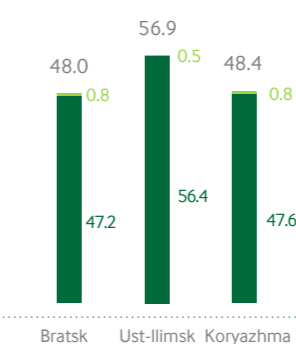
Ilim Group takes appropriate measures to reduce air pollutant emissions.

GHG EMISSIONS BY MILL, K TONS OF CO₂ EQUIVALENT

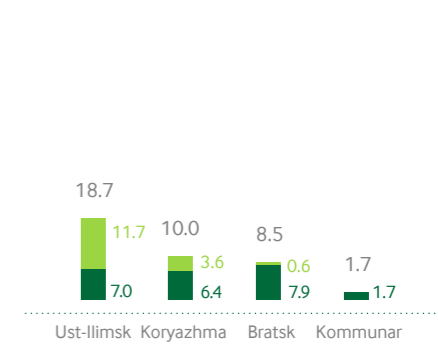
Plants



Forestry Offices



FinTrans



Scope 1³
Scope 2

³ Scope 1 – equipment; welding operations; supply of materials, raw materials and finished products, whose weight in the Company's total annual supply is 1 % or less. Scope 2 – Greenhouse gas emissions from the production of imported electrical energy, heat or steam consumed by the organization (GOST R ISO 14064-1-2007).



IN 2021, THE FOLLOWING PACKAGE OF MEASURES WAS IMPLEMENTED IN:



BRATSK BRANCH OF ILIM GROUP

- RB14 NCG Burning System Upgrade project was completed.
- JSC Ilim Group participates in the Clean Air federal project and as part of this initiative: the project aimed to improve the performance of the gas treatment equipment of Lime Kilns 4, 4.5, and 6 was implemented.
- projects in progress:
 - Collection and Disposal of WNCG from Vacuum Evaporation Plant 8;
 - Collection and Disposal of WNCG from the Board Plant;
 - Collection and Disposal of WNCG from the HW Pulp Lines



KORYAZHMA BRANCH OF ILIM GROUP

- completed projects:
 - RB3 ESP Upgrade (right chamber replacement);
 - RB5 Rebuild



UST-ILIMSK BRANCH OF ILIM GROUP

- completed projects:
 - Installation of a Gas Treatment Unit from Digester 2 Chip Bin;
 - Installation of a Gas Treatment Unit from Digester 3 Chip Bin;
 - Installation of a Gas Treatment Unit from Unbleached Pulp Dryer

AS A RESULT OF THE SMOOTH UPGRADE OF GAS CLEANING PLANTS, WITH A 1.1-FOLD INCREASE IN PRODUCTIVITY COMPARED TO 2016, A DECREASE WAS ACHIEVED IN¹:

TOTAL GROSS EMISSIONS OF POLLUTANTS

by 9%

SPECIFIC EMISSIONS OF POLLUTANTS

by 18%

NON-CONDENSABLE GAS EMISSIONS

by 77%

GROSS DUST EMISSIONS

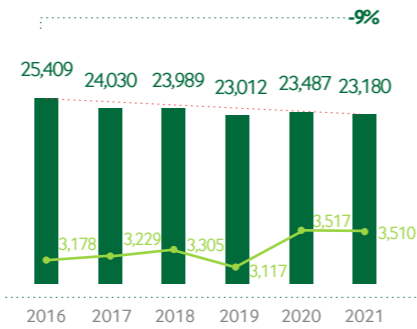
by 29%



¹ The information provided for the Koryazhma, Bratsk, Ust-Ilimsk Mills.

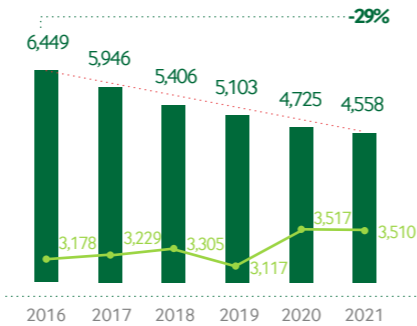


Dynamics of reduction in total gross emissions of pollutants from sources at the Mills, tpy



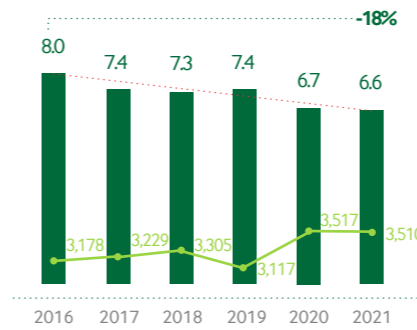
- █ Gross emissions of pollutants
- █ Output, k tpy
- █ Linear (Gross emissions of pollutants)

Dynamics of reduction in total gross dust emissions (soda-recovery boilers, lime kilns, bark boilers) from sources at the Mills, tpy



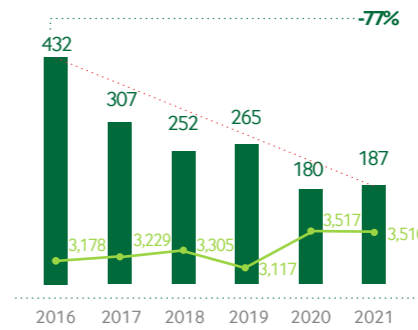
- █ Gross dust emissions (recovery boilers, lime kilns, bark boilers)
- █ Output, k tpy
- █ Linear (Gross dust emissions (recovery boilers, lime kilns, bark boilers))

Dynamics of reduction in specific emissions of pollutants from sources at the Mills, kg/t



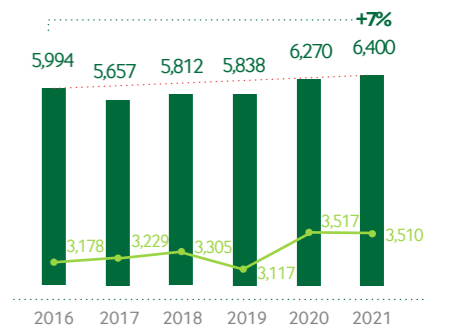
- █ Specific emissions of pollutants
- █ Output, k tpy
- █ Linear (Specific emissions of pollutants)

Dynamics of reduction in non-condensable gas (NCG) emissions from sources at the Mills, tpy



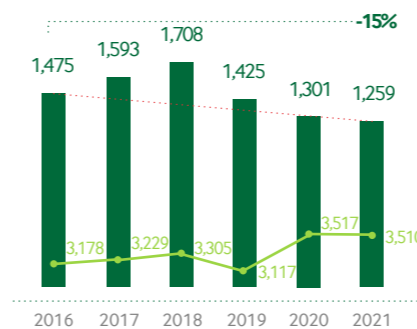
- █ NCG emissions
- █ Output, k tpy
- █ Linear (NCG emissions)

Dynamics of total gross emissions of nitrogen oxide (expressed as NO₂) from sources at the Mills, tpy



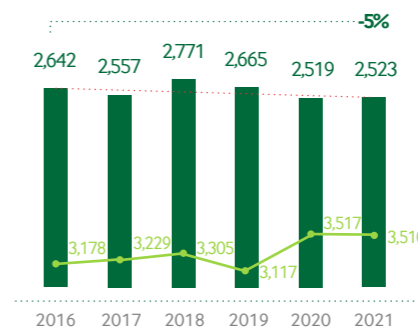
- █ Gross nitrogen oxide emissions (expressed as NO₂)
- █ Output, k tpy
- █ Linear (Gross nitrogen oxide emissions (expressed as NO₂))

Dynamics of reduction in total gross emissions of sulfur dioxides from sources at the Mills, tpy



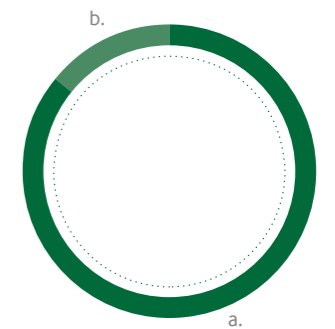
- █ Gross sulfur dioxide emissions
- █ Output, k tpy
- █ Linear (Gross sulfur dioxide emissions)

Dynamics of reduction in specific carbon oxide emissions from sources at the Mills, kg/t



- █ Specific carbon oxide emissions
- █ Output, k tpy
- █ Linear (Specific carbon oxide emissions)

Purification of gas-dust emissions, %



- a. Collected and neutralized 86
- b. Emitted into the atmosphere 14



WATER RESOURCES

To manage water resources in the most effective way possible, Ilim Group monitors water consumption and performs laboratory tests to analyze water quality before discharge. Most water in the Company is consumed for pulp and paper production, heat and energy generation.

Water consumption is regulated by agreements on water use for a fee.

Ilim Group takes water from the Vycheгда River, the Bratsk and Ust-Ilimsk Reservoirs, using river intake pump station with further distribution through water conduits to water treatment facilities.

Water intake and control over compliance with water intake standards are performed by business units responsible for energy management.

Water consumption accounting officers are appointed for each business unit and water consumption is metered at production sites.

Flow gauges are used at fresh water intakes. Readings are transmitted from flow gauges to plant-wide digital information system.

Primary accounting of the water consumed is kept in software and on paper. Primary water accounting is performed as required by law.

Water treatment for the needs of production sites' BU and third-party



AS A RESULT OF IMPLEMENTING A SMOOTH STRATEGY, WITH A 1.1-FOLD INCREASE IN PRODUCTIVITY COMPARED TO 2016, A DECREASE WAS ACHIEVED IN:

TOTAL GROSS EMISSIONS OF POLLUTANTS

by 19%

SPECIFIC EMISSIONS OF POLLUTANTS

by 27%



consumers is performed at water treatment facilities.

Water use agreements set out basic requirements for monitoring, controlling the volumes of water intake, and the quality indicators of water bodies.

Based on these requirements and as agreed with the regulator, a water body-monitoring program is adopted for the period of the water use agreement.

To manage water resources in the most effective way possible, Ilim Group monitors water consumption and performs laboratory tests to analyze the quality of water supplied to its Mills.

Water body monitoring data are submitted to the regulator.

All Ilim Group's production facilities are located in regions abundant in water resources.

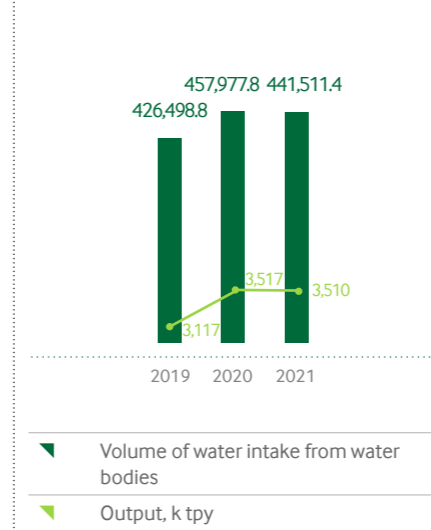
Wastewater discharge activities are regulated by decisions on granting water bodies for use for wastewater discharge.

Wastewater disposal accounting officers are appointed for each business unit.

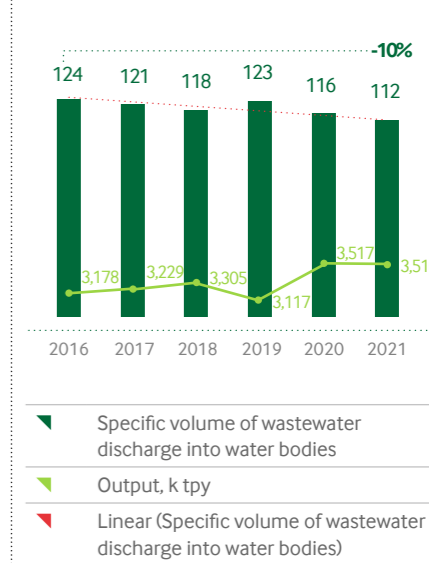
Wastewater is discharged directly into the Vycheгда, Kopytovka and Vikhoreva rivers and the Boguchanskoye Reservoir.

Industrial wastewater treated at the treatment facilities is discharged in a dispersed manner (non-point source discharge).

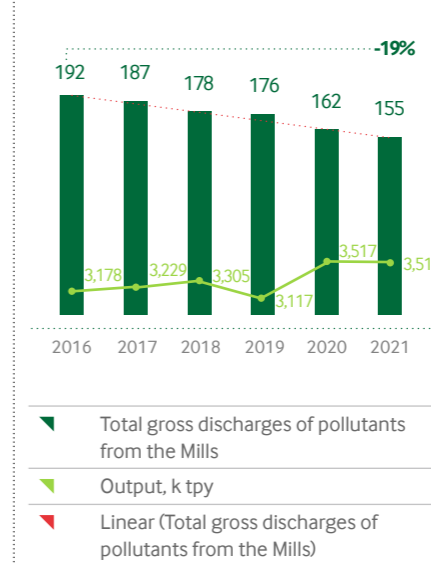
Dynamics of the volume of water intake from water bodies at the Mills, k m³/year



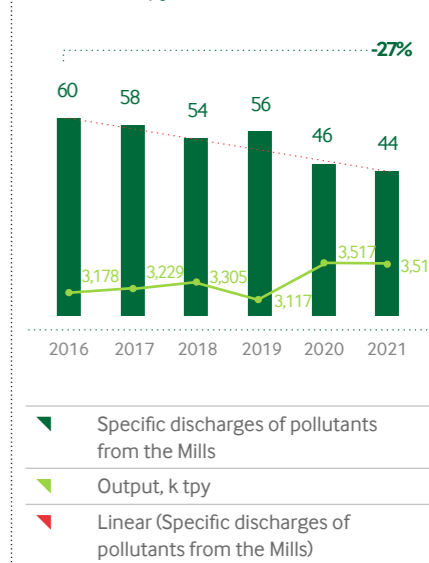
Dynamics of the specific volume of discharge of treated wastewater into water bodies, k m³/t



Dynamics of reduction in total gross emissions of pollutants from sources at the Mills, k tpy



Dynamics of reduction in specific emissions of pollutants from sources at the Mills, tpy



The treatment facilities of the operated sludge plant receive the following types of wastewater using a production waste sewerage system:

- industrial wastewater;
- storm water from the industrial site;
- municipal and own sanitary sewage of the Koryazhma and Ust-Ilimsk Branches.

Wastewater undergoes mechanical treatment, equalization, biological treatment in aerotanks and settling in secondary settling tanks.

Pollutants are discharged into a water body under a discharge permit or an Integrated Environmental Permit.

Discharge permits are issued under the draft standards for permissible discharges (PDS). In case it is impossible to comply with the PDS, indicators for temporarily agreed discharges (limits) are developed under the approved Plan for Reducing Pollutant Discharges into Water Bodies and the Program for Improving Environmental Efficiency.

The permit establishes the validity period, list of pollutants allowed for discharge, standards for permissible discharge / temporarily agreed discharge of pollutants, as well as other conditions and requirements to ensure the protection of the water body.

Wastewater quality control and monitoring of water quality in water bodies are performed as per the Program for Measuring the Quality of Waste and Drainage Water and the Program for Regular Monitoring of a Water Body and Its Water Protection Zone or the Program for Industrial Environmental Control (IEC).

The data of laboratory control and monitoring of water bodies are submitted to the regulator on a monthly, quarterly and annual basis.



IN 2021, THE FOLLOWING PACKAGE OF MEASURES TO REDUCE POLLUTANT DISCHARGES WAS IMPLEMENTED AT ILIM'S MILLS, NAMELY IN:

BRATSK BRANCH OF ILIM GROUP

- Reduction of fiber in KLB wastewater project was completed.
- The following wastewater treatment facilities and wastewater polishing facilities upgrade projects are in progress:
 - Upgrade of the Secondary Settlement Tanks, BWTP-2;
 - Installation of a Polishing Facilities Sludge Pumping System;
 - Upgrade of Suspended Solids Collection Equipment in the Polishing Facilities Area;
 - Upgrade of Ponds/Installation of Aeration Tanks
- annual monitoring of the water body was completed for the Vikhorevka River and water protection zones in the areas where the Company consumes water



KORYAZHMA BRANCH OF ILIM GROUP

- Project implemented: New Woodroom Construction
- Projects in progress under the environmental performance improvement program:
 - Upgrade of the BWTP primary clarifiers and sludge thickeners;
 - Elimination of Polluted Effluent Discharges through Discharge Point 3 (the Kopytovka River).
- The damage to the nutrient base in the biological water resources caused by withdrawal of water from the Vychevka River for production needs Branch was assessed:
- annual monitoring was performed for the Vychevka River and the Kopytovka River and the water protection zones where the Company uses water for its operations.



UST-ILIMSK BRANCH OF ILIM GROUP

- Projects in progress:
 - Rebuild of the dispersive discharge point;
 - Installation of Fish Protection Devices;
- annual monitoring of water bodies (the Boguchany and Ust-Ilimsk Water Reservoirs) and water protection zones where the Company uses water for its operations was completed.

WASTE MANAGEMENT

Since activities for the collection, transportation, processing, disposal, neutralization, and disposal of low-hazard waste (Hazard Classes 4 and 5) are subject to licensing, all production sites are licensed to perform the above activities.

Waste passports were developed for all wastes of Hazard Classes 4 and 5.

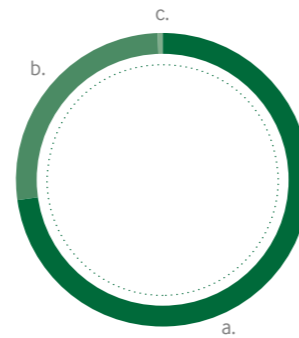
In order to ensure environmental protection and reduce the amount of waste, all production sites have waste generation standards and disposal limits.

The Mills have licensed disposal facilities for solid industrial waste of Hazard Classes 4 and 5.

In 2021, 2.4 million tons of waste were generated across all Ilim Group's business units. 1.9 million tons were disposed of, of which 1.3 million tons were sent for recycling, 863.2 thousand tons of waste were placed at operational facilities.

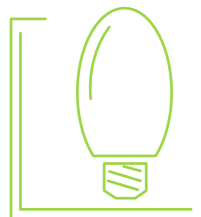
73 % of the Company's waste generated from production activities is used in-house, 27 % is disposed of at landfills.

Waste management, %



a.	Disposed of and neutralized in-house	73
b.	Placed at in-house landfills	27
c.	Sent to qualified contractors for disposal and neutralization	0.3

WASTE PROHIBITED FOR DISPOSAL IS SENT TO QUALIFIED CONTRACTORS FOR DISPOSAL AND NEUTRALIZATION



Mercury lamps



Oil waste



Tires



Paper waste



Polymer waste



Office equipment waste

Waste is managed based on the following documents:

- license for the collection, transportation, processing, disposal, neutralization, and disposal of waste of Hazard Classes 1 to 4;
- draft waste generation standards and disposal limits;
- approvals of waste generation standards and disposal limits.

Officers responsible for waste management are appointed for each production site and are permitted to work if properly trained in waste management.

Waste management activities include:

- organization and control over the generation/accumulation/utilization/disposal of production and consumption

waste or its transfer to a qualified contractor;

- monitoring of the state of waste disposal facilities and their impact on the environment; and
- general control and coordination of activities of business units in the field of waste management.

WASTE MANAGEMENT MEASURES IN 2021:



BRATSK BRANCH OF ILIM GROUP

- Assessment of the environmental impact of the waste disposal facilities: underground water, soil and atmospheric air monitoring
- Waste transfer for decontamination and disposal by specialized companies
- Annual professional training for those in charge of hazardous waste handling



KORYAZHMA BRANCH OF ILIM GROUP

- Annual professional training for those in charge of hazardous waste handling
- Assessment of the environmental impact of the waste disposal facilities: underground water, soil and atmospheric air monitoring
- Waste transfer for decontamination and disposal by specialized companies
- Biological phase in reclamation of the liquor collector, including site landscaping and field supervision



UST-ILIMSK BRANCH OF ILIM GROUP

- Annual professional training for those in charge of hazardous waste handling
- Assessment of the environmental impact of the waste disposal facilities: underground water, soil and atmospheric air monitoring
- Waste transfer for decontamination and disposal by specialized companies



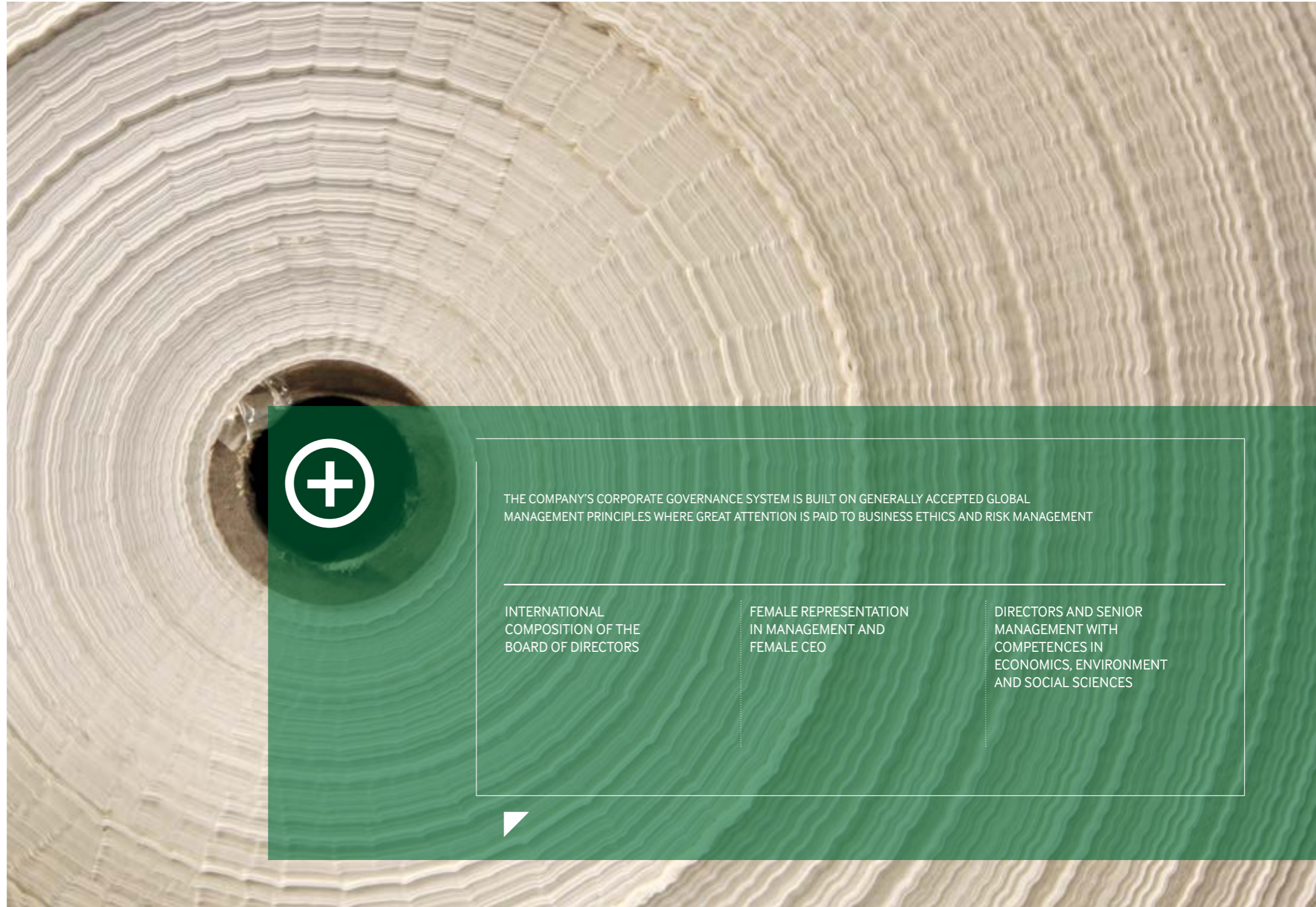
CORPORATE GOVERNANCE

07



CORPORATE GOVERNANCE

A significant role in shaping the ESG agenda of Ilim Group is played by the Board of Directors, management and other bodies that are part of the Company's corporate governance system. Sustainable development is regularly discussed at their meetings along with making decisions on introducing ESG principles in the operational flow of the Ilim Group's companies. The Company's Board of Directors and senior management are also involved in the development and approval of the Sustainability Report.



THE COMPANY'S CORPORATE GOVERNANCE SYSTEM IS BUILT ON GENERALLY ACCEPTED GLOBAL MANAGEMENT PRINCIPLES WHERE GREAT ATTENTION IS PAID TO BUSINESS ETHICS AND RISK MANAGEMENT

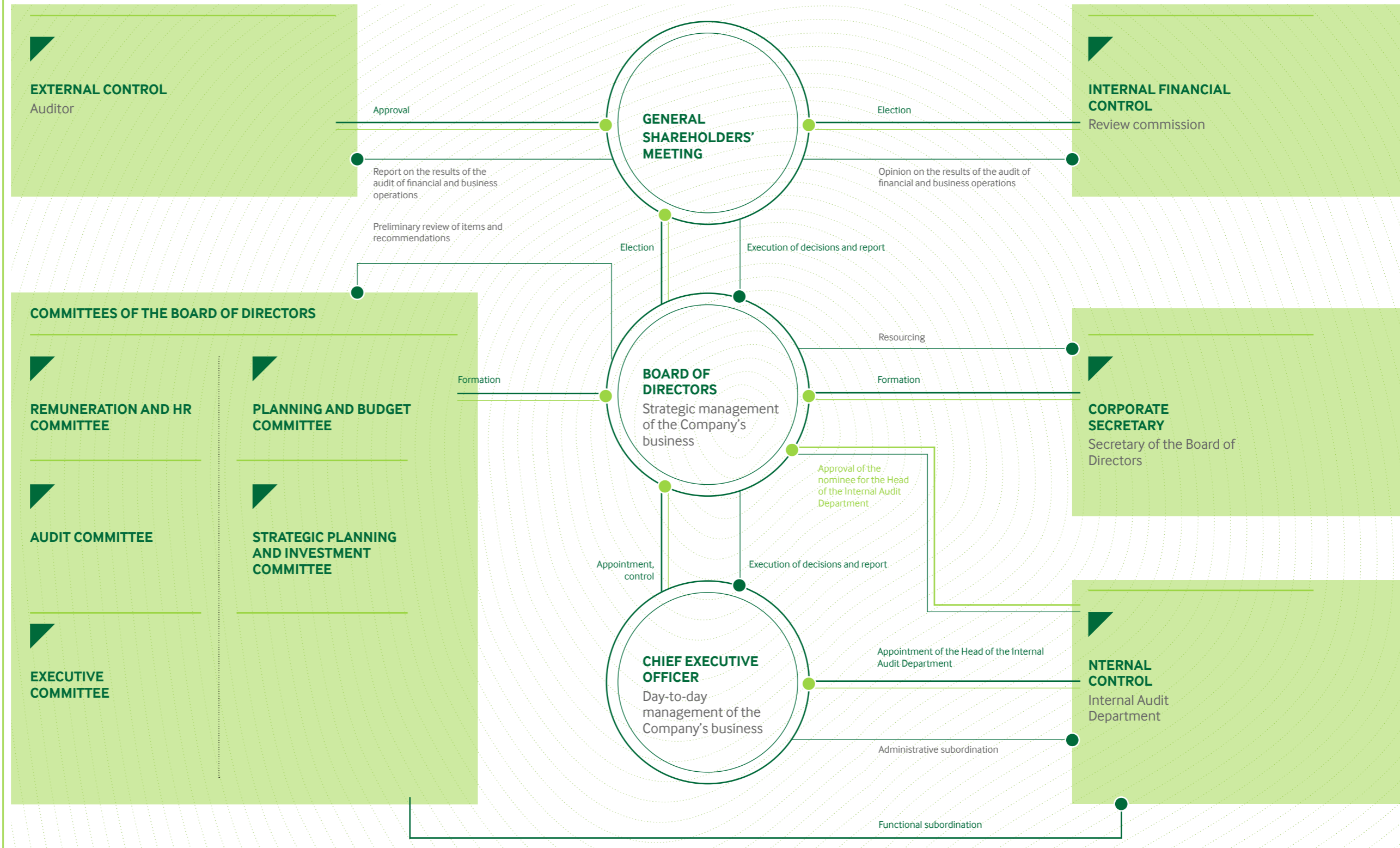
INTERNATIONAL COMPOSITION OF THE BOARD OF DIRECTORS

FEMALE REPRESENTATION IN MANAGEMENT AND FEMALE CEO

DIRECTORS AND SENIOR MANAGEMENT WITH COMPETENCES IN ECONOMICS, ENVIRONMENT AND SOCIAL SCIENCES

CORPORATE GOVERNANCE STRUCTURE

Ilim Group's corporate governance system ensures interaction among shareholders, the Board of Directors and management, which increases the efficiency of Company management and ensures its long-term and sustainable development.



GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the highest management body via which shareholders exercise their right to participate in the management of the Company.



THE PROCEDURE FOR PREPARING, CONVENING, HOLDING AND SUMMING UP THE RESULTS OF THE GENERAL SHAREHOLDERS' MEETING IS DETERMINED BY THE ARTICLES OF ASSOCIATION OF JSC ILLIM GROUP AND THE REGULATIONS ON THE GENERAL SHAREHOLDERS' MEETING OF JSC ILLIM GROUP.

BOARD OF DIRECTORS

The Board of Directors is in charge of strategic management of the Company, determines major principles of and approaches to creation of a risk management and internal control system within the Company and monitors the activity of the Company's sole executive body.

The main activities of the Board of Directors include annual budgeting and business planning, investments, corporate governance, approval of transactions, control and reporting, appointments and remuneration.

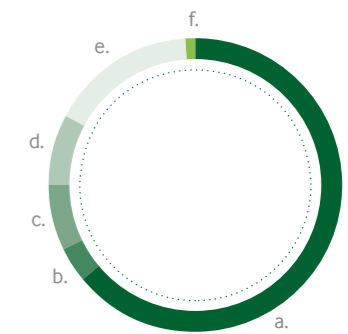
The Board of Directors aims at achieving the maximum capitalization of the business, increasing the asset portfolio of the Company, protecting the rights and legitimate interests of the Company's shareholders, exercising effective control over the General Director, ensuring the completeness, reliability and objectivity of the information about the Company in the public domain.

In its work, Ilim Group's Board of Directors is guided by the following principles:

- serve the interests of the Company and its shareholders;
- exercise due care and discretion;
- make unbiased judgements;
- act within the powers vested in them;
- act based on sufficient awareness; and
- avoid conflicts of interest.

In accordance with the Company's Articles of Association, the Board of Directors consists of eight members.

Key items considered at Board of Directors' meetings in 2021, %



a.	Approval of transactions	64
b.	Control and reporting	4
c.	Appointments and remuneration	7
d.	Investments	8
e.	Corporate governance	16
f.	Annual budget and business plan	1

In the period from January 1, 2021 to June 9, 2021 (Minutes No. 1/2020 of the Annual General Shareholders' Meeting of JSC Ilim Group of June 10, 2020), the following members were elected to Ilim Group's Board of Directors:

1. Zakhar Smushkin (Chairman)
2. Boris Zingarevich
3. Mikhail Zingarevich
4. Leonid Yeruhimovich
5. Clayton Randall Ellis
6. James Price Royalty Jr.
7. John Van Sims
8. Keith Roger Townsend



IN THE PERIOD FROM JUNE 9, 2021 TO DECEMBER 31, 2021 (MINUTES NO. 1/2020 OF THE ANNUAL GENERAL SHAREHOLDERS' MEETING OF JSC IILIM GROUP OF JUNE 10, 2021), THE FOLLOWING MEMBERS WERE ELECTED TO THE BOARD OF DIRECTORS OF JSC IILIM GROUP:



ZAKHAR SMUSHKIN
(Chairman)

Born on January 23, 1962

Graduated from the Leningrad State Technological Institute of Pulp and Paper Industry.

Doctor Honoris Causa of the St. Petersburg Forestry Academy.

Member of the Board Bureau of the Russian Union of Industrialists and Entrepreneurs, member of the Board of Trustees of the St. Petersburg State Technological University of Plant Polymers and the Presidium of the North-West Confederation of Timber Merchants.

Since 2006, the Chairman of the Board of Directors of JSC Ilim Group.

Does not directly or indirectly own any shares of JSC Ilim Group.

During 2021, did not make any transactions involving the acquisition or alienation of any shares of JSC Ilim Group.



BORIS ZINGAREVICH

Born on July 8, 1959

Graduated from the Leningrad State Technological Institute of Pulp and Paper Industry.

Professor Emeritus of the St. Petersburg State Technological University of Plant Polymers.

Since 2006, a member of the Board of Directors of JSC Ilim Group.

Does not directly or indirectly own any shares of JSC Ilim Group.

During 2021, did not make any transactions involving the acquisition or alienation of any shares of JSC Ilim Group.



MIKHAIL ZINGAREVICH

Born on July 8, 1959

Graduated from the Leningrad State Technological Institute of Pulp and Paper Industry with a degree in "Pulp and Paper Processing Equipment."

Professor Emeritus of the St. Petersburg State Technological University of Plant Polymers.

Since 2006, a member of the Board of Directors of JSC Ilim Group.

Does not directly or indirectly own any shares of JSC Ilim Group.

During 2021, did not make any transactions involving the acquisition or alienation of any shares of JSC Ilim Group.



LEONID YERUHIMOVICH

Born on November 23, 1959

Graduated from the Leningrad State Technological Institute of Pulp and Paper Industry.

Since 2006, a member of the Board of Directors of JSC Ilim Group.

Does not directly or indirectly own any shares of JSC Ilim Group.

During 2021, did not make any transactions involving the acquisition or alienation of any shares of JSC Ilim Group.



CLAYTON RANDALL ELLIS

Born on October 30, 1970

Earned a Bachelor of Science in Chemical Engineering from Louisiana State University, and completed Harvard Business School's Advanced Management Program.

International Paper's Senior VP, Enterprise Operational Excellence.

Since 2020, a member of the Board of Directors of JSC Ilim Group.

Does not directly or indirectly own any shares of JSC Ilim Group.

During 2021, did not make any transactions involving the acquisition or alienation of any shares of JSC Ilim Group.



JAMES PRICE ROYALTY JR.

Born on September 30, 1969.

Jay earned a degree in Mechanical Engineering from Vanderbilt University.

International Paper's Senior VP and President, Europe, the Middle East, Africa and Russia.

Since 2020, a member of the Board of Directors of JSC Ilim Group.

Does not directly or indirectly own any shares of JSC Ilim Group.

During 2021, did not make any transactions involving the acquisition or alienation of any shares of JSC Ilim Group.



DONALD PAUL DEVLIN

Born on February 13, 1965

Don has a Bachelor's degree in Business from Siena College located in Loudonville, New York.

International Paper's VP (Industrial Packaging).

Since 2021, a member of the Board of Directors of JSC Ilim Group.

Does not directly or indirectly own any shares of JSC Ilim Group.

During 2021, did not make any transactions involving the acquisition or alienation of any shares of JSC Ilim Group.



KEITH ROGER TOWNSEND

Born on December 6, 1968

Earned a Bachelor's degree in Mechanical Engineering and completed a pulp and paper certificate program from the Georgia Institute of Technology, as well as an MBA from the University of South Alabama.

International Paper's VP, Strategic Initiatives.

Since 2017, a member of the Board of Directors of JSC Ilim Group.

Does not directly or indirectly own any shares of JSC Ilim Group.

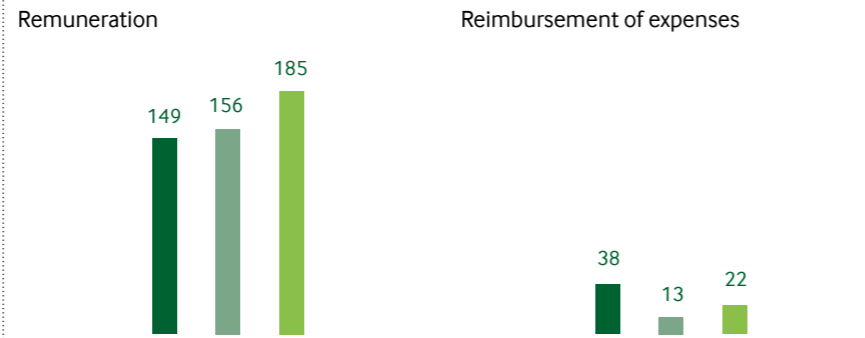
During 2021, did not make any transactions involving the acquisition or alienation of any shares of JSC Ilim Group.



REMUNERATION OF THE BOARD OF DIRECTORS' MEMBERS

In accordance with paragraph 2, Art. 64 of Federal Law of December 26, 1995, No. 208-FZ "On Joint Stock Companies," by resolution of the General Shareholders' Meeting, members of the Board of Directors during their period in office may be paid remuneration and (or) reimbursed for expenses related to the performance of their duties as members of the Board of Directors. The amounts of this remuneration and reimbursements shall be determined by resolution of the General Shareholders' Meeting.

DYNAMICS IN THE PAYMENT OF REMUNERATION AND COMPENSATION OF EXPENSES TO THE MEMBERS OF THE BOARD OF DIRECTORS FROM 2019 TO 2021



■ 2019
■ 2020
■ 2021

Total amount of payments to the members of the Board of Directors in 2021	
Payment	Amount, RUB mln
Remuneration	185
Reimbursement of expenses	22
Total	207

COMMITTEES OF THE BOARD OF DIRECTORS

Given the recommendations set forth in the Corporate Governance Code (recommended by Letter No. 06-52/2463 of the Bank of Russia of April 10, 2014), the Committees of the Board of Directors have been established and are now operating in the Company as per clause 9.42 of the Articles of Association and are tasked with preliminary consideration of the most important items within the scope of authority of the Board of Directors:

- STRATEGIC PLANNING AND INVESTMENT COMMITTEE
- REMUNERATION AND HR COMMITTEE
- AUDIT COMMITTEE
- PLANNING AND BUDGET COMMITTEE
- EXECUTIVE COMMITTEE

The Committees of the Board of Directors act under the relevant Regulations, within the scope of their authority vested in them by the Board of Directors. The need to establish each Committee of the Board of Directors, the functions and role of each Committee of the Board of Directors are determined by the Board of Directors on a recurring basis.

The purpose of establishing the Committees of the Board of Directors is to ensure preliminary consideration of the most important items within the scope of authority of the Board of Directors as part of strategic management and effective control over the Company's financial and business operations.

More detailed information on corporate governance in Ilim Group is available in the relevant sections of the Annual Report (2021) and on the Company's official website

in Annual Report 2021 and the Company's official website



During 2021, the Committees of the Board of Directors had the following membership:

	January 1, 2021 through June 09, 2021 (Minutes No. 1 (258) of June 19, 2020)	June 23, 2021 through December 31, 2021 (Minutes No. 1 (276) of June 23, 2021)
Strategic planning and investment committee	John Van Sims Zakhar Smushkin Clayton Randall Ellis Boris Zingarevich	James Price Royalty Jr. Zakhar Smushkin Clayton Randall Ellis Boris Zingarevich
Planning and budgeting committee	Boris Zingarevich Keith Roger Townsend Zakhar Smushkin James Price Royalty Jr.	Boris Zingarevich Keith Roger Townsend Zakhar Smushkin Donald Paul Devlin
Audit committee	James Price Royalty Jr. Zakhar Smushkin Leonid Yeruhimovich Keith Roger Townsend	Donald Paul Devlin Zakhar Smushkin Leonid Yeruhimovich Keith Roger Townsend
Remuneration and HR Committee	Mikhail Zingarevich Keith Roger Townsend James Price Royalty Jr. Zakhar Smushkin	Mikhail Zingarevich Keith Roger Townsend Donald Paul Devlin Zakhar Smushkin
Executive committee	John Van Sims Zakhar Smushkin James Price Royalty Jr. Boris Zingarevich	Clayton Randall Ellis Zakhar Smushkin James Price Royalty Jr. Boris Zingarevich

In 2021, 100% attendance of all meetings of the Board of Directors of JSC Ilim Group was recorded.



ETHICS AND COMPLIANCE

Ilim Group adheres to high ethical standards and is responsible for their unconditional observance.

The issues of business ethics in the Company are primarily regulated by the Code of Business Ethics of JSC Ilim Group, approved and developed under the guidance of the Company's Board of Directors. This document applies to all employees of the Ilim Group, regardless of their positions.

The Company closely monitors compliance with the Code by its employees. Those who violate the established rules are held liable, including disciplinarily liable, in accordance with the rules adopted by the Company and applicable law. Should an employee have any questions as to compliance with the Code, as well as in case he/she detects violations of the principles set forth therein, the employee can call or send a message to the Ethics Hotline, report the incident to his/her immediate supervisor or higher management, or contact the Asset Protection Department and Human Resources Department of JSC Ilim Group.

Not only employees of the Company, but also external stakeholders who become aware of the facts of illegal actions or violations of the Ilim Group's internal policies can call the Hotline. The call can be recorded anonymously.

In addition, in order to reduce risks by maintaining constant compliance with legislative, industry, contractual, internal requirements and standards of effective and proper corporate governance, including compliance with voluntarily assumed increased obligations for ethical business conduct, JSC Ilim Group in 2021 started

implementing an integrated approach to compliance management (compliance) as per the requirements of ISO 37301:2021 standards and to preparations for global certification (Compliance Management System).

The main scope of Ilim Group's Compliance Management System is as follows (without limitation): anti-corruption laws, settlement of conflict of interest issues, protection of information and personal data, anti-money laundering, antitrust laws, participation of employees in political activities.

ANTI-CORRUPTION AND FRAUD MANAGEMENT

Ilim Group is sensitive to the honest and ethical behavior of its employees and contractors and makes every effort to prevent corruption and fraud. These issues in the Company are regulated by the Code of Business Ethics and the Policy on Compliance with Anti-Corruption Legislation of JSC Ilim Group.

JSC Ilim Group is committed to strictly comply with anti-corruption laws in all countries within its footprint. The Company prohibits its employees and third parties employed to perform work on its behalf to pay, offer, promise to pay or authorize payment in cash or in any other way to domestic or foreign government officials, employees of any government agency, employees of government organizations/companies or organizations/companies owned or controlled by the state, officials of political parties or candidates for political office in order to obtain illegal commercial benefits for Ilim Group. The Company also ensures that all books and records of the Company are carefully kept and that the source and correct nature of payments from all funds are identified.

In any case, giving or receiving bribes or inappropriate, excessively expensive or repeated gifts or other material benefits are prohibited in the Company, regardless of local customs. Similarly, it is prohibited to solicit personal gifts or favors from merchants, vendors, or other business partners.

Ilim Group employs only those consultants, agents and other third parties who agree to accept the Ilim Group's anti-corruption compliance policy.

The Company opposes any form of income laundering and does not finance any activities related to terrorism.

In 2021, the Company did not record any significant incidents related to corruption or fraud.

THE CODE OF BUSINESS ETHICS DESCRIBES THE PRINCIPLES AND RULES OF CONDUCT IN THE FOLLOWING AREAS:

- Labor protection and the environment
- Antitrust law
- Copyright
- Gifts and presents
- Political activities
- Compliance with anti-corruption laws
- Compliance with global trade laws
- Paperwork and document flow
- Confidential information
- Prohibition to use insider insights
- Accuracy of accounting data and reporting information
- Conflict of interests
- Business integrity
- National legislation



POLITICAL ACTIVITIES

The Company does not participate in the activities of political parties. Instead, it is building a system of dialogue between representatives of the business community, state authorities and local governments based on a reasonable balance between the interests of business, the state and society. Many Ilim Group employees participate in the political life of a particular region, and the Company does not interfere. However, employees are not entitled to use the Company's resources and assets in support of their likes or dislikes for political parties, candidates or events.



ANTITRUST LAW

JSC Ilim Group supports the principles of open competition. In most countries where the Company operates, including Russia, applicable laws prohibit collusions and unfair practices that restrict free competition. In particular, antitrust laws are designed to ensure that the buyer is free from inappropriate agreements or other inappropriate behavior that affects prices, limits production, reduces the quantity or quality of goods or services offered to the buyer. The Company makes every effort to comply with antitrust laws within its footprint.

IN 2021, THE COMPANY HAD NO SIGNIFICANT CASES OF VIOLATION OF ANTI-MONOPOLY LAWS



COMPLIANCE WITH GLOBAL TRADE LAWS

JSC Ilim Group complies with global trade laws applicable within its footprint. Such laws govern export sales and shipments, imports, control of investments we may make in foreign countries, and impose restrictions on the parties and countries the Company's business may be connected with.

Violations of global trade laws may result in significant administrative and criminal penalties for the Company, its directors and employees. Violations of this global trade policy by the directors and employees of JSC Ilim Group may constitute grounds for disciplinary action, up to and including termination of employment.

In 2021, not a single significant case of violation of global trade laws was identified in the Company.



INFORMATION SECURITY AND DATA PRIVACY

Information is one of the most valuable assets of the Company. Employees are obliged to ensure the safety of confidential information, which includes information about new types of products and marketing plans, information about the workflow, research work, information about potential investments of the Company, as well as information related to the Personal Data category, and other information set forth in the Regulations on Trade Secrets of JSC Ilim Group and available on the intranet site. This obligation survives termination of employment.

The Company has a variety of tools for managing internal information resources, including e-mail, the Internet, landline and cell phones. In order to protect the interests of the Company and its employees, JSC Ilim Group has developed a set of standards for the management and use of information resources and assets - the Information Resources Policy.

Information security issues in the Company are regulated primarily by the Information Security Policy of JSC Ilim Group.

Organization and provision of information security management in the Company rest with the Chief Executive Officer.

These functions are directly vested in the Senior VP for Finance. The organization of planned, continuous and purposeful work to implement measures to ensure information security and control their implementation in the Company is assigned to the Information Security Directorate.

As part of ensuring information and cybersecurity, Ilim Group has established procedures and takes appropriate measures in the following areas:

- Protection of information in automated systems and computer networks;
- Organization of work with employees to address information security issues;
- Information asset recognition and classification;
- Identification of vulnerabilities and security analysis;
- Virus protection;
- Registration of information security events;
- Management of information security incidents;
- Control of compliance with information security requirements;
- Data security.

The Ilim Group's employees are required to report any observed or suspected information security violations, as well as identified vulnerabilities to the Information Security Directorate. In order to respond to incidents, they are registered and analyzed and the necessary measures are taken to mitigate risks.

The Company regularly monitors compliance with all regulations and standards in the field of information security. By order of the Ilim Group's management, scheduled or unscheduled inspections may be held.

The Company regularly trains employees in information security, including introductory briefing for new employees. Officers responsible for ensuring information security regularly improve their qualifications, get acquainted with changes in federal legislation, regulatory documents in the field of information security.

IN 2021, THERE WERE NO SIGNIFICANT BREACHES OF CONFIDENTIAL INFORMATION IN THE COMPANY. NO LEAKS OF DATA WERE RECORDED EITHER.



PROHIBITION TO USE INSIDER INFORMATION

JSC Ilim Group calls for compliance with the legislation in the field of insider information, in particular the legislation on the prohibition to use proprietary information for personal purposes. Disclosing this type of information to anyone (even to family members) before it is made public, as well as selling shares of the Company using this information, may constitute grounds for civil and criminal penalties for the Company's employee.



CONFLICT OF INTERESTS

JSC Ilim Group and the Company's shareholders expect employees to make business decisions in accordance with ethical principles and in the interests of the Company. Any situation that creates a conflict of interest or the occurrence of a conflict between the personal interests of an employee and the interests of the Company must be prevented or eliminated. Employees are prohibited from using their official position in the Company, property or information of the Company for personal benefit, against the interests of the Company and for the purpose of using opportunities that arise in connection with the use of the Company's information or property or in connection with the use of their official position in the Company. Should a conflict of interest be possible, employees should report it to the Company. If an employee is not sure of the existence of a potential conflict of interest, he/she should seek guidance from Company management. Such reports and requests for guidance should be sent to the Ethics Hotline and the Asset Protection Department, which, together with the employee who notified of the possibility of a conflict, will analyze the case and ensure that an unbiased decision is made as to whether or not there is a conflict of interest.

RISK MANAGEMENT

Risk management is an integral element of the Ilim Group's corporate governance system. Identified risks represent both threats and opportunities that may affect the future performance of the Company, as well as its ability to achieve certain social and environmental goals. Risks that may significantly affect the achievement of the Company's goals are subject to ongoing management and documentation.

Risk management activities are regulated by the Risk Management Policy. Responsibility for the implementation and control over compliance with the principles and provisions of this Policy rests with Company management represented by the VP for Internal Audit, as well as the Risk Department. In 2022, the Company plans to review its current Policy.

Each employee of the Company is responsible for identifying and timely informing, assessing risks, developing risk response measures and monitoring their implementation on an ongoing basis as part of their functional responsibility to achieve its goals.

The Company has implemented a risk management system at all decision-making levels:

The strategic level of management addresses risks in the context of business engineering and market positioning, competitive advantages, influence of stakeholders, social responsibility, corporate goals, and the implementation of the strategy.

The operational level of workflow management addresses risks associated with compliance with regulatory

requirements, financial opportunities and restrictions, obligations to suppliers and contractors, and achievement of process goals.

The project level of management considers risks associated with project targets, interaction and integration with the current business of the Company, compliance with the strategic goals of the Company.

The main method for ensuring the completeness of the identification of the Company's significant risks is the examination of the main risk areas, the study of related documents.

The Company has a Risk and Process Management Committee that reviews corporate-level risks and management measures on a regular basis.

In addition, risks are managed when shaping the Company's strategy, achieving the set goals at the level of the business plan, annual plan, plan for the implementation of capital projects, as well as the goals of specific processes and functions. Decision-making by the Company's management is based on the assessment of risks and opportunities.

More information about all types of risks identified in the Company is available in the relevant section of the Annual Report 2021.



ILIM GROUP REGULARLY MONITORS AND EVALUATES ESG RISKS, AS WELL AS DEVELOPS MEASURES TO MANAGE AND MITIGATE THEM. THE COMPANY IDENTIFIES THE FOLLOWING MAIN GROUPS OF SUSTAINABLE DEVELOPMENT RISKS:

ENVIRONMENTAL RISKS

Risk in forest management, risk of non-compliance with forest and environmental legislation, risks associated with emissions of greenhouse gases and other pollutants, climate change risks, risks of forest fires and their consequences.

The Company regularly evaluates its scope of obligations in the field of environmental protection. Violations of environmental laws, regulations and permits may result in administrative, civil and other consequences for the Company, including fines, compensations for environmental damage, suspension of operations. The issue of environmental compliance is especially relevant today when the legislation of the Russian Federation in the field of environmental protection and forest management is tightened.

The potential risk for the Company is also associated with the planned introduction of a cross-border carbon tax in the EU, China and other countries on imported products with large greenhouse gas emissions, therefore the Company is considering various opportunities to reduce emissions and increase absorption of greenhouse gases. This risk is long-term and does not affect the Company's operations in the short term. But due to the fact that reducing greenhouse gas emissions requires the implementation of capital projects, the Company's management is considering solutions to develop a carbon strategy.

The Company, having leased large forest reserves, inevitably faces seasonal forest fires. These risks are especially inherent in Siberia, which has an underdeveloped road network for prompt fire extinguishing.

SOCIAL RISKS

Industrial and fire safety risks, HR risks, risks associated with the Covid-19 pandemic, and other social risks.

The Company is exposed to risks due to the use of hazardous equipment in its production activities. Potential accidents carry risks of significant loss of assets and temporary suspension of operations. As a result of accidents, employees and contractors performing work at production facilities may be injured.

To reduce the risk of a shortage of qualified employees, the Company cooperates with Russia's leading higher educational institutions and recruits young professionals. The Company regularly monitors the labor and wages market and tries to ensure a competitive level of remuneration for its employees.

MANAGEMENT RISKS

Geopolitical risks, risks of failure of information systems, legal risks.

Ilim Group is incorporated in the Russian Federation and is part of the national economic system. Changes in the political and economic conditions in the Russian Federation, the interaction of the state with other countries, the introduction of barriers and restrictions between countries may affect the Company's business.

With the growing number of cyber attacks on financial organizations and manufacturing companies, Ilim Group is constantly improving its information security methods. The Company considers the risk of suspending its activities due to failures in the operation of information systems as relevant and requiring constant monitoring.

The Company constantly monitors not only changes in the current legislation, but also bills being developed, evaluates the nature of such changes and takes them into account in its activities, which allows mitigating legal risks. For example, the Company has a significant market share in Russia's pulp and paper market, which raises risks associated with changes in antitrust legislation.



INNOVATION DEVELOPMENT

In 2021, Ilim Group continued to implement its innovation strategy. As part of its implementation, the Company regularly monitors and evaluates the economic efficiency of the production of promising innovative products.

Insofar as technology innovations are concerned, Ilim Group focuses on projects related to the circular economy, environmental safety, low-carbon economy, efficient use of primary resources and by-products. The most promising projects at the moment are projects for the production of wood chemistry products with high added value.

Ilim Group also continues to implement its digital strategy aimed at large-scale digitalization of the entire Company. The implemented digital strategy helped the Company survive the COVID-19 pandemic in 2020 and proved to be adequate in 2021.

During 2021, more than 2,000 employees continued to work remotely. In this regard, the Company continued to focus on IT security, improving the protection of software and hardware parts of the IT infrastructure, and increasing the digital literacy of employees.

The most promising innovative projects in 2021 include, without limitation:



DIGITAL TWIN

One of the most ambitious innovative areas for our Company is creation of digital twins. In 2021, Ilim Group completed the trials of the digital twin technology at the current recovery boiler (RB 3) in the Ust-Ilimsk Branch.

The technology implies creation of digital copies of all technological and production

processes, as well as helps to determine the best equipment operation mode. The implementation of the digital twin at RB3 will enable the Company to reduce production expenses by more than USD 400 thousand through the optimization of resources consumption.

INVESTMENTS IN THE PROJECT:

700

THOUSAND US DOLLARS



ARTIFICIAL INTELLIGENCE

Another future-proof area is the use of artificial intelligence.

In 2021, the pilot stage was completed for the project involving automated determination of species composition (with an accuracy of over 99%) and volume

(with accuracy of up to 98%) for the roundwood delivered to the production site. Incoming parameters for the neuron network are pictures and dimension data based on LIDAR measurements. There are plans to start project commercial operation in 2022.



DATA MANAGEMENT

The Company is also working on other scenarios for the use of artificial intelligence, both in the pulp and paper industry and in the framework of logging processes.

Ilim Group continues to develop cross-platform analytical tools to ensure that managers have all the necessary information whenever and wherever they are. The global goal of the Group's efforts in this area is to develop a data-based culture of corporate management.

In 2022, the Company plans to implement a wide range of projects aimed at both financial effects in production and the supply

chain and development in the areas of the Company's strategic priorities: the environment, labor protection and industrial safety.



SUPPLY CHAIN MANAGEMENT

08

SUPPLY CHAIN MANAGEMENT

Setting up a sustainable and transparent supply chain is one of the priorities for Ilim Group, as the Company has an extensive pool of suppliers and strives to minimize any negative impacts from procurement activities. Ilim Group adheres to responsible methods of interaction with suppliers and contractors, including such fundamentals things as protection of human rights, concern for the environment and impeccable compliance with legal norms.



ILIM GROUP NOT ONLY IMPOSES REQUIREMENTS ON THE SOLVENCY OF ITS CONTRACTORS, BUT IS ITSELF A RESPONSIBLE AND RELIABLE SUPPLIER.

WE DELIVER TO

70
COUNTRIES

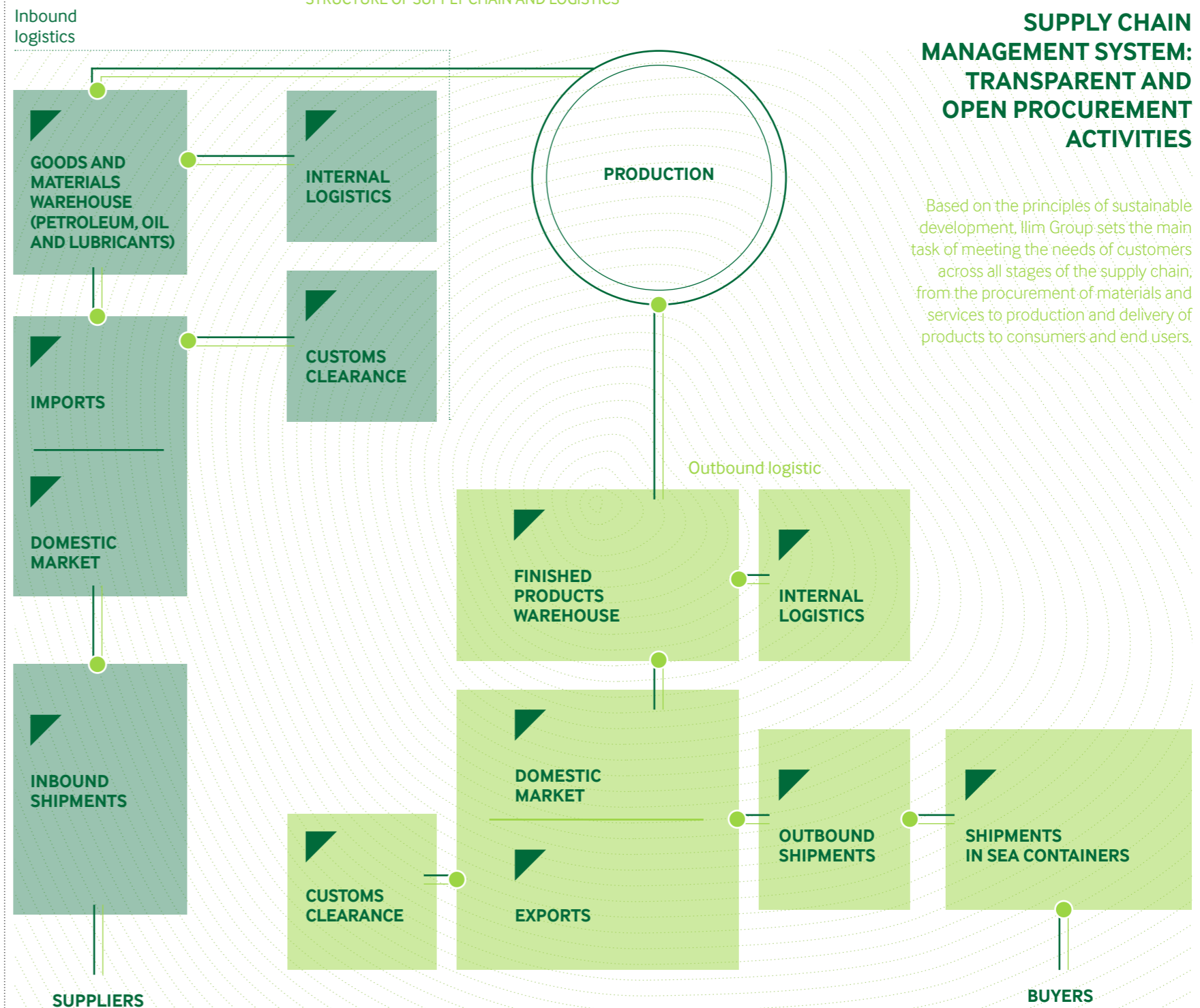
SUPPLY AND PROCUREMENT ACTIVITIES IN LINE WITH RUSSIAN AND INTERNATIONAL LAWS

IN 2021, THE COMPANY FULFILLED ALL ITS OBLIGATIONS TO SUPPLIERS

4
POINTS

OVERALL BUYER SATISFACTION INDEX

STRUCTURE OF SUPPLY CHAIN AND LOGISTICS



SUPPLY CHAIN MANAGEMENT SYSTEM: TRANSPARENT AND OPEN PROCUREMENT ACTIVITIES

Based on the principles of sustainable development, Ilim Group sets the main task of meeting the needs of customers across all stages of the supply chain, from the procurement of materials and services to production and delivery of products to consumers and end users.

The Company's procurement system is regulated by the Procurement Regulations of Ilim Group. This document outlines the general principles and procedures for the procurement of materials, equipment, works and services, as well as the principles for the sale of excess assets and the principles of commercial operations. The Regulations apply to all subsidiaries of Ilim Group.

The Procurement Directorate is responsible for determining policies and principles for the implementation of procurement activities, the preparation and updating of relevant regulatory documents in the Company.

Ilim Group purchases inventory items centrally and through the B2B-Center e-platform, as well as using the SRM procurement management system from SAP AG.

The Company stands for transparency in procurement. All necessary information about the Company's procurement activities is available in the relevant section on Ilim Group's official website, namely documents regulating procurement operations and work with suppliers and contractors, rules for participating in procurement, proposals for the sale of the Company's products.

The Ilim Group's main suppliers and contractors include:

- equipment suppliers;
- suppliers of spare parts;
- logistics companies and shipping agents;
- financial companies; and
- consulting and audit companies.



SUPPLY CHAIN SUSTAINABILITY PRINCIPLES

Ilim Group conducts supply chain activities in accordance with global and Russian regulatory requirements. The requirements include both mandatory provisions in the field of environmental protection, labor protection and industrial safety, and social obligations of suppliers and contractors.

- Ilim Group's approach to supply chain management is based on the following permanent principles:
- ethical business conduct and corruption fighting;
 - minimization of environmental impacts;
 - creating safe working conditions;
 - respect for human rights; and
 - strict adherence to law.

Ilim Group fulfills its obligations to suppliers and contractors in good faith by offering a fair price for the services and products provided.

In accordance with Ilim Group's Code of Ethics, the Company seeks to cooperate with the suppliers, contractors, joint venture partners, agents, distributors and other partners that adhere to ethical standards no less stringent than those of Ilim Group.

This means that Ilim Group will not knowingly do business with persons or companies that violate applicable laws, including labor laws, safety regulations or environmental laws. The Company takes actions aimed at ensuring that its business partners understand what standards it adheres to and that it expects them to comply with the same standards.

In the future, in order to increase the sustainability of the supply chain and ensure a responsible approach to sourcing, the Company plans to develop and introduce a Supplier Code, as well as a method and procedure for assessing contractors in terms of ESG risks.



SUPPLY CHAIN CERTIFICATION

The Company has been recognized as compliant with ISO 9001:2015 standard in the field of procurement of materials, equipment and services and regularly confirms its compliance with this standard through certification by a certifying body. As part of this certification, Ilim Group approved the Workflow Sheet "Procurement of Inventory Resources" and the Workflow Sheet "Procurement of Works and Services."

Every year, Ilim Group's supply chain is audited in order to confirm its compliance with the requirements of international forest certification. When harvesting wood raw materials, environmentally friendly technologies and law-abiding practices were used, as well as the rights of workers and the local population were strictly observed.

Ilim Group also became the first Company in Russia to obtain a LegalSource™ certificate. It allows sales in the European market in accordance with the EU Timber Regulation without additional confirmation of the legality of the raw materials from which the products sold are made. The certificate is confirmation



of the Company's business integrity across all stages and conformity of its products to all European requirements. The certificate was issued for Ilim's Koryazhma Forest, which focuses on selling products in European markets.

SUPPLIER BLACKLIST

To mitigate risks when managing the supply chain, including those that impact the ESG components of procurement activities, the Company maintains a Black List of Suppliers. The Blacklist, or the Register of Unreliable Suppliers, is a register of the Company's contractors, the contractual relations with which may entail tax, legal, financial, reputational, industrial and other adverse consequences for the Company. This list, upon submission by the EHS Directorate, also includes contractors who failed to prevent LIFE-category accidents and fires.



ONE OR MORE OF THE FOLLOWING EVENTS MAY CONSTITUTE THE GROUNDS FOR INCLUDING THE COMPANY'S CONTRACTOR INTO THE BLACKLIST:

- The counterparty was assessed negatively based on the results of due diligence and precaution procedures;
- The contractor was recognized as unreliable by the Asset Protection Department / Asset Protection Directorates of the branches or any other business unit of the Ilim Group;
- The contractor does not comply with the requirements and conditions established in the Unified Standard for Contractual and Legal Work;
- The contractor does not meet the deadlines for the delivery/execution of works;
- The contractor systemically violates the terms of payment under the contract, fails to pay penalties;
- The contractor has repeatedly supplied low quality products, provided low quality work/services or failed to respond to the Ilim Group's claims in a timely manner;
- The contractor refuses to fulfill warranty, post-warranty and service obligations or conditions (in the absence of force majeure circumstances) set forth in the contract or prescribed by law;
- The contractor has committed actions that caused or could cause material or moral damage and/or refused to take actions aimed at indemnifying for the damage caused.

RESPONSIBLE CUSTOMER RELATIONS APPROACH

Ilim Group builds its long-term relationships with clients on the principles of openness, respect and responsibility. For the purpose of effective and mutually beneficial cooperation, the Company studies the needs of buyers and constantly strives for improvements. Customer feedback is an effective tool for improving the quality of Ilim Group's products and services. Measures aimed at improving service and customer satisfaction are end-to-end and cyclical in nature and increase the level of competitiveness of Ilim Group.

Increasing the level of service and customer satisfaction

<p>SIFOT (Shipment in full on time) The Company pays special attention to the requirements of customers for the timely delivery of finished products. To control, analyze and further improve compliance with customer expectations, the Company uses an integrated SIFOT index. SIFOT is an index that allows evaluating the level of service in terms of compliance with the required terms and shipment volumes under customer orders.</p>	<p>75% In 2021, given the impact of restrictions on the Far Eastern and East Siberian Railways associated with 87 conventional bans imposed by Russian Railways.</p>
<p>Standard terms for claim handling Claim handling is an integral part of customer feedback. Based on the received requests, improvement measures are taken, which are monitored on an ongoing basis.</p>	<p>15 days The claim handling term in 2021, which is 17% lower than in 2020.</p>
<p>Customer survey The Company annually evaluates customer satisfaction (the customer satisfaction index), based on questionnaires received from respondents. The questionnaire includes questions related directly to all stages of order execution, from production to delivery of products to the buyer.</p>	<p>Based on the results of the survey conducted in 2021: 4 points Overall customer satisfaction index. 4.6 points Customer satisfaction index in relation to the assessment of the Company's performance during the COVID-19 pandemic.</p>

DIGITAL PROJECTS FOR SUPPLY CHAIN EXTENSION

In 2021, Ilim Group implemented several large digital projects to extend the supply chain:

CREATING A SYSTEM OF INTEGRATED PLANNING OF FINISHED PRODUCTS

(full implementation in the Bratsk Branch, ongoing implementation in the Ust-Ilimsk Branch)

“ROLLING STOCK TRACKING”

PROJECT GOAL:

IMPROVE THE LEVEL OF CUSTOMER SERVICE IN TERMS OF SHIPMENT AND DELIVERY OF FINISHED PRODUCTS BY IMPROVING THE QUALITY AND ACCURACY OF PLANNING AND SHIPPING AND FULFILLING ORDERS WHILE MAINTAINING THE EFFICIENCY OF PRODUCTION THROUGH THE CONSTRUCTION OF A TARGETED BUSINESS PROCESS OF SALES, PRODUCTION AND SHIPMENTS EMPLOYING ADVANCED INFORMATION TECHNOLOGY.

PROJECT GOAL:

- DEVELOP A CENTRALIZED END-TO-END CONTROL SYSTEM FOR THE OPERATION OF ROLLING STOCK IN THE RAILWAY NETWORK AND ON THE TRACKS LOCATED ON THE PREMISES OF THE COMPANY'S BRANCHES
- CREATE A UNIFIED REPORTING SYSTEM FOR ROLLING STOCK OPERATION.



APPENDICES

09



APPENDICES

GRI INDEX

Ilim Group has reported the information cited in this GRI content index with reference to the GRI Standards.

GRI standard	Metric	Report section	Comments
GRI 2: General disclosures 2021	2-1 Organizational details	About the Report About the Company	Full name — Ilim Group Joint Stock Company. The head office is located in St. Petersburg
	2-2 Entities included in the organization's sustainability reporting	ABOUT THE REPORT	
	2-3 Reporting period, frequency and contact point	ABOUT THE REPORT Appendix	
	2-4 Restatements of information	–	Not applicable
	2-5 External assurance	–	The report for 2021 was not subjected to external audit
	2-6 Activities, value chain and other business relationships	About the Company	
	2-7 Employees	Human Resources	
	2-8 Workers who are not employees	Human Resources	
	2-9 Governance structure and composition	Corporate governance	
	2-10 Nomination and selection of the highest governance body	–	Articles of Association of JSC Ilim Group
	2-11 Chair of the highest governance body	Corporate governance	
	2-14 Role of the highest governance body in sustainability reporting	Corporate governance	
	2-15 Conflicts of interest	Corporate governance	
	2-16 Communication of critical concerns	Corporate governance	
	2-18 Evaluation of the performance of the highest governance body	Corporate governance	
	2-19 Remuneration policies	Corporate governance	
	2-20 Process to determine remuneration	Corporate governance	
	2-22 Statement on sustainable development strategy	–	The Company plans to develop a sustainability strategy in 2022
	2-26 Mechanisms for seeking advice and raising concerns	Corporate governance	
	2-27 Compliance with laws and regulations	Corporate governance	
	2-29 Approach to stakeholder engagement	About the Company	
	2-30 Collective bargaining agreements	Human Resources	

GRI standard	Metric	Report section	Comments
GRI 3: Material Topics 2021	3-1 Process to determine material topics	About the Company	
	3-2 List of material topics	About the Company	
	3-3 Management of material topics	About the Company	
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	–	All permanent employees of the Company receive a salary above the subsistence minimum established in the regions where the Company operates
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Local communities	
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Corporate governance	Ilim Group's policy on compliance with anti-corruption legislation
	205-2 Communication and training about anti-corruption policies and procedures	Corporate governance	Ilim Group's policy on compliance with anti-corruption legislation
GRI 206: Anti-Competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	Corporate governance	
GRI 302: Energy 2016.	302-1 Energy consumption within the organization	The Environment	The total volume of electric energy consumed in 2021 was 118.7 mln GJ
		Appendix	The share of fuel consumption from renewable sources in 2021 was 67 %
	302-3 Energy intensity	The Environment	The energy intensity in 2021 was 2.9 Gcal/t ¹
	302-4 Reduction of energy consumption	The Environment	1.1 bln MJ in 2021 ²
GRI 303: Water and Effluents 2018.	303-1 Interactions with water as a shared resource	The Environment	
	303-3 Water withdrawal	The Environment	
	303-4 Water discharge	The Environment	
	303-5 Water consumption	The Environment	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Responsible forest management	
	304-3 Habitats protected or restored	Responsible forest management	

¹ Energy consumption in the Company to manufacture basic commercial products is taken into account.

² As compared to 2020.



GRI standard	Metric	Report section	Comments
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	The Environment	
	305-2 Energy indirect (Scope 2) GHG emissions	The Environment	
	305-4 GHG emissions intensity	The Environment	Scope 1 and Scope 2
	305-5 Reduction of GHG emissions	The Environment	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	The Environment	
	306-2 Management of significant waste-related impacts	The Environment	
	306-3 Waste generated	The Environment	
	306-4 Waste diverted from disposal	The Environment	
	306-5 Waste directed to disposal	The Environment	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Human Resources Appendix	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Resources	
	401-3 Parental leave	Human Resources	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational health and safety	
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational health and safety	
	403-3 Occupational health services	Occupational health and safety	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational health and safety	
	403-5 Worker training on occupational health and safety	Occupational health and safety	
	403-6 Promotion of worker health	Occupational health and safety	
	403-8 Workers covered by an occupational health and safety management system	Occupational health and safety	
	403-9 Work-related injuries	Occupational health and safety	
	403-10 Work-related ill health	Occupational health and safety	
	GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Human Resources
404-2 Programs for upgrading employee skills and transition assistance programs		Human Resources	

GRI standard	Metric	Report section	Comments
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Corporate governance	
		Human Resources	
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Corporate governance Human Resources	
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	–	No such incidents were identified in 2021
		417-3 Incidents of non-compliance concerning marketing communications	–
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Corporate governance	



SASB INDEX

SASB indicator	Metric	Report section	Comments
RR-PP-130a.1	(1) Total energy consumption, (2) percentage of grid electricity, (3) percentage of biomass, (4) percentage of other renewable energy sources, (5) total self-generated energy	The Environment Appendix	
RR-PP-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	The Environment	The company does not consume water in regions with High or Extremely High Baseline Water Stress
RR-PP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	The Environment	
RR-PP-110a.1	Gross global Scope 1 emissions	The Environment	
RR-PP-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	The Environment	The index is partially disclosed
RR-PP-120a.1	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O), (2) SO ₂ , (3) volatile organic compounds (VOCs), (4) particulate matter (PM), and (5) hazardous air pollutants (HAPs)	The Environment	The index is partially disclosed
RR-PP-000.A	Pulp production	Ilim Group's Annual Report for 2021, Strategic Report	8.8 million tons in 2021
RR-PP-000.B	Paper production	Ilim Group's Annual Report for 2021, Strategic Report	10.4 million tons in 2021

ADDITIONAL INFORMATION

HUMAN RESOURCES

Total headcount by employment contract and gender in 2020 and 2021, number of people and %

As at December 31, 2020

	Number of employees with a permanent (open-term) employment contract	Number of employees with a fixed-term employment contract	Number of employees with a full-time employment contract	Overall Total
Overall Total	16,702	801	17,503	17,503
of which women	28%	44%	29%	29%
of which men	72%	56%	71%	71%

As at December 31, 2021

	Number of employees with a permanent (open-term) employment contract	Number of employees with a fixed-term employment contract	Number of employees with a full-time employment contract	Overall Total
Overall Total	16,610	773	17,384	17,384
of which women	28%	42%	28%	28%
of which men	72%	58%	72%	72%

Total number of new employees hired in the reporting period by age group and gender, number of people

	Up to 30 years old		30-50 years old		50+ years old		Total headcount	
	2020	2021	2020	2021	2020	2021	2020	2021
Total headcount	756	893	1,138	1,365	169	166	2,063	2,424
of which women	183	170	306	295	47	38	536	503
of which men	573	723	832	1 070	122	128	1,527	1,921

Total number of job leavers in the reporting period by age group and gender, number of people

	Up to 30 years old		30-50 years old		50+ years old		Total headcount	
	2020	2021	2020	2021	2020	2021	2020	2021
Total headcount	251	341	693	1,085	329	338	1,273	1,764
of which women	35	52	145	235	80	97	260	384
of which men	216	289	548	850	249	241	1,013	1,380

Staff turnover 1 in 2020 and 2021, by age group and gender, %

	Up to 30 years old		30-50 years old		50+ years old		Total headcount	
	2020	2021	2020	2021	2020	2021	2020	2021
Total headcount	19%	23%	6%	9%	8%	9%	7%	10%
of which women	12%	16%	4%	7%	6%	8%	5%	7%
of which men	21%	25%	7%	10%	8%	9%	8%	11%

1 Turnover is calculated based on the number of job leavers.



THE ENVIRONMENT

Fuel consumption from non-renewable sources by fuel type in 2020 and 2021, GJ

Fuel type	2020	2021
Natural gas	28,381,369,614	28,748 714,155
Liquefied gas	1,993,593	3,144,477
Coal	68,554,248	174,767,942
Fuel oil	3,962,841,740	3,941,912,941
Gasoline	61,314,614	67,585,163
Diesel fuel	3,435,989,219	2,935,058,358
Overall Total	35,912,063,029	35,871,183,036

Fuel consumption from renewable sources by fuel type in 2020 and 2021, GJ

Fuel type	2020	2021
Red liquor	901,483,971	943,008,928
Black liquor	56,938,189,448	54,891,695,336
Bark-wood waste	13,484,587,078	14,201,369,401
Silt settlements	80,380,163	3,059,259
Products of forest chemistry and other products	1,403,777,729	1,563,232,717
Overall Total	72,808,418,390	71,602,365,642

Consumption of purchased energy in 2020 and 2021, GJ

Fuel type	2020	2021
Electric energy consumption	6,016,840,784	5,885,195,943
Thermal energy consumption	6,995,613,716	7,523,888,100
Energy consumption for cooling		
Steam consumption		
Overall Total	13,012,454,500	13,409,084,043

Consumption of generated energy in 2020 and 2021, GJ

Fuel type	2020	2021
Electric energy consumption	4,382,266,435	4,042,549,345
Thermal energy consumption	57,312,106,598	57,636,234,789
Energy consumption for cooling		
Steam consumption		
Overall Total	61,694,373,034	61,678,784,135

Sales of electric and thermal energy obtained as a result of burning fuel from non-renewable sources and not consumed in-house in 2020 and 2021, GJ

Fuel type	2020	2021
Electric energy sold	97,053,115.11	97,252,931.65
Thermal energy sold	1,902,601,065	2,112,049,835
Sold energy for cooling		
Sold steam		
Overall Total	1,999,654,180	2,209,302,766

CONTACT DETAILS

Full name: Ilim Group Joint Stock Company

Shortname: JSC Ilim Group

Location and address: 17 ul. Marata, St. Petersburg, 191025 Russian Federation

Founded on September 27, 2006

OGRN (Primary State Registration Number) 5067847380189

INN (Taxpayer Identification Number) 7840346335

Branches

Name: The Bratsk Branch of JSC Ilim Group

Location: Bratsk, Irkutsk Oblast, 665718 Russian Federation

Name: The Branch of JSC Ilim Group in the Bratsk District of the Irkutsk Oblast

Location: Bldg. 15/1, Industrial District P 27, Bratsk, Bratsk City District, Irkutsk Oblast, Russian Federation

Name: The Ust-Ilimsk Branch of JSC Ilim Group

Location: LPK Industrial Site, Ust-Ilimsk, Irkutsk Oblast, 666684 Russian Federation

Name: The Branch of JSC Ilim Group in the Ust-Ilimsk District of the Irkutsk Oblast

Location: P.O. Box 2, Nevon, Ust-Ilimsk District, Irkutsk Oblast, 666659 Russian Federation

Name: The Koryazhma Branch of JSC Ilim Group

Location: 42 Ul. Dybtsyna, Koryazhma, Arkhangelsk Oblast, 165651 Russian Federation

Name: The Forestry Branch of JSC Ilim Group in Koryazhma

Location: 38 Ul. Dybtsyna, Koryazhma, Arkhangelsk Oblast, 165651 Russian Federation

Name: Ust-Ilimsk Branch of JSC Ilim Group – KLB Mill

Location: Building 020102/134, UI LPK Industrial Site, Ust-Ilimsk, City of Ust-Ilimsk Urban District, Irkutsk Oblast, Russian Federation

Representative offices

Name: The Representative Office of JSC Ilim Group in Moscow

Location: 17 Ul. Bolshaya Andronyevskaya, Moscow, 109544 Russian Federation

Name: The Representative Office of JSC Ilim Group in Arkhangelsk

Location: Rooms 13, 15 (Office 323), 5 Ul. Pomorskaya, Arkhangelsk, Arkhangelsk Oblast, 163069 Russian Federation

Name: The Representative Office of JSC Ilim Group in Irkutsk

Location: 1G Ul. Furie, Irkutsk, Irkutsk Oblast, 664003 Russian Federation

Name: The Representative Office of JSC Ilim Group in Beijing, China

Location: Beijing, China (Office C804B, 8th floor, Building No.1, No.50 Liangmaqiao Road, Chaoyang District, Beijing)

Licensing information

No special permit is required to carry out the core operations (production of pulp, wood pulp, paper and paperboard). However, the Company has a number of licenses to support its core operations.

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