

Metsä Group Due Diligence Process description

Contents

1 Introduction	2
Definitions	2
Metsä Group organisation and EUDR responsibilities	3
Raw wood purchasing and procurement (Metsä Forest).....	4
Sourcing of external raw materials and packaging materials (Metsä Group Sourcing).....	5
2 Metsä Group's Due Diligence System Overview	5
Information Gathering.....	5
Metsä Group's' due diligence and risk assessment process	6
Risk Assessment Criteria	6
Supplier Due Diligence System Assessment Criteria.....	7
Additional measures employed to ascertain EUDR compliance upstream	7
3 Risk mitigation	8
4 Due diligence statements, reference and verification data management.....	8
5 Information storage, Review and Reporting	8
6 Contact	9

1 Introduction

EU Deforestation Regulation (2023/1115, as amended, EUDR) entered into force in all EU Member States on 29 June 2023. Application of its key obligations was postponed until 30 December 2025 by the EU legislators. EUDR aims to combat deforestation and forest degradation, and covers commodities linked to deforestation globally, including wood, and several others.

Metsä Group supports actions against deforestation and forest degradation. Metsä Group complies with all legal requirements, in all territories that it operates in and in all aspects of its business. This document describes Metsä Group's due diligence system (later DD system), common to all business areas within Metsä Group that ensures compliance with the EUDR. This document shall be updated continuously and reflects the current understanding of the legislation.

More information on the EUDR is provided by European Union: [link](#)

For the text of the Regulation itself, please use the [link](#)

EUDR prohibits to place or make available on the markets, or exports, commodities or products unless they are deforestation-free, have been produced in accordance with the relevant legislation of the country of production, and are covered by a due diligence statement (Article 3). Article 12 defines the requirement to establish and maintain due diligence systems, reporting and record keeping. Article 8 defines the requirement for the Due Diligence process. Furthermore, Article 4 requires operators to communicate to operators and traders further down the supply chain all information necessary to demonstrate that due diligence was exercised and that no or only negligible risk was found, including the reference numbers of the due diligence statements associated to those products

The purpose of this document is to provide Metsä Group's customers and stakeholders with information necessary to demonstrate that due diligence was exercised by sharing Metsä Group's approach to due diligence system and the due diligence process. More information on EUDR and related documents are provided via Metsä Group's EUDR webpage: [EU Deforestation Regulation](#)

Definitions

Upstream Operator: The party who places commodities or products for the first time on the market in the EU

Downstream Operator: Operators further down the supply chain are those who transform a product listed in Annex I (which has already been subjected to due diligence) into another product listed in Annex I. In this document this has been described as a downstream operator.

Due Diligence System ("DD System"): any system enabling the exercise of due diligence in line with Article 8 of the EUDR

EUDR: the EU Deforestation Regulation, officially known as Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010.

Making available on the market: when a trader supplies relevant products on the Union market both (i) for distribution, consumption or for use and (ii) in the course of its commercial activity.

Trader: Traders, according to Article 2(17) are persons in the supply chain other than operators who, in the course of a commercial activity, make relevant products available on the market.

Operator: natural or legal person who first places relevant products on the market or exports them or transforms a relevant product into another relevant product

Placing on the Market: when an operator makes a relevant product available on the Union market (i) for distribution, consumption or use, (ii) for the first time, and (iii) in the course of its commercial activity.

Products means relevant products as listed in Annex 1 of the Regulation

SME: micro, small and medium-sized undertakings as defined in Article 3 of Directive 2013/34/EU of the European Parliament and of the Council

Metsä Group organisation and EUDR responsibilities

Metsä Group Entity	EUDR Responsibility	Products in scope	Procurement
Metsä Wood	Downstream Operator	4412: Kerto LVL, Birch plywood, Spruce plywood 4408: Veneer 4401: Chips Wreg logs, peeler cores and sawn dust	Metsä Forest
Metsä Wood UK	Not subject to EUDR but export to EU / supply to UK customers who export to EU	4412: Kerto LVL, plywood 4407: Sawn timber Other traded products	Metsä Fibre External suppliers
Metsä Fibre	Downstream operator Non-SME Trader	4407: Sawn timber 4703: chemical pulp 4401: wood chips, sawdust, bark	Metsä Forest
Metsä Board	Downstream operator Non-SME Trader	4705: bleached chemical-thermo mechanical pulp (BCTMP) 4703: chemical pulp 4804: uncoated kraftliner 4810: coated paper and paperboard	Metsä Forest Metsä Fibre

		<ul style="list-style-type: none"> 48109210 coated FBB, FSB 48109230 coated white kraftliner 4811: PE-coated paperboard, FBB and FSB 4401: wood chips, bark, sawdust	
Metsä Tissue	Downstream operator Non-SME Trader	4803: : Basepaper (paper stock for sanitary /household use 4818: Finished products (toilet tissue, paper towels etc)	Metsä Fibre Metsä Board External suppliers
Metsä Greaseproof Papers	Downstream operator Non-SME Trader	4811: Surface sized paper products in reels/rolls/sheets	Metsä Fibre External supplier
Metsä Group Sourcing		External raw materials and packaging materials	External suppliers

Raw wood purchasing and procurement (Metsä Forest)

Metsä Group Entity	EUDR Responsibility	Products in scope	Procurement
Metsä Forest Metsä Group wood supply and forest services	Upstream operator and trader	Roundwood (4403 Wood in the rough) Wood chips and fuel wood and bark (4401 Fuel wood, wood in chips or particles, sawdust and wood waste and scrap)	Private forest owners and industrial external suppliers or traders

Wood Procurement from private Forest Owners and external industrial wood suppliers

Metsä Group wood supply (Metsä Forest) purchases roundwood directly from private forest owners through standing and delivery sales. In standing sales Metsä Forest submits the initial due diligence statement and provides the Reference and verifications Numbers to Metsä Group businesses and external customers. In delivery sales Metsä Forest can act as authorized representative. Metsä Forest purchases also wood and chips from external industrial wood suppliers where the initial due diligence statement has been already submitted. Reference and verification numbers are collected with the delivery documentation, verified and shared with Metsä Group businesses and external customers.

Metsä Forest's Due Diligence system complies with the requirements of the EUDR as well as the PEFC (PEFC/02-31-03) and FSC® (FSC-C014476) chain of custody requirements. Metsä Forest applies Metsä Group's due diligence and risk assessment processes. Metsä Group's Wood suppliers

must meet requirements outlined in the Wood Origin Appendix and Supplier Code of Conduct. Before contracts for wood trade are signed, Metsä Group conducts a Know-Your-Business-Partner process and requires an Wood Supplier Compliance Declaration. Metsä Forest uses the collected information to fulfil Metsä Groups risk assessment obligations, assesses the risks of the supply chain, target wood supplier audits and to ascertain that the wood is deforestation-free and complies with the legislation and Metsä Group's requirements.

Sourcing of external raw materials and packaging materials (Metsä Group Sourcing)

Metsä Group applies a unified due diligence process for the procurement of external wood-based raw materials, such as woodpulp, and wood-based packaging materials, such as pallets and wraps, to ensure supplier responsibility and regulatory compliance. The Know Your Business Partner process supports this by maintaining up-to-date compliance screenings, and any deviations are handled according to the defined Supplier Compliance and Sustainability Escalation Process. In addition, suppliers of EUDR-regulated raw materials and products are required to complete the Metsä Group Wood Products Compliance questionnaire and submit reference numbers to the MetsäTrace system in accordance with regulatory requirements.

2 Metsä Group's Due Diligence System Overview

Article 12 of the EUDR requires that Operators and non-SME Traders (all business areas and legal entities within Metsä Group trading in relevant commodities or products) shall establish and maintain a due diligence system in accordance with Article 8 to ensure that the relevant products they place on the market or export comply with Article 3 ("due diligence system"). A due diligence system is a framework of procedures and measures through which compliance with requirements of the regulation is demonstrated.

Metsä Group's Due Diligence system includes three steps defined by EUDR:

1. Collecting of information (requirements defined in Article 9 of EUDR)
 - a. verification of the wood origin of the product and the production chain
2. Risk assessment (requirements defined in Article 10 of EUDR)
 - a. assessment of the risk of compliance with the EUDR requirements.
3. Risk mitigation (requirements defined in Article 11 of EUDR)
 - a. mitigation of risk before placing product on the market.

Information Gathering

Information required for relevant products supplied (as detailed in Article 9 of the Regulation):

- a description (trade name, type of products, species (timber-based material) to include the list of relevant commodities or relevant products contained therein or used to make those products
- the quantity of the relevant products (kilograms of net mass or, where applicable, volume or number of items)
- the name, postal address and email address of the direct supplier of relevant products
- the name, postal address and email address of all businesses, to whom the relevant products have been supplied
- the country of production and, where relevant, parts thereof
- the geolocation of all plots of land where the applicable products / commodities, were produced, including the date or time range of production.
- adequately conclusive and verifiable information that the relevant products are deforestation-free

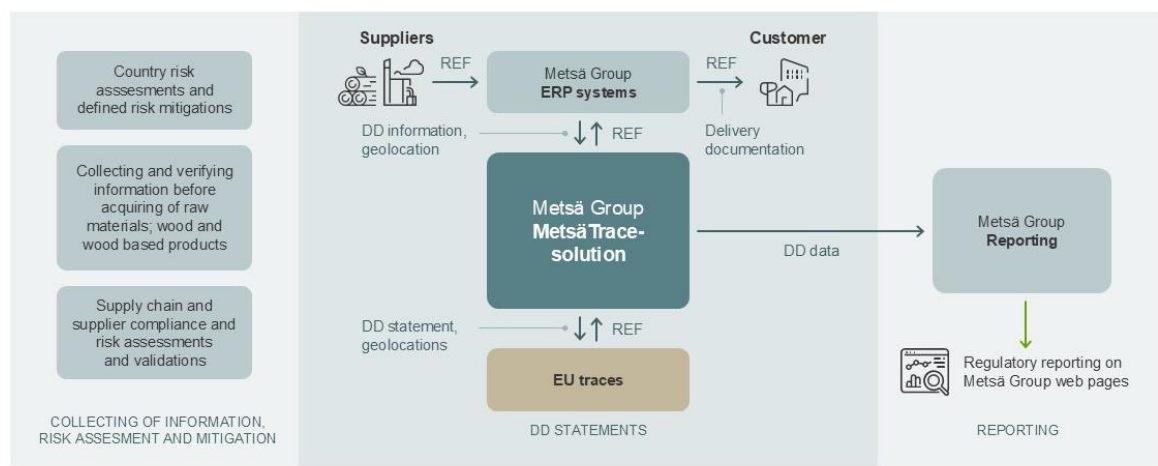
- adequately conclusive and verifiable information that the relevant commodities have been produced in accordance with the relevant legislation of the country of production which includes:
 - land-use rights
 - environmental protection
 - third party rights
 - human rights protected under international law
 - the principle of free, prior and informed consent (FPIC)
 - labour rights
 - tax and legal trade
 - anti-corruption
 - customs regulations

Where Metsä Group Business Areas (BAs) act as Downstream Operators or Non-SME Traders under the EUDR, they must verify the upstream operator's deforestation and legality assessments. This is achieved by collecting and verifying the Due Diligence Reference and verification numbers provided by the upstream operator in addition to the product description and quantity.

Due diligence systems of upstream suppliers are also reviewed among others by accessing information received through Metsä Groups compliance questionnaire to ensure they are operational, up to date, and include effective policies, controls, and procedures to manage the risk of non-compliance.

For Metsä Forest as the upstream operator all aspects of information gathering are employed.

Metsä Group's' due diligence and risk assessment process



Risk Assessment Criteria

Metsä Group's annual risk assessments consider the following criteria in addition to the EUDR official benchmarking:

- the presence of forests in the country of production or parts thereof
- the presence of indigenous peoples in the country of production or parts thereof;
- the consultation and cooperation in good faith with indigenous peoples in the country of production or parts thereof;

- the existence of duly reasoned claims by indigenous peoples based on objective and verifiable information regarding the use or ownership of the area used for the purpose of producing the relevant commodity;
- prevalence of deforestation or forest degradation in the country of production or parts thereof
- level of corruption, prevalence of document and data falsification, lack of law enforcement, violations of international human rights, armed conflict or presence of sanctions imposed by the UN Security Council or the Council of the European Union.

Sources include risk indicators, websites, and publications from relevant entities such as research organizations, public authorities, industry associations, and NGOs, where applicable. Recognized risk assessments, such as those produced by FSC and Preferred by Nature, are also utilized.

Supply chain-specific risks are also evaluated and include:

- supply chain complexity based on insights into supply chain practices within the countries of harvest and processing;
- risk of mixing with non-compliant products;
- substantiated concerns submitted under Article 31, and information on the history of non-compliance of operators or traders along the supply chain;
- the source, reliability, validity, and links to other available documentation of the information referred to in article 9(1).

Controls and procedures are in place to ensure that all information gathered as part of the supply chain due diligence is examined in terms of how it fits into the supply chain and is credible. This includes checks of issuers, consideration of dates and content of documentation. Documents are also checked for digital and manual alteration and verified on public facing databases where possible.

Results of the country risk assessments are described in each Business Area's wood origin statement according to Country risk class (article 29 EUDR.)

Supplier Due Diligence System Assessment Criteria

Metsä Group requires all suppliers to comply with EUDR and conducts regular reviews of their due diligence systems. Where Metsä Group is operating as a Downstream Operator/ non-SME Trader, due diligence statements provided by upstream operators in the supply chain are referred to. These prior statements confirm that due diligence in line with the Regulation was conducted and that the risk of non-compliance is negligible.

In addition to this Metsä Group assesses upstream suppliers' Due Diligence System for ascertaining compliance with EUDR. The following criteria could be assessed depending on context and risk level:

- Clear controls and procedures outlined regarding how risk of deforestation and forest degradation is assessed and mitigated
- Clear controls and procedures outlined regarding how evidence and information is gathered to demonstrate that products are produced in accordance with legislation (land use laws, environmental protection, labour laws, taxation laws, human rights, indigenous populations and FPIC, anti-corruption, armed conflict, sanctions)
- Description of supply chain specific risks and mitigation such as complexity of the supply chain, prevalence of document falsification and lack of law enforcement
- Explanation of how Due Diligence Systems from importers are assessed where the product is already on the EU market.

Additional measures employed to ascertain EUDR compliance upstream

Metsä Group ascertains and ensures external raw wood suppliers' compliance with EUDR also through contractual commitments. Metsä Group contractually requires that the wood material supplied by other operators and traders originates from legal felling sites, has been harvested in

accordance with applicable laws, and complies with the requirements of EUDR and EU Timber Regulation (995/2010, until applicable). Suppliers warrant having complied with applicable provisions and procedures under the EUDR, commit to provide information necessary to demonstrate that due diligence has been exercised.

3 Risk mitigation

As part of our risk mitigation efforts, any risk deemed higher than negligible triggers an escalation process to manage identified nonconformities, which may include third party audits. After corrective actions have been addressed, a decision is made on whether to continue trading with the supplier.

Certification is not considered to be a green lane for compliance with the regulation but can provide extra mitigation for identified risks. For standard and high-risk countries, it can be challenging to mitigate identified risks without third party certification. All the wood Metsä Group wood supply procures wood from either certified forests or forests that meet the requirements of controlled origin (PEFC controlled sources, FSC Controlled Wood). Certification of suppliers and products is regularly validated on invoices and the relevant databases.

Substantiated concerns about the potential origin of material being from controversial sources will be promptly investigated by Metsä Group, including but not limited to via audits and other case-specific measures. If the concern cannot be resolved by the investigation, the risk of the relevant material being from controversial sources is determined as “significant” and removed from the supply chain.

4 Due diligence statements, reference and verification data management

To ensure comprehensive data management to meet the requirements of EUDR, Metsä Group has established an internal cloud-based solution (MetsäTrace) for the management of reference and verification numbers of all relevant products and to track EUDR data throughout Metsä Group's value chain. MetsäTrace system works as an interface between the EU Traces system and Metsä Group's internal ERP-system.

Operators and traders are required to submit a due diligence statement (DDS) in the EU Traces system operated by the European Commission. The Traces system assigns reference and verification numbers to the wood and derived products subject to the DD statement. These numbers must be then provided forward to the next operator in the value chain.

All relevant information, including the reference and verification numbers, in Metsä Group's internal value chain, is stored in the MetsäTrace. The validity of collected reference numbers are verified through the EU TRACES system.

When EUDR data, such as reference and verification numbers, is passed on to customers of different business areas of Metsä Group, existing delivery and billing documents and their delivery methods are utilised. In addition, it is possible to provide reference numbers by means of a separate automated email. These are sent when customer deliveries leave Metsä Group's ERP system. Shipping methods may vary by business area based on the current ERP solutions and customers' ability to receive information.

5 Information storage, Review and Reporting

Metsä Group will retain all due diligence documentation, including risk assessments and supplier statements, for a minimum of five (5) years. This ensures traceability and accountability throughout our supply chain. Our Due Diligence System (DDS) is reviewed at least annually, or more frequently if there are significant changes in applicable regulations, sourcing regions, or supply chain structures.

An annual report will be produced which will cover Metsä Group due diligence procedures and mitigation measures.

All information and documentation concerning the Due Diligence System, risk assessments and mitigation will be available upon request of the relevant competent authority.

6 Contact

In case of concerns, please be in contact with:
compliance@mitsagroup.com

EUDR Guidelines / FAQs / Information System Guide: https://green-business.ec.europa.eu/deforestation-regulation-implementation_en