

Metsä Group Due Diligence Process description

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1 Introduction

This document describes Metsä Group's due diligence system in relation to the EU Deforestation Regulation (2023/1115, as amended, EUDR). The purpose of this document is to provide Metsä Group's customers and stakeholders with the information necessary to demonstrate that due diligence is exercised in accordance with EUDR. This document is updated on an ongoing basis and reflects the current understanding of the EUDR.

Metsä Group entities act in different roles under EUDR depending on the business activity. Metsä Forest typically acts as an Operator, while most other business areas act as Downstream Operators or Non-SME Traders. Accordingly, the level of due diligence obligations and related controls varies depending on the role in the supply chain.

While the primary focus of this document is on EUDR compliance, Metsä Group's DD-system and the processes described herein are also applied, in whole or in part, to ensure compliance with chain of custody certification requirements, Metsä Group's own wood origin requirements, and other applicable regulatory and sustainability frameworks.

EUDR entered into force in all EU Member States on 29 June 2023. Application of its key obligations was postponed until 30 December 2026 for large and medium enterprises and until 30 June 2027 for micro- and small enterprises respectively. 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 and is committed to complying with all applicable legal requirements in all territories in which it operates and in all aspects of its business.

EUDR prohibits placing or making available on the market, or exporting, 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 or a one-time simplified declaration. Prior to placing relevant products on the market or exporting them, Operators are required to establish and maintain a DD-system and to exercise due diligence, which includes information gathering, risk assessment and risk mitigation measures, as well as to submit a due diligence statement. The reference numbers of due diligence statements or, if applicable, declaration identifiers, shall be communicated to Downstream Operators and Traders further down the supply chain, who shall keep these for at least five years from the date of the placing or making available on the market or export, along with other required information. In case of substantiated concerns, Non-SME Downstream Operators and Traders must be able to demonstrate that due diligence has been exercised upstream.

2 Metsä Group organisation and EUDR responsibilities

Raw wood purchasing and procurement (Metsä Forest)

Metsä Group Entity	EUDR responsibility	Relevant products	Procurement
Metsä Forest Metsä Group wood supply and forest services	Operator and Non-SME 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

Other business areas and entities of Metsä Group

Metsä Group Entity	EUDR responsibility	Relevant products	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. Information required under EUDR may still be required where UK customers 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 <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 Forest Metsä Fibre

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

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 numbers to downstream Metsä Group businesses and external customers. In delivery sales Metsä Forest can act as an authorized representative. Metsä Forest also purchases wood and chips from external industrial wood suppliers where the initial due diligence statement or, where applicable, a one-time simplified declaration, has already been submitted. In these cases, reference numbers or declaration identifiers are collected with the delivery documentation and are kept for five years in accordance with EUDR, along with other required information.

Metsä Forest's DD-system complies with the requirements of 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 Metsä Group's 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 a Wood Supplier Compliance Declaration from its external industrial suppliers. Metsä Forest uses the collected information to fulfil Metsä Group's risk assessment obligations, assess the risks within the supply chain, conduct wood supplier audits, and to ascertain that the wood is deforestation-free and complies with applicable legislation and Metsä Group's requirements.

Sourcing of external materials within the scope of EUDR

Metsä Group applies a consistent and risk-based supplier due diligence approach in the sourcing of external materials within the scope of EUDR.

Where Metsä Group business areas act as Downstream Operators or Non-SME Traders, the focus is on ensuring that due diligence has been exercised upstream in accordance with EUDR by collecting and keeping the required information on direct suppliers, including their identification and contact details, in accordance with Article 5(3) EUDR. Where suppliers act as Operators or MSPOs, due diligence statement reference numbers or declaration identifiers associated with the relevant products are also collected and kept.

While the assessment of upstream suppliers' due diligence systems is not required under EUDR, such assessments may be carried out on a risk-based basis, for example in cases of substantiated concerns.

Additional measures employed to ascertain EUDR compliance

Metsä Group requires all suppliers to comply with EUDR. Metsä Group ascertains and ensures external raw wood suppliers' compliance with EUDR also through contractual commitments. Metsä Group contractually requires that the wood material or relevant products supplied by other Operators, Downstream Operators and Traders originate from legal felling sites, have been harvested in accordance with applicable laws, and comply with the requirements of the EUDR and the EU Timber Regulation (995/2010, until applicable). Suppliers warrant having complied with applicable provisions and procedures under EUDR and commit to provide the information necessary to demonstrate that due diligence has been exercised.

3 Metsä Group's DD-system overview

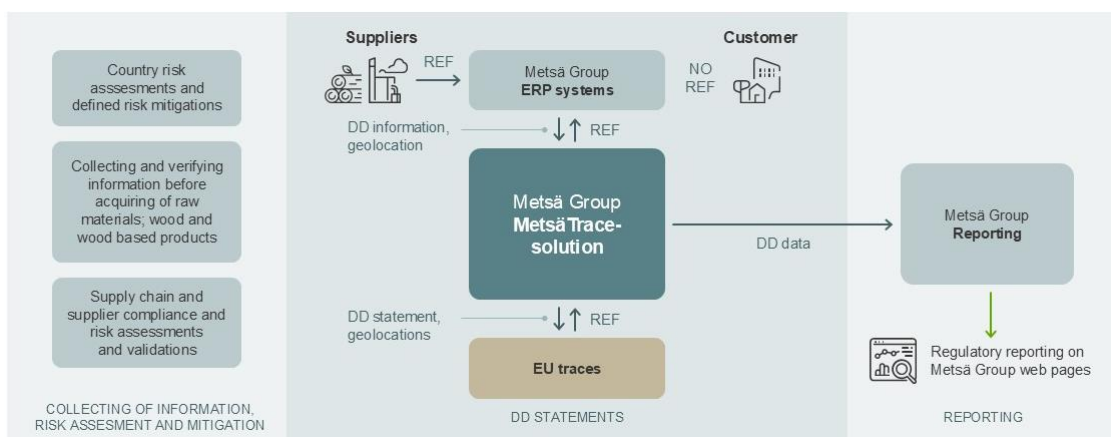
Article 12 EUDR requires Operators to establish and maintain a DD-system to ensure that the relevant products they place on the market or export comply with EUDR.

Metsä Group applies a due diligence system where the due diligence process and related controls vary depending on the entity's role in the supply chain. Within Metsä Group, Metsä Forest is generally the entity acting as the Operator for Metsä Group's own raw wood procurement, where the full due diligence process is applied. Metsä Forest also acts as a Non-SME Trader. When procuring from external suppliers, information gathering and supply-chain-level risk assessment is supported by information received through Metsä Group's compliance questionnaires.

Other business areas act as Downstream Operators and/or Non-SME Traders, depending on the product flow and transaction structure.

EUDR due diligence step	Purpose
Information gathering (Article 9 EUDR)	Collect and keep the information, documents and data, accompanied by evidence, required to demonstrate that relevant products 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 or a simplified declaration.
Risk assessment (Article 10 EUDR)	Assess the risk that relevant products are non-compliant, taking into account e.g. country risk, complexity of the supply chain, document reliability, substantiated concerns and other relevant indicators.
Risk mitigation (Article 11 EUDR)	Where the risk of non-compliance is considered more than negligible, adopt appropriate and proportionate measures to achieve no or only a negligible risk before placing products on the market or exporting them.

Metsä Group's due diligence and risk assessment process



Information gathering

Where Metsä Group acts as an Operator, the requirements of Article 9 EUDR apply in full. Where Metsä Group business areas and entities (BAs) act as Downstream Operators or Non-SME Traders under EUDR, they must collect and keep information about their suppliers and customers (name, trade name or trade mark, postal address, email address and, if available, web address), in line with Article 5(3) EUDR. Where the supplier is an Operator or an MSPO, the reference numbers or declaration identifiers associated with the relevant products are also collected.

Information gathering is performed in accordance with Article 9 EUDR. The information collected includes, as applicable:

- a description of the relevant product, including trade name, product type and, for timber-based material, common and scientific species name where required; which shall include the list of relevant commodities or relevant products contained therein or used to make those products;
- the quantity of the relevant product, expressed in kilograms of net mass, volume or number of items, as applicable;
- the country of production and, where relevant, parts of that country;
- the geolocation of all plots of land where the relevant commodities were produced, including the date or time range of production;
- the name, postal address and email address of the direct supplier;
- the name, postal address and email address of all businesses to whom the relevant products have been supplied;
- 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;
 - forest-related rules, including forest management and biodiversity conservation, where directly related to wood harvesting;
 - third-party rights;
 - human rights protected under international law;
 - the principle of free, prior and informed consent (FPIC);
 - labour rights;
 - tax and trade rules;
 - anti-corruption rules;
 - customs regulations.

Risk assessment

Metsä Group conducts an annual risk assessment and supply-chain-specific risk assessments to support compliance with EUDR, wood-origin requirements and chain of custody requirements. The risk assessment considers, at minimum, country benchmarking, supply chain complexity, circumvention and mixing risks, and other relevant indicators and criteria as required. Full risk assessment and mitigation shall always be carried out where relevant information or substantiated concerns arise.

Country and regional risk assessment criteria include:

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

- 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 may include risk indicators, websites, and publications from research organizations, public authorities, industry associations, and NGOs, where applicable. Recognized risk assessments, such as those produced by FSC and Preferred by Nature, may also be used where applicable.

Supply chain-specific risks are also evaluated and may include:

- supply chain complexity including the number and nature of actors in the supply chain and taking into account supply chain practices within the countries of harvest and processing;
- risk of mixing with non-compliant products;
- substantiated concerns submitted under Article 31 EUDR,
- history of non-compliance by operators or traders along the supply chain;
- source, reliability, validity, and consistency of the information collected under Article 9 EUDR
- links between documents and the physical supply chain, including whether documentation is credible, complete and consistent with the product flow.

Risk mitigation

Where a risk is identified as more than negligible, Metsä Group applies escalation processes and risk mitigation measures before the relevant product is placed on the market, made available on the market or exported, as applicable. Measures may include requests for additional information, enhanced document verification, supplier engagement, corrective action plans, site or supply-chain audits, third-party verification, or suspension of trade.

After corrective actions have been completed and reviewed, a decision is made on whether the risk has been reduced to negligible and whether trading with the supplier may continue.

Certification is not treated as a green lane for EUDR compliance. However, certification may provide additional evidence and mitigation where relevant risks have been identified. All wood procured by Metsä Group wood supply originates either from certified forests or from forests meeting controlled-origin requirements, such as PEFC controlled sources or FSC Controlled Wood. Supplier and product certification claims are regularly validated on invoices and in relevant databases.

4 Substantiated concerns

Substantiated concerns under Article 31 EUDR, or other credible concerns about the potential origin of material, are promptly investigated. Metsä Group's investigations may include checking the validity of reference numbers or declaration identifiers, reviewing the upstream Operator's DD-system, requesting additional evidence, conducting audits, or applying other case-specific measures.

Where substantiated concerns indicate that the risk of non-compliance is more than negligible, the relevant raw material or products is not placed or made available on the market or exported until the concern has been resolved and the risk has been reduced to negligible at minimum. If the concern cannot be resolved, the material or products is treated as posing a significant risk and is removed from the supply chain.

Where required by EUDR, Metsä Group will notify the relevant competent authorities and Downstream Operators or Traders of substantiated concerns and of the actions taken.

5 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 due diligence statements, reference numbers, declaration identifiers and, where applicable, verification numbers of all relevant products and to track EUDR data throughout Metsä Group's value chain. MetsäTrace works as an interface between the Information System operated by the European Commission and Metsä Group's internal ERP-system.

Operators are required to submit a due diligence statement or, where applicable, a one-time simplified declaration in the Information System. The Information System assigns reference and verification numbers to the wood subject to the due diligence statement or one-time simplified declaration. These numbers must then be provided to the next Downstream Operator or Trader in the value chain in line with Article 4(7) EUDR. Under EUDR, the first Downstream Operators or Traders are not obligated to share the numbers further down the supply chain.

All relevant information within Metsä Group's internal value chain, including reference and verification numbers or, where applicable, declaration identifiers, is stored in MetsäTrace. The validity of collected reference numbers is verified through the Information System.

When EUDR data, such as reference numbers, is passed on by Metsä Forest, 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.

6 Information storage, review and reporting

Metsä Group will retain all due diligence documentation, including risk assessments and supplier statements, for a minimum of five years. This ensures traceability and accountability throughout our supply chain. Metsä Group's DD-system is reviewed at least annually in connection with Metsä Group's annual risk assessment review, or more frequently if there are significant changes in applicable regulations, sourcing regions, or supply chain structures, as follows:

- for collecting and recording the information, data and documents necessary to demonstrate compliance;
- for assessing the risk of the relevant product or any component of the relevant product containing relevant products or relevant commodities that are not deforestation-free or have not been produced in accordance with the relevant legislation of the country of production;
- implementing proposed actions to take according to the level of risk.

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

All information and documentation concerning the DD-system, risk assessments and mitigation will be available upon request of the relevant competent authority.

7 Contact

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

Definitions

Term	Definition
Declaration identifier	The unique identifier assigned to a micro or small primary operator upon submission of the one-time simplified declaration through the EUDR Information System.
Downstream Operator	Any natural or legal person who, in the course of a commercial activity, places on the market or exports relevant products made using relevant products, all of which are covered by a due diligence statement or by a simplified declaration.
Due diligence statement	A statement submitted by an operator through the EUDR Information System confirming that due diligence has been exercised and that no or only negligible risk of non-compliance has been found.
Due diligence system (DD-system)	A framework of procedures, controls and measures through which compliance with EUDR due diligence requirements is demonstrated.
EUDR	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. Also known as the EU Deforestation Regulation.
Making available on the market	Any supply of a relevant product for distribution, consumption or use on the Union market in the course of a commercial activity, whether in return for payment or free of charge.
MetsäTrace	Metsä Group's cloud-based solution for managing EUDR reference data and supporting traceability of EUDR information across Metsä Group's value chain.
Micro or small primary operator (MSPO)	An operator who is a natural person, a micro-undertaking or a small undertaking, irrespective of its legal form, established in a country classified as low-risk and who, in the course of a commercial activity, places on the market or exports relevant products that this operator itself has grown, harvested, obtained from or raised on relevant plots of land.
One-time simplified declaration (simplified declaration)	One-time declaration submitted by MSPO before placing relevant products on the market or exporting them.
Operator	Any natural or legal person who first, in the course of a commercial activity, places relevant products on the Union market or exports them, excluding downstream operators. Sometimes also referred to as upstream operator.
Placing on the market	The first making available of a relevant commodity or relevant product on the Union market.
Reference number	The unique identifier assigned to an operator upon submission of a due diligence statement through the EUDR Information System.
Relevant product(s)	Products falling within the scope of EUDR, as listed in Annex I of EUDR.
SME	Micro, small and medium-sized undertakings, irrespective of their legal form, as defined in Article 3 of Directive 2013/34/EU of the European Parliament and of the Council (the Accounting Directive).
Trader	Any person in the supply chain, other than the operator or downstream operator, who, in the course of a commercial activity, makes relevant products available on the Union market.