

Annex No. 5 to the PATA Code of Conduct

Climate Policy

Recognizing the role of companies in achieving climate goals, the PATA Group has developed Climate Policy, which it applies in its own work and requires its suppliers and cooperation partners to adhere to, thus ensuring compliance with the principles of this policy throughout the supply chain.

Aim of the Policy

The aim of this policy is to describe the operating principles of the PATA Group, implementing measures that reduce the company's impact on the climate, promoting sustainable development, reducing greenhouse gas (GHG) emissions, using wood in accordance with the cascading principles. The policy is based on the principle of continuous improvement, ensuring effective and adaptable action, operating in accordance with the latest scientific knowledge and industry standards.

Basic principles of the Climate Policy

When implementing the Climate policy, PATA Group companies will engage in climate change mitigation, adhering to the principles of sustainable development. Our policy sets out action lines to reduce GHG emissions, mitigate climate-related risks, promote the preservation of natural capital and adhere to the introduction of circular economy principles in the use of wood.

Reduction of greenhouse gas emissions - gradually reduce direct and indirect GHG emissions, strive for climate neutrality by 2050.

Basic operating principles:

- ▶ perform energy efficiency audits at least once every four years;
- ▶ regular calculation of CO2 emission reductions in the transport, sawnwood and firewood production sectors;
- ▶ implement energy efficiency measures in production processes;
- ▶ optimize transport and logistics processes, promoting the use of electric or low-emission vehicles, promote the use of energy-efficient technologies in production;
- ▶ development and implementation of green energy projects – solar/wind parks.

Climate risk management - identify and assess the risks posed by climate change to business operations and supply chains.

Basic operating principles:

- ▶ perform a climate risk assessment - physical (extreme weather conditions), transitional (regulatory / market changes);
- ▶ develop adaptation plans - infrastructure improvements, alternative supply chains;
- ▶ avoid high carbon footprint solutions;
- ▶ innovative investment practices.

Ecosystem restoration - promoting biodiversity conservation.

Basic operating principles:

- sustainable management of PATA Group forest properties - compliance with FSC/PEFC standards; restore the forest by planting local tree species and promoting the natural regeneration of forest ecosystems;
- preserve and protect biologically high-value areas, do not harvest wood and biomass in “no-go areas”:
 - ▷ in primary and old natural forests,
 - ▷ in specially protected areas, areas of protected species and habitats,
 - ▷ in biologically valuable grasslands,
 - ▷ in slow-growing forest areas, areas of high carbon concentration - heathlands, peatlands, wetlands,
 - ▷ do not use stumps and roots in wood biomass,
 - ▷ minimize adverse impacts on soil and water quality during logging;
- cooperate with LVMI Silava to use the latest scientific knowledge to promote the health of the forest ecosystem
- afforest land not used for agriculture to increase CO2 sequestration and carbon storage;
- create certified Gold Standard carbon credit projects.

Wood use according to the cascade principle - to maximize the sustainable and efficient use of wood resources, prioritizing products with the highest added value.

Basic operating principles:

- wood materials are used according to their highest economic and environmental added value, in the following order of priority:
 - ▷ wood products,
 - ▷ extension of the service life of wood products,
 - ▷ reuse,
 - ▷ recycling,
 - ▷ biomass for energy,
 - ▷ disposal;
- wood evaluation according to the cascade principle in wood use - high-quality wood materials (saw logs, veneer logs, small logs), medium-quality wood materials (pulpwood, container logs), low-quality wood materials (technological wood, firewood, wood chips, production residues);
- the extraction of energy biomass is sustainable and certified, avoiding excessive use of forest resources;

- ▶ promote the processing of wood processing by-products (chips) into higher-value products - wood chip briquettes;
- ▶ promote investments in biomass processing technologies.

Continuous improvement - regularly review and improve climate action strategies to comply with scientific innovations and industry best practices.

Basic operating principles:

- ▶ preparation of sustainability/environmental reports;
- ▶ employee training on climate goals, basic principles, company sustainability practices;
- ▶ follow industry innovations in wood processing, carbon storage solutions in wood products;
- ▶ promote international cooperation for global sustainability project activities;
- ▶ promote the use of AI in database creation and process automation.

Application of policy principles

The policy applies to all PATA group companies, as well as their suppliers and cooperation partners. All our suppliers must comply with the PATA Code of Ethics, which includes the requirements of the Climate Policy.

To ensure the implementation of this policy, PATA Group:

- ▶ complies with all regulatory acts regulating environmental, climate, and biodiversity issues;
- ▶ recognizes the importance of this issue and publicly expresses its position on it;
- ▶ educates employees on the issues included in the policy, as well as invites employees to report climate and environmental violations if they see them or suspect them;
- ▶ ensures that all possible policy violations in PATA Group companies, if any, are properly investigated by authorized and competent persons, in accordance with the procedure described in the procedure for raising internal whistleblowing and handling complaints;
- ▶ informs PATA Group suppliers and other cooperation partners about the company's policy and stipulates in contracts the obligation to comply with these policies, which are an integral part of the Code of Ethics;
- ▶ conducts audits of suppliers and cooperation partners on the implementation of the policy.

A more detailed description of compliance with the policy principles is described in the certification system procedures and documents.



The Policy is reviewed and, if required, amended or supplemented once a year. The enforcement and review of the Policy is performed by the boards of the PATA group companies.