

Annex No. 4 to the PATA Code of Conduct

Environmental Policy

The UN Global Compact¹ stipulates that businesses must take care of the environment and promote environmental responsibility, as well as they must promote the development and use of environmentally friendly technologies. At the same time, the UN Sustainable Development Goals² require to:

- ▶ protect and restore terrestrial ecosystems, promote their sustainable use, manage forests sustainably, prevent land degradation, promote its restoration, and halt biodiversity loss;
- ▶ ensure sustainable consumption and production patterns;
- ▶ take measures to combat climate change and reduce its impact.

Considering the role of businesses in achieving these goals, the PATA group has drawn up its Environmental Policy (hereinafter—Policy), which the PATA group follows itself and asks its suppliers and business partners to follow, thus ensuring the application of the principles of this Policy across the whole supply chain.

Aim of the Policy

The aim of this Policy is to describe the operating principles of the PATA group in implementing measures that impact the environment.

Basic Principles of the Environmental Policy

While pursuing its environmental policy, the PATA group assesses its environmental impact in the following operational areas: forest management, harvesting, sawn timber production, timber transportation and logistics, and purchasing of raw materials.

Basic operating principles:

- ▶ promote continuous improvement of environmental performance at every business unit and the PATA group companies at large;
- ▶ ensure thought-out and rational use of natural resources;
- ▶ identify and mitigate potential environmental risks as much as possible;
- ▶ develop competence of responsible employees in the environment-related questions;

The products and services of the PATA group companies are based on sustainably managed forests and renewable raw materials, which fosters responsible consumption and use of resources.

Forest management and harvesting

To pursue responsible environmental policy in the field of forest management, the PATA group companies:

¹UN Global Compact (Principles No. 7, No. 8, No. 9), available at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

²UN Sustainable Development Goals (No. 12, No. 13, No. 15), available at: <https://www.un.org/sustainabledevelopment/sustainable-development-goals>

- make sure that forests are managed in accordance with approved forest management plans;
- minimise the negative environmental impact:
 - do not purchase and carry out harvesting in sites which contain registered specially protected species, specially protected forest biotopes, protected heritage values, as well as observe all specially protected territory management rules;
 - carry out harvesting at appropriate times to reduce direct harm to the remaining forest stand, soil, waters, infrastructure objects, and avoid harming forest resources by ensuring control over erosion processes to minimise damage caused to the forest during the harvesting;
 - if harvesting has resulted in environmental damage, the damage is mitigated in accordance with the procedure and terms stipulated in the legislation;
 - when harvesting is over, do not leave waste at a felling site;
 - store fuel, oil, and lubricants in accordance with the provisions of the ADR Agreement;
 - during harvesting, preserve all ecological values of a felling site;
 - all issues that arise during harvesting and concern the adjacent properties and public interests resolve by means of mutual dialogue/agreements;
 - in forest management, mitigate any pollution risks to the environment, air, water, as well as do not use chemical substances, fertilisers, pesticides, etc. without ecological justification;
 - in reforestation, do not use material which is based on genetically modified forest-derived organisms.

Sawn timber production

To pursue responsible environmental policy during the production process, the PATA group companies:

- exercise efficient use of timber and automated process control in their operations;
- promote optimum use of saw logs/sawn timber, use an individual, automated three-dimensional measuring system to measure trunks and detect trunk defects or shape peculiarities;
- implement efficient processing of timber, reducing the amount of production-derived residual waste by using it for further production of wood briquettes and pellets;
- mitigate the impact of the production processes on the environment and workers' health by continuously improving technological equipment and workplaces;
- efficiently use energy resources by reducing energy consumption per production unit and increasing the proportion of energy gained from renewable energy sources (use of bark in heat production, drying kiln recuperation systems etc.);
- mitigate any pollution risks to the environment, air, water by not using production chemicals without ecological justification;
- in production, do not use material which is based on genetically modified forest-derived organisms;
- do not purchase species listed in the CITES I-III annexes;
- attest to their high standards by the acquired environmental governance and timber supply chain certificates.

Timber transportation and logistics

To pursue responsible environmental policy in timber transportation, the PATA group companies:

- ▶ use timber hauling vehicles—timber haulers and woodchip carriers—with the emission standard that is not lower than EURO VI, as EURO VI ensures both reduced CO₂ levels and reduced fuel consumption;
- ▶ use AdBlue additive to ensure reduced exhaust gas CO₂ levels;
- ▶ purchase new chip crushers with emission standard EURO V, which requires the use of the AdBlue additive;
- ▶ for timber hauling, use tyres with better rubber content, which ensure higher mileage and reduced rubber particles pollution;
- ▶ for timber hauling, use environment-friendly hydraulic oil.

Timber purchasing

To pursue responsible environmental policy in timber purchasing, the PATA group companies:

- ▶ verify the legality of timber purchasing, supply chain traceability;
- ▶ do not purchase timber from felling sites which contain registered specially protected species, specially protected forest biotopes, protected heritage values;
- ▶ request suppliers' attestation that during timber harvesting they have observed work safety and environment protection requirements;
- ▶ do not purchase timber derived from the species listed in the CITES I-III annexes;
- ▶ attest to their high standards by the acquired timber supply chain and wood fuel production certificates.

Application of Policy Principles

The Policy applies to all PATA group companies as well as their suppliers and business partners. All our suppliers are to adhere to the PATA Code of Conduct, which includes provisions on environmental policy.

To make sure we enforce this Policy, the PATA group:

- ▶ adheres to all relevant laws and regulations tackling environmental issues;
- ▶ recognises the significance of the issue and takes a strong stance on it publicly;
- ▶ educates its staff on the issues raised in the Policy and encourages the staff to report on environmental violations if they see or suspect them;
- ▶ ensures that all potential violations of this Policy at the PATA group companies, if such violations have taken place, are properly investigated by authorised and competent persons in compliance with the internal whistleblowing and grievance procedure;
- ▶ informs its suppliers and other business partners of the company's Policy and makes sure that agreements stipulate that this Policy is complied with as an integral part of the PATA Code of Conduct;
- ▶ carries out supplier and business partner audits on the Policy enforcement.



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.