

Syktyvkarskiy LPK Due Diligence System summary

Approved by: 
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07.11.2023
LND 22000018.11

Introduction

Joint Stock Company Syktyvkarskiy LPK is the largest paper producer in Russia. Syktyvkar mill specializes in manufacturing office and offset paper as well as newsprint, top-liner cardboard and commercial pulp. The most known brand of the company is «Snegurochka» office paper. The mill is located in Syktyvkar, Komi Republic.

For over 10 years a system of assessment and selection of suppliers is working at JSC SLPK in order to exclude non-eligible inputs. Initially, the requirements of quality management system in scope of ISO 9001 were in the basis. Then ISO 14001 requirements were added to ISO 9001 requirements. The area of validity of certification starts from upper landings within JSC SLPK and external suppliers' managed wood areas. New certificates were received on international standard ISO 38200:2018 «Wood and timber products supply chain» and Russian standard «Legal Origin» (Legal Origin), standard NSFC.48861355-001-2023, standard NSFC.48861355-004-2023. Regarding uncertified sources, additional requirements for controlled wood are applied. In accordance with the standard ISO 38200:2018 "Chain of custody of wood and woodbased products", Legal Origin FC-STD-02 on controlled wood Due Diligence System (DDS) is used at JSC SLPK and applied to all raw wood suppliers and sub-suppliers. DDS includes the description of wood origin tracking system and its movement from the plot to the mill, the system of measures and procedures aimed at data collection from raw wood suppliers and sub-suppliers, their evaluation and control measures on decreasing the risks of non-eligible inputs in supply chain.

As JSC SLPK mainly purchases timber in Komi, risk assessment system and control measures are adapted for this region. In case of purchase of timber from other regions risk assessment is conducted individually in each case and maximal control is applied with field inspection.

Supplier verification is carried out in 3 stages:

- 1) When selecting suppliers, all organizations that have submitted an application are assessed in accordance with the internal instructions of the IMS "Procedure for assessing and selecting suppliers of wood raw materials" and are tested by competent services or organizations.
- 2) The second stage is a risk assessment using remote control measures in accordance with the requirements of ISO 38200:2018, Legal Origin.
- 3) For those suppliers for whom it was not possible to remotely prove a "low" risk and the risk is assessed as "uncertain" or "established", a field audit is carried out.

During the acceptance of raw timber control of incoming documentation is conducted (waybill, accompanying documentation on wood transportation, specification) and quality check. All arriving timber trucks are checked via automated Photo Scan system to control the compliance of actual timber volume with the declared volume stated in the suppliers' documentation. This stage completely excludes acceptance of wood from uncontrolled sources. In case if provided documentation or volumes mismatch, the wood materials are not accepted.

Tracking of timber trucks via GPS and GLONASS is used for checking the origin of wood. Navigation installed in timber trucks is an obligatory condition for contract signing. Coordinates of the loading area stated in the accompanying documentation are verified with Scan Track internal information system data.

Information of wood supply down on the lever of a quarter on each supplier is available in WSS (Wood Supply Solution) system. All the documentation acquired from the Suppliers which confirms the legal origin of wood and copies of constituent documentation are entered into the company electronic document flow system.

Due diligence system is annually revised to prove actuality, efficiency and adequacy and amendments are introduced if necessary. Each check of DDS is documentarily fixed in «Internal audits» log where the inspection area, date and participants are stated. In case if violations are revealed the necessary corrective measures are applied within 12 months.

JSC SLPK ensures that the certification body, and Accreditation Services International are granted access to evidence of conformity with applicable requirements of CW standard, including access to documents, sites, premises of suppliers and sub-suppliers, and supply units, where relevant.

1. Assessment of suppliers during contracting process

During the contractual campaign the Suppliers provide the package of documents together with the application form as the basis for conducting further evaluation and selection of suppliers in accordance with the existing requirements and Internal Instruction criteria.

The applying Suppliers provide:

- 1) The information on registration in Legal Entities Registry/Uniform State Register of Private Entrepreneurs; information on the legality of forest use (a verified copy of forest declaration with the conclusion/approval by forestry relations authority; information on international certificates in responsible forestry management (forest management certification, timber supply chain management and origin control, on management system in the areas of quality, ecology, labor and health safety) attaching the above documents;
- 2) Information on possible timber delivery split by volume and species and indicating monthly supply for the coming period (year);
- 3) Information if the Supplier is a logging operator or agent for part or total volume;
- 4) Information on logging equipment, including wood harvesting and timber-loading equipment, as well as its quantity.
- 5) Information on wood storage capacities and existing options;
- 6) Information on hauling distances and means of timber supply (r/w, automobile), number of transportation units in property, lease or under service agreements;
- 7) Documentation confirming the legal origin of timber:
 - Forest stands sales contract or forest declaration of the leaser, lease/sublease contracts;
 - Forest plot process chart;
 - Register of the plot's material-asset value;
 - Layout view of loading points (scheme) and positioning on forestry quarters' grid;
 - Loading points coordinates;
 - If the Supplier is not a holder of sales contract of forest stand or a leaser – a corresponding agreement (with EGAIS registration number), confirming the ownership of timber product;
 - Documents confirming the company capacities in timber harvesting and transportation (vehicle registration certificates/ Lease agreement on vehicles or logging machinery/ the agreement with a transportation or logging company on timber transportation or harvesting services)

Based on submitted requests for raw wood supply a list of possible suppliers is compiled. The suppliers with improperly filled or requests containing false information are not included into the list.

All requests are considered and two lists are prepared:

- 1) The list of possible suppliers complying with the company requirements;

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2) The list of suppliers excluded from the initial list with obligatory indication of reasons of exclusion.

2. Risk assessment and control measures

JSC SLPK has developed a risk assessment for checking suppliers of controlled wood. Table 1.
National level risks

Controlled wood categories	Risk level
1. Illegally harvested wood	Specified risk
2. Wood harvested in violation of traditional and human rights	Specified risk
3. Wood from forests where high conservation values are threatened by management activities	Specified risk
4. Wood from forests being converted to plantations or non-forest use	Low risk
5. Wood from forests in which genetically modified trees are planted	Low risk

Evaluation of risks is conducted for all suppliers and sub-suppliers and includes criteria defining the risk of mixing the material with non-eligible inputs in supply chains. In order to decrease the possible risks remote measures of control are applied for all suppliers in accordance with the requirements to Table 2.

Table 2. Risk assessment and remote monitoring

Indicators & sub-indicators		Risk assessment and control
Category 1. Illegally harvested wood		
1.1	Land tenure and management rights	Low risk, no control measures required
1.2	Concession licenses (Legal reasons for business operations on forest sites)	- Lease agreement or an agreement on free use is checked as well as availability in EGAIS automated information system. - Monitoring of media for availability of law violations by a supplier/subsupplier. - Checking on website http://komi.arbitr.ru/ for availability of supplier/subsupplier reference to corruption.
1.4	Harvesting permits	- available forest management plan with state approval (if wood harvesting is within a forest leasing agreement or a permanent using contract); - available forest declaration with state approval compliance with forest management plan and forest leasing agreement (or permanent contract) - wood sale contract (if wood harvesting by contract of sale) - contract for the protection, conservation and reproduction of forests (if wood harvesting by a contract for protection, protection and reproduction of forests)
1.5	Payment of royalties and harvesting fees	- To confirm that an organization using a forest site for harvesting wood makes timely payments, it is checked that there are no arrears of forest payments (at least once a year): http://mpr.rkomi.ru/ http://www.rosleshoz.gov.ru/activity/finance/stat - If there is any available information about arrears of forest payments supplier is to present documentary confirmation of debts absence (invoices docs, which prove payments of leasehold, documents, confirming amicable agreements, granted delays on payments)
1.6	Value added taxes and other sales taxes	Low risk, no control measures required
1.7	Income and profit taxes	Low risk, no control measures required
1.8	Timber harvesting regulations	Check on compliance of standards, regulating harvesting, harvesting technology, terms of harvesting on-site during field checks.

		During field checks: 1) Allotment boundaries are complied with material, divided by blazes, color or warning tapes. 2) If there is a new growth of main species in cutting area, it's preservation is ensured during wood harvesting operations if natural reforestation is planned. 3) All sections of a flowchart are filled in according to current statutory provisions. 4) If natural reforestation is planned, sources of main species sowing – seed trees, groups, strips of woods - are marked and preserved during harvesting operations. 5) If during selection cutting preselection of wood for further logging is conducted, the selected trees are marked (colorful tape, scotch tape, color, blazes). During power-operated harvesting without preselection of trees, volume of harvested wood is registered. 6) Wood selection is complied with cutting area taxation, forest care projects (if applicable), a flowchart. 7) During harvesting operations biotopes and biodiversity objects are preserved, the possibility of their preservation is specified by requirements of forestry regulations, if their preservation is defined by flowchart requirements. 8) During harvesting in the cutting area the flowchart requirements are complied with, relating to technology network, which ensures further successful reforestation – adjusted swath width, main and technologic logways, loading areas и leisure areas. 9) Slash removal is conducted, specified by current statutory provisions and flowchart requirements. 10) During harvesting operations there are no cases of cutting wood outside cutting areas, littering of 50 m forest strip, adjacent to cutting area, logging slash. 11) If wood is stored in intermediate storages, it is registered in USAIS. • Selective inspection of forest use reports, completion certificate of thinning cutting, sanitary felling • Consulting with forestry representatives about detection of forest regulations violations by a forest user • Media monitoring for detection of forest regulations violations by supplier (at least once a year) Additionally when purchasing wood, received after cutting dead and damaged forest stand: • check, that forest pathological inspection report are posted on the website of the government agency of RF region applicable to forestry affairs. forest pathological inspection report are to be approved in accordance with conditions and terms in regard to cutting areas, where sanitary felling is to be held and wood delivery is planned.(https://mpr.rkomi.ru/content/99) • Consultations with competent authorities and/or regional divisions of Russian forest protection center before wood purchase prove, that Supplier's/ Sub-supplier's cutting areas (logging sites), where cutting of dead and damaged forest stand is planned, are contained in forest sites registry, according to the data from state forest health monitoring, where such cutting is recommended, and the type of cutting is complied with forest pathological inspection report. • Checking information in corporate GIS of forest
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		management regulations proves that allotments with sanitary felling, from which wood delivery is planned, are not situated on the territory of current or planned Specially Protected Nature Areas, special protection areas, protective forests и HCV. • Inspection of wood share from cutting dead and damaged forest stand in total harvesting volume of Supplier/ Sub-supplier under lease agreements, agreements of sale and purchase of forest stand over the last year proves that it's not more than 20%. • Inspection of the list of cutting area mensurational description proves, that the share of harvested wood in cutting areas with dead and damaged forest stand, does not exceed: - 20% in case of selective cutting of dead and damaged forest stand; - 10% in case of clearing of unsaleable wood; - 40% in case of clean cutting of dead and damaged forest stand; - any amount of commercial wood in case of cutting wrecked trees. • Check of information in media proves absence of negative publications, which contain well-founded conclusions, about cutting of dead and damaged forest stand, conducted by Supplier/ Sub-supplier under lease agreements, agreements of sale and purchase of forest stand. • Document inspection of forest pathological inspection report proves compliance with the requirements of regulatory failure act «Procedure of forest pathology research and act of forest pathology research», «Rules of taking measures to prevent spreading of hazardous organisms», including fotofixation and geographical information. • Check of remote sensing data, published in open sources, shows signs of forest damage, stated in the respective forest pathological inspection report for the cutting area, where cutting of dead and damaged forest stand is planned. If during such check the Organization established, that signs of forest damage are not complied with those stated in forest pathological inspection report or remote sensing data is not found, then control measure 10 must be used. Field check of cutting areas, where sanitary felling and wood delivery is planned (selective, if it's enough for risk reduction), proves: • Signs of damage, its pattern and amount, comply with those stated in forest pathological inspection report; • In case of selective sanitary felling – selection amount, selection based on species, condition categories and compartment boundaries after cutting comply with those states in the respective forest pathological inspection report.
1.8 a	Reforestation	• Low risk. No wood supply from areas where reforestation works are conducted
1.8 b	Forests maintenance	• Control measures described in p.1.8.
1.8 c	Forests conservation and protection	• Control measures described in p.1.8.
1.9	Protected sites and species	• Inspection of forest declarations and sales agreements on the compliance with the established forest management regime in protected forests and special protection areas. • Inspection of forest declarations and sales agreements

		proves that the forest cut is not located within water protection zones of the rivers not exceeding the length of 25 km. • Before the start of timber supply the wood harvesting area is checked for intersection with Specially Protected Nature Areas on maps at http://oopt.aari.ru. • In case of wood harvesting within Specially Protected Nature Areas borders, in special protection areas and protected forests, a field check is conducted in order to monitor the observance of established forest management regime. • During the field check a sampling audit of timber harvesting areas inspection reports and forest management reports is conducted on the absence of species inadmissible for felling.
1.10	Environmental requirements	• Field check on the Supplier's compliance with the requirements of environmental legislation regarding leaving domestic and production and waste and fuel-and-oil pollution during conducting works in forests. Documentary verification: 1) Inspection of the list of pesticides to be used for wood treatment, confirms that none components are present, which are rated class 1A or 1B by World Health Organization (WHO). Field inspections: 1) Field inspection proves that during felling operations waste, fuels and lubricants are in hermetically closed containers, temporary waste deposits, fuels and lubricants storages and fueling spots are equipped by dripping trays and/or other means are used to prevent contamination. 2) Field inspection proves that places of temporal waste accumulation, fuels and lubricants storages, are not located within water protection zones. 3) Field inspection proves that waste is timely evacuated as the containers are filled and upon the completion of works. 4) Field inspection proves that during wood cutting operations, for wood storing, in case of pesticides usage, the requirements of correlating instructions are fulfilled, and pesticides are kept in hermetically closed containers.
1.10a	Requirements for wood from areas with radionuclides	• Low risk, no control measures required
1.11	Health and safety	• Labor safety requirements and accident prevention measures are included into timber/chips supply agreements. During the field check the fulfillment of labor safety requirements by the supplier is evaluated; • During the field check selectively the following documentation is inspected: - The order on appointing a responsible person for labor safety; - The system of labor safety management; - Safety instructions log book at work place, introductory instructions, fire safety instructions; - Management training documentation (certificates) and employee training documentation (protocols); - Labor safety instructions; - PPE issuance cards, PPE issuance norms - Documents proving periodical employee medical checkups (Order on medical examination); - Incidents registry. Documented information on the results of incidents investigations (if applicable); • During the field check the supplier's personnel is interviewed on labor safety requirements and accident prevention measures implemented by the supplier.
1.12	Legal employment	• During field inspection selective checking of employment

		contracts is conducted - The content of labor contracts is checked for compliance with Art. 57-59 of the Labor Code of the Russian Federation (With the consent of the employee to provide such information) - Interviews are conducted with employees of the supplier in the absence of complaints about non-compliance with the terms of the employment contract
1.13	Customary rights	Low risk, no control measures required
1.14	Free, Prior and Informed Consent	Low risk, no control measures required
1.15	Indigenous peoples' rights	- Low risk, no control measures required - Local indigenous communities, under requirements of Federal Law «On the rights of indigenous small communities of the Russian Federation» (1999) and the Decree #25 dd 24.03.2000 #255 «On the unified list of indigenous small communities of the Russian Federation» - not found.
1.16	Classification of species, quantities, qualities	Low risk, no control measures required
1.17	Trade and transport	- Trade registration in USAIS is checked - Supporting documentation for wood transportation is checked
1.18	Offshore trading and transfer pricing	Low risk, no control measures required
1.19	Customs regulations	Low risk, no control measures required
1.20	CITES	Low risk, no control measures required
1.21	Legislation requiring due diligence/due care procedures	Low risk, no control measures required

Category 2. Wood harvested from areas where traditional or civil rights are violated

2.2	There is no evidence of child labor or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned	
	2.2a - There is no evidence of violation of freedom of association and collective bargaining	- Consultation with trade union (in writing or an interview with its representative (if there is a trade union) - During a field check, conduct interviews with workers (of at least 10% of workers at the time of the check) test
	2.2b - There is no evidence of violations of the rights of prisoners of corrective labor institutions during wood harvest	- No control measures required, low risk. - No wood is purchased from corrective labor institutions
	2.2c There is no evidence of child labor use	Low risk, no control measures required
	2.2d There is no evidence of gender discrimination.	During the field check, interviews with personnel specialists, employees of the enterprise, a representative of the team confirming the absence of discrimination and violation of women's rights.
	2.2e There is no evidence of Racial Discrimination	• During an on-site inspection of an interview with a personnel specialist to determine the presence of migrants • If there are migrants: - Interviews with enterprise employees (migrants), team representatives (Survey of at least 10% of working migrants at the time of the inspection)
2.3	The rights of indigenous peoples and peoples leading traditional way of life.	- Verification of information in the media and on the websites of the judiciary, against violations by the supplier of the right of indigenous peoples and people leading a traditional way of life (at least once a year) - Interviews with representatives of indigenous and traditional peoples.

Category 3. Wood harvested in forests where high conservation values are threatened by management

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activities		
3.1	HCV 1. Species diversity. - Water-marsh lands - Key ornithology territories of Russia - UNESCO World Heritage Sites	• Checking the location of HCV 1 areas relative to wood cutting sites on corporate GIS maps, https://geo.rkomi.ru/viewer/oopt, • Checking information from interested parties about wood felling within the borders of HCV 1 • In case of intersection of HCV 1 area with wood felling site of the supplier or sub-supplier, cosmic photography is checked for actual cuts within the borders of HCV 1. Making sure that management regimes were agreed with the interested parties. • If necessary, consulting with the interested parties is conducted aligning forest management issues. • UNESCO World Heritage Sites in Russia – low risk, no control measures required.
3.2	HCV 2. Large natural landscapes	
	3.2 a IFIs (intact forest Landscapes)	• Checking on corporate GIS maps the location of IFL relative to wood felling areas (incl. forest declarations checks, forest use report, wood stand sales agreements of the Supplier/Sub-supplier confirms that within these IFL areas with identified risk according to IFL NSFC list (Annex D Table D 4 Standart NSFC.48861355-003-2023) the Supplier/Sub-supplier does not conduct economic activity). • When IFL borders coincide with wood felling areas, make sure that forest management regimes were agreed with the interested parties. • When other HCV 2 borders intersect with wood felling areas, make sure that forest management regimes were agreed with the interested parties.
3.3	HCV 3. Rare endangered ecosystems	Checking on corporate GIS maps identifies the locationas of HCV 3 relative to forestry zones within wood harvesting areas (also in accordance with Annex 1 Rare Ecosystems standart NSFC.48861355-001-2023) When HCV 3 borders intersect with wood harvesting areas to make sure that forest management regimes were agreed with the interested parties.
3.4	HCV 4. Important ecosystem services - Specially Protected Nature Areas - Particularly protective areas	• Interviews with forestry management bodies, bodies responsible for environmental protection and forest districts regarding violations by the supplier of the established regime of protective forests and Particularly protective areas. • Checking the following sources of information confirms the absence of Specially Protected Nature Areas at the supply sites - http://oopt.aari.ru - https://geo.rkomi.ru/viewer/oopt - Forestry regulations of forest districts • Checking forest declarations regarding cutting areas confirms that their boundaries.
3.5	HCV 5. Local communities needs	• When on-site inspection of interviews with local authorities on HCV 5 for the absence of threats of destruction of HCV 5. • In the event of a conflict with affected parties regarding HCV 5, ensure that, in order to resolve the conflict, the logger and the affected party have taken steps regarding the regime of forest use at HCV 5 recognized by the affected party as fair and equitable

3.6	HCV 6. Objects of cultural value	- During the on-site inspection, interviews are held with local authorities - In the event of a conflict with affected parties regarding HCV6 issues, harmonize the forest management regime on HCV 6 between the logger and the affected party
Risk of mixing in supply chain is evaluated by the following criteria: - There are significant or numerous remarks according to the results of previous inspections; - Forest plot is on lease or sublease; - Supplier has harvesting contractors; - Who transports wood; - Supplier hauls wood directly to the mill or through intermediate wood storage - Type of delivered wood; - Direct vendor or trader.		

Low risk suppliers are:

1. Own forest areas included in the scope of certification
2. Suppliers are certificate holders ISO 38200:2018, Legal Origin, Forest Etalon, SFM RU/38200, Sustainable Forest

Upon the results of the second stage of evaluation, for all suppliers, sub-suppliers and their supply chains, the risks are determined as: «specified» or «low». For «specified» risks immediate field control measured are taken in order to decrease the risks of acquisition of raw wood materials from improper sources. For «low risk» suppliers field checkups are conducted not less than $y=0,8 \cdot \sqrt{x}$ from total number of suppliers.

The desired outcome for each control measure is confirmation of “low risk”.

The supplier is sent a supplier verification report within 10 working days by email or telephone. If irreparable changes are detected (violations in the field of environmental requirements (for example, logging in protected areas, etc.) and in the field of forestry legislation (for example, illegal logging)), the supplier notifies the supplier about this with an inspection report, management makes a decision on the possibility of subsequent deliveries from the specified supplier services for concluding contractual relations. If remediable violations are identified, the supplier is obliged to report no later than 3 months about the measures taken to eliminate the violations, from the date of receipt of the supplier's inspection report. Evidence of elimination of inconsistencies is reviewed. After the set time has expired, the management of JSC SLPK makes a decision on the possibility of further supplies from this supplier within 12 months.

The supplier's declaration is filled before conclusion of supply contract, as well as with the renewal of information contained in the Declaration or in case of structural changes in the supplier's chain of supply.

Upon the result of all these stages of inspection and applying control measures, in case when risk was not decreased, JSC SLPK refuses to purchase timber from non-eligible sources.

3. Complaints processing

All incoming complaints regarding suppliers and sub-suppliers of JSC SLPK are recorded in the journal of comments and complaints from interested parties. The company provides a response to the complainant within two weeks from the incoming date. Responsible person: Head of certification and ecology department (e-mail: Info@slpk.com). Then the complaint is analyzed and verified to determine whether it is reliable. If there is sufficient evidence to identify the level of risk of sourcing wood from unacceptable sources, corrective actions are determined. As a result, the company informs the interested party who filed the complaint about the measures taken and the results.

Comments, suggestions and questions regarding the SDD can be sent to the certification and ecology department. (email: Info@slpk.com , fax: +7 8212 62-02-82).

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