

# Due Diligence system

## Table of contents

1. PURPOSE AND SCOPE.....	1
2. RESPONSIBILITY .....	1
3. PROCESS FOR DUE DILIGENCE.....	2
4. NEW INFORMATION AND UPDATED RISK ASSESSMENT .....	7
5. ANNUAL REVIEW OF THE DUE DILIGENCE SYSTEM.....	7
6. APPENDICES AND REFERENCES .....	8
7. CHANGE LOG .....	8

## 1. PURPOSE AND SCOPE

In accordance with our Code of Conduct and policies, CEOS Fritzoe undertakes to promote sustainable development in our own operations and related activities in the value chain. This overall procedure describes how we achieve internal, as well as market and legal requirements, for sustainable supply chains and raw material production. The procedure covers all products purchased for commercial purposes, where the following procedure must be followed before an article is placed on the market or made available on the market. The basis of the working method is the OECD Guidelines for Multinational Enterprises, FSC® (FSC-C116951), PEFC (PEFC/05-37-23) and the EU Deforestation Regulation (EU, 2023/1115).

CEOS Fritzoes due diligence system aims to ensure that raw materials are deforestation-free, and that raw material production has not contributed to forest degradation. It should also ensure that the raw material is not conflict timber or originates from areas of controversial origin.

The procedure also aims to guarantee that upstream activities in the value chain do not violate relevant national legislation or violate human rights according to international frameworks such as the UN Universal Declaration of Human Rights, the ILO's core conventions, the Declaration of Indigenous Peoples and the Convention on the Rights of the Child.

## 2. RESPONSIBILITY

- Compliance Officer – CEO and Sustainability Manager
- Internal control function – Purchasing
- External audit – Certification body for FSC® and PEFC and the Swedish Forest Agency
- Information gathering and risk assessment – Purchasing Department and Sustainability Manager
- Risk mitigation measures – Management, Purchasing Department and Sustainability Manager

### 3. PROCESS FOR DUE DILIGENCE

Before we purchase a new item from a supplier outside the EU, the steps in sections 3.1 to 3.5 must be completed. A new item is defined as a product with a different content, origin, or value chain than existing items in the assortment. Acquiring an item with new dimensions within an existing product group is not considered as a new item if the content, origin, and value chain are the same. If the new article comes from a supplier within the EU, only section 3.5 needs to be implemented.

All documentation linked to the collection of information, risk assessment and risk mitigation must be kept for at least five years. Additional support for the selection of new products is set out in our Sustainability Policy.

#### 3.1 Information gathering

A risk assessment requires documentation. All products sourced from outside the EU, within the scope of EUDR, must meet the information requirements of FSC®, PEFC and EUDR. This includes the following:

Information requirements	Example of OK documentation
A product description (including trade name, type of relevant product, common name of the tree species and full scientific names, a list of the wood raw materials contained in the relevant product).	Supplier's product sheet, technical data sheet
The quantity of the relevant products that CEOS Fritzoë intends to place on the market or export in kg net weight, maximum one year in the future.	N/A
Produktionsland, samt region av ett land ifall riskerna för avskogning och kontroversiella källor skiljer sig inom produktionslandet.	Geolokalisering, manuellt eller från FSC® Trace och TradeAware (LiveEO)
Country of production, as well as region of a country in case the risks of deforestation and controversial sources differ within the country of production.	Geolocation, manually or from FSC® Trace and TradeAware (LiveEO)
Name, address and email address of all companies or persons from whom CEOS Fritzoë has received deliveries of the relevant products (EUDR), as well as all suppliers in the supply chain (PEFC).	Trade Aware, FSC® Trace. Suppliers information is located internally in ERP.
The name, address and email address of any company, operator or trader to whom the relevant products have been supplied.	Customers information is located internally in ERP.
Adequately conclusive and verifiable information that the relevant products are deforestation-free.	Purchase agreements, land ownership certificates, permits for harvesting, FLEGT license, FSC® and PEFC certificates and other third-party certifications, FSC® Core labour requirements self-assessment, forest management and/or biodiversity

	conservation plan, minutes from consultations with indigenous peoples and local populations, Environmental Impact Assessment (EIA), documents from government supervision, minutes from safety inspections, minutes from union representative elections, REACH certificates, policies, invoices, training certificates, external accounting.
Adequately conclusive and verifiable information that relevant commodities have been produced in accordance with the relevant legislation of the country of production, including agreements granting the right to use the respective area for the purposes of the production of the relevant commodity.	See above

Collect above information from the supplier, be aware of the different risks assigned by the European Commission to the country of production (EU Country Benchmark): low-risk, normal and high-risk countries. If the article contains raw materials from several production countries, the production country with the "highest" risk category determines the level of risk. The information shall be gathered per product group.

The supplier must disclose the requested information within a reasonable time before any reminder is sent out. If no satisfactory response has been received after the reminder, a meeting must be booked with the supplier concerned. If no response is received, trading may be discontinued based on an overall assessment from CEOS Fritzoe, see section 3.3 for risk management.

### 3.2 Risk assessment

The risk assessment is carried out at the product group level. The first step in risk assessment is to evaluate whether the supplier's response and documentation are complete, reliable and genuine.

- Complete → Have we received answers to our respective questions?
- Reliable → Are the documents consistent? On which system (e.g. government control, independent audit) is the document based? Is the source reliable?
- Genuine and valid → Indicators of forgery are spelling mistakes, different fonts, a pasted impression, strange names and dates
- Additional evaluation for geolocation: are there indications of deforestation in the area? Use the map tools as help, which are referenced in the comments field (cell F5).

The next step is to assess the information obtained based on predetermined criteria. There are different risk assessment criteria for a low-risk and normal-risk and high-risk country. For an article to be placed or made available on the market, all criteria must meet the requirement of negligible risk. This means that the raw material must not have violated relevant national legislation, not originate from controversial sources, and not have contributed to deforestation or forest degradation. A negligible risk means that we have received sufficient verifiable information that can certify that the criterion for the risk assessment is in line with the EUDR.

#### 3.2.1 Low-risk country

The risk assessment for a low-risk country is less comprehensive than that for a normal and high-risk country. If all information and documentation is deemed to be complete, reliable, genuine and valid, the criteria for the risk assessment need only be the following:

- The EU Commission's country risk classification (EU Country Benchmark)
- Risk of EUDR circumvention
- Risk of mixing with raw materials from high-risk countries or of unknown origin
- Supply chain complexity

If only a negligible risk is identified, CEOS Fritzoë is allowed to place or make the article available on the market after a due diligence statement (DDS) has been drawn up. See section 3.5.

If a risk is identified that is more than negligible, a risk assessment and mitigation must be carried out in accordance with section 3.2.2. This also applies if we find out new information about the article that creates suspicions of a non-negligible risk.

### 3.2.2. Normal and high-risk countries

The supplier's information and documentation about the value chain, the content of the product group and production must be analysed with the help of external sources. External sources and how they can be used are set out in each risk assessment criterion. The following criteria shall be evaluated in the risk assessment:

- The production country or countries risk level according to the EU Country Benchmark
- Indications of circumvention of the EUDR
- Views on EUDR compliance
- Supply chain complexity
- If we have received unambiguous and verifiable information proving that the production has taken place in accordance with relevant national legislation
- Concerns about the country of production
- Presence of forests in the country of production
- Deforestation and forest degradation in the country of production
- Third-party certifications
- Indigenous peoples' presence in the country of production and their claims to the production area
- Consultation and cooperation in good faith with indigenous peoples
- Conclusions of the European Commission's expert group on EUDR
- Source, reliability, and validity, and links to other available documentation

Aspects covered by the concept of "controversial sources" and "conflict timber" in FSC® and PEFC are built into the risk assessment criteria.

The evaluation of each criterion shall be described and the conclusion for each criterion shall be given.

### 3.3 Risk management

Identified risks must be managed and all planning of risk mitigation measures, implementation and follow-up of the risk must be documented. The goal of risk management is to put the product on the market, which requires that all risks are classified as negligible.

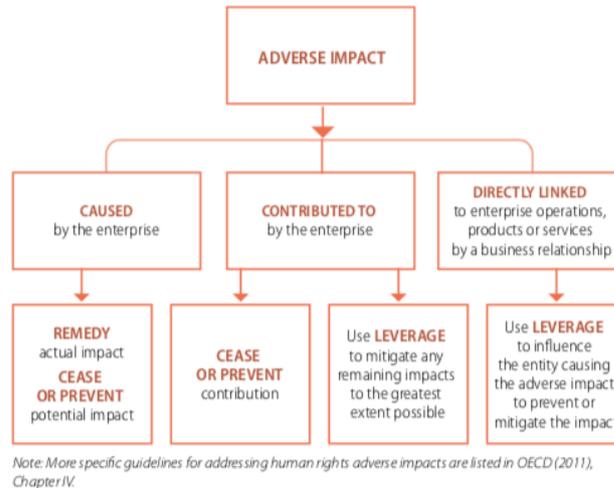
There are different suggestions for risk mitigation measurement. When choosing a measure, it is important to consider the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. The OECD guidelines state that the responsibility for managing the risk or identified negative impact varies depending on whether CEOS Fritzoe caused, contributed to or is only directly linked to the risk or impact through our business relationships, see image below.

CEOS Fritzoe does not own any factories or production areas of our own and will therefore most likely not solely cause the risk or negative impact. CEOS Fritzoe are more likely to have contributed to or are directly linked to the risk or impact. This means that in most cases, we lack control over eliminating the risk or impact ourselves, which requires dialogue and possibly collaboration with the supplier and other stakeholders to eliminate, reduce or prevent the risk. The measures to be taken are decided on a case-by-case basis, but a general priority for acting cost-effectively is:

1. Temporary purchase halt (no new orders) of the product, in parallel with ongoing risk mitigation.
2. Information gathering, asking for clarifications and additional documentation.
3. According to the principle of continuous improvement, revise internal supplier requirements, policies, codes of conduct and due diligence systems in order to become even better at detecting, managing and tracking risks before negative impacts occur in the future.
4. Build expectations around responsible business conduct and due diligence in commercial contracts such as management contracts, contracts, pre-qualification requirements for potential suppliers. Link business incentives to CSR performance.
5. Stakeholder dialogue, see also section 3.4.
  - a. Consult and work with relevant stakeholders or representatives to develop appropriate measures.
  - b. Increase influence through collaboration with other companies that also make purchases from the supplier.
  - c. Help the supplier participate in broader cross-sectoral or regional initiatives to prevent risk and adverse impact.
  - d. Calling on the relevant authorities in the country where the impact occurs to act, e.g. through inspections and enforcement of applicable laws and regulations.
6. Offer support, training, and/or capacity building to the supplier.
7. Join geographic or topic-specific initiatives designed to prevent and limit negative impacts in identified areas.
8. Second or third-party on-site inspection.
9. If the country is a member of the OECD and the parties involved do not comply with the OECD guidelines, a complaint can be submitted to a national contact point.
10. As a last resort, terminate the purchase of the product group and possibly the business relationship with the supplier.

Please note that particularly vulnerable groups should be considered in risk management, such as minority groups, children, pregnant and breastfeeding women, human rights activists, migrant workers, and indigenous peoples<sup>1</sup>. Considerations shall also be taken of scarce or risky natural resources that are at stake, either in a local, regional or international context<sup>2</sup>.

FIGURE 2. Addressing adverse impacts



### 3.4 Stakeholder dialogue

An important part of the due diligence system is stakeholder dialogue, where relevant parties affected by the risk should (or have the right to) be involved to provide input on which measures are relevant. If it is not possible to consult rights holders directly<sup>3</sup>, consider reasonable alternatives such as reliable and independent experts, including human rights defenders, trade unions and civil society groups. Particularly vulnerable groups must be considered.

CEOS Fritzoe shall, upon request from the stakeholder, disclose information that is required for downstream parties in our value chain to be able to fulfil their obligations under EUDR, the Norwegian Transparency Act, FSC® and PEFC.

### 3.5 Due Diligence (DDS)

For items purchased from suppliers within the EU, the due diligence process only needs to include the collection and documentation of the supplier's DDS and its reference and verification number. When CEOS Fritzoe has the role of an operator, i.e. imports an article from suppliers outside the EU, CEOS Fritzoe need to create a DDS, see instructions below.

If no risk has been identified in sections 3.1 to 3.4, or when all risks can be classified as negligible, a DDS shall be created in the European Commission's TRACES database. An important detail is to make all information in the DDS public, so that downstream parties see the reference number; this choice is made in the final stage of the development of the DDS. An existing DDS can be edited within 72 hours after publication if it has not been used for any purposes during the 72-hour time period. If more than 72 hours have passed or if it has been used, a new DDS must be created, preferably by duplicating the existing DDS to facilitate the process.

A DDS may be valid for a maximum of one year from the date of publication, provided that CEOS Fritzoe and the supplier know for sure that the raw material for the coming year's delivery has the same origin. A new DDS must also be created as soon as we receive information that the location and time of harvesting changed (see section 4 on the risk assessments review).

<sup>1</sup> OECD Guidelines, Commentary 45.

<sup>2</sup> OECD Guidelines, Commentary 72.

<sup>3</sup> OECD guidance, see section 2.2 and questions 8–11 and 25.

The validity period also depends on the specified quantity of the product group to be placed on the market. If the DDS states that 10,000 m<sup>3</sup> of the product group in question is included by a specific DDS, it means that CEOS Fritzoe must create a new DDS at the time when 10,000 m<sup>3</sup> has been sold to customers. Control of the sold quantity and the specified quantity in the DDS is partly done manually by the purchasing department, and partly with support from the business system. If the specified quantity in a DDS has been exceeded but the geolocation is the same, a supplementary DDS can be created with the same reference number.

### 3.5.1 Exceptions

In cases where CEOS Fritzoe is an operator but does not receive sufficient information about the raw material producer from the supplier (due to commercial confidentiality agreements), the supplier can create a DDS. The supplier must then apply for an EORI number so that the company can be registered in TRACES, and all information in the DDS must be public. CEOS Fritzoe still needs to carry out an information gathering and risk assessment on the supplier as far as possible, and review and approve the supplier's due diligence system. Upon import, CEOS Fritze then creates its own DDS from the supplier's DDS.

## 4. NEW INFORMATION AND UPDATED RISK ASSESSMENT

If the geolocation or supply chain of an article changes, CEOS Fritzoe must receive information about this from the supplier before the delivery is ordered. Obtaining new information early in the purchasing process is a prerequisite for having time to collect sufficient information according to the information requirements in 3.1, update the risk assessment, manage any risks and establish a new DDS – before the article is placed on the market. A new risk assessment and evaluation of geolocation (see section 3.2) must therefore be carried out as soon as we receive information about new information.

If new information raises suspicions about controversial sources and non-compliance to the EUDR, the risk assessment and risk management procedure must be repeated according to the model for a normal or high-risk country. For serious suspicions and confirmed violations of the EUDR, an internal deviation should also be created and managed according to internal procedures. The suspicions must also be reported to the Swedish Forest Agency, FSC®/PEFC certification body<sup>4</sup> and the customers who purchased the product. Suspicions must be investigated immediately, starting no later than ten working days from the date on which the substantiated suspicion was identified. During ongoing risk assessments, while the risk cannot be classified as negligible, no new purchases can be made, and existing stock may not be placed on the market. As stated in section 3.1, purchasing may cease if the supplier cannot provide CEOS Fritzoe with sufficient information.

At least once a year, CEOS Fritzoe must review risk assessments and the risk reduction process, even if the article's raw material origin (geolocation) or supply chain has not changed in 12 months.

## 5. ANNUAL REVIEW OF THE DUE DILIGENCE SYSTEM

At least once a year, the due diligence system shall be evaluated, which should include:

- Has a risk assessment been made for all items?
- Do all articles have an up-to-date DDS?

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<sup>4</sup> Report to the certification body if the suspicion relates to defects in certified products, see the procedure 14 FSC®-PEFC Routine Non-conforming products.

- Have the quantity checks been carried out on time and at sufficient intervals to ensure that specified quantities in DDS's have not been exceeded?
- Have risk reduction procedures been documented?
- Sample of risk reduction measures – are they sufficient?
- Have any suggestions for improvement been noted which should be implemented?
  - Please note that changes must be logged and saved for at least five years.
  - For changes to this document, please note changes in the changelog below.
  - For changes to working documents, make a copy of the old version and save it locally.
- Have deviations occurred during the year? Have these been reported to the Swedish Forest Agency and customers?

The questions shall be answered in the form for evaluation of the DDS system and be saved locally.

## 6. APPENDICES AND REFERENCES

- Code of Conduct Supplier
- Sustainability policy

## 7. CHANGE LOG

Date of change of routine	Name	Change