



EU Deforestation Regulation (EUDR) Due Diligence System Summary

UPM Paper¹

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¹ UPM Communication Papers and UPM Specialty Papers

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1.0 Introduction

This document is a summary of UPM Paper's due diligence system that has been established to ensure compliance with the EU Deforestation Regulation (Regulation (EU) 2023/1115², hereafter referred to as the 'EUDR' or 'Regulation'). UPM Communication Papers and UPM Specialty Papers are hereinafter collectively referred to as UPM Paper.

For further information on the EUDR provided by the European Union, please use the following link: [EU Commission EUDR information page](#).

For the text of the Regulation itself, please use the following link: [Official European Union LEX text of the EUDR](#).

Article 12 of the Regulation outlines the requirements to establish and maintain due diligence systems, reporting, and record keeping. Subsection 1 requires that operators establish and keep up to date a framework of procedures and measures to ensure that the relevant products they place on the market or export comply with Article 3 of the Regulation ('due diligence system').

Furthermore, Article 4 requires operators to communicate to other operators and traders further down the supply chain all information necessary to demonstrate that due diligence was exercised and that no or only a negligible risk was found, including the reference numbers of the due diligence statements associated to the supplied products.

The purpose of this document is to provide UPM Paper's customers (as operators and traders further down the supply chain) with information necessary to demonstrate that due diligence was exercised, by sharing a summary of UPM Paper's due diligence system approach. Other documentation, as well as links to related documents, is provided via a UPM Paper EUDR due diligence webpage.

2.0 Due Diligence System

As mentioned above, Article 12 of the EUDR requires that operators and non-SME traders establish and keep up to date a due diligence system. The purpose of the due diligence system is to ensure that the relevant commodities and relevant products placed on the EU market or exported:

1. are deforestation-free
2. have been produced in accordance with the relevant legislation of the country of production, and
3. are covered by a due diligence statement.

² The full title being: 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.

Due diligence consists of three steps:

1. Information gathering (requirements outlined in Article 9 of the Regulation)
2. Risk assessment (requirements outlined in Article 10 of the Regulation)
3. Risk mitigation (requirements outlined in Article 11 of the Regulation)

If UPM Paper becomes aware of new developments which can influence the due diligence system, the due diligence system will be updated to consider those developments. Such factors can be related to changes in wood sourcing, or, for example, the structure of the legal entities involved. Updates of the due diligence system will be documented, and the documentation retained for at least five years. UPM Paper will review the due diligence system at least annually or more often, if necessary, in order to ensure that it correctly reflects the processes and requirements in place at UPM Paper.

3.0 Legal entities

The legal entities and paper mills in the scope of the UPM Paper EUDR due diligence system are included in the table below.

Legal entity	Description
UPM Specialty Papers Oy	Jämsänkoski paper mill Tervasaari paper mill
UPM Communication Papers Oy	Jämsänkoski paper mill Kaukas paper mill Kymi paper mill Rauma paper mill
UPM Sales Oy	sales
UPM GmbH	Augsburg paper mill Schongau paper mill
Gebr. Lang GmbH Papierfabrik	Ettringen paper mill
Nordland Papier GmbH	Nordland paper mill
UPM-Kymmene (UK) Ltd	Caledonian paper mill
UPM (China) Co. Ltd	Changshu paper mill sales
UPM Asia Pacific Pte Ltd	sales

4.0 Information Gathering

UPM Paper collects information, documents, and data in order to demonstrate that the relevant products it places on the market comply with the requirements of the Regulation. Article 9 requires that an operator must collect, organise, and keep for five years from the date of the placing on the market or of the export of relevant products a range of information, as outlined below.

Please note that the following list is summarised from the Regulation for clarity, and the full requirements as worded by the EU can be found in the [Regulation](#).

- (a) A description of the relevant products, including the trade name, product type, common and scientific names of tree species contained in the paper product, and the relevant wood material commodity and relevant wood material products that the paper product contains (being wood in the rough, wood chips and pulp);
- (b) The quantity of the relevant products, in cubic meters, air dried tons or through other allowed metrics if relevant;
- (c) The country of production (of the wood);
- (d) The geolocation of the plots of land where the wood contained in the paper products was produced, and the date and time range of production;
- (e) The name, postal address, and email of the business or person from whom UPM Paper has been supplied with the relevant products;
- (f) The name, postal address, and email address of the business, operator or trader to whom the relevant products have been supplied by UPM Paper;
- (g) Adequately conclusive and verifiable information that the paper product is deforestation-free;
- (h) Adequately conclusive and verifiable information that the wood contained in the paper was produced in accordance with the relevant legislation of the country of production, including any arrangement conferring the right to use the respective area for the purposes of the production of the wood.

When UPM Paper acts as a downstream operator, it ensures and verifies that its suppliers have exercised due diligence in accordance with the Regulation. In such cases, the information gathering is restricted to items a, b, e and f included in the list above. When UPM is acting as an initial operator, information gathering is exercised in full.

Information UPM Paper provides to demonstrate that due diligence was exercised

For paper produced in the EU market and placed on the EU market, UPM Paper provides customers with due diligence statement reference numbers and related verification numbers with each delivery. The reference numbers represent the due diligence statement information entered into the EU's Traces system, as outlined in Annex 2 of the Regulation. Such customers receive this description of UPM Paper's due diligence system, to be able to ensure that due diligence has been properly exercised. Additional information related to Article 4 (7) can be found on UPM Paper's EUDR due diligence webpage.

For paper produced at UPM Changshu and Caledonian mill and imported to the EU market, the majority of the data required by Article 9 is provided to customers on request with each delivery. Based on request customers may receive due diligence statement reference numbers and associated verification numbers, where relevant, or GeoJson files (non-EU origin). In addition, information can be found on UPM Paper's EUDR due diligence webpage.

5.0 Risk Assessment

Risk assessment when acting as a downstream operator or trader

When acting as a downstream operator or trader UPM Paper utilises the possibility to refer to previous due diligence statements. In such cases the previous operators in the supply chain have with their due diligence statements confirmed that due diligence in accordance with the Regulation was carried out and that no or only a negligible risk was found that the relevant products do not comply with the Regulation. Thus, in cases when UPM Paper may refer to previous due diligence statements, UPM Paper, after having ascertained that the previous operator has exercised due diligence, considers the risk related to its products consisting of such products non-existent or negligible, at most.

UPM Paper requires its suppliers to comply with EUDR and regularly reviews their due diligence systems. If the collected information and documentation show that due diligence system of the supplier is in accordance with the Regulation and the risk associated to the relevant product is considered negligible, further risk assessment or risk mitigation is not needed.

Full risk assessment when acting as an initial operator

For standard and high-risk countries, a thorough risk assessment is conducted. If the risk is considered higher than negligible, actions to mitigate any remaining risks needs to be implemented to reach a maximum negligible risk level.

Article 10 of the Regulation outlines the criteria which is considered in all risk assessments. The criteria are similar to the due diligence that has already been in place based on the EU Timber Regulation and forest certification systems FSC™ and PEFC, which form the basis of UPM's wood and pulp sourcing due diligence. The risk assessment is reviewed at least annually.

Taking into account the risk mitigation actions described in the following section, which are already in use, as well as all collected information, the conclusion is that UPM Paper's risk level is negligible at most.

6.0 Risk Mitigation

The risk mitigation measures described in this section are a vital part of UPM Paper's sourcing, and not only applicable when the risk is assessed to be higher than negligible.

Counterparty risk mitigation

The risk mitigation process starts before any supply agreement is concluded. Before onboarding a new supplier, UPM conducts a counterparty risk assessment to ensure that the supplier operates legally and in line with the requirements that UPM places on its suppliers. These checks do not screen the relevant commodities itself, but the legal entities behind the suppliers are checked.

Risks are further mitigated by incorporating the UPM Supplier and Third-Party Code as well as the UPM Requirements for Wood and Pulp Suppliers into the contractual obligations. The process includes also origin of wood data checks including countries of production of relevant products (% share per country), harvesting areas (where applicable), tree species with common and Latin names

and FSC and PEFC certification status. The due diligence system and origin of wood data for suppliers is checked at the minimum annually.

In case the risk is considered higher than negligible, UPM can conduct third party audits or own audits at the supplier's facility to check compliance against EUDR requirements. Based on audit findings and corrective actions decision on whether to continue with the supplier is done.

Commitments to EUDR and renewed UPM Supplier and Third-Party Code shall be included in all supplier contracts during the transition period. UPM reserves the right to audit its suppliers.

Certifications

All wood and pulp delivered to UPM Paper's mills is either FSC Certified or FSC Controlled, or Controlled³ Wood (SGSCH-COC/CW-002249), which makes the risk of unacceptable or illegal wood entering UPM Paper's mills negligible. Such unacceptable sources include e.g. illegally harvested wood and wood from forests being converted to plantations or non-forest use. The certifications ensure that forests are replanted and taken care of after harvesting.

The legality and deforestation-free status of the purchased wood is based on FSC and/or PEFC chain of custody system. Validity of the suppliers PEFC & FSC chain of custody certificates are checked from PEFC (pefc.org) and FSC (fsc.org) databases minimum once a year, and more often if the supplier's certificate is going to expire and always when concluding an agreement with a new supplier.

As mentioned above, all wood supplied to UPM Paper needs to be at minimum FSC Controlled, or Controlled³ Wood. Such wood can be considered as deforestation-free. This is based on FSC Forest Management requirements (Advice note on deforestation-free products FSC-DIR-20-007-24) which prevent wood sourcing from areas where forest conversion to agricultural use is allowed.

7.0 Archiving

The following information is stored and archived for minimum five years, as required by the Regulation:

- Any updates of UPM Paper's due diligence system;
- Information concerning UPM Paper's suppliers' due diligence systems;
- Information gathered pursuant to Article 9 (five years from making available products on the EU market or exporting);
- due diligence statements (five years from submission).

The information will be available upon request of the relevant competent authority. Access to the documents is handled according to UPM's internal data governance principles.

³ If wood is sourced from a supplier not having FSC Controlled Wood in place, controlled wood status can be achieved by carrying out a systematic check and audit to verify that the suppliers process fulfils FSC Controlled Wood requirements.