



# **EU Deforestation Regulation (EUDR) Due Diligence System Summary**

## **UPM Pulp**

**17 January 2025  
[ Version 1.0 ]**

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# EU Deforestation Regulation (EUDR) Due Diligence System Summary

## 1.0 Introduction

This document is a summary of the UPM Pulp business's due diligence system that it has put in place to ensure compliance with the EU Deforestation Regulation (being Regulation (EU) 2023/1115<sup>1</sup>, hereafter referred to as the 'EUDR').

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. Clause 1 requires that *"Operators shall 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** ('due diligence system')"*.

Furthermore, **Article 4** requires operators to *"...communicate to operators and to traders further down the supply chain of the relevant products they placed on the market or exported **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 those products"*.

This document therefore aims to provide UPM Pulp customers ("operators and traders further down the supply chain") with part of the information necessary to demonstrate that due diligence was exercised, through sharing a summary of the UPM Pulp business's Due Diligence System approach. Other documentation, as well as links to critical related documents, will be provided via a UPM Pulp EUDR Due Diligence webpage [here](#).

## 2.0 Due Diligence System

**Article 12** of the EUDR requires that Operators (UPM is an operator) and non-SME (Small, medium & micro-sized enterprises) Traders *"**shall 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** ('due diligence system')"*. The due diligence system is a framework of procedures and measures to ensure that the products placed on the market or exported comply with the requirements of the Regulation. This means 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.

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<sup>1</sup> 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 we become aware of new developments which could influence the due diligence system, we will update the due diligence system to consider those developments. These factors could be related to changes in how wood sourcing works, or, for example, the legal structure of the different companies involved. Updates of the due diligence system will be documented, and the documentation retained for at least five years. UPM Pulp will review the due diligence system at least annually (as required by the Regulation) or more often, if necessary, in order to ensure that it correctly reflects correct processes and requirements.

### 3.0 Information Gathering

UPM Pulp collects information, documents, and data in order to demonstrate that the relevant products comply with **Article 3**. **Article 9** requires that the 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: the following list is summarised from the Regulation for clarity – the full requirements as worded by the EU can be found in the [original text of the Regulation](#). The bolded and capitalised text has been added to make it clear, in the UPM Pulp context, when the Regulation is referring to pulp products or wood commodities.]

- (a) A description **of the PULP product**, including the trade name, product type, common and scientific names of **tree species contained in the PULP product**, and the relevant **WOOD commodity** and relevant **WOOD products** that the **PULP product** contains (**being WOOD IN THE ROUGH and WOOD CHIPS**).
- (b) The quantity of the relevant **PULP product**, in kilograms, or through other allowed metrics if relevant.
- (c) The country of production (of the **WOOD**, **not the PULP products or wood-based intermediate products**).
- (d) The geolocation of the plots of land where the **WOOD commodity** contained within the **PULP products** was grown, and the date and time range of production of that **WOOD commodity**.
- (e) The name, postal address, and email of the supplier of the **PULP product**.
- (f) The name, postal address, and email of who the **PULP product** was supplied to.
- (g) Adequately conclusive and verifiable information that the **PULP product** is deforestation-free.

- (h) Adequately conclusive and verifiable information that the **WOOD commodity** was produced in accordance with the relevant legislation of the country of production (of the **WOOD commodity**), including any arrangement conferring the right to use the respective area for the purposes of the production of the **WOOD commodity**.

**For pulp produced inside the EU market and for pulp produced in Uruguay and exported directly to the EU market**, we provide customers with EUDR Traces System Reference Numbers and related Verification Numbers with each delivery. These EUDR Reference Numbers represent the Due Diligence Statement information entered into the Traces System, as outlined in **Annex 2** of the Regulation. Other due diligence information not covered by Due Diligence Statements (in particular, that required in clauses (g) and (h) of **Article 9**) is provided via an [EUDR-dedicated due diligence webpage](#).

**For pulp produced in Uruguay that is sold outside of the EU market**, the majority of the data required by **Article 9** is provided directly to customers with each delivery. This is because we cannot provide EUDR Reference Numbers, since these are only available upon a product's entry into the EU via a named port. In addition, the parts of **Article 9** that cannot be practically provided with each delivery as outlined above are also provided through the same [EUDR-dedicated due diligence webpage](#), the address of which is provided with all delivery emails.

The webpage contains this document, other due diligence documents, and a range of links to other relevant statements and certificates that provide the overall due diligence evidence and framework being used by UPM Pulp to meet the EUDR's requirements. The due diligence website will be regularly monitored to ensure it remains relevant and updated as required. In particular, during 2025, which is now part of the Transitional Period, it should be treated as a 'work in progress', with additions and changes likely during the year, as more information and guidance from the EU emerges.

Specific information regarding due diligence with regard to clause (g), which requires evidence that **products** are deforestation-free, is summarised in the next section. Information for both clause (g) and clause (h), which requires evidence that **commodities** are produced in accordance with local legislation, is contained in all the other associated documentation on the above-mentioned webpage.

## 4.0 Wood sourcing

### Finland

Wood procurement in Finland is under the management of UPM Forest (which also supplies wood to other UPM businesses), and therefore the due diligence process is managed by them.

UPM Forest procures wood for Finnish operations in three main ways: **through UPM-owned forests**, where the forests are owned, managed, and harvested by UPM Forest; **through private landowners**, where UPM harvests (and sometimes manages) the forests; and **through wood purchases from the market**, which includes small amounts from Sweden and the Baltic States. UPM Pulp is able to obtain full due diligence information as required from UPM Forest and can provide more details to the competent authority if required.

For the EUDR due diligence process, the first Due Diligence Statements entered into the EU Traces IT System are undertaken by UPM Forest. The resultant EUDR Reference Numbers and Verification Numbers that represent the timber products listed in **Annex 1** of the Regulation that are provided by UPM Forest (being 'wood in the rough' – code 4403; and 'wood chips' – code 4401) are then provided to UPM Pulp.

These EUDR Reference Numbers go from the pulp mill's timber yard and are then tracked through the chipping and pulp production process, in order to form the basis for new EUDR Reference Numbers created via the Traces System for production batches of pulp – which are then in turn, provided to UPM Pulp's customers.

UPM does not use endangered species in the production of any of its products, and a description and statement regarding this can be found in the CITES statement for Finland found in the UPM Pulp EUDR Due Diligence webpage (via a link to the UPM Pulp Certificate Finder). Certificates for FSC<sup>TM</sup> and PEFC chain of custody can also be found in the same way, along with a range of other documents.

## Uruguay

Wood procurement in Uruguay is under the responsibility of UPM Forestal Oriental. This can be divided into five types, three of which are wood supplied directly by UPM Forestal Oriental, and the fourth and fifth being wood purchased through wood supply agreements and from independent suppliers (see Table 1 for more details).

The due diligence process for wood sourcing is also strengthened by the fact that there are only a small number of companies who supply wood to mills in Uruguay – this makes detailed due diligence more easily done for each partner than if the supply chain was much larger.

UPM does not use endangered species in the production of any of its products, and a description and statement regarding this can be found in the CITES statement for Uruguay found in the UPM Pulp EUDR Due Diligence webpage (via a link to the UPM Certificate Finder). Certificates for FSC<sup>TM</sup> and PEFC chain of custody can also be found in the same way, along with a range of other documents.

All UPM Pulp's suppliers in Uruguay are continuously evaluated for their performance in environmental issues, human rights, and local community involvement. Validity of the suppliers PEFC & FSC<sup>TM</sup> Chain of Custody certificates are checked from the PEFC '[Find Certified](#)' database and the '[FSC® Search](#)' database, at least once a year. Suppliers' Due Diligence systems are also checked at least annually, and prior to new ones entering into contract.

All wood sourced by UPM Pulp is either FSC<sup>TM</sup> or PEFC certified or complies as a minimum with the FSC<sup>TM</sup> Controlled Wood standard or the due diligence requirements for PEFC. This ensures that the risk of controversial or illegal wood entering the mills is negligible. If the wood isn't PEFC or FSC<sup>TM</sup> certified, geolocations will be checked against satellite maps to ensure that the origin is as stated.

Wood supplied by UPM Forestal Oriental follows all UPM guidelines and labour practices to ensure legal operations. All suppliers must also follow the UPM Supplier and Third-Party Code as well as UPM Requirements for wood suppliers. These requirements are incorporated into contractual obligations, and any breach of them can lead to termination of the supplier relationship.

There is currently one supplier outside of Uruguay, supplying wood from Argentina. This brings additional risks compared to sourcing directly in Uruguay but is managed through extensive due diligence and a longstanding relationship with the supplier. Any wood coming from outside of Uruguay will need to be FSC™ certified. This ensures that the any possible risks regarding origin, deforestation, biodiversity etc. are mitigated, and all relevant legal obligations and requirements are met. Furthermore, there are also local and biodiversity checks conducted to ensure compliance. Thus, the risk of sourcing from Argentina in this instance is mitigated and negligible.

**TABLE 1: UPM Pulp wood procurement and due diligence in Uruguay:**

**1. UPM-owned plantations: where wood is grown on land either owned or leased by UPM.**

- In this case the harvesting, transportation and all related operations are managed by UPM Forestal Oriental and follows all UPM internal rules, guidelines, and codes of conduct, thus making the risk negligible regarding both deforestation and the legality of harvesting.

**2. Forest agreements: where UPM Forestal Oriental manages all operations related to harvesting and transportation of the wood from private forest owners under longstanding agreements.**

- An additional due diligence process related to the agreements and purchase contracts aids in reducing the risk level to negligible – includes, but is not limited to, legal controls that the company complies with all local legal and tax regulations (tax, labour, insurance, wood property).
- Suppliers must also comply with the UPM Supplier Code and provide the species and details of the origin to ensure that no endangered species are bought, and that no deforestation has taken place, as well as local on-site audits.

**3. Market wood: where wood is bought from the market but still harvested and transported by UPM Forestal Oriental.**

- Slightly higher risks due to the fact UPM does not do the harvesting are managed by a rigid due diligence process, which consists of multiple steps.
- The initial contract requires the seller to comply with the UPM Supplier Code, helping to ensure the integrity, transparency, and legality of the suppliers. An affidavit is supplied in order to ensure that what is bought is as described regarding origin and species.

**4. Wood supply agreements: where wood is bought from suppliers who also harvest the wood and either bring it directly to mills or leave it for roadside pickup.**

- The harvesting itself is not managed by UPM Forestal Oriental directly, and therefore the initial due diligence risks are higher than the first three methods. Due diligence for this (and for 5. below) is however strictly overseen by UPM Forestal Oriental, including the requirement to comply with the UPM Supplier and Third-Party Code, as well as onsite checks and audits. Any wood using the roadside pickup method includes an affidavit to ensure that what is bought is as described regarding origin and species.

**5. Wood from independent suppliers: wood sourced by and brought directly to the mills by suppliers.**

- While not directly sourced by UPM Forestal Oriental, the due diligence process is still under their responsibility. The process is in practice similar to the wood supply agreements in 4. above, with the only difference being the practicality of who is supplying the wood to the mills themselves.

Other legal checks for wood procurement include:

- verification of legal and tax regulations as well as species and sourcing location.
- verification that plantations and all related operations complies with relevant local regulations.
- ensuring that purchases are done with legal contracts and or long-term supplies agreements.
- requiring legal transportation documentation about the origin of the wood at field level, as well as wood species and supplier. The transport itself is in most cases (>90%) monitored by GPS in order to ensure both traceability and efficiency, and to reduce the risk of mixing with wood from unknown or illegal sources.

## 5.0 Risk Assessment

### Actions based on information gathering

The type of risk assessment required will depend on whether the initial Due Diligence Statement is being created or if it is a downstream operator or trader creating further statements. In practice for UPM Pulp, this comes down to whether the pulp is produced in mills in Uruguay or Finland.

#### Risk Assessment for Uruguay mills (Fray Bentos pulp mill and Paso de los Toros pulp mill)

Depending on whether the European Commission's risk rating for the sourcing countries (currently Uruguay and Argentina) is low, simplified due diligence would be sufficient – see [Section 7.0 Simplified Due Diligence](#). If this is not the case, a full risk assessment will need to be done, since UPM Pulp Sales Oy will be the initial operator making the relevant products available on the EU market.

#### Risk Assessment for Finland mills (Kymi pulp mill, Kaukas pulp mill, and Pietarsaari pulp mill)

For all pulp produced in Finland, the raw material is already accompanied by an EUDR Reference Number and therefore a full risk assessment has already been done (by UPM Forest). For UPM Pulp, this means that the risk assessment process can be simplified, requiring us to ascertain whether the previous upstream supplier has acted in accordance with the Regulation. In practice, this means checking the due diligence system and ensuring that it and the operation is compliant with the Regulation.

Suppliers' due diligence systems will be reviewed annually to ensure that due diligence was exercised in accordance with the Regulation. If the information and documentation available show that the due diligence system of the supplier is in accordance with the Regulation and the risk associated with the relevant product is declared negligible, we can ascertain that there is no risk and thus a full risk assessment is not needed.

### Full Risk Assessment

**Article 10** of the Regulation outlines a list of 13 criteria (a-n) that should be taken into account for a risk assessment and are listed below for information. These criteria are similar to those that already form the basis for risk assessment work undertaken through due diligence required through the EU Timber Regulation (EUTR), forest certification systems (FSC™ and PEFC), and UPM's own approach to wood sourcing due diligence.



The separate 'traceability studies' downloadable from UPM Pulp's EUDR Due Diligence Information webpage provide an overview of the processes that UPM undertakes when sourcing wood. UPM Pulp will provide more details regarding the required risk assessments, based on the country risk ratings received from the EU Commission, once they are published later in 2025.

**Article 10 Risk Assessment criteria:**

- (a) the assignment of risk to the relevant country of production or parts thereof*
- (b) the presence of forests in the country of production or parts thereof*
- (c) the presence of indigenous peoples in the country of production or parts thereof*
- (d) the consultation and co-operation in good faith with indigenous peoples in the country of production or parts thereof*
- (e) the existence of duly reasoned claims by indigenous peoples based on objective and verifiable information regarding the use or ownership of the area used for the purpose of producing the relevant commodity*
- (f) prevalence of deforestation or forest degradation in the country of production or parts thereof*
- (g) the source, reliability, validity, and links to other available documentation of the information referred to in Article 9(1)*
- (h) concerns in relation to the country of production and origin or parts thereof, such as level of corruption, prevalence of document and data falsification, lack of law enforcement, violations of international human rights, armed conflict or presence of sanctions imposed by the UN Security Council or the Council of the European Union*
- (i) the complexity of the relevant supply chain and the stage of processing of the relevant products, in particular difficulties in connecting relevant products to the plot of land where the relevant commodities were produced*
- (j) the risk of circumvention of this Regulation or of mixing with relevant products of unknown origin or produced in areas where deforestation or forest degradation has occurred or is occurring*
- (k) conclusions of the meetings of the Commission expert groups supporting the implementation of this Regulation, as published in the Commission's expert group register*
- (l) substantiated concerns submitted under Article 31, and information on the history of non-compliance of operators or traders along the relevant supply chain with this Regulation*
- (m) any information that would point to a risk that the relevant products are non-compliant*
- (n) complementary information on compliance with this Regulation, which may include information supplied by certification or other third-party verified schemes, including voluntary schemes recognized by the Commission under Article 30(5) of Directive(EU) 2018/2001 of the European Parliament and of the Council (21), provided that the information meets the requirements set out in Article 9 of this Regulation.*

## 6.0 Risk Mitigation

**Article 11** of the Regulation requires any risks identified that are beyond negligible to be mitigated through adoption of various procedures and measures prior to placing products on the EU market. The risk mitigation process required will also depend on where the pulp is being produced. Mills in Finland can look at the previous operators' due diligence system to see if risk is negligible, but for production in Uruguay, the whole risk mitigation process needs to be carried out.

This is also dependent on the country level risk ratings determined by the EU Commission. The need to undertake a full risk assessment (**Article 10**) and associated risk mitigation (**Article 11**) is dependent on country risk categorisation – low risk countries will only require simplified due diligence process to take place (see [Section 7.0 Simplified Due Diligence](#)), whereas standard and high risk countries will require full risk assessments and where risks are identified, risk mitigation.

Risk mitigation measures are also a vital part of the whole sourcing chain, and not only applicable when risk is assessed to be higher than negligible. The different types of risk mitigation processes throughout the supply chain that have been previously discussed are summarised here again for clarity. The measures are not specific to any assessed risk, but rather aid in ensuring that the incoming raw material is as low risk as possible.

### Risk mitigation process for Uruguayan mills

The risk mitigation process starts prior to any raw material being sourced. Before a supply agreement is made, the supplier is carefully checked to make sure that they operate legally and in line with the requirements that UPM places on its suppliers.

Risk mitigation at the start of the contract consists of checking the due diligence system of the supplier, making sure that they comply with local, legal and tax regulation. If this isn't up to standard, a contract will not be made. Risk is further mitigated by incorporating the UPM Supplier and Third-Party Code as well as the UPM 'Requirements for wood suppliers' document into the contractual obligations. The contract also contains details on the species to be supplied, as well as details on the origins of the wood. The due diligence system for suppliers is also checked, as a minimum, annually.

Since UPM Forestal Oriental oversees the harvesting and transport in most of the cases of wood supply agreements, the risk is much lower and thus such extensive risk mitigation measures are not needed. The measures merely relate to the land and landowner.

When the wood is brought roadside or from independent suppliers, the legal checks consist of making sure that the seller property deed and ownership records are legal and sound. The seller must also be free of debts (taxes) or encumbrances, and the land must be free of debts (taxes) and encumbrances (embargos, mortgages on land, and pledges on forest). This due diligence check is done by a legal advisor (notary) before acquisition. In these cases, when the wood is bought, the sellers also sign an affidavit stating that the origin is as stated and that they own the wood.

Since only wood from plantations is used in production, the certification and management of these plantations is also in scope of the risk mitigation process. The risk mitigation here also includes local checks in order to ensure

both the location and the species of the wood. When buying standing forest, the local checks also include marking the exact area of the plantations on site.

If the wood is not PEFC or FSC™ Chain of Custody certified, the sourcing location will either be checked via satellite imagery or as a local on-site check, to ensure that no deforestation has taken place and that the origins are correct. Furthermore, the wood itself must be at minimum, FSC™ Controlled Wood, which itself aids in mitigating any possible risk regarding the legality and deforestation.

Additional documentation can be required as needed if any of the previous risk mitigation points return risk that is higher than expected. In severe cases, the contracts also have clauses that enable termination of the contract in cases of non-compliance. The documents gathered are archived by the notary who is conducting the due diligence process.

### **Risk mitigation process for Finnish mills**

As already stated under [Section 5.0 Risk Assessment](#), UPM Forest are the sole direct supplier to Finnish pulp mills and are responsible for risk assessment and risk mitigation processes. If supplier due diligence is not in accordance with the Regulation, then the risk is higher than negligible. It will then be assessed on a case by case if UPM Pulp will make appropriate due diligence to mitigate the risk or refrain from purchasing such wood.

### **General risk mitigation measures and requirements**

**Article 11** of the Regulation outlines a list of 13 criteria (1-5) that should be taken into account for a risk assessment and are listed below for information:

1. *Except where a risk assessment carried out in accordance with Article 10 reveals that there is no or only a negligible risk that the relevant products are non-compliant, the operator shall, prior to placing the relevant products on the market or exporting them, adopt risk mitigation procedures and measures that are adequate to achieve no or only a negligible risk. Such procedures and measures may include any of the following:*
  - (a) *requiring additional information, data or documents;*
  - (b) *carrying out independent surveys or audits;*
  - (c) *taking other measures pertaining to information requirements set out in Article 9.*

*Such procedures and measures may also include supporting compliance with this Regulation by that operator's suppliers, in particular smallholders, through capacity building and investments.*

2. *Operators shall have in place adequate and proportionate policies, controls and procedures to mitigate and manage effectively the risks of non-compliance of relevant products identified. Those policies, controls and procedures shall include:*
  - (a) *model risk management practices, reporting, record-keeping, internal control and compliance management, including the appointment of a compliance officer at management level for non-SME operators;*
  - (b) *an independent audit function to check the internal policies, controls and procedures referred to in point (a) for all non-SME operators.*

*3. The decisions on risk mitigation procedures and measures shall be documented, reviewed at least on an annual basis and made available by the operators to the competent authorities upon request. Operators shall be able to demonstrate how decisions on risk mitigation procedures and measures were taken.*

Once risk mitigation has been conducted, the risk is again assessed, and only if the result is a negligible risk level, can the relevant commodities in question be used in production.

## 7.0 Simplified Due Diligence

**Article 13** allow for a simplified due diligence process under certain circumstances. As outlined in the Regulation, where the countries of production for relevant commodities are classified as low risk according to the EU Commission's country risk assessments, and the risk of circumvention of the Regulation, complexity of the relevant supply chain, risk of mixing with products of unknown origin, and risk of mixing with products of origin in high-risk or standard-risk countries or parts thereof have been assessed, AND it has been ascertained that all relevant products and commodities have been produced in countries classified as low risk – then it would not be necessary to fulfil the obligations under **Articles 10 and 11**.

If, however, the operator is made aware of any relevant information that would point to a risk that the relevant products do not comply with the Regulation or that the regulation would be circumvented, the obligations under **Article 10 and 11** will be required and the competent authority needs to be immediately notified with any relevant information.

As stated under [Section 5.0 Risk Assessment](#), the type required is wholly dependent on the outcome of the EU Commission's country level risk categories, which will be determined later in 2025.

## 8.0 Reporting and Auditing

The UPM Pulp Due Diligence System will be kept up to date and reviewed at the minimum annually, and more often if any changes are made to the Regulation that would require it. Any updates made to the due diligence system will be noted and incorporated into UPM Pulp's internal Due Diligence System description documentation, and the also archived for five years.

## 9.0 Archiving

**Article 12** requires that the Due Diligence System be reviewed at least annually, and records of any updates archived for five years. Similarly, **Article 9** requires information to be archived for a minimum of five years from the making available of products onto the EU market or after exporting. For Due Diligence Statements, this is for a minimum of five years from submission. The information will be available upon request of the relevant competent authority (in Finland, this is Ruokavirasto – the Finnish Food Authority). Access to these documents is handled according to UPM's internal data governance principles.