

To Whom It May Concern

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*May 2024 Update on*

## SAPPI EUROPE AND EU DEFORESTATION REGULATION

The European Union Deforestation Regulation [EUDR – (EU) No 2023/1115<sup>1</sup>] is aimed at ensuring that products derived from certain commodities (*cattle, cocoa, coffee, oil palm, rubber, soya, wood*), which are placed on the EU market or exported from the EU, have not caused deforestation or forest degradation during their production.

The EUDR entered into force on 29 June 2023 and will enter into application on 30 December 2024.

According to the EUDR, relevant commodities and products shall not be placed or made available on, or exported from the Union market, unless all the following three conditions are fulfilled:

- they are deforestation-free;
- they have been produced in accordance with the relevant legislation of the country of production; and
- they are covered by a Due Diligence statement.

Sappi is firmly committed to zero deforestation and thus shares the aims of the EUDR. We advocate for transparent, accountable, third-party audited supply chains to ascertain, that the origin of the wood is always known and that it verifiably originates from responsibly managed forests<sup>2</sup>. Furthermore, we apply credible, internationally recognised, robust forest certification systems like FSC™ and PEFC<sup>3</sup> which require third-party certified chain of custody systems to track and trace the wood from certified forests to the end products.

To prepare for EUDR implementation, Sappi has been focusing on the following key questions and work areas:

- **Confirmation of the scope:** The EUDR impacts all Sappi's sales within the European Union (domestic and between the member states), all exports from and imports to the EU; Sappi's mills in Europe act both as *Operators* and *Traders*.
- **Due Diligence:** Sappi's existing Due Diligence -system will be extended to cover the

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<sup>1</sup> Regulation (EU) No 2023/1115: [EUR-Lex - 32023R1115 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2023/1115/oj)

<sup>2</sup> Wood origin Declarations available on [sappi.com](http://sappi.com)

<sup>3</sup> FSC® C015022; PEFC/07-32-76

requirements of especially the *Articles 8* (Due Diligence) and *9* (Information requirements) of the EUDR. While we already collect data on the origin and supply chain integrity from our wood and pulp suppliers, the format and frequency of the additional information gathering is to be decided once we have received all the pending guidance from the European Commission.

- **Information System of the European Commission (EC):** The Information System (*Traces*) is an IT system established by the EC which will host the *Due Diligence Statements* (DDS) produced by operators and traders to comply with the requirements of the EUDR. An electronically available and transmittable DDS shall contain the information set out in *Annex II* of the EUDR for the relevant products. This IT system will produce an associated *Reference Number* for each DDS that can then be used to trace the wood origin through this same IT system. These Reference Numbers are what Sappi will provide to its customers to represent a DDS for a shipment of product. The EC has indicated (April 24, 2024) that the Information System hosting the DDSs will be opened for registration as late as in November and the system itself will be available in December 2024.
- **Due Diligence Statement (DDS):** The *Annex II* of the EUDR prescribes the content requirements of a DDS, which partly overlap with the EUDR *Article 9* (Information requirements). In Sappi's preparations, we currently focus on developing our IT-systems to find robust yet efficient ways to support the reception of the *Reference Numbers* (upstream value chain in EU-based supply chains) and *geolocation data* (from non-EU based suppliers), and then compile and submit the DDSs for all our sales, whether within the EU or to outside the EU.
- **Wood-based raw material suppliers:** We advance the EUDR preparations in close collaboration with our roundwood and chips suppliers and pulp suppliers in Europe and in the Americas. All our wood and pulp suppliers are PEFC and FSC Chain of Custody certified. The origin of wood including the geolocation data is accessible but the open questions are related to the appropriate data format and flows, APIs, and altogether the interoperability of the *Traces* System and the operators' systems.
- **Sales and customers:** We are committed to providing accurate information to our customers on time in order that they also are able to demonstrate compliance with the EUDR. Sappi's European mills have customers both within the EU and outside the EU. In both cases, we will compile and submit *Due Diligence Statements* into the *Traces*-system in line with the requirements of the EUDR. The customers located in the EU will receive from Sappi the relevant *Reference Numbers* (RN) but the mode of sharing these RNs is something that needs to still be confirmed.
- **PEFC and FSC:** The EUDR *Article 10* (Risk assessment), item 2(n) states that complementary information on compliance with the EUDR may include information supplied by certification or other third-party verified schemes. Both PEFC and FSC are in the process of making adaptations or additional modules to their systems to further support Chain of Custody certified operators, like Sappi, comply with EUDR. Sappi is providing input to the certification systems during their development process, and it is highly plausible that we will extend the scope of our CoC certificates to make use of these additional tools once available.
- **Collaboration:** Collaboration and cooperation across the entire forest-based value chain continues to be paramount to advocate for a common understanding and

approach to EUDR and to ascertain efficient implementation. We continue participating closely in the work of CEPI (Confederation of European Paper Industries) and the national trade organizations in the countries where Sappi's European pulp and paper mills are located.

- **Deliverables in waiting from the European Commission (EC):** The EC has promised a revised version of its FAQ (*Frequently Asked Questions*) and is working on a Guidance document on EUDR: Several important definitions like *operator*, *risk assessment*, *agricultural use*, *'placing on the market'/'making available on the market'*, etc. are expected to be included. At the time of publishing this May briefing, both were still in the making.

In summary, we are committed and determined to implement the EUDR into our operations and to ensure timely delivery of all the information required along the supply chain. Please don't hesitate to reach out for additional information or updates as we continue to progress over the coming months to establish both a common understanding of EUDR implementation across our Industry and adapt our internal processes to meet the information requirements.

