

Implementation of the EU Regulation on Deforestation-free Products (EUDR) at UPM Frequently asked questions and answers

1. What is the EUDR?

Regulation (EU) 2023/1115 on deforestation-free products (the formal name for the EUDR, hereafter referred to as 'EUDR' or 'the Regulation') aims to avoid products entering or leaving the EU market that contribute to global deforestation or forest degradation. At the same time, the goal is to reduce greenhouse gas emissions and biodiversity loss caused by EU consumption and production.

The Regulation is applicable to products listed in Annex 1 of the Regulation that contain, have been fed with or have been made using cattle, cocoa, coffee, oil palm, rubber, soya and wood. From UPM's point of view, the most relevant commodity is wood and many of the products UPM produces such as timber, pulp, paper, plywood and paper-based labels fall under the application of the EUDR.

The Regulation requires exercising due diligence before placing or making relevant products available on the EU market or exporting them and, prohibits placing or making available on the market or exporting relevant products unless they

- are deforestation-free;
- have been produced in accordance with the relevant legislation of the country of production of the commodity in question; and
- are covered by a due diligence statement whereby the companies assume responsibility of the compliance of their products.

Further, the Regulation requires traceability of the commodities falling in the scope of the Regulation. The due diligence statement must contain information inter alia about the country of production and geolocation of all the plots of land where the commodity contained in the product associated to the due diligence statement was produced.

2. When will the EURD be applied?

The Regulation entered into force on 29 June 2023 and, it allows an 18-month transition period. Therefore, based on the text currently in force, the Regulation enters into application on 30 December 2024.

The European Commission has proposed a 12-month extension to the transition period. The European Parliament has on 14 November 2024 approved EU Commission's proposal to amend the Regulation as regards provisions relating to the date of application. At the same time, the European Parliament proposed certain additional amendments to the Regulation and referred the file back to committee for interinstitutional negotiations. Thus, it is not yet clear when and in what form the Regulation will finally enter into application.

For now, UPM continues its implementation activities based on the text that is currently in force. Once the final text regarding the amendment of the Regulation is available UPM will analyse the amendment's impacts on UPM and adjust its implementation measures accordingly.

3. What has UPM done to comply with the requirements of the EUDR?

UPM monitored already the preparation of the Regulation and initiated implementation measures as soon as the Regulation was adopted.

UPM is developing its due diligence systems to meet the requirements of the Regulation. In addition, an extensive project related to IT-development is on-going to be able to submit the due diligence statements and trace the raw materials in UPM's value chain.

We are continuously monitoring the development of any guidance on the application of the Regulation and will adjust our approach, if necessary.

4. What are the challenges of implementation?

The main challenge in implementation has been ambiguity of certain key provisions of the Regulation, the lack of guidance, and the lack of other implementation measures for the Regulation.

The Regulation is partly open to interpretation and the EU Commission published further guidance related to some of the requirements of the Regulation only in the beginning of October less than three months before the application of the Regulation should begin. Thus, there has been uncertainty about how the Regulation should be applied in practice.

Further, the IT system through which the due diligence statements are to be submitted is only now being developed by the EU Commission. This makes it difficult to develop business' own IT systems that would need to be compatible with the EU system.

In addition, the EU Commission has not yet published the risk ratings of the countries of production. The risk rating impacts on the extent of the due diligence systems that businesses need to build. Lack of risk ratings creates an unnecessary administrative burden as many companies need to build a more extensive due diligence system than they will potentially need.

Lack of guidance, the IT system and the risk rating have in practice led to a situation in which companies have not had the possibility to effectively make use of the 18-month transition period. Extending the transition period would alleviate the concerns of disruptions in supply chains.

5. What information will I receive from UPM as a customer?

The Regulation requires UPM to communicate all information necessary to demonstrate that due diligence was exercised, and that no or only negligible risk was found, including the Reference Numbers of the due diligence statements associated with the products in question. In addition to the reference numbers, UPM will, upon request, provide information about its due diligence system to prove that due diligence was exercised, and that the products are compliant with the Regulation.

The EUDR is only applicable to products that enter the EU market or are exported from the EU market. If you are a customer receiving UPM's products which have not entered the EU market, they might have not been subject to a due diligence statement and thus it will not be possible to provide you with an EUDR reference number associated with the products. In such cases we will agree with you separately what information will be provided or, where practical and feasible, offer you products already placed on the EU market instead.

6. What if I or my customers wish to import into the EU, products that I have manufactured outside of the EU using UPM's products?

When importing products falling under the scope of the Regulation into the EU market, the importer must exercise due diligence and submit a due diligence statement in the EU IT system. In such cases, the importer will in principle need to gather information listed in Article 9 of the EUDR as regards the products.

UPM is of the view that if the products imported contain raw materials that were already placed on the EU market and are thus already subject to a previous due diligence statement, the importer should be able to refer to such due diligence statements. Unfortunately, it is currently unclear whether this will be possible or not.

If you are using UPM products which have not entered the EU market before, we will agree with you separately what information will be provided or, where practical and feasible, offer you products that have already been placed on the EU market instead.

7. What about products produced during the transition period?

The Regulation does not include transitional provisions as regards relevant products that are placed on the market during the transitional period but are traded or used as raw material of other relevant products only after the Regulation has entered into application. The EU Commission has taken a stand on the matter in its Q&A and guidance document stating that if a relevant commodity or a relevant product is placed on the market before the end of the transition period the obligations of an operator placing on the market or exporting a derived relevant product or a trader making the product available on the market is limited to being able to show that the relevant commodity or product was indeed on the EU market before the end of the transition period. In addition, the products falling under the scope of the EU Timber Regulation (EU) 995/2010 shall comply with that regulation.

EU Commission's Q&A does not take a stand on situations in which a relevant commodity or a relevant product is exported from the EU market before the end of the transition period and a derived product is then imported into the EU after the transition period. In UPM's view, such derived products should not be treated in a different manner than those that have been produced in the EU but unfortunately EU Commission's Q&A is ambiguous in this respect.

8. What does UPM expect from its suppliers?

When sourcing raw materials that fall under the scope of the EUDR, UPM expects that the raw materials supplied are compliant with the Regulation.

When sourcing raw materials from the EU market, UPM will only accept goods that have been subject to a due diligence statement. Further, UPM will verify that due diligence is exercised by its suppliers. In some cases, such as in wood sourcing based on harvesting rights, UPM is the first operator within the EU market and will thus submit the first due diligence statement.

When sourcing raw materials from outside of the EU, UPM will require its suppliers to provide all the data needed to exercise due diligence including information about tree species, country of production, geolocation of plots of land where the raw material was harvested, harvesting time as well as adequately conclusive and verifiable information that the raw materials are deforestation-free and produced in accordance with the relevant legislation of the country of production.

For further information on the EUDR please visit [EU Commission's website on the implementation of the regulation](#).