

AVOIDING DEFORESTATION AND DEGRADATION IN THE FOREST SUPPLY CHAIN

MAY 2025

CASE STUDIES ON USE OF THE SFI FIBER SOURCING MODULE TO SUPPORT EUDR DUE DILIGENCE REQUIREMENTS

On June 29, 2023, the European Union Regulation on Deforestation-free Products (EUDR) entered into force with a current deadline to become compliant on December 30, 2025. The objective of the EUDR is to promote 'deforestation-free' products and reduce the European Union's (EU) impact on global deforestation and forest degradation. Companies selling forest products directly into the EU or supplying companies selling into the EU will need to be ready to provide compliance information on December 30, 2025.

The SFI 2022 Fiber Sourcing Standard has due diligence requirements to assess the risk of sourcing from controversial sources and mitigate risk of legal non-compliance.

On March 20, 2024, the SFI Board approved the SFI Fiber Sourcing Module to Support EUDR Due Diligence Requirements (SFI Module). The SFI Module is intended for companies certified to the SFI 2022 Fiber Sourcing Standard. The module integrates EUDR definitions as well as specific EUDR's due diligence system (DDS) requirements.

Modules enable SFI certified organizations to meet specific needs. SFI certified organizations can get a scope extension of their existing SFI Fiber Sourcing Standard certificate to include these additional EUDR requirements.

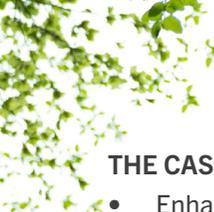
The Module includes six performance measures, which include:

1. Collecting and retaining location-specific information.
2. Conducting a risk assessment to evaluate the risk.
3. Communicating substantiated concerns.
4. Mitigating the risk that relevant products are non-compliance.
5. Avoiding EUDR non-compliance.
6. Communicating information on its fiber sourcing due diligence processes.

To gather real world experience, two organizations certified to the SFI 2022 Fiber Sourcing Standard and located in the southeastern United States volunteered for a pilot project using the SFI Module.

The pilot project case studies utilized a desk audit of the SFI Module to test the applicability of the SFI Module to support EUDR due diligence requirements.





THE CASE STUDIES WERE DESIGNED TO:

- Enhance understanding of EUDR compliance in a key supply area.
- Identify the extent to which SFI Fiber Sourcing certification coupled with the SFI Module addresses risk in the context of EUDR.
- Identify challenges and best practices based on the participating companies' implementation experience.

BENEFITS OF THE SFI MODULE:

- The case studies show that implementing the SFI 2022 Fiber Sourcing Standard along with the SFI Module is a useful tool do demonstrate that fiber is not coming from lands subject to deforestation or forest degradation as defined by EUDR requirements. The SFI Module is valuable in leveraging procedures that identify and mitigate other risks in the supply chain.
- The pilot participants felt that the module gave them an excellent tool to systematically work through the EUDR requirements which allowed them to analyze and demonstrate how each requirement can be met. This is especially important given the many interrelated considerations identified in the SFI Module and missing a step could result in errors or compliance risk with communicating EUDR information.

KEY LEARNINGS IDENTIFIED INCLUDE:

- Understand the needs of your customers to guide the level of EUDR implementation. Without a clear understanding of customers' needs in relation to EUDR requirements, organizations risk spending unnecessary resources or not providing the information to meet the needs of their customers, which can lead to delays or noncompliance with the EUDR regulation.

- Be intentional and methodical. Start with primary suppliers, then move to secondary suppliers and beyond to build your system. Primary suppliers often account for a significant share of an organization's input and typically have simpler supply chain logistics. Focusing on them first allows organizations new to the SFI Module to build a solid understanding of the requirements before addressing the more complex challenges posed by suppliers further down the chain (e.g., remanufacturers or specialty paper product producers).
- Leverage your existing fiber procurement risk assessment under the SFI 2022 Fiber Sourcing Standard to address EUDR requirements. Since the risk assessment aligns closely with many EUDR due diligence requirements, organizations likely won't need to develop an entirely new process for EUDR compliance.
- Compile well-researched and well-documented risk assessments and mitigation measures to provide the "conclusive and verifiable information" required under the EUDR. Without this, organizations risk non-compliance during an audit, potentially leading to costly consequences.

HIGH HURDLE OF GEOLOCATION FOR LOW RISK WOOD

- Pilot participants felt that they could meet the EUDR requirements to avoid deforestation and forest degradation in their wood supply given the rigor of the SFI Fiber Sourcing Standard and due to the fact they have low risk wood.
- Even with a low risk wood scenario, they felt the real burden was with the EUDR geolocation requirement given the cost and complexity to effectively geolocate wood fiber.
- Pilot participants indicated an opportunity to partner with geolocation providers that understand their operations and can integrate their tool with DDS procedures.

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