



EU timber regulation 995/2010
Domtar “Due Diligence” Program

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Terminology

Term	Definitions
CITES	Convention on International Trade in Endangered Species
COC	Chain of Custody
EUTR	European Timber Regulations 995/2010
FSC	Forest Stewardship Council
HTS	Harmonized Tariff Schedule
PEFC	Program for the Endorsement of Forest Certification
SFI	Sustainable Forestry Initiative Inc.

1 Executive Summary

At Domtar, our business is founded upon the principles of sustainable growth. We know that as a customer, you want assurance that the paper or pulp you are using comes from legal, sustainable sources and reflects your social and environmental values.

It is Domtar's position that the EU Timber regulation is one of several component of a transparent, legal and sustainable supply chain. While Domtar supports the intent of any Government, which focuses on the compliance of sourcing of plants and plant products with laws of their originating jurisdictions, we believe it is our obligation and the obligation of all forest products companies to provide not only legal, but also environmentally and socially appropriate practices that yield forest products.

1.1 Objective of Due Diligence Program

The objective of Domtar's Due Diligence Program is to enable and support our EU customers in the exercise of their "due diligence" obligation under the EU Timber Regulations. It provides evidence of our existing processes in respect of the pulp and paper products they purchase from us.

1.2 Approach Taken

Our values, commitments and policies to combat illegal logging existed prior to the introduction and coming into force of the due diligence obligation for wood and wood products (including pulp and paper products) now required by the EU Timber Regulations. In response to these regulations, we have combined our existing policies, processes and procedures into one document, the *Domtar Due Diligence Program*, to enable and support our EU customers in the exercise of their own "due diligence" obligation as defined in section 201 of this document.

This document sets out and explains Domtar's policies, processes and procedures in respect of responsible forest management, environment conservation, sustainable growth, responsible fiber procurement, and risk management. It also provides our customers with access to evidence of Domtar's due diligence processes and practices.

2 European Timber Regulation 995/2010 (EUTR)

The European Regulation No 995/2010 aims at ensuring that only timber and timber products which have been produced in accordance with the relevant national legislation of the timber-producing country enter the European market. The Regulation prohibits the trade on the European market of illegally harvested timber or timber products derived from such timber.

Amongst other articles made of solid wood, the Regulation also applies to “*pulp of Chapter 47 and paper of Chapter 48 of the Combined Nomenclature, with the exception of bamboo based and recovered (waste and scrap) products*”.

The Regulation defines *operator* any natural or legal person who places timber and timber products (pulp & paper) on the European market for the first time, and *trader* any natural or legal person who, in the course of a commercial activity, sells or buys on the European market timber or timber products already placed on the same market.

2.1 Due diligence system for an “operator” in the EU.

The Regulation sets out a “due diligence system” that operators shall exercise when placing timber or timber products on the market. The due diligence system shall contain measures and procedures providing access to specific information concerning the origin of timber or timber products as well as risk assessment procedures enabling the operator to analyse and mitigate the risk of illegally harvested timber or timber products derived from such timber being placed on the market.

The following are the three main elements of a due diligence system required by an operator. It is Domtar’s opinion that our due diligence program addresses these points.

1. **Information:** Measures and procedures providing access to information concerning the operator’s supply of timber or timber products placed on the market:
2. **Risk assessment:** Procedures enabling the operator to analyze and evaluate the risk of illegally harvested timber or timber products derived from such timber being placed on the market
3. **Risk Mitigation:** Procedures which consist of a set of measures and procedures that is adequate and proportionate to minimize effectively that risk and which may include requiring additional information or documents and/or requiring third party verification.

2.2 Due diligence system for “traders” in the EU.

The Regulation also provides an obligation of traceability throughout the supply chain. The traders shall be able to identify the operators or traders who have supplied the timber and timber products and, where applicable, the traders to whom they have supplied the timber and timber products, with the exemption of the non-commercial final consumers. Traders shall keep the information referred to for at least five years and shall provide that information to competent authorities if they so request.

3 Domtar's Policies

We strongly believe that illegal logging is a serious global problem with detrimental environmental and economic consequences and we support the efforts of Governments worldwide to address this problem. We constantly review and implement measures in response to the threat of illegal logging and, in the process, protect our endangered forests and the biodiversity, ecosystems, and climate mitigation therein.

3.1 Sustainable Growth

Sustainability at Domtar has as much to do with performance as with accountability. We have made sustainability our policy and we stand by it. Consider our priorities:

- We are committed to ensuring that our forest management practices meet the standards of internationally recognized, third-party verified forest certification programs. Where appropriate, we favor certification according to the standards of the Forest Stewardship Council (FSC).
- We conduct our activities in a manner that conserves resources. We strive to continually reduce the environmental footprint of our operations by consuming less, emitting less and generating less waste per unit of product output.
- We strive to acquire fiber which originates only from forests that are managed in a sustainable manner. We favor suppliers who meet the standards of the FSC.

We identify, evaluate and control potential environmental risks and ensure that all of our facilities have effective contingency plans. Finally, we subscribe to internationally recognized environmental management systems with which independent third parties verify compliance.

Link; [*Statement on Sustainable Growth*](#).

3.2 Responsible Forest Management

Because we manufacture pulp and paper, access to abundant, affordable and secure sources of fiber is critical to our future. We strive for leadership in forest management by adhering to sustainable forest principles on all lands owned by or licensed to us and by preferring suppliers with like principles. We are committed to seeking third-party certifications of all operations where feasible.

Link: [*Forest Policy*](#).

3.3 Environmentally – Sound Operations

We conduct our activities in a manner that conserves resources. We strive to continually reduce the environmental footprint of our operations. We identify and evaluate potential environmental risks and implement appropriate measures to eliminate or control those risks. Finally, we conduct independent third-party environmental audits to confirm that our management practices meet policy objectives, legislation and the principles of sound management.

Link: [*Environmental Policy*](#)

3.4 Responsible Fiber Procurement

Not all of the fiber we consume originates from lands we own or manage. We extend our forest management commitment to our supply chain, because the decisions we make when purchasing wood from third parties may also impact forest sustainability.

Link: [*Fiber use sourcing policy*](#).

We conduct systematic reviews to verify that our purchased fiber originates from sustainably managed and legally harvested forests. We will not knowingly purchase wood that is illegally logged or improperly harvested. If we discover that a supplier has engaged in illegal or improper conduct, we will immediately cease purchasing such wood from the supplier.

We also recognize the importance of independent forest certification for validating sustainable forest management practices. We strongly encourage our suppliers to certify their forest management practices to internationally-recognized certification standards that require third-party validation. We give preference to FSC certified suppliers and, where FSC is not available, we encourage that our suppliers meet FSC's Controlled Wood Standard. The Controlled Wood Standard prohibits the use of fiber sourced from the following areas:

- Illegally harvested forests
- Wood harvested in violation of traditional and civil rights
- Wood harvested in forests in which High Conservation Values are threatened through management activities
- Wood harvested from conversion of natural forests
- Wood harvested from areas where genetically modified trees are planted

Link: [*FSC chain of custody*](#)

4 World-Wide Acceptable Standards & Certifications

Domtar is committed to meeting the highest standards for forest, environmental and quality management.

We believe the best way to assure that our operations are managed in a responsible and transparent manner, and in conformance with applicable laws, are through certification by independent third-party organizations. All Domtar owned forests that supply our mills, all our direct-managed forests, and all of our fiber procurement organizations operate under certification from one or more of these internationally-recognized third-party organizations.

- Forest Stewardship Council (FSC). You may learn more about FSC and its standard at <http://www.fsc.org/>.
- Sustainable Forestry Initiative (SFI). You may learn more about SFI and its standard at <http://www.sfiprogram.org/>.
- Program for the Endorsement of Forest Certification (PEFC). You may learn more about PEFC and its standard at <http://www.pefc.org/>.

These certifications provide independent assurances that our forest management activities and our fiber sourcing practices are responsibly managed according to the highest standards, and that these standards are adhered to throughout our supply chain from the forest floor to the customer's door. They also speak to our willingness to be transparent about our forestry and fiber procurement practices while meeting customer expectations for traceability and accountability.

Domtar's current certificates are available at the following link: [Domtar Certificates](#)

5 Risks Assessment

Domtar is currently subject to legislative requirements in North America in ensuring that no illegal timber products enters in the production of our products in accordance to the Lacey Act in the USA, the illegal logging regulations in Canada which, are both in line with the EUTR in Europe.

Domtar has conducted a comprehensive Risk Assessment of the fiber sourcing practices for our pulp and paper mills. On a broad level, the regions from which we source virgin fiber are evaluated for legality of harvesting, high conservation forests, and the risk of illegally harvested material entering the supply chain.

The validity of the Domtar risk assessment is annually reviewed through both internal and external audit. Annual internal audit verifies that all fiber suppliers are vetted through the risk assessment procedure and that the risk assessment procedure is properly applied at the mill level. External audits are conducted as a component of Domtar's certification to the Forest Stewardship Council (FSC) Chain of Custody and Controlled Wood standards, the Sustainable Forestry Initiative Chain of Custody and Responsible Fiber Sourcing standards, and the Program for Endorsement of Forest Certification Chain of Custody. For all standards, a percentage component of Domtar fiber is verified COC, so the sourcing of all other fiber material must be verified to be from non-controversial, legally harvested sources. Externally produced pulps containing both virgin fiber and recycled content are subject to the same scrutiny to ensure and verify compliance by our suppliers. Additionally, no commercial harvest of species identified under CITES annexes I and II occurs in the United States or Canada.

A public summary of this Risk Assessment is available at the following link: [*Domtar Risk Analysis*](#)

6 Training & Awareness

Domtar's outreach efforts and training and awareness program have focused on ensuring a broad understanding of the EUTR 995/2010 by relevant Domtar personnel and raising awareness within our company and customers.

Domtar believes that training and awareness is an important part of any due care process and aims to educate employees on what is required in order to ensure compliance.

7 Conclusion

Domtar strongly believes that illegal logging is a serious global problem with detrimental environmental and economic consequences and supports the efforts of governments to continue working on this very important issue. As a result, Domtar is committed to the responsible management of its forests and to the use of legally and sustainably harvested wood (whatever the source may be) by regularly submitting our forestry and manufacturing operations to review and certification by third-party organizations established to promote the responsible management of the world's forests.

We have a definite and unquestionable commitment compliance with the European Timber Regulation or any other laws or regulations pertaining or related to illegal logging.

We believe our due care program is the most effective means toward providing our customers with the assurance that our forests and operations are managed in a responsible and sustainable manner.

Domtar's goal is to provide our customers with the highest level of confidence that the products they are purchasing are manufactured from legal and sustainably grown and harvested fiber.
