

GBMtm
Global Buyers Mission
September 5-7, 2024
Whistler, British Columbia



**Traceability +
EU Deforestation Regulation**

Agenda

1. Traceability – Why is it important?

- a. Customer Requests (Lowes, Floor Décor)
- b. Chain of Custody certification (PEFC, FSC)
- c. Legislation (Lacey Act, Circumvention, EUDR, UFLPA, UKTR)

2. EU Deforestation Regulation

- a. Overview
- b. Requirements + definitions

3. Solution(s) – Digital Material Passport

- a. Steps taken
- b. Composer(s) – Sources (Input + Output)
- c. Costs (proposed)

4. Actions + Next Steps (Recommended)

Traceability – Why important

- Customer requests/commitments
- Chain of Custody (CoC) requirements
 - FSC 100%, 100% PEFC Origin (transfer/physical separation methods)
 - PEFC/FSC Risk Assessments (based on Country, Province/State, etc.), support use of Volume Credit method
- Legislation
 - Lacey Act – Country of Harvest (PPQ 505 declaration)
 - Anti-dumping/Circumvention – plywood from China
 - UK Timber Regulation – Country of Harvest (Concession of Harvest), due diligence
 - Illegal Logging Prohibition Act (Australia) – importers must know origin
 - Uyghur Forced Labor Prevention Act
 - EU Deforestation Regulation – Country of Production, geolocation

LOWE'S WOOD SOURCING POLICY

As a leading North American home improvement company, Lowe's purchases a significant amount of wood and recognizes the important role the world's forests play. Forests are crucial to the planet, supporting plant and animal life, capturing and storing greenhouse gases, and providing food, water, medicine and livelihoods to people around the world. Lowe's is dedicated to protecting these critical resources by adopting responsible practices. To do so, Lowe's implemented its first Wood Sourcing Policy in 2000. Since then, Lowe's has continued to work with employees and vendors to safeguard valuable forest resources. Trees are critical to the planet and Lowe's business, so ensuring a sustainable source of wood is of paramount importance.

Scope

This policy applies to all wood and pulp products sold at Lowe's both in-store and online - including all wood components within a product, such as solid wood, composite wood, veneers, plywood, wood pulp and paper.

Product Sourcing Requirements

Lowe's evaluates relevant wood sourcing areas based on the following risk factors: deforestation, ecosystem conversion, illegal harvesting, endangered species trade, human rights and corruption.¹ Lowe's has assigned risk levels (Low, Medium and High) and sourcing requirements to these wood sourcing areas.

"Wood sourcing areas" are defined as the areas where the trees are grown and harvested, not the manufacturing site locations.

EU Deforestation Regulation

Traceability + EU Deforestation Regulation (Sept 2024)

L 150/206

EN

Official Journal of the European Union
9.6.2023

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
(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee ⁽¹⁾,

After consulting the Committee of the Regions,

Acting in accordance with the ordinary legislative procedure ⁽²⁾,

Whereas:

- Forests provide a broad variety of environmental, economic and social benefits, including timber and non-wood forest products and environmental services essential for humankind, as they harbour most of the Earth's terrestrial biodiversity. They maintain ecosystem functions, help protect the climate system, provide clean air and play a vital role for the purification of waters and soils as well as for water retention and recharge. Large forest areas act as a moisture source and help prevent desertification of continental regions. In addition, forests provide subsistence and income to approximately one third of the world's population and the destruction of forests has serious consequences for the livelihoods of the most vulnerable people, including indigenous peoples and local communities who depend heavily on forest ecosystems. Furthermore, deforestation and forest degradation reduce essential carbon sinks. Deforestation and forest degradation also increase the likelihood of contact between wild animals, farmed animals and humans, thereby increasing the risk of spreading new diseases and the risks of new epidemics and pandemics.
- Deforestation and forest degradation are taking place at an alarming rate. The Food and Agriculture Organization of the United Nations (FAO) estimates that 420 million hectares of forest – about 10 % of the world's remaining forests, equalling an area larger than the European Union – have been lost worldwide between 1990 and 2020. Deforestation and forest degradation are, in turn, important drivers of global warming and biodiversity loss – the two most important environmental challenges of our time. Yet, every year the world continues to lose 10 million hectares of forest. Forests are also heavily impacted by climate change and many challenges will need to be addressed to ensure the adaptability and resilience of forests in the coming decades.
- Deforestation and forest degradation contribute to the global climate crisis in multiple ways. Most importantly, they increase greenhouse gas emissions through associated forest fires, permanently removing carbon sink capacities, decreasing the climate change resilience of the affected area and substantially reducing its biodiversity and resilience to diseases and pests. Deforestation alone accounts for 11 % of greenhouse gas emissions as stated in the Intergovernmental Panel on Climate Change (IPCC) special report on climate change and land of 2019.
- Climate breakdown induces the loss of biodiversity globally and biodiversity loss aggravates climate change, they are thus inextricably linked, as recent studies have confirmed. Biodiversity and healthy ecosystems are fundamental to climate-resilient development. Insects, birds and mammals act as pollinators and seed dispersers and can help store carbon more efficiently, directly or indirectly. Forests also ensure the continuous replenishment of water resources and the prevention of droughts and their deleterious effects on local communities, including indigenous peoples. Drastically reducing deforestation and forest degradation and systemically restoring forests and other ecosystems is the single largest nature-based opportunity for climate mitigation.

⁽¹⁾ OJ C 275, 18.7.2022, p. 88.
⁽²⁾ Position of the European Parliament of 19 April 2023 (not yet published in the Official Journal) and decision of the Council of 16 May 2023.

EU Deforestation Regulation

- Enforce as of June 29, 2023
- Applicable as of Dec 30, 2024 (Art. 3-13, 16-24, 26, 31, 32)
- Key Definitions:
 - Deforestation: conversion of forest to agriculture use (“no” problem)
 - Forest Degradation: structural changes to forest via conversion of:
 - Primary/naturally regenerated forest into plantation forests (“no” problem”)
 - Primary forests into planted forests (!!problem!!)
 - Operator: individual/company introducing product into EU market
 - Geolocation: geographic location that produced the wood described in lat/long coordinates using at least six decimal digits
 - Plot of land: single property having homogeneous conditions to allow an evaluation of the risk of deforestation/forest degradation

EU Deforestation Regulation

- Key Requirements (of the Operator):
 - Due Diligence Statement: must submit (Annex II) via EU Information System
 - Collect Information: consistent with Article 9:
 1. Description of Product
 2. Quantity
 3. Country of Production (harvest as it relate to plot of land)
 4. Geolocation of all plots of land (challenge)
 5. Date range of production
 6. Name, address, email of supplier
 7. Information that the product is deforestation free (conclusive/verifiable)
 8. Information that the product produced in accordance with legislation
 - Information available to Competent Authority: via the EU Information System?
individual/company introducing product into EU market
 - Risk Assessment: complete using 14 criteria

Solution – Digital Material Passport (DMP)

How did we get here:

1. Locate a service provider:

- Previous experience in sector or relevant sector
- Solution that works with existing ERP systems (and has network)
- Provide verifiable data

2. Form Working Group (Pilot Project):

- Identify the relevant information requirements (legal, certification, business)
- “Integrate” with recognized ERP systems (LIMS, LumberTrack)
- “Develop” solution(s)

3. Created “Solution”:

- Immediate “solution”; Short and long-term
- Compatible with recognized ERP systems (without requirement to “integrate”
- Verifiable
- DMP Composers (two)
- No requirement to store data; can use transaction ID vs. supplier info

Solution – Digital Material Passport (DMP)

S1SEVEN operates the leading platform for digital material compliance globally.

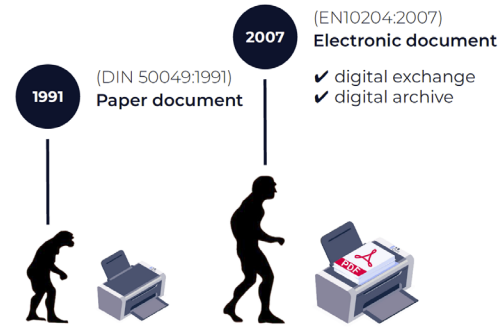
It enables providers of steel, metals, chemicals and timber to issue Digital Material Passports (DMPs) which facilitate the exchange of standardized and verifiable data of their products origin, quality, and sustainability across the entire value chain.

In full compliance with regulatory standards the DMP supports audibility across a materials life cycle and so advance a companies competitive edge within the new market rules.

S1SEVEN
data trustworthy matters.

Regulatory Compliance

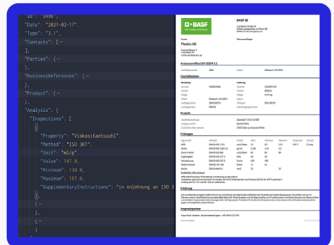
The Industrial Materials Market requires a solution for trustworthy material data exchange for compliance clearing and settlement.



2025

Digital Material Passport (DMP)

- ✓ open, industry compliant standard
- ✓ machine readable JSON + PDF rendering
- ✓ tamper evident, secured by blockchain



Trusted by industry leaders

- thyssenkrupp
- BASF
We create chemistry
- AMAG
AUSTRIA METALL
- STAHL

We don't store your data

After the records are processed, they are deleted, we only keep proofs in order for anyone to verify the records he is holding

We are an open industry platform

Open source data formats, information across our network is exchanged free, free-to-use integrations via REST-API, no vendor-lock in

We guarantee material interoperability

We align data standards for Metals, Chemicals and timber, all coming together for final products i.e. Construction Industry (Composite products)



Solution – Digital Material Passport (DMP)

Created two Composers:

Source/Input

Output

SISEVEN

DMPs > BCTS-2024-08-01 COA/1.1.0

BCTS-2024-08-01 COA/1.1.0

Certificate
The certificate information object
* required fields

1.0 General Information

User Defined ID

Country of Harvest/Production*

State /Province*

County / District / Region / Supply Area

Forest Concession Name or Number*

Certification Number (Forest Management / CoC)

Certification Claim

Certification Percentage

General Information

Harvest Units / Forest Plots
Plot #1

Product Information
Product type #1
Species #1

Supplier
Address
Contacts Data

Producer
Address

Documents & Uploads
Additional source DMP
Forest Concession
Harvest Authorization
Certificate (FM or CoC)
Due Diligence
Statement
Harvest Unit / Forest
Plot Map

Other Data
DMP Transaction

Incognito mode **PUBLISH** **SAVE & CLOSE**

SISEVEN

DMPs > Output Template

Output Template

* required fields

1.0 Order Information

User Defined ID

Country of Origin*

State /Province*

Sales Order Number*

Purchase Order (Customer)

Inco Terms

Shipment, Packing List or Bill of Landing Number*

Container Number

Booking Number

Order Information

Product Information
Product type
Species #1

Supplier Information
Address
Contacts Data

Production Information
Address

Customer Information
Address

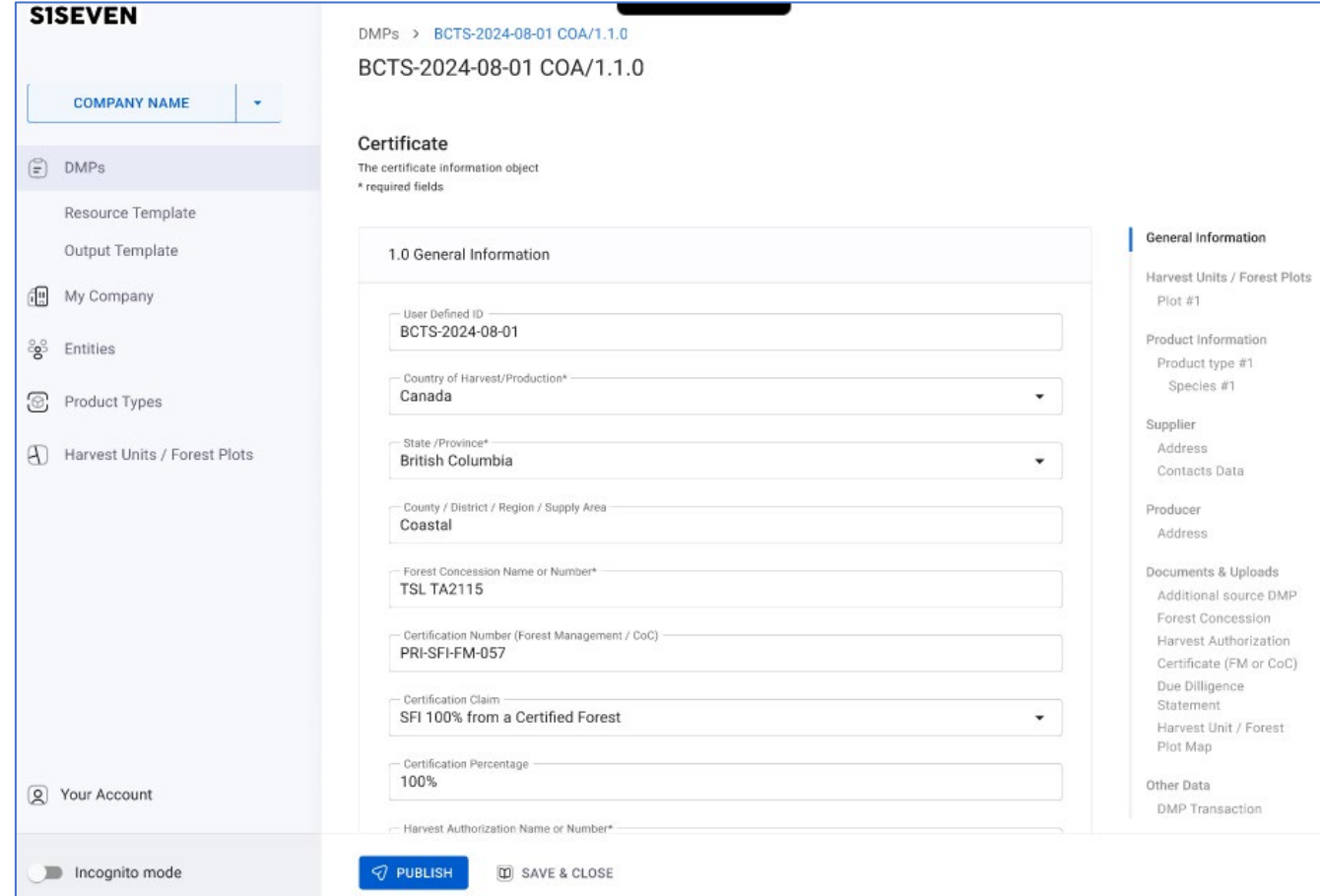
Documents & Uploads
Certificate of Origin
Due Diligence
Statement
Phytosanitary Certificate
CoC Certificate
TSCA/CARB/CANFER
Certificate
Additional Source DMPs

Other Data
DMP Transaction

Incognito mode **PUBLISH** **SAVE & CLOSE**

DMP Example (Source = BC Timber Sales)

- DMP has seven sections:
 1. General Info
 2. Harvest Units/Forest Plots
 3. Product Info
 4. Supplier Info
 5. Producer Info (optional)
 6. Documents & Uploads
 7. Other Data
- Creates:
 - .JSON file extension
 - Contains data, geolocations (geoJSON file) and documents
 - PDF version
 - DMP Transaction Number (reference hash #; used in Block Chain)



The screenshot shows the SISEVEN web application interface for creating a DMP (Data Management Plan). The left sidebar contains navigation links: COMPANY NAME, DMPs, Resource Template, Output Template, My Company, Entities, Product Types, Harvest Units / Forest Plots, and Your Account. The main content area displays the DMP form for 'BCTS-2024-08-01 COA/1.1.0'. The form is titled 'Certificate' and includes a section for '1.0 General Information'. The form fields are as follows:

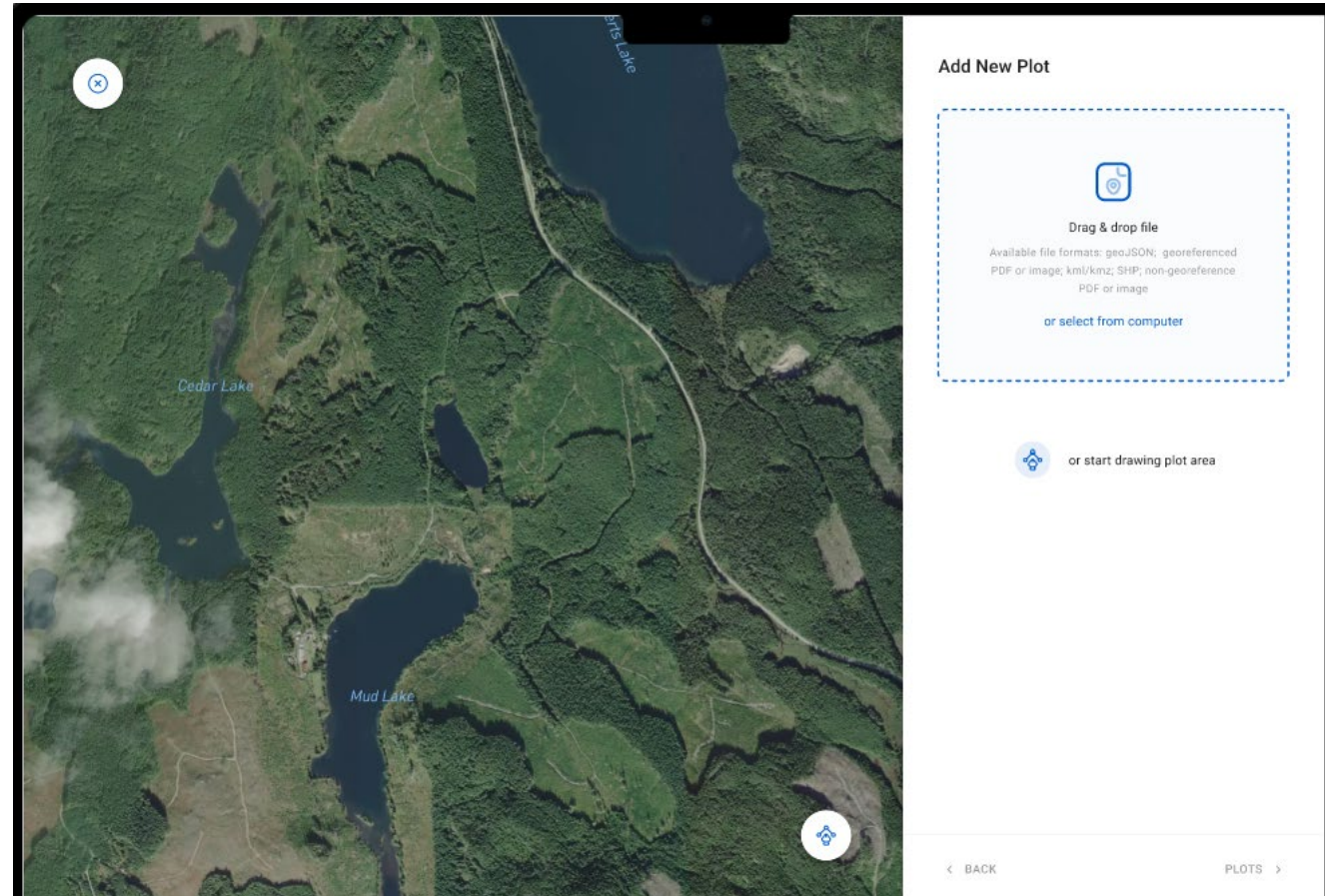
Field	Value
User Defined ID	BCTS-2024-08-01
Country of Harvest/Production*	Canada
State /Province*	British Columbia
County / District / Region / Supply Area	Coastal
Forest Concession Name or Number*	TSL TA2115
Certification Number (Forest Management / CoC)	PRI-SFI-FM-057
Certification Claim	SFI 100% from a Certified Forest
Certification Percentage	100%
Harvest Authorization Name or Number*	

The right sidebar contains a 'General Information' section with links to: Harvest Units / Forest Plots, Product Information, Supplier, Producer, Documents & Uploads, and Other Data. The bottom of the form has buttons for 'PUBLISH' and 'SAVE & CLOSE'.

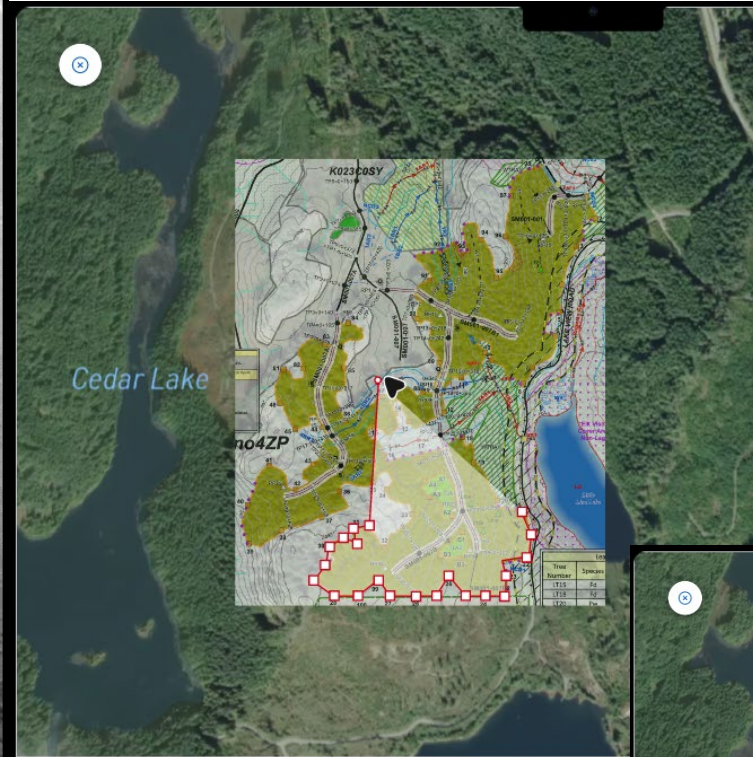
A JSON file is a file that stores simple data structures and objects in [JavaScript Object Notation \(JSON\)](#) format, which is a standard data interchange format. It is primarily used for transmitting data between a web application and a server. JSON files are lightweight, text-based, human-readable, and can be edited using a text editor.

DMP Example (BCTS)

- Creating geolocation info:
 1. Create new plot
 2. Opens screen with Google Earth or Mapbox
 3. Drag/Drop image or file of harvest area
 4. Move, adjust, trace/draw



DMP Example (BCTS)



Add New Plot

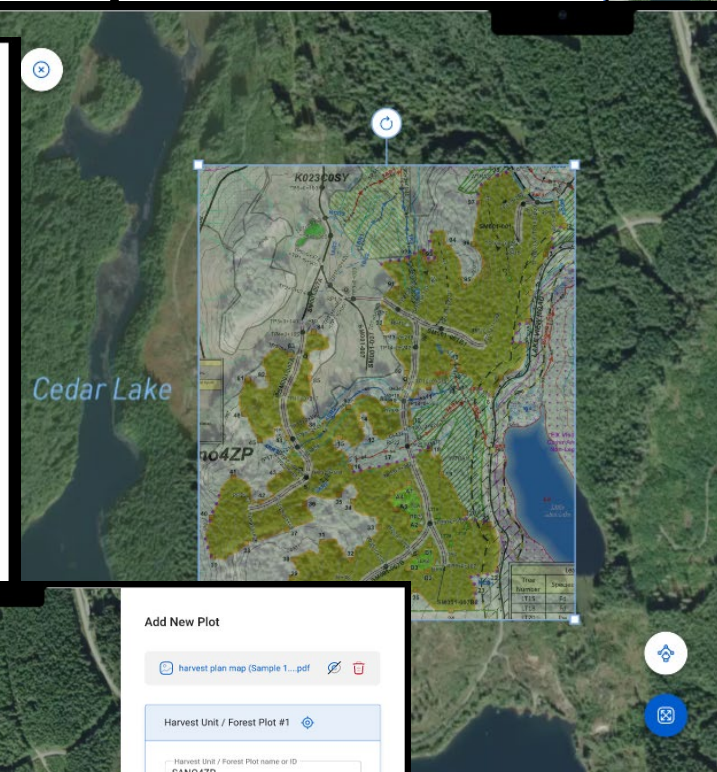
harvest plan map (Sample 1....pdf)

Harvest Unit / Forest Plot #1

Harvest Unit / Forest Plot name or ID
SAN04ZP

Area (ha; approximate)
46.8

ADD PLOT



Add New Plot

harvest plan map (Sample 1....pdf)

Plot Area Setup Required
Draw a polygon over the image to define the plot area

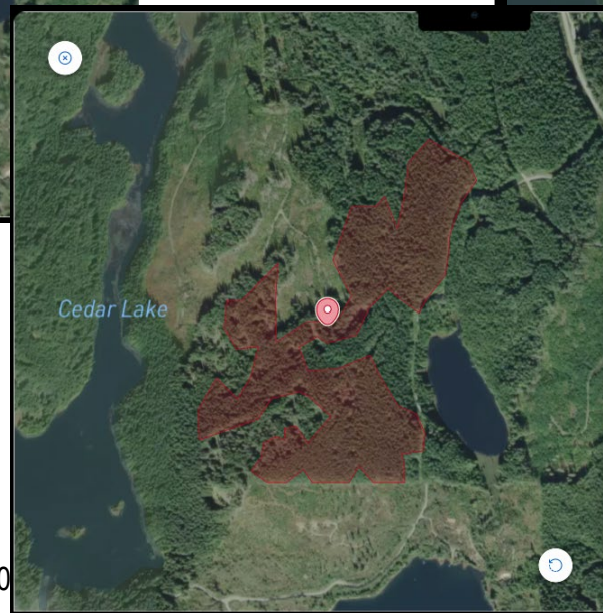
Harvest Unit / Forest Plot #1

Harvest Unit / Forest Plot name or ID
SAN04ZP

Area (ha; approximate)
46.8

ADD PLOT

BACK FINISH



Add New Plot

harvest plan map (Sample 1....pdf)

Harvest Unit / Forest Plot #1

Harvest Unit / Forest Plot name or ID
SAN04ZP

Area (ha; approximate)
46.8

ADD PLOT

BACK FINISH

Traceability + EU Deforestation Regulation (Sept 2024)

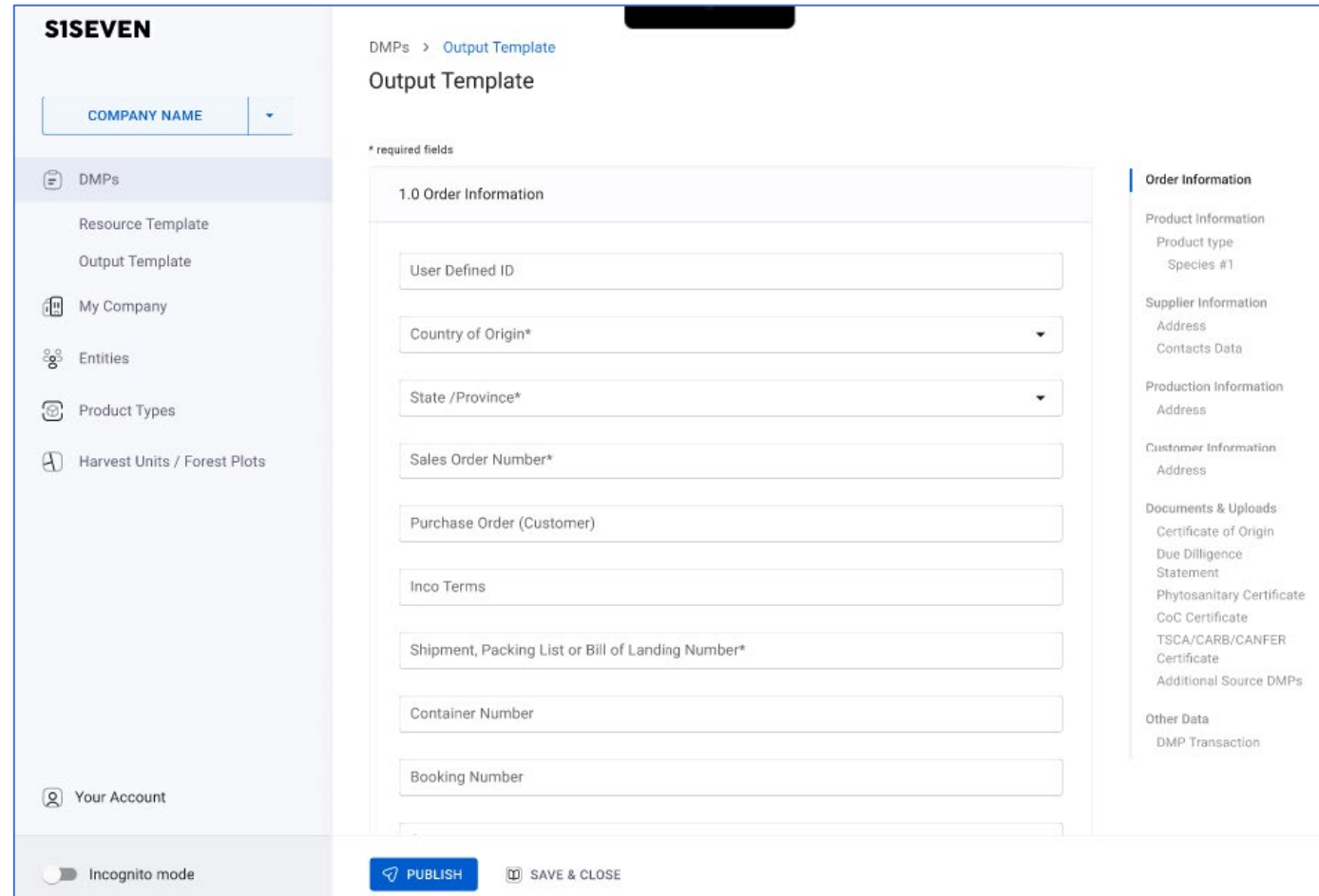
DMP Output (Wood Products)

- DMP has seven sections:

1. Order Info
2. Product Info
3. Supplier Info
4. Production Info
5. Customer Info
6. Documents & Uploads

- Key points:

- .JSON file extension
- Contains data, other JSON files, document and documents
- PDF version
- DMP Transaction Number (reference hash #; used in Block Chain)



The screenshot shows the S1SEVEN web application interface for creating a DMP Output Template. The left sidebar contains navigation links: DMPs (selected), Resource Template, Output Template, My Company, Entities, Product Types, Harvest Units / Forest Plots, and Your Account. The main content area is titled 'Output Template' and lists 'required fields' for '1.0 Order Information'. These fields include: User Defined ID, Country of Origin*, State /Province*, Sales Order Number*, Purchase Order (Customer), Inco Terms, Shipment, Packing List or Bill of Landing Number*, Container Number, and Booking Number. A right sidebar lists additional sections: Order Information (Product Information, Supplier Information, Production Information, Customer Information), Documents & Uploads (Certificate of Origin, Due Dilligence Statement, Phytosanitary Certificate, CoC Certificate, TSCA/CARB/CANFER Certificate, Additional Source DMPs), and Other Data (DMP Transaction). At the bottom, there is an 'Incognito mode' toggle and buttons for 'PUBLISH' and 'SAVE & CLOSE'.

Digital Material Passport Costs*

- Initial test period: FREE (one month)

Global Buyers Mission (Whistler Conference)					
Single Composer					
Number of Users	Initial Set-up Fee	Annual Maintenance	Transaction Fee (per m3)	Internal User Fee (per user)	External User (per user)
1	\$ 1,500	\$ 750	\$ 0.90	n/a	n/a
2 to 4	\$ 4,000	\$ 2,000	\$ 0.90	n/a	n/a
5 to 7	\$ 5,950	\$ 2,975	\$ 0.90	n/a	n/a
+7	\$ 8,250	\$ 4,125	\$ 0.90	n/a	n/a
Entreprise Clients +20	Contact Sales				
Entreprise Clients +50	Contact Sales				
Two Composers					
Number of Users	Initial Set-up Fee	Annual Maintenance	Transaction Fee (per m3)	Internal User Fee (per user)	External User (per user)
1	\$ 2,025	\$ 1,000	\$ 0.90	n/a	n/a
2 to 4	\$ 5,400	\$ 2,700	\$ 0.90	n/a	n/a
5 to 7	\$ 8,000	\$ 4,000	\$ 0.90	n/a	n/a
+7	\$ 11,000	\$ 5,500	\$ 0.90	n/a	n/a
Entreprise Clients +20	Contact Sales				
Entreprise Clients +50	Contact Sales				

*- as proposed by S1seven

** - \$USD

Traceability + EU Deforestation Regulation (Sept 2024)

Actions + Next Steps (Recommended)

1. Lobby for change in definition of Forest Degradation
2. Collect Source Information (timber marks, harvest plan maps, authority to cut)
3. Communicate with current ERP software provider:
 1. Accept a .JSON file
 2. Accept a “DMP Transaction Number” (i.e., Reference Hash #)
 3. Track Reference Hash # through production
 4. Produced .JSON file (with specified content, specified format)
 5. Communicate with S1seven network (verify .JSON file)
4. Test S1seven Composer(s)

Questions + Contact Information

Jason Zimmermann

jason@zimmfor.com

+1.604.619.1585

Sales@s1seven.com