



THE REGULATION ON DEFORESTATION-FREE PRODUCTS (EUDR) COMPLIANCE GUIDE

What is the EUDR?

The new EU regulation aims to combat deforestation and forest degradation associated with producing certain commodities and products. Under the EUDR, any operator or trader placing said commodities on the EU market or exporting them must prove that the products do not originate from recently deforested land or have contributed to forest degradation.

The regulation entered into force on June 29, 2023. However, to provide an adaptation time for operators and traders, these will have 18 months to implement the new rules. It applies to all products placed on the market from December 30, 2024 (June 30, 2025, for small businesses).

The new rules apply to palm oil, cattle, soy, coffee, cocoa, timber, rubber, and derived products (such as beef, furniture, or chocolate). It also applies to any quantity of product, large or small.

Obligations

A. For Operators¹

- ❖ Operators place commodities or products on the EU market for the first time or export them from the EU.
- ❖ Includes companies that transform one product of Annex I (which has already been the object of due diligence) into another product of Annex I.
- ❖ Ex: Company A, based in the EU, imports cocoa butter (HS code 1804, included in Annex I), while Company B, also based in the EU, uses that cocoa butter to produce chocolate (HS code 1806, included in Annex I) and places it on the market. In this case, companies A and B would be considered operators under the EUDR.

¹https://green-business.ec.europa.eu/deforestation-regulation-implementation/definitions-and-obligations_en

- ❖ A large company that is not an operator and commercializes the products included in Annex 1 on the market (for example, a large supermarket or retail chain) also falls under the regulation and must complete a due diligence statement.
- a. **Due Diligence:**
 - i. **Risk Assessment:** Involves collecting detailed supply chain information, including the geographic location of the land where the operator produced the commodities.
 - ii. **Risk Mitigation:** If there is a risk that the products are not deforestation-free, operators must take appropriate steps to mitigate that risk. It can include obtaining additional information, verifying supplier practices, or changing suppliers.
- b. **Traceability:**
 - i. **Geographic Information:** Operators must ensure they have precise geographic information on the land where the commodities were produced.
 - ii. **Documentation:** Maintain accurate and up-to-date documentation demonstrating compliance with the EUDR.
- c. **Reporting and Transparency:**
 - i. **Due Diligence Statements:** Operators must submit due diligence statements to the competent authorities.
 - ii. **Public Disclosure:** Certain information must be made available to the public.
- d. **Compliance with Benchmarking System:**
 - i. **Country Risk Classification:** Operators must consider the country benchmarking system, which classifies countries as low, standard, or high risk regarding deforestation.
- e. **Penalties for Non-Compliance:**
 - i. **Sanctions:** Operators who fail to comply with the EUDR requirements may face penalties, including fines and the possibility of being banned from placing products on the EU market.

B. For Traders

- ❖ Traders buy and sell commodities or products already placed on the EU market but do not place them on the market for the first time.
- a. **Supply Chain Information:**
 - i. **Record-Keeping:** Traders must keep records of their suppliers and customers to ensure traceability within the supply chain.
 - ii. **Information Sharing:** Provide supply chain information to competent authorities upon request, ensuring the commodities can be traced back to the operators who first placed them on the market.
- b. **Simplified Due Diligence**
 - Traders are not required to conduct the entire due diligence process that operators must perform. Still, they must ensure they source their products from compliant operators and maintain the necessary records as proof.
- c. **Compliance Verification:**
 - **Checks by Authorities:** Traders must cooperate with competent authorities during compliance checks and audits, providing necessary documentation and information as required.

Due Diligence Statement Steps

Step 1: Information collection

Operators must collect the information referred to in Article 9 of the EUDR, such as:

- The commodity or product which they intend to place on the market or export.
- The respective quantity of the product, its supplier, its country of production, and evidence of legal harvest.
- Geographic coordinates of the plots of land where the relevant commodity was produced and to provide relevant information – product, CN code, quantity, country of production, and geolocation coordinates.

Step 2: Risk Assessment

Operators must use the information from the previous steps to verify and evaluate the risk of non-compliant products entering the supply chain, following the criteria described in Article 10 of the EUDR. Additionally, they must demonstrate how the information gathered was checked against the risk assessment criteria and how they determined the risk.

Step 3: Mitigation Measures

Operators must provide adequate and proportionate mitigation measures in case they find more than a negligible risk of non-compliance under step two to ensure that the risk becomes negligible, following the criteria described in Article 11 of the EUDR. Said measures must be documented.

What are certification or verification schemes?

Supply chain members can use certification schemes to help their risk assessment to the extent that the certification covers all the information needed to comply with their obligations under the EUDR.

The Deforestation Due Diligence Registry

It is a specialized online tool that streamlines the creation of due diligence statements within supply chains.

Operators, traders, and their representatives can use it to make electronic Due Diligence Statements and submit them to the relevant authorities to show that their products comply with the EUDR.

Registration to use the system will begin in November 2024, and it will be available to all users in December 2024.

For more information:

https://green-business.ec.europa.eu/deforestation-regulation-implementation_en