

# NEWSLETTER

## An update on EUDR

### EUDR - EU DEFORESTATION-FREE REGULATION



cacao & chocolate



soy



coffee



cattle & beef



wood & rubber

#### THE EUDR IN ACTION

In order to mitigate deforestation in supply chains associated with the European market, the European Union has implemented the EU Deforestation Regulation (EUDR). This legislation prohibits specific goods and products from being sold or exported from the European Union. Compliance with the regulation requires that these products

- deforestation-free;
- produced in compliance with the laws of the country of production (e.g. regarding land use, labor rights, human rights);
- covered by a due diligence statement.

#### DUE DILIGENCE OBLIGATIONS AND RISK ASSESSMENT PROCEDURES

The complete due diligence procedure includes both product-related and organizational responsibilities. Prior to releasing any commodity or product for sale or export, multiple procedures need to be fulfilled.

This involves conducting a thorough evaluation of potential risks at the country level, as well as a specific risk assessment for business partners. Both assessments must be conducted initially and on a periodic basis.

The preliminary risk evaluation will utilize the EU Commission's country benchmarking system, categorizing countries or regions as high, standard, or low risk for deforestation.

The detailed analysis involves gathering and documenting data for each product and supplier, including certificates, self-assessments, and other pertinent information across different risk categories.



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Whenever a relevant commodity or product is introduced to the European market, the geographic origin of the commodity must undergo analysis for potential deforestation or forest degradation.

If any risks are detected, proactive mitigation measures must be taken before the product is released to the market. These measures may include requesting further information or conducting an audit.

## STAKEHOLDERS

The EUDR regulation took effect on June 29, 2023, with an implementation period of 18 months (24 months for SMEs established before December 30, 2020). Traders and operators within the relevant value chains must meet due diligence requirements by the end of 2024. Notably, large supermarkets or retail chains selling products covered by the EUDR must also adhere to the regulation.

Stakeholder	Obligations	Timeline
<p><b>Non-SME Operators</b> (any natural or legal person placing/exporting relevant products on EU market)</p> <p><b>Non-SME Traders</b> (any person in the supply chain other than operator placing/exporting relevant products on EU market)</p>	<p><b>Full Due Diligence</b></p> <ul style="list-style-type: none"> <li>• Collection of information and documents;</li> <li>• Risk Assessment*;</li> <li>• Risk Mitigation* measures;</li> <li>• Setting up and publicly reporting on due diligence (DD) system;</li> <li>• For products already covered by DD statement, DD needs to be verified and statement submitted (with reference to existing one)</li> </ul>	<p><b>31 december 2024</b></p>
<p><b>Non-SME Operators</b></p>	<p>Full due diligence for those parts of the product not yet covered by a DD procedure; rest can refer to existing DD declaration</p>	<p><b>31 december 2024</b> June 2025 for small and micro-enterprise operators** founded before 30-12-2020</p>
<p><b>Non-SME Traders</b></p>	<p>Obligation to keep records (i.e. supplier and customer information) for 5 years and make them available to authorities on request</p>	<p><b>31 december 2024</b> June 2025 for small and micro-enterprise operators founded before 30-12-2020</p>

\*Simplified risk assessment and mitigation measures required if classified as low risk  
 \*\*Classification criteria for SMEs: balance sheet under €20M, revenue under €40M, or less than 250 employees. Two of these criteria's must be true.

## EUDR AND NON-EU PARTNERS

While EU regulations primarily target the European market and concentrate on European businesses, the EUDR extends its influence to supply chains and entities beyond EU borders. To conduct risk assessments and issue due diligence statements, geographical data for relevant products must be accessible. Consequently, companies will need to acquire this data from their suppliers throughout the supply chain if it's not readily available. The necessary procedures within the supply chain are illustrated in the graphic below.



Source: European Commission Expert Group/Multi-Stakeholder / Platform Deforestation, Presentation shown at 12th meeting, 30 January 2023

## FINES AND PENALTIES

The minimum fines for non-compliance will amount to at least 4% of the company's annual EU turnover. Furthermore, the relevant product or proceeds from associated transactions may be seized. Additional penalties could involve temporary exclusion from public procurement processes and access to public funds, as well as a temporary ban on placing, offering, or exporting relevant goods or products, and the inability to utilize the simplified due diligence procedure.

Given the severity of these penalties, it is crucial for companies to be well-informed and ready to fulfill all their obligations.