



Everything you need to know about the EU Regulation on Deforestation-Free Products

The EU Regulation on Deforestation-Free Products (EUDR) marks a significant step in the European Union's ongoing efforts to combat global deforestation and promote sustainable trade practices. As of 30 December 2024, any operator or trader of listed commodities on the EU market must prove that the products do not originate from recently deforested land or have contributed to forest degradation.

Background- Check on EUDR

The EUDR stems from the European Green Deal, which aims to make Europe climate-neutral by 2050. The initial proposal was put forward by the European Commission in 2021 as part of its broader strategy to address biodiversity loss and reduce the environmental impact of consumption. Indeed, the growth rate of deforestation is alarming.

- According to the Food and Agriculture Organization of the United Nations (FAO), 420 million hectares of forest have been lost due to deforestation between 1990 and 2020 - an area the size of the EU in only 30 years.
- The World Wildlife Fund states that on average, 13 million hectares of forest disappear every year due to deforestation; in just eleven regions of the world, we could lose up to 170 million hectares of forest by 2030.

The main cause is the conversion of land for agriculture, food cultivation and livestock farming for meat production.

- According to the FAO at least 50 percent of global deforestation can be attributed to industrial agriculture, mainly to produce oil palms and soybeans. Livestock grazing is responsible for almost 40 percent of global deforestation.

The EU Timber Trade Regulation (EUTR), which prohibits illegal logging and trade of wood and products derived from wood, came into force in 2013, and requires companies to conduct due diligence measures.

The EUDR now expands this scope on further commodities like soy, beef, palm oil, wood, cocoa, coffee, and rubber to prevent, mitigate and stop unlawful and unsustainable deforestation activities in the context of the growing demand for these commodities and will repeal the EUTR fully from 20.





Why Deforestation Matters for all Companies

Based on well-established scientific evidence, nature is a material topic for almost every industry. While for some industries, such as agriculture or fishing, nature dependencies and impacts are obvious and well known, there is almost no industry whose business or production activities and supply chains do not depend on intact nature and biodiversity and do not impact both.

The role of forest in this context cannot be underestimated. Forests highly influence rainfall patterns, water and soil quality and flood prevention. And we all know that trees absorb and store carbon dioxide. It is estimated that

forests globally absorb approximately 7.6 billion metric tons of carbon, functioning as a net carbon sink that is about 1.5 times greater than the total annual emissions of the United States.

According to a report by the Carbon Disclosure Project (CDP) **“average companies face losses of \$330m due to risk exposure, the cost of dealing with this risk is a fraction at \$17.4 million”**. But although “1000 companies disclosed their progress on managing deforestation through CDP in 2022, around **90% of disclosing companies are not prepared for the transition to a deforestation free future, despite incoming regulation from UK and EU**”.

What the EUDR requires

“Relevant commodities and relevant products shall not be placed or made available on the market or exported, unless all the following conditions are fulfilled:

1. *they are deforestation-free;*
2. *they have been produced in accordance with the relevant legislation of the country of production; and*
3. *they are covered by a due diligence statement.”*

From EUDR, Article 3, Prohibition

Starting from 30 December 2024 (or June 2025 for small companies), the EUDR will mandate that operators involved in the EU market conduct thorough due diligence for certain commodities and their derivatives—specifically **cattle, cocoa, coffee, oil palm, rubber, soya, and wood**, along with products derived from these commodities like beef and leather.

Extensive due diligence is required to verify that these materials were not sourced from land that experienced deforestation or forest degradation after 31 December 2020, and that they were produced in compliance with the relevant laws of the originating country, i.e. local laws on land use, environmental protection, labor and human rights.

To do so, companies need to provide a due diligence statement prior to the arrival of the product that must include all geo-coordinates of all production locations and each supplier within the value chain.

Companies can think of the regulation in three main parts.

The first is data collection. Companies must include information on:

- Supplier
- List of relevant products and commodities used to make those products
- Country, geolocation of production
- Quantity of relevant products and commodities
- Verifiable information that relevant products are deforestation-free
- And other details (can be found in Article 9 of the legislation)

This requires gathering comprehensive information, data, and documentation regarding the origins of goods.

The second is risk assessment. Utilizing this collected information, a thorough risk assessment must be performed to evaluate the possibility of non-compliance with regulatory standards for the products in question.

The third is risk mitigation. Should this assessment indicate a significant risk, appropriate procedures and mitigation measures must be implemented. Only when it is confirmed that there is no risk or merely a negligible risk of non-compliance, may the affected goods be marketed, distributed, or exported within the European Union.

The new regulation will introduce a country benchmarking system that assigns a deforestation risk rating—low, standard, or high—to each country. Initially, every country is classified as standard risk until a thorough risk assessment is conducted. But regardless of the risk rating of the exporting country, EU operators are obligated to gather comprehensive information on their supply chains to fulfill due diligence requirements.

Roadmap to Implementation and Compliance

In response to the EUDR, companies must take decisive action to build transparency and engagement. Here is a structured implementation roadmap to guide companies through the due diligence process:

Phase 1: Assessment and Planning

Key Action Items:

Get to know the requirements of the EUDR

- Articles 9, 10, and 11 are particularly helpful.

Conduct a Comprehensive Assessment of Suppliers (Duration: 3-6 months)

- Identify all products and materials sourced directly or indirectly from regions at risk of deforestation.
- Assess current suppliers against deforestation risk criteria.

Establish a Clear Deforestation-Free Sourcing Policy (Duration: 1 month)

- Define objectives, commitments, and timelines.
- Ensure alignment with EUDR.

Phase 2: Develop a Due Diligence System

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Key Action Items:

Develop a Due Diligence System (Duration: 3-6 months concurrently)

- Create procedures for verifying that all products comply with deforestation-free criteria and implement corrective actions procedures.
- Implement tracking systems to ensure full traceability of products from source to market (geo-locating).
- Create due diligence statements.

Engage with Suppliers (Duration: 3-6 months concurrently)

- Communicate new deforestation-free requirements.
- Offer support to help suppliers adapt to new practices and comply with requirements.

Phase 3: Implementation and Training

Key Action Items:

Train Staff on Regulation, Policies, and Procedures (ongoing)

- Conduct workshops and training sessions.
- Ensure understanding and capacity to implement the due diligence system.

Implement the Due Diligence System (ongoing)

- Start the process of verifying products and engaging suppliers according to the developed system.

Phase 4: Monitoring and Reporting

Key Action Items:

Regularly Monitor and Report on Progress (ongoing)

- Establish a schedule for regular internal reviews and external audits.
- Prepare and publish reports on progress on compliance and objectives.

Ensure Products Comply by the Regulation Deadline (continuous)

- Monitor all products entering the EU market to ensure compliance.
- Adjust strategies and processes as needed based on monitoring and reporting outcomes.

By following this roadmap, companies can structure their approach to comply with the EUDR, ensuring their operations support sustainable and responsible sourcing practices. The development of robust due diligence processes, gaining transparency in the supply chain throughout data and engaging with suppliers to prevent and mitigate risks are fundamental elements of this

journey. The specified time periods and measures may vary in their duration and scope and depend on factors such as company size, spend volume for products under the EUDR, allocated internal resources, number of suppliers and complexity of supply chains etc. It's crucial to start this process as soon as possible, given the complexity and potential duration of each phase.



How Certa Helps Your Company to Comply

Collect primary supplier data and trace commodities at scale

- Invite suppliers to disclose the origins of EUDR-mandated product commodities & verify their geolocations.
- Empower suppliers with an intuitive, templated EUDR workflow for uploading certifications and completing questionnaires.
- Certa's flexible EUDR template can be customized to meet specific industry, geography and supply chain complexities.

Assess risk across your entire supply chain on one platform

- Group suppliers by risk tier based on custom criteria and continuously monitor supplier, product and commodity risks.
- Dashboards provide real-time detailed and holistic views on supplier risk for in-depth analysis & decision making.
- Integrate with industry-standard data sources to validate primary information at the commodity level.

Mitigate risk with a platform that scales with you

- Automatically conduct additional due diligence on flagged suppliers and request additional information accordingly.
- Set up custom periodic triggers to remind suppliers to update expired certifications.
- Seamlessly update existing workflows and generate new workflows to adapt to future regulatory changes with Certa's AI assistant.