

# The EU Deforestation Regulation

| RISKS  
| REQUIREMENTS  
| READINESS

## Guidance Document



**James Hollins | Head of Data and Due Diligence | TDi Sustainability**  
[jhollins@tdi-sustainability.com](mailto:jhollins@tdi-sustainability.com)



**Zandi Moyo | Senior ESG Analyst | TDi Sustainability**  
[zmoyo@tdi-sustainability.com](mailto:zmoyo@tdi-sustainability.com)



**Sunil Abeyasekera | ESG Consultant | TDi Sustainability**  
[sabeyasekera@tdi-sustainability.com](mailto:sabeyasekera@tdi-sustainability.com)

# REGULATION: EU DEFORESTATION REGULATION

The EU have enforced legislation that is significantly more onerous on companies compared to previous environmental regulations. Companies will need to consider the impact this has on their supply chains

## What is the EUDR?

The **EU Deforestation Regulation (EUDR)** requires companies placing deforestation associated commodities onto the EU market through importation, exportation, trade or processing are ensuring the products are: 1) Deforestation free, 2) Produced in accordance with the relevant legislation of the country of production, 3) Covered by a due diligence statement.

## What is required?

The EUDR sets **5 steps** for organisations to conduct appropriate deforestation due diligence.

1. Information Collection
2. Risk Assessment
3. Risk Mitigation
4. Reporting
5. Due Diligence Statement

## What commodities are in scope?

The EUDR applies to the following commodities and derivatives listed in the Annex:

- Cattle
- Cocoa
- Coffee
- Oil Palm
- Rubber
- Soya
- Wood



## Penalties for Non-compliance

### Fines

- Fines proportionate to the environmental damage and the value of the relevant commodities or relevant products concerned
- Gradually increasing the level of such fines for repeated infringements

Maximum fine: at least 4% of the operator's or trader's total annual Union-wide turnover.

### Confiscation

- Relevant products concerned from the operator and/or trader.
- Revenues gained by the operator and/or trader from a transaction with the relevant products concerned.

### Exclusion

- Exclusion from public procurement processes and from access to public funding, including tendering procedures, grants and concessions (Maximum period of 12 months)

### Prohibition

- Temporary prohibition from placing or making available on the market or exporting relevant commodities and relevant products, in the event of a serious infringement or of repeated infringements;
- Prohibition from exercising the simplified due diligence set out in Article 13 in the event of a serious infringement or of repeated infringements.

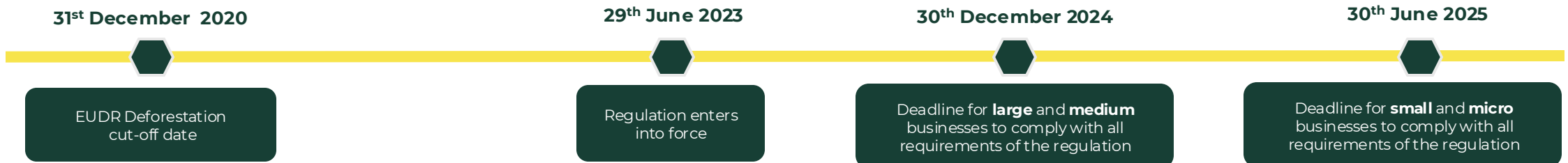
## Who does it apply to?

The application of the EUDR depends on the company size and company type. The size of a company is determined by the number of employees, net turnover and balance sheet

Category	Size	Balance Sheet total €	Net Turnover - €)	# Employees
Non-SME	Large	>20,000,000	>40,000,000	>250
	Medium	<20,000,000	<40,000,000	<250
SME	Small	<4,000,000	<8,000,000	<50
	Micro	<350,000	<700,000	<10

DIRECTIVE 2013/34/EU

## Timeline



# STEPS FOR COMPLIANCE EXPLAINED

## 1. Information Collection

Operators are required to verify the commodities are free of deforestation and produced in accordance with the relevant legislation.

Operators are required to collect :

- Name of the Product
- Country of Production
- Geolocation of commodity
- Evidence products are deforestation free and in accordance with the relevant legislation
- Information kept for 5 years

## 2. Risk Assessment

### EU classification of country risk

The EU Commission will classify countries as High, Standard and Low Risk, based on the following criteria:

- a) Rate of deforestation and forest degradation;
- b) Rate of expansion of agriculture land for relevant commodities
- c) Production trends of relevant commodities and of relevant products

### Verification of Information Collection

Operators are required to verify and analyse the information collected and any other relevant documentation.

### Operator assessment of risk

Operators are required to carry out a risk assessment to establish whether there is a risk that the relevant products intended to be placed on the market or exported are associated with deforestation, or in breach of national legislations. The risk assessment will cover: Governance and legislation, Deforestation and Indigenous Peoples, and Supply Chains Complexity

## 3. Mitigation

Unless risk assessment revealed no or negligible risk, the operator will be required to adopt risk mitigation protocols. These may include:

### Information Collection

- Additional information, data, documents
- Independent surveys or audits
- Other measures pertaining to information requirements

### Management system

- Policies, controls and procedures to mitigate and manage effectively the risks
- Model risk management practices
- Independent audit of management system.

## 5. Due Diligence Statement

The operators and companies must submit a due diligence statement each year.

The Due Diligence Statement will include the following:

- Operator's name, address and, in the event of relevant commodities and relevant products entering or leaving the market
- System code, scientific name, quantity
- Country of production
- Statement of no or only negligible risk

Due Diligence Statement to be uploaded to the EU Portal

## 4. Reporting

Operators are required to report on their **Due Diligence System** by:

- Establishing and keeping an up-to-date framework of procedures and measures
- Reviewing the due diligence system at least once a year and update with any new developments
- Publicly report on due diligence system (N/A for SME Operators)

Operators are required to report on the **Due Diligence Exercise** by:

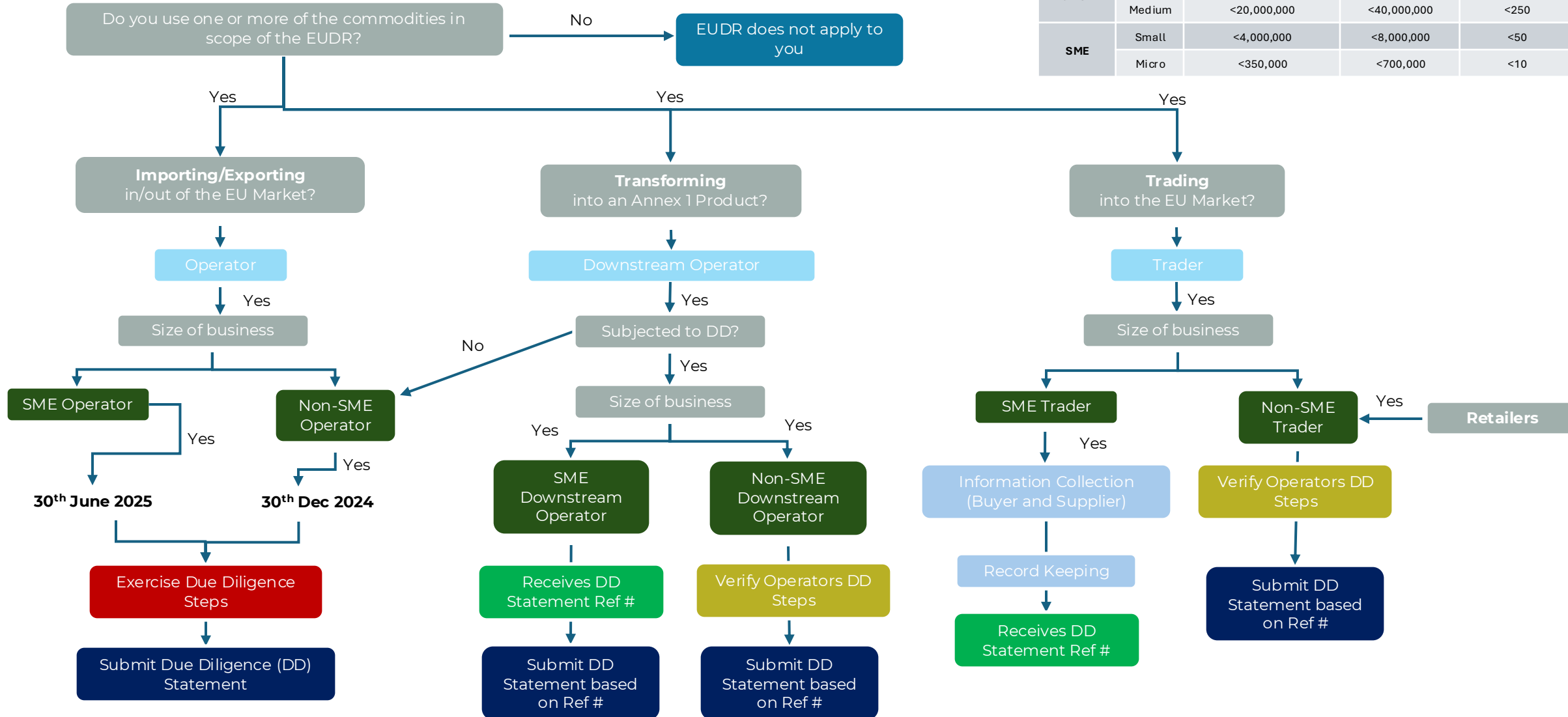
- Summary of information collection, Conclusions of risk assessment, Summary of Risk mitigation, Consultation with indigenous peoples, local communities and civil society
- Publicly report on due diligence exercise (N/A for SME Operators)

Records are kept for 5 years

# SCOPE: EU DEFORESTATION REGULATION

The EUDR is applied to different supply chain actors differently, depending on the size of the business (denoted in Directive 2013/34/EU), and the node of the supply chain. The flow chart below helps you to understand the regulation requirements for your business.

Category	Size	Balance Sheet total €	Net Turnover - €	# Employees
Non-SME	Large	>20,000,000	>40,000,000	>250
	Medium	<20,000,000	<40,000,000	<250
SME	Small	<4,000,000	<8,000,000	<50
	Micro	<350,000	<700,000	<10



# LANDSCAPE AND JURISDICTIONAL APPROACHES: EU DEFORESTATION REGULATION

The EUDR is effective in preventing deforestation-associated materials from entering the EU market, however deforestation associated commodities will continue to be sold into other markets.

- Landscape and jurisdictional approaches, companies, NGOs, institutions and governments can work together to halt deforestation and conversion at scale. With millions of hectares of forests lost each year, it is imperative for us to look beyond our own supply chain to create a more resilient agricultural system and lessen the impacts of climate change
- Collaboratively, we can lend support to smallholders, who are on the front line of climatic shocks, and create buffer zones and wildlife corridors between production and conservation.

## Benefits for Business

### Information Collection

- Smallholders produce 1/3 of global food – including the commodities in scope.
- Smallholders are fragmented and sell through intermediaries and coops.
- Landscape approaches can support information collection requirements and traceability.

### Risk Mitigation

- Strengthen the supply chain and address deforestation, environmental and social risks.
- Systemic risks are difficult to be addressed alone – collaboratively work to create a better system.

### Risk Assessments

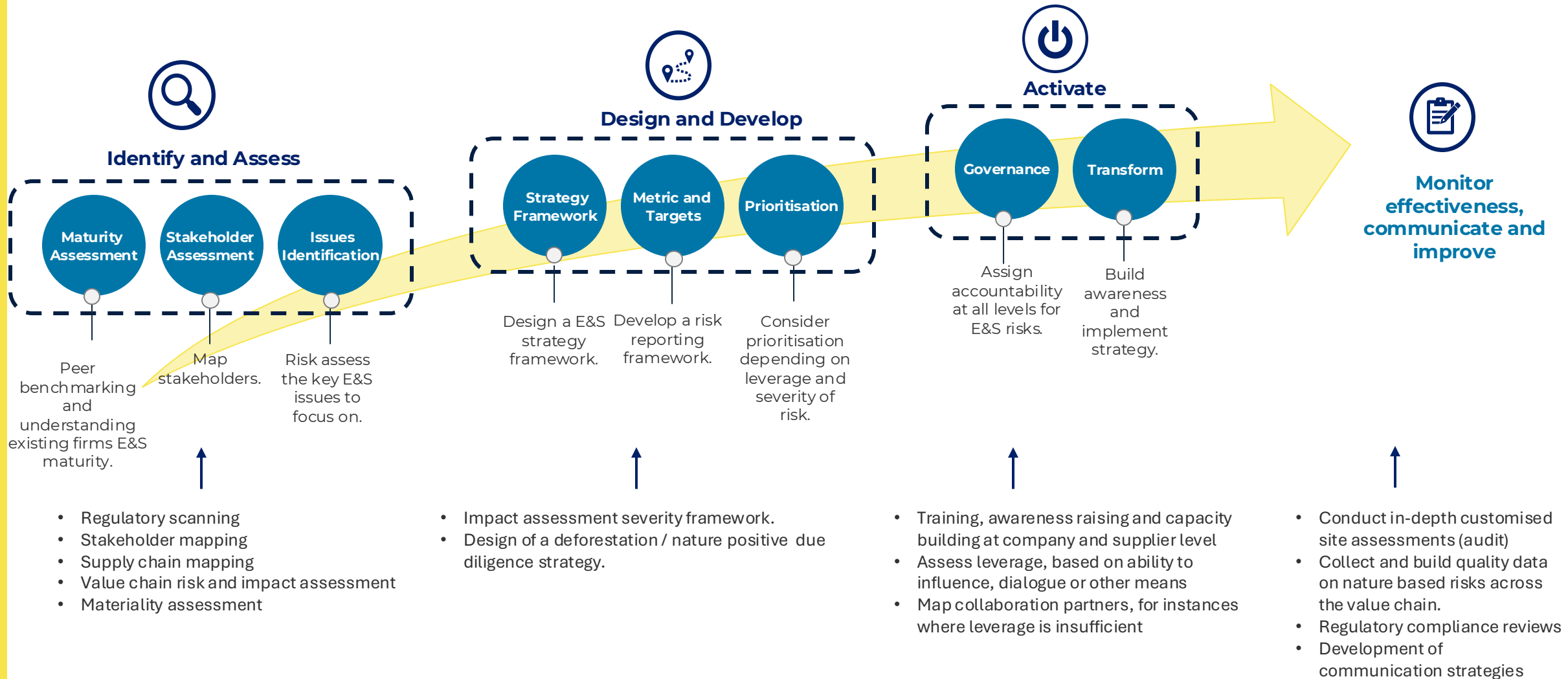
- The EU country risk won't focus on jurisdictions and districts, which may have a different risk profile.
- Landscape approaches will help you better understand the community and environmental risk.

### Cost Efficiency

- Share the costs and resources with other supply chain actors.
- Share and create knowledge and impact in a non-competitive environment.
- As a group – attract funding from government and financial institutions.
- Greater likelihood for continued participation.

# HOW TDi CAN HELP YOUR ORGANISATION

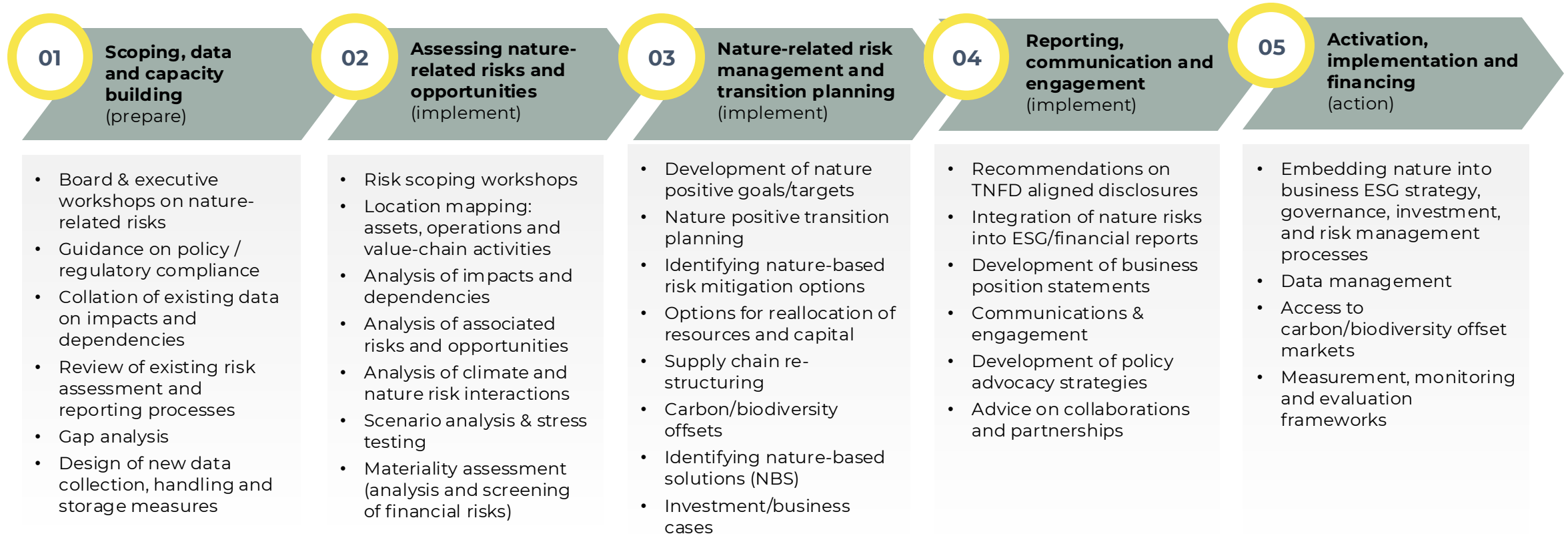
We know that regulators, businesses customers and consumers increasingly demand transparency and demonstration of good sustainability practices. We work with our clients across all stages of the development and operation of their value chain, TDi boasts a 360° vision of what matters to industries. This includes supporting the initial current state diagnosis through to the actual operation of “business as usual” processes for our clients. We are global Environmental and Social (E&S) risk experts from identification through to remediation.



# DEFORESTATION | OUR SERVICES

Helping companies become **nature positive**

We can help companies at each step in their nature-positive journey, from **initial preparedness** and **compliant disclosures** and **reporting**, through to full **integration of nature-related risks** into your **risk management, transition planning, investment and governance processes**.



# Get in touch



## **James Hollins**

Head of Digital and Data

[jhollins@tdi-sustainability.com](mailto:jhollins@tdi-sustainability.com)



## **Zandi Moyo**

Senior Analyst

[zmoyo@tdi-sustainability.com](mailto:zmoyo@tdi-sustainability.com)



## **Sunil Abeyasekera**

ESG Consultant

[sabeyasekera@tdi-sustainability.com](mailto:sabeyasekera@tdi-sustainability.com)

## **Connect with TDi Sustainability**

### **Online**

<http://www.tdi-sustainability.com/>

### **Email**

[admin@tdi-sustainability.com](mailto:admin@tdi-sustainability.com)

### **On social media**





# ANNEX | DEFINITIONS

Geolocation	<ul style="list-style-type: none"><li>• <b>Less than 4 ha:</b> coordinates corresponding to at least one latitude and one longitude point and using at least six decimal digits</li><li>• <b>More than 4 ha:</b> polygons with sufficient latitude and longitude points to describe the perimeter of each plot - (excluding cattle)</li></ul>
Deforestation-free	Deforestation-free is defined as: (a) that the relevant products contain, have been fed with or have been made using, relevant commodities that were produced on land that has not been subject to deforestation after 31 December 2020; (b) in the case of relevant products that contain or have been made using wood, that the wood has been harvested from the forest without inducing forest degradation after 31 December 2020;
Legislation	(a) Land use rights; (b) Environmental protection; (c) Forest-related rules, including forest management and biodiversity conservation, where directly related to wood harvesting; (d) Third parties' rights; (e) Labour rights; (f) Human rights protected under international law; (g) The principle of free, prior and informed consent (FPIC), including as set out in the UN Declaration on the Rights of Indigenous Peoples; (h) Tax, anti-corruption, trade and customs regulations.
Harmonised System Code	Commodity and product harmonised system code set out in Annex I of the EUDR Regulation (EEC) No 2658/87
Forest	Land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10%, or trees able to reach those thresholds in situ, excluding land that is predominately under agricultural or urban land use.
Forest degradation	Structural changes to forest cover, taking the form of the conversion of: a) Primary forests or naturally regenerating forests into plantation forests to into other wooded land; or b) Primary forests into planted forests

# ANNEX I | IN SCOPE COMMODITIES

Except for by-products of a manufacturing process, where that process involved material that was not waste as defined in Article 3, point (1), of Directive 2008/98/EC, this Regulation does not apply to goods if they are produced entirely from material that has completed its lifecycle and would otherwise have been discarded as waste as defined in Article 3, point (1), of that Directive.

Commodity	Relevant Products
Cattle	<ul style="list-style-type: none"><li>• 0102 21, 0102 29 Live cattle</li><li>• ex 0201 Meat of cattle, fresh or chilled</li><li>• ex 0202 Meat of cattle, frozen</li><li>• ex 0206 10 Edible offal of cattle, fresh or chilled</li><li>• ex 0206 22 Edible cattle livers, frozen</li><li>• ex 0206 29 Edible cattle offal (excluding tongues and livers), frozen</li><li>• ex 1602 50 Other prepared or preserved meat, meat offal, blood, of cattle</li><li>• ex 4101 Raw hides and skins of cattle (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split</li><li>• ex 4104 Tanned or crust hides and skins of cattle, without hair on, whether or not split, but not further prepared</li><li>• ex 4107 Leather of cattle, further prepared after tanning or crusting, including parchment dressed leather, without hair on, whether or not split, other than leather of heading 4114</li></ul>
Cocoa	<ul style="list-style-type: none"><li>• 1801 Cocoa beans, whole or broken, raw or roasted</li><li>• 1802 Cocoa shells, husks, skins and other cocoa waste</li><li>• 1803 Cocoa paste, whether or not defatted</li><li>• 1804 Cocoa butter, fat and oil</li><li>• 1805 Cocoa powder, not containing added sugar or other sweetening matter</li><li>• 1806 Chocolate and other food preparations containing cocoa</li></ul>
Coffee	<ul style="list-style-type: none"><li>• 0901 Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion</li></ul>
Soya	<ul style="list-style-type: none"><li>• 1201 Soya beans, whether or not broken</li><li>• 1208 10 Soya bean flour and meal</li><li>• 1507 Soya-bean oil and its fractions, whether or not refined, but not chemically modified</li><li>• 2304 Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil</li></ul>

Commodity	Relevant Products
Oil palm	<ul style="list-style-type: none"> <li>• 1207 10 Palm nuts and kernels</li> <li>• 1511 Palm oil and its fractions, whether or not refined, but not chemically modified</li> <li>• 1513 21 Crude palm kernel and babassu oil and fractions thereof, whether or not refined, but not chemically modified</li> <li>• 1513 29 Palm kernel and babassu oil and their fractions, whether or not refined, but not chemically modified (excluding crude oil)</li> <li>• 2306 60 Oilcake and other solid residues of palm nuts or kernels, whether or not ground or in the form of pellets, resulting from the extraction of palm nut or kernel fats or oils</li> <li>• ex 2905 45 Glycerol, with a purity of 95 % or more (calculated on the weight of the dry product)</li> <li>• 2915 70 Palmitic acid, stearic acid, their salts and esters</li> <li>• 2915 90 Saturated acyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives (excluding formic acid, acetic acid, mono-, di- or trichloroacetic acids, propionic acid, butanoic acids, pentanoic acids, palmitic acid, stearic acid, their salts and esters, and acetic anhydride)</li> <li>• 3823 11 Stearic acid, industrial</li> <li>• 3823 12 Oleic acid, industrial</li> <li>• 3823 19 Industrial monocarboxylic fatty acids; acid oils from refining (excluding stearic acid, oleic acid and tall oil fatty acids)</li> <li>• 3823 70 Industrial fatty alcohols</li> </ul>
Rubber	<ul style="list-style-type: none"> <li>• 4001 Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip</li> <li>• ex 4005 Compounded rubber, unvulcanised, in primary forms or in plates, sheets or strip</li> <li>• ex 4006 Unvulcanised rubber in other forms (e.g. rods, tubes and profile shapes) and articles (e.g. discs and rings)</li> <li>• ex 4007 Vulcanised rubber thread and cord</li> <li>• ex 4008 Plates, sheets, strips, rods and profile shapes, of vulcanised rubber other than hard rubber</li> <li>• ex 4010 Conveyer or transmission belts or belting, of vulcanised rubber</li> <li>• ex 4011 New pneumatic tyres, of rubber</li> <li>• ex 4012 Retreaded or used pneumatic tyres of rubber; solid or cushion tyres, tyre treads and tyre flaps, of rubber</li> <li>• ex 4013 Inner tubes, of rubber</li> <li>• ex 4015 Articles of apparel and clothing accessories (including gloves, mittens and mitts), for all purposes, of vulcanised rubber other than hard rubber</li> <li>• ex 4016 Other articles of vulcanised rubber other than hard rubber, not elsewhere specified in chapter 40</li> <li>• ex 4017 Hard rubber (e.g. ebonite) in all forms including waste and scrap; articles of hard rubber</li> </ul>

Commodity	Relevant Products
Wood	<ul style="list-style-type: none"> <li>• 4401 Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms</li> <li>• 4402 Wood charcoal (including shell or nut charcoal), whether or not agglomerated</li> <li>• 4403 Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared</li> <li>• 4404 Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking sticks, umbrellas, tool handles or the like; chipwood and the like</li> <li>• 4405 Wood wool; wood flour</li> <li>• 4406 Railway or tramway sleepers (cross-ties) of wood</li> <li>• 4407 Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm</li> <li>• 4408 Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for other similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm</li> <li>• 4409 Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed</li> <li>• 4410 Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances</li> <li>• 4411 Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances</li> <li>• 4412 Plywood, veneered panels and similar laminated wood</li> <li>• 4413 Densified wood, in blocks, plates, strips or profile shapes</li> <li>• 4414 Wooden frames for paintings, photographs, mirrors or similar objects</li> <li>• 4415 Packing cases, boxes, crates, drums and similar packings, of wood; cable-drums of wood; pallets, box pallets and other load boards, of wood; pallet collars of wood (not including packing material used exclusively as packing material to support, protect or carry another product placed on the market)</li> </ul>

Commodity	Relevant Products
Wood	<ul style="list-style-type: none"><li>• 4416 Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves</li><li>• 4417 Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood</li><li>• 4418 Builders' joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, shingles and shakes</li><li>• 4419 Tableware and kitchenware, of wood</li><li>• 4420 Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling in Chapter 94</li><li>• 4421 Other articles of wood</li><li>• Pulp and paper of Chapters 47 and 48 of the Combined Nomenclature, with the exception of bamboo-based and recovered (waste and scrap) products</li><li>• ex 49 Printed books, newspapers, pictures and other products of the printing industry, manuscripts, typescripts and plans, of paper</li><li>• ex 9401 Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof, of wood</li><li>• 9403 30, 9403 40, 9403 50, 9403 60 and 9403 91 Wooden furniture, and parts thereof</li><li>• 9406 10 Prefabricated buildings of wood</li></ul>