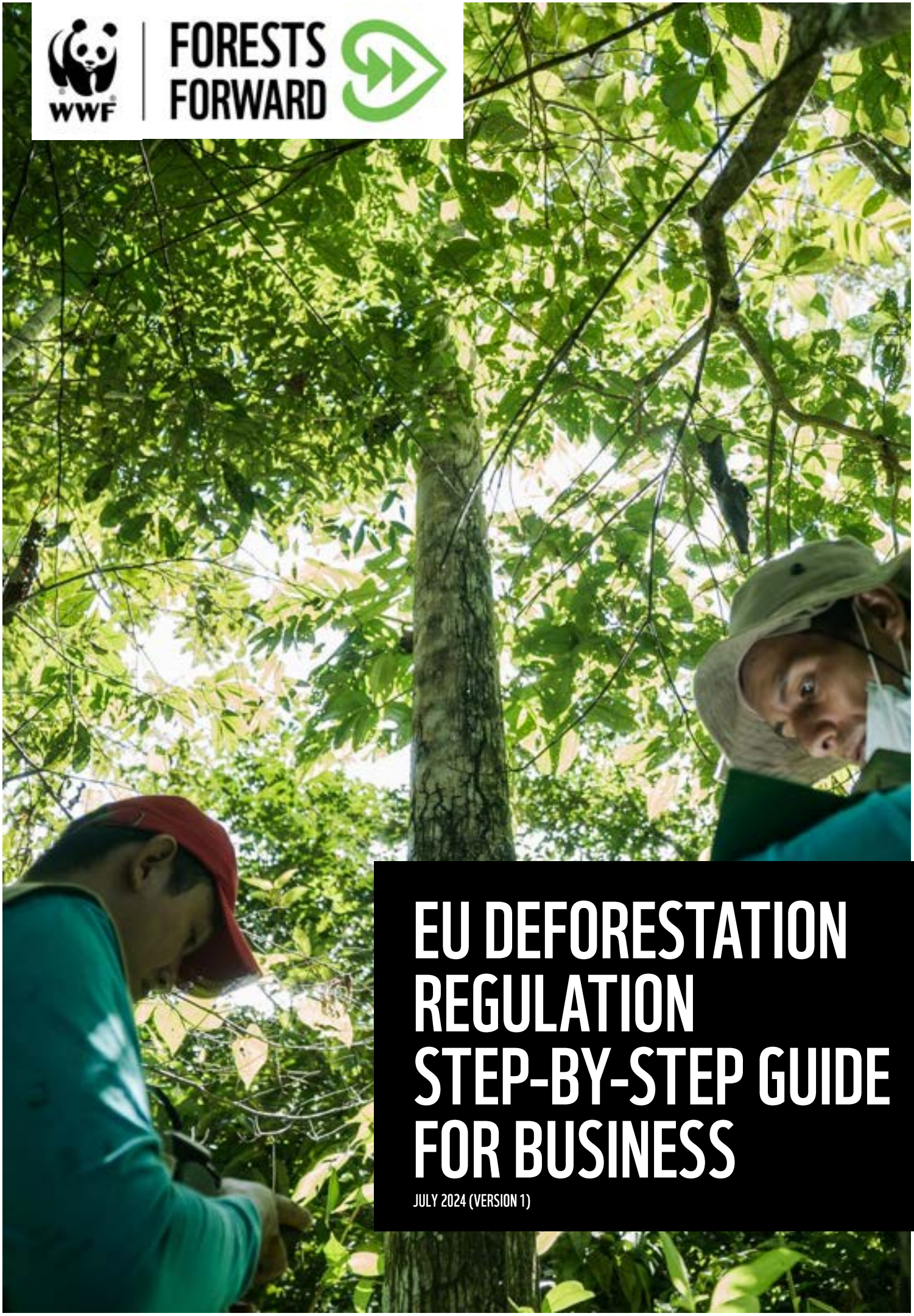


EU DEFORESTATION REGULATION STEP-BY-STEP GUIDE FOR BUSINESS

JULY 2024 (VERSION 1)

CONTENTS

ABOUT THIS GUIDE 6

MORE ON LEADERSHIP PRACTICES 7

EUDR OVERVIEW 9

OBJECTIVES 11

KEY PUBLICATIONS 11

SCOPE 12

AFFECTED COMPANIES 12

KEY ELEMENTS 13

DUE DILIGENCE REQUIREMENTS 15

STEP-BY-STEP ACTIONS & OUTCOMES 20

STEP 1 — READINESS ASSESSMENT & ACTION PLAN DEVELOPMENT 22

A. CONDUCT READINESS ASSESSMENT 22

B. DRAFT INDICATIVE SUPPLY CHAIN SCENARIOS & CONSIDER CONDUCTING PILOTS 22

C. DRAFT PROPOSED HIGH-LEVEL ACTION PLAN 24

D. AWARENESS-RAISING & CONSULTATION WITH KEY STAFF 26

STEP 2 — LEADERSHIP SUPPORT & POLICY 26

A. SECURE SENIOR MANAGEMENT SUPPORT 27

B. SET POLICY 28

C. APPROVE ACTION PLAN & ENABLE RESOURCES 30

STEP 3 — DEVELOPMENT & MAINTENANCE OF DUE DILIGENCE SYSTEM 32

A. CONDUCT PILOT WITH SELECTED SUPPLIERS 32

B. IDENTIFY ALL TIER 1 SUPPLIERS OF RELEVANT PRODUCTS IN SCOPE BY HS CUSTOMS CODES 37

C. ENGAGE ALL TIER 1 SUPPLIERS 38

D. ASSIGN RESPONSIBILITIES, ALLOCATE STAFF & DD/OTHER SERVICE PROVIDER BUDGET 39

E. DEVELOP & IMPLEMENT STAFF TRAINING 39

F. PROCEDURE FOR INFORMATION GATHERING 40

G. PROCEDURE FOR INFORMING COMPETENT AUTHORITIES OF NEW INFORMATION 44

H. PROCEDURE TO ASCERTAIN DD HAS BEEN APPLIED 44

I. PROCEDURE FOR PRODUCT RISK ASSESSMENT 45

J. PROCEDURE FOR PRODUCT RISK MITIGATION 51

K. PROCEDURE FOR RECORD KEEPING 53

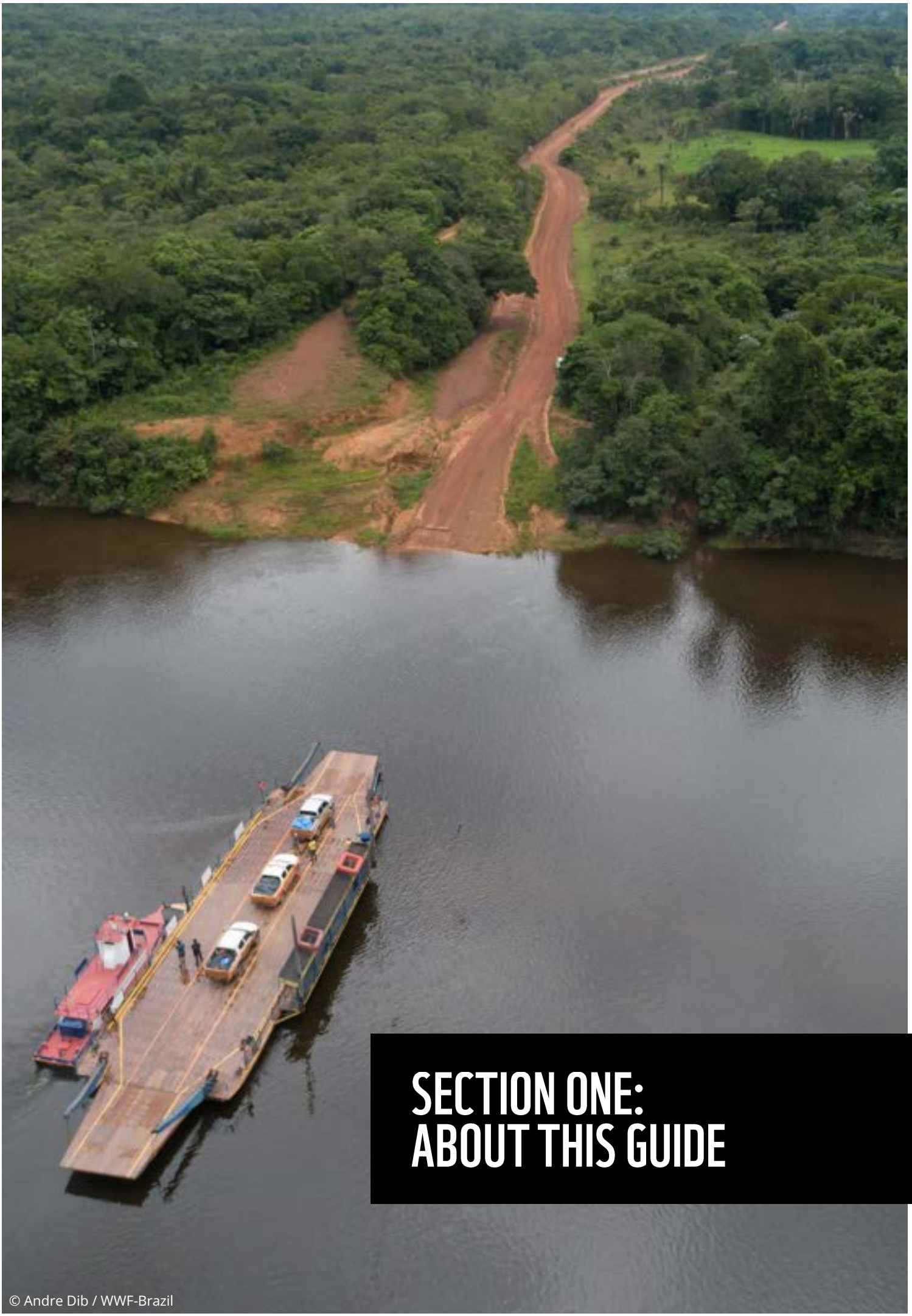
L. PROCEDURE FOR INTERNAL REPORTING & ANNUAL INTERNAL REVIEW 54

M. PROCEDURE FOR INDEPENDENT AUDITING 55
N. PROCEDURE FOR PUBLIC REPORTING 56
STEP 4 — IMPLEMENTATION OF DUE DILIGENCE SYSTEM 58
A. SUPPLIERS COMMIT TO DD SYSTEM REQUIREMENTS 58
B. GATHER INFORMATION 58
C. ASCERTAIN DD HAS BEEN APPLIED 59
D. COMPLETE PRODUCT RISK ASSESSMENT 59
E. COMPLETE PRODUCT RISK MITIGATION 60
F. DD RECORDS & INFORMATION FILED 60
G. DD STATEMENT REGISTERED 60
APPENDIX 1 – LEADERSHIP PRACTICES 63
APPENDIX 2 – EUDR PRODUCT SCOPE 71

Cover photo © Luis Barreto / WWF-UK

Produced through Forests Forward. The authors thank colleagues and partners throughout the WWF network and beyond that reviewed and contributed to this guide.

Forests Forward is a signature WWF programme for ambitious corporate action in support of nature, climate, and people. Find out more at: forestsforward.panda.org



SECTION ONE: ABOUT THIS GUIDE

© Andre Dib / WWF-Brazil

ABOUT THIS GUIDE

This EU Deforestation Regulation[1] (EUDR) Step-by-Step Guide for Business focuses on the overarching steps that companies are encouraged to consider as they ready themselves for compliance with the EUDR. This document is oriented toward large downstream companies rather than small and medium-size enterprises (SMEs) and more specifically to personnel responsible for the development and implementation of compliance systems and procedures. This Guide also includes recommendations for conformance to standards that go beyond EUDR requirements as well as for the adoption of leadership practices that reflect high levels of ambition. It is thus intended as a resource not only for staff tasked with regulatory compliance, but also for those with broader remits related to corporate social responsibility in the forest and agricultural commodity sectors.

This Guide is provided for informational purposes only; it is not intended as legal advice and may not be relied upon as such. The Guide is provided "as is," and WWF makes no representations or warranties (and expressly disclaims all statutory warranties) regarding the Guide or its use. Users should always consult their own legal counsel in determining legal compliance obligations.

Numerous critical components of the EUDR have not yet been established or fully clarified, and the landscape of supporting resources is evolving rapidly. We anticipate that this Guide will also evolve and users should therefore pay attention to the publication date.

Additionally, this draft document is cross-commodity or "commodity generic" in that it lays out steps that apply to all the commodities covered by the Regulation. A future version will provide annexes with supplementary guidance for specific commodities.

This document is organized into an overview of the EUDR followed by a section with four main steps for compliance with a number of actions under each:

1. Readiness Assessment & Action Plan Development
2. Leadership Support & Policy
3. Development & Maintenance of Due Diligence System
4. Implementation of Due Diligence System

It is important to note that while we have attempted to order things logically, not all these actions must or should be executed sequentially; in some cases, it will likely be most efficient and beneficial to work on several actions simultaneously, and some actions, such as those in step 4, must be conducted continuously once they have been initiated. In the end, it is up to the judgment of the reader to determine the sequencing.

The EUDR introduces new requirements related to traceability, risk assessment, and risk mitigation that go well beyond previous EU legislation (e.g., European Union Timber Regulation - EUTR) and laws in

other countries that ban the trade in illegal wood (e.g., the U.S. Lacey Act)[1]. While WWF views the EUDR as a significant milestone in progressing toward the goals of halting deforestation and forest degradation, eliminating forest-related crime, and transitioning to sustainable agriculture and forestry, it does not in all cases reflect what WWF considers leadership practice. We therefore urge companies to use EUDR not as an end goal but rather as stepping-stone towards higher-level ambition.

For these reasons, the guidance in this document is provided at three levels:

1. first, that of compliance – where an action is explicitly required by the Regulation, we cite the relevant article in brackets in **[red bold face text]**
2. second, that of good practice for actions that are advisable or, in some cases, necessary to achieve compliance – these are offered but are not highlighted
3. and third, WWF-recommended leadership practice – recommended actions that that go above and beyond basic good practice and are flagged in **green bold face text**

The EUDR is based on due diligence, allowing companies to develop and use systems and tools that they consider work best in their supply chains. In addition, the European Commission is still working on some more detailed guidance and Frequently Asked Questions to further clarify some of the operational aspects of the different elements of the legislation. Therefore, the recommendations in the text are based on current knowledge. The European Commission has provided a webpage, where the current FAQs (from December 2023) as well as other information on the EUDR (e.g. on the EC information system) can be found.

Finally, this Guide is intended to complement and supplement other authoritative resources, including:

- Guidance provided by the Accountability Framework initiative (AFi), a consortium of major NGOs in which WWF participates. AFi is a definitive resource for information on the establishment and fulfillment of deforestation- and conversion-free commitments. In particular, it offers a wealth of useful information relevant to effective policies (Step 2B below), and the development and implementation of effective Due Diligence Systems (Steps 3 & 4 below), such as their Operational Guidance.
- WWF's Guiding Principles & Asks on Deforestation and Conversion Free supply chains (DCF)

MORE ON LEADERSHIP PRACTICES

WWF expects leadership companies to go beyond compliance with the EUDR's minimum requirements by investing in practices that help achieve the Regulation's core objectives and address nature loss and human rights more broadly[2]. Examples include innovative "first mile" approaches that seek to exercise

[1] EUTR was designed to prohibit the first placing on the market of illegally harvested products with prescriptive requirements for specific Due Diligence (DD) steps. The U.S. Lacey Act makes it illegal to trade, transport or possess any plant which was produced or traded in violation of any law or regulation, but its due diligence requirements are less prescriptive than those of EUTR. EUDR goes further than either the Lacey Act or EUTR in prohibiting trade in products containing material linked to legal as well as illegal forest degradation and deforestation after 2020.

[2] The science indicates that conversion of all natural ecosystem types must be addressed in order to stay under a 1.5 degree climate threshold. While the production of the commodities covered by the EUDR have major impacts on forests, WWF considers it equally important to integrate due diligence on the risk of conversion of other natural ecosystems, which is already growing due to shifting agricultural pressure from forests to grasslands and other ecosystems.

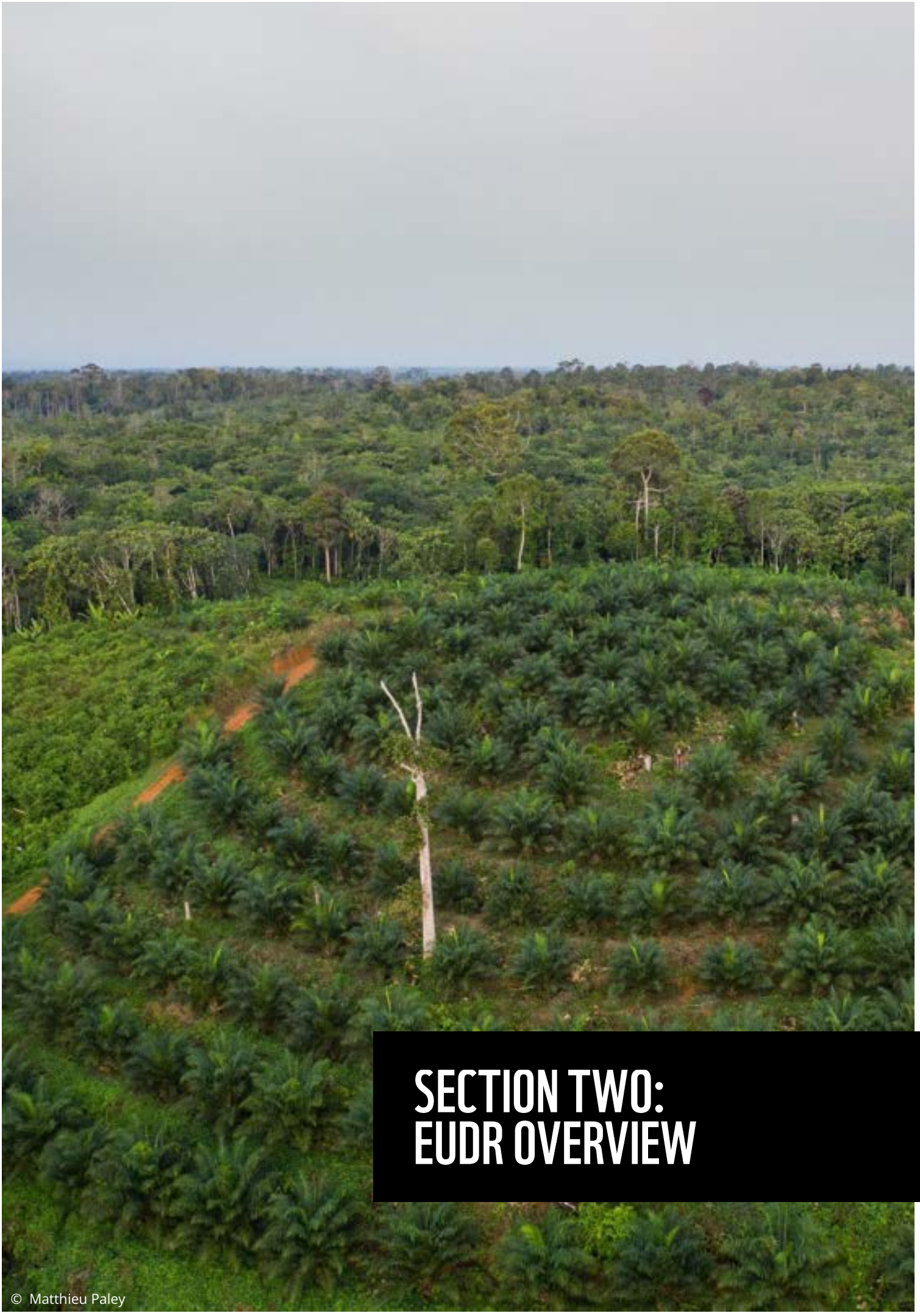
controls and deliver incentives within the supply areas to the first major points of aggregation (and usually production) of commodities; supporting policy efforts that address systemic drivers of forest loss and degradation; and collaborating with other companies, government, and other stakeholders on solutions that extend beyond individual buyer relationships.

Companies that go beyond the minimum requirements of the EUDR benefit by:

- Managing reputational risks that are not covered by the Regulation.
- Gaining market share with sustainability-conscious consumers and advantage with investors
- Securing supply by driving sustainable production of commodities
- Facilitating supply chain management for supply chains across the world and therefore increasing traceability and reducing risk
- Getting out in front of new and stronger regulations that may be coming
- Advancing solutions to the urgent environmental and social challenges we all face

For more information on leadership practices, see Appendix 1.

Cattle ranch with remaining forest in the background, municipality of Calamar, Guaviare Department, Colombia.



SECTION TWO: EUDR OVERVIEW

© Matthieu Paley

EUDR OVERVIEW

"The EU Deforestation Regulation (EUDR) establishes rules intended to guarantee that the products EU citizens consume do not contribute to deforestation or forest degradation worldwide.

By promoting the consumption of 'deforestation-free'[3] products and reducing the EU's impact on global deforestation and forest degradation, the EUDR is intended and expected to reduce greenhouse gas emissions and stem biodiversity loss. This also reflects international commitments made by the European Union such as the under the UN Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, the Convention on Biological Diversity and the Kunming-Montreal Global Biodiversity Framework, as well as the Sustainable Development Goals and UN Declaration on the Rights of Indigenous Peoples[4].

On 29 June 2023, the EUDR entered into force. The main driver of deforestation[5] is the expansion of agricultural land that is linked to the production of commodities like soy, beef, palm oil, wood, cocoa, coffee, rubber and some of their derived products, such as leather, chocolate, tyres, or furniture." [6]

"As a major economy and consumer of these commodities linked to deforestation and forest degradation, the EU is partly responsible and wants to lead the way toward solutions.

Under the EUDR, any Operator or Trader who places these commodities on the EU market, or exports from it, must exercise due care with the goal of ensuring that 1) the products do not originate from land that has been deforested, or 2) have not contributed to forest degradation after 31 December 2020.[6]"

The EUDR repeals and replaces the EU Timber Regulation (EUTR)[7].

The deadline to comply with the EUDR is December 31, 2024. Micro and small enterprises will have a longer adaptation period – six additional months – "as well as other specific provisions."

Source: Adapted from EC webpage on the EUDR.

---

[3] Article 2 (13) 'deforestation-free' means:

(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; and

(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.

[4] EUDR recitals 19 to 22

[5] Article 2 (3) 'deforestation' means the conversion of forest to agricultural use, whether human-induced or not;

(4) 'forest' means land spanning more than 0,5 hectares with trees higher than 5 metres and a canopy cover of more than 10 %, or trees able to reach those thresholds in situ, excluding land that is predominantly under agricultural or urban land use.

(5) 'agricultural use' means the use of land for the purpose of agriculture, including for agricultural plantations and set- aside agricultural areas, and for rearing livestock.

[6] https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en

[7] See Article 37 for details.

OBJECTIVES

The EUDR states that "[t]he new rules aim to:

- *avoid that the listed products that Europeans buy, use and consume contribute to deforestation and forest degradation in the EU and globally.*
- *reduce carbon emissions caused by EU consumption and production of the relevant commodities by at least 32 million metric tons a year.*
- *address all deforestation driven by agricultural expansion to produce the commodities in the scope of the regulation, as well as forest degradation."*

Logs awaiting rafting along the River Mahakam in Kutai Barat, where Illegal timber harvesting in the forest is common.

KEY PUBLICATIONS

- European Commission webpage on the EUDR
- EUDR text
- Frequently Asked Questions, December 2023

SCOPE

The Regulation covers the following commodities: Palm oil, soy, timber, cattle, cocoa, coffee, rubber and derived products (e.g., chocolate, beef, leather, tires, wood furniture, paper, printed products)[8].

The Regulation applies only to relevant products[9] listed in its Annex I[10]. This includes beef and leather, produced from cattle, fed on soy or palm feed. Products not included in Annex I are not subject to the requirements of the Regulation even if they may contain commodities in the scope of the Regulation. For example, soap is not covered by the Regulation, even if it contains palm oil.

Likewise, products with a Harmonised System (HS) customs code not included in Annex I, but which might include components or elements derived from commodities covered by the Regulation – such as cars with leather seats or natural rubber tires – are not subject to the requirements of the Regulation, while the natural rubber tires alone are still covered by the Regulation.

N.B.: The Regulation foresees that the list of commodities and/or products may be amended by the Commission by means of a delegated act, which could include an increased number of commodities/products in scope. This is one reason to consider applying due diligence to all forest risk commodities and relevant products, whether or not they are currently listed in the Regulation's Annex 1.

AFFECTED COMPANIES

The EUDR imposes different requirements on companies depending on their role in trading on the market and their size:

- **Operators**[11] are companies that first place in-scope products containing or made with in scope commodities on the EU market or exports them. Micro, small and medium-sized enterprise (SME)[12] and non-SME Operators have the same DD obligations before placing on the market.
- **Downstream operators**[13] are companies that transform a product already placed or made available on the EU market from one in scope customs code to another. Downstream operators who are non-SMEs have different obligations than those who are SMEs.
- **Traders**[14] are companies such as retailers that subsequently make in scope products available on the EU market. Non-SME traders have different DD obligations than SME traders.

---

8 Article 2 (1)

9 Article 2 (2) 'relevant products' means products listed in Annex I that contain, have been fed with or have been made using relevant commodities

10 For guidance on how to apply Annex 1 of the EUDR to determine if a product is in scope, see Appendix 2 – EUDR Product Scope Decision Tree.

11 Article 2 (15) 'operator' means any natural or legal person who, in the course of a commercial activity, places relevant products on the market or exports them.

12 Article 2 (30) 'micro, small and medium-sized enterprises' or 'SMEs' means micro, small and medium-sized undertakings as defined in Article 3 of Directive 2013/34/EU. In practical terms this means businesses that do not exceed at least two of the three following criteria: (a) balance sheet total: EUR 20 000 000; (b) net turnover: EUR 40 000 000; (c) average number of employees during the financial year: 250.

13 EC EUDR December FAQ question 38 "What are the obligations of operators further down the supply chain?"

14 Article 2 (17) 'trader' means any person in the supply chain other than the operator who, in the course of a commercial activity, makes relevant products available on the market.

KEY ELEMENTS

- Only products that are both deforestation- and degradation-free and legal are allowed to be placed on or exported from the EU market (applicable to all Operators and Traders including SMEs).
- Products need to be legal according to the laws of country of production, including applicable laws covering human and labor rights and the obligation to obtain free, prior and informed consent (FPIC) of Indigenous Peoples.
- Companies must collect geographic coordinates of the plots of land where the commodities were produced and conduct DD on products sufficient to reach a conclusion of no or negligible risk[15] of non-compliance and affirm this in due diligence statements submitted to competent authorities[16].
- The Regulation establishes a three-tier risk assessment system for countries ("country benchmarking") – high risk, low risk and standard risk – and due diligence requirements vary according to the risk designation. As of June 29, 2023, all countries have been assigned a standard level of risk. The European Commission (EC) has committed to publishing the list of countries or parts of countries that present a low or high risk.
- Companies must assist competent authorities during enforcement checks, including access to premises and the making available of documentation and records.

Enforcement & penalties

Chapter 3 of the EUDR sets out measures to deliver an effective enforcement regime, as set out below. This is good news for companies who have committed and taken steps towards deforestation-free production and trade, who will experience a more level playing field as a result.

- **A new and robust set of requirements for collaboration between Competent Authorities, customs authorities, Member States and the EC,** harnessing the EC's Information System (currently under development).
- **Increased transparency** through the opportunity for individuals and organizations to submit 'substantiated concerns'[17] to competent authorities and a process competent authorities must follow in assessing them. In addition, individuals or organizations that have sufficient interest have access to administrative or judicial procedures based on the national systems in EU Member States to review competent authorities' decisions, actions or failures to act.
- **Increased checks** through targets for annual enforcement checks. Based on the EC's risk rating of countries, Competent Authorities must check:
  - Low risk: 1% of operators placing relevant products on the market or exporting them
  - Standard risk: 3% of operators placing relevant products on the market or exporting them

[15] EUDR Article 2 (26) 'negligible risk' means the level of risk that applies to relevant commodities and relevant products, where, on the basis of a full assessment of product-specific and general information, and, where necessary, of the application of the appropriate mitigation measures, those commodities or products show no cause for concern as being not in compliance with Article 3, point (a) or (b)

[16] 'Article 2 (32) 'competent authorities' means the authorities designated by EU member states to enforce the EUDR

[17] Article 2.31 'substantiated concern' means a duly reasoned claim based on objective and verifiable information regarding noncompliance with this Regulation and which could require the intervention of competent authorities;

  - High risk: 9% of operators placing relevant products on the market or exporting them and 9% of the quantity of each of the relevant products

- **Enhanced enforcement checks for products identified by Competent Authorities as being at high-risk** of non-compliance: suspension of placing or making available on the market by Competent Authorities for rolling periods of 3 days; and in 2028 also by customs authorities. Interim measures including suspension of possibility to place products on the market or seizure of products are possible.
- **Substantial penalties** including:
  - Naming and shaming – the EC will publish on its website a list of judgements of Member States for infringement, including the name of the legal person, date of final judgment, summary of activities found to be infringed and nature including financial details of the penalties imposed.
  - Fines proportionate to the environmental damage and the value of the relevant commodities or relevant products concerned, calculating the level of such fines in such a way as to ensure that they effectively deprive those responsible of the economic benefits derived from their infringements, and gradually increasing the fines for repeated infringements.
  - Maximum fine cannot be less than 4% of the Operator's or Trader's total EU turnover in the previous financial year.
  - Confiscation of products concerned.
  - Confiscation of revenue of products concerned.
  - Temporary exclusion for a maximum of 12 months from public procurement and access to public funding
  - In the event of serious repeated infringement: temporary prohibition from placing or making available on the market relevant commodities and relevant products.

Major Obligations for Operators and non-SME Traders from December 31, 2024

- There are mandatory Due Diligence (DD) rules for all Operators and non-SME Traders that place relevant products on the EU market or export them from the EU. See Step 3.
- Companies must establish a formal DD System (DDS[18] — see Step 3) that exercises controls at the product level.
- Operators sourcing commodities from areas classified as standard and high risk must conduct DD which includes traceability for each shipment of in-scope products linking the commodity to the plot(s) of land where it was produced through a requirement to gather geolocation information, including polygon information for plots of land above 4 hectares (the polygon approach does not apply for cattle).
- Operators sourcing commodities entirely from areas classified by the EC as low risk are still obliged to gather geolocation information and information required under Article 9 but are allowed to conduct simplified due diligence. They will need to ascertain that all relevant commodities and products have been produced in countries or parts thereof that are low risk. To do this they must:
  - Assess the complexity of the relevant supply chain, addressing the risk of:

[18] DD System is referred to as a DDS. Note that a DD Statement is not referred to as a DDS.

- **Circumvention** — this could be interpreted as deliberately evading obligations. For example, through classifying a table with metal frame and legs and a high-value wooden tabletop (e.g., high-quality Teak) as a metal table not listed in Annex 1 of the EUDR, and not as wooden table listed in Annex 1.
- **Mixing** — products from low-risk countries being mixed at some point in the supply chain with products of unknown origin or origin in high-risk or standard-risk countries or parts thereof.

But they will not be required to assess and mitigate risks unless they obtain or are made aware of any relevant information, including substantiated concerns, that would point to a risk that the relevant products do not comply with the EUDR.

- Relevant products need to be covered by a DD Statement, which must be registered on the EC's Information System[19] before placing or making available on the market.
- Companies must commission an independent audit.
- A public report must be published annually describing the DD system.

DUE DILIGENCE REQUIREMENTS

What & why

The EUDR requires three fundamental elements to be implemented which together form the continuous process of DD set out in **[Article 8].** The EUDR obligates companies to implement and document the full DD process. Exceptions only apply in certain cases (see below).

- **Information gathering** is the collection of information, documents and data which inform risk assessment and/or demonstrate that relevant products comply with the Regulation's requirements.
- **Risk assessment** uses information gathered to determine if products cannot be deemed no or negligible risk, and therefore require risk mitigation.

[19] The Information System (IS) is the IT system which will contain the due diligence statements submitted by operators and traders to comply with the requirements of the Regulation. The Information System will be operational by the entry into the application of the Regulation and will provide users with the functionalities listed in Art. 33(2) of the Regulation.

- **Risk mitigation** is any of a variety of actions that allow a determination of no or negligible risk to be reached.

More information is provided below, in Annex 2 – Due Diligence Process Flowchart, and in the commodity-specific annexes to this document.

Timing

The EUDR requires DD to be completed and a no or negligible risk conclusion to be reached prior to the placing/making available of the product on the EU market or its exportation from the EU. This means that the full process as described in the step-by-step section below and in Annex 2 to this Guide below must be implemented prior to the importation of the product, the shipping of the product to the customer, or prior to export from the EU.

Practical implications

1. Ensure that relevant staff are aware of the three elements and prepared to integrate them in working practices.
2. Evaluate timings of sourcing processes and consider how processes need to be adapted to allow for a timely finalization of DD process before shipment.

DD requirements and EC benchmarking

As mentioned, the EUDR's DD requirements are not the same for all countries of origin. The European Commission is going to benchmark (classify) countries into one of three categories: Low Risk, Standard Risk, and High Risk. Products originating in Standard and High Risk countries will face more requirements than products from Low Risk countries. See figure 1 below.

Requirements vary for First placer Operators, Downstream Operators, Traders, SMEs, non-SME's

Companies' obligations under the EUDR vary depending on the size of the company and where they are in the value chain. See table 1 and figure 2 below.

Figure 1: Key EUDR requirements based on EC Benchmarking

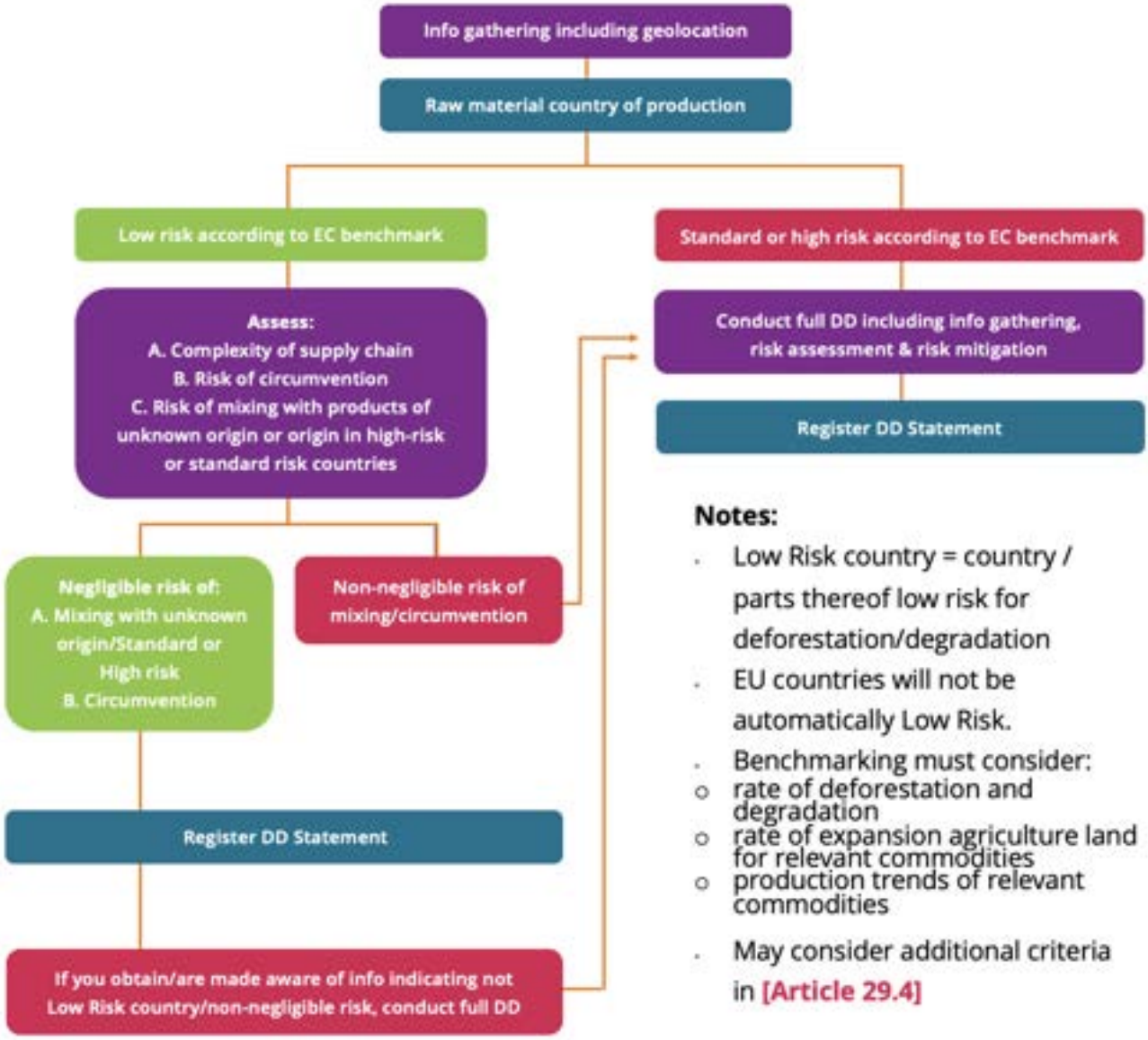
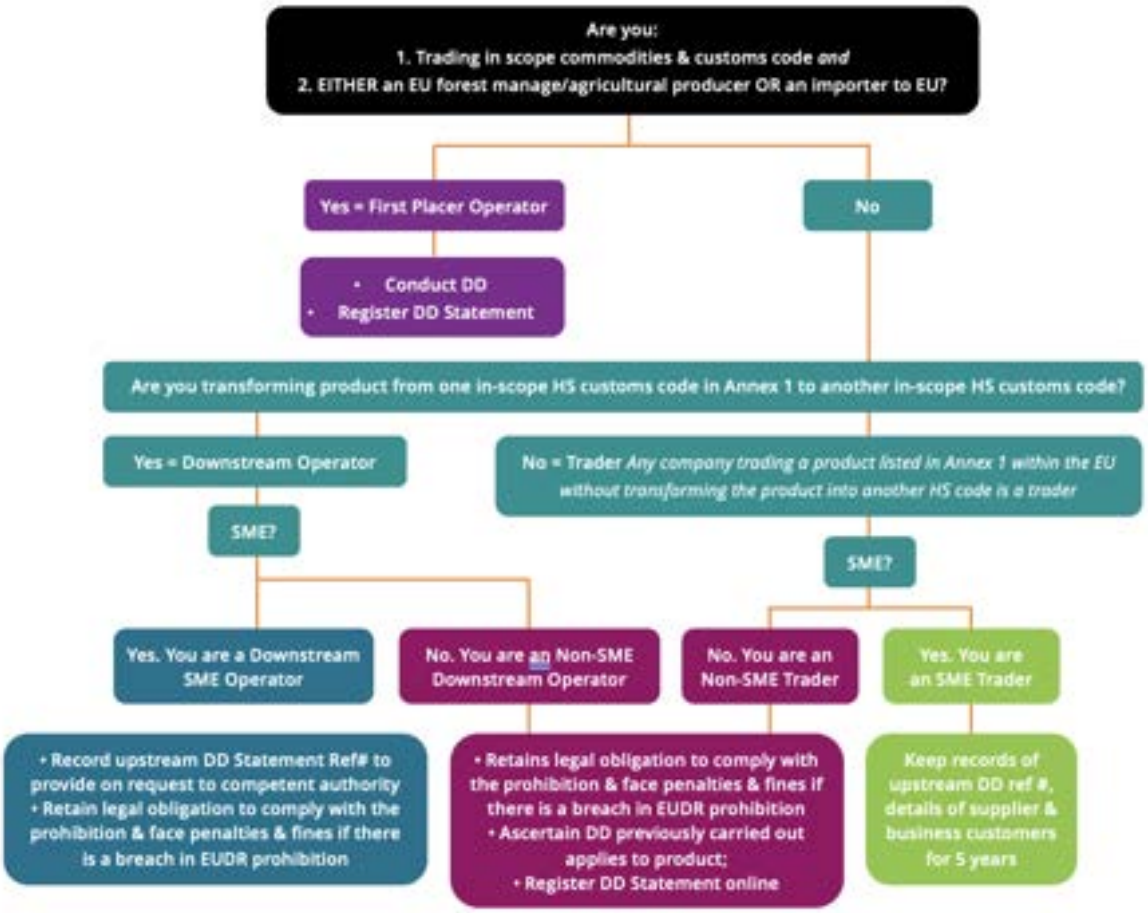
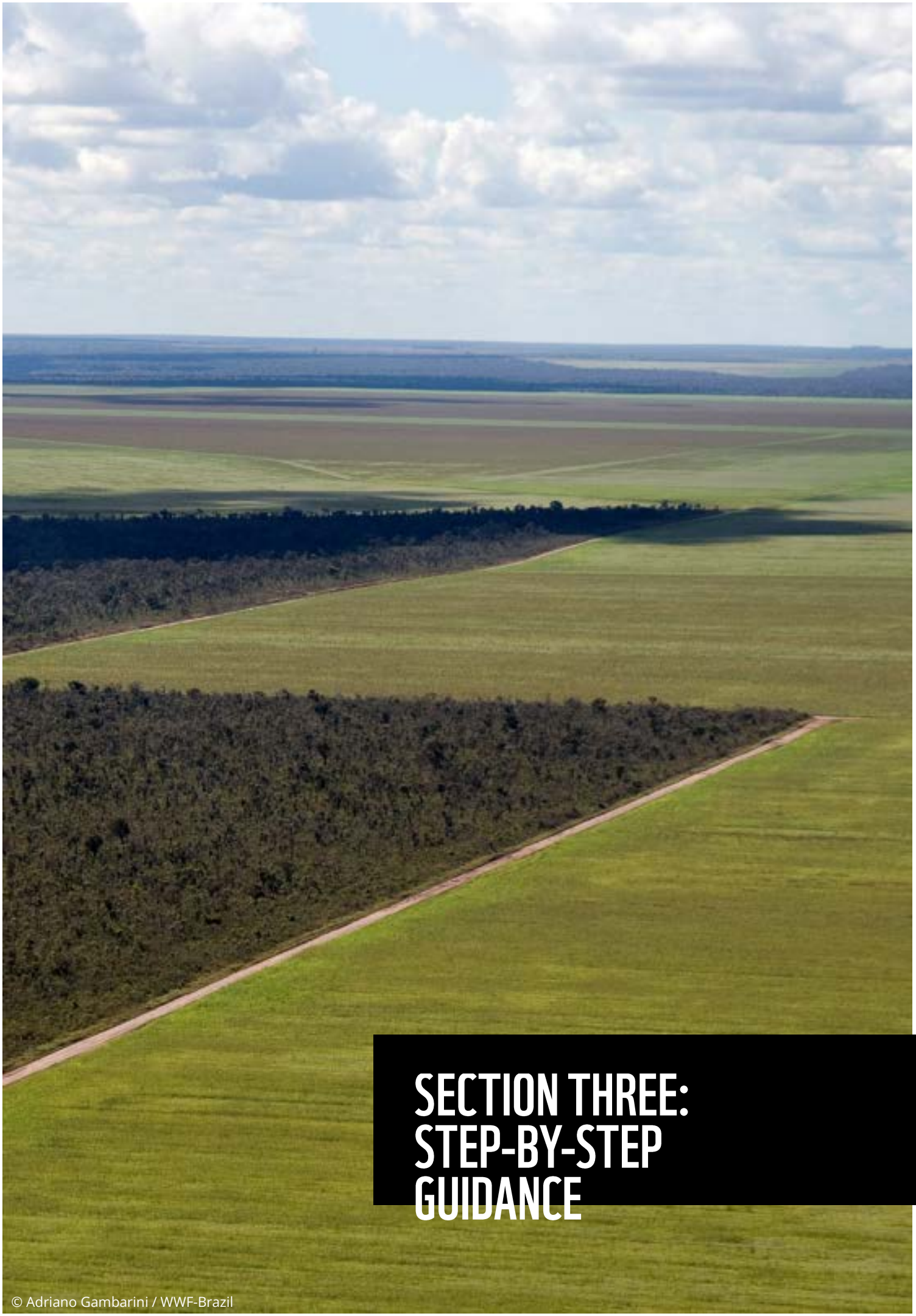


Table 1: Operator/Trader DD obligations

Scenarios	Scenario 1. Operator (First placer) on the EU Market	Scenario 2. Downstream Operator[13]	Scenario 3. Downstream Operator[17]	Scenario 4. Trader on the EU market
Market position	First harvesting / producing within or importing into the EU market.	Processor within the EU market, or processor and exporter from the EU market.	Processor within the EU market, or processor and exporter from the EU market.	Distributor, retailer, or agent within the EU market.
DD Status	No DD previously implemented.	DD has not been previously implemented for all products / inputs to products in Tier 1 (SME trader).	DD has either been implemented by the Tier 1 supplier or Tier 1 supplier has ascertained DD.	DD has been previously implemented by Tier 1 supplier.
HS Customs Codes Status	The product with an HS Customs code listed in Annex 1 of the Regulation is placed for the first time on the market.	Transforms one or more products with different HS Customs codes listed in Annex 1 into a different product with an HS Customs code listed in Annex 1.	Transforms one or more products with different HS Customs codes listed in Annex 1 into a new product with a different HS Customs code listed in Annex 1.	Any company trading a product listed in Annex 1 within the EU without transforming the product.
Example	Company A, based in the EU, imports and sells cocoa butter (CN code 1804).	Company B based in the EU buys cocoa butter (CN code 1804) cocoa powder (CN code 1805) from an EU SME trader, combining them to produce and sell chocolate (CN code 1806).	Company C based in the EU buys cocoa butter (CN code 1804) and cocoa powder (CN code 1805) from two EU Non-SME traders, combining them to produce and sell chocolate (CN code 1806).	Company D buys and sells chocolate (CN code 1806).
Non-SME DD obligations From December 31, 2024	• Conduct DD See Steps 3 and 4	• Conduct DD See Steps 3 and 4	• Ascertain that upstream DD Statement is applicable to products and that DD was exercised prior to placing them on the market • Gather DD Statement Reference number • Register a DD Statement See steps 3 and 4 NOTE: the above applies both to non-SME operators in Scenario 3 and non-SME traders in scenario 4	
SME DD obligations from June 2025			• For inputs to relevant products that have been subject to DD, provide Competent Authorities with reference number DD Statement upon request. • SMEs do NOT need to register a DD Statement. • As the prohibition still applies, you may wish to conduct checks to ascertain the DD applies to your product.	• Keep records of supplier and business customers, upstream reference numbers of DD Statements. • Provide to Competent Authorities on request.

Figure 2. EU Operator/Trader Obligations





SECTION THREE: STEP-BY-STEP GUIDANCE

© Adriano Gambarini / WWF-Brazil

STEP-BY-STEP ACTIONS & OUTCOMES

ACTIONS	OUTCOMES
STEP 1. READINESS ASSESSMENT & ACTION PLAN DEVELOPMENT	
Conduct readiness assessment	Understanding of compliance and good practice gaps identified in readiness assessment
Draft indicative supply chain scenarios	Understanding of obligations for key sourcing scenarios
Draft proposed high-level action plan for achieving compliance	Identification of high-level actions
Awareness-raising & consultation with key staff	Key staff incl. sourcing & legal understand obligations
STEP 2. LEADERSHIP SUPPORT & POLICY	
Secure senior management support incl. Compliance Officer **[Article 11.2(a)]**	Implementation of next steps supported by senior management
Set policy commitments, SMART objectives & high-level targets	Alignment of company & suppliers on your requirements
Approve high-level action plan & enable resources	Agreement on next steps & resources by senior management
STEP 3. DEVELOPMENT & MAINTENANCE OF DUE DILIGENCE SYSTEM	
Conduct Pilot with selected suppliers	Identification of gaps in ability to map supply chain
Identify all Tier 1 suppliers of relevant products in scope by HS customs codes **[Article 9.1(b)]**	Identification of all relevant suppliers
Engage all suppliers	Identification of countries of export & gaps in visibility of suppliers
Assign responsibilities, allocate staff & DD/other service provider budget	Staff know their responsibilities
Develop & implement staff training	Staff understand their responsibilities
Procedure for information gathering **[Article 9 & 12.1]**	Compliance
Procedure to ascertain DD has been applied **[Article 4.9]**	
Procedure for risk assessment **[Article 10 & 12.1]**	
Procedure for product risk mitigation **[Article 11 & 12.1]**	
Procedure for record keeping **[Article 4.3 & 12.5]**	
Procedure for internal reporting & annual internal review **[Article 12.2]**	
Procedure for independent audit [Article 11.2(b)]	
Procedure for annual public report [Article 12.3 & 12.4]	
STEP 4. IMPLEMENTATION OF DUE DILIGENCE SYSTEM	
Suppliers commit to DD system requirements	
Gather Information **[Article 9]**	
Ascertain DD has been applied for Downstream Operators **[Article 4.9]**	
Product risk assessment completed **[Article 10]**	
Product risk mitigation complete **[Article 11]**	
DD system records & information filed **[Article 12.5]**	
DD Statement registered **[Article 3(c)]**	

STEP 1 — READINESS ASSESSMENT & ACTION PLAN DEVELOPMENT

A. CONDUCT READINESS ASSESSMENT

What & how

The readiness assessment template in Annex 1 to this Step-by-Step Guide will help you determine how ready you are to comply with the EUDR, using the elements of the Guide to inform the key questions. You should treat this as a simple internal exercise to help kick-start progress toward compliance.

Why

It is important to get a clear understanding of the most important gaps before you begin to develop a detailed action plan. You can also use the readiness assessment template to help your suppliers get ready for compliance.

Resources

- Annex 1: Readiness Assessment Template

B. DRAFT INDICATIVE SUPPLY CHAIN SCENARIOS & CONSIDER CONDUCTING PILOTS

What & how

You should draw several conceptual supply chain diagrams of how your company trades for each forest-risk commodity covered by the EUDR. Focus on where your company is the Operator[20]/non-SME[21] Trader[22] and where you trade in relevant products with an HS customs code listed in Annex 1 of the EUDR. Two illustrative examples are set out below. You should also consider conducting pilots with selected suppliers at this early stage. See section A of step 3.

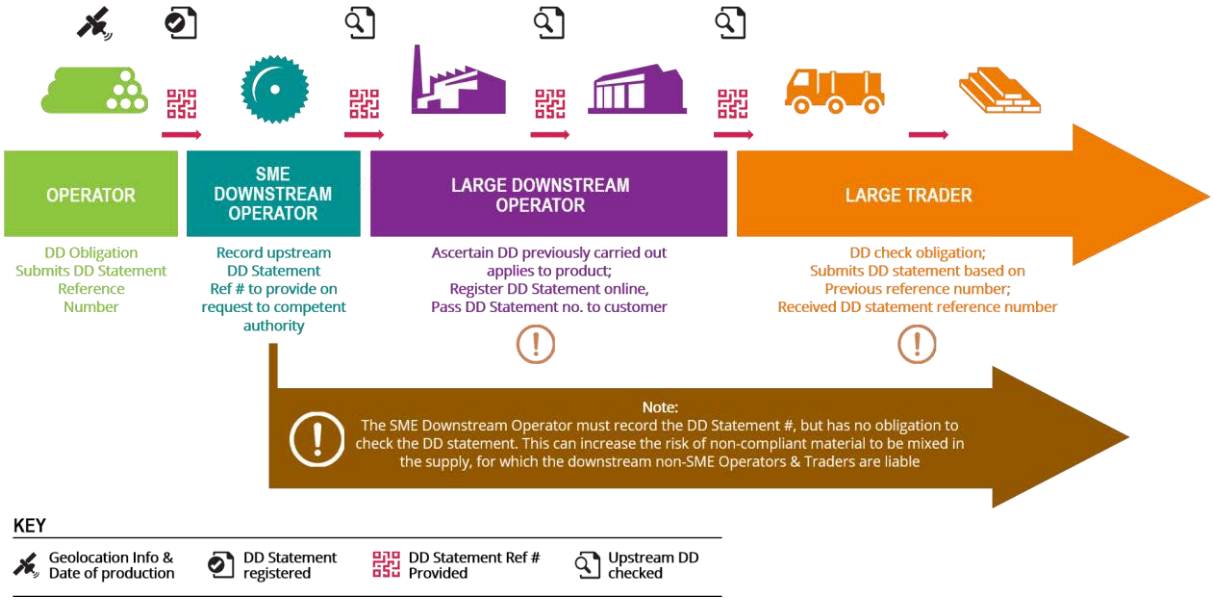
[20] Article 2 (15) 'operator' means any natural or legal person who, in the course of a commercial activity, places relevant products on the market or exports them

Article 2 (19) 'in the course of a commercial activity' means for the purpose of processing, for distribution to commercial or non-commercial consumers, or for use in the business of the operator or trader itself

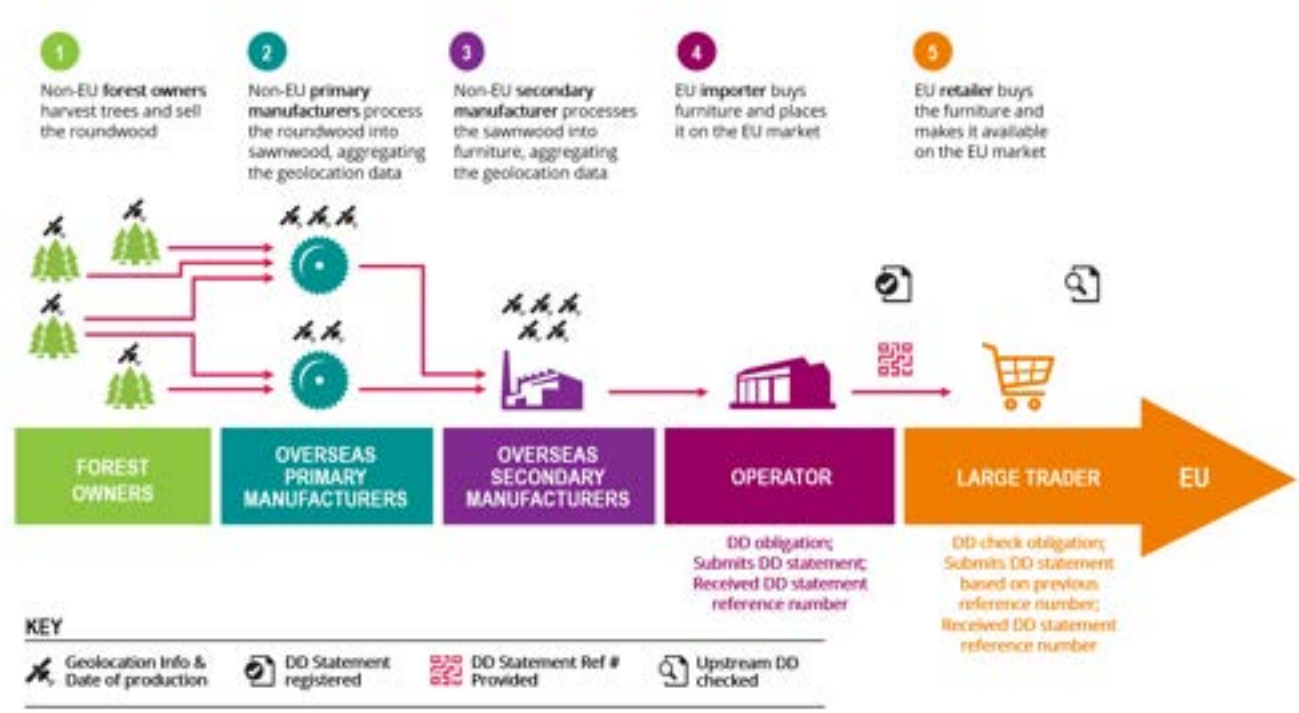
[21] A non-SME is a legal entity which does not meet the definition of an SME. See footnote 3 for a definition of an SME.

[22] Article 2 (17) 'trader' means any person in the supply chain other than the operator who, in the course of a commercial activity, makes relevant products available on the market

Scenario 1. Solid wood product from a forest within the EU



Scenario 2. Solid wood product from multiple forests outside the EU



C. DRAFT PROPOSED HIGH-LEVEL ACTION PLAN

What & how

- Use the gaps identified in the readiness assessment to identify the key outputs which you need to develop to comply with the EUDR, building on the pilot in Step 2 and going further by planning for leadership practices (see examples in Appendix 1 of this Guide).
- Consider your company's culture and management style. Are there any recent examples of similar high-level action plans that you can build on or use as a template?

Start to build an understanding of the likely staffing and service provider requirements and budget:

- Consider how you might approach the development of a DDS as set out in Step 3 and implementation of DD at a product level as set out in Step 4.
- Do you need external service providers to provide tools or services to help implement DD?
  - For example, there are several providers of supply chain management tools that are designed to support information gathering, risk assessment, management of supplier compliance, reporting, etc. For more information, see Appendix 1 of this Guide
  - Per the above, you could consider conducting the pilots described in Step 3A using one or more of these tools.

Companies may mandate an 'Authorised Representative'[23] to submit a DD statement on their behalf. **[Article 6]** Presumably, this would mean that the Authorised Representative would also implement a company's DDS. It is important to note that when an Authorized Representative is appointed, an operator or non-SME trader retains their responsibility under the EUDR. This would be the time to decide whether you want to exercise this option, and if you do, to review (and possibly select) providers and incorporate the cost into your proposed budget.

SMART objectives and targets

You should set Specific Measurable Achievable Relevant Timebound (SMART) objectives and targets for the implementation of your policy commitments. **A leadership practice is to report against your targets publicly.** At minimum, your target must be to have conducted due diligence on 100% of the products containing deforestation-risk commodities that you place on the EU market by the end of 2024.

At minimum, your draft action plan should of course address what you will need to do to achieve compliance with the EUDR. **However, this is also a good time to consider and incorporate any leadership practices that you plan to pursue (see Appendix 1).**

A leadership practice is to set ambitious targets for sourcing products certified under a credible certification scheme (see Appendix 1), e.g., X% certified to an ISEAL Community Member

[23] Article 2 (22) 'authorised representative' means any natural or legal person established in the Union who, in accordance with Article 6, has received a written mandate from an operator or from a trader to act on its behalf in relation to specified tasks with regard to the operator's or the trader's obligations under this Regulation.

certification scheme by X date. Note that while no certification scheme currently meets the EUDR requirements, certification schemes that are ISEAL Community Members or are ISEAL Code Compliant adhere to ISEAL's Codes of Good Practice and provide assurance for many other social and environmental criteria that WWF expects leadership companies to uphold in their supply chains. Schemes that are ISEAL Code Compliant are preferable to those that are only Community Members[24].

Why

Defining the overarching elements needed to demonstrate compliance will provide the foundation upon which you can build a detailed picture of what you need to do.

Yanomami hunter with bow and arrow by a tree in rainforest near to Demini Molaca.

[24] For more information: https://www.isealalliance.org/about-iseal/iseal-membership

D. AWARENESS-RAISING & CONSULTATION WITH KEY STAFF

What

Prior to engaging with senior leadership, it is advisable to engage with middle management and key operational staff involved in the sourcing of relevant products as well as those involved in overseeing legal compliance to secure their buy-in and strengthen collaboration. At this stage, you should also consult your draft action plan with key staff and refine it based on the input received.

Why

You need to build basic awareness across the organization and begin a collaborative process to prepare for Step 2. Also, when you seek leadership support in Step 2, it will be important to be able to say that key staff have provided input to your proposed action plan and that they support it.

How

Consider the intended outputs and outcomes and ensure you are clear about what you expect or need from your colleagues. For example, pure awareness-raising might be needed to ensure that they understand that your company has obligations under the EUDR. This could be by holding a briefing session and directing them to resources, including this guidance, and/or providing a briefing paper. Sharing your draft action plan and making sure that staff understand and have input into the parts that are relevant to them will also build awareness and manage expectations.

Aerial view of forest next to palm clearing in the Sabah Softwoods plantation in Sabah, Borneo, Malaysia.

STEP 2 — LEADERSHIP SUPPORT & POLICY

A. SECURE SENIOR MANAGEMENT SUPPORT

What

It is crucial to secure senior leadership support within your organization, potentially at the board level, to effectively operationalize EUDR compliance.

Why

Senior management should be sufficiently informed about the impact of EUDR to understand and approve the decisions needed.

Decisions your senior leadership will likely need to make:

- reviewing and approving the proposed action plan,
- mobilizing the necessary resources,
- adopting a sourcing policy that provides the foundation for the execution of the action plan and the establishment of a Due Diligence system (DDS),
- appointing a compliance officer, and,
- supporting managers and other staff in the implementation of the action plan and the DDS.

How

To help senior management understand and support your compliance program and make necessary decisions, they need to be informed of the key obligations and implications of the EUDR. Use the outputs of Step 1, including Step 1A - Readiness Assessment, 1B - Indicative Supply Chain Scenarios, and 1C -High-Level Action Plan, to help senior management understand how the following obligations and implications practically apply to your company.

Provide support to understand key obligations of EUDR:

- appoint a compliance officer at management level; **[Article 11.2(a)]**
- establish a DD system and review at least once a year; **[Article 12.1 & 12.2]**
- update DD system when there are new developments and keep a record of updates for at least five years; **[Article 12.2]**
- conduct ongoing DD; **[Article 4.1]**
- before placing products on the market, register a DD Statement on the EC's EUDR Information System that includes a declaration that your company exercised due diligence and that no or only a negligible risk was found; **[Article 4.2]**
- keep records of DD Statements for five years from the date the statement is submitted; **[Article 4.3]**
- immediately inform authorities if you are made aware of relevant new information, including substantiated concerns, indicating that a product that you have placed on the market is at risk of non-compliance; **[Article 4.5]**
- secure sufficient traceability to adequately and conclusively identify and verify the geolocation of the point of harvest/raw material production; **[Article 9.1(d)]**
- conduct internal review and an independent audit; **[Article 11.2(a)]**

- provide transparency by reporting publicly on DD system on an annual basis; **[Article 12.3]**
- keep documentation related to DD for at least five years and make available to Competent Authorities upon request **[Article 12.5]**

Provide support to understand implications:

- EUDR may require changes to sourcing processes to enable DD to the point of negligible risk for each shipment of relevant products.
- Increased likelihood of checks due to an enhanced enforcement system including targets for enforcement checks as well as coordination systems between Competent Authorities, customs and EC. See Chapter 3 of the EUDR.
- Increased financial and reputational risk from enforcement through naming and shaming on EC website and penalties including seizure of goods, suspension to trade and fines up to 4% of company turnover.

B. SET POLICY

What & why

A policy for sourcing that is deforestation / degradation-free and legal enables companies to clearly communicate their commitments to suppliers and other stakeholders. In addition to providing a strong foundation for compliance, the Regulation states that "Operators shall have in place adequate and proportionate policies, controls and procedures to mitigate and manage effective the risks of non-compliance…" **[Article 11.2]** Therefore, both as a key step toward compliance and as a leadership practice, **WWF and other NGOs who are partners to the Accountability Framework initiative (AFi) https://accountability-framework.org/ strongly recommend that companies set public commitments to eliminate natural ecosystem conversion for agriculture or forestry commodity production that follow Afi guidelines.**

Key elements of robust policy commitments for protecting and maintaining forests and other natural ecosystems are set out in *AFi Core Principle 1* illustrated below*:*

1.1 No-deforestation supply chains and protection of forests	1.2 No-conversion supply chains and protection of other natural ecosystems
The company commits to eliminating deforestation from its operations, supply chains, and financial investments.	**The company commits to eliminating the conversion of all natural ecosystems from its operations, supply chains, and financial investments.**
No-deforestation (deforestation-free) signifies that natural forests are not converted to agriculture, tree plantations, livestock production, or other land uses, and that natural forests are not subject to severe or sustained degradation. As part of its no-deforestation approach:	No-conversion (conversion-free) signifies that natural ecosystems are not converted to agriculture, tree plantations, intensive livestock production, or other land uses, and that natural ecosystems are not subject to severe or sustained degradation. As part of its no-conversion approach:
1.1.1 The company commits to taking appropriate measures to foster long-term protection of natural forests in and around its operations and supply base, including through responsible supply chain management (Core Principle 6), site establishment (Core Principle 7), land management (Core Principle 8), and action in supply chain origins (Core Principle 10).	**1.2.1** The company commits to taking appropriate measures to foster long-term protection of natural ecosystems in and around its operations and supply base, including through responsible supply chain management (Core Principle 6), site establishment (Core Principle 7), land management (Core Principle 8), and action in supply chain origins (Core Principle 10).
1.1.2 The company commits to conduct or support restoration and/or compensation to remedy deforestation and any associated human rights abuses in its operations or supply chains in violation of its commitments or other obligations (Core Principle 9).	**1.2.2** The company commits to conduct or support restoration and/or compensation to remedy natural ecosystem conversion and any associated human rights abuses in its operations or supply chains in violation of its commitments or other obligations (Core Principle 9).
1.1.3 To facilitate monitoring and provide clear signals to suppliers, each commitment specifies a cutoff date, after which production units associated with deforestation are deemed non-compliant.	**1.2.3** To facilitate monitoring and provide clear signals to suppliers, each commitment specifies a cutoff date, after which any production units associated with conversion are deemed non-compliant.

Source: Core Principles, Accountability Framework Initiative, 2023

How

Starting point for policy commitments

Companies may wish to start from a commitment to achieve deforestation and conversion-free (DCF) status for all products containing forest-risk commodities and in scope of the EUDR by the end of 2024, with a cutoff date of 2020.

When developing or reviewing policy commitments, it is important to consider whether they are realistic and achievable. i.e., to ensure that they do not exceed your ability to set and implement SMART objectives and targets, while maintaining legal compliance.

As a leadership practice, WWF recommends that companies work towards the above AFi commitments. We recommend that policies include a commitment to sourcing products that are certified under a credible certification scheme, e.g., those that ISEAL Code Compliant (ideal) or Community Members (at minimum)[25]. Ideally, all such products will be certified, with priority placed on products whose origins are high-risk.

Consider that expectations on product and land types under EUDR will be progressively reviewed

When you are considering your commitments, objectives and targets for compliance, it should be noted that the European Commission foresees potentially widening the scope of the Regulation to more commodities and land types based on a series of impact assessments. This means that while only some products and land types are currently in scope, it is likely this will widen, and **leadership practice would anticipate this by adopting a scope that is broader than that required currently. WWF's recommended scope, in line with AFi guidance, includes all natural ecosystems and all commodities whose production may be associated with conversion of those ecosystems.**

Sources & resources

- WWF Guiding Principles & Asks for DCF
- AFi Core Principles
- AFi OPERATIONAL GUIDANCE - Achieving Commitments through Compliance, AFi Definitions, AFi Cutoff Dates
- EUDR Article 2 Definitions

C. APPROVE ACTION PLAN & ENABLE RESOURCES

What & why

You need your senior leaders to formally approve the draft high-level action plan developed in Step 1C. You should use the additional outputs of Step 1 and Step 2A—C to support development of an indicative budget for implementation in an agreed timeframe.

[25] Note, however, that no certification scheme constitutes a "green lane" for EUDR compliance

How

You should consider:

- Your company's culture and management style
- Is there any additional information not already gathered that your senior leaders need in order to make a decision?

If there is a block in approval:

- Identify the root cause.
- Ensure your senior leaders and middle management understand the obligations and implications of the EUDR as set out in Step 2A.
- Collaboratively agree on the actions needed to unblock the issue, so that the action plan can be approved.

Una Federal Biological Reserve Cocoa fruits in the Atlantic forest Bahía, Brazil.

STEP 3 — DEVELOPMENT & MAINTENANCE OF DUE DILIGENCE SYSTEM

In order to ensure that DD is sufficient to deliver a reliable risk conclusion for relevant products and meet legal obligations, Operators and non-SME Traders must establish a Due Diligence System (DDS). **[Article 8]** This third step focuses on the design, development and maintenance of a DDS that provides the procedural framework for Step 4 – Implementation of DDS. Due to the time constraints associated with the EUDR, WWF recommends that you begin piloting Step 4 as soon as draft procedures for information gathering, risk assessment and mitigation procedures required in Step 3 are developed.

A. CONDUCT PILOT WITH SELECTED SUPPLIERS

Why

As described in Steps 3 and 4, you must engage with your suppliers and gather conclusive and verifiable evidence to confirm the geolocation[26] of all plots of land[27] and the date or time range[28] of raw material production. **[Article 9.1]** See Step 3F. Procedure for Information Gathering and Step 3 H. Procedure for Risk Assessment.

As an initial step, we recommend that you conduct a pilot of supply chain discovery and mapping with a manageable number of prioritized Tier 1 suppliers to understand how well your existing procedures and systems allow for this, identify any existing gaps, as well as opportunities for positive change, and prioritize action in an effective manner. This will help you prepare to do a full rollout of supplier engagement, readiness assessment, supply chain mapping, and action plan implementation as you develop your DDS and processes. All this will be needed to gather the product-level traceability information required in Step 4.

What

Supply chain discovery and mapping is the process of identifying the actors in the supply chain and the relationships among them, which is a prerequisite to securing credible traceability.

---

[26] Article 2 (28) 'geolocation' means the geographical location of a plot of land described by means of latitude and longitude coordinates corresponding to at least one latitude and one longitude point and using at least six decimal digits; for plots of land of more than four hectares used for the production of the relevant commodities, other than cattle, this shall be provided using polygons with sufficient latitude and longitude points to describe the perimeter of each plot of land..

[27] Article 2 (27) 'plot of land' means land within a single real-estate property, as recognized by the law of the country of production, which enjoys sufficiently homogeneous conditions to allow an evaluation of the aggregate level of risk of deforestation and forest degradation associated with relevant commodities produced on that land.

[28] The December 2023 FAQ of the European Commission provides more information: " For commodities other than cattle, the date of production refers to the date of harvesting of the commodities, and the time range of production refers to the period/duration of the production process (for instance, in the case of timber, "time range of production" would refer to the duration of the relevant harvesting operations). For relevant products other than live animals in the cattle commodity, the time range of production refers to the lifetime of the animal including the date of slaughtering."

Building on the draft indicative supply chain scenarios developed in Step 1B, you need to start in order of priority:

- Piloting supply chain mapping.
- Conducting Readiness Assessments with suppliers with a minimum focus on the ability of the supplier to support DD, ideally focusing on wider DD system and capacity to go beyond compliance requirements. This involves engaging with key suppliers to develop their own high-level action plans.

How much detail do you need to go into for your pilot?

While the EUDR requires explicitly that you must gather the geolocation of all plots of land for raw material production, in a pilot supply chain mapping and traceability can both be conducted to different extents and levels of granularity. For example:

- Supply chain mapping may be conducted initially to Tier 1 suppliers and subsequently to upstream suppliers to gain increasingly comprehensive information about your supply chains.
- If a product consists of multiple inputs from different sources, it is advisable to make a supply chain map for each individual input.

If possible, see if you can discover primary manufacturers[29] of the materials that go into relevant products.

The requirements for the provision of geolocation coordinates and harvest date will need to be satisfied by companies near the beginning of the supply chain (i.e., what we refer to elsewhere as 'primary suppliers') who will have to identify all of the plots that they source from, whether directly from farms/forests or indirectly through intermediary suppliers. It seems likely that in most cases these companies will be primary manufacturers, although if such a manufacturer is small and unsophisticated, it might need to be a downstream company that has the requisite capacities.

How

Prioritization

The pilot should focus on a manageable number of Tier 1 suppliers. In your selection process, consider:

- Ensuring a range of different forest-risk commodities are covered in the pilot.
- Where risks in the supply chain are greatest and adverse impacts are likely to be the most significant. Note that in these cases, you should prioritize immediate action to work with the supplier to support compliance and begin implementing step 3F. Procedure for Information Gathering, 3H. Procedure for Risk Assessment and 3I. Procedure for Risk Mitigation.

[29] Primary manufacturers are companies that perform the first stage of processing on raw commodities, e.g., sawmills that buy logs, rubber mills that buy field latex, palm oil mills that buy palm fruit, etc.

- Where your company has the greatest leverage or influence over relevant actors and outcomes. This may be due to the volume of the materials purchased or due to other aspects of the business relationship.
- Where the potential for positive impact is highest. This could be due to your supplier's or their sub-suppliers' willingness and ability to exercise **leadership practices such as helping improve social and environmental conditions through specific investments, support, or other interventions, and/or by participating in effective sectoral, jurisdictional, or other multi-stakeholder initiatives that can help drive broader positive change through collaborative efforts (see Appendix 1)**.

You may wish to also consider piloting with a range of different characteristics such as geographies, levels of supply chain complexity, long term supplier versus short term/spot market supplier, etc. If you intend to engage an external provider of a supply chain management tool (see Appendix 1), use the tool for the pilot. You may want to conduct the pilot using more than one tool and then select the one that works best for broader use in your supply chains.

Developing a positive collaborative relationship with your suppliers and helping them understand requirements & priorities

To create a good supply chain map, you need to identify and acquire information from your suppliers and then from sub-suppliers, sub-sub-suppliers, etc. This will be much easier if you have a positive relationship with your suppliers. This can be achieved through:

- Identifying and connecting the relevant responsible people within your company and your supplier. For example, including your buyers and quality managers as well as their sales and quality managers.
- Understanding the context in which your supplier operates, including the likely environmental, social and economic issues they face. You can do this by talking to colleagues who know the supplier well and by ensuring your supplier has the opportunity to raise questions and concerns.
- Check internally that your company-level commitments, contractual supplier requirements and product specifications are realistic and achievable for your supplier, and where there are gaps, what the plan is to close them. You should focus on gaps that might affect EUDR compliance, but bear in mind the wider context of your commercial relationship. Showing your suppliers' staff that you understand their situation will help to foster positive collaboration.
- Offering incentives where possible. This could be as simple as increasing the chance you will keep doing business with the supplier; or may include preferential supplier terms such as first opportunity to express interest in quotation for a new product.
- If the supplier will incur significant additional costs to deliver compliance, discuss the costs and benefits for both you and your supplier openly. Agree on how you can work together to ensure the relationship remains commercially viable and legally compliant.

You should continue to foster collaborative nature of your supplier relationships throughout the

ongoing implementation of your DDS. For more information see AFi OPERATIONAL GUIDANCE on Achieving Commitments Through Collaboration, May 2020 and AFi OPERATIONAL GUIDANCE on Supply Chain Management, May 2020.

Hold a kick-off meeting

1. Agree on a mutual format and time so that appropriate staff within sourcing and quality teams, and if possible, a senior management representative attend from your company and your suppliers

2. Agree on a clear agenda that:
   - sets out the expected outputs and outcomes of the meeting, including overall awareness of your requirements and your request to work together on pilot supply chain mapping and preparation for compliance.
   - provides sufficient time for discussion and for the supplier to confirm they understand what they must do to comply with your requirements.
   - proposes timescales and makes time for discussing if these are realistic and achievable.

3. Prepare for the meeting by:
   - Evaluating the supplier's level of awareness of EUDR.
   - As appropriate depending on the supplier's level of understanding, providing introductory sources of information such as an example briefing paper and links to training videos on the EUDR to help your supplier understand their own EUDR obligations and your approach to compliance. Providing supplementary sources of information they can read for further information when they are ready, such as this Step-by-Step Guide.

4. Explain that your first priority outputs include:
   - identifying relevant products and their HS customs codes.
   - for a given group of relevant products, mapping each step in the supply chain back to an agreed point (e.g., country of origin, primary manufacturer, plot(s)). This will enable you to jointly understand the obligations and the likely level of effort to conduct DD for that product supply chain.
   - gathering commercial and certification documentation to help confirm the above information.

5. Explain that your second priority is to collaborate on readying your supplier for the EUDR, particularly in relation to any actions beyond working together on supply chain mapping and product level DD required in order to support your own compliance. Highlight that this is a positive and collaborative pilot and they do not need to provide details of internal actions unrelated to meeting your explicit requirements. Inform them that within this Step-by-Step Guide they can access example completed readiness assessment templates, indicative supply chain scenarios and high-level action plans.

6. Present the template or tool you intend to use for information gathering and share whatever procedures you have established for risk assessment and mitigation.

What supply chain mapping format should you use?

- A supply chain map may be simple in design and can be kept in a spreadsheet.

- A supply chain mapping software solution. **As a leadership practice, you could use a supply chain management tool that incorporates a supply chain mapping function, and generally offers solutions for information gathering, data management, and risk assessment as well (see Appendix 1).**

What supply chain information are you trying to verify?

At this stage you are only piloting your supply chain mapping approach. This involves confirming each company in the supply chain to the point agreed. You should at minimum seek to map your supply chain to the country of export of the raw material and try for a more granular level up to the plot of production if possible.

In order to fulfil EUDR's geolocation requirements, companies throughout your supply chain will need to have processes and systems capable of gathering, aggregating, storing and managing relevant data so it can be passed down to the next link in the chain each time products are sold.

However, it is worth noting that, to a considerable degree, the effective fulfilment of obligations for risk assessment and mitigation will rest on the DDSs and practices of upstream suppliers who must be able to gather and pass forward evidence of legality/lack of linkage to deforestation, forest degradation and human rights violations and are best positioned to apply risk mitigation measures.

What if you identify the location of the plot(s) of land for raw material production/harvesting?

If you are offered information on the location of the plot(s) of land where production or harvest occurred, you should record this. If possible, it is worth starting the process of checking that this information is accurate and assessing any risks that may be associated with it. See Step 3F Procedure for Information Gathering for more guidance.

How should you verify the information provided for supply chain mapping?

1. In collaboration with your supplier, gather documentation which confirms the links between each step in the supply chain. This should include commercial documents such as purchase orders, invoices, delivery notes and, where available, certification scheme certificates.
2. Analyze the documents provided at each stage in the supply chain, e.g., by checking that the information in them is accurate and/or makes logical sense, e.g.:
    a. Dates on documents (for example the issue dates of purchase orders and commercial invoices along a supply chain are sequential).
    b. Company names and addresses line up between purchase orders and commercial invoices.
    c. Product described matches your expectations. You may need each supplier in the supply chain to explain how their product descriptions on commercial documents relate to your final product.
    d. Conversion factors make sense.
    e. Any certification scheme certificates are valid according to the scheme database and that the certificate holder has a certificate which includes within its scope the certification claim they are making.

3. Record your findings for each step in the supply chain and for each document. Record whether you have been able to verify the product and supply chain characteristics to the point agreed. Have you been able to verify that this step in the supply chain is part of your product supply chain?

If there is a significant block in mapping a part of your supply chain, remember this is a pilot and an opportunity to learn together with your supplier. Collaborate to identify the root cause and assign realistic time-bound actions needed to unblock the issue and track them through to completion. You may need additional technical DD service providers to help.

Review the supply chain mapping pilot and identify weaknesses and improvements for a full roll-out. Ensure this is documented and reflected in your action plan.

B. IDENTIFY ALL TIER 1 SUPPLIERS OF RELEVANT PRODUCTS IN SCOPE BY HS CUSTOMS CODES

What & why

It is important that you have an up-to-date list of tier 1 suppliers of all relevant products, as defined by the Harmonised System (HS) customs code and the commodity the product contains. **[Article 9.1(b)]**

How

To start, you must have a complete list of tier 1 suppliers. You should organize this list based on the type of commodity their products are composed of. If you can do so in an organized format such as a field in a SAP database, it will help you filter for commodities that are in scope of the EUDR: palm oil, soy, timber, cattle, cocoa, coffee, rubber and some derived products.

Incorrectly assigning EUDR HS codes to products creates an unnecessary work burden for DD staff. Activities which can support the correct use of HS codes include:

- Training DD staff and staff involved in gathering information for relevant products
- Identification of HS codes during early stages of procurement and quality checks as part of procedural requirements.
- Referring to Enterprise Resource Planning (ERP) systems that support an easy and correct application of applicable HS codes.
- Requesting support from your national customs authority in case of doubts

Resources

- Annex 1 of EUDR
- HS Code databases (e.g., https://www.wcotradetools.org/en/harmonized-system)
- Guidance on the correct application of HS Codes
  - Check your national Customs Authority websites or get in touch with them.
  - Seek information on the World Customs Website:
    - Nomenclature
    - General Rules for the Interpretation of the Harmonized System

C. ENGAGE ALL TIER 1 SUPPLIERS

What & why

Building on the above steps, you need to engage with all of your tier 1 suppliers to assess their readiness, map their supply chains, and generally prepare them to fulfil the requirements of your DDS. This will both help you refine your DDS and will pave the way for its full implementation as described in Step 4.

How

- Collate the outputs from Step 3B (identification of tier 1 suppliers).
- Review the improvements identified during the pilot in Step 3A and revise your process to harness opportunities for strengthening your approach to supply chain mapping, information gathering, etc.
- Referring to the guidance in and your experience with Step 3A, conduct a full rollout to all of your suppliers of relevant products.
- In order to identify any significant gaps in your supplier readiness, assess your supplier's readiness using Step 1 of this guide.
- Conduct supply chain mapping at least to country of export of raw material and to a more granular level if possible. This enables you to collaborate with your suppliers to identify where there are any significant gaps in visibility of your supply chain and readiness for gathering geolocation and date/time period for raw material production in Step 4.
- Conduct kick-off meetings with suppliers individually or with a generic kick off for all suppliers (e.g. through a webinar.

D. ASSIGN RESPONSIBILITIES, ALLOCATE STAFF & DD/OTHER SERVICE PROVIDER BUDGET

What & why

You must appoint a compliance officer at management level. [Article 11.2(a)] WWF recommends that this should be one senior management representative who is ultimately the owner of the EUDR DDS and ensures that responsibilities for the various processes are assigned and that sufficient budget and staff resources are allocated. The compliance officer should have oversight of the DDS through regular updates and a review of the findings of the annual independent audit.

It is then vital to assign operational responsibility throughout your company where functions are relevant to the implementation of the DDS and identify if there are sufficient resources.

How

This could be through a responsibility assignment matrix – consider whether your company already has a standardized approach to documenting roles and responsibilities. Examples include Responsibility, Accountability, Consulted, Informed (RACI) matrix. You can choose the type of responsibility assignment matrix that works for your organization. What is important is that those responsible for implementing processes are identified and one management level person who is the ultimate owner of the DDS is also identified. There are several ways to resource DD, which can include entirely in-house, a mixture of in-house and external support, or entirely external through the assignment of an Authorised Representative to conduct DD on your behalf. Note that companies always retain full responsibility to comply with the EUDR even if they engage an Authorised Representative. **[Article 6.1]**

Resources

Example responsible, accountable, consulted, informed (RACI) matrix , WBCSD

E. DEVELOP & IMPLEMENT STAFF TRAINING

What & why

You should establish and maintain a program to train staff on your DDS. While training is not legally required under the EUDR, in practical terms it can be instrumental to ensure that all staff assigned under your responsibility matrix have sufficient competency to carry out their role.

How

An ongoing training program should be developed to support this:

1. Consider your company's approach to training and liaise with any staff who are responsible for training.
2. Map training needs for different roles and responsibilities identified in the responsibilities matrix to ensure that staff assigned as responsible or accountable for key tasks have sufficient understanding and skills to fulfil their responsibilities.

3. Identify training solutions based on the different training needs. For example, specialists responsible for conducting DD may need ongoing in-depth technical training provided by a technical DD service provider. Consider different approaches such as webinars and quizzes for those with less technical roles, and 'train the trainer' and mentoring for those with more technical roles.
4. Schedule refresher and new starter training based on training needs.

F. PROCEDURE FOR INFORMATION GATHERING

What & Why

Article 9 of the EUDR sets out the requirements for Operators and non-SME Traders to gather information from upstream suppliers to ensure that products placed on the market are deforestation-free. The article specifies the content, quality and ways of managing DD information.

Article 11 of the EUDR sets out the requirements for Operators and non-SME Traders to establish and keep up to date a framework of procedures and measures to ensure that the relevant products they place on the market or export comply. Consequently, as part of compliance with Article 11 your information gathering procedure needs to cover your obligations under Article 9, which will differ depending on the scenario and whether you are an SME or Non-SME as set out in Table 1 in the Overview section. Some companies may face obligations under all four scenarios described in Table 1.

How

Your procedure must specify the following required information [Article 9.1]:

a. Description, trade name, type of product, the common name of the species and their full scientific name30, list of relevant commodities contained.

b. Quantity in kilograms of net mass for relevant products entering or leaving the EU market, OR, in all other cases, in net mass or, where applicable, volume or number of items.

c. Country of raw material production.

d. Geolocation of all plots of land where the relevant commodities that the relevant product contains were produced.

e. Date or time range of production.

f. Name, postal address and email address of any supplier (business or person) of the relevant products.

g. Name, postal address and email address of business customers (any business, Operator or Trader) to whom the relevant products have been supplied.

h. "Adequately conclusive and verifiable" information that the relevant products are deforestation-free.

[30] For timber-based products only

i. "Adequately conclusive and verifiable" information that the relevant commodities have been produced in accordance with the relevant legislation of the country of production

Annex 2 – Due Diligence Process Flowchart, Phase 1 and Phase 2, can help you develop your information gathering procedure.

Required management of information

You should specify in the procedure that information will be:

- Collected, organized and kept for five years from the date of the placing on the market or of the export of the relevant products.
- Supported by evidence.
- Relate to each relevant product.

Information requirements

Table 2 below sets out the information required along with guidance on the meaning.

Table 2. Information required under Article 9.1

Required information	WWF guidance
HS customs code, description, trade name, type of product, list of relevant commodities contained. and for wood products the common name of the species and their full scientific name[31].	The HS customs code is not specified under Article 9 (1), but is required to be entered into the DD Statement, as described in EUDR Annex 2.
Quantity in kilograms of net mass for relevant products entering or leaving the EU market, OR, in all other cases, in net mass or, where applicable, volume or number of items.	
Country of raw material production.	Country of raw material production: this is the country where the relevant product was grown and harvested=. For products derived from cattle the country(ies) of production is where the cattle lived and were slaughtered.
Geolocation of all plots of land where the relevant commodities that the relevant product contains.	Geolocation: one latitude and one longitude point and using at least six decimal digits, for plots of land of more than four hectares used for the production of the relevant commodities other than cattle, this shall be provided using polygons with sufficient latitude and longitude points to describe the perimeter of each plot of land. See practical implications below: Strict traceability vs. Declarations in Excess for relevant products that contain or have been made using cattle, and for such relevant products that have been fed with relevant products, the geolocation shall refer to all the establishments where the cattle were kept. For example, birthing farming, rearing, fattening, feedlots, auction, slaughterhouse). The December 2023 FAQ states that "[r]emotely sensed information (air photos, satellite images) or other information (e.g. photograph in the field with linked geotags and time stamps) may be used for verifying if the geolocation of declared commodities and products is linked to deforestation." Also that "[c]ollecting the geolocation coordinates of a plot of land can be done via mobile phones, handheld Global Navigation Satellite System (GNSS) devices and widespread and free-to-use digital applications (e.g. Geographic Information Systems (GIS)). These do not require mobile network coverage, only a solid GNSS signal, like those provide by Galileo."
Name, postal address and email address of any supplier (business or person) of the relevant products.	

[31] For timber-based products only

Required information	WWF guidance
Name, postal address and email address of business customers (any business, Operator or Trader) to whom the relevant products have been supplied.	
Adequately "conclusive and verifiable" information that the relevant products are deforestation-free.	See below for a discussion of the key terms mentioned here. Once the geolocation is identified and confirmed, assessing whether a product is deforestation-free is, practically speaking, considered risk assessment. Consequently, further guidance can be found Step 3H Procedure for Risk Assessment, Table 3 and in the relevant section of the commodity-specific annexes.
"Adequately conclusive and verifiable" information that the relevant commodities have been produced in accordance with the relevant legislation of the country of production	See above.

Explanation of Key EUDR Requirements

Here is some additional guidance to help explain some of the key DD related requirements:

- Deforestation free means:
  - 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 December 31st, 2020; and
  - 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 December 31st, 2020.

  Note that any deforestation or forest degradation on the given plots of land must automatically disqualify all relevant commodities and relevant products from those plots of land from being placed or made available on the market or exported.

- Forest degradation means structural changes to forest cover, taking the form of the conversion of:
  - primary forests or naturally regenerating forests into plantation forests or into other wooded land; or
  - primary forests into planted forests
- 'Accordance with relevant legislation of the country of production' means the laws applicable in the country of production concerning the legal status of the area of production[32].

What constitutes "adequately conclusive and verifiable"?

In a number of places, the EUDR employs language such as "adequately conclusive and verifiable information," **[Article 10.1 (g & h)]** "procedures and measures that are adequate to achieve no or only a negligible risk" **[Article 11.1],** "adequate and proportionate policies, controls and procedures" **[Article 11.2],** and "model risk management practices, reporting, record-keeping, internal control and compliance" **[Article 11.2 (a)]**. Companies have to do decide what they consider to be adequately conclusive and verifiable.

[32] Article 2.4 in terms of (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.

WWF provides recommendations for good or leadership practice below and, for specific commodities, in the annexes.

Firstly, to define your procedure for information gathering, you should describe the intended outputs and specific steps and tasks, with responsibilities assigned appropriately considering the technical competence required.

Reflect on good practice and specify sub-processes such as:

- Sampling of informative documents and evidence, including taking a risk-based approach to conduct further checks to verify the information.
- Different types of verification types including desk-based audits, and field audits of processing and raw material production sites
- Conduct desk-based checks of commercial and production documents to confirm that information is consistent and logical for each relevant product.
    - Analyze documents that provide evidence that the supply chain nodes connect back to the plot(s) of land of raw material production.
    - Employ a supply chain management tool to follow product flows through supply chains (Appendix 1)
    - Product characteristics are justified (description, species, materials, dimensions, certification claim) and volumes are consistent across points in the supply chain where processing does not occur, and where it does, that changes in product characteristics and volume are logical based on the product type, conversion factors, etc.
    - Production and processing characteristics are justified: names and address of each supplier node, valid certification claim where appropriate, dates and quantities (in weight or volume) of raw material production, transport and purchase/sales documents.
    - Documents can be verified where appropriate through known sources (e.g., in some geographies a VAT registration number listed on invoice may be verified by checking a government VAT database, for some certification schemes, the certification status can be verified on the certification scheme database: some countries offer raw material origin tracking through government raw material tracking databases, such as through Timber Legality Assurance Systems).

  Examples of documents include invoices, delivery notes, customs documentation, transport licenses, certificates of origin, company registrations, extracts from public registers (e.g., company register, invoice verification platforms, national traceability systems, FLEGT licenses, FSC/PEFC databases), harvesting licenses.

- Use external sources of information originating from recognized institutions, NGOs and other organizations. Links to websites or other references must be provided and must be verifiable by Competent Authorities or third parties.

Practical implications for gathering and declaring geolocation information – strict traceability vs. 'declarations in excess'

While the requirement to gather geolocation information is a fundamental obligation for Operators and non-SME Traders, the EUDR does not currently require 'strict traceability' - i.e., the identification

and declaration of the geolocation(s) of the exact and specific plot(s) of raw material production for each shipment of products placed on the EU market. According to the December 2023 FAQ (which may be further updated), it allows 'declarations in excess:

> *The thrust of the regulation requires a correspondence between the commodities/products placed on the market and the plots of land where they are effectively produced. However, an operator can, in specific circumstances, provide geolocation coordinates for a number of plots of land higher than those where the commodities were produced.*
>
> *If the operator declares 'in excess' in the due diligence statement, the operator assumes full responsibility for compliance of ALL plots of land for which geolocation is provided, regardless of whether such plots of land are concerned by the production of commodities/products eventually placed on the market. If one plot of land 'geolocalised' in the due diligence statement is not compliant, the entire set of plots… is non-compliant.*

While it may be tempting to resort to such declarations in excess for certain products that have complex supply chains and where mixing of materials occurs at various nodes, WWF strongly opposes their widespread use and acceptance as this will absolutely defeat the purpose and undermine the effectiveness of the EUDR's traceability requirements. It also makes it harder to ensure that no unacceptable material enters supply chains, particularly in the absence of strong 'first mile' controls (see Appendix 1 of this Guide). Leadership practice is to avoid their use and implement strict traceability to the greatest extent possible.

Resources

- Annex 2 - Due Diligence Process Flowchart
- Commodity-specific annexes

G. PROCEDURE FOR INFORMING COMPETENT AUTHORITIES OF NEW INFORMATION

What & why

Operators and both Non-SME and SME Traders that obtain or are made aware of relevant new information, including substantiated concerns, indicating that a relevant product that they have placed or made available on the market may be non-compliant, must immediately inform the Competent Authorities and any business customers. For exports from the EU, Operators must inform the Competent Authorities in the country of production. **[Article 4.5]**

How

New information could be interpreted to mean the items required under Article 9.1 (information gathering): for example, if the geolocation changes. However, you should keep abreast of any new guidance on this requirement. You can use Annex 2 – Due Diligence Process Flowchart, Phase 6 – Monitoring to describe your process to comply with your obligations to track new information and inform Competent Authorities accordingly.

H. PROCEDURE TO ASCERTAIN DD HAS BEEN APPLIED

What & why

Downstream Operators (for inputs to products that have already been placed on the EU market) as well
as non-SME Traders can refer to upstream DD Statements instead of conducting DD (specified under **[Article 8]** if they can ascertain that the DD relates to the relevant (inputs to) products and was exercised prior to placing the (inputs to) product on the market. **[Article 4 (9)]**

You need to have a clearly documented procedure to describe how you will implement this requirement.

How

Annex 2 – Due Diligence Process Flowchart, Phase 1 can help you develop your procedure for ascertaining DD has been applied by the upstream supplier.

Procedural steps

Your procedure could set out steps such as:

1. **Supplier readiness assessment** to confirm that there is a DDS in place and that it is robust and complete – including, for example, asking the supplier to confirm the name of the compliance officer, provide a copy of the documented system of policies, controls, procedures and records, including annual review of risk conclusions, as well as if and when an independent audit has been scheduled.
2. **Assessing quality of supplier's DDS** according to the requirements of Article 11 (3), for example by sampling a product and asking to see the records to demonstrate how they have applied their system and arrived at a negligible risk conclusion.
3. **Assessing the quality of implementation of DDS** by conducting spot checks of individual DD Statements supplied to confirm it applies to your product, considering issues such as risk of mixing with non-compliant material and circumvention of the regulation.

I. PROCEDURE FOR PRODUCT RISK ASSESSMENT

What

You must have a procedure that describes how you conduct a risk assessment to establish whether there is a risk that the relevant products intended to be placed on the market or exported are non-compliant. You must not place the relevant products on the market or export them, except where the risk assessment reveals no or only a negligible risk that the relevant products are non-compliant. **[Article 10.1]**

Your risk assessment procedure needs to cover your obligations, which will differ depending on the scenario and whether you are an SME or Non-SME as set out in Table 1 in the Overview section. Some companies may face obligations under all four scenarios in Table 1.

The EUDR explicitly sets out that risk assessment related to the country of production is not necessary for products originating from countries defined as Low Risk by the EC's country Benchmarking. **[Article 13]** Regardless of the risk designation of the country of production, however, supply chains must be assessed for risk related to complexity, potential circumvention of the Regulation's requirements, and/or the mixing of compliant and non-compliant materials. **[Article 10.2 (l,j); Article 13.1]**

How

You can use Annex 2 – Due Diligence Process Flowchart, Phase 3, to describe your process to comply with your Risk Assessment obligations.

Based on information gathered, you need to assess each relevant product against the individual risk assessment criteria set out in Article 10.2 of the EUDR, using documents and evidence to arrive at a conclusion for each individual risk criteria. A technically competent specialist then has to conclude on the overall risk for the product.

More specific and detailed advice for assessing risk for specific commodities is provided in the annexes provided for individual commodities.

The following table contains the risk assessment criteria that you are required to assess an individual product batch against, as well as some general advice on how to go about it:

Table 3. EUDR risk assessment criteria content to be assessed under Article 10.2

EUDR information requirement	Advice
Information that the relevant products are deforestation-free; [Note that this requirement is set out in **Article 9.1 (g),** but in the practical flow of DD you may find it easier to conduct here]	Conduct desk-based checks of earth observation data for the geolocation Use either a commercial service provider and/or services such as Global Forest Watch to check whether there might have been deforestation or degradation in the plot of land after 31st December 2020. The EU Forest Observatory can be used as a high-level check. Note that some of the supply chain management tools in Appendix 1 integrate earth observation data. Where the risk is non-negligible, you should proceed to risk mitigation (Step 4E) which could include additional information gathering and mitigations measures such as desk and field-based audits. See Step 4E for more guidance.
Information that the relevant commodities have been produced in accordance with the relevant legislation of the country of production, including legislation on human rights [Note that this requirement is set out in **Article 9.1 (h),** but in the practical flow of DD you may find it easier to conduct here]	Conduct desk-based checks to confirm legal production according to the relevant laws in the country of raw material production/harvest. For example, where appropriate for the country: check publicly available company registration, VAT invoices, transport licenses, production site licenses (in a forestry context this could be a concession license), real estate database land title certificate, harvesting licenses. Where the risk is non-negligible, you should proceed to risk mitigation (Step 4E) which could include additional information gathering and mitigations measures such as desk and field-based audits. See Step 4E for more guidance.

EUDR risk assessment criteria	Advice
a. EC benchmarking classifying countries into "High risk", "Low risk" and "Standard risk" countries;	For products from countries classified as Low Risk in the EC benchmarking you need to assess the risk of circumvention and risk of mixing. If these are negligible, you do not need to comply with **Article 10** (risk assessment) or **Article 11** (risk mitigation). However, in all instances you do need to comply with the requirement to gather adequately conclusive and verifiable information that the raw material is deforestation-free and produced in accordance with the legislation in the country of harvest.
b. the **presence of forests** in the country of production or parts thereof;	You need to gain an understanding of the presence of forests in the country and/or region of sourcing, which can be found in the FAO Global Forest Resource Assessment and Global Forest Watch. We also recommend that you find out about other common land uses, such as types of agricultural lands, urban areas, industries (e.g., mining) and infrastructure (e.g., roads, harbors). Understanding land ownership in the local context helps to identify specific sourcing risks and mitigate them effectively.
c. the **presence of indigenous peoples** in the country of production or parts thereof;	You need to investigate if indigenous peoples are present in the country and region of origin, and specifically in the area of source forests or farms, and if therefore indicators d. and e. below need to be considered. Note that in some countries indigenous peoples are not formally recognized by law but may still be present.
d. the **consultation and cooperation in good faith with indigenous peoples** in the country of production or parts thereof;	It may be challenging to find information and evidence for this indicator. For the country risk assessment, we recommend investigating if consultation and cooperation with indigenous peoples is required by national law, and how it is controlled. Where it is, then you can require that suppliers provide this evidence. Where it is not, then assess whether individual companies (e.g., primary manufacturers), groups of companies, trade associations, and/or government authorities are able to meet this requirement. Some ISEAL certification schemes include such consultation in their standards. **A leadership practice would be to support collective approaches to accomplishing this (see Appendix 1).**

EUDR risk assessment criteria	Advice
e. the **existence of duly reasoned claims by indigenous peoples** based on objective and verifiable information regarding the use or ownership of the area used for the purpose of producing the relevant commodity;	It may be challenging to find information and evidence for this indicator. For the country risk assessment, we recommend investigating if claims of indigenous peoples are registered by public authorities, and how this is documented. Where it is, then you can require that suppliers provide this evidence. Where it is not, then see if individual companies (e.g., primary manufacturers), groups of companies, trade associations, and/or government authorities are able to meet this requirement. Resources include https://www.landmarkmap.org/; https://data.landportal.info/; https://ejatlas.org/ (not specific to deforestation conflicts but can be filtered to show those). Consulting with international and national human rights/indigenous rights NGOs could be helpful too. **A leadership practice would be to support collective approaches to accomplishing this (see Appendix 1).**
f. **prevalence of deforestation or forest degradation** in the country of production or parts thereof;	You need to understand if deforestation or forest degradation is an issue in the country and/or region of origin. Your first source of information should be the assignment of risk to the country by the European Commission. You can also make use of other publicly available sources such as FAO Global Forest Resources Assessment (FRA) and NGO reports, remote sensing data, etc. Deforestation is defined as conversion of forests to agricultural use. Degradation is defined as structural changes to forest cover, taking the form of the conversion of: (a) primary forests or naturally regenerating forests into plantation forests or into other wooded land; or (b) primary forests into planted forests. Commodities from countries that have high deforestation or degradation rates are highest risk and should therefore be prioritized. If you source from a country with significant deforestation/degradation risks, you need to gather more information about your specific sourcing areas to provide evidence that their management is deforestation/degradation free.
g. the **source, reliability, validity and links** to other available documentation of the information referred to in **Article 9.1**	This is linked to the requirement under Article 9.1 (g) and (h) to gather 'adequately conclusive and verifiable information' that products are deforestation-free and produced in accordance with the relevant legislation in the country of production. The EC has not clearly specified what this means. However, common practice is to only use external sources of information originating from recognized institutions, NGOs and other organizations. Links to websites or other references must be provided and must be verifiable by Competent Authorities or third parties. Desk audits can check supply chain documentation such as invoices and transportation documents for their reliability, validity, and logic, examining volume flows, dates, materials, species, dimensions, etc. Useful information for this purpose may be available on publicly available platforms such as platforms to verify VAT invoices (e.g., China), company registers, etc.
h. **concerns in relation to the country of production** and origin or parts thereof, such as level of **corruption, prevalence of document and data falsification, lack of law enforcement, violations of international human rights, armed conflict or presence of sanctions** imposed by the UN Security Council or the Council of the European Union;	General resources that can be used to assess these risks include Transparency International's Corruption Perception Index (CPI), CorruptionRisk.org's Index of Public Integrity, the World Bank's Governance Indicators, or the World Justice Project's "Rule of Law Indicators". This is indicator is crucial for the overall risk assessment because it addresses fundamental governance issues in the country of production which are likely to determine the degree to which it can control deforestation, forest degradation and crime.

EUDR risk assessment criteria	Advice
i. **the complexity of the relevant supply chain** and the stage of processing of the relevant products, in particular difficulties in connecting relevant products to the plot of land where the relevant commodities were produced;	A supply chain is characterized by all of the companies involved in the manufacturing and distribution of a product, as well as the countries and regions where they are located. Generally, the greater the number of countries and companies involved in a supply chain, the higher the risk. Risk is also influenced by the types of companies in the supply chain. Manufacturers or traders who mix products from numerous suppliers increase risk and the complexity of traceability (connecting relevant products to specific production plots). Risk multiplies further where mixing occurs at multiple points in a supply chain. Stable supply chains where the companies at different tiers don't change are less risky than more fluid ones where companies buy from different sources at different times. Finally, risks are elevated if the supply chain passes through a country where the 'laundering' of unacceptable material is a known problem. Risk assessments should take all of these factors into consideration and prioritize action accordingly.
j. the **risk of circumvention of this Regulation or of mixing with relevant products of unknown origin** or produced in areas where deforestation or forest degradation has occurred or is occurring;	The risk of circumvention increases with weak governance but also in countries that are so-called "transformation hubs," i.e., countries with a lot of manufacturing that import and export large volumes of relevant products. Risk is especially high where the two coincide and where the mixing of materials is common, per the above. Risk assessments should take all of these factors into consideration and prioritize action accordingly. The risk of mixing of compliant supplies with products of unknown origin will increase with the enforcement of EUDR in source countries. Non-compliant growers will try to mix their supplies with EUDR-compliant supply streams. Ensure that the processor of your raw materials traces all their materials diligently from farm /forest to factory.
k. **EC Expert Group Conclusions**, as published in the Commission's expert group register;	EC Expert Groups provide specialist advice from outside experts as a basis for sound policymaking to the EC. Conclusions are published here: https://ec.europa.eu/transparency/expert-groups-register/screen/meetings?lang=en Specifically, country conclusions on Ukraine and Myanmar have been published in 2020: https://ec.europa.eu/transparency/expert-groups-register/screen/meetings/consult?lang=en&meetingId=23097&fromExpertGroups=true The EC Multistakeholder platform on deforestation - there are no decisions yet but there might be in the future and it could be a useful source of information https://ec.europa.eu/transparency/expert-groups-register/screen/meetings/consult?lang=en&do=groupDetail.groupMeeting&meetingId=23741
l. **substantiated concerns** submitted under Article 31, and information on the history of non-compliance of Operators or Traders along the relevant supply chain with this Regulation;	The EUDR stipulates that "natural or legal persons may submit substantiated concerns to Competent Authorities when they consider that one or more Operators or Traders are not complying with this Regulation." Competent Authorities are then required to follow up, including conducting hearings of Operators and Traders. You will need to consider and document those concerns as additional sources of information in your DD system that may negatively impact on your risk conclusions and require additional mitigation to be implemented.
m. **any information** that would point to a risk that the relevant products are non-compliant;	You will need to consider and document any additional information (e.g., reports in the news media, the findings of NGOs, etc.) that may come to your attention, impact your risk conclusions, and require additional mitigation actions.

EUDR risk assessment criteria	Advice
n. **complementary information** on compliance, which may include information supplied by **certification or other third-party verified schemes** including voluntary schemes recognized under the EU Renewable Energy Directive II (REDII), where the information complies with **Article 9**.	Sustainability certification schemes or other third-party verification schemes (e.g., schemes that verify legal production and trade) can provide important evidence that key elements of the EUDR are being met provided that a scheme's standards are adequate. For example, if it can be shown that a certification scheme's standards are sufficiently strong to prevent deforestation and forest degradation, or uphold the rights of indigenous peoples, then the fact that a product is certified to that scheme can be used as part of your evidence of compliance. Information provided by the scheme, such as public reports on specific sources of products, can be obtained as further evidence. Note, however, that certification does not provide a 'green lane' for EUDR compliance, so the fact that a product is certified does not obviate the need for other forms of risk assessment or mitigation. See FAQ, EC, June 2023, question and answer number 56 and upcoming guidelines. Complementary information could also include evidence of how the producer aligns with this checklist - 16 Actions to Conform with EUDR (Preferred by Nature, 2023).

Risk-Based Sampling

It is common to take a risk-based approach to sampling of informative documents and other forms of evidence to reach a risk conclusion:

- If a shipment or consignment is determined to be relatively high risk due to its origin (e.g., country of production is classified by the EC as high risk), characteristics (e.g., timber species), or supply chain, then it should be sampled with high frequency: perhaps even prior to every order.
- For a shipment or consignment determined to be relatively low risk (e.g., country of production is classified by the EC as standard risk, no identified concerns related to characteristics or supply chain), assessments could be conducted less frequently.

Annual review of risk assessments

DD risk assessments must be conducted for each shipment or consignment. You must document and review your risk assessment at least once a year and whenever new information comes to light that could change the risk conclusion. Practically speaking, you will need to begin your review a couple months in advance of an annual deadline in order to allow sufficient time to complete any required risk mitigation to reach a negligible risk conclusion.

In addition, you must make risk assessments available to the Competent Authorities upon request. You must be able to demonstrate how the information gathered was checked against the risk assessment criteria in Article 10.2 (see below) and how you determined the degree of risk. **[Article 10.4]**

Where a negligible risk conclusion is not possible, risk mitigation as set out in Step3I is needed to the point that a negligible risk can be reached before placing the order. Where this is not possible, the order cannot be placed.

Resources

- Annex 2 - Due Diligence Process Flowchart
- Commodity-specific annexes

J. PROCEDURE FOR PRODUCT RISK MITIGATION

What & why

Except where a risk assessment reveals that there is no or only a negligible risk that the relevant products are non-compliant, you must prior to placing the relevant products on the market or exporting them, adopt risk mitigation procedures and measures that are adequate to achieve no or only a negligible risk. **[Article 11.1]**

You must develop a procedure to describe this process.

How

The procedure should set out the steps you will take to mitigate specific risks identified through the application of your risk assessment procedure. You may wish to use tools such as decision trees to help you illustrate how you react to different outputs from the risk assessment. You should ensure that the procedure enables the staff involved to consistently document the risk mitigation process and track any agreed mitigation actions, through to a non-negligible result.

More specific and detailed advice for mitigating risk for specific commodities is provided in the annexes.

Mitigation measures may include:

- Additional information gathering, such as production management records and documents.
- **Testing the origin and species (timber) of the raw material using scientific techniques (see Appendix 1).** Develop a sampling approach which could include both randomized and risk-based sampling. Sampling could be conducted during sourcing/supplier negotiations, prior to shipment, on delivery receipt. Samples could be taken by you, your supplier, or an independent party.
- Desk and/or field audits to
  - Verify geolocation.
  - Verify the presence of absence of deforestation or degradation.
  - Verify legal production according to the laws of the country of production.
- Continuation and expansion of engagement with suppliers to
  - build their capacity on DD system.
  - change their supply chain.

  - achieve CoC/product certification.
- Cessation of sourcing from non-cooperative suppliers.

Internal Control & Compliance Management

Why

Internal control and compliance management is explicitly required in **Article 11.2(a).**

How

This can include:

- Revision of contractual requirements for suppliers of relevant products
- Revision of Standard Operating Procedures for pre-quotation and quotation for sourcing of new relevant products
- DD Procedure to include information gathering, risk assessment and mitigation.
- Additional procedures to cover detailed risk mitigation activities such as for commissioning field and desk audits, scientific testing of materials, etc.
- Potential non-compliance procedures for where there is not yet sufficient evidence to reach a negligible risk conclusion. Activities to be specified include working with the supplier to secure sufficient mitigation, working with the supplier to substitute materials, or not proceeding with the Purchase Order.
- Procedure for record keeping (see below).

Also, see if you can adapt your existing Quality Management System and other processes to create or inform your EUDR DD system.

Sources & resources

- Annex 2 - Due Diligence Process Flowchart
- Commodity-specific annexes
- www.sourcinghub.preferredbynature.org
- www.worldforestid.org
- www.globalforestwatch.org , www.planet.com, other Remote Sensing data providers
- DD service providers who conduct audits, such as ASI-accredited certification bodies www.asi-assurance.org/s/find-a-cab

Model risk management practices

What & why

The EUDR explicitly requires that you have model risk management practices. **[Article 11.2(a)]** However, this specific term is not commonly used in product level DD and the EUDR and related FAQ guidance does not clarify the concept.

How

Whether or not the EC spells out what expectations for this will be, we recommend that you look at AFi's Operation Guidance documents as well the leadership practices identified in the commodity-specific guidance on risk management in the annexes. Useful information may also be available from other NGOs, trade associations, and industry forums such as The Consumer Goods Forum.

Resources

- Commodity-specific annexes
- Afi's OPERATIONAL GUIDANCE documents

K. PROCEDURE FOR RECORD KEEPING

What & why

In various articles **[e.g., Article 12.5]** the EUDR specifically obliges Operators and both SME and non-SME Traders to keep records for five years.

How

You could adopt an existing management system record-keeping procedure or develop a new one. The procedure should clearly set out the scope, responsibilities and tasks associated with the process of keeping and maintaining records for your DD system.

Examples of important records are set out below.

- Information gathering process implementation.
- Risk assessment implementation, including the final risk conclusion and a justification.
- Risk mitigation implementation includes decisions on risk assessment and mitigation, and annual reviews of risk mitigation.
- Annual internal review, recommended actions and follow up.
- Independent audits, recommended actions and follow up.
- Annual public reports.
- Training records.
- Records of any enforcement checks and any substantiated concerns you are made aware of.
- Records of any new information you become aware of which may affect the compliance of a product you have already placed or made available on the market; and the actions you take including contacting the competent authority immediately.

Resources

- Annex 2 - Due Diligence Process Flowchart

L. PROCEDURE FOR INTERNAL REPORTING & ANNUAL INTERNAL REVIEW

What & why

> *"Operators shall review the due diligence system at least once a year. Where Operators become aware of new developments which could influence the due diligence system, they shall update the due diligence system to take account of those developments. Operators shall keep a record of such updates in their due diligence systems for five years."* *[Article 12.2]*

You need to have a procedure to describe your process for conducting an annual internal review, per the above. In addition, it is good practice to report internally on progress towards fully implementing the system and any non-conformances with your internal requirements and corrective actions.

How

Procedural steps for internal reporting

Internal reporting could include

- setting and reviewing progress against SMART operational targets for implementing specific steps in procedures, e.g., the proportion of products with DD completed by a specific preferred stage in procurement.

Procedural steps for annual review

This internal reporting can feed into an annual internal review as part of the management system to consider your own view of the functioning of your DD system compared to EUDR requirements and identify actions that can support continual improvement. ISO management systems require a Management Review which is a formal meeting involving senior leadership.

DDS review inputs

During the annual review, the following inputs should be considered:

- Results of past internal reviews and independent audits and progress in implementing recommendations from these.
- New developments which could influence the DDS.
- Any substantiated concerns raised by stakeholders and competent authority checks.
- Stakeholder feedback includes internal and external feedback mechanisms, enabling stakeholders to provide comments and receive a response through a process where anonymity can be protected on request.
- Process performance, looking at performance against operational targets (for example, to complete DD by a certain stage in the sourcing process).
- Evaluation of the adequacy of available staff resources and budget.

Other threats or risks and opportunities to the system.

DDS review outputs

- Recommendations for improvements in the DDS
- Resource needs & opportunities for investment
- Continual professional development and training needs

Record keeping

Remember you must keep a record of DD system updates for five years.

Sources & resources

- ISO 9001 – Clause 9.3 Management Review
- Annex 2 - Due Diligence Process Flowchart

M. PROCEDURE FOR INDEPENDENT AUDITING

What & why

The EUDR requires "an independent audit function to check [your] internal policies, controls and procedures." **[Article 11.2(b)]** You should have a written procedure to describe how you manage this obligation.

How

The scope is likely to include assessing whether your company's DDS complies with all of the EUDR's requirements. It may also cover sampling the implementation of the system.

The requirement for the audit to be independent implies one that is conducted by a third party -- i.e., an audit organization independent of the customer-supplier relationship (Source: ASQ.org), though this has not been clearly established to date. **As a leadership practice, we recommend that companies engage a qualified third party** as this can help to manage conflicts of interest and also provide a fresh insight into how well your DD system is working and provide recommendations for improvements.

This is a good time to ask: can you expand the scope of an existing independent auditor? Or is a specialist auditor required?

Resources

- Annex 2 - Due Diligence Process Flowchart

N. PROCEDURE FOR PUBLIC REPORTING

3. Operators who do not fall within the categories of SMEs, including microenterprises, or natural persons shall, on an annual basis, publicly report as widely as possible, including via the internet, on their due diligence system, including on the steps taken by them to fulfil their obligations as set out in Article 8. Operators who fall also within the scope of other Union legal acts that lay down requirements regarding value chain due diligence may fulfil their reporting obligations under this paragraph by including the required information when reporting in the context of those other Union legal acts.

4. Without prejudice to Union data protection legislation, the reporting as referred to in paragraph 3 shall include the following information concerning relevant commodities and relevant products:

(a) a summary of the information referred to in Article 9(1), points (a), (b) and (c).

(b) the conclusions of the risk assessment carried out pursuant to Article 10 and measures undertaken pursuant to Article 11 and a description of the information and evidence obtained and used to assess the risk;
(c) where applicable, a description of the process of consultation of indigenous peoples, local communities and other customary tenure rights holders or of the civil society organisations that are present in the area of production of the relevant commodities and relevant products."
[Articles 12.3 & 12.4]

What & why

Per the above, you need to publicly report annually on your DD system including steps taken under it. This must include the following information concerning relevant products:

- Summary of information gathering including evidence used to assess risk.
- Conclusions of risk assessment and a description of the information and evidence obtained and used to assess the risk.
- Mitigation measures.

- Where applicable, a description of the process of consultation with indigenous peoples, local communities, other customary tenure rights holders, and respective Civil Society Organizations in the area of production.

How

While there is no explicit guidance, good practice would likely include:

- Relevant policies commitments such as those related to deforestation, degradation, legal production and human rights.
- Your company structure and illustration of your conceptual supply chain scenarios (described in Step 1B).
- Who your compliance officer is and how they oversee compliance, ideally describing the process for regularly reviewing process performance and annual review, as well as commissioning an independent audit.
- Your approach to training to ensure responsible staff have sufficient skills and expertise to deliver.
- The approach you take to DD for information gathering and evidence, risk assessment and conclusions, and mitigation measures.
- Key Performance Indicators to measure the effectiveness of the DDS and performance against important requirements.

Other ways of complying with the reporting obligation

The Regulation provides that when it comes to reporting obligations, "Operators who fall also within the scope of other Union legal acts that lay down requirements regarding value chain due diligence may fulfil their reporting obligations under [the Regulation] by including the required information when reporting in the context of other Union legal acts." **[Article 12.3]**

Resources

- Annex 2 - Due Diligence Process Flowchart

Oil palm plantation and logging truck the Ecuadorian Choco Esmeraldas, Ecuador

STEP 4 — IMPLEMENTATION OF DUE DILIGENCE SYSTEM

This section outlines the process requirements to be applied in conducting DD in order to place[33] or make available[34] on the EC market a relevant product with a HS code set out in the scope of Annex 1 of the Regulation. It also explains how to implement the DDS in daily practice.

DD is not a linear process, but rather a continuous cycle of information gathering, risk assessment, and actions that mitigate risk to the point where it is determined to be negligible. Even when such a conclusion is reached, there is an ongoing need to conduct DD as conditions may change. See below for further guidance.

A. SUPPLIERS COMMIT TO DD SYSTEM REQUIREMENTS

What & why

While it is common practice to contractually require legal compliance of all suppliers, you should explicitly set out the requirements of your DDS in a supplementary guidance note referred to in the contract.

How

Going beyond a requirement to acknowledge contractual requirements, it is important to ensure that your supplier is sufficiently informed to agree to these contractual terms.

In Step 3A and C, we recommend that you conduct a Supplier Readiness Assessment. This enables you to understand your supplier's capacity and competence to comply with your DD requirements and agree together on any actions necessary to support them in doing so.

B. GATHER INFORMATION

What

In following Step 3H, you will have developed a procedure for gathering information which describes the intended outputs and specific steps and tasks, with responsibilities assigned appropriately considering the technical competence required.

---

[33] Article 2 (16) 'placing on the market' means the first making available of a relevant commodity or relevant product on the Union market.

[34] Article 2 (18) 'making available on the market' means any supply of a relevant product for distribution, consumption or use on the Union market in the course of a commercial activity, whether in return for payment or free of charge. Article 2 (19) 'in the course of a commercial activity' means for the purpose of processing, for distribution to commercial or non-commercial consumers, or for use in the business of the operator or trader itself.

How

Implement the procedure.

C. ASCERTAIN DD HAS BEEN APPLIED

What & why

In following Step 3G, where you are a Downstream Operator, you will have developed a procedure for ascertaining where DD has been applied in accordance with the EUDR [Article 4.9]. This should have described the intended outputs and specific steps and tasks, with responsibilities assigned appropriately considering the technical competence required.

D. COMPLETE PRODUCT RISK ASSESSMENT

What & how

Once you have gathered information as set out above and described in Step 3, you should implement the risk assessment procedure you established in following Step 3H, assessing each relevant product against the requirements you set out in this procedure and arriving at a conclusion. Where you do not reach a conclusion of no or negligible risk for a product, you need to implement your procedure for risk mitigation.

Deforestation for planting crops and cattle ranching. Semillas Natural Reserve, Central Andes, Colombia.

E. COMPLETE PRODUCT RISK MITIGATION

What & how

Where a determination of no or negligible risk for a product cannot be reached, you must, prior to placing the relevant products on the market or exporting them, implement the risk mitigation procedure you established in following Step 3I until you reach a conclusion of negligible risk. If you are not able to reach a negligible risk conclusion, you must not place or make available, the product on the market.

You need to document risk mitigation actions and decisions in accordance with the record keeping procedures you established in Step 3J, in order to demonstrate how decisions on risk mitigation procedures and measures were taken to a competent authority upon request.

New information on products you have already placed/made available on the market

If you become aware of any new information which may affect the compliance of a product you have already placed or made available on the market; you must immediately contact the competent authority. You should also consider if there are any new purchase orders for the same product and ensure you take account of the new information in the implementation of your DD procedures **before** you place/make available on the market.

F. DD RECORDS & INFORMATION FILED

You need to ensure that you record and file all documentation related to your due diligence process in accordance with Step 3J, including retaining all relevant records for the operation of your DD system for 5 years. **[Article 12.5]** You should provide access to a competent authority on request.

G. DD STATEMENT REGISTERED

Once you have completed all of the above steps, you will need to submit a DD Statement to the EC Information System to confirm that a negligible risk conclusion has been reached through the application of DD. **[Article 3(c)]**

When do you need to register a DD Statement?

You must register a DD Statement **prior** to placing or making available a relevant product on the market. **[Article 3]** You should seek legal advice to decide on when exactly you will register a DD Statement in relation to your own sourcing process. This could be for example before a Purchase Order (PO) is placed; or it could be before your supplier starts shipping. Note that a DD Statement is required for each individual shipment for imports (i.e. customs procedure ‘release for free circulation’ and exports (customs procedure ‘export’ and the consignment for transactions within the EU market, according to FAQs EUDR, EC, June 2023; question and answer number 2. This means that if you had 10 shipments under one Purchase Order, you would have at least 10 DD Statements.

Note that if you 'batch' a series of products with the same DD attributes together, including multiple geolocations, all of them must be compliant. If one plot of land is found to be non-compliant, all products listed in the DD Statement would be considered non-compliant.

What must the DD Statement contain?

The DD Statement should be completed on the EC's Information System using the following information as required in **Annex II of the Regulation**; which must be gathered through your DDS:

1. Operator/Non-SME Trader name and address, Economic Operators Registration and Identification number for imports/exports
2. HS code, free text description including trade name, full scientific species, quantity including weight in kilograms when importing into or exporting from the EU market; or for internal trade within the EU number of items or volume.
3. Country of production and geolocation
4. Signature, name and function
5. Date

Note that the Regulation does not currently specific that the DD Statement needs to contain information about the date or time range of production.

Palm oil fruit from the Sawit Kinabalu oil palm plantation in Tawau in Sabah, Borneo, Malaysia.

APPENDICES

© Jody MacDonald / WWF-US

APPENDIX 1 – LEADERSHIP PRACTICES

Collective Action

Leadership companies will go well beyond compliance by engaging in precompetitive collaboration with like-minded peers, government, and other stakeholders to advance solutions that address root causes and not only halt bad practices but further good ones. Resources:

- The Accountability Framework initiative (AFi) offers a guidance document on "how companies should collaborate with other stakeholders in the landscapes, jurisdictions, and sectors in which they operate to implement their commitments effectively. It also suggests specific ways for companies to pursue such collaboration."
- The Jurisdictional Approaches Resource Hub offers a menu of types of actions a company could take to engage collaboratively in landscape initiatives.

Zero Conversion

Leadership companies will ensure that their policies and efforts in regard to deforestation/conversion-free sourcing extend beyond forests and cover all natural ecosystems. These include savannahs, grasslands, woodlands, peatlands, rivers, wetlands and mangroves, among others. WWF has identified tools and resources that are already available to companies to enable them to carry out due diligence on the conversion of natural ecosystems beyond forests in their supply chains and new tools continue to emerge. WWF has developed DCF Guiding Principles and Asks for companies to consider when assessing their supply chain impact, and partnered on the development of a DCF Implementation Toolkit. Complementary to this effort, the Accountability Framework Initiative has developed a series of DCF resources to help companies implement comprehensive and efficient 'Deforestation and Conversion-free' policies and develop reliable and transparent supply chains.

Digital Supply Chain Management Tools

Leadership companies will employ the best available digital tools to gather, manage and check relevant information, establish product-level traceability, and assess, monitor and manage risks at the source and through the value chain.

Digital supply chain management tools are tools designed to engage the user's upstream suppliers and sub-suppliers, to support the tracing of product flows, the mapping of supply chains, monitoring and verification, the gathering and management of information, and/or the assessment and mitigation of risk throughout supply chains. Here we consider digital tools that are designed to manage commodities covered by the EUDR. We do not consider certification systems (e.g., Forest Stewardship Council, Rainforest Alliance, Fairtrade, Roundtable on Responsible Soy, Roundtable on Sustainable Palm Oil) that incorporate standards, auditing and labeling, even though they may share many of the same functions and features as

supply chain management tools. We also only consider tools whose use is voluntary as opposed to systems whose use is required by national governments (e.g., Timber Legality Assurance Systems).

WWF distinguishes between three types of digital supply chain management tools:

1) First mile tools focus on the supply areas containing farms/forests that provide commodities and the companies that are the first major points of aggregation/processing – what we term "primary suppliers:" for example, sawmills, rubber factories, palm oil mills, soy siloes, or slaughterhouses. Where they incorporate a traceability function, first mile tools are "source forward" in the sense that they start at the base of commodity supply chains and pass information downstream.

2) Second mile tools are designed to manage supply chains starting from a finished product up to the source of raw materials. They are generally, but not always, used by companies in consumer countries located near or at the end of international supply chains that seek to engage in responsible sourcing practices as part of broader sustainability commitments, to manage reputational risk, and/or to comply with laws like the European Union Deforestation Regulation and the US Lacey Act. They often incorporate a "product-backward" traceability function that entails onboarding and gathering information from suppliers and sub-suppliers upstream from the tool user and tracking product flows between them.

3) Satellite monitoring tools rely on remote sensing of commodity supply areas, processing and presenting raw satellite data in ways that allow companies to monitor deforestation and, to some degree, forest degradation. They can also support the assessment of certain other impacts such as changes in biogenic carbon stocks related to land use.

We note a trend towards the integration of the different types of tools through partnerships between providers: it is natural for first and second mile tools to integrate a satellite observation function and interoperability between first and second mile tools is clearly key. Currently, however, we are not aware of a single tool and tool provider that unites the functions of all three.

You can find more information about digital supply chain management tools, including links to specific tools and information about them, at this link.

"First Mile" Approaches

Leadership companies will go beyond due diligence efforts focused on immediate suppliers and sub-suppliers and invest in the improvement and adoption of approaches targeting the "first mile" of forest and conversion-risk commodity production.

'First mile" approaches seek to exercise controls and deliver incentives within the supply areas to the first major points of aggregation (and usually production) of commodities: the forests that provide logs to primary manufacturers of wood products such as sawmills; the farms and plantations that provide field latex to rubber factories; the farms and ranches that provide relevant agricultural commodities to palm oil

mills, soy siloes, slaughterhouses; and so forth. Often, these supply areas are in geographical proximity to such companies, which we call "primary suppliers." Leadership companies that are located downstream, such as importers and retailers, will identify their primary suppliers, monitor them for compliance, and reward them for implementing leadership first mile practices (see list below). This includes contributing to covering the costs to develop and implement those practices.

Examples of leadership first mile practices include:

- Mapping the supply area where raw material production takes place
- Demonstrating that the production area was not covered by forest, other wooded lands or other natural ecosystems prior to January 1, 2020, and if it was, that the forest/ecosystem has not been converted or degraded since34
- Ensuring that Indigenous Peoples and Local Communities living within or with rights to the supply area agree to the production of the raw material based on the principle of free prior and informed consent (FPIC)
- Establishing traceability systems for raw material that is shipped from forest/farm to primary supplier with sufficient checks to ensure that no uncontrolled material contaminates controlled material.
- Implementing verification and monitoring systems within the supply area
- Invest in smallholders and local communities, supporting training on improved practices, technologies and mapping capabilities integrating local and traditional knowledge
- Supporting producers with legal compliance and recognition of land rights / ownership
- Paying producers a fair price for compliant commodities, particularly where supply areas are hot spots for deforestation, degradation, conversion, and/or illegality, then a well-resourced primary supplier is best positioned to exercise controls that can add up to truly effective risk mitigation. Such controls could include:
    - "Source-forward" traceability systems, e.g., government-led Timber Legality Assurance Systems (TLASs)
    - Remote monitoring (e.g., via satellite and/or drone technology)
    - Regular site & supply area audits, including but not limited to those conducted under credible certification schemes (see below)

Primary suppliers are also best positioned to provide incentives for local people that create the economic conditions for them to engage in sustainable farming, forest and ecosystem protection and stewardship.

There is currently no single 'first mile' tool, certification or other approach that can accomplish everything

one would want in an ideal world. A "toolkit" approach that combines several complementary methods is likely to be most effective. Competition in the development and provision of solutions will drive innovation, invention and improvement and should be encouraged. Also, effective and durable solutions will need to be tailored to specific commodities and the geographical, cultural and socio-economic contexts in which they are produced. All this said, there are a number of promising 'pieces to the puzzle.'

Hamurni is one example of a first mile traceability and risk assessment tool that WWF developed together with Agridence. The tool traces raw materials from the farm level to the primary processing facility and can be utilized as a mechanism both for real time risk-related decision-making and to deliver incentives to smallholders. WWF has compiled decades of georeferenced data on forests and biodiversity that provide the basis for Hamurni's environmental risk assessment capability. The tool also has a data layer to evaluate palm oil and rubber for legal risk, including conformance with EUDR. Currently Hamurni's risk assessment capabilities are specific to Indonesia, but WWF plans to develop risk assessment layers for other key production countries.

Credible Certification

Leadership companies will require credible third-party certification of products and the production practices that stand behind them. Certification entails annual audits of production sites, and robust certification schemes' standards may address many of the EUDR requirements[35] related to deforestation, degradation, consultation of Indigenous Peoples and protecting their rights, etc. Certification chain-of-custody standards and systems may, but do not always, provide traceability and controls (but not iron-clad guarantees) on avoiding mixing of acceptable and unacceptable materials throughout the value chain. For this reason, we recommend that companies avoid the use of mass balance-based chain of custody systems whenever possible because they allow the mixing of material from certified and non-certified farms/forests.

We recommend that companies employ certification schemes that are either ISEAL Code Compliant (ideal) or ISEAL Community Members (at minimum)[36]. For the commodities covered by the EUDR, these include:

- Forest Stewardship Council - FSC (timber & rubber)
- Rainforest Alliance segregated and Fairtrade segregated (cocoa & coffee)
- Round Table on Responsible Soy (soy)
- Roundtable on Sustainable Palm Oil – RSPO (palm)

Currently there is not a certification scheme for beef, however, WWF recommends following the criteria on Global Roundtable for Sustainable Beef (GRSB) and applying it to the local context.

Note that while no certification scheme currently meets the EUDR requirements (though all are racing to

[35] Note, however, that no certification scheme constitutes a "green lane" for EUDR compliance
[36] For more information: https://www.isealalliance.org/about-iseal/iseal-membership

meet them), certification schemes that are ISEAL Community Members or are ISEAL Code Compliant adhere to ISEAL's Codes of Good Practice and provide assurance for many other social and environmental criteria that WWF expects leadership companies to uphold in their supply chains. Schemes that are ISEAL Code Compliant are preferable to those that are only Community Members.

Certifications and standards are important tools to contribute to the traceability of forest-risk commodities and improve sustainability aspects. However, depending on the standards, they may not incorporate all the environmental and social criteria that companies should address in their supply chains. They should generally be seen as one tool within the broader context of supplier engagement. WWF's Water and Biodiversity Risk Filters are examples of other tools that can support engagement.

Science-Based Targets for Climate & Nature

Leadership companies will set, pursue and report against goals for reducing their emissions and impacts on nature, as exemplified by the work of the Science Based Targets initiative (SBTi) and the Science Based Targets Network (SBTN).

- SBTi's Forest, Land and Agricultural (FLAG) Guidance – Emissions from agriculture, forestry and other land use represent nearly a quarter of global greenhouse gas emissions. While many companies now report their emissions publicly, few account for land-based emissions or include them in their reduction targets due to the lack of available guidance and methods - until now. The Forest, Land and Agriculture (FLAG) Science Based Target Setting Guidance is the world's first standard method for companies to set science-based targets that include land-based emission reductions and removals. Companies setting FLAG science-based targets should submit a no-deforestation commitment with a target date no later than 2025, with a recommended cutoff year of 2020.
- Science Based Targets for Nature – these are ambitious and measurable goals that aim to address the urgent challenges posed by environmental degradation and loss of biodiversity. These targets are grounded in rigorous scientific research and are designed to align with the Earth's ecological limits. By focusing on key indicators such as species abundance, habitat conservation, and ecosystem health, science-based targets provide a framework for businesses, governments, and organizations to contribute meaningfully to the preservation and restoration of nature. These targets not only acknowledge the interconnectedness of ecosystems but also emphasize the importance of sustainable practices that support the overall health of the planet. By setting science-based targets for nature, stakeholders commit to actions that go beyond legal compliance, fostering a collective responsibility to safeguard the intricate web of life on Earth for current and future generations.

Investment in Nature-Based Solutions

Leadership companies will invest in high-quality nature-based solutions (NbS). NbS are actions to protect,

sustainably manage and restore natural or modified ecosystems to tackle major societal challenges, including climate change, human health and well-being, and food and water security. High-quality NbS are embedded within a landscape-level strategy to ensure impacts are transformative at meaningful scales and deliver benefits for climate, people, and nature without sacrificing one for another. Specific actions may include, for example, improving access to water, reducing land-based greenhouse gas emissions, enhancing the efficiency and security of local agricultural production, reducing health risks from diseases originating in tropical forests, and reducing exposure to natural disasters. These solutions recognize the importance of nature in providing essential services and contributions to human well-being.

Forest and natural ecosystem landscapes are well positioned to deliver NbS. Many of these actions and benefits are applicable to NbS in other ecosystem types, e.g., other wooded lands, grasslands, etc.

Specific actions could include:

- Forest Conservation and Restoration:
    - Conservation: Protecting existing forests helps maintain biodiversity, carbon sequestration, and other ecosystem services. Conservation efforts may involve establishing protected areas, implementing sustainable logging practices, and combating illegal logging.
    - Restoration: Restoring degraded or deforested areas through various active and passive regeneration techniques enhances ecosystem services and promotes resilience to climate change.
- Biodiversity Conservation:
    - Many forests harbor a rich diversity of plant and animal species. NbS focus on maintaining and restoring biodiversity to ensure the resilience and functioning of ecosystems. This includes protecting endangered species, creating wildlife corridors, and promoting habitat connectivity.
- Carbon Sequestration and Climate Change Mitigation:
    - Forests play a crucial role in absorbing and storing carbon dioxide through the process of photosynthesis. NbS leverage forests as "carbon sinks" to mitigate climate change by reducing greenhouse gas concentrations in the atmosphere. Conservation and restoration contribute to this effort.
- Water Resource Management:
    - Forests influence water cycles, regulate water flow, and contribute to groundwater recharge. NbS in forests focus on maintaining healthy watersheds, protecting riparian zones, and halting deforestation to ensure sustainable water resource management.
- Community Engagement and Livelihoods:

- Involving local communities in forest management is essential for ensuring NbS have durable impact. Empowering communities through sustainable practices, agroforestry, and community-based conservation initiatives helps ensure that forests continue to provide resources without compromising their long-term health and that local people benefit from conservation actions.

Companies are advised to seek out reputable conservation partners operating in high-priority conservation landscapes. For example, WWF works with companies via its Forests Forward program both on responsible sourcing of forest-based supplies and to make NbS investments in high-priority landscapes. WWF's NbS Origination Platform specifically links companies with landscape initiatives where high-quality NbS investments can support rigorous impact claims. WWF works through a number of partnerships on Bankable Nature Solutions (BNS) and published a report Bankable Nature Solutions: Blueprint from across the globe to support understanding of BNS and selection of quality BNS.

WWF has also developed a set of blueprints related to Science-Based Targets and interventions in landscapes: Beyond Science-Based Targets: A Blueprint for Corporate Action on Climate and Nature, A Blueprint for High-Quality Interventions that Work for People, Nature and Climate.

Scientific Testing

Leadership companies will support the development and make use of scientific testing methods that reinforce traceability systems and combat fraud. Under the right conditions, testing methods such as stable isotope ratio analysis, DNA analysis, mass spectrometry, and near infrared spectroscopy can verify the declared origin of forest-risk commodities and the identity (species) of timber products. These are being advanced by a global network intent on cracking down on forest crime and deforestation that includes governments, NGOs, due diligence service providers as well as companies. In and of itself, scientific testing will not determine if commodities are deforestation-free or legal, but because it provides a tamper-resistant way to prove or disprove claims of origin/identity, it can be extremely effective in exercising control over supplies and suppliers. Voluntary certification schemes can also use scientific testing to bolster their effectiveness and integrity[37]. While the use of scientific testing methods for due diligence is not required under EUDR, they are mentioned in Article 18.2 (c) as a tool that Competent Authorities can use to strengthen enforcement of the regulation.

All scientific testing methods require previously gathered samples and data against which test results can be compared, and, while a substantial body of reference data exists currently, it must be expanded before scientific testing can reach its full potential. If reference data is already available, then claims for risky or suspect products can be checked more or less immediately. Where reference data is currently lacking, leadership companies will not wait for others to do the job; rather, they will help by encouraging their

[37] FSC, for example, is increasingly using scientific testing to combat fraudulent claims for certified products

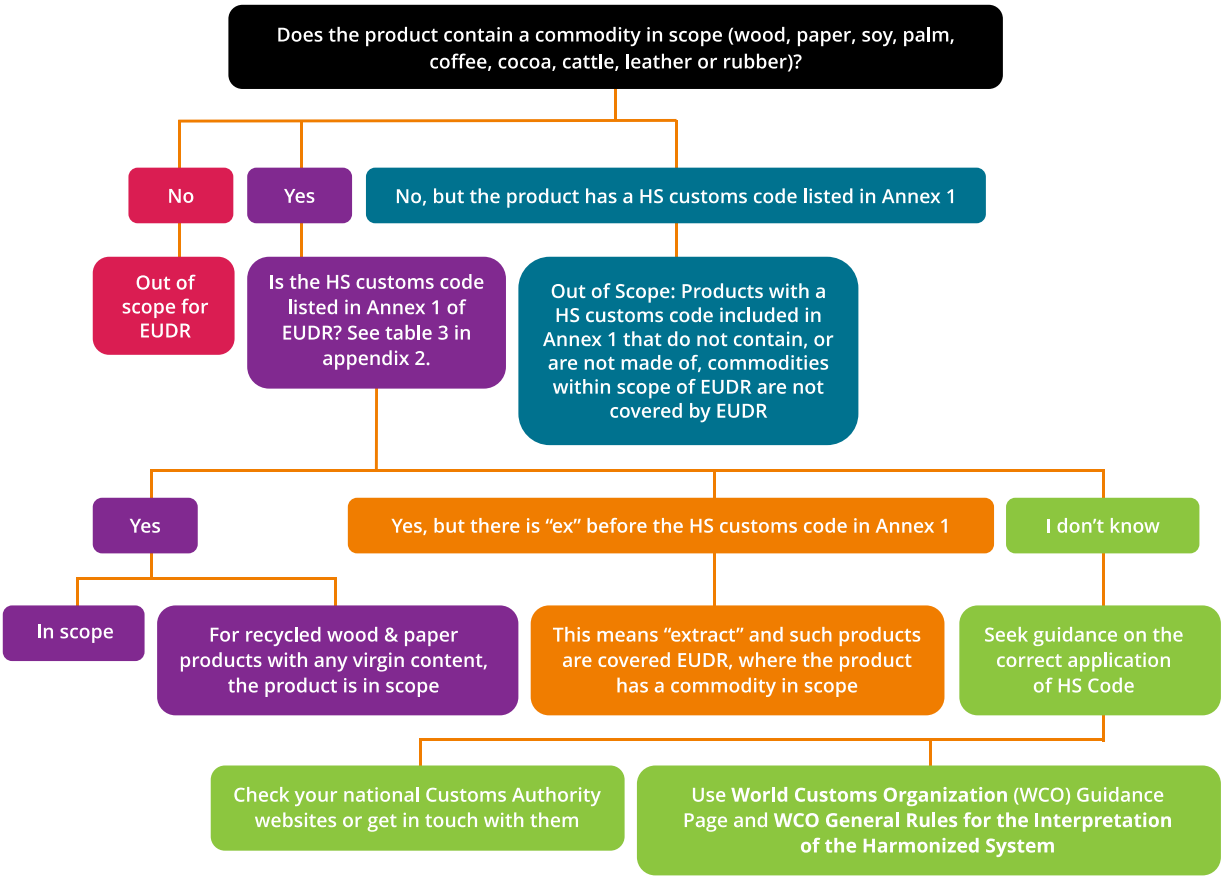
upstream suppliers to support the gathering of samples for testing. Compliant suppliers should want to participate in such efforts as it will help underwrite their claims for compliance and make them more attractive business partners to operators and traders.

There are extensive international efforts underway to gather reference samples to build an independent institutional infrastructure to house and share the data. One example is World Forest ID, a non-profit organization working to develop a global geo-referenced database of timber and agricultural samples to aid traceability, enable more transparent supply chains, and enforce laws that protect forests.

Aerial view of palm oil plantation on deforested land, Sabah, Borneo, Malaysia

APPENDIX 2 – EUDR PRODUCT SCOPE

Figure 3. EUDR Product Scope Decision Tree



EU DEFORESTATION REGULATION STEP-BY-STEP GUIDE FOR BUSINESS

Working to sustain the natural world for the benefit of people and wildlife.

together possible™ panda.org

WWF® and ©1986 Panda Symbol are owned by WWF. All rights reserved.

WWF, 28 rue Mauverney, 1196 Gland, Switzerland. Tel. +41 22 364 9111

CH-550.0.128.920-7