

Supplier Data Collection 2024

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Introduction to EUDR

On 29 June 2023, the EU Deforestation Regulation (EUDR) entered into force with the aim of tackling global deforestation linked to the EU's consumption of forest-risk commodities like cattle, wood, cocoa, soy, palm oil, coffee, and rubber, as well as derived products like leather, chocolate, paper, furniture, and tires.

These commodities, often associated with land expansion for agriculture, are key drivers of deforestation, leading to widespread environmental degradation. As a global economic powerhouse and significant consumer of these goods, the EU is taking responsibility for its role in this crisis and is spearheading efforts to curb deforestation.

The EUDR requires that any operator or trader placing these commodities on the EU market or exporting them must provide proof that the products do not originate from recently deforested land or contribute to forest degradation.

Key Objectives

- Prevent deforestation caused by EU consumption of listed commodities and products, both within the EU and globally.
- Reduce carbon emissions from EU production and consumption by at least 32 million metric tonnes per year.
- Address forest degradation and stop deforestation driven by agricultural expansion for commodities covered under the regulation.

Introduction to EUDR

Important Update:

Proposed Extension of the compliance process

On 2 October 2024, the European Commission proposed a 12-month extension for the enforcement of the EUDR. This decision, driven by concerns over industry readiness and uneven preparedness across member states and international trading partners, is intended to ensure a smoother transition.

If approved, the EUDR will apply from 30 December 2025 for large companies, and from 30 June 2026 for micro and small enterprises.

The Commission emphasized that while the timeline has shifted, the core objectives of the EUDR remain unchanged. Countries and industries should use this extra time to establish compliance frameworks and ensure effective implementation.

The EU Commission has also published additional guidance to help companies navigate the regulation, covering key topics such as traceability, forest degradation definitions, and the due diligence process.

Understanding EUDR

The EU Deforestation Regulation (EUDR) establishes stringent rules to prevent products linked to deforestation and forest degradation from entering the EU market. Companies dealing with commodities like cattle, wood, cocoa, soy, palm oil, coffee, and rubber must ensure compliance through a robust due diligence process.

Key Compliance Pillars of EUDR

1. Deforestation-Free Requirement:

Commodities and their derived products must not be linked to deforestation that occurred after December 31, 2020. This rule applies even if deforestation was legal according to the producer country's regulations. Products entering the EU must prove they were not produced on recently deforested land.

2. Legally Produced:

Products must be produced in accordance with the relevant laws of the country of origin, covering areas such as land use rights, environmental protection, labor laws, and human rights. This also includes the protection of indigenous peoples' rights, a key consideration for many forest-risk regions.

3. Due Diligence Obligations:

Companies must conduct a comprehensive due diligence process. This involves gathering detailed information on the geolocation of production plots, ensuring compliance with environmental laws, and verifying the deforestation-free status of products. Once complete, the due diligence findings must be submitted in a due diligence statement to the relevant authorities.

Understanding EUDR

The due diligence process under EUDR is divided into three main steps:

- **Information Collection:**

Companies must gather detailed documentation about the product, including its country of origin, geolocation data for the plots where it was produced, and proof that it complies with local laws. These documents must demonstrate that the product is both deforestation-free and legally produced .

- **Risk Assessment:**

A comprehensive risk assessment evaluates whether the products pose any risk of deforestation or forest degradation. The assessment must consider factors such as the deforestation rate in the country of origin, the presence of indigenous communities, the complexity of the supply chain, and whether the country is classified as low-risk or high-risk by the EU.

- **Risk Mitigation:**

If the risk assessment shows any possibility of non-compliance, companies must take risk mitigation measures. This could involve gathering additional information, conducting independent audits, or supporting suppliers in meeting compliance requirements .

For companies sourcing from low-risk countries, the due diligence requirements are simplified. However, for those dealing with high-risk countries, more extensive checks are required.

Understanding EUDR

Compliance Documentation and Reporting

In addition to performing due diligence, companies must:

- Submit a due diligence statement to EU authorities.
- Keep detailed records of all documents for at least five years.
- Publicly report on their due diligence systems and update their risk assessments annually.

The EUDR also emphasizes traceability. Companies must trace products to their specific origin and ensure they have geolocation data for all cultivation areas. This can be particularly challenging for industries dealing with indirect suppliers or commodities like palm oil and soy, which often involve complex supply chains.

Penalties for Non-Compliance

Non-compliance with the EUDR can result in severe penalties, including:

- Fines of up to 4% of the company's total annual turnover.
- Confiscation of products and revenues generated from non-compliant goods.
- Temporary exclusion from EU markets.

Supplier Engagement for EUDR Compliance

The EU Deforestation Regulation (EUDR) places a significant responsibility on suppliers, as they must play an active role in ensuring that their commodities and derived products meet the stringent requirements of the regulation.

Suppliers are key players in providing the necessary due diligence data that proves commodities are deforestation-free and legally produced. This new level of responsibility and transparency is a departure from previous practices, where requests for detailed sourcing data may have been met with resistance or confusion.

Now, the stakes are clear: non-compliance can result in loss of market access, significant penalties, and reputational damage, not just for the operators but for suppliers as well.

Suppliers must not only provide detailed geolocation and compliance documentation, but they must also stay actively engaged throughout the supply chain, adapting to evolving compliance requirements.

Engaging suppliers effectively is essential to meet EUDR's due diligence obligations.

Supplier Engagement for EUDR Compliance

1. Communicate Early and Clearly

Operators need to provide clear and consistent communication about EUDR requirements and timelines. Suppliers must understand the regulation's implications, the documentation needed (such as geolocation data, legal certificates, and compliance records), and the consequences of non-compliance. Operators should establish communication protocols that offer transparency into their expectations and EUDR deadlines.

2. Support and Train Suppliers

Not all suppliers are familiar with the technical or legal aspects of EUDR compliance. Providing training sessions, detailed resources, and even localized support can help suppliers understand what is required of them. This may include educating them on how to provide geolocation data, ensuring product traceability, and submitting the necessary legal documentation.

3. Incentivize Suppliers

Operators may consider creating incentives for suppliers who meet compliance requirements ahead of schedule or exceed expectations in terms of sustainability and traceability. This could be in the form of preferred supplier status, access to larger contracts, or financial bonuses. Such incentives can ensure suppliers remain committed to the compliance process, viewing it as beneficial rather than burdensome.

Supplier Engagement for EUDR Compliance

4. Ongoing Monitoring and Support

Supplier engagement should be a continuous process rather than a one-time event. Regular monitoring of supplier activities is necessary, especially in high-risk areas where deforestation is more prevalent. Technology plays a crucial role here: tools like Orbify allow for near-real-time tracking and monitoring of supplier compliance through satellite data and risk assessments. This ensures that any lapses or changes in compliance are quickly identified and addressed before they escalate into larger issues.

5. Collaborative Problem Solving

Engagement isn't just about enforcement—it's about collaboration. In cases where suppliers face challenges meeting EUDR requirements, operators should work with them to develop solutions. Whether it's helping suppliers obtain third-party certifications or providing access to resources that help them achieve deforestation-free operations, collaborative engagement fosters stronger supply chain relationships and mitigates compliance risks.

Orbify's platform streamlines the EUDR compliance process by enabling operators to easily upload their suppliers' geospatial data, ensuring EUDR compliance across their entire supply chain.

Gathering and Managing Supplier Data

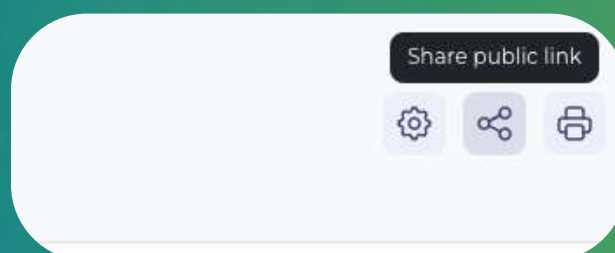
Supplier data management is the cornerstone of compliance under the EUDR. For companies to meet due diligence requirements, they need to collect and manage a vast amount of data from their suppliers. This process requires careful planning, the right tools, and ongoing collaboration with suppliers to ensure accuracy and timeliness.

Key Data Requirements:

- **Geolocation Data:** Precise coordinates of the land where commodities are produced are essential for proving that the plots have not been deforested post-2020.
- **Legal Documentation:** Suppliers must provide proof that the production of commodities complies with local laws, including land use rights, environmental regulations, and labor laws.
- **Deforestation-Free Status:** Suppliers must prove that no deforestation or forest degradation occurred in the cultivation areas after the cut-off date.

Technological Solutions for Data Management

Companies can leverage platforms like Orbify to collect and analyze data from multiple suppliers, ensuring that all information is accessible, accurate, and compliant with EUDR. By allowing suppliers to upload geolocation data, Orbify facilitates validation of this information, which can then be incorporated into due diligence statements to assure EUDR compliance.



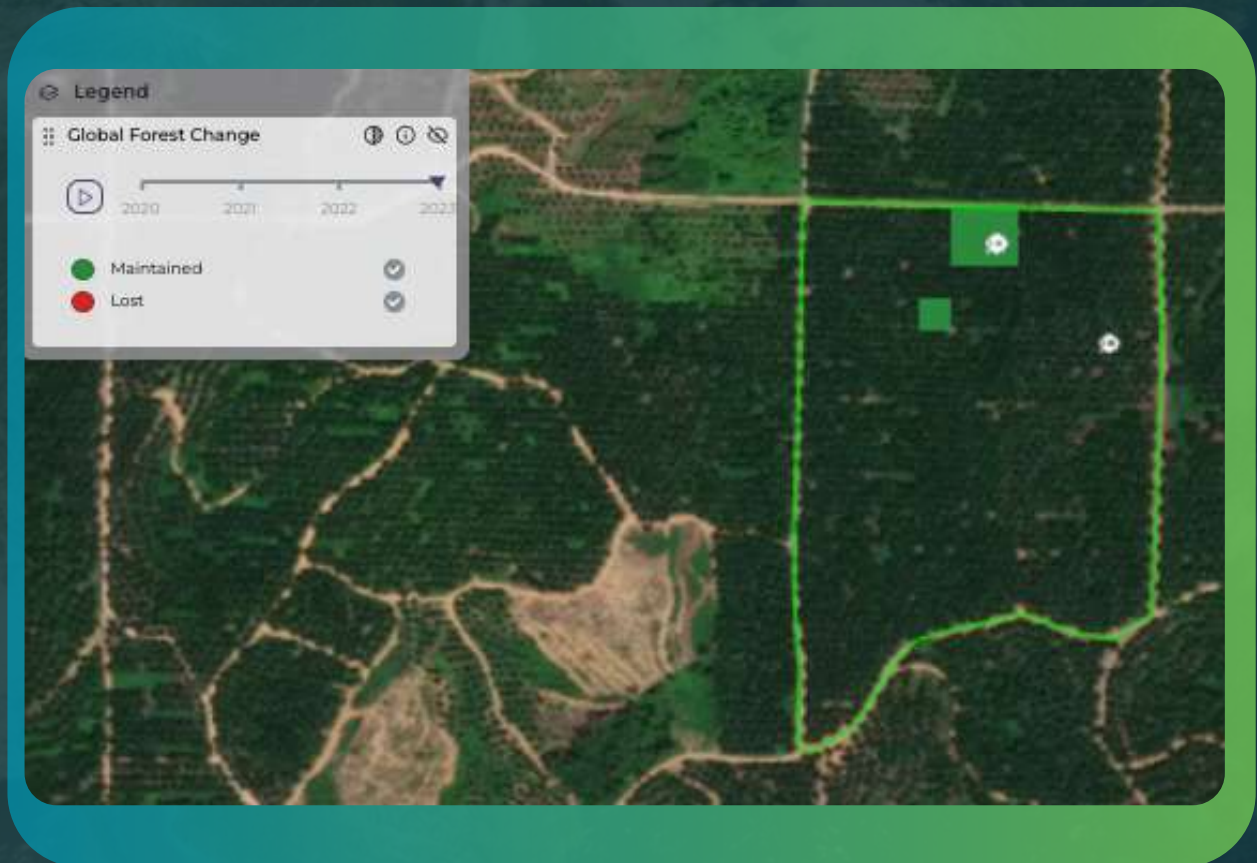
Risk Assessment

After collecting data, the next step is to conduct a thorough risk assessment of the supply chain. This includes evaluating deforestation risks, legality risks, and supply chain risks based on EUDR requirements.

With Orbify you can conduct Risk Assessment and ensure your suppliers are compliant with the EUDR compliance regulations.

Deforestation-Free Assessment:

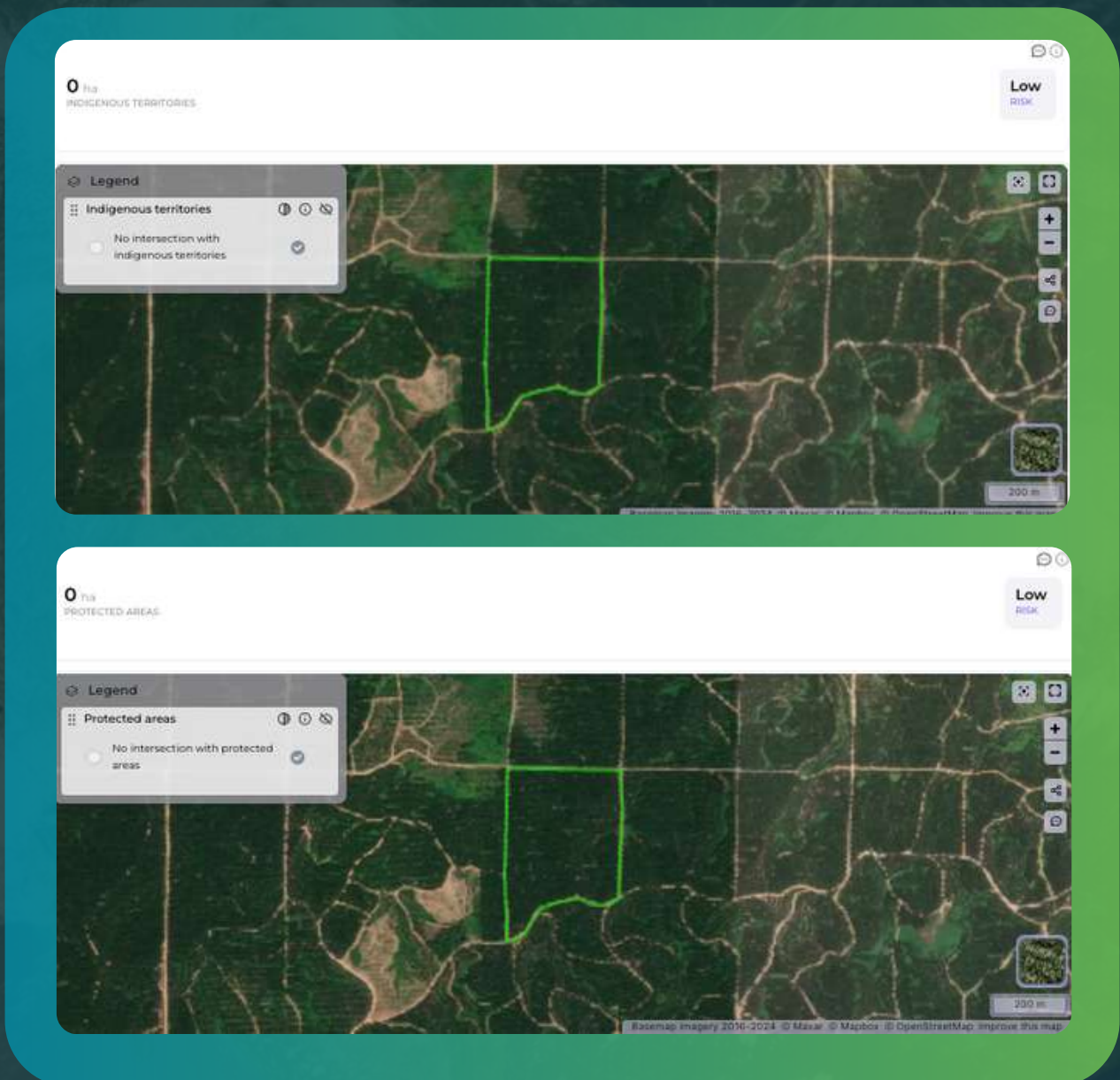
Compliance Orb can verify Deforestation-Free compliance by screening the plot for any indicators suggesting non-compliance since 2020. The Global Forest Change dataset provides information on the location and date of significant deforestation events.



Risk Assessment

Evaluation for Compliance with Local Laws

Our platform also includes an evaluation for compliance with local laws (Article 10). Datasets for Indigenous territories and protected areas are critical for identifying whether activities within a region require additional permissions to meet legal standards. This ensures that your project is compliant not only with EUDR regulations but also with local laws.

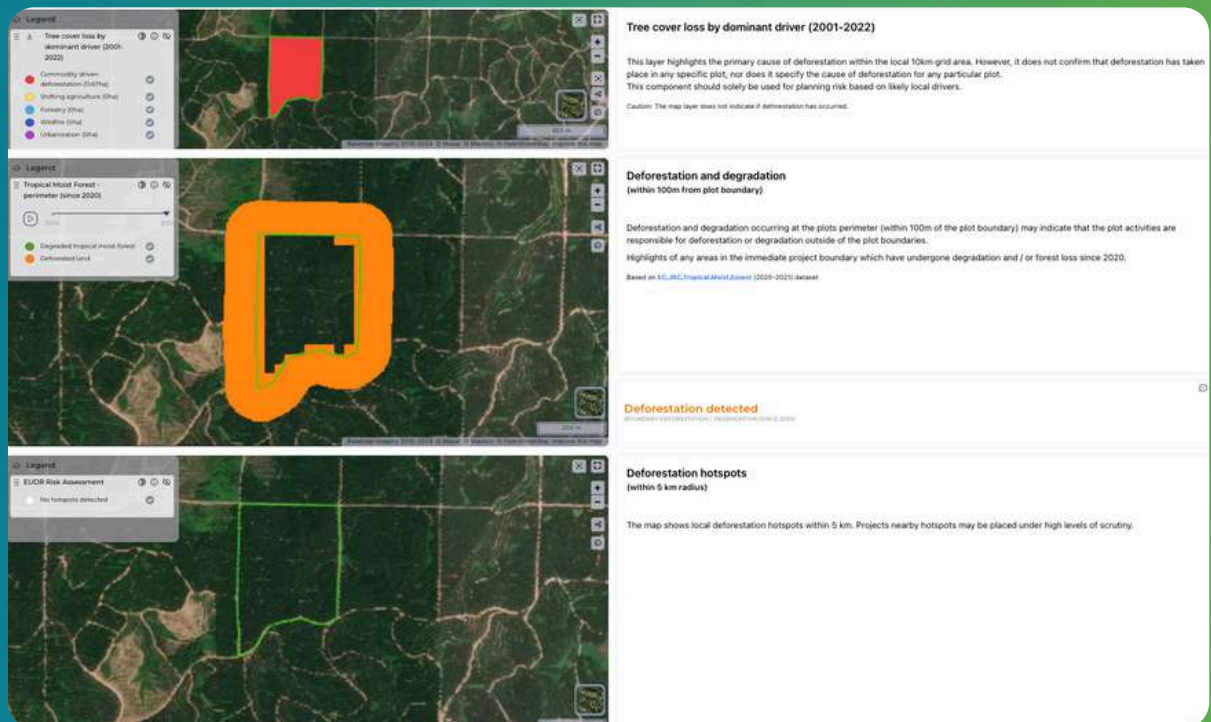


Risk Assessment

EUDR Risk Assessment

The EUDR risk assessment uses specific indicators and datasets to evaluate deforestation or forest degradation within and around the project area.

- **Tree Cover Loss by Dominant Driver:** Shows primary reasons for tree cover loss within each 10 km grid of the plot
- **Deforestation and degradation within 100 meters of the project boundary**
- **Deforestation hotspots:** Assesses if the project is within 5 km of a deforestation hotspot



Benefits of Early Compliance

Due to the possibility of an extension to the EUDR compliance period, many organizations believe they can also postpone their compliance efforts. However, achieving early compliance with the EUDR offers significant competitive advantages. It allows businesses to navigate regulatory requirements smoothly and position themselves as leaders in sustainable practices.

Key Benefits of Early Compliance:

1. Strengthening Supplier Relationships:

By actively working with suppliers to meet EUDR requirements, companies can build stronger partnerships. Suppliers are more likely to remain loyal to companies that prioritize transparency and offer them support to meet compliance goals.

2. Maintaining Market Access:

Compliance with EUDR regulations ensures continued access to the lucrative EU market. Non-compliance risks product seizures, fines, and market exclusion. Early adopters will be better positioned to meet the growing demand for deforestation-free products.

3. Enhanced Transparency and Reputation:

Customers and investors increasingly favor businesses that are transparent and environmentally responsible. By achieving early compliance, companies can signal their commitment to sustainability, which can lead to enhanced brand reputation and customer loyalty.

Benefits of Early Compliance

4. Avoiding Last-Minute Scrambles:

Waiting until the enforcement deadline increases the risk of rushing to comply, leading to costly mistakes and operational bottlenecks. Early compliance allows companies to methodically prepare and test their systems without the pressures of tight deadlines.

The Risks of Postponing Compliance:

- Rushed, last-minute efforts to comply, increasing the likelihood of errors.
- Financial penalties for non-compliance.
- Loss of market access in the EU.
- Damage to the company's reputation as customers and partners seek environmentally responsible suppliers.

Thank you!

If you want to ensure EUDR compliance across your supply chain and simplify supplier data collection, our platform is here to help.

Book a call with our experts today and find out how we can support your EUDR compliance journey.

[Schedule a call with our experts!](#)



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