

EUDR and How COSIRI-24 Can Help

**Use COSIRI-24 to determine how ready you
are to meet the new EUDR requirements.**

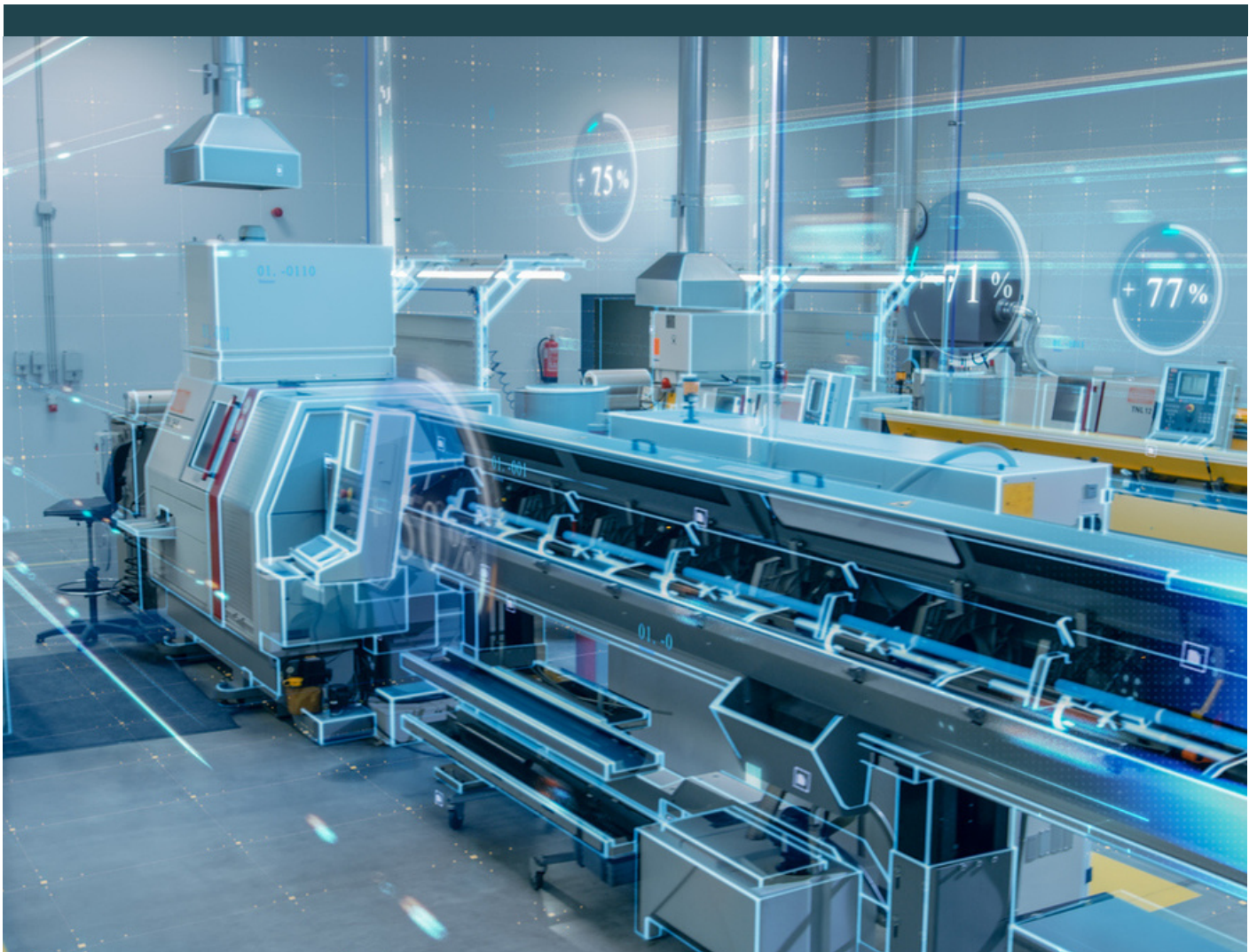
Published 15 July 2024

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About INCIT

The International Centre for Industrial Transformation (INCIT) is an Environmental, Social, and Governance (ESG) institution which champions manufacturing transformation. As an independent non-profit entity, INCIT (pronounced as “insight”) collaborates with both public and private sector manufacturing-related organisations to support industrial transformation, to enable global manufacturing to become more resilient and productive, and better positioned for future success.

We develop and deploy globally referenced frameworks, tools, concepts and programmes for the international manufacturing community to raise awareness about the latest transformation developments and manufacturing trends, provide benchmarks that are international, publicly available and quantitative, and facilitate the sharing of learning points, challenges and best practices for industrial transformation.



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7 commodities affected in this regulation - soy, palm oil, coffee, cocoa, rubber, timber/wood products, and beef.



From 30 December 2024 onwards, companies doing business within the scope of the EU Deforestation Regulation (EUDR) will need to comply by submitting a Due Diligence Statement declaring that the products entering or exiting the EU market do not originate from recently deforested areas or areas experiencing forest degradation.

This means operators (those who bring products into the EU market) and traders (companies in the supply chain) will need to trace their sources of supply to the point of origin and conduct due diligence to ensure all actors in the chain comply with the new regulation.

Seven commodities – soy, palm oil, coffee, cocoa, rubber, timber/wood products, and beef – are affected by this regulation. Derived products, such as furniture, wood, paper products, soy flour, oil, chocolate, coffee, palm oil, and rubber products like tires, are also affected..

Why was EUDR established?

The EUDR was established to limit the EU's impact on global deforestation, forest degradation, and biodiversity loss. The goal is to promote deforestation-free supply chains and protect human rights. While the regulation primarily affects large companies now, SMEs will be included from 30 June 2025. The regulation is based on the premise that unless the three conditions below are met, the products are not permitted to enter the EU:

- They do not contribute to deforestation or forest degradation.
- They have been produced by the relevant legislation of the country of production (which includes not only compliance with environmental regulations but also those related to land-use rights, forest management, labour, tax and/or human rights laws).
- They are covered by a due diligence statement.

Due Diligence Statement

From 30 December 2024 onwards, in-scope shipments to any of the 27 European Union countries will have to be accompanied by a Due Diligence Statement. The statement must demonstrate that the commodity is not associated with deforestation or land degradation after 2020. The Due Diligence Statement must include the supplier's information, i.e., name, address, geo-location, product type, evaluation of non-compliance risk in the supply chain, mitigation measures, and other relevant details. Operators and traders must submit their Due Diligence Statements to the relevant authority in the respective EU state.

Requirements of the EUDR

To meet the requirements, it is essential to have the following in place.

The due diligence system should not be static. Companies are expected to review and improve their processes regularly. This will help them meet any changes in risk or regulatory requirements.

1. Risk Management System

Have a risk management system. This should record the identification, prevention, and mitigation of risks that the products could contribute to deforestation or forest degradation.

2. Traceability

Have a traceability system that tracks the supply journey to the point of origin. Without traceability, it is impossible to drive and manage supply chain sustainability. This system should collect detailed information on the supply, including the geographical location where the commodities were produced.

3. Legality Verification

The Due Diligence must include verification that its products comply with local regulatory requirements. This includes ensuring that the products did not contribute to deforestation or forest degradation post-December 31, 2020.

4. Supply Chain Oversight

Companies need to have a thorough understanding of their supply chain. Traceability enables you to know who the actors in the chain are, allowing you to monitor and evaluate their compliance with the EUDR.

5. Regular Reporting and Documentation

Companies are obligated to maintain and regularly update their Due Diligence documents. These documents should be readily available for inspection when requested by authorities. They must detail the measures taken to ensure compliance with the EUDR, including steps taken to mitigate any identified risks.

Non-compliance Consequences

Non-compliance can result in fines of up to 4% of the company's turnover in the EU, as well as the confiscation of products.

Continuous Improvement

The due diligence system should not be static. Companies are expected to review and improve their processes regularly. This will help meet any changes in risk or regulatory requirements.

The role of COSIRI-24

COSIRI-24 assesses the ESG state of readiness of a company. The COSIRI-24 framework evaluates the functions of both the corporate office and the factory. Each dimension is linked to other dimensions in one way or another. Thus, if an improvement is made in one dimension, related dimensions may improve as well.

COSIRI-24								
Strategy & Risk Management		Sustainable Business Process				Technology	Organisation & Governance	
Strategy	Risk Management	Operation	Procurement	Supply Chain	Product Lifecycle (Circularity)	Clean Technology	Talent Readiness	Structure & Management
Strategy & Targets	Physical Climate Risk	Greenhouse Gas Emissions	Supplier Assessment	Transportation & Distribution	Product Design	Adoption	Workforce Development	External Communication & Engagement
ESG Integration	Transition Climate Risk	Resources (Water, Energy)						
Green Business Building	Compliance Risk	Material Waste	Sustainable Procurement Process	Supply Chain Planning	Circularity Process Management	Transparency &Optimisation	Leadership & Envolvement	Governance
Capital Allocation	Reputation Risk	Pollution (Air, Soil, Water)						

Source: International Centre for Industrial Transformation (INCIT)

Key dimensions

There are seven dimensions within the COSIRI-24 framework that are inextricably relevant to EUDR. Improving these seven dimensions can directly enhance your compliance with EUDR. Additionally, they can positively impact related dimensions.



1. Compliance Risk

Compliance Risk assesses how compliant the company is with existing and evolving regulatory requirements, and how well it engages with regulatory agencies and associations to stay on top of changes. Staying on top of new or evolving regulations is a means to ensure you are not behind the curve.



2. Supplier Assessment

GHG emissions from supply chains can be significant, especially when its raw material is an agricultural product, as in the case of EUDR. In growing their supply, suppliers may resort to deforestation. Declaration made in the Due Diligence Statement, which include the geo-location of suppliers, can easily reveal if the raw material came from deforested areas. Companies found supporting suppliers practicing such acts are deemed to have violated EUDR. COSIRI-24 can assess how robust your supply chain sustainability is, end-to-end.



3. Sustainable Procurement Process

Actively selecting suppliers based on their sustainability commitment – their ESG performance – and prioritising business relationships with leading suppliers is a way to demonstrate your commitment to supply chain sustainability. Our COSIRI-24 assessors will look for evidence to verify that your supply chain sustainability efforts are enforced and tracked.



4. Supply-Chain Planning

Minimising your supply risk (due to physical climate risk or suppliers' violation of EUDR) is critical to business continuity. Unforeseen supply disruptions can affect your business continuity and operating costs. COSIRI-24 will assess how robust your supply planning, forecasting, and inventory management are.



5. Product Design

Consider using substitutes or alternative materials to reduce the risk of violating EUDR. Certifications from sustainable sources such as FSC and PEFC can provide added assurance for procurement.



6. Technology Adoption

Implementing technologies and applications in supply chain sustainability and risk management systems will help to reduce your risk of non-compliance with EUDR.



7. External Communication and Engagement

Your commitment to EUDR is best communicated to your stakeholders through external communication such as your annual reports, annual sustainability report, and your company website. COSIRI-24 will assess how extensive your communication is and how well engaged you are with external agencies.

Putting it all together, COSIRI-24’s seven dimensions are directly correlated with the requirements of EUDR.

EUDR will require these	COSIRI-24 Dimension
Risk Management System	Technology Adotpion
Traceability	Compliance Risk Technology Adotpion
Legality Verification	Product Design
Supply Chain Oversight	Supplier Assessment Sustainable Procurement Process Supply-Chain Planning
Supply Chain Oversight	External Communication and Engagement

What next?

To meet EUDR’s requirements, the performance of the seven COSIRI-24 dimensions is crucial. Conducting an overall COSIRI-24 assessment is important to help you determine the state of your overall sustainability maturity. COSIRI-24 will help you identify gaps in your processes and systems that may be non-compliant with EUDR.

A comprehensive report will be provided at the end of the assessment, including a transformation roadmap – a step-by-step guide on what you should do, with a timeline to improve. The goal is to help reduce or eliminate risks. The time to start is now, and the tool for it is COSIRI-24.



The future of green manufacturing starts here.

*Let us help you get started.
Get in touch with us.*



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Website

<https://incit.org>

