

CGF Forest Positive Coalition of Action

Palm Oil DCF Methodology

Version 0

November 2023



Forest
Positive

proforest



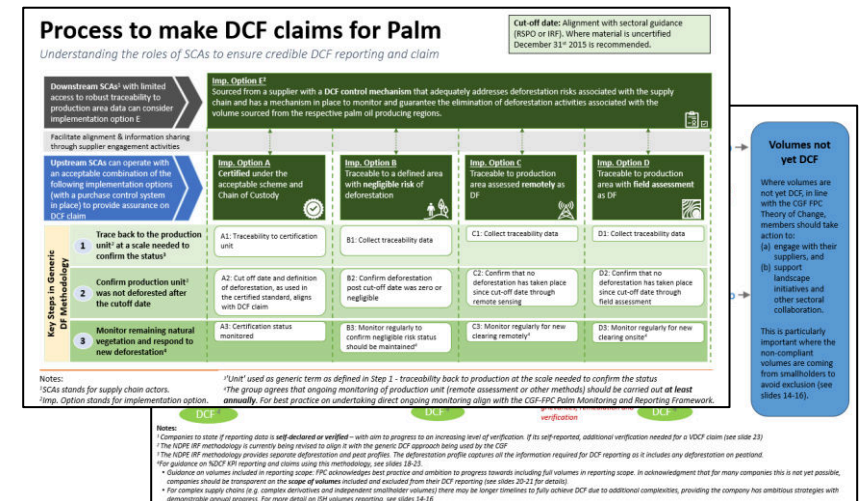
An aligned Deforestation- and Conversion-free (DCF) Methodology for Palm Oil



The CGF Forest Positive Coalition is developing an **aligned DCF methodology for each commodity** to provide a framework for companies to report in an aligned way on the DCF KPIs in the Commodity Roadmaps.

The CGF FPC Palm Oil Roadmap includes a **KPI to track %DCF volumes**. Member companies reporting on Palm Oil will work to align with this **Palm Oil DCF Methodology** for reporting on this metric consistently. The Palm Oil Working Group will also take action to further **socialize** the methodology, seeking alignment with the **wider sector**.

The development of Version 0 of the Palm Oil DCF methodology has been led by the FPC Palm Oil Working Group (POWG) with Proforest's support and **AFi/CDP consultation**.



Contents: CGF-FPC DCF Guidance for Palm Oil



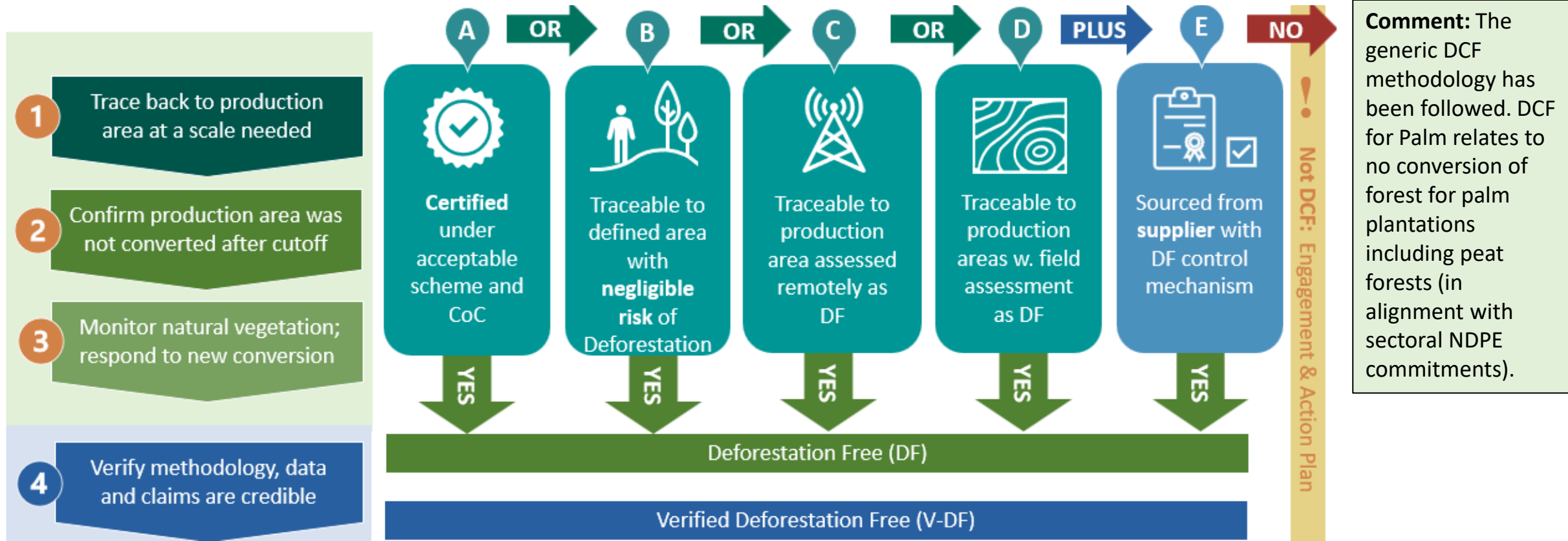
Content		Page number
Section 1:	Introduction to Generic Deforestation and Conversion Free (DCF) Methodology	4-5
Section 2:	Deforestation Free (DCF) Methodology for Palm	6-11
Section 3:	Independent Smallholder inclusion proposal	12-15
Section 4:	Guidance on making DCF claims using the methodology	16-22
Annex 1:	Parallel work ongoing in POCG PPBC	23-25
Annex 2:	Industry-wide efforts towards meeting DCF commitment	26-39
Annex 3:	DCF Methodology and European Union Deforestation Regulation (EUDR)	30-33



Introduction to Generic Deforestation and Conversion Free (DCF) Methodology

A high-level overview of the generic DCF
methodology


Introduction: The Generic DCF Methodology



- There are **3 key steps** required to confirm the production of raw material was deforestation free (DF).
- The **detailed DF methodology** for every commodity will vary depending on factors such as location, size of producer, production system etc.
- For each commodity, the methodology elements need to be **developed in detail** for all implementation options being used.
- In general, any **combination** of these different options can be used to demonstrate DCF.
- Where none of them can be applied, the material cannot be considered DF and **engagement and further action** will be needed.
- For **directly sourced volumes**, any combination of implementation options A to D can be used.
- For **indirectly sourced volumes** (E), confirmation is needed that an appropriate combination of A to D is being used.

Note:

* The generic DCF methodology is developed in consultation with key partners, including AFi, CDP, Trase, and many others.



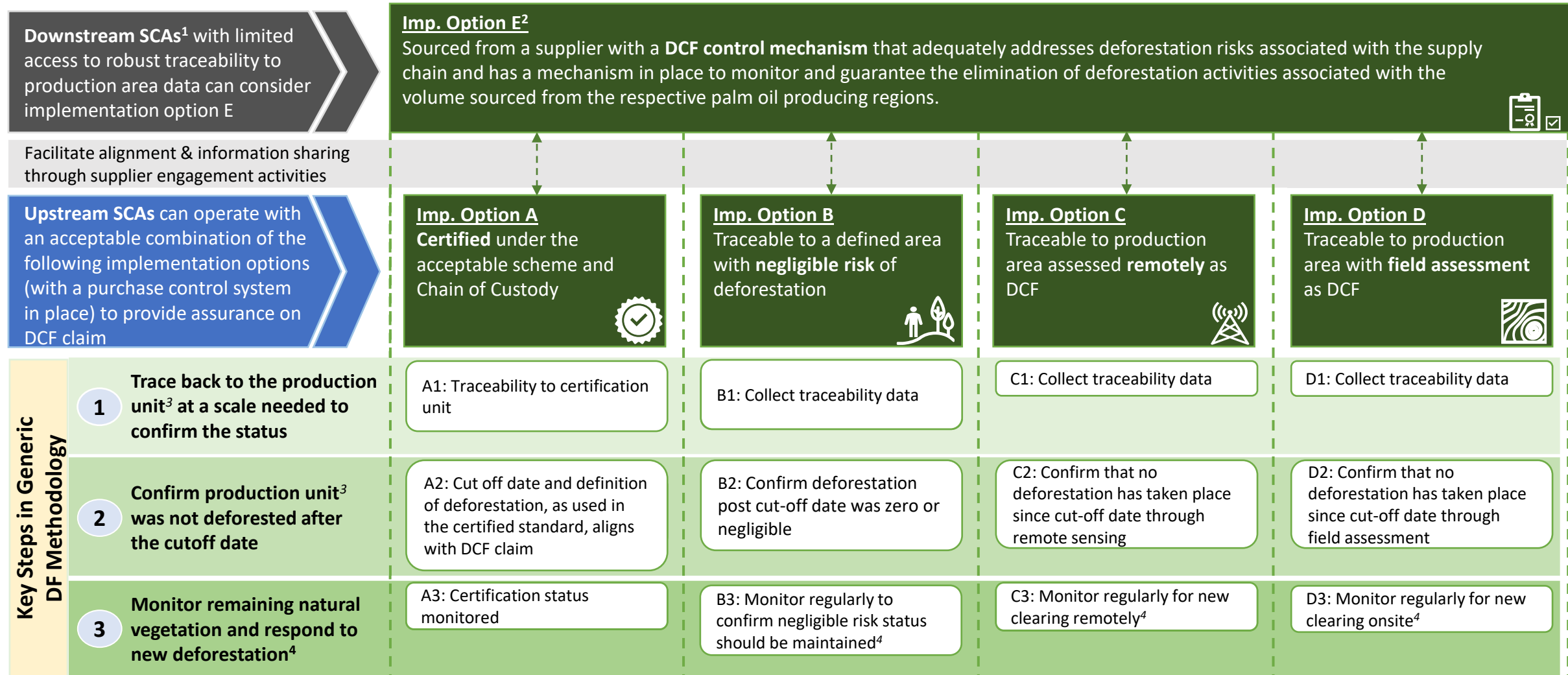
Deforestation Free (DCF) Methodology for Palm Oil

Applying the generic DCF methodology
in the context of palm oil

Process to make DCF claims for Palm Oil

Understanding the roles of SCAs to ensure credible DCF reporting and claims

Cut-off date: Alignment with sectoral guidance (RSPO or IRF). Where material is uncertified December 31st, 2015, is recommended.



Notes:

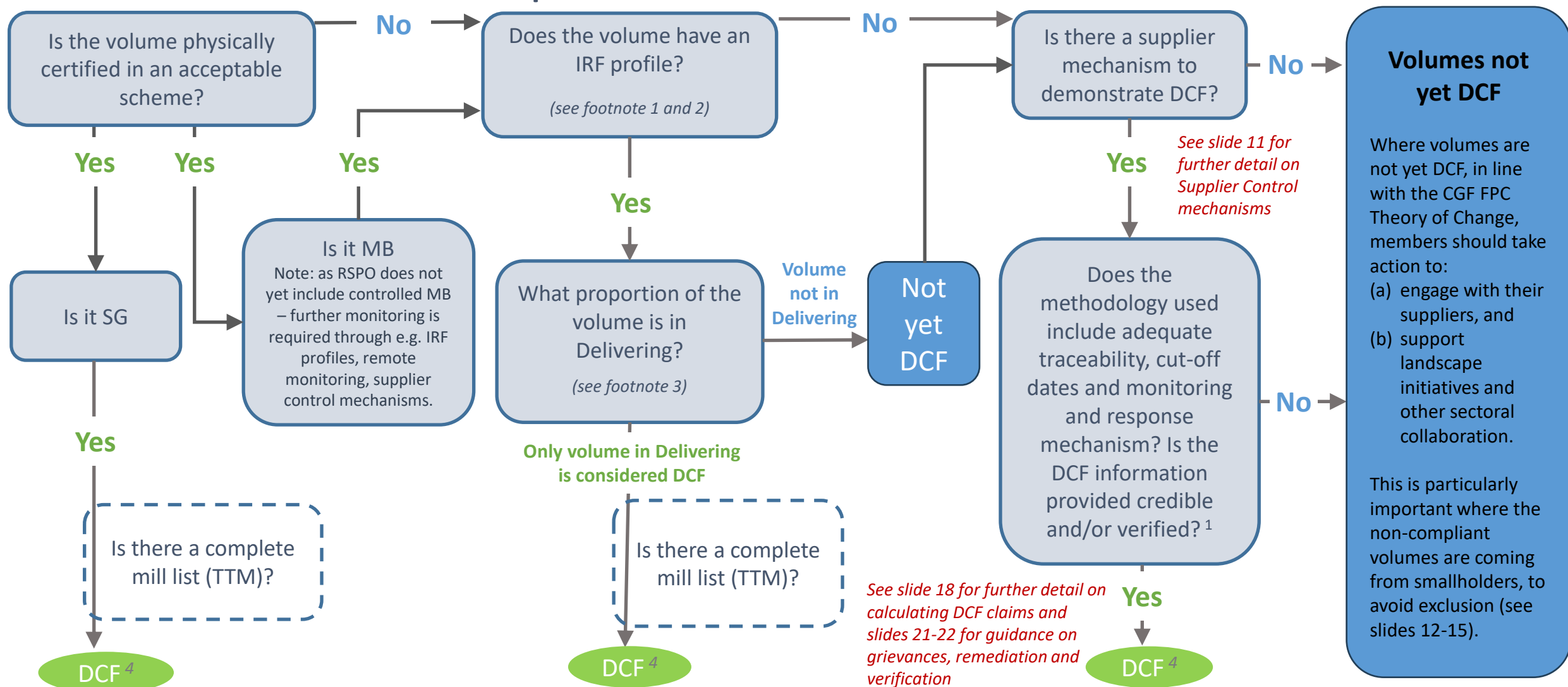
¹SCAs stands for supply chain actors.

²Imp. Option stands for implementation option.

³'Unit' is used as generic term as defined in Step 1 - traceability back to production at the scale needed to confirm the status

⁴The group agrees that ongoing monitoring of production unit (remote assessment or other methods) should be carried out **at least annually**. For best practice on undertaking direct ongoing monitoring, align with the [CGF-FPC Palm Monitoring and Response Framework](#).

DCF Process Flow for Downstream Companies



Notes:

¹ Companies to state if reporting data is **self-declared or verified** – with aim to progress to an increasing level of verification. If its self-reported, additional verification needed for a VDCF claim (see slide 22)

² The NDPE IRF methodology is currently being revised to align it with the generic DCF approach being used by the CGF-FPC

³ The NDPE IRF methodology provides separate deforestation and peat profiles. The deforestation profile captures all the information required for DCF reporting as it includes any deforestation on peatland.

⁴For guidance on %DCF KPI reporting and claims using this methodology, see slides 16-22.

- Guidance on volumes included in reporting scope: FPC acknowledges best practice and ambition to progress towards including full volumes in reporting scope. In acknowledgment that for many companies this is not yet possible, companies should be transparent on the **scope of volumes** included and excluded from their DCF reporting (see slides 19-20 for details).
- For complex supply chains (e.g. complex derivatives and independent smallholder volumes) there may be longer timelines to fully achieve DCF due to additional complexities, providing the company has ambitious strategies with demonstrable annual progress. For more detail on ISH volumes reporting, see slides 12-15.

Implementation Option A: Certification

Certified under an acceptable scheme and chain of custody



Both RSPO and ISCC Segregated volumes deliver on DCF. The certified portion of MB volumes may also be considered as DCF, but DCF controls must be in place to manage the uncertified component (IRF profiles provide the opportunity for this breakdown).



The MSPO and ISPO national certification schemes are currently not adequate to fully address DCF but it is important to recognize their contribution and potential future engagement. Volumes under these schemes fall into the IRF progressing category. Work is ongoing to develop a minimum set of criteria to assess if different certification schemes can deliver DCF.



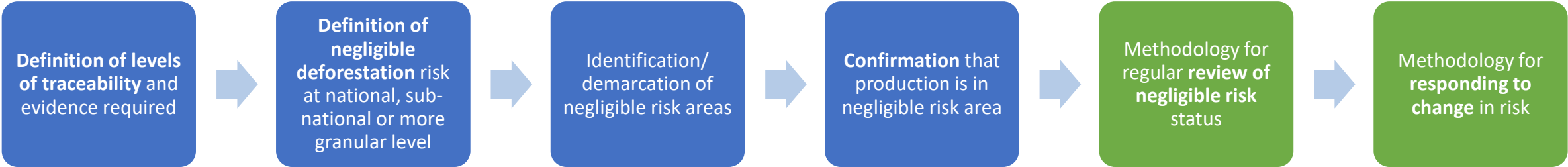
Note:
Retailers and derivative users face an additional complexity related to traceability and lack of direct relationships with upstream suppliers. Therefore, the group will continue to focus on solutions to combine certification and other approaches which are practical for these user groups.

Implementation Option B: Negligible Risk Area

Traceable to negligible risk area: Work ongoing in the POCG PPBC group

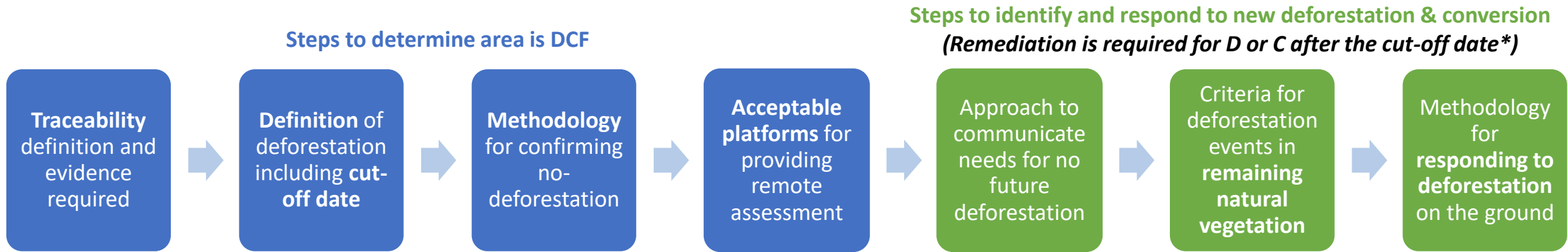
Steps to determine area is DCF

Steps to identify and respond to new deforestation & conversion



Implementation Option C: Remote Assessment

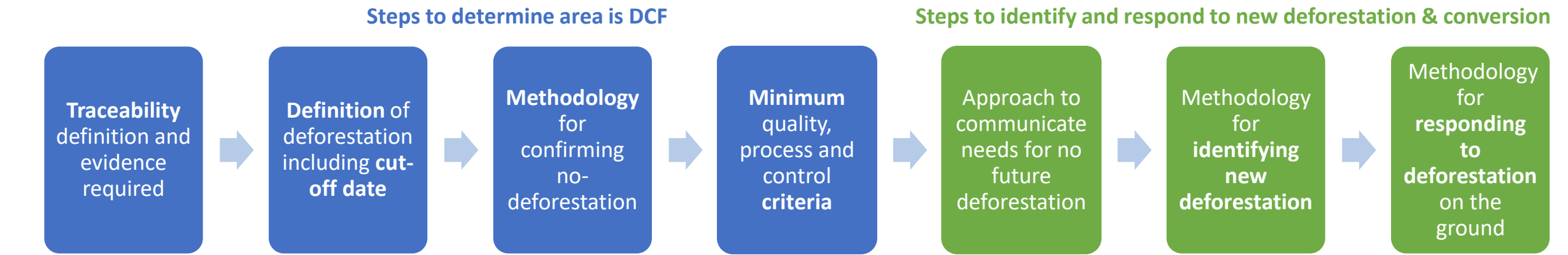
Remote assessment of production area (to determine no conversion after cut-off date)



***Comment:** The CGF-FPC Monitoring and Response Framework (MRF) provides FPC guidance on this topic and is a key reference for the sector. Refer to slide 21 for further detail.

Implementation Option D: Field Assessment

Field assessment of production area



Implementation Option E: Supplier Control Mechanism

A combination of implementation options for demonstrating DCF

This pathway is most relevant for **downstream supply chain actors** with limited access to robust traceability to production area dataset:

Evaluate Approach

Ensure **Tier 1 supplier** operates an acceptable **combination of A/B/C/D/E** implementation options



Verify Implementation

Verify the methodology/criteria being used to **approve suppliers** (either directly or through a third party)



- *See slide 22 for further detail on verification*

Comment: Companies currently implement a variety of different DCF control mechanisms. Group feedback suggests that developing guidance on a supplier DCF assessment methodology would be useful and following confirmation from the Palm Oil Working Group, can be added to as a future addition to the workplan.

- Guidance should be tailored to provide benefit to **procurement teams**: What should your procurement team be asking from suppliers? (guidance on best practice beyond just minimum requirements).

Independent Smallholder inclusion

- Consideration within the DCF methodology and potential metrics

Proposed approach for Independent Smallholder volumes



The Palm Oil Working Group (POWG) recognizes the challenge of meeting ambitious DCF targets whilst maintaining independent smallholders in the supply chain and avoiding exclusion.



The POWG is supportive of the approach **to track metrics on Independent Smallholder (ISH) volumes** and prevent their exclusion from supply chains. The remaining **challenge is data availability** for companies, particularly for those who are downstream with limited access to traceability data e.g. retailers.

- A potential approach for ISH volume metrics is outlined in the next slide. The FPC commits to track metrics on Independent Smallholder volumes and further develop an approach to report on progress with implementation.
- Initially ISH metrics could be internal, to allow companies to build capacity and drive improved data availability alongside sectoral progress.



Areas for sectoral progress

- **Tools to report on ISH metrics** are in development by the POCG and monitoring platforms.
- Ongoing **thinking in the Landscape WG** related to volumes that can be traced back to a landscape and how these volumes can be reported as 'progressing to DCF'.
- Sectoral progress needed to **access data related to ISHs at mill level** (to then be able to link volumes to landscapes)



Timelines

Timelines can be extended to reach DCF targets for ISH volumes due to additional complexities and to avoid exclusion but **should be clearly linked to a timebound action plan and reporting on engagement to support progress.**

Potential metrics for reporting on Independent Smallholder volumes



There have been some initial discussions on ISH metrics within the CGF-FPC.

AFi, CDP and POCG have been engaged in these early discussions on potential metrics.

- See below a potential approach deemed promising, and to form a basis for further development

KPI reporting - Companies to report on % DCF/non-DCF for full volumes, as well as the following smallholder specific indicators:

a. % of total volumes from ISH

- Estimated value
- Companies to start by reporting on this indicator and progress to reporting also on section B

% of those ISH volumes that are:

b.

(a) DCF

(b) Of unknown DCF status (*in many cases independent smallholders have not deforested but there is not yet the evidence base to demonstrate this*)

(c) Progressing to DCF e.g. via time bound plan for ISH support or traceability (*where the company is actively working to keep smallholders in the supply chain and address challenges*)

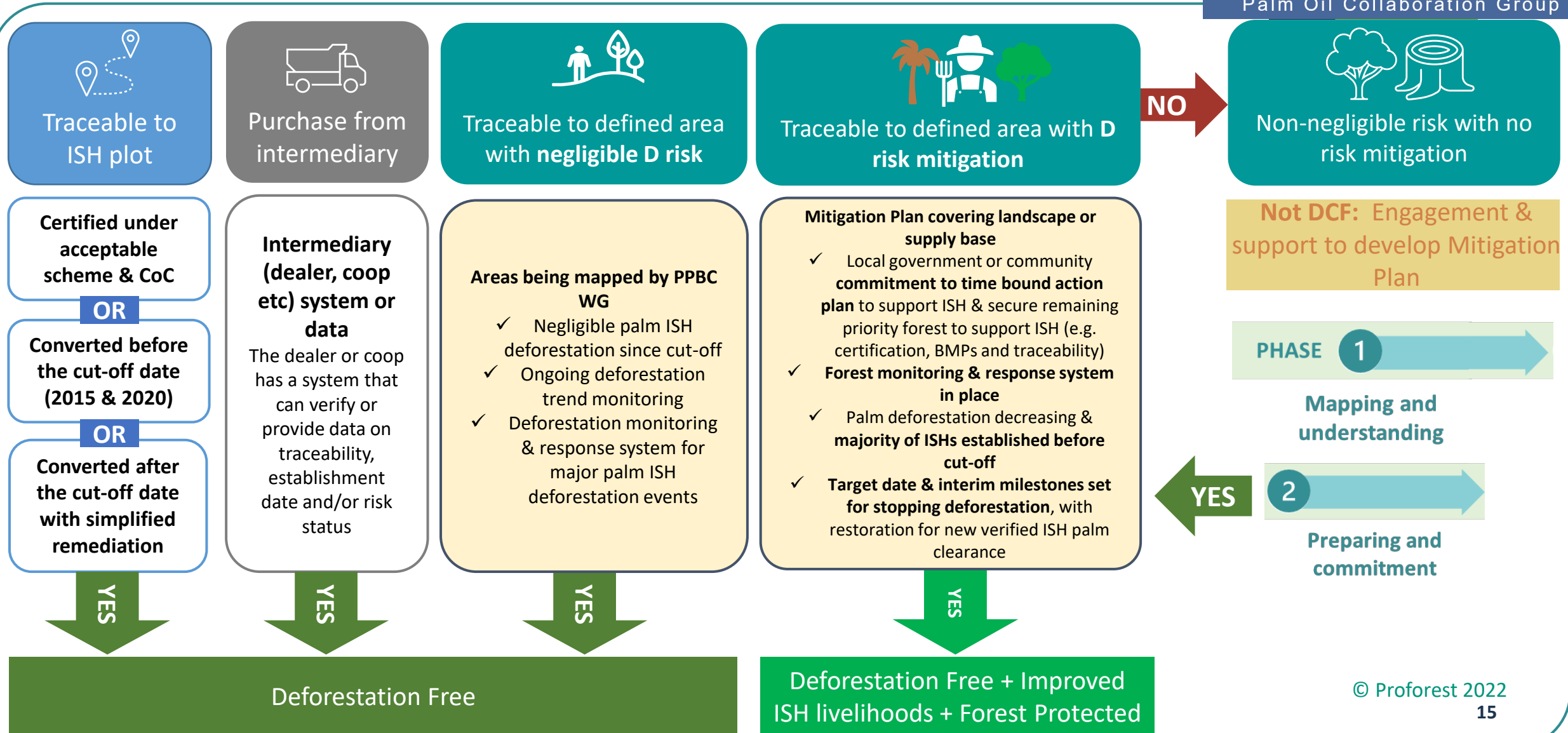
- Guidance to be developed based on confirmation from the POWG
- **Clear linkage to POCG** on active smallholder inclusion - enabling tools in development (see next slide): *PPBC risk-based deforestation and peat approach for independent smallholders, IRF*
- Linkage to ongoing discussions in the **Landscape WG**, considering 'progressing to DCF'
- **FPC actions to be defined** related to proactive collective action and stakeholder engagement

Optional c.

"Equivalent" ISH volumes from programmes supporting ISH to progress to DCF

Optional disclosure for companies with low ISH volumes who are supporting ISH progress through beyond supply chain actions

POCG: Ongoing discussions related DCF for ISH



Guidance on making DCF claims using the methodology

- Guidance on how to report on the %DCF KPI
- Guidance on DCF calculations
- Guidance on scope of volumes included in reporting
- Current resources on Grievances, Remediation and Verification

Guidance on FPC KPI reporting on DCF volumes

In the [CGF-FPC Palm Oil Roadmap](#) (Element 1), KPI 1.4 addresses % volumes that are DCF



KPIs	Guidance	Guidance on narrative reporting (if no data)	Link to CDP 2023 Questions
1.4 % volume that is forest positive (or NDPE) In 2023 report on 1.4a only: % volume that is DCF	1.4a % volume that is deforestation and conversion free - using public DCF methodology or IRF Delivering category* <i>*Note: the POCG IRF Active WG plans to develop a one-pager explaining the use of IRF for DCF reporting in H1 2023. In the meantime, use the allocation criteria document for reference</i> <i>Note: a KPI on IPLC rights requirements (KPI 1.4b) will be developed in 2023 (following development of sector-wide methodologies, particularly land rights IRF)</i>		F1.5b* : Provide a breakdown of your DCF and non-DCF volumes relevant to your stage in the supply chain according to how verification is achieved and the highest level of traceability, respectively. <i>Note: New question provides information on verification methods for DCF volumes, and progress on traceability level non-DCF volumes. 'Points of traceability' can be used to determine associated risk of non-DCF volumes. Can be cross referenced with Risk Classification question (F2.3). For companies with only non-DCF volumes, information can be gathered through original traceability question.</i>



Summary guidance for DCF reporting based on this methodology

Slides with further detail

1.

- **Report % DCF volumes** (using the aligned FPC methodology in this deck)
- **Provide transparency on scope: report the % of total volume included in the scope of reporting, and explanation of what has been excluded**

Notes:

- As per the PO Roadmap, manufacturers are to report on CPO/PKO volumes and on palm derivatives separately.
- Companies to be clear about their target dates to achieve DCF. For complex supply chains (palm derivatives and ISH volumes), timelines may be longer to fully achieve DCF due to additional complexities, providing the company has ambitious strategies with demonstrable annual progress.

- See slide 18 for DCF calculation guidance

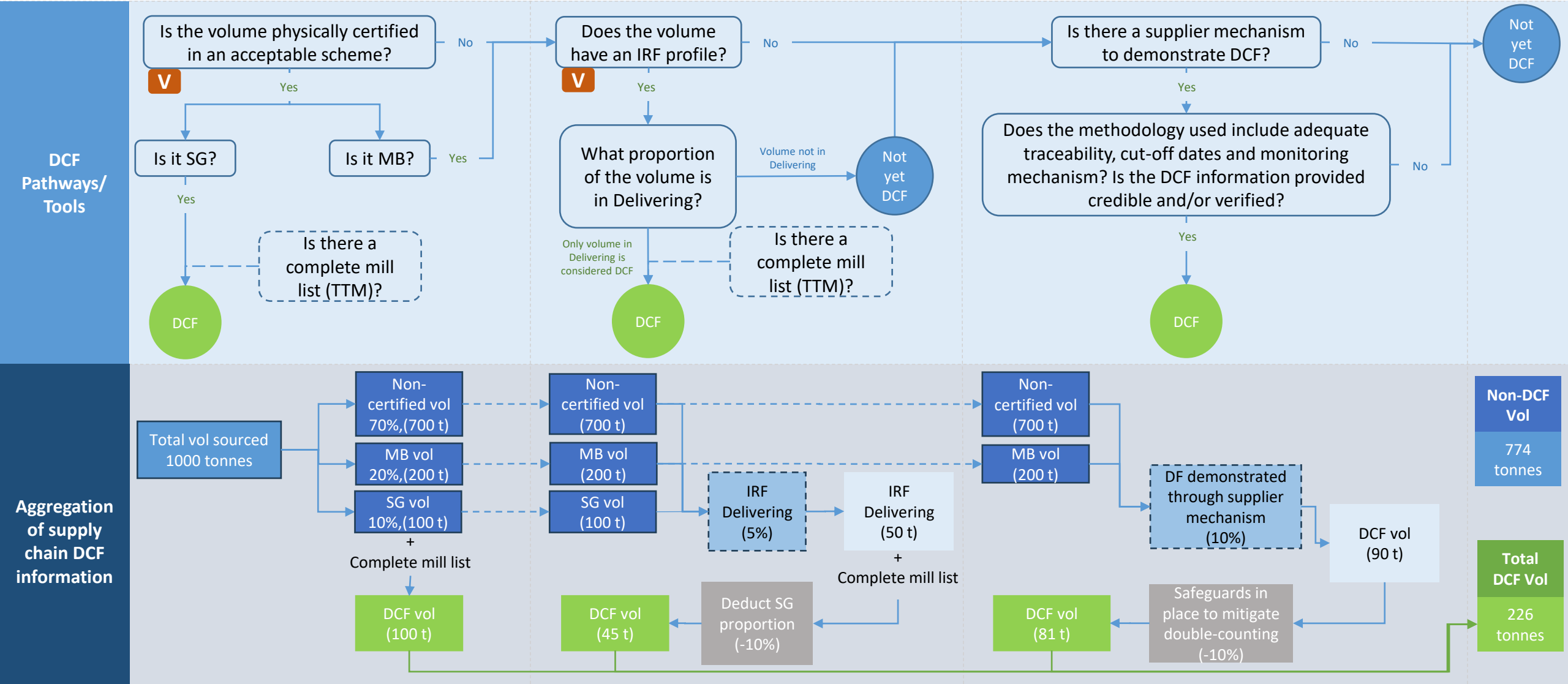
- See slides 19-20 for guidance on scope

2.

Note: The FPC commits to track **metrics on ISH volumes** and further develop an approach to report on progress with implementation, working to prevent smallholder exclusion and support the progression to DCF (see Slides 12-15). This box will be updated as these metrics are further developed, including through engagement with the wider sector.

-See slides 12-15 for further information on potential ISH metrics

DCF Volume Aggregation Method Preliminary Guidance



Notes:

- The scope of reporting needs to be aligned across different tools used to aggregate information for DCF claim.
- When there's an aggregation of supply chain data, 3rd-party verification is required to address issues behind the lack of transparency due to confidentiality around sharing of commercially sensitive information across the supply chain to ensure the credibility of DCF claim. Some verification/assurance mechanisms **V** are in place to verify DCF claims made through certification schemes (RSPO/ISCC) and sector-level reporting tool (IRF). Companies with existing supplier DCF mechanism, assured and verified by third-party verifier with safeguards in place to mitigate double counting of DCF volume can be useful to make DCF claim.
- The aggregation of final DCF volume that constitutes the overall DCF claim should be verified to ensure accuracy of claim. Ongoing effort is happening in the POCG Independent Verification Working Group (IVWG) to develop guidance for that purpose.

Developing consistency on the scope of reporting

The CGF-FPC acknowledges best practice and ambition for companies to progress towards including full volumes in reporting scope. To bring consistency and transparency on the scope of reporting, the Coalition's methodology highlights the need for companies to report publicly on % of total volume in scope of their DCF reporting, and transparency on what has been excluded from each category (*see next slide for guidance*).

Categories include scope of:

Products

- *Own Brand vs non-Own Brand*
- *Product type (e.g. palm derivatives, fibre-based packaging, leather)*
- *Product lines*

Suppliers

- *Volumes from which suppliers e.g. top x suppliers covering 80% of volume*

Legal entities/ business affiliation

- *Direct buy vs indirect buy (e.g. Franchisees, Joint ventures, Co-manufacturers)*
- *Which part of business associated with the brand (e.g. not reporting across Group level)*

Production type

- *e.g. Independent Smallholders*

Guidance on the scope of reporting



To address existing inconsistencies across the scope of company reporting, the CGF-FPC acknowledges best practice and ambition to progress towards including full volumes in reporting scope¹.

In acknowledgment that for many companies this is not yet possible, the proposed approach is to focus on transparency. Companies are to report publicly:

- a) % of total volumes in scope**
- b) An explanation of the % excluded from scope**

Alignment with CDP/AFi for reporting is also a future action area.

To support companies in defining scope, see checklist below on what is included for full scope of reporting on Palm Oil:

100% in scope =

Checklist for Manufacturers

- ✓ All product types: CPO and PKO - Derivatives to also be reported separately (*we will work with the POWG group to define a more specific list of materials*)
- ✓ All production types (inclusion of ISH)
- ✓ All suppliers in scope of reporting
- ✓ Direct and indirect buy e.g. co-mans, JVs, franchisees

Checklist for Retailers (focus on own-brand volumes)

- ✓ All product types
- ✓ All product lines
- ✓ Reporting across group level
- ✓ Direct and indirect buy

¹Companies should be clear about their target dates to achieve DCF across full scope. For complex supply chains (palm derivatives and ISH volumes), timelines may be longer to fully achieve DCF due to additional complexities, providing the company has ambitious strategies with demonstrable annual progress. For further detail on reporting on the %DCF KPI see Slide 17

Current resources and proposed guidance development for operationalization of the methodology

	Current resources	Proposed areas for discussion and guidance development
Grievances	<ul style="list-style-type: none"> Members to align with the CGF-FPC Monitoring and Response Framework (MRF), this includes detail on defining the point at which an alert becomes a grievance. Addressing grievances is built into RSPO and IRF 	<ul style="list-style-type: none"> For the “supplier mechanism to demonstrate DCF” (see slide 11), there is potential to develop guidance on additional requirements for (a) suppliers and (b) FPC members (manufacturers and retailers) on monitoring and responding to grievances. An area for future discussion from the group on interest of building group-level grievances into the methodology
Remediation	<ul style="list-style-type: none"> Remediation for deforestation after the cut-off date is already built into RSPO and there is ongoing discussion for the IRF. The MRF provides the FPC’s interim guidance on good practices for remediation. 	<ul style="list-style-type: none"> There is potential to add to the future work plan, the development of additional guidance on remediation best practice to supplement the MRF. Future revisions of the MRF may include defining volumes as DCF if a grievance reaches step 3 of the MRF (following confirmation of workplan from the POWG)

Guidance on Verification processes



- Companies to state if reporting data is **self-declared or verified**
- To report as verified data – verification must be completed by a **3rd party**
- Development of verification guidance is ongoing by the **Independent Verification working group of the POCG** (*group includes external stakeholders such as Peterson, WWF*) - FPC to align with the protocol once finalized



Scope: Deforestation and peatland conversion



PART I: Expectations for Different Supply Chain Actors

Establishment of a Deforestation-free origin. Verification points:

- Traceability to plantation (TTP)
- Confirm no deforestation and peatland conversion after cut-off date
- Forest and Land Monitoring and Response System


Supply Chain Actor Management System

Chain of Custody and Volume Reconciliation

PART II: Independent Third-party Verification Guidance

Note:

- For data reported through the IRF tool - companies to use the data verification protocol which will automatically show if a profile has been verified or self-reported
- [Link here](#) for detail on Earthworm Foundation's No Deforestation Verification methodology



Annex 1: Parallel work ongoing in the POCG PPBC

3 Types of Production Areas and Traceability



Description

- FFB production areas that are legally connected to a mill
- Comprise of the mill's own plantations and/or scheme smallholders
- Managed by the same parent company as the mill

TTP

- Geolocation information generally available publicly or through private monitoring platforms
- Can establish a sourcing relationship between the mill and directly managed areas based on ownership structures
- TTP can be established remotely



Description

- Does not belong to any mill group
- Plantations with plot sizes that are bigger than smallholder farms (eg single plots of medium size, scattered SH-size plots that add up to total landholdings bigger than SH, larger estates and groups of large plantations)
- Operated independently by different owners

TTP

- Some geolocation available publicly or through private monitoring platforms
- Difficult to establish a sourcing relationship remotely since there is no legal relationship with mills.
- TTP information needs to be provided by the mill



Description

- MSPO – Individual farmers with planted oil palm areas of less than 40.46 hectares.
- ISPO – Individual farmers with planted oil palm areas of less than 25 hectares.
- Default to RSPO's definition when there is no national legal definition – Individual farmers with planted oil palm areas of less than 50 hectares.

TTP

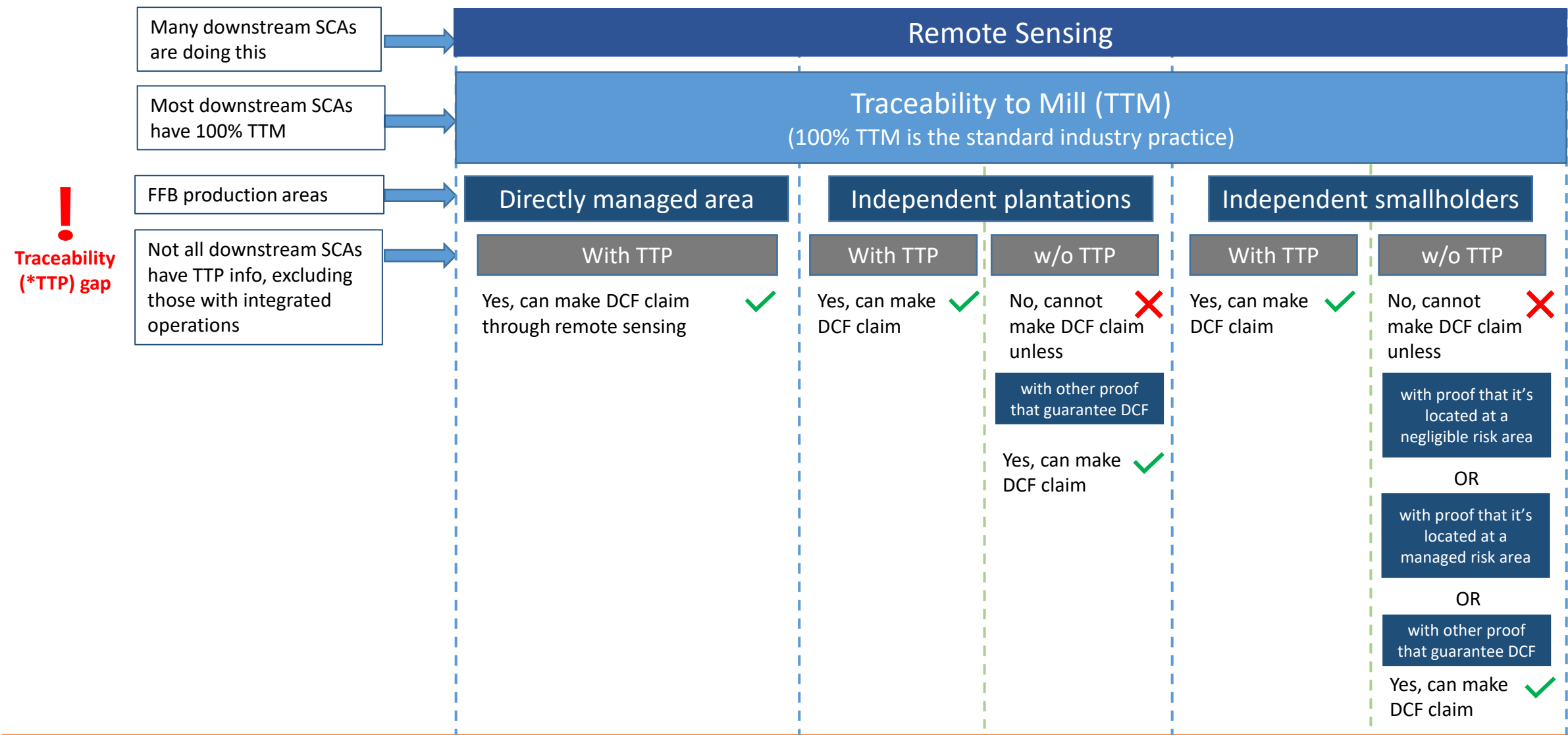
- Geolocation data has yet to be collected for many ISHs although many programs are underway.
- *TTP to individual ISHs will take time, so using traceability to larger areas where risk is known (eg landscape initiatives, negligible risk villages, managed supply sheds) is important to keep ISHs in supply chains.

Notes:

* TTP refers to traceability to plantation/production area.

* Support and engagement through dealers to gather ISHs-related TTP data is necessary to have a comprehensive overview of ISHs performance on the ground.

Reporting DCF without Full Traceability (TTP)



Note:
* TTP refers to traceability to plantation/production area.



Annex 2: Industry-wide efforts towards meeting DCF commitments

Existing Standards and Tools Used to Demonstrate DCF

Building on current industry-wide efforts towards DCF reporting

Certification schemes



Making DCF claims for certified volume under an acceptable chain of custody option (CoC) is possible, if there is an assurance that 1.) the certified volume can be traced back to production area, 2.) there is no deforestation since the cut-off date and 3.) there is an appropriate monitoring and response framework in place to manage potential deforestation, which is in alignment with the 3 key steps of the generic DCF methodology.

For volumes certified under CoC without adequate evidence to demonstrate an assurance that the volume is deforestation-free (e.g. due to lack of traceability visibility, mixing of certified & non-certified materials etc.), no DCF claim can be made to such volume and further action is needed to address the gaps with the existing CoC to be able to report on the DCF volume eventually.

An overarching reporting tool



The IRF is a reporting tool that is developed with the goal to facilitate the tracking and reporting of NDPE performance across the palm oil supply chain.

An IRF profile is created by aggregating information on NDPE performance across the supply base, which further allocates the proportion of volume into 6 categories, with Delivering being the category that promises the delivery of NDPE commitment.

The IRF is built on existing tools and approaches towards meeting deforestation-free commitments by allocating the IRF category of the volume sourced accordingly based on certification status, satellite monitoring and response alert, grievance status, and other on-the-ground actions to address deforestation. Making DCF claims using the IRF profile is possible as the allocation criteria used to determine the categorisation of NDPE performance of the volume sourced is overarching, encompassing the relevant approaches and tools that guarantee no deforestation within and outside of concessions.

Existing Standards and Tools Used to Demonstrate DCF cont.

Building on current industry-wide efforts towards DCF reporting

Satellite monitoring platforms and service providers



The use of satellite monitoring platforms by companies to manage deforestation risks in the supply chain is commonly practised by downstream SCAs. To overcome the challenges in gathering granular traceability data points, proxies are used to identify deforestation events happening in the production area. As such, there are variations as to what constitutes deforestation events. For example, there are differences in assumptions used to define elements such as deforestation timescales and clearance thresholds, the definition of forest, and the use of data sources. Proxies are also used to enable the calculation of DCF volume for FFBs coming from independent plantations and independent smallholders.

Greater alignment is needed to define elements in identifying the occurrence of deforestation and mapping the links to the company's supply chain.

Online platforms for NDPE engagement with suppliers



Multiple supplier engagement online platforms are developed to facilitate NDPE data sharing and monitoring of supplier NDPE compliance. SCAs that source directly from palm oil mills can effectively gather on-the-ground information about the production area and carry out the necessary assessment and analysis to monitor deforestation activities and risks in the production area. With that, a targeted capacity-building program can be conducted for the prioritised suppliers to close the knowledge gaps and to identify further support required by the suppliers to deliver on NDPE commitment.

While collecting data required to make DCF claims, it is crucial to note that a shift towards taking actions to work closely with the relevant SCAs to address the non-DCF volume to enable a complete delivery of NDPE commitment across the supply chain is key towards a just sectoral transition.

Collaborative Efforts towards Addressing Non-DCF Volume

Delivering meaningful impact strategically and effectively

Working within supply chain

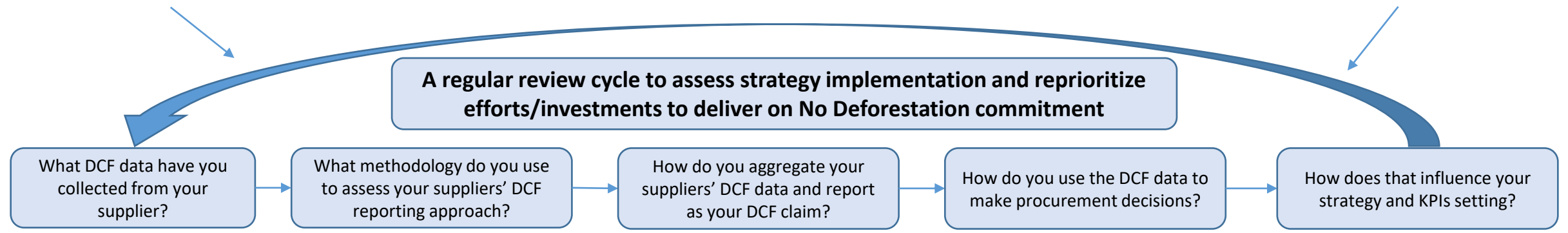
For downstream SCAs with limited visibility and access to traceability to production area datasets, working closely with Tier 1 suppliers to effectively manage deforestation risk within the supply chain is key. Understanding the supplier’s DCF reporting methodology/approach allows downstream SCAs to aggregate the relevant DCF reporting data points to make a credible DCF claim that accurately represents the supply chain.

In practice, there are different ways of demonstrating that the volume sourced is DCF, which includes the three steps of 1.) traceability back to production area, 2.) confirming no deforestation since the cutoff date, and 3.) monitoring and responding to new deforestation. In general, any combination of these different options can demonstrate DCF, especially for the upstream SCAs closer to the production region. Where none of the DCF approaches can be applied, the material cannot be considered as DCF and engagement and further action will be needed. A continuous and collaborative effort amongst different SCAs to address and mitigate risks and issues behind Non-DCF volume is necessary to collectively meet the NDPE commitment.

Working beyond supply chain

Engagement in production landscapes is one of the main elements of the CGF FPC Palm Oil Roadmap. There is a common understanding that the transformation of palm oil production to Forest Positive cannot be achieved by companies in isolation, but rather through collaboration beyond the supply chain.

As a result, the Production Landscapes Working Group is formed to facilitate knowledge sharing and to achieve industry alignment to report on progress and impacts delivered through landscape initiatives. A common *Landscape Reporting Framework has been developed to provide specific metrics and guidance to make linkages between the delivery of impacts through participation in landscape initiatives to the companies’ commitments. As a landscape initiative typically involves multiple stakeholders and is implemented at scale, making a credible DCF claim requires a comprehensive understanding of both the generic metrics and ground-level indicators that reflect the systems and mechanisms put in place to guarantee deforestation within the landscape.



Note:
* More information about the common Landscape Reporting Framework can be found [here](#).

Annex 3

The DCF Methodology and the
European Union Deforestation
Regulation (EUDR)

An Overview of European Union Deforestation Regulation (EUDR)

Outline of definitions, scope, and main requirements

EUDR scope and key definitions

- * Regulation covers **deforestation, forest degradation & legality of country of production**
- * Applies to **cattle, cocoa, coffee, oil palm, soya, rubber and wood**
- Upcoming reviews in 2024 -'25 will consider scope expansion to
 - additional commodities/products,
 - natural ecosystems”,
 - and finance sector.

'deforestation-free' under the EUDR means

- that the relevant products contain, have been fed with or have been made using, commodities that were produced on land that has not been subject to deforestation after December 31, 2020, and
- in 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 31, 2020;

Forest definition based on FAO:

- 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
- Forest definition explicitly excludes “agricultural plantations” (includes oil palm and agroforestry systems)

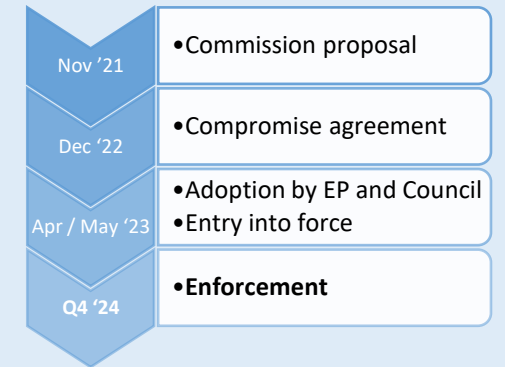
International law and laws of country of production:

- Includes *labour rights laws*; **human rights protected under international law** including FPIC; *local tax, anti-corruption regulations*

Primary obligations and timeline

*Companies need to:

- Ensure products placed on the EU market or exported from the EU:
 - Are **deforestation-free** following the EUDR definition
 - Comply with relevant **legislation of the country of production** (both national and international)
- By carrying out due diligence procedures on relevant commodities, meaning:
 - Collect data** on the source of a commodity/product
 - Geographic coordinates of all plots of land** (polygons required for plots of more than 4 ha.)
 - Assess and mitigate risks** of non-compliance using available data sources and adequate and proportionate policies, controls and procedures
- Resulting in the following documentation to be provided to competent authorities:
 - A due diligence or ‘compliance’ statement for each shipment/product entering the EU market
 - Annual report on implementation of due diligence procedure
 - Documentation of risk assessment and mitigation procedures



✓ Existing tools such as certification, remote assessments, and field assessments can be used in the DD process

! HOWEVER, geolocation and traceability data to all land plots are not provided by most existing tools

! Operators or traders may mandate an authorised representative to make available the due diligence statement on their behalf but retain the responsibility for the compliance

Applies to all operators and traders placing products on the EU market or exporting products from the EU market, regardless of their size, their legal status, or whether they are EU or non-EU companies.

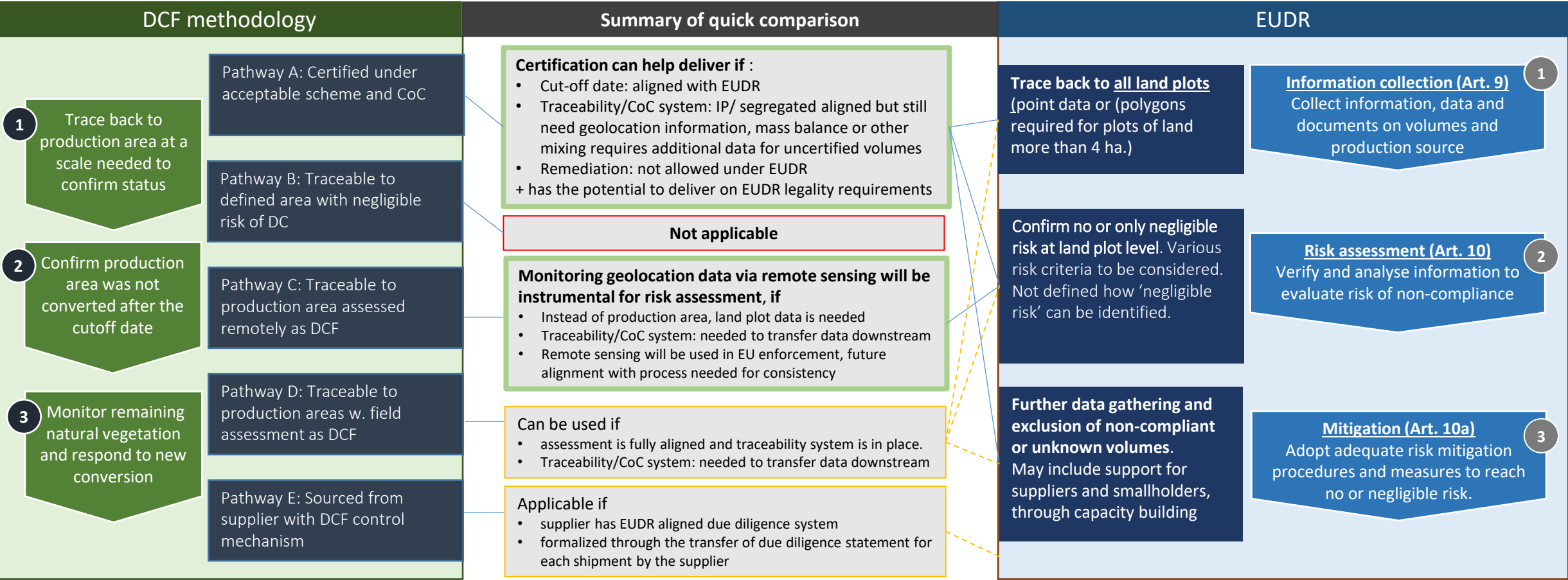
Notes:

- * The scope of EUDR **does not** currently cover the conversion of other natural ecosystems.
- * The full list of relevant products, including specific derivatives and embedded commodities covered in EUDR product scope can be found in Annex 1.
- * The term “Companies” refer to both operators and traders in the context of EUDR.

Generic DCF Methodology and the EUDR Due Diligence Process

Assessing DCF pathways and means towards EUDR compliance

**tentative analysis based on evolving information on EUDR implementation and compliance*



A combination of certification data, remote assessments, and mapping of individual producers are likely the most effective mix towards DCF claims AND EUDR compliance IF traceability and data management systems from all suppliers are in place (upstream actors are able to pass on required EUDR information to their customers)

Take-aways and Remaining Questions

Actions towards EUDR compliance needed but implementation hampered by lack of clarity

Take-aways

1. Companies applying the DCF methodology and its controls have a due diligence system in place **that broadly aligns with the EUDR obligations and, in some aspects, goes beyond it**
 - A combination of certification, remote assessments, and mapping of producers will enable EUDR compliance
 - Companies and their suppliers need to assess compliance gap with EUDR while retaining DCF commitments and methodology roll-out
2. A **critical difference is the EUDR requirement on geolocation** and traceability data to all land plots, which does not allow for more flexible and cost-effective monitoring
 - requiring upstream suppliers to start improving their ability to identify point data for production area will be important
3. While **implementation will be mandatory by end of '24**, uncertainties about the implementation of the EUDR persist, preventing in depth-guidance and collective action towards compliance

Remaining Questions

4. Lack of clarity on the practicalities of EUDR prevent immediate action and alignment
 - What constitutes a viable mitigation action and how 'negligible risk' is defined
 - Which geospatial data will be the reference for enforcement
5. Additional grey areas in the EUDR's design prevent detailed analysis
 - The process for geolocation data collection and transfer
 - The definition of legality and how to monitor it
 - Country benchmarking methodology
6. Significant concerns may or may not be addressed via implementing guidance from the Commission
 - the exclusionary effect of EUDR traceability requirements, in particular on smallholders
 - The legality of companies collecting and transferring location- and private property- data outside of the host country