

Proving deforestation-free origins of agricultural materials with European Union Deforestation-Free Regulation (EUDR)

Gloria Figaroa, Senior Product Marketing Manager | SAP Green Token

June, 2024



Forest Preservation is Critical for Sustainability

10%

Of global emissions attributed to deforestation



80%

Of all terrestrial species of animals, plants and insects live in forests



90%

Of people living in extreme poverty depend on forests



What is EUDR about?

European Union Deforestation Regulation



European Union Deforestation Regulation (EUDR) is the new **mandatory** regulation to ensure that **products sold in the EU do not contribute to global deforestation** or forest degradation.



Timeline

- Introduced on June 29, 2023
- From December 30, 2024 – Mandatory for large enterprises
- From June 30, 2025 – Mandatory for SME's



Scope 7 commodities and derivatives in scope:

- Cattle,
- Cocoa,
- Coffee,
- Palm Oil,
- Rubber,
- Wood,
- Soy



Two components with implications to traders and operators

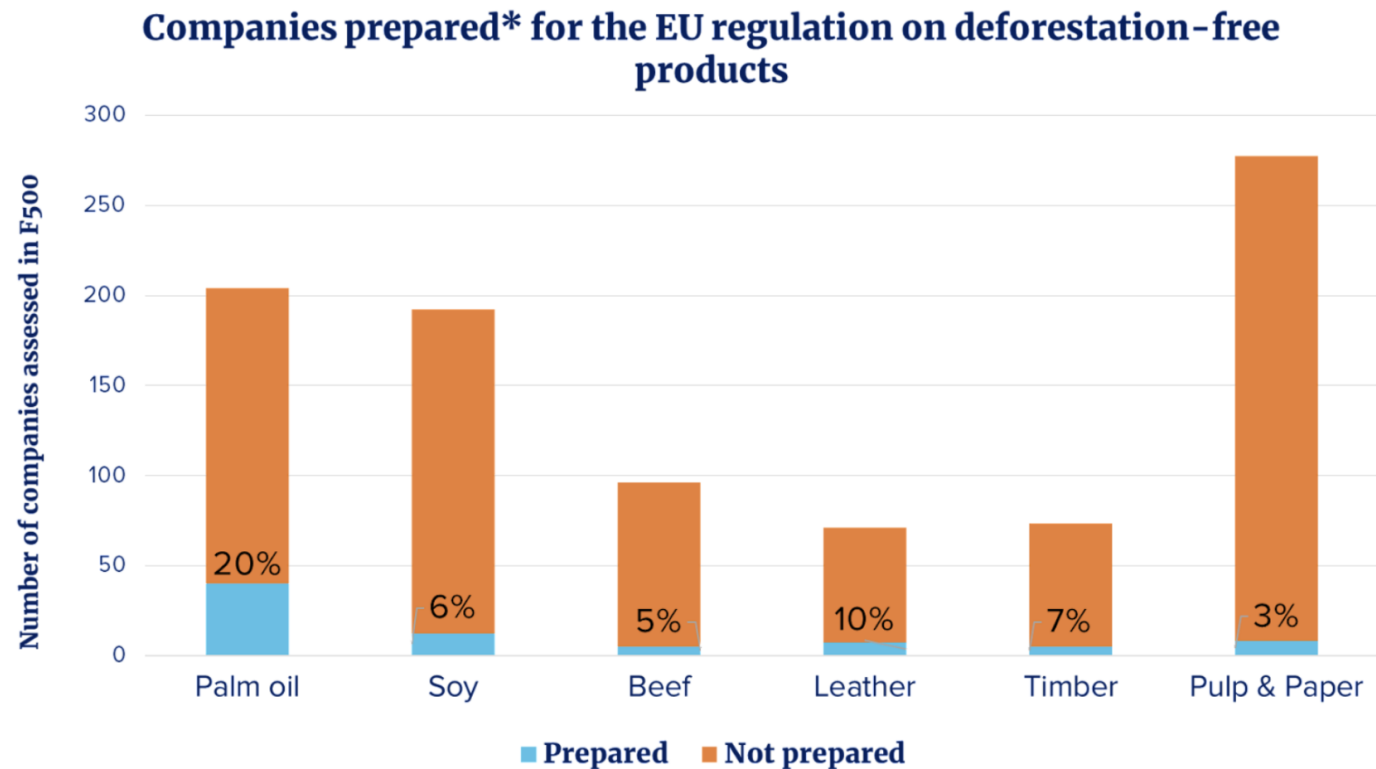


Fines of **up to 4 % annual Union-wide turnover** for non-compliance



“Non-compliance can result in fines of up to 4% of the EU annual turnover.

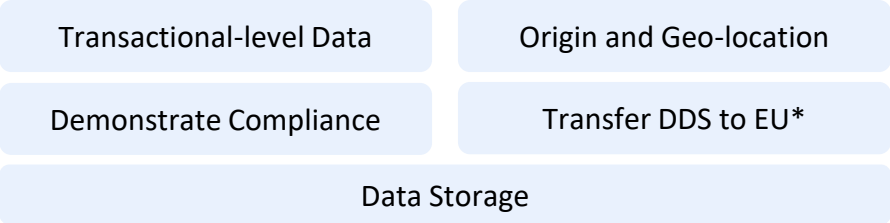
But most companies are not ready for traceability back to the plot of land...”



How to Become Compliant with EUDR?

Zooming in on EUDR's Two Components

Information Requirements (Article 9)

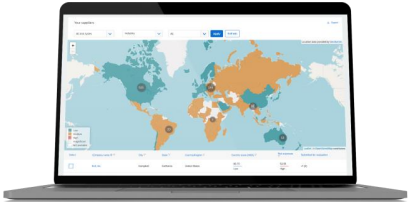


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Risk Assessment and Mitigation (Article 10, 11)



SAP Ariba Supplier Risk



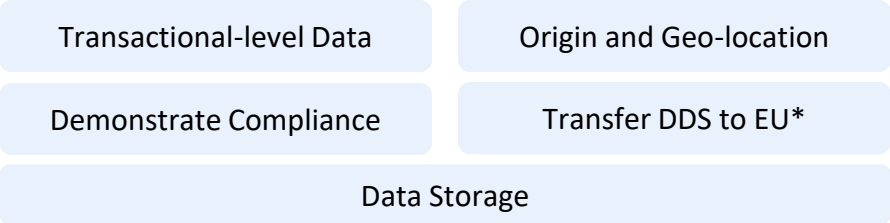
ERP Backbone & Other Source Systems

* API will be delivered when EU Database is released

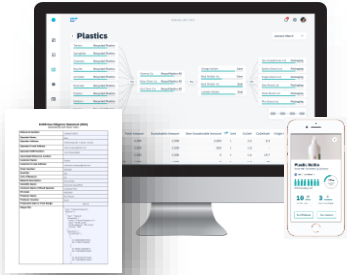
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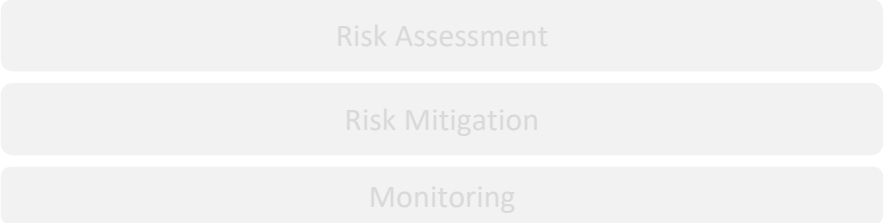
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EUDR Information Requirements (Article 9) Overview – Data and Documentation

Name:
Operator Name
Operator Address
Operator E-mail Address
Operator EORI Number
Customer Name
Customer Address
Customer E-mail Address
Order Number
Quantity
Unit of Measure
Material Description
Associated Reference number
Scientific Name
[Wood-Only] Common Name of Species
HS Code
Producer Name
Producer Country
Production Time Range
Shape File

EUDR Due Diligence Statement (DDS) Generated by SAP Green Token	
Reference Number:	234938775RTD
Operator Name:	Beta
Operator Address:	Keinberweg 567, Leoben, Austria
Operator E-mail Address:	beta.company@mail.com
Operator EORI Number:	AUS13456789B01
Associated Reference number:	
Customer Name:	Charlie
Customer E-mail Address:	customer.company@mail.com
Order Number:	QW2238
Quantity:	500
Unit of Measure:	KG
Material Description:	Wood Chips
Scientific Name:	Araucaria angustifolia
Common Name of Wood Species:	Cultivated Pine
HS Code:	48025450
Producer Name:	Rio Grande
Producer Country:	Brazil
Production Date or Time Range:	Mar/23
Shape File:	<pre>{ "type": "FeatureCollection", "features": [{ "type": "Feature", "properties": { "name": "Forest Plantation 13", "area": "69.84 acres", "producerName": "BF Prods", "country": "BR" }, "geometry": { "coordinates": [[[-51.36309388307552, -24.71738731442241], [-51.36335142005473, -24.719539560219943], [-51.361316877917204, -24.719539560219943]]] } }] }</pre>

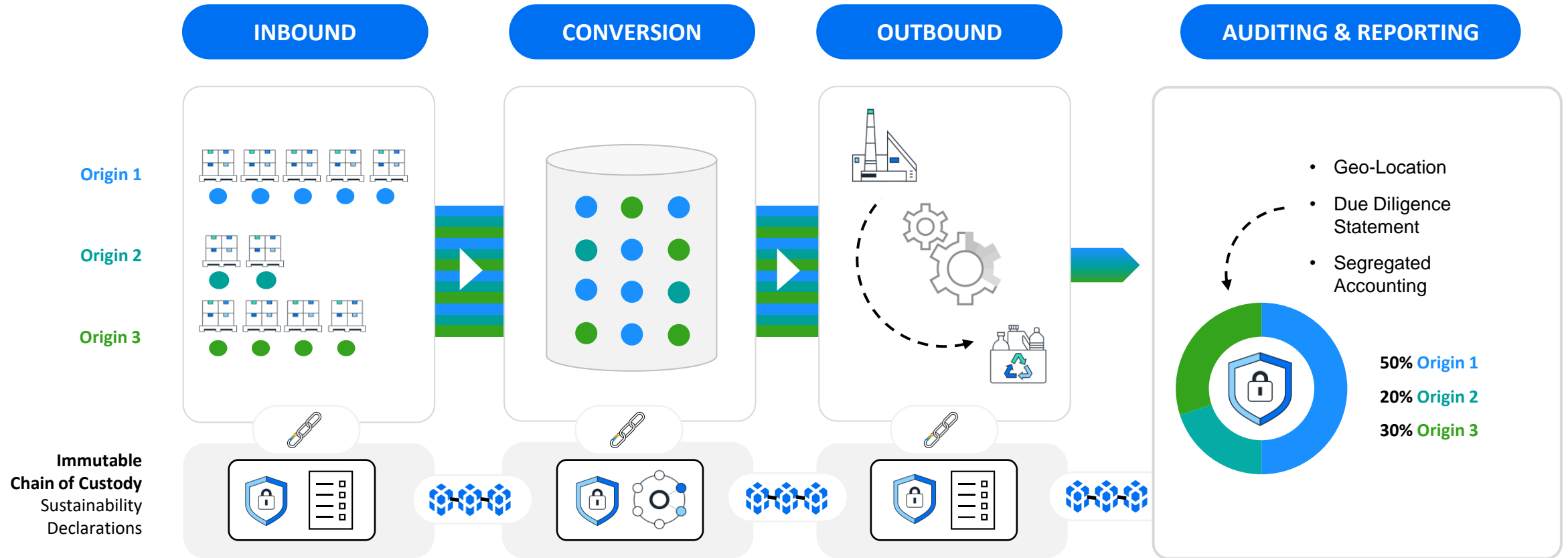
As due diligence statement, the operator confirms that due diligence in Regulation (EU) 2023/1115 was carried out and that no or only a negligible amount of the relevant products do not comply with Article 3, point (a) or (b), of that Regulation.

On behalf of: Beta

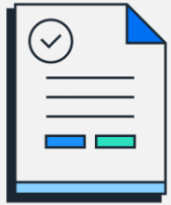
Signature: Joe Johnson, Director EMEA N

Signature: Johnson

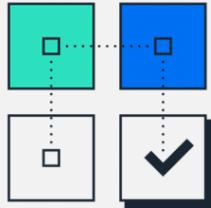
SAP Green Token for EUDR Deforestation-Free Palm



Address your challenges with SAP Green Token



Ensure continuous compliance with evolving standards and regulations



Facilitate operations through automation and standardization



Adopt one solution across your organization to unlock business value

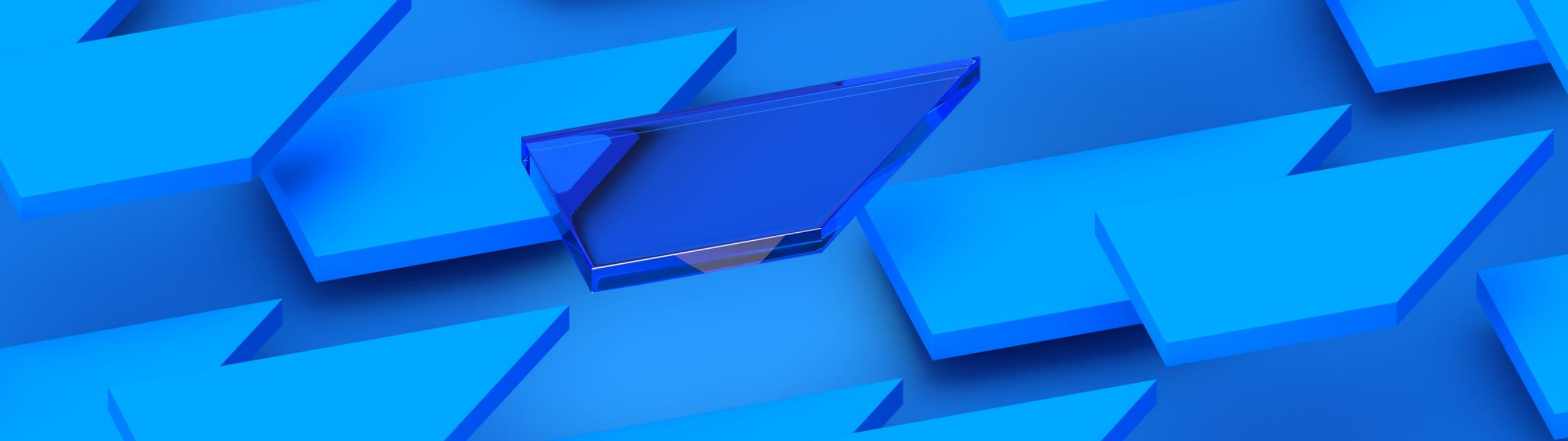


Thank you

Contact information:

Gloria Figaroa (She/Her)
Senior Product Marketing Manager, SAP Green Token

 **Bring out your best.**



Micro forum – EUDR Geo-locations: from opaqueness to transparency

Gloria Figaroa, Senior Product Marketing Manager | SAP Green Token

June, 2024



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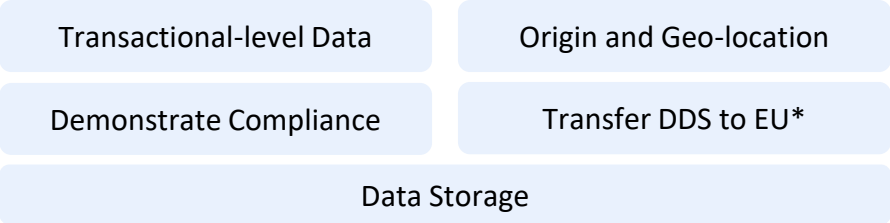


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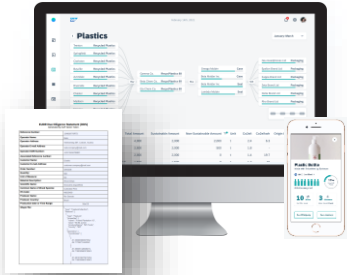
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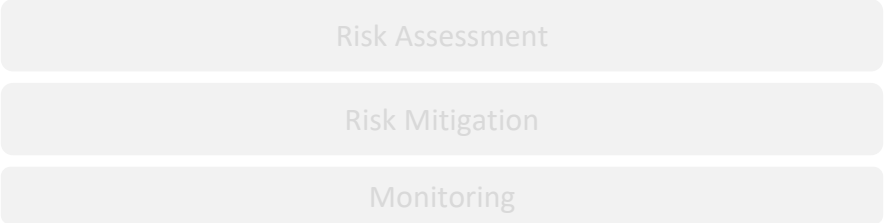
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SAP Green Token



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Order Number
Quantity
Unit of Measure
Material Description
Associated Reference number
Scientific Name
[Wood-Only] Common Name of Species
HS Code
Producer Name
Producer Country
Production Time Range
Shape File / Geo-Location

EUDR Due Diligence Statement (DDS)
Generated by SAP Green Token

Reference Number:	234938775RTD
Operator Name:	Beta
Operator Address:	Keinberweg 567, Leoben, Austria
Operator E-mail Address:	beta.company@mail.com
Operator EORI Number:	AUS13456789B01
Associated Reference number:	
Customer Name:	Charlie
Customer E-mail Address:	customer.company@mail.com
Order Number:	QW2238
Quantity:	500
Unit of Measure:	KG
Material Description:	Wood Chips
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On behalf of: Beta

Signature: Joe Johnson, Director EMEA N

John Johnson

From Opaqueness to Transparency?



Supplier A:

Plot of lands in [redacted]

Location: [redacted]



Supplier B:

Plot of lands in [redacted]

Location: [redacted]



Supplier C:

Plot of lands in [redacted]

Location: [redacted]



Supplier N:

Plots of lands in [redacted]

Location: [redacted]



Supplier A:

Plot of lands in Argentina

Location: A1, A2, A3, An



Supplier B:

Plot of lands in Brazil

Location: B1, B2, B3, Bn



Supplier C:

Plot of lands in Chile

Location: C1, C2, C3, Cn



Supplier N:

Plots of lands in N

Location: N1, N2, N3, Nn

Transparency on a Vendor and Product Level



Supplier A:

Plot of lands in Argentina
Location: A1, A2, A3, An



Supplier B:

Plot of lands in Brazil
Location: B1, B2, B3, Bn



Supplier C:

Plot of lands in Chile
Location: C1, C2, C3, Cn



Supplier N:

Plots of lands in N
Location: N1, N2, Nn, Nn



Deliveries from Supplier A:



Geo-location: A1, A2, A3, An

Deliveries from Supplier B:



Geo-location: B1, B2, B3, Bn

Deliveries from Supplier C:



Geo-location: C1, C2, C3, Cn

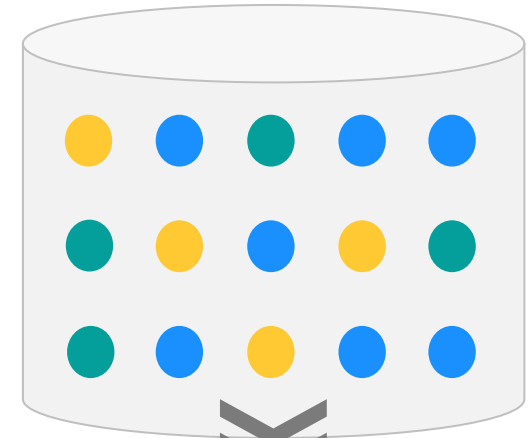
Deliveries from Supplier N:



Geo-location: N1, N2, N3, Nn



Physical commingling and processing of materials:



Geo-location: B1, B2, B3, Bn,
C1, C2, C3, Cn, N1, N2, N3,
Nn...

Why can we not “simply” report on all possible geo-locations from our suppliers?

A risk of deforestation is found on plot B65...

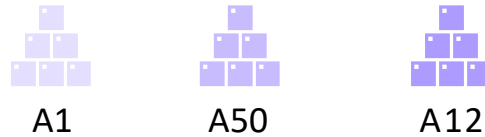
Transparency on a Transactional Level



Supplier A:

Plot of lands in Argentina
Location: A1, A2, A3, An

Deliveries from Supplier A:



Supplier B:

Plot of lands in Brazil
Location: B1, B2, B3, Bn

Deliveries from Supplier B:



Supplier C:

Plot of lands in Chile
Location: C1, C2, C3, Cn

Deliveries from Supplier C:



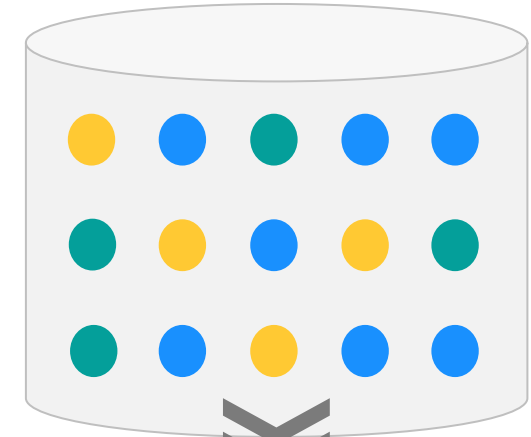
Supplier N:

Plots of lands in N
Location: N1, N2, Nn, Nn

Deliveries from Supplier N:



Physical commingling and processing of materials:



Geo-location: B80, C55, N9

A risk of deforestation is found on plot B65...



Thank you

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 **Bring out your best.**

What is EUDR about?

European Union Deforestation Regulation



European Union Deforestation Regulation (EUDR) is the new **mandatory** regulation to ensure that **products sold in the EU do not contribute to global deforestation** or forest degradation.



Address all **deforestation** and forest degradation driven by **agricultural expansion** to produce the commodities in scope



Reduce carbon emissions caused by EU consumption and production by at least **32 million CO2e** tons a year



Fines proportionate to the environmental damage and the value of the commodities **up to 4 % annual Union-wide turnover**.



Implication for Operators and Traders in Scope

Information Requirements

- Sustainability - and transactional information management
- Due Diligence statement management

Risk Assessment and Mitigation

- Additional information collection and review;
- Policies, controls and processes

Scope and Timeline of EUDR

8 months left to comply

Scope

Initially affects any large company importing or exporting the below commodities and derivatives in scope. SMEs are initially not included until June 2025.

7 commodities and derivatives in scope:

- Cattle,
- Palm Oil,
- Wood,
- Cocoa,
- Rubber,
- Soy
- Coffee,

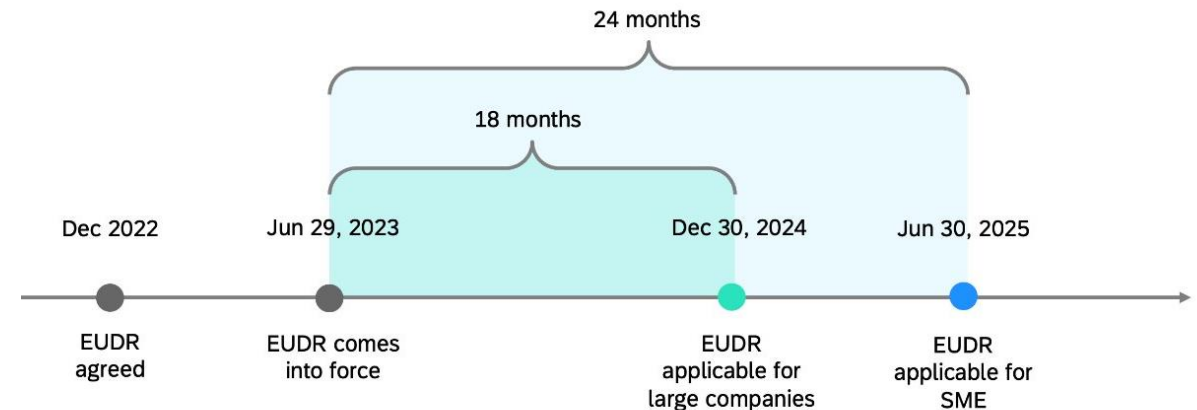
Example of derivative products:

Leather, Meat
Cocoa butter, Chocolate
Coffee, Coffee substitutes containing coffee
Palm nuts, Palm oil derivatives, Glycerol
Pneumatic tyres and inner tubes, Apparel made with vulcanised rubber
Soy beans, Soy-bean flour and oil
Fuel wood, Furniture, Casks, Pulp and paper, Printed books

Timeline

From December 30, 2024 - Mandatory

Fines of **up to 4% of EU annual turnover** for non-compliance from this date onwards (large companies only).



How to Become Compliant with EUDR?

Zooming in on EUDR's Two Components

Information Requirements (Article 9)

- Operators must collect, organize, and retain information, documents, and data
- Information to be managed on a **transactional-level** (per delivery): incl. transactional data and **origin- and geo-location** information (to plot of land)
- Information must **demonstrate compliance** with the regulation
- **Generation and Transfer of Due Diligence Statement into the EU database**
- Information **storage for at least 5 years** from the date of placing products on the market or exporting them

Risk Assessment and Mitigation (Article 10, 11)

- The information is based on the 'Information Requirements (Article 9)' and considers geographical and societal information
- Operators verify and analyze collected information and relevant documentation prior to placing the material on the market
- **Establish risk mitigation policies, control and compliance management** prior to placing products on the market or exporting
 - Measures may include requiring additional information, data, or documents (e.g., surveys and audits)
- Products **should not be placed on the market** or exported if a non-compliance risk is identified.
- **Annual review or risk assessment and mitigation processes**

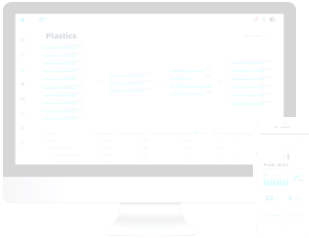
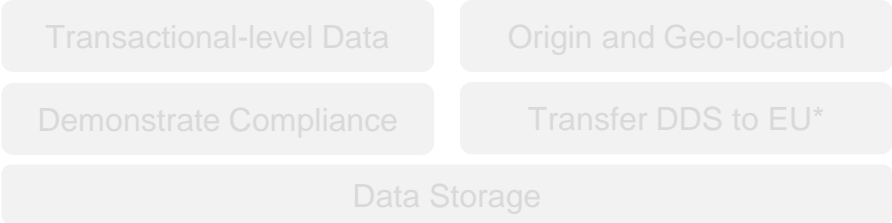


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SAP Solutions to Support EUDR Compliance

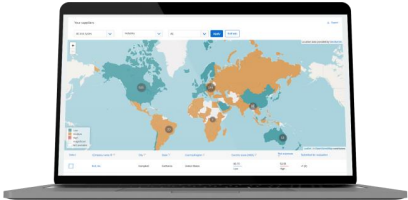
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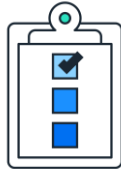
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How it Works

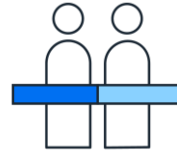
Risk Assessment and Mitigation with SAP Ariba Supplier Risk

RISK ASSESSMENT



- Conduct supplier risk due diligence across various spend and risk types including EUDR
- Perform risk assessment via modular assessment questionnaires set up to collect EUDR relevant information from supplier

RISK MITIGATION

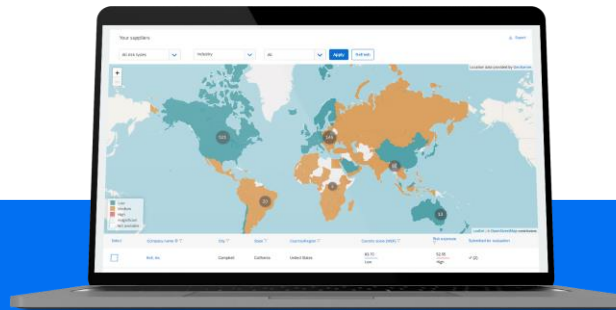


- Create, manage and collaborate on findings about suppliers with Finding and Event Collaboration
- Generate and execute findings and action plans to proactively mitigate risk

MONITORING



- Monitor your supplier risks
- Gain actionable insights into high-risk suppliers and risk alerts



While EUDR requires an in-depth analysis of the supply chain and its commodities such as the assessment of satellite imagery to detect any potential deforestation, Ariba Supplier Risk provides a solution to collect purposeful data from tier-1 suppliers through questionnaires and to support the risk mitigation process