



European Union Deforestation Regulation Introduction for Distributors and Artisans

(Small to medium enterprises SME)

February 2025

What is the EU Deforestation Regulation (EUDR) in a nutshell?

- EUDR is an initiative from the European Commission and tackles deforestation & forest degradation, drivers of global climate and biodiversity crises.
- 7 commodities are in scope: cattle, cocoa, coffee, palm oil, soy, wood and rubber
 - For each commodity, a list of derived products falling within the scope ([Annex 1](#))
 - Cocoa (commodity code 1801 to 1806) and palm for BC
- Regulation applied to imports to the EU, products made available within the EU, and exports from the EU
- Regulation requirements apply to importers (BC) and companies placing the products on the EU Market (BC customers)
- Corrective action and penalties for non-compliance : market recall and fines (*specifics to be established by EU Member States*)






Why does the EUDR matter?

- **420 million hectares of forest worldwide have been lost between 1990 and 2020 (FAO).**
- **Deforestation and forest degradation are important drivers of climate change & biodiversity loss**
- **90% of deforestation provoked by the expansion of agricultural land.**
- **At least 50% of cocoa expansion since the 1960s has been at the expense of forests (FAO)**
- **Cocoa is an important driver for land use change in forest landscapes**
- **The EU is a major producer and consumer of commodities associated with deforestation and forest degradation**



Newly Established Cocoa Farm in Côte d'Ivoire
Source: the Guardian

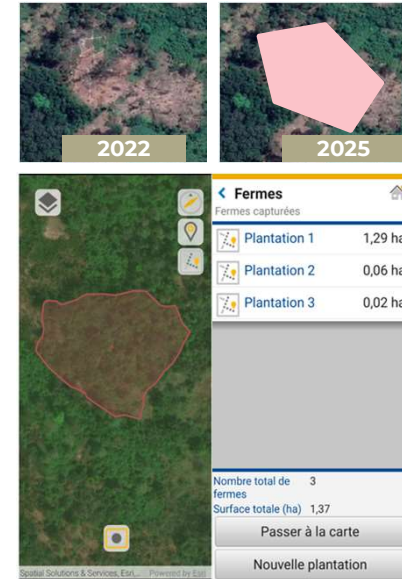
What are the requirements of the EUDR?

	Strict Traceability	<i>Strict traceability to the plot of land on which the commodity was grown incl. geolocation data (polygons) linked and collected</i> <i>Compliant cocoa cannot be mixed with non-compliant cocoa</i>
	Deforestation Free	<i>Cocoa and ingredients sourced from land not linked to deforestation after 31/12/2020</i>
	Legality	<i>Compliance to the laws of the country of production with regard to forest-related rules, labour rights, human rights</i>

Barry Callebaut has to perform a robust due-diligence process (Information Collection, Risk Assessment and Risk Mitigation) which is formalized in a Due Diligence Statement (DDS).

What is a polygon?

- *A farm plot is a single fixed part of land belonging to one farmer, on which cocoa is grown.*
- *Farm plots are mapped by storing their GPS coordinates which represent the land's boundaries, forming together the geometric shape of a polygon (see the deforested non-compliant polygon in the top right).*
- *Overlaying these polygon maps with satellite images allows us to detect and monitor deforestation on farms (see screenshots on the right).*
- *Complex supply chain at country level, small hold farming and land intensity result in a high number of farms contributing to data collection & included in each cocoa batch delivered (see table below).*



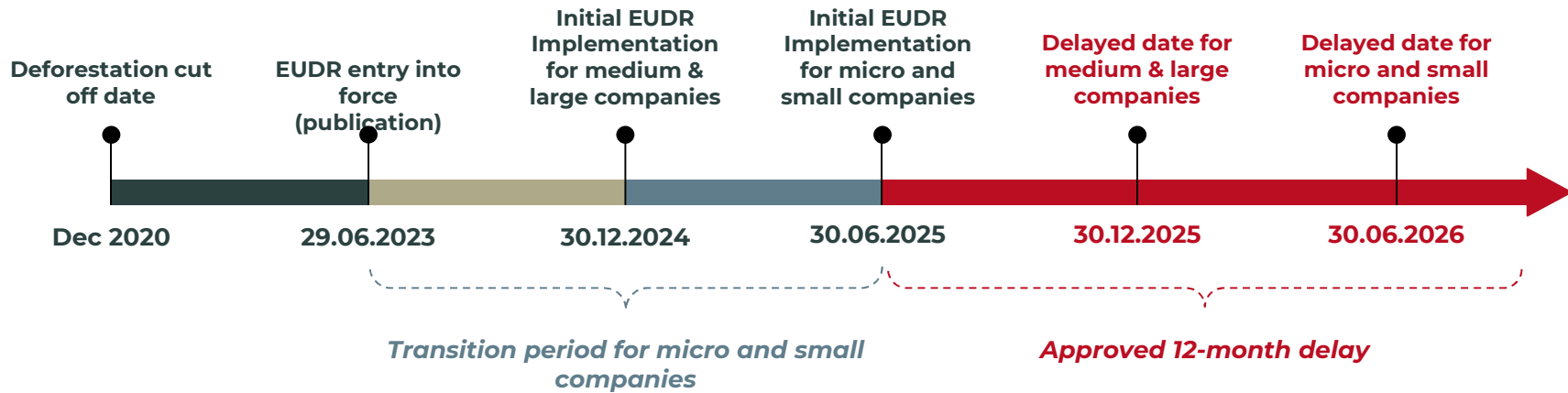
Screenshot of a farm plot in the BC system

Approx. scale for data collection		
Format	Weight	Likely min. number of farms contributing data
40ft container	25MT	400 farms
Standard Bill of Lading	250MT	4,000 farms
Bulk shipment or pile	5,000MT	80,000 farms

What does a DDS look like?

- **Unique DDS reference number**
- **Activity**
import, domestic, export
- **Operator name and address**
- **Place of activity**
entry into / exit from EU, EU country where good are made available
- **Commodities or products**
- **Volume of the batch the DDS is related to**
- **Production place specific to each commodity AND/OR geolocation coordinates, polygons**
- **Reference to DDS numbers of the different components**
e.g. chocolate DDS referring to liquor DDS and butter DDS

What are important dates of EUDR?



What distinction does EUDR make in terms of obligations between Small Medium Enterprises (SME) and non-SME?



EUDR for non-SMEs

Non-SME trader or operator

Due diligence obligation

- Incl. DDS creation, DDS number storing and ascertaining DD was exercised by supplier

What BC can provide additionally / upon request

- Assurance letter / Third party audit of the DD process



EUDR for SMEs

*SME trader
E.g. distributor / retailer*

- Collect relevant data on the product that they're making available
- Store this data for 5 years
- Pass on this data if selling to B2B entity

*SME operator
E.g. artisan*

- Has a DDS already been submitted by prior supply chain actors?
 - Make available the DDS reference number of the already declared product upon request
- Has a DDS not yet been submitted by prior supply chain actors?
 - Exercise DD in full & submit DDS in the Information System

Focus of this deck



Micro / small / medium / large enterprises - Definition and EUDR obligations & implementation date

Micro enterprises (<450K balance sheet, <900K net turnover, <10 employees) included.

	Small	Medium	Large
Definition*	<ul style="list-style-type: none"> <5m EUR balance sheet <10m EUR net turnover <50 employees 	<ul style="list-style-type: none"> <25m EUR balance sheet <50m EUR net turnover <250 employees 	<ul style="list-style-type: none"> >25m EUR balance sheet >50m EUR net turnover >250 employees
Implementation date	30 June 2026 (6 months after M&L)	30 December 2025	
Due Diligence obligations	<p>“LIGHT” DUE DILIGENCE</p> <ul style="list-style-type: none"> Collect DDS numbers and store for 5 years Pass DDS number on if selling to retail or B2B (Own due diligence only if own import into EU) 		<p>FULL DUE DILIGENCE</p> <ul style="list-style-type: none"> Info collection, risk assessment & mitigation Create & submit new DDS for products in scope Ascertain that DD was exercised by supplier

* At least 2 out of 3 criteria must be met

What is the difference between a trader and an operator?

DEFINITIONS

An operator:

- For products made in EU, the manufacturer is considered an (downstream) operator
- For products made outside EU, the first importer is considered an operator
- If first importer is not established in EU, the EU-based company making the product available on EU market is also considered an operator
- For exports from EU, the exporter is also an operator

A trader:

- A trader is a supply chain actor, apart from the operator, who makes the relevant products available on the EU market in the course of a commercial activity.
- Meaning supplied on the market for distribution or consumption / use

EXAMPLES



Chocolate Artisan



Chocolate producer



Distributor

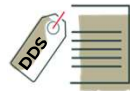


Retail chains

What are the simpler EUDR rules for micro, small and medium sized enterprises (SME)?



EUDR start date is 30th of June 2026 for micro & small companies instead of 30th of December 2025 for medium & large operators / traders



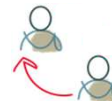
No need to exercise due diligence or submit a DDS when already done by the upstream operator



No need to implement policies and procedures like appointing compliance officer to mitigate non-compliance risks



No annual reporting obligations of their due diligence system



Option to mandate next operator as an authorised non-SME representative to submit a DDS for SME operator - operator retains compliance responsibility



Obligated to collect relevant information on their suppliers and subject to lighter checks by competent authorities

Deep dive into the simpler EUDR rules for micro, small and medium sized enterprises (SME) - 1

Less than (2 out of 3)
 - 25m€ balance sheet
 - 50m€ net turnover or
 - 250 employees

EUDR due diligence requirements for SME



**SME trader
(retailer / distributor)**

E.g. wholesaler who resells chocolate

- Collect relevant information on the product that they're making available
 - Name and address of operators / traders that have supplied to them
 - DDS Reference numbers
 - Name and address of operators / traders to whom they have sold the relevant products
- Store this information for 5 years and pass on this information to B2B entity it's selling to



**SME operator
(artisan)**

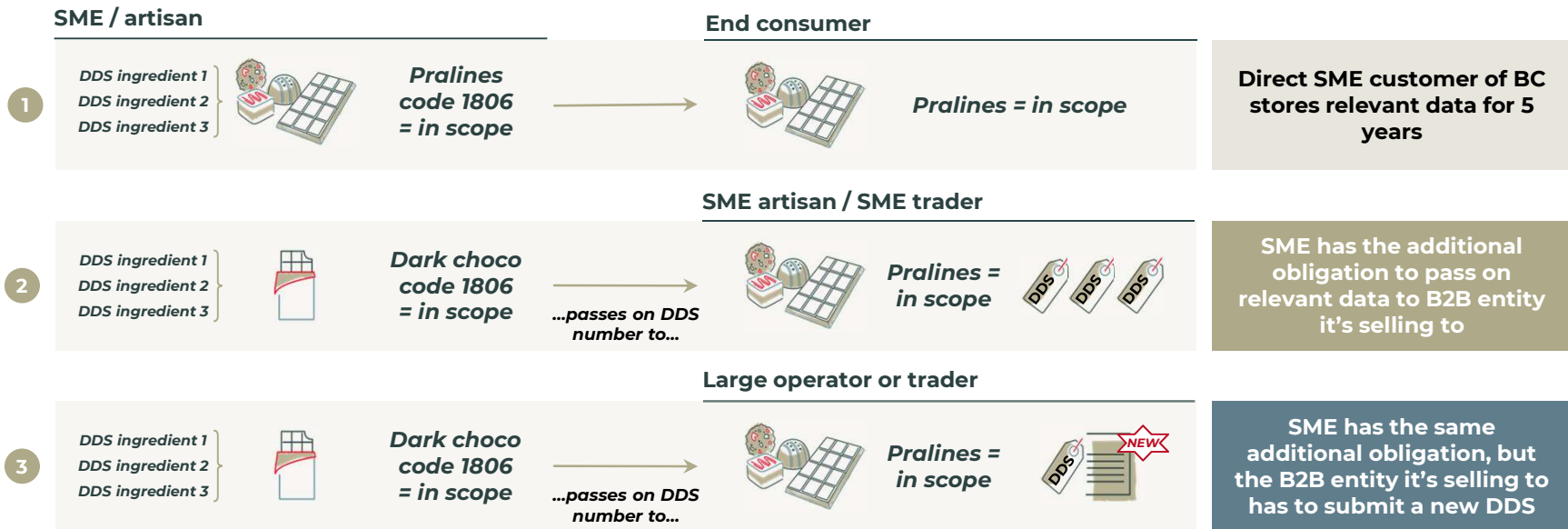
E.g. small chocolate producer that places on the EU market

- Has a DDS has already been submitted by prior supply chain actors?
 - Make available the DDS reference number of the already declared product upon request
- Has a DDS has not yet been submitted by prior supply chain actors?
 - Exercise due diligence in full & submit DDS in the Information System

- In Europe, Barry Callebaut will only sell EUDR compliant products
- These products will always have a DDS
- A European SME customer, whether trader or operator, will not have to perform DD, nor create / submit a new DDS

Deep dive into the simpler EUDR rules for micro, small and medium sized enterprises (SME) - 2

A European SME customer of Barry Callebaut will always receive EUDR compliant products with DDS.



Barry Callebaut will communicate the DDS numbers at batch level on the QA documents & My BC portal

Barry Callebaut will communicate DDS numbers at batch level upon arrival of each truck via email on the QA documents and via the My BC portal

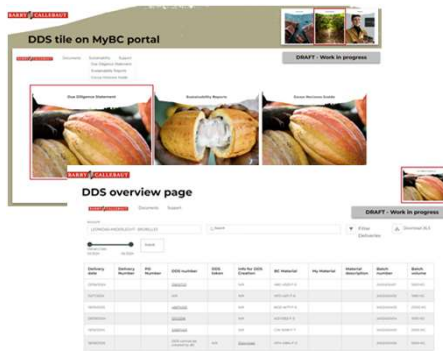
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**Certificate of Analysis (CoA) /
Certificate of Conformity (CoC)**

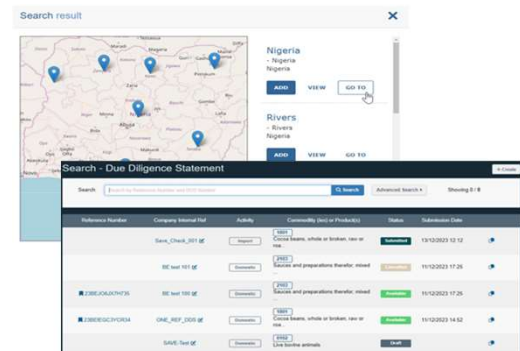


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MyBC customer portal



EU allows operators to make traceability information available via the EU Information System



BC's approach to ensure EUDR compliance (and mitigate risks of non-compliance) - 1

WHAT

BC will be required to demonstrate no or negligible risk of non-compliance for products from “high risk countries” entering the EU market through the use of a full Due Diligence System

HOW

To meet EUDR requirements towards compliance, we have structured our approach around:

1. Sourcing Guiding Principles

- Assessed risks of supplies being tied to deforestation and non-compliance with EUDR at global and regional levels
- Classified areas for sourcing under 3 risk categories: High-Medium-Low and compliant / non compliant volumes identified

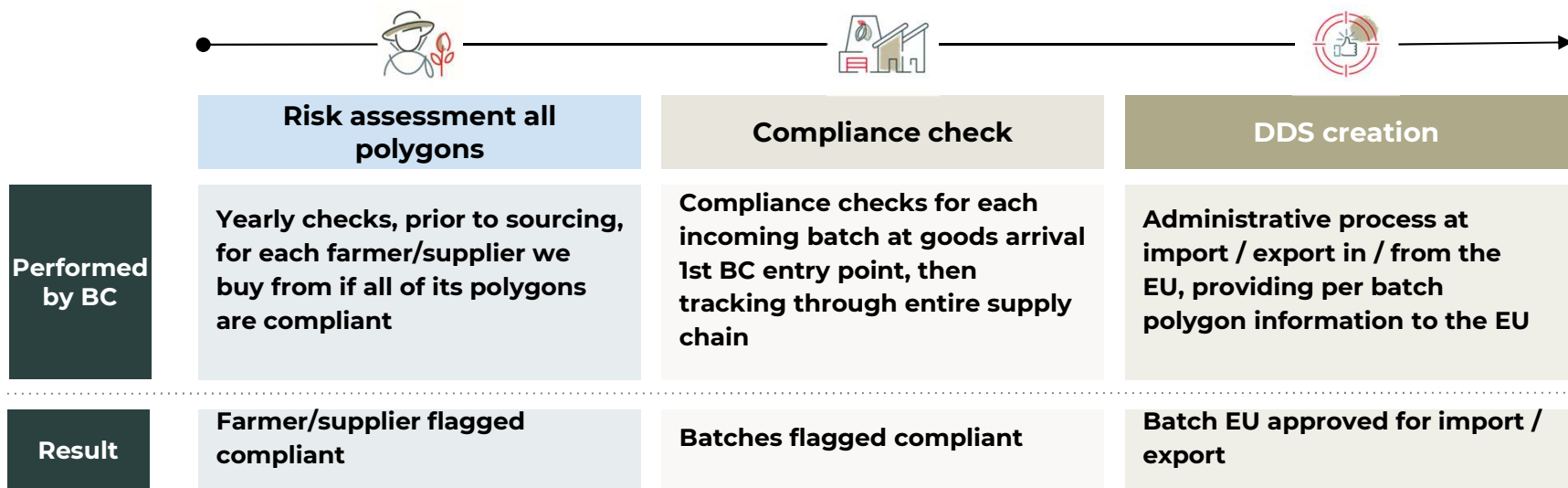
1. Forest Protection

- Forest conservation most cost effective and impactful strategy to mitigate risks of deforestation
- Support implementation of forest conservation initiatives in areas where risks of deforestation and EUDR noncompliance are high

1. Supply Chain Toolbox

- Implementing a toolbox structuring a robust approach towards risk management
- Designed to Assess Risks: Risk Assessment Frameworks, Land Cover Maps, Deforestation Monitoring, Supplier Assessment
- Designed to Mitigate Risks: Yield Control, Direct Supplier Engagement, Grievance Mechanism





BC's approach to ensure EUDR compliance (and mitigate risks of non-compliance) - 2



...Rolling up compliance from the beginning and through our full supply chain

Sustainability programs remain relevant next to EUDR as they tackle all industry's key challenges worldwide

With sustainability programs/certifications covering more ground than EUDR, it's important to keep it while being EUDR compliant.

	Sustainability programs/certifications	EUDR
 Poverty	✓	
 Child labour	✓	
 Gender equality	✓	
 Deforestation	✓	✓
Other	✓	



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