

SUSTAINABILITY BRIEF

OUR JOURNEY TO COMPLIANCE UNRAVELING THE EU DEFORESTATION REGULATION



UNDERSTANDING EUDR

The European Union (EU) introduced the [European Union Deforestation Regulation \(EUDR\)](#) to reflect a growing awareness of the environmental impact of certain agricultural practices while incentivising more responsible production methods across supply chains. It is part of the broader efforts by EU to promote sustainability and environmental stewardship while aligning to global initiatives to preserve ecosystems and biodiversity.

EUDR aims to address forest degradation and deforestation by prohibiting products originating from land that has been deforested since 31 December 2020. It specifically covers seven key commodities, namely cattle, cocoa, coffee, palm oil, rubber, soy and timber.

INDUSTRY RESPONSE TO EUDR

Companies within affected industries, including those in the palm oil sector, have been working hand in hand through various industry associations such as Fediol, APAG Oleochemicals and CESIO to gain clarity on and better understand the regulation. Apart from providing constructive input to ensure effective implementation of the EUDR, industry-wide efforts and resources are also being directed towards preparing for compliance with the regulation.

PREPARATION AND COMPLIANCE BY WILMAR

As a leading global agribusiness company, Wilmar is taking proactive measures to prepare and align with the EUDR requirements. Our compliance journey starts with the existing stringent policies and technological solutions that we have already adopted to ensure continued compliance to our own commitments to sustainability and traceability. We strive to deliver a global supply chain that is free from deforestation in accordance to our long-standing and robust No Deforestation, No Peat, No Exploitation Policy. Furthermore, we strive to be fully compliant with national regulations such as the Indonesian Sustainable Palm Oil and Malaysia Sustainable Palm Oil schemes.

While the EUDR requirements are very similar to our own sustainability commitments, the administrative deliverables are more stringent and require adjustments in our current supply chain to Europe. We are taking specific actions in Indonesia and Malaysia to ensure that volumes from specific identified facilities, referred to as EUDR Refineries and EUDR Mills, are EUDR-compliant and therefore can continue to supply to Europe after 30 December 2024.

For refineries with volumes that only partially comply with EUDR, efforts are being put in place to ensure that the EUDR-compliant products are segregated throughout the refining process. Similarly, for physical flow via shipments to Europe, EUDR products will be separated from the rest of the volumes for vessels that will also be discharging palm products at other destinations aside from Europe.



In relation to this, we recognise that the process of ensuring EUDR compliance involves meticulous data collection and verification, including documentation on land rights or titles, geolocations and proof of compliance with national laws or regulations, among others. We are crafting a solution to consolidate and transfer data securely and efficiently to the operators in Europe, including Wilmar's own subsidiaries and joint venture partners, thereby enabling them to prepare due diligence statements for further processing.

CHALLENGES & OPPORTUNITIES

Smallholders

One of the challenges all palm oil producing countries are facing is to ensure that smallholders are not left behind and excluded from the EU market. Many of the seven million palm oil smallholders globally are lacking official land-use rights, land tenure and concession maps. The inability to provide precise geo-location of their production areas makes traceability the biggest challenge, especially for independent smallholders.



The upstream smallholder supply chain is complex with many layers of actors from the individual smallholder to collectors and sub-agents before they reach the main agent and finally the palm oil mill. Moreover, there is minimal documentation of transactions among the supply chain actors, making it even harder to trace the exact original source of the smallholder crop. This is further exacerbated by a lack of financial resources and technical capacity to establish a land registration system and geo-location mechanisms.

Compliance with EUDR's stringent due diligence requirements, including traceability and deforestation-free practices, requires a collaborative approach between the EU, governments and businesses. Wilmar is dedicated to supporting the implementation of EUDR in a way that improves smallholder inclusivity.

Data Transfer

While navigating the complexities of EUDR compliance, Wilmar and other industry stakeholders encountered challenges related to data management and system functionality when invited to test the system during the EUDR IT Pilot. The need for robust IT solutions capable of handling mass data uploads has been highlighted, underscoring the importance of efficient information exchange between operators and regulatory bodies.

Our involvement in the EUDR IT Pilot reflects a collaborative and constructive approach to addressing these challenges and towards potentially refining the regulatory framework. The company's feedback and participation in testing improvements demonstrate a commitment to facilitating a smooth transition towards EUDR compliance.

CONCLUSION

The implementation of the EUDR marks a significant milestone in Europe's sustainability journey and underscores the collective efforts of stakeholders to promote responsible practices within global supply chains. Companies including Wilmar are actively engaged in this process, leveraging technology and policy initiatives to support the objectives of the EUDR and contribute to a more sustainable future. As the EUDR continues to evolve and shape industry practices, ongoing collaborations between businesses, governments and civil society organisations will be essential to achieving meaningful progress in addressing deforestation and promoting environmental conservation.

