

# Case Scenario 2 | Soy

Due Diligence System (DDS)



Reduced DD requirements



DD statement



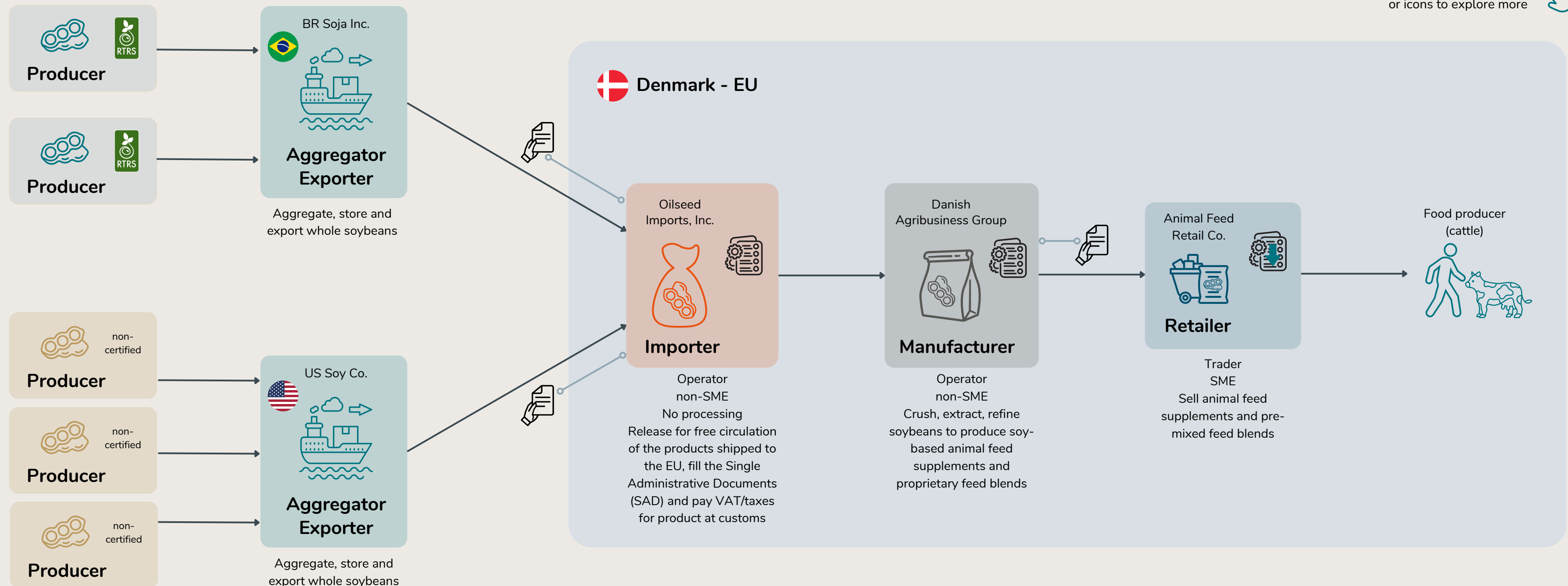
Roles of certification

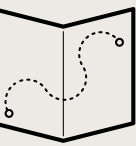


Road map to compliance



Click on the underlined text or icons to explore more





# Supply Chain Actor Description

A non-SME oilseed importer based in Denmark has purchased soy from Brazil and the United States for years, as they are the world's top producers of the commodity.

Under the EU Deforestation Regulation, the company realizes it will be subject to significant due diligence and reporting requirements. It also recognizes that soy production in Brazil poses a greater risk of deforestation than the United States, which may require additional due diligence and risk mitigation measures. However, being a large player in the market, the company is worried about consolidating all of its purchases to one region and would prefer to remain diversified.

*What obligations do each of the supply chain actors have under EUDR? What role can certification play in EUDR?*

## US Soy Co.



US Soy Co. is a large commodities trader based in the U.S. The company purchases, aggregates, and stores whole soybeans and other oilseed commodities from large and mid-sized soy farmers across the U.S. and Canada. Due to farmers expressing concerns around data privacy, the company has issues collecting geolocation data from its soy suppliers, making complete traceability a challenge. While the majority of US Soy Co.'s product is often shipped to China, its business in Europe has been growing over the last 5 years, specifically in Denmark.

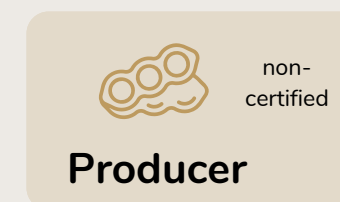
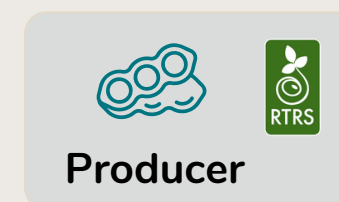
## BR Soja Inc.



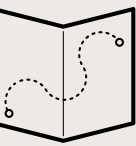
BR Soja Inc. is also a large commodities trader, based in Brazil. The company purchases, aggregates, stores, and exports 100% Round Table on Responsible Soy (RTRS)-certified product, and it is one of the largest Traders of certified soy in Brazil. The certified soy spans different RTRS Chain of Custody systems including Country Material Balance, Mass Balance, and Segregated, each reaching varying levels of traceability. BR Soja Inc. regularly exports certified whole soybean to Europe, with Denmark being one of the largest buyers of its product.

*These two trade companies do not have any direct requirements under EUDR, but in order to continue exporting into EU markets, the companies will have to implement due diligence and chain of custody systems that provide transparency and a clear flow of information (e.g., geolocation data) to EU buyers.*

## Producers



The soy producers in the U.S. and Brazil do not have any direct requirements under EUDR, but they will likely be contacted for relevant EUDR information, including geolocation data, and other information to satisfy legal requirements.



# Oilseed Imports, Inc.



Oilseed Imports, Inc. is a large oilseed importer located in Denmark. It imports a wide variety of oilseed commodities, which are used as inputs for different sectors in Denmark and other EU member states. The largest portion of its business is in soy (HS Code 1201), which is typically sold to manufacturers to produce animal feed. The company purchases both certified and non-certified soy. Of the certified soy purchased, it imports mass balance and country material balance, which have implications for EUDR compliance.

## EUDR obligations

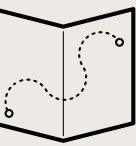
**Due Diligence** – Prior to placing the in-scope product on the market – soya beans (HS Code 1201) – Oilseed Imports, Inc. must exercise due diligence in accordance with Article 8 to prove the product is deforestation-free and produced in accordance with relevant legislation in the country of production (Article 4.1), or that due diligence has revealed a negligible risk of non-compliance (Article 4.4). A robust due diligence system includes the following elements:

**1. Information** – the information, documents, and data collected must demonstrate that the product is (a) deforestation-free, (b) has been produced in accordance with relevant legislation, and (c) is covered by a due diligence statement (Article 3). Specifically, the information should reference the requirements laid out in Article 9, including:

- a description of the product, including the trade name and type of product (Article 9.1.a)
- the quantity of the relevant products entering or leaving the market (Article 9.1.b)
- the country of production (Article 9.1.c)
- geolocation data on all plots of land where the commodities were produced in the form of latitude and longitude coordinate points (farms < 4ha) or polygons (farms > 4ha) (Article 9.1.d; Article 2.28)
- information on suppliers and buyers (Article 9.1.e; Article 9.1.f), and
- verifiable information concluding that the product is deforestation-free (Article 9.1.g) and was produced in accordance with the relevant legislation of the country of production (Article 9.1.h).

**2. Risk Assessment** – using the information gathered, conduct risk assessments according to the risk classification of the country of origin, following the European Commission benchmarking system.

- Brazil will likely be graded higher risk and U.S. will probably be graded lower risk by the European Commission, which could change the risk assessment/risk mitigation requirements. Relevant products derived from ‘low risk’ countries will permit a simplified due diligence approach. Relevant products derived from ‘high risk’ countries will require enhanced scrutiny (Article 13).
- Importer must not place relevant products on the market unless the assessment reveals no or only a negligible risk of the relevant products being non-compliant (Articles 4.4 & 10).
- In the absence of a benchmark—e.g., in the case of the European Commission’s announced delay to release country risk benchmarks—a country is considered “standard” risk until assessed otherwise.



# Oilseed Imports, Inc.

## EUDR obligations (cont.)

**3. Risk Mitigation** – if the risk assessment provides a non-negligible risk conclusion, then risk mitigation measures must be fulfilled until the final Risk Assessment concludes negligible risk. Only then can the Due Diligence Statement be submitted to the Competent Authority (controlling the port of entry) via the TRACES Information System (Article 11). Risk mitigation examples may include:

- Collecting additional or more detailed information, data, or documents
- Conducting independent surveys or audits
- Switching to source certified products with stronger sustainability requirements and third-party verification
- Engaging with suppliers through capacity building and investments, particularly with smallholders
- Changing suppliers where the above measures are not feasible

*Note: because risk of mixing is prevalent in soy commodity markets, the importer will need to take specific precautions to determine the origin of the product, including certified product. Refer to this section at the end of the case study to review the role of certifications in EUDR.*

**Submission of Due Diligence Statement** – prior to placing the soybeans on the EU market, a due diligence statement must be submitted to the Competent Authority via the TRACES Information System, only if the risk assessment concludes negligible risk (Article 4.2). It should include all required information outlined in Annex II (quantity, HS code, Danish Agribusiness Group contact details, country of production, geolocation of all plots).

**Record keeping** – relevant information such as Due Diligence Statement reference numbers and information collected for Risk Assessments (Article 9)—must be kept for 5 years (Article 4.3)

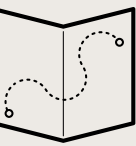
## Reporting / Information Disclosure

- If Oilseed Imports, Inc. is made aware of new information that indicates a relevant product on the market is not compliant, it must immediately inform the competent authorities of the Member States in which they made the product available, as well as Traders and Operators to whom they supplied the product (Article 4.5)
- Communicate relevant information—country of origin, supply chain map (if applicable), evidence of products being legal and deforestation-free, Due Diligence Statement reference numbers, and a description of the Due Diligence System implemented to ensure negligible risk—to downstream Operators and Traders (Article 4.7)
- On an annual basis, Oilseed Imports, Inc. will have to publicly report on its due diligence system as widely as possible, including via the internet, including on the steps taken by them to fulfil their obligations as set out in Article 8. (Article 12.3)

## Documented procedures

- Document the due diligence system, reporting procedures, and record keeping procedures (Article 12)
- Document all risk assessment and risk mitigation procedures, demonstrating how the information was checked against the risk assessment criteria set out in Article 10.2 and how they determined the degree of risk. Review at least annually. Documented procedures should be made available to competent authorities upon request (Article 10.4)
- Document any decisions on risk mitigation measures (Article 11.3)





## Oilseed Imports, Inc.

### EUDR obligations (cont.)

**Independent audits** – Oilseed Imports, Inc. is required to conduct independent audits of its due diligence system at least annually, as it is a non-SME Operator (Article 11.2.b and 12.2)

**Responding to checks & controls by Competent Authority of Denmark** – offer all necessary assistance to facilitate the carrying out of checks, including access to premises, documents, and records (Article 4.6)

**General requirements** – Assume responsibility for compliance of the relevant product with Article 3 of the text (Article 4.3)

## Danish Agribusiness Group

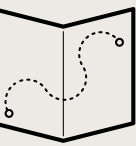


Danish Agribusiness Group is a large animal feed manufacturer located in Denmark. The company purchases whole soybeans and other inputs to ultimately produce animal feed for large and small retailers across the EU. Its final products include soybean meal and hulls, proprietary blends of livestock feed. It also produces crude soybean oil, which is sold and eventually refined for various industrial purposes.

### EUDR obligations

**Due Diligence** – Prior to placing the in-scope products – soybean meal (HS code 1208 10), soybean hulls (HS code 1201), and soybean oil (HS code 1507 10) – on the market, Danish Agribusiness Group must exercise due diligence in accordance with Article 8 to prove the products are deforestation-free and produced in accordance with relevant legislation in the country of production (Article 4.1), or that due diligence has revealed a negligible risk of non-compliance (Article 4.4). Due diligence is not required for the pre-mixed animal feed (HS code 2309 90), as it is out-of-scope.

If all relevant products being placed on the market are covered by prior Due Diligence Statements, Danish Agribusiness Group can focus its due diligence efforts on reviewing Oilseed Imports, Inc.'s Due Diligence System. It must be able to ascertain the company has a robust due diligence system and has correctly assessed risk of deforestation, legality, and mixing in the supply chain. Danish Agribusiness Group will want to ensure the supplier's system has documented and implemented the following processes:



# Danish Agribusiness Group

## EUDR obligations (cont.)

- Information collection – following requirements laid out in Article 9
- Risk assessment – following requirements laid out in Article 10
- Risk mitigation – following requirements laid out in Article 11

**Submission of Due Diligence Statement** – Prior to placing the in-scope soybean components on the market, the company must submit a Due Diligence Statement to the Competent Authority (Article 4.2). It should include all required information outlined in Annex II.

Because a Due Diligence Statement was already submitted when Oilseed Imports, Inc. imported the soybeans, Danish Agribusiness Group may refer to the previous DD Statement when submitting their own statement (Article 4.9)

**Record keeping** – relevant information such as Due Diligence Statements and requirements in Article 9—must be kept for 5 years (Article 4.3)

### Reporting / Information Disclosure

- If Danish Agribusiness Group is made aware of new information that indicates a relevant product on the market is not compliant, it must immediately inform the competent authorities of the Member States in which they made the product available, as well as Traders to whom they supplied the products (Article 4.5)
- Communicate relevant information to downstream Operators and Traders, including Due Diligence Statement reference numbers (Article 4.7)

**Documented procedures** – if Danish Agribusiness Group refers to a prior Due Diligence Statement, the company should:

- Document the supplier’s due diligence system, reporting procedures, and record keeping procedures (Article 12)
- Document all of the supplier’s risk assessment and risk mitigation procedures, demonstrating how the information was checked against the risk assessment criteria set out in Article 10.2 and how they determined the degree of risk. Review at least annually. Documented procedures should be made available to competent authorities upon request (Article 10.4)
- Document any of the supplier’s decisions on risk mitigation measures (Article 11.3)

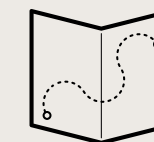
**Independent audits** – Danish Agribusiness Group must conduct independent audits of its Due Diligence System at least annually (Article 11.2.b and 12.2). As a risk mitigation action, it can also conduct independent audits of its suppliers’ due diligence systems, such as Oilseed Imports, Inc. (Article 11.1.b) Audits should include checks to ensure the systems in place are capturing non-compliances before products are placed on the market.

*Note: “independent” does not imply “third-party”. Audits can be conducted by the companies themselves, so long as the auditor is not involved in nor have direct responsibility for the performance of the activities being audited.*

**Responding to checks & controls by Competent Authority of Denmark** – offer all necessary assistance to competent authorities to facilitate the carrying out of checks, including access to premises, documents, and records (Article 4.6).

**General requirements** – Although Danish Agribusiness Group can refer to a previous due diligence statement, it will still retain responsibility for the compliance of relevant products with the regulation (Article 4.10).

# Animal Feed Retail Co.



Animal Feed Retail Co. is a small animal feed company located in Denmark. It purchases soybean meal, soybean hulls, and blended feed products from Danish Agribusiness Group to sell in its two retail locations. Its primary customers are livestock farmers, including cattle producers.

## EUDR obligations

*Because Animal Feed Retail Co. is an SME Trader, it is subject to minimal obligations under EUDR in relation to its purchase and sale of in-scope soybean feed components.*

### Due Diligence

- Information collection – Animal Feed Retail Co. should only make the in-scope products – soybean meal (HS code 1208 10) and soybean hulls (HS code 1201) – available on the market if the company is in possession of the following information (Article 5.2): the name, trade name or registered trademark, postal address, email address, and web address of suppliers and buyers of relevant products (Article 5.3)
- Risk assessment – Not required
- Risk mitigation – Not required

**Submission of Due Diligence Statement** – Not required

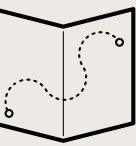
**Record keeping** – relevant information such as Due Diligence Statement reference numbers and information collected for Risk Assessments (Article 9)—must be kept for 5 years (Article 4.3).

**Reporting / Information Disclosure** – If Animal Feed Retail Co. is made aware of new information that indicates a relevant product on the market is not compliant, it must immediately inform the competent authorities of the Member States in which they made the product available, as well as Traders to whom they supplied the products such as cattle producers (Article 5.5)

**Documented procedures** – Not required

**Independent audits** – Not required

**Responding to checks & controls by competent authorities** – offer all necessary assistance to competent authorities to facilitate the carrying out of checks, including access to premises, documents, and records (Article 5.6)



# Role of certification schemes

## General

- Use certification as a tool for data collection and as a risk mitigator.
- Be aware of gaps in certification schemes.
- Certification schemes must be evaluated and benchmarked to EUDR, for example: [Profundo Benchmarking Report](#).
- Certain chain of custody models are not useful for EUDR (see CoC overview below).
- Certification is not a guarantee for compliance with the EUDR.

There are two recognized international schemes on the market within the soy sector – RTRS and Proterra

## Roundtable for Responsible Soy (RTRS)



Currently only captures 2% of the market, most of which is likely mass balance, due to ease of compliance with this model.

Overview of RTRS CoC models:

- Medium usefulness for EUDR: Segregated – RTRS-certified soy is separated from non-certified, ensuring sourcing from certified farms, but traceability to specific farms was not designed in this system.
- Not Useful for EUDR: Mass Balance – the system operates on proportional allocation of certified input to the output, rather than physical segregation, leading to difficulty in achieving full traceability due to mixing of conventional and certified soy.

- Not Useful for EUDR: Country Material Balance – the system facilitates monitoring and tracking of RTRS-certified soy within a country or region, aiding stakeholders in assessing progress and impact. However, its mass balance approach with proportional allocation restricts full traceability.
- N.B. for a mass balance system to be useful for EUDR, the Operators must ensure that both the certified and the non-certified shares of the mix are EUDR compliant, meaning: (1) known origin and access to geolocation information and (2) negligible risk of legality and deforestation factors.

**Updates for EUDR:** Please refer to organisation’s website for updates related to EUDR

## Proterra

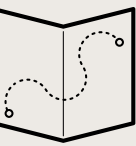


Proterra is another standard that aims to commit to full traceability; and may be more useful for EUDR.

**Gap analysis:** Certification was benchmarked to EUDR in September 2023

**Updates for EUDR:** Please refer to organisation’s website for updates related to EUDR





# Best practices for a Due Diligence System



## Internal Responsibilities and Procedures

Designate individual responsibilities for all applicable elements of the regulation and inform the entire organization of these roles and responsibilities.

Outline procedures/processes for each element of the Due Diligence System; ensure each element is either documented or created where missing. Main components of a Due Diligence System include:

- Basic Quality Management System requirements – clear detailed list of procedures, instructions for keeping records and conducting internal reviews.
- Procedures on how to collect information related to EUDR compliance and how to conduct risk assessments.
- Clear criteria for risk assessments to ensure only legal and deforestation-free products enter the EU market.
- Procedures for implementing effective risk mitigation actions when risk assessment produces “non-negligible” results.
- Ensure Due Diligence System procedures and records are easily accessible to company staff and Competent Authorities when requested.

Have one source of updated documents and procedures that are visible to all relevant staff. Maintain one master list to track procedures; list should include a brief description, elements of due diligence covered, date of creation, date of last review, and responsible team.

Review procedures annually to ensure relevancy and that relevant staff are trained on the appropriate procedures.

Standardize monitoring of suppliers (supplier score cards, supplier qualification processes, special guidance, etc.).



## Access to Information

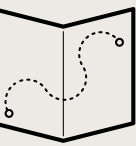
- Keep all documentation and records of risk assessments for a minimum of 5 years.
- Establish a strong knowledge sharing system with suppliers to ensure suppliers of relevant products are aware of requirements and are committed to them.

*Certification: may supplement or support the collection or transfer of information. However, risks of the certification scheme must be assessed prior to use (see Certification under Risk Assessment, below).*



## Risk Assessment

- Determine which products will need risk assessments and if they will require a full risk assessment or simplified risk assessment (depending on country risk level, per Article 13).
- For simplified due diligence implemented on material produced in a low risk country, you can avoid conducting risk assessment and risk mitigation. However, you will need to demonstrate that there is a negligible risk of circumventing the regulation or mixing with products of unknown origin, or originating from high-risk or standard-risk countries.
- Develop risk assessment methodology and risk assessment report template to document process and keep accurate and dated records. You can access a sample risk assessment report template [here](#).
- Develop risk assessments for all relevant areas of risk at the country or subnational level for each commodity’s supply chain. Risk assessments should include legal violations related to harvesting activities, trade and transport, concerns of corruption/document falsification/lack of enforcement, risk of mixing, presence of forests and prevalence of deforestation or forest degradation, review of trade/regulatory complaints, reliability of documentation, and risk assessment of certification.



## Best practices for a Due Diligence System (cont.)

- Review risk assessments on an annual basis.
- Should non-conformities be found, implement red flags to prevent products from moving forward without the required information for EUDR-relevant products. Document any actions taken for monitoring and reporting purposes.

*Certification: If using certification schemes to supplement data collection, supplier management, or as a form of risk mitigation, the risk of non-compliance of the scheme with EUDR should be assessed, with gaps clearly identified (either within the standard, or the scheme itself, i.e. in cases of corruption).*



### Risk Mitigation

Create a list of anticipated risks/non-conformities potentially found during risk assessment phase.

Establish action items or plans for each risk item or potential non-conformity. A mitigation hierarchy should clearly outline mitigation actions in accordance with severity of risk.

Risk mitigation options may include:

- Supplier training/capacity building
- Desk or on-site audits of suppliers or producers
- Sourcing from low risk-areas
- Removing supplier from supply chain
- Changing the raw material of the product

*Certification: requiring certification may be used as a form or risk mitigation in particular instances or regions. Only if the risk of the certification scheme has been assessed.*

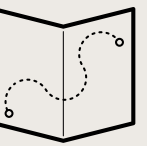


### Due Diligence Statement

If needed, develop a Due Diligence Statement template (according to Annex II of the Regulation) where information can be filled and later transferred (using API or other) to Information System (TRACES) to be used (1) for every import/shipment, (2) for every export, (3) before placing on the market relevant products (if non-SME operator) or (4) before making available on the market (if non-SME trader) and make sure it includes the following information:

- Name of the importer/exporter,
- Address, and sometimes the Economic Operators Registration and Identification (EORI) number – for import and export.
- A description of the product, including the trade name, the scientific name, and the quantity of the product.
- The country of production and geolocation information of the plots of land relevant to the harvest of commodities, including time range of production (geolocation file using GeoJSON format).
- For cattle (beef/leather) only, geolocation of all farms where the cattle were raised, as well as evidence due diligence was carried out on feed fed to cattle (geolocation file using GeoJSON format).
- Reference numbers of existing due diligence statements are needed if importers/ exporters are referring to them (per Articles 4.8 and 4.9)
- A statement confirming that due diligence has been carried out in accordance with Regulation (EU) 2023/1115 and no or negligible risk for non-compliance was found.
- The date and a signature.

# Roadmap to compliance



**Assess all product references** within commercial activity to understand scope of EUDR and determine potential extent of EUDR obligations.



**Engage** also with clients which are impacted by the EUDR to ensure their due diligence and reporting needs will be covered.



**Develop a due diligence system**, including information collection, risk assessment, and risk mitigation procedures which assess all of the relevant criteria outlined in the regulation.

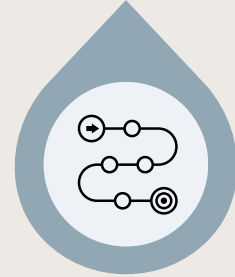


**Engage with and support** suppliers toward EUDR compliance, for example:

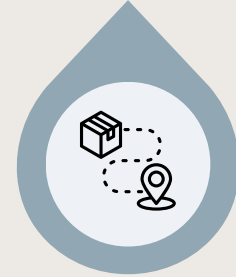


- Provide training and/or financial incentives to implement EUDR procedures.
- Develop a premium product and share in cost to help suppliers come into compliance with EUDR.
- Strengthen relationships with Cooperative leadership and establish commitments to work toward EUDR compliance.
- Conduct technical assessments and, if necessary, invest in equipment needed for producers to generate and communicate accurate geolocation and time range of production data.
- Participate in multi-stakeholder platforms oriented to ensure EUDR compliance with public and private sector actors.
- Support implementation of certification schemes and recognise premium prices.

**Map relevant supply chains** and begin engagement with suppliers to prepare for compliance with EUDR.



**Invest in supply chain traceability software and train suppliers on proper use.** If possible, go for sector-wide solutions developed jointly through coordination of communities, NGOs, industry and Governments.



**Assess robustness of due diligence systems of upstream suppliers**, if necessary (per Article 4.9), in order to ascertain that due diligence has been exercised properly before referencing previous Due Diligence Statements.

