VIEW POINT



NAVIGATING THE EUDR COMPLIANCE



Introduction

The European Deforestation Regulation (EUDR) is a landmark piece of legislation designed to combat global deforestation and forest degradation, set to take effect in December 2025. This regulation aims to prevent the import of commodities linked to deforestation, including soy, beef, palm oil, wood, cocoa, and coffee, along with their derived products such as paper and furniture. By addressing these critical issues, the EUDR promotes responsible sourcing and aims to protect vital ecosystems that are essential for biodiversity and climate stability.

Driven by the urgent need to mitigate the impacts of deforestation on climate change and biodiversity loss, the EUDR aligns with the EU's commitments under international agreements like the Paris Agreement. It mandates that companies demonstrate their products have not contributed to deforestation since December 31, 2020, while

also ensuring compliance with applicable laws related to human rights and environmental protection. This comprehensive approach underscores the regulation's commitment to fostering sustainable production practices worldwide.

The EUDR will significantly impact various industries reliant on commodities linked to deforestation, requiring businesses to adapt their supply chains accordingly. As large companies face compliance deadlines by December 30, 2025, and small and medium-sized enterprises (SMEs) by June 30, 2026, there is an increasing urgency for all stakeholders to prepare for these changes. The regulation not only aims to safeguard forests but also seeks to protect the rights of Indigenous communities disproportionately affected by unsustainable land use practices.



Deforestation Rates

The world lost approximately 10 million hectares of forest annually from 2015 to 2020. This statistic highlights the urgent need for regulations like the EUDR to combat deforestation.

EU Imports Linked to Deforestation

The European Commission estimates that the EU imports about 10% of global deforestation, mainly through commodities like palm oil, soy, cocoa, and coffee. This highlights the impact of EU imports on deforestation rates.

Economic Impact

Implementing the EUDR could lead to a reduction in EU imports of deforestation-linked commodities by up to 30% by 2030, significantly altering market dynamics and encouraging sustainable sourcing practices.

Investment Requirement

The estimated cost for businesses to comply with the EUDR is around €1 billion, which includes investments in supply chain transparency and due diligence processes necessary to demonstrate compliance.

Biodiversity Conservation

The EUDR is projected to help protect approximately 2 million hectares of forest annually by reducing demand for products linked to deforestation, contributing positively to biodiversity conservation efforts.

Global Supply Chain Impact

About 60% of companies operating in sectors affected by the EUDR will need to make significant changes to their supply chains to comply with the new regulations.

Impact on Businesses

The EUDR is set to reshape how businesses operate within the EU market by enforcing strict compliance measures aimed at reducing deforestation.

Key Statistic



Increased Due Diligence

Companies must implement rigorous due diligence processes to verify that their supply chains do not contribute to deforestation, requiring detailed assessments of suppliers and sourcing practices. This also will have financial implications.



Documentation and Compliance

Businesses are required to maintain comprehensive documentation to demonstrate compliance with EUDR, including annual reports detailing their activities related to deforestation-free sourcing.



Global Sourcing Changes

The regulation will necessitate a re-evaluation of sourcing strategies, pushing companies to seek alternative suppliers and materials that comply with EUDR standards, potentially impacting global supply chains.



Market Access Challenges

Non-compliance may result in barriers to accessing the EU market, affecting competitiveness for vendors, especially those outside the EU who export goods to EU countries.

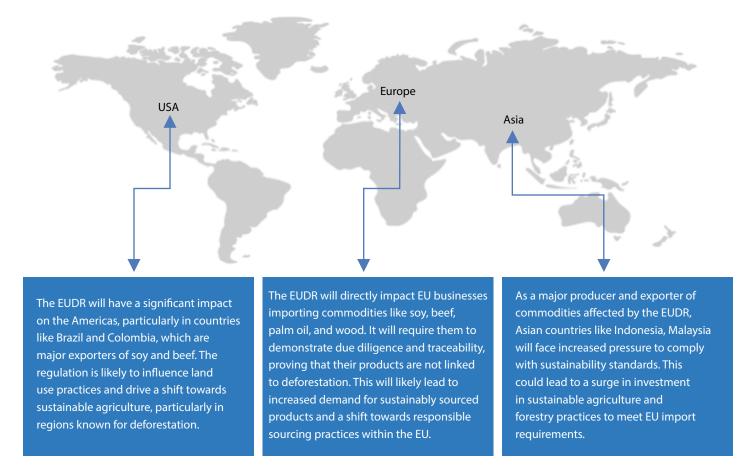


Operational Adjustment

Companies will need to adapt their operations, which may involve investing in new technologies or processes to ensure compliance with the EUDR requirements.

Market Insights: Global Impact

The European Deforestation Regulation (EUDR) is poised to have a significant impact on global markets, influencing the supply chains of various commodities linked to deforestation.



"The EUDR has the potential to reshape global markets, promoting responsible sourcing and incentivizing sustainable practices. While the full impact remains to be seen, it's clear that the regulation will have a profound influence on businesses and consumers across the globe."



Challenges Associated with EUDR Compliance

Implementing EUDR presents several challenges for businesses and stakeholders. Understanding these challenges is crucial for developing effective strategies to ensure compliance.



Complex Supply Chain Tracing

Tracing commodities back to their origin, particularly in complex supply chains, can be arduous. Verifying the legality and sustainability of products, especially in regions with weak governance and limited transparency, presents significant challenges.



Enforcement and Compliance

Ensuring effective enforcement and compliance requires a collaborative approach involving governments, businesses, and civil society organizations. Establishing clear and comprehensive guidance for businesses is vital for fostering understanding and compliance.



Supply Chain Disruptions

Addressing potential disruptions to global supply chains while ensuring a level playing field for businesses is crucial for successful implementation of the EUDR.



Resource Intensity

Implementing robust due diligence systems and collaborative efforts can be resource-intensive, particularly for smaller businesses or those with complex supply chains.

Digital Interventions: Preparing For Tomorrow's Regulations

"To prepare for future regulatory challenges, businesses should adopt digital tools that enhance transparency, traceability, and risk management within their supply chains."

Digital Tools

Data Analytics Platforms

These platforms are crucial for analyzing compliance data and identifying potential risks in the supply chain.

Satellite Surveillance and AI

Leveraging satellite imagery and artificial intelligence, businesses can proactively monitor forest cover and detect deforestation hotspots. This enables companies to assess the environmental impact of their supply chains and take corrective actions.

Regulatory Compliance Software

Solutions like Compliance 360 and MetricStream are designed to monitor changes in regulations and ensure that businesses adhere to legal requirements, including those set forth by the EUDR.

Supply Chain Management Software

Tools like SAP Ariba and Oracle SCM Cloud provide comprehensive solutions for procurement and supply chain management, allowing businesses to manage supplier relationships, assess risks, and ensure compliance with sustainability standards.

Traceability Solutions

Blockchain technology and RFID systems enable real-time tracking of products throughout the supply chain, enhancing transparency and ensuring compliance with EUDR requirements.

Data Management Platforms

Digital platforms can centralize and analyze data related to deforestation risk, compliance, and sustainability performance. Tools like Microsoft Power BI or Google Data Studio can create interactive dashboards to visualize key metrics, identify trends, and make informed decisions.

Empowering Businesses to Meet EUDR - One Infosys Tools

- Blockchain technology can enhance traceability by providing a secure and immutable record of product origins and movements throughout the supply chain, ensuring compliance with EUDR requirements
- SaaS cloud solution that traces raw material flows and provides traceability and transparency to Environmental, Social, and Governance (ESG) attributes across the supply chain
- Streamlines the management of sustainability certifications, including ISCC, facilitating adherence to EUDR requirements
- Organizations maintain control over their data while onboarding supply chain partners, ensuring all stakeholders have access to necessary sustainability information for EUDR compliance

- Enables accurate tracking of commodity sources by managing geolocation data, ensuring that products are sourced legally and meet EUDR requirements
 - Processes data closer to the source to reduce latency and improve response times in critical operations
- Supports real-time analytics for operational efficiency, enabling quick adjustments based on current conditions
- Enhances decision-making capabilities by providing immediate insights from localized data processing

Block Chain
Token

Data and Cloud
Computing
Platform

XtractEdge
IDP

Digital
Surveillance

 This capability can leverage satellite imagery and AI technologies to monitor forest cover, detect deforestation hotspots, and assess environmental impacts related to supply chains

- Support the integration and management of supply chain data, ensuring that businesses can effectively manage supplier relationships and assess risks
- Centralize and analyze data related to deforestation risk and sustainability performance, enabling businesses to visualize key metrics and make informed decisions
- Help monitor regulatory changes and ensure adherence to legal requirements, including those set forth by the EUDR



We Understand EUDR and help in E2E implementation

Assessment & Planning — Implementation & Execution — Monitoring & reporting — Monitoring & reporting									
	Identify	Appraise	Select	Design	Deploy	Validate	Operate	Measure	Manage
	Scope definition, product mapping, maturity assessment, roadmap for EUDR compliance	Gap analysis, risk assessment methodology development, market insights, ESG reporting framework alignment.	Setting targets, defining roadmap, resource allocation, organizational change management required	Data collection, due diligence process design, leveraging platforms like Infosys 3D XR for visualization, loT solutions for monitoring and optimization.	Supplier onboarding, training programs, integration with existing ERPs and PLMs, configuration of systems.	Data validation, utilizing real-time Supply chain data for performance management, Documentation of procedures.	Ongoing monitoring, Supply chain analytics, compliance checks	Key performance indicators (KPIs), audit results, impact assessment, reporting and monitoring the impact of EUDR implementation	Continuous improvement, feedback loops, corrective actions
	Phase 1			Phase 2				Phase 3	
Value Proposition	Pinpoint supply chain deforestation risks. Develop a data- driven EUDR roadmap tailored to your business			Deploy efficient, EUDR-compliant systems. Ensure data integrity and traceability from origin				Demonstrate compliance, boost brand trust. Drive continuous improvement and sustainability impact	
	←	Comprehensive outcome-based approach for Deforestation Free Supply Chain							
Technology Enablement		ping software (SAP Ar S tools, Risk assessme Is.		Traceability technologies (blockchain, GPS tracking, etc.), Due diligence software, Supplier management platforms, Reporting systems.				Monitoring dashboards, Audit management software, Performance reporting tools, Communication platforms.	

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About the Authors



Pawan Kumar

Senior Consultant IC SURE

Pawan is a management consultant with strong background in Oil & Gas sector, excelling in operations, process optimization, and strategic planning. He demonstrates expertise in business process management by streamlining operations, resolving bottlenecks, and leveraging digital transformation to enhance efficiency for a leading Oil & Gas company. An engineering graduate from BIT Sindri, Dhanbad, he also holds an MBA in Operations and Strategy Management from MDI Gurgaon.



Anand Calli

Principal Consultant IC SURE

Anand specializes in Consulting and Systems Integration, leading large-scale transformation programs across industries. He is dedicated to delivering business value through digital technologies and enhancing customer experiences. He has a strong background in establishing PMOs and managing multimillion-dollar IT and digital transformation projects with great success.



Harsh Nayak

Consultant IC SURE

Harsh is an Oil and Gas professional with three years of experience in the upstream sector. He has worked extensively on process modelling and process mining for one of the word's largest Oil and Gas companies. Harsh holds an integrated master's degree in Physics from CEBS, Mumbai, and an MBA in HR from TISS, Mumbai.

For more information, contact askus@infosys.com

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