DXC TECHNOLOGY

compliance.data.exchange

DXC CDX WEBINAR | May 13, 2025

EU Deforestation Regulation – From Compliance Challenge to Competitive Advantage

DXC at a glance

$13.7B
FY24 revenue

60+
years of innovation delivering mission-critical systems for customers

125,000+
employees worldwide

70+
countries

200+
partner ecosystem with best-of-breed partners

200
customers in the Fortune 500

AA
rating from MSCI for outstanding ESG performance (disclaimer)

#294
in the 2024 Fortune 500

CDX at a glance

In Business since 2011

DXC leveraged the lessons learned while providing IMDS to create CDX

30,000+

Chemical Abstract System (CAS) substances found in common products

10,000+

Of standard metals with compositions and norms

Compliance & Privacy Certifications

- ISO 9001 Quality Management
- ISO/IEC 27001 Information Security Management
- ISO 50001 Energy Management
- SOC1 & SOC2
- TiSAX

Memberships

CDX is an active member and partner of several international associations, where we work closely with various industry players to ensure the best use of our products.

AIAG Automotive Industry Action Group | AEM Association of Equipment Manufacturers | IPC Member | Fraunhofer | IAEG International Aerospace Environmental Group

11.6k+ Companies registered

40.3k+ Active users

~1MM Material Declaration Sheets (MDSs)

50.5k+ Conflict Minerals Declarations (CMDs)

CDX compliance.data.exchange

Enhance compliance by streamlining data and reducing manual effort

DXC TECHNOLOGY

Speaker Introduction

Chuck LePard

Executive Consultant, IMDS & CDX Americas Representative

Chuck.Lepard@dxc.com

LinkedIn Profile

- **Degrees in Electrical & Computer Engineering and Computer Science**
- **Honorable Discharge, United States Navy**
- **40 Years EDS/General Motors/Hewlett Packard/HPE / EntServ / DXC**
- **Decades of plant floor and engineering experience in related areas**
- **Advisor to multiple manufacturing industry groups**
  - Automotive Industry Action Group, International Aerospace Environmental Group,
  - Association of Equipment Manufacturers, Responsible Materials Initiative
- **Leader in Standards Development organizations**
  - American National Standards Institute (ANSI), International Standards Organization (ISO) Technical Committee TC-111 on Environmental Sustainability Data Exchange
  - IPC 2-18 175x family for Product Declaration and Compliance reporting

Speaker Introduction

Monika E. Kotkowska

Senior CDX Consultant / Regulatory Product Compliance Expert

Monika.Kotkowska@dxc.com

LinkedIn profile

- **Specializes in Regulatory Product Compliance, ESG, and Chemical Management Solutions**
- **Currently pursuing a Master of Business Administration (MBA) with a focus on ESG topics**
- **Certified Agile and PRINCE Project Manager.**
- **Holds a Master's degree in Chemistry and Engineering from the University of Technology in Wroclaw, Poland.**
- **Over a decade of experience in diverse regulatory RA.**
- **Actively involved in IAEG, AIAG, and more recently, AEM.**
- **Outside of work, a true travel backpacker at heart.**

Agenda

1. Deforestation requirements
2. How Companies can prepare for Deforestation
3. Live demonstration of the CDX System
4. Interactive Q&A session with our expert panel

DXC TECHNOLOGY

The Impact of Deforestation

420 million hectares of forests were lost worldwide between 1990 and 2020, which corresponds to about 10% of the remaining forests globally.

90% of deforestation is driven by the expansion of agricultural expansion to product commodities (FAO)

10% of global deforestation associated with the production of goods or provision of services between 1990 & 2008 is attributed to consumption in the EU.

20% of global greenhouse gas emissions are contributed by land use change and significant biodiversity loss.

The regulation defines deforestation as the "conversion of forests to agricultural use, whether human induced or not".

Forests, Climate, and the SDGs: Why Deforestation Matters

Impacts of deforestation on Sustainable Development Goals

1 Increased vulnerability to extreme weather

2 Loss of rainfall and crop pollinators

3 Respiratory illness due to forest fires

6 Unsustainable management of water resources

8 Unsustainable economic growth & lack of decent work

10 Income inequality

12 Unsustainable consumption & production patterns

13 CO_2 emissions

15 Biodiversity loss

Source: COM/2019/352 final

The EU Deforestation Legislation: Key Milestones

2013-2020

March 3, 2013

The EU Timber Regulation (No. 1995/2010) comes into force

June-December 2019

Proposal development begins.

September-December 2020

Public consultations yield 1.1 million responses.

December 31, 2020

Deforestation cut-off date established. Products must originate from non-deforested land.

2021-present

October 2021

Draft proposal for the EU Deforestation Regulation published by the European Commission.

December 2021

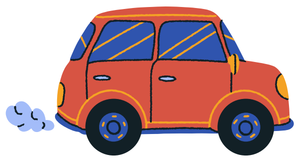
Final text of the EUDR approved by the European Commission.

December 6, 2022

Provisional political agreement reached.

June 29, 2023

EU Deforestation Regulation officially entered into force.



Future

December 30, 2025

Regulation becomes applicable to large and medium-sixed businesses (postponed from December 30, 2024)

June 30, 2026

Regulation extends to small and medium-sized enterprises (SMEs) ((postponed from June 30, 2025):

- Up to 50 employees
- €50M turnover
- €50M balance sheet

EU Deforestation Legislation: Covered Commodities

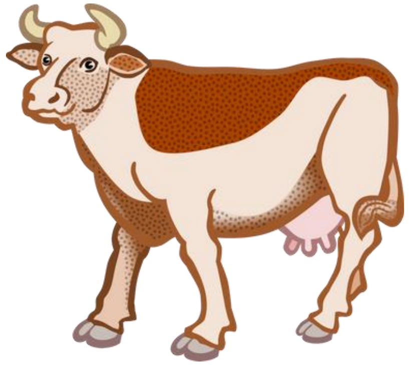
Soy

Coffee

Palm oil

Cocoa

Rubber



Cattle

Timber

- Derivatives and Products made from these commodities and listed I Annex I, regardless of quantity (e.g., leather, cosmetics, chocolate) must comply with the regulation.
- Exclusions: Products not in Annex I are exempt, even if they contain relevant components (e.g., cars with leather seats).
- Deforestation Cut-off: Regulation does not apply to areas deforested before December 31, 2020.
- Progressive scope
- Traceability: Requires linking commodities to specific plots of land where produced for EU market access.
- Non-discrimination: Equal requirements for EU-produced and imported products and applies equally to all relevant products produced, exported or imported that are placed on the market.

EU Market Access Criteria for Products

Three requirements for Products to comply with EUDR 2023/115 (Art. 3)

1. **Deforestation-Free:** Products must be sourced from land free of deforestation or forest degradation after December 31, 2020.
2. **Legality**: Relevant commodities and products can only be placed on the EU market if they comply with the relevant legislation of the country of production, including national environmental, human rights, and labor laws.
3. **Due Diligence Statement:** Companies must provide a due diligence statement when placing products on the market. This statement confirms that the products meet the zero-deforestation and legality criteria, verifies that due diligence has been carried out, and includes information about the products, including their origins.

If requirements are not met, products cannot be:

- Placed on the EU market
- Make available on the EU market
- Exported from the EU market

Penalties for Non-Compliance

Potential fines of up to 4% of the company's EU turnover, confiscation, or temporary exclusion from public funding or procurement processes.

Electronic Information System:

- Developed by the EU Commission by the end of 2024.
- Used for submitting and tracking due diligence statements
- Accessible to national and customs authorities for compliance checks

Essential Data Requirements for Due Diligence Statements

Key Information from Annex II of the EU Deforestation Regulation (EUDR)

Annex II

1 Operator’ s name, address, relevant commodities and products The Economic Operators Registration and Identification (EORI) number

2 Harmonized System code, description, trade name, scientific name, quantity of products (kg of net mass, volume or number of items)

3 Country of production, geolocation of all plots of land where commodities were produced. If many then, all plots of land to be included.

4 Reference number to an existing due diligence statement (if applicable)

Understanding Roles in the EU Market for Relevant Products

Responsibilities of Operators, Downstream Operators, and Traders Operator

Operator

A natural or legal person who places relevant products on the market (incl. via an import) or exports them as part of **commercial activity.**

- These are companies **involved in importing/exporting relevant products.**
- Ensure products meet zero-deforestation and legality criteria.
- Conduct full due diligence on products placed on or exported from the EU market.
- Collect detailed supply chain information, including geolocation data.

Downstream operator

A natural or legal person who places relevant products on the market (incl. via an import) or exports them as part of **commercial activity**.

- Those who **transform** a product listed in Annex I (e.g., cacao beans) into another product listed in Annex I (e.g., chocolate).
- May rely on due diligence by the original operator, referencing existing due diligence statements if properly exercised.
- Exempt from these requirements if classified as an SME.

Traders

Any natural or legal person who, in commercial activity, makes relevant products and commodities available on the EU market (e.g., retailers).

- These companies any products from operators and sell them products within the EU **without any transformation.**
- For non-SME traders (e.g., supermarkets), responsibilities match those of downstream operators.
- SMEs only need to maintain records of purchase and sale transactions and related due diligence statements.

Due Diligence Process under the EUDR

A Comprehensive Three-Step Approach Due Diligence Process

EU Commission Benchmarking

Standard/High Risk

Requires detailed Due diligence

Low Risk

Eligible for simplified Due Diligence

Due Diligence

1

Collect information

- Gather documents and data to ensure the product is deforestation-free and legal.

Key details include:

- Country/region of production
- Species and geolocation data
- Compliance with legislation of country of production

2

Risk Assessment

Evaluate potential risks of non-compliance with regulations.

Consider factors like:

- Production location
- Forest presence and indigenous peoples
- Deforestation or forest degradation prevalence.

3

Risk mitigation

Implement procedures to address identified risks.

Focus on:

- Internal risk management practices
- Record keeping

Reporting

Generate a Due Diligence Statement reference number via the Information System before market placement.

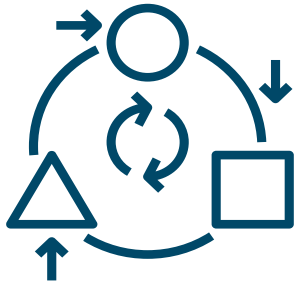
Sample of Supply Chain and Due Diligence Process

Responsibilities of Operators, Downstream Operators, and Traders Operator

1

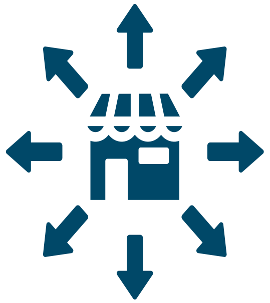
Upload Due diligence Statement into the Information System (IS).

2



Refer to the previous due diligence statement on the Information System (IS).

3



Operator:

EU Forest Owner

Sell timber (4403) to sawmill.

Downstream operator:

Sawmill

Convert timber (4403) into wood chips and sawdust (4401) and sell these products.

Trader:

Small shop (SME)

Collect and maintain information as required under Article 5.

No need to submit a due diligence statement.

Sample of Supply Chain and Due Diligence Process

Responsibilities of Operators, Downstream Operators, and Traders Operator

1

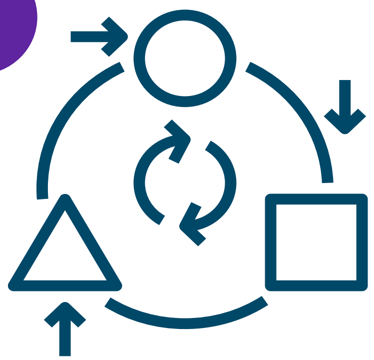
Upload due diligence statement into the Information System (IS).

Operator:

Non-EU Sawmill

Sell sawdust and wood chips (4401)

2



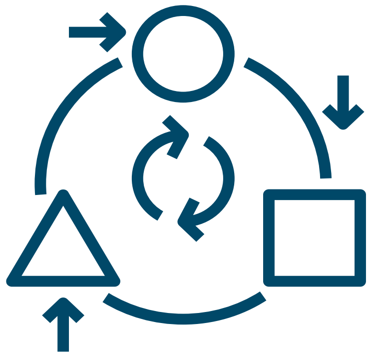
Downstream operator:

Panel board producer

Convert wood chips and sawdust (4401) into fiberboard (4411).

Refer to previous due diligence statements on the Information System (IS).

3



Downstream operator:

Doors producer

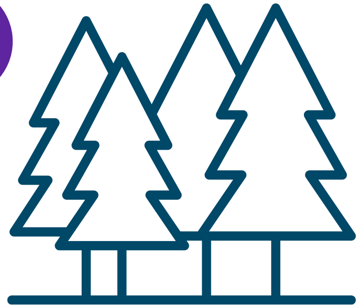
Transform fiberboard (4411) into wooden doors (4418)

Refer to previous due diligence statements on the Information System (IS).

Sample of Supply Chain and Due Diligence Process

Responsibilities of Operators, Downstream Operators, and Traders Operator

1

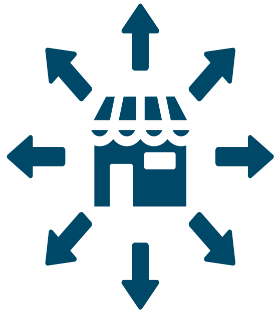


Due diligence
Statement not needed

2

Upload due diligence
statement into the
Information System (IS)

3



Forest Owner

Sell stands trees (out of scope) to sawmill.

Operator:

Sawmill

Convert timber (4403) into wood chips and sawdust (4401) and sell these products.

Trader:

Large wholesaler (non-SME)

Must adhere to the same obligations as downstream operators.

Refer to previous due diligence statements in the Information System (IS).

Sample of Supply Chain and Due Diligence Process

Responsibilities of Operators, Downstream Operators, and Traders Operator

1

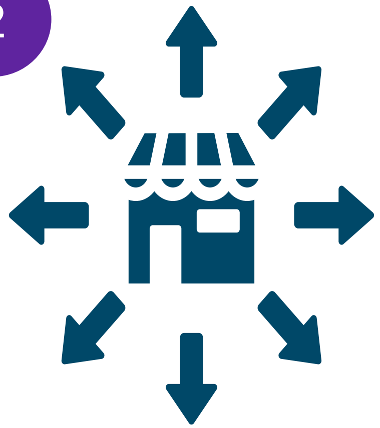
Upload a new due diligence statement into the Information System (IS).

Operator

Producer of Wooden Pallets

Packaging (4415) – as a product

2



Manufacturer

Packaging as protection

“Not including packaging material used exclusively as packaging material to support, protect or carry another product placed on the market“.
Packaging is classified jointly with the carried product,

No need to submit a due diligence statement.

3

Customer

More information

EUROPEAN
COMMISSION

Brussels, 15.4.2025
C(2025) 2485 final

ANNEX

ANNEX

to the

Communication to the Commission

Approval of the updated content of a draft Commission Notice on the Guidance Document for Regulation (EU) 2023/1115 on Deforestation-Free Products (C/2024/6789)

Updated Guidance Document (15.04.2025)

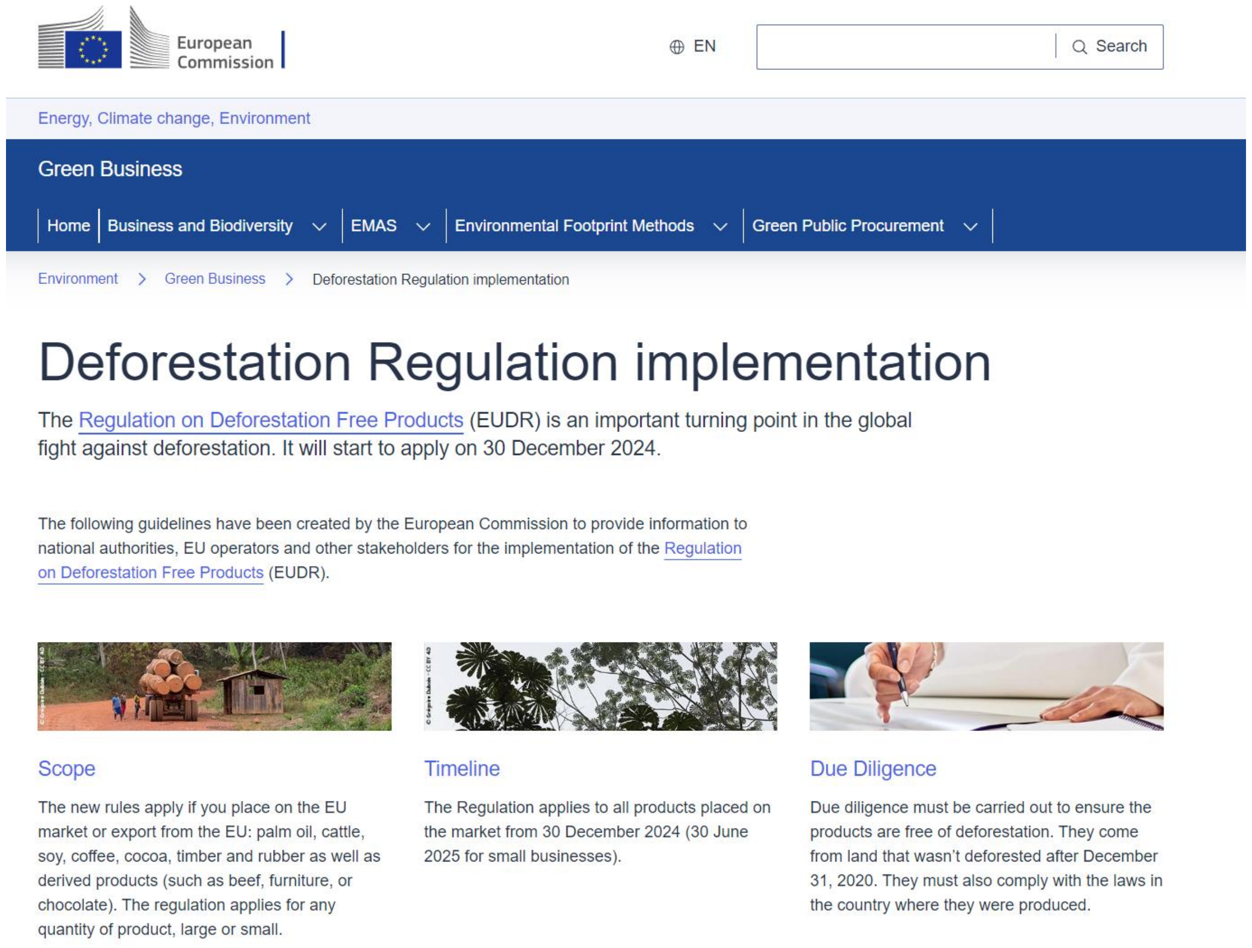
Frequently Asked Questions

Implementation of the EU Deforestation Regulation

Version 4 – April 2025

FAQ Document (15.04.2025)

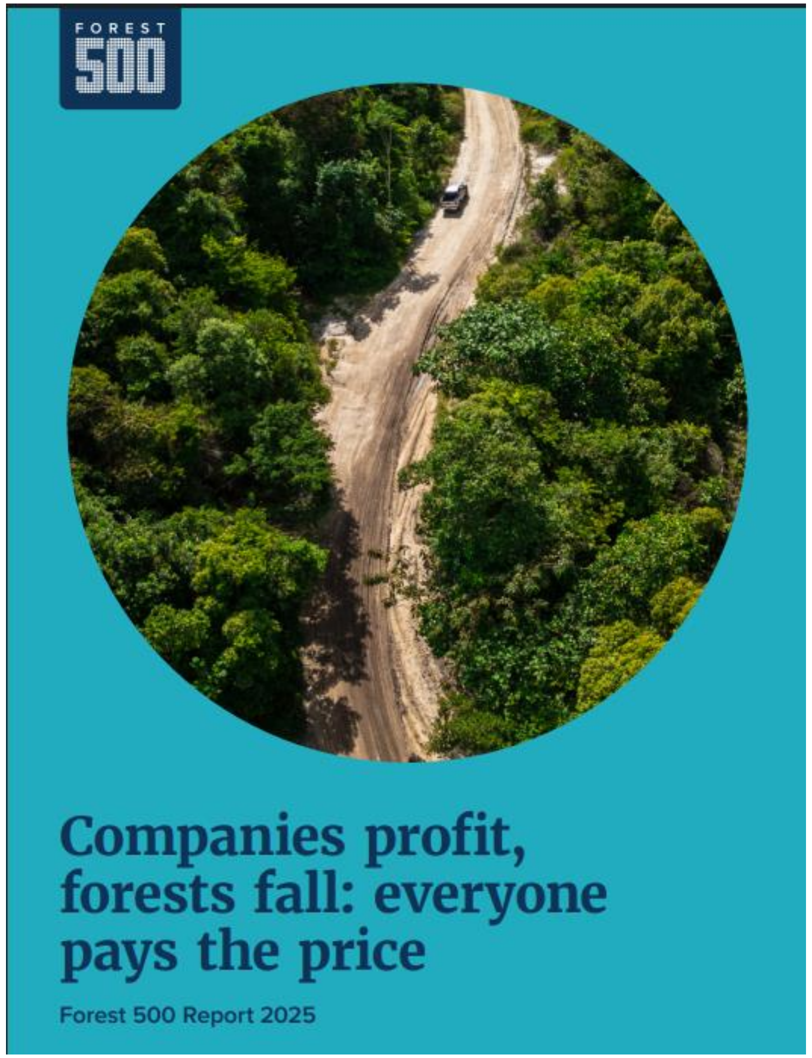
More information



EC official website Deforestation Regulation implementation

An opportunity for smallholders

More information



Forest 500 Annual Report 2025

EU observatory on deforestation and forest degradation

Practical Deforestation legislation Impact on Industry

- As with conflict minerals / responsible materials, Deforestation requires reporting throughout the supply chain, from producers of specific types of basic substances
- Unlike conflict minerals, every product must be reported at the source material lot level. Data collection will have a frequency and intensity never before required.
- For companies with capable and mature responsible sourcing programs, EUDR will challenge these organizations to extend robust processes to accommodate lot-based collection
- For companies without well-established supply chain data collection, the near-term impacts can be considerable.
- EUDR expects to build upon a company's prior compliance activities. Simple qualification-based supply chain survey tools are unlikely to prove sufficient
- Companies which have deferred fundamental building blocks such as full material declaration and quantified supply chain reporting, EUDR compliance will be difficult in the time available

Likely Deforestation legislation business impact on Industry

1. **Supply Chain Scrutiny:** Companies must ensure supply chains are free from deforestation-linked commodities. Rigorous due diligence and certification processes required to verify material origins for relevant commodities
2. **Increased Compliance Costs:** Supply chain traceability beyond anything before seen. Due Diligence for EUDR will lead to increased costs. Companies need to invest in new technologies and systems to manage requirements
3. **Risk of Penalties**: EUDR Non-compliance can result in severe penalties, including fines up to 4% of annual gross sales, product recalls. Companies which do not comply run significant greater financial risk than ever before
4. **Market Access:** Companies that fail to comply with the EUDR may lose access to the EU market, which can be a substantial portion of their business. This could lead to a loss of market share and revenue.
5. **Reputation Management:** Compliance with the EUDR can enhance a company's reputation as a responsible and sustainable business. Conversely, failure to comply can damage a company's brand and customer trust
6. **Operational Adjustments:** Companies need to adjust operations to source from deforestation-free suppliers, which may involve renegotiating contracts, new suppliers, or altering product designs to use alternative materials

Deforestation business impact mitigation on Industry

1. **Leverage Technology:** Investing in advanced supply chain management software can streamline the process of tracing and verifying the origin of materials. Technologies like blockchain can provide transparent and immutable records of product origins
2. **Annual Reporting:** Companies may submit due diligence statements annually instead of per shipment, which can significantly reduce administrative costs. (Per-shipment tracking is required – only reporting interval is extended)
3. **Reuse of Due Diligence Statements:** Companies can reuse existing due diligence documentation when goods are reimported, reducing the need for repeated verification
4. **Group-Level Reporting:** Authorized representatives can submit due diligence statements on behalf of company groups, which can simplify the process for businesses with multiple subsidiaries
5. **Supplier Collaboration:** Working closely with suppliers to ensure they are compliant can reduce the burden on individual companies. Collecting reference numbers of due diligence statements from suppliers and using those references for their own submissions can streamline the process
6. **Training and Awareness:** Investing in training programs for staff to understand the requirements and processes can improve efficiency and reduce errors, ultimately lowering compliance costs
7. **Strategic Sourcing:** Companies can proactively source materials from suppliers known to be compliant with deforestation-free standards, reducing the need for extensive verification