

European Union Deforestation Regulation

Presentation of the 2023/1115 EU Regulation

How Belco is getting prepared for it



Updated version the 10/10/2023 — Marius CERON—SIMEO

Context and objectives



Current status of cacao and coffee sectors

The rainforests of Indonesia, the Amazon Basin and the Congo Basin are all threatened by the encroachment of cocoa farms.

Ghana and CI have lost 60,000 ha (city of Madrid) of rainforest between 2019 and 2022, in mainly cocoa-growing regions.

The expansion of coffee cultivation into new areas permitted by climate change is threatening some of the last remaining primary forests. **25% of deforestation in Peru is linked to coffee production**, due to land abandonment and subsequent expansion of agricultural areas.

The European Union's consumption of coffee and cocoa accounts for **7% and 7.5%** respectively of global deforestation.

Observation of the European Union

Forests have **multiple environmental, economic and social roles**

But deforestation and forest degradation are **progressing rapidly** and contributing to the global **climate crisis** linked to the worldwide **loss of biodiversity**. These are global problems.

The European Union's consumption of cocoa and coffee **contributes considerably** to deforestation and forest degradation worldwide.

The EU must therefore take action **to minimize deforestation** and forest degradation worldwide.

Finally, an effective fight against deforestation cannot be achieved without **greater traceability and transparency** in supply chains.

Summary of regulations

Cut off date: Any product having contributed to deforestation/forest degradation after **12/31/2020**

Target date: The main players in the industry will have to comply with this regulation from **12/31/2024**



Article 3 of EU regulation 2023/1115 - Official Journal of the EU (09/06/2023)

"The commodities in question and the products in question shall not be placed on the market or made available on the market or exported, unless all of the following conditions are met:

- *They are **zero deforestation**;*
- *They have been produced **in accordance with the relevant legislation** of the country of production;*
- *They are subject to a declaration of **due diligence**.*»

Due diligence is the set of verifications that an actor in any value chain **must carry out** to have a clear idea of the legal origin of the product he is handling, and thus reduce the risks of illegality.

How due diligence works



3 Steps



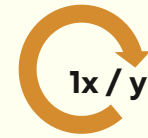
Data and information collect



Risks assessment



Mitigation measures



1x / year

Due diligence statement

- Assurance of compliance with the law
- Production of a reference number
- Must keep it for 5 years
- Entered in document file



Filed in an
Information System
provided by the EU

If there is violations of the regulation :

Degree of violation

- **Fine penalty** proportionate to the environmental damage and the value of the product in question.
- **Confiscation of the product.**
- **Confiscation of revenues** derived from the transaction of the product in question
- **Temporary exclusion**, for a maximum period of twelve months, **from public procurement procedures and access to public funding.**
- In the event of serious or repeated infringements, **temporary ban on marketing or exporting the product** in question and ban on exercising simplified due diligence.



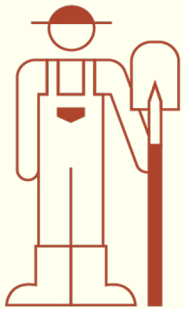
Points to watch

- ⚠ **No need for due diligence** if a declaration **has already been made up** the value chain.
- ⚠ Creation of a **deforestation observatory** by the EU with an alert system, daily updates on the global situation and categorization of production origins (countries and regions) **by low, standard and high risk.**
- ⚠ Each actor in the value chain **is responsible** for the conformity of his product when handling it.
- ⚠ Different status and role if **micro/SME or larger than SME.**
- ⚠ It is important to have a **rigorous risk assessment** and management system based on **solid traceability.**

Distribution of roles in the sectors



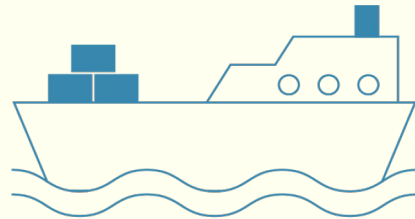
Producer



Not directly involved,
potentially affected

May be asked to provide geolocation data and general information about the production.

Exporter



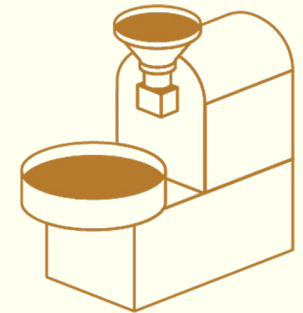
Operator

Importer



Operator

Roaster



Merchant

If > SME

Same obligations as operators

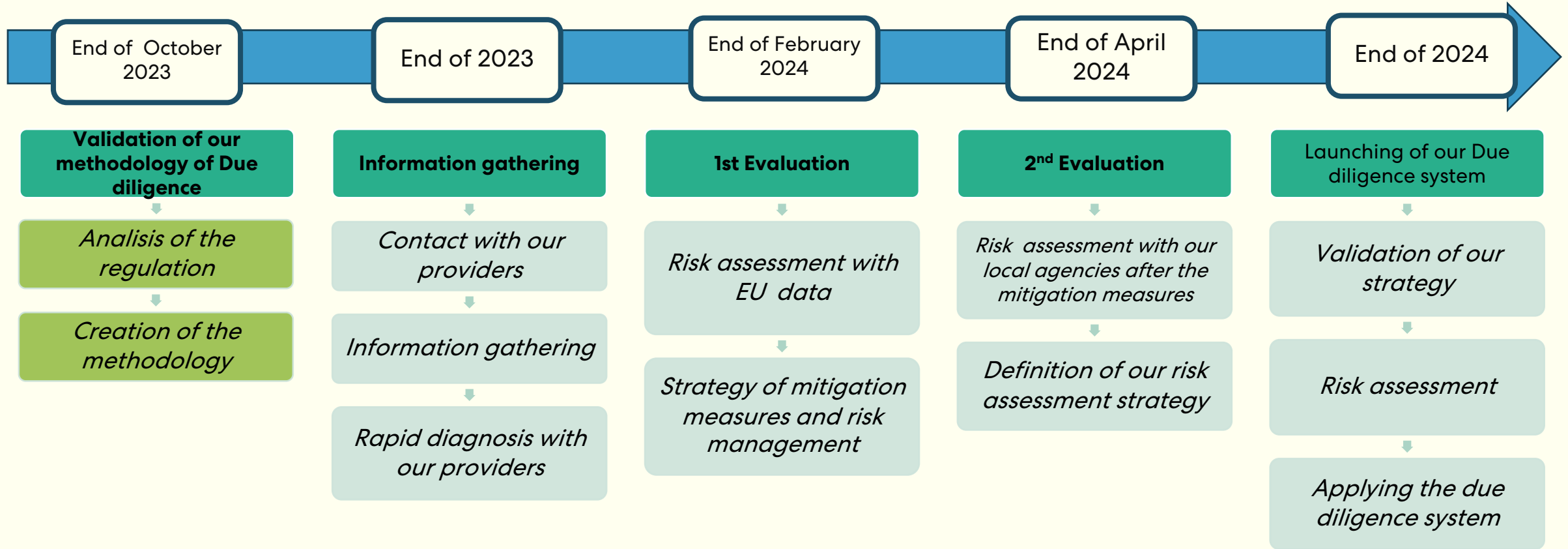
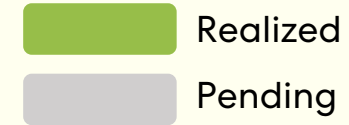
EXCEPT if due diligence has already been carried out

If Micro / SME

- Provide supplier and customer information
- Provide references for suppliers' due diligence declarations
- Keep information for 5 years

- Ensure that the product **complies with regulations**
- Set up an **annual due diligence** system and produce **declarations** (**EXCEPT if due diligence has already been carried out**)
- Submit **declarations to the EU IS**
- Keep a record of declarations over **5 years**
- Produce an **annual due diligence report**

Our strategy at Belco



Our position at Belco

Conform with our company values



Daring

- Create our own traceability and risk management tools
- Be independent of external consultants and certifications
- Set an example for other players in the coffee and cocoa industry



Engagement

- Ensure in the best possible way that our coffees and cocoa do not contribute to deforestation
- Work with our partners upstream in the value chain on the social, economic and environmental transition of our supply chains.



Transparency

- Develop strong traceability and transparency in our value chains
- Reassure our customers and bring them closer to the production origin of the products they handle



Solidarity

- Support players in difficulty with the regulation
- Create a healthy, high-quality climate with our suppliers, without positioning ourselves as a control agent