



Navigating the EUDR: a guide to the EU's Deforestation-free products Regulation

The EUDR requires operators and traders to conduct thorough supply chain due diligence for deforestation-linked products, with responsibilities varying depending on company size, supply chain position and a country's risk classification. Ongoing discussions about the risk classifications, including a potential "no risk" category, have created some uncertainty. Until a definitive outcome is reached, companies are advised to introduce and maintain due diligence procedures for all sourcing countries. Our Corporate Crime & Business Integrity team provides you with an overview that highlights the key differences between the EUTR and EUDR and explains how companies can remain compliant.

Subject	EUTR	EUDR
Main objective	The EUTR aims to prevent illegally harvested timber from entering the EU market by requiring businesses to conduct due diligence to ensure timber is legally sourced and complies with the legal requirements of the country of origin concerning forest legislation.	The EUDR aims to prevent the listed products from contributing to deforestation and forest degradation in the EU and globally. This regulation applies to various commodities beyond timber, ensuring they meet specific conditions before being placed on the EU market or exported.
Products covered by the scope	Applies to timber, including certain timber products listed, such as solid wood, plywood, and paper products (17 timber products in total).	The EUDR covers not just (an increased number of) timber (products) but also other key products linked to deforestation. These include cattle, cocoa, coffee, oil palm, rubber, soy, and wood. It also applies to "relevant products" containing, fed with, or made using these commodities, such as leather, industrial fatty alcohol, new pneumatic tyres or soya-bean oil (approximately 90 relevant products).

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Operators and traders	<p>The EUTR affects both "operators" and "traders".</p> <p>An operator is any (legal) person that places timber (products) on the market. Placing on the market means to supply by any means, irrespective of the selling technique used, of timber (products) for the first time on the internal market for distribution or use in the course of a commercial activity, whether in return for payment or free of charge.</p> <p>A trader is (legal) person who, in the course of a commercial activity, sells or buys timber (products) already placed on the internal market.</p>	<p>The EUDR distinguishes between "operators" and "traders" but employs more extensive definitions and imposes more stringent obligations.</p> <p>An operator is any (legal) person who, in the course of a commercial activity, makes relevant commodities or products available on the Union market for the first time <u>or exports them</u>. Making available on the market means any supply of a relevant commodity or product for distribution, consumption or use in the course of a commercial activity, whether in return for payment or free of charge.</p> <p>A trader is any (legal) person in the supply chain other than the operator who, in the course of a commercial activity, makes relevant commodities or products available on the Union market. The key difference being that traders buy and sell products already on the Union market, while operators are responsible for the initial entry into the Union.</p>
Distinction between up- and downstream and size operators and traders	<p>The EUTR does not differentiate between small or medium-sized enterprises (SME) and non-SME and makes no explicit distinction between up- or downstream enterprises.</p>	<p>Operators that first introduce a product to the Union market (upstream), regardless of their size, are required to carry out full due diligence.</p> <p>Operators further along the supply chain (downstream) may refer to an existing due diligence statement from earlier in the chain rather than conducting their own due diligence. Non-SME operators are required to confirm (through a supplier assessment) that due diligence was properly conducted before relying on such a statement. SME operators may simply pass along an existing due diligence statement without conducting an assessment. For components of relevant products not covered by prior due diligence, operators regardless of size are required to carry out their own due diligence.</p> <p>A trader's responsibilities vary based on both size and supply chain position. Non-SME traders are subject to the same obligations as non-SME operators (see above). SME traders face fewer due diligence demands. Their obligation is to maintain traceability of the relevant products. As such they are only required to keep a record of specific information related to the relevant products, such as the name, address, and other details of the operators from whom they sourced the products and to whom they supplied them.</p>

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Obligations of operators	Prohibits operators from placing illegally harvested timber or timber products on the market and requires operators to conduct due diligence.	Prohibits operators from placing or exporting relevant products unless they (i) are deforestation-free, (ii) comply with relevant laws in the country of production, and (iii) are accompanied by a due diligence statement.
Obligations of traders	Traders must be able to identify which operators/traders supplied them with timber products and to whom they supplied these products at every stage of the distribution chain. A due diligence system in itself is not mandatory.	Non-SME traders have the same obligations as (non-SME) operators, meaning they are subject to the same prohibition (see above). For SME traders, the same (traceability) requirements as for traders under the EUTR apply.
Obligations regarding data collection	Requires businesses to demonstrate that timber is legally harvested.	Requires increased transparency and traceability measures, such as providing geolocation data to identify the origin of products, specifying the date or production period, and fulfilling supply chain mapping requirements.
Reporting requirements	No annual reporting required.	Market participants are required to publicly reporting the measures taken to carry out due diligence regarding the supplied products.
Penalties	<p>(i) Fines proportionate to the environmental damage, the value of the timber or timber products concerned and the tax losses and economic detriment resulting from the infringement;</p> <p>(ii) confiscation of timber/products; and</p> <p>(iii) immediate suspension of the commercial activity license.</p>	<p>(i) Administrative fines proportionate to the environmental damage and the value of the relevant commodities or relevant products concerned (e.g., maximum fines for legal entities amount to at least 4% of the operator's or trader's total annual turnover within the EU);</p> <p>(ii) confiscation of products;</p> <p>(iii) confiscation of revenues earned;</p> <p>(iv) temporary exclusion from public procurement and funding for up to 12 months;</p> <p>(v) temporary prohibition on placing goods on the market; and/or</p> <p>(vi) prohibition on operating under a simplified due diligence system.</p> <p>In addition, the EUDR requires transparency with reputational consequences. Member States must report all finalized judgments and sanctions against companies for EUDR breaches to the European Commission, which publishes these cases online in a publicly accessible list. This exposure could result in significant reputational damage of the organisations involved.</p>

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Country benchmarking system	No country-based assessment.	<p>The European Commission is tasked with overseeing a benchmarking system that classifies countries or their regions as high, standard, or low risk.</p> <p>For relevant products originating from low-risk countries, market participants may perform simplified due diligence procedures. Under these procedures, operators or traders are not required to perform a risk assessment or implement risk mitigation measures. However, they remain obligated to collect all necessary information, submit the due diligence statement, and keep records.</p> <p>For high-risk countries, competent authorities are required to conduct enhanced compliance checks.</p>
Cooperation	Basic cooperation obligations between authorities and Member States, along with flexibility in conducting periodic market participant checks.	Increased cooperation and information sharing between authorities and Member Enhanced cooperation and information exchange among authorities and Member States, establishing minimum inspection standards and control percentages to ensure uniform enforcement.

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