

EU Regulation to cause log jam in commodity flows

Questions for investors to ask management of companies concerning commodity supply chains

Recommended Questions		Report's Key Takeaways
<p>Q.1 Do you have the ability to trace the commodities covered by the regulation throughout your supply chain?</p> <p>Background: Without traceability within commodity supply chains, it will be impossible to confirm the imported products are deforestation free as per the regulation.</p>		<ul style="list-style-type: none"> • The proposed EU deforestation Regulation is likely to be adopted in the next 12 months requiring the specific commodities to be deforestation-free. • Brazil and Indonesia, based our analysis, are the most exposed as they appear to be already exceeding their forest cover planetary boundaries. • This Regulation asks a major question of importing corporates as to whether they have traceability within their supply chains. • This Regulation has the potential to disrupt the corporate supply chains of those which do not have traceability and responsible sourcing embedded. • FIs are potentially in scope for the regulation by 2025. <p>Click to view the BLOG online</p>  <p>Disclaimer: Click here</p>
<p>Q.2 Are you able to benchmark and attest that the imported commodities are deforestation free?</p> <p>Background: Benchmarking and attestation are regulatory requirements for corporates importing commodities or derivatives covered by the regulation.</p>		
<p>Q.3 Is the proposed regulation likely to disrupt your supply chain and if so what mitigation plans do you have in place?</p> <p>Background: Mitigation plans should cover commodities or their derivatives in scope for the regulation and contain alternative sources or improved traceability as potential strategies to mitigate the risk of regulatory penalties or imports being barred from entering the EU.</p>		
<p>Q.4 Is there a potential liability already incurred due to the regulation being back dated to 31st December 2020?</p> <p>Background: The regulation is back dated to 31st December 2020 meaning companies without robust traceability within their supply chains back to the beginning of 2021 are potentially exposed.</p>		