



Due diligence in practice

Insights from EUDR preparedness
exercises in the palm oil sector

Disclaimer

This report was produced by the European Forest Institute (EFI) with the financial support of the European Union. The report documents a process conducted in October 2025 as part of a learning exercise in the palm oil sector for operators and Competent Authorities. It took place before the entry into application of the EUDR, at a time when all stakeholders were still in the preparation phase. The insights presented here are intended to foster mutual understanding, readiness, and alignment among the different actors involved. They should not be interpreted as definitive positions or as representing what may be deemed compliant by the participating Competent Authorities. The participating operators engaged in this exercise in good faith and in a spirit of transparency and continuous improvement. Their voluntary participation and openness throughout the process are gratefully acknowledged and should not be construed as an indication of non-compliance or endorsement of any interpretation. The views expressed do not necessarily reflect those of the European Forest Institute (EFI), which acted as a facilitator in this process, nor those of the European Union. Rather, many of the recommendations and observations captured in this report point to what could be considered — at this stage, and within the specific palm oil contexts examined — examples of good or emerging best practices for the early implementation of the EUDR.

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Overview

About the EUDR preparedness exercise

The EU Competent Authority of Spain and two operators in the palm oil sector conducted an EU Deforestation Regulation (EUDR) preparedness exercise, facilitated by the European Forest Institute (EFI) through its Technical Facility on Deforestation-Free Value Chains. The voluntary exercise simulated checks on the operators' due diligence system (DD-System) and related palm oil shipments from Indonesia and Malaysia, using real-world data and information to replicate future checks as closely as possible. The exercise aimed to help identify challenges, viable solutions and best practices to ensure smooth implementation of the EUDR, and provide recommendations that could benefit all interested stakeholders.

In addition to assessing the operators' DD-System in practice, the exercise also served to assess the ease of using the EU Information System for transferring geolocation data and resolving any issues relating to data compilation, formatting and completeness.

Box 1: What is the EUDR?

The **EU Deforestation Regulation (EUDR)** requires that coffee, palm oil, cocoa, soy, cattle, timber and rubber (and some related derived products) entering the EU be produced legally and without causing deforestation. Operators wishing to place these products on the EU market will have to conduct due diligence to demonstrate that these criteria are met once the regulation fully enters into application.

About the palm oil supply chain

Indonesia and Malaysia are the world's leading producers of palm oil. The two countries account for approximately 80% of global production (see Figure 1). Indonesia is the largest producer, with an estimated 46 million tonnes (48%), followed by Malaysia at 19.4 million tonnes (28%) in 2023. Their combined output underscores their central role in the global supply of palm oil, which is widely used in food products, household goods, and cosmetics. Thailand ranks third with about 3.33 million tonnes, while other producers such as Colombia (1.9 million tonnes), Nigeria (1.5 million tonnes), and smaller contributors including Guatemala, Papua New Guinea, Brazil, and Côte d'Ivoire each produce under 1 million tonnes per year. Although the sector faces ongoing environmental scrutiny, palm oil continues to be an important economic commodity, particularly for Southeast Asian

economies. Oil palm-driven deforestation rates in Southeast Asia dropped between 2015 and 2021, but saw a slight increase during 2022 and 2023 (mainly in Indonesia)¹.

In 2023, global palm oil imports reached 51.6 million tonnes. The three largest importers were India, with 9.55 million tonnes (18.5%); China, with 6.44 million tonnes (12.5%); and the European Union, with 6.06 million tonnes (11.7%). Together, these markets accounted for more than 42% of total global imports, highlighting their fundamental role in the international palm oil supply chain.

A second group of significant importers includes Pakistan, with 2.98 million tonnes (5.8%); the United States, with 1.85 million tonnes (3.6%); Bangladesh, with 1.56 million tonnes (3.0%); Nigeria, with 1.14 million tonnes (2.2%); and Russia, with 0.83 million tonnes (1.6%).²

Table 1. Top five countries exporting palm oil to the EU in 2023

Country	Annual production (in MT)	Exports to the EU (in MT)	% of annual production	Exports to the EU (in million EUR)
Indonesia	46 000 000	1 897 818	4,04%	1 804
Malaysia	19 000 000	1 060 616	5,58%	1 151
Guatemala	1 030 000	611 892	59,4%	557
Papua New Guinea	820 000	293 132	35,7%	284
Honduras	670 000	268 989	40,1%	237

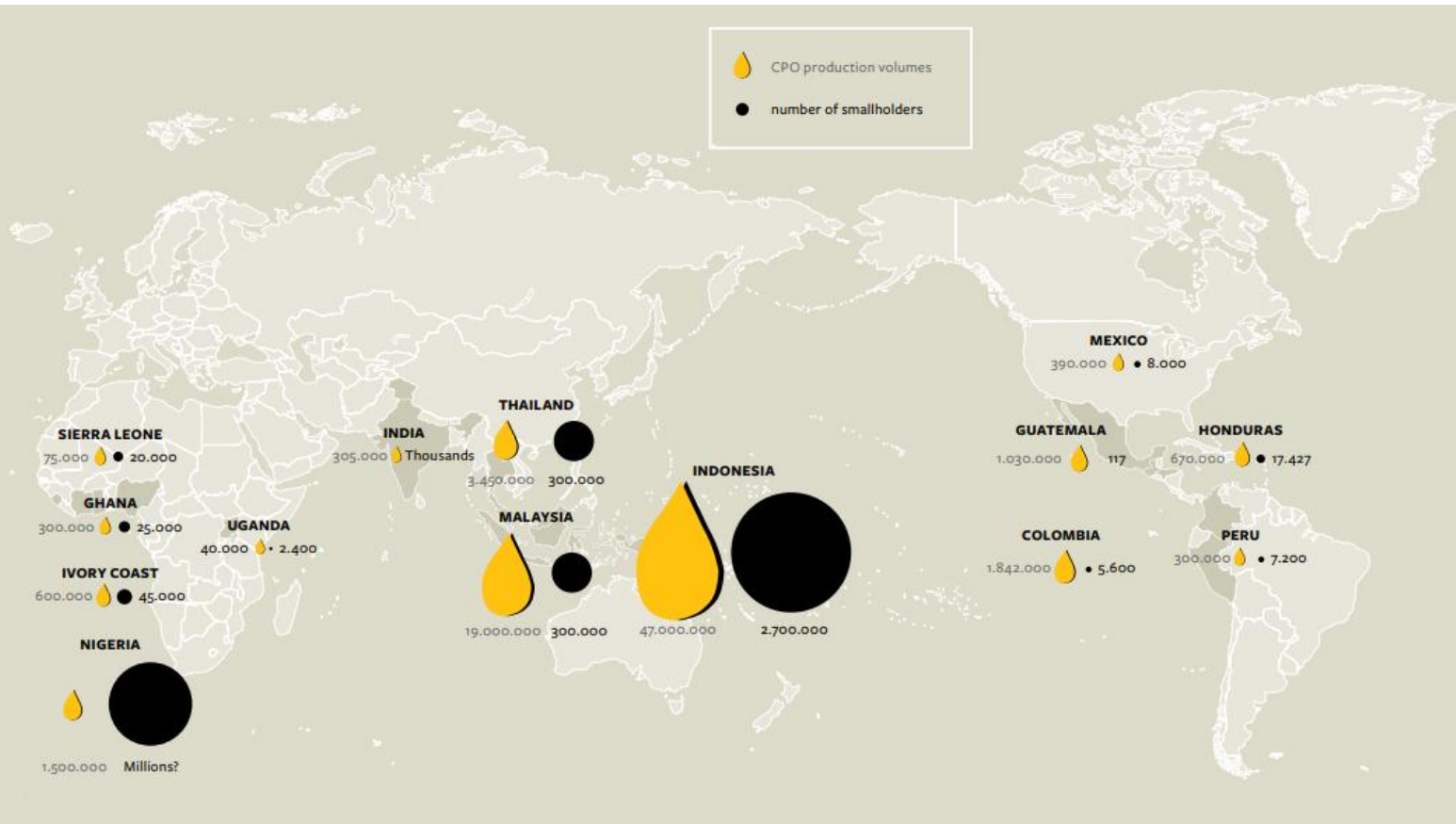
Source: COMTRADE, 2025; Palm oil barometer, 2025; Foreign Agriculture Service, USDA, 2025

During the past two decades, industry, governments, and civil society have worked to make palm oil production more sustainable, driven by public concern and evidence of the impacts of unsustainable expansion. Voluntary schemes such as the Roundtable on Sustainable Palm Oil (RSPO) and International Sustainability & Carbon Certification (ISCC) and corporate No Deforestation, No Peat, No Exploitation (NDPE) commitments aim to ensure palm oil is free from environmental and human rights harms. These efforts are reinforced by national certification systems like the Indonesian Sustainable Palm Oil (ISPO) and Malaysian Sustainable Palm Oil (MSPO) and national voluntary standards such as Aceite de Palma Sostenible de Colombia (APSColombia).

¹ [Mongabay, SEI](#)

² <https://cpopc.net/database/dataset/chart/66/palm-oil-import/line/chart-tab/2021-2024>

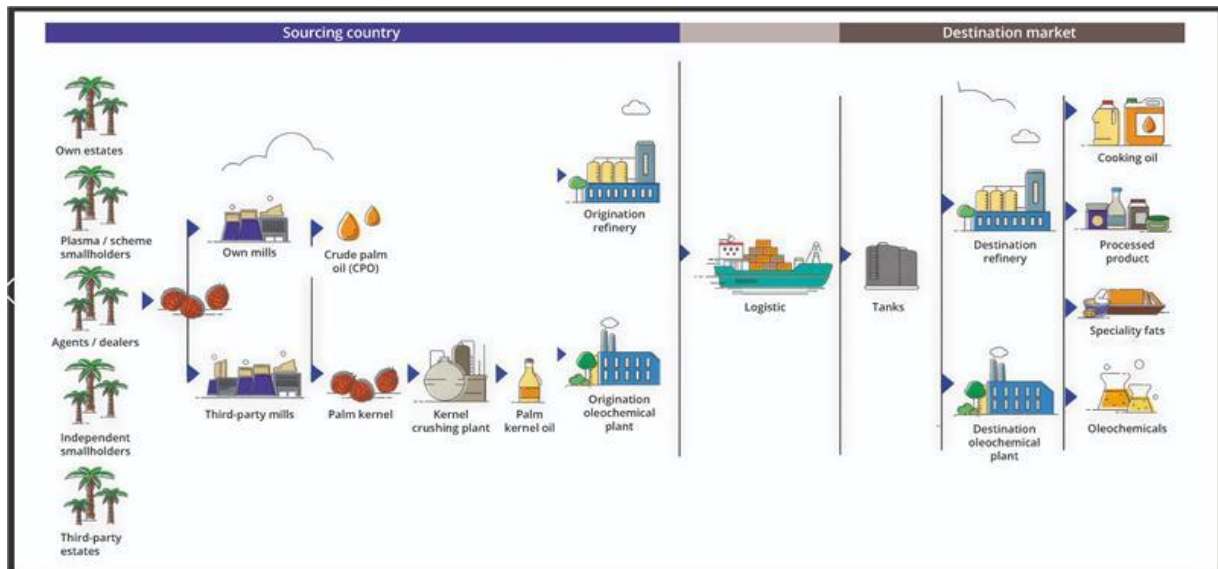
Figure 1: Palm oil production (in MT) and number of associated smallholders (2023) in 14 oil palm-producing countries



Source: Palm Oil Barometer 2025

Key concerns under the EUDR for the palm oil sector include **traceability and legality** among smallholders, many of whom lack the documentation, geolocation data, or organisational capacity required to demonstrate compliance. In Indonesia, there are additional sensitivities related to the sharing of geolocation data, which are often viewed as confidential or politically sensitive. Beyond smallholder inclusion, challenges also arise from data accessibility and segregation of supply chains.

Figure 2: The main stages and actors in the palm oil supply chain, from production in the country of origin to consumption in the EU



Source: Operator

Box 2: Overview of the palm oil supply chain

Palm oil supply chains are complex and involve multiple actors. Fresh fruit bunches (FFB) can come from estates owned by a company, from plasma / scheme smallholders (managed by the company), from independent smallholders, from agents or dealers (intermediaries between small FFB producers and the company) or from third-party estates. Processing depends on the product:

For crude palm oil (CPO): fresh fruit bunches are processed in mills, then shipped directly to customers or via bulking stations.

For crude palm kernel oil (CPKO): fresh fruit bunches are milled, the palm kernels are sent to kernel crushing plants, and the resulting CPKO is delivered to customers.

Further refining can take place either in the producing country or in the destination market, depending on customer needs.

Steps in the EUDR preparedness exercise

Identification of the operators was facilitated by the Spanish Foundation of Sustainable Palm Oil and the Malaysian Palm Oil Council (MPOC), which helped find candidates meeting the following criteria: i) placing palm oil on the EU market, in particular from at least some of the origins identified by the Competent Authorities, ii) having an operational DD-System, and iii) willing to share its data with the participating Competent Authority. An operator

with diverse and complex supply chains (including smallholders and multiple origins) was prioritised to test checks of more intricate systems.

The Competent Authority designated by the Spanish Government is the General Directorate of Biodiversity, Forests and Desertification, part of the Ministry for the Ecological Transition and the Demographic Challenge (MITECO). Due to Spain's administrative structure, each region has its own Competent Authority for EUDR checks. However, for this dry run, the exercise was conducted at the higher, national level. Within MITECO, the team responsible for supervising EUDR checks at the national level, in coordination with the regions, is the same team that coordinates the regional Competent Authorities for timber import compliance under the European Timber Regulation (EUTR).

The exercise involved the following steps, simulating a “real world” EUDR check:

1. The Spanish Competent Authority selected Indonesia and Malaysia for the exercise. Each operator then proposed a set of shipments for the simulated checks, taking into account a diversity of sourcing patterns: direct and indirect sourcing, cases with and without third-party certification, sourcing from independent smallholders, use of national information systems, certification, etc.
2. The operators submitted the due diligence statements using the replica of the EU Information System (Acceptance) to test the ease of use. This system has the same technical specifications as the TRACES system³.
3. The Competent Authority reviewed the submissions and sent questions and requests for additional documentation and data to the operators.
4. The additional information was provided by the operators and assessed by the Competent Authorities.
5. Each operator was invited for an in-person meeting with the Competent Authority, facilitated by EFI, to discuss the remaining questions, understand how the operator navigates internal EUDR tools, and gather lessons learned throughout the exercise.

The exercise culminated in this report, which highlights key best practices, outlines challenges faced, and captures lessons learned.

Structure of the report

This report is structured in two distinct parts. The first section presents general insights on due diligence practice, drawing on observations from across the exercise. The second section sets out the main lessons identified through the process.

³ [TRACES](#): European Commission's online platform for animal and plant health certification required for the importation of animals, animal products, food and feed of non-animal origin and plants into the EU, and the intra-EU trade and EU exports of animals and certain animal products.

General insights on due diligence practice

Insight 1 – Demonstrating the process of due diligence is as important as the conclusions

For Competent Authorities, the value of a risk assessment lies not only in the conclusions it produces but, in the rigour and transparency of the process behind them. Understanding the risk assessment process in its entirety allows inspectors to verify that negligible risk determinations for legality and deforestation are supported by robust, systematic approaches rather than being based solely on third-party statements. The Competent Authority stressed the importance of understanding the following:

1. **The DD-System design** – how the DD-System is designed, how tasks and responsibilities are assigned, and how the system ensures compliance with the requirements of the EUDR. A well-structured system provides a clear framework for capturing and analysing relevant information across complex supply chains.
2. **The information** – what types of data are collected, the sources of that information, and the methods used to ensure its reliability. Understanding the origin, quality, and completeness of information is essential to assess whether the subsequent risk assessment and mitigation measures are based on solid available evidence.
3. **Risk analysis / assessment** – how risks of illegality and deforestation are identified, assessed, and categorised within the DD-System. This includes understanding the criteria used, and how uncertainties or gaps in information are handled. The analysis provides the rationale for concluding whether risks are negligible and ensures that decisions are systematic and evidence based.
4. **Risk mitigation** – measures taken to address each identified risk, including corrective actions, segregation of known and unknown origin materials, or supplier engagement. Understanding mitigation practices is essential to confirm that the DD-System not only identifies risks but actively manages and reduces them to levels of negligible risk.

During the exercises, it was observed that when risk assessments are conducted by third-party providers, the underlying processes and steps are not always fully visible to the operators. In some cases, operators rely on the final conclusions produced by external providers (e.g. assessments of negligible deforestation or legality risk), while having limited insight into the data sources, assumptions, and analytical methods used to reach those conclusions.

Even if third-party providers are used, the operator remains legally responsible under the EUDR for demonstrating negligible risk of illegality and deforestation. Operators must be

able to clearly explain the data sources, methodologies, and assumptions employed by any third-party provider involved in their risk assessment. Competent Authorities cannot assume that risk analyses or conclusions produced by third-party providers are automatically known, validated, or trusted; operators must demonstrate that they have critically assessed and integrated these inputs into their own due diligence process.

Insight 2 – Operators are expected to explain their due diligence processes clearly and transparently

During an EUDR check, operators bear full responsibility for clearly articulating their due diligence process. Internal documentation is seldom self-explanatory, and Competent Authorities are not expected to interpret or reconstruct how due diligence was undertaken.

Operators should provide clear guidance on how their documentation should be read and understood – for example, how data files are structured, the frequency of audits, or reasons for variations in legal documentation quality across sourcing regions.

A clear and well-structured explanation not only clarifies the logic behind compliance decisions, but also supports transparency and consistency in annual reporting.

"It is the operator's responsibility to show and explain in an inspection why the information provided is sufficient and complete."

Insight 3 – A due diligence system should not exist only on paper but be operational in practice

A well-functioning due diligence system (DD-System) is the cornerstone of EUDR compliance. While operators have already established comprehensive systems, protocols, and procedures, ongoing refinement is essential to ensure their continued effectiveness. The Competent Authority expected the operators to demonstrate that their DD-Systems are robust, operational, and supported by sound methodologies to verify that shipments present a negligible risk of deforestation and of illegal production. A DD-System that exists only on paper – without being actively applied in day-to-day operations – will not meet regulatory expectations. Regulators assess not just the presence of policies or procedures, but whether they are effectively implemented, followed consistently, and produce tangible results. Simply documenting a system is not enough; it must be **operationalised and demonstrated in practice**.

Operators must also demonstrate that due diligence has been applied to the specific products in the inspected shipment(s). This includes clear information on product origin (geolocation) and other risk assessment criteria outlined in EUDR Article 10, such as presence of forest, indigenous peoples, and risk of mixing with non-compliant or unknown origin products. While external platforms and tools can support this process, operators should not rely on them exclusively; internal Standard Operating Procedures (SOPs) tailored to their supply chains are expected.

Insight 4 - Due diligence is not a document-gathering exercise

When demonstrating due diligence, discussions often focus on the collection of documents. However, a key challenge highlighted in this report is the difficulty operators face in obtaining documents as evidence. It is important to note that relevant evidence for EUDR compliance can be provided not only through documents but also through procedures of risk assessment and risk mitigation, which can help address these challenges.

For example, evidence of risk mitigation is not necessarily a document; it can be a procedure, but such procedures should be documented and their application demonstrated. During the face-to-face meeting, the operators were able to explain mitigation measures and processes for concerns that were brought up by the Competent Authority. In addition, the Competent Authority stressed the importance of documenting these explanations as part of the DD-System and of demonstrating how they are operationalised on the ground.

More generally, there are no documented or centralised records of land-use rights or other relevant legal aspects (e.g. labour rights) for smallholder farmers. Further, many legal requirements are formulated as prohibitions (e.g. the prohibition of discrimination or abuse) that cannot be demonstrated through documents. In informal supply chains involving numerous smallholder producers, records may not exist at all due to customary land tenure systems. During the exercise, the Competent Authority was exposed to the reality of the availability of proof of legality for smallholders and the alternative types of evidence that could be provided to demonstrate compliance.

Main lessons

Lesson 1 – Clearly defining roles and responsibilities in the due diligence process for multinational structures is essential

Multinational structures are a defining feature of the palm oil industry. Companies are often part of large corporate groups or diversified conglomerates operating across plantations, milling, refining, trading, logistics, and sometimes even retail or finance. These companies typically have subsidiaries or affiliated entities handling different parts of the value chain, sometimes across multiple countries. Within large business groups, dedicated teams or departments – sometimes located in different regions – are responsible for conducting risk assessments. These functions collect and analyse information, form risk-based conclusions, and communicate their assessments to European operators for use in due diligence and decision-making.

However, under the EUDR, every supply chain must have an operator established within the EU which is accountable for fulfilling regulatory obligations. For such multinational structures, it is essential to clearly define roles and responsibilities in the due diligence process to ensure compliance with the EUDR.

While the operator may use data systems provided by an affiliated entity to access relevant evidence under Article 9, it must remain clear which tasks the European team is responsible for. The European operator must maintain its own DD-System and cannot rely solely on the procedures of a supplier or affiliated entity. For the operator, this includes documenting decision-making processes, retaining accountability for compliance, and understanding the underlying due diligence information – not just the final compliance conclusions. In practice, much of the technical expertise, local knowledge, and operational insight (“eyes and ears on the ground”) may reside within affiliated entities outside the EU, which are often better positioned to collect, interpret, and validate local data. When the operator and supplier belong to the same corporate group, it becomes especially important to describe internal processes for decision-making, oversight, and documentation. This includes explaining how assessments and analyses carried out by specialist teams at affiliated entities feed into, and are reviewed by, the EU-based trading entity. For example, the operator may rely on data or evidence generated by an affiliated entity, drawing on that entity’s expertise and local presence, but must still conduct its own due diligence, including risk assessment, risk mitigation, and verification of compliance.

From the Competent Authority's perspective, inspections are conducted on the EU operator, not its subsidiaries or affiliated entities. Standard Operating Procedures (SOPs) for due diligence – covering risk assessment, mitigation, and record keeping – should therefore be established and implemented by the EU operator. The operator remains responsible for verifying compliance along the entire supply chain.

“We want to talk with the people who concluded that the products are compliant.”

Exercises such as these have shown that understanding where information is stored and how responsibilities are delegated within multinational structures is essential for Competent Authorities to manage inspections effectively. In multinational companies, due diligence is often carried out outside Europe, closer to the sourcing regions where relevant information originates. Awareness of this reality helps Competent Authorities understand how DD-Systems in multinational corporations function in practice, and ensures that inspections and verifications are both realistic and effective.

Lesson 2 – National databases can facilitate the verification of legal compliance

Under the EUDR, the burden of proof lies with the EU operator; however, many relevant legal documents (such as permits and licenses) are legally restricted by laws in origin countries from being disclosed and cannot be stored without the owner's consent. During the exercise, the operators demonstrated how they use national databases to carry out their due diligence by verifying the validity of legal documents without holding the originals.

The Competent Authority emphasised the importance of demonstrating how national databases function and how relevant documents can be accessed through well-defined workflows in the DD-System. The Competent Authority also stressed the importance of maintaining documentation of the verification process in the DD-System.

In Indonesia: plantation license data is legally considered public information under Indonesian law⁴, however in practice the Ministry of Agriculture continues to manage data and information of plantation business actors as confidential. During the exercise, the operator demonstrated how the Plantation Licensing Information System called SIPERIBUN is used by the operator to carry out due diligence on the legality of their own plantation business. While SIPERIBUN is only accessible to registered Indonesian entities, understanding that it exists and is mandatory can help Competent Authorities during their checks.

⁴ <https://news.mongabay.com/2021/06/final-court-ruling-orders-indonesian-government-to-publish-hgu-palm-oil-plantation-data/>

Box 3: About SIPERIBUN

SIPERIBUN stands for *Sistem Informasi Perizinan Perkebunan* (Plantation Licensing Information System). It is an online application developed and managed by the *Direktorat Jenderal Perkebunan* (Directorate General of Plantations) within the *Kementerian Pertanian Republik Indonesia* (Ministry of Agriculture of Indonesia) for the purpose of integrating and managing plantation licensing data on a national scale.

It integrates data such as company profiles, legal status, licenses, spatial maps (e.g. IUP – *Izin Usaha Perkebunan*, ILOK – *Izin Lokasi*, HGU – *Hak Guna Usaha*) and periodic reports from plantation companies. SIPERIBUN enables self-reporting; plantation enterprises are required to submit updates at least once every six months on their operations, including spatial data attachments. Although SIPERIBUN operates on a self-reporting basis, every plantation company is legally required to complete and submit information through SIPERIBUN in accordance with Indonesian law, specifically under the obligations set out in Law No. 39 of 2014 on Plantations and the implementing regulations of the Ministry of Agriculture (e.g. Permentan No. 45 of 2019), **which mandate periodic reporting of plantation business data and permit information.** The system supports oversight: provincial/regional plantation offices access SIPERIBUN for monitoring company compliance; there are periodic evaluations by the Directorate General and the anticorruption body (*Komisi Pemberantasan Korupsi (KPK)*).

In Malaysia: Malaysia's land administration falls under state jurisdiction, meaning each state maintains its own land title database rather than having a centralised national system. Public access to these records is generally restricted, though title searches can be requested, and the level of digital accessibility varies by state. These systems allow verification of land title ownership, lease periods, and land categories such as agricultural or forest land. While such checks support due diligence by confirming legal land rights, verification must be conducted on a plot-by-plot and state-by-state basis.

At the federal level, information is compiled through the plantation licensing system of the Malaysian Palm Oil Board (MPOB), and through the MSPO certification scheme in particular. Plantation licence data is not treated as public information and operators generally cannot rely on national databases to verify legal documents without obtaining them from the producer. However, the MPOB Act (Act 582) requires all growers, mills, dealers, and traders to hold an MPOB licence and specifies that:

- Licences are issued directly to operators.
- Licence details are not publicly searchable.
- MPOB treats operator information as confidential business data.
- MPOB only confirms licence validity upon request and usually only to the licensee, not to third parties.

Box 4: About MSPO and SSM e-Info system

MSPO has a database that is publicly accessible and allows users to search for certification information. Through this database, operators can verify a supplier's certification status, the validity period of their certificate, and the name of the certified entity. While this supports due diligence by confirming whether a plantation or mill holds a valid MSPO certificate and has undergone audits, it does not provide access to legal land documents or licensing records. The **SSM e-Info system**, operated by the Companies Commission of Malaysia, is the national company registry and provides paid access to company information. Through this platform, operators can verify a company's legal registration, its directors, and key incorporation documents. While this supports due diligence by confirming that a supplier is a legally registered business entity, the system does not contain information on plantation permits, land titles, or concession boundaries.

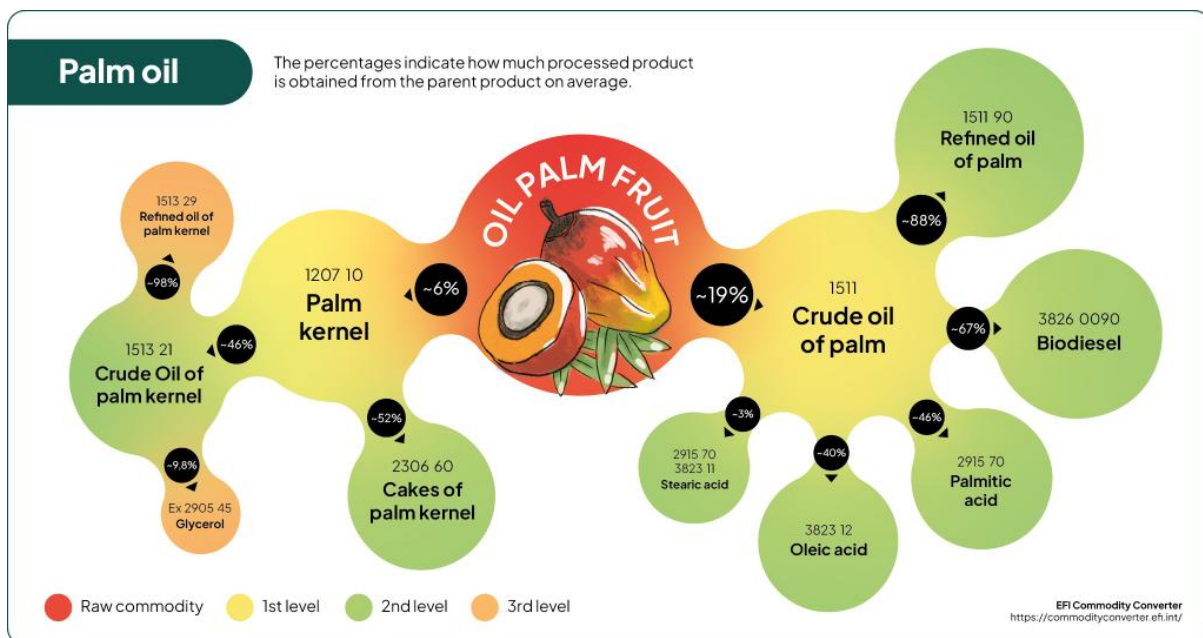
Access to such national databases is often limited to registered national entities, so EU operators must establish clear procedures with their local partners to access the necessary information, including the originals, which should remain accessible when requested. References to key documents (e.g. permit numbers) should be included in the DD-System, ensuring that documents can be retrieved when requested. According to the Competent Authority, such national/public information systems and registries can support, but not replace, the operator's due diligence responsibilities.

Lesson 3 – Transparent mapping of supply chains is expected, especially when sourcing through intermediaries

Palm oil supply chains – particularly those involving Crude Palm Kernel Oil (CPKO) – are inherently complex and characterised by multiple actors, intermediaries, aggregation points, and processing steps. Dealers and intermediaries play a critical role in the smallholder ecosystem, as many smallholders lack direct access to mills. As a result, full traceability to the plot cannot be achieved unless these intermediaries are fully identified, mapped, and integrated into the operator’s DD-System.

The exercises highlighted the importance of clearly describing the complexity of the supply chains, including the role of intermediaries (dealers, traders) between smallholder farms and mills. Understanding this complexity is essential for assessing the risk of mixing compliant and non-compliant materials, and for designing effective traceability and due diligence measures.

Figure 3: The transformation of fresh fruit bunches (palm oil fruit) into processed products, with average rates of conversion. Numbers shown above each product are the CN codes.



Supply chain complexity is explicitly listed as a risk assessment criterion under Article 10(2)(i) of the EUDR. The greater the number of actors, transport steps, and aggregation points, the harder it becomes to identify the information required under Articles 9 and 10. Unidentified or poorly understood steps in the chain can lead Competent Authorities to conclude that the risk of mixing is not adequately addressed. This is especially relevant for

CPKO supply chains, where the transformation process involves multiple stages: FFB reception at the mill, aggregation of kernels from diverse sources, transport to crushing plants, and processing into CPKO. At each stage – FFB reception, mill-level aggregation, kernel aggregation, and crushing – mixing risks increase and traceability to the original plot becomes more difficult.

While it may not be possible to completely eliminate mixing in such complex systems, operators are expected to put in place proportionate mitigation measures to reduce risks to negligible levels. Effective approaches include mapping all intermediaries and suppliers, documenting roles and data flows, and identifying traceability gaps. Operators should implement segregation or procedural controls at critical points, such as sourcing exclusively from designated EUDR-compliant mills that accept only FFB accompanied by verified EUDR information. Additional measures may include volume control at mills, supplier audits, traceable batching, supplier training, and the deployment of digital traceability systems for near-real-time monitoring. These measures must be clearly documented and demonstrably implemented to provide Competent Authorities with credible evidence that mixing risks are effectively managed.

To support a robust risk assessment, the EUDR Guidance (C/2025/4524) suggests that operators consider questions such as: whether several processors or steps occur before the product is placed on the market; whether commodities originate from multiple plots or countries; and whether the product is highly processed and therefore contains inputs from multiple relevant products. Addressing these questions helps operators evaluate and mitigate the inherent risks posed by complex supply chains involving multiple suppliers, intermediaries, and aggregation points.

To meaningfully assess supply chain complexity and mitigate risks such as circumvention or mixing with unknown origin products, operators are encouraged to:

- Map the full supply chain, including all intermediaries, dealers, and traders.
- Document roles, responsibilities, and data flows for each actor in the chain.
- Identify traceability gaps and implement mitigation measures, such as supplier engagement, capacity building, segregation measures and clear bookkeeping and record-keeping of segregation processes.
- Certification schemes can support traceability to the farm only if they include certification of intermediaries.

Managing the FIFO approach

FIFO stands for “First-In, First-Out” and refers to a traceability method recognised under the EUDR for commodities traded in bulk, such as palm oil or soy.

Without FIFO, best practice involves clearly identifying product batches and, where feasible, fully emptying silos between different origins to minimise mixing, thereby ensuring that traceability results accurately reflect the actual composition and origin of the commodity. However, this is generally unpractical in the palm oil industry.

With FIFO, no emptying of silos is needed; the inventory management system must ensure that the first goods entering the silo are also the first to leave. This maintains a chronological and precise record of the products' origin. For a given batch, the operator must declare the production sites for a quantity of goods equivalent to at least 200% of the silo's total capacity if the silo has not been emptied for this specific batch. This measure ensures that all goods potentially included in a given load, even if mixed, come from identified and verified sources.

For complex supply chains like the one in focus here involving palm kernel oil, the operator noted that this approach can imply an important administrative burden if it has to be applied cumulatively at each node of the supply chain where commodities are handled in bulk (at the level of mill, bulking facilities, refinery, etc.) and IT systems to deal with all the data required under this 200% concept.

Lesson 4 – Legality due diligence begins with a list of laws relevant to the country of production

Legality due diligence was identified as one of the more challenging areas of the EUDR for operators, largely due to uncertainty around which laws would be considered relevant. The Competent Authority highlighted that the first step in legality due diligence is for operators to compile and update a comprehensive list of all relevant national legislation covering the legal criteria listed under EUDR Article 9. Operators should also identify and document which legal evidence is accepted as valid proof under national law, distinguishing between requirements for **estates** and **smallholders**.

This requires acknowledging the legal complexity and administrative arrangements of the producing country, including the laws relevant to subnational jurisdictions. **In Malaysia**, for example, the legal frameworks governing land use and forests in Peninsular Malaysia, Sabah, and Sarawak differ significantly and must therefore be assessed separately. In this context, operators should identify and evaluate the specific state-level laws and regulations that apply to land, labour, and environmental management, recognising that these may not align fully with national legislation.

When using national certification to support legality due diligence, operators must clearly explain how the chosen certification scheme addresses the EUDR's legality requirements. Although national schemes such as MSPO and ISPO are grounded in the legal frameworks of their respective producing countries, they do not currently cover all elements of the EUDR legality criteria. Operators should therefore describe the extent to which the certification scheme aligns with EUDR legality criteria and, where gaps exist, specify the additional measures implemented to ensure compliance.

Possible contradictions in the legal framework

The operator sourcing from Indonesia provided an opportunity to illustrate situations where different laws conflict. This was particularly evident in the case of palm oil plantations that were legally established years ago, then later reclassified as being within forest areas following the 2014 forest rezoning regulations. Many of these legal inconsistencies remain unresolved between different administrations.

In the shipment selected for this test, 18% of the smallholders were in areas officially designated as forest in 2014, despite the land not being forested and the plantations having been established before that date. The operator explained that excluding these farmers from the supply chain would create social tensions and put them in a difficult situation. The Competent Authority clarified that this kind of situation should not be an impediment to conducting meaningful due diligence; in such cases, operators should explain the process

used to assess legality in the best possible way, highlighting possible contradictions in the legal framework and how they arrived at a conclusion for negligible risk in legality. Combining document verification with risk-based assessments (e.g. checking whether land overlaps with forests or conservation areas) strengthens the operator's demonstration of legality and provides a robust basis for due diligence.

Proactive monitoring of known legality risks

For known issues on legality risks in the sourcing area, region or country, (e.g. labour rights, human rights) operators are expected to proactively monitor possible complaints, not just from their own grievance mechanisms, but also from independent sources when available. Operators could actively engage local NGOs in order to become aware of possible law infringements in terms of human rights, environmental conservation or any other relevant topic in the vicinity of production areas. Failure to consider these widely documented risks may be interpreted as insufficient due diligence, even if no direct evidence is found at the plantation level. In the case of the operators in this exercise, such engagement with NGOs is an integrated part of their environmental protection monitoring, which includes public consultation activities with the local community.

Case study: Well-documented, long-standing concerns on labour and human rights in the palm oil sector in Sabah (Malaysia)

Malaysia's economy relies heavily on migrant labour, with an estimated two million¹ documented and even more undocumented workers. Foreign workers make up more than 30% of the workforce, with migration to Sabah dominated by Indonesians and, to a lesser extent, Filipinos. In Sabah's palm oil sector, more than 80% of plantation workers are estimated to be Indonesian^{5,6}.

While the exact extent of child labour on plantations in Sabah is unknown, in 2023 UNICEF reported that children are frequently engaged in work on plantations, often informally helping their parents, and this is widespread and normalised. A 2018 Employment Survey in Oil Palm Plantations commissioned by Malaysia's Ministry of Plantation and Commodities (MPC)¹ estimated 33,600 children aged 5-17 working in the sector nationwide, with about 19,800 (58.8%) in Sabah – many performing work that meets international definitions of child labour.

These well-documented, long-standing concerns constitute **known risks**. Under a risk-based approach, operators sourcing from affected regions are expected to:

⁵ <https://www.unicef.org/eap/media/13431/file/ASEAN%20CABM%20Malaysia%20case%20study.pdf>

⁶ <https://prestasisawit.mpob.gov.my/en/palmnews/news/30439>

1. Explicitly assess labour and human rights risks as part of legality due diligence.
2. Avoid relying solely on supplier declarations or certification claims.
3. Demonstrate awareness of sector- and country-specific risks.

Lesson 5 – There are many ways to gather evidence for legality due diligence

According to the EUDR Article 9: “Operators shall collect **information which includes documents** and **data** which demonstrate that the relevant products comply with Article 3.”

When it comes to showing evidence of due diligence, in particular legality due diligence, conversations often revolve around ‘documents’. However, the challenges for the operators to collect, and for the Competent Authorities to analyse, large amounts of documentation are one of the salient messages of this report. It is worth reminding that relevant evidence in the context of EUDR may be provided not only in the form of documents, but also as data, which can help address these challenges. The use of one medium or the other should be assessed in light of what the operator wishes to demonstrate. See Table 2 below for types of information that might be useful for legality due diligence.

“A document is not always the solution to demonstrate legality compliance.”

When primary documents are incomplete or unavailable, operators can supplement with **proxy evidence**, such as data from independent sources (e.g. NGO reports), cooperative membership records, local authority statements, audit reports, training documentation, or consultation reports to demonstrate compliance.⁷ Such proxies can often be used to demonstrate compliance with more than one legality criteria – in the case of Malaysia where the palm oil sector (from upstream to export) is regulated by the Malaysian Palm Oil Board (MPOB), the MPOB license was used by the operator as a proxy for legality (see **Box 5** on MPOB). However, just stating ‘MPOB License’ is insufficient for the Competent Authority – the operator is expected to explain which license category is relevant and how it corresponds to the relevant information needs of the EUDR.

On the use of **self-declarations**, the Competent Authority highlighted that these alone are a weak form of evidence to demonstrate compliance with EUDR legality requirements. Self-declarations are expected to be supported by additional evidence, such as audit certificates, training records, or other documented measures, showing that the operator has effectively mitigated risks. Properly explained in the due diligence system, these supporting elements increase the reliability of self-declared information.

Being transparent in the DD-System about the types of evidence used and the limitations of smallholder documentation enhances credibility in due diligence reporting.

⁷ See Lesson 7 for legality due diligence specific to smallholders in Indonesia.

Box 5: The Malaysian Palm Oil Board (MPOB)

The Malaysian Palm Oil Board (MPOB) is the government agency responsible for the promotion and development of the palm oil industry in Malaysia. The primary national law governing the palm oil sector across Peninsular Malaysia, Sabah, and Sarawak is the Malaysian Palm Oil Board Act (MPOB Act). The Act's licensing requirements extend to all estates and smallholders and cover aspects ranging from the production, sale and transport of oil palm planting material to the construction of oil palm mills, and the export or import of palm oil. The MPOB Act also mandates Malaysian Sustainable Palm Oil (MSPO) certification for all producers.

The legality requirements of MSPO are reinforced through the MPOB licensing system. Activities from the cultivation of oil palm to export are registered and licensed in accordance with the Malaysian Palm Oil Board Act 1998 (Act 582) and Malaysian Palm Oil Board (Licensing) Regulations 2005 and Malaysian Palm Oil Board (Licensing) (Amendment) Regulations 2011, where MSPO certification has been mandatory for all plantations since 1 January 2020. To sell FFB and move oil palm fruit, oil palm growers must apply for and be granted a trading licence from MPOB which is valid for five years and renewable. MPOB is also responsible for supporting, regulating, and developing the smallholder palm oil sector in Malaysia. Licences are issued to different actors along the supply chain for different business operations.

Case study from Indonesia – Different proofs of legality are possible for smallholder legality risk assessments

Legality due diligence for large palm oil estates is relatively straightforward, as these estates usually have clear tenure, environmental permits, proof of labour and human rights compliance, and tax records.

In contrast, demonstrating legality for smallholder producers in Indonesia is more challenging due to:

- Many smallholders are not subject to most of the EUDR legal criteria (Table 2).
- Legal registration is incomplete — for example, less than 2% of farmers have a Cultivation Registration Certificate (*Surat Tanda Daftar Budidaya*, or STD-B).
- Land tenure issues remain unresolved in some regions, including plantations in forest areas or conservation zones.

During the exercise, the Competent Authority gained first-hand insight into the challenges smallholders in Indonesia face in providing proof of legality, as well as the types of alternative evidence that can be used to demonstrate compliance.

Fragmented legality frameworks and unresolved land status remain major barriers to EUDR compliance. During the exercise, the company's experience highlighted two major

challenges in demonstrating legality within its palm oil supply base. **First**, the low level of formal registration remains a fundamental barrier — none of the smallholders possess an STDB, and only 17% of the supply base is covered under nationally recognised legality frameworks. The majority rely on locally issued permits or letters from district authorities, which are part of the nationally recognised legality system but may not constitute full formal registration. **Second**, about 18% of the sourcing area lies within forest zones, making these plantations ineligible for STDB registration and complicating the process of proving land-use legality. This situation affected 18 out of 26 supplying mills and illustrates how unresolved land status and fragmented legality documentation continue to pose systemic challenges for compliance with the EUDR.

Box 4. Land classification in Indonesia

In Indonesia, land is broadly classified into **State Forest Areas** (*Kawasan Hutan*) and **Other Land Use Areas** (*Area Penggunaan Lain – APL*). **Hutan Produksi** (Production Forest) is one of the three main categories within *Kawasan Hutan*, alongside *Hutan Lindung* (Protection Forest) and *Hutan Konservasi* (Conservation Forest). Land within *Hutan Produksi* remains under state control and is designated for the sustainable production of forest products. Any conversion of *Hutan Produksi* for non-forestry purposes, such as oil palm cultivation, requires a **formal forest release** (*pelepasan kawasan hutan*). In contrast, **APL areas** lie **outside** the state forest zone and fall under the jurisdiction of **local governments**. APL land can be legally used for agriculture, plantations, settlements, and other non-forestry activities. From a legality due diligence perspective, plantations located in **APL areas** are generally considered compliant with land-use regulations, whereas plantations established within **forest zones** may face legality risks unless proper release or reclassification has occurred.

Table 2: Types of primary documents and other forms of evidence for palm oil smallholder in Indonesia to demonstrate legal compliance under the EUDR

Legality criteria under Article 9	Primary legal documents	Other evidence to support due diligence
Land-use rights	SHM: Certificate of Ownership SKT: Land Certificate Letter SKGR: Compensation Letter STDB: Cultivation Registration Certificate SPORADIK: Sporadic Land Ownership Statement SK Kemitraan Kehutanan: Forestry Partnership Decree	<ul style="list-style-type: none"> ● Identification area with forest area (Protected and Conservation Area) ● Bupati Statement letter (Village Head / Authority) ● Surat Jual Beli Tanah (Land Sale and Purchase Agreement) ● Surat Hibah (Gift Deed) ● Farmer Declaration (consultant declaration) ● RSPO/ISPO Certificate
Environmental protection	SPPL: Environmental Management Statement Letter	<ul style="list-style-type: none"> ● Audit report showing compliance with relevant RSPO/ISPO Certification principles & Criteria ● Bupati Statement letter/ Village Head Level (Authority) ● Self-declaration ● MSD Layer
Third parties' rights	Not available	<ul style="list-style-type: none"> ● Proof of consultations carried out as part of RSPO certification ● Proof of engagement with communities as part of company CSR engagement
Labour rights	Not available	<ul style="list-style-type: none"> ● Audit report showing compliance with relevant RSPO/ISPO Certification principles ● Self-declaration / commit by farmer on No Exploitation ● Smallholders participated in training on fair labour practices (MoM, BAST, attendance list) ● Farmer Questionnaires
Human rights protected under international law	Not available	
The principle of free, prior and informed consent	Not available	<ul style="list-style-type: none"> ● Proof of consultations carried out as part of RSPO certification ● Proof of engagement with communities as part of company CSR engagement
Tax, anti-corruption, trade and customs regulations	KTP (National ID) or NPWP (Tax ID) numbers	- Self-declaration

It is important to note that in Indonesia, palm oil plantations in forest zones were not necessarily illegally established; rather, they are often the result of historical land use

combined with forest boundary re-demarcation and unclear tenure systems. This makes legality due diligence complex, especially for smallholders.

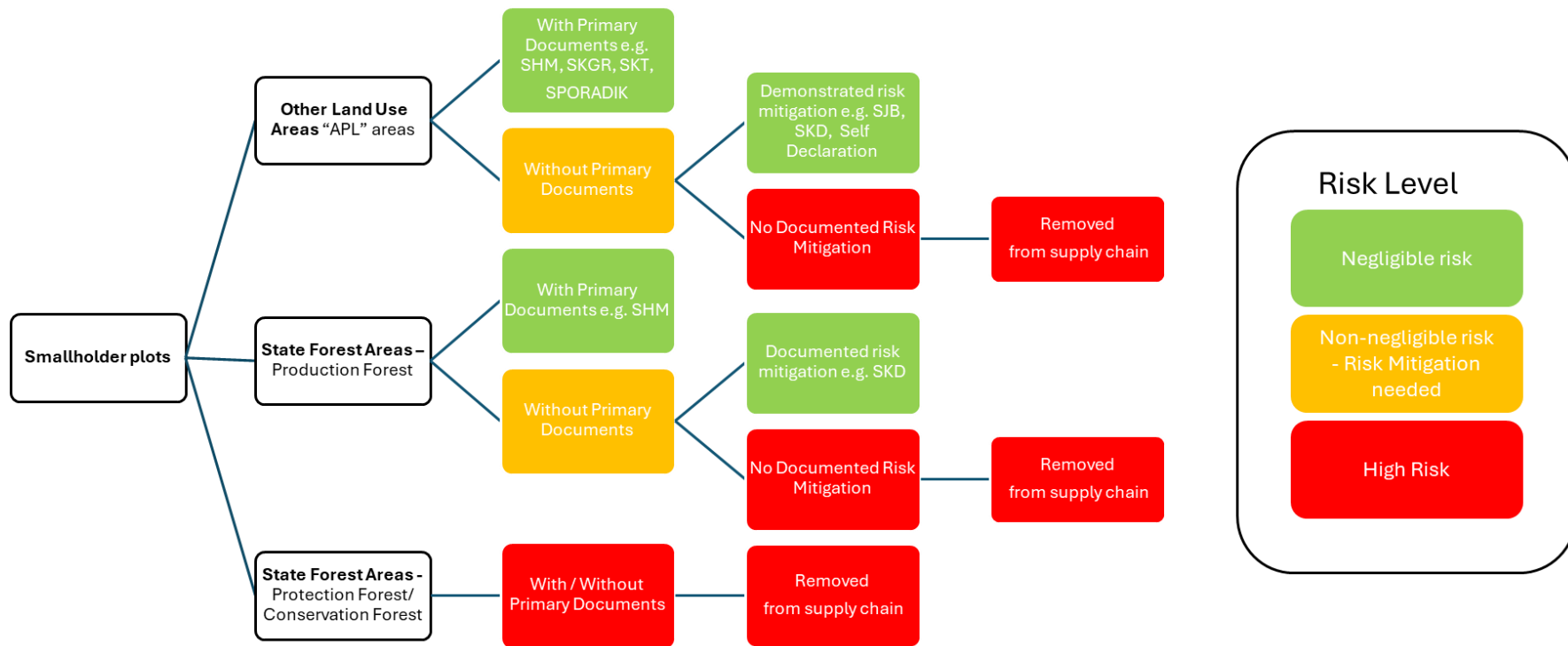
Smallholders⁸ in all commodity sectors in Indonesia face significant challenges regarding the first EUDR-listed area of relevant legislation – land-use rights – due to the need for information, including documents and data showing compliance. The Cultivation Registration Certificate (STD-B) is a basic legal requirement for smallholders producing agricultural commodities and serves as evidence of the legality of smallholders' plantations of oil palm and other EUDR relevant commodities, including rubber, coffee, and cocoa.⁹ To obtain STD-B, proof of ownership status or the right/claim on the land is needed. The 2024 Guidelines for Issuing Plantation Business Registration Certificate for Cultivation (STD-B)¹⁰ list several forms of proof of land management status that can provide a basis for smallholder mapping, including Land Ownership Certificate (SHM), Statement of Land Ownership (SKT), Statement of Land Compensation (SKGR), Management Rights, customary land, and other rights.

During the exercise, the operator showed that 95% of their smallholder suppliers did not have primary documents, so other evidence were required to be collected and reviewed as part of risk mitigation. The company was able to provide alternative ways to demonstrate legality. During the exercise, the operator demonstrated the types of documents that have legal value in Indonesia for land use rights and compliance with tax laws and what evidence could be used as proof of legality for other legality requirements under Article 9 of the EUDR.

⁸ Smallholders in Indonesia are defined as land-management units smaller than 20 ha as stipulated in Government Regulation No. 56/1960 regarding the threshold Determination of Agricultural Land and Ministry of Agriculture Regulation No. 18/2016. Cultivation Registration Certificates (STD-B) are, however, applied for smallholders with a land area of less than 25 hectares.

⁹Smallholder registration (STD-B) – challenges and strategies for acceleration', EFI, 2024: https://efi.int/sites/default/files/files/flegtredd/Terpercava/Other%20resources/Brief_STDB_Acceleration_EN_20231128.pdf

¹⁰ Regulation of the Minister of Agriculture No. 98/Permentan/OT.140/9/2013 Concerning Guidelines for Plantation Business Licensing.



SHM (*Sertifikat Hak Milik*) - Freehold Title / Ownership Certificate. The strongest and most secure land ownership certificate in Indonesia.

SKGR (*Surat Keterangan Ganti Rugi*) - Land Compensation Certificate. A certificate issued to confirm that compensation has been paid for land acquired by the government or another party.

SKT (*Surat Keterangan Tanah*) - Land Ownership Statement / Certificate of Land Status. A local government-issued document recognizing a person's control or use of a plot of land.

SKD (*Surat Keterangan Domisili*) - Certificate of Domicile. It is an official document issued by the local village (*kelurahan*) or sub-district (*kecamatan*).

SPORADIK - Sporadic / Informal Land Rights. Refers to land that is informally or irregularly occupied, without formal legal title. Common among smallholder farmers or customary land users.

SJB (*Surat Jual Beli Tanah*) - Land Sale and Purchase Agreement

Figure 4: Example of a smallholders legality risk assessment in Indonesia under complex legality frameworks and unresolved land status

Lesson 6 – Peatlands are relevant to the EUDR legality criteria

Peatlands are a major concern in palm oil production because they store vast amounts of carbon, making their drainage or conversion a significant source of CO₂ emissions and climate impact. They often overlap with tropical forests, so clearing peatlands destroys critical habitats and biodiversity. Drained peat is highly flammable, increasing the risk of uncontrolled fires and haze, while lowering the water table can cause land subsidence, reduced soil fertility, and flooding. Additionally, many countries, including Indonesia, prohibit new plantings in deep peat, and palm oil sourced from these areas is considered high risk under sustainability standards (MSPO, ISPO, RSPO, ISCC)¹¹ and company NDPE commitments.

Although clearing peatlands is not explicitly prohibited under the EUDR, it is relevant to the environmental protection aspects of the legality criteria in the country of production. Operators are expected to demonstrate how they have assessed legal requirements for peatland protection in the country of production.

“When we identify a plot located within peatland, it is considered a red flag, and the operator must explain what risk mitigation measures were applied.”

In Indonesia, this includes the moratorium on new plantations on peatland and peat depth, and to provide evidence that such operations comply with Indonesian law. An [indicative map](#) of the Indonesian peat moratorium is publicly available for operators to use in their due diligence and Competent Authorities in their checks. This is also an area regularly monitored by third parties: NGO reports from investigations of illegal peatland conversions can provide relevant evidence that cannot be ignored in a robust due diligence process.

In Malaysia, new planting on peatlands is effectively banned under recent policy commitments and, for existing peatland plantations, regulations on operation are strengthened. Under MSPO (and related guidelines), new planting or replanting on peatlands is subject to compliance with specific guidelines from MPOB and industry best practices. Peat swamp forests are recognised as “Environmentally Sensitive Areas” (ESAs) under the national legal/regulatory framework, i.e. National Physical Plan (NPP) & Environmentally Sensitive Areas (ESA) classification. Under the NPP, conversion of ESAs (which includes peatlands) to oil palm plantations is not permitted.

¹¹ MSPO: Malaysian Sustainable Palm Oil; ISPO: Indonesian Sustainable Palm Oil; RSPO: Roundtable on Sustainable Palm Oil; ISCC: International Sustainability and Carbon Certification

Lesson 7 – Deforestation risk procedures need to consider deforestation inside and around the plot

Under the EUDR, operators must ensure that deforestation-free and legal products are not mixed with products from non-compliant plots or products of unknown origin. When sourcing areas are close to areas experiencing active deforestation or degradation, the likelihood increases that neighbouring production may not be compliant. This, in turn, elevates possible issues with mixing risks at mills or collection points.

“EUDR is about demonstrating how risks are identified and effectively mitigated.”

During the exercise, the Competent Authority considered areas with recent disturbance as high-risk landscapes. Clusters of plots near recent or active deforestation frontiers may indicate regional deforestation pressure, weak governance, or informal and illegal expansion. In the palm oil sector, this risk is heightened because mills often receive FFB from both compliant and non-compliant plots, making strong segregation and traceability essential.

For the Competent Authority, such conditions trigger enhanced scrutiny. They will examine disturbance and deforestation layers to assess whether:

- A mill or trader’s segregation system is credible.
- The supply chain is exposed to aggregation from high-risk areas, and
- Additional mitigation (e.g. supplier mapping, mill-gate controls, restricting walk-ins) is required.

If disturbance in the region is ongoing, Competent Authorities may presume a higher risk unless operators provide robust evidence to the contrary. When sourcing from areas with active or extensive deforestation, operators are expected to show how mixing risks are prevented. Demonstrating an understanding of the drivers of deforestation further strengthens the credibility of the risk assessment. For example, in one of the specific cases presented, showing that recent clearing is driven by timber plantations rather than palm oil expansion provides important contextual insight.

The presence of deforestation in the vicinity of the sourcing area cannot be ignored. Operators should expect questions from Competent Authorities on how related risks are addressed in the supply chain. Effective procedures include ensuring segregation from unknown or unverified sources, monitoring changes in nearby forests, and evaluating landscape-level risks. Clear documentation of these assessments is essential to demonstrate robust due diligence.

More broadly, the Competent Authority recommended incorporating information from NGOs, investigative media, and whistleblower channels as supplementary inputs when assessing EUDR risks. While not a substitute for formal documentation, these sources can help identify high-risk suppliers or regions, inform mitigation measures, and guide decisions on further verification. The Competent Authority will evaluate such information on a case-by-case basis, considering its credibility and relevance.

Case study: Deforestation close to the sourcing area

One of the mills involved in the supply of the palm oil shipment selected for this exercise was identified by the Competent Authority to be located only a few kilometres away from an elephant reserve where encroachments from oil palm growers were reported, according to a recent NGO report. The operator clarified that in this area they only purchase from their own oil palm estate which does not encroach on any protected area, keeping a high level of control on the origin of the products that enter their supply chain.

This case highlights that deforestation risk procedures should assess not only the condition of the plot itself but also of the surrounding areas. Risks may arise from adjacent deforested land or activities that could impact the operator's sourcing through mixing of palm oil from deforested area at the mill or at one of the other nodes of the supply chain.

Lesson 8 – Certification can facilitate due diligence but cannot replace it

Europe is a major global driver of certified palm oil, importing large volumes and showing strong market preference for RSPO certified palm oil, with uptake in European supply chains – particularly for food and consumer goods – ranging from 86% to 93%¹².

These figures indicate that certification, especially voluntary third-party schemes like RSPO, have a role to play in supporting EU operators' due diligence.

“Audit reports and training reports are relevant pieces of evidence during checks.”

During the exercise, the Competent Authority observed that the operators used both voluntary certification (RSPO) and national certification (MSPO and ISPO) schemes in their risk assessments and to address legality obligations under Article 9.

However, merely citing the scheme used as a mitigation measure was insufficient for the Competent Authority. When using certification schemes as part of EUDR due diligence – whether for risk assessment or risk mitigation – operators are expected to clearly explain which specific EUDR requirements are addressed by the relevant principles, criteria, or indicators of the chosen scheme. The Competent Authority also sought clarification on how the operator evaluated the limitations of the scheme in meeting EUDR requirements, and what measures were implemented when the certification scheme alone was deemed insufficient.

“Certification does not automatically grant a green-lane access — it can be used as part of your risk mitigation, but what matters most are your procedures.”

Case study: The use of mandatory certification in the palm oil sector

During the exercise with Malaysian-origin material, the operator used MSPO certification as part of its due diligence. MSPO was used to demonstrate compliance with Malaysian laws and, in some cases, as evidence of deforestation-free production after 31 December 2020 (MSPO has a deforestation-free cut-off date of 31 December 2019). The operator viewed the national mandatory certification scheme as a way to reduce the documentation burden on producers and used MSPO as a proxy for legality.

The Competent Authority acknowledged the mandatory nature of MSPO and its connection to licensing under MPOB. However, the Competent Authority clarified that no certification scheme – mandatory or voluntary – grants automatic (“green lane”) access under the EUDR.

¹² A 2022 Europe-focused report states that about 93% of total palm oil imports into Europe were RSPO certified, along with 62% of palm kernel oil (CSPKO) and 5% of palm kernel expeller (CSPKE) (European Market includes EU27, Norway, Switzerland, and the United Kingdom).

Operators must explain precisely how MSPO is used to support EUDR legality requirements and what additional information they collect to address any information gaps within MSPO.

When certification is used as part of EUDR information gathering or as a mitigation measure, operators are expected to:

1. **Describe the scheme** – Provide an overview of the certification scheme, including how it helps gather relevant information or mitigate identified risks.
2. **Assess the scheme** – Show that the operator has evaluated the certification’s strengths and limitations and understands what assurances it does or does not provide.
3. **Be transparent about the coverage** – Clearly indicate which parts of the supply base are MSPO-certified and specify whether the MS 2530:2013 or MS 2530:2022 standards are applied (see Box 1 for more details on MSPO certification).

“It is not possible for us to know every certification scheme. Operators must explain how a scheme contributes to their due diligence and risk mitigation.”

Competent Authorities expect operators to demonstrate how they assess different certification schemes rather than treating certification as a one-size-fits-all solution. This includes identifying gaps and explaining the additional measures used to address them, such as grievance procedures, supplier engagement, and capacity-building activities.

Box 7: Malaysian Sustainable Palm Oil (MSPO) certification

The Malaysian Sustainable Palm Oil (MSPO) certification scheme was introduced in 2013 by the Government of Malaysia to strengthen sustainability practices and enhance the credibility of the national palm oil sector. MSPO provides a comprehensive framework of principles, criteria, and indicators covering the social, environmental, and economic dimensions of palm oil production. The scheme became mandatory for all Malaysian palm oil producers in 2020.

Certification is carried out through third-party audits conducted by accredited certification bodies (ACBs), ensuring independent verification of compliance. MSPO applies across the supply chain, covering independent and organised smallholders, estates, and palm oil processing facilities. The updated MSPO 2.0 standard (MS 2530:2022), released in March 2022, was developed to better align with international sustainability expectations and includes a standard for dealers. Key enhancements include:

- A prohibition on the conversion of natural forests, protected areas and High Conservation Value (HCV) areas after 31 December 2019.
- The introduction of a dealer standard to strengthen supply chain traceability, becoming mandatory in January 2026.
- New indicators addressing child rights, forced labour, and ethical business conduct.

The MSPO 2.0 standard (MS 2530:2022) officially came into effect on 1 January 2025. Certification bodies were required to complete their transition assessments and obtain full accreditation for MS 2530:2022 by 31 March 2025 to begin issuing certificates under the new standard. During the transition period, certificate holders undergoing audits against MS 2530:2022 remained eligible for extensions of their existing MS 2530:2013 certificates.

Box 8: Indonesian Sustainable Palm Oil (ISPO) certification

Indonesia has a mandatory national certification scheme – the **Indonesian Sustainable Palm Oil (ISPO) certification**, established under Presidential Regulation No. 44/2011 and amended by subsequent regulations (e.g. Permentan 11/2022). All Indonesian palm oil producers — including companies and cooperatives — are legally required to obtain ISPO certification. According to the Ministry of Agriculture, as of 2024, ISPO-certified plantations covered about 5.84 million hectares, representing approximately 35.6% of national oil palm plantation area. Uptake among independent smallholders remains very low – less than **1%** of independent smallholders have been certified.

Lesson 9 – Ensure geolocation data is accurate and explain any inconsistencies

Checks carried out by Competent Authorities focus on two main areas:

1. The information submitted to the EUDR Information System (polygon and trade information required under Article 9).
2. The operator's DD-System.

During the exercise, simple visual inspections and geometry checks revealed common errors in the geolocation data such as minor overlaps and duplicates, prompting a discussion with the operator. After jointly reviewing the plots with the Competent Authority, it became clear that the duplicates occurred because a single plot – often a smallholder farm – may supply more than one mill.

Since the operator collected supplier geolocation data separately for each EUDR compliant mill and later aggregated the mill supplier data at the refinery level, some plots were submitted multiple times. While this is not necessarily incorrect under the EUDR, such overlaps risk being flagged by the Competent Authorities because they could also indicate data submission errors (which wasn't the case in this exercise). The operator would be able to identify and explain this situation within their DD-System. They should conduct appropriate checks to ensure that the practice does not give rise to any associated risk.

Plots including forest cover

Another issue that emerged was the presence of forest within some of the submitted plots. The operator explained that they had initially reported the boundaries of entire oil palm concessions as legally demarcated, without distinguishing between planted oil palm areas and forested areas within those concessions — a distinction they are now making. For the Competent Authority, this can raise questions, but as long as there has not been any loss of forest since the 2020 cut-off date, this would just be considered as erroneous data and not an issue of non-compliance.

Best practice recommendations

- Include clear supply chain maps in the DD-System to explain when mills are located close to each other and when the same plots may legitimately supply multiple mills.
- Clean the dataset at the refinery level by identifying and highlighting duplicate geometries before submission. This improves data clarity and reduces unnecessary flags.
- Document the methodology used for consolidating plot data across mills, including how duplicates are identified and handled.

- Maintain a consistent unique identifier for each plot across all sourcing mills to make traceability and verification easier.

These steps help ensure the Competent Authorities can clearly understand legitimate supply patterns and distinguish them from potential errors, ultimately improving both compliance and transparency.

Lesson 10 – Navigating geospatial data restrictions in Indonesia for EUDR compliance

During the exercise, the quality of the geolocation information from the Indonesian origin could not be meaningfully assessed because the operator could not submit polygon information, as required under the EUDR, for plots larger than 4 ha. The operator explained that in Indonesia, there are barriers to collecting and sharing detailed geospatial / polygon data, especially for smallholders. During the exercise, the Competent Authority observed the challenges posed by geospatial data restrictions in Indonesia and the operator's efforts to reconcile these regulations with EUDR traceability requirements.

EU operators seeking to obtain and share detailed geospatial data from Indonesian suppliers – particularly for plots larger than 4 ha – face legal risks, as polygon data may be restricted from export or external sharing under the Indonesia laws Perpres 9/2016 and Peraturan BIG 3/2024 (see Box 9).

The operator documented the restrictions and presented a mitigation approach to the Competent Authority for feedback, proposing the use of multi-point geolocation data instead of full polygons. This method intends to preserve plot-level traceability while complying with legal limitations on sharing sensitive geospatial information.

While sympathetic to the Indonesian context, the Competent Authority could not provide a definitive “yes” or “no” on the mitigation measures proposed by the operator. Their guidance was limited to the legal text of the EUDR, which defines “geolocation” as the “geographical location of a plot of land described by means of latitude and longitude coordinates corresponding to at least one latitude and one longitude point and using at least six decimal digits; for plots of land of more than four hectares used for the production of the relevant commodities other than cattle, this shall be provided using polygons with sufficient latitude and longitude points to describe the perimeter of each plot of land.” Even when local laws or data-sharing restrictions exist (for example, in a country where geospatial data is regulated), the EUDR guidance makes clear that lack of geolocation data due to origin country restrictions does not exempt an operator from compliance.



Figure 5: Example of the multi-point approach to potentially address restrictions of sharing geospatial data

For further consideration

While an alternative approach may mitigate some risks, its acceptance and the permissible level of detail was not confirmed. Further engagement with Indonesian authorities is essential for Competent Authorities to clarify what geospatial data is acceptable for supply chain traceability under the EUDR, how it aligns with Indonesia’s One Map framework, and find a solution that would facilitate trade and ensure that smallholders are not impacted by these regulations. Competent Authorities could seek guidance from relevant bodies – such as the Geospatial Information Agency BIG, provincial geospatial offices, or the Ministry of Agrarian Affairs – on the permissible level of plot geometry and conditions for sharing data outside Indonesia, especially where data is included in DD-Systems or external IT platforms. Formal clarification or authorisation from Indonesian authorities will help ensure that Competent Authorities can assess compliance with both Indonesian law and EUDR requirements and provide informed oversight.

Box 9: Indonesian regulations on geospatial data sharing

Peraturan Presiden No. 9/2016 (Perpres 9/2016) prohibits the sharing of geolocation data without explicit government authorisation. **PDP Law and GR 71/2019** further reinforce restrictions on sharing sensitive or confidential information through electronic systems. Perpres 9/2016 establishes the “**Kebijakan Satu Peta**” (**One Map Policy**), which applies to geospatial data (*Data Geospasial / DG*) and geospatial information (*Informasi Geospasial / IG*). The regulation mandates the creation of a unified database and geoportal but does not provide detailed rules for public sharing. Issues related to access, permissions, confidentiality, and data sensitivity are addressed in subsequent regulations, notably **Peraturan Badan Informasi Geospasial Nomor 3 Tahun 2024 (Peraturan BIG 3/2024)**, which sets out mechanisms for sharing geospatial data. While Peraturan BIG 3/2024 addresses sharing within Indonesian government entities and approved

partners, it does not explicitly define the scope for sharing outside Indonesia or with third-party international actors.

A second relevant regulation is **Peraturan Pemerintah Nomor 71 Tahun 2019 (GR 71/2019)**, which implements **Undang-undang Nomor 11 Tahun 2008 (EIT Law)** on electronic systems and transactions. GR 71/2019 primarily governs electronic systems, electronic transactions, and personal data protection, but it is also relevant for geospatial information processed through electronic systems. Any electronic system hosting plot-level geospatial data should comply with GR 71/2019 (if it qualifies as an Electronic System Operator), provide oversight access to Indonesian authorities, and ensure that specific geospatial data sharing aligns with other sector regulations.

Companies sourcing from Malaysia can share the geolocation data for palm oil plantations, including the boundaries for estates and plantations larger than 4 ha, provided that they do not share any private data linked to these geolocations.

Lesson 11 – There is no minimum threshold for deforestation under the EUDR

It is important to note that the EUDR does not establish any minimum threshold for deforestation. Operators should not assume that sourcing from areas below a certain size, or from plots with limited deforestation, is permissible under the EUDR. While the definition of forest under Article 2(4) of the EUDR includes a 0.5-ha minimum, this threshold applies solely to defining what constitutes a forest area and does not create a tolerance for deforestation. Any conversion of forest to agricultural use, even in areas smaller than 0.5 ha, is considered deforestation under Article 2(3) of the EUDR.

Operators may nonetheless face technological constraints in detecting more granular deforestation. Forest monitoring systems, such as satellite imagery, often have limited resolution and may not detect small-scale clearing, narrow forest corridors, or areas obscured by cloud cover or dense canopy. These limitations mean that some instances of deforestation could go undetected unless additional verification methods are used. Operators should clearly communicate any technological limitations and take additional verification measures when necessary.

Where there are substantiated concerns or identified risks, ground checks may be necessary to ensure that the supply chain is free from deforestation. Under the EUDR, there is no permissible level of deforestation – operators must avoid sourcing from deforested areas regardless of size, while clearly communicating any practical detection limitations and using additional verification measures when risks are identified.

Lesson 12 – Verifying area-to-volume plausibility can inform checks

During the exercise, there were discussions on how volume checks may inform discussions during inspections. The Competent Authority explained that they conduct a basic area-to-volume plausibility check to understand whether the declared production volume is coherent with the land area under cultivation. According to the Competent Authority, this check helps assess the logic of the specific shipment and identify unusual trends in volumes reported by the operator. As good practice, it is recommended that operators be prepared to explain yield estimates, data sources, and any year-to-year variability to support a credible due diligence submission.

According to the operator, in a continuous flow model, FFB from multiple sources are pooled and processed together, making simple area-to-volume checks less informative. For example:

1. EUDR compliant FFB from multiple plantations or smallholders are pooled together at EUDR compliant mills.
2. Oil is extracted, mixed, and stored continuously in tanks, pipelines, and storage facilities.
3. Final product is sold in batches that may contain oil from multiple sources and periods.

While such checks can indicate broad trends, they cannot reliably link declared volumes to specific plots in complex supply chains. During checks, if a Competent Authority flags inconsistencies or concerns, operators should therefore rely on robust traceability and documentation to confirm accuracy of supply chain information and compliance under the EUDR.

Conclusion

This exercise was designed to assess how well operators and Competent Authorities are jointly prepared to meet and evaluate the EUDR requirements, using simulations of checks on palm-oil shipments from various origins to the EU. As shown by the lessons outlined in this report, several challenges were identified, along with corresponding recommendations. The report also shows overall feasibility and readiness to comply with the EUDR. These insights provide valuable opportunities for other operators and Competent Authorities to strengthen their DD-Systems and enhance their inspection procedures. Here are some of the salient messages:

- The operator remains responsible for verifying compliance along the entire supply chain, even when suppliers belong to the same corporate group. For multinational structures, it is essential to clearly **define roles and responsibilities in the due diligence process** to ensure compliance with the EUDR. The European operator must maintain its own DD-System and cannot rely solely on the procedures of a supplier or affiliated subsidiary. From the Competent Authority's perspective, inspections focus on the EU operator, not its subsidiaries or affiliates. Standard Operating Procedures (SOPs) for due diligence – covering risk assessment, mitigation, and record-keeping – should therefore be established and implemented by the EU operator.
- Competent Authorities cannot assume that risk analyses or conclusions produced by **third-party providers** are automatically known, validated, or trusted; operators are expected to demonstrate that they have critically assessed and integrated these inputs into their own due diligence process.
- Operators are expected to provide clear **guidance on how their due diligence documentation** should be read and understood – for example, how data files are structured, the frequency of audits, or reasons for variations in legal documentation quality across sourcing regions. A clear and well-structured explanation not only clarifies the logic behind compliance decisions but also supports transparency and consistency in annual reporting.
- Operators should be ready to explain **mitigation measures** and processes for concerns brought up by the Competent Authorities. It is crucial to document these explanations as part of the DD-System and demonstrate how they are operationalised on the ground.
- **National certification systems** can support, but not replace, the operator's due diligence responsibilities.
- Competent Authorities expect operators to demonstrate how they assess different **certification schemes**, rather than treating certification as an automatic solution. When using national certification or any certification schemes to support legality due

diligence – whether for risk assessment or risk mitigation – operators must clearly explain how the relevant principles, criteria, or indicators of the chosen certification scheme address the EUDR’s legality requirements.

- Operators are expected to explain the **process used to assess legality** in the best possible way, highlighting possible contradictions in the legal framework and how they arrived at a conclusion for negligible risk.
- Clusters of supply plots near active deforestation frontiers may indicate regional deforestation pressure, weak governance, or informal and illegal expansion. For the Competent Authority, such conditions trigger enhanced scrutiny. Demonstrating an **understanding of the local drivers of deforestation** further strengthens the credibility of the risk assessment.
- **NGOs, investigative media, and whistleblower channels** can serve as supplementary inputs when assessing EUDR risks. While not a substitute for formal documentation, these sources can help identify high-risk suppliers or regions, inform mitigation measures, and guide decisions on further verification.
- Lack of **geolocation data** due to origin country restrictions does not exempt an operator from compliance.
- Any conversion of forest to agricultural use, even in areas smaller than 0.5 ha, is considered **deforestation** under Article 2(3) of the EUDR. Operators may nonetheless face technological constraints in detecting more granular deforestation. Forest monitoring systems, such as satellite imagery, often have limited resolution and may not detect small-scale clearing, narrow forest corridors, or areas obscured by cloud cover or dense canopy. It is recommended to clearly communicate any technological limitations and take additional verification measures when necessary.

Overall, the exercises demonstrated that compliance with the EUDR is feasible in practice and challenges identified could be effectively managed through ongoing improvement. However, restrictions related to the sharing of geolocation data in Indonesia constitute a significant barrier that will need to be addressed to ensure full alignment with EUDR obligations. Taking part in these preparedness exercises also shows the strong commitment of operators and Competent Authorities to continually enhance their processes and develop practical, reliable approaches to due diligence that support deforestation-free value chains.