

# GCP Equivalence Mechanism and EU Deforestation Regulation

VERSION 28 SEPTEMBER 2023

This document explains the role the GCP Equivalence Mechanism and credible sustainability schemes can play as supporting tools for meeting the requirements of the EU Deforestation Regulation. It is particularly aimed at companies that would like to understand how working with GCP-recognized schemes can support their due diligence efforts toward compliance with EU deforestation regulations.

## CONTEXT

There has been a significant increase in corporate social responsibility legislation over the last several years, with more legislation on the horizon. The recently launched EU Deforestation Regulation (EUDR), the proposed EU Corporate Sustainability Due Diligence Directive (CS3D), and several country specific legislations put mandatory requirements on the private sector for conducting Human Rights and Environmental Due Diligence not just on direct suppliers, but throughout the supply chain.

The EUDR was officially adopted on 16 May 2023 and entered into force on 29 June 2023. Operators and traders will have 18 months to implement the new rules (end of 2024). See Resources (below) for more information about the EUDR and related issues.

## EUDR AND VOLUNTARY SUSTAINABILITY SCHEMES

GCP recognizes the urgency to address deforestation, adverse human rights, and environmental impacts. Over the past several decades, the coffee sector has effectively advanced the implementation of good practices in sustainability including, but also beyond, compliance via Voluntary Sustainability Schemes.

To promote the demand and supply of coffee produced following at least baseline practices of sustainability in the value chain, GCP has developed a set of interconnected tools: the [GCP Equivalence Mechanism \(EM\)](#), a framework to recognize credible sustainability schemes that meet a set of operational criteria and sustainability principles and practices across the economic, social and environmental dimension outlined in the [Coffee Sustainability Reference Code \(Coffee SR Code\)](#). Roasters and retailers can transparently report their purchases of sustainable coffee sourced via the recognized schemes in the annual [GCP Collective Reporting](#), which is then summarized in GCP Snapshot Reports on Sustainable Coffee Purchases (the latest report can be read [here](#)). Together, these tools allow the sector in general and the companies in particular, to show their progress on sustainable coffee purchasing commitments with clear, common, comparable metrics.

## What role can these sustainability schemes play in relation to the upcoming EUDR?

Critical for any buyers of sustainable coffee is the due diligence of the sustainability schemes themselves to understand their effectiveness and credibility before using them in their own due diligence processes.

The GCP Equivalence Mechanism supports this, by identifying and assessing the sustainability and operational elements of sustainability schemes as part of a due diligence mechanism. GCP's Equivalence Process assesses whether a sustainability scheme meets both the broad, consensus-based Coffee SR Code and a set of operational criteria. The Coffee SR Code is a baseline of sustainability, reflecting the key sustainability issues and the risks of the sector.

The EM further examines the sustainability schemes' decision-making aspects, standard development, assurance processes, data management, and claims criteria. It requires transparency on the scope, objectives, and overall strategies of the scheme, its sustainability criteria, and an overview of assurance structure and activities and KPIs, amongst others. These requirements are based on ISEAL's Codes of Good Practice. The third-party UN International Trade Centre acts as the EM's implementation partner, assessing the schemes against the principles and practices of the Coffee SR Code and the [Operational Criteria of the EM](#), ensuring the integrity of the recognition process.

The EUDR recognizes that “certification or other third-party verified schemes could be used in the risk assessment procedure. They should not, however, substitute the operator’s responsibility as regards due diligence.” ([EUDR Art 52](#)). There are real opportunities to leverage credible sustainability schemes more broadly within supply chains throughout the due diligence cycle.

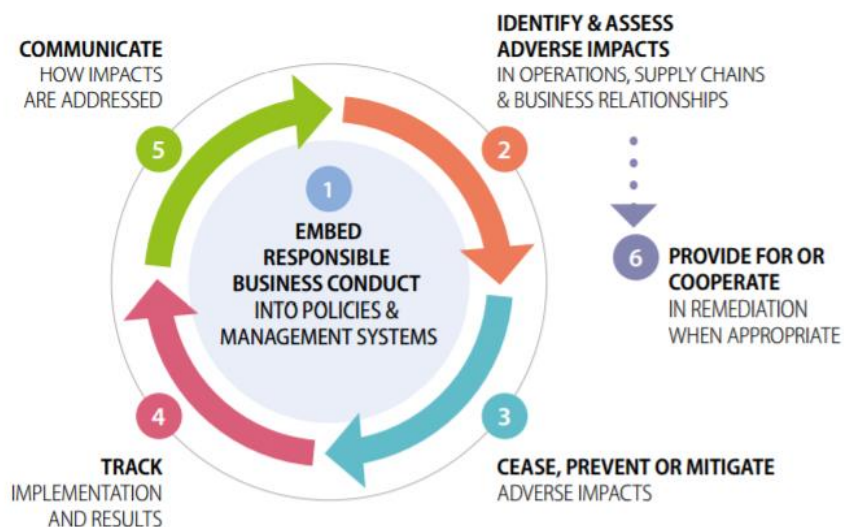


Figure 1: OECD Due Diligence Cycle

Users of sustainability schemes want to leverage these schemes as supporting tools for EUDR compliance, but it might not be clear how. The table below highlights the elements of these schemes that contribute to the different steps in the due diligence process. Credible sustainability schemes are inherently due diligence mechanisms.

Roles of Sustainability Schemes within Due Diligence Cycle	How Sustainability Schemes Support this Step
<b>1. Embed</b>	<ul style="list-style-type: none"> <li>• Sustainability policies and procedures required in management systems</li> </ul>
<b>2. Identify</b>  <b>Information Gathering</b>	<ul style="list-style-type: none"> <li>• An indicator of compliance with criteria included in legislation such as ILO 8 Core Conventions</li> <li>• Mapping of critical criteria</li> <li>• Data for compliance: location, evidence of no-deforestation, evidence of legality provided ahead of audits</li> <li>• Data collected during the audit</li> </ul>
<b>And Assessment</b>	<ul style="list-style-type: none"> <li>• Risk assessments carried out by sustainability schemes and/or risk assessments required of producers</li> <li>• Audit results</li> <li>• Non-compliances</li> <li>• Grievance logs</li> </ul>
<b>3. Cease, prevent or mitigate</b>	<ul style="list-style-type: none"> <li>• Critical criteria/zero tolerance</li> <li>• Corrective action plans/remediation</li> <li>• Support programs including training</li> </ul>
<b>4. Track</b>	<ul style="list-style-type: none"> <li>• Surveillance and unannounced audits</li> <li>• Closure of non-conformities</li> <li>• Annual monitoring programs including KPIs</li> </ul>
<b>5. Communicate</b>	<ul style="list-style-type: none"> <li>• Audit reports and performance, tracking over time.</li> <li>• Outcome/impact evaluations</li> </ul>

Coffee buyers are advised to ask their supply partners if their sustainability scheme has been assessed under the GCP Equivalence Mechanism. The GCP EM does not substitute for due diligence, but it is a complementary part of a company's due diligence, built on a common language of what matters most.

## Understanding the GCP Equivalence Mechanism alignment with the EUDR

Various aspects of the EUDR may be subject to further clarifications and guidance, but based on the information available, the following outlines the intersection of the GCP Equivalence Mechanism and EUDR.

Aspect of the EUDR		Intersection with the EM
<b>1. The EUDR puts the onus on companies registered in EU member states to ensure that seven agricultural commodities – including coffee –import or export have not been produced on land deforested after December 31, 2020</b>	+	The Coffee SR Code is stricter than EUDR, prohibiting deforestation after 2014. The Coffee SR Code definition of natural forests is based on the Accountability Framework Initiative and is aligned with the definition in the EUDR (Practice 8.1).
	+	Deforestation is defined as ‘The conversion of forest to agricultural use, whether human-induced or not’, in which a forest is defined as ‘Land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10%, or trees able to reach those thresholds in situ, excluding land that is predominantly under agricultural or urban land use’. In other words, the EUDR requirement is an absolute threshold above which conversion is considered deforestation. The Coffee SR Code Expected Result 8.1.1 specifies: There is no loss of natural forest as a result of: 1) conversion to agriculture or other non-forest land use; 2) conversion to a tree plantation; or 3) severe and sustained degradation after 1 January 2014 (or earlier).
	-	The Coffee SR Code and EM do not require verifiable evidence of no deforestation such as overlays of maps.
<b>2. The EUDR requires companies to ensure these commodities are produced in conditions</b>	+	The Coffee SR Code covers compliance with legal and regulatory requirements (Practice. 3.1), fraud and corruption (Practice 3.3), as well as specific clauses on land tenure (Practice 3.2), land and water rights acquisition with free, prior, and

<p>that comply with “relevant laws” in their country of origin. These include laws on land-use rights, labour rights, human rights protected under international law, and the right to free, prior, and informed consent as set out in the United Nations Declaration on the Rights of Indigenous Peoples, and anti-corruption laws</p>	<p>informed consent (FPIC, Practice 7.1), use of pesticides (Practice 9.3) and wastewater (Expected Result 11.2.2).</p> <p>Basic Human and Labour Rights in line with international conventions are covered in the social dimension of the Coffee SR Code.</p>
<p><b>3. The EUDR requires companies to trace the commodities back to where they were produced</b></p>	<p>- The Coffee SR Code and EM do not require this. The Coffee SR Code requires that coffee is traceable one step forward and one step back. The EM requires the owner of the scheme to have a documented description of the Chain of Custody (CoC) model and of the mechanisms to ensure credible claims. If any claims are associated with the scheme, the owner of the scheme has a documented system for traceability to verify the history and location of assured products throughout the supply chain to protect and monitor the integrity of claims.</p>
<p><b>4. The EUDR requires information provision including geolocations and polygons for farms &gt; 4ha</b></p>	<p>- The Coffee SR Code does not require geolocation or polygons. Expected Result 8.2.1 requires up-to-date maps of the farm or farm area are available, including production areas, forests, water bodies, and buildings.</p>
<p><b>5. The EUDR requires due diligence on social and environmental impact</b></p>	<p>+ The Coffee SR Code includes practices and expected results addressing key social (including human rights) and environmental issues. In addition, there are several important elements in the development of an effective due diligence framework that are reflected in the Coffee SR Code.</p>

		<p>Within the Business Management Principle, it requires recognized schemes to promote the development of an internal inspection system for farmers to understand where they are against a baseline level of sustainability (risk assessment, Expected Result 1.4.1).</p> <p>It helps to build awareness about key social and environmental issues (Expected result 1.4.2). It requires recognized schemes to provide farmers and workers the opportunity to raise complaints if impacted negatively by business activities, without being negatively affected (Expected Result, 1.4.3).</p>
<b>6. The EUDR due diligence process requires an effective grievance mechanism</b>	+	<p>The EM requires that the scheme owners have a publicly available and easily accessible complaints and appeals mechanism.</p>
	-	<p>While the EUDR does not specify a specific approach or tool for due diligence, the <a href="#"><u>UN Guiding Principles on Business and Human Rights</u></a> outline eight principles for credible Grievance Mechanisms (legitimate, accessible, predictable, equitable, transparent, rights compatible, continuous learning, based on dialogue), which are widely recognized and are currently being applied by many leading companies.</p> <p>The Coffee SR Code does not require a grievance mechanism in line with the UN Guiding Principles for Responsible Business.</p>

## RESOURCES:

### EU sources:

- [Council adopts new rules to cut deforestation worldwide](#)
- [EU Deforestation Regulation](#)
- [Deforestation-free products](#)

### GCP

- [Coffee SR Code](#)
- [GCP Equivalence Mechanism](#)
- [GCP Collective Reporting on Sustainable Coffee Purchases](#)

### Other sources:

- [AIM-Progress Grievance Mechanism Maturity 1.0 Framework and Guidance](#)
- [Sustainable Coffee Challenge: 10 Things to Know about the new EU Deforestation Regulation](#)
- [OECD-FAO Business Handbook on Deforestation and Due Diligence in Agricultural Supply Chains](#)