



Sustainability Programme

System requirements for supply
chain due diligence

Supplier Management and due Diligence requirements	
Scope:	Global
Status of document:	APPROVED
Version	1.2
Date:	15 December 2021
Consultation period:	NA
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1. Introduction

This standard sets out requirements for organisations using the Sustainability Framework to achieve their sustainability policies in their supply chains. The standard requirements are aimed at ensuring organisations implement supplier management and a risk-based approach to sourcing, as well as having appropriate systems in place to ensure that they meet the requirements of the Sustainability Framework.

The due diligence requirements of this standard have also been aligned with the EU “proposal for a Regulation on deforestation-free products”¹ (EU deforestation Regulation).

2. Scope

It is possible for users of the Sustainability Framework to be verified against two different sets of indicators.

Full verification scope includes all indicators of the Sustainability Framework, while the limited verification scope includes only the indicators that are relevant to comply with the EU deforestation regulation.

3. Version History

Version 0.1: 25 September 2020

Version 1.1: 3 June 2021

Version 1.2: 15 December 2021

¹ https://ec.europa.eu/environment/publications/proposal-regulation-deforestation-free-products_en

REQUIREMENTS FOR SUPPLY CHAIN DUE DILIGENCE

1. Scope defined

- 1.1. The verification scope is defined as:
 - a. Full scope - meeting all applicable Sustainability Framework requirements, or
 - b. Limited scope - meeting only requirements relevant for meeting the EU deforestation regulation.
 - c. The scope of the Due Diligence System (DDS) is defined by one or more of the following:
 - origin or geographical area;
 - commodity, or (as relevant) crop or species;
 - product or components;
 - supply chains, and;
 - brands or labels.
- 1.2. Materials included within the scope of the DDS are not mixed with materials excluded from the scope of the DDS.

2. Responsibilities defined and competencies in place

- 2.1. A person or position is defined that has overall responsibility for conformance with applicable requirements.
- 2.2. The appointed person/position has sufficient authority and resources to ensure that requirements are met.
- 2.3. Individual responsibilities for relevant requirements are defined.
- 2.4. All staff and workers, including contractors and seasonal workers, demonstrate awareness of, and competence in, all aspects of fulfilling the requirements, relevant to their position.

3. Procedures in place and implemented

- 3.1. There are written procedures covering all applicable elements of this Standard and the relevant Sustainability Framework indicators.
- 3.2. Records demonstrating conformance with relevant requirements are maintained and available to auditors.
- 3.3. The due diligence system is reviewed internally at a minimum annually, in order to address any weaknesses:
 - a. Findings are documented.
 - b. Gaps or weaknesses are addressed and corrected in a timely manner.
 - c. Reports of internal monitoring are available to Preferred by Nature.

NOTE: Internal monitoring shall cover internal entities and group members/sites (where applicable), as well as any suppliers and sub-suppliers.

- 3.4. All relevant records are retained for a minimum of five (5) years.

4. Suppliers collaborate

- 4.1. Suppliers are informed about the requirements of the Sustainability Framework and this Standard. Following requirements are met and have been implemented:
- Suppliers have appointed a position with responsibility for meeting relevant requirements.
 - Suppliers ensure that their sub-suppliers are also informed about relevant requirements.
 - Where applicable, consent from suppliers allows representatives of the organisation to conduct audits for the purpose of verifying compliance with relevant requirements.
- 4.2. Suppliers that do not collaborate are supported to achieve sustainability policies and the Sustainability Framework compliance, or replaced.

5. Supply chain information available

- 5.1. The following information about products included within the scope of the due diligence system is accessible.
- the type of product;
 - the trade and scientific names of species, where relevant to the identification;
 - quantity of material produced or purchased and sold;
 - the country of origin and, where necessary, the sub-national region of production or the farm/forest of harvest;
 - name, email and location of origin or supplier;
 - name, email and address of buyers to which the Organisation has supplied products to;
 - where applicable, geo-localisation coordinates, latitude and longitude of all plots of land where the relevant commodities and products were produced, as well as date or time range of production.²
 - the certification/verification status of the material; and
 - the status of the material in case of sourcing recycled material (pre-consumer or post-consumer).
- 5.2. Information about supply chains is sufficiently detailed to allow:
- a clear understanding of origin of raw materials and products; and
 - assessment of the opportunities and constraints to implement selected policies.
- 5.3. information about products and/or supply chains is:
- adequate to assess and mitigate risks;

² For ensuring compliance with the EU Proposal for a deforestation regulation

- b. valid and verifiable; and
- c. related to the relevant product and/or supply chain.

6. Risks assessed

- 6.1. Risks of nonconformance against the Sustainability Framework are assessed and³:
 - a. document the risk assessment process and justify the degree of risk specified for each product or supply chain;
 - b. determine the level of risk as either low risk or specified risk; and
 - c. be revised whenever there are changes to the risks.
- 6.2. Risk assessment is conducted for all the entities and supply chains within the scope of the DDS.
- 6.3. Risk assessment is developed for different parts of the supply chain as relevant:
 - a. risk assessment related to production
 - b. risk assessment related to processing; and
 - c. risk assessment related trade and transport.
- 6.4. The risk assessment shall, at a minimum, take into consideration the following:⁴
 - a. the risks for non-conformances against any applicable requirements in the Sustainability Framework
 - b. presence of forests in the country and area of production of the relevant commodity or product
 - c. prevalence of deforestation or forest degradation in the country, region and area of production of the relevant commodity or product
 - d. the source, reliability, validity and links to other available documentation
 - e. concerns in relation to the country of production and origin, such as level of corruption, prevalence of document and data falsification, lack of law enforcement, armed conflict or presence of sanctions imposed by the United Nations Security Council or the Council of the European Union or other relevant national or international authorities;
 - f. the complexity of the relevant supply chain, in particular difficulties in connecting commodities and/or products to the plot of land where they were produced; and
 - g. the risk of mixing with products of unknown origin or produced in areas where deforestation or forest degradation has occurred or is occurring.
- 6.5. Where third-party certification systems are used to meet requirements, it is ensured that the scheme(-s) provides assurance of low risk related to relevant indicators, as well as can ensure absence of mixing of non-conforming material/products in the supply chain.

³ See the Preferred by Nature Sourcing Hub: <https://www.Preferred by Nature.org/sourcinghub>

⁴ For compliance with the EU deforestation regulation, conclusions of the relevant Commission expert group meetings published in the Commission's expert group register are included in the risk assessment.

- 6.6. Where a certification system is used as per 6.5, the following are met:
 - confirm that all information required by the specific system has been gathered for each certified product; and
 - ensure the information related to the certification claim is valid and accurate.
- 6.7. Risk assessments are documented and justified for each individual supply chain.
- 6.8. Risks are classified as *low risk* or *specified risk*.

7. Risks mitigated

- 7.1. Where risks are specified, efficient and justified measures for mitigating are developed and implemented, ensuring that the following actions are taken, as applicable:
 - a. for specified risk related to production activities in the country or area of production, conformance with relevant indicators of the Sustainability Framework is ensured.
 - b. for specified risk related to processing activities in the supply chain, conformance with relevant indicators of the Sustainability Framework is ensured
 - c. For specified risk related to transport and trade of products, including declaration and classification of the material for Customs, conformance with relevant indicators of the Sustainability Framework is ensured.
 - d. for specified risk of the material being mixed or substituted during transport, processing or storage, traceability and integrity of supply chain is secured.
- 7.2. Cases of major or continuous violations of the requirements of the Sustainability Framework by suppliers are mitigated by:
 - a. excluding supply and/or suppliers from sourcing or production where significant and/or continuous non-conformance is identified; and
 - b. ensuring that material is not sourced from the supply chain or area in question until risks are mitigated.
- 7.3. If products have been sourced or sold with any claims related to Sustainability Framework or Preferred by Nature prior to risk being mitigated:
 - a. no remaining products held in stock is sold with claims;
 - b. relevant customers are informed in writing, as appropriate and in a timely manner, and maintain records of that advice;
 - c. causes of violations are analysed and measures to prevent re-occurrence are implemented;
 - d. Preferred by Nature is notified; and
 - e. Preferred by Nature is allowed to evaluate actions taken.
- 7.4. The effectiveness of risk mitigation measures is documented and justified.

8. Risk mitigation actions monitored

- 8.1. Activities to achieve sustainability policies and mitigate potential risks are monitored.
- 8.2. The effectiveness of activities to meet the applicable requirements of the Sustainability Framework is monitored, appropriate to the size and complexity of operations.

9. Sale of verified products

- 9.1. Material or products sold as verified and related quantities are recorded as verified sales.
- 9.2. Relevant information about the product is available and transferred to buyers, such as geolocation or other required information.

About us

Preferred by Nature is an international non-profit organisation delivering a unique combination of sustainability certification services, development projects, and stakeholder trainings. Our mission is work together to support better land management and business practices that benefit people, nature and the climate.

For more than 25 years, we have worked to develop practical solutions to drive positive impacts in production landscapes and supply chains in 100+ countries. We focus on forest, agriculture and climate impact commodities, and related sectors such as tourism and conservation.

Our vision is a world where human choices ensure a sustainable future.

Learn more at www.preferredbynature.org

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