



Supplier Management and Due Diligence Requirements

Sustainability Framework
Programme

Supplier Management and Due Diligence Requirements Sustainability Framework Programme	
Scope:	Global
Status of document:	Approved
Version	1.3
Date:	22 December 2022
Consultation period:	NA
Approval body:	Preferred by Nature
Contact person:	Christian Sloth
Contact email:	csloth@preferredbynature.org



Preferred by Nature has adopted an “Open Source” policy to share what we develop to advance sustainability. This work is published under the [Creative Commons Attribution Share-Alike 3.0 license](#). Permission is hereby granted, free of charge, to any person obtaining a copy of this document to deal in the document without restriction, including without limitation the rights to use, copy, modify, merge, publish, and/or distribute copies of the document, subject to the following conditions:

The above copyright notice and this permission notice shall be included in all copies or substantial portions of the document. We would appreciate receiving a copy of any modified version.

You must credit Preferred by Nature and include a visible link to our website www.preferredbynature.or

Contents

Introduction	4
Scope	4
Version History	5
Requirements for supply chain due diligence	6
1. Supplier collaboration	6
2. Supply chain information	6
3. Risk assessment.....	6
4. Risks mitigation.....	7
5. Evaluation of risk mitigation and conformance.....	8

Introduction

This Standard sets out requirements for organisations that want to demonstrate compliance with the Sustainability Framework for specified products in their supply chains. The Standard requirements aim at ensuring implementing of supplier management and a risk-based due diligent approach to sourcing and having appropriate systems in place to make sure that these sources meet the requirements of the Sustainability Framework.

The due diligence requirements of this Standard have also been aligned with the EU's "proposal for a regulation on deforestation-free products"¹ (EU Deforestation Regulation (EUDR)).

The Standard is to be used together with other normative standards – a list of relevant standards can be found in **box 1**.

Box 1. List of normative documents of the Sustainability Framework Programme

- **Standard SP-01. Sustainability Framework.** The Framework contains the requirements applicable to producers working on land use level (land managers), processors and manufacturers. For some products, a product- or sector-specific adaptation of the Framework may be applicable.
- **Standard SP-02. System Requirements for Certificate Holders.** This standard applies to all Sustainability Framework verified operations. It contains generic quality system requirements.
- **Standard SP-03. Supplier Management and Due Diligence Requirements.** This standard applies to the Organisations that apply a risk-based due diligence system to confirm that the products are compliant with the Sustainability Framework.
- **Standard SP-04. Requirements for Claims and Seal Use.** This standard regulates any claims and use of the Preferred by Nature Seal related to the Sustainability Framework Programme. It also contains the requirements related to carbon compensation that is a prerequisite for the use of Seal.
- **Standard SP-05. CoC and Traceability Standard.** This standard contains requirements for chain of custody models and traceability systems used to manage claims and trace products in the supply chain.
- **Standard SP-09 Terms and Definitions.** The standard contains definitions and concepts used in the Sustainability Framework Programme.

Scope

This standard applies to all organisations that want to make claims related to the Sustainability Framework for any of the products they source. The standard sets requirements for a Due Diligence System (DDS) that must be developed and implemented before such claims can be made. The organisations' Due Diligence System must cover all products and related supply chains & sources for the claims made.

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

In the Sustainability Framework, the users can be verified against **two different sets of indicators**. The full verification scope includes all indicators of the Sustainability Framework, while the limited verification scope includes only those indicators that are relevant to comply with the EU Deforestation Regulation (EUDR). Depending on the chosen scope, the scope of the Due Diligence System must also address either all requirements in the Sustainability Framework or only those relevant to the EUDR. In the case of the limited scope, no claims regarding compliance with the full Sustainability Framework can be made.

Version History

Version 0.1: 25 September 2020

Version 1.1: 3 June 2021

Version 1.2: 15 December 2021

Version 1.3: 13 January 2023



Requirements for supply chain due diligence

1. Supplier collaboration

- 1.1. Suppliers are informed about the requirements of the Sustainability Framework and other applicable normative documents, including this Standard.
- 1.2. The following **requirements** are met and have been implemented:
 - a) Suppliers have appointed a position with responsibility for meeting relevant requirements.
 - b) Suppliers ensure that their sub-suppliers are also informed about relevant requirements.
 - c) Where applicable, consent from suppliers allows representatives of the Organisation to conduct audits to verify compliance with relevant requirements.
- 1.3. Suppliers who do not collaborate are supported to achieve sustainability policies and the Sustainability Framework compliance or replaced.

2. Supply chain information

- 2.1. Information about supply chains is sufficiently detailed to allow:
 - a) A clear understanding of the origin of raw materials and products; and
 - b) Assessment of the opportunities and constraints to implementing applicable policies.
- 2.2. Information about products and/or supply chains is:
 - a) Adequate to assess and mitigate risks,
 - b) Valid and verifiable; and
 - c) Related to and covering all the relevant product and/or supply chains.

3. Risk assessment

- 3.1. The risks of nonconformance against the Sustainability Framework requirements are assessed and²:
 - 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) Will be revised whenever there are changes to the risks.
- 3.2. Risk assessment is conducted for all the entities and supply chains within the Due Diligence System (DDS) scope.
- 3.3. Risk assessment is developed for different parts of the supply chain as relevant:
 - a) Risk assessment related to production at the land use level (e.g. plot of land, farm or forest),
 - b) Risk assessment related to processing; and
 - c) Risk assessment related to trade and transport.

² See the Preferred by Nature Sourcing Hub: <https://www.Preferred by Nature.org/sourcinghub>

3.4. The risk assessment shall, at a minimum, take into consideration the following:³

- 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) The prevalence of deforestation or forest degradation in the country, region and plot of land of the production of the relevant commodity or product,
- d) Known cases of human rights violations,
- e) The source, reliability, validity and links to other available documentation,
- f) Concerns about the country of production and origin, such as the level of corruption, the prevalence of document and data falsification, lack of law enforcement, armed conflict or the presence of sanctions imposed by the United Nations Security Council or the Council of the European Union or other relevant national or international authorities,
- g) 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
- h) The risk of mixing with products of unknown origin or produced in areas where deforestation or forest degradation has occurred or is occurring.

3.5. Where third-party certification systems are used, together with other evidence, to indicate a low risk of non-compliance, it is ensured that the scheme provides assurance of low risk related to relevant indicators and can ensure the absence of mixing of non-conforming material/products in the supply chain.

3.6. Where a certification system is used as per 3.5, the following are met:

- a) All requirements related to product information for each certified product have been met; and
- b) The information related to the certification claim is valid and accurate and fully covers the relevant products.

3.7. Risk assessments are documented and justified for each individual product in the scope of the Due Diligence System (DDS).

4. Risks mitigation

4.1. 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 risks related to land use level production activities in the country or area of production, conformance with relevant indicators of the Sustainability Framework is ensured.
- b) For specified risks related to processing activities in the supply chain, conformance with relevant indicators of the Sustainability Framework is ensured.
- c) For specified risks related to the 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 the supply chain is secured.

³ 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.

- 4.2. The cases of major or continuous violations of the Sustainability Framework requirements 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.
- 4.3. Risks are mitigated before any claims in relation to the Sustainability Framework are made or products sold as being compliant with the Sustainability Framework.
- 4.4. Approval from Preferred by Nature must be sought and received before making any claims or starting any sale of products with claims.

5. Evaluation of risk mitigation and conformance

- 5.1. Risk mitigation actions are evaluated and found to be effective and efficient to mitigate all identified risks.
- 5.2. The evaluation shall include monitoring suppliers' conformance whenever these are relevant to risk mitigation actions.
- 5.3. The evaluation of effectiveness is conducted at regular intervals or when needed to ensure the effectiveness of risk mitigation.
- 5.4. The effectiveness of risk mitigation is justified and documented, appropriate to the size and complexity of operations.
- 5.5. If non-conformances with Sustainability Framework requirements are discovered related to products that have already been sourced or sold with claims related to Sustainability Framework, the following steps shall be taken:
- a) Any further sale of products with such claims shall immediately stop until effective mitigation of any risks has been completed. Any products remaining in stock while the risks are being mitigated shall remain in stock for the time of mitigation or be sold without any claims related to Sustainability Framework.
 - b) Relevant customers are informed in writing, as appropriate and in a timely manner.
 - 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.

Preferred by Nature is an international non-profit organisation working to support better land management and business practices that benefit people, nature and the climate. We do this through a unique combination of sustainability certification services, projects supporting awareness raising, and capacity building. 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 land use, primarily through the forest, agriculture and climate impact commodities, and related sectors, such as tourism and conservation.

www.preferredbynature.org

