



Due Diligence for the EU Deforestation Regulation

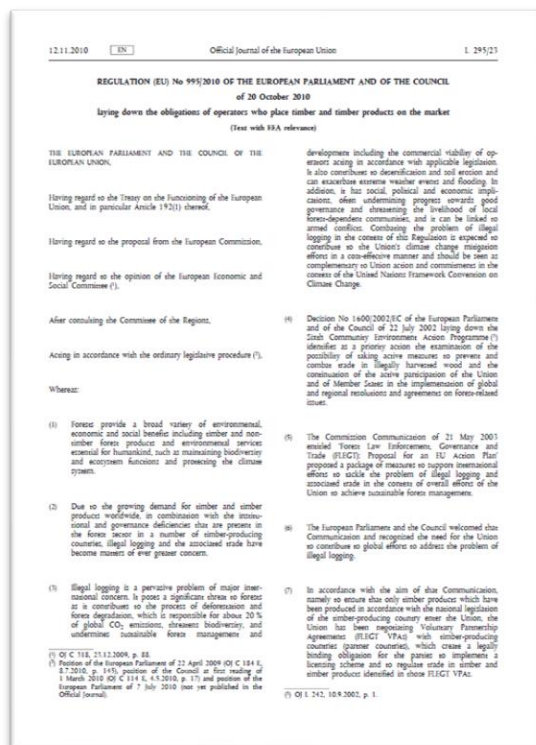


Preferred
by Nature™



LIFE - Support EUTR II - LIFE18 GIE/DK/000763

Even though the scope of products and the issues addressed has been expanded, the approach to due diligence is similar.



Due Diligence process

1

Access to
Information



Obtain information about the
supply chain

2

Risk
Assessment



Evaluate the risks of non-conforming
material entering the supply chain

3

Risk
Mitigation

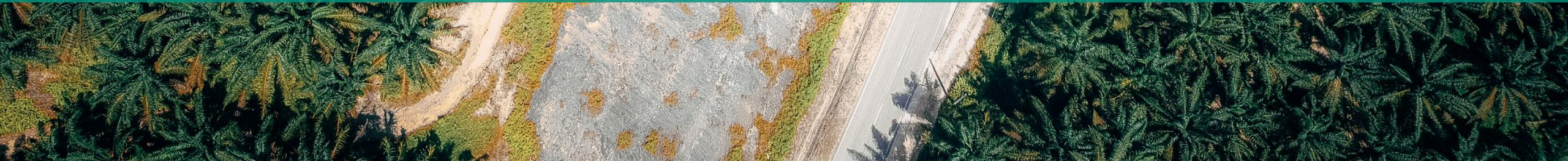


Mitigate any identified risk

- How to address the current requirement for **geo-localisation** of production?
- How to conduct **risk assessment** on “deforestation free”; understanding the current differences between the definition related to agricultural commodities compared to wood products?



Certification – part of the solution

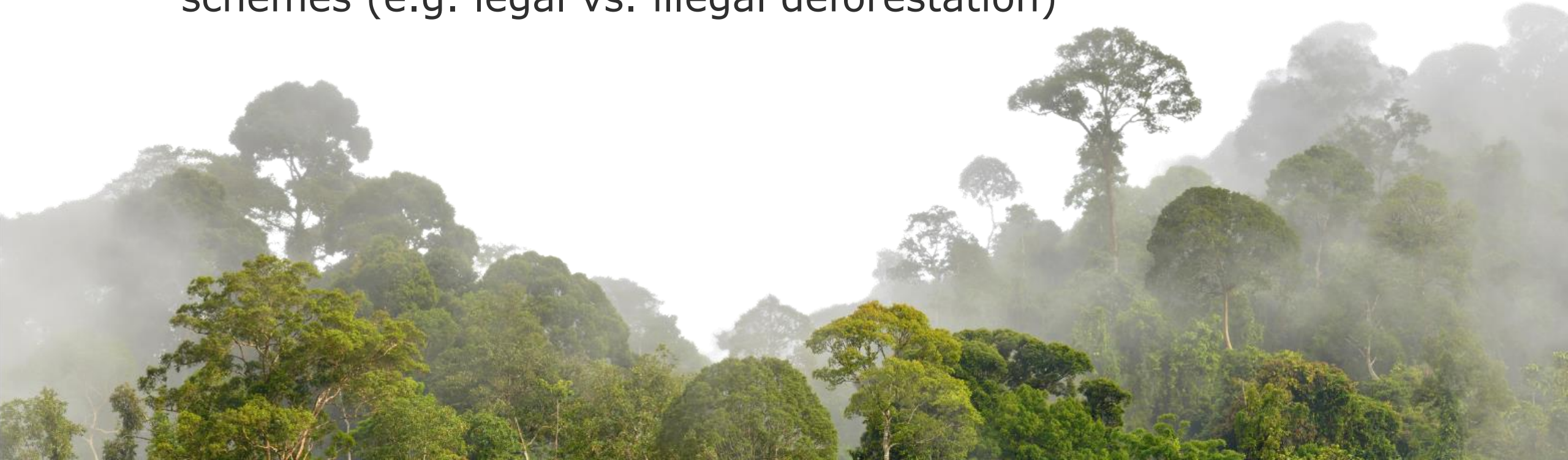


Certification.. Contd.



Certification may be used as part of the solution, clarity needed on:

- Supply chain control and data on origin
- clarity on deforestation and forest degradation in some schemes (e.g. legal vs. illegal deforestation)



Example: Soy

- Several standards
- FEFAC Guidelines are seen as key for EU importers
- Benchmarking on ITC's homepage:
<https://legacy.standardstmap.sustainable-trade.org/>





Example Soy- FEFAC Guidelines 2021

Deforestation:

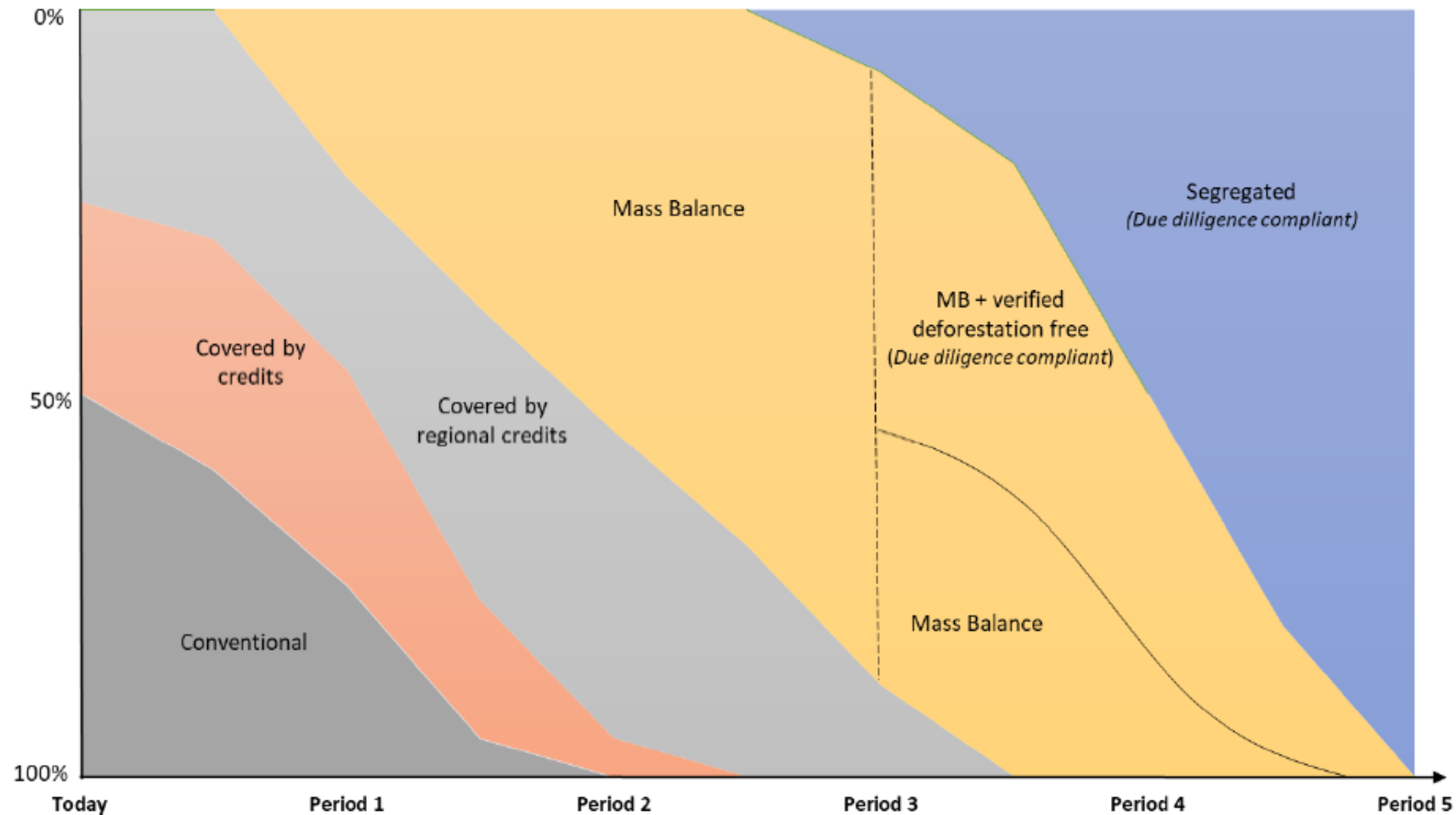
2021 version of the FEFAC Soy Sourcing Guidelines :

Essential Criterion 29: Allows legal conversion using national cut-off dates

Desired Criterion 34:

Suggests not to allow soy from any form of conversion

Soy and traceability – example from Denmark



Deforestation:

No deforestation of “primary forest”

- Criterion 7.3 New plantings since November 2005, have not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values.
- **Traceability:**
 - Identity Preserved – may meet EUDR current req.
 - Segregated
 - Mass Balance
 - Book and Claim



Question on the definitions of deforestation compared to the EUDR

Example: timber/wood products

Deforestation:

- SBP: contains conservation requirements and may not be sourced from plantations established through conversion happening after January 2008.
- PEFC: plantations may not be established via forest conversion after 31 December 2010 in other than “justified circumstances”.
- FSC: areas converted from *natural forest* after November 1994 shall not qualify for certification (exceptions apply).

Traceability:

- SBP implements an online “Data Transfer System” allowing B2B transfer of data on materials.
- FSC and PEFC rely on paper based CoC model, using segregation and mixing with non-certified material.



The EC have published the study conducted by Preferred by Nature:

“Certification and Verification Schemes in the Forest Sector and for Wood-based Products”

Outlines strength and weaknesses of current certification schemes

<https://op.europa.eu/en/publication-detail/-/publication/afa5e0df-fb19-11eb-b520-01aa75ed71a1/language-en>





Preferred by Nature's Sustainability Framework



Introducing Sustainability Framework – An tool to help comply with proposed EU Deforestation Regulation



- Designed for a risk-based due diligence
- Inspired by our LegalSource program – a recognized system for EU Timber Regulation
- Allows to expand the scope easily to broader sustainability topics



**Principle 1:
Management and business
practices are responsible.**



1.1 Land tenure and management rights are secure.



1.2 Management and operations are conducted responsibly.



1.3 Taxes and fees are paid.



1.4 Corruption and conflict of interest are effectively avoided.



1.5 Trade and transport are conducted legally and responsibly.



**Principle 2:
Peoples' wellbeing and human
rights are respected.**



2.1 Child labour shall not be present and employment of young workers is responsibly managed.



2.2 Modern slavery, forced or compulsory labour do not occur.



2.3 Workers' rights are respected.



2.4 Discrimination is not occurring.



2.5 All workers are remunerated in a responsible manner.



2.6 Workplaces are safe and healthy.



2.7 Employer-provided housing is safe and hygienic.



2.8 Gender equality is maintained and protected.



2.9 The rights of Indigenous Peoples are respected.



2.10 Community rights are respected.



**Principle 3:
Nature and the environment are
protected.**



3.1 Natural ecosystems are protected from degradation and conversion.



3.2 High Conservation Values (HCVs) are identified and protected.



3.3 Chemicals are used cautiously with minimal negative impacts.



3.4 Waste is reduced and managed appropriately.



3.5 Water resources are protected and used efficiently.



3.6 Soil is conserved and managed appropriately.



3.7 Animal health and welfare is secure.



**Principle 4:
Greenhouse gas emissions are
reduced.**



4.1 Greenhouse gas emissions are reduced.












4.2 Climate change adaptation efforts are implemented proportionate to the risks



4.3 Efforts are taken for GHG removal and ecosystem restoration as appropriate.

- The Sustainability Framework is aligned with the “EUDR” and contains clear links to relevant legality and sustainability requirements.
- SF differentiates between wood products and the agricultural commodities covered by the proposed regulation

Principle 1: Management and business practices are responsible

Criterion 1.1 Land tenure and management rights are secure. <i>Land tenure and the legal right to operate are established for all rights holders and ensure that Free Prior and Informed Consent (FPIC) is obtained where operations may affect Indigenous Peoples or local communities' rights and resources.</i>	Land-use category	Processing category
1.1.1 <i>Land tenure</i> rights are secure and registered according to legal requirements and include clear demarcation of legally gazetted boundaries.		N/A
1.1.2 Land management rights are in place and registered according to legal requirements.		N/A
1.1.3 Legally required rights to operate are in place and registered according to legal requirements.		
1.1.4 <i>Land tenure</i> and management rights are obtained through a process that ensures that <i>Free Prior Informed Consent (FPIC)</i> is secured before any activities are commenced that may affect <i>Indigenous Peoples' or local communities' lands, territories, and resources.</i> ²		N/A
1.1.5 In case of ongoing <i>land tenure</i> or management right disputes these are managed through a culturally appropriate and transparent process, agreed by the affected parties. ³		
3.1.3 There has been no <i>deforestation</i> or forest <i>degradation</i> after 31 st December 2020. ³⁶		
3.1.4 Forests and other <i>natural ecosystems</i> are managed in a way that maintains <i>natural ecosystems</i> and <i>biodiversity</i> and complexity.		
3.1.5 Within forest <i>ecosystems</i> and forest buffer zones, extraction of tree roots and stumps is avoided, to minimize erosion and negative climate and <i>biodiversity</i> impacts.		N/A
3.1.6 Legal requirements relating to degradation and <i>conversion</i> of <i>natural forests</i> or other <i>natural ecosystems</i> are complied with ³⁷ .		
3.1.7 If clear-cuts are used for forest management, the size of clear-cuts is minimized to be ecologically appropriate for the forest ecosystem, type and <u>biome</u> .		N/A

Sustainability Framework Commodities



Timber &
Paper



Rubber



Biomass



Soy



Coffee



Palm oil



Cocoa



Beef

Programme Focus:
*A broad range of
commodities*

Application of the framework

Goal: Set and achieve sustainability commitments

How: Generate commodity-specific indicators you can meet and have verified



Sustainability Framework

Goal: Implement a due diligence system or responsible sourcing programme

How: Use a risk-based approach to ensure sustainable practices at the farm or forest

Upstream



Land Managers, Producers,
Factories, Mills, Processors

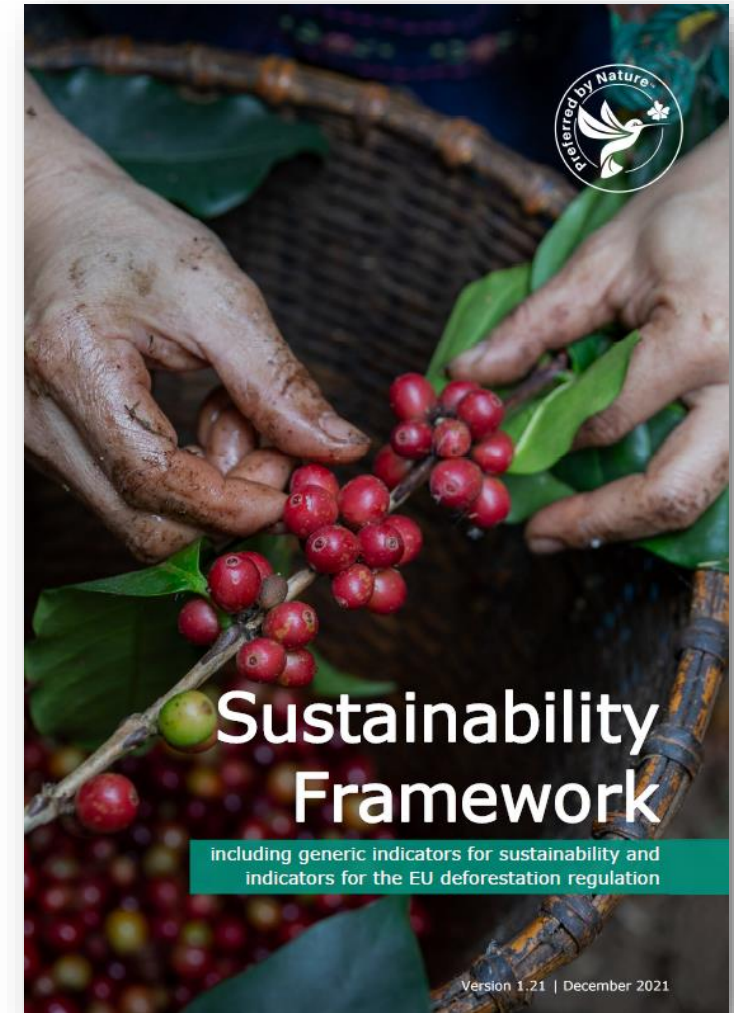


Traders, Manufacturers,
Brands, Retailers

Downstream



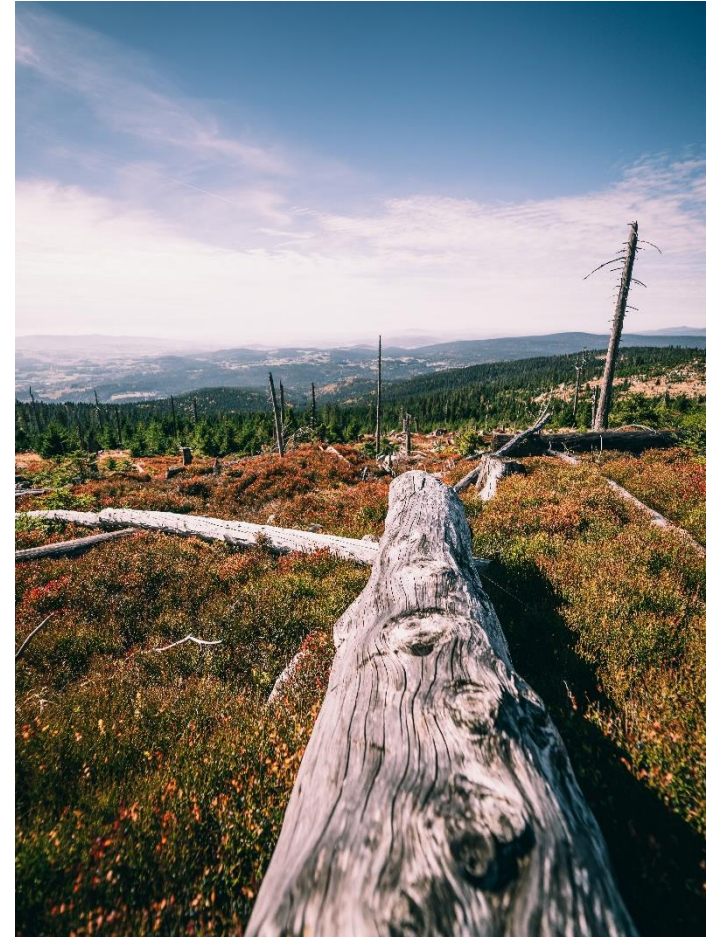
1. **SP-01 Sustainability Framework:** Requirements for land-use and processing entities needed for ensuring legal and sustainable production and processing.
2. **SP-02 System requirements for land managers:** Requirements for systems applied to ensure consistent implementation of the Sustainability Framework indicators for land managers.
3. **SP-03 Requirements for supply chain due diligence:** Requirements for companies sourcing commodities through a supply chain, this may include manufacturers, traders and retailers.
4. **SP-09 Terms & definitions:** Preferred by Nature have collected terms and definitions used in the Sustainability Framework in a single document.



Collaborative framework recognising existing efforts

Existing certification schemes are recognised.

- We will **benchmark** other schemes against the Framework
- If there are **critical gaps**, companies who would like to use our seal, will need to **address these in high risk cases**.



The Sourcing Hub



Timber



Beef



Soy



Palm Oil

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