



Sustainability Programme
*Supplier Management
and Due Diligence Requirements*

Supplier Management and due Diligence requirements	
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Approval body:	Preferred by Nature
Contact person:	Christian Sloth
Contact email:	csloth@preferredbynature.org



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Introduction

An increasing number of products are carrying sustainability labels and certification schemes have been developed for many commodities. Companies have policies for sustainable sourcing and investors are looking to support responsible development. While the existing schemes largely overlap in their view on sustainability, the multitude of schemes have also led to parallel efforts and sometimes market barriers for smallholders and others.

Inspired both by existing sustainability concepts and the need to harmonise, the Preferred by Nature Sustainability Framework has been revised to provide a single framework for defining and benchmarking sustainability, that can be used across different commodities and landscapes. The framework consists of 4 principles and 28 criteria addressing different aspects of what we believe shall be considered before claiming something is sustainable.

We have carefully revised the framework to serve multiple purposes. It can be used for verification of forest and farm management as well as for other sectors such as financing, tourism and others. It can also be used by processors, traders, retailers and others to evaluate their sourcing. As we benchmark the framework against existing schemes, our intention is to recognise the assurance that these already provide, rather than duplicate.

The global framework will be supplemented by risk assessments in our SourcingHub database, enabling it to be adapted locally and focuses on the issues which are central for each product and region. Sourcing organisations can use the framework to map and mitigate sustainability risks in supply chains, making sustainability commitments across any or all the 29 criteria.

Organisations, who have been verified by Preferred by Nature to address all the Framework criteria, will be eligible to use our new Preferred by Nature Seal and make related on-product and business-to-business claims.

Scope

This standard (Sustainability Framework Supplier Management and Due Diligence Requirements) sets out requirements for organisations using the Sustainability Framework to achieve their sustainability commitments. The standard is applicable for all types of organisations using the Sustainability Framework, and sources commodities from supply chains. The standard requirements are aimed at ensuring organisations implement supplier management and a risk-based approach to sourcing.

Version History

Version 0.1, 25 September 2020

Version 1.1, 3 June 2021

SUPPLIER MANAGEMENT AND DUE DILIGENCE REQUIREMENTS

1 Scope of due diligence system

- 1.1 The Organisation shall define and document their due diligence system, including the products within the scope of its DDS, in terms of:
 - a. origin;
 - b. species (where relevant);
 - c. products and commodities;
 - d. supply chains; *and*
 - e. dates of entry to and exit from the scope for each product, as applicable.
 - f. The Organisation shall ensure that materials included within the scope of the DDS are not mixed with materials that are excluded from the scope of the DDS.

2 Supplier management

- 2.1 Organisation shall communicate their commitments directly and clearly to suppliers.
- 2.2 Organisation shall seek to provide incentives and support for meeting commitments, through direct supplier and sub-supplier incentives and engagement.
- 2.3 Where possible, the Organisation shall provide support for smallholders to enable their participation in sustainable supply chains and to achieve compliance with the organisations' commitments.
- 2.4 Organisations shall pursue a long-term commitment with suppliers and/or buyers.
- 2.5 Organisation shall implement supplier codes, engagement activities, management systems and/or assurance mechanisms to ensure that suppliers adhere to company's commitments on deforestation, conversion, and human rights in relation to supplier's site establishment and land management activities.

3 Access to information

- 3.1 The Organisation shall have and maintain the following information about products included within the scope of its DDS.
 - a. the type of product;
 - b. the common and scientific names of species, where relevant to the identification;
 - c. quantity of material produced or purchased and sold;
 - d. the country of origin and, where necessary, the sub-national region of harvest or the concession of harvest;
 - e. name and location of origin or supplier from where the Organisation has sourced material;
 - f. name and address of buyers to which the Organisation has supplied products;
 - g. the certification/verification status of the material; *and*
 - h. the status of the material in case of sourcing recycled material (pre-consumer or post-consumer).

- 3.2 The Organisation shall ensure that information about its supply chains is sufficiently detailed to allow:
- a. a clear understanding of origin of raw materials and products;
 - b. assessment of the opportunities and constraints to implement selected commitments;
and
 - c. verification of achievements towards meeting commitments.
- 3.3 The Organisation shall have and maintain information that is:
- a. necessary to assess and mitigate the risk that the commitments across the defined scope are not being met;
 - b. valid and verifiable; *and*
 - c. related to the relevant product and/or supply chain.

4 Risk Assessment

- 4.1 The Organisation shall assess and specify the level of risk of non-conforming material or products being produced or entering the supply chain. The risk assessment shall¹:
- 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;
 - c. be revised whenever there are changes to the risks; *and*
 - d. be reviewed at least annually.
- 4.2 The Organisation shall assess relevant source or supply chain information to ensure that:
- a. information is relevant to indicate conformance with Legal and Core indicators;
 - b. information is valid and verifiable; *and*
 - c. information can be related to the relevant product or supply chain.
- 4.3 Where an Organisation uses third-party certification systems to meet commitments, it shall ensure that the scheme provides assurance of low risk related to the relevant indicators, as well as can ensure absence of mixing of non-conforming material/products in the supply chain.
- a. The Organisation shall make a record of the evaluation of the certification system.
 - b. Any gaps or risks identified in the evaluation of the certification system shall be mitigated.
- 4.4 Where a certification system is used, following an Organisation's conclusion that it fulfils the requirements, the Organisation shall also:
- a. confirm that all information required by the specific system has been gathered for each certified product; *and*
 - b. ensure the information related to the certification claim is valid and accurate.
- 4.5 The Organisation shall document the risk assessment process and provide justification for the level of risk specified for each individual origin or supply chain.
- 4.6 The risk assessment shall determine the level of risk as either *low risk* or *specified risk*.

¹ See the Preferred by Nature Sourcing Hub: <https://www.Preferred by Nature.org/sourcinghub>

- 4.7 The risk assessments shall be reviewed at least annually and revised whenever changes occur that alter the risk characteristics.

5 Risk mitigation

- 5.1 The Organisation shall not source nor produce materials or products from countries with sanctions imposed – by the UN Security Council or EU Council – on imports or exports, or other bans applicable in the country of operation.
- 5.2 The Organisation shall not source nor produce materials or products from countries or sub-national regions with prevalence of armed conflicts for which conflict materials may be a risk.
- 5.3 The Organisation shall develop and implement efficient and justified measures for mitigating any specified risks.
- 5.4 The Organisation shall discontinue relationships with suppliers in cases of major or continuous violations of the requirements of this Framework, including:
- a. excluding supply and/or suppliers from its 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.
- 5.5 Where the Organisation identifies that products have been sourced or sold prior to risk being mitigated, it shall:
- a. immediately cease to sell any remaining products held in stock;
 - b. advise relevant customers in writing, as appropriate and in a timely manner, and maintain records of that advice;
 - c. analyse causes and implement measures to prevent re-occurrence;
 - d. notify Preferred by Nature; *and*
 - e. mitigate the causes and allow Preferred by Nature to evaluate actions taken.

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

Contact

Full name	Christian Sloth
Title	Sustainability Programme Manager
Email:	csloth@preferredbynature.org
Phone:	+45 3158 798
Skype:	christiansloth



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