

#### Due Diligence for the EU Deforestation Regulation







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

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Having regard to the opinion of the European Economic and Social Comminent $\left( ^{\circ}\right) .$	errors in a conservence manner and nouse period in the complementary or Union action and commissions in the consexs of the Unisel Nations Framework Convention on Climate Change.	Proj	ional for a
After consulting the Commissee of the Regions,	(4) Decision No 1600/2002/EC of the European Parliamene and of the Council of 22 July 2002 laying down the Sizth Community Environment Action Programme (1)		PARLIAMENT AND OF THE COUNCIL
Acting in accordance with the ordinary legislative procedure $\ell^{\alpha}_{\beta, \nu}$ . Whereas:	identifies as a priority action the examination of the pottbilly of taking active measures to prevent and combase stade in linguily harvesed wood and the combaseline of the active participation of the United the state of the active participation of the United and regional resolutions and agreements on forest-related inset.	commodities and products associated w	ket as well as export from the Union of certai ith deforestation and forest degradation and tion (EU) No 995/2010
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(2) Due to the graving demand for imber and einber product reddrived, in combinator with the interv- noral and governance deficiencies that are present in the forest sector in a number of imberspreducing countries. Bigal logging and the attochand trade have become manett of ever greater concern.	10 The European Indianees and dae Council revisioned data Communication and recognized dae need for the Union so contributes a global efforce to address the problem of illegial logging.		
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Evaluate the risks of non-conforming material entering the supply chain





- 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





























ADM







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)



- Several standards
- FEFAC Guidelines are seen as key for EU importers
- Benchmarking on ITC's homepage: *https://legacy.standardsmap.sustainabletrade.org/*





Knowledg





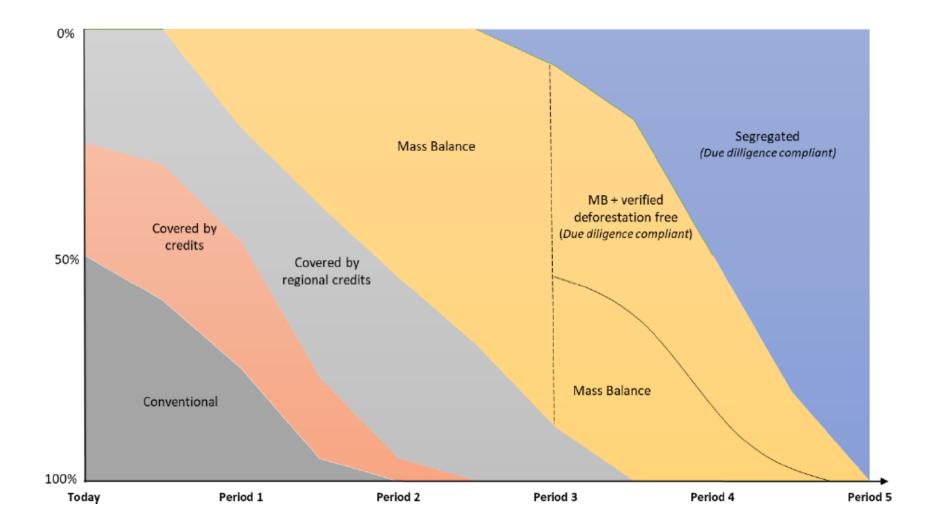
Deforestation:

2021 version of the FEFAC Soy Sourcing Guidelines :

Essential Criterion 29: Allows legal conversion using national cutoff dates

Desired Criterion 34: Suggests not to allow soy from any form of conversion

## Preferred Soy and traceability – example from Denmark



https://static-curis.ku.dk/portal/files/291987488/IFRO\_Udredning\_2022\_02.pdf



#### 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 rerquirements and may not e 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

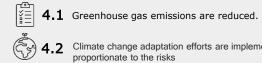


- Designed for a risk-based due diligence
- Inspired by our LegalSource program a recognized system for EU Timber Regulation
- Allows to expand the scope easily to broader sustainability topics

Principle 1: Management and business practices are responsible.	<ul> <li><b>1.1</b> Land tenure and management rights are secure.</li> <li><b>1.2</b> Management and operations are conducted responsibly.</li> </ul>	<ul> <li>1.4 Corruption and conflict of interest are effectively avoided.</li> <li>1.5 Trade and transport are conducted legally and responsibly.</li> </ul>
	$\frac{1}{8}$ <b>1.3</b> Taxes and fees are paid.	
Principle 2: Peoples' wellbeing and human	2.1 Child labour shall not be present and employment of young workers is responsibly managed.	2.6 Workplaces are safe and healthy.
rights are respected.	<b>2.2</b> Modern slavery, forced or compulsory labour do not occur.	<b>2.7</b> Employer-provided housing is safe and hygienic.
	<b>2.3</b> Workers' rights are respected.	$\hat{\mathbb{Q}} \hat{\mathbb{Q}}$ <b>2.8</b> Gender equality is maintained and protected.
	$\times$ <b>2.4</b> Discrimination is not occurring.	<b>2.9</b> The rights of Indigenous Peoples are respected.
	<b>2.5</b> All workers are renumerated in a responsible manner.	<b>2.10</b> Community rights are respected.
Principle 3: Nature and the environment are protected.	$\mathcal{L}^{\bigwedge}_{\varnothing}$ 3.1 Natural ecosystems are protected from degradation and conversion.	<b>3.5</b> Water resources are protected and used efficiently.
	<b>3.2</b> High Conservation Values (HCVs) are identified and protected.	$\stackrel{{\scriptstyle (1)}}{\scriptstyle\sim}{\scriptstyle\sim}$ <b>3.6</b> Soil is conserved and managed appropriately.
	<b>3.3</b> Chemicals are used cautiously with minimal negative impacts.	$\overset{\scriptscriptstyle{\otimes}}{\sim}_{\overset{\scriptscriptstyle{\otimes}}{\sim}}$ 3.7 Animal health and welfare is secure.
	<b>3.4</b> Waste is reduced and managed appropriately.	
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Principle 4: 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.

#### Benchmarking the EU regulation ferred

- 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 sec Land tenure and the legal right to operate are established for all rights and ensure that Free Prior and Informed Consent (PPIC) is obtained why operations may affect Indigenous Peoples or local communities' rights a resources.	holders ere	Land-use category	Processing category
	1.1.1 Land tenure 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 Land tenure and management rights are obtained through a process that ensures that Free Prior Informed Consent (FPIC) is secured before any activities are commenced that may affect Indigenous People's or local communities' lands, territories, and resources. <sup>2</sup>		-	N/A
	1.1.5 In case of ongoing <i>land tenure</i> or management right disputes th are managed through a culturally appropriate and transparent process, agreed by the affected parties. <sup>3</sup>	iese		
3.1.3 There has been no <i>deforestation</i> or forest <i>degradation</i> after 31 <sup>st</sup> December 2020. <sup>36</sup>			•	
3.1.4 Forests and othe maintains <i>natura</i>		ø		
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.			Ģ	N/A
3.1.6 Legal requirements relating to degradation and <i>conversion</i> of <i>natural</i> forests or other <i>natural ecosystems</i> are complied with <sup>37</sup> .				
minimized to be	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 biome.e.			N/A

# Preferred Sustainability Framework Commodities



Timber & Paper



Rubber



Biomass



Soy

#### Programme Focus: A broad range of commodities



Coffee



Palm oil

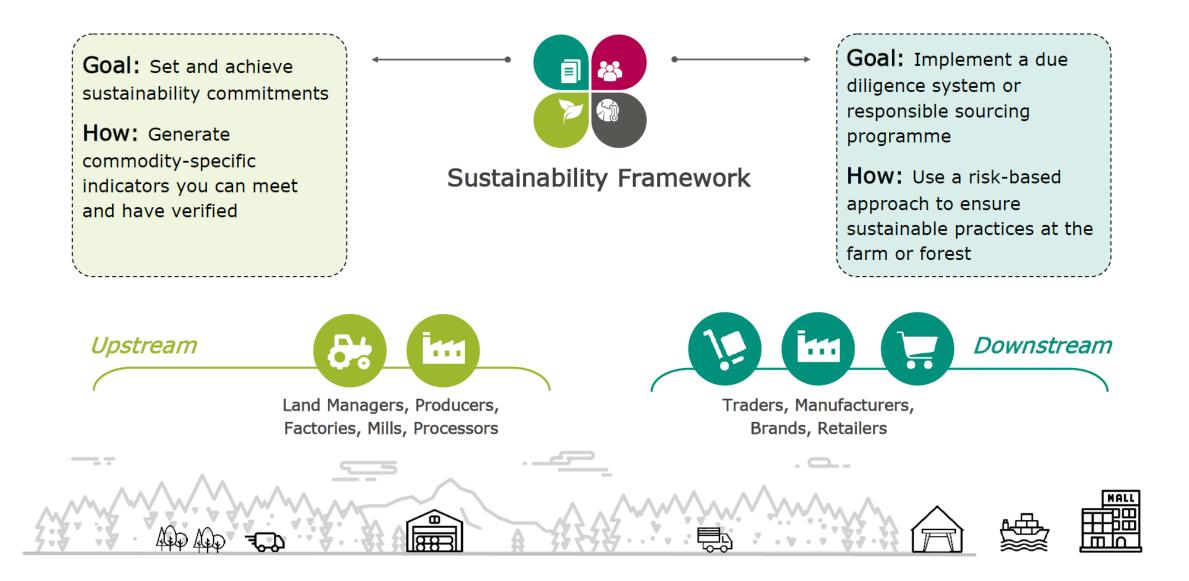


Cocoa



Beef



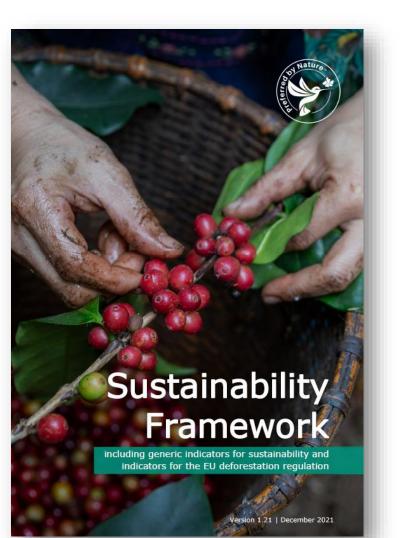


## Preferred Sustainability Programme documents

- 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.





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.





