

**DUE DILIGENCE TOOLS**

**Due Diligence Procedure Template**

**Version 2.0**



**Template**

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[COMPANY NAME] Due Diligence Procedures

**[Company Logo]**

**[Company name and address]**

[DATE AND VERSION]

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# Introduction

This procedure represents the timber and timber products procurement procedure for [COMPANY NAME] aimed at meeting the company policy on responsible and legal sourcing. The contents of the procedure are aimed at meeting the EU Timber Regulation’s requirements for due diligence (*Regulation (EU) No 995/2010 of the European Parliament and of the Council of 10 October 2010 laying down the obligations of operators who place timber and timber products on the market*[[1]](#footnote-2)).

# Objective

The objective of this procedure is to ensure that sourcing and procurement of timber and timber products are carried out while performing a due diligence process to minimise any risks that [COMPANY NAME] is sourcing or placing any products with an unknown or illegal origin on the market.

# Overview of the Due Diligence System

The term Due Diligence is interpreted as a series of steps taken by [COMPANY NAME] to minimise the risk of sourcing and procuring timber or timber products that originate from illegal sources. The fundamental concept of exercising due diligence is to carry out the required actions to minimise the risk of sourcing illegally logged timber and timber products. This process includes 4 key steps:

1. Quality management
2. Access to information
3. Risk assessment
4. Risk mitigation

The Due Diligence System follows the process flow presented in Figure 1. The operational steps to implement this process flow are described in detail in the remainder of this procedure (Steps 1 – 4).

* Commit to legal sourcing
* Establish responsibilities and ensure competence
* Establish procedures
* Initiate performance monitoring
* Define scope of supply chain and
* products
* Identify risks:
	+ Forest management level
	+ Supplier level
	+ Mixing and substitution in the supply chain
* Specify risks where they are identified
* Record supply chain information:
	+ Origin
	+ Suppliers
	+ Species
	+ Documentation
* Evaluate supply chain information
* Collect additional information as needed

Mitigation options:

* Additional documentation
* Replace supplier
* Source certified material
* Supply chain verification audits

**1**

**2**

**3**

**4**

**Figure 1: Overview of the stepwise due diligence process**

# 1 Quality Management System

[COMPANY NAME] recognises that a robust and credible due diligence system is underpinned by a strong quality management and assurance system. This includes creation of a responsible sourcing policy, assignment of staff responsibilities, documenting procedures, defining the scope of the due diligence system, training staff, etc. This section describes the quality management procedures which form the basis of our due diligence system.

## 1.1 Responsible Sourcing Policy

[COMPANY NAME] is committed to sourcing legal material. Our commitment has been clearly stated in our Responsible Sourcing Policy.

*No wood products shall be placed on the EU market before applicable access to information has been secured and risk assessments have been carried out AND negligible risk has been confirmed OR, in the case the risk cannot be declared as negligible, effective risk mitigation actions have been carried out.*

We use the definition of legality set out in our Responsible Sourcing Policy as the basis for timber and timber product risk assessment.



 See our **Responsible Sourcing** **Policy (DD-03)**

## 1.2 Assignment of Responsibilities

The responsibility for different parts of the due diligence implementation and maintenance has been assigned as outlined below.

### 1.2.1 Overall Responsibility

The overall responsible person for compliance with all applicable requirements is the [ENTER TITLE OF OVERALL RESPONSIBLE POSITION].

### 1.2.2 Specific Responsibilities

Divisions for specific responsibilities are contained in Table 1.

|  |  |
| --- | --- |
| **System element** | **Responsible Position** |
| Training and competency development |  |
| Maintenance of documents and procedures |  |
| Internal quality control and complaints |  |
| Risk assessment |  |
| Risk mitigation  |  |

### 1.2.3 Training and Competence Assurance

In our company, training is relevant for all employees. Training is provided to all staff based on this procedure, covering our full procurement system, to ensure that relevant staff members have the necessary competence to carry out their assigned responsibilities.

* **New staff:** Training of new staff includes an introduction to this procedure and other relevant material and procedures *before* they start work.
* **Existing Staff:** Training is conducted annually or when specific training needs arise.

The date of training, list of participants and brief overview of the topics covered will be documented for all training. Training of new staff is documented by signature of the staff person and the date of training on a separate staff instruction sheet.

Records of training and competence development activities shall be stored on file for a minimum of 5 years.

The [ENTER POSITION TITLE] is responsible for implementing this training procedure.

## 1.3 Procedures and Documents

This document (Due Diligence Procedure (DD-02)) forms the basis of our due diligence system procedures. It has been adapted from the Preferred by Nature due diligence system templates. In addition, the following documents make up the complete procurement

programme and due diligence system. Table 2 provides an overview of the due diligence system documents, procedures, forms and templates accompanied by a short introduction to their objectives and use.

**Table 2: Overview of due diligence system documents and procedures**

|  |  |  |
| --- | --- | --- |
| **Code** | **Name** | **Guidelines** |
| DD-01 | Due Diligence Guidelines  | Preferred by Nature due diligence guidelines, outlining detailed guidance on the risk assessment process.  |
| DD-02 | Due Diligence Procedure | This document. Our due diligence procedure, setting out the core procedures for conducting due diligence.  |
| DD-03 | Responsible Sourcing Policy  | Our responsible sourcing policy. This policy outlines our commitment to legal and responsible sourcing of timber and timber products.  |
| DD-04 | Supplier Management Form | This form is our master document used to evaluate supplier information. It facilitates entry of relevant information about suppliers, sources and products as well as related risks identified using the risk identification checklist.  |
| DD-05 | Supplier Information Form | This form is to be used with DD-06 to collect information about our suppliers and the products/material they supply to our organisation. Our suppliers fill in this form and return it to us.  |
| DD-06 | Supplier Letter Template  | This letter template is used to ask for information from suppliers and their consent to provide information, samples and allow on-site auditing.  |
| DD-07 | Supply Chain Mapping Tool | This form is used to collect and manage information about sub-suppliers and sources of specific suppliers upstream from our direct supplier.  |
| DD-08 | [Risk Identification Checklist Template](https://eu2.salesforce.com/006b000000HK23P) | This checklist is used to record the risk identification results for each supply chain. |
| DD-09 | Forest Legality Risk Specification Guidelines | This guide provides detailed procedures regarding the risk specification process.  |
| DD-10 | Forest Legality Risk Specification Template | This excel template is used to document the risk specification process.  |
| DD-11 | Due Diligence Guidelines for FMEs | Due Diligence guidelines for Forest Management Enterprises (FMEs). [DELETE IF YOUR ORGANISATION IS NOT AN FME]  |
| DD-12 | Due Diligence Procedure Template for FMEs | This document forms the basis of a due diligence procedure for Forest Management Enterprises (FMEs). [DELETE IF YOUR ORGANISATION IS NOT AN FME]  |
| DD-13 | Certification Scheme Evaluation Checklist | This template is used to document our evaluation of certification schemes according to their ability to provide assurance of legal timber. A separate evaluation is kept for each certification scheme used.  |
| DD-14 | Supplier Audit Report Template | This report template is used when we audit our suppliers. |
| DD-15 | Product statement | Template for suppliers to provide important information about products they are supplying. |

## 1.4 Quality Control and Performance Monitoring

The following quality control procedures are established for monitoring compliance with our due diligence requirements.

### 1.4.1 Procedures for Maintaining Records

To enable us to monitor the procurement system effectively, we maintain records covering all steps and elements. Records can be available digitally or on paper. This includes, for example; purchase orders, invoices, delivery notes, phytosanitary certificates, certificates of origin, business registration certificates, tax receipts and laboratory test reports.

The minimum maintenance time for all records is 5 years.

### 1.4.2 Internal Monitoring

The overall responsible position for due diligence system maintenance shall ensure that the due diligence system is maintained, reviewed and revised on an annual basis. The annual monitoring process may be combined with annual audits from 3rd party auditing body. This monitoring shall involve review of:

* **Due diligence system**; to ensure the system functions effectively, responsibilities are clear and procedures are implemented.
* **Supply chains**; to ensure that risk assessments are reviewed annually and whenever changes are made to supply chains.

Reports of monitoring, including potential non-conformances identified during the annual review shall be documented and stored. Non-conformance reports (NCRs) shall be accompanied by a clear corrective action request (CAR) with a defined timeline. All CARs shall be addressed within the defined timeline and appropriate action shall be taken to close out the non-conformance.

Supply chain and risk assessment results shall be revised whenever changes are made to supply chains, sources or new suppliers, products or species are included in the scope of our due diligence system.

### 1.4.3 Complaints

[COMPANY NAME] keeps records of all disputes and remedial actions related to our activities. We take appropriate action and we document our actions and their effectiveness. In addition, the process of handling a dispute, including the investigation process and decision, is recorded by designated staff.

Immediately (within three days after a dispute is received), a documented record of the dispute will be registered.

Within seven days it shall be concluded and justified whether the dispute is relevant or not. If;

* The allegation is unfounded, based on the evidence provided, no further actions are needed;
* The allegation is well founded, based on the evidence provided, further investigation is needed as per below.

Designated staff will provide an initial response to the disputing party, including an outline of the proposed course of action to follow up on the dispute within 14 days of receiving the dispute.

Designated staff will keep the disputing party informed of progress in evaluating the dispute, investigate the allegations and specify all proposed actions in response to the dispute within 90 days of receiving the dispute.

We will provide a written response to the disputing party within 5 days from the time that the investigation is finalised in either of the above cases.

Relevant third parties may also be contacted to clarify the situation or contribute relevant information to the dispute resolution process. If the disputing party is not satisfied with the response, it may provide a written response in relation to this matter.

[ENTER POSITION TITLE] is responsible for coordination of the dispute resolution process including steps described above

## 1.5 Scope

Our due diligence system will include all products placed on regulated markets, where [COMPANY NAME] has a legal obligation to conduct due diligence.

In addition to these products [COMPANY NAME] has chosen to include the following types of product within the scope of its due diligence system, regardless of whether we have a legal obligation to do so: [ENTER PRODUCT TYPE DESCRIPTION]

A full list of products included within the scope of our due diligence system is recorded in our Supplier Management Form (DD-04)

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | See our **Supplier Management Form (HAWA-TMP-08)** |

[ENTER POSITION TITLE] is responsible for ensuring that the Supplier Management Form is kept up to date, reflects the true scope of the due diligence system and includes all supply chains required by law to be risk assessed by our company.

## 1.6 Material Control

[COMPANY NAME] maintains physical separation of all material which is approved for placing on regulated markets from material with unknown or potentially illegal origin, throughout reception, processing, packing and shipping.

The relevant staff functions shall ensure that material that has not yet been approved for placing on regulated markets is kept physically separate from approved material/products. [STATE THE SELECTED METHOD FOR AVOIDING MIXING OF MATERIAL].

# 2. Access to Information

## 2.1 Collecting Supply Chain Information

Gaining access to relevant information about our supply chain and sources is a key component of our procurement system and a prerequisite for implementing due diligence in our sourcing of wood products. To ensure sufficient access to relevant information about our products, supply chains, wood origin and species, we implement the following procedures.

Our Organisation collects and documents the following information about all products/ supply chains included within the scope of our due diligence system:

1. A description of the product type and Combined Nomenclature (CN) code[[2]](#footnote-3).
2. Name and address of all our current suppliers, from whom we have/intend to purchase material.
3. Name and address of buyers to whom we have supplied products.
4. The certification/verification status of the material *and* their supplier.
5. Quantity of material purchased and sold.
6. Common and scientific name of tree species.
7. Country of origin, and where necessary;
	* + Sub-national region of timber harvest, and/or
		+ Concession of timber harvest;
8. Documents or other information indicating compliance of timber and timber products with the applicable legislation.

It is essential that all necessary documentation and information indicating compliance with applicable legislation is secured for each purchase of timber.

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | See **Table 1 of** **Preferred by Nature Due Diligence Guidelines (DD-01)** for examples of relevant supply chain documents which may be collected.  |
| Llave inglesa con relleno sólido | In order to facilitate the collection of supply chain information we send a copy of the **Supplier Information Letter (DD-06)** to each supplier and obtain a signed written consent form backfrom each. |
| Llave inglesa con relleno sólido | We also send the **Supplier Information Form (DD-05)** to Suppliers and ask each supplier to complete and return the form or specific sections of it. |

## 2.2 Recording Supplier Information

We collate and record information on all supply chains included within the scope of our due diligence systems within a central document which provides us an overview of the due diligence system.

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| --- | --- |
| Llave inglesa con relleno sólido | The **Supplier Management Form (DD-04)** is used to record relevant information about our supply chains. This document is used as our master document, providing an overview for all our supply chains. For composite products the form contains a separate tab for recording information about each type of material making up component products. |

## 2.3 Evaluating Documents and Information

Documents and information are evaluated to identify if information is lacking about a product, or if information is inadequate to enable effective risk assessment. Gaps or inconsistencies constitute a risk which needs to be mitigated to carry out further risk assessment.

## 2.4 Collecting Additional Information

If gaps in supply chain information have been identified or there are concerns about the relevance, accuracy or applicability of information provided we will collect additional information to close gaps or address concerns and enable risk assessment.

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | In such cases, we use the **Supply Chain Mapping Tool (DD-07)** to record details about each supply chain. This may be used where information is needed about up-stream suppliers or the structure/ complexity of the supply chain.  |
| Llave inglesa con relleno sólido | Once additional information has been collected, we update information in the **Supplier Management Form (DD-04)** to attain a complete supply chain overview. |

For suppliers that do not wish to disclose confidential information about their supply, we can offer that a 3rd party evaluates the information they provide in our place. In this case a non-confidential section of a supply chain audit report shall be made available to us, to ensure that the minimum requirements are met.

### 2.4.1 Revision of Supply Chain Information

As stated in Section 1.4 of this Procedure, information on suppliers and supply chains shall be updated annually or whenever changes are made to the supply chains. We therefore make clear to each supplier that any changes to supply chains shall be communicated, *prior* to sale of any products to us. This allows us to re-evaluate supply chains prior to purchase of goods.

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | Suppliers confirm their commitment to informing our Organisation of any changes to supply chains immediately and prior to sale of products to us by signing and returning the **Supplier Information Letter (DD-06)** return. |
| Advertencia con relleno sólido | It is important to underline that the system shall not function as a back-tracking of supplies already supplied to us. The information about sources, suppliers and products/material shall always be current and updated before material or products are placed on the market. |

[ENTER NAME OF POSITION] is responsible for ensuring that the supply chain information is collected from all relevant entities and kept up to date.

# 3 Risk Assessment

The risk assessment is carried out based on the supplier and sub-supplier information on the origin and supply chains of material.

The risk assessment is carried out for all material that is included in products that are placed on regulated markets AND covered by the scope of the relevant regulation.

The risk assessment process includes review of the products, the species used, their source and the supply chain complexity in assessing whether the risk of illegal timber being sourced can be designated as negligible (low) or non-negligible (specified).

The risk assessment is divided into two distinct parts: **Risk Identification** and **Risk Specification**. Risk identification involves top level assessment of several risk indicators to identify general risks which may affect our supply chains.

The source of risk may vary between different products, supply chains or species. The risk assessment should include consideration of the following:

1. Risk of legal violation in connection with the **forest management** and harvesting operations;
2. Risk of legal violation during **trade and transport** of the material throughout the supply chain;
3. Risk that **legal harvested material is mixed** with other material during processing and trading.

## 3.1 Risk Identification

Initial risk identification forms the basis of the risk assessment process, and may often be detailed enough to make justified decisions on how to proceed with managing risk.

We focus on several categories of risk during the risk identification:

* Access to information
* Species
* Origin
* Certification/ verification status
* Supply chain complexity
* Trade and transport

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | **The Preferred by Nature Due Diligence Guidelines (DD-01)** introduces the risk identification process. |
| Llave inglesa con relleno sólido | [**Risk Identification Checklist Template**](https://eu2.salesforce.com/006b000000HK23P) **(DD-08)** is used to conduct risk identification on each supply chain. This document is used to insert the detailed risk findings for each risk assessment,provides a record of the sources of information used/ evidence collected, risk assessment process, justification and risk conclusion.  |
| Llave inglesa con relleno sólido | The risk conclusion is then entered into the **Supplier Management Form (DD-04)** to provide an overview of risk across all supply chains.  |
| Advertencia con relleno sólido | The conclusion of the risk assessment is designated as “Low” or “Specified”. |

If risk is concluded to be “Low” using DD-08, the product can be concluded to have low risk of illegal logging and no further action needs to be taken.

If, on the other hand, the risk cannot be concluded to be low, we proceed to the next step in the due diligence process.

## 3.2 Supply Chain Mapping

Where risk has been identified, we proceed to mapping the supply chain in detail to further evaluate and specify the risks (if not done so already).

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | The **Supply Chain Mapping Tool (DD-07)** is used to record supply chain information at a detailed level. |

## 3.3 Risk Specification

If we are unable to conclude “low risk” for any product using the steps 3.1 – 3.2, we shall proceed to specify the risk to judge if and how the identified risk can be mitigated. This part of the risk assessment aims to ascertain whether the risk identified at the generic level is present in our supply chain. Once we have specified the risk, we can effectively mitigate the risk.

Alternatively, if there are obvious options for risk mitigation, we may jump straight to step 4 and implement risk mitigation straight away without further specification.

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | **The Preferred by Nature Due Diligence Guidelines (DD-01)** provide guidance on how to specify risks. |
| Advertencia con relleno sólido | Even if a country, region, species or product type has an associated risk of certain legal non-compliances, these may not necessarily be present in our supply chain. Therefore, it is necessary to evaluate risks for each individual supply chain. |
| Advertencia con relleno sólido | Detailed forest legality risk assessments for over 60 countries can be found on Preferred by Nature's website [www.preferredbynature.org](http://www.nepcon.org/). These should be used to identify specific areas of legality risk and ensure suitable mitigation actions are implemented.  |
| Llave inglesa con relleno sólido | Where a national risk assessment is not available on the GFR, the **Forest Legality Risk Specification Guidelines (DD-09) and Template (DD-10)** is used to specify risk against the category of law where risk has been identified.  |

## 3.4 Verify Presence of Non-Compliances

Before a risk can be mitigated, it should be verified that the potential legal non-compliance is in fact present in the defined supply chain.

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | **Annexes 1 and 2 of the LegalSource Standard** contain tables with verifiers for forest level and supply chain legality risks respectively. The **Preferred by Nature Supplier Audit Report Template (DD-14)** is used where supplier audits are required to verify the level of legal compliance at different levels in the supply chain. |

## 3.5 Record the Risk Assessment Conclusion

Risk assessment conclusions are recorded for each supply chain.

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | We use the **Supplier Management Form (DD-04)** to enter the risk conclusion for each supplier or product..  |
| Llave inglesa con relleno sólido | If the specific product originates from a complex supply chain or is a composite product, we conduct risk assessment for each individual supply chain. |
| Llave inglesa con relleno sólido | The conclusion of the risk assessment shall be “Low” or “Specified”. |

**Box 1: Using Certification as part of the Risk Assessment**

Sourcing materials certified according to a third-party legality or sustainability scheme (such as FSC, PEFC, VLC or LegalSource), may be a useful route to reducing risk in our supply chains. However, there is no green lane for certified materials in our due diligence system. Risk assessment must still be conducted on these products.

Whilst schemes often cover similar requirements, each certification standard is different. Therefore, we assess whether the certification scheme includes requirements covering the risks relevant to our supply chains. For example, if we have identified that there is risk regarding health and safety during timber harvesting operations in the country of harvest, then we ensure that the certification standard includes clear requirements for the auditor to check that staff are wearing appropriate personal protective equipment (PPE) during logging operations. If such requirements are not included, then we have no guarantee that this risk has been assessed/mitigated by the certification scheme in question. As a result, we would need to implement additional risk mitigation actions to address this risk.

When using certification as part of the risk assessment process, we ensure that we;

* Conduct and document our assessment of the certification scheme, and;
* Mitigate any gaps or risks relating to the certification scheme.

Where a certification scheme is found to offer sufficient and relevant control of risks identified, we ensure that;

* The materials we are purchasing arrive with valid certification claims/ information (e.g. the certification claim and code is displayed on supplier invoice and delivery note).
* Ensure the certification claims/ information are valid and accurate (e.g. by checking the certification scheme online database or contacting the auditing body).

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | For each certification scheme, we use as part of the risk assessment, we conduct a certification scheme assessment using the **Certification System Evaluation Checklist (DD-13)** and keep a record of the assessment on file.  |
| Llave inglesa con relleno sólido | The **Preferred by Nature Certification System Evaluation Standard** contains the requirements for certification system evaluation assessment.  |
| Advertencia con relleno sólido | If gaps are identified between the specific certification or verification standard, the material/products shall undergo a risk assessment concerning the areas that was found to constitute gaps. |

# 4. Risk Mitigation

The process of mitigating risks builds on the result of the risk assessment. Any risks that have been identified as not being “specified” (non-negligible) during the risk assessment, shall be mitigated according to the following procedures.

1.

## Identify Risk Mitigation Actions

Once it has been verified that the underlying non-compliances giving rise to risks do exist in the supply chain, the next step is to identify suitable risk mitigation actions. We seek to identify and select actions that are most effective in addressing the specified risk.

The appropriate mitigating measures depend on the type of potential legal non-compliance in question. Some types of non-compliances can be verified by field visits to the harvesting sites (e.g. inspecting the borders of the harvesting unit, workers’ use of personal health and safety equipment, level of soil damage). Others can be verified based on document control (such as custom declarations forms, payment of royalties, work permits etc.). In some cases, a combination of different control measures may be required to ensure proper risk mitigation.

There are two broad groups of mitigation action that may be employed: **risk avoidance** and **risk control** (see Figure 2). It is impossible to outline all risk mitigation actions but Figure 2 details the most common actions we utilise as part of our due diligence process.

**Figure 2: Risk Mitigation options**

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | **See Preferred by Nature Due Diligence Guidelines (DD-01)** for more detail on risk mitigation actions. |
|  |  |

## Obtain Consent from Suppliers

There are two broad groups of mitigation action that may be employed: **risk avoidance** and **risk control** (see Figure 2). It is impossible to outline all risk mitigation actions but Figure 2 details the most common actions we utilise as part of our due diligence process.

|  |  |
| --- | --- |
| Advertencia con relleno sólido | Where risks are specified at upstream entities of the supply chain, such as the forest, primary processing facilities, etc., these suppliers shall provide consent to conform to the requirements. Our direct supplier will play an important role in communicating and obtaining consent from sub-suppliers. |
| Llave inglesa con relleno sólido | In such cases, we adapt the **Supplier Letter Template(DD-06)** for sending to our sub-suppliers to secure their consent to support risk mitigating activities and allow auditors to visit their facilities if needed. |

## Plan and Record Risk Mitigation Actions

We record all planned mitigating actions to keep track of risks and their current mitigation status. The plan to mitigate risks shall contain the following minimum requirements:

1. List of all identified risks for each relevant product.
2. Action to be taken to mitigate all applicable risks. This shall include a description of the relevant steps that we will take to mitigate the specific risk identified.
3. Timeline for when the mitigation action shall be completed.
4. Identification of position(s) responsible for the mitigating actions.
5. Status of the mitigation (updated on a regular basis).
6. Additional comments or follow up required.

|  |  |
| --- | --- |
| Llave inglesa con relleno sólido | We use the **Supplier Management Form (DD-04)** to plan and track the status of risk mitigation actions. |
|  |  |

## 4.4 Implement Risk Mitigation Actions

Once we have planned the mitigating actions, we move to manage and oversee their execution.

|  |  |
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| Llave inglesa con relleno sólido | We use the **Supplier Management Form (DD-04)** to track timely execution of planned actions. |

Conducting an audit of organisations within the supply chain may be necessary to mitigate risk. This may require designing and implementing a verification audit programme, which includes auditing suppliers at the forest-level (forest management organisation) or within the supply chain (sawmills, traders, factories).

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| Llave inglesa con relleno sólido | **Annex 5 of the Preferred by Nature Due Diligence Guidelines (DD-01)** provides guidance on developing a verification audit programme (see Part I) as well as conducting Supplier Audits (see Part II) as part of our due diligence system.  |
| Llave inglesa con relleno sólido | We adapt and use the **Supplier Audit Report Template (DD-14)** to record supplier evaluation findings.  |

## Evaluate the Effectiveness of Risk Mitigating Actions

Once risk mitigation actions have been implemented, we evaluate their effectiveness on a regular basis. It is integral to verify that the mitigation actions that we have implemented have been effective in mitigating the identified risk. Verification is conducted on a regular basis to ensure that the risk does not recur in the future.

Annex 1: Terms and Definitions

**Access to information:** measures and procedures providing access to the following information concerning the operator’s supply of timber or timber products placed on the market:

* description, including the trade name and type of product as well as the common name of tree species and, where applicable, its full scientific name;
* country of harvest, and where applicable:
	+ sub-national region where the timber was harvested; and
	+ concession of harvest,
* quantity (expressed in volume, weight or number of units);
* name and address of the supplier to the operator;
* name and address of the trader to whom the timber and timber products have been supplied; and
* documents or other information indicating compliance of those timber and timber products with the applicable legislation.

**Applicable legislation:** the legislation in force in the country of harvest covering the following matters:

* rights to harvest timber within legally gazetted boundaries;
* payments for harvest rights and timber including duties related to timber harvesting;
* timber harvesting, including environmental and forest legislation including forest management and biodiversity conservation, where directly related to timber harvesting;
* third parties’ legal rights concerning use and tenure that are affected by timber harvesting; and
* trade and customs, in so far as the forest sector is concerned.

**Country of harvest:** the country or territory where the timber or the timber embedded in the timber products was harvested.

**Competent Authority (CA):** a body designated by a Member State. It acts in a public role, ensuring the correct application of the Timber Regulation in the relevant Member State. To that end it is charged with carrying out checks on monitoring organisations and operators, in both cases to verify that they continue to meet the requirements made of each respectively. A list of competent authorities is available here: <http://ec.europa.eu/environment/forests/pdf/list_competent_authorities.pdf>

**Due Diligence (DD):** the core of the 'due diligence' notion is that operators undertake a risk management exercise to minimise the risk of placing illegally harvested timber, or timber products containing illegally harvested timber, on the EU market.

The three key elements of the due diligence system are:

* Information: The operator must have access to information describing the timber and timber products, country of harvest, species, quantity, details of the supplier and information on compliance with national legislation.
* Risk assessment: The operator should assess the risk of illegal timber in his supply chain, based on the information identified above and taking into account criteria set out in the regulation.
* Risk mitigation: When the assessment shows that there is a risk of illegal timber in the supply chain that risk can be mitigated by requiring additional information and verification from the supplier.

**Illegally harvested:** means harvested in contravention of the applicable legislation in the country of harvest.

**Legally harvested:** harvested in accordance with the applicable legislation in the country of harvest.

**Low risk**: See term “negligible risk” below.

**Monitoring Organisations (MOs):** are to provide due diligence systems to operators. A monitoring organisation must be accredited by the European Commission and must:

* have legal personality and be legally established within the Union;
* have appropriate expertise and the capacity to exercise its functions in relation to the development and ongoing evaluation and verification of use of its due diligence system; and,
* ensure the absence of any conflict of interest.

**Negligible risk** means a risk, that is verifiably unimportant as a result of the evaluation of all the risk assessment criteria listed in Article 6(1)(b) of the EU Timber Regulation (EU) No 995/2010. Negligible risk equates to the term ‘low risk’ used in the Preferred by Nature due diligence system.

**Non-negligible risk** means a risk, that is verifiably important as a result of the evaluation of all the risk assessment criteria listed in Article 6(1)(b) of the EU Timber Regulation (EU) No 995/2010. Non-negligible risk equates to the term ‘specified risk’ used in the Preferred by Nature due diligence system.

**Operator:** any natural or legal person that places timber or timber products on the EU market.

**Placing on the market:** the supply by any means, irrespective of the selling technique used, of timber or timber products for the first time on the internal market for distribution or use in the course of a commercial activity, whether in return for payment or free of charge. It also includes the supply by means of distance communication as defined in Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts.

**Regulated Markets**: Refers to any market in which timber legality legislation is in place, requiring due diligence or due care to be exercised when importing timber or timber products. This includes, but is not limited to, the European Union (EU Timber Regulation), USA (US Lacey Act) and Australia (Illegal Logging Prohibition Act).

**Risk Assessment:** Process to evaluate risk of illegal timber being included in the Operators supply chain.During the risk assessment, the operator shall considers various information sources and evaluates their content. The risk assessment process should have a result where the operator identifies the risk level as “negligible” or not. The EUTR lists the following elements needed for a risk assessment:

* assurance of compliance with applicable legislation, which may include certification or other third-party- verified schemes which cover compliance with applicable legislation,
* prevalence of illegal harvesting of specific tree species,
* prevalence of illegal harvesting or practices in the country of harvest and/or sub-national region where the timber was harvested, including consideration of the prevalence of armed conflict,
* sanctions imposed by the UN Security Council or the Council of the European Union on timber imports or exports,
* complexity of the supply chain of timber and timber products.

**Risk Mitigation:** consists of a set of measures and procedures that are adequate and proportionate to effectively minimise risk and which may include requiring additional information or documents and/or requiring third party verification.

**Source:** is the forest area or FMU where the timber has been harvested.

**Specified risk:** See term “non-negligible risk” above.

**Sub-supplier**: is defined as those organisations supplying material or products to the *Supplier*. Sub-suppliers may be at different levels or Tiers. The immediate sub-supplier to the supplier is a Tier one sub-supplier. The organisation supplying to the Tier 1 sub-supplier is named Tier 2 sub-supplier.

**Supplier:** is defined as the immediate supplier of products to the Organisation under certification.

**Timber and timber products:** the timber and timber products set out in the Annex, except timber products or components of such products manufactured from timber or timber products that have completed their lifecycle and would otherwise be disposed of as waste, as defined in Article 3(1) of Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste.

**Trader:** any natural or legal person who, in the course of a commercial activity, sells or buys on the internal market timber or timber products already placed on the internal market

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| **About****Supporting Legal Timber Trade** | **About****Responsible Sourcing of Soy, Cattle and Palm Oil** |
| Logotipo, nombre de la empresa  Descripción generada automáticamentePatrón de fondo  Descripción generada automáticamenteSupporting Legal timber Trade is a joint project run by Preferred by Nature (formerly NEPCon) with the aim of supporting timber-related companies in Europe with knowledge, tools, and training in the requirements of the EU Timber Regulation. Knowing your timer´s origin is not only good for the forests, but good for business. The joint projects is funded by the EU LIFE programme and UK aid from the UK government.  | Responsible Sourcing of Soy, Cattle and Palm Oil is a project aimed at creating awareness and capacity among Danish companies to minimise risks of social and environmental problems connected to sourcing palm oil, soy, and cattle from developing countries. The project is run by Preferred by Nature (formerly NEPCon) and funded by DANIDA, Ministry of Foreign Affairs of Denmark.  |

Preferred by Nature (formerly NEPCon) is an international non-profit organisation working to support better land management and business practices that benefit people, nature and the climate in 100+ countries.

We engage in development projects and initiatives that drive and support nature conservation and sustainable land management, responsible trade of forest and climate impact commodities around the world.

These activities range from donor-financed, international projects, to capacity building, demonstration of new and innovative approaches, and self-financed non-profit activities.

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1. The regulation can be downloaded from: <http://ec.europa.eu/environment/forests/timber_regulation.htm> [↑](#footnote-ref-2)
2. As classified in the Combined Nomenclature set out in Annex I to Council Regulation (EEC) No 2658/87 [↑](#footnote-ref-3)