Module 4: Due Diligence System (DDS)

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• Mechanism for the avoidance of material from controversial sources
• Risk-based approach
• Delivering credibility and transparency
Scope of DDS

• Generally, for all material used in PEFC product groups

Except for:

• recycled material (which comply with PEFC’s definition of recycled material, requirement 3.15)

• raw material originating from species listed in Appendix I to III of CITES shall comply with applicable legislation relating to CITES.
PEFC controlled sources

Exclude wood-based materials from:

- Activities that violate human rights
- Activities that do not comply with local, national or international legislation
- Genetically modified trees
- Activities where forest conversions occur unless with justified circumstances
- Activities that don’t respect PEFC ecologically important forest area
- Conflict timber
PEFC controlled sources

X% PEFC certified

PEFC Chain of Custody
PEFC Due Diligence System

X% PEFC certified
PEFC controlled sources

Non-PEFC certified

PEFC Chain of Custody
PEFC Due Diligence System

PEFC controlled sources
Five Elements of DDS

1. Access to information
2. Risk Assessment
3. Substantiated Concerns
4. Management of significant risk supplies
5. No Placement on the market
1. Access to what information?

- Identification of tree species, or list of tree species potentially included (common and/or scientific names)

- Country of harvest (sub-national region or concession of harvest where applicable)

- The notes 1-5 under requirement 2.1 give more details.
Getting "Access to" information

- the organisation shall, **upon request**, provide the information specified in requirement 2.1 (Appendix 1) for material passed on with a PEFC claim.

- If the organisation **does not** possess the requested information, pass the request on to relevant supplier(s) of the organisation.
Getting "Access to" information

- Flexible approach "access to"

- Procedure for getting access to information when necessary:
  - Supplier declaration, contractual agreement
  - Necessary e.g. for risk assessment
  - Avoid unnecessary administration

- Not necessarily physically available (for example, may refer to online/external source)
Access to Information - Example

Country
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Species
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India
2. Risk Assessment

• Assess risk of material from controversial sources being included in the supply

• PEFC material **EXEMPT** from Risk Assessment
  ➢ Applies to PEFC certified, PEFC controlled sources, 100% PEFC Origin, and other material delivered with PEFC accepted claims (i.e., from an endorsed SFM standard)
  ➢ PEFC claim demonstrates "negligible risk" by default
  ➢ Provided no substantiated concerns were raised

• Three tables with risk assessment indicators
Risk Assessment - Approach

Table 2

Table 3

Table 1

Likelihood on supply chain level

Likelihood on origin level

Significant Risk

Significant Risk

Negligible Risk

Significant Risk
Acceptance of other certifications as negligible risk

Decision by the organisation:
- Third party certification of forest management which covers activities defined by the term controversial sources.
- Third party certification of chain of custody, a verification mechanism that non-certified raw material does not originate from controversial sources where percentage-based claims apply.

Always check the validity of the other third-party certification claims.
Steps:

1. Any indicators from table 1 "negligible risk" available?
   - YES: negligible risk, Risk Assessment finished
   - NO: continue Risk Assessment

2. Any indicators from tables 2 & 3 apply?
   - NO: negligible risk, Risk Assessment finished
   - YES: significant risk, management of risk necessary
Risk Assessment – Frequency

- Carry out for every first delivery of 'similar' supplies by every individual supplier, or for several suppliers with the same characteristics listed in 2.1, Appendix 1.

- Review/revise at least annually, and when changes regarding the characteristics listed in 2.1, Appendix 1, occur.
3. Substantiated Concern

Information supported by proof or evidence, indicating that forest and tree based material originates in controversial sources.

Note: Substantiated concerns can be concerns by third parties, as well as concerns of the organisation itself.
• If substantiated concerns, concerns to be solved or shall not be placed on the market (Appendix 1, requirement 6.3)

• Substantiated concerns for outside of the scope → No place on the market.
4. Management of significant risk supplies

- Necessary for **significant risk** result in risk assessment

- Objective: to determine "negligible risk" based on additional information

- Three step **Verification Programme:**
  1) Identification of supply chain
  2) On-site inspections
  3) Corrective measures
On-site Inspection

- In principle: all suppliers of **significant risk** supplies
- Document review may replace on-site inspection
- If one supplier has many supplies, sampling allowed:
  - $Y = \sqrt{X}$
    - If first certification audit, re-certification audit or previous on-site inspection has not proved effective.
  - $Y = 0.8\sqrt{X}$
    - If previous on-site inspection proved to be effective

- $Y$: Annual sample, round of the next whole number
- $X$: Number of “significant” risk supplies per year
On-site Inspection

• To be inspected:
  - Direct and previous suppliers (check suppliers' origin claims)
  - FMU of the supply origin (check compliance with non-controversial requirements)
Corrective measures

• define **written procedures** for implementing corrective measures

• range of corrective measures shall base on the **scale** & **seriousness** of the risk. For instance:
  - Clear communication of risk
  - Requiring risk mitigation measures (e.g. certification)
  - Cancellation or suspension of supplies

• **Risk mitigation unsuccessful**: No input in PEFC Chain of Custody
No placement on the market for material

- Forest and tree based material/products from **unknown** or **controversial sources shall not be included** in PEFC products groups”

- (Appendix 1, requirement 6.1- 6.3)

- Commitment and procedure (Chapter 7, requirement 7.1.2.c)) for forest and tree based material/products not covered by the organisation’s PEFC chain of custody
Q4. Can material with verifiable third party certification be an indicator for negligible risk during risk assessment?

Yes or No
Yes