Department for Environment Food & Rural Affairs

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Rt Hon Philip Dunne MP
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House of Commons
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17 April 2023

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Environmental Audit Committee – sustainable timber and deforestation

Dear Philip,

Thank you and the committee for a very productive and thought-provoking committee session on the 29 March; I am writing regarding points raised that I was not able to address and on which I undertook to write to you and the committee.

Will the due diligence secondary legislation include deforestation free requirements?

The due diligence schedule in the Environment Act requires certain businesses to ensure that the forest risk commodities used in their supply chains are produced in compliance with relevant local laws relating to land ownership and use rather than taking a zero-deforestation approach. We have taken this approach because it is absolutely critical to work alongside producer countries in partnership and to reinforce their own legal and policy action to counter deforestation. The big prize is to prevent all commodity-related deforestation, not just the small proportion linked to the UK market, and to do this it is critical to work alongside producer countries rather than imposing legislation that takes no account of their own laws.

Our experience has shown that working in partnership with producer countries in implementing a legality-based approach under the Timber Regulations and the Forest Law Enforcement, Governance and Trade Action Plan has contributed to improved natural resource governance in these countries. In any case, recent research estimates that at least 69% of tropical deforestation for commercial agriculture between 2013 and 2019 was conducted in violation of national laws, so by taking this approach, we will capture the majority of potential commodity related deforestation. The regulations will also be subject to evaluation every two years, at which point we will assess the effectiveness of our policy and consider where amendments may be needed.

Human rights compliance

This legislation does not place an explicit duty on companies to conduct due diligence on human rights within their supply chains, though they would need to comply with any human rights requirement included in land use or land ownership laws. Under the Companies Act, companies are required to publish supply chain transparency statements in compliance with the Modern Slavery Act and the Government encourages businesses and public bodies to conduct human rights due diligence in line with the UN Guiding Principles on Business and Human Rights.

Will the Due Diligence regulations extend to financial institutions?

The Government agrees that the UK finance sector being involved in the financing of deforestation is a serious global issue, and one that is facilitated by a lack of decision-useful information and understanding about the impacts of investments. The Government's focus for financial institutions is therefore on transparency through climate and environmental risk disclosure frameworks and we have already invested significantly in financial sector transparency and disclosure on nature-related financial risk. The UK Government is one of the largest single donors to the Taskforce on Nature-related Financial Disclosures (TNFD), which is on track to launch a clear, user-friendly risk management and reporting framework on nature-related risks, impacts and dependencies by September 2023. The Government will consider bringing the TNFD into the UK disclosure framework as they develop and generate global consensus.

The UK has also been one of the strongest proponents of the International Financial Reporting Standards' (IFRS) sustainability reporting standard. Finally, as set out in the 2023 Green Finance Strategy, Defra and HMT will work with UK financial institutions to start a series of Government convened roundtables, to further tackle deforestation-linked finance.

What plans do we have to ensure geo-localisation is the norm for all products coming into the UK?

The Forest Risk Commodities legislation requires companies to conduct their own due diligence on commodities in their supply chains, and geo-localisation is one approach to doing this that we expect many companies will use. The UK works closely with commodity producer countries to improve their own commodity traceability systems, which can involve geo-localisation, including through the Forests, Agriculture and Commodity Trade Dialogue. The UK has not specified the particular approach to due diligence which companies should use to comply with the Forest Risk Commodities legislation as it is for each company to identify the most cost-effective assurance approach for their supply chains, and we would expect these approaches to evolve as technologies becomes more sophisticated and global demand for commodity traceability increases.

Will the review on FLEGT/VPAs be in the public domain?

Officials are currently drafting the Forest Law Enforcement, Governance and Trade (FLEGT) Regulation 2012 Post Implementation Review, which will be published later this year.

I hope this has been able to answer all your questions@ Please don't hesitate to contact me if you would like to discuss any of the issues raised in this letter further. I look forward to continued work with you and the rest of the committee.

Yours sincerely

Trudy Harrison MP