



Global Canopy's Submission the Environment Bill Public Committee

March 2020

The UK Environment Bill provides a crucial and welcome opportunity for the UK Government to address some of the most pressing issues we currently face, including the global climate emergency.

[Global Canopy](#) is a UK-based non-governmental organisation that focuses on tropical deforestation, an important driver of climate change. Our research looks at the market forces that are responsible for driving two thirds of tropical deforestation worldwide, focusing on the agricultural supply chains linked to forest loss.

Global Canopy welcomes the new Environment Bill as a flagship piece of legislation intended to better manage the UK's environmental impact. However, the Bill currently does little to adequately address the UK's overseas environmental footprint. Global Canopy is therefore calling for the Environment Bill to include:

- A legally-binding time-bound global footprint target to effectively tackle the offshoring of the UK's overseas environmental impacts
- A legally-binding time-bound deforestation target to remove deforestation and the destruction of habitats from UK supply chains
- A mandatory due diligence obligation on businesses which would require them to identify, report and remove environmental impacts, particularly deforestation, from supply chains

The UK's global commitments

In 2014, the UK Government signed up to the [New York Declaration on Forests](#) which aims to halve the loss of natural forests by 2020, and strives to end forest loss by 2030. Goal 2 of the Declaration focuses on eliminating deforestation from the production of agricultural commodities such as palm oil, soy, paper and beef products by no later than 2020.

The UK is also one of seven European countries to have joined the Amsterdam Declarations Partnership, committing to support companies to deliver deforestation-free supply chains, and it has endorsed the UN's Sustainable Development Goals (SDGs). These include SDG 13 on climate change and SDG 15 to "protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss" by 2030.

Yet tropical forests continue to be cleared to make way for agriculture, particularly for beef and leather, soy, palm oil, timber, and pulp and paper, and deforestation is increasing in some parts of the world.

The [Risky Business](#) report from WWF and RSPB highlights how UK imports of these commodities are an important driver of deforestation, with devastating impacts on biodiversity, indigenous people and local communities while exacerbating the climate crisis. So, the UK Government's initiative to set up the Global Resource Initiative taskforce to consider the UK's global environmental footprint, including the impacts on deforestation from UK demand was welcome.

The UK has rightly expressed a desire to be seen as a global leader on climate change, and it is only right that these ambitions should be reflected in the Environment Bill, which will set the UK's direction of travel on all aspects of environmental policy for the coming years. The UK's global footprint, and in particular recognising the UK's impact on tropical deforestation should be recognised in the Bill, with clear targets established to reduce these impacts, matching the international commitments already made.

Private sector action on deforestation

As the world's fifth largest economy, UK demand is a significant driver of tropical deforestation, and the policies and actions of the companies and financial institutions operating in the UK play an important role in driving that demand.

Many of the companies involved in these supply chains are aware that they are linked to deforestation and have made voluntary commitments to reduce their impact, including members of the Consumer Goods Forum (which introduced a pledge in 2010), those companies that endorsed the New York Declaration on Forests, and others that have made voluntary commitments to achieve zero deforestation in their supply chains.

Global Canopy's [Forest 500](#) project has been monitoring these activities since 2014. We identify the 350 most influential companies in the agricultural commodity supply chains that are the biggest drivers of tropical deforestation - beef, soy, palm oil, timber, pulp and paper, and leather, and annually assess the commitments that the companies have made, as well as looking at how they report progress on implementation.

As part of the assessment, we also look at the 150 financial institutions that finance these companies, assessing their policies for eliminating deforestation from their investments - and their progress on implementation.

Each company is scored on the strength of their deforestation commitments, and on the reported progress on implementation for those commitments, for all commodities they are exposed to. This includes indicators which assess whether a company is being transparent about progress and implementation, and indicators for recognition of issues including labour rights, gender equality, and inclusion of smallholders in supply chains.

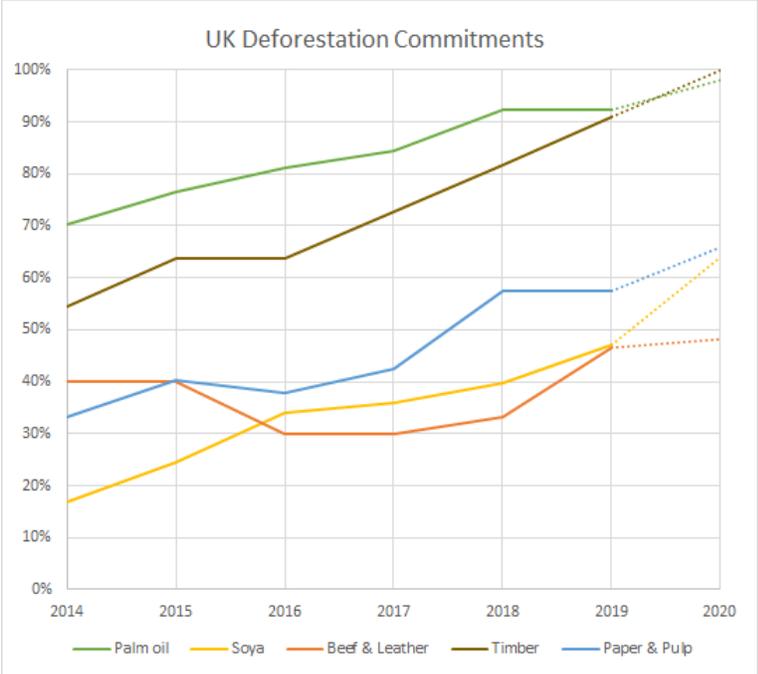
Of the 350 companies assessed in 2019, 130 companies operate in the UK - and through their activities, contribute to the UK's overseas deforestation footprint. These companies include UK grocery suppliers such as Tesco, Morrisons, and Marks & Spencer, food manufacturers such as Mars, Unilever and Kellogg, cosmetic brands including L'Oreal and Johnson & Johnson, fastfood chains including McDonald's, Burger King and KFC, and fashion and footwear brands such as H&M, Zara, Skechers, and Versace.

What our assessment finds

The most recent [assessment](#), published in February 2020, finds that although many of these companies have made high profile pledges to address tropical deforestation, including 107 of the 130 companies operating in the UK, no company is able to demonstrate that its supply chain is deforestation free. Indeed, tropical deforestation rates continue to increase in many countries.

There are a number of reasons why these companies do not appear to be delivering on their goal. While 107 of the UK companies have commitments, many of those same companies do not make those commitments for all of the commodities in their supply chain - so while they may have a commitment to address deforestation in palm oil supply chains, many do not have a similar commitment for supplies of soy, or the pulp and paper used in their packaging.

Among the companies operating in the UK, 84 companies do not have a commitment for at least one of the commodities in their supply chains. Most companies have a commitment on palm oil, but less than half have a commitment for beef or leather.



Number of companies operating in the UK with commitments for different commodities (see Annex 1 for data)

Another reason is that some companies do not appear to be taking any action to implement their commitments - with no evidence of progress in their reporting. Our 2019 assessment found that globally 48% of the companies with commitments (100/210) did not report on progress on implementation for all their commodities. In the UK, 18 of the companies with commitments did not report. These include big brands such as Unilever, McDonald's, Nike and Vans owner, VF Corp. Even those that do report do so in a myriad of different ways which makes comparisons of progress across companies impossible.

A further, and crucial reason identified is that just under half of the 350 most influential companies have no commitment or policy to address their exposure to deforestation. Twenty-three of these companies operate in the UK. This creates a major barrier to the sector-wide progress which is needed to solve this global problem.

More positively, the fact that the majority of the most exposed companies have introduced commitments indicates that they recognise this risk and are actively seeking to address it. However, without a consistent sector-wide approach by businesses, deforestation will remain embedded in supply chains.

Incentivising action

Our Forest 500 assessment suggests that we cannot rely on companies to take the action necessary to end deforestation in these supply chains. As things stand, the companies that are trying to address this problem are undermined by the lack of action by other companies in their supply chain or sector.

The evidence also suggests there is currently little incentive for these companies, or indeed for the companies that do not appear to be implementing their commitments, to act.

The UK government must take urgent action to address this failure by establishing a legally-binding time-bound target to remove deforestation from supply chains and legislate for regulatory action which would require companies to take action to address their exposure to deforestation. Due diligence measures, as proposed in the amendment to the Bill tabled by Kerry McCarthy MP, would require companies to identify, prevent and mitigate the environmental impacts of their supply chains, including the risk of deforestation, and to require them to report on these impacts in a standardised way. In line with this amendment, the Secretary of State must, within six months of this Act being passed, publish a draft Bill on mandatory environmental and human rights due diligence to allow a sufficient period of consultation with relevant businesses.

This would 'level the playing field' between those companies that are currently trying to address the problem, and those that currently choose to ignore the issue.

To be effective, such measures should go beyond deforestation to include wider sustainability impacts - including the conversion of other natural ecosystems and human rights including

forced labour treatment of workers and the rights of forest communities and indigenous people - and so take a more comprehensive approach to the UK's global impact, supporting the broader aims envisaged in the Sustainable Development Goals.

Such measures would also support the UK Government's commitment to delivering the Amsterdam Declarations on eliminating deforestation from agricultural commodity supply chains, as the necessary increased transparency would help companies identify the risks and opportunities in their supply chains.

Action at the UK level could mirror action currently being considered as part of the EU action plan on deforestation and help ensure that the UK did not fall behind in addressing this issue.

Wider action also needed

Global Canopy believes that while due diligence requirements would help deliver a significant shift in company behaviour, ultimately bringing down deforestation levels, global action is needed to address this problem.

Opportunities also exist for financial institutions to drive change. Of the 150 financial institutions assessed in the Forest 500, 106 operate in the UK and 41 have commitments for at least one commodity. Just 26 have financing policies which require their portfolio companies to act on deforestation across all the commodities they are assessed for.

Due diligence legislation should also be applied to financial institutions, requiring them to take the necessary steps to ensure they are not exposed to deforestation risks from the companies they invest in, and report on their exposure to these risks.

Annex 1

The proportion of companies that had forest-related commitments for each of the commodities, looking only at companies that operate in the UK and were assessed for the commodity by Forest 500 every year 2014-2019.

Commodity	# companies	2014	2015	2016	2017	2018	2019	2020 (projected)
Palm oil	64	70%	77%	81%	84%	92%	92%	98%
Soy	53	17%	25%	34%	36%	40%	47%	64%
Beef & Leather	30	40%	40%	30%	30%	33%	47%	48%
Timber	11	55%	64%	64%	64%	82%	91%	100%
Pulp & paper	87	33%	40%	38%	38%	58%	58%	66%

Note that projection to 2020 is based on the increase over previous years and not necessarily what is expected to happen based on any other information.

**Achieving a deforestation-free
global economy**

3 Frewin Chambers
Frewin Court, Oxford, OX1 3HZ
+44 (0)1865 724333
www.globalcanopy.org