

## Environmental Audit Committee (EAC) EAC Call for Evidence – Sustainable timber and deforestation

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Written evidence from ZSL (Zoological Society of London)

### Introduction to ZSL:

ZSL (Zoological Society of London) is an international conservation charity, and our vision is a world where wildlife thrives. We're working every day to achieve this, through our science, our field conservation around the world and engaging millions of people through our two Zoos, ZSL London and ZSL Whipsnade Zoos.

ZSL's Sustainable Business and Finance Programme works with commercial organisations, financial intermediaries, communities, NGOs and governments to address major global challenges to land-use change and biodiversity loss. We work with all actors in commodity supply chains – from producers to buyers and investors – to achieve supply chain transparency and by integrating biodiversity impact into decision-making. We support practices which protect and enhance biodiversity and support local and Indigenous communities.

One of our key initiatives is [SPOTT](#), a free, online platform assessing commodity producers, processors and traders on their public disclosure regarding their organisation, policies, and practices related to environmental, social and governance (ESG) issues. SPOTT scores palm oil, tropical forestry, and natural rubber companies annually against over 100 sector-specific ESG indicators to benchmark their progress over time. By tracking transparency, SPOTT incentivises the implementation of corporate best practice. Investors, buyers and other key influencers can use SPOTT assessments to inform stakeholder engagement, manage ESG risk, and increase transparency across multiple industries.

### Responses:

How effective are the measures to improve due diligence and ban imported products of illegal deforestation in the Environment Act 2021? Do these measures target the right sectors? Given that they do not extend to all products of deforestation, are they adequate?

Key weaknesses of Environment Act:

- Focus only on *illegal* deforestation is flawed as "*between 2013 and 2019, around 30% of deforestation destined to commercial agriculture in tropical countries was legal*" according to [the European Commission](#) based on a [2021 Forest Trends analysis](#). The Act should be expanded to address legal and illegal deforestation.

This would also align with pending legislation in the EU and USA and ensure homogeneity in due diligence requirements for buyers importing to different markets.

- The UK act should include a broad scope of commodities from the start, at a minimum covering the proposed seven; cattle (beef and leather), cocoa, coffee, maize, palm oil, rubber, and soy. In addition to these, [aquaculture and other sectors that drive deforestation of vital mangrove habitats](#) should also be included. For example, [mangrove deforestation generates around 10% of emissions from deforestation globally, despite accounting for just 0.7% of tropical forest area](#). So focus on commodities should link to CO2 and biodiversity impact not solely on import volume of products, as the embedded emissions from different commodities varies greatly.
  - Focus on companies with a minimum turnover may miss high impact importers of deforestation-linked products. Depending on where the threshold is set this approach is likely to include large multinationals with a relatively small impact on sourcing deforestation linked products and miss many specialist timber importers sourcing from high risk tropical countries which are sourcing higher volumes.
- **To what extent have the Global Resource Initiative (GRI) Taskforce's recommendations on deforestation and land conversion been met by the Government?**
    - Little action has been taken to address the role of the UK financial sector in funding deforestation linked commodity companies. The UK government should as soon as possible introduce mandatory due diligence requirements for the finance sector in line with the [GRI Taskforce recommendations](#). This is vital as recent research has highlighted that [in the UK alone, over £300 billion of pension fund investments are in companies and financial institutions with a high risk of driving deforestation](#).
    - However, the finance industry's ability to identify and mitigate deforestation risk through due diligence is limited by investee companies' ability to obtain and disclose supply chain sourcing locations. The finance industry can use its shareholding power to put pressure on companies to disclose but this must be accompanied by support for companies to obtain this data, where there are large practical barriers to achieving fully traceable supply chains within producer countries.

- **What role can sustainable certification and Government Buying Standards (GBS), have in tackling deforestation?**
  - Sustainability certification should not be taken as the gold but the minimum standard for domestic production as well as imports. The UK should legislate for all forest-risk commodities to be certified to a robust certification standard as a minimum, following the UK public procurement model of requiring FSC and PEFC certified products.
  - An impact assessment of each scheme should be conducted periodically to ensure that the assurance provided is adequate and highlight gaps and issues with certification standards. For example, in most cases certification schemes locks in lack of traceability rather than providing more, especially in mass balance systems. So, the UK government could play a role in encouraging certification schemes to reform and provide more transparency and traceability for certified supply chains.
  - Due diligence should be required in addition to certification schemes to identify where certification standards are robust on paper but are lacking in practice. This is particularly relevant in low governance and high corruption countries. When applying due diligence, the risk of product/material substitution within supply chains should be specifically considered, as well as risk of deforestation in the origin declared.
  
- **How can the UK Government support the private sector to reduce its contribution to furthering deforestation?**
  - Transparency remains a large barrier in supply chains. Whilst the plans under the Environment Act, to require importers to publish a due diligence summary are welcome, mandatory reporting on a wider range of environmental, social and governance (ESG) issues should be pursued. This should include supply chain information, including lists of suppliers, source countries and where feasible, sub-national regions of harvest. As well as publication of corporate policies (e.g. zero deforestation policy) and monitoring and management plans (e.g. details of how deforestation is monitored in supply chains). ZSL [SPOTT research](#) has found that companies in soft-commodity supply chains are typically not committed to ensuring their suppliers adhere to the same level of sustainability commitments as they apply to their own operations. This becomes problematic downstream in supply chains where traceability is low and aggregation of materials is high, allowing sourcing from high-risk suppliers and sources to enter supply chains.

- The best assurance of avoiding deforestation is to improve traceability in commodity supply chains, which allow buyers and other third parties to independently verify deforestation (or a lack of) within sourcing locations using existing remote sensing data. However, to be effective for legality and sustainability assurance, remote sensing should be embedded within an holistic approach, combining other tools and methods such as desk-based risk assessment, satellite monitoring, voluntary certification and in many cases additional field-level verification. Not all legality and sustainability issues can be monitored remotely (such as community rights abuses and bribery) so a mix of assurance techniques is required.
- Research and development
  - Technological advances in laboratory testing allow UK private sector to investigate origin of product/materials, species, and other key information, independently from the claims of suppliers. This may be beneficial in sectors with low traceability and/or high risk of false claims. However, there are only a small number of such service providers (for example, stable isotope analysis) and analysis costs are prohibitively expensive for most businesses. UK Government support in the form of investment to make scientific analysis scalable would help to address the verification-gap from weak chain-of-custody certifications systems.
  - Use of remote sensing data (such as satellite imagery) for monitoring deforestation has been increasing and has huge potential to allow verification of claims, where traceability exists (i.e. if UK companies have geo-location of product origin). However, there is a lack of tools that can accurately determine all necessary information related to vegetation and land use, in particular to understanding forest conversion and ecosystem health. Investment in these areas would allow enhanced monitoring, in turn allowing effective, targeted intervention/sourcing decisions/supplier engagement activities.
- Businesses may be empowered to tackle deforestation in their supply chains if the UK government develops practical guidance and resources for due diligence systems, e.g. templates/example data management systems/ example supply chain maps. Businesses need to gather documentary evidence to validate the supply chain maps, and need to track purchased commodities/products, to enable reporting. In addition, they need to conduct risk assessments, and apply mitigation measures. To conduct a risk assessment, a

checklist of key considerations could also be provided, which may include factors such as perceived corruption in the geographic sourcing regions (for example, using Corruption Perceptions Index), sanctions, controversies reported in the media or by NGOs, etc. Government guidance on the above is essential if businesses are to be compliant with the UK Environment Act 2021

#### Working with international partners to tackle deforestation

- How effectively is the UK engaging with international partners to tackle deforestation? Is the *Glasgow Leaders Declaration on Forests and Land Use* an effective mechanism for halting and reversing forest loss? How can the UK ensure its £1.5bn commitment to the *Global Forest Finance Pledge* is used to best effect?
  - The potential effectiveness of the *Glasgow Leaders Declaration on Forests and Land Use* depends on the specific ways in which signatory countries intend to meet their commitments. The wording of the Declaration does not define the terms forest or deforestation, thereby leaving open the possibility that countries would seek to fulfil their commitment by halting net deforestation, rather than gross deforestation. In this case, loss of existing forests could be compensated for by expanding monocultures – which would not only fail to safeguard old-growth forests and their biodiversity, but would also fail to sequester any significant amount of carbon.  
(<https://doi.org/10.1073/pnas.2200519119>).
  - If countries meet their commitments through halting gross deforestation, this will be most effective if conservation and restoration activities build in Indigenous peoples and local communities' (IPLC) rights at their core, as mechanisms which include IPLC rights are best supported (<https://doi.org/10.5751/ES-12625-260319>). IPLCs and their organisations have the potential to be partners for buyer and investor due diligence to understand company practices on the ground. IPLC organisations are already engaged in some landscapes under the UK Government's FGMC programme to provide intelligence on producer companies e.g. through independent forest monitoring. If there was more information on the relevant IPLC organisations for any given location in deforestation-risk areas, buyers and investors could engage IPLCs organisations in a form of due diligence to better understand producer companies' behaviour on-ground, effectively empowering IPLCs.
  - While large-scale industrial logging aimed at the export market receives most international attention, most illegal and unsustainable logging in producer countries is

carried out by small-scale loggers. In most of these countries, current laws are designed for industrial logging with less or no consideration for artisanal loggers to harvest timber legally and sustainably. Hence, this is a necessary area of intervention to reduce deforestation in the forestry sector by engaging with local communities to create new value chains and livelihoods which do not cause deforestation.

- There are large practical barriers for brands to identify deforestation in their own supply chains. Funding should be aimed at supporting consumer brands and supply chain intermediaries to put in place farm-level traceability systems that allow third party verification of deforestation in sourcing locations using supply chain mapping and remote sensing data.
- 'Triangulation' of deforestation risk assessment through a combination of disclosure of companies' sourcing locations, use of existing satellite data, and engagement with IPLCs provides a robust and cost-effective approach to effectively identify and avoid imported deforestation in imported commodities.
- **What impact will the UK's measures to tackle deforestation have on producer countries, indigenous peoples and local communities?**
  - Demand-side measures through the Environment Act must be complemented by supply-side support. Previously this was delivered by the EU FLEGT VPA process and the EUTR working in tandem. The EU and the UK have stepped away from the VPA model despite some benefits that this has delivered in-country. The failings of the VPA process were to hope that corruption within an entire public sector could be tackled through an intervention just focussed on the timber sector. This should be remedied by anti-corruption measures being funded *more* widely, rather than removing support for tackling corruption in the timber sector and ensuring a long-term commitment to enhancing governance in partner countries. A review of VPA impacts in producer countries is included in the research report conducted by [FERN in response to EUTR/FLEGT 'fitness check'](#).
  - The UK Environment act will also have disproportionate impacts on local communities in smallholder heavy supply chains. An estimated [85% of natural rubber production is produced by 6 million smallholders](#), and cocoa and palm oil supply chains are also dominated by smallholder production. The UK should seek to facilitate a just transition towards deforestation-free practices for the millions of communities that rely on small scale agriculture for their livelihoods and where

limited alternative income opportunities exist. To address this, the UK should publish plans for technical and financial support to producer countries, particularly to support implementation of traceability systems for smallholders to farm level. This support should focus on the needs of smallholders and the underlying drivers of poverty and environmental degradation. An action plan should also be designed to ensure that sustainable smallholder supply chains are not prevented from accessing the UK market due to information requirements under the Environment Act where supply chain traceability can be extremely challenging, but also seek to facilitate landscape level solutions to addressing deforestation which go beyond the remit of any one regulated company in a landscape.