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## Due diligence consultation on forest risk commodities – response from the AIC

The AIC (Agricultural Industries Confederation) is the trade association which represents the UK Agri-supply industry which has a farmgate value of over £8 billion.

We represent a wide range of members who supply farmers with the key inputs and advice they require to produce crops and livestock products. Our industry is therefore an integral part of the agri-food supply chain. The key sectors in which our members operate are shown below.

We are a member of the UK Roundtables on Sustainable Soya and Palm Oil have recently introduced an AIC Responsible Palm Oil Credit scheme to facilitate our goal for all AIC members to use sustainable palm oil in animal feeds.

We remain engaged with responsible sourcing initiatives and are an integral part of a collective industry response to the challenges from policy makers and society demanding supply chains reduce the risk of deforestation, with the long-term aim of deforestation free sourcing. The ambition is to deliver on these criteria urgently without compromising the integrity of current supplies.

We would like to underline our view that we support the objective of preventing the import of commodities that have been produced on land that has been deforested illegally, and it is our view that there is a role in Government in helping to prevent this. Existing initiatives such as the UK Roundtables on Sustainable Soya and Palm Oil can not only help reaffirm this commitment, but also go over and beyond this baseline in considering how to progress to sourcing commodities that carry zero deforestation risk. Such challenges can only be met by a partnership between industry and Government, and we stand ready to ensure this is carried out.



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## Response to relevant consultation questions

C12: Please list any other forest risk commodities where you have a system in place to ensure they have been produced legally.

*The products listed are sufficient within the scope of this consultation. Given the inherent complexities involved with auditing the trails of these products alone, it would be extremely challenging to further expand it at this very early stage.*

C13: If you have a system in place to ensure that any forest risk commodity has been produced legally, please describe it.

*AIC Services, as a member of the Roundtable on Sustainable Palm Oil (RSPO), have developed a Palm Oil Credit Scheme (APOCS) to purchase RSPO Credits on behalf of AIC members and thus encourage and support development of sustainable production and supply chains. By purchasing RSPO Credits, a business directly supports those palm growers who have changed growing practices to meet all of the RSPO Principles and Criteria to produce certified sustainable palm oil products. RSPO Criteria 2.1 requires growers to produce palm products that are 'compliant with all applicable local, national, and ratified international laws and regulations.'*

*The Feed Material Assurance Scheme FEMAS standard has a Responsible Sourcing Module which is successfully benchmarked to the FEFAC Soy Sourcing Guidelines. AIC are involved with the development of the guidelines as members of the FEFAC Soy Sourcing Guidelines Development Group.*

C14: Please use this box to share any further information about the systems you use to better understand how forest risk commodities in your supply chains are produced.

*It is important to state that existing 'book and claim' or mass balance models are offered by soy supply schemes which are benchmarked under FEFAC soy sourcing guidelines. This means there is a documented system for demonstrating that soy purchased is compliant with the scheme claims. Many of these schemes carry zero deforestation criteria and these are recognised by the Roundtable on sustainable soya as meeting the roundtable objectives.*

*UK Soy supply data, collated by AIC, shows that 57% of imported soya into the UK comes from sources carrying no deforestation risk (illegal or legal). This means it is covered by zero deforestation standards set by soya scheme owners or covered by ASM (Amazon Soy Moratorium) contracts, or grown in territories with no deforestation risk (such as USA and Canada).*

*The remaining 43% has had no sourcing scheme requested, however this research shows that the majority (37%) of this figure is considered low risk of any deforestation using the FEFAC methodology. The FEFAC methodology is a risk calculator developed by FEFAC in conjunction with CIARA and ABIOVE and weights the risks as follows: Brazil (Cerrado) – 50% (SCF considers the contribution of soy in deforestation to be significantly lower than the FEFAC estimate), Argentina (Gran Chaco) – 3%, Paraguay – 100%. The Paraguayan figure is unknown due to insufficient data, which explains the precautionary approach.*

*This leaves 6% that carries a risk of deforestation. We are happy to discuss this in further detail with Government as this consultation progresses.*

D1: Should the Government introduce legislation designed to make forest risk commodities more sustainable?

*Existing industry initiatives such as the Roundtable on sustainable soya are evidence that the UK supply chain is working together to ensure the sustainability of soya in particular. This has been a very effective mechanism of addressing sustainable soya, initiated by Government, which it should be commended for. Until we have better indications of what kind of legislation should be brought in, and how it would work, it would be difficult to comment further however. It should be noted that the Roundtable is entirely committed to sustainability. Given that both industry and Government are aligned in this goal, it would be preferable to work together to see it develop towards it.*

D2: Should it be illegal for businesses to use forest risk commodities in the UK that have not been produced in accordance with relevant laws?

*No business should seek to source any commodity in the knowledge they are breaking laws, either at a local, national or supranational level. Many businesses will source product from a number of different countries, each with a number of different regional and local systems of Government and legislation. This will also vary from countries with very centralised systems of governance to countries with federated power, that have regions with much greater autonomy. Collating all of this information into one place, for commodities that will often be grouped, is extremely challenging in practical terms.*

*It is also important to state that an individual firm's due diligence and illegality should not be necessarily considered the same thing. Many firms will undertake careful and detailed due diligence in their supply chain to the best of their abilities, and this of course does not provide a total guarantee of legality at source. Government would need to consider how they would approach a situation where a company has undertaken the best possible measures of due diligence, but local laws may have been broken at source. This consideration could draw upon existing due diligence measures, such as the Modern Slavery Act - in how to best balance the due diligence undertaken by an individual firm and illegality or actions taken in bad faith at the primary production end.*

D3: Should businesses in the UK be obliged to have a system of due diligence in place to ensure that the forest risk commodities they use have been produced in accordance with relevant laws?

*Most, if not all businesses will have systems in place to ensure the sustainability of sourced material or product. The clear difficulty is not only understanding the many regional and local laws that any business has to comply with, but also how to convey these into a single system mandated by Government. At times it is not clear what local laws specify; many supply businesses will refer to their own sourcing and compliance procedures as they may be more robust and consistent than local laws in the region in question.*

*Much greater detail needs to be provided as to how due diligence information would be collected by Government, for example would it have to fit a pro forma template, or would the requirements be outcome driven? Could individual companies provide existing due diligence reports to meet the criteria? There is a risk that if this is not thought out fully, it could simply duplicate existing measures taken by businesses.*

D4: Should businesses be required to report publicly on their system of due diligence?

*As noted above, it should be noted that many companies already report on their system of sourcing raw materials, including many beyond the scope of this consultation. We would ask to see what would be asked of companies in much greater detail before being able to commit to a response. In practical terms, businesses would need to be clear as to how due diligence reporting would be monitored or enforced. This is relevant not only in the production of due diligence reports, but also how Government can ensure that those due diligence plans correspond to what is happening on the ground.*

D5: Should the Government be able to levy fines against businesses that use forest risk commodities not produced in accordance with relevant laws?

*As stated above, the system in place for reporting and collecting data on local laws must be clear for business and robust. If it is not clearly defined, Government would stand open to challenge for fines issued where they are difficult to substantiate. More significantly, the process must be extremely robust because it could unnecessarily and unwittingly damage the reputation of a firm. This is especially true of larger firms, national or multinational firms that are answerable to shareholders; it cannot be understated how damaging a Government issued fine or reprimand could be. It is for these reasons why any sanction process must be clear, fair and confidential, before any decisions are made.*

D6: Should the legislation apply to larger businesses, over an employee number and turnover threshold, that use forest risk commodities in production or trade?

D7: If you responded 'Other' to Question 6, please expand.

*If such measures were to be enacted it would clearly affect smaller businesses that do not have the personnel or resources to undertake due diligence audits within the scope of what system is prescribed by Government. It should also be noted that 'large' companies may not be responsible for sourcing significant quantities of forest risk commodities. For example, a multinational firm primarily geared towards another sector may source a commodity in scope, in small quantities. It is unclear how such a firm would be treated, whilst there may be smaller companies who exclusively import these commodities who fall under the business size threshold. As a result, we would argue that a de minimis tonnage should also be set on larger companies for this reason.*

D8: Large businesses have existing obligations to report on climate and environment issues including in relation to net zero. To what extent are there opportunities to align the proposal set out in this consultation with businesses' reporting under existing international frameworks [e.g. the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD)]?

*Large companies (estimated top 50 AIC companies by turnover) are already mandated to comply with Streamlined Energy and Carbon Reporting (SECR) and the Energy Savings Opportunities Scheme (ESOS). It should be feasible to have one clear system of accounting for upstream and downstream carbon/environmental impacts i.e. beyond business premises and transport use.*

D9: Do you have any further information or comments you would like us to be aware of?

*1. In July 2020, the AIC released its vision on sustainability, 'A Roadmap for a Sustainable Food Chain'. In it, we have identified how the UK's agri-supply industry can encourage and facilitate meaningful change across the supply chain. As part of this, we will be an integral part of a collective industry response to the challenges set out in this consultation. It is vital that Government recognise and work with existing measures and initiatives in place before anything else.*

*2. The industry should certainly meet the challenges of deforestation. However, industry alone cannot enforce such changes. As stated by the Global Resource Initiative (GRI) in its Final Recommendations Report, Government procurement policy has a significant role to play in buying choices and ensuring that products sourced by Government departments align with its policy ambitions. This consultation should be no exception.*

*3. In addressing the challenges outlined in this consultation, it could also be considered how we can enable more sustainable production of commodities in both the UK and around the world. Government has a huge role to play in helping support better access to innovation in agriculture, which can allow farmers in the UK and abroad ensure better yields from existing land areas. This in turn can help reduce the burden on forest areas or land not in agricultural use.*

*4. Finally, whilst this consultation focuses upon the role of UK based companies, Government cannot ignore due diligence on imported products with a forest commodity footprint. A number of public commitments on food standards have been made by Government, which are very welcome, however it would seem incongruous if they are not extended to international firms selling into the UK. Any UK legislation should not impose cost burdens on UK producers and firms if the same level of scrutiny is not required or enforced for international companies exporting to the UK. This has not been identified or noted at all in the consultation and we believe if we are to make any meaningful steps on deforestation, it must be recognised within its scope. The consequence would simply be that by imposing this on a unilateral basis, it will only incentivise companies to move their operations out of the UK. Further information on imported and embedded forest risk commodities is necessary.*

ENDS.