



Global Resource Initiative

Final Recommendations Report

March 2020





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Foreword



Climate change and nature loss are happening at an alarming rate, driven by many factors including the way we produce and consume food, and our use of land and natural resources.

Agricultural and forestry commodities such as beef and leather, cocoa, palm oil, pulp and paper, rubber, soya and timber are integral to our daily lives, and trade in these commodities has benefitted us all by offering greater choice and a lower share of income spent on food and other products. However, the impacts of this trade are largely invisible to the final consumer and current production and consumption patterns mask a number of hidden costs in both consumer and producer countries, including deforestation and conversion of other important habitats, other environmental degradation, and health and human rights impacts.

The UK is part of this global demand – we import and consume agricultural and forestry commodities that are driving deforestation and land use conversion¹.

These hidden costs have global ramifications. Tropical rainforests, savannahs, grasslands and other important habitats contain much of the planet's biodiversity and offer cost effective 'nature-based solutions' that will be critical if we are to avoid catastrophic climate change: greenhouse gas emissions from deforestation and forest degradation account for around 10% of global emissions, but if protected and restored could provide up to 37% of the greenhouse gas mitigation required to ensure a good chance of stabilising warming to below 2°C between now and 2030².

Agricultural and forestry commodities can be grown and traded in a way that is positive for people and the planet. The transition to sustainable land-use presents both risks but also great opportunities for the UK and for actors across the global economy, from farmers to retailers to investors. This Report sets out a roadmap for how the UK can help create the right conditions, in partnership with others, to meet these challenges and deliver human rights, environmental and economic benefits for people, companies, governments and the global economy.

Commodity-driven deforestation and land-use change must become an urgent global priority if we are to help tackle the current climate and biodiversity crisis and build sustainable, resilient agricultural and forestry supply chains that support rural economic development and rural livelihoods.

There is momentum for change, the transition is underway. Over the last decade, business and governments alike are increasingly aware of and

responding to these issues. There has been a growth of multi-stakeholder approaches bringing together key actors to find collective solutions and create sustainable, resilient, equitable commodity supply chains.

But more must be done to accelerate and scale these efforts. The private sector – business and finance – must do more. The UK government must commit to bringing the necessary financial, trade and regulatory levers to bear, to help catalyse and provide the right enabling environment for change.

This Report sets out a package of measures that represent a new strategic approach to tackling deforestation and land conversion, as a first step towards ensuring global agricultural and forestry supply chains have a positive impact on people and planet.

It proposes a new, more collaborative pathway, based on long term partnerships for collective action between producer and consumer governments, business, finance institutions, civil society, farmers, foresters, forest communities and indigenous peoples. It recognises that mobilising global funds, both public and private, to support investment in sustainable production will be critical to success.

The challenges we face are unparalleled: to rebuild food systems that drive rural economic development and livelihoods, to tackle the current climate and biodiversity emergency, and provide affordable nutrition for all, at a time of growing global populations and increased demand for agricultural products. Agricultural and forestry commodity supply chains can and must evolve to play a key role in this transformation.

This year offers an unprecedented opportunity for the UK to initiate this change: to convene a global call for action on deforestation and sustainable commodity supply chains in the lead up to COP26, building partnerships and shared roadmaps for sustainable agricultural and forestry products, prioritising action where there is the greatest shared risk and shared benefit, for nature and people. 2020 must mark a turning point.

The time to act is now.

Sir Ian Cheshire
Chair of Global Resources Initiative Task Force
March 2020

Executive summary

As we embark on a new decade a consensus is emerging for a transformation in the way we produce and consume food and in our use of land and natural resources.

Agricultural and forestry supply chains are at the core of the transformation required and the UK's own import and consumption of seven key commodities – beef and leather, cocoa, palm oil, pulp and paper, rubber, soya and timber is part of the global demand for these commodities.

Production of these commodities continues to drive forest loss and conversion of natural habitats that are critical for the 1.6 billion people that live or depend upon them, for the rich biodiversity and ecosystems they contain and for their globally significant carbon mitigation potential.

Commodity-driven forest loss and land conversion must be an urgent global priority.

This transition is already underway. Policy makers, business and finance leaders are recognising that the choice between environmental protection, economic growth, human rights and livelihoods, health and food production is a false one. These aims can be achieved simultaneously, in fact they can only be achieved together.

Business needs to step up, to work with supply chains partners to deliver on existing deforestation commitments, and to ensure that this action agenda extends beyond the leading retailers, brands, traders and commodity processors to the broader market including the food service sector, a significant user of commodity ingredients.

The finance sector has been slow to integrate commodity driven forest loss and land conversion in their decision-making processes. This sector must also step up if it is to avoid funding deforestation through lending and investments.

Both business and finance have much to benefit from establishing themselves as leaders during the transition, and much to lose from being left behind.

Government has a critical role too, supporting business and finance to act by providing an enabling environment, including regulatory measures to ensure a level playing field.

As the UK negotiates a different relationship with the European Union and the rest of the world, and embarks on domestic reforms in agriculture, food strategy and delivery of net-zero carbon emissions by 2050, there are unparalleled opportunities to place climate and sustainable development at the forefront of our bilateral relationships and trade agreements.

As co-hosts of COP26 the UK has a unique opportunity too, to place nature-based solutions at the centre of efforts to achieve the Paris Agreement targets on climate change, and to convene governments, business, civil society and others to a global call for action on deforestation and sustainable supply chains. The road to COP26 includes other key convening opportunities, including the Convention on Biological Diversity (COP15) in Kunming, China³.

At the heart of this transformation must be a new process of dialogue and engagement between consumer and producer nations, listening and learning from actions already taken in order to co-create solutions for the mutual benefit of all.

But a focus on forests and land conversion should only be a first step – wider environmental and human rights impacts associated with commodity production and trade must also be addressed and the lessons extended to other food commodities and beyond, for example mining and extraction commodities.

Recognising these unprecedented challenges and the urgency of action required, the Taskforce calls on the UK to take action to ensure that the production, trade and consumption of agricultural and forestry products have a positive impact on people and planet.

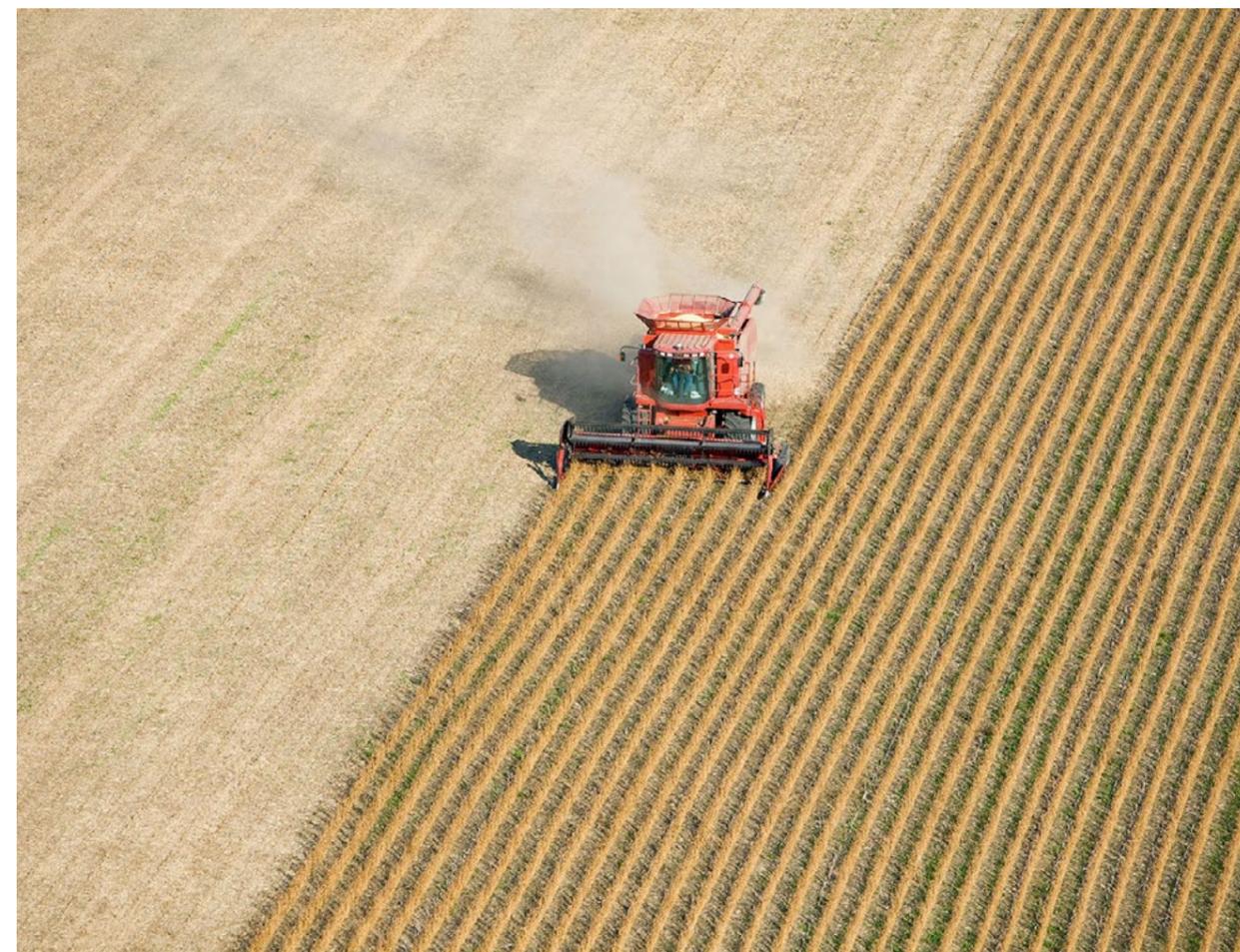
The UK must act at home – within the UK's domestic land-use strategy and overseas commodity supply chain footprint – and globally, through new partnerships for collective action.

Act at home:

- Publish a Strategic Sustainable Commodity Action Plan, by Autumn 2020, setting out actions for government, business, finance and other stakeholders;
- Introduce a legally binding target to end deforestation within UK agricultural and forestry commodity supply chains, as soon as practicable, by no later than 2030, beginning with commodities and derived products that contribute most significantly to deforestation before extending to other supply chains;
- Introduce a mandatory due diligence obligation on business and finance, strengthen and extend mandatory public procurement requirements and promote mass market business engagement, beyond the leaders, including through a new sustainable food service sector plan.

Act globally:

- Convene a global call for action on deforestation and sustainable supply chains in the lead up to COP26, to build long term multilateral partnerships for collective action between producer and consumer governments, companies, finance institutions, farmers, foresters, forest communities and indigenous peoples, beginning with the development of shared roadmaps for agricultural and forestry products in the Biomes/landscapes of greatest shared risk and shared benefit, for nature and people;
- Mobilise global funds, public and private, to tackle deforestation and land-use conversion and support sustainable production and trade in agricultural and forestry products.

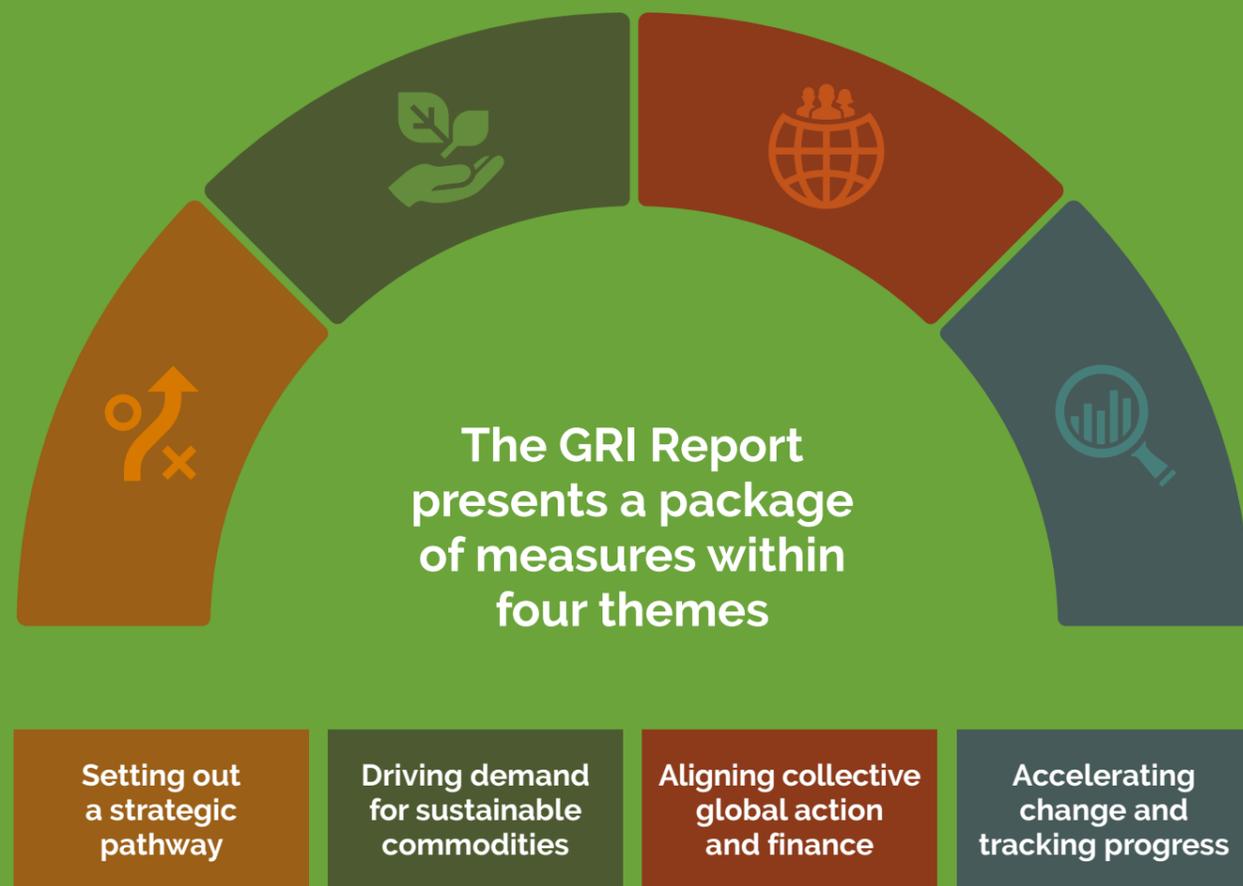


The GRI package of measures

This Report sets out a package of measures that make up the building blocks of a new strategic approach to overcoming the challenge of commodity-driven deforestation and land conversion

The package of measures – comprising 14 interconnected recommendations across four themes of activity – will require collective action that builds on existing sustainability initiatives and platforms towards a shared goal.

While Government can provide the enabling environment to catalyse, convene and inspire others to act, the responsibility for delivery is a shared one, with roles for business and finance sectors, consumers, civil society, farmers, producers and consumer countries, working in partnership with producer countries. Collective success will depend upon collective action.



Setting out a strategic pathway for the UK



The market transition towards sustainable commodity supply chains is underway but a comprehensive, strategic and co-ordinated approach is needed in order to align and accelerate action.

Recommendation

The government publishes and commits to the delivery of a Strategic Sustainable Commodity Action Plan by Autumn 2020 setting out measurable time-bound actions for government, business, finance and others to take both at home, in the UK and through a global collective action agenda, to provide a clear framework for the delivery of the recommendations in this Report and to achieve the goal of the GRI.

The Strategic Sustainable Commodity Action Plan should be developed in partnership with consumer and producer governments, business and finance, civil society, multi-stakeholder platforms and others. It should contain a timeline for action and periodic reviews and be sufficiently resourced.

Recommendation

The government introduces a legally binding target to end deforestation within UK agriculture and forestry supply chains as soon as practicable, by no later than 2030.

Whilst the case for businesses and government to invest in sustainable supply chains is clear and increasingly recognised, not all businesses have begun to make this investment. As part of the package of measures, a legally binding target for the UK would provide the necessary signal for a shift in behaviour, acting as a legislative 'cliff edge' to propel business, finance and government to make the necessary changes to purchasing and investment strategies within their organisations to a clear future deadline.

Recommendation

The government establishes an ongoing independent advisory taskforce of business, finance and civil society leaders to support the development and implementation of the GRI recommendations, initially for the period of one year.

The Strategic Action Plan must be a dynamic, action-orientated plan. A liaison platform – bringing together government, finance, business and civil society representatives – is needed in order to support the development and delivery of the recommendations and objectives of the GRI and promote sustainable commodities.

Driving market demand for sustainable commodities



Further action is needed to drive mass market uptake of sustainable commodities, beyond the current leaders, in order to send a strong market signal for sustainable commodity production.

Recommendation

The government urgently introduces a mandatory due diligence obligation on companies that place commodities and derived products that contribute to deforestation on the UK market and to take action to ensure similar principles are applied to the finance industry.

The mandatory due diligence obligation should require companies to analyse the presence of environmental and human rights risks and impacts within their supply chains, take action to prevent or mitigate those risks, and publicly report on actions taken and planned. The financial sector should also be covered by a similar mandatory due diligence obligation, requiring them to exercise due diligence in order to avoid their lending and investments funding deforestation.

Recommendation

The public sector helps to lead the market transition to sustainable commodities by strengthening existing mandatory sustainable commodity public procurement requirements and extending across all of government, reinforcing the mandatory due diligence obligations on business.

The UK public sector is a major purchaser of food and catering services, for schools, nurseries, hospitals, care homes, canteens, prisons, the military and others and has a key role to play in catalysing the market for sustainable food and agricultural products, building on existing public procurement policies on e.g. palm oil and timber.

Recommendation

The government works with industry to help broaden overall business engagement and to support businesses beyond the leaders to better understand and address deforestation and land conversion risks within their supply chains, beginning with the food service sector through a Sustainable Food Service Action Plan.

The food service and 'eat-out' sector are also significant purchasers of commodities linked to deforestation. Engagement with business – beyond the leaders in this sector – would help to accelerate the market transition to sustainable commodity supply chains. Tools, guidance, and other learnings from this Action Plan could provide other sectors with 'stepping on points' to address supply chain deforestation risks.

Recommendation

Action be taken to support a consumer transition to more sustainable and healthy diets and to reduce food waste in supply chains.

The Taskforce calls on the National Food Strategy to include a review of further actions that business, government and others can take to support consumers in the transition to more sustainable healthy and diets and to support the ambitions of the GRI.

Aligning collective global action to deliver at scale and pace



The transition to sustainable and resilient agricultural and forestry commodity supply chains will require new, more collaborative, ways of working based on shared goals and responsibilities, and substantial new investment and resources.

Recommendation

The government takes a bold new approach to partnerships, dialogues and trade between producer and consumer countries, working together to support the transition to commodity supply chains that are sustainable, inclusive and equitable for farmers, foresters, forest communities and indigenous peoples – and women in particular – and support long term economic growth through trade.

This approach should aim to generate strong and consistent market demand for sustainable commodities across all major consumer markets. Building on existing public and private sector initiatives and national platforms it should develop shared solutions that support and properly reward the production of sustainable agricultural and forestry products, including through new trade agreement opportunities.

Recommendation

The government creates a sustainable commodity import guarantee scheme in order to reduce the cost of trade finance for sustainable agricultural production.

By creating a cost differential for sustainably sourced commodities as compared with conventional commodities, a sustainable commodity import guarantee scheme could provide a powerful incentive for more companies to adopt sustainable practices and embed processes that verify the sustainability of their supply chain.

Recommendation

The government mobilises a global call for action to tackle deforestation and build sustainable commodity supply chains in the lead up to COP26 to:

- **Build multilateral partnerships for collective action between producer and consumer governments, companies, finance institutions, farmers, foresters, forest communities and indigenous peoples;**
- **Mobilise global funds, public and private, to support sustainable production and trade in food and agricultural products;**
- **Begin with the development of shared roadmaps for agricultural and forestry products in Biomes/landscapes of greatest shared risk and shared benefit, for nature and people.**

This year's UN Climate Summit (COP26) represents an unprecedented opportunity for the UK to show leadership on deforestation and sustainable commodity supply chains, placing food, land-use and nature-based solutions at the centre of efforts to realise the UN Sustainable Development Goals, the Paris Agreement targets on climate change and the Aichi biodiversity targets⁴. Convening collective action at a Biome/landscape level provides an opportunity to align governments, businesses, financial investors, NGOs and other stakeholders, in partnership with producing countries, around shared goals and to build on existing initiatives whilst bringing a new scale, pace and global focus.

Recommendation

The government takes steps to establish London as the global centre for high integrity carbon trading by:

- Commissioning an Advisory Group to accelerate expert discussions about next-generation carbon markets, learning lessons from existing UK and international initiatives, providing advice on principles, standards and measures for how to strengthen carbon markets and associated trading services and components
- Using the UK's COP26 Presidency to work towards agreement for robust compliance markets through the Paris Agreement; and
- Providing support for building the supply of robust carbon credits (through capacity-building and learning lessons from existing UK and international initiatives) including from high quality forest-based credits.

An advisory group of private sector and civil society experts should advise how to develop the market components of a high integrity carbon market. In considering how to unlock finance for forest conservation and nature-based climate solutions, the group must consider how to ensure that forest carbon and nature-based credits meet robust environmental and social integrity standards, address forest governance concerns and include appropriate benefit sharing mechanisms.



Recommendation

The government launches a significant blended finance demonstrator facility and establishes a centre of excellence blended finance public-private collaboration in order to mobilise capital, at scale, in support of sustainable land-use, forest and livelihoods.

A demonstrator facility should mobilise private capital at scale to directly support farmers and producers to invest in sustainable, resilient, commodity production. A 'centre of excellence' for blended finance public-private collaboration on land-use and forests could serve as both an advisory council and a point of aggregation for blending public and private capital, to support and promote the mainstreaming of these kinds of instruments.

Accelerating change, tracking progress



The UK, as a global leader in science, research and innovation has an opportunity to support sustainable commodity production by accelerating the deployment of technological and data innovations on the ground. A robust framework for measuring and tracking progress, both against the actions recommended in this Report and the broader vision of the GRI will be essential.



Recommendation

Government funds and supports the scaling and commercialisation of technologies and innovations that provide transformative solutions for more sustainable agricultural and forestry supply chains.

Funding should focus on the research and market viability stages of technology to support more sustainable, resilient, productive, traceable commodity supply chains, specifically opportunities for scaling, commercialising and deploying later-stage development technologies for maximum impact. The government should further consider how it can work with others to ensure future access to data, for example through the development of international standards and protocols for how data is collected, stored and shared.

Recommendation

The government supports the development of a monitoring, measurement and reporting framework to support the implementation of the recommendations of the GRI, covering current and future commodity supply chain forest risk, impact and response, building on the core principles of the Accountability Framework Initiative (AFI).

A framework to inform business, finance and government should address:

- Risk of deforestation and other relevant environmental and human rights impacts within supply chains including future scenario modelling;
- Impact of commodity production;
- Response i.e. actions companies and governments are taking.

Introduction: the case for action

Introducing the Global Resource Initiative

In 2018, DEFRA published "A Green Future: Our 25 Year Plan to Improve the Environment"⁵, setting out a plan of action for a cleaner, greener environment in the UK and an ambition to reduce the impact of UK domestic consumption abroad.

The Global Resource Initiative (GRI) was launched in October 2018 with support from the UK government's Department for Environment, Food and Rural Affairs (DEFRA), Department for Business, Energy and Industrial Strategy (BEIS) and Department for International Development (DFID).

In July 2019 an independent GRI Taskforce (the Taskforce) of senior business, finance, government and civil society leaders was convened to take this work forward and to recommend actions that could be taken to "ensure that the UK's global commodity supply chain footprint on land, natural resources and ecosystems is sustainable, avoids deforestation and other environmental degradation, and supports jobs, livelihoods and investment in resilient and sustainable food system"⁶.

The priority focus of the Taskforce has been the environmental and human rights impacts of forest loss and land conversion linked to the production of beef and leather, cocoa, palm oil, pulp and paper, rubber, soya and timber, which are of immediate relevance to the UK's global footprint. The Taskforce recognised this focus on forests and land conversion to be a first step only – wider environmental and human rights impacts associated with commodity production and trade must also be addressed and the lessons extended to other food commodities and beyond, for example mining and extraction commodities. The Taskforce has prioritised forest loss and other land conversion because of the global significance of these landscapes for people, for the biodiversity they support and their importance in mitigating climate change, and in recognition of the momentum to act already underway.

The Taskforce was challenged to consider how the production, trade and consumption of food and agricultural commodities need to change to meet the needs of:

People:

Supporting the livelihoods and human rights of farmers, workers, forest communities and indigenous peoples; and

Environment:

Protecting and restoring forests and important native habitats that are critical to maintaining global biodiversity, mitigating carbon emissions and ensuring planetary and human health.

In tackling the complexity of these challenges, the Taskforce convened four working groups to consider the roles of finance, business, policy and monitoring and reporting in achieving the GRI's ambition. Between July 2019 and January 2020 over 200 individuals and organisations, from across business, finance, academia, civil society organisations, other technical experts and government were involved.

This work was timely given the UK's evolving ambition to achieve net zero emissions by 2050 and the current national policy debate on the future of UK food, farming and the environment, including:

- The National Food Strategy Review⁷ currently underway (chaired by Henry Dimbleby) and looking at how to deliver sustainably produced and healthy food for everyone, as well as better livelihoods in food production;
- The UK Agriculture Bill, recently introduced and looking at how to safeguard our countryside and farming communities for the future by achieving a better balance between food production and the environment, notably through the new Environmental Land Management Scheme that will replace the



Common Agricultural Policy's regime for farmer subsidies with a system that rewards farmers for environmental services and benefits using a natural capital valuation approach;

- The Dasgupta Review⁸ on the economic costs and benefits of biodiversity;
- The Environment Bill looking at a wide range of measures to tackle biodiversity loss and climate change and to deliver on the government's commitment to be the first generation to leave our environment in a better state;

- Commitments to increase tree planting, including government policy to increase woodland cover in England to 12% by 2060⁹ and support from the Nature for Climate Fund to invest £640 million in tree planting and peatland restoration;
- The existing commitment to deliver on the UK's world leading 2050 net zero emissions target under the Climate Change Act 2008.

It was also pertinent to be considering the opportunities for promoting mutually beneficial and sustainable growth and development within the emerging global trading relationships in a post-Brexit era.

Commodity driven land use change – a reminder of the context

There is now strong evidence^{10,11} for protecting tropical forests, peatlands, grasslands and other ecosystems providing important services to people and nature.

Forests host 80% of the world's terrestrial biodiversity, support 1.6 billion people and provide vital ecosystems services supporting local and global economies. The Intergovernmental Panel on Climate Change (IPCC) identifies that greenhouse gas emissions from deforestation and forest degradation account for around 10% of global emissions, but if protected and restored could provide up to 37% of the greenhouse gas mitigation required to ensure a good chance of stabilising warming to below 2°C between now and 2030¹².

In the last 60 years, more than half of the tropical forests worldwide have been destroyed¹³, with agriculture the main driver of global deforestation and land conversion. The tropics lost 12 million hectares of tree cover in 2018, the fourth-highest annual loss since record-keeping began in 2001, including 3.6 million hectares of primary rainforest, an area the size of Belgium, though the rate of loss varies across regions with declines in the rate of primary forest loss in Indonesia since 2017¹⁴.

Over 70% of land-use change is driven by agricultural expansion for the production of commodities, whilst mining, urbanisation and infrastructure are responsible for less than 10% each¹⁵. A recent 2018 study found that 27% of all forest loss is caused by permanent commodity driven deforestation, with a further 26% as a result of forestry and 24% a result of shifting agriculture¹⁶.

The drivers of deforestation and land-use change are varied and location-specific, but key issues include: increasing demand for commodities created by global population growth and dietary changes associated with rising affluence; lack of long term, science and evidence based pathways to underpin decisions on land-use planning; weak forest sector governance; insecure land tenure and low productivity and profitability of land; forest-related corruption.

Almost half (49%) of total tropical deforestation between 2000 and 2012 was due to illegal conversion for commercial agriculture and nearly half (49%) of all agricultural commodity products produced on illegally deforested lands were destined for export markets¹⁷.

Despite the global climate and biodiversity crisis, deforested or cleared land is often more economically valuable than standing forests, particularly in the frontiers of agricultural expansion. This is exacerbated by the failure of the market to properly value ecosystems, biodiversity and other benefits to people and nature ('natural capital'). Forests and other natural habitats provide nature-based climate solutions yet receive only around 2.5% of the funding allocated for climate mitigation¹⁸.

Negative trends in biodiversity and ecosystems also undermine progress towards 80% (35 out of 44) of the assessed targets of the UN Sustainable Development Goals related to poverty, hunger, health, water, cities, climate, oceans and land (SDGs 1, 2, 3, 6, 11, 13, 14 and 15)¹⁹. Forests directly provide food, income, shelter and resources to hundreds of millions of people in forest communities around the world. Efforts to address human rights, gender and social equity issues must be central to a transition to sustainable agricultural and forestry supply chains in order to provide net positive outcomes for farmers, forest communities and indigenous peoples. Many forest communities and individuals working to safeguard forests also face threats, intimidation or violence²⁰. The GRI brought together a human rights, gender and social equity steering group in recognition of this key cross cutting theme.

The UK is highly dependent on imported commodities. Although 52% of the unprocessed products eaten in the UK in 2016 were produced nationally, estimates of the total area required to grow crops to meet the demands of the UK's land footprint is overseas²¹. A 2017 report²² identified that seven key commodities – beef and leather, cocoa, palm oil, pulp and paper, rubber, soya and timber – were responsible for the largest proportion of the UK's imported commodity driven overseas land footprint, an area equivalent to over half the size of the UK, over six times the size of Wales. While this is on average less than 3% of total global production for most of these commodities²³, it is not an insignificant amount, particularly considering the potential to align the UK's actions with efforts in other major producing and consuming economies to create a new global framework for collective action.

The last decade has seen increasing numbers of voluntary commitments from the private sector and governments to find solutions to commodity driven land-use change. The UK Government, through its endorsement of the New York Declaration on Forests²⁴, joined many others in committing to work towards halving tropical deforestation by 2020 and ending it by 2030 and continues to support the private sector meet their deforestation commitments, including through the Amsterdam Declaration Partnership (ADP)²⁵, UK Sustainable Soya and Palm Oil Initiatives²⁶.

Despite the public and private sector commitments and actions, global deforestation continues at significant levels and business and governments are not on track to meet these voluntary commitments. A new approach is needed if we are to deliver the systemic and transformative changes needed within commodity supply chains and global food systems more broadly.

Business opportunities in the implementation of the UN Sustainable Development Goals related to food alone could be worth over US\$2.3 trillion annually for the private sector by 2030. Investment required to achieve these opportunities is approximately US\$320 billion per year²⁷.

Yet as the 2019 New York Declaration on Forests report points out, companies and governments are

A new approach

The UK must take a new, more inclusive, approach towards agriculture and forestry commodity supply chains in which environmental, human rights and economic development goals are aligned. This new approach must recognise:

- The complexity of global supply-chains and the need for co-created solutions driven by much closer and deeper coordination and collaboration – government to government, cross-sector (government, business, finance and civil society) and within supply chains (from retailers to farmers), and local communities;
- The importance of acting 'at home' through the UK's land-use strategy while also initiating a step change in the UK's approach to its imported commodity land-use footprint;
- The central role for public and private finance in enabling the transition to sustainable production at scale and pace;
- That people must be at the heart of the transformation agenda, to support approaches that empower farmer and community voices, improve livelihoods, protect and respect human rights, gender and social equity and support the efforts of forest communities that have safeguarded these vital resources for generations;
- The role of sustainable consumption alongside a continued focus on waste reduction, within a holistic package of measures;
- The importance of a 'smart' mixture of short and medium-term actions to address the need to act with urgency, in light of the urgency of climate and biodiversity crises, whilst putting in place measures to support transformational change over the longer-term.

In many respects, this transition is already underway, as commodity supply chains and financial markets start to factor in the growing risks of climate change and opportunities around regenerative agriculture, alternative protein, and other agri-tech solutions. What is needed now in order to manage a transition to sustainable production, trade and consumption to benefit both people and planet, is clear leadership and support from governments and co-ordinated action from key stakeholders.

still providing subsidies and support to activities that potentially harm forests – finance for conventional agriculture (so called 'grey finance') exceeds green finance for forests by 15 times – and forests receive only 1.5 per cent of climate finance²⁸. Even where there is interest, financial institutions and lenders largely lack the safeguards necessary to ensure that investments and finance are not supporting deforestation.

This Report sets out the key elements of this new approach, for a strategic, comprehensive and co-ordinated plan for action across four themes of activity and 14 interconnected recommendations:

Setting out a strategic pathway for the UK

- Developing a Strategic Sustainable Commodity Action Plan for the UK
- Introducing a legally binding target to end deforestation in UK supply chains
- Establish an ongoing GRI Taskforce to support implementation

Driving demand for sustainable agricultural and forestry commodities

- Mandatory due diligence obligation on business and finance
- Strengthening public procurement requirements
- Developing a sustainable food service action plan and broader business engagement
- Action to support the transition to sustainable consumption

Aligning collective global action and finance to deliver at scale and pace

- Building partnerships and trade
- Convening a global call for action in the lead up to COP26
- Introducing a sustainable import guarantee
- Accelerating high integrity carbon markets to unlock finance for forests
- Mobilising blended finance to channel capital to forests, farmers and forest communities at scale

Accelerating change through innovation, tracking progress

- Scaling innovation
- A framework for monitoring and reporting

Setting out a strategic pathway for the UK



The market transition towards sustainable commodity supply chains is underway but a comprehensive, strategic and co-ordinated approach is needed in order to align and accelerate action.

Recommendations

- Developing a Strategic Sustainable Commodity Action Plan for the UK
- Introducing a legally binding target to end deforestation in UK supply chains
- Establish an ongoing GRI Taskforce to support implementation

Introduction

The long-term livelihoods of farmers and rural communities, and the future prosperity of the food and agriculture industry, in the UK and in producing countries, will be dependent upon sustainable and resilient agricultural and forestry commodity supply chains. The market transition towards sustainable supply chains is already underway, but faster progress is required based on closer collaboration and strategic alignment.

The Taskforce believes that a new approach is needed – bringing together and delivering an interconnected, mutually reinforcing package of measures, identified in the recommendations of this Report, through a comprehensive co-ordinated Strategic Sustainable Commodity Action Plan (Strategic Action Plan). This plan should be developed and delivered in partnership with consumer and producer governments, business and finance, civil society, multi-stakeholder platforms and others.

The introduction of a target to end deforestation in UK agricultural and forestry commodity supply chains, as one element of this package of measures, will provide business and financial sectors with clarity and certainty on the goal and timelines: a clear imperative to act.

An ongoing independent GRI Taskforce can play an important role in supporting government in the development and implementation of a Strategic Action Plan on deforestation for the UK.

In order to ensure that the implementation of the recommendations in the Report (including the development of the Strategic Action Plan) genuinely contribute to more socially equitable outcomes in agriculture and forestry supply chains, there should be wide representation from within producer countries, including women's rights organisations and other community, indigenous peoples, producer and worker's organisations. A gender analysis should be integrated into this process.

Strategic Sustainable Commodity Action Plan

The purpose of the Strategic Sustainable Commodity Action Plan (Strategic Action Plan) is to provide a clear framework for the delivery of the recommendations in this Report.

The Government has a crucial role in initiating, convening and co-ordinating the development and delivery of the Strategic Action Plan and in encouraging an enabling environment through regulation, public

procurement, trade partnerships and public finance. Equally, the private sector has a significant role and responsibility for implementation within supply chains, with the support of civil society.

The Strategic Action Plan should ensure that the goal of the GRI is aligned with policy development and discussions currently underway on the future of UK food, farming and the environment.

Recommendation

The Taskforce recommends that the government publish and commits to the delivery of a Strategic Sustainable Commodity Action Plan by Autumn 2020, setting out measurable timebound actions for government, business, finance and others to take both at home, in the UK, and through a global collective action agenda, to provide a clear framework for the delivery of the recommendations in this Report and to achieve the goal of the GRI.

For the reasons already stated the GRI recommendations deliberately focus on actions to address deforestation and land-use conversion as a first priority.

In developing the Strategic Action Plan the government should, however, be mindful of unintended consequences, market distortions and other environmental and human rights considerations relating to a focus on deforestation and land conversion, to ensure:

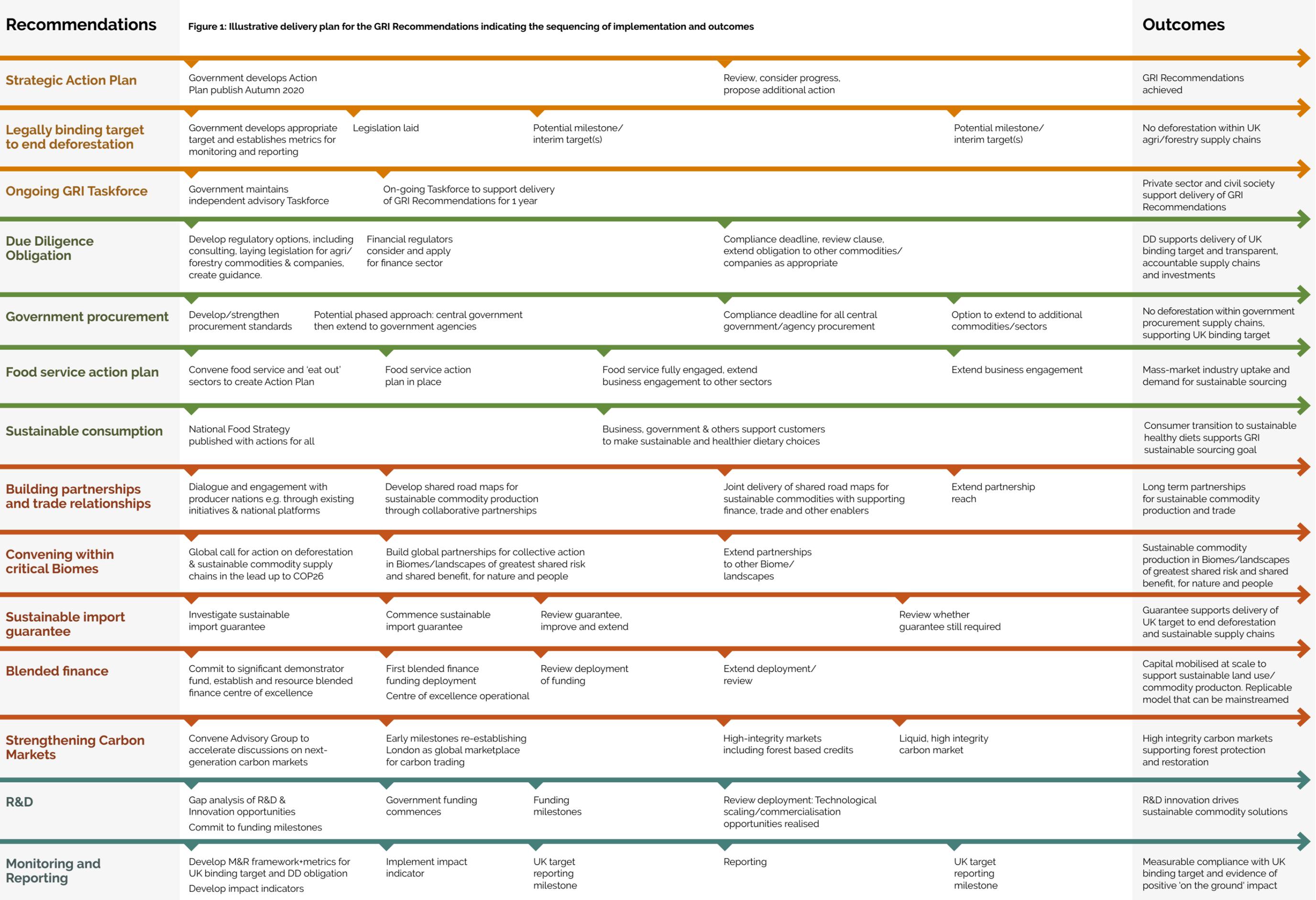
- The environmental and social burdens on forests, farmers, communities and indigenous peoples are not shifted to other landscapes;
- Companies and finance organisations are not perversely incentivised to reduce or eliminate risk by removing themselves from 'higher risk' supply chains rather than engaging with and supporting solutions;
- Cost burdens, where they arise, are shared equitably across the supply.

The Taskforce believes that these risks can be mitigated through a strategic co-ordinated approach, setting out for the first time, both a set of individual actions and how these actions can work together to achieve real change.

This is critical – the strength of the Taskforce recommendations is as a package of measures. They support and reinforce each other, acting in sequence over the short, medium and long-term. They take immediate advantage of the global convening opportunities on nature-based solutions and recognise the need to step change our response now, in 2020, as well as support long-term change, through investment in partnerships and new ways of working in commodity supply chains.

The Taskforce strongly recommends that the government set out a timeline for action as part of the Strategic Action Plan. This should include actions to periodically review progress and propose further action where required. The Strategic Action Plan, the actions and the review process should be sufficiently resourced to achieve their aim.

An indicative implementation sequence is shown in Figure 1. It illustrates the way in which the GRI recommendations are intended to work in combination and in sequence.



Legally binding target to end deforestation in UK supply chains

Ending the deforestation and land conversion linked to UK commodity supply chains is a critical first step on the path to sustainable agricultural and forestry supply chains. Many businesses have begun to make this transition, but not all, and the financial sector has been slow to integrate these risks within their own decision-making processes or to make their own public commitments to tackling deforestation.

The last decade has seen a steady increase in voluntary commitments from businesses and governments globally to halt deforestation, yet 2020, a key milestone for many of these commitments, has seen insufficient progress made by business (including the financial sector) and government alike.

Introducing a legally binding target for the UK would provide the necessary signal that a shift in behaviours is required. For those not yet engaged it can act to translate what might currently be considered a reputational risk into an operational and financial risk, providing a legislative 'cliff edge' that propels business, finance and government to make the necessary changes to purchasing and investment strategies to a clear future deadline.

Critically, a target would not sit on its own – the Taskforce recommendations provide a comprehensive package of measures to support business, finance and government to meet this goal, with a sequence of immediate and ongoing actions and milestones.

Recommendation

The Taskforce recommends that the government introduces a legally binding target to end deforestation within UK agricultural and forestry commodity supply chains as soon as practicable, by no later than 2030.

The Taskforce recommends that the government introduces a legally binding target as part of the Strategic Action Plan. Such a target should:

- Focus on ending deforestation and land conversion linked to UK imports of agricultural and forestry commodities and be informed by a baseline study of the UK's global commodity footprint (see Monitoring and Reporting recommendation);
- Be ambitious, to ensure deforestation and land conversion linked to UK commodity supply chains is ended as soon as practicable, before 2030;
- Be underpinned by a monitoring and reporting framework to track and review overall progress (see Monitoring and Reporting recommendation);
- Align with and support other GRI recommendations;

- Align with and support the government's existing commitments to end deforestation under the New York Declaration on Forests²⁹, Amsterdam Declaration Partnership³⁰, the UN Sustainable Development Goals³¹ and Paris Agreement targets, and with other emerging national and international initiatives, including the EU Communication on Stepping up EU Action to Protect and Restore the World's Forests³² and the French National Strategy Against Imported Deforestation (SNDI)³³.

Some Taskforce members strongly expressed the view that the end date for a legally binding target should be set well in advance of 2030 given the urgency of the need to act and the UK's existing deforestation commitments. The broader Taskforce Group took the view that this should be for the government to consider further in response to this Report and in the development of the Strategic Action Plan.

Ongoing GRI Taskforce

This Report sets out an ambitious set of recommendations and equally ambitious timescales for implementation, driven by the urgency of the issues and the opportunities presented in 2020, including this year's UN Climate Summit (COP26) and UN Convention on Biological Diversity (COP15).

The Taskforce recognises these actions are for all actors, not just for government, and that government will need continued support from business, finance and civil society to take these recommendations forward quickly. It therefore recommends an ongoing role for the Taskforce, in order

to provide this continued support and to play a role in overseeing delivery of the GRI Recommendations.

The process of convening the Taskforce and wider working groups has been hugely positive: bringing together different sectors to listen and learn from each other and to work collaboratively on solutions. These new links and connections have developed a ready-made network of relevant players who are already acting on these topics, and who are mobilised and motivated to support the development and implementation of the Strategic Action Plan.

Recommendation

The Taskforce recommends the government establish an ongoing independent advisory taskforce of business, finance and civil society leaders to support the development and implementation of the recommendation in this Report and promote sustainable commodities, initially for a period of one year.

The Taskforce recommends that the government continues to support a timebound independent advisory taskforce for an initial 12-month period (to March 2021).

The key functions of an ongoing Taskforce would be to:

Support the government in the development and implementation of the Strategic Action Plan, this could include:

- Consultation on the development of the mandatory due diligence obligation;
- Supporting plans for engaging a broader business community and a Food Service Action Plan;

- Contributing to the development of a framework for measurement, monitoring and reporting and identifying gaps and opportunities to scale the deployment of innovative technologies through an R&D/Innovation fund;

- Supporting the periodic review of the implementation of the recommendations and Strategic Action Plan.

Support government and mobilise UK private sector leadership on the objectives of the GRI for COP26.

Driving market demand for sustainable commodities



Further action is needed to drive mass market uptake of sustainable commodities, beyond the current leaders, in order to send a strong market signal for sustainable commodity production.

Recommendations

- Mandatory due diligence obligation on business and finance
- Strengthening public procurement requirements
- Developing a sustainable food service action plan and broader business engagement
- Action to support sustainable consumption

Introduction

The market signal for sustainable commodities is growing, driven by leading companies committed to zero-deforestation. But further engagement is necessary: Forest500's recent 2019³⁴ report identified 140 (40%) of the leading 500 companies surveyed, and 102 (68%) of the financial institutions, did not have deforestation commitments.

For smaller businesses it can be difficult to know where to start – the solutions are often not 'off the shelf' and the 'stepping on points' and milestones towards more sustainable supply chains not always clear. Government already plays a part in supporting wider business engagement through sustainable public procurement policy levers and other initiatives such as the UK Sustainable Palm Oil and Soya Initiatives but there is scope for engagement to be strengthened and widened. The food service sector is a significant purchaser of food and agricultural commodity products, a key supplier to government and an important customer of the wholesale

market. Whilst some leading companies in this sector have also begun to engage, many have not.

To make further progress, we must find ways to ensure that those that are currently choosing not to engage are required to. We must ensure public procurement helps to help drive market transformation and support wider business engagement beginning with the food sector by ensuring all businesses have the right guidance and tools to know where and how to act.

Finally, we must consider the influence of the dietary and purchasing decisions we make as consumers – whether as individual or business purchasers, at home or in the workplace – encouraging sustainable (and healthy) choices to help mitigate long-term increasing demand for agricultural commodities. Business has a role in making sustainable and healthier decisions clearer and more accessible for consumers. Our relationship with food deserves a deeper public debate, which the National Food Strategy³⁵ will consider over the coming year.

Mandatory due diligence obligation

Due diligence requirements are increasingly being used by regulators to influence change in business behaviour. By requiring business to collect information on exposure to specific risks and impacts within their supply chains, to assess and take action to mitigate those risks and impacts, and to publicly report on the steps they are taking, more companies will act than is likely where such behaviour is left simply to voluntary action and public scrutiny.

Due diligence in this form can help to provide a level playing field for business and in doing so can support and incentivise long-term investment in sustainable supply chains and greater collaboration on shared solutions. It should also help to inform broader environmental and social risk management policies that companies develop in order to ensure that resources are focused on areas of greatest risk and opportunity.

Due diligence can be applied to specific products – examples include the EU Timber Regulation (on illegally logged timber) and the EU Conflict Minerals Regulation (on four minerals sourced from conflict areas). An alternative approach is to apply due diligence to companies' entire operations and supply chains – examples include the French Devoir de Vigilance law, which requires companies to exercise due diligence with regard to human rights, environmental harm and labour standards, or the Dutch Child Labour Due Diligence Act, which adopts the same approach with regard to child labour.

Various voluntary and regulatory frameworks already exist for companies to report on the risk of their exposure to particular activities or products in their supply chains, for example Section 54 of the UK Modern Slavery Act 2015. A due diligence system requires companies not only to scrutinise their supply chains, but also to take action to mitigate specified risks (e.g. illegal timber).

While a corporate obligation to report is a requirement for a level of transparency, it is not in itself a due diligence requirement.

Financial institutions provide enabling financial services across the commodity supply chain and so should be obligated to exercise due diligence with regard to their lending and investments. Existing due diligence and complementary frameworks already in place for financial institutions are potentially useful references, such as 'Know your customer'³⁶ anti-money laundering, anti-bribery and corruption regulations.

Different forms of due diligence legislation covering either commodities linked to deforestation or broad corporate due diligence requirements for human rights abuses and environmental harm are being considered elsewhere, in EU member states such as Germany and Finland. The European Commission's communication on 'Stepping Up EU Action to Protect and Restore the World's Forests' contains a commitment to 'Assess additional demand side regulatory and non-regulatory measures to ensure a level playing field and a common understanding of deforestation-free supply chains, in order to increase supply chain transparency and minimise the risk of deforestation and forest degradation associated with commodity imports in the EU'³⁷.

The government has an opportunity to promote policy coherence and a level playing field for companies operating across Europe and with key trading partners by raising the bar in the UK – ensuring business and finance step up – whilst aligning with similar actions across Europe (and potentially beyond).

Recommendation

The Taskforce recommends that the government urgently introduces a mandatory due diligence obligation for companies that place commodities and derived products that contribute to deforestation on the UK market and to take action to ensure similar principles are applied to the finance industry.

Principles

The framing of a mandatory requirement to exercise due diligence and disclose actions taken should be in line with the following principles. It should:

1. Impose a mandatory requirement both to exercise due diligence and to disclose on actions taken; Multinational Enterprises⁴⁰ (see Monitoring and Reporting recommendation);
2. Be broadly defined in terms of scope, initially prioritising agricultural and forestry commodities and derived products linked to deforestation and land conversion, but with the scope to extend beyond this to other commodities in the future;
3. Cover both human rights abuses and environmental risks and impacts, which will need to be carefully and clearly defined, and require companies to analyse the presence of these risks within their supply chains, take action to prevent or mitigate those risks and impacts, and publicly report on actions taken and planned;
4. Place a shared due diligence responsibility on companies that place agricultural and forestry commodities or derived products on the UK market, with obligations commensurate with the size of the organisation, their impact and ability to influence change;
5. Support the implementation of the proposed legally binding target to address deforestation and land conversion within UK agricultural and forestry commodity supply chains and be aligned with other actions identified within the proposed Strategic Action Plan;
6. Be supported by a robust monitoring and reporting framework for harmonised and standardised company reporting (including assurance and verification) and build on existing reporting frameworks including the Accountability Framework Initiative (AFI)³⁸ and align with the OECD's Due Diligence Guidance for Responsible Business Conduct (2018)³⁹ and the Guidelines for
7. Be supported by clear guidance on what actions are required of business and to what time scales;
8. Support coherence and minimise administrative burden by building on and aligning with existing corporate reporting and due diligence frameworks, for example the Modern Slavery Act 2015 (which imposes a reporting obligation) or the UK Timber Regulation (which has transposed the EU Timber Regulation due diligence obligation into UK law);
9. Provide a level playing field and facilitate compliance for multinational companies by, where possible, aligning with existing and evolving proposals for due diligence regulation across Europe, and globally;
10. Give consideration to avoiding unintended consequences in both its development and implementation to ensure that the requirement does not lead to companies avoiding 'higher risk' supply chains rather than engaging with and supporting solutions;
11. Government should ensure sufficient resources are made available to ensure proper enforcement with an appropriately strong penalty regime to hold companies accountable in exercising due diligence obligations.

Government should also consider the inclusion of workable grievance and remediation mechanisms for human rights abuses and environmental damage, through which companies participate in remediation mechanisms if they are found to have contributed to these impacts by failing to fulfil their due diligence obligations.

Application of a mandatory due diligence obligation on the finance industry

The financial sector should be covered by a similar obligation, requiring financial institutions to exercise due diligence in order to avoid their lending and investments funding deforestation. Further work will be required to investigate the appropriate mechanism(s) and sequencing to achieve this.

In addition, government, standards bodies and natural accounting frameworks should explore aligning and building deforestation and land conversion risks into existing accounting standards, disclosure frameworks and taxonomies where appropriate, in order to support the transition to mandatory due diligence.

In order to ensure the financial sector is adequately capturing physical and transition risk from investing in unsustainable supply chains, the Taskforce calls on:

- The Taskforce for Climate-Related Disclosure and Network for Greening the Financial System⁴¹ to ensure that impacts and carbon emissions associated with forests are appropriately included in scenarios being developed and put forward.
- Other wider standards bodies and natural accounting frameworks to set out guidance for the financial sector to focus on deforestation risk and impact, and to account and disclose the non-carbon impacts of supply chains such as those on biodiversity, ecosystem services and livelihoods.

Strengthening public procurement requirements

The UK public sector is a major purchaser of food and catering services (including from the wholesale market), for central and local government and state-run schools, nurseries, hospitals, care homes, canteens, prisons and the military. It can therefore be an effective lever for driving demand for sustainably sourced products and for driving best practice through sustainable supply chains. A 2006 report estimated that public spending on food and catering amounted to £3.2 billion – 2.1% of total procurement spend, or about 10% of the total UK catering sector⁴².

Through Government Buying Standards⁴³ (GBS) and the Timber Procurement Policy⁴⁴ (TPP) government has already set out requirements for sustainable palm oil and timber (and wider wood products including paper) respectively, in line with commitments to buying greener products and services under the Greening Government Commitments⁴⁵. However, these requirements do not

currently extend to other agricultural commodities (apart from an encouragement, rather than a requirement, to buy fairly traded cocoa and coffee) and overall compliance, monitoring and reporting has been weakly enforced. There is an opportunity to learn from the experience of timber and palm oil, and to strengthen and extend these approaches.

The impact of current government procurement is currently further limited by its applicability only to central government departments, executive agencies and non-departmental public bodies. It is only 'encouraged' for the broader public sector – including the NHS, schools and universities, prisons, military, public corporations and local government, which may account for as much as 80% of public sector procurement spend⁴⁶. Initiatives are underway for promoting sustainable sourcing through food service catering companies serving some local authorities, schools, universities and areas of the NHS.

Recommendation

The Taskforce recommends that the public sector helps to lead the market transition to sustainable commodities by strengthening existing mandatory sustainable commodity public procurement requirements and extending across all of government, reinforcing the mandatory due diligence obligations on business.

Public procurement requirements should be extended to include sustainability criteria for agricultural and forestry commodities linked to deforestation and land conversion and existing requirements for palm oil, timber and wider wood products including paper should be strengthened. The Strategic Action Plan should include a time frame by which this will be achieved which should aim to reinforce and support private sector due diligence implementation by aligning with mandatory due diligence obligation timelines.

These requirements should become mandatory and be enforced across local, central government and agencies, with mandatory inclusion in tenders for all public agencies, including central and local government, schools, nurseries, hospitals, care homes, canteens, prisons and military supply chains.

They should reinforce the mandatory due diligence obligations placed on business, ensuring consistency and a level playing field across the UK private sector. Suppliers and contractors should receive support on delivery against the specified sustainability criteria.

A robust monitoring and reporting framework to assess progress in implementation should be adopted in line with that proposed within these recommendations, with sufficient human and financial resources to implement, monitor and enforce.

Finally, practical guidance, training and support, from a central point of expertise is required in order to support the consistent application across all government and its suppliers.

Food service action plan

The growing momentum to sustainably source agricultural and forestry commodities and derived products needs further mainstreaming, beyond the most visible and leading companies, in order to broaden business and consumer engagement.

Outside of the leading brands and retailers, the food service and 'eat-out' sector are significant purchasers of these commodities and, if more fully engaged, could help to step change the shift towards more sustainable commodity sourcing practices.

Many leading national food service companies are already engaging in sustainable sourcing in order to meet company or government procurement commitment, for example through the UK Sustainable Soya and Palm Oil Initiatives, Sustainable Restaurants Association, Cool Farm Pledge, Sustainable Cities Movement (e.g. Chester Zoo led initiative) and broader public sector sustainability initiatives for catering within some local authorities, schools and universities.

There is an opportunity to build on these activities in order to support this transition, supporting the progress

of leading food service companies and reaching out to other businesses that may be less visible, across food service, hospitality, 'eat out' and wholesale markets and many other parts of the food service sector.

Those not already engaged will require support to understand and act on risks within their supply chains, particularly when recognising that 96% of the UK's food and drink manufacturers are SMEs⁴⁷. Tools, guidance, engagement programmes and other 'stepping on points' are needed to support them to navigate the complexities of sustainable sourcing and understand the relevance to their own supply chains and the practicable steps they can take.

All actors have a role in supporting consumers to shift towards more sustainable healthy diets and in reducing food loss and waste, by making sustainable and healthier decisions clearer, easier, and more accessible. Alongside retailers and major brands, the 'eat out' sector has a particularly strong visibility and relationship with the consumer and could play a key role in helping customers to understand and make healthy and sustainable choices.

Recommendation

The Taskforce recommends that the government works with industry to help broaden overall business engagement and to support businesses beyond the leaders to better understand and address deforestation and land conversion risks within their supply chains, beginning with the food service sector through a Sustainable Food Service Action Plan.

The Taskforce recommends that government convene industry – including companies, trade associations, existing initiatives and platforms – to work together to develop a Sustainable Food Service Action Plan (Food Service Action Plan) identifying practicable steps that the food service, eat-out sector and wholesalers can take to transition to sustainable sourcing practices and in particular to address agricultural and forestry commodities relevant to the UK commodity-driven land footprint.

The Food Service Action Plan should identify where progress has been made, where there are gaps, the different needs of businesses and examples of

best practice that can be shared across sectors and adopted from other sectors. It should identify how these actions will be taken forward and by whom.

Another positive outcome from this work would be for the tools, guidance and engagement programmes developed to be transferable across other industry sectors and provide the practicable 'stepping on points' necessary to engage a much broader set of businesses. This would help to build capability around new public procurement, due diligence and other regulatory requirements and reinforce norms around sustainable sourcing particularly for SME's.



Sustainable consumption

Production and trade are only one part of the sustainability equation. The reforms required to sustain a healthy planet will require changes in the way we consume too.

This shift is happening already, with vegetarian and vegan diets gaining greater popularity and new plant-based products entering the market at an increasing rate. This presents a rapidly growing business opportunity. The cultural drivers behind these changes are complex but there is a growing awareness that healthier diets – with reduced meat, more vegetables and fruit, fewer calories from sugars and vegetable oils, and less salt – are likely to have a lower environmental impact, including reducing pressures on forests.

The National Food Strategy (NFS) review^{48,49}, led by Henry Dimbleby, is currently looking at ways in which the UK food system can deliver safe, healthy, affordable food for the future, built upon resilient supply chains and a sustainable agriculture sector. The independent review will be considering what actions are needed – for the environment, for better consumer health and for well-being and other outcomes including jobs and livelihoods. It will publish its findings in early 2021. The NFS considers both domestic production and the impact of trade in food, so it is important for the NFS to consider how to align with the GRI's ambitions on the consumption and trade of sustainable imported commodities.

Consumers make their dietary choices based on health, environmental and cultural factors as well as price, and they require clear and accessible information to inform those choices. Retailers, supply chain, government and civil society have a role to play in helping to make sustainable and healthier choices for consumers clearer, easier and affordable. Retailers, food service and manufacturers can continue, through marketing and product innovation, to support increasing demand for healthy and sustainable food options, reinforcing and providing complementary messaging on sustainable diets.

Leading companies have a key role to play, but there are other models for empowering business and the consumer to act. At a local level, this has been demonstrated by the Sustainable Cities Movement in the UK, spearheaded by Chester City Zoo. Chester is the world's first sustainable palm oil city with 50 restaurants and food outlets committed to sourcing sustainable palm⁵⁰.

Government, retailers, food service and others all have an important role to play in reducing food loss and waste and in supporting behavioural change in consumers to avoid food waste. The UK Government's Waste and Resource Strategy⁵¹ aims to incentivise good practice across the supply chain, from consumer, down to production, towards the Courtauld Commitment's 2025 food waste target.

Recommendation

The Taskforce recommends that action be taken to support a consumer transition to more sustainable and healthy diets and reduce food waste in supply chains.

The Taskforce fully supports and endorses the NFS's deep and wide dialogue with people across the country and calls on the NFS to include within their work a review of what further actions business, government and others can take to support consumers in the transition to more sustainable and healthy diets (including consumption of imported commodities), as well as to more broadly inform and support the implementation of the GRI recommendations.

The Taskforce calls on retailers, food service, manufacturers and other consumer facing

organisations, alongside government, to consider the actions they can take within their businesses to help make sustainable and healthier choices clearer, easier and more affordable for customers.

The Taskforce supports the UK Government's Waste and Resource Strategy⁵² and the 2025 Courtauld Commitment on food waste reduction and would encourage supply chain companies to work within their own supply chains to reduce food waste and meet the target as soon as possible, in advance of 2025.

Aligning collective global action and finance to deliver at scale at pace



The transition to sustainable and resilient agricultural and forestry commodity supply chains will require new, more collaborative, ways of working based on shared goals and responsibilities, and substantial new investment and resources.

Recommendations

- Building partnerships and trade
- Convening a global call for action in the run up to COP26
- Introducing a sustainable import guarantee
- Accelerating high integrity carbon markets to unlock finance for forests
- Mobilising blended finance to channel capital to forests, farmers and forest communities at scale

Introduction

If global changes to the way our food is produced and consumed are to be achieved in the next decade, we will need to invest in more collaborative ways of working, including through trade, based on shared goals and responsibilities.

The UK can use this year's UN Climate Summit (COP26), and other key convening points such as the Convention

of Biodiversity Summit (COP 15), to help to initiate this change, convening a global call for action on deforestation and land conversion and nature-based solutions for climate – building multilateral partnerships for collective action between producer and consumer governments and helping to create a strong and consistent market demand for sustainable commodities.

Deforestation and land-use change in Biomes – savannah grasslands, tropical forests and other landscapes across West Africa, South America and South East Asia – of greatest shared risk and shared benefit for nature and people can provide a shared focus for collective action.

Convening at a Biome/landscape level enables us to build on existing initiatives and to focus consuming governments, business, finance and civil society, in partnership with producing countries, in a way that is new, bringing scale to bear. This new way of working could provide a replicable model for change elsewhere and in other supply chains.

Finance has a crucial enabling role. The transition to sustainable resilient food systems will require substantial new investment and resources. Both public and private finance is already active within commodity supply chains, but there is need for greater alignment and greater scale of investment to affect the required change. As the 2019 New York Declaration on Forests report⁵³ points out, finance for conventional agriculture (so called 'grey finance') exceeds green finance for forests by 15 times – and forests receive only 1.5% of climate finance.

The Taskforce explored two fundamental economic disincentives or barriers to change: firstly that sustainable behaviours tend to cost more than conventional behaviours and secondly that forested land is often less economically valuable than cleared land which can be

used for agriculture or other uses, in the short to medium term. Financial institutions (as well as the wider private sector) must apply their creativity and innovation to deploy capital to help rebalance the economic incentives. The GRI's finance recommendations suggest options for how to make the cost of sustainable production more competitive through cost savings, additional revenue streams, and cheaper finance.

Finance also has an influential role to play in transitioning to sustainable food systems by improving transparency and sustainable decision making, including through compliance with (and supporting clients to comply with) the mandatory due diligence obligation. There is a role for the Taskforce for Climate-Related Disclosure and wider standards and accounting bodies to consider how to address deforestation and accommodate forest risk metrics, reporting and scenario analysis within their frameworks (see the Recommendation for a Mandatory Due Diligence Obligation).

The UK can play a leading role in galvanising global financial flows, mobilising official development assistance (ODA) and other public finance, and international development, donor and philanthropic funding to support the development of infrastructure, capacity and strengthened governance, alongside new innovative private and blended finance solutions that reward positive actions within commodity supply chains.



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Partnerships and trade

New collaborative partnerships between consumer and producer governments must be at the heart of collective global action on deforestation. In building these partnerships it will be essential to listen to and understand producer country priorities in order to co-create sustainable solutions for the mutual benefit of all.

From the foundation of these partnerships new coalitions can be built with business, finance, civil society and others. Together they can create an enabling environment that catalyses trade in sustainable commodities, supporting producer countries to address the underlying drivers of deforestation and land-use

change alongside helping to generate a strong market signal for sustainable commodities, supported by trade agreements where appropriate.

This process starts with dialogue – existing public and private sector initiatives and national platforms in consumer and producer countries, listening and learning from actions already taken but looking for fresh opportunities – through new bilateral and multilateral partnerships, new trade agreements, and new ways of convening. Unlocking public and private finance to support new investment will be critical.

Recommendation

The Taskforce recommends that the government take a bold new approach to partnerships, dialogues and trade between producer and consumer countries, working together to support the transition to commodity supply chains that are sustainable, inclusive and equitable for farmers, foresters, forest communities and indigenous peoples – and women in particular – and support long term economic growth through trade.

Tackling deforestation within food and agricultural supply chains requires action both at origin, by supporting producing countries to address environmental and social drivers, and globally, by building linkages between producers and

consumers to create strong and consistent demand for sustainable commodities. Strong partnerships are key to providing the right enabling environment for engagement and dialogue through which shared solutions can be developed.



Building engagement through existing stakeholder dialogue processes

Many of the foundations for this dialogue and partnership building are already in place, through existing public and private sector initiatives and national platforms in consumer and producer countries (see Figure 2 on page 36 for examples).

These initiatives are commonly based on convening platforms of private sector, public sector, and civil society actors, providing a space for pre-competitive

dialogue and facilitation regionally, nationally and internationally. Working with and building on existing initiatives and stakeholder dialogue platforms provides an obvious first step as many are already active in Biomes/landscapes in West Africa, South East Asia and South America and could provide a shared focus for collective action.

Developing innovative new partnerships to support sustainable trade

The scale of the challenge we face will require innovative partnerships and ways of working, learning from the past but thinking afresh.

Learning lessons: important experience has been gained from the Voluntary Partnership Agreements (VPAs) – designed to reduce levels of illegal logging and to date agreed between the EU and nine timber-producing countries⁵⁴. Under the terms of the VPAs, each partner country must establish national traceability and export licensing systems so as to ensure that only timber products that have been produced legally can be exported. Although these licensing systems have been slow to emerge, in many cases the process of negotiating and implementing the VPAs has itself supported significant improvements in forest governance. They have had long-term impact on the forest sector, and all the agreements contain commitments to regulatory and policy reform to make forest laws and regulations clearer and more comprehensive, together with improvements in transparency and stakeholder involvement. The EU, the UK, and EU member states have provided capacity-building assistance to partner countries in order to help them set up the licensing scheme, improve enforcement and reform policies and laws. The way in which the EU Timber Regulation offers automatic compliance for VPA-licensed timber is an important incentive to agree a VPA, but the process has value even without this.

The multi-stakeholder processes embodied in the VPA have helped to provide a strong sense of ownership in the development of the agreements, which is fundamental for long-lasting reform. Maintaining national sovereignty and ownership of the process – the definition of 'legal timber' is under the control of the partner country – is paramount. These processes have proved time consuming but could be expedited through the existing national initiatives and stakeholder platforms referred to above. These learnings from VPAs and other similar initiatives could be taken into new bilateral and multilateral partnerships. There is already discussion of using the VPA model for the cocoa sector.

Trade: as the UK leaves the EU and forms new trade relationships, the government should explore opportunities to incorporate environmental and human rights conditions (including avoided deforestation land conversion and sustainable supply chains) within trade partnerships and trade agreements, thereby promoting sustainable growth by providing market access for sustainably produced products. This will serve to complement the strong market signals of other levers such as a new due diligence obligation. New draft trade agreements should be assessed for their impact on forests before they are finalised, and agreements that are rolled over from the UK's EU membership should similarly be evaluated. It will be vital for trade and environmental and human rights priorities to be aligned in trade negotiations and agreements.

Finance: this will be a key enabler in new partnerships: mobilising ODA and other public finance, international development funds (e.g. REDD+⁵⁵) and donor and philanthropic funding to support infrastructure, capacity and strengthened governance, alongside new innovative private and blended finance solutions that reward sustainable behaviours in within commodity supply chains (see Finance Recommendations below).

New ways of convening: partnerships at a Biome/landscape level could provide a focal point for the action needed to bring scale – bringing governments, global finance, leading businesses, civil society and others together and capitalising on existing national initiatives and platforms. This new way of working could provide a replicable model for change elsewhere.

The Taskforce recommends the government explores options to establish new partnerships and dialogue with producer countries through new principles of engagement summarised in Figure 3 below.

Figure 2: Examples of existing platforms and initiatives

- Mato Grosso Produce, Conserve and Include (PCI) Strategy⁵⁶, an initiative led by the Brazilian state government working with private and wider stakeholders to address deforestation and forest degradation.
- Tropical Forest Alliance (TFA)⁵⁷, a global public-private partnership galvanising and co-ordinating voluntary actions to reduce the tropical deforestation in commodities such as palm oil, soy, beef, and paper and pulp. The TFA's 'jurisdictional landscape-based approach' is currently working on a range of priority production landscapes.
- TFA Africa Palm Oil Initiative⁵⁸ working with national and regional stakeholders to develop acceptable principles for responsible (environmental, social and economic) oil palm development in ten Central and West African countries.
- Cocoa and Forests Initiative⁵⁹, a platform of producers and consumers, involving national governments that is developing and introducing standards (criteria and indicators) for sustainable cocoa production, with Frameworks for Action. Updated action plans that were published in March 2019 in Côte d'Ivoire and Ghana include Ghana's aim of using its REDD+ Programme to leverage green finance and scale up landscape approaches in six deforestation hotspots.
- UNDP Green Commodities Programme (GCP)⁶⁰ working to transform agricultural production (palm oil, pineapple, cocoa, coffee, soy, beef and dairy) and trade through multi-stakeholder collaboration and building enabling environments in producer countries. In Indonesia, for example, a platform brings together government, producers and civil society to work towards sustainable (and certified) palm oil, in this case supporting the adoption Indonesian Sustainable Palm Oil standard.

Consumer markets: a plethora of national initiatives and platforms are currently working across buyers (varying from retail groups to wider country level initiatives), in a pre-competitive space in order to develop and align goals, standards and improved ways of working. Some of these initiatives focus on sole commodities (e.g. the 2012 German Initiative on Sustainable Cocoa⁶¹ and the UK Sustainable Palm Oil and Soya Initiatives⁶²) while others are broader, e.g. the French Alliance for the Preservation of Forests⁶³, or the Consumer Goods Forum.⁶⁴

Figure 3: Principles of engagement – building strong partnerships for sustainable trade

- A new more collaborative approach through engagement and dialogue, learning and listening to producer countries, farmers, foresters, forest communities, indigenous peoples and others
- Learning lessons from past and existing initiatives, trade agreements (VPAs, Free Trade Agreements) and bilateral and multilateral processes.
- Building on partnerships, platforms, initiatives that are already acting in producer and consumer countries.
- Providing an enabling environment: supporting producing countries to address environmental and human rights drivers and building links between producers and consumers to create strong and consistent demand for sustainable commodities.
- Enabling change through sustainable trade and new or improved financial flows and finance innovation.
- Strengthening civil society participation, ensuring increased transparency, monitoring mechanisms, accountability and inclusivity.



Convening a global call for action on deforestation and sustainable commodity supply chains

As hosts of COP26 and through other key convening points such as the Convention on Biological Diversity Summit (CBD COP15) the UK can provide leadership on tackling deforestation and building sustainable commodity supply chains, so placing food, land-use and nature-based solutions at the centre of efforts to achieve the UN Sustainable Development Goals (SDGs) and the Paris Agreement targets on climate change.

Whilst there is momentum for change – from business, finance, civil society and governments – the issues are complex and demand more collaborative ways of working and new partnerships. Governments can play a pivotal role in helping to convene strategic, co-ordinated and global action.

Building these partnerships will be crucial for long term change but we must act now if we are to avert the approaching climate and biodiversity crisis.

Convening a 2020 call for collective action on agricultural and forestry products in the Biomes/landscapes of greatest shared risk and shared benefit, for nature and people, provides an opportunity to bring business, public and private finance, civil society and governments together in a new way, with a shared focus and acting at scale.

Recommendation

The Taskforce recommend that the government mobilise a global call for action to tackle deforestation and build sustainable commodity supply chains in the lead up to COP26 to:

- Build multilateral partnerships for collective action between producer and consumer governments, companies, finance institutions, farmers, foresters, forest communities and indigenous peoples;
- Mobilise global funds, public and private, to support sustainable production and trade in food and agricultural products;
- Begin with the development of shared roadmaps for agricultural and forestry products in Biomes/landscapes of greatest shared risk and shared benefit, for nature and people.

The global call to action should:

Signal a new direction for collaboration on addressing deforestation in pursuit of jointly held international commitments on climate and biodiversity including the SDG's and Paris Agreement and set the foundations for new partnerships and new ways of working that mobilise finance at an unparalleled scale, engage global business leaders, align consuming countries with common trade interests and commodity supply chain dependencies and start a new dialogue with producing country governments;

Build support for action on sustainable commodity production and trade in the Biomes/landscapes of greatest shared risk and shared benefit, for nature and people;

Showcase and amplify UK government initiatives to tackle imported deforestation, including a world-leading due diligence obligation.

Acting at a Biome/landscape level

Convening action at a 'Biome' level reflects the scale of collective ambition to meet the planetary challenges we face. It sets a framework for action beyond national boundaries and avoids a siloed commodity-by-commodity approach.

It would enable a roadmap for action to be built on a wide range of existing regional bilateral partnerships, platforms and initiatives across neighbouring landscapes and jurisdictions.

A Biome/landscape approach could also gain greater consumer 'leverage' as final consumers are more likely to engage with species, habitats and landscapes than commodities.

Finally, and critically, this approach could provide a global focus for action and with that a greater likelihood of generating the support, resources and leverage to create real and lasting change.

What is a Biome?

Biomes are geographies supporting large-scale distinct natural communities of plants and animals.

Forest biomes make up nearly 30% of the earth's total land cover. Forests have great biodiversity and carbon storage value, help regulate our planet's climate and support peoples, communities and livelihoods. Forest Biomes include the tropical rainforest landscapes of West Africa, South America and South East Asia.

Grassland biomes are regions with extensive grass species or grass species with a small number of sparsely distributed trees. Grassland Biomes include savannah, temperate grasslands and other landscapes.



Prioritising actions

Seven key commodities – beef and leather, cocoa, palm oil, pulp and paper, rubber, soya and timber – make up the largest proportion of the UK's imported commodity driven land footprint. Production of a number of these commodities is focused in Biome/landscapes within West Africa, South East Asia and South America.

Focussing the global call for action begins with a process of engagement and dialogue with producing countries in order to understand those Biomes/landscapes of greatest shared risk and shared benefit, for nature and people. This should include a mechanism to inform and engage affected communities, indigenous peoples, workers and community stakeholders, and ensure gender inclusivity.

The following 'principles for engagement' could be helpful in identifying Biomes/landscapes where the momentum and enabling conditions for action are most powerful, and from which a consensus for action could be developed.

1. Major commodity-led deforestation drivers that relevant to the footprint of the UK and other key consuming markets⁶⁵

Examples: beef and leather, cocoa, palm oil, pulp and paper, rubber, soya and timber

2. Existing bilateral, regional and multilateral partnerships in place

Examples: Voluntary Partnership Agreements already in place in nine countries, including Côte d'Ivoire⁶⁶, Ghana⁶⁷ and Indonesia⁶⁸.

3. Existing national or regional platforms

Examples: Africa Palm Oil Initiative⁶⁹, Cocoa and Forests Initiative⁷⁰, Tropical Forest Alliance partner network (global)⁷¹, Indonesian Palm Oil Platform (UNDP/ FOKSBI)⁷², Global Platform for Sustainable Natural Rubber⁷³, UNDP Green Commodities Programme (including cattle and soy in South America)⁷⁴.

4. Related existing sustainability initiatives

Examples: Just Rural Transition⁷⁵ (e.g. Ghana is endorsing partner), Governor's Climate Task Force (e.g. members in Nigeria, Indonesia, Amazonas)⁷⁶.

5. Business support for action

Example: Strong UK and EU business call for EU regulatory action (e.g. due diligence) on cocoa imports from major cocoa processors/cocoa brands with existing zero-deforestation commitments.^{77,78}

6. Availability of data for monitoring and reporting

Example: Growing number of private sector platforms and tools for monitoring and reporting for soya, palm oil, beef, cocoa and other commodities (e.g. including TRASE⁷⁹, ZSL SPOTT⁸⁰, Starling⁸¹, Global Forest Watch⁸²) already operating in West Africa, South East Asia and South America; existing government supported platforms in Brazil for monitoring compliance with the Brazilian Forest Code and Amazon Soya Moratorium.

7. Access to finance – private and public sector

Examples: Through existing UN REDD+ Partner Programme⁸³ and Voluntary Partnership Agreements⁸⁴ globally.

Figure 4 provides a case study for the Biome of Tropical West Africa.

Figure 4 Example of Tropical West Africa

- Deforestation in the tropical forest biome of West Africa is in part driven by cocoa consumption in the UK and EU.
- The foundations for strong government-to-government partnerships already exist through a range of existing bilateral trade partnerships and national platforms addressing a range of commodities including cocoa across the region.
- Multi-stakeholder platforms with representatives from some of the world's leading cocoa suppliers are already committed to zero-deforestation.
- The desire for engagement and for sustainable trade exists and is being driven by producer countries.
- A number of the world's leading cocoa suppliers are already calling for stronger due diligence regulation in the EU recognising their efforts alone are not making enough progress.



Sustainable commodity import guarantee

There are a number of ways in which the price differential between sustainable and non-sustainable products can be rebalanced. For example, cheaper trade finance for sustainable trade can reduce the cost of sustainable commodities and can provide a powerful incentive for more companies to adopt sustainable practices and a

lever to embed processes that verify the sustainability of their supply chain. However, the trade finance market is a highly competitive global market, making it difficult for individual banks to offer meaningful price differentials in support of sustainable lending or investment.

Recommendation

The GRI recommends the Government creates a sustainable commodity import guarantee scheme in order to reduce the cost of trade finance for sustainable agricultural production.

The GRI recommends the UK Government introduces import guarantees to incentivise sustainable agricultural and forestry commodity imports over conventionally sourced commodities. Such a guarantee creates a cost differential for sustainable deals by reducing the 'risk weighted assets' (RWAs) that banks have to set aside with the Bank of England. This makes it cheaper for banks to provide trade finance for sustainable imports and this saving can then be passed onto sustainable borrowers (importers) in the form of cheaper trade finance.

The way in which the guarantee reduces risk also means that banks would be able to increase the volume of sustainable imports they could lend to at a given level of risk. For example, an 80% guarantee could potentially reduce the bank's RWA by five, meaning five times more could be lent.

In particular, the scheme provides banks added incentive to support smaller or less well rated companies because the guarantee makes a larger saving for companies that are deemed riskier.

The scheme would require the application of robust and operationally practical qualifying criteria. These would need to be developed but could build on existing sustainability certification regimes and best practices for demonstrating sustainable commodity sourcing (avoiding deforestation and land conversion). The scheme could in due course require importers to provide their company's report under a due diligence obligation (see Mandatory Due Diligence Obligation Recommendation). A reporting process should also

be included to ensure that banks pass the cost differential on.

Other relevant qualifying requirements for the import scheme could be set such that it would support:

- Verifiably sustainable commodities;
- Commodities that the UK does not already produce (e.g. palm oil, cocoa, rubber etc), so that it encourages a switch from conventional to sustainably sourced commodities and ingredients rather than driving new imports;
- Small and medium-sized enterprises as well as large corporate borrowers;
- UK incorporated companies meeting defined levels of overall credit worthiness.

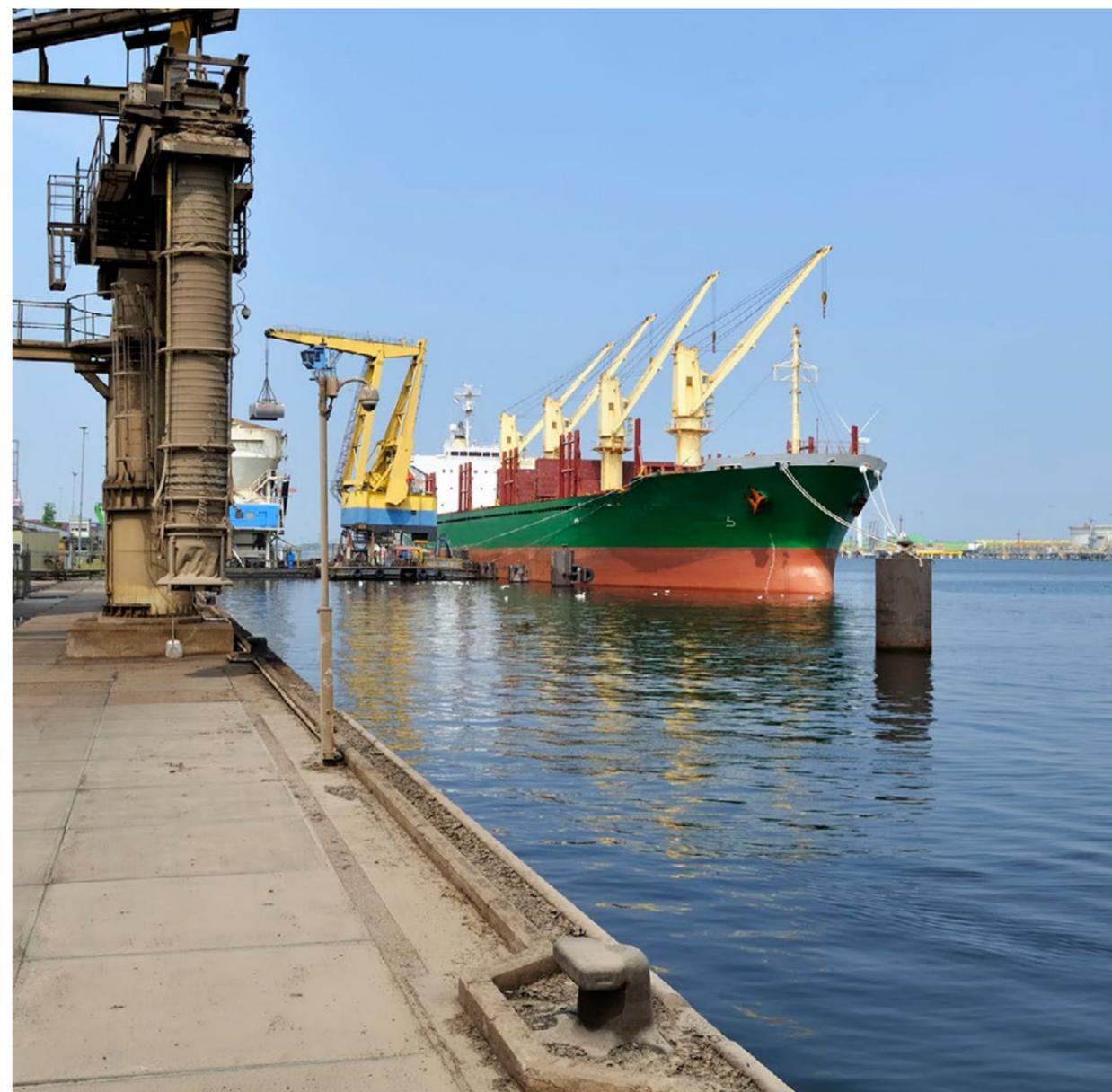
Operationally, the Banking Engagement framework of the UK Export Finance Short Term Schemes⁸⁵ could provide a good template to build and access the scheme.

The success and functioning of the scheme should be periodically reviewed against relevant metrics, and where appropriate, expanded to other products and industries.

How does the import guarantee work?

Under international banking regulations, when a financial institution lends money, an amount of capital known as 'risk weighted assets' (RWAs) must be held back by financial institutions in order to reduce the risk of insolvency if the loan fails. The extent of capital held back depends on how risky the lending activity is⁸⁶. Loans backed with government guarantees are considered to be less risky (or even zero risk) and so much less (or zero) capital has to be held back. This represents a financial benefit to the lending institution, and this improved return can be passed on to the client in the form of reduced pricing. In the case of the proposed sustainable commodity import guarantee, the benefit would only be applied to demonstrably sustainable commodities, so providing a financial incentive to choose a sustainable import.

A guarantee in this form has the benefit of not requiring direct subsidies from government and should not significantly cost government (for instance, UK Export Finance guarantees aim to be largely cost neutral to the government).



Strengthening high-integrity carbon markets

The scientific evidence clearly shows global carbon emissions must be dramatically reduced in order to meet the UN Paris Agreement targets and avoid runaway climate change. In response, the UK became the first G7 country to legislate for net-zero greenhouse gas emissions by 2050. Many more countries, and companies, are showing leadership through the setting time of bound 'net-zero' commitments.

Some use of carbon offsetting can accelerate global decarbonisation by providing a transition mechanism for hard-to-abate activities, reducing costs of implementing commitments and freeing resources to invest in activities that bring down emissions in a company's operations or supply chain.

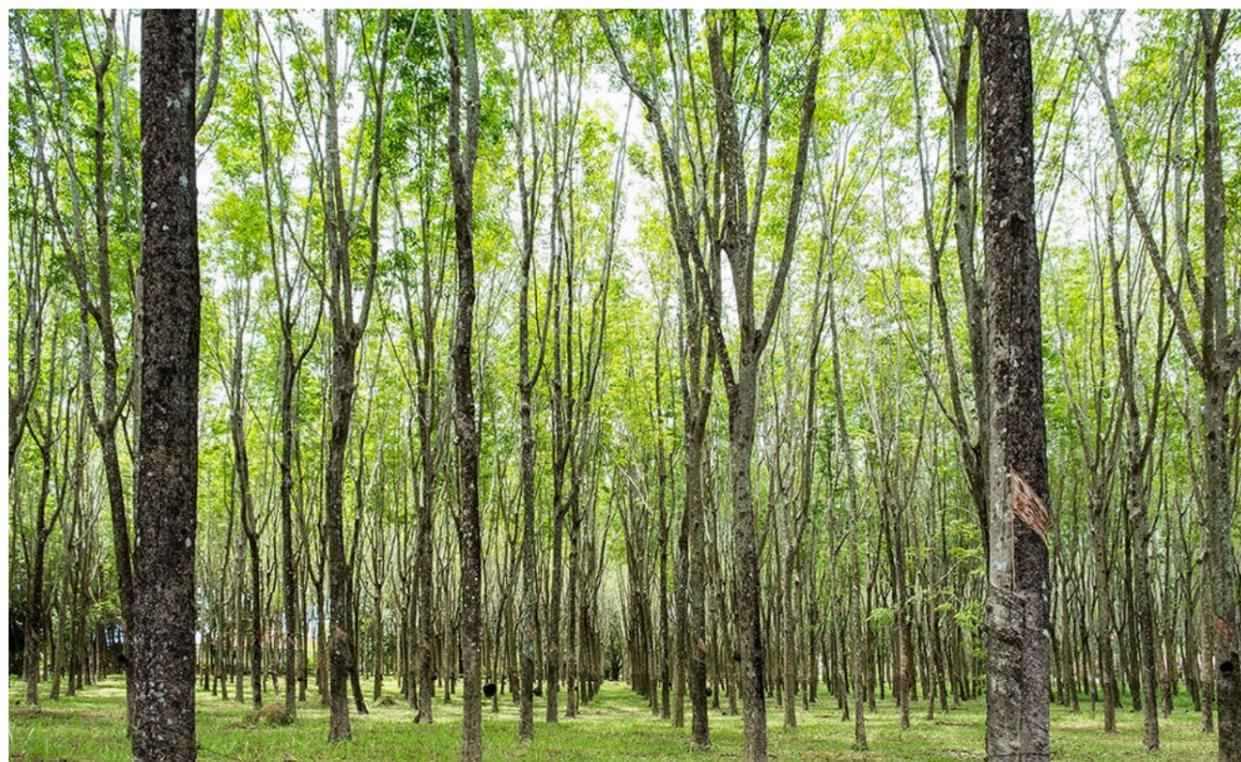
Projects that generate carbon offsets can have wider sustainable development co-benefits such as energy access and health or economic development.

Countries and companies that are transitioning to net-zero can help to stimulate and strengthen high-integrity carbon trading, for voluntary and compliance-based demand.

London can play a leading role, as a former hub of EU and global carbon trading, in enabling next-generation carbon markets which unlock finance to accelerate the transition to net-zero. There are divergent views concerning carbon markets and offsetting to be considered, and lessons to be learned from other 'forest carbon' projects and schemes including from the development of REDD+⁸⁷.

Well-functioning carbon markets must be underpinned by robust institutional frameworks. Securing agreement on the multilateral rules for international cooperation through Article 6 of the Paris Agreement at COP26 would add valuable clarity and give confidence to market actors.

Carbon markets can increase the value of standing forests and incentivise the planting and protection of forests through periodic financial payment for the carbon benefits they provide. In the future it may be possible to expand these markets to wider nature-based solutions^{88,89}, with payments for biodiversity, ecosystem services and other forest benefits. To date, however, forest carbon markets (both voluntary and compliance markets) have been very slow to emerge and to deliver promised financing, largely because of the weaknesses in governance and law enforcement prevalent in many forest-rich developing countries.



Recommendation

The Taskforce recommends that steps are taken to establish London as the global centre for high integrity carbon trading by:

- Commissioning an Advisory Group to accelerate expert discussions about next-generation carbon markets, learning lessons from existing UK and international initiatives, providing advice on principles, standards and measures for how to strengthen carbon markets and associated trading services and components
- Using the UK's COP26 Presidency to work towards agreement on robust compliance markets through the Paris Agreement;
- Providing support for building the supply of robust carbon credits (through capacity-building and learning lessons from existing UK and international initiatives) including high quality forest-based credits.

The UK should launch an Advisory Group with a view to establishing London as the global centre for high-integrity carbon trading. Drawing on expertise of the City of London, UK government, civil society representatives from the UK and producer countries, and leading international actors, the Advisory Group should advise how to:

- Develop the appropriate marketplace or exchange for credits, and other auxiliary services;
- Align with relevant international rules for trading carbon credits;
- Establish demand-side accountability, so that offsets are only used as part of a Paris-compatible decarbonisation, 'net-zero', transition strategy;
- Drive investment in the supply of "high-integrity" carbon credits. For forest carbon credits this includes meeting robust human rights and environmental integrity standards, including in particular minimum standards of forest governance and social safeguarding;
- Build transparency, trust and liquidity in carbon credit transactions;
- Consider how the carbon price could be stabilised to ensure the market is a valuable incentive for behavioural change, and to ensure that markets incentivise increased ambition, in line with the goals of the Paris Agreement;
- Unlock finance for high-quality forest and nature-based credits⁹⁰, which deliver additional non-carbon co-benefits and have strong social and biodiversity safeguards in place. For these types of credits, complementary mechanism(s) may be needed in order to ensure the equitable distributions of benefits among stakeholders on the ground. Any such proposals should take into account learnings on potential risks to forest communities.

To support the supply of high-integrity forest credits, the government should scale up existing support for the development, standardisation and implementation of international forest programmes which build capacity for the generation of high-quality carbon credits and ensure that these are underpinned by an effective carbon price. The UK government should also explore the potential for the UK-based Woodland Carbon Guarantee⁹¹ to be scaled and internationalised.

At the same time, improvements in forest governance are essential, and must be pursued through other measures, including bilateral partnership agreements discussed above (see Partnerships and Trade Recommendation).

During the development of this recommendation Taskforce members shared a wide range of views and full consensus was not reached. Some held that carbon markets for forests and nature-based solutions should never be an alternative for direct reduction of emissions whilst others held that carbon offsetting could have a role as part of an agreed decarbonisation transition strategy for hard-to-abate sectors.

Forest carbon projects should only be progressed with:

- Sufficient environmental and social safeguards in place, respecting human rights, and supporting rural livelihoods, including free, prior and informed consent (FPIC)⁹² and should not result in forced evictions of indigenous people;
- Appropriate benefit sharing mechanisms, to ensure that the finance generated genuinely delivers action on the ground to protect and restore forests and biodiversity.

The Taskforce recommends these challenges are appropriately considered by the Advisory Group as they consider whether and how to incorporate forests into carbon markets including learning from REDD+ and wider forest carbon projects.

Forest carbon lessons learned

Currently, forests and land-use are the only proven means of removing and storing atmospheric carbon dioxide at scale that can meaningfully contribute to achieving carbon neutrality. To meet the goals of the Paris Agreement, emissions from the forest and land-use sector must become a net sink of emissions. As a net sink, emissions credits could be generated to offset residual sources of emissions, including from harder-to-abate sectors.

A number of different kinds of carbon credits can be sold on voluntary and compliance carbon offset markets^{93,94}. Paying for forest-based carbon credits is a way of channelling finance into forest conservation⁹⁵, for planting/replanting forests (afforestation/ reforestation), avoiding forest conversion, improving forest management, and even potentially supporting truly sustainable agricultural practices such as redeveloping degraded land. If certified with an appropriately robust carbon, environmental and social standard, credits can be periodically issued for the emission reductions of the forest.

Forest-based carbon credits have been excluded from most major compliance carbon market opportunities in the past, including the EU Emissions Trading System⁹⁶. This is primarily due to carbon methodology, environmental integrity and social safeguard concerns

from policymakers and buyers, in particular, over deep-rooted governance and law enforcement issues. Building on experience of REDD+, which despite the delays in delivering to its potential, has helped to develop tools and refine methodologies to enable these risks to be mitigated and/or managed through some common controls for example:

- Addressing leakage (pushing deforestation into new areas) through wall-to-wall jurisdiction and landscape monitoring and accounting (though not all functions can or should be concentrated at this level) or by otherwise discounting for leakage risk;
- Addressing non-permanence and uncertainty of emission reductions (ERs) through buffer banks holding additional ERs;
- Addressing additionality (whether the action would have occurred without the payment) through conservative reference levels and robust registries and independent verification;
- Mitigating negative socio-economic impact risks associated with focussing on carbon outcomes in rural areas inhabited by poor and marginalised (including indigenous) communities through free, prior and informed consent (FPIC), robust safeguards and benefit sharing mechanisms.



Mobilise blended finance to channel capital to forests, farmers and communities at scale

Improved access to independent financial services can be highly enabling for rural smallholder farmers and for larger-scale farmers and the local supply chain. Whilst there are challenges in channelling and connecting global funding to farmers in the agricultural and forestry sectors, a number of successful blended finance deals have been structured⁹⁷ to drive this deployment. These deals and other demonstrations now need amplifying and mainstreaming.

Blended finance is the use of public or philanthropic capital to leverage and unlock private sector investment, which can then direct finance towards sustainable development projects. These kinds of structured deals create an investment vehicle that helps to balance the risk to return ratios and so allows organisations with different objectives to invest alongside each other while achieving their own objectives (whether financial return, environmental/social impact etc).

Government or donor finance may be used to de-risk the injection of private capital by providing a guarantee or 'first loss' protection. In doing so, the impact and scale of official development assistance or philanthropic money is multiplied. Having secured the funds, an agricultural or forestry-blended finance deal would typically be deployed to (and recovered from) rural farmers and communities via intermediaries and institutions who better understand local needs and requirements.

While the UK is a leading investor in climate finance and official development assistance for the forests and land-use sector, globally the sector only receives 1.5% of climate finance⁹⁸. There is a need for more innovative and catalytic vehicles and UK climate finance can help drive the flow of finance to this sector.

Official development assistance and other donor finance is also needed in order to support the transition to sustainable production, so helping to support stronger governance, land rights and land management practices.



Recommendation

The Taskforce recommends that the government launches a significant blended finance demonstrator facility and establishes a centre of excellence blended finance public-private collaboration in order to mobilise capital, at scale, in support of sustainable land-use, forest and livelihoods.

The Taskforce calls on the government to invest in a significant demonstrator facility, specifically structured to mobilise private capital at scale in order to support the recommendations set out in this Report. The proceeds of the fund or programme should directly support farmers and producers by investing in sustainable and resilient, production methods. Such a fund should:

- Be of sufficient scale – only then is it possible to make the level of cost savings, efficiencies, risk mitigations and economies of scale to allow the fund to offer sufficiently competitively priced financial services;
- Support capacity building by developing new financial infrastructure and lasting relationship networks;
- Include assurance and monitoring, and sustainability criteria relevant to the production region e.g. promoting production on non-deforested land, meeting specific environmental, development and human rights requirements (including FPIC), being gender inclusive and advising on farming or productivity methods. Consideration should be given to whether and how to include a recourse mechanism to raise and remedy significant concerns;
- Consider how the funding model could be replicated and applied for other commodities or geographies.

In addition to providing concessional capital or guarantees in support of the demonstrator facility, the government should consider whether specific official development assistance is needed in order to help build capacity and capability, e.g. by providing technical assistance (ODA) funding for education and agricultural training, to assist in the deployment of technology, or to otherwise support the development of appropriate governance or regulation (e.g. tenure rights, reform of financial sector regulations etc).

In parallel, the Taskforce recommends that the government establishes and resources a centre of excellence for blended finance public-private collaboration on land-use and forests. This should serve as an advisory council and a point of aggregation for blending public and private capital in order to support and promote the mainstreaming of these kinds

of instruments. It should also link with existing ODA channels and other schemes that provide supporting measures such as training, education and technical assistance to mobilise capital and deliver measurable outcomes.

Such a centre excellence collaboration could:

- Support pipeline development by building and sharing knowledge and guidance to financiers, including what can be done to scale, standardise and spread costs and risks in order to speed up the deployment of these kinds of financial instruments;
- Coordinate action between public and philanthropic investors and provide a more direct link between public funding and private investments – including providing a one-stop shop to reach relevant government and philanthropic actors;
- Facilitate between financiers and agricultural regions, addressing the gaps in capacity in emerging market institutions by building locally specific knowledge (including understanding needs and issues of farmers and communities) and developing networks of relationships with banks, aggregators, producers, government;
- Develop geographically relevant expertise across finance, sustainable land-use, agriculture and policy making, in order to better advise on potential opportunities;
- Learn lessons from previous models and experiences so as to better understand and address unintended consequences (including for forest communities) and include meaningful engagement with civil society organisations from UK and producer countries;
- Advise on wider regulatory, economic and other issues, such as how to reform local market financial regulation to support these deals and what is needed to improve capacity in local market institutions;
- Consider how blended-finance structures can be made, replicated and scaled through standardisation in order to mainstream and eventually establish mature investment pathways that meet standalone commercial risk-adjusted returns.

Accelerating change through innovation, tracking progress



The UK, as a global leader in science, research and innovation has an opportunity to support sustainable commodity production by accelerating the deployment of technological and data innovations on the ground. A robust framework for measuring and tracking progress, both against the actions recommended in this Report and the broader vision of the GRI will be essential.

Recommendations

- Scaling innovation
- A framework for monitoring and reporting

Introduction

Meeting the challenge of transforming our global food systems in the next decade requires technological, product and process innovation.

This innovation can support solutions across supply chains, from improvements in productivity to new tools to track and trace commodity ingredients.

Emerging artificial intelligence and other technologies of the 'fourth industrial revolution' present unprecedented potential to accelerate this change and develop new solutions for agricultural and forestry commodity supply chains but appropriate data governance will be key to avoiding the slowing down or inhibition of this innovation.

Innovation is also needed to develop, scale and deploy alternatives to current commodity products/ingredients,

for example alternative proteins for use in animal feed or oils in both food and non-food products, in order to reduce pressure to expand cultivation of these commodities.

The UK, as a global leader in science, research and innovation has an opportunity to accelerate the deployment of these innovations on the ground, to support sustainable commodity production and open up new green growth export markets.

Measuring and tracking progress against the actions recommended in this Report and the broader vision of the GRI will be essential. Data transparency and standardised frameworks for understanding supply chain information have been a barrier to progressing sustainability in this sector but can also be a transformative opportunity.

Scaling innovation

Technological advances and innovation are part of the solution to the development of more sustainable, resilient, productive and traceable commodity supply chains but further government support is required to help understand, co-ordinate and unlock these opportunities.

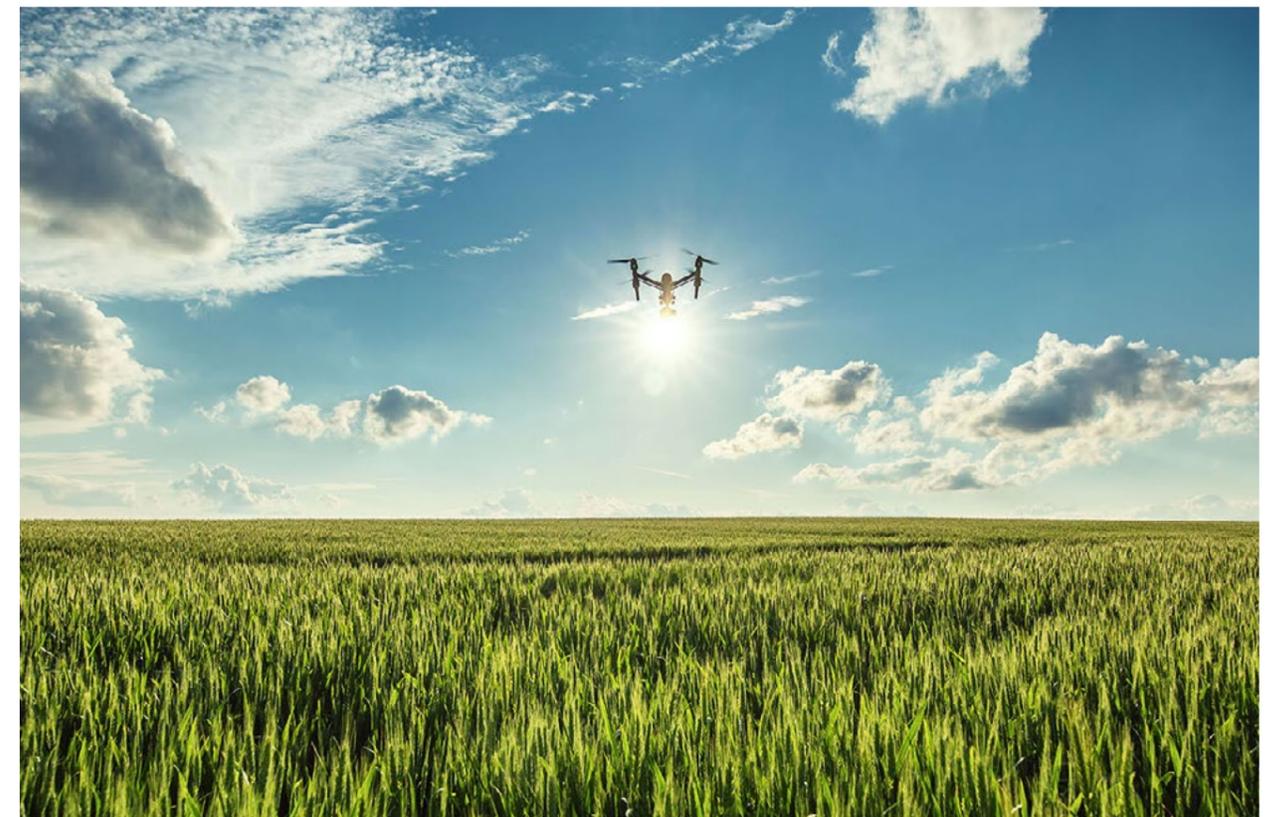
Innovation can support solutions across supply chains, through: improvements in productivity, crop yields and waste avoidance; providing new tools to track and trace products and ingredients; developing alternative sources of protein with lower environmental footprints; and mobilising capital and knowledge across supply chains in a way that enables farmers to take a greater share in the rewards of sustainable production. These innovations can help mitigate pressures on deforestation and land conversion but only if they are deployed at scale, where they are needed, and to the people who need them.

Exciting and potentially transformative innovation is occurring within the food and agricultural sector but there is a need, in particular, to address the challenges and resource requirements of scaling this from the lab to commercial application. The development of alternative proteins such as algae and insect proteins for animal feed, is a case in point. Technology and research has been tried and tested but solutions need regulatory

reforms and economic incentives to reach market viability and scale. It is essential to ensure that access to tools and technologies within supply chains, in particular to smallholder farmers, are accessible and affordable.

Data driven 'fourth industrial revolution' technologies – including artificial intelligence, 'big data', machine learning, geospatial mapping, automation and others – are improving our ability to track, trace, monitor, analyse and make efficiency or sustainability decisions (e.g. optimising agri-inputs and water use) and enabling the rewards of sustainable production practices to be more equitably shared within the supply chains, through blockchain and other data platforms⁹⁹.

Restrictions in access to data could slow down or inhibit innovation, particularly where the data is privately owned or where issues of national sovereignty may be at stake. There are also inefficiencies caused by the lack of standardisation in the way data is collected and stored, significantly impinging on the use of data and the development of new innovations. Further consideration of issues of data governance are needed in order to avoid the risk of data becoming 'privatised' rather than an enabling 'public good'.



Recommendation

The Taskforce calls on the Government to fund and support the scaling and commercialisation of technologies and innovations that can provide transformative solutions for more sustainable agricultural and forestry supply chains.

The Taskforce recommends that the government commit additional R&D and innovation funding to support the research and market viability stages of more sustainable, resilient, productive and traceable commodity supply chains, focusing on opportunities for scaling, commercialising and deploying later-stage development technologies for maximum impact. Potential areas to investigate include:

- Productivity improvements while protecting natural resources e.g. improved yields, improved sustainability credentials;
- Development of alternatives that mitigate land and resource pressures e.g. proteins or oils such as insect proteins or algal oils;
- Finance and tech. solutions to enable local benefit sharing and supporting 'on the ground' delivery;
- Improved tracking and traceability of products and ingredients;
- Further deployment of AI and other fourth industrial revolution technologies that directly reduce pressure on deforestation or deliver sustainability benefits.

To inform this, and as part of the government's Strategic Action Plan, the Taskforce recommends that the government undertake a comprehensive gap analyses of:

- Current academic, private sector and government research activity and existing R&D funding streams in order to assess the extent to which they are currently addressing deforestation and land conversion within commodity supply chains;
- Barriers and potential enablers to the market viability of existing and developing innovative solutions, including technologies, processes and economic incentives that can support their scalability, commercialisation and transformational potential.

In order to unlock and realise the full potential of fourth industrial revolution technologies within commodity supply chains the Taskforce recommends that the government consider further how it can work with other governments, technology developers, researchers and others at an international level on actions to ensure future access to data, for example through the development of international standards and protocols for how data is collected, stored and shared.

Monitoring and Reporting

A wide variety of initiatives, tools and platforms have been developed in order to help business and others assess and respond to environmental and social risks within agricultural and forestry commodity supply chains. Through these activities we already have some awareness of the UK's global 'imported deforestation' footprint and leading businesses have been able to develop a broad understanding of the human rights and environmental risks and impacts within their own supply chains and begin to take action.

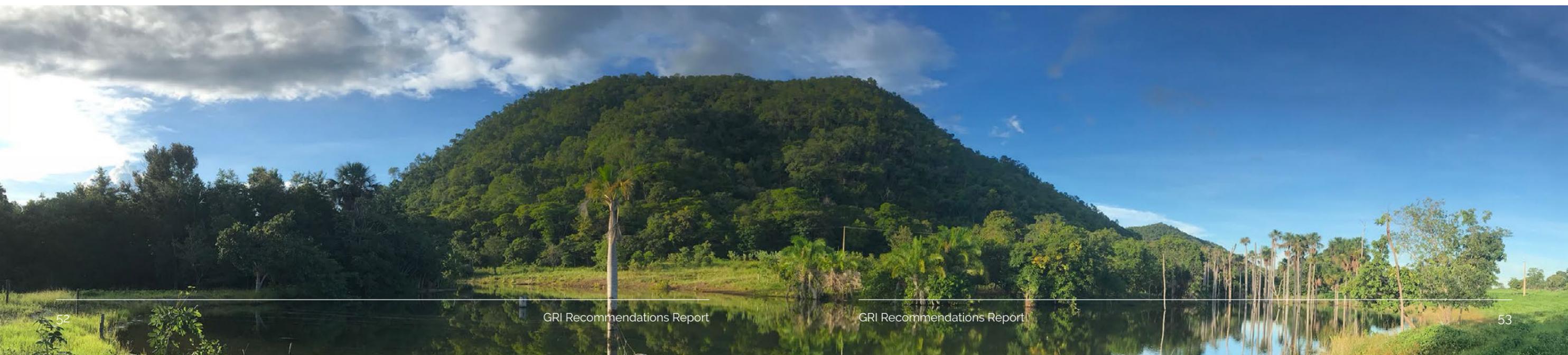
The Accountability Framework Initiative¹⁰⁰ (AFI), launched in June 2019, has helped to make sense of some of the complexities in this space, developing a framework through which companies can establish and implement their commitments in a more consistent and meaningful way, strengthening transparency and accountability. There is a need both to promote the take up of the AFI framework and to help business and others to practically apply its guidance.

There has also been progress to better understand the 'on the ground' impacts of agricultural and forestry commodity supply chains and how these might be measured, most recently through the on-going work of the Trade, Development and the Environment Hub ("TRADE hub")¹⁰¹, evaluating global agri-trade impacts on biodiversity.

Valuing the benefits that businesses and society receive from the environment as a natural 'asset' is central to the UK government's 25 Year Environment Plan¹⁰² and the work of the Natural Capital Coalition¹⁰³. There is an opportunity to consider the way in which businesses can measure and value their impacts and dependencies on natural capital¹⁰⁴ (through natural capital assessments) as a lever for driving change in commodity supply chains.

A number of challenges remain:

- To resource and create a robust monitoring and reporting framework, building on the work of the AFI, that a) supports business (including finance) to monitor and report in a consistent and comparable manner against the delivery of their own deforestation commitments and b) ensures that the UK can measure and track progress against the government's Strategic Action Plan including a prospective UK target to end deforestation;
- Provide a standardised framework of indicators for the measurement of the impacts of agricultural and forestry commodity production that are responsive to change, in order that the effectiveness of business and government interventions can be measured, compared and adjusted over time. This should include the development of stronger indicators for human rights, social equity and gender impacts within commodity supply chains;
- Better understand future dependency risks (e.g. on ecosystem services, future climate change effects) from deforestation and land conversion in order to enable business and finance to factor these longer-term risks into current decision making strategies and investment decisions;
- Align measurement, monitoring and reporting frameworks to minimise the burden on business and finance organisations in collecting and reporting data across national boundaries – e.g. working to align and build on EU efforts to 'support the availability and quality of information on forests and commodity supply chains'¹⁰⁵.



Recommendation

The government supports the development of a monitoring, measurement and reporting framework to support the implementation of the recommendations of the GRI, covering current and future commodity supply chain forest risk, impact and response, building on the core principles of the Accountability Framework Initiative (AFI).

The Taskforce recommends that the government works with academia, the private sector, relevant platforms and government research initiatives to support the development of a measurement, monitoring, and reporting framework. The framework should address risk (of deforestation and other relevant environmental and human rights impacts within supply chains), impact (of commodity production) and response (what actions companies and governments are taking to mitigate and avoid risks and impacts). The Taskforce recommends the following outputs:

Risk

- An updated and more comprehensive analysis of the UK agricultural and forestry commodity imported deforestation footprint should be developed (building on the 2017 WWF report 'Risky Business'¹⁰⁶) in order to confirm which commodities and Biomes/landscapes are most relevant to the UK and other key consuming countries. This would help to provide a baseline to inform the government's Strategic Action Plan and other recommendations within this Report in particular the development of a UK target to end deforestation, a due diligence obligation and the global call to action;
- Scenario modelling to better understand dependency risks (e.g. on ecosystem services, future climate change risks), from agricultural and forestry related deforestation/conversion, so as to engage and enable business and the financial investment community to factor these longer term risks into current decision making strategies and investment decisions.
- The Taskforce recommend the Task Force on Climate-related Financial Disclosures and the Network for Greening the Financial System ensure

that the impacts and carbon emissions associated with forests are appropriately included in the scenarios being developed so as to take account of this kind of dependency modelling.

Impact

- A set of indicators for measuring the impacts of agriculture and forestry commodity production in order that companies, sectors and countries can understand the impacts of their actions on the ground inform their approach. This will require an improved understanding of the impacts of agricultural and forestry commodity production on land-use change, biodiversity, water systems, etc. how these can be measured and if appropriate how these can be apportioned (e.g. the impact of UK footprint vs. wider global supply chains). The indicators should include human rights, social equity and gender impacts within supply chains.

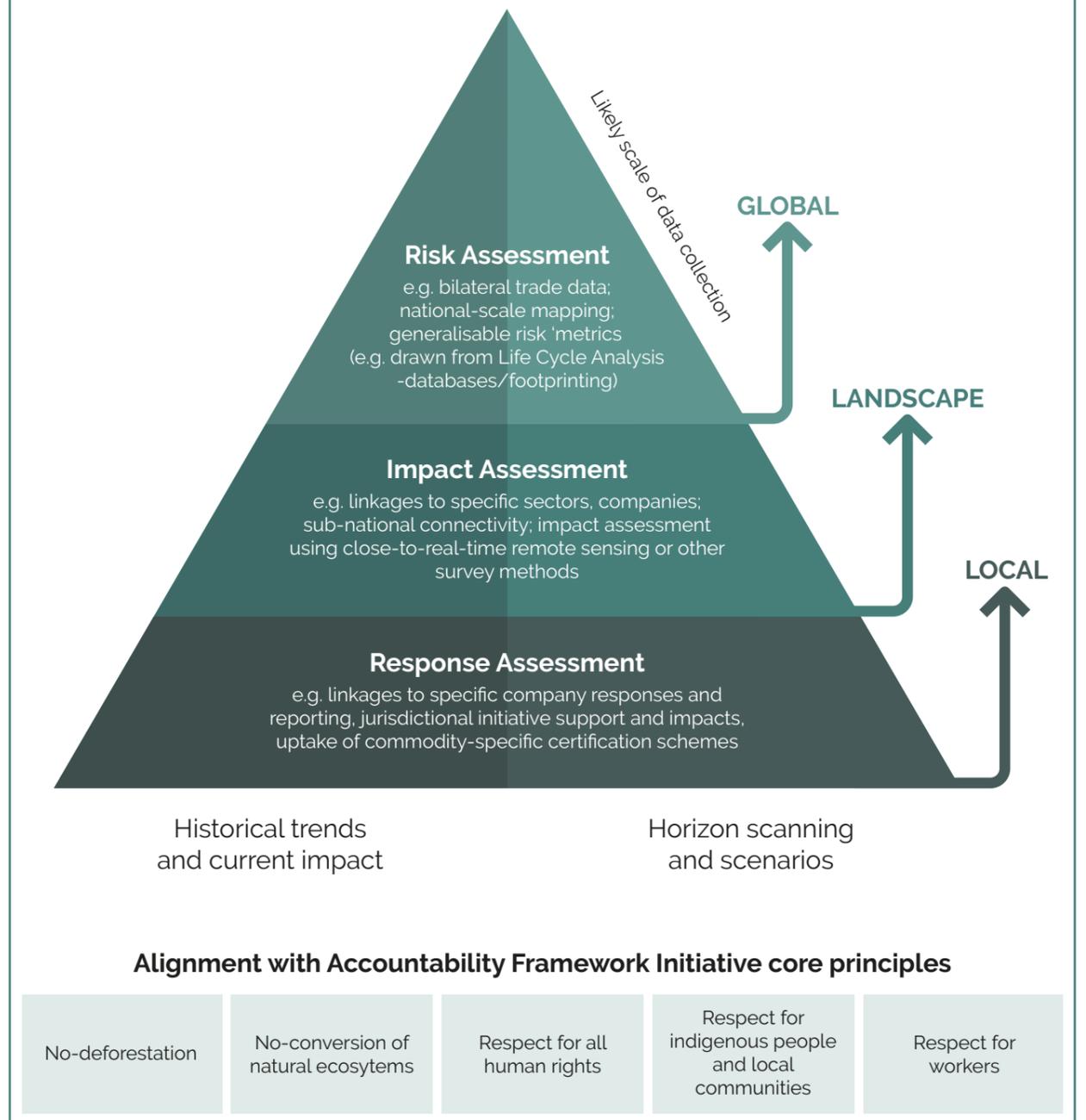
Response

- A framework for harmonised, consistent and robust monitoring and reporting of responses to commodity supply chain deforestation and land conversion risk and impact at a company, sector and country level, building on the existing AFI reporting framework. This would support business, including finance, to monitor and report in a consistent and comparable manner against the delivery of their own deforestation commitments. It would also underpin the delivery of the Strategic Action Plan and other recommendations within this Report – critically the delivery of a UK legally binding target to end deforestation and the mandatory due diligence obligation. The framework should enable a consistent comparison of business performance to drive greater transparency and accountability within supply chains.

Figure 5 opposite provides a conceptual representation of a potential framework for measurement, monitoring and reporting activities, based on the 5 pillars of the AFI framework and structured around the assessment of risk, impact and response, with indicative examples of potential data sources for each, that might be available at a global, landscape and local level. The framework would aim to draw on historical data and look forward through scenario modelling.

Graphic provided by Chris West, Stockholm Environment Institute, University of York.

Figure 5, Potential assessment framework



Reference notes

1. Deforestation is defined as loss of natural forest as a result of i) conversion to agriculture or other non-forest land-use, ii) conversion to a tree plantation or iii) severe and sustained degradation. Conversion is the change of a natural eco-system to another land-use or profound change in a natural ecosystem's species composition, structure or function. Deforestation is one form of conversion (conversion of natural forests)
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3. <https://www.cbd.int/>
4. <https://www.cbd.int/sp/targets/>
5. <https://www.gov.uk/government/publications/25-year-environment-plan>
6. <https://www.gov.uk/government/publications/global-resource-initiative-taskforce/global-resource-initiative-terms-of-reference>
7. <https://www.nationalfoodstrategy.org/>
8. <https://www.gov.uk/government/collections/the-economics-of-biodiversity-the-dasgupta-review>
9. <https://publications.parliament.uk/pa/cm201719/cmselect/cmenvfru/445/445.pdf>
10. <https://ipbes.net/global-assessment>
11. <https://www.ipcc.ch/reports/>
12. <https://www.pnas.org/content/114/44/11645>
13. <http://ec.europa.eu/environment/forests/pdf/KHO41819gENN2.pdf>
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17. https://www.forest-trends.org/wp-content/uploads/2014/09/doc_4719.pdf
18. <https://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2015/>
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21. <https://www.chathamhouse.org/sites/default/files/publications/research/2019-01-10-BentonFroggattWrightThompsonKing.pdf>
22. <https://www.wwf.org.uk/riskybusiness>
23. Some estimates of UK proportion of global demand for cocoa are nearer 5%, and paper and pulp nearer 4%.
24. <https://forestdeclaration.org/>
25. <https://ad-partnership.org/about/>
26. <https://www.efeca.com/our-work/national-initiatives-and-platforms/>
27. <http://businesscommission.org/our-work/valuing-the-sdg-prize-in-food-and-agriculture>
28. <https://forestdeclaration.org/images/uploads/resource/2019NYDFReport.pdf>
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30. <https://ad-partnership.org/>
31. <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>
32. https://ec.europa.eu/environment/forests/eu_comm_2019.htm
33. https://ec.europa.eu/environment/forests/eu_comm_2019.htm
34. <https://forest500.org/>
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36. FCA: <https://www.fca.org.uk/firms/knowning-customer-assessing-needs>
37. https://ec.europa.eu/environment/forests/eu_comm_2019.htm
38. <https://accountability-framework.org/>
39. <http://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>
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41. <https://www.fsb-tcfd.org/>
42. Defra, Procuring the Future: Sustainable Procurement National Action Plan: Recommendations from the Sustainable Procurement Task Force (2006), pp. 11 and 71.
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49. <https://www.nationalfoodstrategy.org/>
50. <https://www.chesterzoo.org/news/uk-cities-and-towns-join-sustainable-palm-oil-city-movement/>
51. <https://www.gov.uk/government/publications/resources-and-waste-strategy-for-england>
52. <https://www.gov.uk/government/publications/resources-and-waste-strategy-for-england>
53. <https://forestdeclaration.org/images/uploads/resource/2019NYDFReport.pdf>

54. The nine countries with which VPAs have been concluded are Cameroon, Central African Republic, Ghana, Guyana, Honduras, Indonesia, Liberia, Republic of Congo and Viet Nam (the VPAS in Guyana and Honduras have not yet entered into force). The six with which negotiations are ongoing or anticipated shortly to start are Democratic Republic of the Congo, Gabon, Lao People's Democratic Republic, Malaysia and Thailand. See <http://www.euflegt.afi.int/vpa>.
55. <https://redd.unfccc.int/>
56. <http://pci.mt.gov.br/>
57. <https://www.tropicalforestalliance.org/>
58. <https://www.proforest.net/en/programmes/africa/africa-palm-oil-initiative>
59. <https://www.worldcocoaoundation.org/initiative/cocoa-forests-initiative/>
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92. <http://www.fao.org/indigenous-peoples/our-pillars/fpic/en/>
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