

Response ID ANON-X5E1-ARTY-3

Submitted to Due diligence on forest risk commodities
Submitted on 2020-10-05 11:59:42

About you

1 What is your name?

Name:

[REDACTED]

2 What is your email address?

Email:

[REDACTED]@pilgrimsuk.com

3 What country are you based in?

Country:

United Kingdom

4 Would you like your response to be treated as confidential?

No

If you selected 'Yes' please provide your reason::

5 Are you responding:

On behalf of an organisation

About your organisation

1 What type of organisation are you responding on behalf of?

Large business (250 or more employees)

2 Please provide your organisation's name.

Insert organisation name:

Pilgrims Pride Ltd

About your business

1 Which sector best describes your business?

Agriculture, forestry and fishing

2 Where is your business headquartered?

In the UK

3 If your business is headquartered in the UK, please tell us where.

Where in UK:

Not applicable

4 If your business is headquartered overseas, please tell us in which country.

Country:

5 How many people does your business employ in the UK?

Over 1000

6 How many people does your business employ globally?

Over 1000

7 What is your business' annual turnover in the UK?

Over 1 billion GBP

8 What is your business' annual turnover globally? (assuming 1 USD = 0.7837 GBP)

1 billion up to 10 billion GBP

9 Which of the following forest risk commodities do you use in production or trade in the UK? Please tick all that apply.

palm oil, soya

10 Please list any other forest risk commodities you use in production or trade in the UK.

Other forest risk commodities used in production or trade in UK:

11 Do you currently have a system in place to ensure that any of the following forest risk commodities have been produced legally? Please tick all that apply.

none of the above

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

Other forest risk commodities you have a system in place to ensure they have been produced legally:

The use of Any Origin soya by pig producers in the UK and lack of transparent data makes it difficult for companies to develop systems to control, trace and verify whether forest and ecosystem risk commodities have been produced legally. There are significant grey zones where legality may not be ensured or even precisely and unambiguously defined. Land encroachment and other illegalities may gain passive and even active support from authorities in certain regions. The safest most consistent and verifiable way to avoid illegal deforestation/ conversion and human rights abuses in commodity supply chains is to avoid all deforestation and conversion by setting up a deforestation and conversion cut off date pertaining to all conversion, legal and illegal, through country wide, biome wide, landscape wide approaches such as the amazon soy moratorium and clear traceability behind this. Pilgrims Pride Ltd is committed to the sustainable use of Soya in our pig feed. Since 2017 we have committed to the purchase of RTRS credits relating to the soya used in diets of pigs within our own integrated supply chain.

At the end of 2019 we expanded this to purchase RTRS credits to cover soya used within the production of all fresh pork .

While important to focus on mechanisms to assure better management practices at the unit of verification, the past decade has shown that focusing on remediating individual supply chains through certification alone will not suffice to drive transformation at scale, global industry wide systemic change is needed. Certification alone cannot achieve this. The role of certification systems in this due diligence obligation has yet to be clarified, they can support risk assessment and mitigation but should not be the sole mechanism for due diligence as quality of systems and controls vary across verifications.

The scope of products listed are sufficient within the scope of this consultation . Given the inherent complexities involved with auditing the trails of these products alone, we do not feel it would be wise to further expand at this stage

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

Description of systems you have in place to ensure forest risk commodities have been produced legally:

A lack of transparent data throughout the supply chain makes it difficult for companies to develop systems to control, trace and verify whether forest and ecosystem risk commodities have been produced without deforestation (either legal or illegal). Many suppliers have supplier codes of conduct that require that raw materials have been produced with compliance with relevant laws but may lack the systems to verify that this has occurred. As above, Pilgrims Pride Ltd currently purchase RTRS credits to cover soya usage in our supply chain, we are actively engaged with other actors in the supply chain regarding our ability to move forward from the use of credits and towards other systems which will allow us to more effectively ensure that any forest risk commodity used has been produced legally, however this step requires involvement and buy in from all in the supply chain from farmers and other actors in South America through to retail customers. We currently source product from a number of different countries (by procuring Any Origin (AO) soya) each with a number of different regional and local systems of Government and legislation. Collating this information will be challenging in practical terms.

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

Please provide any further information about the systems you use to understand how forest risk commodities in your supply chain are produced:

Pilgrims Pride Ltd. are active members of the UK Round Table for Responsible Soya (UKRTRS) and sit on both the UKRTRS steering group and the UKRTRS working group for physical supply chains. We are signatories of both the Cerrado Manifesto Statement of Support, the Soya Transparency Coalition and the Amazon Soy Moratorium and are proactively involved in the production of annualized reports on the usage of soya in our supply chain. At present, even as industry leaders we are currently only able to confidently trace soya to a mill level.

Existing book and claim or mass balance models are offered by soy supply schemes which are bench marked under FEEFAC soy sourcing guidelines . This means that there is a documented system for demonstrating that soy purchased is compliant with the scheme claims. Many of these schemes carry zero deforestation criteria and these are recognized by the roundtable as meeting its objectives, however not all are recognized by all customers. Movement further forward from book and claim schemes are made difficult due to supply chain complexities. The UK is a relatively small player in the global soya market and single supply chains take feed out of multiple mills and suppliers. Forward movement by all actors within the UK protein supply chain on

forest risk commodities would ensure quicker solutions towards what should be a common goal. At the same time we must ensure that whilst this consultation focusses on UK based companies, Government cannot ignore due diligence on imported products with a forest commodity footprint. Such supply chains must also be included within the scope of this consultation and legislation should extend to those exporting product into the UK so as not to impose cost burdens solely on UK based farmers and supply chains.

About the proposal

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

Yes

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

Yes

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

Yes

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

Yes

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

Don't know

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

Other

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

Other:

Whilst we understand that the administrative burden of the reporting of due diligence related to the use of forest commodities may be easier for larger companies to undertake, we believe that there is a responsibility for all involved in the supply chain to both understand and act on due diligence. Turnover and employee number may not entirely relate to the volume or value of forest risk commodities and products which companies place within the UK market and we believe that this is an important factors when considering which companies the legislation should apply to. In relation to question 5, whilst we believe fines would help to support such legislative change we believe that there needs to be clarity on the framework around deforestation and conversion reporting and where within the supply chain such suggested fines would be borne. At which stage of the supply chain, from supplier through to end user would hold end responsibility for use.

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

Extent to which there are opportunities to align the proposal set out in this consultation with businesses' reporting under existing frameworks:

Large companies are already mandated to comply with Streamlined Energy and Carbon Reporting (SECR) and the Energy Savings Opportunities Scheme (ESOS). It should be feasible to have one clear system of accounting for upstream and downstream carbon/environmental impacts. While existing frameworks reporting on ESG provide some guidance to corporate and financial institutions, voluntary frameworks have not been sufficient to curb the rate of deforestation. As implementation has been low, existing voluntary mechanisms therefore have not developed consistent and comparable metrics and standards needed to achieve an objective like eliminating deforestation from supply chains and financing. This is true of the task force on climate related financial disclosures which were developed to identify material financial risks to the company, not illegality or company impact. Thresholds or "comply or explain" standards would also ultimately need to be removed in order to be effective.

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

Please provide any further information or comments in relation to this consultation:

We would welcome the integration of a mandatory due diligence obligation in the Environmental Bill that should be focused initially on those commodities that present the highest risk when it comes to both deforestation as well as the conversion of other natural ecosystems. Including within this obligation the additional elements below. Expand scope from conversion of natural forests only (deforestation) to conversion of all natural ecosystems. This due diligence obligation should systematically include both deforestation and conversion of other natural ecosystems – such as grasslands, savannas, wetlands and peatland – and irrespectively of whether they are protected by law in producer countries (see below). We urge UK government to focus on the broader concept of conversion as defined by the Accountability Framework: "change of a natural ecosystem to another land

use or profound change in a natural ecosystem's species composition, structure or function". This would ensure that any restriction to imported products linked to deforestation does not cause any increase of destruction of other natural ecosystems, from the same drivers (leakage). Deforestation is but one form of conversion (conversion of natural forests). Conversion includes severe degradation or the introduction of management practices that result in substantial and sustained change in the ecosystem's former species composition, structure, or function. Change to natural ecosystems that meets this definition should be considered as conversion and included in this due diligence obligation, regardless of whether or not it is legal.

Go beyond legality. It is critical to also address legal conversion (see definition above) in this due diligence obligation, and not to restrict its scope to illegal conversion only. Currently in Brazil a huge amount of land could be cleared legally on private properties under Brazilian forest law, affecting CO2 emissions and further impacting indigenous communities and wildlife populations, and it could even threaten the future productivity of areas currently under production. The problem that needs to be addressed is deforestation and conversion of other natural ecosystems (for instance through the lever of UK supply chains and UK-headquartered financiers), and not compliance with national laws in producing countries. A legality only approach would lock in business as usual behaviours and make it challenging to introduce more comprehensive due diligence measures within an appropriate timeframe given the urgency of the nature and climate crises. Whether land has been converted legally or illegally, this has the same effect on nature. What differentiates ecosystem conversion from the economic use and selective extraction of ecosystem products – including timber – is that the latter can support ecosystem restoration and protection when efficiently regulated. The impacts incurred by land conversion are in most cases largely irreversible (secondary ecosystems never really recover the richness and value of the primary ones) and where it causes the expulsion, exclusion and replacement of indigenous peoples and other local communities, can lead to the disappearance of unique cultures. The few existing protecting rules and policies in regions at high risk of conversion are often under pressure. Evidence shows that protected areas and other key protection mechanisms are being dismantled. A UK legal mechanism may not be able to require that companies maintain a higher level of stringency in these cases, without in fact creating risks of accusations of interfering in the sovereignty of producing countries. In implementing a due diligence law based on legality only, it may become complex to define what legality means and how to verify it accurately. In high deforestation and conversion areas, conflicts may be extreme and governance low. These areas may have higher levels of violence, corruption and threats on vulnerable populations, sometimes masked or even supported by a bureaucracy. A due diligence on legal compliance will have to rely on documental evidence, formalizing a "pro-forma legal enforcement", potentially reinforcing and covering up abuses and violations. This may in fact, create a huge risk to these populations and an uncontrollable liability to the companies themselves.

For all of the above and clear ethical reasons, a due diligence law must aim at eliminating the destruction of natural habitats and human rights abuses linked to UK imports, irrespective of their being formally addressed by relevant laws. Tools to detect impacts and measure progress exist, and can be strengthened and more widely adopted; so does a strong reference framework: the Accountability Framework. Due diligence mechanisms to verify the absence of deforestation and conversion from supply chains (which might include certification, jurisdictional approaches, collective commitments, moratoriums or biome-wide solutions such as the Amazon Soy Moratorium and the Cerrado Funding Coalition) would likely be safer, easier and less costly to implement across geographies than systems to ensure production is compliant with relevant local laws, as the latter will greatly vary in their stringency and level of enforcement.

Inclusion of human rights This due diligence law should also ensure no human rights violations in the supply chains of products placed on the UK market. Human rights violations include a wide array of possible violations including land-use rights, or workers' rights amongst others. For this legislation, the focus should be on and land use based human rights (respect of customary rights, free prior and informed consent (FPIC), conflicts with communities, benefit sharing, workers' rights, etc.).

Including the finance sector and institutions financing commodities Institutions that finance commodities should from the outset, be included in the mandatory due diligence obligation. For due diligence to be effective, it must cover the entire supply chain, which includes those financing actors involved in deforestation risk commodities.

Scope of application We disagree that employee number and turnover are appropriate criteria to select the businesses the legislation should apply to. This selection should follow a risk-based approach: companies first placing commodities/products on the UK market should assess the risk of having commodities/products in their supply chain that are linked to deforestation/ecosystem conversion and take measures to ensure that their risk is reduced to a minimum/negligent level. In alignment with this risk-based approach, the volume and value of forest risk commodities/products companies place in the UK market (more than employee number and total turnover) is of higher importance when considering which companies the legislation should apply to. Application of the law to larger companies only risks shifting the importation of illegal products to smaller companies. It would also not 'level the playing field', applying a mandatory requirement only to larger businesses, who are most likely to already be acting due to the reputational risk of being associated with products causing deforestation, whilst driving limited change in the practices of smaller business.

A time-bound statutory review process We welcome the proposal to include a requirement that 'government regularly review the law's effectiveness'. It is critical that this obligation include a time-bound statutory review process on its effectiveness. The process should include a specified timeframe and requirements (including an assessment of the effectiveness of the measure) and be fully transparent (e.g. the government should prepare a report into the review which must be laid in Parliament). The review should include public consultation and should seek advice from independent experts. The government should be required to tell Parliament what steps it intends to take in response to the review, and there should be a duty on ministers to set out how (in response to the review) they will ensure the progressive realisation of lawful, sustainable and transparent UK supply chains.

One part of a package of measures A strong and effective mandatory due diligence obligation should be included in the Government's 'landmark' Environment Bill as it is critical to fulfil government's ambitions for this legislation to be part of the UK's recovery and to help 'build a fairer, greener, more resilient future'. It should be noted that due diligence should form one part of a package of measures by which UK Government take action on deforestation/conversion and on reducing its global environmental footprint, as set out in the GRI Taskforce's recommendations. This should also include for example government funding and support for improved governance via bilateral or multilateral agreements and international collaboration to support producer countries towards a transition to sustainable production and to restore native vegetation where possible. See full GRI whilst this consultation focuses upon the role of UK based companies. government cannot ignore due diligence on imported products with a forest commodity footprint. a number of public commitments on food standard have been made by government which are very welcome however it would seem incongruous if they are not extendend to internationalafirms selling into the UK . any UK ligation should not impose cost burdens on UK produrers and firms if the same level of scrutiny is not required or enforced for international companies eporting to the UK. This has not been identified in the consultaition and we belive we are to make andy meaningful steps on deforestation it must be recognized within its scope.