

The financial costs to UK businesses to carry out due diligence for land conversion: legal versus gross conversion

Programme team: Food Commodities

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BACKGROUND

The UK Government is currently proposing a mandatory due diligence obligation on companies to monitor their agricultural commodity supply chains for deforestation risks, based on relevant producer country laws to protect forests and other natural ecosystems (see the UK's Government response to consultation and proposal [here](#)). Although such a move is welcome, the proposal falls short to address the UK's overall footprint associated with its commodity supply chains, especially in regions where the deforestation and/or land conversion risk is high and regulatory frameworks or enforcement mechanisms may be inadequate or under threat. WWF-UK is concerned that a legality-based mechanism will not deliver impact at the pace and scale needed and may even have deleterious effects in encouraging environmental deregulation in some producer countries.

WWF-UK is advocating for a more robust due diligence obligation that goes beyond legality, as well as for a range of complementary measures as outlined in the Global Resources Initiative taskforce recommendation to halt all legal and illegal conversion (including deforestation) in UK supply chains and reduce the footprint of the UK's commodity consumption and associated impacts overseas.

If the UK due diligence obligation indeed turns out to be based on existing legal frameworks in producer countries only, it is critical that companies in scope clearly perceive the added benefits of establishing due diligence systems that go beyond legality to address all deforestation and conversion of other natural ecosystems in their agricultural supply chains – in line with their own voluntary commitments.

THIS STUDY

In this study, WWF-UK is looking to compare the potential costs to companies in scope of the upcoming due diligence obligation to implement a system based on excluding illegal conversion versus excluding both legal and illegal conversion. Under the current proposal, companies would need to not only assess the amount of deforestation – and depending on producer country legislation, conversion of natural ecosystems – within their supply chains, but also to conduct an additional assessment to determine whether this deforestation and/or conversion is compliant with what may be complex and potentially poorly enforced national

and local laws in producer countries. Therefore, WWF-UK is looking to understand the extent to which monitoring for and excluding gross conversion may be more cost effective and practical for companies. In our direct engagements with UK companies and others under the scope of the legislation, WWF has the opportunity to influence how a due diligence system is implemented on a practical level. If indeed it is more practical and cost-effective for companies to monitor for and exclude both legal and illegal conversion from supply chains, there is a clear case to motivate companies to go beyond any minimum obligation to monitor for illegal deforestation only.

This study will be taking place alongside another parallel study already underway, which will compare the environmental impacts of implementing due diligence for illegal deforestation versus gross conversion (see Appendix at end of document).

WWF-UK requires both pieces of evidence to support its advocacy on reducing the UK's overseas footprint, including:

- The Environment Bill and due diligence obligation (and the details of the secondary legislation and complementary measures),
- Action to tackle deforestation and conversion in supply chains agreed via the FACT Dialogue in the run up to UNFCCC COP26,
- The implementation of the recommendations from the Global Resources Initiative (GRI) Task Force,
- Direct engagement with companies who will be in scope of a UK due diligence obligation.

STUDY OBJECTIVES

1. Buildings scenarios for most plausible due diligence systems: provide a detailed description of the key components of a credible due diligence system to monitor and address deforestation and conversion risk in commodity supply chains, including key variations for companies in different sections of supply chains (e.g. commodity traders/first importers, product manufacturers, retailers/food service companies). This section should take into consideration the initial thinking conducted in the parallel WWF-UK study (see Appendix). It may include a series of different scenarios depending on relevant criteria identified by the consultant. This should provide a clear illustration of the components and steps involved in the due diligence process from the perspective of companies in different stages of supply chains (from traders/shippers upstream to retailers and food service companies downstream).
2. Verify the extent to which it is more cost effective and practical for UK businesses to implement a due diligence system based on zero deforestation and conversion versus a system based on illegal deforestation according to producer countries' laws. This could be done for a single supply chain, single commodity or across all forest-risk commodities – the consultant proposals should advise on appropriate and feasible scale. The assessment of whether any deforestation/conversion detected is legal or illegal is presumably an additional layer of complexity in the due diligence process, bringing its own costs – the study should quantify this cost saving opportunity, in addition to the improved sustainability credentials of a commitment that encompasses all conversion – legal or illegal. Within this:

- a. Quantify (range) what it could cost for a company to implement and maintain a due diligence system based on environmental, human rights and land rights legislation in producer countries. Also quantify cost of remediation if in breach.
- b. Quantify (range) what it could cost for a company to implement and maintain a due diligence system based on gross conversion following the principles and guidelines of the Accountability Framework and using 2020 as the latest cut-off date acceptable¹ (after which no deforestation and conversion would be permissible). Also quantify cost of remediation if in breach.
- c. Indicate how far the cost of implementing a due diligence system (assessing risks of legal vs. illegal conversion) could vary with the size of a company (for example contrast cost to a trader/first importer with cost to a major UK retailer or to a smaller product manufacturer) and other relevant criteria to be proposed by the appointed consultant.

AUDIENCE AND OBJECTIVES

- Businesses under the scope of the UK due diligence obligation
- UK government officials (mainly DEFRA, BEIS) involved in policy development around trade of forest-risk commodities

This study has two key objectives, consisting in articulating clearly and convincingly the joint value proposal of (1) direct cost savings to businesses and (2) stronger evidence of action on deforestation (above and beyond legal minimum requirements).

OUTPUTS AND TIMELINE FOR DELIVERY

Bidders should clearly outline the deliverables and outputs which will be provided to WWF to meet the objectives stated above.

Expected outputs should include:

- Full data spreadsheets and graphs detailing the estimated costs of implementation of different due diligence systems – based on illegal deforestation only, illegal conversion only and gross conversion – including remediation costs
- Detailed report of 30-40 pages and summary (4-8 pages) including:
 - Context, detailed methods and assumptions
 - Description of the components of credible due diligence systems for key categories of companies (depending on their position in supply chains) – with a clear articulation of the key components and steps involved, broken down by relevant supply chain categories.
 - Presentation of costs of implementation of different due diligence systems (see above) and comparison between scenarios.
 - Detailed analysis, including insights on the implications of the results for nature and policy.

¹ Before 1st January 2020 the latest, as per Accountability Framework guidelines on cut-off dates

- Recommendations for key audiences, including UK companies and government officials.
- The summary should include the main findings and recommendations for key audiences.

Outputs should be delivered by no later than Friday 8th October 2021. WWF should receive all data collected and details of calculations carried out.

PROPOSALS SUBMISSION AND DEADLINE

Proposals should include:

- Relevant background of the supplier/consultant(s) involved including CVs of consultant(s) who will participate in the project.
- Organisation's mission and previous experience with similar projects.
- A detailed description of the proposed methods
- A detailed timeline and workplan for delivery by 8th October 2021. This should include details of deliverables and outputs required to meet the objectives stated above. The final format of outputs should also be mentioned (for example maps/infographics/short report).
- Cost estimate for the project to include the daily rate, the number of days/breakdown of cost by task/milestone. Please inform total costs before and after VAT. Please also include any applicable charity discounts you may offer.

The proposal should be no longer than 6 pages plus CVs and other information on the organisation's policies.

Proposals will be assessed using a selection of criteria, likely including fit to brief, previous experience, how quickly the work can be completed, value for money, robustness of proposed methodology.

Closing date to submit proposals: Friday 23rd July 2021

Project kick-off: Week commencing on Monday 26th July 2021

Final delivery: Friday 8th October 2021

Budget: Maximum GBP 30,000 (including VAT)

Submit proposals to: Mollie Gupta (mgupta@wwf.org.uk), Jessica Fonseca Da Silva (JFonsecaDaSilva@wwf.org.uk), Sabrina Goncalves Krebsbach (SGoncalvesKrebsbach@wwf.org.uk) and WWF-UK Procurement Team (procurement@wwf.org.uk).

APPENDIX: FURTHER INFORMATION ON PARALLEL WWF-UK STUDY

For many countries, the current national laws allow producers to legally deforest or clear native vegetation for agriculture, which can represent considerable carbon emissions, negative biodiversity impacts and loss of ecosystem services. In a piece of work currently underway in separate commission, WWF-UK is quantifying and comparing the environmental impacts of a due diligence obligation based on excluding illegal deforestation only, versus excluding both legal and illegal conversion.

The main aims of the assessment are:

1. The potential impacts on deforestation, land conversion, biodiversity and associated CO₂ emissions from land use change due to the UK global supply chains of forest-risk commodities from 2021 to 2030. This will provide two case studies for key producer countries, Brazil and Indonesia.
2. Estimation of potential impacts led by UK supply chains that would be allowed by the producer country laws, I.e. legal deforestation and conversion.

Expected Outputs:

1. An assessment of the area expected to be impacted by UK supply chains in Brazil and Indonesia, both overall and legally, between 2021 and 2030.
2. Provide insights taking into account the results of this assessment on the implications of the UK due diligence policy and other similar policies in other countries.
3. A full public facing report describing the context, detailed methods and assumptions, the findings, and a discussion on the implications for nature and policy. The report will include a brief executive summary containing the key findings and the main policy recommendations.