

Statement supporting the introduction of mandatory forest risk due diligence through the Financial Services and Markets Bill

May 2023

We, the undersigned financial institutions and representatives of financial institutions, **representing a combined total of £1.19 trillion in assets under management and advice**, write in support of the amendment to the Financial Services and Markets Bill tabled by Lord Randall, Lord Tunnicliffe, Baroness Boycott and Baroness Sheehan, and the introduction of a new mandatory due diligence obligation to prevent the financing of deforestation.

This was first recommended by the GRI Taskforce – the government’s own cross-sector body established to eliminate deforestation and improve the sustainability of UK value chains – in March 2020.¹ This was followed by a more detailed set of recommendations for how this could be achieved in May 2022.²

Under the Environment Act 2021, large companies will soon be required to establish a due diligence system to assess and mitigate the risk of using commodities produced on illegally deforested land in their UK commercial activities, reporting annually on their progress. We believe a similar due diligence system should also apply to the financial sector too, as Sir Ian Cheshire – the Chair of the GRI Taskforce – also recommended in his letter to the government published January this year.³ A similar due diligence obligation for financial institutions is under consideration in the EU, where a new law has been supported by civil society and parts of the financial sector.⁴

The UK financial sector directly and indirectly lends and invests billions of pounds in forest product value chains exposed to human rights and deforestation risk each year. Ensuring these financial flows contribute to – and do not undermine – our climate and nature protection goals is essential. Forests are vital carbon sinks and biodiversity hotspots, as well as home to indigenous communities, who preserve and defend climate-critical ecosystems. The Kunming-Montreal Global Biodiversity Framework makes clear that both public and private financial flows must be re-aligned with global climate and nature targets to halt and reverse biodiversity loss by 2030.⁵ The Glasgow Leaders’ Declaration on Forests and Land Use also saw over 140 countries commit to the reversal of forest loss and land degradation by 2030, including by aligning financial flows accordingly.⁶ Eliminating deforestation from the UK economy is key to this mission.

We believe that the introduction of mandatory due diligence is an essential enabler in efforts to eliminate commodity-driven deforestation from investment and lending portfolios, alongside the voluntary action already being undertaken by leaders in the financial sector.

¹ Global Resource Initiative Taskforce, ‘Final Report’, March 2020, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1087635/global-resource-initiative-finance-report-may-2022.pdf

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/876465/gri-taskforce-executive-summary.pdf

² Global Resource Initiative Taskforce, ‘Finance Report’, May 2022,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1087635/global-resource-initiative-finance-report-may-2022.pdf

³ Open letter from Sir Ian Cheshire to Baroness Penn, January 2023,

<https://www.globalwitness.org/en/press-releases/former-barclays-chair-and-head-government-backed-taskforce-deforestation-calls-new-financial-regulations-protect-forests-financial-service-and-markets-bill-debated-parliament/>

⁴ Open letter, “The inclusion of the financial sector in the [EU] Deforestation Regulation”, 2022,

<https://www.triodos.com/en/articles/2022/triodos-bank-supports-call-to-include-the-financial-sector-in-the-eu-deforestation-regulation>

⁵ UNEP-FI, “Global Biodiversity Framework and the finance sector”, <https://www.unepfi.org/nature/gbf-finance-sector/>

⁶ Glasgow Leaders’ Declaration on Forests and Land Use, <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>

Signatories

1. Bevis Watts, CEO, **Triodos Bank UK**
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3. Sophie Lawrence, **Rathbone Greenbank Investments**
4. Leon Kamhi, Head of EOS, **EOS at Federated Hermes**
5. Mike Barry, Director, **Mike Barry Eco Limited** (former head of Sustainability at M&S and member of the GRI Taskforce)
6. Nick Martell-Bundock, **Cafédirect** (and member GRI Taskforce)
7. Emily Fripp, **Efeca** (Emily Fripp & Associates Ltd), Secretariat of the GRI Taskforce