



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Baroness Sheehan,  
House of Lords  
London  
SW1A 0PW

25 May 2023

Dear Baroness Sheehan,

**FINANCIAL SERVICES AND MARKETS BILL: FORTHCOMING REGULATIONS TO BE MADE UNDER SCHEDULE 17 OF THE ENVIRONMENT ACT 2021**

Thank you for your contributions during the sixth and seventh Grand Committee debates on the Financial Services and Markets Bill on 1 and 7 March 2023.

You asked when the government will bring forward regulations requiring large companies to establish a due diligence system to assess and mitigate the risk of importing commodities grown on illegally deforested land, reporting annually on their progress.

As you know, the government has introduced world-leading due diligence legislation through the Environment Act 2021 to help tackle illegal deforestation in the United Kingdom's supply chains associated with the production of key forest risk commodities. Businesses in scope will also be required to undertake a due diligence exercise on their supply chains, and to report on this exercise annually. To ensure transparency, information about businesses' due diligence exercises will be published by a relevant

authority appointed by the government in 2023, to further tackle deforestation-linked finance.

The Department for Environment, Food and Rural Affairs ran a consultation from 3 December 2021 to 11 March 2022 to seek views on the details of regulations that will implement these Environment Act provisions, to ensure that these are designed effectively.

A summary of responses to this consultation was published on 1 June 2022, where the government committed to implementing due diligence provisions at the earliest opportunity through secondary legislation.<sup>1</sup>

These requirements are suitable for the real economy, but not for financial firms who are a further degree removed from real economy supply chains. However, the government is committed to addressing this important issue and, in seeking to address it, the government announced within its Green Finance Strategy that it will work with UK financial institutions, beginning with a series of Government-convened roundtables.

I am copying this letter to other Peers who spoke during the debate, and I am placing a copy in the Library of the House.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Baroness Penn', written in a cursive style.

**BARONESS PENN**

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<sup>1</sup> <https://consult.defra.gov.uk/international-biodiversity-and-climate/implementing-due-diligence-forest-risk-commodities/>