

## Leading financial institutions accelerate action to tackle commodity-driven deforestation and drive net zero progress

*Other financial institutions should respond to the imperative to act*

- **Finance Sector Deforestation Action (FSDA)** members act to eliminate commodity-driven deforestation from portfolios and drive progress towards a net zero, nature-positive economy.
- FSDA members publish shared [investor expectations](#) for companies, step up engagement activity and work with policymakers and data providers.
- Pan-African investment company SouthBridge Group, Banco Estado de Chile, GAM Investments and London CIV join FSDA.
- Most other financial institutions with climate commitments are [not yet appreciating](#) deforestation risk and have not yet heeded the [GFANZ co-Chairs' call to action on deforestation](#).

COP 27, Sharm El Sheikh, November 7th 2022

Leading financial institutions from Japan to Norway to Brazil, all signatories to the Financial Sector [Commitment on Eliminating Commodity-driven Deforestation](#) (the 'Commitment'), including Aviva plc, AXA, Bancolombia, Boston Common Asset Management, Church Commissioners, Generation Investment Management, Impax, JGP (Brazil), LGIM, Schrodgers and Storebrand have been moving forward with implementation as the **Finance Sector Deforestation Action (FSDA) initiative**.

Ending deforestation is essential for achieving net zero targets, and the FSDA is focused on using engagement and active ownership to eliminate deforestation (by 2025) from the agricultural soft-commodities tied to the lion's share of impacts - beef, soy, palm oil, pulp and paper - as part of the global transition towards sustainable production.

For example, FSDA members recently developed and published [shared investor expectations](#) that they are now using in connection with stepping up engagement with companies on increasing actions that address their deforestation impacts, assess their deforestation risk exposures, transform their supply chains to eliminate deforestation impacts, and disclose on their deforestation risk exposures, impacts and progress.

Other actions taken by FSDA members include adopting and publishing deforestation policies (for example [Aviva](#) and [Impax](#)) and engaging with major data providers to call for issuer-level data on deforestation risk exposure and management.

**Michelle Scrimgeour, CEO, LGIM**, said: "We were delighted last year to be part of a leading group of investors committing to address commodity-driven deforestation within investment portfolios. Deforestation is a priority: forests are both a vital carbon sink and

an important home for nature and we believe the interdependencies between nature and climate are of critical importance. Over the past year, as a member of the Finance Sector Deforestation Action group, we have made significant progress – set investor expectations and initiated targeted corporate engagements to drive action. For LGIM specifically, we have taken actions which include committing to a deforestation policy; reaching out to 300+ companies with deforestation risk exposure, and advancing efforts to integrate deforestation risk considerations across our investment process.”

**Olga Hancock, Deputy Head of RI at Church Commissioners for England**, said:

“It’s vital that we solve deforestation to help counter the climate crisis. Addressing soft commodity driven deforestation plays a pivotal role in addressing this widespread, global issue. The financial sector plays a critical role in ensuring soft commodities are sourced sustainably, without driving deforestation further. Through this collaborative effort, the financial community can take a vital step in making this change happen, and ensuring the world’s rainforests are protected.”

**Hans Mehn, Partner, Generation Investment Management**, said: “Working to find ways to keep forests standing, hand in hand with sustainable development, is critical and urgent. It is also a business imperative, as it is not possible to reach net zero without tackling deforestation. The Glasgow Leaders Declaration, emerging legislation in the EU and UK, consumer expectations and regulatory frameworks on the horizon have all added further momentum for the action we need. The investment community must work together on this complex challenge – we view the FSDA not as a new commitment, but rather as an important avenue for action for our Net Zero and broader sustainability goals.”

Many financial institutions that are part of FSDA are also members of the Investor Policy Dialogue on Deforestation (IPDD) and have been engaging with public agencies and industry associations in Brazil and Indonesia, as well as with Consumer Countries such as EU, UK, and in 2023 will engage with US and China, to encourage adoption and implementation of regulatory frameworks that ensure protection of natural assets, including forests, and human rights.

**Jan Erik Saugestad, CEO, Storebrand Asset Management**, said: “We are encouraged by the progress that has been made over the past year - both in terms of our collective progress with FSDA and in our related dialogue with governments. A tightening policy environment means mandatory regulation is fast becoming an inevitability - financial institutions have no choice but to make action on deforestation a priority from a fiduciary duty and risk management perspective.”

Throughout the year, FSDA members have worked to amplify the need for collective, industry-wide financial sector action on deforestation, convening large numbers of financial institutions at events including both [London](#) and [New York](#) Climate Weeks.

FSDA members are also already increasing investments in nature-based solutions (NbS). For instance, [Schroders](#) and Conservation International partnered to increase investment in nature-based solutions, establishing Akaria Natural Capital, a dedicated natural capital impact investment manager. [AXA](#) has partnered with Unilever and Tikehau Capital to create an impact fund dedicated to investing in projects and companies supporting the regenerative agriculture transition. The three entities have committed to investing €100 million each in this initiative. [JGP](#) is developing new investment theses based on active ownership with companies that need to accelerate their transitions to zero deforestation models, in addition to having developed, together with WWF, a new conceptual fund for investments in agroforestry and productive restoration.

New signatories adopting the [Commitment](#) and thereby joining FSDA in 2022 include SouthBridge Group, the first African financial institution to join the initiative, Banco Estado de Chile, London CIV and GAM Investments.

**Dr. Frannie Leautier, CEO, SouthBridge Group**, said: “At SouthBridge it is in our DNA to find solutions to the challenges we face. Africa is the last continent in the world with contiguous forest. We are focused on creating innovative financing solutions, specialized funds and tailored products to reforest, develop sustainable agroforestry and scale nature-based solutions.”

While FSDA members have made progress towards eliminating deforestation, most financial institutions with climate commitments are still [not yet appreciating](#) deforestation risk, and have not yet heeded the [GFANZ co-Chairs’ call to action on deforestation](#) to embed deforestation into their net zero transition planning. Net zero targets cannot be met without addressing deforestation, and all financial institutions are encouraged to join and work with FSDA to benefit from the collective action underway.

## **FURTHER QUOTES**

**Eugenie Mathieu, Earth Lead, Aviva Investors**, said: “FSDA has brought together a committed group of institutions focused on using their knowledge, experience and influence to drive progress towards deforestation-free supply chains and scale investments in nature-based solutions”.

**Lauren Compere, Head of Stewardship & Engagement, Boston Common Asset Management**, said: “The past year has seen a significant collective effort from members of FSDA, who are leading the charge towards eliminating deforestation from portfolios

and driving the transition to sustainable commodity production. Already, we are putting our shared investor expectations into action to drive impactful, collective global engagement with the potential to create lasting change".

**Jose Pugas, Partner & Head of Responsible Investments and Engagement at JGP Asset Management**, said: "In Brazil we are on the frontline of deforestation. With so many of our population engaged in the agricultural commodity sectors we have no choice but to act with urgency. Finance Sector Deforestation Action is focused on driving a sustainable and just transition for developing and emerging market economies as an integral part of efforts to concurrently tackle climate change, biodiversity loss and food security. Moreover, we believe that achieving zero-deforestation across our portfolios is consistent with our fiduciary duty to act in the best long-term interests of our investors, beneficiaries and clients."

**Chris Dodwell, Head of Policy and Advocacy, Impax Asset Management**, said: "The investor expectations developed by FSDA members build on important existing work to distil a concise and clear set of asks for companies with material deforestation risk exposure."

**Ulrike Decoene, AXA Chief Communications Brand and Sustainability Officer**, said: "Deforestation, one of the main causes of biodiversity loss and carbon emissions, represents a double loss for the climate because forests are the greatest contributors to carbon capture. AXA has been a pioneer in adopting restrictions on unsustainable palm oil operations to protect stressed ecosystems in 2013, and strengthening exclusions for activities that actively contribute to deforestation in 2021, in line with the Commitment letter. Furthermore, AXA has announced an additional investment of 1.5 billion euros to support sustainable forest management, including 500 million euros in reforestation projects in emerging countries, enabling a total of 25 megatons of CO2 to be captured each year."

**ENDS**

### **Notes to Editors**

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### **About The Financial Sector Commitment on Eliminating Commodity-Driven Deforestation (the 'Commitment')**

Over 30 financial institutions with a combined AUM of more than US\$ 8.9 trillion have committed to use best efforts to eliminate agricultural commodity-driven deforestation (for palm oil, soy, beef, pulp & paper) from their investment and lending portfolios by 2025. This is a critical step towards reversing deforestation globally and aligning the financial sector with a Paris Agreement-compliant 1.5°C pathway.

The Commitment focuses on using engagement and active ownership to encourage, support, and enable the transition away from high deforestation-risk agricultural commodity supply chains and towards sustainable production.

Signatories include: ACTIAM; AP2; Australian Ethical Investment; Aviva plc; AXA Group; Boston Common Asset Management; Church Commissioners for England; Church of England Pensions Board; Comgest CPEG; Domini Impact Investments LLC; East Capital Group; Fidelity International; GAM Investments, Generation IM; Grupo Bancolombia; Impax Asset Management PLC; International Business of Federated Hermes; JGP Asset Management; Legal and General Investment Management (LGIM); LGPS Central Limited; Lombard Odier; London CIV, Menhaden PLC; NEI Investments; NN Investment Partners; Robeco; Schroders; SCOR SE; Skandia; Sparebank 1 Forsikring; Storebrand Asset Management; SouthBridge; Sumitomo Mitsui Trust Asset Management; TCI Fund Management Ltd; The Local Authority Pension Fund Forum.

### **About Finance Sector Deforestation Action (FSDA)**

FSDA is the group of financial institutions, all signatories to the Commitment, working to accelerate action to tackle deforestation whilst increasing investment in nature-based solutions (NbS).

FSDA members have the support of the Finance and Deforestation Advisory Group, who are focused on helping signatories to meet the Commitment. The Group provides ongoing advice and support on data, tools and best practice.

### **About the Finance and Deforestation Advisory Group**

The Finance and Deforestation Advisory Group includes: High Level Champions for Climate Action Team, Nature4Climate Coalition, Global Canopy, Conservation International, Global Optimism and WEF Tropical Forest Alliance.

As part of its efforts to help signatories meet the Commitment, as noted above, the Finance and Deforestation Advisory Group also works to support and facilitate success by promoting connectivity to complementary efforts such as Nature Action 100+, CA100+, TNFD and SBTN.

