

# FIGHTING DEFORESTATION

## OVERVIEW OF THE STRATEGIES OF THE PARIS FINANCIAL MARKET



**INSTITUT  
DE LA FINANCE  
DURABLE**

PARIS EUROPLACE

# EDITORIAL

Financial players have a key role to play in achieving our common goal of ending deforestation caused by unsustainable agricultural or forestry practices. To achieve this, insurance companies, banks and asset managers are increasingly committed to more effectively measuring and reporting the indirect impact of their activities on tropical forests. The assessment of deforestation risks in financial portfolios must be able to ultimately result in a redirection of investments and a withdrawal from activities that contribute to forest degradation.

In these assessment and action endeavours, dialogue with stakeholders is a key lever.

The European deforestation and forest degradation regulation (EUDR) is a fantastic opportunity to rise to this challenge. From 2025, this new framework will require companies selling wood, rubber, soy, palm oil, beef, coffee and cocoa, and some of their derived products within the European Union to carry out due diligence to ensure that their products have not had a negative impact on forests. Transparency and traceability, which are central to this regulatory system, must now become the norm.

Financial players also have a responsibility to promote and support the emergence of supply chains that do not contribute to deforestation, in accordance with France's National Strategy to Fight Imported Deforestation.

This report from the Sustainable Finance Institute highlights the proactive approaches, commitments, and policies of French financial market players that are at the forefront of anti-deforestation efforts. To genuinely redirect procurement strategies, these initiatives must be consolidated and become widespread, supporting the sustainability of financial products. To deliver this, the mobilisation of players on the Paris financial marketplace must further develop, and we will be by their side.



**Thomas Lesueur,**  
Commissaire General for Sustainable Development  
  
French Ministry for the Ecological Transition and  
Territorial Cohesion

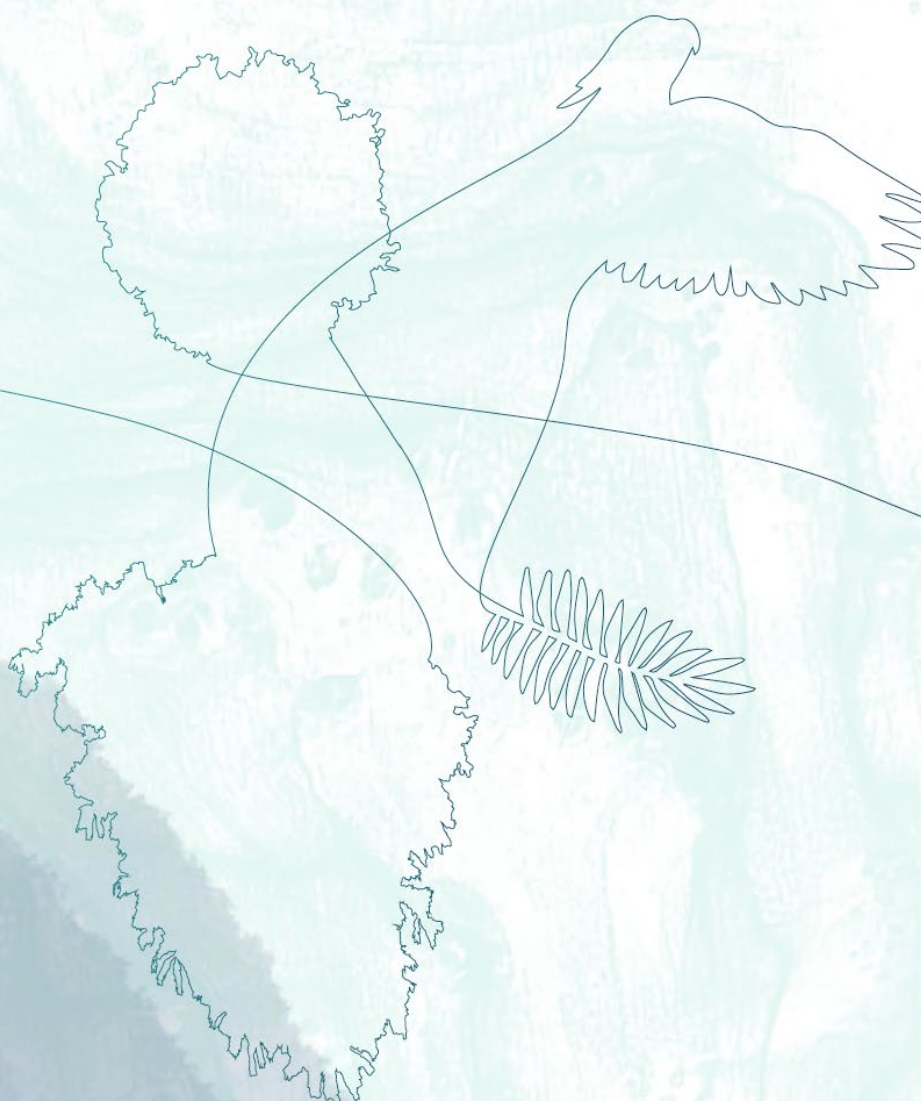
FIGHTING DEFORESTATION  
OVERVIEW OF THE STRATEGIES  
OF THE PARIS FINANCIAL MARKET

# CONTENTS

4	<b>SUMMARY</b>
11	<b>PART I</b> <b>DEFORESTATION – INCREASINGLY ROBUST REGULATION ON THIS ENVIRONMENTAL AND ECONOMIC ISSUE</b>
12	A. DEFORESTATION – AN ENVIRONMENTAL AND ECONOMIC ISSUE
18	B. A REGULATORY FRAMEWORK TO FIGHT DEFORESTATION
21	<b>PART II</b> <b>LEVERS OF ACTION FOR THE FINANCIAL SECTOR</b>
22	A. THE CHALLENGES AHEAD
24	B. LEVERS TO BOLSTER A STRATEGY TO FIGHT DEFORESTATION
36	<b>PART III</b> <b>OVERVIEW OF THE FINANCIAL STRATEGIES TO FIGHT DEFORESTATION ON THE PARIS FINANCIAL MARKETPLACE</b>
37	A. CROSS-SECTIONAL ANALYSIS OF FINANCIAL INSTITUTIONS' POLICIES
40	B. INSURANCE COMPANY INITIATIVES AND THEIR INVESTMENT BRANCHES
44	C. ASSET MANAGER INITIATIVES
50	D. BANK INITIATIVES
58	<b>APPENDICES</b>
59	APPENDIX 1 INTERGOVERNMENTAL COALITIONS INVOLVING FRANCE
60	APPENDIX 2 PLAYERS SPECIALISING IN FIGHT DEFORESTATION
62	APPENDIX 3 DATABASES USED TO TRACK DEFORESTATION EXPOSURE
69	BIBLIOGRAPHY

FIGHTING DEFORESTATION  
OVERVIEW OF THE STRATEGIES  
OF THE PARIS FINANCIAL MARKET

# SUMMARY



Forests play a major environmental role. Firstly, they help to mitigate climate change by currently storing **half of the planet's greenhouse gas (GHG) emissions** and, secondly, they act as **biodiversity reservoirs by housing over 80% of the earth's species of animals, plants and insects**<sup>1</sup>.

However, **between 1990 and 2020, the equivalent of 10% of the world's forests disappeared** – i.e. 420 million hectares, an area greater than the European Union<sup>2</sup>.

Protecting them and fighting deforestation are therefore key to maintaining their ecosystem services<sup>3</sup>.

## **DEFORESTATION – A CLIMATE, ENVIRONMENTAL AND ECONOMIC CHALLENGE**

With annual induced emissions<sup>4</sup> of around 8 GtCO<sub>2</sub>eq., **deforestation accounts for approximately 15% of greenhouse gas emissions at a global level**<sup>5</sup>. In addition, while **habitat destruction is the main threat to biodiversity**<sup>6</sup>, deforestation is also a determining factor in accelerating biodiversity loss and also threatens the rights of indigenous populations.

Deforestation also involves two types of major economic and financial risks:

- **physical risks**, caused by the loss of ecosystem services provided by forests;
- **transition risks**, such as regulatory, market or reputational risks. In general, these risks are linked to the costs and frictions associated with the transformation of sectors whose activity is initially based on deforestation.

**Regarding the physical risks associated with deforestation, some sectors exposed to it are directly dependent on forest resources or the ecosystem services the forest provides.** For example, in the pharmaceutical industry, 25% of the drugs used in modern medicine are derived from tropical forest plants<sup>7</sup>.

1 World Bank, [Atlas Deforestation: Accelerating climate change and threatening biodiversity](#).

2 Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 (EUDR), published in the Official Journal of the EU on 9 June 2023.

3 **Ecosystem services provided by biodiversity at a global level are essential for economic activity (US\$125-140 trillion per year, more than one and a half times global GDP according to the OECD, 2019).** OECD, *Global overview of biodiversity finance instead of "Biodiversity: Finance and the Economic and Business Case for Action"*, 2019.

4 Average over the 2001-2019 period, see Harris, et al. Global maps of twenty-first century forest carbon fluxes. Nat. Clim. Chang. 11, 234-240 (2021). [doi.org/10.1038/s41558-020-00976-6](https://doi.org/10.1038/s41558-020-00976-6)

5 Based on 2022 total global emissions according to the [EDGAR](#) database

6 Habitat destruction being the main threat to biodiversity, see WWF, Living Planet Report 2020 – Bending the curve of biodiversity loss.

7 See *Nature Risk Rising Why the Crisis Engulfing Nature Matters for Business and the Economy* World Economic Forum & PWC, 2020.

Meanwhile, reducing dependence on deforestation creates transition risks. As such, the agricultural sector, which generates 90% of deforestation worldwide, is the most exposed to these transition risks<sup>8</sup>.

Through the financing they provide to companies linked, directly or indirectly, to deforestation, **financial institutions** such as insurance companies, asset managers and banks **are also exposed to these risks** and must be able to incorporate this issue into their decisions.

**This report focuses on financial players' exposure to deforestation activity and on the strategic levers that can be implemented to reduce this exposure.**

## **A REGULATORY FRAMEWORK AIMED AT FIGHTING DEFORESTATION IS CONSOLIDATING**

In recent years, France has positioned itself as a pioneer in fighting imported deforestation.

In 2018, it adopted a **National Strategy to Fight Imported Deforestation (SNDI)**<sup>9</sup> in order to play its part in fighting the exacerbation of deforestation. Its goal is to end the import of forest or agricultural products that contribute to deforestation abroad by 2030, particularly in the cocoa, rubber, soy, palm oil, wood, beef and by-products sectors.

The revision of the SNDI in 2024 will include elements to promote the consideration of the fight against imported deforestation by French financial players.

At the same time, the European Union has adopted **the European Union Deforestation-Free Products Regulation**<sup>10</sup>, which came into force on 30 June 2023. This consists of prohibiting the marketing of goods and products derived from several raw materials (cattle, cocoa, coffee, oil palm, soya and wood or products derived from them such as leather, chocolate and furniture), if these materials come from deforested land or degraded forests. The parties concerned are responsible for conducting an audit to ensure compliance with these provisions. A revision of the regulation is planned for 2025 and could directly integrate financial institutions.

8 FAO, [State of the World Forest](#), 2022.

9 French Ministry for the Ecological Transition and Territorial Cohesion, "[The National Strategy to Fight Imported Deforestation \(2018 - 2030\) \(SNDI\)](#)", 2018.

10 [Regulation \(EU\) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation \(EU\) No 995/2010 \(EUDR\)](#), published in the Official Journal of the EU on 9 June 2023.

## OBJECTIVE OF THE REPORT – OVERVIEW OF BEST PRACTICES

In this general context of growing risks and more robust regulatory frameworks, the Sustainable Finance Institute is taking a strategic approach to reduce its members' exposure to deforestation. This report is intended to serve as a tool for players by providing an initial overview of the support tools used, as well as the strategies already implemented on the Paris financial marketplace<sup>11</sup>.

## ZERO DEFORESTATION – FULLY TACKLING THE CHALLENGE REQUIRES GREATER TRACEABILITY AND IMPROVED INTEGRATION OF THE ISSUE INTO THE GOVERNANCE OF EXPOSED PLAYERS

One of the main obstacles to fighting deforestation remains **the economic attractiveness** of activities that currently rely on the exploitation of forests: agriculture and the agri-food industry first and foremost, but also paper or rubber exploitation, for example. By way of illustration, the opportunity cost of stopping deforestation in the Brazilian Amazon with regard to agricultural income is estimated by the FAO to be around USD 800 per hectare per year, while the benefits of preventing deforestation and reforestation are still rarely translated into economic terms.

More effectively incorporating this issue into financial decisions is possible. Global Canopy's latest report highlights just how much progress there is to be made in advancing the financial industry. The Forest 500 tool developed by the association ten years ago assesses and ranks the 350 companies and 150 financial institutions most likely to be associated with deforestation. In 2023, 55% of the financial institutions studied by this database did not have a public policy to fight deforestation and have still not deployed the necessary resources to address this issue<sup>12</sup>. In this report, we have identified two levers for improved incorporation:

→ Ensure **better traceability of financing chains and the identification of deforestation exposure**. The tools available to players are therefore still based on often fragmented data.

→ **Better training for executives** on issues related to deforestation: improved mobilisation, particularly within the governance of institutions.

<sup>11</sup> The institutions of the Paris financial marketplace that took part in this overview are as follows: **Abeille Assurance (insurance and investment branch), AXA (insurance and investment branch), SCOR, Amundi, BNP Paribas Asset Management, HSBC AM, La Banque Postale, LBP AM, Crédit Agricole and its investment and financing bank CACIB, Caisse des Dépôts, Société Générale, BNP Paribas, Robeco and Standard Chartered.**

<sup>12</sup> Global Canopy, Forest 500: a decade of deforestation data, 2024.

## PLAYERS ON THE PARIS MARKETPLACE HAVE BEGUN TO MOBILISE THE AVAILABLE LEVERS OF ACTION

In a context of growing risks linked to deforestation, **the French financial sector is one of the most advanced in taking into account these issues on the international stage.** The zero deforestation policies and actions implemented by players are multi-faceted and interdependent. Most of them are part of broader biodiversity strategies or targeted policies to fight deforestation. They may include exclusion filters for certain identified sensitive commodities, as well as progressive approaches involving engagement followed by exclusion if this engagement does not produce a result within the given deadlines.

### 1. Use traditional financial portfolio management tools such as sector policies with engagement and exclusion strategies based on certain commodities with a deforestation risk, for example.

→ The **15 players** participating in this study **have integrated the deforestation issue into their policies.**

→ **For the majority of them, deforestation commitments are incorporated into groups' "Biodiversity Policies".** A minority of players have a deforestation policy clearly differentiated from other sectoral strategies.

→ Policies on deforestation often take the form of a **policy on targeted agricultural commodities** (e.g. a policy on palm oil, pulp and/or logging) or **targeted policies on industrial agriculture.** While the report focuses on deforestation, as far as land use is concerned, the issue relates more broadly to the protection of all ecosystems and fighting their conversion. Some players therefore incorporate this issue into their respective policies.<sup>13</sup>

→ The commodities targeted are a key link in the structuring and interconnection of the zero-deforestation policies of the players highlighted in this report. **Palm oil, soy, livestock and wood are the main commodities targeted by deforestation strategies.**

→ **Over three-quarters of the players involved in this report have an exclusion strategy** specifically focused on the issues of fighting deforestation. Most of the exclusion filters apply to the producers as well as the distributors/wholesalers of the targeted commodities.

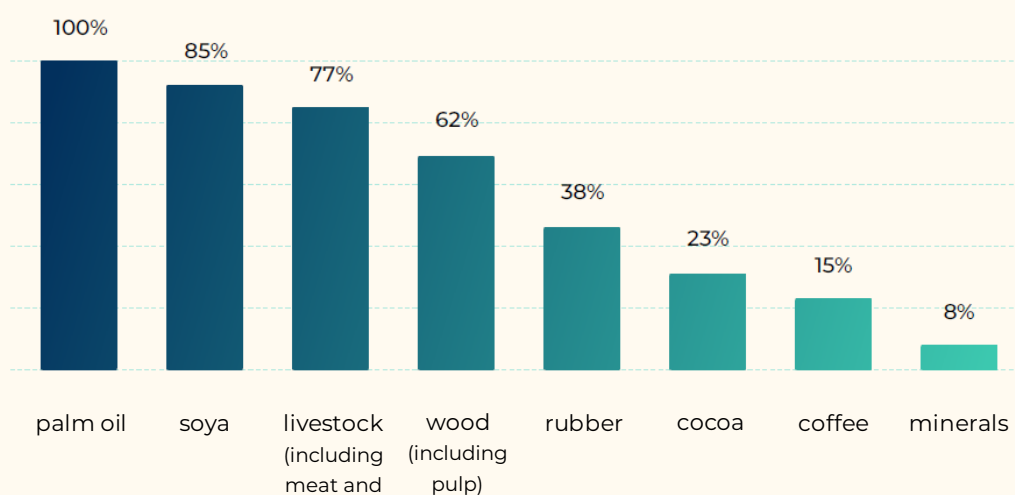
→ **For two-thirds of players,** these exclusion filters include criteria on the location of the funded or fundable activity<sup>14</sup>.

<sup>13</sup> Change from a natural ecosystem to another use of the land or far-reaching change in the species composition, structure or function of a natural ecosystem (source: Accountability Framework Initiative)

<sup>14</sup> For example, this applies to soy cultivation, livestock farming in the Amazon and the Cerrado region, and palm oil production in Indonesia. Exclusions may also include activities located on land with high biodiversity value such as primary forests, rainforests or those with the High Carbon Stock designation, High Conservation Value forests, IUCN Category I to IV protected areas, peatlands and wetlands covered by the Ramsar Convention, sites listed by the Alliance for Zero Extinction or UNESCO World Heritage sites.



## Commodities targeted by financial players' deforestation strategies



Note: the sample studied consists of the 14 players with targeted policies on commodities

2. Enlisting support from players specialising in fighting deforestation can help strengthen strategy in this area and accelerate the transformation of business. The majority of players have implemented this type of support.

3. Use tools to track exposure to the deforestation risk such as certifications and databases.

→ Over 90% of respondents use certifications to strengthen their commitments to fighting deforestation and shape their exclusion strategies. Those most widely used by financial players include RSPO certification for palm oil, RTRS certification for soy and FSC and PEFC certifications for wood.

→ Over three quarters of financial institutions use databases to track the deforestation exposure of their portfolios and strengthen their commitments. The main tools used are Forest 500, Trase, SPOTT and CDP Forest. Forest IQ, launched at the end of 2023 by Global Canopy, the Stockholm Environment Institute and the Zoological Society of London, provides comprehensive information on the deforestation performance of over 2,000 companies and is attracting a great deal of interest from market players.

#### 4. Join international initiatives.

Most of the institutions that participated in this study are members of international initiatives and coalitions. These include:

→ **The Finance Sector Deforestation Action (FSDA)**, launched at COP 26, which aims to eliminate deforestation risks linked to agricultural products in investment and loan portfolios by 2025 by financial players.

→ **The Investors Policy Dialogue on Deforestation (IPDD)**, supported by 78 global institutional investors from 19 countries.

As such, growing numbers of market players have active policies to fight deforestation and are using the tools available to support their strategy. While the issue of deforestation is attracting increased interest, efforts to move forward on a framework allowing for a common language, transparency and comparability of actions must continue.

The initiatives of dialogue and engagement with issuers, transparency, traceability, more robust databases and the definition of methodologies enabling the comparability of this data are thus clearly identified as levers for enhanced strategies.

Combined with greater awareness among governance bodies on this subject, enacting these levers will enable financial players to further contribute to the achievement of French and European goals to fight imported deforestation and, more broadly, to the achievement of commitments on mitigating climate change<sup>15</sup> and protecting biodiversity<sup>16</sup>.

<sup>15</sup> The lever of land use (mainly forests) is identified by the IPCC as key to achieving the goal of the Paris Agreement.

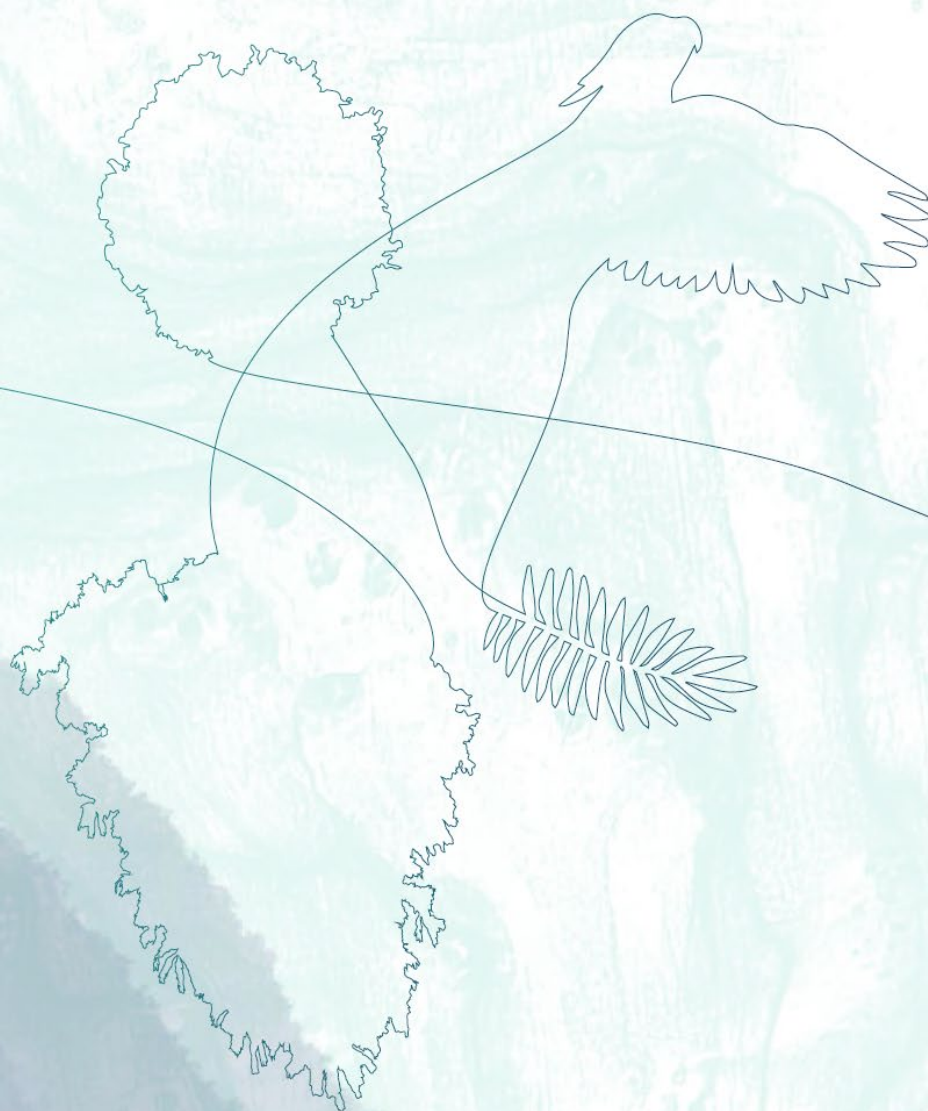
<sup>16</sup> To meet the goal of ending imported deforestation of the SNDI 2 and to meet the goals of the Kunming-Montréal agreements. With its 23 targets set by 2030, the framework includes the conservation of 30% of land, inland waters, coastal and marine areas, the restoration of 30% of degraded ecosystems, halving the introduction of invasive species and the reduction of harmful subsidies in the amount of US\$500 billion per year.

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## PART I

# DEFORESTATION

INCREASINGLY ROBUST REGULATION ON THIS  
ENVIRONMENTAL AND ECONOMIC ISSUE



# A. DEFORESTATION – AN ENVIRONMENTAL AND ECONOMIC ISSUE

## 1. ENVIRONMENTAL RISKS LINKED TO DEFORESTATION

Forests are carbon sinks that are key to the functioning of the climate system and serve as a considerable biodiversity reservoir. Holding half of the planet's carbon stock, they help to regulate the climate system. Note that **around 11 GtCO<sub>2</sub> eq. per year was absorbed between 2007 and 2016 by the world's forests**<sup>17</sup>. Furthermore, forests are huge biodiversity reservoirs. According to the World Bank, **forests are home to over 80% of all animal, plant and insect species worldwide**<sup>18</sup>.

In addition, while habitat destruction is the main threat to biodiversity, **deforestation is also a determining factor in accelerating biodiversity loss**<sup>19</sup>. **Between 1990 and 2020, the equivalent of 10% of the world's forests disappeared – i.e. 420 million hectares, an area greater than the European Union**<sup>20</sup>. Forest cover now accounts for just 30% of the world's surface area, compared with 66% four centuries ago<sup>21</sup>.

Forests also perform key functions and provide a significant number of ecosystem services to human societies<sup>22</sup>. **For forests to continue playing their positive role in climate and biodiversity, significant actions are needed to foster their protection and stop their destruction as a priority.**

17 FAO. 2022. The State of the World's Forests 2022. Forest pathways for a green recovery and building inclusive, resilient and sustainable economies. Rome, FAO.

18 World Bank, Atlas Deforestation: Accelerating climate change and threatening biodiversity.

19 28% of the world's species are under threat of extinction, according to the IUCN Red List of Threatened Species. IUCN. 2022. The IUCN Red List of Threatened Species. Version 2022-2

20 Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 (EUDR), published in the Official Journal of the EU on 9 June 2023.

21 FAO and UNEP The State of the World's Forests 2020 Forests, biodiversity and people, 2020.

22 Ecosystem services provided by biodiversity at a global level are essential for economic activity (US\$125-140 trillion per year, more than one and a half times global GDP according to the OECD, 2019). OECD, Biodiversity: Finance and the Economic and Business Case for Action, 2019.

# STATE OF THE WORLD'S FORESTS\*

In 2020, the United Nations Food & Agriculture Organisation (FAO) published a report on The State of the World's Forests 2020<sup>23</sup>, as well as a Global Forest Resources Assessment<sup>24</sup>, which reviewed the need to quickly end deforestation<sup>25</sup>

**What is a forest?** A forest is tree cover spanning at least 10% of an area measuring one half hectare (5,000 m<sup>2</sup>) and five metres in height for trees. These physical criteria are associated with a principle of predominant land use, which excludes wooded areas with a predominant agricultural or urban purpose. This internationally recognised definition is used in particular in the European deforestation and forest degradation regulation (EUDR) and is used to assess global forest resources (FRA).

**What is deforestation?** In the European Regulation on deforestation-free products, deforestation is defined as the conversion, anthropogenic or otherwise, of forests for agricultural use.<sup>26</sup> Imported deforestation refers to the import of raw materials or processed products whose production has contributed to deforestation outside national territory.

\* Unless otherwise stated, the figures in this inset are from the FAO report State of the World's Forests, 2020.

**Where is deforestation taking place?** Forests are not evenly distributed across the planet. Over half of the world's forests are found in just five countries (Russia, Brazil, Canada, the US and China). Tropical forests account for 45% of total forest area worldwide, followed by boreal, temperate and subtropical areas.

Over the 2010-2020 period, the net loss of forest area came primarily from Africa and South America, with 3.9 million hectares and 2.6 million hectares per year, respectively.

**Main causes:** The main factor in deforestation is **agriculture (responsible for 90% of forest loss)**. Soy, oil palm, rubber, coffee and cocoa crops are the main agricultural commodities behind soil conversion and therefore deforestation.

The French Ministry for the Ecological Transition and Territorial Cohesion states that **soya** is, by tonnage, excluding wood and paper, the **most imported** product targeted by the National Strategy to Fighting Imported Deforestation (SNDI), (around 3.6 million tonnes per year (Mt/year) over the 2012-2021 period), far ahead of palm oil (0.8 Mt/year)<sup>27</sup>.

**Extractive activities such as mining (7% of global deforestation), followed by infrastructure and urbanisation, which are for example the leading cause of deforestation in the European Union<sup>28</sup>, (such as hydroelectric dams, transport networks, communication infrastructures, housing, commercial or industrial areas, etc.) and logging** (used for construction, heating or paper production) are also factors behind the degradation of forest ecosystems. Deforestation can also be due to natural causes (fires, volcanic eruptions or landslides), although these are far less significant than causes related to human activities.

23 FAO and UNEP. The State of the World's Forests 2020 Forests, biodiversity and people, 2020.

24 FAO, Global Forest Resources Assessment, 2020

25 The World Resources Institute publishes a recent update of forest data. World Resources Institute, "Forest Pulse: the Latest on the World's Forests", 2022.

26 European Regulation, Article 2, p15

27 CGDD, French imports of raw materials targeted by the National Strategy to Fight Imported Deforestation between 2012-2021 – On the path to a French footprint, 2024.

28 FAO, The State of the World's Forests, 2022.

With annual induced emissions<sup>29</sup> of around 8 Gt CO<sub>2</sub>eq, deforestation accounts for around 15% of greenhouse gas emissions at a global level<sup>30</sup>. Trees are considerable carbon sinks that store CO<sub>2</sub> throughout their life. If deforestation occurs, carbon is released again in the form of CO<sub>2</sub>, potentially exacerbated by slash-and-burn land clearing practices to prepare the soil for farming<sup>31</sup>. The CO<sub>2</sub> thus emitted into the atmosphere<sup>32</sup> contributes to global warming. **The IPCC has highlighted that the drastic reduction in deforestation is a major lever between now and 2030 in mitigating the effects of climate change<sup>33</sup>.**

Furthermore, the acceleration of deforestation also impacts **biodiversity** through the destruction and fragmentation of habitats, posing a considerable risk of loss of animal and plant life. The loss of forests and their degradation also impact **soil health** (which worsens in the absence of trees) and, as a result, endangers **food safety**. **Long-term water security** is also disrupted by the increase in deforestation. Through their root systems, trees capture rainwater, which in particular replenishes groundwater and helps regulate the water cycle. Deforestation disrupts these phenomena and exacerbates drought, which has serious consequences for agricultural yields, for example<sup>34</sup>. Deforestation also poses a threat to the human environment that can affect **its safety** (e.g. landslides or floods accelerated by forest loss) and **health** (disruption to tropical forests and biodiversity loss increases the risks of **epidemics<sup>35</sup> and the spread of infectious diseases**)<sup>36</sup>.

Lastly, these risks primarily threaten the livelihoods of indigenous people on the frontline who are dependent on the forest for survival, whether it is their direct habitat or their primary source of subsistence<sup>37</sup>.

29 Average over the 2001-2019 period, see Harris, et al. [Global maps of twenty-first century forest carbon fluxes](#). Nat. Clim. Chang. 11, 234-240 (2021).

30 Based on 2022 total global emissions according to the [EDGAR](#) database

31 A technique for preparing land for cultivation, carried out through burning, which releases large quantities of CO<sub>2</sub>.

32 Rainforest Alliance, "[What is the relationship between deforestation and climate change?](#)", 2018. *Deforestation and forest degradation are estimated to release over 8 gigatonnes of CO<sub>2</sub> equivalent into the atmosphere each year, over half of what it absorbs.* – Source: Dubois, F. [How protecting forests can help us tackle climate change and meet net-zero targets](#). Centre for Nature and Climate, World Economic Forum, 2022.

33 See for example [www.ipcc.ch/report/ar6/wg3/figures/summary-for-policymakers/figure-spm-7/](http://www.ipcc.ch/report/ar6/wg3/figures/summary-for-policymakers/figure-spm-7/)

34 The FAO report on the state of forests includes a list of the consequences of deforestation. FAO and UNEP. 2020. [The State of the World's Forests 2020 Forests, biodiversity and people](#). Rome.

35 Public service, "[Zoonoses: what are the links between biodiversity damage and pandemics?](#)", 2022.

36 Muséum d'Histoire Naturelle, "[Health and the environment: the same issue](#)".

37 Agence Française de Développement, "[Biodiversity protection: the key role of indigenous communities](#)", 2023.

## 2. ECONOMIC AND FINANCIAL RISKS ASSOCIATED WITH DEFORESTATION

There are two types of economic and financial risks associated with deforestation:

- **physical risks**, caused by the loss of ecosystem services provided by forests;
- **transition risks**, including regulatory, operational, market, litigation and reputational risks. In general, these risks relate to the costs and frictions associated with the transformation of sectors that previously relied on deforestation.

Regarding physical risks, some sectors are directly dependent on forest resources or the ecosystem services it provides, and are therefore exposed to the physical risks caused by deforestation. For example, deforestation in the Amazon causes a decrease in rainfall, which affects water security and has a negative impact on the yields of soy crops and beef farming in Brazil, weakening the agricultural sector<sup>38</sup>. The pharmaceutical industry is also particularly dependent on the good health of forests, particularly their biodiversity, given that 25% of the drugs used in modern medicine are derived from tropical forest plants. Deforestation therefore poses a supply risk for this sector<sup>39</sup>. The cosmetics industry can also be affected by the supply of certain products in its value chains due to the increase in deforestation practices<sup>40</sup>.

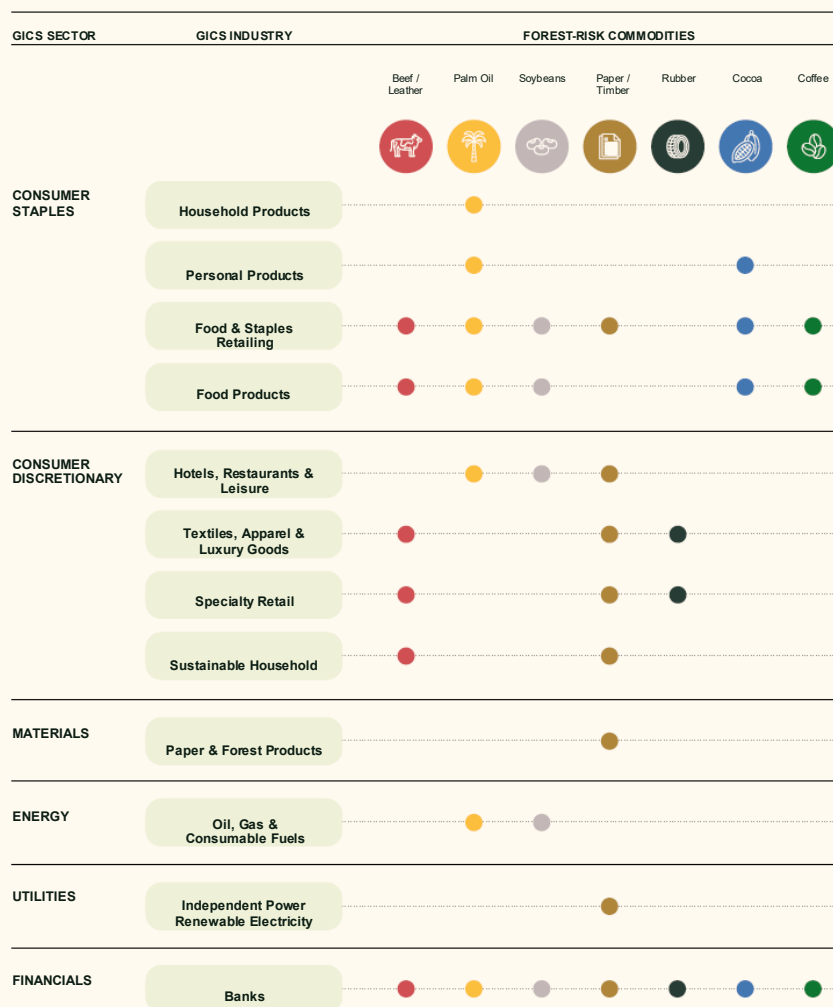
Regarding transition risks – the main subject of this study, the aim is for economic and financial players to reduce their deforestation exposure. Table 1, taken from the *Investors Policy Dialogue on Deforestation* report from 2022, provides a classification by commodity of the risk levels of deforestation exposure in the supply chains of the most critical economic sectors. The example of the food products sector is particularly striking. The risk of deforestation exposure is present in the supply chains for commodities such as livestock, palm oil, soy, cocoa and coffee.

38 Leite-Filho, A.T., Soares-Filho, B.S., Davis, J.L. et al. *Deforestation reduces rainfall and agricultural revenues in the Brazilian Amazon*. Nat Commun 12, 2591 (2021).

39 See *Nature Risk Rising Why the Crisis Enveloping Nature Matters for Business and the Economy* by the World Economic Forum & PWC, 2020. **In the specific case of the pharmaceutical industry, some estimates suggest that the current rate of deforestation is already causing the loss of a potential major drug every two years.** S. Pimm et al., 1995, "The future of biodiversity", Science 269 (347).

40 For example, shea trees are currently threatened by deforestation, parasites and the loss of pollinators. This tree is classified as vulnerable by the International Union for Conservation of Nature (IUCN).

Table 1. Economic sectors most at risk of deforestation exposure<sup>41</sup>



Source: Investors Policy Dialogue on Deforestation, 2022

However, the economic sectors concerned do not routinely identify deforestation exposure as a risk, resulting in them not assessing this exposure and therefore underestimating the potential losses for their activities<sup>42</sup>. However, players in economic sectors linked to deforestation may experience financial losses, if, for example, events occur that damage their reputation, ultimately having repercussions on the institutions that finance them such as capital losses due to "stranded assets".

41 IPDD, An Investor-led sovereign engagement initiative that aims to halt deforestation, December 2022. [www.tropicalforestalliance.org/assets/IPDD/Final\\_IPDD-Deforestation-Report.pdf](http://www.tropicalforestalliance.org/assets/IPDD/Final_IPDD-Deforestation-Report.pdf), p6.

42 Carbon Disclosure Project, *Forest Transition: from risk to resilience*, 2023. In their survey "*European businesses and the fight against deforestation: commitments or illusions?*", BL Evolution and the Observatoire de la Responsabilité Sociétale des Entreprises highlighted the findings for 47 European companies in various sectors of the economy. The survey found that many are still at a "very low" (11 out of 47) or "low" (15 out of 47) stage of maturity. Just two companies have a "very strong" level of maturity. The analysis by business sector also shows significant disparities. The Textile & Cosmetics sector as well as the Agri-Food & Retail sector stand out as being more advanced on the subject.



Through the financing they provide to companies linked, directly or indirectly, to deforestation, financial institutions such as insurance companies, asset managers and banks are also exposed to these risks and must be able to incorporate this issue into their decisions.

## Diagram of the economic & financial risks associated with deforestation

### The risks caused by deforestation at the company level

#### Reputational risk

Loss of credibility of companies that will continue deforestation with regard to all stakeholders.

#### Regulatory and legislative risk

Leading to fines or an increase in reporting costs for example (which are necessarily higher for institutions particularly affected by these issues).

#### Operational risks

For example, a change in regulations aimed at restricting deforestation practices may cause reductions in productivity or material damage to supplies in the supply chains of certain activities. Increased security personnel costs may also be an operational consequence of regulatory and legislative changes.

#### Market risk

Consumer boycott, limited access to the international market, cancellation of contracts, etc.

#### Physical risk

Since forests are a key link in water cycles (e.g. through evapotranspiration and the resulting precipitation), deforestation increases the risk of droughts and fires. Furthermore, the resulting decline in ecosystem services can cause a decline in agricultural productivity.

These risks relating to companies may pose economic risks for the financial institutions that finance these activities

### The risks caused by deforestation at the level of financial institutions

#### Financial risk

For example, for investors a risk of capital loss due to stranded assets or a negative return on investment for banks with non-performing loans, risk of default or loss of income

#### Regulatory risk

Failure to meet new requirements on the inclusion of ESG risk criteria in due diligence and risk management procedures, failure to disclose ESG risks in portfolios

#### Litigation risk

Potential breach of fiduciary duty related to difficulties in integrating ESG criteria. The obligation to report on ESG impacts under regulatory guidelines

#### Reputational risk

Damage to brand value, loss of credibility as a financial player on the markets

NB: This diagram is inspired by the report *An Investor-led sovereign engagement initiative that aims to halt deforestation* by the IPDD, which identifies the main risks associated with deforestation for businesses and financial institutions

Global Canopy's latest report highlights just how much progress there is to be made in advancing the financial industry. The Forest 500 tool developed by the association ten years ago assesses and ranks the 350 companies and 150 financial institutions most likely to be associated with deforestation. In 2023, 55% of the financial institutions studied by this database did not have a public policy to fight deforestation and have still not deployed the necessary resources to address this issue<sup>43</sup>.

In this context, players in the financial sector must implement commitment and financing policies aimed at reducing the impact of their investments and financing on deforestation (*see Part II and Part III of the report for the presentation of the possible strategies and tools available to financial players*).

## B. A REGULATORY FRAMEWORK TO FIGHT DEFORESTATION

In recent years, several regulatory frameworks and international initiatives to fight deforestation have emerged, both at the intergovernmental level (**see Appendix 1 for coalitions involving France**) and at the private sector level (**see 4. Join international initiatives**).

At the COP 26 climate conference in November 2021, the first Glasgow Leaders' Declaration on Forests and Land Use was signed by over 140 countries covering nearly 91% of the world's forests. Through this, the signatories commit to ending deforestation and land degradation by 2030<sup>44</sup>. More broadly, the Kunming-Montréal Global Biodiversity Framework<sup>45</sup> was adopted in 2022 by 196 countries with the main goal of halting and reversing biodiversity loss by 2030. **Target 15<sup>46</sup> and target 19<sup>47</sup> encourage economic players to more effectively measure the impact of their activities on biodiversity and encourage the mobilisation of financial resources from all sources by 2030, including private ones, to protect biodiversity.**

Voluntary reporting frameworks on biodiversity-related risks and dependencies are also being consolidated with the release of the *Task Force on Nature-related Financial Disclosures*<sup>48</sup> (TNFD) and the framework on the nature of the Network Greening Financial System (NGFS) for central banks. These give private players

43 Global Canopy, [Forest 500: a decade of deforestation data](#), 2024.

44 [Glasgow Leaders' Declaration on Forests and Land Use](#).

45 [Global Biodiversity Framework](#)

46 **Target 15 seeks to encourage companies to regularly assess and disclose their risks, dependencies and impacts on biodiversity.**

47 **Target 19, which involves an increase in public and private financial resources of at least \$200 billion per year and the cessation of \$500 billion in subsidies harmful to nature, directly engages private players.**

48 [TNFD](#).

a better understanding of their impacts on biodiversity.

## 1. EUROPEAN REGULATION ON DEFORESTATION

Between 1990 and 2008, the European Union imported and consumed one third of the agricultural products associated with deforestation<sup>49</sup>. In response, resulting from the strong political will of European institutions and a large number of Member States, the *European Union Deforestation-Free Products Regulation – EUDR* was adopted in 2023 and entered into force on 30 December 2024. It aims in particular to **prohibit the placement on the European market or the export from the EU of seven products and some of their derivatives** (cattle, cocoa, coffee, oil palm, soya, rubber and wood), if these materials come from **deforested land or degraded forests**.

Three conditions must be met for the products mentioned to be able to circulate on the EU market:

- **Be deforestation-free** (not contain any commodities from land that has been subject to deforestation or forest degradation after 31 December 2020);
- Comply with the **legislation of the country of production**;
- **Be the subject of a reasoned due diligence statement**, guaranteeing that the products are not linked to deforestation by ensuring that the products concerned have not been grown or reared on deforested or degraded land after 31 December 2020.

The impact assessment covered by the Deforestation Regulation in 2025 could be accompanied, where appropriate, by a legislative proposal from the Commission aimed at extending the scope of this Regulation to other relevant commodities. In addition, a legislative proposal following this impact study could also define specific obligations for financial players regarding the integration of deforestation into their strategies.

Similarly, the proposed Corporate Sustainability Due Diligence Directive (CS3D)<sup>50</sup>, which was agreed on 14 December 2023, does not directly include the activities of financial and investment services provision by financial firms, but includes the publication of an impact study on expanding the requirements of the directive to the aforementioned activities. This report will need to be published no later than two years after the date of entry into force of the directive and will be accompanied, where appropriate, by a legislative proposal.

49 [Regulation \(EU\) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation \(EU\) No 995/2010 \(EUDR\)](#), published in the Official Journal of the EU on 9 June 2023.

50 [Draft Directive of the European Parliament and of the Council on corporate sustainability due diligence](#).

This would include a breach of the ban on causing measurable environmental degradation and harming ecological integrity through deforestation, or a breach of the ban on illegally taking possession of land, including through deforestation.

## 2. FRANCE: A PIONEER IN FIGHTING IMPORTED DEFORESTATION (SNDI)

In 2018, following the act on due diligence, France adopted a National Strategy to Fight Imported Deforestation (SDNI)<sup>51</sup> in order to help fighting the exacerbation of deforestation. Its goal is to end the import of forest or agricultural products that contribute to deforestation abroad by 2030, particularly in the cocoa, rubber, soy, palm oil, wood, beef and by-products sectors. This strategy, cited by the Climate and Resilience Act<sup>52</sup>, is intended to be updated every five years.

### FOCUS ON SNDI GUIDELINE 4 AND INVOLVEMENT OF THE FINANCIAL SECTOR

SNDI Guideline 4<sup>53</sup> aims to "promote and coordinate stakeholder engagement" and is aimed in part at companies and financial players<sup>54</sup>. The Sustainable Finance Institute<sup>55</sup> was identified by the French Ministry of the Environment as the intermediary for this strategy with respect to financial players on the Paris financial marketplace.

Guideline 4 of this strategy encourages the fight against **deforestation to be more explicitly and systematically integrated into investment and financing strategies and policies**, through coalitions, bolstering certain funds or the use of new financial instruments. This guideline is also aimed at companies and includes indicators specific to "zero deforestation" supplies, which companies will need to develop as part of their reporting on social and environmental responsibility (CSR). The SNDI will be updated by 2024 in accordance with the Climate and Resilience Act. Its ambition and scope should be reiterated, and the role of financial players will most certainly be emphasised.

51 French Ministry for the Ecological Transition and Territorial Cohesion, "The National Strategy to Fight imported deforestation (2018 - 2030) (SNDI)", 2018.

52 Climate and Resilience Act

53 The guidelines of the National Strategy to Fight Imported Deforestation

54 See in particular **goal 11** (Improve risk analysis and reporting by companies on the fight against deforestation) and **goal 12** (Encourage financial players to integrate the deforestation aspect into their investment strategies and policies) of the SNDI.

55 Under the name "Finance for Tomorrow" at the time.

FIGHTING DEFORESTATION  
OVERVIEW OF THE STRATEGIES  
OF THE PARIS FINANCIAL MARKET

## PART II

# LEVERS OF ACTION FOR THE FINANCIAL SECTOR

This report focuses on economic and financial players' direct or indirect exposure to deforestation activity and the need to reduce this exposure. Reducing dependence on deforestation is crucial but entails transition risks that financial players have begun to anticipate by integrating this dimension, which spans biodiversity and climate issues, into their respective strategies.

In the last few years, there have been growing numbers of initiatives and commitments by financial players in the fight against deforestation. In addition, the implementation of new regulatory or incentive initiatives at the French and European levels could make it possible to encourage and empower financial sector players to more effectively take account of the issue.

In this context, it is first necessary to understand and measure the deforestation footprint of financial portfolios, in order to formulate commitments to reduce this footprint and implement strategies to achieve these commitments. This second part aims to identify the practical challenges to overcome in implementing these different steps, as well as the different types of tools and strategies available to stakeholders.

## A. THE CHALLENGES AHEAD

### 1. ACTIVITIES INVOLVING DEFORESTATION REMAIN ECONOMICALLY ATTRACTIVE

One of the main obstacles to fighting deforestation remains **the economic attractiveness** of activities that currently rely on the exploitation of forests: agriculture and the agri-food industry first and foremost, but also paper or rubber exploitation, for example. Deforestation involves **major economic issues** in several regions of the world, which can have very significant local economic and financial benefits. For example, the trade in palm oil, which is used in a large number of food and cosmetics products and is a factor in the deforestation of tropical regions, is highly attractive. By way of illustration, palm oil accounts for 95% of cooking oils in Indonesia<sup>56</sup>. More generally, the opportunity cost of stopping deforestation with regard to agricultural income is estimated by the FAO to be around USD 800 per hectare per year in the Brazilian Amazon, **while the benefits of preventing deforestation and reforestation are still rarely translated into economic terms**. As such, increasing the economic value of forests for local players can encourage an end to deforestation.

### 2. IMPROVE THE TRACEABILITY OF DEFORESTATION EXPOSURE IN COMPANY SUPPLY CHAINS

**Improving the traceability of deforestation exposure within the value chains of financed companies is an operational challenge for all economic and financial players.** According to most of the players interviewed, one of the limits to the financial world's action lies in **the disparity and complexity of traceability data linked to deforestation**.

Recent years have seen a proliferation of databases and filtering tools (see Part III and Appendix 3 of the report) taking into account a multitude of parameters, such as agricultural practices, environmental policies and social impacts. They focus on the traceability of supply chains, verifying the origin of raw materials and assessing sustainable practices, making it possible to take a first step towards this need highlighted by stakeholders.

This data is key to accurately assessing the exposure to the deforestation risk in financial portfolios and to implementing best practices while defining the appropriate targets and metrics. Data platforms look at different and complementary information, such as exposure to the deforestation risk in financial portfolios, material risks caused by forest degradation and company performance statements on this issue.

<sup>56</sup> Canadian government, [\*Market trends analysis – cooking oil market trends in Indonesia\*](#).

Financial players note the difficulty of centralising data searches through the use of a single tool. In many cases, the tools need to be cross-referenced and superimposed to be able to address the subject satisfactorily, which is not an optimal process and can cause interpretation errors. Moreover, not all the companies engaged by financial players are covered by the aforementioned tools, leading to a decline in the quality of analyses at the portfolio level.

Lastly, these databases also require continuous updating to ensure they are as close as possible to real-time data on deforestation dynamics and to gradually increase the number of companies covered. Financial players also have a key role to play in improving these databases, for example by providing financial support for research and the consolidation of these tools.

### **3. IMPROVE THE CONSIDERATION OF DEFORESTATION IN CORPORATE GOVERNANCE**

Furthermore, **executives' low awareness on nature and biodiversity issues is a hindrance to financial players' action in supporting the fight against deforestation.** Although Environmental, Social and Governance (ESG) issues tend to be increasingly understood by companies and financial players, new practices to **more effectively take climate and environmental issues into account in the governance** of these players must be able to emerge. The Sustainable Finance Institute has published ten recommendations from the Paris financial marketplace on the governance of climate issues within companies' decision-making bodies<sup>57</sup>. These proposals are based on the improved organisation of boards of directors, enhanced training for directors, improved transparency and dialogue with shareholders and the systematic integration of dedicated criteria into executives' variable remuneration. These proposed changes could also incorporate the deforestation issue to improve its consideration by governance bodies.

<sup>57</sup> Sustainable Finance Institute, *Governance of the climate transition in companies: 10 recommendations of the Paris financial marketplace*, January 2024.

The publication of the Giverny Circle, *Accelerating the ecological and social transformation of France 30 proposals for systemic CSR* also encourages greater consideration of nature in decision-making bodies.

## B. LEVERS TO BOLSTER A STRATEGY TO FIGHT DEFORESTATION

After assessing the risks associated with deforestation, financial players can first join international initiatives and industry groups. The second step consists of defining a scope of action on targeted commodities to develop a zero-deforestation policy based on diversified databases and tools.

### 1. MOBILISE THE TRADITIONAL TOOLS OF FINANCIAL PORTFOLIO MANAGEMENT

#### SECTOR POLICIES

Implementing sector policies that take into account the deforestation issue and the preservation of forest ecosystems is a first lever mobilised by the insurance sector, asset managers and banks. These policies are required in order to define the financial institution's scope of action and establish the priority focuses – in particular to target and draw up a list of products that contribute the most to deforestation (cattle, cocoa, coffee, oil palm, soy, rubber and wood, to use the list defined by the EUDR) and the actions to take to reduce pressure on the forest.

Financial institutions frequently implement **sector policies** that include targets on discontinuing financing that contributes to deforestation. These commitments may overlap and be structured differently between entities of the same institution.

These policies may:

- be specific about deforestation;
- be incorporated into broader biodiversity conservation policies;
- be structured around certain commodities with a deforestation risk such as agricultural policies.

To date, these sector policies are focused more on **producers, processors and distributors of raw materials with a deforestation risk**. However, very few also target companies that buy these raw materials and distribute products containing them.

These policies often form part of an **engagement and exclusion strategy**. The commodities targeted within financial players' sector policies are a key link in the structuring and interconnection of the zero-deforestation policies of the players highlighted in this report. Palm oil, soy, livestock and wood are the main commodities targeted by strategies to fight deforestation (see Part III).



## ENGAGEMENT STRATEGIES

**What is an engagement strategy?** Financial players' engagement with companies involves alerting them and encouraging them to more effectively take account of certain issues, such as fighting deforestation, with the aim of transforming their business model accordingly. This dialogue may take the form of bilateral or collective discussions, voting, and verbal and written communications.

External engagement is also a counterpart to policies to fight deforestation deployed by the financial players involved in this report. **Collaboration** also makes it possible to combine experiences and best practices in order to position the entire sector in a continuous improvement process. Using **tools** and **various data providers** also makes it possible to ensure the proper monitoring of policies put in place by financial institutions to fight deforestation. These **databases** deployed by players are key tools in implementing policies to fight deforestation.

These engagement strategies can be built based on certain criteria:

- Engage in shareholder dialogue with companies in the value chains of risky commodities;
- Encourage targeted companies to implement an action plan to eliminate deforestation risks within a given timeframe and require the publication of an annual progress report.

## EXCLUSION STRATEGIES

**What is an exclusion strategy?** To create a stronger incentive for issuers to transform, engagement strategies can be accompanied by exclusion strategies. If the goals are not achieved within the pre-agreed timeframe, the companies can be removed from the portfolio. In terms of deforestation, exclusion can target producers, wholesalers, sellers and partner companies.

Regarding deforestation, exclusion strategies can be built based on certain criteria:

- The percentage of a commodity certified by responsible agriculture labels (e.g. require that 50% of the land of the palm oil producer and of all production operations for the same commodity be certified);
- Exclude activities on lands with high biodiversity value such as primary forests, rainforests or those with the High Carbon Stock designation<sup>58</sup>, High Conservation Value forests<sup>59</sup>, IUCN Category I to IV protected areas<sup>60</sup>, peatlands and wetlands covered by the Ramsar Convention<sup>61</sup>, sites listed by the Alliance for Zero Extinction<sup>62</sup> or UNESCO World Heritage sites<sup>63</sup> etc.;
- Provide enhanced vigilance or even exclude the activity if it is carried out in an area with a high deforestation risk (e.g. soy cultivation or livestock raising in the Amazon and/or the Cerrado region or palm oil production in Indonesia);
- The existence of clearly defined commitments and procedures to ensure respect for human rights and indigenous peoples.

58 The [High Carbon Stock methodology](#) proposes six land classifications based on vegetation structure and density to identify forests.

59 The [High Conservation Values concept](#) was developed by the Forest Stewardship Council certification.

60 IUCN, [Protected area categories](#)

61 Sites of the [Ramsar Convention](#)

62 Sites listed by the [Alliance for Zero Extinction](#)

63 [UNESCO World Heritage Sites](#)

## 2. SPECIALISED PLAYERS THAT CAN ASSIST IN FIGHTING DEFORESTATION

Collaborating with players specialising in fighting deforestation can help strengthen strategy in this area by being assisted in the transformation of business. The majority of the players that have contributed to this overview enter into collaborations with players that can be identified as specialising in fighting deforestation.

**Table 2. Players that can assist financial institutions in their anti-deforestation strategies (more details are provided in Appendix 1)**

Name of the player	Description	Further reading
<b>Alliance pour la Préservation des Forêts</b>	Coalition of companies committed to ending tropical deforestation imported into Europe through commodity supply chains and investments, and associated social exclusions	<a href="https://alliance-preservation-forets.org">Alliance pour la Préservation des Forêts – Fighting Deforestation (alliance-preservation-forets.org)</a>
<b>Canopée Forêts Vivantes</b>	Canopée Forêts Vivantes is a French association and member of the World Forest Coalition that specialises in advocating for the defence of forests, in France and around the world. The association helps to coordinate the Forest Committee in charge of implementing the SNDI	<a href="http://www.canopee.org/">www.canopee.org/</a>
<b>Carbon Disclosure Project</b>	CDP is a non-profit organisation recognised for its database created from a questionnaire on financial risks and opportunities related to climate change, water and deforestation  The CDP has also developed the Forest Champion Programme to help financial institutions improve their anti-deforestation policy and analyse a given portfolio (details in textbox page 50)	<a href="http://www.cdp.net/en/companies-discloser">www.cdp.net/en/companies-discloser</a>
<b>Global Canopy</b>	A non-profit organisation specialising in research and raising awareness on issues related to deforestation and the sustainability of forests, and aimed at financial players	<a href="https://www.globalcanopy.org/">Global Canopy</a>
<b>WWF</b>	Non-profit organisation with strong expertise in biodiversity issues and assisting businesses and financial institutions to eliminate deforestation from value chains	<a href="https://www.wwf.org/fr/deforestation">Fighting deforestation   WWF France</a>

### 3. TOOLS TO REDUCE EXPOSURE TO DEFORESTATION

#### DATABASES

Over three quarters of the financial institutions involved in this report say they use databases to track the deforestation risks of their portfolios and strengthen their commitments. The main tools highlighted by the players in this report are **Forest 500, Trase, SPOTT and CDP Forest. Forest IQ**, launched at the end of 2023 by Global Canopy, the Stockholm Environment Institute and the Zoological Society of London, provides comprehensive information on the deforestation performance of over 2,000 companies and is attracting a great deal of interest from IFD members. It meets the need to centralise information in a single database by cross-referencing information available in the Forest 500, SPOTT and Trase tools.

**Table 3. Tools and databases useful to financial institutions** (*more details are provided in Appendix 3*)

Tool name	Type of tool	Link
ENCORE by Natural Capital Finance Alliance	Tool for assessing the dependencies and impacts of economic activities on biodiversity	<a href="http://www.encorenature.org/en">www.encorenature.org/en</a>
BIA-GBS by CDC Biodiversity and Carbon4	Database on the impact and dependence of investment portfolios and listed assets on biodiversity	BIA-GBS Presentation   Carbon4 ( <a href="http://carbon4finance.com">carbon4finance.com</a> )
Forest 500 by Global Canopy	A tool for analysing a company's value chain to assess its impact on deforestation	<a href="http://forest500.org">forest500.org</a>
Forest IQ by Global Canopy, the Stockholm Environment Institute (SEI) and the Zoological Society of London (ZSL)	Database for financial institutions to understand their deforestation exposure in their portfolios (on three aspects: exposure, materiality and performance statement)	Explore – Forest IQ
Global Forest Watch & GFW Pro	GFW is an online forest data and monitoring platform. GFW Pro is a useful scenario simulation application for financial players' decision-making	GFW: Forest Monitoring, Land Use & Deforestation Trends   Global Forest Watch  GFW Pro: Global Forest Watch Pro

Tool name	Type of tool	Link
<b>IBAT (Integrated Biodiversity Assessment Tool)</b>	IBAT provides geographic information on global biodiversity by aggregating IUCN Red List protected species data and protected area mapping from the World Database of Protected Areas	<a href="http://www.ibat-alliance.org/">www.ibat-alliance.org/</a>
<b>Iceberg Data Lab</b>	Provider of ESG data for financial institutions	Iceberg Data Lab
<b>Influence Map</b>	Provider of ESG data for the financial sector, investors and corporates	<a href="http://influencemap.org/">influencemap.org/</a>
<b>MSCI</b>	Provider of indices, tools and services for the investment community, with a significant offering on ESG themes	Powering better investment decisions – MSCI
<b>Morningstar Sustainalytics</b>	Provider of ESG data for the financial sector and corporates	Home – Sustainalytics
<b>PBAF (Partnership for Biodiversity Accounting Finance)</b>	PBAF provides practical advice to financial institutions on assessing biodiversity impact and dependencies	<a href="http://www.pbafglobal.com/about-pbaf#mission">www.pbafglobal.com/about-pbaf#mission</a>
<b>Reprisk</b>	Provider of ESG data for the financial sector, investors and corporates	<a href="http://www.reprisk.com/">www.reprisk.com/</a>
<b>SPOTT by the Zoological Society of London (ZSL)</b>	Online platform that assesses producers, processors and commodity traders on their public disclosure of environmental, social and governance criteria	<a href="http://www.spott.org">www.spott.org</a>
<b>Trase by Global Canopy &amp; the Stockholm Environment Institute</b>	Platform that assesses companies' exposure to deforestation risk with a focus on certain risky commodities and countries	Trase Homepage
<b>Trucost</b>	Non-financial rating agency specialised in assessing risks related to climate change, natural resource constraints and broader ESG factors	<a href="http://www.spglobal.com/esg/trucost">www.spglobal.com/esg/trucost</a>



## CERTIFICATIONS

In recent years, agricultural commodity certifications and labelling have gained prominence as tools to promote sustainable practices in the corporate value chain.

These certifications aim to ensure that agricultural commodities are grown, harvested and processed in a way that minimises negative impacts on the environment – including those related to deforestation, respect workers' and local communities' rights, and ensure traceability throughout the supply chain. **Certifications including requirements for action to fight deforestation cover commodities such as palm oil, soy, wood, cocoa and coffee.**





Table 4 presents the main certifications linked to deforestation and used by the financial players involved in this report. However, financial analysts must be vigilant about using these certifications<sup>64</sup>. Regarding wood (forestry), the consulting firm I Care produced a benchmark<sup>65</sup> of certifications as part of the work of the IFD's biodiversity working group. This benchmark can be used to further explore the elements in the table below.

**Table 4. Main certifications available to financial players**

Certification	Targeted commodity	Characteristics
<p>FSC (Forest Stewardship Council)</p> 	Forest/wood management	<p>The FSC is an international non-profit organisation that certifies forests, supply chains, retailers and finished wood and wood pulp products.</p> <p>The certification is divided into three levels and assesses the extent to which targeted material comes from sustainable forests and recycled materials.</p>
<p>PEFC (Programme for the Endorsement of Forest Certification)</p> 	Forest/wood management	<p>The PEFC certification system is a label based on two complementary certifications:</p> <ul style="list-style-type: none"> <li>- Forest certification, which attests to the sustainable management of the forest and the respect for its economic, environmental and social functions;</li> <li>- The certification of companies in the forest-wood-paper sector, known as control (or traceability) chain certification, which monitors wood material at each stage of processing and marketing, from the forest to the finished product placed on the market.</li> </ul>

64 Scientific and Technical Committee, "What potential does certification have in fighting imported tropical deforestation?" May 2023.

65 I Care, "[Forestry Fact Sheet: What are the Challenges for Biodiversity?](#)", March 2024.

Certification	Targeted commodity	Characteristics
<b>ProTerra</b> 	Soy	<p>The ProTerra standard promotes sustainability in the food and feed supply chain and in the separation of non-genetically modified materials.</p> <p>In this context, the certification focuses on soy cultivation.</p>
<b>RSPO (Roundtable on Sustainable Palm Oil)</b> 	Palm oil	<p>The RSPO promotes the cultivation and use of sustainable palm oil according to three levels of certification, ranging from sustainable palm oil separated from other oils to unsustainable palm oil.</p>
<b>RTRS (Standard for Responsible Soy Production)</b> 	Soy	<p>The RTRS production standard for responsible soy includes requirements to maintain High Conservation Value areas, implement good agricultural practices, ensure fair working conditions and respect the rights of landowners.</p>
<b>SFI (Sustainable Forestry Initiative)</b> 	Forest/wood management	<p>SFI is an independent, non-profit organisation dedicated to promoting the sustainable management of North American forests and promoting responsible procurement globally. Over 142 million hectares of land in North America, including 115 million in Canada, was certified under the SFI standard in 2022.</p>

All certifications in blue in the table are studied in the Scientific and Technical Committee's policy brief, "What potential does certification have in fighting imported tropical deforestation?" May 2023.

Note: Other certifications were also mentioned, although they are used by the players, including the Rainforest Alliance Certification for cocoa and coffee, UTZ Certification for cocoa, Fairtrade, Max Havelaar, Enveritas Certification for coffee, Bonsucro for sugar cane as well as The ISCC for palm oil and Fairtrade for other agricultural commodities. In addition, some companies have implemented responsible sourcing programmes for sectors such as cocoa. In doing so, manufacturers invite their suppliers to join their programmes and supply them with products that comply with the specifications.<sup>66</sup>

<sup>66</sup> This is particularly the case with the following programmes: Cocoa for Generations (Mars), Nestlé Cocoa Plan, Forever Chocolate (Barry Callebaut), Cocoa Charter (Ferrero) and Cocoa for Good (Hershey).

## PROGRESS STILL NEEDED ON THE ROBUSTNESS AND COVERAGE OF CERTIFICATIONS

Comité Scientifique et Technique Forêt, in charge of implementing the National Strategy to Fight Imported Deforestation, recalled in May 2023 that only a small number of certifications combine both rigorous specifications and widespread application worldwide<sup>67</sup>. Regarding the soy, wood, palm oil and cocoa sectors studied by CST Forêt, the experts concluded that no certification standard on the four selected products is currently fully compliant with the criteria of the National Strategy to Fight Imported Deforestation. They recommend six general changes to strengthen market standards and contribute more effectively to fight imported deforestation.

In addition, at the end of 2021, the French government developed a **dashboard that aims to track soy imported into France** by tracing supply chains from Brazil and which can also be used alongside certifications<sup>68</sup>.

More recently, as part of the SNDI, Comité Scientifique et Technique Forêt published on 14 December 2023 the "**Forest Footprint France Repository**". Jointly built with Envol Vert, this tool can be used to assess the deforestation linked to the production of each material in each producing country. This tool enhances decision-making support for private organisations in their procurement in order to reduce the impact of their activities<sup>69</sup>.

However, certified goods currently account for only a limited share of global flows, so certification cannot be the only tool to fight deforestation. Financial institutions must therefore implement procedures alongside certification to develop internal strategies that meet the challenges. As such, the benefits of using certification are maximised when this approach is combined and cross-referenced with other instruments to fight imported deforestation, such as the use of databases and collaboration within international initiatives.

67 Comité Scientifique et Technique, "[What potential does certification have in fighting imported tropical deforestation?](#)", 2023. In 2020, CST recalled that the total quantity of RSPO (Certified Sustainable Palm Oil or CSPO18) oil has stagnated since 2014 at around 12 Mt, i.e. 19% of the total palm oil and palm kernel oil produced.

68 SNDI, [Dashboard for assessing deforestation risks linked to French imports of soya](#).

69 CST Forêt, [How can we assess our involvement in deforestation? Methodological proposal for the development of a Forest Footprint France Repository](#), December 2023.



## 4. JOIN INTERNATIONAL INITIATIVES

Lastly, international initiatives are also a lever of action for financial institutions. A growing number of initiatives to preserve biodiversity and/or fight deforestation have been implemented in recent years. Their goal is to change financing policies, notably to improve business purchasing policies in order to reduce deforestation exposure in supply chains. Financial analysts must be careful not to place the different initiatives mentioned in table 5 on the same level of requirements.

### The main international initiatives aimed at financial players

#### ACCOUNTABILITY FRAMEWORK INITIATIVE

##### NAME OF THE INITIATIVE

Accountability Framework Initiative

##### LAUNCH DATE

The Accountability Framework Initiative (AFi) is a collaborative, multi-stakeholder initiative launched in 2016.

##### SIGNATORIES

The AFi signatories are businesses, governments, NGOs and other stakeholders in sustainable supply chain issues.

##### GOAL

The AFi's main goal is to develop clear standards and guidelines for businesses and governments to promote sustainable procurement practices. In March 2019, the AFi presented a set of standards and principles, known as the "Accountability Framework", which provide clear guidance to fight deforestation, protect the rights of communities and ensure transparency in supply chains.

##### FURTHER READING

Learn more about the initiative here.

#### FINANCE FOR BIODIVERSITY PLEDGE

##### NAME OF THE INITIATIVE

Finance for Biodiversity Pledge

##### LAUNCH DATE

25 September 2020 ahead of COP 15 of the United Nations Convention on Biological Diversity.

##### SIGNATORIES

Today, over 160 financial institutions in 25 countries, representing around €22 trillion in assets.

##### GOAL

Ask all leaders in the financial sector to commit to protecting and **restoring biodiversity through their financial activities and investments, including** through: Collaboration and knowledge sharing; engagement with companies; impact assessment; target setting; reporting and results on the above actions and by 2025.

##### FURTHER READING

Learn more about the [Finance for Biodiversity Pledge](#) Note: This initiative led to the creation of the [Finance for Biodiversity Foundation](#), which aims to invite financial players to work together to carry out the commitments of the same name. The **Finance for Biodiversity Foundation** has set itself the mission of "supporting a call to action and collaboration between financial institutions through working groups, as a liaison entity for contributing signatories and partner organisations".

## FSDA

### NAME OF THE INITIATIVE

Finance Sector Deforestation Action (FSDA)

### LAUNCH DATE AND CONTEXT

Launched at COP 26

### SIGNATORIES

Brings together over 30 financial institutions managing more than \$8.5 trillion in assets.

### GOALS OF THE INITIATIVE

The elimination of deforestation risks related to agricultural products (livestock, soy, palm oil, pulp) from investment and loan portfolios by 2025 by financial players.

### FURTHER READING

Read the [open](#) letter.

## SPRING INITIATIVE OF THE PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

### NAME OF THE INITIATIVE

Spring

### LAUNCH DATE

The initiative is coordinated by the PRI (Principles for Responsible Investment) and engagement with companies will be launched in the second quarter of 2024.

### SIGNATORIES

Signatories must be a member of the PRI and can join the initiative at any time, as signatories to the Spring Investor Statement and also as participants in working groups. The names of the first signatories of the declaration will be publicly announced in early 2024.

### GOAL

The goal of the initiative is to enable investors to help stop and reverse biodiversity loss by 2030. Spring focuses in particular on deforestation and land degradation in sensitive areas, calling for the global alignment of public policies through responsible political commitment by businesses. The expectations of the companies targeted by the initiative relate to strategy, operations and supply chain management.

### FURTHER READING

Join [SPRING: a PRI initiative for nature](#)

## IPDD

### NAME OF THE INITIATIVE

Investors Policy Dialogue on Deforestation

### LAUNCH DATE

The Investors Policy Dialogue on Deforestation (IPDD) is a collaborative investor initiative created in July 2020.

### SIGNATORIES

The IPDD is supported by 78 global institutional investors from 19 countries, representing approximately \$10 trillion in assets under management. Members consist of asset owners and management companies.

The initiative is currently co-chaired by **Storebrand Asset Management** and **RBC BlueBay Asset Management**, with support from the Tropical Forest Alliance secretariat.

### GOAL

The goal of this initiative is to coordinate dialogue on public policies aimed at stopping deforestation. The IPDD aims to ensure the long-term financial sustainability of investments in the countries where they are committed, promoting sustainable land use, sustainable forest management and respect for human rights, with an initial focus on tropical forests and natural vegetation. The initiative aims to work with key stakeholders to encourage the adoption and implementation of regulatory frameworks ensuring the protection of these natural assets and human rights.

### FURTHER READING

See the IPDD [report](#) from December 2022

## NATURE ACTION 100

### NAME OF THE INITIATIVE

Nature Action 100

### LAUNCH DATE

The Nature Action 100 initiative was launched at COP 15 on biodiversity at Kunming-Montréal in 2022.

### SIGNATORIES

This coalition brings together around 190 investors and manages \$23.6 trillion in assets.

### GOAL

Nature Action 100 is an initiative that mobilises institutional investors to establish a common agenda for commitments and a clear set of expectations to encourage companies to be more ambitious and take action to curb the loss of nature and biodiversity.

Investors participating in the initiative engage with 100 key companies in sectors that have the greatest impact on nature to encourage them to reduce their impact on biodiversity (i.e. pharmaceuticals, chemicals, personal and household goods production, consumer goods, food, retail, forestry, metallurgical and mining).

### FURTHER READING

Learn more about the initiative [here](#).

## NDPE

### NAME OF THE INITIATIVE

"No Deforestation, No Expansion on Peat and No Exploitation"

### LAUNCH DATE

The "No Deforestation, No Expansion on Peat and No Exploitation" initiative has been influencing financial institutions' agricultural policies for several years.

### SIGNATORIES

Many companies, including multinational food and cosmetics companies, have adopted NDPE policies for their supply chains. Companies involved in the production, processing and distribution of palm oil are the main targets of these commitments.

### GOALS

No Deforestation: this means that companies commit to not clearing new forest areas to expand their plantations.

No Peat: companies commit to not clearing peat bogs, which are sensitive ecosystems.

No Exploitation: companies commit to respecting workers' rights and to not be involved in exploitation practices.

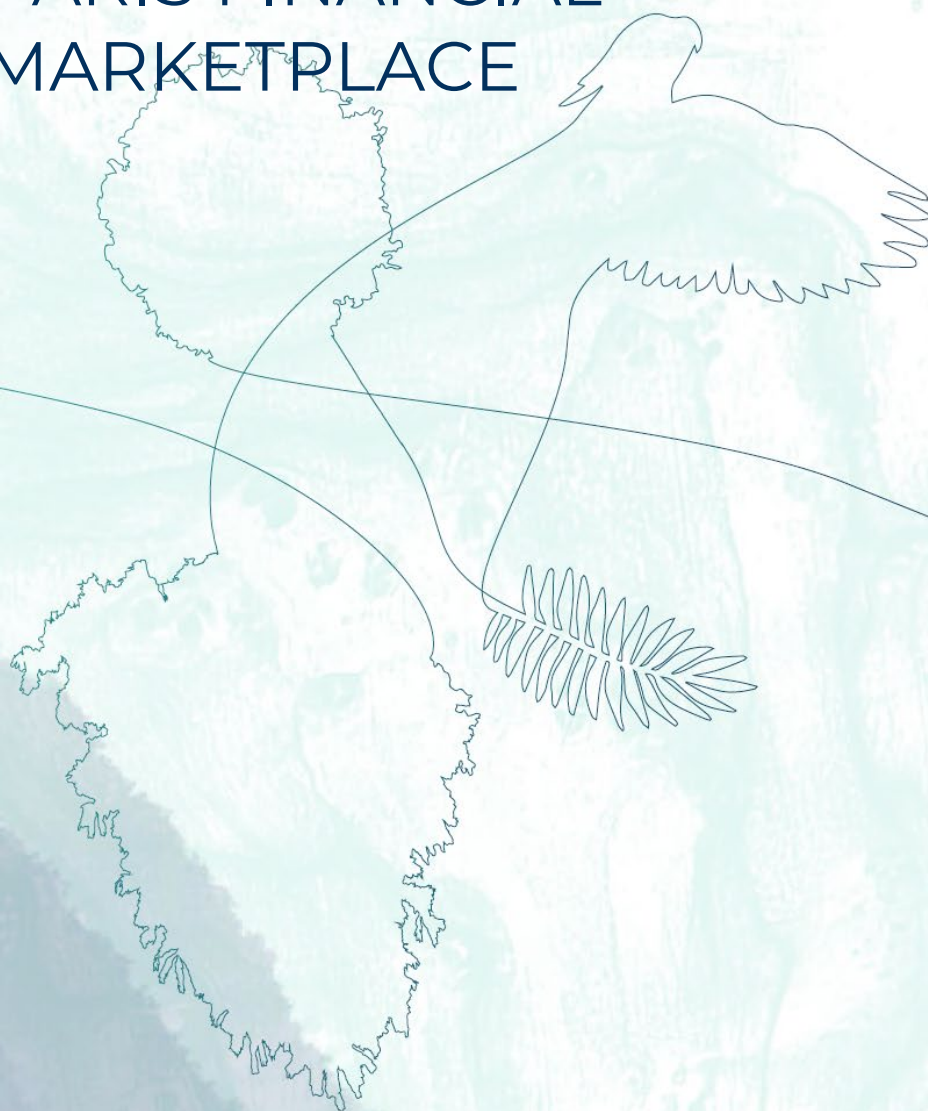
### FURTHER READING

[Learn more about the initiative](#)

FIGHTING DEFORESTATION  
OVERVIEW OF THE STRATEGIES  
OF THE PARIS FINANCIAL MARKET

## PART II

# OVERVIEW OF FINANCIAL STRATEGIES TO FIGHT DEFORESTATION ON THE PARIS FINANCIAL MARKETPLACE



The aim of this section is to highlight the deforestation strategies of several key financial institutions on the Paris financial market. After an analysis covering all financial players, this presentation is divided into three sub-sections to understand the challenges and initiatives of each type of financial player in the face of these challenges: insurance firms, management companies and banks.

The presentations of the institutions' policies were produced in collaboration with the institutions themselves, as part of the work by the Sustainable Finance Institute's dedicated working group. The institutions involved: *Abeille Assurances (insurance and investment branch), AXA (insurance and investment branch), SCOR, Amundi, BNP Paribas Asset Management, HSBC AM, LBP AM, Crédit Agricole and its investment and financing bank CACIB, Caisse des Dépôts, La Banque Postale, HSBC Banque, Société Générale, BNP Paribas, Robeco and Standard Chartered.*

## A. CROSS-SECTIONAL ANALYSIS OF FINANCIAL INSTITUTIONS' POLICIES

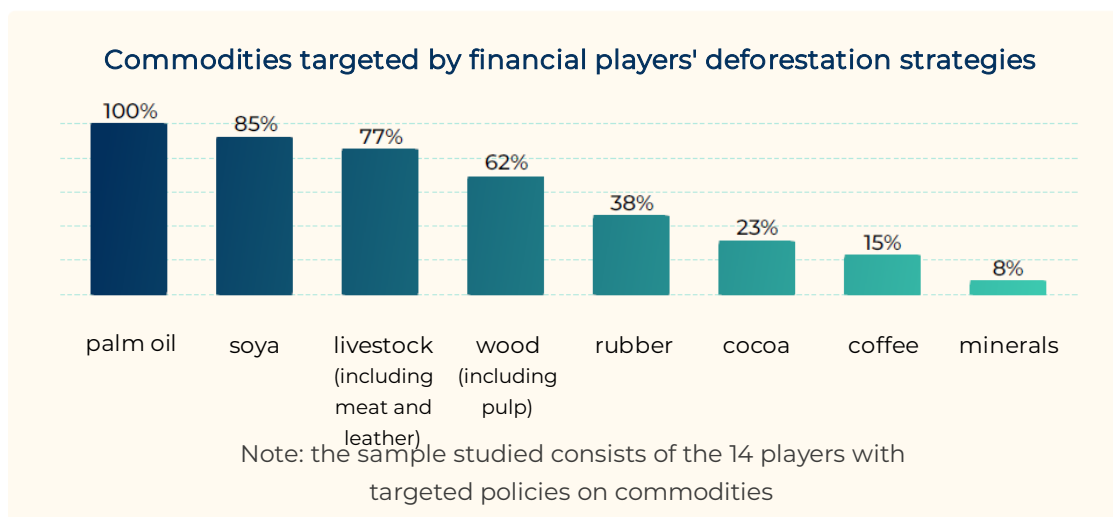
In a context of growing risks linked to deforestation, **the French financial sector is one of the most advanced in taking these issues into account on the international stage.** The zero deforestation policies and actions implemented by players are multi-faceted and interdependent. Most of them are part of broader biodiversity strategies or targeted policies to fight deforestation. They may include exclusion filters for certain identified sensitive commodities, as well as progressive approaches involving engagement followed by exclusion if this engagement does not produce a result within the given deadlines.

1. Use traditional financial portfolio management tools such as sector policies with engagement and exclusion strategies based on certain commodities with a deforestation risk, for example.

- The **15 players** participating in this study **have integrated the deforestation issue into their policies.**
- For the majority of them, **deforestation commitments are incorporated into groups' "Biodiversity Policies".** A minority of players have a deforestation policy clearly differentiated from other sectoral strategies.
- Policies on deforestation often take the form of a **policy on targeted agricultural commodities** (e.g. a policy on palm oil, pulp and/or logging) or **targeted policies on industrial agriculture.** While the report focuses on deforestation, as far as land use is concerned, the issue relates more broadly to the protection of all ecosystems and fighting their conversion. Some players therefore incorporate this issue into their respective policies.<sup>70</sup>
- The commodities targeted are a key link in the structuring and interconnection of the zero-deforestation policies of the players highlighted in this report. **Palm oil, soy, livestock and wood are the main commodities targeted by deforestation strategies.**
- **Over three-quarters of the players involved in this report have an exclusion strategy** specifically focused on the issues of fighting deforestation. Most of the exclusion filters apply to the producers as well as the distributors/wholesalers of the targeted commodities.
- **For two-thirds of players,** these exclusion filters include criteria on the location of the funded or fundable activity<sup>71</sup>.

<sup>70</sup> Change from a natural ecosystem to another use of the land or far-reaching change in the species composition, structure or function of a natural ecosystem (source: Accountability Framework Initiative)

<sup>71</sup> For example, this applies to soy cultivation, livestock farming in the Amazon and the Cerrado region, and palm oil production in Indonesia. Exclusions may also include activities located on land with high biodiversity value such as primary forests, rainforests or those with the High Carbon Stock designation, High Conservation Value forests, IUCN Category I to IV protected areas, peatlands and wetlands covered by the Ramsar Convention, sites listed by the Alliance for Zero Extinction or UNESCO World Heritage sites.



2. [Enlisting support from players specialising in fighting deforestation can help strengthen strategy in this area and accelerate the transformation of business. The majority of players have implemented this type of support.](#)

3. [Use tools to track exposure to the deforestation risk such as certifications and databases.](#)

→ **Over 90% of respondents use certifications** to strengthen their commitments to fighting deforestation and shape their exclusion strategies. Those most widely used by financial players include RSPO certification for palm oil, RTRS certification for soy and FSC and PEFC certifications for wood.

→ **Over three quarters of the institutions use databases to track the deforestation exposure** of their portfolios and strengthen their commitments. The main tools used are **Forest 500, Trase, SPOTT and CDP Forest. Forest IQ**, launched at the end of 2023 by Global Canopy, the Stockholm Environment Institute and the Zoological Society of London, provides comprehensive information on the deforestation performance of over 2,000 companies and is attracting a great deal of interest from market players.

4. [Join international initiatives.](#)

Most of the institutions that participated in this study are members of international initiatives and coalitions. These include:

→ **The Finance Sector Deforestation Action (FSDA)**, launched at COP 26, which aims to eliminate deforestation risks linked to agricultural products in investment and loan portfolios by 2025 by financial players.

→ **The Investors Policy Dialogue on Deforestation (IPDD)**, supported by 78 global institutional investors from 19 countries.

## B. INSURANCE COMPANY INITIATIVES AND THEIR INVESTMENT BRANCHES

Insurance players have a specific positioning, as they provide long-term financial products that make it possible to consider time horizons more directly aligned with those of environmental issues such as biodiversity and deforestation. As a result, they have significant potential to contribute to the deployment of a financial system that incorporates these issues<sup>72</sup>.

These players usually actively participate in global deforestation engagement initiatives. In a 2019 report<sup>73</sup>, AXA – together with the WWF – proposed a set of recommendations, including the launch of a "Task Force on Nature Impact Information Reporting (TFIN) to create the conditions for the transition to the protection, restoration and promotion of biodiversity", which in 2021 led to the launch of the Taskforce on Nature-related Financial Disclosures (TNFD), of which AXA is a member.

*Note: see bibliography for links to institutional documents on the players' strategies.*

72 France Assureurs, Insurance and biodiversity: challenges and prospects, 2021.

73 AXA & WWF, Into the Wild – Integrating nature into investment strategies, 2019. "Task Force on Nature Impact Information Reporting (TFIN) to create the conditions for the transition to the protection, restoration and promotion of biodiversity" (page 6)



# Abeille Assurances & OFI Invest AM

## GENERAL POLICY

**Biodiversity Strategy Policy**, which came into force in January 2023 and focuses on palm oil. Other upcoming commodities: **soy cultivation and beef farming**.

The policy to fight deforestation is common to **Abeille Assurance & OIF Invest AM** and is based on five pillars: Measure the biodiversity footprint, engage with bodies, businesses and employees, establish governance on biodiversity issues, invest by integrating these criteria and manage risks in investments.

The deforestation strategy includes a **policy of exclusion, engagement and adherence to market initiatives**.

## COMMODITIES CONCERNED



## ENGAGEMENT STRATEGY

The engagement strategy is implemented through the management company of Abeille Assurances: OFI Invest. Engagement is carried out over a two-year period to encourage the implementation of measures to mitigate deforestation risks. **In 2025, potential post-assessment exclusions are therefore to be expected.**

**Engagement** concerns companies not targeted by quantitative exclusions and whose activities relate to the purchase of palm oil-related products, and which are the subject of controversies on this subject.

The targets of this engagement policy are **palm oil producers, traders and refiners**. The aims of the engagement can be as follows: encourage RSPO certifications, put in place an action plan to achieve a level of certification, put in place policies to respect human rights, etc.

## TOOLS

### CERTIFICATION

RSPO

### DATABASES

Reprisk, CDP data, Trase, MSCI, SPOTT, Forest 500, Score Commodity Palm Oil

## EXCLUSION STRATEGY

Exclusions on a quantitative threshold are established for **palm oil producers and/or wholesalers**:

1. Exclusion (producers/wholesalers) if **revenue** is equal to or greater than 5% of total revenue from palm oil production.
2. Exclusion (producers, distributors) based on the **% of RSPO-certified palm oil**.

## PARTNERSHIPS

Signatory of the Finance for Biodiversity Pledge

Membership of collective initiatives such as the Finance for Biodiversity Foundation through Aéma Groupe and the Sustainable Finance Institute

Member of the Principles for Responsible Investment (PRI)

Ofi Invest AM is also a member of Nature Action 100

# AXA Assurance and AXA IM

## GENERAL POLICY

The ecosystem protection and anti-deforestation strategy aims to **reduce the risks associated with deforestation and protect areas of high biodiversity value**. It concerns soy, palm oil, wood and livestock production in regions where these industries contribute significantly to deforestation.

In accordance with the **UN PSI-UNESCO** classification, the AXA Group also undertakes to **protect Natural World Heritage Sites**, taking care not to support companies in sensitive sectors that develop activities incompatible with the preservation of the ecosystems of these vital sites by taking out Property and Construction insurance.

The AXA Group's ecosystem conversion and deforestation policy is currently being revised.

## COMMODITIES CONCERNED --



## ENGAGEMENT STRATEGY

The AXA Group's credit research team regularly engages with the **senior management of issuers to which the AXA Group has the highest exposure**. These meetings enable the AXA Group's credit research team to review and discuss the issuers' strategy and their ESG commitments, including deforestation, particularly for high-impact sectors. The team is responsible for engagement on behalf of the AXA Group and is **in charge of assessing the alignment of the companies in which AXA invests with its responsible investment principles and policies**. This dialogue helps to define the AXA Group's investment policy by selecting the issuers in which the group can invest.

Engagement is also made by the AXA Group on the Insurance side. These pre-renewal interviews make it possible to verify the deforestation action plan implemented by the Insured Party.

Separately, **AXA IM, as AXA's management branch, engages directly with the companies in which it invests and, as a member of a coalition of investors, with companies in key sectors**. AXA IM has developed a thematic approach to engagement and applies two different engagement strategies: "**engagement with objectives**" and "**dialogue on sustainable development**" (see the general policy for more information).

## EXCLUSION STRATEGY

For **investments**, the strategy has been applied strictly within the **management scope of the AXA Group's general assets**.

In terms of insurance underwriting, the AXA Group is more focused on activities with a deforestation risk. **The Group restricts the underwriting of Property and Construction insurance by companies in four cases (see the general policy to learn more about them)**.

In accordance with the UN PSI-UNESCO classification, **the AXA Group also undertakes to protect Natural World Heritage Sites**, taking care not to support companies in sensitive sectors that develop activities incompatible with the preservation of the ecosystems of these vital sites by taking out Property and Construction insurance.

## TOOLS

### CERTIFICATION

Roundtable on Sustainable Palm Oil (RSPO)

As part of sustainable forest investments, forests managed by AXA IM Alts on behalf of the AXA Group and third-party clients are PEFC or FSC certified at the time of acquisition or once under management. In 2022, AXA IM Alts managed approximately 75,000 hectares on behalf of the AXA Group, including 12,000 in France. In 2022, the Group's forestry investments totalled €932 million out of €1 billion.

### DATABASES

CDP Forest Database

Sustainalytics controversy database

## PARTNERSHIPS

AXA has joined the World Heritage Sites initiative, launched by the Principles for Sustainable Insurance (PSI) and WWF ; Member of the Finance for Biodiversity Foundation (signatory of the pledge) ; Member of the Finance Sector Deforestation Action (FSDA) ; Signatory of the Principles for Responsible Investment (PRI) and the United Nations PSI AXA IM, founding member of Nature Action 100

### Additional initiatives:

- 1/ The Fagus project is an afforestation and reforestation programme in France, carried out in partnership with Alliance Forêts Bois, a forestry cooperative of private owners.
- 2/ The AXA Group, AXA IM Alts and AXA France have joined forces with a consortium of scientists, NGOs and forest experts (including INRAE, Agro ParisTech, France Nature Environnement and Reforest'action) as part of a three-year project aimed at proposing a more effective and sustainable method for restoring damaged plantations in France.

# SCOR (Asset Owner)

## GENERAL POLICY ----- COMMODITIES CONCERNED -----

SCOR undertakes to do its best to ensure that its investment portfolio does not contribute to deforestation by 2030. Its policy will be gradually improved in the future.

SCOR considers **engagement** with companies as the main lever for helping to stop deforestation practices worldwide.

The main first request made by SCOR to the companies in its portfolio is to adopt **an anti-deforestation policy by 2025**.



## EXCLUSION STRATEGY -- ✓ ENGAGEMENT STRATEGY -----

No automatic exclusion

More specifically, SCOR deploys a policy of engagement with companies based on three pillars:

1. Make a **public commitment** to eliminate deforestation and conversion (production & value chain).
2. Participate in **collaborative actions** to promote sustainable agricultural practices.
3. **Publish an annual progress report** on the progress made on the zero-deforestation and zero-conversion policy and on their collaborative actions on this subject.

## TOOLS ----- PARTNERSHIPS -----

### CERTIFICATION

No specific certification

### DATABASES

Forest 500

CDP data

Reprisk

Trase

Collaborative engagement through participation in the FSDA

Member of the Finance for Biodiversity Foundation

Member of the Principles for Responsible Investment (PRI)

Member of Nature Action 100

## C. ASSET MANAGER INITIATIVES

Asset managers have a significant impact on the real economy through their portfolio allocations, which have direct implications for the direction of capital flow. They therefore play a key role in engaging with companies involved in deforestation-related activities. In general, however, deforestation appears to represent a less material risk for these financial players at this stage. In a 2023 report, the association Share Action recalled that the majority of asset managers still had no dedicated commitment to fight deforestation<sup>74</sup>.

The report takes stock of initiatives in the area of deforestation by analysing the practices of the 77 largest asset managers, ensuring that the various continents are represented. The findings show that nearly three quarters of asset managers have not made a commitment to fight deforestation. For example, just four of the asset managers<sup>75</sup> surveyed have committed to complying with the NDPE (*No Deforestation, No Peat, No Exploitation*). The five asset managers that participated in this overview have begun to implement a strategy to fight deforestation, which may encourage other players in the sector to follow this drive.

*Note: see bibliography for links to institutional documents on the players' strategies.*

<sup>74</sup> Share Action, *Point of No Returns 2023 Part IV: Climate and Biodiversity*, June 2023.

<sup>75</sup> Including BNP Paribas AM & Robeco, which participated in this study

# Amundi

## GENERAL POLICY

The deforestation issue is addressed through Amundi's **biodiversity policy**, which targets the four main factors responsible for its decline, namely land and sea use change, climate change, pollution, and the use and direct exploitation of natural resources.

The policy primarily focuses on companies that are particularly exposed to activities that harm biodiversity and do not adequately manage the associated risks. **All identified companies are subject to a dedicated dialogue in order to make improvements.**

## COMMODITIES CONCERNED



## ENGAGEMENT STRATEGY

Amundi engages with companies on **the priority list** and with companies for which the subject of biodiversity is relevant.

This commitment follows a twofold approach:

1. Firstly, Amundi **proactively collaborates** with the companies to identify and manage risks related to biodiversity and ecosystems.
2. Amundi can then **intervene reactively in the event of abuse or allegation**. In this case, Amundi seeks to ensure that appropriate measures are taken into account to effectively remedy the situation.

## EXCLUSION STRATEGY

To assess and monitor issuers' biodiversity behaviour, Amundi draws on the internal **ESG rating**, which is broken down as such: for issuers whose activities have a high impact on biodiversity and whose risk management is insufficient, Amundi applies a **capped rating (E or F)** on the relevant criteria of the ESG rating. The lack of appropriate processes or information is also a reason to cap the rating on the relevant criteria.

**Exclusion applies to all relevant active management strategies.** Potential exclusions concern **active management strategies and passive ESG strategies**, for which Amundi applies discretionary management.

Lastly, when engagement fails, **a mode of escalation to exclusion** can be put in place.

## TOOLS

### CERTIFICATION

RSPO, FSC, RTRS

### DATABASES

Forest 500, SPOTT, CDP data and ESG data providers in particular to handle controversies (Sustainalytics & MSCI)

## PARTNERSHIPS

Finance for Biodiversity member

Member of the TNFD pilot group in 2022, which aimed to test the "LEAP-FI process on the food sector, using the BIA-GBS database"

Member of B4B+

Member of the CDP Forest Champion programme

# BNP Paribas Asset Management

## GENERAL POLICY

BNP Paribas Asset Management (BNPP AM) made commitments in 2019 to fight deforestation in its **global Sustainability strategy**.

BNPP AM draws on **three sector policies** developed with the **BNP Paribas** group to implement its deforestation strategy (**palm oil, pulp, agriculture**), as well as its biodiversity position, according to which BNP Paribas undertakes to **engage with its customers** in order to promote the adoption of good deforestation practices.

BNPP AM aims to systematically include a broad set of data in its investment decisions through its ESG rating and provide portfolio managers with a better view of companies that are lagging or leading efforts to stop deforestation and the conversion of natural ecosystems.

A **new study** will soon be published to **quantitatively assess the exposure of its companies** to potential deforestation and the conversion of natural ecosystems through the production and consumption of risky agricultural raw materials. Ideally, this analysis will be updated regularly to monitor the progress of its investments.

## COMMODITIES CONCERNED

To date, **agricultural commodities are the only ones targeted**. By 2030, all **agricultural and non-agricultural commodities will be affected: mining, metals, infrastructure**.



## ENGAGEMENT STRATEGY

In general, BNPP AM engages **the sectors with the greatest impact on biodiversity**, with a given focus on **water and forests**.

Active dialogue is conducted with companies in the value chains of **palm oil, soy, paper, wood and beef products** to adopt NDPE policies and enhance verification and traceability mechanisms in order to move towards zero deforestation.

## EXCLUSION STRATEGY

For companies producing or purchasing **beef or soy in the Brazilian Amazon and the Cerrado**, BNP Paribas will only provide financial products or services to companies with a "zero deforestation" strategy in their production and supply chains by 2025 at the latest. In particular, BNP Paribas will require **full traceability of the beef and soy value chains (direct and indirect) by 2025**.

More broadly, BNPP AM draws on the **three sector policies** developed with the BNP Paribas Group including criteria related to deforestation for its exclusion strategy.

## TOOLS

### CERTIFICATION

FSC, PEFC, RSPO

Application of "No Deforestation, No Peat and No Exploitation" for the companies in its portfolios

### DATABASES

Iceberg Data Lab

CDP data and participation in the CDP Non-Disclosure Campaign to encourage companies with the highest impact to report in the CDP Forest questionnaire, Trase, ENCORE, Forest IQ, SPOTT, PBAF, etc.

## PARTNERSHIPS

Member of the Partnership for Biodiversity Accounting Financials (PBAF).

Member of the Investors Policy Dialogue on Deforestation (IPDD); BNPP AM has also played a key role in launching and/or financing several collaborative investor initiatives such as Nature Action 100, TNFD and the CDP Biodiversity questions.

Other significant engagement: **The BNP Paribas Ecosystem Restoration fund** invests in companies that offer environmental solutions contributing to the restoration of aquatic, terrestrial and urban ecosystems through their products, services or processes, such as sustainable forests or alternative proteins. With its new partner **IWC, specialising in natural resources (forestry, agriculture)**, BNPP AM complements its current capabilities on private markets.

# HSBC Global AM

## GENERAL POLICY ----- COMMODITIES CONCERNED -----

Currently, there is no specific deforestation policy for HSBC Global AM. However, **a more comprehensive biodiversity protection policy exists** with a shareholder engagement plan and a note on deforestation published in August 2023.

No policy on agricultural commodities at present or on deforestation, but more general commitments on biodiversity conservation.

## ENGAGEMENT STRATEGY ----- EXCLUSION STRATEGY -----

In terms of engagement, HSBC Global Asset Management encourages the companies in which it invests to:

1. Avoid or minimise their impacts on biodiversity and ecosystems.
2. Commit to the "No Deforestation, No Peat and No Exploitation" policies.
3. Improve their management of energy, water and all other resources.
4. Have sustainable management of natural materials in their value chain (such as the use of forests).
5. Use independent certification, such as FSC and PEFC on wood and RSPO certification for palm oil, to provide evidence that risks to biodiversity and forests have been reduced.

**More generally, the group aims to ensure that companies that are highly exposed to deforestation risks adopt a policy in this area and, ultimately, a more comprehensive policy on biodiversity.**

Currently, HSBC Global AM does not have an exclusion strategy, just an engagement strategy.

## TOOLS ----- PARTNERSHIPS -----

### CERTIFICATION

FSC, PEFC, RSPO, RTRS

Application of "No Deforestation, No Peat and No Exploitation"

### DATABASES

Iceberg Data Lab for all biodiversity data

Other sources mentioned internally and externally: FAIRR, MSCI, World Benchmarking Alliance, Forest 500, CDP data, InfluenceMap

Signatories of the Net Zero Asset Managers initiative, net zero target for the group's assets by 2050

Signatories of the Finance for Biodiversity Pledge

Member of the Finance for Biodiversity Foundation

PRI-Ceres collaborative engagement: from 2018 to 2021, HSBC AM engaged with six companies to analyse exposure to deforestation risks in their supply chain and implement new practices in terms of governance and traceability.

# LBP AM

## GENERAL POLICY

The deforestation strategy is divided into four parts: exclusion, engagement, voting and activity at General Meetings and political engagement. LBP AM's policy covers the following commodities: palm oil, paper, livestock, soy, wood, rubber, coffee and cocoa.

LBP AM will also pay particular attention to mining companies, including the nickel mining sector in 2024.

## COMMODITIES CONCERNED



## ENGAGEMENT STRATEGY

LBP AM's shareholder engagement is aimed at the highest players in the value chain, i.e. **buyers of risky agricultural commodities**. Engagement either takes place bilaterally with companies or through LBP AM's participation in a working group coordinated by CERES.

LBP AM has chosen to focus on **the automotive sector** within a group of investors coordinated by Rainforest Foundation Norway and will focus in 2024 on mining companies supplying materials critical for the energy transition and their involvement in deforestation (particularly for **nickel** extraction, where the engagement will be coordinated by VBDO: The Dutch Association of Investors for Sustainable Development).

## EXCLUSION STRATEGY

Exclusion is based on the following commodities: **palm oil, soy, beef, pulp, rubber, cocoa and coffee**.

Exclusion from LBP AM's investment scope concerns:

1. **companies producing risky agricultural commodities**
2. **commodity resellers** with activities in areas at high risk of deforestation and not having good management of the subject, i.e. a zero-deforestation and conversion policy aligned with the standards of the **Accountability Framework Initiative**.

## TOOLS

### CERTIFICATION

LBP AM does not have a certification-based approach. Nevertheless, as part of its engagement policy, this player pushes for the following certifications:

Palm oil: RSPO

Soya: RTRS

Pulp: FSC, Rainforest Alliance and PEFC certification

Rubber: FSC and PEFC

Cocoa: Rainforest Alliance Certification and UTZ Certification

Coffee: Rainforest Alliance Certification and Enveritas Certification

### DATABASES

MSCI, SPOTT, Forest 500, CDP data

## PARTNERSHIPS

Signatory of the Finance for Biodiversity Pledge

Members of the Finance for Biodiversity Foundation

Collaborative engagement with CERES on deforestation in the agri-food sector

Collaborative engagement with VBDO in the automotive value chain

Deforestation exclusion policy applied to all open-ended funds of LBP AM and Tocqueville Finance

Partnership with the CDP under the Forest Champion programme



# Robeco

## GENERAL POLICY

Robeco has made every effort to eliminate portfolio deforestation by 2025, with the implementation of appropriate processes detailed in a position paper in February 2023, namely:

- The integration of deforestation risks into the investment process, currently carried out by **excluding palm oil producers whose RSPO certification values are <50%**.
- The integration of **ESG and SDG** scores, as well as the development of a **biodiversity score**.
- The **mapping of the portfolio's deforestation exposure**, and the implementation of structured commitments, as well as a **proxy voting** policy to target companies with high exposure to high risks of deforestation or controversies related to deforestation or related human rights violations.

## COMMODITIES CONCERNED



Investment considerations and engagement frameworks for:



## ENGAGEMENT STRATEGY

Robeco's deforestation engagement strategy is based on four pillars:

1. **Targeted corporate engagements** (individual and collaborative) through specific engagement themes such as palm oil, livestock, soy, forest products, cocoa and natural rubber.
2. **Deforestation voting policy** for all portfolio companies that are exposed to risky raw materials for forests and that do not have a policy on deforestation or associated human rights, or that are involved in repeated deforestation controversies.
3. **Sovereign engagement** through the Investor Policy Dialogue on Deforestation (IPDD). Robeco is engaging with the Indonesian and Brazilian governments to support them in their fight against deforestation.
4. **Engagement on deforestation data** – Through the Finance Sector Deforestation Action (FSDA), Robeco is engaging with ESG data providers to signal strong investor interest in developing reliable, high-quality deforestation data, and Robeco offers the opportunity for future collaboration on this front.

## EXCLUSION STRATEGY

In addition to the various ESG and SDG thresholds, which take deforestation into account both as a risk and an impact for all the sectors concerned, Robeco has had a commodity-specific exclusion policy for palm oil producers since 2019:

- The exclusion strategy applies to all companies where **more than 10% of revenue comes from palm oil production**.
- Exclusions concern palm oil producers where **less than 50% of their land is RSPO certified**. This threshold will increase to **80% by the end of 2024**.

For **companies directly involved in palm oil production**, three categories have been established according to their percentage of RSPO-certified land for palm oil cultivation: below 50% – exclusion, between 50-80% – a strong commitment, between 80-100% – a sustainable investment.

In addition, as a last resort, companies considered to be in breach of UN Global Compact standards, including those related to deforestation and forest degradation, are examined for exclusion.

## TOOLS

### CERTIFICATION

RSPO, FSC, RTRS

### DATABASES

On the mapping of deforestation exposure: Forest 500 data, data on company revenues in combination with the CERES sectoral deforestation exposure list

On the screening of palm oil producers: SPOTT

More broadly: use of the ENCORE & Iceberg Data Lab database



## PARTNERSHIPS

Signatory of the Finance for Biodiversity Pledge

FSDA member

Nature Action 100 member

PRI SPRING signatory

Member of FAIRR

Member of the Investor Policy Dialogue on Deforestation (IPDD)

Investor Working Group for a Deforestation-Free Automotive Industry

## D. BANK INITIATIVES

Banks' systemic position gives them a strategic position to address the issue of fighting deforestation through their financing policies.

It is worth noting the particular situation of regional banks in areas with a high risk of deforestation, which may make it difficult to trace financing. Large banking groups may decide to withdraw from financing due to deforestation exposure, although regional banks, financed by these groups themselves, may decide to engage.

Overall, some estimates indicate that banks granted \$267bn in credit between 2016 and September 2022 to 300 companies providing materials with a forest risk, operating in the world's three largest tropical forest regions<sup>76</sup>. In addition, bank flows to these companies, which fell during the pandemic, rose in 2021.

Even so, the analysis of the six banks covered by this study shows that players in the banking sector have undertaken serious efforts in their strategy to fight deforestation by fairly widely mobilising the levers, particularly customer engagement, certifications and international partnerships.

*Note: see bibliography for links to institutional documents on the players' strategies.*

<sup>76</sup> Forest & Finance, [Policy Assessment: Is your money destroying rainforest or violating rights?](#), 2022.

# BNP Paribas

## GENERAL POLICY ----- COMMODITIES CONCERNED -----

BNP Paribas bolstered its **biodiversity position in 2021**, by clarifying and structuring its actions in relation to the five pressures exerted on biodiversity and identified by the IPBES in its 2019 report, primarily the first four: changes in land and sea use, direct exploitation of organisms, climate change and pollution.

This policy includes the protection of forests and a desire to fight deforestation, with the implementation of a **strategy of engagement and exclusion on the identified commodities**.

Development of new sustainable finance tools that link the cost of financing to biodiversity issues, to encourage companies to adopt best practices. Since 2019, BNP Paribas has participated in several issues of **Sustainability-Linked Loans (SLL)** and green bond issues, including indicators and targets related to biodiversity and more specifically the preservation of forests.



## ENGAGEMENT STRATEGY ----- EXCLUSION STRATEGY -----

As part of its engagement policy, BNP Paribas Banque encourages its customers not to produce or buy beef or soy from land cleared or converted in the Cerrado after 1 January 2020, in accordance with global standards.

To achieve this, BNP Paribas is constantly in dialogue with all its customers and will require **full traceability of the beef and soy sectors (direct and indirect) by 2025**.

Since 2017, the financing and investment policy on palm oil has been bolstered to ask customers to commit to the **NDPE** (No Deforestation, No Peat, No Exploitation) and **HCS** (High Carbon Stock Approach) approaches, and to be or become a member of the **RSPO**.

1. **Exclusion of the financing of projects in areas classified for biodiversity, in a few selected sectors** (agriculture, palm oil, mining, unconventional oil and gas). Areas classified for biodiversity include IUCN I-IV sites, wetlands listed in the Ramsar Convention, UNESCO World Heritage Sites, Alliance for Zero Extinction sites and peatlands.
2. BNP Paribas will only provide financial products or services to companies involved in the **beef and soy** value chains from **the Cerrado and the Amazon in Brazil** (producers, meat packers and traders) **with a strategy to achieve zero deforestation in their production and supply chains by 2025 at the latest**. In particular, BNP Paribas will not finance customers that produce or buy beef or soy from land cleared or converted after 2008 in the Amazon.
3. For all its customers in **the Amazon and the Cerrado**, BNP Paribas will require **full traceability of the beef and soy value chains (direct and indirect) by 2025**.

## TOOLS ----- PARTNERSHIPS -----

### CERTIFICATION

Application of "No Deforestation, No Peat and No Exploitation"

For pulp: FSC, PEFC encouraged among suppliers to obtain FSC or PEFC certification for their forests or plantations, as well as for forest and plantation managers.

### DATABASES

BNP Paribas has developed a tool to analyse the ESG risks and opportunities of its corporate clients, including biodiversity issues, by sector (ESG Assessment).

BNP Paribas conducted a pilot to analyse the biodiversity footprint of part of its credit portfolio with Iceberg Data Lab.

More generally, BNP Paribas uses various complementary tools: ENCORE, IBAT, SPOTT, PBAF and Forest IQ. BNP Paribas also participated in the financing of the CDP.

### PARTNERSHIPS

Participation in the Act4nature scheme TNFD (Taskforce on Nature-related Finance Disclosures)

BNP Paribas also supports local actions to preserve biodiversity: reforest'Action, WeForest and the Tara Océan Foundation.

# Credit Agricole/CIB (CACIB)

## GENERAL POLICY

Crédit Agricole S.A. aims to define and adopt a policy to fight deforestation by **2024-2025**.

Currently, CACIB's deforestation strategy is linked to **its CSR sector policy** and focuses primarily on **forests and palm oil**.

The scope of this policy includes the planting and exploitation of forests and palm oil, as well as the production of palm oil. Conversely, the trading and processing of wood (material) and palm oil are not covered.

CACIB uses the "traditional" tools: dialogue with customers and revision of the customer strategy if necessary.

## COMMODITIES CONCERNED --



## ENGAGEMENT STRATEGY

If the customer has not committed to a plan aimed at certifying the bulk of its assets within a reasonable timeframe, the bank will wait for it to demonstrate that it has implemented a **system to assess and manage impacts of equivalent stringency and covering all the criteria**.

Transactions that include factors of high uncertainty regarding compliance with the Policy are submitted to a **committee ("CERES") for recommendation**. If the committee considers that the transaction deviates from the Policy, the transaction is subject to a **final decision by the General Management of Crédit Agricole CIB**.

## EXCLUSION STRATEGY

The bank will not participate in transactions related to this sector if it is aware of one of the following characteristics:

1. Illegal exploitation.
2. Conversion of land with high biodiversity value (protected areas in IUCN categories I to IV, primary or High Conservation Value forests according to FSC, sites listed by the Alliance for Zero Extinction, peatlands).
3. Location in a wetland of international importance covered by the Ramsar Convention.
4. Location in a World Heritage Site according to the UNESCO classification.
5. Or if/when a substantial risk of non-compliance has been identified, it has not received, in its opinion, a satisfactory response concerning:
  - The Performance Standards of the IFC, particularly in terms of ESMS (Environmental and Social Management System) protection of workers' fundamental rights, population displacement, closure and rehabilitation plans, biodiversity conservation, impact on critical natural habitats, indigenous peoples' consent and protection of cultural heritage.
  - Public consultation or, where appropriate, the agreement of affected indigenous peoples.
  - Consultation between States in the event of major cross-border impacts.

## TOOLS

### CERTIFICATION

FSC, PEFC and RSPO as appropriate.

### DATABASES

No tools specifically mentioned but use of public information or information communicated to the bank by the customer. Risk analysis based on open source data and through existing controversies.

## PARTNERSHIPS

Co-Chair of the UNEP-FI PRB Nature Target Setting (2023)

TNFD Early Adopters (FY2025) & TNFD Forum Member

Member of the CDP Forest Champion programme

# Caisse des Dépôts (financial business lines - Investments)

## GENERAL POLICY ----- COMMODITIES CONCERNED --

The Group's deforestation strategy is part of Caisse des Dépôts' **Biodiversity Group Strategy** of December 2022.

As an owner of French forests, the La Caisse des Dépôts group manages its forest assets sustainably through its subsidiary, "**Société Forestière**", which has defined a **Sustainable Management Charter** including good practice indicators monitored over the long term, as well as a biodiversity index (footprint measurement). In particular, this company manages the diversification of tree species, the renewal of forests, the choice of work operation periods with the least impact on biodiversity, the limited use of plant health products and the conservation in forests of dead trees, which are very useful for the biodiversity of forest ecosystems.

To date, the company has also marketed over 5,000 tonnes of CO2 and has nearly 165,000 tonnes in financing projects through the **Low Carbon Label**.

More broadly, **the group has excluded financing and investment in operators and traders of commodities with a high risk of deforestation** listed here. Specifically regarding asset management, **the group asks to engage with portfolio counterparties to encourage them to implement robust zero-deforestation strategies** and to monitor their implementation.



## ✓ ENGAGEMENT STRATEGY

Ongoing engagement dialogue with suppliers and direct and indirect users of these raw materials with a high deforestation risk.

## ■ EXCLUSION STRATEGY -----

The exclusion of financing and investment is aimed at operators and traders that do not have a recognised policy of preventing deforestation in the following raw materials: cocoa, coffee, soya, livestock farming including the agri-food, catering and retail sectors, rubber (including tyres), palm oil (including biofuels, the chemicals and agri-food sector) and lastly wood and pulp.

## IT TOOLS -----

### CERTIFICATION

PEFC, FSC

### DATABASES

CDP, Forest 500, SPOTT, MSCI,

Data provided by NGOs

## 🤝 PARTNERSHIPS -----

Société Forestière has made commitments to take living organisms into account as part of its missions as manager of forest assets in France and has received **Entreprises Engagées pour la Nature (EEN)** recognition in this context, under the programme of the French Office of Biodiversity.

In partnership with **Louvre Banque Privée**, Société Forestière also launched a call for funds in 2019 so that this financial player could offer its customers a **Forestry Investment Group (GFI)**.

This call for funds was an initial success and resulted in inflows of €6.6 million in barely one year.

# HSBC Banque

## GENERAL POLICY ----- COMMODITIES CONCERNED --

HSBC Banque has a **forestry policy** stipulating customer certification requirements in the event of purchases or operations from high-risk countries.\*

In 2014, HSBC Banque also adopted a policy on **agricultural commodities** (palm oil, rubber, livestock, soy and rubber), which clearly states under what conditions HSBC will not provide services, as well as the required supplier certifications.



## ENGAGEMENT STRATEGY -----

Through the Group's business lines, HSBC is committed to dialogue and engaging all players in the investment chain. For example, by encouraging **"desk-top due diligence"**, i.e. encouraging its customers to carry out due diligence to verify that they have not been able to carry out transactions with prohibited trades.

The group's business lines are also required to conduct further investigations if incidents are reported or are based on credible allegations of policy violations.

\* Bolivia; Brazil; Cambodia; Cameroon; Central African Republic; China; Colombia; Côte d'Ivoire; Democratic Republic of the Congo; Equator Guinea; Estonia; Gabon; Ghana; Guatemala; Guyana; Honduras; India; Indonesia; Laos; Latvia; Liberia; Lithuania; Madagascar; Malaysia; Mexico; Mozambique; Myanmar; Nicaragua; Panama; Papua New Guinea; Peru; Republic of the Congo; Russia; Solomon Islands; Thailand; Uganda; Vietnam; and customers indicating "unknown"

## EXCLUSION STRATEGY -----

Overall and through its forestry policy, HSBC's exclusion strategy is to **not provide financial services to customers directly or indirectly involved through the supply chain** in the following areas: illegal logging; timber harvested in violation of traditional and civil rights; timber harvested in forests where high conservation values (HCV) are threatened by industry; or forests converted to plantation or non-forest use.

HSBC defines the following exclusion criteria for its agricultural commodities policy:

- For palm oil:** the group requires its customers to be **RSPO** certified (or equivalent certification). They must have evidence of independent verification of commitments to the protection of **high carbon stock** (HCS) forests and **peat** that may be publicly disclosed. Producers and factories spanning over 50 hectares are also required to have 100% certification of management units under the RSPO. For **palm oil refineries and traders**, a plan is required to exclude palm oil from controversial sources by providing in particular **"traceability"** and to have **full certification of the facilities owned**.
- For soya, livestock and rubber wood**, the group defines its exclusions according to the following classification:

Commodities	Customers	Country
Soy	- Producers with plantations on 10,000 ha or more - Customer with a crushing/pressing capacity of 30,000 T or more of cakes	Argentina, Bolivia, Brazil, Paraguay, Uruguay
Livestock	- Owners of 1,000 animals or more - Operators with slaughterhouses with a capacity of over 500 animals/day	Argentina, Brazil, Colombia, Mexico, Paraguay, Uruguay
Rubberwood	New plantations of 1,000 ha or more	Africa, Cambodia, China, Indonesia, Laos, Malaysia, Thailand, Vietnam

For these four commodities, the following are then excluded:

- **Customers that are associated with high forms of risk and have sourced targeted commodities from areas at high risk of deforestation, i.e. areas that have resulted** in the conversion of areas necessary for the protection of HCV forests, the conversion of primary tropical forests, clearing by burning and the exploitation of local people and communities.
- **Regarding palm oil, customers with activities related to this commodity and potentially involved in illegal deforestation operations and the development of new plantations on peat, regardless of the depth.**

## TOOLS -----

### CERTIFICATION

FSC, PEFC, RSPO, RTRS, monitoring and application of "No Deforestation, No Peat and No Exploitation"

**DATABASES** No tool specifically used

## PARTNERSHIPS -----

Signatory of Business for Nature's Call to Action and the Get to Nature Positive campaign.

Member of the TNFD Taskforce.

Member of the working group of the Aligned Accountability project on deforestation data and metrics.

# La Banque Postale

## GENERAL POLICY

La Banque Postale has defined a **commitment strategy that goes beyond the European Union's deforestation regulation by integrating ecosystem conversion** into its risk analysis and by ensuring that its customers' activities do not contribute to deforestation, whereas the European regulation does not require the financial sector to be diligent with regard to companies involved in deforestation.

This engagement strategy is supplemented by an **exclusion from financing and investment** in operators and traders, unless the company has implemented a recognised policy to prevent deforestation.

The provisions of these Principles apply to the scope of "Large Corporate" clients/issuers and prospects/potential issuers of La Banque Postale Group's Corporate and Investment Bank, for financing and investment activities.

## COMMODITIES CONCERNED



NB: La Banque Postale considers all the commodities listed by the European Regulation.

## ENGAGEMENT STRATEGY

La Banque Postale has defined an engagement strategy:

→ **Aligned with the European Union Deforestation Regulation:**

**The seven commodities:** coffee, cocoa, rubber, palm oil, soy, beef and wood, as well as derived products such as leather and processed products

**The three conditions before these products can be placed on the EU market or exported from the EU market:** Zero deforestation, Products in compliance with the relevant legislation of the production country, Be the subject of a reasoned due diligence declaration.

**Categories of data subjects:**

- Operators** or any natural or legal person that, in the course of a commercial activity, places the products concerned on the European market or exports them from the European market.
- Merchants**, all persons in the supply chain that, in the course of a commercial activity, make the products concerned available on the European market.

→ **Beyond the European EUDR regulation by:**

**Now integrating ecosystem conversion into its risk analysis:**

- To commit alongside NGOs to fighting the import of products that contribute to the conversion of natural ecosystems or human rights violations: savannas, grasslands, peatlands, mangroves and wetlands are among the most biodiversity-rich ecosystems on the planet. They have cultural value for the indigenous peoples and local communities living there. Without their protection, we cannot fight the collapse of biodiversity and climate change.

- To get ahead of stakeholders' expectations: Non-financial rating agencies are increasingly vigilant about the commitments of the companies they assess. For example, the CDP recently extended its disclosure mechanism to track progress in avoiding deforestation associated with the production of a selection of agricultural products that are key to preventing the destruction of all natural ecosystems (Deforestation and Conversion Free, or DCF).

- To anticipate regulatory changes: the European Commission is already considering applying certain EUDR obligations to these other forested lands in the short term.

**Ensuring that its customers' activities do not contribute to deforestation, whereas the EUDR does not impose due diligence on the financial sector regarding companies involved in deforestation.**

## EXCLUSION STRATEGY

This engagement strategy is supplemented by an exclusion from financing and investment in operators and traders, unless the company has implemented a recognised policy to prevent deforestation.

## TOOLS

**CERTIFICATION :** RSPO

**DATABASES :** Forest IQ, Forest 500, Trase, SPOTT, FAO STAT

## PARTNERSHIPS

Member of the Finance for Biodiversity Pledge working group ; Member of the PRB (Principles for Responsible Banking) and the PRB Nature Working Group ; La Banque Postale has a partnership with the WWF

# Société Générale

## GENERAL POLICY

In 2021 and 2022, Société Générale bolstered its sector policies, and in particular **its policy on industrial agriculture and forestry**, which now includes an engagement strategy and stricter criteria on **soya** and **beef** in South America, as well as on **palm oil**.

## COMMODITIES CONCERNED



## ENGAGEMENT STRATEGY

Société Générale has undertaken an engagement and dialogue approach for **companies operating in the soy and livestock farming sectors in South America and palm oil (producers, traders and primary processors)**.

The Group now monitors progress made in terms of traceability by customers active in these sectors on an annual basis.

With a view to the implementation of the European regulation on imported deforestation, the group aims to initiate an additional review of customers active in the cocoa, coffee, wood and rubber sectors in order to enter into dialogue with them on the measures they intend to implement.

## EXCLUSION STRATEGY

The "Industrial Agriculture and Forestry Policy" excludes dedicated financing whose underlying activities are:

→ The development of upstream industrial agricultural activities located on a peatlands site, a UNESCO World Heritage site, a Ramsar site, an area benefiting from national protection according to IUCN categories I-IV or an Alliance for Zero Extinction site. (These exclusions also apply to the following sensitive sectors: oil and gas exploration and production, mining, reservoir dams, thermal power plants, shipyards).

→ Activities that have a negative impact on High Conservation Value (HCV) or High Carbon Stock (HCS) areas.

→ Farms involving large-scale clearing by burning or final clear-cutting, except for health reasons.

Particular attention is also paid to companies operating in the **soy and livestock farming sectors in South America and palm oil** (producers, traders and primary processors). In these sectors, the Group restricts the provision of financial products and services to customers committed to:

1. eliminating deforestation and land conversion in their activities (on their own farms and on their supply chain),
2. implementing and making systematic the traceability of their value chains and in this context,
3. annually reporting on their progress.

In addition, the bank refrains from financing **soy cultivation or livestock farming activities in the Amazon and the Cerrado region**.

## TOOLS

### CERTIFICATION

Palm oil: RSPO, ISCC

Soya: RTRS

Wood: PEFC, FSC

### DATABASES

Forest 500, Trase, IBAT, Forest IQ, SPOTT

## PARTNERSHIPS

Société Générale is a member of the Finance for Biodiversity pledge through its insurance and asset management activities

Member of the PRB (Principles for Responsible Banking)

Member of the Science Based Targets Initiative for Nature (SBTN)

Member of the TNFD Forum



# Standard Chartered

## GENERAL POLICY

As part of its "Here for Good" purpose, Standard Chartered has published a **sectoral position statement for the agro-industries**, which came into force in March 2022 and sets out the standards by which its customers are assessed to measure environmental and social impacts.

## COMMODITIES CONCERNED



## ENGAGEMENT STRATEGY

Across the agri-food sector, customers are encouraged to:

- Conduct appropriate studies to demonstrate that their operations do not have a negative impact on local or regional food security – applicable to producers.
- Comply with the International Code of Conduct on the Distribution and Use of Pesticides published by the Food and Agriculture Organisation of the United Nations (FAO) – applicable to producers.
- Adopt sustainable farming techniques that promote soil fertility and minimise greenhouse gas emissions and water use – applicable to producers.

In addition to the engagement strategies mentioned, additional commodity-specific strategies are in place. For example, for palm oil, customers are encouraged to use the ProForest High Carbon Stock Approach Toolkit and Good Practice Guidelines, to integrate HCS-HCV assessments and FPIC into the Environmental and Social Impact Assessment (ESIA) process.

## EXCLUSION STRATEGY

Standard Chartered has developed **an exclusion strategy specific to agro-industrial commodities**. Overall, the exclusion filters below mean that it will no longer be possible to finance customers with a deforestation risk:

- Development of new plantations by converting or degrading High Conservation Value (HVC) or High Carbon Stock (HCS) forests, legally protected areas or peatlands.
- Development of new plantations on fragile soils, including swamps and peatlands, regardless of their depth.
- Use of fire in forestry or planting operations, including clearing and preparing land for planting.
- Involvement in illegal logging or trading activities.
- Exploitation of local people or communities. Standard Chartered ensures that consent has been obtained through a credible prior informed consent process (if applicable).
- Farms that grow, process or market soy from the Brazilian Amazon.
- Farms that grow soy in the Brazilian Cerrado.

## TOOLS

### CERTIFICATION

Wood: FSC, PEFC

Palm oil: RSPO

Soya: RTRS

Other certifications may also be used for agricultural products and may therefore include certain commodities with a high risk of deforestation: Fairtrade International, Global Coffee Platform (GCP), Universal Trade Zone (UTZ) certified, Rainforest Alliance (RA), Sustainable Rice Platform (SRP)

### DATABASES

IBAT

CDP database

## PARTNERSHIPS

Member of the PRB (Principles for Responsible Banking)

Member of the TNFD

Active participation in sustainable development forums aimed at protecting areas of high heritage value and ending land conversion (such as the commodities forum (SCF), the Cerrado Working Group (CWG).

FIGHTING DEFORESTATION  
OVERVIEW OF THE STRATEGIES  
OF THE PARIS FINANCIAL MARKET

# APPENDICES



## APPENDIX 1

# INTERGOVERNMENTAL COALITIONS INVOLVING FRANCE

**1.** Since 2018, France has been a member of the **Amsterdam Declarations Partnership**. Established at COP 21 in 2015 based on the principles of the New York Declaration, this aims to act to end deforestation linked to the import of agricultural products, by cooperating with the private sector and countries producing soya, palm oil and cocoa for sustainable supply chains and zero-deforestation. The partnership is comprised of ten countries, including Belgium, Denmark, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, the United Kingdom and France<sup>77</sup>.

**2.** In 2021, France signed the "Glasgow Leaders' Declaration on Forests and Land Use" at COP 26, pledging to 144 countries to "work collectively to stop and reverse deforestation and soil degradation by 2030".

With these 145 signatories, the declaration covered 90% of forests globally, i.e. 3.6 billion hectares. This declaration is accompanied by a "Global Forest Finance Pledge" endowed with \$12 billion in public funds from 12 countries, including France, to "support actions for the protection, restoration and sustainable management of forests" in developing countries from 2021 to 2025. \$1.5 billion was specifically earmarked for the protection of forests in the Congo Basin, from the "Bezos Earth Fund" and from 11 countries, including France.<sup>79</sup>

**3.** France has also joined a second initiative resulting from the COP 26 negotiations: the **Forests, Agriculture and Commodity Trade dialogue (FACT) of 28 states, representing 75% of global trade in commodities that can contribute to deforestation**. These countries are committed to ensuring sustainable trade and reducing pressure on forests, through support for small farmers and improving the transparency of supply chains<sup>78</sup>.

**4.** At COP 28, France announced the creation of two partnerships that provide for the payment of €100 million to Papua New Guinea and €50 million to the Congo to enable these countries to continue and enhance the protection of their primary forests. These initiatives consist of concluding scientific and economic partnerships with developing countries to "remunerate" them in exchange for the "environmental services" provided by these forests and their preservation, as announced at the One Forest Summit in Gabon in 2023. At the same time, research on biodiversity credits carried out by the **International Advisory Panel on Biodiversity**<sup>80</sup> is continuing and should make it possible to launch a new tool for financing biodiversity and forest preservation.

<sup>77</sup> [Amsterdam Declarations Partnership](#)

<sup>78</sup> [Forests, Agriculture and Commodity Trade](#)

<sup>79</sup> Senate, [Review of the Glasgow climate talks \(COP26\)](#), Information Report No. 279 (2021-2022), filed on 9 December 2021.

<sup>80</sup> [International Advisory Panel on Biodiversity](#)

## APPENDIX 2

# PLAYERS SPECIALISING IN FIGHTING DEFORESTATION



Alliance pour  
la Préservation  
des Forêts

Alliance pour la Préservation des Forêts is committed to ending tropical deforestation imported into Europe through commodity supply chains and investments, and the associated social exclusions.

The implementation of the commitments is based on the development of knowledge, the development of a forest conservation plan, a territorial and multi-sectoral approach, and consultation with indigenous peoples and local communities. APF operates through several levers of action:

1. Advising financial players on the implementation and/or enhancement of sector policies for responsible procurement.
2. Support portfolio companies in the transformation of their supply chains.
3. Obtain tools to comply with European regulations.
4. Work on harmonised reporting to facilitate and improve ESG reporting for financial players (APF is a member of the TNFD).
5. Increase skills on biodiversity through training and monitoring (APF is an IUCN member).
6. Act on public policies in France and Europe so that imported products do not come from deforestation (APF sits on the SNDI Stakeholder Monitoring Committee and the EU Commission's Expert Group Multi-Stakeholder Platform on Protecting and Restoring the World's Forests).
7. On the ground, by deploying collaborative and inclusive, multi-sectoral and territorial approaches in Latin America, Africa and South-East Asia (APF is a partner of CIRAD).
8. Inform and engage citizens in the fight against deforestation.



For several decades, WWF, and in particular its French office, as been working to raise public awareness, denounce bad practices and propose sustainable alternatives to the degradation of forest cover. The WWF France teams work with influential French companies (thanks in particular to its expertise on the SBTN initiative) on the markets to change their purchasing policy and improve their supply chains by eradicating deforestation and the non-conversion of ecosystems linked to agricultural production and non-responsible sectors of forest products, such as wood, paper and rubber.

WWF can also help partner financial institutions to develop their company-wide "zero-deforestation and non-conversion of ecosystems" policy, with public and quantified objectives broken down by raw material, in particular on the exploitation of coffee, soy, beef and its by-products, wood and its by-products, palm oil, cocoa and rubber.

Lastly, they support and participate in the definition of rules and procedures applicable to the activities of financial institutions (at a national and European level) to accelerate companies' progress in fighting deforestation and in traceability. Another key area of work for the WWF is the implementation of nature transition plans (integrated into the climate framework), which includes in particular all the aforementioned actions on deforestation.

In addition, the WWF network has developed a set of "Risk Filter" tools (including the Biodiversity, Water and Wood topics), notably the Wood Risk Tool – a new resource to fight illegal and unsustainable logging and related trade by helping companies, timber buyers and regulators assess, understand and manage these specific risks.

To learn more about the WWF's actions to, deforestation, visit :

[riskfilter.org/](https://riskfilter.org/)

[www.wwf.fr/champs-daction/foret](https://www.wwf.fr/champs-daction/foret)

<https://urlz.fr/rpi1>

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Canopée Forêts Vivantes is an association dedicated to the protection of forests. It advocates for living forests through three complementary levers: producing expertise, mobilising citizens and challenging decision-makers to change the laws and practices of companies.

We are a whistleblower association that denounces threats to forests, investigates on the ground to gather evidence, and acts as the voice for communities that depend on forests.

All our campaigns convey proposals, supported by recognised expertise. To update them, we draw on a solid strategy and carry out various actions: questioning of decision-makers and companies, forums, original field actions, online actions and petitions.

The association was founded in 2015 with the fight against deforestation linked to palm oil, in particular through its incorporation into biofuels. It then mainly focused on soy imports and the implementation of a European regulation to fight deforestation and forest degradation. It is also a major player in the protection of French forests, with work focused on the fight against steep cuts.

With over 2,600 members and 280,000 supporters, Canopée is an association with a very strong impact.

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Global Canopy is an environmental non-profit organisation with a particular focus on private players. Founded in 2001, Global Canopy provides high-quality data and metrics, monitors the performance of financial institutions, high-risk companies and governments with respect to tropical deforestation and nature loss in general. The organisation also provides tools, guidance and frameworks to enable change.

Global Canopy is also mobilising policymakers, activists and the media to increase pressure for action. The NGO has open research and data partnerships (e.g. for the Trase tool, Forest 500 and ENCORE), with a particular focus on the financial sector due to its influence on the market, its high exposure to nature-related risks and its lack of mobilisation to date.

## APPENDIX 3

# DATABASES USED TO TRACK DEFORESTATION EXPOSURE

## FOREST IQ BY GLOBAL CANOPY, THE STOCKHOLM ENVIRONMENT INSTITUTE (SEI) AND THE ZOOLOGICAL SOCIETY OF LONDON (ZSL)

**FOREST IQ** is the result of a joint effort between Global Canopy, the SEI and the ZSL, three non-profit organisations with extensive expertise in deforestation data. This tool is a database for financial institutions containing comprehensive information on companies' deforestation performance.

Recently launched, the tool brings together the best available data on actions taken by companies to fight deforestation, including Forest 500, SPOTT and Trase, in line with the expectations and directions of the Accountability Framework initiative, to provide standardised data to inform financial decisions. By providing standardised data for a wide range of companies (around 2,000 to date), Forest IQ, published in November 2023, will enable financial institutions to understand their deforestation exposure in their portfolios and lead them to engage and work towards eliminating deforestation, land conversion and associated human rights abuses.

Forest IQ will focus on three main metrics: deforestation exposure and natural ecosystem conversion, financial materiality and performance reporting. These metrics provide financial institutions with a comprehensive overview of deforestation exposure and corporate performance.

The tool provides a number of use cases:

### **Portfolio analysis in terms of deforestation exposure**

Financial institutions use the data to identify companies exposed in their portfolios and assess their deforestation exposure. This can then inform portfolio-level activities such as filtering, comparison and construction.

### **Engagement with companies**

Financial institutions use the data to rank companies in their portfolio based on their exposure, existing commitments and actions. The data will support engagement discussions by highlighting what companies are doing well and where they need to improve.

### **Due diligence at the organisation level**

Through high-level risk analysis, financial institutions use the data to identify companies exposed in their portfolios as a first step in their due diligence process.

### **Screening by exclusion**

Financial institutions use the data to identify exposed companies that are not taking action to fight deforestation and that they can exclude from their green portfolios or products.

### **Engagement and advocacy**

Partners use the database to conduct analytics to inform engagement, advocacy and monitoring the impact of our work with financial institutions and corporates.

## ENCORE DEVELOPED BY NATURAL CAPITAL FINANCE ALLIANCE

The tool Exploring Natural Capital Opportunities, Risks and Exposure (**ENCORE**) was developed by the Natural Capital Finance Alliance in partnership with the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC). This tool was designed to help financial institutions, companies and other stakeholders assess their opportunities, risks and exposures related to natural capital and thus primary forest ecosystems.

ENCORE aims to integrate the natural capital aspect into financial and business decisions. It aims to raise users' awareness of the issues related to biodiversity degradation and the depletion of natural resources, as well as their potential impact on companies and investments.

ENCORE provides information on potential risks, as well as on opportunities related to the preservation of primary forests. The tool aims to help users integrate this data into their decision-making processes, including investment, risk management and financial reporting.

The tool is based on a specific database and methodology to assess the risks and opportunities related to natural capital. The data may include information on carbon emissions, biodiversity, water availability, etc.

# FOREST 500 DEVELOPED BY GLOBAL CANOPY

Forest 500 can be used to analyse a company's value chain and assess its impact in terms of deforestation. Compared to ENCORE, which is a high-level tool covering natural capital as a whole, Forest 500 focuses on tropical deforestation. It assesses and ranks the 350 companies and 150 financial institutions most likely to contribute to deforestation.

The tool assesses these players based on various criteria, such as their policies, commitments, operational practices and transparency regarding their impact on forests, with the aim of stopping and reversing deforestation, conversion and associated human rights violations.

Forest 500 has helped to highlight deforestation issues and encourage companies and governments to take action to address them.

## CDP FOREST DATABASE

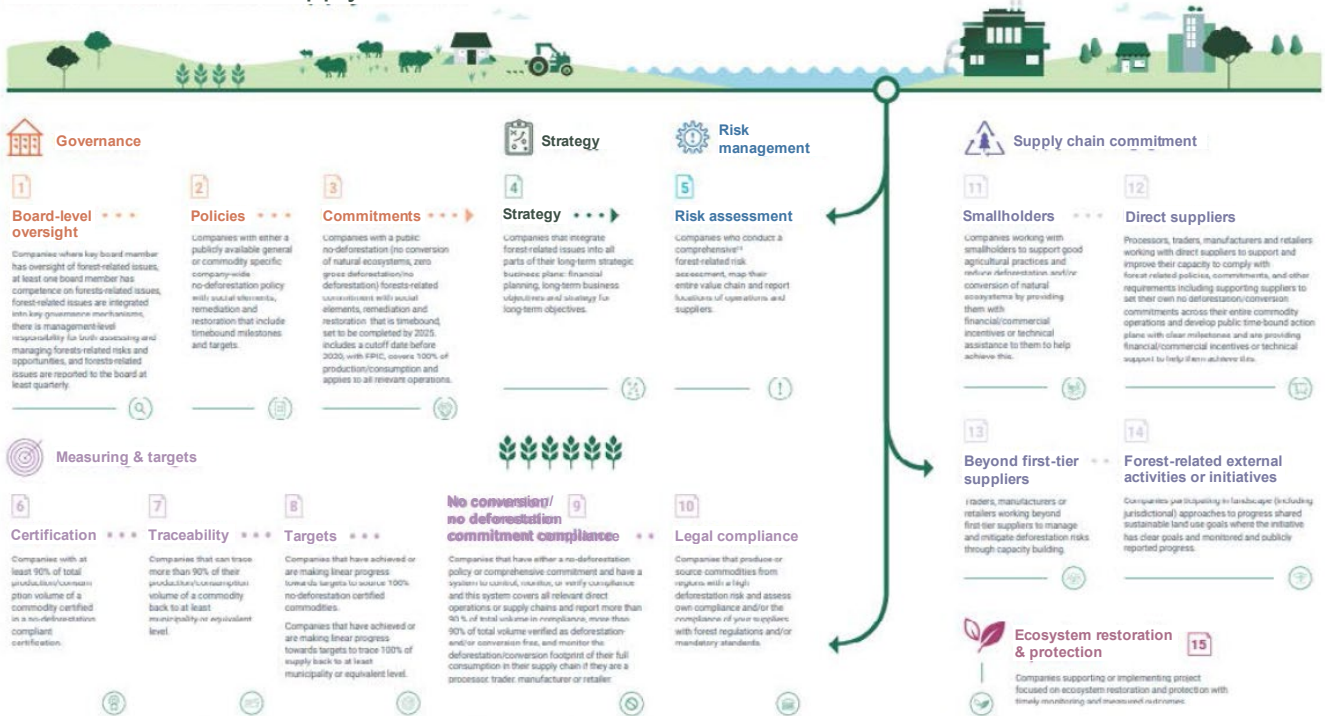
The CDP Forest database (formerly the Carbon Disclosure Project) is a key tool for financial institutions and companies wishing to actively engage in fighting deforestation. This database is populated by a questionnaire that collects key data on companies' deforestation practices, including their policies, risk management, goals and initiatives to prevent deforestation. It measures the transparency and performance of companies and financial institutions in the fight against deforestation.

This data helps financial institutions identify the risks of deforestation in their investment portfolios. This includes financial, reputational and regulatory risks that are constantly evolving.

More broadly, CDP collects environmental data, and scores companies, making possible to compare and rank companies according to their efforts to manage the risks and opportunities related to climate change, water management, biodiversity, plastic use and deforestation.

### CDP's Forests KPIs Essential actions needed to remove deforestation from supply chains

Companies disclosing through CDP are assessed on governance, strategies and implementation measures against 15 Key Performance Indicators (KPIs) management deforestation. The indicators track corporate performance against essential actions needed to remove deforestation from supply chains<sup>12</sup>. CDP's 15 forests KPIs are strongly based on the 12 Core Principles of the Accountably Framework



<sup>12</sup> For more information on the CDP's forests KPIs please see <https://www.cdp.com/en/forests/forests-kpi>  
<sup>13</sup> Includes commitments to operations in accordance with the UN Declaration on the Rights of Indigenous Peoples, remediate any adverse impacts on indigenous people and local communities, adoption of the UN International Labour Organization principles, resolution of complaints and conflicts through an open, transparent and collaborative process, recognition of legal and customary land tenure

<sup>14</sup> Full coverage of relevant operations with risks beyond 5 years considered and availability of forest risk commodities, quality of forest risk commodities, impact of activity on the status of ecosystems and habitats, social impacts, local communities are included in the assessment.

CDP works closely with investors and banks through the [Forest Champions](#) programme, formally recognising the role that financial institutions play in fighting deforestation.

What are the benefits for Forest Champion participants?

1. **Portfolio analysis:** extraction of CDP Forests data on 15 KPIs\* to help financial institutions understand their deforestation exposure and the actions of portfolio companies.

2. **Individual consultation** on forest-related topics, such as:

— How to write a non-deforestation policy

— Overview of the regulatory landscape related to forests (e.g. [European regulation on deforestation](#))

— Guidance on targeted shareholder engagement

— Development of innovative financial products (sustainability-linked loans, investment funds, etc.)

3. **Participation in round tables** and interactions with peers.

The Forest Champions programme is free and open to all CDP signatory members.

\* In its report *The Forest Transition: from Risk to Resilience*, CDP publishes the 15 key performance indicators of key actions for eliminating deforestation throughout the value chain. This document is useful for companies and financial institutions that want to enhance their commitments.

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## SPOTT (SUSTAINABLE PALM OIL TRANSPARENCY TOOLKIT) BY THE ZSL (ZOOLOGICAL SOCIETY OF LONDON)

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The [free online platform SPOTT](#) assesses commodity producers, processors and traders based on their organisation, policies and practices related to environmental, social and governance (ESG) issues. The ZSL collects data from publicly available sources, such as sustainability reports and annual reports.

The ZSL aligns with the definition of the Accountability Framework on externally verified information, and reporting on the implementation of corporate commitments includes three levels: self-reported, externally verified and verified through certifications.

In terms of coverage, it assesses 100 companies in the palm oil industry, 100 in the wood and pulp sector and 30 in natural rubber, with a mix of producers, processors, traders and manufacturers.

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## TRASE BY GLOBAL CANOPY & THE STOCKHOLM ENVIRONMENT INSTITUTE

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The [Trase](#) platform maps international trade in agricultural commodities and measures companies' exposure to deforestation. Its goal is to fill two critical gaps in our understanding of the issues underlying deforestation and ecosystem conversion:

— Determine the origin of raw materials traded internationally, taking into account the environmental and social risks associated with trade;

— Identify companies involved in the trade of raw materials between different countries and assess the level of exposure of consumer markets to deforestation and land use emissions resulting from the importation of these raw materials.

Trase obtains its data from publicly available sources, mainly national export data published by governments, as well as trade and transport data, although some data sources may be fee-based or have restricted access.

Trase provides a level of detail by linking individual players in the supply chain to specific sub-national production regions.

This tool is widely used by financial institutions, particularly in France, as it enables them to track the involvement of commercial companies in high-risk regions and commodities at a sub-national level of granularity, helping them identify traders that source from low-risk areas and engage with those that source from areas with a high deforestation risk.

Trase's coverage is currently limited to certain commodities (beef, chicken, cocoa, coffee, cotton, palm seed, palm oil, pork, shrimp, soy, sugar cane, wood pulp) and certain countries.



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## GLOBAL FOREST WATCH & GFW PRO

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GFW is an initiative of the World Resources Institute (WRI), with partners such as Google, USAID, the University of Maryland (UMD), Esri, Vizzuality and many other academic, non-profit, public and private organisations.

— Global Forest Watch (GFW) is an online platform that provides forest monitoring data and tools. Thanks to state-of-the-art satellite image technology, GFW enables everyone to access near-real-time information to observe forest developments on a global scale. The platform provides data and **analyses on forest-related metrics**, including forest change, land cover, land use, climate data and biodiversity. GFW therefore enables financial institutions to monitor deforestation in specific areas associated with the companies or projects in their portfolio.

— Global Forest Watch Pro is an application that can complement GFW by providing analysis for decision-making at the property, supply basin and investment portfolio levels. GFW Pro enables financial institutions to **upload their own data and create a customised portfolio of investment locations**. The platform offers **customised assessments based on the type of location, enabling investors to assess risks and prioritise their investments accordingly**. Forest-related compliance information is available on GFW Pro, facilitating informed decision-making.

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## ICEBERG DATA LAB

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Iceberg Data Lab (IDL) is an independent French provider of ESG data for financial institutions founded in October 2019.

Iceberg Data Lab thus provides a range of environmental indicators covering all sustainable finance themes across all asset classes. The methodologies developed are based on independent and scientific studies and are aligned with international and recognised standards (IPBES, TNFD, SBTn, etc.).

Since its inception, the data provider has measured the environmental footprint of over 3,500 companies. To model the environmental impact of issuers' activities, the company has developed a model ("Wunderpus"), which is a matrix of physical flows developed by environmental experts modelling the consumption and production of over 2,200 products and services in 1,200 sectors and 259 countries.

Thanks to this model, Iceberg Data Lab was able to set up **screening to identify companies consuming or producing some of the products and services responsible for deforestation**. This tool therefore enables their customers to quickly assess their portfolios' exposure to a deforestation risk.

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## BIA-GBS BY CDC BIODIVERSITE & CARBON4 FINANCE

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**BIA-GBS: a database on the biodiversity footprint of listed assets**

CDC Biodiversité and Carbon4 Finance, a pioneer and leader in climate data and methodologies, have joined forces to create the Biodiversity Impact Analytics database powered by the Global Biodiversity Score (BIA-GBS). BIA-GBS, launched in 2021, provides comprehensive information on the impact and dependence of listed assets on a broad coverage, including sovereign bonds.

**Definitions and clarifications**

The GBS is a company **biodiversity footprint assessment tool** that can be used to assess the **impact** or **footprint** of companies and investments on biodiversity. The results of assessments carried out using the GBS are expressed in **MSA. km<sup>2</sup>**, where MSA is the Mean Species Abundance, a metric expressed as a % characterising ecosystem integrity. MSA values range from 0% to 100%, with 100% representing an intact undisturbed ecosystem.

To spread the impacts across the entire value chain and avoid double counting, the GBS uses the **scope** concept, which defines the scopes of analysis of the value chain. To account for impacts that persist beyond the assessed period, the results from the GBS are divided into **dynamic impacts** or **periodic gains/losses** that occur during the **assessed period**, the **future period** and lastly what remains **static** (or persistent negative cumulative).

### Methodology

To assess companies' biodiversity footprint, the GBS studies the contribution of **economic activities to biodiversity pressures** and deducts the **impacts on biodiversity**. The GBS covers **12 pressures**, covering the **four main pressures listed by IPBES**. A **hybrid approach** is used to leverage the best available data at each stage of the assessment. Assessments use data on corporate purchases or data directly related to pressures (land use changes, greenhouse gas emissions). In the absence of accurate data, a default calculation assesses the impacts based on financial data (revenue and purchase amounts).

The GBS uses peer-recognised models such as EXIOBASE, a multi-regional input-output model with environmental extensions, and GLOBIO, a model assessing the impact of different pressures on biodiversity integrity. The assumptions underlying the GBS are transparent.

### Current consideration of deforestation in BIA-GBS

Among the pressures measured by the GBS and therefore present in BIA-GBS, change in land use is measured by conducting an inventory of the surface areas occupied by type of use. Among soil uses, the GBS identifies **five categories of forests**, to which different MSA integrity values are associated:

- Natural forest
- Plantation forest
- Exploited forest
- Selective logging forest
- Selective low-impact logging forest

The MSA values associated with each type of forest come from the GLOBIO model, which itself is based on a meta-analysis carried out by the PBL, the public environment institute in the Netherlands.

In BIA-GBS, the GBS calculates the forest area of each type associated with the issuer's activity, in its direct activity (Scope 1), as well as in its upstream value chain. This is then reflected in its result in MSA.km<sup>2</sup>: the more a company has an activity requiring products associated with forestry or activities requiring significant soil conversion (e.g. agriculture), the more the model will assess a significant amount of forest land use and conversion, and therefore the greater its impact. The impact will also depend on the geographical area of the activity. As the distribution between forest management intensities varies according to geographical area, the impact of logging and conversion of forest soils will also depend on the place of operation of its activities.

The impact of deforestation corresponds to part of the dynamic impact of the spatial pressures of the GBS (Human encroachment, Fragmentation of natural environments and Land use). Indeed, the tool aggregates the change in forest land use with other types of land use degradation (conversion of natural grassland into artificial grassland or intensive cultivation, for example).

### Development outlook on measuring deforestation

In 2023, CDC Biodiversité undertook an **update of the GBS tool**. The aim is to improve the module for measuring the impact of **land use**. In the previous version, this was based on **modelled data**, from GLOBIO-IMAGE scenarios. This data has been replaced by **annual satellite data** from the **ESA Climate Change Initiative** programme on land use change for greater accuracy. This has two long-term implications in BIA-GBS: the results of spatial pressures for each company **will better reflect the reality of land use** (static impact) and **the rate of conversion or degradation of the latter** (dynamic impact)

— Two global maps resulting from the processing of ESA data in the GBS could be displayed in the platform: one map associated with the **integrity of ecosystems relating to land use**, and one relating to the **rate of degradation of ecosystems**. By cross-referencing data on the location of assets, this would make it possible to identify **assets located in forest areas** with a high rate of degradation, and to have regularly updated information on the associated risk of deforestation.

— **The GBS will ultimately be able to distinguish the "deforestation" share from other types of soil degradation or conversion** and it will therefore be possible to isolate the impact linked to deforestation (or conversely the impact reduction associated with a zero-deforestation commitment) associated with financial assets.

The implementation of these developments is currently under discussion between Carbon4 Finance and CDC Biodiversité.

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## MORNINGSTAR SUSTAINALYTICS

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Morningstar Sustainalytics is a company that assesses companies' ESG (environmental, social and governance) factors, helping the financial sector, investors and companies in the real economy understand the risks and opportunities associated with sustainable development in their business activities and investments.

Morningstar Sustainalytics therefore provides ESG data, analysis and ratings to financial institutions and provides engagement services, which help investors influence the activities or behaviours of the companies in which they invest. To this end, Morningstar Sustainalytics believes that dialogue is key to advancing sustainable practices. This company carries out engagement initiatives by theme, with one of them dedicated to measuring forest footprint by assessing the risks of deforestation in the respective portfolios and value and/or supply chains.

At the same time, a thematic engagement service can also be offered to players in order to align their positions. This engagement strategy is primarily based on collaboration, identifying root causes and sharing best practices in line with investors' expectations. According to Morningstar Sustainalytics, the dialogue aims to improve proactive risk management and eliminate the negative impact of engaged companies to ensure their resilience and strategic positioning. At the same time, through parallel engagement activities across the entire agricultural value chain, the desired impact extends beyond targeted companies. The themes (biodiversity, climate, forests, etc.) ultimately aim to create positive change at the company and sector level.

A "Sustainable Forests and Finance" engagement initiative was launched in 2021 to support certain customers in their journey towards "zero deforestation". This support is based on three pillars:

1. **Risk assessment:** Companies need to conduct a comprehensive risk assessment to better understand risks that could be related to deforestation and pay particular attention to potential "grey areas" (e.g. financing a company that manufactures cars where certain seats are made from cattle leather potentially from a high-risk deforestation area).
2. **Define a policy consistent with the stated ambitions and ensure that the strategy is rigorously implemented** (e.g. a policy that targets a specific region but ultimately contributes to deforestation in another region by pushing companies engaged in deforestation to relocate their activities to less supervised geographical areas).
3. **Define robust objectives and measures to ensure that the previous two steps are followed in depth and make the progress made public.**

Over the last two years, one of the key outcomes of this initiative has been to encourage issuers to first consider the risks associated with certain activities based on the commodities they use. After identifying potential gaps or vulnerabilities that may emerge from a risk analysis, the initiative makes it possible to locate these points of vigilance in all value and supply chains, before eventually cross-referencing this assessment with other ESG topics (such as human rights).

This initiative therefore aims to share and establish best practices that can be adopted by more stakeholders with a view to continuous improvement. It highlights the need for financial institutions to engage with their clients as part of their zero-deforestation approach. In the future, the engagement initiative will also integrate the broader themes of biodiversity and natural capital, and Morningstar Sustainalytics will help investors build nature-friendly portfolios.

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## MSCI

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MSCI is one of the world's leading providers of decision-making tools and services to the global investor community. In early 2023, this player launched a range of tools aimed at helping these players identify companies that could contribute to biodiversity loss and deforestation.

These new screening tools combine thousands of ESG (environmental, social and governance) and climate data points, superimposed with MSCI's proprietary geolocated data to target a company's operations as accurately as possible.

The tools include:

**Biodiversity-sensitive area screening metrics**, which enable investors to identify companies with physical assets located in areas of great importance to biodiversity, such as healthy forests, deforestation fronts and species-rich areas.

**Deforestation screening metrics**, which show companies exposed to deforestation risks, including those that can contribute directly or indirectly (through their supply chains). This deforestation risk can be the result of direct operations in at-risk areas, such as the tropics, or linked to the production of or dependence on raw materials such as palm oil, soy, beef and wood.

MSCI has assessed which industries are most exposed to deforestation risks thanks to its MSCI ACWI index (for more information, visit [www.msci.com/www/blog-posts/deforestation-risks-on-the-rise/03549423265](http://www.msci.com/www/blog-posts/deforestation-risks-on-the-rise/03549423265)). These industries included **metals and mining, oil, gas and fuels, transportation infrastructure and food**.

**The sectors of food products, food and staples sales, paper and forest products, hotels, restaurants and leisure, as well as trading and distribution companies**, stood out due to having the largest number of companies reported for their direct or indirect contribution to forest loss.

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## CONTACTS SUSTAINABLE FINANCE INSTITUTE

This report was written within the IFD by Lucie Pecqueur, Head of Biodiversity and Adaptation, with the support of Adrien Guyot, Content Project Manager trainee, Nicolas Lancesseur, Climate and Environment Director, and Cécile Goubet, Managing Director, based on initial information prepared by Marguerite Culot-Horth and Raphaëlle Camaracat, former Programme Director and Content Project Manager trainee, respectively.

**For more information:**

Cécile Goubet, CEO of IFD, [c.goubettrotignon@ifd-paris.com](mailto:c.goubettrotignon@ifd-paris.com)

Nicolas Lancesseur, Climate and Environment Director, [n.lancesseur@ifd-paris.com](mailto:n.lancesseur@ifd-paris.com)

Lucie Pecqueur, Head of Biodiversity and Adaptation, [l.pecqueur@ifd-paris.com](mailto:l.pecqueur@ifd-paris.com)



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