

WHAT ROLE IS FINANCE PLAYING IN PROTECTING FORESTS, NOW AND IN THE FUTURE?

Awareness of deforestation and other 'nature-related' risks is building in the financial sector.

At COP26, the multilateral *Declaration on Forests and Land Use* was complemented by commitments from over 30 financial institutions to stop agricultural commodity-driven deforestation^{1,2}.

1. <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>
2. <https://www.globalcanopy.org/news/eliminating-commodity-driven-deforestation-finance-sector-roadmap/>

CDP runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Since 2020

CDP has run a targeted pilot questionnaire on climate and forest-related risks and opportunities for financial institutions.

16 financial institutions responded

- ✓ Banks
- ✓ Asset owners
- ✓ Insurers
- ✓ Asset managers



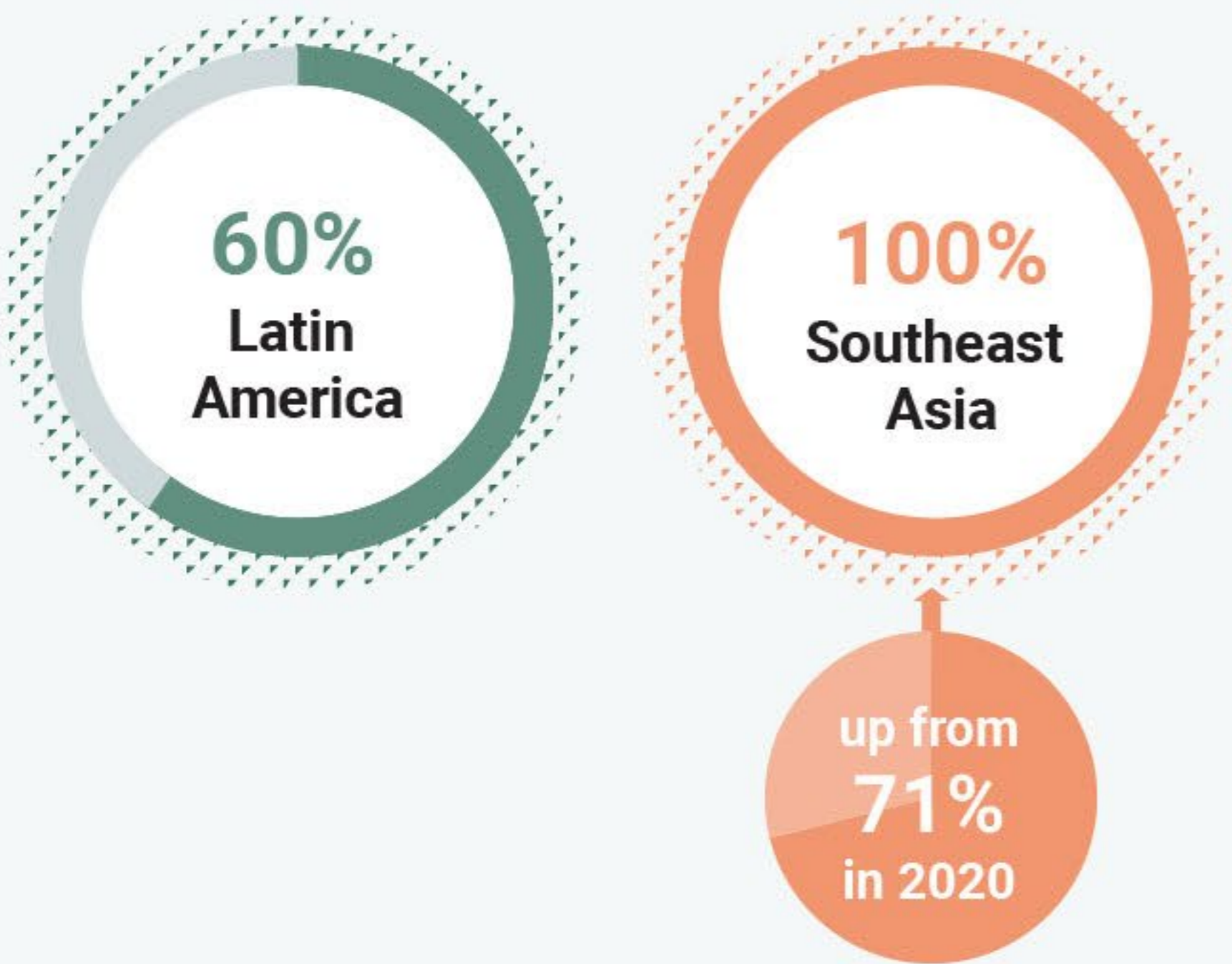
3 financial institutions globally

1,200+ financial institutions will be requested to respond to a questionnaire covering climate, forest and water-related issues in April 2022⁶.

3. Forest Risk Commodity (FRC)
4. Forests and finance assesses the finance received by companies directly involved in the beef, soy, palm oil, pulp and paper, rubber and timber supply chains.
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6. <https://www.cdp.net/en/articles/investor/the-financial-sector-needs-to-report-on-nature-risks-and-heres-why>

2021

Southeast Asian financial institutions lead on board level oversight of forest related issues.

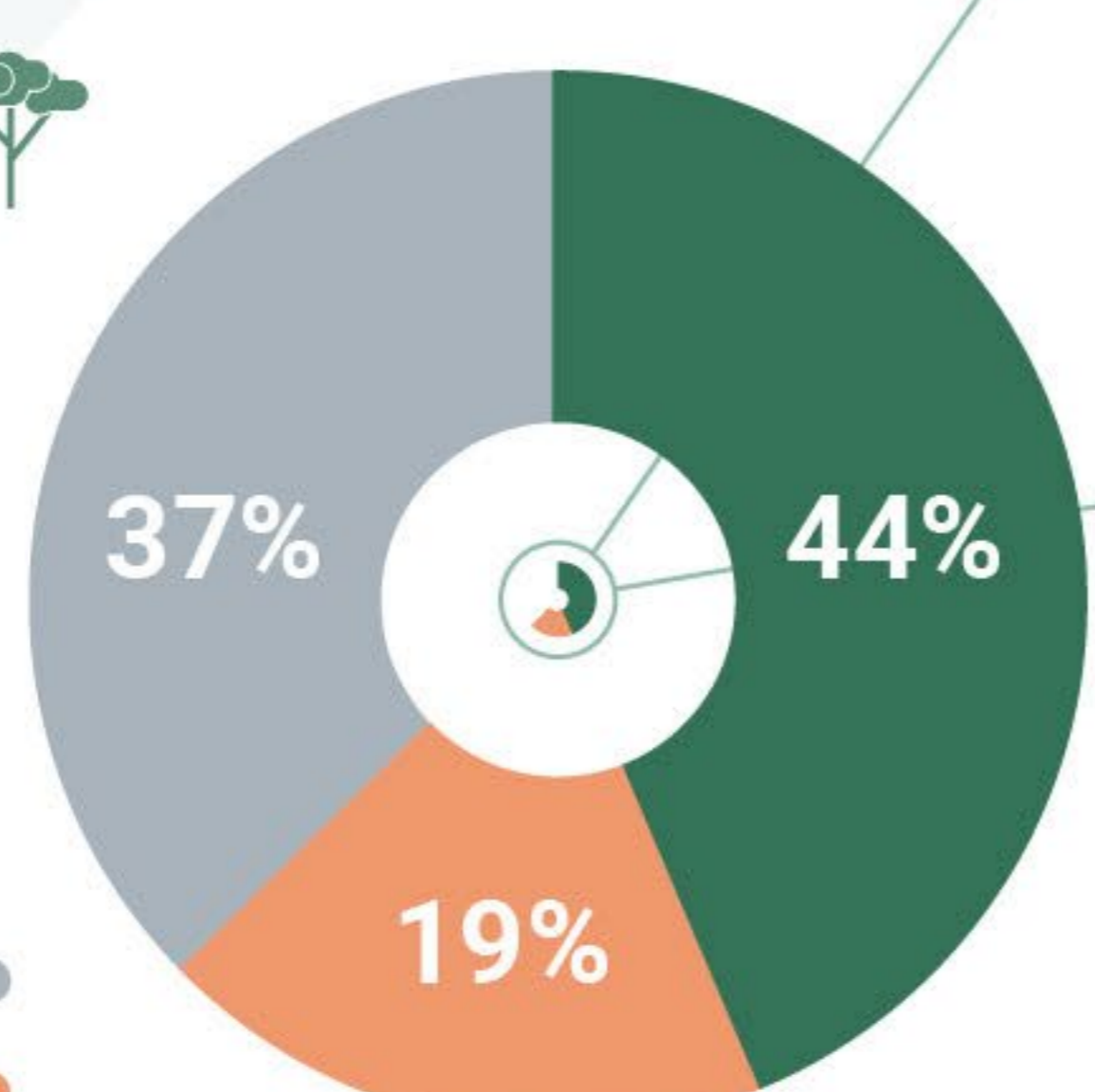


Despite apparent board recognition of the issues, of all financial institutions—



56% request forests-related information during due diligence — certification is the most sought-after metric.

63% of financial institutions have either public or private forests-related risk management policies but ambition is lacking in terms of coverage and impact.



90% of financial institutions with a forest related policy have **mandatory requirements** for clients/investees.

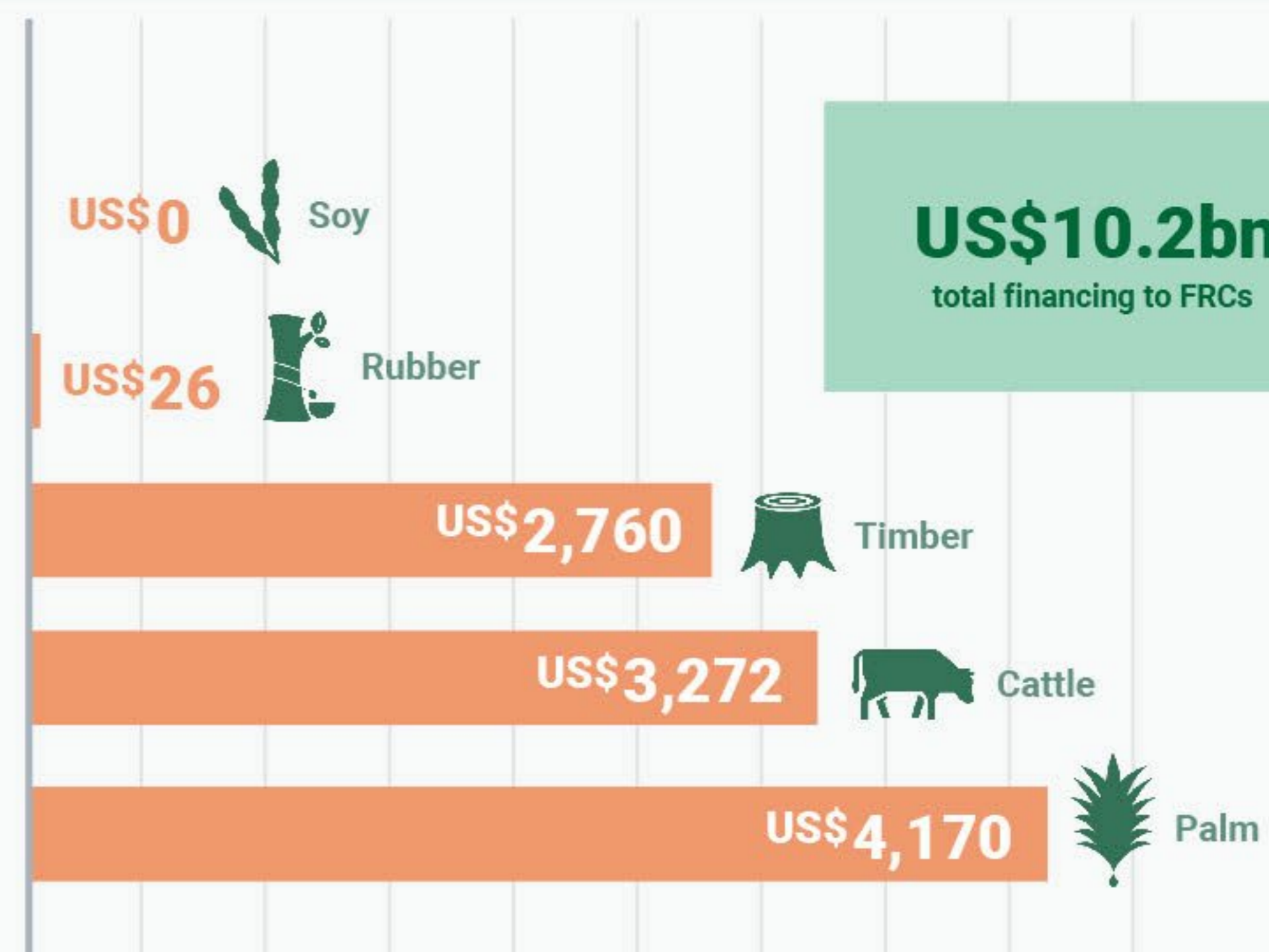
only **50%** expect forests-related criteria to be implemented beyond their own operations.

40% of financial institutions with a forests-related policy have **non-conversion of natural habitats criteria**.

only **20%** implemented no deforestation/use of Free, Prior and Informed Consent (FPIC).

Despite financial institutions being exposed to all commodities, none were able to provide their financial exposure to soy.

Total financing volumes reported by commodity:



% of Southeast Asian financial institutions disclosing FRC-related financing

Transparency on the amount of financing provided to FRC supply chains has increased in Southeast Asia, but disclosure still needs to improve.

Financial institutions are starting to engage their portfolio companies on forests-related issues but forests lag behind climate.



- 40%** collect information.
- 20%** incentivize behavior change.
- 40%** educate and share information.
- 40%** collaborate and innovate.

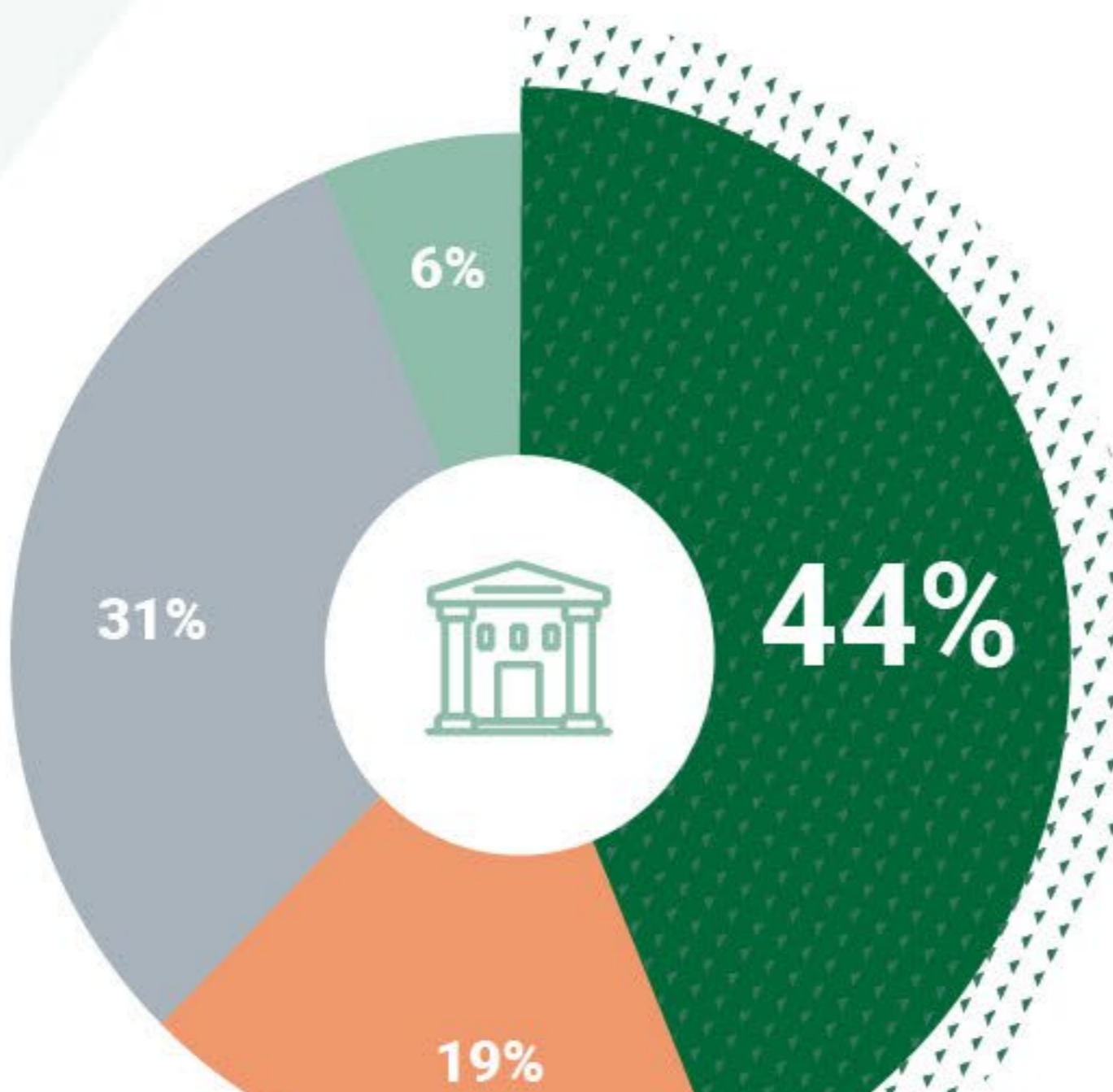
Given the growing interest in forest-related risk, financial institutions are not making the most of the investment opportunities for avoiding deforestation

The most common types of forests-related financial products reported support sustainable agriculture and nature-based solutions.



Despite estimates of at least half of global GDP being directly dependent on biodiversity⁷, the financial sector is only just starting to recognize exposure to biodiversity risk.

- No** Not a priority issue
- No** Not a relevant to our operations or the companies we finance/insure
- No** Plan to introduce a vision and/or strategy within the next two years



Put nature at the center of your climate strategy—disclose through CDP's financial services questionnaire.

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cdp.net/forests