

Fuelling the fires: why investors need to do more to protect the Amazon

Executive Summary

- The scale of last year's fires in the Amazon triggered a global reaction. In [an important statement](#) in September 2019, 235 investors* with over US \$16 trillion in assets under management demanded action from companies linked to deforestation.
- Since then, some investors have continued to use their leverage to engage with exposed companies. In June 2020, 22 of the statement signatories were also part of a group that [wrote to](#) and met with the Brazilian government to raise their concerns over financing companies in Brazil due to increased deforestation and human rights risks.
- These are positive steps, bringing this issue to the fore for the finance sector and putting pressure on companies and governments to tackle deforestation.
- Now investors need to embed this active stance in publicly-available deforestation policies – just as they have asked companies to do in their statement. Policies are important because they:
 - Send a clear signal to the market and to companies that the investor is committed to action on deforestation as a strategic priority.
 - Encourage a systematic approach to engagement and risk assessment across their entire portfolio – not just focusing on a few high-profile companies or regions.
 - Provide clarity on their expectations of companies and their approach to engagement
- A small number of financial institutions have [strong deforestation policies](#) already in place. But an assessment carried out in July 2020 for this brief found that just 14% (33 of 235) of the investors that signed last year's Amazon fires statement have taken this step.
- Yet the problem has only worsened: the first six months of this year saw [record levels of deforestation](#) in the Amazon and this year the [fires are raging again](#). At the same time, the coronavirus pandemic has exacerbated the human crisis in the Amazon.
- It is vital therefore that all exposed investors set and implement clear policies on deforestation. There are more resources available than ever to help investors assess and address their exposure. This will help them mitigate their own growing risks on this issue, increase pressure on companies to take action, and increase accountability for all.

*Of the 251 signatories to the statement, 235 investors were identified by our assessment (listed below). For the statement, see [here](#).

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Introduction

One year ago, 235 investors demanded action from companies linked to deforestation following the catastrophic fires in the Amazon. This helped raise public and corporate awareness of the issue. Yet the problem is getting worse. The first six months of this year saw record levels of deforestation in the Amazon, fires again consume vast areas, and the coronavirus pandemic has exacerbated the human crisis in the Amazon.

Global Canopy has assessed whether the investors that signed last year's statement have built on this positive step by setting and implementing a clear deforestation policy for their own investments. Only 33 of 235 have done so. For the rest, formalising their expectations of companies and their engagement strategies in a clear policy is a vital next step.

How investors are exposed to deforestation

As the investors that signed the statement last year recognised, financial institutions are exposed to deforestation in the Amazon via their loans and investments in companies that produce, trade or use commodities linked to deforestation, such as soy and beef.

Deforestation in a company's supply chains exposes it to physical, operational and reputational risks, which can impact profitability and cash flow. The signatories to the letter described deforestation as a "systemic risk" which could have a financial impact on investee companies.

Investors have many tools to influence companies to improve practices and eliminate deforestation. They can file shareholder resolutions, engage with companies on expectations, and may ultimately divest from companies that do not improve.



Only 33 of the 235 investors

that signed the UN PRI and Ceres statement have published clear deforestation policies

Action from investors

The joint statement last year was important as it sent a clear, unified signal to companies that investors want them to show how they are addressing the risks associated with the destruction of the Amazon. It also sent a message to others in the finance sector – including many investors with high exposure that did not sign the statement – that deforestation is a material risk.

In the initiative coordinated by UN PRI and Ceres, they publicly recognised the risks associated with deforestation and urged companies to “demonstrate a clear commitment to eliminating deforestation,” by publicly disclosing and implementing a commodity-specific deforestation policy and reporting annually on progress.

Some investors have gone further. A number are involved in the Investor Initiative for Sustainable Forests, a working group engaging on the issue of deforestation coordinated by UN PRI and Ceres. Since last year’s statement the number of financial institutions involved in the working group has increased to 48 (which includes 34 of the 235 financial institutions that signed the statement). By engaging as a group, financial institutions can combine their leverage and ensure that they are calling for the same changes.

A few investors have also taken their concerns to the Brazilian government, urging them to do more to stop the fires. In July of this year, a group of investors coordinated by Norwegian financial institution Storebrand met with senior representatives of the Brazilian government to raise their concerns on rising deforestation rates and human rights.

To reinforce this message, and address the risks that they are exposed to in their own portfolios, the next step for investors that have recognised their exposure to deforestation risks is to set and implement deforestation policies. The investors that signed the statement themselves recognised

the value of publicly-available policies and asked companies to publish and report on deforestation policies.

Clear, publicly-available deforestation policies have several important benefits for financial institutions. They:

- **Send a clear message to companies and to the market as a whole that this is a high priority issue for the financial institution and allows stakeholders to hold them to account, if they fail to meet their own standard.**
- **Set out their approach to forest-risk sectors, establishing clear expectations of the companies that they finance. It can define their strategy on engagement with the companies in its portfolio and describe how divestment may be used as a last resort, where engagement has been unsuccessful. This makes it clear to companies what is expected of them and how risks will be managed.**
- **Ensure that any engagement or requirements are applied systematically throughout their portfolio. Without systematic implementation of a clear policy, investors will not be able to effectively mitigate all the related reputational and financial risks that they are exposed to over time.**



Only 33 of 235 investors have published policies

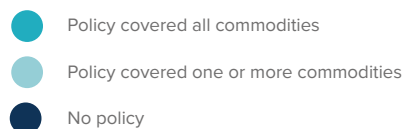
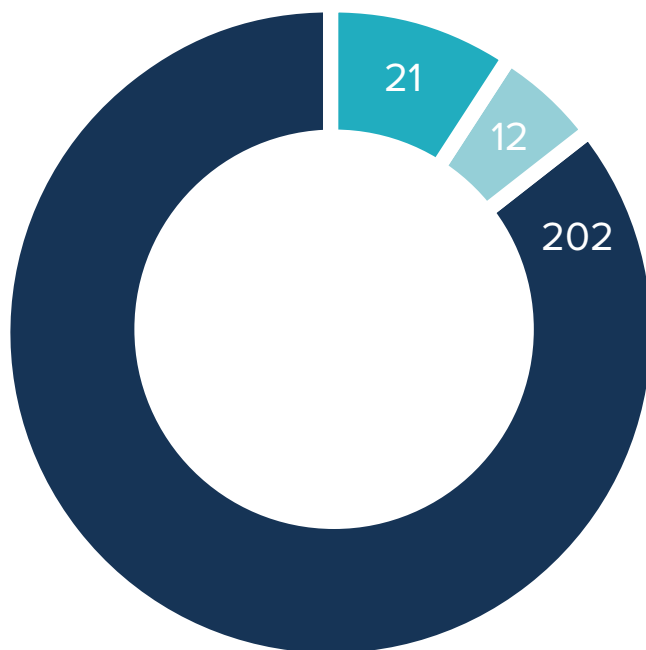
In July 2020, Global Canopy assessed the 235 investors that signed the UN PRI and Ceres statement to see whether they had published deforestation policies.

Only 33 of the 235 investors who signed the statement last year have published clear deforestation policies which they apply to their portfolios. And just 21 of these investors apply these policies to all of the forest-risk commodities that they finance.

The other 202 investors are yet to formalise their position into publicly-disclosed deforestation policies.

Twelve of these financial institutions had policies for palm oil and timber products but not for soy or cattle – even though soy and cattle are the main drivers of deforestation in Brazil.

Only 21 signatories had publicly-disclosed policies for all forest-risk commodities, including BNP Paribas, DNB Asset Management, HSBC, and Storebrand (see annex for full list of 235 investors and policy coverage).



Sector-wide change is needed

Deforestation is moving up the agenda for parts of the finance sector. Alongside the steps taken by the signatories to last year's statement, some large financial institutions, including BlackRock, have announced that they intend to engage companies on deforestation.

While action by a small group of leading investors is promising, to achieve the sector-wide change that is needed, many more of the largest and most influential financial institutions now need to recognise and act on these risks.

Global Canopy's Forest 500 assessment identifies the 150 financial institutions worldwide (covering both lenders and investors) that provide the most finance to the most influential companies in forest-risk supply chains. In the most recent full Forest 500 assessment, published in January 2020, only 19% of these financial institutions had publicly-disclosed deforestation policies that covered soy and cattle supply chains. 102 of the 150 (68%) had not published deforestation policies for any commodities.



Steps investors can take

Concern about the Amazon fires has focused worldwide attention on deforestation risks. But without concrete action the rainforest will continue to be cleared for commodity production. Investors can play a key role by assessing and addressing the risks in their own portfolios, including by following these steps:

- **Assess the companies in their portfolios for exposure to deforestation risks.**
A number of increasingly powerful tools can help with this, including our Trase Finance platform.
- **Develop and publish a clear deforestation policy, following best practice and available guidance to ensure expectations for companies are consistent.** The Accountability Framework is an invaluable resource for what should be expected of companies in forest risk commodity supply chains.
- **Engage with companies that produce, trade or use commodities linked to deforestation to increase their understanding and awareness of risks and set expectations of companies.** Guidance is available to help investors engage, including the recent Investor Guide to Deforestation and Climate Change from Ceres.
- **Collaborate with other financial institutions to share knowledge, learn from leaders and combine leverage, for example through releasing joint statements or collective engagement.** The PRI-Ceres Investor Initiative for Sustainable Forests coordinates collaborative investor engagement with soy and cattle companies.
- **Transparently report on engagement activities and progress made in implementing deforestation policies.** Forest 500 and other assessment frameworks include engagement and implementation in their scoring of financial institution policies.

Annex

Methodology

This assessment covers 235 of the 251 signatories to the Amazon fires statement. The other signatories were either not financial institutions or not identifiable by the assessor. To assess coverage of deforestation policies Global Canopy looked at publicly available information published by the investors, including all website pages, documents and reports that were accessible at the time of assessment (July 2020).

Policies were assessed to see how stringently they protect forests, which commodities and types of financing they covered and whether they were reported against.

All investors

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
a.s.r. asset management	✓	✓	✓	✓
Aberdeen Standard Investments	X	X	X	X
ACTIAM	✓	✓	✓	✓
Aegon Asset Management	X	X	X	X
Affirmative Investment Management	X	X	X	X
Aktia	X	X	X	X
Allegra Wealth	X	X	X	X
Amundi	X	X	X	X
AP Funds' Council on Ethics	X	X	X	X
AP2	X	X	X	X
AP3	X	X	X	X
AP4	X	X	X	X
AP7	X	X	X	X
APG Asset Management	X	X	X	X
Apis Partners LLP	✓	✓	✓	✓
Arisaig Partners	X	X	X	X
Ashmore Group	X	X	X	X
Atkinson Foundation	X	X	X	X
Aurum Fund Management Ltd	X	X	X	X

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
Australian Ethical Investment	X	X	X	✓
AustralianSuper	X	X	X	X
Aviva Investors	✓	X	X	X
B & Capital	X	X	X	X
B&I Capital	X	X	X	X
Bâtirente	X	X	X	X
Baillie Gifford	X	X	X	X
BaltCap AS	X	X	X	X
BayernInvest	X	X	X	X
BCEE Asset Management S.A	X	X	X	X
Blue Oceans Capital	X	X	X	X
BMO Global Asset Management	✓	✓	✓	✓
BNP Paribas Asset Management	✓	✓	✓	✓
Boston Common Asset Management	X	X	X	X
Brunel Pension Partnership	X	X	X	X
Caisse des Depots	X	X	X	X
CaixaBank Asset Management	X	X	X	X

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
California Public Employees' Retirement System	X	X	X	X
CANDRIAM	X	X	X	X
CCLA Investment Management	X	X	X	X
CCOO, FP	X	X	X	X
Charles Stanley	X	X	X	X
China Asset Management Co., Ltd	X	X	X	X
Christian Brothers Investment Services, Inc. (CBIS)	X	X	X	X
Christian Super	X	X	X	X
Church Commissioners for England	X	X	X	X
Church of Sweden	X	X	X	X
Circularity Capital LLP	X	X	X	X
Cliens Kapitalförvaltning AB	X	X	X	X
Coöperatie DELA	✓	X	X	X
COMGEST	X	X	X	X
CREA Asset Management Trust Reg	X	X	X	X
CreditValue-Partners GmbH	X	X	X	X
CRF for Local Government	X	X	X	X
Daintree Capital	X	X	X	X
Deka Investment GmbH	X	X	X	X
Devon Funds Management	X	X	X	X
Diocesan Investment Trust	X	X	X	X
DNB Asset Management	✓	✓	✓	✓
Domini Impact Investments LLC	✓	✓	✓	✓

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
DPAM	X	X	X	X
ECOFI Investissements	X	X	X	X
Econopolis	X	X	X	X
EFG AM	X	X	X	X
Environment Agency Pension Fund	✓	X	X	✓
EQ Investors Limited	X	X	X	X
ERAFFP	X	X	X	X
Erste Asset Management GmbH	X	X	X	X
ESG Moneta Co., Ltd	X	X	X	X
ESG Portfolio Management	X	X	X	X
Ethos Fund	X	X	X	X
Evenlode Investments	X	X	X	X
Everence and the Praxis Mutual Funds	X	X	X	X
Evli Bank	X	X	X	X
FAMA Investimentos	X	X	X	X
Fidra	X	X	X	X
Figure 8 Investment Strategies	X	X	X	X
FiNet Asset Management AG	X	X	X	X
First Affirmative Financial Network	X	X	X	X
First State Investments	X	X	X	X
Folksam	X	X	X	X
FONDO DE PENSIONES DE EMPLEADOS DE TELEFONICA	X	X	X	X
Forbion	X	X	X	X
Forsta AP-fonden	X	X	X	X
Friends Fiduciary Corporation	X	X	X	X
Friends Provident Foundation	✓	✓	✓	✓

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
Genesis Investment Management, LLP	X	X	X	X
GEROA PENTSIOAK EPSV DE EMPLEO	X	X	X	X
Gjensidigestiftelsen	X	X	X	X
Glennmont Partners	X	X	X	X
Green Century Capital Management	✓	✓	✓	✓
Guardian Media Group	X	X	X	X
GW&K Investment Management	X	X	X	X
Hancock Natural Resource Group	✓	✓	✓	✓
Handelsbanken Asset Management	✓	✓	✓	✓
Hermes Investment Management	X	X	X	X
HESTA	X	X	X	X
Hexavest	X	X	X	X
HSBC Global Asset Management	✓	✓	✓	✓
IGSAM AG	X	X	X	X
Impact Investors	X	X	X	X
Impact Shares	X	X	X	X
Impax Asset Management LLC	X	X	X	X
Indep'Am	X	X	X	X
Insight Investors	X	X	X	X
Institute of Green Investment, Hangzhou	X	X	X	X
Integral Group	X	X	X	X
Interfaith Centre for Corporate Responsibility	✓	X	X	X
Invest in Visions GmbH	X	X	X	X
JLens Investor Network	X	X	X	X
Joseph Rowntree Charitable Trust	X	X	X	X

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
KBIGI	X	X	X	X
Khumo Capital (Pty) Ltd	X	X	X	X
KLP	X	X	X	X
La Financiere de l'Echiquier	X	X	X	X
La Française Group	X	X	X	X
Länsförsäkringar AB	X	X	X	X
Legal and General Investment Management	X	X	X	X
LGPS Central	X	X	X	X
Liontrust Investment Partners LLP	X	X	X	X
LocalTapiola Asset Management Ltd	X	X	X	X
Lothian Pension Fund	X	X	X	X
LUCRF Super	X	X	X	X
Macquarie Investment Management Europe S.A.	X	X	X	X
MAIF	X	X	X	X
Maitri Asset Management	X	X	X	X
Man Group	X	X	X	X
Manulife Investment Management	✓	✓	✓	✓
Mayar Capital	X	X	X	X
Mercy Investment Services, Inc.	X	X	X	X
Merian Global Investors	X	X	X	X
Merseyside Pension Fund	X	X	X	X
MFS Investment Management	X	X	X	X
Midat Cyclops, FP	X	X	X	X

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
Middletown Works Hourly and Salaried Union Retirees Health Care Fund	X	X	X	X
Mirova	✓	X	X	X
Mitsubishi UFJ Trust and Banking Corporation	✓	✓	✓	✓
MN	X	X	X	X
Montrusco Bolton Investments Inc.	X	X	X	X
MP Pension	X	X	X	X
Munzinich and Co	X	X	X	X
NEI Investments	X	X	X	X
Neumeier Poma Investment Counsel, LLC	X	X	X	X
New Forest	✓	✓	✓	✓
New Zealand Funds Management Limited	X	X	X	X
New Zealand Super Fund	✓	X	X	X
NewAlpha Asset Management	X	X	X	X
Niederösterreichische Vorsorgekasse	X	X	X	X
NILGOSC	X	X	X	X
NN Investment Partners	✓	X	X	X
Nordea Asset Management	✓	X	X	X
North East Scotland Pension Fund	X	X	X	X
ODIN Fund Management	X	X	X	X
OFI AM	X	X	X	X
Ohman Fonder	X	X	X	X
OP Trust	X	X	X	X
OREIMA	X	X	X	X

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
Osmosis Investment Management	X	X	X	X
OSTRUM Asset Management	X	X	X	X
Ownership Capital	X	X	X	X
P+(DIP/JØP)	X	X	X	X
Pandhora Investimentos	X	X	X	X
PCJ Investment Counsel	X	X	X	X
Pension Protection Fund	X	X	X	X
Pensions Caixa 30	X	X	X	X
Picard Angst AG	X	X	X	X
Pictet Asset Management	X	X	X	X
PKA	X	X	X	X
Polden-Puckham Charitable Foundation	X	X	X	X
Principled Investing LLC	X	X	X	X
Raiffeisen Capital Management	X	X	X	X
RAM Active Investments SA	X	X	X	X
Rathbone Brothers PLC	X	X	X	X
RBC Global Asset Management	X	X	X	X
Remy Brown Investment Group	X	X	X	X
Resona Bank, Ltd.	X	X	X	X
Rivage Investment SAS	X	X	X	X
River and Mercantile Group Plc	X	X	X	X
Robeco	✓	✓	X	X
RobecoSAM	✓	X	X	X
RRSE (Regroupement pour la Responsabilité Sociale des Entreprises)	X	X	X	X

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
Sanso Investment Solutions	X	X	X	X
SBI Funds Management Private Limited	X	X	X	X
SDG Invest	X	X	X	X
SEB Investment Management	X	X	X	X
Sindicatum Renewable Energy	X	X	X	X
Skandia	X	X	X	X
SKP Investimentos	X	X	X	X
SMART PRIVATE MANAGERS (LUXEMBOURG) S.A.	X	X	X	X
Societa Cattolica di Assicurazione - Societa cooperativa	X	X	X	X
Sophia Financial Group	X	X	X	X
Sophia University	X	X	X	X
Sparda-Bank Muenchen eG	X	X	X	X
Sparebank1 Forsikring	✓	✓	✓	✓
Stance Capital, LLC	X	X	X	X
Stephen Whipp Financial, Leede Jones Gable Inc.	X	X	X	X
Stewart Investors	✓	✓	✓	✓
Storebrand Asset Management	✓	✓	✓	✓
Storm Capital Management	X	X	X	X
Strathclyde Pension Fund	X	X	X	X
SulAmérica Investimentos	X	X	X	X
Sustainable Value Investors	X	X	X	X
Sustfin	X	X	X	X

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
Swedbank Robur Fonder AB	X	X	X	X
Swisscanto Invest by Zürcher Kantonalbank	X	X	X	X
SYZ Asset Management	X	X	X	X
Tareno AG	X	X	X	X
TD Asset Management	✓	✓	✓	✓
The Local Authority Pension Fund Forum	X	X	X	X
The Sustainability Group of Loring, Wolcott & Coolidge	X	X	X	X
The Swedish Foundation for Strategic Environmental Research (Mistra)	X	X	X	X
TOBAM	X	X	X	X
Tradeka Corporation	X	X	X	X
Transport for London Pension Fund	X	X	X	X
Tressis	X	X	X	X
Trilha Investimentos Ltda	X	X	X	X
Trillium Asset Management	X	X	X	X
Trinetra Investment Management	X	X	X	X
Triodos Investment Management	✓	✓	✓	✓
Triple Jump	X	X	X	X
Trust Investments Management Limited	X	X	X	X
Trusteam Finance	X	X	X	X
UBP S.A.	X	X	X	X
Union Investment	X	X	X	X
Unison Pension Staff Scheme	X	X	X	X
University of Toronto Asset Management Corporation	✓	✓	✓	✓

Investor name	Palm oil forest policy	Soy forest policy	Cattle forest policy	Timber forest policy
USS	X	X	X	✓
Vallis Capital Partners	X	X	X	X
Vantage Capital	X	X	X	X
VBV - Vorsorgekasse AG	X	X	X	X
VBV Pensionskasse	X	X	X	X
Velliv	X	X	X	X
Visio Fund Management	X	X	X	X
Wespath Benefits and Investment	X	X	X	X
Zevin Asset Management	X	X	X	X
Zilliard Capital Partners	X	X	X	X