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# Finance Sector Deforestation Action (FSDA) Progress report

10/2025

IIGCC

## Contents

Foreword .....	3
Executive Summary.....	4
Protecting forests for long-term economic value..	5
Four years of FSDA.....	6
Progress made .....	7
What's next? .....	14
Conclusion.....	15

## About FSDA

Finance Sector Deforestation Action (FSDA) brings together 30 financial institutions representing USD 7.5 trillion in AUM/A who committed to use best efforts to eliminate agricultural commodity-driven deforestation risks in their individual investment and lending portfolios by 2025. IIGCC has served as FSDA's Secretariat since September 2024.

## Acknowledgments

This report would not have been possible without the valuable contributions and expertise provided by representatives from: Global Optimism, Climate Champions Team, CDP, Global Canopy and the Investor Strategic Working Group (ISWG) of FSDA (including representatives from AVIVA, Boston Common Asset Management, Church Commissioners for England, Generation Investment Management, Impax Asset Management, Legal & General Investment Management, Régia Capital, and Storebrand).

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## Foreword

As we convene for COP 30, hosted in the Amazon, deforestation is a highly relevant systemic risk that threatens climate stability, biodiversity, and the resilience of economies worldwide. As the Global Stocktake highlights, halting and reversing forest loss by 2030 requires action across multiple stakeholders, from policymakers and investors to companies and producers, Indigenous peoples, and local communities. Four years in, FSDA has led the way in increasing awareness and action among private finance to address commodity driven deforestation. I welcome this progress and the next steps with the Deforestation Investor Group to accelerate investor action on deforestation.

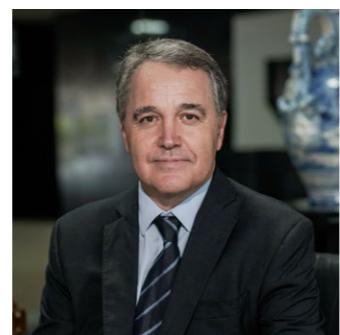
COP30 presents a defining moment to build on this momentum. The COP30 Action Agenda represents a paradigm shift from previous COPs – moving beyond new announcements and pledges to focus on implementation. It is structured around six thematic axes, and anchored in 30 key objectives, including forests and finance, aligned with the Global Stocktake to ensure measurable progress.

This shared framework is designed to bring greater coherence to the efforts of non-state actors and governments alike – including financial institutions, corporations, and the broader landscape of stakeholders engaging with FSDA to identify and overcome key barriers and unleash the solutions needed to drive climate action and sustainable socioeconomic development.

This year's Action Agenda brings together leading initiatives like FSDA and others to report progress, showcase their successes, and lay out clear plans to accelerate solutions going forward. This includes the private sector continuing and expanding their work on eliminating deforestation risk. It also includes countries engaging through policy and programs to unlock capital flows for resilient agriculture and land use systems that regenerate nature and foster sustainable growth. Equally critical is the opportunity for governments to embed deforestation goals firmly within policy frameworks, creating clear regulations, and meaningful incentives for investment in sustainable processes.

We need to see the major players across sectors come together through the Action Agenda with shared determination to accelerate this essential transition.

Shifting financial flows toward practices that help foster sustainable processes and value chains will be decisive. Let us seize this moment, through the Action Agenda, to demonstrate the power of finance and collaboration in building a sustainable, resilient future.



**Dan Loschpe**

COP 30 Climate High-Level Champion

There can be no global stability – and no lasting solution to the climate and nature crises – without healthy, thriving forests and the communities who steward them. Forests are not just carbon sinks or biodiversity havens, they are the beating heart of planetary health, and, with the right policies and alignment of finance, they can also be the cornerstone of economic resilience.

In recent years we've seen these policies and financial mechanisms start to grow, and the broad contours of a new economy rising are now visible – one that recognises stewarding forests, transforming food systems and advancing economic development as complementary, not competing, objectives.

The international community has highlighted nature's central role in climate action: all countries came together to commit to ending deforestation and forest degradation by 2030 through the first Global Stocktake under the Paris Agreement.

However, we are not yet on track to meet the 2030 target. In 2024, 6.7 million hectares of tropical forest were lost, largely consumed by climate-fueled wildfires of unprecedented scale – contributing to the largest increase in emissions documented since 1957.

Thankfully, as underscored by this 2025 Finance Sector Deforestation Action (FSDA) Progress Report, the foundations for transformative action are stronger than they have ever been. The financial sector now has mature, sophisticated, and proven tools to identify deforestation risks, act decisively and seize the opportunities of deforestation-free portfolios and supply chains. Actionable data is more accessible than ever, and policy frameworks are increasingly designed to require and enable change.

FSDA signatories have shown what is possible. They have mapped their deforestation risk exposures, have adopted and are implementing credible policies, and are tracking and reporting on progress. In so doing, they have helped to catalyse shifts in government policy, market expectations, and global supply chains – bringing us closer to a world where economic progress no longer comes at the expense of forests or the people who live in and depend on them.

This leadership and foundation for action deserves to be celebrated. At the same time, we must take a clear-eyed look at the urgent imperative to bring this ambition fully into the mainstream of finance, business, and public policy, in line with our shared goal to halt and reverse deforestation by 2030.

With Brazil's leadership, and with COP30 poignantly situated in the Amazon, we have both an opportunity and responsibility. Let us lift our collective focus to the intersection of forests, people and climate, and together accelerate the momentum that FSDA signatories alongside other leaders have built.



**Christiana Figueres**

Founding Partner, Global Optimism and Former Executive Secretary, UNFCCC

## Executive Summary

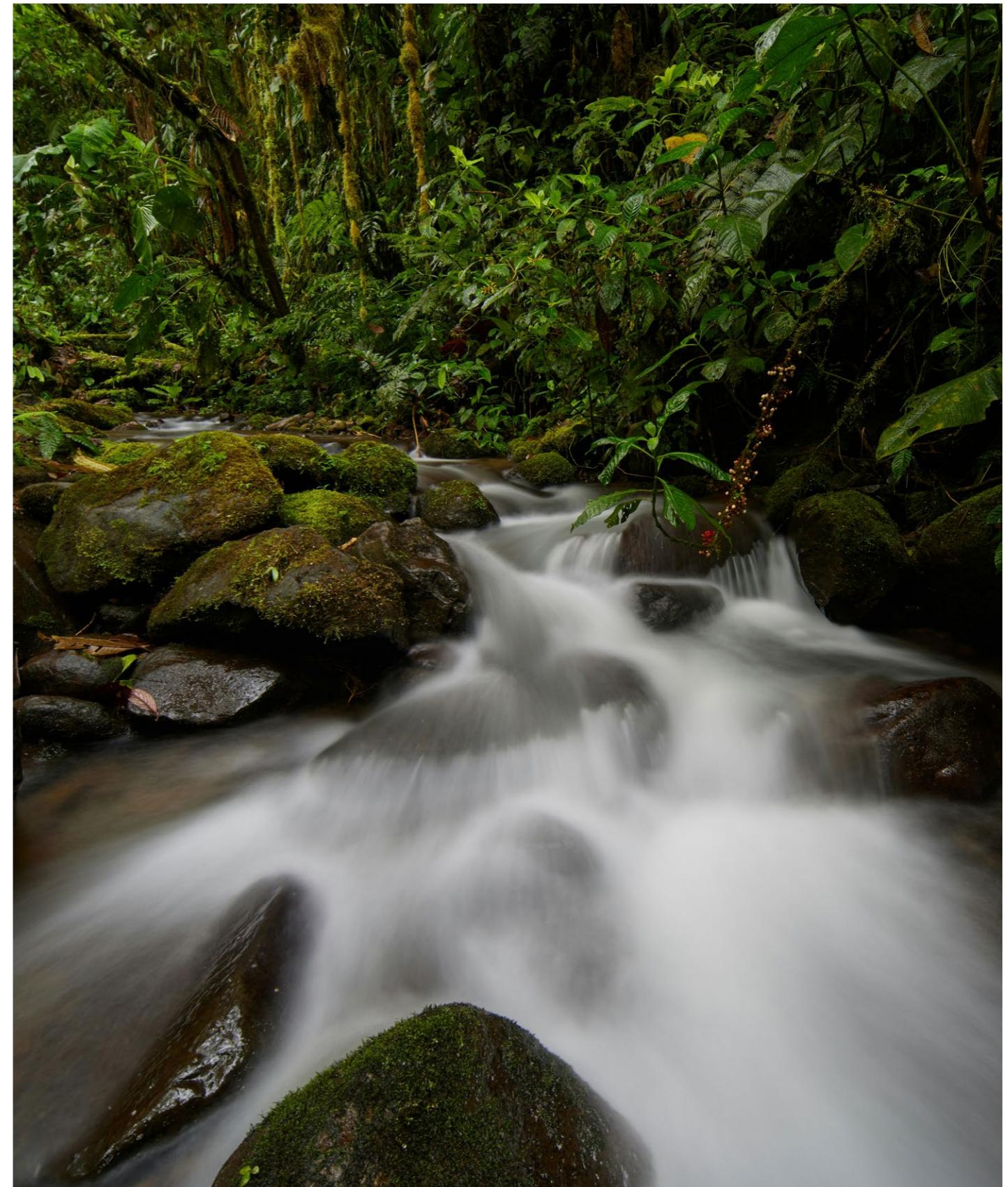
Since launching at COP26 in 2021, Finance Sector Deforestation Action (FSDA) has led the way in raising the bar of ambition for investors seeking to manage financial risks linked to agricultural commodity-driven deforestation in their portfolios. FSDA has provided a platform for corporate engagement along with practical tools, resources and examples of best practice that participants have used to help inform their individual activities.

The progress investors have made in the four years of the initiative's mandate is a testament to the urgency of the work, the ambition of FSDA participants, and the material, systemic importance of deforestation as an issue for the private sector to tackle.

Today, all FSDA investors have policies that either cover or address exposure to deforestation, have assessed and disclosed their exposure to deforestation risks, and participants have deepened engagements with companies and banks as well as policymakers and data providers.

Although FSDA participants have achieved the milestones outlined in the original commitment letter, deforestation remains a complex, systemic financial risk requiring engagement from stakeholders across sectors and industries. With just a handful of years remaining to achieve the 2030 Global Stocktake goal of halting and reversing deforestation and forest degradation globally, there is an urgent need to bring investor action on deforestation into the mainstream. By engaging with their investee companies, aligning individual portfolios with net zero objectives, and financing solutions, institutional investors have a crucial role to play in accelerating the systems change necessary to halt and reverse deforestation and forest degradation by 2030.

As FSDA comes to the end of its four-year term in December 2025, efforts to address deforestation will continue and expand. As a part of the wide network of initiatives on global investor action on deforestation, IIGCC and FSDA participants will leverage the actions, experience and relationships developed through FSDA to mainstream action on deforestation. IIGCC will manage a platform called the Deforestation Investor Group (DIG) from January 2026. DIG will provide a dedicated space for investors to continue efforts to mitigate financial risks related to deforestation, ecosystem conversion and associated risks to human rights in their portfolios; to amplify action; and to engage across the financial ecosystem, in line with their fiduciary duty.



## Protecting forests for long-term economic value and resilience

Deforestation sits firmly at the nexus of the climate and biodiversity crises. It accounts for approximately 11% of global greenhouse gas emissions,<sup>1</sup> and is one of the largest drivers of biodiversity loss in terrestrial ecosystems.<sup>2</sup> Over 1.6 billion people directly rely on forests for their livelihoods,<sup>3</sup> with Indigenous Peoples and local communities experiencing the most severe impacts of tropical deforestation. Ending deforestation and forest degradation is therefore imperative to mitigate climate change and halt biodiversity loss while ensuring a just transition.

In most IPCC 1.5°C pathways, CO<sub>2</sub> emissions from AFOLU<sup>4</sup> (deforestation and other forms of land conversion) must reach net zero by 2030<sup>5</sup> and contribute to negative emissions thereafter through reforestation and afforestation. Reducing deforestation represents one of the most cost effective and urgent climate mitigation measures available and poses the largest potential contribution to emissions reduction in the land sector.<sup>6</sup> In line with this, the Global Stocktake adopted in 2023 by all Parties to the Paris Agreement calls to halt and reverse deforestation and forest degradation by 2030.

Left unchecked, deforestation poses material systemic risks across industries, geographies and financial systems. Forest loss accelerates climate change, disrupts supply chains, and pushes ecosystems like the Amazon toward irreversible tipping points. The cost of inaction is rising, while the window to act is narrowing.

Due to their important ecosystem services, the value of the world's forests is estimated to be as much as \$150 trillion. If drivers of deforestation are left unaddressed, that value could drop by roughly 30% by 2050.<sup>7</sup> Other estimates suggest that deforestation and biodiversity loss could cost the global economy around USD 2.7 trillion per year by 2030.<sup>8</sup>

A study commissioned by the Climate High-Level Champions<sup>9</sup> warns that due to policy and demand shifts involved in the land use transition, some of the world's leading food and agriculture companies could face a valuation drop of up to 26% by 2030, with the sector as a whole expected to decline in value by over 7%. This translates to approximately \$150 billion in investor losses, with the potential for permanent, sector-wide financial damage comparable to the 2008 financial crisis. To this end, the Glasgow Financial Alliance for Net Zero (GFANZ) has underscored the urgent imperative to address deforestation, stating that climate transition plans that lack objectives and targets to eliminate deforestation are incomplete.<sup>10</sup>

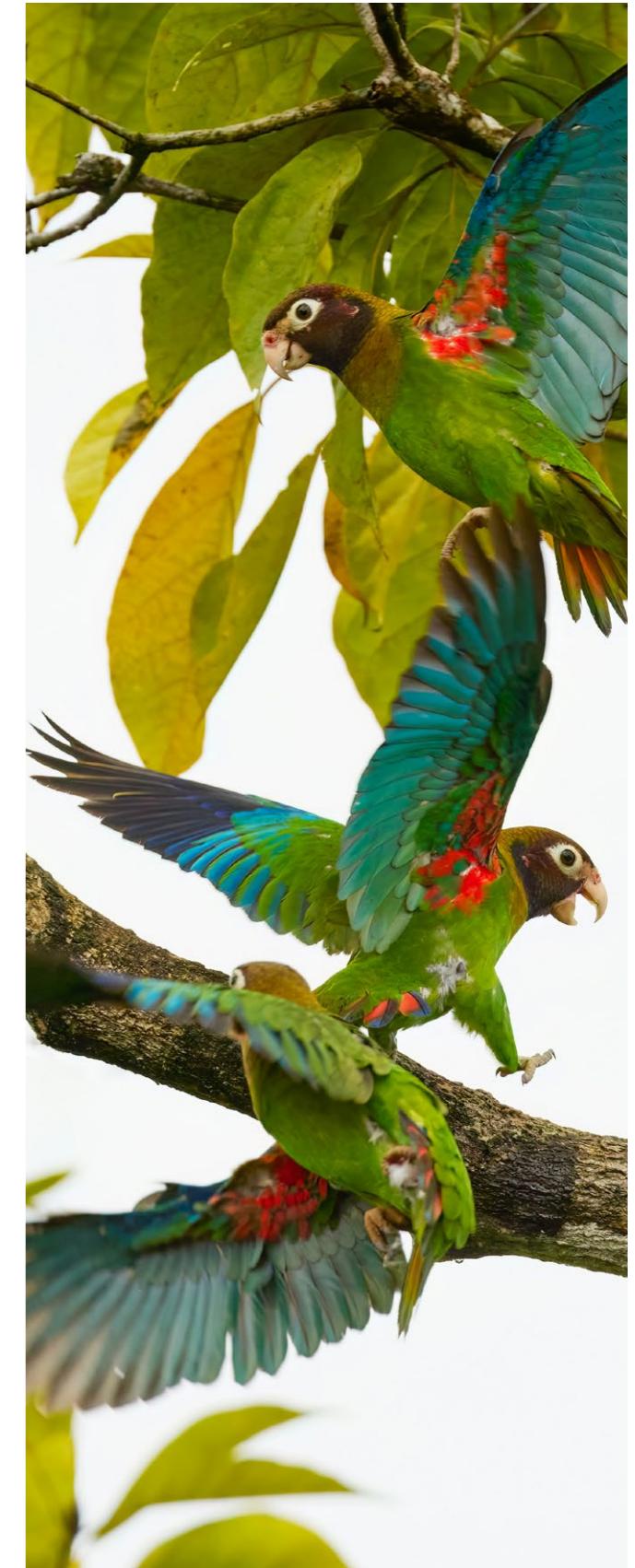
**“Deforestation and ecosystem conversion pose rising regulatory, financial, and reputational risks. Ambitious, proactive deforestation action can mitigate risk of value loss across food and agriculture and pursue a share of the USD 4.5 trillion opportunity that will accompany a land use transition that is as profound as the energy transition”**

Climate Champions, 2022

FSDA participants acknowledge that addressing deforestation risk is part of their fiduciary duty to act in the best long-term economic interests of their beneficiaries and clients. They recognise its link to climate, biodiversity, human rights and food security-related risks. Continued deforestation is a systemic risk that translates to material financial exposure at both an asset and portfolio level.

FSDA participants also recognise the advantages and opportunities for financial value that rapid mobilisation to address deforestation can present, including:

- ▶ Safeguarding assets and building resilience
- ▶ Driving new business opportunities through redirecting capital to sustainable agriculture
- ▶ Progressing towards biodiversity and net zero targets
- ▶ Staying ahead of growing regulatory oversight on deforestation
- ▶ Saving costs in the long term through action, rather than remaining exposed to the potential cost of growing instability posed by deforestation risk



## Four years of FSDA

Launched at COP26 in November 2021, in response to the Call for Climate Action Announcements from Private Finance Institutions, FSDA was formed when over 30 financial institutions with more than USD 8.7 trillion in assets under management made individual commitments to use their best efforts to eliminate deforestation associated with beef, soy, palm oil, pulp and paper production from their portfolios by 2025.

This 2025 commitment follows recommendations by the Accountability Framework initiative in its global, consensus-based guidelines grounded in relevant science, and is supported by other frameworks, guidance and recommendations across the climate and nature landscape.

At its inception, investors individually and voluntarily signed a commitment letter, pledging to achieve specific milestones by 2025 that would help reduce deforestation-related risks while supporting the transition to a sustainable agriculture sector. Investors committed to engage high-risk companies and banks held in their investment portfolios, to advocate for policymakers to create an enabling regulatory environment for businesses to avoid deforestation risks and impacts, and to report on their own progress towards the commitment. They also committed to assess and disclose their own exposure to deforestation risk and establish investment policies addressing exposure to agricultural commodity-driven deforestation.

To support the pursuit of those commitments, investors have met quarterly through the initiative to facilitate capacity building and peer-to-peer learning on common challenges and best practice. This work has been pursued in alignment with global goals on deforestation, with strategic direction of the initiative supported by a core group of FSDA participants.

FSDA was designed to support as much action as possible in the defined period until 2025. As the initiative comes to a close, it is more important than ever that investors continue their sustained efforts to tackle deforestation.



## Timeline

<b>November 2021</b>	<b>Commitment letter</b>
	<b>Finance Sector Roadmap:</b> AFI-aligned and endorsed Finance Sector Roadmap provides step-by-step guidance and actions for financial institutions to tackle deforestation in their individual portfolios and meet the Commitment. It brings together the best available data and tools, showing financial institutions how they can map risk, set policies, identify and engage with portfolio constituents, and look to increase exposure to nature-positive activities.
	Ongoing engagements with companies and banks
<b>September 2022</b>	FSDA participants developed and released <u>investor expectations of companies</u> to support company engagements. These expectations are grounded in the Commitment, informed by relevant science and best practices.
<b>December 2022</b>	Engagement with data providers
<b>September 2024</b>	IIGCC takes on management of FSDA's core operations and administration as the <u>initiative Secretariat</u>
	FSDA published its <u>Investor Expectations for Commercial and Investment Banks</u>
<b>May 2025</b>	All FSDA participants have assessed and disclosed exposure to deforestation risks
<b>31 December 2025</b>	<b>FSDA sunsets</b>

## Progress made

FSDA has led the way in raising ambition for investors seeking to address deforestation-related risks in their portfolios. This is evident through the broad spectrum of work that investors, supported by the initiative, have undertaken – elevating deforestation as a material financial risk within their institutions, engaging companies and banks, and applying systems-level stewardship to enable greater engagement on deforestation risk across industries and sectors.

### Milestone progress:

The 30 investors in FSDA have made significant progress against the milestones set out in the commitment letter. 100% of FSDA investors have established investment, lending or wider policies that either cover or address exposure to agricultural commodity-driven deforestation. 100% have also assessed their exposure to deforestation risk, and have made disclosures on this risk and mitigation activities.

73% of FSDA participants have also been actively engaging policymakers such as via the Investor Policy Dialogue on Deforestation and the Forests and Climate Leaders' Partnership.

Milestones	FSDA participants that achieved the milestone
<b>M1a:</b> Assessed exposure to deforestation risk	30
<b>M1b:</b> Establish policies addressing exposure	30
<b>M1c:</b> Deepened or begun engagement on holdings*	27
<b>M1d:</b> Engaged on policy*	22
<b>M2:</b> Disclosed deforestation risk and mitigation activities	30
<b>M3:</b> Expect to report credible progress on milestones by end of 2025*	20

\*Data based on recent surveys, to which 29 investors responded.

## Case studies

### L&G: Milestones

L&G has focused on deforestation for many years, starting in 2016 when we first integrated deforestation into key sector expectation through the L&G Climate Impact Pledge engagement programme. Since then, L&G has continued to strengthen and deepen its approach to nature, including deforestation.

With regards to deforestation, and following the signing of the COP26 commitment and joining FSDA in 2021, L&G has implemented the following:

#### 2022:

- ▶ L&G published the first iteration of its deforestation policy, covering palm oil, soy, cattle products (beef and leather), and timber products (forestry, pulp, and paper).
- ▶ L&G then launched its deforestation engagement campaign, writing to over 300 companies to inform them of its policy and expectations.
- ▶ L&G commenced collaborative engagement on deforestation through FSDA and the Investor Policy Dialogue on Deforestation.

#### 2023:

- ▶ The first year in which L&G applied specific deforestation vote against the chair of the board for investee companies in specified sectors not meeting minimum expectations set out in its deforestation policy.

#### 2024:

- ▶ To reflect best-practice from guidance developed by [Global Canopy](#), [FSDA investor expectations](#), [Accountability Framework Initiative](#), and [WWF](#), L&G expanded its policy scope to include cocoa, coffee, and rubber commodities given their significant deforestation impact. Data improvements enabled identification and assessment of companies involved with these additional commodities.

- ▶ This update also provided guidance for companies to achieve supply chains free from deforestation and land conversion and highlighted key data providers for companies to collaborate with further thereby increasing the availability and accuracy of nature data.

Currently, L&G's Deforestation Policy tops Global Canopy's Forest500 annual assessment in the financial institution category.

#### 2025:

- ▶ L&G continued its annual deforestation engagement campaign, writing to 389 companies at the beginning of 2025 – 49 of which were identified as subject to votes against the re-election of the chair of the board during the 2025 AGM season for not meeting minimum expectations.

Throughout this period L&G has been an active part of advancing the FSDA initiative, ensuring that we have an initiative that supports its members and accelerates action on deforestation. We are looking forward to continuing to be part of the initiative as it evolves.

## Régia Capital: Increasing investments in nature-based solutions

To identify investment opportunities in nature-based solutions (NBS), Régia Capital adopts a structured approach that combines territorial intelligence, local stakeholder collaboration, and investment-readiness assessments. We prioritize projects aligned with high-integrity frameworks (e.g. TNFD) and focus on regions with ecological and socioeconomic relevance, ensuring that projects generate positive outcomes with social and environmental benefits.

Our assessment enables us to evaluate project maturity and determine the appropriate scale for each strategy, while blended finance instruments allow for the combination of different capital profiles. This approach provides more competitive financial conditions for invested companies, making it possible to mobilize both concessionary and commercial capital, thereby increasing both the reach and the attractiveness of investments.

Our selection process emphasizes landscapes which are critical for climate and biodiversity, areas under deforestation pressure, and projects that create jobs, generate income, and produce long-term environmental and economic sustainability. We focus on sectors such as productive restoration and regenerative agriculture, including agroforestry systems for degraded land recovery.

For example, we were anchor investors in a bond issuance by a Brazilian Bioindustrial company that carefully and selectively harvests and processes non-timber forest products to generate economic value from the forest while keeping the trees standing.

Our work recognizes the challenges inherent to this agenda, especially its pioneering nature. These include a lack of standardized data on nature assets, immature business models for many NBS, regulatory uncertainties around environmental credits, and limited technical or governance capacity among project developers, often requiring pre-investment support. We address these challenges through pilot projects, capacity-building, and innovative financing strategies.

FSDA participants have also taken actions to increase investment into nature-based solutions, to increase capital flows into businesses and activities which are beneficial for nature, forests and community livelihoods.

- ▶ In 2024, Generation IM's Just Climate business launched a Natural Climate Solutions investment strategy which aims to deliver returns and help transform land use to achieve global net zero and nature positive goals. In the fund's initial close, over USD 175 million in capital has been committed by investors and the fund has made its first two investments.
- ▶ The Church Commissioners for England have invested in ~1,400 acres of land for woodland creation and habitat restoration initiatives. This includes a tree planting project in Angus, Scotland, where they are reintroducing Caledonian Scots pine and other native species to enhance habitats, alongside areas of forest planted for sustainable timber production.
- ▶ Aviva Investors has made several investments in natural capital. In December 2021 it invested in a planned 6,300 hectare woodland creation and peat restoration project in Scotland, which over its lifetime, is expected to lock up 1.4 million tonnes of carbon. This was supported in 2023 with work to restore 10% of the degraded peatland. In May 2023, Aviva Investors made its second investment in natural capital, purchasing an established 2,035 hectares of afforested land on the Isle of Mull with new planting approvals. Aviva Investors' investments in nature-based and engineered carbon removal solutions incorporate biodiversity and social considerations. For example, through co-benefits such as habitat creation and job creation in both developed and emerging markets.



## Aviva Investors: Strengthening Deforestation Risk Management – Bank of America

Banks play a critical role in tackling deforestation by managing their exposure through financing. To support clearer investor expectations, we co-authored the [Investor Expectations on Deforestation for Commercial and Investment Banks](#), in partnership with Boston Common Asset Management. These were published in 2024 as part of the Finance Sector Deforestation Action (FSDA) initiative.

In 2025, we chaired a collaborative engagement with Bank of America – marking our first use of the new Investor Expectations in dialogue with the bank. The meeting focused on how the bank is identifying and managing deforestation risk, particularly across high-impact commodities. Bank of America shared its evolving methodology, which now includes more targeted risk assessments across beef, soy, palm oil and pulp, with further plans to cover cocoa, coffee and rubber.

We also discussed internal governance and escalation processes, certification and traceability for clients – key pillars outlined in the expectations – and how the bank is using enhanced due diligence tools to monitor transactions. While the bank remains cautious about making public commitments – it acknowledged the importance of investor feedback and confirmed plans to expand nature-related disclosure in its upcoming sustainability report. The engagement was transparent and constructive. Bank of America provided new insight into its risk framework, governance structures and client engagement practices. We were encouraged by plans to broaden commodity coverage and align more closely with frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Roundtable on Sustainable Palm Oil (RSPO). We will continue to engage with Bank of America to encourage further alignment with the Investor Expectations – particularly around disclosure, biodiversity safeguards, and clear standards for clients operating in high-risk sectors.

## Boston Common Asset Management: Developing the Investor Expectations on Deforestation for Commercial and Investment Banks

Robust due diligence is necessary to protect banks and their underlying clients from regulatory, reputational, and wider financial risks associated with deforestation and biodiversity loss. In 2021 alone, for example, banks and investors provided USD 2.6 trn to companies with the highest exposure to deforestation.

Boston Common has been engaging banks on deforestation including commodity-specific risks and impacts since 2005. One critical gap that the banks have shared with us is that existing guidance has not been aligned with a bank business model.

In September 2024, we co-authored the [FSDA Investor Expectations on Deforestation for Commercial and Investment Banks](#) and shared it with banks we actively engaged that year. More recently, we used the detailed expectations to conduct a baseline assessment of 10 Emerging Markets and Asian banks (Colombia (1), Hungary (1), India (2), Indonesia (1), Hong Kong (1), Japan (2), Philippines (1), Singapore (1)). This information informed our 2025 engagement outreach and question set for these banks.

Here are our initial findings:

1. Risk Assessment: Many of the banks we engaged have improved their risk assessment on biodiversity and deforestation. The most comprehensive assessments are sector, regional or commodity-specific. One Brazilian bank stands out as a leader, with a sector-by-sector approach to deforestation risk assessment as well as a Colombian bank which has implemented a portfolio-wide assessment across credit and project portfolios. The Japanese banks we engaged have conducted biodiversity assessments and reported aligned with the TNFD.

2. Commitment and Governance: Board- and executive-level oversight of biodiversity and deforestation has become more common but no bank we have engaged has a bank group level deforestation-free commitment so public time-bound commitments remain a key gap for banks across markets.

3. Expectations of clients: Client expectations on biodiversity and deforestation are improving but often lack detail, such as the inclusion of all value chain actors in deforestation-free production models or financial products to support clients investing in innovative solutions. While we see some expectations requiring specific commodity-level certifications, they typically only call for legal requirements rather than higher level certification. For example, Indonesia Sustainable Palm Oil (ISPO) or Malaysia Sustainable Palm Oil (MSPO) with regard to palm oil rather than the more stringent Roundtable on Sustainable Palm Oil (RSPO).

4. Monitoring and compliance: Ongoing due diligence for clients on deforestation commitments is mixed, the details – including integrating monitoring systems, expectations on non-compliance and escalation, and annual client reporting – are still evolving. Notably, one Singaporean bank does classify clients by risk and route them to a dedicated ESG specialist team for enhanced due diligence.

5. Disclosure: All of the banks assessed in the benchmark have disclosed some plan of action for deforestation, yet there is a clear gap in the ability to meet the more detailed expectations.

We plan to continue to engage these banks on essential next steps based on our findings.

## Engagement progress:

The first company engagements under the initiative started in Q3 2022. Since then, over 100 company and bank engagement meetings have been conducted by FSDA members, with 27 FSDA participants having deepened or begun engagement with their highest risk holdings on deforestation, in order to mitigate financial risk linked to deforestation.

To support investor engagement on deforestation, FSDA produced the [Investor Expectations of Companies and Investor Expectations for Commercial and Investment Banks](#). The expectations are designed to bring clarity and consistency to conversations with companies and banks leading to more ambitious engagement objectives.

Data leveraged from CDP's Forest questionnaires from 2022 to 2024 (covering the previous reporting year) shows a positive trend in corporate performance against these company expectations. Firstly, the number of companies engaged through FSDA that disclosed through CDP's Forest questionnaire increased from 30 FSDA companies reporting in 2022 to 46 in 2024. Secondly, while the CDP data does not align perfectly with the FSDA expectations, and some expectations are not covered, the disclosures do indicate progress toward meeting the FSDA expectations of companies. The disclosures also demonstrate that there is room for improvement, including in the number of companies meeting the expectations and in strengthening actions where progress has begun.

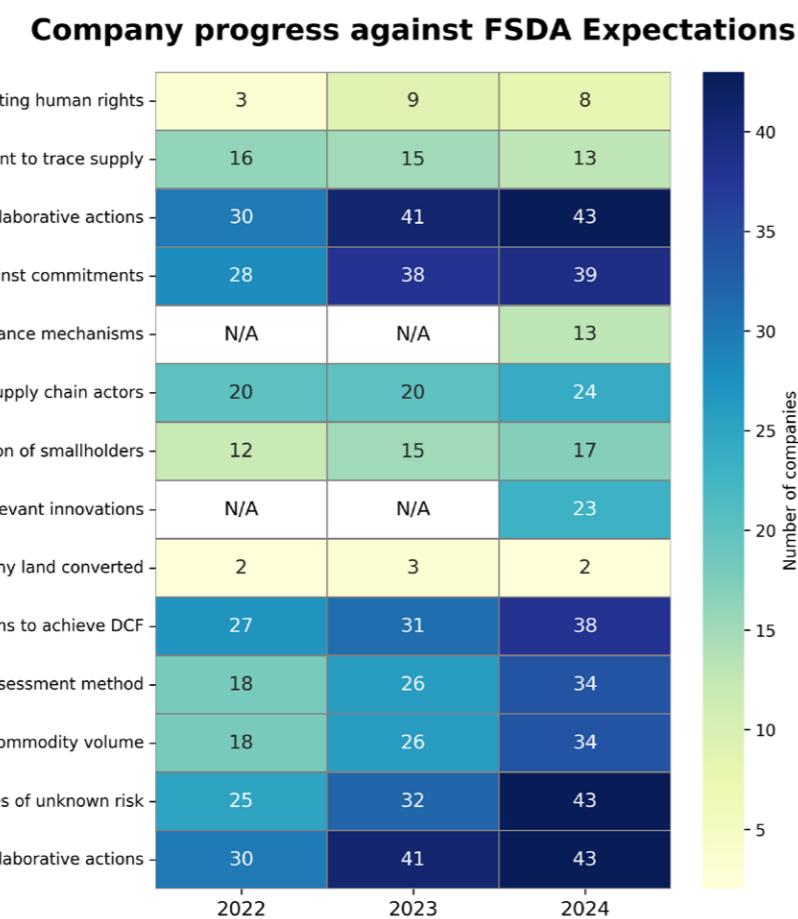
For example, with regard to the first FSDA expectation for companies to set a public commitment to deforestation- and conversion-free production or sourcing: In 2024, 36 companies on FSDA's focus list reported having some form of no-deforestation commitment, and 25 reported a no-conversion commitment (compared to 29 and 21 in 2022, respectively). While this increase is positive, only eight companies met all the relevant criteria required for a strong commitment on deforestation- and conversion-free sourcing and producing, and many companies do not have the required accompanying commitments related to respecting human rights. Strengthening these commitments remains a priority for companies and investors in order to adequately address related financial risk.

The data shows that more FSDA companies disclosed their deforestation-free or deforestation- and conversion-free (DF/DCF) commodity volumes in 2024 than in 2022. This metric is highly valuable for investors in understanding exposure to deforestation risk and suggests companies may be taking greater action to improve their DCF monitoring systems. Similarly, the rise in disclosures on due diligence systems and plans to improve supply chain traceability and control for volumes of unknown risk provides investors with critical insights into companies' risk management strategies.

Importantly, more companies are reporting on collaborative actions. By engaging across the wider landscape – through suppliers, smallholders, other value chain actors, or participation in landscape and jurisdictional initiatives – companies are contributing to systemic change, recognising and embedding deforestation as a core business issue.



FSDA Investor Expectations of Companies



Based on available CDP data. Some expectations have partial coverage within CDP's metrics. Expectations without any corresponding CDP metrics are not included.



## Case studies

### Schroders: Assessing exposure to deforestation

Schroders joined the FSDA commitment at COP26 in 2021. We decided to make this commitment as we recognise that deforestation, conversion and associated human rights abuses pose potentially significant risks to the value of the investments we manage on behalf of our clients, as companies face increased threat of value chain disruption, physical risks, and regulatory and consumer scrutiny. We also know that ending deforestation is critical to meeting global goals to minimise and mitigate climate change.

Our strategy focuses on four high priority forest-risk commodities: Palm oil; Soy; Timber (and Pulp & Paper); and Cattle (and Leather). These commodities were chosen as they are understood to be tied to the most significant deforestation impacts.

To effectively work to meeting the commitment, we undertake an annual granular assessment across our holdings, comprising two parts:

- ▶ Classification of companies into risk tiers;
- ▶ Assessment of management practices of exposed companies.

To focus efforts, we define two risk tiers of companies (see Figure 1), drawing on two datasets:

- ▶ **Revenue data:** Identifies company revenues associated with individual business activities, including sales of individual commodities.
- ▶ **ForestIQ:** Launched in 2023 by Global Canopy, Stockholm Environment Institute and Zoological Society of London, ForestIQ is a data platform for financial institutions that consolidates leading datasets such as CDP, SPOTT and Trase.

Having determined which companies are most exposed to commodity-driven deforestation risks, the second stage is to assess the extent to which these risks are being mitigated. We built a data-driven Deforestation Scorecard using qualitative information reported through CDP and ForestIQ. The scorecard covers the areas constituting our deforestation expectations:

1. Strategy and ambition;
2. Governance and oversight;
3. Risk management and traceability;
4. Metrics and targets; and
5. Human rights and social impacts.

Where exposed companies are found to not align with expectations, our approach is to engage and escalate accordingly.

This approach to respond to the commitment was developed by the Sustainable Investment team, using both research and engagement expertise. The priority Tier 1 and Tier 2 companies, determined by proximity to deforestation impacts and quality of management, are communicated to investment desks for integration into engagement practices and potential investment decision-making.

Schroders is a global asset management company based in the United Kingdom, providing investment solutions across equities, fixed income, multi-asset, private assets and alternatives.

Figure 1: Defining deforestation risk tiers

Risk Tier	Description	Revenue criteria	ForestIQ Criteria
<b>Tier 1</b>	Companies with direct exposures to deforestation risk commodities (producers and processors)	Company has over 20% revenue from business activities directly related to the production or processing of high priority commodities	Company is a Producer or Trader with 'Very High' or 'Critical' exposure to priority commodities
<b>Tier 2</b>	Companies with exposure to deforestation risk commodities in their supply chain (manufacturers and retailers)	Company has over 20% revenue from business activities downstream of the production or trading of high priority commodities	Company is a Manufacturer or Retailer with 'High', 'Very High' or 'Critical' exposure to priority commodities

Source: Schroders

## Generation IM: Company engagement – Samsonite

Generation has engaged directly with Samsonite on an annual basis and has sent both the investor expectations and a formal letter calling for strengthened action on forest-risk commodities to the company.

Since 2021, alongside our engagement with the company which began in 2022, Samsonite has taken gradual but meaningful steps to address deforestation risks in its supply chains, focusing on two key Forest 500 commodities: leather, and pulp and paper.

On leather, Samsonite has begun to direct its supply chain teams and third-party vendors toward sourcing from tanneries certified by the Leather Working Group (LWG). In particular, the company encourages suppliers to work with tanneries that have achieved a Gold rating, the LWG's highest standard. This represents an important move toward improved traceability and sustainability in a sector historically linked to deforestation through cattle supply chains. In pulp and paper, Samsonite's efforts to date have centred on reducing packaging volumes while maintaining sustainable sourcing practices. The company has prioritised purchasing paper for some products from suppliers certified by the Forest Stewardship Council (FSC), a globally recognised standard that indicates responsible forest management.

While there is still progress to be made, this approach has helped limit the company's exposure to deforestation risks tied to packaging materials, while also aligning with broader sustainability commitments.

Looking ahead, Samsonite is further developing a new Product Sustainability Framework, with more detailed disclosures expected in 2026. This framework is anticipated to formalize and expand the company's approach to managing environmental and social impacts across its products and supply chains, including deforestation-related risks. Overall, Samsonite's progress since 2021 shows a growing recognition of the importance of sustainable sourcing in both leather and pulp and paper. In our engagements with Samsonite, the Investor Expectations played a valuable role, clearly positioning our asks for the company. We're pleased to say that since beginning our engagement, we have seen a shift in position from Samsonite, where initially deforestation was a risk they were considering as immaterial, to a stance in which they were motivated to act to address their exposure.

While the company's efforts to date have had relatively narrow focus, its engagement with investors, adoption of credible certification standards, and forthcoming framework suggest potential for a more comprehensive and transparent strategy in the years ahead.

## Church Commissioners for England: Policy Engagement

The Investor Policy Dialogue on Deforestation (IPDD) is a collaborative initiative established in 2020 to engage with public agencies and industry associations in Brazil, Indonesia, and consumer countries on deforestation.

The initiative comprises 84 financial institutions managing approximately US\$11 trillion in assets.

The Church Commissioners for England was a founding member of IPDD, sits on the initiative's Management Committee, co-chairs the Indonesia workstream, and participates in the UK Consumer Country Working Group.

Since the inception of IPDD, the Church Commissioners have joined over 30 policy-related engagements. In 2025, it co-led an engagement trip to Jakarta, meeting with key stakeholders – including representatives from the central bank, the Ministry of Finance, and the Ministry of National Development Planning – to discuss the importance of nature and biodiversity for global investors.



## Mainstreaming action on deforestation and connecting with the wider landscape

Over two-thirds of FSDA participants have also engaged policymakers to foster an enabling regulatory environment for businesses and financial institutions to manage financial risks related to deforestation. This includes participating in global dialogues such as with the [Investor Policy Dialogue on Deforestation \(IPDD\)](#) and the [Forests & Climate Leaders' Partnership \(FCLP\)](#).

Participants also engaged government officials on the groundbreaking Tropical Forest Forever Facility (TFFF) to help ensure alignment of related investments with objectives of halting and reversing tropical deforestation. Others engaged with EU Commissioners on the upcoming EU Deforestation Regulation, advocating for its effective implementation to ensure robust due diligence, mitigate systemic financial risks from deforestation, and maintain investor confidence in long-term investments.

FSDA participants have also engaged with data providers to help increase the availability of deforestation-related data for the financial sector. Some global data providers, such as Bloomberg, have revamped their data offerings on deforestation thanks to engagement with FSDA participants.

Ending deforestation cannot be achieved in isolation. Other initiatives and guidance have been a crucial part of work to mobilise deforestation action across multiple stakeholders within the finance industry and beyond, helping investors manage financial risks linked to deforestation.

With involvement from FSDA participants, the Nature in Net-zero Transition Plans guidance from the Glasgow Financial Alliance for Net Zero (GFANZ) includes deforestation as a priority topic. The Investor Climate Action Plans (ICAPs) Expectations Ladder now also includes deforestation actions, making the framework more comprehensive in supporting investor climate action. FSDA has also been recognised as a leading example of investor action on deforestation by the Net Zero Asset Owners Alliance in their [Guidelines and Recommendations for Halting Deforestation](#).

Furthermore, to build on the work of FSDA, IIGCC is developing guidance on integrating deforestation into net zero strategies aligned with the structure of the [Net Zero Investment Framework](#). These actions are with the view to help mainstream investor action on deforestation within climate transition plans.

**"In response to FSDA's structured request for greater transparency on company-level deforestation data, Bloomberg engaged with FSDA members to fully understand requirements and conducted further research into data availability. As a result, we successfully integrated deforestation-related information covering up to 45,000 global companies into Bloomberg's product offering. Bloomberg's nature solution was launched in October 2024 and is accessible to all Bloomberg Terminal users, significantly enhancing the visibility of deforestation risks across global markets."**

**Bloomberg, 2025**

**FSDA is one of a number of financial sector initiatives pursuing broad work to enable deforestation action at all levels across systems.**

**Initiatives such as Nature Action 100, the Investors Policy Dialogue on Deforestation (IPDD), FAIRR, Innovative Finance for the Amazon, Cerrado and Chaco (IFACC), and PRI Spring have built a platform for investors working on eliminating deforestation to engage stakeholders and support greater corporate ambition and action.**



## What's next?

The business case for action on deforestation is stronger than ever. In 2024 alone, 6.7 million hectares of tropical primary rainforests were destroyed, with wildfires contributing to unprecedented losses.

This ongoing forest loss heightens exposure to physical risks, which in turn disrupts global supply chains and production. Forests, valued at up to \$150 trillion annually, are indispensable – providing essential ecosystem services and materials that underpin global industries. For companies and financial institutions, protecting and restoring forests is a strategic economic imperative, essential for mitigating financial risk linked to deforestation.

The immediate physical impacts and regulatory shifts around climate change are spurring work on deforestation from multiple stakeholders across industries. The twin forces of investor ambition and supporting regulation are laying the foundations for action on deforestation to become a global norm.

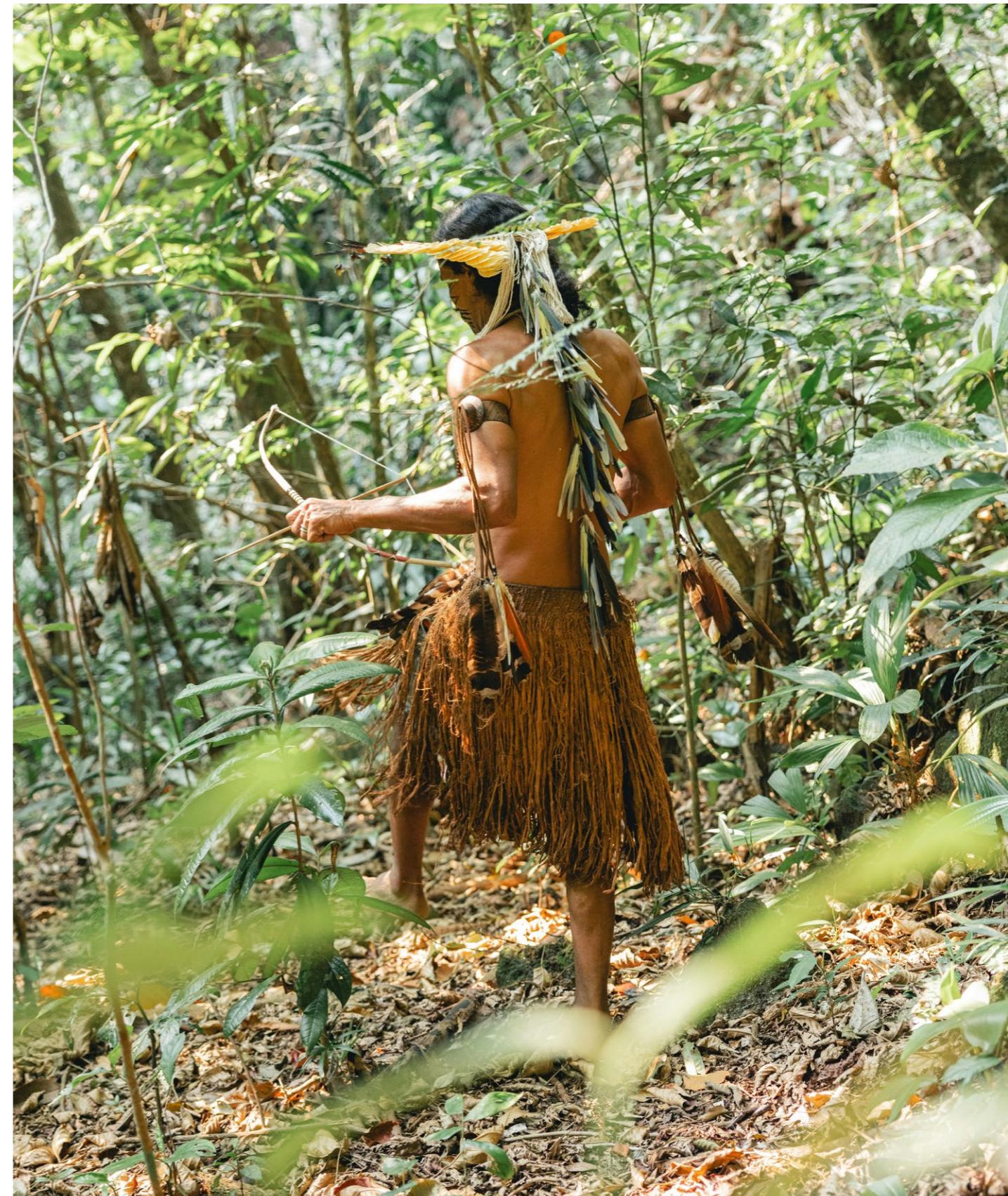
With increased awareness of the issue, leading stakeholders are adapting their strategic approach to financial risk linked to deforestation. This shift will be accelerated by an increasing regulatory focus, including the European Sustainability Reporting Standards (ESRS), uptake of the International Financial Reporting Standards (IFRS) S1 and S2, and the planned EU Deforestation Regulation (EUDR), as well as new frameworks, initiatives and forest monitoring technologies.

Supported by the foundations that have already been laid, progress on driving down deforestation can be fast and substantial. As seen in Brazil, Colombia, Indonesia and Malaysia, with the right combination of enabling conditions – policies and incentives – deforestation rates can be rapidly reduced on the ground.

At COP 30, the spotlight will fall on stakeholders best placed to tackle the systemic challenges associated with continued deforestation. The conference will also be an opportunity for increasing mobilisation of private sector investment toward halting and reversing deforestation and forest degradation, a key objective of the action agenda.

**“Aligned with our Theory of Change and as signatories of key investor coalitions on climate and biodiversity, we support a nature-based Brazilian economy that contributes to the Paris Agreement. This vision includes socially and productively integrated communities that are resilient, inclusive, and financially viable, while preserving biodiversity and respecting the rights of Indigenous Peoples and local communities.”**

**Bruno Bernardo**  
Regia Capital



## Conclusion

As we reflect on the incredible commitment and ambitious work of FSDA participants over the last four years, there is still an urgent need for the finance sector – and beyond – to act on deforestation.

Greater action, engagement and cooperation across sectors is essential for addressing the systemic nature of deforestation and associated impacts on human rights. To mitigate deforestation risks, it will be key for investors across the finance sector to:

- Assess exposure to deforestation, conversion and associated human rights risks
- Establish a deforestation policy
- Integrate considerations of deforestation and associated risks into investment decision-making
- Engage with high-risk holdings
- Engage with policymakers to contribute to an enabling regulatory environment

In addition to these actions, there are many complementary processes required to create the system-wide change<sup>11</sup> necessary to fully mitigate deforestation risk. Data providers have a crucial role to play to improve transparency and convert information into metrics that align with established reporting standards. It is important for policymakers to enforce mandatory disclosure, eliminate harmful subsidies, implement binding due diligence legislation with penalties for noncompliance, and strengthen regulations to secure and protect customary and indigenous land tenure. And companies must implement full traceability and monitoring of their value chains, eliminating deforestation and conversion, and ensuring human rights are respected.

The Deforestation Investor Group (DIG) will offer investors working across various initiatives a space dedicated to mitigating deforestation risks within portfolios and at the asset level. DIG will support investors working across different initiatives, helping to cross-pollinate ideas, reinforce momentum, and build congruence across the landscape.

DIG will leverage momentum to support investors in mitigating deforestation risks in three ways:

- Build investor capacity
- Develop tools and guidance
- Support investor engagement with companies and banks, and lead systems stewardship to address systemic issues

We look forward to supporting the surge in momentum towards ending deforestation and helping investors to better prepare themselves to tackle risks associated with deforestation and explore opportunities in scaling DCF supply chains.

If you are interested in joining DIG, contact IIGCC: [deforestation@iigcc.org](mailto:deforestation@iigcc.org)



## Endnotes

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