

IIGCC

Deforestation Investor Group

A forum to support investors in
mitigating deforestation risks

September 2025

To hear more and get involved, email deforestation@iigcc.org



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Background and context

Global momentum to halt and reverse deforestation and forest degradation

Deforestation and forest degradation sit firmly at the nexus of the climate and biodiversity crises. They account for approximately 11% of global greenhouse gas emissions¹ and, along with other forms of land-use change, are the largest drivers of biodiversity loss in terrestrial ecosystems.² Ending deforestation and forest degradation is therefore imperative to mitigate climate change and halt biodiversity loss.

There is increasing global momentum to combat deforestation and forest degradation. The Global Stocktake positioned the issue at the heart of climate action with the goal to halt and reverse deforestation and forest degradation by 2030. This year, Brazil, home to the largest extent of rainforest on Earth, will host COP30. A notable shift in the regulatory landscape is underway, exemplified by the EU Deforestation Regulation, and climate disclosure standards, such as ISSB and CDP, are expanding to include due diligence requirements on deforestation.

With regulations tightening and climate-related litigation on the rise, the material financial risks of deforestation and forest degradation are becoming more acute. A growing body of evidence demonstrates how the ecological impacts of deforestation—such as soil degradation, altered hydrological cycles, and desertification—can threaten the provision of food and raw materials, drive up supply chain costs, and expose companies and investors to physical and systemic risks.³

Understanding and addressing deforestation and forest degradation presents an opportunity for investors to advance their net zero strategies, mitigate financial risks, and boost resilience in their investment portfolios. By engaging with their investments, aligning portfolios with net zero objectives, and financing solutions, institutional investors have a crucial role to play in accelerating the systems change necessary for achieving the Global Stocktake goal of halting and reversing deforestation and forest degradation by 2030.

1 IPCC Sixth Assessment Report, IPCC (2023).

2 Summary for policymakers of the global assessment report on biodiversity and ecosystem services, IPBES (2019).

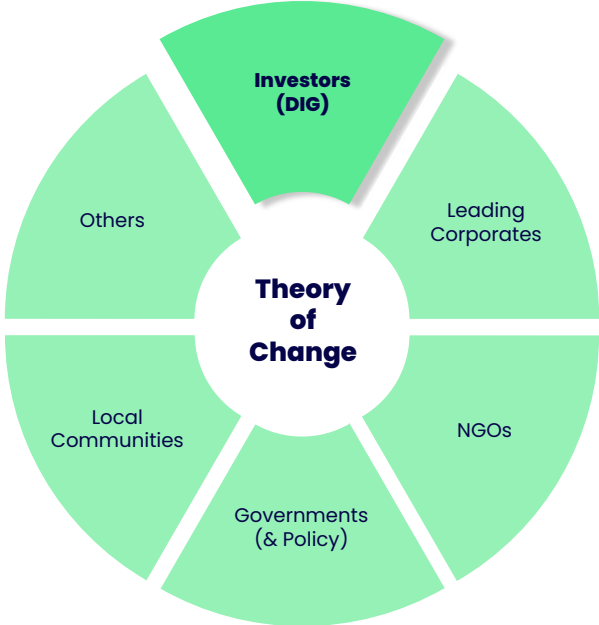
3 Deforestation and conversion: an introductory guide for central bankers, financial regulators and supervisors, WWF (2023).

From Finance Sector Deforestation Action to Deforestation Investor Group

Finance Sector Deforestation Action (FSDA) gathers over thirty investors committed to using best efforts to eliminate commodity-driven deforestation from their individual portfolios by 2025. Over the past four years, FSDA investors have made [considerable progress](#). They established deforestation policies, disclosed their exposure to deforestation risk, published investor expectations for [companies](#) and [banks](#), deepened engagement with [seventy companies and banks](#), and collaborated with data providers to improve deforestation-related data. Several FSDA members are also actively involved in the [Investor Policy Dialogue on Deforestation](#) (IPDD) and the [Forests & Climate Leaders' Partnership](#) (FCLP) where they advocate for the adoption and implementation of policies to curb deforestation and land conversion.

IIGCC transitioned to managing the FSDA secretariat in September 2024 and has been working closely with Global Optimism and the UN Climate Change High-level Champions to support the FSDA initiative. With the FSDA commitment sunseting at the end of 2025, the initiative will come to a close at the end of this year. In its place, IIGCC will host a platform called the Deforestation Investor Group (DIG).

DIG will build on the foundations laid by FSDA. It will continue FSDA's mission of amplifying investor action as part of a multistakeholder effort to tackle deforestation. The group is now looking to expand to include additional investors seeking to mitigate deforestation risks within their portfolios and to seize opportunities associated with the transition to deforestation- and conversion-free supply chains.



Amplifying the investor voice as part of a multi-stakeholder effort to tackle deforestation



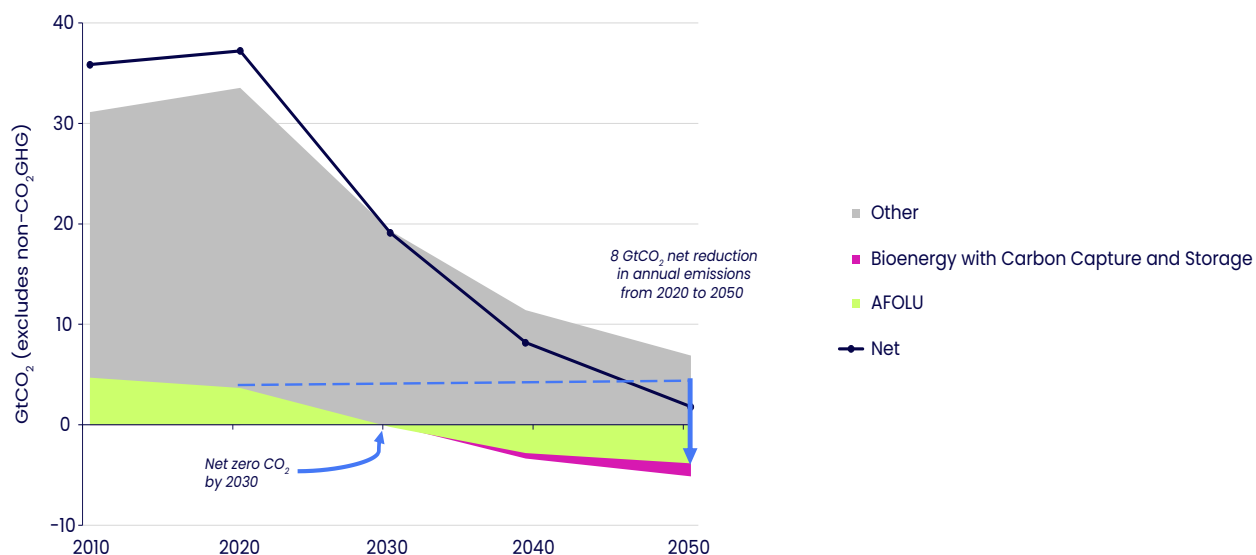
Deforestation within net zero strategies

Halting and reversing deforestation is integral to a net zero transition

Emissions from Agriculture, Forestry and Other Land Use (AFOLU) currently account for approximately a quarter of greenhouse gas emissions. Half of AFOLU emissions are carbon dioxide emissions caused by deforestation. In IPCC 1.5°C pathways, CO₂ emissions from AFOLU (i.e. deforestation and other forms of land conversion) reach net zero at 2030⁴ and contribute to negative emissions thereafter through reforestation and afforestation. In line with this, the Global Stocktake calls to halt and reverse deforestation and forest degradation by 2030. Reducing deforestation represents one of the most cost effective and urgent mitigation measures available.

Investors using the IPCC (or other credible net zero) pathways as a basis for setting their portfolio decarbonisation reference objective should therefore be including and addressing AFOLU emissions. This requires engaging with deforestation as a cross-cutting issue that is material across sectors, asset classes, and corporates.

P2 pathway from IPCC SR15



⁴ Special Report on 1.5°C, IPCC (2018)

Integrating Deforestation into Net Zero Strategies

The [Net Zero Investment Framework \(NZIF\)](#) is the most widely used guide by investors to set targets and produce related net zero strategies and transition plans. NZIF currently includes some recommendations on deforestation under advanced action points.

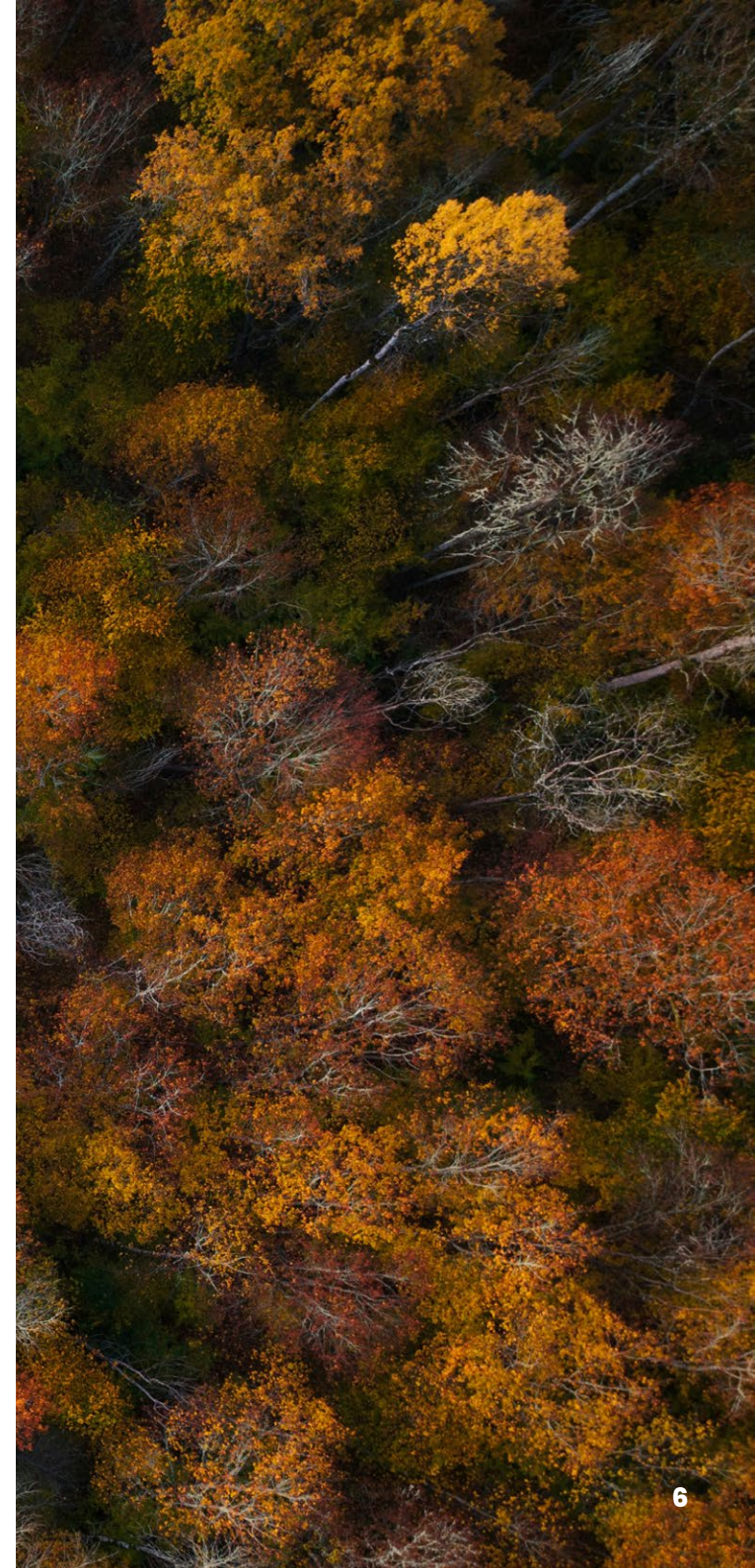
However, these recommendations may not be sufficient for investors as they seek to fully address deforestation within their individual net zero objectives and strategies. The Guidance on Integrating Deforestation into Net Zero Strategies will provide investors with practical approaches and insights on how to integrate deforestation into their individual net zero strategies. It will leverage existing guidance and is designed to complement other frameworks (e.g. Finance Sector Roadmap, SBTi's Target Setting Framework, NZAOA's Target Setting Protocol, Investor Climate Action Plans).

NZIF is purposefully a guide and not a prescriptive protocol or a transition plan standard. NZIF is designed to be implemented at the organisation level via an 'implement or explain' approach. It can also be flexibly applied at fund or asset class level. It is acknowledged that individual investors will implement NZIF differently according to their own unique circumstances and strategies.

The Guidance on Integrating Deforestation into Net Zero Strategies is structured to align with NZIF 2.0 and provides actionable steps across all six NZIF component areas, with tailored recommendations for each asset class. It consolidates existing principles, tools, and best practices to help investors move from ambition to implementation, supporting operational, risk-aware strategies that integrate climate and nature considerations.

Investors are encouraged to begin with five actions, which include:

- assessing exposure
- developing a deforestation policy
- integrating considerations of deforestation and associated risks into investment decision-making
- engaging investments with material exposure to deforestation and associated risks
- policy advocacy



Participating in the Deforestation Investor Group

What is the Deforestation Investor Group?

DIG will offer investors working across various initiatives a space dedicated to mitigating deforestation risks. DIG will foster collaboration between investors working across different initiatives, helping to cross-pollinate ideas, reinforce momentum, and build congruence across the landscape.

What DIG is

- ✓ A source of knowledge for investors to address deforestation risks.
- ✓ Contributing to climate and nature initiatives seeking to address deforestation, in particular Nature Action 100, Banks Engagement Research Initiative, Net Zero Engagement initiative, Climate Action 100+, and investors using NZIF.
- ✓ An opportunity to learn from the experience of others, including external experts and peers.
- ✓ Deforestation-specific engagements with selected companies and banks.

What DIG is not

- ✗ A new initiative.
- ✗ An additional, explicit, time-bound commitment.





What activities will take place under the Deforestation Investor Group?

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

Build investor capacity	Develop tools and guidance	Engagement
<p>Quarterly meetings offer an opportunity for investors to discuss challenges and share best practices. There will be deep dives on specific topics and updates from ad hoc working groups or relevant initiatives.</p> <p>Quarterly meetings kick off with a presentation from an expert or discussion with a relevant organisation, fostering collaboration across the landscape.</p>	<p>Ad hoc working groups focus on targeted workstreams. This could include developing a piece of guidance, such as expectations for certification bodies, or refining an element of the wider DIG strategy, such as an engagement focus list.</p>	<p>Lead engagements with companies and banks on achieving investor expectations.</p> <p>Investors participating in DIG may engage companies that are not currently engaged via other initiatives.</p> <p>Lead systems stewardship to address systemic issues, such as engaging with data providers or certification bodies.</p>
<p>Who can participate?</p> <p>Only members of DIG can participate in quarterly meetings.</p>	<p>Who can participate?</p> <p>The topics covered by ad hoc working groups will be discussed within DIG. Ad hoc working groups will be published on the IIGCC website and any IIGCC member can express interest in joining.</p>	<p>Who can participate?</p> <p>Engagements will typically be led by members of DIG. Any IIGCC member can express interest in joining engagements.</p>

What are the benefits of participating in the Deforestation Investor Group?

Participating in the DIG will provide the following benefits:

- Join deforestation-specific engagement teams for companies and banks.
- Compare learnings, progress and challenges on engaging companies and banks on deforestation and a just transition to deforestation- and conversion-free supply chains.
- Compare learnings, progress and challenges on integrating deforestation into net zero transition plans or achieving the recommended actions in the Guidance on Integrating Deforestation into Net Zero Strategies.
- Systems stewardship: serve as a leading voice for investors on deforestation and develop specific interventions to address key challenges (e.g. engage with data providers or certification bodies).
- Develop tools/modules and share best practices to build awareness and capacity of wider investor community to address deforestation and forest degradation.
- Hear from experts working on different facets of curbing deforestation and forest degradation.
- Increase connectivity with other initiatives working at the deforestation-finance nexus.
- Be listed on the IIGCC landing page as participating in the DIG.

How can you join the Deforestation Investor Group?

DIG participants will work to mitigate deforestation risk exposure, in alignment with the Global Stocktake's goal to halt and reverse deforestation and forest degradation by 2030. **Investors who are seeking to implement the Guidance on Integrating Deforestation into Net Zero Strategies are eligible to participate in quarterly meetings and join the DIG** (subject always to their individual contexts and client mandates).

The Guidance on Integrating Deforestation into Net Zero Strategies is currently under development and planned for release in H2 2025. The recommended actions on deforestation will fall into six potential areas of investor activity:

- Governance & strategy
- Objectives
- Strategic asset allocation
- Asset-level assessment and targets
- Policy advocacy
- Stakeholder & market engagement

In the interim, interested investors are invited to join the regular quarterly meetings scheduled to take place in September 2025 and December 2025. Please email deforestation@iigcc.org if you would like to learn more or get involved.



Does the Deforestation Investor Group include engagements with companies and banks?

Engaging companies, banks and/or external fund managers will be a priority focus for DIG and investors are expected to lead or participate in engagement teams. Engagements will typically be led by DIG members, but any IIGCC member can express interest in joining an engagement team. Investors are expected to actively participate in engagement teams.

FSDA developed expectations for [companies](#) and [banks](#) on eliminating deforestation. Engagements under DIG will continue to focus on encouraging uptake of the actions outlined in those expectations. The list of companies and banks currently being engaged under FSDA is available [here](#). As new investors join DIG, there may be an opportunity to add more companies to the list if investors have material exposure, are willing to lead the engagement, and there is not an existing engagement team for the same company under another initiative.



Next Steps

The first opportunity to get involved will be the FSDA regular quarterly meetings that will take place in September 2025 and December 2025. If you would like to join the quarterly meeting, then please email deforestation@iigcc.org.

The Guidance on Integrating Deforestation into Net Zero Strategies is currently under development. It will be released for consultation in Q4 2025 and the final release is planned for Q1 2026.

Following the publication, IIGCC will be in touch to explain how interest investors can formally join DIG.



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All written materials, communications, surveys and initiatives undertaken by IIGCC are designed solely to support investors in understanding risks and opportunities associated with climate change and take action to address them. Our work is conducted in accordance with all relevant laws, including data protection, competition laws and acting in concert rules. These materials serve as a guidance only and must not be used for competing companies to reach anticompetitive agreements. IIGCC's materials and services to members do not include financial, legal or investment advice.

