

Responding to Deforestation Risks

Additional Materials

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Overview

The following list of materials provide further information on the material presented in the global training for banks on 'Responding to Deforestation Risks'. These consist of reports, publications, articles, briefs, guides, videos, projects, and tools that can be used to further explore the issues presented, organised following the training course structure.

Section 1: Risk Governance

- [Bank and Investor Risk Policies on Soft Commodities \(UNEP-FI, 2015\)](#): **Report** examining the types of risk policies on soft commodities banks and investors have developed to reduce or limit the chance of clients significantly eroding tropical forests. The report also provides recommendations on how financial institutions can strengthen approaches to manage these risks.
- [Environmental, Social and Governance Integration for Banks: A Guide to Starting Implementation \(WWF, 2014\)](#): **Report** providing practical guidance to help banks integrate Environmental, Social and Governance (ESG) into banking practices. The guide was developed by WWF, with support from Credit Suisse and KPMG as knowledge advisers, and offers a structured approach to building an ESG strategy and implementation framework.
- [Guide to Banking and Sustainability \(UNEP-FI, 2016\)](#): **Report** providing a high-level, functional overview of what a sustainable bank looks like from inside and to the outside. The Guide is a tool for banking practitioners to raise awareness and educate on sustainable banking.
- [Deforestation tools assessment and gap analysis: How investors can manage deforestation risk \(Rainforest Foundation Norway, 2020\)](#): **Report** that aims to support investors to manage deforestation risks in a systematic manner, by identifying relevant tools and data gaps, and by presenting options for integrating deforestation data into existing systems for ESG and risk analysis.
- [A Guideline on the use of Deforestation Risk Mitigation Solutions for Financial Institutions \(De Nederlandsche Bank, 2020\)](#): **Report** providing financial institutions with actionable steps and specific services to analyse and mitigate their impact on deforestation. A number of best practice examples from the Dutch financial sector are shared.
- [Guide on climate-related and environmental risks: Supervisory expectations relating to risk management and disclosure \(European Central Bank, 2020\)](#): **Report** outlining the European Central Bank's understanding of the safe and prudent management of climate-related and environmental risks under the current prudential framework. It provides guidance on how the ECB expects institutions to consider climate-related and environmental risks – as drivers of existing categories of risk – when formulating and implementing their business strategy and governance and risk management frameworks.
- [IIA Position Paper: The Three Lines of Defense in Effective Risk Management and Control \(The Institute of Internal Auditors, 2013\)](#): **Report** detailing the Three Lines of Defense: a model providing a simple and effective way to enhance communications and clarity on risk management and control, and help improve the effectiveness of risk management systems.
- [Leveraging COSO Across the Three Lines of Defense \(The Institute of Internal Auditors, 2015\)](#): **Report** aiming to help organizations enhance their overall governance structures by providing

guidance on how to articulate and assign specific roles and responsibilities regarding internal control by relating the COSO Internal Control — Integrated Framework to the Three Lines of Defense Model. The report is a collaboration between the Committee of Sponsoring Organizations (COSO) and The Institute of Internal Auditors.

- [Climate Financial Risk Forum Guide 2020: Risk Management Chapter \(Climate Financial Risk Forum, 2020\)](#): **Report** providing practical guidance on how to address climate risks within financial institutions. The chapter describes good practices, and is designed to act as a guide for those who have yet to fully consider the topic.
- [Project Risk Management Applying the Three Lines of Defence Model to Project Risk Management \(Deloitte, 2016\)](#): **Report** outlining a point of view and guiding principles on how to cohesively manage project risks. By applying risk, controls and assurance principles through the Three Lines of Defence model, the document explores the roles of project management teams, risk functions and assurance functions in project risk management.
- [Modernizing the three lines of defense model: An internal audit perspective \(Deloitte\)](#): **Article** exploring how internal audit can play a key role in evolving and strengthening the three lines of defense risk management framework. The article attempts to address weaknesses in the traditional three lines of defense model, that have been exposed as the risk landscape has become more complex and fast-moving.
- [Introducing Confidence-Building Measures to PRI Signatories' Reported Data: The importance of the tone from the top \(PRI, 2018\)](#): **Article** considering the importance of reporting as part of the accountability mechanisms in an organisation. Strong governance systems are vital to better ensure that an organisation achieves its objectives and manages risks in doing so.
- [Guidance on improving the quality of ESG information for decision-making: Developing a roadmap for companies \(World Business Council for Sustainable Development, 2019\)](#): **Report** providing guidance and practical suggestions on how companies can improve the quality of, and confidence in, their ESG information by considering the basic building blocks of internal controls.

Section 2: Risk Responses

Monitor

- [Enterprise Risk Management: Applying enterprise risk management to environmental, social and governance-related risks \(COSO, 2018\)](#): **Report** providing guidance to help risk management and sustainability practitioners apply enterprise risk management (ERM) concepts and processes to ESG-related risks. The guidance aims to help entities better understand the full spectrum of these risks and to manage and disclose them effectively.

Avoid

- [Environmental Framework: For lending and investing in Soy in the Cerrado \(The Nature Conservancy, 2021\)](#): **Website** outlining the Environmental Frameworks for soy, to guide lenders on a deforestation and conversion free approach.
- [Environmental Framework: For Lending and Investing in Sustainable Intensification of Cattle Ranching in the Amazon And Cerrado \(The Nature Conservancy, 2021\)](#): **Website** outlining the

Environmental Frameworks for cattle ranching, to guide lenders on a deforestation and conversion free approach.

- [BNP Paribas defines a restrictive policy to fight deforestation in the Amazon and the Cerrado regions \(BNP Paribas, 2021\)](#): **Article** outlining BNP Paribas' approach to deforestation policy, which included using cut-off dates eligibility criteria to align with the Brazilian Forest Code.
- [Naming and Shaming for Conservation: Evidence from the Brazilian Amazon \(Cisneros, Zhou, and Börner, 2015\)](#): **Scientific publication** that evaluates Brazilian anti-deforestation policies by specifically quantifying the impact of blacklisting on deforestation.
- [Responsible Investing: AXA IM Ecosystem Protection & Deforestation Policy \(AXA Investment Mangers, 2021\)](#): **Policy document** that outlines rules, procedures and exclusion criteria to avoid investment in companies involved in deforestation and natural ecosystem conversion. The policy includes blacklisting companies that cross thresholds relating to cattle, soy and palm oil.
- [WWF Statement on the Role of Financial Institutions in Palm Oil Sector Sustainability \(WWF, 2019\)](#): **Statement** detailing the recommended steps that financial institutions should take to fulfil their potential to support the sustainability of the palm oil sector.
- [Responsible investment: Government Pension Fund Global \(Norges Bank Investment Management, 2020\)](#): **Report** exploring the responsible management of Norges Bank's equity and fixed-income investments. The fund divested from companies associated with serious sustainability incidents, and substantial revenue from palm oil and rubber production in areas of tropical deforestation.

Reduce

- [Sustainability Policy Framework \(Rabobank, 2018\)](#): **Policy document** that aims to provide one point of reference for all Rabobank's sustainability policies. This includes the Livestock Farming Policy, which aims to increase awareness of sustainable farming practices and support clients in making the right decisions towards sustainable business operations.
- [Agri3 Fund](#): **Website** for the Agri3 Fund, which provides credit enhancement tools (such as guarantees) to de-risk deforestation-free investments, including sustainable activities that require longer tenors to reach break-even and then profitability. It is the result of a collaboration between Rabobank, FMO, IDH, UNEP with funds from the Dutch Government.
- [Bank 2030: Accelerating the transition to a low carbon economy \(Cambridge Institute for Sustainability Leadership \(CISL\), 2020\)](#): **Report** presenting research on how banks can accelerate the financing of the low carbon economy. The report provides a roadmap to a low carbon bank of 2030.
- [The State of Sustainable Markets 2020: Statistics and Emerging Trends \(International Trade Centre \(ITC\), International Institute for Sustainable Development \(IISD\), and Research Institute of Organic Agriculture \(FiBL\), 2020\)](#): **Report** presenting a summary of the key data on sustainable markets. The report intends to inform readers and enable informed decision-making, encourage additional data collection, and promote accountability in sustainable markets.
- [Marfrig's Transition Bond: A Low-Carbon Transition or More of the Same \(FAIRR, 2019\)](#): **Article** discussing Brazilian beef company, Marfrig, who announced a transition bond sale to finance

their purchase of cattle from the Amazon biome. The FAIRR Initiative reviewed the framework for the Marfrig Transition Bond and have outlined their thoughts, including suggested engagement questions for investors.

- [The Forest Resilience Bond \(Blue Forest, 2021\)](#): **Website** providing information on the Forest Resilience Bond, which seeks to overcome the funding gap for forest restoration by allowing private capital to play a role in supporting public land management. Private investor capital can fund the upfront cost of forest restoration from forest fires. Multiple beneficiaries share the cost of reimbursing investors overtime.
- [Land Degradation Neutrality \(LDN\) Fund: An innovative impact investment fund for sustainable land use, with a linked TA Facility \(Mirova, 2019\)](#): **Report** on the Land Degradation Neutrality (LDN) Fund, co-promoted by the United Nations Convention to Combat Desertification (UNCCD) and Mirova. The fund is a first-of-its-kind impact investment fund investing in profit-generating sustainable land management (SLM) and land restoration projects worldwide.
- [Blended finance for agriculture: exploring the constraints and possibilities of combining financial instruments for sustainable transitions \(Havemann, Negra and Werneck, 2020\)](#): **Scientific publication** describing the high-level funding gap for sustainable agriculture, the general landscape of agricultural finance, and the concept and potential roles of blended finance in this context. The paper introduces the conditions under which different financing mechanisms can contribute to addressing barriers related to sustainable agriculture investments.
- [Comparing sustainable debt products and standards \(Norton Rose Fulbright, 2021\)](#): **Table** showing differences between sustainable debt products and standards.
- [Design Grant Case Study: TLFF Inaugural Transaction: Corporate Sustainability Bond for Natural Rubber Production \(TLFF, 2019\)](#): **Case study** on the inception and design of TLFF's first transaction through their sustainability bond. The bond lent to PT Royal Lestari Utama (RLU), who will use the bulk of the proceeds to plant rubber trees across degraded concession areas in the Jambi and East Kalimantan provinces.

Section 3: Collaboration

- [Banking Beyond Deforestation: How the banking industry can help halt and reverse deforestation \(University of Cambridge Institute for Sustainability Leadership \(CISL\), 2021\)](#): **Report** that sets out a five stage Action Plan for banks to support the halting and reversal of deforestation. The report highlights opportunities for banks to form collaborations to share technical knowledge (Soft Commodities Compact), to grow the supply of soft commodities that are deforestation-free or forest restorative.
- [Factsheet on the Role of Financial Institutions \(RSPO, 2018\)](#): **Factsheet** explaining the RSPO Financial Institutions Task Force, a multi-stakeholder initiative for banks. By becoming a member of the RSPO certification body, financial institutions can support the transformation to a sustainable palm oil sector.
- [Nestlé partners with TFT \(The Forest Trust\) to combat deforestation \(Nestlé, 2010\)](#): **Press release** outlining Nestlé's partnership with NGO, The Forest Trust, entered to help Nestlé build

responsible supply chains by identifying and addressing embedded social and environmental issues.

- [New York Declaration on Forests](#): **Website** for The New York Declaration on Forests, a global initiative which commits towards reducing deforestation. It offers a common, multi-stakeholder framework for forest action, consolidating various initiatives and objectives that drive forest protection, restoration, and sustainable use.