

Major shifts in private finance, trade and land rights to protect world's forests

Governments, investors, businesses, civil society, and philanthropists will today (2 November) make unprecedented commitments to tackle deforestation. Together, these will lead to three systemic shifts – in private finance, in the trade in agricultural commodities and in the rights of Indigenous Peoples and local communities.

These shifts will support the [commitment made by over 100 world leaders](#), representing countries containing more than 85% of the world's forests, to halt and reverse deforestation and land degradation by 2030.

Private Finance

The global transition to a sustainable food and land use system could provide £4.5 trillion a year of new business opportunities by 2030. However, in the last decade roughly 40 times more finance flowed into destructive land-use practices rather than forest protection, conservation and sustainable agriculture.

[Today's commitment](#) – signed by more than 30 financial institutions covering over \$8.7 trillion of global assets under management, including Schroders, Axa, Legal & General Investment Management and Aviva – seeks to change that. It aims to move away from portfolios that invest in high deforestation-risk agricultural commodity supply chains and towards sustainable production.

In addition, three major initiatives will be launched to support the scaling up of private sector investment in forests and nature, unlocking billions of dollars and creating new mechanisms to scale investment in natural capital:

- The Innovative Finance for the Amazon, Cerrado and Chacho (“IFACC”) [will announce](#) \$3 billion to accelerate deforestation and conversion-free soy and cattle production in South America.
- The Sustainable Markets Initiative’s Natural Capital Investment Alliance (“NCIA”), an organisation founded by HRH the Prince of Wales to boost private investment in natural capital, [will announce](#) 12 new members and plans to mobilise \$10 billion in private capital by the end of 2022.
- The United States Government will announce a new Forest Investor Club, providing a platform to build a pipeline for forest-positive investment at scale and broker partnerships between global investors.

These investments and transitions will be supported by a [joint statement from nine multilateral development banks](#) – including the World Bank – that commits them to mainstream nature in their investments and in policy dialogue with countries. The Task Force for Climate-Related Disclosures will also strengthen guidance around reporting on emissions from agriculture, forestry

and land use sector.

An [initial \\$1 billion of public and private funds](#) will be secured through the Lowering Emissions by Accelerating Forest Finance (LEAF) Coalition. This will provide funding to countries that successfully reduce emissions from deforestation, provided those reductions have been independently verified and confirmed. Finance will only be provided by companies already committed to emissions cuts in their own supply chains.

UK International Environment Minister, Lord Zac Goldsmith said:

The high level pledge by governments to stop deforestation, combined with unprecedented finance commitments, is hugely important. But success also hinges on the private sector and the international financial institutions, and that's why we have been working around the clock to persuade businesses, the big financial institutions and the multilateral development banks, like the World Bank and Inter-American Development Bank, to commit to reconciling their investments and portfolios with nature. Our future depends on them doing so.

Trade

The expansion of agricultural commodities – including the production of soy, cocoa, beef and palm – currently drives more than 70% of tropical deforestation.

The new [Forest, Agriculture and Commodity Trade \(FACT\) Roadmap for Action](#), and its Joint Statement, launched by Prime Minister Boris Johnson of the UK and President Jokowi of Indonesia, is a new partnership between governments of major producer and consumer countries to break that link between deforestation and agricultural commodities.

Agreed by 28 producer and consumer countries including Indonesia, Colombia, Brazil and Ghana alongside the EU, UK and USA, responsible for 76% (\$350 billion) of the world's soy, palm, cocoa, beef and leather, timber, paper and pulp exports, it will accelerate actions that incentivise sustainability in the supply chain, support smallholder farmers to participate in markets, improve transparency of supply chains, and drive new technology and innovation.

Alongside this, ten companies – including Cargill, Wilmar and Olam – managing over half of global trade in key commodities will [commit to enhanced collaboration and the development of their own roadmap](#), delivered by COP27, to accelerate action on eliminating commodity-driven deforestation consistent with a 1.5°C pathway.

Sunny Verghese, co-founder and group CEO of Olam International, said:

Now more than ever, it is vital to take action to protect our

natural environment, people and communities. Sustainable development and economic growth is not a binary choice. Addressing climate change, deforestation and conserving natural resources cannot be dissociated from improving farmer livelihoods, strengthening health, water and sanitation, education and prosperity in rural communities.

Coming together to take collective action will enable us to build on our progress to protect forests and landscapes, and advance traceability in supply chains, in order to strengthen and accelerate action to combat the largest global environmental challenges we face.

People

This is the first time that a COP Presidency has convened a significant number of representatives of Indigenous Peoples and local communities with state leaders to discuss ambitious proposals to advance their land rights and forest guardianship.

Over 1.6 billion people worldwide rely on forests for their livelihoods, and indigenous peoples are the custodians of at least 36% of the world's large, intact forests. Evidence shows that when local people are empowered to manage forests they are better protected and managed.

Today, [14 leading philanthropies and donor countries](#) have committed to work with communities in a renewed collective effort to recognise and advance the forest and nature stewardship role of Indigenous Peoples and local communities, with a particular focus on strengthening land tenure systems and rights.

These efforts will be supported by an initial pledge of at least \$1.7 billion of financial support.

Tuntiak Katan, Coordinator of the Global Alliance of Territorial Communities, representing communities from the rain forests of Africa, Latin America and Indonesia, said:

We welcome the announcement at COP of the Joint Statement on Advancing Support for Indigenous Peoples and local communities that has raised to an unprecedented level their visibility as a climate solution.

At the same time, we will be looking for concrete evidence of a transformation in the way funds are invested. If 80 percent of what is proposed is directed to supporting land rights and the proposals of Indigenous and local communities, we will see a dramatic reversal in the current trend that is destroying our natural resources.

Notes to editors:

All the commitments and Declarations on forests and land use are on [the COP26 page](#) and [gov.uk](#).

Private finance

Deforestation-free finance

- Responding to the [Call to Action](#) by the UN High Level Champions, over 30 financial institutions with more than \$8.7 trillion of global assets have committed to work together to tackle deforestation and drive a global shift to sustainable production of agricultural commodities, including palm oil, soy, beef and pulp and paper.
- Through a combination of robust policies, disclosures and stewardship, signatory organisations will address the risks associated with investment in activities linked to commodity-driven deforestation, and work with clients and investors to enable the transition away from high deforestation-risk agricultural commodity supply chains and towards sustainable production.
- They will develop and publish robust policies and milestones and deepen engagement with clients around science-based targets to tackle deforestation, as part of their wider commitment to the 1.5°C pathway. The full commitment letter signed, can be found [here](#) and will be launched at the World Leaders Summit at COP26.
- The financial institutions are: AP2, East Capital Group, Church of England Pensions Board, Aviva plc, CPEG, JGP Asset Management, International Business of Federated Hermes, ACTIAM, AXA Group, Storebrand Asset Management, Australian Ethical Investment, Boston Common Asset Management, Church Commissioners for England, Comgest, Lombard Odier, SCOR SE, Sumitomo Mitsui Trust Asset Management, Generation Investment Management, NEI Investments, Impax Asset Management PLC, Sparebank 1 Forsikring, Fidelity International, Skandia, Grupo Bancolombia, The Local Authority Pension Fund Forum, NN Investment Partners, Legal & General Investment Management, Robeco, TCI Fund Management Ltd, Schroders, LGPS Central Limited and Menhaden PLC.

New private sector initiatives

Three major initiatives will support the scaling of investment to support the transition to deforestation-free agricultural production and rebuild natural capital. These are:

- The Innovative Finance for the Amazon, Cerrado and Chacho (“IFACC”) [announced](#) \$3 billion to accelerate deforestation and conversion-free soy and cattle production in South America. Supported by seven financial institutions and one agribusiness, the initiative will respond to the growing market opportunity for beef and soy that has been produced without converting forest land. By the end of 2022 the initiative’s goal is to reach \$10 billion of commitments, and \$1 billion in disbursements by 2025. The companies currently investing are the &Green Fund, Agri3, DuAgro, Grupo Gaia, JGP, Grupo Gaia, Sustainable Investment Management

and Vert Capital

- The Sustainable Markets Initiative's Natural Capital Investment Alliance ("NCIA"), an organisation founded by HRH the Prince of Wales to boost private investment in natural capital, [announced](#) 12 new members and plans to mobilise \$10 billion in private capital by the end of 2022, which will aim to accelerate the development of natural capital as a mainstream investment theme. The new members are 12Tree, ASN Impact Investors; The International Business of Federated Hermes; Fidelity International; Fondaction; Foresight; Impax Asset Management; Kilter Rural; Posaidon Capital; SAIL Ventures; Schroders plc; and SLM Partners.
- The United States Government will announce a new Forest Investor Club, providing a platform to build a pipeline for forest-positive investment at scale and broker partnerships between global investors. Members include Lombard Odier, Rabobank, Hancock Asset Management, BTG Pactual, New Forests, Convergence Finance, TNC, SAIL Ventures, FinnFund, NorFund, Goldman Sachs, Mirova, Pollination, Conservation International and Apple inc.

Lowering Emissions by Accelerating Forest Finance (LEAF) Coalition

An initial [\\$1 billion in public-private commitments](#) through the Lowering Emissions by Accelerating Forest Finance (LEAF) Coalition will provide finance to countries dedicated to protecting their tropical forests, with £200m in support from the UK Government. This is just the start – LEAF aims to kick off what is expected to become one of the largest ever public-private efforts to protect tropical forests and support sustainable development. Funding will be delivered to tropical and subtropical countries that successfully reduce emissions from deforestation and degradation. This will be done through payments for verified emission reductions – payments which are made only after reductions in deforestation have been independently confirmed. Private finance will be provided only by companies already committed to deep emissions cuts in their own supply chains, in line with science-based targets.

Multilateral Development Bank Joint Declaration on Nature

Nine multilateral development banks [have outlined the actions](#) they will take to mainstream nature into their policies, analysis, assessments, advice, investments and operations, in line with their respective mandates and operating models. Examples of how this will be achieved include: * through leadership of a green post-COVID recovery and environmentally-friendly reform; * by tackling the drivers of nature loss through nature-positive investments; * by fostering national and regional level synergies; * through valuing natural assets to guide decision makers; and * through improving transparency in reporting.

As part of the Declaration the MDBs have committed to working together to develop a joint definition of 'nature positive' finance, which would allow comparability of nature financial reporting across them for the first time.

The 9 MDBs that have signed the statement are the African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, Caribbean

Development Bank, European Bank of Reconstruction and Development, European Investment Bank, Inter-American Development Bank, Islamic Development Bank and World Bank.

Trade in agricultural commodities

Forest, Agriculture and Commodity Trade (FACT) Roadmap

The [new roadmap](#), agreed through the FACT Dialogue, will seek to break the link between globally traded agricultural commodities – such as palm oil, soy, coca, timber and beef – and deforestation.

28 producer and consumer countries representing 76% of global trade, including Indonesia, Colombia, Brazil and Ghana alongside the EU, UK and USA, have signed up to the joint statement to work towards making the \$470 billion-a-year trade in these commodities a positive force in tackling deforestation and achieving the 1.5°C goal.

The roadmap sets out key actions which countries will take in order to:

- * Shift global markets to incentivise sustainable agricultural and forest commodity production and trade, while supporting jobs and livelihoods, and protecting forests and other terrestrial ecosystems
- * Support smallholder farmers, looking at how to improve the security of their livelihoods and access to markets, support to strengthen capacity and increase productivity in a sustainable way, and measures to improve access to and availability of finance.
- * Improve the traceability and transparency of supply chains, drawing on technological developments, digital innovation and institutional strengthening, to facilitate increased trade in sustainable agricultural and forest commodities and enhance the protection and the sustainable management of forest and other critical ecosystems.
- * Explore how to increase productivity and yields using low impact technologies through aligning research and development efforts to accelerate innovation in sustainable practices.

Joint statement from agricultural commodity traders

10 of the largest companies managing over half of global trade in key forest-risk commodities such as palm oil and soy [have announced](#) that by COP27 they will lay out a shared roadmap for enhanced supply chain action consistent with a 1.5 degree Celsius pathway. The group of companies will build on shared efforts, working with governments, farmers and other key stakeholders in their supply chains, to accelerate sector-wide action on eliminating commodity driven deforestation. Signatories include ADM, Amaggi, Bunge, Cargill, LDC, Golden Agri (Sinar Mas), JBS, Olam, Wilmar, Viterra.

The joint statement comes following a roundtable meeting convened by US Special Presidential Envoy for Climate John Kerry and UK Secretary of State for Business, Energy and Industrial Strategy (BEIS) Kwasi Kwarteng in October, supported by the Tropical Forest Alliance and the World Business Council for Sustainable Development.

Indigenous Peoples and local communities

14 leading philanthropies and donor countries [have committed](#) to work with communities in a renewed collective effort to recognise and advance the forest and nature stewardship role of Indigenous Peoples and local communities, with a particular focus on strengthening land tenure systems and rights.

This includes working to ensure Indigenous Peoples and local communities are properly engaged in decision-making and implementation. These efforts will be supported by an initial pledge of at least \$1.7 billion of financial support.

This is important because: * Indigenous Peoples' and local communities' land contain almost a quarter of the carbon stored in the world's tropical forests; * where Indigenous Peoples and local communities hold secure rights to forests, communities provide better protection and management than even legally protected areas, and carbon storage can be increased; and * around one third of the world's land is estimated to be held by Indigenous Peoples and other local communities but they have secure tenure rights on only 10% of this land.

Additional quotes

Dame Elizabeth Corley, Chair-Designate of Schroders plc said:

Schroders is very pleased to announce today that it is joining the Alliance as part of His Royal Highness' Sustainable Markets Initiative. This Alliance demonstrates the commitment of the investment industry to play a major role in forging a pathway towards a mainstream market for natural capital. As an industry, we now need to find entirely new ways of mobilising capital, innovating how we deploy money towards outcomes that benefit the climate, biodiversity and communities around the world. As NCIA members, we will be working to help drive this shift in the financial system, which is critical to scale finance for the activities that can ultimately build towards a just, nature-positive economy.

Hubert Keller, Senior Managing Partner of Lombard Odier Group said:

Lombard Odier is proud to be a founding member of this important Alliance, inspired by His Royal Highness' vision. We are delighted that 12 more asset managers are joining the founders to contribute to mobilising capital at a scale commensurate with the opportunity and challenges. Today, some of the most convincing opportunities for growth and returns come from a transition to a more sustainable economic model that both harnesses and preserves Nature. At Lombard Odier, we continue to develop solutions that allow mainstream investors to position capital across asset classes to benefit from this largely untapped investment opportunity.

Mary Schapiro, Head of the TCFD Secretariat and Vice Chair for Public Policy, and Special Advisor to the Founder and Chairman of Bloomberg, said:

As we've seen from many recent private and public sector commitments, there is broad ambition to reach net zero. Given this, the Task Force on Climate-related Financial Disclosures (TCFD) recently released guidance for companies to disclose their plans for a net-zero transition.

We are now strongly encouraging organisations to disclose Scope 3 greenhouse gas emissions. Evaluating such emissions – which are especially salient for the AFOLU sector – helps companies identify emissions reduction opportunities across their portfolio. We welcome World Business Council for Sustainable Development's efforts to drive progress in this important sector.