

Comment by Isobel Mitchell, Responsible Investment Analyst, Church Commissioners for England.

Tropical forests are a priceless source of environmental, social, and economic benefits. They store vast amounts of carbon, foster biodiversity, and provide livelihoods for millions of people. They therefore play a vital role in global stability – stability on which we depend to protect and grow our fund.

But the world's tropical forests are under threat from deforestation. A full 95% of deforestation happens in the tropics. In 2022, tropical primary forest loss totalled 4.1 million hectares, the equivalent of eleven football fields every single minute. This forest loss led to 2.7 gigatonnes of carbon dioxide emissions, equivalent to India's annual fossil fuel emissions. Much of this devastation is driven by demand for key commodities



This is why at COP 26 in Glasgow the Church Commissioners, along with 30+ other financial institutions representing about USD 8tn, signed a **commitment** to use best efforts to eliminate soft commodity-driven deforestation in our portfolio by 2025. This commitment includes clear milestones – establishing a deforestation policy, assessing exposure to deforestation, and engaging with companies and policymakers on deforestation – to help achieve this goal.

Two years on, as the world around us continues to suffer the impacts of climate change and nature loss, we reflect on our progress against these milestones and our plans towards meeting that 2025 goal.

Where are we today?

In 2022, the Church Commissioners established a **Deforestation Policy**.

Through this policy we expect and encourage investee companies to make quantifiable, time-bound commitments to eliminate deforestation from their activities and their supply chains. We also call on companies to do due diligence on those supply chains, to make meaningful disclosures of their efforts to combat deforestation, and to demonstrate that deforestation is taken seriously at board level.

Our controversies process, which has been in place since 2020, provides the bedrock to deforestation risk due diligence within our portfolio. This involves screening our public equity and credit portfolios on a quarterly basis for breaches of international norms, including environmental breaches, and material controversies. Where we find issues, the Church Commissioners carries out more detailed due diligence, and then begins an engagement process with the companies.

We also engage proactively with investee companies that may be exposed to agricultural commodity-driven deforestation through their supply chains. As a smaller investor, the Church Commissioners focuses on external collaboration to amplify our voice. For example, in 2022 we played a lead role in the Steering Committee of the **Financial Sector Deforestation Action** (FSDA) initiative to develop a collaborative investor engagement on deforestation. The initiative has since published a set of investor **expectations** calling on companies to assess and address their deforestation impacts and members have initiated engagements with a group of focus companies.

We are leading on engagements with four companies through FSDA to encourage alignment with those expectations. The companies include two UK-based supermarkets and two global packaged food producers. One, a Swiss-based packaged food producer, is very close to full alignment.

We have also signed up to **Nature Action 100**, a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss, further bolstering our efforts in this area.

However, influencing company behaviour can only go so far if the regulatory environment in which businesses operate is not supportive. This is

even more so the case given the complex global supply chains associated with deforestation. The [Investor Policy Dialogue on Deforestation](#) (IPDD) aims to tackle this challenge by engaging in policy dialogue on deforestation with public agencies, industry associations, and other stakeholders. IPDD's membership consists of 67 institutional investors from 19 countries, representing assets under management of more than USD 10tn.

As co-chair of the Indonesia Working Group within IPDD, the Church Commissioners has been able to showcase the role investors can play to support policy makers in protecting tropical forests. Back in October 2022, the Church Commissioners' now Head of Responsible Investment, Olga Hancock, travelled to Jakarta as co-chair of IPDD's Indonesian workstream and met with key stakeholders to discuss how institutional investors can support the country's efforts to reduce deforestation. Working with policymakers to help shape regulation and legislation is central to the Church Commissioners' approach as a universal owner. After all, we need a net zero world, not just a net zero portfolio.

What's next?

Looking ahead to 2024, addressing the twin challenges of climate and biodiversity by halting deforestation will continue to be a priority as we continue to engage with companies towards achieving the FSDA expectations.

Meanwhile, the new guidance from the Taskforce on Nature-related Financial Disclosures (TNFD) provides a set of recommendations for organisations to report and act on nature-related dependencies, impacts, risks and opportunities. We will use these recommendations as part of our engagement and due diligence toolkit. That will enable the Church Commissioners to further integrate nature into decision making, and ultimately support a shift in global financial flows away from nature-negative outcomes – towards nature-positive ones.

Nature loss is a systemic risk we cannot diversify away from.

When we think about the ways in which we can use our influence to promote sustainable practices, encouraging biodiversity is an issue we want to put our weight behind. Making deforestation a thing of the past is ambitious but vital. We see it as part of our role as a responsible investor to call for change – and to work to make it happen.

Source URL: <https://www.churchofengland.org/media/press-releases/deforestation-free-2025-ambitious-vital>