Sustainable Forests

Agricultural production has a vast environmental impact on tropical forests and the global climate. Agriculture drives more than 80 percent of global deforestation, much of it tropical forests in Brazil, Indonesia and Malaysia. Every year the world burns down an area of tropical forests the size of Maine (35,385 square miles). These ecosystems provide critical habitat for millions of species in addition to local communities and store vast quantities of carbon, which is released into the atmosphere when they are razed.

Cattle, soybeans and palm oil are the primary commodities driving these destructive trends. Beef production is responsible for two-thirds of global deforestation, the biggest losses being in Brazil and other areas of South America. Forests losses for soybean production, which is mostly for animal feed, have tripled in South America since 1990. Palm oil production and its associated deforestation in countries like Malaysia and Indonesia accounts for nearly four percent of global GHG emissions.

If we are to curb emissions and limit global warming to below 2 degrees Celsius, food and agribusiness companies—and their investors—must address deforestation driven by cattle, soy and palm oil production.

INVESTOR RISKS

Deforestation losses are creating significant financial risks to food and agribusiness companies and their investors. These risks are operational, reputational, regulatory and market-driven, and they will likely grow as global demand for cattle, soy and palm oil continues to rise.

Companies are already experiencing these material risks first-hand. JBS SA, the world’s largest meat company and beef exporter from Brazil, incurred a $2.3 billion fine over numerous allegations, including bribery, poor labor standards and illegal deforestation (buying from suppliers using illegally cleared land in the Amazon). IOI Corporation’s Indonesian subsidiaries were found to have illegally cleared land for palm oil production, which led to their suspension from RSPO and an 18 percent drop in its share price. Investors have a direct financial stake in and they can play an important role in influencing how companies manage these risks.
WHAT INVESTORS CAN DO
Investors seeking to address deforestation risk in their investment portfolios can join with Ceres and other investors to engage with food and agriculture companies to help stop deforestation and improve soft commodity supply chain practices.

The Ceres Investor Network on Climate Risk and Sustainability is comprised of 161 investors that are advancing leading investment practices, corporate engagement strategies and policy solutions to build an equitable, sustainable global economy and planet.

The Ceres Investor Network has multiple working groups, including the Shareholder Initiative for Climate and Sustainability (SICS), which enables investors to engage with companies alongside other investors, and the Investor Initiative for Sustainable Forests (IISF)—a joint working group led with the Principles for Responsible Investment (PRI)—which aims to transform company and industry practices to eliminate deforestation from cattle and soy supply chains.

Through these working groups and other public engagement opportunities, Ceres Investor Network members can participate in a wide range of activities, including:

- Supporting investor engagement with companies—including shareholder proxy activities—to promote increased disclosure and management of deforestation risks;
- Joining investor collaborations including Climate Action 100+, an investor-led initiative to engage systemically important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement;
- Signing onto investor expectation statements focused on specific deforestation risks and industry-wide actions;
- Providing input into multi-stakeholder initiatives, such as the Collaboration for Forests and Agriculture (CFA), the Roundtable for Sustainable Palm Oil (RSPO) and the Cerrado Manifesto, that aim to set sustainability standards and stop deforestation from cattle, palm and soy production;
- Engaging with major data providers and disclosure bodies to improve the state of forestry, climate and GHG KPIs that are driving corporate performance.

HOW CERES IS HELPING
Ceres conducts research to address gaps in investor awareness of deforestation risks and shares leading practices to drive deeper integration of these risks into investment decision-making.

Ceres’ Engage the Chain is an online tool that provides an overview of key operational, reputational and market risks to companies associated with these destructive supply chain practices. The tool provides investor insights into the environmental and social risks and impacts of eight commonly sourced agricultural commodities: beef, corn, dairy, fiber-packaging, palm oil, soybeans, sugarcane and wheat. Other Ceres-affiliated resources around soft commodity supply chains and deforestation risks include:

- **Zooming In: Companies, Commodities and Traceability Commitments that Count**: Forest Trend’s Supply Change Initiative and Ceres analyzed the state of 815 corporate reporting related to traceability commitments for forest risk commodities.
- **Ceres’ Reporting Guidance for Sustainable Palm**: Created in partnership with a diverse group of over 18 NGO organizations and investor groups, this guide is aimed to outline a shared set of expectation for corporate reporting on company commitments towards responsible palm oil sourcing and production.
- **SCRIPT**: The Global Canopy Program’s Soft Commodity Risk Platform (SCRIPT) allows financial institutions to benchmark their investment policies on deforestation against peers and allows them to assess their exposure to deforestation risk in their investment portfolios.

FOR MORE INFORMATION AND TO LEARN ABOUT HOW TO GET INVOLVED, PLEASE VISIT → WWW.CERES.ORG/INVESTORNETWORK
OR CONTACT SIOBHAN COLLINS, MANAGER, FOOD AND CAPITAL MARKETS AT COLLINS@CERES.ORG