Deforestation Disclosure Guide *for Financial Institutions*

Towards integrated nature and climate-related financial disclosure

WBCSD
World Business Council *for Sustainable Development*

Contents

Executive summary 2
1. Introduction 5
2. Background 7
    2.1. Standard setters and the inextricable link between nature- and climate-related risks and opportunities 7
    2.2. Risks for financial institutions from exposure to deforestation and land-use change 8
    2.3. Overview of sustainability and climate-related financial disclosure frameworks 9
3. Conducting deforestation-specific disclosure 11
    3.1. Disclosure through the CDP Financial Services questionnaire 12
    3.2. Disclosure according to the Deforestation-free Finance Roadmap 15
4. Integrating deforestation into climate- and nature-related financial disclosures 18
    4.1. Deforestation disclosure according to IFRS S2 (climate) 19
    4.2. Deforestation disclosure according to TNFD (nature) 22
    4.3. Deforestation disclosure according to select jurisdictional regulations 23
        4.3.1. EU Sustainable Finance Disclosure Regulation (SFDR) 23
        4.3.2. EU Corporate Sustainability Reporting Directive (CSRD) 24
        4.3.3. EU Corporate Sustainability Due Diligence Directive (CS3D) 25
        4.3.4. US Securities and Exchange Commission (SEC) 26
        4.3.4. Mandatory transition plans 26
5. Conclusions 29
    5.1. Remaining challenges 29
    5.2. Take action now 30
Acronyms 31

Executive summary

This guide aims to prepare financial institutions (FIs) for disclosure on deforestation and other land-use change risks. It targets practitioners at FIs who are involved in climate- and nature-related risk assessment and management and related financial disclosure, either at an entity level or at a business division level. This edition reflects the regulatory and standards landscape as of September 2024. The World Business Council for Sustainable Development may release a new edition in the coming months if the standards or regulatory landscape change significantly.

Deforestation clearly shows the inextricable link between climate- and nature-related risks and opportunities. Forest cover is essential to absorbing CO_2 and to preserving biodiversity and essential ecosystem services. Deforestation is the main driver of CO_2 emissions from the agriculture, forestry and other land use (AFOLU) sector. It caused 13% of global CO_2 emissions from 2007 through 2016[1] and is responsible for around 30% of global biodiversity loss.[2] Until recently, standard setters, such as the Task Force on Climate-related Financial Disclosures (TCFD)[3] and the Taskforce for Nature-related Financial Disclosures (TNFD),[4] have looked at climate- and nature-related risks and opportunities separately but this is starting to change as the links between the two are often inseparable. For instance, nature loss can exacerbate physical climate-related risks at the local scale, such as by inducing a further change in rainfall patterns[5] or by causing more severe impacts of landslides in deforested areas.[6] On the positive side, nature-based solutions such as land restoration and afforestation can greatly contribute to reducing climate-related physical risks while at the same time reducing emissions.

Exposure to companies linked to deforestation can lead to material risks for FIs. This is particularly significant in a context of growing investor attention to the climate- and nature-related risks of investee entities, increasing regulation targeting climate-related financial disclosure and emerging legislation on due diligence for companies dealing with commodities with a high risk of deforestation. FIs face both physical and transition risks from deforestation, mainly through their lending to upstream agricultural producers and their financing activities of downstream companies in the agriculture and food sector. These risks mostly originate from the impact of deforestation on portfolio companies, such as deforestation-induced rainfall reductions and resilience to extreme weather events affecting crop yields, increased compliance costs from regulatory changes and decreased profitability due to shifting product demands.

A still limited, but increasing, number of FIs are assessing deforestation risks, taking steps to reduce financed deforestation and disclosing their impacts on forests. In 2023, CDP reported that 13% of FIs disclosing through its platform were tracking their portfolio impacts on forests and water security,[7] marking a 3% increase from the previous year.[8]

FIs do not generally integrate deforestation and land-use change risks in climate-related financial disclosures and may overlook the role of forests in setting climate targets and developing transition plans. This is likely due to the fact that, as mentioned above, standard setters and regulatory interventions have developed separate climate-related and nature-related financial disclosure frameworks that do not pick up on the interconnectedness between nature and climate risks. In addition, the GHG Protocol[9] has yet to release its guidance to calculate emissions from deforestation and land-use change.

This is starting to change, with standard setters and some FIs exploring the integration of nature risks and opportunities into climate-related disclosure and the GHG Protocol planning to publish its Land Sector and Removals Guidance in 2025. Notably, the International Sustainability Standards Board (ISSB)[10] is researching how to cover nature-related issues in the International Financial Reporting Standards (IFRS),[11] which are rapidly becoming the main point of reference for mandatory disclosure. Additionally, guidance on transition plans, such as that developed by the Transition Plan Taskforce[12] in the United Kingdom and the upcoming Glasgow Financial Alliance for Net Zero (GFANZ) guidance, also provide recommendations on integrating nature.

FIs should approach deforestation-specific disclosure following recommendations provided in available guidance, and using either disclosure platforms such as CDP or their sustainability reports. FIs can benefit from specific guidance, such as the *Deforestation-free Finance Roadmap*,[13] to create a due diligence process by which they can reasonably claim to be assessing risks and taking action to eliminate deforestation from their portfolios on a best endeavors basis. Deforestation-specific disclosure maximizes transparency on risks and actions taken for the elimination of financed deforestation, can reduce reputational and litigation risks linked to financed deforestation and makes the integration of relevant information into IFRS S2,[14] TNFD and regulatory disclosure a more straightforward exercise. FIs can either use dedicated disclosure platforms, such as CDP,[15] or include deforestation considerations in their sustainability reports, following disclosure recommendations provided in available guidance.

Subsequently, FIs should integrate deforestation risks in their voluntary and mandatory sustainability disclosure practices. To this end, this guide specifies what information FIs should provide for IFRS S2 disclosure and how this information might vary for TNFD disclosure and some mandatory disclosure requirements – including the European Union (EU) Sustainable Finance Disclosure Regulation (SFDR),[16] the EU Corporate Sustainability Reporting Directive (CSRD),[17] the EU Corporate Sustainability Due Diligence Directive (CS3D)[18] and the requirements from the US Securities and Exchange Commission (SEC)[19] − as well as for the (mandatory) disclosure of transition plans.

These disclosure frameworks, standards and regulations recommend specific metrics that organizations can use or adapt to disclose deforestation risks in financial portfolios and the progress of FIs on deforestation-free portfolios. CDP, for example, provides recommended metrics to track portfolio impact on forests. TNFD guidance for FIs provides a sector list and mapping for its core financial institution metric on exposure to high-risk sectors, as well as recommended nature-related metrics that FIs can adapt to disclose on deforestation and land-use change risks. Under the SFDR, FIs operating in the EU must disclose principal adverse impacts associated with their investments and financial products and can disclose additional voluntary metrics, some of which are relevant to deforestation and land-use change.

FIs are still facing challenges, including the attribution of deforestation to specific companies, but they can nevertheless take action and start disclosing now. FIs can and should request that their clients disclose relevant data through means such as the CDP platform to enable their own action and disclosure. Data, guidance, tools and other resources exist − and will soon become more accessible and easier to navigate[20] − to help FIs assess and disclose deforestation risks, develop risk management and due diligence processes and take the necessary actions to minimize financed deforestation and land-use change in their portfolios. Participation in collaborative initiatives can help reduce resource requirements, establish the consistent and coordinated expectations of companies and provide a more powerful voice for the finance sector to engage stakeholders.

For solid disclosure on deforestation, FIs should follow these four steps:

STEP 1: Adopt a deforestation-free finance guidance and join collaborative finance sector initiatives

Following step-by-step guidance from a deforestation-free finance framework helps FIs create a due diligence process that minimizes financed deforestation and land-use change in portfolios. Joining collaborative finance sector initiatives, for instance the Finance Sector Deforestation Action[21] and the Forest Finance Risk Consortium (FFRC),[22] can support FIs in engaging with companies.

STEP 2: Disclose annually through deforestation-specific disclosure

Deforestation-specific disclosure maximizes transparency on exposure to deforestation and on the actions that FIs are adopting to achieve deforestation-free portfolios. FIs can choose to disclose through the CDP financial services disclosure or through their sustainability reports, following available disclosure recommendations.

STEP 3: Integrate deforestation into climate- and nature-related financial disclosures and transition plans

FIs can use the information in this guide to capture the contribution of financed deforestation to climate and nature risks in their climate- and nature-related financial disclosures. The inclusion of actions to reduce financed deforestation in FIs transition plans can add transparency to their path to net-zero.

STEP 4: Work towards holistic disclosure

FIs can pilot integrated TCFD – TNFD disclosure and transition plans to help drive holistic thinking and provide a clearer overall strategy for risk management and their net-zero and nature-positive journey, including the integration of human rights and other social issues.

1. Introduction

Climate-related financial disclosure has become mandatory in many jurisdictions,[23] while nature-related disclosure may soon follow suit. At the same time, more than 130 banks[24] and 315 asset managers[25] have committed to net-zero targets and financial institutions (FIs) are increasingly working to set nature targets.

Due to the significant contribution that deforestation and other land-use change have both on global emissions[26] and nature loss,[27] exposure to companies linked to deforestation can lead to material climate- and nature-related risks for some FIs and can significantly limit their progress towards climate and nature targets.

Nevertheless, only a few FIs disclose deforestation risks in their portfolios. When they do, they do not generally integrate these risks in their climate-related financial disclosure.[28] This may be due to several reasons, including:

- Mandatory financial disclosure frameworks don't explicitly require FIs to disclose deforestation risk.
- Standard setters have developed separate climate-related and nature-related financial disclosure guidance. This has made it difficult to appreciate the interconnectedness between nature and climate risks.
- Gaps in data and guidance are limiting the ability of FIs to calculate the contribution of land-use change to financed emissions.

However, the context is changing rapidly: standard setters are exploring the integration of nature in climate-related financial disclosure and transition plans; jurisdictions adopting those standards or specific legislation to fight deforestation may soon mandate FIs to assess and disclose material deforestation risks in their portfolios; access to data, tools and guidance for FIs is set to improve, for example through the forthcoming Deforestation-free Finance Platform,[29] and WBCSD and the World Resources Institute will release the GHG Protocol's *Land and Removals Guidance* in early 2025.

Previous guidance from the Forest Finance Risk Consortium[30] can support FIs in navigating available tools and frameworks for deforestation and other land-use change risk assessment. In comparison, this guidance aims to prepare FIs for the disclosure of deforestation and other land-use change risks. It targets practitioners at FIs who are involved in deforestation-specific disclosure or climate- and nature-related financial disclosure, either at an entity-level or at a business division level. WBCSD may release a new edition in the coming months if the standards or regulatory landscape change significantly.

This guide first provides some background concepts and information that are instrumental to fully appreciating the disclosure recommendations discussed thereafter. Then it looks at existing frameworks for deforestation-specific disclosure. Next, it delves into how FIs can integrate deforestation-risk information and metrics into key climate- and nature-related disclosure frameworks, namely standard S2 of the International Financial Reporting Standards (IFRS)[31] and the Taskforce on Nature-related Financial Disclosures (TNFD).[32] The guide then analyzes select European and US sustainability disclosure regulations from the point of view of deforestation risks. Finally, it provides a set of steps for FIs to disclose material deforestation-related risks and progress towards deforestation-free portfolios in a useful and clear way.

Box 1 highlights some relevant definitions and examples. While this document addresses both deforestation and other land-use change (e.g., land conversion), for the sake of brevity it often refers simply to deforestation.

Box 1: Relevant definitions and examples

Deforestation, as defined by the Accountability Framework initiative (AFi), refers to the permanent removal or significant degradation of natural forest cover, leading to the loss of the ecosystem's capacity to function as a forest.[33] The Food and Agriculture Organization (FAO) similarly defines deforestation as the conversion of forested land to non-forest uses, emphasizing the loss of tree cover and its associated environmental impacts.[34] For example, in the Amazon rainforest, large-scale deforestation occurs to convert vast areas of it into agricultural land, particularly for cattle ranching and soybean cultivation.[35] This type of land-use change results in the permanent loss of forest cover, biodiversity decline and the release of stored carbon contributing to global climate change.[36]

Land-use change (LUC), according to the Intergovernmental Panel on Climate Change (IPCC), involves the alteration of an ecosystem's natural state to a different use or management, typically driven by human activities such as agriculture, urbanization or industrial development.[37] According to the Convention on Biological Diversity, LUC includes the conversion of land cover (e.g. deforestation or mining), changes in the management of the ecosystem or agro-ecosystem (e.g. through the intensification of agricultural management or forest harvesting) or changes in the spatial configuration of the landscape (e.g. fragmentation of habitats)[38]. LUC can either negatively or positively impact nature and ecosystem services. For example, afforestation and improved land management are examples of LUC with positive impacts. In this document, though, we refer to LUC exclusively in a negative context, considering changes with detrimental effects on natural ecosystems and the services they provide.

Land conversion is a specific type of land-use change that transforms natural ecosystems, going beyond forests, into agricultural land or other non-native uses. For example, the transformation of the Brazilian Cerrado – a vast tropical savanna region that is not classified as a forest – into agricultural land represents a critical instance of negative land conversion.[39] Such changes lead to the loss of native vegetation, biodiversity and essential ecosystem which are generally considered harmful.

2. Background

2.1 Standard setters and the inextricable link between nature and climate-related risks and opportunities

The Intergovernmental Panel on Climate Change (IPCC)[40] estimates that during 2007–2016 around 5.2 gigatons of CO_2 emissions, equating to around 13% of total CO_2 emissions, originated from land use and land-use change and were mostly due to deforestation.[41] At the same time, the Royal Society reports that 30% of global biodiversity loss links to deforestation,[42] and WWF indicates that forests hold 80% of all terrestrial biodiversity.[43]

The transition to a low-carbon economy must include the role of nature as a key element of the process. There can be no transition to a net-zero and nature-positive economy without a huge reduction in deforestation and land-use change. As H.E. Razan Al Mubarak, the UN Climate Change High-Level Champion for the 28th United Nations Climate Change Conference (COP28) said, “There is no path to keeping 1.5°C within reach without protecting nature, land and the ocean. We must unite behind nature positive solutions.”[44]

In addition, forests “regulate ecosystems, protect biodiversity, play an integral part in the carbon cycle, support livelihoods and can help drive sustainable growth”[45] and can contribute to adaptation to some of the most severe impacts of climate change, such as droughts and floods.[46] Given these interlinkages, COP28 highlighted the importance of nature in climate change actions and noted that the continued loss and degradation of nature increases climate vulnerability, contributes to significant greenhouse gas emissions and impedes sustainable development.[47]

Nevertheless, as mentioned in the Introduction, the Task Force on Climate-related Financial Disclosures (TCFD) and TNFD are separate entities, feeding a false dichotomy between climate and nature-related risks and opportunities. This is becoming increasingly unhelpful and has already started to change, as the links between the two are often inseparable in terms of risk analysis and management. For instance, nature loss can exacerbate physical climate-related risks at the local scale, e.g., by inducing a further change in rainfall patterns[48] or by causing more severe impacts of landslides in deforested areas.[49] On the positive side, nature-based solutions such as land restoration and improved land management can greatly contribute to reducing climate-related physical risks, in addition to removing emissions from the atmosphere.

Standard setters are therefore gradually changing their silo approach. In its *Industry-based Guidance on implementing Climate-related Disclosures*,[50] the International Sustainability Standards Board (ISSB) mentions deforestation as a climate-related risk a number of times, including a case study on palm oil. Furthermore, in its paper on *Nature and social aspects of climate-related risks and opportunities*,[51] it provides guidance on how to integrate issues “at the nexus of climate and nature (for example, those related to water or deforestation).” Therefore, IFRS S2 already requires FIs to disclose on deforestation risks, if material. Moreover, the ISSB has announced its intention to begin research on biodiversity, ecosystems and ecosystem services.[52]

On the transition plans side,[53] recent guidance from the UK’s Transition Plan Taskforce (TPT) for asset managers, asset owners and banks has emphasized the importance of integrating nature-related risks and opportunities.[54] The TPT has also published guidance on the *Future for Nature in Transition Planning.*[55] Moreover, GFANZ will soon release its *Nature in Net-Zero Transition Plans* supplemental, voluntary guidance (version for consultation expected in October 2024 and publication by Q1 2025).

2.2 Risks for financial institutions from exposure to deforestation and land-use change

FIs typically have exposure to deforestation risks through their financing of agriculture and food clients (either producers of forest-risk commodities[56] or downstream companies) or through the financing of local banks that lend to upstream producers in high deforestation risk countries. While other sectors (e.g., mining) can contribute to deforestation, the agriculture and food sector is by far the largest contributor.[57]

Physical and transition risks related to deforestation can affect portfolio companies in various ways, such as:

- Companies acting illegally to deforest land can face fines and loss of license to operate;
- Companies sourcing from suppliers that deforest can lose their license to operate or lose customers who do not wish to be associated with reputational risk;
- Changes in legislation and enforcement can lead to companies facing significant compliance costs;
- Local changes to rainfall caused by deforestation can affect the ability of companies to produce crops or provide hydroelectricity;
- Land-use change can reduce the resilience of a landscape, for example by increasing flood or landslide risks, affecting different local businesses and individual clients;
- Decrease in demand for products associated with deforestation, such as palm oil, can lead to lower profitability of producing companies;
- Boycotts and embargoes on high-risk areas from downstream companies can also lead to reduced demand for forest-risk commodities;
- Deforestation often links with illegal actions and human rights abuses and could leave providers of finance open to legal action or increase their reputational risks.

The increasing due diligence legislation targeting forest-risk commodities, such as the EU Deforestation Regulation (EUDR)[58] and the Forest Risk Commodities (FRC) regime of the United Kingdom (UK),[59] can significantly increase transition risks by raising the responsibilities of downstream operators, where FIs have very significant exposure. Moreover, both EU and UK regulators are considering expanding mandatory due diligence, reporting and disclosure to the finance sector.

Finally, the nature-related policy landscape around the world is also changing rapidly. Participants adopted the *Kunming-Montreal Global Biodiversity Framework* (GBF) at the 15th conference of the Convention on Biological Diversity in 2022. The Framework sets out a clear goal "to bring the loss of areas of high biodiversity importance, including ecosystems of high ecological integrity, close to zero by 2030, while respecting the rights of indigenous peoples and local communities."[60] It also encourages policy measures to drive businesses to assess and disclose their risks, dependencies and impacts on biodiversity.[61] Signatory countries will soon pass laws to live up to their commitments and this is likely to impact the financial sector, either directly or indirectly.

Given these developments, financial risks from deforestation are beginning to reach the threshold of materiality for many companies and their finance providers. Consequently, as of June 2024, a record number of FIs are directly engaging with more than 400 non-disclosing, highest-impact companies to ask for disclosure of forest data through CDP.[62] In turn, investors will increasingly expect FIs to disclose how they have assessed deforestation risks in their portfolios and what actions they are taking to manage risks and take advantage of opportunities. For example, the most recent Investor Climate Action Plans guide includes expectations on deforestation.[63]

2.3. Overview of sustainability and climate-related financial disclosure frameworks

Disclosure for companies and FIs splits more or less into mandatory and voluntary disclosure. Broadly speaking, mandatory disclosure is usually at the entity-level, while FIs undertake voluntary disclosure more often at the business unit level. For example, an integrated insurance house might disclose as a single overall legal entity for compliance purposes but at an asset management level for voluntary TCFD disclosure.

Examples of regulations mandating sustainability or climate-related disclosure include:

- EU Sustainable Finance Disclosure Regulation (SFDR);[64]
- EU Corporate Sustainability Reporting Directive (CSRD);[65]
- SEC reporting requirements;[66]
- UK Mandatory climate-related financial disclosures.[67]

Examples of voluntary disclosure frameworks include:

- Disclosure recommendations of the TCFD, now absorbed by the ISSB framework;[68]
- Disclosure recommendations of the TNFD;[69]
- Annual sustainability or integrated reports, which can include, for example, results of risk assessments and transition plans;
- Annual disclosure through the CDP platform, which includes questions specifically for the financial services sector;[70]
- Annual disclosure of targets and progress under the Net-Zero Banking Alliance (NZBA);[71]
- Annual disclosure of responsible investment activities by the signatories of the Principles for Responsible Investment (PRI).[72]

Over the past decade, disclosure expectations for FIs have increased significantly, with a notable trend for regulators to require disclosure according to previously voluntary frameworks. This trend looks set to continue – for example, a number of jurisdictions plan to mandate disclosure according to ISSB Standards (Box 2), while the UK is considering moving to mandatory transition plans for FIs.[73]

Box 2: Convergence towards ISSB standards

The IFRS's ISSB standards are rapidly becoming the accepted global baseline for sustainability reporting. More than 20 jurisdictions have already decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory frameworks.[74] Together, these jurisdictions account for nearly 55% of global gross domestic product, more than 40% of global market capitalization and more than half of global greenhouse gas emissions.[75]

IFRS notes that an increasing number of jurisdictions are heading towards full alignment with the ISSB Standards, with the European Union already aligning through its CSRD and the supporting European Sustainability Reporting Standards.[76] China has recently issued the Exposure Draft of the *Chinese Sustainability Disclosure Standards for Business Enterprises—Basic Standard and Explanation of the Drafting*,[77] which is also based on ISSB Standards. The notable exception is the US, although the Securities and Exchange Commission (SEC) acknowledged similarities with the ISSB Standards in their proposed climate-disclosure rule. Other jurisdictions proposing to adopt ISSB-aligned standards include Singapore, Malaysia and Canada.

3. Conducting deforestation-specific disclosure

This section helps FIs understand the key prerequisites for disclosing on deforestation and how to conduct deforestation-specific disclosure. It supports FIs in implementing the first two recommended steps for solid deforestation disclosure, namely: "Adopt a deforestation-free finance guidance and join collaborative finance sector initiatives" (Step 1) and "Disclose annually through deforestation-specific disclosure" (Step 2).

A prerequisite for solid deforestation disclosure is that FIs follow existing guidance to assess deforestation risks and take action to eliminate financed deforestation from portfolios. For example, the *Deforestation-free Finance Roadmap*,[78] aligned with the Accountability Framework initiative (AFi),[79] takes a step-by-step approach to ensure that FIs have appropriate policies in place and a detailed process for implementing those policies, spanning from risk assessment to engaging with companies to shift real-world behavior. *Making Deforestation Due Diligence Work in Practice*,[80] similarly equips financial institutions with actionable steps to make deforestation-free commitments less resource intensive.

Following the steps outlined in these or other similar guidance[81] essentially creates a due diligence process by which FIs can reasonably claim to be taking action to eliminate deforestation from their portfolios on a best endeavors basis. Along this process, industry-wide collaboration initiatives, such as the Finance Sector Deforestation Action (FSDA)[82] and the Forest Finance Risk Consortium (FFRC),[83] can lead to more consistent and coordinated expectations of portfolio companies and foster industry-wide change.

FIs at the beginning of their no-deforestation journey can learn from peers that are already addressing deforestation and land-use change through policies on forest-risk commodities and due diligence protocols and are publicly sharing their actions and progress.[84]

FIs should approach disclosure of deforestation-related risks and of risk management actions starting from voluntary, deforestation-specific disclosure. The advantages of investing internal resources in this effort include maximum transparency on exposure to deforestation and actions taken to eliminate financed deforestation, reduced reputational and litigation risks and easier integration of relevant information into IFRS S2, TNFD and mandatory disclosures.

FIs can choose to disclose financed deforestation and other relevant metrics either by answering specific questionnaires or by reporting how they have followed the steps recommended by the deforestation-free finance guidance or framework they have adopted. In the first category, the most common disclosure framework is the CDP Financial Services Disclosure. In the second category, FIs can, for example, follow the disclosure recommendations of the *Deforestation-free Finance Roadmap*.

3.1. Disclosure through the CDP Financial Services questionnaire

CDP runs the global environmental disclosure system that brings standards and frameworks into one place to make them interoperable. It does so by aligning its annual disclosure questionnaire for companies, covering climate change, biodiversity, water, forests and plastics issues, with the world's most relevant standards and frameworks,[85] such as IFRS S2, TNFD and the Accountability Framework initiative. As a result, CDP provides enormously useful data on forest-related policies and actions, as well as broader reports and analyses, disclosed by companies that produce and use the main commodities that drive deforestation.[86] This includes data on:

- Forest-related policies, targets and commitments;
- Commodity volumes produced and sourced;
- Origins of commodities;
- Traceability of commodities;
- Certification of commodities;
- Deforestation and conversion-free status and verification;
- Value chain and landscape engagement;
- Ecosystem restoration.

FIs can use this data to support analysis and decision-making to assess and manage deforestation risks in their portfolios.

In addition to collecting standardized disclosures from real economy businesses annually, CDP also collects disclosures from FIs. In 2024, CDP integrated most questions relating to portfolio activities of financial services companies – formerly separated by theme (climate change, forest and water). While integration to streamline disclosure has been the primary driver for the changes to the sector questionnaire, alignment with standards has also been an important factor in determining changes, particularly in relation to alignment with IFRS S2 and EU taxonomy.[87]

CDP has organized the 2024 CDP Corporate Questionnaire into the structure and modules shown in Box 3.

Box 3: CDP Full Corporate Questionnaire 2024 layout and structure[88]

Financial institutions answer questions in Modules 1 to 6 (common questions for FIs and companies). Theme-specific modules 7 – 11 are only for companies. Financial institutions have a dedicated module (Module 12), with integrated questions spanning climate change, water and forests but CDP still asks for theme-specific datapoints.

Module 12 (Environmental performance – Financial Services) is as follows:

A. Environmental impact of portfolio, including on forests and emissions breakdown;

B. Portfolio values, including of financing and insurance to companies in the commodity value chain;

C. Environmentally sustainable products/services, including those that enable clients to mitigate deforestation;

D. Other portfolio targets, including for deforestation and conversion-free lending, investing and insuring.

The questionnaire broadly follows the TCFD and TNFD structures, enabling FIs to easily feed the information collected and disclosed through this questionnaire into TCFD- and TNFD-compliant disclosures or vice versa. It also offers detailed guidance as part of the questionnaire process.

CDP allows FIs to disclose details of metrics they use to track portfolio impact on forests and recommends the specific metrics at a portfolio level listed in Box 4.[89]

Box 4: CDP metrics for portfolio impact on forests[90]

Share of investments in companies:

- That engage in activities that cause land degradation, desertification or soil sealing;
- Without a policy to address deforestation (i.e., a no-deforestation policy);
- Without a no-conversion of natural ecosystems policy;
- With 100% deforestation-free status;
- With 100% deforestation- and conversion-free status;
- That engage in integrated, multi-stakeholder landscape/watershed/river basin/jurisdictional initiatives;
- That engage in ecosystem restoration;
- With sites/operations located in or near to biodiversity-sensitive areas or legally protected areas;
- Other metrics.

3.2. Disclosure according to the Deforestation-free Finance Roadmap

The Deforestation-free Finance Roadmap[91] has five suggested phases of action for FIs, with clear steps for each phase, summarized in Box 5, and recommended actions under each step. These recommendations are consistent with the TCFD recommendations on risk management.[92]

Box 5: The five phases and steps recommended by the *Deforestation-free Finance Roadmap*

1. **Understanding and mapping risk**
    - **Step A:** Understanding deforestation, conversion and associates human rights risks to financial institutions
    - **Step B:** Initial assessment of deforestation, conversion and associated human rights abuse risk
2. **Setting an effective policy and managing risk**
    - **Step A:** In-depth assessment of deforestation, conversion and associated human rights risk
    - **Step B:** Setting an effective policy on deforestation, conversion and associated human rights
3. **Monitoring and engagement**
    - **Step A:** Engage clients/holdings exposed to deforestation, conversion and human rights risk
    - **Step B:** Engaging beyond clients/holdings
4. **Disclosing**
    - **Step A:** Publicly disclosing progress on deforestation
5. **Eliminating deforestation**
    - **Step A:** Continue to engage non-compliant and exposed clients/holdings
    - **Step B:** Continue to publish annual progress reports
    - **Step C:** Redirect finance away from clients/holdings that are not making sufficient progress

Phase 4 (Disclosing) refers to publicly disclosing – on an annual basis – exposure, actions and progress on the implementation of the FI's no-deforestation policy. The ultimate objective of disclosure is to provide necessary assurances that they are meeting due diligence requirements. Indeed, the assumption behind the fifth and final phase (Eliminating deforestation) is that constant monitoring and vigilance, with appropriate engagement and divestment where necessary, are currently sufficient for FIs to reasonably claim that their portfolios are "deforestation-free". Detailed guidance on due diligence is also available in *Making Deforestation Due Diligence Work in Practice*.[93]

The *Deforestation-free Finance Roadmap* recommends three actions related to disclosing progress on deforestation. The following recommended actions are heavily based on the Roadmap, with some additions.

Recommended action 1: Disclose results of in-depth risk assessment

FIs should disclose quantitative metrics that demonstrate their exposure to deforestation risks. This disclosure can include:

- The number and names of clients/holdings defined as having a high deforestation risk (based on both their exposure to deforestation and conversion, associated human rights abuse risk and the efforts taken to mitigate those risks).
- The volumes of forest-risk agricultural commodities produced, processed, procured or financed by clients/holdings in/from high-risk regions or countries (disaggregated by asset class, sector, geography).
- The percentage of revenues dependent on forest-risk commodities, which gives a measure of the materiality of the commodity for the company's profitability.
- The amount of finance provided to clients/holdings that operate at all stages of the supply chain that produce, process, procure or finance forest-risk commodities and at least the high-risk commodities (palm oil, soy, beef, leather, timber, pulp and paper).

FIs should also disclose the framework or methodology and data sources used to identify exposure to deforestation, conversion and associated human rights risks. This disclosure can include information on data quality, availability and gaps. Namely, FIs should disclose:

- How they have assessed their exposure to deforestation and land-use change risks at portfolio level. This may involve using tools such as ENCORE,[94] Forest 500[95] and CDP's Forests data[96] to identify companies potentially exposed to deforestation and land-use risk. *Deforestation-free finance: A guide on tools and frameworks for financial institutions* provides more detail on tools for portfolio-level risk assessment.[97]
- The process for analyzing companies they have identified as having potential risk. This may involve using tools such as Forest IQ,[98] Trase[99] and CDP's Forests data[100] to assess how exposed each company is and how well it is managing risks. FIs can assess how well a company is managing risks through a number of proxy indicators, such as whether it has a deforestation policy, how strong that policy is and whether it covers its entire supply chain and how well the company has evidenced its implementation of the policy. The tools listed above all convert these factors into an overall score, which FIs can then use to evaluate their own risks. More detail on best practice assessment processes for FIs is available in *Deforestation tools assessment and gap analysis.*[101]The methodology for assessing the percentage of revenues dependent on forest-risk commodities, such as CDP's *Industry Impact Classification Methodology*.[102] As there can be a limit to accurate revenue data availability, companies may report without standardized methods. FIs could therefore take other approaches to assessing deforestation materiality, such as location geodata, input-output modelling or commodity production areas and associated deforestation mapped back to business activities. The report by Climate & Company, AP2 and Global Canopy provides further information on these approaches.[103]

Recommended action 2: Annually report on progress on the no-deforestation policy

Every year FIs should publish the results of the annual screening and monitoring cycle for each commodity/industry covered by the FI's policy. Recommended metrics include:

- How many clients/holdings it screened and monitored for compliance with the policy in the past year, including what percentage of the total number of clients/holdings this represents.

- Metrics of risk and performance across the entire portfolio, based on the most recent data from the annual screening/monitoring, including:
    - How many clients/holdings were within each category of high, medium and low risk;
    - The number or proportion of clients/holdings in the portfolio that are compliant with the FI's requirements for clients/holdings;
    - The number or proportion of clients/holdings that are working towards compliance through time-bound plans;
    - The number or proportion of clients/holdings with a policy in line with the Accountability Framework initiative or with a Science Based Targets initiative Forest Land and Agriculture (SBTi FLAG) target or a Science Based Targets Network (SBTN) land target;
    - The number or proportion of clients/holdings and proportion of the total portfolio value that are compliant with their own policy;
    - The number and names of clients/holdings that have a deforestation policy/commitment in place but have had stakeholder disputes or investigations from other forums that dispute the implementation of this policy through their supply chains.

All the above requires continuous monitoring of companies on deforestation risks. This may involve:

- Monitoring implementation[104] of companies' policies for compliance with the FI's own policies;
- Checking media and NGO monitoring for deforestation and land use-related controversies and allegations;
- Monitoring locations of upstream companies using satellite data or tools such as Global Forest Watch Pro.[105]

Third-party verification of the progress on the FI's policy to have financing that is free from commodity-driven deforestation, conversion and associated human rights abuses can send a clear message to external stakeholders, as well as to clients/holdings, that the FI is committed to addressing this issue effectively.

Recommended action 3: Report annually on engagement activities

This can include:

- The names and number or proportion of clients/holdings that were engaged with on the topic of deforestation within the last year to bring them into compliance with the policy or their time-bound plan;
- The agreed implementation plan to remedy any non-compliance on the ground;
- The number and summary of contributions to or participation in initiatives (e.g., PRI or FSDA investor expectations) to address deforestation risk;
- The number and brief content of any interactions or engagements with external stakeholders, such as non-governmental organizations, data providers and regulators, to promote awareness and supportive actions on deforestation and land-use change in high-risk jurisdictions;
- The number and the names of any clients/holdings removed from the portfolio and the reason for their removal.

4. Integrating deforestation into climate and nature-related financial disclosures

This section walks FIs through the disclosure requirements set forth in the IFRS S2 standard for climate and in TNFD for nature, as well as in select jurisdictional regulations, highlighting how FIs can integrate deforestation into climate- and nature-related financial disclosure. It then invites FIs to pilot more holistic disclosure. Therefore, it supports FIs in implementing the third step for solid deforestation disclosure (Step 3: Integrate deforestation into climate- and nature-related financial disclosure and transition plans) and in planning for the fourth and last step (Step 4: Work towards holistic disclosure).

Some FIs are starting to take a more holistic approach by disclosing climate-, deforestation- and nature-related commitments, actions and progress in a single report.[106] The next step would be to fully integrate deforestation-related information into climate- and nature-related financial disclosure. Given the increasing alignment of mandatory disclosure to ISSB standards, this section looks first at what information FIs should provide for IFRS S2 disclosure and then how this information might vary for nature-based disclosure frameworks and disclosure requirements from select regulations.

4.1. Deforestation disclosure according to IFRS S2 (climate)

As mentioned in the Background, ISSB guidance already mentions deforestation risks explicitly in relation to climate-risk disclosure. The Background also describes how exposure to deforestation and land-use change from portfolio holdings[107] may give rise to climate-related risks and opportunities that may affect portfolio returns and lead to broader business considerations for a FI, such as legal risks and license to operate. Risks may manifest as both physical – such as the effects of deforestation on local weather patterns that can impact the production of agricultural companies in the FI's portfolio – and transition, such as changes in market demand, societal expectations and increasing regulations.

Looking at the elements of IFRS S2 in more detail, Box 6 reports the requirements for climate-related risks and opportunities.

Box 6: IFRS S2 disclosure requirements for climate-related risks and opportunities[108]

"An entity shall disclose information that enables users of general-purpose financial reports to understand the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Specifically, the entity shall:

A. describe climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects;
B. explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk;
C. specify, for each climate-related risk and opportunity the entity has identified, over which time horizons—short, medium or long term— the effects of each climate-related risk and opportunity could reasonably be expected to occur; and
D. explain how the entity defines short term, medium term and long term and how these definitions are linked to the planning horizons used by the entity for strategic decision-making."

FIs can consult the 2023 FFRC report,[109] the *Deforestation-free Finance Roadmap*[110] (especially Phase 1 Step B and Phase 2 Step A, see Box 5 above) or *Making Deforestation Due Diligence Work in Practice* by Climate & Company, AP2 and Global Canopy[111] for guidance on assessing deforestation risks that may affect the entity's prospects and hence require disclosure under IFRS S2.

IFRS S2 then sets out requirements for risk management in paragraph 14 (Box 7 edited for relevance).

Box 7: IFRS S2 disclosure requirements for risk management[112]

Specifically, the entity shall disclose:

A. Information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it must meet by law or regulation. Specifically, the entity shall disclose information about:

    I. Current and anticipated changes to the entity's business model, including its resource allocation, to address climate-related risks and opportunities;
    II. Current and anticipated direct mitigation and adaptation efforts;
    III. Current and anticipated indirect mitigation and adaptation efforts (for example, by working with customers and supply chains);
    IV. Any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan and dependencies on which the entity's transition plan relies;
    V. How the entity plans to achieve any climate-related targets, including any greenhouse gas emissions targets, described in accordance with paragraphs 33–36.

B. Information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 14(a).

C. Quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 14(a).

The *Deforestation-free Finance Roadmap* (phases 2-5) and *Making Deforestation Due Diligence Work in Practice* provide useful guidance to enable an FI to disclose information about:

- Its policy to address deforestation and land-use change risks and what the policy requires from portfolio holdings, such as certification, deforestation policies of their own, restrictions on geographic locations of operations, etc. This would satisfy (A) (I).
- Its policy for any direct land holdings it may have. For example, investments that promote positive land-use change such as reforestation or afforestation. This would satisfy (A) (II).
- Its engagement policy, priorities and actions taken to engage with portfolio holdings, their supply chains and other stakeholders, including data providers, governments and regulators. This would satisfy (A) (III).
- Its transition plan, if applicable, and how it integrates nature-related considerations, including deforestation and land-use change, into the plan. This would satisfy (A) (IV).
- Any financed emissions targets, such as net-zero emissions, and how it will measure and address deforestation and land-use change as part of achieving these. Pending publication of the *GHG Protocol Land Sector and Removals Guidance*, the FI can set out its approach to addressing deforestation and land-use change and, where appropriate, explain which methodology it has applied to calculate emissions from deforestation. This would satisfy (A) (V).

- The resources devoted to environmental, social and governance (ESG), sustainability and nature-related issues in the relevant business units and how it expects to develop these over time. This would satisfy (B).
- Ongoing actions, including company engagement, changes in capital allocation to ESG/sustainability functions or activities and changes in policies, that the institution has undertaken over the past year and any portfolio and real-world outcomes attributable to these actions. This would satisfy (C).

Finally, Annex B of IFRS S2 covers financed emissions and requires FIs to disclose their scope 3 financed emissions, which would include those linked to deforestation, as well as any "quantitative or qualitative climate-related targets it has set, and any it is required to meet by law or regulation, including any greenhouse gas emissions targets,"[113] which again should include details on how they are dealing with financed emissions from deforestation in targets and planned actions. Given that the *GHG Protocol Land Sector and Removals Guidance* is still under development, accurate emissions data may not yet be available to disclose but FIs should follow progress closely.

4.2. Deforestation disclosure according to TNFD (nature)

The TNFD defines *nature-related risks* as the potential threats posed to an organization linked to its dependencies on nature and nature impacts. It defines an *impact* as a change in the state (quality or quantity) of natural capital, which may result in changes to the capacity of nature to provide social and economic functions. *Impact drivers* include measurable non-product outputs of business activities that affect nature and, therefore, drive impacts.[114] According to these definitions, deforestation in a company's supply chain is an impact driver, while the resulting forest loss is the associated nature impact, which can originate nature-related risks for a company and its financiers. It is notable that many FI pilots of the TNFD framework deal with forests and deforestation.[115]

The TNFD has recently produced additional *Guidance for Financial Institutions*[116] on disclosing nature-related risks and opportunities, including those from deforestation and land-use change. This guidance aligns with the TCFD recommendations[117] but adapts them to nature-related disclosures. The guidance covers governance, strategy, risk and impact management, metrics and targets and offers specific advice to FIs for some of the recommendations that TNFD developed for real economy companies. Box 8 reports the recommendations for risk and impact management disclosure.

Box 8: TNFD disclosure recommendations on risk and impact management, with specific advice for financial institutions[118]

A. (I) Describe the organization's processes for identifying, assessing and prioritizing nature-related dependencies, impacts, risks and opportunities in its direct operations.

A. (II) Describe the organization's processes for identifying, assessing and prioritizing nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).

- For financial institutions, the primary focus should be on downstream value chains, which are effectively the financial institutions' financial portfolios (e.g., lending, investment, re/insurance).

B. Describe the organization's processes for managing nature-related dependencies, impacts, risks and opportunities.

C. Describe how processes for identifying, assessing, prioritizing and monitoring nature-related risks are integrated into and inform the organization's overall risk management processes.

- Financial institutions should describe, when relevant, how the organization's risk functions (in the case of all institutions), underwriting units (in the case of re/insurers), lending teams (in the case of banks) and investment teams (in the case of asset managers and owners) monitor nature-related dependencies, impacts, risks and opportunities in direct operations and financial portfolios. Financial institutions should also describe the integration of nature-related risk considerations into other risk management categories, such as credit risk, market risk, operational risk, underwriting risk and investment risk. In all cases, there are not expectations for the disclosure of confidential business, client and investment information and the taskforce recognizes there may be limits on what companies can disclose in different jurisdictions.

Annex 1 of the TNFD guidance for FIs[119] provides a sector list and mapping for its core financial institution metric on exposure to high-risk sectors, while Annex 2 provides recommended metrics and case studies. FIs could adapt these metrics to report on deforestation and land-use change risks as part of nature-related risks more broadly (Box 9).

Box 9: Select TNFD metrics for financial institutions and suggestions for reporting specifically on deforestation risk[120]

Exposure to high/moderate impact or sensitive sectors or companies active in sensitive locations (heatmap), such as:

- Exposure in millions (USD $) to sectors or companies with high or medium impact on nature;
- Exposure as percentage of total portfolio amount/value;
- Top X companies in portfolio with high or medium impacts on nature loss or impact drivers;
- Exposure in millions (USD $) to companies operating in or near key biodiversity areas/critical habitats (for example, using the ***Integrated Biodiversity Assessment Tool (IBAT))***;[121]
- Exposure in millions (USD $) to companies operating in or near areas with endangered species (such as using the Species Threat Abatement and Restoration (STAR) metric);[122]
- Exposure as percentage of total portfolio amount/value.

Financial institutions could disclose exposure to sectors or companies with a high or medium impact on deforestation and land-use change and to sectors or companies with dependencies on forest risk commodities, as a measure of potential deforestation risk. Useful data sources include Forest IQ[123] and CDP's Forests data.[124]

4.3. Deforestation disclosure according to select jurisdictional regulations

4.3.1. EU Sustainable Finance Disclosure Regulation (SFDR)

Under Article 18 of the Sustainable Finance Disclosure Regulation (SFDR), FIs operating in the EU must disclose any sustainability risks associated with their investments and financial products. In particular, they must, on a "comply or explain" basis, disclose principal adverse impacts (PAIs).[125] Article 18 of the SFDR[126] states that:

> *"Where financial market participants, taking due account of their size, the nature and scale of their activities and the types of financial products they make available, consider principal adverse impacts, whether material or likely to be material, of investment decisions on sustainability factors, they should integrate in their processes, including in their due diligence processes, the procedures for considering the principal adverse impacts alongside the relevant financial risks and relevant sustainability risks. The information on such procedures might describe how financial market participants discharge their sustainability-related stewardship responsibilities or other shareholder engagements. Financial market participants should include on their websites information on those procedures and descriptions of the principal adverse impacts."*

PAIs are the most significant negative impacts of investments on the environment and people. FIs with portfolio holdings exposed to deforestation and land-use change risks should consider including the PAI metrics and additional voluntary indicators reported in Box 10 in their disclosure.

Box 10: Mandatory principle adverse impacts and other voluntary indicators related to deforestation and land-use change risks (SFDR)[127]

Mandatory PAIs

- PAI 1: GHG emissions (Scopes 1, 2, 3);
- PAI 7: Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.

Additional voluntary metrics from the "climate and other environment-related indicators"

- Indicator 10: Share of investments in investee companies that engage in activities that cause land degradation, desertification or soil sealing;
- Indicator 11: Shares of investments in investee companies without sustainable land/agriculture practices or policies;
- Indicator 14.1: Share of investments in investee companies that have operations affecting threatened species;
- Indicator 14.2: Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas;
- Indicator 15: Share of investments in companies without a policy to address deforestation.

4.3.2. EU Corporate Sustainability Reporting Directive (CSRD)

The EU has set out European Sustainability Reporting Standards (ESRS) to guide public-interest entities, including FIs, on reporting under the CSRD. Relevant ESRS standards include ESRS E1 on Climate[128] (Box 11) and E4 on Biodiversity & Ecosystems[129] (Box 12). These standards align closely with the ISSB standards and place a lot of emphasis on transition plans. ESRS E4 has a specific deforestation and land-use change reporting requirement: "The undertaking shall specifically disclose whether it has adopted…policies to address deforestation."

Box 11: Draft ESRS E1 Climate Change Disclosure Requirements (Selection)[130]

General disclosures

- Transition plan for climate change mitigation
- Material impacts, risks and opportunities and their interaction with strategy and business model(s)
- Description of the processes to identify and assess material climate-related impacts, risks and opportunities

Impact, risk and opportunity management

- Policies related to climate change mitigation and adaptation
- Actions and resources in relation to climate change policies

Metrics and targets

- Targets related to climate change mitigation and adaptation
- Potential financial effects from material physical and transition risks and potential climate-related opportunities

Box 12: Draft ESRS E4 Biodiversity and ecosystems (Selection)[131]

General disclosures

- Transition plan on biodiversity and ecosystems
- Material impacts, risks and opportunities and their interaction with strategy and business model(s)
- Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities

Impact, risk and opportunity management

- Policies related to biodiversity and ecosystems
- Actions and resources related to biodiversity and ecosystems

Metrics and targets

- Targets related to biodiversity and ecosystems
- Impact metrics related to biodiversity and ecosystems change
- Potential financial effects from biodiversity and ecosystem-related impacts, risks and opportunities

4.3.3. EU Corporate Sustainability Due Diligence Directive (CS3D)

The European Commission has adopted a proposal for a Corporate Sustainability Due Diligence Directive (CS3D). The aim of this directive is to “foster sustainable and responsible corporate behavior in companies’ operations and across their global value chains.”[132]

The Directive “establishes a corporate due diligence duty. The core elements of this duty are identifying and addressing potential and actual adverse human rights and environmental impacts in the company’s own operations, their subsidiaries and, where related to their value chain(s), those of their business partners.”[133]

The Directive applies to all EU companies with a global turnover of more than EUR €450 million, as well as non-EU companies with a turnover in the EU of more than EUR €450 million. It does not initially cover FIs but there is a provision to prepare a report within two years of the directive coming into force that assesses the need for due diligence requirements for the finance sector. If it were to recommend the inclusion of the finance sector, it would have profound implications for the risk assessment and disclosure of deforestation-related issues for FIs. In the meantime, the directive should help FIs by providing legally binding information from large companies on their due diligence for their commodity supply chains.

4.3.4. US Securities and Exchange Commission (SEC)

The SEC has finalized a rule for the Enhancement and Standardization of Climate-Related Disclosures for Investors.[134] The rule broadly uses concepts from the TCFD and the GHG Protocol, although it diverges from both of those frameworks in certain respects where necessary for US markets and registrants and to achieve specific investor protection and capital formation goals. The rule also applies to FI investment and lending portfolios.

Disclosure requirements include, among others:

- Climate-related risks that have had or are reasonably likely to have a material impact on the registrant’s business strategy, results of operations or financial condition;
- The actual and potential material impacts of any identified climate-related risks on the registrant’s strategy, business model and outlook;
- Specified disclosures regarding a registrant’s activities, if any, to mitigate or adapt to a material climate-related risk, including the use, if any, of transition plans, scenario analysis or internal carbon prices;
- Any processes the registrant has for identifying, assessing and managing material climate-related risks;
- Information about a registrant’s climate-related targets or goals, if any, that have materially affected or are reasonably likely to materially affect the registrant’s business, results of operations or financial condition.

As in the cases examined above, FIs can and should integrate deforestation-related risks and opportunities into US SEC-compliant climate-related disclosure.

4.3.5. Mandatory transition plans

Transition plans are rapidly becoming mandatory for the largest global companies. In the EU, the CSRD[135] requires companies to disclose a transition plan if they have one or to explain why they don’t have one. The forthcoming Corporate Sustainability Due Diligence Directive (CS3D)[136] includes mandatory transition plan requirements for large companies.

ISSB's IFRS S2 standard requires that “an entity shall disclose information that enables users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans.”[137]

The UK launched the TPT at the 26th United Nations Climate Change Conference (COP26) in November 2021 as part of its plans to become the world’s first net-zero emissions financial center. The UK also committed to making the publication of transition plans mandatory, although the current government has thus far declined to follow the House of Commons Environmental Audit

Select Committee's recommendations to introduce mandatory transition plans for the largest companies.

Other jurisdictions, including the US, Japan, Brazil, Singapore, Hong Kong, Australia and New Zealand, are all proposing or implementing requirements for transition plan disclosure.

The TPT launched its guidance on transition plans for companies in October 2023. It provides specific advice on how to integrate nature, the just transition and adaptation. From November 2023, deep dive guidance notes for key sectors, including asset managers, asset owners and banks,[138] provide some recommendations on integrating deforestation and land-use change into the plans and potential trade-offs with climate actions. For example, Box 13 discusses guidance for asset managers on considering adverse impacts for the natural environment.

Box 13: Excerpt from the TPT Asset Managers Transition Guidance[139]

"The investing activities arising from an Asset Manager's transition plan may impact and depend upon the natural environment and many of the ecosystem services it provides. For example, an Asset Manager may increase investment in the Food & Beverage sector, which is currently the primary driver of nature and biodiversity loss. While this may support its climate objectives, without proper stewardship, due diligence and engagement with the value chain, such an increase may create adverse impacts for the natural environment by increasing pressure for land-use change (including deforestation), use of natural resources (such as freshwater) and pollution from fertilizers. At the same time, an Asset Manager's transition plan may also depend on the natural environment, particularly given that, in the case of the UK, nearly half of the company value traded on the London Stock Exchange is highly or moderately dependent on nature."

When considering the integration of deforestation and land-use change into transition plans, FIs should follow guidance from sources including the GHG Protocol and the Science Based Targets initiative (SBTi). SBTi's guidance for FIs includes recommendations on the inclusion of land-use change emissions in their targets (Box 14).

Box 14: Excerpt from SBTi Criteria and Recommendations for Financial Institutions[140]

"When relevant, financial institutions are encouraged to account for direct land-use change emissions and include them in their target boundary. Financial institutions seeking to implement mitigation actions aimed at reducing land-use change as part of their SBTs (e.g., through preventing deforestation from their supply chains) should include land-use change emissions in their base year inventory. Since methods to calculate land-use change can differ widely and there is currently no standardized method recognized under the GHG Protocol, companies should disclose the method used to calculate these impacts in their GHG inventory. Financial institutions with indirect land use emissions can report these separately alongside the inventory and similarly disclose the method used to calculate these impacts."

The GHG Protocol is developing guidance on the Land Sector and Removals – with a publishing date in 2025 – to explain how companies should account for and report on GHG emissions and removals from land management, land-use change, biogenic products, carbon dioxide removal technologies and related activities in GHG inventories, building on the Corporate Standard and Scope 3 Standard.[141] The Draft for Pilot Testing and Review is now available.[142]

Finally, WBCSD has recently developed guidance on setting climate targets for their agriculture and food portfolios specifically for banks, aligned with guidance from United Nations Environment Programme Finance Initiative (UNEP-FI), SBTi and the GHG Protocol. In the absence of agreed methodologies to calculate land-use based emissions, the report includes recommendations on action-based targets on deforestation. Although the guidance is not publicly available, WBCSD can provide it upon request.[143]

In disclosing how they have accounted for land-use change in their transition plans, FIs should mention the relevant guidance they have considered and follow the recommendations included therein.

Ideally, for AFOLU portfolio activities, FIs should move towards integrated TCFD-TNFD disclosure and transition plans to help drive holistic thinking, take into consideration synergies and trade-offs between climate and nature actions and provide a clearer overall strategy for risk management and for a net-zero and nature-positive journey. This process can also provide an opportunity to integrate human rights and other social issues into risk assessment and management processes.

For this to happen, standard setters should take the lead but FIs can already take steps in this direction following available guidance. For example, the upcoming GFANZ guidance on integrating nature in climate transition plans will include recommendations on social aspects linked to indigenous people.

5. Conclusions

This guide discusses how FIs can prepare for or improve disclosure on deforestation and other land-use change risks in their portfolios and on the role of nature in their net-zero transition plans. As solid disclosure depends on reliable and sufficient data and clear methodologies, FIs still face a number of challenges, which we describe below, and options to overcome them. The final section of this guide summarizes the key messages through four actionable steps that FIs can start implementing today.|

5.1. Remaining challenges

While a number of FIs have made good progress in assessing, managing and disclosing the risks and opportunities associated with deforestation and land-use change, some important challenges remain, as discussed below.

Difficulties with deforestation and land-use change attribution at a company level

It can be difficult to attribute specific instances of deforestation and land-use change to a particular company. This is particularly true for downstream companies, where most FIs have exposure, due to decreasing transparency and traceability of supply chains at that level. This creates complexity for FI risk assessment and management, the measurement of quantitative metrics and tracking progress. However, even companies with complex supply chains can, in many cases, report the proportion of their supply of various high-risk commodities that they know is deforestation free. FIs can demand this level of granularity from their clients, asking what proportion of the commodities are known to be from land that upstream actors have not cleared since 2020. When this is not possible, publicly available data and tools are generally adequate to make educated guesses.

Nascent emissions accounting methodology for deforestation and land-use change

Part of the difficulty in fully integrating deforestation and land-use change into climate-related financial disclosure and net-zero targets is the lack of a clear methodology for emissions calculations. There is, however, more consensus on how to assess the actual land-use change (such as with satellite images) or whether value chains are deforestation-free (see for example Target 1 of the Science Based Target Network's targets for land).[144] Monitoring and disclosing financed deforestation or the extent to which their clients' value chains are deforestation-free is a reasonable first step for FIs. Once the forthcoming *GHG Protocol* guidance clarifies the accepted methodologies for the conversion of land-use change to emissions, full integration of deforestation risks into climate-related financial disclosure will be possible, as well as the setting of emissions reduction targets linked to reduced deforestation and other land-use interventions, according to SBTi guidance.

Lack of integrated climate and nature disclosure frameworks

Standard setters and, in turn, FIs so far have mostly addressed climate- and nature-related risks and opportunities as separate issues. This has not facilitated the integration of deforestation risks in climate disclosures, nor has it enabled an appreciation of the role of nature in achieving climate goals. This is beginning to change, with ISSB looking at nature issues and GFANZ and the UK's TPT working to integrate nature-related considerations into their transition planning guidance. FIs can take the first steps towards integration, for instance by promoting discussions between nature and climate teams, while closely following these developments.

5.2. Take action now

Despite some remaining challenges, FIs can take immediate action to assess and reduce deforestation risks in their portfolios and track and disclose progress. The following four steps can help FIs take action and disclose according to stakeholders' expectations.

STEP 1: Adopt a deforestation-free finance guidance and join collaborative finance sector initiatives

Following existing step-by-step guidance for FIs, for example the *Deforestation-free Finance Roadmap*[145] or *Making Deforestation Due Diligence Work in Practice*[146] can greatly help FIs create a due diligence process that will minimize financed deforestation and land-use change in portfolios. FIs can also consult specific guidance to navigate available risk assessment tools, such as the 2023 FFRC report.[147] Existing collaborative initiatives, for instance FSDA and FFRC, can support FIs in engaging with companies, policymakers and standard setters to drive action and provide a more powerful voice to enact industry-wide/sectoral change. FIs can benefit from learning from their peers, who are publicly sharing their journey to address deforestation and land-use change through policies for forest-risk commodities, risk assessment, due diligence protocols and engagement in collaborative initiatives.[148]

STEP 2: Disclose annually through deforestation-specific disclosure

Deforestation-specific disclosure maximizes transparency on exposure to deforestation and on the actions that FIs are adopting to achieve deforestation-free portfolios. FIs can choose to disclose, for example, through the CDP platform, which includes specific questions and metrics for FIs on deforestation, or through company sustainability reports, following disclosure guidance and adopting recommended metrics from the *Deforestation-free Finance Roadmap.*[149]

STEP 3: Integrate deforestation into climate- and nature-related financial disclosure and transition plans

FIs can use the information in this guide to understand how to best integrate deforestation into climate- and nature-related disclosure, while following progress on normative guidance, such as in the forthcoming *GHG Protocol Guidance* or by ISSB. This integration will help FIs, as well as their investors and other stakeholders, to fully capture the contribution of financed deforestation to climate- and nature-related risks. The inclusion of actions to reduce financed deforestation into transition plans can also add transparency on the FIs' path to net-zero emissions.

STEP 4: Work towards holistic disclosure

FIs can pilot integrated TCFD-TNFD disclosure and transition plans to help drive holistic thinking, take into consideration synergies and trade-offs between climate and nature actions and provide a clearer overall strategy for risk management and the net-zero and nature-positive journey. This process can also provide an opportunity to integrate human rights and other social issues into risk assessment and management processes.

Acronyms

Accountability Framework initiative (AFi)
Agriculture, Forestry and Other Land Use (AFOLU)
EU Corporate Sustainability Due Diligence Directive (CS3D)
EU Corporate Sustainability Reporting Directive (CSRD)
EU Sustainable Finance Disclosure Regulation (SFDR)
European Sustainability Reporting Standards (ESRS)
European Union (EU)
Exploring Natural Capital Opportunities, Risks and Exposure tool (ENCORE)
Finance Sector Deforestation Action (FSDA)
Financial institutions (FIs)
Food and Agriculture Organization of the United Nations (FAO)
Forest Finance Risk Consortium (FFRC)
Finance Sector Deforestation Action (FSDA)
Glasgow Financial Alliance for Net Zero (GFANZ)
Greenhouse Gas Protocol (GHG Protocol)
Gross domestic product (GDP)
Integrated Biodiversity Assessment Tool (IBAT)
Intergovernmental Panel on Climate Change (IPCC)
International Financial Reporting Standards (IFRS)

- IFRS Sustainability reporting 1 (IFRS S1)
- IFRS Climate-related Disclosures 2 (IFRS S2)

International Sustainability Standards Board (ISSB)
Kunming-Montreal Global Biodiversity Framework (GBF)
Net-Zero Banking Alliance (NZBA)
Principal adverse impacts (PAI)
Principles for Responsible Investment (PRI)
Science-based targets (SBT)
Science Based Targets initiative (SBTi)
Science Based Targets initiative Forest Land and Agriculture (SBTi FLAG)
Science Based Targets Network (SBTN)
Species Threat Abatement and Restoration metric (STAR)
Task Force on Climate-related Financial Disclosures (TCFD)
Taskforce on Nature-related Financial Disclosure (TNFD)
Transition Plan Taskforce of the UK (TPT)
United States Securities and Exchange Commission (SEC)
World Business Council for Sustainable Development (WBCSD)

Endnotes

[1] Intergovernmental Panel on Climate Change (2020). *Climate Change and Land: Summary for Policymakers.* Global models estimate net CO_2 emissions of 5.2 ± 2.6 $GtCO_2$ yr-1 (likely range) from land use and land-use change during 2007–2016. These net emissions are mostly due to deforestation, partly offset by afforestation/reforestation and emissions and removals by other land-use activities (very high confidence). Retrieved from: https://www.ipcc.ch/site/assets/uploads/sites/4/2020/02/SPM_Updated-Jan20.pdf.

[2] The Royal Society. How do humans affect biodiversity? Retrieved from: https://royalsociety.org/news-resources/projects/biodiversity/human-impact-on-biodiversity/#:~:text=The%20main%20direct%20cause%20of,timber%20which%20drives%20around%2020%25.

[3] Task Force on Climate-related Financial Disclosures (TCFD). Homepage. Retrieved from: https://www.fsb-tcfd.org/.

[4] Taskforce on Nature-related Financial Disclosures (TNFD). Homepage. Retrieved from: https://tnfd.global/.

[5] C. Smith, J.C.A. Baker, D.V. Spracklen. (2023). *Tropical deforestation causes large reductions in observed precipitation. Retrieved from:* https://www.nature.com/articles/s41586-022-05690-1.

[6] World Wide Fund for Nature. Why Forests are so Important. Retrieved from: https://wwf.panda.org/discover/our_focus/forests_practice/importance_forests/.

[7] CDP (2023). *CDP 2023 Disclosure Data Factsheet.* Retrieved from: https://www.cdp.net/en/companies/cdp-2023-disclosure-data-factsheet.

[8] CDP (2023). *Nature in Green Finance: Bridging the gap in environmental reporting.* Retrieved from: https://www.cdp.net/en/research/global-reports/financial-services-disclosure-report-2022.

[9] WBCSD and World Resources Institute (WRI). *Greenhouse Gas Protocol (GHG Protocol)*. Retrieved from: https://ghgprotocol.org/.

[10] International Sustainability Standards Board (ISSB). Homepage. Retrieved from: https://www.ifrs.org/.

[11] International Sustainability Standards Board (2023). IFRS S2 – IFRS Sustainability Disclosure Standard. Industry-based Guidance on implementing Climate-related Disclosures. Retrieved from: https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-b/ifrs-s2-ibg.pdf.

[12] Transition Plan Taskforce (TPT). Sector Guidance. Retrieved from: https://transitiontaskforce.net/sector-guidance/.

[13] Global Canopy. *Deforestation-Free Finance Roadmap*. Retrieved from: https://guidance.globalcanopy.org/roadmap/.

[14] International Financial Reporting Standards (IFRS) (2023). IFRS S2 – IFRS Sustainability Disclosure Standard: Industry-based Guidance on implementing Climate-related Disclosures. Retrieved from: https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-b/ifrs-s2-ibg.pdf.

[15] CDP. Homepage. Retrieved from: https://www.cdp.net/en.

[16] EU Sustainable Finance Disclosure Regulation (SFDR). EU Regulatory reporting. Retrieved from: https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en.

[17] EU Corporate Sustainability Reporting Directive (CSRD). EU Regulatory reporting. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464.

[18] European Commission (2024). Corporate sustainability due diligence. Retrieved from: https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en#what-are-the-obligations-for-companies.

[19] United States Securities and Exchange Commission (SEC) reporting requirements. Regulatory Reporting. Retrieved from: https://www.sec.gov/resources-small-businesses/going-public/exchange-act-reporting-registration.

[20] WBCSD and Global Canopy have entered into a partnership to develop a "Deforestation-free Finance" platform for launch in 2025. This platform provides a curated selection of resources tailored to support financial institutions in assessing, managing, disclosing and eliminating deforestation and land-use change risks from their portfolios.

[21] Finance Sector Deforestation Action initiative (FSDA). Homepage. Retrieved from: https://climatechampions.unfccc.int/system/nature-and-tackling-deforestation/#:~:text=Launched%20at%20COP26%2C%20Finance%20Sector%20Deforestation%20Action%20%28FSDA%29,in%20their%20investment%20and%20lending%20portfolios%20by%202025.

[22] WBCSD's Forest Finance Risk Consortium (FFRC). Homepage. Retrieved from: https://www.wbcsd.org/actions/forest-finance-risk-consortium/.

[23] Wit, E. de, Thornton-Dibb, M. Pollock, A., Kampouridi, J. (2024). *Review of climate-related financial disclosure regimes around the world*. Norton Rose Fulbright. Retrieved from: https://www.nortonrosefulbright.com/en/knowledge/publications/9261bbcf/review-of-climate-related-financial-disclosure-regimes-around-the-world.

[24] United Nations Environment Programme (UNEP). Net-Zero Banking Alliance. Retrieved from: https://www.unepfi.org/net-zero-banking/#:~:text=Over%20130%20banks%20have%20committed,Explore%20their%20targets.

[25] Net Zero Asset Managers Initiative. Asset Manager Commitment. Retrieved from: https://www.netzeroassetmanagers.org/signatories/#:~:text=More%20than%20315%20asset%20managers,alignment%20by%202050%20or%20sooner.

[26] Intergovernmental Panel on Climate Change (IPCC) (2020). *Climate Change and Land. Summary for Policymakers.* Retrieved from: https://www.ipcc.ch/site/assets/uploads/sites/4/2020/02/SPM_Updated-Jan20.pdf.

[27] Our World in Data (2024). *Deforestation and Forest Loss.* Retrieved from: https://ourworldindata.org/deforestation.

[28] CDP (2023). A significant gap remains in forest and water-related metrics…Only 13% of FIs reported that they measure their portfolio impacts on either one or both themes. Retrieved from: https://www.cdp.net/en/companies/cdp-2023-disclosure-data-factsheet.

[29] WBCSD and Global Canopy have entered in a partnership to develop a "Deforestation-free Finance" platform for launch in 2025. This platform provides a curated selection of resources tailored to support financial institutions in assessing, managing, disclosing and eliminating deforestation and land-use change risks from their portfolios.

[30] WBCSD's Forest Finance Risk Consortium (FFRC) (2023*). Deforestation-free Finance: a guide on tools and frameworks for financial institutions.* Retrieved from: https://www.wbcsd.org/wp-content/uploads/2023/09/Deforestation-free-finance-a-guide-on-tools-and-frameworks-for-financial-institutions.pdf.

[31] International Financial Reporting Standards (IFRS) (2023). *IFRS S2 Climate-related Disclosures*. Retrieved from: https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/#:~:text=The%20objective%20of%20IFRS%20S2%20is%20to%20require,decisions%20relating%20to%20providing%20resources%20to%20the%20entity.

[32] Taskforce on Nature-related Financial Disclosures (TNFD). Homepage. Retrieved from: https://tnfd.global/.

[33] Accountability Framework Initiative (AFi). *Deforestation and Conversion Accountability Framework*. Retrieved from https://accountability-framework.org/.

[34] Food and Agriculture Organization of the United Nations (FAO) (2020). *Global Forest Resources Assessment 2020: Terms and Definitions.* Retrieved from https://www.fao.org/forest-resources-assessment/en/

[35] Food and Agriculture Organization of the United Nations (FAO) (2020). *Global Forest Resources Assessment 2020*. Retrieved from https://www.fao.org/forest-resources-assessment/en/

[36] World Wildlife Fund (2022). *Living Amazon Report 2022.* Retrieved from: https://wwfint.awsassets.panda.org/downloads/lar__ingles_23_dic_2022.pdf

[37] Intergovernmental Panel on Climate Change (IPCC) (2019*). Land Use, Land-Use Change, and Forestry*. Retrieved from https://www.ipcc.ch/report/land-use-land-use-change-and-forestry/.

[38] Convention on Biological Diversity (CBD) (2022). *GLOSSARY FOR THE FIRST DRAFT OF THE POST-2020 GLOBAL BIODIVERSITY FRAMEWORK*. Retrieved from: https://www.cbd.int/doc/c/e2dd/6b6c/eaa4784e9111c58d6fd787ae/wg2020-04-02-en.pdf. This glossary says that "land-use change includes the conversion of land cover (e.g. deforestation or mining), changes in the management of the ecosystem or agro-ecosystem (e.g. through the intensification of agricultural management or forest harvesting) or changes in the spatial configuration of the landscape (e.g. fragmentation of habitats)."

[39] World Economic Forum (2024) *The Cerrado: Production and Protection*. Retrieved from: https://www3.weforum.org/docs/WEF_Sustainable_Transition_Cerrado_2024.pdf.

[40] Intergovernmental Panel on Climate Change (IPCC) (2019). Summary for Policymakers. In: *Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems*. Cambridge University Press; 2022:1-36. Retrieved from: https://doi.org/10.1017/9781009157988.001.

[41] Intergovernmental Panel on Climate Change (2020). *Climate Change and Land: Summary for Policymakers.* Retrieved from: https://www.ipcc.ch/site/assets/uploads/sites/4/2020/02/SPM_Updated-Jan20.pdf. Global models estimate net CO_2 emissions of 5.2 ± 2.6 $GtCO_2$ yr-1 (likely range) from land use and land-use change during 2007–2016. These net emissions are mostly due to deforestation, partly offset by afforestation/reforestation, and emissions and removals by other land-use activities (very high confidence).

[42] The Royal Society. Reversing Biodiversity Loss. Retrieved from: https://royalsociety.org/news-resources/projects/biodiversity/human-impact-on-biodiversity/#:~:text=The%20main%20direct%20cause%20of,timber%20which%20drives%20around%2020%25.

[43] World Wide Fund for Nature (2023). *Forest Pathways Report 2023.* Retrieved from: https://www.wwf.org.uk/sites/default/files/2023-10/WWF-Forest-Pathways-Report-2023.pdf.

[44] United Nations Climate Change Conference (COP28) United Arab Emirates (2023). United for Nature: COP28 mobilizes action to protect and restore forests, mangroves, land and ocean. Retrieved from: https://www.cop28.com/en/news/2023/12/United-for-Nature-COP28-mobilizes-action-to-protect.

[45] International Union for Conservation of Nature (2021). Forests and climate change. Retrieved from: https://www.iucn.org/resources/issues-brief/forests-and-climate-change.

[46] Global Landscapes Forum (2022). *Forest-based adaptation: transformational adaptation through forests and trees*. Retrieved from: https://www.globallandscapesforum.org/publication/forest-based-adaptation-adaptation-through-forests-and-trees/#:~:text=Forest%2Dbased%20adaptation%20is%20an,and%20restoration%2C%20reforestation%20and%20afforestation.

[47] United Nations Climate Change Conference (COP28) United Arab Emirates (2023). COP28 Joint Statement on Climate, Nature and People. Retrieved from: https://www.cop28.com/en/joint-statement-on-climate-nature.

[48] C. Smith, J.C.A. Baker, D.V. Spracklen. (2023). *Tropical deforestation causes large reductions in observed precipitation. Retrieved from:* https://www.nature.com/articles/s41586-022-05690-1

[49] World Wide Fund for Nature. Why Forests are so Important. Retrieved from: https://wwf.panda.org/discover/our_focus/forests_practice/importance_forests/.

[50] International Financial Reporting Standards (IFRS) (2023). *IFRS S2 – IFRS Sustainability Disclosure Standard: Industry-based Guidance on implementing Climate-related Disclosures*. Retrieved from: https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-b/ifrs-s2-ibg.pdf.

[51] International Financial Reporting Standards (IFRS) (2023). *Educational Material – Nature and social aspects of climate-related risks and opportunities*. Retrieved from: https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/issb-naturesocialaspectsofclimate-relatedrisks-dec2023.pdf.

[52] International Financial Reporting Standards (IFRS) (2024). ISSB to commence research projects about risks and opportunities related to nature and human capital. Retrieved from: https://www.ifrs.org/news-and-events/news/2024/04/issb-commence-research-projects-risks-opportunities-nature-human-capital/.

[53] Transition Plan Taskforce (TPT) (2022). *A Sector-Neutral Framework for private sector transition plans; Call for Evidence.* Defines a transition plan as a plan that sets out how an organization will adapt as the world transitions towards a low carbon economy. Retrieved from: https://transitiontaskforce.net/wp-content/uploads/2022/05/TPT_Call_for_Evidence.pdf#:~:text=In%20the%20Fact%20Sheet%3A%20Net%20Zero-aligned%20Financial%20Centre%2C,the%20world%20transitions%20towards%20a%20low%20carbon%20economy.

[54] Transition Plan Taskforce. Sector Guidance. Retrieved from: https://transitiontaskforce.net/sector-guidance/.

[55] Transition Plan Taskforce (2024). *The Future for Nature in Transition Planning*. Retrieved from: https://transitiontaskforce.net/wp-content/uploads/2024/04/The-Future-for-Nature.pdf.

[56] European Union. Seven commodities – palm oil, cattle, soy, coffee, cocoa, timber and rubber as well as derived products (such as beef, furniture, or chocolate) are included in the scope of the EU Deforestation Regulation. They have been chosen on the basis of a thorough Impact Assessment identifying them as the main driver of deforestation due to agricultural expansion. Retrieved from: https://green-business.ec.europa.eu/deforestation-regulation-implementation/scope_en#:~:text=Seven%20commodities%20%2D%20palm%20oil%2C%20cattle,the%20scope%20of%20the%20Regulation.

[57] Food and Agriculture Organization of the United Nations (FAO) (2020). FAO's new global Remote Sensing Survey confirms a slowdown in global deforestation and shows that the impact of agricultural expansion on forests is even greater than previously thought, driving almost 90 percent of global deforestation. Retrieved from: https://openknowledge.fao.org/server/api/core/bitstreams/fe22a597-a39d-4765-8393-95fbcaed6416/content.

[58] European Commission (2023). Regulation on Deforestation-free products (EUDR). Retrieved from: https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en. This regulation requires any operator or trader who places these commodities on the EU market, or exports from it, to be able to prove that the products do not originate from recently deforested land or have contributed to forest degradation.

[59] Department for Environment, Food & Rural Affairs, Natural England and The Rt Hon Steve Barclay MP (2023). Supermarket essentials will no longer be linked to illegal deforestation Government of the United Kingdom. Compared to the EUDR which has entered into force, the UK regime still hasn't been implemented. It requires important secondary legislation before entering into force and it's currently unclear when such legislation will be considered. Retrieved from: https://www.gov.uk/government/news/supermarket-essentials-will-no-longer-be-linked-to-illegal-deforestation.

[60] CBD (2022). Decision Adopted by the Conference of the Parties to the Convention on Biological Diversity, Target 1. Retrieved from: https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf.

[61] CBD (2022). Decision Adopted by the Conference of the Parties to the Convention on Biological Diversity, Target 15. Retrieved from: https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf.

[62] CDP (2023). Over 1600 non-disclosing high-impact companies urged to share environmental data by nearly 300 leading financial institutions. Retrieved from: https://www.cdp.net/en/articles/investor/over-1600-non-disclosing-high-impact-companies-urged-to-share-environmental-data-by-nearly-300-leading-financial-institutions.

[63] The Investor Agenda (2023). *Investor Action Plans: Expectations Ladder.* Retrieved from: https://theinvestoragenda.org/wp-content/uploads/2021/05/expectations-ladder.pdf.

[64] EU Sustainable Finance Disclosure Regulation (SFDR). Sustainability-related disclosure in the financial services sector, identifies how financial market participants and financial advisors have to communicate sustainability information to investors. Retrieved from: https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en.

[65] EU Corporate Sustainability Reporting Directive (CSRD). EU Regulatory reporting. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464.

[66] United States Securities and Exchange Commission (SEC) reporting requirements. Regulatory Reporting. Retrieved from: https://www.sec.gov/resources-small-businesses/going-public/exchange-act-reporting-registration.

[67] UK Mandatory climate-related financial disclosures. Regulatory Reporting. Retrieved from: https://www.gov.uk/government/publications/climate-related-financial-disclosures-for-companies-and-limited-liability-partnerships-llps.

[68] Task Force on Climate-Related Financial Disclosures (TCFD) (2023). Concurrent with the release of its 2023 status report on 12 October 2023, the TCFD has fulfilled its remit and disbanded. The FSB has asked the IFRS Foundation to take over the monitoring of the progress of companies' climate-related disclosures. Retrieved from: https://www.fsb-tcfd.org/.

[69] Taskforce on Nature-related Financial Disclosures (TNFD). Homepage. Retrieved from: https://tnfd.global/.

[70] CDP (2023). *CDP 2023 disclosure data factsheet.* Retrieved from: https://www.cdp.net/en/companies/cdp-2023-disclosure-data-factsheet

[71] Net Zero Banking Alliance (NZBA). Frequently asked questions. Retrieved from: https://www.unepfi.org/net-zero-banking/commitment/frequently-asked-questions.

[72] Principles for Responsible Investment (PRI) (2023). *Public Transparency Report.* Retrieved from: https://www.lazardassetmanagement.com/docs/-m0-/54796/PRITransparencyReport.pdf.

[73] HM Government (2024). *Sustainability Disclosure Requirements: Implementation Update 2024.* Retrieved from: https://assets.publishing.service.gov.uk/media/66505ba9adfc6a4843fe04e5/Sustainability_Disclosure_Requirements__SDR__Implementation_Update_2024.pdf. According to the requirements: 1.11 Given the overlap between IFRS S2 and the TPT Disclosure Framework, the FCA [Financial Conduct Authority] plans, through its consultation on implementing UK-endorsed ISSB standards, to consult on strengthening its expectations for transition plan disclosures with reference to the TPT Disclosure Framework. 1.12 Given the important role of transition planning across the economy, the Government will consult shortly on how the UK's largest companies can most effectively disclose their transition plans, meeting a key commitment of last year's Green Finance Strategy.

[74] International Financial Reporting Standards (IFRS) (2024). Jurisdictions representing over half the global economy by GDP take steps towards ISSB Standards. Retrieved from: https://www.ifrs.org/news-and-events/news/2024/05/jurisdictions-representing-over-half-the-global-economy-by-gdp-take-steps-towards-issb-standards/#:~:text=Jurisdictions%20representing%20over%20half%20the%20global%20economy%20by%20gross%20domestic,with%20those%20of%20the%20ISSB.

[75] International Financial Reporting Standards (IFRS) (2024). Jurisdictions representing over half the global economy by GDP take steps towards ISSB Standards. Retrieved from: https://www.ifrs.org/news-and-events/news/2024/05/jurisdictions-representing-over-half-the-global-economy-by-gdp-take-steps-towards-issb-standards/#:~:text=Jurisdictions%20representing%20over%20half%20the%20global%20economy%20by%20gross%20domestic,with%20those%20of%20the%20ISSB.

[76] European Sustainability Reporting Standards (ESRS) (2023). Commission delegated regulation. from: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=PI_COM:C(2023)5303.

[77] Government of China. Chapter I. General provisions – Annex 1 Corporate Sustainability Disclosure Guidelines - Basic Guidelines (Exposure Draft). Retrieved from: https://kjs.mof.gov.cn/gongzuotongzhi/202405/P020240527389900277139.pdf.

[78] Global Canopy. *Finance Sector Roadmap*. Retrieved from: https://guidance.globalcanopy.org/roadmap/.

[79] Accountability Framework initiative. Homepage. Retrieved from: https://accountability-framework.org/.

[80] Climate & Company, AP2, Global Canopy (2024). *Making Deforestation Due Diligence Work in Practice.* Retrieved from: https://guidance.globalcanopy.org/wp-content/uploads/2024/07/Making-Deforestation-Due-Diligence-Work-in-Practice_Climate-Company_AP2_Global-Canopy_07-2024.pdf.

[81] For example: World Wildlife Fund (2022). *Seeing the Forest for the Trees.* Retrieved from: https://www.dcffinance.org/.

[82] United Nations Framework Convention on Climate Change (2021). *Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation.* This statement is endorsed by over 30 financial institutions representing c. (US) $8.7 trillion in assets. Retrieved from: https://racetozero.unfccc.int/wp-content/uploads/2021/11/DFF-Commitment-Letter-.pdf.

[83] Forest Finance Risk Consortium. Homepage. Retrieved from: https://www.wbcsd.org/actions/forest-finance-risk-consortium/

[84] For example: Global Canopy (2024). Aviva case study: Tackling deforestation – a central part of our climate and biodiversity efforts. Retrieved from: https://globalcanopy.org/insights/case-study/aviva-case-study-tackling-deforestation-a-central-part-of-our-climate-and-biodiversity-efforts/#:~:text=We%20found%20that%2026%25%20of,deforestation%20via%20their%20supply%20chains.

[85] CDP. CDP's alignment with disclosure frameworks and standards. Retrieved from: https://www.cdp.net/en/2024-disclosure/disclosure-frameworks-and-standards.

[86] CDP. CDP provides companies, Capital Market Signatories, states and regions with opportunities to measure and manage their forest-related dependencies, impacts, risks and opportunities by assessing and publicly reporting progress. Retrieved from: https://www.cdp.net/en/forests

[87] CDP (2024). *Corporate Disclosure. Key changes for 2024: Part 1.* Retrieved from: https://cdn.cdp.net/cdp-production/comfy/cms/files/files/000/008/933/original/CDP_2024_corporate_disclosure_framework_-_headline_changes.pdf.

[88] CDP (2024). *Corporate Disclosure. Key Changes for 2024: Part I.* Retrieved from: https://cdn.cdp.net/cdp-production/comfy/cms/files/files/000/008/933/original/CDP_2024_corporate_disclosure_framework_-_headline_changes.pdf.

[89] CDP (2024). CDP 2024 Questionnaire Question 12.1.3. Retrieved from: https://myportal.cdp.net/guidance/questionnaire?tags=2e537eb4-9abf-471d-b5de-5921e10d001a%2C04d619ea-950f-4793-aff7-dc666b9131ac%2Cc89c7589-9eb5-e711-90fd-0050569c58ee%2Cc88c4e7a-9fb5-e711-90fd-0050569c58ee%2Cf5743eb4-9fb5-e711-90fd-0050569c58ee%2C21138897-9fb5-e711-90fd-0050569c58ee%2C33dbddec-9a35-440b-b4c8-5c34e70d8d06%2C3397cf87-9fb5-e711-90fd-0050569c58ee%2C96e5cb8a-c8ff-474c-b71b-581d1c7593a6%2C98442342-e28a-47ea-add5-4dd9d8468ae1&outputType=REPORTING&type=CORPORATE.

[90] CDP. CDP 2024 Questionnaire Question 12.1.3. Retrieved from: https://myportal.cdp.net/guidance/questionnaire?tags=2e537eb4-9abf-471d-b5de-5921e10d001a%2C04d619ea-950f-4793-aff7-dc666b9131ac%2Cc89c7589-9eb5-e711-90fd-0050569c58ee%2Cc88c4e7a-9fb5-e711-90fd-0050569c58ee%2Cf5743eb4-9fb5-e711-90fd-0050569c58ee%2C211388.

[91] Global Canopy. *Finance Sector Roadmap*. Retrieved from: https://guidance.globalcanopy.org/roadmap/.

[92] Taskforce on Climate-related Financial Disclosures (TCFD). Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks. Retrieved from: https://www.tcfdhub.org/risk-management/.

[93] Climate & Company, AP2 and Global Canopy (2024). Making Deforestation Due Diligence Work in Practice: A Practical Methodology & Implementation Guidance for Financial Institutions. Retrieved from: https://guidance.globalcanopy.org/wp-content/uploads/2024/07/Making-Deforestation-Due-Diligence-Work-in-Practice_Climate-Company_AP2_Global-Canopy_07-2024.pdf.

[94] United Nations Environment Programme (UNEP), United Nations Environment Programme (UNEP) Finance Initiative, WCMC, Global Canopy. Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE). Retrieved from: https://www.encorenature.org/.

[95] Global Canopy Forest 500. A decade of ranking the most influential companies driving tropical deforestation. Retrieved from: https://forest500.org/.

[96] CDP. Forests. Retrieved from: https://www.cdp.net/en/forests.

[97] WBCSD's Forest Finance Risk Consortium (2023). *Deforestation-free Finance: A guide on tools and frameworks for financial institutions.* Retrieved from: https://wbcsd.org/wp-content/uploads/2023/09/Deforestation-free-finance-a-guide-on-tools-and-frameworks-for-financial-institutions.pdf.

[98] Forest IQ. Homepage. Retrieved from: https://forestiq.org/.

[99] Trase. Homepage. Retrieved from: https://trase.earth/.

[100] CDP. Forests. Retrieved from: https://www.cdp.net/en/forests.

[101] Storebrand (2020). *Deforestation tools assessment and gap analysis: How investors can manage deforestation risk*. Retrieved from: https://www.storebrand.no/en/asset-management/sustainable-investments/active-ownership/an-introduction-to-how-investors-can-manage-deforestation-risk/_/attachment/inline/6eb0a349-027e-47f1-8d33-630af0e0eb23:d156c55f96906cc3147eeb51eb4e07a1c2344653/Deforestation_tools_assessment.pdf.

[102] CDP (2024). *CDP Industry Impact Classification 2024 Methodology*. Retrieved from: https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/004/964/original/CDP-Industry-Impact-Classification.pdf?1713256538.

[103] Climate & Company, AP2 and Global Canopy (2024). *Making Deforestation Due Diligence Work in Practice: A Practical Methodology & Implementation Guidance for Financial Institutions*. Retrieved from: https://guidance.globalcanopy.org/wp-content/uploads/2024/07/Making-Deforestation-Due-Diligence-Work-in-Practice_Climate-Company_AP2_Global-Canopy_07-2024.pdf.

[104] For example: FIs can consider the Forest 500's scoring of companies, which attributes a high weight to implementation of a company's no-deforestation policy. Retrieved from: https://forest500.org/analysis/insights/how-are-forest-500-companies-scores-calculated/

[105] Global Forest Watch Pro. Homepage. Retrieved from: https://pro.globalforestwatch.org/.

[106] For example: Storebrand (2023). *Our progress on nature and climate*. Retrieved from: https://www.storebrand.com/sam/international/asset-management/insights/perspectives/perspectives-folder/commitments-into-action/_/attachment/inline/5ad03cf0-1e72-4da2-b3b1-c9610da2637b:ff2bcd49d01cb61e1cd87abc76a28395a0d2a8e8/Progress-on-nature-and-climate.pdf.

[107] In this guide, we define *portfolio holdings* as the contents of an investment or credit portfolio, such as stocks, bonds and loans to companies.

[108] International Financial Reporting Standards (IFRS) (2023). *IFRS S2 – IFRS Sustainability Disclosure Standard: Industry-based Guidance on implementing Climate-related Disclosures*. Retrieved from: https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-b/ifrs-s2-ibg.pdf.

[109] WBCSD's Forest Finance Risk Consortium (2023). *Deforestation-free Finance: a guide on tools and frameworks for financial institutions.* Retrieved from: https://www.wbcsd.org/resources/deforestation-free-finance/

[110] WBCSD's Forest Finance Risk Consortium (FFRC) (2023). *Deforestation-free Finance: a guide on tools and frameworks for financial institutions.* Retrieved from: https://www.wbcsd.org/wp-content/uploads/2023/09/Deforestation-free-finance-a-guide-on-tools-and-frameworks-for-financial-institutions.pdf.

[111] Climate & Company, Global Canopy, AP2 (2024). *Making Deforestation Due Diligence Work in Practice: A practical methodology & implementation guidance for financial institutions.* Retrieved from: https://guidance.globalcanopy.org/wp-content/uploads/2024/07/Making-Deforestation-Due-Diligence-Work-in-Practice_Climate-Company_AP2_Global-Canopy_07-2024.pdf.

[112] International Financial Reporting Standards (IFRS) (2023). *IFRS S2 Climate-related Disclosures*. Retrieved from: https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/.

[113] International Financial Reporting Standards (IFRS) (2023). *IFRS S2 – IFRS Sustainability Disclosure Standard: Industry-based Guidance on implementing Climate-related Disclosures*. Retrieved from: https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-b/ifrs-s2-ibg.pdf.

[114] Taskforce on Nature-related Financial Disclosures (TNFD) (2024). *Glossary. Version 2.0.* Retrieved from: https://tnfd.global/wp-content/uploads/2023/09/TNFD-Glossary-of-terms_V2.0_June_2024.pdf.

[115] Global Canopy (2023). *Assessing nature-related risks and opportunities: case studies from Global Canopy's 2023 TNFD piloting programme.* Retrieved from: https://globalcanopy.org/insights/news/assessing-nature-related-risks-and-opportunities-case-studies-from-global-canopys-2023-tnfd-piloting-programme/.

[116] Taskforce on Nature-related Financial Disclosures (TNFD) (2024). *Sector guidance – Additional guidance for financial institutions, Version 1.0*. Retrieved from: https://tnfd.global/wp-content/uploads/2024/06/TNFD-Additional-guidance-for-financial-Institutions_v2.0.pdf?v=1719524013.

[117] Taskforce on Climate-related Financial Disclosures (TCFD) (2023). Homepage. Retrieved from: https://www.fsb-tcfd.org/recommendations/.

[118] Taskforce on Nature-related Financial Disclosures (TNFD) (2024). *Sector guidance – Additional guidance for financial institutions*. Retrieved from: https://tnfd.global/wp-content/uploads/2024/06/TNFD-Additional-guidance-for-financial-Institutions_v2.0.pdf?v=1719524013.

[119] Taskforce on Nature-related Financial Disclosures (TNFD) (2024). *Sector guidance – Additional guidance for financial institutions, Annex 1 and 2.* Retrieved from: https://tnfd.global/wp-content/uploads/2024/06/TNFD-Additional-guidance-for-financial-Institutions_v2.0.pdf?v=1719524013.

[120] Taskforce on Nature-related Financial Disclosures (TNFD) (2024). *Sector guidance – Additional guidance for financial institutions, Annex 1 and 2.* Retrieved from: https://tnfd.global/wp-content/uploads/2024/06/TNFD-Additional-guidance-for-financial-Institutions_v2.0.pdf?v=1719524013.

[121] IBAT Alliance. Integrated Biodiversity Assessment Tool (IBAT) homepage. Retrieved from: https://www.ibat-alliance.org/.

[122] Species Threat Abatement and Restoration (STAR) metric. Retrieved from: https://iucn.org/resources/conservation-tool/species-threat-abatement-and-restoration-star-metric. This tool measures the contribution that investments can make to reducing species extinction risk.

[123] Forest IQ. Homepage. Retrieved from: https://forestiq.org/.

[124] CDP. Forests. Retrieved from: https://www.cdp.net/en/forests.

[125] European Insurance and Occupational Pensions Authority (EIOPA) (2022). Principal adverse sustainability impacts statement. Retrieved from: https://www.eiopa.europa.eu/document/download/9a7fd137-3cc6-4324-834a-6272350353d1_en?filename=C%202022%201931%20annex%201%20principal%20adverse%20sustainability%20impacts%20statement.docx.

[126] The European Parliament and the Council of the European Union (2019). Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-Related Disclosures in the Financial Services Sector. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088.

[127] European Insurance and Occupational Pensions Authority (EIOPA) (2022). Principal adverse sustainability impacts statement. Retrieved from: https://www.eiopa.europa.eu/document/download/9a7fd137-3cc6-4324-834a-6272350353d1_en?filename=C%202022%201931%20annex%201%20principal%20adverse%20sustainability%20impacts%20statement.docx.

[128] European Financial Reporting Advisory Group (EFRAG) (2022). *Draft European Sustainability Reporting Standards (ESRS) E1 Climate Change*. Retrieved from: https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2F08%2520Draft%2520ESRS%2520E1%2520Climate%2520Change%2520November%25202022.pdf.

[129] European Financial Reporting Advisory Group (EFRAG) (2022). *Draft European Sustainability Reporting Standards (ESRS) E4 Biodiversity and ecosystems*. Retrieved from: https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2F11%2520Draft%2520ESRS%2520E4%2520Biodiversity%2520and%2520ecosystems%2520November%25202022.pdf.

[130] European Financial Reporting Advisory Group (EFRAG) (2022). Draft European Sustainability Reporting Standards (ESRS) E1 Climate Change. Retrieved from: https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2F08%2520Draft%2520ESRS%2520E1%2520Climate%2520Change%2520November%25202022.pdf.

[131] European Financial Reporting Advisory Group (EFRAG) (2022). *Draft European Sustainability Reporting Standards (ESRS) E4 Biodiversity and ecosystems*. Retrieved from: https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2F11%2520Draft%2520ESRS%2520E4%2520Biodiversity%2520and%2520ecosystems%2520November%25202022.pdf

[132] European Commission (2024). Corporate sustainability due diligence. Retrieved from: https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en#what-are-the-obligations-for-companies.

[133] European Commission (2024). Corporate sustainability due diligence. Retrieved from: https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en#what-are-the-obligations-for-companies.

[134] US Securities and Exchange Commission (2024). The Enhancement and Standardization of Climate-Related Disclosures for Investors. Retrieved from: https://www.sec.gov/files/rules/final/2024/33-11275.pdf.

[135] EU Corporate Sustainability Reporting Directive (CSRD). EU Regulatory reporting. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464.

[136] EU Corporate Sustainability Reporting Directive (CSRD). EU Regulatory reporting. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464.

[137] International Sustainability Standards Board (2023). *IFRS S2 – IFRS Sustainability Disclosure Standard. Industry-based Guidance on implementing Climate-related Disclosures*. Retrieved from: https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-b/ifrs-s2-ibg.pdf.

[138] Transition Plan Taskforce (TPT). Sector Guidance. Retrieved from: https://transitiontaskforce.net/sector-guidance/.

[139] Transition Plan Taskforce (TPT) (2024). Asset Managers Sector Guidance. Retrieved from: https://transitiontaskforce.net/wp-content/uploads/2024/04/Asset-Managers.pdf.

[140] Science Based Targets initiative (2021). *SBTi Criteria and Recommendations for Financial Institutions*, p. 5. Retrieved from: https://sciencebasedtargets.org/resources/files/SBTi-Criteria-and-Recommendations-for-Financial-Institutions.pdf.

[141] WBCSD and World Resources Institute (WRI) (2024). *Greenhouse Gas Protocol (GHG Protocol) Land Sector and Removals Guidance*. Retrieved from: https://ghgprotocol.org/land-sector-and-removals-guidance.

[142] WBCSD and World Resources Institute (WRI) (2022). *Greenhouse Gas Protocol (GHG Protocol) Land Sector and Removals Guidance – Part 1: Accounting and Reporting Requirements and Guidance*. Retrieved from: https://ghgprotocol.org/sites/default/files/2022-12/Land-Sector-and-Removals-Guidance-Pilot-Testing-and-Review-Draft-Part-1.pdf.

[143] Banking for Impact on Climate in Agriculture initiative (B4ICA) (2024). Developed report titled *Foundational practices for banks: → Baselining, net-zero target-setting and reporting financed emissions across the agriculture and food value chain*, which is not currently available to the public but can be shared with you upon request. Please contact WBCSD using this form to inquire about this report: https://www.wbcsd.org/contact-us/#:~:text=For%20inquiries,%20collaborations,%20or%20more%20information%20about%20our%20initiatives,%20please.

[144] Science Based Targets Network (2023). *Step 3: Measure, Set, Disclose: LAND (Version 0.3).* Retrieved from: https://sciencebasedtargetsnetwork.org/wp-content/uploads/2023/05/Technical-Guidance-2023-Step3-Land-v0.3.pdf.

[145] Global Canopy (2022). *Finance Sector Roadmap*. Retrieved from: https://guidance.globalcanopy.org/roadmap/.

[146] Global Canopy (2024). *Making Deforestation Due Diligence Work in Practice - A Practical Methodology & Implementation Guidance for Financial Institutions*. Retrieved from: https://guidance.globalcanopy.org/wp-content/uploads/2024/07/Making-Deforestation-Due-Diligence-Work-in-Practice_Climate-Company_AP2_Global-Canopy_07-2024.pdf.

[147] WBCSD's Forest Finance Risk Consortium (2023). *Deforestation-free Finance: a guide on tools and frameworks for financial institutions.* Retrieved from: https://www.wbcsd.org/resources/deforestation-free-finance/.

[148] For example: Global Canopy (2024). Aviva case study: Tackling deforestation – a central part of our climate and biodiversity efforts. Retrieved from: https://globalcanopy.org/insights/case-study/aviva-case-study-tackling-deforestation-a-central-part-of-our-climate-and-biodiversity-efforts/#:~:text=We%20found%20that%2026%25%20of,deforestation%20via%20their%20supply%20chains.

[149] Global Canopy (2022). *Finance Sector Roadmap*. Retrieved from: https://guidance.globalcanopy.org/roadmap/.

Acknowledgements

Disclaimer

This guide is released in the name of WBCSD. Forest Finance Risk Consortium (FFRC) participants and other experts reviewed drafts, ensuring that the Guide broadly represents the majority of project members' views. It does not mean, however, that every FFRC member and all expert organizations agree with every word.

Acknowledgements

This guide is the result of a collaborative effort by WBCSD, FFRC members and other supporting organizations. We would like to acknowledge the following contributing organizations and individuals.

Authors
James Hulse (Hindsight Consultancy) and Gretel Gambarelli (WBCSD)

Experts consulted and feedback providers
Giulia Carbone (WBCSD), Fiona Cromarty (WBCSD), James d'Ath (TNFD), Monique Ewerton (CDP), Natasha Ferrari (Climate Advisors), Kasha Foster (WBCSD), Bernard de Galembert (WBCSD), Tom Hegarty (TNFD), Matt Inbusch (WBCSD), Nick Jackson (Consultant), Vemund Olsen (Storebrand Asset Management AS), Bethany Ridley-Moran (Lloyds Banking Group), Tomasz Sawicki (CDP) and Lara Yacob (Consultant).

We extend our sincere gratitude to the main donor of this initiative, the U.S. Department of State and its Bureau of Oceans and International Environmental and Scientific Affairs (OES), Office of Global Change (EGC), for their pivotal role in funding this work.

About the Forest Finance Risk Consortium (FFRC)

Launched by the U.S. Department of State and led by WBCSD, the Forest Finance Risk Consortium brings together financial institutions (banks, asset managers, investors), land-use change monitoring experts, and climate- and nature-related financial risk disclosure professionals. The aim of the FFRC is to foster widespread and better assessment and disclosure of exposure to deforestation and other land-use change risks in investment/lending portfolios, with the ultimate objective to help financial institutions eliminate financed emissions and nature loss driven by deforestation. **https://www.wbcsd.org/Focus-Areas/ForestFinance-Risk-Consortium-FFRC**

About the World Business Council for Sustainable Development (WBCSD)

WBCSD is a global community of over 220 of the world's leading businesses, representing a combined revenue of more than USD $8.5 trillion and 19 million employees. Together, we transform the systems we work in to limit the impact of the climate crisis, restore nature and tackle inequality.

We accelerate value chain transformation across key sectors and reshape the financial system to reward sustainable leadership and action through a lower cost of capital. Through the exchange of best practices, improving performance, accessing education, forming partnerships and shaping the policy agenda, we drive progress in businesses and sharpen the accountability of their performance.

Follow us on **X** and **LinkedIn**
www.wbcsd.org

Copyright © WBCSD, September 2024

World Business Council for Sustainable Development

Geneva | Amsterdam | Chicago | London | New York City | Singapore | Wuhan City