



Workbook:

Supporting workbook to the Deforestation Disclosure Guide

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Aim of this workbook

This document aims to accompany the learnings from the Deforestation Disclosure Training for Financial Institutions (FIs).

It consolidates relevant resources for each step to successful disclosure, as detailed in the Deforestation Disclosure Guide for Financial Institutions towards nature- and climate-related financial disclosure that was published by WBCSD's Forest Finance Risk Consortium on 23 September 2024.

Launched by the U.S. Department of State and led by WBCSD, the Forest Finance Risk Consortium (FFRC) 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.wbcd.org/actions/forest-finance-risk-consortium/>

Table of Contents

Step 1: Adopting deforestation-free finance guidance and joining collaborative finance sector initiatives	2
Step 2: Disclosing annually through deforestation-specific disclosure	3
Step 3: Integrating deforestation into climate- and nature-related financial disclosures and transition plans	4
Step 4: Working towards holistic disclosure	6

Step 1: Adopting deforestation-free finance guidance and joining collaborative finance sector initiatives

Recommended action / activity	Link to relevant resources / guidance	Summary / notes
<p>Follow step-by-step guidance from a deforestation-free finance framework can help FIs create a due diligence process that minimizes risks from financed deforestation and land-use change in portfolios.</p> <p><i>Review page 11 of the Deforestation Disclosure Guide for more details.</i></p>	<p>Deforestation-free Finance Roadmap (2021)</p>	<p>This Roadmap outlines 5 phases of action for FIs to eliminate financed deforestation, with clear steps for each phase. Following these phases ensures 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 behaviour. The Roadmap also points to recommended datasets and tools.</p>
	<p>Making Deforestation Due Diligence work in Practice: A Practical Methodology & Implementation Guidance for Financial Institutions (2024)</p>	<p>This guidance offers a practical methodology tailored for financial institutions conducting large-scale assessments across portfolio companies, covering practical steps for location-specific company data collection, indicators of deforestation exposure, policy evaluation and KPIs for data aggregation and disclosure.</p>
	<p>Deforestation and Conversion Free (DCF) Implementation Toolkit (2024)</p>	<p>The DCF Implementation Toolkit is designed to assist companies in fulfilling their DCF commitments and aiding financial institutions in mobilizing their investees and clients. This resource helps investors structure portfolio engagement on deforestation and provides lenders with key performance indicators for sustainability-linked loans.</p>
<p>Join collaborative finance sector initiatives. This can lead to more consistent and coordinated expectations of portfolio companies.</p> <p><i>Review page 11 of the Deforestation Disclosure Guide for more details.</i></p>	<p>Finance Sector Deforestation Action initiative (FSDA)</p>	<p>The FSDA brings together 30+ FIs that have established a commitment to engage companies in investment portfolios, advocate for policies, and take action to create an enabling environment to eliminate commodity-driven deforestation.</p> <p>FIs participate in the FSDA in support of their fiduciary duty to act in the best long-term interest of their investors, beneficiaries and clients.</p> <p>FSDA-Progress-Report-June-2024.pdf</p>
	<p>Forest Finance Risk Consortium (FFRC)</p>	<p>FFRC brings together financial institutions, land-use monitoring experts, and disclosure professionals to foster collaboration and develop and improve access to guidance and tools to assess and disclose deforestation and land-use change risks. Members offer feedback, strategic advice, communications support, and network mobilization. Financial institutions can use tools and guidance to assess and disclose climate and nature risks related to deforestation.</p>
	<p>Principles for Responsible Investment's Spring initiative</p>	<p>Spring convenes institutional investors to leverage their influence in halting and reversing global biodiversity loss by 2030. It supports collaborative actions to clarify expectations for companies and stakeholders, ultimately improving corporate practices on forest loss and land degradation.</p> <p>Spring Investor Statement 2024</p>
<p>Tools and resources for deforestation risk assessment at portfolio or company level</p>	<p>Deforestation-free Finance: a guide on tools and frameworks for financial institutions. (2023)</p>	<p>This FFRC Guide supports FIs in the selection of the most relevant tools and frameworks for portfolio- and company-level deforestation risk assessment, including ENCORE, Forest 500, CDP's Forests data, Fores IQ and others.</p>

<p>Review page 16 of the Deforestation Disclosure Guide for more details.</p>	<p>CDP's <i>Industry Impact Classification Methodology</i> (2024)</p>	<p>This report provides a methodology to assess possible impact on forests based on production/consumption of key forest-risk commodities.</p>
	<p>Deforestation tools assessment and gap analysis: How investors can manage deforestation risk (2020)</p>	<p>This report aims to support investors to manage deforestation risks in a systematic manner, by identifying relevant tools and data gaps and by presenting options for integrating deforestation data into existing systems for ESG and risk analysis.</p>

Step 2: Disclosing annually through deforestation-specific disclosure

Recommended action / activity	Link to relevant resources / guidance	Summary / notes
<p>Disclose financed deforestation and other relevant metrics by answering specific questionnaires</p> <p>Review pages 12-14 of the Deforestation Disclosure Guide for more details.</p>	<p>Corporate disclosure through CDP's financial services disclosure (2024)</p>	<p>CDP's 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 visa-versa.</p> <p>Modules 1-6, 12 and 13 are particularly relevant for FIs. Module 12 is dedicated specifically to FIs, with integrated questions spanning climate change, water and forests.</p>
	<p>Nature in Green Finance: Bridging the gap in environmental reporting (2022)</p>	<p>Presents an overview of climate, fresh water and deforestation related disclosures from financial institutions based on the 2022 disclosure window. This report can serve as an example of disclosure insights that a CDP Financial Services disclosure by a financial institution can feed into.</p>
<p>Disclosure through annual reports or integrated sustainability reports</p> <p>Review pages 15-17 of the Deforestation Disclosure Guide for more details.</p>	<p>Disclosure recommendations of the Deforestation-free Finance Roadmap (2021)</p>	<p>The Roadmap has three specific recommendations for disclosing progress on deforestation: 1) disclose results of in-depth risk assessment, 2) annually report on progress on the no-deforestation policy, and 3) report annually on engagement activities.</p>

Step 3: Integrating deforestation into climate- and nature-related financial disclosures and transition plans

Recommended action / activity	Link to relevant resources / guidance	Summary / notes
Deforestation disclosure according to IFRS S2 (climate) <i>Review pages 18-21 of the Deforestation Disclosure Guide for more details.</i>	Deforestation-free Finance Roadmap (2021)	This roadmap provides a foundation for deforestation disclosure by offering guidance on assessing deforestation risks that could impact financial institutions' prospects and necessitate disclosure under IFRS S2. Roadmap Phase 1, Step B and Phase 2, Step A are particularly relevant.
	Making Deforestation Due Diligence Work in Practice (2024)	This report provides a foundation for deforestation disclosure by offering guidance on assessing deforestation risks that may affect the entity's prospects, therefore require disclosure under IFRS S2.
	IFRS S2 – IFRS Sustainability Disclosure Standard Climate-related Disclosures (2023)	IFRS S2 establishes requirements for companies and FIs to disclose information on climate-related risks and opportunities. It mandates disclosures that help financial report users understand the effects of these risks and opportunities on an entity's strategy, decision-making, and transition plans.
	IFRS Industry-based Guidance on implementing Climate-related Disclosures (2023)	This resource offers detailed insights into assessing and disclosing climate-related risks and opportunities relevant to each industry, with guidance on how these factors impact financial performance, strategy, and risk management. It also lists deforestation as a climate-related risk a number of times, including in a case study on palm oil. Appendix 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".
Deforestation disclosure according to the Taskforce on Nature-related Financial Disclosures <i>Review pages 22-23 of the Deforestation Disclosure Guide for more details.</i>	TNFD Sector Guidance: Additional Guidance for Financial institutions (2024)	This document provides additional guidance to the TNFD Recommendations , but is tailored specifically for FIs. It identifies sector specific tools, metrics, and KPIs on how to disclose on nature-related risks and opportunities, including deforestation and land-use change.
	Forest IQ: A Gateway to TNFD Adoption (2024)	This report demonstrates how Forest IQ can be used by financial institutions to undertake the Locate, Evaluate, Assess and Prepare (LEAP) approach of the TNFD, including case studies of leading financial institutions.
Deforestation disclosure according to select jurisdictional regulations <i>Review pages 23-26 of the Deforestation Disclosure Guide for more details.</i>	European Union (EU) Sustainable Finance Disclosure Regulation (SFDR) (2022)	Under the SFDR, FIs operating in the EU must disclose principal adverse impacts (PAI) 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 with portfolio holdings exposed to deforestation and LUC risks should consider including the PAI metrics and voluntary indicators in their disclosure.
	European Sustainability Reporting Standards (ESRS): E1 on climate and E4 on Biodiversity & Ecosystems (2022)	ESRS Standards guide entities (including FIs) on reporting under the EU Corporate Sustainability Reporting Directive (CSRD). ESRS align closely with IFRS standards and place emphasis on transition plans (CSRD requires EU companies to disclose a transition plan if they have one or explain why they don't). E4 has a specific deforestation and LUC reporting requirement to disclose whether or not policies to address deforestation have been adopted.

	<p>EU Corporate Sustainability Due Diligence Directive (CS3D) (25 July 2024 entered into force)</p>	<p>Applies to all EU companies with a global turnover of more than EUR €450 million. This directive can help FIs by providing legally binding information from corporations on their due diligence for commodity supply chains. There is a provision within 2 years of the directive being enforced that will assess due diligence requirements for FIs. CS3D includes mandatory transition plan requirements for large companies.</p>
	<p>US Securities and Exchange Commission (SEC) Rule for the Enhancement and Standardization of Climate Related Disclosure for Investors (2022)</p>	<p>The SEC rule applies to FI investment and lending portfolios, detailing requirements for climate-related disclosure. Following this rule, FIs can and should integrate deforestation related risks and opportunities into a US SEC-compliant climate-related disclosure.</p>
<p>Include actions to reduce financed deforestation in FI transition plans Review pages 26-28 of the Deforestation Disclosure Guide for more details.</p>	<p>Glasgow Financial Alliance for Net Zero (GFANZ) Financial Institution Net-Zero Transition Plans: Fundamentals, Recommendations, and Guidance (2022)</p> <hr/> <p>GFANZ Supplementary Guidance, Nature in Net-zero Transition Plans: workstream consultation paper (2025)</p> <hr/> <p>UK's Transition Plan Taskforce Asset Managers Sector Guidance (2024)</p> <hr/> <p>Science Based Targets initiative Criteria and Recommendations for Financial Institutions (p. 5) (2021)</p> <hr/> <p>Banking for Impact on Climate in Agriculture Initiative's Foundational practices for banks: → Baselineing, net-zero target-setting and reporting financed emissions across the agriculture and food value chain (2023)</p>	<p>This 2022 report sets out a framework for net-zero transition planning across five themes and ten components. It also identifies for key transition financing strategies that facilitate the whole economy transition to net zero and collectively comprise "Transition Finance".</p> <hr/> <p>GFANZ has developed additional guidance to supplement the 2022 framework with specific considerations for the explicit inclusion of nature in net-zero transition plans with the purpose of implementing net-zero commitments: Nature in Net-Zero Transition Plans. The guidance is currently open for global consultation, ending 27 January 2025.</p> <hr/> <p>This resource provides asset managers with sector-specific guidance on integrating nature, just transition, and adaptation into transition plans. Includes recommendations for incorporating deforestation and land-use change (LUC) considerations, with insights on balancing potential trade-offs with climate actions. Although a UK resource, FIs can use the recommendations from this guidance on a voluntary or mandatory basis, globally.</p> <hr/> <p>SBTi's guidance for FIs includes recommendations on the inclusion of land-use change emissions in targets for reducing land-use change as part of their SBTs.</p> <hr/> <p>This report is not intended to provide guidance on establishing a transition plan. Instead, it serves as a critical foundation for creating one by offering guidance on setting climate targets for FI's 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.</p>

Step 4: Working towards holistic disclosure

Recommended action / activity	Link to relevant resources / guidance	Summary / notes
<p>Integrate nature-, climate- and social-related disclosures and transition plans to drive holistic thinking.</p>	<p>ISSB's <i>Nature and Social aspects of climate-related risks and opportunities</i> (2023)</p>	<p>Provides guidance on how to integrate issues at the nexus of climate and nature (for example, those related to water or deforestation) into financial disclosure and transition planning.</p>
<p>Review pages 28-30 of the <i>Deforestation Disclosure Guide</i> for more details.</p>	<p>Storebrand Asset Management <i>Climate and Nature Report: Integrated TCFD and TNFD Report</i> (2024)</p>	<p>This is the first combined climate and nature report, aligning with recommendations of TCFD and TNFD, and covers the reporting year of 2023. It details Storebrand's governance, strategy, risk mitigation and management, and metrics and targets.</p> <p>See pages 19-22 on deforestation and 12-14 on nature impacts and dependencies.</p>
	<p><i>Greenhouse Gas Protocol (GHG Protocol) Land Sector and Removals Guidance – Part 1: Accounting and Reporting Requirements and Guidance</i> (2022)</p>	<p>This guidance explains how companies should account for and report on GHG emissions and removals in the land sector.</p> <p>Please note that this is currently a <i>Draft for Pilot Testing and Review</i>, and has been under development since 2020. It will be finalized in 2025. The latest update about this workstream can be found here.</p>



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