

Policies to tackle deforestation risks linked to private finance

Natural Capital Declaration (NCD)

13 October 2014, 13.15 – 14.30 KST

Rio Conventions Pavilion

The Natural Capital Declaration

Project: Policies to tackle deforestation risks linked to private finance

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CBD COP 12 - October 2014



Natural
Capital
Declaration

Financial sector leadership
on natural capital

Secretariat:



UNEP Finance Initiative
Changing finance, financing change



NCD Working groups

Working Group	NCD commitment
1. Understand	Build an understanding of risks and opportunities linked to the natural capital impacts and dependencies of portfolio companies.
2. Embed	Integrate natural capital factors into financial products and services - including loans, investments and insurance products.
3. Account	Work towards a consensus on including natural capital in accounting and decision-making.
4. Report	Work towards consensus on Integrated Reporting, including natural capital disclosures.

Project: Financial sector risk policies

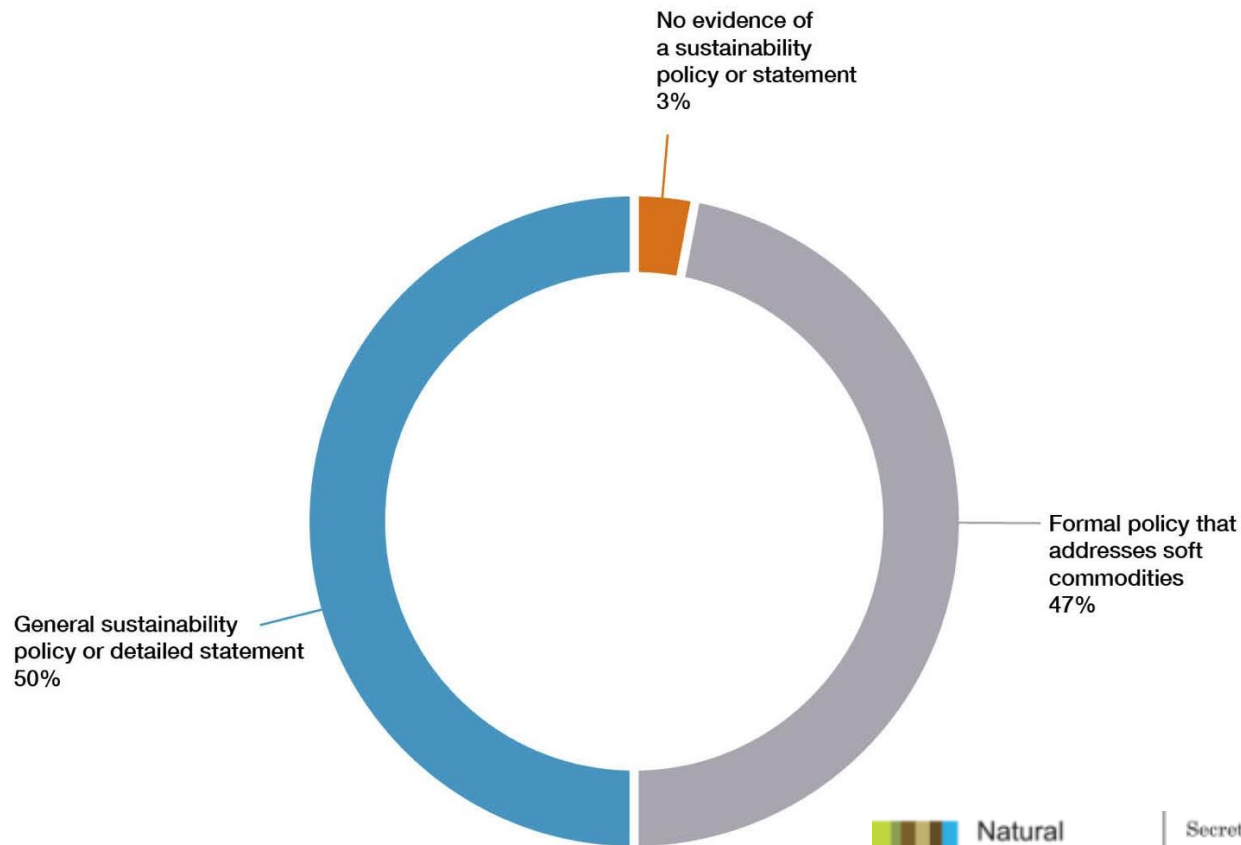
- How can financial sector risk policies support reduction of deforestation and forest degradation?
- Do financial institutions have robust policies in place to manage risks from soft commodities that may contribute to deforestation (examples: beef, soy, palm oil)?
- What can the financial sector do to improve investment decisions in soft commodities from a sustainability view?
- How can policymakers encourage and support change in private finance?

Project Overview

- Develop framework to evaluate risk policies to address deforestation risks from soy, palm oil and beef supply chains.
- Evaluate financial institutions' policies against criteria for *policy scope*, *policy strength* and *implementation, monitoring and reporting* to reveal what financial institutions' policies cover in three soft commodities: soy, palm oil and beef.
- Provide recommendations for minimal/best practice standards to limit indirect impacts through loans and investments.
- Provide insight for countries on possible policies for improving private financial sector contribution to reduction of deforestation and forest degradation.

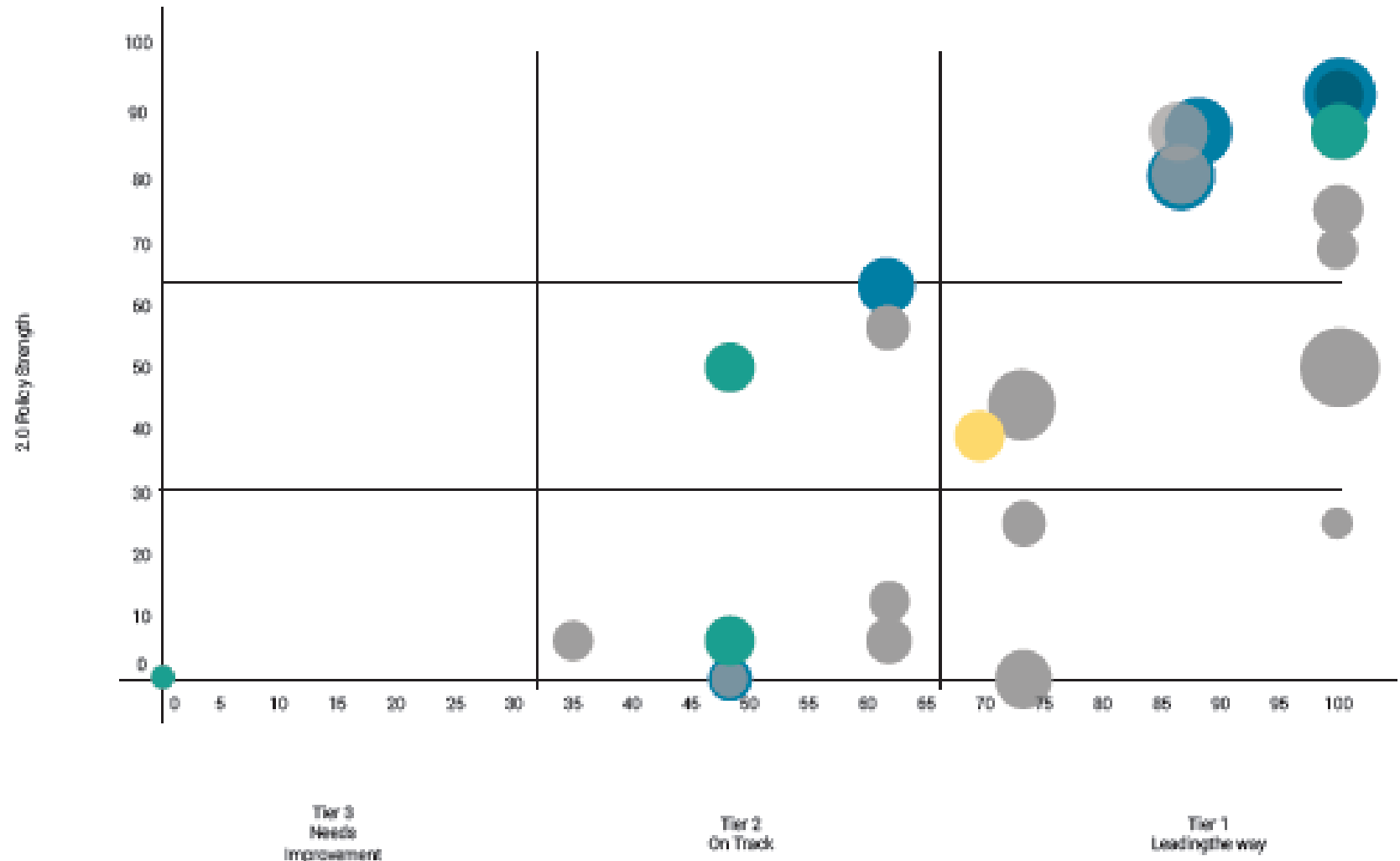
(Draft) Key Findings (1/5)

There is broad awareness that the financial sector is exposed to risks from deforestation linked to the production and processing of soft commodities.



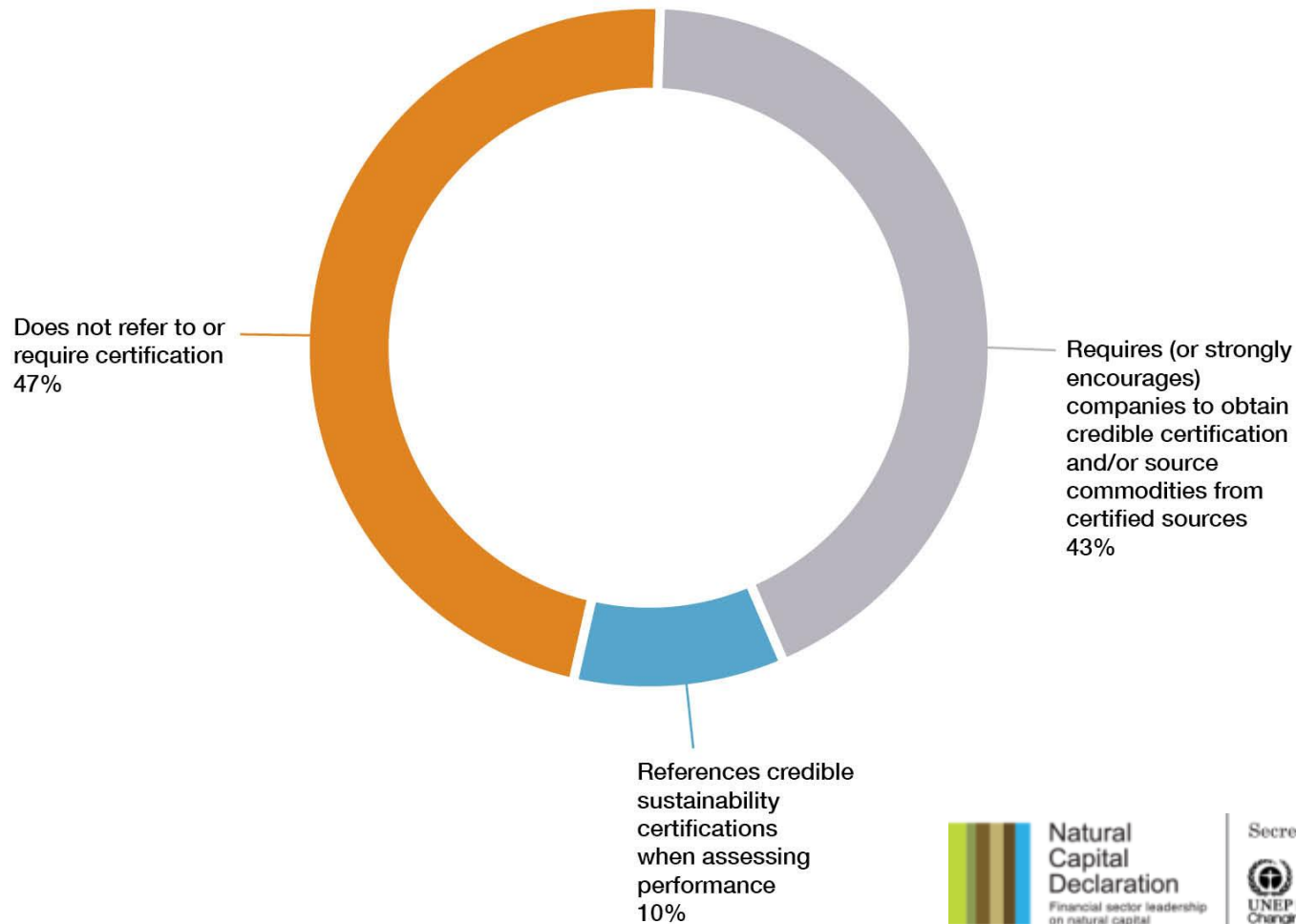
(Draft) Key Findings (2/5)

Benchmarking of 30 financial institutions found a wide variation in policies and processes to manage deforestation and forest degradation risk linked to the three commodities.



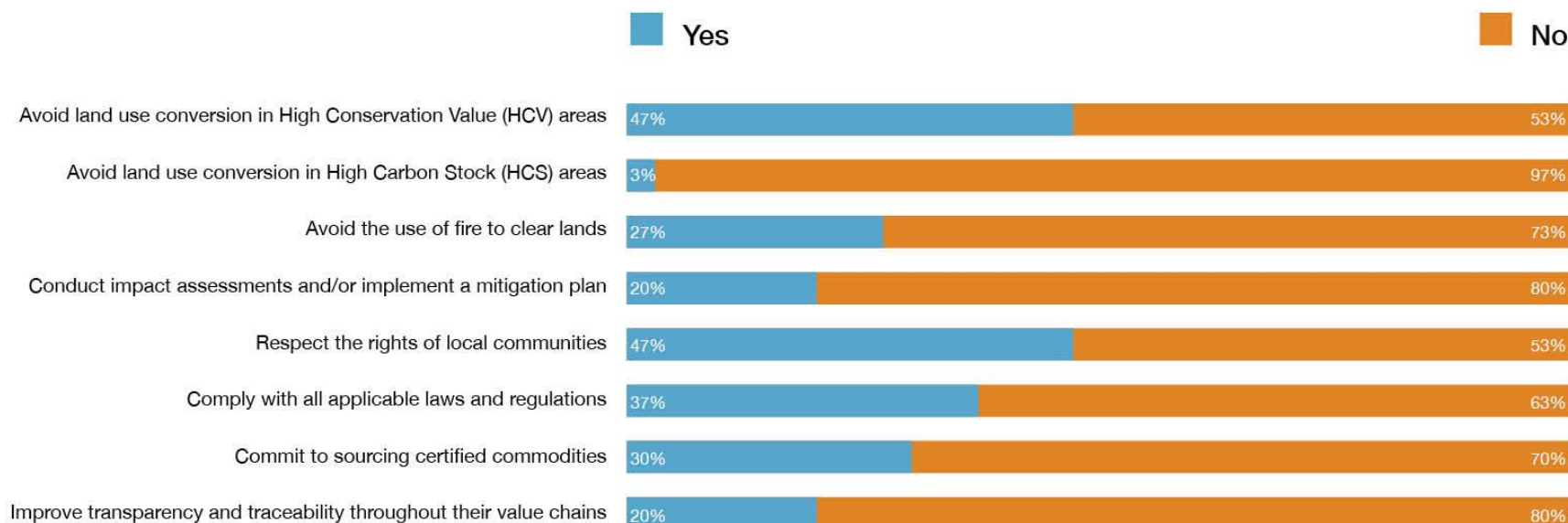
(Draft) Key Findings (3/5)

Leading financial institutions explicitly refer to credible soft commodity sustainability certifications in policies.



(Draft) Key Findings (4/5)

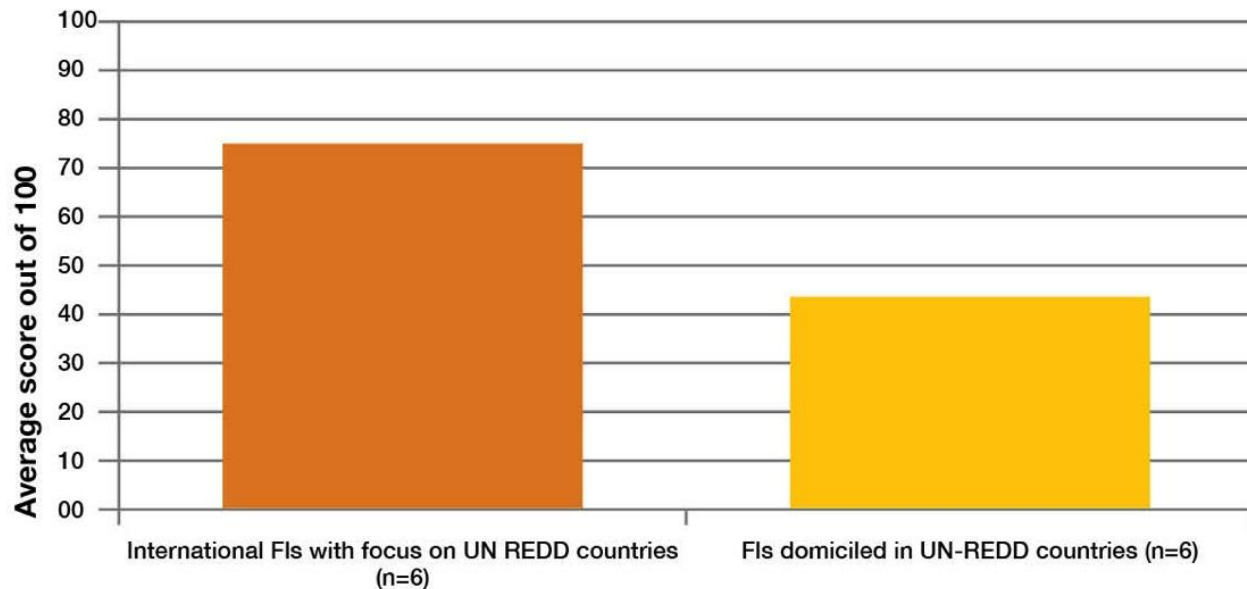
There is great variety in the social and environmental performance requirements imposed by financial institutions



(Draft) Key Findings (5/5)

The financial institutions that are mainly based in developed countries but with a focus in UN-REDD Programme partner countries had more robust policies than those domiciled in UN-REDD Programme partner countries.

Total Weighted Score - Overall



Possible Country Approaches

Countries seeking to strengthen the capacity of financial institutions to reduce the risk of indirectly financing deforestation activities include:

- Outline national expectations of financial institutions on environmental and social issues.
- Strengthen forest protection laws and their implementation.
- Require companies to report environmental impacts to increase the availability of information related to forest risk commodities.



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