FROM RHETORIC TO COLLABORATION

The case for shifting capital towards resilient commodity supply chains in Latin America

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CDP's forest questionnaire is sent out on behalf of investors and purchasing companies who wish to understand how organizations are addressing their exposure to deforestation-related risks.

In 2018, CDP sent its forests questionnaire to more companies than ever, on behalf of 656 investors, with US$87 trillion in assets, and 14 large purchasing companies. It received 455 responses, focusing on how organizations produce, source and use the four major soft commodities associated with detrimental impacts on natural resources: timber, cattle products, soy and palm oil.

For this report, we analyzed the responses from 271 companies either based in Latin America or which source forest-risk commodities from the region.

Introduction

Trends in global deforestation are moving in the wrong direction; 2017 was the second worst year on record for tropical tree cover loss[1]. If tropical deforestation were a country, it would rank as the third largest emitter of greenhouse gases (GHGs)[2]. As the latest landmark report from the Intergovernmental Panel on Climate Change spells out, three of the four scenarios by which global warming can be held below 1.5°C involve significant sequestration of carbon by the agriculture, forestry and other land-use sectors[3].

Latin America is on the frontline of the battle against deforestation. The Amazon has lost around 17% of its forest cover in the last 50 years, mostly due to forest conversion for cattle ranching[4]. In Brazil and elsewhere in the region, large tracts of natural vegetation and forests have been replaced to grow soy, much of which is exported to countries such as China and the EU to be used as animal feed.

Recognizing risks posed by forest loss, companies are making efforts to tackle deforestation. Some of the largest companies producing or sourcing palm oil, timber products, soy and cattle products have made commitments related to deforestation and forest degradation. In Brazil, a major producer and exporter of soy and beef, more than 60% of soy and 85% of beef exports were produced by companies that had made a commitment to address deforestation[5]. However, these commitments have not been sufficient to curb deforestation[6].

This should matter to the financial sector and to policymakers. A new report from the Earth System Finance Project identifies the Amazon as a climate change "tipping element" that is at risk of changing its natural state and dangerously accelerating global warming[7]. This would present a systemic risk for the global financial system.

By financing the agricultural companies that are directly responsible for this deforestation, and those companies that buy the commodities they produce, the financial sector has a role to play in changing behavior. It is also exposed to the risks that these companies are taking on, whether from tightening regulation, changing consumer preferences, failure to meet public commitments or from the physical risks posed by a warming climate.

But the financial sector also has the skills to identify and capitalize on opportunities presented by a market shift towards sustainable agriculture and certified commodities, and from promoting climate change mitigation and adaptation: tackling emissions from deforestation and land use is one of the most cost-effective climate change mitigation strategies.

This briefing offers an introduction to the risks and opportunities related to land use change and the opportunities presented by sustainable commodity production in Latin America. It highlights some of the initiatives underway by investors and financial institutions and suggests how investors and policymakers might respond.

1. Global Forest Watch, '2017 Was the Second-Worst Year on Record for Tropical Tree Cover Loss', 27 June 2018
2. World Resources Institute Blog, 'By the Numbers: The Value of Tropical Forests in the Climate Change Equation', 4 October 2018
3. IPCC (2018), *Special Report: Global Warming of 1.5 ºc*
4. WWF, "Deforestation Threat Overview", accessed 21 January 2018
5. TFA 2020 (2018), *Progress on Corporate Commitments and Their Implementation*
6. 'Climate risk and zero-deforestation commitments: Why voluntary pledges are insufficient', Pernille Holtedahl, 16 November 2018, *Environmental Finance*
7. Earth System Finance Project (2018), *Sleeping Financial Giants - Opportunities in Financial Leadership for Climate Stability*

The risks are real...

Companies face a number of direct and indirect risks from their involvement in deforestation, whether their activities cause it directly, or whether they purchase unsustainably produced forest-risk commodities, such as cattle products, palm oil, timber products and soy.

These exposures include physical risks, such as extreme weather events, regulatory risks from non-compliance with legislation or changing product standards, and reputational risks, from negative media coverage or local community opposition.

Companies acknowledge risks

For this report, we analyzed the responses to the 2018 CDP forest questionnaire from 271 companies either based in Latin America or which source forest-risk commodities from the region. The majority of these companies are active in the food, beverages and tobacco, paper and forestry, agricultural commodities or chemicals sectors.

Of the 271 companies in the sample, 195 recognize at least one risk, with a total of 434 risks identified for all commodities. Seventy-eight companies put a figure – totaling US$24 billion – on the potential financial impact of these risks materializing. However, investors continue to face challenges in understanding the extent of these exposures, given that the assumptions used, such as the timeframes involved, vary among reporting companies.

Meanwhile, despite the risks, just over half the sample (151 companies) reported undertaking forests-related risk assessments that cover some or all of their direct operations, supply chain, and other parts of the value chain (see Figure 1). Companies disclosing on timber are more engaged in risk assessment than those disclosing on cattle and soy. This may be due to the greater awareness of deforestation issues around timber, and the more advanced regulation relating to timber imports, such as the Lacey Act in the United States, or the EU's Forest Law Enforcement, Governance and Trade initiative.

These risks can be mitigated – but this carries costs. On average, companies estimate that it costs US$50.5 million to mitigate the risks involved. Chilean pulp and paper firm **Empresas CMPC**, for example, has invested in new forest fire prevention and fire-fighting capacity, including equipment, information technology and community awareness projects.

The five leading drivers of deforestation-related risks reported by disclosing companies are:

- **Negative media coverage**

  Brazilian meat processor **JBS** responded to a Greenpeace campaign with a commitment not to source cattle from ranches linked to deforestation in the Amazon and measures to improve its environmental and social monitoring.

- **Availability of certified sustainable material**

  Portuguese food and retail group **Jerónimo Martins SGPS** warns that growing demand for certified soy is likely to push up prices, given only 3% of production is certified.

- **Increased stakeholder concern or negative stakeholder feedback**

  Trading company **Bunge** notes that, were some of its suppliers to engage in deforestation, "scrutiny or adverse reaction" from its customers or other stakeholders could reduce demand for its products.

- **Changes in precipitation patterns**

  Brazilian food processor **Marfrig** reports that drought or excessive rainfall can impact pasture productivity and animal feed costs, affecting its entire production cycle.

- **Regulatory uncertainty**

  Commodity trader **Archer Daniel Midland** notes that growing attention is being paid to protecting South America's Cerrado region, but a lack of consensus as to how the region should be defined and regulated is causing uncertainty.

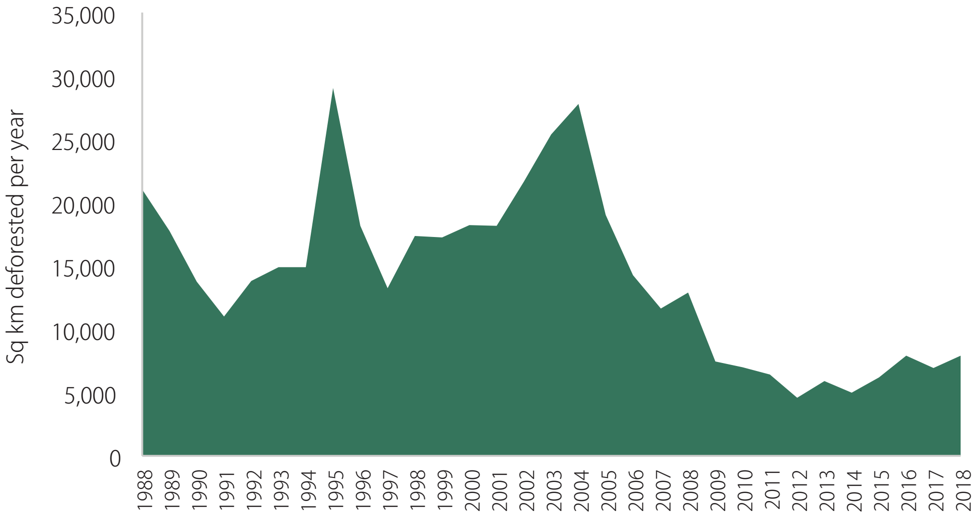
As lenders to and shareholders in companies that produce, trade or consume forest-risk commodities, investors share these exposures, and bear some responsibility for addressing these risks.

Figure 1: Companies undertaking risk assessment

Brazil: blowback from a regulatory bonfire?

The recent election in Brazil highlights the risks faced by companies as a result of regulatory uncertainty. The new president of Brazil was elected in October 2018 on a manifesto calling for the loosening of environmental regulations. Deforestation in the country had fallen dramatically until 2012, but has recently rebounded, rising 14% in the year to end-July 2018[8].

Deforestation in the Brazilian Amazon, 1988-2018



Changes to environmental regulations and enforcement, which aim to limit deforestation, may provide a short-term boost to agricultural enterprises. However, such moves could well backfire if they jeopardize countries' ability to deliver their pledges under the Paris Agreement. During the 2018 G20 meeting in Buenos Aires, the president of France, Emmanuel Macron, said he would oppose trade deals with Mercosur if Brazil were to leave the Paris Agreement[9]. These changes in regulation could also lead some buyers to boycott forest-risk commodities from countries perceived to be backsliding on deforestation.

8. "Amazon deforestation at highest level in 10 years, says Brazil", Rhett Butler, 24 November 2018, *Mongabay*
9. "Macron threatens to scupper EU-South America trade deal over climate", Sam Morgan, 3 December 2018, *EURACTIV*

...but so too are the opportunities

Investors in forest-risk commodity producers have a strong argument for promoting improved practices by the companies they own: demand is growing from large companies for commodities that are sustainably produced, creating opportunities along the commodity value chain. For example, more than half (58%) of the 250 companies with the greatest exposure to forest-risk commodities have a sustainability commitment relating to at least one of the commodities[10].

Companies responding to the CDP's forests questionnaire recognize these opportunities: 126 respondents from the Latin America sample said they have identified specific forests-related opportunities with the potential to have a substantive financial or strategic impact on their business.

Cooperation between responding companies and other stakeholders – including customers, suppliers, investors, regulators and civil society groups – helps participants identify opportunities and reduce risks. Among the sample analyzed for this report, 85% of companies that participate in external initiatives (99 companies) have identified opportunities. Greater stakeholder engagement and collaboration was the third most important measure identified by companies as improving their ability to manage forests-related risks, after improved data collection and quality, and increased demand for certified products.

And investors are beginning to realize the scale of the opportunities involved. The Coalition for Private Investment in Conservation (CPIC) estimates that currently around US$50 billion each year is committed to nature conservation. However, an additional US$200-300 billion is needed to keep the world's ecosystems healthy[11]. As a growing number of enterprises within the sustainable agriculture and forestry value chain demonstrate success and seek to grow, these investors will increasingly find profitable opportunities.

The five leading opportunities identified by reporting companies are:

- **Increased brand value**

  Brambles, an Australian logistics products company, considers its sustainable business model, including its zero-deforestation goal, as key to its attractiveness to its customers.

- **Driving demand for sustainable materials**

  UK retailer **Tesco** sees an opportunity in working with the CanopyStyle Programme to transform the sourcing practices of viscose producers, to eliminate their sourcing from endangered forests.

- **Increased transparency**

  Growing transparency around sustainable supply chains offers first-mover advantage to companies such as Dutch construction firm **BAM**, which believes its 100% sustainable timber strategy will help it win business.

- **Increased capacity of sustainable commodity markets**

  Grupo Andre Maggi, a Brazilian commodity trader, sees an opportunity in helping its suppliers become more sustainable, generating value along the supply chain.

- **Expansion into new markets**

  Brazilian food processor **Marfrig** has identified an opportunity to market sustainable beef to the quick-service restaurant sector.

10. Tropical Forest Alliance 2020 (2018), *Progress on Corporate Commitments and Their Implementation*
11. "CPIC releases new blueprints to boost investment in nature conservation", Coalition for Private Investment in Conservation press release, 10 January 2019
NYDF Global Platform (2018), *Forests & Finance: Shifting Private Sector Finance to Accelerate Forest Action*

The REDD+ opportunity

Key to addressing deforestation lies in providing an economic incentive to maintain standing forests. REDD+, defined as reducing emissions from deforestation and forest degradation, offers one such incentive.

REDD+ programs allow landowners who commit to conserve forests to claim carbon credits, which can be used on a voluntary basis by companies or individuals looking to offset their carbon emissions.

They can also form part of national plans to meet countries' Paris targets. In May 2018, the Peruvian government incorporated carbon credits from two REDD+ projects – the Tambopata-Bahuaja Reserve and the Cordillera Azul National Park – in its national emissions inventory, meaning they could be traded internationally, without any potential double counting. This marked the first time such credits had been recognized by a government, according to project developer Althelia Funds[12].

The recognition of the carbon credits by the Peruvian government is a positive indication for REDD+ projects in Latin America and elsewhere. While only two companies that responded to CDP's Forests questionnaire identified REDD+ as a financial opportunity, this recognition helps legitimize the use by companies of REDD+ credits and should encourage other governments to follow suit.

12. "First-of-its-kind REDD+ carbon credit integrated into Peru's plan to achieve Paris targets", Althelia Funds press release, 21 May 2018

CMPC: turning its bond program green

The green bond market has grown exponentially since the first green bond was issued in 2007. Green bonds enable investors to direct their capital towards specific environmental projects, usually with measurable impacts, while allowing companies to tap into an investor base that may not buy their conventional debt.

In 2017, pulp and paper company CMPC became the first Chilean firm to enter the market, issuing a US$500 million, 10-year green bond. It directed the proceeds towards five activities: sustainable forest management; sustainable water resource management; preservation of biodiversity and restoration of forest cover of high conservation value; pollution prevention and control; and energy efficiency.

Investors in green bonds expect the issuing company to put rigorous processes in place to ensure the proceeds are used as intended and, in many cases, to report on the environmental impacts of the projects financed.

In CMPC's case, it commissioned EY, its audit firm, to confirm that the money raised by the bond was appropriately used, while Sustainalytics, a sustainability rating firm, provided an assessment, known as a second-party opinion, on the bond's environmental credentials.

In addition, the bond was structured in line with the voluntary Green Bond Principles, which guide how issuers should use and manage the proceeds of green bonds, how they should evaluate and select eligible projects, and how they should report on the use of the funds.

In line with this last criterion, the company has disclosed which projects the bond has funded, and what the environmental impacts have been to date. It cites, as examples, a replanting project that has captured 331,820 metric tons of carbon dioxide, a native forest restoration project that will cover 7,450 hectares, and research into genetic improvement of eucalyptus to reduce its water use.

The green bond has also helped the company reduce its funding costs. The effective interest rate on the bond at issuance was 4.42% per annum, with a spread over 10-year US Treasury Bonds of 2.00%. According to media reports, this was lower than the initial pricing expectation of 2.38% above Treasuries, evidence of strong investor demand for the bonds. Lead managers for the transaction were Bank of America Merrill Lynch, JP Morgan and Banco Santander[13].

13. Chile's first green bond issued : Environmental Finance

Overcoming barriers

Addressing deforestation risk and seizing opportunities is, however, often difficult for the companies involved. They face a range of systemic barriers and challenges that discourage sustainable behavior or which make business-as-usual more commercially attractive. Among responding companies analyzed for this report, 213 identified such barriers.

The five barriers most frequently mentioned were:

- **Supply chain complexity**

  UK food service company **Compass Group** expresses confidence that it can manage deforestation risk in its direct operations but notes the difficulty of influencing Tier 2 suppliers and beyond, where it exerts limited buying power.

- **Limited public awareness and/or market demand**

  In the palm oil supply chains, public opinion and consumer awareness were critical to change corporate behavior regarding deforestation. Conversely, however, a lack of public awareness can undermine pressure for change: Anglo-Dutch multinational **Unilever** notes that there is little demand for sustainable soy meal, because public awareness of the use of soy meal to produce dairy, chicken, eggs and beef is low.

- **Limited availability of certified materials**

  Across most sustainable commodity markets, supply is lagging demand. For example, Swiss-Swedish packaging firm **Tetra Pak** notes that it is proving challenging to meet its commitment to source all its wood fiber for carton package production from FSC-certified forests, given that only 16.8% of the world's productive forests is certified to that standard.

- **Cost of sustainably produced/certified products and certification process:**

  Moving to sustainable production techniques and adopting certification processes can impose significant costs on suppliers. As French personal care company **L'Oréal** notes, certification can lead to "prohibitive" cost increases in some low-margin raw materials such as soybean derivatives.

- **Limited supply chain engagement**

  There is a growing volume of funding being made available for sustainable commodity production. However, very few of this year's respondents are able to easily access it: only two companies within the sample analyzed for this report identified financial incentives as offering potential opportunities for their business.

  There are also substantial financial disincentives operating against more sustainable commodity supply chains. In 2017, Climate Focus calculated that US$777 billion in 'grey finance' had been provided since 2010 for land sector enterprises that influenced forests, but which are not clearly aligned with climate goals or forest protection objectives. This compared with just US$20 billion in finance directed over the same period towards reducing forest emissions[14].

14. Climate Focus (2017), *Progress on the New York Declaration on Forests: Finance for Forests - Goals 8 and 9 Assessment Report*

State of play – investors

Last year, 656 investors and financial institutions, managing US$87 trillion in assets, put their names to the CDP Forests Disclosure Request. This figure has risen from 380 in 2017, and just 31 when the first information request was sent out in 2010.

Engagement with the issue has never been greater. A growing number of financial institutions have introduced policies that cover their investment in or lending to companies involved in forest-risk commodity supply chains.

Rabobank's sustainability policy, for example, commits the Dutch bank to "strive to achieving zero net deforestation by preferably not engaging in transactions that are directly linked to deforestation activities"[15]. In July 2017, **CalPERS**, the largest US state pension fund, updated its investment policy to include deforestation as a material risk for consideration in its investment decisions[16].

Some of these institutions are taking concrete action to remove deforestation risk from their portfolios. Many are engaging with companies to encourage them to improve their practices, often in behind-closed-door meetings. Some are going further, choosing to decline investment to, or to divest from, companies that are causing or contributing to deforestation.

In some cases, these decisions are made public. In its latest responsible investment report, **Norges Bank Investment Management**, which manages around US$1 trillion for Norway's Government Pension Fund Global, reported divestment from one soy and three palm oil companies, based on the long-term environmental and social risks they pose[17].

Equally, investors are working collaboratively to encourage higher standards within commodity supply chains. Ninety-one institutions, managing US$6.7 trillion in assets, in mid-2018 called on the Roundtable for Sustainable Palm Oil (RSPO) to strengthen draft revisions to its sustainable palm oil standards[18]. In November, the RSPO adopted strengthened standards[19].

Another example was an initiative led by **Green Century Capital**, and backed by investors managing more than US$500 billion, to call on some of the world's largest companies, including Colgate-Palmolive, McDonald's and Walmart, to expand their commitments to tackling deforestation in Latin America[20].

In addition, service providers are offering products that help investors avoid deforestation-related risks. Exchange operator **Euronext** has launched an equity index, the EUROnext CDP Environment France EW Decrement 5%, which includes the 40 France-listed companies which score highest based on their CDP disclosures, including on deforestation risks.

Financial institutions are also offering products to help channel finance towards sustainable forestry management and commodity production. For example, **BNP Paribas** has structured a US$95 million sustainability bond on behalf of the Tropical Landscapes Financing Facility. The proceeds will help fund a sustainable natural rubber plantation on heavily degraded land in Indonesia, in a joint venture between tire maker Michelin of France and Indonesian conglomerate Barito Pacific Group.

And in August, commodity trader **Bunge** announced it is working with **Banco Santander Brasil** and conservation group The Nature Conservancy to offer a first-of-its-kind financing mechanism for soy farmers in the Brazilian Cerrado. Unlike typical loans, which usually run to one year or less, the program will provide 10-year debt, allowing farmers to expand production without deforestation and recognizing the long-term payback of investments in sustainable production[21].

However, there is much more to be done. As noted above, this green finance is dwarfed by funding that is facilitating deforestation. Among the 150 most important financial institutions analyzed by the Forest 500 project, only 31% disclosed a sustainability policy covering at least one forest-risk commodity; and, while 38 have policies for lending to timber companies, that figure drops to 13 for cattle[22].

15. Rabobank Group (2018), *Sustainability Policy Framework*
16. Chain Reaction Research, "CalPERS Approves Updated Investment Policy Including Material Risks from Deforestation", 13 July 2018
17. Norges Bank, *Responsible Investment 2017*
18. Ceres, "Global Investors Call for Stronger Standard from Sustainable Palm Oil Certification Group", 13 August 2018
19. RSPO, "Members Agree on New Palm Oil Standard to Halt Deforestation and Improve Human Rights Protection", 15 November 2018
20. Green Century (2018), *Forest Protection*
21. Bunge, "Bunge, Santander & TNC Offer Soy Farmers Long-Term Loans", 29 August 2018
22. Forest 500 (2019), *Financial Institution Trends*

State of play – governments

Consumer demand and engaged investors can help create opportunities for more sustainable forest-risk commodity supply chains. However, governments play a vital role in sending policy signals and creating enabling environments that encourage sustainable forestry management and agriculture.

The economic case alone should be compelling: land degradation due to land-use and land-cover change is estimated to cost about US$231 billion per year, while the annual cost of loss of tropical forests and rainforests is estimated at US$43-65 billion. Properly managed forestry sectors can be an important source of revenue, with the World Bank estimating that developing countries lose US$15 billion each year in evaded taxation and stolen timber[23].

Forest protection also plays a central role in many countries' response to climate change. A number of governments have made commitments to protect or enhance their forests via the Paris Agreement, through the climate change plans each signatory country has drawn up (known as nationally determined contributions, or NDCs). For example:

- **Brazil** pledges to restore or reforest 12 million hectares of land by 2030[24];
- **Chile** has committed to the sustainable development and recovery of 100,000 hectares of forest land, leading to the reduction or sequestration of 600,000t-CO^2 annually to 2030[25];
- **Colombia** has set a target to reduce deforestation by 39% compared with business as usual[26];
- **Peru** estimates that 67% of its carbon reductions will come from the land use and forest sector[27];

However, while 77% of NDCs contain commitments to restore forest landscapes, only 30% include specific numerical targets[28].

Consumer country governments are also turning their attention to commodity supply chains. Governments of **seven European countries** – Denmark, France, Germany, Italy, the Netherlands, Norway and the United Kingdom – have signed the Amsterdam Declaration 'Towards Eliminating Deforestation from Agricultural Commodity Chains with European Countries'. It commits signatories to "support and help meet the private sector goal of eliminating deforestation from the production of agricultural commodities such as beef and leather, palm oil, paper and pulp, soy and other commodities such as cocoa and rubber by no later than 2020[29]." It specifically recognizes the role of the private sector in eliminating deforestation from global supply chains[30].

In a bid to turn this commitment into action, in November 2018 five French ministries announced a package of measures to end deforestation linked to commodities imported by France. These include financial aid to producer countries, product labels, and advocating for an EU-wide policy on the import of forest-risk commodities.

Reducing deforestation is a shared responsibility between producers and consumers. These commodities are often traded internationally, which requires an appropriate response from governments from both consumer and producer countries.

Examples of joint solutions include the **Amazon Fund**, a REDD+ mechanism managed by BNDES, Brazil's development bank, and funded mainly by the Norwegian and German governments, and the **Climate and Forest Partnership** between Colombia, Norway, Germany and the UK.

23. Climate Focus (2017), *Progress on the New York Declaration on Forests: Finance for Forests - Goals 8 and 9 Assessment Report*
24. NRDC (2017), *The Road from Paris: Brazil's Progress Toward Its Climate Pledge*
25. Climate Watch summary of Chile's Independently Determined National Contribution
26. Ministerio de Ambiente y Desarrollo Sostenible, Colombia (2018), *Nacionalmente Determinada de Colombia en Mitigación de GEI*
27. Ministerio del Ambiente, Perú (2017), *Contribuciones Nacionalmente Determinadas*
28. International Union for Conservation of Nature & Climate Focus (2018), *Increasing Ambition and Action in NDCs Through Forest Landscape Restoration*
29. Dutch Ministry of Foreign Affairs (2017), *Amsterdam Declaration 'Towards Eliminating Deforestation from Agricultural Commodity Chains with European Countries'*
30. CDP (2018), *Analysing European Public and Private Actions to Tackle Imported Deforestation*

Some jurisdictions have included sustainable forestry management in carbon trading programs. For example, **California** allows offsets generated by projects that reduce or avoid tropical deforestation to be used in its AB 32 cap-and-trade system. In September 2018, it issued its Tropical Forests Standard to set out rules dictating how such offsets could be created[31]. Such programs can provide an alternative revenue source that can help support edge-of-forest projects that create buffers between agricultural land and native forests.

But much more needs to be done, especially in the context of the mismatch between 'grey' and 'green' finance. For example, governments need to rethink the agricultural subsidies they provide, which can distort trade, undermine incentives for investment in developing countries, and even directly incentivize unsustainable practices. Well-designed 'smart subsidies', however, can provide important transitional support toward sustainable land use[32].

31. California Air Resources Board, "California Tropical Forest Standard", 9 November 2018
32. Climate Focus (2017), *Progress on the New York Declaration on Forests: Finance for Forests - Goals 8 and 9 Assessment Report*

Call to action

In the light of the above, how should investors and policymakers respond?

Investors should:

- As a first step, **seek to understand the extent and nature of their exposures** to deforestation risk. CDP forests data offers essential insights in this regard;
- Explore the potential of **investing in opportunities in deforestation-free commodity supply chains**. These might include sustainable landscape bonds, green bonds or impact funds that target sustainable agriculture and forestry[33];
- Provide support for companies that invest in measures that will improve their ability to manage risks, particularly at the landscape and jurisdiction levels, through **providing sustainable loans, project finance and equity;**
- **Engage in multi-stakeholder platforms** such as TFA2020, and contribute towards establishing joint solutions such as new innovative financial instruments; and
- **Show support for measures undertaken by national and sub-national governments** in producer countries to combat deforestation and deliver against the Sustainable Development Goals.

Governments should:

- Acknowledge that reducing deforestation is **a shared responsibility between producer and consumer countries**, requiring close collaboration among stakeholders involved;
- Producer countries need to focus on **improving regulations and governance** and on the **effective implementation** of programs to combat deforestation. Consumer countries need to help **bear the costs of transition** to sustainable models of agriculture, through overseas development assistance, REDD+, or other payment for ecosystem services initiatives.
- **Revise and update their NDCs** and include more specific and quantified targets around forests and land use;
- **Engage in multi-stakeholder platforms** such as TFA2020, joining governments including those of Norway, the United States, Colombia and the Brazilian state of Mato Grosso. These platforms should also engage with China, which is a crucial player to reduce imported deforestation;
- **Remove incentives that promote 'grey' agriculture** and disincentives that discourage sustainable agriculture, working closely with the investor community to shift their investments from 'grey' to 'green', including requirements that investors provide transparency and disclosure of investments in forest-risk commodity supply chains.
- **Strengthen disclosure requirement of companies**. Governments should implement a fit-for-purpose framework of corporate reporting that delivers better climate change and environmental information to financial markets, and which ensures that companies comply with best practices regarding transparency on commodity-driven deforestation throughout their supply chains.
- **Ease access to credit** for producers aiming to transition to a more sustainable agricultural model (for example by going beyond regulatory minimums in terms of maintaining native forests in rural properties); and
- **Provide enabling conditions for private sector financing**, such as mandating central and bilateral banks to work with private investors, and putting in place better governance and robust anti-corruption mechanisms.

33. TFA 2020 (2018), *The Roadmap to Financing Deforestation-Free Commodities*

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