

aidenvironment



**Responsible finance and
deforestation-free
agricultural supply chains**



About Aidenvironment

A Values Driven Consultancy

We believe in a sustainable world where there is respect for people and nature:

Create shared economic value

Protect forests and other ecosystems

Respect labor and human rights

- 20 years of work on forests and agro-commodities as driver of deforestation
- We structurally monitor deforestation and land-use change in countries such as Indonesia, Malaysia and Brazil.
- Offer research and analysis, third party-supplier monitoring, sustainability and financial risk analysis.

About Chain Reaction Research



- Consortium of Aidenvironment, Profundo and Climate Advisers
- Addresses root causes of deforestation through financial risk analyses, aims to change practices of companies active in tropical commodity value chains
- Company profiles and thematic reports on financially material ESG issues

the David &
Lucile Packard
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MOORE
FOUNDATION



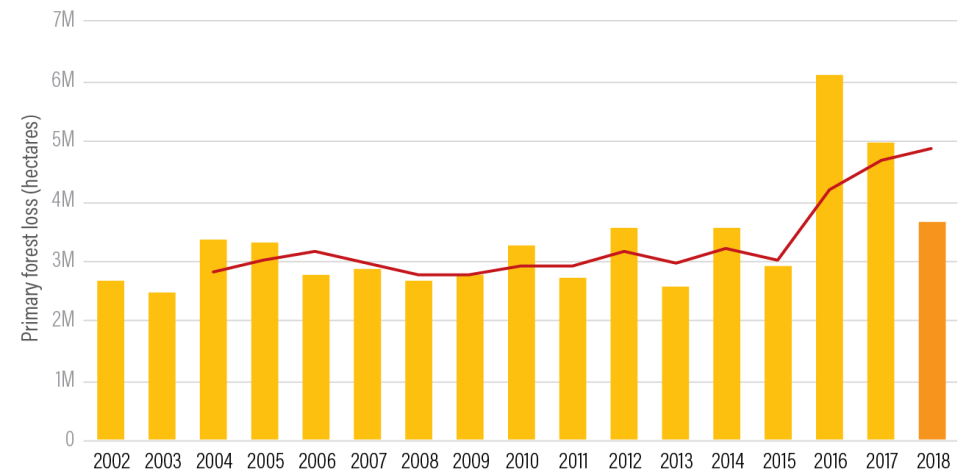
Why EU policies on responsible finance and zero-deforestation supply chains?

1. There is a need to **tackle** commodity-driven deforestation
2. There is a need to **bolster** private sector zero-deforestation initiatives
3. There is a need to **mitigate** business and financial risks

The need to tackle commodity-driven deforestation

- Pathways to stabilize global warming at 1.5 degrees **require reforestation and improved forest management.**
- Deforestation figures are **accelerating**; 2016-18 saw the highest three-year moving average

Tropical Primary Forest Loss, 2002–2018



— Three-year moving average. The three-year moving average may represent a more accurate picture of the data trends due to uncertainty in year-to-year comparisons. All figures calculated with a 30% minimum tree cover canopy density.

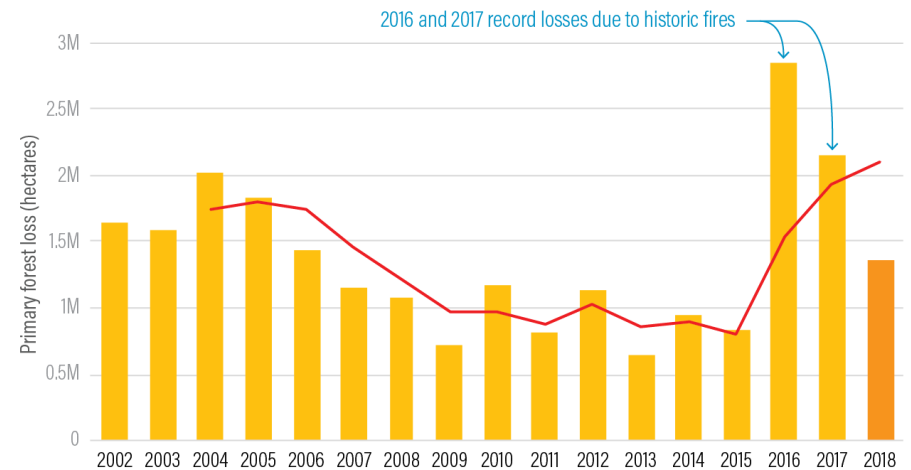


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Brazil saw the highest absolute rate of deforestation in 2018

- Deforestation brings Amazon close to a **tipping point** – may undergo irreversible transformation into degraded savannah
- Deforestation driven by **soy production, cattle rearing and land speculation**

Primary Forest Loss in Brazil, 2002–2018

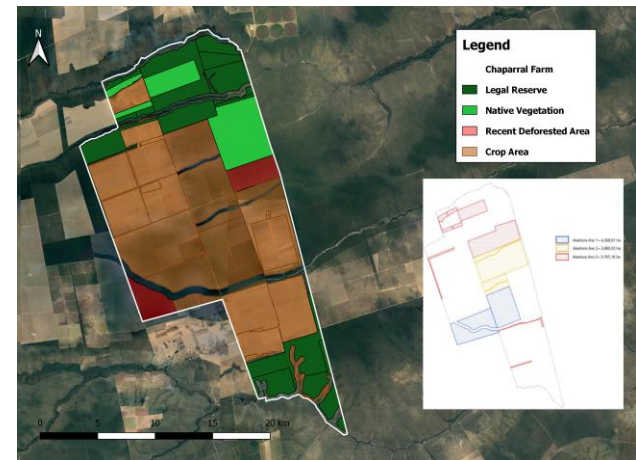
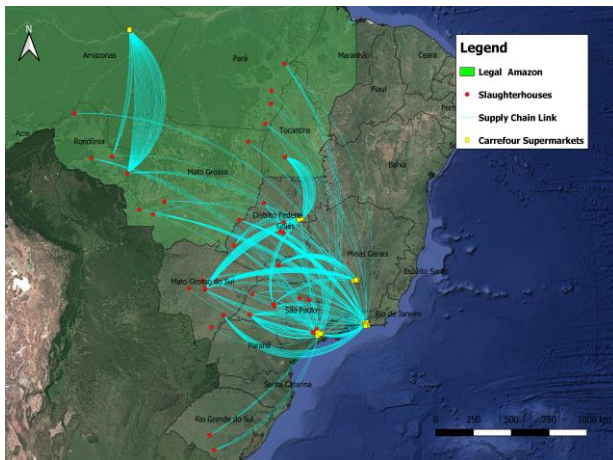


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Deforestation can be linked to EU markets and finance

1. On farms that supply **soy** to EU importers
2. Within the **beef** supply chain of EU-based retail companies
3. On land held by EU **farmland investors**



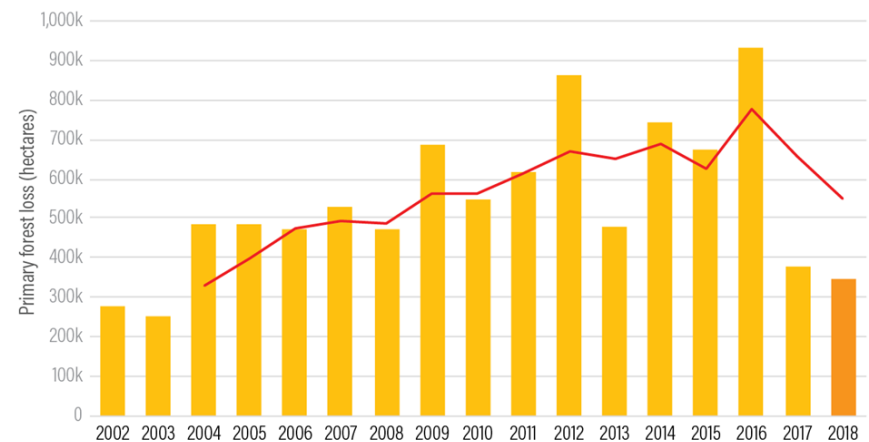
EU policies would bolster private sector zero-deforestation initiatives

- **469 large companies** have made commitments to address deforestation - 2020 deadline is rapidly approaching
- **Frontrunner companies** are strengthening and implementing corporate policies, providing transparency and calling for expansion of moratoria
 - Consumer goods companies
 - Traders
 - Investors

Voluntary corporate policies are not enough

- Not every company will **commit** to zero-deforestation
- Not every commitment is **implemented**
- Not every supplier **refrains** from land clearing

Primary Forest Loss in Indonesia, 2002–2018



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EU policies mitigate business and financial risks

- **Deforestation is a business risk** within commodity value chains
 1. **Loss of Clients** – violations of NDPE sourcing policies
 2. **Loss of Financiers** – violations of investment policies
 3. **Legal risks** – violations of national laws and regulations
 4. **Stranded Assets** – projects cannot viably be developed
 5. **Operational risks** – local violence, local climate impacts
 6. **Reputational risks** – media and civil society reports

EU companies and investors are exposed to these risks

- CRR scenarios illustrate how business risks can impact **corporate profits and equity value**;
 - BrasilAgro: 53 percent drop in net asset value/share
 - SLC Agricola: 51 percent equity value at risk
 - ADM: 30 percent equity value at risk
 - Casino/GPA: 18-46 percent market cap loss
- **EU investors are exposed** to these risks as shareholders, debt issuers and fund participants
- EU Requirements on **transparency and due diligence** can mitigate such risks

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Thank you!

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