

Responsible Investment for Sustainable, Deforestation-free Agricultural Supply chains - Which EU policies do we need?

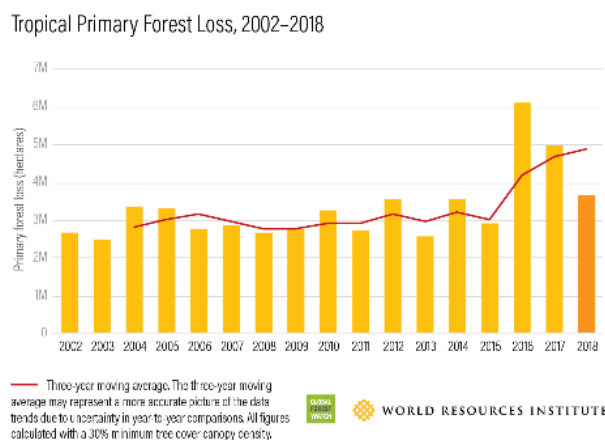
Event Report

The event took place in Brussels on 6 May and brought together three practitioners who spoke about research, investment and trade in forest risk commodities. They were joined by a policy maker from the EU Commission's Directorate General (DG) Justice.

The event explored EU policies needed to ensure that agro-commodities supply chains are free from deforestation. Examples from the soya sector in Brazil were used as illustrations.

The timing was important as the European Commission was [expected to soon publish](#) its new Communication on Stepping-Up EU Action on Deforestation. Two reports had also been recently released highlighting that [deforestation remains rampant](#) and that a [minority of EU soy imports](#) are certified deforestation-free.

The following recommendations were made:



1. [Tim Steinweg, Senior Consultant at AidEnvironment](#) [said](#) that **the agribusiness sector has a key role to play in tackle tackling climate change.** Reforestation, improved forest management and a complete halting of deforestation are prerequisites to achieving the Paris Agreement. He pointed to evidence showing that Natural

Climate Solutions could provide [37% of the carbon mitigation needed by 2030](#) to limit global warming to 2°C. Yet, deforestation is still rampant, in large part because of [agricultural expansion](#).

- Which EU policies do we need?

2. Tim also said that it is current best practice that buyers remove suppliers from their supply chain if they violate the buyer's zero deforestation policy, but that they [keep engaging](#) with the supplier so they can learn to meet the policy. While it is positive that 469

large companies have [committed](#) to address deforestation in their supply chains, **voluntary action is not enough** as not every company will commit to zero-deforestation, not every commitment is implemented and not every supplier refrains from land clearing.

3. [Peter van der Werf, Director of Active Ownership at Robeco](#) said **that regulatory bodies have a key role to play**: they need to provide a level playing-field between sustainability leaders and laggards, and set "premium" prices that internalise environmental and social cost as the norm, not the exception. The EU could also help make citizens more aware of how and where a product is produced and request companies to have more traceable and transparent supply chains.

4. Tim Steinweg added that **deforestation can generate multiple business risks**, such as loss of clients, loss of financiers, legal risks, stranded assets and operational and reputational risks. [Research shows](#) that agribusiness companies and investors that do not address deforestation could lose up to half of their company value. EU shareholders, debt issuers and fund participants are exposed to these business risks, but they could be mitigated by EU requirements on transparency and due diligence. **EU policies could bolster private sector initiatives and ensure that all companies address deforestation in their supply chains.** If the sector considers sustainable production as a competitive disadvantage, it will be difficult for individual actors to improve. Regulation is therefore essential to request all actors to act.

5. We heard from Cristina Hastings-Newsome, from Louis Dreyfus Company, that it is important that all actors of the value chain, not only producers, are responsible for ensuring that their supply chains aren't tainted with deforestation or land grabs. **Success will therefore depend on coordinated action involving all supply chain stakeholders**: feed producers and manufacturers need to be ready to pay for a sustainable value chain, commodities traders can influence producers' behaviours, and the finance community is critical to incentivise farmers to expand on already deforested land rather than forests by offering preferential loans/interest rates. Governments are also part of the solution at the international, national and municipal levels.

6. Finally we heard from Peter van der Werf that although high demand from Asia means that an EU-wide policy solution would not be able to halt all global deforestation, it could trigger an effect on those markets by setting an example that other markets could look up to.

For more information about Fern's campaign to tackle the impact of EU consumption on forests, visit <https://www.fern.org/consumption/eu-action-plan-to-protect-forests-and-respect-rights/>

Please also note that, since the event, a [YouGov poll found on May 21](#) that eighty-seven per cent of Europeans want new laws to ensure that the food they eat and the products they buy don't drive global deforestation.