



# **COP30 Presidency Roadmap for Halting and Reversing Deforestation and Forest Degradation by 2030: Institutional Investors Group on Climate Change (IIGCC) response**

## About IIGCC

IIGCC is an investor-led membership organisation. We bring the investment community together to navigate the risks and opportunities of the transition and support progress towards a net zero and climate resilient future. We work with our members to create guidance, tools, frameworks and resources that can help them, in their individual contexts, to manage climate-related financial risk within their individual portfolios. Our work also supports investors to make the most of opportunities presented by the transition towards a decarbonised global economy and the realities of a changing climate. We have 400+ members across 20+ countries.

More information at: [www.iigcc.org](http://www.iigcc.org)

## Responses to questions

### **Question 1: What are the most critical barriers – whether physical, economic, financial, institutional, technological or social— preventing the halting and reversing of deforestation and forest degradation?**

Deforestation, if left unchecked, poses a major economic systemic risk with the capacity to destabilise global systems, including financial markets as a whole. Whilst recognising that there are multiple and interlinked barriers to addressing deforestation, the following response will focus on specific barriers for institutional investors seeking to manage deforestation risks and leverage investment opportunities in scaling deforestation and conversion-free supply chains, in line with their fiduciary duties to preserve the economic interest for their clients and beneficiaries.

#### **1) Deforestation risk is not mainstreamed in financial sector**

Investors, and financial actors more broadly, are increasingly aware of the **financially material nature of deforestation risk**. However, financial systems have historically undervalued nature-related risks. They face several structural, institutional, financial, technological, and data-related barriers, including:

- **Data gaps and lack of transparency**

The lack of reliable, consistent, robust and comparable data on companies' exposure to deforestation risk impacts investors' ability to quantify risk across their portfolio, assess company performance, verify supply chain claims, and set credible targets.

Policymakers increasingly value the importance of data and other practical components of implementation, and this is reflected in the design of regulations and legislation.

- **Complexity of supply chains and lack of monitoring systems**

Deforestation is often embedded deep within global commodity supply chains (e.g., soy, beef, palm oil, timber), making traceability difficult. In addition, mechanisms to monitor and validate supply chain integrity are often unavailable. Certification schemes, such as the Forestry Stewardship Council (FSC) and Roundtable on Sustainable Palm Oil (RSPO), may offer useful assurance if they include robust cutoff dates, credible chain of custody requirements, and clear links between certified volumes and production units. However, certification is not uniform and may not guarantee that products originate from areas free from deforestation after the relevant cutoff date, and volume-based claims can differ widely in what they assure.

- **Limited institutional capacity and integration in financial models**

Not all financial institutions have mature internal processes, including governance structures, policies, and stewardship tools, to assess and manage deforestation risk. Additionally, conventional financial models do not easily capture multi-dimensional risks related to long-term ecosystem degradation, making integration of deforestation risk challenging within existing market structures.

## 2) **Lack of robust policy and regulatory frameworks**

While COP decisions have highlighted the urgent need to halt and reverse deforestation by 2030, only a few countries have taken steps to drive that action through policy.

Domestic policy frameworks often lack **precise definitions and enforceable standards to end deforestation and restore ecosystems**, including due diligence requirements and targeted mechanisms to create market incentives that guide sustainable land use and capital allocation towards conservation and restoration.

On the contrary, **misaligned incentives** – such as environmentally harmful subsidies – continue to drive capital towards economic activities that contribute to deforestation. Eliminating such subsidies is crucial to **redirect public and private finance** towards restoration and the development of deforestation- and conversion-free, sustainable supply chains.

Crucially, weak enforcement could lead to reduced impact even where suitable regulatory mechanisms are in place.

Comprehensive and **rigorous approaches to deforestation are difficult to design** because of their level of ambition, regulatory complexity, and varying interests of countries and sectors. The European Union's (EU) *Deforestation Regulation (EUDR)* and the UK's *Forest Risk Commodity Regulation (UKFRC)* are examples of this. They frame deforestation as a material business risk and aim to safeguard companies taking proactive steps toward deforestation-free supply chains by ensuring that non-compliant companies are penalised for falling short on due diligence. However, this presents challenges, including:

- Firstly, for both producers and importer countries, due to the **availability of suitable data** systems to support compliance. This has already caused several delays in the legislative process for EUDR.
- Secondly, the **political interests** of countries which want to exclude products from scope or must resolve other legal commitments, such as how the Windsor Framework is reconciled with the UKFRC.

## **Question 2: What potential levers, whether economic, financial, institutional, social or technological, exist for accelerating the implementation of the commitment to halt and reverse deforestation and forest degradation?**

Many investors are already taking meaningful steps to address deforestation risk, using the levers at their disposal – from working directly with portfolio companies to engaging with policymakers.

### **1) Engagement with companies**

Engaging with underlying assets is a critical lever for investors to mitigate risks associated with deforestation across their portfolios and to encourage underlying assets to transition to deforestation- and conversion-free supply chains.

From improving traceability to strengthening supply chain policies, and supporting the economic inclusion of smallholder farmers, investors have been also leveraging geospatial tools and satellite data to monitor deforestation in real time and inform engagement discussions.

IIGCC's **Deforestation Investor Group (DIG)** provides a platform to support investors in mitigating the financial risks associated with deforestation, including through capacity-building, tools, and stakeholder engagement. DIG builds on the foundations laid by *Finance Sector Deforestation Action (FSDA)*, an initiative that has supported engagements with over 100 companies and banks. It also produced the Investor Expectations of Companies and Investor Expectations for Commercial and Investment Banks to bring clarity and consistency to conversations with companies and banks leading to more ambitious engagement objectives.

The data shows that more FSDA companies disclosed their deforestation-free or deforestation- and conversion-free (DF/DCF) commodity volumes in 2024 than in 2022. This metric is highly valuable for investors in understanding exposure to deforestation risk and suggests companies may be taking greater action to improve their DCF monitoring systems. Similarly, the rise in disclosures on due diligence systems and plans to improve supply chain traceability and control for volumes of unknown risk provides investors with critical insights into companies' risk management strategies.

## 2) Engagement with policymakers

Public policy remains integral to redirecting financial flows towards deforestation and conversion-free production systems. A **clear, well-designed regulatory environment** provides investors with the consistency and confidence to scale solutions and make long-term decisions for financial stability and sound risk management.

Investor engagement with policymakers is crucial to help **co-design robust regulations**. Investors can provide a useful perspective on the impacts of deforestation on the resilience of their assets and, in turn, the returns of their investments in the long-term. Designing regulations that are robust and holistic to **address the multidimensional impacts from deforestation** is challenging, as explained in previous sections. However, this can be overcome by providing support to producers and companies including through easing the burden of compliance and a supportive infrastructure, from IT systems to upskilling programmes.

Over two-thirds of FSDA participants have engaged policymakers to foster an enabling regulatory environment for businesses and financial institutions to manage financial risks related to deforestation. This includes participating in global dialogues such as with the Investor Policy Dialogue on Deforestation (IPDD) and the Forests & Climate Leaders' Partnership (FCLP). Participants also engaged government officials on the development of the Tropical Forest Forever Facility (TFFF) to help ensure alignment of related investments with objectives of halting and reversing tropical deforestation.

Last year's delay of the EUDR was disappointing for many investors. This prompted many investors and business voices to individually call on the EU Commission for a timely implementation, advocating for robust due diligence to help mitigate systemic financial risks from deforestation, and maintain investor confidence in long-term investments.

### **3) Engagement with other key actors in the wider ecosystem**

Ending deforestation cannot be achieved in isolation. Other initiatives and multiple stakeholders within the finance industry and beyond can support investors' efforts to manage financial risks linked to deforestation (e.g. data providers, certification bodies, etc.)

For example, [FSDA participants have engaged with data providers](#) to help increase the availability of deforestation-related data for the financial sector. Some global data providers, such as Bloomberg, have revamped their data offerings on deforestation thanks to engagement with FSDA participants.

### **4) Integration of deforestation risks and opportunities in investment decision-making**

There has also been positive momentum in integrating deforestation into risk assessments, stewardship strategies, and exclusions policies. To help investors **integrate deforestation, land conversion, and associated human rights risks into their net zero strategies**, IIGCC has recently published [practical guidance that set out five priority actions for investors](#):

- 1) assessing exposure.
- 2) developing a deforestation policy.
- 3) integrating considerations of deforestation and associated risks into investment decision-making.
- 4) addressing material exposure to deforestation and associated risks through portfolio stewardship.
- 5) conducting systems-level stewardship by advocating for regulation and policies that aim to curb deforestation globally and scale deforestation- and conversion-free supply chains.

## **Question 3: What country, regional or sector roadmap experiences, best practices, and lessons learned can be shared regarding forest conservation and restoration?**

Some examples of successful forest conservation and restoration programmes include:

- Mobilising Finance for Forests (MFF) is a blended finance programme managed by FMO, a Dutch development bank, and backed by the UK. It commits £150 million of public capital to mobilise ~£850 million of private investment into tropical forest positive projects. It aims to protect ~2.1 million ha and avoid ~28 MtCO<sub>2</sub> over 15 years. An independent early-stage evaluation reports positive progress, with 9 transactions (~US\$106 m) by Q3 2025 contracted under MFF. FMO's summary of the ADE evaluation confirms the approach of concessional finance plus technical assistance is derisking otherwise hard to finance deals.
- Programa Rural Sustentável (PRS) supports small and medium farmers to adopt low-carbon agriculture and restore degraded land across the Amazon, Atlantic Forest, Caatinga and Cerrado. It is currently supported by the UK government and its 2023 delivery review verified that 2,569 farmers and 305 technical agents have been trained, plus 3,703 young people have been engaged. The Amazon extension targets ~2,000 ha avoided deforestation and ~6,000 ha under sustainable management for ~600 families. The same review confirms alignment with Brazil's ABC+ Plan and notes impact evaluations are due in 2026.