



LAPFF Position Statement Deforestation

Given the important role forests play from both an environmental and social perspective, ensuring appropriate measures are being taken to sustain and protect these dwindling natural assets should form a significant part of any responsible investment policy. LAPFF recognises the crucial role the world's forests play in absorbing and storing carbon, sustaining ecosystems and providing a livelihood and natural resources for resident communities the world over. LAPFF further recognises the responsibility that companies and investors have in the sustainable management of the world's forests in the attempt to mitigate the impact of climate change.

Agricultural commodity production is one of the major causes of deforestation globally. Four of the larger resources responsible being beef, soy, paper and palm oil. Whilst deforestation remains a global issue, the problem is particularly prevalent in the commodity rich but weak regulatory environment of the Amazon basin. In order to meet global demand, it was reported in June 2019 that clear cutting in the Brazilian rainforest had increased by 88% compared to the same time in 2018¹.

LAPFF recognises the investment risks associated with deforestation and failing to adopt adequately robust policies that are capable of penetrating the supply chains to the extent required to address unsustainable and illegal logging. These risks include regulatory, legal and reputational that may occur if the company's value chain is implicated in, or associated with, the illicit timber trade and the physical risks associated with diminishing productivity on land claimed as a result of deforestation due to nutrient poor loam and topsoil erosion. This can in turn lead to write downs and assets becoming stranded.

Engagement

LAPFF engages on deforestation by meeting with companies and participating in collaborative investor initiatives. This includes filing and supporting relevant shareholder resolutions to companies. In practice, addressing this issue has meant targeting the sectors whose operations are most widely attributed to deforestation mentioned previously. LAPFF is a member of the PRI investor working group on sustainable palm oil, and as part of the Climate Action 100+ initiative, LAPFF co-leads engagement with Suzano SA, a Brazilian paper and pulp company, and is the lead investor in an engagement programme with US fast food giant Chipotle. LAPFF has also co-signed an open letter to the Brazilian government calling for a clear commitment to eliminate deforestation and protect the rights of Indigenous peoples. The Forum has also joined calls with other investors, including one with members of

¹ <https://www.dw.com/en/brazil-registers-huge-spike-in-amazon-deforestation/a-49462773>

the Brazilian Congress in working towards a significant reduction in deforestation rates among other issues surrounding Brazil's stance on the matter. The issue of deforestation forms a central theme across all of these engagement streams.

Policy, Reporting and Certification

LAPFF supports the aim of the sustainable development goals (SDGs) including Goal 15 (life on land) which seeks to preserve the biodiversity of forests, restore degraded forests and protect the habitat of endangered species. The Forum has promoted mandatory climate risk reporting, the mechanism already in place under the Companies Act requirements for companies to report financially material risks in the annual report. For market participants whose value chain is reliant on forest products, LAPFF expects to see disclosure of the risks posed by deforestation included as standard. In order to ensure investor and consumer confidence, LAPFF encourages companies whose value chain is reliant on the use forest products to adopt the relevant policies that ensure the entire lifecycle of its product is certified by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).