



**Deforestation  
Free Finance**

# How to achieve deforestation-free pension funds

July 2022



# **Tropical forests are being cleared at an alarming rate – with an area five times the size of Wales lost in 2021 alone.**

Forests are key to tackling climate change and are critical for nature – we cannot deliver on net-zero commitments and keep global temperature rise below 1.5 degrees Celsius without ending deforestation.

Pension funds, like other parts of the finance sector, are part of the deforestation problem. Up to £2 in every £10 saved in a UK pension is linked to companies with a high deforestation risk. That means pension funds are exposed to the risk of deforestation, conversion, and associated human rights abuses through investments in companies and through direct investments, for example in land for forestry and agriculture.

This creates further risks for pension funds, from market access, regulatory restrictions, physical risk and reputational risk. Scheme holders are also asking more questions about the sustainability of their pension funds – and regulators and policy makers are looking at how financial services in the UK can transition to a net zero economy.

Action to address deforestation is critical to deliver on commitments on climate change, human rights, and biodiversity, and to future-proof investments. We can help.

Global Canopy, in partnership with Make My Money Matter and SYSTEMIQ and supported by a Working Group of 12 industry experts, has developed comprehensive interactive guidance on how to navigate this process. The guidance, which is available on [guidance.globalcanopy.org](https://guidance.globalcanopy.org), from 22 June 2022, takes pension funds through six phases, accompanied by a comprehensive directory of available datasets and tools, from understanding and identifying their exposure to risk, to eliminating it from their portfolios.

## Phase 1: Understanding and mapping risk

**Step A:** Understanding deforestation, conversion, and associated human rights risk

**Step B:** Initial assessment of deforestation, conversion, and associated human rights abuse risk



## Phase 2: Setting an effective policy and managing risk

**Step A:** In-depth assessment of deforestation, conversion, and associated human rights risk

**Step B:** Setting an effective policy on deforestation, conversion, and associated human rights



## Phase 3: Monitoring and engagement

**Step A:** Engage asset managers and/or companies/investments exposed to deforestation, conversion and human rights abuse risk

**Step B:** Engage beyond investments



## Phase 4: Disclosing

**Step A:** Publicly disclose progress on deforestation



## Phase 5: Eliminating deforestation, conversion, and associated human rights abuses

**Step A:** Redirect capital away from asset managers and companies/investments which are not making sufficient progress



## Phase 6: Going above and beyond: Nature – and people – positive

**Step A:** Nature – and people – positive

For more information see  
[guidance.globalcanopy.org](https://guidance.globalcanopy.org)

