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Halting deforestation:
Why investors action's matters?

Written by



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#Note2



EXECUTIVE SUMMARY

Deforestation is a key topic for COP30. Although the pace of deforestation tends to slow, eliminating it entirely is essential to achieving climate and biodiversity goals. Investors play a vital role in encouraging companies to further assess deforestation risks and adopt action plans to address them.

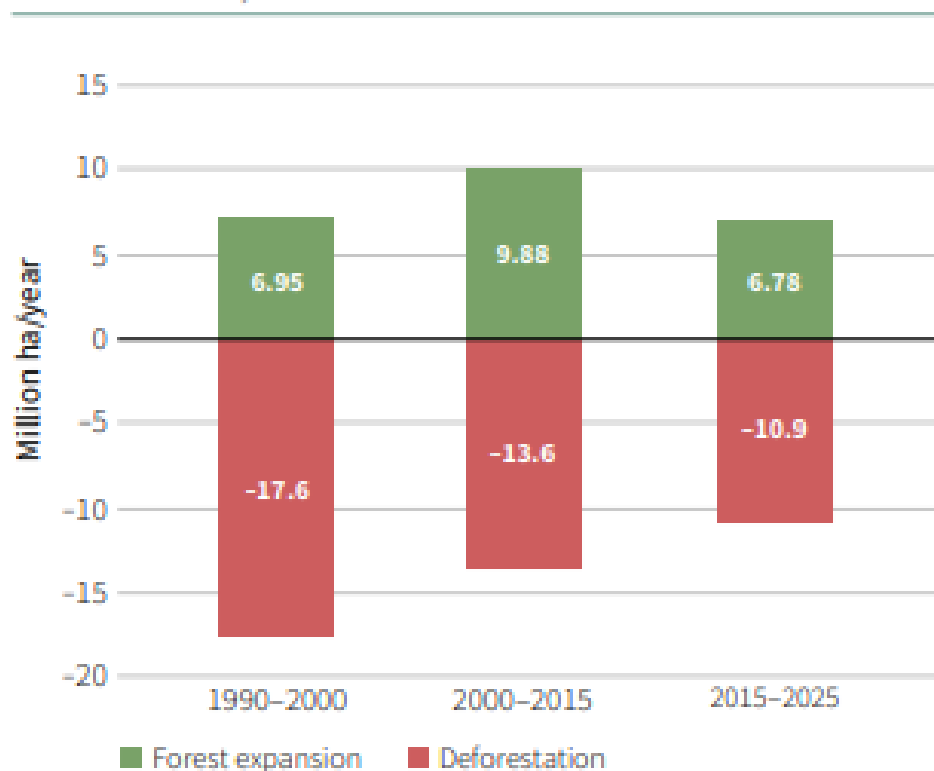


Part 1 : Deforestation matters

Key message #1: Current status and main drivers of deforestation

According to the Food and Agriculture Organization of the United Nations (FAO) the **annual rate of deforestation has slowed over the past decade** compared to previous periods (see the figure below). Nevertheless, **deforestation remains a major issue** as forests act as carbon sinks and biodiversity reserves. Furthermore, it **disrupts essential ecosystem services** such as water capture and filtration, climate hazards protection, and disease regulation, **with potential significant economic and health implications**.

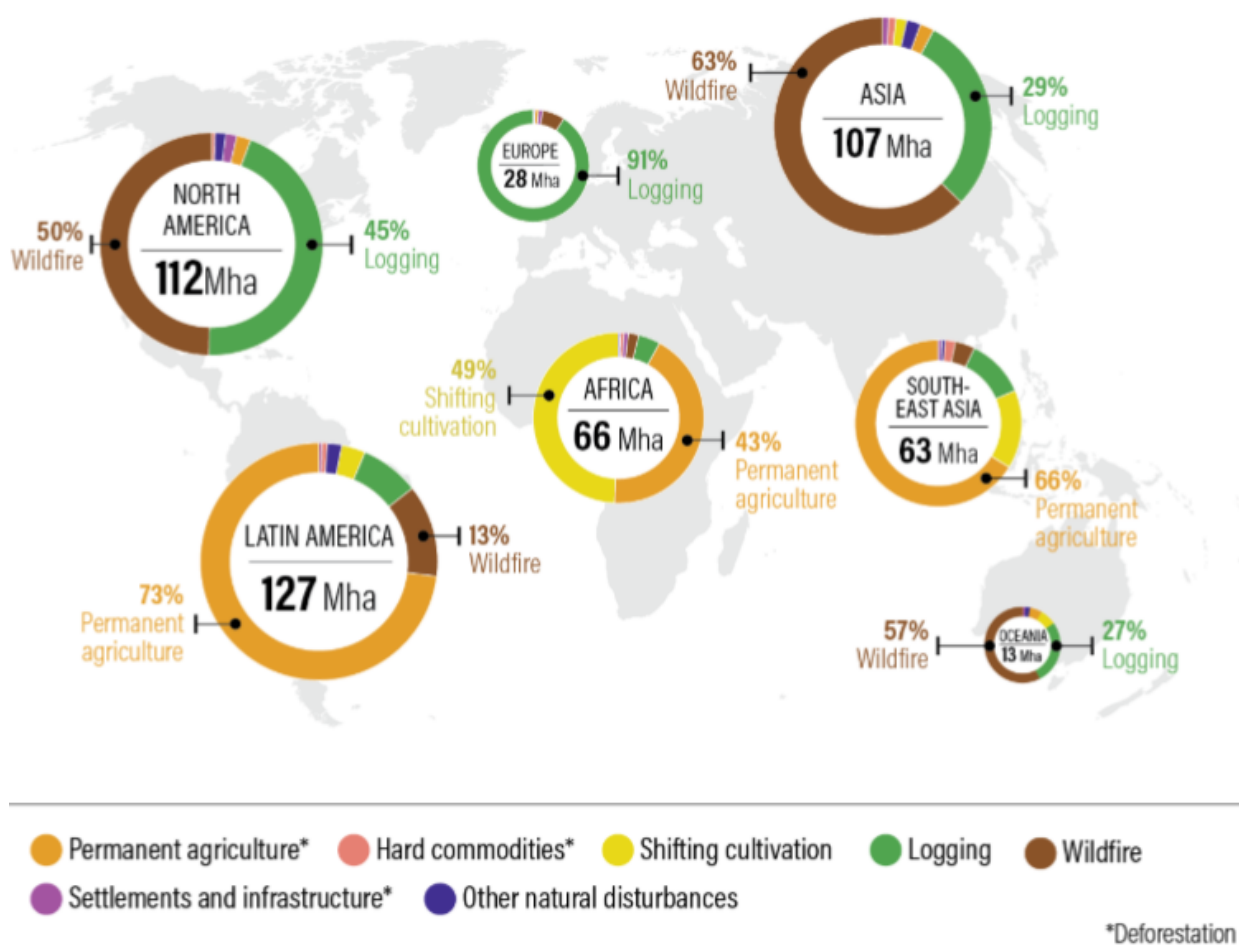
Global annual rate of forest expansion and deforestation, 1990–2025



Source : FAO, 2025

The impact of the different drivers of tree cover loss varied across regions (see the figure below). Permanent agriculture had the greatest impact between 2001-2024 accounting for more than 30% of tree cover loss. The commodities most strongly linked to deforestation are by far cattle, followed by palm oil, soy and then cocoa, rubber, coffee and wood.

Drivers of tree cover loss by region, 2001-2024



Source: WRI/Google DeepMind, Sims et al. 2025.



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Source: WRI, 2025

Key message #2: Investors calling for an ambitious COP30 on forests

Forests are a central topic for COP30. Ahead of the COP, more than 50 investors from across the world, collectively managing over \$4.5 trillion in assets, endorsed the Belém Investor Statement calling governments to **adopt and enforce strong policies to halt and reverse tropical deforestation and forest degradation, recognizing their importance for global climate change and biodiversity goals**. These investors also pledged to **strive to better integrate these issues into their portfolios**. In line with our Natural capital strategy, Sycomore AM was among the signatories of this statement.

Part 2 : Implications for investors

Key message #3: Deforestation risks for companies

A recent CDP study estimated that **potential financial impacts from forest-related risks could reach \$279 billion** - 3.6 times higher than amounts reported by companies. The main financial impacts reported by companies include **higher direct costs, upstream supply chain disruption, brand damage and reduced demand**, as well as **increased compliance costs, fines, and penalties**. Although further delays may occur, the European Union Regulation on Deforestation-free Products (often referred to as EUDR) is for instance expected to impose **traceability requirements on products** containing cocoa, coffee, palm oil, rubber, soy and from cattle and wood, **with potential fines for non-compliance**. **Reputational risks also exist**, especially for consumer brands and are likely to have an impact on sales.

While **forest-related risks are material**, CDP notes from its 2024 questionnaire that they are **systematically underreported**, with fewer than **half of the identified risks having clear financial quantification**. For example, regarding company awareness of their dependence on key commodities^[1], about 20 to 30% is reported as unknown.

Key message #4: Investors need information to analyze these risks

The sectors potentially most exposed to deforestation include:

- **Food and beverage companies** sourcing beef and directly farming or sourcing palm oil, cocoa, coffee, or soy;
- **Packaging, paper and forest products companies** sourcing wood or paper-based products;
- **Utilities** relying on biomass feedstock;
- **Consumer goods companies** using palm oil, wood, rubber, or leather in their products;
- **Extractive companies** converting forest land.

To assess deforestation risks, especially in these sectors, **investors need detailed information from companies** including:

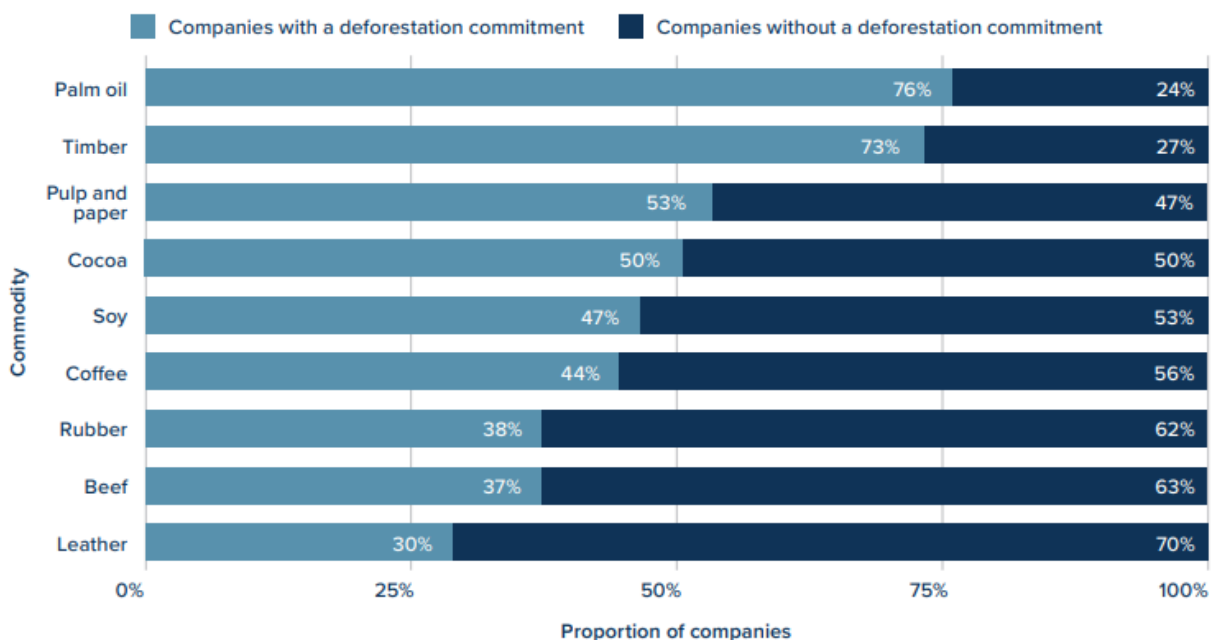
- Their **exposure to key commodities** linked to deforestation;
- The **proportion of these commodities** traceable to the farm or plantation;
- The **actions taken** (such as certification) to ensure zero deforestation in their supply chain.

[1] CDP considers seven commodities: timber products, palm oil, soy, cattle products, rubber, cocoa and coffee.

If such information is not published, **investors can engage companies to encourage them to increase their transparency in public documentation or via voluntary disclosure initiatives** such as the Forests module of the CDP questionnaire.

Key message #5: Investors can encourage companies to adopt deforestation policy

Once companies **assess their exposure to deforestation-related commodities**, they can **publish deforestation policies** and **make voluntary commitments to zero deforestation**. In their assessment of 500 companies, Forest 500 found that 27% of companies have published commitments for all commodities they are assessed on^[2] and 39% have partial commitments, not covering all commodities. This leaves **34% of companies assessed that have not made any public commitment to deforestation**. Palm oil has the higher share of deforestation commitments, while leather has the lowest share (see the figure below).



Source : Forest 500,2025

^[2] Companies are assessed on the following commodities: pulp and paper (about 60%), palm oil and soy (more than 40%), cocoa, coffee, rubber, beef, leather, timber (more than 20%)

Beyond ensuring commodities are not sourced from deforested areas, companies can also **commit to using alternative commodities**. For instance, the food manufacturing and catering industries can reduce their exposure to deforestation-related commodities, beef in particular.

How Sycomore AM integrates deforestation risks ?

Sycomore AM applies an exclusion criterion on palm oil across all assets under management. In addition, our proprietary ESG analysis model called SPICE includes an in-depth analysis of environmental issues. We assess companies' current practices and offerings, both qualitatively and using a quantitative metric -the Net Environmental Contribution- as well as their environmental strategy. However, it remains challenging, as of today, to systematically and quantitatively integrate deforestation risks and mitigation measures assessment at portfolio level. Given the potential financial materiality of this issue, we will continue to follow methodological developments and data provider offerings. We also consider that deforestation is a very important theme for engagement with companies. For example, traceability is a key focus in our engagement with luxury companies in the context of the FABRIC collaborative initiative coordinated by the Finance for Biodiversity Foundation.

Key message #6: Deforestation mitigation can also create investment opportunities

From an investor perspective, **deforestation represents risks that need to be analyzed**. While there are no clear direct investment opportunities, **some companies may benefit from efforts to tackle deforestation without compromising other sustainability priorities**, namely biodiversity, climate change and social issues:

- **Solutions that increase yield productivity and consequently reduce land use thereby reducing the pressure on deforestation**, for example technologies such as precision irrigation or regenerative agriculture practices like agroforestry, which can enhance soil fertility and water retention;
- **Solutions that reduce food waste and consequently reduce land use thereby reducing the pressure on deforestation** such as food protection and preservation from natural origin or more efficient food processing machinery for the food industry;
- **Alternatives to beef and dairy products** include meats with lower environmental impact, e.g. chicken, and also plant-based proteins and milk;
- **Providers of testing and regulatory compliance services or IT solutions**, such as satellite imagery, can help companies achieve supply chain traceability;
- **Solutions that improve the recyclability of wood-based and paper packaging products**, reducing the need for virgin materials.

Conclusion

At COP30 Leader's Summit, the Tropical Forest Forever Facility (TFFF) was officially launched. It aims to **support tropical forest protection and restoration with funding from governments** (several commitments already announced) **but also private actors**. This facility also **recognizes the role of indigenous people and local communities** (IPLCs) with a mandatory allocation of at least 20%.

The characteristics and intervention modalities of this new Facility highlight that **tackling deforestation is closely linked to social and human right issues**.

Sources

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- FAO (2025) Global Forest Resources Assessment 2025
- Forest 500 (2025) Companies profit, forests fall: everyone pays the price
- WRI (2025) New Data Shows What's Driving Forest Loss Around the World
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