

November 29, 2024

Attention: To the Permanent Representatives of the Member States to the European Union, the Respective Ministers of Environment of the Member States, and Members of the European Commission

Investor statement on the European Union's proposed delay and amendments of the European Union Regulation on Deforestation-free Products (EUDR).

This statement is endorsed by 28 investment firms representing approximately USD \$929 Billion in assets under management.

It is with deep concern that we witnessed the European Parliament's vote on November 14th approving the proposed one-year delay of the implementation of the EUDR and the creation of a new no-risk category which implies minimal oversight for so-called insignificant-risk countries.¹ Should the anticipated negotiations between the trilogue (European Council, Commission, and Parliament) come to an agreement, this would allow large companies to delay compliance by a year to 30 December 2025 and small and medium enterprises (SMEs) to 30 June 2026.²

The impacts of deforestation on biodiversity loss, climate change, and local communities present material financial and systemic risk that could affect the long-term value of our portfolios.³ To uphold our fiduciary duty, it is critical to manage this risk to ensure long-term value for our investments and portfolios. Trade policies are critical tools to help minimize these risks. To this end, we strongly urge the European Union to not delay the implementation of the EUDR and ensure that the regulation is not made subject to dilution through the proposed amendments.

According to the UN Environment Programme, deforestation and forest degradation currently account for an alarming 11% of global GHG emissions.⁴ The EU is a primary export destination for commodities that carry high deforestation risk including coffee, beef, soy, palm oil, and timber, with the bloc accounting for 13-16% of deforestation.^{5,6} Research reveals that for every minute the EUDR is delayed, a football field worth of forest is cleared.⁷ Tropical forests, including the Amazon, stand at a critical tipping point with further

¹<https://www.reuters.com/business/environment/european-parliament-approves-one-year-delay-eu-anti-deforestation-law-2024-11-14/>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R1115&qid=1687867231461>

³ <https://www.iigcc.org/insights/explainer-why-deforestation-matters-for-investors-and-iigccs-new-role-with-fsda>

⁴<https://www.unep.org/resources/factsheet/deforestation#:~:text=Deforestation%20and%20forest%20degradation%20accounts%20for>

⁵ <https://www.wri.org/news/statement-eu-deforestation-regulation-should-not-be-delayed>

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[https://www.climatepolicyinitiative.org/publication/brazilian-environmental-policies-and-the-new-european-union-regulation-for-deforestation-free-products-opportunities-and-challenges/#_ftn3'="](https://www.climatepolicyinitiative.org/publication/brazilian-environmental-policies-and-the-new-european-union-regulation-for-deforestation-free-products-opportunities-and-challenges/#_ftn3'=)

⁷<https://news.mongabay.com/2024/10/with-europes-move-to-delay-tropical-forest-protections-everything-burns-commentary/>

deforestation projected to disrupt hydrological cycles and convert lush forests into dry savannahs.^{8,9}

As investors, delays in implementing the EUDR also significantly impede our ability to meet climate and nature targets while perpetuating our portfolios' exposure to financial risk. This key piece of legislation sets a precedent for regulators of other markets and countries to hold companies accountable for their supply chain deforestation impacts. The EUDR provides the necessary backstop where voluntary corporate deforestation commitments have failed time and again.¹⁰ In fact, some large companies have indicated that meeting the requirements by 30 December 2024, is achievable.

Delaying or re-opening the EUDR for negotiations that could scale back the regulation would represent a significant step backward for the European Union, as the EUDR has already catalysed corporates to advance robust deforestation-free policies and driven global progress. While we recognize the European Commission recently provided additional guidance to stakeholders to help facilitate application of the rules, continued support is crucial for companies to prepare the required due diligence statements ahead of implementation. However, additional guidance should not lead to delays in implementation.¹¹

Furthermore, many large companies have already established practices and supply chain incentives to support farmers and meet the regulation's standards. These companies are actively aligning their operations with EUDR and forest-related requirements within the CSDDD, with companies speaking out in support.¹² Certain companies are highlighting the risk of financial losses resulting from a delay, having already implemented practices to comply with the EUDR.¹³ While smaller companies may currently lack the mechanisms to meet EUDR requirements, the European Union can ensure technical assistance is directed toward helping producers comply with the regulation. With adequate support for producers, we re-emphasize that there is no reason to delay, scale back or otherwise dilute the EUDR's requirements, including by removing any covered commodity or its derivative. Doing so would undermine investor and company efforts to tackle deforestation and consequently hinder global progress toward critical climate and biodiversity goals.

⁸ <https://www.science.org/doi/10.1126/sciadv.aat2340>

⁹ <https://www.nature.com/articles/d41586-020-00508-4>

¹⁰ <https://www.nytimes.com/2021/12/02/climate/companies-net-zero->

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<https://www.pubaffairsbruxelles.eu/eu-institution-news/commission-strengthens-support-for-eu-deforestation-regulation-implementation-and-proposes-extra-12-months-of-phasing-in-time-responding-to-calls-by-global-partners/>

¹²

<https://news.mongabay.com/2024/10/with-europes-move-to-delay-tropical-forest-protections-everything-burns-commentary/>

¹³

<https://www.reuters.com/business/environment/eu-deforestation-law-delay-brings-losses-most-vigilant-2024-10-08/>

In light of the urgency of the climate crisis and the critical role that tropical forests play in mitigating climate change, we urge the European Union to reaffirm their commitment to implementing strong, clear, and enforceable deforestation-free regulations without dilution or further postponement. Time is of the essence, and we must safeguard our forest ecosystems through bold leadership.

Thank you for your attention to this matter.

Sincerely,

Achmea
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Adasina Social Capital
Aegon Asset Management UK plc.
Aegon Investment Management B.V.
Æquo Shareholder Engagement Services
Australian Ethical Investment
Boston Common Asset Management
Cardano
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Coöperatie VGZ
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East Capital Group
Ecofi Investissements
EdenTree Investment Management
First Affirmative Financial Network
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