



## Forests and Human Rights: Principles for Asset Managers

Deforestation and the degradation of intact and primary forests – largely driven by the industrial production of agricultural commodities such as palm oil, cattle, soy, pulp and paper and biomass feedstock – are the second largest contributor to the climate crisis after fossil fuels. These industries are also routinely involved in gross human rights abuses, land grabbing, and the destruction of critical wildlife habitat. A 2019 study found that three land and environmental defenders were killed every week. Agribusiness was the second deadliest sector, after mining and extractives. Of those land defenders killed worldwide, almost 40 percent are indigenous.

The best way to protect the world's tropical forests is to recognize and respect the legal and customary rights and self-determination of Indigenous and tribal peoples and local communities who live in and care for forests. This requires, at minimum, compliance with the internationally recognized right to Free, Prior and Informed Consent (FPIC), consultation on policies and operations that affect Indigenous Peoples and local communities, and accountability for rights violations. Yet, as of early 2021, not a single large asset management firm has an explicit policy or publicly available set of guidelines to address such fundamental rights.

Indigenous Peoples' rights, land rights, and forest destruction are investment issues. As the UN Environment Programme notes, "Banks and investors can drive deforestation and land conversion through their lending and investment practices." Similarly, the Organization for Economic Cooperation and Development (OECD) maintains that financial services companies are "directly linked" to the social and environmental impacts of their investments and bear responsibility for resolving them. The [UN Guiding Principles on Business and Human Rights](#) were adopted to provide a framework for private companies, including financial firms, to safeguard human rights. This is expressed through three pillars: the state has a duty to protect against human rights abuses, businesses have a responsibility to respect human rights, and victims of

human rights abuses have the right to effective remedy. In other words, asset managers are not merely “exposed” to social and environmental risks stemming from agribusiness operations in their portfolios, thereby simply exposing their clients to these risks. Rather, big asset managers play an instrumental role in enabling the practices that lead to these risks and have an important role to play in the transformation required to end them.

In light of these concerns, asset managers, as well as asset owners and other institutional investors, should adopt policies on **Forests, Land, and the Human Rights of Indigenous Peoples and Local Communities**. In keeping with existing international norms and principles, any asset owner or asset manager considering a forest-related policy should, at minimum, include the following principles and approaches:

- Indigenous Peoples’ Rights, Land Rights and Self-Determination: Investments should respect the full **rights and self-determination of Indigenous Peoples** and be aligned with international frameworks, including the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and International Labor Organization (ILO) Convention 169. All investee companies should be required to maintain strict compliance with these frameworks, including ensuring that businesses implement processes of consultation and consent. Similarly, investments should **respect the statutory and customary land rights of traditional, Afrodescendent and local communities** to own, manage, and access their traditional lands and natural resources, and to receive redress of outstanding land rights claims.
- Consultation and Consent: All companies engaging in business activities that impact the statutory and customary land rights of Indigenous Peoples and other traditional and local communities must comply with international frameworks, including UNDRIP and ILO 169, which require processes of **Free, Prior, Informed Consent (FPIC)** as defined under the [Food and Agriculture Organization of the United Nations Voluntary Guidelines for the Responsible Governance of Land, Fisheries and Forests](#). Similarly, asset managers should consult Indigenous Peoples and other impacted communities when developing investment policies that will affect these stakeholders; any policies on forests and lands adopted by asset managers should be developed with broad and meaningful stakeholder consultation.

- Accountability: A fundamental part of an asset manager policy on forests, land and related human rights is accountability. That means clear **criteria and standards for time-bound engagement** with investee companies and, if engagement does not result in concrete changes in company behavior and operations, the asset manager should have **processes for exclusion** of companies in both active and passive funds based on these specific criteria and standards. A policy is only as good as its implementation, and corporate engagement can only be considered effective if it leads to measurable changes in the environmental and human rights impacts of company operations. Therefore, policy adoption should be accompanied by the establishment of an **independent accountability body** to guide policy implementation and engagement. Any such accountability body must include strong representation of Indigenous and forest-dwelling peoples and civil society experts.
- Zero Tolerance for Attacks Against Land Defenders: **Investee companies should proactively prevent and provide redress for any acts of violence, criminalization, harassment and intimidation in their operations and supply chains.** Asset managers should adopt clear criteria to ensure that they and their investee companies maintain zero tolerance for violence and the criminalization of indigenous, Afrodescendent and local communities and land, environmental, and human rights defenders, as called for in [the 2019 Geneva Declaration](#).
- No Deforestation: investments should not contribute to deforestation or degradation of intact or primary forests and should not promote the expansion of industrial-scale monoculture tree plantations in any form. Asset managers should ensure investee companies in active and passive funds have No Deforestation, Peat, Exploitation ([NDPE](#)) policies and that suppliers to those companies, along entire supply chains including indirect suppliers, have also adopted robust, community-supported NDPE policies with operational grievance mechanisms and commitments to restoration and redress. Investee companies should be required to have publicly available traceability mechanisms that allow for entire supply chains to be transparent to the smallest administrative unit, in order for government regulators and civil society to verify compliance.
- Scope 3 Emissions: Investments should not further the climate crisis through increased greenhouse gas emissions, including emissions from land conversion and the expansion of industrial monoculture plantations. Asset managers should **measure and disclose [scope 3](#)**

[emissions](#) from investments and exclude from active and passive funds any companies that contribute to increased emissions through land use change, deforestation and forest degradation.

- [Water and Soil](#): Investments should **not contribute to water contamination and soil degradation**. Asset managers should track and disclose investment impacts on water and soil, factoring these risks as part of their due diligence and risk assessment processes.

### **Policies, norms and conventions upon which these principles are based**

While adopting such policy framework inclusive of the principles noted above would be a novel step for the asset management industry, the essential principles laid out here have been enshrined in numerous global conventions through consultative processes with civil society, Indigenous Peoples and peasant farmers' organizations, and have been adopted in various forms by most multilateral development finance institutions. Policies, norms and conventions upon which these principles are based include:

- [UN Declaration on Rights of Indigenous Peoples](#)
- [UN Declaration on Rights of Peasants and Other People Working in Rural Areas](#)
- [International Labor Organization Convention 169](#)
- [UN Guiding Principles on Business and Human Rights](#)
- [UN Binding Treaty on the Human Rights Obligations of Multinational Corporations](#) (draft)
- [Equator Principles, OECD Guidelines for Multinational Enterprises](#)
- [IFC Operating Principles for Impact Management](#)
- [The World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector](#)
- [Food and Agriculture Organization Voluntary Guidelines on Responsible Governance of Tenure of Land, Fisheries, and Forests](#)
- [Respecting free, prior and informed consent: Practical guidance for governments, companies, NGOs, indigenous peoples and local communities in relation to land acquisition. FAO 2014](#)
- [Respecting Land and Forest Rights A Guide for Companies](#)
- [RSPO 2018 Principles and Criteria on Sustainable Palm Oil Production](#)
- [Geneva Declaration on Zero Tolerance](#)