

## Sustainable Financing of Deforestation-risk Commodities in India: Clean Finance and Trade, Green India

### Background

This project focuses on the sustainable financing of deforestation-risk commodities in India. It seeks to understand how the Indian financial sector (financial institutions and regulators) is navigating evolving nature and deforestation-risk related aspects which are gaining salience globally.

The focus is on both the regulatory landscape, as well as the day-to-day lending, assessment and operational decisions of major financial institutions such as banks and credit rating agencies. The project looks at various aspects of nature and deforestation-risk in the context of sustainable commodity finance, as well as the role that trade plays in this respect.

A key entry point will be to review India's regulatory framework and the relevant Environmental, Social and Governance (ESG) policies of financial institutions which are exposed to sectors of the Indian economy within which deforestation-risk commodities play a prominent role.

Overall, this work will build on the state of knowledge relating to the links between financial flows and deforestation risk, and raise awareness and influence the discourse in a manner which promotes uptake of more sustainable financing of deforestation-risk commodities in India.

### Context: Clean Finance and Trade, Green India

The project positions responsible finance and consumption and responsible commerce as a nation-building opportunity - good for people, policy, and prosperity.

It encourages Indian financial institutions, consumers and businesses to value products that are transparently sourced, legally compliant, and aligned with sustainable production, especially in supply chains linked to forests and land use.

For **Samaj (society)**, this means fewer hidden costs borne by communities - stronger livelihoods, safer working conditions, and reduced environmental harm that ultimately affects food security and public well-being.

For **Sarkar (government)**, clean finance and trade strengthens India's credibility as a reliable global partner, supports national climate and sustainability priorities, and reduces exposure to future trade frictions by nudging markets toward better traceability and risk management.

For **Bazaar (market)**, it is a competitiveness play: cleaner supply chains are more resilient, face fewer disruptions, attract responsible finance, and build durable consumer trust.

In essence, Clean Finance and Trade, Green India reframes sustainability as a practical win-win. Smarter choices and stronger standards help India grow while safeguarding its natural capital.

## Goal and Objectives

The goal is to stimulate and influence the discourse in India around financial materiality in the context of financing deforestation-risk commodities imported by and processed in India. This will be done by raising awareness among financial sector stakeholders, particularly regulators and financial institutions, about the links between financial sector activities and nature loss driven by deforestation.

The specific objective is to understand the extent to which the Indian financial sector takes into account evolving nature-related risks, with a special emphasis on deforestation-risk arising

from financial sector exposure to forest-risk agricultural commodity value chains.

Through better understanding of financing decisions as external drivers of deforestation, this project will assess the extent to which due diligence and public disclosure of deforestation-risk related aspects have been institutionalised within the Indian financial system.

The project will promote the uptake of nature-related and deforestation-risk aspects within sustainable finance in India's approach to financial regulation, as well as in the policy and practice of major financial institutions based in India.

## Approach and Methodology

The project will be implemented using the Research, Awareness generation, Networking and Capacity building (RANC) model.

Based on action-oriented research, awareness generation, networking and capacity building will be undertaken to promote sustainable finance and trade regulations, and influence optimum financial sector practices which can contribute to enhancing sustainability of deforestation-risk commodities in India.

### Research

- Knowledge products (Policy Briefs) reviewing the state of play in the Indian financial sector related to deforestation-risk at the policy level (i.e., the relevant regulatory landscape and the ESG landscape/ deforestation-related corporate disclosure framework of corporations and financial sector actors);

- Policy assessment of select banks exposed to deforestation-risk sectors in India, to ascertain how these banks treat deforestation-risk in their lending and operational decisions.

### Awareness Generation and Networking

- Series of multi-stakeholder roundtables bringing together diverse financial sector stakeholders; networking and engagement with financial sector actors including banks, associations, chambers of commerce, among others.

### Capacity Building

- Capacity-building workshops for financial sector stakeholders (regulators, financial institutions, civil society organisations, among others).

## Expected Outcomes

- Enhanced awareness among stakeholders about the links between the financial sector and nature loss driven by deforestation, through better understanding of financing decisions and financial sector activities as external drivers of deforestation.
- Greater uptake of nature and deforestation-risk related sustainable finance aspects in India's approach to financial regulation, as well as in the policy and practice of major financial institutions in India.