

## Storebrand Policy on Deforestation

### Introduction

This policy is a supporting document to the Storebrand Group Policy detailing how the Storebrand Group works to realise the UN Sustainable Development Goals, in particular Goal 12 on Sustainable Production and Consumption, Goal 13 on Climate Change Goal 15 on Life on Land. The SDGs are highly relevant to international companies in that they outline a common development agenda towards 2030 and highlight key business risks and opportunities. Deforestation can pose significant risks for companies. How companies manage these, may drive long-term returns for us as a shareholder.

We recognize the vital role forests play in climate change mitigation, biodiversity protection and in supporting livelihoods. Global deforestation accounts for nearly 20 per cent of all CO<sub>2</sub> emissions and deforestation driven by commodities such as palm oil, soy, cattle and timber is a major source of emissions in this sector. While we recognize the important role of agriculture and forestry production to economic development and the livelihoods of farmers and local communities, we are also concerned that the environmental and social issues associated with unsustainable production could have a material impact on companies that source such commodities.

Storebrand does not wish to finance negative environmental and social impacts in this potentially high-risk sector. We wish to ensure that the companies we invest in operate in accordance with good international practice, helping those that make acceptable progress, but ending relationships with those who do not meet our standards. This policy defines our minimum standard for investment and outlines the objectives of our engagement with the sector. We encourage higher standards and collaboration with other investors to help companies to improve.

We expect companies to address deforestation in a manner meaningful to their operations and wish to support their efforts to manage the risks and pursue the opportunities. Our expectations are directed at all companies in our portfolio. We are however mindful that deforestation risk may be especially relevant to companies engaged in activities related to the production of soy, palm oil, cattle and timber.

### Commitment

Storebrand's ambition is to have an investment portfolio that does not contribute to deforestation by 2025. Storebrand will not knowingly finance operations that are illegal, fail to protect high conservation value forests/land or violate the rights of workers and local people".

We commit to use the tools that we as shareholders have at our disposal to induce companies to meet the expectations described in this document. We will cooperate with other financial institutions to promote standards for measuring, monitoring and reporting on direct and indirect deforestation risk. By 2020 we will map our portfolio exposure to deforestation risk and report on progress annually.

We encourage therefore companies to be transparent about the topics raised in this document. We use such information to identify how climate change may affect companies' economic performance and to assess whether management is taking relevant steps to develop a long-term business strategy to tackle climate change and avoid deforestation.

### Scope

This policy applies to all relevant companies in our portfolio, that are involved in production, trade, use or financing of forest-risk commodities, particularly palm oil, soy, timber and cattle products. The policy covers both upstream and downstream companies linked to forest-risk commodities through their operations and supply chains.

### Expectations towards companies

We will seek to engage relevant investee companies on deforestation. We expect companies to commit to eliminate deforestation from their supply chain to help end global deforestation and that company's production, sourcing, and financial investments do not cause or contribute to the loss of natural forests. Companies should commit to eliminating the conversion of other valuable and vulnerable ecosystems from their supply chains and that its activities do not cause or contribute to the loss of these ecosystems. We furthermore expect companies to commit to respect human rights, including the rights of indigenous peoples and local communities. Internationally recognized rights of workers should be respected in all production and trade activities in their operations and supply chains and to conduct business consistent with the Universal Declaration on Human Rights and ILO Core Conventions.

In addition to deforestation, ecosystem conversion, and human rights, Storebrand recognizes that there are many other important sustainability issues related to agriculture and forestry, such as increasing production efficiency, reduction of pesticide risk, reduction of greenhouse gas emissions, protection of water resources, and support for landscape restoration. Companies are strongly encouraged to analyze the need for additional sustainability commitments and initiatives to address other critical issues in the sectors and regions implicated by their operations and supply chains. Companies are also encouraged to apply or participate in other credible standards, certifications, partnerships, and initiatives focused on these topics.

Companies should integrate relevant deforestation challenges and opportunities in their business management, such as investment planning, risk management and reporting. They should ensure that responsibilities are clearly defined within the organization and effectively guide, monitor and review the company's management in these efforts. We expect companies to demonstrate commitment to eliminating deforestation within their entire supply chain, and will seek evidence of this on multiple levels, including, Governance, Strategy, Risk Management and Metrics and Monitoring.