



Storebrand Asset Management

# Deforestation Policy

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# 1. Background and purpose

This policy is a supporting document to Storebrand Asset Management's Sustainable Investment Policy detailing how Storebrand Asset Management works to realize the United Nations Sustainable Development Goals (SDG), in particular Goal 12 on Sustainable Production and Consumption, Goal 13 on Climate Change and 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.

The policy applies to investments made by companies or on behalf of customers of Storebrand Asset Management (SAM), including subsidiaries, and it covers investments of all asset classes. Deforestation poses a systemic risk for the global economy, because of the vital ecosystem services provided by forests, including climate change mitigation, water cycle regulation and protection of biodiversity. Forest loss also threatens the health and livelihoods of nearly a fifth of the world's population, that depends on access to renewable forest resources. Human rights violations against Indigenous peoples and other traditional communities, as well as human rights defenders, are frequently associated with deforestation.

Companies that are directly or indirectly exposed to deforestation can face significant material risks, including physical and transition risks. Their management of these risks may impact the long-term returns of shareholders. We have a fiduciary duty to act in the best long-term interests of our clients, and we recognize the urgency of addressing climate, biodiversity and food security-related risks and opportunities across our portfolios.

According to the Inter-Governmental Panel on Climate Change (IPCC), agriculture, land use change, and forestry causes around 20% of global GHG emissions, at least half

of which is caused by deforestation. Because of the importance of forests and other natural ecosystems as carbon sinks, protecting and restoring forests and ecosystems can contribute as much as a third of the needed climate action to stay within a 1.5 degree target by 2050. Land use change, including deforestation, is also one of the main drivers of biodiversity loss, according to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES).

Ending deforestation and conversion of natural ecosystems is essential to meet the goals of the Paris Agreement, the Kunming-Montreal Global Diversity Framework and SDG 13 (Climate Action) and 15 (Life on Land). The financial sector has an important role to play in ensuring that capital flows do not contribute to deforestation, conversion or associated human rights violations.

The main driver of deforestation and conversion of natural ecosystems is production of commodities such as palm oil, soy, cattle, timber, pulp and paper, rubber, cocoa, coffee, and minerals.

While we recognize the important role of agriculture, forestry and mining to economic development and livelihoods, we are also concerned that the environmental and social impacts associated with unsustainable production could have a material impact on companies that produce, source or finance forest risk commodities.

By using our best efforts to eliminate commodity-driven deforestation from our investment portfolios, we intend to reduce deforestation-related risks while supporting the transition to sustainable agricultural, forestry and mining sectors.

## 2. Roles and responsibilities

This Policy is anchored with the Board of Directors of Storebrand ASA and adopted by the Board of Directors of Storebrand Asset Management AS.

Responsibility for implementation and assessment of related risk lies with Chief Investment Officers and Portfolio Managers within SAM. They will, in collaboration with Risk & Ownership, report to the management of SAM Group and boards as required.

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## 3. General principles and commitments

This policy applies to all relevant companies in our portfolio, that are involved in production, trade, use or financing of forest-risk commodities, in particular palm oil, soy, timber, pulp and paper, cattle products, rubber, coffee, cocoa, and minerals. The policy covers both upstream and downstream companies linked to forest-risk commodities through their operations, supply chains and financial relationships. Our approach to companies will depend on various factors, including whether companies are directly or indirectly linked to deforestation, degree of exposure to deforestation risk, risk awareness, transparency, quality of policies and management systems; as well as openness to engage and improve.

- Storebrand's ambition is to have an investment portfolio that does not contribute to commodity-driven deforestation, conversion of natural ecosystems or associated human rights abuses by 2025. We made this commitment in the first iteration of this deforestation policy in 2019 and reinforced it in 2021 by signing the Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation

- We expect all relevant investee companies to commit to eliminating deforestation, conversion and associated human rights violations from their business activities and relationships.
- We will use our influence as shareholders to induce the companies we invest in to operate in accordance with good international practice.
- We are guided by the Accountability Framework initiative in our assessment of what constitutes good practice and on definitions of key concepts like deforestation and conversion.
- Storebrand will not knowingly finance operations that are illegal, fail to protect high conservation value forests or lands or that violate human rights, including those of workers, human rights defenders, Indigenous peoples and local communities.
- We commit to using the tools that we as shareholders have at our disposal to induce companies to meet our expectations.

**Our main lines of action to implement this policy are the following:**

## 3.1 Portfolio screening of deforestation risk

We will annually assess our investment portfolio for deforestation risk exposure, based on best available data. We have been doing this since 2020, and we will revise and improve our methodology as better data become available. We will group companies into high, medium, and low risk, based on their exposure to and management of risk.

## 3.2 Active ownership and stakeholder engagement

Our main approach is to influence changes in the real economy, helping companies to eliminate deforestation from their operations and supply chains and reducing risk exposure. Alone or in collaboration with other financial institutions, we will engage the companies in our holdings that have the highest risk exposure and/or the greatest opportunity to contribute to ending deforestation. We expect companies to commit to eliminate deforestation, conversion and associated human rights violations from their operations, supply chains and financial services. To assess and guide investee companies, we have developed a separate expectations document on deforestation. We

will also engage relevant policymakers to support an enabling environment for businesses to avoid deforestation risks and impacts.

We will use our voting rights as shareholders to promote forest protection and company management of deforestation risk.

## 3.3 Reducing risk exposure

For companies directly involved in deforestation, conversion or associated human rights abuses, that are unwilling to engage or to meet our expectations, we will consider exclusion from our investment universe. Storebrand's exclusion criterion on deforestation includes unsustainable production of palm oil, soy, cattle, timber, pulp and paper, cocoa, coffee, rubber and minerals.

## 3.4 Disclosure

We will report annually on our portfolio exposure to deforestation risk and our main actions to implement this policy. We will cooperate with other financial institutions to promote standards for measuring, monitoring and reporting on direct and indirect deforestation risk exposure. We encourage companies to be transparent about the topics raised in this document. We use such information to identify how deforestation may affect companies' economic performance and to assess whether management is taking relevant steps to develop a long-term business strategy to avoid financial risks arising from deforestation.



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# 4. Reporting

Risk & Ownership in collaboration with CIOs and PMs will report on activities and progress related to this policy to the management of Storebrand Asset Management and Boards of Directors as required on a regular basis.

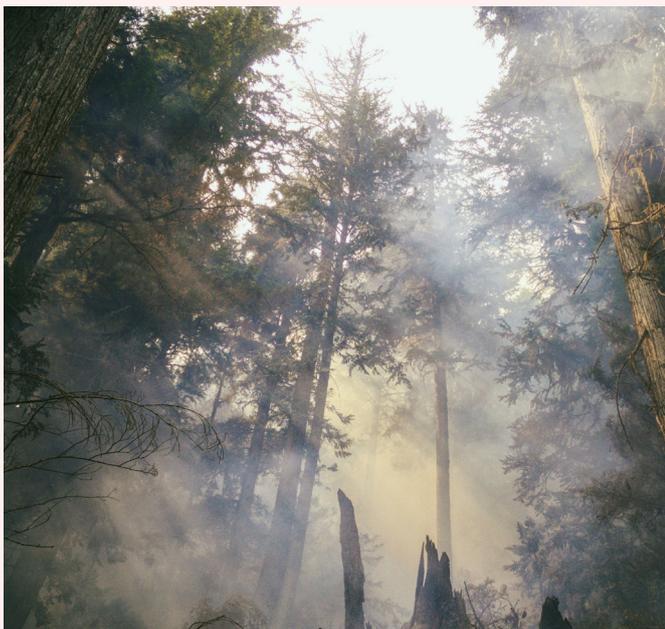
Externally, SAM will report annually on our portfolio exposure to deforestation risk and our main actions to implement this policy.

Updates on activities related to this policy are also published on our website and quarterly in our Sustainable Investments Reviews, also available on our website. These are also distributed to customers and other stakeholders.

# 5. Revisions

This is an updated version of Storebrand's Deforestation Policy, which was first adopted in 2019. The changes made are for clarification rather than substance. To align with Storebrand's Policy on Nature (2022), Storebrand's exclusion criterion for deforestation has been expanded

to include unsustainable production of the following forest risk commodities: palm oil, soy, cattle products, timber, pulp and paper, cocoa, coffee, rubber and minerals.



**“** Storebrand's ambition is to have an investment portfolio that does not contribute to commodity-driven deforestation, conversion of natural ecosystems or associated human rights abuses by 2025. We made this commitment in the first iteration of this deforestation policy in 2019 and reinforced it in 2021 by signing the Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation.

