

## Our deforestation and land-use change exposure statement

The forests are our key allies to achieving three of our other key stewardship themes. First and foremost, they are one of the most important solutions to addressing the effects of climate change, responsible for absorbing one-third of the CO<sub>2</sub> from burning of fossil fuels every year, they act as a critical climate stabiliser<sup>1</sup>. In addition, given that forest degradation, deforestation and land-use change are responsible for 25% of the global emissions, forestry is a key climate protector.

The second way in which forests support our stewardship priorities is due to their inextricable link with human rights as 25% of the world's population rely on the forests for their livelihood. We recognise the negative human rights impacts caused by deforestation such as displacement of indigenous people, land grabbing and child labour<sup>2</sup> and thus consider forestry as a social as well as an environmental impact.

Thirdly, forests are essential for biodiversity with them being home for 80% of the world's land based biodiversity<sup>3</sup>. We therefore, recognise the importance of forests when considering our ecosystem services targets and objectives.

Over 100 world leaders (including the UK) have agreed to end and reverse deforestation by 2030 during the COP26 climate summit. The countries backing up the pledge covers approximately 85% of the world's forests. As institutional investors, we have the obligation to use our influence to ensure companies in our portfolio have procedures and policies in place to mitigate deforestation in their operation and supply chains.

In 2022, we signed the COP26 commitment letter on eliminating commodity-driven deforestation. We acknowledge that there are limitations regarding data whilst assessing deforestation but have conducted an initial mapping of companies "most influential in driving tropical deforestation" using the Forest500 database. We have found that **5.92% of our AUM** as of **30/06/2022** are exposed to companies on the list.

### Actions taken so far:

- Engaged with fund managers regarding exposed companies.
- Requested and reviewed relevant investment managers' policies on deforestation.
- Requested Hermes EOS to escalate engagement on deforestation with exposed companies.
- Incorporated deforestation risks in our voting and engagement policies and guidelines.
- Started to engage on policy and collaborate with external groups to support an enabling environment for businesses to avoid deforestation risks and impacts.
- Begun utilising the Taskforce on Nature-related Financial Disclosures Framework to understand how we can apply this to our commitment against deforestation.

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<sup>1</sup> <https://www.iucn.org/resources/issues-briefs/forests-and-climate-change>

<sup>2</sup> [https://www.iucn.nl/en/our-work/forests-and-climate/#:~:text=Facts-,Worldwide%2C%201.6%20billion%20people%20\(almost%2025%25%20of%20the%20world's,\(part%20of\)%20their%20livelihood.](https://www.iucn.nl/en/our-work/forests-and-climate/#:~:text=Facts-,Worldwide%2C%201.6%20billion%20people%20(almost%2025%25%20of%20the%20world's,(part%20of)%20their%20livelihood.)

<sup>3</sup> <https://www.un.org/sustainabledevelopment/biodiversity/>