

Biodiversity and ecosystems

Definition and Legal Framework

Nature provides ecosystems services, which benefit businesses and society. Biodiversity loss creates risks for society and businesses that can result in significant negative economic and social outcomes. SpareBank 1 Forsikring recognizes that a clear understanding of the potential impact that biodiversity loss might have on the company will be important.

We recognise the role that agriculture, livestock and forestry sectors have in enabling economic development and sustaining the livelihoods of farmers and local communities, and that it is imperative to ensure sustainable production aligned with climate change mitigation, biodiversity protection and supporting global livelihoods as well as food security. To achieve these sustainable production and development goals with zero deforestation is both an urgent and complex endeavour.

Our expectation documents set out how we expect companies to manage various environmental and social matters related to deforestation. These expectations are based on internationally recognized principles such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/OECD Principles for Corporate Governance, the OECD Guidelines for Multinational Enterprises, and other topic-specific standards. This document serves as a starting point for our interaction with companies on biodiversity and deforestation issues. SPB1 committed to engage with companies to encourage best practices in understanding and reducing their impacts on nature. We wish to support companies as they develop their strategy towards more sustainable business operations.

We therefore expect companies to:

- Respect international agreements such as the UN Convention on Biological Diversity
- Have required certifications that are relevant for agriculture and forestry sectors (ex. According to the Forest Stewardship Council)
- Prevent negative impact on High Conservation Value, on High Carbon Stock within their business operation and the area they manage
- Companies should assess their direct and indirect impacts on biodiversity
- Set a public commitment to deforestation-free production or sourcing and which respect human rights (including labour rights, gender rights, smallholder inclusion, Free Prior and Informed Consent of relevant communities, the protection of customary rights to land, resources and territory of Indigenous peoples and local communities), which covers all forest-risk commodities, all operations and geographies, and all suppliers and financed projects
- Companies should develop a strategy for managing their biodiversity impact and strive to minimise biodiversity loss and pollution, including supply chain
- Companies should perform ongoing due diligence on their operations and sourcing areas, suppliers and financed projects for compliance with their commitments on deforestation, conversion, and human rights
- Commit time and resources to participation in collaborative actions to advance sustainability in agriculture commodity production and sourcing

- Set clear requirements for suppliers, and maintain an effective, public grievance mechanism for stakeholders to report issues
- Support initiatives for the economic inclusion of supply chain actors in new deforestation-free production models which are supported by small rural producers and local suppliers
- Ensure that smallholders and small producers are not excluded from supply chains
- Invest in innovation and new models to reduce business dependence on practices which contribute to deforestation.
- Prevent conflict over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous people
- Disclose publicly relevant information and report progress annually on deforestation-free commitment. Companies should strive to report information according to international standards (f.ex. TCFD, GRI, NFRD, CDP Forest Program)

As an active responsible investor, SB1F engage in the deforestation issue through different investor initiatives:

- Deforestation commitment specified in Financial Sector Commitment on Eliminating Commodity- Driven Deforestation, through which over 30 institutions representing close to USD 9 trillion in assets committed to eliminate commodity-driven deforestation in a statement released during COP26 in November 2021
- Investors Policy Dialogue on Deforestation (IPDD), which aim to create a dialogue with governments, public agencies, industry associations and other stakeholders in Brazil and other key countries to halt deforestation

We have close cooperation with our external managers and data providers (Sustainalytics, Forest 500). We advocate for integrated risk assessment of companies own operations and the entire value chain, enhanced traceability of supply chains, encourage them to be transparent about their deforestation risks (including palm oil, soy, cattle and timber). We also address human rights abuses associated with commodity- driven deforestation. The main limitations to assess biodiversity risk is the lack of reliable reported data. This still remains one of the priority themes of our engagements with companies.

Going forward we will collect the data and develop the meaningful reporting form to on the biodiversity footprint of our investment portfolios in accordance with leading industry and standards as they continue to develop and form. We will disclose our engagement activity with external managers and companies regarding deforestation risk and mitigations activities.

