

AP2

Andra
AP-fonden

Policy against deforestation and land conversion



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Adopted by Andra AP-fonden's Board of Directors in December 2023

Deforestation and land conversion of natural ecosystems account for extensive greenhouse gas emissions and, according to IPBES,¹ are the main driver of lost biodiversity. Sustainable land use and forest conservation of natural forest and land play a vital role in protecting biodiversity and limiting global warming, making this policy critical for fulfilling the Fund's commitments to both climate and biodiversity. Since deforestation and land conversion of natural ecosystems are also strongly associated with risks to human rights and the rights of indigenous peoples, there is also a link to the human rights policy and the UN Guiding Principles.

Deforestation of natural forest is strongly connected to the supply chains of cattle for meat and leather, palm oil, soya, timber and wood products. Companies associated with these goods are expected to work systematically to track and manage the risks of deforestation in their operations and supply chains.

Goals and commitments

By 2025, Andra AP-fonden will have a portfolio that does not contribute to deforestation.

This goal is in line with the commitment to a deforestation-free portfolio made by AP2 in connection with COP26, and with the Fund's climate commitment to net zero greenhouse gas emissions by 2045.

Deforestation and transformation are defined in accordance with the Accountability Framework:²

- Deforestation: Loss of natural forest as a result of:
 - conversion to agriculture or other non-forest land use;
 - conversion to a tree plantation; or
 - severe and sustained degradation.
- Conversion: Change of a natural ecosystem to another land use, or profound change in a natural ecosystem's species composition, structure or function.

Scope:

Andra AP-fonden wants to ensure that the companies in which the Fund invests, and which through direct activities or their supply chains may be exposed to these risks, live up to good international practice and take responsibility for minimising the risk of deforestation and land conversion in natural ecosystems, as well as associated human rights risks, in their value chains.

¹ Global Assessment Report of the Intergovernmental Science-Policy Platform On Biodiversity and Ecosystem Services, 2019, <https://ipbes.net/global-assessment>

² [Home | Accountability Framework \(accountability-framework.org\)](#)

The policy concerns companies in the Fund's investment portfolio which, through their own activities or upstream or downstream in their value chain, are involved in the production, trading, use or financing of products with a high risk of deforestation. The policy applies to all products linked to deforestation, in particular cattle for meat and leather, palm oil, soya, timber and wood products.

This policy defines the Fund's expectations on these companies and describes the Fund's process for identifying and managing risks associated with deforestation and land conversion in natural ecosystems and associated human rights risks.

Expectations of portfolio companies

Andra AP-fonden expects the companies in which the Fund invests to take responsibility for a business and supply chain that is free from deforestation, land conversion in natural ecosystems and associated violations of human rights, through

- a) Policy commitment: a public commitment to a deforestation and land-conversion-free production and supply chain that respects human rights and covers all of the company's raw materials at high risk of deforestation, in particular cattle for meat and leather, palm oil, soya, timber and wood products, with a target date for deforestation-free and conversion-free operations.
- b) Respect for human rights – see also AP2:s Human Rights policy: companies are expected to follow the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights and the ILO's Core Conventions. Rights that are particularly associated with deforestation, that companies with activities related to deforestation risk should handle, include rights for indigenous peoples and local communities, including the right to land and to free, prior and informed consent. Andra AP-fonden has zero tolerance of threats and violence against environmental and human rights defenders.
- c) Traceability and due diligence: ensuring sufficient traceability of direct and indirect suppliers in order to identify and manage the risks of deforestation and conversion, and related human rights violations. Companies are also expected to set requirements for suppliers and subcontractors and to have robust due diligence processes in place to continuously review their supply chain to ensure compliance, and to provide an adequate complaints mechanism.
- d) Collaboration: participation in collaboration to promote progress for entire sectors within high-risk commodities, to develop best practice and to support initiatives that promote progress and access to data.
- e) Transparency: annual public reporting, with relevant metrics for the company's operations. In the case of in-house cultivation, the company is expected to report on deforestation and changes in the use of land controlled by the company. For procured goods, the company should report on the quantity of purchases of the aforementioned risk products and the proportion that can be considered deforestation-free with full traceability, as well as how this is ensured.

Integration

Andra AP-fonden's portfolio will be screened at least once a year, with focus on asset classes and sectors with a high probability of exposure to risk crops, for identification of investments in companies at high risk

of being linked to deforestation and land conversion. Companies at risk of being connected to deforestation are subject to an evaluation of their deforestation risk management, based on the Fund's expectations.

If there is any suspicion of a link to deforestation or conversion, or a breach of related human rights, the Fund intends to use its influence to create a positive change, to the extent this is deemed possible. If the risk remains and it is not considered possible to achieve a positive change, Andra AP-fonden may decide whether the holding should instead be excluded, i.e. removed from the Fund's investment universe.

Transparency

Andra AP-fonden intends to report within the framework of the reporting on biodiversity, in accordance with the Taskforce for Nature-Related Financial Disclosures framework.