

Investor Initiative For Sustainable Forests

Commercial agriculture is responsible for two-thirds of tropical deforestation and is a key driver of the conversion of peatlands, which store some of the highest quantities of carbon on the planet. Cattle, soy, and palm oil are the top commodities driving this tropical deforestation.

Greenhouse gas (GHG) emissions from agriculture and associated deforestation combined account for 19 -29 percent of global GHG emissions. If we are to curb emissions and limit global warming to 2°C, companies—and their investors—with exposure to cattle, soy and palm oil production in their supply chains, must address tropical deforestation driven by these commodities.

While numerous companies have made commitments to eliminate deforestation from their supply chains, implementation is still lacking. By failing to adequately manage this deforestation, companies will face a number of risks that could become financially material. These risks include reputational risks, such as when consumers become aware that a company's supply chain is linked with deforestation, or land and labor rights issues. Companies can also face operational risks from potential changes in local climate and falling agricultural yields, as well as regulatory and market access risk. Investors can play a role in helping to manage these deforestation-related risks by engaging with investee companies.

The Investor Initiative for Sustainable Forests (IISF), a joint initiative of Ceres and PRI aims to:

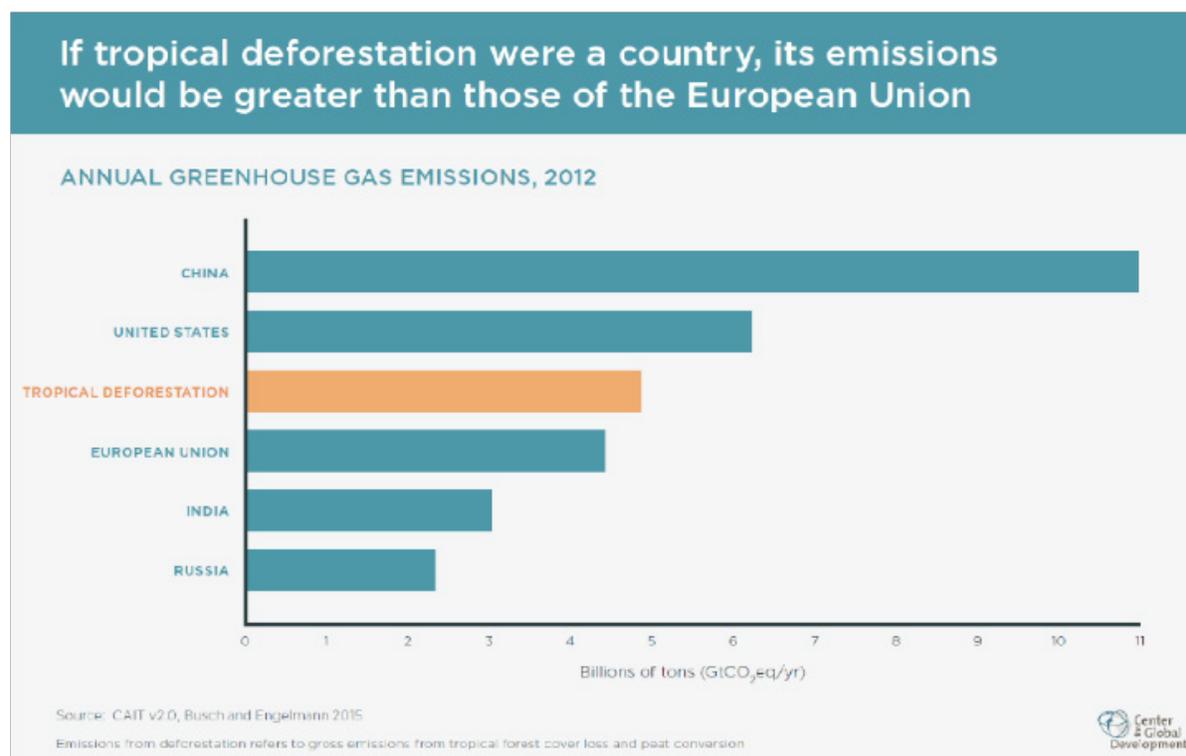
- Raise investor awareness of the potential material financial risks of deforestation for companies sourcing commodities such as cattle and soy from South America;
- Provide salient and credible information on the environmental and social impacts of deforestation, as well as solutions for improved investment decision-making and corporate engagement;
- Support investor engagement with portfolio companies to promote increased disclosure and management of deforestation risks in cattle, soy and other soft commodity supply chains.

The IISF is led by an advisory committee of seven institutional investors across different geographies, who have helped to set the scope and direction of this initiative. Working groups within the broader initiative will focus on individual commodities and will enable investors to engage with companies in a collaborative manner alongside other investors. The commodity-specific working groups will also offer investor members an opportunity to highlight their experiences with engaging companies, as well as share company best practices and other useful information with the group.

INITIATIVE OBJECTIVES

The IISF's overarching goal is to foster investor engagement with companies to eliminate deforestation, and its associated financial risk, from soy and cattle supply chains. To meet these goals, participating investors will aim to engage investee companies to improve deforestation policies, supply chain traceability, and supplier assurance mechanisms, all of which are designed to address the material business risks from deforestation.

To aid understanding within the investor community, Ceres and PRI host regular calls and webinars throughout the year. These calls provide a forum for investors to share ESG and deforestation related practices, ideas, research and tools with the group. Experts are also regularly invited to help investors gain a deeper understanding of the issues and challenges with removing deforestation from soft commodity supply chains. Examples of previous expert-led webinars include *Measuring GHG Emissions in Agriculture Supply Chains* and *CDP Forests: Corporate Progress Addressing Deforestation*.



MEETING SUSTAINABLE DEVELOPMENT GOALS

Mitigating exposure to deforestation risk is an integral component of advancing sustainable development on the global scale, with sustainable forest use cross-cutting a number of United Nations Development Programme Sustainable Development Goals (SDG) including but not limited to SDG15 (protecting terrestrial ecosystems), SDG13 (climate action), SDG6 (water availability and quality), and SDG2 (food security).

PARTICIPATION

Ceres and PRI staff guide the strategy and agenda of the Investor Initiative for Sustainable Forests with advice from an Advisory Committee of investors, and with members' input. The group meets on a regular basis via conference call. Ceres and PRI have built a program that allows for different levels of investor involvement.

FOR MORE INFORMATION ON THIS INITIATIVE AND HOW YOU CAN GET INVOLVED, PLEASE CONTACT JULIE NASH, NASH@CERES.ORG OR DANIELLE CARREIRA, DANIELLE.CARREIRA@UNPRI.ORG.