



Investment Position Statement on Tropical Deforestation

December 2025

Contents

| | |
|--|---|
| Summary | 2 |
| Introduction | 2 |
| Defining tropical deforestation | 2 |
| Reducing climate risk | 2 |
| Implications for our investment portfolios | 3 |
| Our ambition | 3 |
| Scope | 4 |
| Implementation | 4 |
| Investment opportunities | 5 |
| Review | 5 |

Summary

We recognise that healthy, natural systems are essential for economic growth and resilience and human wellbeing. In setting out our position statement on tropical deforestation ('deforestation'), we highlight that while the world's tropical forests are under threat, we can play a role in global efforts to reverse their decline, helping to support investment and societal outcomes for our customers and shareholders.

What can undermine economic resilience can also undermine investment returns and so we see deforestation as a potentially significant risk factor for investors. The challenge of deforestation cuts across core sustainability issues of climate change, nature loss, human rights violations and financial crime, encompassing potential physical, transition, reputational and systemic risks within our investment portfolios.

Phoenix Group is committed to identifying, assessing and mitigating exposure to deforestation subject to data and tools availability. We also recognise that, while still nascent, the market for investment in conservation and restoration of tropical forests may present opportunities to deliver competitive risk-adjusted returns for our customers and shareholders.

Introduction

Latest data indicates that despite more concerted international protection efforts, record levels of tropical forests were lost in 2024 due to land clearance and wildfires. In this year alone **6.7 million** hectares of tropical forest were destroyed, an area equivalent to the size of Panama, representing a rate of loss of one football field every **3.5 seconds**¹.

Tropical forests play a vital role in many natural processes. Forest ecosystems are home to up to **80%** of the world's biodiversity and are critical for carbon

sequestration and freshwater provision as well as providing livelihoods for up to **1.6 billion** people².

Further loss of tropical forests, and the ecosystem services they provide, risk pushing forest systems beyond ecological tipping points with significant negative implications for climate regulation, biodiversity loss, freshwater availability and human well-being.

With further declines in ecosystem services upon which many business activities depend, we recognise that ongoing and unchecked deforestation poses system-wide risks to global economic growth and financial system stability.

Defining tropical deforestation

In defining tropical deforestation we align with the definitions provided by the [Accountability Framework Initiative](#) ('AFI').

Deforestation refers to the loss of natural forest as a result of:

- 1) conversion to agriculture or other non-forest land use;
- 2) conversion to a tree plantation; or
- 3) severe and sustained degradation.

In line with the AFI, we also include in our definition of tropical deforestation grassland, savanna and shrubland biomes of ecological importance. Going forwards, we will continue to review, on a periodic basis, biomes of ecological importance to be included within our definition of tropical deforestation.

Reducing climate risk

Tropical forests are a vital part of the solution to reverse climate change in that they are a significant store of CO₂ as well as providing an important role in ongoing carbon sequestration. Deforestation accounts for around **10%** of global GHG emissions³. If deforestation

¹ [Nature and climate news, World Economic Forum, 2025](#)

² [Importance of Forests, WWF](#)

³ [The effects of deforestation, WWF](#)

were a country it would be the world's third largest emitter behind only the US and China⁴.

Over the period 2001 to 2019 it is estimated that forests sequestered **7.6 billion** tonnes (net) of carbon a year, equivalent to **1.5 times** the annual CO₂ emissions of the US⁵. Pushing tropical forest systems into irreversible decline would not only reduce future carbon sequestration but also potentially release up to **400 billion** tonnes of CO₂ stored within tropical forest systems' trees, shrubs and soils⁶. As a consequence, there can be no solution to climate change without reversing forest loss.

To date, the Group has taken action on climate change in recognition of the financially material impact it can have on the global economy and financial system – see our [Net Zero Transition Plan](#) for more information.

Implications for our investment portfolios

Deforestation can pose significant risks for companies in the form of physical, transition and systemic risks. How our investee companies and issuers manage these risks may have implications for short, medium and longer-term investment returns.

In response, we have begun to carry out portfolio assessments for deforestation related risks and will continue to develop our assessment methods going forward as data quality and availability for our portfolio companies and issuers improves.

We also recognise that in addition to company or issuer and portfolio level risks, rising systemic risks caused by continued deforestation can materially impact investment returns for our customers and shareholders in the longer-term. Disruption to global food production systems and increasing food insecurity, accelerated climate change and increased risk of disease pandemic from zoonosis (disease that is transmitted to humans

from vertebrate animals) are all attributed to ongoing deforestation.

Our ambition

We are committed to further developing our understanding of the investment risks and opportunities linked to deforestation, supporting outcomes for our customers' and shareholders' investment returns as well as the health of the natural world they live and retire within.

Our ambition is to reduce our exposure to deforestation across our investment portfolios over time, subject to relevant data and tools availability.

In pursuit of this ambition, we also recognise the importance of the contribution from agriculture and forestry sectors to economic growth as well as the sovereign rights of countries to make use of natural resources as they seek to develop their economies and improve their citizens' living standards. Alongside this we emphasise the need for sustainable development not only to support longer-term economic growth in countries rich in tropical forests but also to mitigate systemic risks from forest loss that may, in time, begin to negatively affect economic and fiscal outlooks nationally and internationally, as well as global financial system stability.

Our aim is to continue to assess investment portfolios for potential exposure to deforestation as well as related transition risks. We aim to utilise outputs from our analysis to identify appropriate actions for risk mitigation and in the longer-term integrate deforestation-related risks and opportunities into our investment strategy as data and tools improve.

⁴ [Chart of the day: What if deforestation were a country, WEF, 2018](#)

⁵ [Forests absorb twice as much carbon as they emit each year, WRI, 2021](#)

⁶ [Indicators of biodiversity and ecological services: forest carbon stocks, 2022](#)

Achieving an end to deforestation is not just a matter for the financial sector and will take a significant and coordinated effort from across multiple different stakeholder groups. The integration of deforestation within our investment decision making is with this broader range of stakeholders in mind. We recognise that we have a role in calling for policy and regulatory measures that drive greater transparency and traceability in commodity and financial flows. We also have a role in setting clear expectations of our asset management partners, investment counterparties and data providers to align with and enable the ambition to reduce deforestation.

In the meantime, we commit to:

- Continuing to develop our portfolio assessment methods for deforestation-related impacts, dependencies, risks and opportunities where relevant across asset classes
- Integrate deforestation within investment due diligence and portfolio monitoring
- Regularly review available data and tools that support exposure, risk and opportunity assessments
- Engage our asset management partners on the topic and communicate expectations regarding exposure, risk and opportunity management relating to the assets they manage on our behalf
- Participate and actively contribute within collaborative investor initiatives focusing on investor solutions to identify and manage risks and opportunities related to deforestation

Scope

Our objectives on deforestation apply to investment portfolios across all asset classes where Phoenix is deemed to have control or influence. We recognise that there are sectors, commodities and countries where investment exposure represents potentially elevated deforestation risks. In particular, our approach focuses on the priority agricultural commodity groups derived from the production of cattle, soy, palm oil, timber, rubber, cocoa and coffee; the production of which constitute the most significant drivers of tropical deforestation and land conversion globally.

Phoenix's investment exposure to deforestation is most concentrated in consumer goods companies that are buyers of the agricultural commodities listed above. However, we include within scope securities issued by producers, processors and traders of these commodities given the more direct proximity to commodity production.

Redirecting finance away from deforestation related activities is an important part of the system change required to halt and reverse tropical forest loss and land conversion. Some financial institutions have an elevated deforestation risk profile due to the quantum of finance they provide to producers, processors, traders and buyers of agricultural commodities. As we develop our own understanding of our investment portfolios' exposure to deforestation and effective measures to mitigate associated risks, we continue to keep under review our position on financial institutions that we own and lend to. In time, deforestation due diligence regulations may include the financial sector and so we will continue to monitor investee financial institutions for their progress on this topic.

Implementation

We have begun assessing our investment portfolios for deforestation related risks and we will continue to update our assessment methodology as data quality and coverage improves. Further information on the assessment approach taken can be found in our Taskforce for Nature-related Financial Disclosures

(‘TNFD’) aligned disclosures within our [Annual Report and Accounts](#) and we will continue to update progress on our implementation within future year-end reporting.

Where assets are managed on our behalf by external third party asset managers we expect our asset management partners to identify and manage financially material sustainability risks. To monitor progress on deforestation risk management specifically, we have begun to engage asset managers on an annual basis to collect information regarding their approach to deforestation risk management and how this is being embedded within investment processes across relevant investment strategies.

Looking forward, our aim is to deepen our understanding of our investment managers’ approaches to identifying and managing deforestation risk in our portfolios. We will evolve and communicate our expectations of our asset management partners and monitor alignment with those expectations. Where progress towards this objective is insufficient and represents a potentially material issue across investment portfolios we will look to elevate deforestation as a priority topic within our engagement with managers.

Deforestation is also a potentially material issue for our investments managed directly by our internal asset management teams. Integration of potentially material financial risks linked to nature-related factors is ongoing and deforestation is included within these activities. While at an early stage, we aim to identify and embed relevant nature-related factors within credit due diligence, research and portfolio monitoring activities.

Excluding counterparties from our investment portfolios where they are engaged in products and business practices that are not aligned to our principles is an option that may be implemented to support risk management. We continue to review the business practices of our investee companies and issuers in relation to nature-related factors, which includes deforestation.

Our expectations of investee companies for deforestation are in line with our existing company expectations for climate change, human rights and nature as set out in [our expectations of companies on key sustainability issues](#).

Investment opportunities

The market for investment opportunities to conserve and restore tropical forests and ecologically important natural ecosystems is nascent and the funding gap to meet nature-related targets aligned with the Global Biodiversity Framework is significant. We will look to assess the potential investment opportunities from allocations to natural capital and to evaluate investment strategies and structures that seek to conserve and restore tropical forest ecosystems. In addition, we continue to engage with a range of stakeholders that may support us to identify investable opportunities.

Review

Review of our position on deforestation will be carried out triennially or where material changes to regulations occur in key investment jurisdictions and/or where the science and academic research points to material changes in the severity of systemic risks linked to tropical deforestation.

END