Multi Stakeholder Group to look for pragmatic solutions to cope with ESG challenges

Source: FIDE.

Fide defines itself as a legal-economic think-tank with a clear inclusive, collective and independent vocation. We are convinced that the best solutions are born from the joint work of groups of individuals with diverse experiences and knowledge: this is how we achieve excellence in the analysis we carry out of those issues we consider to be of utmost relevance today.

Multi Stakeholder Group.
Welcome Experts from:

i. Supranational Institutions.
ii. National regulators.
iii. Mutual Fund Associations.
iv. Asset Owners.
v. Asset Managers.
vi. Banks
vii. International Consultants.
viii. Legal Firms.
ix. Stock Exchanges.

#GET2ESG | Global ESG Think-Tank

Working group specific findings.

Fragmentation across Global ESG Taxonomy

- The lack of a unified approach to ESG investing across regions and institutions

poses a significant challenge.

- Recommendations include strategies to harmonize ESG standards globally.

ESG Key Metrics and Ratings

- Measuring ESG performance requires the usage of adequate and reliable data in line with the investment philosophy and the use case.
- Recommendations advocate for standardised metrics and improved transparency on ratings.

Quantifying the Cost of Transition to a Clean Energy Economy

- Focuses on quantifying the cost of transitioning from fossil fuels to a clean energy economy, considering indicators like inflation, GDP, and market performance expectations.
- Recommendations suggest establishing a standardized framework for evaluating transition costs and integrating these metrics into investment risk assessments.

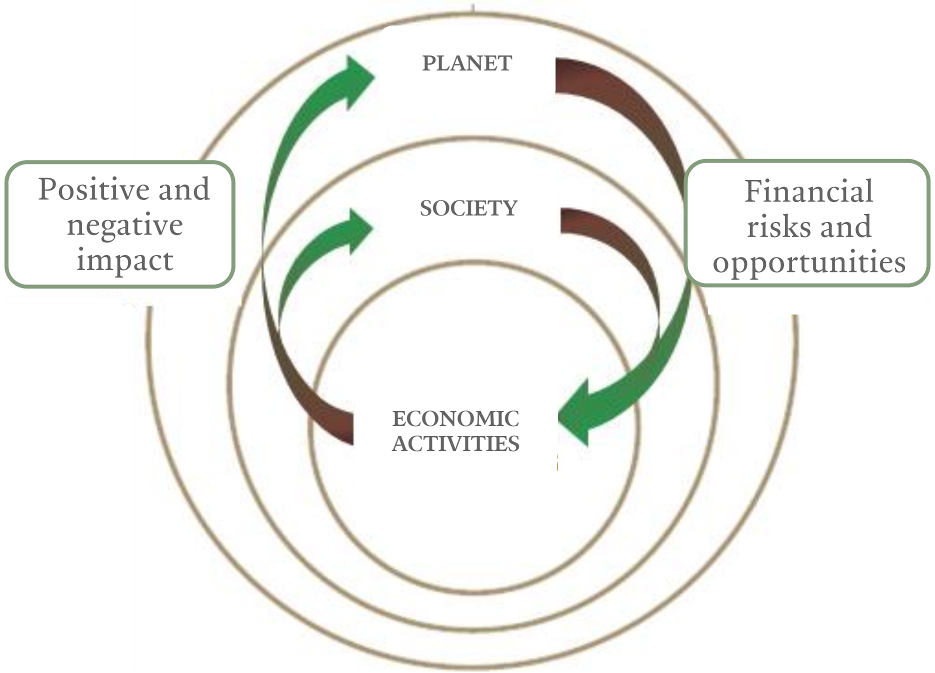
Indicators for Sovereigns in Emerging Markets & Social Bonds

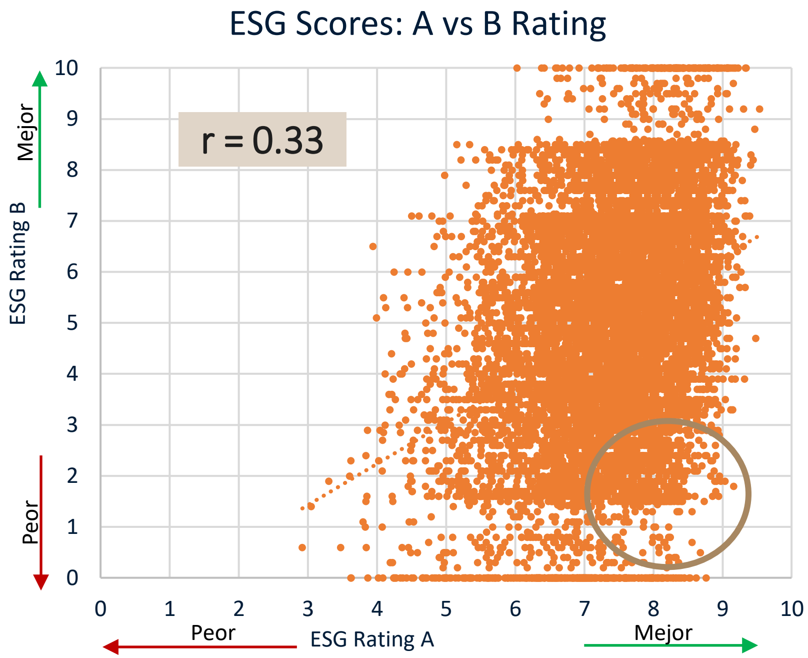
- Concentrates on defining indicators for sovereigns in emerging markets andenhancing the understanding of social bonds' impact.
- Recommendations include developing specific indicators tailored for sovereigns in emerging markets and refining social bond frameworks to better measure and communicate impact.

Challenges for ESG Commitment Across End-Investors

- The challenge focuses on fostering ESG commitment among end-investors.
- Recommendations propose a comprehensive approach to ESG investing, considering the challenges and opportunities in encouraging ESG commitment across end-investors.

ESG metrics and ratings





ESG ratings and metrics

They are essential for investors, but require careful understanding.

Limitations

Aggregation can hide critical information.

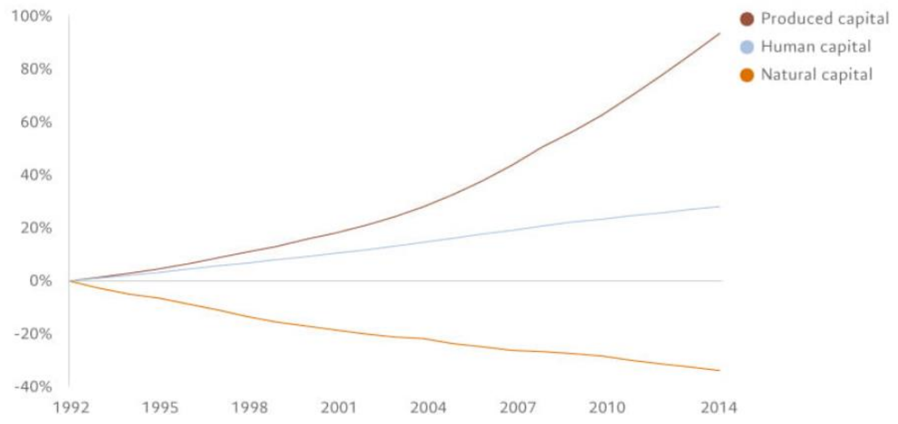
Standardisation

Necessary to provide clarity and to prevent risks of misleading advertising.

Biodiversity is in rapid decline

- Life has existed on Earth for billions of years but has been in rapid decline over the last decades
- Biodiversity loss threatens global economies and their populations who are dependent on products and services derived from nature
- As global awareness grows, so will the trend towards an economy which has a neutral or positive impact on biodiversity

Nature and humans at odds. Global capital stock per capita.



75%

of land has been severely altered by human activities[1]

50%

of the world's coral reef system has been destroyed[2]

41%

of known insect species have declined[3]

[1] Source: WWF, Living Planet Report, 2022.
[2] Source: IPBES, The global assessment report on biodiversity and ecosystem services, 2019.
[3] Source: WEF & PWC, New Nature Economy Report: Nature Risk Rising, 2020.

Weyerhaeuser

RENEW

"Restore and allow renewal"

Social Empowerment

Biodiversity Restoration

Circular Economy

Weyerhaeuser (ticker: WY US) is one of the world's largest owners of timberlands and manufacturers of wood products. It produces a variety of softwood lumber and other building materials.

USD 25 billion market cap

100%

Of Weyerhaeuser's timberlands are reforested after harvesting

Source: Weyerhaeuser 2022

Thematic Analysis

- WY helps customers reduce their CO2 emissions (*"Restore and allow renewal"*) by:
  1. Providing alternative solutions that are renewable and non-fossil based (e.g., engineered wood, bioenergy)
- Committed to only harvesting 2% of its forests, while reforesting 100% of its timberlands
- Sequesters over 4x the amount of CO2 that it emits
- Emerging Natural Climate Solutions business serves rising demand for net zero solutions and targets $100M of EBITDA by the end of 2025
- Meets more than 70% of its own energy needs using renewable biomass

Purity: **Thematic Exposure** 100% **Impact** High

Industry Outlook

- Positive market drivers such as increased adoption of wood-based building and increased demand for natural climate solutions.
- **Competition**: WY is the largest private timberland owner in North America. 2nd largest producer of lumber, 4th largest producer of OSB

Fundamental Analysis

Business Franchise:
- WY is growing its lumber business by 5% annually through 2025
- Significant scale provides competitive advantage
- Focus on generating value from its assets throughout their life cycle
- Emerging opportunity in carbon capture

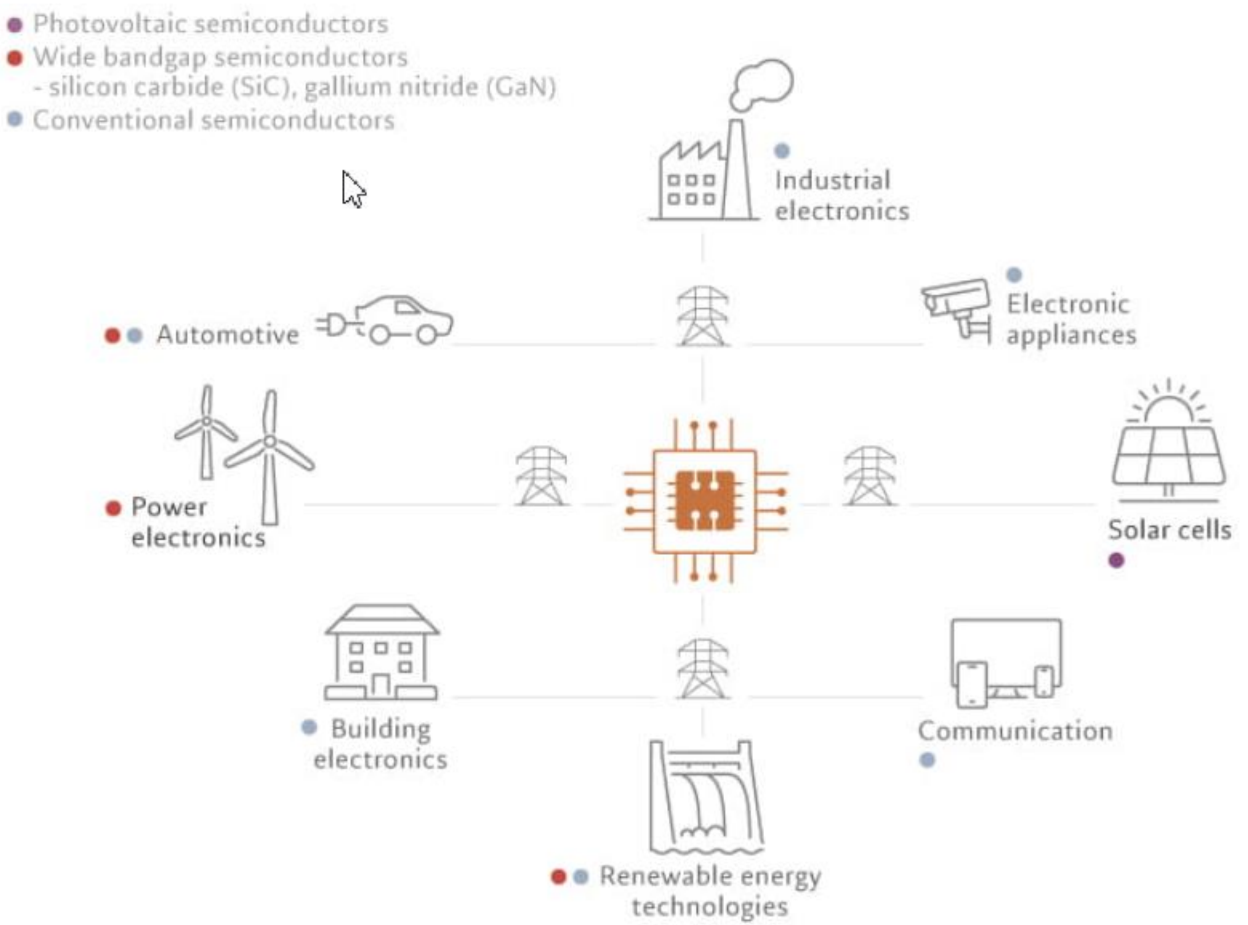
Management Quality:
- Disciplined investments of $1bn for growing portfolio value of timberlands
- Continued cost reductions and operating efficiencies support best-in-class profitability and shareholder return
- Commitment to grow dividend by 5% annually through 2025, returning 75-80% of cash through dividends and share repurchases

Financial Attractiveness:
- Normally 10-15% discount to NAV. ~80% value of the stock is in the timberland.

Source: Pictet Asset Management, as at 29.02.2024.
[1] https://www.fao.org/publications/sofo/2022/en/
[2] https://ourworldindata.org/emissions-by-sector

Environmental impact of technology

Transition Tech. How semiconductors power the energy transition



Fuente: Pictet Asset Management, 2024