

# Potential impacts for the forest industry due to climate change and green investments

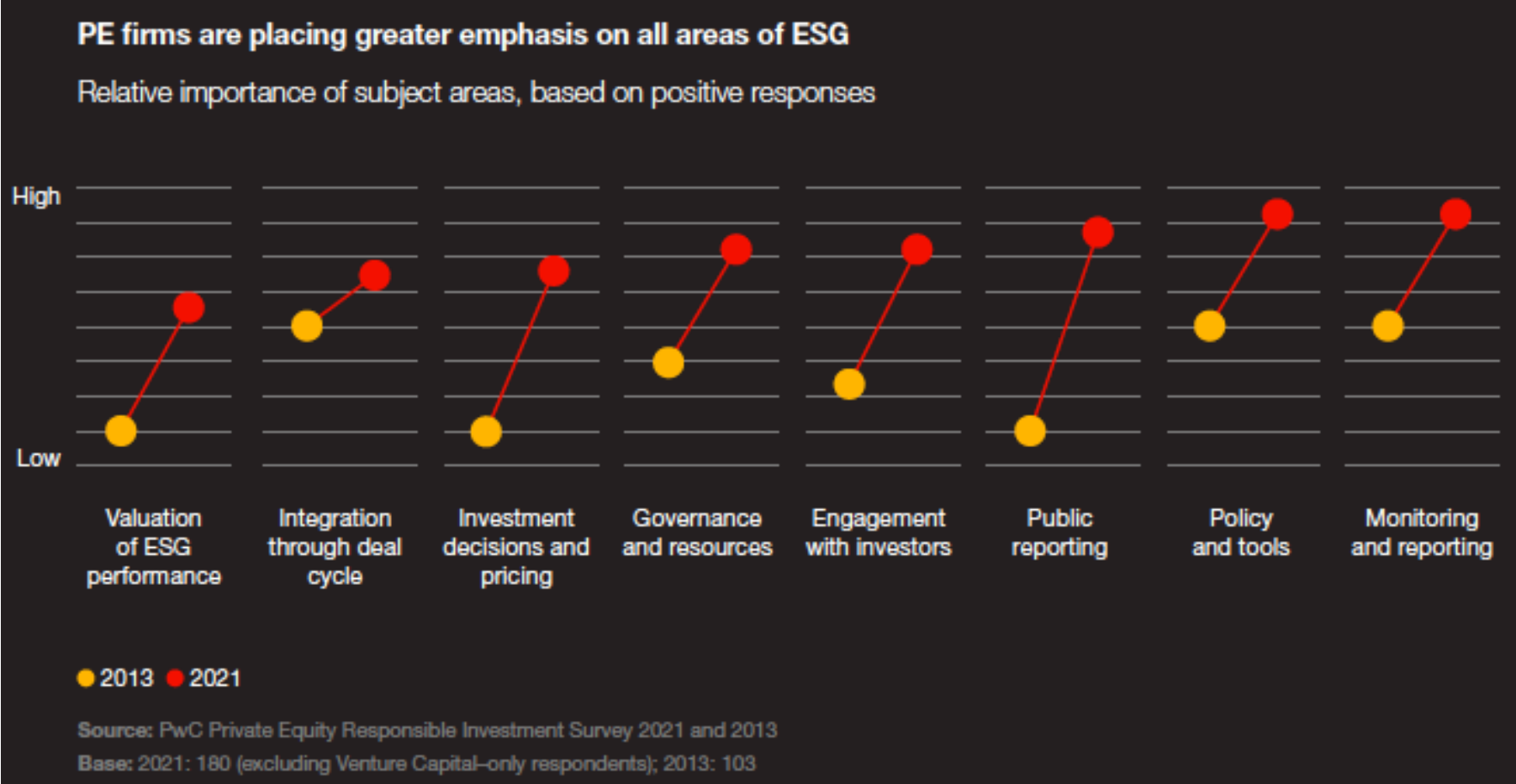


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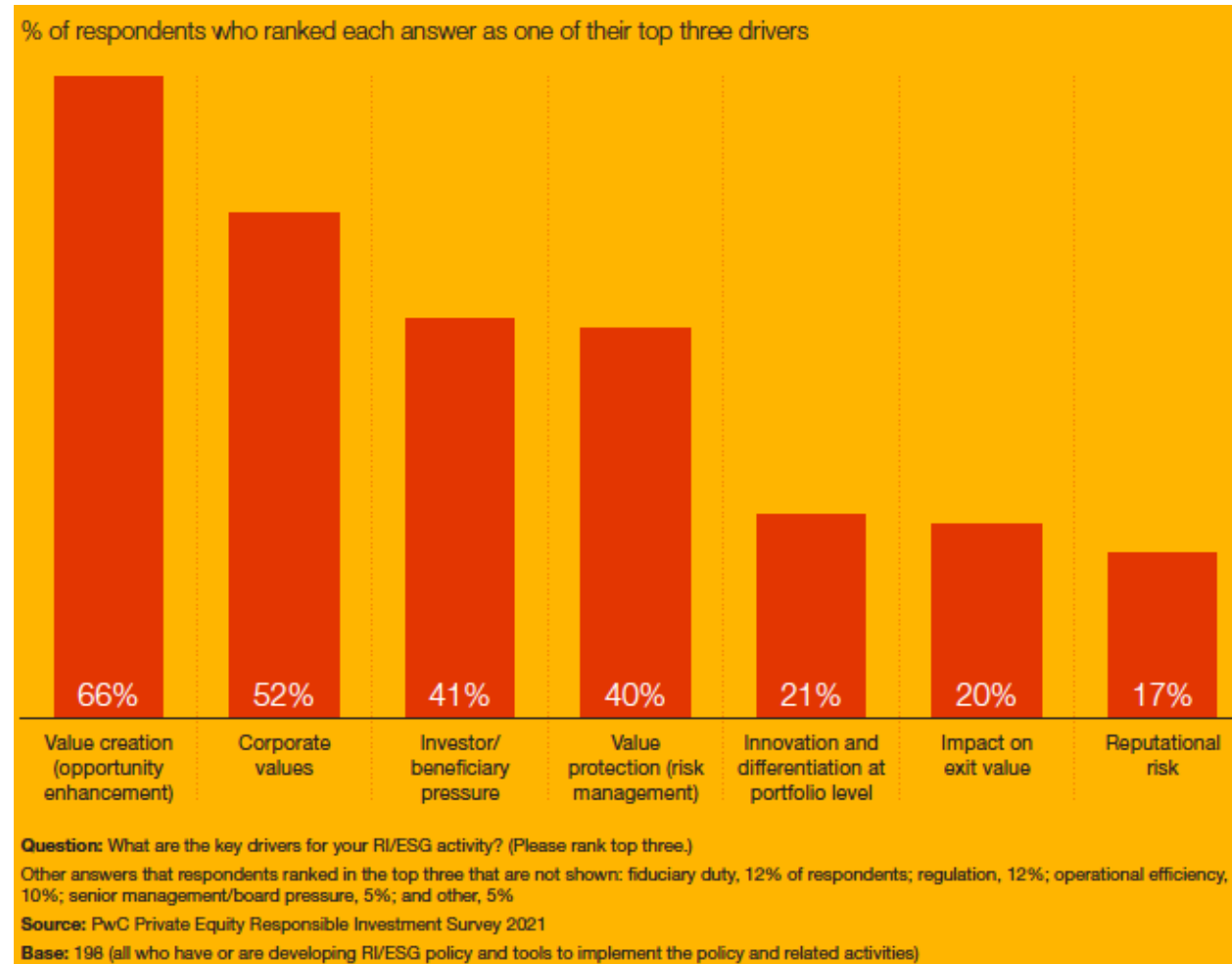
# The world is changing, and fast...

- The green deal by EU
- Biden the new president in USA
- China on the move

# Responsible investing gains attention



# Key influencers; value creation is the leading driver of ESG activity

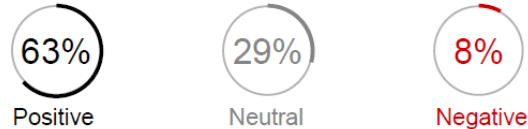


# Sustainability is all about value creation

## Several studies supports ESG being associated with premium multiples

- “The valuation premium paid for companies with strong ESG performance has increased over time and the premium is increasing as a function of positive public sentiment momentum. Firms that focus on material ESG factors generate 3-8% alpha”  
(HBS)
- “Responsible investing in 2014-17 was a source of ~3-7% excess returns for NA and Eurozone”  
(Amundi asset management)

- “90% studies (out of >2,000) find non-negative relationship between ESG & finance performance”  
(Journal of Sustainable Finance & Investment)



Interest in ESG value is growing with many studies reporting positive results

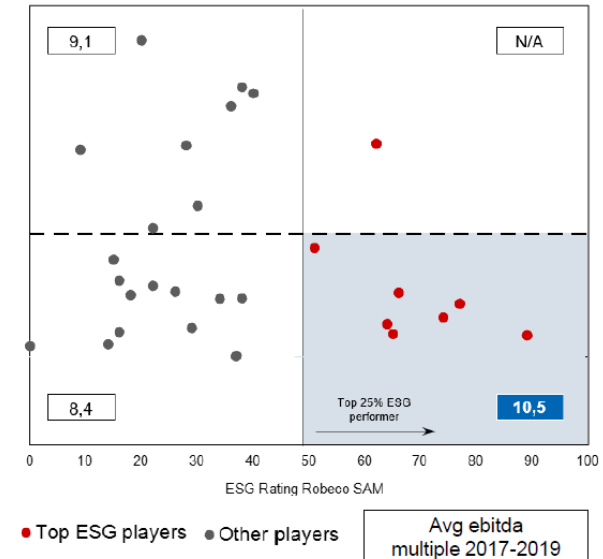
## TEV/EBITDA by ESG Rating per Industry

	Total panel	Paper & Pack.	Transportation	Oil & Gas	Textile	Industr. Conglom.
Avg '17-'19						
Top 25% ESG	11,9	10,1	15,1	8,5	14,3	11,6
Other	11,0	8,7	13,1	8,6	13,0	11,5
Delta	0,9	1,4	2,0	-0,1	1,3	0,1
2020 post Covid						
Top 25% ESG	11,1	9,9	12,1	9,3	13,1	11,7
Other	9,7	8,0	11,1	7,7	11,5	10,3
Delta	1,4	1,9	1,0	1,6	1,6	1,3

Possibly ~0.5-1x additional EBITDA multiple and higher resilience through Covid for ESG top performers

## Multiples assessment decomposing company vs ESG performance – Paper and packaging example

Performance Index  
(CAGR Revenues '17-'19) \* (1 + Δ% EBITDA Margin '19 vs '17)



Potentially multiple premium for ESG top performer, even excluding performance elements (e.g., margins, top line growth)

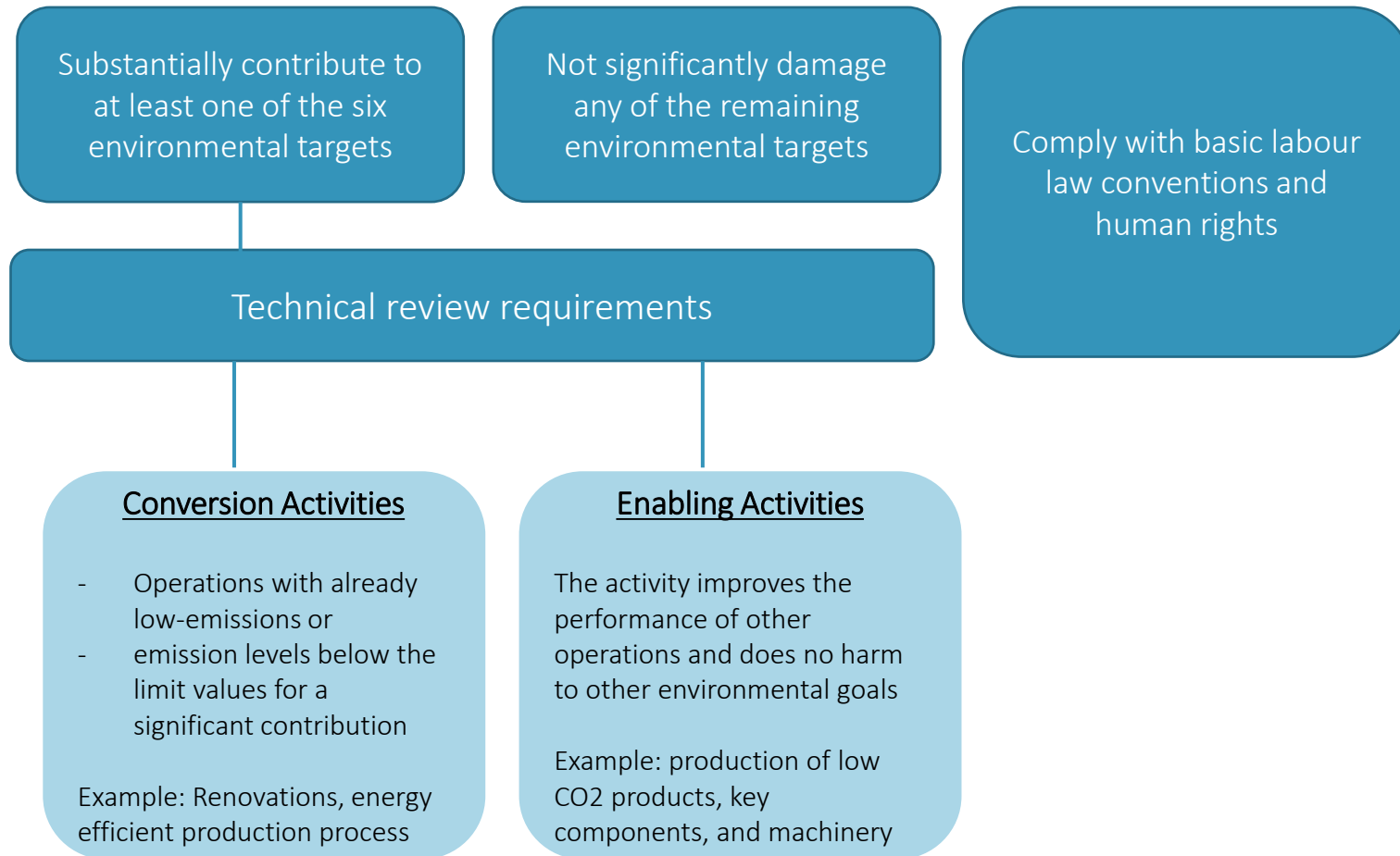
Source: “Public Sentiment and the Price of Corporate Sustainability”, Harvard Business School, 2018 | ESG and Financial Performance: “Aggregated Evidence from More than 2000 Empirical Studies”, Journal of Sustainable Finance & Investment, 2015 | RobecoSAM ESG rating, 2020 Yearbook Ranking, CapitalIQ, Bain Analysis | Performance index = (CAGR revenues '17-'19) \* (1 + Δ% EBITDA Margin '19 vs '17)

# The big trends – ESG/Sustainability

1. How the **business model** is informed by ESG-factors - How ESG **contributes to value creation** for the company **and** the society  
Best practice: Customer value and Responsible business
2. A rapid shift (in the EU and upcoming in the US) from:
  1. Voluntary to mandatory reporting environment
  2. Inspirational frameworks to standardized reporting frameworks
  3. Self-assessed assurance by 3<sup>rd</sup> parties
3. Common framework of defined sustainable activities – EU Taxonomy
4. Evidence based data

# Taxonomy definitions

To be sustainable, a company must fulfill the following requirements:



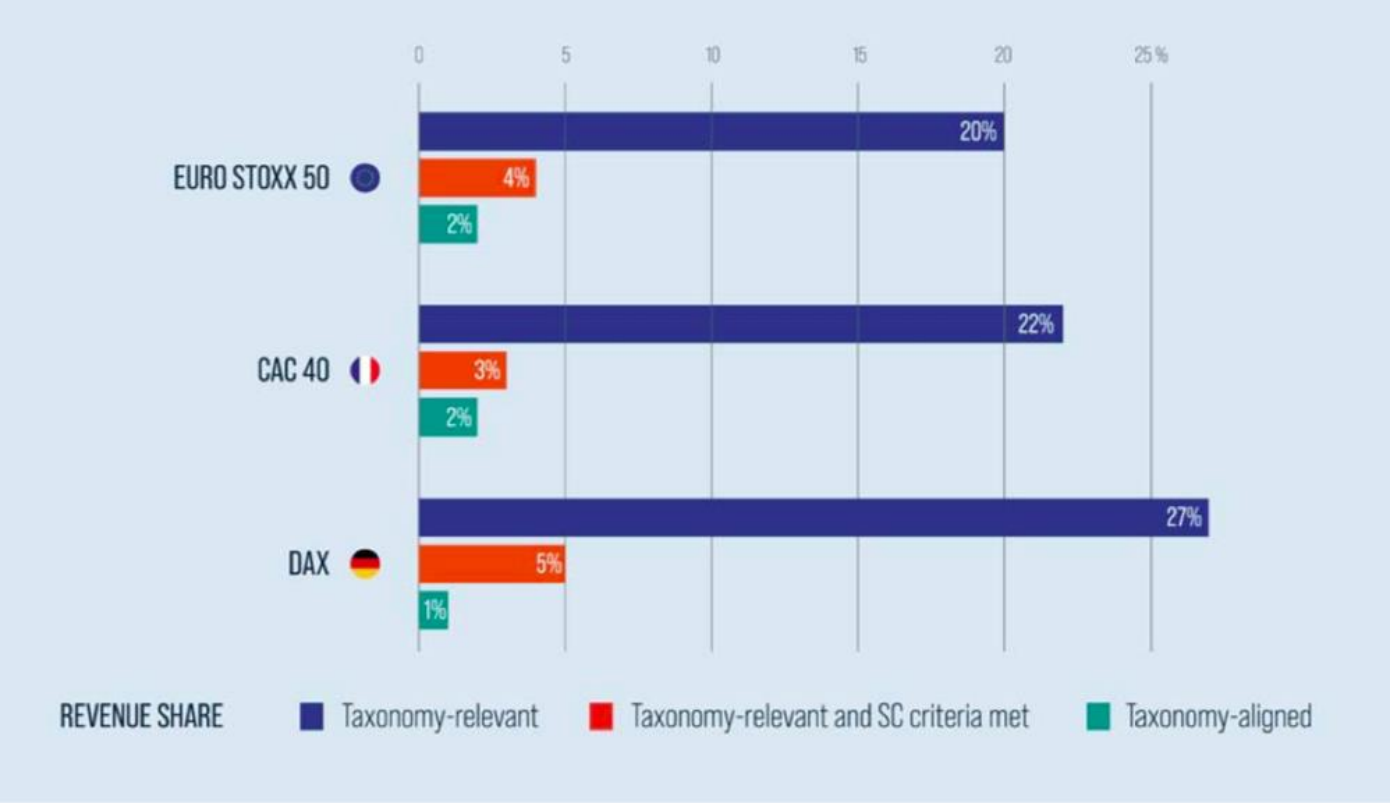
## The Six Environmental Targets

1. Limiting climate change
2. Adapting to climate change
3. Sustainable usage and protection of water and human resources
4. Transition to a circular economy, including the prevention of waste and increased usage of secondary raw materials
5. Prevention and control of pollution
6. Protection of biological diversity and healthy ecosystems and restoration of damaged ecosystems

1 January 2022

1 January 2023

# Fewer than 2 % are aligned with the EU Taxonomy



European Sustainable Finance Survey | 2020

Figure 1: Comparison of taxonomy-relevant and taxonomy-aligned revenues

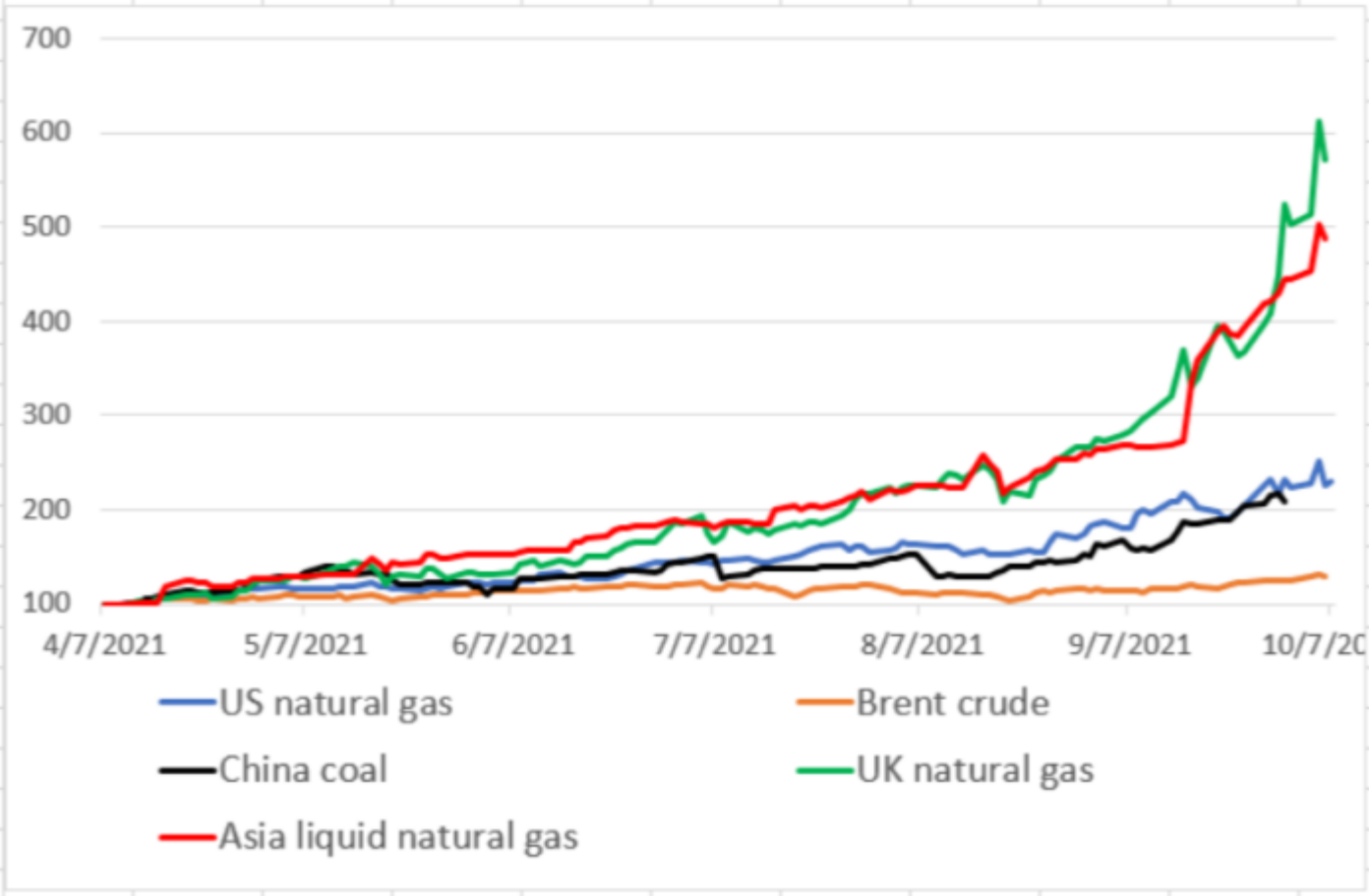


Supported by:  
 Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

based on a decision of the German Bundestag

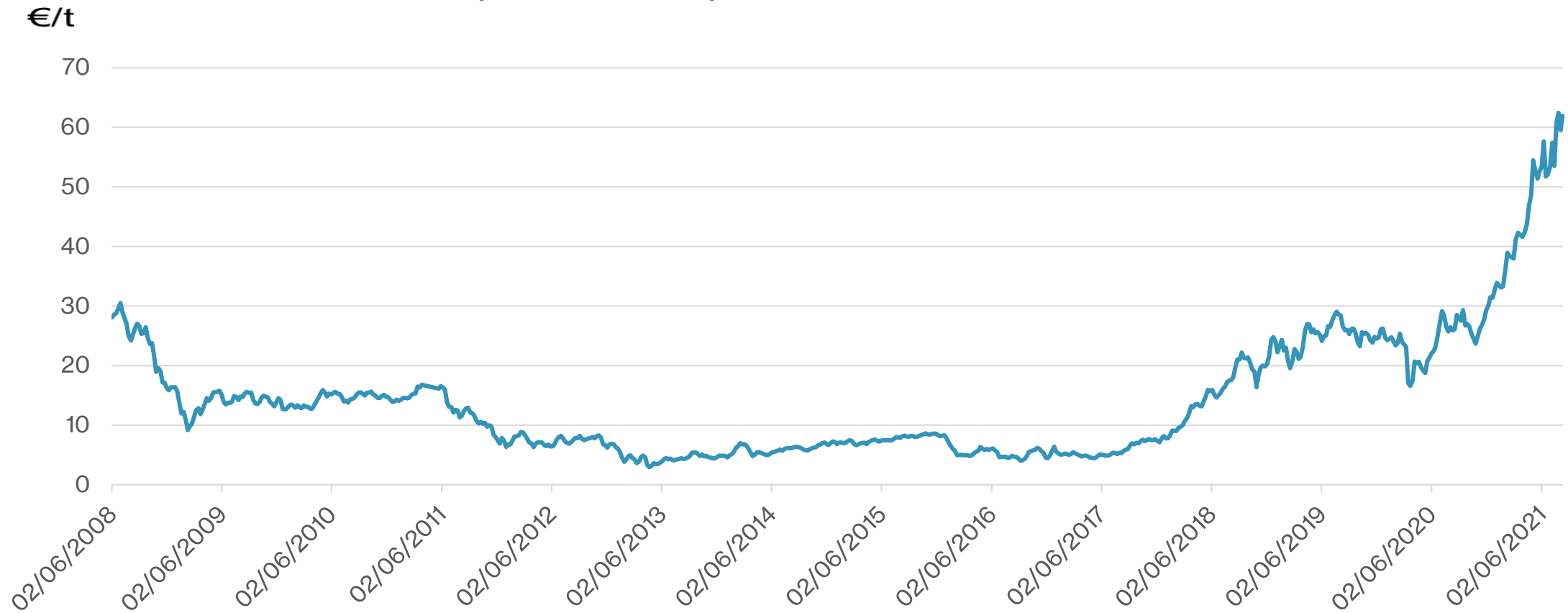


# Energy prices



# Carbon prices

Development of ETS price 2008-2021, €/t



# What will this mean for the forest industry

- Need for renewable and circular business solutions – increased innovation
- Increased reporting and legislations – tighter rules and regulations
- Renewable energy and efficiency – the speed will increase
- Material efficiency – the speed will increase
- Automation/Digitalization – the speed will increase
- Less pollutions – there will be additional focus beyond GHG
- Protection of water and human resources – human rights and business ethics
- Biodiversity – this need to be very carefully managed
- Carbon capture regulation of biogenic energy sources – this is the big unknown



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**Hur påverkar klimatförändringen och de gröna investeringarna den globala skogsnäringen Potential  
impacts for the forest industry due to climate change and the green investments**

