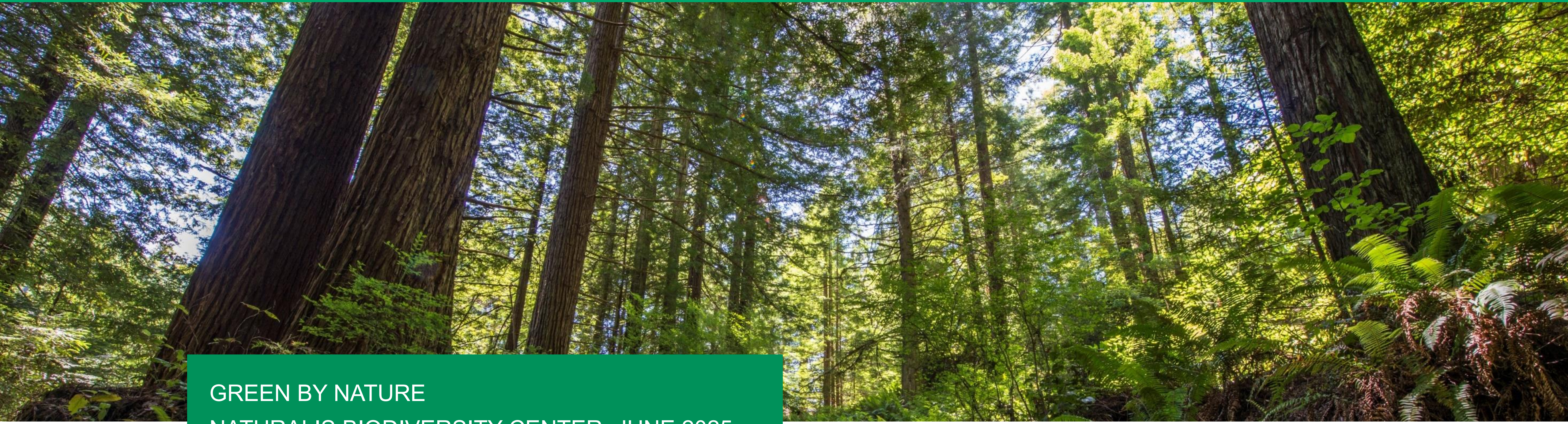
Marketing Communications - For Professional Investors

INVESTING IN SUSTAINABLE FORESTRY



GREEN BY NATURE

NATURALIS BIODIVERSITY CENTER, JUNE 2025

BNP PARIBAS ASSET MANAGEMENT

CFA Society Netherlands

IWC

Private Asset disclaimer

Private assets are investment opportunities that are unavailable through public markets such as stock exchanges. They enable investors to directly profit from long-term investment themes and can provide access to specialist sectors or industries, such as infrastructure, real estate, private equity and other alternatives that are difficult to access through traditional means. Private assets do, however, require careful consideration, as they tend to have high minimum investment levels and may be complex and illiquid.

A natural capital investment expert

34 YEARS' EXPERIENCE

USD 5.2BN AUA & USD 800 MN AUM

700,000 HA OF PRODUCTIVE LAND & 235,000 HA OF PROTECTED AREAS

IWC invests in natural capital to meet the most essential needs of the global citizen

- **Sustainable forestry**
- **Sustainable agriculture**
- **Ecosystem restoration**

and offers commingled funds, managed accounts, and advisory services.

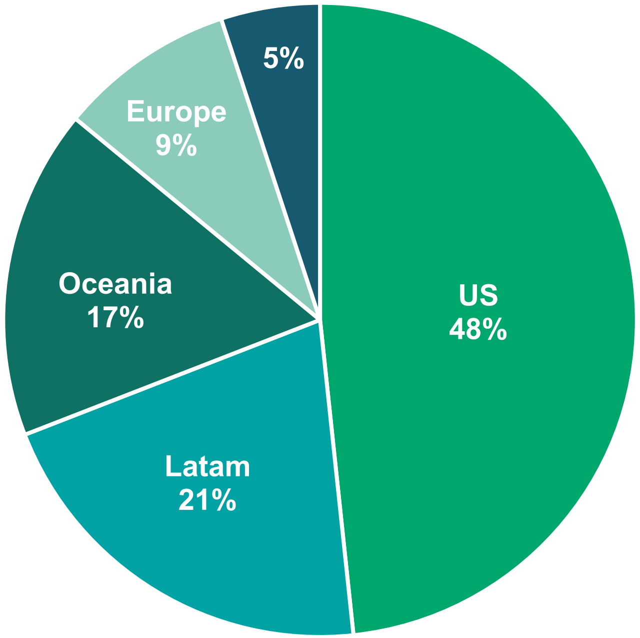
Source: IWC (2025). No assurance can be given that any forecast, target or opinion will materialize. Trademark, copyright, and other intellectual property rights are and remain the property of their respective owners.

A niche but growing asset class

Timberland investable universe

Estimated institutional timberland universe
$200bn

Estimated institutional timberland investments
$120bn

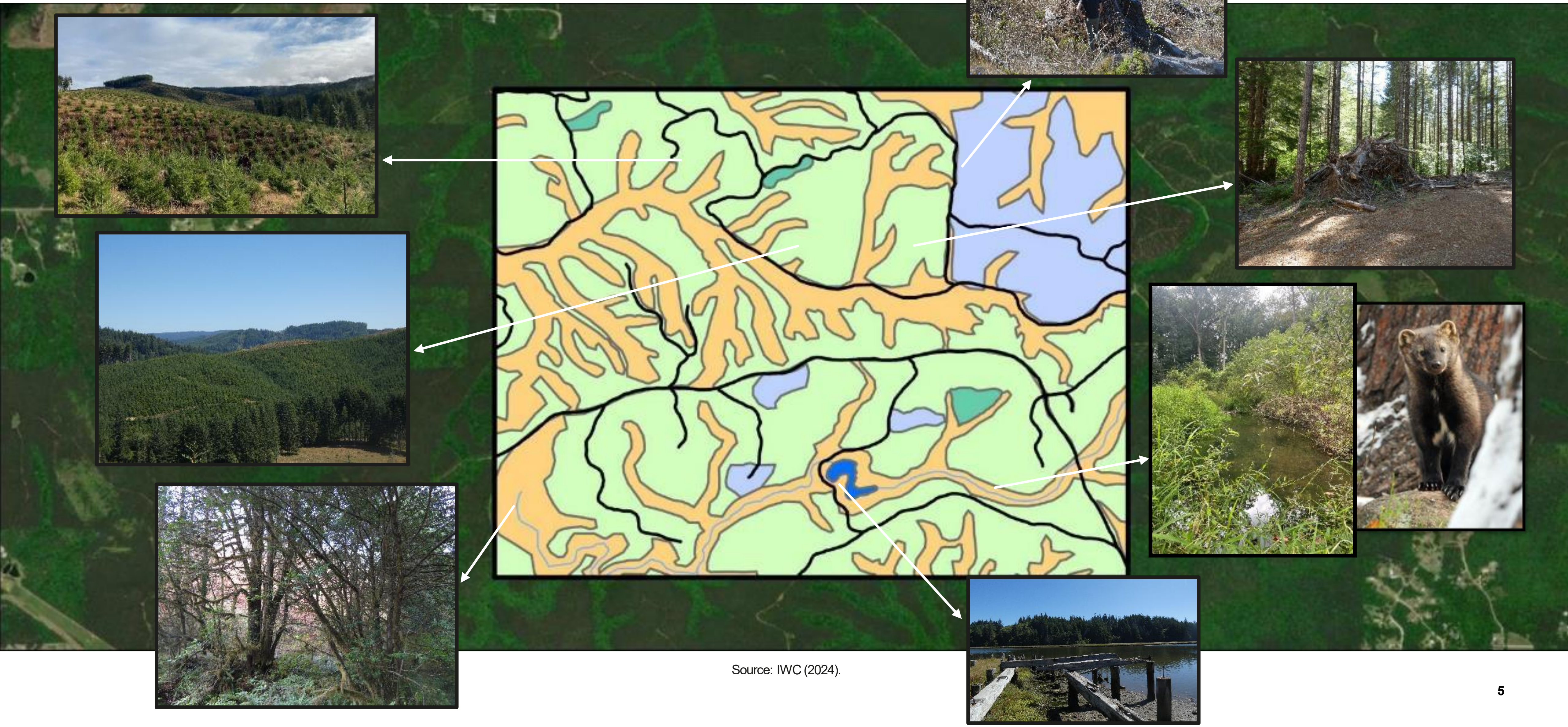


Example of historic institutional timberland investors

- ✓ **United States**: TIAA and MassPRIM
- ✓ **Canada**: OTPP and AIMCo
- ✓ **Australia**: Future Fund
- ✓ **New Zealand**: NZ Super
- ✓ **Netherlands**: APG and MN
- ✓ **Germany**: MEAG and BVK
- ✓ **United Kingdom**: PPF and Church of England
- ✓ **Sweden**: AP2 and AP3
- ✓ **Denmark**: ATP and Sampension
- ✓ **France**: AXA and Caisse des Dépots.

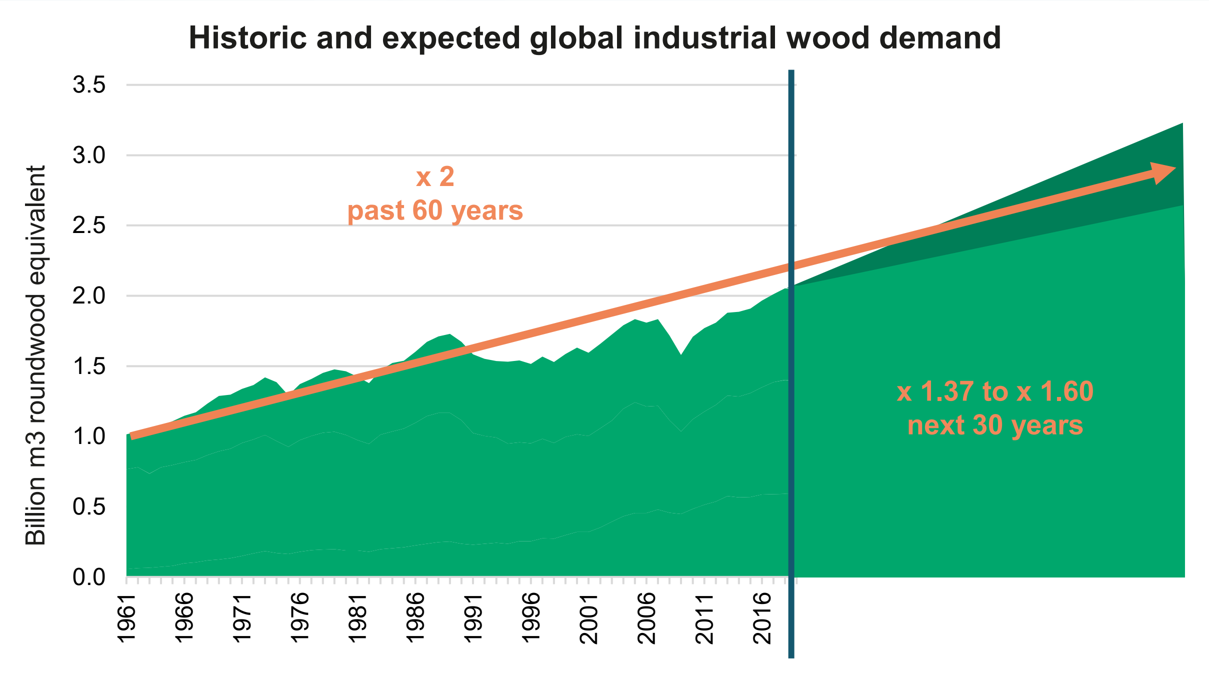
Sources: IWC (2025), New Forests (2022), and IPE Real Assets (Jan/Feb 2025).

Active sustainable forest management and impact



Source: IWC (2024).

Timber demand is supported by structural trends

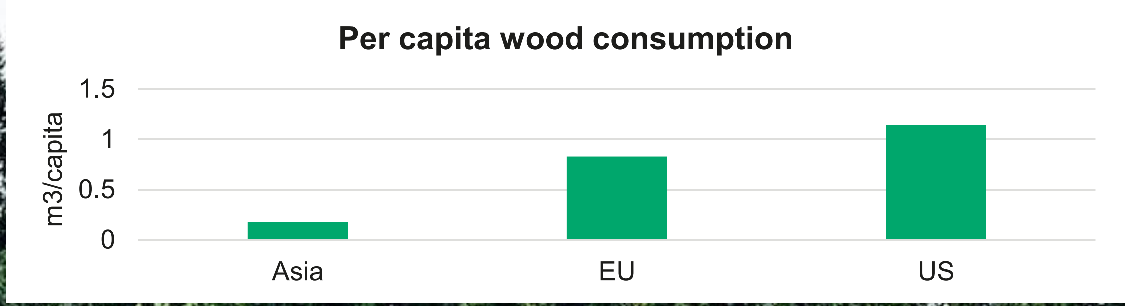


Source: Food and Agriculture Organization (2023).

Long-term demand driven by several mega-trends

- ✓ Population growth
- ✓ Urbanization
- ✓ Middle-class growth
- ✓ Increased demand for renewable material.

FAO forecast a continued wood demand increase of 37 to 60% between 2020 and 2050, across wood products.

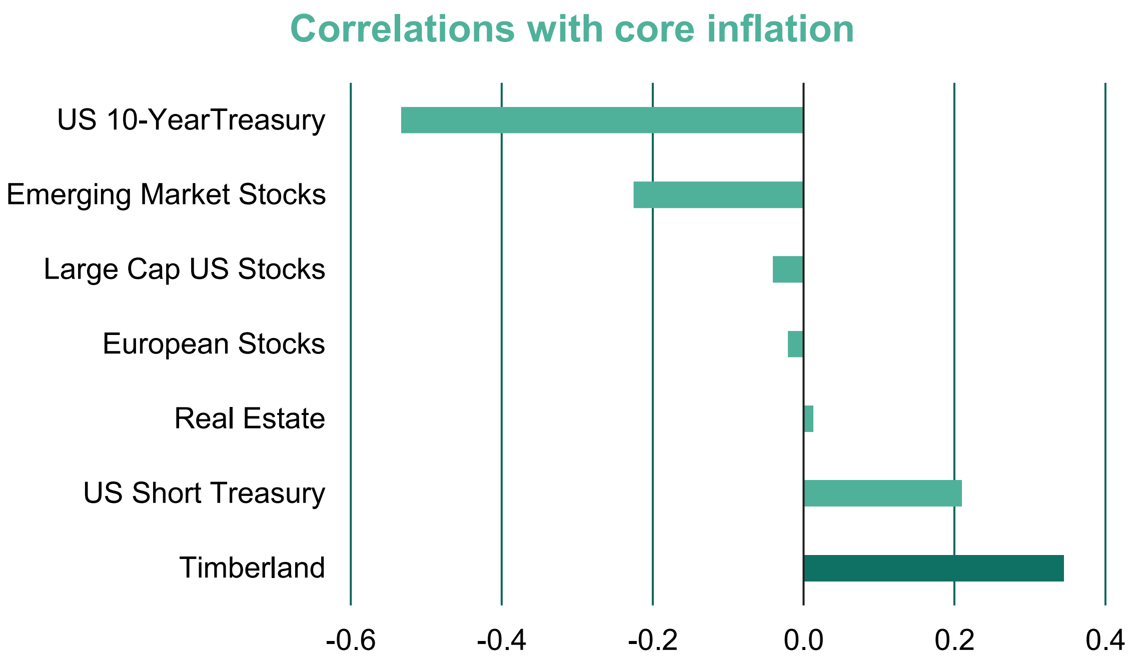


Source: World Bank (2020).

Timberland has attractive inflation hedge features

INFLATION HEDGE

Core timberland provides a hedge against inflation, especially unexpected inflation



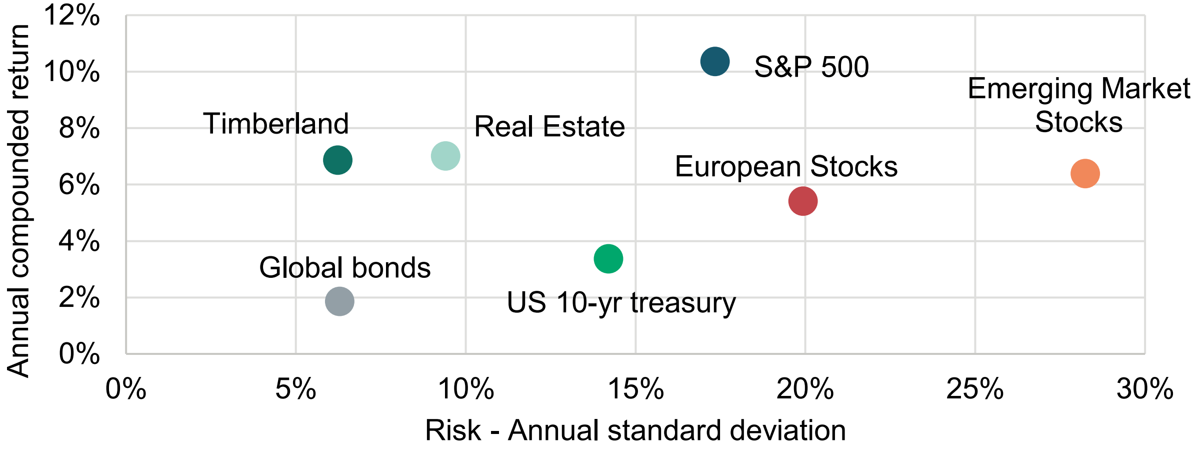
Sources: Bloomberg and NCREIF Timberland Property Index – Annual returns 2005-2024.
Core inflation is US CPI excluding food and energy. US large stocks is S&P 500. Timberland data is based on NCREIF index. NCREIF: National Council of Real Estate Investment Fiduciaries. The NCREIF Timberland Property index is a quarterly composite return of investment performance of a large pool of individual US timber properties acquired in the private market for investment purposes only. All properties in the index have been acquired, at least in part, on behalf of institutional investors. As such, all properties are held in a fiduciary environment. The index is used as core markets benchmark and was about USD 25 billion as of 31/12/2024.

Timberland has attractive risk-return features

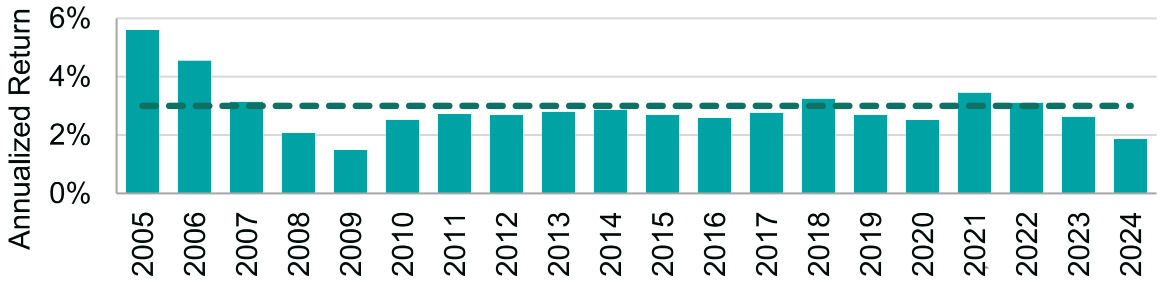
ADJUSTED RISK-RETURN PROFILE

Core timberland provides low volatility and stable yields, with both an income and appreciation component

Risk vs. return across asset classes



Timberland annual income yield



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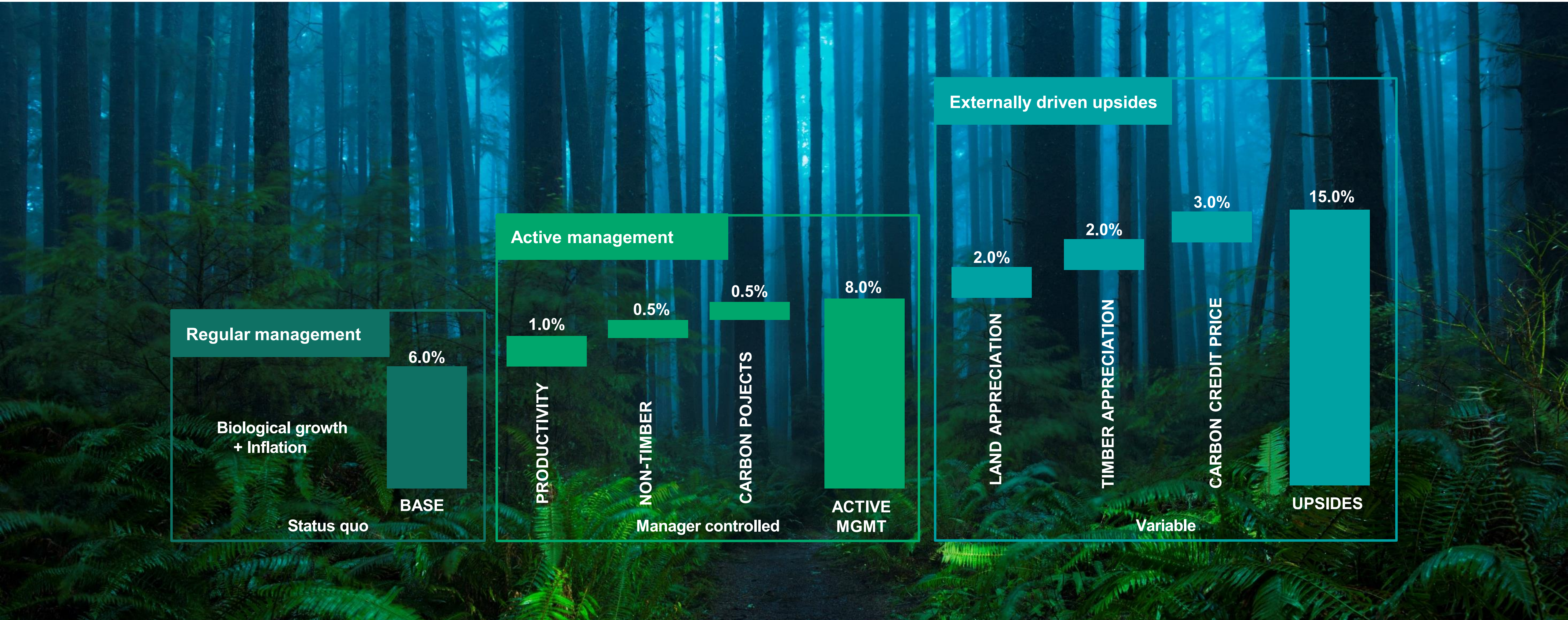
Timberland investment returns decomposition in core markets



Source: IWC (2024). IRR: Internal Rate of Return. There is no guarantee that the performance objective will be achieved.

Timberland has an attractive Sharpe ratio

HIGHEST SHARPE RATIO

Adding timberland to a portfolio has the most positive effect on the risk-adjusted return

Timberland	**0.82**
Real Estate	0.56
US Large Cap Stocks	0.49
European Stocks	0.18
Emerging Market Stocks	0.16
US 10-yr Treasury	0.11
Risk Free Rate	0.00

Sources: Bloomberg and NCREIF Timberland Property Index – Annual returns 2005-2024.
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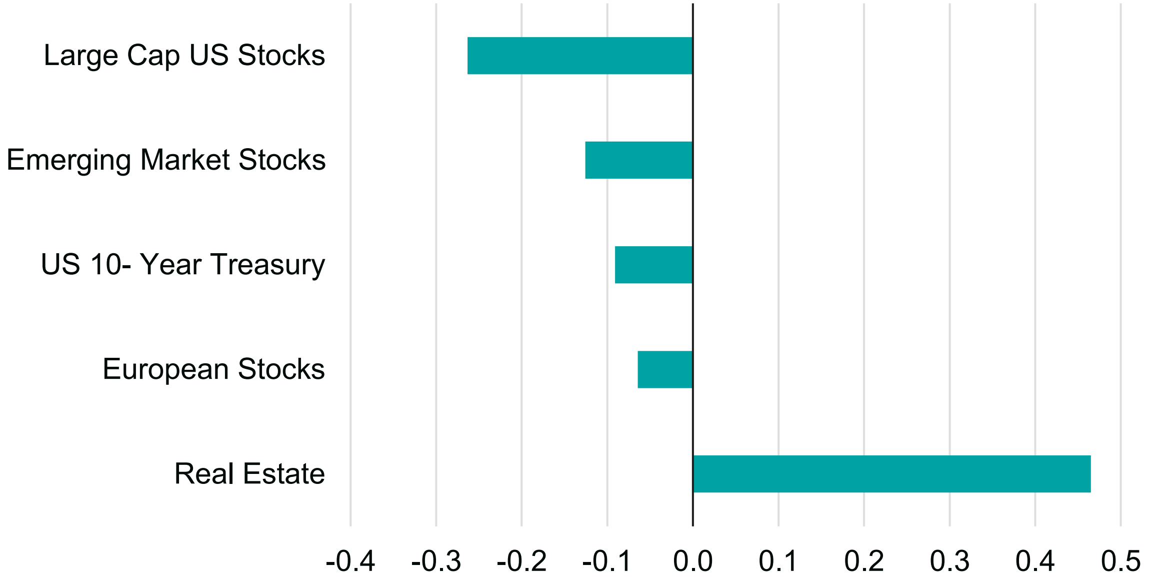
Timberland has attractive correlation features

LOW CORRELATIONS

Core timberland generates low correlations to public markets, the biological growth being a unique return driver

Timberland correlations with other asset classes



Sources: Bloomberg and NCREIF Timberland Property Index – Annual returns 2005-2024.
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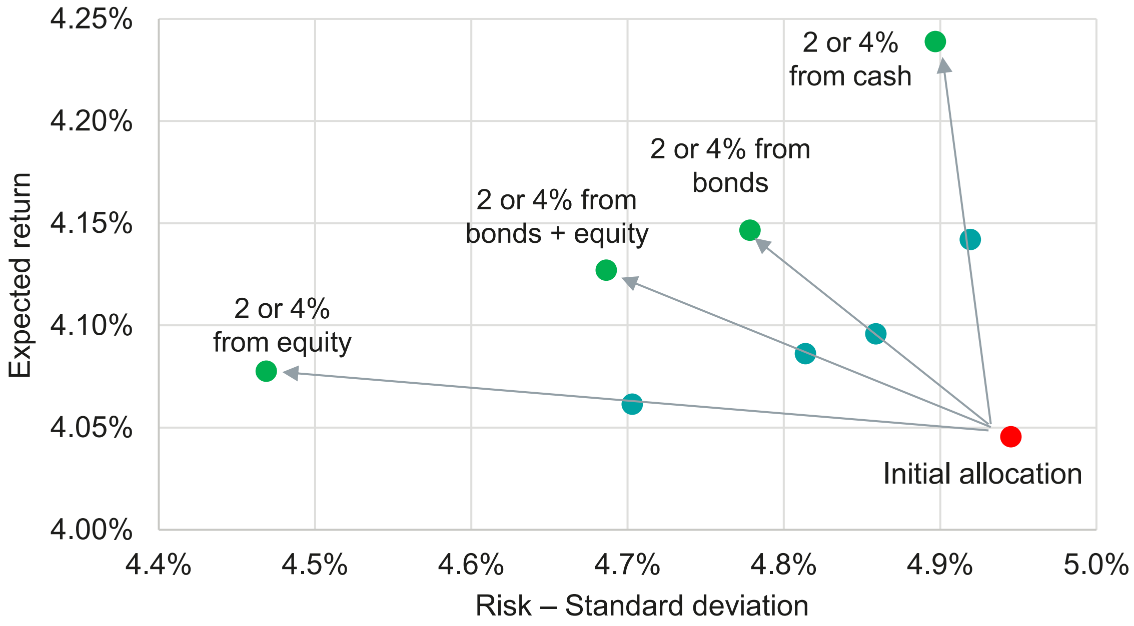
Inclusion of timberland in a diversified portfolio

IMPROVED PORTFOLIO EFFICIENCY

Adding 2% (blue dots) or 4% (green dots) of timberland from different sources in an already well-diversified institutional portfolio improves its efficiency from a risk-return perspective

Risk-return after adding 2 or 4% timberland

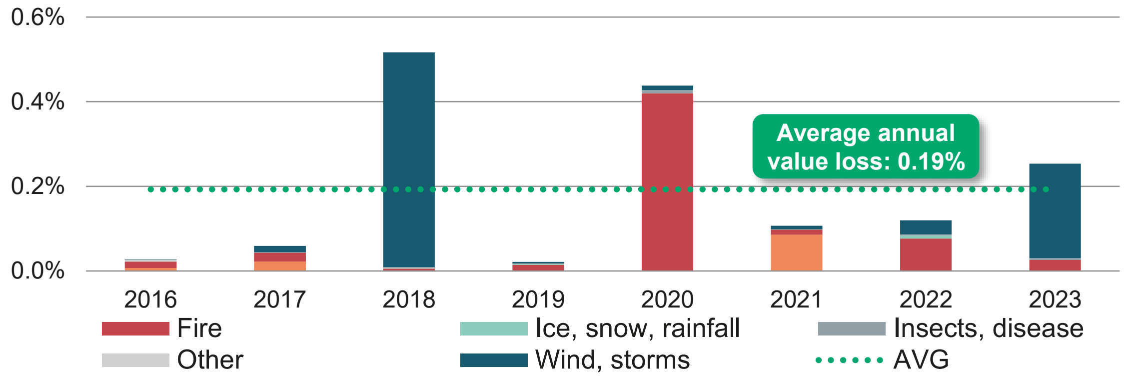


Source: BNPP Asset Management (2025). Details of the analysis, multi-asset portfolio, and assumptions related hereto are available in the white paper entitled “Timberland, A Growing Asset Class”.

Forestry investments' main risks

- **Market Risks**: Timber prices and market access
- **Operational Risks**: Forest management and related harvestable volumes, and contractor risks
- **Regulatory Risks**: Land use regulations, land ownership risks, tax risks, and carbon markets
- **Financial Risks**: Illiquidity, valuation risks, FX risks
- **Physical Risks**: Weather events, fire, pests, diseases, impact of climate change.

Actual losses pertaining to physical risks have on average been minor for institutional investors, **below 0.2% of asset value p.a.** over the past 8 years*.



Source: IWC (2024). The list above is not meant as a complete description and definition of generic and specific risks. * Study made on 2.8 million hectares of institutionally owned timberland, representing an average fair market value of USD 14 billion over the period.

Unique ESG credentials

Wood is an essential material to the green transition

Sustainable forest management participate in safeguarding and restoring biodiversity

Forests sequester and store carbon – and are crucial for global net zero objectives

UNITED NATIONS DECADE ON ECOSYSTEM RESTORATION 2021-2030

SUSTAINABLE DEVELOPMENT GOALS

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Source: IWC (2024). ESG: Environmental Social & Governance. Trademark, copyright, and other intellectual property rights are and remain the property of their respective owners.

Ways to obtain exposure to the timberland asset class

Private ownership access via:

- **Separate managed accounts** (SMA): allow investors to build a tailored portfolio of directly owned timberland properties with a high level of control and flexibility. However, the level of diversification may be relatively low if the size of the SMA is not above a certain threshold.
- **Co-mingled funds**: allow multiple investors to participate in a relatively large, diversified portfolio of timberland assets.
- **Co-investment along side fund investment**: such deals are scarce and offer low diversification.
- **Secondary deals:** sometimes available, but secondary deal flow is scarce.
- **Fund-of-funds and fund-of-separate accounts**: an easy way for smaller and/or first-time investors to obtain a diversified allocation to timberland.

Other, indirect, options:

- **Shares in timber real estate investment trusts** (REITs): publicly traded companies that own and manage timberland properties; high liquidity but no control over timberland assets and historical data shows that the low correlation to equities is not true for timberland REITs.
- **Timber exchange-traded funds** (ETFs): hold a diversified portfolio of stocks of companies that own timberland and produce timber-related products, thus providing investors with broad exposure to the industry, but not necessarily the core timberland characteristics.

Source: IWC and BNPP Asset Management (2025).

Executive Summary

Privately held sustainable forestry answers financial and environmental targets fitting well a long-term AML context

Invest today for tomorrow

FINANCIAL FEATURES

- Low correlations
- Inflation hedge
- Risk-adjusted returns, ongoing cash yields

&

ENVIRONMENTAL FEATURES

- Essential material to the green transition
- At the heart of carbon neutrality
- Promoting biodiversity

For more information, contact us and check our white paper on the topic

Source: IWC and BNP Paribas Asset Management (2024). No assurance can be given that any forecast, target or opinion will materialize. Trademark, copyright, and other intellectual property rights are and remain the property of their respective owners.

Timberland main risks (1/2)

- **Risk of capital loss:** The value of the investments and the revenues they generate can increase or decrease and the capital invested may not be recovered in full. Capital risk will be mitigated by the fact that a material part of the investments is tied to land in high demand in core regions.
- **Discretionary management risk:** The discretionary management style is based on anticipating trends in the various markets of the investment universe. There is a risk that the capital may not be invested in the best-performing assets at all times.
- **Climate risk:** Climate-related risks, as changes in temperature and precipitation affecting tree growth and fire risks, vary based on location, the spatial variability of individual timberland parcels, their sizes, and how tree species are expected to react to climate changes. Drought resilient tree species and the distribution of smaller tree parcels over larger areas lowers natural risks. Timber from mature forests can also in many cases be recovered from fire or wind damage, which help mitigate the overall impact should a natural event occur. The team will take preventive measures against potential natural risks, including keeping tree stands healthy through thinning, leaving minimal debris in the forest, and maintaining fire breaks and surveillance. Fire insurance is available, and the premium is normally accounted for in return expectations. Also, project selection aims at identifying the most suitable tree species according to climate change expectations.
- **Environmental, Social and Governance (ESG) investment risk:** The EU Sustainable Finance Disclosure Regulation (SFDR) and its application to forest assets is nascent and while many investors claim to have understood and implemented criteria and tests, many aspects remain open to interpretation and subject to first controls by regulators. The EU Green Taxonomy accompanying the SFDR addresses a global need for alignment of definitions, indicators, and assessment methodologies, and once widely adopted and matured will provide comparability, consistency, transparency and competition in reporting and disclosure of ESG. Until then, there's a risk of unintentionally overstating, misunderstanding, or misrepresenting definitions, criteria or indicators of performance in disclosures, and equally a risk of unfair competition by entities and funds getting away with such "greenwashing" as regulators and controls are not in place yet. IWC and BNP jointly have significant experience in interpreting and managing the EU Taxonomy risk and have very solid network and intelligence on development and understanding of key critical terms and concepts in the forest space. While there are certain data gaps for complete reporting, and forest assets are in general simple from Social and Governance perspectives rendering many criteria immaterial and many of the critical environmental criteria can be checked and monitored via earth observation tools rapidly developing these years (e.g., remote sensing from satellites).
- **Interest rate risk**: The value of an investment can be affected by a move in interest rates which can be influenced by several factors such as monetary policies, inflation, etc.
- **Liquidity risk**: NAV may fluctuate should liquidity risk materialize. This risk is based primarily on the size and features of the investment, type and quality of forest asset unit.
- **Regulatory risk:** A change in laws and regulations made by local governments or regulatory bodies may materially impact a certain management unit for example increasing the costs of operating a business, reducing the attractiveness of an investment, or changing the competitive landscape in a given sector.

Timberland main risks (2/2)

- **Reputational risk:** Risk results in terms of outcomes are not easily measured and can adversely affect investment management company's profitability and valuation. While reputational risk can be mitigated through prompt damage control measures, the investment management company might be targeted by activists because of the perceived controversy related to climate risk mitigation via carbon credit offsets.
- **Valuation risk:** Valuation risk is mainly tied to timber prices, which is driven by timber markets exposed to. On a micro-level during due diligence the team runs analysis and assessment of local off-takers' health and capacity and each investment is stress-tested for potential impact from closures. The team will invest across various micro-markets thereby avoiding exposure to any single off-taker. On macro-level, investments will depend on end-use of wood-products. For example, pulp & package consumption or a US South asset would mainly be tied to US construction activity, whereas a New Zealand asset positioned for exports would have Chinese demand as the main driver. The team intends to create a diverse exposure to timber products, species and age classes thereby alleviating single market risk materially on a portfolio level. Other key valuation factors are timber growth projection and operational margin (focusing on OpEx).
- **Carbon credits** will be a smaller portion of valuation, especially as the team only values saleable credits held on account. Importantly, the intention is to monetise credits as early as possible following issuance to carbon accounts, thereby limiting the valuation impact. Nonetheless, valuation is driven by spot carbon prices, vintage discount, and credit quality premia driven by quality of carbon project, e.g. biodiversity improvements, etc.
- **Reversal risk:** Unintentional reversals occur from force majeure events (e.g. natural disturbances) and are compensated via the buffer pool. The buffer pool is an insurance mechanism into which the carbon projects contribute offsets based on a project-specific risk reversal analysis. Carbon projects typically contribute 5-25% depending on carbon scheme, permanence period and perceived risk profile of the project. The buffer pool completely insures projects against unintentional reversals such as a storm or fire event. If for example a part of the forest burnt while the permanence period was set for 25y, the unintentional reversal would be covered by the buffer pool.
- **Intentional reversals** occur when forest harvesting or forest conversion results in forest carbon stocks dropping below the project's last reported on-site carbon stocking level. If an intentional reversal occurs, the estimate of offsets lost must be reported to the carbon scheme within 10 days of discovery. The lost amount of offsets must be independently verified, and then retired from the project proponent's own carbon account or buffer pool. If the project can't cover the loss, the Project Proponent can buy offsets on the market. If the reversal is such that project stocks decrease below baseline levels, then the project terminates, and the Project Proponent must compensate all offsets issued to the project to date. Intentional reversal risk is extremely low. With forest certifications, the investment team control and close oversight, working with experienced property managers experienced with carbon projects and having a clear and approved forest management plan, intentional reversal risk is close to non-existing.

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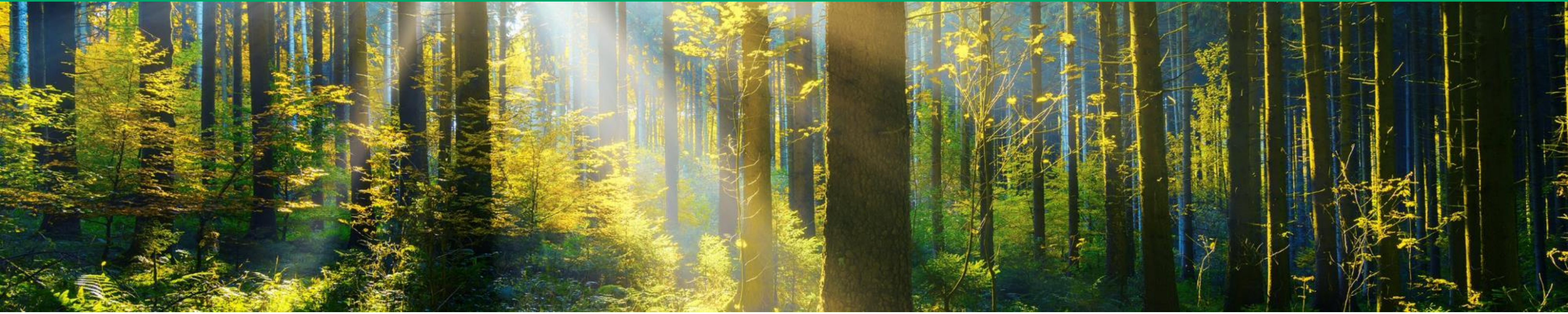
VIEWPOINT



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