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DELIVERING HIGHER GROWTH AND LOWER RISK

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SEPTEMBER 8-9, 2021

NATURAL CAPITAL: Climate Change 2.0

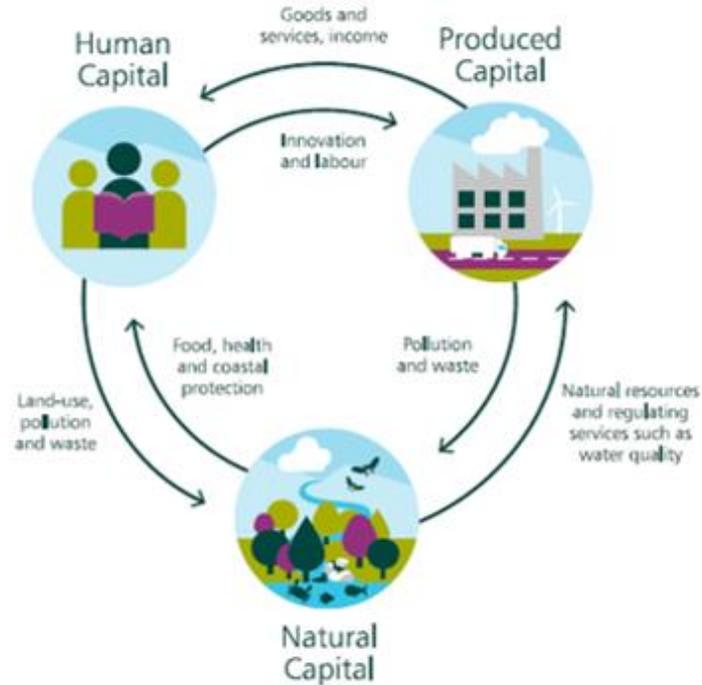
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\$44 trillion of economic value depends on natural resources

NATURAL CAPITAL:

(nætʃ(ə)rəl kæpɪt(ə)l) (n) def. 'elements of nature that directly or indirectly produce value to people'



RENEWABLE

living things or biodiversity:
non-living things: ground water, fish stocks, forests, agriculture; r, the o-zone layer

NON-RENEWABLE

fossil fuels, soil and minerals that exist in finite amounts

Source: Schroders; Natural Capital Research; Natural Capital Forum; UK National Ecosystem Assessment; World Economic Forum; The Economics of Biodiversity: The Dasgupta Review; United Nations

Biodiversity is in critical decline

Biodiversity refers to the variety of living things

Its benefits are numerous, including crop pollination, water purification, flood protection and carbon sequestration – services that are estimated to be worth >1.5x global GDP (~\$125-140tn per year) according to the OECD.

Biodiversity loss is occurring at unprecedented rates

The 2020 Global Living Planet Index shows an average 68% decrease in monitored vertebrate species populations between 1970 and 2016. The current level of biodiversity loss is on par with previous mass extinctions.

Nature generates value, and with nature loss we lose that value

WEF estimates \$44tn of economic value generation (>50% of global GDP) is at risk from nature loss.

Several key sectors are highly dependent on nature for their survival

Includes consumer, food retail, food & beverage, agriculture, paper & packaging, construction, chemicals, energy and utilities.

Companies face numerous risks associated with nature loss

Physical risks resulting in production disruption, transition risks as regulation and policy in this area tighten, as well as reputational and liability risks.

Source: Schroders, September 2021.

Direct drivers of biodiversity loss

1. **Land/sea use change:** Activities that change the natural world (deforestation, agriculture, mining, infrastructure)
2. **Natural resource use and exploitation:** Extraction of animals and plants through hunting, fishing, logging, harvesting
3. **Climate change:** Responsible for ~15% of biodiversity loss; expected to become dominant driver
4. **Pollution:** Waste; plastics pollution; fertilizer run off from agriculture
5. **Invasive species:** disrupt balance of natural ecosystems; caused by transport, climate change and tourism

Natural capital is crucial to achieving net zero carbon emissions

Your objectives	Reducing carbon emissions	Contributing to environmental solutions	
Phases	<p>Climate transition Companies committed to decarbonisation Targets for reduction in:</p> <ul style="list-style-type: none"> – Carbon Emissions – Carbon Intensity – Carbon VaR 	<p>Climate mitigation Solutions contributing to mitigate climate change risk</p> <ul style="list-style-type: none"> – Solar, Wind, Hydro, Nuclear – Energy storage – Sustainable transport – Energy infrastructure – Green buildings – Waste management 	<p>Carbon capture</p> <ul style="list-style-type: none"> – Forestry/timber store – Direct air capture – Ocean capture – Soil sequestration – Mineralisation 
Alignment to proprietary tools	<p>SustainEx</p> <ul style="list-style-type: none"> – Carbon emissions – Avoided emissions <p>Carbon VaR</p> <ul style="list-style-type: none"> – Carbon pricing 	<p>ThemEx</p> <ul style="list-style-type: none"> – Biofuel – Carbon Management – Circular Economy – Climate Tech – Energy Transition – Environmental Protection – Food & Water Security – Sustainable infrastructure – Waste Management 	<p>NATCAP RESEARCH Natural capital assessment tool:</p> <ul style="list-style-type: none"> – Carbon storage – Carbon sequestration – Soil erosion prevention – Flood risk reduction – Biodiversity – Connectivity

Source: Schroders, September 2021. The proprietary analytical tool mentioned is designed to enhance the research process but does not guarantee favorable investment results.

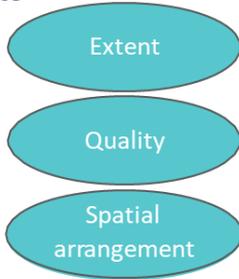
Natural Capital Research (NCR)

Combines rigorous science and leading proprietary modelling with deep insight of the emerging natural capital / net zero policy framework

THE NCR PROCESS:

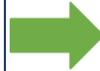
Determine the assets

- Species
- Communities
- Landscapes
- Soils
- Topology
- Hydrology
- Geology



Model the flows

- CO2 sequestration
- Carbon storage
- Soil erosion protection
- Waterflow regulation
- Water & air purification
- Land for recreation
- Habitats for biodiversity



Value the societal benefit

- Carbon
- Flood risk protection
Clean air
- Clear water
- Good physical & mental wellbeing
Pollinated crops
Thriving wildlife

As a function of:

Global data sets, satellite imagery, field data etc.

Bespoke set of science models developed over past 3-5 years

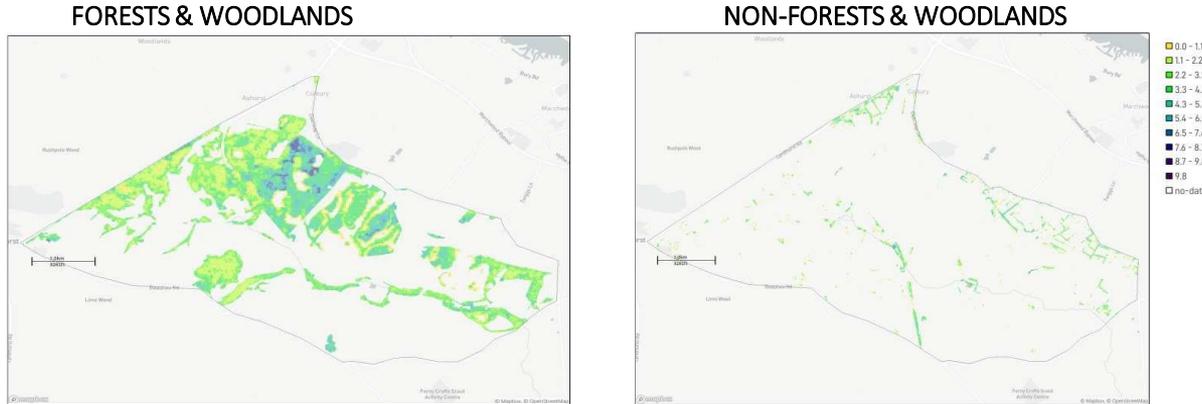
Bespoke set of economic valuation methods

Applying tools to drive asset selection

CARBON OFFSET STRATEGY:¹

- ~190,000 trees with an average carbon binding potential of 10 kg p.a. are required to offset the remaining CO2 emissions
- With a typical density of 650 trees/ha this is the equivalent of ~290 ha of land in Germany
- Further analysis of location, soil, impact potential and further criteria is required
- Opportunity to work with Natural Capital Research to develop a corresponding carbon analysis and strategy

NCR ANALYSIS: Estimated rate of carbon sequestration by trees and vegetation²



CARBON OFFSET POTENTIAL

- Target is now to develop a sustainability strategy 2025 with maximum reductions in CO2 emissions
- Analysis suggests ~1,900 t CO2 need to be offset

1. As of 30 June 2021; 2. From NCR sample baseline assessment report. Source: Schrodgers, July 2021; NATCAP Research: (NaturalCapital Research | Measure, enhance, value and report natural capital (natcapresearch.com), 08/07/2021. The proprietary analytical tool mentioned is designed to enhance the research process but does not guarantee favorable investment results.

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