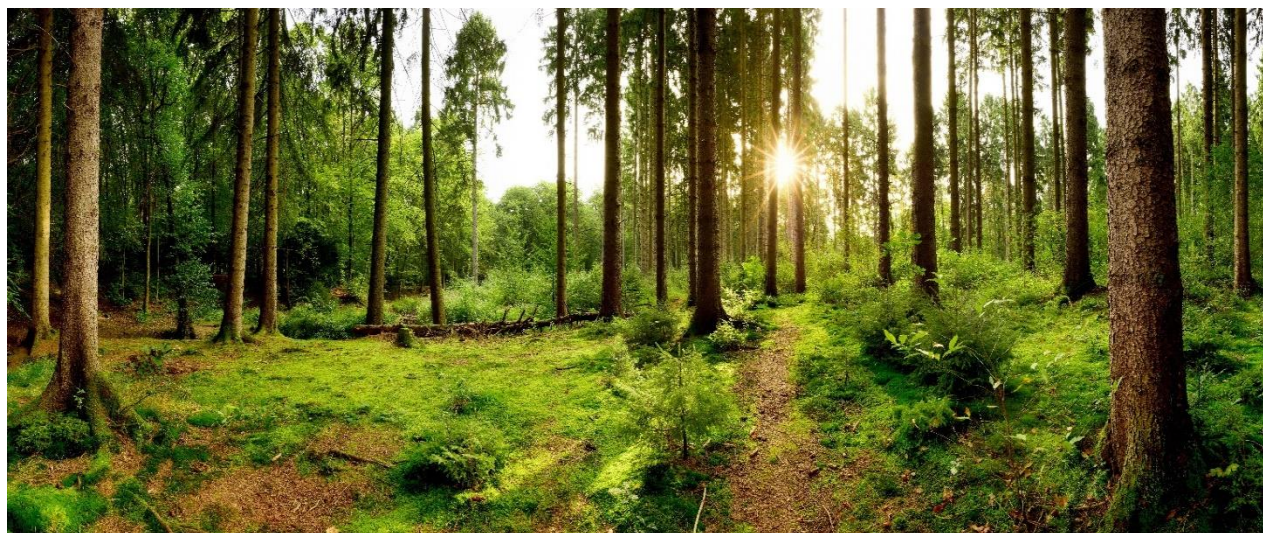


Seeing the forest and the trees

Why protecting forests is a good investment

By Henning Padberg and Thomas Sørensen, Portfolio Managers of
Nordea's Global Climate and Environment Strategy



Not one day passes when climate and environment topics aren't in the news. Recently, we have watched in disbelief as the Amazonian rainforest burned out of control, largely due to a dramatic increase in deforestation. About 17 percent of the rainforest has been destroyed over the past 50 years, and losses are on the rise.¹ But this trend isn't limited to Brasil, forests all over the globe are disappearing at an alarming rate. Between 1990 and 2016, the world lost 1.3 million square kilometres of forest, according to the World Bank—an area larger than South Africa.

If society wants to ensure our planet's forests and rainforests will be here for future generations, we must get serious about protecting them—and investors can play an important role here. While the great forests of the world may seem distant from our everyday lives, consumers and corporates have the ability to

effect meaningful change. Consumer demands, expectations and buying decisions are very powerful and drive increasing business momentum towards more sustainable and less environmentally harmful solutions.

New solutions are needed but even more importantly, we must increase adoption of already existing solutions that are superior when it comes to optimising resources and safeguarding nature. While governmental assistance and incentives are important, most of the progress we are witnessing is coming from the corporate sphere, with many leading companies already delivering value-added solutions to real world problems. In Nordea's Global Climate and Environment investment strategy, we try to assess the impacts of the underlying climate solutions and focus on companies that have a positive impact.

¹ National Geographic, Climate 101: Deforestation, by Christina Nunez, 07 February 2019

When it comes to deforestation, Weyerhaeuser*, a leader in sustainable forest management, is making a real difference. As one of the world's largest private timberland owners, the company manages millions of hectares of land—its entire timberland portfolio is certified to the Sustainable Forestry Initiative Forest Management Standard. This means the company manages its forest to ensure a sustainable supply of wood for customers while protecting other benefits the woodlands provide, such as clean water, clean air and habitat for wildlife. Weyerhaeuser is a solid investment case because the company is dedicated to harvesting trees in a responsible and renewable way. The wood produced is sold to its customers as an alternative to other carbon-heavy materials like steel and cement, thereby contributing to a more sustainable society. Weyerhaeuser stands to benefit from increased awareness about sustainable products as well as from its sustainable business model.

New technologies can also be leveraged to protect our forests. For example, Trimble's eCognition Essentials* software supports time-based analysis for imagery and GIS (graphic information system) data. The new capabilities allow remote sensing and GIS professionals to determine imagery changes over time, supporting applications such as vegetation change, deforestation or urban planning. Trimble technologies are also used in the construction, agricultural and transportation sectors, which offer great long-term potential for increased adoption of climate solutions as penetration rates are relatively low. Trimble has generated solid returns over time; we see further market consolidation opportunities and increasing recurring revenue that should be positive drivers for the investment case.

Finally, smart farming is another effective method of preserving our forests. Productivity-enhancing solutions in agriculture are helping

to improve resource efficiency and reduce our environmental footprint – while also advancing the competitiveness of farmers. AGCO* focuses on the development of innovative agriculture equipment to mitigate climatic shifts due to rapid urbanization and deforestation. AGCO helps farmers to leverage advanced technology such as GPS and telematics in their tractors to enhance the agricultural productivity in the global market. There is major potential in smart farming, which is already proving its worth in delivering more sustainable agricultural production. With the agricultural sector just beginning on its path of innovation, investors have a rare opportunity to share in the long-term growth of an industry that can have a positive impact on preserving our planet's vital resources.

As climate change becomes an increasingly critical issue, we see many investors moving from traditional benchmark-driven strategies towards strategies with exclusion criteria or ESG screening/ integration approaches. But we believe positive ESG selection or impact strategies can have a more direct influence on environmental and sustainability factors. Nordea's Global Climate and Environment Strategy focuses on companies that offer products and services with an attractive value proposition, both in terms of environmental benefit and economic return. We truly believe that investing in companies that use technology and innovation to save resources and improve efficiency makes economic sense.

*Please note that references to companies or other investments mentioned within this document should not be construed as a recommendation to the investor to buy or sell the same, but is included for the purpose of illustration

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