

TD Securities Inc.

Investors' Perception of the Forest Products Sector Sustainability Attributes

Gradual Acknowledgment of the Industry's Sustainability Progress

Takeaways from Companies that Have Led the Way on ESG Efforts

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■ Why has ESG become so important for investors?

- The "E" garners a large portion of investors' interest as decarbonization has become a critical initiative and attracted capital
- Forest product investors focus on the sector's ability to develop new sustainable products that displace legacy carbon-intensive substitutes (e.g., biofuels, mass timber components)

■ The forest products sector is doing a better job of articulating sustainability attributes to the investment community

- Annual company-specific sustainability reports are "table stakes", but many North American companies were late to the party

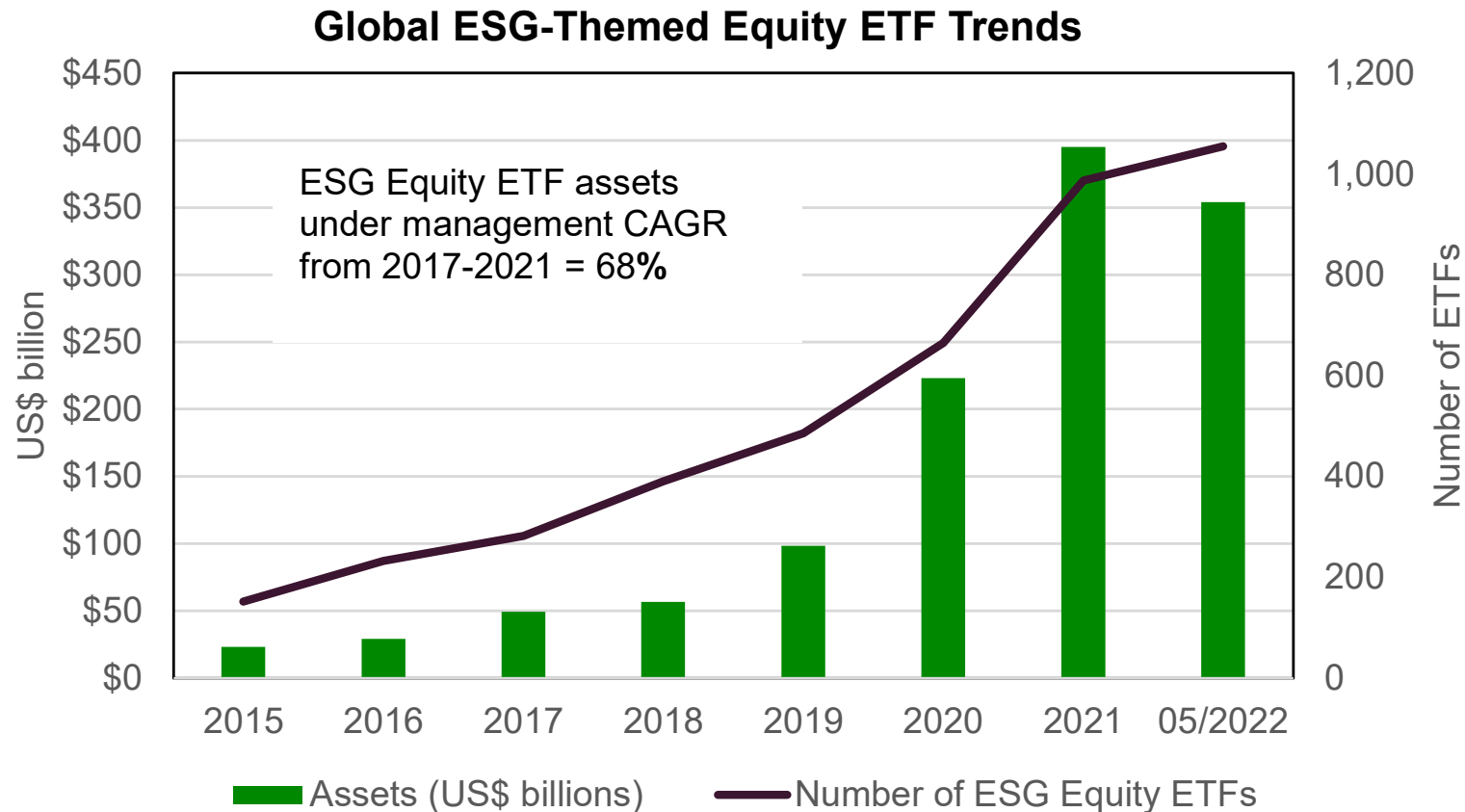
■ To a large extent, we do not believe that these qualities are reflected in valuations for U.S. and Canadian forest product companies

- Trading multiples for most publicly-traded North American forest product equities are below long-term averages
- Canadian lumber/panel-focused companies' valuations have contracted as investors acknowledge increasing earnings volatility; equities still trade on commodity sentiment

■ The European forest products sector sustainability blueprint is informative

- Forest product companies in Europe were early in articulating sustainability attributes and developing new sustainability-based end markets. This has led to a series of positive developments: 1) more stable ROCE; 2) relatively strong equity returns; and 3) expanding valuations

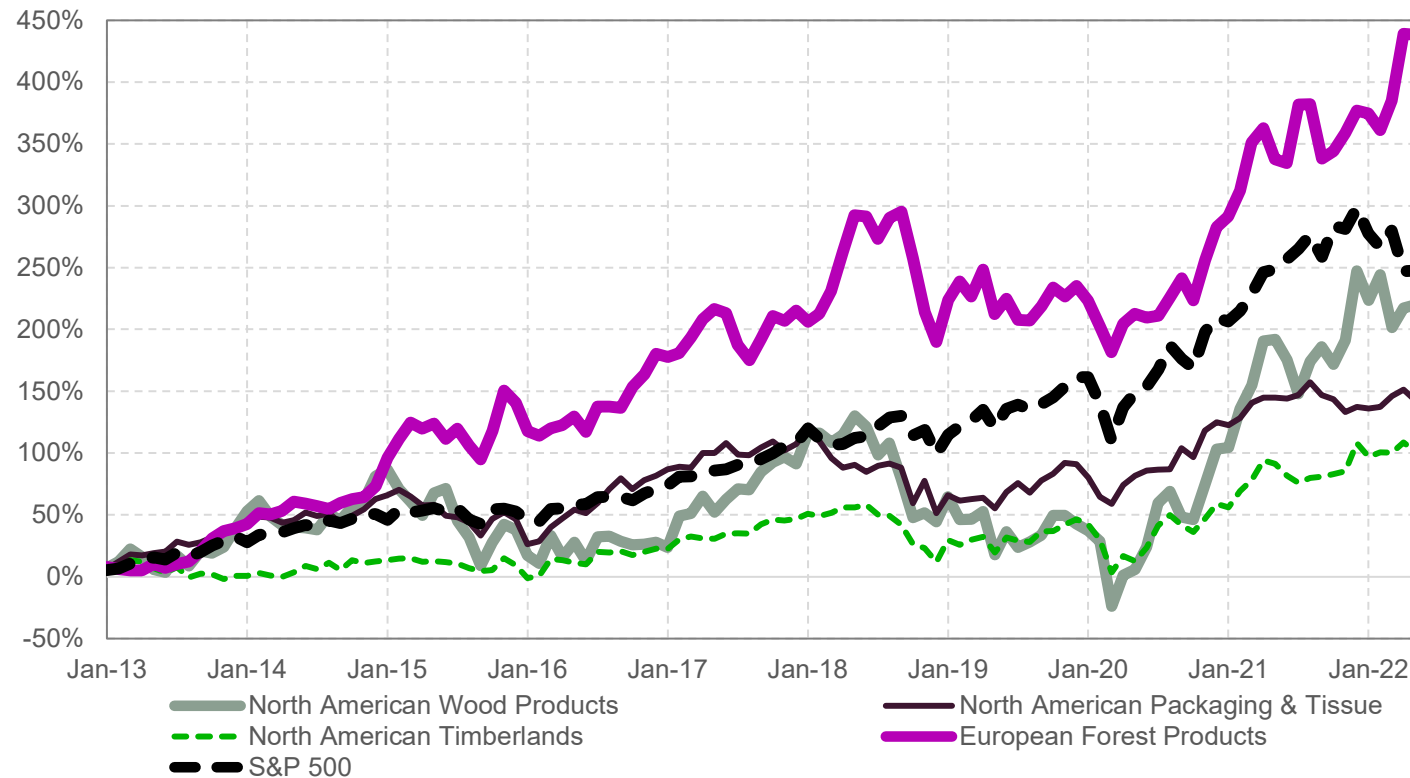
Capital Dedicated to ESG Investment Mandates has Increased Rapidly



Source: Bloomberg.

- Until recently, assets under management (AUM) for ESG mandates grew at an accelerating rate
- Forest product equities have not taken a proportionate "piece of the pie"

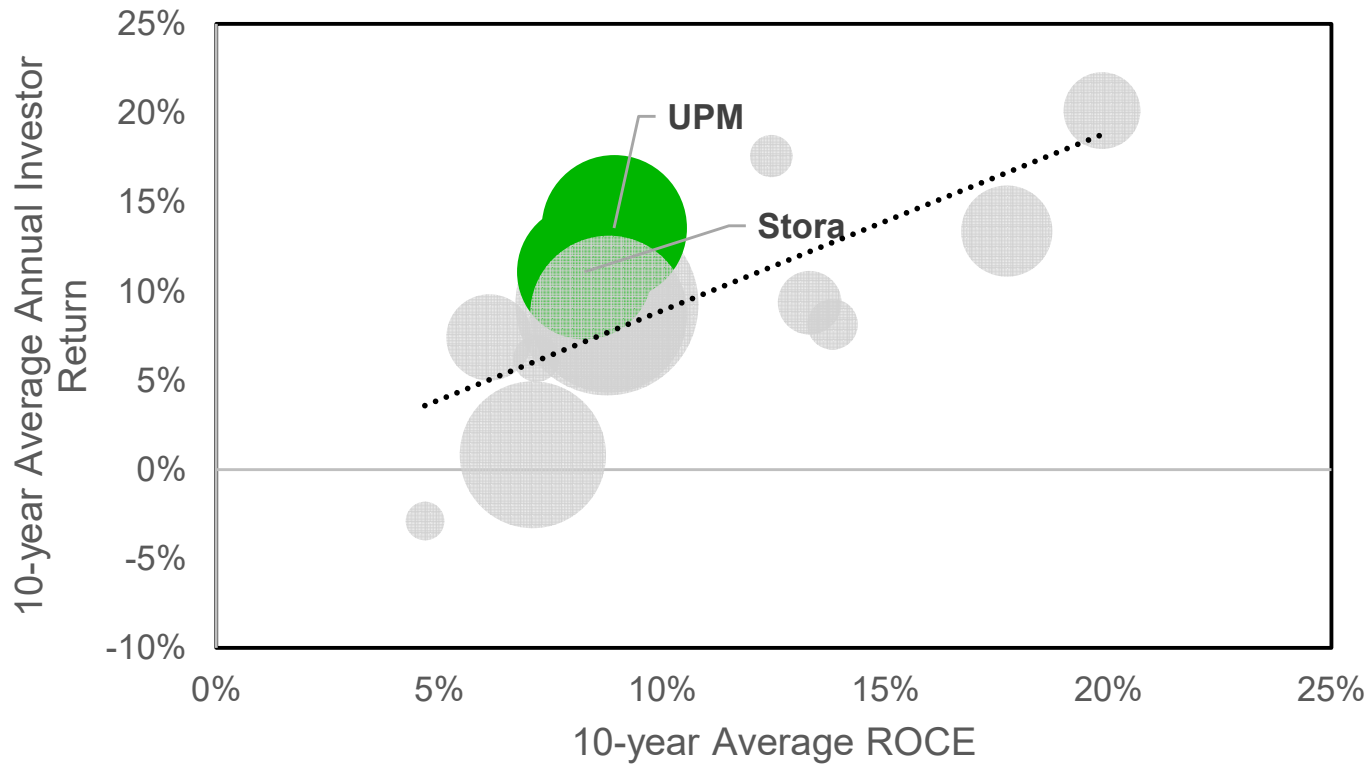
Total Equity Return Indices: Positive Long-Term Trends



Source: Bloomberg.

- Over the past decade, all segments of the global forest product industry have generated positive investment returns, with the European segment outpacing broader equity markets (21% CAGR since 2013)
- Since the pandemic, North American lumber and panel manufacturers have led forest product equities (average 6-fold return since March 2020), driven by a sector balance sheet transformation

10-Year Average ROCE vs. Total Investor Return



Source: Company reports, Bloomberg.

- **Positive correlation between share price performance and ROCE**
- European forest product companies' investor returns have outpaced the average ROCE trendline. We believe that the relative stability of those companies' margin/ROCE profile has contributed to outperformance
- There are also successful North American examples

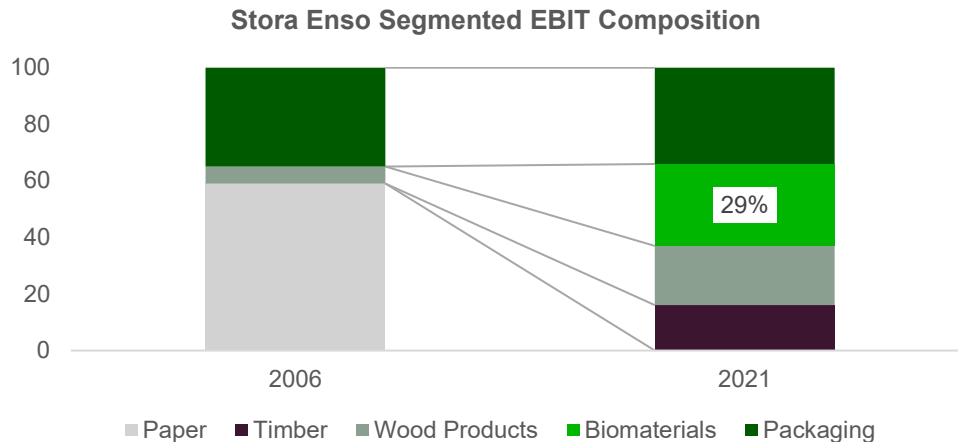
Forest Product Sector Sustainability Takeaways



■ Consistency of the messaging

- Sector leaders (e.g., Stora Enso and UPM) have highlighted sustainability attributes and product development for more than a decade

■ Successful sustainability efforts are positioned as "change drivers", not just features of the existing strategy/product mix



■ Incorporating sustainability into the capital structure

- Leading forest product companies have well established "green" financing platforms including green bonds and sustainability-linked credit facilities