A Sustainable Recovery

New Horizons in ESG

Investments

What is a sustainable recovery?

It is the intention of allocating the unprecedented global wave of public spending, pent up over the course of the 2020 pandemic, exclusively toward investment in sustainable systems to support:

The creation of millions of jobs

Improved productivity

A structural decline in greenhouse gas emissions

9M jobs/year expected to be created or saved over 3 years

1.1% added in global economic growth annually

Source: IEA, 06/18/20. This is for informational purposes only. There is no guarantee that these objectives will be achieved.

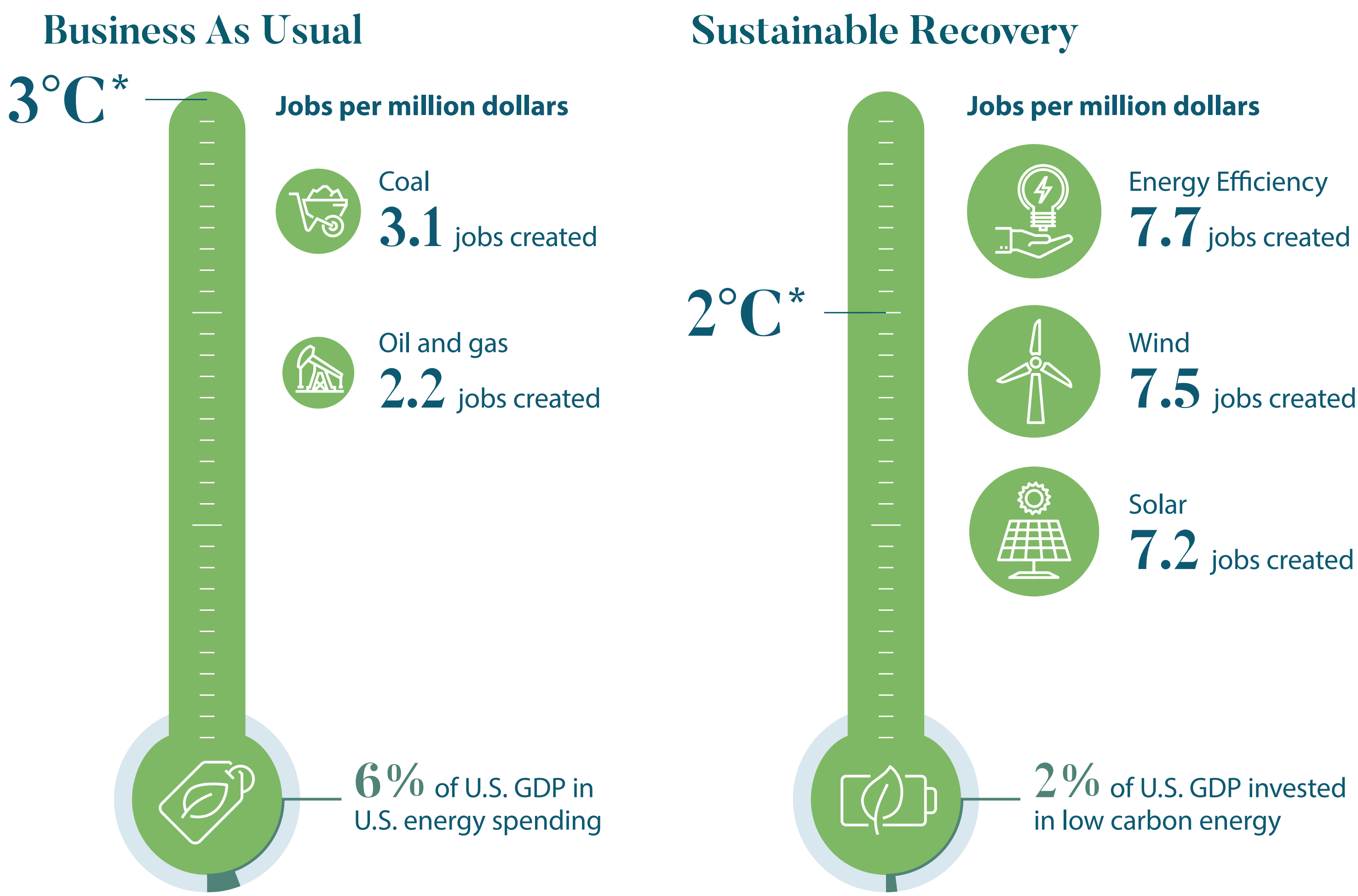
The sustainable recovery has the potential to present an attractive investment opportunity post-COVID-19.

Let's look at two reasons why a sustainable recovery is gaining traction.

1 Lower costs in energy spending

2 More jobs created

For every $1M investment in renewable energy, more than **twice** as many jobs are created per category than in traditional energy.



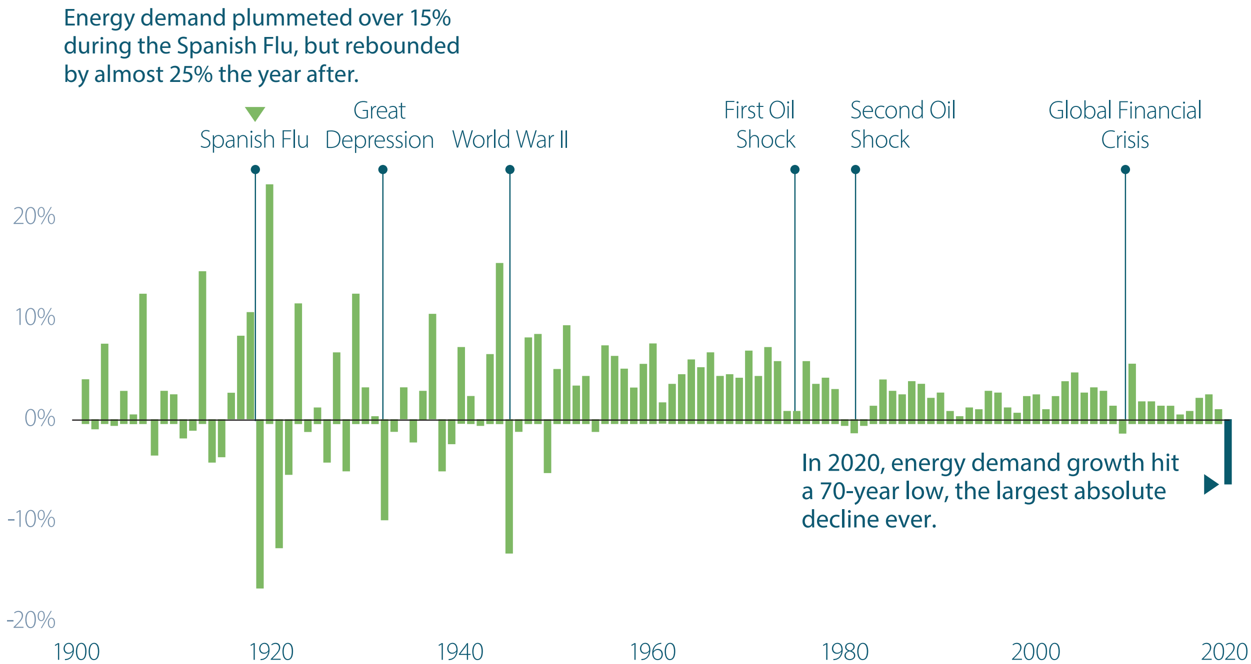
*Global warming relative to 1981-2010
Source: World Resources Institute, 07/28/20. The data is the result of a report designed to synthesize the latest research on the benefits of U.S. climate action in today's economic reality.

Let's take a look at how investors may want to consider investing in a sustainable recovery across three industries.

1 Renewable Energy

Historically, energy demand has sharply rebounded after major economic shocks including the Spanish Flu, World War II, and the Global Financial Crisis.

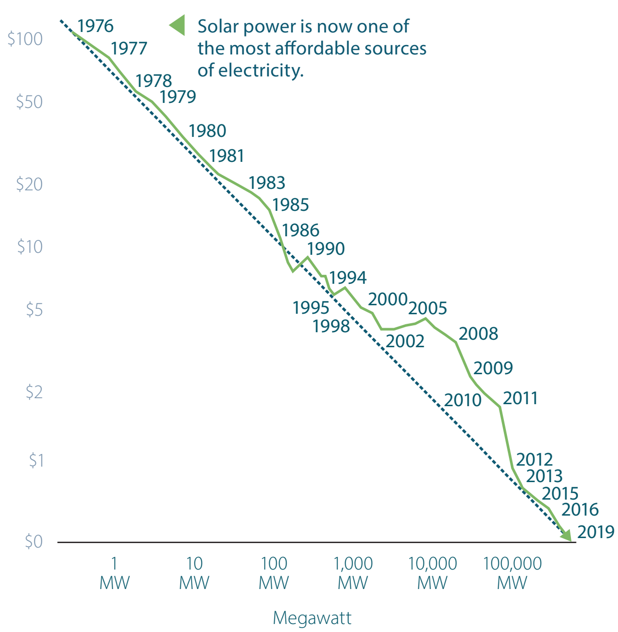
Change in Global Primary Energy Demand (1900–2020*)



*Estimated. Primary energy consists of unconverted or original fuels, such as: petroleum, natural gas, coal, biomass, flowing water, wind, and solar radiation. Source: IEA, 06/18/20

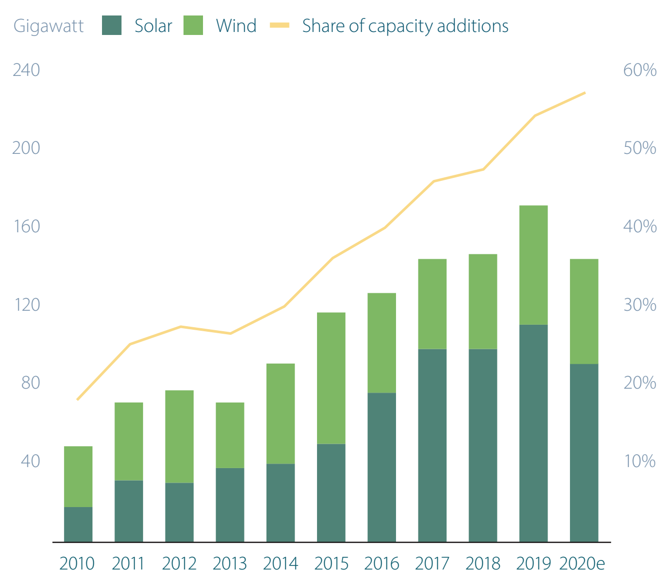
If history repeats itself, energy may be poised for a substantial demand increase. On top of this, renewables have become significantly cheaper and scalable in recent years.

Since 1976, solar power has become 99% less costly*



*Price per watt of solar photovoltaic module additions (2010-2020). Inflation adjusted, axis on a logarithmic scale. Sources: Lafond et al. via Our World in Data 12/01/20, Bloomberg 06/24/20

Over 40% of new global capacity came from solar and wind power in 2019**



**Global solar photovoltaic and wind share of global power capacity. Source: IEA, 06/18/20

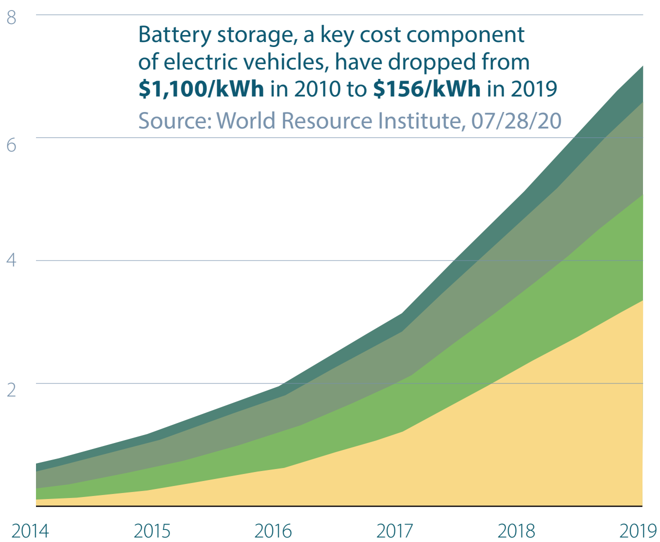
2 Transportation

Globally, as electric vehicle sales have accelerated, so have public chargers, illustrating a new infrastructure opportunity for investors.

China | Europe | United States | Other

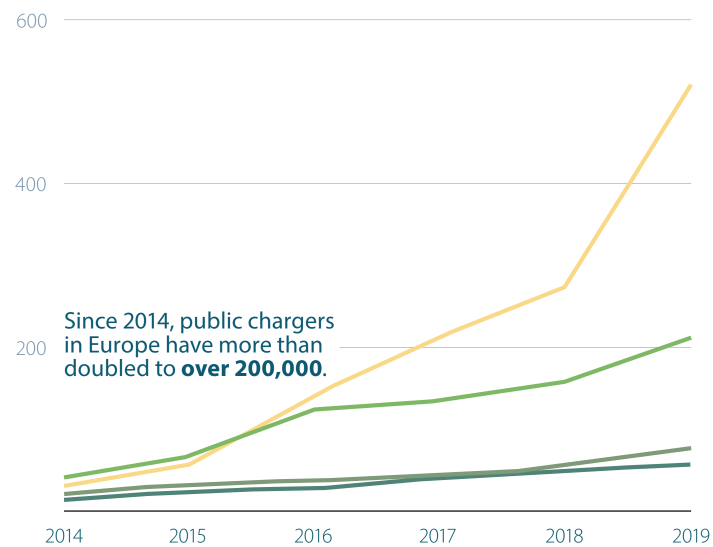
Electric Car Fleet

Million cars



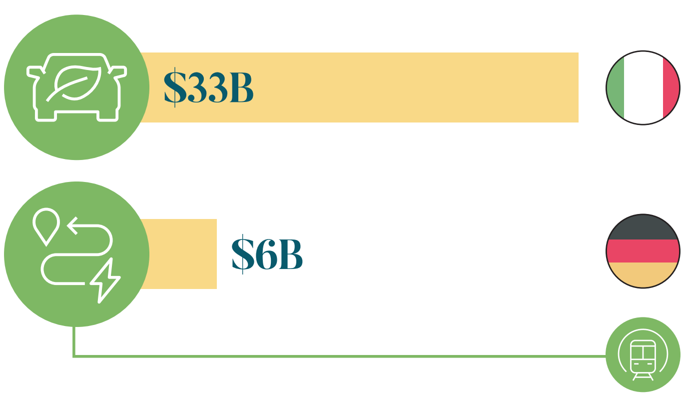
Public Chargers

Thousand chargers



Source: IEA, 06/18/20

At the same time, economies are planning for a wave of green transport investments.



Italy, for instance, plans to invest **$33B** in sustainable mobility as part of its **$231B** green recovery plan.

Meanwhile, Germany is investing **$6B** in the electrification and modernization of its rail and bus system.

High-speed rail uses **12X** less energy per passenger than airplanes or road transport trips under 800km.

Sources: IISD 12/08/20, German Federal Ministry of Finance 03/20

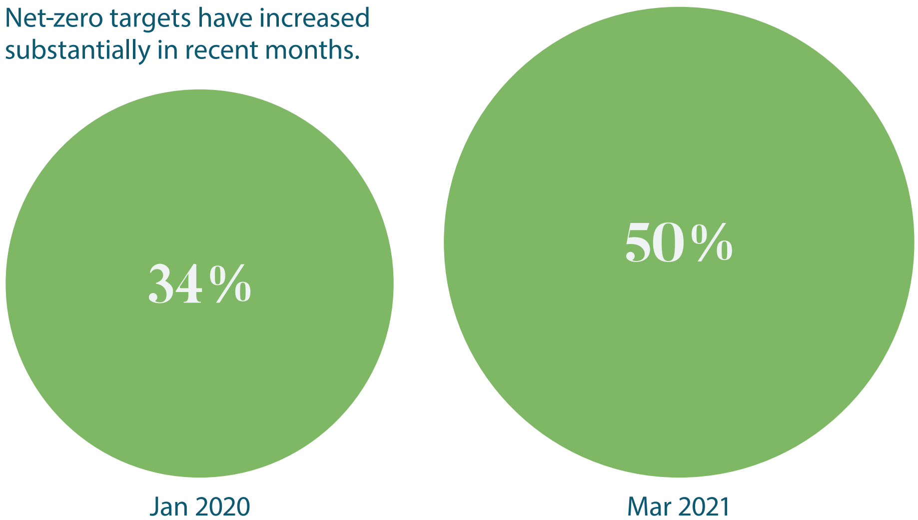
Like renewable energy, electric vehicles, high-speed rail, and modern transport infrastructure are all central to the new chapter in sustainable investment.

3 Low-carbon Technology

Finally, you can't talk about a sustainable recovery without net-zero emissions, where all emissions created are also removed from the atmosphere.

% of Global Emissions Covered by Net-zero Targets

Net-zero targets have increased substantially in recent months.



Decarbonization will play a critical role in reaching net-zero targets.

Source: BloombergNEF, 03/02/21

Crucially, net-zero emissions can be achieved through the following decarbonization options:

Carbon capture
Chemical absorption and the injection of CO_2 into depleted oil reserves

Nuclear energy
Produces energy through nuclear reactions

Storage & utilization
Improves electricity grid storage

Renewable innovation, and others
Includes hydrogen, batteries, and scaling renewables

Even in the wake of the pandemic, global investment in decarbonization topped **half a trillion dollars** in 2020, 9% higher than in 2019.

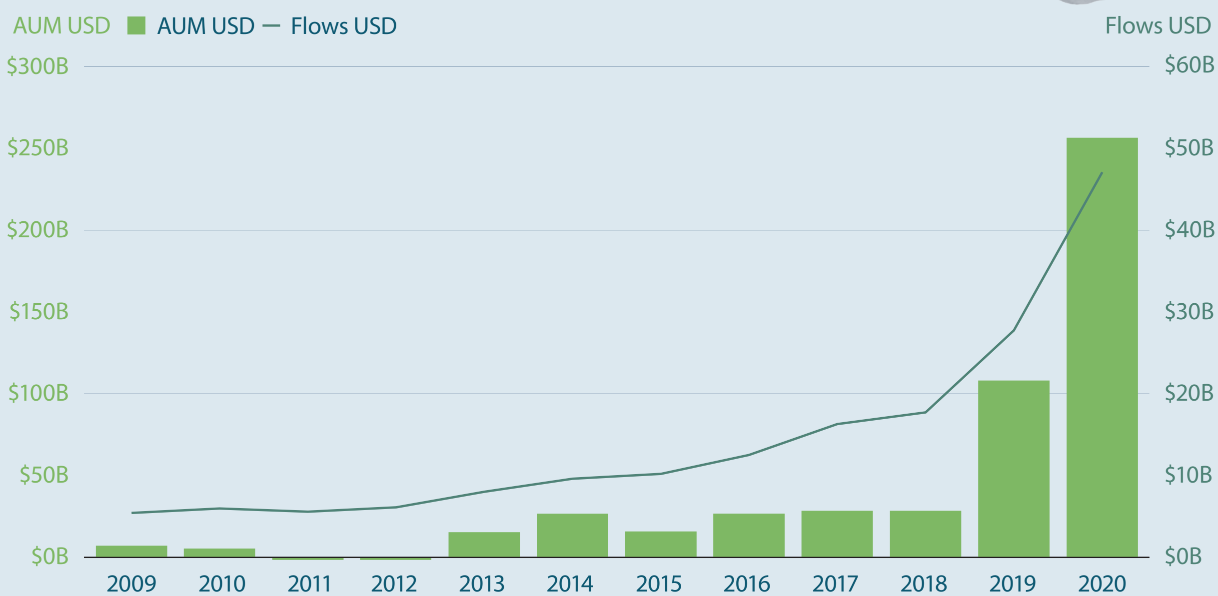
Source: BloombergNEF, 01/19/21

A New Turning Point

COVID-19 is radically reshaping the sustainable investment landscape.

In 2020, nearly **25%** of all U.S. stock and bond mutual fund net inflows went into sustainable funds.[1]

U.S. Sustainable Fund Assets



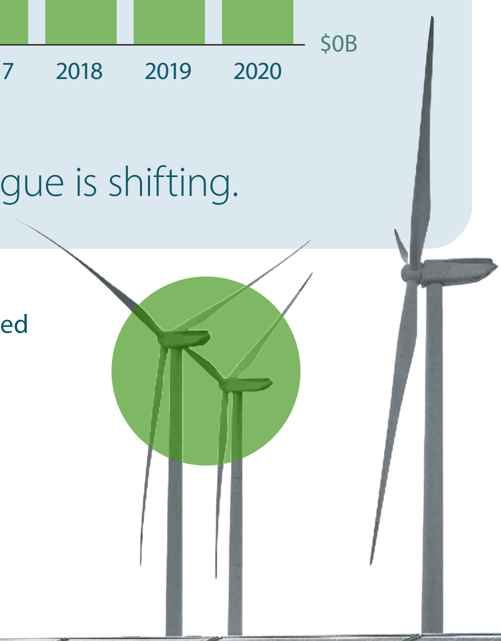
[1]Source: Morningstar, 01/28/21

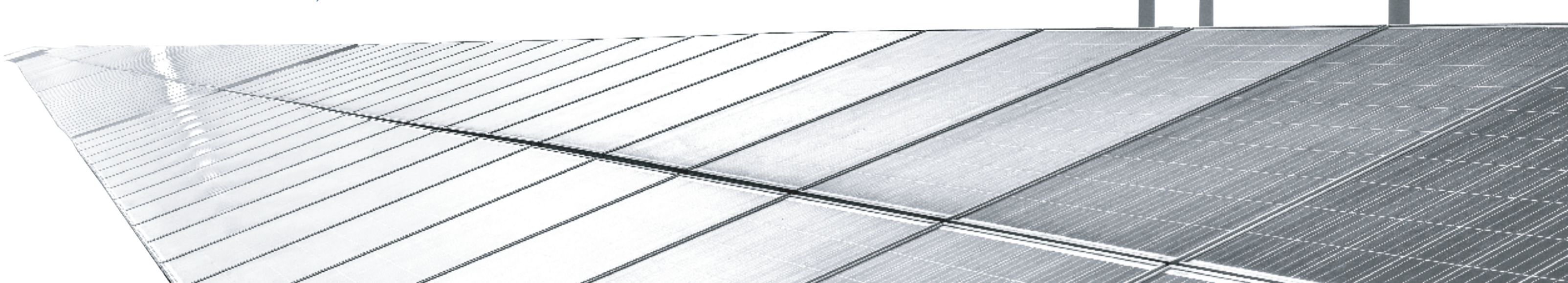
Thanks to these record inflows, the dialogue is shifting.

By 2025, as many as **half** of all investments are projected to be ESG-mandated in the U.S. From modern infrastructure to low-carbon tech, sustainable investments present opportunities for investors.

Supported by lower costs and government policies, sustainable investments show the potential for promising growth.

Source: Deloitte, 02/20/20





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