

Sustainable forest investments and managing biodiversity

Sustainable investing in forests can help protect biodiversity and yield stable returns.



Sustainability is an important part of decision-making for professional investors. Some aspects have well-established procedures, such as reducing carbon emissions and protecting human rights, but others are more difficult to adopt, like promoting biodiversity. Biodiversity is any form of living organism, and includes diversity of species, genes, habitats and landscapes. Biodiversity is critical for the functioning of natural ecosystems as well as society and the economy. According to a World Economic Forum (WEF) study more than 50% of global GDP is dependent on nature.

BIODIVERSITY TOP OF THE AGENDA

A growing understanding of the role of nature and biodiversity has sparked interest in natural capital investments, the world's stocks of natural assets which include forests, soil, air, water and living things. Yet, according to the WEF the nature finance gap currently stands at \$700 billion per year. More capital needs to be allocated towards nature and halting biodiversity loss.

Investing in real assets that rely on natural capital such as forests can be a concrete way to contribute to the

promotion of biodiversity. Forests are a real asset which historically are low risk, provide stable returns and add diversification to portfolios. Forest investments can be an attractive option for an impact investor with the intent to generate an additional, measurable and beneficial impact on the environment, as well as a financial return.



Taking good care of forests is important for biodiversity and protecting ecosystems. Sustainable management of forests helps ensure that forests grow healthy and act as carbon sinks over the long term. Enhancing biodiversity can also improve forests' resilience to natural hazards (e.g. fires, pests), which further supports the long-term

risk-adjusted return on forest investment. Additionally, forests provide wood as a renewable material which is useful in construction, furniture and consumer goods. It can be used to create more sustainable textiles, biofuels and bioplastics, lessening the reliance on fossil fuels.

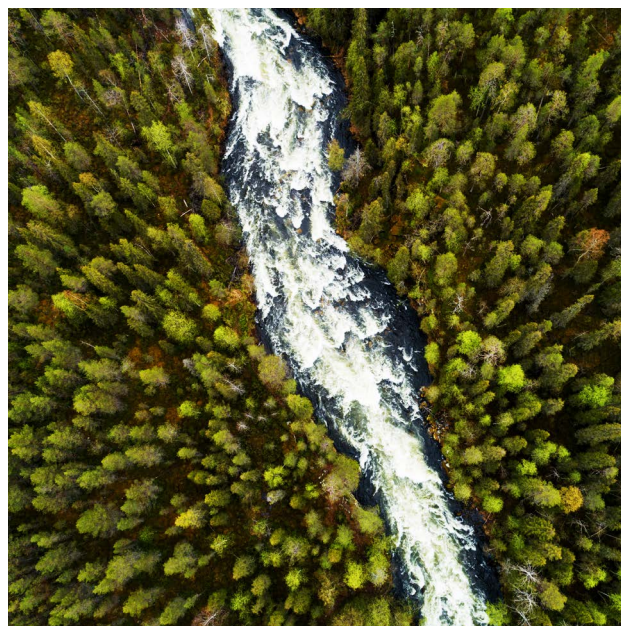
ACTIONS TO PROMOTE FOREST BIODIVERSITY

Sustainable forest management practices can aim for direct biodiversity-related outcomes. One of the best methods to ensure forests are managed sustainably is to use respected and independent certification systems such as the Forest Stewardship Council (FSC®) or the Programme for the Endorsement of Forest Certification (PEFC™). The FSC and PEFC take many aspects of sustainability into their certification process, including biodiversity. This includes a range of measures, such as inventorying species, reforesting harvested areas, avoiding invasive species and considering the migration patterns of animals.



In practice, some actions to help biodiversity in sustainably managed forests may include:

- Leaving retention trees
- Preserving key habitats
- Leaving decaying wood
- Controlled burns
- Increasing the percentage of deciduous trees
- Buffer zones around streams and lakes
- Water retention in habitats like peatland
- Maintaining continuous forest cover



VERIFIABLE RESULTS

Many of these actions are measurable and verifiable by third parties. Forests can also be carbon sinks, and there are established carbon accounting methods to measure their impact. Data points like these are key for investors to measure their impact and progress towards their sustainability goals.

In Finland, an independent study conducted by the company Gaia Consulting Oy determined the PEFC certification improved the quality of forest management and had significant positive effects on the preservation of biodiversity in forests. The Nordic region has a long history of sustainably managing forests which are easily accessible for investors to visit first-hand.

Crucially, acting to maintain biodiversity in forests is not only better for the forest environment, but also better for the investment. A healthy woodland is more likely to have healthy trees which grow faster, are more financially valuable and capture more carbon. The economic value of biodiversity and ecosystem services is more apparent in forest investments compared to traditional debt and equity instruments.

ABOUT THE AUTHORS: United Bankers is a leading Nordic real asset manager who specialise in forest, real estate and infrastructure funds. Through their funds they are the fourth largest private forest owner in Finland. Their buy-and-build investment strategy complements how forests tend to be owned in the region. Timberland properties are generally small, allowing clusters of properties to be developed strategically in local areas. These clusters build economies of scale and improve cost efficiencies. United Bankers was founded in 1986 and comprise of about 200 experts. The company is listed on the Nasdaq Helsinki Stock Exchange. To find out more, please visit unitedbankers.com.