



FOREST  
INVESTMENT  
ASSOCIATES

# Forestry Investment & Climate Solutions

**Forest Investment Associates (FIA) sees a significant opportunity for investments in forestry and nature and believes sound forestry expertise should be at the heart of nature-based climate solutions.**

The UN Food & Agricultural Organization estimates that forestry investment must increase three-fold by 2030 and four-fold by 2050 for the world to meet climate, biodiversity, and land targets.<sup>1</sup> FIA aspires to contribute toward this necessary rise in capital through investments that provide the recognized portfolio benefits of forestry as an asset class and that generate appropriate risk-adjusted returns while accounting for both financial and positive climate outcomes.

Specializing in active forest management strategies, FIA brings combined asset management and technical forestry expertise to support our clients in pursuing investment solutions for climate action and portfolio decarbonization. We understand that intensive forest management, sustainable timber harvest, and large-scale reforestation are

essential components of the land sector's ability to mitigate climate change. In fact, all science-based pathways to limit climate change to 1.5 degrees Celsius require significant, nature-based climate action through the protection, management, and restoration of forests.<sup>2</sup> This means not only protecting the world's remaining forests, but also managing and establishing intensively managed, sustainable plantation resources and restoring natural ecosystems. FIA believes that there are attractive, risk-adjusted return opportunities across this spectrum of forestry activities and across a range of geographies, forest types, and markets. Furthermore, FIA anticipates that climate solutions in forestry investment will benefit from scaled operational experience and effective forest management practices, which may be contributed by experienced forestry investors.



## Climate & Carbon as Investment Considerations

FIA offers an integrated approach to climate solutions in forestry, built on three pillars that we believe contribute to sound investment and management of forests in a carbon-constrained world. These pillars enable FIA to meet our clients' varying needs in climate-related management, from essential risk mitigation

to climate disclosure to portfolio decarbonization. We appreciate that investors today face a range of options in their own climate targets, disclosure, and strategies; we aspire to be a trusted advisor to our clients in understanding the climate impact and possibilities of their forestry portfolios.



### Carbon & Greenhouse Gas Accounting

- Measure climate impacts
- Enable transparent disclosures
- Potential participation in carbon markets



### Climate Risk

- Identify climate risks
- Integrate climate risk management, strategy, and governance
- Pursue mitigation and adaptation



### Climate Solutions

- Decarbonize portfolios
- Realize climate-supported returns
- Enhance resilience and support climate adaptation

# Forestry & Natural Climate Solutions

## Protect

CONSERVE THREATENED FOREST ECOSYSTEMS AND PROTECT NATURAL FORESTS

- Avoided deforestation / REDD+
- Deforestation-free plantation establishment
- Conserve forest cover in integrated landscapes

## Manage

IMPROVE AND OPTIMIZE MANAGEMENT OF PRODUCTION FORESTS

- Sustainable intensification of plantations
- Improved forest management

## Restore

RESTORE DEGRADED LANDSCAPES TO PROMOTE CARBON AND BIODIVERSITY

- Reforestation with native species
- Assisted natural regeneration

## Bioeconomy

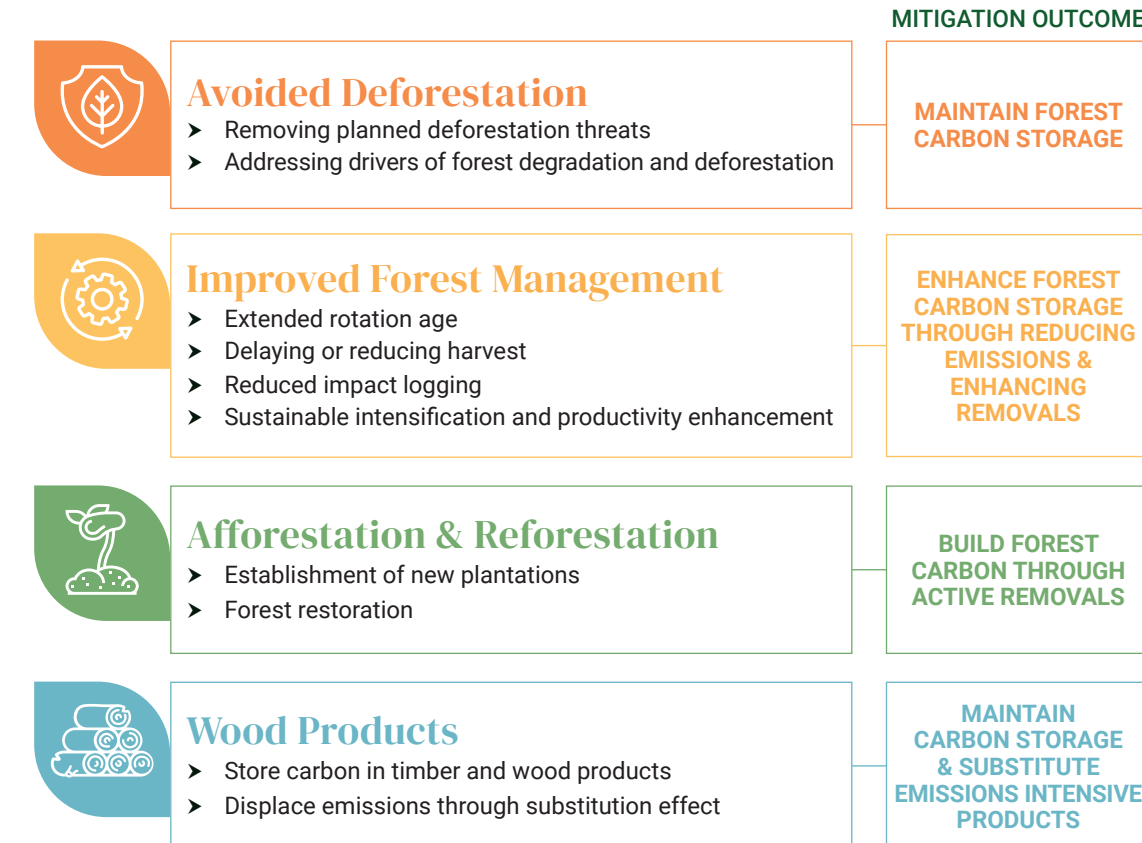
EXPAND THE CIRCULAR BIOECONOMY WITH CERTIFIED WOOD PRODUCT SUPPLY

- Innovation and value-added wood products
- Long-lived wood products
- Mass timber and substitution

Natural Climate Solutions can generate more than one-third of near-term, cost-effective climate mitigation through 2030,<sup>3</sup> providing critical balance to low-carbon transitions underway in energy, transport, and other sectors. Natural Climate Solutions may involve monetizing carbon in forests, but these opportunities may exist throughout any forestry portfolio, allowing investors to pursue climate benefits even without participating in carbon offset markets.

In addition to actions to Protect, Manage, and Restore forests and natural ecosystems, the Bioeconomy presents a growing opportunity as a source of renewable fiber for a low-carbon world.

Many forestry activities offer potential for enhancing climate mitigation outcomes in the forest and through contributing renewable resources to the circular bioeconomy. These activities align with investment opportunities across the forest sector.



# Wood Demand & Use in Climate Solutions

FIA applies our team's deep roots in forestry and finance to deliver investment strategies that aim to combine financial returns with ESG risk management and the ability to pursue climate action at scale. Our focus is on investment theses and portfolio strategies that match the opportunities present in today's forest sector with demand for sustainable investments that promote natural capital and benefits to society. Specifically, we believe working, actively managed forests are a critical component of global climate action and nature-positive investment; furthermore, such investments may offer exposure to growing wood fiber demand and the diversifying benefits of forestry in an investment portfolio. FIA is not alone in this belief – the Intergovernmental Panel on Climate Change (IPCC) also recognizes that over the long term, forest carbon stocks must increase as well as produce a steady yield of forest products that can support everyday life in a low-carbon world.

With rising fiber demand, it is imperative to increase intensive forest management, where ecologically appropriate, while restoring and protecting forests and natural ecosystems.

- ▶ Forecast demand for primary wood products is estimated to increase by 37% to 2050, rising even higher if substitution of wood for higher-emissions-embodied products accelerates.<sup>4</sup>
- ▶ Demand forecasts indicate need for 30 million hectares of new commercial forest establishment and management globally, requiring around \$16 billion of financing per year.<sup>4</sup>

FIA believes the increasing use of sustainable wood in a range of products is an important component of global climate action, supporting reforestation and sustainable land management at scale.



## Traditional Wood & Forest Products



LUMBER



PULP AND PAPER



BIOENERGY

## Innovation for the Bioeconomy



MASS  
TIMBER



ENGINEERED  
WOOD  
PRODUCTS



ADVANCED  
BIOENERGY



CELLULOSIC  
FABRICS

*“In the long term, a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fiber or energy from the forest, will generate the largest sustained mitigation benefit.”*

IPCC – SPECIAL REPORT ON CLIMATE CHANGE AND LAND 2019



## A Renewable Cycle of Carbon Sequestration & Storage in Forest Management

Sustainable forestry that closely considers climate impact and climate risk offers significant potential for forest-climate solutions. Sustainable forest management is predicated on long-term management with cycles that promote the healthy growth, sustained-yield harvest, and replanting of forests.

Such cycles provide opportunity for continual accrual of stored carbon in working forests and in forest products. The FIA portfolio demonstrates how scaled forest management and operations can simultaneously deliver economic benefits alongside environmental benefits.



**2.1 million**  
ACRES

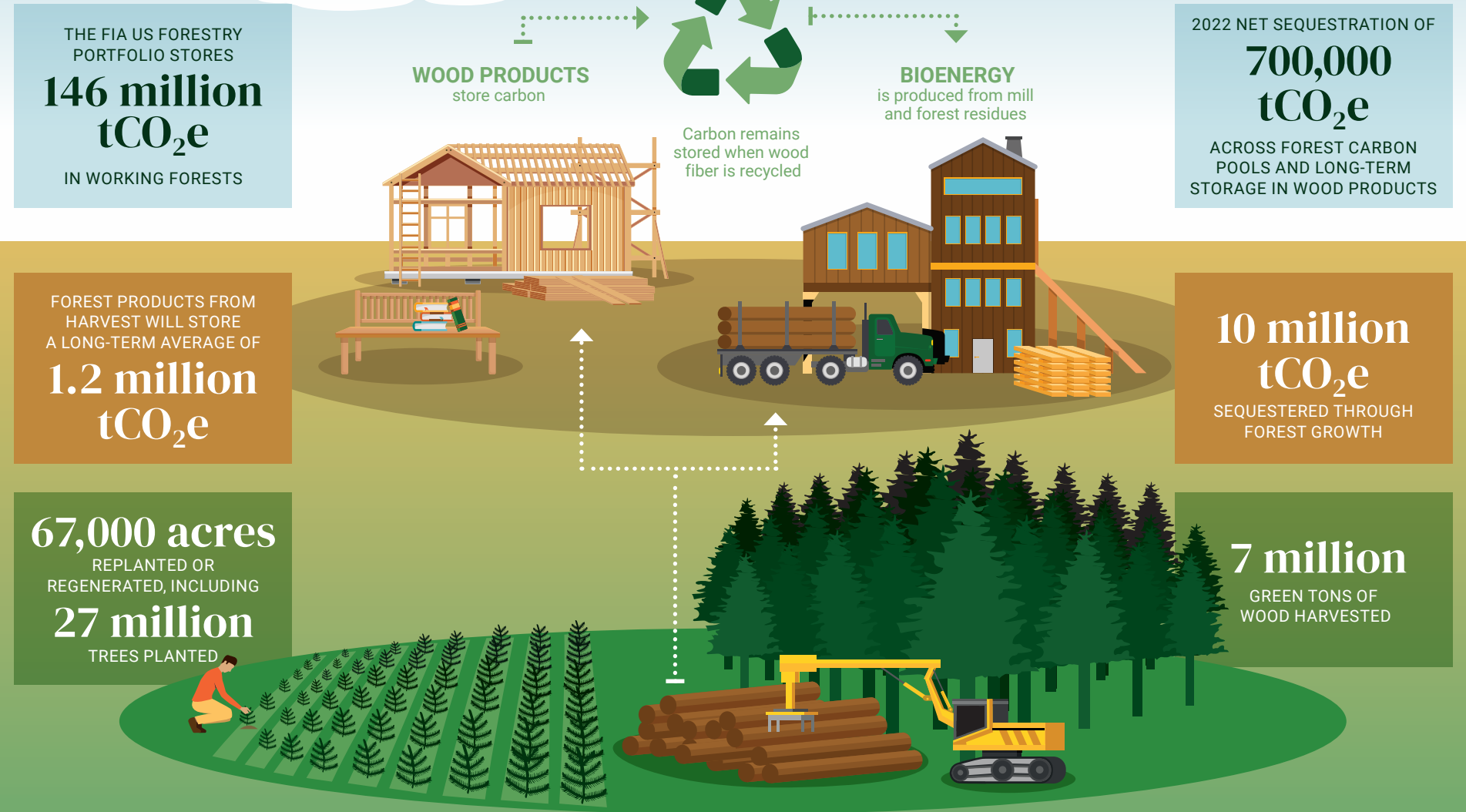


**100%**  
certified  
FOREST OPERATIONS



**130+**  
FOREST  
MANAGEMENT UNITS

## The FIA Portfolio of US Working Forests – Carbon Sequestration & Storage Through Sustainable Forest Management in 2022

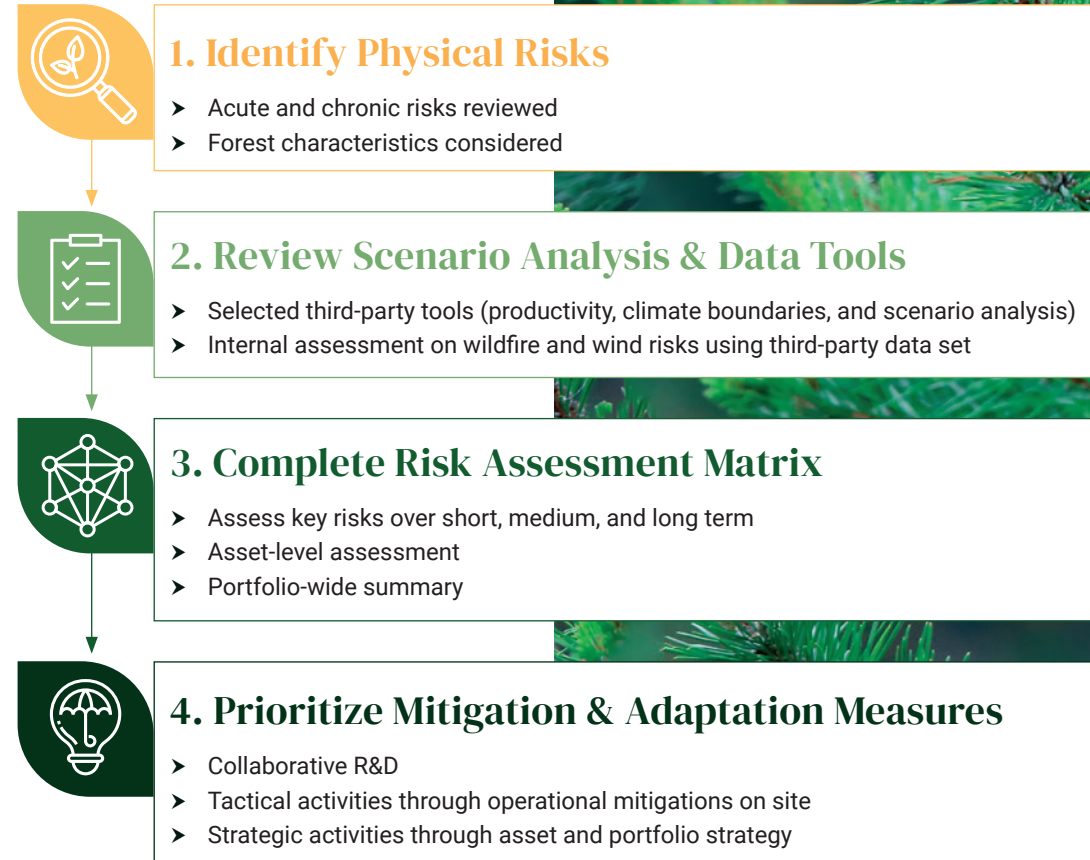


Data based on FIA internal analysis for calendar year ending December 31, 2022. Net sequestration accounts for aboveground forest carbon pools and the 100-year average for carbon storage in wood products (net of harvest, land sales/purchases, and inventory adjustments).\*

# Climate Risk Management

Forestry assets are exposed to chronic and acute impacts from changing climate conditions. Such impacts can be on the physical forest resource as well as affect forest operations, the labor force, markets, and supply chain logistics that influence the value of forests and the supply and demand for forest products. Understanding both the physical risks and the potential financial impacts of those risks is a core component of forestry risk management.

FIA has developed a methodology to consistently identify and evaluate key physical risk factors that may affect the biological productivity, quality, and value of forestry assets. The approach leverages tools and analysis developed by third parties and scenario analysis for forestry assets under a range of future climate scenarios. Currently, these tools apply for US-based forests. The steps outlined in the graphic (right) show how FIA approaches identification and evaluation of physical risks, utilizes scenario analysis tools and other regionally appropriate data, and then prioritizes mitigation activities and adaptation, where relevant.



## Governance

Within active investment mandates, the FIA Investment Committee is responsible for risk management throughout the investment process. The Risk Management Committee and the ESG Committee support the business in understanding and managing climate-related risks and management approaches.



## Strategy

FIA anticipates greater opportunities than risks for forests in the net-zero transition because of the integral role of natural climate solutions, carbon storage in wood products, and substitution for higher-embodied-emissions products. Climate-related strategies may be set at the portfolio or asset levels, including climate mitigation and adaptation activities.



## Risk Management

FIA developed physical risk assessment guidance that supports portfolio managers and operations teams in identifying, managing, and reporting on physical risks related to climate change. This dovetails with overall asset protection and resilience measures as part of asset-level strategy.



## Metrics & Targets




FIA seeks to provide standardized metrics and reporting for all clients while setting portfolio or asset-level targets where appropriate. FIA has reported on biogenic carbon storage and net sequestration at the client account level for several years and is actively working with industry and multi-stakeholder initiatives to better integrate carbon removals reporting into standard practices.

**Forest Investment Associates is a specialist investment manager, using 37 years of timberland investment experience to help clients around the world grow value through investing in sustainable forestry and land-based assets. FIA is majority employee owned and manages more than 2 million acres of certified forests in the United States, Brazil, and Chile.**

**Learn more at  
[www.forestinvest.com](http://www.forestinvest.com)  
or contact us via  
[info@forestinvest.com](mailto:info@forestinvest.com).**

1. FAO (2022). Global forest sector outlook 2050 Assessing future demand and sources of timber for a sustainable economy.
2. IPCC (2019). Special Report on Climate Change and Land.
3. Griscom B.W., et al., (2017). Natural climate solutions. PNAS October 31, 2017 114 (44) 11645-11650.
4. FAO (2022).



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