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valuing nature

**Planted forests in emerging economies:
Best practices for sustainable and
responsible investments**

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**Private capital
for nature conservation**

COULD IMPACT INVESTMENTS BE A S...

RESPONSIBLE PLANTATIONS
Sustainable and Res
Investments in forest

OCCASIONAL PAPER

Planted forests in emerging economies
Best practices for sustainable and responsible investments

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www.etifor.com/en/publications/

www.cifor.org/library/6136/planted-forests-in-emerging-economies-best-practices-for-sustainable-and-responsible-investments

www.regenwald-schuetzen.org

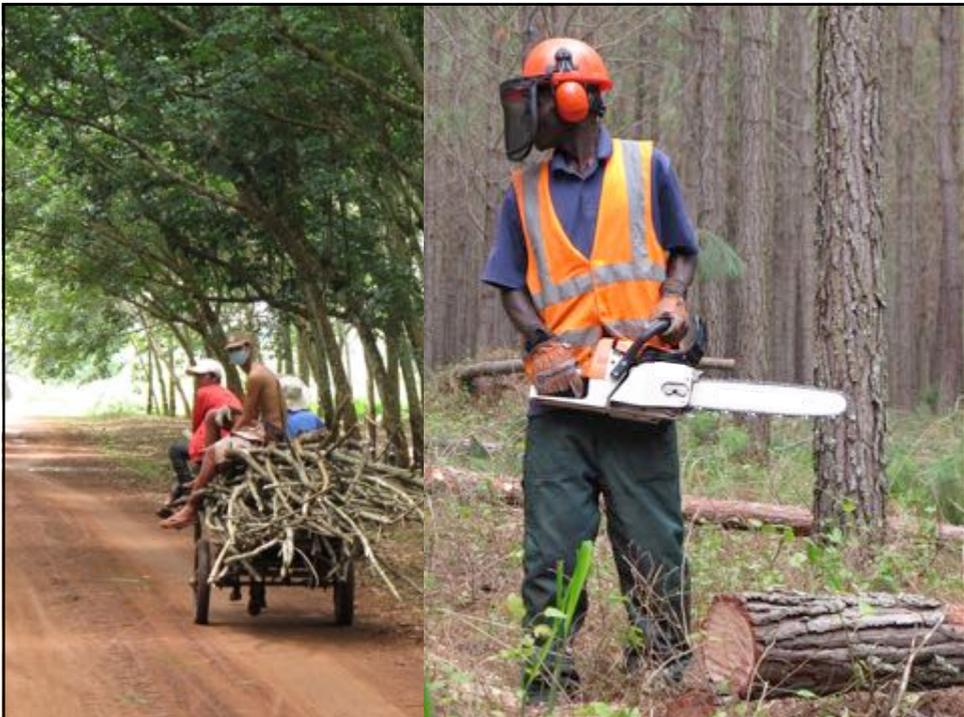


Investments in planted forests

- Growing area, 278 Mha, 6.8% of forests
- 75% industrial timber production by 2050
- Increasing timberland prices (> land and wood prices, > increment, new markets)
- 1-3% of forests improves financial performance of portfolio
- 2016: 80 USD billion in US, Latin America, Asia and Eastern Africa
- Ownership: from forest companies to TIMOs + smallholders

(RMK Timberland Group, 2013; FAO, 2010; Carle and Holmgren, 2008; Peter-Stanley, 2012)







Sustainable Responsible Investment

ethical, impact investing, social responsible, etc.

A generic term covering any type of investment process that **combines investors' financial objectives** with their concerns about **Environmental, Social and Governance (ESG)** issues.

- annual growth > 35% per year in Europe since 2009
- mainly institutional investors (e.g. pension & insurance)
- > 1000 organizations involved in emerging markets
- new investors entering forest sector

(EUROSIF, 2016; FAO, 2012)

The problem

To prove that investments are 'ethical,' 'green' or other, the adoption of **various standards**, guidelines or other directives (**SRI tools**) **has been growing** constantly in recent decades.

Self-defined 'sustainable' investments:

- **No agreed classification** system (e.g. AA,A+)
- Cannot tell investment companies **how their money is promoting positive** environmental and social impacts.

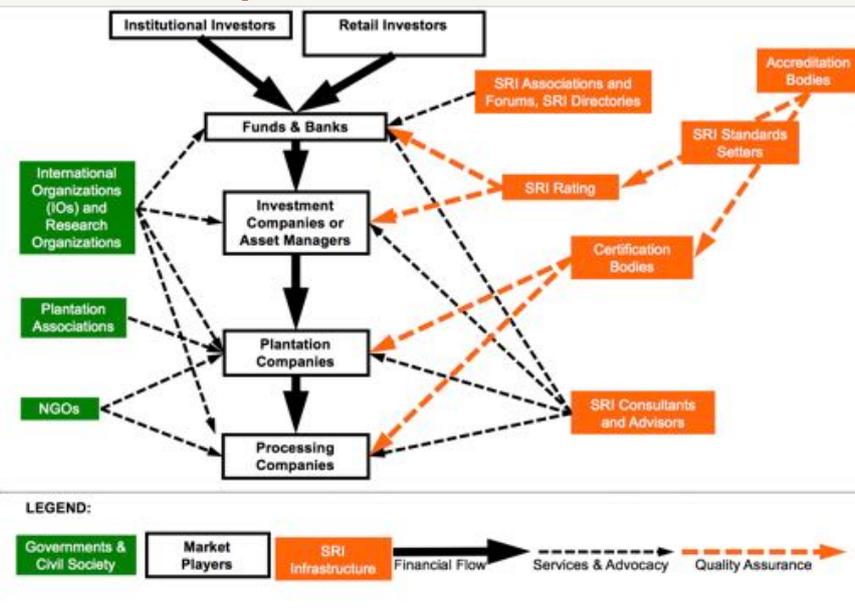
Objectives

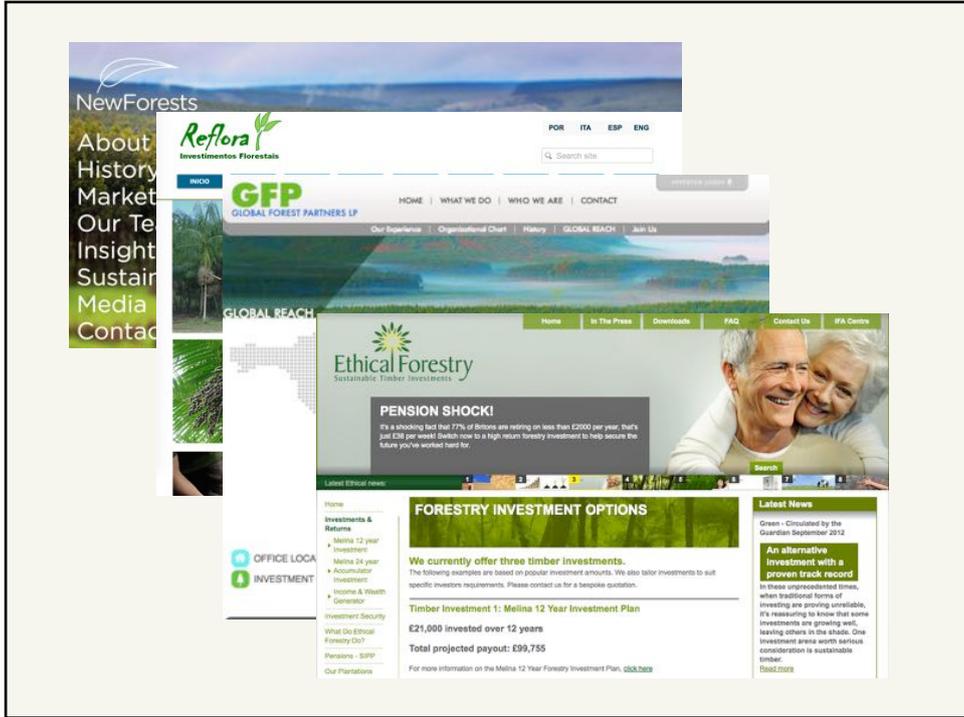
1. **describe existing SRI tools**
2. **evaluate the performance of SRI tools** based on the number of environmental, social and governance (ESG) issues considered and risk indicators included in the investment process

How?

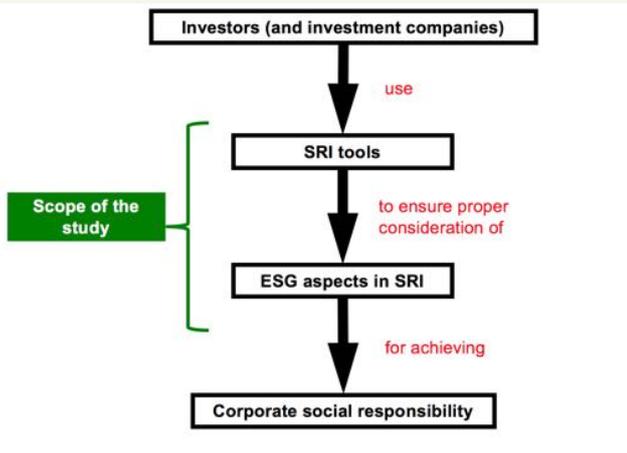


Investment process



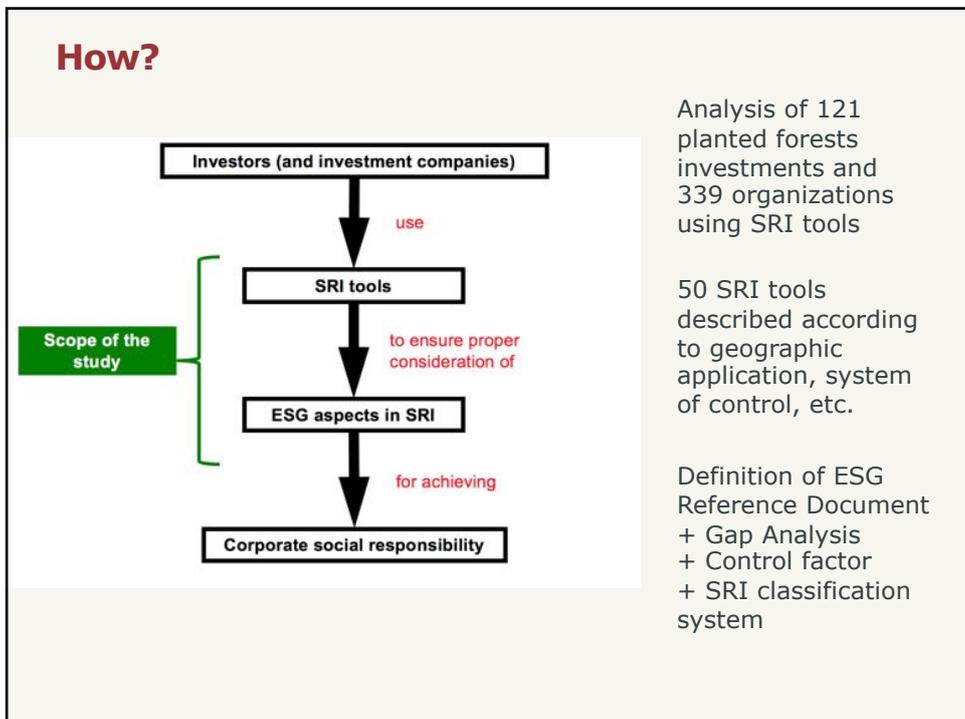
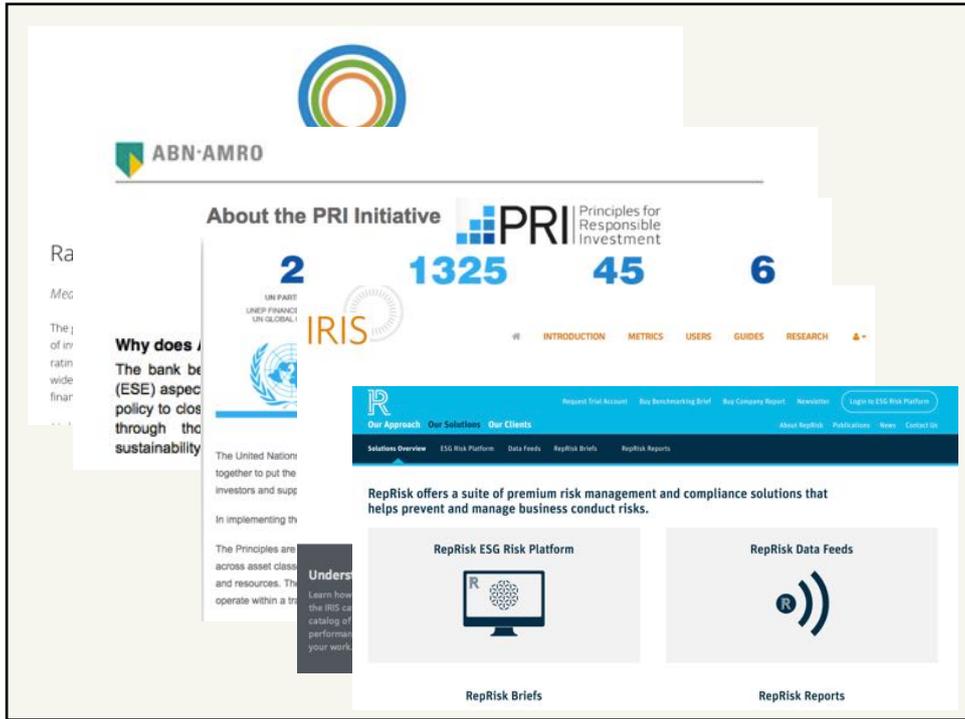


How?



Analysis of 121 planted forests investments and 339 organizations using SRI tools

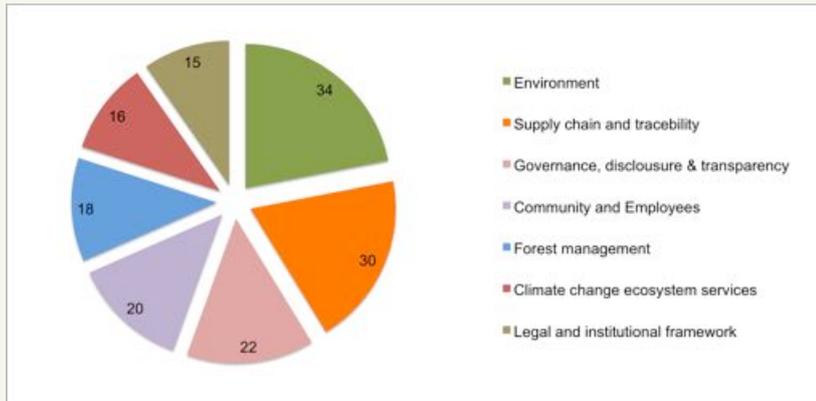
50 SRI tools described according to geographic application, system of control, etc.



How?

A new ESG reference document with:

- 7 sections
- 22 subsections
- 155 issues (down from 266)
- verifiers

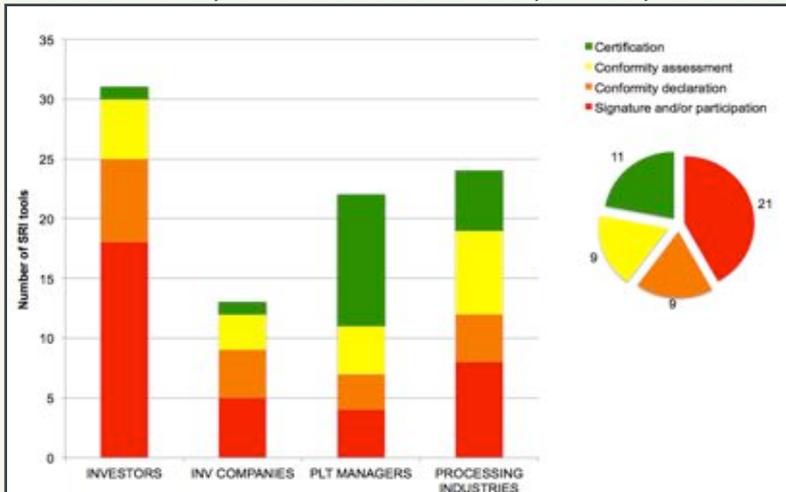


(Holvoet & Muys, 2004; Lammerts Van Bueren & Blom, 1997; Masiero *et al.*, n.d.; Masiero & Secco, 2013; Merger *et al.*, 2011; Merger, 2008; WWF, 2008)

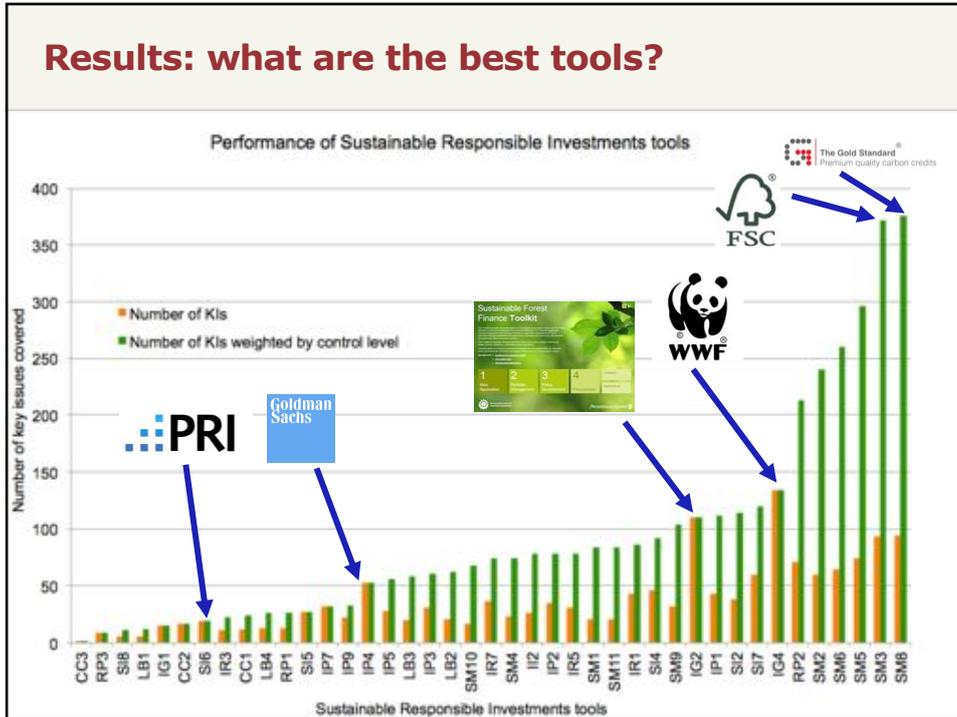
Results: is there a control system?

only 11 instruments use certification (21 signature)
 low assurance of SRI tools used by investors (recent market development)

Number of SRI tools used by class of stakeholder in the investment process and system of control applied



Results: what are the best tools?



Results: what are the best tools?

Type of SRI tool	Name	Issues covered with level of control	Level of control
Bank investment policy	ABN AMRO Forest & Plantation Policy	105	2
	ING ESR Policy	75	1
Code of conduct	CEPI - Legal Logging Code of Conduct for the Paper Industry	24	1
	Pacto Intersectorial por la madera legal	17	1
Investment index	FTSE4Good Index Series	72	3
Investment guideline	WWF Responsible Investment Guide	114	1
	PWC Forest Finance toolkit	98	1
Investment rating	Reprisk	225	3
	Fairforest	138	2
Investment standard	Certified B Corporation	162	3
	IFC Performance Standards	102	2
Legality benchmark	EU FLEGT	53	3
	EU Timber Regulation	49	3
Management standard	The Gold Standard	336	4
	Forest Stewardship Council (FSC)	324	4
Reporting	Global Reporting Initiative (GRI)	186	3
	Carbon Disclosure Project (CDP)	26	2

Take home messages

Which Sustainable Responsible Investment tools are normally used?

1. Investors use more than 50 SRI tools (low level of control)
2. Plantation companies use less instruments but with top level of control
3. New rating systems: FairForest and FAST/GIZ Indicators

Which SRI tools have the best ESG performance?

1. Environment & Legality: key issues in the investment process
2. TOP SRI tools:
 - The Gold Standard - Forest Stewardship Council -WWF Responsible Investment Guide – Reprisk – Fairforest - Certified B Corporation - ABN AMRO Forest & Plantation Policy - FTSE4Good Index Series

Are we speaking the same language?

Need to communicate positive impacts

What about smallholders?

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