

A balancing act: how can sustainably managed forests offer investment opportunities while protecting forestland and safeguarding biodiversity?

While the notions of natural capital and nature-based solutions are spreading amongst the investment community, the initial focus has been on a forest's ability to sequester and store carbon. When it comes to forests as a solution to the biodiversity crisis, very few investors new to forestry investing know what sustainable forest management endeavours to achieve, and why it can indeed be one of the answers to safeguarding biodiversity.

In 2020, the United Nations Food and Agriculture Organisation (FAO) forecast global demand for timber to increase by 37% to 60% between 2020 and 2050, and possibly exceed accessible supply by as soon as 2040.¹ Like generations before us, we can continue utilising wood, a key renewable material to the green transition, by sourcing it from responsibly managed forests. So how can a forest be managed sustainably?

Sustainable forest management is characterised by several key principles and practices that ensure the long-term health and productivity of forests while balancing environmental, social, and economic values for today's and future generations. These characteristics include, but are not limited to:

Mosaic landscape

Sustainable forest management means that you have different ecosystems within an asset. Indeed, depending on geography and asset specificities, up to 30% of a property is made of set aside areas where native trees and bushes of different species grow freely, inter-meeting the productive forest, often composed of one or two main commercial species.² Furthermore, you will have mixed age classes, meaning you will find trees of different ages at all times on a specific estate. Encouraging a mix of tree species and age classes enhances ecosystem resilience against pests, diseases, and natural disasters, helping forests to recover and adapt.

Controlled harvesting

Extensive clear-cutting is simply not allowed under sustainable forest management practices and the size of the areas to be harvested are regulated.

Obligation to reforest

Areas which have been harvested, must be replanted – usually within a few months. It is indeed important to understand that you manage your forest under a continuous forest regime when implementing sustainable forest management practices.

Restricted use of pesticides and fertilisers

Sustainably managed forests limit the use of pesticides and fertilisers, which can harm non-target species and impact soil and water quality. List of pesticides and fertilisers permitted are region dependent.

Stream management and water quality

Well-managed forests act as natural filters, regulating water flow and quality. Sustainable forest management practices minimise soil erosion and protect water bodies. For example, one cannot have operations close to streams; instead, riparian buffer zones are implemented, ensuring a healthier environment for aquatic species.

Habitat protection

Sustainable forestry methods help preserve a variety of plant and animal species by maintaining a balanced and natural forest structure, providing different niches for diverse organisms. For example, where harvesting has been carried out, the foresters leave debris piles and stumps behind to create wildlife habitats. Furthermore, by avoiding extensive clear-cutting and creating conservation areas and riparian buffer zones, sustainable forestry preserves essential habitats for various species, including those with specialised requirements for breeding, nesting, or feeding. Maintaining ecological corridors is also essential for allowing species to move around and improve the overall connectivity of landscapes.

Soil health

Sustainable forestry practices help maintain soil fertility and structure, supporting a diverse range of micro-organisms and invertebrates that are essential for overall ecosystem health, and also minimise soil erosion.

Social responsibility

Ensuring that forests are managed in a way that provides economic benefits, such as the sale of timber and other forest products (medicinal products, fruits, resin, leaves, etc.), provides work and therefore livelihoods for local communities. In addition, sustainable forest management principles ensure the rights of indigenous people and other stakeholders are respected, with an emphasis on equitable distribution of benefits and promoting social well-being. For example, a principle is to acknowledge and protect the cultural and spiritual significance of forests to local communities.

Adaptive management

Regularly assessing the health of forest ecosystems, the success of management practices, and the effectiveness of conservation measures is a key principle of sustainable forest management. Also, sustainable forestry is founded on adjusting management strategies based on new information, climate change effects, and evolving forest conditions to maintain sustainability over time. No status quo.

At IWC, part of BNP Paribas Asset Management, we have adopted a policy that aims to obtain a third-party certification on all assets we have under direct management or under advice as we recognise that saying we do the right thing is not enough. Instead, we believe that getting an external stamp is a stronger procedure to confirm that the way the forests are managed is sustainable. By being audited every year by third-party certification bodies, we ensure that forest management practices are transparent, well-documented, meet environmental and social standards, and that stakeholders are accountable for their actions.

We recognise two certification schemes: the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC, which the Sustainable Forestry Initiative (SFI) in the United States is part of). However, we are well aware that these schemes are not perfect and that IWC as a manager, or an advisor, can implement or recommend further actions to enhance the environment, improve biodiversity, water resources, and soil, avoid negative impacts on ecosystems, and improve asset resilience.

In conclusion, following sustainable forest management principles in line with certification standards allow forest investments to play their role as a source of sustainable timber products, answering the increasing demand for wood products worldwide, while also addressing the global biodiversity loss in terms of fauna and flora, fostering resilient ecosystems, providing livelihoods for local communities, and ensuring the rights of indigenous people and other stakeholders are respected.



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¹ Source: United Nations Food and Agriculture Organisation, 2020.
² Source: International Woodland Company, 2024.

About the International Woodland Company (IWC)

Since 1991, IWC – majority owned by BNP Paribas Asset Management – has been providing forest investment management and advisory services to institutional investors. IWC is today a leading Natural Capital investment expert with deep experience in global timberland, agriculture, and ecosystem restoration investment. IWC is part of the BNP Paribas Asset Management Private Assets investment platform, which has over EUR 41 billion in assets under management and advisory as of September 2024.

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