

Investing in the nature and climate transition:

Creating value beyond traditional sustainable timberland management

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There’s a growing consensus that the inexorable nature and climate transition taking place across the globe will have profound implications for the world economy. From where we sit as a global asset manager, this ongoing, multifaceted transition also implies a vast and rich spectrum of possibilities—many of them still emerging—for discerning asset allocators.

With that in mind, we’ve identified five investment themes that we think encompass the various challenges and opportunities arising from climate change and nature loss. We believe the investable universe associated with these five themes is enormous, cuts across the global capital markets, and offers a long-term runway that all investors should explore.

As the world’s largest timberland investment manager,¹ we’re honoured to celebrate our 40th year of conducting our business in a way that improves our environment, nourishes our communities, empowers our people, and delivers performance for our clients. Drawing on our vast experience over the decades, we firmly believe investment in sustainable forestry has a critical role to play in addressing today’s environmental challenges without sacrificing performance. Beyond traditional financial benefits, investment in sustainable forestry can support global ecosystems, have a positive impact on climate, nature, and communities, and align with evolving investor objectives—bolstering today’s compelling case for investing in timberland.

Value beyond forest products

Timberland investments have traditionally focused on the production of forest products, such as timber, which are essential to a wide range of industries, including construction, paper, and furniture manufacturing. However, as the global focus shifts towards sustainability and environmental stewardship, the value proposition of timberland has expanded far beyond these traditional confines.

Today, timberland’s traditional investment fundamentals are increasingly augmented by the value created through sustainable forest management, which not only ensures the long-term productivity and health of forests but also generates a host of additional benefits that are increasingly recognized and valued in today’s investment landscape.

We believe that good stewardship is good business, and that effective stewardship of both people and the environment is critical for long-term timberland productivity. In addition to the sustainable production of timber for use in forest products, this approach also supports global ecosystems through its positive impact on climate, nature, and people. These environmental and ecosystem benefits, which have long been associated with sustainable timberland investments, are increasingly being assigned tangible value, strengthening returns, adding optionality to timberland management, and bolstering the compelling case for investing in timberland today.

This optionality is not new but is becoming more fully realized given rising recognition of the economic and societal value intrinsic to natural capital. In our view, this doesn’t only offer an opportunity to diversify and strengthen revenue streams and expand capabilities to create individualized timberland portfolios for meeting varied investor objectives. It could also attract a wider and more diverse set of investors and investment

strategies that may broaden demand and enhance performance.

Recognizing the value timberland produces beyond wood products, Manulife Investment Management (Manulife IM) has established a Value-Added Services (“VAS”) team to actively identify investment opportunities from these additional environmental and ecosystem benefits for our clients and stakeholders. Consequently, we’ve expanded our sustainable timberland management practices to explicitly include investments in carbon sequestration, wetland mitigation, and other ecosystem services.

As a result, the VAS team has enabled Manulife IM to unlock additional value for our timberland clients. The following case studies were selected as the VAS projects that are furthest along their respective regulatory pathway and closest to being implemented as part of the timberland operational management plan for each property. These examples showcase the potential positive financial and environmental impact of the projects identified and implemented by our VAS team on the timberland properties we manage for our investors.

CASE STUDY 1 - Carbon optionality in timberland investments

With climate change and nature loss identified as two of the most pressing challenges of our time, innovative investment strategies are needed to address these issues while providing financial returns. Timberland, as an asset class, offers a unique opportunity to align investment with sustainability goals. By prioritizing carbon sequestration, investors can contribute to climate change mitigation, support environmental and community welfare, and generate attractive risk-adjusted returns.

The continuous buildup of greenhouse gas emissions in the atmosphere requires urgent action. Public policy initiatives and corporate commitments are increasingly aimed at emissions reduction, carbon removal, and transitioning to a net-zero emissions future. The challenge lies in finding investment opportunities that not only offer financial returns but also contribute meaningfully to these global sustainability goals.

In response to these challenges, Manulife Investment Management has launched its forest climate strategy, which provides investors with the opportunity to support climate change mitigation by prioritizing carbon sequestration in sustainably managed forests over traditional timber production.

In 2021, Manulife Investment Management acquired the 89,000-acre Blueback timberlands in the U.S. state of Maine as part of its commitment to a net-zero journey. Blueback is a contiguous block of timberland with diverse tree species, including naturally regenerated spruce fir and northern hardwoods.

The management strategy for Blueback prioritizes carbon sequestration, aiming to use the forest primarily as a carbon sink and producing high-quality carbon credits. Manulife Investment Management’s forest climate strategy allows investors flexibility in how the high-integrity carbon credits generated are used: Investors can either sell these credits as offsets or use them internally as insets to meet their net-zero commitments. This optionality provides strategic flexibility when determining how best to meeting individual investment and climate objectives.

Additionally, Blueback is subject to a working forest conservation easement, ensuring long-term ecological and recreational value. The forest offers unique opportunities for the wider community to enjoy its scenic lakes, rivers, and ecological features. Portions of the land are managed to balance carbon sequestration with sustainable timber production. By prioritizing carbon sequestration along with other sustainable timberland management practices, Manulife Investment Management’s forest climate strategy not only contributes to global climate goals but also enhances biodiversity, supports local communities, and delivers financial returns. This model serves as a blueprint for aligning investment strategies with broader environmental and social objectives,

demonstrating the multifaceted benefits of carbon-focused sustainable timberland management.

IMPACT OF THE PROJECT

Potential to issue over 1.3 million carbon credits over 20 years. Carbon sequestration equivalent to²:

275,000 passenger vehicles driven for one year

132 million gallons of gasoline consumed

CASE STUDY 2 - Conserving sensitive lands for future generations

The need to protect sensitive lands with critical habitats for threatened or endangered species, as well as areas with significant scenic, cultural, historical, or recreational value, has never been more pressing. Preserving these areas is crucial for maintaining biodiversity, cultural heritage, and natural beauty.

However, achieving effective conservation requires strategic collaboration with public agencies and environmental groups, as well as navigating complex land ownership and management dynamics.

Our sensitive lands program actively seeks out partnerships with public agencies and environmental organizations to identify and protect lands that hold significant ecological and cultural importance. This collaborative approach ensures that conservation efforts are comprehensive, sustainable, and beneficial to both the environment and local communities.

For 37 years, our sensitive lands program has been at the forefront of conservation efforts, successfully conserving over 490,000 acres of land best suited for preservation. This case study highlights our commitment to conservation through collaborative partnerships, focusing on the Minam River Valley project in Oregon.

Key actions
1 Partnership building — Over the years, we’ve cultivated strong partnerships with various stakeholders, including public agencies and environmental groups, to facilitate the conservation of over 490,000 acres of sensitive land.
2 Strategic land transactions — In the Minam

River Valley, we executed two significant land sales to transfer ownership into public conservation. In 2021, we sold 4,600 acres, followed by an additional 10,900 acres in 2023, marking the completion of the Minam Forest sale (Minam II).

In the Minam River Valley, our focus was on conserving a unique block of timberland with exceptional ecological and scenic value. Through sustained relationship-building with the Rocky Mountain Elk Foundation and the Oregon Department of Fish and Wildlife, we facilitated the sale of 15,500 acres into public conservation ownership. These transactions resulted in the establishment of the Minam River Wildlife Area.

The successful transfer of 16,670 acres to the Oregon Department of Fish and Wildlife ensures permanent conservation of this unique landscape, which now forms the fifth largest wildlife area in Oregon. The Minam River Wildlife Area includes a wild and scenic designated river, another beautiful but non-designated river, and a public wilderness area with snow-capped peaks. This conservation effort not only preserves critical habitats and ecological integrity but also enhances public access and enjoyment of these natural resources.

The Minam River Valley project exemplifies the power of collaboration for achieving conservation goals. By working closely with public agencies and environmental groups, we’ve secured the long-term protection and public ownership of this unique and ecologically significant area. Our sensitive lands program continues to demonstrate the importance of strategic partnerships and our long-term commitment for conserving lands that are vital to biodiversity, cultural heritage, and public enjoyment. This case serves as a model for future conservation efforts, highlighting the benefits of collaborative, strategic, and values-driven land management.

IMPACT OF THE PROJECT

19 sensitive land sales over the past 5 years, including Minam

29,400 acres sold

To learn more about investing in the nature and climate transition, visit:
manulifeim.com/institutional/global/en/nature-and-climate-transition

Five themes for investing in the nature and climate transition



Source: Manulife Investment Management, 2024. For illustrative purposes only.

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¹IPE research as of 1/24/25. Ranking is based on total Natural Capital AUM, which includes forestry/timberland and agriculture/farmland AUM. Firms were asked to provide AUM and the as of dates vary from 12/31/23 to 12/31/24.
²Emissions data from EPA as of April 9, 2025.