

# Forestry – the sustainability inflection point



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*“A sustainable environment is the basis of our prosperity and essential to the health and wellbeing of society. Trees and woods provide many of our essential requirements - clean air, water, soil, food, fuel and building materials. They also offer huge benefits for wildlife, as new woods and trees will help to improve the biodiversity and habitat connectivity of the landscape.”*  
Woodland Trust - Sustainable land management policy paper, 2018

The importance of forests to our planet should not be underestimated.

As investors and sustainable land managers, our core responsibility is to manage forests to meet our clients’ objectives, whilst also managing the social and environmental impact and dependencies of the assets.

Forestry is inherently a long-term asset class and therefore the consideration of long-term sustainability risks and opportunities are a crucial aspect of our management approach. We believe that managing forests sustainably can help mitigate risks (such as climate change and biodiversity loss) and maximise the growth and health of these assets for the ultimate benefit of our investors and the wider community.

At Gresham House, our investments are very long term and through our management approach we proactively set out to improve the value and lifespan of assets through sustainable forestry management. We follow international standards (FSC, PEFC or equivalent) and focus on delivering a positive and measurable environmental and social impact.

Indeed, we are not just focused on these standards. We created a ‘Forest Charter’ in 2022 which sets out our commitments and targets in relation to sustainable forest management. In addition, we have set our own key performance indicators against which our performance in managing these factors are measured.

All commitments are at least aligned with forest certification standards and the Charter includes commitments and targets covering:

- Forest Products & Services
- Climate Change
- Biodiversity & Woodland Ecology
- Forest Protection
- Income & Employment
- Communities & People
- Forest Certification & Standards

While we continue to focus on the management and delivery of long-term sustainable timber production for a wide array of uses, ultimately, we expect that sustainable timber production will be key in the replacement of highly carbon intensive unnatural alternatives.

As analysed in our Global Timber Outlook, a sustainable supply of timber is key to enabling the world to transition to a lower carbon, sustainable model through the continued replacement of concrete and steel as building materials.

There is recognition that forest management can and should be even more sustainable and environmentally sympathetic and that forests and tree planting can make a significant contribution to global net zero carbon targets.

This means that forest management will continue to change. We are targeting significant new planting and woodland creation and aim to do this in a biodiverse, sustainable manner. We have also committed significant amount of resource to reviewing our current forest assets, measuring the natural capital contained therein, and looking



at ways we can enhance biodiversity and sustainability measures.

We believe this will not only benefit the environment and the long-term viability of the assets themselves, but it will also increase the long-term attractiveness and value of the assets to a wider array of investors.

Over the past 40 years, our team’s primary focus has been on UK forestry. Since 2018, the team has developed significant international expertise including acquiring and managing two large portfolios in Ireland and Australia (combined value >£490mn) on behalf of AXA IM Alts, and a number of other properties in Ireland on behalf of a large UK endowment as well as a carbon credit portfolio in New Zealand.

International timberland in Europe and Australasia and forest carbon opportunities in Europe, Australasia and the USA are key priorities for us in the future.

Our focus is on attractive risk adjusted returns, investing in low-risk geographies with good growing conditions, resilience to climate change, strong legal systems, and domestic markets and/or export potential. Within these our portfolios are developed to include a range of different forests from young, mid-rotation and mature forests, with the long-term goal of offering a perpetual yield from sustainable timber harvesting and replanting, and the creation of carbon credits where applicable.

The size, experience and relationship network that the Gresham House team has built over the past 40 years allow us to source forestry assets both on and off-

market. We estimate that c.50% of our transactions are made off-market.

We are also the market leader in sourcing sites for productive woodland creation. In recent years there has been an increased focus on environmental aspects and the team has developed strong expertise to assess and manage this.

## Case studies

### Australia

We originated and now manage an investment in a large-scale high-quality Australian softwood plantation that is a major supplier of high-quality structural timber for the Australian housing industry. The transaction involved 24,800 hectares of freehold forestry land located in Victoria and South Australia, in an area widely recognised as Australia’s premier forestry region.

### New Zealand

We originated an investment in a large forest portfolio specifically managed for the permanent generation of a very significant volume of carbon credits for the New Zealand Emissions Trading Scheme (NZ ETS). In this investment, managed on behalf of a local government pension scheme, the long-term offtake agreements provide a substantial, secure cash flow from the sale of carbon credits.



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