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INTERVIEW

Investors flock to sustainable assets

States and institutional investors are massively increasing their investments in climate and other ESG-related areas. In that context, sustainable forestry is one of the most obvious and readily available investment opportunities.

- Interview with IWC's ESG Manager, Silvia Koleva-Pancheva, and Director of Timberland Manager Advisory, Lars Holm Simonsen.

In September 2019, at New York Climate Summit, banks with more than USD 47 trillion in assets committed to shift their capital as part of the transition to a low-carbon economy within the UN-backed initiative "New Climate Principles", and many other market players are now following suit. Similarly, among IWC's clients, interest in the green economy is growing at a fast pace.

"In a resource-constrained world with rapid population growth and obvious changes to our climate, the old norm of continually increasing economic growth is simply unsustainable if we stick to the principles of 'business as usual'. This explains why perceptions and actions are gradually shifting. **A growing number of investors are not only integrating ESG considerations into their transactions, but are also committing more and more capital to sustainable, green assets**", Silvia Koleva-Pancheva notes.

Great value at risk as a result of climate change

Several international treaties and initiatives such as the Paris Agreement, the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), and the EU Regulatory Framework on Sustainable Finance are contributing to the **acceleration of ESG-related investments**. Not least because such are providing new trillion-dollar market opportunities.

"But investors are mainly acting to minimize risks and preserve investments value. For instance, it is estimated that the value at risk to the global stock of manageable assets as a result of climate change - e.g. physical impact, climate policy, and new technologies - ranges from **USD 4.2 trillion to USD 43 trillion between 2015-2100¹**, and that "much of the impact on future assets will come through weaker growth and lower asset returns across the board", Silvia Koleva-Pancheva adds.

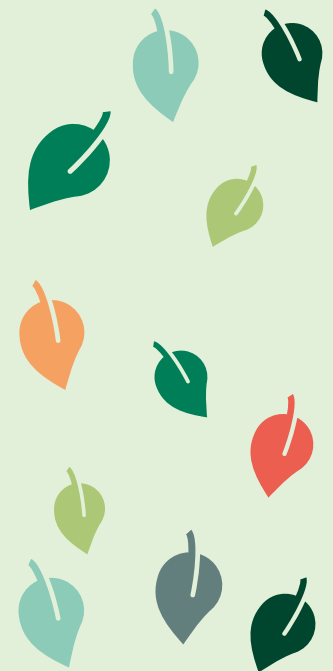
Growing interest in timberland

And where does that leave timberland investments? Investors are balancing the risks and returns of their investment portfolios, and for many institutional investors timberland would usually comprise between one to five percent of their portfolio, not least because of a much smaller investable universe



2 bln ha

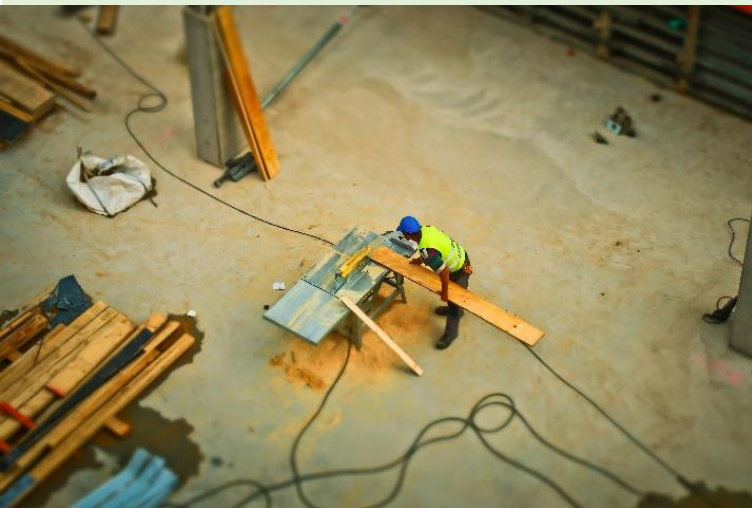
Today, nearly two billion hectares – an area larger than South America – of the world's deforested and degraded forestlands contain opportunities for restoration.



¹Task Force on Climate-related Financial Disclosures.

than that of traditional asset classes and the patient, long-term approach required by investments in this asset class. Nevertheless, interest in sustainable forestry as an asset is growing, Lars Holm Simonsen explains.

“Sustainable forestry is one of the most palpable and readily available climate-aligned investment opportunities, and at the same time global demand for timber is growing. Timberland is thus important and will become even more so, as investors try to gear their portfolios towards greener investments in low-carbon, climate-aligned investment opportunities in the near and long term”, Lars Holm Simonsen finishes.



As ESG Manager, Silvia leads the ESG monitoring of IWC's timberland investments, including setting performance indicators and reporting of such. Silvia also contributes to the continual development and implementation of IWC's ESG management system and sustainability policies and is responsible for the due diligence and oversight of mitigation banking investments. Finally, she assists with client requests, client reporting, and cross-organizational projects.

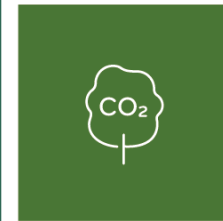


As Director of IWC's Timberland Manager Advisory team, Lars handles forestry related aspects of IWC's clients' investments, including the yearly evaluation of appraisals, while conducting forest property visits and assisting in investment due diligence. Lars is also responsible for the enhanced utilization of property data in order to support the assessment of both present and future investments.

ESG Performance of our clients' portfolios (year end 2018)



Over a million of sustainably managed forest hectares globally (of which, 35,000 ha are permanently conserved). Thus helping the prevention of global deforestation, land degradation, and biodiversity loss (SDG 15.1-5, 15.A).



Around 212 million tCO₂e stored in forest vegetation (of which, 1.5 mtCO₂e are under permanent protection) and 10 million tCO₂e sequestered in 2018. An amount that could mitigate the annual emissions of about 1.6 million EU citizens. Thus aiding the fight against climate change (SDG 13).



Around 6 million m³ of sustainable timber production in 2018 (82% of which is certified), primarily used for construction material and interior design. Thus contributing to the sustainable management and efficient use of natural resources (12.2), reduction of materials footprint (12.2.1), and storing carbon permanently.



For more information on IWC's ESG approach and its results, including the 2018 ESG performance of our clients' portfolio, please refer to [IWC's 2018 ESG Report](#).

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