Forest Investor Club
2023 Annual Report

World Business Council *for Sustainable Development*

Contents

Executive
Summary

Executive Summary

The U.S. Department of State formed the Forest Investor Club (FIC), a network of leading public and private financial institutions, companies and other investors in forests and nature, in November 2021 as part of its broader USD $9 billion commitment to conserve and restore forests and other natural ecosystems.[1]

Recognizing the immense value that natural capital provides in supporting the health and livelihoods of communities and economies around the world and the potential for nature-based solutions (NbS) to address global systemic risks linked to climate change, biodiversity loss and land degradation, **FIC and its members are committed to accelerating the deployment of capital into the protection, restoration and sustainable management of forests and nature.**

FIC aims to address traditional barriers to scaling NbS investments in emerging and frontier markets in particular. To do so, it is facilitating new partnerships and collaboration among its members and with other partners, such as catalytic capital providers and companies. FIC also identifies new potential investable opportunities, promotes pre-competitive knowledge sharing and solutions and showcases and amplifies innovative investment strategies, partnerships and best practices.

The U.S. Department of State selected the World Business Council for Sustainable Development (WBCSD) to lead the FIC Secretariat in late 2022. **As the Secretariat, WBCSD convenes and supports FIC members by fostering pre-competitive collaboration, developing solutions to overcome investment barriers, facilitating novel partnerships and identifying pipelines for new investments.** In 2023, we developed and adopted a strategy and action program informed by evaluating current barriers to scaling NbS investments, consulting with members and conducting a landscape assessment of multi-stakeholder initiatives with similar objectives. This has culminated in a Theory of Change (see Figure 1) targeting those barriers we are in a position to address and that would be complementary to other initiatives.

Through this work, **we identified a number of barriers hindering greater investment in NbS. These are related to market readiness, investor capacity, pipeline development, commercial considerations, clear and consistent standards, methodologies, data and metrics and the broader enabling environment.** While we cannot address all of these barriers, we aim to facilitate new partnerships and collaboration to improve risk-return profiles and other commercial considerations of NbS investments, identify new potential investable opportunities, build capacity and understanding on best practices for investment in nature markets and foster knowledge sharing by showcasing innovative investment strategies.

In assessing the landscape of initiatives with similar objectives to support greater NbS investment, we identified that **17 of 64 initiatives analyzed share four key characteristics – a focus on solutions to traditional investment barriers, new partnership facilitation, the development of a pipeline of investment opportunities and being multi-stakeholder in nature.** While these four key characteristics also define FIC, further analysis demonstrated that each of these initiatives and FIC differ in terms of the degree of emphasis placed on each of the characteristics, the types of members and stakeholders represented, the approach to partnerships and their geographic and sectoral focus within the range of NbS.

Most importantly, the analysis revealed that the landscape is ripe for collaboration. Among the initiatives we identified, there are complementary strengths, resources and networks to leverage and **an "all hands" approach will be necessary to meet ambitious goals for scaling NbS investments to address global challenges.**

While we have formalized our strategy, governance and approach, our members are already developing and executing innovative investment strategies to drive capital into high-impact forestry and other NbS projects. **In this inaugural FIC Annual Report, we are pleased to share seven case studies featuring FIC members – the Apple Restore Fund, BTG Pactual Timberland Investment Group (TIG) Latin America Reforestation Strategy, Conservation International (CI) Ventures, the Lombard Odier Investment Managers (LOIM) New Food Systems Strategy, the Mirova Land Degradation Neutrality (LDN) Fund, the New Forests African Forestry Impact Platform (AFIP) and the &Green Fund advised by SAIL Ventures.** These case studies demonstrate novel approaches, innovative partnerships and best practices that can help inform how NbS investment strategies can scale in size, pace and global reach.

Figure 1: Forest Investor Club Theory of Change

Introduction

01.

01. Introduction

Forests and other ecosystems provide immense value to the global economy, as an estimated 55% of the world's GDP depends moderately or highly on nature and ecosystem services broadly,[2] while nearly a quarter of people around the world rely on forests for their subsistence needs, livelihoods, employment and income.[3] As of 2021, estimates put the annual value of traded goods and services generated by nature markets at USD $9.8 trillion per year,[4] which likely represents a small fraction of their full value.[5]

Beyond the direct role that natural capital plays in supporting life and local and global economies, nature-based solutions (NbS) offer readily available pathways to address long-term systemic challenges related to climate, nature and equity that pose material human and economic risks. Global temperatures continue to rise – the Intergovernmental Panel on Climate Change (IPCC) estimates that the average global surface temperature has already increased by 1.1°C from pre-industrial levels.[8] July 2023 was the hottest month on record.[9] Wildlife populations globally decreased by 69% from 1970-2018 and may experience even more loss under a warming climate,[10] while a third of the world's forests have already been lost.[11]

NbS have the potential to help address many of these challenges. For example, it's estimated that NbS could provide 37% of the cost-effective climate change mitigation efforts needed by 2030 to meet Paris Agreement goals and stabilize warming below 2°C.[12] Existing forests are home to roughly 80% of the world's terrestrial biodiversity.[13] By protecting, restoring and sustainably managing these and other ecosystems, NbS can help mitigate global biodiversity loss.

At the same time, investments in forests and other NbS also represent a substantial market opportunity. All told investments in nature could generate over USD $3.6 trillion in annual business opportunities and 191 million jobs by 2030.[14] Data show the forestry and logging market will grow by 6.3% annually to reach USD $438.5 billion by 2026.[15] And projections indicate demand for primary processed wood products will increase by 37% between 2020 and 2050.[16] NbS have the potential to fill this demand through more sustainable and regenerative practices. In addition to more traditional forestry and agriculture markets, market opportunities for environmental services provided by NbS continue to mature and emerge. Some projections of the carbon credit market (both compliance and voluntary) estimate potential growth of 31% annually to reach USD $4.4 trillion in 2031.[17] Nascent approaches to valuing and monetizing biodiversity are also beginning to evolve.

As recognition of the long-term value of natural capital from an economic, environmental and societal perspective has grown and as opportunities in carbon and other environmental markets from NbS continue to mature, annual financial flows into nature from public and – in particular – private sources have increased in recent years. Total global investment in the world's terrestrial and marine ecosystems amounted to an estimated USD $154 billion in 2022, representing 2.6% growth from 2021. Most of that growth came from the private sector – while private sector investment represented 17% of total nature investment in 2022, it experienced 9.9% growth from 2021,[18] much of it driven by the growing carbon market.

What is natural capital?

The stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people.[6]

What are nature-based solutions (NbS)?

Actions to protect, sustainably manage and restore natural or modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.[7]

Despite these promising trends, there is still a significant financing gap. It's estimated that to realize the full potential of nature to limit climate change to below 1.5°C warming, halt biodiversity loss and achieve land degradation neutrality in necessary timeframes, total global investment into NbS would need to more than double by 2025 – to USD $384 billion per year – and rise to USD $484 billion per year by 2030.[19] All in all, there is an estimated USD $11 trillion total financing need between 2022 and 2050 for NbS to meet ambitious climate change, biodiversity and land degradation targets.[20]

Seeing the need for such a transformational change, the U.S. Department of State announced the formation of the Forest Investor Club (FIC) in November 2021 at the World Leaders Summit Forest Day during the United Nations Climate Change Conference (COP26) in Glasgow.[21] This was part of its broader USD $9 billion commitment to conserve and restore forests and other natural ecosystems.[22] FIC is a network of leading public and private financial institutions, companies and other investors committed to accelerating the deployment of capital into the protection, restoration and sustainable management of forests and nature.

The State Department selected the World Business Council for Sustainable Development (WBCSD) to lead the FIC Secretariat in late 2022. WBCSD is a CEO-led community of over 200 of the world's leading sustainable businesses working collectively to accelerate the system transformations needed for a net-zero, nature positive and more equitable future. As the Secretariat, WBCSD convenes and supports FIC members by fostering pre-competitive collaboration, developing solutions to overcome investment barriers, facilitating novel partnerships and identifying pipelines for new investments. FIC focuses its efforts specifically on scaling up investments in NbS in emerging and frontier markets. These markets are often home to some of the greatest sources of natural capital, yet face underinvestment and greater barriers to attracting additional private capital.

In this first Annual Report for FIC, we assess barriers to scaling investment in forests and nature, introduce the Forest Investor Club and its Theory of Change to address some of these barriers, describe how it fits within the broader landscape of initiatives also working on solutions and share its progress to date and case studies that showcase examples of innovative investment strategies members are already undertaking.

Barriers hindering *investment in nature-based solutions*

02.

02. Barriers hindering *investment in nature-based solutions*

Despite the clear urgency and growing market and impact opportunity, investment in forests and nature, particularly in emerging and frontier markets, remains relatively nascent. A variety of barriers hinder the mobilization of more investors and capital into these markets – related to the market, investor capacity, pipeline development and access to finance and standards, methodologies, data and metrics. We identified the barriers in the report by reviewing recent research and conducting interviews with FIC members on their current challenges.

While we cannot address all these barriers, it is useful to understand the full context impacting greater investment globally in the protection, restoration and sustainable management of forests and nature to help achieve climate, nature and equity goals.

Markets

Fragmented ownership

A critical barrier to investment in NbS, particularly in the forestry sector in emerging and frontier markets, is the fragmented ownership and small size of properties. Private forests, specifically those that are small-scale and often characterized by insecure land tenure, offer a prime example. While much of the opportunity for new NbS investments occurs in private forests (vs. state-owned forests), the fragmentation of small-scale forests tends to lead to inefficient management (higher harvesting and transaction costs), a lack of incentives to invest in sustainable forestry and difficulties to adequately manage and monitor ecosystem services such as water, carbon, soil health, wildlife and recreational opportunities. As a result, many investors (asset owners, asset managers and businesses) seek opportunities in large-scale forests that can generate higher risk-adjusted returns and greater net-emissions reductions and sustainability gains in their supply chains. But these larger-scale and aggregated parcels are not as prevalent and may be harder to find or access.[23]

In addition, local stakeholders who can play a critical role in the successful management of NbS projects often do not hold the legal rights and governance mechanisms to effectively participate. For instance, Indigenous and local communities occupy approximately 50% of the world's forests but have legal rights to about 10% of these lands.[24] Their lack of secure land tenure and participation in decision making inhibits the efficiency of transactions for investments on customarily-held land. We support the need for local and Indigenous communities to hold the rights to their land to ensure NbS investments are efficient and equitable.

Underdeveloped nature markets

While some markets that NbS can operate in, such as for carbon credits or agricultural and forestry commodities, are already maturing or mature, other markets that could potentially provide sources of revenues for and incentivize greater investment in NbS are still underdeveloped. One prime example is that of biodiversity credits. The increased visibility in recent years of the importance of biodiversity in national policy, international cooperation and corporate sustainability has led to a surge in activity on biodiversity credits, including the development of different definitions and taxonomies, measurement and certification schemes, trading pilots, national policy and regulatory developments, as well as early attempts to link credits to other financing instruments and initiatives.[25]

Despite this surge of interest and activity, there is currently a lack of consolidated standards and approaches for biodiversity. There exists a wide range in methodologies, market approaches, definitions and categories of biodiversity credits, from biodiversity-linked carbon credits to philanthropic, insetting and beyond-value-chain biodiversity claims, to national mandatory offset schemes. Further, while there has been rapid growth in measurement tools, particularly driven by technology solutions such as those based on environmental DNA, bioacoustics, camera traps and remote satellite technology, the biodiversity market lacks a commonly agreed upon unit of measurement.[26]

Demand for biodiversity credits is also still fairly tentative at this stage. Estimates shows that government-regulated biodiversity offset schemes (which includes wetland and stream mitigation banking) were mobilizing USD $6-9 billion globally as of 2020.[27] But voluntary funding committed to biodiversity credit schemes has amounted to as little as USD $8 million as of May 2023.[28] While biodiversity is moving up corporate agendas,[29] only 29.5% of companies in the S&P Europe 350 index, 12.8% in the S&P Asia Pacific LargeMidCap and 7.2% in the S&P 500 had set biodiversity targets as of November 2022.[30] Other challenges for biodiversity credits include the need for more robust governance, concerns of quantity and quality of supply and equitable share of compensation for local and Indigenous communities.

Together, these challenges underpin the current immaturity of the market for biodiversity credits and the significant barriers toward investment in NbS strategies centered on them. While this is not surprising given the market's early stage, it exemplifies the fact that more nascent nature markets will require significant maturation before they can invite investment at scale. Recognizing this, efforts are underway to help address some of the challenges described for biodiversity credits.[31]

Capacity

Limited experience with nature-based solutions

Many investors recognize the need for greater support for nature. For example, one study has found that 94% of asset owners and managers surveyed were somewhat (10%) or very (84%) concerned about biodiversity loss in general. And 86% were somewhat (46%) or very (40%) concerned specifically about the impact of biodiversity loss on financial markets. More than half believed that biodiversity will be one of the most important topics in the investment community by 2030.[32]

While the concern and understanding are there, many investors also often cite a lack of knowledge, data and institutional experience to properly conduct due diligence on and pursue more nature-positive investment strategies.[33,34] Some investors and businesses have limited experience in assessing nature- and climate-related risks. Many also lack dedicated investment teams, products and instruments for nature, as well as data to evaluate and monitor nature-based investments and experience navigating uncertain policy frameworks and potential reputational risks. The limited experience of some investors and businesses in the operationalization of nature markets, due to a lack of standard investment structures and the need for more robust valuation methods, often leads to the perception of high risk and potentially low returns.

At the same time, many project developers – particularly for more innovative project types in less established nature-based markets, or for more established types of projects but in geographies with a limited track record and market infrastructure – may not have the expertise or technical capabilities to effectively communicate their business models to investors, demonstrate bankability and identify and address risks. Future efforts should aim to help strengthen the relationship between investors and project developers. They should also aim to provide training and capacity for investors to fully capitalize on nature-based opportunities, identify and select projects and manage risks and dependencies, and for project developers to improve the bankability of and better communicate their business models.

Commercial considerations

Small deals and high transaction costs

According to recent research, access to large-scale investments (of more than USD $50 million) in NbS continues to be the main challenge to attract asset owners, managers and intermediaries, including banks.[35] A survey of global financing vehicles focused on nature specifically (excluding those primarily driven by carbon or other strategies) revealed that the majority of ticket sizes were relatively small, requiring USD $10 million or less, with many between USD $100,000 and USD $5 million. This type of deal is too small for institutional investors, who require larger ticket sizes, and even for most asset managers. Notably, however, 46% of the nature financing vehicles reviewed that disclosed either their total fund size or total mobilized capital did not provide additional detail on the ticket sizes of their respective investments. Many also did not include information on average ticket sizes or insights into geographical/sectoral distribution, revealing the need for greater transparency and disclosure to successfully understand and address needs in developing the sector.[36]

In addition, the transaction costs associated with NbS projects are quite high, given the lack of standardization in the preparation, execution and documentation of projects and small ticket sizes associated with many NbS opportunities. Data availability challenges and novel business models or markets can also increase costs for investors to conduct due diligence, while project developers may require significant resources to enable investment readiness. These high transaction costs often result in potentially lower returns for investors, particularly for smaller-scale NbS projects.

Long production/rotation cycles

While some NbS investments can generate attractive and faster returns (such as cocoa-agroforestry), many others face long production cycles and may take 5 to 20 years for the quality and quantity of the underlying natural capital assets to improve significantly and start generating positive cash flows. Because of this, it is difficult for more traditional structures, like a 10-year private equity fund for example, to be well-suited for NbS. Raising debt finance can be even more challenging, with payback periods often far too short for the needs of an NbS project. Available interest rates and local currency risks can compound such challenges. Therefore, patient capital may be required for projects or investments with long break even times.

Low revenues

Commercial NbS projects in emerging and frontier markets tend to generate revenues from commodities (such as food, timber, etc.) alone or both commodities and ecosystem services (for example, carbon). Regardless of their revenue source, some NbS projects, particularly those that are smaller in scale or have more nascent business models, may find it hard to generate cash flows that can compete with other sectors and asset classes. When compared to their investment needs (which may be high, especially for restoration and reforestation projects), this can result in low projected returns. Further, future cash flows from forestry or agricultural commodities may be subject to commodity risk, while cash flows for carbon and especially for less mature ecosystem services-based credits like biodiversity may be speculative if there is no offtaker in place before the project starts.

Risk-return profile

Another key barrier often cited by investors is the lack of transparent and available data and local understanding to accurately assess the risk-return profile of an investment in NbS, particularly in frontier and emerging markets. Many investors interested in deploying capital in NbS in these markets consider the sector too risky. This is due to political risk and often-weak policy and regulatory frameworks, unsecure land tenure, currency risks and reputational risks. Insufficient availability of large-scale NbS projects, lack of data to assess financial performance and environmental and social impact, high upfront costs, the need for long-term commitments from project developers and communities, potentially uncertain exit opportunities and difficulties monetizing other ecosystem services beyond carbon (like water, biodiversity, etc.) may heighten risk (real or perceived) in these markets.

Concerns of durability of ecosystem services over long timeframes, given potential disruptions from climate and other natural disasters, habitat or biodiversity loss, pests and disease and local management and monitoring capacity, may compound this further. Finally, frontier or more volatile markets may experience more significant challenges with regard to raising capital, project finance costs and a lack of liquid markets that can impede exit opportunities for NbS investments, given the lack of specialized investors, limited number of transactions taking place and pricing opacity.[37]

Taken together and when measured against potential commercial terms and returns for many NbS investments as described in this and other sections, these risks can erode confidence in the risk-return profile of NbS investments, leaving many projects unfinanced because they do not meet hurdle rates or contain too much real or perceived risk.

Scarce catalytic capital

Public finance alone will be insufficient to address the financing gap for NbS. While private investment in nature has grown more rapidly than public investments in recent years, driven significantly by the growth of the carbon market in particular, it will be necessary to rapidly scale mobilization of private sector capital if we are to realize the full potential of NbS to address systemic challenges related to climate, nature and equity. Catalytic capital is a lever in helping private investors to overcome barriers and deploy greater capital by covering high-upfront costs, building an investment pipeline, de-risking investments and crowding in additional sources of capital. However, existing sources of catalytic capital from governments and development agencies, multilateral development banks (MDBs), development finance institutions (DFIs) and philanthropy may be too scarce at the moment to meet the full latent demand from private investors and project developers. Some catalytic capital providers may also require lengthy and bureaucratic administrative processes, requirements and guardrails that can deter some private investors.

Standards, methodologies, data and metrics

Standardized investment structures

NbS still represent a new asset class that lacks the standardized deal structures and contract templates that other well-established asset classes (such as infrastructure and energy) already have. However, it is rarely possible to extrapolate the financial instruments and business models used in these other asset classes for use in NbS investments, as they do not target the specific needs (longer terms, grace periods, etc.) of most NbS projects on the ground. NbS often require more novel deal structures – given the fragmented opportunities, smaller ticket sizes and partnerships required with project developers, communities, local governments, etc., which can increase transaction costs. In some cases, they may also benefit from risk-sharing mechanisms and patient capital. The lack of standardized deal structures and agreements may be particularly prominent in more nascent nature markets (biodiversity credits, for example) or in frontier or emerging market economies where even more conventional NbS sectors (such as sustainable forestry or agriculture) may lack the requisite market infrastructure and track record.

Complex natural capital valuation methods

While the last decade has seen a significant increase in the development of valuation methods to assess the direct and indirect impacts and dependencies of corporate operations and nature-related investments, such as the *Natural Capital Protocol*, these standardized methodologies have yet to achieve scale in an easy and cost-effective manner. The use of these types of methodologies is critical to helping investors and businesses better understand the economic value of the ecosystem services that nature produces and the risks and investment opportunities that the relationships between their business and nature generate. However, raising awareness of the importance of applying these methodologies, improving the methods available, collecting accurate and robust data, ensuring data comparability across ecosystems given their enormous heterogeneity and publicly disclosing this data still represent challenges to scale natural capital assessments. While some pioneering businesses have already undertaken natural capital assessments across their supply chains, mainstreaming the use of such methodologies across corporate supply chains and asset owner and manager investments in NbS will require much more work.

Benchmarks on returns and impacts

One critical barrier to scaling investments in NbS continues to be the lack of benchmarks on the returns and impacts such solutions can generate. Unfortunately, NbS investors rarely disclose the terms of their transactions, even when public investors are the only parties involved, limiting the amount of data available to offer comparisons when assessing the financial return of new potential deals. Since the market is still quite nascent and opaque and most of the transactions are bilateral and private in nature, there is still a lack of transparent and public data on the returns generated by NbS investments. While private investors and businesses may be more reluctant to publicly disclose data from their transactions, the lack of benchmarks also stems from public investors like MDBs and DFIs, which rarely make returns and other financial data from their investments publicly available. This challenge seriously limits the ability of any investors – and specifically institutional investors – to engage in the NbS sector.

This barrier also applies to the impact generated by NbS projects. NbS generate multiple social and environmental outcomes that may be more difficult to quantify than financial outcomes, such as biodiversity, benefits to local communities, watershed health, pollination, etc. However, for at least some of these outcomes, the number of tools to measure and quantify impacts – driven in particular by technological solutions – are increasing and becoming more robust. For carbon projects, while additionality remains a concern for baselining and accounting, remote sensing-based tools and dynamic baselining approaches can help improve climate impact transparency. And while there still is no market consensus on units for biodiversity, tools to assess it based on environmental DNA, bioacoustics, camera traps and remote sensing are emerging. Still, new tools may face numerous challenges in reaching scale and achieving cost-effective implementation. And for traditional, local or analogue knowledge and measurement tools, it can be difficult to ensure capacity and feasibility to monitor, collect and report data frequently. Overall, measuring environmental and social outcomes with confidence is more complex than financial outcomes, which can make it difficult for investors and businesses to understand and report their impact, though technology-based and other tools are continuing to mature.

Enabling environment

It's important to acknowledge the critical role that an enabling policy environment plays in facilitating investment. Policy frameworks that better incentivize the incorporation of nature and climate considerations and their value in economic decisions can be transformational in helping to unlock greater NbS investments and mainstream these solutions as an asset class at scale. This will require policies, regulations and standards that address market failures and negative externalities in the real economy (such as agriculture, forestry, energy and mining) and provide the incentives for businesses to protect, restore and sustainably manage natural capital. National Biodiversity Strategies and Action Plans are an example of national strategies that could encourage the private sector to finance NbS.

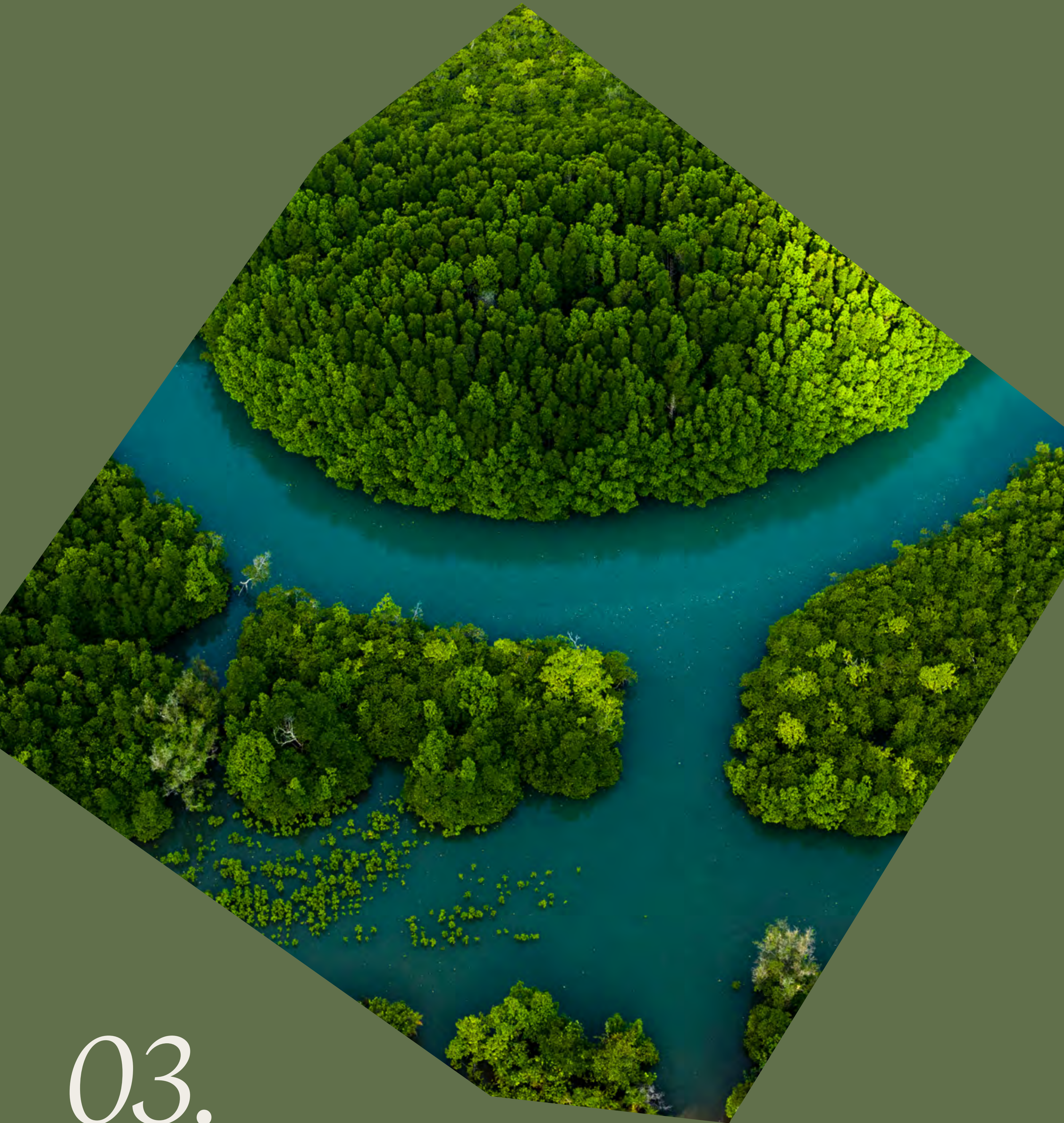
At the same time, it will be critical for investors to stay apprised of and plan for changes in policy, political and regulatory environments, such as the impact of new rulings from the Securities and Exchange Commission in the U.S. around environmental, social and governance (ESG) investing and disclosure requirements, or for carbon strategies, how national governments are treating new carbon trading mechanisms enabled by Article 6 of the Paris Agreement. This may present a challenge to investors, though, given that many public policy frameworks and environments germane to NbS investment strategies are continuing to evolve.

While FIC does not focus on policy, efforts like the **Forest & Climate Leaders' Partnership (FCLP)**, which champions a country-driven approach, aim to scale up both new and existing NbS via collaboration between international governments, the private sector, civil society and community leaders. Launched by 27 countries and the European Union at the United Nations Climate Change Conference (COP27) in Sharm el-Sheikh, FCLP is developing country packages integrating technical, financial and diplomatic support to meet country-specific forest, climate and sustainable development goals. The country packages are based on country commitments, such as to a 1.5°C-aligned Nationally Determined Contribution, and other commitments to reduce illegal deforestation, reach landowners with incentives for forest conservation and direct all new agricultural production to previously cleared land. We are working closely with FCLP on opportunities to connect private capital with demand and activities within the country packages.

Reviewing this list of barriers, scaling investments in NbS can seem daunting. But stakeholders have already made significant progress. This report showcases examples of how investors and businesses are already investing in natural capital across asset classes, project types, sectors and geographies. The case studies demonstrate that – at least for barriers like commercial terms, risks and the lack of a track record for NbS investments (especially in emerging and frontier markets) – key innovations in partnerships, catalytic capital, combined investment strategies and ensuring impact can provide solutions.

We have used this analysis on current barriers to define a strategy and Theory of Change to help scale these and other solutions and identify where FIC can best add value, and which barriers it can address to catalyze greater investment in NbS.

The Forest *Investor Club*



03.

03. The Forest *Investor Club*

We aim to accelerate the pace of investment in forests and nature through four primary objectives:

1. **Expand the scale and geographic scope of investments in NbS;**
2. **Establish a track record of investments in NbS and sustainable land use in emerging and frontier markets to send a strong signal to other investors (such as institutional investors and asset managers);**
3. **Improve the capacity of our members and other investors to source, screen and invest in forest-related and sustainable land-use projects;**
4. **Ensure our members and other organizations include FIC-generated knowledge in their capital allocation processes.**

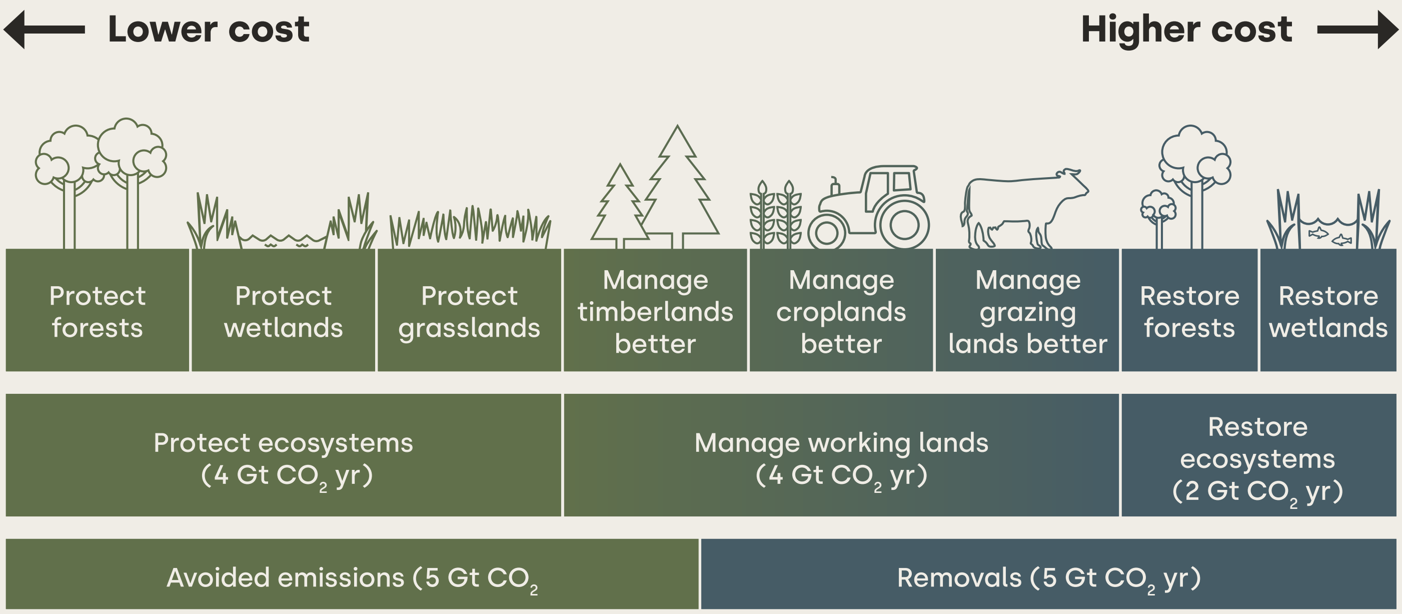
Our membership consists of 16 founding Members – including businesses, asset managers, banks, development finance institutions (DFIs), government agencies and NGOs – and two Network Partners (see Figure 2). Member organizations that join FIC have their own capital to deploy for NbS. Network Partners – for example, alliances/platforms, technical service providers, project developers, NGOs, research institutions and international organizations – provide technical advice on NbS investment, access to potential pipeline of investment opportunities and alignment with complementary efforts to scale investments.

Figure 2: Forest Investor Club membership

Members	Businesses	Apple
	Asset managers	BTG Pactual Timberland Investment Group (TIG) Lombard Odier Investment Managers (LOIM) | Pollination Manulife Investment Management | Mirova | New Forests | SAIL Ventures
	Banks	Deutsche Bank | Goldman Sachs
	DFIs and government agencies	U.S. Agency for International Development (USAID) | Finnfund U.S. International Development Finance Corporation (DFC) | Norfund
	Non-profits	Conservation International | The Nature Conservancy
Network Partners		Convergence | Natural Capital Investment Alliance

Our geographic scope extends to nearly 50 countries across Latin America and the Caribbean, sub-Saharan Africa and Asia and the Pacific. These countries were identified as important targets for investment in NbS, given the significance and potential vulnerability of their natural ecosystems and their ability to mitigate the effects of climate change and biodiversity loss. These countries also represent emerging and frontier markets, many of which have low levels of investment in NbS. The scope of investments FIC focuses on can be across the spectrum of protection, restoration and sustainable management of a range of ecosystems and working lands, from forests, wetlands and grasslands to sustainable approaches to managing timberlands, croplands and grazing

Figure 3: **Range of nature-based solutions and their emissions reduction potential**



Source: Chart adapted from Respira International with data from Girardin et al., 2021[38]

We achieve our objectives through four action areas (see Figure 4):

1. **Partnerships:** Facilitating high-quality connections among FIC Members and with other partners, such as connecting catalytic capital/blended finance providers and private investors, and connecting businesses, financial institutions and private investors with project developers.

2. **Pipeline and matchmaking:** Originating and conducting light screening of a pipeline of new potential investments, with a specific focus on natural ecosystems and intact lands (forests, grasslands, wetlands), native cover and degraded lands (forests, wetlands) and working lands (timberlands, croplands, grazing lands) and connecting the potential pipeline to public and private investors.

3. **Knowledge sharing and solutions:** Pre-competitive knowledge sharing among members on topics such as investment principles, best project archetypes (such as on green infrastructure, sustainable agriculture, forest conservation and restoration), appropriate investment vehicles and their scalability, high-integrity nature markets (for instance, intrinsic, credit and derivative) and partnerships.

4. **Showcasing and amplification:** Publicly sharing and recognizing innovative partnerships and investments of FIC Members to demonstrate a growing track record of investments mobilized for forests and nature.

Members can actively engage in several areas across our activities, such as:

→ Exploring potential collaboration with new and existing partners that can accelerate the deployment of capital, including catalytic capital, in forests and nature;

→ Exploring investment opportunities and initiating investments where feasible and attractive;

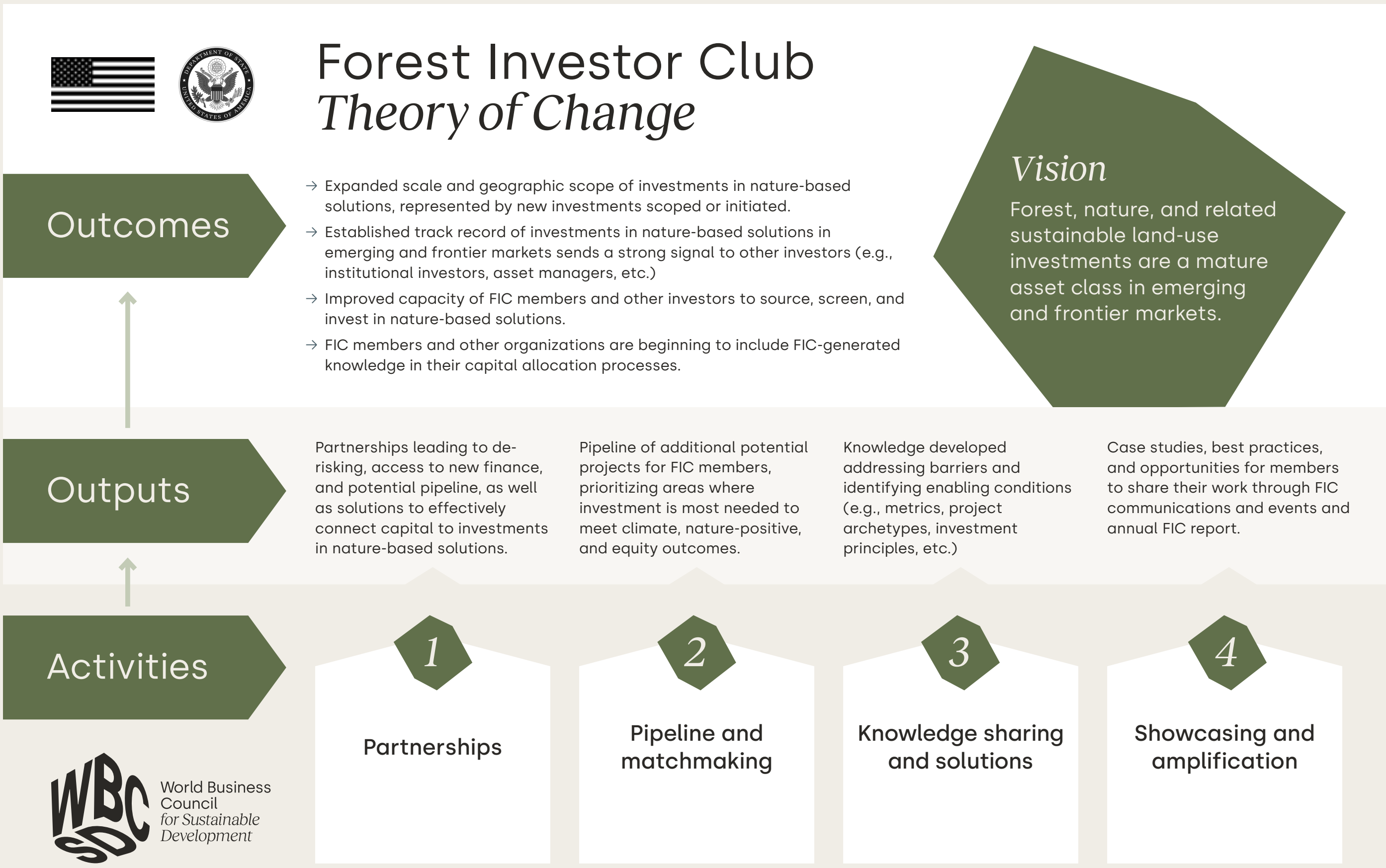
→ Providing input and feedback and serving as pilot users of tools and guidance developed by FIC working groups;

→ Contributing to knowledge sharing and communications, such as case studies and panels.

While our members are already deploying significant capital to forests and other NbS projects, barriers remain to scaling greater investment, especially into emerging and frontier markets. By sharing best practices and lessons learned, facilitating partnerships across different types of capital providers and identifying potential opportunities in collaboration with originators and other platform partners, we can contribute to de-risking and unlocking greater investment into these markets.

In the next section, we explore insights from a landscape assessment of organizations and initiatives working to move the needle on addressing these barriers and increasing investment in NbS. We also identify differentiators and complementarities with the FIC.

Figure 4: **Forest Investor Club Theory of Change**



Landscape assessment *of initiatives addressing investment in nature-based solutions*

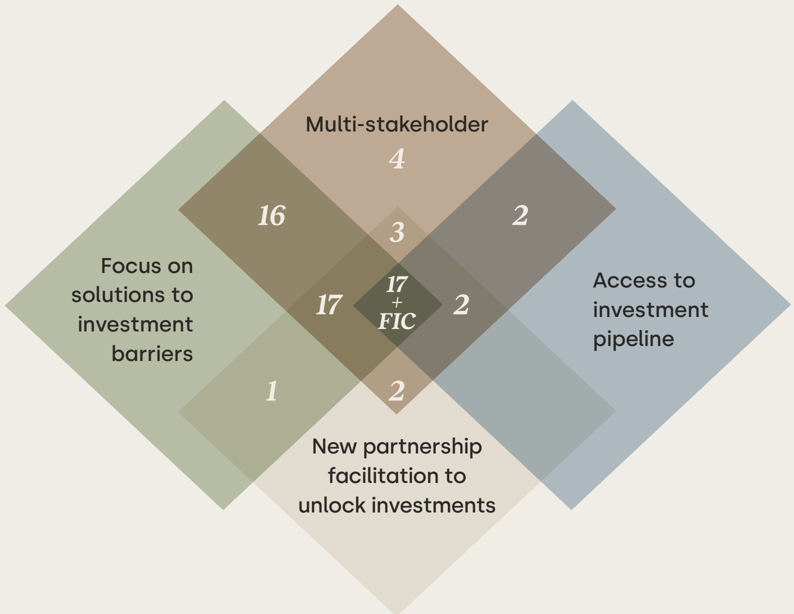
04.

04. Landscape assessment of initiatives *addressing investment in nature-based solutions*

Going as far back as the last decade – but at a faster pace in recent years – a growing number of multi-stakeholder initiatives have emerged to address the barriers described in Section 2 and increase the scale of investment in the protection, restoration and sustainable management of forests and other NbS. While there may be some overlap and shared characteristics across different initiatives – including structures, membership, mandates and objectives – there is also diversity in their focus, strategies, resources, networks and theories of change.

We conducted a landscape assessment of 64 initiatives focused on or supporting investment in NbS based on four key characteristics – a focus on solutions to investment barriers, facilitating new partnerships, the development of a pipeline of investment opportunities and being multi-stakeholder in nature. Of the initiatives identified, 17 share all these characteristics.

Figure 5: Landscape assessment of 64 initiatives focusing on or supporting investment in NbS



The following are some examples of multi-stakeholder organizations and initiatives among the 17 identified in the research with a focus on solutions to investment barriers, facilitating new partnerships and the development of an investment pipeline.

- Convergence is a global network of public, private and philanthropic investors and sponsors of transactions and funds that generates blended finance data, intelligence and deal flow to increase private sector investment in developing countries.
- The Lowering Emissions by Accelerating Forest finance (LEAF) Coalition is a public-private partnership that aims to halt deforestation by financing large-scale tropical forest protection.
- NatureFinance places nature-positive and equitable outcomes at the heart of global finance, from sovereign debt markets to early-stage investor ecosystems, risk-related metrics, food system transition and anti-money laundering.
- Partnerships for Forests supports the development of partnerships between private sector companies, public sector actors and people that catalyze investment in forests and sustainable land use.
- The ClimateShot Investor Coalition (CLIC) is an action-oriented and member-driven coalition of leaders in the impact investment community that aims to collectively scale up and accelerate finance for agriculture and food systems globally, with the ultimate goal of shifting them to a low-carbon and climate-resilient pathway by 2030.
- The Global Innovation Lab for Climate Finance is an investor-led, public-private initiative that accelerates innovative, well-designed, early-stage climate finance solutions and instruments.
- The Amazon Investor Coalition is a global learning and collaboration platform that unites philanthropies, private investors and corporate buyers with governments, non-profits and allies to increase forest-friendly economic development and the rule of law across the Amazon region.
- Innovative Finance for the Amazon, Cerrado and Chaco (IFACC) is an initiative of the United Nations Environment Programme, the Nature Conservancy and the Tropical Forest Alliance serving banks, companies and investors seeking to expand innovative finance for deforestation-/conversion-free beef and soy in these regions.
- Capital for Climate is a climate solution investment accelerator that facilitates strategy formulation, asset allocation and opportunity sourcing across science-based decarbonization pathways. It works with investment communities to provide market intelligence, overcome investment barriers, find deal partners and help shape markets.
- Coalition for Private Investment in Conservation (CPIC) is a global multi-stakeholder initiative focused on enabling conditions that support a material increase in private, return-seeking investment in conservation. CPIC aims to facilitate the scaling of conservation investments by creating models for the successful delivery of investable priority conservation projects, connect a pipeline of providers with deal structuring support and convene conservation project delivery parties with investors to execute investable deals.
- Giving to Amplify Earth Action (GAEA) is a global initiative to fund and grow new and existing public, private and philanthropic partnerships (PPPPs) to help unlock the USD $3 trillion in financing needed each year to reach net-zero emissions, reverse nature loss and restore biodiversity by 2050.

Our assessment found that while the NbS finance landscape is rich with multi-stakeholder initiatives, there are also niches that need filling. As Figure 5 makes clear, the overall focus of organizations across the assessment skews toward addressing solutions to investment barriers and less so on developing partnerships and access to an investment pipeline. The landscape is also ripe with opportunities for collaboration. Partnerships across initiatives to leverage complementary strengths, resources and networks can improve access to investment opportunities, catalytic capital, co-investment and technical expertise, tools and data resources to help address investment barriers.

The research identified a wide variety of actions different organizations are taking to address common NbS investment barriers – from creating enabling conditions and piloting tools to developing projects and new investment models. A deeper assessment of the 17 initiatives sharing all four characteristics presents further insights:

- → While all 17 multi-stakeholder initiatives focus on strategic partnership facilitation, addressing barriers to investment and access to pipelines of investments, they each emphasize these to varying degrees, while FIC places a strong emphasis on all three.
- → There is also a range of sector focus among the initiatives – some focus on a narrow sub-set of NbS sectors (such as food systems), while others focus on climate finance solutions broadly (both nature- and non-nature based). FIC focuses on the full range of NbS, including forests (see Figure 3).
- → While there is a variety of sector focus, in terms of emerging and frontier markets there tends to be certain countries with higher levels of interest and activity from investors (e.g., Brazil, Indonesia). FIC focuses on both countries where there is already existing interest and activity and other emerging and frontier markets where there has historically been less NbS investment.
- → A focus on understanding opportunities from NbS beyond just agriculture and forestry commodities or carbon alone would be helpful for investors. FIC focuses on the holistic value of NbS and all potential revenue generation opportunities, including commodities and carbon as well as emerging nature market opportunities, for example through biodiversity credits.
- → Through our research, we found that there is real need to bring together a range of public and private investors with opportunities for partnerships with catalytic capital providers. FIC is composed of both public and private sector NbS investors and is prioritizing matchmaking across sectors to sources of catalytic capital.

FIC is able to add value within the landscape given its unique combination of strategic emphasis, partnership composition and approach, and geographic and sectoral focus. At the same time, we recognize the importance of collaboration and coordination with other initiatives on knowledge- and resource-sharing and where there are complementary efforts that can better advance collective goals.

Specifically, the assessment informed our priority to strengthen partnerships with initiatives and organizations that:

- → **Can provide access to catalytic capital;**
- → **Have a strong focus on sharing investment knowledge and expertise;**
- → **Can provide access to aggregated and/or large-scale projects;**
- → **Also benefit from U.S. Department of State sponsorship and management, with a focus on forest or NbS investment;**
- → **Represent networks of businesses that can potentially provide investable opportunities through their supply chains.**

The landscape assessment and analysis of current investment barriers has helped us set our Theory of Change and strategy to focus on activities that fill gaps in the sector and maximize the potential impact of FIC, while being clear about what we can and cannot do.

Accomplishments: *Building a foundation for partnership and investment*

05.

05. Accomplishments:
Building a foundation for partnership and investment

FIC was conceived as an initiative that can be greater than the sum of its parts. Since its launch, FIC Members and the Secretariat have worked to define the impact that we want to have, how we add value and to get structures in place to support our work. Through consultation with each FIC Member, the U.S. Department of State, and external experts and stakeholders, we adopted a strategy and action program in 2023 to realize the outcomes and ultimate vision for impact that members want to see (see Figure 4: Forest Investor Club Theory of Change). At the same time, our members have already undertaken a number of activities since late 2022 and continue to deploy new and innovative investments in forests and nature.

Partnerships

We aim to cultivate partnerships between members and other organizations that can help de-risk investment strategies and provide access to new capital, partners and investment opportunities to scale up and more effectively connect capital to investments in forests and nature.

- Members convene regularly, both virtually and in person, for pre-competitive discussion on addressing barriers and other topics to scale investments in forests and nature. These include a business, investor and NGO dialogue hosted by Lombard Odier and Partnership for Forests during New York Climate Week 2022 and two virtual Sustainable Forests Investment Consultations in late 2022 aimed at answering the question: How can we enable public and private sector financial institutions to play a more effective role in incentivizing and financing re- and afforestation?
- We held consultations with WBCSD sector alliances, including **Banking for Impact on Climate in Agriculture**, the **Forest Solutions Group**, and the **Natural Climate Solutions Alliance**, to better understand the alignment of our strategy with these sector-focused efforts.
- To inform our strategy, ensure that we deliver value and identify key partnerships, the Secretariat completed a comprehensive landscape assessment of forests and nature-related investment initiatives globally in early 2023 (**see Section 4**).
- The Secretariat and members adopted Principles for investing in Nature-based Solutions and membership requirements to guide the strategic partnerships formed by FIC (**see Appendix H. Forest Investor Club Investment Principles**).

Pipeline and matchmaking

Fundamental to our work is the identification of a pipeline of potential projects seeking capital and the prioritization of areas where investment is needed most to meet climate, nature-positive and equity outcomes.

- We are formalizing a process for the pre-identification of potential pipeline opportunities for members based on an understanding of the types of investment each member is seeking.
- At the same time, a number of discussions are underway with organizations that have access to potential projects seeking capital that align with us, such as from FIC Members and Network Partners, WBCSD member company supply chain projects, private sector project developers, NGOs and pipeline platforms.
- As one example, we have initiated an **assessment of the potential case for investment to scale up the Farmer First Clusters** – an initiative to provide solutions to address soy-driven deforestation and conversion in four key Cerrado landscapes in Brazil.
- As part of the International Working Group for the **Forest and Climate Leaders' Partnership (FCLP)**, we are coordinating with the FCLP secretariat on opportunities to connect our members with the country-driven investment packages under development.

Knowledge sharing and solutions

We seek to provide a space for pre-competitive knowledge sharing among members to address barriers and identify enabling conditions, like investment principles, project archetypes, scalability of investment vehicles, high-integrity markets and partnerships.

- Members identified key themes for working groups, including nature markets, approaches to de-risking investments and combined natural capital and food and fiber investment strategies.
- The Nature Markets working group launched in Q2 2023 and is developing a guide for investors to better understand high-integrity nature markets, focusing on carbon but also including more nascent markets such as for biodiversity.

Showcasing and amplification

We also serve as a platform to elevate awareness of investing in forests and nature and demonstrate a growing track record and opportunity in these markets.

- We led a session on Nature Finance for Corporate Leaders during New York Climate Week 2022, with more than 40 corporate president, SVP, VP and CSO participants. A WBCSD Council Meeting session on Nature Financing in November 2022, with more than 110 participants – including 10 CEOs of global companies – also highlighted our work.
- We published an initial set of **case studies and lessons learned** in mid-2023 in **partnership with the Good Food Finance Network** showcasing how partnerships can help deploy private capital in sustainable land use and featuring the connection between investments in forests and food systems. The appendices in this report include five additional case studies on FIC Members across a variety of investment strategies and risk profiles.
- We hosted a breakout session at the GreenFin conference in June 2023 on Accelerating Forest and Nature Investment: The Forest Investor Club, featuring members Manulife, Timberland Investment Group and the U.S. International Development Finance Corporation.
- We are hosting **a session during NY Climate Week 2023**, through the Nature Positive Hub, featuring member case studies and the findings of this report.
- Beginning with this report, we will publish an annual report providing updates on our progress, raising further awareness and building the capacity of investors to source, screen and invest in forests and nature.

Summary of *Forest Investor Club case studies, themes and key findings*

06.

06. Summary of Forest Investor Club *case studies, themes and key findings*

FIC Members are already developing and executing innovative investment strategies to drive capital into high-impact forestry and other NbS projects. In June 2023, we worked in partnership with the Good Food Finance Network (GFFN) to release a set of five case studies, including two featuring FIC Members (New Forests and SAIL Ventures), to showcase these efforts while also synthesizing some of the key themes and best practices, in particular regarding investment partnerships.[39]

As part of this Annual Report, we are building on this body of work with the release of five additional case studies on NbS investment strategies developed, executed and managed by members that achieve both sustainable and attractive financial returns while advancing nature-positive outcomes. The following presents a summary of all FIC Member case studies, including the two released earlier this year. The case studies themselves are available in **Appendices A-G** and on our **website**.

Apple (Restore Fund)

Apple launched the Restore Fund with Goldman Sachs and Conservation International in 2021 to restore degraded areas and invest in sustainable working forests, generating attractive returns while removing carbon. In 2023, Apple expanded the Restore Fund in partnership with Climate Asset Management, creating a new combined strategy focused on nature-forward agriculture and the restoration of critical ecosystems.

BTG Pactual Timberland Investment Group (Latin America Reforestation Strategy)

One of the largest and oldest timber investment management organizations (TIMOs) in the world, Timberland Investment Group (TIG) launched an impact-oriented reforestation investment strategy in Latin America in 2021 that aims to acquire and restore 300,000 hectares of degraded land, half of which it will reforest with native species and set aside for conservation.

Conservation International Ventures

An impact-first investment program managed by the globally recognized non-profit Conservation International (CI), CI Ventures combines 36 years of climate and conservation science to design, showcase and mainstream mechanisms to address the investment gap in biodiversity and climate concerns, while acting as a catalytic force to bring further funding to the space.

Lombard Odier Investment Managers (New Food Systems strategy)

Lombard Odier Investment Managers (LOIM), the asset management arm of the Swiss banking group Lombard Odier, recently partnered with systems change firm Systemiq to build holistiQ Investment Partners (holistiQ),* a sustainable investment platform within LOIM that aims to deploy capital for a net-zero and nature positive economy. The New Food Systems strategy, launched by LOIM in July 2022 and now part of the holistiQ platform, seeks to invest in public equities that develop and mobilize new forms of healthy and sustainable protein, new agricultural practices and new delivery models as part of its objective to invest in a food system that can meet the nutritional needs of a growing population within the constraints of planetary boundaries.

Mirova (Land Degradation Neutrality Fund)

Long a leader in sustainable finance, Mirova serves as the independent investment manager for the Land Degradation Neutrality Fund (LDN Fund). The Mirova LDN Fund, initiated by and co-promoted with the UN Convention to Combat Desertification (UNCCD), focuses on advancing Sustainable Development Goal (SDG) 15.3 – ending desertification and restoring degraded land to achieve land degradation-neutrality by 2030 – through long-term debt and equity financing for projects and companies in the agroforestry, forestry and regenerative agriculture sectors, as well as other land-based activities.

New Forests (African Forestry Impact Platform) - originally released in June 2023

New Forests, a global investment manager of nature-based real assets and natural capital strategies, has partnered with DFIs to launch the African Forestry Impact Platform (AFIP), which invests in sustainable forestry operating companies and related assets in sub-Saharan Africa. Its aim is to deliver commercial returns alongside conservation and sustainable development outcomes at scale.

SAIL Ventures (&Green Fund) - originally released in June 2023

SAIL Ventures, a global alternative asset manager, serves as a specialist investment advisor to the &Green Fund, which finances the decoupling of major commodity supply chains from deforestation in a way that is commercially viable and replicable.

* holistiQ Investment Partners ("holistiQ") is a LOIM platform powered by a partnership with Systemiq and was announced on 6 June 2023. holistiQ is a trading name of LOIM and is not a legal partnership or other separate legal entity.

While each of these case studies, developed through desktop research and stakeholder interviews, is unique, with its own investment strategy, geographic and sectoral focus and investment partnership approach, they have revealed some common themes, novel approaches, lessons learned and best practices, as presented below. Together, these insights can help inform how these and other investment strategies in NbS can scale in size, pace and global reach.

Innovative partnerships

Innovative partnerships can play a critical role in mobilizing greater investment in global efforts to enhance natural capital. By leveraging complementary resources and expertise across sectors and disciplines, novel partnerships can help ensure the effective and efficient use of capital to drive meaningful impact toward financial, environmental and social goals. Partnerships are essential to mobilizing and deploying capital effectively and to sharing lessons learned and designing bespoke solutions that can provide a comparative advantage, increase competitiveness and ensure stakeholder satisfaction. Establishing strategic and long-lasting partnerships requires a significant amount of time and effort, especially with the limited number of organizations/agencies available to help arrange them. Owing to these factors, the case studies and consultations with our members emphasize how partnership building comes down to organizations having the necessary soft skills and time, the ability to identify the right individuals to work with, and the capacity to build personal rapport over, quite often, extended periods.

While many of the case studies presented feature partnerships between the private and public sectors (for example, Mirova's partnership with UNCCD, the European Investment Bank and national government agencies in the LDN Fund, and New Forests and SAIL Ventures partnerships with DFIs through the African Forestry Impact Platform and &Green Fund, respectively), there are impactful opportunities for increased collaboration and partnership across different types of actors, industries and disciplines within the private sector as well. The recent announcement in June 2023 of the holistiQ platform within LOIM built in partnership with Systemiq exemplifies the value in leveraging different sets of expertise and capabilities across different private sector actors, by bringing an integrated approach to translate science-based quantitative research on the transformation of key economic systems into investment strategies for clients. And Apple turned to the long-time investment management experience and resources of Goldman Sachs to manage the Restore Fund at its launch and then to Climate Asset Management – itself a joint venture between Pollination and HSBC Asset Management – to manage its second commitment.

Other types of partnerships and collaboration that can help the successful implementation of, and reduce barriers to, NbS investment strategies remain relatively underdeveloped – particularly those with local governments, project developers, small and medium-sized enterprises (SMEs), local NGOs, indigenous groups, farmer organizations and other partners on the ground. And for all types of partnerships, there is recognition of the need for appropriate venues, time and resources to facilitate, establish and maintain strategic and long-term partnerships. FIC can help play a catalytic role in this through our network and matchmaking efforts and by fostering new strategic partnerships that enhance our members' ability to scale their investment strategies.

Catalytic capital

One of the most powerful benefits new partnerships can bring to support NbS investment strategies is access to catalytic capital. As highlighted in **Section 2**, many prospective nature-based investments, particularly in emerging and frontier markets, may face low or uncertain revenue potential, high risk, long lead times to generate positive cash flows and a lack of understanding of market dynamics and resources for on-the-ground development and implementation. Catalytic capital – whether through first-loss or concessionary capital, guarantees or other forms of credit enhancement or insurance, recoverable and non-recoverable grants, development or bridge financing, funding for technical assistance or other instruments – has the potential to reduce some of these barriers, improve the risk-return profile for NbS investments and crowd in more traditional private investors to bring them to scale.

This is exactly the approach embodied by CI Ventures through its venture philanthropy model, which has leveraged USD $19 million in risk-tolerant capital to attract and mobilize an additional USD $86 million in co-financing and follow-on investments. By proving the bankability and impact of its portfolio companies through these early investments, CI Ventures has been able to raise 7-10 times more capital as follow-on investments.

When New Forests looked to bring its 18-year forest asset management experience to sub-Saharan Africa through the African Forestry Impact Platform, it sought partnerships with DFIs to provide a cornerstone investment that would help realize opportunities to scale and transform the sustainable forestry sector there. With a risk-return profile and an established track record that is different from those in developed markets, the sustainable forestry sector in sub-Saharan Africa has difficulty attracting more traditional forms of private investment, particularly for more impact-oriented opportunities. The partnerships with DFIs (British International Investment, Norfund and Finnfund) have brought USD $200 million in catalytic investment to the African Forestry

Impact Platform to help the sector develop and demonstrate investability. New Forests has kept the vehicle open-ended in anticipation of attracting additional long-term institutional capital to scale it by USD $500 million in the next 2 to 3 years and with the aim to expand funding to landscape-scale and NbS investments.

Similarly, the &Green Fund advised by SAIL Ventures has already raised USD $180 million in capital from a range of public, philanthropic and corporate sources, but it aims to reach USD $1 billion in assets under management over the next 10 years. It intends to scale by strategically designing instruments that leverage its catalytic capital resources to de-risk and mobilize private capital from institutional investors that can support agri-commodity businesses in implementing more sustainable practices for land-use management and fostering sustainable and more inclusive supply chains.

One example of the way catalytic capital has already helped mobilize and attract private investment is the LDN Fund managed by Mirova. Since its final closing in March 2021, the fund has raised USD $208 million from public partners (including the French Development Agency (AFD), the European Investment Bank, the UK Department for Environment, Food and Rural Affairs (DEFRA), Global Affairs Canada, and the Government of Luxembourg) and private partners (such as Allianz, BNP Paribas Cardif, Fondaction and Natixis Assurances). By blending in catalytic, first-loss capital from public partners, the Mirova LDN Fund provides patient capital to the transformative projects it invests in while offering its private partners more reliable and attractive returns.

In addition, the Sustainable Trade Initiative (IDH) manages an associated LDN Technical Assistance (TA) Facility, funded by AFD and the Global Environment Facility (GEF), that operates as the grant-making arm of the LDN Fund. The LDN TA Facility leverages this catalytic donor funding to provide recoverable and non-recoverable grants to (potential) LDN investments that provide pre-investment project design support, post-investment implementation assistance, impact monitoring and learning- and knowledge sharing, helping to de-risk potential investments of the LDN Fund itself and set them up for success.

Combined investment strategies

While blending in catalytic capital offers one approach to address traditional barriers to investment, another approach is to combine different components within investment strategies themselves. High-impact projects in particular, like the restoration of critical native ecosystems, often have lower return potential and longer timeframes to generate positive cash flows. But by combining investments in these types of solutions with others that can generate greater and earlier cash flows, it can enable new access to financing for some of the highest conservation value investments, while achieving an attractive blended return overall.

Apple employs a unique blended strategy for its second Restore Fund commitment, which combines investments in nature-forward agricultural projects that generate income from sustainably managed farming practices with those in projects that conserve and restore critical ecosystems that remove and store carbon from the atmosphere. The income from the agricultural investments, when combined with the independently verified and certified carbon removal credits, will help the blended fund structure achieve financial and climate benefits for investors.

Timberland Investment Group has also pursued an innovative combined approach for its Latin American Reforestation Strategy. Of the 300,000 total hectares of degraded land it seeks to acquire and reforest, it intends to plant half as Forest Stewardship Council (FSC)-certified commercial plantations with long rotation cycles, while restoring and conserving native forest on the remaining half and setting it aside into long-term conservation. The commercial revenues from the plantations on previously degraded land serve as a catalyst to pay for additional restoration and conservation of native ecosystems at scale. In the Brazilian Cerrado, for example, local laws require landowners to allocate 20% of their area for conservation. But by blending in returns from harvesting, it enables TIG to scale its conservation ambitions by 2.5x (to 50% of the area) and focus on the ecosystem quality and native composition of the rest of its portfolio.

Recognizing that achieving land degradation neutrality globally will require a holistic effort, the Mirova LDN Fund also employs a mixed approach to meet different needs, opportunities, geographies and sectors. It combines debt and equity offerings for a range of projects and programs globally, representing various sectors and project types all working toward the goal of mitigating land degradation, while benefitting local communities and generating other environmental benefits.

Focus on quality of outcomes

To realize the full potential of NbS to address global environmental challenges and economic opportunities and ensure that the impacts they have are meaningful and of high value, it is critical to build in mechanisms to validate their outcomes and efficiently guide investments into high-quality opportunities. New approaches, tools and guidance continue to emerge and mature in the nature-based carbon market, for example, to identify high-quality projects and ensure carbon impacts are real and additional. New methodologies and technologies to assess the impact of investments in the nascent biodiversity and other nature markets are also proliferating. At the same time, it is imperative to have social and environmental safeguards in place to protect and support local and Indigenous communities.

All of the examples featured here recognize the importance of enabling meaningful outcomes from their investments and using a range of tools, resources, guidelines and new partnerships to assure and monitor positive and high-quality impacts.

→ **Apple** has rigorous social and environmental standards in place for the Restore Fund and has partnered with Conservation International to identify and guarantee the high-conservation value of its investments. Further, it is deploying innovative remote sensing technologies to map, quantify and verify the carbon impact of the projects it invests in and is exploring applications of the LiDAR Scanner on iPhone to enhance monitoring capabilities on the ground.

→ **Timberland Investment Group** is also partnering with Conservation International, which serves an impact advisor on its Latin American Reforestation Strategy, to maximize environmental benefits and support landscape-level restoration and conservation. In this role, Conservation International appoints two of the three members of the strategy's Impact Advisory Board, which is responsible for developing impact criteria and monitoring implementation. For each potential acquisition, TIG also applies ten Responsible Investment Principles to each potential acquisition, ensuring confidence in the strategy's ability to uphold TIG's broader environmental, social and governance (ESG) objectives and framework.

→ **CI Ventures** is in a unique position to prioritize impact by drawing on its institutional expertise and resources in conservation science and climate change, while prioritizing local livelihoods and human well-being. The program implements a rigorous approach to impact investing, doing what other lenders and traditional investors cannot: prioritizing impact, investing at the most catalytic moment, leading with science and amplifying the impact of every dollar invested.

→ The **LOIM** New Food Systems strategy applies a "research-driven" approach, with an aim to invest in the transformation of the sustainable food value chain. As one of five sustainability-driven strategies that are part of the holistiQ platform at LOIM*, it applies an integrated approach, combining analysis across commercial, environmental, and societal factors, with an aim to accelerate the emergence of sustainable, regenerative, nature-positive economic systems.

→ **Mirova** and IDH have also partnered with Conservation International on the LDN Fund, creating a measuring toolkit to monitor the social and environmental impact of each investment that specifically focuses on indicators for land productivity, land cover and soil organic carbon.

→ **New Forests** applies its responsible investment policy and a rigorous and innovative approach to sustainability across its investments and uses consistent and comprehensive ESG frameworks and processes at every step of investment management. Its African Forestry Impact Platform also draws on technical assistance from Partnerships for Forests, a UK Foreign, Commonwealth & Development Office-funded program that works closely with the platform to identify and develop new business models that deliver social and environmental value to smallholders and other landscape stakeholders while generating tangible investor returns.

→ The &Green Fund advised by **SAIL Ventures** requires three commitments from prospective clients – a No Deforestation, No Peat and No Exploitation (NDPE) Policy, an Environmental and Social Action Plan (ESAP) and a Landscape Protection Plan. Social inclusivity is core to &Green Fund's Theory of Change and it uses a robust key performance indicator (KPI) framework and environmental and social management system (ESMS) to assess the degree to which investments are transformational and to monitor the impacts they deliver.

In addition to guidelines, policies, tools and partnerships to ensure impact from the investment strategies described here, new and emerging design features of these strategies themselves may also help incentivize environmental and social impact performance. For example, impact-linked compensation structures represent a growing effort to tie returns to fund managers from carried interest to the achievement of key environmental, social or other impact goals.[40] New Forests links its carried interest at year 10 in the African Forestry Investment Platform to achieving goals for the platform's impact on biodiversity, carbon, gender and improved and alternative livelihoods. Mirova also uses an impact-linked carried interest structure for the Mirova Environment Acceleration Capital fund.[41]

* The New Food Systems strategy was launched by LOIM in July 2022 and is now part of the holistiQ platform.

Conclusion

07.

07. Conclusion

Natural capital underpins the health of communities, businesses and economies all over the world. Nature-based solutions have the potential to enhance natural capital to mitigate global systemic challenges related to climate, biodiversity loss, land degradation and social equity. Despite the immense benefits NbS provide, they have been historically undervalued. While in more recent years investments in NbS have grown, financing gaps remain. To realize the full potential of nature to limit climate change to below 1.5°C warming, halt biodiversity loss and achieve land degradation neutrality on critical timeframes, a total of USD $11 trillion in cumulative financing will need to be deployed into NbS by 2050. This will require a doubling of current investment levels by 2025 and tripling them by 2030.[42]

A number of barriers stand in the way of catalyzing these investments at scale. These include the need for greater capacity development to source, design, evaluate and conduct due diligence on investable opportunities, the need to ensure NbS commercial terms and risk-return profiles can compete with more traditional investments, as well as the particular challenges and risks in emerging and frontier markets that have not yet benefitted from significant NbS investments or the market development to better enable it.

The U.S. Department of State formed the Forest Investor Club as a network of leading public and private financial institutions, companies and other investors committed to protecting, restoring and sustainably managing forests and nature. Our goal is to help address some of the most significant of these barriers to investment in NbS. By creating a venue for the pre-competitive sharing of knowledge among members and through the facilitation of strategic partnerships and the identification of potential investable opportunities, we aim to reduce traditional barriers to and scale NbS investment, especially in emerging and frontier markets. By recognizing and sharing examples of innovative partnerships and investments – such as those exemplified in the case studies presented here – we aim to demonstrate the growing track record and key innovations of investments mobilized for forests and nature and connect to complementary efforts and new potential members and partners (see Appendix I for more information about joining FIC).

Since WBCSD became the FIC Secretariat, we have formalized our strategy, Theory of Change, investment principles, governance, and new membership process. We have also progressed on key objectives centered on partnership cultivation, pipeline identification and matchmaking, knowledge sharing and solution development, and showcasing and amplification. In the coming months, FIC will prioritize ramping up its efforts to identify new partnership and investment opportunities for its members, establishing metrics to assess its impact, continue the work of the Nature Markets working group, and launch two other working groups planned around catalytic capital and food and fiber-based investment strategies.

We recognize that FIC is not alone in its efforts, and an "all hands" approach will be necessary to meet ambitious goals to scale NbS investments to address global challenges. We look forward to exploring collaboration with other organizations, platforms and initiatives to achieve our collective goals.

We thank the U.S. Department of State for supporting this effort and FIC Members and Network Partners for their ongoing participation and contribution.

Appendix A. Case Study: *Apple Restore Fund*

Removing carbon from the atmosphere – a solution that is both scalable and financially attractive to businesses.

Location

Global

Background

Climate change poses one of the most significant global threats the world has ever faced. Climate change negatively impacts terrestrial, freshwater and marine ecosystems and the communities that rely on them, with some ecosystems projected to turn from carbon sinks into carbon sources. To protect these natural carbon sinks, it is imperative to tackle climate change and biodiversity loss together.

Nature-based solutions offer effective mechanisms for reducing and removing carbon from the atmosphere through the protection, improved management and restoration of nature. Forests, wetlands and grasslands store carbon pulled from the atmosphere in their soil, roots and branches. Researchers estimate that tropical forests hold more carbon than humans have produced over the last 30 years by burning coal, oil and natural gases.

Innovative partnership

Apple has spent the greater part of the last decade working to reach its goal of decarbonizing its entire carbon footprint by 2030, in line with its science-based target and efforts to limit warming by 1.5°C. By the end of 2022, Apple reduced its overall emissions across scopes 1, 2, and 3 by over 45 percent compared with its 2015 baseline year. And looking forward to 2030, it aims to reduce emissions across all scopes by 75% from its base year of 2015.

In more recent years, Apple has sought innovative, high-impact and scalable ways to balance any direct emissions across not just its own corporate operations, but its entire supply chain for its products (scope 3) as part of its 2030 goal. In 2021, Apple partnered with Conservation International and Goldman Sachs to launch the Restore Fund, committing up to USD $200 million of Apple capital to remove carbon from the atmosphere while generating long-term financial returns. This initial fund pairs carbon credit and revenue generation by focusing on restoring working forests, while protecting and restoring native forests, grasslands and wetlands. In addition to being a co-investor in the fund and an existing partner in Apple's conservation efforts, Conservation International is responsible for ensuring that each project meets strict environmental and social standards in addition to the carbon impacts of the fund. Goldman Sachs serves as the fund's investment manager and provides financial and operational due diligence.

Photo credit: Arbaro Advisors

In April 2023, Apple expanded the Restore Fund to include another commitment of up to an additional USD $200 million into a new portfolio managed by Climate Asset Management (a joint venture between HSBC Asset Management and Pollination). Unlike the initial fund, this new commitment decouples financial returns and climate benefits by blending two distinct investment strategies: on the one hand, the vehicle will invest in revenue-generating nature-forward and sustainable agriculture projects; on the other hand, it will originate and invest in high-quality carbon projects that conserve and restore critical ecosystems that are unlikely to generate financial returns.

As part of its 2030 goal, Apple has asked its suppliers to decarbonize their entire Apple footprint by first transitioning to renewable energy to reduce their emissions and improve their energy efficiency. To help with remaining emissions, the Restore Fund also offers Apple suppliers the opportunity to become fund partners and incorporate high-impact carbon removal projects as they decarbonize.

Solution

The Restore Fund aims to remove carbon from the atmosphere each year, while simultaneously introducing a sustainable financial model to increase investment in forest restoration. To foster biodiversity and conservation benefits, the Restore Fund's initial commitment focuses on investments in forestry projects that create buffer zones and natural set-asides to address habitat degradation. By restoring and reforesting lands that can one day become sustainable working forests, this initial fund bundles financial returns and carbon benefits within the same projects.

The Restore Fund's latest initiative with Climate Asset Management takes its focus on conservation value one step further by following its unique blended structure. This structure allows the vehicle to target and provide access to finance for projects that achieve high conservation and climate value but may not have generated a financial return on their own, while earning revenues from agricultural investments, to achieve an attractive overall, blended return on investment.

The Restore Fund presents scalable and financially attractive approaches that aim to address the full potential of nature-based solutions and serve as models that can encourage other businesses to invest in carbon removal and the protection of natural ecosystems globally.

All Restore Fund investments are subject to rigorous social and environmental standards. To monitor and measure each project's impact, Apple uses remote sensing technologies that can build detailed habitat and forest carbon maps. This mapping ensures the assessment of all Restore Fund projects before they receive any investment and the measurement of their carbon removal impact over time. To improve monitoring potential on the ground, Apple is also researching the use of the LiDAR Scanner on iPhone. To ensure Apple's accurate carbon accounting, the Restore Fund follows international standards established by organisations such as Verra, Gold Standard and the Climate, Community and Biodiversity Alliance.

Expected outcomes

The Restore Fund's three initial investments in Brazil and Paraguay aim to restore 150,000 acres of forests and protect an additional 100,000 acres of native forests, grasslands and wetlands. Together with additional projects, the first Restore Fund with Goldman Sachs aims to remove 1 million metric tons of carbon dioxide from the atmosphere per year by 2025. Through the second commitment to the Restore Fund, Apple aims to reduce and remove a further 1 million metric tons of carbon dioxide each year at its peak, while protecting and restoring biodiversity in critical ecosystems.

Sources

Apple (2021). **Apple and partners launch first-ever $200 million Restore Fund to accelerate natural solutions to climate change**. 15 April 2021.

Apple (2022). ***Environmental Progress Report***.

Apple (2023). **Apple expands innovative Restore Fund for carbon removal**. 11 April 2023.

Climate Asset Management (2023). **Climate Asset Management will manage a new investment fund for Apple as Apple doubles the size of its Restore Fund**. 12 April 2023.

Goldman Sachs (n.d.). **Innovating for a Sustainable Future**.

Photo credit: Arbaro Advisors

Appendix B. Case Study: *BTG Pactual Timberland Investment Group's Latin America Reforestation Strategy*

Financing sustainable production, conservation and restoration in Latin America

Location

Latin America

Background

Climate change and biodiversity loss continue to negatively impact populations and ecosystems globally. Fortunately, natural climate solutions show great potential to mitigate climate change while also delivering social, environmental and economic benefits alongside financial returns.

Appreciation for the role of natural climate solutions is growing. Unlike other sources of emissions reductions and carbon removal, these solutions are both readily available and cost-effective. Growing consensus suggests that to meet the goals set out by the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework, it is vital to take immediate action to invest in natural climate solutions.

Unfortunately, while the benefits of natural climate solutions are clear, there is still not enough financing going towards these efforts at the scale necessary to make a significant impact. Attracting investments is challenging due to investor unfamiliarity with the asset class, high perceived risks, a lack of investable projects available at institutional scale and over-reliance on carbon markets as a sole revenue source.

Latin America is both vulnerable to climate change and ideally situated to adopt natural climate solutions at scale. It was in this context that BTG Pactual Timberland Investment Group (TIG) developed an impact-oriented reforestation investment strategy in Latin America in 2021.

Photo credit: Filipe Pacetta/Timberland Investment Group

Innovative partnership

A US subsidiary of BTG Pactual, TIG is one of the oldest and largest timberland investment management organizations in the world, overseeing assets and commitments of more than USD $5.6 billion across 3 million acres. TIG is also a founding member of the Forest Investor Club.

Conservation International (CI), a global environmental non-profit focused on science, policy and partnerships with businesses, governments and communities, is the impact advisor to the TIG reforestation strategy. CI appoints two of the three members of the strategy's Impact Advisory Board, which is responsible for developing impact criteria and monitoring implementation. The aim of the collaboration between CI and TIG is to ensure that the design of the strategy maximizes environmental benefits and can support restoration and conservation at a landscape scale, improving connectivity among areas of natural habitat to support biodiversity recovery.

Solution

The TIG reforestation strategy seeks to acquire close to 300,000 hectares of degraded land in Brazil, Uruguay and Chile and protect and restore half of that area with native cover. In addition, the initiative aims to plant hundreds of millions of trees in commercial forests on the other half of the portfolio, which will be independently certified as sustainably managed by the Forest Stewardship Council. The strategy also aims to improve biodiversity and support community development by promoting inclusivity and equity and to contribute to the body of scientific knowledge about large-scale landscape restoration in the Cerrado region.

While Brazilian law requires that landowners in the region set aside 20% of their area for conservation, TIG's strategy commits 50% of its portfolio to conservation and restoration. Over the life of the strategy, that could amount to nearly 100,000 hectares of additional landscape restoration over and above legal requirements – one of the largest known native forest reforestation programs. With the advice of Conservation International, the strategy aims to leverage private capital to achieve restoration at scale.

Under its reforestation strategy, TIG has already invested in close to 24,000 hectares of previously deforested land in Brazil that can now be conserved, restored and sustainably managed.

Throughout its 40 years of experience, TIG has returned USD $2.7 billion to investors in its timberland assets. With a long track record, an integrated environmental, social and governance (ESG) framework and well-established strategic collaborations with environmental NGOs, TIG has set itself apart in the industry. Adding to that, TIG applies 10 Stewardship Principles to each potential acquisition, ensuring an extra layer of confidence in its ability to uphold its ESG objectives:

1. We seek to be good stewards, good neighbors, and industry leaders in managing our assets for risk-adjusted returns and positive community, nature, and climate impacts
2. We seek to generate material benefits for communities, nature, and climate, consistently across our portfolio and to protect and enhance ecosystem function
3. We strictly comply with all applicable environmental, social, health and safety, and other laws, regulations, and best practices, including anti-corruption and bribery regulations
4. We seek to certify 100% of eligible assets to independent, third-party sustainable forest management standards
5. We seek to support initiatives that strengthen our values
6. We seek to report ESG performance with clarity and transparency
7. We incorporate environmental, social, and climate risk and opportunity management into investment decisions
8. We respect and uphold human rights across our footprint
9. We seek to develop local supply chains and prioritize local hiring where possible, engaging local communities in our business and supporting rural economic development
10. We support professional growth and development opportunities for all TIG staff and ensure awareness and understanding of our sustainability goals and principles by developing and providing relevant training programs

Expected impact

TIG aims to mobilize USD $1 billion over five years for the reforestation strategy, with an aim to deliver substantial climate, environmental and social benefits and attractive financial returns for its investors. The strategy aims to generate close to 35 million metric tons of carbon sequestration over 15 years, while re-connecting fragmented habitat through native landscape restoration.

Most recently, in 2023, the U.S. International Development Finance Corporation (DFC) announced its intention to assess potential financing of USD $50 million to support TIG's five-year reforestation goal. U.S. President Biden made the announcement during the Major Economies Forum on Energy and Climate Change in April 2022 as part of a larger plan to mitigate climate change by scaling forest protection and restoration.

Sources

Business Wire (2023). **White House Announces DFC Working on $50 Million Debt Investment in TIG's Latin American Reforestation Strategy**. 20 April 2023.

Conservation International (2021). **Conservation International to Serve as Impact Adviser for TIG's New $1 Billion Reforestation Strategy in Latin America**. 27 October 2021.

Environmental Finance (n.d.). **Sustainable Investment Awards 2023: ESG investment initiative of the year, Latin America: The BTG Pactual Timberland Investment Group**.

ImpactAssets (n.d.). **ImpactAssets 50 – An Annual Showcase of Impact Investment Fund Managers. BTG Pactual Timberland Investment Group**.

Timberland Investment Group (2023). **White House announces DFC working on $50 million debt investment in TIG's Latin American reforestation strategy**. 20 April 2023.

Timberland Investment Group (n.d.). **Sustainability**.

Appendix C. Case Study: *Conservation International (CI) Ventures*

Investing in businesses that contribute to healthy ecosystems.

Location

Africa, Asia and Latin America

Background

The World Economic Forum ranks biodiversity loss, climate change and extreme weather as the most significant threats to the planet over the next decade.

This is significant because these threaten ecosystem services that provide the global economy with benefits of USD $125 to USD $145 trillion per year – more than one-and-a-half times the size of today's global domestic product (GDP).

The global economy, however, has yet to fully value these services. Estimates show the financing needed to protect the most important biodiversity and the services it provides is between USD $598 billion to USD $824 billion per year by 2030. This global biodiversity funding gap reflects the challenges governments face in securing and deploying adequate financing to protect nature.

While investments are flowing into biodiversity and nature-based solutions in industries including agriculture and tourism, investors often lack the necessary social, environmental and governance (ESG) expertise to make the business case for protecting biodiversity. Furthermore, while there is increasing appetite from impact and mainstream investors for significant investments in biodiversity, there is still a lack of sufficient catalytic capital to help scale early-stage, nature-positive businesses.

Innovative partnership

Conservation International (CI) is a US-based environmental non-profit committed to protecting nature for people. Conservation International Ventures (CI Ventures) is an impact-first investment fund created by CI in 2018. The fund combines CI's 36 years of climate and conservation science to tackle the biodiversity investment gap and climate-related challenges facing Africa, Asia and Latin America. The fund partners with public and philanthropic investors and invests in early-stage, nature-positive businesses, providing catalytic capital for opportunities that are too early or in special situations where traditional investors can't, while prioritizing impact, offering flexible structures, connecting investees to CI's science and programs where possible, recycling capital into new investments and proving bankability to invite follow-on financing for its investees.

Photo credit: © Alex Bryce, CI

CI Ventures provides loans to small and medium-sized enterprises (SMEs) that operate in the forests, oceans and grasslands where CI works. The strategy ensures the provision of catalytic capital to develop a project pipeline that can achieve sizeable social and environmental impact, while reinvesting financial returns from loan repayments to support more SMEs serving nature, climate and people.

In 2022, CI Ventures, in collaboration with the U.S. International Development Finance Corporation (DFC) and the U.S. Agency for International Development (USAID), set up a loan portfolio guarantee to support critical ecosystems in Mexico, Peru and Colombia where there is a great need for conservation, restoration and sustainable management approaches. The guarantee will provide USD $5 million in financing for a USD $10 million loan portfolio.

CI Ventures is committed to promoting sustainability and biodiversity while also improving local livelihoods. As such, investments under the guarantee may include solutions that address mangrove restoration, sustainable livestock, regenerative agriculture, sustainable forest harvesting and ecotourism. USAID will also support the guarantee in the form of technical assistance.

CI Ventures is optimistic that this support will help CI increase social and environmental outcomes and pave the way for additional financing for conservation impact in these countries.

Solution

CI Ventures uses a venture philanthropy model that combines public and philanthropic funding with venture capital. Through its impact investing approach, CI Ventures can invest in companies that other investors might consider too high-risk. One such example is Coast 4C, a social enterprise helping to restore coastal infrastructure for smallholder seaweed farmers following Super Typhoon Rai in the Philippines. Its approach makes CI Ventures uniquely positioned to prioritize impact, strategically time its investments, lead with science and ultimately maximize the impact of every dollar invested.

To be eligible for financing from CI Ventures, enterprises must meet its investment criteria by demonstrating a viable business model, the potential to unlock future follow-on investment at scale and strong management capacity, in addition to alignment with CI's mission to protect nature for the benefit of people and the potential for significant, measurable environmental and social impacts. CI Ventures has also built a strong impact-reporting framework that remains central to its investment process and ensures the continuous monitoring of positive impacts. The program developed its own Impact Pathways approach that draws on its deep expertise in conservation and climate science to track investment outcomes – whether in natural capital, sustainable production or human well-being. By applying a common framework for theories of change, CI Ventures can identify causal links between investments and outcomes. Equipped with a two-tiered monitoring and evaluation structure, CI Ventures can measure both headline indicators and project-level metrics.

In 2022, Environmental Finance named CI Ventures "Small Asset Manager of the Year" for the second year in a row. The fund attributes its success to a unique impact investment approach and strong collaborations with global partners on innovative initiatives.

Expected impact

In its first five years, CI Ventures achieved impressive results from investments in landscapes and seascapes in Peru, Colombia, Ecuador, Kenya, South Africa, Indonesia and the Philippines. The fund executed 34 deals supporting 30 enterprises. In addition to a USD $12.5 million investment made by CI, CI Ventures mobilized another USD $86 million in co-financing and follow-on investments. At the close of 2022, the fund had raised USD $19 million in capital and identified USD $30 million in eligible near-term pipeline projects.

As its portfolio continues to grow, CI Ventures aims to develop the market for nature-positive investments while working to close the investment gap. Based on results achieved to date, CI Ventures has set its sights on scaling up a USD $50 million fund. The larger fund would enable it to:

→ Execute 200 deals for people and nature;

→ Secure co-financing and prompt USD $700 million in follow-on investments;

→ Create 3,000 jobs in nature-based businesses;

→ Support 150,000 livelihoods;

→ Protect, conserve or sustainably manage 500,000 hectares of natural habitat.

Sources

Conservation International (n.d.). **CI Ventures, LLC**.

Conservation International Ventures, LLC (2022). **CI Ventures Impact Report 2022**.

Costanza, R. et al. (2014). **Changes in the global value of ecosystem services**. *Global Environmental Change*, vol. 26, 2014, pp. 152-158.

Environmental Finance (n.d.). **IMPACT Awards 2022: Asset manager of the year – small: Conservation International Ventures**.

Paulson Institute (n.d.). **Financing Nature: Closing the Global Biodiversity Financing Gap**.

World Economic Forum (2023). **Global Risks Report 2023**.

Photo credit: © Jaime Rojo/The Living Med

Appendix D. Case Study: *Lombard Odier Investment Managers New Food Systems Strategy*

Harnessing opportunities aligned with the transition to more sustainable food systems

Location

Global (including emerging markets)

Background

Food systems are accelerating the transgression of several of the nine planetary boundaries that regulate the stability and resilience of the Earth system. These nine planetary boundaries are vital to ensuring that humanity and economic systems can continue to develop and thrive for generations to come. Crossing them could generate irreversible environmental changes.

The agriculture, forestry and other land uses (AFOLU) sector accounts for 24% of greenhouse gas (GHG) emissions, 90% of forest degradation, 70% of freshwater supplies and 25% of biodiversity loss. There is general agreement that to address the negative effects of food systems, it is vital to restore 1 billion hectares of degraded land by 2030, which implies reducing agricultural land by 20%. Some 115 countries have already shown support for this commitment through climate and biodiversity pledges. In addition, current food systems generate an estimated USD $12 trillion annually in hidden environmental, health and poverty costs.

In order to sustainably and safely feed 10 billion people by 2050, food systems will have to undergo a sustainable transformation, drastically changing the way food is produced, distributed and consumed.

Innovative partnership

Lombard Odier Investment Managers (LOIM) has partnered with system change firm Systemiq to build holistiQ Investment Partners ("holistiQ").* holistiQ operates as an investment platform within LOIM, aiming to deploy capital for a net-zero and nature-positive economy. One of holistiQ's pillars is nature-based solutions, which includes opportunities across the Global South.

holistiQ brings an integrated approach to investment management, combining analysis of the commercial, environmental and societal factors that will shape the sustainability transition. As a research-driven platform, holistiQ has more than 100 professionals dedicated to translating its science-based quantitative research on the transformation of key economic systems – such as energy, land and oceans and materials – into investment strategies for clients. Its research-based investments, focused on unlocking the profit pools of the transition, aim to accelerate the emergence of sustainable, regenerative, nature-positive economic systems.

* holistiQ Investment Partners ("holistiQ") is a LOIM platform powered by a partnership with Systemiq and was announced on 6 June 2023. holistiQ is a trading name of LOIM and is not a legal partnership or other separate legal entity.

Solution

LOIM launched the New Food Systems strategy on 7 July 2022. It is now part of the holistiQ platform alongside four other sustainability-driven strategies.

The objective of the New Food Systems strategy is to invest in a food system that can meet the nutritional needs of a growing population, within the constraints of planetary boundaries. The strategy seeks to invest in public equities globally that develop and mobilize new forms of healthy and sustainable protein, new agricultural practices and new delivery models.

The key investment impact themes for the investment strategy were defined based on sustainability-driven inflection points and shifting profit pools:

1. **Sustainable food production:** Companies that produce biological and synthetic inputs and food products (like aquaculture, animal feed and health, fertilizers, agricultural products, food additives and ingredients).
2. **Enabling solutions:** Companies that provide specialized enabling products and services along the value chain (such as farming equipment, life sciences, enabling technologies, food packaging and logistics and delivery).
3. **Sustainable food consumption:** Consumer-facing companies, manufacturing, retailing and serving food (for instance, food manufacturing, retailers and restaurants and canteens focused on distributing tomorrow's diets).

A diversified portfolio is constructed from companies with material exposure to these investment themes and by screening based on a clear set of financial, environmental and social criteria.

Expected impact

The New Food Systems strategy is part of holistiQ's broader mission to drive large-scale capital investment to shape a net-zero and nature-positive economy. The strategy aims to invest in the transformation of the sustainable food value chain, favoring companies that enable solutions across the value chain in industries such as farming and food equipment, food packaging and logistics and consumer-facing companies that promote sustainable consumption.

Sources

Food and Agriculture Organization of the United Nations (2020). **Global Forest Resources Assessments: FAO Remote Sensing Survey 2020**.

Food and Land Use Coalition (2019). **Growing Better: Ten Critical Transitions to Transform Food and Land Use**.

holistiQ (n.d.). **holistiQ website**.

Lombard Odier Investment Managers (LOIM) (2022). **Strategy summary: New Food Systems**.

Lombard Odier Investment Managers (LOIM) (2023) & Systemiq (2023). **Lombard Odier Investment Managers and Systemiq announce holistiQ Investment Partners**. 6 June 2023.

Lombard Odier Investment Managers (LOIM) (n.d.). **Food Systems**.

Lombard Odier Investment Managers (LOIM) (n.d.). **New Food Systems strategy launch announcement**.

Lombard Odier Investment Managers (LOIM) analysis.

UNESCO World Water Assessment Programme (WWAP) (2019). *The United Nations World Water Development Report 2019: Leaving No One Behind.*

Appendix E. Case Study:
Mirova Land Degradation Neutrality Fund

Facilitating sustainable land use and land restoration investments

Location

Africa, Asia and Latin America

Background

With the global population set to surpass 9 billion by 2050, finding a sustainable approach to managing land use has become critical. In the last two decades alone, the world has lost more than 25% of arable land, equating to roughly 2 billion hectares. Estimates show that an additional 12 million hectares of productive land are lost globally each year. In fact, according to the European Commission's 2018 edition of the *World Atlas of Desertification*, 75% of the Earth's land area has been degraded – a figure that could reach 90% by 2050.

Due to the far-reaching implications of land degradation on food security, livelihoods, climate change, biodiversity and the Earth's ecosystems, there is an urgent need for long-term financing solutions that reduce and reverse land degradation. Land degradation neutrality, a target adopted by the SDGs (target 15.3) and other initiatives, highlights the need to use sustainable land management (SLM) practices to avoid additional social, ecological and economic capital damages. Landscape restoration and agroforestry are two SLM practices that show significant promise from a responsible land-use perspective and due to the environmental and social benefits that result.

Photo credit: Kennemer Foods International

Innovative partnership

The Land Degradation Neutrality (LDN) Fund is a first-of-its-kind impact investment fund designed to facilitate sustainable land use and land restoration investments and contribute to the larger LDN concept. The United Nations Convention to Combat Desertification (UNCCD) initiated the fund and Mirova acts as the fund's independent manager. The Sustainable Trade Initiative (IDH) manages an associated donor-funded technical assistance (TA) facility that aims to expand positive development impacts, decrease environmental, social and governance (ESG) risks and enable knowledge sharing. The French Development Agency (AFD) and the Global Environmental Facility (GEF) provide donor contributions to the TA facility.

To oversee each investment using the approved SDG 15.3 metrics (and other social and environmental indicators), Mirova and IDH have partnered with Conservation International to create a measuring toolkit specifically focused on indicators for land productivity, land cover and soil organic carbon.

Since its final closing in March 2021, the LDN Fund has secured USD $208 million in investment commitments from public sector partners (including the French Development Agency (AFD), the European Investment Bank, the UK Department for Environment, Food and Rural Affairs (DEFRA), Global Affairs Canada and the Government of Luxembourg) and private sector partners (such as Allianz, BNP Paribas Cardif, Fondaction and Natixis Assurances).

Solution

As an innovative financing vehicle, the LDN Fund provides long-term financing (debt and equity) to projects and companies in the agroforestry, forestry and regenerative agriculture sectors, as well as other land-based activities.

To reach the SDG target of achieving LDN by 2030, private sector investments (in addition to public resources) are necessary. This is where the LDN Fund comes in. It leverages public resources to catalyze the large pool of private capital available. At present, the fund has invested in 10 companies in Africa, Asia and Latin America, with a number of other projects under active consideration. It evaluates projects based on their economic profitability (operational robustness and financial viability), environmental and social impact, and risk management.

While the LDN Fund focuses solely on developing countries, the scope of investments is global, ensuring it is well-diversified between different sectors, business models and regions. To appeal to private investors who normally wouldn't invest in SLM projects (such as pension funds, insurers and other institutional investors), the fund relies on a layered capital structure, offering appropriate risk-return profiles for two investment classes:

1. Junior investors that take a first-loss position, prioritizing environmental and social impacts over financial returns (i.e. public organizations);
2. Senior investors that seek market financial returns with a low-risk profile, wishing to diversify their portfolio and invest in real assets (i.e. institutional investors).

The LDN Fund TA facility, which provides grants to assist projects seeking LDN Fund investments, has four key workstreams:

1. Pre-investment stage project design support;
2. Post-investment assistance to projects in the implementation phase;
3. Impact monitoring;
4. Sharing of lessons learned and knowledge from successful sustainable land management investment models.

Expected impact

By investing in SLM and land restoration projects, the LDN Fund is set to deliver positive environmental and socio-economic impacts, in addition to financial returns. With its focus on land degradation, the LDN Fund aims to achieve targets of 350,000 hectares under sustainable land management, 70,000 jobs provided by its investments and 25 million metric tons of CO_2 sequestered.

Sources

European Investment Bank (n.d.). **Land Degradation Neutrality Fund**.

Green Finance Institute (n.d.). **Mirova Land Degradation Neutrality Fund**.

Mirova (2021). **Land Degradation Neutrality Fund Impact Report 2021**.

Mirova (2022). **Land Degradation Neutrality (LDN) Fund – An innovative impact investment fund for sustainable land use, with a linked TA Facility**.

Mirova (2022). **Land Degradation Neutrality Fund (LDN): 2022 Impact Report**.

Mirova (n.d.). **Land Degradation Neutrality Fund – An innovative fund project dedicated to sustainable land use**.

Natixis (2022). **Mirova accelerates the rollout of its sustainable land use investment program with three new projects in Brazil, Morocco, and the Philippines**. 12 May 2022.

One Planet Summit (n.d.). **Land Degradation Neutrality Fund (LDN)**.

Photo credit: Mirova

Appendix F. Case Study: *New Forests African Forestry Impact Platform*

Turning plantation forestry in sub-Saharan Africa into an asset class that can attract private investment

Location

Sub-Saharan Africa

Background

Africa is home to 17% of the world's forests. Roughly 60 million people directly rely on these forests, while over 60% of Africa's population indirectly depends on them. Sadly, the continent lost 4.4 million hectares of forest per year from 2015 to 2020.

Forests and landscapes are known for protecting wildlife from natural disasters and providing communities with shelter, food, fuel and other essential products and services. When their existence is threatened, human civilization pays the consequences.

As Africa's economy and demand for timber both grow, a solution to protect its biodiversity-rich forests is vital. Forest conservation and restoration are critical to mitigating these pressing issues.

Innovative partnership

Against this backdrop, New Forests, along with its three development finance institution (DFI) investment partners – British International Investment (BII), Norfund and Finnfund – have signed subscription agreements for their investment of USD $200 million in a dedicated African fund – the African Forestry Impact Platform (AFIP). This agreement follows an earlier announcement of intention made at the United Nations Climate Change Conference (COP26) in Glasgow for the group to partner to develop investment strategies designed to scale and transform the sustainable forestry sector in sub-Saharan Africa.

The four partners also announced AFIP's first acquisition, Green Resources, which is East Africa's largest forest development and wood processing company. Green Resources manages some 38,000 hectares of plantation forest throughout Mozambique, Tanzania and Uganda. Norfund and Finnfund have invested in Green Resources since 2019 and as part of the latest agreement, they have reinvested the capital from the sale of Green Resources into AFIP, while attracting new capital from BII.

Photo credit: New Forests

Headquartered in Australia, New Forests has been managing forestry assets for nearly 20 years, and recognizes the DFI partnership as an excellent cornerstone investment for AFIP to help scale and transform the forestry sector in sub-Saharan Africa. New Forests looks to leverage this partnership to attract private capital, although securing institutional investments comes with its own set of challenges. Unlike developed markets, where there is a more substantial likelihood for scalability, the plantation market in sub-Saharan Africa has yet to reach a similar risk-return profile and scale. Instead, plantation assets operate in silos, unable to realize attractive financial returns and social impact without significant risks, specifically reputational risks.

By combining capacity and management units, AFIP aims to show how to turn plantation forestry in sub-Saharan Africa into an asset class that can attract private investment. Since AFIP also seeks ambitious social and environmental returns, the platform is an open-ended vehicle attracting permanent capital, with the goal of finding a long-term solution to address some of the historical forestry investment-related challenges in Africa by operating a landscape approach. New Forests is exploring other forms of capital (such as impact and catalyst capital) to further invest at a landscape level. This approach would relieve the plantation forestry business from needing to invest a significant percentage of its annual budget to achieve environmental and social outcomes, which the catalytic capital investment could help achieve.

While New Forests is eager to pursue this approach, as the fund manager, it recognizes that deploying alternative finance at scale requires a specific skillset. Given its risk appetite, large portfolio and the level of due diligence required for each company to deliver social and environmental outcomes at a landscape level, New Forests is exploring partnerships with private sector partners who share their vision and who could help deploy the catalytic capital and achieve the expected impact.

Solution

AFIP aims to help reduce increased pressure placed on forests in Africa while supporting the sustainable growth of the plantation forest sector. It seeks to achieve these goals through initiatives that support forest conservation, degraded land restoration and the expansion of community-based forestry programs. Furthermore, AFIP offers a clear pathway to sustainable landscapes, improving production systems while ensuring conservation. AFIP also aims to increase funding for nature-based solutions, grow the supply of sustainable wood, restore natural capital and improve local job opportunities.

Over the next two to three years, AFIP aims to raise USD $500 million to support the sustainability and development of Africa's expanding forestry sector. This is in line with its goals to secure long-term institutional capital. By investing in a portfolio of plantation forestry operating companies and related assets in sub-Saharan Africa, AFIP can target established assets that it expects will offer stable and predictable cash flows across diversified markets. It is important to note that any carbon revenue on top on this strategy would be additional. Against this background, AFIP is currently focusing on consolidation, showing that there is a reliable market, that the strategy is scalable and that it can minimize risks through scale.

AFIP will also draw on technical assistance from Partnerships for Forests, a UK Foreign, Commonwealth & Development Office funded program. Partnerships for Forests will work closely with AFIP to identify and develop new business models that work for plantations, while generating tangible returns for investors and delivering social and environmental value to smallholders and other landscape stakeholders.

Expected Impact

AFIP aims to address two social and two climate impact targets that are directly linked to its carried interest at year 10:

1. Biodiversity (increase quality habitat by 14%);
2. Carbon sequestration (reduce emissions and increase 2.26 million tons net);
3. Gender (80% of the portfolio needs to be compliant with 2X Global's 2X Challenge criteria);
4. Improved and alternative livelihoods (increase the number of livelihoods improved or alternative ones provided by 14%).

AFIP plans to create a baseline for each new investment across all four impact targets, followed by an approved methodology. It will cap the portfolio at year four and measure it again at year 10.

Sources

2X Global (n.d.). **2X Challenge: Criteria**.

British International Investments (BII) (2022). **We're investing in the African Forestry Impact Platform**. 19 October 2022. **https://www.bii.co.uk/en/news-insight/news/new-forests-announces-first-investors-in-african-forestry-impact-platform-and-inaugural-acquisition/**

Finnfund (2022). **First investors in African Forestry Impact Platform announced**. 20 October 2022.

New Forests (2022). **New Forests announces first investors in African Forestry Impact Platform and inaugural acquisition**. October 2022.

Norfund (n.d.). **New platform will scale sustainable forestry in Africa**.

Interview with Stephanie Bishop (Environmental and Social Associate Director), New Forests.

Photo credit: New Forests

Appendix G. Case Study:
&Green Fund Advised by SAIL Ventures

Mobilizing capital to achieve inclusive supply chains and sustainable land use

Location

Tropical regions of Latin America, Africa and Southeast Asia

Background

As the global urgency to address climate change and biodiversity loss becomes more pronounced, the planet's natural ecosystems continue to disappear rapidly. In 2020 alone, the world lost 4.2 million hectares of primary forests and 12.5 million hectares of tree cover in the tropics. Pressured to answer global demand for their goods, agri-commodity businesses continue to expand their land, thus worsening the already heightened deforestation crisis.

The agriculture sector is at a crossroads, with the potential to move from contributing to the deforestation and biodiversity loss problem to becoming responsible for its solution. By applying sustainable and inclusive practices, agri-commodity businesses have the unique opportunity to positively impact supply chains while they simultaneously combat climate change and safeguard biodiversity.

For those businesses that already recognize the need to adjust their approach, the challenge is to find the necessary capital and technical expertise to ensure a smooth transition to more sustainable practices.

Innovative partnership

It is against this backdrop that IDH – The Sustainable Trade Initiative, working in close collaboration with the Norwegian Government through Norway's International Climate and Forest Initiative (NICFI), developed &Green in 2017. &Green is a private debt investment facility designed to delink commodity supply chains from deforestation in a manner that is both commercially viable and replicable as a model.

&Green recognizes the potential for agri-commodity businesses to access environmental and social returns, while also generating attractive financial returns. The fund's primary focus is to protect tropical forests and peatlands susceptible to degradation and deforestation. To do so, it invests in active commodity sectors, such as beef (livestock), palm oil, soy and forestry (including rubber).

Photo credit: SAIL Ventures

&Green has raised USD $180 million in committed capital from its six main contributors (NICFI, Unilever Group, the Global Environment Facility (GEF) through the United Nations Environment Programme (UNEP), FMO (the Dutch Entrepreneurial Development Bank), Mobilising Finance for Forests (MFF) and the Ford Foundation) in the form of grants, redeemable grants and loans.

&Green aims to reach USD $1 billion in assets under management over the next 10 years. To that end, &Green is now strategically using public capital to design innovative financial instruments that de-risk investments and leverage private capital from institutional investors.

Solution

&Green is specific in its focus as an investor, seeking out businesses directly and indirectly involved in the production of goods within the fund's approved jurisdiction (tropical regions of Latin America, Africa and Southeast Asia). By first identifying businesses that strongly align with the fund's central objectives of decoupling deforestation from key commodity supply chains, &Green can finance the transition of these supply chains from extractive to genuinely sustainable models that are adoptable, replicable and scalable.

There are three commitments that &Green requires from its prospective clients that simultaneously support their operational transformation and increase their attractiveness to future investors: a No Deforestation, No Peat and No Exploitation (NDPE) Policy; an Environmental and Social Action Plan (ESAP) and a Landscape Protection Plan.

The fund draws on its raised capital, expertise and partnerships to build an investment blueprint and mobilize private capital, helping its clients contribute to more inclusive supply chains, sustainable land use and commercial goals that drive transformational change on a global level.

&Green expects significant environmental returns from its clients' projects, which it tracks over the entire investment period. To safeguard the outcomes of each project, &Green has developed a technical assistance (TA) budget that aids current and prospective clients in preparing their eligibility for an investment through the fund. These TA initiatives can operate in conjunction with the investment process, whereby clients must meet &Green's environmental and social management system (ESMS) standards to qualify for financing.

&Green offers its clients affordable, long-term (5-15 year) credit facilities and guarantees ranging from USD $5 million to USD $ 30 million. &Green's structuring and risk management expertise allows the fund to effectively manage and reduce the credit risk of its investors while providing attractive risk-adjusted returns. The fund is also capable of bearing greater short- and medium-term risks, allowing the credit to support lower cash flow needs during each project's initial years. This helps offset some of the client's upfront costs associated with the project's environmental and social criteria requirements.

Expected Impact

To achieve its mission to protect the world's tropical forests and continue to grow its portfolio of committed clients, &Green has put several measures in place:

1. It has integrated a key performance indicator (KPI) framework into its investment process to track, report and confirm the progress of each project's anticipated change targets.
2. It assigns each client an ESAP that outlines distinct measures for on-the-ground execution, along with impact evaluation performance indicators.
3. It refers to a Forest & Biodiversity Framework to guarantee a project's adherence to the International Finance Corporation's biodiversity-related Performance Standard 6 and other relevant certification standards where applicable. To ensure ongoing monitoring and verification, &Green relies on satellite data, client self-reporting, verification from local NGO partners and visits from Sail Ventures.

Sources

&Green (n.d.). **&Green Fund website**.

Butler, R. (2021). **The year in rainforests 2021**. Mongabay. 29 December 2021.

Green Finance Institute (n.d.). **&Green Fund**.

Sail Ventures (n.d.). **Sail Ventures website**.

Interview with Michael Schlup (Head of Impact and ESG, Managing Director), Sail Ventures

Photo credit: SAIL Ventures

Appendix H.
Forest Investor Club Investment Principles

1 Environmental, social and governance (ESG) and impact considerations should be incorporated throughout the investment cycle
ESG and impact considerations (namely related to climate, nature and people) should be incorporated throughout the entire investment cycle (from the identification of investment opportunities all the way to exit) and across asset classes. This may also include the incorporation of ESG and impact considerations into policies, strategies, tools, etc., as well as when assessing the capabilities of internal and external investment managers and service providers.and support FMs to proactively monitor operational performance and contribute to achieving and sustaining low carbon operation.

2 Investment strategies should seek to achieve financial sustainability
Investment strategies should seek to achieve financial sustainability to allow forests, nature and related sustainable land-use investments to:

i. Become a mature asset class that is scalable and

ii. Contribute their full potential to achieving the targets of the United Nations Sustainable Development Goals (SDGs), the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework.

3 Investment strategies should meet rigorous, science-based environmental and social standards
Investment strategies should apply the "Do No Harm" principle. Similarly, investment strategies should meet rigorous, science-based social and environmental standards in accordance with international best practices, such as the International Finance Corporation's Environmental and Social Performance Standards. Investment strategies should ensure that they duly manage social and environmental risks (e.g., risk management, labor, resource efficiency, community, land resettlement, biodiversity, Indigenous communities and cultural heritage).

4 Nature-based carbon strategies should align with leading voluntary carbon market (VCM) initiatives
Investment strategies should align with leading VCM initiatives to ensure high-integrity demand for high-quality projects that contribute to mitigating climate change, promoting biodiversity conservation and supporting sustainable development and livelihoods for local communities and Indigenous communities. Some of these VCM initiatives may include the Voluntary Carbon Markets Initiative (VCMI) and the Integrity Council for the Voluntary Carbon Market (ICVCM).

5 Investment strategies should be based on evidence, sustainable and mainstreamed within an appropriate jurisdictional context
Investment strategies should have a theory of change (based on scientific evidence) and apply adaptive management principles throughout the investment cycle to ensure long-term sustainability. Investment strategies should also aim to align with policy and regulatory frameworks and national and global commitments when feasible. To facilitate the scaling of investments in nature-based solutions (NbS), FIC members should aim to share, to the extent possible, lessons learned arising from the design and implementation of such solutions.

6 Investments should promote inclusive and transparent governance processes
Investments should have inclusive and transparent governance processes in place to reduce sustainability risks and strengthen their "social license to operate". This should include the availability and accessibility of appropriate grievance mechanisms, where the participation of all stakeholders is based on mutual respect and equality. Similarly, decision making processes should address the rights and interests of all the stakeholders involved within and beyond jurisdictional boundaries (e.g., transboundary agreements).

7 Investment strategies should have a robust impact measurement and management system and provide independent verification (when feasible)
Investment strategies should have a robust impact measurement and management system in place, which should include a clear definition of the impact strategy (e.g., goals, targets, etc.), measurement, monitoring, reporting (e.g., comparing and communicating performance) and verification. Investment strategies should provide independent verification when feasible.

8 FIC members should disclose and report ESG issues and impacts of their operations and their portfolio companies
FIC members should disclose and report ESG issues and impacts (namely related to climate, nature and people) of their operations and their portfolio companies, specifically when linked to FIC-related activities. This should include how they integrate ESG issues and impacts across the entire investment cycle, policies, strategies, etc., as well as what they require of service providers, portfolio companies, etc.

Appendix I.
Joining Forest Investor Club

The Forest Investor Club (FIC) is open to considering new Members and Network Partners. As a Member or Network Partner, organizations can enjoy several benefits:

→ The ability to prioritize, shape and access tools and resources developed by FIC to understand and unlock investment, including new approaches to addressing barriers to investing at scale;

→ Opportunities for investment and partnerships that enable investment, with support in matching members with relevant investments and partners;

→ A pre-competitive space for knowledge sharing to help navigate forest and nature investments in frontier and emerging markets;

→ Thought leadership opportunities and recognition as part of an influential network of peers working on the same challenges.

The main distinction with becoming a member organization is the intent to actively deploy capital for nature-based solutions (NbS). Network Partners, on the other hand, are alliances/platforms, technical service providers, project developers, NGOs, research institutions and international organizations that provide technical advice on NbS investment, access to a potential pipeline of investment opportunities and alignment with complementary efforts to scale investments.

Currently, there is no cost to join FIC and it is not necessary to be a WBCSD member. FIC Members must align with a set of membership requirements, including:

→ Supporting the Forest Investor Club Vision – that forest, nature, and related sustainable land-use investments in frontier and emerging markets become a mature asset class, contributing their full potential to achieving the United Nations Sustainable Development Goals and the targets of the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework;

→ Aligning with a set of Principles for Investing in Nature-based Solutions (**see Appendix H. Forest Investor Club Investment Principles**);

→ Actively engaging in Member calls (organized at a minimum every two months), designed to provide updates, share knowledge, gather feedback and further FIC's work;

→ Reporting on progress as part of annual reporting for FIC.

For more information about the Forest Investor Club, contact Ben Cohen, Senior Manager, Forest Investor Club at **cohen@wbcsd.org**.

Endnotes

1 U.S. Department of State (2021). U.S. Announcements on World Leaders Summit Forest and Land Use Event. 3 November 2021. Retrieved from: https://www.state.gov/u-s-announcements-on-world-leaders-summit-forest-and-land-use-event/.

2 PwC (2023). PwC boosts global nature and biodiversity capabilities with new Centre for Nature Positive Business, as new research finds 55% of the world's GDP – equivalent to $58 trillion – is exposed to material nature risk without immediate action. 19 April 2023. Retrieved from: https://www.pwc.com/gx/en/news-room/press-releases/2023/pwcboosts-global-nature-and-biodiversity-capabilities.html.

3 United Nations Department of Economic and Social Affairs, United Nations Forum on Forests Secretariat (2021). *The Global Forest Goals Report 2021*. Retrieved from: https://www.un.org/esa/forests/wp-content/uploads/2021/04/Global-Forest-Goals-Report-2021.pdf.

4 Taskforce on Nature Products (2022). *Global Nature Markets Landscaping Study*. Retrieved from: https://www.mckinsey.com/~/media/mckinsey/business%20functions/sustainability/sustainability%20blog/the%20state%20of%20nature%20markets%20today%20and%20tomorrow/globalnaturemarketslandscapingstudy.pdf.

5 McKinsey Sustainability (2022). The state of nature markets today and tomorrow. Retrieved from: https://www.mckinsey.com/capabilities/sustainability/our-insights/sustainability-blog/the-state-of-nature-markets-today-and-tomorrow.

6 Natural Capital Coalition (2021). *Natural Capital Protocol*. Retrieved from: https://capitalscoalition.org/wp-content/uploads/2021/01/NCC_Protocol.pdf.

7 International Union for Conservation of Nature (IUCN) (2016). World Conservation Congress and members' assembly resolution WCC-2016-Res-069-EN – Defining Nature-based Solutions. Retrieved from: https://portals.iucn.org/library/sites/library/files/resrecfiles/WCC_2016_RES_069_EN.pdf.

8 Intergovernmental Panel on Climate Change (IPCC) (2023). *Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.* Retrieved from: https://www.ipcc.ch/report/sixth-assessment-report-cycle/.

9 World Meteorological Organization (WMO) (2023). Copernicus confirms July 2023 was the hottest month ever recorded. 8 August 2023. Retrieved from: https://public.wmo.int/en/media/news/copernicus-confirms-july-2023-was-hottest-month-ever-recorded.

10 WWF (2022). *Living Planet Report 2022.* Retrieved from: https://livingplanet.panda.org/en-US/.

11 United Nations Environment Programme (2021). *State of Finance for Nature 2021.* Nairobi. Retrieved from: https://www.unep.org/resources/state-finance-nature-2021.

12 WBCSD (2020). *Accelerating business solutions for climate and nature – Report I: Mapping nature-based solutions and natural climate solutions.* Retrieved from: https://www.wbcsd.org/Programs/Food-and-Nature/Nature/Nature-Positive/Resources/Accelerating-business-solutions-for-climate-and-nature-Report-I-Mapping-nature-based-solutions-and-natural-climate-solutions.

13 Ruiz, S. (2020). How Scientists Measure Biodiversity. Global Forest Watch. Retrieved from: https://www.globalforestwatch.org/blog/data-and-research/how-scientists-measure-biodiversity/.

14 World Economic Forum (2020). 395 Million New Jobs by 2030 if Businesses Prioritize Nature, Says World Economic Forum. Retrieved from: https://www.weforum.org/press/2020/07/395-million-new-jobs-by-2030-if-businesses-prioritize-nature-says-world-economic-forum.

15 Market Data Forecast (2023). Forestry and Logging Market Segmentation by Type (Logging, Timber Tract Operations, Forest Nurseries and Gathering of Forest Products), By Application (Construction, Industrial Goods, Others) and Region - Industry Analysis, Share, Growth and Forecast 2022 to 2027. Retrieved from: https://www.marketdataforecast.com/market-reports/forestry-and-logging-market.

16 Food and Agriculture Organization of the United Nations (FAO) (2022). *Global forest sector outlook 2050: Assessing future demand and sources of timber for a sustainable economy – Background paper for The State of the World's Forests 2022.* FAO Forestry Working Paper, No. 31. Rome. Retrieved from: https://www.fao.org/3/cc2265en/cc2265en.pdf.

17 DGB Group (2023). Report: Growing carbon credit market will increase to $4.4 trillion. 10 May 2023. Retrieved from: https://www.green.earth/news/report-growing-carbon-credit-market-will-increase-to-4.4-trillion.

18 United Nations Environment Programme (2022). *State of Finance for Nature. Time to act: Doubling investment by 2025 and eliminating nature-negative finance flows.* Nairobi. Retrieved from: https://www.unep.org/resources/state-finance-nature-2022.

19 United Nations Environment Programme (2022). State of Finance for Nature. *Time to act: Doubling investment by 2025 and eliminating nature-negative finance flows.* Nairobi. Retrieved from: https://www.unep.org/resources/state-finance-nature-2022.

20 United Nations Environment Programme (2022). *State of Finance for Nature. Time to act: Doubling investment by 2025 and eliminating nature-negative finance flows.* Nairobi. Retrieved from: https://www.unep.org/resources/state-finance-nature-2022.

21 U.S. Department of State (2021). Forest Investor Club Establishment at COP26. 2 November 2021. Retrieved from: https://www.state.gov/forest-investor-club-establishment-at-cop26/.

22 U.S. Department of State (2021). U.S. Announcements on World Leaders Summit Forest and Land Use Event. 3 November 2021. Retrieved from: https://www.state.gov/u-s-announcements-on-world-leaders-summit-forest-and-land-use-event/.

23 European Investment Bank (2022). *Forests at the heart of sustainable development. Investing in forests to meet biodiversity and climate goals.* Retrieved from: https://www.eib.org/attachments/lucalli/20220173_forests_at_the_heart_of_sustainable_development_en.pdf.

24 Hanson, C., Seymour, F., Chaturvedi, R. & Ding, H. (2019). 6 Barriers to Protecting and Restoring Forests – and Strategies to Overcome Them. World Resources Institute. 7 November 2019. Retrieved from: https://www.wri.org/insights/6-barriers-protecting-and-restoring-forests-and-strategies-overcome-them.

25 NatureFinance (2023). *Harnessing Biodiversity Credits for People and Planet.* Retrieved from: https://www.naturefinance.net/resources-tools/harnessing-biodiversity-credits-for-people-and-planet/.

26 NatureFinance (2023). *Harnessing Biodiversity Credits for People and Planet.* Retrieved from: https://www.naturefinance.net/resources-tools/harnessing-biodiversity-credits-for-people-and-planet/.

27 Cuming, V. & Bromley, H. (2023). *Biodiversity Finance Factbook.* BloombergNEF. Retrieved from: https://assets.bbhub.io/professional/sites/24/REPORT_Biodiversity_Finance_Factbook_master_230321.pdf.

28 Manuell, R. (2023). Developed biodiversity market schemes have seen $8 mln pledged for credits -report. Carbon Pulse. 23 May 2023. Retrieved from: https://carbon-pulse.com/204564/.

29 S&P Global (2022). Nature is climbing the agenda, but corporate biodiversity commitments remain rare. 1 February 2022. Retrieved from: https://www.spglobal.com/esg/csa/yearbook/articles/nature-is-climbing-the-agenda-but-corporate-biodiversity-commitments-remain-rare.

30 S&P Global (2022). Biodiversity is still a blind spot for most companies around the world. 15 December 2022. Retrieved from: https://www.spglobal.com/esg/insights/biodiversity-is-still-a-blind-spot-for-most-companies-around-the-world.

31 Government of France & Government of the United Kingdom (2023). *A Global Roadmap to Harness Biodiversity Credits for the Benefit of People and Planet.* Retrieved from: https://www.naturefinance.net/wp-content/uploads/2023/06/

32 Credit Suisse Group (2021). *Unearthing investor action on biodiversity.* Retrieved from: https://media.recapitalusa.com/uploads/research/Biodiversity_report2021.pdf.

33 S&P Global (2022). Biodiversity is still a blind spot for most companies around the world. 15 December 2022. Retrieved from: https://www.spglobal.com/esg/insights/biodiversity-is-still-a-blind-spot-for-most-companies-around-the-world.

34 PwC (2023). *Accelerating Finance for Nature: Barriers and recommendations for scaling private sector investment. Center of Nature Positive Business.* Retrieved from: https://www.pwc.com/gx/en/nature-and-biodiversity/nature-fin-accelerator-mode.pdf.

35 The Nature Conservancy and Environmental Finance (2019). *Investing in Nature, Private finance for nature-based resilience.* Retrieved from: https://www.nature.org/content/dam/tnc/nature/en/documents/TNC-INVESTING-IN-NATURE_Report_01.pdf.

36 PwC (2023). *Accelerating Finance for Nature: Barriers and recommendations for scaling private sector investment. Center of Nature Positive Business.* Retrieved from: https://www.pwc.com/gx/en/nature-and-biodiversity/nature-fin-accelerator-mode.pdf.

37 European Investment Bank (2022). *Forests at the heart of sustainable development. Investing in forests to meet biodiversity and climate goals.* Retrieved from: https://www.eib.org/attachments/lucalli/20220173_forests_at_the_heart_of_sustainable_development_en.pdf.

38 Respira (2023). Nature-based carbon credits explained. 14 February 2023. Retrieved from: https://www.respira-international.com/nature-based-carbon-credits-explained/. Girardin, C. et al. (2021). Nature-based solutions can help cool the planet — if we act now. *Nature*, vol. 593, 13 May 2021, 191–194. Retrieved from: https://www.nature.com/articles/d41586-021-01241-2.

39 WBCSD (n.d.). Case Studies: Scaling Partnerships for Investment in Sustainable Food Systems, Forests and Nature. Retrieved from: https://www.wbcsd.org/Focus-Areas/Forest-Investor-Club/Resources/Case-Studies-Scaling-Partnerships-for-Investment-in-Sustainable-Food-Systems-Forests-and-Nature.

40 Varada, K. (2022). Putting your money where your mouth is – Impact-linked carry: tying incentives with impact goals. Responsible Investment Forum: Tokyo 2022. Retrieved from: https://www.peievents.com/en/wp-content/uploads/2022/06/9-June_Karthik-Varada_Final-EN.pdf.

41 Mitchenall, T. (2021). Mirova joins impact-linked-carry crew. New Private Markets. 30 September 2021. Retrieved from: https://www.newprivatemarkets.com/mirova-joins-impact-linked-carry-crew/.

42 United Nations Environment Programme (2022). *State of Finance for Nature. Time to act: Doubling investment by 2025 and eliminating nature-negative finance flows.* Nairobi. Retrieved from: https://www.unep.org/resources/state-finance-nature-2022.

Acknowledgements

The Forest Investor Club was launched and is sponsored by the U.S. Department of State. We thank the State Department for supporting this effort and FIC Members and Network Partners for their ongoing participation and contribution.

Disclaimer

This report is released in the name of WBCSD. Like other reports, it is the result of collaborative efforts by WBCSD staff and experts from member organizations. Forest Investor Club (FIC) participants reviewed drafts, ensuring that the report broadly represents the majority of project members' views. It does not mean, however, that every Member or Network Partner of FIC agrees with every word.

About the Forest Investor Club (FIC)

Launched by the U.S. Department of State and led by WBCSD, the Forest Investor Club is a network of public and private sector financial institutions, companies and investors committed to accelerating the deployment of capital into the protection, restoration and sustainable management of forests and nature. It catalyzes investments that reduce emissions and enhance carbon sequestration by supporting members through additional access to investment pipelines, facilitating complementary partnerships to de-risk and increase access to capital and developing solutions to overcome investment barriers.

www.wbcsd.org/Focus-Areas/Forest-Investor-Club

About the World Business Council for Sustainable Development (WBCSD)

The World Business Council for Sustainable Development (WBCSD) is a global community of over 225 of the world's leading businesses driving systems transformation for a better world in which 9+ billion people can live well, within planetary boundaries, by mid-century. Together, we transform the systems we work in to limit the impact of the climate crisis, restore nature and tackle inequality.

We accelerate value chain transformation across key sectors and reshape the financial system to reward sustainable leadership and action through a lower cost of capital. Through the exchange of best practices, improving performance, accessing education, forming partnerships, and shaping the policy agenda, we drive progress in businesses and sharpen the accountability of their performance.

Follow us on **X** and **LinkedIn**

www.wbcsd.org

World Business Council for Sustainable Development

Geneva | Amsterdam | London | New York City | Singapore