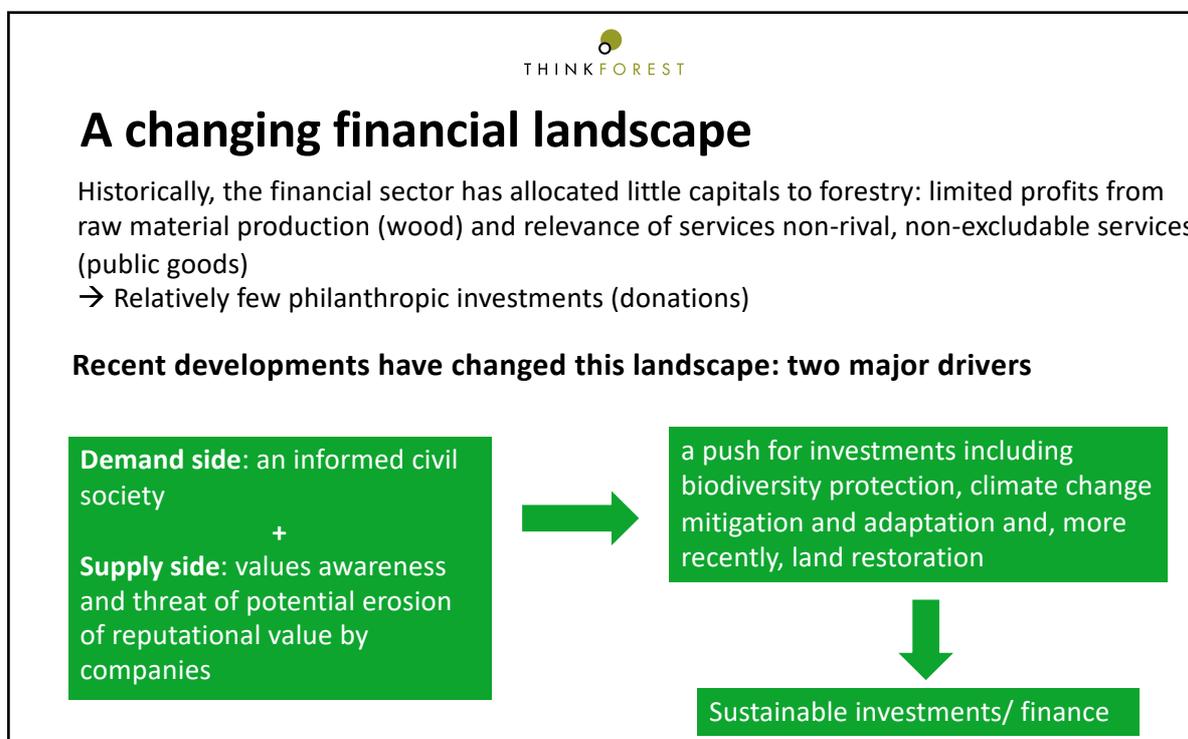
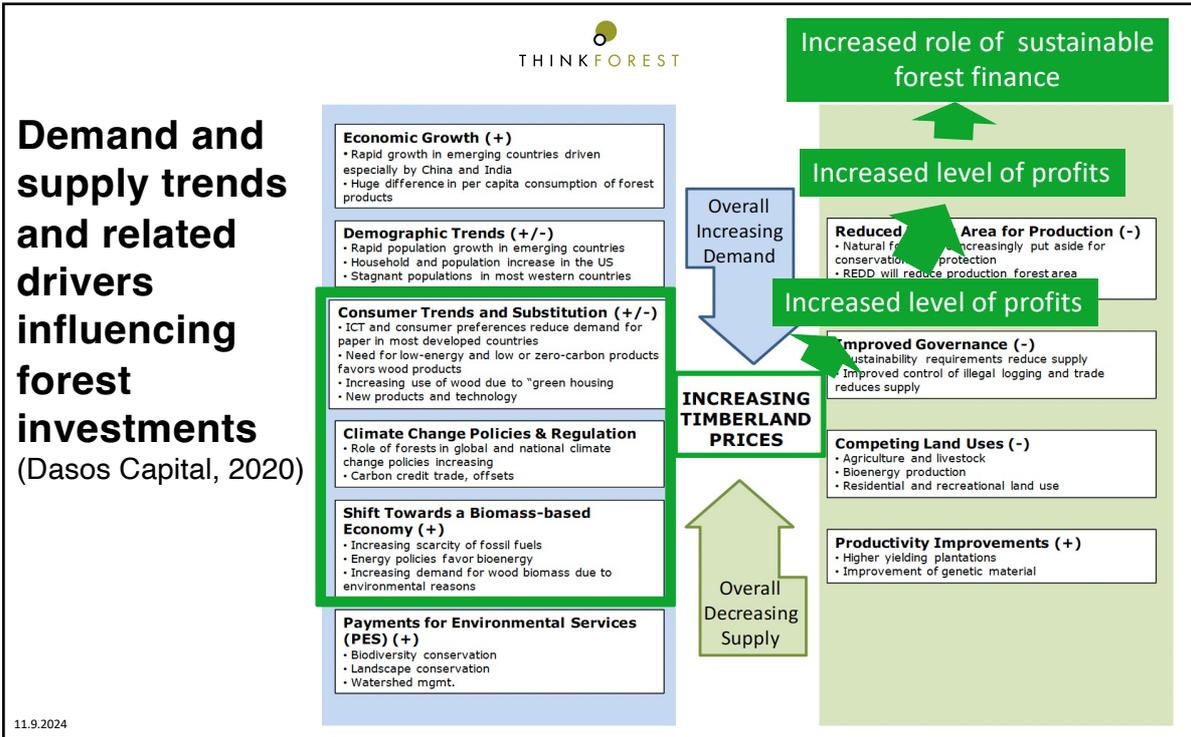




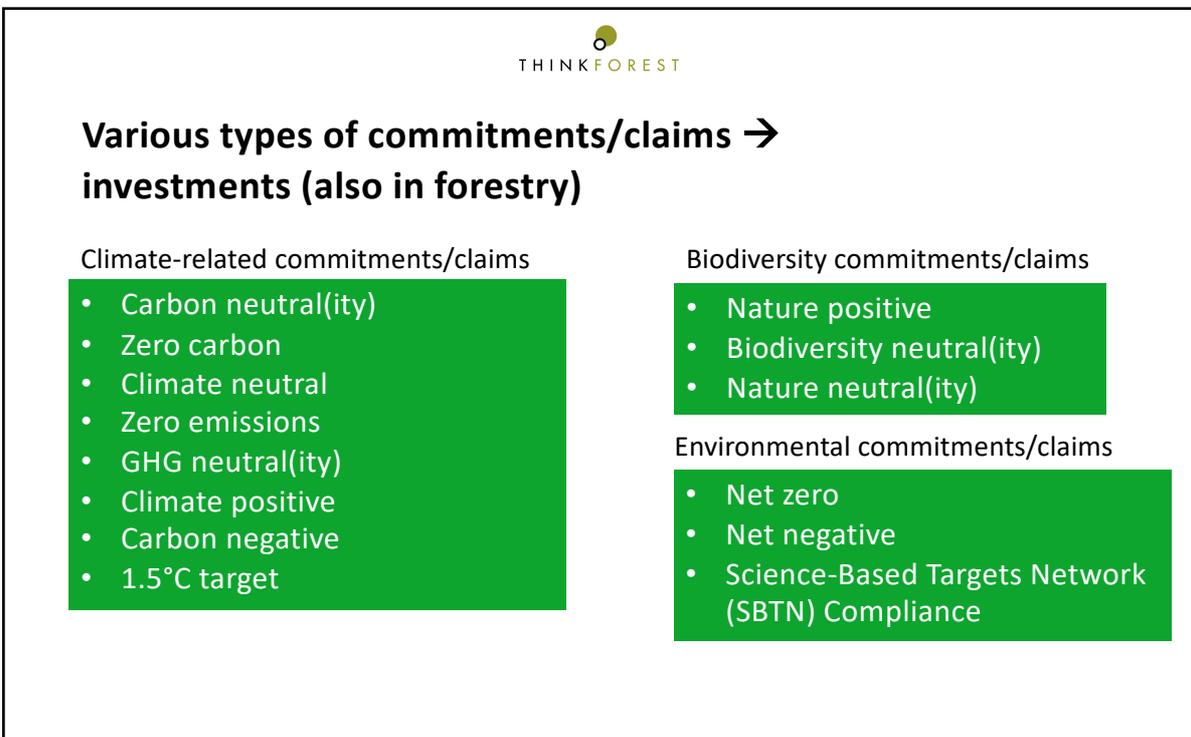
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## Different meanings of sustainable finance/investments

Sustainable investin, like sustainable finance, is an umbrella term:

- Investments that take into account of **environmental, social and governance** (ESG) criteria
- Investments aligned with the **SDGs**

or, more operationally, investments that are aligned with some criteria and indicators defined by public authorities (Taxonomy) or private ones

A more specific approach is taken with the terms "**green investments**", which are usually aligned with Do No Significant Harm (DNSH) principle and criteria related to environmental aspects, but have also a positive effect on the environment

An even narrower perspective is that of "**climate, biodiversity or conservation investment/finance**": more specific targets

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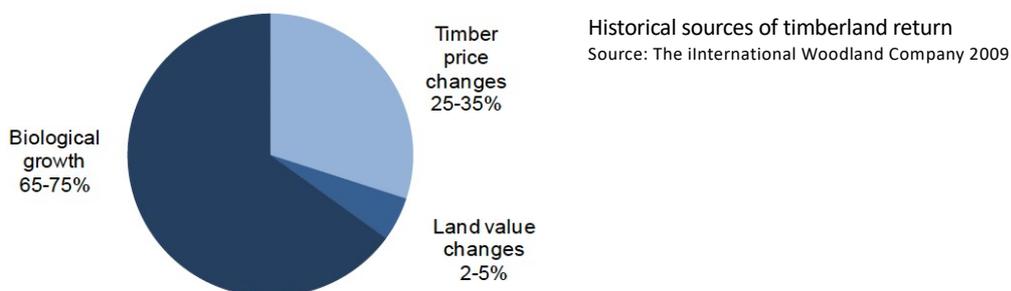


## Investments in all types of forests have unique challenges compared to other forms of investment

(Binkley *et al.*, 2001; Carroll, 2003; Hua *et al.*, 2022; Lundgren, 2005; Lutz, 2004; Mortimer, 2009; Toppinen *et al.*, 2012)

### Positive aspects:

- **Diversified revenue components:** rising real prices for timber and forest land, biological growth (although generally very slow)



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(Binkley *et al.*, 2001; Carroll, 2003; Hua *et al.*, 2022; Lundgren, 2005; Lutz, 2004; Mortimer, 2009; Toppinen *et al.*, 2012)

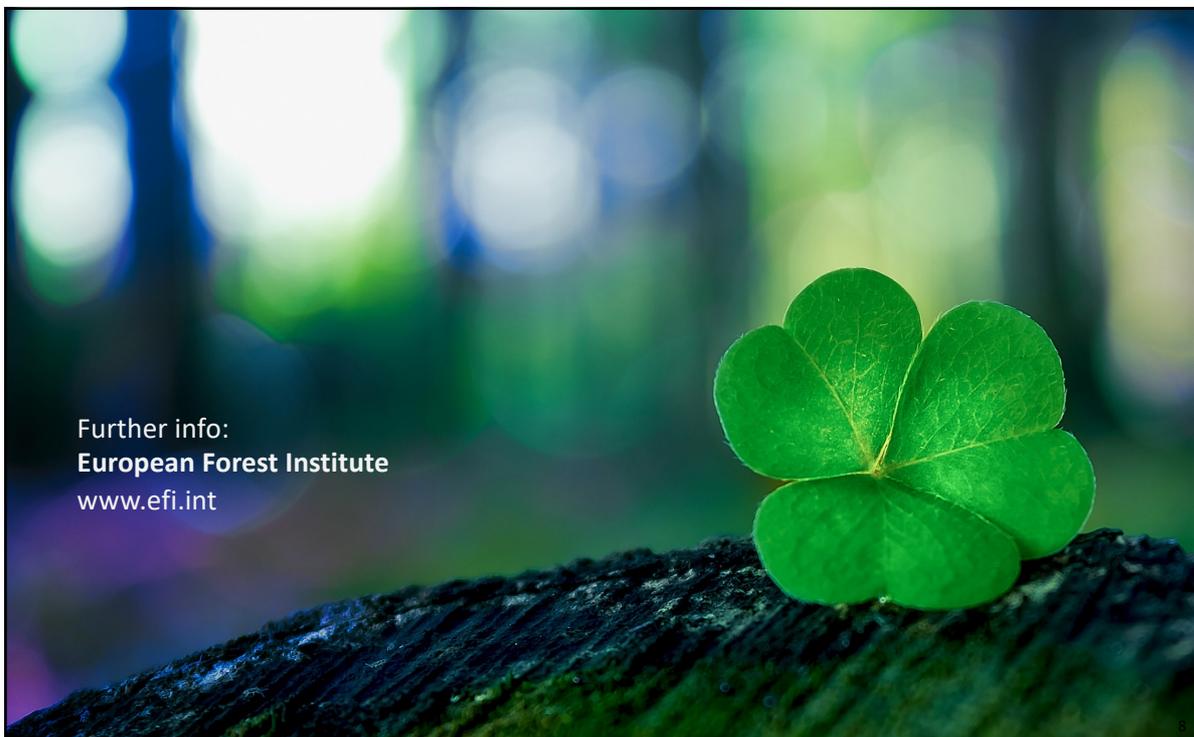
### Positive aspects:

- **Diversified components** of the revenue: increasing **real prices** of wood and of forest land, **biological growth** (even if generally very slow)
- **Inflation hedging**: forest returns are generally **positively correlated with inflation**
- **Returns** on forest investments are **less correlated** with returns on other financial assets → portfolio strategies
- Presence of generally **positive environmental externalities**; forest investments can improve green credentials → reputational value for investors

### Negative aspects:

- Relatively **long-term** investments (return is linked to the growth cycle of trees)
- Presence of **disruptive factors** (e.g. storms, fires, pests, floods) ← more frequent extreme events
- Presence of local and international **stakeholders** → transaction costs

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Further info:  
**European Forest Institute**  
[www.efi.int](http://www.efi.int)

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