



Impact Investing in the Forestry Sector: Opportunities and Challenges

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ABOUT THIS BRIEF

This report analyzes investment-level, annualized impact performance data contributed by investors to the GIIN's forestry impact performance benchmark. The brief forms part of a family of GIINsight briefs on impact results, offering deep-dive findings using benchmark data to enhance actionable insights for investors. Data pertain to direct impact investments — or investments made directly into companies or projects with the intent to create a positive, measurable social or environmental impact alongside a financial return — in forestry. Several findings in this brief are based on regression analysis to establish clear relationships using controls. Findings presented in this brief may be useful as investors explore patterns in impact results.

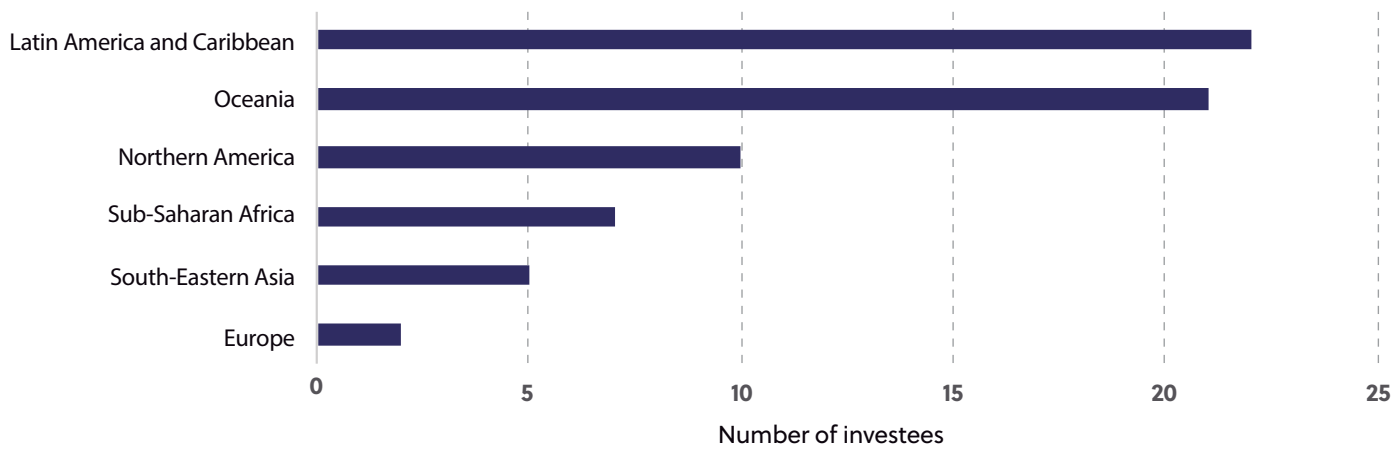
Forestry is emerging as a critical sector for impact investors, offering opportunities to address climate change, biodiversity loss and economic development while generating competitive financial returns. In 2024, 15% of investors made at least one forestry investment, and just under half expect to increase their allocation to the forestry sector in the next five years, according to the Global Impact Investing Network (GIIN) State of the Market report.ⁱ Forestry impact investing funds offer investors a variety of project types, including sustainable timber production, reforestation and conservation initiatives and investments in forested land, timber assets and emerging carbon markets. Beyond conservation and carbon finance, forestry also serves as a platform for social investments, with the potential to support decent job creation, Indigenous land stewardship and community-driven economic opportunities.

Carbon markets are particularly important for forestry impact investors. A key breakthrough in 2024 was the foundation laid for international carbon crediting projects at the COP29.ⁱⁱ For impact investors, who have long led the way in greenhouse gas (GHG) emission reduction in climate financing,ⁱ this presents both an opportunity and a challenge. More financing is needed to meet Paris Agreement targets, and private capital is a crucial piece of the puzzle, representing an exciting opportunity.ⁱⁱⁱ However, impact investors still face significant challenges in measuring carbon reduction outcomes due to the absence of standardized carbon accounting frameworks.^{iv}

To assist investors in understanding their impact in the forestry sector compared to their peers, the market and the Sustainable Development Goals (SDGs), the GIIN forestry impact performance benchmark collected data on 117 annualized investments made to 67 investees by 14 investors from 2013 - 2023. The GIIN also interviewed three impact investing organizations operating in three different continents: Agroempresa Forestal (AF) headquartered in Uruguay, Finnfund headquartered in Finland and New Forests headquartered in Australia. Each of these organizations also participated in the design of the benchmark and provided data. The GIIN forestry impact performance benchmark includes investments in 27 countries.

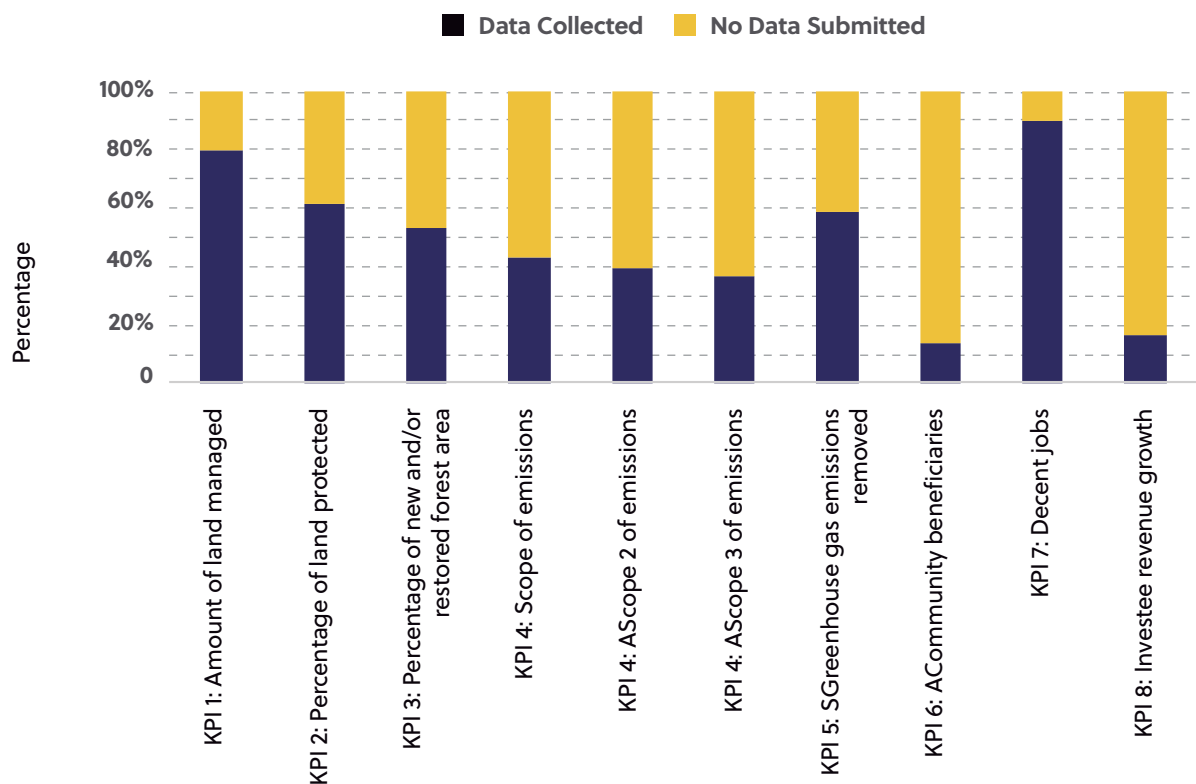
¹ See definition of and resources related to climate financing at <https://thegiin.org/climate-finance/>

Figure 1. Regions represented in the GIIN forestry impact performance benchmark



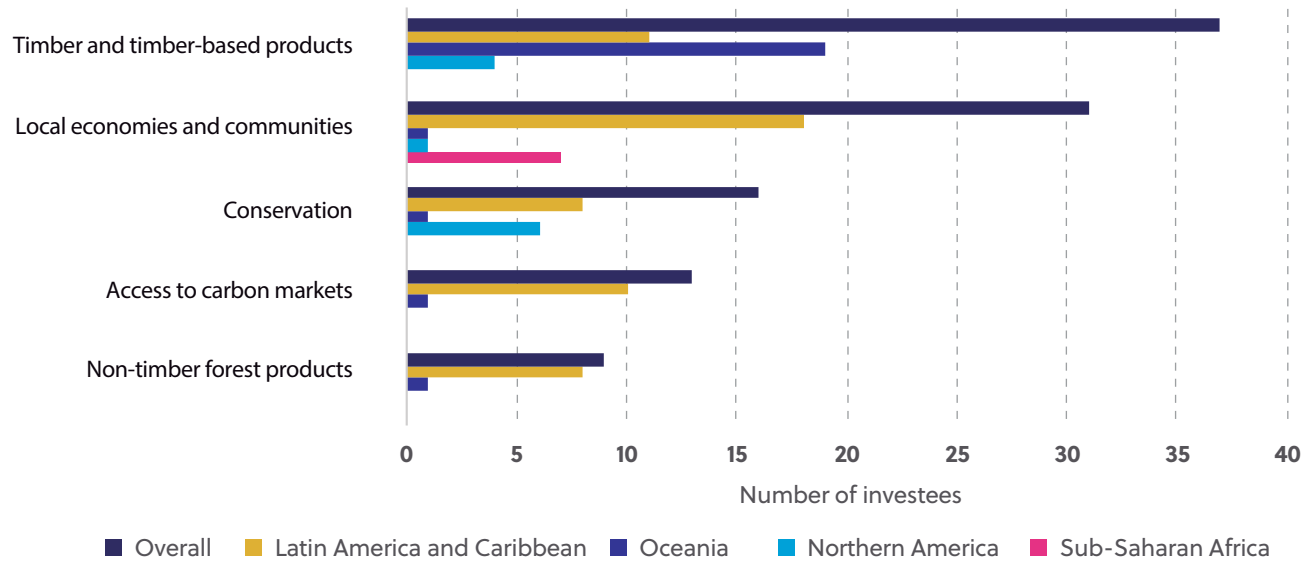
For impact investors to measure, manage and compare their impact in such diverse global contexts, it is important to use a common set of key performance indicators. Due to the rapidly evolving and fragmented nature of data collection in the forestry sector, such comparison is difficult. Within the GIIN benchmark sample, 43 of the annualized investments collect data on Scope 1 emissions, while fewer annualized investments reported Scope 2 and Scope 3 emissions, at 39% and 37%, respectively. Only 14% report data on community beneficiaries and 16% report data on investee revenue growth.

Figure 2. Percent of annualized investments that report data on each KPI



Forestry impact investing presents distinct opportunities across different regions, shaped by local ecological conditions, economic drivers and regulatory landscapes. The GIIN's forestry benchmark highlights five core strategic goals that guide investments in sustainable forestry, as shown below (Figure 3). Increasing the sustainability of timber and timber-based products remains the most common focus globally.

Figure 3: Number of investees engaging in different strategic goals through forestry investments



This paper dives deeper into the characteristics of emerging regions most well represented in the GIIN forestry benchmark: Latin America, Oceania and sub-Saharan Africa through engaging with examples in each region. It will analyze implications for carbon markets and impact measurement and management.

LATIN AMERICA

A significant share of global forestry investments occur in Latin America. Brazil, Uruguay and Chile lead the region in developing their commercial forestry sectors.^v Latin American forestry investors engage more evenly across all five strategic forestry goals: timber production, supporting local communities, conservation, carbon markets and non-timber forest products. (Figure 3) This balanced distribution reflects the region's mature timber industry alongside emerging opportunities in carbon markets and community-based forestry initiatives. These strategies reflect the theories of change of investors who desire financial returns with positive environmental and social impact.

Latin America faces urgent challenges, particularly around deforestation and biodiversity loss in commercial tree plantations.^{vi} Policy shifts, regulatory incentives and large-scale investment platforms signal strong governmental commitment to sustainable forestry, aligning with the SDGs and Paris Agreement targets. These sorts of initiatives create opportunities for impact investors to deliver capital to projects that not only generate financial returns but also contribute to global climate and biodiversity goals.

Forestry impact investors can also look to job creation as an important area in Latin America. The region faces a 16% youth unemployment rate.^{vii} Investments included in the GIIN forestry impact performance benchmark for Latin America show a higher number of decent jobs created compared to the global average,² at 169 per investment in Latin America versus 162 per investment globally. As shown in Figure 3, Latin America has the most substantial investor engagement in the “local economies and communities” strategic goal. With a focus on decent jobs, impact investors may improve prospects for workers in Latin America while also growing their carbon market participation through forestry.

OCEANIA

Some forestry impact investors invest in Australia and New Zealand because of their established timber markets and evolving carbon and biodiversity credit mechanisms.^{viii} In the investment data submitted to the GIIN forestry impact performance benchmark, more than 80% of impact investors focus on timber and timber-based products (Figure 3). Both Australia and New Zealand have well-regulated carbon markets, offering impact investors structured opportunities to generate additional returns. The 2008 New Zealand Emissions Trading Scheme and 2011 Australia's Carbon Credit Unit Scheme allow forestry investors to monetize carbon sequestration, with carbon credit values often matching or exceeding stumpage value, the market value of standing trees.^{ix}

Spotlight: Agroempresa Forestal investments in Latin America

Uruguayan real asset manager Agroempresa Forestal (AF) reports that community engagement efforts have had a significant impact on employment, local economies and climate outcomes, aligning closely with key KPIs from the GIIN forestry impact performance benchmark, including decent jobs, community beneficiaries and carbon removal. Across four funds, AF directly maintains 926 jobs and supports 1,111 indirect jobs, according to its 2023 impact report.^{xxi}

Beyond employment, AF reports that its investments have benefited 16,578 community members, with 14,023 engaged through project activities and 2,555 directly benefiting from AF-led [initiatives](#).^x Of the total community beneficiaries, 6,626 are female, demonstrating the broad social impact of forestry investments. This aligns with the GIIN forestry impact performance benchmark's community beneficiaries KPI, which tracks how forestry projects contribute to local economic resilience and social inclusion.

AF's funds have also made measurable contributions to climate goals, according to their 2023 impact report , with over 1.4 million tons of carbon dioxide equivalent (tCO₂e) removed and net emissions below -1.2 million tCO₂e.^x As reflected in the GIIN forestry impact performance benchmark's carbon-related KPIs, these outcomes highlight how forestry investments play a crucial role in climate mitigation and sustainable land management, while also delivering strong financial and environmental returns for impact investors.

2 See IRIS+ metrics related to decent jobs, which assess employment quality through fair labor practices, policies and worker protections. Additional frameworks might be used to ensure adherence to these standards. FSC (Forest Stewardship Council) certification is a key indicator, as its principles emphasize community engagement, fair wages, and worker rights. Additionally, SFI and PEFC also push for improved labor conditions in forestry operations.

Spotlight: New Forests investments in Oceania

Founded in 2005, New Forests is a real assets manager managing 4.2 million hectares of land. New Forests' investments in Australia and New Zealand comprise most of its assets under management, with an investment strategy focused on the sustainable management of certified plantation forests, alongside timber processing, carbon markets and agriculture.^{xvii}

New Forests reports that it structures its impact measurement around three core areas: nature-based solutions, shared prosperity and circular bioeconomy.^{xvi} The nature-based solutions category tracks carbon sequestration performance, aligning with the GIIN forestry impact performance benchmark's emissions removal metrics. New Forests' shared prosperity impact area focuses on community empowerment, especially direct employment creation, while circular bioeconomy measures sustainably managed forest area through certification standards. Both these latter metrics correspond directly with key indicators in the forestry benchmark.

Forico, Tasmania's largest private forestry management company and a New Forests investee, exemplifies strong alignment with impact measurement standards, New Forests reports. Managing 173,000 hectares of land, Forico sequestered 123 million tons of carbon dioxide equivalent in 2023. The company also tracks ecological indicators such as protected species counts and water catchment health.^{xviii}

Certification systems like FSC have played a pivotal role in ensuring responsible forest management, aligning sub-Saharan Africa's forestry sector with sustainability standards required by European, U.S. and Japanese markets.^{xv}

Forestry investment for smallholder timber growers is a common approach for forestry impact investors in rural Africa, where investors report finding opportunities for both financial returns and positive social and environmental impact. This type of investment requires strategy and expertise given the long lead times of tree growth.^{xvi} Without support for other livelihood opportunities, smallholder projects often face execution risks due to a lack of expertise, premature harvesting driven by cash flow needs and limited access to quality markets, investors report.^{xvii} When paired with technical assistance including livelihood diversification programs, afforestation projects can provide meaningful income opportunities.

The participants in the forestry impact performance benchmark also recognize that smallholder and community engagement is critical for successful, long-term forestry investments. All seven investees in sub-Saharan Africa indicate "local economies and communities" as their primary strategic goal (Figure 3). This consensus highlights a shared recognition of the connections between forestry investments, economic resilience and environmental stewardship.

There are challenges to forestry expansion in Oceania, such as plantation areas being converted to agriculture due to higher agricultural market prices.^{xi} Australia's plantation area has declined by 10% over six years, driven by wildfires, drought and agricultural competition.^x On the other hand, Australia's Nature Repair Market, launched in March 2025, is set to introduce a national biodiversity credit system. This system is expected to drive even higher valuations than carbon credits by increasing corporate and government demand for measurable biodiversity outcomes.^{xi}

A key factor in the region is Indigenous land ownership, with 70% of land in Australia included as part of the Indigenous estate.^{xii} This could provide opportunities for developing Indigenous commercial forests that incorporate both legal regulations, cultural considerations and sustainable land management principles. Certifications such as the Forestry Stewardship Council (FSC) ensure due diligence in Indigenous rights and responsible forestry management, making these kinds of certifications an essential tool for impact investors.^{xiii}

SUB-SAHARAN AFRICA

Forestry in sub-Saharan Africa is emerging as a critical sector for economic development, climate change mitigation and biodiversity conservation, yet it faces persistent perceived risks such as country operating context, currency depreciation and deforestation. These risks have led to hesitancy from commercially oriented investors, with 60% of the capital for new, or greenfield forestry projects in Africa coming from development finance institutions.^{xviii} Impact investors still find investment opportunities in sub-Saharan Africa, particularly in industrial and smallholder forestry, both of which can contribute to sustainable land management and economic resilience.

Industrial forestry is a cornerstone of sub-Saharan Africa's timber sector. South Africa, the pioneer of commercial forestry, has 1.2 million hectares of planted forests, which support a downstream processing sector.^{xiv} Beyond South Africa, countries such as Kenya, Tanzania and Ghana are expanding plantations to reduce reliance on natural forests and meet growing international demand for sustainably certified timber and wood-based products.^{xviii}

IMPLICATIONS FOR INVESTORS

Given the diverse and shifting landscape of forestry impact investing, and based on the case studies and examples in the benchmark, the following are implications for investors to consider:

1. Community involvement is crucial.

A critical success factor in any investment is securing active involvement and buy-in from the community.^{xvii} Forestry projects often require vast tracts of land, leading to potential conflicts with local people and competing land uses, such as agriculture. To mitigate these risks and foster long-term sustainability, investors and managers can prioritize collaboration with local stakeholders, including Indigenous groups, policymakers and community leaders. Engaging communities in forest protection programs, such as linking financial incentives to measurable outcomes such as reduced forest fires or encroachment, can contribute to mutually beneficial outcomes.^{xx} Forestry investments could also provide job and revenue opportunities for local communities. As emphasized by 80% of forestry investors in a GIIN-led process to develop the GIIN forestry impact performance benchmark, partnerships with local stakeholders are fundamental to aligning goals and securing a social license to operate. These collaborations not only enhance project resilience but also create opportunities for shared value, strengthening the overall impact of forestry investments.

2. Share impact data and drive towards transparency as the field evolves.

Fragmentation is a significant issue in measurement, comparison and compliance for impact investors.ⁱ It may be important for investors to be transparent about their methodologies and share best practices with the field to overcome these challenges. Forestry investments, while holding immense potential, are not inherently positive.^{xviii} To achieve meaningful social and environmental outcomes, investors can also align their strategies with a clear impact theory of change and select fund managers with robust systems in place. For investments to achieve a net positive impact, it is essential to establish robust baselines, assess implementation risks and set impact targets.^{xix} It is also important, where possible, to align forestry investments with climate theories of change, and to provide clarity around forestry as a climate solution.^{3 xxiii}

3. Leverage Tools and Standards for Impact Measurement and Management Practices

Standardized impact measurement and management practices are essential for investors to track and compare the performance of forestry projects. Tools such as the GIIN's forestry impact performance benchmark enables investors to evaluate their projects against peers, identify areas for improvement, and enhance impact ambitions.

^{xi} The FSC certification and regional sustainability standards play a key role in ensuring forestry practices meet high environmental and social criteria. These standards vary by region, reflecting local contexts and regulatory frameworks, but provide critical benchmarks for investor accountability.^{xx} While many small investors and forest managers struggle with the high costs of certifications — with audit fees and annual fees running into several thousand dollars — research shows that the financial benefits outweigh these expenses.^{xx} Incorporating tools and certifications helps to de-risk forestry investments by creating robust, standardized frameworks for assessing progress and ensuring alignment with global best practices.

Spotlight: Finnfund investments in Sub-Saharan Africa

Finnfund, a Finnish private equity and debt development financier and impact investor, focuses on five sectors including sustainable forestry, with 720,000 hectares under management.^{xxiv} According to its 2023 impact report,^[21] Finnfund's direct forestry investments employed 5,800 people (28% women) and contributed 200 million euros to local economies. The portfolio achieved net-positive climate impact, removing 98,000 tons of carbon dioxide equivalent more than it emitted. These outcomes align with key metrics in the forestry benchmark such as land management scale, decent job creation and greenhouse gas emissions removal.

Finnfund engages with investees and end stakeholders through interviews and surveys. In survey data published by Finnfund, it was reported that for the neighboring communities in Tanzania of a Finnfund investee, 67% reported that the company positively benefited their community, and 88% felt that they get support from it, such as through training, providing seedling and other income-generating projects.^{xxv}

To create market conditions that encourage smallholder participation, Finnfund takes the approach of investing in medium-sized corporate timber plantations while simultaneously developing downstream processing and market infrastructure. As markets mature and silvicultural experience amongst the smallholders grows, smallholder participation can expand under conditions that maximize positive economic, social and environmental outcomes.^{xx}

3 For more information on understanding the sufficiency of forestry as a climate solution, see the GIIN climate solutions initiative. <https://thegiin.org/climate-solutions-initiative/>

GIIN SIGHT



ABOUT THE METHODOLOGY

The GIIN analyzed data from 67 investees and 117 investments included in [the forestry impact performance benchmark](#) to assess geographic distribution, primary investment strategy and reported KPIs (see Figure 2) in forestry impact investments. Summary statistics were calculated to identify trends and patterns across the dataset, which enabled the team to compare forestry impact across multiple KPIs. To complement the quantitative analysis, the GIIN conducted consultations with 27 investors during the development of the benchmark. In addition, interviews were held with key contributing impact investors: Veronica Ayzaguer (Agroempresa Forestal), Anne Valto and Peter Chappell (Finnfund) and Carly Hammond (New Forests).



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Disclosures

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