

10 PROFITABLE SOLUTIONS TO PROTECT OUR ENVIRONMENT

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*“Do we invest money
in practices that
take us deeper into
this crisis, or in
solutions that will
get us out of it?”*

DAVID ATTENBOROUGH

7 **WAYS** **TO SCALE** **FOR IMPACT**

**YOUR \$1 TRILLION
CLIMATE CRISIS
OPPORTUNITY**

**WHY MISFITS ARE
THE BEST INNOVATORS**

DISPLAY UNTIL JULY 5



Investing

Innovative companies that have found ways to generate a measurable, beneficial social and environmental impact alongside financial returns

A Walk in the Woods: How Forests Grow Solid Returns

In a twist on the adage, “Can’t see the forest for the trees,” Ecotrust Forest Management (EFM), a privately held forestland investment and management company, is making a positive environmental, social, and financial impact through its sustainable, climate-smart strategies.

The forests that it manages produce a full range of goods and services — logs for mills, clean water for communities, carbon sequestration, and biodiversity — for the benefit of all stakeholders. In addition, the advisory practice helps landowners improve forest management practices and access emerging ecosystem markets. Bettina von Hagen (above, right), the company’s CEO, started her career in traditional banking before moving into impact investing. “I initially loved the excitement of structuring deals and helping businesses succeed,” she explains. “However, in the early 1990s, against a backdrop of what was called the Timber Wars in the Pacific Northwest — a moment in which the future of forest management in the region was being decided — that I found myself in the middle. Given my bank’s clientele, I was deeply concerned about how the issue was being framed as environment versus jobs, while ignoring more holistic solutions like climate-smart forestry.”

One of von Hagen’s favorite clients, a recycled-steel mill, came to her with a financing request for an iron facility in the Venezuelan rainforest.



Having grown up in Peru, it was close to her backyard, and she had a good idea of the potential impact of that project on the forest and indigenous communities. “It was a challenging moment,” she recalls. “Because, on the one hand, my job was to advocate for and provide financing for my clients. On the other hand, I understood the profound environmental and social consequences that might come from this particular investment.”

Von Hagen approached the bank’s chairman with her concerns, and surprisingly, he didn’t kick her out of his office. Instead, he encouraged her to create a task force to evaluate the bank’s environmental decision-making. Von Hagen was thrilled. Her research led her to Spencer Beebe, the founder of Ecotrust and co-founder of Conservation International. He was espousing ideas ahead of their time — 100 percent solutions — that every decision we make as humans should advance financial,

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— BETTINA VON HAGEN

environmental, and social well-being. EFM became one of many initiatives that emerged from her collaboration with Ecotrust.

“I’m deeply inspired by entrepreneurs who fundamentally understand the pivotal and strategic role that businesses have as a force for good,” says von Hagen. “People such as Yvon Chouinard of Patagonia made a deep and early commitment to organic cotton and continues to lead the industry through a candid and continuous improvement process. Organizations such as ImpactAssets seek to democratize impact investing. The idea that we can shape our world through our investment and buying decisions is liberating and profound. It can serve as an aha moment for people who are



desperate for ways to participate in fighting climate change and improving social equity.”

Von Hagen and Spencer found themselves thinking along the same lines: Why isn't everybody thinking about this alternate way of forestry, fishing, or farming, one that would create enduring wealth? “Business as usual – extracting materials in one place on the planet and protecting materials in another – seemed an outdated practice. The world is finite, the population is growing, and every action we take should contribute to enhancing the resources we depend on while addressing human needs,” says von Hagen.

Encouraged by the emergence of impact investors who care about their spend and the environmental and social consequences it enables, von Hagen plowed ahead. She also saw mounting evidence that different forest management styles could deliver significant financial, environmental, and social benefits at a lower financial and ecological risk.

“We think it’s a financially smarter strategy to manage a forest for the whole range of goods and services it produces rather than for a single product,” says Von Hagen. “It yields more reliable returns and creates lower financial risk through the diversification of products and services. As proof of this attractiveness, Von Hagen points to Nike and a host of other large companies, such as Amazon and Microsoft, who have made commitments to be carbon neutral and invested in forest carbon as part of their goals.



The 5 Rs in Climate Smart Forestry

- (1) increasing **Rotations**,
 - (2) creating forest **Reserves**, (3) **Retaining** trees in harvest units,
 - (4) **Restoring** degraded habitats, and (5) building **Relationships** with surrounding communities.
- These strategies have resulted in a 50–70 percent increase in carbon absorption and attracted a new breed of investor.

EFMI.com

Ten years ago, EFM purchased a 5,000-acre property on the Oregon Coast that had significant salmon habitat and great potential for elk, amphibians, and other forest species. They have since improved the land by extending rotation ages, practicing variable retention harvests that leave trees in harvest units while generating a steady stream of FSC-certified wood. On steeper areas of the land, they have created carbon reserves and sold carbon offsets to General Motors, creating income from standing trees instead of harvesting them.

Their first edible, non-timber product, Canopy and Understory, is a line of fruit spreads made from wild foraged conifer needles and salal berries. The tasty and healthy nutriment helps consumers value the importance of a vibrant forest while also creating local employment.

To educate investors about this type of strategy and investment philosophy, EFM holds annual investor tours in the forests. For example, they’ve had investors mark trees for future harvest to understand how they’re selected, do pollinator surveys, or plant trees to improve the function of salmon streams.

“It’s a powerful experience, and we often have investors bring their children,” says von Hagen. “For investors who are trying to help their children understand what impact investing is about, forests are a wonderful setting. They’re a visible way to illustrate an investment strategy. It certainly beats an analyst call.” ■

Amy Bennett is chief marketing officer at ImpactAssets, a nonprofit financial services firm that increases capital flow into investments that deliver financial, social, and environmental returns.