RESPONSIBLE STEWARDSHIP
HOW ASSET MANAGERS CAN ENHANCE RISK-ADJUSTED RETURNS THROUGH SUSTAINABLE FORESTRY & NATURE-POSITIVE INVESTMENT

As nature-related risks become increasingly material to investment performance, FSC provides asset managers with a globally recognized framework for identifying, assessing, and managing forest-related risks, strengthening stewardship practices, and reaching high-integrity investment opportunities.

Emerging Risks

Asset managers are facing growing pressure from regulations, disclosure frameworks such as TNFD, and investor expectations to understand how portfolio companies manage their impacts and dependencies on forests and other natural ecosystems.

Companies across sectors including agriculture, consumer goods, construction, packaging, infrastructure, energy, and manufacturing may face forest-related risks through sourcing practices, land-use impacts, and reliance on ecosystem services. These risks can contribute to supply-chain disruption, regulatory exposure, reputational challenges, and market access constraints that may affect company performance and valuation.

The Opportunities

Portfolio Company Analysis and Engagement
Asset managers can use FSC frameworks, standards, and verification systems in their investment analysis, engagement, and stewardship activities to identify companies that are proactively managing forest-related risks and opportunities. Companies that strengthen supply-chain transparency, improve sourcing practices, and address deforestation-related risks may be better positioned to maintain market access, enhance operational resilience, and create long-term shareholder value.

Real Asset Investments
Sustainable forestry can provide exposure to long-duration real assets with potential benefits including biological growth, land appreciation, diversification, and inflation protection. As demand for responsibly sourced, traceable forest products continues to grow, sustainable forestry may offer attractive long-term investment opportunities that complement broader portfolio strategies.

Emerging Revenue Streams from Nature and Carbon Markets
As demand for carbon mitigation and removals grows, forest-based carbon and nature assets are becoming an increasingly important component of climate finance and natural capital investing. Asset managers should evaluate how sustainable forest management, restoration, and biodiversity conservation projects can contribute to portfolio diversification, generate new revenue streams.

New Blended Finance Vehicles
Capital deployment by development finance institutions and blended finance initiatives are derisking investments in sustainable infrastructure in emerging markets, facilitating access to sustainability-linked financial vehicles and nature-related assets that may have previously been perceived as too high-risk.

To learn how FSC can support your investment strategy, contact: **financing@fsc.org**

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Actions for Responsible Stewardship and Investment Management

As asset managers seek to best approach nature-related risks and opportunities, FSC provides standards, verification systems, traceability tools, and impact data that can support investment decision-making. These tools can help improve risk visibility, strengthen stewardship and engagement, support disclosure and regulatory readiness, and evaluate investments.

Integrate Nature-Related Information Into Investment Decision Making: Asset managers should assess and manage exposure to sectors and value chains linked to deforestation and ecosystem degradation. This includes evaluating company dependencies and impacts on forests and ecosystem services, exposure to evolving regulations, sourcing practices, and supply-chain vulnerabilities that may affect long-term performance. These insights can inform investment due diligence, portfolio construction, engagement priorities, and capital allocation decisions, including the prioritization of sustainably operated companies.

FSC's requirements for due diligence, growing traceability capabilities for compliance on deforestation-free value chains, and third-party verification can help asset managers evaluate portfolio company preparedness for evolving disclosure frameworks and regulations, including TNFD, CDP, and the EU Deforestation Regulation. Increasing end-to-end traceability across forest management, supply chains, and market claims can strengthen confidence in reported sustainability performance and sourcing practices.

Apply Active Ownership and Stewardship Approaches: Stewardship practices, including corporate engagement and voting, can be used to encourage improvements in deforestation-free sourcing, traceability, and supply chain resilience. Effective engagement can help both companies and investors, by preparing for regulatory requirements, strengthening operational resilience and protecting long-term value.

FSC standards and verification systems provide a credible framework for engaging portfolio companies on responsible sourcing, supply-chain traceability through increasing capabilities for compliance on deforestation-free value chains, biodiversity protection, and forest stewardship practices. Certification data, traceability information, and verified, standardized performance indicators can support stewardship priorities, engagement strategies, and proxy voting considerations.

Leverage High-Integrity Natural Capital Opportunities: Investments in sustainable forestry, restoration, and nature-based solutions can provide exposure to real assets, diversification benefits, and emerging nature and ecosystem service markets.

FSC certification, verification, and traceability systems can help asset managers evaluate the quality, credibility, and long-term resilience of forestry and nature-based investments. FSC-certified forests are managed according to globally recognized standards that address biodiversity conservation, ecosystem health, worker protections, and community engagement. Through tools such as FSC Verified Impact, asset managers can access data on environmental and social outcomes to support investment evaluation and monitoring.

Demonstrate Your Investment Edge

Asset managers can demonstrate a credible and verifiable approach to managing nature-related risks and opportunities, strengthening investment narratives, responding to evolving asset owner expectations, and supporting capital raising efforts by differentiating their strategies in an increasingly competitive fundraising environment.

By integrating FSC-certified assets, verified impact data, and robust stewardship practices, managers can substantiate sustainability claims, demonstrate measurable outcomes, and build confidence among asset owners and other stakeholders.

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