

Commercial investment in forests and sustainable land use - recommendations summary

On behalf of FMO

July 2023

TERRANOMICS

 UK Government

 **MFF**
managed by FMO

Recommendations for FSLU companies and funds to attract commercial investment

We provide a set of ten recommendations for companies and funds. They aim to increase the attractiveness of a company, project or fund to commercial investors. Three recommendations are applicable to companies, three to funds, and four to both groups. Each group therefore has up to seven recommendations they can consider implementing.

The recommendations are linked to the specific barriers to commercial investment in forests and sustainable land use which they address. Recommendations can be attempted in any order. However, they are presented logically beginning with activities related to team building, planning and structuring, before moving on to implementation and areas such as external reporting.

Recommendations applicable to companies



Provide detailed business plans, models, exit paths, and fully disclose risks



Weak business plans; poorly developed financial modelling; poor data presentation; lack of concessional finance



Secure local government, NGO and community support



Inadequate impact metrics and data; lack of 'useable' external standards; impacts on local communities including land tenure and rights; country risk; political uncertainties



Offer support for due diligence processes



Due diligence costs, high fund management fees

Recommendations applicable to funds



Tailor the fund vehicle to Limited Partners and geographies



Country and jurisdictional risks, political risks, currency risk



Align with the Sustainable Finance Disclosure Regulation (SFDR)



'Fit' - FSLU is a novel asset class; regulatory barriers restrict allocations



Build NGO pipeline partnerships







Lack of proven and joint track record; local networks; competency gaps

Recommendations for companies and/or funds to attract commercial investment

Recommendations applicable to both funds and companies

Which barriers they address

	Build complementary skill sets, experience, portfolio management systems	➔	Lack of proven and joint track record; competency gaps
	Diversify income streams to enhance risk-adjusted returns	➔	Low risk-adjusted returns
	Target financial and carbon-linked returns	➔	Market uncertainties and pricing challenges; low risk-adjusted returns
	Offer investor-friendly liquidity options	➔	Liquidity challenges; misalignment with equity or debt instrument needs

Recommendations vary in timescales for implementation. Several are achievable in the short term (e.g. less than two years) and without significant financial or strategic implications. The recommendations cover all the barrier themes identified in the study (see [page 5 of the full report](#)). This ensures that all funds and companies have options to address the barriers most relevant to them.

[Pages 9-14 of the full report](#) describe the recommendations in full. Seven further recommendations can also be found in the separate [Appendices](#) accompanying this document.

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Accompanying report and appendices

For further detail, see the [Full Report](#) and [Appendices](#).