

Western Forest Products



While recognizing the sustainable qualities of lumber products, harvesting of old growth forests could come at the cost of environment and community welfare. Mitigating and counteracting these effects will be a decisive factor for the enduring prosperity of all stakeholders.

Engagement rationale

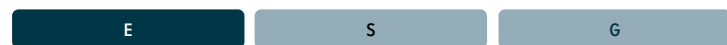
Western Forest mainly operates in British Columbia (BC), where 20% of publicly managed forest area comprises old growth forests. We engaged with the company to gain a deeper insight into its old growth forest management and harvesting practices, and to stimulate the company to continue its efforts to mitigate the environmental impact of its operations.

Background

The production process of lumber companies has a significantly better sustainability profile compared to building materials such as steel and concrete in terms of energy use, air and water pollution. As wood products store carbon, increasing the use of wood in construction is recognized as a solution for reducing GHG emissions. While we recognize the sustainable qualities of lumber products, we acknowledge that harvesting of old growth forests could come at the cost of biodiversity, local interest, environment and infrastructure.

Theme for engagement

- Environment - Land Use and Biodiversity



Development

Engagement closed unsuccessfully.

Investment sold.

Milestone



Engagement objectives

- 1. Old growth:** Decrease the harvesting of old growth forests and focus on a strategic transition towards second growth forests.
- 2. Biodiversity:** Take ownership on limiting and reversing biodiversity loss and adopt the TNFD framework by disclosing biodiversity-related dependencies, impacts and risks.
- 3. Community:** Involve First Nations and local communities in transitioning to a new standard of forest care. Enable the transfer of public forestland to First Nations.

Engagement results

- 1. Old growth:** Around 70% of Western Forest's old growth tenures are protected and unavailable for harvest. While the company intends to transition towards a higher relative share of secondary growth, it is currently unwilling to specify a roadmap and target framework.
- 2. Biodiversity:** Company adopted a bottom-up forest management and conservation strategy which a.o. models forest development, ecosystem health and biodiversity. Variable retention harvesting under this strategy includes a 'Big Tree retention policy' and is audited by third parties. However, management does not plan to report on the TNFD framework in the foreseeable future.
- 3. Community:** First Nations involvement is integrated in the new forest management strategy. Ownership rights have been partly transferred to First Nations, with additional transactions expected in upcoming years.

This engagement has been closed without achieving the desired outcomes for Objective 1 & 2.

We have exited our investment in Western Forest Products.

Company

Western Forest is an integrated wood products company operating in the coastal region of British Columbia and Washington State.

Country

Canada

Sector

Materials: Paper & Forest Products

Market cap

Small Cap: EUR 0.1bn

Materiality

Environmental topics represent the majority of Western Forest's risks from a materiality perspective. Adjusting its strategy to mitigate and counteract the adverse effects of its activities on ecosystems and community welfare will be a decisive factor for the enduring prosperity of all stakeholders.

Engagement initiated

2024

Latest update

October 2024

Kempen Fund

Kempen Global Small Cap Fund
Kempen Global Value Fund