



Grandis Timber Ltd

How USAID Green Invest Asia facilitated acquisition of Cambodia's first and only sustainably certified plantation

A profitable, environmental and social (E&S) standout

Grandis Timber Ltd. cultivates high-quality, low-cost ethical furniture-grade hardwood in Cambodia's Kampong Speu province. Growing incomes and economies worldwide, as well as the need for building materials and biofuel, steadily increase the demand for wood—a trend that is expected to continue. **Grandis Timber is the country's first and only plantation to maintain Forest Stewardship Council (FSC) certification since 2013** – widely seen as the world's most rigorous and respected forest sustainability certification. Grandis Timber's 3,700-hectare mostly teak plantation provides a rare source of sustainable timber from an emerging economy. Grandis Timber has established strong relationships with local communities and international conservation groups – returning to the community 2,000 hectares of land, building infrastructure, and supporting sustainable energy through biomass sales to local garment factories.

Acquisition

International Woodland Company, a forestry investment firm that previously owned Grandis Timber in Cambodia, sought USAID Green Invest Asia's support in late 2018 to sell its business and identify buyers who would maintain the company's certification and sustainability commitments. USAID Green Invest Asia pitched over 30 investors the opportunity, successfully securing from one of them an initial equity investment. **Uninterrupted maintenance and development of the plantation is expected to store, at maturity, near one million tons of carbon dioxide emissions.**

Cambodia's lone FSC forestry operation proves market viability of sustainable large-scale forestry operations in Cambodia, and regionally. Less than 6 percent of the world's FSC-certified forests are in Asia. Had a sustainable buyer not taken over Grandis's operations, the land concession was at risk of being transferred to an adjacent neighbouring sugar cane corporation that intends to clear the plantation, which would be a loss of valuable biomass.

How USAID Green Invest Asia facilitated investment:



Prepared an **investment overview** highlighting the investment opportunity to acquire Grandis Timber, with a focus on highlighting Environmental and Social business outcomes, demonstrating how the company's activities contribute to the U.N. Sustainable Development Goals.



Pitched Grandis Timber to curated group of potential investors, including the successful acquirer, stressing the business case and modality to continue a sustainable commercial approach.



Developed and shared with acquirer and its lender a detailed **financial model** of Grandis Timber's operations, including economic and growth rates, and potential greenhouse gas emission reduction impact and benefits.



Created **financial model for sustainable biomass** to increase short-term cashflow to increase the company's value to potential investors. USAID Green Invest Asia connected Grandis Timber with suppliers of global fashion corporate H&M, researching the feasibility of piloting sales of sustainable acacia, teak and eucalyptus wood for use as boiler fuel – sparing natural forests from illegal logging. As a result, Grandis Timber is supplying, per month, on average 60m³ of sustainably sourced and certified wood for energy use to a garment factory. The garment sector, the country's largest employer, generates ~400,000 tons of carbon dioxide equivalent annually (GERES).



On request from the acquirer's Hong-Kong based lender, USAID Green Invest Asia provided investment context/advice on transactions in Cambodia, and recommended covenants included in **final lending terms** that the buyer signed. These covenants helped ensure the buyer's commitment to maintain the concession as an FSC-certified sustainable timber plantation delivering strong social and environmental outcomes.

USAID Green Invest Asia is a technical service facility that provides investment-readiness, capital matchmaking and other business services to climate-smart agriculture, forestry and other land use initiatives in Southeast Asia, while also helping investors source pipeline and strengthen internal screening mechanisms to incorporate environmental, social and governance (ESG) criteria.