

Innovations in Conservation Finance

01 December 2017

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ECM 2007/08

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Innovations in conservation finance

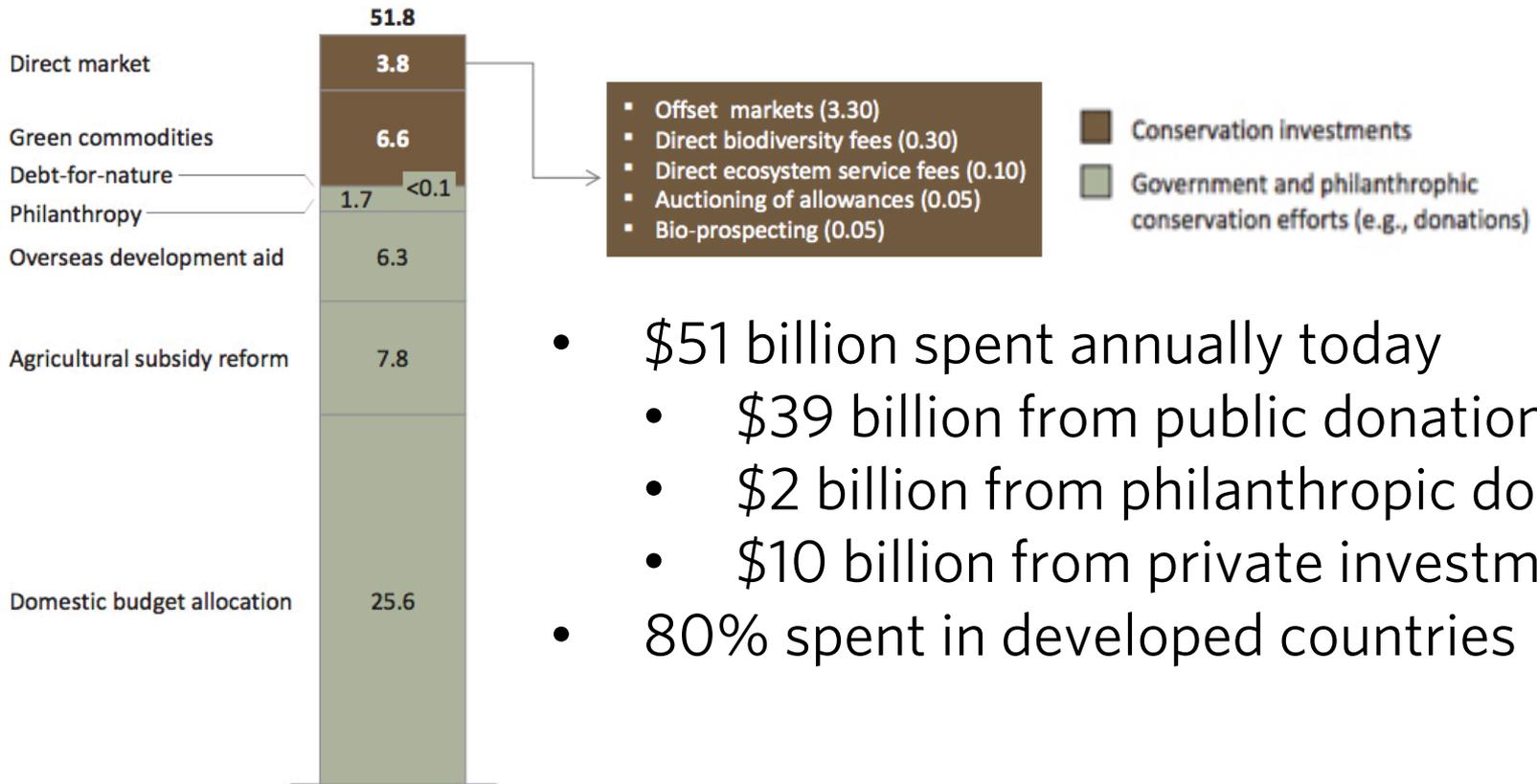
Conservation is dramatically under-financed and we need new innovative ways to drive money towards it.

Overview

- The state of conservation finance today
- The Althelia Climate Fund and example investments
- Althelia's Madagascar Fund
- Our ambition to mobilise \$1bn for nature

What do we spend today on biodiversity conservation?

USD billion

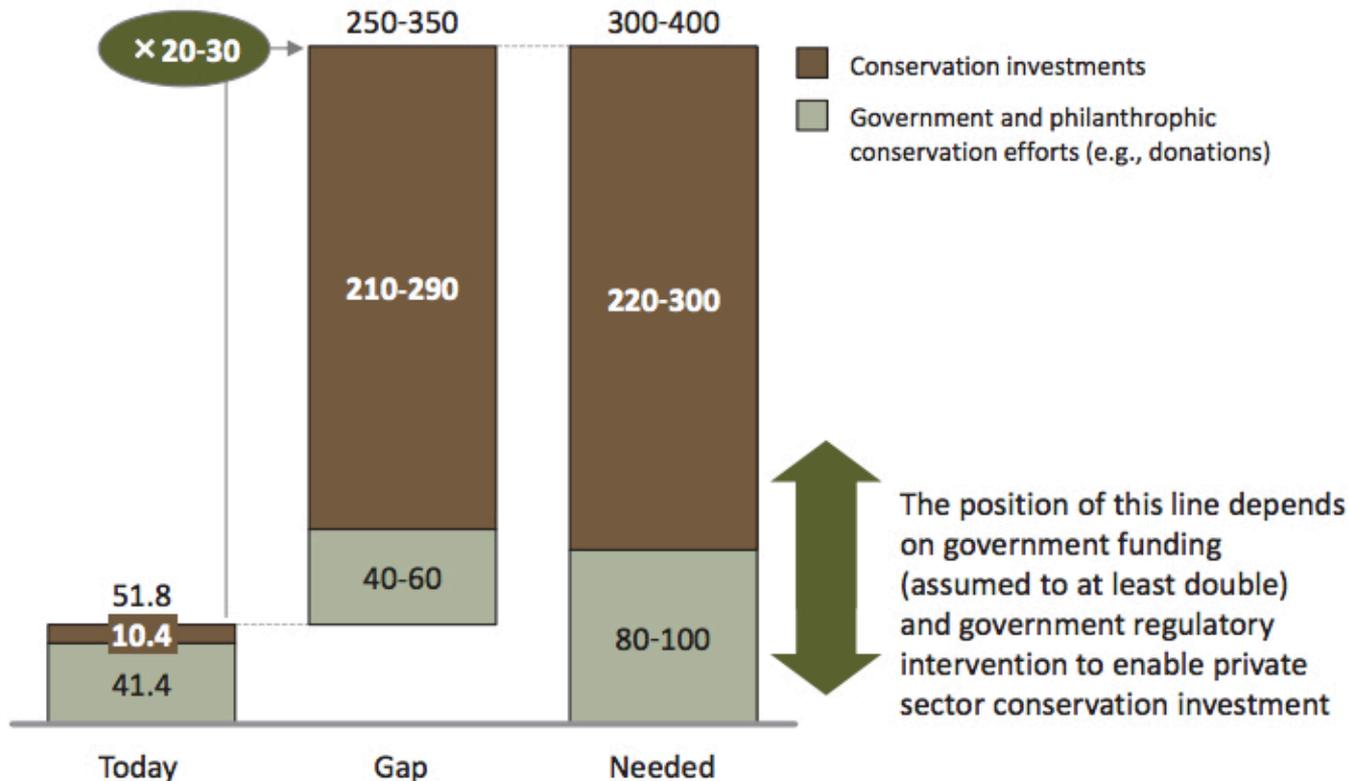


- \$51 billion spent annually today
 - \$39 billion from public donations
 - \$2 billion from philanthropic donations
 - \$10 billion from private investment
- 80% spent in developed countries

Not enough is being spent on conservation

USD billion

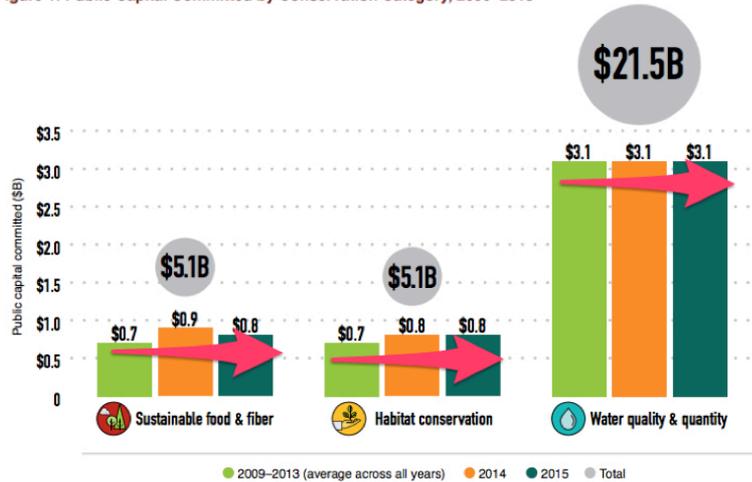
\$300-400 billion per year needed



USD 300 billion: comprehensive conservation and the adoption of sustainable agriculture practices worldwide (Gutman 2010); USD 290 billion: protection of all biodiversity outside protected areas (James, Gaston, & Balmford 2001); USD 350-385 billion: total ecosystem protection in the context of climate change (Berry 2007)

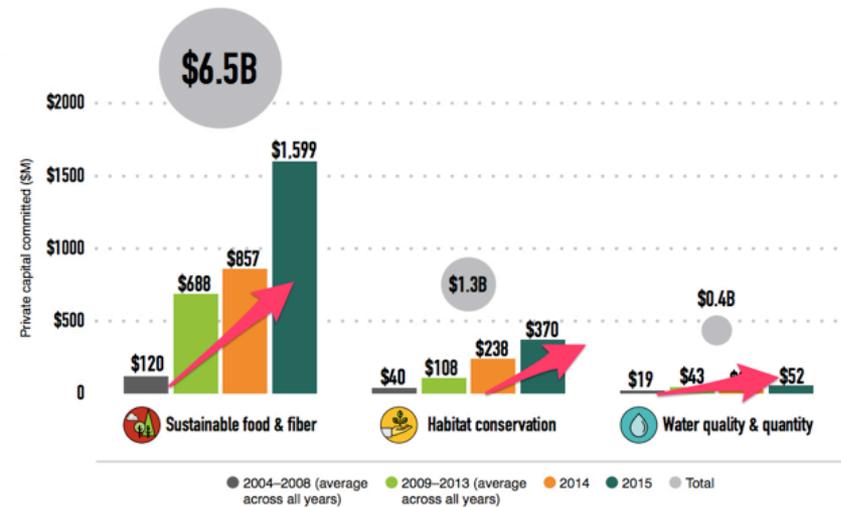
Trends are moving in this direction

Figure 1: Public Capital Committed by Conservation Category, 2009–2015



Note: Based on responses by 6 public organizations. Numbers may not add up to the totals due to rounding.

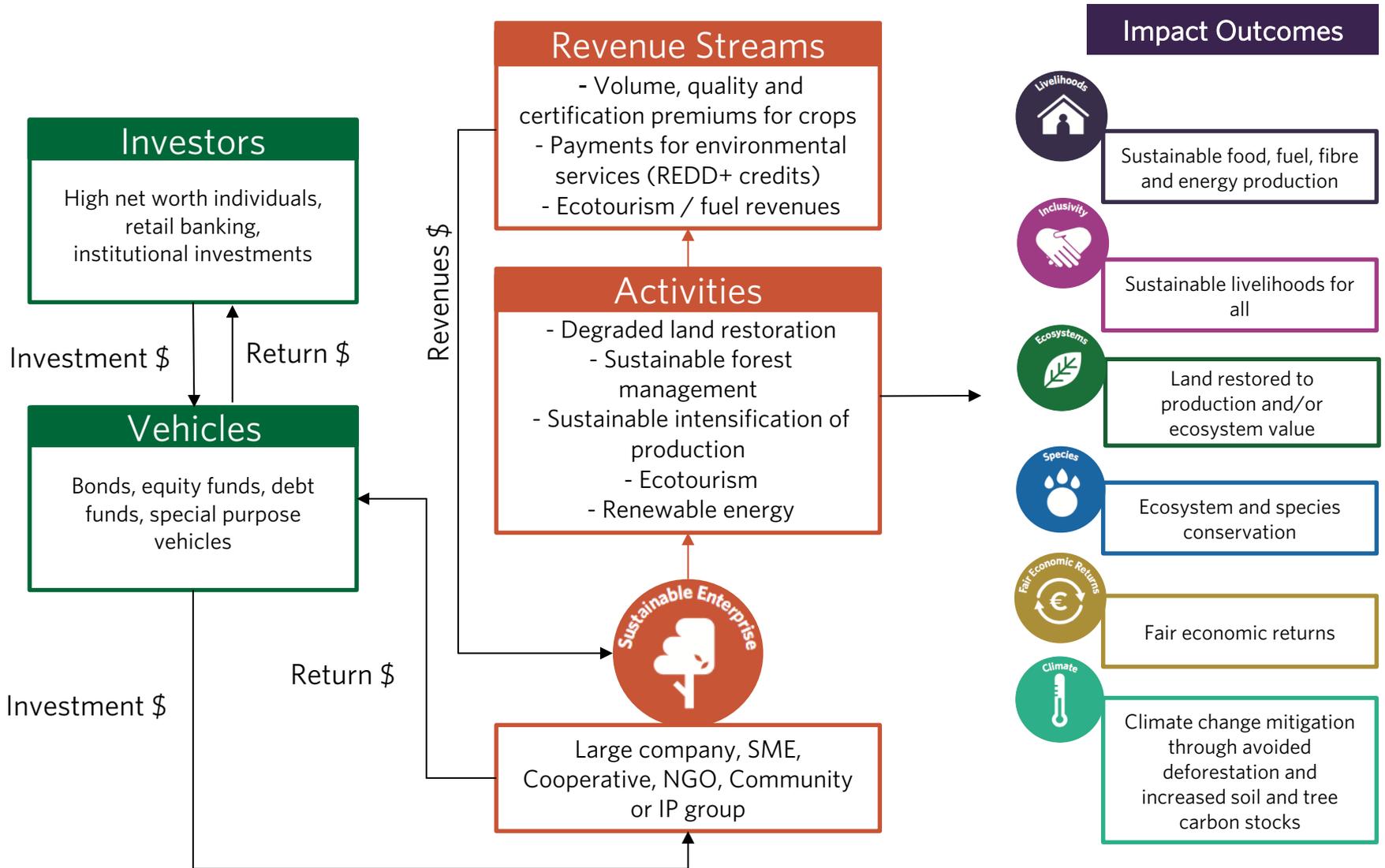
Capital Committed by Conservation Category, 2004–2015



http://www.forest-trends.org/documents/files/doc_5474.pdf#



How can this money flow?



Why are we not reaching the levels needed today?

There's no investment opportunities!

There's no money!

No money?

There is a lot of money that could be tapped (Credit Suisse/McKinsey research)

- **Ultra and High net worth individuals** have USD 46 trillion in bankable assets, growing 8% p.a.. Typically conservative, but, if 1% new and reinvested money goes to conservation finance that's **\$85bn per year**.
- **Retail investors** have USD 53 trillion growing 2%, typically more risk averse than HNWI, but 1% of new and reinvested would equal **\$65bn per year**. Liquidity key.
- **Institutional investors** (pension + sovereign wealth), USD 62 trillion growing 5% per year, 1% of new and would equal **\$90bn per year**. Long time horizons, bigger ticket sizes again.

\$240m here out of \$210-290m needed

But they have specific requirements

- Specific risk and return profiles
- Need to understand underlying assets and financials
- Need scale, 10's to 100'm millions dollars



No investment opportunities?

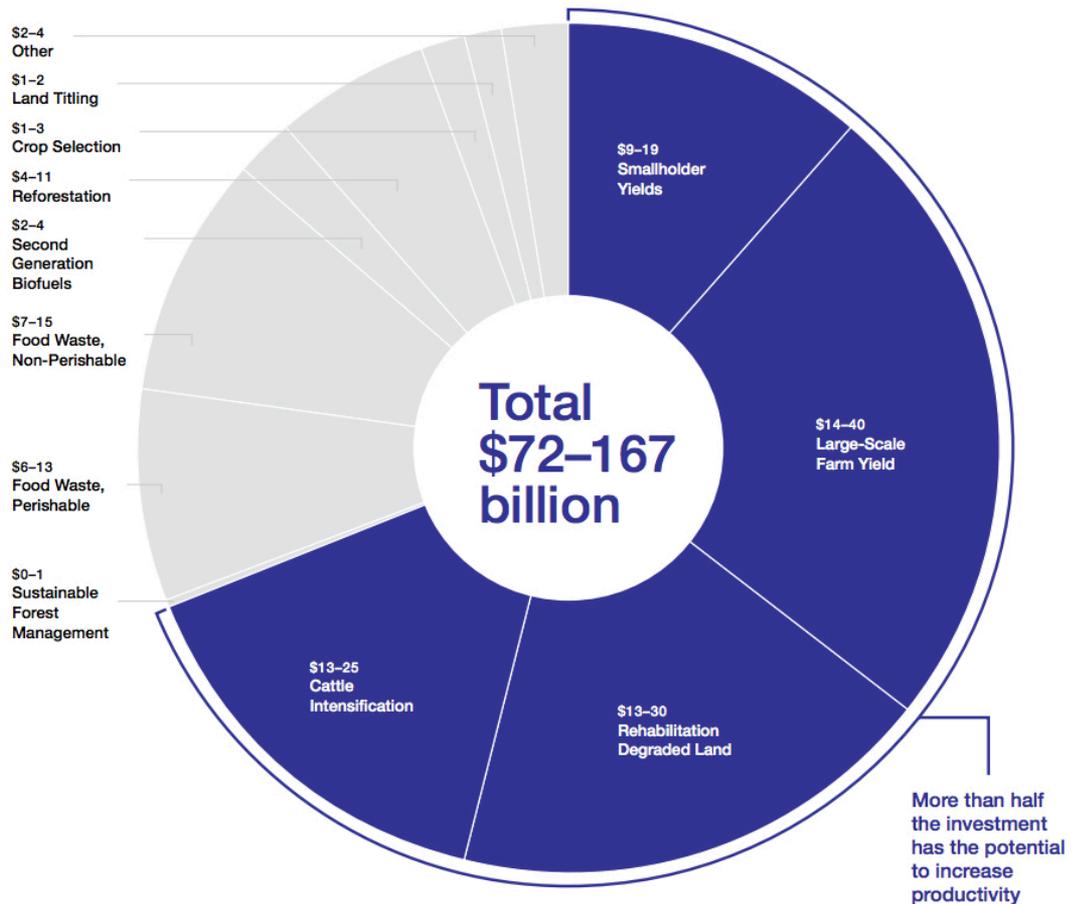
- Political and business commitments are there.
- Real resource constraints, old models can't continue
- Half money need to shift to sustainable land-use, productivity increase – profitable
- Lots of innovation and exciting models on ground

But...

- Lack of track records and immature businesses
- Small ticket sizes (<\$1-5m)
- High costs in finding, preparing and managing investments
- PES markets still nascent and risky



Over Half of the Investment Needed to Shift to Sustainable Land Use is For Productivity Increases
Annual Investment Needed to Enable Sustainable Land Use in Tropical Forest Regions by 2030



Althelia Climate Fund

Althelia aims to solve these challenges:

- Educate investors on imperative and opportunity, create products they understand, manage risk
- Do leg work to find investments, develop them and aggregate to scale
- Mainstream innovation



EUR 101m invested

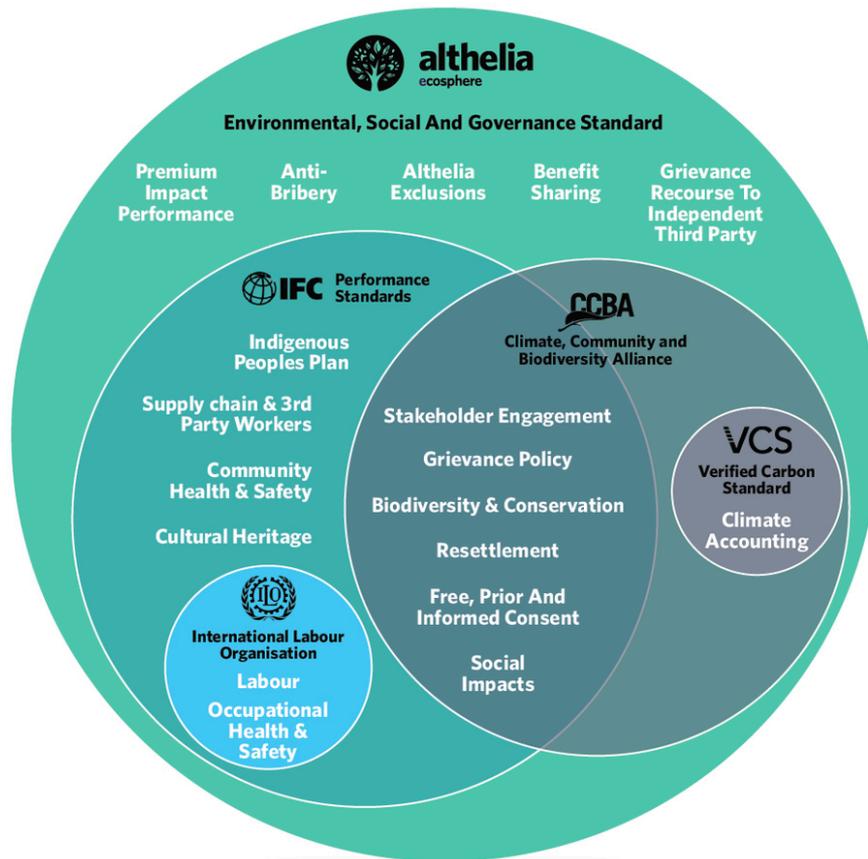


Market returns and
impact

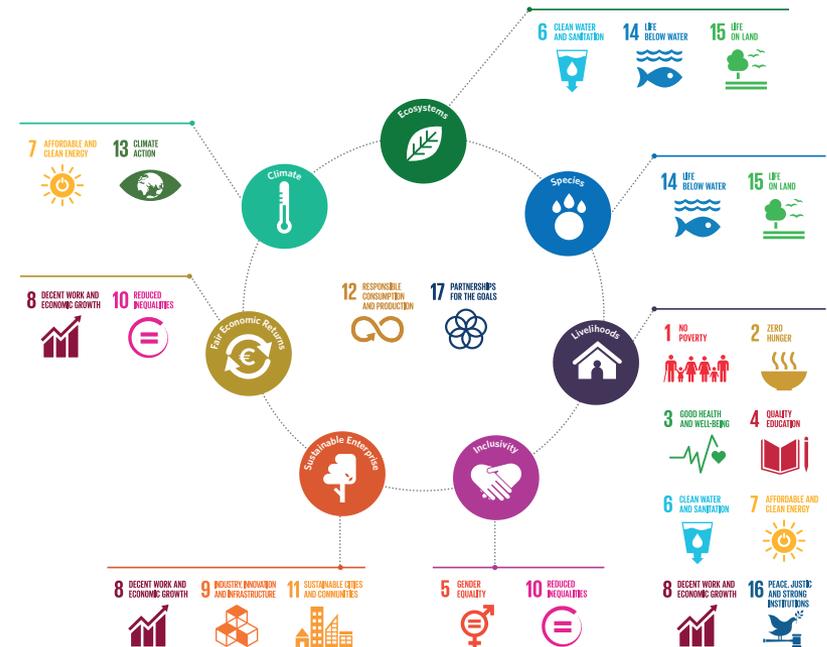


ESG and Impact

Extensive ESG Policies that are practically applied



SDG Alignment on impacts



Impact successes in the ACF-I portfolio

For more details on ACF-I impact please see our impact report, available at www.althelia.com/our-approach/our-impacts-monitoring/



€112m
will be spent on and earned by local communities over the lifetime of the fund

34.2M
tonnes of CO₂ will be avoided by 2021
Currently our portfolio has avoided **22.4m** tonnes, 66% of target

2.1m
hectares are under improved management for conservation, protecting the habitat of **102 threatened species**

52
sustainable enterprises have been created and supported

Fair Economic Returns

Climate

Ecosystems

Key ACF-I Impact Successes

Sustainable Enterprise

Species

7 new species have been discovered across our projects, including a blind cave-dwelling catfish and a legless lizard named *Ophiodes althelius*

Livelihoods

Inclusivity

1407
jobs have been created and supported

26%
of jobs created and supported held by women

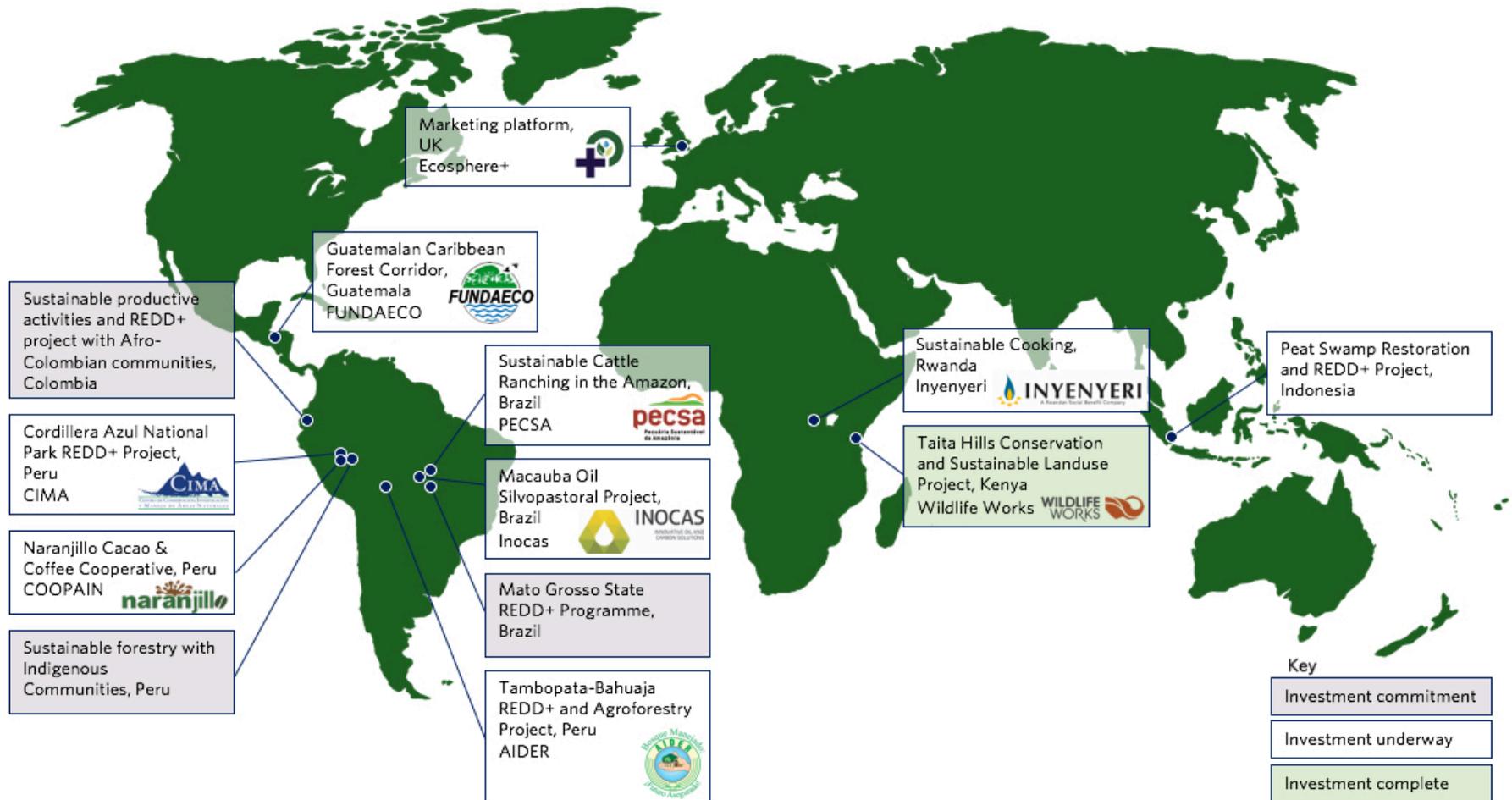
Over **3,000** people have benefitted from improved access to healthcare

Over **200** land titles secured for farmers ecosystem

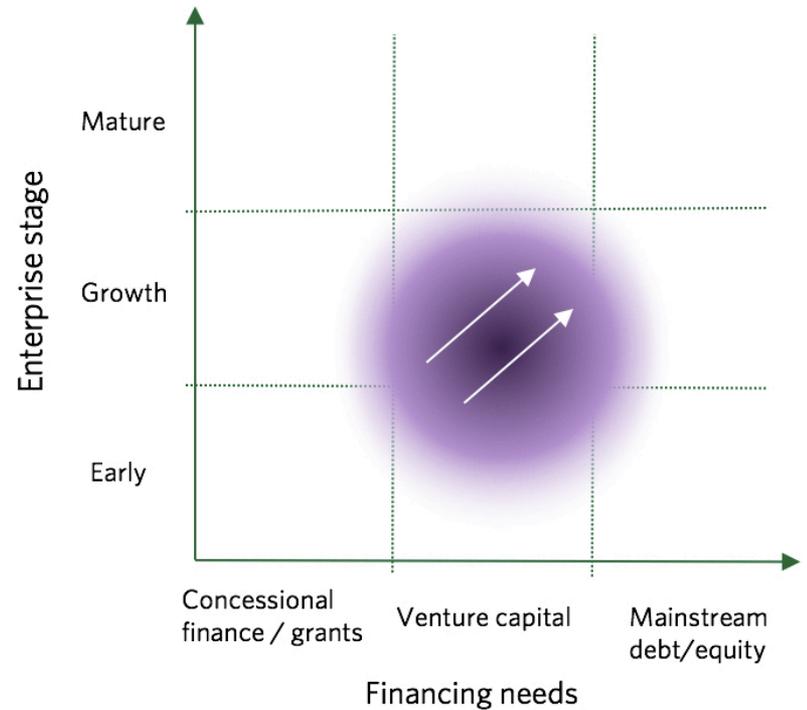
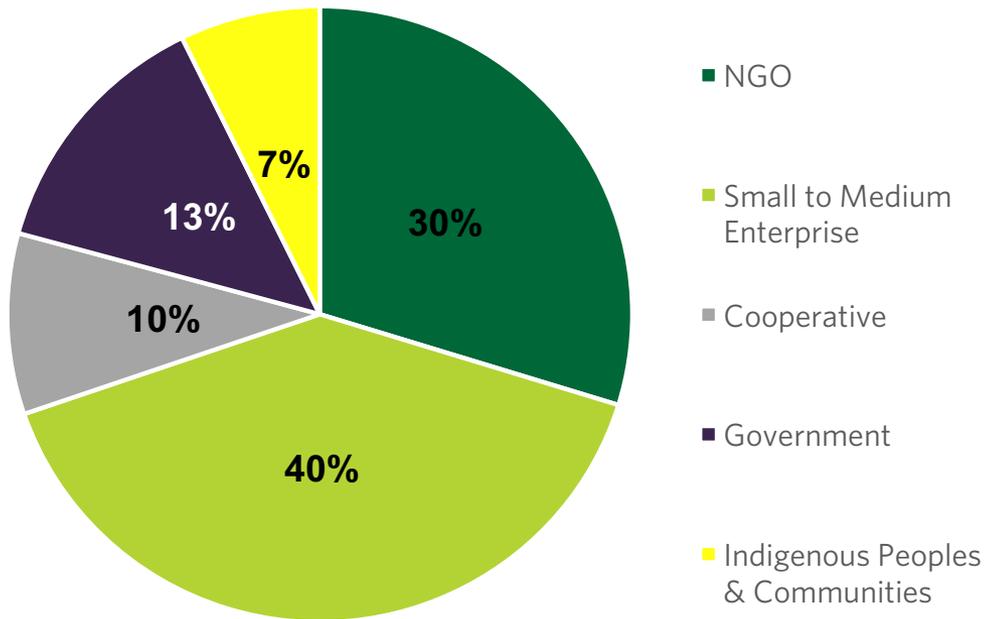


Our portfolio

Now fully committed to 13 investments



ACF – Diverse Counterparties in Early Growth Phase



Althelia Climate Fund Portfolio

Diverse set of agri-products



Cacao



Pepper



Cardamom



Beef



Coffee



Carbon



Xate



Macauba



Biomass pellets



Timber

Deal 1: REDD+ and Sustainable Cocoa in Peru

- under severe threat from agriculture and mining encroachment due to lack of finance

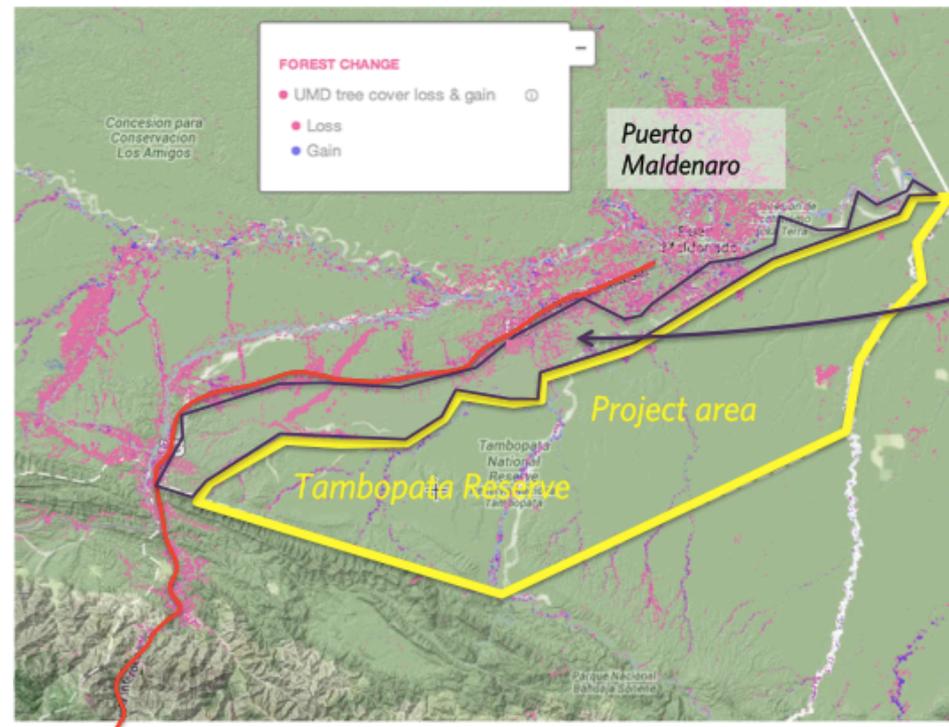
- Buffer zone is unproductive, little investment, with much degraded pasture

+ High demand for fine flavor, traceable, deforestation free, sustainably certified cocoa

+ Local NGO AIDER have admin contract for Park

= Potential for integrated REDD+ and sustainable cocoa project

Tambopata, Madre de Dios, Peru

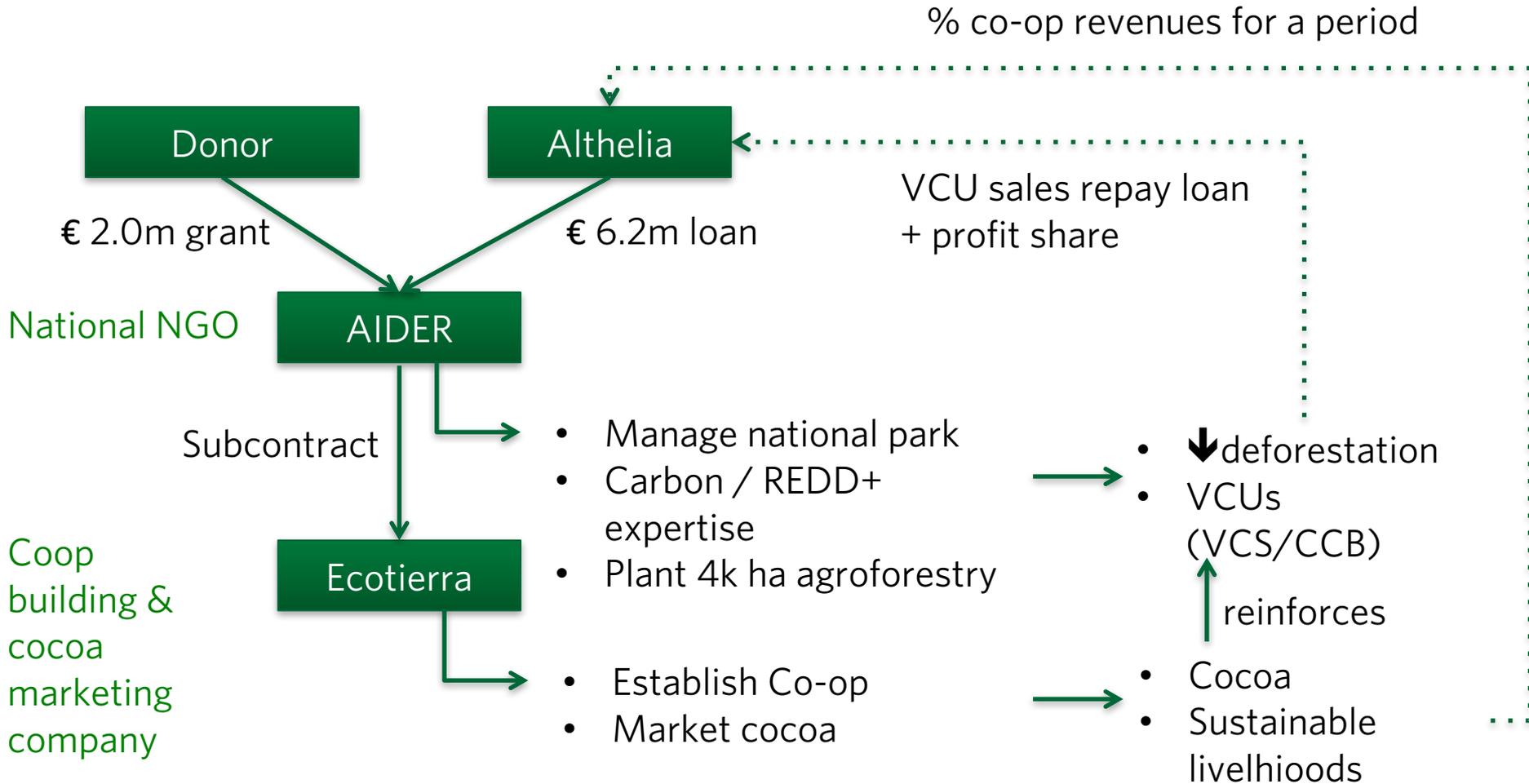


Buffer zone of park and site of up to 4,000 ha cocoa agroforestry development



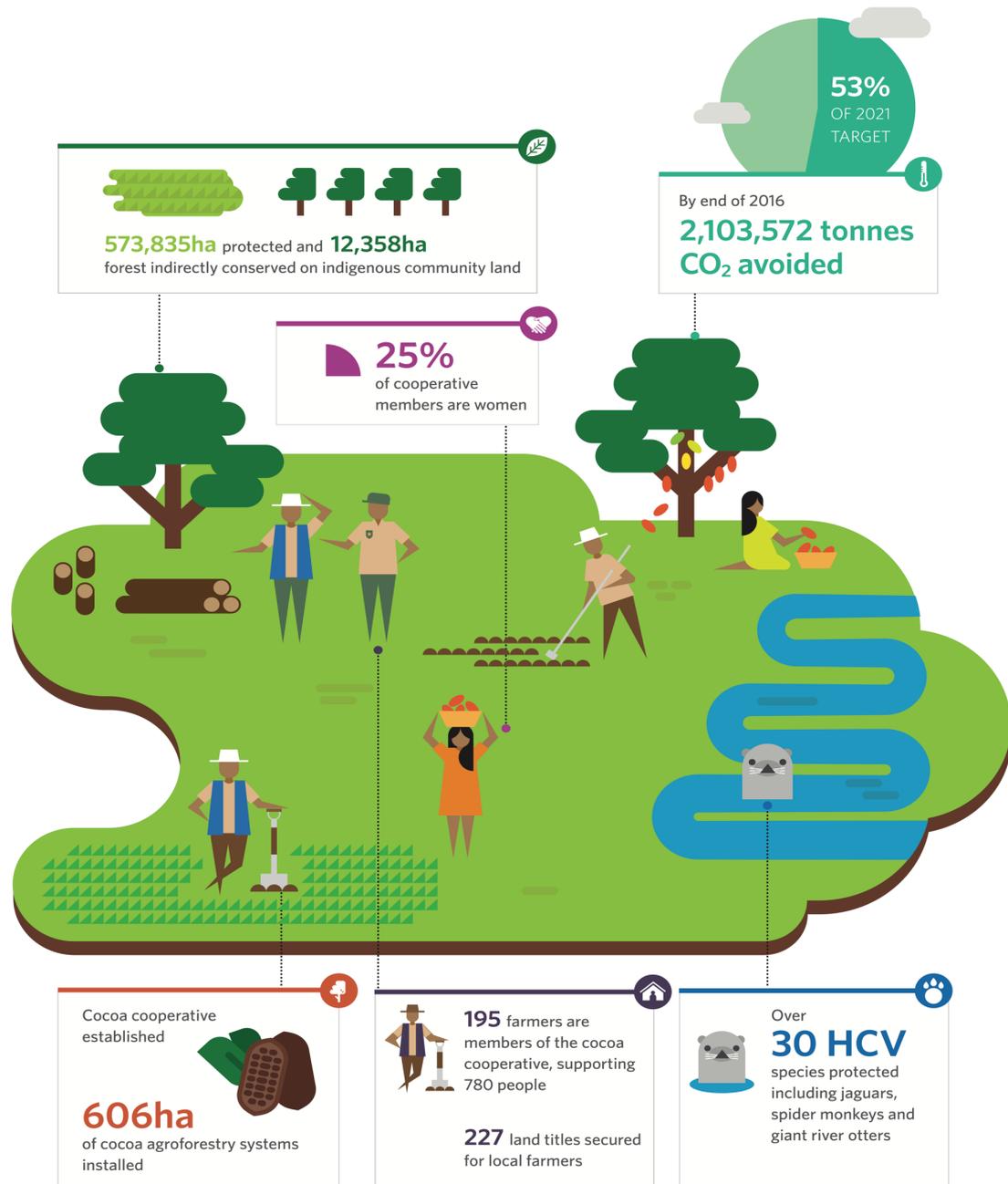
Interoceanic Highway

Deal 1: The Investment



Winner: UNFCCC Momentum for Change Award

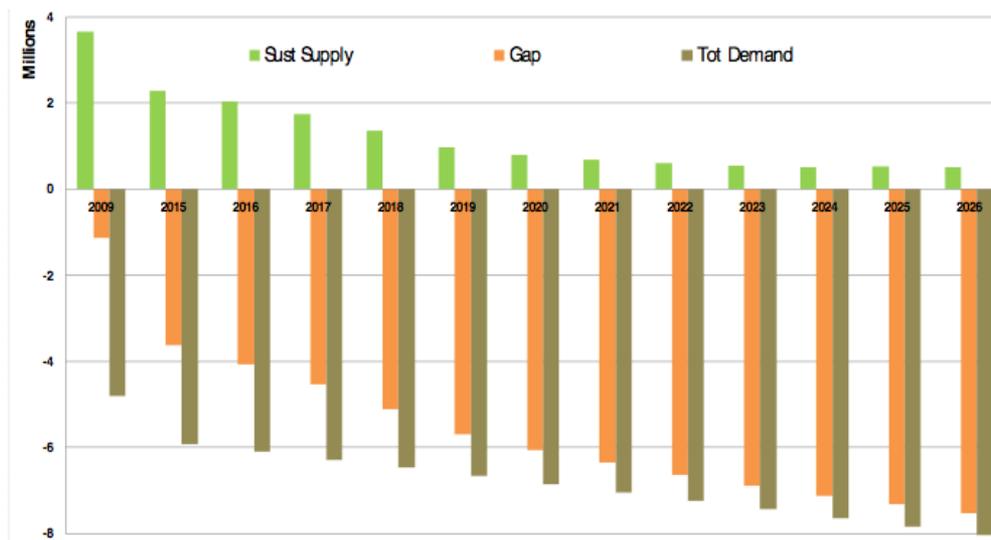
Deal 1: Impact



Deal 2: Inyenyeri, sustainable fuel in Rwanda

The Challenge

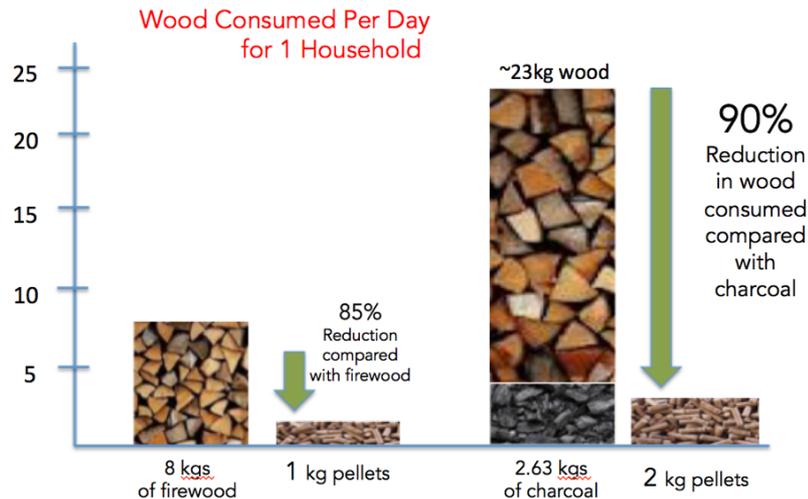
- In Rwanda, 98% of the population use biomass as fuel for cooking, resulting in approx. 7,000 deaths annually as well as causing significant degradation across the country.
- Demand for wood for fuel and construction far outstrips supply.
- Putting pressure on few remaining forests.
- Serious economic and security concern for Government.



Deal 2: Inyenyeri, sustainable fuel in Rwanda

The Opportunity

- Inyenyeri, a social benefit company pioneered a fuel and stove model.



The World's
Cleanest Solid
Biomass
COOKSTOVE(S)

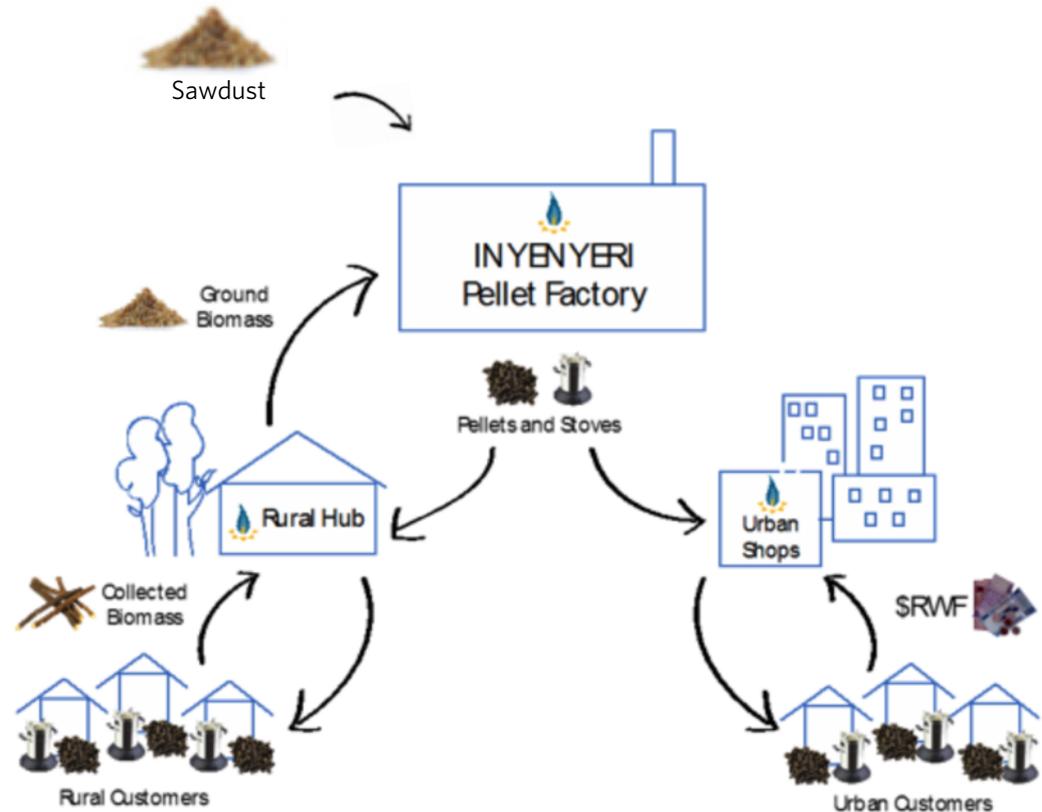


A Month's Supply
of Ultra Efficient
Fuel Pellets

Deal 2: Inyenyeri, sustainable fuel in Rwanda

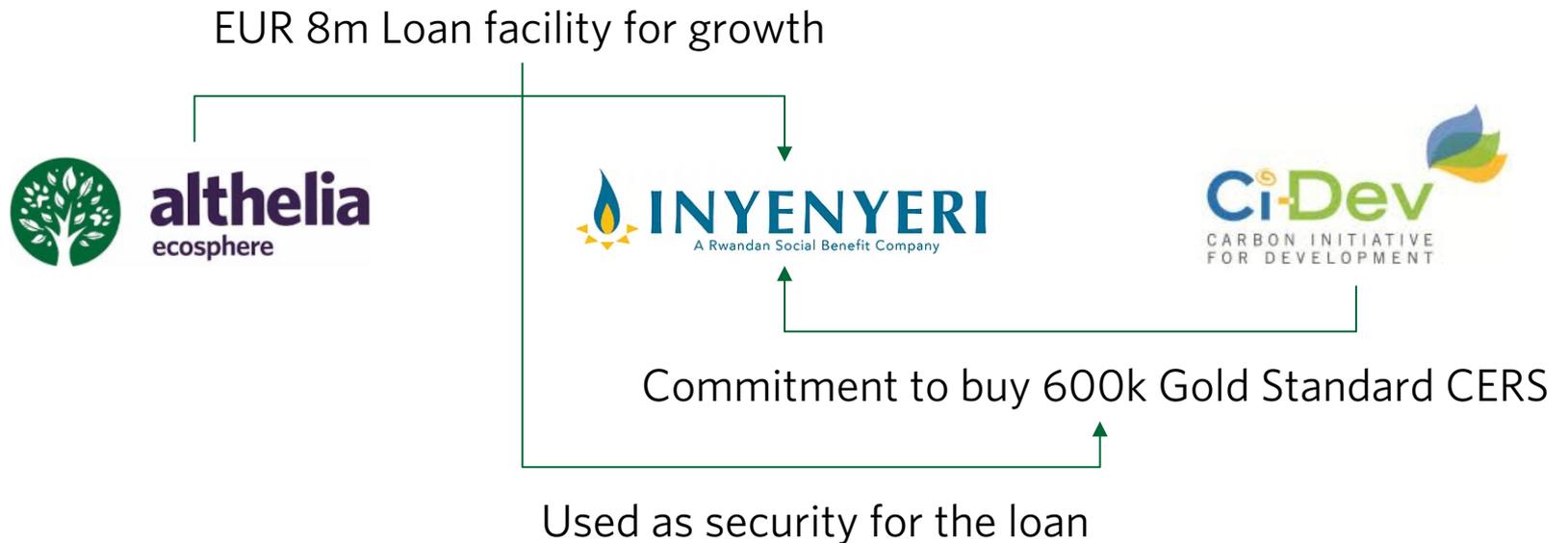
The Model

- Unique distribution model based on subscriptions.
 - Cash for urban customers
 - Barter for raw materials for rural
- Plan to expand from 1.5k to 150k



Deal 2: Inyenyeri, sustainable fuel in Rwanda

The Deal



Althelia Madagascar Fund: Why Madagascar?

Unrivalled biodiversity importance

- Sanctuary for plants and animals that have long since disappeared from other parts of the world. **Four out of five species of plants and animals found there are unique, or endemic**, to Madagascar. One of the world's 10 most threatened biodiversity hotspots globally.
- Among the best-known species are the lemurs, a primitive group of primates.

Untapped bio and economic potential

- Strong connection between conservation and economic development but remains un-tapped. Rests on the sustainable use of Madagascar's rich natural resources base.

Ideally suited for high-value agroforestry

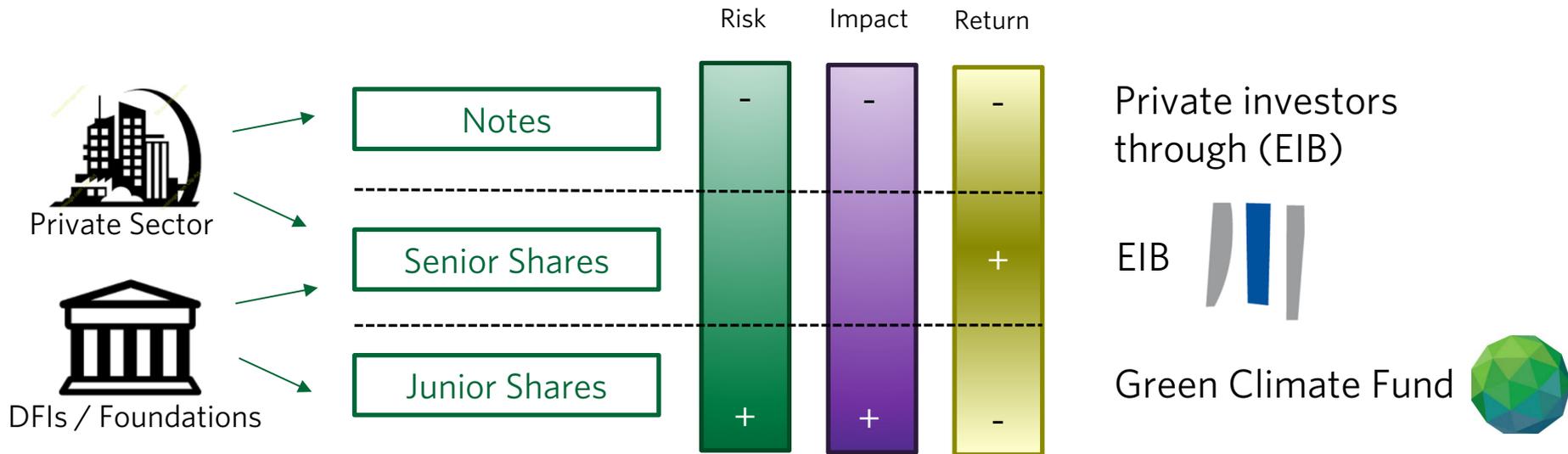
- Forests provide wood, non-timber forest products, and water for the rural population, yet only around **15 % of the land surface remains forested**, largely as a result of expanding slash-and-burn agriculture, grazing, and firewood.
- Innovative agroforestry (vanilla, cloves, cocoa, marine products like seaweed) and renewable energy can arrest these drivers and act as the loadstone for sustainable economic development.

Appropriate finance to 'unlock' conservation and social development

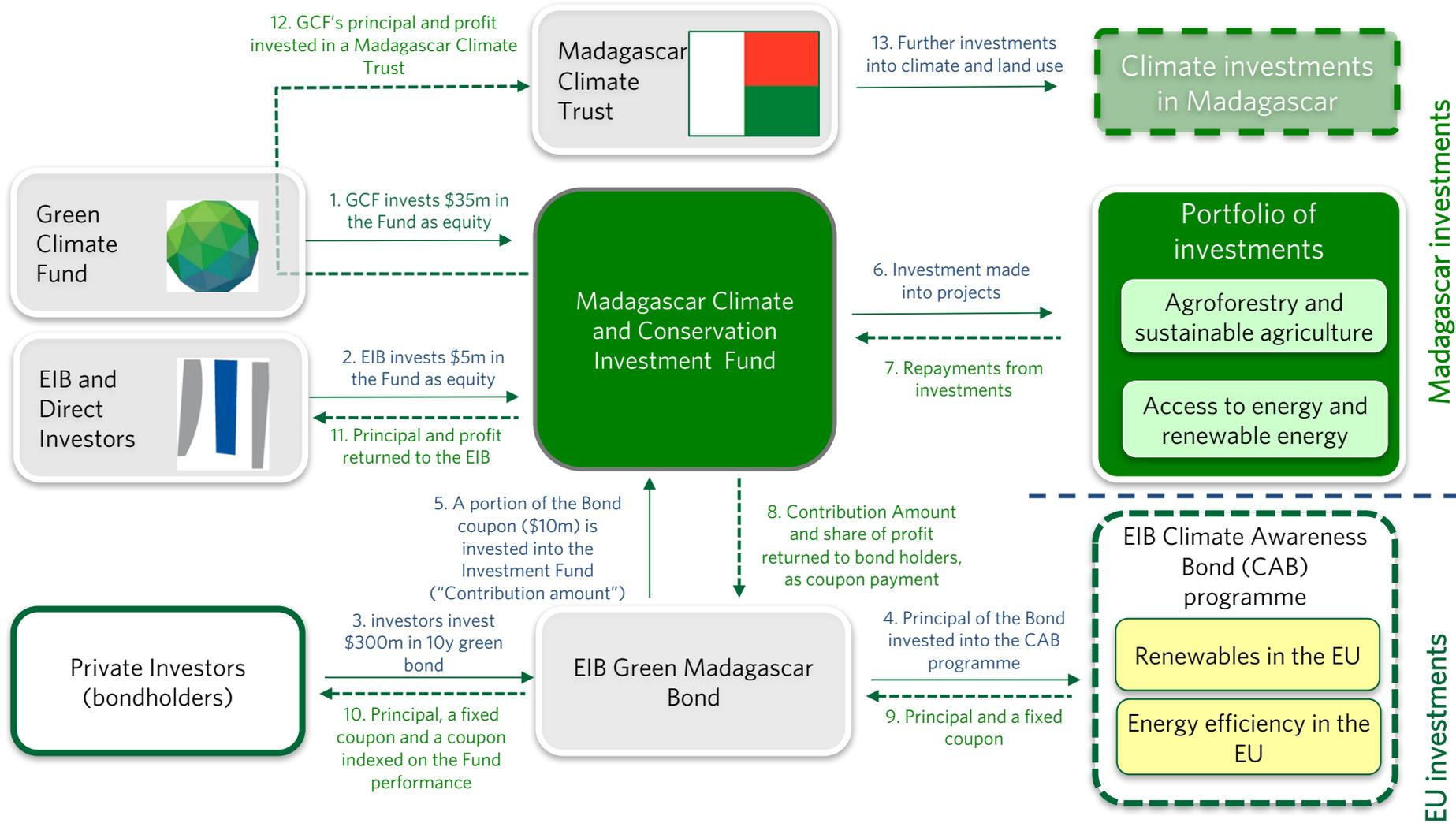
- Over 90% of conservation financing in Madagascar is still from external development assistance.
- Opportunity to harness the power of conservation finance and shift Madagascar onto a more sustainable future pathway.

How do you get investment flowing into Madagascar?

With EIB and Conservation International conceived the Madagascar Sustainable Landscape fund focusing on sustainable agriculture and energy.



Fund Structure



Sources of funds



Financial instruments

Use of funds and impacts

The Future for Mirova Althelia

Platform Growth



Subsidiary of Natixis Global Asset Management, 17th largest asset manager in world with \$900bn under management

Targeting \$1bn deployed for nature

New funds for 2018



UNCCD Land Degradation Neutrality Fund
\$300m



Madagascar Sustainable Landscape Fund
\$50m



Althelia Sustainable Oceans Fund
\$50m



Althelia Climate Fund II
\$100-150m

Thank you

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