Global Forest Products: Monetizing Ecosystem Services Through Certification

1. Brief review of GEF and Global Forest Products
2. Certification as tool in the due diligence process
3. Certification in marketing, fiber supply and risk mitigation
4. Current obstacles to our strategy and what we need for successful implementation
Global Environment Profile

Fund management group seeking superior financial returns through private equity investments in companies that have a positive impact on environmental quality, human health and the sustainable management of natural resources.

Investing in a Triple Bottom Line
Community, Conservation, Cash flows
Established in 1989

$300 million under management

Clean energy, clean water, efficient transportation, sustainable natural resources, resource recovery, pollution prevention and health care services

Emerging markets focus - 15 countries

$5-20 million deal size, private equity
Global Forest Products: A Joint Venture Effort

- Global Environment Funds Group
  - US-based international investment group
  - 70% controlling interest
  - $30 million total equity

- Industrial Development Corporation- RSA
  - 30% South African Development Bank
  - $35 million debt and equity
  - Local Investor Allocation
Company Location

- Headquartered in Sabie, Mpumalanga, South Africa
Company Assets

- 2,200 local employees
- 92,000 has. of forestlands, biological reserves, nursery
- Primary and secondary processing facilities-including 3 sawmills, plywood plant, 2 specialty plants
- Well developed transportation and logistic infrastructure
GFP Community Support
Mpumalanga is rich in natural resources
- 28,000 hectares for watershed protection
- 7 Natural heritage sites - recognized as biologically diverse protected areas

Buffer zones for the upper watershed of Kruger National Park

National Work For Water Program
GFPGFP— Cash Flows

- 64,000 hectares of FSC-Certified plantations producing high-quality, pruned logs
- Three conversion facilities
- Company nursery producing 10 million seedlings/year
- Seed orchards and breeding program
- USD 70 MM in 2003
Certification and Due Diligence

- Due diligence huge upfront risk capital on forestry deal= $1.5 million
- Government support for this and future deals- Komatiland privatization
- Certification risk mitigation
  - Forest Management Practices
  - Industrial liability
  - Community relations
  - Environmental NGOs
Significant Obstacles to Success and What We Need

- Support for market education and demand—“The Emperor’s New Clothes”
  Is there really consumer demand at retail and wholesale?
  Telling the story of the certified wood and its source—
  Community to Community

- Support for a strong certification body
  Self-sustaining third party system
  Keeping the standards attainable and costs reasonable
  Support for market development

- Availability of certified wood fiber—too little locally, too much globally