



LESTARI CAPITAL BRIEF

Connecting Markets to Conservation

COMPANY

At Lestari Capital, we aim to adapt market systems to include finance mechanisms to conserve and restore our world's ecosystems. The Indonesian word "Lestari" means sustainable, or everlasting, signifying our commitment to developing long-term sources of finance for high quality conservation and restoration initiatives.

As the global commodity, transportation and energy sectors begin to respond to evolving market requirements, Lestari Capital works in parallel with the same forces driving supply-chain transformation to generate financing for conservation. Lestari Capital supports multi-stakeholder sustainability standards by providing credible, transparent and efficient ways for the private sector to meet and surpass sustainability commitments, certifications and import requirements. We are piloting this approach in Southeast Asia, to demonstrate proof of concept for how the cost of environmental impact can be built into the cost of commodity production.

Our company specializes in selecting, vetting and financing certified conservation, restoration and community-forest projects that protect forests, peatlands and biodiversity. In our pilot phase, Lestari Capital works with members of the Roundtable on Sustainable Palm Oil (RSPO) and those with "Zero Deforestation" pledges in the palm oil sector. Efforts are also underway to expand to additional commodity sectors, as our company supports emerging sustainability trends through a credible and transparent conservation finance platform.

Lestari Capital is built upon the experience and expertise of leaders from the conservation, climate finance and banking sectors. Founding companies include Forest Carbon, a technical forest conservation company with more than 10 years of project development expertise in Southeast Asia and Daemeter, which brings more than 15 years of smart sustainability solutions for global policy makers, commodity companies and conservation projects.

A HIGH IMPACT PROJECT PORTFOLIO

Through the Sustainable Commodities Conservation Mechanism, (SCCM) Lestari Capital is building a portfolio of projects on the forefront of tropical conservation, ecosystem restoration and community forestry. The SCCM is a conservation finance platform that helps a range of clients meet sustainability requirements, including certification by the RSPO, a leading sustainable palm oil certification body. RSPO members are now required to compensate for the historical clearance of high conservation value (HCV) areas in their operations, and failure to redress these liabilities will result in a loss of certification. Sustainability standards such as the RSPO are growing in importance, as global import markets and upstream suppliers grow more discerning; most recently evidenced the European Union's new requirement that all palm oil imports must be certified sustainable by 2020.

The Lestari Capital project portfolio supports project outcomes over a minimum of 25 years, with a contracting process that ensures performance based payments, environmental and social safeguards, and

effective deployment of funds. The SCCM is structured to reduce the risk associated with long-term project engagement, including project failure or land tenure challenges. The SCCM serves as a cost-effective and tailored service, handling project identification and due diligence, followed by standardized monitoring and reporting. The SCCM platform delivers efficiency and credibility to the sustainable palm oil sector and mobilizes new private sector finance for a growing community of internationally-certified conservation and restoration projects.

SCCM STRUCTURE: A MARKET PLATFORM

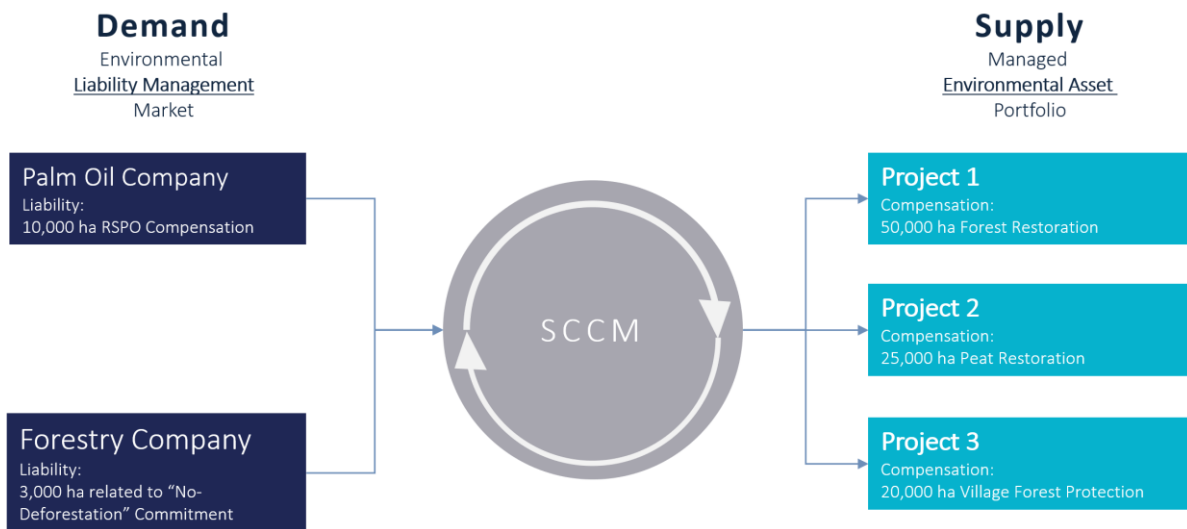


Figure 1: Above, Lestari Capital works with clients to manage environmental commitments linked to market requirements or voluntary action, and channels financing to conservation initiatives in the form of long-term, performance linked payments.

Lestari Capital is supported by a diverse group of public-private partnerships and brings actors from the commodities and finance sectors together with conservation initiatives and funders. The SCCM prioritizes support for project models that can eventually support jurisdictional and national climate targets and is endorsed by Indonesia's Peatland Restoration Agency (Badan Restorasi Gambut) as an efficient private sector mechanism for peatland rehabilitation. The SCCM has been developed with input from the Responsible and Impact Investing division of Credit Suisse and financial support from the Partnerships for Forests sustainable investment incubator and the David and Lucile Packard Foundation.

DELIVERING LANDSCAPE PROTECTION AND RESTORATION OUTCOMES AT SCALE

The true conservation and market-development potential for the SCCM rests in its ability make coordinated investments in high conservation value HCV and high carbon stock (HCS) landscapes at scale through a diverse project portfolio. We strive to work alongside our partner projects, sustainability stakeholders and private sector companies to deliver the following impact:

- **New capital for conservation:** Lestari Capital aims to raise \$50-75 million in capital commitments by 2020, with strong potential for scale through a pipeline of companies in the palm oil supply chain,

in addition to other commodities sectors in Southeast Asia and elsewhere in Latin America and Africa.

- **Supply linked with market-based demand:** By aggregating and coordinating project-level finance, the SCCM market platform supports conservation, biodiversity and community development outcomes through a portfolio estimated to cover up to 500,000 hectares in Indonesia.
- **Leveraging high standards:** The SCCM contracts with a portfolio of conservation projects that follow international best practices, are monitored by independent conservation bodies and follow equitable environmental and social safeguards. We work alongside each project to ensure they have the necessary resources to achieve certification and quality assurance best-practices.
- **A 25-year outlook on project engagement:** The SCCM looks beyond established models for conservation finance, which often lack the ability to support projects beyond 3-5 years. We continually advocate to embed conservation requirements within commodity production, to create long-term finance sources that project managers can rely on for decades to come.
- **Supporting real action on NDPE pledges:**
We aim to support corporate action on No Deforestation, No Peat, No Exploitation (NDPE) pledges. This starts with developing a series of short-term, verifiable steps that supply chain actors can take to demonstrate progress towards compliance, beyond just broad public statements.
- **Defining Risk in the Financial Sector:** We are working with a small group of banks in our pilot phase to promote sustainability compliance within land-use lending practice. We see an opportunity to leverage financial regulatory structures to promote more responsible lending and generate new sources of conservation finance.
- **Jurisdictional Approaches:** In support of campaigns from local government and organizations such as Tropical Forest Alliance 2020, we are focusing on a localized strategy that targets key jurisdictions, working together to match conservation and restoration projects with local commodity supply chain actors.

