

**LESTARI CAPITAL**

# SUSTAINABLE COMMODITIES CONSERVATION MECHANISM (SCCM)

Where Finance Meets Conservation



LESTARI  
CAPITAL

# PROBLEM DEFINES PURPOSE

- **PROBLEM**

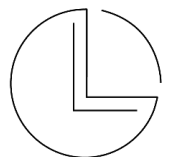
- Forest loss, and the resulting greenhouse gas emissions, is dominantly driven by commodity markets, and
- Conservation has largely only been financed through government budgets, philanthropy, donations and bilateral assistance.

*at the same time...*

- Forest conservation and restoration is globally undercapitalized and unlinked to true markets,
- markets are now beginning to internalize the cost of environmental liabilities in response to consumer awareness and demand.

- **PURPOSE OF SCCM**

- Aggregate **market-segment specific demand** to design concrete, transparent financial solutions for companies to be able to act upon sustainability commitments.
- Provide long-term financing to the conservation sector, stabilizing current initiatives and creating new investment opportunities.





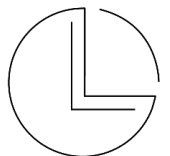
SCCM |

Sustainable Palm Market

# RSPO PROBLEM SOLVING

- **CONTEXT**

- RSPO's sustainability certification system requires members to compensate for past HCV clearance since 2005
- Certification schemes hold greater influence, now that a growing number of import markets, including the EU, have passed regulations that require palm oil to be certified sustainable (CSPO) by 2020.
- The RSPO currently has over 60 members with liability, spread over 250 non-compliant units.
  - Ensuring that over 60 conservation projects successfully contribute to conservation over 25 years poses a significant and long-term reputational risk.
  - Monitoring, reporting, and enforcement of projects creates severe capacity burdens on the RSPO.
  - No current failsafe in place: What happens in cases of failure, breaches of commitment, exit plans, loss of funds etc.?



# RSPO PROBLEM SOLVING

- **COMMON CHALLENGES FACED BY RSPO GROWERS**

- Risk Surrounding the RSPO Compensation Process

- Identifying Projects
- Passing through RSPO Approvals
- Verifying Outcomes over 25 Years
- Reporting to RSPO
- Managing Financial Risk

- Passing Projects through the RSPO RaCP Process

- We have a 100% success rate getting client projects through the RaCP

- Financing RaCP Payments

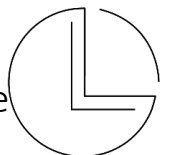
- We are collaborating with partners to design and launch a new and specialized financing facility to help growers finance their liabilities in a way that is economically efficient.

- Project Quality and Reliance

- We pre-vet all projects for RaCP compliance before bringing them to the grower.

- Cost and Duration of Managing RaCP Compensation

- Lestari Capital manages the 25-year process and deals with risk of project failure using a portfolio approach to project sourcing.



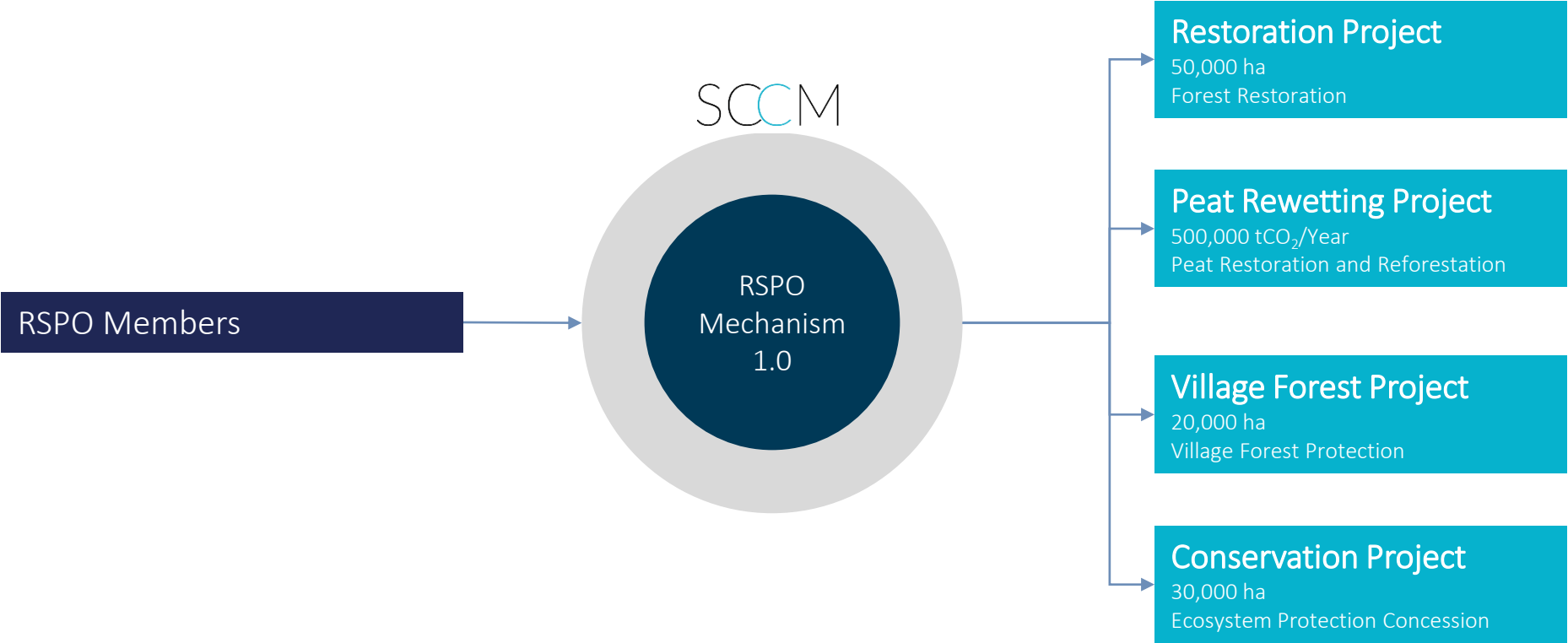
# SCCM I: TODAY

## Market Demand

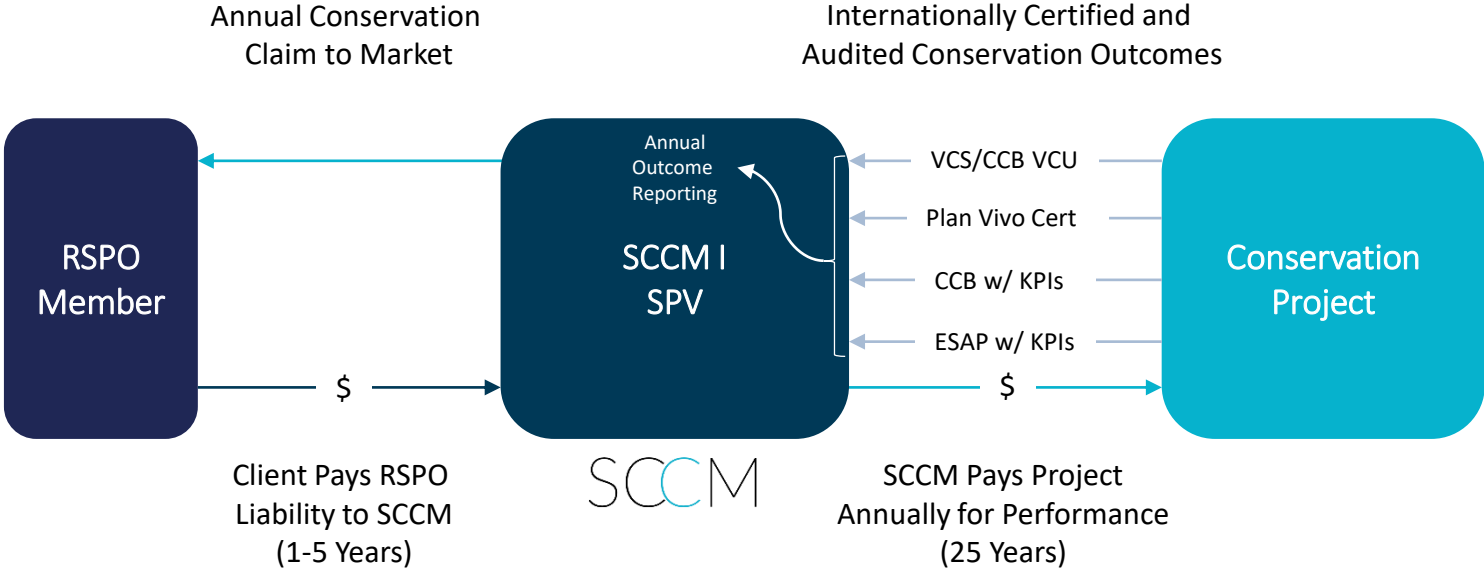
Environmental Commitment Financing

## Supply

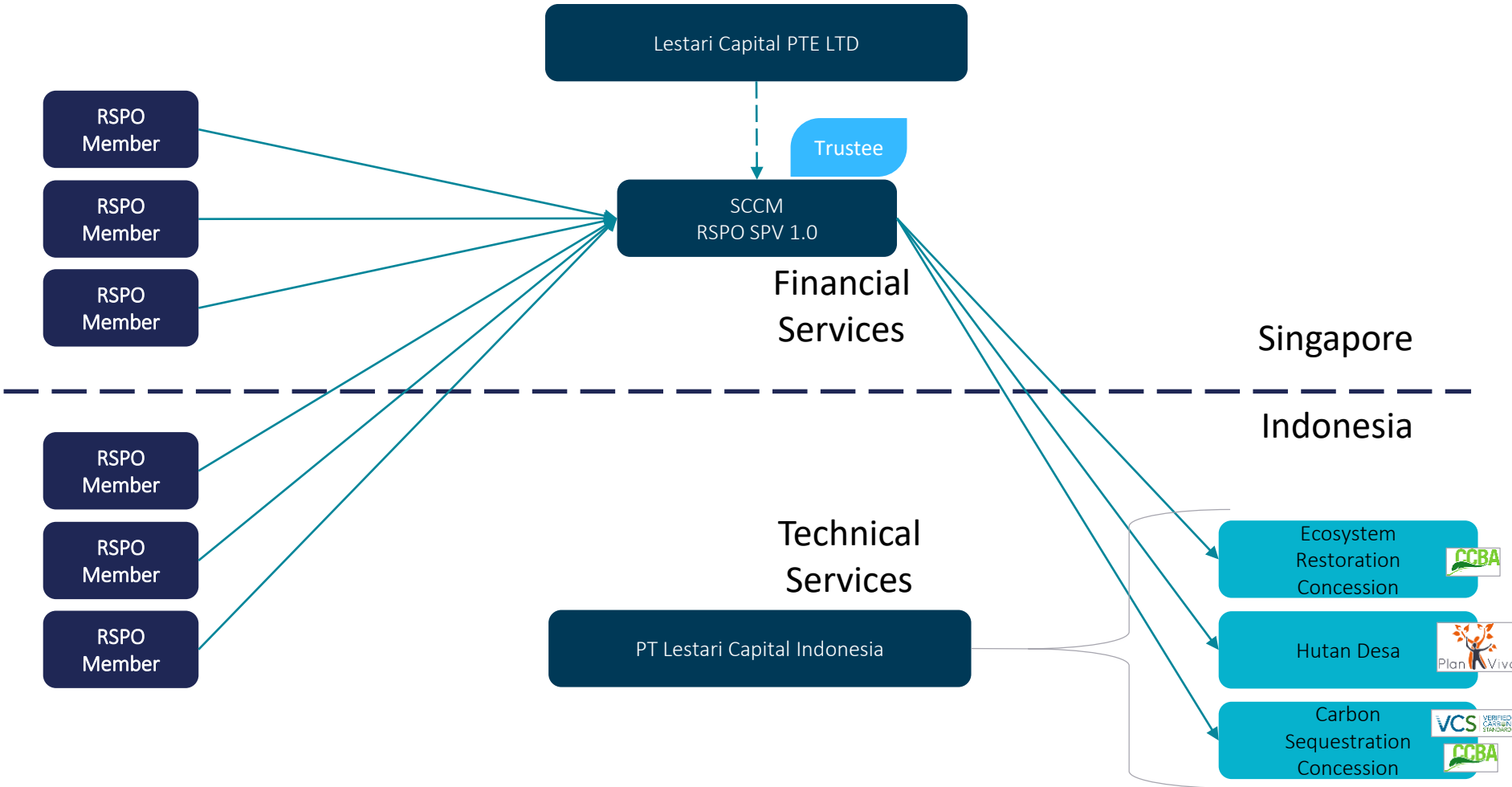
Environmental Asset Project Portfolio



# SCCM I: EXAMPLE RSPO TRANSACTION

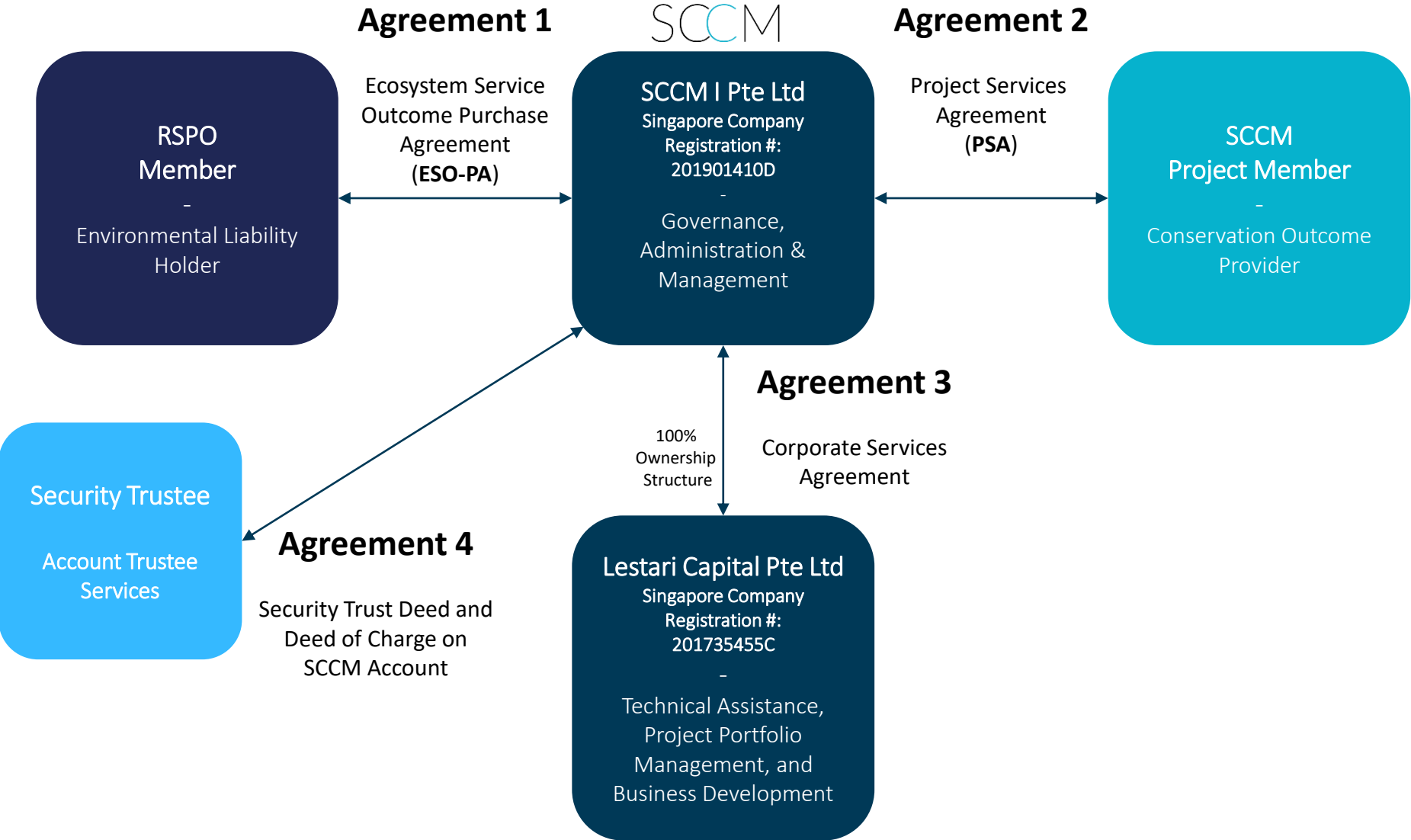


# SCCM I: LEGAL STRUCTURE





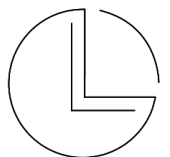
# SCCM I: STRUCTURE



# CHALLENGES COMPANY CONTEXT

- **FOR GROWERS:**

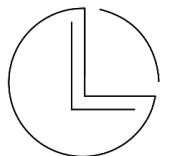
- Robust, 25-year projects are difficult to identify, especially by growers with little conservation expertise.
- Likelihood of project failure over 25 years is high, and robust checks prior to implementation are not conducted.
- Current compensation options are non-standardized
- Companies face significant reputational and market risks when faced with potential project failure.
- Process of concept note, proposal development, and annual monitoring is difficult for companies.
- The RSPO compensation system (RaCP) is cumbersome and expensive for growers



# NATURE-BASED PROJECTS

- **FOR CONSERVATION AND FOREST RESTORATION PROJECTS**

- Portfolio is open for any project to apply with a clear and transparent process, and guidelines for acceptance
- Field-level due diligence is undertaken on all projects by Lestari
  - Projects are certified and monitored under international standards (VCS/CCBS/Plan Vivo)
  - Or, have a roadmap to certification to reach the same level of best practice.
- 25-year funding is provided to the project, based on performance and delivery of agreed conservation outcomes
- Technical support is provided to projects to build capacity
- Projects can, and are encouraged to, pursue other avenues of funding



# THANK YOU

Contact us:

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# ANNEXES

In Case You Were Interested

# CONTRACT ARRANGEMENT

- **Ecosystem Service Outcomes Purchase Agreement (ESO-PA)**
  - RSPo Member <-> SCCM Pte Ltd
  - This is the contract between the RPSO company and the SCCM. It describes the obligations of both companies, terms of payment into the SCCM, purchase and retirement schedule of ecosystem services from our portfolio and terms regarding events of default.
- **Project Services Agreement (PSA)**
  - SCCM Pte Ltd <-> Project
  - This is the contract between the SCCM and Project. It describes the obligations of the project, the payment schedule, ecosystem service outcome delivery schedule and terms regarding events of default.
- **Corporate Services Agreement**
  - This is a simple services agreement between Lestari Capital Pte Ltd and the SCCM Pte Ltd which obligates Lestari Capital to provide on-going services to the SCCM regarding services described in the PSA and ESO-PA
- **Security Trust Deed**
  - The security trust deed gives Madison Pacific Singapore a charge over the account, enabling it step-in and trustee rights in the even of material default or insolvency of Lestari Capital. Madison Pacific can then return all un-spent fund back to the RSPo Member.