Natural Capital ITALIA

Investing in Nature

2021 - 2022

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INTRODUCTION

Natural capital
is the set of natural assets
of the world
that contributes, protects,
and sustains life on earth.
It includes land, soil, oceans,
air, trees, plants, animals,
and processes
that guarantee
health and protection.

Natural Capital Italia was born from this conviction – the first holding company dedicated to the safeguarding of natural capital.

Combining management skills in both investment and natural capital,
Natural Capital Italia aims to offer **investment strategies that generate returns** for both investors and nature, enhancing ecosystems, protecting biodiversity, and accelerating the transition to new forms of natural capital management.

NATURAL CAPITAL ITALIA

To help **increase the resources** that could be allocated to support natural capital, through **its own initiatives** or **advocacy**

Job creation by investing in the natural capital sector, which will create a growing increase in stable jobs

To finance **replicable**, **sustainable** and **relevant initiatives** throughout the national territory

To increase and inspire the majority of people with positive examples of the role of private capital **as a developmental factor of natural capital**

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NATURAL CAPITAL

This section illustrates how important it is to preserve natural capital for future global well-being.

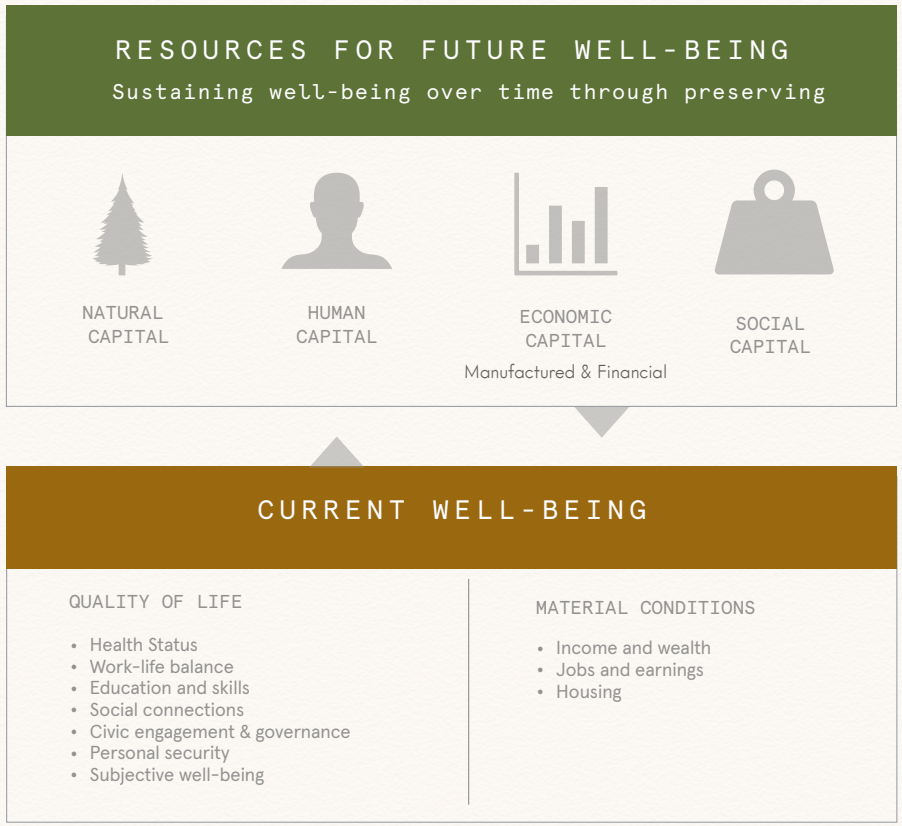


01

CONTEXT

Natural capital is part of a framework that includes three other forms of capital, fundamental for the livelihood of the world well-being: Human Capital, Economic Capital, Social Capital.

The balanced management of these forms of capital is the responsibility of every organisation or company. Depressing the capital of only one of these assets would mean compromising the balance of future well-being. We are currently witnessing a continuous erosion of the value **generated by natural capital.**



Source: Investing in Nature
Private Finance for nature based resilience. The Nature Conservancy

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IMPACT

To reduce the erosion of natural capital, scientists/policy makers have set a goal to prioritise the permanent conservation of at least 30% of the planet's surface by 2030, nearly doubling nature conservation on land and in water.

The application of this methodology will have significant economic, sanitary and cultural benefits:

I

Reduction of annual CO2 emissions from 4% to 12%, avoiding deforestation, maintaining, and conserving existing natural areas

II

Supporting local economic growth, safeguarding a number in the order of $300/500 billion GDP, and at least 30 million jobs in ecotourism and sustainable fisheries

III

Expansion of protected natural areas for endangered species from 2.2x to 2.8x

IV

Help in reducing the risk of zoonoses such as COVID 19

Source: Mckinsey Report, Valuing Nature Conservation

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INVESTING IN NATURE

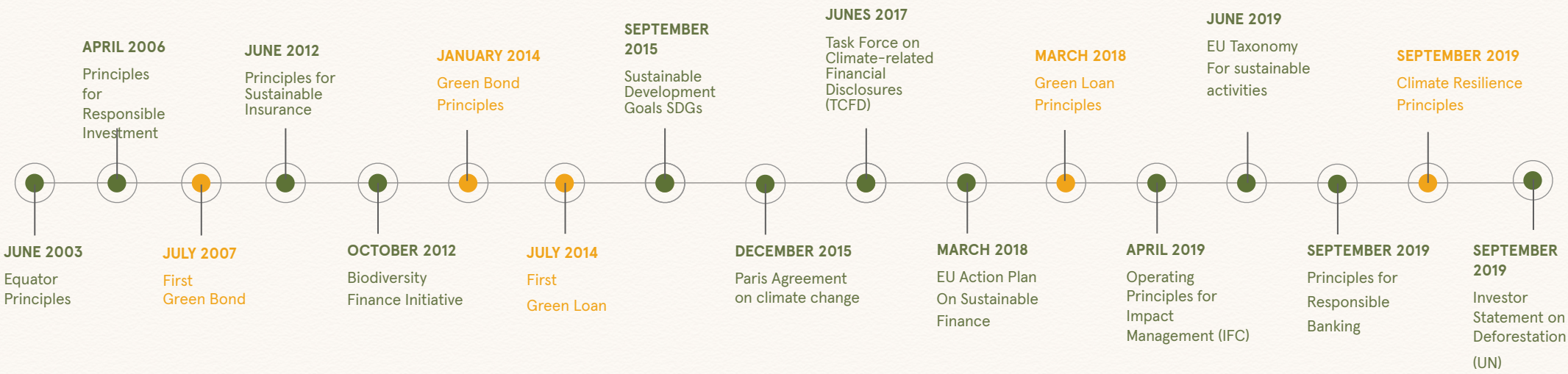
This section illustrates
the increasing attention
of the financial world towards
nature-based investments.



01

A LONG ROAD TOWARDS "NATURAL CAPITAL FINANCE"

Over the past 15 years, public policies and market initiatives have generated a transition to sustainable finance, but increased focus is required.



Key Initiatives in support of sustainable finance

- Principles and Market initiatives developed by Investors and Corporates
- Principles, guidelines and policies backed by Governments or multilateral bodies

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AN INCREASE IN INVESTORS' AWARENESS

Many traditional investors, such as pension, endowment and insurance funds, and funds are lending increasingly more attention to the environmental impact of their own investments.

They are doing so in response to the evidence that the natural capital that we all rely on is rapidly eroding and poses a significant risk to our general economic model. This - together with pressure from stakeholders, government guidelines, and normative changes – is leading to **changes in investor behaviour and areas of interest.**

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ACTIONS TO MOBILISE PRIVATE CAPITAL

– Governments

Recognise the importance of nature-based investing and incentivise companies to maintain a clear view of their dependence on natural capital

- Project Sponsor

Embrace the concept of natural capital in their investment strategies

- Intermediaries

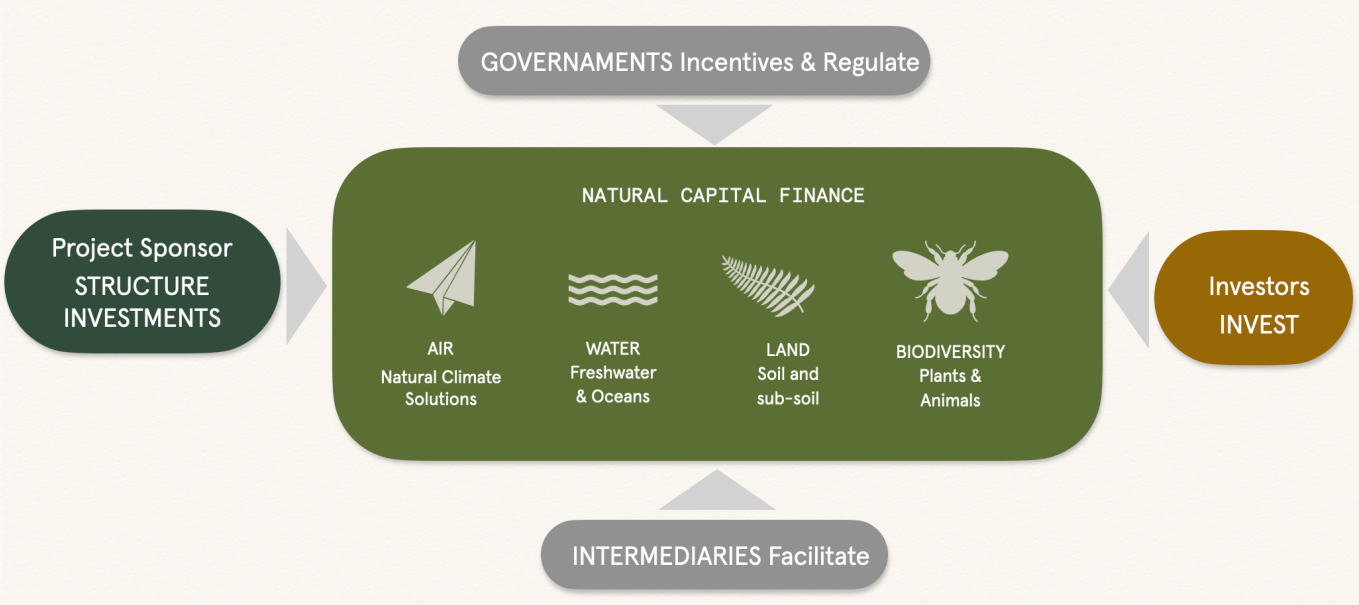
Support the development of natural capital-based projects

- Investors

Include risks and opportunities associated with natural capital in their asset allocation decisions

Source: Investing in Nature

Private Finance for nature based reslience.
The Nature Conservancy



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NATURAL CAPITAL FINANCE REPRESENTS ONLY A SMALL PORTION OF SUSTAINABLE FINANCE



- **Sustainable finance** is the broadest of the categories, and is intricately linked to ESG finance

- Investments in sustainable finance have expressed robust growth in recent years, which seems to be continuing. According to **McKinsey** (McKinsey, 2018), these investments represent about 35% of all “professionally managed" assets

- **Green finance** is narrowly defined and focuses on environmental and climate change issues. Investments in renewable energy and energy efficiency dominate this category, attracting about 1.6 billion in investments (Bloomberg New Energy Finance)

- Natural capital or "conservation finance", represents a small slice of all sustainable finance. According to a report by the **Coalition For Private Investment In Conservation** (2021), the overall market volume of "conservation finance" varies between $ 133 billion (United Nations Environment Program) and $124-143 billion provided annually by the public and private sector (Deutz et al.2020)

04

NATU RAL CAPITAL FINANCE REPRESENTS ONLY A SMALL PORTION OF SUSTAINABLE FINANANCE

Natural capital investments are a **subset of broader categories**, such as ESG financing, sustainable finance, or green finance, as shown in this figure



BIODIVERSITY Plants & animals	AIR Natural climate solutions
WATER Freshwater & oceans	LAND Soil and sub-soil

Source: Investing in Nature
Private Finance for nature based reslience. The Nature Conservancy

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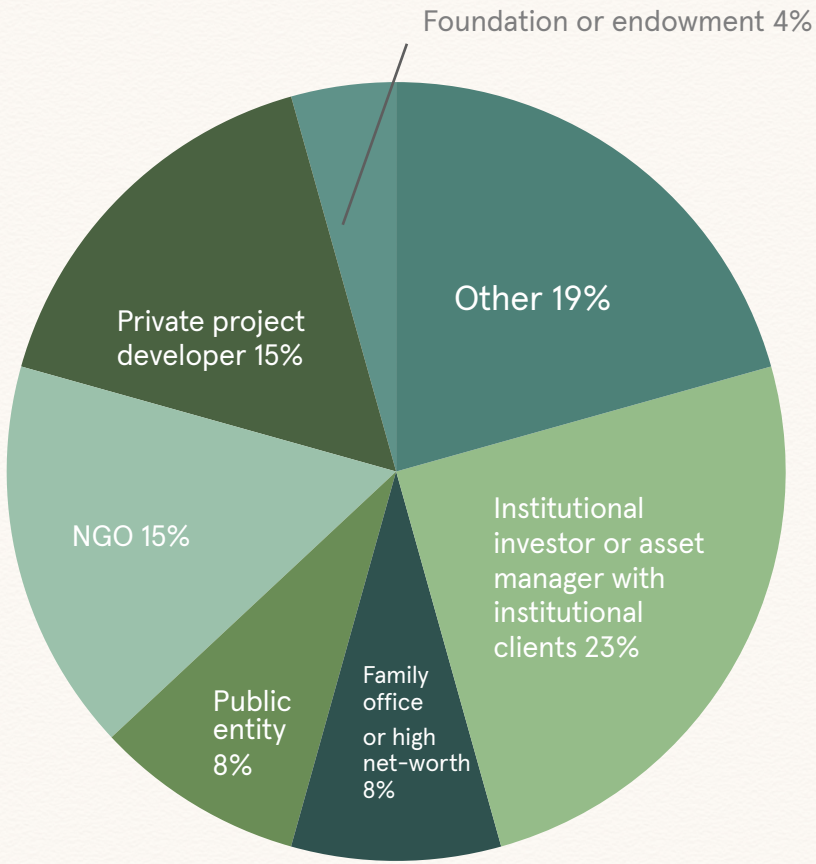
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WHO INVESTS IN NATURAL CAPITAL, AND HOW?

Who invests?

According to the CPIC report, institutional investors, or asset managers with institutional clients, represent the most prominent category of investors - as shown in this chart:



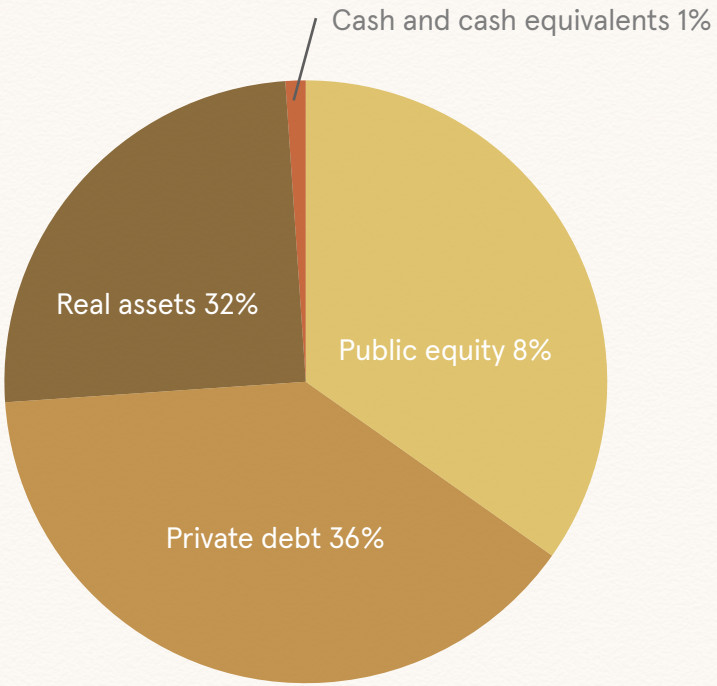
Source: Conservation Finance 2021, CPIC

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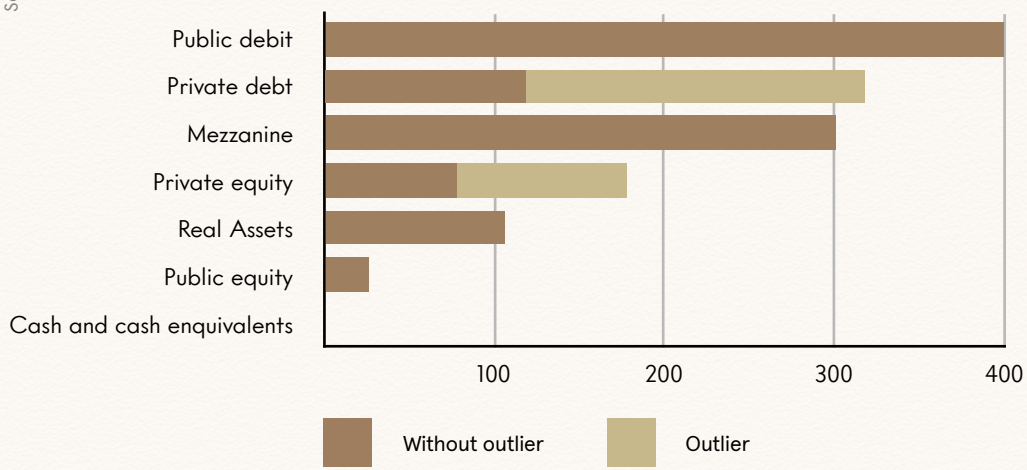
WHO INVESTS IN NATURAL CAPITAL, AND HOW?

How?

There is a diverse mix with regard to "conservation investments", with a greater focus on private debt, real assets (such as infrastructure and land) and private equity



Source: Conservation Finance 2021, CPIC



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NATURAL CAPITAL ITALIA

In this section, the business goals and strategies of Natural Capital Italia are described.


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Mission



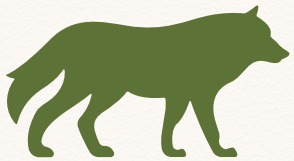
Promotion and development of **nature-based tourism,** sustainable agriculture, and projects aimed at the conservation of natural heritage



Environmental education through the offering of hospitality, food and wine, and close-contact experiences with nature



New jobs in sectors with high growth potential, creation of innovative skills to meet an **increasingly sophisticated demand**



Harmony with the naturalistic management that characterises the WWF's mission, in compliance with existing protocols, and in support of modern forms of conservation

Target

Target

Create the **first Italian group active** in environmental conservation, who innovatively manages the challenge represented in the compatibility of the safeguarding of natural capital and economic profitability

Strategy

Natural Capital Italia S.p.A is a holding company that manages, coordinates, and finances **investments aimed at the conservation** of some of the most beautiful nature reserves in Italy, covering an area of about 10,000 hectares

BusinessModel

When environmental sustainability is achieved by pursuing the main societal mission - namely the conservation of natural systems - economic sustainability will be developed through:

1. **conservation-oriented services**
2. **experiences inside the Reserve**
3. **management models** aimed at improving the protection of the present biodiversity, and at the same time favouring coexistence with the development and maintenance of a bio agriculture

Added value for stakeholders

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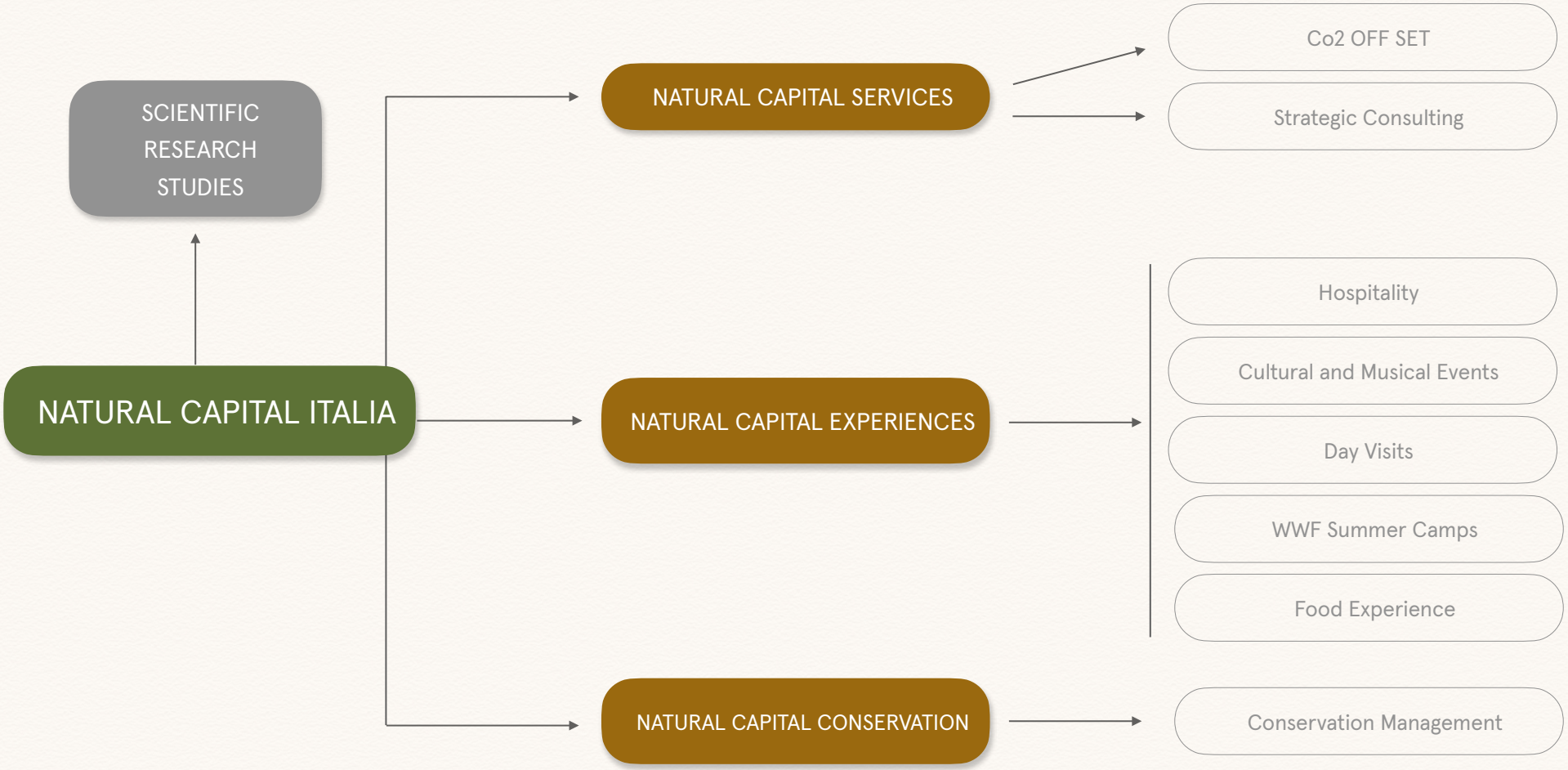
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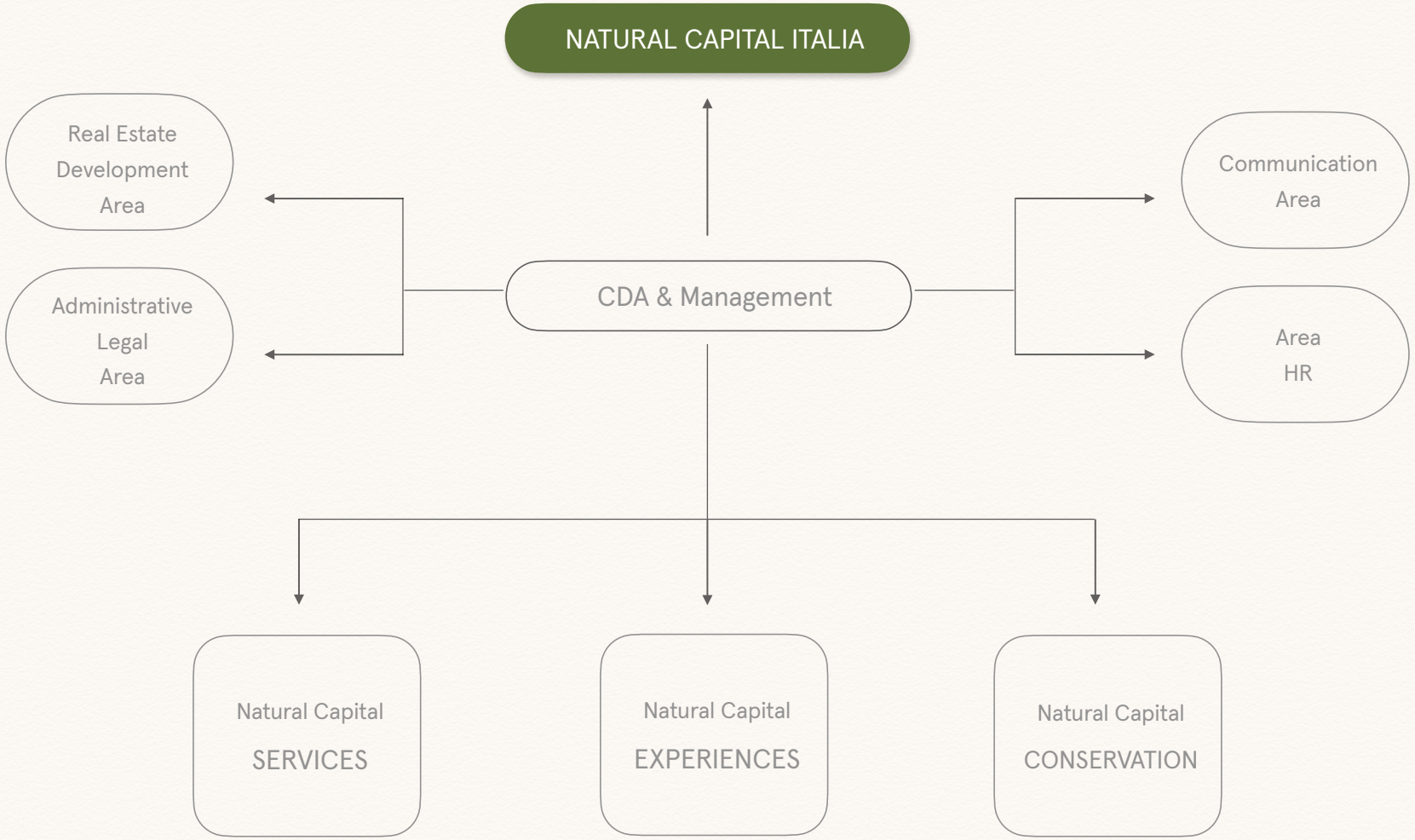
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NATURAL CAPITAL CONSERVATION
Co2 OFF SET
Strategic Consulting
Hospitality
Cultural and Musical Events
Day Visits
WWF Summer Camps
Food Experience
Conservation Management

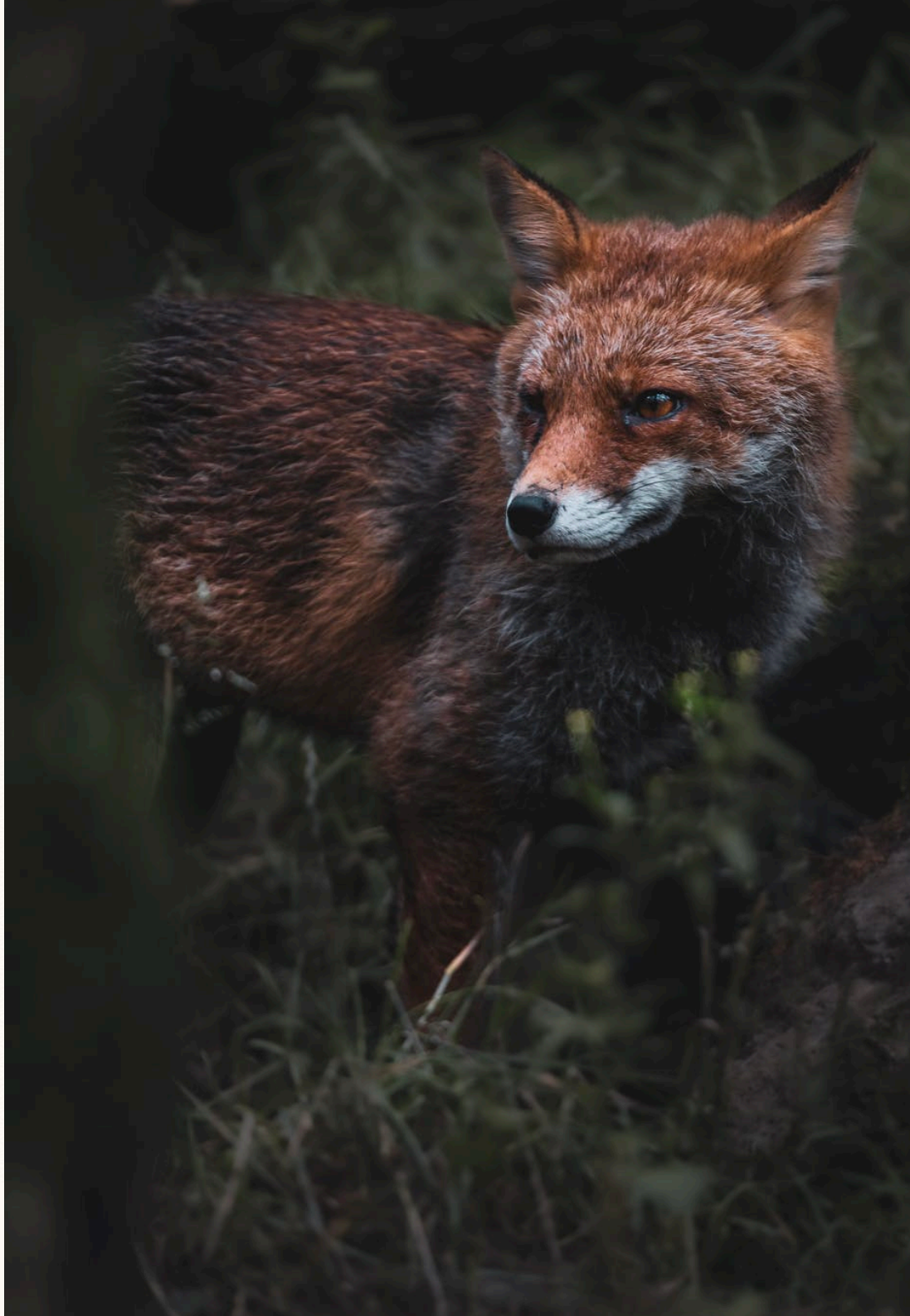

NATURAL CAPITAL ITALIA
Real Estate Development Area
Administrative Legal Area
CDA & Management
Communication Area
Area HR
Natural Capital SERVICES
Natural Capital EXPERIENCES
Natural Capital CONSERVATION

01

Natural Capital Services

The Natural Capital Services business unit develops, designs, or invests in businesses that have the **conservation of natural capital as their objective**.

BUSINESS MODEL



01 CO_2 Offset

- The company has launched a program designed for CO_2 compensation, based on the English Woodland Trust model
- **"Carbon Offsetting"** is the principle according to which a certain amount of greenhouse gases produced in one place can be compensated for by reducing the same amount of carbon elsewhere
- One of the main means of absorbing carbon is the **upkeep and recovery of woods and forests**, activities that generate other positive external effects such as: soil protection, better water quality, landscape enrichment etc.
- All production companies/facilities emit greenhouse gases and, for this reason, should engage in practices that reduce and/or compensate for them
- The idea is to **involve the world of profit** (production companies/ factories) through responsible participation, which at the same time provides for an internal commitment to be more environmentally sustainable through the purchase of allowances on the voluntary carbon credit market
- The **'sale' of allowances** makes it possible to buy new forest lots and manage and protect protected areas. The company is also issued with a certification attesting to its commitment to the Environment

02 Strategic conservation consulting

- The goal is to provide **strategic conservation skills** to companies in the Italian market, in order to adapt the company's business model to the new challenges related to climate change, allowing the development of opportunities that respond to investors and the market

02

Natural Capital Experiences

The Outdoor Experiences business unit deal with creating experiences that range from hospitality to food and wine, to close-contact experiences with Nature, in carefully selected WWF Reserves, where the beauty of the surroundings, the harmony of the structures with nature, and excellent service, become a unique experience for a new generation of **sophisticated users sensitive** to these issues



01 Hospitality

- The possibility to create **the first collection of hotels** in Italy where Nature is the real luxury
- The main drivers of the project's value creation are represented by the beauty of the Reserves, the quality of the facilities and superb service

Each of the drivers is effectively feasible by relying on some basic elements and trends:

- **Tourism** that has become increasingly attentive and sensitive to sustainability
- The **imbalance between demand** (always growing) and offer of "nature based" tourist services
- Places that are still intact from **a naturalistic point of view**

02 Cultural and musical events etc.

- Organise various kinds of **internal events, and host external events**, which are of a musical nature (concerts), or festivals dedicated to conservation themes

03 DayVisit

- **Sports/nature excursions** that allow people to spend entire days in Nature Reserves

04 WWF Summer Camp

- Offer local schools an **environmental education program** that addresses environmental issues - also through practical and laboratory activities

05 Food Experience

- Promote the **gastronomic experience** outside the Reserves themselves with food and catering products

03

Natural Capital Conservation

This business unit manages both owned Reserves and management entrusted Reserves, through a dedicated team aimed at achieving **conservation objectives**



01 Conservation Management

In partnership with WWF, this business unit deals with:

- Identifying and evaluating the key features of interest of the Reserve
- Setting clear goals and objectives for the conservation of these features of interest
- Describing the Reserve and its management plan
- Defining appropriate management strategies/actions to achieve conservation objectives such as:

1) **Protect the area as a whole**, also solving the critical issues encountered over time and that have affected the area (vegetation cutting, off-roading etc.)

2) Implement all actions that prevent potential risks for the area: fires, vandalism, poaching. **Plan a series of interventions** that in addition to securing the area, enhances the productive parts (agriculture, pastoralism) and tourism

3) **Cultivation attentive** to the natural fertility of the soil, with limited intervention, aimed at supporting biodiversity. Farming that respects the physiological rhythm of growth of animals and their natural behaviors, following well-defined standards



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SCIENTIFIC PARTNER

- Two well known, distinctive organisations with **strong reputations** (Dynamo and WWF)
- Aligned with **positive values of social responsibility**
- Engaged in different fields but with some **consolidated common elements**: environmental conservation, experiential educational approach, national dimension
- Two organisations that decided to combine their professional, technical, and organisational skills to promote **a model of active integration between nature conservation and sustainable development** within selected and representative locations such as WWF Reserves and other similar areas to be identified within the national territory. A choice that is part of the trend of rediscovery of closely situated destinations, very often neglected for lack of offer or promotion

Fondazione Dynamo

FONDAZIONE DYNAMO

For about 20 years, Fondazione Dynamo has been involved in supporting the design and development of business organisations that address social problems such as education, health, social services, and the environment, also favouring new employment

WWF

WWF OASI ITALIA

WWF Oasi manages the reserves owned and entrusted by WWF Italy and aims to combine nature conservation with economic and environmental sustainability

APPENDIX

01

Cumberland Forest Project

Use of carbon credits to generate revenue to support forests

EXAMPLE:
The **Cumberland Forest Project** protects vast forest landscapes throughout southwest Virginia and along the Kentucky-Tennessee border. By carefully managing these forests and enrolling them in the California carbon market, under the certification of the Forest Stewardship Council, this $130 million project aims to improve forest health by generating enough revenue to repay conservation-conscious private investors who have supported the project.

02

Timberland Investments

There are millions of acres of forest in the United States that are owned by pension funds, charities, individual investors, and universities. Investors can own timber through a variety of investment vehicles or buy shares in Timberland Management Organisations (TIMO's) which function as brokers and manage timber investments on behalf of their clients

EXAMPLE:

- **Guggenheim Timber (CUT)** is an ETF made up of more than two dozen companies that produce wood products or own forests. The dividend yield on this global wooden fund is typically higher

- **Weyerhaeuser Company (WY)** is a REIT that invests in forests for the production, sales, and distribution of forest products. Weyerhaeuser Co. is one of the largest forest owners in the world

03 Seychelles Blue Bonds

Debt for nature conversion to protect the oceans

EXAMPLE:
In 2016, the Seychelles completed an innovative conversion of the debt with **The Nature Conservancy**. This deal raised funds to buy $21 million of Seychelles sovereign debt to refinance it on more favourable terms, and then direct a part of the reimbursements to finance adaptation to climate change, sustainable fisheries, and high-conservation projects, as well as to create an endowment for the benefit of future generations of the Seychelles. As part of the agreement, the Seychelles has committed to a comprehensive marine space plan (MSP) to ensure the long-term, sustainable health of the nation's entire marine area of 1.4 million of square kilometres

04 Private Equity Investments

Investments in aquaculture

EXAMPLE:
Dutch investment fund Aqua Spark makes early-stage private equity investments in small and medium-sized enterprises of aquaculture producing fish, mollusks, and oceanic plants. It believes that more than 50% of fish stocks are already fully exploited, and so there is no room for further wild fishing.
The fund seeks to take a minority stake between 20 percent and 40 percent with investments ranging from $250,000 to $5 million. Since its launch in 2013, the $96 million fund has attracted co-investment from giant institutions like Japan's Mitsui, and Temasek, Singapore's sovereign wealth fund. It aims to have $1.3 billion of assets under management by 2030