

PRESS RELEASE

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Conservation: Capital markets discover the protection of biodiversity

PwC-Study recommends new financing model for conservation projects

Brussels, 22 February 2007. Financing conservation projects with capital from institutional investors will gain importance in the coming years. The market for so called ethical - especially ecologically sustainable - investments grows consistently. Through financial engagement of sustainability-orientated investors it could be possible to raise additional money for the financing of conservation. This is the key message of the study "Sustainable Investments for Conservation - The Business Case for Biodiversity", which the professional services firm PricewaterhouseCoopers (PwC) conducted on behalf of WWF Germany.

The study which was presented today in Brussels under the patronage of the EU Commissioner for the Environment, Stavros Dimas, suggests that the model of a "Sustainable Investment Holding" can be considered as suitable for coordinating such a strategic collaboration between institutional investors and environmental organisations. The concept was discussed at a conference involving besides the Commissioner high level speakers like Ambassador C. Boyden Gray, Representative of the USA to the EU, Dr. Peter Prokosch, Managing Director of UNEP/GRID-Arendal and Wolfgang Wagner, Senior Partner and CEO, PricewaterhouseCoopers Eurofirms.

Great potential for sustainable investment funds

The market volume of sustainable investment funds with an ecological, social or other ethical focus has risen more than five-fold in the German speaking area since 2002 and currently amounts to around 13.8 billion Euros (Source: Sustainable Business Institute, 2007). A survey in 2005 showed that 90 percent of the interviewed fund managers planned to intensify their efforts in sustainable investments. Per September 2006, the three-year average performance of the ten best-performing sustainable investment funds available on the German market showed an annual growth of between 18 and 23 percent, while the MSCI World Net Index only gained around 13 percent annually over the same period.

Despite the obvious demand for "ethical" investments, many new environmental business opportunities (e.g. ecotourism or sustainable forest management) that contribute to biodiversity conservation still lack financing. Only very few investment funds make biodiversity or conservation issues a critical part of their operational mission.

Alfred Höhn, responsible partner for the project at PwC points out: "As a mass product, investment funds have to acquire sufficient volume. Many of the existing biodiversity projects are simply too small to be considered by investment funds. Also, as long as there are no clear and generally accepted minimum standards for sustainability funds, it remains difficult to assess the quality of such an investment."

The solution: the Environment Investment Holding - Liquidity and guaranteed sustainability

The study offers a solution to this dilemma: the concept of a "Sustainability Investment Holding". Here, environmental organisations could act as initiators of a holding that bundles economically profitable conservation projects and collects the necessary capital for their implementation. The holding itself does not execute the projects but leaves this to operational affiliates. The environmental organisation controls the holding's and its affiliates' compliance with ecological principles. Investors profit from the fact that an environmental organisation guarantees for the ecological sustainability of the company's operations.

Eco-tourism and sustainable forest management in Namibia, Brazil and Costa Rica offer a positive return on investment and finance conservation

"Conservation, ecological sustainability and a positive return on investment are not mutually exclusive at all. This conclusion can be drawn from the three conservation projects in Brazil, Namibia and Costa Rica that the study dealt with", explains Dr. Peter Prokosch, Managing Director of UNEP/GRID-Arendal and former head of the WWF Germany. On the long run, the portfolio of three eco-tourism and sustainable forest management projects with a total investment of 14.5 million Euros and a protected area totalling 217.000 hectares is financially self-sufficient and can offer a positive return on investment. Furthermore, afforestation projects offer additional potential revenues from CO₂-emissions trading.

"In order to be considered for an investment, projects must comply with a strict set of sustainability criteria", Dr. Prokosch points out. "The label of the Forest Stewardship Council (FSC) for example attests that in the opinion of independent inspectors, the forests

are well managed on a sustainable basis in accordance with strict environmental, social and economic criteria", he explains.

Extensive portfolio of countries and projects is necessary

"There are always bigger country related risks to investments in developing countries than in industrialised countries. Therefore, since many important conservation projects are located in developing countries, investors have to consider carefully not only a company's business plans but also political parameters", Kristina Jahn, managing the project at PwC, recommends. "As the recent SARS epidemic demonstrated, especially the success of tourism projects is dependant on critical conditions like the occurrence of diseases or the regional security situation (e.g. the likelihood of terrorist attacks)", she points out.

Inefficiencies and corruption of government authorities often trouble forest management companies, for example if logging permissions are issued with delay or if illegal logging is not persecuted. Furthermore, investors must observe cautiously the developments of ownership rights, land reform and land use conflicts.

In order to minimise the above mentioned country- and project-related risks and as suggested by the "holding model" of the study, investors should therefore always consider a comprehensive portfolio of projects.

The study can be downloaded free of charge starting 22 February 2007 at the following website: www.pwc.com/sustainability

More information is available from:

PricewaterhouseCoopers

Mike Davies

Global Director of Communications

Tel.: +44 20 78 04 23 78

E-Mail: mike.davies@uk.pwc.com

Alfred Höhn

Partner, PwC Advisory Berlin

Tel.: +49 30 26 36 12 70

alfred.hoehn@de.pwc.com

Kristina Jahn

PwC Advisory Berlin

Tel.: +49 30 26 36 13 82

kristina.jahn@de.pwc.com