

“Shifting dynamics in the forest sector in Gabon”

Precious Woods business model to maintain the rainforests landscape

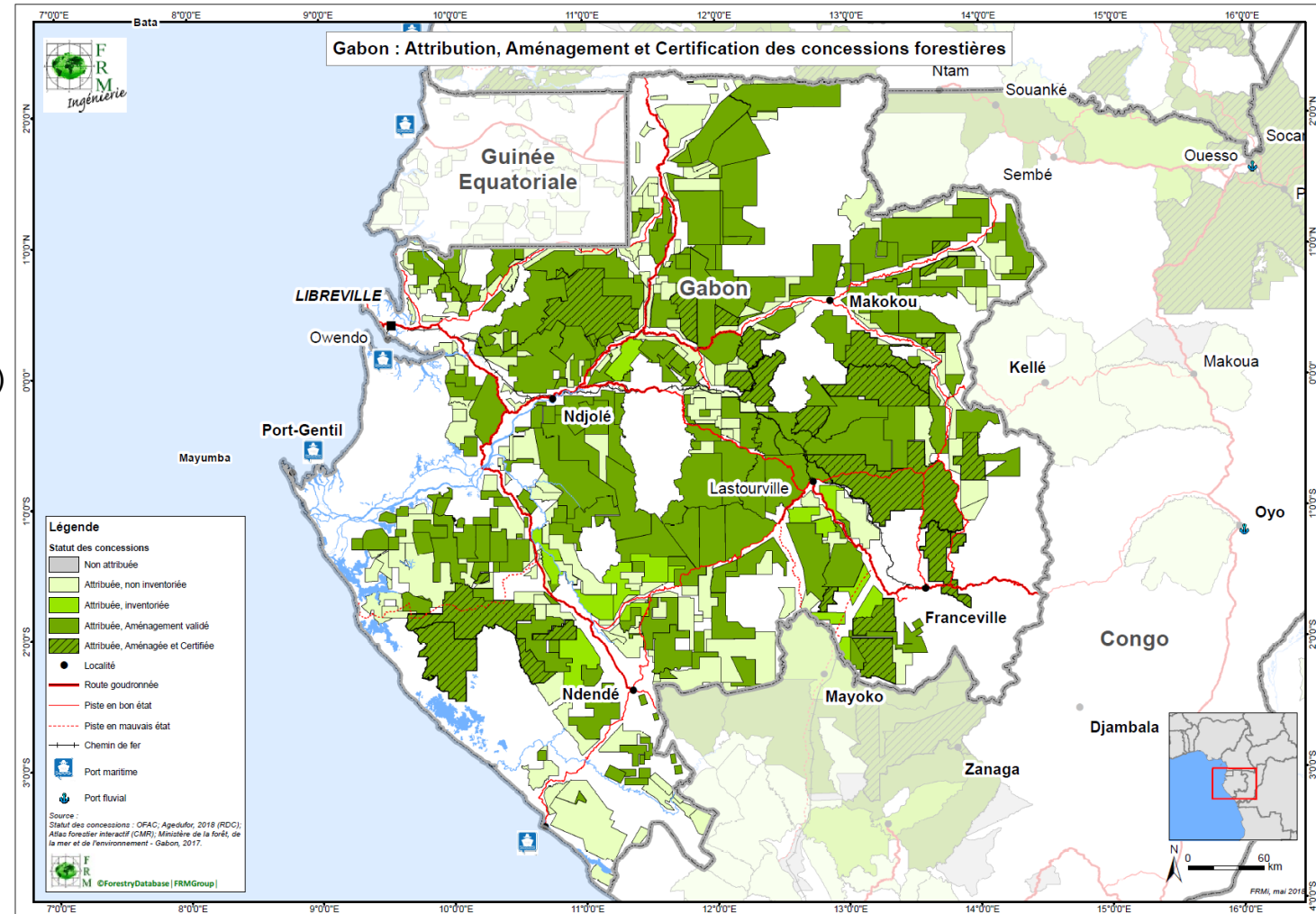
Stephane Glannaz





Gabon forests at a glance :

- **Country** : 26,8 M Ha
- **Forest** : 22,5 M Ha
- **Concession forest** : 14,7 M Ha
operators : 108 (source: rfm / wri)
- **Certified concessions** : 2,2 M Ha*
operators : 3
- Voluntary Partner agreement / FLEGT signed since 2013



Tropical wood imports, EU-28, 2000–2017

(million EUR)

	2000	2005	2010	2012	2013	2014	2015	2016	2017
All countries of the world	1 966.1	1 856.9	1 303.6	897.1	786.5	788.9	911.7	911.5	884.6
FLEGT-VPA countries ⁽¹⁾	1 633.3	1 429.5	1 011.9	690.6	612.1	618.7	702.3	716.0	679.6
Cameroon	421.8	384.2	253.0	204.6	162.6	160.5	189.2	226.2	200.5
Central African Republic	29.5	22.3	9.8	9.2	5.9	4.8	10.6	13.3	6.1
Congo	68.2	89.5	55.7	35.9	44.0	48.8	53.3	55.9	48.2
Côte d'Ivoire	201.8	195.3	103.8	69.4	57.3	65.3	68.3	61.4	54.0
Democratic Republic of the Congo	18.6	60.2	47.6	36.8	35.8	27.0	32.8	34.2	16.1
Gabon	195.9	226.0	161.6	54.6	57.9	53.4	59.2	75.6	71.9
Ghana	102.0	85.4	35.1	15.8	14.1	14.4	13.9	12.9	14.4
Guyana	0.3	1.6	2.5	1.7	1.3	1.8	3.5	1.1	0.0
Honduras	0.1	0.1	0.3	0.5	0.7	1.8	0.5	0.1	0.0
Indonesia	122.8	88.8	107.3	85.9	80.1	83.6	104.7	101.3	121.7
Liberia	61.2	:	1.2	5.6	2.5	2.2	2.8	2.2	0.0
Malaysia	390.9	258.3	228.7	165.0	147.4	151.9	159.7	128.3	143.1
Thailand	19.9	17.4	4.8	5.2	1.4	1.8	1.6	1.2	0.7
Vietnam	0.2	0.4	0.3	0.5	0.9	1.3	1.9	2.2	2.7

(:) not available

(¹) Forest Law Enforcement, Governance and Trade – Voluntary Partnership Agreement (FLEGT-VPA) countries are producers of tropical wood that have signed or are about to sign a VPA with the EU. The agreement requires licensing arrangements to ensure that timber placed on the EU market is from legal sources.

Source: Eurostat (online data code: for_trop)



« *Decrease of tropical timber consumption in Europe doesn't mean that there are less forestry and timber activities at origin* »

Evolution of wood processing units in GABON during the last 10 years (source Etude FRM / BAD)

	Asiatiques	Africains	Européens	Gabonais	TOTAL
2009	20	<i>No data</i>	33	<i>No data</i>	82
2013	43	10	22	34	109
2017/2018	83	17	18	44	162

+ Strong pressure to develop plantation projects (palm oil , rubber , ...)

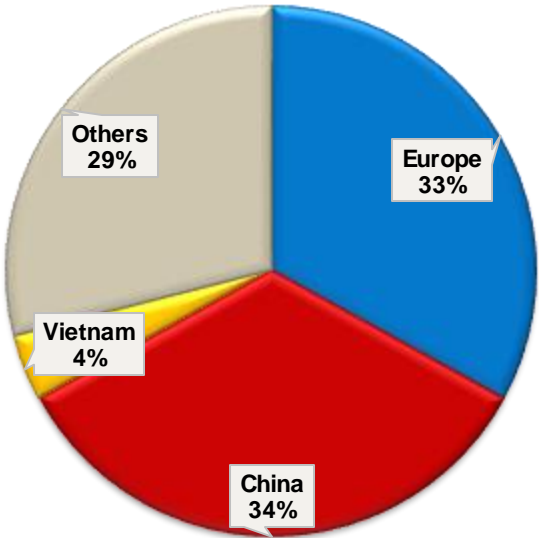


GABON timber products export market shares

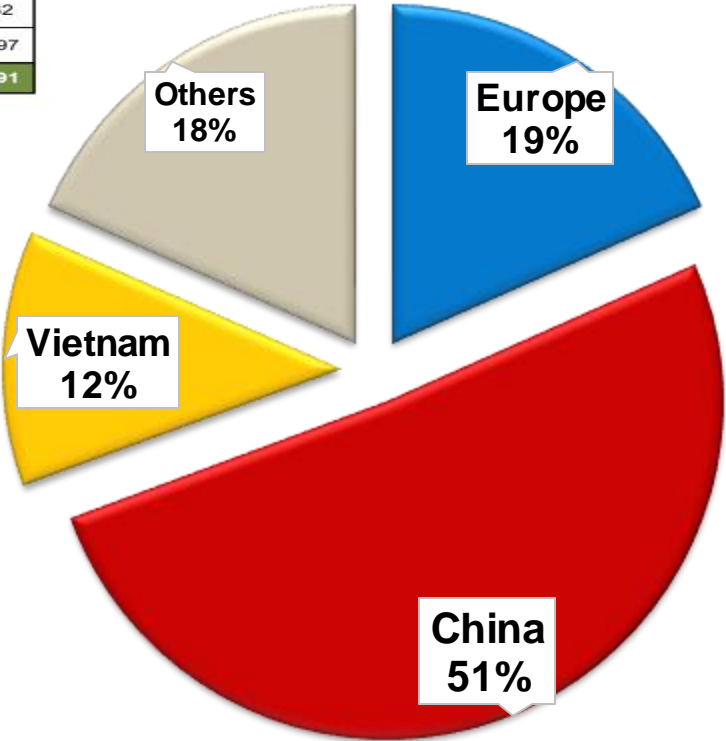
Tableau 6 : Productions industrielles au niveau national de 2009 à 2016⁶

Produits	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sciages	116 183	334 839	413 090	438 795	400 846	369 310	425 320	470 479	505 962
Contre-plaques	45 922	71 364	72 512	56 443	63 198	55 758	58 013	79 982	51 232
Placages-Tranchages	119 226	197 189	246 620	211 520	184 695	184 589	192 716	246 726	286 697
Total	281 331	603 392	732 222	706 758	648 739	609 657	676 049	797 187	843 891

Export 2013



Export 2017



Learnings :

- The more the timber activities develop the more they are addressed to Asian market
- Operators applying the highest environmental and social standards (as fe FSC) are reducing due to lower profitability



	Brazil	Gabon
Forest area	506'637 ha	624'000 ha
Net area	68%	88%
Employees	550	750
Communities	9	44
Area used per year	11'700 ha	22'000 ha
Harvesting volume ha	12 m3	12 m3
Harvesting cycle	35 years	25 years

Brazil
Location: Amazon State
Founded in 1995
Forest operations, timber processing and electricity production
FSC certification since 1997

Gabon
Location: Gabon
Acquired in 2007
Forest operations, timber processing and veneer production
FSC certification since 2008



Our Business: based on a triple bottom line

- Precious Woods conducts its business to create value in an economically, environmentally and socially balanced manner.

Economic: We sustainably harvest and process hard wood locally in Africa and Brazil and market tropical wood products globally. Non-commercial biomass is used for energy generation. We obtain compensation for associated CO2 emission reductions.



Environmental:

Sustainable forestry conserves large, potentially endangered forest areas and helps contain and counteract climate change. We set aside major areas for conservation.

Social: We provide employment and education in disadvantaged regions.

Sustainably managing tropical forest, we involve the local communities to maintain their environment and improve their standard of living.



“In order to avoid deforestation we target to turn environmental performance in revenue by promoting the usage of products coming from certified forests”





United Nations Framework
Convention on Climate Change



PARIS2015
CONFÉRENCE DES NATIONS UNIES
SUR LES CHANGEMENTS CLIMATIQUES
COP21·CMP11

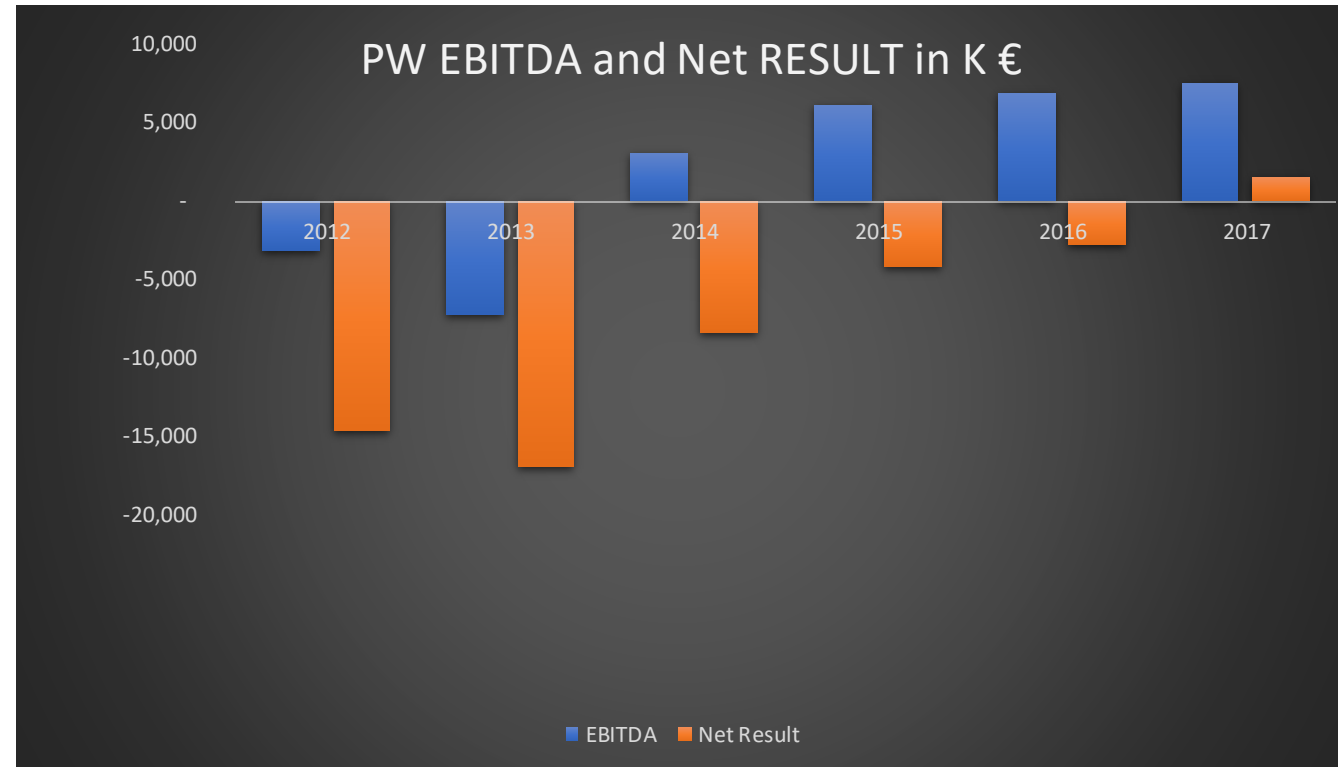
COP 21 Paris agreements Article 5,officialy promote sustainable forest management practices as a conservation mechanism to motivate its development

Article 5 / FCCC/CP/2015/L.9/Rev.1

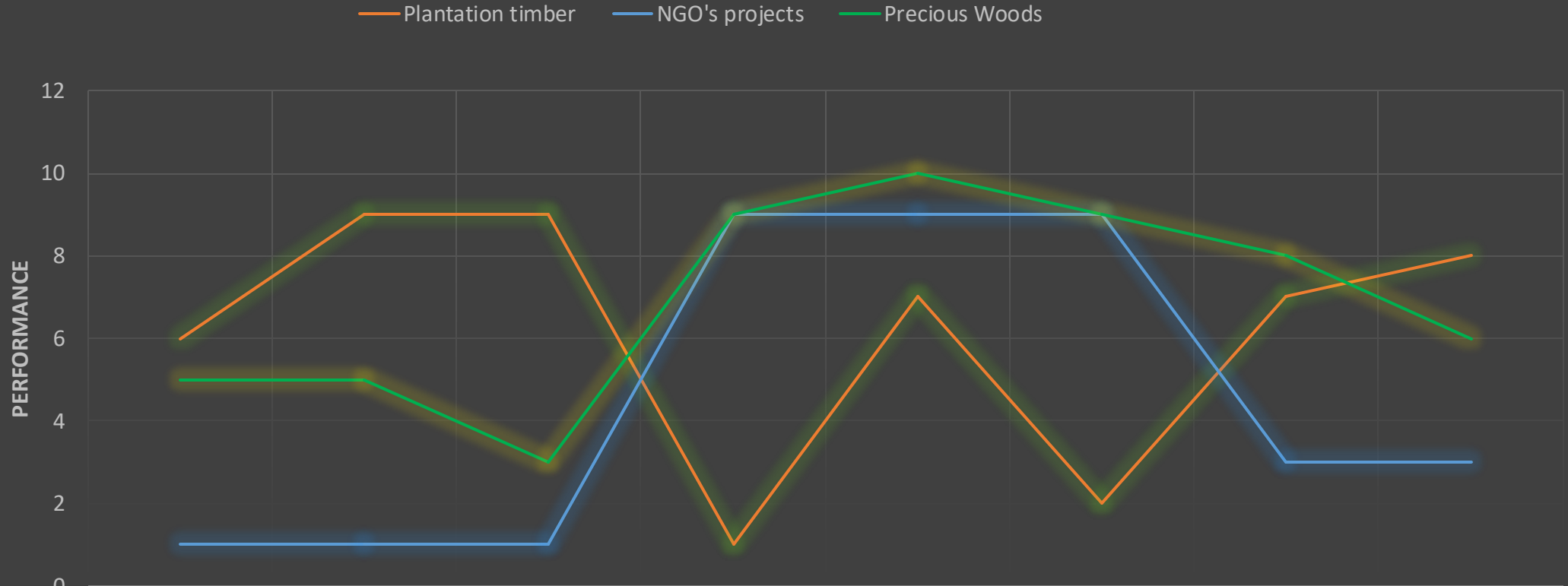
- 1. Parties should take action to conserve and enhance, as appropriate, sinks and reservoirs of greenhouse gases as referred to in Article 4, paragraph 1(d), of the Convention, including forests.
- 2. **Parties are encouraged to take action to implement and support**, including through results-based payments, the existing framework as set out in related guidance and decisions already agreed under the Convention for: policy approaches and positive incentives for **activities relating to reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests** and enhancement of forest carbon importance of incentivizing, as appropriate, non-carbon benefits associated with such approaches stocks in developing countries; and alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests, ...

Precious Woods and FSC certified business model development : *“Sustainability works but still need to be supported ”*

- Being a pioneer is a costly experience
- PW has reached the breakeven point but SFM models are economically not attractive enough to motivate the traditional investors to finance new developments.
- Companies applying FSC certification schema to their rainforests operations are reducing



PRECIOUS WOODS VALUE CURVE



	Timber quality	Timber price satisfaction	Timber volume	Biodiversity protection	Positive Carbon impact	Water conservation	Steady Job development	Operational cost
Plantation timber	6	9	9	1	7	2	7	8
NGO's projects	1	1	1	9	9	9	3	3
Precious Woods	5	5	3	9	10	9	8	6

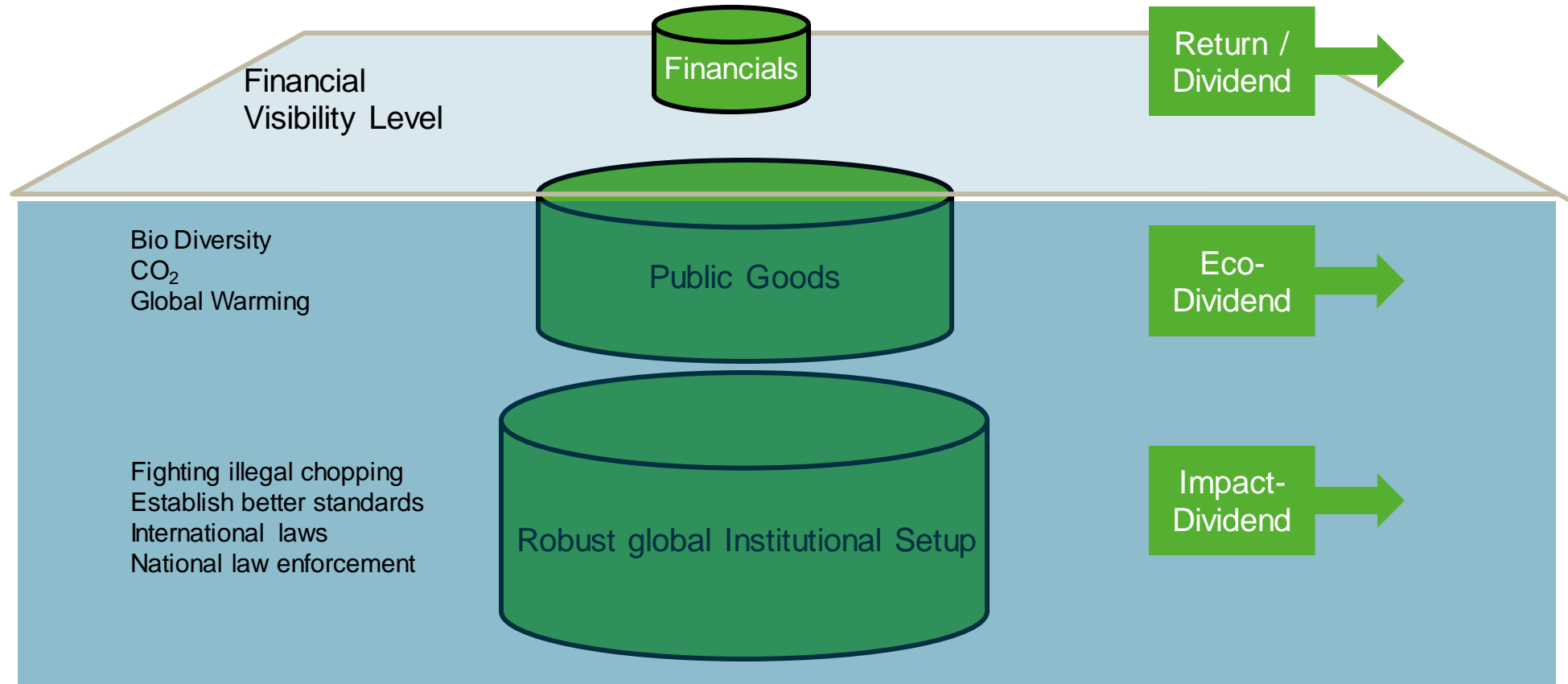
CRITERIAS

PRECIOUS WOODS Business model provides the best ratio environmental & social performance vs costs



Precious Woods dilemma

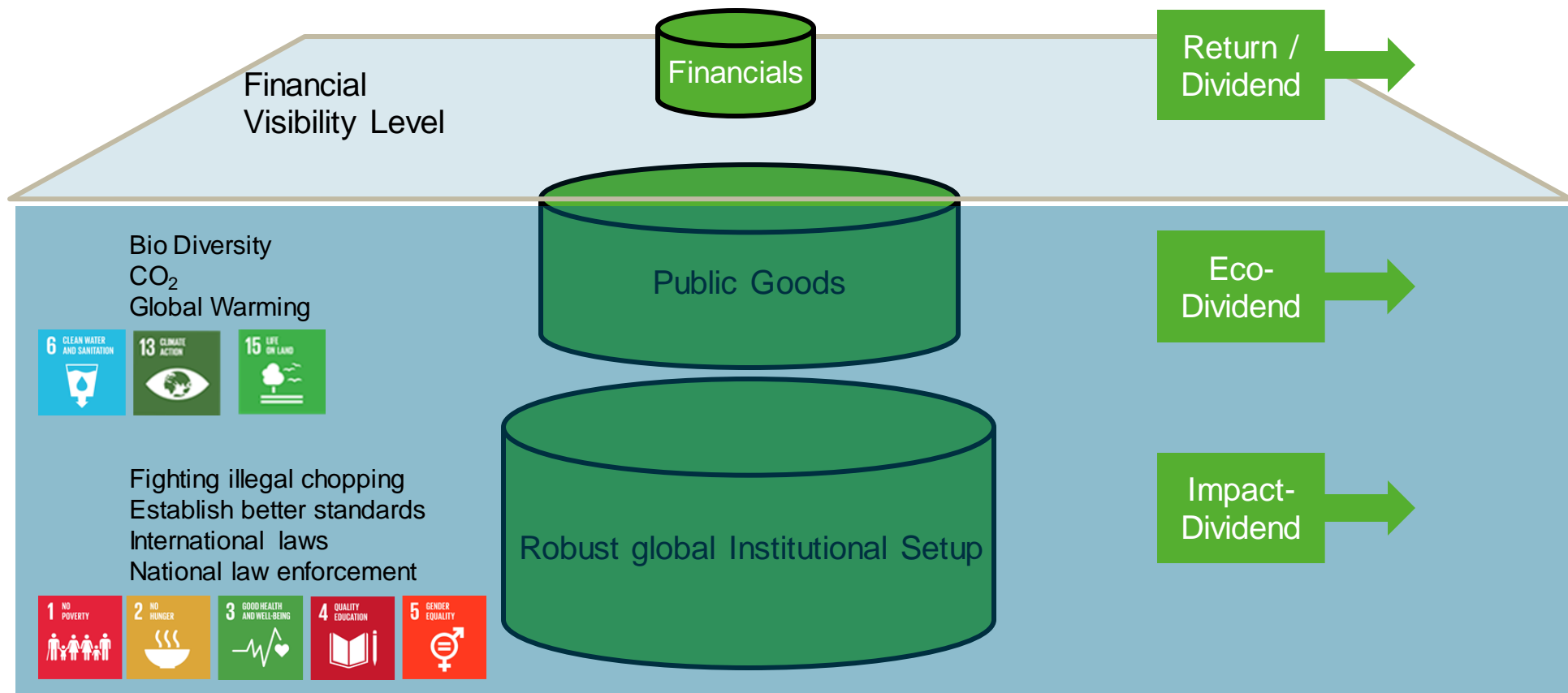
- The bigger portion of Precious Woods' value creation is financially not visible but vitally important :





Precious Woods dilemma

- The bigger portion of Precious Woods' value creation is financially not visible but vitally important :





Precious Woods contribution to the UN SUSTAINABLE DEVELOPMENT GOALS



Environnemental Performance

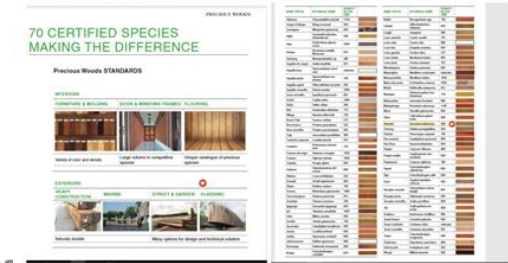
- Forest under sustainable forest management conservation model
- CO2 Conservation
- Biodiversity & Wildlife protection



generates

Revenues

- Certified products
- Electricity from biomass
- Carbon credits
- Data
-



PRECIOUS WOODS

motivates

Social Impact

Valuable job creation and improvement of the living conditions, motivate the employees and the populations to maintain and develop responsible business models

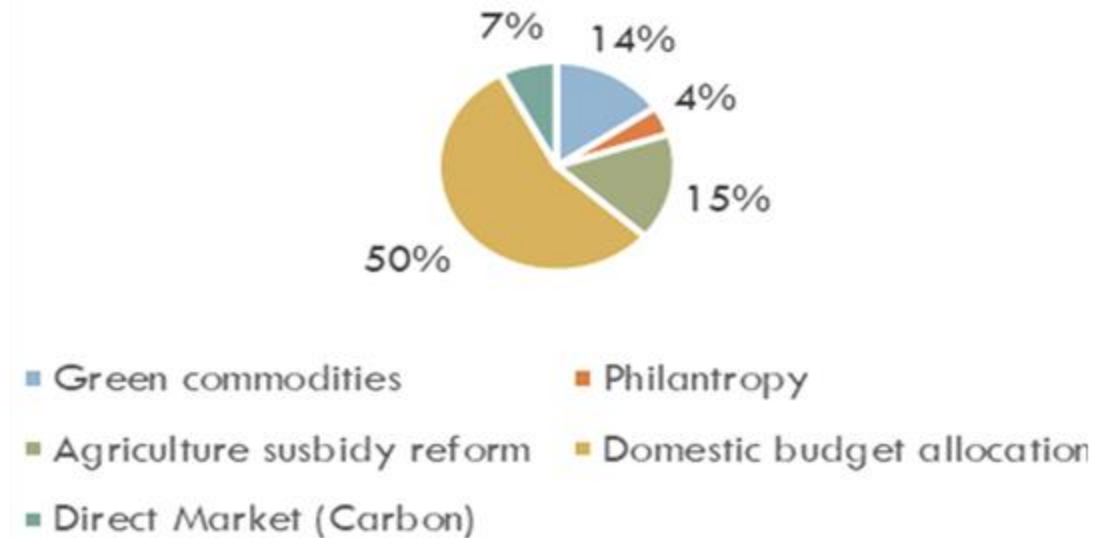




PW value curve learnings

- Precious Woods can't be competitive in the timber sector in regards of its commitments to maintain biodiversity.
- Protecting the rainforest is one of the most cost effective way to cut our carbon emission as well as all the benefits like preserving biodiversity
- **Precious Woods is in the conservation market delivering green commodities products and public goods to the society**
- Precious Woods must be recognized for its ecoservices and so paid for its contribution to the SDGs
- Precious Woods model presents some competitive advantages compared to some NGO's projects and so should be recognized on the same level.

Current conservation finance
USD51.8 billions (source GCP)

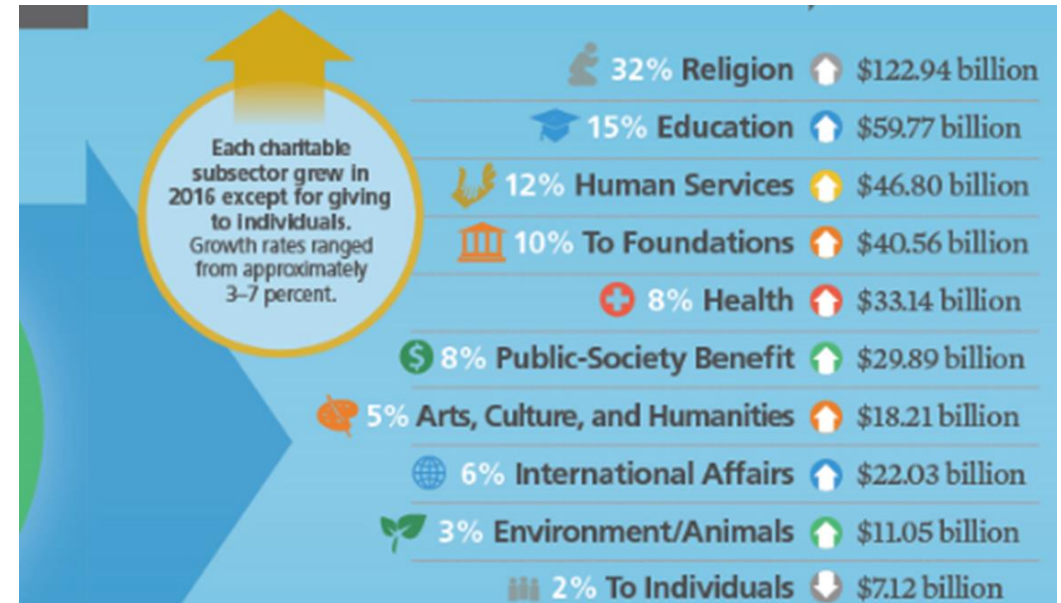




FACTS

- To meet the 17 SDGs, more than \$1.4tn must be poured into low- and lower middle-income countries. Investment will be required in health, education, agriculture and food security, social protection systems, energy, infrastructure and **ecosystem management**, according to a report by the UN's Sustainable Development Solutions Network (SDSN).
- According to Mac Kinsey , **impacting funds have amassed more than USD 77 Bio in assets under management**
- BlackRock CEO larry Fink (6,3 Tri UAM) “the time had come for new models , you must be positive for the society to get their financial backing “

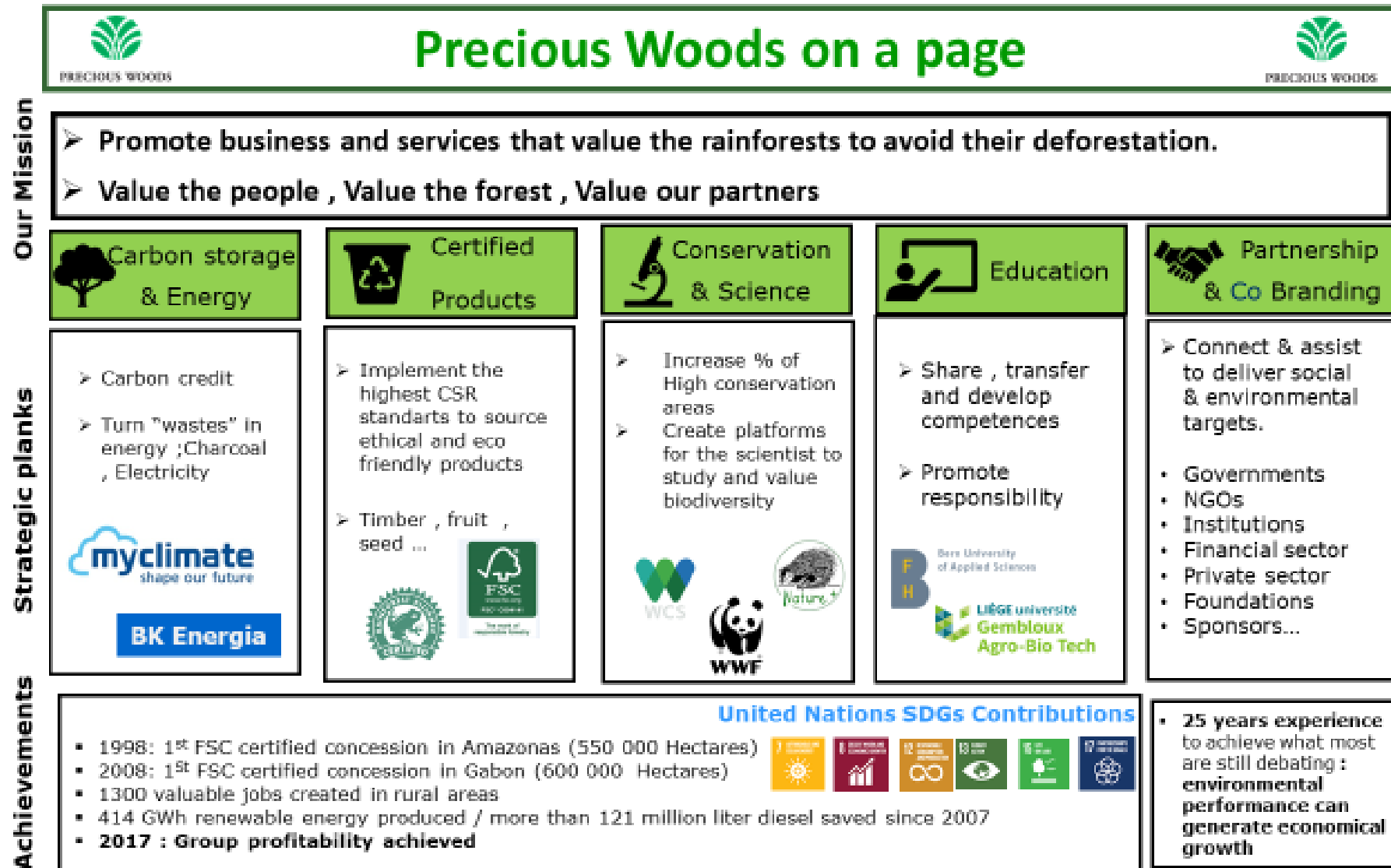
Giving USA 2016 annual report : USD 390 Billions



“UN Secretary-General Antonio Guterres observes that the world has the resources necessary to deliver, but they are not allocated where they are needed most”. COP 23 statement

But there is still in 2018 (25 years after Kyoto protocol) no significant funds allocated to better management of the Amazon and Congo basin rainforests

« *Precious Woods has proven that sustainability works. The responsibility is now on the decision makers to allocate the appropriate funds to scale up the model . The Rainforest are much more than a timber source »*



• 25 years experience to achieve what most are still debating : **environmental performance can generate economical growth**

« We need the
rainforests
but
the rainforests first
need you »



PRECIOUS WOODS

THANK YOU

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