



STAFFORD
CAPITAL PARTNERS

PRESENTATION TO LEICESTERSHIRE COUNTY COUNCIL PENSION FUND IC

Stafford Carbon Offset Opportunity Fund

September 2022

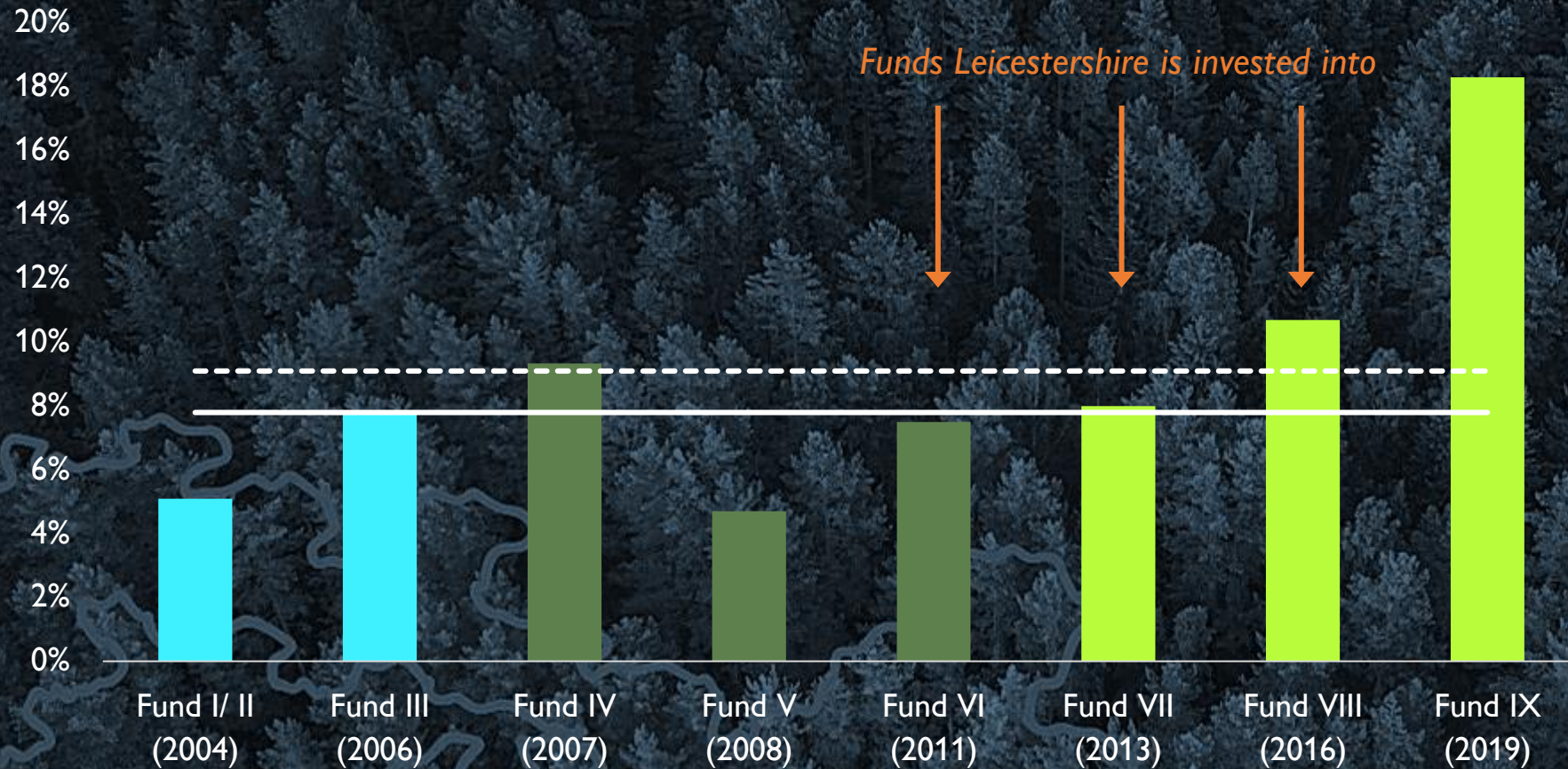
LEICESTERSHIRE HISTORY WITH STAFFORD

Leicestershire has ...

- Been an investor with Stafford since 2011
- Committed GBP 129 million across 3 timberland funds
- Giving it exposure to 145 assets spanning 310,000 hectares
- Received an aggregate return of 6.9% (in GBP, net of fees)

STAFFORD TRACK RECORD

Stafford Timberland Funds - ITD returns (gross) 1Q22



Funds Leicestershire is invested into

Aggregate IRR across all funds
7.8%

Realised IRR
9.1%

- Fully realised funds
- Partly realised (40-60%)
- Largely unrealised
- Aggregate IRR
- Realised IRR

CARBON OFFSET OPPORTUNITY FUND

Key Terms

Fund structure	Luxembourg special limited partnership (SCSp)
SFDR classification	Article 9
Fund currency	US Dollar
Target capital raise	Target size: USD 1 billion Hard cap: USD 1.2 billion 1 st Close: USD 150+
Target portfolio returns ⁽¹⁾	9-11% p.a.
Distributions	Carbon offsets plus cash from timber/asset sales
Manager fee and carry	Fee structure: <ul style="list-style-type: none">– 120bp (50% on committed capital and 50% on invested capital)– Performance fee: 8% of carbon credits issued 10bp first close discount, 5bp LGPS discount, plus discounts for scale
Term	20 years
Liquidity Provision	Liquidity windows on the 15th and 20th anniversary of final close (if extended)

¹ Return quoted as net of Stafford fees.

Greenfield



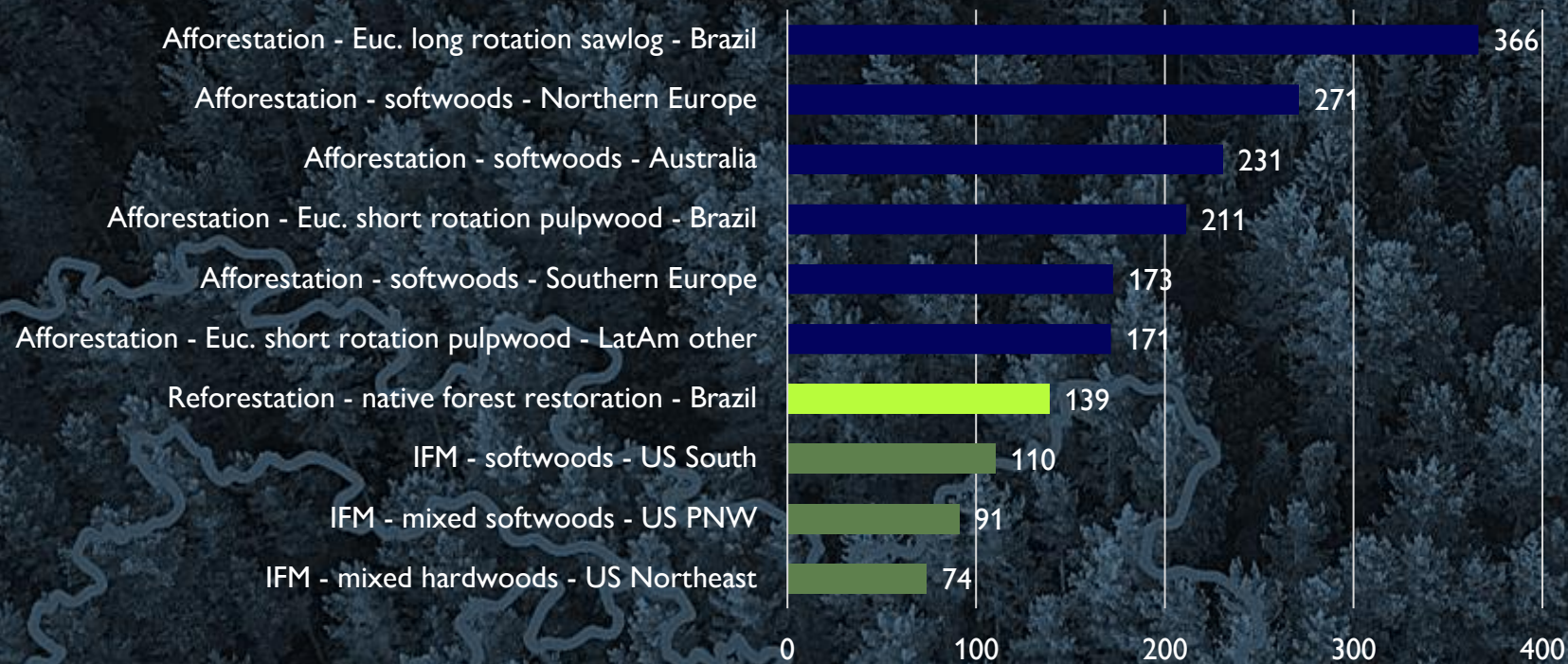
Brownfield



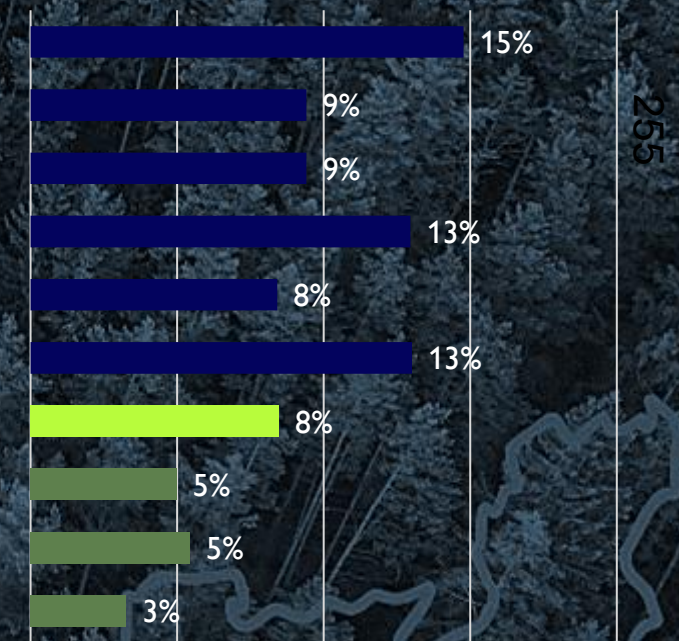
OFFSETS PER HA BY PROJECT TYPE

Afforestation projects using commercial species typically generate the largest volume of carbon offsets from a given area of land

Total offsets issued per hectare over Fund term



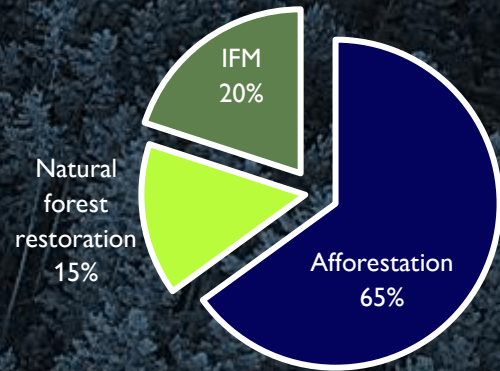
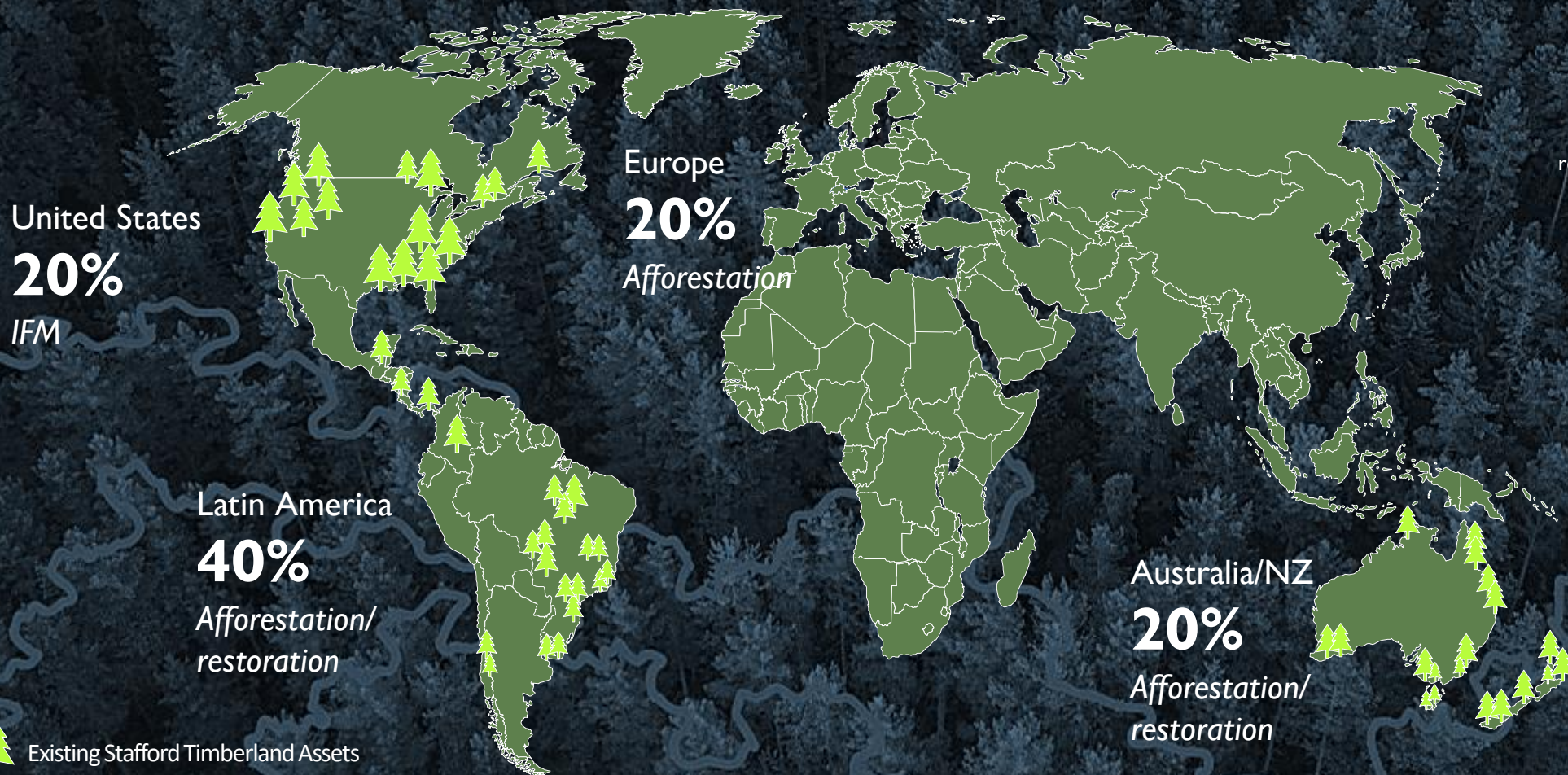
Return by project type



PORTFOLIO DESIGN

Capital allocation strategy is based on achieving a balance between:

- 1** maximising volume of carbon offsets
- 2** minimising exposure to risk
- 3** achieving meaningful biodiversity value or impact



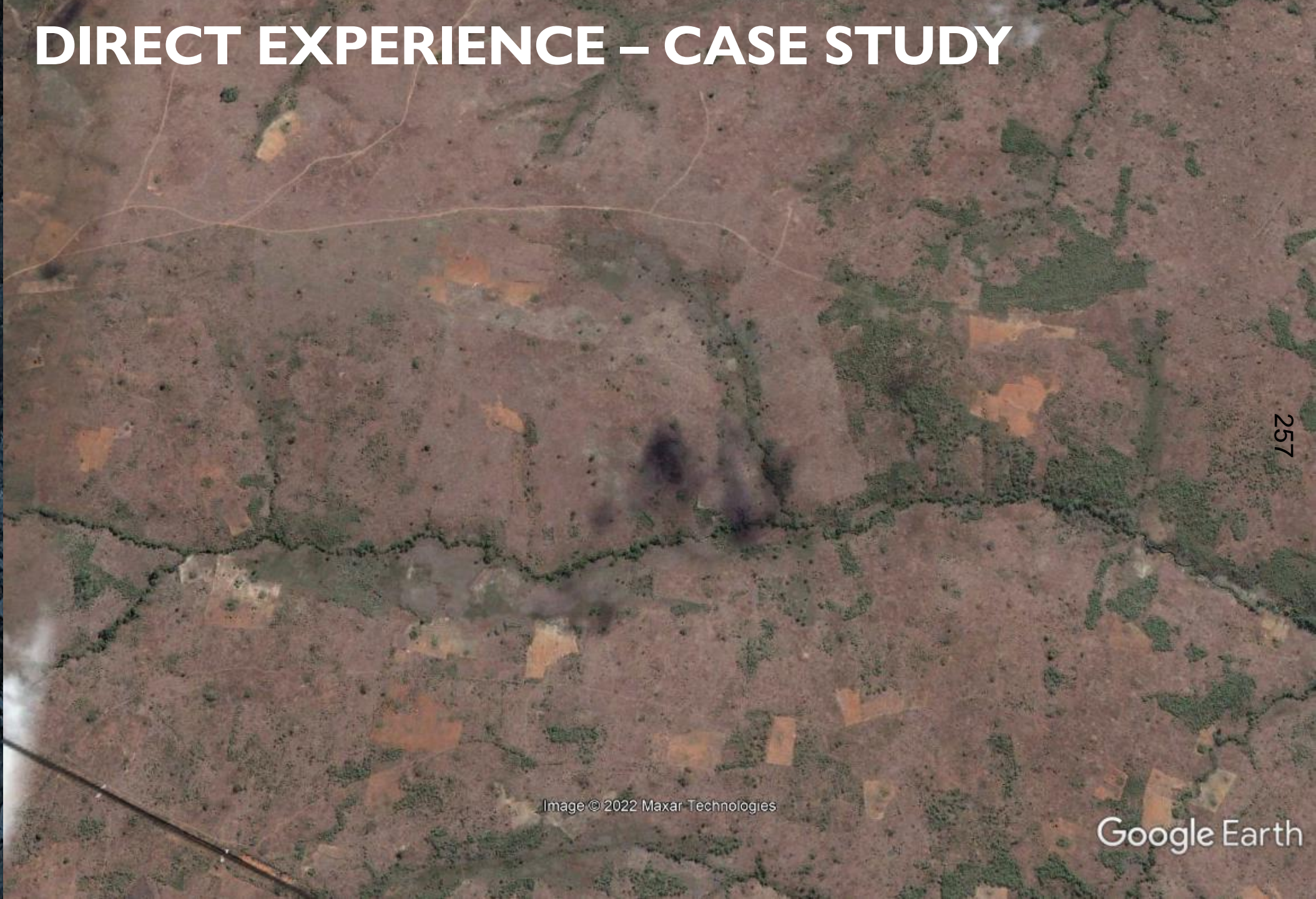
15-25
Investments

200,000
Hectares

 Existing Stafford Timberland Assets

DIRECT EXPERIENCE – CASE STUDY

**2006 ...
before
planting
began**



257

Image © 2022 Maxar Technologies

Google Earth

DIRECT EXPERIENCE – CASE STUDY

**2013 ...
just
after
planting**



258

Image © 2022 CNES / Airbus

Google Earth

DIRECT EXPERIENCE – CASE STUDY

2021 ...
the
plantations
today

Image © 2022 Maxar Technologies

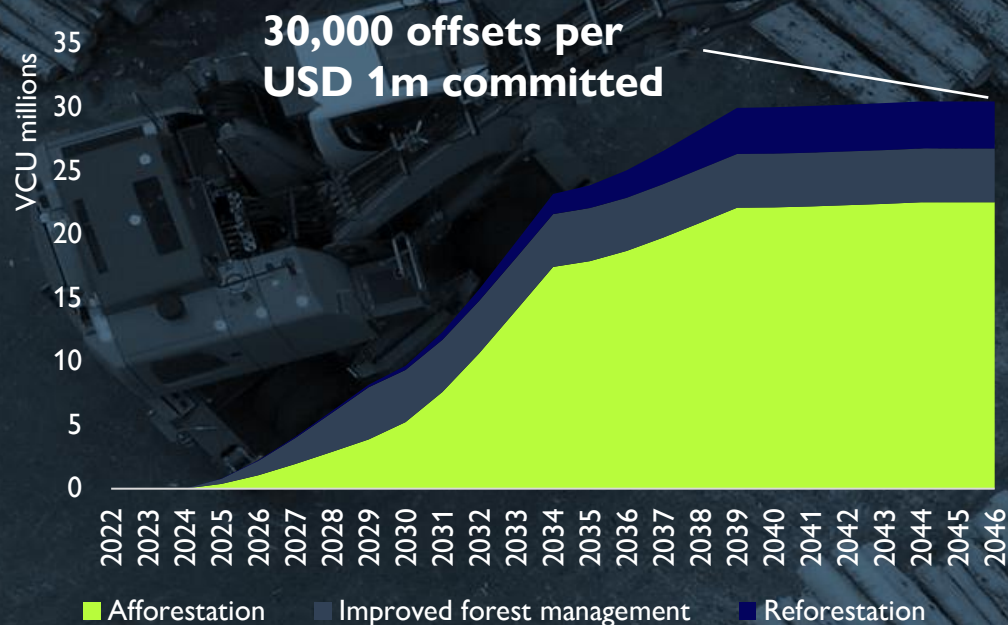
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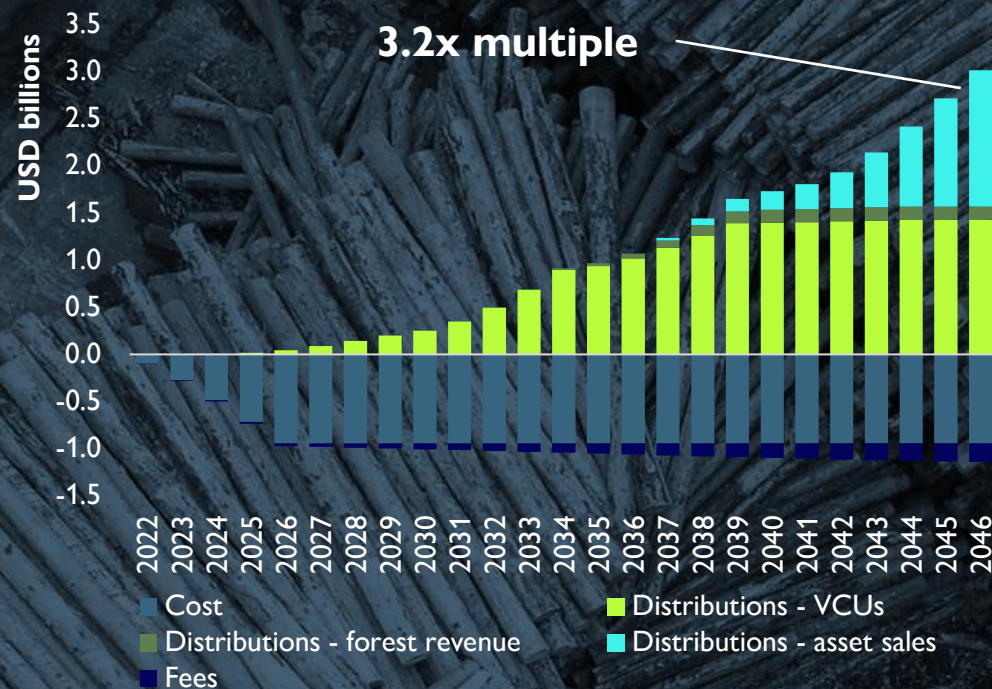
INVESTMENT MODELLING OUTPUT

Nominal return for the Fund is expected to be circa 11.0% (net)

Cumulative distribution of carbon offsets



Cumulative cashflows (real)



GHG EMISSIONS REPORTING

“It is important for companies to report their physical inventory emissions for their chosen inventory boundaries separately and independently of any GHG trades they undertake. GHG trades* should be reported in its public GHG report under optional information - either in relation to a target (see chapter 11) or corporate inventory (see chapter 9). Appropriate information addressing the credibility of purchased or sold offsets or credits should be included. When companies implement internal projects that reduce GHGs from their operations, the resulting reductions are usually captured in their inventory’s boundaries. These reductions need not be reported separately unless they are sold, traded externally, or otherwise used as an offset or credit.”

*The Greenhouse Gas Protocol
A Corporate Accounting and Reporting Standard – Revised Edition*

**The term “GHG trades” refers to all purchases or sales of allowances, offsets, and credits.*

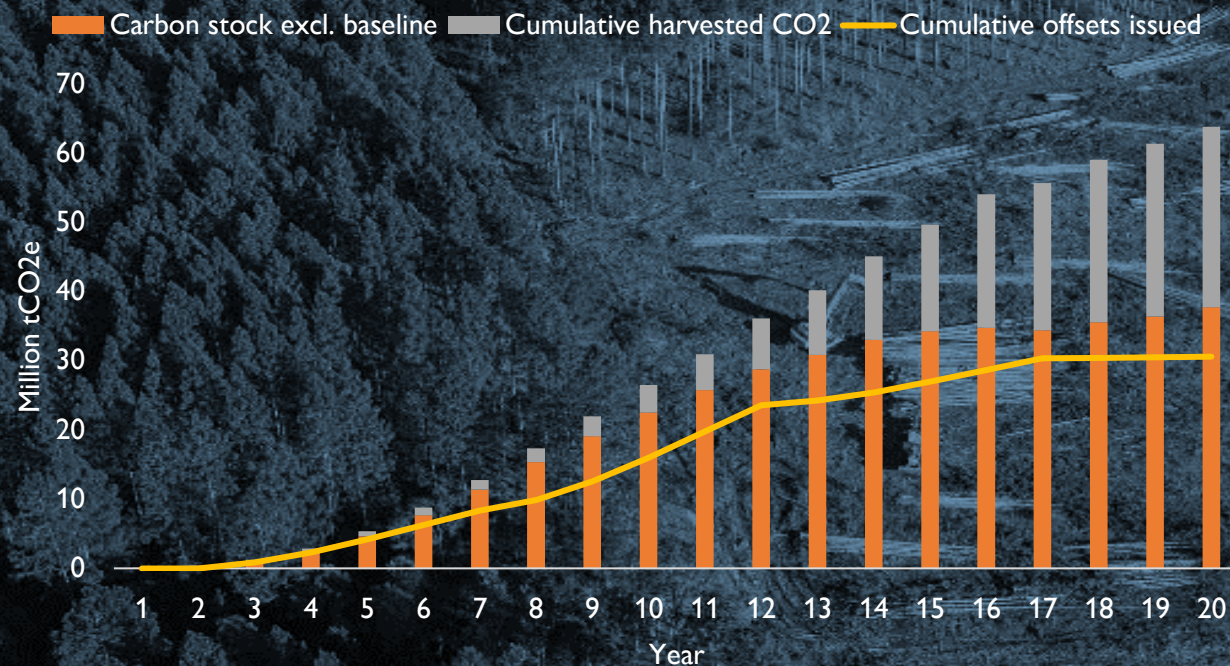
Average over 20 years:

Emissions intensity* = **(92,000)**

Emissions intensity (excl. offsets)* = **(33,000)**

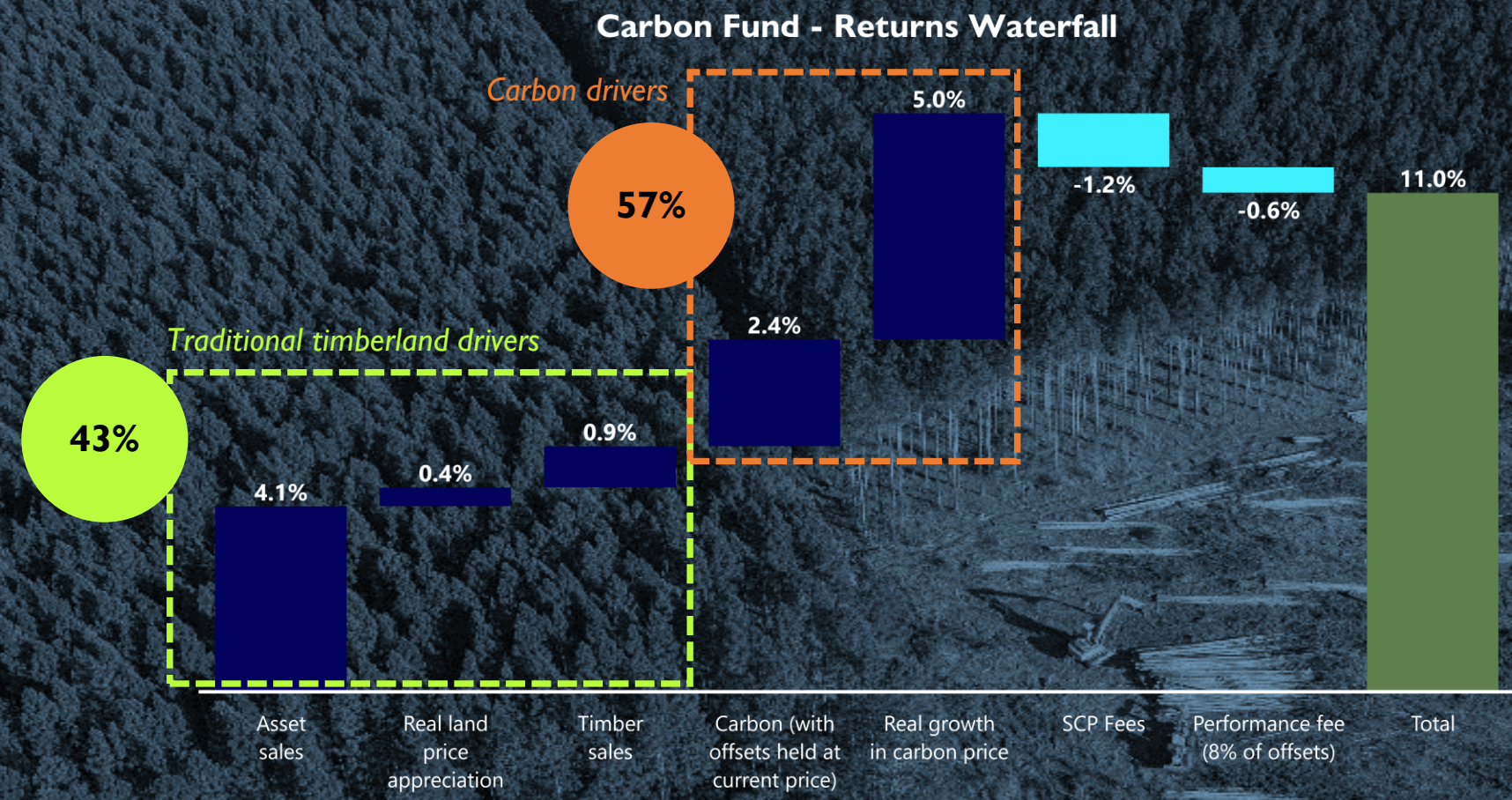
* tCO₂e /USD 1m sales revenue

Stafford Carbon Fund CO₂ sequestration vs. offsets issued



RETURN WATERFALL (BASE-CASE SCENARIO)

- 43% of gross return is based on traditional timberland drivers
- 57% of gross return is based on carbon
- The fee levels illustrated are the maximum - and do not consider any of the discounts available



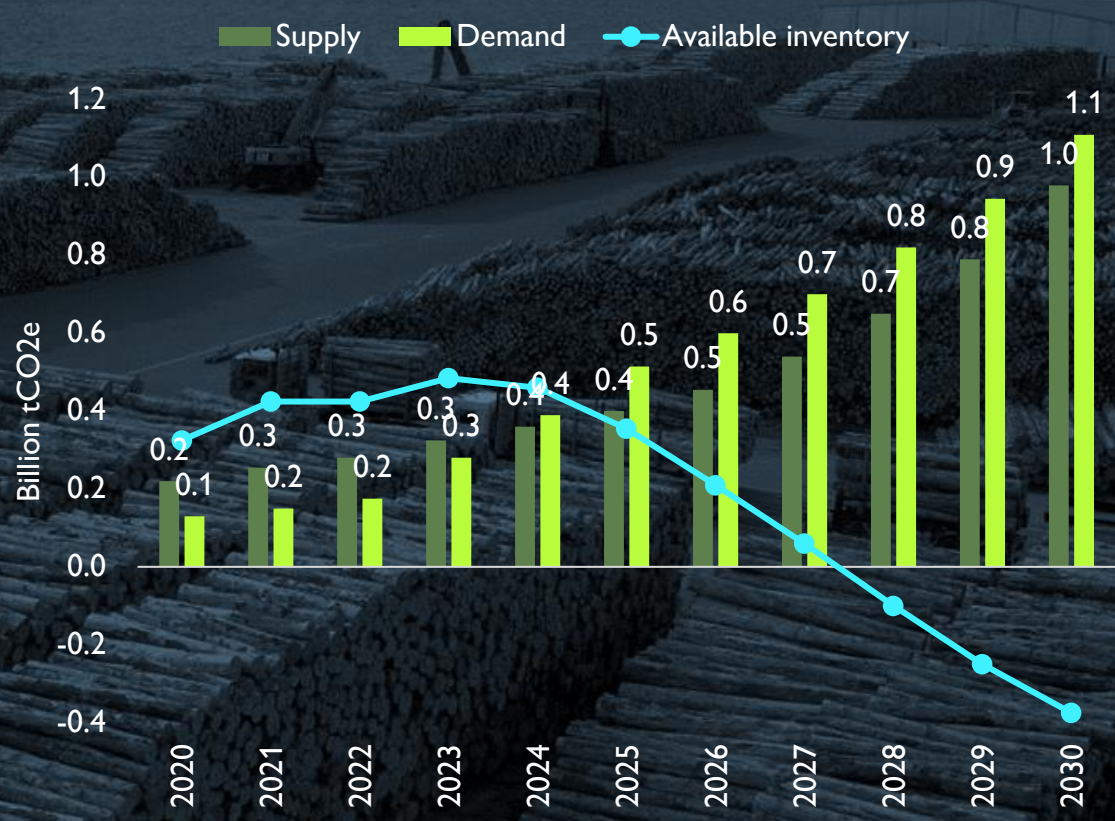
SUPPLY & DEMAND OUTLOOK IN VCM

Companies joining Science Based Targets initiative



Source: Science Based Targets initiative

Voluntary carbon offset supply and demand



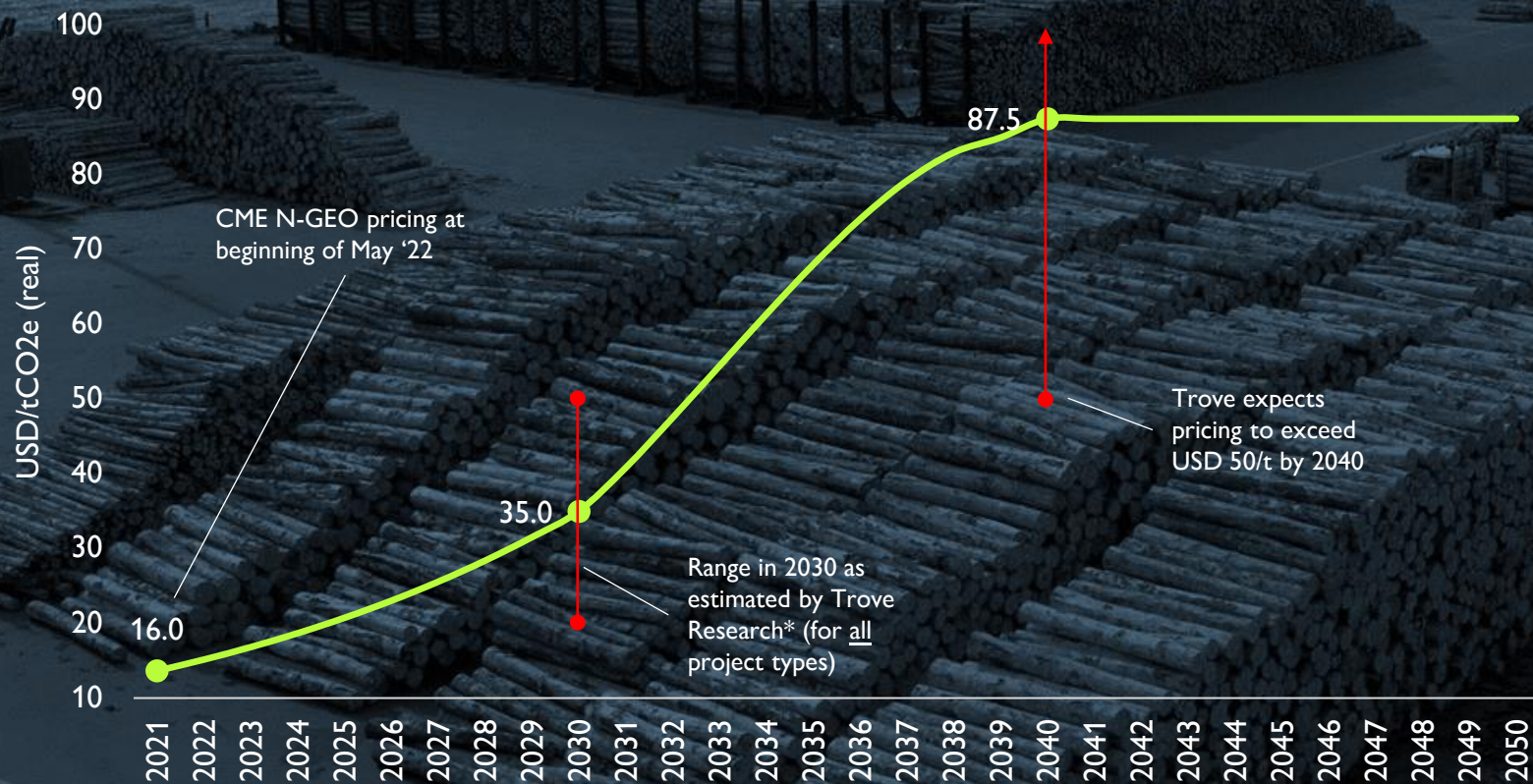
Source: An outlook on the voluntary carbon market (Shell and Boston Consulting Group)

Lagging supply could see a cumulative deficit of **400 million tCO2e** by 2030 ...

OUTLOOK FOR PRICING IN VCM

Carbon offset pricing is expected to rise significantly towards 2030 and beyond

Pricing outlook for voluntary forest carbon offsets applied in Stafford modelling



BloombergNEF suggest that in a supply-constrained market voluntary carbon prices could reach

USD 200/tCO₂e*
by 2030,

and remain above

USD 100/tCO₂e
by 2050

* <https://about.bnef.com/blog/carbon-offset-prices-could-increase-fifty-fold-by-2050/>

* <https://trove-research.com/research-and-insight/carbon-credit-demand-supply-and-prices-june-2021/>

STAFFORD CARBON FUND

Key summary points

- **Access to a supply of high quality carbon offsets – with optionality in how they are used.**
- **An attractive overall return, split between carbon, timber revenues, and asset appreciation.**
- **Very strong impact characteristics and ESG credentials – with a GBP 40m commitment expected to provide:**



Almost 10,000 ha of new plantations, restored forest and managed timberland



1.45 million carbon offsets



An investment with significantly negative carbon intensity metric



A source of sustainable, low-carbon materials

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