

Press release

DGB announces Q3 trading update

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Dutch Green Business Group N.V. (“DGB”, “DutchGreen” or “the Group”) (Euronext: DGB), a leading reforestation and carbon offsetting company, presents its trading update for the third quarter ending 30 September 2021.

DutchGreen specialises in generating carbon offsets from its sustainably managed nature-based projects which are sold to businesses and consumers.

The third quarter has been a period of growth for the Group as it has signed its first carbon offsets offtake agreements, announced a new capital raise, grew its headcount, strengthened its Board of Directors with two non-executives, invested in more projects and achieved milestones on its project pipeline.

Q3 Highlights:

- **Entered into first binding offtake agreements:**
 - During Q3 DGB has entered into its first binding carbon offsets offtake agreements, pursuant to which DGB committed to offset 8,841 tons of carbon emissions for various business customers at an average price of €16.95 per ton.
 - DGB uses third-party verified carbon offsets for offsetting carbon emissions, offsetting impact on biodiversity and planting trees for businesses.

- **Project milestones:**
 - DGB is currently (co)developing nine carbon or biodiversity offset projects aimed to prevent deforestation, restore ecosystems and protect nature in order to create a greener, more biodiverse and more resilient world while generating carbon offsets for businesses and individuals.
 - The Group has signed letters of intent in respect of (i) a project spanning Cameroon and Kenya whereby it will plant 6 million trees and introduce a cookstove community initiative, (ii) a nature conservation and reforestation project in Tanzania covering an area of 10,000 hectares, (iii) a biodiversity and reforestation project in Uganda with a minimum amount of 1 million trees planted per year.
 - DGB has 250,000 hectares of sourced land under review and is exploring funding options for the acquisition of additional land. To date DGB has not made any land acquisitions.



- **Capital raise:**
 - As announced on 30 September 2021, DGB has launched a €4.5m capital raise via a private placement of convertible loan notes. Proceeds from this green impact bond will be invested in the Group's project pipeline. DGB will update the market on the fundraise process and associated transactions as and when required.
- **Appointed new Board members:**
 - The AGM approved the appointment of Ms. Hilda van der Meulen and Mr. Dick den Hartog as Non-Executive Directors of the Company.
- **Established a Impact Consultancy team:**
 - 11 new members joined the team in the technology and impact consultant arenas in the Netherlands, United Kingdom and India.
 - In Q4 DGB intends to offer a consultancy service that will help companies become carbon neutral, provide carbon footprint analysis, value chain analysis, carbon neutral product verification and impact measurement.
- **Software development and licensing:**
 - In Q1 of this year DGB started developing remote sensing, artificial intelligence and immutable ledger technology to verify and check its own projects.
 - DGB expects to launch its proprietary technology platform in Q4 and expects to generate cash flows from third-party project developers using the platform.

COP26 meeting in Glasgow

DutchGreen is focused on taking action and delivering positive impact in the near-term rather than taking up precious time deliberating and not seizing the initiative. To that end its activities are already addressing the first three goals of COP26¹, namely:

1. Developing nature-based solutions as one way to secure global net zero by mid-century;
2. Protecting and restoring ecosystems to help communities and natural habitats;
3. Mobilising finance - it provides an easy and accessible way for funding to drive on the ground change.

¹ COP26, COP26 Goals: <https://ukcop26.org/cop26-goals/>



Project pipeline

- Two projects with a total offset capacity of 157,000 tons have been submitted to the Verified Carbon Standard ("VCS") and are offered to companies as VCS verified carbon offsets. Offsets are expected to be ready to retire for business customers of the Group within the next six months.
- The projects in the Philippines, Tanzania, Kenya/Cameroon have passed the pre-feasibility phase and are now entering the full feasibility phase. The verification process can take from 1-18 months contingent on whether the offset needs to meet the industry standard of VCS or other verifying standard. Projects are ready to be signed for (carbon finance) offtake agreements due in Q4.
- Romania and Australia are on-going projects, where DGB will add its skills and expertise to enhance the initiatives. Both projects generate biodiversity offsets now being offered to companies.
- The projects in Malaysia and Uganda are in very early stages of development for carbon offsets and/or biodiversity offsets. DGB has located the right project managers and is exploring several options during the pre-feasibility phase.

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About DGB:

Dutch Green Business Group N.V. is a public company traded on the main Dutch stock exchange Euronext Amsterdam under the ticker symbol AEX:DGB and ISIN-code NL0009169515. DGB's strategy is to participate in large forest carbon offset projects around the world that deliver commercial and environmental benefits. DGB's vision is to be a leading high-impact investor in sustainably managed forests by providing competitive real investment returns for shareholders combined with high social impact. www.dgb.earth



Frequently Asked Questions (FAQ)

What are nature-based solutions?

The world needs a range of measures to limit carbon dioxide (CO₂) emissions while meeting rising energy demand. They include the protection and restoration of natural ecosystems such as forests, grasslands and wetlands. Nature-based solutions are the management and use of land for tackling social and environmental challenges. Nature conservation, afforestation, reforestation, agroforestry and urban greening are all land based projects which qualify as nature-based solutions².

What is a carbon offset?

Individuals and corporations around the world are recognizing the importance of reducing their GHG emissions. As a result, many of them are reducing their carbon footprints through energy efficiency and other measures. Quite often, however, it is not possible for these entities to meet their targets or eliminate their carbon footprint, at least in the near term, with internal reductions alone. They need a flexible mechanism to achieve these aspirational goals and enter the carbon markets.

By using the carbon markets, entities can neutralize, or offset, their emissions by retiring carbon credits generated by projects that are reducing GHG emissions elsewhere. Of course, it is critical to ensure, or verify, that the emission reductions generated by these projects are actually occurring.

Companies and private individuals are interested in contributing to their living environment. In order to translate this willingness into implementation, nature offsets and especially carbon offsets make nature compensation easy and provide an appropriate, flexible system of compensation.

Although there is an interest in contributing to nature conservation from the point of view of corporate social responsibility (CSR), this interest has seen a rise in the last year due to the need to reduce and offset carbon emissions. Carbon offsetting happens on a mandatory basis, as well as on a voluntary basis for Corporate Social Responsibility (CSR) and public relations.

² Shell. Nature-Based Solutions:
<https://www.shell.com/energy-and-innovation/new-energies/nature-based-solutions.html>



What is a biodiversity offset?

A biodiversity offset is an innovative approach to quantify in a transparent way the net positive impacts of an investment on 1 hectare preserved, restored, or managed through sustainable land practices. It will allow business to invest in projects that add value to the company and create tangible benefits for a region of land and its communities.

Compensating damage to nature or biodiversity is a way by which the harmful impact that an activity or intervention has upon it, can be mitigated.

Biodiversity offsetting happens on a mandatory basis, as well as on a voluntary basis for Corporate Social Responsibility (CSR) and public relations.

What does it mean 'to retire an offset'?

By "retiring" a carbon offset or biodiversity offset on behalf of its clients, DGB removes the offsets from the market, rendering them unusable by the heavy-polluting companies. To "retire" a carbon offset, DGB officially registers the offset as "used". Until a carbon offset is retired, it is available for trading and cannot be used to offset emissions of the current holder.

How does DutchGreen verify its offsets?

DutchGreen verifies its carbon offsets according to the VCS Program Rules. The VCS Program is the world's most widely used voluntary GHG program. Nearly 1,700 certified VCS projects have collectively reduced or removed more than 630 million tonnes of carbon and other GHG emissions from the atmosphere.

Projects developed under the VCS Program must follow a rigorous assessment process in order to be certified. VCS projects cover a diverse range of sectors, including renewable energy (such as wind and hydroelectric projects), forestry (including the avoidance of deforestation), and others.

The VCS Standard lays out the rules and requirements which all projects must follow in order to be certified. All VCS projects are subject to desk and field audits by both qualified independent third parties³ and Verra staff to ensure that standards are met and methodologies are properly applied.

Projects are assessed using a technically sound GHG emission reduction quantification methodology⁴ specific to that project type.

³ Verra. Validation & Verification: <https://verra.org/project/vcs-program/validation-verification/>

⁴ Verra. Methodologies: <https://verra.org/methodologies/>



How does DutchGreen make sure that a project has an actual impact?

DGB checks all its projects for additionality, permanence and non-leakage.

- **Additionality:** Additionality requires the forest project to sequester more carbon than in a 'business as usual' scenario. Project must demonstrate that the carbon sequestration would not have happened without the development of the specific offset project.
- **Permanence:** Permanence requires that GHG removal enhancements must be maintained for up to 100 years. To demonstrate permanence each project must undergo a third-party verification of inventory reports and a site visit every six years during the life of the project (~25 years).
- **Non-leakage:** Leakage from carbon projects happens when GHG reductions in one area results in an unintended increase in GHG emissions in another location. Project managers must demonstrate that their project does not cause excessive leakage, essentially wiping out the increases in GHG removal from their project.

Does DGB own all the land of its projects?

There are three ways in which DGB intends to gain rights to use the land for projects.:

- Buy the land
- Lease the land
- Work together with third-party landowners

In order to make a nature-based project into a success, there is always an investment from DGB into the land. The quality of the land improves from DGB's investment.

This does not mean that DGB is always the owner of the land. The acquisition of land is only considered if there is no other possibility to conserve nature or prevent deforestation, as it requires a large(r) upfront investment to commence a project.

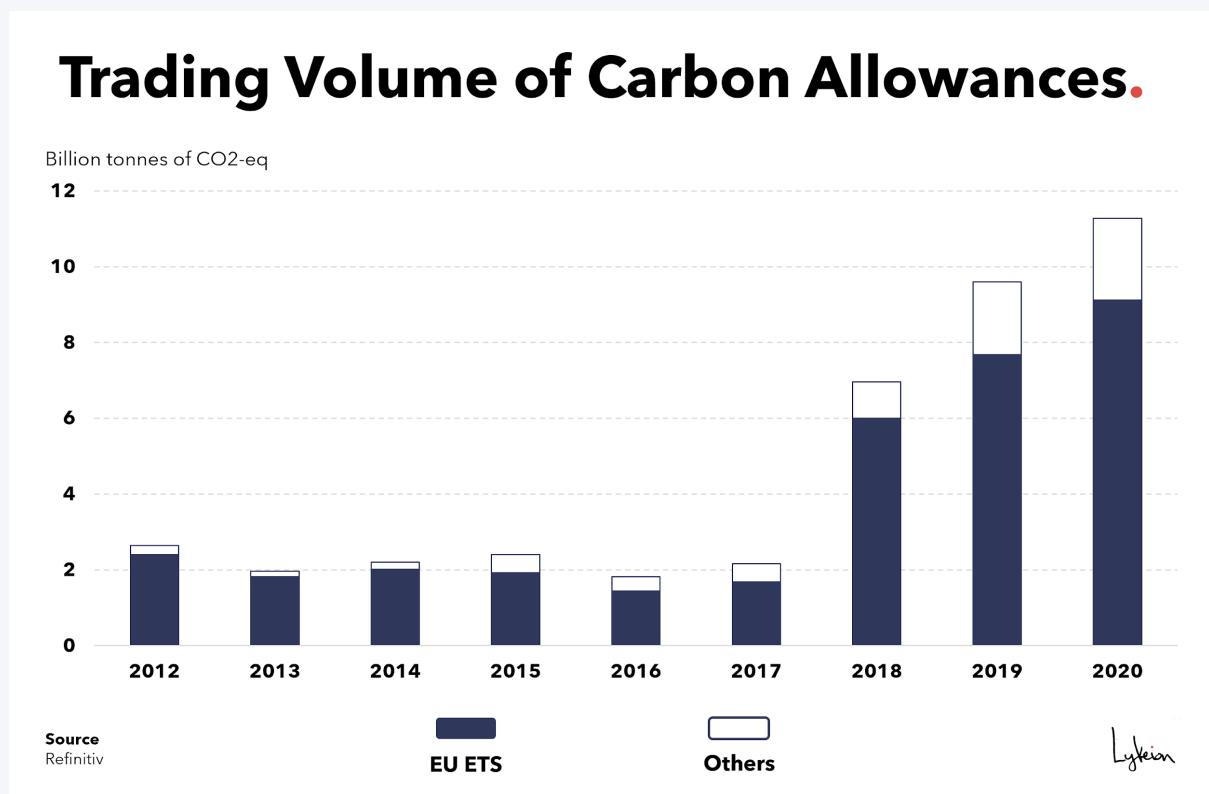
DGB has sourced 250.000 hectares of land acquisition projects in Paraguay that are in immediate danger of deforestation. DGB is exploring options to finance the acquisition. At the moment, DGB does not own any land. DGB works together with existing landowners for every project in its project pipeline.



What are emissions trading schemes?

Emissions trading schemes, also known as emissions allowances, are regulated markets where businesses transact certificates that allow the owner of that certificate to pollute (an externality of their business activity).

The EU Emissions Trading Scheme (ETS) is the most advanced in the world. The EU sets a limited (and annually decreasing) number of "pollution allowances" to be issued to businesses (some of which are given for free, whilst others are sold), which effectively limits (and gradually enforces a decrease in) the total emissions within the European block.



In 2021, China launched its country-wide emissions cap-and-trade system, after being postponed since 2015, and it quickly became the world's largest. That said, it's still quite nascent, especially when it comes to its secondary trading. California runs a similar cap-and-trade system and it's one of the most developed schemes alongside Europe's.



What is CORSIA?

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was developed by the International Civil Aviation Organization (ICAO) and was adopted in October 2016. Its goal is to have carbon-neutral aviation growth from 2020.

The scheme is voluntary and is supposed to work until 2035 at least. The total demand for those 15 years is estimated at 2,700 million tons of CO₂ equivalent in offsets

What is a cap-and-trade system?

Most carbon credits are part of cap-and-trade systems, which involve a cap on the amount of carbon dioxide companies can emit and a market system through which companies can buy, sell and trade their credits.

Companies involved in these systems receive carbon credits, so they can participate in economies that monitor and regulate carbon emissions. Usually, the government sets the emissions caps for each industry and determines the penalties for exceeding the maximum emissions levels.

Companies receive carbon credits, which allow them to emit carbon dioxide, as their allowance toward the cap, or they can sometimes purchase carbon credits at auction. The cap is the number of carbon dioxide emissions the industry is not to exceed, and the allowance is each company's share of permitted emissions.

What is a voluntary carbon market?

The voluntary markets are the overall name for all voluntary verified carbon emission reduction offsets. The main objective for acquiring Verified Emission Reduction (VER) credits, is to neutralize the carbon footprint, motivated mainly by Corporate Social Responsibility (CSR) and public relations.

The voluntary carbon market enables private investors, governments, non-governmental organizations, and businesses to voluntarily purchase carbon offsets to offset their emissions. Companies that are unable to reduce their emissions can purchase carbon offsets from verified suppliers to offset their emissions.



How big are the regulated ETS in comparison to the voluntary carbon market?

Regulated trading schemes cover a larger amount of carbon emissions with fewer parties involved when compared to the voluntary carbon markets. Last year the value of global carbon markets hit a record of EUR 229 billion, a five-fold increase from 2017 and the fourth consecutive year of record growth.

In 2020, the EU ETS issued over 1,300 allowances of 1mt of CO₂ each (for a total of 1.3 billion tonnes)⁵. The newly created Chinese ETS was worth 4 billion tonnes. In the same year, the voluntary carbon market issued over 220 million high-quality carbon credits of 1t of CO₂ each. In 2020 around EUR 1 billion-worth of carbon offsets changed hands a day.

ETSs cover larger polluters and therefore cover a more representative volume of emissions (i.e. 1.3-1.5 billion tonnes in the ETS space vs. 0.22 billion tonnes in the voluntary market), and the voluntary markets involve more parties (you and me as a consumer, a small business owner, a large retail company, etc.) and therefore a greater number of emissions certificates.

What do analysts say about the future size of the voluntary carbon markets?

As efforts to decarbonize the global economy increase, demand for voluntary carbon credits could continue to rise. Based on stated demand for carbon credits, demand projections from experts surveyed by the TSVCM, and the volume of negative emissions needed to reduce emissions in line with the 1.5-degree warming goal, McKinsey estimates that annual global demand for carbon credits could reach up to 1.5 to 2.0 gigatons of carbon dioxide (GtCO₂) by 2030 and up to 7 to 13 GtCO₂ by 2050⁶.

Depending on different price scenarios and their underlying drivers, the market size in 2030 could be between \$5 billion and \$30 billion at the low end and more than \$50 billion at the high end. While the voluntary carbon market's primary market is expected to be worth up to €100 billion by 2030⁷.

The Taskforce on Scaling Voluntary Carbon Markets (TSVCM), sponsored by the Institute of International Finance (IIF), estimates that demand for carbon credits could increase by a factor of 15 or more by 2030 and by a factor of up to 100 by 2050.

⁵ Europa.eu. DASHBOARD (TABLEAU) EU Emissions Trading System (ETS) data viewer: <https://www.eea.europa.eu/data-and-maps/dashboards/emissions-trading-viewer-1>

⁶ McKinsey. A blueprint for scaling voluntary carbon markets to meet the climate challenge: <https://www.mckinsey.com/business-functions/sustainability/our-insights/a-blueprint-for-scaling-voluntary-carbon-markets-to-meet-the-climate-challenge>

⁷ MSN. IIF sees huge potential for voluntary carbon credits, predicts \$100 billion a year market by 2050:

<https://www.msn.com/en-us/money/markets/iif-sees-huge-potential-for-voluntary-carbon-credits-predicts-100-billion-a-year-market-by-2050/ar-AALV8PC>



What is the price for a carbon offset on the voluntary carbon market?

The price of 1 ton of carbon differs per offset and changes depending on the underlying projects. The main factors to establish the price of a carbon offset are:

- Type (Afforestation/Reforestation, Avoided Conversion or Improved Forest Management)
- Vintage (year of offsetting)
- Additionality (Additionality requires the forest project to sequester more carbon than in a 'business as usual' scenario. Project must demonstrate that the carbon sequestration would not have happened without the development of the specific offset project.)
- Location
- Community aspects
- Biodiversity aspects

The biggest difference is between avoidance type offsets and removal type offsets. Both of these offsets are extremely important for nature conservation – avoidance offsets ensure the existence of more emission-efficient businesses, while removal offsets increase the Earth's sequestration capabilities beyond our natural wild forests and gardens.

What companies are offsetting their carbon emissions through the voluntary carbon markets?

DutchGreen is making a call to businesses and organizations worldwide to take collective action on nature, biodiversity and ecosystem restoration. The Group urges everyone to work together to build a safe and healthy planet for the next generations.

DGB envisions a connected world where collaboration among leading businesses and organizations can help conserve our precious planet and wildlife.

Below we have outlined great case studies of companies that are offsetting their carbon emissions through the voluntary carbon markets:

- Starbucks: <https://www.dgb.earth/carbon-offset/companies/starbucks>
- Unilever: <https://www.dgb.earth/carbon-offset/companies/unilever>
- Marley Spoon: <https://www.dgb.earth/carbon-offset/companies/marley-spoon>
- ING Group: <https://www.dgb.earth/carbon-offset/companies/ing-group>
- Aegon: <https://www.dgb.earth/carbon-offset/companies/aegon>
- Adyen: <https://www.dgb.earth/carbon-offset/companies/adyen>
- Lidl: <https://www.dgb.earth/carbon-offset/companies/lidl>



What is likely to drive demand for voluntary carbon credits?

Demand for lower-quality credits will decrease as more scrutiny comes into this space and people become better informed. This is an important positive development and will mean that voluntary carbon credit pricing is likely to increase as demand will focus on high-quality offsets. That will especially be the case for high-quality vetted projects in developed countries⁸.

What is the Taskforce on Scaling Voluntary Carbon Markets?

The Taskforce on Scaling Voluntary Carbon Markets is a private sector led initiative working to scale an effective and efficient voluntary carbon market to help meet the goals of the Paris Agreement.

The Taskforce was initiated by Mark Carney, UN Special Envoy for Climate Action and Finance; is chaired by Bill Winters, Group Chief Executive, Standard Chartered; and is sponsored by the Institute of International Finance (IIF) under the leadership of IIF President and CEO, Tim Adams. Annette Nazareth, senior counsel at Davis Polk and former Commissioner of the US Securities and Exchange Commission, serves as the Operating Lead for the Taskforce. McKinsey & Company provides knowledge and advisory support.

The TSVCM's over 250 member institutions, represent buyers and sellers of carbon credits, standard setters, the financial sector, market infrastructure providers, civil society, international organizations and academics. An advisory board of 20 environmental NGOs, investor alliances, academics and international organizations provide guidance on TSVCM recommendations.

The Task Force's unique value proposition has been to bring all parts of the value chain to work intensively together and to provide recommended actions for the most pressing pain points facing voluntary carbon markets.

⁸ Rabobank. Can voluntary carbon markets change the game for climate change?: <https://economics.rabobank.com/publications/2021/march/can-voluntary-carbon-markets-change-the-game-for-climate-change/>



How can verification and transparency of offsets drive market demand?

Carbon offsetting on a voluntary basis could be a game changer, providing funding to projects that avoid and remove carbon from the atmosphere. Yet there is scope to improve transparency of various carbon crediting mechanisms and a need for standardization of crediting and accounting. This would enhance customer trust in the offsets offered, result in higher market volumes and a real, functioning market. Large customers but also national and supranational governments should demand more standardization and regulation of this market to make this a reality in the near-term.

How does DGB harness technology?

DGB is committed to a high-tech approach to nature restoration, harnessing the latest smart technologies to secure the best outcomes for the business, its customers and, ultimately, the planet.

Every stage of its nature restoration projects will benefit from this approach; from detailed analysis at the start, to using specialised machines to mechanically speed up the planting of biodiverse species, to monitoring plant growth with drones and satellite imagery.



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