

Annual Report 2016 Baltcf (English Summary)

Summary

The Baltic Sea Conservation Foundation (baltcf) looks back at a second financial year.

Shortly before the end of 2016, the Board of Trustees approved the first two major projects with a total funding volume of more than 100.000 Euro. These projects commenced on 01.01.2017. The young foundation has since managed to support eight projects with a total funding amount of over 800.000 Euro and has thus initiated projects with a volume of over two million Euro.

A large number of new concept ideas and applications were still in the initial stages of idea exchange and evaluation during 2016, so we expect an increasing number of projects during 2017.

As a growing foundation, Baltcf endeavours to provide all applicants with comprehensive support in order to ensure a low rejection rate. We strive to establish trusting relationships with our partners and attach great importance to ensuring our funding conditions and reporting obligations lead to a fair, comprehensible and precise handling of projects. Our first, rather small projects have helped baltcf learn and optimize its processes. The engagement and experience of the Project Advisory Committee (PAC), consisting of members from the entire Baltic Sea Region, along with the simple and explicit application formalities ensure that incoming applications undergo both a technical and qualitatively objective examination.

In the second fiscal year, the foundation continued to successfully implement its investment strategy, ensuring that its entire capital was invested in line with environmental and social criteria according to the investment strategy. Despite the on-going low interest phase, our concept has managed to reap its first fruits. Income is stabilising and increasingly reaching a level that brings additional revenue, which can be used for funding purposes.

Furthermore, the recognition of baltcf and its goals in the Baltic Sea Region is steadily increasing, with the managing director presenting funding opportunities in 2016 at events and through personal consultations in Poland, Finland and Russia.

We look forward to working with a growing network of partners and applicants and hope to see a viable contribution towards the conservation of the Baltic Sea after completion of the first few projects.

Organization

The Baltic Sea Conservation Foundation is registered as the International Baltic Sea Foundation for Nature Conservation and is a non-profit, private civil law foundation for the promotion of nature and environmental protection in the entire Baltic Sea Region. It was founded in 2014 and is registered as foundation by the supervisory authority Ministry of Justice Mecklenburg-Vorpommern (M-V).

The foundation is a member of the Federal Association of German Foundations. All activities carried out by baltcf, follow the rules of transparency as laid down by Transparency International Deutschland e.V. in their initiative for transparent civil societies.

Baltcf's office is located in Greifswald, Germany and is led by a managing director since 2015. The office prepares funding decisions for the voluntary foundation Board and assists projects in process.

Board of Directors

The Baltic Sea Conservation Foundation is legally represented by a voluntarily active Board of Directors, consisting of a chairwoman and two members:

Heike Vesper, Chairwoman, Head of Marine Conservation, WWF Germany
Jörg Schmiedel, member of the Board, landscape planner
Frank Häuser, member of the Board, lawyer

The Board takes all relevant decisions within the framework of its Board meetings. In 2016, five Board meetings took place (two by telephone conference and two at the WWF offices in Berlin/Hamburg and one in Rostock).

Board of Trustees

The Board of Trustees supervises and advises the Board of Directors and decides on projects above 100.000 Euro. The members of the voluntary Board of Trustees are:

Dr. Dirk von Ameln, President (Senior Advisor to the CEO, Nord Stream 2 AG)
Prof. Dr. Mathias Grünwald, Vice-President (Regional Chairman, BUND M-V e.V.)
Christian Pegel, Member (Minister, Ministry Energy, Infrastructure and Digitalization of the State of Mecklenburg Vorpommern)
Stefan Schwill, Member (Regional Chairman, NABU M-V e.V.)
Sylvia Becker, Member (Head of Finance, WWF Germany)

The Board of Trustees held three meetings in 2016 (two at the WWF office Berlin and one at the WWF office Hamburg).

On June 27 2017, the Board of Trustees accepted the auditor's report on the annual financial statements and unanimously approved the discharge of the Board of Directors and the Executive Board for 2016.

Head Office

The foundation's head office is located in Greifswald, Germany on the premises of the Michael Succow Foundation in the Ellernholzstr. 1/3. Baltcf shares its office with the German OSTSEESTIFTUNG.

Peter Torkler was appointed as managing director in January 2015 and is assisted by one colleague. From April 2015 to October 2016, Franziska Thomas worked for the foundation. In December 2016, Eva Loy took over her duties. The office is responsible for handling project applications, supervising on-going projects, managing the foundation's assets, organising the work of the voluntary bodies and publishing project results on the Internet.

Administrative Basis

Simple and comprehensible administrative processes form the basis of ensuring transparent foundation work. In order to facilitate the smooth, administrative execution of projects, regulations were laid down in 2016. In addition to internal templates for project and other correspondence, forms for concept ideas and applications as well as interim and final reports of projects were developed. All project related documents are available to our partners for download on the foundation's website, www.baltcf.org.

Statute Amendment

Two amendments to the statute entered into force in 2016. The first, which took place on 23.02.2016, concerns the international funding activities of the foundation. This amendment ensures that the foundation predominantly provides grants to other organisations and bodies in accordance with the statutes.

With the increase in project activities and related tasks, as well as a higher number of involved people, compensation to members of the Board were deemed acceptable under exceptional circumstances. This amendment came into force on 22.08.2016.

Project Advisory Committee (PAC)

Given the variety of ecological topics and regional characteristics as well as the complexity of environmental problems in the Baltic Sea Region, the involvement of external experts is indispensable in making competent project decisions. On recommendation of the Board of Directors, the Board of Trustees and the management, a group of experts was set up in order to represent the nature conservation aspects of the Baltic Sea, both geographically and contextually.

The PAC participates in decision-making of projects over 100.000 Euro. The Board and management are inclined to involve the PAC before issuing a recommendation to the Board of Trustees. After initial contact with PAC through baltcf, the panel has at least four weeks time to respond to the request and give its personal opinion. The PAC also offers advice to the office in terms of knowledge on similar projects already underway, contacts with relevant local multipliers and knowledge of the project region and potential partners. The PAC works independently and ensures that the Foundation's funding is relevant internationally or for the entire Baltic Sea Region.

Financial Stability

The Baltic Sea Conservation Foundation works to the requirements of a budget plan developed by the Board of Directors and the managing director. The Board of Directors adopted the budget plan for 2016 on 05.10.2015. The annual financial statement was testified by the audit firm BTR Sumus on 16.03.2017 and accepted without any complaints. On 04.05.2017, the Board of Directors detected the annual audit and on 27.06.2017 the Board of Trustees approved it. The foundation's bookkeeping follows the double-entry system and maintains its accounting records in accordance with the regulations of commercial law.

By the comparison to the preceding year that ended with an annual loss of 193.430,63 Euro a positive financial result was generated in 2016. Thereby, 100.000 Euro could be transferred to the free reserves and 56.580,90 Euro were provided for the project reserves. In 2016, six projects started with a total amount of 297.819,20 Euro out of which 96.465,59 were paid out during the year.

Portfolio Strategy

The existing strategy from 2015 was maintained in 2016. Especially the foundation's self-managed assets showed a positive development with a net return of 1,8 %. The two external equity mandates, managed by banks selected according to sustainability criteria, drifted apart significantly in 2016. In contrast to the first one, the second mandate remained generally weak. Therefore, the Board of Directors decided to terminate the second mandate on 05.10.2016. As an exit-strategy shares amounting to 1,3 Mio. Euro were sold and subsequently re-invested in the self-managed mandate. Fives shares were transferred to the first external mandate and 15 additional shares, with losses above 10 % compared to the

carrying amount, were put in a sub-deposit of the funds under self-management so that they may recover in the long-term.

Overall, the foundation's portfolio strategy obtained net earnings in the amount of 294.000 Euro, which ultimately allowed the reserve accumulation for 2017. This positive development, despite of all difficulties, is explained by the successful collaboration with the foundation's investment adviser Tobias Sturhahn, whose consultancy in the segments of bonds and benefits greatly contributed to the positive annual result.

Project Funding

The Baltic Sea Conservation Foundation supports projects that aim to protect and preserve species and habitats in the Baltic Sea, reduce nutrient input and improve the catchment area of the Baltic Sea, expand, secure or improve protected areas as well as develop compensatory measures and ensure ecological stability of the Baltic Sea Region. The following projects were approved in 2016:

- 1) Salmon and Sea Trout in Western Poland (Green Federation GAJA)
- 2) Rozwarowo Marshes (Agronatura)
- 3) Pike Factories (Swedish Anglers Association)
- 4) Baltic Clean Games (Games of the Future)
- 5) Closed Loop Baltic (NGO Relearn)
- 6) Wetland Restoration with Private Engagement (Earthmind)
- 7) Protect the Baltic Harbour Porpoise (Coalition Clean Baltic)
- 8) Peat Restore (Klub Przyrodnikow)

Although the projects "Protect the Baltic Harbour Porpoise" (Coalition Clean Baltic) and "Peat Restore" (Klub Przyrodnikow) were approved by the Board of Trustees on 07.12.2016, these did not commence until January 2017. Therefore, six projects were launched in 2016 with a total budget of 425.443 Euro and a baltcf contribution of 297.819 Euro.

The foundation's highlights to date include the successful completion of a first project, the participation in a LIFE project in Poland and initial funding decisions for larger projects with a funding volume above 100.000 Euro.

With the help of a baltcf contribution of 210.230 Euro, the project "Protect the Baltic Harbour Porpoise" by Coalition Clean Baltic aims to secure protected areas in the Swedish area of Gotland in order to preserve the endangered harbour porpoise. The project "Peat Restore" on the other hand contributes to the restoration of bogs. Baltcf has enabled its Polish partner Klub Przyrodnikow the participation in a large EU-funded LIFE project, coordinated by NABU Germany, with a grant of 318.227 Euro. The restoration of polish bog habitats around Slowinski National Park will contribute towards reducing eutrophication of adjacent water bodies. Co-financing for LIFE projects will also help the foundation's project partners take part in major nature conservation measures and therefore come in direct contact with other European regions and relevant multipliers.

On 31.10.2016 the "Baltic Clean Games" project, which used a playful approach to draw attention to the problem of garbage on beaches in the St. Petersburg region, came to an end. Together with tourists, 5 tonnes of waste were collected with the help of 1065 plastic bags in three different runs. The organisation Games of the Future, based in St. Petersburg, is the foundation's first Russian partner. Russia plays a particularly important role in terms of the ecological stability of the Baltic Sea. Repeated visits to Kaliningrad in 2016 helped to intensify the foundation's contacts with the Russian Federation.

The past year has also shown that international promotional activities entail a great deal of administrative work. The foundation's office endeavours to minimize the bureaucratic

challenges for applicants and partners, yet examinations by the office, management and Project Advisory Committee require a considerable amount of time. Particularly at the early stages of baltcf's funding activities, careful examination of the applicants' proposals is very important and serves to strengthen the reputation and seriousness of the foundation. So far the careful selection of projects has led to rather smaller funding commitments.

Baltcf is currently working on ensuring the promotion of increasingly larger environmental projects that generate direct and measurable positive effects on the ecological state of the Baltic Sea. The selection process and criteria for project funding as well as the documents available for this purpose are therefore constantly evolving and are being adapted to ease of use for partners.

The foundation is pleased to see a steady increase in the number of applications over the course of the year, with a wide range of environmental problems being addressed. These include eutrophication and waste in catchment areas, habitat and species protection, sustainable energy production and wetland restoration. Applications were received from both big organisations (Coalition Clean Baltic) and small NGOs (Agronatura), with project durations ranging from six months to five years.

Project Example – Salmon and Trout Protection in Northwest Poland (Green Federation GAJA)

On 21.01.2016, the Board of Trustees decided to fund the project "Salmon and Trout Protection in Northwest Poland". GAJA's reputable image with established partners in Poland and the strong involvement of volunteers, along with the seriousness of the problem of illegal fishing, promises a sustainable and successful project outcome.

The project commenced in January 2016 under the condition that the duration is extended to three years in order to better document volunteer activities along with ensure traceable use of environmental equipment and environmental education.

The project aims to protect migratory fish from illegal fishing. In order to combat this problem, cooperation between local volunteer groups and authorities is beneficial. Volunteers play an important role in the investigation and detection of illegal practices and will be trained and equipped to cooperate in the fight against illegal fishing.

The project region is located in the western part of the West Pomerania Voivodship, where the rivers Ina, Gowenica, Rega and Parseta flow into the Baltic Sea. These cover a total of 570 km with 160 smaller tributaries and make up one of the larger catchment areas of the southern Baltic Sea with 10.000 km². The rivers form part of the Natura 2000 network and serve as an important corridor for migratory fish species and their access to natural spawning grounds in western Poland.

GAJA has successfully been working with different local groups in Western Pomerania aimed at improving and safeguarding the spawning grounds of adjacent rivers for migratory salmon and trout from the Baltic Sea.

Funding Procedures

Project funding from baltcf can be requested from non-profit legal entities (e.g. associations and organisations) and legal bodies (e.g. municipalities). Application forms are available to download from the foundation's website. The project goals must match with the statutory purpose of the foundation along with the funding principles of the relevant bodies. These documents are also published on baltcf's website.

Funding decisions are based on a two-step application procedure. After a brief consultation with the managing director and the presentation of their idea, applicants

complete as a first step a concept form, which is then evaluated by the management and the Board. The evaluation of this form is based on nine key questions, which are jointly discussed by the management and the Board. Should the applicant be requested to submit a full proposal as second step, further evaluation is based on an internal assessment consisting of seven different categories and a total of 20 criteria. A maximum of 100 points can be achieved. At least 60 points and 50% per category must be obtained in order to receive funding. The Project Advisory Committee should comment on the total score and rating or assess the applications individually.

Public Outreach and Synergies

Personal contact with partners and the participation in events have had a beneficial effect on the acquisition of project partners from new regions. Since projects supported by baltcf take place outside Germany, appropriate travel activities need to be planned in future. Whilst the foundation primarily deals with the management of projects and related resources, an on-site exchange greatly helps to individually communicate baltcf's goals and priorities to potential applicants in a targeted manner.

Events, Contacts and Topics

In 2016, a total of eight business trips to Finland, Russia and Poland took place. The main focus was on establishing contacts with environmental organisations in Kaliningrad and St. Petersburg, along with contacts to HELCOM.

From 8th to 10th March, the managing director took part in a HELCOM event on marine pollution, which included a personal meeting with the HELCOM secretary general Monika Stankiewicz.

During the Baltic Sea Days from 21st to 24th March, the managing director presented the foundation and its funding opportunities in St. Petersburg. Further contacts with Kaliningrad were established during this visit, which led to a meeting with the Ministry of Environment in Kaliningrad in June.

In autumn, the managing director met with the Minister of Environment at the German-Kaliningrad Environmental Days. Discussions during these meetings highlighted the clear interest in tourism management activities in the Rominter Heath and the Curonian Spit National Park, as well as cross-border cooperation with Lithuania in fostering marine protection. In December, an exchange on the possibilities of coordinated project development in the Memel Delta took place. 63 participants from eight different Baltic States participated in this event, organised by the Michael Succow Foundation and Coalition Clean Baltic in Kaliningrad, to discuss interesting project initiatives. This involved the restoration of wetlands, the use of constructed wetlands against protection from eutrophication, as well as securing of marshes and wetlands in the Memel Delta.

Co-operation with the OSTSEESTIFTUNG

The close proximity of baltcf to the OSTSEESTIFTUNG has been a great help in every aspect of the young foundation. Baltcf was able to use numerous administrative templates of the OSTSEESTIFTUNG for its own purpose. Employment contracts and the entire accounting database are set up on similar principles. In terms of asset management, the search for joint real estate investment commenced in 2016.