



**THE GLOBAL  
MECHANISM**  
United Nations Convention  
to Combat Desertification

  
**mirova**  
Responsible Investing

# LAND DEGRADATION NEUTRALITY FUND

An innovative fund project dedicated  
to sustainable land use







## At a glance

\* Promoted by the UN Convention to Combat Desertification (UNCCD) and Mirova, the responsible investment division of Natixis, **the Land Degradation Neutrality (LDN) Fund will invest in profit-generating sustainable land management and land restoration projects** worldwide, to contribute to a land degradation neutral world, which is UN Sustainable Development Goal target 15.3

\* Focused on direct investment into large-scale land restoration and land degradation avoidance projects, that will integrate smallholders and local communities, and a dedicated window for small scale projects and SMEs.

\* Provides long-term financing (debt/equity) to projects that meet strict environmental and social standards.

\* Pooling resources from both public and private investors committed to the goal of stopping land degradation.





# HOW THE LDN FUND INTENDS TO PRODUCE

## Mission

Public and philanthropic funding alone is not sufficient to finance all the investments required to achieve LDN at global level. The participation of private capital and expertise is also needed.

*“The mission of the LDN Fund project is to become a source of transformative capital bringing together public and private investors to fund triple bottom line projects that contribute to Land Degradation Neutrality.”*

By tackling land degradation, the LDN Fund project is expected to have multiple benefits:



### Socio-economic benefits

- Decent creation job
- Increase resilience of local communities
- Timber and non-timber forest byproducts
- Cultural/recreational benefits
- Better public health



### Environmental benefits

- Climate change mitigation and adaptation
- Restoration of degraded land/ecosystems
- Reduced deforestation
- Soil conservation
- Improved habitats and biodiversity

## Expected beneficiaries

While investees of the Fund will be project entities, the beneficiaries are expected to be **smallholder farmers, and agriculture/forestry workers in developing countries**, who will benefit from the Fund's investments in sustainable land management projects that create outgrower schemes and new decent jobs.

Access to finance for smallholders and small businesses in most land use sectors is a big challenge, often preventing them from using sustainable land management practices that could raise their productivity and incomes. For them, the LDN Fund project will channel capital through local financial institutions and intermediaries who commit to promote the growth of SMEs and support small- and mid-sized responsible producers in several land use sectors.



# POSITIVE IMPACTS AND FINANCIAL RETURNS

## Investment criteria

### Geography and target sectors

The LDN Fund will invest worldwide, with a targeted capital allocation of at least 80% in developing countries, throughout the following key sectors:

- Sustainable agriculture;
- Sustainable forestry;
- Other LDN-related sectors, such as green infrastructure and ecotourism.

### A threefold approach to investment

#### Financial returns

- The Fund will invest in profitable projects to deliver competitive returns for investors. Sustainable agriculture and forestry can potentially offer attractive investment opportunities due to the rising global demand. Indeed, using improved agronomic practices helps to increase productivity, product quality and generate better returns, while sustainable certifications (e.g. Fairtrade, Rainforest Alliance, FSC) drive prices up.

ELIGIBLE  
PROJECTS

#### Environmental and Social standards

- The Fund will only consider projects that can make a significant contribution to LDN while producing appropriate risk-adjusted returns and comply with robust Environmental & Social (E&S) standards.

#### Additionality

- The Fund is designed to offer financing solutions that are not readily available in the market, providing finance and strategic benefits in ways other investors or banks might not, e.g. longer tenors, longer grace periods, and more flexible repayment schedules.

### Examples of investment opportunities:



Large reforestation program with sustainable rubber tree plantations.

Partnership with international conservation NGOs.

Impacts include increased productivity, job creation, reduced deforestation and conservation benefits.

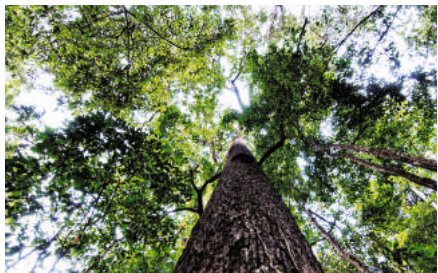
HEVEA – SE ASIA



Climate resilient coffee landscape restoration and productivity enhancement program on degraded areas.

Increased sustainable production and income diversification through the adoption of agroforestry systems.

COFFEE – S. AMERICA



Reforestation of degraded forest land in accordance with the highest standards for sustainable forest management.

Project will create up to 1,000 new jobs, mostly for local people, with a benefit sharing system for local communities.

TEAK – WEST AFRICA

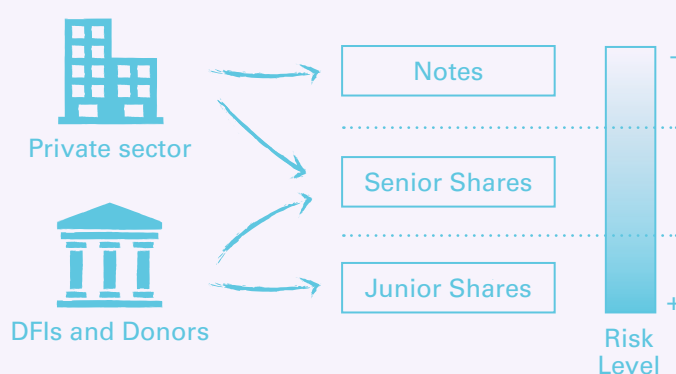
# LDN FUND PROJECT CHARACTERISTICS

## Increasing private investment in sustainable development

The LDN Fund project will use a blended finance approach with a layered capital structure, to bring in private investors that may otherwise not have invested in sustainable land management projects.

### Fund structure

- The LDN Fund will be structured as a layered fund with three classes of instruments
- This capital structure can offer appropriate risk-return profiles for different investors
- Junior shares de-risk more senior tranches, encouraging investment from private investors



## Technical Assistance Facility

A technical assistance facility will support LDN project developers and facilitate project preparation. It will complement the LDN Fund in supporting the development of a large portfolio of attractive LDN projects.

## Fund information\*

Fund manager	Mirova
Target fund size	First closing: \$100m, final closing: \$300m
Investors	Public, donors, development finance institutions, private investors
Sectors invested in	Sustainable agriculture, sustainable forestry, other sustainable land use
Geography	Global, with a primary focus on developing countries
Instruments	Junior debt, equity
Fund life	15 years (for the first Fund. It is intended that successive funds will be launched after the end of the investment period, continuously extending the life of the Fund)
Target first closing	H1 2017

\* indicative terms





## Mirova

### Corporate presentation

Mirova, a wholly owned subsidiary of Natixis Asset Management, is a leading asset manager dedicated to responsible investing. Addressing challenges to a sustainable economy sits at the very heart of our investment decisions.

Mirova's philosophy is based on the conviction that integrating sustainable development themes can generate solutions that create value for investors over the long term, not only through better assessment of risks, but also by identifying favorable investment opportunities in a changing world.

Leveraging a comprehensive and consistent approach to responsible investing, Mirova provides a wide range of investment products and services through 5 centers of expertise: equities, fixed income, infrastructure, impact investing, as well as proxy voting and engagement. With €6.6 billion of assets under management, Mirova brings together 68 multidisciplinary professionals, including thematic investing specialists, engineers, financial and ESG analysts, and project finance experts.

Mirova benefits from 14 years' experience in structuring and managing alternative asset funds (infrastructure, carbon, renewable energy) on behalf of prominent institutional investors (insurance companies, pension funds or funds of funds), which should contribute to the success of the LDN Fund project.

Source: Mirova as of September 30, 2016

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## MIROVA

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