

Agadir, Morocco
March 20th – 24th,
2017



THE LAND DEGRADATION NEUTRALITY FUND PROJECT



**Fifth
Mediterranean
Forest Week**

Boris Spassky

**Investment manager,
Mirova**

FOREWORD

LDN Fund Sponsors



Organization

Role, Location

Description



Co-promoter, Germany

- Initial Concept creation
- Building enabling environment for LDN
- Institutional coordination

Established in 1994, the United Nations Convention to Combat Desertification (UNCCD) is the sole legally binding international agreement linking the environment, poverty and development to sustainable land management in the drylands. The UNCCD is particularly committed to a bottom-up approach, ensuring the participation of local communities in combating desertification and land degradation. The secretariat of the Convention also facilitates cooperation between developed and developing countries, particularly regarding knowledge and technology transfers for sustainable land management practices. The Global Mechanism (GM) is the operational arm of the UNCCD,—mandated to support UNCCD country parties in the mobilization of resources for its implementation. The GM facilitates countries to translate the Convention into action and to achieve Land Degradation Neutrality at the national level.



Co-promoter/Investment manager, France

- Fund strategy
- Deal structuring
- Fund management
- Fund raising
- Investment selection/monitoring

Mirova is the responsible investment division of the Natixis group. It offers a global responsible investing approach involving Equities, Fixed Income, General and Renewable Energy Infrastructure, Impact Investing, and Voting and Engagement. As of March 2016, Mirova has €6 billion of assets under management and as of December 2015, €40.3 billion under advisement in Voting and Engagement. Its team of circa 60 multidisciplinary experts includes specialists in thematic investment management, engineers, financial and environmental, social and governance analysts, project financing specialists and experts in solidarity finance.

FOREWORD

MIROVA: an entrepreneurial company within a large banking group



ENTREPRENEURIAL COMPANY WITH EXPERTISE IN INNOVATIVE INVESTMENTS

- Investment specialist capitalizing on **30 years of experience** in Responsible Investing within Natixis Asset Management
- **63 multi-disciplinary experts**, all located in Paris;
- **€ 6 billion** in assets under management as of March 2016
- **5 capabilities** around Responsible Investing:



Listed Equities

€ 2.9 bn



Fixed Income

€ 1.5 bn



Infrastructure

€ 1.4 bn



Impact Investing

€ 139 mln



Vote & Engagement

€ 40 bn¹

Source: Mirova as of 31/03/2016

1- As of end December 2015, assets under advisement

PART OF LARGE BANKING GROUP WITH WORLDWIDE PRESENCE

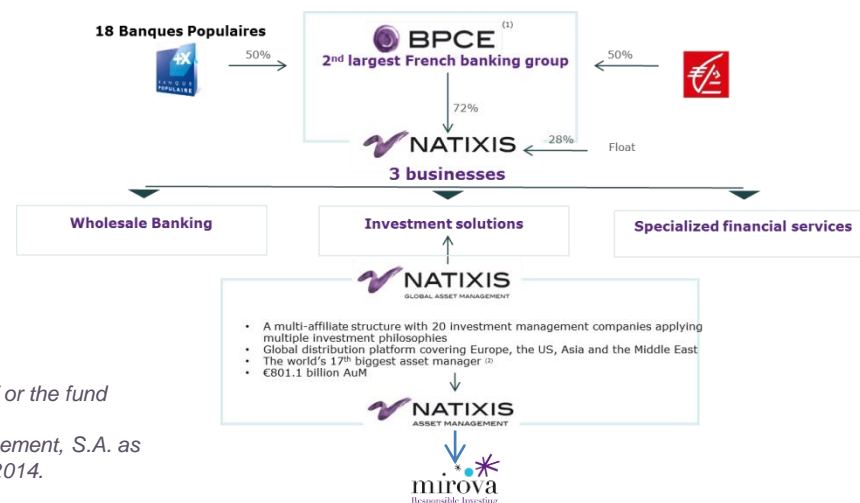
- Mirova is a 100% subsidiary of Natixis AM, itself fully owned by Natixis Global Asset Management (17th largest asset manager in the world¹)
- Natixis, an investment-grade bank, is part of BPCE, the 2nd largest banking group in France²
- **35+ Offices worldwide** including in developing countries

Data as of 31/12/2015. Source: Natixis

Reference to a ranking and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager

(1) Source: Cerulli Quantitative Update. Global Markets 2015, ranked Natixis Global Asset Management, S.A. as the 17th largest asset manager in the world based on assets under management as of 31/12/2014.

(2) BPCE S.A.

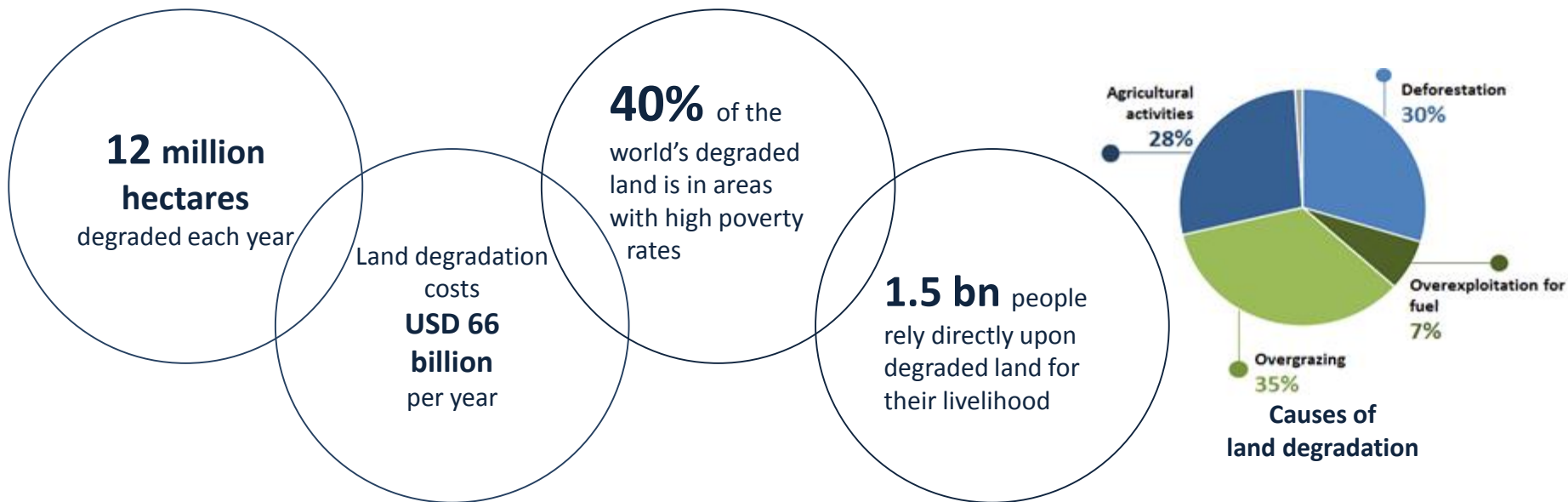


Land degradation as a global issue



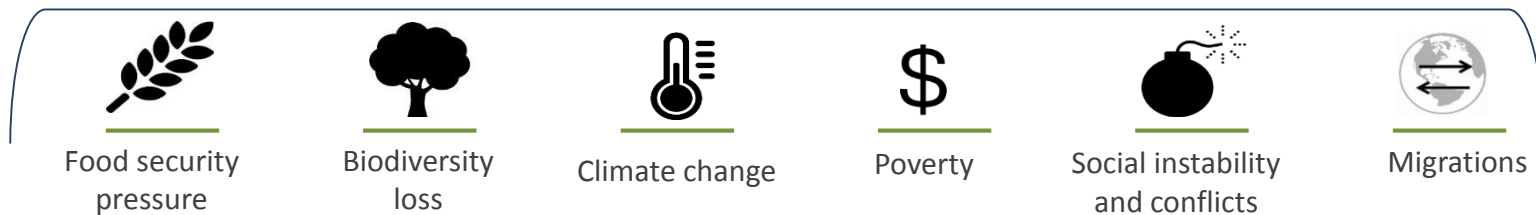
WHAT IS AT STAKE?

Poor land management practices, often fueled by exploitation for short-term economic gains instead of favouring long-term sustainability, have led to the **loss of more than 25% of the world's arable land in the last two decades.**



LAND-DEGRADATION IS NOT AN ISOLATED ISSUE

As well as the direct economic value of using land and its resources, land-based ecosystems and their management can have substantial indirect effects:



Land degradation neutrality: a key SDG target



Increasing awareness that the cost of inaction is significantly higher than the cost of action led to the emergence of the Land Degradation Neutrality (LDN) concept, and its inclusion in the SDGs:

“ *Land Degradation Neutrality is a state where the amount and quality of land resources necessary to support ecosystem functions and services and enhance food security, remains stable or increases* ”

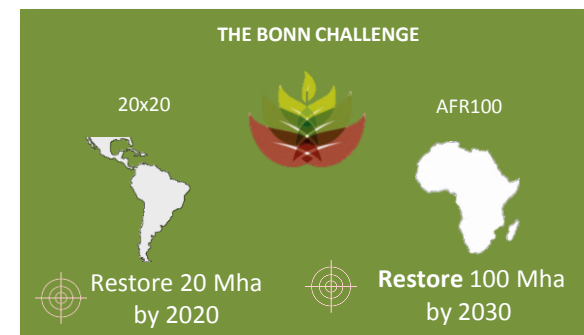
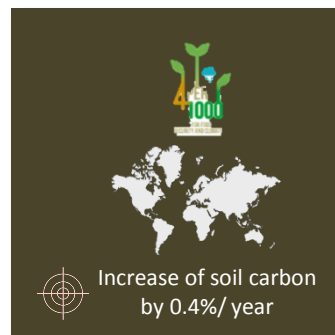


SDG 15.3
ACHIEVING LDN
BY 2030

-----> Avoiding or reducing the rate of degradation

-----> Restoring degraded land

Public momentum generated by various forest and landscape restoration initiatives around the globe:



...but there is still a significant lack of investment in LDN projects, and a critical need to mobilise public and private capital...



The LDN Fund's mission:

To contribute to the objective of LDN by bringing together public and private interests to fund triple bottom line investments that combat land degradation around the world.

KEY FEATURES

- Investing in profit-generating sustainable land management (SLM) and land restoration projects worldwide
- Mainly focus on direct investment into large-scale projects, which will integrate smallholders and local communities
- Providing long-term financing (debt/equity) within a strict environmental and social safeguard framework
- Public private partnership (PPP), leveraging public money to raise private capital, balancing investors' need for financial returns with the goal of stopping land degradation
- Raise and deploy significant amounts of capital to help develop the nascent LDN market, bring scale and ultimately attract capital from more mainstream investors
- Collaborative approach to complement existing funding initiatives and support existing actors in the LDN market
- Providing technical assistance through a separate donor-funded technical assistance facility (TAF) to facilitate project maturation and knowledge sharing

The LDN Fund is currently being structured and is expected to reach first close during Q1 2017.



By tackling land degradation, LDN Fund projects are intended to have positive impacts on:

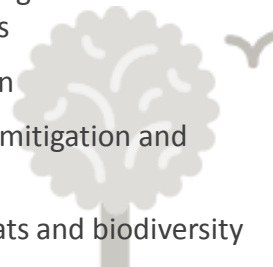
Socio-economic benefits

- Job and income creation through restoration economy
- Wood and non-wood forest products
- Resilience of livelihoods of local communities
- Cultural/recreational benefits
- Better health conditions



Environmental benefits

- Restoration of degraded land/ecosystems
- Soil conservation
- Climate change mitigation and adaptation
- Improved habitats and biodiversity
- Enhanced freshwater supplies



LAND DEGRADATION NEUTRALITY

Paradigm shift potential

POSITIVE DEMONSTRATION EFFECT : helping to develop the nascent LDN market by building-up expertise and track-records to demonstrate the long-term investment case and ultimately bring in more private capital

INNOVATIVE PUBLIC-PRIVATE COLLABORATION: Combining public and private interests and money in a layered impact investment fund, particularly at this scale, is a relative new approach in the sustainable land use sector. The success of the LDN Fund could encourage more collaboration between the public and private sectors.

Fund overview



The LDN Fund will be...

- The LDN Fund will be a public-private fund managed by a private company, Mirova, and initiated by UNCCD to accompany the LDN target by 2030
- The LDN Fund will provide financing with expectations in terms of impact, but also **financial return**
- The LDN Fund will **finance operators** for the implementation of sustainable land use projects
- The LDN Fund will finance real economy and sustainable land use projects able to repay the initial financing, which in turn will generate a return in cash to the fund shareholders

The LDN Fund will not be...

- The LDN Fund is not a public institution nor a UN body
It will nevertheless work in close relationship with public entities
- The Fund will not finance projects with no positive environmental & social impact
- The Fund will not provide any grants
A TA Facility set up in parallel of the Fund may provide technical assistance on a grant basis
- The LDN Fund **will not acquire land** nor will it manage projects directly
In addition, specific due diligence will be established to avoid land grabbing-issues
- The LDN Fund is **not a carbon fund**: it will not directly purchase carbon credits from projects, nor will it provide return in kind in the form of carbon credits to its shareholders
- *The Fund is however designed as a “climate fund” as it will contribute to climate change mitigation and adaptation*

What projects will the LDN Fund finance?



ELIGIBILITY CRITERIA

- **Contribution to Land Degradation Neutrality**

LDN is the core mission of the Fund, hence projects should implement rehabilitation or degradation avoidance activities leading to **direct benefits for ecosystem services** compared to a baseline scenario (e.g. land productivity, carbon sequestration and storage, habitat for species)

- **Social benefits**

Because land-use is closely linked to social conditions most projects should come with social benefits, and projects degrading social conditions should be excluded

- **Compliance with Environmental & Social Safeguard Standards**

SELECTION CRITERIA

- **Bankability** : The LDN Fund aims to generate revenue streams from sustainable production/use of rehabilitated land, therefore it provides financing with expectations in terms of impact, but also **financial returns**

- **Scale**: To maximize social, environmental and financial impact the LDN Fund intends to finance projects with significant scale and/or a high scalability/replicability potential

- **Investment readiness**: The Fund finances the implementation of projects that have completed pilot phases and are ready for further investment and scale-up

Examples of eligible projects



SUSTAINABLE AND CLIMATE SMART AGRICULTURE

- Coffee plantation in deforested area
- Cocoa renovation and rehabilitation
- Sustainable cattle practices combined with pastures restoration

FORESTRY AND AGRO-FORESTRY PROJECTS

- Endemic tree replanting program to fight desertification
- Sustainable rubber tree plantation in slash-and-burnt areas
- Teak plantation in deforested areas
- Reforestation program through the domestication of woody desert species
- Sustainable charcoal production

GREEN INFRASTRUCTURE IN URBAN AREAS

- Revitalization of vacant properties and forestry projects in urban areas



FUND STRUCTURE, STRATEGY AND APPROACH

LDN Fund activities: how will the strategy be implemented?



KEY SECTORS

- **Sustainable agriculture** as a high-impact sector offering the possibility of making a real difference on the ground
- **Sustainable forestry**
- **Other LDN-related sectors** on an opportunistic basis, such as green infrastructure and land reclamation or eco-tourism

60%

20%

20%

Target capital allocation



GEOGRAPHICAL SCOPE

- **Focus on developing countries** where capital mobilisation is crucial
- **Developed countries** on an ancillary basis

80%

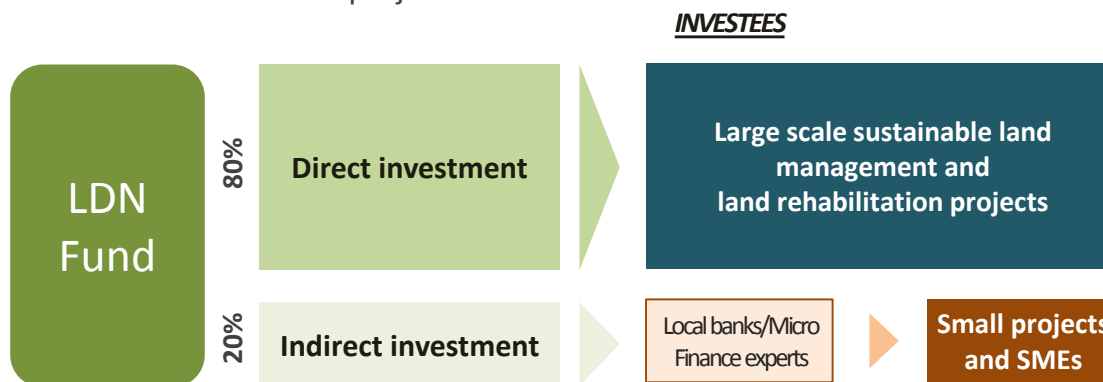
20%

Target capital allocation

TARGETED ENTITIES

- To maximize its impact the LDN Fund will primarily focus on investment into large-scale SLM and land rehabilitation projects
- A specific investment window will channel capital through local financial institutions and other intermediaries to reach scattered small-scale projects and sustainable SMEs

INVESTMENT TYPES



What entities can be financed ?

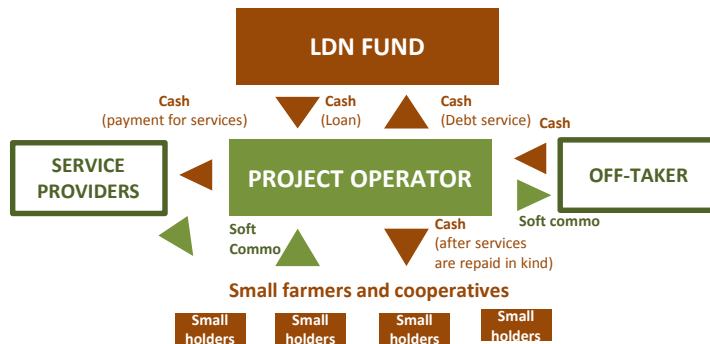


DIRECT INVESTMENT

- The investee can be a project (special purpose vehicle) or a subsidiary/local operator with intense up-front capital requirement to finance the land transformation CAPEX
- Outgrower and contractual agriculture schemes involving smallholders are encouraged

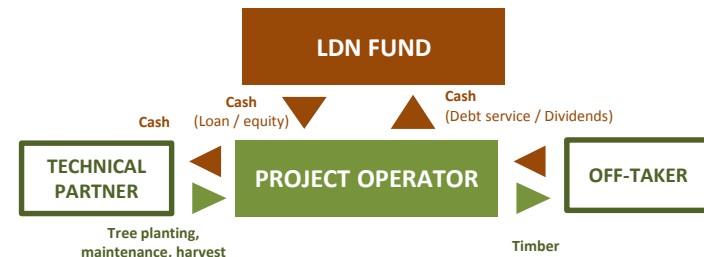
PROGRAMMATIC APPROACH

(well-suited for agriculture and outgrower schemes)



INTEGRATED APPROACH

(well-suited for forestry and green infrastructure projects)



INDIRECT INVESTMENT

- The LDN Fund can finance intermediaries with a specific mandate and eligibility criteria to reach scattered small scale projects and entities
- Such intermediaries can be local banks or dedicated vehicles managed by microfinance expert companies

Financing instruments



FINANCIAL ADDITIONALITY

- The LDN Fund will offer financing solutions that are not readily available in the market by providing **patient long-term finance** and **strategic benefits** in ways that other investors or banks might not: risk-adjusted interest rates, limited recourse, longer maturity, longer grace periods than local commercial banks, etc.
- The Fund intends to initiate or participate to **blended finance schemes** by (i) actively collaborating with DFIs and MDBs and (ii) on-boarding local and international commercial banks in projects

OVERALL FINANCIAL STRUCTURE

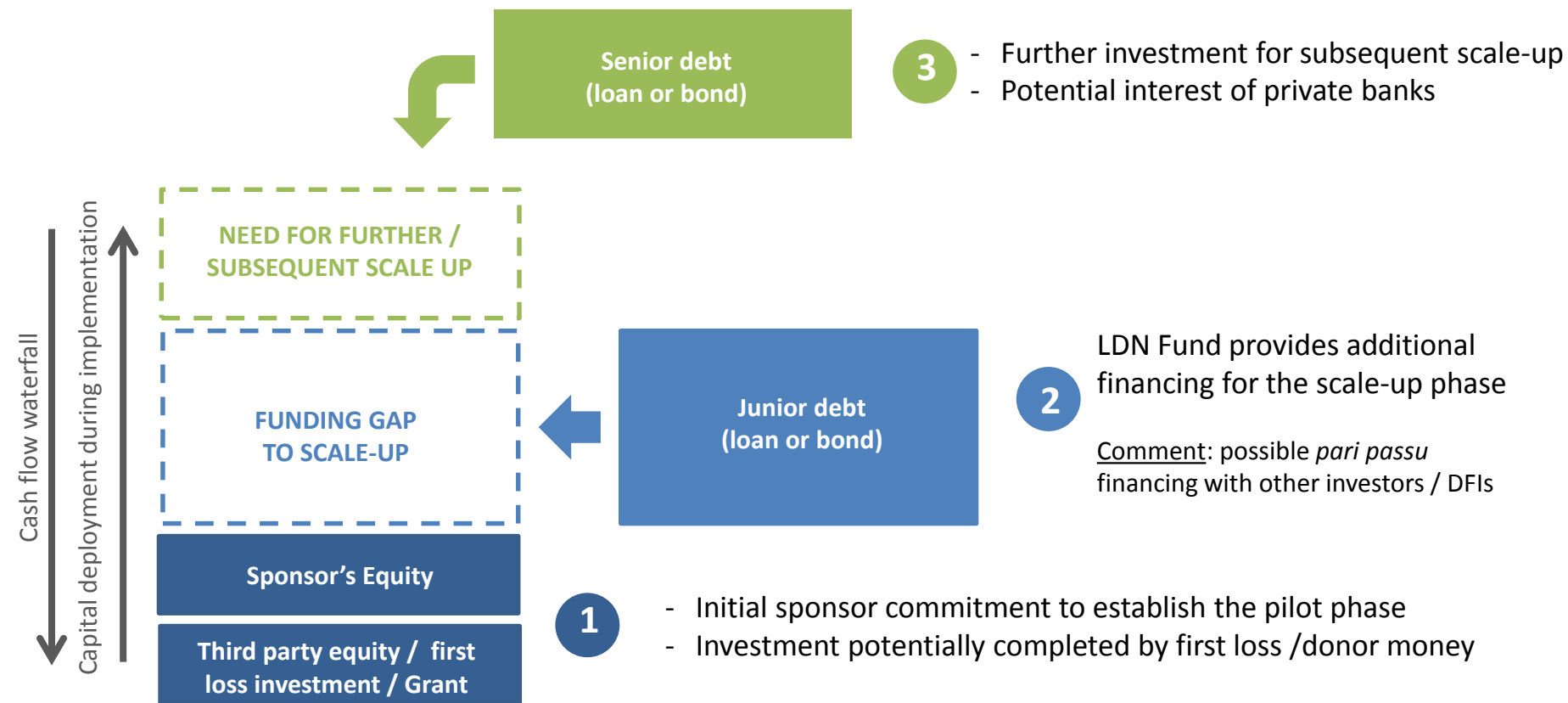
- The LDN Fund will tailor each project to the needs of the client and to the specific situation of the country, region and sector
- The LDN Fund will typically fund up to [50]% per cent of the total project cost
- Alignment of interest with project sponsor(s) is required, typically through significant equity contributions from the sponsor

INSTRUMENTS

- **Junior loan/bond** : Junior financing will include loan and bonds, with equity “kicker”, with a possibility to include working capital financing
- **Equity** : Equity financing with minority stakes position will be provided to projects that may take time to generate returns (e.g. timber projects)

80% } Target
20% } capital
allocation

Financing structure



Indirect investments



Indirect investments characteristics :

- Up to [20%] of the LDN Fund assets can be dedicated to small and medium sized projects:
 - Help strengthen business operations and value chains
 - Support the creation of micro and meso credit programmes focusing on smallholder farmers and sustainable, productive uses of land
- Specific eligibility criteria to be defined on a case by case basis to ensure a positive contribution to land degradation neutrality is achieved
- Different forms of investment can be considered:
 - Dedicated sub-funds managed by microfinance experts
 - Specific mandates covering a given region and/or activity

() Indicative conditions*

Important requirements



VISIBILITY ON STRUCTURE AND CASH FLOWS

- Legal framework: overall commercial and contractual structure to be detailed
- Cost & Revenue profile: detailed Capex, Opex, cost sheets, volume of demand (off-take contract)
- Financial model: detailed cash flows, debt repayment profile and coverage; equity IRR

RISK ASSESSMENT

- Due to predominant dependence on project cash flow, cash flow risks have to be addressed upfront
- Specific attention to sensitivities to commodity/output prices, sales quantities, operating costs, exchange rates
- Risk allocation to the party best positioned to deal with it
- Risk mitigation instruments to be tailored to residual risks (e.g. MIGA, PRG, PCG, etc.)

Disclaimer

This commercial document is intended for Professional clients only in accordance with MIFID. If no and you receive this document sent in error, please destroy it and indicate this breach to MIROVA.

MIROVA

Regulated by AMF under n°GP 02-014

Limited liability company - Share capital € 7 461 327, 50

RCS Paris n°394 648 216

Registered Office: 21 quai d'Austerlitz – 75 013 Paris

Mirova is a subsidiary of Natixis Asset Management

Under Mirova's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Mirova do not invest in any company that manufactures sells or stocks anti-personnel mines and cluster bombs.

Investments in raising Infrastructure portfolios are reserved for specific investors, as defined by their respective regulatory documentation. The LDN Fund project has not been authorized by any supervisory authority.

This Presentation in no way constitutes an offer or a sales promotion to a person regarding whom it would be illegal to make such an offer. This Presentation may not be used as an offer or a sales promotion in countries or in conditions where such offers or promotions have not been authorized by the competent authorities. Each investor must ensure he is authorized to invest in the Funds.

Investments in the fund are mainly subject to loss of capital risk. Past performance is no indicator of future performance. Performances figures are calculated net management and running fees, included safekeeping fees and commissions.

This presentation (the "Presentation") is being circulated as an information-only document and does not constitute an offer, a proposal, or a solicitation to investors to invest in the funds described in this document and managed by Mirova nor does it form the basis of, or constitute, any contract. These products and services do not take into account any particular investment objectives, financial situation nor specific need. Mirova will not be held liable for any financial loss or decision taken or not taken on the basis of the information disclosed in this document, nor for any use that a third party might make of this information. This Presentation in no way constitutes an advice service, in particular an investment advice. In any case, you are responsible for reading regulatory documents of the fund and collecting any legal, accounting, financial, or tax consultancy service you may consider necessary, in order to assess the adequacy of your constraints to investment and its merits and risks.

This document is a non-contractual document and serves for information purpose only. This document is strictly confidential and it may not be used for any purpose other than that for which it was conceived and may not be copied, distributed or communicated to third parties, in part or in whole, without the prior written consent of Mirova. This Presentation may not be used in some jurisdictions where such offers or promotions have not been authorized by the competent authorities. Each investor must ensure he complies with these requirements and prohibitions.

No information contained in this document may be interpreted as being contractual in any way. Information contained in this Presentation is based on present circumstances, intentions and beliefs and may require subsequent modifications. No responsibility or liability is accepted by Mirova towards any person for errors, misstatements or omissions in this Presentation or, concerning any other such information or materials, for the adequacy, accuracy, completeness or reasonableness of such information. While the information contained in this Presentation is believed to be accurate, Mirova expressly disclaims any and all liability for any representations, expressed or implied, with respect to this Presentation or any other written or oral communication to any interested party in the course of the preparation of information concerning the Fund. Prices, margins and fees are deemed to be indicative only and are subject to changes at any time depending on, inter alia, market conditions. Mirova reserves the right to modify any information contained in this document at any time without notice. More generally, Mirova, its parents, its subsidiaries, its reference shareholders, the funds MIROVA manages and its directors, its officers and partners, its employees, its representative, its agents or its relevant boards will not be held liable on the basis of the information disclosed in this document, nor for any use that a third party might make of this information. This document consists of a presentation created and prepared by Mirova based on sources it considers to be reliable. However, Mirova does not guarantee the accuracy, adequacy or completeness of information obtained from external sources included in this document.

Contacts:

Philippe Zaouati,

CEO, Mirova

Philippe.Zaouati@mirova.com

Gautier Quéru

Team Leader, Mirova

Gautier.Queru@mirova.com