

TERMS OF REFERENCE
CALL FOR EXPRESSIONS OF INTEREST IN THE CO-DEVELOPMENT AND FUTURE MANAGEMENT OF
THE LDN FUND TECHNICAL ASSISTANCE FACILITY
- March 2017 -

Summary

The Land Degradation Neutrality fund (the **LDN Fund**) is an alternative investment fund currently under structuration that is expected to be launched within the coming months, and then managed, by Mirova, acting as alternative investment fund manager. The purpose of the LDN Fund should be to invest globally in sustainable land use projects.

A technical assistance facility (the **TA Facility**) is required to be set up in parallel with the LDN Fund to support projects seeking investment from the LDN Fund. The TA Facility would provide grants and/or loans to project developers for project preparation or technical assistance in the structuring of projects with a proven/attractive business model.

These Terms of Reference (**TOR**) provide background information on the TA Facility and guidelines for the submission of Expressions of Interest (**EOI**) in the further development and future management of the TA Facility.

Deadline for submission of EOIs is 5th April 2017 at 5:00 pm CET

1. Organizational context

1.1 The Global Mechanism of the UNCCD

The Global Mechanism (**GM**) of the United Nations Convention to Combat Desertification (UNCCD) is mandated “to increase the effectiveness and efficiency of existing financial mechanisms” for the implementation of the Convention. The support is delivered through “actions leading to the mobilisation and channelling of substantial financial resources, including for the transfer of technology, on a grant, and/or on concessional or other terms, to affected developing country Parties” (Article 21, UNCCD).

The GM is a partnership builder that actively works together with developing countries and donors for mobilising substantial resources for combating desertification and drought. In particular, the GM assists in integrating responses to combat desertification and land degradation into overarching national development programming frameworks as well as into donor programming strategies.

1.2 Mirova

Mirova, the Responsible Investment subsidiary of Natixis Asset Management, develops an engaged approach aiming to combine value creation and sustainable development. 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 thanks to a better appreciation of risks, but also by identifying favourable investment opportunities in a changing world. Mirova offers a global responsible investing approach with a single offer revolving around 5 pillars: equities, bonds, infrastructure, Impact investing, voting

and engagement. Mirova has €6.6 bn in assets under management. The company brings together around 70 multi-disciplinary experts, specialists in thematic investment management, engineers, financial and ESG analysts, specialists and experts in socially conscious finance and project financing.

1.3 The LDN Fund project (to be managed by Mirova)

The LDN Fund project, co-promoted by the GM and Mirova, would be the first-of-its-kind investment fund investing in profit-generating sustainable land management (SLM) and land restoration projects worldwide.

The LDN Fund would invest in the following key sectors: (i) sustainable agriculture, (ii) sustainable forestry and (iii) other LDN-related sectors, such as green infrastructure and ecotourism. The LDN Fund project would provide long-term debt and equity financing for sustainable land use projects that reduce or reverse land degradation. It should be focused on direct investment into large-scale projects that will integrate smallholders and local communities, but also has a dedicated window for small scale projects and SMEs. It is structured as a blended finance layered fund, pooling resources from both public and private investors committed to the goal of stopping land degradation.

The Fund project would only invest in projects that can make a significant contribution to reducing or reversing land degradation while producing appropriate risk-adjusted returns. Environmental impacts are expected to include reduced GHG emissions, reduced deforestation, and enhancement of ecosystem services and biodiversity. In terms of social impacts, the LDN Fund project would seek to generate improved welfare for poor and vulnerable people, as projects are likely to result in food security, decent job creation and better livelihoods for smallholders. Monitoring of positive impacts and avoidance of negative impacts should be done according to robust environmental and social standards developed for the Fund project, which build upon internationally recognised best practices. To maximise additionality, the Fund project 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.

Please see the attached brochure for more information on the LDN Fund project.

2. The LDN Fund TA Facility

2.1 TA Facility overview

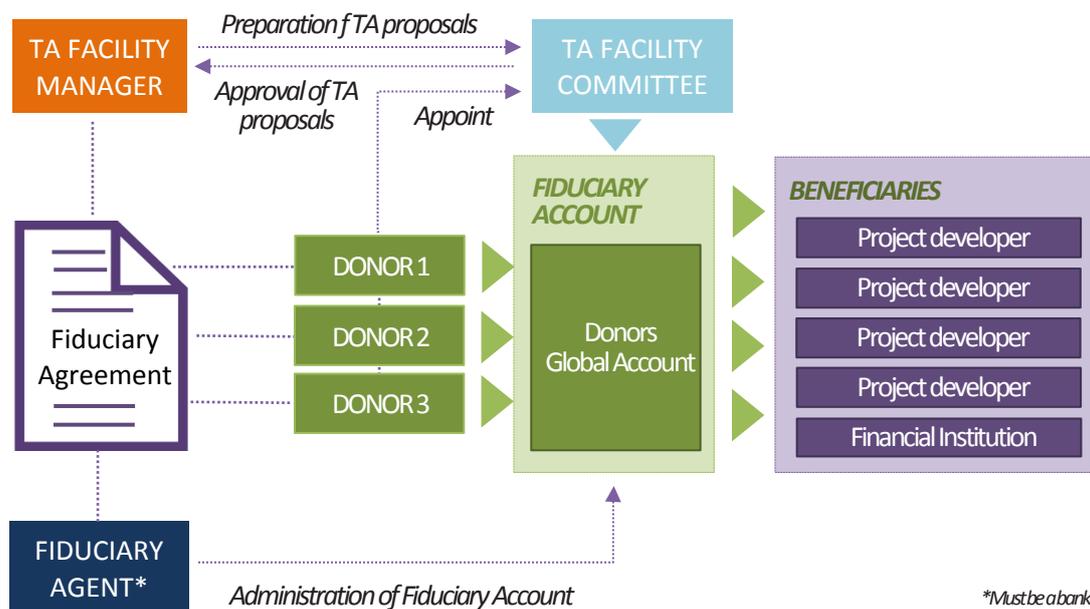
The objective of the GM and Mirova is to establish the TA Facility in parallel with the establishment of the LDN Fund to support projects seeking investment from the LDN Fund. It is expected this TA Facility will be co-financed by public and private donors, bilateral development agencies and development finance institutions (DFIs). Target size for the TA Facility is 5% of the LDN Fund, which would equate to a target of USD\$5m at first closing, and USD\$15m at final closing of the LDN Fund.

Projects seeking financing from the LDN Fund will be required to meet the Fund's investment readiness requirements. The TA Facility would provide grants and/or loans to project developers for the structuring of projects with a proven/attractive business model, and which require financial or technical assistance in order to satisfy all of the LDN Fund eligibility and investment criteria.

The main role of the TA Facility would be to provide practical project design support, in order to build a strong portfolio of bankable projects for the LDN Fund. The TA Facility should predominantly support specific projects which represent a suitable investment opportunity for the LDN Fund project. The TA Facility would work with projects that have already completed the feasibility/pilot study phase, focusing on project preparation to support scale-up. It would collaborate closely with project developers, promoters and operators in order to address operational gaps.

The TA Facility may be established as a Luxembourg structured trust (*fiducie*) or under the form of any other appropriate structure.

An example of structure and governance of the TA Facility is shown below. The TA Facility would be managed by a TA Facility Manager, with strategic and technical decisions made by the TA Facility Committee.



TA Facility Committee

The TA Facility Committee would be composed of representatives appointed by TA Facility donors.

Mirova would have an advisory role, and it is expected that representatives from Mirova and the TA Facility Manager will attend Committee meetings when appropriate. However, the Committee would be independent of both organisations, and have sole authority for making decisions.

The Committee should make strategic & technical decisions with respect to the TA Facility, including but not limited to:

- Approval of TA Facility policy & guidelines;
- Approval of the annual plan of the TA Facility;
- Approval of technical assistance project proposals;
- Monitoring the work of the Facility Manager;
- Approval of any conditions, instructions or limitations made under any Contribution/Donation Addendum.

TA Facility Manager (to be selected)

The TA Facility Manager should be responsible for managing the TA Facility, based on guidelines & procedures approved by the TA Facility Committee.

2.2 TA Facility activities

The TA Facility would provide grants and/or loans tailored according to the attributes and needs of each project. Where appropriate, grants/loans may be made as matching grants/loans, with the project developer/ sponsor required to contribute a certain amount of funding from alternative sources.

The majority of TA Facility funding would go to project preparation after the implementation of the feasibility study and/or the pilot phase, in order to support the scale-up of the project.

The LDN Fund would also have a dedicated investment window for providing indirect financing to SMEs and smallholders through local banks or other financial intermediaries. In some cases, technical assistance might

be needed by these local banks and intermediaries, in order to build their capacity to provide this financing and provide decision support tools based on LDN principles and guidelines.

Further details of these different forms of TA Facility assistance are provided below:

2.2.1 Project preparation

The scale-up of projects requires (i) improved operational processes and (ii) more structured financing schemes. In some cases, agronomy services are needed to implement best agricultural practices and raise the productivity, profitability and sustainability of operations.

Examples of the type of activities that could be funded include:

- Improving operational processes:
 - Capacity development to improve financial and operational management;
 - Advice on structured risk management process, including longer term contracts, hedging, etc.;
 - Improving the management and monitoring of social and environmental impact;
 - Site/project-specific land tenure analysis;
- Enhancing financial structures:
 - Establish a robust business plan, in line with banking standards;
 - Help design the financing structure and overall contractual scheme of the project;
 - Improve and de-risk financial arrangements of outgrower schemes;
 - Technical and legal support for negotiating terms of the main project contracts;
- Agronomy services
 - Efficient fertilizer and water use;
 - Best practices to fight diseases, pests and weeds;
 - Adaptation to changing climatic conditions;
 - Best practices for harvesting and post-harvest management.

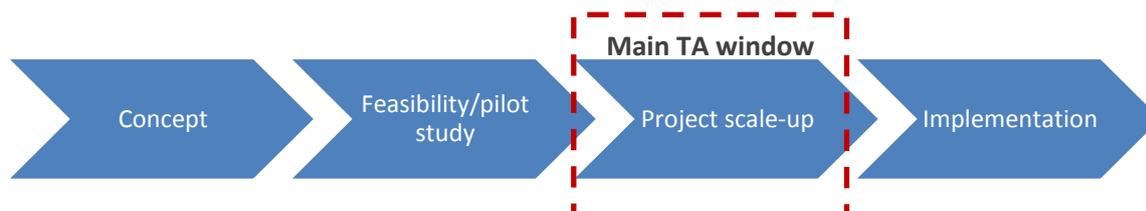
2.2.2 Technical assistance for local financial institutions

Many banks and other local financial institutions lack the agricultural expertise required to assess smallholder loans and structure suitable products. The TA Facility may provide funding to build capacity and support banks in lending to farmers and sustainable SMEs. Potential technical assistance activities could include:

- Improving credit risk assessment capabilities
- Designing appropriate financial products for smallholders and SMEs
- Considering alternative ways for farmers to provide collateral

2.3 Project stage which will be funded

Projects may require different types of technical assistance depending on their stage of maturity. The TA Facility should focus on projects that have completed a feasibility/pilot study with encouraging results, and that require help with project preparation in order to scale up. Some flexibility about the stage at which projects receive technical assistance may be introduced. Although the TA Facility will not finance pilot studies, technical assistance could potentially be provided during the feasibility/pilot stage, if it would improve future scale-up opportunities.



3. TA Facility Partner/Manager selection process

Mirova is looking for an experienced partner organisation that will collaborate in the development of the TA Facility, and then manage it. The phases of this process are outlined below. For the avoidance of doubt, the same organisation selected as the development partner will then continue to manage the TA Facility after its creation.

Mirova intends to create successive vintages of the LDN Fund project after the end of the first fund's investment period, so this has the potential to be a long-term partnership.



Selection phase

During this phase the TA Facility Partner will be selected through an open tender administered by Mirova (see section 4 for detail on the process).

Development phase

During this phase the GM, Mirova and the selected TA Facility Partner will work closely together to structure, develop and launch the TA Facility. Following the initial selection process, the parties will meet regularly to develop a detailed roadmap on how to proceed. Subject to changes and/or approval the TA Facility will be developed according to the plan. The selected TA Facility Partner will be expected to play a key role in this phase.

Management phase

In this phase the TA Facility Partner will then be formally appointed as TA Facility Manager. This phase is expected to last around five years, in line with the LDN Fund project's five year investment period. The TA Facility Manager will collaborate with Mirova as necessary. The TA Facility Committee will monitor the performance of the TA Facility Manager.

The responsibilities of the TA Facility Manager are expected to include:

- a) Identify and secure new suitable donors for the TA Facility;
- b) Submit TA Facility strategy to the TA Facility Committee for approval;
- c) Develop and refine Policies and Procedures for the TA Facility Manager;
- d) Develop a standardized TA Facility proposal framework detailing the relevant information to be provided to the TA Facility Committee for approval;
- e) Collaborate with Mirova to identify the needs of the final beneficiaries;
- f) Prepare technical assistance proposals on each project for review and decision by the TA Facility Committee, and ensure timely submission to the TA Facility Committee members;
- g) Provide the TA services required, including selecting and managing reputable service providers as needed;
- h) Review, monitor and supervise on-going technical assistance programs;

- i) Prepare and submit the relevant reports, as well as other information requested by the TA Facility Committee;
- j) Prepare annual budget proposals for the TA Facility and update on funding activities and submit these for approval to the TA Facility Committee;
- k) Inform the TA Facility Committee of any event or development which may require their awareness or involvement;
- l) Put in place and implement proper processes, as approved by the TA Facility Committee, in order to ensure independent and professional decision making processes;
- m) Manage the TA Facility against agreed performance targets; and
- n) Provide staff with appropriate skills and experience to manage the TA Facility.

4. Selection process

4.1 Call for Expressions of Interest (EOI)

Candidates interested in becoming TA Facility Partner and future Manager are invited to submit EOI to Mirova. EOI shall contain the following information (maximum five pages):

- Letter of expression of interest: the name and address of the applicant, contact person and details (fax, e-mail, and telephone) should be included in the letter, as well as anything else immediately relevant to the selection process;
- Brief presentation of the organisation, e.g. scope of operations, office locations, operating budget, number of employees, etc.;
- Brief overview of experience and expertise relevant to the development and management of structures similar to the TA Facility.

Deadline for submission of EOIs is 5th April 2017 at 5:00 pm CET

4.2. Following steps

Based on the EOIs submitted, a short-list of up to five organisations will be invited to submit a detailed proposal.

More information on this process will be made available when required, but shortlisted organisations will be asked to provide information including:

- Information on the candidate's ability to manage the key tasks of the TA Facility Manager;
- References / track record relevant to the LDN Fund TA Facility;
- Intended composition of internal team;
- Plan for the development of the TA facility;
- Fundraising strategy;
- An estimate of TA Facility management fees (and what they will cover);
- Resources the candidate will contribute to the development of the TA Facility.

Following the submission of detailed proposals, the TA Facility Manager will be selected in accordance with the following criteria:

- Proven track record in managing the provision of technical assistance;
- Existing network of TA consultants relevant to the LDN Fund;
- Understanding of the sustainable land management market;
- Geographic range of experience and expertise;
- Demonstrated track record in supporting the structuring of project finance initiatives;
- Experienced and dedicated team;
- Alignment with the sustainable development objectives of the LDN Fund;
- Quality of analysis of the strategy and structure of the TA Facility;
- Quality of proposed approach to develop and manage the TA Facility;
- Track record of fundraising for similar initiatives.

5. General

Mirova expressly reserves the right at any time, at its sole discretion, with or without notice and without stating a reason, to: (a) evaluate the terms and conditions of your EOI as it sees fit, (b) accept or reject any and all proposals made by you with regard to the TA Facility, (c) terminate discussions and/or negotiations with you, (d) conduct the process as it may choose, including, without limitation, by negotiating with one or more potential manager(s) and/or entering into a definitive agreement with any person, (e) change the process or any other procedures relating to the TA Facility, and (f) terminate the process with regard to the TA Facility in its entirety.

For the avoidance of doubt, Mirova will not be under any obligation to accept, review or consider any EOI or other proposal you may submit, and is not under any obligation to accept any proposal or offer submitted for whatever reason. Mirova will be bound to proceed with the TA Facility only in accordance with final and binding agreements entered into with a successful manager.

Prospective managers will bear all costs of their own investigation and evaluation, including the fees and disbursements of their own legal counsel, financial and accounting professionals, and other advisers. Mirova accepts no liability and under no circumstances will Mirova, the GM or their respective subsidiaries, affiliates, associated companies or shareholders be responsible for any costs, losses or expenses incurred by a prospective manager, its affiliates or its advisers in connection with the TA Facility.

None of Mirova or the GM or any of its subsidiaries, affiliates, shareholders, associated companies or shareholders, nor any of their respective directors, officers, members, agents, employees or advisers, accept any responsibility for, nor make any representation or warranty, express or implied, as to the truth, accuracy, completeness or reasonableness of any information provided to you in connection with the TA Facility. You acknowledge and agree that no person has nor is held as having any authority to give any statement, warranty, representation, or undertaking on behalf of Mirova or the GM or any other such persons or entities in connection with the TA Facility.

Neither this TOR nor any information provided shall constitute an offer or invitation for the management of the TA Facility. An offer will be deemed accepted and give rise to contractual obligations between Mirova and any manager only when a definitive agreement has been executed by and among them (or their respective affiliates). Until such time, neither Mirova nor any of their respective subsidiaries, affiliates, associated companies or shareholders, nor any of their directors, officers, members, agents employees or advisers, owes any liability or obligation to any prospective manager, and, following such time, the only obligations of Mirova or any of its subsidiaries, affiliates or associated companies will be those set forth in such definitive agreement. You recognize and accept that no one has, nor is presumed to have, any power to make or agree any commitment, covenant or undertaking on behalf of Mirova or the GM in relation to the TA Facility.

The existence and content of this letter and information you receive during the process, is the property of Mirova and should not be transmitted, published or reproduced, in whole or in part, nor should its contents be provided to any person other than its original addressee(s) and such person's professional advisers who are directly concerned with such person's decision regarding the investment opportunity described herein, without the prior written consent of Mirova.

Mirova together with its respective subsidiaries, affiliates and associated companies, reserves the right to amend, at its own discretion, any written material furnished or information orally disclosed to you, whether by them or by their advisers.

This letter, its performance and any matter (contractual or non-contractual) connected with it, shall be governed and construed in all respects in accordance with French law and shall be subject to the exclusive jurisdiction of the competent courts of Paris.

All communication regarding the TA Facility must be addressed to Mirova. Under no circumstances should you, or your affiliates, associates, advisers or agents, contact or communicate directly or indirectly with any other

person directly or indirectly implied in the TA Facility or the LDN Fund. Mirova also requires that all enquiries are directed to Mirova who will co-ordinate all communication with interested parties. Mirova further reserves the right to exclude any interested party from the process if this communication guideline is breached.

6. Contacts

For any questions, and the submission of EOI, please contact:

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