

LAND DEGRADATION NEUTRALITY FUND PROJECT

ENVIRONMENTAL & SOCIAL STANDARDS

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TABLE OF CONTENTS

1. Introduction	5
1.1 The LDN Fund project	5
1.2 The LDN Fund’s Environmental and Social Management System	5
2. LDN Fund Environmental and Social Standards	7
2.1 Introduction	7
2.2 LDN Fund’s Environmental and Social Standards	8

1. Introduction

1.1 The LDN Fund project

The Land Degradation Neutrality (LDN) concept was born out of the United Nations Conference on Sustainable Development (Rio+20) in 2012 and is defined by the United Nations Convention to Combat Desertification (UNCCD) as: 'a state whereby the amount and quality of land resources necessary to support ecosystem functions and services and enhance food security remains stable or increases'

LDN is the state the world needs to move towards if we want to prevent further losses in social, ecological and economic capital caused by land degradation. LDN aims to slow losses in land-based natural capital and associated ecosystem services and to restore degraded land, through approaches such as land restoration and sustainable land management¹. The urgent need to prioritize investments in order to recover healthy and productive land resources on a global scale has been acknowledged as a major global challenge and the target of achieving LDN worldwide by 2030 was officially set as part of the United Nations Sustainable Development Goals (SDGs) in September 2015 (target 15.3).

The LDN Fund's objective is therefore to invest in profit-generating projects that contribute to LDN in order to align public interest with private capital. This investment vehicle will be promoted by the public sector and implemented by the private sector.

Recognizing the attractive opportunities for private capital to participate in the LDN market, the key mission of the LDN Fund is: 'To be a source of transformative capital bringing together public and private investors to fund triple bottom line projects that contribute to LDN.'

1.2 The LDN Fund's Environmental and Social Management System

The LDN Fund has developed an Environmental and Social Management System (ESMS) that strives to meet both international best practices while also attracting investment from the private and public sectors. This framework builds on the successful implementation of management systems developed for investment portfolios similar to the LDN Fund. With over two decades of experience, the lessons learned from international financial and development institutions offer insight into how the LDN Fund can successfully structure its ESMS.

Best practice and the unique nature of investing in Land Degradation Neutrality lead to the following principles for the LDN Fund's ESMS:

- ▶ The ESMS is part of the LDN Fund's policy framework and is an important element of its overall risk management and due diligence approach.
- ▶ The ESMS is integrated into all aspects of the LDN Fund's investment process.
- ▶ The LDN Fund's ESMS applies international best practices geared towards private sector triple bottom line (People, Planet, Profit) investments and public sector investments.

In terms of structure: on non-financial topics, the LDN Fund has a double objective: to finance projects that generate positive impacts, notably on LDN, as well as that ensure a proper risk management of their main environmental and social issues. For that reason, the ESMS of the LDN Fund not only addresses risk management (through the Environmental and Social Standards and related processes to ensure their respect) but also includes positive impacts that promote stabilizing and reversing land degradation (the LDN contribution) as formal eligibility criteria. Both for risk management and positive benefits, a project's performance is assessed before investment decision, as part as the investment process (through an Assessment Procedure) and monitored after investment, through a Monitoring Procedure allowing to assess actual benefits generated from the project and to ensure risk management in place remains adequate.

¹ UNCCD (2016). *Scientific Conceptual Framework for Land Degradation Neutrality*.

To complement these elements, the ESMS includes a Complaint and Compliance Mechanism, to ensure that project-affected populations have formal ways to voice their concerns about project matters that do not correspond to their expectations of a project or that could bring or actually do bring harm to them, as well as to help to identify and correct those causes for grievance that are directly or indirectly related to a lack of compliance with the LDN Fund Environmental and Social Standards.

Information regarding the various elements of the LDN Fund's E&S Management System besides the here-disclosed E&S Standards (elements such as: the LDN contribution as an eligibility criteria; Assessment and Monitoring Procedures; Complaint and Compliance Mechanism) will be made publicly available in separate documents.

Note: this document may be subject to further adjustments, especially depending on specific requirements from investors, including public entities and development finance institutions.

2. LDN Fund Environmental and Social Standards

2.1 Introduction

After a detailed analysis of Environmental and Social systems that exist in a variety of organisations the LDN Fund decided that its Environmental and Social Standards (E&S Standards) should be benchmarked against the International Finance Corporation's (IFC) 2012 Performance Standards. It is important to recognise, however, that the LDN Fund's mandate requires that its Standards include elements that specifically address issues related to land tenure and land use. As such, a dedicated Standard explaining the LDN Fund's obligations as related to land tenure is included in the E&S Standards. For the creation of this Standard the LDN Fund drew mostly from the Voluntary Guidelines on the Responsible Governance of Tenure (VGGT)² as well as on other related documents and experiences. LDN Fund's E&S Standards also draws on international best practices from environmental and social policies from around the world, particularly, the United Nations Development Programme (UNDP)³ and the European Investment Bank (EIB)⁴, which are recognised globally as some of the leading environmental and social standards and systems.

There are important areas, such as Human Rights and Gender Equality that, if neglected, pose serious risks to achieving project objectives and, if proactively managed can substantially enhance project outcomes and the sustained returns to the LDN Fund's investments. Some institutions include these issues in their environmental and social standards. The LDN Fund will manage these issues under its overall investment process and as part of its broader Assessment Procedure⁵ and not as part of its specific Standards.

Regarding the procedures for oversight and enforcement of the Standards, the LDN Fund will address these in a discrete document rather than in the first Standard, as IFC and other IFIs have done in "Performance Standard 1." This follows the practice of UNDP's new safeguard system and LNDP believes that it is both more logical and comprehensive to separate the Standards from procedures to implement them. The LDN Fund acknowledges that this is not common practice and thus some investors may be surprised not to find the procedures set forth in Standard 1, but rather in a separate document. Additionally, the Standards proposed for the LDN Fund are arranged alphabetically in order to avoid appearing to emphasize any particular Standard.

Lastly, it is important to recognise that environmental and social management systems from around the world are evolving, and thus the LDN Fund will regard its Standards as "modular." That is, as best practices change, the LDN Fund will review its Standards and utilise "modules" from a variety of international financial and development institutions as new experiences render revisions advisable. The LDN Fund will thus continue to learn from the experiences of other institutions and adopt new and innovative practices accordingly.

² Note that the LDN Fund is not adopting the Voluntary Guidelines on the Responsible Governance of Tenure (VGGT) but rather using the VGGT as guidance in constructing the Environmental and Social Standard on land tenure.

³ The LDN Fund is grateful to United Nations Development Programme (UNDP) for its assistance with creating LDN Fund's E&S Management System and acknowledges subsuming many UNDP policies and procedures into the LDN Fund E&S Management System.

⁴ The LDN Fund is grateful to the European Investment Bank (EIB), FAO, ILO and others for sharing their experience in creating the LDN Fund's E&S Management System and acknowledges subsuming a number of their approaches into the LDN Fund E&S Management System. Exchanges with experts from the World Bank and the African Agriculture and Trade Investment Fund (AATIF) are gratefully acknowledged.

⁵ As such, in furthering the realization of human rights and gender equality, the LDN Fund's Projects will refrain from providing support for activities that may contribute to violations of a State's human rights obligations and the core United Nations international human rights treaties.

2.2 LDN Fund's Environmental and Social Standards⁶

At the heart of LDN Fund's ESMS are the Standards. These are mainly based on the International Finance Corporation's (IFC) Performance Standards (with the addition of a dedicated standard on land tenure). The decision to focus on the IFC's Performance Standards is based on the LDN Fund's understanding that:

- ▶ The IFC Performance Standards are widely used, therefore, future partners and clients will not have to adjust to another set of standards;
- ▶ Local and international experts are familiar with the IFC Performance Standards;
- ▶ An additional Standard on land tenure is developed to take account of this important area of the LDN Fund.

LDN Fund Standard 1: Biodiversity Conservation and Sustainable Management of Living Natural Resources

This Standard is based on IFC Performance Standard #6. To enhance the attainment of the objectives of the LDN Fund, particular emphasis is placed on:

- a. Biodiversity;
- b. Ecosystem services;
- c. The Mitigation Hierarchy.

LDN Fund Standard 1 recognises that protecting and conserving biodiversity, maintaining ecosystem services, and sustainably managing living natural resources are fundamental to sustainable development. The requirements set forth in Standard 1 are guided by the *Convention on Biological Diversity*, which defines biodiversity as "the variability among living organisms from all sources including, *inter alia*, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems."

Ecosystem services are defined as the benefits that people, including businesses, derive from ecosystems. Ecosystem services are organized into four types:

1. Provisioning services: the products people obtain from ecosystems;
2. Regulating services: the benefits people obtain from the regulation of ecosystem processes;
3. Cultural services: the nonmaterial benefits people obtain from ecosystems; and
4. Supporting services: the natural processes that maintain the other services.

Ecosystem services valued by humans are often underpinned by biodiversity. As such, impacts on biodiversity can adversely affect the delivery of ecosystem services. This Standard addresses how Projects can sustainably manage and mitigate impacts on biodiversity, ecosystems and ecosystem services throughout the project's lifecycle.

Each project must consider direct and indirect impacts it may have on biodiversity, ecosystems and ecosystem services and identify any significant residual impacts: threats to biodiversity, ecosystems and ecosystem services, specifically focusing on habitat loss, degradation⁷ and fragmentation, invasive alien species, overexploitation, hydrological changes, nutrient loading, and pollution. It should also take into account the differing values attached to biodiversity, ecosystems and ecosystem services by Project-Affected Parties and Stakeholders.

⁶ The term "Performance Standards is reserved for referring to the IFC Performance Standards. The LDN Fund uses the term "Standards" for its own standards to maintain its flexibility to adapt its standards to the LDN Fund's specific needs.

⁷ One of the SDG targets is to reach a Land Degradation Neutral World by the year 2030. This means ensuring that the amount of healthy and productive land resources that every family, region or country depends on for ecosystem services (water, food, rainfall, etc.) remains at least stable.

The project must employ credible, recognized standards for sustainable management of living natural resources, whether these are globally, regionally, or nationally. These are standards that are:

1. Objective and achievable;
2. Founded on a multi-stakeholder consultative process;
3. Encourage step-wise and continual improvements; and
4. Provide for independent verification or certification through appropriate accredited bodies for such standards.⁸

Standard 1 requires that all Projects apply the mitigation hierarchy. The mitigation hierarchy includes biodiversity offsets, which may be considered only after appropriate avoidance, minimization, and restoration measures have been applied. A biodiversity offset should be designed and implemented to achieve measurable conservation outcomes that can reasonably be expected to result in no net loss and preferably a net gain of biodiversity; however, a net gain is required for critical habitats. The design of a biodiversity offset must adhere to the “like-for-like or better” principle and must be carried out in alignment with best available information and current practices. When considering the development of an offset as part of the mitigation strategy, external experts with knowledge in offset design and implementation must be involved.

LDN Fund Standard 2: Cultural Heritage

This Standard is based on IFC Performance Standard #8. To enhance the attainment of the objectives of the LDN Fund, particular emphasis is placed on:

- a. *The protection of Cultural Heritage;*
- b. *The preservation of Cultural Heritage;*
- c. *Equitable sharing of Cultural Heritage.*

LDN Fund Standard 2 recognises the importance of cultural heritage for current and future generations. Consistent with the *Convention Concerning the Protection of the World Cultural and Natural Heritage*, Standard 2 ensures that Projects protect cultural heritage in the course of Project activities. The main objectives of Standard 2 are to:

1. To protect cultural heritage from the adverse impacts of project activities;
2. Support the preservation of cultural heritage;
3. To promote the equitable sharing of benefits from the use of cultural heritage.

In addition to complying with applicable law on the protection of cultural heritage, including national law implementing the host country’s obligations under the *Convention Concerning the Protection of the World Cultural and Natural Heritage*, the Project should also identify and protect cultural heritage as identified by local people and communities by ensuring that internationally recognized and locally acknowledged practices for the protection, field-based study, and documentation of cultural heritage are implemented. The Project should also adhere to the *Convention on Biological Diversity* to inform how the Project uses cultural heritage. For the purposes of this Standard 2, cultural heritage refers to:

1. Tangible forms of cultural heritage, such as tangible moveable or immovable objects, property, sites, structures, or groups of structures, having archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values;
2. Unique natural features or tangible objects that embody cultural values, such as sacred groves, rocks, lakes, and waterfalls;

⁸ A credible certification system would be one that is independent, cost-effective, based on objective and measurable performance standards and developed through consultation with relevant stakeholders, such as local people and communities, Indigenous Peoples, and civil society organizations representing consumer, producer and conservation interests. Such a system has fair, transparent and independent decision-making procedures that avoid conflicts of interest.

3. Certain instances of intangible forms of culture such as cultural knowledge, innovations, practices of communities embodying traditional lifestyles and language as identified by local people and communities.

LDN Fund Standard 3: Community Health, Safety and Security

This Standard is based on IFC Performance Standard #4. To enhance the attainment of the objectives of the LDN Fund, particular emphasis is placed on:

- a. *Avoiding or minimizing risks to community health, safety, and security;*
- b. *Creating prevention and control measures for community health, safety, and security.*

LDN Fund Standard 3 recognises that project activities, equipment, and infrastructure can increase community exposure to risks and impacts. While acknowledging the public authorities' role in promoting the health, safety, and security of the public, Standard 3 addresses the Project's responsibility to avoid or minimize the risks and impacts to community health, safety, and security that may arise from Project-related impacts, with particular attention to vulnerable groups who may be at a greater risk to health, safety and security concerns such as women, indigenous people, smallholder farmers, pastoralists, nomadic people, youth and indigent people. It should be noted that Standard 3 addresses potential risks and impacts to Project-Affected Parties, and that occupational health and safety requirements for Project employees are included in Standard 5, and environmental standards to avoid or minimize impacts on human health and the environment due to pollution are included in Standard 8.

Standard 3 requires the Project to establish preventive and control measures consistent with good international industry practice (GIIP), such as in the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines) or other internationally recognised sources.⁹ Standard 3 also recognises that in conflict and post-conflict areas, the level of risks and impacts described in this Standard may be greater. Standard 3 also ensures that the safeguarding of Project personnel and property is carried out in accordance with relevant human rights principles and in a manner that averts or mitigates risks to Project-Affected Parties.

LDN Fund Standard 4: Indigenous Peoples and Vulnerable Groups

This Standard is based on IFC Performance Standard #7. To enhance the attainment of the objectives of the LDN Fund, particular emphasis is placed on:

- a. *Defining Indigenous Peoples;*
- b. *Determining whether Indigenous Peoples might be impacted by an LDN Fund project;*
- c. *Engaging in Free, Prior and Informed consent with Indigenous Communities who may be affected by an LDN Fund project.*

LDN Fund Standard 4 recognises that Indigenous Peoples and Vulnerable Groups are social groups with identities that are distinct from the predominant social groups in national societies. Standard 4 also recognises that Indigenous Peoples and Vulnerable Groups are often among the most marginalized and vulnerable segments of a country's population. In many cases, their economic, social, political, and legal

⁹ See *Environmental, Health, and Safety (EHS) Guidelines*, available at, <http://www.ifc.org/wps/wcm/connect/554e8d80488658e4b76af76a6515bb18/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES>.

status limits their capacity to defend their rights to, and interests in, land and natural and cultural resources, and may restrict their ability to participate in and benefit from development.

The term “Indigenous Peoples and Vulnerable Groups” as used in the LDN Fund ESMS is a generic term that refers to a distinct social and cultural group possessing the following characteristics in varying degrees. The term Vulnerable Groups is used in conjunction with Indigenous groups to emphasise that Standard 4 does not only apply to groups that are in fact indigenous to the land but those groups that meet the following criteria:

1. Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others;
2. Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories, prior in time;
3. Customary cultural, economic, social, or political institutions that are separate from those of majority populations or cultures;
4. A distinct language or dialect, often different from the official language or languages of the country or region in which they reside.

This Standard also applies to communities or groups that have lost collective attachment to distinct habitats or ancestral territories in the Project-Affected Area, occurring within the concerned group members’ lifetime, because of forced severance, conflict, government resettlement programs, dispossession of their lands, natural disasters, or incorporation of such territories into an urban area.

Standard 4 recognises that Indigenous Peoples and Vulnerable Groups may be particularly vulnerable to the LDN Fund’s Projects if land and resources are transformed, encroached upon, or degraded. Indigenous languages, cultures, religions, spiritual beliefs, and institutions may also come under threat as result of an LDN Fund Project. As a consequence, Indigenous Peoples and Vulnerable Groups may be more vulnerable to the adverse impacts associated with an LDN Fund Project than non-Indigenous communities. This vulnerability may include loss of identity, culture, natural resource-based livelihoods, and exposure to impoverishment and disease.

LDN Fund Projects that may impact Indigenous Peoples and Vulnerable Groups must thus carry out a participatory assessment and verify:

- a. Whether Indigenous Peoples or Vulnerable Groups inhabit the proposed project area(s) and, if so, include disaggregated data by Indigenous Group and geographical location;
- b. Whether project activities may impact (even indirectly) Indigenous Peoples or Vulnerable Groups living outside the project area:
- c. Free Prior and Informed Consent as per international best practices.¹⁰

Standard 4 requires that, before adopting and implementing projects and programmes that may affect Indigenous Peoples or Vulnerable Groups, a process of Free, Prior and Informed Consent (FPIC) is followed and consent is given by the Indigenous or Vulnerable community/communities.

LDN Fund Standard 5: Labour and Working Conditions

This Standard is based on IFC Performance Standard #2. To enhance the achievement of the objectives of the LDN Fund, particular emphasis is placed on:

- a. *The fair treatment of workers;*
- b. *The protection of workers, particularly vulnerable peoples such as migrant workers and children;*
- c. *Promoting safe working conditions.*

¹⁰ See FAO 2014 Report *Respecting Free, Prior and Informed Consent - Practical Guidance for Governments, Companies, NGOs, Indigenous Peoples and Local Communities in Relation to Land Acquisition*. Available at <http://www.fao.org/3/a-i3496e.pdf>.

LDN Fund Standard 5 recognises that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental rights of workers.¹¹ All workers have fundamental human rights as set forth in Standard 5, and furthermore must be guaranteed workplace safety and working conditions that meet international best practices. Moreover, failure to establish and foster a sound worker/management relationship can undermine worker commitment and retention, and ultimately jeopardize a Project.

The requirements set out in Standard 5 are guided by a number of international conventions and instruments, including those of the International Labour Organization (ILO) and the United Nations (UN). The scope of application of this Standard depends on the type of employment relationship between the client and the worker. It applies to workers directly engaged by the Project (direct workers), workers engaged through third parties to perform work related to core business processes of the Project (contracted workers), as well as workers engaged by the Project's primary suppliers (supply chain workers). The main requirements of Standard 5 are to:

1. To demonstrate the fair treatment, non-discrimination, and equal opportunity of workers;
2. To establish, maintain, and improve the worker-management relationship;
3. To promote compliance with national employment and labour laws;
4. To protect workers, including vulnerable categories of workers such as children, migrant workers, workers engaged by third parties, and workers in the client's supply chain;
5. To respect ILO's 8 Conventions on: the Minimum Age Convention (No. 138), the Worst Forms of Child Labour Convention (No. 182), Forced Labour (No. 29), Freedom of Association (No. 87), Right to Organize and Collective Bargaining (No. 98), Equal Remuneration (No. 100), Abolition of Forced Labour (No. 105), Discrimination (No. 111).
6. To promote safe and healthy working conditions, and the health of workers;
7. To prevent the use of forced labor.

LDN Fund Standard 6: Land Acquisition and Involuntary Resettlement

This Standard is based on IFC Performance Standard #5. To enhance the achievement of the objectives of the LDN Fund, particular emphasis is placed on:

- a. *Defining resettlement;*
- b. *Detailing the Resettlement Plan;*
- c. *Detailing the Livelihood Restoration Plan.*

LDN Fund Standard 6 recognises that Project-related land acquisition and restrictions on land use can have adverse impacts on Project-Affected Parties. Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood). Resettlement is considered involuntary when Project-Affected Parties do not have the right to refuse land acquisition or restrictions on land use that result in physical or economic displacement. This occurs in cases of:

1. Lawful expropriation or temporary or permanent restrictions on land use;
2. Negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for the Project-Affected Parties, as well as environmental damage and adverse socio-economic impacts in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided.

¹¹ See ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up - adopted by the International Labour Conference at its Eighty-sixth Session, Geneva, 18 June 1998 (Annex revised 15 June 2010) available at <http://www.ilo.org/public/english/standards/relm/ilc/ilc86/com-dtxt.htm>.

Where involuntary resettlement is unavoidable, however, it should be minimized and appropriate measures to mitigate adverse impacts on Project-Affected Parties should be carefully planned and implemented. In particular, Free, Prior, and Informed Consent (FPIC) must be used when a Project might affect a community's land or land use.¹²

The government often plays a central role in the land acquisition and resettlement process, including the determination of compensation, and is therefore an important third party in many instances. Direct involvement of Project-Affected Parties in resettlement activities is encouraged because it can result in more cost-effective, efficient, and timely implementation of these activities, as well as in the introduction of innovative approaches to improving the livelihoods of Project-Affected Parties. The overarching goals of Standard 6 are to:

1. To avoid, and when avoidance is not possible, minimize displacement by exploring alternative project designs;
2. To avoid forced eviction;
3. To anticipate and avoid, or where avoidance is not possible, minimize adverse social and economic impact from land acquisition or restrictions on land use by
 - a. Providing compensation for loss of assets at replacement cost; land-for-land compensation should be considered and favoured when relevant and possible, taking into account not only the quantity but the quality of the land (productivity)
 - b. Ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of Project-Affected Parties;
4. To improve or restore the livelihood and standard of living of displaced persons;
5. To the extent possible, to consider offering possibilities such as job creation or profit sharing plans;
6. To improve living conditions among physically displaced persons through the provision of adequate housing with security of tenure at resettlement sites.

Resettlement Action Plan

In the case of physical displacement the Project should develop a Resettlement Action Plan that covers, at a minimum, the applicable requirements of Standard 6 regardless of the number of people affected. This will include compensation at full replacement cost for land and other assets lost. The Resettlement Action Plan will be designed to

1. Mitigate the negative impacts of displacement;
2. Identify development opportunities;
3. Develop a resettlement budget and schedule; and
4. Establish the entitlements of all categories of affected persons (including host communities).

Particular attention will be paid to the needs of the poor and the vulnerable. The Project should document all transactions to acquire land rights, as well as compensation measures and relocation activities.

If people living in the project area are required to move to another location, the Project should offer displaced persons choices among feasible resettlement options, including adequate replacement housing or cash compensation where appropriate and provide relocation assistance suited to the needs of each group of displaced persons. New resettlement sites built for displaced persons must offer improved living conditions. The displaced persons' preferences with respect to relocating in preexisting communities and groups will be taken into consideration. Existing social and cultural institutions of the displaced persons and any host communities will be respected.

In the case of physically displaced persons who have formal legal rights to the land and/or assets they occupy or use, or who do not have formal legal rights to land or assets, but have a claim to land that is recognized or recognizable under national law, the client will offer the choice of replacement property of equal or higher value, security of tenure, equivalent or better characteristics, and advantages of location or

¹² See FAO 2014 Report *Respecting Free, Prior and Informed Consent - Practical Guidance for Governments, Companies, NGOs, Indigenous Peoples and Local Communities in Relation to Land Acquisition*. Available at <http://www.fao.org/3/a-i3496e.pdf>.

cash compensation where appropriate. Compensation in kind should be considered in lieu of cash. Cash compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets.

In the case of physically displaced persons who have no recognizable legal right or claim to the land or assets they occupy or use the client will offer them a choice of options for adequate housing with security of tenure so that they can resettle legally without having to face the risk of forced eviction. Where these displaced persons own and occupy structures, the client will compensate them for the loss of assets other than land, such as dwellings and other improvements to the land, at full replacement cost, provided that these persons have been occupying the project area prior to an agreed upon cut-off date for eligibility. Based on consultation with such displaced persons, the client will provide relocation assistance sufficient for them to restore their standard of living at an adequate alternative site.

Livelihood Restoration Plan

In the case of projects involving economic displacement only, the Project should develop a Livelihood Restoration Plan to compensate affected persons and/or communities and offer other assistance that meets the objectives of Standard 6. The Livelihood Restoration Plan will establish the entitlements of affected persons and/or communities and will ensure that these are provided in a transparent, consistent, and equitable manner. The mitigation of economic displacement will be considered complete when affected persons or communities have received compensation and other assistance according to the requirements of the Livelihood Restoration Plan and Standard 6, and have been provided with adequate opportunity to reestablish their livelihoods.

Economically displaced persons who face loss of assets or access to assets will be compensated for such loss at full replacement cost. In cases where land acquisition or restrictions on land use affect commercial structures, affected business owners will be compensated for the cost of reestablishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery, or other equipment. In cases affecting persons with legal rights or claims to land which are recognized or recognisable under national law, replacement property (e.g., agricultural or commercial sites) of equal or greater value will be provided, or, where appropriate, cash compensation at full replacement cost. Economically displaced persons who are without legally recognizable claims to land will be compensated for lost assets other than land (such as crops, irrigation infrastructure and other improvements made to the land), at full replacement cost.

In addition to compensation for lost assets, economically displaced persons whose livelihoods or income levels are adversely affected will also be provided opportunities to improve, or at least restore, their means of income-earning capacity, production levels, and standards of living. For persons whose livelihoods are land-based, replacement land that has a combination of productive potential, locational advantages, and other factors at least equivalent to that being lost should be offered as a matter of priority.

For persons whose livelihoods are natural resource-based and where project-related restrictions on access are envisaged, implementation of measures will be made to either allow continued access to affected resources or provide access to alternative resources with equivalent livelihood-earning potential and accessibility. Where appropriate, benefits and compensation associated with natural resource usage may be collective in nature rather than directly oriented towards individuals or households. If circumstances prevent the Project from providing land or similar resources as described above, alternative income earning opportunities may be provided, such as credit facilities, training, cash, or employment opportunities. Cash compensation alone, however, is frequently insufficient to restore livelihoods.

Transitional support should be provided as necessary to all economically displaced persons, based on a reasonable estimate of the time required to restore their income-earning capacity, production levels, and standards of living.

LDN Fund Standard 7: Land Tenure

This Standard goes beyond IFC Performance Standards, and is included in order to ensure the protection of the land tenure rights of Project-Affected Parties. Standard 7 has a particular emphasis on:

- a. Protecting land rights that are not protected by national law, but require protection in accordance with international best practices;*
- b. Identifying land tenure rights, whether recorded or not;*
- c. Providing access to justice for Project-Affected Parties who believe that their land tenure rights have been compromised.*

LDN Fund Projects must ensure that actions affecting land tenure are consistent with State obligations under national and international law. Standard 7 recognises that LDN Fund Projects must provide recognition for tenure rights in situations where they are not currently protected by law but need to be protected according to international best practices. Projects should also ensure when possible the right for both women and men to inherit and bequeath land.

All forms of tenure must provide Project-Affected Parties with tenure security that guarantees legal protection against forced evictions inconsistent with a State's existing obligations under national and international law, and against harassment and other threats. Projects must ensure that Project-Affected Parties are not arbitrarily evicted as a result of the Project and that tenure rights are not otherwise extinguished or infringed.

Projects must identify all existing tenure rights and right holders, whether recorded or not. Indigenous peoples and other communities with customary tenure systems, smallholders and any other Project-Affected Parties must be included in the consultation processes to determine tenure rights. Projects should provide access to justice if people believe their tenure rights are not recognised. Locally appropriate approaches should be used to increase transparency when records of tenure rights are initially created, including in the mapping of tenure rights.

The LDN Fund recognizes that indigenous peoples, smallholder and small-scale farmers, women, pastoralists and nomadic people provide a large share of agricultural output in the developing world, and thus contribute significantly to food security, nutrition, poverty eradication, and environmental resilience. LDN Fund Projects support both public and private investments in the livelihoods of indigenous people, smallholder and small-scale farmers, women, pastoralists and nomadic people.

LDN Fund Standard 8: Resource Efficiency, Pollution Prevention and Climate Change

This Standard is based on IFC Performance Standard #3 and enriched by including Climate Change, in order to enhance the attainment of the objectives of the LDN Fund. Particular emphasis is placed on:

- a. Sustainable resource efficiency and pollution prevention techniques;*
- b. Improving efficiency in a Project's consumption of energy and water;*
- c. Screening and assessing Projects for climate change-related risks and impacts.*

LDN Fund Standard 8 recognises that increased economic activity and urbanization often generate increased levels of pollution to air, water, and land, and consume finite resources in a manner that may threaten people and environmental sustainability at the local, regional, and global levels. Furthermore, the current and projected atmospheric concentration of greenhouse gases (GHG), as well as climate change, threatens the public health and welfare of current and future generations. Efficient and effective resource use and pollution prevention, GHG emission avoidance, and mitigation technologies and practices should be used for all LDN Fund Projects.

Standard 8 sets forth the LDN Fund's approach to sustainable resource efficiency, climate change, and pollution prevention and control in line with internationally disseminated technologies and best practices.¹³ The Project should consider ambient conditions and apply sustainable resource efficiency and pollution prevention principles and techniques that are best suited to avoid or mitigate adverse impacts on human health and the environment and in line with international best practice as it relates to climate change.¹⁴ The principles and techniques used as part of the Project will be tailored to the hazards and risks associated with the nature of the Project and consistent with good international industry practice (GIIP), as reflected in various internationally recognised sources, including the *World Bank Group Environmental, Health and Safety Guidelines* (EHS Guidelines).

The Project should refer to the EHS Guidelines and other internationally recognised sources when evaluating and selecting resource efficiency and pollution prevention and control techniques for the Project. When host country regulations differ from the levels and measures presented in the EHS Guidelines, Projects will be required to achieve whatever regulations are more stringent.

The Project should implement measures for improving efficiency in the Project's consumption of energy and water, as well as other resources and material inputs in line with international best practice.¹⁵ Such measures will integrate the principles of cleaner production into product design and production processes with the objective of conserving raw materials, energy, and water.

The LDN Fund also recognises that Project activities may exacerbate Climate Change. As such, the LDN Fund will ensure that proposed Projects are screened and assessed for climate change-related risks and impacts. The LDN Fund will ensure that relevant climatic information is identified during Assessment Procedure. If significant potential risks are identified, further scoping and assessment of vulnerability, potential impacts, and avoidance and mitigation measures, including consideration of alternatives to reduce potential risks, will be required. All Projects should aim to be carbon neutral and when this is not possible the Project must explain why this is the case.

¹³ See *Environmental, Health, and Safety (EHS) Guidelines*, available at, <http://www.ifc.org/wps/wcm/connect/554e8d80488658e4b76af76a6515bb18/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES>, Section 1.

¹⁴ *Id.*

¹⁵ See *Environmental, Health, and Safety (EHS) Guidelines*, available at, <http://www.ifc.org/wps/wcm/connect/554e8d80488658e4b76af76a6515bb18/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES>, Section 1.2.

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