

Land Degradation Neutrality Fund

Impact Report 2021





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About this report
The Land Degradation Neutrality Fund Impact Report, produced during 2022, is based on project submission data from 2021 as well as projected data.



GAUTIER QUÉRU

Director, Land Degradation Neutrality Fund

Letter from the manager

The LDN Fund, initiated in 2017, realised its first closing in December 2018 at \$60 million. In March 2021, the final size of the fund reached \$208 million, representing a real achievement, especially as more than 60% of the capital mobilised by Mirova comes from private entities.

After three years of operations and hard work from the Mirova team to identify investment opportunities, design and improve the investment process and tools to assess the risk and the opportunities related to sustainable land use, we are proud to present this second edition of our annual impact report. The report covers eight investments realised by the fund as of December 2021, in 10 countries. It also highlights investment to be implemented in 2022.

The growing number of projects is an opportunity to illustrate the diversity of entrepreneurs we are working with, and the different types of models that can turn sustainable land use activities into commercially viable businesses, including through enhanced productivity, certification premiums, primary transformation and carbon credit generation. Such transformative projects also allow us to outline common features and practices to shape the investment universe and the asset class.

But above all, this report is meant to highlight how a sustainable transition can be implemented in land use sectors such as agriculture and forestry. By working with talented and innovative entrepreneurs, meaningful impacts can be delivered on the ground, ranging from enhanced climate mitigation and adaptation, to biodiversity protection, smallholder inclusion and gender empowerment.

As the investments of the fund are maturing, we are able to show initial results in terms of impact indicators, while for more recent projects, the focus remains on the target impacts.

As part of our intervention, we not only provide the much-needed long-term funding to implement the project on the ground, but we also provide further assistance and guidance, especially through environmental and social action plans, as well as technical support through the LDN Technical Assistance Facility managed by IDH.

Joint effort and strong collaboration between financial partners and operators on the ground are needed to meet current global challenges and accompany a truly sustainable transition of the land use sector.

Fund profile

Land Degradation Neutrality Fund

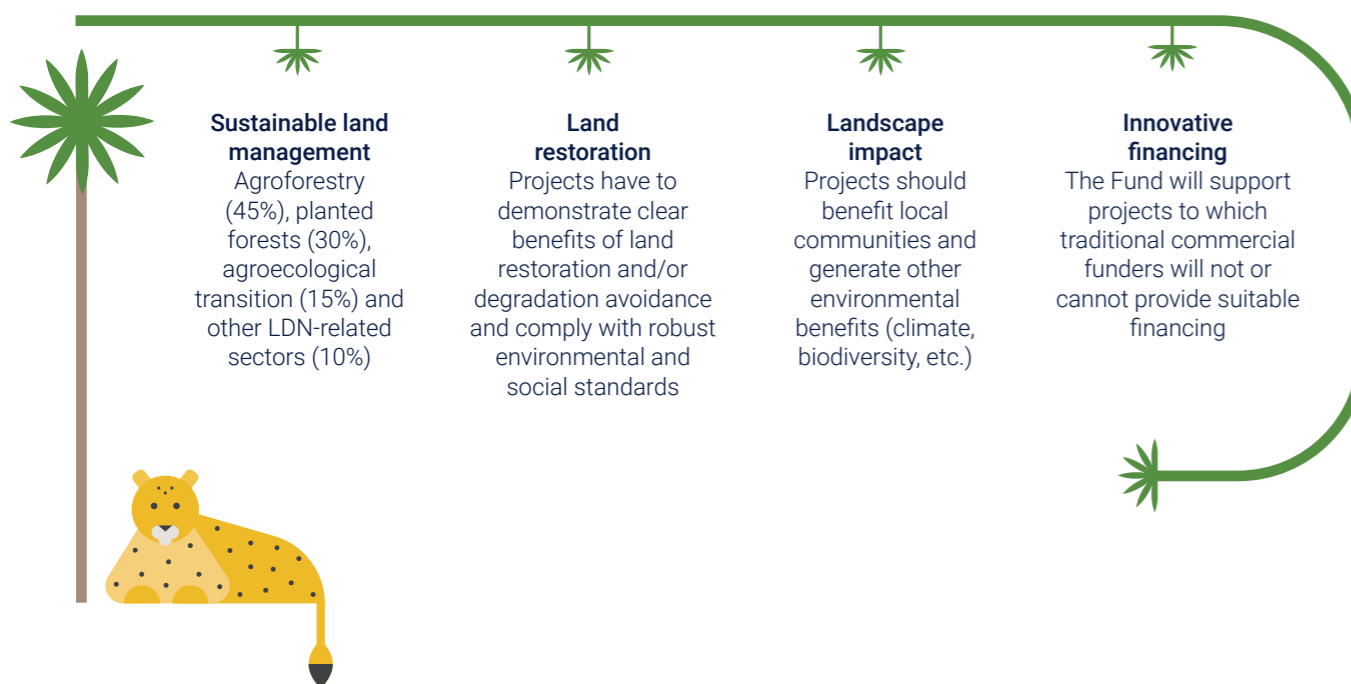
The challenge

Poor land management practices, often fuelled 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. A total of two billion hectares of land are degraded worldwide, and through exploitative production, human activities continue to degrade another 12 million hectares of productive land every year.

Investment solution

As well as the direct economic value of using land and its resources sustainably, proper management of land-based ecosystems can increase food security, decrease biodiversity loss, and help combat climate change, poverty, social instability and conflicts. The Land Degradation Neutrality (LDN) concept addresses this and is therefore included in the Sustainable Development Goals (SDGs) and other initiatives. More than 120 countries have committed to LDN-related initiatives, enabling LDN investments. Initiated by the UNCCD and independently managed by Mirova, the LDN Fund is a source of transformative capital bringing together public and private investors to fund triple bottom line projects that contribute to Land Degradation Neutrality.

Scope



The fund

Fund Size
\$208M

Fund Life
First closing
December 2018;
Investment period
5 year; fund life
15 years

Geographies
Primarily
developing
countries
where capital
mobilisation is
crucial.

SDGs



LDN Fund impact targets



70,000 jobs
provided by the projects



350,000 ha
under sustainable land management



25m tonnes CO₂
sequestered or avoided

The information provided reflects Mirova's opinion / the situation as of the date of this document and is subject to change without notice.

The reported data reflect the situation as of the date of this document and are subject to change without notice. Source: Mirova

The Team



GAUTIER QUÉRU
FUND MANAGER

Gautier Quéru is the Director of the Land Degradation Neutrality Fund, and Managing Director at Mirova. Since inception, Gautier has been in charge of the business development and overall coordination of fund creation (market study, fund design, structuring, marketing to institutional investors) and team management. He also manages investment opportunities sourcing and analysis and acts as focal point with the United Nations and other stakeholders (NGOs, business associations, international organisations). Gautier joined Natixis group in 2004 when the European Carbon Fund (ECF), a €140 million fund dedicated to projects to reduce CO2 emissions under the Kyoto Protocol, was launched. From 2004 to 2013, Gautier acted successively as investment manager, portfolio manager and fund director of ECF. Between 2013 and 2016, Gautier was Investment Director within the renewable energy fund division of Mirova. He was in charge of Mirova-Eurofideme 3 development and fundraising and ran equity investments in renewable energy projects. Prior to joining Natixis group, Gautier started his career at the French Ministry of Economy, in the Energy and Climate division. Gautier is an engineer in environment and energy from National Polytechnic Institute of Toulouse and is a graduate of Sciences Po Paris.



JOHANN FOURGEAUD
INVESTMENT DIRECTOR

Johann Fourgeaud joined the LDN Fund team as an Investment Director in April 2019. Johann leads the LDN Fund's investment pipeline development and coordination. He has also directly led the investment process for several transactions in the portfolio. Johann has more than 10 years of experience in investing in sustainable agribusinesses in developing countries. Prior to joining Natixis group, Johann was deploying during 4 years the FairTrade Access Fund of Incofin IM in Latam, Africa and Mena regions. He executed transactions in Trade Finance Loans and long term debts with a large number (30) of producers organizations and agro-SMEs involved in certified agriculture. Before that, Johann has invested through equity in innovative SMEs (mainly agro-processing) in Western and Central Africa on behalf of FADEV, a social business in France, that built up the concept of equity fundraising for development. Johann started his career in South-East Asia at the French Development Agency. Johann is engineer specialised in international agricultural development (ISTOM) and is also a graduate in Ms. Finance at Paris Panthéon Assas. Johann is a member of the Society for Ecological Restoration since 2018.



CAROLINE BOUQUET
INVESTMENT DIRECTOR

Caroline Bouquet is Investment Director for the LDN Fund and sits on its investment committee. She joined Mirova 6 years ago and contributed to set up and develop the LDN Fund, a pioneer fund in natural capital. She has an extensive experience in the sustainable resources sector, an particular expertise in sustainable agroforestry and forestry. Within the LDN Fund, she has been working on investment strategy, deal sourcing, due diligence and structuring of new deals as well as portfolio management. Prior to joining Mirova, Caroline has worked for the French Ministry of Environment and for the French Ministry of Finance. Caroline holds a degree in Economics from the Ecole Normale Supérieure (Ulm) and a MSc in Environmental Economics from the Paris School of Economics (PSE).



MARION JULLIEN
INVESTMENT ANALYST

Marion Jullien joined the LDN Fund team as an Investment Analyst in September 2019, after a Bachelor in Finance from Bocconi University and a Master's degree in International Finance from HEC Paris. Over the past 3 years, Marion has worked on projects throughout the fund's investment cycle, including deal sourcing and screening, financial analysis, due diligence executing, and transaction negotiating. Prior joining Mirova, Marion was interning as credit analyst for S&P Global Ratings and was part of the development team for ESG ratings. She also wrote a thesis on sustainable investment and institutional investors during her cursus at HEC Paris.



CLÉMENT LEROY
INVESTMENT ANALYST

Clément Leroy joined the LDN Fund team as an Investment Analyst in January 2021. Since then, he has been involved in all the steps of the investment process as well as the monitoring of portfolio companies. Prior to joining Mirova, Clément has led sustainability consulting missions for microfinance institutions in Peru and Ecuador. In addition to this field experience, he has worked as an investment analyst for the microfinance team of BNP Paribas, with a focus on the investments of the bank in Latin America and Asia. Clément holds a Bachelor in Economics & Applied foreign language (English) from Université Paris Nanterre and graduated from the Grande École Programme of EDHEC Business School. He speaks French, English, Spanish and Portuguese.

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Key partners



LDN Fund amongst the 12 commitments of the one planet summit

Co-promoters



Sourcing and impact



Technical assistance



Public investors



Private investors



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Selected highlights

2015

After an international competitive process, Mirova was selected by the United Nations Convention to Combat Desertification (UNCCD) to design and manage the Land Degradation Neutrality Fund.

The Memorandum of Understanding was signed in Paris in December during the Climate COP21.

2016-2017

After an initial feasibility phase carried out in 2016, the LDN Fund was formally launched in 2017 during the UNCCD COP13 in Ordos, PR China. IDH was selected as Technical Assistance Facility manager.

The LDN Fund was selected as one of the 12 commitments of the One Planet Summit in December 2017, with the European Investment Bank and Agence Française de Développement acting as anchor investors.

2018

An initial pipeline of projects was consolidated and supported. After reaching first closing in December, the LDN Fund and TAF could start operations and support the first projects on the ground, including the Urapi Sustainable Land Use programme implemented by Ecotierra in Peru.

2019

The first Strategic Board of the LDN Fund and TAF was held in January 2019, gathering Executive Secretaries of the three Rio Conventions, together with representatives of civil society and Presidency of the COP.

The first Learning Brief was published.

March 2020

Mirova's Natural Capital Platform became a signatory of the Operating Principles for Impact Management, a framework for investors to ensure that impact considerations are purposefully integrated throughout their funds' investment life cycles.

January 2021

Prime Minister Justin Trudeau announced Canada's CAD \$55m commitment to the LDN Fund

The Natural Capital Investment Alliance was established by His Royal Highness the Prince of Wales under his Sustainable Markets Initiative. Mirova is one of the Founding Partners.

February 2021

For the fifth consecutive year, Mirova Natural Capital was recognised for its approach to impact in natural capital investing, listing among the ImpactAssets 50.

July 2021

Mirova was named amongst the "Best for the World" B Corps of 2021. The Best for the World are B Corps¹ whose scores in one or more of the five impact areas assessed towards the certification reach the top 5% of all B Corps worldwide.

Mirova's Land Degradation Neutrality Fund exceeded \$200m of commitments for its final close.

September 2021

Mirova partners with the IUCN World Conservation Congress. The IUCN (International Union for Conservation of Nature) World Conservation Congress aims to take action for nature-based recovery, climate change and post2020 biodiversity.

October 2021

Creation of a new business unit withing Mirova dedicated to Private Equity and Natural Capital.

November-December 2021

Signature of new investments: Atlas Fruits Company in Morocco, and Aloe Agroflorestal in Brazil.

1. The B Corp's objective is to certify companies that integrate social, societal and environmental objectives into their business models and operations. To discover more: www.bcorporation.net/about-b-corps

References to a ranking, award or label have no bearing on the future performance of any fund or manager.

Impact approach

Farmers and rural communities are challenged by the interrelated impacts of ecosystem degradation, climate change, competition for scarce resources, poverty and food insecurity.

Land use must therefore be managed intelligently in order to stop land and forest degradation and provide opportunities for inclusive rural development.

Our vision of sustainable land management:

- ▶ Improving the sustainability of productive land use reduces the pressure on, and improves the state of ecosystems and biodiversity.
- ▶ Areas kept for restoration or conservation purposes represent an important complementary lever to preserve natural ecosystems and their unique richness.
- ▶ Sustainable land use practices are expected to generate climate-related benefits as well, by reducing greenhouse gas emissions, sequestering CO₂, or ensuring a better resilience of production and livelihoods to climate impacts.
- ▶ Socio-economic benefits may include improved livelihoods, through increased incomes, trainings, access to finance, but also opportunities to strengthen inclusion, notably on gender related issues.
- ▶ Key impact metrics that the LDN Fund is monitoring are presented here and will be detailed at project level in the following pages of this report.

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Key impact themes targeted by the LDN Fund¹



	Targets	Portfolio projections	Reported progress
Hectares under sustainable land management	350,000	202,900	101,400
Jobs provided by the projects	70,000	111,410	30,500
Tonnes of CO₂ sequestered	25 million	16.7 million	0.5 million

Source: Mirova. These figures represent the sum of indicators of all companies in the portfolio, without considering the level of investment of Mirova in each of them. Mirova's investment in projects within the LDNF's portfolio is typically between 10% and 80% of the total investment raise in individual projects.

1. Please refer to page 28 for detailed ESG impact indicators

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Investments




Cacao Oro
Nicaragua

- Investment theme**
Agroforestry
- Main sector**
Cocoa, coffee
- Duration**
10 years




Urapí SLU
Peru / Colombia

- Investment theme**
Agroforestry
- Main sector**
Coffee, Cocoa, nuts
- Duration**
15 years




Atlas Fruits Company
Morocco

- Investment theme**
Agro-ecological Transition
- Main sector**
Citrus
- Duration**
7 years




Mountain Hazelnuts
Bhutan

- Investment theme**
Agroforestry
- Main sector**
Hazelnuts
- Duration**
10 years




Kennemer
Philippines

- Investment theme**
Agroforestry
- Main sector**
Cocoa
- Duration**
9 years




Aloe Agroflorestal (SLB)
Brazil

- Investment theme**
Planted Forests
- Main sector**
Timber
- Duration**
10 years




Miro Forestry
Ghana / Sierra Leone

- Investment theme**
Planted Forests
- Main sector**
Timber
- Duration**
11 years



Komaza
Kenya

- Investment theme**
Planted Forests
- Main sector**
Timber
- Duration**
8 years



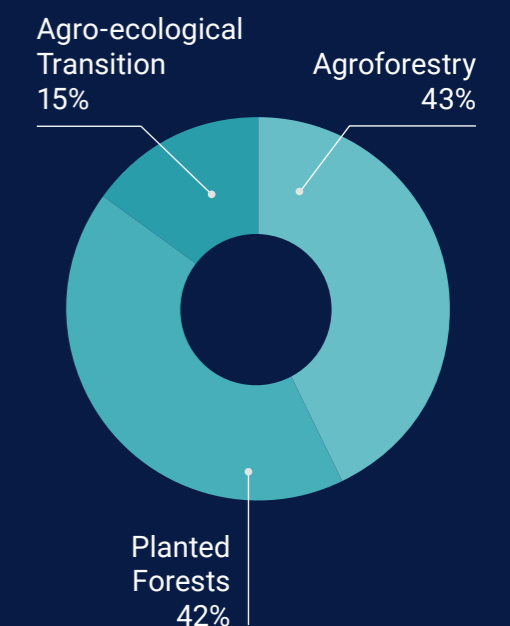
Burapha Agroforestry
Laos

- Investment theme**
Planted Forests
- Main sector**
Timber
- Duration**
7 years

Portfolio diversification

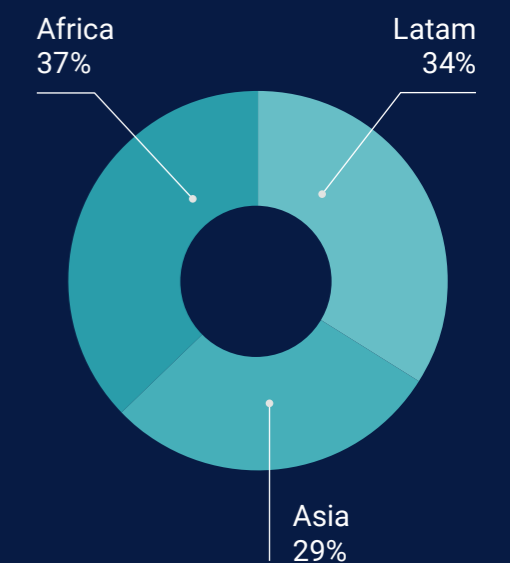
LDN commitments

(% by sector)



LDN commitments

(% by geography)



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Kennemer

Kennemer is a Philippine agroforestry platform specialising in sustainable farming, sourcing, and trading high-quality crops such as cocoa beans, bananas, and abaca. The company has been operating since 2010.

Context

In Mindanao, the second largest island in the Philippines, the development of nature-based productive solutions is vital to reduce the threat to ecosystems and generate sustainable livelihoods for the local population.

Solution

Kennemer started as a cocoa bean exporter in Mindanao, before launching a contract growing model in 2012 which integrates smallholder communities into the supply chain while tackling the problem of lack of available good supply. Farmers are provided with planting materials and inputs, training, post-harvest assistance and offtake for cocoa.

Kennemer progressively developed other parts of the value chain, setting up an agri-finance arm in 2017 to bridge the financing gap to the smallholders and SMEs they are partnering with, implementing managed farms of cocoa, banana and abaca, and starting an ambitious carbon program to leverage their reforestation activities and develop a REDD+ program.

Through its holistic approach, Kennemer helps break the cycle of poverty that affects many smallholders by providing technical assistance, quality solutions, and access to finance and the secondary market. Working in partnership with a network of 19,000 smallholders, Kennemer has become the leading exporter of cocoa beans in the Philippines.

Philippines 



Date of investment
Executed in 2022

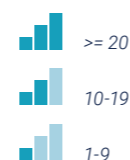
Duration
9 Years

Size of investment¹



Share of LDN within overall project
45%

¹ Size of investments
(in M US \$)



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Projected impacts

26,000 ha

under sustainable land management



4m tonnes

CO₂ sequestered



25,000

farmers directly supported



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Burapha Agroforestry

Burapha AgroForestry Co., is a sustainable land management project operated by a Lao Swedish forestry plantation and wood products manufacturing company based in Laos and established in 1993.

Context

Historically, the Luang Prabang montane rainforest ecoregion was covered by rainforests. However, more than 70% of the montane habitat has been converted to shrubland, scrub and degraded forests. Deforestation is mainly driven by the expansion of agriculture and clearing for hydropower projects, mining sites and other infrastructure development. Local market forces and government resettlement programs have also driven unsustainable timber extraction, shifted cultivation, and harvesting of non-timber forest products (NTFP) which have all caused forest degradation. Illegal logging and cross-border trade were widespread until recently and contributed to both deforestation and degradation.

Solution

Since its creation, Burapha has developed a unique concession model with agro-forestry practices on over 5,800 ha.

Almost all Burapha's plantations are FSC certified and focusing on utilising only degraded land and fallow swidden. The company's plantations are shifting unsustainable cultivation, illegal logging and degrading agricultural practices to long term sustainable management. The agroforestry model promotes intercropping during the first years, thus increasing the soil organic content, and best international management practices are used to avoid soil depletion. Local communities also use plantations for grazing and NTFP collection.

Special Management Areas (25% of total land holdings) are reserved from plantation production for the preservation and enhancement of watercourses, water quality, soil fertility, biodiversity, natural forest and cultural heritage. Additionally, High Conservation Value areas are excluded from plantation activities.

The project is also expected to sequester approximately two million tonnes (on average 15 tonnes per hectare per year) of carbon over the project's lifetime and to create around 2,000 full time jobs, with a strong focus on gender equality. Currently around 40% of fulltime staff are women and the same representation for daily labour. The percentage of female participation increases to 60% at the plywood mill.

In addition, on a per hectare plantation basis, the company provides a Village Development Fund to partner villages, Village Khoums (village cluster/group) and to district authorities. The funds go towards improving community livelihoods and village infrastructure. The company also provides partner village grants also to improve local infrastructure and support cultural events.

In line with its mission, the LDN Fund supports the scale-up and expansion of Burapha's activities by 20,000 hectares in new Production Forest Areas concessions that have been granted by the government, largely based on the company's sustainability credentials and demonstrated environmental and social impact.

Laos



Date of investment
2021

Duration
7 years

Size of investment¹



Share of LDN within overall project
24%

¹ Size of investments
(in M US \$)



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Projected impacts

25,000ha

under sustainable land management



1.9m tonnes

captured CO₂



2,000

directly supported jobs



Progress on gender:

40%

women employed

2X CHALLENGE
FINANCING FOR WOMEN

Eligible for the 2X challenge¹



FSC
Certification

¹ Please refer to appendix for details on the 2X Challenge initiative and criteria.

Forest Stewardship Council certification ensures that the production of wood or a wood-based product complies with procedures guaranteeing sustainable forest management.

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Atlas Fruits

Atlas Fruits Company is a platform for sustainable citrus production in Morocco. Its objective is to foster the adoption of sustainable land management and water efficiency practices in the citrus sector throughout the country, and ensure adaptation to climate change.

The shareholders have been operating citrus orchards in the Marrakech region since 2008, with a strong focus on sustainable agricultural practices.

Context

In arid and semi-arid regions, agriculture puts groundwater under pressure. Therefore, implementing sustainable agricultural practices and proper irrigation is crucial in order to cope with the overexploitation of water resources and land degradation.

Solution

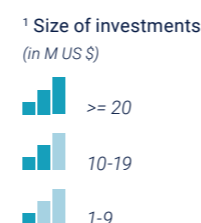
The LDN Fund investment will allow Atlas Fruits to expand their best practices to new brownfield citrus orchards, pilot cutting-edge water saving innovations, precision agriculture, agroecological and organic practices, and renewable energy production.

The company's management will capitalise on its experience, the farming expertise of

INRA Morocco and the LDN Fund's network to scale-up the successful practices to over 1,000 hectares in Morocco.

This investment from the LDN Fund will help to scale the platform activities and develop a best-in-class citrus production model, to be part of the AAA Initiative.

Mirova has developed a robust Environmental and Social Action Plan to develop and maximise the positive impacts of the project. The project's positive impacts could be increased and scaled up with the targeted implementation of an outgrower program based on the project's regenerative, water efficient and organic farming methods as well as expanding existing technical assistance to other farmers. A gender component has been also agreed in the ESAP.



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Projected impacts

1,000ha

under sustainable land management



0.1m tonnes

captured CO₂



1,000

directly supported jobs



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Aloe Agroflorestal

Aloe Agroflorestal, started in Brazil in 2008 by the SLB group, is a forestry program located in the state of Paraná. It establishes commercial forestry plantations to restore degraded land on relatively small parcels, creating a mosaic of forestry and conservation areas and favouring organic inputs and ecological management principles.

Context

Brazil's degraded land surface amounts to 140 million hectares according to the latest information from the Department of Forestry of the Ministry of Environment, and deforestation is expected to continue increasing at a considerable rate. Intensive agriculture is a major contributor of the process as the total grain cultivation surface increased by 80% between 1996 and 2006, resulting in soil degradation, loss to forest cover and loss in biodiversity. The result has been lower yields, biodiversity loss, degraded soil, impoverished hydric capital and local populations that struggle to earn a decent living from deteriorated land.

Solution

Aloe Agroflorestal is a unique forestry program implemented by the SLB Group, a company that has already developed 3,800 hectares of successful FSC-certified plantations in Brazil in the state of Paraná. The goal is to create thriving plantations that restore soil properties while supplying international markets with high quality, sustainably sourced wood.

SLB's model – combining economic returns and ecological sustainability – is based on the following key elements:

- ▶ Small and well spread plantations that reduce pressure on ecosystems compared to large-scale models, guaranteeing higher biodiversity levels.
- ▶ Planting in areas that have been degraded by

intensive farming, deforestation, and overgrazing.

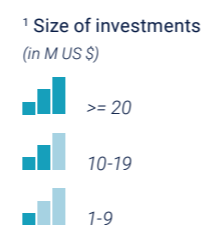
- ▶ Applying a lower planting density compared to traditional timber plantations to preserve natural resources.

- ▶ A strong commitment to biodiversity and to nature restoration. SLB's plantations have an average of 40% of managed land dedicated to the conservation and regeneration of native habitats. This supports biodiversity, with various species returning to SLB plantation areas – including the puma, recently sighted after a 15-year absence. To date, more than 1,500 hectares are being preserved, and SLB has identified over 27 species of interest.

- ▶ A carbon strategy that quantifies atmospheric CO₂ captured. In SLB's planted forests and conservation areas, it is estimated that the project will enable the sequestration of up to 200,000 tonnes of CO₂.

SLB has also developed a patented input, "Terra Fertilis", an organic, biochar-based fertilizer that significantly reduces the use of agrochemicals while supporting tree growth, soil health and soil organic carbon levels. SLB's research and development in this supports EMBRAPA's efforts to promote the use of biochar on a wider scale in the forestry sector in Brazil and globally.

In the coming years, SLB aims to expand its model and restore up to 20,000 hectares of degraded land, making a significant contribution to sustainability in Brazil's forestry sector, but also engage in even more active conservation and restoration.



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Projected impacts

1,400 ha

under sustainable land management

0.2m tonnes

captured CO₂



310

directly supported jobs



FSC
Certification

Forest Stewardship Council certification ensures that the production of wood or a wood-based product complies with procedures guaranteeing sustainable forest management.

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Miro Forestry & Timber Products

Miro Forestry operates commercial forestry projects in Ghana and Sierra Leone, where activities comprise the planting, harvesting and processing of timber for local and international markets and CO₂ sequestration with various tree species. The company owns its processing facilities and targets end markets such as construction and infrastructure wood and panels, as well as carbon credit sales. Miro has already secured several serious offtakers for its wood and carbon credits.

Context

West Africa experiences large-scale deforestation, often as a result of illegal logging, unsustainable agricultural practices, mining and poor land governance. Ghana saw a net forest loss of 1,250,000 hectares per year between 1990 and 2010. The annual cost of land degradation in Ghana is estimated to be \$1.4 billion, or 6% of its GDP. In Sierra Leone, once a much-forested country, only 5% of intact forest is remaining.

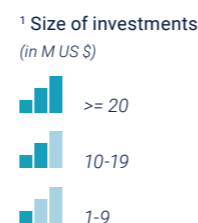
Solution

Miro's target is to manage 24,000 hectares (today c. 20,000) of sustainably managed forest and perennial plantations with FSC and IFC Performance Standards by 2030, developed on degraded scrubland, protecting wetlands and environmentally sensitive area. Approximately 30% of the area consists of conservation areas and wildlife corridors, meant to increase biodiversity.

The company aims to be West Africa's leading forestry and timber product platform, operating high quality plantations while preserving ecological environments and community development.

2021 update

Miro Forestry continued to successfully roll out the planting program in Ghana and Sierra Leone, where over 2,000 hectares was planted in 2021. Since the LDN Fund invested in the company, Miro Forestry has planted almost 3,500 hectares and built a plywood mill that entered in production in September 2021.



Projected impacts

42,000^{ha}

under sustainable land management



FSC certification

1.3m tonnes

sequestered CO₂

1,500

additional jobs, of which at least 19% in Sierra Leone and 24% in Ghana are women

19%

24%

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Forest Stewardship Council certification ensures that the production of wood or a wood-based product complies with procedures guaranteeing sustainable forest management. The reported data reflect the situation as of the date of this document and are subject to change without notice. Source: Mirova

Komaza

Komaza is an innovative social enterprise supporting local communities in Kenya. It brings planting material and know-how to existing landowners (mainly farmers) to grow trees on their land. Komaza then buys wood at fair prices and manages the harvesting, processing, and trading.

Context

The continent of Africa is currently the world's largest consumer of wood. With population increases, this demand is expected to rise even further over the coming decades. 75% of Africa's primary energy comes from fuel wood, of which most (93%) originates from natural forests. In addition, it is expected that without investments in local production, 75% of the demand for industrial wood will need to be met by imports.

To meet these growing demands in a sustainable manner, alternative solutions to traditional plantation forestry are therefore needed that will also allow for positive social and environmental impact.

Solution

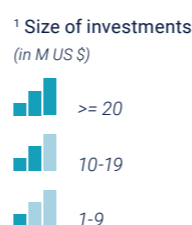
In 2020, the LDN Fund invested in Komaza, a sustainable smallholder forestry plantation in Kenya.

The project involves an expansion of on-going micro-forestry - planting trees on degraded land within smallholder farms in the coastal region of Kenya, and an expansion of the supply chain into central Kenya with the establishment of a modern sawmill primarily for domestic markets.

2021 update

In 2021, Komaza started constructing a modern sawmill with kiln driers, which can produce high-quality sawn timber for both furniture and construction purposes. The LDN Fund team visited the new central Kenya operations in November 2021, including the sawmill that was under construction in OI Kalou.

Komaza kept expanding the smallholder forestry model in Nyandarua region, where Kenyan farmers expressed great interest in enrolling in the tree planting program.



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Projected impacts

25,000ha
under sustainable land management



2m tonnes
sequestered CO₂



Beneficiaries:
60,000
farmers
engaged in the partnership of which
50% are women



Progress
on gender:
More than
50%
program participants
women
30%
women in
management
positions
50%
women at board level

2X CHALLENGE
FINANCING FOR WOMEN

Eligible for the 2X challenge¹

¹ Please refer to appendix for details on the 2X Challenge initiative and criteria.

The reported data reflect the situation as of the date of this document and are subject to change without notice. Source: Mirova

Cacao Oro

The Cacao Oro project is a large-scale cocoa program located in Nicaragua's Region Autonoma del Caribe Norte. It was established as an agroforestry plantation and works with farms and indigenous people (the Awas Tingni) in the vicinity to plant cocoa and coffee trees on degraded areas, restoring land.

Context

The North Caribbean Coast Autonomous Region (RACCN) is one of two autonomous regions in Nicaragua. 76% of RACCN consists of indigenous territories with communal property. It is geographically isolated and so has a unique history and culture.

The area was originally densely forested, but has experienced severe land degradation caused by cattle ranching, timber harvesting by private companies and illegal loggers, and extreme weather events.

Another factor is land conflict, which often takes place between indigenous communities and Mestizo 'colonists' who occupy and clear lands within the community's territory.

Solution

The project is being implemented by Cacao Oro, an enterprise which has already built a successful 2,000 hectare agro-ecological cocoa plantation.

The additional plantation of over 2,000 hectares is expected to (i) reforest a severely degraded zone, (ii) alleviate deforestation pressures from fuelwood, and (iii) for the additional plantation of hardwood species, recreate a canopy, protecting soils and improving water retention. In addition, the Bosawas Biosphere Reserve, containing the last of Nicaragua's natural rain forest, is located northwest of Cacao Oro's farm.

2021 update

In 2021, Cacao Oro focused its efforts on reconstruction, after being hit by two hurricanes in late 2020. Over 100 hectares were planted and replanted, and the nursery were rebuilt. In parallel, the project progressed on the construction of its post-harvest cocoa drying center. As of today, more than 2,000 hectares have been planted in the North Caribbean Coast Autonomous Region.



Nicaragua



Date of investment
2020

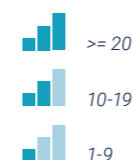
Duration
10 years

Size of investment¹



Share of LDN
within overall
project
45%

¹ Size of investments
(in M US \$)



Projected impacts

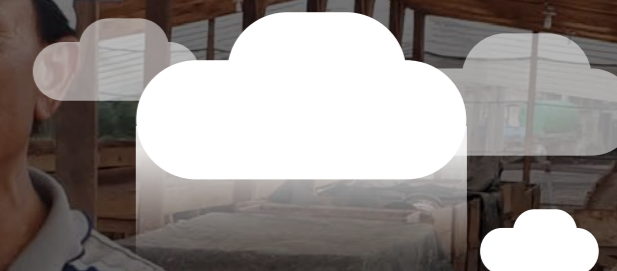
4,750 ha

under sustainable land management



0.7 m tonnes

sequestered CO₂



2,100
community
members

receive benefits from the project, of
which at least 35% are women



Progress on gender:

25% women
in management positions

30% women
in senior executive roles

2X CHALLENGE
FINANCING FOR WOMEN

Eligible for the 2X challenge¹



The Rainforest
Alliance
Certification Program

Mountain Hazelnuts

Mountain Hazelnuts was founded in 2009 to create a profitable business that provides long-term income for vulnerable communities by planting 10 million hazelnut trees to restore degraded mountain slopes.

Context

Agriculture, forestry, tourism and the sale of hydroelectric power to India form a significant share of Bhutan's economy. 70% of its population lives in rural areas and the majority of people are dependent on subsistence agriculture.

Constraints faced by smallholder farmers include the small size of their landholdings, limited access to technologies and inputs (including on-farm labour), changing weather patterns due to climate change, and limited access to markets in part due to poorly developed infrastructure. The typical rural household in Bhutan has a relatively low cash income, and with an increased flux of migrants from rural to urban areas, it is increasingly difficult to find farm labour due to competing livelihood opportunities in cities.

Solution

The company works with Himalayan smallholder families and community groups to provide additional income-generating opportunities that also help restore the nation's fallow and degraded land.

In line with a Memorandum of Understanding signed with the government of Bhutan, Mountain Hazelnuts buys all its harvested nuts according to a guaranteed price structure that removes market risk for the growers and ensures a profitable crop. Growers interested in participating apply to Mountain Hazelnuts to plant hazelnuts on their fallow or degraded land.



The company inspects every site to consider the ecological impact before an orchard is designed and planted. Approval is only given for those sites that meet the agreed principle. At a national level, links between Mountain Hazelnuts' activities and the country's LDN target-setting programme have been established.

2021 update

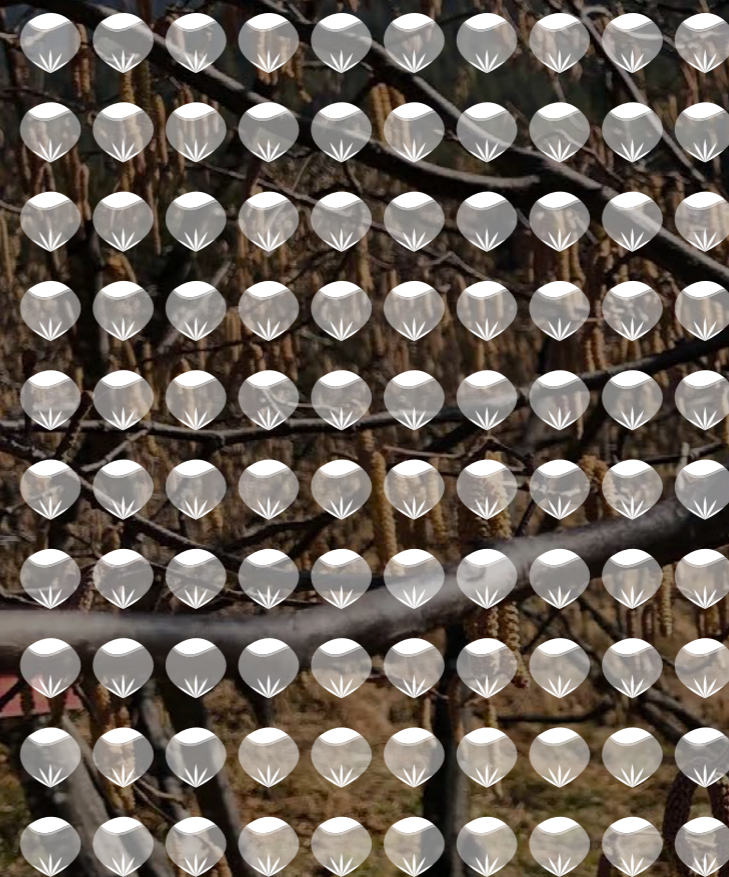
In 2021, Mountain Hazelnuts faced financial challenges brought mainly by restrictions related to the COVID-pandemic. This significantly impacted the operations and part of the staff had to be retrenched. The company was unable to expand to new areas except in its corporate orchards. About 450 hectares were optimized through the infilling of new saplings.



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Projected impacts

10,000 ha
under sustainable land management



15,000

households with doubled income, at least half of which are women-led

1.5m tonnes

CO₂ sequestered

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Urapi Sustainable Land Use

The Urapi programme, designed and operated by Ecotierra, supports the development of mid-size cooperatives through the restoration of degraded land, the implementation of agroforestry systems, the construction of processing units to increase value creation potential and the generation of carbon credits.

Context

Coffee cooperatives in the project area face significant barriers to continuing their growth and transferring value to smallholder producers.

Cooperatives have limited resources available to reach appropriate markets and to invest in processing infrastructure that ensures quality and traceability. This causes producers to receive lower prices.

Coffee plantations are often old and unproductive as well as poorly protected against the effects of climate change, leading to declining yields and low income for producers. They have little or no access

to affordable long-term credit to renovate, expand or improve processes or infrastructure on their farms, and a lack of knowledge and poor management practices to adapt to climate change. Combined, this leads producers into a vicious circle of migratory agriculture, deforestation, soil erosion and a preventable loss of income.

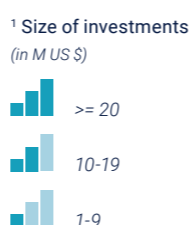
Solution

At the end of 2018, the LDN Fund made its first investment in Urapi Sustainable Land Use, an innovative agroforestry programme in Latin America.

To date, there are two sub-projects: the Café Selva Norte (CSN) project in Peru, and the Sierra Nevada (SN) project in Colombia.

2021 update

Urapi completed the construction of a coffee processing facility in Peru. Despite disruptions in the planting operations, the company has planted 378 hectares of coffee and forest massif since 2019. The Urapi program reached its final closing at \$ 50 million in the final quarter of 2021.



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Projected impacts

Cafe Selva Norte, Peru



Sierra Nevada, Colombia



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ESG Engagement



Impact investor actions

Acting as a responsible impact investor not only involves directing investments towards companies and projects that contribute to sustainable development goals, but it also means demonstrating an advanced understanding and management of environmental, social and governance (ESG) risks.

Beyond that, Mirova works in multiple ways to strengthen its impact and contribute to the transition to a more sustainable economy.

- 1 Maintaining regular individual engagement with each project or company we support in order to **support the continuous improvement of practices**
- 2 **Advancing knowledge and expertise on sustainable development issues** both internally and collectively, notably through support for academic and applied research
- 3 **Promoting the development of sustainable finance** through participation in market forums and advocacy actions
- 4 **Supporting impact initiatives on issues that are not accessible through our current investment strategies** through philanthropic actions

ESG: Beyond impact, ESG excellence and continuous improvement

The LDN Fund investments are driven by positive social and environmental impacts, but excellence in the management of environmental, social and governance (ESG) risks in the companies that the fund supports is also a crucial component of the investment journey.

These aspects are taken into consideration throughout the life of the investment, from the initial screening of an investment opportunity to the end of Mirova's engagement.

The ESG risk management approach in the investment process ensures that activities are established on robust and systematic assessment and management of environmental and social risks, as well as underpinned by sound, accountable governance.

ESG standards

The LDN Fund assesses each potential investment project against applicable exclusion lists as well as ESG risk and minimum performance criteria. These ESG assessments of projects are based on the Mirova Natural Capital (MNC) ESG Policy as well as on the LDN Fund ESG Annex that state the Platform's and Fund's commitments and expectations in terms of ESG performance.

At the core of these ESG policies is a commitment to ensure that all projects in which the LDN Fund invests achieve material compliance with the IFC Performance Standards (and associated sector-specific EHS guidelines) and that they achieve E&S certifications when relevant. Considering LDN Fund's scope, compliance with the Sustainable Agriculture Network (SAN) guidelines, with the Forest Stewardship Council (FSC), or with the Roundtable on Sustainable Biomaterials (RSB), amongst others, is sometimes relevant to consider.

A project's ESG journey

Every project considered for investment is analysed according to a three step process:

- 1 **a preliminary ESG analysis of its potential eligibility in the Fund's mandate,**
- 2 **a desktop review complemented by exchanges with the project developer (E&S questionnaire and discussions) to understand likely key ESG risk areas and, at a high level, how they are currently being managed,**
- 3 **full ESG Due Diligence including site-visits and detailed document review. This step may involve the recruitment of external experts or local support.**

Both the pre-investment assessment and the post-investment monitoring of projects involves ESG Specialists in the Mirova Natural Capital ESG team, supported often by technical or local external experts whenever relevant.

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Assessing ESG performance in practice: On-site work

Although Covid travel restrictions made it more difficult to conduct site visits, onsite assessment is key to properly identify ESG risks and find ways to maximise positive impacts.

If it's not possible to send our internal ESG specialists, ESG consultants are sent out to perform the ESG due diligence. Then as soon as possible, a post-investment monitoring visit will be organised to follow-up on the ESAP progress.

For example in November 2021, one of our ESG senior specialists visited Komaza's operations with the investment team and included visits to the following areas and facilities in the central and coastal regions of Kenya:

- ▶ **New sawmill** (OI Kalou, central Kenya)
- ▶ **Central Kenya (CeKe) operations**
- ▶ **Coastal Kenya operations (CoKe)** - Kilifi
- ▶ **Meetings with new and existing farmers**
- ▶ **Meetings with brownfield farmer and timber supplier**

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Individual commitment: Supporting projects over the long term

Our ambition is to support the improvement of ESG practices in the projects and companies we support. This involves active monitoring, regular engagement and a presence with developers.

Following pre-investment due diligence, an Environmental and Social Action Plan (ESAP) is designed to bridge identified ESG performance gaps or enhance the project's ESG risk management. The ESAP is always agreed with the project developers and included in the investment contract.

In addition, a project-specific monitoring plan is defined to keep track of impact and ESG performance of the project over the duration of the investment.

The proper implementation of the action plans defined prior to the investment is an important part of the work, to ensure effective reinforcement of environmental and social risk management. To that end, a quarterly monitoring of progress on these ESAP is systematically implemented to track proper progress.

Alongside these quarterly reporting requirements, we carry out a comprehensive annual review of individual project performance with a focus on key ESG topics.

Field visits may be included in the Fund's monitoring to complement the assessment on an *ad hoc* basis, and to ensure we remain in close contact with local operations.

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Engagement in practice: An ESAP development for Atlas Fruits

The ESG due diligence undertaken prior to the Atlas Fruits investment in Morocco led to the design of a detailed ESAP to address the ESG performance gaps that were identified but also to foster further positive impacts.

Atlas Fruits is a major producer of Nadorcott (premium and licensed mandarin citrus variety) in Morocco and wants to expand operations and foster the adoption of sustainable land management and water efficiency practices in brownfield orchards.

The ESAP supports the implementation of a set of improvements, as well as monitoring the company's performance on management of priority risks. Items included in the Atlas Fruits' ESAP cover transversal topics such as the reinforcement of human resources, social and environmental risks management, and sector specific items such as the achievement of sustainable certifications such as Organic, Global G.A.P SPRING or CO₂-neutralor.

The ESAP included the development of an outgrower program, the installation of solar panels, and the implementation of a Gender Action Plan to contribute to employment of women. Other specific long term impacts were also included such as:

- increasing agricultural productivity in a water-scarce area while maintaining or enhancing soil quality through Agroforestry feasibility studies; and
- acting as a catalyst for the wider adoption of sustainable farming practices amongst commercial and small-holder farmers and, in this way, enhancing local agricultural productivity without contributing to further degradation of land and reducing impacts on diminishing water resources.

The LDNF team and the ESG specialist in charge of the project are in regular contact with Atlas Fruits managing team and are providing ongoing advice and guidance to support the implementation of the ESAP.

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Knowledge:

Supporting internal and collective expertise

Internally, maintaining and deepening our expertise

Mirova's Sustainability Research team is one of the most developed in the industry, with over 15 dedicated sector analysts per asset class.

Within our teams, three senior Impact & ESG analysts and a technical officer are specifically dedicated to natural capital strategies.



SARAH MAILLARD
Head of sustainability
research Private markets



KEVIN WHITTINGTON-JONES
Sustainable ocean use and
forestry



ANTOINE ROUGIER
Technical officer,
Sustainable Ocean Fund¹



XAVIER COLLET
Sustainable land use and
agriculture

Externally, contribute to the development of knowledge and best practices

Because the financial sector is still in the process of taking environmental and social issues into account, and because ecosystem issues have not yet been mastered, particularly those relating to marine ecosystems, it is essential to contribute to the development of scientific knowledge and to help advance the practices of the impact finance sector.

This is achieved through participation in a variety of initiatives and partnerships such as sector working groups, where impact finance actors can exchange best practices and innovate to better integrate conservation and restoration of nature into their strategies and operations. As an example, Mirova has participated in the ESKEN platform.

1. Within Mirova UK, Antoine Rougier is also part of the investment team of the Sustainable Ocean Fund. The Althelia Sustainable Ocean Fund ("Fund") is a Luxembourg SICAV-SIF authorised by the Commission de Surveillance du Secteur Financier ("CSSF"), closed to new subscription. Alter Domus Management Company S.A. is the Alternative Investment Fund Manager (AIFM) of the Fund and is duly authorised by the CSSF as an alternative investment fund manager pursuant to Chapter 2 of the AIFM Law and the AIFM Directive. Mirova UK Limited is an investment advisor to Alter Domus Management Company S.A.

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Engagement in practice: Interacting with ESKEN

The sector has much to gain from sharing its experiences and learnings in impact assessment.

In 2021, Mirova began participating in the ESKEN initiative to bring together land-use impact finance stakeholders to share best practices on impact.

What is ESKEN?

The Environmental and Social Knowledge Exchange Network (ESKEN) is a workspace for a community of practice involved in the environmental and social (E&S) aspects of financing deforestation-free commodity production, protection of natural ecosystems, forest landscape restoration, and other forms of sustainable land-use. This community of practice comprises representatives of sustainable land-use finance facilities and funds, investment advisors, fund managers, commercial banks, impact advisors, donors, and other organisations.

ESKEN was established in Cambridge in November 2019 through a workshop where the participants agreed on the need to share knowledge, experience, and tools to scale up action of sustainable land-use investments.

Our involvement

Mirova presented its framework for monitoring the impacts of Natural Capital projects on the theme of climate change, including the themes of reducing emissions, as well as carbon sequestration.

The initiative continues in 2022 under the Land Use Impact Finance Hub banner.

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Advocacy:

Supporting the development of sustainable finance

Climate and biodiversity

Mirova is actively engaged through its research and advocacy activities in contributing to the development of sustainable finance.

Our advocacy activity consists of exchanging views with regulators and stakeholders based on our daily experience as a committed investor, and taking a position to promote regulatory and market provisions that are favourable to the financing of the ecological and social transition.

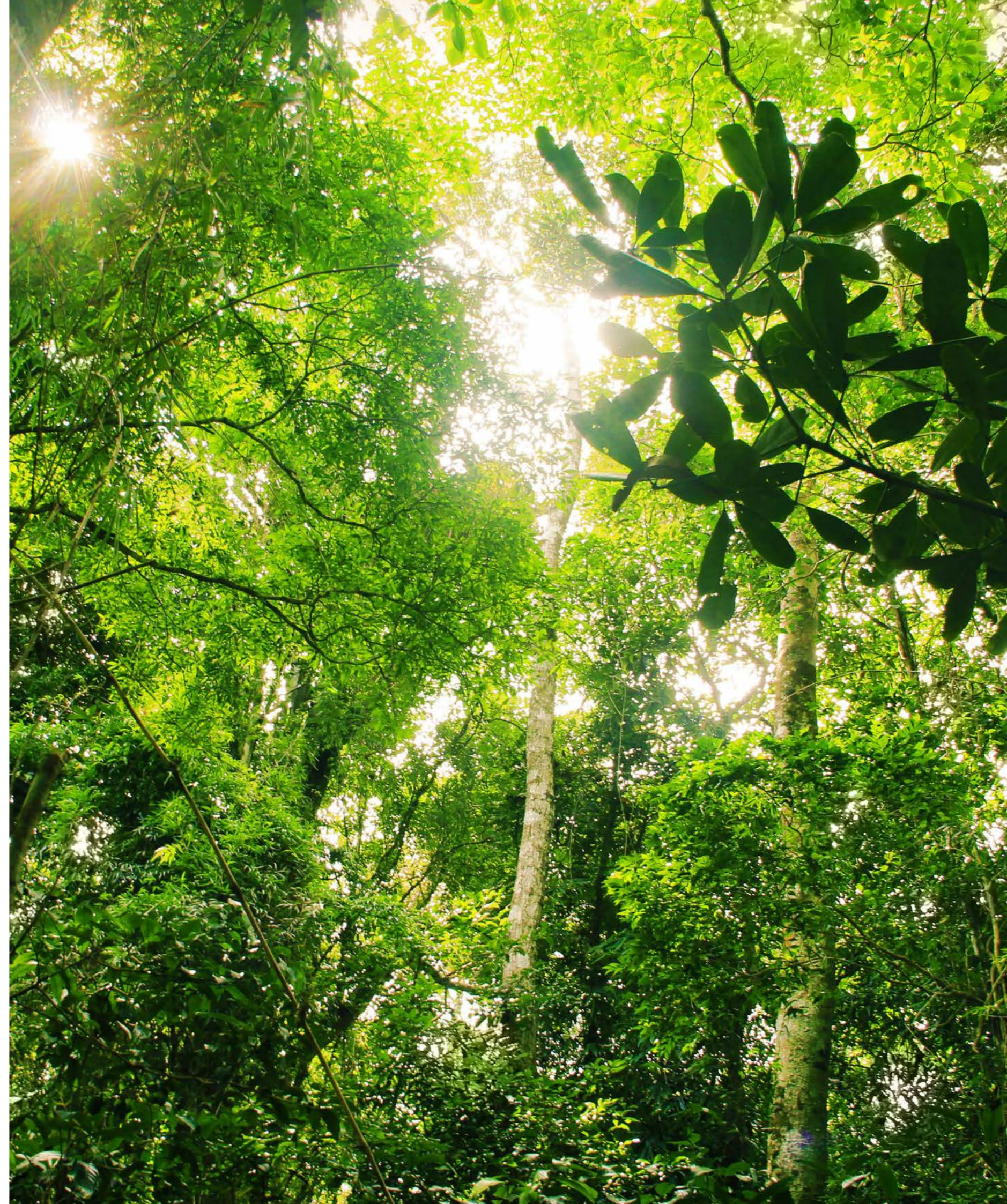
Over the past five years, Mirova has been particularly active at the European and French government level, supporting European regulators in the development and deployment of a sustainable finance action plan. Mirova has contributed to various working groups such as the High Level Expert Group on sustainable finance, which initiated this European strategic reflection, and the Technical Expert Group (TEG). By responding to various public consultations, exchanging views with regulators and peers, and supporting - and sometimes criticising - the regulatory and political work in progress, we are helping to ensure the implementation of ambitious and realistic tools for sustainable development. Transparency and reporting for both companies and investors, tools such as the European environmental and social taxonomy, labels for sustainable finance products, and consultation of investors' and especially savers' preferences in terms of sustainability, are at the heart of our actions.

In connection with its natural capital activities,

particularly on the subjects of carbon sinks and agro-ecological transition, Mirova is involved in several initiatives such as the Taskforce on Nature-related Financial Disclosure (TNFD) and the Finance for Biodiversity Pledge (the Pledge). The TNFD aims to publish recommendations on biodiversity reporting for both companies and investors, starting with the first elements in 2022. The Pledge, intended to be the voice of an ambitious financial sector for action on biodiversity and a call to set specific targets for mobilising investments in the post-2020 CBD framework, was issued in September 2021. Mirova has also joined the Natural Capital Investment Alliance, created by His Royal Highness the Prince of Wales, which aims to unite ambitious fund managers to promote natural capital as a leading investment theme in portfolio allocations.

All of our advocacy efforts are reported in Mirova's engagement report, and all of our responses to regulators' questions are public.

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Our gender approach

LDN Fund engagement for gender equality

Achieving gender equality is widely acknowledged as critical to the Sustainable Development Goals (SDGs), including SDG 15.3 which aims to combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.

Women play crucial roles in global, regional and local supply chains, in the farms and processing facilities that supply the world with goods and services. Although women contribute significantly to these sectors, they often remain invisible and receive little to no pay. Women contend with additional barriers such as discriminatory cultural practices and social norms, which restrict their access to opportunities, resources, and decision-making power. Gender gaps are also significant in access to productive resources such as land, inputs, markets, technology, education, and financial services. Although women make up around 60% of the labour force in agriculture, they only make up to 30% of cooperative memberships (even less in leadership positions).

The LDN Fund addresses the agriculture and forestry sectors which are a significant source of employment for women working in rural areas. Recognising that

gender equality and women's empowerment is essential to addressing land degradation, the Fund is committed to addressing these challenges by mainstreaming gender across the LDN projects and programs it supports, using a project-specific contextual analysis based on the needs and priorities of women and men.

The LDN Fund's approach to gender aspects is aligned with the objectives and principles of the [UNCCD's 2018 Gender Action Plan](#), which outlines the four priority areas to incorporate in LDN implementation. The gender approach also considers the [UNCCD manual](#) that provides guidance for mainstreaming gender in LDN projects and programs with the aim of addressing gender-related issues in the land-use sector. Our gender ambition has been further reinforced by the commitment from Global Affairs Canada in the Fund and the integration of specific gender equality objectives and milestones in the Fund's theory of change.

In this context, in 2021, Mirova and IDH, the manager of the LDN Technical Assistance Facility issued a Request for Proposals targeted at [gender responsive projects](#).

“The Land Degradation Neutrality Fund is an example of how Canada is working with private finance to scale up investments in developing countries that improve the health and sustainability of vulnerable ecosystems and restore degraded lands. Through the Feminist International Assistance Policy, Canada supports investments that invite the full and equal participation of women and those most excluded from economic opportunities to ensure that growth works for everyone. We look forward to our continued work with LDN Fund as it pushes for deeper integration of gender equality into programming to combat land degradation and manage land sustainably.”

Hong-Won Yu, Director of Food Security, Global Issues and Development Branch, Global Affairs Canada

2X Challenge initiative



The 2X Challenge was founded by the Development Finance Institutions (DFIs) from the G7 as a call to action to shift more capital towards investments that empower women in developing countries and enable them to access entrepreneurship and leadership opportunities, quality jobs, and products and services that enhance their economic participation. More information about the 2X Challenge can be found [here](#).

The 2X Criteria developed by the 2X Challenge provide a powerful framework for investors globally to identify gender-smart business opportunities along an entire value chain (see below).

Three projects in the LDN Fund portfolio (Komaza, Cacao Oro and Burapha) are eligible for the 2X Challenge. Therefore, the LDN Fund qualifies for the 5th criterion (indirect) of the initiative.

To qualify for the 2X Challenge an investment must already meet – or have an explicit commitment to meet – at least one of the following criteria:

Direct Criteria	1	Entrepreneurship	Criteria	Threshold
			1A. Share of women ownership	51%
			OR	
	1B. Business founded by a woman	Yes/No		
	----- OR -----			
	2	Leadership	2A. Share of women in senior management ¹	20-30% ²
			OR	
			2B. Share of women on the Board or IC ¹	30%
	----- OR -----			
	3	Employment	3A. Share of women in the workforce ¹	30-50% ²
AND				
3B. One “quality” indicator beyond compliance			Yes/No	
----- OR -----				
4	Consumption	4. Product or service specifically or disproportionately benefit women	Yes/No	
		----- OR -----		
Indirect	5	Investments through Financial Intermediaries ³	On-Lending facilities: Percent of the DFI loan proceeds supporting businesses that meet direct criteria ¹	30%
			OR	
			Funds: Percent of portfolio companies that meet the direct criteria ¹	30%

Sector-Specific Thresholds		
2.A Women in Senior Management*		
Grp.	Sector	%
Low	Infrastructure, Power, Telecoms	20%
Mid	Financial Services, Manufacturing	25%
	Agribusiness & Food, Professional Services, Consumer Services	
High	Healthcare, Education	30%
3.A Women in the Workforce*		
Grp.	Sector	%
Low	Infrastructure, Power, Telecoms	30%
Mid	Financial Services, Manufacturing – Heavy, Agribusiness & Food, Professional Services	40%
High	Healthcare, Education, Consumer Services, Manufacturing – Light ³	50%
*Room for judgement: Investees in unique sectors or geographies may require case-by-case consideration.		

Sector-Specific Thresholds

2.A Women in Senior Management*			
Grp.	Sector		%
Low	Infrastructure, Power, Telecoms		20%
Mid	Financial Services, Manufacturing		25%
	Agribusiness & Food, Professional Services, Consumer Services		
High	Healthcare, Education		30%
3.A Women in the Workforce*			
Grp.	Sector		%
Low	Infrastructure, Power, Telecoms		30%
Mid	Financial Services, Manufacturing		40%
	– Heavy, Agribusiness & Food, Professional Services		
High	Healthcare, Education, Consumer Services, Manufacturing – Light ³		50%

*Room for judgement: Investees in unique sectors or geographies may require case-by-case consideration.

¹) Commitments to achieve targets in these categories also make investments eligible, including new commitments by existing investees.

²) These thresholds vary depending on the sector of the investment. See sector-specific thresholds.

³) Investments through financial intermediaries may also be eligible if the financial intermediary meets any of the direct criteria. For funds, this requires either that the fund manager itself meeting one of the categories, or if the fund itself has a clear investment thesis to invest in women.

Technical Assistance Facility

The LDN TAF

The Land Degradation Neutrality Technical Assistance Facility (LDN TAF) is the grant-making arm of the LDN Fund and is managed by [IDH the sustainable trade Initiative](#).

The LDN TAF can provide grants and repayable grants to (potential) LDN investment projects. The aim is to improve technical quality and strengthen environmental and social impacts, strengthening project design and enabling the investment project to meet the LDN Fund investment criteria.

The TAF also supports projects post investment to reduce project risks and increase positive social and environmental impacts, as well as to better monitor their impact and practice adaptive management more effectively.

By the end of 2021 the LDN TAF had contracted TA projects with 16 partners, and five new projects had been approved. Through the LDN TAF, IDH also supports LDN Fund and its investees to monitor and report on LDN impact, and to share lessons and case studies with other stakeholders.

LDN Insights

Would you like to learn more how LDN Fund and TAF work together? We invite you to dive into our [updated LDN Insight website](#).

About IDH, the sustainable trade initiative

IDH convenes companies, civil society organisations, governments and others in public-private partnerships worldwide around sustainability challenges in agriculture and supply chains.



20

commodities from coffee and cocoa to timber and artemisia



17

project partners around the world



14

countries across Latin America, Africa, Asia

Source: IDH

Highlights from LDN's projects



Mountain Hazelnuts

Protecting land from degradation and improving rural livelihoods through hazelnut production in Bhutan



Cacao Oro

Rehabilitating land and partnering with indigenous communities through cocoa and coffee agroforestry in Nicaragua



Miro Forestry

Sustainable forestry landscapes in Ghana and Sierra Leone

The LDN TAF have partnerships with project partners in Latin America, Africa, and Asia



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Detailed ESG impact indicators

Climate change mitigation	
Climate change mitigation	Tonnes of CO ₂ avoided
Carbon credits	Carbon credits generated
Sustainable productive lands	
Sustainable management	Hectares of land under sustainable productive management
Certifications	Certifications achieved
Natural ecosystems	
Protection of ecosystems	Hectares of land under conservation or restoration
Species	Threatened IUCN species in the areas of projects
Socio-economic development, livelihoods and decent work	
Decent work	Number of employees of projects
	FTE equivalent
Economic empowerment	Other people/households benefitting from revenues from the project
Inclusion	
Gender	Gender ratio amongst the employees
	Gender ratio for management roles
Avoiding, reducing, reversing land degradation	
LDN contribution	Land cover
	Land productivity
	Soil organic carbon

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Mirova

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