Land Degradation Neutrality Fund

Impact Report 2021

mirova
Investing in sustainability

An affiliate of: NATIXIS INVESTMENT MANAGERS

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About this report
The Land Degradation Neutrality Fund Impact Report, produced during 2021, is based on project submission data from 2020 as well as projected data.

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Tipping point

2020 was set to be a banner year for biodiversity. We had hoped that a series of international events spread over several months would bring significant progress in the form of hard commitments from public authorities and private actors. But with the COVID crisis and its attendant lockdowns, restrictions and disruptions of various kinds, none of these much-anticipated events has yet taken place. Nonetheless, the pandemic has accelerated a growing awareness, both in civil society and amongst companies, of our shared reliance on natural resources—and the impact we have on them.

This year was an opportunity to reassess. We have brushed up against the limits of certain economic models and been forced to ask ourselves hard questions about value—how it is shared and what role companies and finance should play in our ecosystems.

Of course, such considerations are hardly new. Some companies have made environmental and social impact a central tenet of their business models. Here, naturally, I am thinking of B-Corp entities, and more broadly, of contributors to an inclusive economy or green finance. However, the current crisis has shaken the economic world, and its tremors reach far beyond existing converts. It is hastening the transformation of companies that had already begun exploring the topic and pushed those who had never questioned their models to reflect. Never before has debate over environmental, social and governance topics—or the impact of business on nature—reached such a pitch.

2020 has by no means been a loss. It is poised to become a tipping point. At Mirova, we have taken advantage of this time to continue building, collaborating and creating impact. We became an "entreprise à mission"[1] (mission-led company) and received our B-Corp[2] status in December. We have taken time to consider our theoretical and practical vision for the impact an investment company can aspire to. We have also created an endowment fund in order to support development of the impact finance ecosystem.

In each of these endeavours, nature and biodiversity have remained our key concerns now and for the future. We have pushed forward with our commitments—whether developing biodiversity impact indicators for our portfolios or directly investing in sustainable agriculture projects, forest conservation and ocean protection.

The year 2021 began with the latest edition of the One Planet Summit in Paris focused on protecting biodiversity. Major events, such as the IUCN World Conservation Congress, the COP26 climate change conference and the biodiversity COP will likely take place in 2021. One year behind schedule is but little in terms of the transformations underway—but it is a great deal given the urgent need for action. It is our belief that the collective engagement will be all the stronger and our shared determination all the greater for the wait. The key is to continue our efforts, so that the first encouraging signs may now grow into a transformation of our models of production and consumption and redefine the relationship between business and Nature.

Philippe Zaouati
Chief Executive Officer, Mirova

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

1. Mirova is a mission-driven company since 2020. For more information: www.entrepriseamission.com
2. The B Corp's objective is to certify companies that integrate social, societal and environmental objectives into their business models and operations. For more information: www.bcorporation.net/about-b-corps. Mirova is B-corp certified since 2020.

Inaugural LDN Fund impact report

Healthy and productive land is part of the foundation of the sustainable development goals. It could provide the basis of bold but realistic plans to build back better after the COVID-19 pandemic. In 2015, the United Nations Convention to Combat Desertification initiated the concept of the Land Degradation Neutrality (LDN) Fund and selected Mirova to structure, capitalise and independently manage the fund.

The rationale then was to mobilise more resources, especially private capital, for sustainable land use by offering an effective way for the market to invest in a new asset class. After two years of operations and a collaborative approach with multiple stakeholders, Mirova is now able to present concrete investments and tangible results which clearly demonstrate how the initial concept can deliver action on the ground.

Together with the Technical Assistance Facility (TAF), run by IDH, the LDN Fund is encouraging other players to join forces and build a solid sustainable land use financing sector. This is crucial because by developing common practices that promote strong social and environmental standards, enhance the rights of people in and around project areas and link land restoration to projects that generate decent jobs and livelihoods, private sector financing can become a major part of the solution to preserving and restoring our land and our planet.

Louise Baker
Managing Director of the UNCCD Global Mechanism

The Land Degradation Neutrality Fund (LDN Fund) was initiated in 2015 by the UNCCD. The idea was that instead of being considered a challenge, restoring degraded lands could become a real opportunity.

After three years of preparatory work, the LDN Fund became fully operational in December 2018. In March 2021 it reached its final closing with more than US$ 200m committed by public and private investors. Given the initial challenge, reaching such a fund size is an achievement in itself.

However, what matters most are the concrete results and impacts delivered on the ground, for the environment, people and the economy.

In this context we are very proud to present the first impact report for the LDN Fund.

As of December 2020, the fund has five active investments in Latin America, Sub-Saharan Africa and Asia, helping operators develop sustainable land use as well as land restoration and rehabilitation activities.

It is extremely encouraging to see the progress of our investments into nature-based solutions and sustainable land use. We will continue to strive for continuous improvement throughout the LDN Fund. By adopting a collaborative approach, communicating regularly with the UNCCD, our investors, IDH and civil society organisations, we are contributing to establishing robust standards in the market. Indeed environmental and social integrity is a key condition for the success of the natural capital investment theme.

We hope this report stimulates dialogue, inspires entrepreneurs, and encourages other investors, public and private, to allocate more resources to sustainable land use and join us on this journey.

Gautier Quéru
Director, Land Degradation Neutrality Fund

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. Co-promoted by Mirova and the UNCCD, 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.

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

Scope

Sustainable land management
Sustainable agriculture (60%), sustainable forestry (30%), other LDN-related sectors such as green infrastructure and land reclamation or eco-tourism (10%)

Land rehabilitation
Projects have to demonstrate clear benefits of land rehabilitation and/or degradation avoidance and comply with robust environmental & social standards

Landscape impact
Projects should benefit local communities and generate other environmental benefits (climate, biodiversity, etc.)

Innovative financing
The Fund will support projects to which traditional commercial funders will not or cannot provide suitable financing

Key partners

ONE PLANET SUMMIT

LDN Fund amongst the 12 commitments of the one planet summit

Co-promoters

United Nations Convention to Combat Desertification

mirova Investing in sustainability

Sourcing and impact

WWF

Technical assistance

idh the sustainable trade initiative

Public investors

AFD Agence Française de Développement

European Investment Bank

Department for Environment Food & Rural Affairs

Canada

Le Gouvernement du Grand-Duché de Luxembourg

gef

Private investors

BNP PARIBAS CARDIF

FONDACTION Donner du sens à l'argent.

NATIXIS ASSURANCES

Allianz

Fondation de France

TotalEnergies FOUNDATION

GARANCE Garants de votre indépendance

L'ORÉAL

Concordia University Foundation

BRED BANQUE POPULAIRE

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 repesentatives of civil society and Presidency of the COP.

The first Learning Brief was published.

February 2020

The British Government joined the LDN Fund and unlocked US$50m of additional private finance.

The second investment, a project in Mountain Hazelnuts (Bhutan), was signed.

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.

May 2020

For the fourth year in a row, Mirova was among the Impact Assets 50 for its natural capital activities.

The third investment, in Miro Forestry (Ghana and Sierra Leone), was signed.

July 2020

The fourth investment, in Komaza (Kenya), was signed.

September 2020

Mirova Natural Capital platform was awarded 'Investment team of the year - Asset manager' at Environmental Finance's 2020 Impact Awards.

October 2020

The fifth investment, in Cacao Oro (Nicaragua), was signed.

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 CO_2, 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.

Key impact themes targeted by the LDN Fund[1]

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

Investments

Cacao Oro
Nicaragua

Investment theme
Agroforestry
Main sector
Cocoa, coffee
Duration
10 years

Mountain Hazelnuts
Bhutan

Investment theme
Agroforestry
Main sector
Hazelnuts
Duration
10 years

Urapi SLU
Peru / Colombia

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

Miro Forestry
Ghana / Sierra Leone

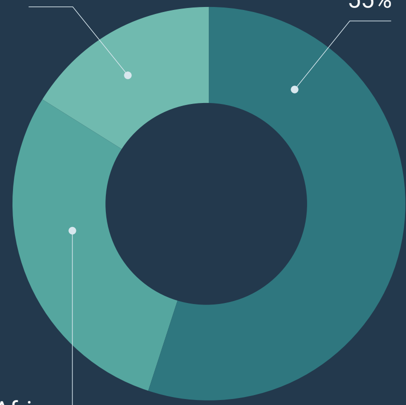
Investment theme
Forestry
Main sector
Timber
Duration
11 years

Komaza
Kenya

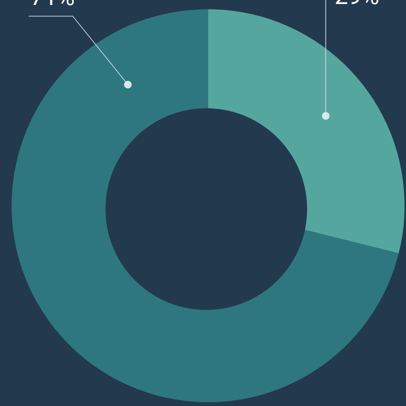
Investment theme
Forestry
Main sector
Timber
Duration
8 years

Portfolio geographic and sector diversification

% by geography



% by sector



Urapi Sustainable Land Use

Columbia
Peru

Date of investment
2018

Duration
15 years

Size of investment[1]

Share of LDN within overall project
80%

[1] Size of investments *(in M US $)*

>= 20

10-19

1-9

Context

Coffee cooperatives in the project area face significant barriers to continuing growth and transferring value to smallholder producers. There is a lack of availability at processing facilities, causing quality loss and high transportation costs.

Cooperatives have limited resources available to reach appropriate markets and invest in processing infrastructure to ensure quality and traceability, which causes producers to receive lower prices.

On the producers' side, 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. 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. 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.

The Urapi program, 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.

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

Projected impacts

Cafe Selva Norte, Peru

3.8m tonnes
captured CO_2

8,250ha
restored land, and

200,000ha
forest conservation

Beneficiaries:
3,000
small-scale producers

Sierra Nevada, Colombia

1.3m tonnes
captured CO_2

4,500ha
restored land, and

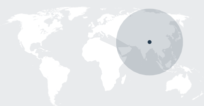
70,000ha
forest conservation

Beneficiaries:
1,500
small-scale producers

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

Mountain Hazelnuts

Bhutan



Date of investment
2020

Duration
10 years

Size of investment[1]

Share of LDN within overall project
26%

[1] Size of investments *(in M US $)*

>= 20

10-19

1-9

Context

70% of Bhutan's 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 earns relatively low, cash incomes, and with an increased flux of migrants from rural to urban areas, it is increasingly difficult to find farm labor due to competing livelihood opportunities in cities.

Bhutan has a wide range of ecosystems, from alpine zones in the Himalayas to subtropical floodplains at the Indian border, and presents one of the world's major biodiversity hotspots. However, because of this geography, in particular steep slopes with cold climates, less than 3% of its land is arable and a large part of it is fragmented due to degradation.

Solution

Partly in response to these challenges, Mountain Hazelnuts was founded in 2009 to create a profitable business that provides long-term income for vulnerable rural communities by planting 10 million hazelnut trees that restore degraded mountain slopes. The company works with Himalayan smallholder families and community groups (e.g. nunneries and cooperatives) 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 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 principles. At national level, links between Mountain Hazelnuts' activities and the country's LDN target-setting programme have been established.

Projected impacts

10,000ha
of fallow / degraded land converted into sustainable hazelnut orchards

15,000
households with doubled income, at least half of which are women led

Between
1.5 and 8m tonnes
CO_2 sequestered

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

Cacao Oro

Nicaragua

Date of investment
2020

Duration
10 years

Size of investment[1]

Share of LDN within overall project
45%

[1] Size of investments
(in M US $)

>= 20

10-19

1-9

Context

The Región Autónomo de la Costa Caribe Norte (RACCN) is one of two autonomous regions in Nicaragua. 76% of the RACCN consists of indigenous territories with communal property and being geographically isolated 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 particularly takes place between indigenous communities and and other non-indigenous local populations occupying and clearing lands within the community's territory.

Solution

The Cacao Oro project is a unique large-scale cocoa program located in Nicaragua's Región Autónomo de la Costa Caribe Norte. It has been established as an agroforestry plantation that is working with farms in the vicinity and indigenous people (the Awas Tingni) to plant cocoa and coffee trees on degraded areas.

The project is being implemented by Cacao Oro, an enterprise which has already built a successful 2,000ha agroecological (UTZ-certified) cocoa plantation.

The additional plantation of over 2,000ha is expected to reforest a severely degraded zone, alleviate deforestation pressures from fuelwood, and for the additional plantation of hardwood species, recreate a canopy, protecting soils and improving water retention. In addition, it is hoped that the economic opportunity offered by the project will also attract non-indigenous workers in the region thereby reducing destructive development pressure on the Bosawas Biosphere Reserve located northwest of the project. The Bosawas Biosphere Reserve, at 20,000 square kilometers, contains the last of Nicaragua's natural rain forest and is the second largest rain forest after Brazil in all the Western Hemisphere.

Projected impacts

4,000ha of land, and up to 10,000 ha of land projected to contribute to LDN

2,100 community members receiving benefits from the project, of which at least 35% are women

UTZ Certified
Better farming
Better future

UTZ certification

1. UTZ certification shows consumers that products have been sourced, from farm to shop shelf, in a sustainable manner. More information on: https://utz.org

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

Komaza

Kenya

Date of investment
2020

Duration
8 years

Size of investment[1]

Share of LDN within overall project
12%

[1] Size of investments
(in M US $)

>= 20

10-19

1-9

Context

The continent of Africa is currently the world's largest consumer of wood and 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.

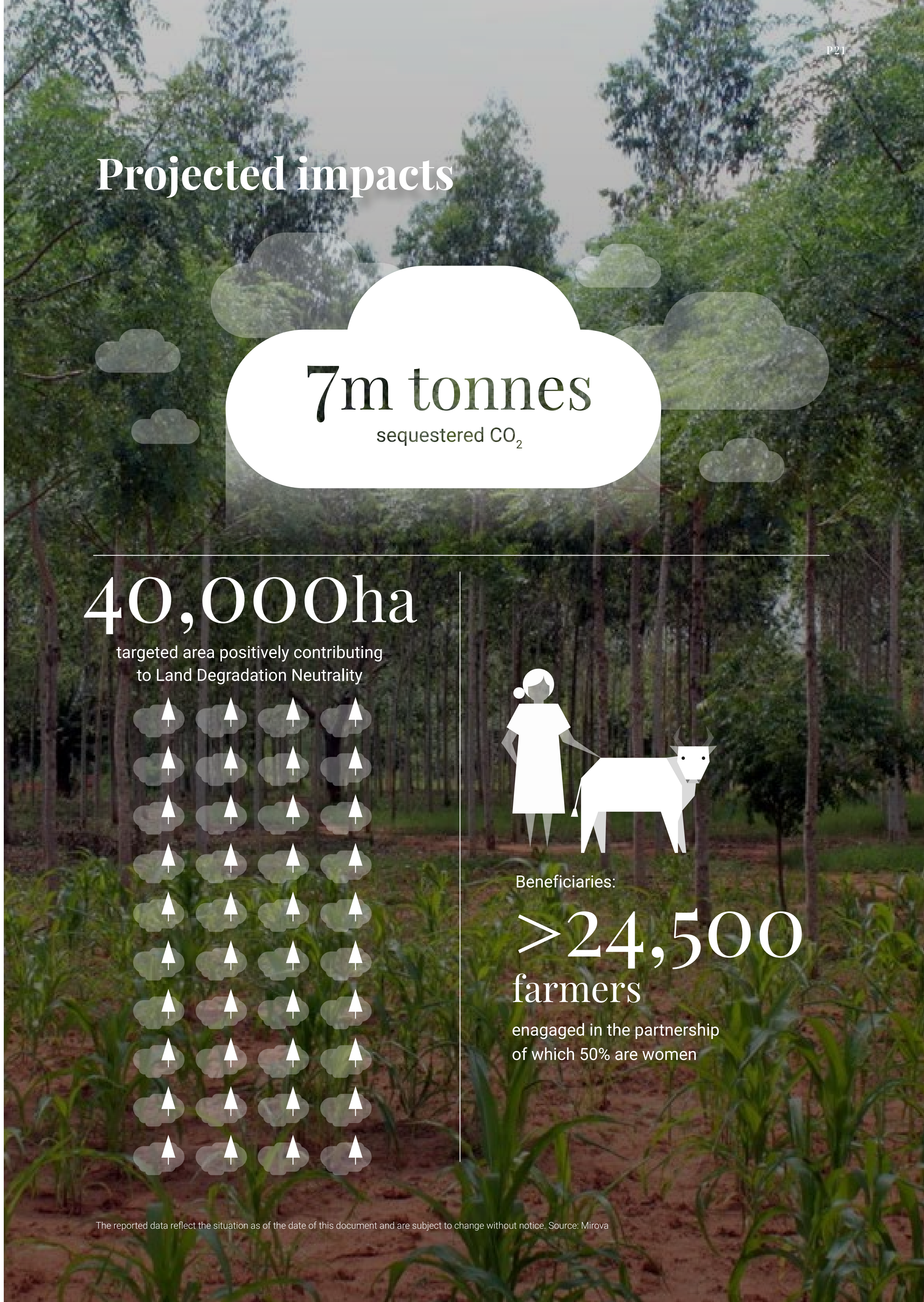
To meet these growing demands in a sustainable manner, alternative solutions to traditional plantation forestry are therefore needed that will also allow for positive social and environmental impacts.

Solution

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

Komaza is an innovative social enterprise supporting local communities in Kenya. Komaza 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.

The project involves an expansion of on-going micro-forestry. This involves planting trees on degraded land within smallholder farms in the coast region of Kenya, expansion of the supply chain into central Kenya (currently in pilot phase) and primarily domestic market wood processing and sale.



Projected impacts

7m tonnes
sequestered CO_2

40,000ha
targeted area positively contributing to Land Degradation Neutrality

Beneficiaries:
>24,500
farmers
enagaged in the partnership of which 50% are women

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

Miro Forestry

Ghana
Sierra Leone

Date of investment
2020

Duration
11 years

Size of investment[1]

Share of LDN within overall project
21%

[1] Size of investments (in M US $)
>= 20
10-19
1-9

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 1.25m hectares per year between 1990 and 2010. The annual cost of land degradation in Ghana is estimated to be US $1.4 billion, or 6% of its GDP. In Sierra Leone, once a much-forested country, only 5% of intact forest is remaining.

Solution

In light of these developments, Miro Forestry, a company that operates sustainable forest plantations in Ghana and Sierra Leone, is managing a business that replants degraded lands and offers income opportunities to the communities living in these landscapes.

Miro Forestry operates FSC® certified plantations that are a combination of commercial timber species and conservation areas, in Ghana and Sierra Leone. The company owns its processing facilities and targets end markets such as construction and infrastructure wood and panels, and carbon credit sales.

Miro has already secured several serious offtakers for its wood and carbon credits.

Miro aims to manage 42,500ha (16,000ha today) of sustainably managed forest and perennial plantations with FSC and IFC Performance Standards by 2030, developed on degraded scrubland, protecting wetlands and environmentally sensitive areas. 30% of the area consists of conservation areas and wildlife corridors, and so is designed for increased 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.

Projected impacts

42,000ha
of land projected to contribute to LDN

FSC

FSC certification

5m tonnes
sequestered CO_2

1,500
additional jobs, of which at least 19% in Sierra Leone and 24% in Ghana are women

19%
24%

1. 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

ESG Risk management

We believe that environmental, social and governance (ESG) excellence is the reason our projects achieve the robust and sustainable impacts that are the core of our investments, and will last beyond the life of Mirova's engagement. This approach to project development ensures that productive activities are established on a foundation of identifying, minimising and mitigating environmental and social risks, underpinned by sound, accountable governance.

Our ESG standards

The LDN Fund assesses each potential investment project against ESG risk and minimal performance criteria. These ESG assessments of projects are based on the Mirova Natural Capital ESG Policy and the LDN Fund ESG Annex that state the Fund's commitments in terms of ESG performance. More information on the selection and investment process of the Fund can be found here.

These policies state that all projects should comply with IFC Performance Standards, achieving E&S certifications when relevant such as FSC for forestry operations, as well as some complementary requirements such as a safeguarding policy and complaint mechanism.

An exclusion list also clarifies the activities that should not be supported by the LDN Fund.

A project's ESG journey

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

1. A preliminary analysis of its potential eligibility for the Fund's investment.
2. A desk review complemented by detailed communications with the project developer (E&S questionnaire and discussions).
3. A fuller due diligence process including a site-visit and external expert or local support whenever needed.

The outcomes of this process are:

- a final view on the impact and ESG performance of the operation,
- a defined Environmental and Social Action Plan in agreement with the developer to fill potential gaps or improve further risk management,
- and an agreement on a monitoring plan to keep track of impact and ESG performance over the years.

Post-investment, we continue to work closely with all projects as they implement their action plans. Alongside quarterly reportings, we ensure annual fuller reviews of the performance of the project on its key ESG themes, as well as field visits to complement the assessment on an ad-hoc basis.

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ESG

How to ensure responsible forestry operations

Forestry plantations can make a significant contribution to sustainable development. Indeed, supporting sustainable forest plantations appears necessary to slow the existing unsustainable exploitation of natural forests, in order to keep up with the expected trend towards increased wood demand.

This is important as wood often represents a sustainable material when used as a substitute to non-renewable and/or non-recyclable materials like plastics. Additionally, when implemented on damaged ecosystems, plantation forests may generate positive impacts for the environment, from carbon sequestration to biodiversity enhancement. Social benefits can also be significant, with well-developed sustainable projects resulting in securing land rights for local communities and indigenous people, creation of employment, and the diversification of livelihood strategies.

For forest plantations to result in positive social and environmental benefits, key potential risks that may arise in any given plantation need to be assessed and addressed. These include: Reduced biodiversity, reduced soil fertility and productivity, reduced water quality and availability, issues over land rights, health and safety and labour rights can be major risks. However, they are very dependent on the context and nature of a given project. Adoption of international best practices by plantation developers can result in a reduction of risks to an acceptable level. Mirova has therefore developed an approach to investing in forestry that addresses these issues. This is in addition to the various standards we expect invested assets to comply with, as formally stated in Mirova Natural Capital ESG policy and integrated at the core of our due diligences process, namely the IFC Performance Standards.

SUMMARY OF MIROVA'S KEY REQUIREMENTS TO INVEST IN A FORESTRY PLANTATION

Certifications and standards: Plantation forests must achieve material compliance with the IFC EHS guidelines. They are also expected to hold valid international sustainability certification.

Management: Ensuring that appropriate E&S management systems and associated resources are in place and that a robust governance is established on key ESG parameters.

Plantation design: Plantations must be designed to incorporate a mosaic of land-use types that enable commercial success of the project while also promoting meaningful value in terms of local socio-economic development, improved community livelihoods and wellbeing, and biodiversity conservation. Incorporation of elements that will enhance the climate change resilience of communities within a project's area of influence is also desirable.

Resource use: Companies must demonstrate that they actively work to control and reduce the production footprint through the optimisation of the energy efficiency of processes, and of water and non-renewable inputs consumption at both plantation and processing levels.

Labour: Where there is a reasonable risk of non-compliance with the ILO Core Labour Standards and/or national labour legislation, plantation forests will be required to maintain SA8000 certification or similar.

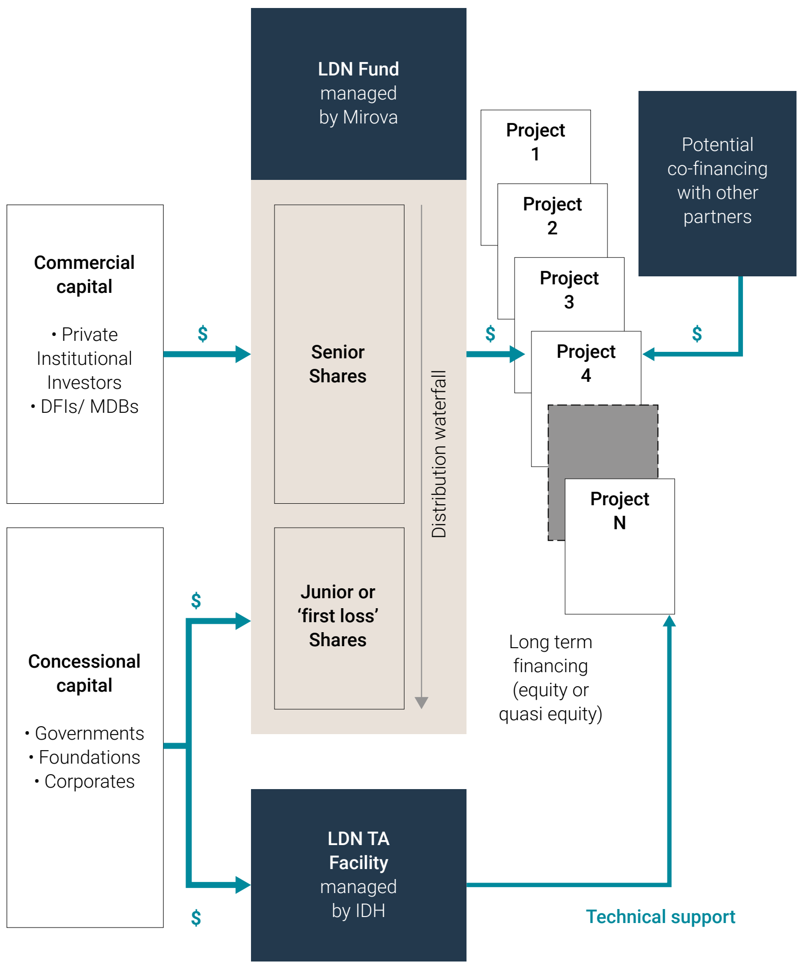
Communities and land acquisition: Mirova will not invest in projects associated with unresolved conflicts with communities. To the extent feasible, involuntary physical or economic displacement should be avoided. Any involuntary displacement must be managed in accordance with the requirements of the IFC's Performance Standard 5.

Focus on blended finance

A key aim of the LDN Fund is to attract private investors that may otherwise not have invested in sustainable land management projects, particularly institutional investors such as pension funds and insurers. It therefore uses a layered capital structure to offer appropriate risk-return profiles for different investors, with two classes:

Junior investors take a first-loss position in the fund, partially protecting senior investors. Junior investors are typically public organisations such as national development agencies, climate funds, or private foundations and corporates. These investors are targeting environmental and social development impacts first, before financial returns, so are willing to accept higher risks and lower returns. They invest in the LDN Fund because their junior participation catalyses additional private investment in the senior layer, increasing the overall amount of investment in sustainable development.

Senior investors are typically institutional investors such as pension funds, insurance companies, and development banks. These investors require market financial returns with a low risk profile, which is provided by the layered structure of the LDN Fund. They are often also looking to diversify their portfolios, and want to invest in real assets that are decorrelated with other asset classes. At the same time, most senior investors are also interested in the positive development impacts of the fund, but require these impacts to be in addition to an appropriate risk-return profile.



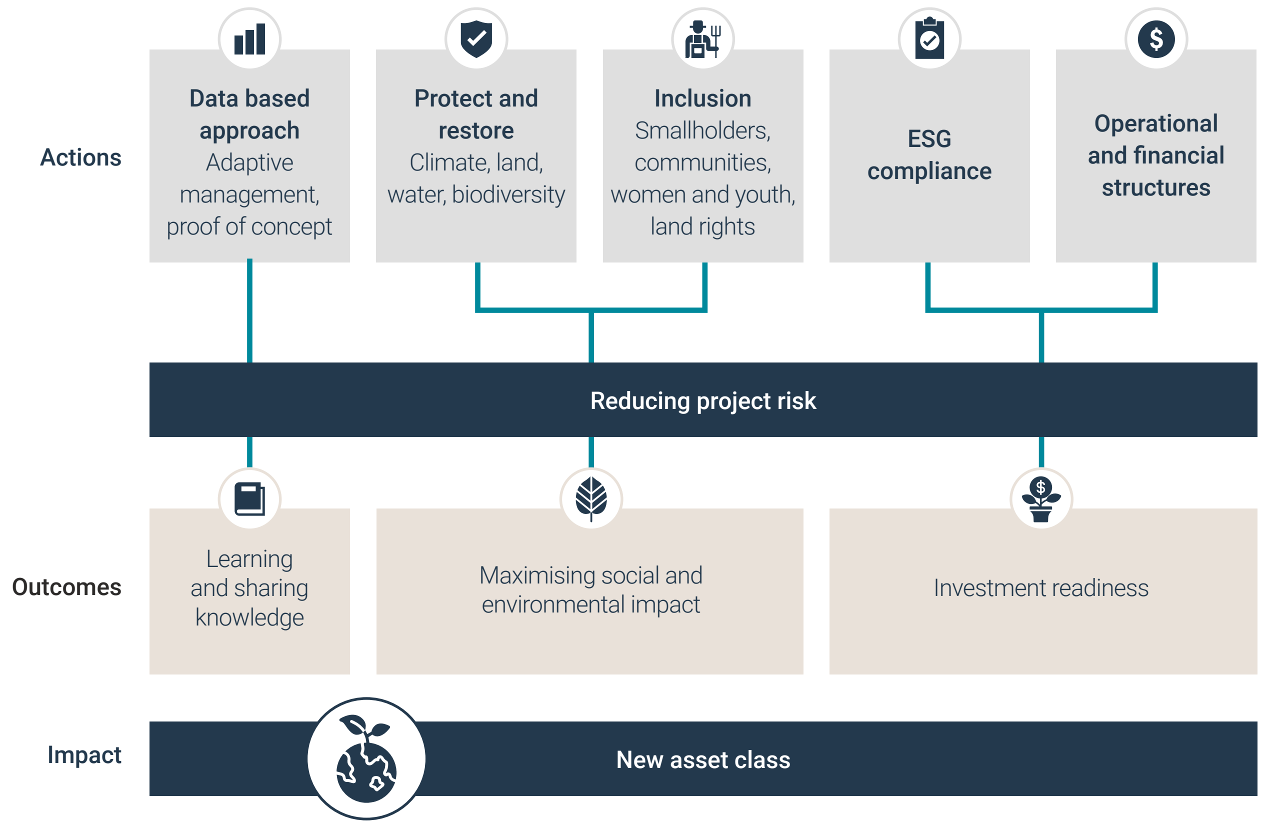
> "The Land Degradation Neutrality Fund demonstrates how public and private investment can help produce excellent results in financing profitable sustainable land management. Investing in sustainable land use delivers on the UK's international objectives to protect nature, and mitigate and adapt to climate change. We are looking forward to continuing to work with LDN Fund as it develops and as the UK drives forward our super year for nature."
>
> Emma Donnelly, Deputy Director, International Biodiversity and Climate Directorate, DEFRA

The role of the technical assistance facility

The Land Degradation Neutrality Technical Assistance Facility (LDN TAF) is the grants-making arm of the LDN Fund and is managed by IDH.

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 impacts and practice adaptive management more effectively.



ABOUT IDH, THE SUSTAINABLE TRADE INITIATIVE

IDH convenes companies, civil society organisations, governments and others in public-private partnerships. IDH drives the joint design, co-funding and prototyping of new economically viable approaches to realise green and inclusive growth at scale in commodity sectors and sourcing areas.

IDH is supported by multiple European governments and institutional donors.

The organisation works with over 500 companies, civil organisations, financial institutions, producer organisations and governments in 11 sectors and 15 landscapes in over 50 countries worldwide.

Detailed ESG impact indicators

Climate change mitigation	
Climate change mitigation	Tonnes of CO_2 avoided Tonnes of CO_2 sequestered
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

The LDN Fund aims to measure each project's contribution to LDN, in line with the UNCCD LDN Scientific Conceptual Framework. According to this framework, progress towards Land Degradation Neutrality is measured using three indicators:

- Land cover (assessed as land cover change)
- Land productivity (assessed as net primary productivity)
- Carbon stocks (assessed as soil organic carbon)

The Technical Assistance Facility, managed by IDH – the Sustainable Trade Initiative - is supporting the LDNF in the development of a harmonised approach towards monitoring, based on a methodological framework.

This was done by partnering with Conservation International and their Trends.Earth platform, and GlobalGeoHub, in close consultation with the UNCCD scientific community. Building on the UNCCD's LDN Scientific Conceptual Framework, the methodology looks at the three indicators.

Based on a one-out all-out principle, a positive overall change indicates land increasing in productivity and health, and land degradation being reversed. Most indicators are measured using remotely sensed satellite imagery, complemented for selected cases by field-level soil sampling.

The LDN TAF supports investees of the LDN Fund in setting an LDN baseline using this methodology, while building capacity with project developers to integrate continuous monitoring of LDN into their operations, and (if relevant) aligning this work with national government target-setting units. This not only allows companies to report on progress and comply with environmental and social action plans. It also enables them to practice adaptive management, and, where possible, optimising positive environmental, social and financial returns resulting from restoring land.

The projects presented in this report have either already set their LDN baseline or are currently in the process of doing so. Where possible, initial estimates of the investments' contributions to LDN have been included, but the projections are largely still in development at the time of publication. As such, an updated version may become available once all baselines and future projections of the projects featured are finalised.

Please see: https://library.unccd.int/Details/fullCatalogue/1658

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