Climate finance opportunities to foster forest-positive agriculture

Perspectives by Fondaction

Presentation by Philippe Crête

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Who is FONDATION?

Sustainable Investment Fund in business since 1995

- + 182,000 SHAREHOLDERS
- + $2.9 BILLION IN ASSETS
- + 1,175 BUSINESSES supported by Fondaction and its partners

+ 39,000 JOBS created or maintained throughout Québec

51% REDUCTION OF OUR CARBON FOOTPRINT in public market investments between 2015-2018

NO SECURITIES from companies with FOSSIL FUEL RESERVES

Nearly $120 MILLION invested in GREEN BONDS

100% of Fondaction’s greenhouse gas emissions are COMPENSATED BY CARBON OFFSETS
Our investment strategy

1. Responsible Investment
   - ESG* integration from a risk management standpoint

2. Sustainable Investment
   - ESG* integration with a view to generate positive impacts
   - Overall return

3. Sustainable Investment (thematic)
   - Impact measurement
   - ESG* integration with a view to generate positive impacts
   - Overall return

4. Structuring Investment
   - Impact measurement
   - Overall return

- Value creation

Traditional Investment
   - ESG* issues: no or limited integration

Concessional Investment
   - Prioritization of social benefits
   - Compromise of return

* ESG issues: Environmental, social and governance.

Biodiversity conservation and the fight against climate change

The sustainable agri-food industry

Sustainable towns and communities

Three investment themes
Explaining the growing interest for natural capital and nature-based solutions investment

About $44 trillion US of economic value – over half the world’s total GDP – is potentially at risk as a result of the dependence of business on nature and its services.

At least one fifth (21%) of the world’s 2,000 largest public companies have committed to meet net zero targets, representing sales of nearly $14 trillion US.

Estimates indicate that $300 billion to $400 billion is needed each year to preserve and restore ecosystems.

Financial institutions and companies alike are getting pressured by consumers, investors, stakeholders and employees to step up.

How is the private sector investing in natural capital?

Different actors with different motivations & appetite for risk

- Development banks
  - Derisk and leverage private sector investment
  - Achieve social and environmental benefits, as well as financial returns
  - Access unique investment opportunities with an appropriate risk-return profile

- Impact funds & Foundations

- Private Equity Funds
  - Invest in long-term opportunities with large scalability potential
  - Meet corporate environmental goals / compliance obligations
  - Provide low risk capital backed by collaterals

- Institutional investors

- Corporate investors

- Banks
What sort of incentives and mechanisms can help investors like us?

<table>
<thead>
<tr>
<th>SUITABLE ENABLING ENVIRONMENT</th>
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<tr>
<td>• Stable regulations and policy</td>
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<td>• Commitments to international conventions and treaties to support investment in natural capital &amp; climate change</td>
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<td>• Clear and simple permitting process</td>
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<td>• Clarity over land ownership and benefit sharing</td>
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<td>• Support by government authorities (ex.: throughout consultations)</td>
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<td>• Credible and robust legal system</td>
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<td>• Solid banking and financial system</td>
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<td>• Reliable infrastructures</td>
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<td>• Favorable fiscal incentives</td>
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<th>INNOVATIVE FINANCIAL INCENTIVES</th>
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<td>• Blended finance, with governments taking junior positions and/or providing guarantees</td>
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<td>• Technical assistance by expert third party</td>
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<td>• Subsidy programmes to cover certain investment costs (ex. feasibility studies)</td>
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<td>• Fiscal incentives</td>
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<td>• Environmental markets (ex.: carbon markets, PES)</td>
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How we invest

The Urapi Fund

• Urapi invests in sustainable agroforestry projects in Latin America, mostly focusing on bringing sustainable coffee and cacao to markets

• Urapi proposes an impact investment model that allows small producers to transition to sustainable agroforestry systems, improving yields and quality of their products, leading to higher incomes and livelihood quality

• Investment model based on creating joint enterprises with established cooperatives, and sharing revenues from the sale of agricultural products, micro-credit, as well as carbon offsets

• Urapi has secured $40M USD of commitments from investors thus far and has approved 2 investments projects (out of 4)
How we invest
The Land Degradation Neutrality (LDN) Fund

- The Land Degradation Neutrality (LDN) Fund, co-promoted by the United Nations Convention to Combat Desertification (UNCCD) and Mirova, is a first-of-its-kind impact investment fund investing in profit-generating sustainable land use and ecosystem restoration projects worldwide.

- The LDN Fund has closed at $200M+ USD, and its pool of investors includes institutional investors, banks, and development banks.

- The LDN Fund provides long-term financing (debt/equity) for sustainable land use projects that will reduce or reverse land degradation, mostly in the field of sustainable agriculture and forestry.

- The Fund uses a layered structure, leveraging public money to increase private sector investment in sustainable development.
Let’s stay in touch

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Fondaction
Donner du sens à l’argent.