

CLIMATE ACTION AT A TIPPING POINT

Capitalizing on a 10-year track-record with corporate investors, Livelihoods is launching a 3rd Carbon Fund to help corporates, financial investors and cities accelerate climate action and deliver social impact at scale.

The Third Livelihoods Carbon Fund (LCF3) has a deployment target of €100 million with the aim to improve the lives of 2 million beneficiaries in developing countries, while delivering up to 23 million carbon offsets over the entire duration of the fund. In the continuity of the Livelihoods Carbon Fund #1 (LCF1,2011) and the Livelihoods Carbon Fund #2 (LCF2,2017) this new fund will invest in community-based solutions for the restoration of natural ecosystems, agroforestry and regenerative agriculture.

Companies from the private sector are increasingly engaged in driving climate action by transforming their business models towards sustainability and through taking strong commitments to achieve carbon neutrality. As the private sector ramps-up on both its carbon footprint reduction and compensation commitments, they are also exploring innovative financial solutions to accompany their transition towards carbon neutrality.

Blended finance will play a key role in accelerating this transition towards a low carbon economy. As financial investors' capital allocation is increasingly driven by sustainable investment criteria, they play a key role in financing climate action at scale and paving the road towards carbon neutrality.

The Livelihoods Carbon Fund is an impact investment fund, financed by private companies, since 2011, thanks to a unique investment model which leverages the low-carbon economy for the financing of natural ecosystem restoration and conservation to improve the livelihoods and resilience of rural communities who disproportionately bear the brunt of climate change.

A NEW ASSET CLASS FOCUSED ON CLIMATE

A scalable investment model to meet corporate & financial investors' appetite for nature-based investments

Thanks to long-term partnerships with project developers (NGOs, social enterprises, etc.), LCF1 & LCF2 pre-finance large-scale carbon projects¹ to restore and preserve degraded ecosystems in close collaboration with local communities. These projects contribute to GHG emission sequestration/avoidance in newly planted trees, restored soils, reduced methane emissions or decelerated deforestation amongst others.

By directly financing such restoration activities, LCF1 & LCF2 generate an equivalent volume of internationally certified carbon offsets corresponding to the units of GHG emissions sequestered/avoided under these carbon projects. The restoration of degraded ecosystems brings a wide range of co-benefits to local communities, such as a diversified diet thanks to planted fruit trees or enhanced agricultural yield thanks to the adoption of sustainable agricultural practices or biodiversity conservation for the planet. These benefits constitute a strong incentive for the preservation of these restored ecosystems by local communities, a key pre-requisite to the sustainability of LCF1 & LCF2 carbon projects.

¹ LCF invests in 3 types of projects: forestry/agroforestry, mangrove and coastal habitat, and sustainable energy solutions.

A UNIQUE BUSINESS MODEL THAT COUPLES PROFITABILITY AND IMPACT AT SCALE

The Livelihoods Carbon Fund #3 will build on previous LCF1 & LCF2 unique investment models by:

- **enabling investors progress toward carbon neutrality**, diversify their sourcing of carbon offsets across a large portfolio of nature-based carbon projects in order to reduce and mutualize their investment risks,
- **securing corporate investors ability to directly source**, on an annual basis, **in-kind carbon offsets** certified under rigorous international carbon accounting standards and at LCF3's production cost,
- **introducing a cash-based dividend distribution mechanism** to allow financial investors tap into monetized returns on their carbon investments,
- **enabling financial investors to securely tap into negotiated carbon markets' returns by entering into firm and long-term carbon offset purchasing agreements** with one or more carbon offset buyer(s), including LCF3 corporate investors, to monetize financial investors' carbon dividends from LCF3,
- **delivering additional social, economic and environmental impact** to rural communities.

Livelihoods Carbon Fund #3 aims for a closing end of 2020.

AN INVESTMENT MODEL DRAWING ON A DECADE OF DELIVERED RESULTS

A third-party audited investment track record to accelerate climate action

The Livelihoods Carbon Fund #1 and the Livelihoods Carbon Fund #2 (both sub-funds of a Luxembourg-based SICAV-SIF), have an operational track-record of yearly carbon offset dividend distribution consistently above business plan projections.

The Livelihoods Carbon Funds have been supported by 10 private companies committed to offset their carbon emissions, while delivering social and economic impact for the most vulnerable communities. To this day, they have been supported by **Danone, SAP, Hermès, Crédit Agricole, Michelin, Voyageurs du Monde, Groupe Caisse des Dépôts, La Poste, Firmenich, and Schneider Electric.**

“Our investment experience makes us strongly believe in the feasibility of large scale and robust carbon projects which can also deliver a lasting social and economic impact for rural communities in developing countries. Ten years ago, together with the Senegalese NGO Océanium, we mobilized 100,000 villagers for the restoration of their degraded mangrove. They planted the equivalent of the surface of Paris, 10,000 ha, with 80 million mangrove trees. An impact survey undertaken in 2018 amongst these same communities highlighted the benefits the restoration brought to their daily lives: 95% of villagers reported at least one positive impact of the mangrove restoration on their lives, among which an increase in fish stocks, estimated at more than 4,200 tons per year, as well as more than 10% increase of crop yields thanks to reduced salinity in rice fields. We can see the same dynamics at play across our portfolio of projects in India, Kenya and others”, shares Bernard Giraud, President and Co-Founder of Livelihoods.

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ABOUT THE CERTIFICATION OF CARBON CREDITS FROM LIVELIHOODS PROJECTS

The carbon offsets generated by Livelihoods projects are certified by Gold Standard (created by WWF) and Verra (previously VCS-Verified Carbon Standard). This certification guarantees that the climate impact of a project has been rigorously measured according to internationally recognized methodologies. One of the key carbon offset issuance criteria for this certification is “additionality”, meaning that the carbon sequestration/avoidance unit would not have occurred under a business-as-usual scenario if not thanks to the financing of this carbon sequestration/avoidance unit. Other social and environmental impacts of the Livelihoods projects also contribute to the Sustainable Development Goals of the United Nations (SDGs).

ABOUT THE LIVELIHOODS FUNDS

- **The Livelihoods Carbon Funds (LCF):**

Livelihoods Carbon Funds have been created by private companies to generate social, environmental and economic impact in Africa, Asia and Latin America. Livelihoods links private companies, NGOs, public institutions and experts. It builds public-private coalitions to develop projects generating value for all: improved livelihoods for rural communities, public goods (nature and water conservation, CO₂ sequestration), sustainable sourcing and high-quality carbon credits for businesses. Livelihoods Carbon Funds provide upfront financing to best-in-class project developers for the implementation of large-scale projects over 10 to 20 years. Returns to the funds are results-based to guarantee that projects are delivering tangible social, environmental and economic results. Created in 2011, the first Livelihoods Carbon Fund invested 40 million euros in mangrove restoration, agroforestry and rural energy projects. In 2017, the second Livelihoods Carbon Fund accelerated the development of these projects, with an additional investment of 65 million euros.

- **The Livelihoods Fund for Family Farming (L3F)**

The **Livelihoods Fund for Family Farming** was launched in 2015 with Danone, Mars and later joined by Firmenich and Veolia. L3F was born out of the conviction that environmental degradation, climate change, and rural poverty are interlinked: it provides a new approach to transform the companies’ supply chains while improving the lives of smallholder farmers, in order to address all these issues simultaneously. Through this fund, we invest in large-scale projects enabling farmers produce greater yields of higher quality, through large-scale sustainable agricultural practices and strengthened connections between family farmers and business supply chains. L3F targets raw materials which are mainly produced by smallholder farmers and greatly impacted by environmental, social and economic issues, such as cocoa, palm oil, vanilla, milk, sugar, coconut, water (mainly through watershed protection). This fund is investing 120 million euros over 10 years and receives results-based payments in order to guarantee tangible social, economic and environmental impacts.