Paving the way to resilience: THE LIVELIHOODS FUNDS' 2022 IMPACT HIGHLIGHTS













1. A WORD OF INTRODUCTION

i. For more than 10 years, the Livelihoods Funds have been driving solutions for climate change, biodiversity preservation & social impact at scale

The Livelihoods Funds were created in 2011 with the primary mission to reverse the trend of climate change, preserve our planet's natural resources and support the livelihoods of rural and agricultural communities. In the past decade, Livelihoods' action on the ground has been driven by two convictions: the first, is that no large-scale transformation can be achieved without the direct involvement of the local communities who depend on nature for their food, income, and lives. The second, is that no single actor can achieve the major sustainable transitions of our times on his/her own. Coalitions between local communities, governments, private and public stakeholders are necessary to succeed in such transformations.

Learn more about our mission in the Livelihoods' Charter.

Remaining true to their primary mission over the years, the Livelihoods Funds rely on two complementary pillars. The <u>Livelihoods Carbon Funds</u> (LCF) leverage carbon finance to restore degraded natural ecosystems and their services, improve the livelihoods of rural communities, facilitate the transition to efficient rural energy and to regenerative agriculture, through 10 to 20-year projects. All projects implemented within these Carbon Funds are afforestation or reforestation ones, as gradually store carbon at the rhythm of the trees' growth. The <u>Livelihoods Fund for Family Farming</u> (L3F) accompanies committed brands to transform their supply chains and sustainably source commodities mainly produced by smallholders in Asia, Africa, and Latin America (e.g., cocoa, vanilla, coconut...)



Bringing together coalitions of actors who are committed in the long run, Livelihoods projects operate by considering the very local social, environmental, and economic context and impacts generated. From the coffee tree plantations of Araku Valley in India to the muddy mangrove areas of Sumatra Island, Indonesia, or the smallholder vanilla plots of Madagascar, rural and agricultural communities are the main actors of change.

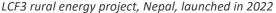
To date, the Livelihoods Funds have contributed to plant 148 million trees, to capture or reduce 4.3 MTCO₂, restore or rehabilitate 38,000 hectares of natural ecosystems rich in biodiversity (such as mangroves or forests) and convert 50,800 hectares to sustainable agricultural practices. Overall, Livelihoods projects are contributing to improve the living conditions of 1.8 million people, worldwide.

ii. 2022: Scaling-up Livelihoods model for resilience

In 2022, the Livelihoods Funds reached a turning point. Several historic projects supported by the first Livelihoods Carbon Fund (LCF1, 2011) have reached more than 10 years and are now delivering social, economic, and environmental impacts beyond carbon. Similarly to the <u>social impact study</u> conducted for the very first mangrove restoration project in Senegal and published in 2020, two additional projects have been identified to undergo field studies that will evaluate the long-term impacts on local communities and their environments, 10 years after their launch. The impact study for Livelihoods' mangrove restoration program in the Sundarbans, India (with local NGO <u>Nature Environment & Wildlife Society</u>) will be conducted during the first quarter of 2023. During 2023 a study will also be conducted to evaluate the impacts of Livelihoods' agroforestry project in Araku Valley, India (implemented with local NGO <u>Naandi Foundation</u>).

2022 was also marked by the **first projects supported by the 3rd Livelihoods Carbon Fund** (LCF3, 2021). With an investor commitment of 150 million euros over 20-year projects, LCF3 was launched in June 2021 thanks to the commitment of 14 investors¹. In 2022, three projects have been validated by LCF3 investors for implementation: a <u>rural energy project in Nepal</u> to support 75,000 families with efficient cookstoves (with local NGO <u>Practical Action</u>), an agroforestry project in Peru to restore 4,700 hectares in the surroundings of one of the most biodiverse, preserved, and ecologically important sites of the Peruvian Amazonia in the Cordillera Azul National Park (with local NGO <u>CIMA</u>), and an agroforestry & coffee project in Sumatra's highlands, Indonesia (with local NGO <u>Leuser Foundation</u>) targeting 10,000 families.







LCF3 mangrove project, Mexico, launched in 2022

¹ Namely Bel Group, Chanel, Danone, DEG Invest, Eurofins, Hermès, L'Occitane, Mars, Mauritius Commercial Bank, McCain Foods, Orange, SAP, Schneider Electric, and Voyageurs du Monde.



In 2022, the <u>Livelihoods Fund for Family Farming</u> (L3F, 2015) accelerated the transition of smallholder farmers to sustainable and regenerative agricultural practices. Livelihoods launched an <u>unprecedented cocoa initiative</u> in Ghana, to help lift farmers out of poverty. In a test & learn approach, with the support of Mars Incorporated, this cocoa project aims to identify which levers can help cocoa smallholder farmers sustainably restore their farms and improve their income. In Madagascar, Livelihoods' vanilla project also marked a turning point: midway of this 10-year initiative, the project is delivering significant impacts regarding farmer income, structuring farmer associations, bringing women to leading positions and preserving biodiversity.

Our project results were validated through a social audit -performed by a third party- which showed for instance that 96% of interviewed farmers consider their vanilla income has improved significantly in 5 years. Read the main results of the social audit.



Livelihoods vanilla project in Madagascar: thanks to Tambatra cooperative, farmers are involved in the vanilla preparation process



2. THE LIVELIHOODS CARBON FUNDS' IMPACT HIGHLIGHTS

A unique business model to tackle climate, biodiversity & social impact at once

The Livelihoods Carbon Funds invest in large-scale projects to restore natural ecosystems and promote sustainable farming practices and efficient rural energy. These projects have a positive impact on the environment while improving the livelihood of rural communities. The Livelihoods Carbon Funds are impact investment funds created by private companies who are committed to combat climate change and to drastically reduce their own emissions (c. 90% of investments in the Funds come from SBTi-committed² company). These companies are joining forces in mutualized investment vehicles for 20 years. The first Livelihoods Carbon Fund was set up in 2011, followed by a second one in 2017 and a third one in 2021.

The investments have a two-fold objective: contribute to mitigate limit the impacts of climate change by storing significant quantities of carbon in trees and the soil and help poor rural communities to sustainably enhance their resilience and livelihood standard of living. The carbon impact is measured and certified in line with benchmark international standards (namely VERRA and Gold Standard). The carbon credits are delivered to the companies proportionately to their investment for them to claim a quantified, certified and significant contribution to climate change mitigation beyond their value-chains' carbon footprint reduction commitments. The agricultural output created or strengthened by the Livelihoods projects belongs to the local communities: they keep 100% of the produce from their forests, farms, and fisheries for themselves, for self-consumption or to sell them and sell it on.

All three Livelihoods Carbon Funds have a total investor commitment of 260 million euros. They aim to improve the livelihoods of 4 million people and sequester or reduce the equivalent of c. 40 million tons of CO₂.



Livelihoods' agroforestry project in Guatemala

² https://sciencebasedtargets.org/companies-taking-action



-

ii. 21 Livelihoods Carbon Funds projects implemented across all continents

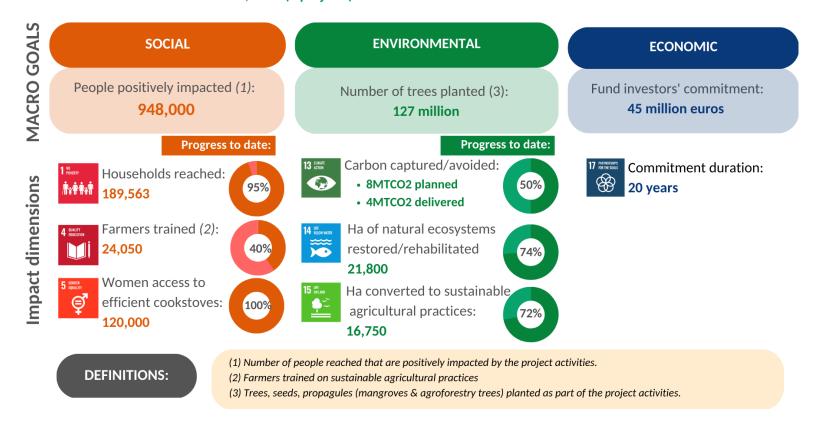
Current portfolio targets to be achieved over 10 to 20-year projects





LCF1 (2011) KEY INDICATOR DASHBOARD

Results estimated as of December 31, 2022 (9 projects):

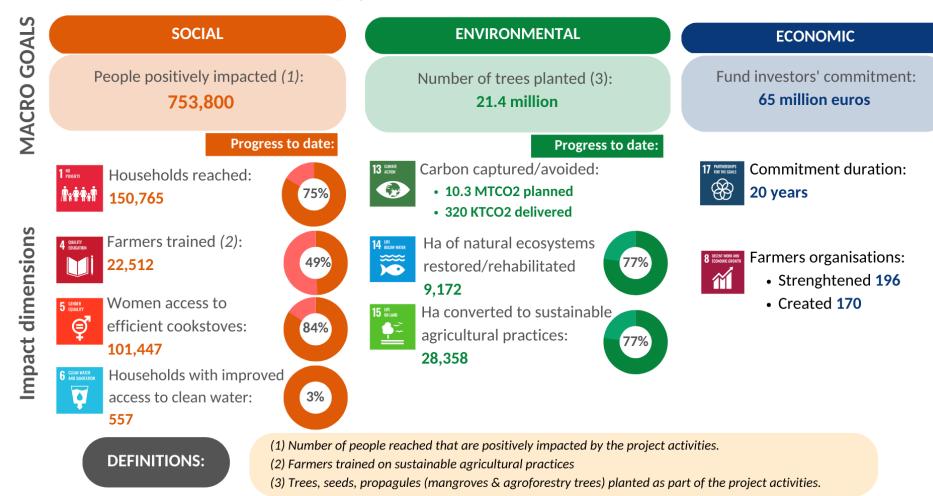




iii. Delivering social, environmental & economic impacts, beyond carbon

LCF2 (2017) KEY INDICATOR DASHBOARD

Results estimated as of December 31, 2022 (9 projects):





3. SPOTLIGHT ON FOUR CARBON PROJECTS WHICH MADE A CHANGE FOR NATURE, CLIMATE & PEOPLE IN 2022

i. Mangroves in Sundarbans, INDIA: 4,550 hectares restored acting as a bio-shield and increasing fish resources for coastal communities



Mangrove restoration project, Sundarbans

Launched in 2010, the mangrove restoration project in Sundarbans, India, implemented with local NGO Nature Environment & Wildlife Society (NEWS), is one of the very first Livelihoods Carbon projects (LCF1). Its goal was to restore 5,000 hectares of mangroves in the aftermath of Aila cyclone which devastated the area in 2009. The planting efforts lasted from 2010 to 2013 and engaged women and men from the local communities who live in the embarkments.

The project aimed to reduce the climate change risks by acting as natural buffers against cyclones and tidal surges, protect coastlines and embankments from erosion and thereby safeguarding homes and arable lands. Beyond sequestering 1 MT CO₂ over 20 years, the initial benefits expected from mangrove restoration were to increase fish stocks and therefore to improve the local communities' food and nutritional security.

More than 10 years later, 4,550 hectares of mangrove plantations are thriving and have effectively protected the coastline from Amphan cyclone which hit the region in 2020. Today, local beneficiaries have experienced the remarkable positive effects of the restored mangroves: reduced cyclonic impact, improved fish stocks and overall, a better quality of life. The mangroves are now providing new sources for livelihood creation (for example, ecotourism) and are protecting their existing livelihood sources (including agriculture and aquaculture).

An impact study will be conducted in the project area in 2023 to thoroughly assess the benefits, the challenges related to the restoration since its launch, as well as to provide evidence for collective learning. Learn more about the project and our interview with Ajanta Dey, Joint Secretary & Programme Director of NEWS.



ii. Agroforestry in RWANDA: a large-scale model to reduce erosion and improve soil fertility for the benefit of 27,000 farms



Livelihoods agroforestry project in Rwanda

Livelihoods' agroforestry project in Rwanda was launched in 2020 by the 2nd Livelihoods Carbon Fund (LCF2, 2017) together with local NGO Albertine Rift Conservation Society (ARCOS). Activities take place on four different landscapes on the hilly slopes of Rwanda, East Africa, where the livelihoods of rural communities are particularly vulnerable and soil degradation makes agriculture a challenge.

Our goal is to plant 3.7 million trees and to increase the resilience of over 27,000 smallholder farms by providing access to knowledge, inputs, and financial literacy. Our model of intervention is based on the transition to a more diversified and sustainable agriculture as well as better forest management, while sequestering a total of 2.2 million tons of CO₂ over 20 years.

Three years since the project launch, 3.3 million trees have been planted, more than 20,000 farmers have joined the initiative: around 17,400 of them have been trained and are now transitioning more than 12,000 hectares to sustainable agriculture. Thanks to the local NGO's team of 30 field officers who live close to the villages, the project has helped create 693 farmer groups, called Friends of Nature, who train farmers on agroforestry practices, and who have provided financial literacy to over 1,500 women. As part of 2023 activities, the project will provide financial incentives to a subgroup of producers who have a business idea to diversify their sources of and increase their income.

The combination of little land available per farmer and demographic pressure had led to an over exploitation of natural resources. The plantation of new trees will provide wood for construction and cooking and will preserve the soil from erosion, thus promoting maintenance of the topsoil which is so valuable for agriculture. The challenge ahead is to make sure the farmers take care of the trees to limit the negative impacts related to the lack of rain, termites, and pests that an unbalanced ecosystems can generate.

Learn more about the project and the benefits of the agroforestry model implemented.



iii. Efficient rural energy in MALAWI: preserving health & forests with already more than 41,000 households



Livelihoods rural energy project, Malawi

In 2020, the 2nd Livelihoods Carbon Fund (LCF2, 2017) launched a 10-year initiative to distribute clean stoves to 60,000 households in the districts of Zomba and Machinga, in the southern region of Malawi. The project is implemented with United Purpose, one of Malawi's largest NGOs which has more than 30 years of experience supporting rural communities. The project is implementing the distribution of the "Chitetezo Mbaula" cookstove which means "protecting stove".

To date, 30,000 clean stoves have already been distributed for free to low-income families, thanks to the tremendous support of women groups and our partner NGO, who are reaching out to the most isolated households. 11,000 additional stoves have been commercialised at market price and with incentives to the beneficiaries.

Each family who purchases a clean stove receives 1 kilo of pigeon peas in exchange. Pigeon peas is a nutritious and fast-growing food crop which generates food and income for rural families and is therefore highly valued. The project also relies on a strong collective approach and existing community spirit. As a collective incentive, strategically located broken boreholes will be repaired and maintained by United Purpose's specialized teams.

To date, thanks to the project, 20 women-led groups have been created, it has been agreed that 34 boreholes will be repaired, and a total of 214 temporary jobs have been created for the distribution of stoves in the villages. Over 10 years, the project will help generate 270 permanent jobs. The main expected impact of this initiative area drastic reduction of the time spent by women collecting wood and a reduction of health risks linked to traditional, non-efficient cookstoves, in addition to contributing to the preservation of trees traditionally used as a cooking fuel.

Read more about the project in Malawi.



iv. Regenerative agriculture in Brittany region, FRANCE: support farmers to regenerate the soil and biodiversity



Livelihoods' regenerative agriculture project in Brittany

As the leading agricultural region in France and the third largest in Europe, Brittany has put agroecology at the heart of its economic, social, and environmental strategy. About 20 years ago, a handful of farmers in the Finistère department, motivated to restore the health of the soil, embarked on a new approach: regenerative agriculture.

Also called "conservation agriculture", regenerative agriculture is an agroecological production model that places soil restoration at the heart of the system. In 2021, Livelihoods invested in its first project in Europe: convert 11,000 hectares to regenerative agriculture in Brittany region, with 100 farmers. The project aims to capture 140,000 tons of CO₂ over 10 years.

Conducted in partnership with the Brittany Region, the Regional Chamber of Agriculture, and local association Sols d'Armorique, this project called "Sols de Bretagne" will bring economic benefits to the farmers (reduced production costs), improve soil fertility, generate more biodiversity in the soil and more attractive working conditions, especially for the younger generations of farmers who aspire to a better life balance and a higher income. On the economic front, regenerative agriculture aims at maintaining a good level of productivity per hectare while reducing production costs through practices such as no tillage and inputs reduction. With lower production costs, the farmers can therefore increase their income at a constant market price.

To date, 72 farmers have already joined the project with a total surface of 8,000 hectares. The remaining farmers to reach the target of 100 will be recruited during the first semester of 2023. Farmer groups are being structured to promote peer-to-peer knowledge and learning sharing. Beyond the key social and economic impacts expected by the farmers, farmers have also expressed great enthusiasm regarding soil conservation agriculture. One key factor often mentioned is the dynamics of knowledge transmission and the exchange of experiences between farmers who are innovative but feel too often isolated in their efforts to achieve the transition.

Learn more about the project in the Brittany region.



4. THE LIVELIHOODS FUND FOR FAMILY FARMING (L3F) IMPACT HIGHLIGHTS

i. An innovative investment model to enhance smallholders' livelihoods & supply chains sustainability

The <u>Livelihoods Fund for Family Farming</u> (L3F) was created in 2015 at the initiative of Danone and Mars Incorporated and was later joined by Firmenich and Veolia to develop projects in their supply chain and areas of influence. This fund was born out of a joint conviction that the deterioration of the environment, climate change and rural poverty were interlinked. It adopts an innovative approach to transforming companies' supply chains while at the same time improving the lives of independent farmers working on small farms (<5Ha). The objectives are to invest in regenerative farming projects, improve the quality and traceability of produces, preserve natural resources, and enhance the resilience of people's livelihoods & farms.



Women farmers, vanilla project in Madagascar (photo taken in October 2022)

Through this fund, L3F invests in large-scale projects that enable farmers to produce more and better — and hence to increase their income — to adopt soil regenerative practices and to strengthen and improve the connections and collaboration between family farmers, farmers' groups, and business supply chains. L3F targets investments into tropical commodities and ingredients which are mainly produced by smallholder farmers and greatly impacted by environmental, social, and economic issues: main targeted agricultural crops are cocoa, palm oil, vanilla, milk, coconut, shea nuts, rice etc. Specific L3F projects also target water quality and quantity (mainly through watershed protection).

Alongside the long-term commitment of our Investors' brands to source the ingredients produced by participating smallholders, L3F provides upfront financing to local project implementers (often grassroots NGOs) that deploy large-scale sustainable agriculture projects featuring a landscape approach with rural farming communities. The participating smallholder farmers are provided with training, equipment, and technical assistance to implement the transition with the support of L3F Teams, engaged suppliers and technical partners. All projects implemented through L3F generate tangible social, economic, and environmental benefits for the smallholders involved, including increased and diversified net incomes, enhanced farm viability, job creation for youth & women, and more stable market connection.



ii. 8 supply chain transformations improving farmer income & enhancing biodiversity across 34,000 hectares

Targets with current portfolio of projects

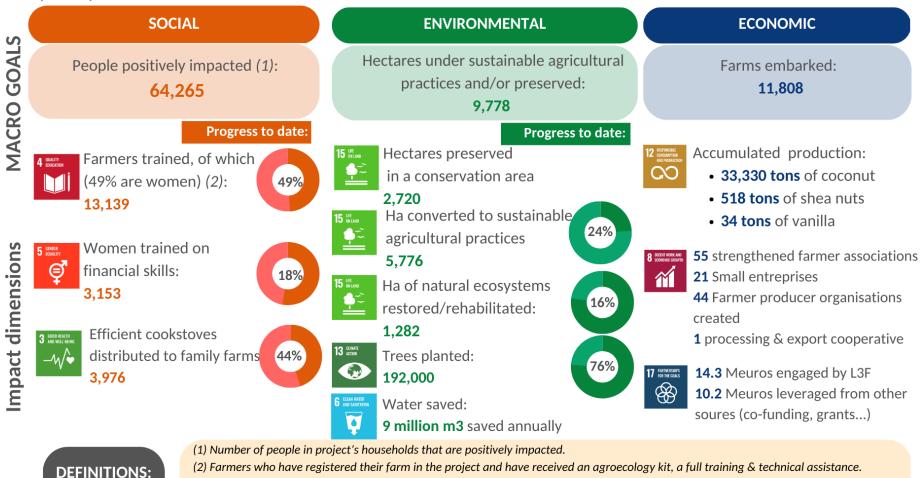




iii. What have we collectively achieved for farmers, soil & committed companies so far?

Results estimated as of December 31, 2022 (8 projects under implementation)

L3F (2015) KEY INDICATOR DASHBOARD



soil fertility, water use, reduction of greenhouse gas emissions, biodiversity; forest cover

(3) Sum of all surfaces on which an appropriate response is implemented for those of the following challenges relevant in the project context:



5. SPOTLIGHT ON THREE FAMILY FARMING PROJECTS WHICH CONTRIBUTED TO GENERATE SIGNIFICANT IMPACTS ON INCOME, BIODIVERSITY & AGRICULTURE IN 2022

i. Vanilla in MADAGASCAR: the transition to a resilient supply chain with 2,700 smallholders is well underway



Livelihoods vanilla project in Madagascar, implemented since 2017

Livelihoods-vanilla project in the north-east of Madagascar is building a resilient supply chain with 2,700 family farms, over 10 years. It started in 2017, with the support of Danone, Mars & Firmenich and local NGO Fanamby. During the first five years of the project, farmers were trained on sustainable practices to increase vanilla productivity and quality.

The creation of a farmer-owned cooperative, called "Tambatra" enables to connect the farmers directly to the market and integrates women and the youth in the vanilla production. In a context of high price fluctuations, the project is focusing on theft mitigation, good agricultural practices, internalization of vanilla curing process and fair price mechanisms to significantly increase farmers' revenues. The project is also contributing to the protection of 3,000 hectares within a unique tropical forest and a rich in biodiversity ecosystem: *Pointe à Larrée*.

In 2022, the farmers-owned cooperative, Tambatra, obtained the organic certification for 50% of its production, which testifies the quality of the production and expertise of the local team. Thanks to the benefits generated by the project, an increasing number of households are eager to join the initiative which has enabled the lead NGO, Fanamby, to complete the recruitment of the 2,700 families target. Among those families, 650 are led by women which benefit from trainings on vanilla farming as well as on market gardening to diversify their family diet and sources of income. The project is also investing in the next farmer generation thanks to a farming school that was created in the project area and has already trained more than 200 youths with 1- to 2-year curricula. From an environmental perspective, the project is witnessing tangible evidence of an improving condition of the biodiversity in the neighboring protected area of *Pointe à Larrée*.

A social impact study conducted in the project area and published in early 2022 shows that 91% respondents consider the vanilla supply chain has improved significantly. But also, that 96% of farmers consider that their vanilla income has improved, and that women and young farmers are better involved in the supply chain. Read more about the study's results and the project.



ii. A transparent coconut supply chain in the PHILIPPINES: transforming the coconut landscape to improve farmer income



Livelihoods coconut project in Mindanao island, implemented since 2017

In the Philippines, the second coconut producer in the world, the supply chain is particularly fragile. When Livelihoods first launched its coconut project in Mindanao (the country's second largest island), ageing Filipino coco farmers were the poorest in their country, with around 50% of them living with less than USD 2 per day. Some young farmers managed to set up new types of activities from coconuts and aspire to a brighter future. But a clear majority lacked technical support, access to market and financing.

With a first project launched in 2017 with Mars Incorporated and a second one in 2018 with Danone, Livelihoods has been active in the area for the past 6 years to improve the livelihoods of coconut smallholders and increase their resilience to climate change, by creating a transparent supply chain, shifting to organic production and diversified sources of income.

The local activities are implemented by Filipino NGO IRDF (Integrated Rural Development Foundation). In 2022, the project reached a turning point: organic coconuts processed for Danone are now 100% sourced by certified farmers supported by the project with more than 4,000 metric tons produced. It also achieved to fully replant some plots with a tree variety crops that generate higher yields. The combination of these measures, together with a price premium paid to farmers and intercropping (cocoa and banana replacing low-income crops), has brought farmers an up to 100% income increase Women are also accompanied and empowered through business skills, financial literacy, and direct involvement in the coconut husk production.

Learn more about the project.



iii. Water resources & agriculture in MEXICO: improve farmer income and combat water scarcity in a dry area



Livelihoods' watershed preservation project in Mexico, implemented since 2018

Launched in 2018 with Veolia & Danone, the resilient agriculture and watersheds project in Aguascalientes, Mexico, will enter its final year of implementation in 2023. It aimed to support farmers into investing in drip irrigation equipment and improve farm resilience in a context of increased aquifer deficit.

Together with local State organisation SEDRAE (the Agricultural Authority of the State of Aguascalientes), 275 family farmers have been supported over a period of 5 years to transform 1,170 hectares of highly water-consuming farms to more sober ones (minus c. 40% of water consumption). Funding for the equipment is coming c. 50%/50% between the farmers and SEDRAE.

The project developers, *Consejo Estatal Agropecuario de Aguascalientes* (CEAA) and SEICODESA, are managing the necessary support for farmers to access government subsidies. They are also providing farms with a 24-month customised training and coaching to manage crops according to their specific needs of water resources.

The main benefits perceived by producers to date include a workload reduction of more than 50% in the irrigation work, 30% reduction of energy consumption in water extraction from the wells, but also 25% increase in production (fodder) and improved income thanks to higher production volume and lower costs. Overall, the project has helped achieve c. 40% water reduction consumption on average within beneficiary farms.

Learn more about the project's initial ambitions.

