

# Mirova for Nature

## Biodiversity, our 2020 roadmap





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2020 is a pivotal year for taking action to protect nature and biodiversity. There are several key events coming up over the next few months. Among them: the World Conservation Congress organized by the International Union for Conservation of Nature (IUCN) to be held in Marseille in June, the COP15 on Biodiversity in China in October, as well as the New York UN summits in September and the November COP26 climate conference in Glasgow.

The involvement of the economic and financial sectors will play a central role in the success of this series of diplomatic events. As was the case with the Paris COP21 climate conference, the mobilization of companies and investors will be a key driver of government decisions. The green and sustainable investment sector, which is showing steady growth, must be positioned at the heart of this movement. Investment is a powerful incentive, and it must serve the preservation of biodiversity, just as it has served the fight against climate change. Such service involves gradually factoring the impact on nature and biodiversity into our risk assessments and our search for investment opportunities. At Mirova, we set out on this task enthusiastically, confident in the favorable impact that nature-focused investment will have on everyone.

**WE HAVE SET THREE MAIN  
OBJECTIVES FOR OURSELVES:**

- 1** | Accelerate our direct investment in **natural capital and Nature-Based Solutions** and develop a market ranging from incubation to scale-up of new models;
- 2** | Develop a **data-driven methodology and market** focused on companies impact on biodiversity to better integrate said biodiversity into the investment process for listed funds;
- 3** | Participate in an initiative that brings **together public and private players** to create tools designed to help the financial sector preserve nature.

## 2020 key dates

Global biodiversity finance conference  
organized by the OECD\* and UNDP\*\* Biofin

**April 14-17** | Paris, France

\* Organization for Economic Co-operation and Development

\*\* United Nations Development Program

World Bank Spring Meetings

**April 13-19** | Washington D.C., United States

Meeting of the Subsidiary  
Body on Implementation of  
the Convention on Biological  
Diversity (CBD)

**May 25-29** | Montreal, Canada

World Conservation Congress of  
the IUCN\*\*\*

**June 11-19** | Marseille, France

\*\*\* International Union for the Conservation of Nature

United Nations General Assembly,  
Leaders' Biodiversity Summit

**September 15** | New York, United States

COP 15 of the Convention  
on Biological Diversity

**October 5-10** | Kunming, China

COP 26 of the United Nations Climate  
Change Framework Convention

**November 9-20** | Glasgow, UK

# Introduction

In recent decades, we have witnessed growing public awareness of environmental issues. The fight against climate change has become the centerpiece of public debate and corporate strategy. It also tops the list of citizens' concerns. However, for the scientific community, climate is not the only cause for concern when it comes to our environment. Our lifestyles have led to levels of consumption that far exceed our ecosystems' capacity for regeneration. And what we discharge into the environment, whether it is waste or emissions that pollute the air, the water and our land, has a lasting impact on plant and animal species.

In recent years, a need has emerged from the heart of our concerns to preserve the "diversity of living things", our biodiversity. This way of thinking is both a product of "ethical" considerations – a moral duty to preserve other life forms on our planet – and a more "utilitarian" outlook, concerned with preserving the essential services that nature has freely provided us. Regulating air quality, maintaining soil fertility, producing food, and fertilizing crops are all "ecosystem services" that we would find difficult to replace if biodiversity is not sufficiently preserved.

The gravity of the situation is clear to all. Whether it's on land or at sea, from large vertebrates to insects, wild animal and plant species are in sharp decline. With every day that passes, their natural habitats are increasingly encroached upon. A few figures to demonstrate the sheer scale of the problem: Since 1970, the number of vertebrate species has plummeted by 60%<sup>1</sup>. Nearly 40% of freshwater fish face extinction<sup>2</sup>. Every year, the world loses 12 million hectares of tropical forest<sup>3</sup>. More than 35% of our wetlands have been lost in 40 years<sup>4</sup>. Looking beyond these figures worldwide, where some regions have exceptionally rich biodiversity, there are "hot spots" such as Southeast Asia's primary forests and Australia's Great Barrier Reef that are more endangered every day.

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1 Source: WWF, 2018

2 IUCN, 2012

3 WRI, 2019

4 RAMSAR, 2018

# 1

## Accelerate our investment in natural capital and Nature-Based Solutions

and develop a market ranging from incubation to scale-up of new models

The notion of Nature-Based Solutions has emerged in recent years to address this challenge. IUCN defines Nature-Based Solutions as actions to “protect, sustainably manage and restore natural or modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.”

Such solutions include investment in reforestation, sustainable agriculture, ocean conservation, and the restoration of degraded land. As a pioneering and impact-investing asset management company, Mirova seeks to contribute its expertise and experience to these initiatives. To this end, we have rolled out several targeted investment strategies in natural capital. Throughout implementation, our goal is to manage, measure and maximize impact. Our strategies are aimed at contributing to the financing of projects that combine profitability with ecosystem preservation and restoration. A few examples: our Climate strategy focuses on sustainable land use to

combat climate change, the “Land Degradation Neutrality” strategy targets the issue of land degradation by investing in agro-forestry or sustainable forestry projects, while the “Sustainable Oceans” strategy targets marine and coastal ecosystems, which are also extremely fragile. In time, this range will be extended, thereby broadening our skillset to take on potential initiatives, from incubating budding projects to upscaling more mature ones.

# Our actions



We invest directly in natural capital



<sup>5</sup> The abovementioned strategies are managed by Mirova and Mirova Natural Capital



We have committed to contribute €1bn in natural capital investment by 2022, as part of the Act4Nature initiative

## 2 | Develop a data-driven methodology and market

focused on companies' impact on biodiversity

Aside from developing high-impact strategies, the entire financial sector must consider the issue of how current business models impact nature. In short, financed activities affect our ecosystems, which in turn are needed to ensure the sustainable functioning of our society. We need to have a firmer grasp on this relationship. Companies' impacts and dependence on nature also need to be understood so that corporate commitments to nature are more explicit, more consistent, and easier to monitor and measure.

Incorporating impact into biodiversity as a single indicator is a difficult undertaking. Initial methodological tools, such as km<sup>2</sup> MSA (for Mean Species Abundance<sup>6</sup>), create the conditions for this incorporation to facilitate decision-making at the macro level. Nonetheless, they are still research tools that have not yet received international approval.

As an investor in the equities and bonds of listed companies, we believe it is necessary to measure the impact of companies and our portfolios on biodiversity. As it stands, though, we are faced with a lack of methodology and data. There is still limited scope for transparent corporate value chains. As a result, it is difficult for us to understand the problems posed by their activities, the solutions they implement, and the transformations they are undergoing.

Currently, there is little information on biodiversity in the data available from non-financial rating agencies and major data producers. Developing a credible service demands not only in-depth work on methods and cross-company collaboration, but also the existence of a business model for data providers.

Against this backdrop and working hand-in-hand with our partners, AXA IM, BNPP AM and Sycomore AM, we launched a call for expression of interest from agencies and data providers to develop and publish reliable information on biodiversity. By positioning ourselves as users and buyers of this information, we hope to create a market and encourage agencies to invest in the research and development of this service. We also hope to mobilize the investment sector, allowing the emergence of a shared methodology. We have laid the strategic foundations for what we hope to achieve, leaving the choice of methodology open, but we remain fully committed to co-developing relevant and practical data.

Through this initiative, we will be able to measure the impact of our equity and bond funds on biodiversity. First and foremost, however, we will have established a tool that determines our strategies that are decisively focused on the environmental transition (the Europe Environment Equities strategy and the Global Green Bond strategy). The overall

objective will be to demonstrate the impact of Mirova's philosophy and fine-tune our investment decisions.

Other investors have already expressed interest in joining this initiative. Working alongside our partners, we are preparing to issue a joint investor statement. This means that all financial players that wish to lend their support to our cause can do so.

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<sup>6</sup> Mean Species Abundance



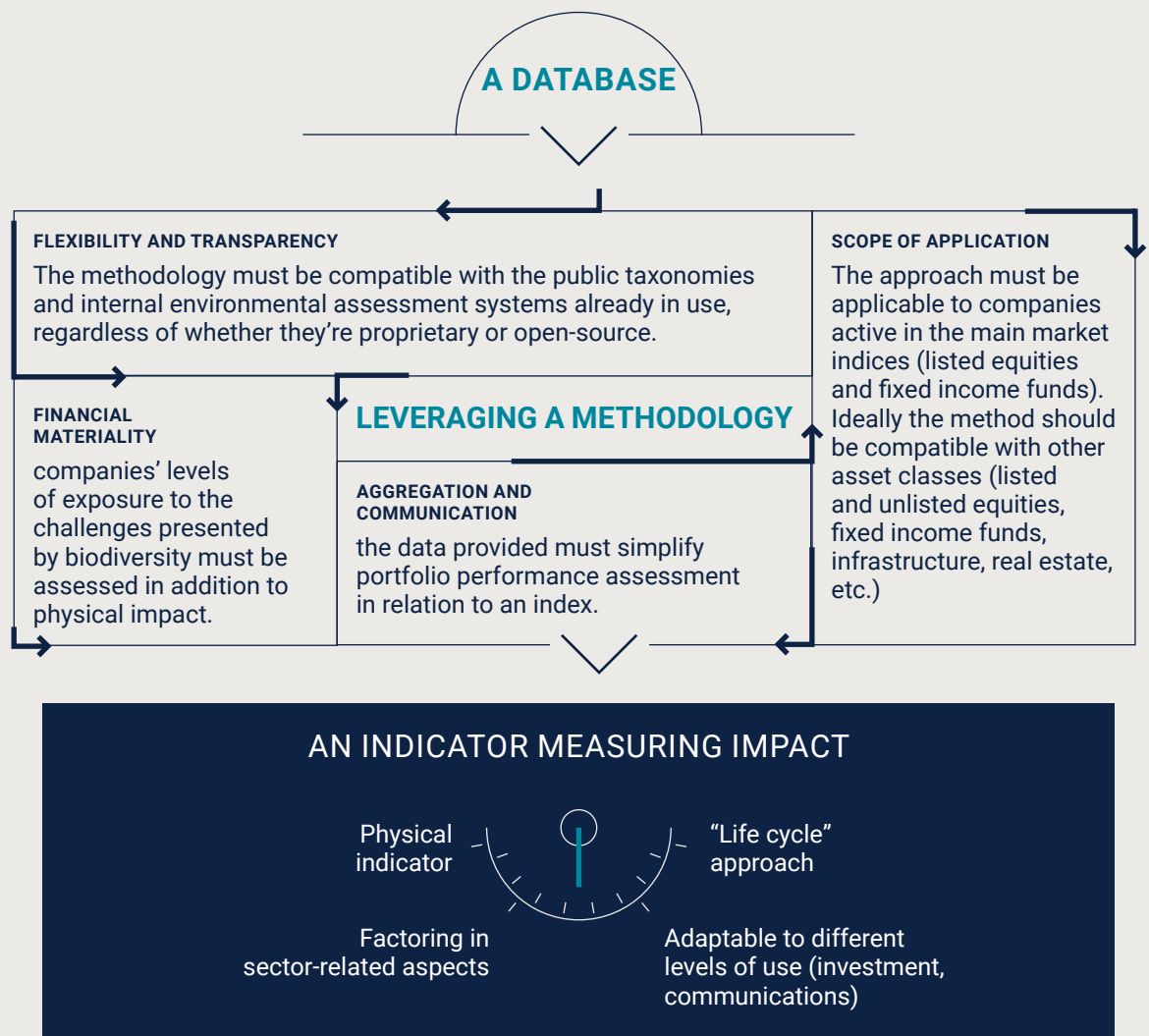
## Our actions



Mirova, AXA IM, BNPP AM et Sycomore AM have launched a joint initiative to develop pioneering tool for measuring investment impact on biodiversity

*“It is critical that we begin to take into account biodiversity-related challenges. We believe it is crucial that the financial community address this issue in the same way that it has addressed climate change. We hope that the tool we have developed will serve all market players and will become the go-to benchmark.”*

Julien Foll from AXA IM, Robert-Alexandre Poujade from BNPP AM, Sarah Maillard from Mirova and Jean-Guillaume Péladan from Sycomore AM issued the following statement.



We initiated a joint investor statement

# 3 | Participate in an initiative that brings together public and private players

If sustainable investment players must prepare themselves to offer solutions to the issue of biodiversity loss, we should not delude ourselves into thinking that success is possible without involving the entire economy. Most crucial of all, though, is the contribution of the public sector.

The diplomatic calendar for 2020 provides a number of opportunities for public and private actors to meet and start developing the foundations. We hope to reach a historic and binding agreement, on the same scale as the one reached at COP 21 for the climate. This agreement is a must! All stakeholders are pushing for it to be signed, including businesses, investors, governments, multilateral organizations and society at large.

At Mirova, our goal is to contribute towards making 2020 a breakthrough year in recognizing and incorporating nature and the environment into all components of financial analysis. This is why Mirova is committed to the initiative bringing together private actors, regulators and representatives of the community at large, with the following targets.

■ **Contributing to the development of effective financing mechanisms to restore nature:** on climate change, the European Commission's efforts to bring together a High Level Expert Group to make proposals was a success. It quickly resulted in the launch of a major legislative work: the European Commission's action plan on sustainable finance. A collaborative initiative

based on this model would be particularly relevant now to facilitate the development of "blended finance", a form of finance that combines public and private funding, and which now appears to be a key lever to financing the restoration of ecosystems.

■ **Defining a reporting framework on biodiversity and nature:** accelerate in integrating biodiversity into the financial sector's investment choices, economic players in general, and financial players in particular, must be encouraged to reflect on, quantify and communicate the systemic risks related to the degradation of nature. Following the example of the TCFD (Task force on Climate-related Financial Disclosure), a collaborative task force could create a reporting framework on biodiversity and nature for companies.

While much of the TCFD project focused on "stranded assets", ecosystems will need to be approached through a broader lens. This approach would factor in issues such as the dependence of economic activities on natural capital as well as the corporate impact on nature, which can be negative and positive

Establishing a task force-style method of collaboration will guarantee concrete and valuable progress, improving private actors' integration of biodiversity issues. Mirova will remain a major player in its commitment to make this initiative a success.

## Our actions



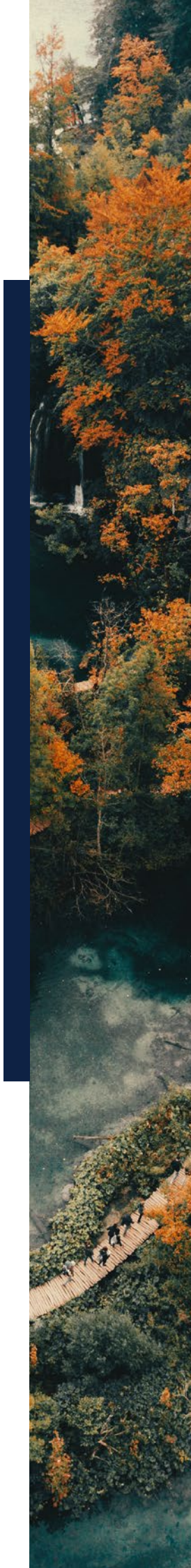
Mirova participates in the ongoing reflections on the objectives and the structure that such an initiative could take, in order to build an ambitious and operational project structure and specifications.

# Conclusion

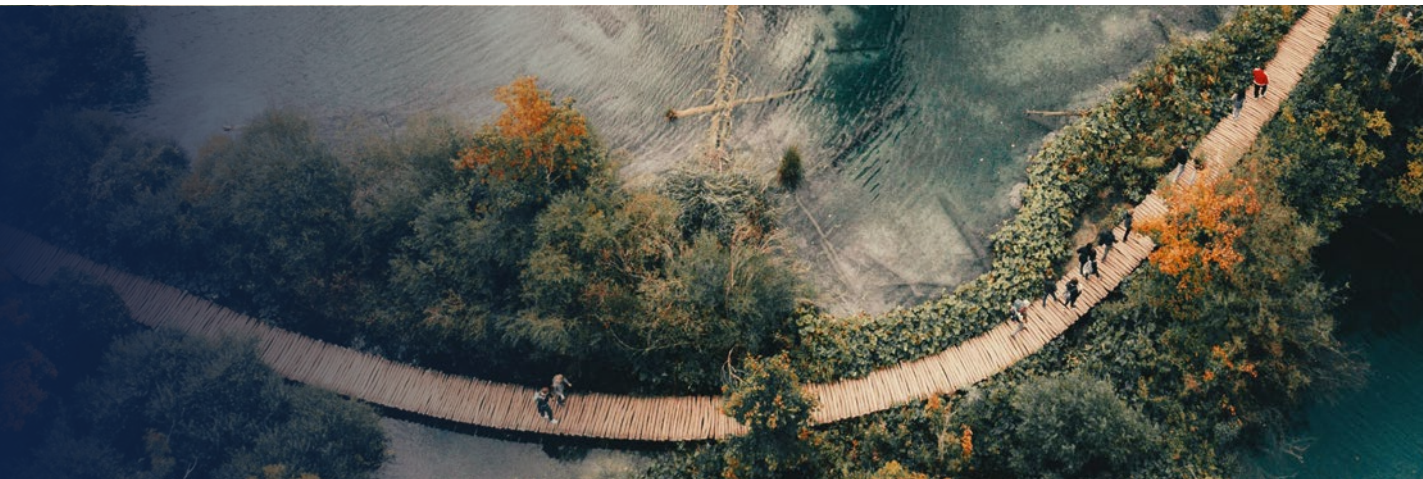
Biodiversity is no less central than the issue of climate; it is just much harder to grasp.

In the absence of a scenario or trajectory, and therefore of data and objectives, how can we define what we want to achieve? Yet climate change and biodiversity loss are two sides of the same problematic coin facing down our economy: the correlation between its growth and the depletion of resources.

A number of nature-focused coalitions and initiatives are currently being scheduled the world over. The coming months will showcase the ideas that the actors involved are capable of putting forward. What can they propose as regards concrete and measurable initiatives? And how much are we capable of allocating to investment in natural capital? Who can devise a strategy that would lead to a “zero deforestation” objective, and stick to it? Concrete initiatives will prove decisive, since they will be the first strategic steps in propelling growth in the entire market. As a natural capital investment pioneer and a mission-driven company, Mirova joins this initiative with the firm conviction that we are on the verge of a radical and necessary transformation in our production systems.







Mirova

Portfolio management company – Limited liability company  
RCS Paris n°394 648 216 – Regulated by AMF under No. GP 02-014  
59, Avenue Pierre Mendes France – 75013 Paris  
Mirova is an affiliate of Natixis Investment Managers.

Mirova Natural Capital

Limited liability company governed by English law  
Registration number: 07740692  
Head office: 12 Gough Square London EC4A 3DW

Natixis Investment Managers

Limited liability company RCS Paris 453 952 681  
43, Avenue Pierre Mendes France – 75013 Paris  
Natixis Investment Managers is an affiliate of Natixis

March 2020

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