

# Mirova Natural Capital (MNC): ESG Principles and Policy

We bring innovative conservation finance to projects, organisations and businesses that conserve the environment and improve peoples' livelihoods whilst also being commercially successful over the long term. Our focus is on financing activities that address the major global environmental challenges such as climate change, protection of landscapes, soil and marine resources.

Our ESG Principles and Policy apply to all our funds and activities.

## ESG Principles

- We aim to be best in class in environmental and social performance.
- We expect activities we finance to:
  - Comply with internationally recognised performance standards and certifications as well as local laws and international conventions;
  - Provide quality employment;
  - Provide substantive, measurable, positive benefits to people and the environment;
  - Conserve natural habitats and wild species;
- Apply high ethical standards and operate transparently.  
We measure and report on our progress.
- We expect open and constructive engagement with the organisations we invest in. We do not take finance from or finance projects or entities involved in the activities listed in Appendix 1.
- We also apply these principles to the way we operate.

## ESG Policy

### FUNDS

Each fund must have its own ESG policy and implementation processes that apply our Principles and Policy in a manner tailored to their operations.

Each fund will have access to the MNC ESG team. Within the ESG team, one person will be assigned primary responsibility for the ESG performance of each fund/major project.

Each fund's ESG policy should require the projects they invest in to:

- Comply with national environmental, social and labour laws and legislation.
- Comply with any ESG requirements of investors in the fund.
- Meet the objectives of the IFC Social and Environmental Performance Standards.

Where commodities and products are produced (e.g. through agriculture, aquaculture), or harvested from wild or semi-wild landscapes (e.g. coastal or inland fisheries, NTFPs<sup>1</sup>), projects should aim to secure certification under internationally recognised (or market specific) schemes such as Marine Stewardship Council certifications, Verified Carbon Standard, Climate, Community and Biodiversity Alliance, fair trade, organic etc. Projects may be given time to achieve these standards through an Environmental and Social Action Plan (ESAP) that forms part of their contract with the fund.

All funds require projects to be able to demonstrate that they:

- Have an Environmental, Health and Safety, and Social Management System (ESMS), based on an evaluation of social, health and safety and environmental risks and impacts.
- Conform with International Labour Organisation's Core Conventions on child labour, forced labour, equality, rights of association.
- Result in no loss of income or livelihood as a result of the project's use of land or other natural resources.<sup>2</sup>
- Have a comprehensive stakeholder engagement process.
- Secure free, prior and informed consent (FPIC) where projects impact land under traditional use by indigenous peoples; affect indigenous peoples' access to resources; commercialise indigenous knowledge, or where otherwise required through best practice certifications e.g. CCB.
- Drive conservation of natural habitats and wild species of local and international importance as well as those listed as threatened under IUCN Red List.<sup>3</sup>
- Involve no net loss of biodiversity, no conversion or draining of native ecosystems, and no negative impacts on wildlife or high conservation value ecosystems.
- Provide employment that pays a living wage.<sup>4</sup>
- Have a grievance mechanism that enables problems, concerns or complaints from the workforce, community and other stakeholders to be registered and addressed, drawing on independent mediation if needed.
- Have taken account of relevant IFC Environmental Health and Safety Guidelines in the development of their ESMS.
- If security guards or government security forces are involved, e.g. as park rangers, there is a security risk assessment and management controls so that any use of force is limited, proportionate and documented.

As a group, we measure positive ESG impacts on the following dimensions so projects should be able to define, measure and report their impacts on the following:

- Climate
- Species
- Ecosystems
- Livelihoods
- Inclusivity
- Sustainable Enterprise
- Fair Economic Return

Funds, and the projects we invest in, must implement a policy that prohibits employees and agents from making or receiving gifts of substance, paying bribes or making facilitation payments. Funds, and the organisations we invest in, must be alert to, and not tolerate, money laundering or financing of terrorism.

<sup>1</sup> NTFPs are non-timber forest products e.g. nuts

<sup>2</sup> This does not apply where the livelihoods are based on crime, e.g. ivory poaching.

<sup>3</sup> A threatened species includes all those listed as vulnerable (VU), endangered (EN) or critically endangered (CR) in the IUCN Red List. Species such as EDGE species (evolutionarily distinct and globally endangered) are both threatened and of national importance.

<sup>4</sup> A living wage is at least the legal minimum wage and also sufficient to meet basic needs plus some discretionary spending – and opportunities for the workforce to develop their skills and careers.

Funds and the projects we invest in, must deploy sufficient resources to achieve social and environmental excellence. The responsibility for ESG performance resides with the organisations we invest in, however MNC will advise and support investees where possible to design and implement their ESG strategy.

All funds should monitor the ESG performance of investments at least annually and require them to report immediately any incidents, accidents or adverse media coverage that could affect the project's success or the reputation of the project or MNC.

All funds should have a process by which any complaints or grievances relating to its activities can be presented to the management and will be responded to.

### **Joint ventures, partnerships and other activities**

Where we are involved in collaborative agreements, joint ventures, or partnerships<sup>5</sup> with government or public agencies which have to follow specific ESG guidelines (e.g. national regulations), we will endeavor to ensure these apply ESG principles, policies and procedures compatible with ours. The willingness of an entity to apply equivalent or compatible ESG standards will be a factor considered before entering into any such agreements or partnerships. Any significant discrepancies must be agreed to by the Managing Partners, and eventually put to the Advisory Board of the Fund.

## **Our ESG Performance**

As a small organisation our main ESG impacts are through the way in which we manage assets. However, we manage our own activities to minimise negative impacts and support positive change, for example:

- Environmental management of our office space, e.g. recycling, energy and water efficiency.
- Encouraging cycling or walking to work and use of public transport by providing cycle storage, showers, and no parking spaces.
- Monitoring and offsetting our CO<sub>2</sub> emissions, which are primarily from air travel.
- Encouraging and supporting employee volunteering e.g. through providing charity days for members or employees each year for the purposes of volunteering with a registered charity.
- A commitment to developing the skills and experience of our workforce and to an open consultative culture.

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<sup>5</sup>This does not include investments.

## Appendix 1 – Excluded activities

A fund and any of its intermediary vehicles (including portfolio companies) will not finance any activity involving:

- a) Any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- b) Forced labour<sup>6</sup> or child labour<sup>7</sup>
- c) Wild animals and plants or their products not in conformance with CITES<sup>8</sup>
- d) Commercial hunting<sup>9</sup>
- e) Significant<sup>10</sup> conversion or degradation of Critical Habitat.<sup>11</sup>
- f) Drift net fishing in the marine environment using nets in excess of 2.5 km in length
- g) Or any of the following:
  - i) exploration or production of fossil fuels (oil, gas, coal);
  - ii) weapons and munitions;
  - iii) radioactive materials;<sup>12</sup>
  - iv) gambling, casinos and equivalent enterprises;
  - v) pornography or prostitution;
  - vi) hazardous materials such unbounded asbestos fibres and products containing PCBs<sup>13</sup>;
  - vii) cross-border trade in waste and waste products unless compliant with the Basel Convention and the underlying regulations;
  - viii) pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances<sup>14</sup> and other hazardous substances subject to international phase-outs or bans.
- h) Funds will not invest in any project located in countries that are under trade sanctions by the UN, USA or EU.

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<sup>6</sup> Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by the relevant ILO Conventions and Core Labour Standards.

<sup>7</sup> Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age will apply.

<sup>8</sup> CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

<sup>9</sup> Commercial hunting includes sport, trophy, industrial and any other hunting to generate commercial profits.

<sup>10</sup> Significant conversion or degradation means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use; or (2) modification of a habitat that substantially reduces the habitat's ability to maintain viable population of its native species.

<sup>11</sup> Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value will be considered Critical Habitats.

<sup>12</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where the radioactive source is trivial and/or adequately shielded.

<sup>13</sup> PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

<sup>14</sup> Ozone Depleting Substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in "holes in the ozone layer". The Montreal Protocol lists ODs and their target reduction and phase-out dates.