

Mirova for Nature

Progress report on our action
in favour of biodiversity



Progress report on our actions to support biodiversity

2020 was supposed to be the year of nature and biodiversity. The Covid-19 pandemic, however, disrupted agendas and postponed all the major conferences initially planned on this topic. But above all, the epidemic has profoundly destabilised our lives, highlighting the fragile balance of our societies. An onslaught of scientific reports reminds us that the collapse of organic life and climate will likely have even greater consequences than the pandemic, it is high time we move faster to take action on these issues. Figures on the collapse of living organisms are staggering. Since 1970, vertebrate populations have declined by 68%.¹ Nearly 40% of freshwater fish species are threatened with extinction.² The world is losing 12 million hectares of tropical forest per annum.³ More than 35% of wetlands have disappeared in the past 40 years.⁴

Despite the succession of lockdowns and travel restrictions in recent months, public authorities and private players have continued to tackle biodiversity issues over the last few months. At Mirova, we have persisted in deploying our roadmap, which is centred on three areas:

- Accelerating our investments in biodiversity;
- Developing suitable metrics;
- Strengthening our commitments to our stakeholders.

With the gradual lifting of restrictions in many countries, the end of 2021 and the beginning of 2022 should provide an opportunity to rekindle momentum for biodiversity-related topics. The World Conservation Congress, organised by the International Union for the Conservation of Nature (IUCN), will be held in Marseille this September. November's UN Climate Change Conference COP26, in Glasgow, will address the links between climate and biodiversity. COP15 on biodiversity is finally scheduled to take place during spring 2022, in Kunming, China.

Given this context, it seemed important to us to take stock of the progress made across our various focus areas that concern biodiversity.

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1. WWF, 2020
 2. IUCN, 2012
 3. WRI, 2019
 4. RAMSAR, 2018

Key Dates 2021-2022

IUCN World Conservation Congress

September 3-10, 2021 | Marseille, France

The main events planned for 2020 before the start of the pandemic have all been postponed, many of them several times over in past months. However, the glimpse of an end to the crisis allows us to hope that they will take place in the months to come, in physical or hybrid format.

**WE HAD SETTLED ON
THREE MAIN OBJECTIVES**

- 1** | Accelerating our **investments in biodiversity** and Nature-based Solutions
- 2** | Developing **suitable indicators (metrics) to assess** the biodiversity impacts of companies in view to better integrating biodiversity within the investment process for listed funds
- 3** | Strengthening our **commitments to our stakeholders** and contributing to a process in which public and private players work together to develop tools to promote nature conservation by the financial sector.

COP 26 United Nations
Climate Change Conference

October 31-November 12, 2021 | Glasgow, UK

COP 15 of the Convention
on Biological Diversity

April 25-May 8, 2022 | Kunming, China

1 | Accelerating our investments in biodiversity

The main causes of the collapse of biodiversity are now well identified. Our agricultural practices are by far the main cause of biodiversity loss. However, we must also act to reduce the fragmentation of ecosystems, climate change and, more broadly, the broader impact of our various industries.

Natural Capital, a new investment theme to redesign our food systems from the ground up

Nearly 50% of the world's habitable land is currently devoted to agriculture, compared to only 1% for cities. Of the 5 billion hectares used for agriculture, 75% is employed as pastureland for livestock and 25% is planted with crops, primarily food—cereals, vegetables and legumes—but also those destined for the textile industry, mainly cotton, and tobacco.⁵

Rethinking our relationship with agriculture will require several types of action. On the one hand, it will be necessary to act on consumption habits, particularly to reduce the share of ruminants in our diet. The expansion of pastures and crops to feed livestock is currently the main pressure driving land conversion. On the other hand, it is now imperative that we develop more environmentally friendly production methods, for instance by limiting the use of inputs and pesticides, reducing the size of plots, and promoting crop diversity. Agriculture is also the main driver of deforestation. In addition to the development of sustainable agricultural practices, it is now essential to develop mechanisms that strengthen

the preservation of ecosystems rich in biodiversity. A similar situation exists in the fishing industry, where overfishing and water pollution are threatening aquatic life.

As an investor, contributing to the development of more sustainable agricultural practices calls for innovation, as these issues are far removed from traditional investment strategies. This is precisely the purpose of our Natural Capital division, which, since 2013, has been offering our clients the opportunity to combine financial returns with ecosystem preservation. This division is currently structured around three areas.

- Sustainable land use: land restoration/rehabilitation activities, focusing on sustainable supply chains.
- Blue economy: sustainable seafood supply chains, circular economy, conservation of marine and aquatic environments.
- Creation of environmental assets: payments for ecosystem services, conservation of biodiversity-rich areas, carbon credits.

With €500 million in assets raised at the end of June 2021, this division has successfully demonstrated the robustness of its model by closing several significant rounds of fundraising. Our current goal is to reach €1 billion raised by 2022. Additionally, the environmental and social benefits of our Natural Capital strategies are now the subject of [publicly available, dedicated impact reports](#).

Reallocating capital to businesses with positive impacts

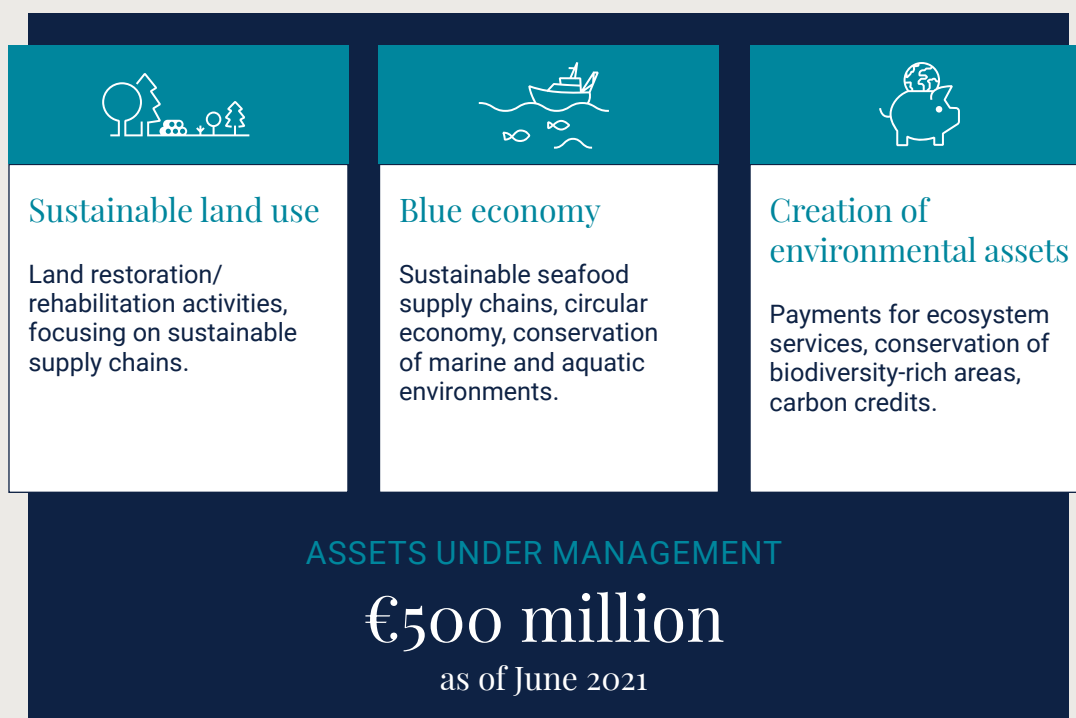
In addition to direct investments in projects that preserve and restore nature, it is also necessary to act on the capital markets. Supporting the development of companies adopting business models more protective of biodiversity is today an essential pillar of a responsible investment strategy.

For its equity and bond investments, Mirova applies very strict standards for investments in companies with links to the agricultural sector. For example, companies whose revenues come from chemical agents that are banned in multiple countries are excluded from our investment universe. Similarly, a company's involvement in controversial activities such as GMOs or palm oil is subject to an in-depth review by our teams.

Above all, we are making every effort within our listed activities to increase investments in assets that place biodiversity at the heart of their project. In all our strategies, we seek out companies or, in the case of green bonds offering solutions in the areas of sustainable agriculture, infrastructure that respects organic systems, and reduction of waste or pollution. The fight against climate change, which is an integral part of all our strategies, also contributes to addressing biodiversity issues. Climate change will be one of the main sources of biodiversity loss in the decades to come.

5. Source: United Nations Food and Agriculture Organization, 2019

Our approach to Natural Capital investing



TARGET

€1 billion
in 2022

From 2019 through 2020, assets under management in our listed strategies increased from €11 billion to €17 billion. A significant portion of this growth is due to the rapid development of our investment strategies focused on companies and projects delivering positive environmental

impact. Promoting environmentally friendly listed investments will remain at the heart of our strategies in the years to come.

Lastly, within the division dedicated to investments in energy transition infrastructure, we have, in recent years, increased the consideration

allotted to biodiversity issues as part of project reviews. In addition, we are currently finalising a partnership with the academic research community to better describe Interactions between the development of renewable energies and the protection of biodiversity.

2 | Developing metrics

The development of indicators to measure the impact on biodiversity is a hotly debated topic, in both the academic and economic worlds. Quantifying the interactions between economic activities and living organisms is indeed a major challenge, given the diversity and complexity of the issues to be addressed.

This complexity should not, however, be an obstacle to action. For a conviction-driven manager, it is possible to make investment choices that favour the protection of biodiversity even without being able to quantify the impact of assets on biodiversity precisely. As we have been doing since the creation of Mirova, directing capital towards assets that promote more sustainable agriculture, reduce pollution and waste, or make it possible to fight climate change seems to us an essential first level of response. However, much like the developments underway on climate change, the emergence of relevant impact indicators for biodiversity would make it possible to refine assessments and accelerate the consideration of these issues by a greater number of economic agents.

In order to promote the creation of a biodiversity data market, we launched a call for expressions of interest (CEI) at the beginning of 2020 with our partners [AXA Investment Managers](#), [BNP Paribas Asset Management](#) and [Sycomore Asset Management](#), with the aim of fostering the emergences of companies performing biodiversity ratings. This call set out several methodological principles.

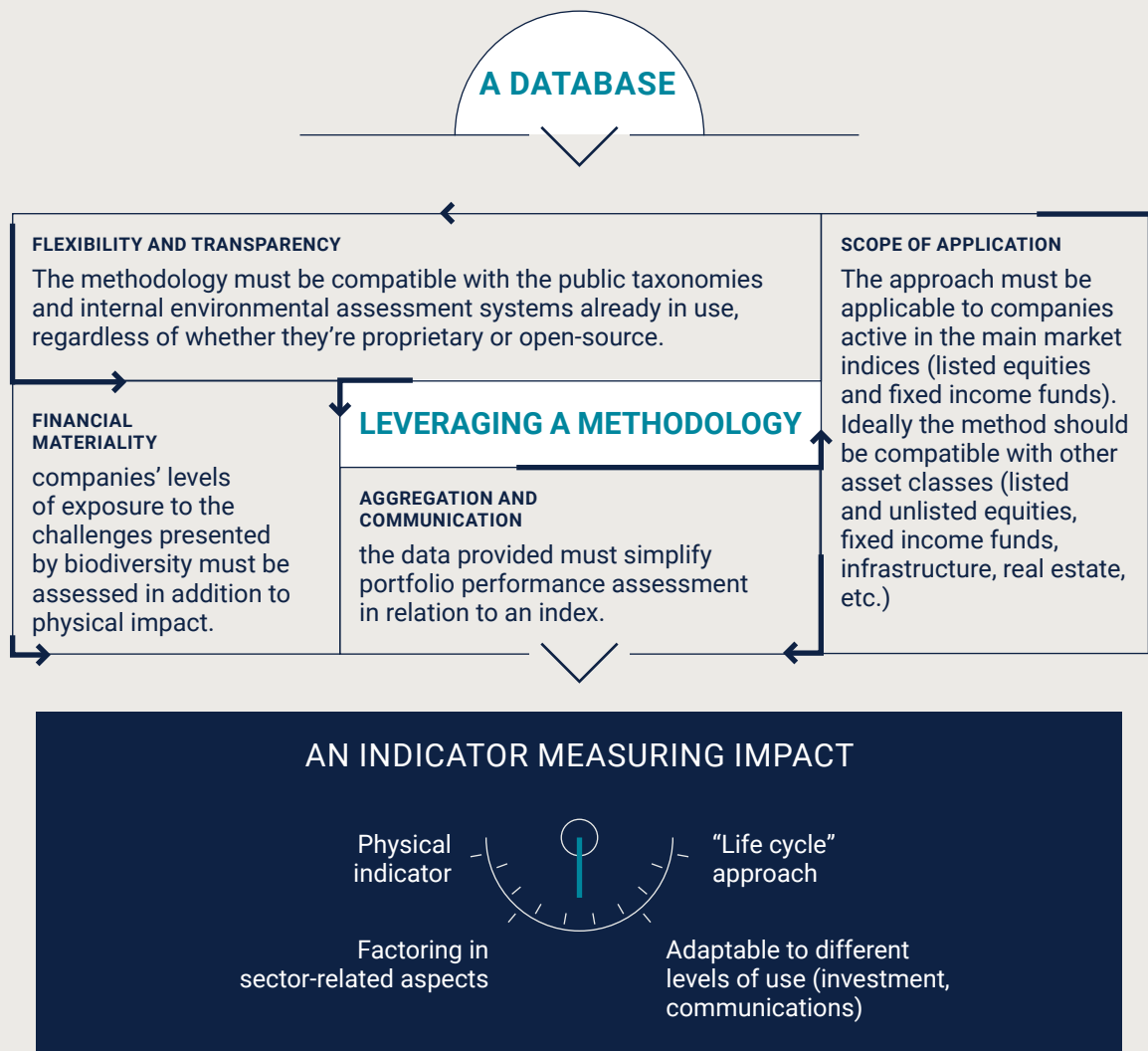
- Impact measurement: use of 'physical' indicators (e.g., km², MSA,⁶ PDF,⁷ etc.) taking into account both risks and opportunities.
- Life-cycle approach: taking into account the entire supply chain, use and end-of-life of products.
- Aggregation and communication: ability to report to the broadest possible audience on the performance of a portfolio relative to a market index.
- Scope: rapid deployment to companies making up the main market indices (listed stocks and bonds) and—ideally—compatible with other asset classes (private equity, projects, infrastructure, real estate, etc.)

This call resulted in the selection of a consortium comprised of [Iceberg Data Lab](#) and [I Care & Consult](#) in September 2020. We are now working closely with our various partners to develop a sample data set. We have set ourselves the goal of publishing an initial biodiversity assessment of our investments in large-cap listed companies during the first half of 2022.

6. 'Mean Species Abundance'

7. 'Potentially Disappeared Fraction'

Our ambition: to build a database and an impact measurement indicator



3 | Strengthening our commitments to our stakeholders

In 2020, we announced our intent to contribute to a broad collective push to make biodiversity issues a priority at the highest levels. This strategic focus has taken shape via several significant actions over the past 18 months.

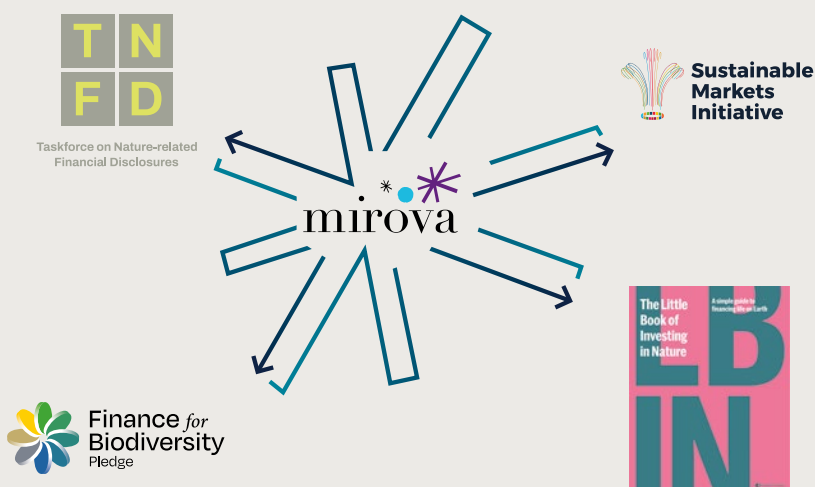
First of all, in early 2021, Mirova contributed to the [launch of the Natural Capital Investment Alliance](#), supported by His Royal Highness The Prince of Wales, as part of the [Sustainable Markets Initiative](#). Together with [HSBC Pollination Climate Asset Management](#) and [Lombard Odier](#), Mirova is one of the founders of this initiative, which aims to mobilise \$10 billion of investment in the area of Natural Capital across all asset classes by 2022.

Since 2019, Mirova has also been an active member of the working groups that prefigured the creation of a 'Taskforce on Nature-related Financial Disclosure' (TNFD).⁸ The TNFD is an international initiative that aims to develop a framework for organisations to report on nature-related risks. The TNFD's stated objective is to help redirect global financial flows towards business with positive impact. The TNFD was formally launched in June 2021. Mirova has shown steadfast support for this initiative and will continue to participate in the work of the Taskforce over the coming years.

Mirova is also a signatory of the [Finance for Biodiversity Pledge](#).⁹ This initiative was initially launched by the European Commission and now has 55 signatories. It is complementary to the TNFD insofar as it allows financial institutions to set investment and commitment targets, in parallel to ongoing work on reporting frameworks.

Finally, we have also continued to engage with our corporate stakeholders and the general public. Biodiversity has thus become a systematic focus of our engagement with the companies and projects in which we invest. We also contributed to *The Little Book of Investing In Nature*, published in early 2021, which aims to encourage dialogue around ways of financing biodiversity protection.

Our commitments in market initiatives



8. Working Group on Nature-related Financial Disclosure

9. Commitment to biodiversity-friendly finance

Conclusion

While, in terms of international law, 2020 may not have been the year studded with diplomatic events promoting biodiversity that we had hoped for, the pandemic has accelerated awareness of our collective dependence—and impact—on natural resources, among civil society and businesses alike.

Of course, these ideas are by no means new. Some companies have placed the search for environmental and social impact at the core of their models. But this crisis is shaking up the economic realm well beyond those who are convinced: it is accelerating the transformation process of companies that had already begun to think about it, and it is pushing those who had never asked themselves such questions to consider it. Never before have environmental, social and governance issues, or the impact of our activities on nature, been so hotly debated.

Far from being a lost year, we are convinced that 2020 will prove to have been a pivotal year for biodiversity. At Mirova, we have used it to continue making progress in our understanding of what an economy in harmony with biodiversity could be, and to continue supporting it through our investments, our research, our collaborations and our commitments.

The year 2021 opened with the [One Planet Summit](#), dedicated to the protection of biodiversity, and major events such as the IUCN World Congress. The Climate and Biodiversity COPs will clearly take place in the days and months to come. A year's delay is not much in terms of the transformations underway, but it is a lot in terms of the urgency of the action needed. We are convinced that the collective commitment will only be greater and the determination stronger for it. We must continue these efforts so that the first encouraging signs can be translated into a transformation of production and consumption models, leading to a redefinition of the relationship between companies and nature.





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