

# Mirova's Natural Capital platform

## ESG Principles and Policy

Last update : June 2021

The services of the Mirova Natural Capital platform are only available to professional clients and eligible counterparties. They are not available to retail clients.

We are an asset management business designed to pair economic and financial performance with premium social and environmental outcomes, impacts and risk management. We bring innovative finance to projects, organisations and businesses that conserve the environment and improve peoples' livelihoods whilst also being commercially successful over the long-term. We focus on financing activities that address the major global environmental challenges such as climate change, biodiversity, and protection of terrestrial and marine ecosystems.

Our Environmental Social and Governance (ESG) Principles and Policy apply to all our funds and activities. In order to remain at the forefront of ESG management, our principles and our policy will be updated from time to time.

## 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 and our contribution to the [UN Sustainable Development Goals](#).
- We expect open and constructive engagement with the organisations we invest in.
- We do not finance projects or entities involved in the activities listed in Appendix 1.
- We also apply these principles to the way we operate.

# ESG Policy

Each fund we manage has its own ESG annex and implementation processes, which alongside this policy, apply our Principles and Policy in a manner tailored to their operations.

Each fund will have access to the Mirova Sustainability Research team. Within this team, one person will be assigned primary responsibility for the ESG performance of each fund or major project.

Each fund will require the projects or companies they invest in to:

- Comply with national environmental, social and labour laws and regulations.
- Comply with this policy, the Fund-level ESG Policy (which includes any ESG requirements of investors in the fund) and all issue-specific Policies.
- Meet the objectives of the [IFC Social and Environmental Performance Standards](#) (IFC PS)
- 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 normally 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, Forestry Stewardship Council 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.

In order to meet these requirements, the following items are typically expected of projects or companies in which each Fund invests:

- An Environmental, Health and Safety, and Social Management System (ESMS), based on an evaluation of social, health and safety and environmental risks and impacts.
- Compliance with [International Labour Organisation's Core Conventions](#) on child labour, forced labour, equality and rights of association.
- No loss of income or livelihood as a result of the project's use of land or other natural resources<sup>2</sup>.
- 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.
- Have informed consent from landowners where land is brought into a project. This is in addition to IFC PS7 and CCB requirements for FPIC where relevant.
- Ensure 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>

<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.



- Involve no net loss of biodiversity, no conversion or draining of native ecosystems, and no negative impacts on wildlife or high conservation value ecosystems.
- 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.

Mirova's Natural Capital Platform implements its ESG policy in line with the United Nations Guiding Principles on Business and Human Rights<sup>4</sup>. Funds, and the organisations we in which we invest, act in a way that respects human rights.

Funds, and the projects or companies 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 in which we invest, must be alert to, and not tolerate, money laundering or financing of terrorism.

Funds and the projects or companies we invest in, must deploy sufficient resources to achieve social and environmental excellence. The responsibility for ESG performance resides with the organisations in which we invest, however Mirova's Natural Capital Platform 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 of Mirova.

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 addressed.

## Positive Impact Management

As a group, we measure positive environmental and social impacts generated by projects in which our funds invest. All funds will require projects to demonstrate impacts that contribute towards achieving the Sustainable Development Goals (SDGs)<sup>5</sup>, and monitoring plans will be agreed with each project or company in which a Fund invests.

## Issue-specific policies

Mirova's Natural Capital Platform has developed a library of issue-specific ESG policies which apply to all funds, covering the following issues:

- |                          |                                   |
|--------------------------|-----------------------------------|
| - Gender                 | - FPIC and Stakeholder Engagement |
| - Land tenure            | - Illegal Activity                |
| - Project Security       | - CITES Listed Species            |
| - Stakeholder Complaints | - Illegal activities              |
| - Commercial Hunting     |                                   |

<sup>4</sup> [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>5</sup> <https://sustainabledevelopment.un.org/sdgs>



## 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) manufacture and/or production of tobacco products;
  - (vii) production of, or trade in, landmines and cluster munitions;

<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.



- (viii) hazardous materials such unbounded asbestos fibres and products containing PCBs;<sup>13</sup>
  - (ix) cross-border trade in waste and waste products unless compliant with the Basel Convention and the underlying regulations;
  - (x) 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
- (i) Activities excluded through Mirova's Controversial Activities policy<sup>15</sup>

<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.

<sup>15</sup> <https://www.mirova.com/en/ideas/controversial-activities>



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## **MIROVA NATURAL CAPITAL LIMITED**

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