

# across | #4 the universe

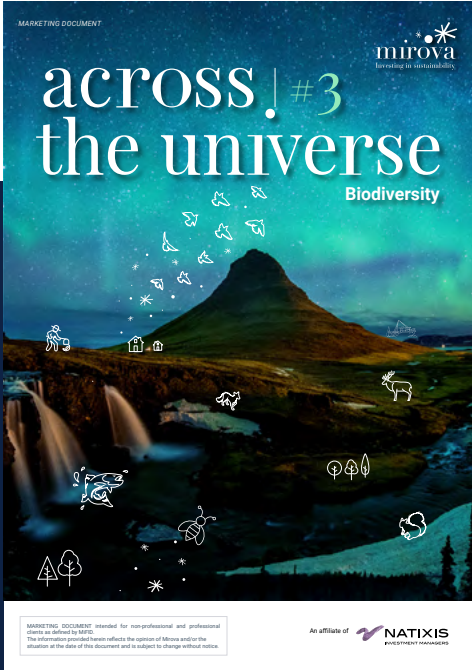
Biodiversity



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**Anne-Laurence Roucher**

*Deputy CEO, Head of Private Equity and Natural Capital*



**Mathilde Dufour**

*Head of Sustainability Research*



**Hervé Guez**

*CIO for Equities, Fixed Income and Social Impact Investing*

# Biodiversity under pressure: investors to the rescue

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## How do you assess the biodiversity policies of listed companies?

**Hervé Guez:** It's important to bear in mind that, as Mathilde and Anne-Laurence pointed out, all human and industrial activity has a negative impact on biodiversity. Unlike the climate, there are few listed companies whose primary activity is to restore biodiversity. On the other hand, companies can seek to reduce the pressure they put on biodiversity, and, at Mirova, this is what we will be focusing on. Companies may, for example, take action on their use of resources: inputs, recycling, building a sustainable supply chain, etc. Once this work has been done, it is possible to complement this approach with compensatory mechanisms, as we've seen with carbon in relation to the climate.

Taking biodiversity into account in investment will entail a learning process, because many of the innovative technologies being deployed to solve the climate transition issue have an impact on the natural environment in that they involve using natural resources. Short of advocating degrowth, zero impact on biodiversity is not yet achievable in a portfolio of listed companies. The role of finance is therefore to encourage the adoption of new behaviours and more virtuous practices by businesses. It is also possible to finance emerging innovative solutions as in the case of climate change—but this remains a very limited investment universe.

Finally, we need to promote the use of financial innovations such as biodiversity certificates. We need to be clear about what we can expect from finance when it comes to protecting biodiversity.

**Mathilde Dufour:** We have “lines in the sand”— activities in which we will simply not invest, such as those linked to deforestation or the production of plastic for mass consumption. We are also working on metrics and measurement models for objectively assessing a company's actions, for example, quantifying the negative impacts on biodiversity observed, and also the impacts avoided or reduced... We have to be wary of greenwashing in this complex area.

**Hervé Guez:** An exclusion approach works less well here than for climate because many industries that have a negative impact on biodiversity are the same ones contributing most to reducing other impacts. To accelerate our efforts in this area, we plan to launch a thematic strategy dedicated to biodiversity in the near future. Its approach is akin to that of the climate funds created 15 years ago. The aim is to invest in listed companies that are making significant efforts to reduce their biodiversity footprint, and to support companies developing solutions in this area. Meanwhile, companies and projects specifically dedicated to preserving

biodiversity are emerging on the unlisted market and will one day join the listed universe, so the share of the portfolio devoted to these is set to grow.

Companies reducing their impact on nature are getting ahead of the regulatory curve, and we believe that this will influence their stock market performance. As for purveyors of solutions, they are positioned on major underlying trends that we believe will only become more important in the future.

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## How can real assets help investors take action to restore ecosystems?

**Anne-Laurence Roucher:** As Hervé mentioned, natural capital does offer solutions for restoring or reducing pressure on the natural world. We can invest in regenerative agriculture or agroforestry, with a view to sustainable land use. We can also finance projects dedicated to restoring nature, which are usually climate-related, such as reforestation to sequester carbon. In this case, care must be taken not to replant without reflection and to favour endemic species that contribute to the original biome. Many of these initiatives are implemented within the framework of

carbon credits and can lead to certification. While the carbon market is still small, it is very promising. We want to foster the integrity of these markets, in order to generate a strong and lasting impact. This integrity can be viewed from two angles: the ethics of the claims associated with carbon credits, and the quality of the activities generating such credits. Demand for credits is important, but the most important thing is the quality of the projects financed on the ground and the co-benefits they generate (nature restoration, communities, biodiversity, local economies, etc.).

We will adopt the same approach to the biodiversity certificates that are beginning to emerge, and we are actively contributing to discussions on this topic.



*We can invest in regenerative agriculture or agroforestry, with a view to sustainable land use. We can also finance projects dedicated to restoring nature, which are usually climate-related, such as reforestation to sequester carbon.*

**Anne-Laurence Roucher**

Deputy CEO, Head of Private Equity and Natural Capital

## In practical terms, what types of investment are you making?

**Hervé Guez:** On listed assets, we invest in recycling companies such as Tomra and SIG Group,<sup>1</sup> as well as in plant-based and organic food and natural ingredients... For example, we've selected a group that manufactures plant proteins to replace animal proteins.

**Anne-Laurence Roucher:** On the unlisted-side, we look closely at the additionality of the projects financed, the sustainability of their benefits, the quality of the restoration and its environmental and social co-benefits. We are also vigilant about the quality of the investors in our funds, studying their climate and biodiversity trajectories. In terms of PE, we favour techno-

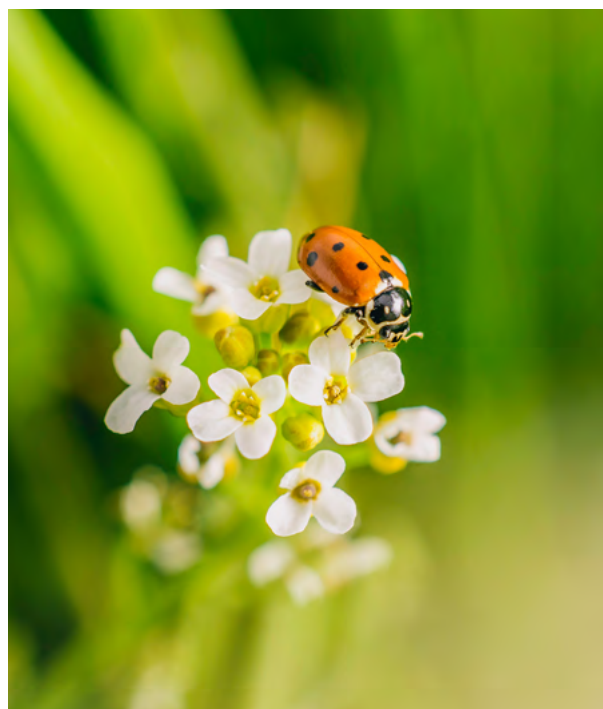
logies that promote biodiversity. For example, robotic weed killers that replace herbicides and do not compact the soil, or insect proteins to replace fish or soy meal. We also have three areas of investment focused on the oceans: sustainable management of fish stocks, marine pollution-control solutions, and the creation of marine protected zones using blue carbon credits. We are also investing in projects to restore nature, such as a 23,000-hectare peat bog in Indonesia. Not only can it sequester 2.5 million tonnes of CO<sub>2</sub>, the project includes 188 dams to rewet the soil and is home to 35 protected species.<sup>2</sup> It also has a positive social impact, creating 100 jobs. The peat bog

has generated carbon credits sold to third parties and has produced a double-digit Internal Rate of Return (IRR).<sup>3</sup> Protecting biodiversity is not incompatible with profitability.

*As regards listed assets, we invest in recycling companies such as Tomra and SIG Group, as well as in plant-based and organic food and natural ingredients...*

**Hervé Guez**

CIO for Equities, Fixed Income and Social Impact Investing



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2. Source: Mirova, September 2023.

3. Source: Mirova, as at 30 September 2023.



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## What indicators do you use to measure the impact of these investments on biodiversity?

**Mathilde Dufour:** For real assets, we are developing project-specific indicators, while working on the creation of cross-functional indicators. On the listed side, there is more data overall, accessible through reporting, and some indicators already exist. In light of our biodiversity strategy, we have been working for the past two years on a biodiversity footprint indicator. Having a single indicator will enable comparisons against a universe or other funds. But such a metric must be relevant and reflect the full impact, and pressures on the value chain, as well as the efforts made by companies to reduce their

impact and provide solutions. We are working with other investors to make this indicator – which synthesises a complex and polymorphous reality – as transparent and comprehensible as possible for our stakeholders.

*For real assets, we are developing project-specific indicators, while working on the creation of cross-functional indicators.*

**Mathilde Dufour**  
Head of Sustainability Research





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Non-contractual document, written in November 2023

Mirova aims, for all its investments, to propose portfolios consistent with a climate trajectory of less than 2°C defined in the Paris Agreements of 2015, and systematically displays the carbon impact of its investments (excluding Social impact and Natural Capital funds), calculated from a proprietary methodology that may involve biases.

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