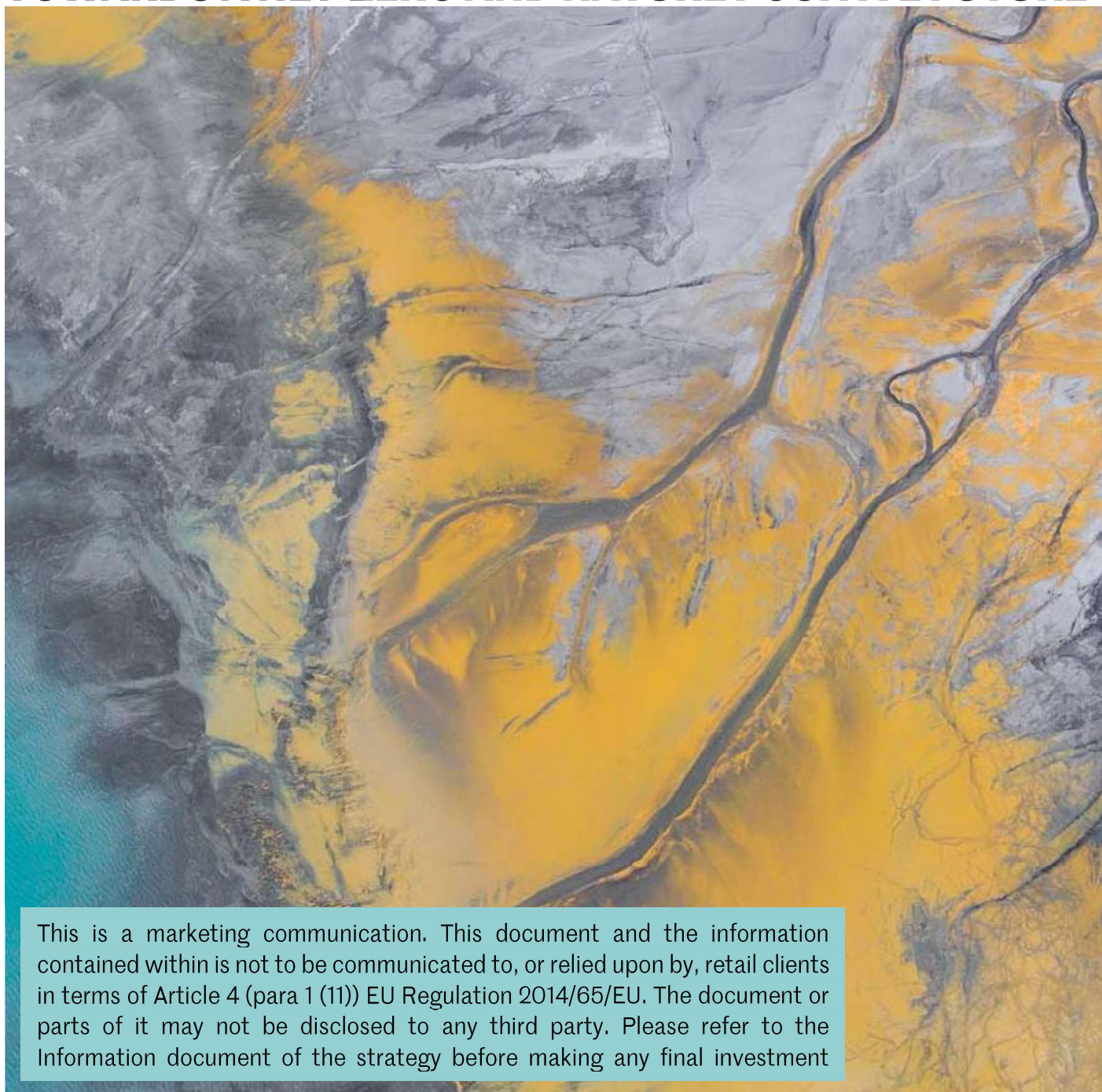





NATURE BASED SOLUTIONS

TOWARDS A NET-ZERO AND NATURE POSITIVE FUTURE



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▶ **We develop and deliver investment solutions accelerating the transition to a net zero, nature positive, climate resilient future.** ◀

Mission Statement
Climate Asset Management

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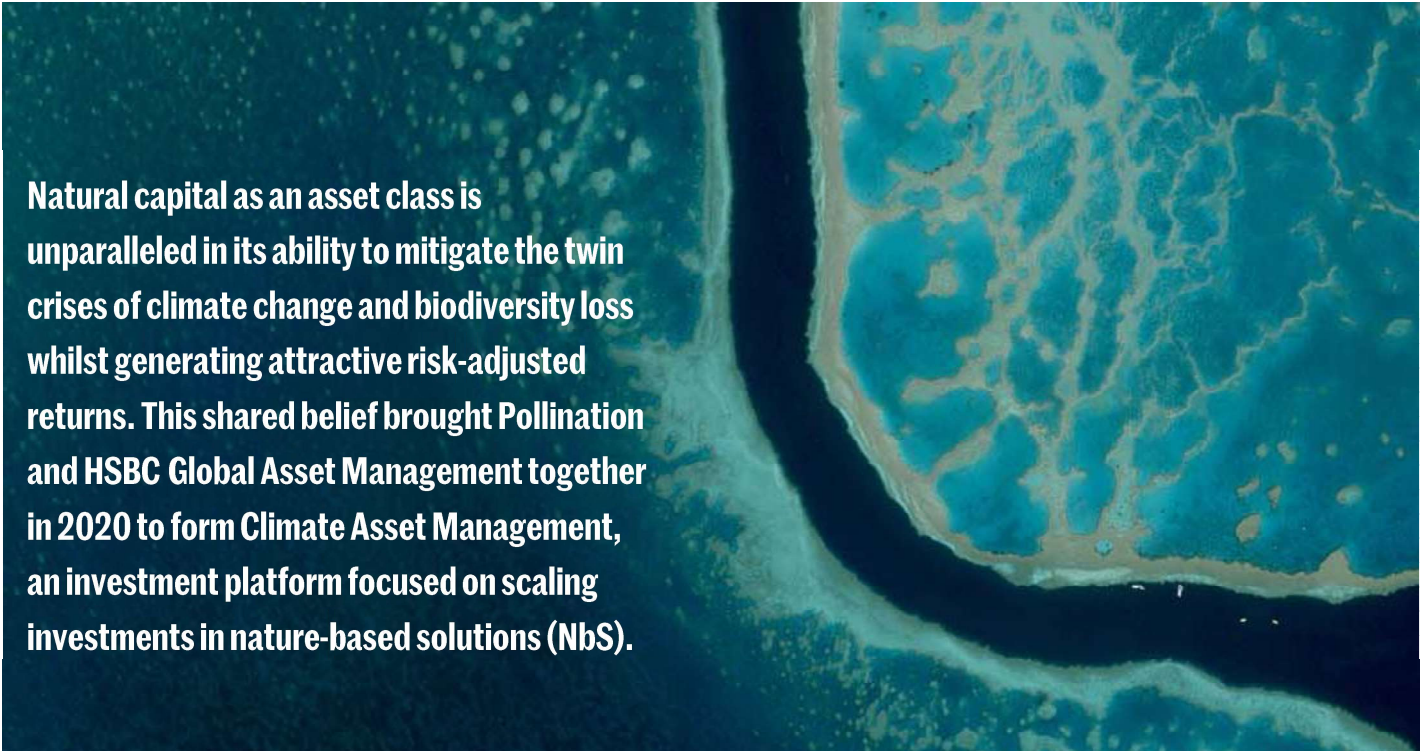
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Foreword



Natural capital as an asset class is unparalleled in its ability to mitigate the twin crises of climate change and biodiversity loss whilst generating attractive risk-adjusted returns. This shared belief brought Pollination and HSBC Global Asset Management together in 2020 to form Climate Asset Management, an investment platform focused on scaling investments in nature-based solutions (NbS).

To achieve the Article 2 targets of the Paris Agreement of keeping global average temperature rise to well below two degrees above pre-industrial levels, global greenhouse gas emissions need to halve by 2030 and achieve net-zero by 2050 at the latest. NbS will play a pivotal role in realising these targets, with agriculture, forestry and other land use (“AFOLU”) providing up to 30% of mitigation solutions ([Griscom et al, 2017](#)) coupled with considerable co-benefits for ecosystems and society.

Realising this potential will require a significant shift away from current land management practices which account for 23% of global greenhouse gas emissions ([IPCC, 2019](#)), due to the conversion of natural habitats and unsustainable production methods, towards land use and management practices that realise the potential of the AFOLU sector to deliver on the world’s climate and nature goals.

This paper outlines the approach Climate Asset Management takes to investing in NbS, aiming to generate long-term positive environmental and social impacts. Initially deployed across two investment strategies, the Natural Capital Strategy and the Nature Based Carbon Strategy, we have developed an integrated ESG and Impact (ESG-I) Management Framework to identify and manage impacts and opportunities throughout the investment cycle.

In sharing our approach, we acknowledge that there is still a lot to learn in this rapidly evolving sector as new methods, technologies and frameworks emerge. As such, we will continually review and where relevant evolve our approach to align with the latest thinking and best practices.

Martin Berg

Chief Executive Officer & CIO Nature Based Carbon Strategy

Contents

- Introduction..... 1**
 - Overview 1
 - The Legacy of Industrial Landscape Management..... 2

- Turning Risk into an Opportunity 3**
 - Overview 3
 - Climate Change..... 4
 - Nature and Ecosystems Health..... 5
 - NbS and UN Sustainable Development Goals..... 6

- Delivering Impact: Our Approach..... 7**
 - Climate Asset Management: Net Zero and Net Nature Positive by 2030..... 7
 - Natural Capital Strategy 9
 - Nature Based Carbon Strategy 11
 - Measurement, Reporting and Verification (MRV)..... 12
 - Managing ESG Risks..... 13
 - Continuous Improvement 13

- References..... 15**

Abbreviations

AFOLU	▶	Agriculture, Forestry and Land Use
CAM	▶	Climate Asset Management
CCB	▶	Climate, Community and Biodiversity (Verra Standard)
ESG-I	▶	Environmental, Social, Governance and Impact
FSC	▶	Forest Stewardship Council
G7	▶	Group of Seven
GDP	▶	Gross Domestic Product
GEF	▶	Global Environment Facility
GHG	▶	Greenhouse Gas Emissions
GIIN	▶	Global Impact Investing Network
GtCO₂e	▶	gigatonnes of CO ₂ equivalent
IFC	▶	International Finance Corporation
IMM	▶	Impact Measurement and Management
IPBES	▶	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPCC	▶	Intergovernmental Panel on Climate Change
IUCN	▶	International Union for the Conservation of Nature
MRV	▶	Measurement, Reporting and Verification
NBCS	▶	Nature-based Carbon Strategy
NbS	▶	Nature-based Solutions
NCS	▶	Natural Capital Strategy
PDCA	▶	Plan-Do-Check-Act
PES	▶	Payments for Ecosystem Services
SBTi	▶	Science-based Targets Initiative
SBTN	▶	Science-based Targets Network
STAR	▶	Species Threat Abatement and Restoration
TCFD	▶	Taskforce for Climate-related Financial Disclosures
TNFD	▶	Taskforce for Nature-related Financial Disclosures
UNEP	▶	United Nations Environment Programme
UN SDGs	▶	United Nations Sustainable Development Goals
VERRA	▶	Verified Carbon Standard
WEF	▶	World Economic Forum

Introduction

Overview

Under current land management practices, Agriculture, Forestry and Land Use (AFOLU) accounts for approximately 23% of direct global GHG emissions (IPCC, 2019). The depletion of natural capital, for which AFOLU is a significant driver, has resulted in a 60% decline in terrestrial vertebrate species populations, an 83% decline in freshwater species and approximately one million plant and animal species facing extinction, many within decades (WEF, 2020). Nature is our most productive asset, and over half of global Gross Domestic Product (GDP) is moderately or highly dependent on nature and the services it provides (WEF, 2020). Scientists predict that the biodiversity crisis may cause even more societal disruption than the climate crisis (IPBES, 2019), and that the two are interlinked: biodiversity loss limits the potential for land-based climate mitigation and adaptation.

Taking an NbS approach to managing AFOLU offers the possibility to reverse these trends whilst maintaining ecosystem services for a global population that could reach 10 billion by 2050 (UN, 2019). Of key consideration is the transitional role NbS will play whilst countries de-carbonise their economies and

other abatement and removal solutions such as carbon capture and storage technologies are further developed and deployed (WEF & McKinsey, 2021). NbS are cost-efficient, effective and available to deploy today – what they currently lack is scale.

Despite their clear benefits in mitigating climate change and biodiversity loss, less than 2% of climate funding is allocated to NbS. Global investment stands at just USD 133 billion per annum and needs to triple by 2030 and quadruple by 2050 to meet global climate and biodiversity targets (UNEP, 2021). Whilst this presents an enormous challenge, a global framework is emerging to support the delivery of this (see [Box 1](#)).

Climate Asset Management's investment strategy aims to capitalise on these tailwinds and mobilise private sector investors seeking to generate positive environmental and social impacts alongside returns. To this aim, we have developed an impact measurement and management (IMM) framework for each investment strategy to guide the selection, design, adaptive management and reporting for investments.

BOX1 | NBS ENABLING FRAMEWORK

Since the signing of the Paris Agreement and launch of the UN Sustainable Development Goals in 2015, some important commitments and frameworks have emerged to support investments in NbS, including:

- ▶ The [G7's Nature Compact \(June 2021\)](#) commitment to halt and reverse biodiversity loss and endorsement of the Task Force for Nature-related Financial Disclosures (TNFD) setting a framework for financial institutions to measure and report on biodiversity-related risks in their portfolios;
- ▶ The increasing adoption globally of the recommendations of Taskforce for Climate-related Financial Disclosures (TCFD) for financial institutions to measure and report on climate change transition and physical risks. The framework is now being adopted by regulators, e.g. the UK Government's Roadmap ([HM Treasury, 2020](#)) for mandatory disclosures to be phased in across the economy by 2025;
- ▶ Regulatory frameworks including the EU's Sustainable Finance Action Plan to divert private investment towards sustainable activities and corporations and increase ESG-related disclosure requirements. France has shown leadership through early adoption into law in 2021 via the new decree under Article 29 of the Law on Energy and Climate, mandating climate and biodiversity related disclosures;
- ▶ The publishing of the Science-based Targets Network Initial Guidance for Business ([SBTN, 2020](#)), , providing a framework for companies to set nature-related targets to stay within planetary boundaries and the recently published sector specific Forest, Land and Agriculture (FLAG) guidance ;
- ▶ The substantial growth in corporate net-zero commitments in the last two years, with over 8,000 businesses now signed up to the [Race to Zero Campaign](#). NbS will play a sizeable role in meeting these commitments in the medium term as corporates de-carbonise their value chains;
- ▶ The emergence of regulatory and voluntary Payment for Ecosystem Services (PES) markets in addition to more established carbon markets, including biodiversity and water quality credits supporting AFOLU sectors to change practices.

The Legacy of Industrial Landscape Management

Almost one-quarter of the world's land area has been degraded over the past 50 years because of soil erosion, salinization, peatland and wetland draining, and forest degradation. The resulting damage, in terms of lost ecosystem goods and services, costs the world an estimated US \$6.3 trillion a year – WRI, 2020

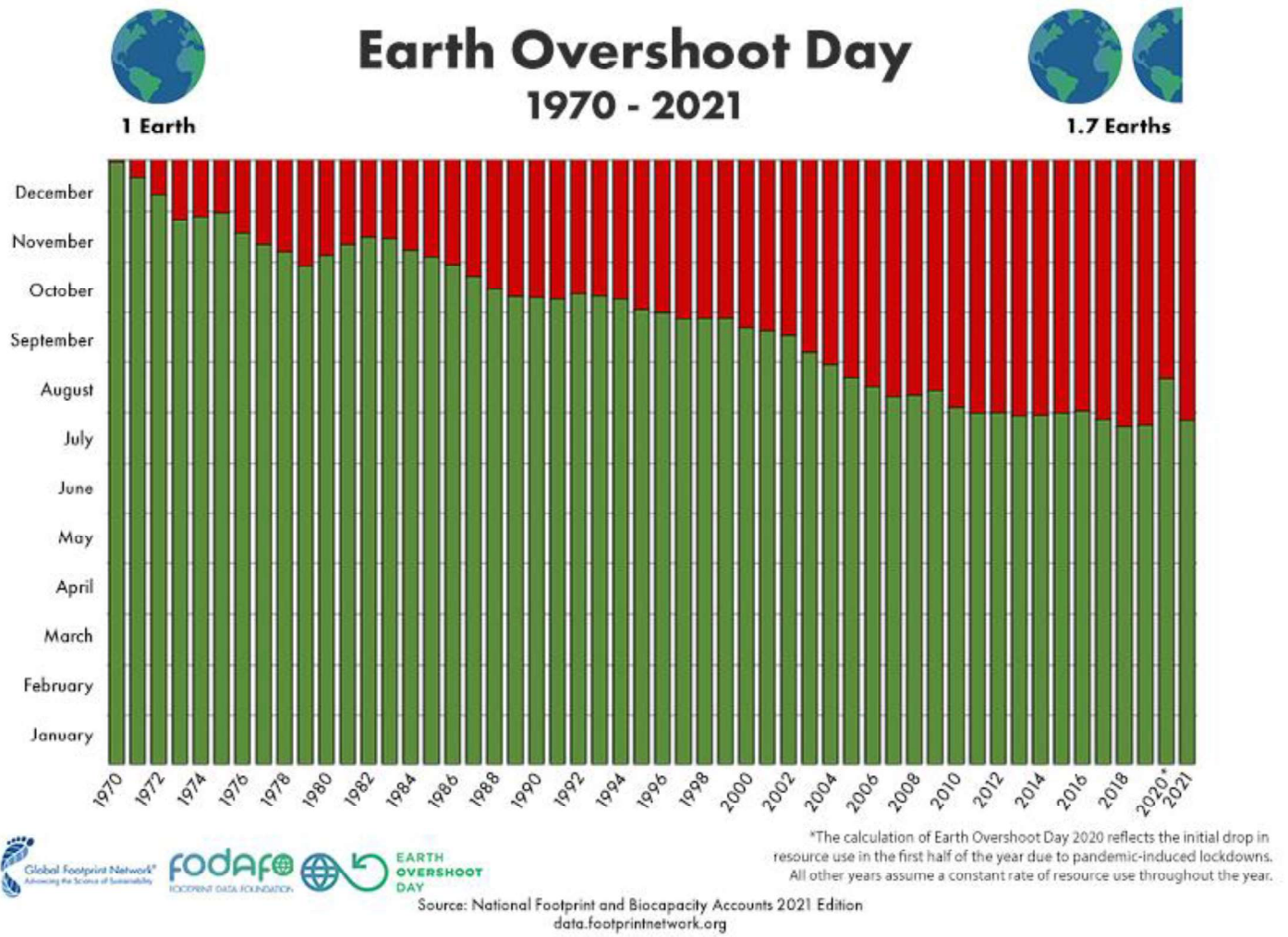
This sobering statement provides the context for the urgent need to reverse the predominant land management practices globally. Nature is the most fundamental form of capital and yet over the last half a century has been depleted for the benefit of human and produced capital at an unprecedented rate ([Dasgupta, 2021](#)). Loss of biodiversity and ecosystem services costs 10% of global GDP annually ([IPBES, 2018](#)).

As industrial landscape management practices deplete natural capital stocks, they require more and more

inputs to maintain production and thus are caught in a negative spiral of increasing input costs and environmental degradation, compounded further by the effects of climate change. Globally, climate change is estimated to have reduced agricultural productivity by 21% since 1961 ([Ortiz-Babea et al, 2021](#)).

The effects of natural capital depletion are poignantly illustrated by the Global Footprint Network's calculation of Earth's biocapacity: global ecosystems' capacity to produce biological materials used by people and to absorb waste materials generated by humans. In 2021, earth's biocapacity was exceeded by 70%, or otherwise stated 1.7 earths worth of ecosystem services were utilised ([Figure 1](#)). This is by definition unsustainable and returning to living within Earth's biocapacity is reflected in the 2022 Global Biodiversity Framework's ambition to halt and reverse biodiversity loss by 2030 (CBD, 2022).

Figure 1: Earth Overshoot Day¹ (1970 – 2021)



¹ Earth Overshoot Day refers to the calendar day within a particular year where Earth's biocapacity has been exceeded

Turning Risk into an Opportunity

Overview

The window to address climate change and biodiversity loss is narrowing. To achieve the deep GHG emission cuts of 7.6% required year-on year between 2020 and 2030 to achieve the 1.5°C target (UNEP, 2019) and halt and reverse biodiversity loss by 2030 (UN CBD, 2021), wholesale shifts in the global economy will be required. NbS, with the right enabling environment, can play a significant role in supporting this transition.

Nature-Based Solutions are already being delivered, are visible and credible, and can be exponentially scaled-up if they are fully valued and receive proper investment. Action is needed now to ensure that they achieve their full potential – UN Global Compact

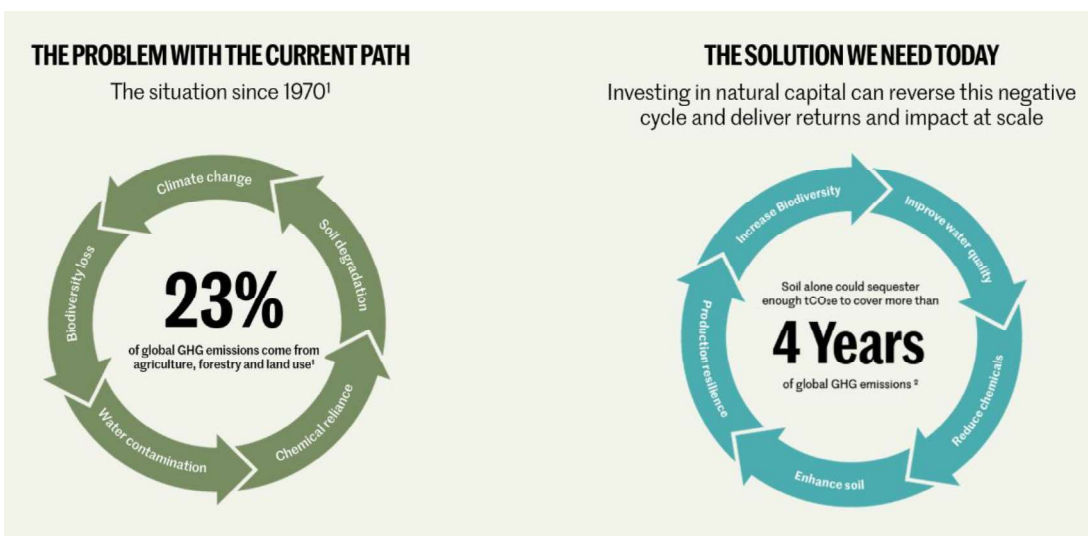
Deploying GHG avoidance and removal measures in the land-use sector could feasibly mitigate about 30%, or 15 billion tonnes of carbon dioxide equivalent (GtCO₂e) per year, of the global requirement by 2050 to deliver on the 1.5 °C target (Roe et al, 2019). Forestry and agriculture offer the highest potential to reduce emissions, and per one leading roadmap (Roe et al, 2019) more than two-thirds of the carbon removal required to meet the Paris Agreement targets is expected to come from forest restoration and

improved forest management, while another expects enhanced soil carbon sequestration from agriculture to provide the lion's share of carbon removals (Food and Land Use Coalition, 2021, see [Figure 3](#)).

Soil alone could sequester up to roughly 294-331 Gt CO₂e, with an upper limit of 489 Gt CO₂e, as much as four years' worth of current global GHG emissions (Project Drawdown, 2020). With approximately 40% of the world's non-ice-covered land used for agriculture, a vast potential exists in this sector using proven practices to improve soil health, providing a wealth of ecosystem benefits (see [Figure 2](#)). These practices already make economic sense and additional support to shift towards these practices is growing, from payments to farmers from the public and private sectors for climate-smart practices and environmental outcome payments from the revised EU Common Agricultural Policy serving as examples.

Core components of Climate Asset Management's approach are to demonstrate that shifting towards these practices represents an attractive investment opportunity and to mobilise the private sector investment required to scale NbS to meet global climate and nature goals.

Figure 2: The solution we need today²



Source:

1: Source: IPCC, 2019

2: Source: Project Drawdown – farming our way out of the climate crisis, December 2020

² The arrows represent a negative (anti-clockwise) and positive (clockwise) direction as opposed to the aspects presented being directly related

Climate Change

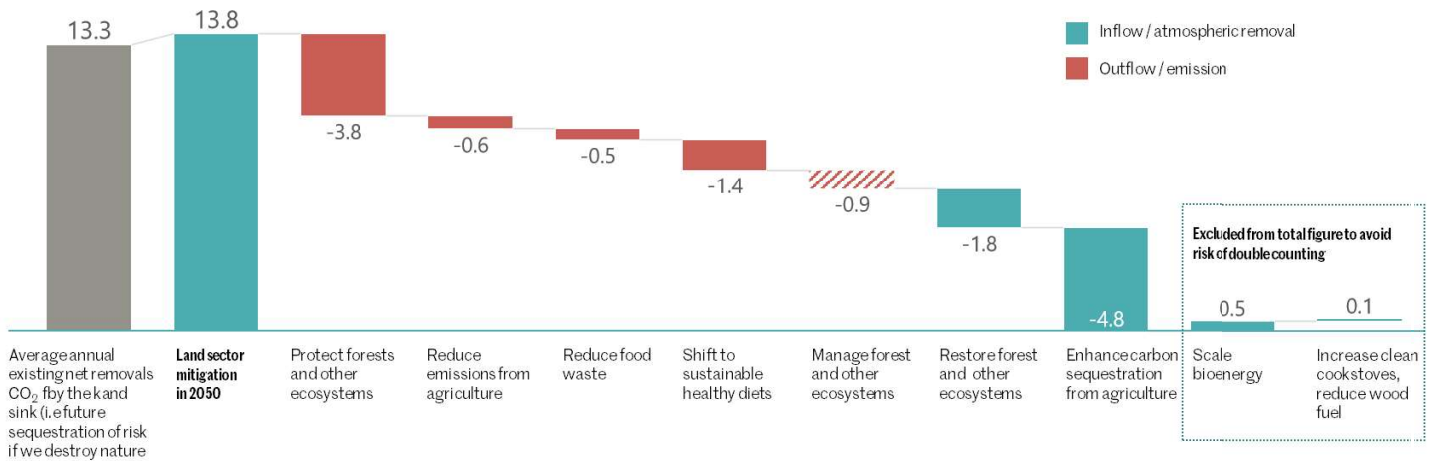
Interventions in the AFOLU sector can contribute to global climate goals through reducing and avoiding emissions, while increasing carbon removals. Emissions reduction potential in the AFOLU sector can reach 7 GtCO₂e p.a. and contribute meaningfully to meet the Paris Agreement target (Food and Land Use Coalition, 2021 – see [Figure 3](#)).

The AFOLU sector has the potential to contribute an additional 6.6 GtCO₂e p.a. in carbon removals, on top of the existing 13.3 GtCO₂e of net removal of greenhouse gases from the land sink sectors (as well as 9.2 GtCO₂e from ocean sinks). The major driver of emissions from the AFOLU sector is conversion of nature to productive use, and accordingly the largest single impact on reducing emissions will come from protecting existing natural forests and ecosystems. We will actively seek to deliver solutions to protect existing forests and other ecosystems, to pursue reforestation and afforestation initiatives to deliver on their potential for climate mitigation, and to enhance the carbon sequestration potential of agriculture.

Our interventions are designed to enhance the climate resilience of landscapes. Climate change is altering food and fibre production patterns and increasing their variability, in turn affecting food security. Increased GHG concentrations are expected to lower nutritional quality, and extreme weather events and altered distribution of pests and diseases are expected to cause increasing disruption ([IPCC, 2019](#)).

We rely on climate risk analysis to identify areas projected to have manageable risks, and to design land use and management change strategies to improve climate resilience. AFOLU managed sustainably for the long-term is likely to experience reduced production volatility in years of climate stress. As an example, recent research by Yale University demonstrated a correlation between increased soil organic matter and decreased crop insurance claims in US Midwestern grain farms ([Kane et al, 2021](#)).

Figure 3: Emission Reduction Potential of AFOLU Sector



Source: Adapted from Food and Land Use Coalition, 2021

Nature and Ecosystems Health

Transforming crop and timber production could reduce species extinction risk by 40% – International Union for the Conservation of Nature, 2021

In addition to its potential climate benefits, the AFOLU sector provides important ecosystem goods and services such as air and water filtration, nutrient cycling, habitat for biodiversity, and climate resilience. The expansion and intensification of agriculture, and logging of native forests, are major drivers of habitat and biodiversity loss, soil and freshwater degradation, environmental pollution, and greenhouse gas emissions worldwide.

First and foremost, protecting nature from conversion to productive use will preserve natural habitat for the world's biodiversity. Working with indigenous communities that safeguard 80% of the world's remaining biodiversity ([Global Environment Facility, 2007](#)) may provide additional benefits.

Where land is already used for production, changing land use and land management practices can turn a challenge into a solution. Widespread adoption of diversification practices in agriculture shows promise to contribute to biodiversity conservation and food security from local to global scales. The authors of a systematic scientific review of the results of diversification in agriculture, which may include actions such as planting cover crops or hedgerows, concluded that it has been demonstrated to “enhance biodiversity,

pollination, pest control, nutrient cycling, soil fertility, and water regulation without compromising crop yields.” ([Tamburini et al, 2020](#)).

Forests are home to 80% of the world's biodiversity, and are the largest terrestrial carbon sink, absorbing 2.6 billion tCO₂e/year ([IUCN, 2021](#)). Healthy forest ecosystems – including working forests – provide habitat and produce and conserve soil and stabilize stream flows and water runoff, preventing land degradation and improving water quality, lowering air and water temperatures, and reducing the risk of natural disasters such as droughts, floods and landslides ([UN, 2018](#)).UN, 2018).

A recent scientific assessment of threat abatement and restoration potential for IUCN Red List species, using the Species Threat Abatement and Restoration (STAR) tool, concludes that “the greatest contribution that could be made to reduce the extinction risk of these groups is tackling threats from annual and perennial non-timber crop production,” which accounts for 24.5% of the STAR scores globally, and logging and wood harvesting which contributes a further 16.4% ([Mair et al, 2021](#)). While species extinction risk and restoration potential are greatest in nature-rich countries, contributions can also be made by implementing nature-positive interventions in areas currently under intense monoculture production, and by creating new habitat.

Delivering Impact: Our Approach

NbS and UN Sustainable Development Goals

The UN SDGs are a globally recognised blueprint to achieve a more sustainable and inclusive future and have been widely adopted, including as a framework by impact investors to assess and report their impact contributions. IPBES estimates that current trends in biodiversity loss are undermining 80% of the assessed targets of UN SDGs (IPBES, 2019). There are few other asset classes than NbS, if any, that span across multiple SDGs and targets, and it is this point that makes them so compelling from an impact opportunity perspective. **Figure 4** provides an overview of some of the direct linkages and contributions from NbS to the SDGs.

Figure 4: NbS Contribution to UN SDGs



Source: adapted from https://www.iucn.org/sites/dev/files/sdgs_-_iucn_-_web_-_eng.pdf

Delivering Impact: Our Approach

Climate Asset Management: Net Zero and Net Nature Positive by 2030

Climate Asset Management has identified a series of impact objectives and specific commitments that are aligned with global climate and nature goals and can be made today with integrity and confidence of delivery over the 15+ year term of its two initial investment strategies.

Climate Asset Management commits to deliver Net Zero emissions (Scope 1&2, reflecting historical emissions³) and to transition to net Nature Positive across all strategies by 2030 versus a 2020 baseline.

Both commitments apply at the platform level and will cascade down through Climate Asset Management's strategies.

Nature Positive is a new and evolving concept premised on an emerging global goal for nature, to halt and reverse biodiversity loss by 2030 ([Locke et al, 2021](#)). While achieving nature positive requires

collective action well beyond our range of influence, Climate Asset Management seeks to align its investment strategies with this global goal and applicable EU and international standards such as the guidelines in development by the Taskforce for Nature-related Financial Disclosures. Specific nature positive interventions and commitments are developed at the strategy level.

These commitments are reflected in each investment strategy's impact objectives across four impact categories: (i) Biodiversity (ii) Climate (iii) Water (iv) Community

In keeping with Climate Asset Management's holistic approach, each strategy has developed a set of impact objectives under these categories, reflecting ecosystem function and the stakeholders that depend on them along with quantifiable key performance indicators to measure performance.

³ Scope 3 strategy to be developed by 2023 consistent with the [EU Sustainable Finance Directive Regulation](#).

Climate Asset Management adopts the Global Impact Investing Network's (GIIN) definition of impact investment: "investments made with the intention to generate positive, measurable social and environmental impact alongside financial return" (ref). An often-under-developed component of impact investing is the measurement of impact. Out of the total estimated impact investing sector of \$2,281bn, the IFC estimate that just \$636bn of this is 'measured impact', under 30% ([IFC, 2021](#)).

Climate Asset Management believes clear reporting on impact is fundamental. The team reviewed existing global and regional standards and frameworks to identify opportunities to align and contribute to global ambitions and consensus priorities. These include the EU Taxonomy, the EU Biodiversity and Forestry Strategies, the post-2020 Global Biodiversity Framework, the Science-Based Targets Network's Initial Guidance for Business, and leading voluntary carbon standards, including those that certify co-benefits for biodiversity, community and the SDGs.

Following the process outlined by the Impact Management Project, we identified the impact thesis, outcomes, stakeholders, risks and ambition for the first two investment strategies:

1. Natural Capital Strategy (NCS) – focused on North America, Europe and Australasia, NCS provides institutional investors a pathway to large-scale, diversified exposure to quality natural capital assets, with the potential to deliver attractive risk-adjusted returns and quantifiable impact through improved environmental outcomes and community value creation.
2. Nature Based Carbon Strategy (NBCS) – focused on emerging markets, NBCS offers companies and investors access to investments in nature-based carbon projects, in return for high integrity carbon credits.

The impact thesis for each strategy is briefly outlined in the following pages.

Natural Capital Strategy

NCS IMPACT THESIS

NCS seeks to optimise working lands and other nature-based real assets through holistic land use and land management changes which aim to deliver investors measurable positive environmental and social outcomes alongside attractive risk-adjusted financial returns. Our interventions are guided by science-based targets for the potential of the assets to produce food and fibre and contribute to global climate and nature goals.

NCS invests in agriculture, forestry and other nature-based assets providing payments for ecosystem services (PES, e.g. carbon, biodiversity). To be considered for investment a project must: :

1. Make a substantial contribution to one objective in 3 out of the 4 impact categories⁴ and do no harm to all other objectives;
2. Meet the minimum criteria defined under the IMM Framework including:
 - a) Meeting EU SFDR Article 9 requirements;
 - b) 100% operational third-party sustainability certification of assets, e.g. FSC (forestry), GLOBAL G.A.P (agriculture)

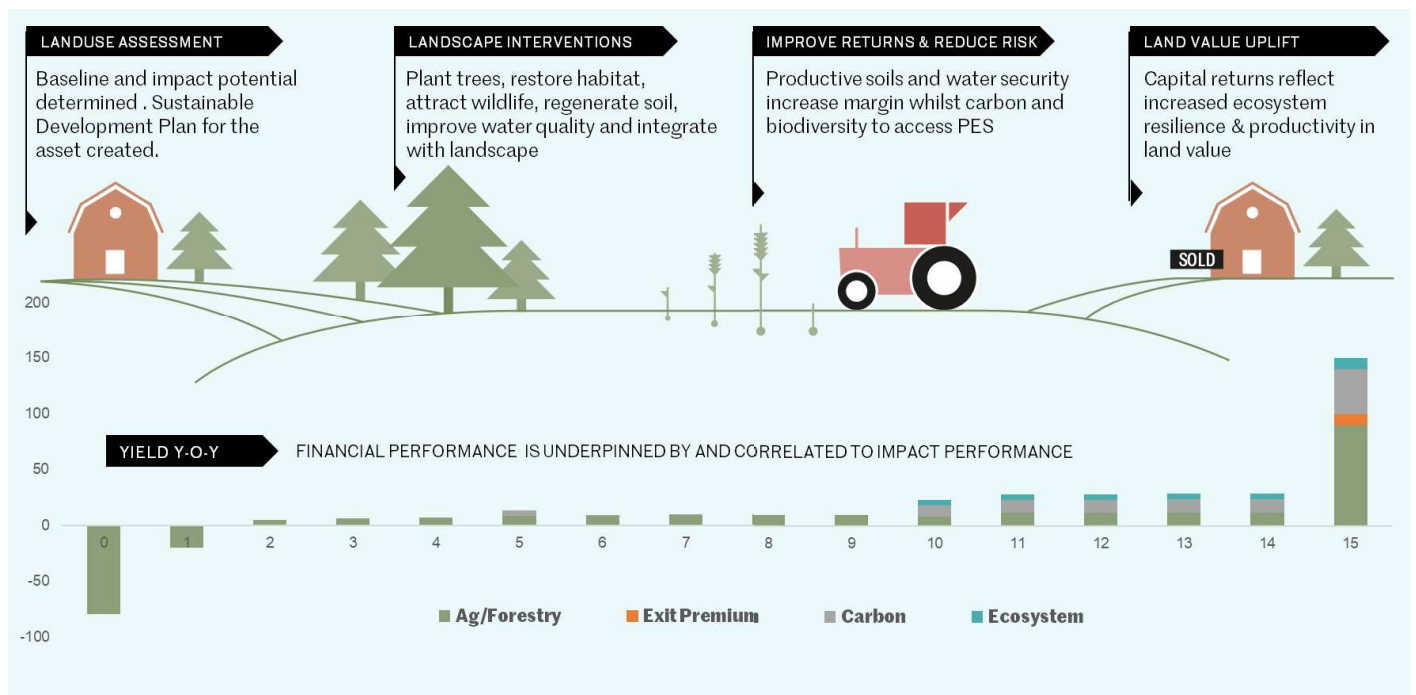
A key aspect of the NCS is to support the development of markets that value nature. As such, NCS will seek to monetise ecosystem services where doing so is consistent with the integrity of environmental outcomes (including protections against double counting and double claiming) and the objectives of the Strategy. [Figure 6](#) presents an indicative illustration of how our strategy improves ecosystem function and financial performance of the asset.

⁴ Per the IMM Methodology, see separate publication 'Impact Teaser' in the NCS data room.

Article 9 SDFR: The product has a sustainability objective. Detailed information for article 8 and 9 sustainable investment products as categorized under Sustainable Finance Disclosure Regulation (SFDR), including: description of the environmental or social characteristics or the sustainable investment objective; methodologies used to assess, measure and monitor the environmental or social characteristics and the impact of the selected sustainable investments and; objectives and benchmark information can be found at www.fundrock-lis.com/esg. The decision to invest in the fund should take account of all the characteristics or objectives as described in the information document of the AIF or equivalent documents.



Figure 6: NCS Indicative Investment Profile and Impact Objectives



Source: CAM Indicative Investment Profile

Nature Based Carbon Strategy

NBCS IMPACT THESIS

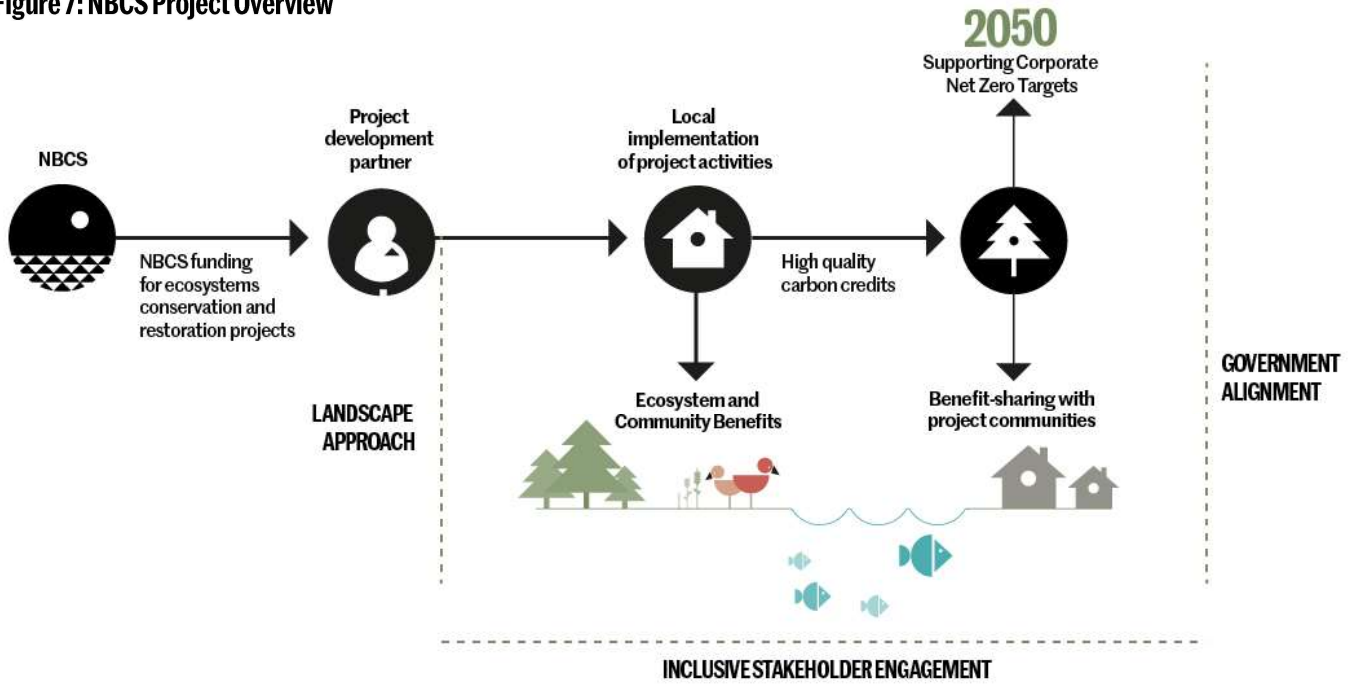
NBCS invests privately raised capital into NbS projects that aim to generate high impact, high quality carbon credits to support its investors in their pathways to net zero. By investing in NbS projects that restore and conserve ecosystems at scale, NBCS aims to provide benefits to society and biodiversity, and contribute to achieving global climate, nature, and development goals. NBCS's investments will be guided by a landscape approach underpinned by inclusive stakeholder engagement, benefit sharing, and country alignment.

NBCS invests across all ecosystems and in projects delivering both conservation and restoration objectives, generating both GHG avoidance and/or removal credits. NBCS has made impact commitments that include:

1. Each project must make a substantial contribution to at least one objective in 3 out of the 4 impact categories⁵, and do no harm to all other objectives
2. All projects should be verified by a leading carbon standard, and have at least 1 co-benefits certification
3. Certifications that qualify: Verra (CCB), Gold Standard and other high quality internationally accepted and emerging certifications, e.g. Article 6.4
4. Be guided by [IUCN Global Standard for Nature-based Solutions](#) in their design

[Figure 7](#) presents an illustration of a project structure and benefit flows for ecosystems and communities. A particular component of NBCS's strategy is engagement with host governments with a view to obtaining authorisation for the activity, by which the country commits to account under the Paris Agreement for the removal or emissions avoided.

Figure 7: NBCS Project Overview



Source: NBCS Project Overview

Measurement, Reporting and Verification (MRV)

Effectively measuring and managing impact is critical to ensuring that Climate Asset Management achieves its desired impact objectives. As such, we have developed a set of priority metrics at the portfolio level to capture progress on our impact goals and support investment decisions. The purpose and application of the framework is twofold:

1. To consistently measure a project baseline, set science-based targets, evaluate trade-offs and define the actions and interventions needed to achieve these targets;
2. To generate a quantitative and standardised approach for measuring, reporting, and verifying impact performance at a project, fund portfolio and Climate Asset Management group level and adapting management based on this to optimise performance.

▶ **Measurement:** KPIs developed for each asset and measured throughout the investment holding period

▶ **Reporting:** annual ESG-I reporting to investors and external stakeholders

▶ **Verification:** asset level direct and remote measurement by third parties and tools

Ecosystem condition and services are assessed across the four impact categories: NBCS also assesses community and livelihoods impacts and benefits arising from our interventions. Metrics are identified to include both (i) top down, reflecting our strategic impact objectives across the portfolio, and (ii) bottom up, reflecting the local context in terms of both the nature-based asset and the local community. Wherever possible metrics have been chosen to align with the GIIN's IRIS+ catalogue.

Land-based interventions are specific and unique to the asset. Metrics are selected to ensure information collected is relevant and decision-useful at the asset level, as well as to evaluate performance against portfolio objectives.

Managing ESG Risks

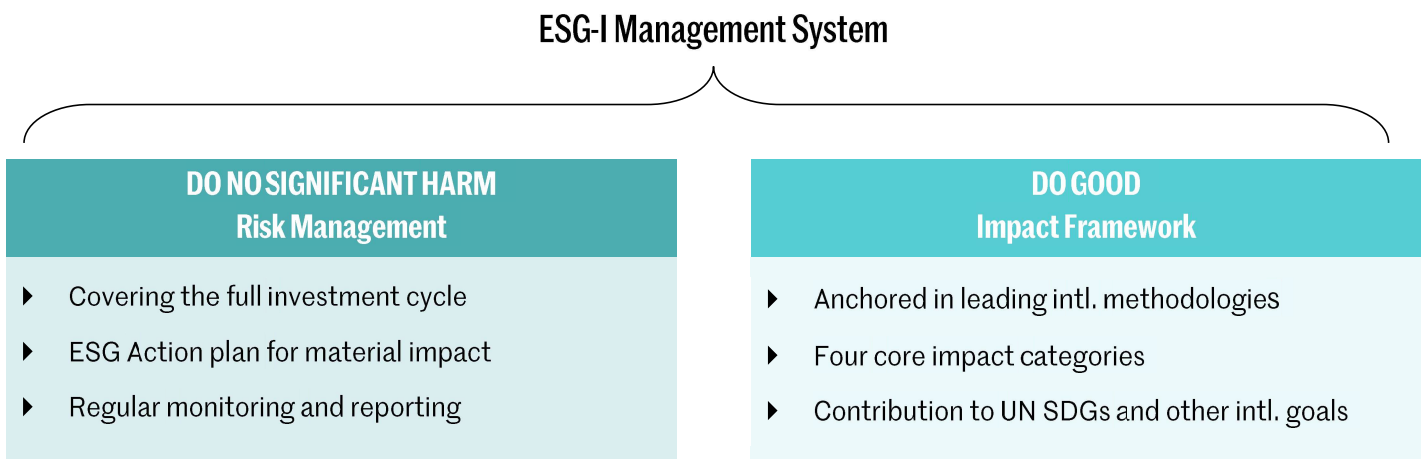
Whilst this paper focuses on our approach to delivering positive environmental and social impacts from our investments, it is just one side of a fully integrated ESG and Impact Management System that is in operation ([Figure 8](#)).

Through adopting a ‘do no significant harm’ approach we aim to ensure that whilst solving for one problem (restoring and protecting ecosystems) we are not creating others by identifying and managing material ESG risks for each investment. Overall, NbS are by their nature expected to reduce the ESG risk profile of investments. Nevertheless, material risks are still present, including physical climate change risks, land rights, working conditions and risks to vulnerable communities.

We assess and manage ESG risks in two principal ways:

1. Partnering with experienced operating partners and developers to implement projects. As part of the due diligence process and onboarding of partners we assess their ESG management systems and resourcing to deliver the requirements of our strategy. Through our active stewardship approach, we work closely with and support our partners and developers.
2. Active involvement in all new investment opportunity due diligence, including the procurement and scoping of relevant technical studies, site visits and review of deliverables. Once an investment proceeds to the asset management stage, we implement a comprehensive MRV regime as outlined in the IMM Framework with metrics to track progress against targets. The MRV regime includes periodic third-party monitoring of assets.

Figure 8: CAM ESG-I Management System Approach

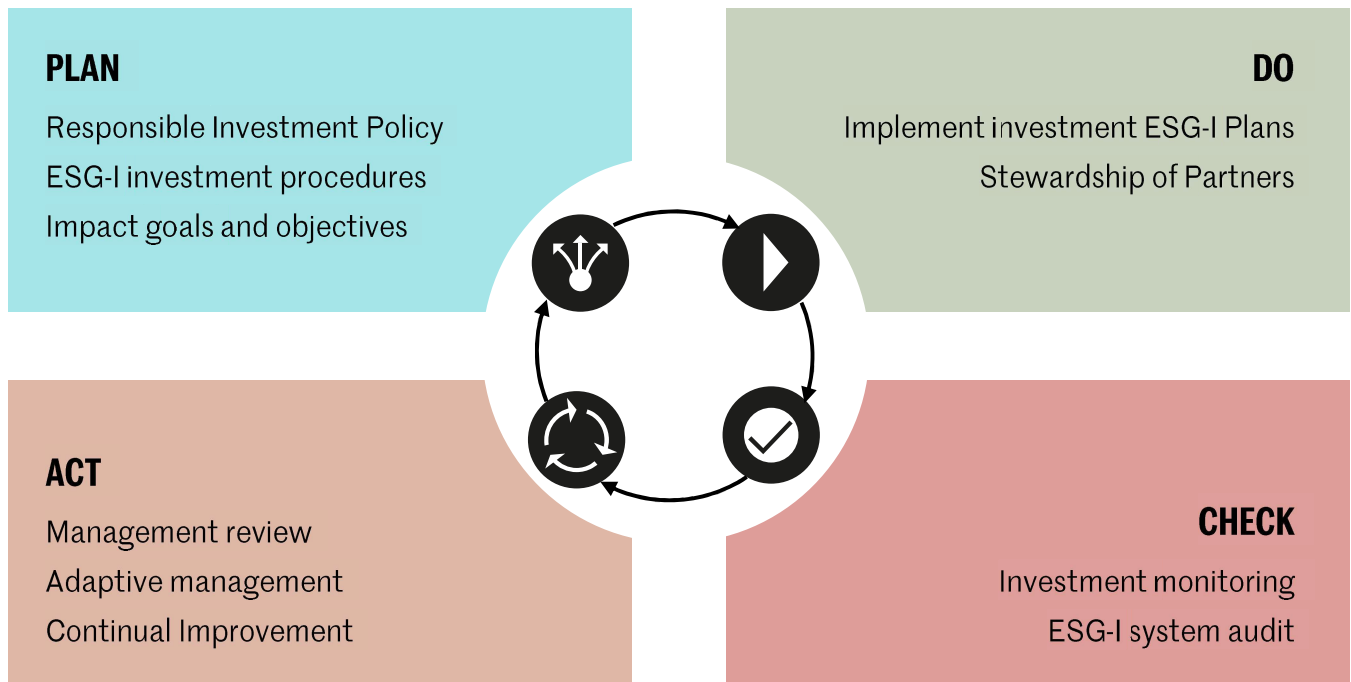


Continuous Improvement

Our ESG-I Management System is framed around the guidelines established in ISO 14001: 2015 Environmental Management Systems, a globally adopted standard for environmental management systems. The underpinning principle of environmental management systems is one of ‘continuous improvement’ applying the Plan-Do-Check-Act (PDCA) methodology ([Figure 9](#)).

This approach is particularly relevant to NbS, being a growth market where new and improved methodologies and understanding are regularly emerging. Through wide collaboration, we strive to ensure that our ESG-I Management System continues to reflect best-practices in investment selection and management.

Figure 9: CAM Approach ESG-I Management System



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Key Risks

There is no assurance that any portfolio incorporating a natural capital strategy will achieve its investment objective or will work under all market conditions. The value of investments may go down as well as up and you may not get back the amount originally invested. Natural capital portfolios may be subject to certain additional risks, which should be considered carefully along with their investment objectives and fees.

Natural capital asset class risks include but are not limited to: 1) physical factors (such as climate and ecosystem risks) may impact the quantity and quality of production and any other value derived from the asset (such as carbon credits); 2) adverse changes in market prices of the product, land or any other assets or services provided by the asset; 3) financial risk; 4) government actions, and; 5) changes in policy, law, regulations and tax laws.

Exchange rate risk: changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.

Liquidity risk: investors should expect to maintain their investments in a natural capital strategy for the long-term. The strategy's investments are expected to be illiquid and there can be no assurance that the strategy will be able to realize investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Furthermore, it may not be possible to establish the current value of the portfolio at any particular time. The lack of liquidity in the strategy's asset portfolio may significantly impede its ability to respond to adverse changes in the performance of its assets and may adversely affect the value of an investment in the strategy.

Emerging markets risk: emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.

Investment opportunities risk: The activity of identifying, completing, and realizing attractive investments is highly competitive and involves a significant degree of uncertainty.

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HSBC



For further information please contact:

Cyrena Rice

Head of Distribution

Cyrena.rice@climateassetmanagement.com

Samantha Jarrett

Executive Assistant

samantha.jarrett@climateassetmanagement.com