



Zencap
Asset Management

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BIODIVERSITY POLICY

March 2021

This document incorporates the requirements of European Regulation 2019/2088 known as the "SFDR" or "Disclosure" Regulation (Art. 3 & Art. 4), and Article 29 - paragraph I of the

Our biodiversity policy

This section complies with the provisions of article 29 - paragraph I of the Energy-Climate Law of 8 November 2019.

Zencap AM's Biodiversity policy applies to all private debt management.

Zencap AM's ambition is to be part of the fight against the loss of biodiversity and to contribute to the Ecological Transition.

Please note: this policy was formalised in early 2021 and is currently being revised to better reflect recent developments undertaken by Zencap AM to assess the biodiversity impacts and dependencies of each of its investments. These developments are described in our [annual ESG Report](#).

Biodiversity policy

BIODIVERSITY RISKS

At the Rio Earth Summit in 1992, the Convention on Biological Diversity (CBD) was adopted by the United Nations. This international treaty has three main objectives: the conservation of biological diversity, the sustainable use of biological diversity and the fair and equitable sharing of the benefits arising out of the utilisation of genetic resources. In 2010, the 190 member countries of the CBD adopted the "20 Aichi Targets" for 2020 to halt the erosion of biodiversity. In 2020, despite the growing awareness, the targets are far from being met; according to the national reports submitted to the CBD secretariat in 2020, only six out of the twenty targets have been partially achieved. Worse still, the WWF, in its "Living Planet 2020" report, shows an alarming decline in mammal, bird, amphibian, reptile and fish populations of 68% between 1970 and 2016. This trajectory is also reflected in the 2019 Global Assessment Report from The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, which highlighted a widespread global decline in biodiversity, calling for urgent and immediate action. The alarm bell has also been rung in the oceans, where action is urgently needed, as highlighted by the One Planet Network in its report "Breaking The Plastic Wave" (2020).

The loss of biodiversity due to human activities (disappearance of natural habitats, pollution, over-exploitation of species) is accelerated and exacerbated by global warming, so the two phenomena are now linked. The risks to economic players associated with the loss of biodiversity are numerous, since all activities depend directly or indirectly on nature. Some sectors are particularly exposed, such as agriculture, the food industry, pharmaceuticals and cosmetics, because of the risk of scarcity of certain raw materials, but there are also risks of disruption to the value chain in other sectors, not forgetting the physical risks (e.g. flooding, landslides) due to soil erosion.

ZENCAP AM'S COMMITMENTS

Awareness on the part of economic players and investors seems to be growing, with initiatives aimed at :

- Addressing issues related to biodiversity and the factors driving its destruction.
- Apply biodiversity criteria in the supplier or business partner selection process to exclude companies with negative impacts on biodiversity.
- Develop approaches to measuring biodiversity.

At Zencap AM, during the due diligence process, ESG analysis includes issues closely linked to biodiversity. For example, the following criteria are scrutinised according to their materiality:

- Ecodesign of products and services

- Waste management (production, reduction, recycling) at manufacturing or product level, packaging reduction and circular economy initiatives
- Initiatives to protect biodiversity and ecosystems (e.g. limiting land use, protecting forests, managing herbicides, eliminating plastic, etc.).
- Management of inputs, raw materials and water (reduction, recycling)
- Development of eco-designed products, services or infrastructures
- Environmental impact assessment of buildings and infrastructures

Where appropriate and relevant to the borrower in question, these issues, as with climate or other factors, can be the subject of objectives discussed in the negotiation phase of the financing terms, incorporated into the documentation, and monitored throughout the financing period. The annual reporting required of borrowers also includes the criteria mentioned.

However, it is still difficult to quantify the precise risks and impacts directly linked to biodiversity. Businesses - especially the small ones that we finance - rarely measure their exposure to these risks; the availability of data is therefore low, and it is complex to understand the issue in a reliable and relevant way. To date, there have been a few initiatives aimed at estimating these risks. We are actively monitoring these issues and risks to ensure that they are taken into account in our investment process.

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