



Investing in Nature – A Webinar Series

In partnership between the European Investment Bank, EU Business Biodiversity Platform and SYSTEMIQ

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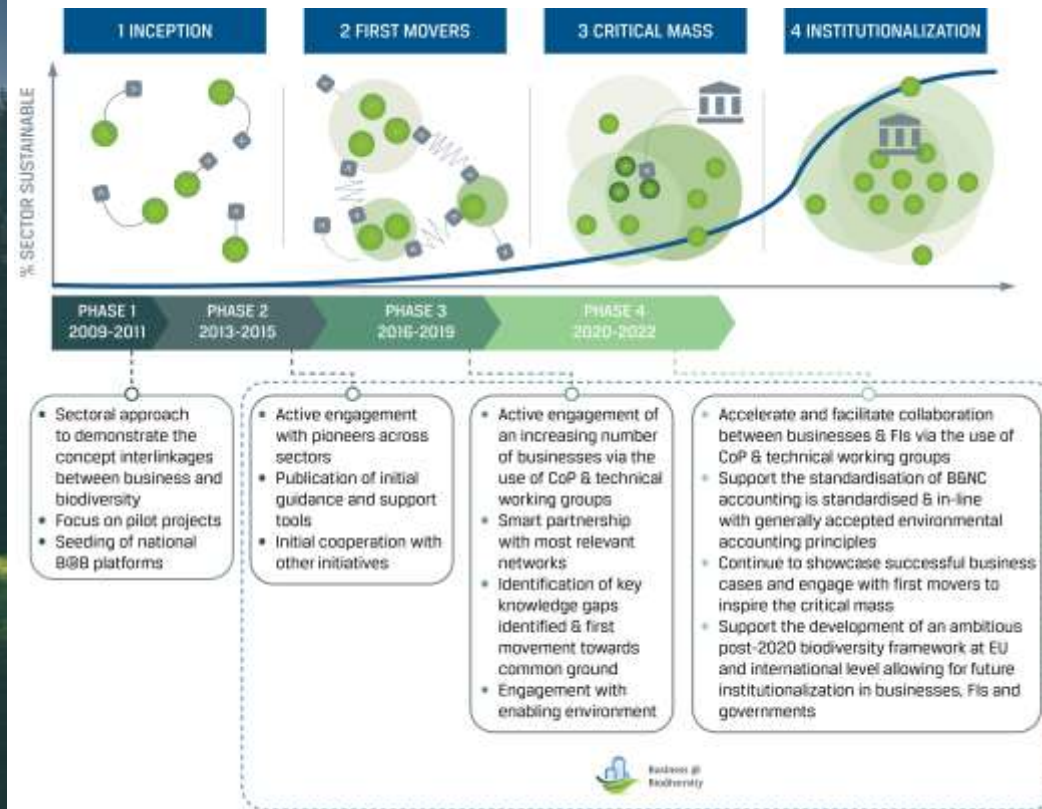
Business @
Biodiversity

S Y S T E M I Q



Business @
Biodiversity

Our mission:
reverse nature
loss by
supporting
businesses
throughout their
biodiversity /
Natural Capital
journey





Webinar Series - Overview & Outlook

- ▶ PART 1: An introduction to financing investments in natural capital
- ▶ PART 2: Business models for conservation and nature-based solutions projects
- ▶ PART 3: How to prepare financials and strengthen commercial viability of your project?
- ▶ PART 4: Understanding different types of financing
- ▶ PART 5: Assessing appropriate legal structures



Investing in Nature: A Practical Guide



<https://www.eib.org/attachments/pj/ncff-invest-nature-report-en.pdf>



Our speakers



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Agenda

1. Which legal structure for your project?
2. What types of due diligence for a nature project?
3. Debt-type financing structures
4. Investing in nature projects through investment funds
5. Co-investments
6. Case study: SLM Partners
7. Q&A




1. Which legal structure for your project?

A/ Associations, foundations or other non-corporate forms – what are the pros and cons?

Pros	Cons
Cost	Not profit driven
Flexibility	Less attractive for financial institutions
Adapted to early stage small projects	Weaker governance
No corporate law management liabilities	Less transparency vis-à-vis their members

B/ Why establish a corporate structure?

- ▶ Giving legal autonomy and ringfencing a project
- ▶ Investors can:
 - ✓ make different types of contributions;
 - ✓ receive shares in proportion to their contributions;
 - ✓ Limit their liability up to their contributions in limited liability companies
- ▶ Strengthened governance
- ▶ Independent management from the investors
- ▶ Managers are liable for their management and can be revoked by investors



2. What types of due diligence for a nature project?



A/ Corporate due diligence

- ▶ Is the corporate/legal structure adapted to the project?
- ▶ Good and viable governance structure?
- ▶ What is the investor's base, what are investors' rights?
- ▶ Which documents are going to be reviewed?
 - ✓ Articles of association
 - ✓ Shareholders' agreement
 - ✓ Minutes of shareholders' meeting and management boards
 - ✓ Shareholders' register
 - ✓ Management incentive plan
- ▶ Insolvency checks ?



B/ Financing due diligence

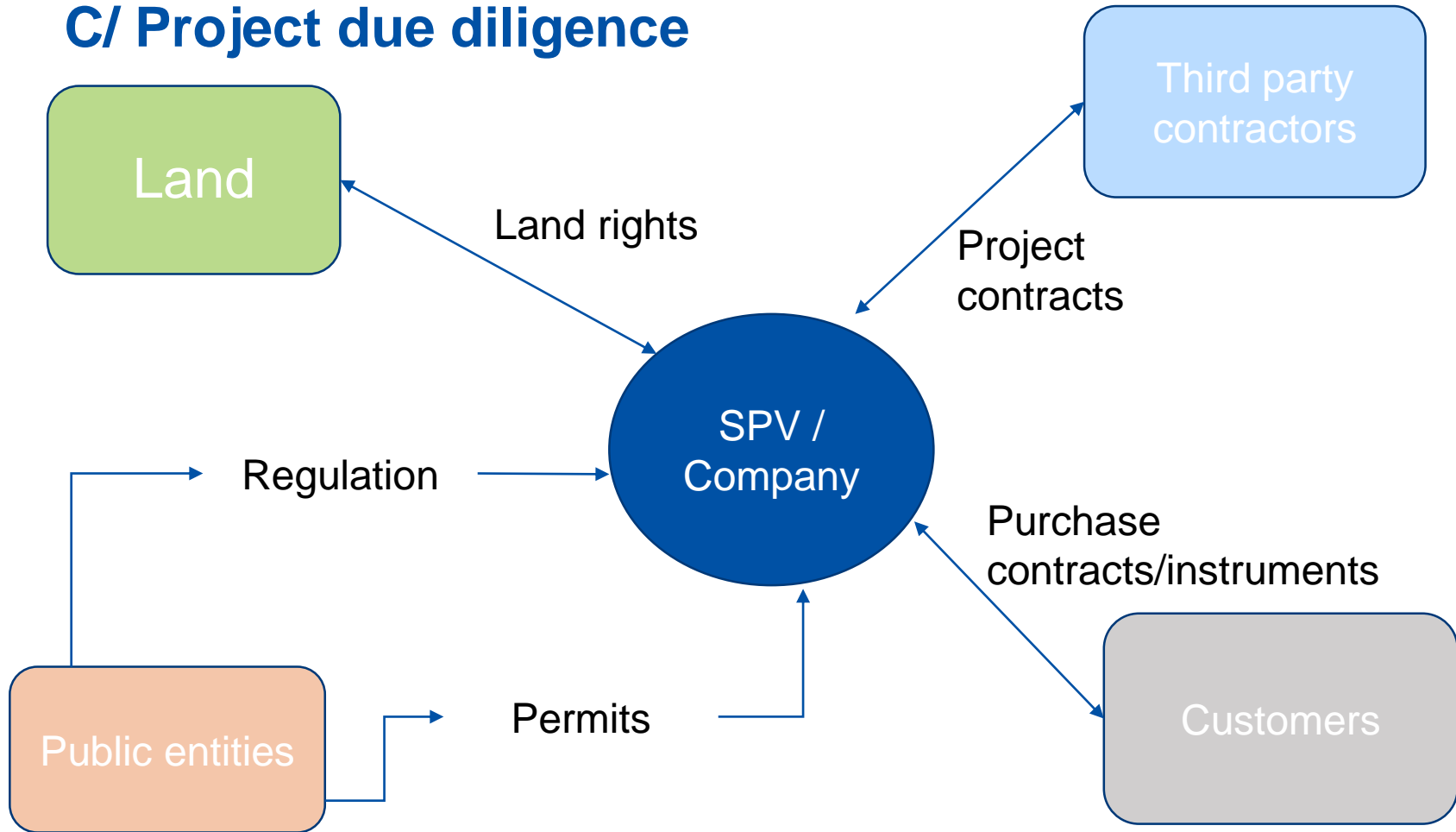
- ▶ Are there other financial liabilities?
 - ✓ From which creditors?
 - ✓ Secured/Unsecured?
 - ✓ Guarantees by a third party?
- ▶ Is there available collateral ?
 - ✓ Receivables?
 - ✓ land ?
 - ✓ shares ?
- ▶ Is there any third party able to provide a guarantee?



B/ Financing due diligence

- ▶ Are there hedging providers ?
- ▶ How will the new financing/investment interact with other indebtedness?
- ▶ Need for a consent or waiver to be granted by existing lenders ?

C/ Project due diligence

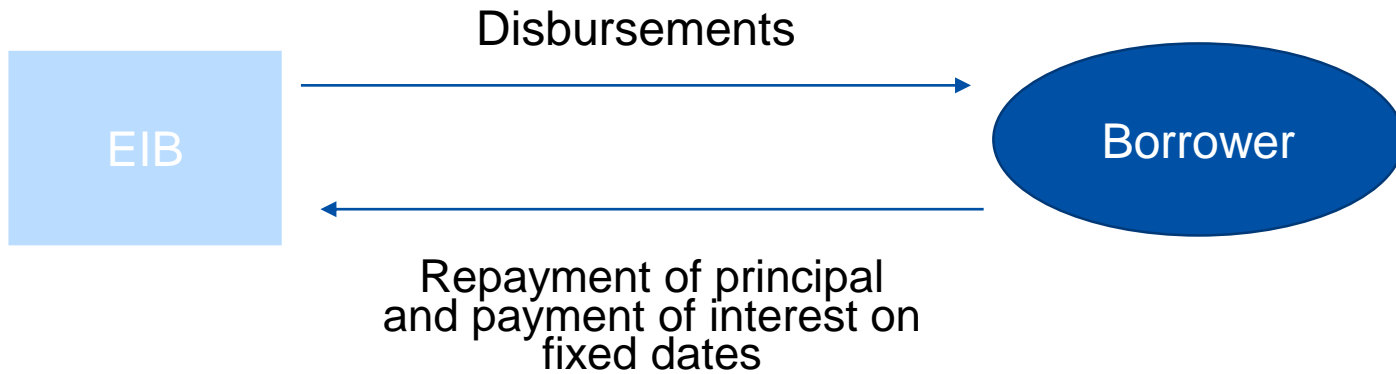




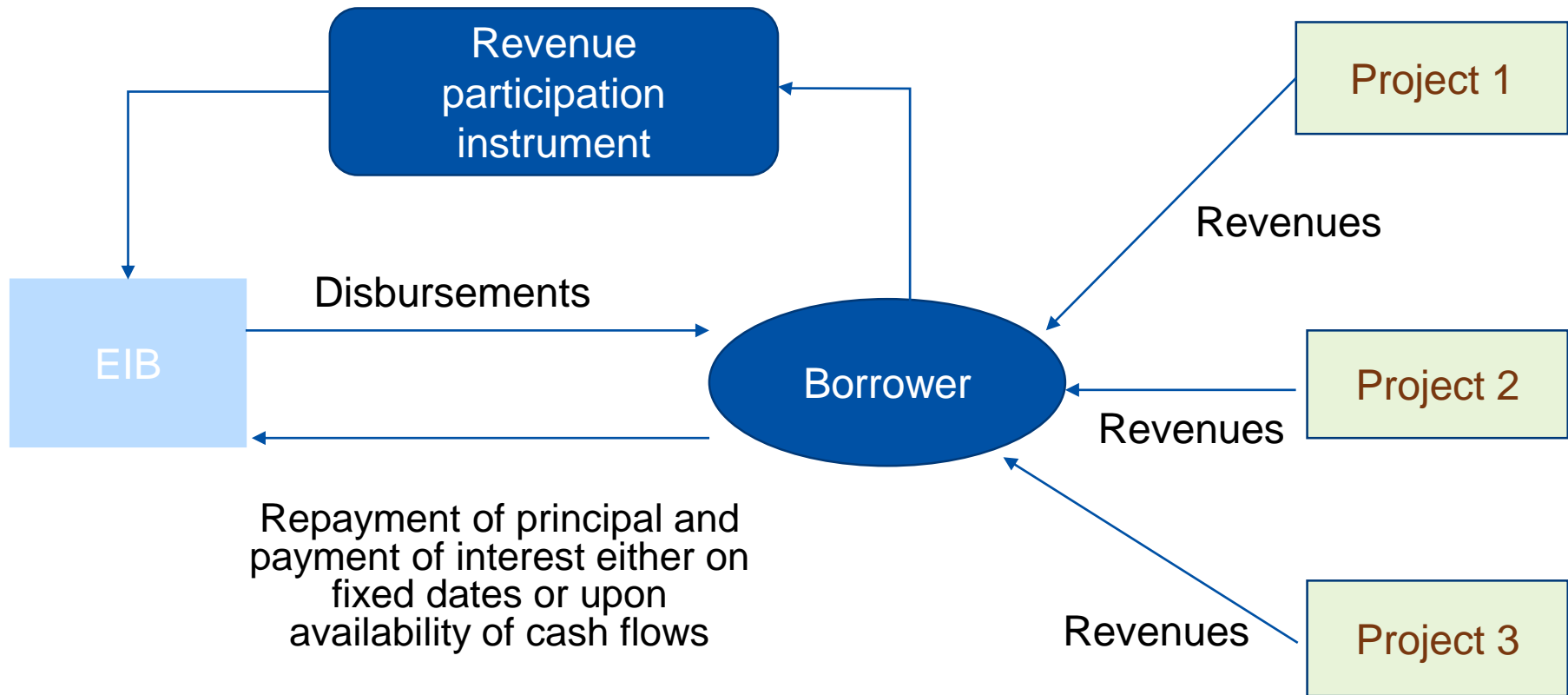
3. Debt-type financing structures



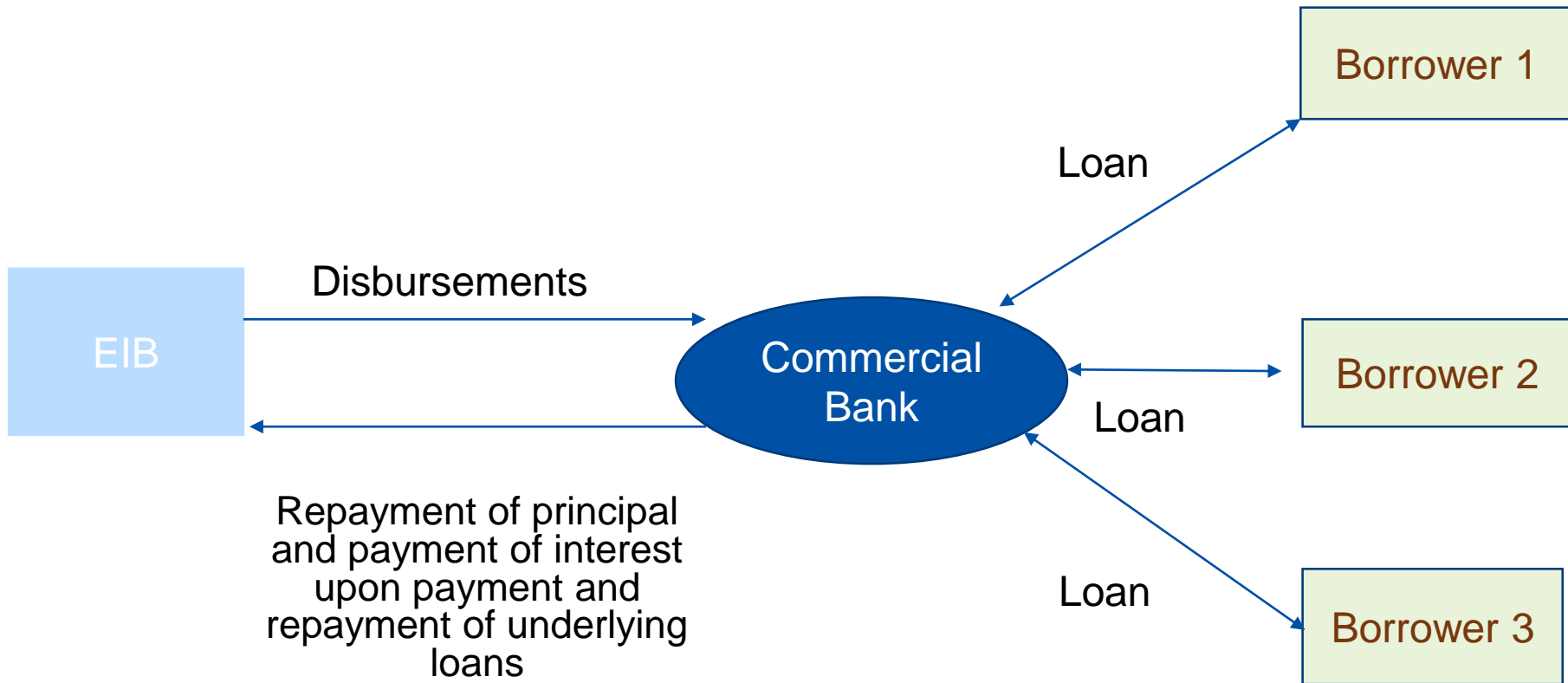
Direct lending – EIB standard loan



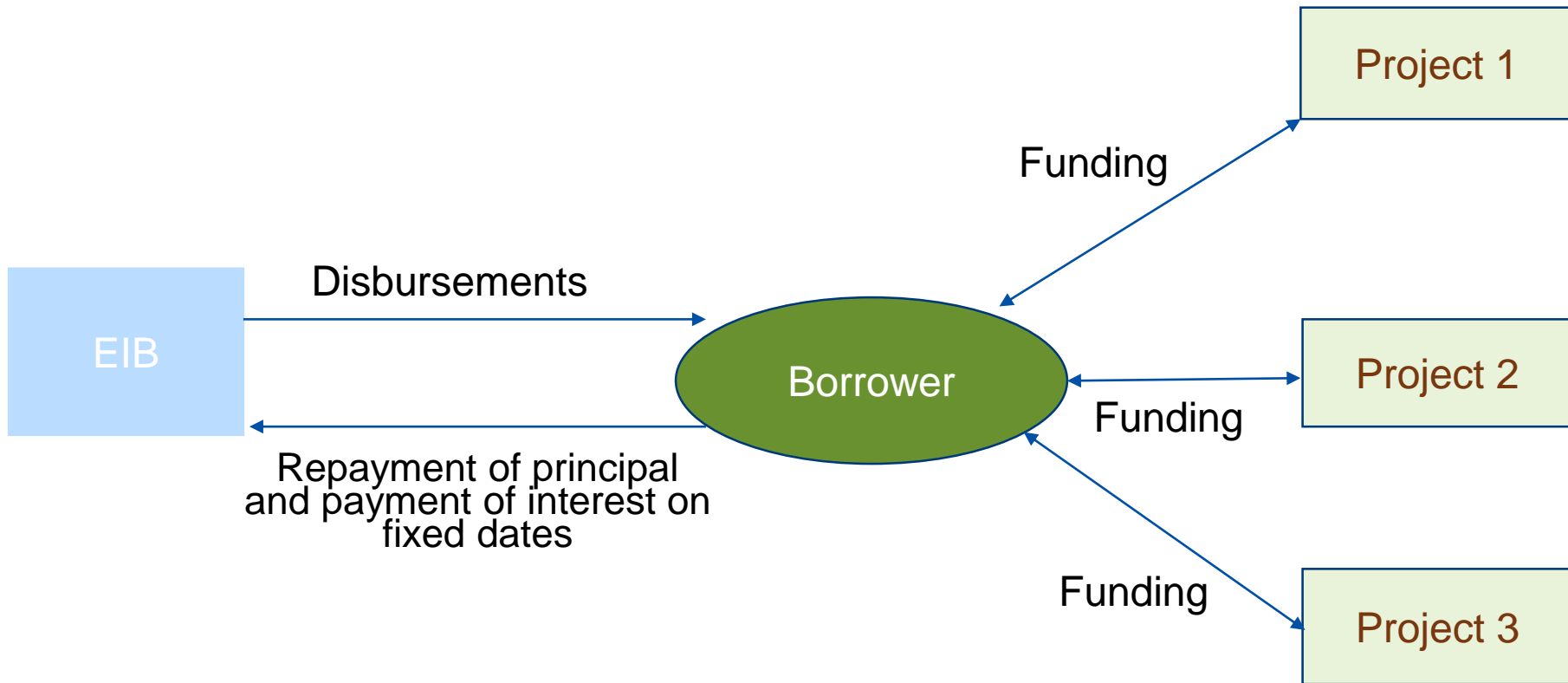
Direct lending – EIB quasi-equity products



Intermediated lending



An hybrid lending instrument – the framework loan





4. Investing in nature projects through investment funds



EIB indirect equity investment at a glance

- ▶ EIB takes equity ticket alongside other investors in a fund managed by independent management team
- ▶ Targets:
 - ▶ Infrastructure funds
 - ▶ Private equity funds
 - ▶ Microfinance funds
 - ▶ Climate change funds (incl. funds focusing on nature projects)



Standard features of investment funds

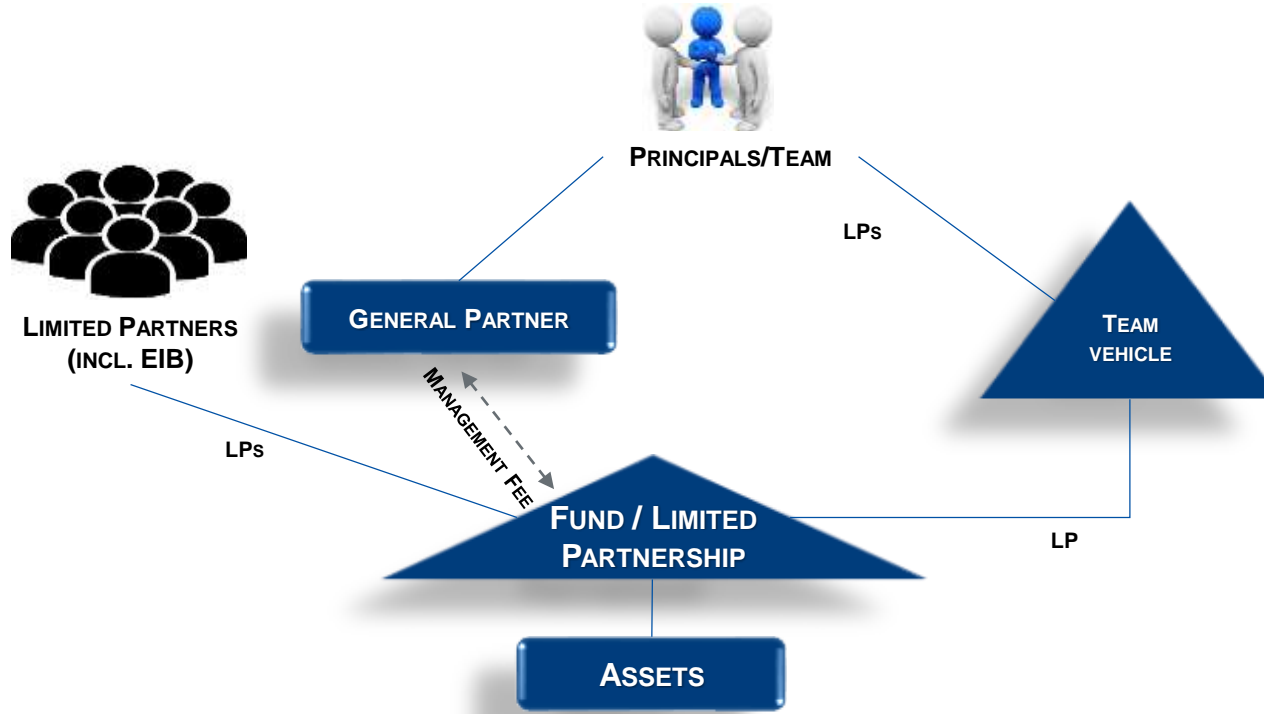
- ▶ pooling of investors
- ▶ investment in a (diversified) pool of assets according to a defined investment policy
- ▶ generation of a (financial) return
- ▶ independent management team



General categories of investment funds

- ▶ “Public”/”liquid” funds
 - ▶ Liquid assets
 - ▶ Open-ended (subscription fully paid-up and ability to exit)
 - ▶ Unlimited duration
 - ▶ Large investors base
- ▶ “Private”/”illiquid” funds
 - ▶ Illiquid assets (e.g., infrastructure, private equity)
 - ▶ Closed-ended (commitment-based participation and no (or limited) ability to exit prior to term)
 - ▶ Limited duration
 - ▶ Restricted investors base
- ▶ EIB’s targeted funds are illiquid

Standard LP – GP structure in private funds





EIB's indirect equity transaction – Rationale

- ▶ Why investing into a fund?
 - ▶ Pooling of capital raised from several investors (catalytic effect)
 - ▶ Reliance on manager's resources and market knowledge
 - ▶ Delegation of deal execution and development of projects to manager
 - ▶ Exposure to a multitude of underlying projects
 - ▶ Financial return as equity holder
- ▶ But equity (and other) risks



Standard features of natural funds

- ▶ “Private”/”illiquid” type of funds
 - ▶ Underlying projects not readily tradable and valuable
 - ▶ Closed-ended
 - ▶ Limited duration
 - ▶ Sophisticated investors
- ▶ With specific features
 - ▶ Layered fund structure
 - ▶ Level of hurdle rate and manager remuneration
 - ▶ Enhanced focus on ESG



EIB's investment into natural funds

- ▶ Key points of attention:
 - ▶ Due diligence on management team
 - ▶ Eligibility of investment thesis
 - ▶ Alignment of interest with management team and with other investors
 - ▶ Full capital deployment – focus on size
 - ▶ Liability limited to commitment
 - ▶ Continuity of the management team (change of control, key persons)
 - ▶ Duty of care of fund manager and protective measures against management team (removal)



5. Co-investments



EIB co-investment program at a glance

- ▶ EIB equity investment in co-investment vehicle
- ▶ Co-investment vehicle set-up and managed by main fund's manager
- ▶ Co-investment vehicle stapled with main fund in one or more deals
- ▶ Why making co-investment (General) ?
 - ▶ Enhanced deployment of capital towards projects (for fund and investors)
 - ▶ Enhanced commercial terms (no fees/no carry?)



EIB co-investment program at a glance

- ▶ Partial delegation scheme
 - ✓ EIB remains responsible for assessing and approving the co-investment
 - ✓ Deal execution and monitoring is delegated to the Fund Manager
- ▶ Alignment between the Fund's investment and EIB investment
 - ✓ Same terms and conditions
 - ✓ EIB does not have all the rights that a normal direct equity investor would have
 - ✓ Legal remedy in case of mismanagement will be sought first at the level of the fund in order not to disrupt alignment – stapling principle



6. Case study: SLM Partners

About SLM Partners

- Asset management firm established in 2009
- Mission: use investment capital to scale up regenerative agriculture and forestry systems
- Offices in New York, London and Australia
- Develops and manages real asset investment strategies for institutional investors and family offices
- \$200 million in AUM across 3 strategies



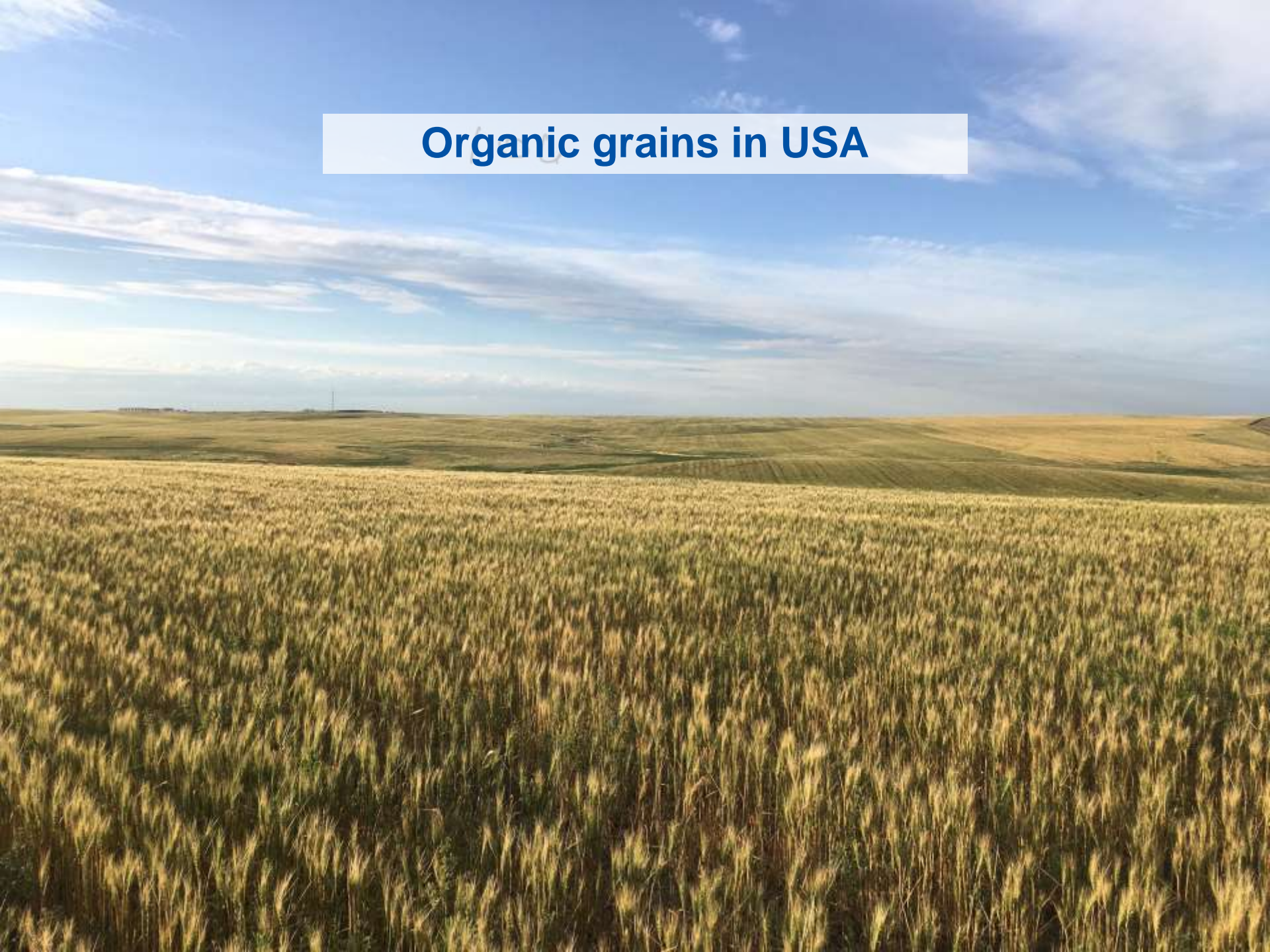
Grassfed beef in Australia



Sustainable forestry in Ireland



Organic grains in USA



Permanent crops & forestry in Iberia





















Q&A

