By 2030, the L’Oréal Fund for Nature Regeneration will have invested 50M€ to help restore one million hectares of degraded ecosytem, to capture 15 to 20 million tons of CO₂ and to help create hundreds of job opportunities.

This document is meant to provide information for project developers interested in a direct financing from the L’Oréal Fund for Nature Regeneration (the “L’Oréal Fund” or the “Fund”).

The L’Oréal Fund is one of the initiatives of the “L’Oréal for the Future” sustainability program1.

The Fund will (i) invest in some Mirova funds dedicated to natural capital, (ii) target co-investment opportunities with these funds, and (iii) support direct investments, in line with these investment criteria.

Contrary to other internal initiatives of the Group, the L’Oréal Fund aims to go beyond the Company’s direct environmental impact and to finance projects which are not necessarily connected to L’Oréal’s business, i.e. not necessarily related to its supply chains or markets.

More precisely, the L’Oréal Fund will invest in projects which contribute to the conservation and the regeneration of marine, coastal and forest ecosystems, and aiming at sustainably valuing natural capital from forests, soil, seabed and coastal ecosystems.

As an impact fund, particular attention will also be borne on protecting local populations and communities living in those ecosystems and ensuring their livelihoods are not threatened.

It is expected that the L’Oréal Fund will generate reasonable return on investments.

When considering an investment opportunity, the Fund management team will carry out an initial analysis against the following eligibility criteria:

**ELIGIBILITY CRITERIA**

**FUND’S SCOPE & FOCUS** - Type of projects to be supported by the Fund:

1. **DEVELOPMENT STAGE:**
   - New concepts, and newly established projects or enterprises,
   - Proven concepts, but early stage businesses or projects.

The fund will seek additionality to capital available in the market by focusing on areas where funding gaps are still predominant.

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TARGETED ECOSYSTEMS:

• Conservation, sustainable management and/or regeneration of forests, reforestation and/or avoided deforestation.
• Conservation, sustainable management and/or regeneration of oceans and/or seabed and/or coastal ecosystems.

TARGETED ACTIVITIES:

• Carbon sequestration or avoidance materialized in the generation of forest carbon credits or blue carbon credits,
• Benefits from other conservation and/or restoration-focused financing mechanisms (biodiversity compensation, payments for ecosystem services, incentive mechanisms, etc.),
• Sustainable land use scale-up projects (ecosystems friendly land management, sustainable forestry management, regenerative agriculture and agroforestry, etc.),
• Other activities able to ensure economic viability for the project (green infrastructure, ecotourism, etc.).

GEOGRAPHIC SCOPE:

• The Fund targets a diversified portfolio on all continents,
• Both developed and developing countries are eligible (with the exception of countries referred to in the exclusion list - see below).

TARGETED INVESTEES:

• The Fund can support a wide range of organizations: social and green entrepreneurs, SMEs, NGOs, cooperatives, special purpose vehicles, etc.

EXCLUDED ACTIVITIES:

• The Fund will not support projects belonging to the list of Excluded Activities mentioned in Annex 1.

ENVIRONMENTAL & SOCIAL ASPECTS

Projects must generate positive environmental and social impacts as part of their business model. Projects will target conservation and restoration of forest and marine ecosystems, alongside provision of long-term, sustainable, decent livelihoods offering opportunities to local communities. These impacts will be monitored and independently verified at the end of the fund.

In addition to being compliant with the exclusion list, projects have to be compliant with the Fund’s ESG policy (See annex 2). In particular, projects shall identify, minimise, manage and monitor any negative impact on the environment (carbon, biodiversity, water, etc) and on people’s welfare and livelihoods.

FINANCIAL AND ECONOMIC ASPECTS

BUSINESS MODEL READINESS AND VIABILITY:

• Projects are expected to be deployed and implemented on the ground within the next 18 months from the date of investment,
• Projects have to become economically viable over a period of maximum 10 years, and generate sufficient cashflows within a reasonable timeframe,
• More precisely, the projects are expected to reach breakeven (in terms of EBITDA or other equivalent and pre-agreed financial items) by year 7 at the latest.

Projects are also expected to be certified by an international body or to have the potential to be certified.

Projects are expected to be in line with Article 6 of the Paris Climate Agreement, as well as with (i) their host country’s action plan and objectives under the Convention on Biological Diversity (CBD), under the Nationally Determined Contribution (NDC) of the host country, and, with (ii) the host country’s strategy with respect to GHG emissions reduction generated by deforestation and forest degradation (REDD+).
FINANCIAL INSTRUMENTS:

- The Fund provides long term investments; i.e. with tenor of up to 15 years, aligned with the Fund’s duration.
- Depending on the project, the Fund can provide different types of financing instruments: equity, quasi-equity and other debt instruments.
- For the avoidance of doubt, the Fund does not provide any grants.
- Investment tickets are ideally between EUR 1 and 5 million on a stand-alone basis. For larger projects, the project developer(s) should have the capacity to mobilize other financiers to complete the roundtable.

RETURN ON INVESTMENT:

- Each investment is expected to deliver a reasonable Investment Rate of Return (“IRR”) over the Fund’s investment duration (15 years), to be appreciated depending on the nature of the project, the total amount invested, the type of financial instrument and the cashflow profile of the project.

ANNEX 1: LIST OF EXCLUDED ACTIVITIES

1. Any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
2. Forced labour or child labour.
3. Wild animals and plants or their products not in conformance with CITES.
5. Significant conversion or degradation of Critical Habitat.
6. Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
7. Or any of the following:
   - Exploration or production of fossil fuels (oil, gas, coal),
   - Weapons and munitions,
   - Radioactive materials,
   - Gambling, casinos and equivalent enterprises,
   - Pornography or prostitution,
   - Manufacture and/or production of tobacco products,
   - Production of, or trade in, landmines and cluster munitions,
   - Hazardous materials such unbounded asbestos fibres and products containing PCBs,
   - Cross-border trade in waste and waste products unless compliant with the Basel Convention and the underlying regulations,
   - Pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans.
8. The Fund will not invest in any project located in countries that are under trade sanctions by the UN, USA or EU.
9. Animal testing.
10. Any business with political or religious content.
11. Activities in breach of environmental regulations as provided in international treaties.
12. Projects which have the effect of limiting people’s individual rights and freedoms or violating their human rights as defined in international treaties.
13. Companies which would not represent due compliance with the minimum requirements relating to employment conditions (including the state of hygiene and safety at work for employees, sustainable use of natural resources, fair treatment for all employees in work relations relating to recruitment, promotion and compensation without regard for sex, race, skin colour, language, disabilities, political opinions, age, religion or national or social origin, no significant payments or receipts (by way of compensation, gratuity or otherwise) intended to dishonestly obtain preferred treatment for the company, its representatives, shareholders or employees, or any member of the group of companies to which it belongs.