# NATURE-BASED SOLUTIONS PRODUCTS SELECTION CRITERIA

## 1. OVERVIEW

This selection criteria document defines the guidelines for choosing Nature-Based Solutions (NbS) Collection issuers on the SVX Impact Index platform. The NbS Collection tracks and showcases investment products that finance the protection, sustainable management, and restoration of natural ecosystems in Canada and beyond.

The NbS Collection is developed in partnership with the Nature Investment Hub, a Solution Space of Generate Canada in partnership with the Smart Prosperity Institute. Criteria draw primarily from the Nature Investment Hub's nature finance framework and Smart Prosperity Institute's Invest in Nature report (May 2021), with supplementary reference to the International Union for Conservation of Nature (IUCN) Global Standard for NbS (2020) and Taskforce on Nature-related Financial Disclosures (TNFD) where relevant.

Prospective NbS Collection issuers/products must initially meet the minimum screening requirements, and beyond these initial standards, additional requirements will help determine the final curated list.

## 2. DEFINITION OF NATURE-BASED SOLUTIONS

For the purposes of this collection, the Impact Index adopts the definition established by the IUCN, in alignment with the United Nations Environment Programme (UNEP) and the Nature Investment Hub:

> *"Actions to protect, sustainably manage and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits."*
>
> *- IUCN/UNEP (2020)*

*At least one* of the following recognized NbS ecosystem types must be involved for products to qualify:

- Ecosystem conservation and protection (preventing loss of natural habitat)
- Ecosystem restoration (recovering degraded or destroyed ecosystems)
- Sustainable management of working lands and waters (including sustainable forestry, regenerative agriculture, and fisheries)
- Urban nature and green/blue infrastructure
- Coastal and marine blue carbon ecosystems (mangroves, seagrasses, salt marshes)

## 3. MINIMUM SCREENING REQUIREMENTS

These are the fundamental criteria that must be met to be listed on the Impact Index and selected as a potential issuer.

a. **Impact sector alignment** with social, environmental, and economic impact focus.
b. **Investment size/scale** with at least $2 million in capital being sought.
c. **Investment structures** exclusively within the private or exempt market domain, encompassing private equity, debt, mixed private structures, and not limited to funds, bonds, and outcomes-based financing tools. At this time, we are not considering direct equity in individual for-profit ventures.
d. **Investment availability,** issuers currently in a capital-raising phase or those planning to initiate one in the next 6-12 months.
e. **Canadian domiciled,** eligible for Canadian investors (impact not necessary in Canada).

Disclosure of any past, current or ongoing criminal or civil legal matters, or violations of securities laws and regulations is a mandatory requirement for inclusion on the Impact Index.

## 4. NATURE-BASED SOLUTIONS PRODUCT REQUIREMENTS

These requirements will help streamline the list of issuers and determine the final curated list. Products must meet all three (3) subcomponents in both primary criteria categories (4.1.) and meet at least one (1) subcomponents in both secondary criteria categories (4.2.).

### 4.1. Primary Criteria

**a. Nature and Climate Impact Management and Measurement**

- **Nature Positive Intent:** The investment must have an explicit, primary goal of conserving, restoring, or sustainably managing natural ecosystems with measurable outcomes. This includes activities that support Indigenous stewardship, sustainable agricultural and forestry practices, ecological restoration, and protection of natural areas. Investments where nature outcomes are incidental to the core strategy do not qualify, AND;
- **Ecosystem Type:** The investment must involve one or more recognized conservation finance activity types, consistent with the Nature Investment Hub's Canadian nature finance landscape.
    - Recognized types include: ecosystem conservation and protection; ecological restoration; sustainable management of working lands and waters (forestry, agriculture, fisheries); urban green/blue infrastructure; and coastal/marine

blue carbon (mangroves, seagrasses, salt marshes); positive climate adaptation and resilience and value chain impacts, AND;

- **Impact Measurement:** Issuers must have defined impact management strategies for nature outcomes, including measurable goals and key indicators. Alignment with one or more recognized impact measurement approaches is required. Issuers meeting the IUCN Global Standard for NbS (2020), the TNFD LEAP Approach (2023), or SBTN v1.0 (2023) satisfy this criterion.

**b. Societal, Community and Indigenous Outcomes**

- **Societal Co-Benefits:** The investment must deliver benefits for communities, livelihoods, or human well-being alongside ecological outcomes. Both ecological and societal outcomes must be measurable and neither may be entirely sacrificed for the other, AND;
- **Indigenous and Community Rights:** Where an investment involves activities on or adjacent to Indigenous territories, issuers must demonstrate that Free, Prior and Informed Consent (FPIC) has been obtained or is actively being pursued, AND;
- **Community Benefit-Sharing:** Issuers must demonstrate that local and Indigenous communities benefit equitably from the investment, including through fair economic returns, employment, or governance participation.

### 4.2. Secondary Criteria

**c. Innovative Financial Mechanisms and Approaches**

- **Recognized Nature Finance Instrument:** The investment must use or demonstrate alignment with one or more established nature finance instruments. Issuers are encouraged to identify indicators that are explicitly tied to financial structuring mechanisms (e.g., repayment terms linked to measurable outcomes). Recognized instruments include, consistent with the Nature Investment Hub's nature finance spectrum: Conservation Trust Funds, Project Finance for Permanence, Conservation Impact Bonds, Resilience Bonds, Revolving Funds, Biodiversity Credits and Offsets, Voluntary or Regulated Carbon Credits, Species and Habitat Mitigation Banking, Payment for Ecosystem Services, Green Bonds, and Forest Impact Investment Funds, OR;
- **Blended Finance and Capital Stacking:** Issuers must demonstrate use of or alignment with blended finance structures that crowd in private capital alongside public or philanthropic investment. This may include: mezzanine financing, concessionary capital, catalytic first-loss positions, differential rates of return, anchor funding, or acting-as-guarantor structures, OR;

- **Natural Capital Bankability:** Issuers must demonstrate how natural capital assets have been structured to attract and retain institutional or private investment. This may include documentation of ecosystem asset valuation, nature-linked financial instruments (e.g., nature performance bonds, biodiversity-linked loans, or ecosystem service revenue streams), or clear pathways through which ecological performance translates into financial value creation.
- **Revenue Model Transparency:** Issuers must clearly state how financial returns are generated and articulate how ecological performance drives long-term resilience to the financial structure. Recognized return sources consistent with the Nature Investment Hub framework include: direct revenue from a produced commodity, payment for ecosystem services, reduced insurance premiums from investments in natural infrastructure, interest from revolving funds or loans, avoided capital or maintenance costs, revenue from a thematic fund, and direct revenue from offsets or credits.

**d. De-risking Mechanisms**

- **Transition Cost Funding:** Issuers must demonstrate how upfront and transition costs are funded, including through early-stage funding, pilot financing, matching funds, or philanthropic capital. Issuers with a credible plan for managing transition costs satisfy this criterion, OR;
- **Data, Capacity and Technical Assistance:** Issuers must demonstrate that adequate capacity exists, or is being built, for impact data collection, ecosystem monitoring, and technical assistance. This may include partnerships with intermediary organizations, academic institutions, NGOs, or government programs, OR;
- **Risk Mitigation Strategy:** Issuers must identify and address financial, operational, and nature-specific risks through clear mitigation strategies. Nature-specific risks include ecosystem-specific risks (e.g., permanence, leakage, climate variability), liquidity constraints, and the novelty of conservation finance products. Issuers may demonstrate risk mitigation through insurance products, guarantees, government backstops, diversified revenue streams, or regulatory certainty mechanisms, OR;
- **Nature Capital Collateralization and Resilience:** Issuers must demonstrate how nature capital assets or ecosystem services contribute to the collateral base of credit profile of the investment. This may include: recognized valuation of ecosystem assets in financial modelling; use of resilience bonds or catastrophe-linked structures where nature-based risk reduction (e.g., wetland flood attenuation, coastal mangrove protection) is quantified and priced; or structures in which ecological resilience metrics inform credit ratings, loss reserve requirements, or insurance premium reductions.

## 5. INCLUSION CRITERIA

All three (3) subcomponents in both primary criteria categories and at least one (1) subcomponents in all secondary criteria categories must be met.

The four criteria categories contain a total of twelve (12) subcomponents (3 per primary category, 3 per secondary category).

Scoring thresholds will be calibrated by the Advisory Group following the first call for products, with particular attention to appropriate weighting between primary and secondary categories.

| Status | Definition |
|---|---|
| **Included in NbS Collection** | Meets both requirements:<br>• Passes eight (8) or more subcomponents, including:<br>  ○ Passes all six (6) primary category subcomponents<br>  ○ Passes two (2) or more secondary category subcomponents, with at least one subcomponent in each secondary category |
| **Conditional: Requires Follow-Up** | • Passes six (6) or more subcomponents across all categories, including at least two (2) of three (3) subcomponents in each primary category, and at least two (2) subcomponents in the secondary category<br>• May be reconsidered pending additional documentation or clarification |
| **Not Included** | Either:<br>• Passes five (5) or fewer subcomponents<br>• Fails an entire category (i.e., both or all subcomponents in any single category are marked Fail)<br>• Violations of Canadian securities laws or regulations, material criminal or civil legal matters, material misstatements, lack of disclosure of material information<br>• Projects demonstrably failing IUCN Criterion 3 - e.g., monoculture plantations, activities introducing invasive species, or investments that simplify rather than restore ecosystems |

## 6. RENEWAL

By self-attestation, issuers may renew for two (2) years if an annual nature impact and financial update is provided to SVX.

## 7. Data Use and Disclosure

By submitting information in connection with the Impact Index, issuers consent to the use of their data in aggregated or anonymized form for the purpose of producing market reports and related publications. Issuers may withdraw this consent at any time by providing written notice, after which their data will be excluded from future reporting. Withdrawal of consent does not affect any reports already published.

Assessment results may be shared with investors who have subscribed to the Impact Index platform. Issuers acknowledge that their inclusion on the Index and related assessment outcomes may be disclosed to such subscribers as part of the platform's standard reporting and due diligence services.

## 8. SAMPLE REVIEW

Issuers may be subject to a sample review to demonstrate compliance with NbS Collection requirements. This review will only take place with a small portion of NbS Collection issuers.

## 9. REMOVAL

Issuers may be removed from the platform at the discretion of the SVX team for non-compliance of the requirements or other circumstances in line with non-inclusion on the Index as per Section 5.

## 10. DOCUMENTATION REQUIREMENTS

| Evaluation Area | Required Information |
|---|---|
| **I. Nature & Climate Impact Management and Measurement** | • Impact thesis, nature strategy statement or theory of change<br>• Description of ecosystem type(s) targeted and geographic scope<br>• Impact measurement approach (e.g., TNFD LEAP, SBTN, IUCN NbS Standard, IRIS+, or equivalent)<br>• Prior nature impact report(s) or baseline measurement |
| **II. Societal, Community and Indigenous Outcomes** | • Description of societal co-benefits and how they are measured<br>• FPIC documentation where applicable<br>• Community benefit-sharing policy or framework<br>• Statement on Indigenous partnership or reconciliation approach where relevant |
| **III. Innovative Financial Mechanisms** | • Description of the nature finance instrument(s) used or aligned with<br>• Revenue model and financial return sources |

| | |
|---|---|
| | • Blended finance structure or capital stack description where applicable<br>• Most recent financial statements (audited, reviewed, or Notice to Reader)<br>• Pro forma financial model or budget |
| **IV. De-risking and Governance** | • Transition cost and early-stage funding plan<br>• Risk management summary addressing financial, operational, and nature-specific risks<br>• Capacity building or technical assistance partnerships<br>• Overview of governance bodies (e.g., Board, Investment Committee) |

**Note:** Issuers are not required to submit separate documents for each item listed above. Information may be consolidated within materials such as investor decks, offering memoranda (PPM), due diligence questionnaires (DDQs), nature impact reports, or similar comprehensive documents.

## APPENDIX: NATURE FINANCE REFERENCES AND SUPPORTING STANDARDS

The following resources served as the primary basis for these criteria and are recommended reading for issuers and evaluators. Global standards are listed as supporting frameworks; meeting a global standard satisfies the relevant criterion but is not required for inclusion in the NbS Collection.

### PRIMARY REFERENCES (Nature Investment Hub and Smart Prosperity Institute)

Nature Investment Hub - What is Nature Finance? Nature Investment Hub, Generate Canada / Smart Prosperity Institute. natureinvestmenthub.ca/nature-finance/

Invest in Nature: Scaling Conservation Finance in Canada for a Nature-Smart Economy. Smart Prosperity Institute, May 2021. Authors: Paige Olmsted, Stewart Elgie and Sushan. institute.smartprosperity.ca/sites/default/files/Invest-in-Nature-Report_SPI.pdf

### CORE NATURE-SPECIFIC STANDARDS AND APPROACHES

**IUCN Global Standard for Nature-Based Solutions (1st Ed., 2020):** The authoritative international standard for verifying, designing and scaling NbS. Eight criteria covering societal challenge addressed, biodiversity net gain, ecosystem integrity, economic viability, inclusive governance, trade-off management, adaptive management, and policy mainstreaming.

**TNFD Recommendations v1.0 (2023):** Framework for assessing and disclosing nature-related financial risks and opportunities. Includes the LEAP approach (Locate, Evaluate, Assess, Prepare) and identifies the five direct drivers of nature loss: land/sea use change, overexploitation, climate change, pollution, and invasive alien species.

**Science Based Targets for Nature (SBTN) v1.0 (2023):** Guidance for setting science-based targets for land, freshwater, and ocean. Introduces the Avoid-Reduce-Restore-Transform hierarchy for prioritizing nature action.

**Kunming-Montreal Global Biodiversity Framework (COP15, 2022):** UN treaty framework adopted by 196 parties including Canada. Includes 30x30 conservation target (Target 3) and $200B/year biodiversity finance mobilization target from all sources by 2030 (Target 19).

**Biodiversity Impact Metric (BIM):** A quantitative tool for measuring biodiversity impact across investment portfolios, developed by the Cambridge Institute for Sustainability Leadership (CISL).

### NON-CORE / SUPPORTING STANDARDS AND APPROACHES

**IRIS+:** GIIN's standardized metrics for impact measurement, including Nature Theme metrics covering biodiversity and ecosystem health indicators.

**Climate Bonds Standard:** Certification scheme for bonds and loans consistent with the Paris Agreement 1.5°C pathway. Acceptable as supplementary evidence for NbS products with a climate finance component; biodiversity and societal co-benefit criteria must also be met.

**Impact Issuer Code of Conduct:** SVX has developed an internal standard for issuers to review and affirm, reflecting commitment to international standards, protecting human rights, advancing Indigenous reconciliation, environmental sustainability, and financial integrity.

**Common Approach:** A set of four impact measurement standards created for social purpose organizations, including the Common Impact Data Standard and Common Framework.

**Global Reporting Initiative (GRI):** Widely-used framework for sustainability reporting covering economic, environmental, and social impacts.

**Operating Principles for Impact Management:** Framework for investors for the design and implementation of impact management systems, ensuring impact considerations are integrated throughout the investment lifecycle.