



# Mirova's 2022 Stewardship Report

## Introduction

Mirova is a thematic investment manager with over 30 years of sustainable investing experience dedicated to responsible investment which forms the core of the firm's DNA. Through a conviction-driven investment approach, Mirova's goal is to combine value creation over the long term with sustainable development. As a pure ESG house, Mirova's talents have been pioneers in many areas of sustainable finance. Their ambition is to keep innovating to propose the best-tailored and most impactful solutions to their clients.

Our Responsible Investment Policy is used to guide investment choices: identifying more resilient investments, investments exposed to opportunity related to the transition towards a more sustainable economy, and investments that generate positive externalities. Since Mirova seeks to propose investment solutions that outperform relative to the benchmark on financial, environmental, social, and governance metrics, its Responsible Investment Policy is at the core of our approach across all asset classes.

Overall, we believe that our continuous efforts to leverage our deep commitment to innovation in ESG research and investment application will allow us to stay ahead of competitors for the foreseeable future.

Ultimately, we believe that our ESG focus helps generate long term outperformance for the strategy by identifying undervalued investment opportunities that provide solutions for the future and mitigating investment risks associated with poor environmental, social, and governance practices.

Mirova is an investment manager dedicated to responsible investment which forms the core of the firm's DNA. Through a conviction-driven investment approach, Mirova's goal is to combine value creation over the long term with sustainable development. Mirova's talents have been pioneers in many areas of sustainable finance. Their ambition is to keep innovating to propose the best-tailored and most impactful solutions to their clients.

Mirova has more than EUR 19.5 billion of assets under management (as of 31st December 2020) and brings together more than 100 multi-disciplinary experts, specialists in thematic investment management, engineers, financial and ESG analysts, specialists and experts in socially conscious finance and project financing.

Mirova relies on the unique experience of its research team which is dedicated to only ESG analysis. As a pioneer and leader in Socially Responsible Investing with almost 30 years of experience in this field, Mirova is deeply involved in the implementation of ESG investment strategies.

Mirova offers a full array of investment solutions: listed equities, bonds, Energy Transition Infrastructure, Natural Capital, impact investing as well as engagement and voting services.

### Setting the example

We don't only have high expectations in terms of sustainability for the companies we invest in, but also find it important to set the example ourselves. Mirova is a "mission-led" company and B-Corp certified. This basically means that Mirova aims to create long-term value for not only its shareholders, but for all stakeholders, and fully considers the social and environmental impact of all its decisions.

## Purpose and governance

### PRINCIPLE 1: PURPOSE, STRATEGY, AND CULTURE

**Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.**

#### OUR PURPOSE

Our societies are facing huge challenges and the economy, in response, is undergoing profound changes. We are convinced that finance cannot remain isolated from these movements and is a powerful lever for accelerating towards a sustainable economic model.

**Mirova is a conviction-based management company dedicated entirely to sustainable investment.** We develop innovative investment solutions for our clients, individual and institutional investors, aimed at accelerating the transformation of the economy towards a sustainable model. Our mission is to contribute to a more sustainable and inclusive economy through our investment and stewardship.

Our investment philosophy seeks to combine financial outperformance with environmental and social impact. Our multi-disciplinary team combines risk and opportunity assessment, life cycle analysis and fundamental analysis when making investment decisions. Mirova's stewardship practices, demonstrated by our voting and engagement, advocate for the best long-term interest of all stakeholders. This approach considers the value created and shared by not only the shareholder but also by the community.

#### OUR INVESTMENT APPROACH

At Mirova, we seek to direct capital towards the needs of investment in a real, sustainable, and value-creating economy. We believe finance should be a tool for steering the economy towards models which, on the one hand, preserve and restore ecosystems and the climate, and on the other hand, support social inclusion, health, and well-being. As pioneers of this movement, we take an innovative approach to all our means of action: investment, research, shareholder engagement and influencing the financial community. We always seek to reconcile societal and financial performance by placing our expertise in sustainable development at the heart of our investment strategies. In this way, the solutions which we offer to our clients aim to develop a new way of saving to contribute to a more sustainable and inclusive economy.

Any responsible investment approach involves looking at how issuers consider environmental, social and governance (ESG) issues. Whether investing in companies, local authorities, government bodies or projects, investors need to be able to understand the complexity of the sustainable development issues these players face and how each one addresses them—or fails to. At present, there is no universally accepted frame of reference for this. Whether to encourage clear and simple reporting by issuers on their actions or to assist investors in considering these issues, no framework has yet established a standard practice, leaving the matter to individual choice. As a company dedicated to responsible investment, we have sought to develop our own approaches and methodologies to describe the links between economic actors and ESG issues. In an industry where initiatives offering assessment frameworks are multiplying rapidly, it is necessary to be transparent about the principles and indicators we have chosen, which guide our investment decisions and the way we report to our clients as well as other stakeholders.

## OUR CULTURE & BELIEFS

### B CORP CERTIFICATION: A MARK OF INTERNATIONAL CREDIBILITY

Receiving the [B Corp](#)<sup>TM1</sup> certification label, after an evaluation process which awarded Mirova an "excellent" score of 113.4 out of 200 (by way of comparison, the average score of a conventional company is estimated at 50.9), is an assurance of the credibility of the company's entire corporate responsibility approach. The label is recognized internationally and is testament to Mirova's environmental and social commitment.

With more than 3,400 companies, the B Corp community constitutes a real ecosystem in which Mirova will be able to evolve and progress while bringing new ideas and know-how of its own.

### 'MISSION-LED COMPANY': COMMITTED TO ACTIVELY CONTRIBUTE TO THE COMMON GOOD

Our role in society as an asset management company goes far beyond fiduciary responsibility: it is part of a **determination to profoundly transform the economy towards a fairer and more sustainable model.**

By becoming a ['Mission-led company'](#)<sup>2</sup>, we have chosen to formalize the *raison d'être* that has guided our actions since our creation and to structure our approach through five objectives:

- Make Mirova's positive impact a systematic objective of our investment strategies
- Cultivate and develop our social and environmental expertise
- Constantly innovate in terms of its products and approaches to achieve this impact
- Accompany our stakeholders towards a sustainable economy and finance
- Respect the environmental and social standards which we observe

By setting out its *raison d'être* and social and environmental objectives in its articles of association today, Mirova is formalizing its mission to **increase its positive impact on both environmental issues and inequality.**

Mirova has created a Mission Committee made up of leading experts, who will monitor the implementation. The committee will also guide the company towards areas of improvement which will help us meet our objectives and will be responsible for publishing an annual mission report.

Mirova emphasizes diversity and inclusion in the workplace. We have built a team representing a wide range of traits (be it gender, nationality, or age, etc.) as we believe this leads to diversity of ideas and, in the end, better performance. Currently, women represent 50% of Mirova US's personnel, 50% of its executive management, 33% of the portfolio management team and 40% of the board. At Mirova Paris, thirteen nationalities from five continents are represented. Women represent slightly over 52% of the Mirova workforce and 37% of the board of directors. Our code of conduct provides strict policies against discrimination. The company integrates people with disabilities with special workstations adapted to people with specific needs.

To this end, Mirova is committed to maintaining a culture where independent thought and a long-term perspective is unified with a strong sense of purpose and alignment to sustainability. We believe this approach allows ideas and expertise to be shared through collaborative teamwork, and encourages ideas to be challenged, respectfully. This is all driven by relationships built on trust and respect across the firm.

<sup>1</sup> Since 2006, the B Corp movement has been promoting strong values of change throughout the world to make businesses "a force for good" and to distinguish those which reconcile profit (for profit) and collective interest (for purpose). B Corp's goal is to certify companies that integrate social, societal, and environmental objectives into their business model and operations. More details [here](#)

<sup>2</sup> Introduced in France in 2018 under the Pacte Law, a 'société à mission' company must define its "raison d'être" and one or more social, societal, or environmental objectives beyond profit. The purpose, and objectives aligned with this purpose, must be set out in its Articles of Association. The Articles specify the means by which the execution of the Mission will be monitored by a Mission Committee (a corporate body distinct from the board of directors which is responsible for monitoring the implementation of the mission with at least one employee.) An independent third party then verifies the execution of the Mission, via a written opinion which is annexed to the report of the Mission Committee to shareholders and made available on the website of the company for a period of five years.

References to a ranking, prize or label do not anticipate the future results of the latter, or of the fund, or of the manager.

## OUR CORPORATE SUSTAINABILITY APPROACH

In addition to ensuring positive environmental and social impact through its [investments](#), Mirova also strives to promote a **virtuous cycle with regard to its direct impacts**.

Committed to sustainable development and Socially Responsible Investing (SRI) since its creation, Mirova plans to implement an ambitious Corporate Social Responsibility (CSR) strategy in addition to its asset management practices, and to demonstrate the highest standards of commitment in the market.

## FROM AN ENVIRONMENTAL STANDPOINT

Mirova measures the yearly **greenhouse gas emissions** of its direct activities (real estate, travel, etc.). In addition, Mirova's flexible organizational work model, implemented in its offices and in which employees no longer have set desks, has **reduced paper consumption**, another of our commitments. The premises comply with the highest environmental certification standards ([HQE](#) "Excellent", [BREEAM](#) "Excellent") and include equipment for **environmental footprint reduction**: insulation, presence detectors to regulate light and room temperature, video-conference devices to reduce commuting, etc. The offices are easily accessible by public transport and include an enclosed and secure bicycle shelter.

## FROM A SOCIAL STANDPOINT

We consider **diversity in the Mirova teams** to be a driving force towards the development of society. Thirteen nationalities from five continents are represented. **Women represent slightly over 50% of the workforce and 30% of the board of directors**. Our code of conduct provides strict policies against discrimination. The company **integrates people with disabilities** with special workstations adapted to people with specific needs. Mirova also promotes methods for organizing working hours to foster a **healthy work-life balance** by, for example, allowing employees to work remotely.

## PRINCIPLE 2: GOVERNANCE, RESOURCES, AND INCENTIVES

Signatories' governance, resources, and incentives support stewardship.

### Governance of our Status as a Mission Driven Company

Mirova is a "Société anonyme" (French public limited liability company) under French law with a board of directors and a chief executive officer. This legal structure contributes to a clear separation between the management functions assumed by the Managing Director and the Deputy Managing Director, and the functions of oversight performed by the Board of Directors. The CEO (Philippe Zaouati) and the Deputy CEO (Anne-Laurence Roucher) are assisted by a Management Committee.

The Management Committee is composed of senior members of the firm including our Chief Operating Officer, Head of Legal & Risk, Head Human Resources, Culture and CSR, as well as the Heads of the listed and private assets business units. It is responsible for defining strategic orientation of the business development in accordance with our mission.

Since 2020, Mirova has chosen to change its company status to integrate the responsible dimension into its corporate purpose. To do this, Mirova relies on a new type of company created by the French law known as the "Pacte law": the "Société à mission" (Mission-driven company). This new company status formalizes Mirova's contribution to society, both internally and externally, and commits it to extending it. **It places Mirova within a legal framework that must be complied with. As such, the company will be required to regularly provide evidence of its alignment with its mission and improvements in terms of achieving its objectives.** The main objectives of its mission are:

1. Making Mirova's positive impact a systematic objective of its investment strategies
2. Gaining and developing its social and environmental expertise
3. Consistently innovating in terms of its products and approaches to achieve this positive impact
4. Accompanying its stakeholder towards a sustainable economy and finance
5. Meeting the environmental and social standards which Mirova respects

Mirova has created a Mission Committee made up of leading experts, who will monitor the implementation. The committee will also guide the company towards areas of improvement which will help us meet our objectives and will be responsible for publishing an annual mission report reviewed by an external auditor.

Along with our Management Committee, Mirova maintains several committees tasked with the oversight of our responsible investing activities.

**Mirova Executive Committee:** appointed to act on behalf of, and within the powers granted to them by, the Board of Directors to run Mirova day to day business and to set the firm's culture, mission, vision, and values. The team comprises the heads of key functions within the firm: such as research, global equity, business development, risk management. The team is led by Philippe Zaouati, founder, and CEO of Mirova, and meets every 2 weeks.

**Mirova US Executive Committee:** appointed to act on behalf of, and within the powers granted to them by, the Board of Directors to run Mirova day to day business and to set the firm's culture, mission, vision, and values. The team comprises the heads of key functions within the firm: such as, but not limited to, research, global equity, business development, risk management. The team, presently, comprises two individuals: Jens Peers, CEO and CIO, and Amber Baker, Deputy CEO, and meets informally 2 times per month and additionally as needed.

**Mirova Investment Committee:** meets weekly, formally, and as necessary daily to discuss portfolio construction, valuation of stocks on watch list, and portfolio positions.

**Sustainability Committee:** meets monthly with the broader investment teams in the U.S. and Paris to discuss ESG team research and projects.

**Mirova Paris Investment Committee:** meets weekly, on average, to discuss investment topics, presentations of new stocks. Attended by at least one of the Mirova US portfolio managers.

**Additional:**

- Voting Committee, which is composed of Mirova’s Global Head of Research and CIO of Equities and Fixed Income and the Head of Responsible Investment Research. Portfolio managers, non-financial analysts, members of legal/compliance/risk may be invited to participate in the committee’s deliberations depending on the subject under discussion.
- Audit Committee: the audit committee at Mirova US oversees the compliance program at Mirova US (including training, annual review, procedures, etc.), the operational risk (including mapping, incident response, etc.), financial reporting, internal control, risks associated with the core business, IT security and business continuity. It contains members from Mirova, Natixis Investment Managers (Natixis IM), Mirova US and Mirova UK.











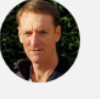






**Our Resources: An Expertise Spanning Multiple Asset Classes**

Mirova relies on over 140 employees with multidisciplinary expertise in different asset classes, with \$32.6 billion in assets under management as of December 31, 2021. All investment professionals in the organization are considered ESG specialists however, Mirova’s **in-house Sustainability Research (SR) team**, comprised of **17 specialists**, is fully dedicated to ESG issues (identification of sustainable opportunities, assessment of issuers’ ESG practices, voting and engagement activities). They have on average more than ten years of experience in ESG and/or sustainable development. They are engineers, sustainable development experts or financial experts. Some also have an academic background. The SR team is **independent from the portfolio management team** and is headed by Mathilde Dufour, Head of Sustainability Research who reports to Philippe Zaouati, CEO of Mirova. Mathilde Dufour is a Member of Mirova’s Executive Committee.

The team is based in Paris, Boston, and London, and is one of the largest dedicated ESG team in Europe. Each analyst is responsible for the analysis and follow-up of a specific thematic sector, and analyses ESG issues of all corresponding assets under management.

## SUSTAINABILITY RESEARCH TEAM

### Dedicated specialists with complementary expertise

 <b>Mathilde Dufour</b> Head of sustainability research	<b>Listed Markets</b>  <b>Louise Schreiber</b> Head of sustainability research - listed markets	 <b>Lindsey Apple**</b> Proxy voting and engagement	 <b>Felipe Gordillo</b> Finance and sustainability bonds	 <b>Louise Schreiber</b> Technology and fairness
	<b>Private Markets</b>  <b>Sarah Maillard</b> Head of sustainability research - private markets	 <b>Hadrien Gaudin-Hamama</b> Resources and biodiversity	 <b>Manon Salomez</b> Healthcare and decent work	 <b>Jean-Pierre Dmirdjian</b> Energy and climate change
		 <b>Camille Barré</b> Buildings / mobility and diversity	 <b>Kevin Whittington-Jones*</b> Sustainable ocean use and forestry	 <b>Laurence Chenevat</b> Advocacy
		 <b>Emma Lear*</b> Environmental assets creation and conservation	 <b>Antoine Rougier*/***</b> Technical officer, sustainable ocean fund	 <b>Frederic Lazarski</b> ESG database support
		 <b>Eva L'Homme</b> Energy transition infrastructures		 <b>Xavier Collet</b> Sustainable land use and agriculture

The research team is composed of people from Mirova and its affiliates \*Mirova Natural Capital Ltd and \*\*Mirova US. \*\*\*Antoine Rougier is also part of the investment team of the Sustainable Ocean Fund.

The information provided reflects the situation as of the date of this document and is subject to change without notice. Source: Mirova

Sustainability/ESG analysis is an integral part of Mirova's fundamental research process, so interactions between the investment teams and Mirova's dedicated Sustainability Research (SR) Team are frequent and take a variety of formats, including investment committees, ad-hoc meetings, informal discussions, and collaborations on fundamental analysis, both in-person and on Skype. The mission of the SR team consists of the identification of sustainable opportunities and the assessment of companies ESG practices, alongside voting engagement activities. Mirova's SR team also advocates for sustainable finance among our peers and regulators. We actively contribute to the definition of responsible standards for our industry as well as advocate for the improvement of disclosure practices and ESG performance of the company we invest in.

### **DATA AND TECHNOLOGY RESOURCES AND TOOLS**

Mirova's investment and research team relies on various information sources and can leverage an array of software tools to manage their portfolios, the most important of which are the following:

#### **BLOOMBERG**

Each portfolio manager has access to its own Bloomberg screen which provides, among other data, detailed description of equities, access to prospectuses, all standard equity market calculation templates.

#### **AXIOMA (software edited by FACTSET)**

Tool used by portfolio managers to perform quantitative measurements of ex-ante tracking-error.

#### **RISKMETRICS**

RiskMetrics is a third-party software that allows to calculate or to simulate a portfolio's tracking-error and value-at-risk (VaR) based on a set of up to 24 000 risk factors.

### *CHARLES RIVER DEVELOPMENT (CRD)*

Portfolio managers use Charles River IMS for order management. This software tool provides an auto-mated linking to Natixis TradEx Solutions, the trading desk, and the Operations Department. Orders are automatically routed and tracked from portfolio managers to traders and, if executed, routed to, and tracked through the back-office for settlement. Eligibility constraints uploaded into Charles River IMS by our risk managers generate automatic pre-trade calculations where relevant.

### *OCTAVE: Online Collaborative Tool for Analysis, Vote and Engagement*

Proprietary tool, shared between ESG Research & Portfolio Managers. Both teams share their financial & extra-financial analysis on companies.

## **EXTERNAL RESOURCES**

The Sustainability Research team has developed a proprietary internal research method and uses many diverse and complementary resources for its implementation. The team relies for instance on:

- Publicly available data: corporate annual / sustainable development reports, academic research, NGO reports, press, etc.
- Regular exchanges with different stakeholders: issuers, trade unions, NGOs, scientific community.
- ESG rating agencies such as ISS-ESG for sustainability analysis and Carbone4<sup>3</sup> for carbon footprint. We have implemented partnerships with all these data providers, to develop custom based research relying on Mirova's approach.
- Brokers
- External Databases: APINews for news, Bloomberg, FactSet and Capital IQ for data associated with the business model and financial aspects.

All external sources are double-checked and challenged with our internal views. We generally use data and information compiled by third parties to supplement our own research; we do not rely on third parties for projections or valuation – this we do ourselves.

## **TRAINING**

Mirova's corporate project is entirely dedicated to responsible investment: our employees are continuously informed about responsible investment topics related to their functions.

We have implemented specific, individual, and collective ESG trainings that can be offered according to the needs of the different teams.

In addition, in 2021, we have deployed a new training about sustainable finance that is addressed to all support functions as well as to all newcomers. Sessions are planned all over the year to ensure all new members of the company, including people working in transversal departments, have a consistent understanding of Sustainable Investment, including background knowledge and culture, philosophy, and approach of Mirova.

Mirova's portfolio managers and analysts have a solid knowledge of ESG topics due to their academic and professional backgrounds: specialists in thematic management, engineers on environmental issues, specialists in sustainable development and carbon. This expertise is complimented by the exclusive orientation of Mirova's activities towards responsible investment and sustainable finance.

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<sup>3</sup> <http://www.carbone4.com/>



In order to maintain this high level of expertise, which contributes to the quality of portfolio management, the teams are constantly deepening their knowledge through various initiatives:

- Active participation in conferences and working groups on ESG and Climate issues:
- The establishment of research partnerships with universities to contribute to the reflections in the framework of research papers published by Mirova.
- The support of academic chairs to enrich internal reflections on the long-term challenges of sustainable development.
- Setting up partnerships for the development of Mirova's Sustainable Investment approaches: For example, Mirova has developed with Carbone 4 a methodology to measure the carbon footprint of its strategies. This collaboration has contributed to the training of all the teams on climate issues.

In addition, as part of its advocacy and engagement actions, Mirova participates in numerous market organizations and initiatives, which allows analysts to exchange with their peers and ensure a comprehensive knowledge of these ESG topics over time.

Finally, the collaborative approach between research and fund management ensures an enrichment of thinking and a permanent dissemination of knowledge between the different team members on ESG issues.

## **INCENTIVES**

The integration of sustainability risks into remuneration policy can be viewed in its full form via the [hyperlink](#).

### General Principles

The remuneration policy is a strategic element of Mirova's policy. As a tool for mobilizing and engaging employees, it ensures to be competitive and attractive in the light of market practices and within the framework of strict compliance with major financial balances and regulations. Mirova's remuneration policy, which applies to all employees, incorporates the alignment of the interests of employees with those of investors in its fundamental principles:

- It is consistent and promotes sound and effective risk management and does not encourage risk-taking that would be incompatible with risk profiles, regulations or documents constituting managed products.
- It is consistent with the business strategy, objectives, values and interests of the management company and the products it manages and those of investors and includes measures to avoid conflicts of interest.

The remuneration policy includes all components of remuneration encompassing fixed remuneration and, if applicable, variable remuneration. Fixed remuneration rewards skills, work experience and level of responsibility, taking into account market conditions. Variable remuneration is based on the assessment of collective performance measured at both at the level of the management company and managed products, and by reference to individual performance. It considers quantitative and qualitative elements, which can be established on an annual or multi-year basis. The objective and transparent assessment of annual and multi-year performance based on pre-defined objectives is the prerequisite for the implementation of Mirova's remuneration policy. It ensures fair and individualized treatment of employees. This assessment is shared between the employee and his or her manager during the annual performance review. The contribution and level of performance of each employee are assessed in terms of his or her duties, assignments, and level of responsibility within the management company. Finally, the specific minimum criteria incorporating sustainability risks, i.e., social, environmental and governance issues, must be defined for all employees of management teams.

For each category of staff, all quantitative and qualitative objectives are defined and communicated individually at the beginning of the year, in line with Mirova's strategic objectives.

### PRINCIPLE 3: CONFLICTS OF INTEREST

**Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.**

Our firm is committed to conducting our investment advisory business in accordance with the highest standards. We are fiduciaries to our clients and, as a result, we have a fundamental obligation to act in their best interests. We owe our clients a duty of undivided loyalty and utmost good faith. Additionally, we (and our affiliated entities) are subject to various federal, state, and foreign rules and regulations. Our compliance program is monitored and evaluated through both internal and external assessments. The Chief Compliance Officer is responsible for coordinating the identification, mitigation and/or disclosure of material conflicts of interest to which the Adviser is subject.

#### **Defining conflicts of interest**

A conflict of interest is defined as a situation in which Mirova, or one of its associates or representatives, acts in a way that could, if appropriate precautions are not taken, adversely affect its clients' interests.

#### **Identifying conflicts of interest**

Mirova has taken reasonable measures to detect any conflicts of interest that might arise during normal business operations:

- between Mirova and any concerned parties, or any parties directly or indirectly connected to the asset management company by control, Mirova's clients, and the UCITS Mirova manages
- between two clients or two UCITS
- or between an UCITS and a client

Mirova has mapped potential conflicts of interest and identified situations that give rise to, or are likely to give rise to, conflicts of interest, and which involve a significant risk of damage to the interests of one or more clients through the provision of an investment service or related service or through the management of UCITS or AIFs.

#### **Preventing conflicts of interest**

In order to prevent conflicts of interest from arising, Mirova has focused on:

- increasing associates' awareness and putting preventative measures in place
- implementing information barriers. An information barrier is a procedure or a structure whose purpose is to prevent confidential and sensitive information from circulating unnecessarily. Information barriers primarily separate activities which are likely to lead to conflicts of interest. The activities concerned are sources of confidential or privileged information, or activities which may create conflicts of interest with other activities
- procedures: in particular, procedures ensuring that we always act in the best interests of our clients, we do not permit self-dealing by the firm or employees, and we do not favor one client over another
- its code of conduct which specifies the principles that associates should follow while fulfilling their responsibilities and which provides guidelines governing personal transactions
- its compensation policy, which clearly lays out the terms of the distribution of variable compensation in order not to encourage risk-taking which might hurt clients' interests
- its voting policy, which ensures that the company exercises its voting rights in the best interests of its shareholders

## Managing and resolving conflicts of interest

Our strategy for managing and resolving conflicts of interest is based on:

- Our associates reporting information relating to conflicts of interest to Mirova's Compliance and Internal Control department
- Providing clear information to its clients regarding the nature of conflicts of interest and how they may arise, before acting on our clients' behalf.
- Adopting or substituting additional measures as necessary. The implementation of information barriers can be impeded by the need to share information and develop synergies between different departments of multi-capacity financial groups. When confidential information must be disclosed to others within the same department, or in different departments, to complete a client's file, authorization should be demanded from the Compliance and Internal Control Department before the information is shared.

In some cases, the procedures and structures put in place may be insufficient to ensure with reasonable certainty that clients' interests will not be put at risk. In this case, Mirova will clearly inform its clients in an appropriate manner, of the nature and source of any conflicts of interest so that they can make a fully informed decision.

Mirova's policies for detecting, preventing, and resolving conflicts of interest are reviewed regularly. Mirova's policies are updated in accordance with regulatory changes and the map of situations leading to conflicts of interest is updated at least once a year.

Some examples of approach to managing potential conflicts include:

- trade error process where trade errors are corrected promptly and in a manner that ensures that the client is made whole
- gifts and entertainment policies which have strict limits on gifts given or received so that employees are not beholden to investment banks, vendors, brokers, investors, prospective investors, or other parties
- code of ethics policy which dictates that employees outside business activities must both be disclosed and approved by the compliance team to ensure that employees do not engage in activities that might disadvantage our clients in any way
- confidentiality policies to ensure that client data remains confidential
- Casting a "Do Not Vote" on all ballot items at the annual meetings at issuers where there is a significant relationship that presents a potential conflict of interest

[CONFLICTS OF INTEREST](#)

## PRINCIPLE 4: PROMOTING WELL FUNCTIONING MARKETS

**Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.**

### **Our Philosophy on the Promotion of Well-Functioning Financial Systems**

We believe finance should be a tool for steering the economy towards models which, on the one hand, preserve and restore ecosystems and the climate, and on the other hand, support social inclusion, health, and well-being. As pioneers of this movement, we take an innovative approach to all our means of action: investment, research, shareholder engagement and influencing the financial community. We always seek to reconcile societal and financial performance by placing our expertise in sustainable development at the heart of our investment strategies. In this way, the solutions which we offer to our clients aim to develop a new way of saving to contribute to a more sustainable and inclusive economy.

#### **Our Vision: Meaningful Investment Choices**

Social and environmental issues pose new societal challenges, and our economy must transform to meet them. We believe that finance must integrate environmental and social criteria into its decision-making processes and contribute to accelerating the transition towards a more sustainable development model. The challenges of a sustainable economy lie at the core of Mirova's strategy: to offer solutions that benefit not only investors, but also all stakeholders in society, through a long-term investment approach.

#### **Our Mission: To contribute to a more sustainable and inclusive economy**

Since 2020, Mirova has evolved its statutes to [become a mission-driven company](#). We have chosen to formalize the raison d'être that has guided our actions since our creation and to structure our approach through five objectives:

- To make positive impact a systematic objective of our investment strategies
- Cultivate and deepen our social and environmental expertise
- Continuously innovate our products and approaches, always in the service of impact
- Accompany our stakeholders in their transformation towards a sustainable economy and finance
- Apply the environmental and social standards that Mirova defends.

Our societal role as an asset management company goes beyond fiduciary responsibility: it is part of a desire to transform the economy towards a fairer and more sustainable model.

Through this approach, Mirova aims to increase its positive impact on environmental issues, but also on the reduction of inequalities.

### **Portfolio Construction**

Within portfolio construction, only securities rated Neutral or above are eligible for investment. Names can be removed if an ESG team analyst provides a clear case of deteriorating sustainable quality, leading to a downgrade of the ESG opinion to "Risk" or "Negative". In the event where a stock in the portfolio were to be downgraded by our Sustainable Investment Research Team, it would be divested. Portfolio Managers endeavours to maximise the share of stocks rated Positive or Committed in the Portfolio.

Mirova aims, for all its investments, to propose portfolios consistent with a climate trajectory of less than 2°C defined in the Paris Agreements of 2015.

Below are some examples of stocks that we replace due to ESG considerations<sup>4</sup>:

**Amazon Inc. (Sell)** Amazon's main sustainability risks are linked to the social and labor issues of their direct and indirect employees particularly those working at their facility centers. Other sustainability issues are linked to the products sold on their platform, online privacy, social and environmental issues throughout their supply chain and the environmental efficiency of their operations. Given their global operations, their tax optimization strategy is also a sustainability risk.

Due to its business model, Amazon is exposed to a number of social risks which are further magnified by the size of the company and their reach. While improvement has been observed with regards to their sustainability reports, the company still provides minimal proof that their social strategies deliver convincing results with regards to data security, privacy, HR, supply chain or even environmental footprint. The accumulating number of controversies surrounding their social practices leads us to the conclusion that the company is currently not managing their social risks properly and are thus, not in line with our expectations for a sustainable company.

**Ball Corp. (Buy)** Ball Corp. is well exposed to the environmental transition as the largest manufacturer of aluminum cans; aluminum is the more sustainable single-use packaging option for beverages than currently used alternatives. They have significantly higher recycling rates than other materials and are composed of more recycled content than competing packaging types. In addition, they are infinitely recyclable in a true "closed loop" as opposed to plastic which is typically "down-cycled" into products like carpet fiber or landfill liner. While glass is also infinitely recyclable, they are heavier than aluminum and thus require more energy to transport.

Ball Corp. is well positioned to benefit from increased awareness and regulation around single-use plastic as the largest aluminum packaging manufacturer. As the largest player in all three geographic regions in which it operates, the company benefits from economies of scale from its manufacturing footprint. Ball Corp. has been divesting businesses over the past several years and focusing growth capex on higher growing markets positioning the company to post stronger revenue growth and sustained margin improvement in the years ahead. Mirova's research on the environmental problem around single-use plastic provided a better understanding of the issue and, as a result, our analysis determined the market was underestimating the growth opportunity for companies, like Ball Corp., which are solution providers.

#### **Our Advocacy Work:**

At the forefront of the European Responsible Investment market, Mirova is working to promote sustainable finance and a robust responsible investment market through lobbying and advocacy. We see advocacy as one part of our holistic approach to engagement. Mirova's investment philosophy, which encourages companies to seek economic, environmental, and social value creation fuels the engagement approach with regulators.

- The primary objective of Mirova's advocacy activities is to contribute to the development of sustainable finance ensuring positive impacts on the environment and our society.
- Advocacy is conducted to promote our investment philosophy within various instances of the responsible investment market.
- We dialogue with national and transnational regulatory bodies as well as with RI professional organizations to encourage specific regulations and standards for sustainable finance.

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<sup>4</sup> Source: Mirova analysis. The information provided reflects Mirova's opinion / the situation as of the date of this document and is subject to change without notice. The securities mentioned above are shown for illustrative purpose only and should not be considered as a recommendation or a solicitation to buy or sell. A complete list of all past recommendations made within the immediately preceding 12-month period is available upon request.

In line with our goal of promoting sustainable finance and a more responsible corporate governance, Mirova has continued its advocacy activity in 2021. We participated in the reflections of regulators and market players on the development of appropriate tools and frameworks for the development of sustainable finance, with specific contributions at European and French levels.

More detailed information on our advocacy work can be found within our annual [Engagement Report](#).

### **Identification and Management of Firm-Wide Risks**

#### **TRANSPARENCY**

We believe transparency of our mission, philosophy, methodology and engagements- both positive and negative- is critical in a time amass with ESG literature. Mirova strives to offer maximum transparency in its quest for environmental and social impact. In reporting on our actions and their results, we make public a variety of documents including transparency codes and impact reports at the following location: <https://www.mirova.com/en/research/demonstrating-impact>

As described in detail under Principle 7, we are fully transparent on our research methodology. This includes fair and balanced communication on impact assessment. The annual publication of our [Impact Report](#) is an opportunity for us to demonstrate why and how we have put sustainable development at the core of our investment policies and engagements. It is an opportunity for us to emphasize the way we create environmental and social value, while simultaneously realizing financial performance. We hope that this report strengthens the understanding and confidence in the quality of our approach as a responsible investor.

#### **RISK MANAGEMENT**

Risk management is carried out at the first level by portfolio managers as part of the strategy monitoring, then by the Risk department in the context of second-level control.

At Risk Management level, investment process controls are performed regularly; information is collected from other risks functions and summarized in a global risk report. Internal limits such as VaR, TE, risk factors sensitivities, and drawdown, plus liquidity profiles, are monitored through a specific reporting tool and a dedicated escalation procedure. These procedures combine information across both Investment and Risk organizational lines to enable efficient breach identification and correction.

A report is computed with the following indicators: TE ex-ante, Liquidity within one day, Beta Ex-Ante, Active Share. On a monthly basis, a more fine-tuned analysis of the fund and stress tests on the liquidity are also reported.

The Risk Management department works closely with the investment team, with a completely independent reporting line.

Mirova has set up a dedicated risk management committee for equity and fixed income management, which meets three times a year to discuss the following points:

- Presentation and validation of new management processes and/or evolutions
- Monitoring of process limits and review of fund risk profiles (overruns, liquidity, stress tests, etc.)
- Performance monitoring and competitive positioning
- Monitoring of regulatory and contractual constraints
- Credit risks, counterparty monitoring, watch list
- Follow-up of the service
- Results impacting variable compensation
- Broker validations
- Global pricing

- Regulatory news
- Results of controls and follow-up of recommendations
- Monitoring of compliance issues

In addition to this dedicated committee, the risk management team is also involved in the process of new product launching. They analyze and approve the investment process with a veto right.

### **COVID-19 Impact on Operations**

Mirova has suffered no business interruption as a result of the Covid-19 crisis. Prior to the pandemic, Mirova implemented best practices through tools and training, as well as compliance controls around the security and protection of our and our clients' information. This has continued throughout the recent crisis.

Over the last two years, a remote work system/hybrid model is in place for the Mirova employees and is operating effectively. Our employees have the ability to work remotely under the same conditions as in the office. Specifically, they have access to all the tools, systems, and protocols they normally use. Meetings are held virtually, if necessary.

All tools work remotely, and standard procedures are currently being followed (no material change in BCP protocol had to be implemented for this area). There are backup procedures in place in case of difficulties accessing the tools that are necessary for managing critical operations.

## PRINCIPLE 5: REVIEW AND ASSURANCE

**Signatories review their policies, assure their processes, and assess the effectiveness of their activities.**

Responsible Investment Policy: Since the creation of the company, the integration of ESG into its investment processes is an integral part of its business model and a daily priority for the Board of Directors, senior management, and operational teams. The responsible investment objectives are directly linked to the long-term business development plan defined by the Executive Committee of Mirova, as described under Principle 1. It includes both a long-term vision of the business development and annual targets. The Executive Committee closely monitors achievements and performance at least twice a year.

ESG policies are reviewed on a constant basis, following developments, and evolving regulatory requirements in the ESG market and progress in data availability. At the time Mirova was created, we quickly had the intuition that ESG integration was not limited to doing the thing right (risk management), but that we had to allocate capital to companies or projects that have sustainable development objectives (opportunities). That is how our impact investment process was built and this has not changed since Mirova's creation.

The Board of Directors also plays an oversight role by monitoring the responsible investing activities and reviewing the long-term business development plan. To meet these objectives, all Mirova's investments, whether listed or unlisted stocks or bonds, companies, or projects, share the same approach: achieving financial return, and environmental & social value creation. The application of these principles requires an approach adapted to each asset class.

Mirova maintains the following policies, which are reviewed annually, updated as needed and publicly available on our website: Responsible Investment, Engagement, Proxy Voting and Governance Guidelines, and Conflicts of Interest.

### **Research and Investment Assurance**

All of Mirova's investment processes are supported by the expertise of its in-house sustainable research analysts, who conduct cutting-edge research to deepen understanding of long-term ESG issues: climate change, pollution control, resource conservation, biodiversity protection, fundamental freedoms, right to health, right to development and responsible governance, business ethics, etc. The issues at stake in the UN's SDGs are considered. On this basis, the SR team is responsible for evaluating issuers and projects through an analysis of opportunities and risks, which results in a rating that defines the composition of Mirova's investment universe for each asset class. All investment teams have a permanent SR analyst working hand in hand with the financial analyst/ portfolio management team.

### **Risk Management**

Mirova's Risk Department is responsible for monitoring portfolio risk. The department's main mission is to validate the investment process and to define, measure, and control all the risks inherent to the portfolio management activity, including market risk, liquidity risk, counterparty risk, credit risk, and investment risk. The Risk Management Team is led by Nicolas Fischer, Chief Risks Officer at Mirova who reports to Jerome Lelu, Head of Legal and Compliance at Mirova, who has a direct reporting line to the company's CEO. He is supported by Mathieu Loume, Risk Manager at Mirova.

Nicolas Fischer is supported by two risk officers internally and relies on Ostrum Asset Management's (Ostrum AM) Risk Management Department through a partial outsourcing contract.

Additionally, Mirova US has its own team of compliance and internal control, with the Mirova US Chief Compliance Officer reporting to Mirova US' deputy CEO. Mirova US relies on Mirova's risk management organization in the context of a delegation agreement on risk subjects.



Resulting from these direct reporting lines, escalation procedures are very straightforward. Should either Mirova US' CCO or Nicolas Fischer believe that an issue is not properly addressed by the portfolio managers, they would alert the CEO and Deputy CEO of Mirova US to assure that proper actions are taken and implemented.

To further elaborate, Mirova's Compliance and Internal Control team (the DCCI) is responsible for ensuring the compliance of Mirova's processes, procedures, products, and services. Beyond aspects of personal and professional ethics, the team provides specific advice and training to Mirova's staff. The team's missions are driven by legislative, regulatory, and professional requirements, as well as the policy defined by the top management. For that purpose, the DCCI performs a periodic compliance risk mapping covering all activities and territories in which Mirova conducts business, considering legal & regulatory risk, financial risk, and operational risk, and assess the existing control environment.

Mirova's Compliance and Internal Control Department (DCCI) establishes and implements an annual Control Plan that covers all Mirova's activities and processes. The Control Plan is in line with regulatory requirements and adapted to the level of risk identified on Mirova's processes.

The frequency and objectives of controls are defined and validated by the Chief Executive Officer.

The DCCI is responsible for permanent second-level controls throughout Mirova's perimeter.

The Control Plan is presented annually to Mirova's management and the Board of Directors.

Controls on the compliance of asset management activities focus on:

- The valuation processes for the instruments held
- The position-keeping process
- The process for validating the net asset values
- The process of placing and processing orders.

These missions include compliance controls related to employee ethics, conflicts of interest, the fight against money laundering and terrorist financing, the fight against corruption, market abuse alerts through the Actimize tool, etc.

The progress of the Control Plan and the results are monitored through the Equity & Fixed Income Management Compliance and Risk Committee, which meets three times a year, and the Risks and Internal Control Committee, which also meets three times a year with the Holding Company and are finally presented to the Mirova Board of Directors.

The DCCI team is also in charge of Operational Risks. It is responsible for collecting, managing, and entering operational incidents in the OSIRISK database (Natixis Group incident database) and updating the operational risk mapping.

### **Monitoring**

Considerable attention is paid to monitoring compliance with established guidelines. Given the in-depth risk monitoring and the ability to pre-test trades both for consistency with the model portfolio and for guideline compliance, the potential for breaches based on portfolio management activity should be low and breaches in portfolio guidelines resolved in the best interest of the client.

Over the first level of controls performed by management teams, a second level of monitoring is performed under the responsibility of the Chief Risk Officer, to ensure the respect of regulatory, contractual, and internal constraints. Guardian is the module of follow-up of the constraints integrated into CRD (tool of order entry and negotiation, publisher(editor) Charles River). It monitors post-trade by assuring the daily and automated follow-up, while benefiting from a complete audit trail.

Any breaches are reviewed daily by the middle office team and brought to the portfolio manager for resolution. There is a formal escalation procedure if the breach is not resolved quickly. Should the breach continue beyond two days, the Risk management team follows the event until it is fully resolved, activating the escalation procedure.

This escalation procedure, comprising different levels of progressive interlocutors, ensures that every interlocutor knows the breaches, possible blockings of situation and their duration.

Besides, the Risk management team also implements pre-trade monitoring into the Guardian dedicated software. Checks are performed in real time, as the portfolio manager transmits his order to the negotiators - and thus even before a broker or a counterparty was able to be contacted by a negotiator. Pre-trade monitoring concerns mainly eligibility and investment constraint calculations and allow avoiding overruns and thus the necessity of adjustment afterwards.

Reports on breaches are sent twice each month to the heads of investment departments and the head of the Compliance and Internal Control Department.

#### **Internal Audits**

Mirova conducts regular operations audits with the aid of Natixis IM. Mirova receives a comprehensive map of regulatory and best-practice obligations from Natixis IM's internal audit committee with which it tests its operations and vendors effectiveness.

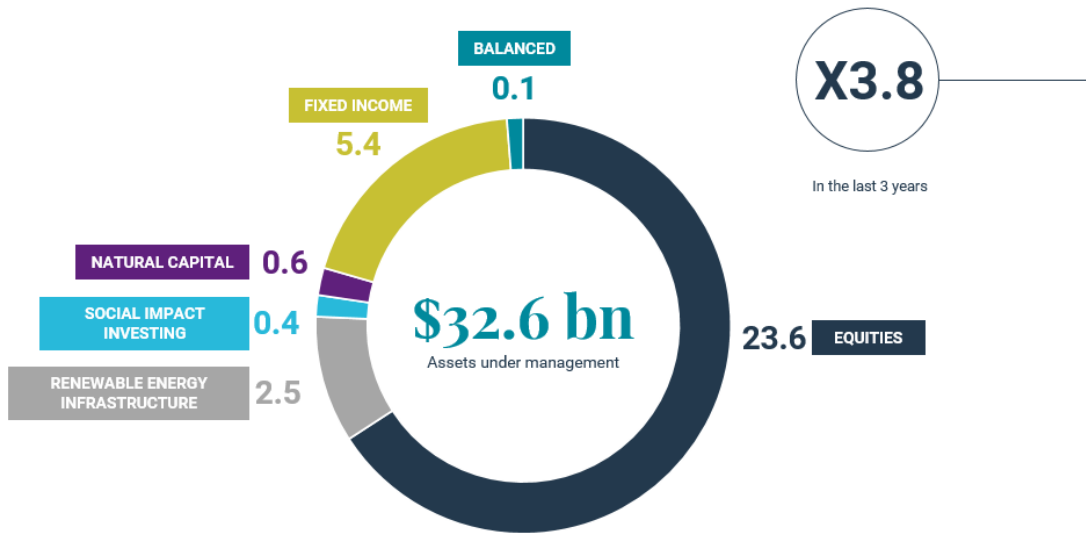
The results of the internal controls are shared with the Audit Committee. An additional level of control is performed by the holding company by performing both regular and random audits. Issues and concerns are reported to the Audit committee as well as the person responsible the deficient function. A remediation plan is adopted and monitored by the audit committee until the matter is resolved or the vendor is replaced.

Mirova and its affiliates have an Internal Control Plan. The Internal Control Plan is implemented by the respective Chief Compliance Officer charged with ensuring that the overall control procedure is efficient and coherent. The Internal Control Plan identifies areas to be assessed during the year and looks to ensure that regulatory, contractual, and internal constraints are properly implemented and complied with. The Internal Control Plan is validated by the Mirova and Mirova US' CEOs and are presented to the Compliance & Risk Committee (Audit Committee) which are also informed on controls led.

**PRINCIPLE 6: CLIENT AND BENEFICIARY NEEDS**

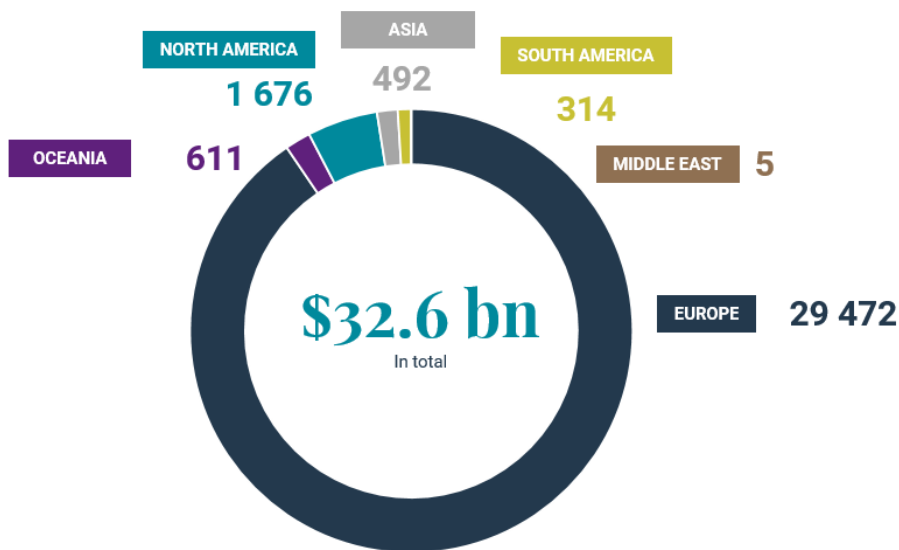
**Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**

Mirova offers a full array of investment solutions: listed equities, bonds, Energy Transition Infrastructure, Natural Capital, impact investing as well as engagement and voting services to investors globally. Mirova targets almost exclusively institutional investors globally for its unlisted investment products. For its listed securities investment products, Mirova targets a mix of investor types globally: high net worth individuals through wealth managers and private banks, Fund-of-Funds, and institutional investors. Commercialization of the products happens through the distribution group of its ultimate parent company Natixis IM.



Source: Mirova and its affiliates, as of December 31, 2021

**Our Investors by Domicile**



As an investment company fully dedicated to sustainable investment, Mirova pays particular attention to transparency related to our stewardship activities as well as providing clients and prospects with content aimed to educate, inform, and advocate our mission - to contribute to a more sustainable and inclusive economy. The solutions which we offer to our clients along with insights on trends, research topics that are driven by robust analysis from our Sustainability Research Team, and various reports and policies, covering engagements and voting are typically updated annually and can be found publicly on our website. In addition, our portfolio managers, who are also specialists of their respective themes, produce a number of different white papers which can also be found on our website.

Our investors have different needs based on various factors such as geographical location, investment vehicle, regulatory guidelines, etc. which allow us to work with each client to provide a solution while guiding them through inevitable hurdles they may face during their long-term goals. We leverage the exceptional people and culture at Mirova to **maintain a disciplined investment process that is robust, repeatable, and capable of delivering on and exceeding our clients' expectations over the long-term.**

### Controversial Activities

Mirova was created to finance economic models that contribute positively to sustainable development. Much of our work is focused on identifying solution providers that create positive impact, but this does not dispense us of the need to ensure that our investments always meet or exceed minimum standards regarding controversial activities.

Mirova does not exclude any industry on principle. Minimum standards are defined for each sector based on their key environmental and social issues and are detailed in our sectoral research papers. All our positions on controversial issues are the result of an extensive analysis of environmental and social impacts. For certain sectors, this analysis may lead to the exclusion of all players in the sector, as case-by-case analysis may result in a "Risk" or "Negative" rating for all the companies of that sector when practices do not provide an adequate level of assurance that the risks associated with the product are properly managed. "Risk" and "Negative" ratings mean that the issuer cannot be included in Mirova's portfolios. The rating can nevertheless evolve following the evolution of the company.

Current excluded sectors are oil exploration and production/ coal, tobacco, military activities, gambling, adult entertainment, and sugar sweetened beverages. On top of that, Mirova complies with UN Global Compact's principles and/or OECD guidelines.

Companies that produce controversial weapons, cluster munitions, or anti-personnel mines are systematically excluded. Nuclear weapons are included in this exclusion. For other types of weapons, we consider that today no company in the industry can guarantee that their products will not be exported or re-exported to high-risk, undemocratic countries, where they may be used against civilians.

### **Impact Reporting:**

At Mirova, the bulk of our sustainability related research focuses on qualitative indicators. Still, we continue to develop innovative physical impact indicators, such as biodiversity amongst others, to demonstrate the quality of our approach.

### **Qualitative impact indicators**

We consider that an asset can have a positive environmental or social impact either through offering products and services answering some specific sustainability issues or through improving its policies and practices around sustainability.

Our framework of analysis considers both aspects and results in a “Sustainability opinion” \*:

- Committed: Contributes very favorably to achieving the SDGs
- Positive: Contributes positively to achieving the SDGs
- Neutral: In line with some of the SDGs, but impacts are low or unquantified
- Risk: Hinders achievement of the SDGs
- Negative: Strongly opposes achievement of the SDGs



Source Mirova & NIM International.

The ESG Opinion is designed to assess whether the investment is compatible with the UN SDGs and is based upon the analysis of Mirova and ISS ESG, a third party. The assessment does not guarantee a profit or protect against a loss and does not ensure the stability or safety of the overall portfolio. Data used for illustrative purpose. The information provided reflects Mirova’s opinion/the situation as of the date of this document and is subject to change without notice. For more information on our methodologies, please refer to our Mirova website: <https://www.mirova.com/en/research>. This indicator is available monthly in the funds’ factsheets.

In addition to this “overall” Sustainability opinion, we also provide an opinion on specific environmental and social pillars. The list of pillars has been developed with the Investment Leaders Group of Cambridge Program for Sustainability Leadership (ILG - CPSL).



These pillars have been developed to rely on the SDGs while providing a reporting framework suited to the requirements of the investment community. We were highly involved in defining this impact framework that led to the publication “In search of Impact – Measuring the full value of capital”<sup>5</sup> released in 2016.

<sup>5</sup> Available at: <https://www.cisl.cam.ac.uk/resources/publication-pdfs/impact-report.pdf>

\* Please see disclosures at the end of this report

For each pillar, we provide an opinion using the same scale as our sustainability opinion:

- Committed: Contributes very favorably to achieving the related SDGs
- Positive: Contributes positively to achieving the related SDGs
- Neutral: In line with some of the related SDGs, but impacts are low or unquantified
- Risk: Hinders achievement of the related SDGs
- Negative: Strongly opposes achievement of the related SDGs



The percentages indicated represent the share of portfolio values (by weight) that contribute positively to the pillar concerned (companies with an ESG opinion "Committed" or "Positive" on the pillar). \* Our evaluation of the contribution is based both on the capacity of companies to offer products and services with positive impact and on the quality of their environmental and social practices across their value chain. \* Source: Natixis Investment Managers International. \* For more information on our methodologies, please refer to our Mirova website: <https://www.mirova.com/en/research>



**Physical Indicator:**

Even though the Sustainability Research team has developed qualitative assessment, we are objectifying impacts of our investment strategies with physical impact metrics to assess the quality of our approach. Until now, the bulk of our work regarding physical impact metrics has been focused on developing a climate indicator using our risk/opportunity and life-cycle approach.

Today, in addition to qualitative ratings, physical indicators (tons of CO2, m3 of water, number of jobs, etc.) are more and more often requested to demonstrate the impact of a responsible investor’s strategies.

In meeting these expectations, Mirova has developed a first physical indicator for carbon in partnership with Carbone 4. This methodology evaluates all assets using a life cycle approach, considering the company’s direct activity as well as its suppliers and product use. In accordance with Mirova’s philosophy, both risks and opportunities related to the energy transition are assessed. Emissions induced by the company are provided, in addition to emissions avoided compared to a reference scenario.

At the portfolio level, the aggregate emissions induced and avoided are considered to assign a level of alignment with climate scenarios published by international organisations such as the IPCC (Intergovernmental Panel on Climate Change) or the IEA (International Energy Agency).

Estimated impact on global average increase of temperature		
	 1.5°C	 3.6°C
Induced emissions (tCO <sub>2</sub> /millions€ invested)	43	104
Avoided emissions (tCO <sub>2</sub> /millions€ invested)	30	11
Coverage rate (% of holdings analyzed)	100%	96%

Source Mirova – figures provided for illustrative purpose only

Furthermore, upon request, we provide specific indicators within our portfolios, for example: gender diversity statistics. We are also working on developing meaningful indicators on other environmental and social issues. We are currently focusing on the development of a pioneering tool for measuring investment impact on biodiversity. To this end, we have launched a joint initiative with other asset managers and work on co-developing a methodology with Iceberg Datalab and Icare Consult.

<https://www.mirova.com/sites/default/files/2020-04/Mirova%20for%20Nature%202020%20EN.pdf>

<https://www.mirova.com/en/news/iceberg-data-lab-icare-consult-selected-first-biodiversity-impact-measurement-tool>

## PRINCIPLE 7: STEWARDSHIP AND ESG INTEGRATION

**Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.**

Any responsible investment approach involves looking at how issuers consider environmental, social and governance (ESG) issues.

Whether investing in companies, local authorities, government bodies or projects, investors need to be able to understand the complexity of the sustainable development issues these players face and how each one addresses them—or fails to. At present, there is no universally accepted frame of reference for this.

Whether to encourage clear and simple reporting by issuers on their actions or to assist investors in considering these issues, no framework has yet established a standard practice, leaving the matter to individual choice. As a company dedicated to responsible investment, we have sought to develop our own approaches and methodologies to describe the links between economic actors and ESG issues. In an industry where initiatives offering assessment frameworks are multiplying rapidly, we believe it necessary to be transparent about the principles and indicators we have chosen, which guide our investment decisions and the way we report to our clients as well as other stakeholders.

### Financial materiality and impact

The first fundamental step for establishing an evaluation framework is framing the intention. An initial approach could involve looking at how extra-financial criteria, whether environmental, social or governance issues, are likely to influence financial performance and therefore the risk/return trade-off. In this so-called financial materiality approach, implementation of an assessment framework will focus on those ESG criteria likely to have a financial impact, regardless of their importance in achieving sustainable development goals. This attitude has guided the development of many internationally recognised frameworks such as SASB<sup>6</sup> and the TCFD.<sup>7</sup>

But can we really talk about ‘responsible’ investment if the sole purpose of taking ESG criteria into account is to improve the financial performance of investments? Many actors, including the European Commission, deem that investors should also be concerned with assessing how their investments contribute to moving society towards a more sustainable model, even when financial materiality is low. Most extra-financial rating agencies seek to take ESG criteria into account without linking them solely to financial materiality. Private initiatives such as the GRI,<sup>8,9</sup> the IFC principles and the GRESB,<sup>10</sup> along with public initiatives such as the European Directive on Non-Financial Performance<sup>11</sup> subscribe to this vision.

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6 Sustainability Accounting Standards Board, an initiative to better integrate sustainability issues into corporate accounting <https://www.sasb.org/>

7 Task Force on Climate-related Financial Disclosures, an initiative to improve the integration of climate issues into corporate and investor reporting. <https://www.fsb-tcfd.org/>

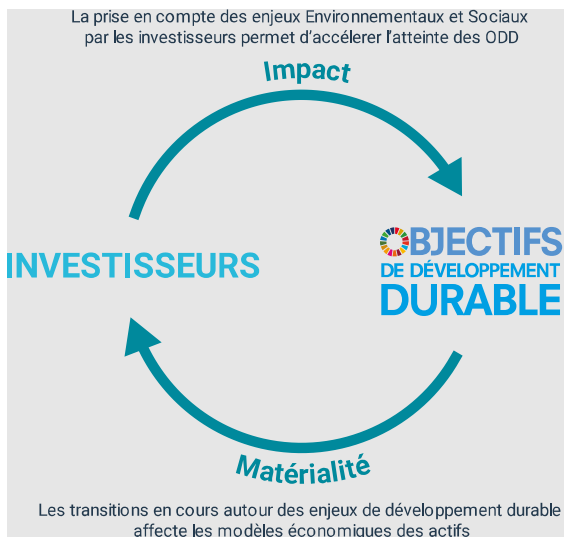
8 Global Reporting Initiative, an initiative to improve sustainability reporting frameworks <https://www.globalreporting.org/>

9 International Finance Corporation, a World Bank Group organisation whose role is to facilitate business development in developing and emerging countries

10 Global ESG Benchmark for Real Assets

11 <https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32014L0095>





Investor consideration of Environmental and Social issues accelerates achievement of the SDGs

INVESTORS > Impact > SUSTAINABLE DEVELOPMENT GOALS > Materiality

The sustainable development transitions underway affect the economic models for assets.

Source: Mirova

Since Mirova's creation in 2014<sup>12</sup>, we have made it a central objective to reconcile financial performance and contributions to the emergence of a more sustainable economy. In 2020, we decided to strengthen our commitment to these issues by including our environmental and social investment objectives in our articles of association.<sup>13</sup> Consequently, we have designed an ESG assessment framework that not only evaluates the financial consequences of ESG criteria but also seeks to report on the environmental and social impact of the assets in which we invest. This approach is consistent with the principle of 'double materiality' advocated by the European Commission.

### Guided by the SDGs

Whether the goal is financial materiality or impact, taking ESG issues into account covers a very broad area that requires some clarification. For several decades now, the concept of sustainable development has gradually become a central frame of reference for both private and public entities. While the shift towards more sustainable development has given rise to varying interpretations,<sup>14</sup> all the countries of the world moved in 2015 to adopt a sustainable development programme presented by the United Nations. This agenda sets out 17 Sustainable Development Goals (SDGs) for the year 2030, to address critical social and environmental issues. In addition to having been adopted by all members of the United Nations, the SDGs present several advantages.

First, they set out a comprehensive framework for environmental and social issues that is applicable to all economies, regardless of their level of development. Thus, while some issues, such as ending hunger and ensuring access to water for all, are often more relevant to low- and middle-income countries, other goals, such as combating climate change and making cities safe, resilient, and sustainable are applicable regardless of wealth or development. While their comprehensive nature says next to nothing about the materiality of each of the issues they address, it does provide a starting point for our analysis.

<sup>12</sup> Until 2014, the Mirova department was part of Ostrum AM, previously Natixis AM. Mirova is an affiliate of Natixis Investment Managers based in Paris. Mirova began to operate in the US (and manage the Global Sustainable Equity Strategy globally) through Ostrum Asset Management U.S., LLC in 2014, and then through Mirova US LLC (a wholly owned subsidiary of Mirova as of March 28, 2019.)

<sup>13</sup> See: <https://www.mirova.com/fr/news/mirova-devient-societe-a-mission>

<sup>14</sup> Examples include the United Nations Millennium Development Goals adopted in 2000 and the OECD Guidelines for Multinational Enterprises

Furthermore, companies and investors can also use the SDGs as a reference framework for sustainable development issues that transcends the state level. This growing consideration of environmental and social issues by private actors illustrates the new forms of governance that are being put in place today, where the private sphere is increasingly embracing issues of ‘the general good’.

And lastly, the SDGs provide investors with a framework for examining the resilience of their assets in the face of ongoing transformations. They even make it possible to go further and consider the exposure of investments to the development of new solutions and new economic models addressing these transformations. This approach is consistent with our own ambitions of not limiting our analysis to strong risk management, but rather approaching sustainable development as a source of opportunity, with a strong focus on solution providers.

For these reasons, we chose to use the SDG framework to guide our ESG assessments in 2016.

#### **GOVERNANCE, AN EXTRA-FINANCIAL ISSUE LIKE NO OTHER**

The development of responsible investment is closely linked to the incorporation of ESG criteria. However, the SDGs, which are intended to cover environmental and social issues exhaustively, only partially address governance issues.

While governance can be broadly defined as a system of entities that direct an area of activity, the term is frequently used to describe various realities.

In the public sector, governance analysis generally covers issues such as the quality of leadership, public services and regulation, the level of democracy and political stability, the rule of law and the control of corruption.

In the private sector, the analysis of corporate governance can, depending on the case, refer to:

- analysis of the quality of managers, with a general focus on financial issues,
- the control and incentive arrangements relevant to management including, for example, an analysis of the quality and independence of the board, or of respect for the interests of minority shareholders,
- the consideration of subjects more explicitly linked to sustainable development issues, such as respect for business ethics, the distribution of added value or the management of environmental and social issues.

The analysis of governance thus rests on significantly different parameters depending on whether the purpose is to evaluate its influence on financial performance or on environmental and social outcomes.

FIGURE 1: THE 17 SUSTAINABLE DEVELOPMENT GOALS

	<p>End poverty in all its forms everywhere</p>		<p>Reduce inequality within and among countries</p>
	<p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>		<p>Make cities and human settlements inclusive, safe, resilient, and sustainable</p>
	<p>Ensure healthy lives and promote well-being for all at all ages</p>		<p>Ensure sustainable consumption and production patterns</p>
	<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>		<p>Take urgent action to combat climate change and its impacts</p>
	<p>Achieve gender equality and empower all women and girls</p>		<p>Conserve and sustainably use the oceans, seas, and marine resources for sustainable development</p>
	<p>Ensure availability and sustainable management of water and sanitation for all</p>		<p>Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>
	<p>Ensure access to affordable, reliable, sustainable, and modern energy for all</p>		<p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels</p>
	<p>Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all</p>		<p>Strengthen the means of implementation and revitalize the global partnership for sustainable development</p>
	<p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p>Source: Mirova / United Nations</p>	

Mirova has chosen to rely on the Sustainable Development Goals both in assessing the contributions of issuers to the transition to a more sustainable economy and in evaluating the financial implications of these new challenges. In order to best reflect this double materiality across the full spectrum of SDGs, we seek to respect three main principles in terms of ESG assessment.

<b>Risk / opportunity approach</b>	<p>Contributions to the SDGs can be grouped in two main categories, which are often complementary.</p> <p>The products and services proposed by issuers may make very different contributions, positive or negative, to achieving the SDGs.</p> <p>As part of their sustainable development policies, issuers may deploy action plans to limit their environmental and social impacts.</p> <p>Taking these two aspects into account is a fundamental component of our assessments.</p>
<b>Life cycle view</b>	<p>In order to measure an asset, the analysis of environmental and social issues must consider its entire life cycle, from the extraction of raw materials to products' end of life.</p>
<b>Differentiated issues</b>	<p>Different players face vastly different challenges from one sector to another and issues can even vary significantly within a sector. Criteria for analysis must be adjusted to meet the specificities of each asset studied.</p>

Source: Mirova

Through our engagement processes, we lobby on behalf of these key principles with issuers and public authorities to ensure that disclosure best reflects the relationship between issuers and sustainable development. However, it will be some time before we can rely directly on publicly available information. In the meantime, assessment of ESG impacts requires a great deal of estimation and conversion of the information received.

**Our impact measurement frameworks**

Investors have been tracking and reporting on the financial performance of their investments for several decades. In contrast, the lack of a framework for ESG issues makes monitoring and reporting on the impact of investments with respect to these criteria significantly more difficult.

In order to channel our investments towards assets that deliver positive impact and provide elements that will enhance our financial analysis, we have developed several types of indicators, both qualitative and quantitative.

**QUALITATIVE EVALUATIONS**

Because the issues under consideration are both diverse and complex, we believe that assessment of the links between issuers and sustainable development must begin with a qualitative analysis. From the point of view of financial materiality, this evaluation contributes to our fundamental analysis and helps refine our determination as to the growth potential of an issuer, their risk profile and valuation.

## OVERALL ASSESSMENT

At Mirova, analysis of an asset—any asset regardless of asset class—allows us to establish an overall qualitative opinion, described using a five-point scale and makes it possible for us to determine whether the asset is consistent with achieving the SDGs.<sup>15</sup> This assessment is conducted in accordance with our main principles and includes the risk/opportunity approach, taking into account the quality of products and services as well as the way operations are conducted, the global approach of the entire life cycle, and the differentiation approach, adapting issue selection to the specificities of each asset.<sup>16</sup>



Source: Mirova

As this rating scale is defined in terms of achieving the Sustainable Development Goals, no a priori distribution of overall ratings is assumed or expected. Mirova does not exclude any industry on principle and carries out an in-depth analysis of environmental and social impacts for every investment. For some sectors, this analysis may lead to the exclusion of all or some players. For example, in the energy sector, companies involved in coal and oil extraction are rated as Risk at best, while companies in the renewable energy sector are likely to be rated well, except where they fail to comply with fundamental environmental or social principles.

Mirova invests primarily in the best rated assets (Positive and Committed) and does not invest in assets with a rating below Neutral. This approach makes it possible to ensure a robust integration of sustainability risks in all investment processes and to limit the potential negative impact of these investments per the European

SFDR regulation.<sup>17</sup> It also guarantees that Mirova's strategies meet the criteria for 'significantly engaging' as defined under AMF recommendation DOC-2020-03.<sup>18</sup>

While this overall assessment of consistency with the SDGs forms the backbone of our ESG analyses, we have also developed assessment frameworks tailored to our various types of investments and clients.

<sup>15</sup> Among ESG data providers or financial players, qualitative opinions can take a variety of forms. Letter grades (e.g., CCC to AAA at MSCI, D- to A+ at ISS ESG), qualification of an opinion (Weak / Limited / Robust / Advanced at Vigeo Eiris, Negligible / Low / Medium / High / Severe at Sustainalytics). These qualitative opinions are generally accompanied by numerical scores, for example a score between 0 and 100.

<sup>16</sup> The analysis grids adopted sector by sector are communicated in publicly available sectoral sheets. <https://www.mirova.com/fr/recherche/comprendre#vision>

<sup>17</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosure in the financial services sector <https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32019R2088&from=FR>

<sup>18</sup> ESG Investments - Risk and Methodological Limitations: By using ESG criteria in the investment policy, the objective of the funds concerned is in particular to better manage sustainability risk and to generate sustainable and long-term returns. ESG criteria can be generated using proprietary models, third party models and data or a combination of both. The evaluation criteria may evolve over time or vary depending on the sector or industry in which the issuer concerned operates. The application of ESG criteria to the investment process may lead Mirova to invest in or exclude securities for non-financial reasons, regardless of the market opportunities available. ESG data received from third parties may be incomplete, inaccurate, or unavailable from time to time. As a result, there is a risk that Mirova may incorrectly assess a security or issuer, resulting in the incorrect direct or indirect inclusion or exclusion of a security in a fund's portfolio.

## IMPACT PILLARS

To illustrate the contribution of our investments to the primary issues of sustainable development, our 'global' assessment is broken down into six impact pillars: three related to environmental issues, three based on social issues.<sup>19</sup> Each pillar is assessed according to our five-point qualitative scale, from Negative to Committed.



Source: Mirova / ILG – Cambridge CISL

## Social impact

### BASIC NEEDS

Eradicating poverty is at the heart of the SDGs. An eminently ethical issue, it also addresses the need to promote stable societies and economic development. According to the World Bank, 9% of the world's population lived on less than USD1.90 a day in 2017.<sup>20</sup> The Basic Needs Pillar looks at the contributions of an asset to improving the conditions of low-income groups through provision of essential services.

More specifically, this pillar attempts to determine the extent to which the assets examined meaningfully enhance access to services such as quality food and water, health services and medicines, decent housing, education, clean energy and mobility or basic financial services.

### DECENT WORK

According to the International Labour Organisation, more than 5% of the world's population is unemployed and almost 40% of workers are in vulnerable employment.<sup>21</sup> The SDGs place a strong emphasis on job creation, to ensure everyone is able to earn a decent income while working under conditions guaranteeing safety and personal fulfilment. Issues of discrimination are also a major focus.

<sup>19</sup> This segmentation of sustainability issues into 6 pillars is based on the work of the Investment Leaders Group (ILG) within the Cambridge Institute for Sustainability Leadership (CISL)

See <https://www.cisl.cam.ac.uk/publications/publication-pdfs/impact-report.pdf>

<sup>20</sup> <https://www.banquemondiale.org/fr/topic/poverty/overview#:~:text=Entre%202015%20et%202017%2C%20le,5%2C50%20dollars%20par%20jour.>

<sup>21</sup> [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---docmn/---publ/documents/publication/wcms\\_734455.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---docmn/---publ/documents/publication/wcms_734455.pdf)

This pillar therefore comprises two dimensions. In addition to the number of jobs created it looks at the characteristics of these jobs, such as remuneration, job security, working conditions and equality of opportunities. Contributions to quality jobs can be direct and concern jobs generated within the perimeter of the entity being evaluated, or they may be indirect, taking into account employment in the issuer's ecosystem, especially its supply chain.

## WELLNESS

In recent decades, the world's population has made considerable progress in certain areas, for example in increasing life expectancy or access to knowledge and culture. But there remains much to be done. Combating diarrhoeal diseases, respiratory infections, malaria, cancer, AIDS, cardiovascular diseases, diabetes, and neurodegenerative diseases remain topics for further research. Improving people's health and avoiding accidents also requires better nutrition, healthier lifestyles, and safety innovations. Furthermore, maintaining our societies in a dynamic state of progress calls for increasing investment in the knowledge economy. The SDGs thus value contributions improvements to quality of life.

Specifically, this pillar seeks to capture the extent to which the entity assessed contributes to a transition towards better nutrition and health, to innovation in health, to the development of a better level of education or to progress in personal safety.

### FOCUS ON INEQUALITIES

Whether income inequality, discrimination against minorities or gender equality, we address issues of inequality transversally, as each of our three social pillars is likely to address these issues in part.

Additionally, we pay particular attention in our analyses to issues of income distribution among different stakeholders and to tax optimisation strategies. Our voting policy especially places a strong emphasis on these issues as regards voting on executive compensation and dividend policies.

## Environmental impact

### CLIMATE STABILITY

Greenhouse gases (GHG) generated by human activities have serious repercussions for the climate. The SDGs have established immediate emissions reductions as critical to limit the rise in global temperatures to well below 2°C, and thereby avoid the most serious consequences of climate change.

Achieving this goal requires that we profoundly alter the structure of our economies.<sup>22</sup>

Changing our relationship with energy, which accounts for close to two thirds of GHG emissions. Achieving this transformation entails major changes in most sectors: electricity production, transport, construction, industry, etc.

Combating deforestation, which, by eliminating carbon 'sinks', is responsible for almost 20% of climate change. Rethinking our agricultural production methods and our consumption of meat, together responsible for about 15% of GHG emissions.

This pillar rewards approaches in line with this framework, either by reducing life-cycle emissions or, more importantly, by developing green solutions.

<sup>22</sup> <http://cait.wri.org/>

## HEALTHY ECOSYSTEMS

In addition to greenhouse gas emissions, human activity generates waste and releases pollution into the air, water and soil that have a lasting effect on animal and plant species. The number of premature deaths worldwide caused by outdoor air pollution in urban and rural areas is estimated at 4.2 million (WHO, 2018). Over 80% of the world's wastewater is discharged untreated into the environment. At the current rate, the ocean could contain more plastics than fish by 2050 (Macarthur, 2016). Some 52% of land used for agriculture is affected by some form of land degradation.<sup>23</sup> To confront these challenges, several of the SDGs seek to address the increasing degradation of our ecosystems.

This pillar therefore rewards activities that help limit the various forms of pollution and actors offering solutions to these challenges, for example in the areas of water treatment, clean energy, or the development of regenerative agriculture.

## RESOURCE SECURITY

In a world where a growing population aspires to an ever-higher standard of living, the pressure on natural resources is increasing rapidly. Water stress affects a quarter of all humanity.<sup>24</sup> Between 1990 and 2016, the world's forests lost more than 100 billion hectares.<sup>25</sup> Every year, land degradation affects an area equal to half of Great Britain.<sup>26</sup> Whether our water resources, land, forests, fish populations or mineral deposits, the SDGs encourage us to develop a more circular approach to our economies in order to preserve these resources and limit polluting emissions.

The resource security pillar seeks to capture initiatives that address these issues, as for instance by combating deforestation, sustainable farming and fishing practices, eco-design or the recycling and recovery of waste.

Headlines announcing the decline in biodiversity are becoming increasingly frequent. Since 1970, vertebrate populations have fallen by 60%. Almost 40% of freshwater fish are threatened with extinction. The planet is losing 12 million hectares of rainforest each year. More than 35% of wetlands have disappeared in the last 40 years.<sup>27</sup> Global figures aside, many areas of exceptional biodiversity richness, such as the primary forests of Southeast Asia or the Great Barrier Reef in Australia, are increasingly at risk. This collapse raises both ethical questions about respect for life and economic questions, as our societies rely heavily on the various services provided by natural ecosystems.

The causes of this collapse are hardly a secret. Our agricultural practices, by monopolising the soil and emitting a range of pollutants, are by far the main cause of biodiversity loss. The fragmentation of ecosystems, climate change and, more broadly, the widespread if diffuse impacts of polluting waste from our various industries also contribute significantly to this erosion of life. It follows that biodiversity issues are at the intersection of our three environmental impact pillars.

23 <https://www.unccd.int/publications/land-degradation-neutrality-interventions-foster-gender-equality>

24 <https://www.wri.org/blog/2019/08/17-countries-home-one-quarter-world-population-face-extremely-high-water-stress>

25 <http://www.fao.org/state-of-forests/en/>

26 <https://www.unccd.int/actions/united-nations-decade-deserts-2010-2020-and-fight-against-desertification>

27 <https://www.wwf.fr/rapport-planete-vivante>



## QUANTITATIVE INDICATORS

In order to enhance our investment decisions, as well as our monitoring and reporting on the environmental and social performance of our assets, we rely on quantitative indicators as a complement to our qualitative views.<sup>28</sup> We monitor these indicators at several levels.

- At the level of the invested assets, we use them as parameters in the investment decision process and as a basis for follow-up exchanges with management after investment. Indicators are tailored to reflect the specificities of each asset.
- At the portfolio level, to ensure the alignment and performance of invested assets with respect to the ambitions of a given fund.
- Consolidated at the asset class level, these indicators illustrate the consistency and impact of Mirova's overall roadmap.

These indicators can take several forms.

**'Physical' indicators.** Quantification of certain key monitoring indicators expressed in physical units. e.g., tons of CO<sub>2</sub>, number of jobs created, share of women in management positions.

**Level of exposure.** How much of the investments or market indices are exposed to certain issues. e.g., share of investments offering solutions to climate issues or exposure to controversial human rights issues.

## LISTED INVESTMENTS

The principal physical monitoring indicators for our listed assets are related to 1.) climate change, 2.) employment trends and 3.) gender diversity. We also report green asset exposure indicators on some of our strategies.

### Physical indicators

Many physical indicators are monitored at the company level. From the carbon intensity of the electricity mix for electricity producers, to the quantity of waste produced or the number of social audits carried out, these indicators are adapted to the specificities of each asset.<sup>29</sup> However, a certain number of indicators are monitored across the board so that they can be consolidated at the portfolio or asset class level.

## 1. CLIMATE CHANGE

To assess the climate performance of our investments, we rely on two main indicators relevant to combating climate change.

**Emissions 'induced'** by the life cycle of a company's activities, taking into account both direct emissions and those of suppliers and products.

**Emissions 'avoided'** through energy efficiency improvements or 'green' solutions.

Each company is first assessed individually according to a framework adapted to each sector. To avoid double counting, emissions are restated before being aggregated at the portfolio level. These aggregate emissions are used to determine a portfolio's alignment with different climate scenarios, ranging from a global temperature increase of +1.5°C to +6°C.

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<sup>28</sup> These quantitative indicators, while they may seem less subjective than qualitative opinions, are no substitute for the latter. A quantitative indicator can never reflect a company's entire strategy. An increase in a company's CO<sub>2</sub> emissions may, for example, reflect a deterioration in the company's climate performance, but it may also mask more complex realities: integration of a previously subcontracted activity, launch of new activities that avoid emissions elsewhere in the supply chain, etc.

Furthermore, even if certain quantitative indicators are sufficient to reflect the performance of an asset on an impact issue, the aggregation of different quantitative indicators necessarily involves a subjective stage of defining the aggregation methods. Whether converting impact indicators into scores, setting up weighting systems or using thresholds, all these choices are based on qualitative assessments for which there is no consensus.

<sup>29</sup> The indicators selected sector by sector are communicated in the sector sheets. <https://www.mirova.com/fr/recherche/comprendre#vision>

## 2. EMPLOYMENT

As part of several of our strategies, we closely follow portfolio companies' job creation in France. This tracking is carried out internally on the basis of data collected from the companies for this purpose. At this stage, monitoring is limited to a review of job creation within the company's immediate scope.<sup>30</sup>

For the other strategies, an indicator of staffing trends is provided based on the staffing levels companies report. Although not as precise as an indicator specifically for monitoring job creation, it can be used to illustrate the dynamics of employment at the portfolio level.

## 3. DIVERSITY

To monitor changes in the place and opportunities for promotion of women at listed companies, we monitor the share of women at different levels of the company: Executive Committee, Board of Directors, Management, Workforce.

### Exposure monitoring

In addition to the 'physical' indicators, several indicators of exposure to environmental and social issues are specifically monitored at the portfolio level.

### GREEN SHARE / SOCIAL IMPACT PRODUCTS

The main indicator for monitoring the level of exposure is share turnover contributed by products and services that have a positive environmental impact. Tracking is carried out using several benchmarks.

For our strategies certified under the French Greenfin<sup>31</sup> label, we apply the criteria of the label to assess the green share of investments. For our bond strategies, we apply an internal benchmark based on the requirements of the Green Bond Principles.

### HUMAN RIGHTS CONTROVERSIES

While our qualitative analysis fully incorporates monitoring of any environmental or social controversies, some regulatory frameworks such as the SRI label in France require a separate disclosure on the number of human rights controversies encountered.

### UNLISTED INVESTMENTS

For non-listed investments, our teams monitor a series of physical indicators in addition to qualitative analysis.

<b>Climate change</b>	Avoided or sequestered CO <sub>2</sub> emissions eligible for carbon credits CO <sub>2</sub> avoided through renewable energy production
<b>Ecosystems</b>	Hectares under conservation or restoration Hectares under productive sustainable management
<b>Employment</b>	Number of direct jobs generated or supported by the projects Number of direct beneficiaries of the project beyond employees
<b>Inclusion</b>	Employment ratios for women and men

Although ESG assessment has gained momentum over the past two decades, we are still a long way from seeing the emergence of standards that are recognised and adopted by both non-financial companies and financial sector players. In the meantime, investors need to be responsive and innovative in order to report effectively on the ways in which they take sustainability into account. Since Mirova's creation, we have invested in both internal skills and external partnerships to work through these issues, which are fundamental to our approach to analysis and investment. Yet we still have a long way to go. Over the coming years, we intend to continue investing in, innovating for, and contributing to the emergence of market standards. We believe wholeheartedly that establishing relevant and shared assessment systems is a crucial step towards a more sustainable economy.

30 Our approach to monitoring job creation in France is the subject of a separate publication. [https://www.mirova.com/sites/default/files/2020-11/Rapport\\_impact\\_IED\\_2020\\_VF-revueNIMI\\_1.pdf](https://www.mirova.com/sites/default/files/2020-11/Rapport_impact_IED_2020_VF-revueNIMI_1.pdf)

31 <https://www.ecologie.gouv.fr/label-greenfin>

# Appendix: Data & Sourcing

## Qualitative evaluations

Qualitative assessments of the assets in Mirova's portfolios are carried out by the internal sustainability research team. For listed assets, most non-portfolio assessments are delegated to our data provider, ISS-ESG,<sup>32</sup> which provides us dedicated analysis applying our valuation principles. These non-portfolio analyses allow us to compare the ESG performance of our portfolio assets to market indices.

For unlisted assets, most qualitative assessments are carried out by our in-house teams. For specific technical issues, we regularly bring in specialist expertise.

## Quantitative evaluations

### LISTED ASSETS

Physical indicators	Climate change	The assessment of CO <sub>2</sub> emissions is fully delegated to our service provider Carbon4Finance. <sup>33</sup> The methodology for aligning our portfolios with various climate scenarios is based on internal work. <sup>34</sup>
	Employment	Internal monitoring for job creation in France for companies included in our 'Employment France' strategy  Data on global workforce provided by companies
	Diversity	Diversity data is supplied by our service provider ISS-ESG
Exposure monitoring	Green share / products with social impact	In-house monitoring
	Human Rights Controversies	Monitoring carried out on the basis of information provided by our service provider ISS-ESG

Source: Mirova

### UNLISTED ASSETS

Quantitative indicators relevant to our unlisted assets are monitored entirely in-house based on information provided by our project sponsors.

<sup>32</sup> <https://www.issgovernance.com/esg/>

<sup>33</sup> See: <http://www.carbon4finance.com/transition-risks-and-avoided-emissions/>

<sup>34</sup> Our comprehensive methodology for assessing the climate performance of investments is the subject of a specific publication. <https://www.mirova.com/sites/default/files/2020-05/2019AlignerPortefeuillesAvecIAccordDeParis.pdf>

## PRINCIPLE 8: MONITORING MANAGERS AND SERVICE PROVIDERS

**Signatories monitor and hold to account managers and/or service providers.**

Mirova uses both internal (Natixis Group) and external service / data providers (custodians for instance). Mirova has set a policy for overview of service providers. It provides, in particular, for the definition of outsourced services, the overall system for selecting service providers with the capabilities and authorizations required to carry out the outsourced functions reliably, and the implementation of methods for assessing the level of performance of the service provider and adequately monitors the execution of the outsourced functions. Governance committees are organized with our main service providers. The monitoring of the indicators defined in the contractual terms is carried out at least on regular basis.

We have SLA in place with our custodian and administration funds. As mentioned previously, monitoring of service providers is also reinforced by quarterly meetings with the main service providers such as custodians and administrators. For this kind of operators, a grade of 1 to 4 (from “unsatisfactory” to “highly satisfactory”) is awarded across all grids for each of the qualitative criteria. On the basis of the statistics for quantitative criteria, a grade is awarded according to the same scheme by the responsible Middle-office manager based on a comparison of the results for service providers.

Results of the Governance committees are reported to the Compliance, Risk and Internal Control Committee which meets four times a year with the Holding.

### ESG External Providers

SRI research is conducted in house by Mirova’s Sustainability Research (SR) team which is one of a kind in Europe, both in terms of human capital and process. The SR team has developed proprietary internal research and uses many diverse and complementary resources for its implementation. While the bulk of our data is produced internally, the team still relies on ESG providers for:

- **Some basic ESG analysis:** ISS-ESG with whom we built several solutions each of them tailored to Mirova’s needs. Monthly meetings are organized with ISS-ESG to discuss on potential improvements and updates.
- **Proxy voting:** ISS, ProxInvest
- **Taxonomy, SDGs alignment:** ISS/ESG
- **Temperature alignment:** Carbone4.
- **Newsflow monitoring:** RepRisk.
- **Biodiversity impact Indicator:** Icare & Consult and Iceberg DataLab.
- **Brokers:** BofAML, Goldman Sachs, Exane, Kepler Cheuvreux, Oddo, etc.
- **Databases:** APINews for news, Bloomberg, FactSet and Capital IQ for data associated with the business model and financial aspects.

Mirova does not rely on suppliers for engagement actions.

Among these data providers, the monitoring process differs depending on the criticality of their services. Only ISS/ESG, RepRisk and Carbone4 have been identified as critical and the process is as follows:

- Every year, an evaluation questionnaire is sent around to assess on the quality of the services, relations, controls that the data providers has implemented on its side etc.
- In addition to day-to-day exchanges, the Sustainability Research team meets with service providers on an annual basis to review the service, problems encountered and identify areas for improvement. A report is prepared to record these elements. The team is constantly evaluating the quality of the exchanges with ESG external providers. All external sources are challenged with our internal views.

- As a third level, our internal Compliance Team also undertakes a review of controls and audits of the quality of the services provided by essential data providers.

Until now, the quality of the information has always met Mirova's expectations and thanks to the frequency of dialogue and feedback, any changes made have been slight ad-hoc adjustments made to the provider on Mirova's request (as described below, and in Principle 12, Mirova routinely engages with our proxy advisory firm to verify the accuracy of the data within the voting platform and within the research materials. We also work closely with the client service team to ensure our end client needs are met).

### **Mirova's Use of Proxy Advisory Services**

Mirova's external voting service provider oversees:

- Informing Mirova of upcoming shareholders' meetings related to securities in its voting universe,
- Analyzing resolutions according to the principles defined in the voting policy,
- Providing research and voting recommendations for Mirova's reference, however, Mirova analyzes resolutions independently,
- Providing access to a voting platform for the exercise of voting rights, and
- Transmitting voting instructions to the issuer.

Members of Mirova's Sustainability Research team that are dedicated to voting and engagement meet frequently with representatives of the advisory firms to discuss and understand their policies and guidelines. These meetings also include a discussion of Mirova's voting approach and the application of our policy. We routinely engage with the advisory firms to verify accuracy and service quality, as well as participate in roundtables on at least an annual basis to provide feedback on proposed changes to their policies and guidelines.

**Mirova's external voting service provider is subject to an annual vendor due diligence and to an annual audit of their performance.** These reviews are done under the supervision of Mirova's Compliance and Internal Control team. **In addition, on an annual basis, Mirova US compliance will review the SOC 1 report issued by Mirova's external voting service provider.**

For data providers that are deemed "less essential", evaluation questionnaires are sent if needed, to evaluate the quality of services. No example of actions can be mentioned due to a lack of quality compared to Mirova's expectations. We remain satisfied with the level of service provided.

## PRINCIPLE 9: ENGAGEMENT

**Signatories engage with issuers to maintain or enhance the value of assets.**

### **Engagement philosophy**

Mirova's ambitious engagement approach is based on the conviction that investors can influence market players through individual and collective engagement actions and aims to strengthen positive impact. Our engagement approach continuously develops to better reflect the evolution of market practices and Mirova's evaluation of the results of its engagements.

Listed assets companies selected for investment<sup>35</sup> are expected to have demonstrated a contribution to the UN Sustainable Development Goals SDGs, by offering products and services aligned with the transition or an adequate approach to address sustainability risks. However, Mirova believes that every company has areas for progress and our engagement actions aim to support companies to maximize their positive contribution. We also engage with companies in the occurrence of unexpected adverse events challenging our sustainability opinion.

Engagement is conducted by the Sustainability Research team, with the support of the investment team, and Mirova does not rely on external suppliers to engage on its behalf. Mirova has developed its engagement approach over time to remain as agile as possible to address relevant issues depending on the company and depending on the topic.

*"Engagement" refers to all interactions with companies, project leaders or policy makers initiated with the aim to influence decision-making with sustainability, to share good practices, to encourage progress in environmental and/or social performance in accordance with the UN Sustainable Development Goals (SDGs).*

### **Engagement selection process and prioritization**

**Mirova selects companies with whom we engage on a regular basis based on various factors. Aligned with our Sustainability Research Methodology, we engage with companies to maximize the sustainability opportunities delivered by the business or/and to improve risks management processes and transparency. We use these dialogues to push for progress in distinct areas that we feel are critical to the long-term value of the company.**

Mirova prioritizes companies for engagement based on the weight of the impact of the issue at hand or the strength of Mirova's contribution. Company size, market capitalizations, geographies, or size of holdings may also be considered. This engagement applies to all active listed equity funds.

Thus, we prioritize our engagement with companies where:

- 1.) We have identified sustainability related concerns that deserve our heightened awareness.
- 2.) We require an in-depth review of their approach to fair distribution of value.
- 3.) We estimate our expertise can help guide and build on the company's sustainability journey.

**Coverage and frequency of engagement:** There is no formalized objective in terms of coverage, as Mirova prioritizes based on relevance and potential impact. We seek to have quarterly to bi-annual contacts, but it may vary depending on the goal of the engagement, the issue at stake, as well as on the size and capabilities of the company. Our engagement actions apply to all companies, across all funds, and asset classes. Some thematic funds, such as Employment In France or Women Leaders will be considered for more specific engagement on the precise topic of the funds.

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<sup>35</sup> <https://www.mirova.com/sites/default/files/2021-03/our-approach-to-esg-assessment.pdf>

**Other engagement actions:** We also proactively engage with companies for other reasons including our engagement priorities, updates of the company’s sustainability strategy, clarification on their strategy or KPIs, exchange views prior to proxy voting or thematic engagement related to specific funds.

**2021 engagement action statistics:**



**Engagement objectives and targets**

A large share of our engagement actions have specific goals and, where appropriate, specific targets and objectives defined by Mirova’s Sustainability Research Team. The number of objectives per company may vary and progress is reviewed internally every quarter. These targets are defined by the Sustainability Research analysts based on his/her knowledge of the company’s strategy, positioning and capabilities. As a reminder, the team of sustainability research analysts on listed assets is made of 6 people, each of them covering one particular sector of the economy, and with a specific expertise on a more traversal thematic (Please see Principle 2). Once individually defined, the engagement objectives are shared with the rest of team and validated by the manager. The goal is to have the objectives challenged by the broader team and ensure alignment of expectations among the companies. The team is also supported by a Lead on Voting and Engagement to ensure these engagements and Mirova’s philosophy is well applied in the exercise of our voting.

Source: Mirova, 2021

Engagement with companies addresses both opportunities and risks, which follows the Sustainability Research team methodology (described in Principle 6). These discussions aim to ensure that products and services offered by the company positively address sustainable development goals. We also aim to support the companies’ efforts to minimize and monitor the environmental and social impact of their products.

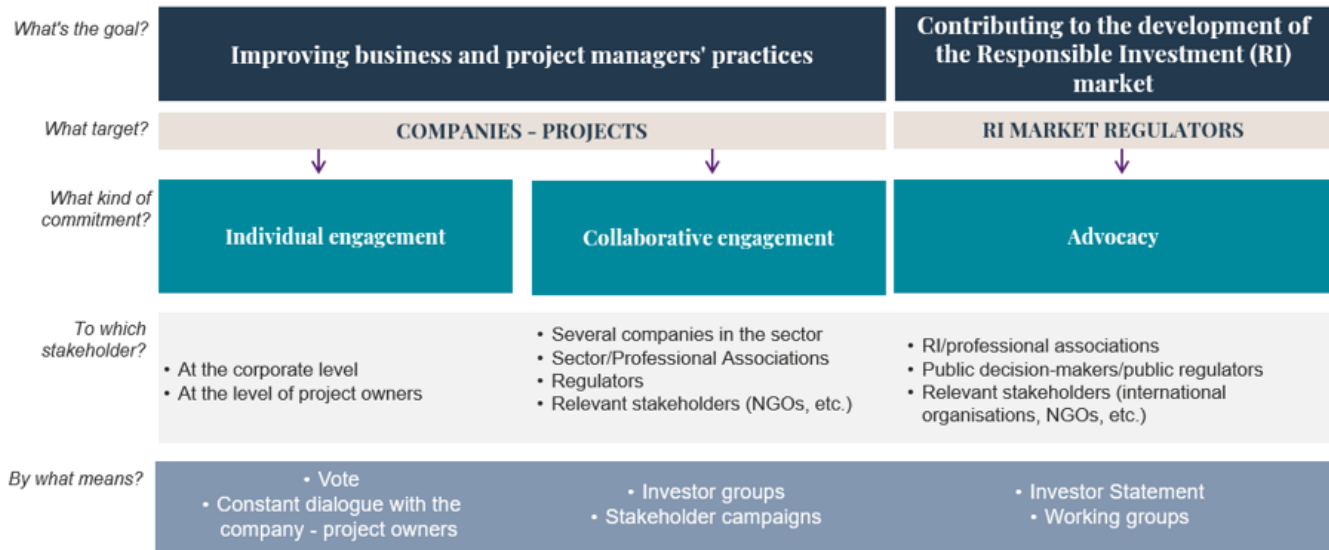
**Engagement in action:**

In 2021, we engaged with Thermo Fisher about human rights issues following some allegations of the misuse of the company’s products. Mirova expected the implementation of meaningful policies and measures to address the matter. Moreover, we expected the company to increase transparency on this. In 2019, Thermo Fisher announced it would stop selling DNA equipment to Xinjiang (China) due to the mass surveillance program organized by local authorities. Such a decision seemed necessary to ensure that these products were not misused against local population, nevertheless, remained insufficient to address all related risks.

Mirova engaged with the company repeatedly during the year to be provided with evidence that the company appropriately addresses the risk of diversion of the intended use of the products. The company confirmed the existence of robust internal policies and that the topic was raised to the Bioethics Committee. Our overarching goal was to ensure that Thermo Fisher continues to engage in transparent and ethical business practices. Following several fruitful discussions, the company provided disclosures clarifying the policies implemented to ensure responsible use by direct and indirect buyers, such as distributor requirements, trainings, and compliance programs.

## Engagement methods

Our different channels of engagement are illustrated in the following graph:



Source: Mirova, 2021

Individual Engagement is our most common means of engagement. Indeed, engagement has been considered as integrated part of the Sustainability Research team activities.

- Basic systematic engagement: Every year, Mirova identifies specific engagement priorities as advised by the Sustainability Research analysts. These engagement priorities are systematically shared with all portfolio companies. In 2021, the engagement priorities were divided into 7 topics: climate change, biodiversity, shared value creation, gender diversity, human rights, governance of sustainability and measuring impact. In 2022, we added a thematic on circular economy, and human capital management.
- Individual engagement, at corporate level and projects level, on broad ESG topics (as developed above): 109 dialogues were undertaken in 2021 across all companies, sectors, geographies, and market capitalizations.

Mirova also leverages on other type of engagement, such collaborative engagement and advocacy, and engage on the other asset classes (developed in the following section). In 2021, Mirova supported 7 collaborative initiatives as below and signed 7 investors statements.



## **Engagement in action:**

### ***Individual engagement:***

Mirova encourages companies to lay out clear goals showing consistency with the mitigation of climate change and to embed them within their strategic development plans. Mirova also frequently engages in dialogue with companies to gain a better understanding of their targets and to gauge their ambitions. Typically, Mirova may look for more details on the scope of potential greenhouse gas reduction targets, carbon-offsetting measures, timelines, etc. To underpin our assessment of the viability of these goals, we also seek information demonstrating that the companies have defined well thought-out climate roadmaps in terms of execution and risks.

In 2021, Mirova engaged in dialogue with EDP to clarify the newly announced "carbon neutral by 2030" objective, and its implications for the company's coal, gas, and nuclear generation assets. Firstly, the company reiterated its pledge to phase out its coal-fired power plants by 2025. With regards to their gas-fired generation assets, EDP underscored that it concluded the sale of 2 CCGT (combined cycle gas turbine) plants and that it would pursue this path towards becoming a 100% renewable generation utility by the end of the decade. The company made it clear that its business plan assumes it won't own any thermal assets by 2030 and indicated this could be achieved through a combination of divestments, deconsolidations, and closings. It emphasized that it would look at different ways to execute this ambition.

Lastly, EDP clarified that its nuclear exposure consists of a minority stake held in the Trillo nuclear power plant in Spain, and that an exit would have to be via sale or deconsolidation, given that the power plant, in principle, is planned to close in 2035. Considering that renewable sources already account for the large majority of its electricity generation (75% in 2021), the confirmation by EDP that it would be not only coal-free by 2025 but also gas-free by 2030 for its generation activities has underpinned our conviction that the company has a sound climate management approach and business model transition. We will continue to discuss with them to monitor the effective implementation of their transition plans, anticipate potential execution risks that could be faced in certain jurisdictions, and place greater emphasis on additional decarbonation levers beyond generation.

### ***Collaborative engagement:***

Mirova has joined the member of the Finance for Biodiversity Pledge (the "Pledge") in 2020. In total, 84 financial institutions representing 18 countries and over 12.6 trillion euro in assets signed the Finance for Biodiversity Pledge. The Pledge was initiated by a group of financial institutions calling on global leaders and committing to protect and restore biodiversity through their investments and benefits from sponsorship of the Business @ Biodiversity Network of the European Commission. The working group on 'Engagement with Companies' is currently building a science-based methodology to identify the most impactful companies on biodiversity. Agriculture has significant impact on biodiversity mostly from feed production for livestock, responsible for two third of agriculture linked deforestation yet plant-based proteins can play a significant role in reducing land use, while also substituting to inorganic fertilizers, and reducing livestock GHG emissions. Building on its approach to sustainability focused on positive impacts, and the significance of pulses as part of Bonduelle's products portfolio, Mirova seized the opportunity of its long-term engagement with the company to have them introduce their sustainability strategy, which also supports transition of agriculture practices towards agroecology thanks to an 80% sourcing target from regenerative agriculture by 2030, to investors.

Mirova is also a member of the Task Force of Nature Related Financial Disclosure (TNFD) which ambitions developing and delivering a risk management and disclosure framework for organizations to report and act on evolving nature-related risks. This will support a shift in global financial flows away from nature negative outcomes and towards nature-positive outcomes. As part of a pilot study on the soy supply chain, Mirova has been sharing the outcome of the cases study with TNFD in order for (i) the framework to enable modeling of corporate biodiversity impact by the financial sector (ii) ensure disclosure of data that demonstrate positive impact (iii) underline the importance of widening the scope to whole supply chain in disclosure of company's environmental data.

In 2021 signed the Financial Institution Statement ahead of the Convention on Biological Diversity at the COP15 in which we recognized, Mirova, alongside other financial institutions, recognize the importance of biodiversity and ecosystem services, which form the foundation of our societies and the global economy.

### Engagement impact and success

As Mirova's team conduct hundreds of conversations which can span a multi-year period, monitoring impact can prove to be challenging. We also acknowledge that we are among a large swath of investors that are working through engagement to advocate for best practices. As a result, investors can only gauge individualized impact with caution.

**Engagement monitoring:** We systematically document engagement discussions and communications in our in-house engagement platform (OCTAVE). We qualitatively monitor the progress delivered over time by companies. We describe our escalation process below when engagements do not progress favorably.

**Engagement success measurement:** Our engagement program is explicitly designed to articulate specific, measurable, timebound goals that are relevant to each specific company our team has identified and we follow the impact based on those targets.

While it is difficult for a single investor to influence the market, the system cannot ignore a fundamental trend in investor behaviour. We believe that our documented and monitored approach to engagement, consistent with our investment decision is in line with our pursuit for impact.

#### Engagement in action:

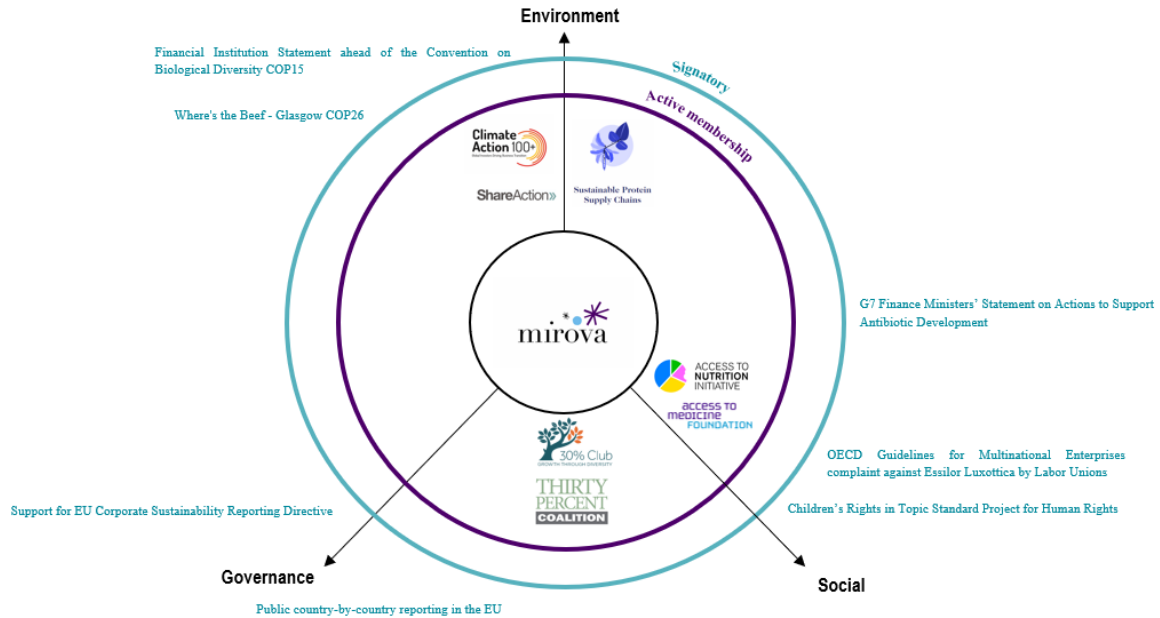
Operating in the financial industry, Signature Bank offers some products providing social or environmental benefit, but these only constitute a minor share in the company's business volume. During our first engagement call in 2021, Mirova has shared its expectations about the need to align their future reports with widely recognized initiatives such as SASB and TCFD. Signature Bank acknowledged the importance of this framework and informed they will closely work to consider integration into their CSR policy. The company has taken some measures to manage risks related to compliance or its employee and client relations. Signature Bank has taken positive steps to reinforce its CSR policy, which we highly welcomed. For instance, the company has recently hired a person in charge of impact and sustainability. In addition, the company has published their first "Social Impact Report" in 2021.

In early 2021, a discussion was initiated with Panasonic to identify the company's exposure to sustainability opportunities and the ability of the company to mitigate their key environmental and social risks (direct and indirect). Indeed, the development of automotive batteries for electric vehicles constitutes one essential solution for the ecological transition of mobility and Panasonic's Automotive Battery business division addresses sustainability challenges. At that time, risk management processes related to human rights seemed at an initial stage. However, the company shared its understanding and intention to increase transparency. This first engagement was followed up quite rapidly, as Mirova's expectations towards the improvement of social risks mitigation processes in emerging areas stand high, notably regarding issues occurring in supply chain and direct plants in China notably. Over the following months, the company initiated and transparently communicated on multiple significant measures aiming at significantly reinforcing social risk management both internally and at suppliers' level. The call was also the opportunity to address other significant sustainability decisions that were taken by the company during the year: repositioning of the company portfolio on eco-friendly solutions, commitment to ambitious carbon reductions, optimization of products' efficiency and circularity, embedding CSR in corporate governance.

**PRINCIPLE 10: COLLABORATION**

**Signatories, where necessary, participate in collaborative engagement to influence issuers.**

Collaborative engagement identifies controversial practices at a sector or thematic level and joins likeminded investors in a dialogue to demand greater transparency and, if necessary, a change in practices from the corporate sector. To strengthen the influence of responsible investors, the engagement is conducted with other investors to encourage issuers to make specific and measurable changes within a specified time frame. Engagement can also be carried out at the level of sectoral associations and/or public policies.



Source: Mirova, 2021

**Collaborative engagement initiatives (active or completed in 2021)**

Pillars	Initiative	Details on the initiative
	Climate 100+	The initiative was launched at the One Planet Summit and aimed at securing Engagements from boards of directors and governing bodies to implement a strong governance framework that clearly sets out the board's responsibility and oversight of the risks and opportunities associated with climate change; take action to reduce greenhouse gas emissions throughout their value chain, in line with the Paris Agreement target; to provide better business information in accordance with TCFD's final recommendations.
	Investor Decarbonization Initiative (Share Action)	The Investor Decarbonization Initiative aims to promote the power of the investment system to accelerate corporate climate action. The initiative aims to get companies to commit to: 1) determine objectives based on scientific analysis in line with the expectations of the Paris Agreement; 2) target complementary energy performance to support the development and achievement of these goals; 3) establish a clear and unified engagement program to encourage meaningful decarbonization actions; 4) Design a mechanism for investors to contribute to The Sustainable Development Goals 7 (Clean and Affordable Energy) and 13 (Climate Action).



Sustainable protein

The initiative encourages the world's largest food companies to develop a comprehensive, evidence-based approach to diversifying protein sources and avoiding over-reliance on animal protein. The Engagement requires 25 global food companies to diversify their protein sources to drive growth, increase profitability, reduce risk exposure, and improve their ability to compete and innovate in a resource-constrained world.



Access to Medicine

For more than a decade, the Access to Medicine Foundation has been working to promote and guide the pharmaceutical industry to improve access for people living in low- and middle-income countries.



Access to Nutrition

Companies that are globally applying strong nutrition policies and practices are in a better position to reduce risks of increasing food and beverage industry regulation and to take full advantage of changing consumer trends towards healthier living habits. The Access to Nutrition Foundation concludes that while some companies have taken positive steps since the last ranking in 2013, the food and beverage industry is moving far too slowly. Good nutrition policies and practices are integral to food & beverage companies' overall business and financial performance as well as long-term sustainability. The objective of this engagement is to determine with the companies how they integrate findings and recommendations of the ATNI into strategic performance on nutrition practices.



30% Club  
30% Coalition

In 2020, together with six asset management companies representing nearly 3 trillion euros in assets under management (as of 09/31/2020), Mirova participated in the creation of the 30% Club France Investor Group in November. The aim of this initiative is to promote greater gender diversity in the governing bodies of companies included in the SBF 120 (French stock market index composed of 120 companies), by supporting a voluntary approach to achieving meaningful and lasting change within companies: achieving a 30% level of women representation at executive committees. In concrete terms, the six asset management companies will engage with companies (CEOs, human resources managers, board members, appointment committees) on gender diversity within management teams and encourage better representation of women, particularly in operational positions.

**Participation in local organizations and associations**

Mirova participates in the work and projects in association with various international and professional organizations developed below.

*Investor Statements signed by Mirova in 2021*

**OECD Guidelines for Multinational Enterprises complaint against EssilorLuxottica by Labor Unions**

Mirova, alongside other investors, wrote to request that EssilorLuxottica engage constructively and in good faith with the National Contact Point grievance mechanism provided by the OECD Guidelines for Multinational Enterprises (the “OECD Guidelines”) to resolve a specific instance complaint that was filed by the labour organizations Communications Workers of America, the AFL-CIO, IndustriALL, and UNI regarding the alleged violation of workers’ rights to freedom of association at Luxottica’s McDonough, Georgia facility.

### **Children’s Rights in Topic Standard Project for Human Rights**

UNICEF and the signatories to this letter, including Mirova, welcomed the Global Reporting Initiative’s (GRI) action to update and bring GRI human rights-related Standards in line with key authoritative intergovernmental instruments in this area. With this letter, we asked the GRI to ensure that children’s rights are comprehensively and fully integrated in the Topic Standard Project for Human Rights. This statement was shared with the Chair of the Global Sustainability Standards Board.

### **G7 Finance Ministers’ Statement on Actions to Support Antibiotic Development**

Investor Action on AMR welcomes the concrete commitment of the G7 Finance Ministers to work together with investors and other groups in a multi-year, multi-stakeholder effort to intensify their actions to address AMR across the G7. Members of Investor Action on AMR have made commitments to galvanize investor efforts to address AMR, engaging with both policymakers and companies to drive action and tackle the “silent pandemic”. We reiterate our continuing commitment to collaborate to mitigate risks and impacts and seek positive solutions. We are delighted that G7 Finance Ministers have recognized the contribution of Investor Action on AMR and are pleased by the commitment from G7 Finance Ministers to explore a range of market incentive options, with a particular emphasis on supporting relevant pull incentives. We offer our support to ongoing initiatives in 2022 that build on this momentum to ensure that action continues under future G7 Presidencies and to see the support for revitalized AMR initiatives at the G20.

### **Where's the Beef - Glasgow COP26**

As signatory of the statement, Mirova recognized the critical need to reduce the level of greenhouse gases emitted by the global agricultural supply chain if we are to meet the goals of the Paris Agreement.

We shared our concern about the risks presented by climate change to regional and global economies and to investment assets in the agriculture sector. At the same time, investors and their representatives recognize the significant investment opportunities that the transition to an emerging net-zero emissions economy presents. We have a fiduciary responsibility that requires us to generate investment returns and protect our assets. At present, in the absence of strong policy action to address GHG emissions associated with the global animal supply chain, protein producers and retailers face significant risks in the transition to a low-carbon economy.

Therefore, we urge all G20 nations to promptly enact ambitious policies and disclose effective targets for GHG reductions in agriculture within or alongside their National Determined Contributions (NDCs) commitments at COP26.

### **Financial Institution Statement ahead of the Convention on Biological Diversity COP15 - Ceres and the Finance for Biodiversity**

As signatory of the statement, Mirova, alongside other financial institutions, recognized the importance of biodiversity and ecosystem services, which form the foundation of our societies and the global economy.

As financial institutions, we recognize the need to protect, conserve and restore nature for future generations because we cannot generate value for our clients without a healthy biosphere. Biodiversity loss will have significant and systematic consequences for the global economy, and exposes us to market, credit, liquidity, and operational risks.

With this statement, we supported the establishment of an ambitious and transformational post-2020 Global Biodiversity Framework (GBF) for adoption at the 15th Conference of Parties of the UN Convention on Biological Diversity (CBD COP15). We welcome the vision of “living in harmony with nature by 2050” through the recovery of natural ecosystems with net improvements by 2050. To achieve this vision and to ensure that the next set of targets are met, unlike the Aichi targets, action to halt and reverse nature loss by 2030 must urgently be scaled up by all stakeholders.

### **Investor Statement of Support for EU Corporate Sustainability Reporting Directive – PRI**

With this letter, we welcomed the European Commission’s proposal for a new Corporate Sustainability Reporting Directive (CSRD) revising the Non-Financial Reporting Directive (NFRD), and its aim to elevate sustainability information to the same level as financial information. The CSRD proposal is a prime example of policy coherence between investor and corporate disclosure obligations, building an end-to-end disclosure framework that will enable investors to scale up their contribution to the EU Green Deal and wider sustainability goals.

### **Public country-by-country reporting in the EU – PRI**

The aim of this statement was to welcome the EU initiative to mandate public country-by-country reporting for multinational companies. This policy measure is timely given the EU proposal for a new Corporate Sustainability Reporting Directive (CSRD), and vital to strengthen tax transparency and accountability while reducing the prevalence of tax avoidance practices that continue to challenge global economies and their pursuit of sustainability goals.

To ensure that the upcoming regulation, is robust and works as intended, and can set the tone for policies of a similar nature in other jurisdictions, signatories (including Mirova) urged the EU to consider the following:

- The legislation should require multinational companies to provide disaggregated information on taxes paid and other relevant economic information for all countries of operation.
- Any exemptions to the requirements should only be provided on a limited basis and accompanied by careful monitoring
- Finally, we recommend that an impact assessment of the regulation is conducted after two years.

## 2021 actions

In line with our objective of promoting sustainable finance and a new corporate governance approach, Mirova continued its advocacy activity in 2021. This is reflected in its participation in the reflections of regulators and market players on the implementation of appropriate tools and frameworks for the development of sustainable finance, with specific contributions at European and French levels.

### ACTION PLAN OF THE EUROPEAN COMMISSION FOR THE FINANCING OF SUSTAINABLE GROWTH

In March 2018, the European Commission published its action plan on sustainable finance, inspired by a Group of High-Level Experts (HLEG) to which Philippe Zaouati, Chairman and CEO of Mirova contributed. Since then, Mirova has been actively monitoring the developments and implementation of this action plan by EU regulators. Overall, Mirova's contribution continues through various working groups. In 2021, Mirova:

#### 1) Contributed to the general discussions of the European Union

Mirova remained involved in 2021 in many local organizations, such as the Forum for Responsible Investment, where Mirova has been elected to the Board of Directors for several years. With a deputy chairman particularly focused on European affairs, Mirova continued to represent the FIR (Forum for Responsible Investment) on the board of directors of EUROSIF, the sustainable investment association at European level. In the context of renewed governance, Mirova's advocacy officer representing the FIR was elected to the board of EUROSIF. Thus, Mirova feeds the reflection of the FIR and EUROSIF at the European level. The objective is to give a strong role to Eurosif, to advocate for sustainable investment at European regulation level, and to contribute to the fundamental reflection on certain regulations (SFDR, taxonomies, MIDIF 2, etc.).

Mirova has remained very committed to the implementation of the European regulation for transparency of the financial sector in sustainable matters (SFDR / Sustainability-related disclosure in the financial services sector). We have carried out various advocacy actions to ensure that Articles 8 and 9 of this regulation and its variations in other European texts (in particular Markets in Financial Instruments Directive - MIFID) allow us to provide true transparency and differentiation on the most ambitious investment products. Another issue concerned the distribution of these products so that it would not be a source of confusion for investors and greenwashing. Mirova has also responded to consultations such as those on sustainable corporate governance, pushing the committed vision set out in its voting policy.

#### 2) Finalized our technical contribution to the reflection on a European eco-label project for financial products and for investment funds

Mirova highlighted its experience with the French label Greenfin to help define guidelines, both ambitious and realistic, considering the specificities of each asset class. In 2021, Mirova made field data available to the regulator and provided feedbacks on its environmental thematic funds to assess challenges related to the implementation of the EU taxonomy and certain environmental thresholds to be met. However, final proposal in the latest specifications gives (to date) little hope to obtain a viable ecolabel project: after the publication of a public forum explaining its position, Mirova has therefore withdrawn from the process of reflection on ecolabel, which must continue in 2022.

Mirova has also regularly taken public positions through publications or interviews, in support of an ambitious action plan of the European Union, or in favour of an ambitious European taxonomy, notably by not supporting the inclusion of natural gas.

## SUSTAINABLE FINANCE DISCUSSIONS AT THE FRENCH LEVEL

As part of the Finance for Tomorrow initiative to develop impact finance, Mirova has followed the discussions of the various working groups on the definition and writing of a commitment from financial players towards impact finance shared during the COP 26. In 2021, Mirova published its views on impact finance and expressed itself several times to recall the importance of differentiating levers from impact by asset class, and not limiting impact strategies to a single tool (such as engagement or capital allocation)

Mirova has particularly contributed to the development of the reflection on labels, by publishing a public forum on the needs to adapt the French green label Greenfin. Indeed, current exclusions prevent from the investment in certain companies championing renewable energy. This reflection was articulated with the need to articulate the governance of French labels (ISR and Greenfin) with European mechanisms, in particular Articles 6, 8 and 9 of the European SFDR Regulation, a subject on which Mirova contributed to working groups and market reflections.

### Advocacy actions on climate change and biodiversity

In 2021, Mirova has been actively committed through its research and advocacy activities to contribute to the reflection of sustainable finance on climate and biodiversity.

Regarding climate-related disclosure, Mirova has gained expertise thanks to the development of a methodology with Carbone 4. It leveraged this expertise to contribute to the work of the « financial » section of the « Science-Based Targets Initiative » (SBTI) initiative and responded to the US SEC consultation on climate disclosure expected from companies. The importance of publishing information on a sufficiently exhaustive scope and considering the risks and opportunities was particularly highlighted. Such considerations are viewed as key to help aligning the energy mix with Paris agreement requirements and the IEA Net-Zero scenario by 2050. Following these reflections which extend our advocacy contribution at European level, Mirova has published a summary of the reporting principles that seem essential to us: « Corporate sustainability disclosure: keep it simple, make it useful »<sup>36</sup>. The thesis of the document states that if it is not possible to standardize methodologies now, these should be based on certain essential principles that take into account the specific nature of the information on sustainability.

Beyond disclosure, Mirova is committed to the Net-Zero Asset Managers (NZAM) Initiative and has published its climate roadmap that details its approach to the topic. Above all, it is a matter of financing a carbon-neutral world, with three fundamental principles for investors: once again, adopting a life cycle approach (scopes 1, 2, 3), measuring the positive impact (avoided emissions) through investments in solutions, not neglecting the prospective approach (considering corporate commitments when they are robust). In the context of the Glasgow Financial Alliance for Net Zero (GFANZ), Mirova is also involved in a few working groups including « sectoral pathways » as well as « portfolio alignment.

Finally, in terms of carbon sinks and agro-ecological transition, Mirova is involved in several initiatives such as Taskforce on Nature-related Financial Disclosure (TNFD) or Finance for Biodiversity Pledge (the « Pledge »). The TNFD is intended to publish recommendations on biodiversity reporting both for businesses and for investors, with initial elements in 2022. The purpose of the Pledge is to voice an ambitious financial sector for the financing of biodiversity. A call for the determination of specific objectives for mobilizing such virtuous investment in the post-2020 CBD was released in September 2021 by the Pledge. Mirova has also joined the Natural Capital Investment Alliance, created under the aegis of His Royal Highness Prince of Wales, which aims to unite ambitious fund managers to promote natural capital as a leading investment theme in portfolio allocations.

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<sup>36</sup> This report is available on our website: <https://www.mirova.com/en/ideas/corporate-sustainability-disclosure-keep-it-simple-make-it-useful>



INVESTOR STATEMENTS SIGNED

**Let's meet our ambitions on both sides of the Atlantic to fight against climate change**

Mirova and other leaders called on the United States to be as bold and ambitious as the European Green Deal, and we committed to strengthen cooperation to move together forward on this journey.

**Policy Priorities for the Biden Administration**

We welcomed the Biden-Harris Administration's commitment to renew with the fight against climate change and the return of the United States to the Paris Climate Agreement. On both sides of the Atlantic, we now share the same goal: achieving carbon neutrality by 2050.

# Participation in local organizations and associations

Mirova participates in the work and projects in association with various international and professional organizations developed below.

## Associations and forums with which Mirova collaborates as of 12/31/2021

### SUSTAINABLE FINANCE PROMOTION FORA AND PROFESSIONAL ASSOCIATIONS

<p><b>International</b></p>	<p><b>Europe</b></p>	<p><b>France</b></p>
<p><b>Green and Social Bonds</b></p>	<p><b>Non-listed Investments</b></p>	<p><b>Climate / Low-carbon Investments</b></p>
<p><b>Initiatives related to natural capital and biodiversity</b></p>		

\* Mirova represented through Natixis.

\* Mirova's Advocacy Officer represents the Forum for Responsible Investment on the Board of Directors of EURO SIF, the European Forum for Responsible Investment.

Source: Mirova, 2021

### Sustainable Finance Fora, INTERNATIONAL

CERES	Mirova is a member of CERES and the climate risk investor network. CERES is a global organization that works to encourage companies to take action on climate change. The Climate Risk Investor Network brings together more than 175 institutional investors to tackle the challenge of climate change.
PRI	Signatory since 2013 of the Principles for Responsible Investment to promote responsible investment practices at the international level. Mirova confirms and renews its Engagement to the 6 principles. Signatory organizations are required to complete an annual questionnaire and publish a follow-up report. In 2020, Mirova was identified by the IRPs in the PRI Leaders group for the quality of its climate reporting.
HK Green Finance	Mirova's parent company, BPCE (via the Popular Banks Network) is a member of the Hong Kong Green Finance Association (HKGFA). HKGFA brings the expertise of Hong Kong's financial institutions and green businesses.
GIIN	Through its subsidiary Mirova Natural Capital, Mirova is a member of the Global Impact Investing Network, which seeks to promote impact investing internationally.
US SIF	Member of the American Forum for Responsible Investment, a professional association that supports the development of sustainable and responsible investment in all asset classes in the United States.

### Sustainable Finance Fora, EUROPE

EUROSIF	Mirova's Advocacy Officer represents the Forum for Responsible Investment on the Board of Directors of EURO SIF, the European Forum for Responsible Investment.
Spain SIF	Member of Spainsif, an association aimed at promoting sustainable and responsible investment in Spain.
EVPA	Member of the European Venture Philanthropy Association (EVPA), an initiative bringing together organizations interested in "philanthropic venture capital" and social investment across Europe.

## Sustainable Finance Fora, FRANCE

Finance For Tomorrow (Paris Europlace)	Member of Finance for Tomorrow (Paris Europlace), a French association whose aim is to promote and develop Sustainable French finance through the financial center of Paris. Mirova contributes directly to the leadership of the Policy Commission and contributes to the Biodiversity Working Group
FIR	Member of the Forum for Responsible Investment. Mirova is a member and Vice-Chairman of the FIR Board of Directors and sponsors the FIR-PRI Prize for "Finance and Sustainability" research
AFG	Member of the French Association of Financial Management, which brings together the French asset management sector and defends their interests. The association is also dedicated to promoting Responsible Investment through the work of a dedicated committee of which Mirova is a member.
Fair	Member of Fair (ex Finansol), an association that works to promote, defend, and analyse solidarity finance in France.

## Sustainable (green and social) bonds

ICMA-GBP	Member of the Green and Social Bond Principles. Mirova participates in the GBP Executive Committee. Mirova is also part of the Working Group on Impact Indicators and Just Transition.
CBI	Member of the Climate Bonds Initiative, an organization that supports the development of the green bond market to reduce the cost of capital for climate change projects.

## Unlisted investments

Solidarité Renouvelable	The Solidarity Renewable Group is committed to defending renewable energies. It was created following the government's unilateral and retroactive decision to adopt an amendment in the 2021 Finance Law aimed at reducing the purchase contracts for solar electricity.
France Invest	Member of France Invest, a professional association of asset managers invested in private equity, particularly involved in financing the French local economy and SMEs.

## Low-carbon investments

CDP	Signatory, through Natixis, of the Carbon Disclosure Project, which aims to improve the quality of carbon/climate information published by emitters.
IETA	Through its subsidiary Mirova Natural Capital, Mirova is a member of the International Association for Emissions Trading (IETA), a non-profit organization established in 1999 to serve companies engaged in market solutions to combat climate change.
ICROA	Through its subsidiary Mirova Natural Capital, Mirova is a member of the International Carbon Reduction and Offset Alliance (ICROA), a non-profit organization made up of the main suppliers of carbon reduction and offsetting in the voluntary carbon market.
TCFD	Mirova supports the Task Force on Climate-related Financial Disclosures, an initiative aiming to improve and increase reporting of climate-related financial information.
NZAM	Mirova is a member of the Net Zero Asset Managers initiative which aims to galvanize the asset management industry to commit to a goal of net zero emissions.

## Natural Capital and Biodiversity Initiatives

Act4Nature	Member of Act4Nature, a European platform dedicated to the preservation of biodiversity and natural capital. The members of this platform are taking concrete steps to help protect landscapes, biodiversity, soils, and marine resources.
Alliance for the Preservation of Tropical Forests	Through its subsidiary Mirova Natural Capital, Mirova is a member of the Alliance for the Preservation of Tropical Forests, a multi-party partnership platform that supports the implementation of private sector Engagements to eliminate deforestation related to palm oil, beef, soybeans, and pulp from their supply chains.
TNFD	Taskforce on Nature-related Disclosure will provide a framework for companies and financial institutions to assess, manage and account for their dependence and impacts on nature, thereby contributing to the assessment of nature-related risks and the redirecting of global financial flows towards positive rather than negative results for nature. Mirova participated in the launch and is part of the TNFD Mandate and Governance Working Group, which is expected to be launched in early 2021. Mirova joins the 30 Taskforce on Nature-related Financial Disclosure (TNFD) Members.
IPI	The International Platform for Insetting brings together companies that share the same approach to balancing the company and its ecosystem through environmental programs, transparency, rigorous methodology and information sharing. Mirova is a member of the platform through its subsidiary Mirova Natural Capital.
CPIC	Member of the Coalition for Private Investment in Conservation, which brings together private sector and NGO actors and seeks to address the lack of investment in conservation efforts by identifying possible investments in conservation.

## Natural Capital and Biodiversity Initiatives (continued)

### Sustainable Markets Initiative's Natural Capital Investment Alliance

HSBC Pollination Climate Asset Management, Lombard Odier and Mirova, an affiliate of Natixis Investment Managers, are the three founding partners of the Natural Capital Investment Alliance ('The Alliance'), established by His Royal Highness The Prince of Wales under his Sustainable Markets Initiative. The Alliance aims to accelerate the development of Natural Capital as an investment theme and to engage the USD 120 trillion investment management industry and mobilise this private capital efficiently and effectively for Natural Capital opportunities.

### Finance for Biodiversity Pledge

The Finance for Biodiversity Pledge is a commitment of financial institutions to call on global leaders and to protect and restore biodiversity through their finance activities and investments. The Pledge exist of 5 steps financial institutions promise to take collaborating and sharing knowledge, engaging with companies, assessing impact, setting targets and reporting publicly on the above before 2025. The Guidance document, clarifies these 5 commitments and are illustrated with own examples of financial institutions and the most relevant resources.

Source: Mirova, 2021

## Support for the Academic Chairs and Research Observatory

### Academic CHAIR: "Theory of the Firm"

Mirova supports the Academic Chair "Theory of the Firm: Governance Models - Collective Creation" led by Blanche Segrestin at the Centre for Scientific Management of ParisTech Mines whose research focuses on a definition of the company as a collective creation and on the renewal of models and mechanisms for fair governance. Mirova is associated with research papers published by the Chair students on governance topics. Since October 2015, the Chair has established a new field of research on shareholder engagement.

### PILLAR 1: COMPANY, COLLECTIVE CREATION AND CIVILISATION

The Corporate Theory developed by the chair calls for recognition that it is transforming the world. The focus deepens this corporate theory based on collective creation and focuses on characterizing the civilization role of the company.

### PILLAR 2: SHAREHOLDING, INNOVATION AND COMMITMENT

This axis explores new capital figures, emblematic of governance and its crisis, by approaching them as companies to discuss both their creative and their responsibilities. Undergraduate investment and shareholder engagement work showed the limits contemporary approaches to the role and responsibilities of the shareholder. However, many original practices emerge that are poorly described and misunderstood today.

### PILLAR 3: THEORY AND NEW MODELS OF SOLIDARITY

This approach examines the models and effects of a "solidarity" collective action, mobilizing or creating interdependencies in the face of the unknown, particularly in the case of climate change. Solidarity is closely linked to the interdependencies between the parties of a company: it corresponds to the sharing of the efforts necessary to protect the individuals of some risks. But, with the company, it is clear that the collective action of interdependencies also needs to be enriched by the analysis and to think more about the solidarity action.

### PILLAR 4: MISSION: NEW MANAGEMENT LOGIC

The PACTE law provides the Company with a legal framework for the company with Mission. This axis will study how this new framework questions the classic languages of management and will contribute to the renewal of the most classic management tools.

### INDEPENDENT RESEARCH: EU Tax Observatory

Mirova officialised its support for the observatory in 2021. The EU Tax Observatory aims to contribute to the development of knowledge and the emergence of new concrete proposals to address the tax and inequality challenges of the 21st century.

The observatory has identified 3 missions:

- **Mission 1:** To conduct and disseminate cutting-edge innovative research on taxation, with a focus on tax evasion and fraud, and potential solutions to these problems.
- **Mission 2:** To promote a democratic, inclusive, and pluralistic debate on the future of taxation by fostering dialogue between the scientific community, civil society, and policymakers in the European Union and worldwide.
- **Mission 3:** To provide access to knowledge on taxation by making available to the general public a repository of data and analysis on our study topics, as well as interactive tools that allow them to easily understand and exploit them.

## PRINCIPLE 11: ESCALATION

**Signatories, where necessary, escalate stewardship activities to influence issuers.**

**If through one of the aforementioned channels of engagement as discussed in principles 9 and 10, the discussion with the company has not met the stated expectations, Mirova has implemented a framework for escalation.**

At which stage and the level of escalation is a determination made by our sustainability research team and then presented to Mirova's portfolio managers and CIOs. As described above, we firmly believe engaging in a one-on-one discussion to exchange views before taking more decisive action. There is no systematic escalation process as we believe that a case-by-case analysis of the issue will enable us to identify the most appropriate channel to escalate the matter.

Our considered escalation tools include:

- Requesting a meeting with the chairman of the board or top executive
- Engage in collective engagement with other investors
- Writing a public letter
- Leverage the power of our proxy vote by voting against relevant items and/or members of the board
- Take action at a shareholder meeting by submitting a question or suggest a topic for the AGM agenda
- Take action at a shareholder meeting by filing a shareholder proposal

At any point of the escalation process, should the company's progress and/or practices be found insufficient to maintain eligibility, divestment may be considered.

As described in other sections of this response, Mirova invests in "high sustainability quality" companies. Thus, in order to eligible for investment, the company should have demonstrated robust sustainability policies and strategies. However, it does not prevent the occurrence of some unexpected controversies and there is progress to be made at almost every company we invest in. Two meaningful examples are provided below. The means for escalation varies, the objective is to define a formalized process tailored specifically to the issuer and matter at hand (means, deadlines and outcomes), as Mirova wants to maintain agility in the actions it will undertake when escalation is needed. In the occurrence of a significant controversy, Mirova keeps its clients updated on the actions decided and next steps.

### **Escalation in action:**

2021 marked the first year in which Mirova escalated engagement concerns at two of our portfolio companies by filing shareholder resolutions.

Mirova co-filed its first shareholder proposal, at a US based interactive media and services company, requesting that the company review and prepare a report on its whistle-blower policies and practices. This request was made in light of repeated allegations by former employees of mishandled complaints and abusive termination of whistle-blowers. As a proponent, Mirova was particularly concerned about the company's human resources management as a result of its reported retaliation against employees who have voiced concerns about the company's potentially unethical business practices, particularly when those concerns are regarding the alleged unethical use of artificial intelligence technology, possible human rights violations, and possible workplace threats to gender and racial justice.

After numerous attempts to engage with the issuer, and in accordance with our escalation strategy, we took action through the next avenue available to shareholders by co-filing this proposal. Despite the effective control of the capital by its founders and executives, and the negative voting recommendation issues by proxy, 10% of votes were favourable. However, despite our repeated attempts to engage with the company directly, jointly with other investors or via the filing of a shareholder proposal, the company remained unwilling to open a constructive dialogue. Considering these aspects, Mirova no longer expects drastic improvement from the company and decided to divest.

The second escalated engagement we undertook was at a French based food company. The company went through a governance crisis at the end of 2020, a subject which we discussed in detail with the company in order to: 1.) actively show that there is no opposition between CSR and economic performance, contrary to short-term activist shareholders that pressured the company during this crisis, 2.) encourage the maintenance of their CSR strategy and mission-driven positioning, and 3.) emphasize the need to communicate transparently on the transition of the company towards a clearer governance model. The company was able to provide elements of context, notably stating that both the strategy and the mission will be maintained, and that the split between Chairman and CEO will be perpetuated.

To support this dialogue, Mirova, along with other shareholders, filed a proposal at the April 2021 shareholder meeting to request a public response from the board on the current state of governance. As such, shareholders asked each director in office to present to shareholders their strategic vision, approach to environmental matters, mission driven corporation, organization of governance and separation of management powers. The board responded collectively, reaffirming its support of the succession planning and mission driven status. A reassuring engagement which Mirova continuously revisits with the company.

## PRINCIPLE 12: EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

### Listed/Equity Assets

#### Proxy Voting: Our Philosophy

Mirova maintains its own publicly available proxy voting policies and procedure which provide guidelines for our proxy voting decisions and governance expectation. The guiding principle of policy development and voting decisions is to cast a vote that is in the **best long-term interest of all stakeholders**. This approach is differentiated from the traditional approach that typically reflects on the interest of solely the shareholder.

As a responsible and committed investor, Mirova promotes the development of a corporate vision focused on the creation of collective value over the long term. This approach contrasts with the traditional idea of a company as elaborated over the last few decades. Two key concepts structure our strategy.

- Taking all stakeholders into account. Companies can no longer be considered solely from the shareholder's point of view. Companies are first and foremost collaborative projects, which are made possible by a number of constituting parties: investors (shareholders, creditors, etc.), whose main role is to provide capital; employees, who play an essential role in a competitive world driven by innovation; and public authorities who develop the infrastructure and increase the attractiveness of the area. Executives do not serve the sole interest of shareholders, and corporate governance should be shaped to include the interests of its key stakeholders.
- A long-term approach. We believe that the creation of wealth requires a long-term perspective, which takes into account sustainability issues. Mirova encourages companies to include environmental and social issues in its purpose, and to adapt their articles of association accordingly.

#### Proxy Voting: Guideline Overview

We feel that shareholders have a role to play in spreading this stakeholder-centric vision, which is why our voting policy encourages:

- The development of a long-term shareholder base;
- The creation of governing bodies that serve all stakeholders and address CSR issues;
- The introduction of a compensation policy which is not only fair to its stakeholders, but which also promotes sustainable growth; and
- Increased transparency and a better quality of both financial and extra-financial information, through annual audited reports covering all these issues.

This approach is based on work by the academic chair of the Mines ParisTech on the subject: "Théorie de l'entreprise. Modèles de gouvernance et création collective" (Theory of a company. Models of governance and collaborative creation) which has been supported by Mirova since 2015.

We do not hesitate to exercise our right and responsibility to vote against management where we have concerns with the distribution of value, the company's commitment to corporate social responsibility and board competence. Our voting guidelines can be viewed in full at [Here](#)



## **Proxy Voting: How We Make Voting Decisions**

All proxies for which we retain voting authority are voted in accordance with the Mirova Voting Policy. Voting decisions and resolutions are analyzed by Mirova's Sustainable Investment Research team. Mirova utilizes a variety of materials and information when analyzing proxy matters, including, but not limited to, the issuer's proxy statement and other proxy solicitation materials (including supplemental materials), our own internal research and research provided by other third parties (including research of the external service provider and other proxy advisory services). Analysis and voting decisions also take into consideration the information we glean during engagement discussions.

Mirova partners with Ostrum AM Middle Office, according to instructions provided by Mirova as part of a service agreement, to perform account setup, ballot reconciliation and vote monitoring. Members of the Sustainable Investment Research Team monitor upcoming votes and related voting activity daily, both independently, and with communication from Ostrum AM Middle Office.

As referred to in Principle 8, Mirova votes pursuant to its own voting guidelines which were conceived in conjunction with our investment philosophy. Thus, our voting guidelines and governance expectations are closely aligned with our investment strategy and commitment to sustainability. We typically vote consistently on matters across different clients, funds, and geographies. We maintain this approach as it allows consistency in the application of our vote and in transparency of our expectations to our portfolio companies. For example, our voting guidelines require an employee representative to serve on the board of directors. While this expectation may have roots in the European market, we believe that regardless of geographical location, corporate boards would be well served by unique perspective an employee representative provides. This is just one example of the rather rigorous expectations our voting guidelines set forth. While our policy prescribes a uniform, high level of expectation for our portfolio companies, we retain the flexibility to adjust our internal methodologies that consider local market standards when appropriate. Our voting guidelines are updated annually and are validated by Mirova's Executive Committee as well as the Compliance and Internal Control Department. It is presented to the Board of Directors each year.

While our voting guidelines provide clear and detailed information as to our expectations as an investor, we also maintain flexibility to account for different facts and circumstances at each issuer. Where we do not have a pre-determined guideline and/or the issuer has presented a compelling case for our review, our voting and engagement focused analyst (a member of the firm's Sustainability Research team) collaborates with the relevant SR analyst, traditional analysts, portfolio managers, the head of research and the firm's Proxy Voting Committee as needed.

The Proxy Voting Committee retains final voting authority and is composed of Mirova's CIOs, Head of Sustainability Research, Head of Sustainability Equity Research, and members of the Legal and Risk departments, as needed. We believe multiple, diverse viewpoints help us reach a fair and balanced voting decisions.

A combined effort between our sustainability research team, voting committee and our middle office (as described above), our overarching goal to cast accurate, timely proxy votes pursuant to our policy. As consistency and accuracy are paramount for proxy voting, we do not routinely offer client directed voting, however, we will consider this upon request on a case-by-case basis.

## **2021 Voting in Review**

In 2021, the voting perimeter consisted of 453 securities held in 37 UCITS and AIFs managed by Mirova.

Within this voting perimeter, 492 Annual General Meetings (AGM) were held in 2021. Mirova has exercised its voting rights over 450 companies. This represented 489 general meetings, for a turnout of 99.4%.

Mirova did not exercise its voting rights at 3 general meetings due to operational constraints (change of the date, limit of vote by custodians, validity of power of attorney, etc.).

Overall, 96% of the companies in our voting perimeter received at least one opposition vote, an increase compared to the 2020 financial year. In terms of the number of resolutions, the opposition rate stands at 37%, a rate also up from last year.

This rate of contestation is mainly explained by greater opposition to board nominees due to adjustments made to our policy. In 2021, Mirova expanded our voting guidelines to cast a vote against the entire relevant board committee responsible, as opposed to strictly the chair of the committee, as we had done in the past.

For example, where we have concerns with board composition, rather than cast a vote against the chair of the nomination/governance committee, in 2021 we began to cast a vote against each member of that committee. We made this adjustment to signal our expectation that the entire committee should be held accountable for improving governance practices.

A few reasons why we vote against management include:

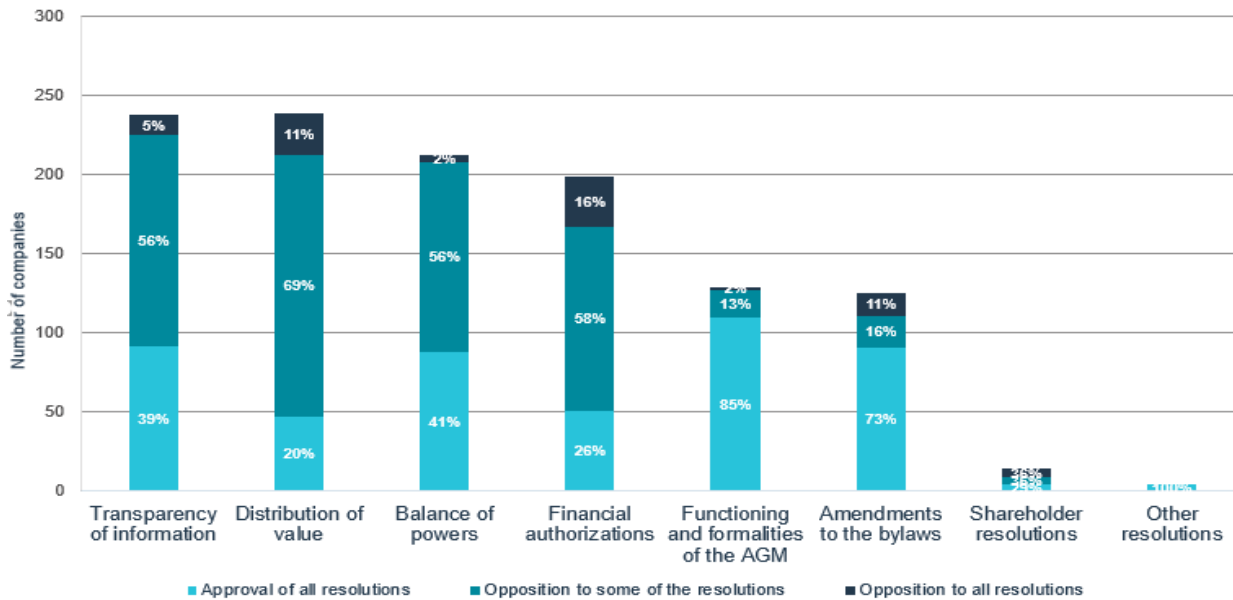
- Insufficient board composition
  - We expect the board of directors to include one employee representative and at least 40% female representation.
  - We expect a board committee to be dedicated to CSR, as we feel this is one of many ways, we can encourage CSR to be at the heart of the company and ensure the board has the right expertise to challenge management on ESG matters.
  - Mirova will vote against the entire nominating/governance committees for boards that do not meet this guideline.
- Concerns with Remuneration
  - We utilize an internal methodology to monitor the correlation and trend of the compensation of the company key stakeholders: employees, shareholders, executive, and government.
  - Mirova will vote against where we note a decorrelation of these data points over a five-year period and no compelling justification from the company in question is received.
  - For example, we track the effective tax rate, as compared to the OECD tax rate, while considering operating and net income. We will target companies for engagement and possibly vote against relevant items where we detect tax optimization practices.
  - Utilizing another lever to encourage CSR to be at heart of the company, we will vote against remuneration proposals where the remuneration policy does not include at 10% of either the short- or long-term remuneration tied to clear, meaningful ESG criteria.
  - We maintained a conservative approach to the analysis of dividends during the COVID -19 crisis. In many cases, we voted against dividend payouts that were above pre-covid levels, as we encouraged our portfolio companies to maintain a sober approach to dividend proposals.

### **Distribution of votes by geographical area**

While the meaning of the vote is mainly explained by the implementation of Mirova's policy on a theme-by-theme basis, there are significant differences in governance practice between Europe and North America that have important consequences for our choices.

## EUROPE

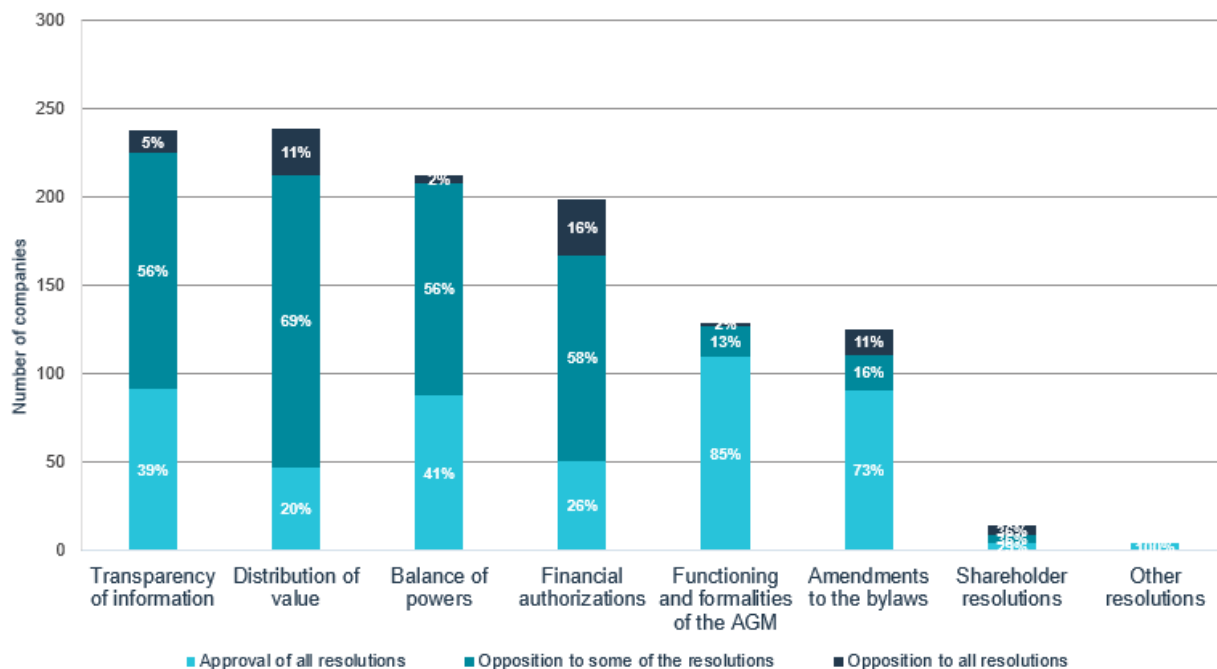
In 2021, 96% of European company meetings were the subject of at least one protest vote. Only 11 companies had all their resolutions approved, down more than 50% from last year (24 companies in 2020).



Source: Mirova

## NORTH AMERICA

In North America, protest is stronger than in Europe, with 99% of assemblies having received at least one contested vote. The theme "Distribution of value" is highly contested in this particular market. Almost all companies were the subject of at least one opposition vote on this issue. This is linked to local practices, which do not systematically integrate CSR criteria into executive remuneration and to the lack of information on the employee remuneration, which prohibits the evaluation of the value distribution policy.



Source: Mirova

### **Voting Rights Transparency**

There is a platform on Mirova's website which details all Mirova's votes on resolutions presented at the general assemblies of companies held in its voting funds (not including dedicated funds). This platform is available to the public in compliance with the AMF general regulation (articles 319-21 et 321-132): <https://vds.issgovernance.com/vds/#/OTAyNg==/>

Beginning in 2021, we partnered with [Tumelo](#), a software platform that enables investment platforms and pension providers to engage investors by giving a transparent view of the companies they own and a shareholder voice on issues they care about. For certain, funds, we provide a voting record monthly to Tumelo, which is then shared to the underlying pension holders. The goal is to empower and provide investment transparency to the main street investor. We look forward to the development of this platform whereby we will be enabled to receive feedback on upcoming votes from the underlying investor.

### **Procedures for identifying, preventing, and managing conflicts of interest**

In general, an asset management company exercises voting rights solely in the general interest of its unitholders, irrespective of its own interests, and in compliance with its guiding principles. Mirova has introduced a procedure to prevent, identify, and manage potential conflicts of interest. To this end, should a conflict of interest arise between Mirova and one of its clients, the Head of Compliance Internal Control and Risks, in concert with the other members of the team responsible for the "exercise of voting rights" would decide on what steps to take. Should a member of the team responsible for the "exercise of voting rights" experience a conflict of interest regarding a vote, he/she should immediately notify the Head of Compliance, Internal Control and Risks and take no part in the vote concerned.

If exercising its voting rights for a given company exposes Mirova to a potent or actual conflict of interest, the Governance Research analyst will refer the matter to the Head of Compliance and Internal Control, who will decide on the appropriate measures to take, including the decision to participate or not in said company's general assembly.

To prevent conflict, the Research Team establishes a list of companies with probable risks, i.e., listed companies of the BPCE group and listed companies where top executives of BPCE group hold a directorship and/or an executive mandate. This list is updated annually and validated by Mirova's Compliance and Internal Control team. Companies of this list are then excluded from Mirova's voting universe.

### **Use and Oversight of Proxy Advisory Firms**

Mirova uses a proxy advisory firm to perform various proxy voting-related administrative services, such as ballot collection, vote processing and recordkeeping. The advisory firm is in direct contact with custodian banks, from which it receives, daily, a list of every position held for each portfolio within the Mirova voting universe. The votes for each account are registered on the voting platform.

Mirova also receives research reports and vote recommendations from multiple, international advisory firms. Ultimately, proxies are voted pursuant to our in-house guidelines and advisory firm material is one of many inputs to our final vote determination. For context, Mirova voted against management on 37% of the resolutions we reviewed in 2021. Meanwhile, the ISS benchmark policy recommended votes against management for 10% of the resolutions reviewed in our voting universe. Thus, our approach to voting is quite differentiated from the advisory firm.

Both proxy advisory firms are subject to an annual vendor due diligence and to an annual audit of their performance. These reviews are done under the supervision of Mirova's Compliance and Internal Control team. In addition, on an annual basis, Mirova US compliance will review the SOC 1 report<sup>2</sup> issued by Mirova's the advisory firm conducting vote processing.

### **Securities Lending Policy**

Mirova does not engage in any security-lending activities.

## **Non-Listed Assets**

While our response to Principle 12 focuses mainly on the exercise of our rights for listed assets, as they remain the majority of Mirova's asset under management, we also exercise our rights for other assets classes accordingly.

Regarding non-listed assets, as of the publication of this document, the formalization of a voting policy applicable at a large scale is still under discussion as the exercise of our voting rights depends highly on the structure of the investee and of the financing. As our Private Equity activities are rather recent (with the first fund launched in 2021) the ways and means by which we exercise our rights is currently being considered.

Whenever Mirova is accountable as a large investor and is a member of the Board at such an investment, voting rights are exercised by the member of the investment team.

We recognize that voting rights on non-listed assets is only one means to foster impact (alongside, working day to day with the management team, and influence decision making processes), we have not yet produced a formalized report on the topic.



## FUNDAMENTAL DIFFERENCES BETWEEN THE PORTFOLIO AND THE INDEX

The comparative scores provided in this report are intended for illustrative purposes only to demonstrate how Mirova's ESG methodology affects SDG (as defined below) impact scores after the stock selection process is completed, with the Index serving as a representation of the investable universe prior to the application of Mirova's ESG methodology. Accordingly, there are key differences between the SDG impact scores of the portfolio and the Index, as explained below.

As part of the Strategy, Mirova seeks to invest in (without limiting itself to) companies with a positive impact on the United Nations' Sustainable Development Goals (the "SDGs"), while avoiding companies whose activities or products have a negative impact on or create a risk to achieving the SDGs.

The determination of impact relative to the SDGs is based on analysis conducted by the Sustainable Research Team, which examines how companies meet the opportunities and manage the risks associated with the SDGs in order to help determine their viability and sustainability. The main outcome of this analysis is a qualitative "sustainability opinion" and an analysis of a company's main ESG opportunities and risks. The sustainability opinion is a qualitative assessment that results in a numerical output based on the levels of risk assigned by the analyst.

The analysis encompasses the entire life cycle of product development, from raw material extraction to consumer use and disposal, and focuses only on the most pertinent issues to each company. The sustainability opinion is focused on the company's achievement of the SDGs; this opinion is based on the merits of the individual company in question and is not relative to any peer group or sector. In addition to prioritizing companies assessed as having positive impact relative to the SDGs, Mirova integrates this analysis into its fundamental research and considers all of the 17 SDGs in the analysis where deemed material and relevant.

Additionally, Mirova uses specialized ESG data and rating providers as primary sources for opinions and engagement recommendations. Such sources may be specialized in specific topics such as carbon data or biodiversity (for instance Carbone 4), or providers of broader ESG data (for instance ISS ESG, Bloomberg, etc.). Mirova also works with specialized consultants around specific topics such as gender equality. Mirova may not always use the data provided in its raw form and may make certain adjustments to the data based on certain factors prior to using the data in its analysis. Please see the notes below for more detail on when these adjustments are made.

The Index is included in this report because it is the broad-based securities market index chosen as the benchmark against which to measure the portfolio's actual performance. Unlike the portfolio, the Index's constituents are not chosen as a result of any methodology or analysis applied by Mirova and are not chosen with any focus on the impact to SDGs. Rather, the Index's constituents are selected based on a purely quantitative index methodology as applied by the Index's provider. (See the Definitions section, below for more information) Accordingly, the comparative results shown in this report, which are derived from the application of the Sustainable Research Team's methodologies to both the portfolio's securities and the Index's constituent companies, will naturally show that the portfolio's securities have higher impact scores than the Index.



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Investments in the fund are mainly subject to loss of capital risk.

The figures provided relate to previous years and Past performance is no indicator of future performance.

Performances figures are calculated net management and running fees, included safekeeping fees and commissions.

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## ABOUT MIROVA

Mirova is a management company dedicated to sustainable investment and an affiliate of Natixis Investment Managers. Through conviction management, Mirova's goal is to combine long-term value creation and sustainable development. Pioneers in many areas of sustainable finance, Mirova's talents aim to continue innovating in order to offer their clients solutions with high environmental and social impact. Mirova and its affiliates manage €27.2 billion as of December 31, 2022. Mirova is a mission-driven company, labeled B Corp\*.

*\*The reference to a ranking or a label does not prejudice the future performance of the funds or its managers.*

## MIROVA

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## NATIXIS INVESTMENT MANAGERS

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Natixis Investment Managers is a subsidiary of Natixis.

## MIROVA US

888 Boylston Street, Boston, MA 02199; Tel: 857-305-6333  
Mirova U.S. LLC (Mirova US) is a U.S.-based investment advisor that is wholly owned by Mirova. Mirova is operating in the U.S. through Mirova US. Mirova US and Mirova entered into an agreement whereby Mirova provides Mirova US investment and research expertise, which Mirova US then combines with its own expertise, and services when providing advice to clients.

## MIROVA UK

UK Private limited company  
Company registration number: 7740692  
Authorised and Regulated by the Financial Conduct Authority ("FCA") under number 800963  
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The services of Mirova UK Limited are only available to professional clients and eligible counterparties. They are not available to retail clients. Mirova UK Limited is wholly owned by Mirova.

## MIROVA SUNFUNDER

Mirova SunFunder, Inc. is a company registered in Delaware  
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Mirova SunFunder Inc. is a subsidiary of Mirova US Holdings LLC, which is wholly owned by Mirova.

An affiliate of: