MARKETING COMMUNICATION

Our approach to Impact and ESG assessment

January 2023

An affiliate of:

Any responsible investment approach involves looking at how issuers take into account 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[1]. 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.

1. In Europe, the Sustainable Finance Disclosure Regulation provides a high-level definition of "sustainable investment” in its article 2.17, which leaves room for interpretation.

Table of contents

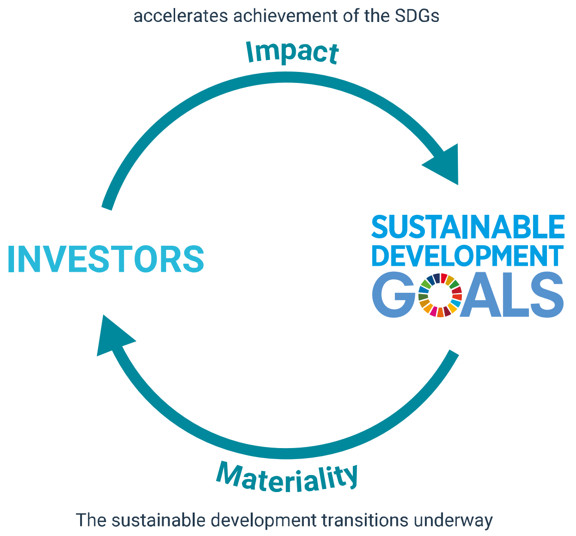
Our ESG assessment principles

Proposing an assessment method and relevant monitoring indicators for ESG issues calls first for a clearly defined framework. This raises several questions. What are the objectives subtending a responsible investment approach? How should ESG issues be defined? What methodological principles should assessments apply? What types of indicators should be used?

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, which is dominant in the United States, has guided the development of many internationally recognised frameworks such as SASB[1] and the TCFD.[2]

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,[3,4] the IFC principles and the GRESB,[5] along with public initiatives such as the European Corporate Sustainability Reporting Directive[6] subscribe to this vision.



Source: Mirova

1 Sustainability Accounting Standards Board, an initiative to better integrate sustainability issues into corporate accounting https://www.sasb.org/
2 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/
3 Global Reporting Initiative, an initiative to improve sustainability reporting frameworks https://www.globalreporting.org/
4 International Finance Corporation, a World Bank Group organisation whose role is to facilitate business development in developing and emerging countries
5 Global ESG Benchmark for Real Assets
6 https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021PC0189&from=EN

Since Mirova's creation in 2012[7], 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.[8] Consequently, we have designed an impact and 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 and complies with the definition of "sustainable investment" as outlined in Article 2.17 of the European Sustainable Finance Disclosure Regulation[9].

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,[10] 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 analyses.

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.

7 Mirova was founded in 2012 as a business unit of Ostrum AM. Mirova has operated as an independent asset management company since January 1, 2014. It is an affiliate of Natixis Investment Managers.
8 See: https://www.mirova.com/en/news/mirova-becomes-mission-led-company-b-corp
9 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=FR
10 Examples include the United Nations Millennium Development Goals adopted in 2000 and the OECD Guidelines for Multinational Enterprises

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 company management

- 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.

At Mirova, governance considerations are incorporated into the Sustainability impact opinion framework and the Investment Manager's financial assessment and include:

- the sound monitoring of environmental and social issues (such as employee relations) and the integration of sustainability in the scope of responsibility of the board and executive team,
- sound business ethics practices,
- the fair distribution of value between stakeholders (notably vis a vis remuneration of staff) and tax compliance,
- analysis of the quality of company management,
- alignment of the company's governance with a long-term vision,
- the balance of power between the executive body, the supervisory body and the shareholders of the issuer, the compensation package relevant to company management,
- an analysis of the quality and independence of the board, or of respect for the interests of minority shareholders

FIGURE 1: THE 17 SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY	End poverty in all its forms everywhere
2 ZERO HUNGER	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls
6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
10 REDUCED INEQUALITIES	Reduce inequality within and among countries
11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts
14 LIFE BELOW WATER	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15 LIFE ON LAND	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalize the global partnership for sustainable development

Source: Mirova / United Nations

Our assessment principles

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.

Positive impact / residual risk approach	Contributions to the SDGs can be grouped in two main categories, which are often complementary. ▪ The “**activities**” of entities (ie. the. products and services they offer) may make different positive contributions to achieving the SDGs. ▪ As part of the way they operate, entities can also contribute through their “**practices**” to the achievement of SDGs, ie. by contributing to create sustainable and inclusive jobs, or by having strong commitments to net zero targets beyond their green products offerings, etc. Contributing to some SDGs cannot be done at the expense of other environmental and social issues. Therefore, identifying and minimising ESG risks linked to our investments is equally important in our assessments.
Life cycle view	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.
Differentiated issues	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.

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.

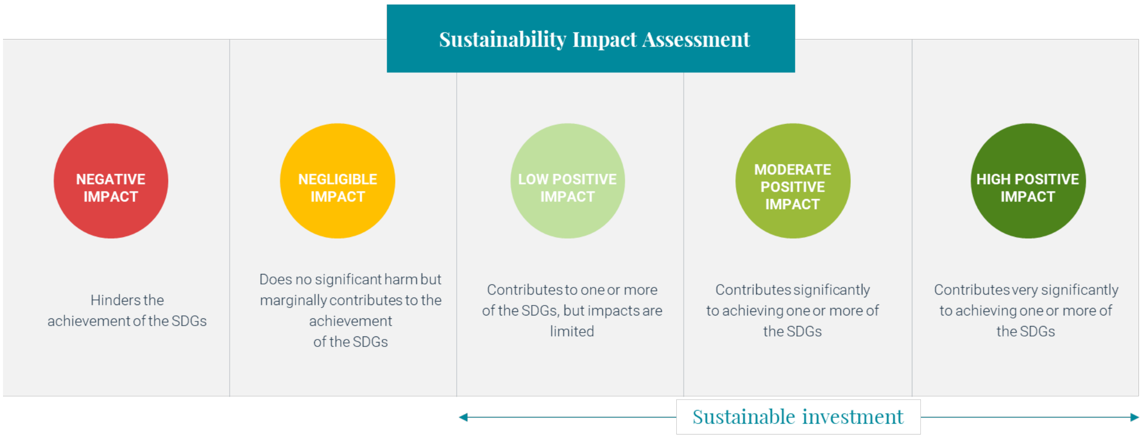
In order to channel our investments towards assets that deliver positive impact and provide elements that will enhance our financial analysis, we have developed several types of indicators, both qualitative and quantitative.

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.[11] This assessment is conducted in accordance with our main principles and includes the impact/risk 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.[12]



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[13]. For example, in the energy sector, no companies involved in coal and oil extraction are currently considered as “sustainable investment”, while companies in the renewable energy sector are likely to be rated as positive impact, except where they fail to mitigate adverse impacts on other environmental or social aspects.

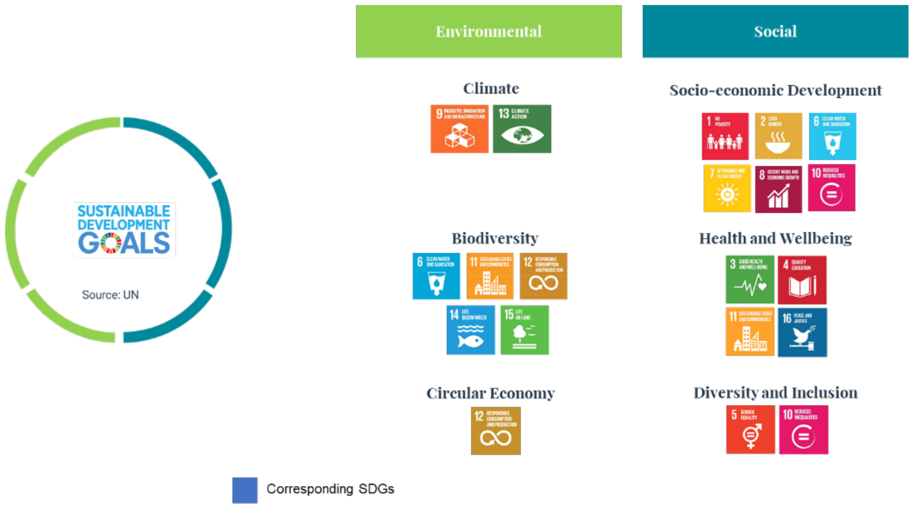
11 Among ESG data providers or financial players, qualitative opinions can take a variety of forms. Letter grades (e.g. CCC to AAA at MSCI, D- to A+ at ISS ESG), qualification of an opinion (Weak / Limited / Robust / Advanced at Vigeo Eiris, Negligible / Low / Medium / High / Severe at Sustainalytics). These qualitative opinions are generally accompanied by numerical scores, for example a score between 0 and 100.
12 The analysis grids adopted sector by sector are communicated in publicly available sectoral sheets. https://www.mirova.com/en/research/understand#vision
13 See our minimum standards and exclusion policy: https://www.mirova.com/en/minimum-standards-and-exclusions

Mirova only invests in assets rated as “positive impact” (low positive, moderate positive and high positive impact) and does not invest in assets rated at “negative” or “negligible” impact. This approach complies with the definition of “sustainable investment” per the European SFDR regulation[14], covering all three aspects of positive contribution, DNSH (Do not Significant Harm) and good governance. It ensures a robust integration of sustainability risks in all investment processes and limits the potential negative impact of these investments. It also guarantees that Mirova's strategies meet the criteria for ‘significantly engaging’ as defined under AMF recommendation DOC-2020-03.[15]

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

SDG THEMES

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. Each pillar is assessed according to our five-point qualitative scale, from Negative to High positive impact.



Source: Mirova

Social impact

SOCIO-ECONOMIC DEVELOPMENT

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, 7% of the world's population will still be living on less than USD2.15 a day in 2030.[16] According to the International Labour

14 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
15 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.
16 https://www.worldbank.org/en/topic/poverty/overview

Organisation, more 207 million people remained unemployed in 2022 and the share of workers living in extreme poverty went up to 7.2 per cent after the pandemic[17].

Under the "socio-economic development" theme, we look at two dimensions: the contributions of an asset to improving the conditions of low-income groups through provision of essential services and infrastructures as well as provision of employment and decent working conditions.

More specifically, this theme 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, infrastructures, telecommunications, education, clean energy and mobility or basic financial services.

Regarding human capital, it looks at the individual development allowed by the company across their direct and indirect scope, including fair compensation and social dialogue, job security and long-term career building incl. training, as well as work-life balance and support to wellness. 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.

HEALTH AND WELLBEING

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 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 theme 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.

DIVERSITY AND INCLUSION

Building inclusive societies is a key part of the Sustainable Development Goals. Despite progress made over the last decades, the world is still not on track to reduce inequalities and the effects of pandemic may have reversed some of these positive trends. According to The World Economic Forum, it will take another 132 years to close the global gender gap18. Roughly one in five people in the world still experience discrimination with regards to their sex, ethnicity, religion, age, disability or sexual orientation[19].

This theme seeks to assess the extent to which the entity assessed promotes greater diversity and inclusion, not only regarding gender but also regarding all types of diversities. It also seeks to identify product offerings which address specific needs from diverse populations (women, minorities, elderly, people with disabilities, etc).

17 https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_834081.pdf
18 https://www3.weforum.org/docs/WEF_GGGR_2022.pdf
19 According to data from 49 countries and territories collected between 2017 and 2021. https://unstats.un.org/sdgs/report/2022/The-Sustainable-Development-Goals-Report-2022.pdf

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.

CLIMATE

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.[20]

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

BIODIVERSITY

In addition to greenhouse gas emissions, human activity generates waste and releases pollution into in the air, water and soil that have a lasting effect on animal and plant species.

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.[21] Global figures aside, many areas of exceptional biodiversity richness, such as the primary forests of South East 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.

This theme 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, sustainable farming and fishing practices or the development of regenerative agriculture, forest conservation or restoration.

20 http://cait.wri.org/
21 https://livingplanet.panda.org/en-us/

CIRCULAR ECONOMY

In a world where a growing population aspires to an ever-higher standard of living, the pressure on natural resources is rapidly increasing. Water stress affects a quarter of all humanity.[22] Since 1990, the world's forests lost more than 420 million hectares of forest have been lost through conversion to other land uses.[23] Every year, land degradation affects an area equal to half of Great Britain.[24] 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 circular economy theme seeks to capture initiatives that address these issues, as for instance by manufacturing products from sustainable raw materials, , eco-design or the recycling and recovery of waste.

22 https://www.wri.org/blog/2019/08/17-countries-home-one-quarter-world-population-face-extremely-high-water-stress
23 http://www.fao.org/state-of-forests/en/
24 https://www.unccd.int/actions/united-nations-decade-deserts-2010-2020-and-fight-against-desertification

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.[25] 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_2, 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.

Since entry into force of level 2 of the SFDR regulation, we also collect and monitor the following indicators:

- Principal Adverse Impact (PAI) indicators: all 14 mandatory indicators as well as & additional indicators
- Taxonomy: investees' alignments with the EU taxonomy on sustainable activities

25 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_2 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.

LISTED INVESTMENTS

The principal physical monitoring indicators for our listed assets are related to climate change, employment trends and 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.[26] However, a certain number of indicators are monitored across all assets so that they can be consolidated at the portfolio or asset class level.

CLIMATE CHANGE

In order 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.

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.[27]

For the other strategies, an indicator of staffing trends is provided based on the workforce data reported by companies. 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.

DIVERSITY

In order 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[28] 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.

26 The indicators selected sector by sector are communicated in the sector sheets. https://www.mirova.com/fr/recherche/comprendre#vision
27 Our approach to monitoring job creation in France is the subject of a separate publication. https://www.mirova.com/fr/idees/insertion-emplois-dynamique-rapport-dimpact-2021
28 https://www.ecologie.gouv.fr/label-greenfin

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.

Climate change	▪ GHG emissions (scope 1, 2, 3) ▪ Avoided or sequestered CO_2 emissions eligible for carbon credits ▪ CO_2 avoided through renewable energy production
Ecosystems	▪ Hectares under conservation or restoration ▪ Hectares under productive sustainable management
Employment	▪ Number of direct jobs generated or supported by the projects ▪ Number of direct beneficiaries of the project beyond employees
Inclusion	▪ 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.

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,[29] which provides us dedicated analysis applying our assessment principles. These 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_2 emissions is fully delegated to our service provider Carbon4Finance.[30] The methodology for aligning our portfolios with various climate scenarios is based on internal work.[31]
	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 provided by companies
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

UNLISTED ASSETS

29 https://www.issgovernance.com/esg/
30 See: http://www.carbon4finance.com/transition-risks-and-avoided-emissions/
31 Our comprehensive methodology for assessing the climate performance of investments is the subject of a specific publication. https://www.mirova.com/sites/default/files/2019-12/12112019CarbonScenarioAlignment.pdf

Quantitative indicators relevant to our unlisted assets are mostly monitored in-house on the basis of information provided by our project sponsors.

SFDR INDICATORS

	Indicator	Description & Source
PAI INDICATORS	Climate-related indicators	For listed investments: Carbone4Finance For non-listed investment: in-house monitoring and I Care&Consult (direct data collection through in-house questionnaires sent to investees)
	All other indicators	For listed investments: ISS ESG For non-listed investment: in-house monitoring (direct data collection through in-house questionnaires sent to investees)
TAXONOMY ALIGNMENT	% of turnover from activities aligned with the EU Taxonomy	For listed investments: ISS ESG and in-house monitoring (direct data collection through in-house questionnaires sent to investees) For non-listed investment: in-house monitoring (direct data collection through in-house questionnaires sent to investees)

DISCLAIMERS

This document is a non-contractual document for information purposes only.

This document does not constitute or form part of any offer, or solicitation, or recommendation to subscribe for, or buy, or concede any shares issued or to be issued by the funds managed by Mirova investment management company. The presented services do not take into account any investment objective, financial situation or specific need of a particular recipient. Mirova shall not be held liable for any financial loss or for any decision taken on the basis of the information contained in this document, and shall not provide any consulting service, notably in the area of investment services.

The information contained in this document is based on present circumstances, intentions and guidelines, and may require subsequent modifications. Although Mirova has taken all reasonable precautions to verify that the information contained in this document comes from reliable sources, a significant amount of this information comes from publicly available sources and/or has been provided or prepared by third parties. Mirova bears no responsibility for the descriptions and summaries contained in this document. No reliance may be placed for any purpose whatsoever on the validity, accuracy, durability or completeness of the information or opinion contained in this document, or any other information provided in relation to the fund. Recipients should also note that this document contains forward-looking information, issued on the date of this presentation. Mirova makes no commitment to update or revise any forward-looking information, whether due to new information, future events or any other reason. Mirova reserves the right to modify or remove this information at any time without notice.

The information contained in this document is the property of Mirova. The distribution, possession or delivery of this document in some jurisdictions may be limited or prohibited by law. Persons receiving this document are asked to learn about the existence of such limitations or prohibitions and to comply with them.

Non-contractual document, issued in January 2023

mirova
Investing in sustainability

LEGAL MENTION

This document is intended for non-professional and professional clients as defined by MiFID for information purposes only.

This document does not constitute or form part of any offer, or solicitation, or recommendation to subscribe for, or buy, or concede any shares issued or to be issued by the funds managed by Mirova investment management company. The presented services do not take into account any investment objective, financial situation or specific need of a particular recipient. Mirova shall not be held liable for any financial loss or for any decision taken on the basis of the information contained in this document, and shall not provide any consulting service, notably in the area of investment services.

The information contained in this document is based on present circumstances, intentions and guidelines, and may require subsequent modifications. Although Mirova has taken all reasonable precautions to verify that the information contained in this document comes from reliable sources, a significant amount of this information comes from publicly available sources and/or has been provided or prepared by third parties. Mirova bears no responsibility for the descriptions and summaries contained in this document. No reliance may be placed for any purpose whatsoever on the validity, accuracy, durability or completeness of the information or opinion contained in this document, or any other information provided in relation to the fund.

This presentation contains forward-looking information which may be identified by the use of the following terms: "anticipate", "believe", "may", "expect", "intend to", "can", "plan", "potential", "project", "search", "should", "will", "could", including in their negative form, as well as any variations or similar terms. This forward-looking information reflects current opinions regarding current and future events and circumstances and is no guarantee by Mirova of the fund's future performance. It is subject to risks, uncertainties and hypotheses, including those related to the evolution of business, markets, exchange and interest rates; economic, financial, political and legal circumstances as well as any other risk linked to the fund's activity. On account of these several risks and uncertainties, the actual results may substantially differ from the information contained in the forward-looking statements. Any financial information regarding prices, margins or profitability is informative and subject to changes at any time and without notice, especially depending on market circumstances. Mirova makes no commitment to update or revise any forward-looking information, whether due to new information, future events or any other reason.

The information contained in this document is the property of Mirova. It may not be communicated to third parties without the prior written consent of Mirova. It may not be copied, in part or in whole, without the prior written consent of Mirova. The distribution, possession or delivery of this document in some jurisdictions may be limited or prohibited by law. Persons receiving this document are asked to learn about the existence of such limitations or prohibitions and to comply with them.

Mirova voting and engagement policy as well as transparency code are available on its website : www.mirova.com.

Non-contractual document, written in January 2023

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, and systematically displays the carbon impact of its investments (excluding Social impact and Natural Capital funds), calculated from a proprietary methodology that may involve biases.

ESG INVESTING RISK & METHODOLOGICAL LIMITS

By using ESG criteria in the investment policy, the relevant Mirova strategies' objective would in particular be to better manage sustainability risk and generate sustainable, long-term returns. ESG criteria may be generated using Mirova's proprietary models, third party models and data or a combination of both. The assessment criteria may change over time or vary depending on the sector or industry in which the relevant issuer operates. Applying ESG criteria to the investment process may lead Mirova to invest in or exclude securities for non-financial reasons, irrespective of 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 the portfolio of a Fund. For more information on our methodologies, please refer to our Mirova website: www.mirova.com/en/sustainability

An affiliate of : NATIXIS INVESTMENT MANAGERS

mirova
Investing in sustainability

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 prejudge the future performance of the funds or its managers.*

MIROVA
Portfolio Management Company - Anonymous Company
RCS Paris No.394 648 216
AMF Accreditation No. GP 02-014
59, Avenue Pierre Mendes France 75013 Paris
Mirova is an affiliate of Natixis Investment Managers.
Website – LinkedIn

NATIXIS INVESTMENT MANAGERS
French Public Limited liability company
RCS Paris n°453 952 681
Registered Office: 59, avenue Pierre Mendès
France 75013 Paris
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
Registered office: Quality House by Agora, 5-9 Quality Court, London, WC2A 1HP
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
State File Number: 5125699
Registered Office: 2810 N Church Street, Wilmington - Delaware - 19802 USA
Mirova SunFunder Inc. is a subsidiary of Mirova US Holdings LLC, which is wholly owned by Mirova.

An affiliate of: NATIXIS INVESTMENT MANAGERS