Minimum Standards

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Mirova does not exclude any industry on principle. All our positions are the result of an extensive analysis of environmental and social impacts. For certain industries, this analysis may lead to the exclusion of all players in the sector.

This is a methodological document aimed at clarifying how Mirova establishes minimum standards in the sustainability analysis of its investments.

An affiliate of: NATIXIS INVESTMENT MANAGERS

Mirova was created to finance economic models that aim to positively contribute to sustainable development. Much of our work is focused on the identification of a positive contribution to sustainable development themes, through companies' products, services and/or practices. This does not absolve us of our responsibility to ensure that our investments always meet or exceed minimum standards, including with regard to controversial activities.

Minimum standards are defined for each sector based on their key environmental and social issues and are detailed in our sector research papers.

Our Minimum Standards document summarizes our positions on major issues deemed controversial or to have a negative impact on the achievement of sustainable development goals. Mirova does not exclude any industry on principle. All our positions are the result of an extensive analysis of environmental and social impacts. For certain industries, this analysis may lead to the exclusion of all players in the sector.

This document applies across all portfolios, all investments in listed and non-listed companies and projects. It is to be noted that some strategies/portfolios managed by Mirova may have additional exclusions.

The term "companies" shall be used for any corporate entity or project considered for investment unless specified otherwise.

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Energy and Climate

Fossil fuels

Coal

With 15 Gt of CO_2 in 2021, coal is both the largest emitter of energy-related carbon dioxide and the largest source of electricity generation (standing at 36%). Achieving a net zero world by the end of the century involves a rapid phase-out of coal while considering development needs and accessibility to clean energy. In the NZE scenario from the IEA, global coal supply falls by 90% by 2050 and the global power sector is completely decarbonized in advanced economies by 2035 and worldwide by 2040[1].

Exclusion applies to:

1/ Projects: no direct investment in coal projects or any type of specialized financial support.

2/ Exclusion of companies planning additional coal capacity, through the development of new coal projects or the expansion of existing capacities, for mining, power generation, infrastructure (coal transportation, other assets), and dedicated services.

3/ Exclusion of companies operating or supporting the operation of existing coal-related facilities that have no clear phase-out plan by 2030 for OECD countries, and 2040 worldwide.

4/ Exclusions based on relative and absolute exposure thresholds:

- **Power generation: exclusion of companies if at least 20% of their electricity generation derives from coal OR if the average carbon intensity of their electricity generation exceeds 300 gCO_2/kWh.**
- **Outside of power generation: exclusion of companies involved in coal mining, coal infrastructure, EPC[2], O&M[3], Coal-to-Gas, Coal-to-Liquids, coal trading, starting at 5% of revenues.**
- **Exclusion of companies producing more than 10 Mt of thermal coal per year, or whose installed coal-fired power capacity generation exceeds 5 GW, as of 2022. Mirova intends to progressively reduce these thresholds towards 0 by 2030.**

External exclusion lists: Mirova monitors in particular the Global Coal Exit List (GCEL) from Urgewald[4] to identify companies involved in coal activities, and systemically excludes companies from this watchlist if they have no clear phase-out plan by 2030.

Exceptions apply: i) If power capacity generation thresholds are exceeded on a temporary basis due to national legal obligations in the context of energy provision security; and ii) On a case-by-case basis, if a threshold is temporarily

[1] Coal in Net Zero Transitions – IEA
[2] Engineering, Procurement and Construction
[3] Operation and Maintenance
[4] Global Coal Exit List – Urgewald

exceeded, with a view to support utility companies exhibiting the most ambitious transition plans, provided that the majority of their capex is allocated towards "clean energy" projects (e.g., as per the European Taxonomy) and they have set SBTi-validated targets aligned with a 1.5°C warming scenario.

Oil & gas

In 2021, oil & gas have caused the emission of 12 Gt and 8 Gt of CO_2[5], respectively. Around two thirds of oil production is used for transportation, while gas production is broadly evenly split between electric power, the industry sector, and residential and commercial uses. Gas is the second largest source of electricity generation, at 23%[6]. In addition, the oil & gas sector is responsible for fugitive emissions[7] due to gas flaring emitting CO_2, and also due to methane emissions at all stages of its activity (wells, gas transportation and storage, processing of petroleum products). Achieving a net zero world by the end of the century involves a rapid phase-out of oil and gas. IEA's NZE scenario[8] indicates that: i) global oil and gas supply will have to fall by around 78% and 72%, respectively, by 2050; ii) no fossil fuel exploration is required; and iii) no new oil and gas fields are required beyond those that have already been approved for development.

The oil and gas industry is typically divided into three sectors: upstream, midstream, and downstream. The table below details the scope of activities considered within these sectors:

Upstream	Midstream	Downstream
• Exploration (including seismic surveys) • Drilling of exploration and production wells • Production of crude oil, gas, and condensates • Processing/treatment of oil & gas	• Transport by pipeline, rail, barge, truck, and shipping, from production sites to oil refineries and gas hubs • Storage • Gas liquefaction • LNG regasification • Trading	• Refining and petrochemicals • Distribution by pipeline, rail, road from refineries and gas hubs to users and retailers • Retail (petrol stations, gas retailers) • Users (power generation, heat, etc.)

1/ Exclusions based on relative exposure thresholds:

- **Unconventional oil & gas[9]: exclusion starting at 5% of revenues[10] (includes exploration, production, processing, transport, storage, gas liquefaction, and trading activities).**
- **Upstream, both conventional and unconventional oil & gas: exclusion starting at 5% of revenues[10] (includes exploration and production activities).**

[5] *Global Carbon Budget - Our World in Data*
[6] *Electricity Mix - Our World in Data*
[7] *2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories*
[8] *Net Zero by 2050 - A Roadmap for the Global Energy Sector – IEA*
[9] *Arctic oil and gas (AMAP program definition), tar sands, oil and gas produced from fracking, ultra-deep water (production from offshore wells below 1500 meters), coalbed methane, extra-heavy oil.*
[10] *Exception is allowed if the threshold is exceeded because of a one-off price effect due to a sharp increase in commodity prices compared to normalized market conditions (e.g., average prices over the last 3 years), rather than a volume effect.*

- **Midstream & downstream: exclusion of companies generating more than 50% of their revenues from related activities.**
- **Power generation: exclusion of companies if the average carbon intensity of their electricity generation exceeds 300 gCO_2/kWh.**

2/ Exclusion of companies expanding upstream and midstream activities, as follow:

- **Exclusion of companies involved in the exploration or development of new oil and gas fields (i.e., fields that are not yet in production), or in the expansion of existing fields already in production.**
- **Exclusion of companies involved in the development of new midstream oil and gas capacities[11] if i) they have more than 300 km of pipeline under development, or ii) they develop LNG regasification terminals of more than 1 Mt per annum of capacity. Mirova intends to revise these criteria regularly to ensure alignment with a sustainable climate scenario.**

3/ Exclusion of equipment & services companies (i.e., companies manufacturing dedicated products and equipment and/or offering services supporting the oil & gas value chain) if more than 50% of their revenues derive from these activities.

External exclusion lists: Mirova monitors in particular the Global Oil & Gas Exit List (GOGEL) from Urgewald[12], notably to identify companies involved in midstream expansion projects.

Exceptions apply for: i) Green Bonds issued by upstream- and midstream-focused oil & gas companies if the majority of the company's capital expenditure is allocated towards "clean energy" projects (e.g., as per the European Taxonomy), ii) Activities dedicated specifically to non-fossil oil and gas (including the production, transportation, and sale of advanced biofuels, e-fuels, biogas, biomethane, and green hydrogen).

Engagement[13]: for eligible utility companies that comply with these exclusion guidelines but cannot yet commit to a 1.5°C scenario per SBTi[14] (or equivalent), Mirova has adopted engagement measures aimed at strengthening those issuers' climate policies over time[15].

[11] As absolute thresholds need to be completed by a qualitative assessment, exception is allowed for midstream companies where our analysis has concluded that no significant negative impact stems from such projects, notably for companies whose transport capacity expansion projects are more than offset by permanent shutdowns, thus resulting in no net capacity expansion.
[12] Global Oil & Gas Exit List – Urgewald
[13] For more information with regards to our Engagement Priorities and Report (including process): https://www.mirova.com/en/research/voting-and-engagement
[14] Science Based Targets Initiative
[15] Practices expected from Utilities companies by Mirova are detailed in the Energy sector papers here: https://www.mirova.com/en/research/understand

Nuclear power

Nuclear power has a CO_2 footprint equivalent to that of renewable energies because fission reactions emit no greenhouse gases. Nonetheless, it is an energy source with risks of its own:

1/ The risk of nuclear accidents. Events like Three Mile Island, Chernobyl and Fukushima have demonstrated that nuclear accidents can occur.

2/ Management of nuclear waste. Even after reprocessing, by-products of fission result in radioactive waste that remain dangerous for hundreds of thousands of years.

These risks mean that nuclear power is not appropriate in many contexts. Political stability, a high level of technical know-how, and strong, independent nuclear regulatory bodies are essential.

We apply a case-by-case analysis of the strategies pursued by actors within the nuclear industry, especially when they are present in countries where the industry is insufficiently monitored.

Focus: Green Bonds Investments

For the case of green bonds issued by companies involved in energy and electricity production, we conduct a specific analysis. We do not consider an investment in a green bond equivalent to an investment in the issuer itself but rather in the green projects stated in the use of proceeds. To be considered as eligible for investments, the green bond has to comply with the following criteria:

1/ A positive contribution of the use of proceeds to environmental objectives,

2/ A good management of environmental and social risks linked to underlying projects along their life cycle,

3/ An alignment with the credible overall decarbonization objectives by the issuer.

Biodiversity and Deforestation

Activities negatively affecting biodiversity sensitive areas

Biodiversity-sensitive areas refer to locations with a high concentration of biodiversity and high species richness such as primary forests, wetlands, coral reefs etc. They can be protected areas or identified as World Heritage sites. All present specific features which make them of particular importance and as such must be preserved from any activity which might lead to the deterioration of natural habitats and the habitats of species or to the disturbance of species.

Exclusion applies to companies operating in or near biodiversity-sensitive areas with activities negatively affect those areas and failing to disclose a policy and convincing measures to mitigate risks induced by this activity.

Food and farming

Main commodities

World forests cover around 30% of total land surface and are estimated to provide habitat for 60-80% of terrestrial biodiversity[16]. In addition, they are sustaining 86 million green jobs[16]. However, since 1990, deforestation has been responsible for a loss of 10% of current forest surface[17]. The deforestation is primarily tied with a few commodities including beef, palm oil, soy, wood, cocoa, coffee, and rubber.

New forests do not offer and supply the same level of ecosystem services, it is thus a necessity to conserve forests. Some regions, such as South America, Southeast Asia or Africa, have received the most scrutiny because they host the more diverse variety of species, constitute necessary carbon sinks, provide non-negligible amount of freshwater, and provide basic sustenance for local populations. While deforestation in Indonesia has been stable for the past few years, some regions in South America such as the Cerrado or the Brazilian Amazon still struggle to end deforestation. Deforestation in the Cerrado region has surged +43% in 2023 compared to 2022[18].

Although impacts on local species are likely to be irreversible, it is never too late to halt deforestation and to preserve what is left. Despite a global pledge made by more than 100 countries during COP26 in 2021 to put an end to deforestation by 2030, a global policy is still awaited. The European Union has taken recent steps to reinforce regulation around the import of such commodities when linked with deforestation (European Deforestation Regulation).

[16] *Inside the global effort to save the world's forests – UNEP*
[17] *Climate Change and Land, IPCC, 2019*
[18] *Environmental Protection and Sustainable Food Production in the Cerrado Could Create $72bn for Brazil – WEF*

1/ Exclusion applies to beef, palm oil, soy, wood, cocoa, coffee, or rubber producers failing to meet the following criteria:

- **Existing robust zero-deforestation policies, zero peatland conversion, zero biodiversity sensitive areas and high biodiversity value land conversion;**
- **Existing audit process and effective grievance mechanisms to identify and remedy adverse social and environmental practices;**
- **Transparent reporting on governance of the deforestation policy, implementation, verification tools and impact KPIs.**

2/ For companies operating in downstream value chain of the mentioned main commodities, we expect companies to implement credible supply chain traceability systems up to the farm / point of production. We also expect transparency on controls, audits, and grievance mechanisms.

Palm oil

Palm oil has been used for many years and valued for its low cost of production, absence of smells, versatile texture. It can be found in nearly everything, it is now estimated to be found in more than 50% of packaged[19] products, from snacks and food products to home and personal care products such as deodorant, shampoo, toothpaste, and laundry products. It's also used in animal feed and as a biofuel in many parts of the world.

However, palm oil production has considerably damaged local ecosystems due to deforestation, its impact on climate change and biodiversity loss. It also continues to raise social concerns: infringement on indigenous rights, and negative health impacts. It is estimated that oil palm plantations are directly responsible for about 15% of total deforestation measured between 1990 and 2015 in Indonesia and 40% in Malaysia[20]. Globally, the role of oil palm in deforestation between 1990 and 2008 is about 2.3%[20]. Notably with the increase in the demand for vegetable oils, the demand of palm oil is expected to increase to nearly double by 2050.

As a result, ensuring a sustainable sourcing and supply of palm oil is crucial. Efforts to structure a responsible palm oil supply chain started around 20 years ago. Compared to other commodities, the palm oil supply chain has currently achieved the most maturity and transparency, notably thanks to the RSPO (Roundtable on Sustainable Palm Oil) initiative. Although the initiative has faced criticism in the past related to the governance of the structure, we value the ambition to audit companies systemically and adequately and to take smallholders situation into account. Moreover, it is the first and only global organisation attempting to address complex supply chain issues at a large scale.

1/ In addition to the criteria mentioned for main commodities, exclusion applies to palm oil producers failing to subscribe to the RSPO (Roundtable on Sustainable Palm Oil), and to certify their entire production.

[19] *RSPO estimation*
[20] *Palm oil – French National strategy to combat imported deforestation*

Soy

Soy is mainly used in the production of protein soy cakes dedicated to feed livestock. Almost 80% of the world's soybean crop is fed to livestock, especially for beef, chicken, egg, and dairy production (milk, cheeses, butter, yogurt, etc)[21]. Oil derived from soy is also used in first generation biodiesel. Overall, it is estimated that soy production has more than doubled over the last two decades[21].

Soy production is one of the key drivers of deforestation. Livestock farming is responsible for two third of agriculture-led deforestation worldwide[22], explained by the conversation of forests and savannahs to farmlands. The expected expansion of meat consumption driven by population increase is likely to lead to the production of 411 Mt by 2030[23], which is more than double the combined output of other oilseeds.

In the 2000s, a sectoral agreement, the "Brazil's Amazon Soy Moratorium", prevented commodities traders from purchasing soybeans from areas that were deforested after 2008. While it has had some positive impact and reduced deforestation locally, it has been recognized that deforestation has been displaced more than reduced. The Cerrado has been identified as one of the regions where natural conversion to soy has continued[24].

In addition to the criteria mentioned for main commodities, exclusion applies to soy producers failing to commit to end sourcing from the Brazilian Amazon and Cerrado region.

Beef

Animal farming plays an important role in our global food systems. Limited animal protein intake can provide essential proteins and vitamins needed for human diet. Besides animals play an essential role in nutrient recycling and fertilization in mixed farming systems[25].

Yet, beef is the single largest cause of deforestation due to pasture and soy production, amounting to 36% of agriculture-led deforestation[22]. Methane is also a leading cause of climate change over the short term and is significantly released by (cattle) livestock[26]. Per weight of protein, beef is 6x more intensive on land (and 36x more intensive in GHG emissions) than pea proteins[22]. From a health perspective, beef production contributes to the emergence of zoonoses[27] (70% of new diseases have originated in animals); and microbial resistance, resulting from the overuse of antibiotics[28]. Livestock uses 41% of agriculture water, which is itself the first water use sector, causing depletion of groundwater[29].

[21] *Soy – WWF*
[22] *Poore et Nemecek, 2021*
[23] *OECD-FAO, 2021*
[24] *WWF, 2021*
[25] *Circular agrofood system - WUR*
[26] *Food systems account for over one-third of global greenhouse gas emissions | UN News*
[27] *A zoonosis is an infectious disease that has jumped from a non-human animal to humans.*
[28] *IPBES – Zoonoses 2021*
[29] *Water use in global livestock production – opportunities and constraints for increasing water productivity | SEI*

As for the other mentioned commodities, some efforts have been made to avoid deforestation linked with the beef industry. Yet, a global policy is still awaited.

In addition to the criteria mentioned for main commodities, exclusion applies to companies engaging in the expansion of beef production capacity without a convincing strategy focused on the protection of ecosystems and failing to demonstrate a strong rationale around the environmental benefits of this strategy.

Aquaculture and fisheries

Fisheries are crucial for the livelihoods of coastal communities and for global food security. It is estimated that the livelihoods of 492 million people globally are reliant on small-scale fisheries[30]. Fish stocks are, however, under pressure with more than 90% of the global fish stocks either fully exploited or over exploited[31]. In addition, commercial fishing can also have negative ecological impacts through capture of non-target species, which are subsequently discarded, and direct damage to benthic ecosystems through bottom trawling[32]. It's been estimated that 9.1 million tons (or 10.8% of global catch) is discarded annually[33].

Aquaculture is a growing industry, and today represents nearly half of the total global production of aquatic animal biomass[30]. While it is necessary to ensure food security, biodiversity protection, poverty reduction and economic development, aquaculture has also been associated with a range of environmental and social risks, including pollution, negative impacts of feed production, deforestation, and dissemination of invasive species[34].

Preserving specific aquatic species is also fundamental to maintain our ecosystems. For example, Antarctic krill are supporting populations of wildlife animal in the regions and as they feed on phytoplankton, they also play a role in absorbing carbon dioxide. This resource is facing significant pressure due to overfishing, pollution, and climate change impacts including loss of sea ice and ocean acidification.

1/ In addition to the criteria mentioned for main commodities, exclusion applies to wild-caught fisheries and aquaculture producers that have not committed to ban the following activities:

- **Harvesting essential / critical species such as Antarctic krill**
- **Exploiting fisheries where the targeted stock is overfished or subject to overfishing.**

2/ In addition to the criteria mentioned for main commodities, exclusion applies to seafood processing and /or fishing activities where there is a high likelihood of non-compliance with the ILO Core Labour Standards, without a vigilance plan to remediate such exposure.

[30] *WCS Community Fisheries Program*
[31] *FAO The State of World Fisheries and Aquaculture (SOFIA) 2022*
[32] *USGS. 2016. What a Drag : The Global Impact of Bottom Trawling.*
[33] *Gilman, E., Perez Roda, A., Huntington, T. et al. Benchmarking global fisheries discards. Sci Rep 10, 14017 (2020).*
[34] *Naylor et al. 2021. A 20-year retrospective review of global aquaculture. Nature*

Plantations and tropical timber

Against the background of increasing demand for wood products combined with land pressure caused by agriculture land expansion, plantations offer the opportunity of contributing to meeting human biomass needs thanks to their optimised high productivity while releasing pressure from logging activities on naturally regenerating forests. Comprising 3% of world forested area[35], short-rotation plantations can even have direct local positive environmental impacts when they are planted on degraded and unproductive soils, or when they release human pressure on primary forests caused by activities such as fuelwood sourcing. Through careful design and management, forest plantations can mitigate biodiversity habitat fragmentation through creation of ecological corridors between primary forests patches. Mosaic planting, whereby commercial tree species are planted alongside stands of natural habitat (which is either restored or conserved), can also promote biodiversity benefits[36].

The potential environmental and social risks associated with plantation forests are complex. Plantations are notably regularly accused of reducing biodiversity and the ecological services provided by local ecosystems compared to their natural counterparts, notably by eroding soil fertility or reducing water availability. Negative social impacts, such as displacement due to land acquisition as well as health and safety or labour conditions also require close attention.

1/ Exclusion applies to companies engaging the operation of plantations in tropical High Conservation Value areas and/or logging of tropical wood from natural forests.

2/ For companies operating in downstream value chain, we expect companies to implement credible supply chain traceability systems up to the farm / point of production. We expect transparency on controls, audits, and grievance mechanisms.

Genetic engineering

While we acknowledge the public mistrust surrounding GMOs and, more broadly, vegetable biotechnology, we believe these technologies have an often-overlooked role to play in ensuring food security and improving nutrition. Given that biotechnology can lead to more efficient plant breeding, offering possibilities beyond what can be achieved using conventional techniques, we do not consider its use as a reason for exclusion in and of itself.

However, most of the GMOs marketed today support conventional farming practices as herbicide-tolerant or insect-resistant crops. We thus consider them akin to conventional agrochemicals which tend to create negative effects on ecosystems and do not present any environmental or social benefit.

We apply a case-by-case analysis of the strategies pursued by actors involved in genetic engineering, looking specifically at their commitment to appropriate risk management and transparency around the potential impacts of their products.

[35] *FAO. 2020. Global Forest Resources Assessment 2020: Key Findings.*
[36] *New Generation Plantations – About*

Pollutions

Chemicals

Pollution is currently the 4th largest driver of biodiversity erosion and causes 2 million deaths per year[37]. Driven by the increasing traction for innovative products in various industries, new chemical substances are accumulating in the environment. Some Persistent Organic Pollutants (POP) such as Per- and poly- fluoroalkyls (PFAS) are particularly toxic to living organisms. They can notably lead to water and soil contaminations and cause severe health conditions. As of today, there is no option to remediate these pollutions.

The toxicity of most substances to health and the environment is still unknown. The toxicity assessment is indeed neither systematic nor independent. It is often conducted by companies themselves which may lead to moral hazard if a chemical substance is found to be toxic. The precautionary principle should prevail to limit the risks, in other words it is often accepted that if there is a risk of harm to the public or the environment and no scientific consensus, the substances should not be developed – yet, it is not always the case.

The European Union has been at the forefront to classify chemicals in different categories to account for the pending toxicity assessment of emerging substances and the added risks induced by the mixing of substances in products. It distinguishes:

- Substances banned for use (REACH Annex XIV),
- Substances banned for use in some applications due to heightened risks,
- Substances suspected of toxicity and subject to specific labelling (Substances of Very High Concern - SVHC),
- Products banned for use.

Despite these efforts, the lack in a consistent global approach and reduced scope of existing chemicals regulation has led to highly hazardous substances still being produced and exported.

1/ Exclusion applies to chemical substances manufacturers involved in the production and sales of:

- **Per and poly fluoroalkyls (PFAS) substances as defined by OECD terminology**
- **Persistent substances listed in annex A to the Stockholm Convention (POP)**
- **Substances banned for use in any application (REACH Annex XIV) without plans to reduce and/or substitute and/or ban production.**

2/ Exclusion also applies to chemical products formulators and retailers selling products containing REACH Annex XIV substances, POP substances and SVHC without credible plans including targets and timeline to reduce, substitute and/or ban production/sales.

[37] *Guidance on chemicals and health – WHO*

Agrochemicals

Agrochemicals are becoming increasingly controversial due to their impacts on the health of farmers, end-users, and local communities. Local bans on certain products, lawsuits from farmers indicating the harmful effect of products, and an increasing number of scientific studies suggest causality between the use of agrochemicals and serious illness on humans but also sublethal impact on pollinators participating in abundance reduction.

While agrochemical substances are regulated at the international level, products market authorization are regulated at the country level inducing increased risk in developing countries displaying limited rule of law which drives us to align our assessment with most stringent of regulations.

Exclusion applies to companies producing Highly Hazardous Pesticides (HHP) according to 'WHO Recommended Classification of Pesticides by Hazard' or listed active substances contained within with >5% sales exposure and no timebound phaseout plan.

In addition, for agricultural and forestry projects that we finance directly, use of agrochemicals containing HHP according to the 'WHO Recommended Classification of Pesticides by Hazard' is not permitted unless under a time-bound phase out plan or where there are no feasible alternatives.

Plastics

Driven by economic and population growth, the use of plastics and plastic waste are expected to almost triple globally by 2060[38]. Plastic consumption and related waste are responsible for significant impact on ecosystems notably marine ecosystems and human health. Currently, half of all plastic waste is still being landfilled, less than a fifth recycled and over a quarter leak into our environment[39]. Plastic pollution is mostly caused by flexible plastic packaging originated by the consumer goods and food sectors. The second cause of pollution is lost fishing gears. Macroplastics discharge into the ocean is causing biodiversity loss through entanglement of large animals. Microplastics are altering human health and biodiversity through spread of toxic plasticizers used as coatings.

Plastic waste exports have now been banned, yet the lack of recycling capacity continues to be a major hurdle for a sustainable end of life management. The use of non-recyclable polymers and the mixing of polymers in pigments, coatings, adhesives, alongside a reduced packaging size and lack of separate collection schemes have been continued challenges to increase the share of recycled content in new packaging. Among polymers, PET bottle circularity is most advanced, and shows an average 11% recycled content in the European Union[40].

While an international treaty on plastics is awaited, relevant regulations include different mechanisms, such as the reduction of total amount of plastics

[38] *Plastic waste projections to 2060 – OECD*
[39] *Plastic waste projections to 2060 – OECD*
[40] *Eunomia PET Market In Europe: State Of Play 2022*

manufactured, recyclability of plastics, circular systems, such as collection of single use plastics wastes, and implementation of new tax.

Exclusion applies to:

1/ Manufacturers of polymers most likely used in single use items and packaging: LDPE[41], LLDPE[42], PS[43], PET[44], without targets to increase recycled content.

2/ Companies generating more than 10% revenue from PET beverage packaging manufacturing with recycled content below industry/local average[45].

3/ Manufacturers of single use plastic packaging, cutlery, fishing nets and related items without clear targets on increasing recycled content and enhancing effective recyclability.

[41] Low Density Polyethylene
[42] Linear low-density polyethylene
[43] Polystyrene
[44] Polyethylene terephthalate
[45] The European average is often used for benchmark purposes.

Health and Addiction

Alcoholic beverages

Companies producing and retailing alcoholic beverages face significant risks related to harmful social effects stemming from their products. The World Health Organization has highlighted mounting evidence that "no level of alcohol consumption is safe for our health"[46]. A new statement clarifies that currently available evidence does not identify a threshold "at which the carcinogenic effects of alcohol "switch on" and start to manifest in the human body". Moreover, a casual alcohol consumption can trigger physically violent behaviours, increased incidence of road accidents, depression etc. This update is shedding light on often overlooked risks, yet the latest WHO strategy is still focusing on the "harmful use of alcohol" which is the most correlated with higher health risks, including heart diseases, liver diseases, high blood pressure etc.

Alongside the individual factors mentioned above, some macro factors are also at play in the development of alcohol use patterns, such as culture, which often influences acceptability, implementation of local regulation, affordability, and availability of alcohol as well as marketing of alcoholic beverages. As of today, alcohol manufacturers mostly carry only the responsibility for marketing and promotion, leaving the responsibility of control and limited distribution up to retailers and regulators. However, there is a lack of sufficiently developed national systems for monitoring alcohol consumption. Thus, most alcohol manufacturers are unable to provide evidence that their products are not fuelling a public health crisis.

Exclusion applies to:

1/ Companies/project generating more than 1% revenues in alcohol manufacturing, involved in active promotion of their products (including advertisement and event sponsoring), and unable to demonstrate direct and robust control over their distribution channels.

2/ Direct retailers and wholesalers with more than 5% and 10% revenues respectively from alcohol distribution with no direct and robust guidelines to limit consumption.

Sugar-sweetened beverages

Sugar-sweetened beverages create significant, negative impacts on human health, especially due to their connection to obesity and type 2 diabetes. The World Health Organization recommends that the consumption of added sugars be limited to 5-10% of daily energy intake[47]. However, actual sugar consumption is substantially higher (and rising) in many countries. Sugar-sweetened beverages are a major contributor to excess sugar consumption. Furthermore, as calories in liquid form are not recognized by the digestive

[46] No level of alcohol consumption is safe for our health - WHO January 2023
[47] World Health Organization, WHO calls on countries to reduce sugars intake among adults and children, 4 March 2015

system in the same manner as calories in solid form, those that consume sugary beverages tend to take in more calories than those who do not.

To minimize the public health impacts of sugar consumption, regulators have started implementing taxes on highly sweetened products and beverages to reduce consumption of these products. However, we have yet to see stronger restrictions (e.g. banning the sale of these products to consumers under a certain age) as with the sale of alcohol and tobacco. Companies have responded by working to decrease the amount sugar in their products, in part by developing low-calorie sweetener alternatives. Since studies have not yet been conclusive on whether low-calorie sweeteners are healthier than the sugars they replace, we consider them equivalent to sugar as a precaution.

Companies that sell products with added sugar in solid form are not necessarily excluded, but are instead subject to a case-by-case analysis, including 1) a strategy to decrease the sugar, salt, and fat in their products with time-bounded targets, 2) a transparent and third-party verified measurement of their products' nutritional profile, 3) responsible marketing practices that promote a healthy lifestyle and limit marketing of sugary products to children, and 4) transparent nutrition labels.

1/ Exclusion applies to beverage manufacturers with >10% revenues derived from sugar sweetened beverages and involved in active promotion of their products (including advertisement and event sponsoring), and unable to demonstrate direct and robust control over their distribution channels.

2/ Direct retailers and wholesalers with more than 5% and 10% revenues respectively from sugar-sweetened beverages distribution with no direct and robust guidelines to limit consumption.

Tobacco

The tobacco epidemic is one of the most widespread and serious global public health threats – with its effects counteracting the advances in health made in the past. The World Health Organization estimates that around 8 million tobacco-related deaths occur each year around the world[48].

In 2005, the WHO Framework Convention on Tobacco Control (WHO FCTC) came into force. Its main objective is to protect present and future generations from the devastating health, social, environmental, and economic consequences of tobacco consumption and exposure. Ratified by 183 countries covering 90% of the world's population, the WHO FCTC is a legally binding treaty by which these countries commit to developing and implementing a series of evidence-based tobacco control measures to regulate the tobacco industry, reduce demand for tobacco and provide alternatives to those involved in growing and producing tobacco.

Exclusion applies to tobacco production[49] companies or companies with 5% revenues from tobacco retail and wholesale.

[48] *World Health Organization, Fact Sheet Tobacco, last updated on 26 July 2021*
[49] *Including alternative to nicotine products*

Cannabis

Cannabis contains a variety of different compounds, namely cannabidiol (CBD) and tetra-hydro-cannabinol (THC). CBD is not psychoactive but is used as a medicinal ingredient. THC is a psychoactive substance with various legal standings, depending on the country or state.

Consumer goods: Companies producing, and marketing cannabis-based foods, beverages, and cosmetics have limited risks associated with the use of their products because they generally only contain CBD (no psychoactive component). However, there is still very little knowledge around the true positive and negative effects of these products over the long term, and no regulation marketing.

Pharmaceutical cannabis-based products: Health authorities have issued stringent regulation regarding the medical applications of pharmaceutical cannabis-based products. Use is limited to certain specific health conditions, and full medical trials are required; these medicines must be approved, licensed, and prescribed. The sustainability assessment of cannabis-based pharmaceutical companies follows the same principles as the broader pharmaceutical industry; cannabis-based pharmaceuticals will not be considered controversial products.

Recreational cannabis-based products: in jurisdictions where permissible by law, companies can sell THC-containing cannabis products for recreational use. At present, the World Health Organization discourages the protracted use of cannabis due to reported acute and chronic health effects, and reports that substance abuse is recurrent among young consumers[50].

Exclusion applies to all companies exclusively involved in producing and retailing recreational cannabis.

We apply a case-by-case approach for other companies operating in the cannabis industry. Marketing policies and practices are analyzed to assess their risk management profile, especially in countries where regulation around cannabis in consumer goods is scarce.

Gambling

Gambling companies' business creates substantial social risks, namely addiction and over-indebtedness. We do not consider any company exposed to gambling as having sufficient policies to properly address the social risks linked to their activities.

Exclusion applies to companies with >5% revenues derived from gambling.

50 World Health Organisation, The health and social effects of nonmedical cannabis use, last updated on 11 November 2016

Fundamental Rights

Military equipment and weapons

Military equipment can play a role in both war and peace; they are not necessarily excluded. The term "military equipment" includes all weapons, weapon systems, platforms, and ammunitions. Military equipment also refers to products which have not been designed for combat such as vehicles, military clothing, protection items etc. Although military equipment can contribute to peacekeeping, weapons must not be used on a discretionary basis or against civilians.

For this reason, our exclusion only targets weapons for which non-reexportation cannot be ensured. Exportability is qualified when the company cannot guarantee that their products will not be exported or re-exported to high-risk, undemocratic countries, where they may be used against civilians.

Weapons are defined as products, or components that are:

- **Key for lethality**/ essential in the offensiveness of these products. In other words, those that have been developed for military purposes and designed to injure/kill human.
- **Tailor-made:** developed primarily to be integrated into a weapon system.

Exclusion applies to companies with:

- **>0% revenues derived from re-exportable weapons (as defined above);**
- **>0% revenues of banned or controversial weapons such as antipersonnel mines, cluster munitions, biological and chemical weapons, depleted uranium, and nuclear weapons.**

No exclusion applies to other military equipment not considered key for lethality (vehicles, soldiers protections, GPS etc) or for which non-reexportability can be ensured.

Adult entertainment

Companies involved in producing and retailing adult entertainment are exposed to high social risk, especially related to human trafficking. We have not identified any companies involved in this industry within our investment universe, and do not consider any company in the sector as having developed sufficient policies to properly address its social risks.

Exclusion applies to companies with >5% revenues derived from adult entertainment.

Animal testing

In the pharmaceutical industry**:** While animal testing can appear to be irrelevant and cruel in some industries, the development of medical products continues to require pre-clinical tests, usually performed on animals due to the lack of suitable alternatives. Pharmaceutical companies performing animal testing are not excluded yet are instead expected to formalize an ambitious commitment to the three "Rs" (Reduction, Refinement, Replacement) which entails the minimization of experiments on animals whenever substitute tests are possible, the avoidance of animal suffering and a commitment to finding alternatives to animal testing. Companies are also expected to invest in the development of alternatives to animal testing through in vitro methods or advanced computer-modelling techniques.

In the cosmetic or retail industry**:** Animal testing in other industries persists, though some markets such as the European Union have started to ban animal testing for cosmetics. In the past, China required by law to test imported products on animals, though such regulation is slowly changing. Consequently, we expect companies to commit to not testing their products on animals unless it is stipulated by legal regulations or accepted alternative test methods obtaining the necessary safety data are not available. We also expect the formalization of the strategy to implement the three "Rs".

We apply a case-by-case analysis of the strategies implemented by companies in these sectors, looking specifically at their commitment to reducing the number of tests conducted on animals and to develop relevant and effective alternatives. We engage with companies to ensure the development and implementation of robust 3Rs policies.

Stem cell research

Stem cell refers to cells that can be self-renewed, multiply infinitely and differentiate into all types of human cells. Stem cell research carries the potential to actively contribute to addressing unmet medical needs by improving the understanding of disease occurrence, presenting opportunities in the development of transplant and regenerative medicine, or being used for diabetes, Parkinson's, or Alzheimer's disease treatments. As of today, only a small number of stem cell treatments have been authorized by national regulators. Caution should be exercised due to the remaining lack of scientific evidence of stem cell therapy's safety[51].

Most stem cells are collected from embryos or fetal tissues. While adult stem cells exist, they may not produce all other cell types, remain sensitive to environmental hazards, or may contain errors resulting from the process of cell replication. The development of "induced pluripotent stem (IPS) cells" (cells which have been reprogrammed back into an embryonic state) is promising, yet such cells still struggle to deliver similar benefits. Thus, at this point, no suitable alternative has been identified to conduct this research.

International bodies such as the World Health Organization are still calling for stronger international regulation on stem cell research and therapies.

[51] *Bulletin – World Health Organization; 2017 Regulating the stem cell industry: needs and responsibilities* https://www.who.int/bulletin/volumes/95/9/16-189977.pdf

Regarding embryos research in France, for example, regulation imposes using only embryos from in vitro fertilization for which the parental project was ultimately abandoned. Some countries such as Germany prohibit research on human embryos, yet working with imported embryonic stem cell lines is permitted if the stem cells line had been created prior to a specified cut-off date[52]. Stem cells may also be collected from tissues of aborted fetuses. In this case, the regulation is often tied up with political and ideological considerations. Considering the lack of standardized regulation, it is difficult to solely rely on national laws to enforce minimum ethical standards. The International Society for Stem Cell Research (ISSCR)[53] issued specific guidelines. While they lack specification on political enforcement, we consider many of these guidelines essential in ensuring minimum standards of ethics:

- **Existence of a scientific oversight process** to review and to raise potential bioethics dilemma about, among others, procurement of embryos. The role of the process is also to assess the scientific rationale of the research proposal. Stem cell research should serve solely a medical purpose and should not be used in any genetic manipulation, human reproductive cloning projects, or chimera creation projects.
- **Informed consent:** Voluntary informed consent should always be provided by donors. Full transparency on the origin of the stem cells is necessary to initiate research.
- The prerequisite for an ethical sourcing of stem cells is that fetal tissue **should strictly come from donation** following an abortion or stillbirth. Research should only be conducted from in vitro embryos for which the parental project would have been abandoned. The creation of a stem cell line can be approved for the study of specific pathologies but should remain under the control of the oversight body.
- **No incentive** should exist to encourage women to donate embryos or fetal tissues. No remuneration or compensation should be allowed to encourage the harvesting of embryos.

No specific exclusion applies for companies conducting stem-cell research. However, companies are expected to comply with stringent ethical standards including those mentioned above and to provide relevant evidence the research is conducted for a medical purpose (without suitable alternative available). Assessment is done on a case-by-case basis, with a specific focus on companies exposed to less regulated areas and is included in our engagement with the companies.

[52] *Regulation of stem cell research in Germany – EuroStemCell*
[53] *ISSCR Guidelines for Stem Cell Research and Clinical Translation*

Governance and International Conventions

Tax havens

When companies pay taxes, they are essentially contributing to the social development of a country. Through this mechanism, companies can participate in governmental budgets for social development and contribute to the public welfare.

However, there are still some jurisdictions that facilitate tax fraud and avoidance, reducing companies' positive social contribution through tax payments. We also carefully consider to what extent companies participate in tax optimization.

1/ Exclusion applies to companies registered or headquartered in any of the following countries or territories and to conventional and sustainability bonds from sovereigns and sub-sovereigns from the following countries or territories:

- **Included in the EU list of non-cooperative jurisdictions for tax purposes[54] and/or**
- **Included in the OECD list of non-cooperative jurisdictions for tax purposes[55] and/or**
- **Ranked between 90 and 100 by the Corporate Tax Haven Index of the Tax Justice Network[56].**

2/ A case by case analysis is conducted for the investment in non-listed projects located in the above-mentioned list. The analysis is based on various governance aspects and any investment will be backed by a robust due diligence process.

Rule of law

The rule of law is a durable system of laws, institutions, norms, and community commitment that delivers four universal principles: accountability, just law, open government, and accessible and impartial justice. Respect for the rule of law and fundamental freedoms plays a pivotal role in providing public services, managing public resources, and upholding civil rights. When it is not respected, there is no insurance public funds will be effectively used for the implementation of policies and initiatives that are beneficial for the environment or society.

Private companies or projects located in countries where rule of law is limited and operating in sectors such as extractives, energy or banks can be considered riskier, due to potential ties with local governments but also because these activities may support local leadership. However, some sectors

[54] EU list of non-cooperative jurisdictions for tax purposes – European Council
[55] The List of Uncooperative Tax Havens – OECD
[56] Corporate Tax Haven Index – Tax Justice Network

offer significant social or environmental benefits such as access to water, healthcare, and food that are considered essential for local population.

The rule of law is analysed based on two aspects: the extent of corruption, and the state of freedoms. For corruption, Mirova relies on Transparency International's Perceived Corruption Index, which annually rates countries from 0 (highly corrupt) to 100 (very clean). In line with their rating scale, Mirova retains scores under 30/100 as a potential exclusion threshold, and 40/100 to flag high risk cases that merit in-depth analysis. For freedoms, Mirova used Freedom House's work, which annually assesses country's degree of political freedoms and civil liberties, and classifies countries as "Free", "Partly Free", or "Not Free". Mirova uses the latter level as a flag.

Mirova opts for a differentiated approach by asset class. Non-listed assets and sustainability bonds are intrinsically targeting high-sustainability value projects and therefore often more likely to be located in higher-risk areas. Their eligibility relies on an in-depth review/monitoring of the relevance of the project and its governance. Conversely, corporates' country risk is mostly linked to the involvement in activities considered strategic to local regimes and should notably be scrutinized on this aspect. For sovereigns' conventional debt, as financings are ring-fenced the exposure to risks is difficult to mitigate, calling for additional precaution.

For listed companies (equity and corporate bonds):

Exclusion applies to all listed companies headquartered or incorporated in countries rated below 30 on Transparency's perceived corruption index AND "Not Free" by Freedom House.

Beyond that, and for any listed asset issued by companies headquartered or incorporated in countries rated between 30 and 40 on Transparency's perceived corruption index and/or "Not Free" by Freedom House, an in-depth analysis is conducted based on the strategic nature of their activity to the regime, their exposure to acute risk of human rights abuses pertaining to the local context, and/or the robustness of governance practices preventing negative influence from local/state authorities.

For sovereign or sub-sovereign debt:

Exclusion applies to any debt issued by countries rated below 30 on Transparency's perceived corruption index AND Not Free by Freedom House.

For countries rated below 40 on Transparency's perceived corruption index and/or "Not Free" by Freedom House, conventional debt will be excluded, and an in-depth analysis is conducted for sustainability bonds. This analysis will take into consideration the framework's relevance with the country's social and environmental needs as well as the robustness of governance practices, preventing negative influence from local/state authorities.

For non-listed projects:

Exclusion applies to projects located in open conflict zones where main diplomatic agencies recommend avoiding travel, which prevents the completion of normal due diligence process.

An in-depth analysis is conducted for countries rated below 40 on Transparency's perceived corruption index and/or "Not Free" by Freedom

House, based on the strategic nature to the regime, the high risk of exposure to human rights abuses and/or the robustness of governance practices, preventing negative influence from local/state authorities.

Money laundering and terrorist financing

Money laundering and the financing of terrorism have been major concerns for international organisations as it poses major risks to the stability of economy and financial systems and to the security of citizens. Since 1989, the Financial Action Task Force (FATF) has been leading global action to research the mechanisms of money laundering and terrorism financing. It also promotes global standards to mitigate the risks and assesses whether countries are taking effective action.

1/ Exclusion applies to companies incorporated or headquartered in, and conventional sovereign debt or sub-sovereign issued by countries included in the "Black" and "Grey" lists of the FATF[57]

2/ Exclusion applies to non-listed projects or green and social bonds issued by countries or territories included in the "Black" lists of the FATF. A case-by-case analysis is conducted for the investment in non-listed projects or green and social bonds issues by countries included in the "Grey" lists of the FATF. The analysis is based on various governance aspects and backed by a robust due diligence process.

UN Global Compact's principles and/or OECD guidelines

The UN Global Compact and the OECD Guidelines for Multinational Enterprises are comprehensive, voluntary corporate responsibility initiatives. They are articulating principles of responsible business conduct, hence draw on international standards enjoying widespread consensus. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core principles in the areas of human rights, labour standards, the environment and anticorruption. The OECD Guidelines establish non-binding principles and standards covering such areas as human rights, disclosure of information, anti-corruption, taxation, labour relations, environment, competition, and consumer protection. More specifically, we also analyse companies measures to ensure Free Prior Informed Consent and to comply with customary and legal land rights.

Exclusion applies to companies in serious and/or repeated breach of UN Global Compact's principles and/or UN Guiding Principles on Business and Human Rights and/or OECD Guidelines for International Companies.

[57] *"Black and grey" lists - Financial Action Task Force (FATF)*

Specific exclusions

Additional exclusions to Mirova standard policy may be implemented either to comply with label requirements or specific investors' requirements.

For our labelled funds, under the Belgian label "Towards Sustainability"[58] and the French label "Greenfin"[59], additional screenings meeting the specific criteria and exposure thresholds of the companies are applied.

Exclusions specific to Greenfin labelled funds

Beyond our minimum standards, in accordance with the label's specifications[60], exclusion from our Greenfin labelled portfolios applies to:

• companies that develop new projects for the exploration, extraction, transport (of coal, oil or gas pipelines) and refining of solid, liquid or gaseous fossil fuels, as well as new capacities for electricity production from solid, liquid or gaseous fossil fuels,

• companies whose activity is more than 5% in the following fossil fuel value chain activities: exploration, extraction, refining of solid, liquid and gaseous fossil fuels, production of derived products from solid, liquid and gaseous fossil fuels, transport/distribution and storage of solid and liquid fossil fuels, production of energy in the form of electricity and/or heat, heating and cooling from fossil fuels, liquid and gaseous, supply of solid and liquid fossil fuels.

• companies whose turnover is equal to or greater than 30% in the following activities: transport, distribution and storage of gaseous fossil fuels, supply services for gaseous fossil fuels, storage and landfilling facilities without greenhouse gas capture, incineration without energy recovery, energy efficiency for non-renewable energy sources and energy savings related to the optimization of extraction, transport and electricity production from fossil fuels, logging, unless it is sustainably managed as defined in Annex 1, and agriculture on peatlands, production, transport and distribution/sale of equipment and services provided/to be provided to customers in strictly excluded sectors (as defined above).

Exclusions specific to Towards Sustainability labelled funds

Fossil fuels

Conventional oil and gas

Beyond our minimum standards, in accordance with the label's specifications, exclusion from our Towards Sustainability labelled portfolios applies to companies involved in the exploration, extraction, refining and transportation

[58] See: https://towardssustainability.be/
[59] See: https://www.ecologie.gouv.fr/label-greenfin
[60] *These criteria may be reviewed according to changes in the label's specifications.*

of conventional oil and gas or providing dedicated equipment or services therefor, if they do not meet at least one of the following criteria

- Governance: The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.
- Non-expansion of adverse impact: The company shall currently not be involved in exploration, and not be involved in exploitation or development of new oil or gas fields.
- Transition of operations: The company shall meet at least one of the following criteria:
    - Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment.
    - Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO_2e/MJ in 2023, or other science-based alignment assessment)
    - Derive less than 5% of its revenues from exploration, extraction, refining and transportation of conventional oil and gas or providing dedicated equipment or services therefor
    - Have less than 15% of CapEx dedicated to activities under a) and not with the objective of increasing revenue

    Have more than 15% of CapEx dedicated to contributing activities

Unconventional oil and gas

For companies involved in the exploration or extraction of unconventional oil and gas or providing dedicated equipment or services, the exclusion applies if absolute production of or capacity for unconventional oil and gas-related products/services is increasing and if they do not meet at least one of the following criteria:

- Governance: The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.
    - Non-expansion of adverse impact: The company shall currently not be involved in exploration, and not be involved in exploitation or development of new unconventional oil or gas fields.
    - The company's absolute production of unconventional oil and gas or capacity for exploration or extraction of unconventional oil and gas or providing dedicated equipment or services shall not be increasing
- Transition of operations: The company shall meet at least one of the following criteria:
    - Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
    - Derive less than 5% of its revenues from exploration or extraction of unconventional oil and gas or providing dedicated equipment or services
    - Unconventional oil and gas production is less than 5% of total oil and gas production.
    - Have more than 50% of CapEx dedicated to contributing activities

Coal

For companies involved in the exploration, mining, extraction, transportation, distribution or refining of thermal coal or providing dedicated equipment or services therefor, the exclusion applies if absolute production of or capacity for thermal coal-related products/services is increasing and if they do not meet at least one of the following criteria:

- Governance: The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.
- Non-expansion of adverse impact:
  - The company shall currently not be involved in coal exploration, and not be involved in the exploitation or development of new coal mines.
  - The company's absolute coal production or capacity for activities under a) shall not be increasing.
- Transition of operations: The company shall meet at least one of the following criteria:
  - Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
  - Have an annual thermal coal production less than 10Mt and derive less than 5% of its revenues from exploration, mining, extraction, transportation, distribution or refining of thermal coal or providing dedicated equipment or services therefor. For transportation, the revenue threshold is 10%.
  - Have less than 10% of CapEx dedicated to activities under a) and not with the objective of increasing revenue
  - Have more than 50% of CapEx dedicated to contributing activities

Sovereign bonds

Exclusion from our Towards Sustainability labelled portfolios applies to sovereign bonds[61] issues by:

- States that have not ratified or have not implemented in equivalent national legislation:
  - the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work
  - at least half of the 18 core International Human Rights Treaties
- States which are not party to:
  - the Paris Agreement
  - the UN Convention on Biological Diversity
  - the Nuclear Non-Proliferation Treaty
- States with particularly high military budgets (>4% GDP)
- States considered "Jurisdictions with strategic AML/CFT deficiencies" by the FATF
- States with less than 40/100 on the Transparency International Corruption Perception Index
- States qualified as 'Not free' by the Freedom House "Freedom in the World"-survey
- States that have death penalty legal and in use

[61] *Use-of-proceeds instruments issued by States can be eligible.*

Implementation and controls

Failure to meet the minimum standards described in this document leads to a “Negative impact" assessment according to our internal qualitative rating scale. “Negative impact” ratings mean that issuers are excluded from Mirova’s portfolios.

For all asset classes, pre-trade (pre-transaction) and post-trade (post-investment) checks on the ESG rating are carried out on Mirova’s funds with a view to ensuring the eligibility of investments. Second-level controls are also performed by Mirova’s Risk and Compliance teams.

With regards to specific exclusions of labels or client requirements, compliance is carried out as part of the internal checks integrated into the analysis performed by Mirova’s Sustainability Research department for private assets. For listed asset, compliance is carried out on the basis of data provided by an external extra-financial agency. Alerts are issued for the investments concerned. When an alert is identified, it is analysed by the Sustainability Research department with information from other sources and/or from the dialogue with the company concerned in order to determine the company's actual level of involvement. Exclusion is effective when the alert is confirmed by the Sustainability Research department.

LEGAL INFORMATION

ABOUT MIROVA

Mirova is a global asset management company dedicated to sustainable investing and an affiliate of Natixis Investment Managers. At the forefront of sustainable finance for over a decade, Mirova has been developing innovative investment solutions across all asset classes, aiming to combine long term value creation with positive environmental and social impact. Headquartered in Paris, Mirova offers a broad range of equity, fixed income, multi-asset, energy transition infrastructure, natural capital and private equity solutions designed for institutional investors, distribution platforms and retail investors in Europe, North America, and Asia-Pacific. Mirova and its affiliates had €30.9 billion in assets under management as of March 31, 2024. 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*

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