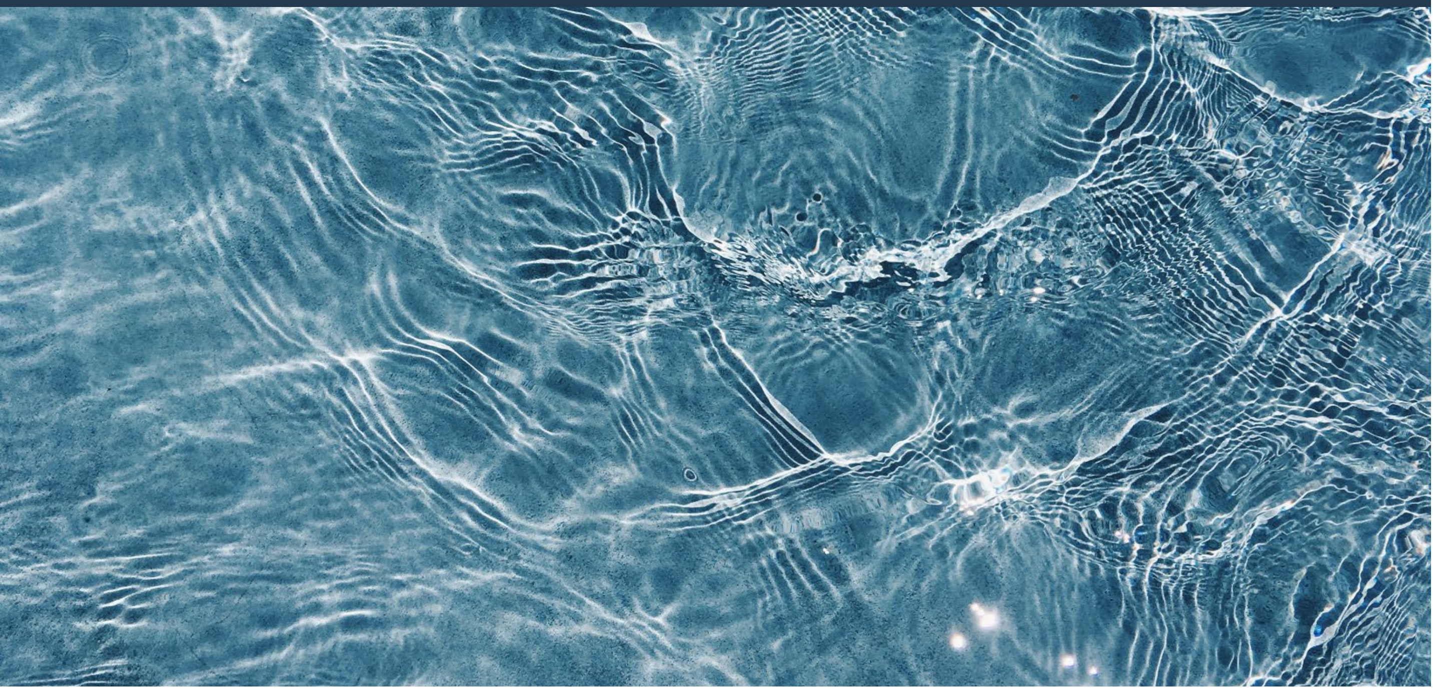
mirova
Investing in sustainability

MIROVA

Description of the principal adverse impacts on sustainability factors



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Written in June 2024

An affiliate of: NATIXIS INVESTMENT MANAGERS

SUMMARY

Financial market participant Mirova, LEI: 969500YW3F4AWI51IH84
Mirova, LEI: 969500YW3F4AWI51IH84 considers principal adverse impacts of its investment decisions on sustainability factors. As part of the analysis of residual ESG risks conducted on each investee, Mirova systematically assesses and monitors indicators that are deemed to indicate the presence of principal adverse impact (including consideration of data relating to the mandatory PAI indicators referred to in the consolidated Regulatory Technical Standards for assessment of sustainable investment in accordance with art. 2 (17) SFDR). The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Mirova. This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2023 to 31 December 2023. It covers the mandatory principal adverse impact indicators and three voluntary indicators defined by the Sustainable Finance Disclosure Regulation (SFDR).

Acteur des marchés financiers Mirova, LEI : 969500YW3F4AWI51IH84
Mirova, LEI: 969500YW3F4AWI51IH84 prend en considération les impacts négatifs principaux de ses décisions d'investissement sur les facteurs de durabilité. Dans le cadre de l'analyse des risques ESG résiduels menée sur chaque investissement, Mirova évalue et surveille systématiquement des indicateurs jugés indiquer la présence d'un impact négatif principal (y compris la prise en compte des données relatives aux indicateurs PAI obligatoires mentionnés dans les normes techniques réglementaires consolidées pour l'évaluation de l'investissement durable conformément à l'art. 2 (17) de la SFDR). La présente déclaration est la déclaration consolidée sur les impacts négatifs principaux sur les facteurs de durabilité de Mirova. Cette déclaration sur les impacts négatifs principaux sur les facteurs de durabilité couvre la période de référence du 1er janvier 2023 au 31 décembre 2023. Elle couvre les indicateurs obligatoires d'impact négatif principal et trois indicateurs volontaires définis par le Règlement sur la divulgation en matière de finance durable (SFDR).

Financiëlemarktdeelnemer Mirova, LEI: 969500YW3F4AWI51IH84
Mirova, LEI: 969500YW3F4AWI51IH84 neemt de belangrijkste nadelige effecten van haar investeringsbeslissingen op duurzaamheidsfactoren in overweging. Als onderdeel van de analyse van resterende ESG-risico's die op elke investering worden uitgevoerd, evalueert en bewaakt Mirova systematisch indicatoren die worden geacht de aanwezigheid van belangrijke nadelige effecten aan te geven (inclusief overweging van gegevens met betrekking tot de verplichte PAI-indicatoren zoals vermeld in de geconsolideerde regelgevings technische normen voor de beoordeling van duurzame investeringen overeenkomstig art. 2 (17) SFDR). Deze verklaring is de geconsolideerde verklaring over belangrijke nadelige effecten op duurzaamheidsfactoren van Mirova. Deze verklaring over belangrijke nadelige effecten op duurzaamheidsfactoren heeft betrekking op de referentieperiode van 1 januari 2023 tot 31 december 2023.
Het omvat de verplichte indicatoren van belangrijke nadelige effecten en drie vrijwillige indicatoren die zijn gedefinieerd door de Verordening inzake duurzame financiële bekendmaking (SFDR).

Finanzmarktteilnehmer Mirova, LEI: 969500YW3F4AWI51IH84
Mirova, LEI: 969500YW3F4AWI51IH84 berücksichtigt wesentliche nachteilige Auswirkungen seiner Anlageentscheidungen auf Nachhaltigkeitsfaktoren. Im Rahmen der Analyse der verbleibenden ESG-Risiken, die bei jedem Investitionsobjekt durchgeführt wird, bewertet und überwacht Mirova systematisch Indikatoren, die als Hinweis auf das Vorhandensein wesentlicher nachteiliger Auswirkungen gelten (einschließlich der Berücksichtigung von Daten zu den obligatorischen PAI-Indikatoren, die in den konsolidierten technischen Regeln für die Bewertung nachhaltiger Anlagen gemäß Art. 2 (17) SFDR genannt werden). Die vorliegende Erklärung ist die konsolidierte Erklärung zu wesentlichen nachteiligen Auswirkungen auf Nachhaltigkeitsfaktoren von Mirova. Diese Erklärung zu wesentlichen nachteiligen Auswirkungen auf Nachhaltigkeitsfaktoren umfasst den Bezugszeitraum vom 1. Januar 2023 bis zum 31. Dezember 2023. Sie umfasst die obligatorischen Indikatoren für wesentliche nachteilige Auswirkungen und drei freiwillige Indikatoren, die durch die Sustainable Finance Disclosure Regulation (SFDR) definiert sind.

Participante en los mercados financieros Mirova, LEI: 969500YW3F4AWI51IH84
Mirova, LEI: 969500YW3F4AWI51IH84 considera los impactos adversos principales de sus decisiones de inversión en los factores de sostenibilidad. Como parte del análisis de los riesgos ESG residuales realizados en cada inversión, Mirova evalúa y supervisa sistemáticamente los indicadores que se consideran indicativos de la presencia de un impacto adverso principal (incluida la consideración de datos relativos a los indicadores PAI obligatorios mencionados en las Normas Técnicas Reglamentarias consolidadas para la evaluación de la inversión sostenible de conformidad con el art. 2 (17) SFDR). La presente declaración es la declaración consolidada sobre los impactos adversos principales en los factores de sostenibilidad de Mirova. Esta declaración sobre los impactos adversos principales en los factores de sostenibilidad abarca el período de referencia del 1 de enero de 2023 al 31 de diciembre de 2023. Incluye los indicadores obligatorios de impacto adverso principal y tres indicadores voluntarios definidos por el Reglamento de Divulgación de Finanzas Sostenibles (SFDR).

Partecipante ai mercati finanziari Mirova, LEI: 969500YW3F4AWI51IH84
Mirova, LEI: 969500YW3F4AWI51IH84 considera gli impatti avversi principali delle sue decisioni di investimento sui fattori di sostenibilità. Come parte dell'analisi dei rischi ESG residui condotta su ciascun investimento, Mirova valuta e monitora sistematicamente gli indicatori che sono considerati indicare la presenza di un impatto avverso principale (inclusa la considerazione dei dati relativi agli indicatori PAI obbligatori menzionati nelle Norme tecniche regolamentari consolidate per la valutazione degli investimenti sostenibili ai sensi dell'art. 2 (17) SFDR). La presente dichiarazione è la dichiarazione consolidata sugli impatti avversi principali sui fattori di sostenibilità di Mirova. Questa dichiarazione sugli impatti avversi principali sui fattori di sostenibilità copre il periodo di riferimento dal 1 gennaio 2023 al 31 dicembre 2023. Include gli indicatori obbligatori di impatto avverso principale e tre indicatori volontari definiti dal Regolamento sulla divulgazione di finanza sostenibile (SFDR).

Description of the principal adverse impacts of investment decisions on sustainability factors

We have made changes to our calculation method compared to last year, in connection with the clarifications provided on the RTS. In general, these changes:

- Make it difficult to compare the values of our indicators between the previous and the new reporting year,
- Lead to values of PAI and coverage ratios that may appear lower than in the previous exercise.

As a consequence, these changes do not allow for a sound comparison and explanation of the evolutions of these indicators.

Two types of changes have been implemented:

- For the previous exercise, the value of our indicators was adjusted for the coverage ratio, which is no longer the case for this new exercise, in order to integrate the "All Investments" concept specified by the European supervisory authority.
- Since all our indicators are applicable to investments in issuing companies, their values are now calculated within this scope.

For each of our indicators, the coverage ratio indicated in the report reflects the proportion of eligible assets (now investments in issuing companies) for which data is available, either from our third-party data providers for listed equities, or collected directly from investments for real assets.

All entity-level indicators are based on a standardized methodology, that of the weighted average by assets under management, with the exception of PAI 17, which is based on an average per fund and per quarter of confirmed cases.

Exposure to companies active in the fossil fuels sector is derived from data points on the maximum share of company revenues related to exploration, extraction, distribution, and refining activities provided by our third-party data provider.

Adverse sustainability indicator	Measurement	Impact 2023	Entity-level coverage rate 2023	Impact 2022	Entity-level coverage rate 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Primary Indicators - Energy and Emissions							
1. GHG emissions						Highly carbon intensive industries that do not contribute to the achievement of the Paris agreement are excluded from our investments. In our listed equities portfolios, largest emitters are in the utilities, industrials and materials sectors. These are companies that also develop solutions to address climate change and environmental issues. Our fixed income portfolios are mainly exposed to green bonds supporting the environmental transition and green players. Since 2016, we have developed a portfolio' temperature alignment indicator, including life-cycle principles, taking into account avoided emissions and integrating forward-looking elements on companies' strategies to address climate change. On this basis, we systematically communicate the 'temperature' of our investments, which reflects the alignment of investments with climate scenarios. All our listed portfolios are consistent with a climate trajectory of less than 2°C defined in the 2015 Paris Agreement (excluding Solidarity funds). Our private assets funds invest in Energy Transition, Natural Capital and environmental technologies. We believe that this positioning allows us, at the level of our management company, to seek alignment with the most ambitious climate scenarios, i.e. global carbon neutrality by 2050, which would limit the rise in temperature to 1.5°C globally by the end of the century.	We will make sure to keep complying with our objective to maintain all our portfolios with a climate trajectory of less than 2°C and systematically engage with the largest emitters to strengthen their Net Zero commitments.
Scope 1 GHG emissions	TCO_2	54,305	63.53%	93,668	73.88%		
Scope 2 GHG emissions	TCO_2	17,324	62.86%	46,001	73.88%		
Scope 3 GHG Emissions	TCO_2	306,570	60.31%	581,485	73.95%	Scope 3 emissions are not always fully reported by companies. We rely on estimations of these emissions based on company-level activity data as much as possible. Results are consistent with the a general consensus of an 80/20% distribution of scope 3 emissions versus scope 1+2 emissions. There is no retreatment of double counting used in this calculation, therefore resulting in an overestimation of absolute emissions but a fair distribution of these emissions across sectors based on their respective reliance on carbon.	We keep pushing for a better and more complete reporting of scope 3 emissions from companies, either through direct engagement or regulation.
Total GHG Emission	TCO_2	387,478	78.45%	822,722	84.87%		
2. Carbon footprint						Same as the above	Same as the above
… without retreatment of double counting	TCO_2/M€	281	78.45%	623	84.87%		
3. GHG intensity of investee companies							
… without retreatment of double counting	TCO_2/M€	2,048	63.78%	3,317	73.95%	Scope 3 category 15 (financed emissions) is included in the carbon impact assessment of all listed companies - including banks - in our portfolios. When considering the GHG intensity of companies by revenues, this results in a massive increase in overall GHG intensity compared to a methodology where financed emissions from banks are not accounted for. This is due to the relative low level of revenues for banks compared to their total financing which is usually used.	Same as the above

4. Exposure to companies active in the fossil fuel sector	Percentage	1.13%	82.64%	1.49%	85.95%	As regards fossil fuels, we have formalized transparent and stringently enforced sectoral policies which we have further strengthened in 2023. As per our Minimum Standards policy, 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, EPC2, O&M3, 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. We seek investments in companies which are important and credible players in the energy transition. As such, our remaining investments in fossil fuels are limited to activities of listed companies or green bonds issued by companies that have made the transition to a sustainable model and have a credible phaseout strategy in place for legacy fossil fuel activities.	We conduct a demanding dialogue with these companies. Their ongoing credibility in terms of transition is a condition for the sustainability of our investment. Maintaining this credibility obviously requires a gradual reduction in their fossil fuel mix and, above all, their investments in decarbonized and renewable energies.
5. Share of non-renewable energy consumption and production						Limited data coverage for the indicator related to non-renewable energy consumption does not allow for relevant information. The negative evolution of this indicator is mainly due to our change in calculation (now based on all investments). We systematically seek investment in companies that reduce their carbon footprint, including with regards to their energy consumption (scope 2). The share of non-renewable energy production is rather limited as we seek to invest in renewable energy development projects and producers. However, on listed companies, data provided by our third party covered a large range of sectors for which this indicator was not relevant.	We will seek to improve data quality and coverage for both indicators. We will also continue to engage with all companies on strengthening their Net zero commitments.
Share of non-renewable energy consumption	Percentage	32.83%	64.66%	73.64%	27.63%		
Share of non-renewable energy production	Percentage	2.51%	78.67%	3.74%	79.34%		

6. Energy consumption intensity per high impact climate sector	GWh per million EUR	0.113	51.75%	1.286	28.92%	Across our portfolios, we seek investment in sectors offering solutions to the climate and environmental transition. These actors are mainly in the manufacturing, electricity, and mobility sectors. We systematically seek investment in companies that reduce their carbon footprint, including with regards to their energy consumption.	We will continue to engage with our investees on strengthening their Net zero commitments.
Agriculture, Forestry, and Fishing	GWh per million EUR	0.000	0.10%	NA	NA		
Mining and Quarrying	GWh per million EUR	0.003	0.14%	0.351	0.04%		
Manufacturing	GWh per million EUR	0.097	30.03%	0.895	21.50%		
Electricity, Gas, Steam and Air Conditioning Supply	GWh per million EUR	0.086	16.93%	2.433	4.81%		
Water Supply, Sewerage, Waste Management and Remediation Activities	GWh per million EUR	0.192	1.87%	0.001	0.00%		
Construction	GWh per million EUR	0.000	0.94%	0.002	0.09%		
Wholesale and retail Trade, Repair of Motor Vehicles and Motorcycles	GWh per million EUR	0.000	0.43%	0.854	1.92%		
Transportation and Storage	GWh per million EUR	0.007	1.31%	0.083	0.56%		
Primary Indicators - Biodiversity, Water, and Waste							
7. Activities negatively affecting biodiversitysensitive areas	% of investments by yes or no	0.01%	82.22%	0.01%	84.27%	As per our Minimum Standards policy, companies or projects significantly harming biodiversity sensitive areas are excluded from our investments.	We will keep monitoring our investments to avoid any negative impact in biodiversity sensitive areas.
8. Emissions to water	T/M€ of EVIC (Enterprise Value Including Cash)	0.04	7.17%	0.55	8.50%	Lack of robustness and coverage of indicators related to emissions to water do not allow to provide relevant explanations nor comparison with the previous reporting year. However, when relevant, this principal adverse impact is systematically included in our pre-investment analysis and companies or projects not providing enough assurance of "do no significant harm" are excluded.	We will seek to improve data quality and coverage for this indicator. We will also continue to engage with relevant investee companies on this issue.
9. Hazardous waste	T/M€ of EVIC (Enterprise Value Including Cash)	0.84	40.59%	7.05	12.33%	Lack of robustness and coverage of indicators related to hazardous waste do not allow to provide relevant explanations nor comparison with the previous reporting year. However, when relevant, this principal adverse impact is systematically included in our pre-investment analysis and companies or project not providing enough assurance of "do no significant harm" are excluded.	We will seek to improve data quality and coverage for this indicator. We will also continue to engage with relevant investee companies on this issue.
Primary Indicators - Social and Employee matters							

10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	% of investments by yes or no	0.00%	82.19%	0.02%	84.27%	Violations of UNGC and OECD principles are systematically screened as part of our assessment and monitoring processes. As per our Minimum Standards policy, companies or projects violating UNGC and OECD principles are excluded from our investments. We continuously review companies' track records and news flows to identify significant controversies. Companies' involvement and resolving measures are taken into account. Risks of potential breach may be monitored through engagement to obtain additional assurance. Companies determined by Mirova to be in serious breach of OECD Guidelines for Multinational Enterprises or UN Guiding Principles on Business and Human Rights are recognized as doing significant harm and are therefore rendered non-eligible. In 2023, we have not identified any case of violation of those principles in our investments.	We will keep monitoring our investments to avoid any exposure to violations of UNGC and OECD guidelines.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	% of investments by yes or no	5.33%	79.29%	1.56%	79.60%	All companies or projects not complying with UNGC and OECD Guidelines are excluded from our investments. However, some investees do not comply with this indicator which related to the availability of policies only. This is the case for smaller companies in our listed portfolios. For investments in non listed SMEs (<250 employees), specific guidelines edited by the Platform on Sustainable Finance ("Platform recommendations on Data and Usability"), allowing to adapt the requirements to the level of risk and maturity of the companies were used. This principal adverse impact is nevertheless systematically included in our pre-investment analysis considering investee's specific risk exposure aud quality of practices. Companies or project not providing enough assurance of "do no significant harm" are excluded.	Same as the above.
12. Unadjusted gender pay gap	Percentage	3.64%	21.41%	4.44%	10.02%	Lack of robustness and coverage of indicators related to adjusted gender pay gap do not allow to provide relevant explanations. However, the quality of gender equality practices is systematically included in our pre-investment analysis and companies or project not providing enough assurance of "do no significant harm" are excluded. We further use additional indicators to address the "glass-ceiling" issues, such as the number of women in management and C-suite positions, work life balance policies, career management, etc.	We will seek to improve data quality and coverage for this indicator. We will also continue to engage with relevant investee companies on this issue (see our engagement report for further details).
13. Women on Board	% of Women on Board	28.17%	72.89%	40.77%	76.05%	The negative evolution of this indicator is mainly due to our change in calculation (now based on all investments). Beyond this indicator, the quality of gender equality practices is systematically included in our pre-investment analysis and companies or project not providing enough assurance of "do no significant harm" are excluded. We further use additional indicators to address the "glass-ceiling" issues, such as the number of women in management and C-suite positions, work life balance policies, career management, etc.	We will also continue to engage with relevant investee companies on this issue (see our engagement report for further details).
14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	% of investments by yes or no	0.00%	82.26%	0.00%	84.64%	As per our Minimum Standards policy, exposure to controversial weapons leads to exclusion from all our portfolios. We further exclude all companies involved in the production of re-exportable weapons.	We will keep monitoring our investments to avoid any exposure to controversial weapons.
Additional Indicators - Emissions							

4. Investing in companies without carbon emission reduction initiative	% of investments by yes or no	16.15%	82.55%	18.36%	83.75%	For the purpose of this PAI indicator, our third party data provider for listed equities ISS ESG considers companies to have carbon emission reduction initiatives aimed at aligning with the Paris Agreement only if they have set themselves or are formally committed to setting themselves carbon reduction targets approved by the SBTI. While we consider all companies and projects in our portfolios to have some carbon emission reduction initiatives, SBTI is not yet adopted by a large set of companies. Companies not committing to SBTi include smaller companies, companies in "low impact sectors" in our listed portfolios, and projects and small companies in our private assets portfolios. For investments in non-listed companies and projects, emission reduction initiatives were defined as either a business oriented towards the fight against climate change (development of solutions to achieve the Paris agreement), or operational plans to reduce their own carbon footprint.	We will continue to engage with all investees on strengthening their Net zero commitments.
Additional Indicators - Human Rights, Anti-Corruption, and Anti-Bribery							
14. Number of identified cases of severe human rights issues and incidents	Percentage	0.00%	82.55%	0.05%	93.10%	Cases of human rights violations are systematically screened as part of our assessment and monitoring processes. As per our Minimum Standards policy, proven involvement in human rights violations leads to exclusion from our investments. In 2023, we have not identified any case of severe human rights incidents in our investments.	We will keep monitoring our investments to avoid any exposure to violations of human rights.
17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws							
… Number of convictions for violation of anti-corruption and anti-bribery laws	Integer	0	72.24%	4	93.10%	Cases of anti-corruption and antibribery laws violations are systematically screened as part of our assessment and monitoring processes. As per our Minimum Standards policy, proven severe involvement leads to exclusion from our investments. In 2023, we have not identified any severe case of violations in our investments.	We will keep monitoring our investments to avoid any exposure to violations of anticorruption and anti-bribery laws.
… Global associated amount of fines	Integer	0	14.38%				

Description of policies to identify and prioritize principal adverse impacts on sustainability factors

Governance of sustainability commitments is structured around several committees: governance bodies (eg. the Board, the Management Committee and the Mission Committee), the Product Committee where ESG objectives of each strategy are submitted for approval, the Research and investment management committees and the Risk & Compliance committees.

As part of the analysis of residual ESG risks conducted on each investee company, Mirova systematically assesses and monitors indicators that are deemed to indicate the presence of principal adverse impact (including consideration of data relating to the mandatory PAI indicators referred to in the consolidated Regulatory Technical Standards for assessment of sustainable investment in accordance with art. 2 (17) SFDR). When the data necessary for the calculation of certain PAI indicators are not available, Mirova may use qualitative or quantitative proxies that cover themes similar to the PAI indicators in question.

Adverse impacts are prioritized according to the specificities of sectors and business models of companies considered for investment by using a combination of criteria based on:

- analysis of the company's exposure to environmental impacts based on science-based data from international organizations (e.g. energy intensity, impacts on biodiversity, etc),
- analysis of the company's exposure to fundamental rights and employee matters through its locations, business model and supply chain organization (e.g. exposure to health and safety risks, exposure to countries with specific human rights risks, etc),
- analysis of the company's footprint on local communities and consumers,
- screening of on-going or potential controversies.

The first version of the sustainability impact analysis procedure was produced on 01/02/2017. It was lastly updated on 13/02/2024 and validated by the Deputy CEO as the same date. The procedure covers the following topics:

Qualitative Sustainability Impact Assessment: Positive Impact assessment; Residual ESG Risks Assessment; Sustainability Impact Opinion; Consequences of the Sustainability Impact Opinion on the monitoring process; Additional Ratings: Numerical score

Quantitative Impact indicators: Listed investments; Non listed investments; SFDR indicators; Data collection and sources.

Where Mirova deems the investee company's processes and practices are insufficient to mitigate environmental, social and governance risks, notably with regards to the relevant PAIs, the company's impact is deemed as negative which makes it ineligible for investment.

In addition, Mirova has designed and implemented a dedicated procedure which presents Mirova approach to governance, organization and processes in place to assure its compliance with sustainable finance framework. It covers data sourcing and treatments, reporting perimeter and indicators, associated tools and controls. It also details the process for production of SFDR disclosures and allocation of responsibilities between Mirova and its providers. This procedure was approved by Mirova Deputy CEO in September 2023.

The table below describes how the PAI indicators are used by Mirova.

Adverse Sustainability indicator		How PAIs are taken into account by Mirova
Greenhouse gas emissions	**1. GHG emissions** **2. Carbon footprint** **3. GHG intensity of investee companies**	- Exclusion of the most carbon intensive entities and companies with no or insufficient plan to reduce GHG emissions - Systematic integration in qualitative internal analysis - Part of engagement plans / ESAP with investees
	4. Exposure to companies active in the fossil fuel sector	- Exclusion applying 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, EPC2, O&M3, 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. - Part of engagement plans / ESAP with investees when relevant
	5. Share of non-renewable energy consumption and production	- Integration in qualitative internal analysis when relevant - Part of engagement plans / ESAP with investees when relevant
	6. Energy consumption intensity per high impact climate sector	- Integration in qualitative internal analysis when relevant - Part of engagement plans / ESAP with investees when relevant
Biodiversity	**7. Activities negatively affecting biodiversity-sensitive areas**	- Exclusion of companies or projects significantly harming biodiversity sensitive areas - Systematic integration in qualitative internal analysis - Part of controversy analysis and engagement process
Water	**8. Emissions to water**	- Integration in qualitative internal analysis when relevant - Part of engagement plans / ESAP with investees when relevant
Waste	**9. Hazardous waste and radioactive waste ratio**	- Integration in qualitative internal analysis when relevant - Part of engagement plans / ESAP with investees when relevant
Social and Employee matters	**10. Violations of UNGC principles and OECD guidelines for Multinational Enterprises**	- Exclusion of companies violating UNGC and OECD principles - Systematic integration in qualitative internal analysis - Part of controversy analysis and engagement process
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	- Exclusion for large companies, case-by-case for small companies or projects - Systematic integration in qualitative internal analysis - Part of ngagement plans / ESAP with investees when relevant
	12. Unadjusted gender pay gap	- Systematic integration of gender equality in qualitative internal analysis - Part of ngagement plans / ESAP with investees
	13. Board gender diversity	- Systematic integration of gender equality in qualitative internal analysis - Part of engagement plans / ESAP with investees
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	- Exclusion (0% sales threshold)
Additional PAI Indicators	**4. Investments in companies without carbon emission reduction initiatives**	- Exclusion of the most carbon intensive entities and companies with no or insufficient plan to reduce GHG emissions - Systematic integration in qualitative internal analysis - Part of engagement plans / ESAP with investees when relevant
	14. Number of identified cases of severe human rights issues and incidents	- Exclusion of companies with severe human rights issues and incidents - Systematic integration in qualitative internal analysis - Part of controversy analysis and engagement process
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	- Exclusion of companies severely violating anti-corruption and anti-bribery laws - Systematic integration in qualitative internal analysis - Part of controversy analysis and engagement process

The choice of additional Mirova criteria is linked to our willingness to participate in the transition to a sustainable future. Mirova therefore chose the criteria that seemed most suitable to it to complete the mandatory PAIs.

These criteria were chosen based on internal calculation and reporting possibilities, as well as the relevance of the PAIs on the mitigation of significant risks.

The approach to calculating sustainability and PAI metrics at the financial product level is jointly defined by Research, Compliance, Reporting, Product Engineering, and IT teams, in accordance with regulatory technical standards (RTS) in effect at the date of publication, to minimize margins of error.

Methodologies to select one or more additional indicators

Additional *environment-related indicators* are chosen based on (i) relevance to our responsible investor philosophy and (b) coverage and reliability of the data available.

As part of our responsible investment philosophy, Mirova has introduced a strong climate focus in all portfolios, with a methodology built around full lifecycle assessments but also a quantification of both emissions induced and avoided. This approach allows us to commit all our funds to align with sustainable climate scenarios (+2°C or less). Therefore, an additional PAI indicator that monitors our exposure to companies' decarbonation strategy would appear most relevant.

Additional *social-related indicators* have been chosen based on a/ relevance to our responsible investor philosophy and b/ coverage and reliability of the data available.

As part of our article 9 commitment, companies are only eligible if they contribute to at least one SDG while not significantly harming any other of the SDGs. This commitment implies a continuous and active screening of potential breach and malpractices. On the social and business ethics front, mandatory PAIs have indicators monitoring policies and breaches related to UNGC principles and OECD guidelines. To strengthen this monitoring, adding two additional PAIs monitoring severe human rights issues and business ethics violations appears most relevant as these will track adverse impact in greater details.

We select PAI for which we believe our providers and/or the investees directly can provide data for a significant share of our investments. We also select PAIs for which we believe data to be reliable, based on the quality of the provider's methodology, PAI's measurability, and consistency of data.

The data sources PAI and Taxonomy data – Listed assets

Mirova has selected ISS ESG and their tool to collect the data covered by SFDR by regulation, such as taxonomy alignment and PAI indicators for listed assets. ISS ESG has been selected by Mirova among other available solutions for the following reasons:

- provider willing to adopt Mirova's philosophy based on sustainable solutions and risk mitigation,
- willing to provide custom analyses and opinions based on Mirova's methodology,
- analyses done by analysts and not only based on data and a simple tick-boxing approach,
- access to analysts and continuous dialogue between Mirova and ISS ESG,
- large set of indicators covered (over 700 datapoints),
- wide range of coverage (over 8,000 companies covered on all data points relevant to our methodology),
- quality of data tested over a long track-record (10+ years)

The data sources and approach to collection – PAI and Taxonomy data – Private assets

For private assets, data collection is managed by the sustainability research team and most of the data is provided directly by the investees. For each investment made, an impact and ESG analyst (I&ESG) within the sustainability research team oversees the monitoring of issues related to the impact and ESG of the companies invested. This responsibility includes the annual collection of Taxonomy alignment indicators, as well as PAI indicators. To support the collection and reporting of data necessary to calculate PAI indicators on our unlisted investments, various tools and resources have been deployed: an external data reporting plateformand reporting guidelines prepared by the sustainability research team, I&ESG analyst sectoral expertise and consistency checks, regular exchanges with investees.

Finally, for the carbon footprint data, an external service provider, I Care & Consult, has been mandated and carried out the carbon lifecycle balances of all participations on the basis of data collected from them.

The data sources used - GHG emissions

In 2015, Mirova developed together with the consultant Carbone 4 a methodology to assess greenhouse gases emissions (GHG emissions) of an issuer, and to make that assessment at portfolio level as well. The methodological report is publicly available.

Since then, Carbon4 Finance has been providing Mirova Sustainability Research team with GHG emissions of issuers, that they calculate based on the above-mentioned methodology.

Data provided by Carbon4 Finance include, for each issuer:

- Induced emissions (emissions generated by the issuer or by the use of proceeds for green bonds issuances)

- Avoided emissions (emissions avoided thanks to the activity of the issuer or by the use of proceeds for green bonds issuances)
- Carbon Impact Rating
- Emissions on Scope 1&2 (emissions directly generated by the issuer, or related to electricity purchased), and emissions on Scope 3 (emissions indirectly generated by the issuer, such as related to the production of its raw materials, etc.)
- Absolute GHG emissions (total figure) and GHG emissions intensity (GHG emissions per M€ sales)

Engagement policies

The following illustration presents a summary of Mirova engagement approach.

Engagement activity forms an integral part of Mirova's sustainable investment approach. We are rolling out our engagement policy across all of our asset classes. We prioritize our engagement with companies where:

- We have identified sustainability concerns that deserve our increased attention,
- We need a thorough review of their approach to fair value allocation,
- We believe our expertise can help guide and develop the company's sustainability journey.

As such, our engagement policies aim at both making progress regarding positive impact and minimizing adverse impact, including in relation to the SFDR PAIs. All PAIs are reflected in our engagement activities when considered relevant as regards our investees' activities and practices, with the exception of PAI 7 (biodiversity sensitive areas), PAI 10 (UNGC and OECD violations), PAI 14 (controversial weapons), as well as additional social PAI 14 (severe human rights issues) and additional PAI 17 (severe corruption cases). As per our minimum standards policy, exposure to one of these PAIs leads to exclusion from our portfolios. These are also monitored through the period of investment. Exposure to one of these PAI indicators will trigger our engagement escalation process and might lead to divestment.

To ensure that companies are making progress, we monitor and track the performance of our engagement activities and have set clear escalation processes. Our escalation tools are varied and include, but are not limited to, a request for a meeting with the Chairman of the Board or the Chief Executive Officer, participation in a collective engagement or the use of our voting right (for listed assets). At any point of the escalation process, should the company's progress and/or practices be found insufficient to maintain eligibility, divestment may be considered.

Finally, each year Mirova sets priority themes. For 2023, our efforts focused on:

- Mitigating climate change,
- Preservation of biodiversity,
- Promoting the circular economy,
- Socioeconomic development,
- Health and well-being,
- Diversity and inclusion,
- Sustainability governance,
- Fairness.

Our engagement priorities are communicated at the beginning of the year to all portfolio companies. Finally, we currently participate in eight collaborative engagement platforms.

More information on the topic can be found in Mirova's Engagement Report and Mirova's report on the exercise of voting rights.

Consideration of negative impact indicators and approach to mitigation

To date, insufficient performance on the PAIs most relevant to a company is identified as part of the constant monitoring carried out by the impact and ESG analysts. An initial dialogue is discussed to understand the reality of the practices and the corrections expected by the company, as part of a global and lifecycle approach to the company. If the expected corrections are not made in the following months, the eligibility of the company may be questioned by the analysts.

References to international standards

Standards for due diligence and reporting

The B Corp™ label legally compels Mirova to adopt responsible behavior. In fact, Mirova inscribed in its status the commitment to "consider (i) the social, societal and environmental consequences of its decisions on all the Company's stakeholders, and (ii) the consequences of its decisions on the environment. »

Part of the Natixis-BPCE group, Mirova applies the commitments made at the group level. In particular, Natixis has signed the United Nations Global Compact ("UN Global Compact"), and thus undertakes to respect human rights in the conduct of its activities. Natixis is also committed to combating terrorist financing, money laundering, corruption, and tax evasion.

In addition, both Natixis and Mirova engage in responsible lobbying to ensure that the company's interests are taken into account in public decisions, while remaining an apolitical organization. Natixis also respects the Ecuador Principles, a framework common to financial institutions for the identification, assessment and management of environmental and social risks when financing projects. Finally, through its exclusion policy, Mirova complies with the Ottawa (1999) and Oslo (2010) Conventions, which prohibit the production, use, storage, marketing and transfer of anti-personnel mines (AMMs) and cluster bombs (BASMs).

With regards to internationally recognized standards for due diligence and reporting, Mirova adheres to a large number of initiatives as detailed in Mirova's Engagement Report. Data sources, coverage and methodologies used to measure alignment as described in the section "Description of policies to identify and prioritize principal adverse impacts of investment decisions on sustainability factors."

Climate scenarios

Whether it's voluntary efforts or in response to regulatory obligations, most investors are now looking to analyze the links between their portfolios and climate change. To date, there is no established consensus on the methodologies for conducting such assessments.

Many methodologies are emerging gradually in the market, often referred to as Implied Temperature Rise methodologies (ITR), whose objective is to allocate a temperature to a portfolio of financial assets, corresponding to the temperature scenario with which the portfolio of these assets would be aligned. These methodologies group together a significant number of decisive underlying assumptions. Yet, despite a demonstrated desire to achieve a “science-based” outcome, harmonization of approaches is still far away. For the same portfolio of assets, the results will vary from methodology to methodology based on the underlying choices made, in the same way that there is still a strong heterogeneity of ESG ratings based on their suppliers.

Since 2016, Mirova has developed a temperature alignment measurement methodology for its listed investment portfolios. This methodology has undergone developments, the most recent of which are described in this document, but the fundamental principles are and will remain unchanged:

- Carbon neutrality can only be considered as a global state of the planet that reflects the most ambitious climate goals that every individual, business or organization, and state must contribute to with its “fair share”
- Measuring climate impact can only be done using a “life-cycle” approach, i.e. taking into account the direct business impacts as well as the indirect impacts of the supply chain, products and services provided.
- An impact measure and a fortiori an alignment assessment must necessarily integrate understanding and valuing solutions to the energy transition.

The approach taken by Mirova to understand and measure the alignment of its portfolios with climate scenarios can be found in Temperature Alignment of Listed Investment Portfolios.

Historical comparison

As explained in the section “Description of policies to identify and prioritize principal adverse impacts on sustainability factors”, important methodological changes in the calculation of the PAIs following clarifications from the regulation occurred between last year’s and this year’s reporting. This change, alongside other changes in the methodologies of our providers, evolutions of reporting scopes, do not allow for a sound comparison. However, our consideration of PAIs is consistent with last year and we will continue our efforts to improve our performance on reducing adverse impact as well as increase positive impact. We hope that progress in data availability and reliability will allow us to provide more robust comparison over the next years.

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Non-contractual document, written in June 2024

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

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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