

SUSTAINABLE IMPACT FRAMEWORK

Home and Personal Care

Sectors:

- Personal and beauty care products
- Non-durable household products

Last updated: July 2024

This document is not a promotional communication. This is a methodological document aimed at explaining how Mirova takes into account sustainable development issues in the framework of the environmental, social and governance analysis of each sub-sector of activity.



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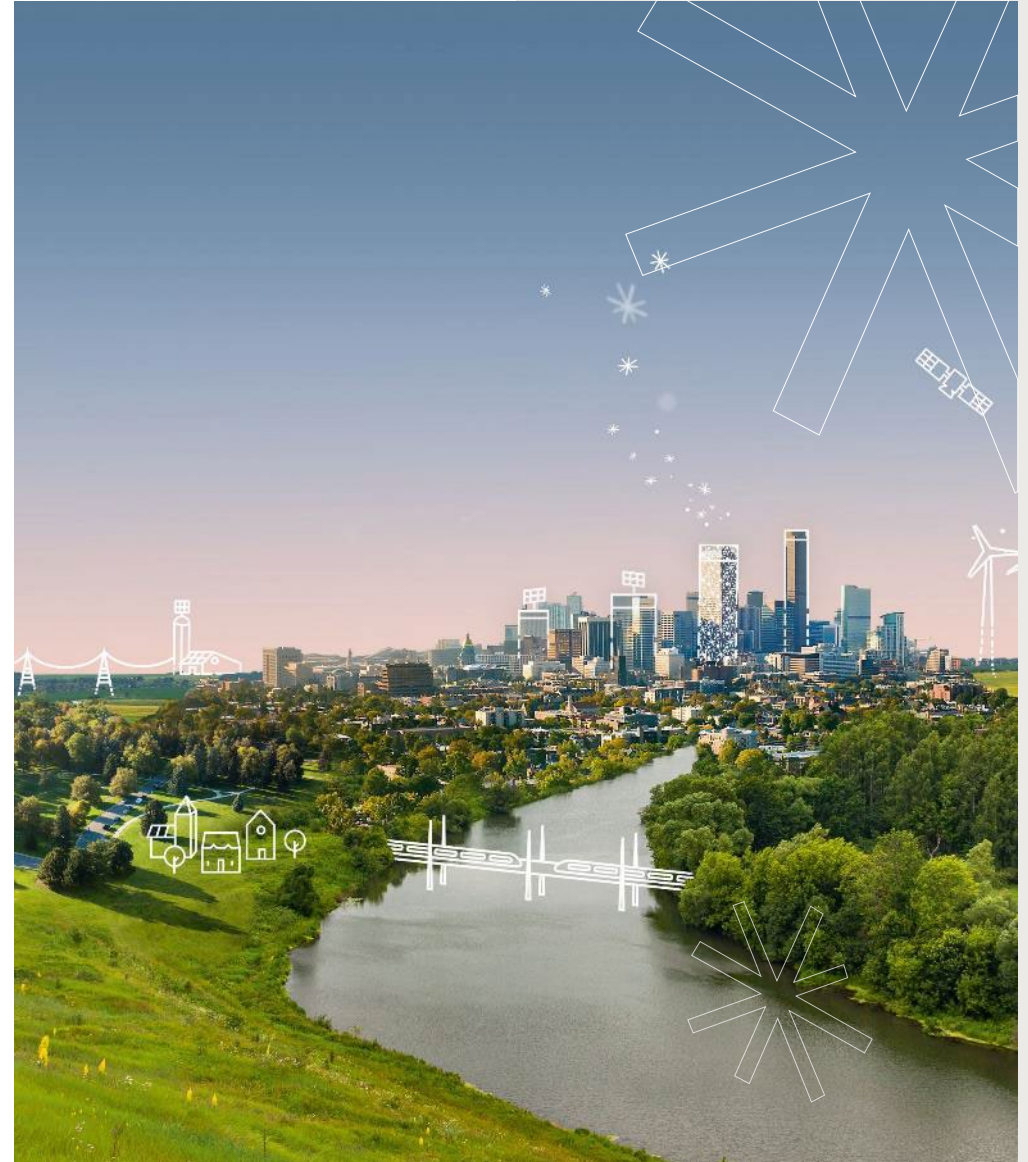
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Executive Summary



Home and Personal Care (HPC)

We believe the positive impact of Home and Personal Care products is mainly driven by the provision of essential hygiene products, especially in low and lower middle-income countries. The industry is however highly resource intensive and relies on palm oil, wood pulp or soy, hazardous chemicals, plastic packaging, and an important quantity of water. The development of more sustainable, renewable and reusable products is therefore a key driver of positive impact. The industry has traditionally attracted a diverse and rather educated workforce; however, retaining and supporting the development of employees and, to the extent possible, of suppliers can be a positive driver too.

12% of all plastic waste¹ comes from the consumer goods sector.

HPC companies have a responsibility to offer products to enable sustainable consumption. The impact of companies may be triggered by the adoption of the main pillars of eco-design which encompasses the type of ingredients used, the sourcing of these ingredients, the packaging, the manufacturing process, as well as the impact resulting from the use of these products. We believe companies can have a positive impact by committing to source free from deforestation raw materials and to increase the percentage of renewable bio-based ingredients. We also believe reducing the quantity of plastic packaging, transitioning to refillable and reusable solutions, and eliminating single-use packaging is crucial. Finally, developing safer chemical ingredients and reducing the quantity of water needed in the process or in the use phase of the product will reduce the impact of these companies on biodiversity. The impact of safe and effective HPC products can also have positive health outcomes, as basic hygiene products reduce the occurrence and spread of some diseases.

Women account for around **50%²** of the workforce (vs. average MSCI World is 38%).





The home and personal care industry relies on different types of employee qualifications. Direct employees often have a college degree, and companies will be expected to apply relevant measures to attract, develop and retain their talents. In this context, companies can develop a training policy that is tailored for the specific needs of each business unit and potentially provide certification that will be recognized on the labor market. Throughout the value chain, workers may not be highly qualified (especially at the early stage of the supply chain), and companies can have a positive impact using their influence to promote a minimum wage, benefits and career development offers with their suppliers. With more than 50% women in its workforce², the HPC industry is well positioned to promote diversity and inclusion, offering career paths for women and minorities. Alongside internal practices, some products can also play a role in female empowerment. For example, in regions where the lack of menstrual management continues to hinder equality, the development and manufacturing of affordable and safe hygiene products can play a key role.

The European Commission banned or limited more than **2,000 substances³**.

Companies in the sector should ensure the quality of their process to avoid product safety issues, which usually occur from contamination throughout the manufacturing phase and distribution value chain. Product safety also depends on the type of ingredients used. The industry has slowly transitioned away from major hazardous chemicals, but regulation is still lagging, and the impact of some molecules may still be an issue. For example, the scale of impact of some endocrine disruptors is still being debated. Therefore, their use is not fully regulated. While companies in these sectors have not historically been accused of controversial practices from a business ethics point of view, it is still important for companies to improve transparency with regard to their lobbying practices and anti-corruption, anti-competition and bribery policies and initiatives.

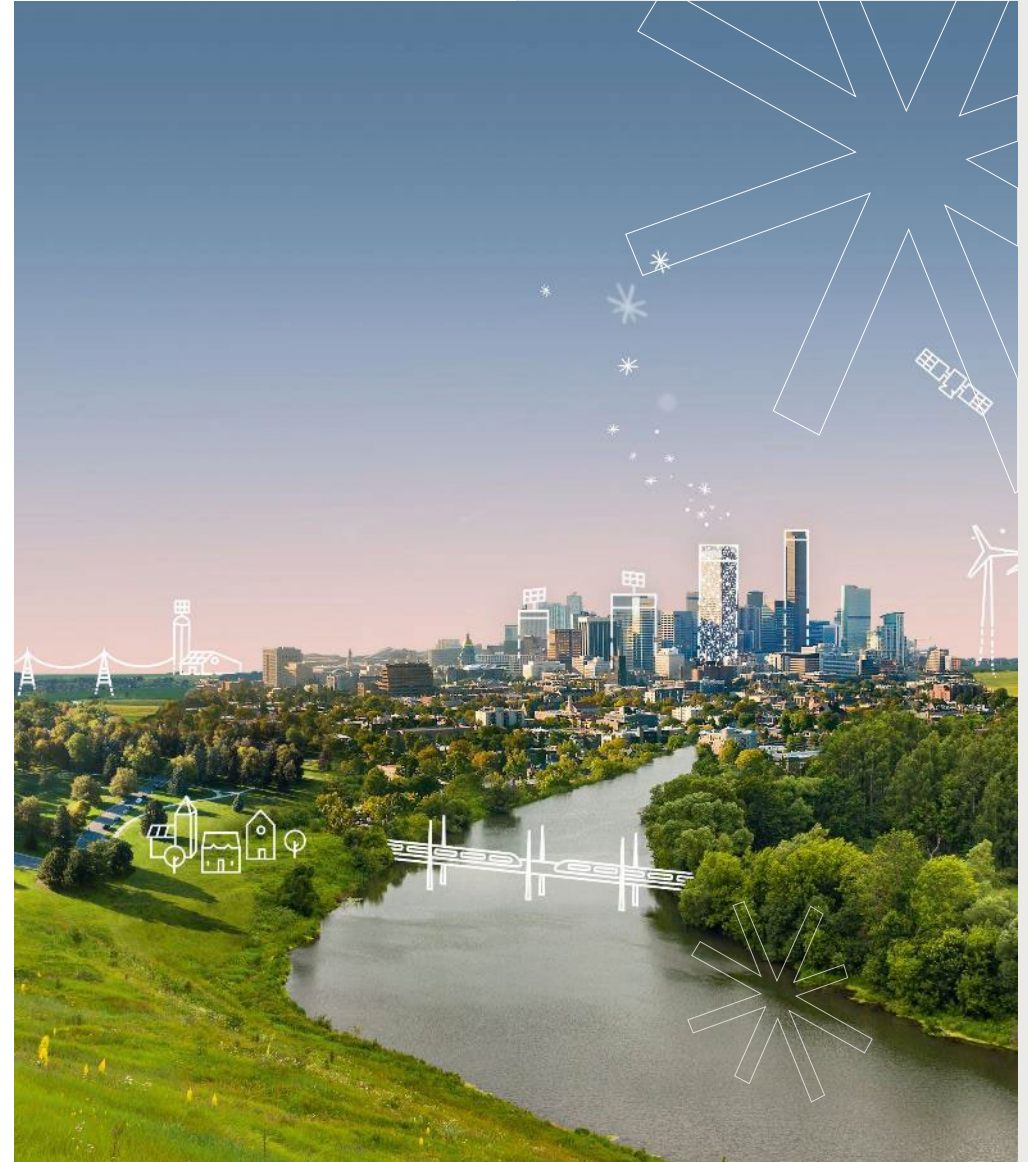


Drivers of contribution and obstruction to sustainability goals

	Activities	Practices
Positive Impact	<p>Sustainable Activities </p> <p>ENVIRONMENTALLY CERTIFIED PRODUCTS</p> <p>ACCESS TO BASIC NEEDS PRODUCTS & SERVICES FOR GENDER EQUALITY</p> <p>SUSTAINABLY CERTIFIED PRODUCTS</p>	<p>Advanced Practices </p> <p>HUMAN CAPITAL MANAGEMENT:</p> <ul style="list-style-type: none"> • Diversity and inclusion • Job quality <p>CLIMATE</p> <p>BIODIVERSITY</p> <p><i>Advanced governance models</i></p>
ESG Risks	<p>Harmful Activities* </p> <p>No frequent exposure to harmful activities</p>	<p>Risk Mitigation </p> <p>BIODIVERSITY & CLIMATE FOOTPRINT</p> <p>PRODUCT SAFETY</p> <p>WORKING CONDITIONS: HUMAN RIGHTS, HEALTH AND SAFETY</p> <p>GOVERNANCE :</p> <ul style="list-style-type: none"> • Governance of sustainability • Business ethics • Taxes



Positive Impact



Sustainable Activities



	CONTEXT	SUSTAINABLE ACTIVITY	IMPACT CRITERIA
SOCIAL OPPORTUNITIES	<p>Globally, diarrheal diseases are the second leading cause of death in children under five years old and disproportionally affect low- and middle-income countries¹. While health infrastructures and services are necessary to reduce mortality, handwashing can also prevent around 30% of diarrhea-related sicknesses and around 20% of respiratory infections². Some basic hygiene products manufactured by HPC companies have their role to play to promote health in low- and middle-income countries.</p>	<p>Access to basic needs Development, manufacturing, and/or distribution of affordable essential hygiene products for Bottom of the Pyramid / low- and middle-income countries <i>An essential hygiene product is defined as a product necessary for personal health and safety and includes, but is not limited, to handwashing and oral care products, adult incontinence products, condoms, or sunscreen.</i></p>	<p>IMPACT CRITERIA</p> <p>A fair and affordable price for essential products is difficult to define in the absence of large-scale global studies. To overcome this challenge, we expect companies:</p> <ul style="list-style-type: none"> • To conduct purchasing power analyses in their targeted markets and among the targeted population. • To incorporate the results of their analyses in their pricing strategies. • To provide evidence that the Bottom of the Pyramid population is not excluded.
	<p>Globally, an estimated 500 million girls and women lack access³ to menstrual products and adequate facilities for menstrual hygiene management. The lack of supplies and facilities to manage their menstrual health continue to strengthen health and social inequalities including infections, school absenteeism, lower educational and work outcomes. Women empowerment will not only be supported by menstrual health management. It is also relying on relevant support throughout women’s lives (including post-partum or throughout the menopause journey etc).</p>	<p>Products & services for equality Development, manufacturing, and/or distribution safe and affordable female hygiene and health products <i>Female hygiene and health products include, but are not limited, to single-use menstrual products such as tampons or pads, reusable cups, or underwear as well as breastfeeding and post-partum care products, etc.</i></p>	
	<p>Third-party certifications may be considered a good indicator of a commitment to sustainability and transparency. However, many certifications available on the market are focusing on only one specific aspect of sustainability: organic agriculture (USDA organic, ECO CERT, AB), human rights (Fair Trade), sustainable forest management (FSC), cruelty-free (Beauty Without Bunnies) etc. The current EU Eco-Label is one of the comprehensive certification on the environment approach, with a guarantee of low toxicity to aquatic organisms, biodegradable ingredients, restricted use of hazardous substances, minizines and easy-to-recycle packaging, renewable ingredients of sustainable origin and good quality performance.</p>	<p>Sustainably certified products Development, manufacturing, and/or distribution of sustainably certified hygiene products <i>Not all certifications have the same positive impact. Therefore, a case-by-case analysis of quality standards is conducted.</i></p>	

In this sector, the positive contribution is mainly analyzed through **revenues exposure** but not only. We complement this exposure with a **qualitative review of the company’s affordability policy**.

LOW POSITIVE IMPACT

> 10% sustainable activities

MODERATE POSITIVE IMPACT

> 20% to 50% sustainable activities

HIGH POSITIVE IMPACT

> 50% sustainable activities



Sustainable Activities



	CONTEXT	SUSTAINABLE ACTIVITY
BIODIVERSITY	<p>Most personal care products such as diapers or sanitary pads are using wood pulp as a main raw material. These products are most of the time single-use. It may be relevant for sanitary reasons, especially in some regions, but it creates pressure on land-use. The shift towards a more sustainable consumption, and the promotion of reusable/washable products may be part of the solution. As of today, the development of this segment is facing challenges related to the lack of infrastructure to wash and/or clean these products for example. Thus, companies trying to diversify their products and providing these options to customers will be valued.</p>	<p>Sustainably certified products Development, manufacturing, and/or distribution of safe alternatives to single use home and personal care products (including diapers, tampons, pads, paper towels) as well as bar products. <i>Not all certifications have the same positive impact. Therefore, a case-by-case analysis of quality standards is conducted.</i></p>

In this sector, the positive contribution is mainly analyzed through **revenues exposure**.





CONTEXT

ADVANCED PRACTICES

HUMAN CAPITAL

Job Quality

The home and personal care industry relies on different types of employee qualifications. With direct employees generally having a college degree, companies will be expected to provide relevant measures to attract, develop and retain their talents. In this context, companies can develop a training policy tailored towards the specific needs of each business unit and potentially provide certification that will be recognized on the labor market. For example, as the beauty industry is slowly evolving towards more digital penetration, companies can offer employees the possibility to deepen their knowledge on data management or ecommerce. In the context of a sustainable transition, providing employees with the option to get sustainability related certification is also key. Some companies might also rely on salesforce / retail employees with lower education. When it is the case, internal career paths will be analyzed more closely. On average, the employee turnover in the sector is around 10% to 15%¹. The analysis also considers geographical and cultural differences to assess the quality of practices, notably regarding benefits and social dialogue.

Diversity and Inclusion

Women in the HPC industry account for around 50% of the workforce (vs. average MSCI World is 38%)². We believe that challenge for companies is not to attract women, and to a lesser extent minorities, yet to support and promote them. Companies will be expected to provide the structure to enable women to climb the corporate ladder and break the glass ceiling. Moreover, diversity and inclusion does not only pertain to gender. A particular attention should be paid to the economic social background of employees, their age, and making sure that the working environment is inclusive for every employee regardless of their minority profile. To do so, companies can work towards the diversification of recruitment pools to ensure equal opportunities, and improve awareness of employees and management on this subject. The analysis also considers geographical and cultural differences to assess the quality of practices, notably regarding benefits and social dialogue.

Actions/measures expected:

Impact indicators examples:

- **Develop employees' skills recognized on the labor market and anticipate shifts in skills.**
- **Ensure fair remuneration and social benefits are sufficient for good living conditions.**
- **Ensure employee satisfaction and wellbeing.**

- Training hours per employee, % of workforce trained,
- Qualitative analysis of the training offering including, upskilling programs, mentorships focused on young talents, leadership development...).
- Creation of internal universities / academies targeting actionable skillsets and accessible to most employees.
- Analysis of employees', executives' and shareholders' remunerations.
- Existing and effective employees' association mechanisms.
- Workplace wellbeing measures: flexible work arrangements, mental health support, counselling etc.
- Employee turnover and absenteeism.

- **Improve female and diverse representation especially at management/leadership level.**
- **Ensure equal opportunities and increase awareness to overcome inequalities.**
- **Ensure adapted and flexible career options.**

- Percentage of women in the Executive Committees.
- Roadmap to improve recruitment of minorities and ensure unbiased recruitment.
- Training available for employees (including HR & management) on unconscious biases.
- Wage gap or credible target to reach pay equality & unadjusted pay gap.
- Succession planning including at least one woman as a possible candidate for every Senior position.
- Gender-neutral leave policy.
- Provision of daycare options (affordable and/or paid by the company) and work flexibility options.

LOW POSITIVE IMPACT

- > Advanced practices - Medium Stake* topic
- > Credible strategy to achieve advanced practices

MODERATE POSITIVE IMPACT

- > Advanced practices - High Stake* issues





CONTEXT

ADVANCED PRACTICES

CLIMATE

Scope 3 is the main scope of greenhouse gas (GHG) emissions for Home and Personal Care companies. It usually accounts for more around 80% of total emissions intensity in the consumer staples sector¹. However, not all products within the industry have the same climate footprint, and the emissions generated by the manufacturing process also highly depends on company's practices. In the upstream supply chain, the extraction of raw materials is responsible for the most important share of GHG emissions, but the transportation and packaging phases are also generating emissions. Some products, such as soap, laundry detergents, or rinsing beauty products, require the use of hot water, which also weights significantly on the carbon footprint of these companies. Finally, single-use personal products (diapers, female hygiene products or paper towels) are currently not recyclable and are generally disposed in landfills. It is estimated that around more than 90% of diapers end up in landfills².

Actions/measures expected:

Impact indicators examples:

Reduce dependency on plastics and reduce impact of use of products

- GHG emissions reduction targets on all 3 scopes, preferably aligned with the Science Based Target Initiative (SBTi) and effective reduction in emissions.
- Scope 1& 2³ percentage of suppliers committing to SBTi targets, transition towards renewable energy and more energy efficient manufacturing sites, administrative building and retail sites if relevant, decarbonization of sales fleet.
- Scope 3⁴: reduce dependency on petroleum by-products such as plastics, ensure deforestation-free supply chain, finance innovation to reduce the temperature needed to use products, to develop bar product (and hence reduce volumes of water) or to increase the number of uses.

BIODIVERSITY

The home and personal care industry is responsible for significant pressures on biodiversity. The environmental damage of the industry is caused by the sourcing of its main feedstocks, including palm oil, soy, or wood pulp that are still responsible for deforestation in Southeast Asia, or South America, by plastic packaging pollution and chemicals use. Of all forms of pollution, plastic waste is one of the most visible. It is estimated that 12% of all plastic waste comes from the consumer goods sector, while only 9% of plastic is currently recycled each year⁵. For the industry, it is a necessity to shift from single-use plastics and ensure reusable, recyclable, or compostable plastic packaging. On average, the share of reusable, recyclable, or compostable packaging is slightly above 60%⁶. Finally, the sector withdraws and consumes high volumes of water across its entire value chain. In particular, water is used in the upstream production and processing of feedstocks and the extraction of raw materials. For example, beauty products may contain anywhere from 60% to 85% water⁷. While products manufactured will not be considered as a direct solution, the development of a comprehensive eco-design strategy will help to ease pressure on biodiversity.

- **Maximize renewable ingredients and ensure sustainable sourcing**
- **Reduce pressure from plastic pollutions**
- **Ensure water quality and reduce water dependency**

- Implementation of credible regenerative agriculture practices and ensure training and support for local farmers.
- Develop and implement supply chain traceability systems to point of production for at least palm oil and soy, ensure transparency and conduct audits of at least direct suppliers.
- Use of nontoxic substitutes for chemicals and transparency on the share of renewable bio-sourced ingredients (including enzymes).
- Share of reusable or recyclable packaging and share of post-consumer recycled (PCR) content in packaging.
- Transparency on location of manufacturing sites (such as % of operation in high-water stress regions and related action plans) and quantity of water withdrawals with Science Based Target for Nature on freshwater and/or land footprint reduction.

LOW POSITIVE IMPACT

- > Advanced practices - Medium Stake* topic
- > Credible strategy to achieve advanced practices

MODERATE POSITIVE IMPACT

- > Advanced practices - High Stake* issues

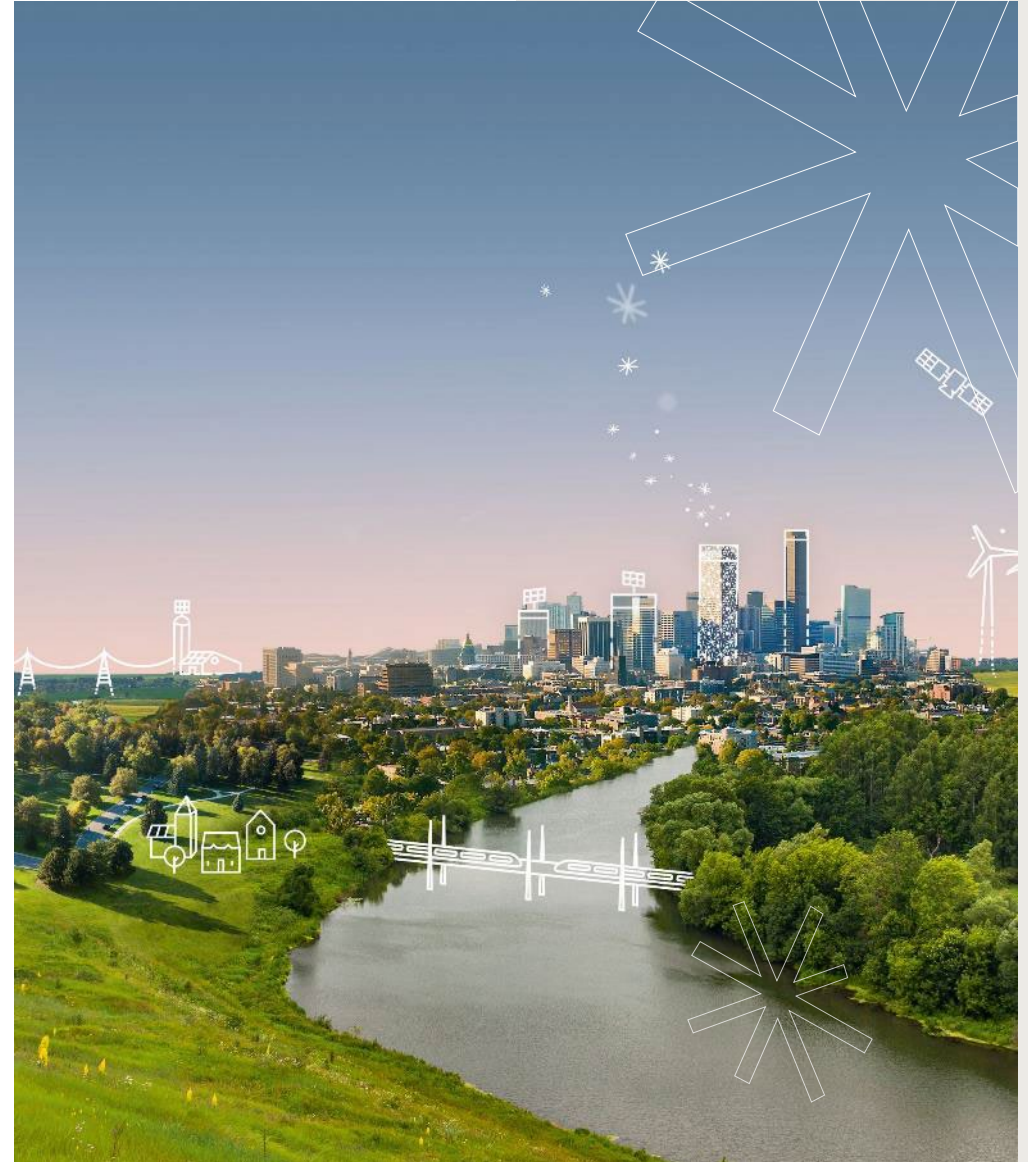


Advanced governance model

CONTEXT	ADVANCED GOVERNANCE MODEL DETAILS	
<p>Mirova aims to promote the development of a corporate vision focused on the creation of collective value over the long term. Corporate governance should be shaped to include the interests of its key stakeholders. We believe that the creation of wealth requires a long-term perspective, which takes into account sustainability issues.</p> <p>Mirova encourages companies to include environmental and social issues in its purpose, and to adapt their articles of association accordingly. We feel that shareholders have a role to play in spreading this vision of what a company should be.</p> <p>Thus, we are promoting the development of a long-term shareholder base, the creation of governing bodies that serve all stakeholders and address CSR¹ issues, the introduction of a compensation policy which is not only fair to its stakeholders, but which also promotes sustainable growth, and -increased transparency and a better quality of both financial and extra financial information, through annual audited reports covering all these issues.</p> <p>Advanced governance practices only foster sustainability but is not a standalone driver of impact.</p>	<p>Practices/measures expected:</p> <ul style="list-style-type: none"> Commitment to long-term and shared value creation Integration of stakeholders in the decision-making process Fair taxes 	<p>Impact indicators examples:</p> <ul style="list-style-type: none"> Demonstrate how value created is shared fairly amongst company stakeholders. Strive towards the model of a purpose-driven organization or/and a B-Corp organization. Create of a Sustainable Development Committee or sustainability representative at Board-level, with regular meetings throughout the year. Sustainability items systematically integrated into the board agenda. Provide country-by-country reporting on tax payments.



ESG Risks



Product Safety

CONTEXT	MINIMUM STANDARDS	
<p>Home and Personal Care companies have been in the spotlight for the use of some chemical ingredients considered harmful for human health or the environment. These ingredients range from endocrine disruptors, carcinogenic or toxic to reproduction ingredients, to extremely persistent chemicals. As of today, there is still a serious lack of harmonization of global regulation. The US has only banned around 11 ingredients for cosmetics whereas the European Commission banned or limited more than 2,000 substances¹. In Europe, some substances are banned by REACH annex XVII, such as phthalates (found in nail polishes), asbestos fibers etc. Other substances, also known as Substances of Very High Concern (SVHC) are deemed harmful for the environment and human health (carcinogenic, toxic for reproduction etc.) and restricted until alternatives are found. In the US, a few states have stepped up to protect public health. California and Maryland have banned 24 chemicals from cosmetics². Recent laws in California and Colorado prohibit the toxic “forever chemicals” known as PFAS from being added to cosmetics. Only a few companies are perfectly transparent on the ingredients used, and whereas most European companies are highly regulated, companies operating elsewhere should provide evidence they are applying high quality standards.</p>	Type of ESG risk:	Risk assessment indicators examples:
	<p>Transparency on formulation and ingredients</p>	<ul style="list-style-type: none"> • Comprehensive policy around toxicity and transparency on ingredients used. • Transparency on ingredients used and efforts to converge to local regulations including Restricted Substances List REACH Annex XVII. • Revenues from products based on ingredients in the SVHC Candidate lists and California DTSC Candidate Chemicals List. • R&D allocated to the development of alternative ingredients to chemicals including biobased ingredients.
<p>Practices in manufacturing plants (direct and indirect)</p>	<ul style="list-style-type: none"> • Recalls in the last 5 years based on product safety and ingredients. • Audit of suppliers on quality standards including reference to the Good Manufacturing Practices. 	

Animal Testing

Conducting tests on animals for home and personal care is becoming the expectation more than the rule. Some market such as the European Union have started to ban animal testing for cosmetics, for example. China used to be the most stringent regulation, yet, it is also slowly relaxing rules related to animal testing for imported products. Consequently, we expect companies to commit not to conduct animal testing unless the local regulation is specifically requesting it or if the commonly accepted alternative test method does not enable the development of the necessary safety data. Regardless of the context and geography, we also expect the formalization of the strategy to implement the three “Rs”: **R**educe – the number of animals used, **R**efine – to limit the stress caused by the test, **R**eplace – with other methods. We apply a case-by-case analysis of the strategies implemented by companies in these sectors, looking specifically at their commitment to reduce 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 (Reduce, Refine, Replace).



Climate and Biodiversity

CONTEXT	MINIMUM STANDARDS	
<p>The home and personal care industry is responsible for significant pressures on biodiversity due to the environmental damage caused by the raw materials sourcing (palm oil, soy, or timber), as well as plastic and chemical pollutions. Some of the largest companies of the sector are often identified as being one of the most important polluters. Moreover, as of today, the lack of supply chain transparency has been a major barrier to identify the responsibility and involvement of companies in deforestation. From a process perspective, many firms in this industry have operations in regions facing water scarcity. A rigorous due diligence in place to increase transparency around the sourcing of high-impact raw materials and most dangerous chemicals, as well as targets to ensure the shift towards at least recycled packaging and ongoing assessment on dependency and impact of activities on water are considered minimum requirements.</p>	<p>Type of ESG risk:</p> <p>Deforestation and pollution</p>	<p>Risk assessment indicators examples:</p> <ul style="list-style-type: none"> • Life cycle analysis to identify high risk ingredients. • Percentage of raw materials with sustainable certifications. • Existing policy to prohibit transformation of any primary forest, high-conservation value forest, high carbon stock or intact forest landscape. • Existing grievance mechanisms in place to identify and remedy adverse social and environmental impacts linked to their operations and/or supply chain.
	<p>Packaging pollution</p>	<ul style="list-style-type: none"> • Evolution of recycled content in the packaging. • Existing target to increase share of recyclable, refillable, reusable packaging.
	<p>Water & manufacturing process</p>	<ul style="list-style-type: none"> • Transparency on location of manufacturing sites (such as % of operation in high-water stress regions and related action plans) and quantity of water withdrawals. • R&D technology to increase the circularity and efficiency in the use of water. • Details on the formulation and ingredients, required to monitor product safety are relevant to measure the environmental footprint of the products. • Emissions to water - Hazardous waste and radioactive waste ratio.
<p>All industries have to be held accountable for their efforts to reduce their direct, and as much as possible their indirect emissions. As a minimum requirement in the sector, companies are expected to calculate their emissions in all three scopes, and process on the development of a decarbonisation strategy.</p>	<p>Climate footprint</p>	<ul style="list-style-type: none"> • Calculation of GHG Emissions on all 3 scopes or ongoing evaluation. • Share of non-renewable energy consumption and production - Energy consumption intensity per high impact climate sector. • Development or implementation of a decarbonization strategy to reduce major sources of emissions.

PAI #8

PAI #9

PAI #1

PAI #2

PAI #5

PAI #6



Working conditions

CONTEXT	MINIMUM STANDARDS	
<p>The extraction and production of some ingredients including mica, palm oil, soy used in home and personal care products are presenting significant risks of human rights abuses including child labor, forced labor, or other types of exploitation. For example, local investigations have concluded that thousands of people are exploited and forced into working on palm oil plantations particularly in Malaysia and Indonesia. Most production sites are also located in regions where local regulations are limited such as India, China etc.</p>	<p>Type of ESG risk:</p> <p>Employees' labor rights</p>	<p>Risk assessment indicators examples:</p> <ul style="list-style-type: none"> • Traceability of the supply chain of high-risk ingredients in the next 10 years. • Commitment to test for Free, Prior and Informed Consent (FPIC) prior to acquiring new interests, developments, or expansions. • Publicly accessible grievance mechanisms in place to identify and remedy adverse social and environmental impacts linked to their operations and/or supply chain. • Audit coverage of direct suppliers and trend.
<p>While manufacturing home and personal care products is not an extremely dangerous manufacturing process in itself, workers may still face respiratory hazards due to exposure to some chemical ingredients. Even though these ingredients are not harmful for customers they may become an issue in a context of a repeated heavy exposure without proper protection. This includes VOCs¹, formaldehyde, and other chemicals in the air. Thus, companies in the sector are expected to focus on maintaining a high level of workplace safety and eliminate workplace accidents, especially focusing on air quality. The robustness of the policy/strategy will be determined by the ambition of the goals and the scope (company level, suppliers etc.), the availability of monitoring tools, trainings and prevention program.</p>	<p>Type of ESG risk:</p> <p>Human rights in the supply-chain</p>	<p>Risk assessment indicators examples:</p> <ul style="list-style-type: none"> • Existence of a Code of Conduct for Suppliers that includes Human Rights and Labor Rights considerations. • Evolution of frequency and severity of accidents (direct workers and contractors) overtime. Number of fatal accidents in the last few years. • Robust policies and measures implemented to reach zero accidents. • All direct employees and contractors annually trained on Health and Safety issues. • Violation of UNGC principles and OECD guidelines for multinational enterprises and implementation of corrective measures. • Implementation of a policy to monitor compliance with UNGC principles or OECD guidelines for multinational enterprises. • Number of identified cases of severe human rights issues and incidents.

PAI #10
PAI #11
PAI #16



Governance

CONTEXT	MINIMUM STANDARDS	
<p>While companies in these sectors are not the most exposed or the most likely to be found engaging in controversial practices from a business ethics point of view, there have been certain controversies around price collusion in the past. As such, it is still important that companies be transparent with regard to their lobbying practices and anti-corruption, anticompetitive and bribery policies and initiatives. Furthermore, considering that companies in this industry are global organizations, we would also appreciate more transparency with regard to their tax optimization strategy.</p>	Type of ESG risk:	Risk assessment indicators examples:
	<p>Governance of sustainability</p>	<ul style="list-style-type: none"> Existing governance structure enabling the mitigation of environmental and social risks. Disclose breakdown of value among stakeholders, improving transparency around employee remuneration and payroll. Integration of ambitious and binding sustainability criteria – assessed through pre-determined, quantifiable metrics– into the variable compensation of top executives. All Board members are trained on sustainability topic. Presence of employee representatives at board level (beyond regulatory requirements). Unadjusted gender pay gap and board gender diversity.
	<p>Business ethics</p>	<ul style="list-style-type: none"> Robust business ethics policies covering anti-corruption, anti-competitive and bribery practices Evidence of effective whistleblower channels and transparency around cases reported and actions implemented Systematic training on Company’s and Suppliers’ Code of Conduct Number of convictions and number of fines for violation of anti-corruption and antibribery laws Transparency about lobbying practices and objectives
<p>Tax practices</p>	<ul style="list-style-type: none"> Effective tax rate vs. equal statutory tax rate Absence of controversies or evidence of aggressive tax optimization practices Estimated exposure to tax havens* or tax non-cooperative jurisdictions with no real activity in the country 	

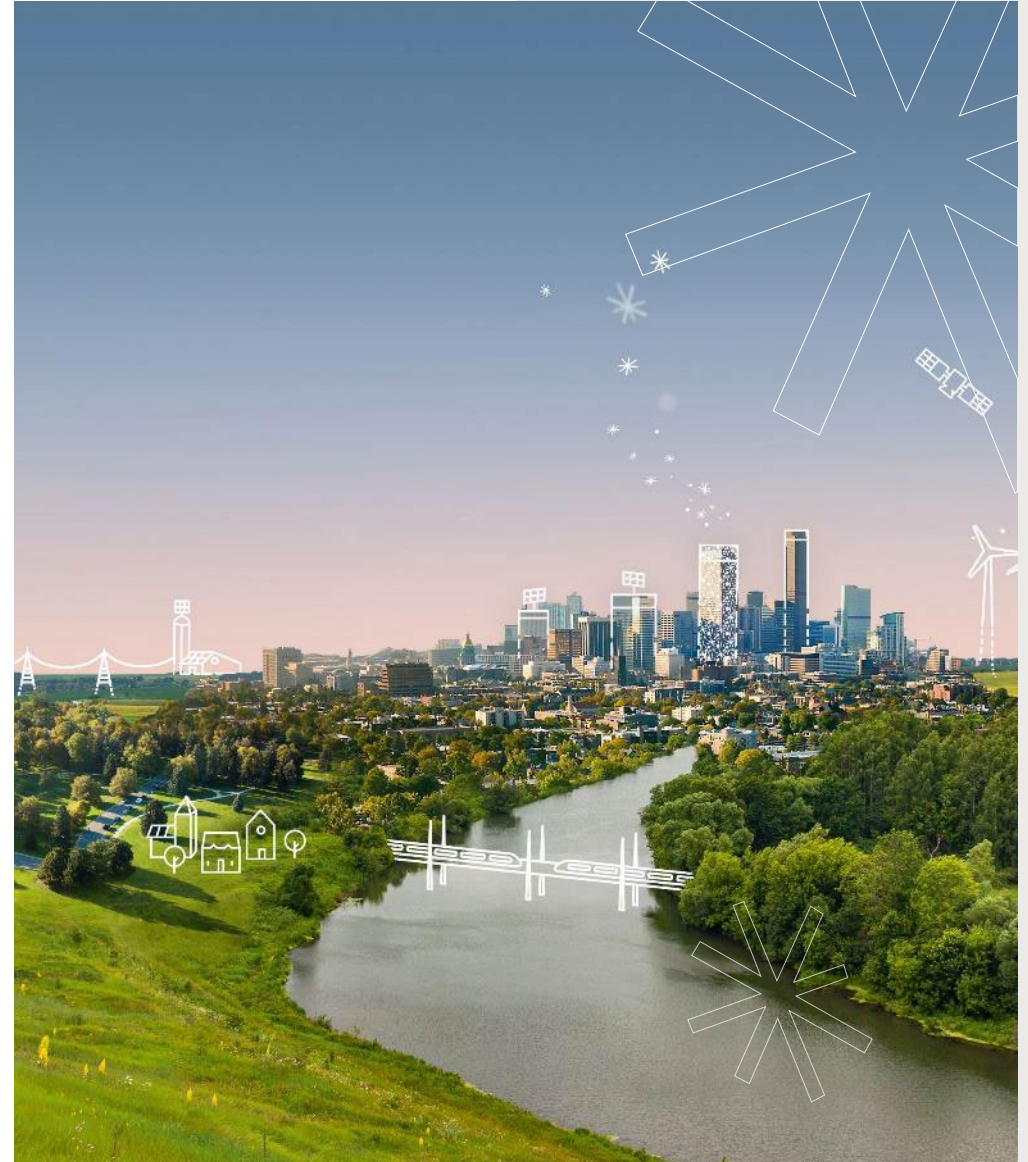
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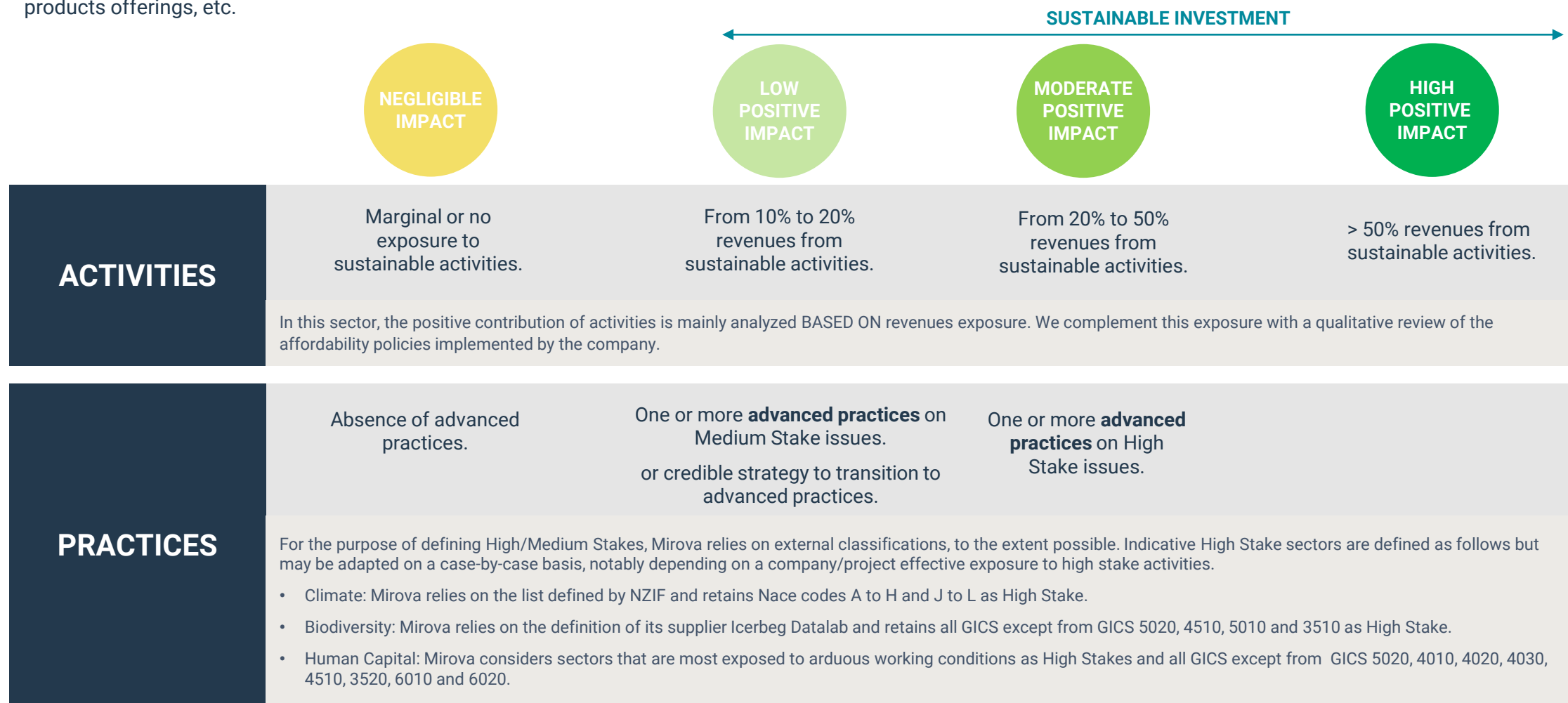
Appendices



Positive Impact

According to Mirova’s internal methodology, contribution to the SDGs can be grouped in two main categories, which are often complementary.

- The “**activities**” i.e.. the products and services they offer.
- The “**practices**” i.e.. the way operations can contribute to create sustainable and inclusive jobs, or by having strong commitments to net zero targets beyond their green products offerings, etc.



ESG risks

SECTOR INHERENT RISK LEVEL: MEDIUM

In recent years, an increasing number of reports have raised concerns over the safety of home and personal care. The use of some harmful chemicals have been proven to be correlated with various cancers, fertility issues, or hormonal disturbance. These chemicals are not only a concern for consumers but also for workers, who may be inhaling doses higher than safety standards, and for the environment as they may be responsible for massive water and soil pollution, increasing pressures on biodiversity. In an effort to transition towards more natural / biobased products, companies are also facing increased supply chain risks due to the sourcing of certain raw materials involved in deforestation and human rights infringement. Palm oil is one of the preferred ingredients for the industry, thanks to its ability to remove oil and dirt from hair and skin as well to moisturize. Yet, this ingredient has now been responsible for deforestation for years. Finally, HPC companies are often considered the most important plastic polluters. While they are not directly manufacturing this plastic, they are still relying on virgin plastic for most packaging.

COMPANY INHERENT RISK LEVEL

A company inherent risk level may differ from the inherent risk level of the sector. The definition of the company inherent risk level may also be determined by the specificities of the business model, the nature of the activities and their locations as well as that of their suppliers (incl. country specific risks).

MAIN ESG RISKS FACTORS

- Biodiversity & climate footprint

- Product safety
- Working conditions: human rights, health and safety

- Governance :
 - Governance of sustainability
 - Business ethics
 - Taxes

RESIDUAL ESG RISK LEVEL



Principal Adverse Impact Indicators

ADVERSE SUSTAINABILITY INDICATOR		MOST RELEVANT	THRESHOLDS / CRITERIA
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS			
Greenhouse gas emissions	1. GHG emissions	X	Systematic integration in qualitative internal analysis and systematic engagement with the largest emitters to strengthen their Net Zero commitments.
	2. Carbon Footprint	X	
	3. GHG intensity of investee companies		Not applicable
	4. Exposure to companies active in the fossil fuel sector		Not applicable
	5. Share of non-renewable energy consumption and production	X	Systematic integration in qualitative internal analysis and systematic engagement with the largest emitters to strengthen their Net Zero commitments.
	6. Energy consumption intensity per high impact climate sector	X	
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas		Exclusion of companies or projects significantly harming biodiversity sensitive areas.
Water	8. Emissions to water	X	Systematic integration in qualitative internal analysis and systematic engagement with relevant investee companies on this issue.
Waste	9. Hazardous waste and radioactive waste ratio	X	
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS			
Social and employee matters	10. Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	X	Exclusion of companies violating UNGC and OECD principles and monitoring of exposure to violations as part of controversy monitoring process. Systematic integration in qualitative internal analysis.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	X	
	12. Unadjusted gender pay gap	X	Systematic integration in qualitative internal analysis and systematic engagement with relevant investee companies on this issue.
	13. Board Gender Diversity	X	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)		Exclusion of companies or projects exposed to controversial weapons leads to and involved in the production of re-exportable weapons.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS			
Human Rights	16. Number of identified cases of severe human rights issues and incidents	X	Systematic integration in qualitative internal analysis and monitoring of exposure to violations as part of controversy monitoring process.
Anti-corruption and anti-bribery	17. Number of convictions and number of fines for violation of anti-corruption and antibribery laws	X	



Useful Resources

SFDR

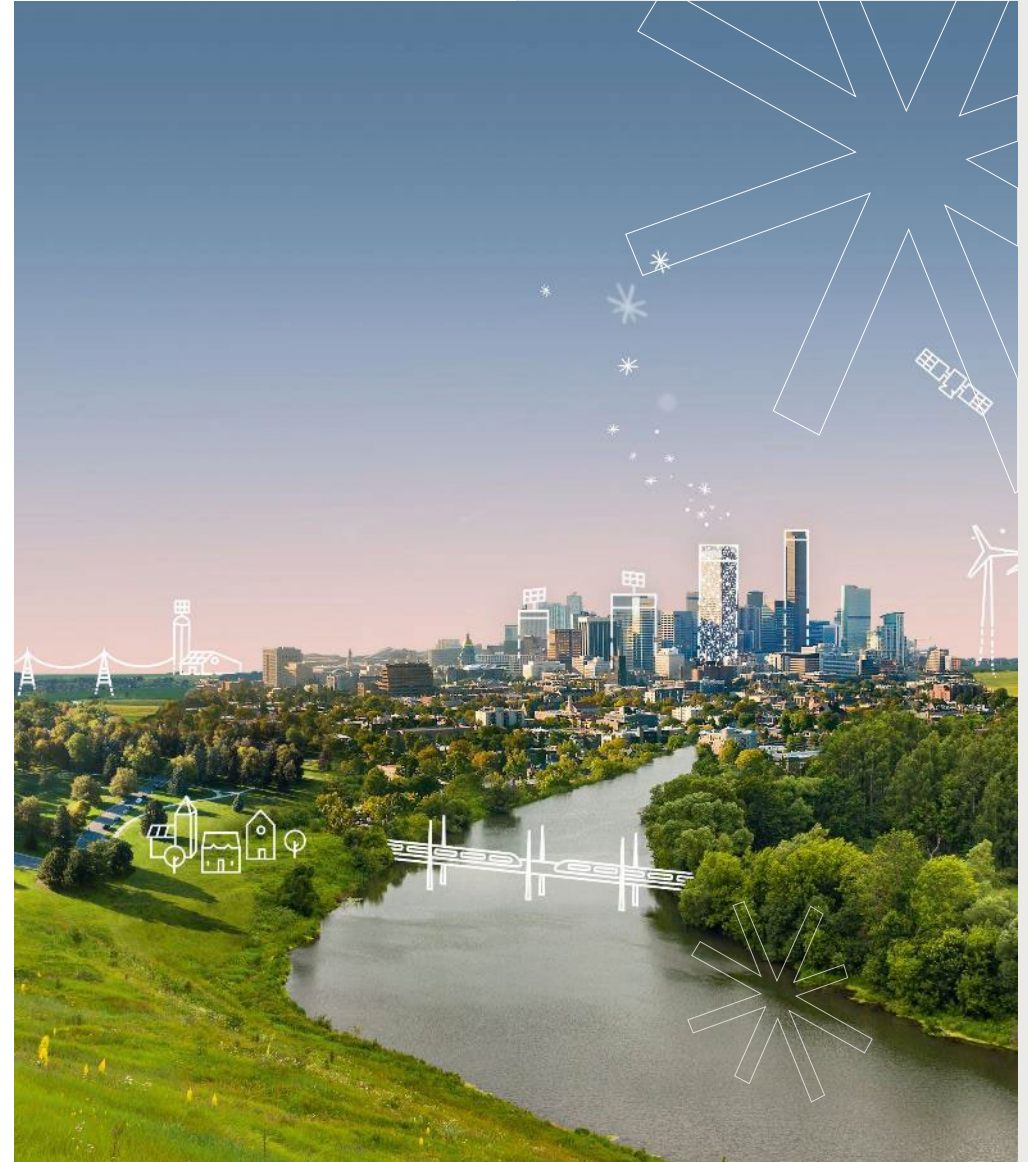
- [Sustainable Finance Disclosure Regulation \(SFDR\): positioning of Mirova Funds](#)
- [Description of the principal adverse impacts on sustainability factors](#)

POLICIES AND METHODOLOGIES

- [Our approach to impact](#)
- [Our approach to impact & ESG assessment](#)
- [Minimum standards](#)
- [Voting and Engagement policies](#)
- [Temperature alignment of listed investment portfolios](#)
- [Transparency codes](#)
- [Our Taxonomy for Sustainable Solutions](#)



Disclaimer



MAIN RISKS

ESG Investing Risk & Methodological limits

By using ESG criteria in the investment policy, the relevant Fund's 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.

Sustainability risks

The Sub-Funds are subject to sustainability risks as defined in the Regulation 2019/2088 (article 2(22)) by environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Sustainability Risks are principally linked to climate-related events resulting from climate change (i.e. Physical Risks) or to the society's response to climate change (i.e. Transition Risks), which may result in unanticipated losses that could affect the Sub-Funds' investments and financial condition. Social events (e.g. inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behaviour, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks. Sustainability factors consist in environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters (the "Sustainability Factors"). Portfolio investment process includes binding and material ESG approach to focus on well rated securities from an ESG viewpoint in order to mitigate potential impact of Sustainability Risks on portfolio return. More information on the framework related to the incorporation of Sustainability Risks is to be found in the sustainability risk management policy of the Management Company on its website.





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