mirova
Investing in sustainability

SUSTAINABLE IMPACT FRAMEWORK

Waste & Water

Sectors:

- Environmental & Facilities Services
- Water Utilities

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.

Table of contents

01 Executive Summary p.3

02 Positive Impact p.6

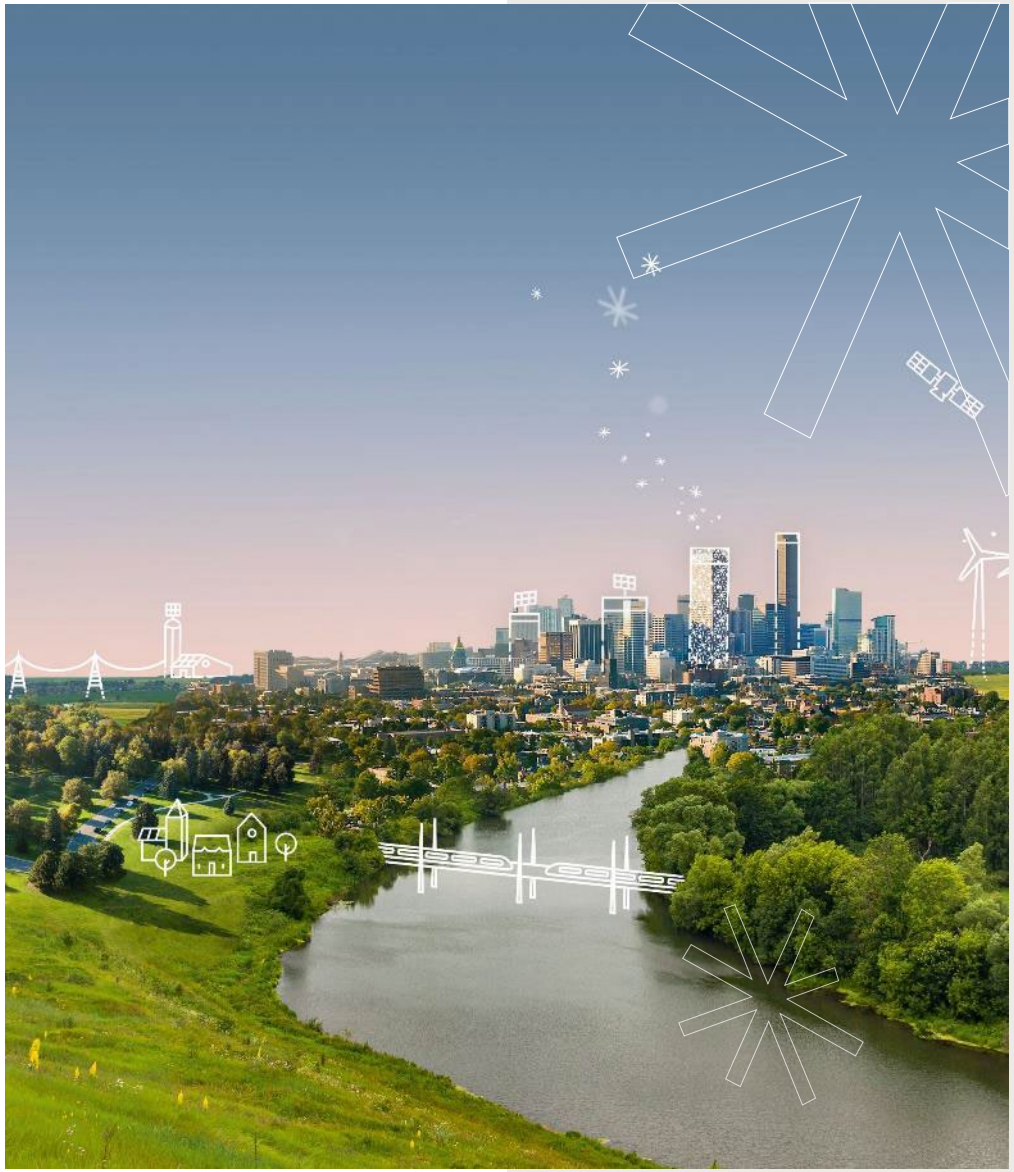
03 ESG risks p.13

04 Appendices p.18

05 Disclaimers p.23

mirova
Investing in sustainability

Executive Summary



Waste & Water

Waste & Water are key impact sectors. Water is an essential need for humanity, yet is currently under threat from climate change, urbanization and economic activity inducing water stress, pollutions, and a triple crisis of food security, health, and biodiversity. Sustainable investment in digital water monitoring, nature-based solutions and wastewater circularity can reduce pressure on resource and improve quality. Waste is polluting ecosystems and detrimental to health. Separate collection and reuse frameworks can instead extend materials' lifespan and accelerate transition towards reduced resource extraction and pollutions.

+1 billion people to be affected by extremely high-water stress by 2050[1]

Access to water may be among the biggest challenges to human communities in the 21st century. Urbanization, climate change, agriculture are increasing both our dependence and pressures on water. Already 2.2 billion people do not have access to safe water and one billion additional people could be affected by water scarcity by 2030[4]. Meeting the challenge requires a change in how humanity values water and engages with local stakeholders, but also significant investments in ageing water networks in order to improve efficiencies and drainage. Within the mitigation hierarchy framework, digital water management such as counters and preventive maintenance supports efficiencies in water adduction infrastructure in urban environment. In developing countries, access to water can benefit women considering the gender biased responsibility within the household, whereby 70% of water collection is done by women[5].

Plastic waste to **be multiplied by 3 by 2060**[2]

Waste is similarly a daunting challenge as human communities rely on an extractive, non-circular economy inducing resource depletion and pollution. Municipal wastes are to increase in correlation with urban population, reaching 68% by 2050 and inducing significant challenges[6]. Overall, 70% of waste is dumped or landfilled[7], contributing to climate warming and biodiversity degradation. Flexible plastics are the main cause of ocean pollution and a lead cause of erosion of biodiversity. Organic wastes induce methane generation, electronic wastes cause serious health concerns linked to metals & solvents' toxicity. Moving to reuse models can provide over 20% reduction in plastic leakage by 2040[8], while new technologies for waste stream separation and innovative closed loop collection schemes enable improved streams purity for reuse and use as feedstock in various industries. Besides, clean logistics reduce climate impacts, regeneration of hazardous wastes is essential to save resources and reduce pollution, and restoration is enabled by remediation of polluted sites and landfill gas capture in closed landfill.

Globally, **44% of world water** bodies are polluted[3]

Over 3.5 billion people do not lack access to safely managed sanitation. Few municipal & industrial effluents are treated, threatening our health and ecosystems. Textiles industry dyeing phase cause pollution by heavy metals salts. Facing this, circular water use, nature-based solutions and disruptive technologies support improved access to water and greater efficiency. Wastewater reclaim opportunity amounts to 10 times the current amounts of desalinated water[9]. Nature-based solutions such as lagooning and natural drainage solutions reduce risks of stormwater and sewer water mixing, mitigating river pollution risks and improving resilience of cities while restoring biodiversity.

[1] 25 Countries (…) Face Extremely High Water Stress, 2023, WRI. [2] OECD Global Plastic Outlook to 2060, 2022, OECD ; [3] Progress towards SDG, UN, 2024 ; [4] 2024 Water report, 2024, UN ; [5] Progress on household drinking water, 2023, UNICEF ; [6] Habitat annual report, 2023, UN Habitat ; [7] What a Waste, 2019, World Bank ; [8] Unlocking reuse revolution, 2023, EMF ; [9] Why what how of water crisis, 2023, UN

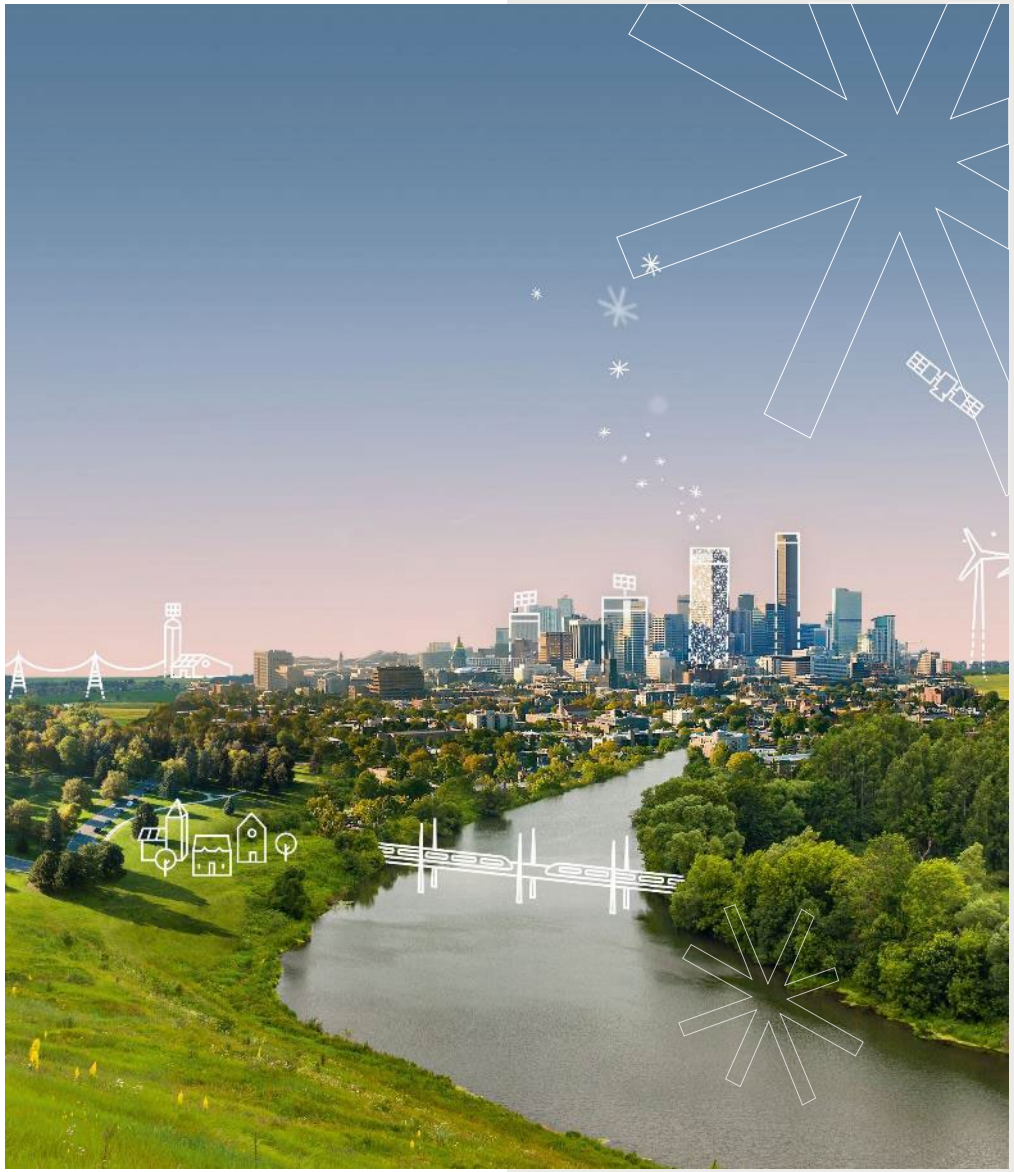
Drivers of contribution and obstruction to sustainability goals

	Activities	Practices
Positive Impact	**Sustainable Activities** SUSTAINABLE WATER MANAGEMENT WATER USE EFFICIENCY CIRCULAR BUSINESS MODELS WASTE RECYCLING AND RECOVERY ACCESS TO BASIC SERVICES WATER QUALITY	**Advanced Practices** HUMAN CAPITAL MANAGEMENT • Diversity and inclusion • Job Quality CLIMATE BIODIVERSITY *Advanced governance models*
ESG Risks	**Harmful Activities*** Activities negatively affecting biodiversity sensitive areas	**Risk Mitigation** ENVIRONMENTAL • Methane leaks • Incineration of wastes • Biodiversity footprint • Emissions to water • Extreme weather event • Plastics pollution SOCIAL • Water quality impact on health • Water price & accessibility • Hazardous wastes impact on health • Labor and Human Rights GOVERNANCE OF SUSTAINABILITY • Business Ethics • Tax practices

*See: Minimum standards and exclusions, Mirova

mirova
Investing in sustainability

Positive Impact



Sustainable Activities

	CONTEXT	SUSTAINABLE ACTIVITY	
SOCIAL OPPORTUNITIES	Climate change, increased urbanization and over extraction of water resource by agriculture induce groundwater depletion, while ageing infrastructure induces increased leaks threatening service continuity. Besides, surface water is increasingly polluted by industries and wastewater, thus jeopardizing human health. Resilient supply of quality water requires action to ensure continuity of quality drinking water to the 6 bn people currently served.	**Water Quality** • Safe and accessible drinking water distribution in developed areas	**IMPACT CRITERIA** • Transparency on water quality • Water-poor household subsidy program • Transparency on service continuity
	Over 1.8 bn people are not served drinking water in their own premises, inducing the need to collect water. Overall, 70% of household water is collected by women in developing areas (Progress on household drinking water, 2023, UNICEF). UN's principle on universal right to water means that anyone should have access to enough water for personal and domestic uses, meaning between 50 and 100 liters of water per person per day. The water must be safe, acceptable and affordable. The water costs should not exceed 3% of household income. Moreover, the water source has to be within 1 km of the home and collection time should not exceed 30 minutes. (UN website water section, accessed July 2024)	**Access to basic services** • Connection of underserved populations in developing areas	

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 solution's impact. KPIs to assess the level of impact generated can include among others: **number of users, share of revenues in underserved areas, etc.**

LOW POSITIVE IMPACT	MODERATE POSITIVE IMPACT	HIGH POSITIVE IMPACT
> 10% sustainable activities	> 20% to 50% sustainable activities	> 50% sustainable activities

Sustainable Activities

	CONTEXT	SUSTAINABLE ACTIVITY	
BIODIVERSITY	Urbanization is accelerating and could reach 68% in 2050 inducing increased pressure on urban pipe networks and treatment infrastructure[1]. Utilities are required to carefully manage water resources in areas at risk. Limited soil permeability and climate change, inducing extreme weather, reduce cities' resilience. Both nature-based solutions and drainage (green & grey) are required to avoid mixing blue and grey water.	**Sustainable Water Management** • Supply of drinking water from resilient and renewable sources and avoidance of wastewater mixing with rain waters • Capacity building of municipal government stakeholders and water resource management	**IMPACT CRITERIA** Sustainability frameworks highlight the 3 main activities of water management ensuring sustainable water cycle over the whole value chain. This includes: • resilient diversified supply, • efficiency and recovery of water, energy and nutrients, • restoration of natural ecosystems. Compliance with the above should help meet water challenges.
	Water resource is under pressure, inducing needs to improve quality, quantity and resilience thanks to technologies. Worldwide, 360bn m^3 urban wastewater is produced every year[2] and only half is treated[3]. Meanwhile, industry and agriculture consume most of world's water, and rely on unsustainable energies as well as fertilization, which could be partially supplied from reclaimed water and sludge. Facing these challenges, membranes, active coal, ion exchange can reduce emerging pollutions. Digital water metering and AI support resource monitoring for improved resilience and eased maintenance. Besides, as-a-service tools support cash-constrained municipalities.	**Water Use Efficiency** • Water metering tools and services , leak detection, maintenance robots, integrated water system monitoring • Sustainable water treatment technologies, UV, Ozone, membranes, sludge co-digestion, flocculants, active coal, • Training of stakeholders on use of those instruments	
CLIMATE / BIODIVERSITY	Faced with excess resource extraction and wastes, circular economy prioritizes reuse, repair & as-a-service business models enabling transition towards limited resource use and zero waste. Separate collection of wastes is key to improve recyclability through waste stream purity and participates in extended producer responsibility. This is most relevant for textiles, electronics, biowastes, flexible plastics. Hazardous wastes such as industrial wastes require specific recycling equipment & regulated disposal options , which contribute to avoid use of virgin materials. Finally, industrial activities entail erosion of soils and local pollutions, which require immediate remediation to prevent significant environmental degradation. Emerging soil pollutant capture and removal technologies support mitigation of risks.	**Circular business models (reuse, upcycle)** • As-a-service business models including leasing deposit return scheme • Closed loop collection, sorting & recycling and participation in extended producer responsibility **Waste Recycling and Recovery** • Separate collection, sorting, recycling of municipal wastes equipment and services • Hazardous (industrial) wastes collection & recycling • Emergency depollution and remediation of polluted sites	

In this sector, the positive contribution is mainly analyzed through **revenues exposure** but not only. We complement this exposure with **relevant impact KPIs** (ex: m^3 surface & reused water in water scarce areas, tons of waste upcycled; CO_2 emissions avoided, etc…) to **assess the effectiveness of the solution in truly advancing environmental challenges.**

LOW POSITIVE IMPACT	MODERATE POSITIVE IMPACT	HIGH POSITIVE IMPACT
> 10% sustainable activities	> 20% to 50% sustainable activities	> 50% sustainable activities

Sustainable Activities Focus : Desalination

CONTEXT

Considering increasing water scarcity, which should amount to 40% shortage by 2030 due to global warming among others[1] and 2.15 billion people living on the seashore already under drinking water supply challenge due to groundwater salination[2], desalination can support augmented drinking water supply where there is no alternative. Already 10% of world municipal water is provided through desalination[3] yet this induces significant risks such as energy intensity, discharge of brine at sea, and detrimental incentive towards overconsumption of water. Against this background, desalinated water should not deter efforts to curb consumption, be deployed cautiously and prioritized for sustainable uses such as drinking water, and only where there is no alternative option. Risks should be adequately mitigated through wastewater circularity, energy efficient technologies, zero pollution framework, ensuring a sustainable support.

POSITIVE IMPACT

	SUSTAINABLE ACTIVITY	IMPACT CRITERIA
SOCIAL / BIODIVERSITY	**Sustainable Water Management - Desalination**	Desalinated water for prioritized stakheolders such as drinking water for cities. Deployment of invoice support program or progressive tariffs. Wastewater circularity.

CONDITION FOR ELIGIBILITY

- Absence of local alternatives
- Circularity of wastewater for reuse and sustainable end uses such as agriculture and aquifer replenishment
- Zero liquid discharge as best effort such as brine recycling
- Increasing reliance on renewable energy overtime
- Use of energy efficient-technologies such as reverse osmosis
- Energy efficiency measures deployed
- Water leaks reduction tools
- Awareness raising on water use reduction

The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. 1. Turning the tide, a call to collective action, 2023, UN. 2. Population development as a driver of coastal risk: Current trends and future pathways, 2023, Reimann et al. 3. Why what how of water crisis, 2023, UN . Source: Mirova.

Advanced Practices

	CONTEXT	ADVANCED PRACTICES	
		Practices/measures expected:	Impact indicators examples:
HUMAN CAPITAL	**Job quality** Considering the technicality of water supply and variety of tools, equipment suppliers need to address the challenge through training of employees and contractors – which participates to filling the worldwide gap on 'green jobs' for the transition. Purchasing from local businesses canal also positively benefit employment in surrounding communities. This is particularly material because managed waste collection substitutes to informal sector-based waste collection – 11 million individual plastic pickers worldwide ensure 60% of plastic collection[1]– inducing a need for dialogue with local communities to ensure smooth transition. Finally, water utilities can support improved skills for public water utilities by offering training to external stakeholders.	• **Develop employees' skills recognized on the labor market and anticipate shifts in skills.** • **Ensure fair remuneration and social benefits sufficient for good living conditions.**	• Training hours per employees, % 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 fairness between employees', executives' and shareholders' remunerations. • Existing and effective employees' association mechanisms. • Workplace wellbeing measures: flexible work arrangements, mental health support, counselling, etc. • Training hours of suppliers. • Share of local sourcing.
	Diversity & inclusion Engineering jobs in the waste and water segment are disproportionately held by men, inducing a gender bias in water & waste companies' workforce. Active female career acceleration policies are required in order to attract more women and improve living income and conditions. Considering strong interactions in local economy, water and wastes companies can generate positive socioeconomic impacts by prioritizing sourcing from local and diverse businesses. This can lead to sustainable job creation with value added skills such as electricity and mechanical engineering for disadvantaged people.	• **Improve female and diverse representation especially at management/leadership level.** • **Ensure equal opportunities and increased awareness to overcome inequalities.** • **Ensure adapted and flexible career options.**	• Percentage of women in the Executive Committees, difference between women representation in the workforce and Executive Committee, C-Suite female representation (CEO, CFO, CIO, CTO, CCO). • 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. • Roadmap to improve recruitment of minorities and ensure unbiased recruitment. • 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

The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. 1. Breaking the plastic wave, 2021, Systemiq. * As defined in appendices. Source: Mirova.

Advanced Practices

CONTEXT	ADVANCED PRACTICES	
	Practices/measures expected:	Impact indicators examples:
CLIMATE Circularity can contribute to address the 45% of global GHG[1] emissions that cannot be addressed through energy alone (Universal circular economy policy goals, 2021, EMF). Logistics emissions from waste collection can be mitigated through alternative fuels trucks. Improved wastes sorting thanks to digital & automated tools avoids wastes mismanagement, landfill gas and incineration inefficiencies caused by moist. Extraction of landfill gas reduces methane generation. Separate waste collection can support improved waste stream purity, thereby improving recyclability and substitute feedstock in the manufacturing sector. Wastewater induces reliance on power for active sludge treatment processes as well as heat. Energy efficiency measures can support reduction in energy demand while new technics such as hybrid use of roofs for PV power production, and co-digestion of organic wastes and sludge reduce the need for external energy sourcing.	**Implement robust decarbonization strategy on all three scopes**	• GHG emissions reduction targets on all 3 scopes, preferably aligned with the Science Based Target Initiative (SBTi) and effective reduction in emissions • Scope 1 & 2[2] : incineration reduction, landfill biogas capture, electric trucks, sludge-biomass codigestion, business trips/employees commuting, office spaces ; ISO 50001 factory certification • Scope 3[3] : suppliers' emissions, engagement with suppliers on SBTi target setting, product lifecycle analysis ; energy efficiency improvement for sold products, client's awareness raising initiatives to • Decreasing trend of GHG emissions on Scope 1, Scope 2 and Scope 3 emissions
BIODIVERSITY Worldwide, municipal wastes volume is doomed to expand by +70% by 2050 (What a waste 2.0, World Bank, 2019). Separate waste collection systems improve waste stream purity and improved reusability/recyclability thereby supporting transition towards a circular economy. Waste management companies can address these by deploying automated sorting, but also participate in closed loop systems and restoration of closed landfill sites. Climate change and increased urbanization induce heightened pressures on water sources in particular groundwater supply, and concentration of pollutions. Increased water quality, quantity and resilience is required which induces improved circularity, diversified water sourcing, and deployment of nature-based solutions complemented by drainage infrastructurer.	• **Net positive water impact** • **Waste/wastewater Circularity & Efficiency** • **Ecosystems restoration**	• Net positive water impact target on either of quality quantity, access, in water stressed basins possibly validated by CEO water mandate/SBTN • Net positive land targets including restoration of >10% land footprint possibly validated by SBTN, • % achievement of resilience plan targets per site, % yearly infrastructure renewal >1%, use of NBS[4] • Waste & wastewater circularity targets, m^3 biogas production ; tons sludge spread on field ; % waste sorted • Participation in deposit return schemes program or extended producer responsibility program; # sorting sites • Availability of online digital water savings simulation tool; ; % client digital metering ; % household awarenss raising

LOW POSITIVE IMPACT

> Advanced practices - Medium Stake* topic

> Credible strategy to achieve advanced practices

MODERATE POSITIVE IMPACT

> Advanced practices - High Stake* issues

The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. 1. Greenhouse gases. 2. Direct emissions created by a company's activities and Emissions from the electricity a company uses in its operations. 3. Indirect emissions from a company's supply chain, distribution, use of products, and product disposal. 4.Nature based solutions, including Lagooning: natural treatment technique that consists in the accumulation of wastewater in ponds or basins. Source: Mirova

Advanced governance model

CONTEXT

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.

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.

Thus, we are promoting the development of a long-term shareholder base, the creation of governing bodies that serve all stakeholders and address CSR[1] 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.

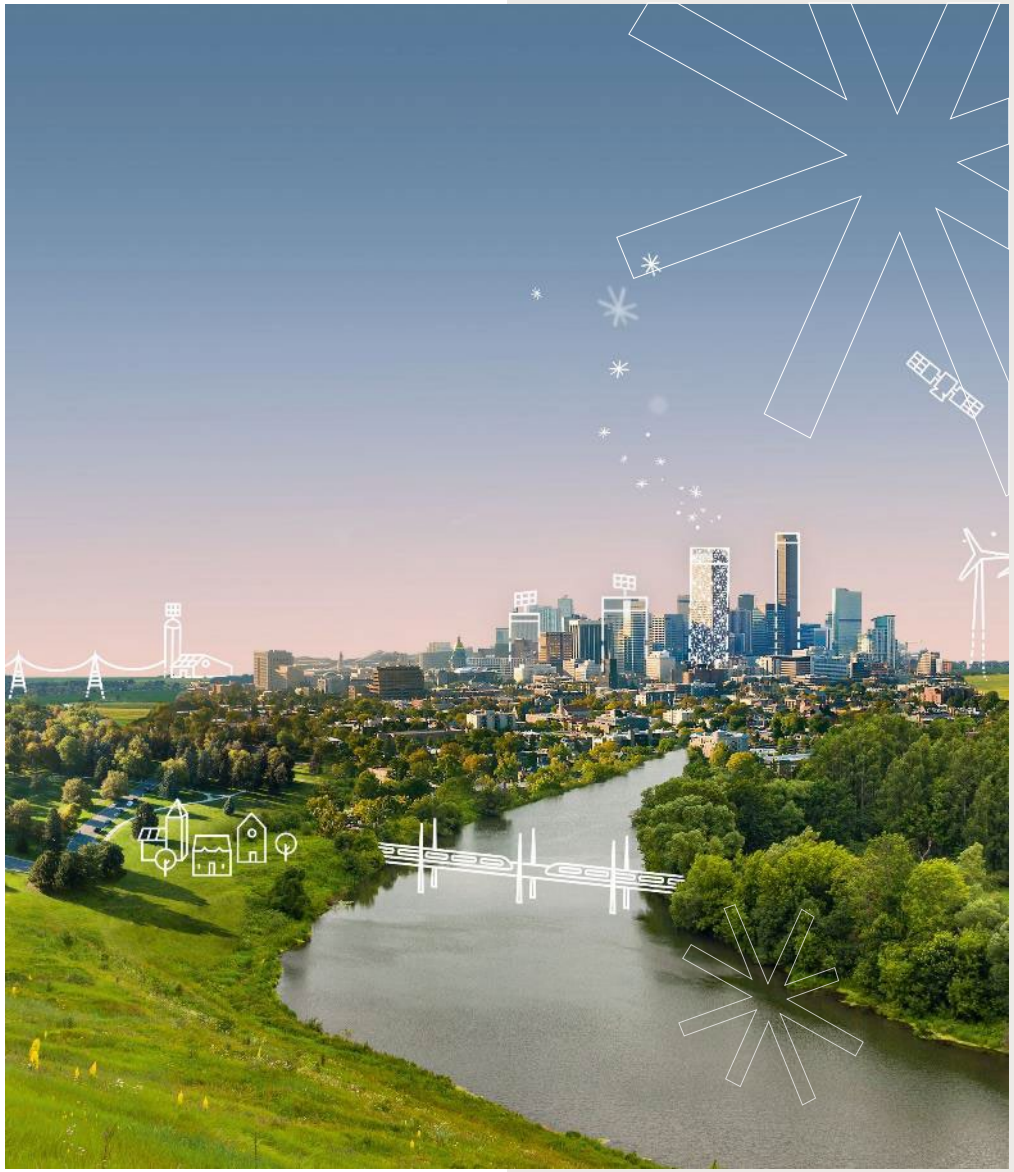
Advanced governance practices only foster sustainability but is not a standalone driver of impact.

ADVANCED GOVERNANCE MODEL DETAILS

Practices/measures expected:	Impact indicators examples:
Commitment to long-term and shared value creation	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.
Integration of stakeholders in the decision-making process	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.
Fair taxes	Provide country-by-country reporting on tax payments.

mirova
Investing in sustainability

ESG Risks



Climate & Biodiversity

CONTEXT

Worldwide, most of wastes are currently leaked, landfilled or incinerated, inducing significant GHG emissions and pollution from incineration, methane emissions from landfill and water pollution from leachates. Hazardous wastes induce specific contamination such as persistent chemicals and refrigeration gases.
There are risks of resource inefficiency due to competition with prioritized waste treatment options in the circularity hierarchy. This risk is heightened as developed countries lack recycling capacity since 2019 international ban on waste plastics exports.

Water is increasingly scarce with +1bn people to live in areas of high water stress by 2050[1]. Water utilities need to prepare by setting up resilience plans. About half of world wastewater is not treated, inducing environmental pollutions. Emerging contaminants such as microplastics, persistent pollutants and active pharmaceutical ingredients are particularly challenging in filtering.

MINIMUM STANDARDS

Type of ESG risk:	Risk assessment indicators examples:	
Climate footprint	• Definition of a decarbonization strategy to reduce major sources of emissions. • Initiatives in place to reduce Scope 2 emissions from the energy efficiency of infrastructures. • Calculation of GHG Emissions on all 3 scopes or ongoing evaluation. • Landfill gas capture or flaring.	PAI #1 PAI #2 PAI #5
Environmental risks in the supply-chain	• Existence of a code of conduct for suppliers that includes environmental considerations. • Inclusion of environmental criteria to suppliers' screening for procurement (i.e. favor local suppliers, suppliers that offer low-carbon materials, energy-efficient products, etc.).	
Biodiversity footprint	• Reduction in drinking water leakages ; river pollutions events. • Reporting on waste landfilled and incinerated vs recycled. • Assessment of water risks and deployment of resilience plans in water scarce areas. • Sites/operations located in / near to biodiversity-sensitive areas. • Policy, monitoring indicators, mitigation plans quantified targets on key environmental issues including emissions to water and hazardous wastes & time evolution of indicators.	PAI #8 PAI #9

Working conditions

CONTEXT	Type of ESG risk:	Risk assessment indicators examples:
Waste collection induces strong reliance on hourly-paid workers, increasing inequality risks within the company and the society as a whole. Water and wastes management induces significant worker safety risks and degradation of working conditions due to hazardous wastes management and difficult pipe network maintenance.	**Employees' labor rights**	• Basic measures in place for employees impacted by restructuring (financial severance, re-training, job-search assistance, etc.). • Measures to promote fair working conditions and a sustained social dialogue in countries with less stringent regulations. • Anonymous reporting channel to report non-ethical behaviors in the workplace. • Frequency and severity of health & safety accidents (direct workers and contractors) decreasing overtime. • Internalized waste collection staff.
Water equipment manufacturers are exposed to product defect risks and maintenance issues. Waste companies rely significantly on low wage workers with limited career opportunities. Waste and water sector is exposed to limited risks regarding supply chain forced labour issues as water equipment rely mostly on steel and polymers	**Human rights in the supply-chain**	• Existence of a Code of Conduct for Suppliers that includes Human Rights and Labor Rights considerations. • Promote the development of ambitious environmental & social standards in the supply-chain and use third party supplier audit platform. • 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. **PAI #10** **PAI #11** **PAI #16**

Water quality, access & nuisance to communities

CONTEXT	Type of ESG risk:	Risk assessment indicators examples:
Health impact on consumers are caused by water contamination and old pipe networks containing lead and dioxins pollution from incinerators while nuisance to local communities are common due to odor from landfill and wastewater treatment plants. Efforts are required to implement grievance mechanism to ensure adequate relations with communities.	**Nuisances**	• Deployment of best available pollution filtration technologies for incinerator. • Remediation of past soil pollutions. • Meteorological monitoring and community alarm on odor nuisance. • Community engagement on waste collection framework (noise, parasites). • Hotline for reporting of nuisances.
Access to water is a universal right, yet utilities need to charge service fees inducing risks on inequalities. These companies need to engage into frequent interactions with local stakeholders to ensure good water governance. Water equipment manufacturers are exposed to product defect risks and maintenance issues. Finally, water quality needs to be ensured for every client so as to avoid detrimental health impacts.	**Water quality & accessibility**	• Long term remediation of controversies on unfair water tariffs. • Awareness raising campaigns on reduced water consumption. • Water quality disclosures. • Amount spent in water quality improvement. • ISO quality certification of water equipment. • Number of incidences of non-compliance issues regarding water quality. • Water continuous services.

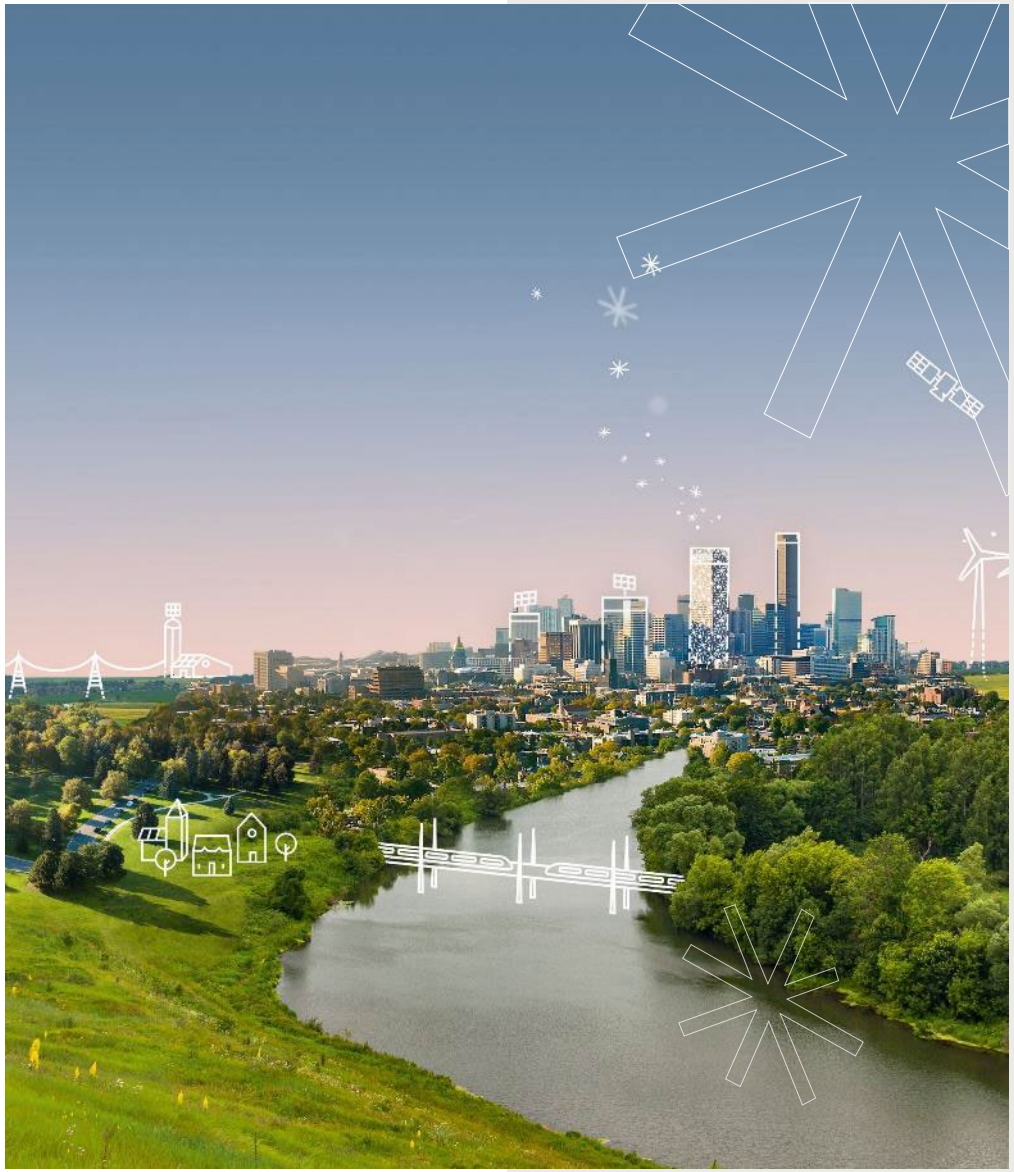
Governance

CONTEXT	MINIMUM STANDARDS	
	Type of ESG risk:	Risk assessment indicators examples:
The credibility and robustness of the company's sustainability strategy is supported by a comprehensive ESG governance structure and the integration of ESG criteria in the management remuneration. Moreover, business ethics is an important issue and companies must be able to prevent the risk of internal bad practice (corruption, fraud, bribery etc.). Water and waste companies are often exposed to corruption with local governments and monopoly in tariff setting. 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. The risk assessment on this subject is essentially based on a detailed analysis of companies' controversies and reactions. Because of its strong propensity to generate intellectual property-related revenue, the sector is also keen to aggressive tax optimization strategies, which makes transparent tax communication essential.	**Governance of sustainability**	• 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 topics **PAI #12** • Presence of employee representatives at board level (beyond regulatory requirements). **PAI #13** • Unadjusted gender pay gap & Board Gender Diversity.
	Business Ethics	• Robust business ethics policies covering lobbying practices, anti-corruption, anti-competitive and anti-bribery policies • Evidence of effective whistleblower channels and transparency around cases reported and actions implemented • Systematic training on Company's and Suppliers' Code of Conduct • Transparency about lobbying practices and objectives **PAI #17**
	Tax practices	• Effective tax rate vs. equal statutory tax rate • Absence of controversies or evidence of aggressive tax optimization practices • No exposure to tax havens[1] or tax non-cooperative jurisdictions with no real activity in the country

1. As defined in Mirova's Minimum Standards Policy.

mirova
Investing in sustainability

Appendices



Positive Impact

According to Mirova's internal methodology, contribution to the SDGs can be grouped into 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.

	NEGLIGIBLE IMPACT	LOW POSITIVE IMPACT	MODERATE POSITIVE IMPACT	HIGH POSITIVE IMPACT
ACTIVITIES	Marginal or no exposure to sustainable activities.	From 10% to 20% revenues from sustainable activities.	From 20% to 50% revenues from sustainable activities.	> 50% revenues from sustainable activities.
	In these sectors, the positive contribution is mainly analyzed through revenues exposure. We complement this exposure with a qualitative review of the solution's impact. ESG KPIs to assess the level of impact water of energy saved by the product, circularity technologies for emerging wastes, flexible packaging, electronic waste, biomass, etc.			
PRACTICES	Absence of advanced practices.	One or more **Advanced practices** on Medium Stake issues. or credible strategy to transition to advanced practices.		
	For the purpose of defining High/Medium Stakes, Mirova relies on external classifications, to the extent possible. Indicative High Stake sectors are defined as follows but may be adapted on a case-by-case basis, notably depending on a company/project effective exposure to high stake activities. • Climate: Mirova relies on the list defined by NZIF and retains Nace codes A to H and J to L as High Stake. • Biodiversity: Mirova relies on the definition of its supplier Icerbeg Datalab and retains all GICS except from GICS 5020, 4510, 5010 and 3510 as High Stake. • Human Capital: Mirova considers sectors that are most exposed to arduous working conditions as High Stakes and all GICS except from GICS 5020, 4010, 4020, 4030, 4510, 3520, 6010 and 6020.			

ESG risks

SECTOR INHERENT RISK LEVEL: MEDIUM

Most material risks within the water sector include competition on water due to water depletion, water pollutions from wastewater leaks into rivers, impact on health of water contamination, access issues due to high water prices, nuisance from wastewater odors, but also workers safety issues caused by pipe maintenance interventions and forced labor risks in upstream supply chain

Most material risks in the waste sectors include air contamination by dioxines from incineration, leachates and methane leaks from landfill sites, odor nuisance from landfills, soil contaminations caused by hazardous wastes, worker labor conditions caused by reliance on low paid waste collection jobs, worker safety issues related to hazardous wastes management ; resource inefficiencies related to competition with prioritized circularity options.

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

Climate change: methane leaks, incineration of wastes,

Biodiversity footprint, emissions to water, extrement weather event, plastics pollution

Water quality impact on health

Water price & accessibility

Hazardous wastes impact on health

Labor and Human Rights

Governance of Sustainability

Business Ethics, Tax practices

RESIDUAL ESG RISK LEVEL

LOW RESIDUAL RISK	Satisfactory management of the company's or project's main sustainability risks on most material issues.
MEDIUM RESIDUAL RISK	Current management in place does not fully cover all ESG risks but these are considered as moderate and current practices are deemed acceptable.
HIGH RESIDUAL RISK	Companies demonstrating significant mitigation efforts operating in sectors with industry-wide complex and unaddressed challenges - systematically under targeted engagement.
SIGNIFICANT HARM	Not eligible for investment.

SUSTAINABLE INVESTMENT

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		
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	X	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	

The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. Our minimum standards policy also provides more information on thresholds for Principal Adverse Impacts Indicators : Mirova Minimum standards Source: Mirova.

Useful Resources

SFDR

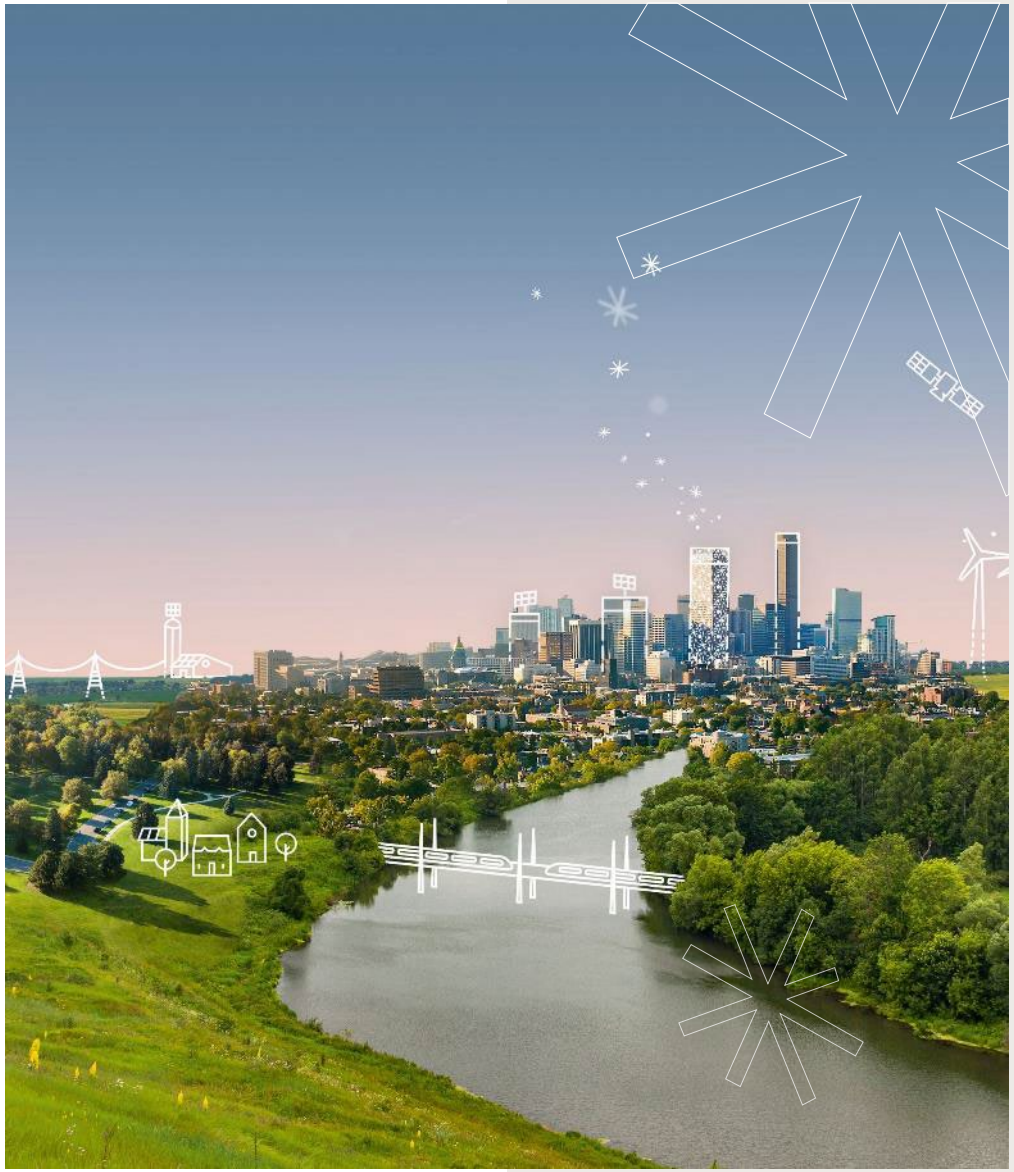
- Sustainable Finance Disclosure Regulation (SFDR): positioning of Mirova Funds
- Description of the principal adverse impacts on sustainability factors

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

mirova
Investing in sustainability

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.

mirova
Investing in sustainability

LEGAL NOTICE

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

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

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

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

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

Non-contractual document, issued in July 2024.

mirova
Investing in sustainability

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

NATIXIS INVESTMENT MANAGERS
French Public Limited liability company RCS Paris n°453 952 681
Registered Office: 59, avenue Pierre Mendès- France 75013 Paris
Natixis Investment Managers is a subsidiary of Natixis.

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

MIROVA SUNFUNDER EAST AFRICA LIMITED
Mirova SunFunder East Africa Limited
A company incorporated with limited liability in the Republic of Kenya
Workify 11th Floor, Wood Avenue Plaza, P.O. BOX 59067 GPO, Nairobi
Mirova SunFunder East Africa Limited is a subsidiary of Mirova SunFunder Inc.