SUSTAINABLE IMPACT FRAMEWORK

Financial institutions

Sectors:

- Insurance
- Reinsurance
- Asset Management

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An affiliate of: NATIXIS INVESTMENT MANAGERS

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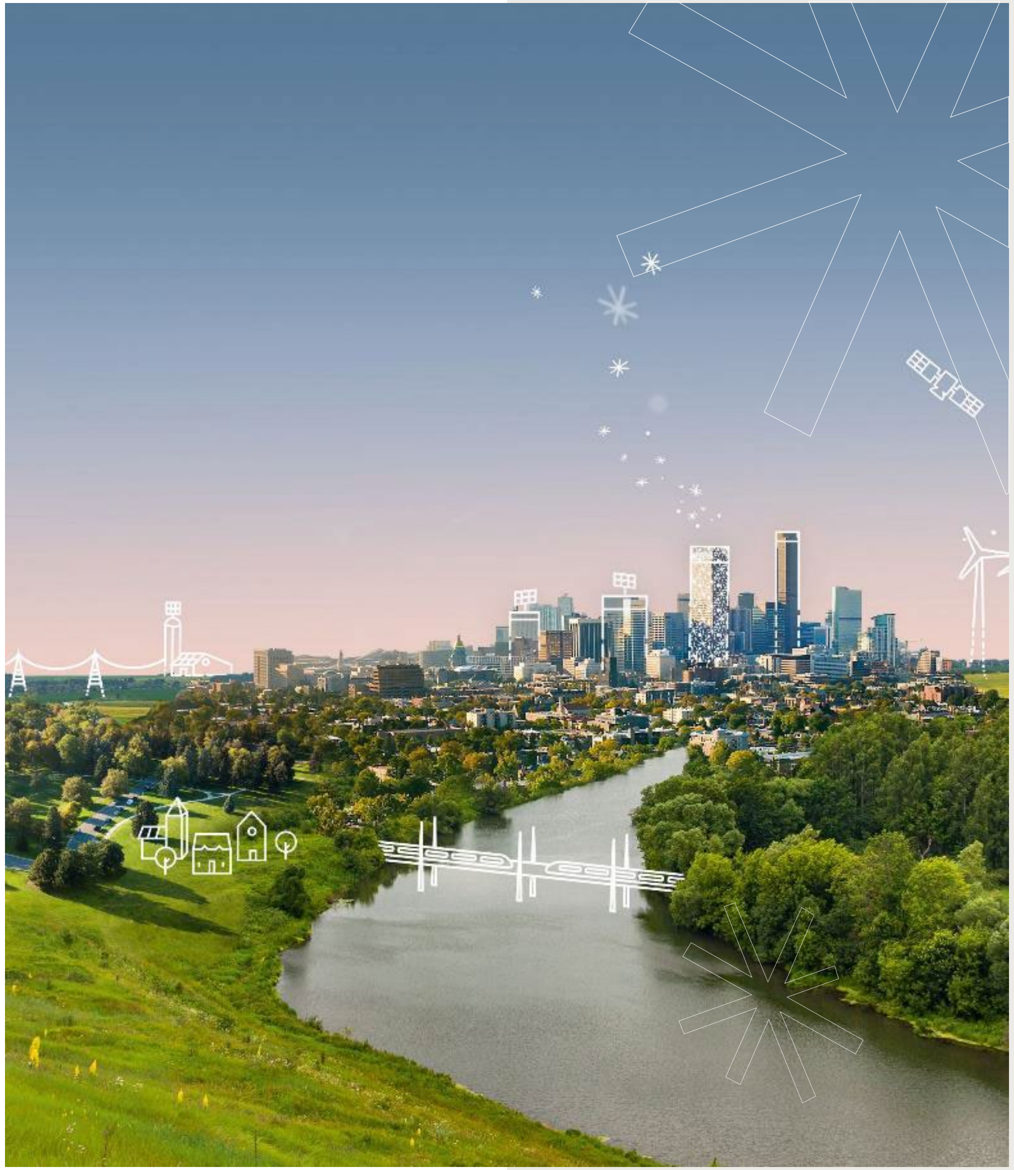
Executive Summary



Financial Institutions: Insurance & asset management

The financial sector, and particularly the insurance and asset management industry, must play a central role in the mobilization of capital to decarbonize the economy and support companies aiming to make progress through their net zero targets. The sector is also in a pivotal position to contribute to the achievement of the Sustainable Developments Goals (SDGs).

The adaptation finance needed to implement resilience policies across the developing world is estimated at **USD 387 billion per year**[1].

According to research from one of the leading reinsurance companies[2] in the world, climate warming related events are becoming more frequent and severe. In 2023, the global estimated economic cost of climate related disasters amounted to USD200 billion, vs. USD101 billion in 2014. Insurance companies can provide financial support to protect communities from the devastating effects of climate warming. Insurers are well placed to contribute with capital, underwriting risks and expertise to support the response, recovery and promote the integration of risk management into the reconstruction and adaptation process. A disaster becomes an opportunity to improve resilience and revitalize livelihoods, biodiversity, and local economies. The challenges are huge, according to UNEP, the adaptation finance needed to implement domestic adaptation priorities is estimated at USD 387 billion per year[1].

The SDGs finance gap which is estimated at **USD 2,5 trillion**[4] a year.

The investment industry is well positioned to narrow the SDGs finance gap which is estimated at USD 2,5 trillion[4] a year. With assets under management surpassing USD 100 trillion[3], the insurance and asset management industry holds considerable capacity to fund climate solutions. The insurance and the asset management industry can provide financial solutions to support capital flows towards low-carbon sectors and other economic activities delivering solutions for nature, such as biodiversity protection or water stress. Insurers and fund managers can also leverage proprietary investment and conduct corporate engagement actions, aiming to influence investee companies to adopt impactful decarbonization strategies and sound nature-related frameworks. In addition, asset owners and managers are in a good position to support the provision of social solutions, and the development of key social infrastructure in underserved regions targeting marginalized populations.

The 20 largest financial institutions had accumulated **EUR 410 billion** in financial penalties between 2008 – 2020 linked to business ethics and compliance cases[5]

Governance and business ethics are critical for the sector. The credibility and robustness of a financial institution's sustainability strategy is supported by a sound governance structure and the integration of ESG criteria in the top management remuneration framework. We encourage investors and insurances companies to strengthen transparency on policies and processes related to business ethics issues. Building trust is essential for the financial sector to function, therefore, we expect high compliance and business ethics standards to anticipate and deal with high profile controversies.

1. UNEP, 2023 2. Munich Re, 2024 3. Econofact, 2023 4. EY, June 2022 5. Centre for Banking Research – 2021.

Drivers of contribution and obstruction to sustainability goals

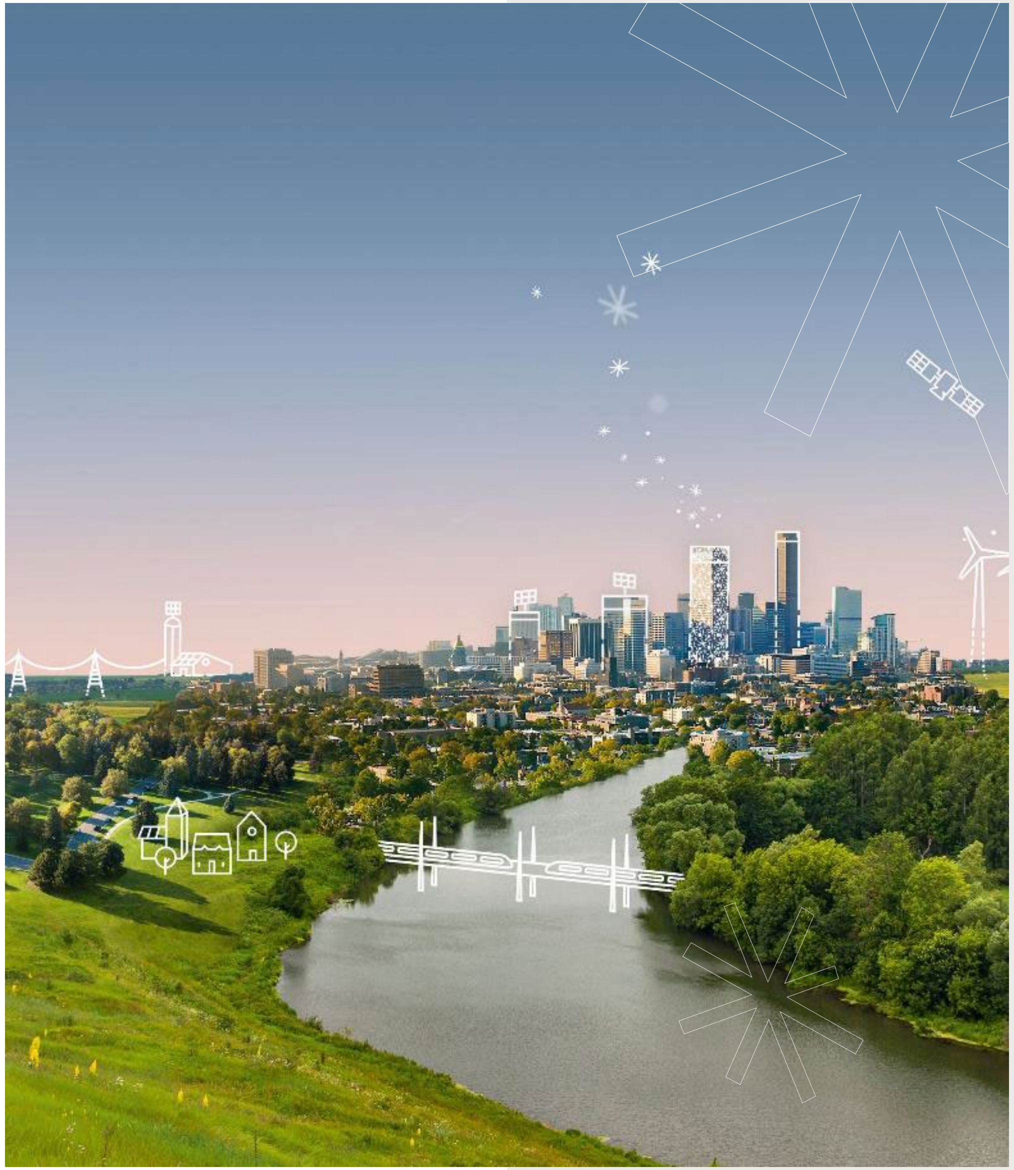
	Activities	Practices
Positive Impact	**Sustainable Activities** ACCESS TO BASIC NEEDS PRODUCTS AND SERVICES FOR EQUALITY LOW-CARBON ENERGY CLEAN TRANSPORTATION GREEN BUILDING	**Advanced Practices** HUMAN CAPITAL: • Diversity and inclusion • Job quality CLIMATE BIODIVERSITY *Advanced governance models*
ESG Risks	**Harmful Activities**[1] *No frequent exposure to harmful activities*	**Risk Mitigation** BIODIVERSITY & CLIMATE FOOTPRINT PRODUCT RESPONSIBILITY, DATA PRIVACY & SECURITY LABOR & HUMAN RIGHTS GOVERNANCE : • Governance of sustainability • Business ethics • Taxes

1. As defined in: Minimum standards and exclusions, Mirova

The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. Source: Mirova.

mirova
Investing in sustainability

Positive Impact



Sustainable Activities

	CONTEXT	SUSTAINABLE ACTIVITY	
SOCIAL OPPORTUNITIES	Financial inclusion is a key enabler to reduce poverty. It offers access to affordable and appropriate financial products and services, meeting the needs of targeted individuals and businesses: having a transaction account is the first step, followed by extra payments, savings, credit and insurance tools. Exclusion from basic financial services does not only concern developing countries. Advanced economies are also exposed to this social challenge. In high income economies like the US reveal unbaked adults' rates above 5%[1].	**Access to basic needs** Companies/projects offering low-cost products and services, such as micro-insurance, micro-credit, enabling the development of local infrastructure and services in underserved regions; targeting specific marginalized or disadvantaged population groups. In the case of "Health Insurance and services" the priority is given to ensuring the access to insurance services for people traditionally excluded from the health care system, under the condition that the insurance company intervention allows for affordable pricing.	**IMPACT CRITERIA** Access to financial services and identification of a targeted population. For example, provision of health insurance to people in poverty situations, micro-insurance supporting SMEs owned by women.
	Financial institutions like asset managers and insurance companies are in a privileged situation to support gender equality via their financial and insurance products. Financial institutions are enablers of women's capacity as entrepreneurs. They may also help women in vulnerable situations by mentoring and training on key financial services.	**Products and services for equality** Companies/projects offering products or services enabling the empowerment of diverse populations, notably women, including tailored insurance and banking offerings.	

In this sector, the positive contribution is mainly, but not only, analyzed through **revenues and asset exposure**. We complement this exposure with **a qualitative review** of the solution's impact. KPIs to assess the level of impact generated include **number of users/beneficiaries of the products, share of revenues in underserved areas, number of jobs created, etc.**

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

1. World Bank, 2021. "The Global Financial Inclusion Index".

Sustainable Activities

CLIMATE / BIODIVERSITY

CONTEXT

Underwriting activities: insurers can provide insurance coverage to climate change mitigation and adaptation solution providers, some of them requiring assistance to reach maturity. Insurance products: provide financial resilience by bringing the capital to support response, recovery and promote the integration of risk reduction into the reconstruction process. A disaster becomes an opportunity to improve resilience and revitalize livelihoods, biodiversity, and local economies.

Investment activities: insurers acting as asset owners have a clear role to play in supporting the sustainable investment industry, by setting standards and calling out other actors, notably asset managers, to deploy sustainable investment solutions. Insurance companies are expected to allocate collected premiums as well as regulated and proprietary investments to credible sustainable funds.

SUSTAINABLE ACTIVITY

Via their underwriting solutions and direct investments, Insurers and asset managers support the development of key technologies and infrastructure such as:

- **Low carbon energy:** Companies and projects focused on wind, solar, hydro, bioenergy & synthetic fuels, geothermal and other renewables, smart grids and storage and low carbon hydrogen.
- **Clean transportation:** Manufacturers of means of transport for land, air or maritime (such as BEVs, PHEVs, FCEVs, electric two-wheelers, hydrogen-powered planes, methanol-fueled vessels, etc.) as well as essential equipment and services suppliers (such as batteries or fuel cells dedicated to clean transportation, powertrains, etc.). But also, alternative mobility solutions providing low carbon mobility options. Carbon emissions and pollution mitigations and charging infrastructure.
- **Green buildings:** Including advanced building equipment, green real estate and green materials.

IMPACT CRITERIA

- Investment exposure to sustainability through Green, Social and Sustainability bonds or other types of green assets.
- Underwriting of products and services with high environmental impact.
- EU Green taxonomy alignment disclosures:
  - Underwriting KPI: taxonomy-aligned proportion of insurers total non-life underwriting premiums.
  - Investment KPI: proportion of total assets invested in taxonomy-aligned activities.
- Asset management companies: SRI funds. For EU asset managers: SFDR disclosures (Article, 8 and 9).

In this sector, the positive contribution is mainly analyzed through **revenues and assets b**ut not only. We complement this exposure with a r**elevant impact** 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

POSITIVE IMPACT

Advanced Practices

HUMAN CAPITAL

CONTEXT	ADVANCED PRACTICES	
	Actions/measures expected:	Impact indicators examples:
Job quality The financial industry is a major employer across different economic sectors. Financial, insurance and real estate companies account for 3.1% of all employment across Europe[1]. Thus, financial sector companies can play a role towards social impact by fostering best practices on human capital, fair distribution of value, work life balance and wellbeing for their employees. In fact, a sound socioeconomic policy has positive spillovers effects that will enhance productivity of employees, as well as help to retain competent employees.	• **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, average training investment. • Quality of the training offered, incl. upskilling programs, mentorships of 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. • % of global workforce covered by value distribution scheme & collective bargaining agreements. • Existing and effective employees' association mechanisms. • Workplace wellbeing measures: flexible work arrangements, mental health support, counselling.
Diversity & inclusion Women empowerment in the financial industry shows an encouraging pathway. Women held 21% of board seats, 19% of C-suite roles, and 5% of CEO positions in 2021[2]. However, financial institutions need to make additional progress and more in-depth actions. For example, tackling gender pay gap or supporting real gender parity at senior management and leadership positions. Research from Eurostat shows that gender pay gaps is material across the financial and insurance sector across European countries, in particular advanced economies like Germany[3] (26.9%), France (30,6%) and Switzerland (32%) reveal very high levels of gender pay gap.	• **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 Committee, 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

1. Eurostat, 2023 2. McKinsey, 2021 3. Eurostat, 2022. * As defined in appendices.

Advanced Practices

CONTEXT		ADVANCED PRACTICES	
		Actions/measures expected:	Impact indicators examples:
CLIMATE	Curbing the temperature increase to 1.5-2°C to reduce the impact of climate change is the major challenge of the XXIst century. The financial sector can play a key role in orienting capital flows towards low-carbon sectors positively contributing to the energy transition. In addition, financial institutions are feeling regulatory and supervisory pressure to assess and manage climate risks across their financial assets. Central banks and supervision authorities have built stress-testing frameworks to assess insurers resilience to climate change. In Europe, the European Insurance and Occupational Pensions Authority (EIOPA) has carried since 2022 climate stress testing for the industry. According to EIOPA[1], there is a 12.9% potential asset value loss insurance industry.	**Robust decarbonization strategy on all three scopes**	• GHG emissions reduction targets on all 3 scopes focus on investments' emissions, preferably aligned with the SBTi [2] and effective reduction in emissions. • Sectorial decarbonization targets focused on highly emitting sectors (NZAO and FIT[3]) and sector allocations across assets invested. Sectorial trajectories to be aligned with a NetZero trajectory and recognized framework (IEA[4]-NZAO/SBTi). • Measuring GHG emissions on all 3 scopes with robust long-term strategy to reduce carbon footprint. GHG accounting to be harmonized with recognized GHG accounting frameworks (PCAF[5]). • Fully transparent climate reporting, covering both transition and adaptation climate risks. Climate function is integrated within financial institutions' risks function.
BIODIVERSITY	There is increasing evidence that nature and biodiversity are deteriorating at a global scale. The global economy is working outside the safe zone for six of the nine planetary boundaries – processes that are critical for maintaining the Earth's stability. Ecosystem services are not being appropriately priced, nor are risks assessed and embedded by business and financial institutions. The materialization of nature-based services will affect the value of financial assets. Therefore, insurers are mandated to act and tackle the issue by enhancing current processes, strategies, and risks frameworks. Also, they need to mobilize financial resources to those areas of the economy that will generate positive impact to stop nature degradation and biodiversity loss.	**Robust biodiversity and nature preservation policy covering dependencies, impacts, risks and opportunities**	• Direct involvement of financial institution board members to oversee and monitor nature-related disclosures. • Policy covering nature-related "Dependencies, Impacts, Risks and Opportunities (DIRO)" and the effects on financial institutions' business models and processes: portfolios and ownership (AMs). Encourage financial institutions' clients and/or investees to set Science-Based Targets for Nature. • Disclose the proportion of portfolios (% of AUM) that are covered by nature-related enhanced due diligence and engagement actions. • Existing or new instruments for 'nature-positive' solutions. • Commit to zero deforestation and support this action with clear client and project requirements in relevant sector and commodity policies. Issues can commit to a gradual "zero deforestation" trajectory.

LOW POSITIVE IMPACT

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

MODERATE POSITIVE IMPACT

➢ Advanced practices - High Stake* issues

1. EIOPA 2022, website. 2. Science Based Targets Initiative. 3. Net Zero Asset Owner Alliance and Forum for Insurance Transition to Net Zero. 4. International Energy Agency. 5. Partnership for Carbon Accounting Financials. * As defined in appendices. The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. 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 are 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 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.

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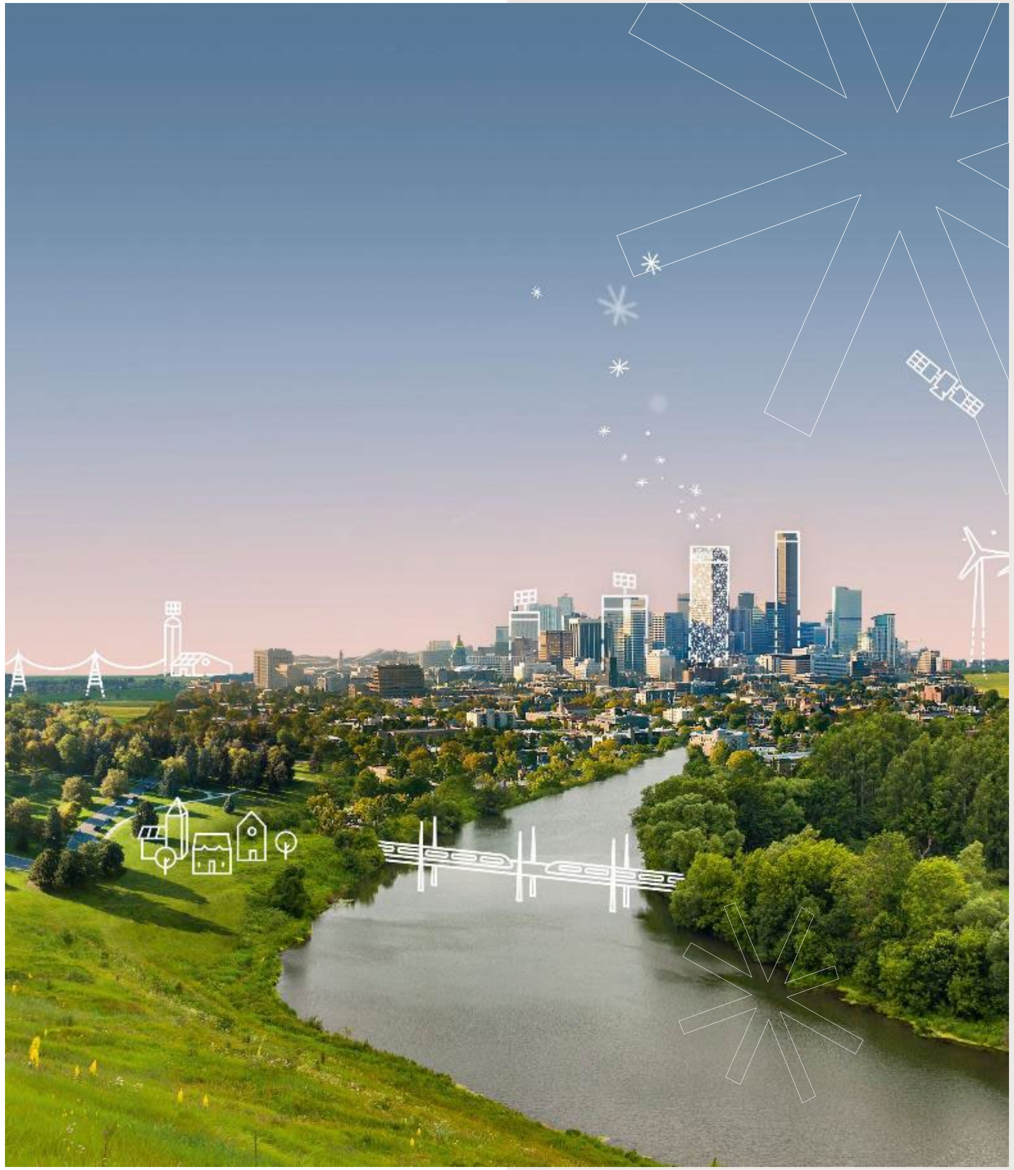
ESG Risks



Climate and biodiversity

CONTEXT	MINIMUM STANDARDS		
	Type of ESG Risk:	Risk assessment indicators examples:	
The insurance and fund management industry is exposed to the fossil fuel sector in two ways. Insurance companies underwrite projects and corporates operating in the fossil sector. According to research from Insuramore[1], gross direct premiums from ensuring the fossil fuel industry were at USD 21 billion in 2022, representing a 6% increase compared to 2021. The asset management industry is also heavily exposed to the oil and gas sector and to companies developing new infrastructure to extract fossil fuels. According to research from Reclaim[2], in 2023 the global volumes of exposure to the oil and gas industry represented USD 550 billion.	**Climate footprint**	• Exposure to fossil fuel investment or underwriting over the last five years. • Involvement in severe controversies pertaining to harmful practices to the environment and society. • Definition of a decarbonization strategy to reduce major sources of emissions, calculation of induced emissions on all scopes. • Sector policies including both investment and underwriting business: coal, conventional and non-conventional oil and gas sector policies covering assets, and companies' exclusions and phase out for existing assets.	**PAI #1** **PAI #2** **PAI #3** **PAI #4**
At least one million plant and animal species are now threatened with extinction, many within the near future, while wildlife populations have dropped on average by 70% in the past 50 years[5]. Financial institutions need to take action to protect nature and biodiversity which will then ensure a protection for the value of the financial assets they hold.	**Biodiversity footprint**	• Financial institutions should develop a sector policy to incorporate biodiversity and nature-related risks into high-risk sectors, including agriculture, forestry, fisheries, energy, and mining. • Risk framework to integrate recognized data-based tools such as ENCORE[3] (sector based), IBAT[4] (local projects based) and SPOTT[5] (for commodity value chain traceability). • Financial institutions are expected to develop risk management frameworks specifically to track and mitigate the impact of nature-related activities like water stress and waste.	**PAI #7**

1. Insuramore, 2023. 2. Reclaim 2023. 3. ENCORE : Exploring Natural Capital Opportunities, Risks and Exposure. 4. IBAT: Integrated Biodiversity Assessment Tool. 5. SPOTT: Sustainable Palm Oil Transparency Toolkit. 5. WWF, 2023. The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. Source: Mirova.

Human and labor rights

CONTEXT	MINIMUM STANDARDS Type of ESG Risk:	 Risk assessment indicators examples:
The financial sector has recurringly implemented staff reductions and layoffs. Regulatory pressure and digitalization are driving financial institutions to a shift away from labor intensive activities into more date-driven processes. Therefore, from a sustainability perspective for financial institutions, it is important to establish restructuring policies to prevent unfair dismissals and provide support services for dismissed employees.	**Employees' labor rights**	• Basic measures in place for employees impacted by restructuring (financial severance, re-training, job-search assistance). • 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 and safety accidents (direct workers and contractors) by decreasing overtime.
Financial institutions are expected to deploy a credible policy and procedures to avoid or mitigate their exposure to socially harmful activities, such as: alcohol, pornography, gambling, arms trade, and the exposure to projects harming local populations or human rights violations.	**Human rights across lending and financial activities**	• Policy to exclude the exposure to controversial weapons, such as antipersonnel mines, cluster munitions, biological and chemical weapons, depleted uranium, and nuclear weapons. • Policy to exclude or reduce exposure to sectors related to human trafficking. • Explicit governance structure responsible to manage exposure to critical sectors, including risk management, legal and compliance functions. • Policy to exclude and/or escalate the process to mitigate controversies related breaches on UN Global Compact's principles and/or OECD guidelines for international companies. PAI #10 PAI #11 PAI #16

Product responsibility and data privacy & security

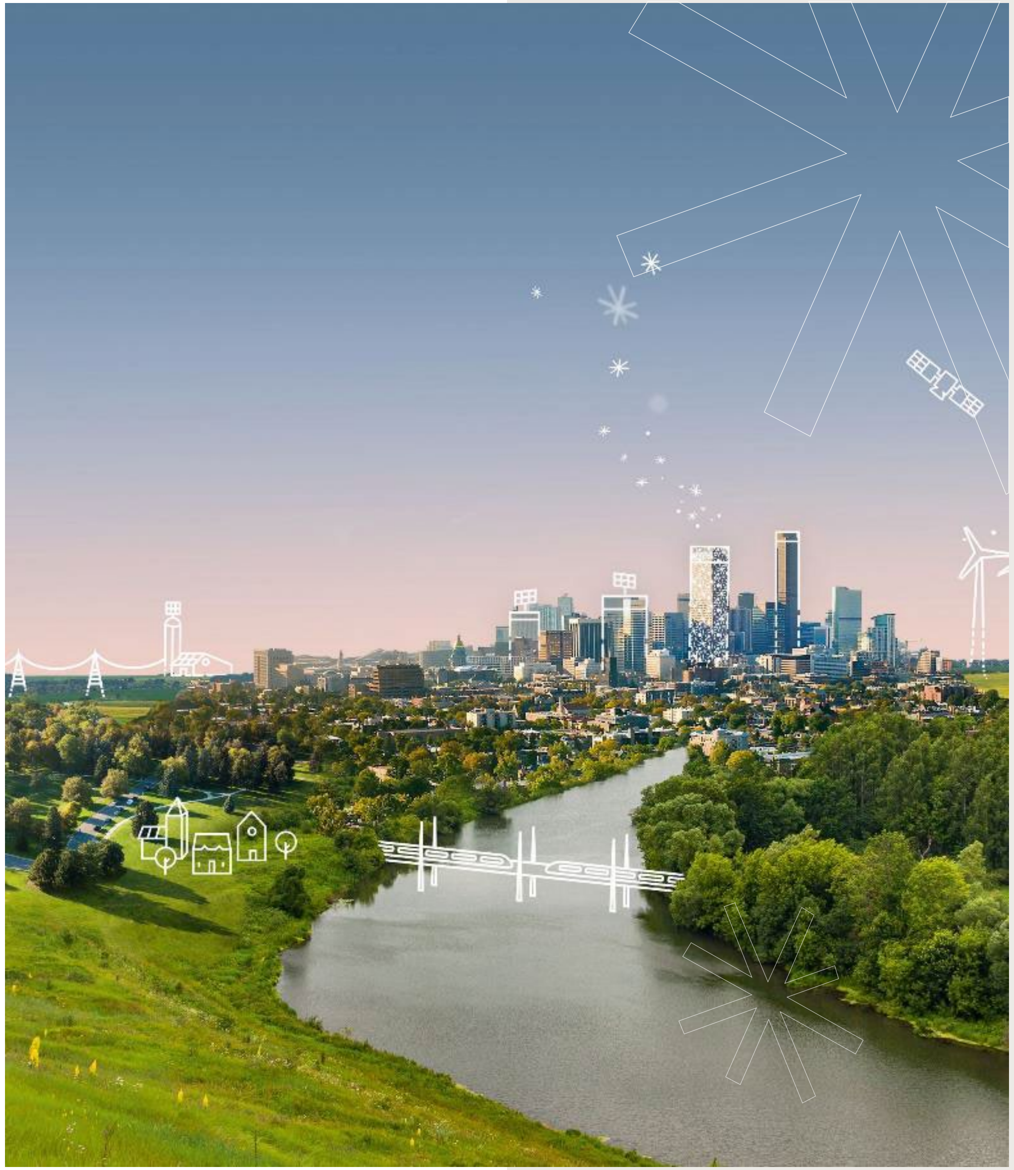
CONTEXT	MINIMUM STANDARDS	
	Type of ESG Risk:	Risk assessment indicators examples:
Insurance companies and asset managers are required to implement policies to manage any exposure to harmful practices such as: mis-selling of financial products not suitable for clients' needs and knowledge, and in breach of financial regulatory rules. But also, to deploy policies to avoid greenwashing related to the sustainability claims of their sustainable funds and solutions offering.	**Product responsibility**	• Exposure to frequent and financially material controversy linked to misselling of products. • Exposure to controversies related to the sustainability claims of funds and investor solutions. Compliance with the increasingly regulated fund's industry, SFDR, Taxonomy and ESMA guidelines. • In the case of a controversy, insurance and asset managers are expected to deploy corrective measures, including the renewal of the management team, dismissal of involved employees, implementation of additional policies, implementation of control and monitoring system in all geographies.
Financial institutions manage and process an increasing amount of personal data. As several data breaches and growing use of user data show, data and privacy protection are highly material issues for the sector. Companies in the financial industry need to comply with increasing requirements from regulations, and at the same time invest to protect data from cyber attacks.	**Data privacy & security**	• Existence of a robust cybersecurity policy and transparency (R&D investments, size of teams, trainings). • Implementation and certification of the information security management system (ISO 27001). • Policy on data security and privacy (type of data and sources of collection, type of use and possible sharing with third parties).

Governance

CONTEXT	MINIMUM STANDARDS	
	Type of ESG Risk	Risk assessment indicators examples:
The credibility and robustness of a financial institution's sustainability strategy is supported by a comprehensive ESG governance structure and the integration of ESG criteria in the management remuneration. Business ethics is a fundamental issue, and financial institutions must be able to prevent the risk of internal bad practice (corruption, fraud, and bribery). Financial institutions must guide their operations, decision-making process, and interaction with clients with clear ethical principles and compliance with regulation. The goal is to ensure the financial institutions' credibility and build a business culture guided by trust across all the stakeholders.	**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. • Presence of employee representatives at board level (beyond regulatory requirements). PAI #12 • Unadjusted gender pay gap and board gender diversity. PAI #13
	Business ethics	• Robust business ethics policies covering anti-corruption, anti-competitive and bribery policies. • Evidence of effective whistleblower channels and transparency around cases reported and actions implemented. • Transparency about lobbying practices and objectives. • Systematic training on company's and suppliers' Code of Conduct. PAI #17
	Tax practices	• 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.

* As defined in Mirova's Minimum Standards Policy.

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.

SUSTAINABLE INVESTMENT

	NEGLIGIBLE IMPACT	LOW POSITIVE IMPACT	MODERATE POSITIVE IMPACT	HIGH POSITIVE IMPACT
ACTIVITIES	Marginal or no exposure to sustainable activities.	From 10% to 20% revenues or assets from sustainable activities.	From 20% to 50% revenues or assets from sustainable activities.	> 50% revenues or assets from sustainable activities.
	In these sectors, the positive contribution is mainly analyzed through revenues or assets (loan book) exposure but not only. We complement this exposure with a qualitative review of the solution's impact. ESG KPIs to assess the level of impact generated can include among others: number of users in developing countries, share of sales in underserved areas, number of jobs created, investment in infrastructures, KwH of energy saved by the product, etc.			
PRACTICES	Absence of **Advanced practices**.	One or more **Advanced practices** on Medium Stake issues. or credible strategy to transition to **Advanced practices**.	One or more **Advanced practices** on High Stake issues.	
	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 Iceberg 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.			

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ESG risks

SECTOR INHERENT RISK LEVEL: MEDIUM

An insurance or asset management company should implement a comprehensive ESG risk management strategy that addresses key issues such as socio-economic development, diversity and inclusion, and corporate misconduct. This includes establishing robust policies and processes to mitigate ESG risks associated with investment and underwriting activities. The company should actively monitor complaints and whistleblower reports related to breaches of socio-economic and diversity policies, business ethics, regulatory compliance, and any significant projects that could harm the environment. In terms of climate risks, the company must develop a decarbonization strategy that evaluates exposure to both upstream and downstream projects. Additionally, it should effectively manage the physical risks of climate change across its lending activities. Furthermore, the company should strive to avoid or mitigate exposure to high-profile controversies linked to socio-economic and diversity issues, business ethics, regulatory compliance, and environmentally detrimental projects.

COMPANY INHERENT RISK LEVEL

An insurance or asset management 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 its locations, as well as that of its suppliers (incl. country specific risks).

MAIN ESG RISKS FACTORS

CLIMATE AND BIODIVERSITY

HUMAN AND LABOR RIGHTS

PRODUCT RESPONSIBILITY AND DATA PRIVACY & SECURITY

GOVERNANCE

- Governance of sustainability
- Business ethics
- Taxes

RESIDUAL ESG RISK LEVEL

SUSTAINABLE INVESTMENT

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.

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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	X	
	4. Exposure to companies active in the fossil fuel sector	X	
	5. Share of non-renewable energy consumption and production		Non applicable
	6. Energy consumption intensity per high impact climate sector		Non applicable
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	X	Exclusion of companies or projects significantly harming biodiversity sensitive areas.
Water	8. Emissions to water		Systematic integration in qualitative internal analysis and systematic engagement with relevant investee companies on this issue.
Waste	9. Hazardous waste and radioactive waste ratio		
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)	X	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	15. 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	16. Number of convictions and number of fines for violation of anti-corruption and antibribery laws	X	

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Useful Resources

SFDR

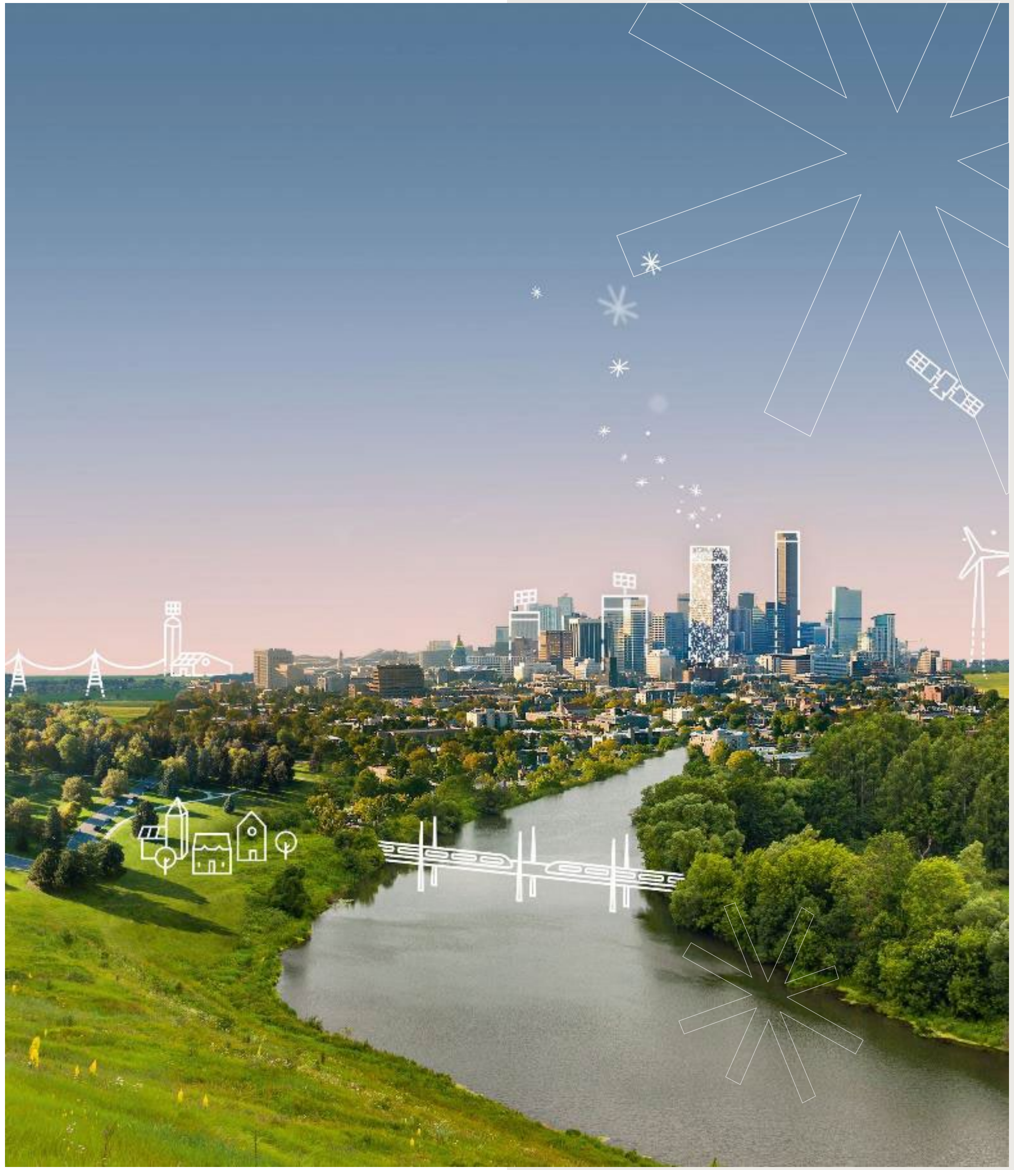
- Sustainable Finance Disclosure Regulation (SFDR): positioning of Mirova Funds
- Description of the principal adverse impacts on sustainability factors

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



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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 Sstainability 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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