

SUSTAINABLE IMPACT FRAMEWORK

Medical Services

Sectors:

- Healthcare Distributors
- Healthcare Services
- Healthcare Facilities
- Managed Healthcare
- Owners and operators of Health Maintenance Organizations

Last updated: November 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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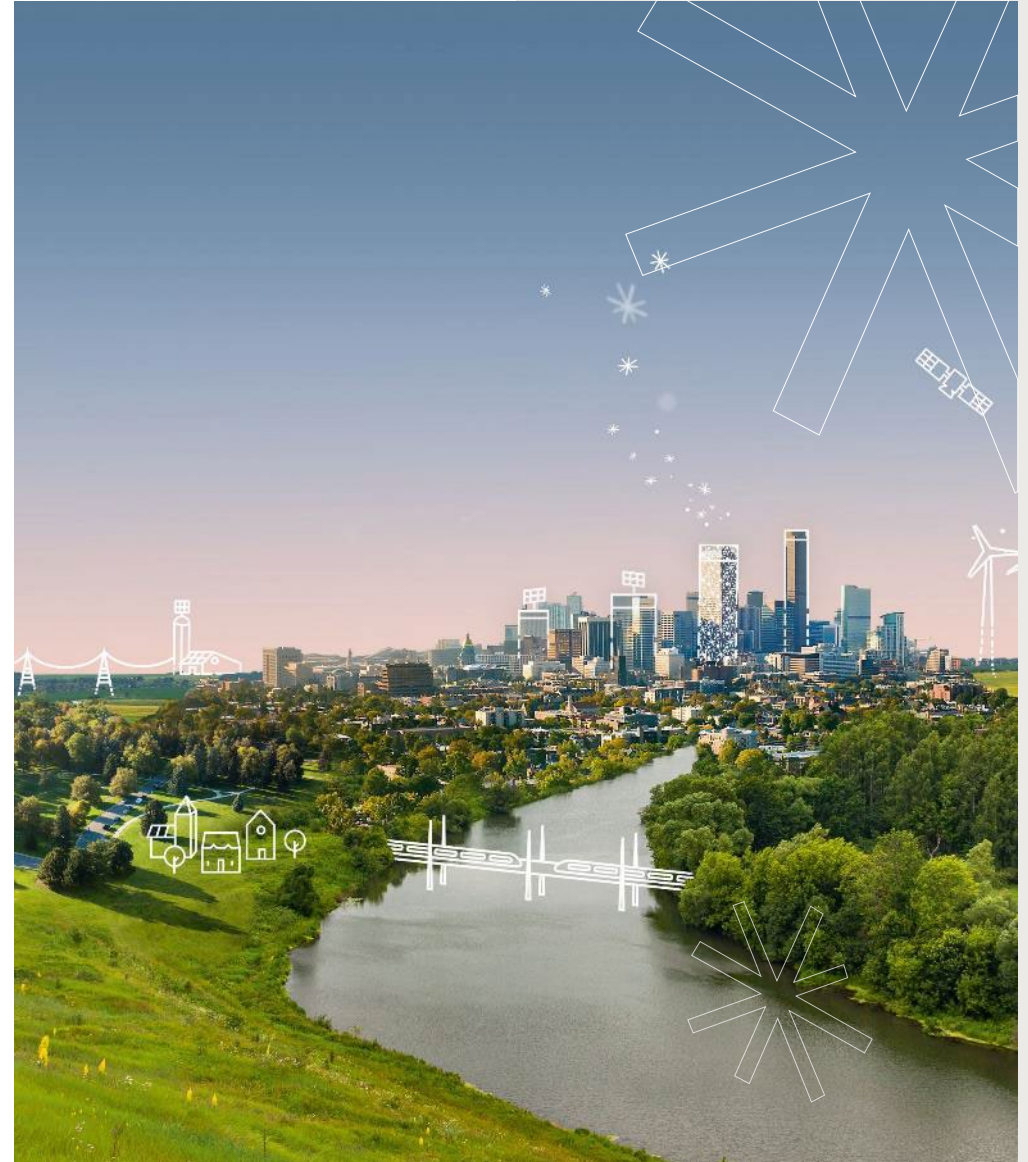
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Executive Summary



Medical Services

Healthcare facilities such as hospitals or nursing homes tend to have strong connection to the sustainable development goals. They play a vital role in providing care to patients, particularly during critical health stages, through preventive measures and end-of-life support. Other businesses in the sector such as prescription delivery companies or managed care organizations play a more indirect role but, under some circumstances, can drive cost reduction and improve access to care. The impact of companies tend to vary depending on local contexts, national regulations and healthcare coverage systems. In terms of sustainability risks, patient safety is one of the most material for the industry, yet emerging risks such as environmental footprint (energy consumption, generation of hazardous waste, water management etc.) and cybersecurity have yet to be seriously tackled by the industry.

In 2021, about 4.5 billion people were not fully covered by essential health services¹

Health services are fundamental to our society and economy, and access to healthcare is recognized as a basic human right. While healthcare services are organized differently from one country to another and do not rely on the private sector to the same extent, healthcare services companies have a key role to play in improving the quality of care. The fundamental principles of quality care typically include safety, effectiveness, affordability, and a patient-centered approach, which emphasizes delivering care that aligns with individual preferences, needs, and values. To continue to offer high-quality services, healthcare companies should adapt their offering to face upcoming challenges such as technological changes affecting lifestyle habits, demographic trends, such as an increase in global life expectancy, or emerging health-specific challenges such as increased antimicrobial resistance (AMR).

One in ten patients suffer from adverse events due to unsafe care¹





Safety for patients or residents is a necessity for companies to deliver positive impact. Unsafe care is a major public health problem that affects millions of patients worldwide. Not only are unsafe treatments or medical support detrimental for the patient, but it also tends to increase the risk of a decline in trust and a reluctance to seek care, even when it is most needed. Understanding patient safety is fully intertwined with understanding healthcare workers' wellbeing and health. Healthcare workers' excessive workload, poor working conditions, and often unstable work schedule may impact the quality and safety of patient care, including increased medical errors and hospital-acquired infections among patients. Quality processes, continuous trainings, upskilling, and fairness in the share of value created are key to ensure employees' retention and to ultimately deliver good quality of care.

One patient hospitalized accounts for nearly 15 kg of waste per day²

The sector is also expected to scale up its ability to tackle other emerging sustainability risks. Indeed, environmentally related risks, such as end-of-life management of medical equipment or drugs, AMR, as well as cybersecurity risks are receiving an increased scrutiny. The healthcare services sector emits climate warming pollution through a variety of sources, including energy used to run facilities, transportation, products and medical waste, usually made of plastic. Antibiotic residues in hospital wastewater effluents also constitute another major environmental and social concern. Regarding cybersecurity, while medical files cannot be proactively shared for commercial purposes under most regulation, there is an increasing risk for such data to be stolen and for healthcare facilities to be hacked. This risk is preventing them from safely delivering their services. Companies in the sector are increasingly expected to invest in cybersecurity, train employees and ensure devices are protected against any security breaches to protect patients against dysfunctions and induced hazards.



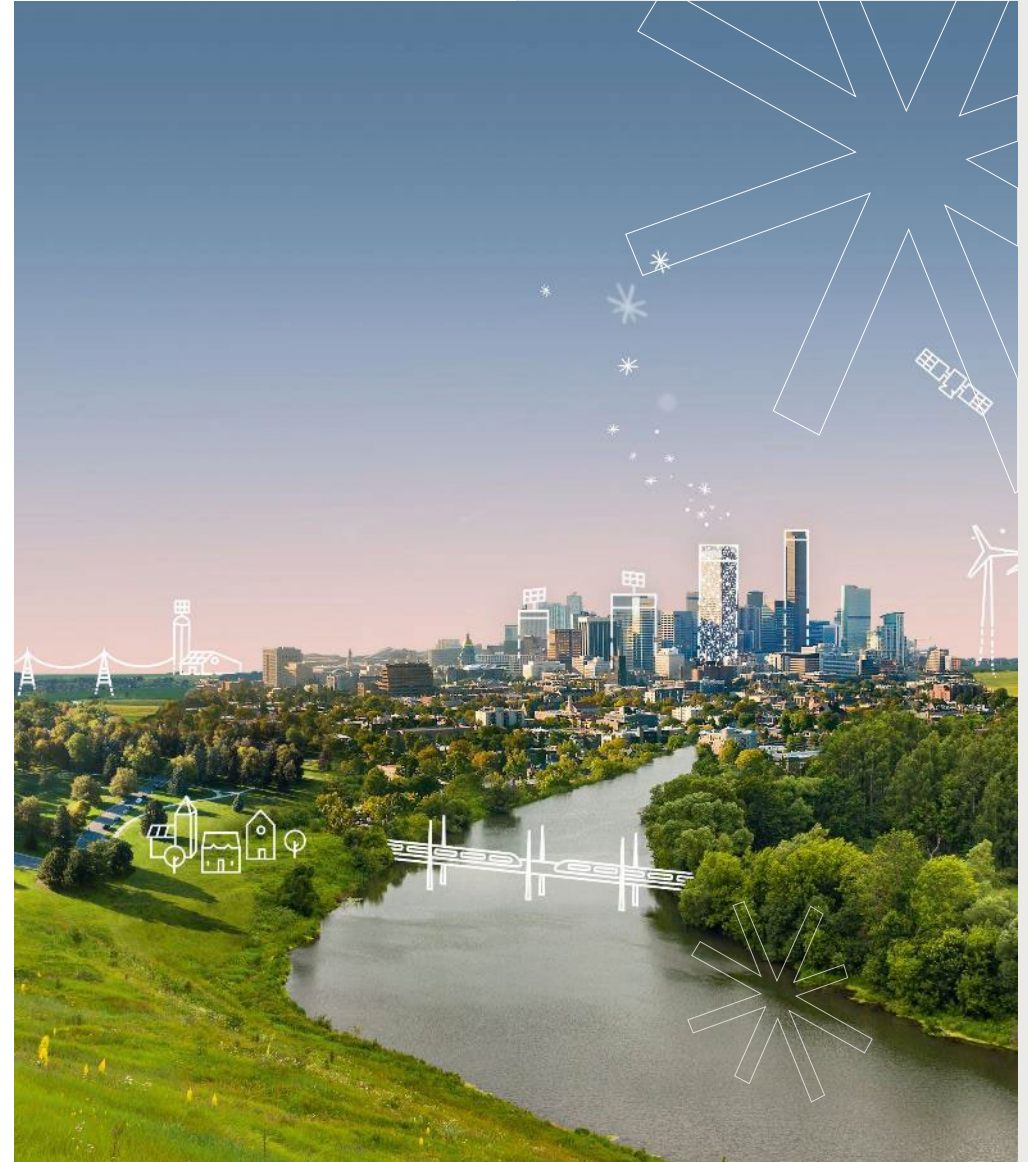
Drivers of contribution and obstruction to sustainability goals

	Activities	Practices
Positive Impact	<p>Sustainable Activities </p> <p>HEALTHCARE SERVICES & AUTONOMY PRODUCTS & SERVICES FOR GENDER EQUALITY ACCESS TO BASIC NEEDS</p>	<p>Advanced Practices </p> <p>HUMAN CAPITAL MANAGEMENT:</p> <ul style="list-style-type: none"> • Diversity and inclusion • Job quality <p>CLIMATE BIODIVERSITY</p> <p><i>Advanced governance models</i></p>
Residual ESG Risks	<p>Harmful Activities¹ </p> <p><i>No frequent exposure to harmful activities</i></p>	<p>Risk Mitigation </p> <p>PRODUCT SAFETY (QUALITY OF CARE) DATA PRIVACY & SECURITY CLIMATE & BIODIVERSITY WORKING CONDITIONS & HUMAN RIGHTS</p> <p>GOVERNANCE :</p> <ul style="list-style-type: none"> • Governance of sustainability • Business ethics • Taxes

1. See: [Minimum standards and exclusions, Mirova](#)



Positive Impact



Sustainable Activities



	CONTEXT	SUSTAINABLE ACTIVITY	
SOCIAL OPPORTUNITIES	<p>Healthcare facilities such as hospitals, dialysis clinics, or nursing homes have the potential to significantly contribute to the improvement of global health. These activities will be impacted by demographic changes such as aging population, urbanization, or changes in lifestyles, and should ensure their services remain in line with local needs. Alongside these evolutions, the absolute capacity of most of these services should also ramp up. For example, cancer has been globally one of the top leading cause of death¹, and the number of cases is expected to continue to increase, with 35 million new cancer cases predicted in 2050 (a 77% increase from 2022)¹. Similarly, as the population is aging, nursing homes are also facing this dual challenge: a need to increase the capacity of nursing homes alongside ensuring high-quality, affordable services addressing specialized needs, especially dementia and other aging population related health issues.</p>	<p>Healthcare services & autonomy Management of healthcare facilities, including nursing homes, hospitals and clinics, rehabilitation centers, psychiatric services centers, abortion clinics, etc.</p>	<p>IMPACT CRITERIA Physical accessibility: Strategy to align expansion strategy to the needs of local population and ensure services in rural areas or areas with little similar services available, accessible for marginalized populations. Financial Affordability:</p> <ul style="list-style-type: none"> Existing strategy to ensure access for lower income patients, including those with no private insurance or coverage supported by the government; Robust communication on these strategies to ensure patients are adequately informed about the price of the procedures and transparency around pricing of most common services. <p>Acceptability: Existing strategy to adapt services to the local burden of disease in specific regions and to address potential mistrust in the medical system.</p>
	<p>All women should have the right to access to high quality care in pregnancy, during and after childbirth. As of today, it is commonly accepted that most maternal deaths are preventable, because health-care solutions to prevent or manage complications exist. 95% of all maternal deaths occur in low and lower middle-income countries in 2020¹, which illustrates remaining inequalities. It is particularly important that all births are attended by skilled health professionals, as timely management and treatment can make the difference between life and death for the mother as well as for the newborn. Moreover, reproductive rights (including prenatal services, safe childbirth, and access to contraception or family planning, etc.) are fundamental human rights. Companies contributing to the delivery of these services play a role in female empowerment.</p>	<p>Products & services for gender equality Management of healthcare facilities focusing on women health and sexual reproductive health and rights.</p>	

In this sector, the positive contribution is analyzed through **revenues exposure** but not only. The **qualitative review of the solution’s impact (based on physical accessibility, financial affordability and acceptability efforts)** as well as the analysis of **local contexts** and **healthcare systems** are particularly important in our analysis.

LOW POSITIVE IMPACT

> 10% sustainable activities

MODERATE POSITIVE IMPACT

> 20% to 50% sustainable activities

HIGH POSITIVE IMPACT

> 50% sustainable activities





	CONTEXT	SUSTAINABLE ACTIVITY
SOCIAL OPPORTUNITIES	<p>Globally, in 2021, about 4.5 billion people were not fully covered by essential health services¹, which is almost half of the global population. Access to health is considered a fundamental right and encompasses affordable, equitable, and safe access to health services. Poor quality of healthcare is still a major driver of excess mortality across conditions, from cardiovascular diseases and injuries to neonatal and communicable disorders. In low-income countries, availability and affordability of healthcare services is still lagging. In higher-income countries, where healthcare infrastructures are usually available, services may however be unaffordable. Inequalities are exacerbating, and in rural areas and in households with older family members, the likelihood of being further dragged into poverty because of out-of-pocket health spending is increasing.</p> <p>When it comes to healthcare services, facilities are not the only key players. Drug retailers, pharmacies, and managed care organizations are necessary to ensure effective and safe distribution of treatments and drugs. They can play a role in the adherence of a patient to a treatment and, in theory, should drive affordability. Managed care entities may limit plan costs and rate increases, which eventually ensure better access. Pharmacies can engage and educate patients on the importance of adhering to prescriptions, which provides beneficial outcomes for patients, as well as for businesses. The positive impact of these services varies significantly from one country to another due to local specificities in national healthcare systems. Unfortunately, private companies in this subsector are often exposed to controversies related to their inability to effectively drive cost reduction and ensure access.</p>	<p>Access to basic needs Provision of affordable, reliable and resilient healthcare services.</p> <p>IMPACT CRITERIA</p> <ul style="list-style-type: none"> • Revenues generated by the provision of low cost (or covered by the government) services or programs for low-income population. • Pricing strategy to reduce financial burden of the services. • Transparency on the adherence rate (percentage of customer prescriptions that are required by the prescriber to have one or more refills and were refilled by the entity at least once after the initial fill). • Qualitative measures to ensure improvement in adherence. • Discussion around coverage for preventive care with no cost sharing for the enrollees.

In this sector, the positive contribution is analyzed through **revenues exposure** but not only. The **qualitative review of the solution's impact** as well as the analysis of **local contexts and healthcare systems** are particularly important in our analysis.

LOW POSITIVE IMPACT

> 10% sustainable activities

MODERATE POSITIVE IMPACT

> 20% to 50% sustainable activities

HIGH POSITIVE IMPACT

> 50% sustainable activities





CONTEXT

ADVANCED PRACTICES

Job Quality

Working conditions in healthcare facilities such as hospitals or nursing homes have worsened in the past decades, exacerbated by the Covid-19 crisis. Excessive workloads, poor working conditions, low pay and unstable work schedules have led to high turnover levels as well as, talent and staffing shortages. A worldwide shortage of 18 million doctors, nurses, and other front-line healthcare professionals is projected by 2030¹. The implementation of advanced job-quality measures is necessary to ensure not only decent working conditions for employees but also quality-of-care and patient safety. The situation may vary drastically from one country to another, depending on state subsidies, insurance coverage and other local contexts. However, it is commonly accepted that companies can enhance public funding by adequately supporting their employees to ensure continuity and safety in care, particularly by prioritizing employee retention and well-being. Such support can be achieved through employee trainings, upskilling, fairness in the share of value created, and more communication among all departments throughout the facilities (include complaints and issues management).

Diversity & Inclusion

Women in healthcare and social services industry account for more than 75% in most countries (vs. average MSCI World is 38%²). Thus, the challenge is not really to attract women but to provide the structure to make sure they are offered with stable and well-paid career options. The representation of women drops in each successive career level declining to a low of 32% at the C-suite level². Internal promotion rates for women in healthcare are lower than the average for women in all industries at every level. Women in healthcare tend to be clustered into lower status, and lower paying roles. Companies should better value women's contributions to population's physical, social and mental wellbeing. Diversity and inclusion do not only pertain to gender. Particular attention should be paid to the employee's socioeconomic background of employees and age, making sure the working environment is inclusive for every employee, especially in a sector that attracts a lot of minorities.

Practices/measures expected:

Impact indicators examples:

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

- Transparency on remunerations of employees, executives and shareholders. Minimum living wage and significant financial support across various job types.
- Employee-turnover evolution.
- Training hours per employee, % of workforce trained per type of contract.
- Enhanced training offering, including upskilling programs, mentorships, leadership trainings, potential tuition fees payment or loan repayment programs.
- Creation of internal universities/academies targeting actionable skillsets accessible to most employees.
- Other workplace retention measures including flexible work arrangements, mental health support.
- Existing employee surveys and action plans implemented based on the results.

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

- In a sector mainly dominated by female and other diversity profiles, Job quality-related KPIs are relevant to assess the Diversity and Inclusion Pillar.
- Percentage of women in the Executive Committee, difference between women representation in the workforce and Executive Committee, C-Suite female representation.
- Wage gap or credible target to reach pay equality and unadjusted pay gap.
- Succession planning, including at least one woman as a possible candidate for every senior position.
- 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



POSITIVE IMPACT

Sustainable Practices



CONTEXT

ADVANCED PRACTICES

CLIMATE

The healthcare service sector emits climate-warming pollution through a variety of sources, including energy used to run facilities, transportation, products and medical waste, usually plastic. It is estimated that hospitals have the highest energy intensity of all publicly funded buildings and emit 2.5 times more greenhouse gases (GHG) than commercial buildings¹. Responsible and sustainable use of energy and materials is vital and will be made possible via further optimization of care pathways. Other companies in the sector, such as pharmacies, have limited leverage on their scope 3⁴ emissions related to product manufacturing but could play a role in better end-of-life management of medical products as well as a reduction in the footprint from salespeople.

Practices/measures expected:

Implement robust decarbonization strategy on all three scopes

Impact indicators examples:

- GHG² emissions reduction targets on all 3 scopes, preferably aligned with the Science Based Target Initiative (SBTi) and effective reduction in emissions.
- Scope 1 and 2³: Absolute reduction of scope 1 and 2 emissions, increase renewable energy power for healthcare facilities.
- Scope 3⁴: Life-cycle analysis conducted on most products and equipment purchased, including surgery equipment and healthcare gases, where feasible.
- Decreasing trend of GHG emissions on Scope 1, Scope 2 and Scope 3 emissions.

BIODIVERSITY

Healthcare facilities affect biodiversity mainly through water use and pollution resulting from wastewater and waste. Hospitals generally generate waste that can be contaminated and require specific waste management systems. Unproperly managed, this waste not only causes health problems, but also can lead to the contamination of ground, drinking and surface waters in those landfills. Aside from contaminated waste, it is estimated that one patient being hospitalized is responsible for nearly 15kg of waste every day. Of that waste, up to 25% is plastic⁵. Antibiotic residues in hospital wastewater effluents constitute another major environmental concern. These contaminants resist various wastewater treatment processes. Since conventional water treatment is not adapted for their removal, specific treatments for hospital wastewater should be developed, focusing efforts on eliminating pharmaceuticals, viruses, and antibiotic-resistant microorganisms. Along with pollution in water effluents, the significant water consumption required for healthcare facilities' cooling equipment, plumbing fixtures, landscaping, and medical process rinses needs to be carefully addressed.

- 1. Minimize pharmaceuticals in the environment**
- 2. Preserve input resources quantity (mainly water)**
- 3. Reduce waste and ensure proper management of hazardous waste**

- Analysis of water dependency and implementation of specific plans for high water stress region. Strategy to significantly reduce water withdrawal and improve circularity processes in the buildings.
- Existing and robust AMR stewardship, notably rapid point-of-care diagnostics and improved sanitation, through the avoidance of unnecessary medication with standardized antibiotic surveillance, reporting AMR cases and resistance patterns.
- Robust management of hazardous waste and potentially infectious medical waste. Transparency about weights and recycling objectives.
- Initiatives to reduce the use of single-use products without compromising patient safety.

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. World Economic Forum. 2. Greenhouse gases 3. Direct emissions created by a company's activities and Emissions from the electricity a company uses in its operations. 4. Indirect emissions from a company's supply chain, distribution, use of products, and product disposal.

5. Washington Post. * As defined in appendices. Source: Mirova

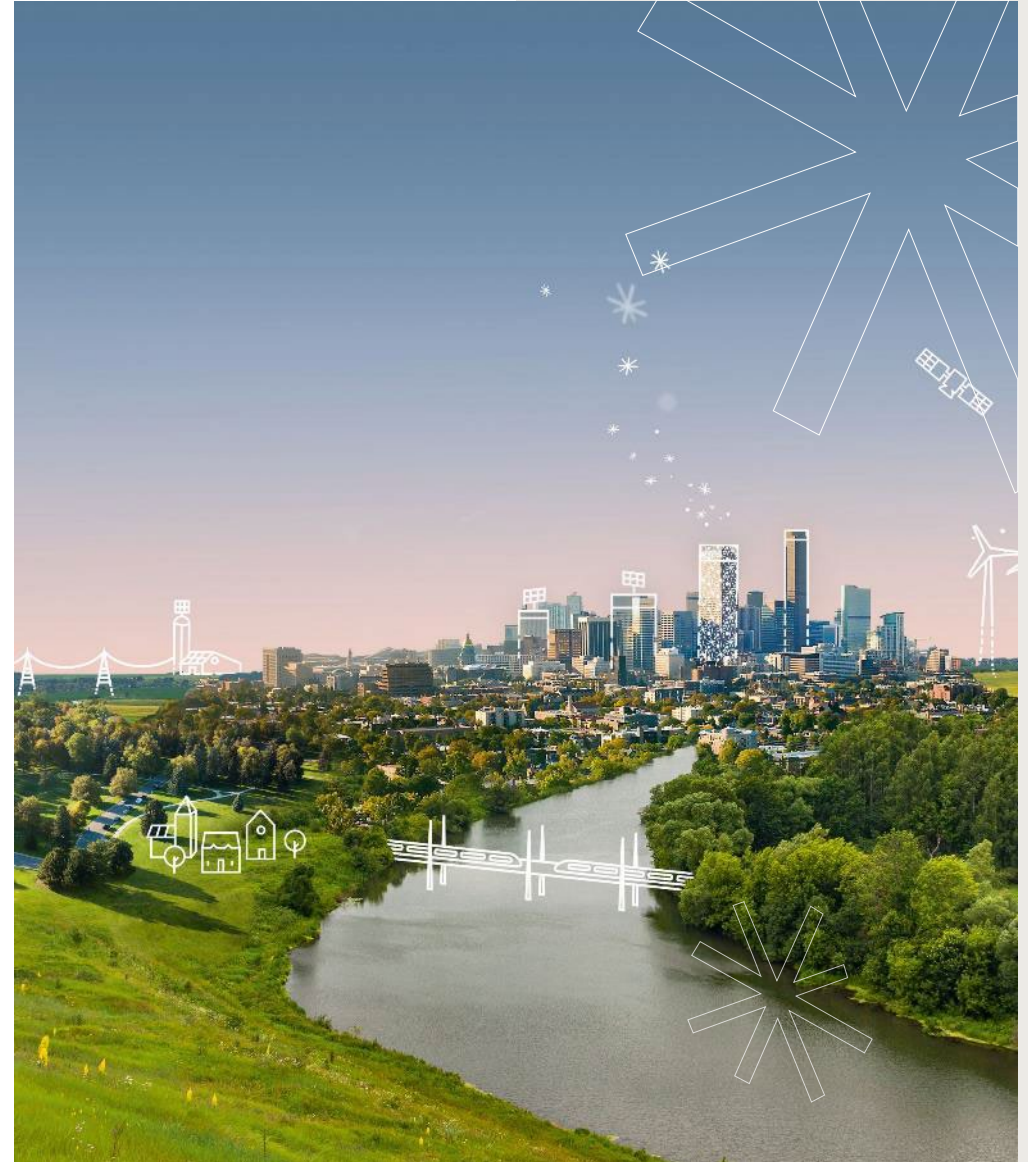


Advanced governance model

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>	Practices/measures expected:	Impact indicators examples:
	<p>Commitment to long-term and shared value creation</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.
	<p>Integration of stakeholders in the decision-making process</p>	<ul style="list-style-type: none"> • Create a Sustainable Development Committee or sustainability representative at the board level, with regular meetings throughout the year. Sustainability items are systematically integrated into the board’s agenda.
	<p>Fair taxes</p>	<ul style="list-style-type: none"> • Provide country-by-country reporting on tax payments.



ESG Risks



Product and patient safety

CONTEXT

Hospitals or other healthcare facilities are responsible for providing a high quality of care. Hospitals complement and amplify the effectiveness of many other parts of the health system, providing continuous availability of services for acute and complex conditions. Thus, it is often difficult to assess the quality of a group of private facilities. However, healthcare services providers are generally expected to implement a robust quality management process, provide employees with continuous trainings and wellbeing support, as well as provide evidence of their understanding of the potential risks associated with some medications and some mitigations measures. These risks can notably relate to addiction following the prescription of painkillers.

Healthcare facilities should also increasingly recognize the risk of counterfeiting drugs. Drugs counterfeited worldwide are estimated to be worth \$431 billion in annually¹. In the U.S., 2,121 incidents of counterfeiting were reported in 2022, up 17% from the prior year, which tracks industry trends². While the share of counterfeit and poor-quality drugs is a worldwide issue, low- and middle- income countries are particularly at risk. It is indeed estimated that the market ranges from over 10% of total sales in low-income and middle-income countries to 1% in developed countries¹.

MINIMUM STANDARDS

Type of ESG risk:

Risk assessment indicators examples:

Quality processes

- Align with the most demanding public or external certifications across all geographies, number of facilities inspections and, when possible, external quality certifications, such as ISO.
- Ensure audit transparency: coverage rate of the least efficient sites, number of deficiencies noted by theme and level of severity, corrective measures initiated and closed, etc.
- Adoption of a robust complaint management mechanism for patients and their families, with clear process for handling complaints and communicating resolution requirements (deadlines, resolution rates, etc.)

Monitoring of emerging risks

- Qualitative analysis of potential exposure to antibiotic resistance and policies to reduce the risk of patients getting infections during their hospital journey.
- Description of efforts to reduce the occurrence of compromised drugs within the supply chain/efforts to prevent counterfeiting drugs to enter the system.
- % of revenues generated by compromised substance including opioids and efforts to reduce risk of addiction and comprised prescriptions.

Recalls and pharmacovigilance

- Number of drug recalls issued, total units recalled, percentage of private-label products and class I II III³.
- For drug retailers, qualitative analysis of controversy around dispensing errors.



Data privacy and security

CONTEXT

In most countries, laws regulate the use of personal data, especially medical data, and restrict the use of patient data by healthcare providers and insurers. In the US, the Health Insurance Portability and Accountability Act (HIPAA) was established to prevent patient-sensitive data from being disclosed without the patient’s consent or knowledge. In Europe, General Data Protection Regulation (GDPR) grants individuals with broader rights than HIPAA. GDPR gives data subjects a range of rights, including the right to access their data, the right to be forgotten, and the right to data portability. Additionally, the rights conferred by GDPR extend beyond healthcare settings.

While medical files cannot not proactively be shared for commercial purposes in most countries, there is an increasing risk for these data to be stolen, and for healthcare facilities to be hacked. For example, in 2020, during the Covid 19 crisis, the occurrence of cyberattacks on hospitals have skyrocketed during a time when healthcare systems were already facing unprecedented pressure. Vulnerabilities in computer systems enable hackers to access devices and block critical activities and demand ransom. Thus, companies and infrastructures operators are expected to rapidly invest in cybersecurity, train employees, and ensure devices are protected against any security breaches to protect patients against dysfunctions and induced hazards.

MINIMUM STANDARDS

Type of ESG risk:

Risk assessment indicators examples:

Data security governance and service continuity

- Existence of a governance cybersecurity system (including audits and action plans) at local and global level.
- Investment and IT teams dedicated to cybersecurity.
- Ensure all staff are regularly trained with regular phishing attempts. Effective mechanisms to ensure secure IT security such as secure coding guidelines, identification of security vulnerabilities, and One Time Password etc., wherever relevant and feasible.
- Existing service continuity back-up plan for life-saving services (at least) and periodic reporting on cyber-attacks suffered/avoided and their impact.

Protection of health information

- Description of policies and practices to secure customers’ protected health information (PHI) records and other personally identifiable information (PII).
- Transparency around the number of data breaches and percentage involving personally identifiable information (PII), protected health information (PHI), and of customers affected, as well as corrective measures.



Climate & Biodiversity

CONTEXT

The impact of the industry on the environment has long been overlooked. However, the healthcare services sector emits climate warming pollution through a variety of sources, including energy used to run facilities, transportation, products and waste. Regarding biodiversity, healthcare facilities affect biodiversity mainly through water use and pollution (from wastewater and waste).

The supply chain of the industry is complex. Before arriving in facilities, physical goods and information about medical products and services usually go through a number of independent stakeholders, including manufacturers, insurance companies, hospitals, providers, group purchasing organizations, and several regulatory agencies. However, companies in the healthcare services sector may not have the highest leverage on the sustainability performance of their suppliers. Yet, we are expecting companies to prioritize local suppliers, suppliers that offer low-carbon materials, energy-efficient products, etc. whenever possible.

MINIMUM STANDARDS

Type of ESG risk:

Risk assessment indicators examples:

Climate footprint

- Calculation of GHG Emissions on all 3 scopes or ongoing evaluation.
- Share of non-renewable energy consumption and production.
- Calculation of GHG Emissions on all 3 scopes or ongoing evaluation.

PAI #1
PAI #2
PAI #5

Environmental risks in the supply-chain

- Existence of a Code of Conduct for suppliers that includes environmental considerations.
- Include environmental criteria to suppliers' screening for medical products and equipment (i.e. favor local suppliers, suppliers that offer low-carbon materials, energy-efficient products, etc.).

Biodiversity footprint

- Assessment and management of own operation water and waste footprints.
- Emissions to water.
- Hazardous waste and radioactive waste ratio.

PAI #8
PAI #9



Working conditions and human rights

CONTEXT	MINIMUM STANDARDS	
	Type of ESG risk:	Risk assessment indicators examples:
<p>For workers in healthcare services facilities, common risks include exposure to hazardous drugs, infectious diseases, high stress levels, emotionally charged situations (stress and violence), and job burnout. The likelihood of injury or illness resulting in days away from work is higher in hospitals than in construction and manufacturing, two industries that are traditionally relatively hazardous¹.</p>	<p>Health and safety</p>	<ul style="list-style-type: none"> • Frequency and severity of health & safety accidents (direct workers and contractors) and existing policy to reach zero accidents. • Trainings available and prevention measures to avoid accidents, long-term injuries and mental health issues. • Investment to improve working conditions (schedules, overnight facilities etc). • Anonymous reporting channel to report health and safety and employees' rights related complaints. • Measures to promote fair working conditions and a sustained social dialogue in countries.
<p>Aside from arduous working conditions mentioned above, the industry is not generally prone to significant human rights risks from their employees or their suppliers (including forced labor, child labor, etc). However, in relation to the services offered, the industry is exposed to broader human rights issues. These rights span from fundamental access to quality healthcare, including rights to maternal, child and reproductive health, informed consent, bodily integrity to freedom from torture, ill-treatment, and harmful practices.</p>	<p>Human rights</p>	<ul style="list-style-type: none"> • Wherever relevant, existing policy for providing high quality health care, research conducted with integrity, intellectual honesty, and respect for human subjects, and reasonable care. • Existence of a Code of Conduct for suppliers that includes human rights and labor rights considerations. • 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

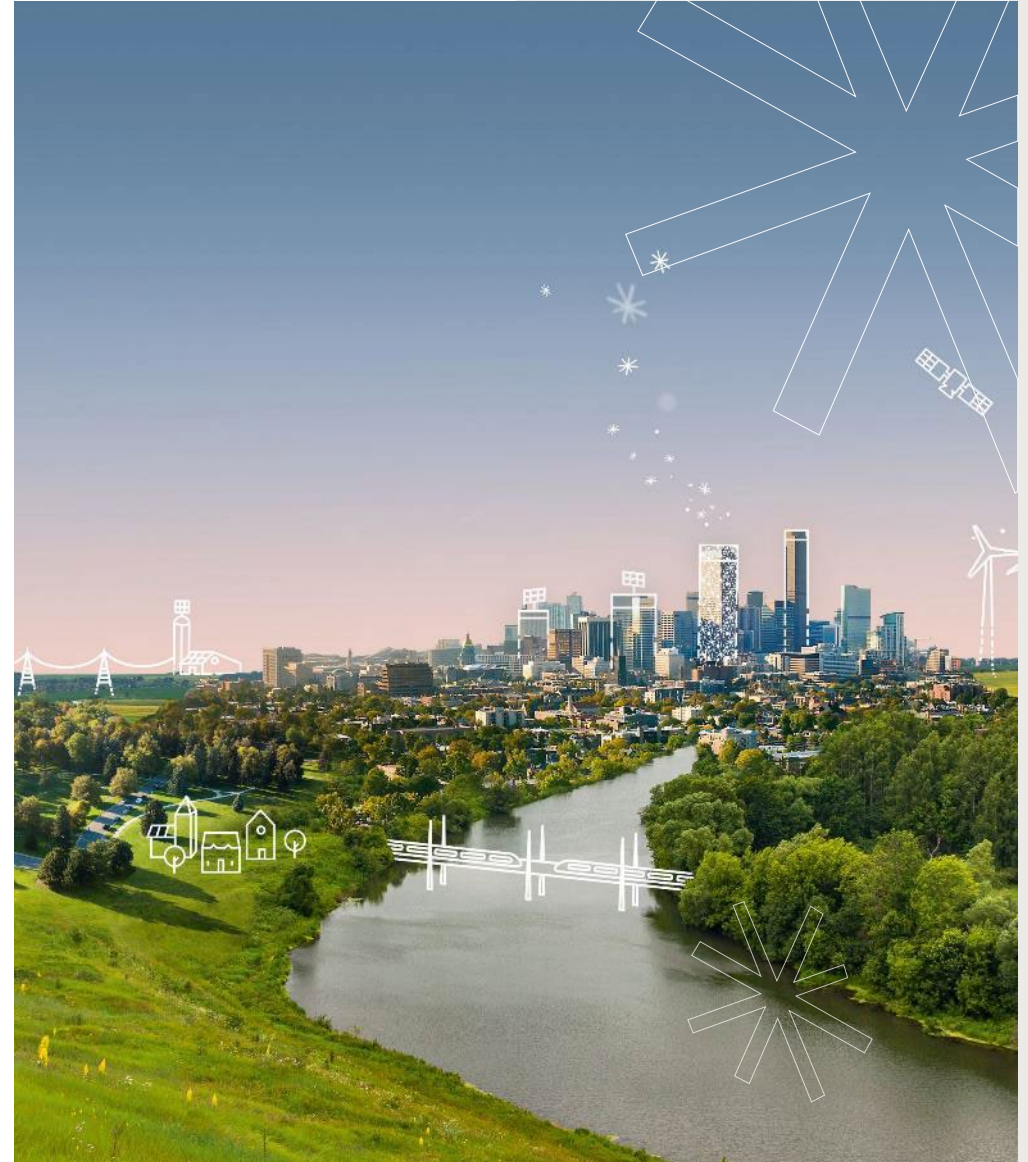


Governance

CONTEXT	MINIMUM STANDARDS	
<p>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.). The involvement of healthcare services companies in controversies has been prevalent over the past several years, especially in regions with a high level of opacity.</p> <p>Corruption has also impacted the credibility health systems as well for many years. Approximately \$455 billion of the \$7.35 trillion spent on health care annually worldwide is lost each year to fraud and corruption¹. 1 in 5 people worldwide (17%) report they were forced to pay a bribe when dealing with the medical sector². Corruption in the health sector intensifies inequality. Poor people and other marginalized groups are hit the hardest. For example, women’s reliance on health services plagued by corruption makes them vulnerable to abuse, blocking access to vital contraceptive, reproductive and child health services. Tragically, this pushes many women into poverty and sometimes death. Corruption in health also hinders the fight against HIV/AIDS and other diseases.</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. Unadjusted gender pay gap. Board gender diversity. <p>PAI #12 PAI #13</p>
	<p>Business Ethics</p>	<ul style="list-style-type: none"> Robust business ethics policies covering lobbying practices, anti-corruption, anti-competitive and 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. <p>PAI #17</p>
<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 havens¹ or tax non-cooperative jurisdictions with no real activity in the country. 	



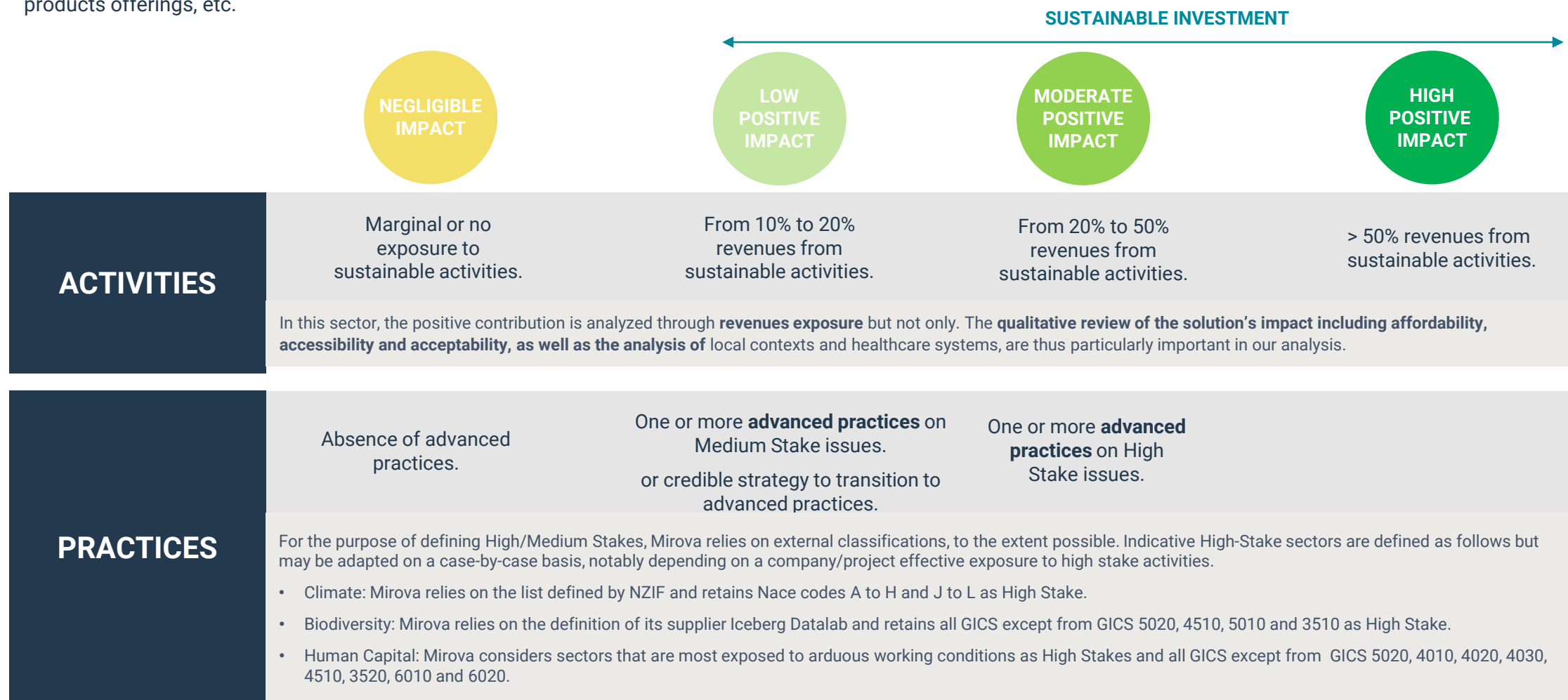
Appendices



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.



ESG risks

SECTOR INHERENT RISK LEVEL: MEDIUM/HIGH

Patients' safety remains the most important risk to be managed by medical services providers. Care providers (including nursing homes and hospital clinics) need to abide by high-quality safety procedures and standards of care. It is crucial to understand that patient safety is deeply intertwined with healthcare workers' wellbeing and health. Healthcare workers' excessive workload, poor working conditions, and often unstable work schedule may impact the quality and safety of patient care, including increased medical errors and hospital-acquired infections among patients. Because of the services offered, the industry is also exposed to broader human rights issues. This includes ensuring access to healthcare, including the rights to maternal, child and reproductive care, and informed consent. Environmentally related risks, such as end-of-life management of medical equipment or drugs, antimicrobial resistance, as well as cybersecurity risks have long been overlooked. However, they are crucial to address.

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 location and that of their suppliers (incl. country specific risks).

MAIN ESG RISKS FACTORS

- PRODUCT AND PATIENT SAFETY
- DATA PRIVACY AND SECURITY
- CLIMATE & BIODIVERSITY
- WORKING CONDITIONS AND HUMAN RIGHTS
- GOVERNANCE :
 - Governance of sustainability
 - Business ethics
 - Taxes

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		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)	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	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

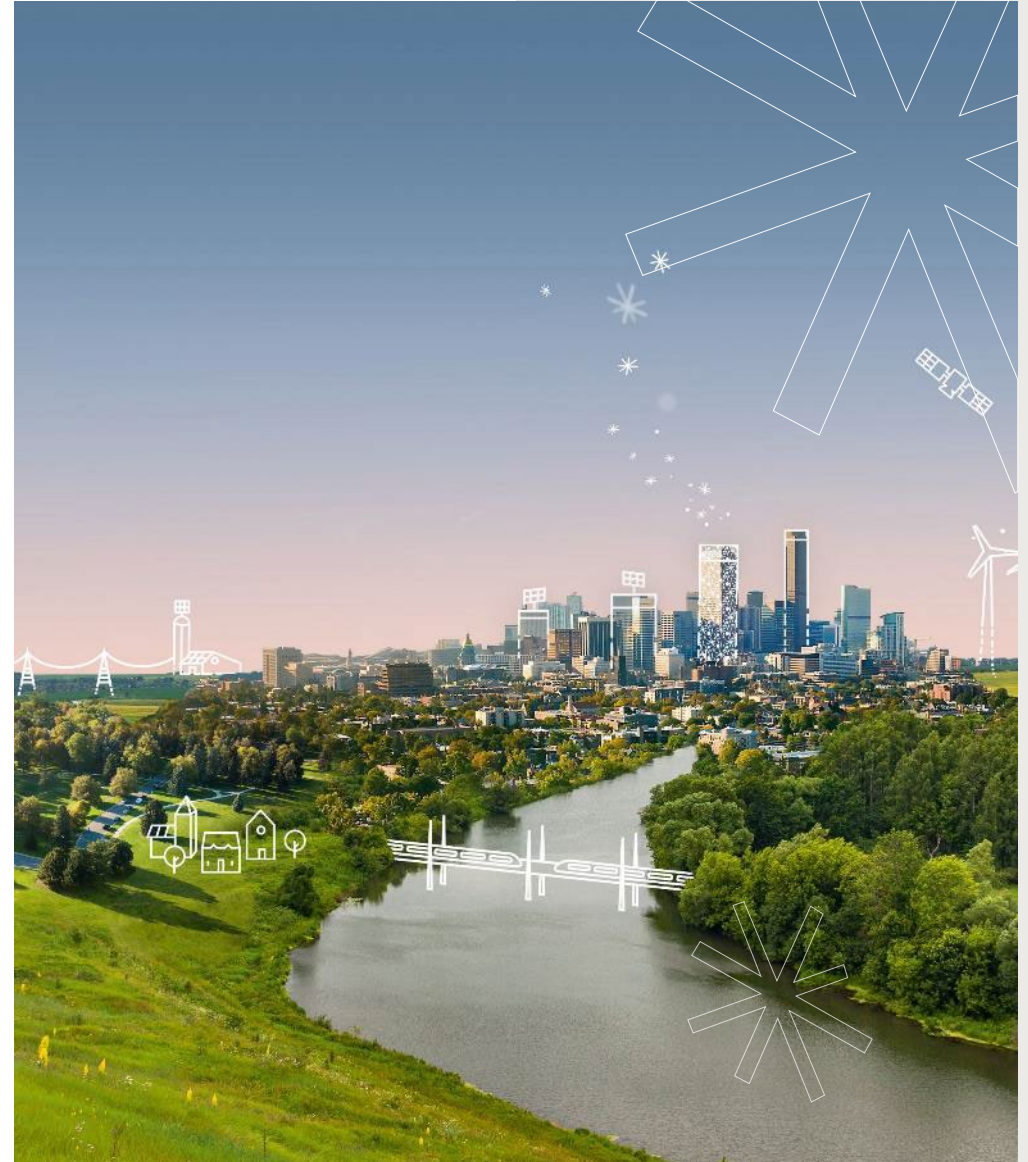
- [Sustainable Finance Disclosure Regulation \(SFDR\): positioning of Mirova Funds](#)
- [Description of the principal adverse impacts on sustainability factors](#)

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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