

## SUSTAINABLE IMPACT FRAMEWORK

# Real Estate

### Sectors:

- Real Estate Investment Trust (REIT)
- Real Estate Management & Development

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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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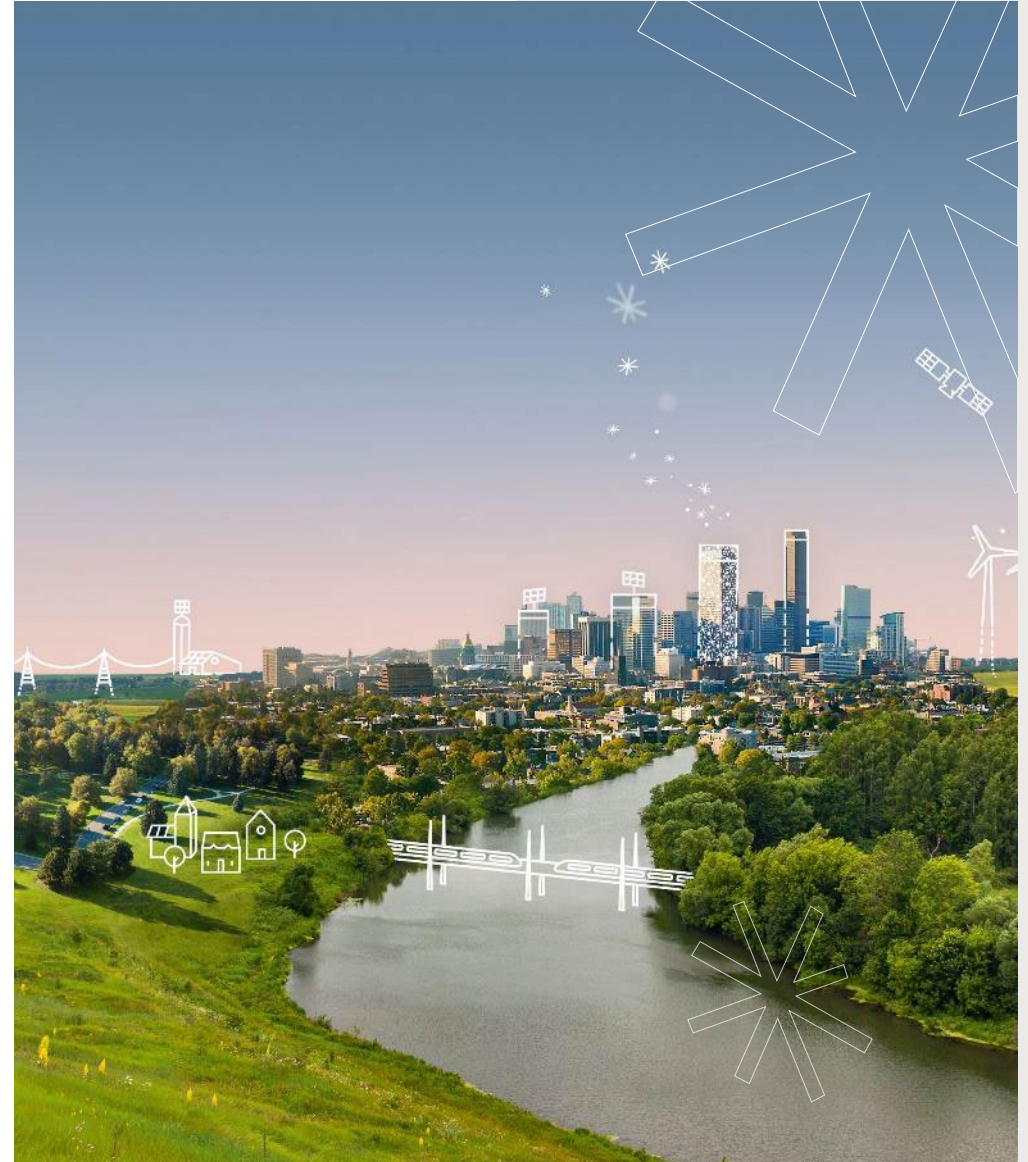
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# Executive Summary



# Real Estate

The real estate sector encompasses a wide range of activities, including the purchase, sale, leasing, and management of both commercial and residential properties. This includes various types of assets such as residential buildings, warehouses, nursing homes, data centers, office buildings and other. This sector, at the intersection of various others, is responsible for approximately 39% of global CO2 emissions related to energy, with 28% attributed to building operations (heating, lighting, etc.) and 11% to construction (materials and processes)<sup>4</sup>. It increasingly affects land use and biodiversity; however, it can also address growing social needs associated with demographic trends such as aging and population growth.

Real estate sector accounts for **36%** of total energy consumption in the European Union.<sup>1</sup>

In 2021, the building sector accounted for 30% of global final energy consumption. As a result, improving the energy efficiency of buildings is crucial to achieving a 1.5°C scenario. The International Energy Agency estimates a need for a 50% reduction in direct building emissions (e.g., those produced by onsite gas or oil boilers) and a 60% reduction in indirect emissions (those influenced by energy efficiency efforts) by 2030 to reach a net-zero building supply by 2050<sup>5</sup>. While building design significantly influences energy efficiency (including layout, material selection, and space optimization based on usage), real estate managers also have a range of levers available to reduce the environmental footprint of buildings, including raising tenants' awareness of energy savings or preventive building maintenance. Comprehensive reporting and monitoring of energy consumption can also contribute to more efficient management and a reduction in emissions.

Construction is responsible for **30%** of global solid waste generation.<sup>2</sup>




Construction and renovation projects in the building sector present significant risks to local flora and fauna. The utilization of resources such as metals and timber, as well as the generation of debris and use of land adversely affects biodiversity. Land artificialization is a critical concern for this sector. Residential and urban development account for approximately 40-50% of globally artificialized land<sup>6</sup>. Moreover, the real estate sector relies on a substantial use of water, further impacting biodiversity. Given these challenges, it is imperative that the daily management of buildings aligns with objectives for ecosystem conservation. Additionally, the real estate sector has the potential to actively contribute to the creation of natural habitats by incorporating such initiatives into its development and construction strategies.

**1.6 billion** people worldwide lack access to adequate housing.<sup>3</sup>

The real estate sector plays a crucial role in addressing social needs. It is essential for individuals to have a comfortable, private place to live. However, an examination of housing conditions across the European Union reveals that this level of comfort is not universally accessible. According to Eurostat's 2021 report on housing quality, 34% of the EU population lived in under-occupied housing, while 17% resided in overcrowded households, underscoring the social impact of the housing industry. The development of housing carries with it a social responsibility to ensure affordable accommodation for economically vulnerable populations and to address the specific needs of marginalized groups, including students, the impoverished, and the elderly.

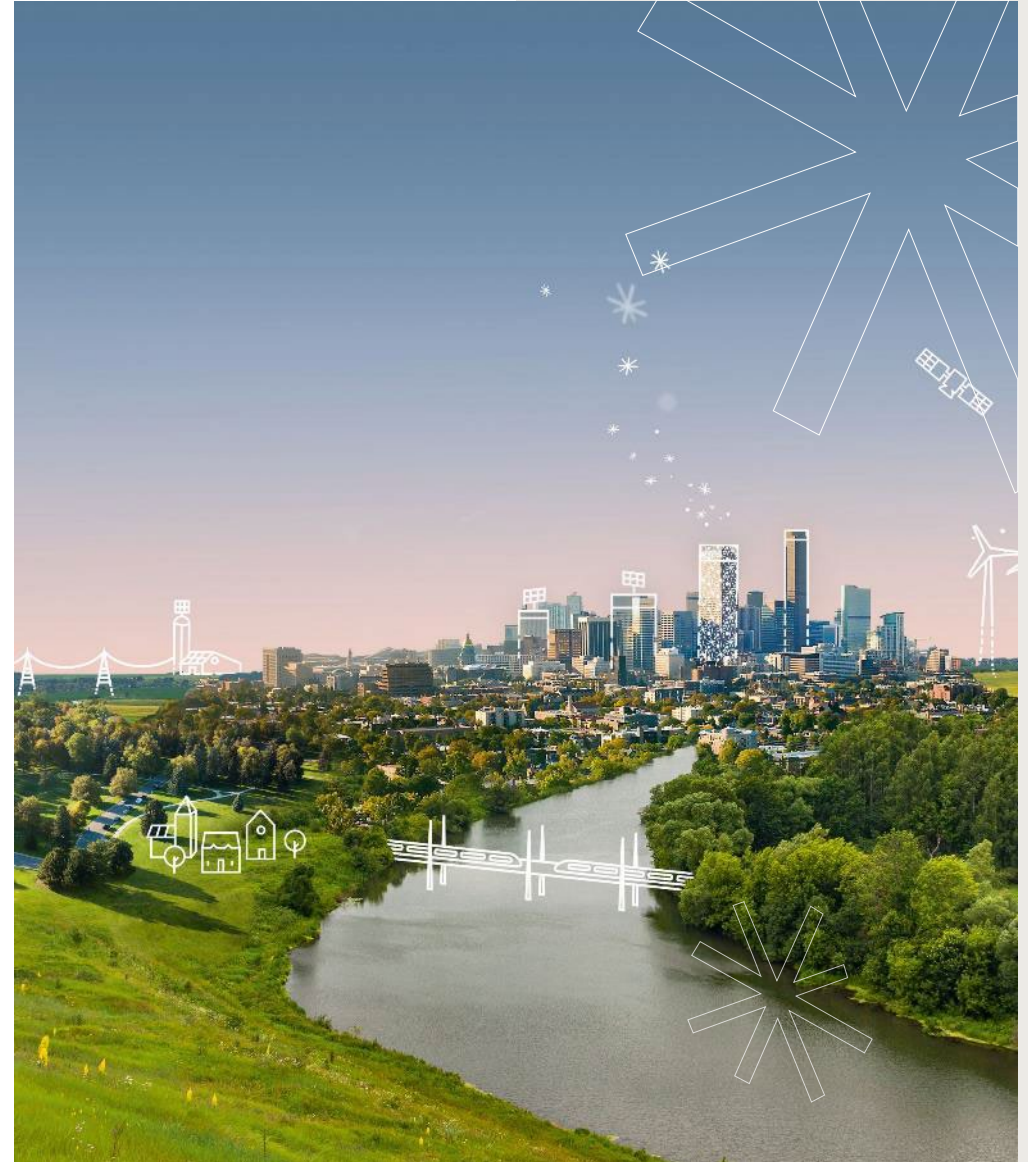


# Drivers of contribution and obstruction to sustainability goals

	Activities	Practices
Positive Impact	<p><b>Sustainable Activities</b> </p> <ul style="list-style-type: none"> <li>– REFURBISHMENT</li> <li>– GREEN REAL ESTATE</li> <li>– ACCESS TO BASIC NEEDS</li> <li>– LOCAL AND SOCIO-ECONOMIC DEVELOPMENT</li> <li>– WELLNESS</li> </ul>	<p><b>Advanced Practices</b> </p> <p>CLIMATE BIODIVERSITY HUMAN CAPITAL MANAGEMENT</p> <ul style="list-style-type: none"> <li>• Job quality</li> <li>• Diversity and inclusion</li> </ul> <p><i>Advanced governance models</i></p>
ESG Risks	<p><b>Harmful Activities*</b> </p> <p><i>Building negatively affecting biodiversity sensitive areas</i></p>	<p><b>Risk Mitigation</b> </p> <p>BIODIVERSITY &amp; CLIMATE FOOTPRINT WORKING CONDITIONS : HUMAN RIGHTS &amp; HEALTH AND SAFETY PRODUCT SAFETY</p> <p>GOVERNANCE :</p> <ul style="list-style-type: none"> <li>• Governance of sustainability</li> <li>• Business ethics</li> <li>• Taxes</li> </ul>



# Positive Impact



# POSITIVE IMPACT

## Sustainable Activities



CLIMATE	CONTEXT	SUSTAINABLE ACTIVITY
	<p>While the construction of new energy-efficient buildings is promising, the priority should be on renovating the existing building stock. To align with a 1.5°C scenario, it is imperative to address thermal inefficiencies in buildings through retrofitting policies. Energy retrofitting is a critical mitigation measure, yet the rate of building renovation is alarmingly slow, standing at only 1.1% in mainland France (INSEE, 2018). According to the European Commission in 2020, on average, less than 1% of the national building stock of European member states is renovated each year, with rates varying from 0.4% to 1.2%. It is estimated that around 75% of the EU building stock is energy inefficient, resulting in significant energy wastage. To meet European climate and energy objectives, the current renovation rates should at least double. Renovating existing buildings could lead to a 5-6% reduction in the EU's total energy consumption and approximately 5% decrease in carbon dioxide emissions. This reduction could be achieved by improving existing buildings and incorporating smart solutions and energy-efficient materials in new construction. Therefore, companies can play a positive role in addressing climate change by focusing on renovating existing constructions rather than solely constructing new buildings, regardless of their energy performance. This is especially important considering that 35% of thermal inefficiencies affect low-income households in France, posing a significant health concern (Assessment, 2018).</p>	<p style="text-align: center;"><b>IMPACT CRITERIA</b></p> <p>Companies must provide evidence of CAPEX dedicated to thermal renovations and/or equipment replacement is either :</p> <ul style="list-style-type: none"> <li>• <b>Aligned with the technical criteria of the European taxonomy</b> or at least proving a reduction in primary <b>energy demand (PED) of the building of at least 30%</b>.</li> <li>• Enable the building to achieve: <b>EPC label “A”</b> or belong to the <b>top 15% in terms of primary energy demand (PED)</b> of the national or regional building stock.</li> <li>• Enables the building to obtain at least one of the following <b>“In-Use”</b> or <b>“Refurbishment”</b> certifications: - <b>BREEAM “Excellent”</b>; or - <b>HQE “Excellent”</b>; or - <b>LEED “Platinum”</b>; or equivalent in other country.</li> </ul>

For this pillar, the positive contribution of activities is analyzed through a combination of asset exposure, share of investment compared to the global revenue and other indicators to qualify the effectiveness of measures implemented.





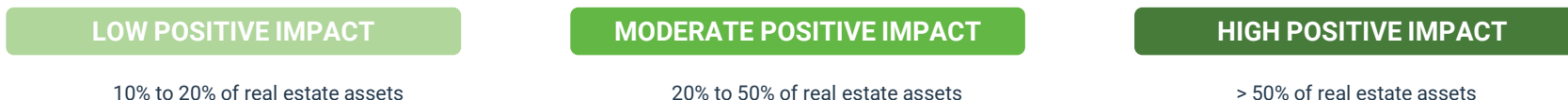
# POSITIVE IMPACT

## Sustainable Activities



CLIMATE	CONTEXT	SUSTAINABLE ACTIVITY
	<p>While renovation plays a significant role in the sustainability of real estate activity, the acquisition and construction of new buildings with superior environmental features can also have a positive impact. For instance, the construction of energy-efficient buildings is designed to consume less energy through improved insulation, high-performance windows, efficient heating and cooling systems, and advanced lighting technologies such as LEDs. This reduces demand on energy grids and lowers the overall energy footprint. According to the U.S. Department of Energy (DOE), energy-efficient buildings can reduce energy consumption by 30-50% compared to conventional buildings, leading to lower fossil fuel consumption and reduced pressure on power plants. In response to these challenges, various governments are implementing increasingly stringent regulations regarding climate standards. For example, in France, the RE2020 environmental regulation, implemented in 2022, aims to reduce the primary energy consumption of new buildings by 30 to 40% compared to previous standards. Globally, environmental certifications such as BREEAM and LEED, have become standard requirements for sustainable construction, with increasing adoption worldwide.</p>	<p><b>Green real estate</b> Old and new buildings demonstrating best performance in the national market in terms of carbon and energy emissions, in accordance with standards of the industry and rating systems (e.g. high energy performance standards, green building certifications) or buildings eligible to public programs financing energy efficiency works allowing significant carbon savings.</p>

For this pillar, the positive contribution of activities is analyzed through a combination of asset exposure, share of investment compared to the global revenue and other indicators to qualify the effectiveness of measures implemented.





# POSITIVE IMPACT

## Sustainable Activities



SOCIAL OPPORTUNITIES		CONTEXT	SUSTAINABLE ACTIVITY
		<p>Having access to a comfortable place to live, serving as a shelter but also as a space for privacy is vital. These conditions are systematic across the European Union. In 2021, while 34% of the EU's population lived in under-occupied homes, 17% were in overcrowded households<sup>1</sup>, shedding light on the social stakes of the building industry. The activity of building housing comes with some social responsibility of ensuring affordable accommodation to economically vulnerable populations, but also addressing basic needs of other vulnerable populations such as students, elderly people, children, etc.</p>	<p><b>Access to basic needs</b> Companies/projects offering low-cost products and services, including affordable, reliable and resilient housing.</p>
		<p>In France, commercial real estate generated 129 billion euros in 2020, representing 5% of the national GDP and employing around 2.9 million people. Shopping centers boost local economic activity and increasingly incorporate social initiatives like local markets and intergenerational activities, especially in less economically developed areas. However, their growth can negatively impact local businesses, leading to desertification and a homogenization of offerings. To address new consumer expectations and environmental and social challenges, innovative models such as mixed-use centers (combining retail, offices, housing, and social center) are emerging.</p>	<p><b>Local socio-economic development</b> Companies supporting socio-economic development local ownership/entrepreneurship, job creation and hiring of local people specifically.</p>
		<p>Asset owners are facing increasing pressure to ensure the well-being of all stakeholders, including tenants. Recent scandals have drawn attention to the quality of buildings, raising the bar for property owners. In addition to addressing traditional safety concerns, property owners must also prioritize the well-being of all stakeholders.</p>	<p><b>Wellness</b> Companies/projects providing products enabling a healthy lifestyle for all stakeholders.</p>
			<p><b>IMPACT CRITERIA</b> Percentage of building stock enabling access to basic needs such as :</p> <ul style="list-style-type: none"> <li>Housing for vulnerable or low-income populations; such as social shelters for women, children, minorities, students, etc;</li> <li>Facilities that promote activities benefiting the local community and associations;</li> <li>Facilities dedicated to education.</li> <li>Healthcare facilities.</li> </ul>
			<p><b>IMPACT CRITERIA</b> For commercial buildings only :</p> <ul style="list-style-type: none"> <li>Percentage of tenants with a local brand or being local entrepreneurs.</li> <li>Percentage of square meters dedicated to trade associated with the circular, solidarity-based or local economy.</li> <li>Plan to take account of the local economic context (non-implementation of brand already present in the city, etc.).</li> </ul>
			<ul style="list-style-type: none"> <li>Roadmap for the integration of new, safer materials into building structures.</li> <li>Plan to facilitate building accessibility through low-carbon transportation options.</li> <li>Strategy for enhancing well-being within the building, including certifications related to air quality, quality of life, and user health, such as WELL certification.</li> </ul>

For this pillar, the positive contribution of activities is analyzed through a combination of asset exposure, share of investment compared to the global revenue and other indicators to qualify the effectiveness of measures implemented.

### LOW POSITIVE IMPACT

10% to 20% of assets exposed to these sustainable activities

### MODERATE POSITIVE IMPACT

20% to 50% of assets exposed to these sustainable activities

### HIGH POSITIVE IMPACT

> 50% of assets exposed to these sustainable activities



# POSITIVE IMPACT

## Advanced Practices



### CONTEXT

### ADVANCED PRACTICES

#### CLIMATE

According to the IEA, 71% of the sector's emissions are linked to the operational use of buildings. While the design of the building plays a significant role in its environmental footprint, the implementation of some best practices can help reduce emissions across a property portfolio. Establishing effective energy management practices among the various stakeholders involved in a building is also crucial for driving behavioral changes. This requires fostering internal dialogue between the owner, manager, and tenants to optimize energy performance, equipment, and monitor behaviors. Facilitating the access to sustainable transportation solutions is also key to reduce transport emissions from commercial assets, especially shopping malls located on the outskirts of cities. According to the IPCC, user transport indeed accounts for 90% of an asset's overall emissions. These practices should promote excellence in energy performance and ensure that buildings meet the highest standards possible.

#### Actions/measures expected:

#### Implement robust decarbonization strategy on all three scopes

#### Impact indicators examples:

- GHG<sup>1</sup> emissions reduction targets on all 3 scopes, preferably aligned with the Science Based Target Initiative (SBTi) and effective reduction in emissions.
- Roadmap and targets for thermal renovations and equipment replacement.
- Reporting and benchmarking against competitors (GRESB property scores, Taxonomy Top15-30 criteria).
- Institutionalized dialogue with stakeholders to steer tenant behavior towards more energy-efficient practices.
- Proximity and development of access solutions to the building via green mobility (electric recharging station, installation of public transport, bicycle path, etc.).
- Use of portfolio climate trajectory monitoring tools such as CRREM (Carbon Risk Real Estate Monitor).

#### BIODIVERSITY

Real estate significantly impacts nature. The artificialization of land related to construction contributes to reduced soil permeability and the emergence of urban heat islands. This phenomenon not only degrades the quality of life for residents but also elevates temperatures in urban environments, disrupting the natural habitats of various species<sup>2</sup>. Additionally, the water consumption associated with buildings and the disposal of construction-related waste materials—such as scrap wood, steel, and bricks—exert considerable pressure on ecosystems. However, certain practices can mitigate these adverse effects. For instance, companies can conduct comprehensive impact assessments by engaging ecological experts and performing environmental evaluations prior to project development, even on a voluntary basis. We also highly value companies that prioritize the preservation of natural features and optimize beneficial biotopes while introducing new green spaces characterized by diverse ecosystems and species. This strategy contributes to alleviating urban heat islands and air pollution while safeguarding existing natural species.

- **Establish a biodiversity action plan with targets and roadmaps.**
- **Incorporation of recycled materials in renovation and construction projects.**
- **Establish waste management strategy.**

- Percentage of the building stock subject to a biodiversity action plan (including or biodiversity footprint compensation policy).
- Achieve certification labels (Biodiversity).
- Existing policy on net zero artificialization of soil.
- Vegetated surface area compared to the total surface area per asset (square meter).
- Share of recycled building materials and/or circular resources compared to the total weight of building materials used in new construction and major renovations. Use of compliant product such as EPD/LCA, Cradle to Cradle certification, etc.
- Share of recycled waste in total produced waste.

#### LOW POSITIVE IMPACT

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

#### MODERATE POSITIVE IMPACT

- > Advanced practices - High Stake\* issues





## CONTEXT

### Job Quality

Employees in the real estate sector hold a diverse range of positions, including estate agents, property managers, construction workers, and maintenance or cleaning staff. This diversity complicates the standardization of job quality and necessitates a closer examination of internal career pathways. The industry typically relies heavily on subcontractors. Thus, a proactive approach to internalize workers is considered positive. "Limiting mobility clauses that allow employers to transfer employees at any time and hinder the stability and career progression of individuals is also an important measure to ensure work quality. Finally, establishing clear career paths and providing training on digital skills and sustainability topics are crucial for empowering employees, enhancing their competencies, and adapting to the evolving business landscape. Additionally, the analysis considers geographical and cultural differences to evaluate the quality of practices, particularly concerning employee benefits and social dialogue.

### Diversity & Inclusion

Real estate remains a sector where women and minorities are underrepresented in key management positions. In in the US commercial real estate , 75% of senior executive jobs industry were held by white men in 2017<sup>1</sup>. As such, efforts still need to be made to bridge this gap and foster a work environment that guarantees the safety of all individuals while enabling them to realize their full potential. Ensuring and promoting diversity and inclusion (D&I) is key to ensure the respect of human rights but also to achieve maximal potential. Indeed, good D&I practices create organizational benefits that can improve company performance. Mirova will value companies which have gender parity practices in place, notably addressing inequalities in parental leave and the gender pay gap. We also favor companies that implement ethnic, sexual orientation and intergenerational minority inclusion policies, including representation committees and targets to increase their representation in the workforce and in key managerial positions. Companies extending these targets and policies to their supply chain, display supplier diversity policies, will also be particularly valued.

### LOW POSITIVE IMPACT

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

## ADVANCED PRACTICES

### Actions/measures expected:

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

### Impact indicators examples:

- Evolution of sub-contractors vs. total workforce
- Training hours per employee, % of workforce trained (digital and sustainability focus).
- Qualitative analysis of the training offering including, upskilling programs.
- Analysis of employees', executives' and shareholders' remunerations.
- Existing and effective employees' association mechanisms.
- Workplace wellbeing measures: Stable workplace, flexible working arrangements, mental health support, counselling, etc.

1. **Improve female and diverse representation especially at management/leadership level.**
2. **Ensure equal opportunities and increase awareness to overcome inequalities.**

- Percentage of women in the Executive Committee, difference between women representation in the workforce and Executive Committee, C-Suite female representation.
- Succession planning including at least one woman as a possible candidate for every senior position.
- Presence of a supplier diversity policy.
- 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.
- Wage gap or credible target to reach pay equality & unadjusted pay gap.
- Development of hotline and first aid service for victims of harassment or discrimination.

### MODERATE POSITIVE IMPACT

- > Advanced practices - High Stake\* issues



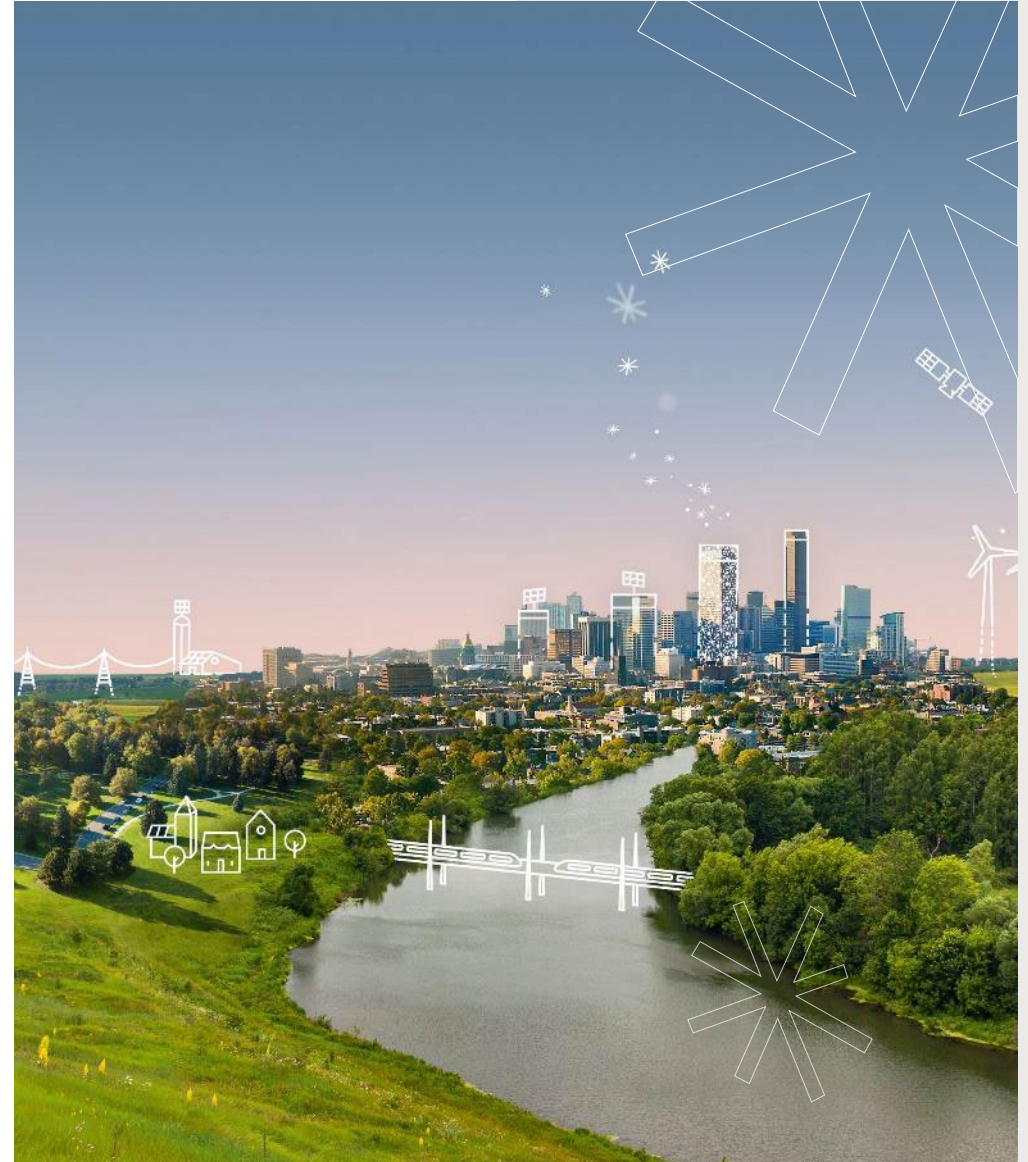
# Advanced governance model

CONTEXT	ADVANCED GOVERNANCE MODEL DETAILS	
<p>Mirova aims to promote the development of a corporate vision focused on the creation of collective value over the long term. Corporate governance should be shaped to include the interests of its key stakeholders. We believe that the creation of wealth requires a long-term perspective, which takes into account sustainability issues.</p> <p>Mirova encourages companies to include environmental and social issues in its purpose, and to adapt their articles of association accordingly. We feel that shareholders have a role to play in spreading this vision of what a company should be.</p> <p>Thus, we are promoting the development of a long-term shareholder base, the creation of governing bodies that serve all stakeholders and address CSR<sup>1</sup> 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><b>Commitment to long-term and shared value creation</b></p>	<ul style="list-style-type: none"> <li>• Demonstrate how value created is shared fairly amongst company stakeholders.</li> <li>• Strive towards the model of a purpose-driven organization or/and a B-Corp organization.</li> </ul>
	<p><b>Integration of stakeholders in the decision-making process</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
	<p><b>Fair taxes</b></p>	<ul style="list-style-type: none"> <li>• Provide country-by-country reporting on tax payments.</li> </ul>





# ESG Risks



# Climate & Biodiversity

## CONTEXT

Real estate development significantly contributes to environmental degradation, impacting both climate and biodiversity. These sectors pose risks due to the energy-intensive nature of construction process, the energy consumption of buildings, and the direct destruction of natural habitats. The construction and real estate sectors are among the largest consumers of energy and contributors to carbon emissions globally. According to the United Nations Environment Programme (UNEP), the building sector alone is responsible for 39% of global CO2 emissions. These emissions stem from both the construction phase (including the production of materials like cement and steel) and the operational phase, such as heating, cooling, and lighting buildings throughout their lifecycle. Real estate development often involves large-scale land conversion and soil artificialization, contributing to the destruction of natural habitats and directly threatening biodiversity. Urban expansion typically encroaches on forests, wetlands, grasslands, and other ecosystems, fragmenting habitats and displacing wildlife. According to a 2019 report by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), urbanization is one of the key drivers of biodiversity loss, with over 75% of terrestrial environments being significantly altered by human activities. Furthermore, impermeable surfaces that dominate urban landscapes—such as roads, rooftops, and parking lots—reduce natural infiltration, leading to increased runoff and exacerbating flooding risks. This urban runoff often carries pollutants, including heavy metals, oils, and other contaminants, further harming aquatic ecosystems and water quality. While efforts to mitigate these impacts through sustainable practices and regulatory measures are growing, much more comprehensive and systemic changes are required to align these sectors with global climate and biodiversity targets.

## MINIMUM STANDARDS

Type of ESG risk:

Risk assessment indicators examples:

### Climate footprint

- Calculation of GHG Emissions on all 3 scopes or ongoing evaluation.
- Definition of a decarbonization strategy to reduce major sources of emissions.
- Energy performance in kWh/m<sup>2</sup> by type of asset versus regional average.
- Presence of climate risk mapping, energy tracking system and building manager.

- PAI #1
- PAI #2
- PAI #5
- PAI #6

### Biodiversity footprint

- Presence of toxic substances at the time of construction and in the building.
- Selection of subcontractors for renovation and construction projects on ESG criteria (including development of erosion and sedimentation control plan).
- Square meter of artificial ground.
- Share of recycled waste in total waste (construction phase and in use).
- Presence of pesticides on-site vegetated spaces.
- Share of investments in sites located in/near biodiversity-sensitive areas.
- Emissions to water - Hazardous waste and radioactive waste ratio.

- PAI #7
- PAI #8
- PAI #9



# Working conditions

## CONTEXT

The real estate sector faces significant risks related to health, safety, and human rights throughout the value chain, from construction sites to tenant management. Companies operating in this sector are increasingly scrutinized for the management of these issues.

The construction phase of real estate projects is exposed to serious health and safety risks. Construction sites are inherently hazardous, and workers may experience falls from heights, machinery accidents, and exposure to hazardous materials. The International Labour Organization (ILO) notes that the construction sector is responsible for 30% of all fatal occupational injuries worldwide, making it one of the most dangerous industries for workers.

The real estate industry is also deeply embedded in global supply chains, where human rights violations are persistent. Migrant laborers often face exploitation, lack legal protections, and unsafe working conditions. The practice of modern slavery is also prevalent in construction supply chains, leading to labor exploitation, especially in regions where regulatory oversight is weak or corruption undermines worker protections.

Finally, large development projects can lead to land dispossession, displacement of communities, and violations of indigenous peoples' rights.

These risks underscore the need for comprehensive measures by asset owners and real estate managers to address health, safety, and human rights concerns.

## MINIMUM STANDARDS

### Type of ESG risk:

### Risk assessment indicators examples:

#### Health and safety

- Frequency and severity of accidents (direct workers and contractors), number of fatal accidents in the last few years.
- Exposure of workers and tenants to hazardous products.
- Measures to promote fair working conditions and a sustained social dialogue in countries with less stringent regulations.
- Reporting channel to report non-ethical behaviors in the workplace.
- Frequency rate of mandatory audit for worker and supplier.
- Ensure basic safety standards of a building (safety exits, railings, extinguishers etc).

#### Human rights

- Train suppliers on a clear, and ambitious supplier code that includes forced labor, child labor, freedom of association, living wage, discrimination and other labor rights,
- Existence of a Code of Conduct for Suppliers and tenant that includes human rights, labor rights and corruption considerations.
- Transparency and traceability of the raw materials supply-chain (construction phase)
- Number of identified cases of severe human rights issues and incidents.
- 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



# Product Safety

## CONTEXT

Safety in building structures is a crucial concern in the real estate sector, directly impacting the well-being of occupants, the financial viability of assets, and regulatory compliance. Improperly designed, constructed, or maintained buildings pose significant risks, including structural failures, fire hazards, and environmental health concerns such as poor air quality or exposure to hazardous materials. These risks can result in injuries, legal liabilities, and even loss of life, leading to severe reputational and financial consequences for asset owners and real estate managers. Structural integrity is one of the most significant safety concerns in real estate. Poor design, substandard construction materials, or inadequate engineering can lead to building collapses or structural failures. Buildings that fail to meet local building codes or international safety standards may suffer from defects that can lead to accidents. For example, the collapse of the Champlain Towers South in Miami in 2021 was partly attributed to long-standing structural damage that went unaddressed, emphasizing the importance of regular inspections and maintenance. Fire hazards are another critical safety concern, with inadequate fire prevention systems, faulty electrical wiring, or absence of fire alarms. Real estate assets, especially high-rise buildings, are particularly exposed to these types of risks. Environmental factors can also compromise building safety, with poor indoor air quality, mold, or the presence of hazardous materials leading to long-term health problems for occupants. Water infiltration and mold growth can result in structural damage and respiratory issues for building occupants.

## MINIMUM STANDARDS

Type of ESG risk:

Risk assessment indicators examples:

### Structure and maintenance of the building

- Regular inspections and preventive maintenance.
- Assessment and certification of critical elements, including foundations, walls, electrical systems and HVAC systems.
- Install fire alarms, smoke detectors and sprinkler systems in all buildings, and ensure that they are regularly tested and maintained.
- Regular and public assessment of air quality and hazardous materials management.

### Promotion of a culture of safety

- Existence of emergencies plan for risk such as fires, natural disasters, or building system failures.
- Number of hour of training to cope with natural hazards risk.
- Implementation of regular communication about fire drills, emergency evacuation plans, and health and safety policies to helps create a culture of safety awareness with the tenant.

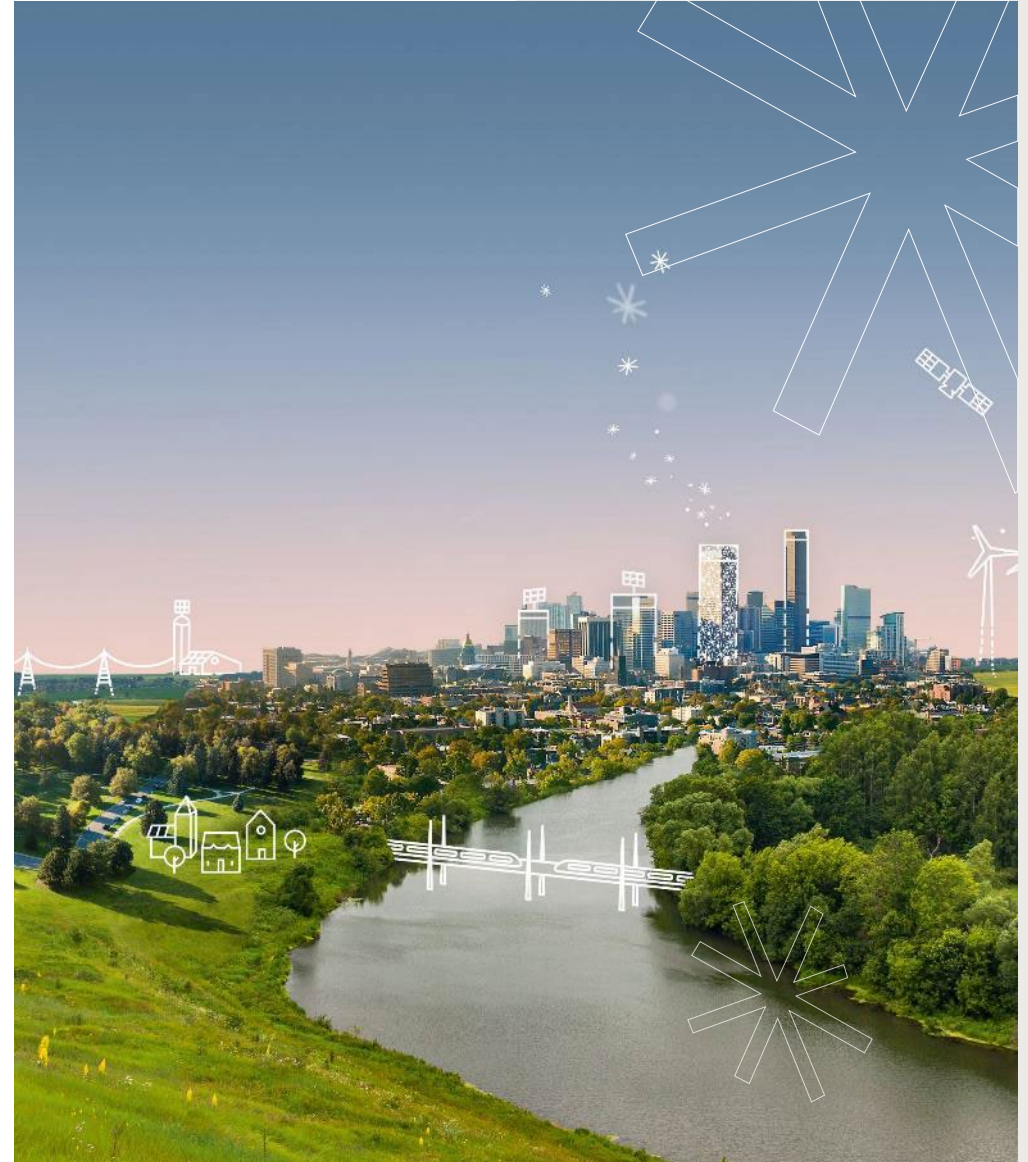




CONTEXT	MINIMUM STANDARDS		
<p>While companies in these sectors are not the most exposed or the most likely to be found engaging in controversial practices from a business ethics point of view, it is nevertheless important that companies be transparent with regard to their lobbying practices and anticorruption and bribery policies and initiatives. Furthermore, considering that companies in this industry are generally global organizations, we would also appreciate more transparency about their tax optimization strategy.</p>	Type of ESG risk	Risk assessment indicators examples	
	<p><b>Governance of sustainability</b></p>	<ul style="list-style-type: none"> <li>Existing governance structure enabling the mitigation of environmental and social risks.</li> <li>Disclose breakdown of value among stakeholders, improving transparency around employee remuneration and payroll.</li> <li>Integration of ambitious and binding sustainability criteria – assessed through pre-determined, quantifiable metrics– into the variable compensation of top executives.</li> <li>All Board members are trained on sustainability topics.</li> <li>Presence of employee representatives at board level (beyond regulatory requirements)</li> <li>Unadjusted gender pay gap and board gender diversity.</li> </ul>	<p>PAI #12 PAI #13</p>
	<p><b>Business Ethics</b></p>	<ul style="list-style-type: none"> <li>Robust Business ethics policies covering lobbying practices, anti-corruption, anti-competitive and bribery policies.</li> <li>Anonymous whistleblowing channel to report non-ethical behaviors in the workplace, mechanisms applicable to all employees and third parties and presence of a third-party ombudsman, number of severe cases and correctives measures.</li> <li>Systematic training on Company’s and Suppliers’ Code of Conduct.</li> <li>Transparency on remuneration scheme of employees in sales-related functions with efforts made to make the fixed part most of the remuneration.</li> <li>Transparency about lobbying practices and objectives.</li> <li>Number of convictions and number of fines for violation of anti-corruption and antibribery laws.</li> </ul>	<p>PAI #17</p>
<p><b>Tax practices</b></p>	<ul style="list-style-type: none"> <li>Effective tax rate vs. equal statutory tax rate.</li> <li>Absence of controversies or evidence of aggressive tax optimization practices.</li> </ul>		



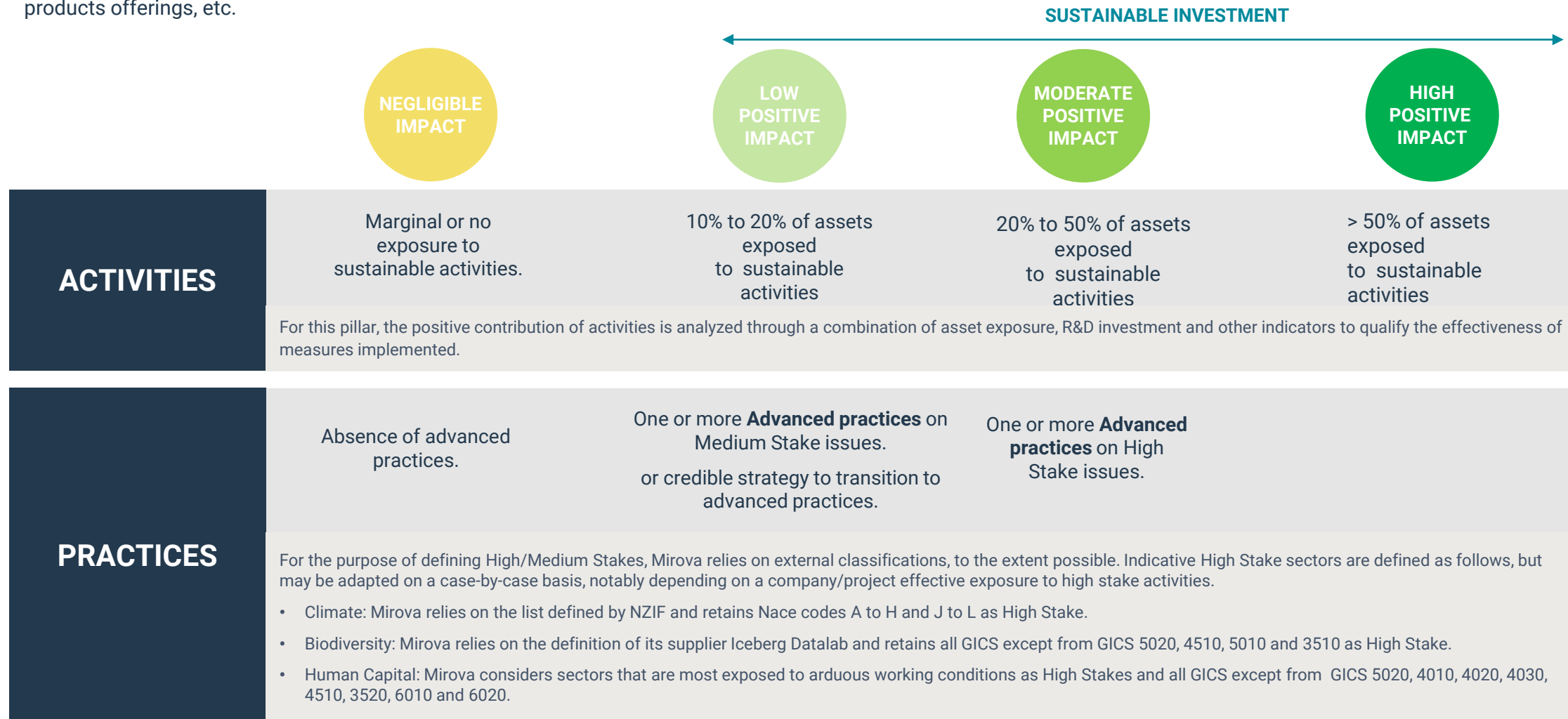
# Appendices



# 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

The real estate sector faces various risks that can significantly impact the value of assets and the well-being of their occupants. One of the main risk concerns the physical integrity of the buildings themselves. Structural deficiencies, whether due to the aging of materials or poor construction practices, can lead to serious safety risks, such as collapses or fires. These incidents not only endanger lives but can also have significant legal and financial repercussions for asset owners. Another important risk relates to the operational use of buildings. Inadequate maintenance and non-compliance with safety regulations can lead to accidents and health problems for tenants and employees. For example, poor air quality, insufficient ventilation, and inadequate sanitation facilities can contribute to respiratory issues and other health problems. Asset owners have a responsibility to ensure that their properties comply with all relevant safety standards to mitigate these risks. Finally, environmental and sustainability-related risks are significant. Asset owners are increasingly held accountable for the environmental footprint of their buildings. Failing to adopt sustainable practices and comply with environmental regulations can lead to penalties and damage to reputation. By proactively addressing these risks, asset owners can enhance the value, safety, and sustainability of their real estate.

## 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

- Working conditions : human rights & health and safety
- Structure and maintenance of the building
- Promotion of a culture of safety
  
- Biodiversity & climate footprint
  
- Governance :
  - Governance of sustainability
  - Business ethics
  - Taxes

## RESIDUAL ESG RISK LEVEL





# Principal Adverse Impact Indicators

ADVERSE SUSTAINABILITY INDICATOR		MOST RELEVANT	THRESHOLDS / CRITERIA
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>			
<b>Greenhouse gas emissions</b>	1. GHG emissions	X	Systematic integration in qualitative internal analysis and systematic engagement with the largest emitters to strengthen their Net Zero commitments.
	2. Carbon Footprint	X	
	3. GHG intensity of investee companies		Not applicable
	4. Exposure to companies active in the fossil fuel sector		Not applicable
	5. Share of non-renewable energy consumption and production	X	Systematic integration in qualitative internal analysis and systematic engagement with the largest emitters to strengthen their Net Zero commitments.
	6. Energy consumption intensity per high impact climate sector	X	
<b>Biodiversity</b>	7. Activities negatively affecting biodiversity sensitive areas	X	Exclusion of companies or projects significantly harming biodiversity sensitive areas.
<b>Water</b>	8. Emissions to water	X	Systematic integration in qualitative internal analysis and systematic engagement with relevant investee companies on this issue.
<b>Waste</b>	9. Hazardous waste and radioactive waste ratio	X	
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>			
<b>Social and employee matters</b>	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.
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>			
<b>Human Rights</b>	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.
<b>Anti-corruption and anti-bribery</b>	17. Number of convictions and number of fines for violation of anti-corruption and antibribery laws	X	



# Useful Resources

## SFDR

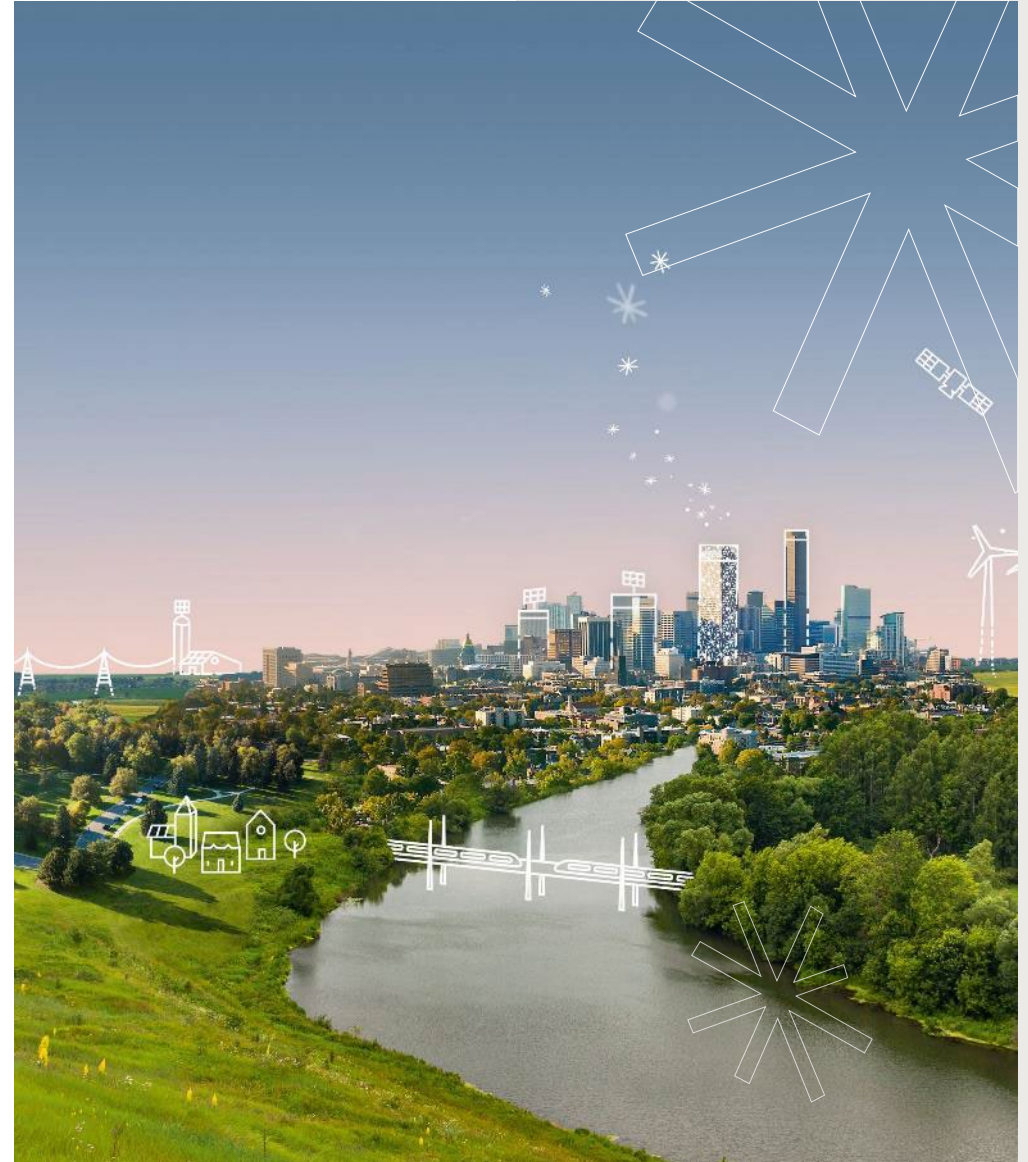
- [Sustainable Finance Disclosure Regulation \(SFDR\): positioning of Mirova Funds](#)
- [Description of the principal adverse impacts on sustainability factors](#)

## 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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