mirova
Investing in sustainability

Acting as a Responsible Investor

2018 Impact Report

June 2019

An affiliate of: NATIXIS INVESTMENT MANAGERS

Introduction

The Article 173 of the French Law on Energy and Transition for Green Growth requires French investors to communicate how environmental, social, and governance issues are considered in their investment choices and processes.

Going beyond compliance, the annual publication of our impact report is an opportunity for us to demonstrate why and how we have put sustainable development at the core of our investment policies and engagements. It is an opportunity for us to emphasize the way we create environmental and social value, all while simultaneously realizing financial performance.

We hope that this report strengthens understanding and confidence in our responsible investment approach, as well as in responsible investment more generally.

We wish you pleasant reading.

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Created in 2012, Mirova is an asset management company entirely dedicated to responsible investment. Mirova has offices in France, the United Kingdom, Luxembourg, and the United States.

Our Vision: Meaningful Investment Choices

Environmental and social issues pose new societal challenges, and our economy must transform to meet them. We believe that finance must integrate environmental and social criteria into its decision-making and contribute to accelerating the transition towards a more sustainable development model. The challenges of a sustainable economy lie at the core of Mirova's strategy: to propose solutions that benefit not only investors, but also all stakeholders in society, through a long-term investment approach.

Our Mission: Offer Investment Solutions with Positive Impact

As an asset manager on behalf of third parties, we offer our clients, no matter whether institutional investors or private individuals, a wide range of investment solutions in equities, fixed income, general infrastructure, renewable energy infrastructure and solidarity. We develop innovative financial solutions to accelerate the transformation of our economy towards a more sustainable model.

Expertise Spanning Multiple Asset Classes

Mirova relies on nearly 100 employees with expertise in different asset classes, with €10 billion in assets under management on December 31, 2018.

Equities (€4.6 billion). Mirova offers multi-thematic sustainable equity strategies in the Euro, Europe and World zones. Mirova also offers two mono-thematic strategies: one dedicated to environmental issues and one dedicated to job creation in France.

Sustainable bonds (€1.9 billion). Our fixed income offer focuses on sustainability bonds, through three strategies: Euro Aggregate, Euro Corporate, and Global Green Bonds.

Infrastructure (€3.2 billion). Mirova offers investors two types of infrastructure investments, both with projects based in Europe: renewable energy funds, focused on mature technologies (wind, solar, biomass, etc.), and generalist funds focused on public utility projects (universities, stadiums, hospitals, urban and rail transport, road infrastructure, etc.).

Solidarity (€0.2 billion). Mirova offers a strategy that invests in unlisted projects and companies with high social and environmental impact.

Natural Capital (€0.2 billion). Following the 2017 acquisition of Althelia Ecosphere, Mirova offers strategies that invest in small sustainable agriculture projects and carbon credits, mainly in Africa, Asia and Latin America.

All of Mirova's management teams are supported by Mirova's Responsible Investment Research department, a centre of expertise on integrating sustainable development issues into investment choices.

Our Approach

Acting as a responsible investor means looking at the economy in the context of the environmental and societal issues integrated within it, going beyond the short- and medium-term profitability of individual assets. It requires an understanding of the interactions between private and public actors, between companies of different sizes, and between developed and developing economies to ensure that the growth of each is compatible with the system's overall balance. Responsible investing must also be considered over the long term to make sure that today's choices will not have a negative impact on future generations.

Managing this complexity requires:

- Clear understanding of sustainable development issues.
- Continuous re-evaluation of the interactions between investments and sustainable development issues.

The SDGs as a Guide

Following the Millennium Development Goals created in 2000, the United Nations set out a new framework for sustainable development in 2015. It contains 17 Sustainable Development Goals (SDGs), broken down into 169 targets designed to address the main social and environmental issues between 2015 and 2030 (cf. Figure 1).

The SDGs represent a comprehensive environmental and social framework applicable to all economies, regardless of development level. Some, like reducing hunger (SDG 1) and ensuring access to water for all (SDG 6), are particularly relevant for low- and middle-income countries. Others, like climate change mitigation (SDG 13) and creating safer, more resilient, and sustainable cities (SDG 11) are applicable to all.

Moreover, the SDGs can be considered as a frame of reference for sustainable development issues for a variety of actors, from governments to companies and investors. The private sphere is increasingly considering environmental and social issues, illustrating new forms of governance where subjects of "general interest" are no longer solely the prerogative of the public sphere. Considering the SDGs can help companies to reflect on how they create economic, environmental, and social value.

Finally, the SDGs help investors to question the long-term resilience of their assets and portfolios. Then, investors can go even further by looking at their exposure to new solutions and economic models that will respond to long-term economic transformations. The targets associated with the SDGs to significantly increase the share of renewable energy and to double energy efficiency by 2030, for example, imply a profound transformation within the energy sector.

We consider the SDGs squarely in line with our mission. As a result, in 2016 Mirova decided to use this framework to define its responsible investment approach.

Figure 1: the 17 Sustainable Development Goals

1 PAS DE PAUVRETÉ	End poverty in all its forms everywhere.	10 INÉGALITÉS RÉDUITES	Reduce income inequality within and among countries.
2 FAIM «ZÉRO»	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.	11 VILLES ET COMMUNAUTÉS DURABLES	Make cities and human settlements inclusive, safe, resilient, and sustainable.
3 BONNE SANTÉ ET BIEN-ÊTRE	Ensure healthy lives and promote well-being for all at all ages.	12 CONSOMMATION ET PRODUCTION RESPONSABLES	Ensure sustainable consumption and production patterns.
4 ÉDUCATION DE QUALITÉ	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	13 MESURES RELATIVES À LA LUTTE CONTRE LES CHANGEMENTS CLIMATIQUES	Take urgent action to combat climate change and its impacts.
5 ÉGALITÉ ENTRE LES SEXES	Achieve gender equality and empower all women and girls.	14 VIE AQUATIQUE	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
6 EAU PROPRE ET ASSAINISSEMENT	Ensure availability and sustainable management of water and sanitation for all.	15 VIE TERRESTRE	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
7 ÉNERGIE PROPRE ET D'UN COÛT ABORDABLE	Ensure access to affordable, reliable, sustainable and modern energy for all.	16 PAIX, JUSTICE ET INSTITUTIONS EFFICACES	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
8 TRAVAIL DÉCENT ET CROISSANCE ÉCONOMIQUE	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	17 PARTENARIATS POUR LA RÉALISATION DES OBJECTIFS	Strengthen the means of implementation and revitalize the global partnership for sustainable development.
9 INDUSTRIE, INNOVATION ET INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.		

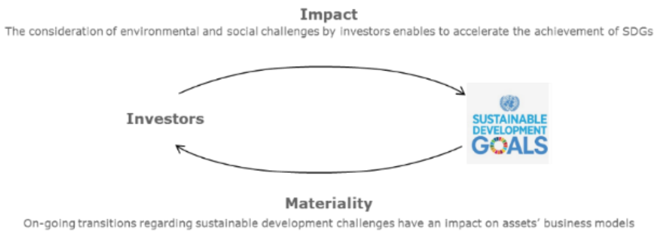
Source: United Nations

From the SDGs to Environmental and Social Quality Assessments

We believe that the SDGs will transform the economy as we know it. Acting as a responsible investor starts with taking a broader view of the way investors think about the environmental and social profile of the assets they finance. These interactions can be grouped into two categories: “materiality” and “impact”.

Materiality: how the current transitions are likely to affect the economic models of the assets financed, whether positively or negatively.

Impact: how investors can play a role in the emergence of a more sustainable economy.



We believe that these two approaches are closely linked. Our evaluation methodology thus seeks to capture the extent to which each asset contributes to the SDGs. This allows us to address both materiality and impact.

A Qualitative Analysis

Mirova has based its environmental and social evaluation method on four principles:

A Risk / Opportunity Approach

Achieving the SDGs requires a careful consideration of both opportunities and risks, which can complement each other.

- **Capturing opportunities**: when companies center their strategies on innovative business models and technologies, they can often capture opportunities related to the SDGs.
- **Managing risks**: companies can reduce and re-internalise their social and environmental externalities by proactively managing risks related to the SDGs.

Our approach gives equal importance to opportunities and risks; this is the first step in our environmental and social evaluation.

A Vision of the Entire Lifecycle

To identify the issues most likely to impact (and be impacted by) an asset, we look at the entire life cycle of a company's products and services, from the extraction of raw materials to the end of product life. For example, in the textile sector we focus on working conditions in the supply chain; for car manufacturers, we place an emphasis on energy consumption and greenhouse gas emissions during product use.

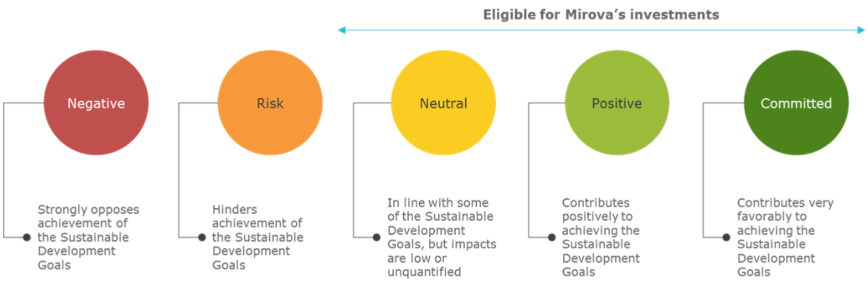
Targeted and Differentiated Issues

We also focus on the issues most likely to have a concrete impact on the assets under consideration and, more broadly, on society. The main sustainability challenges can differ both between and within sectors.[1]

Our analyses are therefore adapted to focus on the most pertinent subjects for each asset.

A Qualitative Ratings Scale

Our analyses are summarized through an overall qualitative opinion with five levels. This opinion assesses to what extent an asset contributes to the SDGs.



[1] *For each sector, detailed studies of the key issues are available on Mirova's website.*

This scale is based on the SDGs. As a result, opinions are not assigned based on a predefined distribution; we are not grading on a curve overall or by sector. To be eligible for Mirova's investments, an asset must be rated at least "Neutral", but we prioritize assets with better opinions ("Positive" and "Committed"). For example, companies involved in fossil fuel extraction are considered "Risk" at best, rendering them ineligible for Mirova's funds. On the contrary, renewable energy companies are generally well rated and thus present in our investments.

Measuring Impact

Our Impact Measurement Framework

To illustrate the main sustainability impacts of our investments, the overall opinions are broken down into six impact pillars, three environmental and three social, for each asset[2].

Source: Cambridge ILG

The assessment by pillar is based on the same analytical principles as the overall assessment. The result is six opinions based on the same five-level scale, from "Committed" to "Negative". These reflect the extent to which an asset contributes to the SDGs corresponding to each pillar.

Physical Impact Indicators: Our Climate Approach

The qualitative impact measurement opinions are supplemented by physical impact indicators on climate change. We measure the greenhouse gas emissions associated with our investments in tonnes of CO_2 equivalent.

Emissions are evaluated using a lifecycle approach, accounting for an asset's direct activities, as well as its suppliers and the use of its products. In line with our overall environmental and social evaluation principles, it assesses both the risks and the opportunities associated with the energy transition by providing

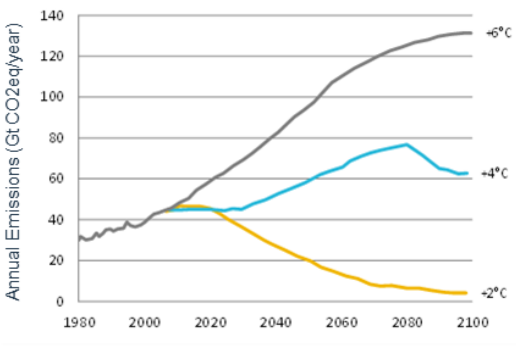
[2] This is the result of the work of the Investment Leaders Group within the Cambridge Institute for Sustainability Leadership. For more information, see: https://www.cisl.cam.ac.uk/publications/publication-pdfs/impact-report.pdf
While governance issues are considered in our overall assessment, we consider governance as a means to achieving the SDGs rather than an end in itself. As a result, governance is not subject to impact measurement.

both the emissions "induced" by a company's activity as well as the emissions "avoided" in relation to the baseline[3].

At portfolio level, we aggregate induced and avoided emissions to understand our portfolios' alignment with the climate scenarios produced by international research institutions like the Intergovernmental Panel on Climate Change (IPCC) or the International Energy Agency (IEA).[4]

- **2°C.** There is international consensus the rise in global mean surface temperature must be kept "well below" 2°C relative to pre-industrial averages to avoid the severe negative impacts of unchecked climate change. A 2°C-or-below scenario implies large reductions in greenhouse gas emissions in the coming decades.
- **4°C.** Long-term temperature stabilization at 4°C is the most likely outcome if today's climate commitments are met.
- **6°C**. A 6°C temperature increase would have catastrophic, irreversible, and global consequences. This would be the likely outcome if current production and consumption patterns do not change and are coupled with substantial demand growth.

Figure 2: Emissions Scenarios



Source : Mirova / IPCC

Beyond climate, we believe that there are currently no sufficiently robust physical impact indicators for the other five impact pillars (ecosystems, resources, basic needs, well-being, decent work). For these pillars, indicators that consider both risks and opportunities and use a lifecycle approach remain scarce.

Resources

Mirova's Responsible Investment Research is responsible for environmental and social analysis. Comprising ten people, the Research team is in constant interaction and collaboration with the management teams. Their analyses are mainly based on documents published by issuers and conversations with companies or project developers. To complete its work, Mirova also relies on ESG rating agencies, proxy voting, sell-side financial analysts, news databases, and more.

Implications for a Responsible Investor

The work of Mirova's Research team revolves around:

- Making investment choices: enriching fundamental analysis and participating in investment allocation.
- Voting: for companies in our equity portfolios, analyzing and voting on resolutions presented at the general meetings.
- Engagement: establishing a dialogue with issuers and public authorities around environmental, social, and governance topics.

This report seeks to describe how these are integrated into our investments.

[3] *Carbon data is provided by our partner, Carbon4Finance.*
[4] *More details on our climate approach is available on our website, at: http://www.mirova.com/Content/Documents/Mirova/publications/va/Research_paper/EstimatingPortfolioCoherenceWithClimateScenarios2018.pdf*

Invest

Mirova's investments, whether in shares or bonds, listed or unlisted, companies or projects, all share the same approach: create economic, environmental, and social value. The way we do so, however, varies slightly by asset class.[5]

Scope of Report

Throughout this report, the figures communicated refer to the holdings of funds open to professional investors and retail clients (according to the MiFID directive), dedicated funds, funds reserved for eligible investors, and individual mandates. This list is present in the annex.

Equities

Our Approach

Mirova's investment philosophy is based on four major transitions that will shape the global economy: demographic, environmental, technological, and governance. Trends like population growth, urbanization, a rising middle class in emerging nations, an aging population, technological advancements, depletion of natural resources, climate change, and a changing financial system are the driving factors behind these major transitions. The economy will need to adapt to achieve these transitions and the SDGs.

Companies must therefore endeavour to develop sustainable growth models that are socially inclusive and environmentally friendly. Investors must re-allocate capital towards these innovative and sustainable companies.

At Mirova, our listed equity investment approach is rooted in our belief that innovating and integrating sustainability issues at the core of company strategies will lead to long-term success. We aim to create medium-term financial performance while preserving social and environmental capital, both prerequisites for long-term returns.

Impact Assessment

Overall Evaluation

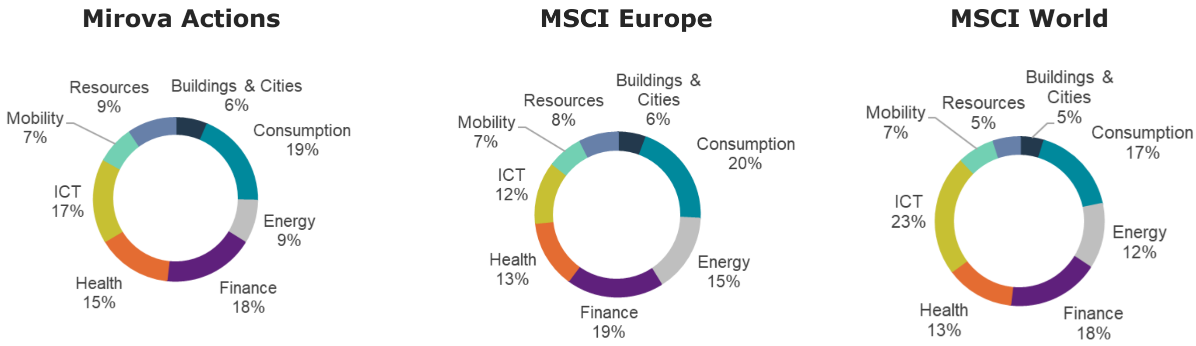
All the equity assets managed by Mirova are included in this evaluation, totaling €4.6 billion on 31/12/2018. These holdings are distributed between eight macro-sectors.[6]

Geographically, most of Mirova's listed equity investments are in European companies (89% of investments), with the remainder in North America.

[5] Monthly impact reports are available fund-by-fund on Mirova's website under "Funds center": https://www.mirova.com/en/our-funds

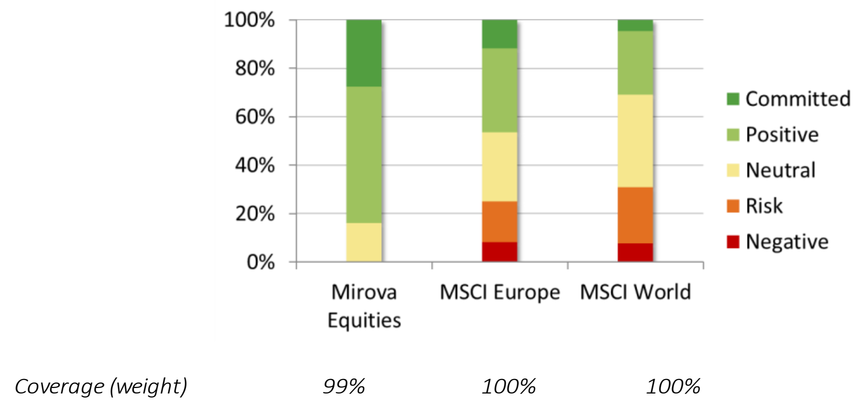
[6] The sector categorization used here corresponds to Mirova's internal classification, defined in line with the challenges of sustainable development. For example, in traditional sector classifications, the Energy sector only contains fossil fuel companies. In Mirova's sector classification, the Energy sector also includes utilities and renewable energy equipment manufacturers. So, even if Mirova does not invest in fossil fuel extraction, the Energy sector is represented through investments in renewable energy and energy efficiency.

Figure 3: Mirova Equity Holdings by Sector (31/12/2018)



In line with our investment philosophy, Mirova's equity strategies maximize sustainability solutions providers: 84% of our listed equity investments had "Positive" or "Committed" opinions at the end of 2018, compared to 46% for the MSCI Europe and 31% for the MSCI World. None of Mirova's equity strategies contain assets with "Risk" or "Negative" opinions.

Figure 4: Sustainability Opinion Distribution of Mirova Equities (31/12/2018)

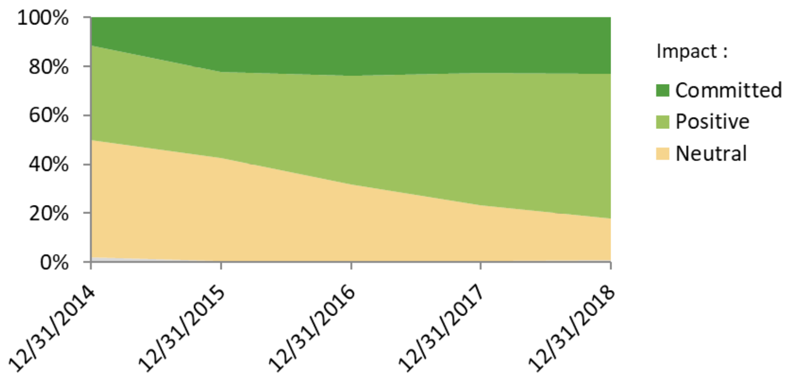


84 %

of Mirova's equity holdings are evaluated "Positive" or "Committed"

The high share of well-rated companies demonstrates our ever-increasing focus, year after year, on investing in companies that contribute to the SDGs.

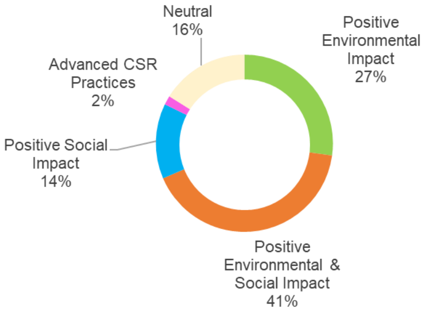
Figure 5: Historic Distribution of Sustainability Opinions for Mirova Equities (31/12/2014–31/12/2018)



Evaluation by Pillar

Of the 84% of investments with "Positive" or "Committed" opinions, 41% have both positive environmental and social impacts. 27% have uniquely environmental benefit (with low or no social impact), and 14% have social benefit (with low or no environmental impact). 2% of our equity investments have limited discernible sustainability impacts; nevertheless, they have advanced corporate social responsibility policies are in place.

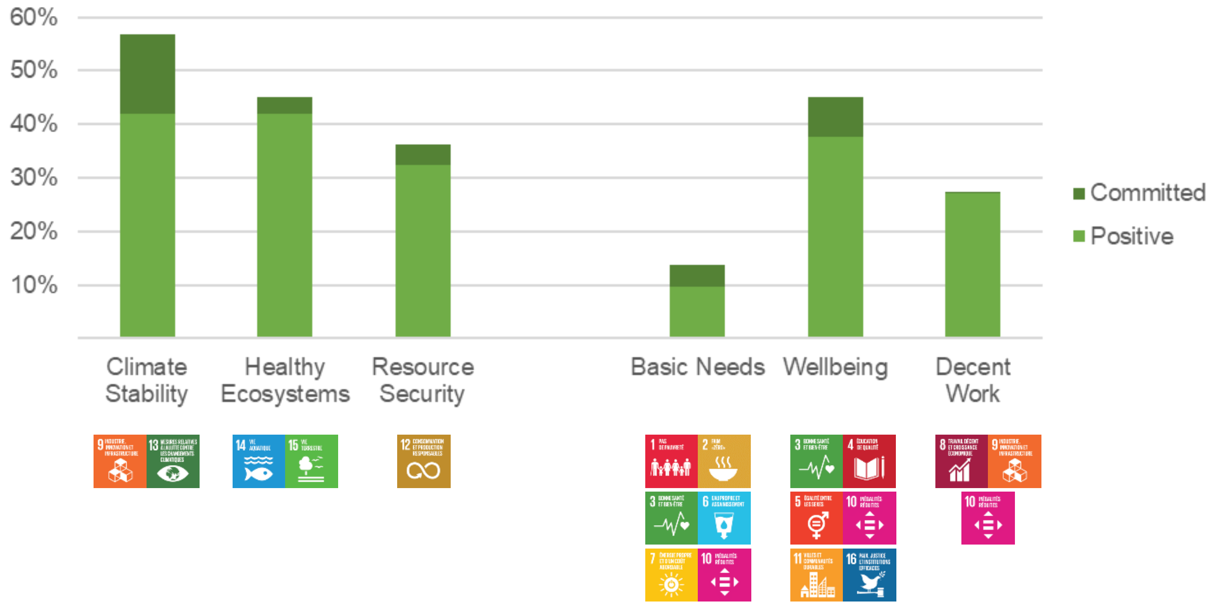
Figure 6: Mirova Equity Holdings by Impact Type (31/12/2018)



Looking at impact pillars, a sizeable portion of our equity investments address climate change and improving well-being. Other pillars prove more difficult to address through listed equities, like basic needs.

Climate stability is the impact pillar best addressed by Mirova's equity strategies: we estimate that nearly 60% of our consolidated equity holdings contribute to the fight against climate change. Companies with "Committed" climate stability opinions (~15% of investments) are focused on products or services that respond directly to climate-related challenges: renewable energy, energy efficiency in buildings and industry, low-carbon transportation, electric vehicles, eco-design software, and more. Companies with "Positive" opinions (>40% of investments) provide solutions, but not to the extent of "Committed" companies. Companies with good climate performance come from all eight of Mirova's sectors; even within the Consumption and Health sectors, where climate is less central, we have identified good practices.

Figure 7: Share of Mirova Equity Holdings with "Positive" or "Committed" Sustainability Opinions by Impact Pillar (31/12/2018)



Because environmentally-conscious companies do not limit themselves to a single issue, those with good climate performance often have good performance on other environmental issues as well. As a result, many of our investments have a positive impact on two or more of the three environmental pillars. Some companies nevertheless stand out for their specific efforts to manage water and waste sustainably, or to reduce negative impacts on local ecosystems.

On the social side, over 45% of our investments promote well-being. This impact is mainly accrued through the health sector, which offers products with positive effects on health and well-being, and the consumer sector, focused on healthy food, hygiene, and biologically-derived cleaning products.

We further estimate that approximately 25% of our investments are made in companies that promote healthy workplaces and work-life balance. The technology sector tends to perform well: reliance on highly qualified employees with unique skillsets has encourages attractive working conditions and talent retention programs.

We find that there are few listed companies that address the basic needs of low-income populations in a meaningful way. While some companies have initiatives in place, they tend to be disconnected from the company's business model. Few are developing substantial offerings dedicated to low-income populations.

Carbon Evaluation

Because Mirova prioritizes low-carbon investments and does not invest in highly greenhouse gas intensive companies, we estimate its consolidated equity funds to be in line with a 1.6°C rise in global average surface temperature, compared to 3.8-4.6°C for main market indexes (as of end-2018). Mirova's climate performance has improved substantially in recent years (from 2.9°C in December 2016) due to increased investment in renewable energy and energy efficiency.

Figure 8: Carbon Footprint of Mirova Equities (31/12/2018)

	Mirova Equities	**MSCI Europe**	**MSCI World**
	1.6°C	4.6°C	3.8°C
Induced Emissions ($tCO_2/M€$)	79	222	129
Avoided Emissions ($tCO_2/M€$)	-33	-20	-13
Coverage (weight)	*97%*	*99%*	*98%*

Fixed Income

Our Approach

In the fixed income market, Mirova seeks environmental, social, and financial balance by promoting and supporting the sustainable bond market.

Fixed income markets differ fundamentally from equity markets and must thus be analysed differently. Fewer companies in the fixed income market offer environmental and social solutions, and there is no clear link between financing sovereign debt and impact. It is impossible to guarantee that capital allocated to a government, no matter how good its policies are overall, will go towards positive, impactful projects.

On the other hand, innovative debt instruments like sustainable bonds (Green, Social, and Sustainability Bonds) have created a viable way for investors to generate impact. Green Bonds finance environmentally beneficial projects, Social Bonds finance socially beneficial projects, and Sustainability Bonds finance both. All require a direct link between projects and financing. They increase transparency around issuers' low-carbon activities and the specific projects financed by a bond's proceeds.

Since its creation, Mirova has played an active role in developing the sustainable bond market through its presence in international organizations (ICMA Green Bond Principles, Climate Bonds Initiative), national bodies (French Greenfin Label and Paris Europlace), regular dialogue with market players, and its investments.

Mirova offers many fixed income solutions that are mainly or entirely composed of sustainable bonds. Since Mirova's creation, the share of Green and Social Bonds in its portfolios has only grown: today, they represent more than €1.2 billion.

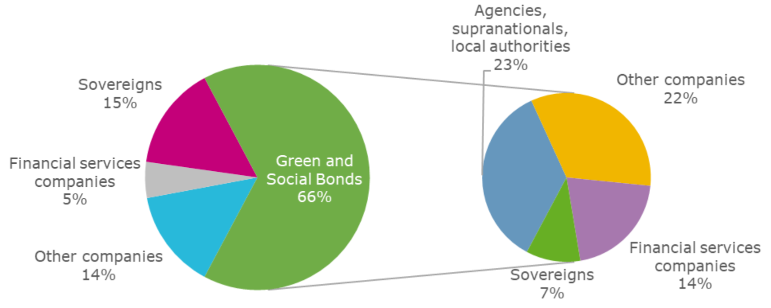
Impact Assessment

Overall Evaluation

Mirova's fixed income strategies have been evaluated based on the value of all its fixed income holdings, i.e. €1.8 billion on December 31, 2018.

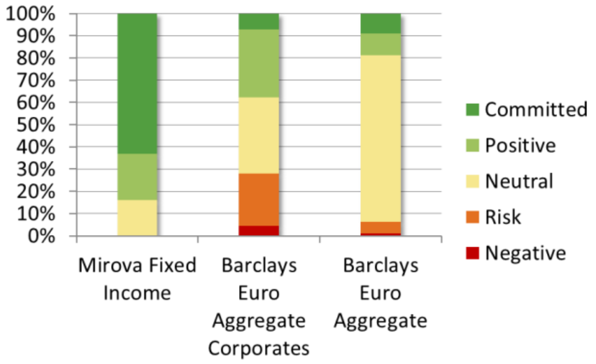
Within all its fixed income strategies, Mirova has chosen to focus its investments on Green and Social Bonds, which represented 66% of its fixed income investments at the end of 2018 (58% Green Bonds, 1.4% Social Bonds, and 6.3% Sustainability Bonds).

Figure 9: Sustainable Bond Issuer Types in Mirova Fixed Income (31/12/2018)



More than 84% of Mirova's consolidated fixed income offer has a "Positive" or "Committed" opinion, as compared to approximately 38% for the Barclays Euro Aggregate Corporates and 19% for the Barclays Euro Aggregate, reflecting the high environmental and social benefit of sustainable bonds.

Figure 10 : Distribution of Sustainability Opinions for Mirova Fixed Income (31/12/2018)[7]



Coverage (weight)	*100%*	*94%*	*92%*

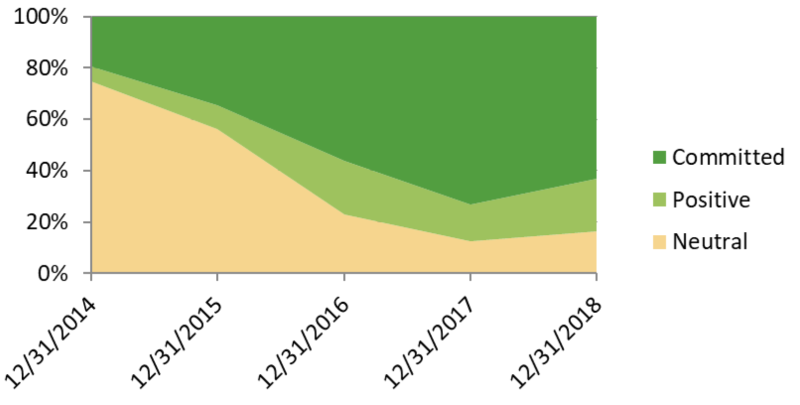
84 %

of Mirova's fixed income holdings are evaluated "Positive" or "Committed"

Following several years of concentrated effort to increase the share of green and social bonds in Mirova's fixed income portfolios, the share with "Positive" and "Committed" opinions reached an all-time high at the end of 2017. This share remained roughly stable in 2018, with a slight decrease due to lower investments in Green Bonds (typically rated "Committed").

We expressly reduced the share of Green and Social Bonds in the portfolio due to higher prices without a decrease in risk exposure. Some investors, looking to boost their Green Bond programs, inflated demand without discipline around yields. We did not participate in this trend.

Figure 11 : Historic Distribution of Sustainability Opinions for Mirova Fixed Income (31/12/2014–31/12/2018)

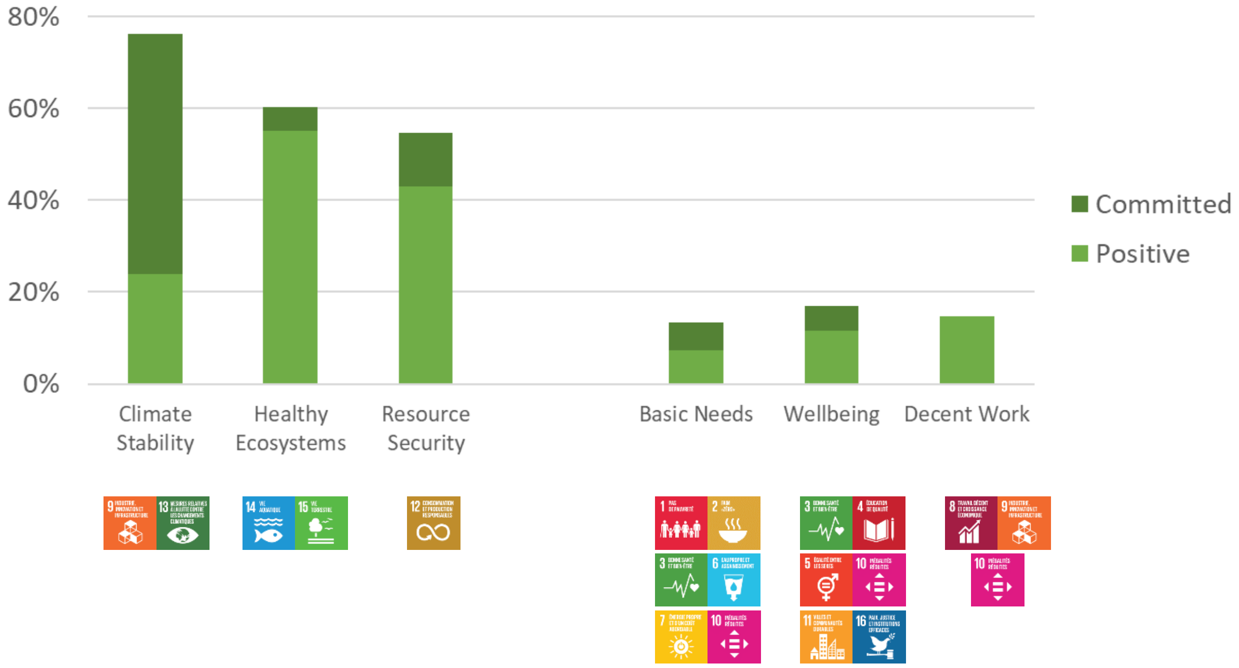


[7] Mirova currently evaluates almost all sovereign issuers in the Euro zone as "Neutral". This assessment explains the very dominant share of "Neutral" issuers in the Barclays Euro Aggregate index, which comprises 72% sovereign, agency and supranational issuers, nearly 60% of which are sovereign issuers in the Euro zone. To strengthen the environmental and social impact of our funds on this type of player (45% of our investments), our investments in these issuers focus on sustainable bonds, which are still mainly issued by agencies and supranationals, but also by governments, with the first green issues issued in 2017.

Assessment by Pillar

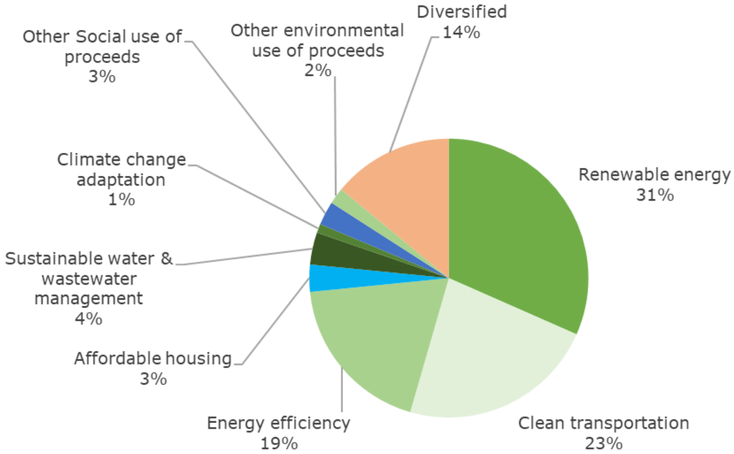
Given the high share of Green Bonds in our portfolios, environmental issues are particularly well-addressed by our fixed income investments.

Figure 12: Share of Mirova Fixed Income Holdings with "Positive" or "Committed" Sustainability Opinions by Impact Pillar (31/12/2018)



The sustainable bond market is very focused on Green Bonds. Within Green Bonds, projects that provide climate benefit are the most prevalent. Waste and water management or biodiversity protection are also addressed through Green Bonds, but to a lesser extent than climate change.

Figure 13: Use of Proceeds of Sustainable Bonds within Mirova Fixed Income (comprising 66% of total fixed income investments, 31/12/2018)



Carbon Evaluation

Because more than half of Mirova's fixed income funds are composed of Green Bonds, which mainly finance renewable energy or energy efficiency, our fixed income strategies are estimated to be in line with the most ambitious climate scenarios, i.e. limiting the rise in temperatures to 1.5°C relative to pre-industrial averages.

Figure 14: Carbon Footprint of Mirova Fixed Income (31/12/2018)[8]

	Mirova Fixed Income	Barclays Euro Aggregate Corporates	Barclays Euro Aggregate
	1.5°C	4.1°C	3.4°C
Induced Emissions (tCO_2/M€)	115	162	134
Avoided Emissions (tCO_2/M€)	-111	-16	-25
Coverage (weight)	*81%*	*90%*	*25%*

[8] The coverage rate of the Mirova portfolios is relatively low (81%) because of the gap between the time when a sustainable bond is issued and the moment when the proceeds are invested by the project holder. Since the carbon assessment of projects can only be carried out when the investment reports have been released, there is usually a portion of the portfolio cannot yet be evaluated.

Infrastructures

Our Approach

Today, governments are gradually moving away from direct financing of infrastructure like public transport, airports, energy, sanitation, hospitals, prisons, and more. Nevertheless, SDG 9 signals the need for more sustainable infrastructure. Meeting this need requires:

- Finding alternatives to public funds to finance infrastructure

Several programmes, both at national and supra-national level, have been launched to mobilize long-term investment towards infrastructure needs. While these initiatives tend to focus on either public or private funding, there is growing consensus that a combination of both will be needed.

- Directing investments towards environmentally and socially beneficial projects

Some projects have direct, positive sustainability impacts, like renewable energies, hospitals, or schools. In other cases, the environmental and/or social benefits to society are less tangible or non-existent, either due to the infrastructure's ultimate function or because of side effects generated during construction. Consequently, impact assessments must be adapted on a project-by-project basis, adapted to the project type and the geographical area.

The infrastructure investment solutions proposed by Mirova meet these challenges through:

- European renewable energy funds (wind, solar, biomass)
- investment funds in public utility projects in France and Europe, notably through public-private partnerships or public service delegations.

Each asset is evaluated by considering project performance criteria, governance procedures, and social and environmental information. These analyses are reviewed by the investment committees and serve as a basis for engagement with project leaders.

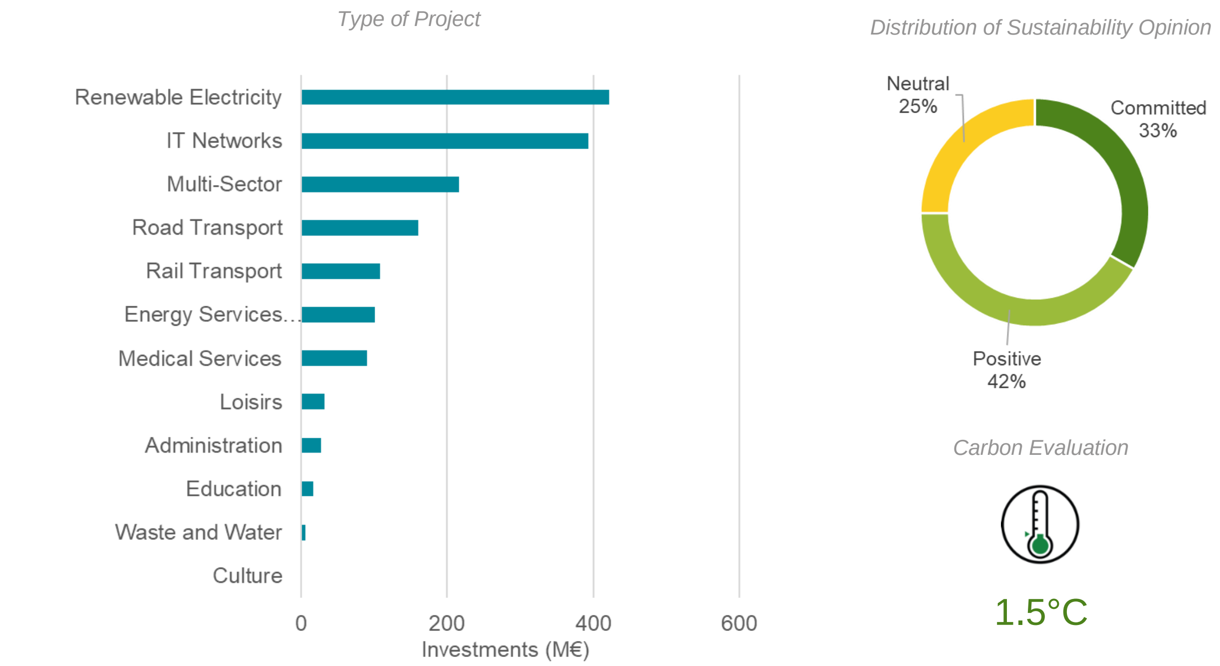
Impact Assessment

The evaluation of Mirova's infrastructure was carried out on all outstanding investments at the end of 2018 by Mirova's infrastructure funds (€1.6 billion).

- General Infrastructure:
  - BTP Impact Local (BTP IL),
  - Mirova Core Infrastructure (MCIF),
  - PPP Investment and Development Fund 2 (FIDEPPP 2)
- Renewable Infrastructure:
  - EuroFideme 2,
  - Mirova EuroFideme 3[9]

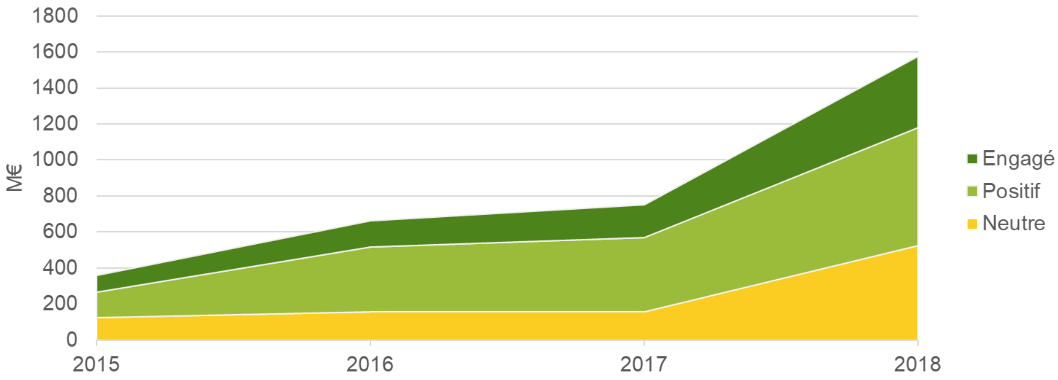
[9] *FIDEME: Environmental and energy management investment funds*

Figure 15: Type of Project, Distribution of Sustainability Opinion, and Carbon Evaluation for Mirova Infrastructures (31/12/2018)



More than 75% of infrastructure investments are in projects with Positive or Committed sustainability opinions, mainly renewable energy projects, expanding access to information and communication technologies, rail transport, energy performance contracts, or education. These types of projects represent the majority of new investments over the past three years.

Figure 16: Historic Distribution of Sustainability Opinions for Mirova Infrastructures (31/12/2015–31/12/2018)



Projects with a Neutral opinion correspond to roads or administrative buildings, where infrastructure provides more indirect environmental and social benefits.

Since a high proportion of Mirova's infrastructure investments are in renewable energy projects and none contribute significantly to climate change, our infrastructure funds are evaluated to be in line with the most ambitious climate scenarios, i.e. limiting temperature increases to 1.5°C relative to preindustrial averages.

Natural Capital

Our Approach

Mirova's natural capital funds seek to fight against the destruction and degradation of forests and other ecosystems, proving that it is possible to combine financial performance, sustainable land management, and social good. These issues are difficult to address through equity and fixed income strategies.

Our natural capital funds invest in real assets in Africa, South America, and Asia, like certified agricultural projects, reforestation, or other environmental services.

As part of our commitment to responsible environmental, social, and governance practices, our teams worked with investors and partnered with NGOs to develop policies and processes that incorporate the environmental and social performance standards of the International Finance Corporation and the Declaration of Principles and Standards adopted by the EIB in 2009. Emissions savings created by projects are also validated and verified in accordance with the Alliance for the Climate, Communities, and Biodiversity. Funded projects aim for the highest environmental and social standards so that smallholder farmers and local communities can benefit equitably while maximizing positive ecosystem impacts.

Impact Assessment[10]

At 31/12/2018, Mirova's natural capital funds had committed more than €100m, exclusively to projects with a very good performance in terms of meeting the challenges of sustainable development (40% on projects evaluated as "Positive", 60% as "Committed").

[10] *Mirova Natural Capital (Althelia) publishes impact reports available at: https://althelia.com/our-approach/our-impacts-monitoring/*

Vote

Beyond investment choices, we believe that responsible investment means implementing a voting policy in line with our principles.

Our Voting Policy

To promote sustainable value creation for all stakeholders, Mirova has developed a voting policy[11] in line with its responsible investment strategy.

Since 2015, Mirova has undertaken a critical and thorough reflection on traditional governance issues, with the objective of identifying a governance model reflective of companies with a sustainable vision. The result of this reflection laid the groundwork for a voting policy geared towards a new governance model, divided into four major pillars:

- Development of a long-term shareholder base
- Setting up governance bodies that integrate stakeholders in a balanced way, resolutely addressing environmental and social issues
- Establishment of a value distribution policy that is both fair for all stakeholder and promotes sustainable growth
- Transparency through audited reporting that includes financial, environmental, social, and governance information

This approach relies in part on the "Company Theory: Governance Models and Collective Creation" program at Mines ParisTech, supported by Mirova since 2015.

Analysis of 2018 Votes[12]

In 2018, Mirova's voting scope was extended to 190 securities, for which 215 general meetings were held. Mirova exercised its voting rights on 187 companies (203 general meetings), representing a participation rate of 94%.

Mirova did not exercise its voting rights at 12 general meetings due to technical issues (migration of funds into proxy or administrative systems, validity of power of attorney, etc.).

Distribution of Votes by Geographic Zone		
	Number of Companies	% of Total
Europe	137	73%
Americas	43	23%
Asia	7	4%
Oceania	0	0%
Africa	0	0%
Total	187	100%

In Europe, general meetings of French and German companies represented just over 50% of the scope (33% and 19% respectively). The British general meetings represented just over 15%, while the Netherlands accounted for 8%. The remaining general meetings (24%) took place in nine other countries.

[11] *Mirova's Voting Policy is available on our website:* *https://www.mirova.com/sites/default/files/2019-06/MirovaVotingPolicy2019.pdf*
[12] *Mirova's 2018 Voting Report is available on our website:* *https://www.mirova.com/sites/default/files/2019-06/VotingReport2018.pdf*

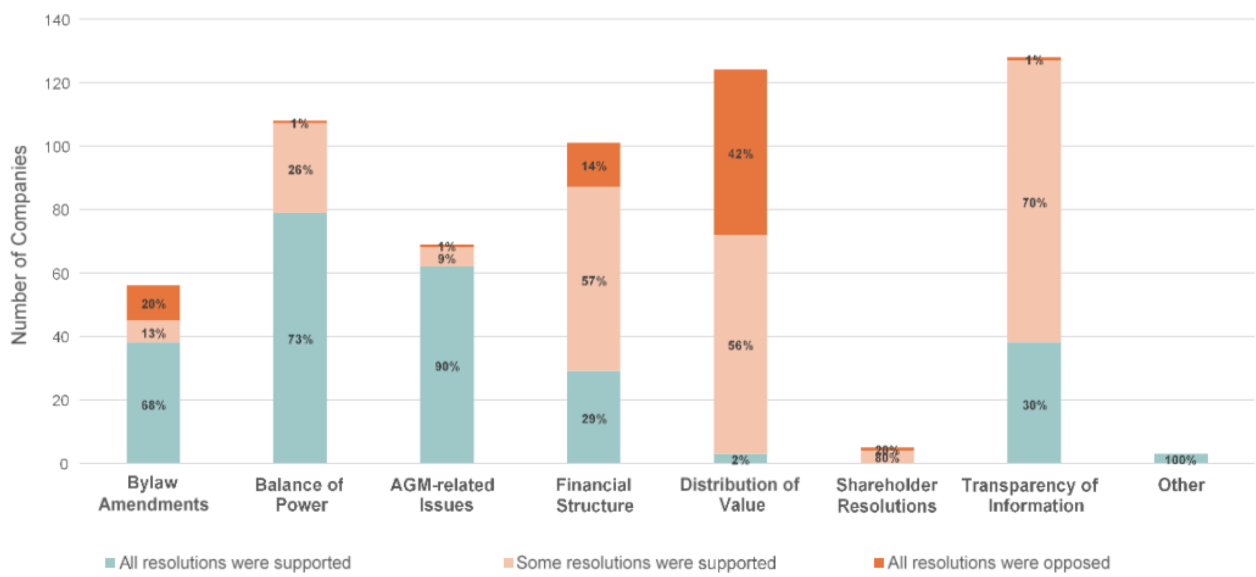
In Europe, the general meetings of French and German companies represented just over 50% of the scope (33% and 19% respectively). The British general assemblies represented just over 15% of the perimeter, while the Netherlands accounted for 8%. The remaining general meetings (24%) took place in nine other countries.

Mirova's voting policy particularly considers how value created by the company is distributed among its stakeholders, as well as the quality of communicated information, whether it be financial, environmental, or social. As these principles differ from those found in more “traditional” voting policies, they have garnered relatively high shares of opposition votes.

Balance of power was also often opposed, with around one-third of companies facing at least one opposition vote. However, corporate practices in this area have improved, with 47% of companies having faced one or more opposition vote on this topic last year.

Compared to 2017, the level of opposition on transparency and quality of information has also decreased. This reflects an improvement in corporate transparency practices.

Figure 17: Distribution of Votes by Theme



Engagement

Our environmental, social, and governance analysis is accompanied by engagement with issuers and public authorities.

Our Engagement Approach

Sustainable development is at the heart of Mirova's investment strategy, which aims to invest in ways that contribute positively to the Sustainable Development Goals. By directly and indirectly promoting better environmental, social, and governance practices, our engagement approach seeks to create long-term value for society as a whole.

Figure 18: Mirova's Engagement Approach

OBJECTIVE	1. Improve company practices		2. Contribute to developing the RI market
TARGET	COMPANIES		RI MARKET REGULATORS
WHAT	Individual engagement	Collaborative engagement	Advocacy
WHO	• Companies at individual level	• Multiple companies within a sector • Sector / Professional associations • Regulators • Relevant stakeholders (NGOs, etc)	• RI sector / professional associations • Public policy makers / public regulators • Relevant stakeholders (International organizations, NGOs, etc)
HOW	• Voting • Ongoing company dialogue	• Investor coalitions • Stakeholder campaigns	• Investor statements • Working groups

Mirova has developed a two-pronged approach for sharing its vision of responsible investing: supporting companies in improving their environmental and/or social profile, and actively shaping regulation to promote sustainable finance.

Dialogue with Companies

Individual Engagement – Individual engagement consists in interacting directly with the companies represented in Mirova's and its clients' portfolios to encourage improved environmental and social practices through all the asset classes in which we are present: equities, fixed income and infrastructure. This dialogue is an integral part of our analysis and the exercise of our voting rights.

Key figures (31/12/2018)

‘’400+ meetings

‘’~300 companies targeted

Collaborative Engagement - Collaborative engagement involves identifying controversial practices at the level of a sector or group of companies and engaging in dialogue to demand greater transparency and improvement of controversial practices.

‘’27 initiatives supported

‘’450+ companies involved

‘’2 initiatives started

‘’3 sectors targetes

Dialogue with Regulators

Advocacy – Mirova seeks to improve standards and regulation across the financial sector to encourage sustainable investment. Mirova is committed to promoting regulation – including legislative changes, standards, and labels – and practices that support sustainable investment, creating long-term value.

‘’29 forums and associations

‘’6 partnerships and collaborations

Conclusion

For Mirova, acting as a responsible investor starts with recognizing that capital allocation is far from neutral: it has major impacts on our economy and our society. It also means acknowledging that the world is undergoing profound change and facing new sustainable development challenges, which force us to reconceive the way we think about value. It is no longer possible to operate based on the idea that all value can be aggregated into a single financial measurement.

We must consider the three dimensions of "capital" – environmental, human, and financial – and preserve each of them to the greatest extent possible. Sustainable growth of human and financial capital is no longer possible if environmental capital is degraded.

Financial capital can only develop when society as a whole prospers. Our role is to mobilize the financial capital entrusted to us by our clients to provide sustainable investment solutions, so all of our investment strategies seek to generate financial, social, and environmental value.

Financing the economy puts us in position to observe the abundance of initiatives and solutions related to sustainable development. Through our financial support, we promote solutions that will not only create the conditions necessary to create sustainable returns, but also deliver superior long-term returns over traditional market indexes.

Annex: List of funds open to professional and non-professional clients within MiFID

Classe d'actifs	Nom du fond
Actions	MIROVA EUROPE SUSTAINABLE ECONOMY FUND
	MIROVA EURO SUSTAINABLE EQUITY
	IMPACT ES ACTIONS EUROPE
	MIROVA EUROPE SUSTAINABLE EQUITY
	MIROVA GLOBAL SUSTAINABLE EQUITY FUND (LUX)
	MIROVA GLOBAL SUSTAINBLE EQUITY FUND (US)
	MIROVA GLOBAL SUSTAINABLE EQUITY FUND (LUX)
	MIROVA INTERNATIONAL SUSTANAIBLE EQUITY
	MIROVA EUROPE ENVIRONMENTAL EQUITY FUND
	INSERTION EMPLOIS DYNAMIQUE
	MIROVA GLOBAL CARBON NEUTRAL EQUITY FUND
Obligataires	IMPACT ES OBLIG EURO
	MIROVA EURO GREEN & SUSTAINABLE BOND FUND
	MIROVA EURO SUSTAINABLE BOND FUND
	MIROVA EURO GREEN & SUSTAINABLE CORPORATE BOND FUND
	MIROVA GLOBAL GREEN BOND FUND (LUX)
	MIROVA GLOBAL GREEN BOND FUND (US)
	MIROVA SOLIDAIRE

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