

Mirova Engagement Report

2019



An affiliate of:



This document aims to report on Mirova's 2019 dialogue with companies and policy makers to contribute to the development of more sustainable practices.

Mirova's investment philosophy is based on our belief that sustainable development is a profitable source of innovation. Our strategy aims to provide our clients with consistent medium and long-term financial performance. An investment strategy built on sustainable development not only yields financial benefits, but also has a positive overall effect on both the economy and long-term performance. Our ambitious engagement policy amplifies this positive effect and helps to deepen Mirova's understanding of sustainable development and how it affects our society.

As a responsible investor, Mirova aims to have the largest positive impact possible, hence our proactive approach to engagement. Mirova actively opens dialogues with economic and political policymakers to create an environment conducive to responsible investment. Increasingly, Mirova is measuring the results of these exchanges to see if they've resulted in improved corporate practices and increased transparency.

Our extensive engagement efforts allow us to use our expertise in many different sectors to encourage companies to adopt objectives which are in line with the UN Sustainable Development Goals (SDGs). As demonstrated by our publications, Mirova is capable of identifying key risks and investment opportunities in each sector, as well as how these elements relate to the SDGs. In 2019, we encouraged companies not only to improve transparency in relation to their sustainability efforts, but also to improve their overall practices: for example, by developing solutions for ESG issues. Concerning green bonds, integrity must be maintained in the market regarding the type of projects financed and the reporting quality on green bonds.

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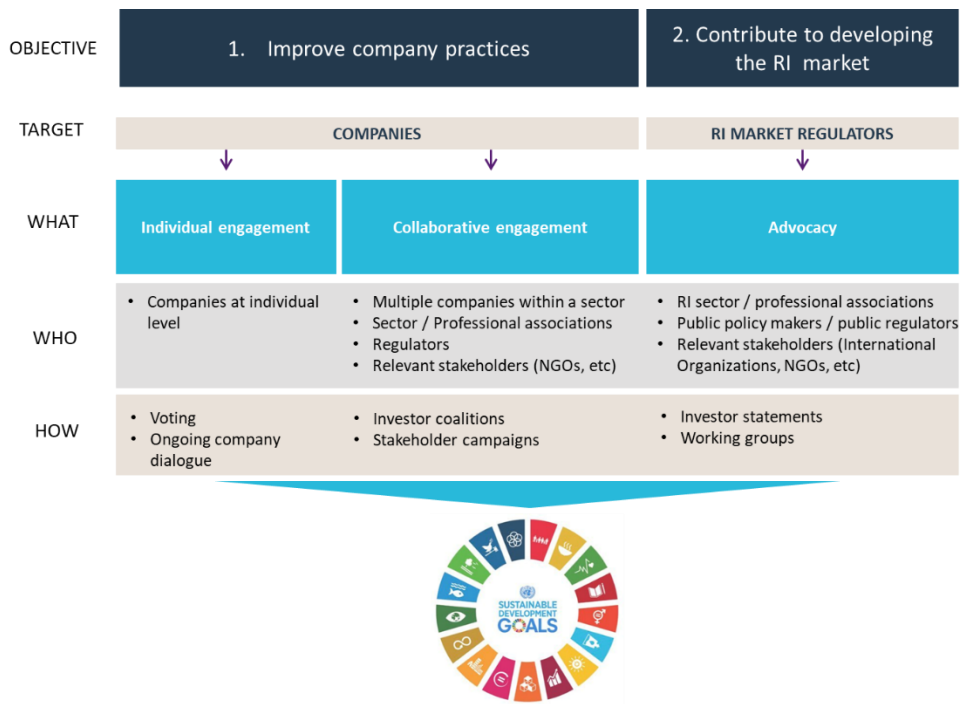
Mirova's Engagement Strategy

By using their influence, investors can prompt companies to make specific operational and strategic changes to maximize shareholder value by limiting risks and increasing the opportunities associated with an investment, among others. As a responsible investor, Mirova also considers the broader societal and environmental outcomes of each investment and encourages companies it invests in to continuously improve their practices.

1. Engagement approach

As an active investor, sustainable development is at the core of Mirova's investment strategy and ensures that our investments positively contribute to the achievement of the Sustainable Development Goals (SDGs)¹. Our engagement approach, both directly and indirectly, promotes better environmental, social, and governance practices and seeks to create long-term value for every stakeholder of the society.

Figure 1: Mirova's Engagement Approach



Source: Mirova, 2019

¹ List and details of the Sustainable Development Goals available in Appendix 3.

Mirova has developed a **two-pronged approach** to share its investment vision. On the one hand, it engages with companies, on the other hand, with market regulators.

2. Engaging in dialogue with companies



Engagement with individual companies

Mirova's Responsible Investment (RI) analysts engage in dialogue with the companies which represent the bulk of Mirova's equity and fixed-income investment portfolios. This type of engagement aims not only at encouraging companies to adopt better ESG practices, but also at promoting the development of solutions to key environmental and social challenges in every sector via dedicated products and services.

"360+ meetings held **"~290** companies targeted



Collaborative engagement

Mirova partners with fellow investors and civil society representatives to identify controversial practices at the industry and company levels and to promote greater transparency on these issues. Collaborative engagement involves dialogues with companies, and, when necessary, requires changes in the companies' practices.

As part of this strategy, in 2014 Mirova launched a **Collaborative Engagement Platform**, gathering its experts and client representatives. The goal of this platform is to create a tool which can be used to influence companies and financial organizations to adopt better practices through close interaction.

"23 initiatives supported **"~300²** companies engaged with

"1 initiative launched on Gender Equality

3. Engaging in dialogue with market regulators



Advocacy

Mirova shares its investment vision in order to improve standards and regulations across the entire financial sector and to encourage sustainable investment and long-term-oriented practices. Mirova is committed to promoting the adoption of regulations (including legislative changes, standards, and labels) and practices which encourage sustainable investment, catalyser of long-term value creation.

"30 industry forums and associations

² Includes double counting as some companies may be targeted by two collaborative engagements.

I. Individual Engagement

1. Summary and Key Figures



LISTED EQUITIES

291 companies targeted³



THEMATIC FOCUS

288 companies targeted by our Employment in France strategy



VOTING

22.8% average opposition rate in 2019 vs. 31.5% in 2018



GREEN AND SOCIAL BONDS

63 issuers targeted



RESPONSIBLE INFRASTRUCTURE

11 projects subject to engagement

³ In other words, in 2019, Mirova contacted 291 companies from every sector covered to discuss their ESG performances and practices.

2. Listed Equities

ENGAGEMENT BY SECTOR

Throughout the year, Mirova's SRI Research team engages in dialogue with companies which are part of Mirova's equity funds' portfolios to encourage improvement in their ESG practices. This dialogue focuses on both sustainable development risks and opportunities (Figure 2).

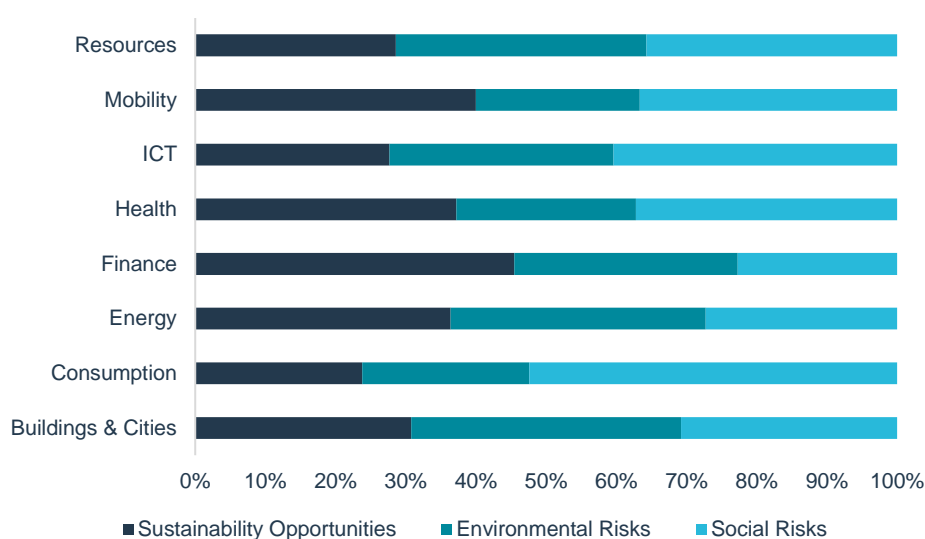
The topics related to sustainable opportunities can be divided into two categories:

- **The development of Green and Social products:** Mirova encourages companies to increase the proportion of products and/or services with sustainable value added in their portfolios.
- **The Environmental and Social Benefits** of products and services, which focuses on increasing sustainability benefits associated with existing products and/or services.

Engagement focusing on key risks can also be split into two categories:

- **Social risks:** The topic is itself divided into 7 subcategories (consumer health, health and safety, human resources, human rights, responsible marketing, restructuring and supply chain);
- **Environmental risks** which can be further divided into 5 subcategories (biodiversity, climate change, supply chain and resource scarcity).

Figure 2: Interactions allocation by theme for each macrosector in 2019



Source: Mirova, 2019

In addition to addressing issues tailored to each company, we also focus on the few following broader issues.

Governance of sustainability: It includes advocating for the adoption of sustainability-related practices at the highest decision-making levels. Indeed, we continue to push for the creation of sustainable development committees on boards, the introduction of extra-financial criteria for determining executive compensation, the publication of an audited and certified Corporate Social Responsibility (CSR) report, and transparency on tax payments.

Pay Equity: In order to ensure an equal value distribution among all stakeholders, Mirova interacts with companies about their methods and practices for measuring the level of equity in the share of the value created.

Measuring SDG Contributions to better understand the impacts of company's activity on different environmental and social issues. We encourage companies to develop quantitative indicators that will better measure their contributions to the SDGs. For companies with significant carbon footprints, we recommend using a life cycle-based analysis which takes into account both the direct and indirect impacts of products and services on GHG emissions, as well as carbon emissions avoided.



BUILDINGS AND CITIES



The sector encompasses companies involved in Building Equipment, Infrastructure, Construction Materials and Real Estate. The Buildings and Cities sector faces serious sustainable development challenges related to climate change, as well as to a fundamental Human Right: housing. Our engagement actions with this sector primarily consist in finding solutions to these challenges. For example, companies can provide solutions through building optimization which enables to reach of the best energy efficiency performance possible and to create a durable, decent, and accessible pool of housing assets.

All companies within the sector are exposed to a similar set of direct environmental and social risks. They are expected to respect international labor laws and to mitigate the negative impact of their supply chains on local ecosystems. Indeed, mining, building materials manufacturing and building construction all carry important environmental footprints.

“9 companies targeted in 2019

Engagement in review

Companies in the “Buildings and Cities” sector are now widely aware of climate risks and have strengthened their efforts to reduce the carbon emissions resulting from their activities, either from building materials manufacturing or regarding the energy efficiency of the buildings they own.

Beyond those improvements, we encourage industry players to go further by including a full life cycle analysis of their activities into their investment decision-making processes. Thus, we have actively engaged with property developers and owners on specific topics such as land artificialization or public transport accessibility. Indeed, real estate companies have a key role to play in order to mitigate the sector's environmental footprint, and especially to limit urban sprawl. To do so, they are encouraged to focus their development or acquisition activities on already artificialized areas.

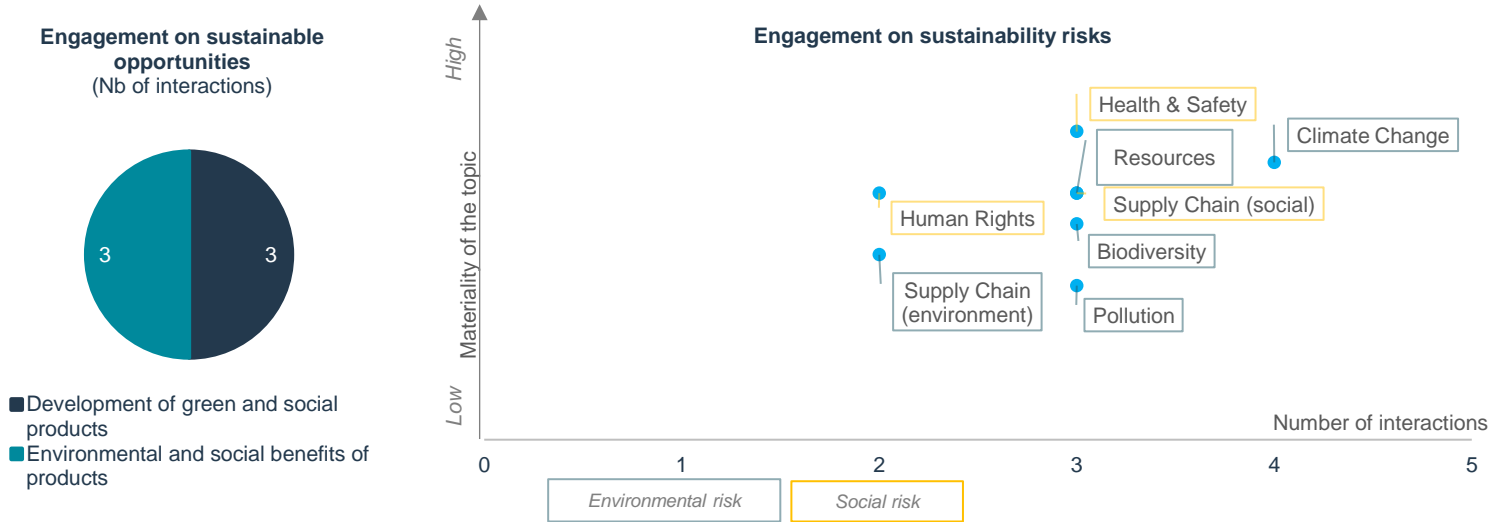
Buildings accessibility is also an essential part of the carbon footprint analysis of the assets in portfolio. As an example, the emissions associated with passenger transportation to a shopping center represent the bulk of the building's carbon impact. For this reason, we encourage the sector's companies to integrate such considerations into their investment decision-making process. As such, companies are prompt to favor assets with public transportation access and to support the deployment of soft mobility solutions (through the installation of a bicycle parking or EV charging stations for instance).

While companies in the sector tend to have relatively advanced practices regarding the reduction of their direct emissions, few of them communicate beyond this first scope of responsibility. Indeed, property companies essentially communicate on the perimeter falling under their direct scope of action. This scope is often limited to the theoretical consumption of the building at the acquisition time or to the consumption of the common areas under their management. However, most of the building's energy consumption results from the leasable areas, on which they have a limited leverage on. We encourage real estate companies to initiate a constructive dialogue among owners, managers and

tenants offering systematic monitoring and management support of the various consumption items (electricity, heating, water). The ultimate goal is to share best practices and to optimize the overall consumption of the building.

Finally, we do promote transparency on the actual scope of reporting in order to be able to assess the accurate performance of the company in reducing its environmental impact.

Figure 3: Engagement on Sustainable Risks and Opportunities in the Building sector in 2019



Source: Mirova, 2019

Engagement in Action : Icade

For several years, Mirova and Icade have had constructive discussions regarding the group's sustainable development practices. Now considered as a strategic priority, these issues have reached the company's highest management bodies.

In 2019, we participated in an investor consultation aiming at helping the company to improve its reporting practices and to better understand investors' expectations regarding sustainable development issues. Mirova agreed on the relevance of the priority issues defined by Icade, such as biodiversity preservation, the impact of the company's activities on climate change, the development of a circular economy strategy or the improvement of territorial cohesion and inclusion. Indeed, these issues are considered as highly relevant for the sector. Concerning biodiversity preservation, Icade demonstrated advanced practices compared to its peers. Additionally, an accessibility criterion in soft mobility solutions has been integrated in its investment decision-making process.

Yet, in order to challenge the company, Mirova recalled the necessity of transparency on reporting scopes, particularly regarding the buildings' energy performance. Mirova also encouraged Icade to pursue its efforts in the operational activities certification, which will enable the company to attest on the actual performance of the managed property holdings once occupied. Finally, Mirova supported Icade's efforts on the implementation of a constructive dialogue among the owner, manager and occupants of real estate assets. Such a dialogue would enable each stakeholder to be held responsible for their actions and to optimize the energy building performance as a whole.



CONSUMPTION



The sector encompasses companies involved in Food and Beverages, HPC and Retail and Apparels. In terms of opportunities, companies in the industry can play an active role by creating products offering their consumers access to a more sustainable lifestyle such as healthy and nutritious food and beverages or certified ecological and/or social products. Companies can also use marketing tools to inform their consumers of how they can use their products in a more sustainable way and further encourage sustainable behavior.

Considering that most companies externalize their production, most of environmental and social impacts occur along the supply chain, from harvesting raw materials to manufacturing finished products. Companies in the retail sector usually employ a tremendous number of workers, generally low-skilled and therefore highly prone to labor rights controversies. As such, companies are expected to implement fair working policies and record responsible practices, respecting, at least, the association and collective bargaining fundamental rights. Furthermore, companies in this sector should be transparent on the necessary processes implemented to ensure their products are safe for consumption.

“20 companies targeted in 2019

Engagement in review

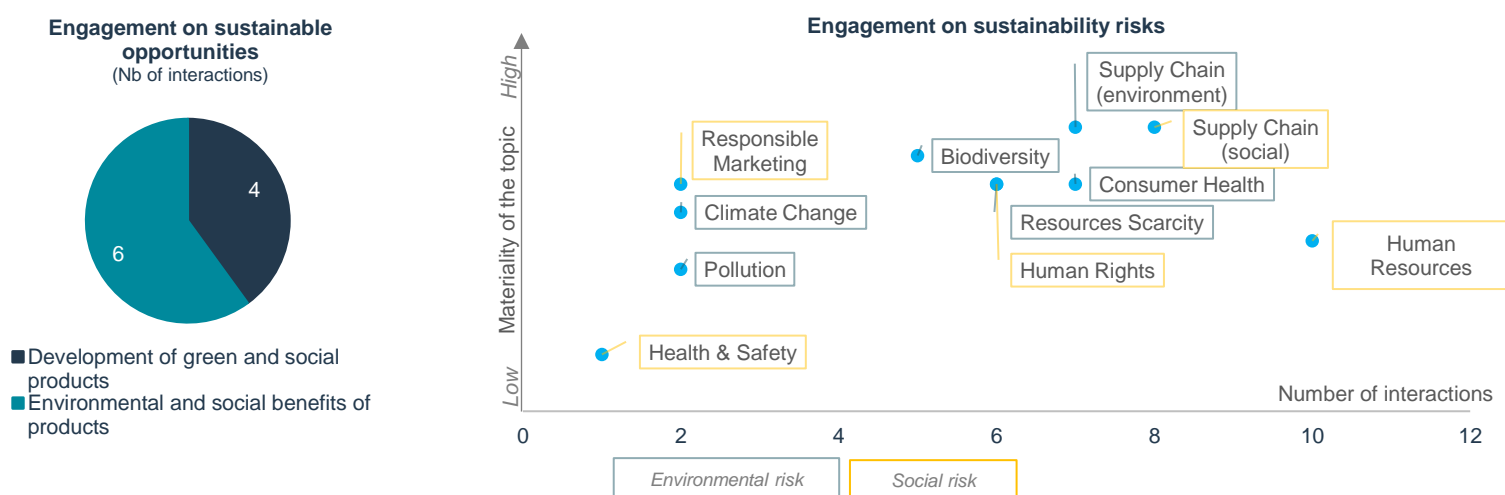
In 2019, we engaged with companies to continue enforcing the improvement of social and environmental benefits of their products. For example, Food producers can improve the nutrition profile of the product, and Home and Personal Care companies can strengthen the biodegradability of their products or packaging. In the food industry, the shift towards more sustainable eating habits continued in 2019 resulting in the slowdown in the consumption of animal-based products. Indeed, consumers are increasingly looking for plant-based proteins, and flexitarianism is gaining ground, not only to address health concerns, yet also to reduce one's environmental footprint. Alongside, consumers are also actively looking for Home and Personal Care products impacting the environment on a lesser extend.

Our engagement supports companies to further cater these consumer demands, as we continue to be firm believers that sustainable development issues will continue to mold consumer preferences and buying habits. Our engagements also put emphasis on how companies can further encourage sustainable living practices through their marketing and product placement policies. From an environmental and social risk perspective, the engagement focused mainly on risks occurring along the supply chain. We have witnessed more commitments from companies to fully trace their key raw materials, yet efforts need to be accelerated. As such, we continue to engage with companies to source more sustainable raw materials and to increase the traceability of their key raw materials. We continue to engage with companies with regard to sustainable agriculture as most companies' current commitments could address more the ongoing environmental challenges. We would expect more commitments concerning animal welfare and living wages as well as more concrete actions towards resource scarcity and ecosystem destruction issues. Ensuring living wages and minimizing the environmental impact were also an important topic discussed with retail companies.



In terms of direct operations, we encourage the use of recycled materials in the products manufacturing and in their packaging. Other engagement topics involved ensuring the effective implementation of responsible Human Resources policies, and this, across all geographies the company is involved in. We also started engaging more with companies on the policies and initiatives implemented to ensure gender equality. Finally, promoting transparency on sustainability practices and encouraging audits of their sustainability reports alongside their financial reports remain an important part of our engagement actions.

Figure 4: Engagement on Sustainable Risks and Opportunities in the Consumption sector in 2019



Source: Mirova, 2019

Engagement in Action: Danone

Mirova met Danone representatives on several occasions in 2019. During these meetings, several topics were discussed, such as Danone promotion of regenerative agriculture throughout their supply chain, the progress towards B-corp certification at the group level, the increase in their revenues from plant-based products or the decrease in their use of single-waste plastics in their packaging. During one specific session, we focused on the crucial issue of biodiversity. Indeed, Mirova launched a joint initiative with other investors which aims at developing a measuring tool to assess the impact of our investments on biodiversity. To do so, we worked with CDC Biodiversité and we tested our Global Biodiversity Score (GBS) on companies from our portfolio, including Danone. The two-way discussion with Danone allowed us to better understand the company's actions and strategy to limit its impact on biodiversity. At the same time, the interaction increased awareness among Danone representatives on the biodiversity which is coming under increasing scrutiny, especially by investors, and the type of information required.

“As we constantly strengthen the sustainability of our brands, in addition to their connection to and impact on local ecosystems, we highly value open dialogue and engagement with investors such as Mirova who aims at reconciling financial performance with positive environmental and social impact”

Cécile CABANIS, EVP CFO, Strategy, Tech&Data, Cycles&Procurement, Danone



ENERGY



The Energy sector encompasses companies involved in exploration and production of fossil fuels, electric and gas utilities, renewable energy equipment manufacturers, and industrial conglomerates. Because of the link between these companies' activities and the global energy system, many are uniquely able to take advantage of the opportunities arising from a lower-carbon economy. However, they are also exposed to environmental risks, namely spills, greenhouse gas emissions and pollution, as well as health and safety risks linked to the inherent danger of their activities.

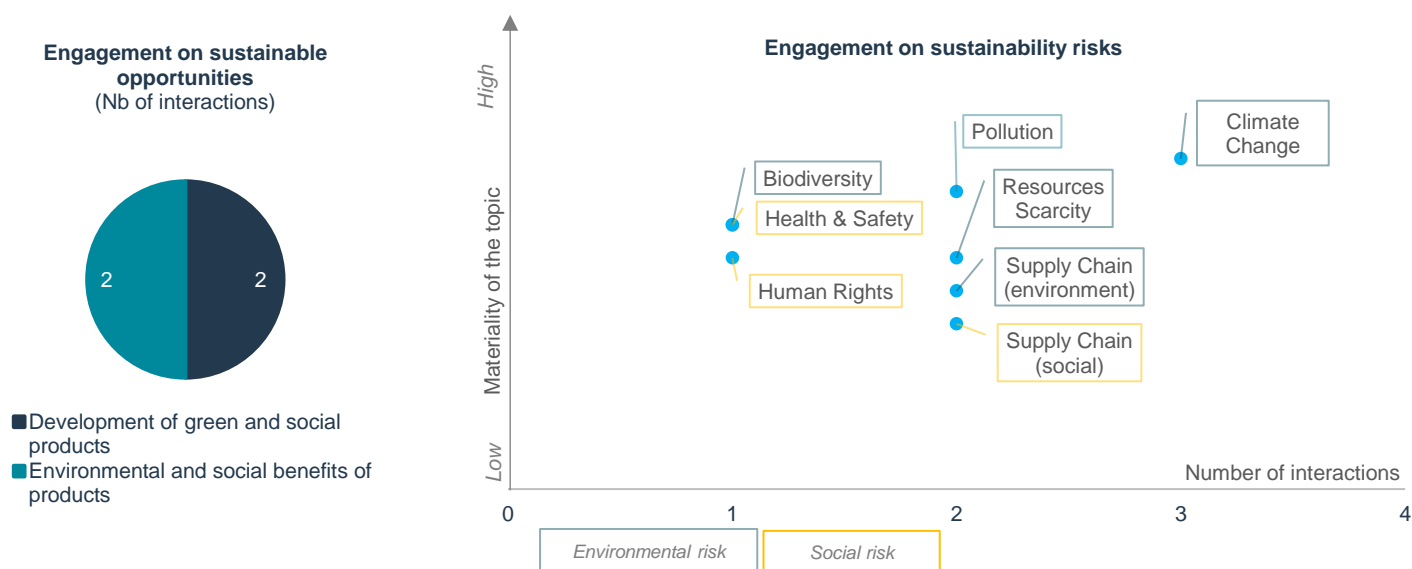
“8 companies targeted in 2019

Engagement in review

For companies in the Energy sector, much of our engagement is focused on encouraging a decarbonization strategy in line with avoiding the most severe effects of climate change (aligning emissions reductions with a <2°C of climate scenario). We also address the risk management practices essential for sustainable operations company-by-company.

Utilities companies are among the most positively exposed to opportunities related to the energy transition due to the substitutability of fossil fuels. Alignment with a 2°C scenario therefore means a near-complete decarbonization of their electricity mixes, so we encourage concrete short- and long-term emissions reductions targets, installing renewable energy systems to replace emissive generation assets, and committing to not increase fossil-fired capacity going forward. Risk management for utilities is focused on reducing pollutant emissions (NO_x, SO_x, effusive, and particulate matter) and – especially for companies with substantial transmission/distribution activities – implementing health and safety management programs. Fossil fuel producers have fewer options for substituting their products with more environmentally sustainable ones. As a result, we encourage them to set emissions reductions objectives for both their direct activities and for the use of their products. These objectives imply a diversification in their business activities (to renewable energy or low-carbon electricity generation, for example) so to reduce their output of coal, oil, and/or gas. For companies operating in high-risk areas, we reiterate the necessity to preserve local flora and fauna via reducing spills and limiting operations in sensitive biodiversity zones, extending worker health and safety programs to both company employees and contractors, and respecting the rights of local populations.

Energy efficiency will play a key role in climate change mitigation; thus we encourage industrial equipment producers to pursue efforts to improve the environmental impacts of their products. For industrial conglomerates with very diverse products, we particularly support reporting practices that allow us to better understand how the company's products address the Sustainable Development Goals. Finally, we encourage companies involved in project development, operation, and/or maintenance to proactively ensure that environmental and social due diligence is performed appropriately throughout development, and that high health and safety standards are upheld during operation.

Figure 5: Engagement on Sustainability Risks and Opportunities in the Energy sector in 2019

Source: Mirova, 2019

Engagement in Action: Iberdrola

As a company primarily involved in power generation, transmission, and distribution, the extent to which Iberdrola contributes to the Sustainable Development Goals is largely tied to the fuels it uses to generate electricity. With renewable energy comprising over 40% of the company's total generation, Iberdrola already has a relatively good climate performance both on an absolute basis and relative to its peers. Nevertheless, we were hoping to get a sense of the rationale regarding its long-standing decarbonization efforts in order to better understand the company's culture around sustainability as well as the possible strategic evolutions to come.

We had the opportunity to have a one-on-one meeting with the CEO of Iberdrola in 2019, who immediately made it clear that the company's leadership has a stable long-term vision that includes a strong focus on avoiding regulatory, reputational, and litigation risks associated with negative environmental impacts from its core businesses. He indicated that investors have become more and more focused on environmental and social risk management. This led to a conversation about how the company manages environmental and social risks in the context of its large projects, as the company has been exposed to controversy in regard to large hydropower projects in Brazil. Although its stake in these projects is relatively small, we discussed the extent to which Iberdrola could potentially improve screening of potential investments and suppliers, and/or insist on the application of its sustainability principles in a broader context.

Finally, we discussed governance matters (namely succession planning and governance of sustainability) and came out of the meeting feeling that it was productive and informative. Several weeks later, Iberdrola announced ambitious new decarbonization targets. And while Mirova clearly cannot claim any responsibility for Iberdrola's environmental target-setting, we do believe that investor dialogue plays an important role in encouraging companies to create and announce these types of targets, and more generally, to capture sustainability opportunities and better mitigate their environmental and social risks.

“Iberdrola has shown that decarbonization and profitability are fully compatible.”
Ignacio Galán, CEO, Iberdrola



FINANCE



The financial sector encompasses companies involved in banking, investment management and insurance sectors. Despite the heavy public criticism the companies received for excessive risk-taking and a short-term focus in the wake of the latest financial crisis, the financial sector remains a key player in the market economy and its role to advance the transition towards a low-carbon economy is pivotal. Banks and investors can directly contribute to primary sustainable development issues. As a keystone in capital allocation, banks and investors can play a major role in financing the energy transition and sustainable development solutions as well as directing capital flows towards low-carbon sectors. Financial sectors' companies can also contribute to reducing poverty by providing universal access to financial and basic insurance services.

Alongside these opportunities, banks and insurers must win the public opinion's and the other stakeholders' trust back by behaving with indisputable ethics, by managing their clients responsibly, by promoting ambitious Human Resource practices, and by ensuring the resilience of their business models to future challenges such as digitization and regulation.

“15 companies targeted in 2019

Engagement in review

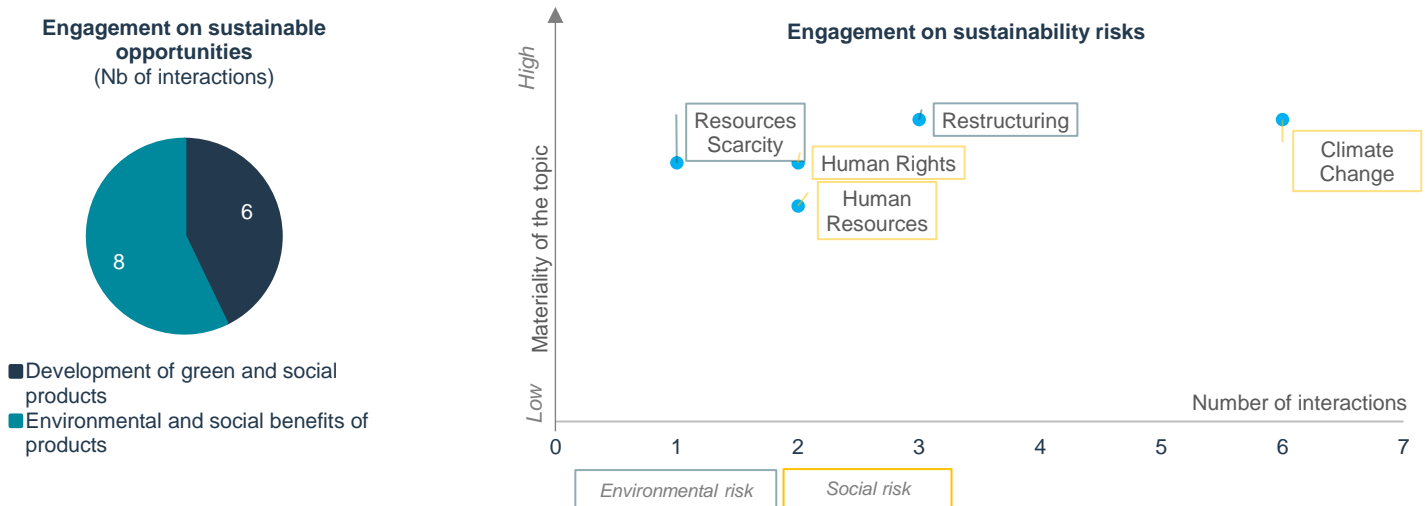
In 2019, our engagement with the financial sector remained mainly collaborative through the development of our advocacy activities (details available page 51, III. Advocacy).

At an individual level, Mirova increasingly engages with issuers from the financial sector to improve transparency on methodologies of integration of key sustainability issues in their investment or lending strategies and guidelines. For instance, we requested further disclosure on the share of financing directly contributing to the UN Sustainable Development Goals from the sector's companies. Developing climate finance has been at the top of our agenda. To do so, we need to evaluate how financial institutions are still supporting the fossil fuel industry or, on the contrary, to evaluate up to what extent they are involved in financing renewable energy and energy efficiency projects and players. As climate change becomes increasingly tangible and starts to impact citizens' lives, the role played by insurers to develop bespoke insurance products to prevent new risks and protect against them is also key.

Access to financial means and insurance protection for the Base of the Pyramid is also an important aspect to improve safety nets and to reduce inequalities. Exclusion from basic financial services does not only concern developing countries. In fact, the complicated macroeconomic situation in developed countries, such as rampant unemployment rate, has de facto excluded a significant portion of the population from access to financial services. Banks must address this social issue both nationally and internationally by offering differentiated products to at-risk populations and by partnering with organizations that provide aid to this clientele. We are engaging with financial institutions to improve the integration of the issue into their business model.

Regarding banks, the management of ESG risks and business ethics remains the bulk of our engagement actions. In 2019, examples of banks with a solid business ethics reputation have found themselves weakened by several cases of misconduct, fraud or money laundering. Through our engagement, we aim at better understanding how these companies ensure the implementation of a sufficient level of control in an increasingly regulated environment (for example on Know Your Customer Procedures).

Figure 6: Engagement on Sustainability Risks and Opportunities in the Financial sector in 2019



Source: Mirova, 2019

Engagement in Action: MasterCard

In 2019, Mirova engaged with MasterCard on various ESG topics, notably on the issue of customer privacy, which is critical to their business. We tried to better understand their data privacy management practices at the group level and the amount spent on cybersecurity-related expenses. In addition, we also engaged in more recurrent issues such as CSR related performance remuneration. Mastercard confirmed that they do not use data unless authorized by customers and that aggregated data are anonymized. The answers were seen as overall satisfactory but will continue to be monitored by our IT analyst. Moreover, in terms of sustainable benefits of products, we would expect better disclosure with regards to the number of Wanda' customers and the list of partnerships. Additionally, within the debit segment, separation between debit and prepaid cards would be relevant.



HEALTH



The health sector encompasses companies involved in several areas of medicine: from companies involved in the development of medical products and equipment, to those managing healthcare facilities as well as providers of specialized services. These companies face sustainability risks stemming from manufacturing safety to business ethics, which includes marketing practices, pricing policies, and anti-corruption policies. However, the sector is also poised to contribute to several SDGs, by promoting good health and well-being where the burden of disease is the highest also among low-income populations.

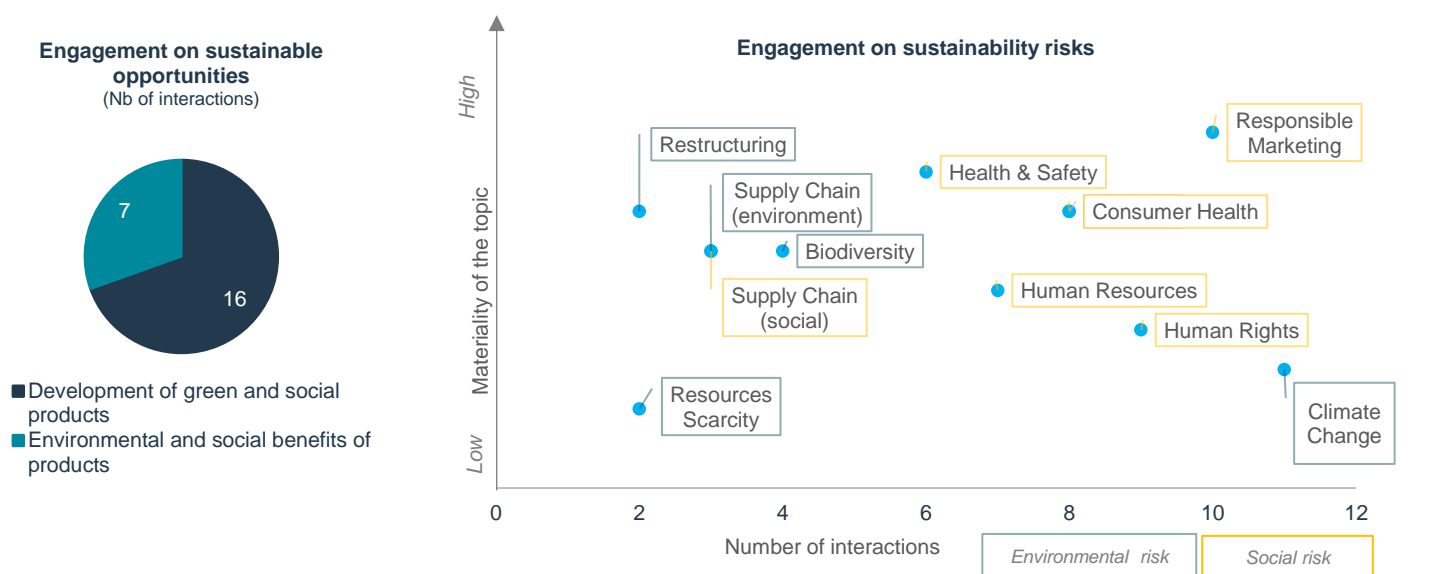
“17 companies targeted in 2019

Engagement in review

In 2019, we continued our engagement with pharmaceutical and biotech companies on two important issues affecting the sector: “access to medicine” and transparent pricing. As health disparities across regions are increasing despite a positive overall outlook of the global average life expectancy, we consider access to health care as the top priority for companies across the entire medical sector, especially those involved in the development of medical products. In addition, drug pricing remains a hot topic due to increasing reforms in the sector, driven by the United States, that aim at reducing healthcare expenses. While we recognize that pharmaceutical and biotech companies drive medical innovation and are only partly responsible for increasing healthcare costs, we note that transparency around drug pricing and increases is still below expectations. Thus, we seek better practices and firm engagements focusing on achieving broader access. On the environmental side, we encourage pharmaceutical and biotech companies to further limit the negative impacts of drugs on the environment, both through manufacturing and through product consumption and disposal, in order to contribute to tackling the increasing burden of antimicrobial resistance. As a result, supply-chain engagement remains relevant across the sector.

Regarding medical service providers, and particularly companies within inpatient care, we focused our 2019 engagements on Responsible Marketing and Climate Change. Numerous controversies regarding practices around patient mistreatment and persisting conflicts between companies and the workforce have prompted our increased attention towards companies providing elderly care.

Finally, medical device manufacturers continue to be exposed to the risk of product safety coupled with unethical marketing practices. Thus, we continued to engage on improving transparency around best practices regarding marketing practices and business ethics, as well as quality and safety procedures in product manufacturing and strong supply-chain risk management.

Figure 7: Engagement on Sustainability Risks and Opportunities in the Health sector in 2019

Engagement in Action: Astrazeneca

In 2019 we pursued our dialogue with Astrazeneca around their key sustainability challenges. While in our previous exchanges we pushed the company to focus on specific areas such as access to medicine, anti-microbial resistance and drug pricing; in 2019, we shifted our focus to improving the link between corporate social responsibility and business strategy, and how this is reported.

We noted that Astrazeneca communicates on a number of initiatives through case studies and discloses impact indicators relative to the number of patients reached by its access programs. However, it remains unclear how these initiatives fit within the company's overall portfolio and business development strategy. As a pharmaceutical company with a broad product range spanning from cardiovascular diseases to oncology, Astrazeneca has a significant role to play in tackling the global burden of disease. Some low-income countries are hard to tackle due to the lack of existing infrastructure for pursuing therapies. However, other emerging markets with large medical needs can effectively increase the adoption of treatment through patient access programs. Such as China, for example, where the company fosters the penetration of its lung cancer therapies among underserved patient populations. In addition, Astrazeneca has put educational programs in place in some African countries to reduce the risk of cardiovascular diseases, for which they provide therapies.

While we praised the company for the development of these access programs and increased communication around those, we pressed for a stronger link between these initiatives and the overall company's strategy, while also putting in place more performance indicators and targets to monitor progress. The company was very receptive with regard to our suggestions and showed commitment towards improvement.

“ At AstraZeneca, we recognize the strong connection between the health of our patients, our business, our employees, and the planet. Our sustainability strategy focuses on three priorities which are interconnected and impact one another; Access to Healthcare, Environmental Protection and Ethics and Transparency. ”

Katarina Ageborg, Executive VP, Sustainability and Chief Compliance Officer, President **AstraZeneca** AB, Sweden



ICT



The Information and Communication Technologies sector encompasses companies involved in several areas of technologies, from companies specialized in electronic components and devices to those developing software as well as providers of services, telecommunication operators or media companies. These companies face sustainability risks stemming from safety and human rights in the manufacturing process to products' responsibility, which includes data security and privacy, quality of content, toxic and hazardous substances, energy efficiency, etc. However, the sector can also contribute to various SDGs, both directly, by bringing access to information and banking to the under-served; and indirectly, by enabling sustainable solutions in other industries (solar energy, sustainable agriculture, smart cities, etc.).

“19 companies targeted in 2019

Engagement in review

After several years of engagement, many companies in the ICT sector publish regular detailed reports regarding the incorporation of responsibility into their strategies. Our dialogue with these companies now focuses on the quality of the information published and on the importance of providing evidence of their exposure to sustainable solutions, either by providing a breakdown of their revenue by end-use or final market, or by quantifying the environmental and social benefits generated by their activities (number of users, avoided emissions, etc.). This is especially crucial as most companies in the sector provide solutions which positive impacts' are only accountable when used by clients.

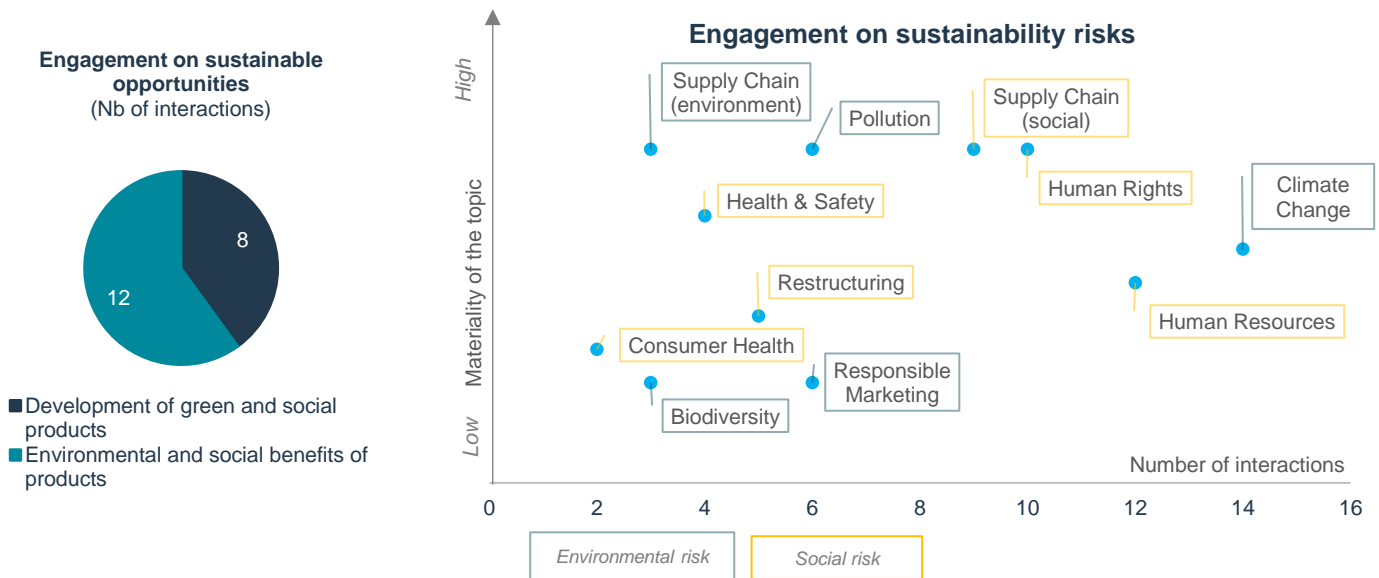
Companies in the ICT sector are highly exposed to key challenges concerning human health, safety, and welfare as well as to challenges in regard to the preservation of our planet. Certain areas of risk, such as mineral traceability and the compliance of suppliers with social standards, are difficult to mitigate despite their severity. Mirova continues to ask companies to provide an overview of their production chain which highlights their major suppliers, both in terms of spending, and in terms of exposure to social and environmental risks. We encourage companies to describe their auditing procedures (target setting, methodology, tools, etc.), to detail the results (by category and level of severity) and to explain their responses (corrective action, termination of contract, etc.). We are aware of the difficulties involved in managing a supply chain and the importance of securing long-term relations with suppliers, thus we recommend that companies join industry-wide initiatives (Responsible Business Alliance, Joint Audit Cooperation, etc.). Both companies and suppliers benefit from these initiatives: the former gain leverage and efficiency in the mitigation of their risks, while the latter obtain a single, clearer framework as well as tools to reach the required compliance level.

Standard industry practices regarding the privacy of Internet users and the quality of advertising content are largely insufficient. We continue to remind companies of the importance of these issues and the need to adopt better practices. More specifically, with regards to privacy, we encourage companies to adopt practices that are at least at the level of the European Union regulation (General Data Protection Regulation 2016/679) for all users across the globe, even for non-EU citizens. We also highlight the necessity for ICT companies to disclose the governmental requests they receive, including topics as well as number and type of response provided in line with the applicable regulations.

As technologies shift rapidly, ICT companies are intrinsically submitted to high pressure and led to significantly restructure their workforce, as evidenced by the ongoing transition to cloud-based services. Additionally, ICT has created jobs with higher psychosocial risks (content moderator, hotline, etc.). Moreover, many companies in the industry have a significant share of their employees located in countries with lower labor laws. For these reasons, and as transparency on these aspects continues to be limited in many cases, responsible restructuring and proactive support to social dialogue across the entire workforce are recurring topics in our engagement efforts.

Finally, while companies within the ICT industry may be providing sustainable solutions, the sector as a whole is still generating a growing number of electronic devices whose energy consumption, composition, and disposal pose problems. Thus, we have chosen to focus our engagement on topics such as evaluating carbon footprints (optimization of products' energy efficiency, renewable sourcing of data centers, reduction of carbon-intensive content, etc.), substitutions for harmful substances (brominated flame retardants, benzene, arsenic, mercury, and lead as well as PVC, phthalates, etc.), and recycling electronic waste (proportion of recyclable materials, identification of appropriate recycling lines, non-reexportation of electronic waste, etc.) in our discussions with companies. Companies tend to adopt better practices in these areas with time. We continue to expect significant improvements in the future.

Figure 8: Engagement on Sustainability Risks and Opportunities in the ICT sector in 2019



Source: Mirova, 2019

Engagement in Action: Orange

Over the past years, Orange has been very responsive, showing proactiveness in understanding Mirova's approach to sustainability and our expectations from ICT companies, both in terms of impact and transparency. More specifically, we encouraged the company to provide more granular information on their activities in emerging markets, in order to identify the share of revenues resulting from solutions that generate social benefits with greater certainty. During our 2019 dialogue, Orange representatives detailed the group's activities in great length, providing data such as revenue breakdowns, number of users or number of countries covered to help materialize their exposure. This helped us refine our analysis and confirm our sustainability opinion on the company.

Regarding sustainability risk management, we have also been raising our expectations, asking more detailed information and advanced practices from ICT companies and from those in our portfolios like Orange. Our dialogue has proven constructive, as the French telecommunication company's strategy is robust and detailed on many key issues. In 2019, the group provided convincing responses on various specific questions regarding supply chain management, carbon assessment and footprint reduction, exposure to internet & freedom issues, etc. In 2019, we notably encouraged Orange to provide greater details on their exposition to data privacy risks and the respect of their users' rights, as well as on their efforts with the GNI to limit unlawful governmental interference. In line with our past constructive dialogue, we expect Orange's future reports to detail the group's efforts on the topic.



MOBILITY



The mobility sector encompasses companies involved in vehicle manufacturing and vehicles equipment manufacturing (road vehicles, trains, ships, aircraft). Mobility is a crucial aspect of human development. Moving goods and people facilitates access to goods and services and, more globally, the functioning of society. However, these displacements have impacts on climate change, air quality, consumption of fossil resources, biodiversity and the health of populations. Today, mobility remains a privilege unequally distributed among populations. The sector must reconcile access to mobility for the greatest amount of people while reducing the environmental and social impacts related to transport. Companies can be support the ecological transition as well as access to mobility solutions.

“19 companies targeted in 2019

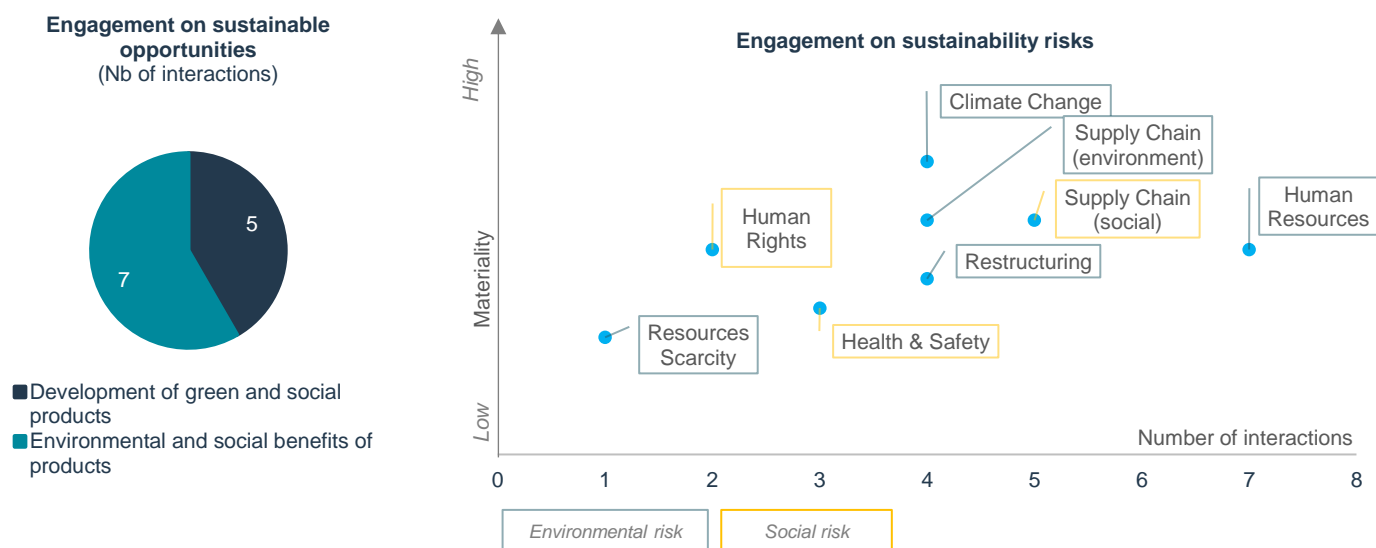
Engagement in review

Mirova encouraged companies to:

- Reinforce their positioning on ecological transition solutions (goals, means implemented, challenges to overcome) and increase transparency on investments and the share of revenue related to these solutions;
- Improve their practices to cope with sustainability risks related to the global activity's impacts on the environment, transport safety, human capital for both employees and suppliers, responsible sourcing and conception including in-depth thoughts regarding best environmental and social solutions.

Since 2018, we have also focused on the electrification of transportation, which is now unavoidable to effectively address climate change as well as resources and pollution issues, whether regarding the opportunities or the risks-related perspective. Regarding opportunities to seize, we continuously engage with companies to identify the key components/triggers in value chains to accelerate the deployment of mobility based on battery electric vehicles or fuel cell electric vehicles. We prompt companies to be clear on their added value in the electric mobility segment. Concerning emerging issues such as new materials in the supply chain, especially regarding batteries and electric engines, but also the reduction of the carbon footprint related to the production of electric vehicles, Mirova encourages vehicle makers to be fully transparent on their sourcing policies (technologies substitution, recycling, collaborations with metal and mining industries, strategy country-by-country) and actions (audits, due diligence, contractual clauses) deployed to mitigate the associated risks. Moreover, considering the current radical technological breakthrough, the expertise required in the automotive industry drastically changed with rising demand of electrochemistry, composite materials and ICT knowledge. Thus, it is essential to understand how companies will adapt employees' skills and know-how to this major technological shift.

Finally, companies that are active in the defense sector must ensure that military products are neither exported nor re-exported to non-democratic countries or those where democratic practices are deemed insufficient.

Figure 9: Engagement on Sustainability Risks and Opportunities in the Mobility sector in 2019

Source: Mirova, 2019

Engagement in Action: McPhy

As previously explained, Mirova aims to invest in companies with strong added value in the development of electric mobility, both for passenger and freight transport. Today, these companies today primarily address road and rail transportation modes, but they should undoubtedly have a role to play in air and marine transportation modes in a more distant future. Currently, electric mobility technologies are developed in two perspectives : one based on batteries and the other held by the low carbon hydrogen vector. In this second segment, there are three key subsectors: electrolysis to transform water (H₂O) into hydrogen (H₂) in stations; embedded H₂ storage to safely transport hydrogen and finally the fuel cell manufacturing to retransform hydrogen into electricity in vehicles. In order to make fuel cell electric mobility a competitive alternative, these segments are still in progress to improve their efficiency and reduce the associated costs. Some companies, waiting for the breakeven point or having just achieved it, are in this race. Our ambition is to contribute to the robustness of this sector that we consider a holder of environmental and economical opportunities, by accompanying companies, both by becoming shareholders and by challenging their ESG practices to improve it. Some large groups were already invested by Mirova's funds. In 2019, for example, investments have been made in two companies. First, in Michelin, which have created alongside Faurecia a company focused on fuel cell technologies called "Symbio A Michelin Faurecia Company". Secondly, in Alstom which is the most active player in rail transport to integrate fuel cell electric trains in the coming years, notably in Germany and France or in Air Liquide which is currently changing its strategy to reinforce its exposition to H₂ from water electrolysis, and recently acquired 19% of Hydrogenics, an electrolyzer producer. In addition, Mirova also invested in McPhy, a small French company created in 2008 that develops and supplies hydrogen production, storage, and distribution equipments for hydrogen energy, zero emission mobility, and industrial hydrogen markets worldwide. With only 95 employees and an activity directly addressing environmental issues, McPhy did not seem to meet the needs to develop an elaborated sustainability strategy until now, as ESG risks related to its operational activities remained manageable. Nevertheless, Mirova already opened the discussion with the management team around their H₂ strategy, and we will focus on environmental and social practices in the next months to assist the company in becoming a sustainability leader both from a product and practices perspective.

“Electrolysis technologies are increasingly present to produce hydrogen without fossil fuels. There is still a long way to go in this area because we have to convince industrial giants to switch to other modes of production. Mid-sized companies like McPhy provide innovative solutions and boost the sector.”

François le Naour, vice-chairman of Afhypac





RESOURCES



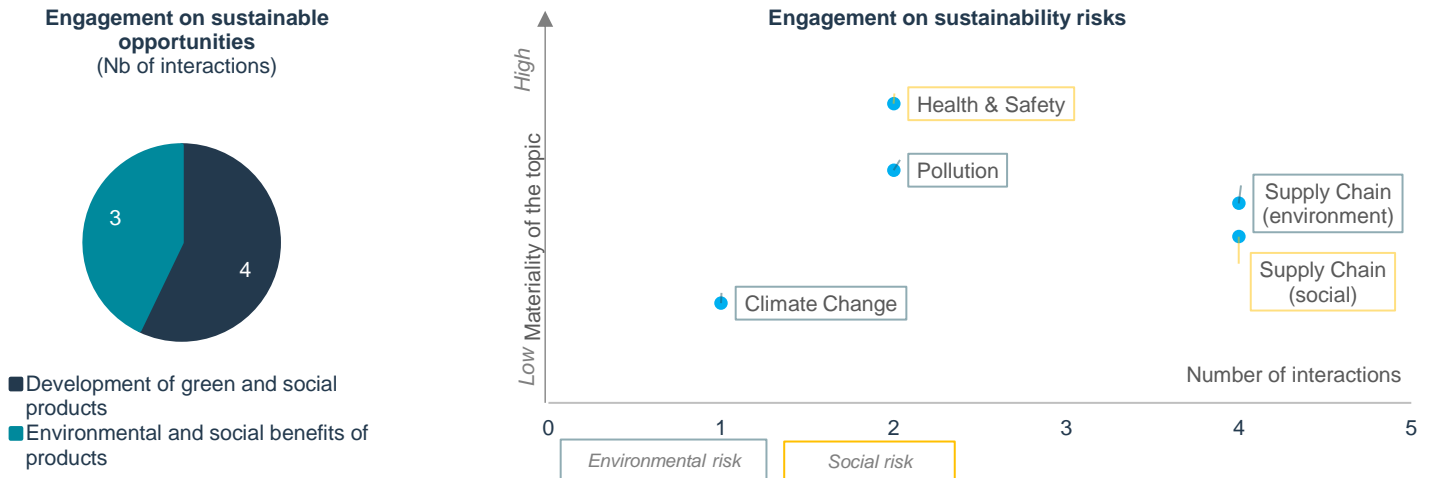
The Resources sector includes waste & water industries that are well positioned to address the challenges of water stress and resource security, and to contribute to the development of a circular economy. It also includes chemicals, the “industry of industries”, the key to most sustainable technologies required for the environmental transition, hence capable of supporting many SDGs. The sectors of agriculture and forestry are at the heart of land use conversion causing ecosystems degradation ; so the fight against deforestation, unsustainable forestry and conventional agriculture accounts for many opportunities to develop innovative solutions allowing to decrease pressure on biodiversity – increasing yields sustainably, the share of certified forestry operations, etc.

In terms of risks, all these sub-sectors tend to be heavily industrial, and therefore highly exposed to environmental and safety risks within their operations. Moreover, product toxicity remains another major issue, mainly for chemicals and agrochemicals. In addition, many players of these industries are exposed to high risks in their supply chains: ingredients companies purchasing from agricultural operations, but also paper & packaging dependent on forestry operations, are only two examples. Lastly, metals & mining is a sector particularly exposed to ESG risks, as it is very strongly linked to critical impacts on the environment as well as major social risks, notably regarding human rights.

“15 companies targeted in 2019

Engagement in review

In 2019, we conducted very focused engagements in order to dig more into some detailed topics with targeted companies. The correlations between responsible supply chains and business constraints were investigated, with the issues of related possible opportunities for companies and the economic rationale behind sustainable sourcing in mind. Some interactions were also focused on pollution, notably on the question of how ecosystems could be better preserved by industries heavily connected to them. Lastly, on risk management, issues related to health and safety were addressed in different contexts: companies from different industrial sectors, displaying poor trends in this area, were asked for complementary information for us to better understand the management of this issue.

Figure 10: Engagement on Sustainability Risks and Opportunities in the Resources sector in 2019

Source: Mirova, 2019

Engagement in Action: Symrise

As a company eager to better integrate sustainability within its operations as well as its communication, Symrise launched in 2019 a project aiming at identifying its most material ESG topics. To this end, Symrise wanted to ensure the voices of its main stakeholders were heard. Since Mirova is a Responsible Investor of Symrise, and given the constructive dialogue in place for years, Mirova was invited to participate in this initiative. We took the opportunity to express and explain our approach on sustainability, and to present our opinion on the most material issues for Symrise. In a nutshell, issues related to the company's supply chain were largely discussed. Indeed, these issues are both numerous and critical for a player like Symrise: the company has a role to play to ensure responsible practices upstream, and is heavily dependent on its sourcing channels, making these non-financial topics highly important for operational matters in addition to the environmental and social rationale. Overall, our participation in the consultation exercise allowed to strengthen our mutual understanding of our respective key objectives and constraints, and to ensure Mirova's expectations as a Responsible Investor were taken into account in the company's sustainability roadmap and priorities.

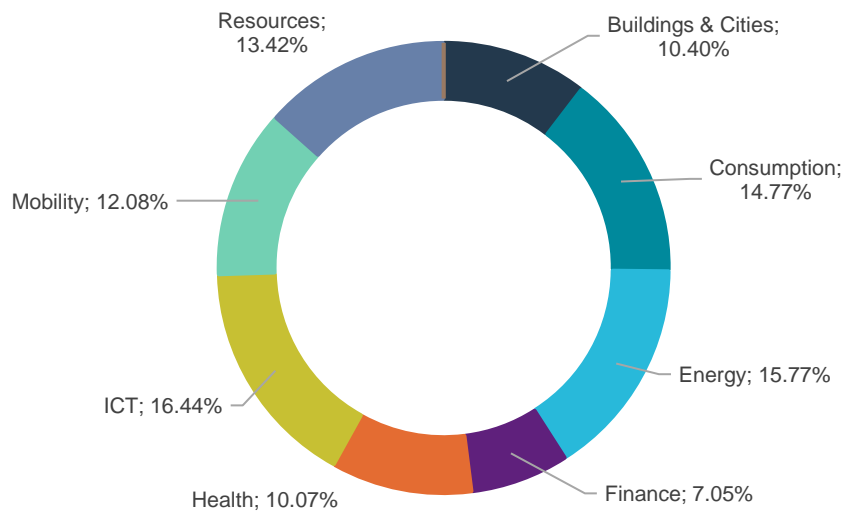


3. Thematic Focus

JOB CREATION

“288 companies targeted on their Employment Strategy in France

Figure 11: Engagement on Job Creation per Sector in 2019
(% of all interactions related to Job Creation)



Source: Mirova, 2019



Although employment is a major concern in France, the issue is rarely taken into account when managing portfolios. Since its launch in 1994, the *Insertion Emplois Dynamique* (IED) strategy has sought to address this issue through solidarity financing, which makes up 5 to 10% of the Fund's portfolio, as well as through listed stocks, which make up around 90% of the portfolio, by investing in companies likely to create jobs in France.

Each year, Mirova opens dialogues with a number of companies in order to better understand their outlooks on job creation in France. Although transparency regarding staff distribution is not mandatory, data on this topic helps us to expand the Fund's investment universe.

In addition to data transparency, there must be a clear connection between a company's strategy and human capital management in order for us to fully understand the company's approach. Our discussions with companies regarding the IED strategy's objectives allow us to maintain a constant dialogue about improving employment prospects.

GOVERNANCE : CROSS SECTOR ISSUES

“270 companies targeted by our engagement on Governance of Sustainability

Similar governance issues affect almost all sectors. As in previous years, Mirova chose to emphasize on the following issues in 2019.

Responsibility and Representation in Governance

- The Nomination Committee is responsible for selecting applicants: Mirova expects specific explanations of these choices.
- A balanced representation of the company's strategic stakeholders on the Board: Mirova maintains that employee representatives should be present on the Board, even in markets where there is no such regulatory requirements.

Fair Remuneration for Stakeholders

- Aligning stakeholder remuneration with real value creation: Aligning stakeholders' long-term interests with those of the company should result in a positive correlation between shareholder remuneration (dividends and share repurchases), executive compensation (total), employee remuneration (payroll), and even public authority remuneration (through the payment of taxes).
- Balancing remuneration in the company: stakeholders can only collaborate efficiently if their contributions are recognized and compensated. The companies which Mirova invests in should have distribution and remuneration mechanisms in place which are governed by the principle of equity. We encourage companies to include employee representatives on compensation committees and to announce changes in payroll, particularly changes regarding managers' remuneration.

Taking Environmental and Social Issues into Account in Governance

- Inclusion of environmental and social criteria in remuneration policies: Through dialogue with companies which are part of its portfolios, Mirova seeks to understand how the CSR strategy is integrated into remuneration mechanisms, to evaluate the pertinence of the criteria used to consider issues faced by the company, and to regulate monitoring.
- Taking CSR issues into account at the Board level: we encourage companies to create a CSR Committee in the Board, or any other equivalent structure, dedicated to these issues.
- Verification and certification of extra-financial information: Mirova would like to see audited and certified information on environmental and social performance included in the annual report.



4. Influence through the Exercise of Voting Rights

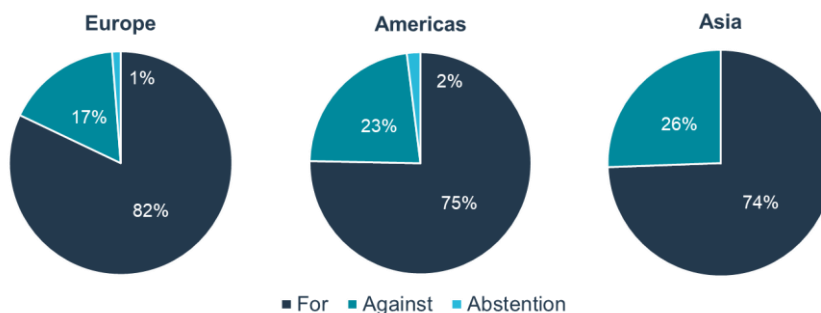
In order to promote the creation of sustainable value for all its stakeholders, Mirova has drafted a Voting Policy in line with its sustainable investment strategy.

In 2015, Mirova began an in-depth, critical examination of the stakes of traditional governance, aiming to define a governance model based on an entrepreneurial and sustainable company vision. This examination laid the groundwork for a new voting rights policy based on a new governance model. This governance model is based on four main pillars:

- The development of a long-term shareholder base to support a company's sustainable growth strategy;
- The creation of governing bodies that serve all stakeholders and address CSR issues;
- The introduction of a compensation policy which is not only fair to all stakeholders, but which also incorporates environmental and social considerations into the criteria for determining incentives and aligning interests;
- Increased transparency and a better quality for both financial and extra-financial information thanks to the implementation of an audited reporting system incorporating sustainable development challenges as well as financial issues.

This approach is based on the work conducted by the academic chair of Mines ParisTech on the subject: *"Théorie de l'entreprise. Modèles de gouvernance et création collective"* (Theory of the Firm. Models of Governance and Collective Creation). Mirova has supported this work since 2015.

Figure 12 : Mirova's Voting results per geography 2019
(Nb of resolutions)



Source: Mirova, 2019

RESOLUTIONS OPPOSED IN 2019

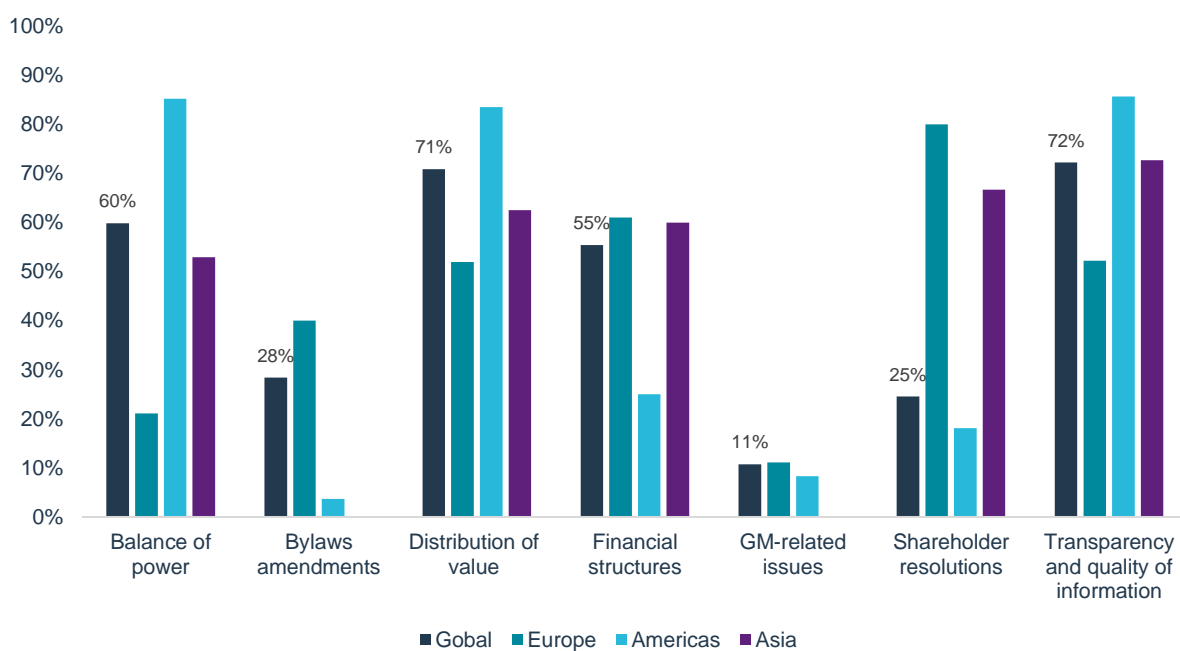
“22.8%”- the average opposition rate⁴ for 2019

The percentage of resolutions that Mirova voted against or abstained from is lower this year in Europe (18%) than in North America (25%) or in Asia (26%) thanks to a general improvement in practices from several companies, notably regarding a fairer distribution of value among all stakeholders and an increased transparency on extra-financial information. Indeed, while the “Distribution of value” and “Transparency of information” themes both accounted for 22% of resolutions submitted in Europe in 2019, the opposition rates both

⁴ Average opposition rate per company

decreased to 52% (vs. 98% and 70% in 2018, respectively). However, while the opposition rate decreased in Europe regarding the “Balance of power” theme, it increased substantially in Asia and in North America due to a lack of balance in the representation of the company’s strategic stakeholders on the board (e. g. overboarding, no gender equality, no employee representative on the board).

Figure 13: Mirova’s Opposition rate per topics in 2019
(Nb of companies)



Source: Mirova, 2019



5. Improving Green and Social Bonds



Mirova's engagement approach towards green, social, and sustainability bonds is based on the conviction that the consideration of extra-financial criteria during the investment process is essential for creating long-term value. By investing in sustainability bonds, Mirova can select entities and projects to invest in which will allow to capitalize on the opportunities created by the transition towards a more sustainable economy, while ensuring that Environmental, Social, and Governance criteria are taken into account.

“63 companies engaged with

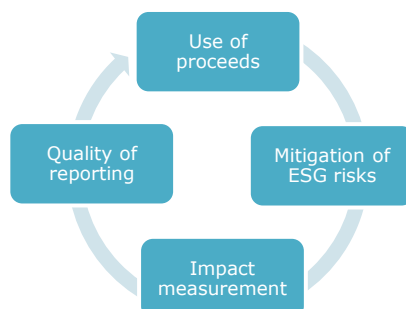
MARKET STATUS IN 2019

The sustainability bond market is still new and its practices varied, particularly in terms of transparency. Throughout the year, we continued our dialogues with current and potential issuers about how to improve transparency in the market and how to move towards impact reporting. We also informed issuers of our expectations and worked on the promotion of an established sustainability bond market that would be both well structured and creditable. As the green bond market has now been active for a few years, more green bond reports are being published. In 2019, we continued to engage with issuers on improving the quality of reporting and the impact indicators used. Topics included clarifying what reporting entails, as clarity might be lacking regarding the inclusion of all issuer's green assets activities or just those funded by green bonds. We also discussed the topic of impact reporting as well as output indicators and methodologies used. For the issuers that were new to the market, we focused on project selection criteria in order to ensure that potential projects would positively contribute to achieving various SDGs.

2019 was an eventful year as other sustainability-related bonds started to enter the market – most notably transition bonds and sustainability-linked bonds. As the market continues to grow, such innovations will sprout in an attempt to include as many kinds of issuers as possible. While Mirova encourages innovation, caution is required to ensure integrity and credibility of the green, social and sustainability bond market. It is still too early to forecast the evolution of the market, but Mirova will continue to engage with issuers and other players to ensure that the credibility and integrity that we have worked hard to establish remain intact.

ENGAGEMENT APPROACH

Figure 14 : Engagement Approach for Green and/or Social Bonds



Source: Mirova 2019

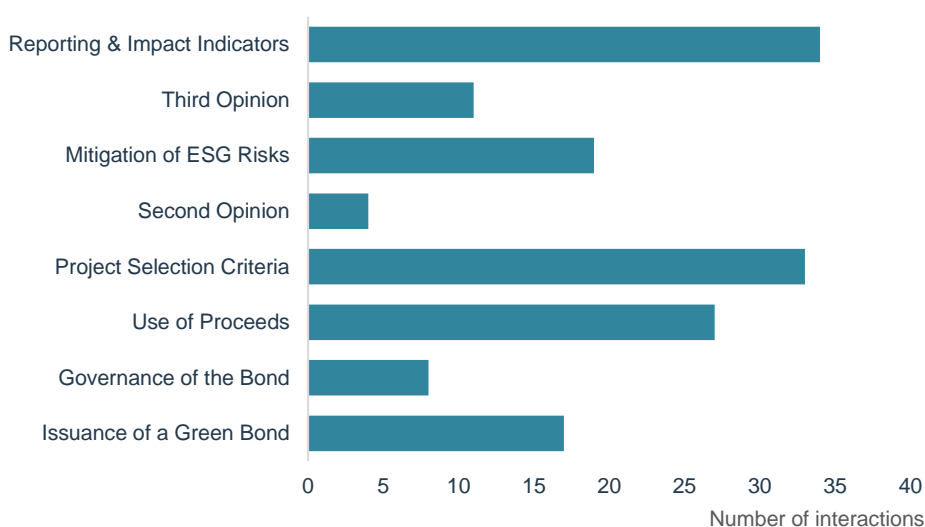
Use of proceeds: We recommend that issuers clearly indicate in the prospectus that proceeds from the bond issuance will be used to finance projects that create added environmental or social value. We strongly emphasize the need for clarity and quality in principles for allocating funds. The project selection criteria need to be clear and sufficiently restrictive to ensure that the projects financed will have positive environmental and/or social effects.

Mitigation of ESG Risks: We encourage issuers of sustainability bonds to communicate the ESG risk reduction strategies associated with the project being financed. This is particularly important for projects that could have potential negative consequences if the environmental and/or social risks are not well managed.

Impact Measurement: We encourage issuers to improve the way they measure the environmental and/or social impact of projects. We also encourage issuers to publish the methodologies they use to quantify these impacts so that we can better understand the overall impact.

Transparency and Quality of Reporting: We encourage issuers to be very transparent regarding the traceability of funds raised by issuing sustainability bonds. To this end, we request that reports detailing financed projects be published at least annually. We strongly encourage companies to have these reports audited by an external third party.

Figure 15 : Number of interactions in 2019 on Green/Social bonds



Source: Mirova, 2019

Engagement in action: ERG

Mirova had several occasions to talk and meet with ERG throughout 2019. As a newcomer to the public bond market, ERG decided to make their inaugural public bond issuance a green bond. The company is currently in the process of shifting their business model from an important fossil fuels exposition towards a major player in renewable energy. This strategic decision was welcomed because it helped us flag the company as a potential investment. Our exchanges with the company have been fruitful and insightful as it has allowed ERG to better understand Mirova's expectations as an investor, particularly on reporting. It has also allowed Mirova to better understand the challenges ERG faces in deploying their renewable energy projects. Such dialogues are important for Mirova as it provides us with a clearer picture of the work that the issuers are carrying out and the challenges they face.



6. Responsible Infrastructure



Mirova endeavors to prioritize projects that capitalize on opportunities created by the economic transition towards a more sustainable society while ensuring that environmental and social risks are managed. Our research team first examines whether a project will help to achieve relevant Sustainable Development Goals and then evaluates the environmental and social risks inherent to the project's life cycle.

Mirova's engagement approach regarding infrastructure projects is based on the conviction that financing energy transition infrastructure is an efficient and tangible way to address sustainability issues in the real economy. However, in order to highlight the environmental or social benefits of a project for investors, Mirova needs concrete figures: long-term job creation for each project, CO2 emissions avoided for renewable energy projects, percentage of energy consumption reduced for energy efficiency projects, number of kilometers of additional lines for rail projects, etc. This practice of taking into account environmental and social criteria in the infrastructure asset class is still in its nascent stages. To encourage this approach, we engage with project leaders.

Integration of these issues into investment decisions for infrastructure projects is based on several factors:

1. Seeking out tools to finance the energy and societal transition, which requires targeting projects with high social and/or environmental value-added impacts,
2. Supporting public entities as they progressively integrate sustainable development criteria into calls for tender, and
3. Increasing responsible investment's impact with vehicles that facilitate the improvement of traceability between the funds and the environmental and social benefits they create.

In 2019, Mirova continued to employ its infrastructure fund analysis method using the following engagement process:

Figure 16: Engagement Process for Infrastructure projects



Source: Mirova, 2019

Given the recent emergence of these issues, we have identified improvement areas for all projects in terms of transparency and performance evaluation. The amount of information provided is sometimes insufficient for certain indicators. As a responsible investor, we wish to encourage our partners to increase the amount of information collected as well as the level of transparency of these indicators.

This approach is employed both directly, by project heads, and indirectly, through common initiatives with other investors. When we analyze projects, key topics for engagement are

systematically defined. Once the investment is made, Mirova and those responsible for the project discuss these topics to find ways of improving the project together. When a project is evaluated by a committee, a request for further transparency accompanies the project's analysis. This request, which is tailored to each project, is transmitted to the companies involved so they can improve the gathering and broadcasting of environmental and social information.

In 2019, we specifically engaged on the following topics to increase awareness on their importance from a responsible investment perspective:

- Integration of ESG criteria in the supplier selection process, covering both social and environmental practices of suppliers;
- Increased transparency on local community consultation processes;
- Minimizing accidents, incidents, or other health and safety issues during construction through the implementation of a robust health and safety management system that covers both workers and contractors with regular reassessments, audits, and reporting;
- Ensuring the absence of environmental incidents during construction and operation;
- Close monitoring of environmental mitigation and compensation measures identified in the environmental impact assessment to ensure effective implementation;
- Enhanced transparency on environmental and social risk management during project operation and maintenance;
- Responsible management of the project's end-of-life, including waste management and recycling.

Engagement in Action: Dana

In 2019, Mirova invested in Dana, a portfolio which includes 6 biogas facilities relying on waste from agriculture and agro-industry as inputs. Following a site visit, Mirova highlighted key focus areas that should be continuously monitored during operation & maintenance phases. More specifically, while appropriate policies and procedures have been implemented by the company in charge of O&M, Mirova encouraged the staff to carefully respect the health and safety instructions and systematically wear safety equipment including toxic gas detection equipment in order to avoid toxic gas inhalation leading to possible fatalities. The company in charge of the operation and maintenance of the facilities agreed with Mirova's recommendation and committed to implement a health and safety dedicated reporting.

In addition to providing renewable energy, the process output of each facility provides fertilizer supply for local farmers that can be substituted for chemicals fertilizer. However, the sustainability of the output fertilizer highly depends on the input nature, which can also include industrial oils. Therefore, Mirova insisted on the importance of controlling the level of toxicity of the output digestate that should be completed through pre-export digestate analysis along with extensive soil analysis on the digestate receiving plots (both to detect pollutants and to control the amount of nitrogen introduced). While the company agreed with the relevance of such a procedure, it had already deployed a similar mechanism to monitor the environmental impact of the output fertilizer before spreading and will continue to do so.

Overall, the company appreciated getting a responsible investor's point of view regarding the way it conducts its activity and remains willing to pursue its fruitful dialogue with Mirova.

II. Collaborative Engagement Initiatives

Collaborative engagement consists in identifying controversial practices within an industry or group of companies and engaging in a dialogue to request increased transparency and, if needed, a change in practices. In order to strengthen the influence of responsible investors, engagement is undertaken in collaboration with others. The goal is to inspire issuers to make specific and measurable changes within a determined timeframe. Engagement can also be conducted to influence industry associations and/or public policies.

1. Goals

- Making **companies eligible for investment**, specifically those which have been excluded from Mirova's sustainable investment universe and/or that of its clients until now due to poor environmental and/or social practices (e.g. engagement with the oil sector to push for portfolio decarbonization).
- **Improve transparency** and/or companies' practices regarding controversial subjects, so that companies remain eligible for investment (e.g. opening a dialogue about a company's supply chain to encourage it to adopt better practices in addressing human rights issues).

2. Mirova's Approach

1. Mirova's Collaborative Engagement Platform

In 2014, Mirova launched its own collaborative engagement platform, comprised of experts from Mirova's research team and representatives from clients and investors interested in collaborative engagement. Since then, Mirova has launched four engagement initiatives via this platform which address specific issues that require greater engagement on the part of investors. Over the years, Mirova has promoted the engagement objectives of these initiatives, including improved corporate practices and changes in the sectors involved.

2. Other Collaborative Initiatives

Other investors also create collaborative engagement initiatives. When the subject of the initiative is coherent with Mirova's strategy and identified priorities, Mirova signs engagement letters and open declarations from other investors.

3. PRI Initiatives

Finally, Mirova is a member of one of the PRI investors working groups whose goal is to improve industry-wide practices. In 2019 Mirova supported 4 PRI-led initiatives.

3. Summary and Key Figures



COLLABORATIVE ENGAGEMENTS LED BY MIROVA

Gender Equality

- In October 2019, Mirova initiated an investor coalition to support the UN Women's Empowerment Principles and achieve Gender Equality.
- Since November 2019, Mirova engaged with several companies on this specific topic, encouraging them to improve gender diversity at all management levels and to sign the 7 Women Empowerment Principles. Beyond the signing, Mirova will support the implementation of the relevant policies under these principles.

Supply Chain

ICT Sector

- Since 2014, Mirova and its partners have sought to encourage IT companies to adopt practices ensuring that their supply chains are more sustainable.
- In 2019, Mirova continued to develop ties with partners and supported industry initiatives, while consistently sending companies feedback on their practices and expected improvements.

Textile Sector

- In 2014, Mirova began encouraging companies to espouse higher levels of transparency in their supply chain management.
- In 2019, Mirova continued its efforts to increase transparency regarding textile supply chains and to ensure that practices were in line with investor expectations through its work with the Sustainable Apparel Coalition (SAC).



OTHER COLLABORATIVE ENGAGEMENT INITIATIVES

“21 initiatives supported

“12 environmental themes

“8 social themes

“3 corporate governance themes

Collaborative Engagements led by Mirova

GENDER EQUALITY



Although women represent nearly half of the world's population, they continue to face challenges and have access to fewer assets and opportunities than men. While the past 25 years – since the adoption of the Beijing Declaration and the Platform for Action adopted at the Fourth World Conference on Women in 1995 – have seen significant progress, the adoption of the United Nations 2030 Agenda for Sustainable Development, reflects the need for further progress notably regarding a stated goal to “Achieve gender equality and empower all women and girls” (SDG 5).

Furthermore, women's underrepresentation in leadership positions in the private sector is increasingly considered as an urgent challenge, not only from a fairness and equality perspective, but also because it impedes financial performance. While it is difficult to prove causality, extensive research has found a strong correlation between thoughtful workplace diversity and corporate financial performance.

Engagement Activities in 2019

As investors, we are convinced that gender equality contributes to increased benefits to society and the economy while enabling better financial performance. We believe that a company that promotes and takes decisive action towards gender equality is a company that will create value, not only for investors, but for all its stakeholders. It is thus an important criterion integrated into our investment strategies. For these reasons, we have integrated the issue of gender equality into our line of investment solutions. Furthermore, in October 2019, Mirova initiated - and has been leading since then - an investor coalition to support the Women's Empowerment Principles and achieve gender equality. This statement, co-signed by 66 investors representing more than 4 trillion euros in asset under management, has received the support of UN Women and the UN Global Compact.

By signing the coalition, investors reaffirmed their increasing attention to gender equality and women's empowerment in their investment decisions; and strongly encouraged business leaders to take corporate action to promote gender equality in their companies by signing the Women's Empowerment Principles. It was also the occasion for investors to call for companies to pay specific attention to Principle 7 of the WEPs (see the principles below): foster the implementation of gender equality performance measurement tools and improve transparency on their actions and outcomes.

The statement has been disseminated to more than 1 600 global companies. With this joint statement Mirova and the investors signatories reaffirmed their increasing attention to gender equality and women's empowerment in their investment decisions. Consequently, we strongly encouraged business leaders to take corporate action to promote gender equality in their companies by signing the Women's Empowerment Principle, and called on companies to foster the implementation of gender equality performance measurement tools and improve transparency on their actions and outcomes. As a result, Mirova received more than a hundred responses from the targeted companies including directly from CEOs with a commitment to address the issue and increase transparency on gender diversity.

Women's Empowerment Principles:

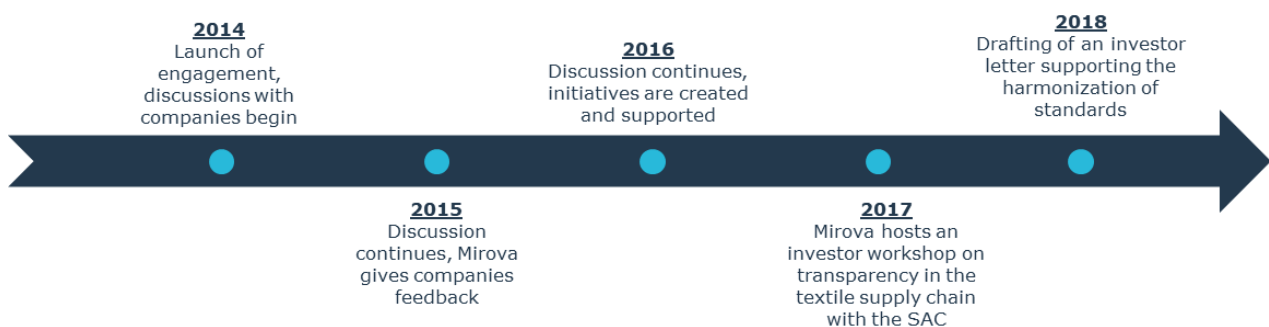
- Principle 1: Establish **high-level corporate leadership** for gender equality;
- Principle 2: Treat all women and men **fairly** at work – respect and support human rights and nondiscrimination;
- Principle 3: Ensure the **health, safety and well-being** of all women and men workers;
- Principle 4: Promote **education, training and professional development** for women;
- Principle 5: Implement **enterprise development, supply chain, and marketing practices** that empower women;
- Principle 6: Promote equality through **community initiatives and advocacy**;
- Principle 7: **Measure and publicly report** on progress to achieve gender equality.

SOCIAL RISKS IN THE SUPPLY CHAIN

Social problems throughout the supply chain can present serious risks for companies. In the wake of certain events (suicides at Foxconn in 2010, Rana Plaza collapse in 2013), it has become clear that despite efforts to improve the situation, social problems are still present in these industries. These events highlight the urgent need for immediate and continuous action by governments, civil society, and the companies themselves.

Launched in 2014, the engagement aims to work with the textile and ICT industries to move towards a more sustainable supply chain that respects human rights and provides its workers with proper working conditions. After two years of discussions with companies, results showed that while the companies have implemented the necessary mechanisms to encourage suppliers to adopt more responsible practices, minor and major controversies continue to unveil. This indicated the need for more systemic and collaborative measures that would require the participation of all players involved. To have a real impact on their supply chains, textile and ICT industries need to move forward together and coherently. Meetings were then held in 2016 with industry-wide initiatives: the Sustainable Apparel Coalition for the textile industry and the Responsible Business Alliance (RBA, formerly EICC) for the ICT industry, to see how investors can play a proactive role in motivating the two industries to progress towards a more sustainable supply chain.

Figure 17: Engagement Process in Supply Chain initiative



Source: Mirova, 2019

Mirova became the first investor member of the Sustainable Apparel Coalition (SAC) in 2017 to be a contributing part of their Transparency Roadmap to 2020. While the RBA has not yet decided how they want to include stakeholders, Mirova has been able to communicate its transparency expectations from the sector through its participation in different conferences. In 2019, Mirova continued to develop its ties and work with industry initiatives, while consistently sending companies feedback on their practices and the expected improvements.

Textile

Since joining the Sustainable Apparel Coalition (SAC) in 2017, Mirova continues to work with the SAC towards their roadmap to transparency for 2020. Mirova is currently part of the Brand Module and the Transparency Stakeholder Working Groups.

The Brand Retail Module (BRM) is a transparency module aimed for brands (such as some companies in which Mirova is invested in) to show their progress in their sustainability journey. The questions asked in this module are currently being updated. The process started already 2017 when Mirova had provided initial feedback. In 2018, Mirova consolidated investor feedback for the BRM and provided it back to the SAC who in turn integrated it into the module. At the beginning of 2019, the SAC and Mirova had a kick-off meeting to discuss the organization of an Investor Consultative Group that would be launched within the year. The goal of the consultative group would have been to ensure that publicly available Higg BRM data can be used by the investor community for ESG integration and engagement, and to create an engagement plan for 2020 to encourage brands to disclose their Higg BRM data publicly. In Spring 2019, the final version of the BRM was submitted to vote to the SAC members. Unfortunately, the validation did not take place due to insufficient quorum. This delayed the timeline as it meant spending more time to have the BRM finalized and approved by its members. This also meant that the Investor Consultative Group project has been shelved until further notice. Consequently, this engagement will be put on hold until further notice. We will wait until the SAC gives us further updates with regards to the approval of the BRM before deciding to continue with this engagement.

ICT

Considering our difficulties in initiating dialogue with certain companies, in 2016, we decided to adopt a new strategy. Rather than contacting the company directly, we would try to communicate our messages through our participation to the Responsible Business Alliance which include companies outside the ICT industry that are exposed to similar issues (e.g. electric vehicles). We subsequently wrote a letter to Rob Lederer (Executive Director), on behalf of the platform, outlining our engagement's purpose.

The RBA continues to set the standards and to develop the tools supporting a responsible management of the supply chain throughout the ICT value chain. It counts over 140 members, among which Apple, Samsung Electronics and Microsoft. Since 2017, we have been active on multiple occasions, participating to events, acting as speaker at a session with the board and holding various conference calls with RBA representatives.

In 2019, the RBA invited us to act as a panelist during its annual conference in Brussels. We used this occasion to outline the importance of responsible supply chain management, highlighting the key indicators we use, the type of practices we expect and the level of practices below which companies are non-eligible to our funds. We also had the opportunity to share in greater length with some members that attended the venue, answering specific questions from companies and other organizations.

5. Other Collaborative Engagement Initiatives



Environmental



Social



Governance

Access to Nutrition Index (ATNI)



Launch Date:
2014

Country Focus:
Global

Asset Class Coverage:
Equities and Fixed-Income

Participation:
Follower

Lead Organization:
Access to Nutrition Index

Background and Objectives

Companies that are globally applying strong nutrition policies and practices are in a better position to reduce risks of increasing food and beverage industry regulation and to take full advantage of changing consumer trends towards healthier living habits. The Access to Nutrition Foundation concludes that while some companies have taken positive steps since the last ranking in 2013, the food and beverage industry is moving far too slowly. Good nutrition policies and practices are integral to food & beverage companies' overall business and financial performance as well as long-term sustainability. The objective of this engagement is to determine with the companies how they integrate findings and recommendations of the ATNI into strategic performance on nutrition practices.

Activities in 2019 and Next Steps

As a result of the engagement, Abbott agreed to take the investor's recommendations and comments back to teams/management for further consideration. Abbott also agreed to a follow-up dialogue in the fall for updates, and to maintain the discussion.

Amazon Deforestation Divestment Pledge



Launch Date:
2019

Country Focus:
Global

Asset Class Coverage:
Equity and Fixed-Income

Participation:
Signatory

Lead Organization:
Finance for Tomorrow

Background and Objectives

As part of the implementation of the New York Declaration on Forests, whose 5th anniversary was celebrated in 2019, this initiative aims at mobilizing the financial sector in favor of the prominent topic of deforestation and land degradation without further ado, as entire forests could have disappeared by as soon as 2030.

The purpose of this common initiative is to gather commitments from all kinds of financial actors to divest deforestation and land degradation in the Amazon, and to invest in land restoration and sustainable land management in the Amazon at the Summit, in order to trigger a major enhancement of supply chains' sustainability.

Activities in 2019 and Next Steps

In 2019, Mirova signed the statement.

Signing this initiative entails to commit to integrate ambitious social and environmental due diligence, in relation with deforestation and land degradation issues, in their investment strategies and to invest to support redirection of financial flows towards land restoration and sustainable land management models, such as agroecology - including agroforestry - and sustainable forest management.

Antibiotics Overuse in Livestock



Launch Date: 2016	Background and Objectives The antibiotics stewardship engagement is currently in its third and final phase, supported by 74 investors representing \$3.4 trillion in combined assets. This engagement is focused on 20 global fast food sector and restaurant companies.	Activities in 2019 and Next Steps The engagement letters were sent to the targeted companies in mid-August 2018.
Country Focus: UK & US		
Asset Class Coverage: Equities and Fixed-Income	We are asking companies to : a) establish a comprehensive antibiotics policy to phase out routine, prophylactic use of antibiotics across all livestock, poultry, seafood, dairy and egg supply chains; b) specify clear targets and timelines for implementation; c) increase transparency by reporting on the implementation, including mechanisms to measure and audit the use of antibiotics in supply chains.	The initiative received a 90% response rate, with meetings organized with two companies. These responses and meetings will directly inform the briefing report which will highlight company progress to date including best practice. The formal engagement ended in May 2019, as the companies entered the stage of implementation based on the engagement conversations. FAIRR will continue to monitor their progress and update their assessments.
Participation: Signatory		
Lead Organization: FAIRR Network		

Climate Action 100+



Launch Date: 2017	Background and Objectives The Climate Action 100+ has been launched at the One Planet Summit and is backed by 225 investors (totaling \$26.3 trillion in AuM). Climate Action 100+ is supported and co-ordinated by five partner organizations: Asia Investor Group on Climate Change (AIGCC); Ceres; Investor Group on Climate Change (IGCC); Institutional Investors Group on Climate Change (IIGCC); and Principles for Responsible Investment (PRI). It builds upon the collaborative investor engagement pioneered since 2012 by the four organizations that together form the Global Investor Coalition on Climate Change.	Activities in 2019 and Next Steps We continued to support the initiative signed in 2017, which focused on 50 companies, and we specifically followed the engagement with Renault, Air France and Engie. Going forward, the initiative aims at developing a benchmark to improve usefulness for investors.
Country Focus: Global		
Asset Class Coverage: Equities and Fixed-Income		
Participation: Supporter		
Lead Organization: AIGCC, Ceres, IGCC, IIGCC, PRI.	The initiative aims to secure commitments from the boards and senior management to: 1) implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk and opportunities; 2) act to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2-degrees Celsius above pre-industrial levels; 3) and provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to enable investors to assess the robustness of companies' business plans against a range of climate scenarios.	

Engagement on social media



Launch Date: 2019 Country Focus: New Zealand and Australia Asset Class Coverage: Equity and Fixed-Income Participation: Signatory Lead Organization: NZSuper	Background and Objectives During the tragic shooting in a mosque in Christchurch, New Zealand, on the 15th of March, a video of the event had been broadcasted live on Facebook. The event triggered criticism on social media's ability to prevent such posts and to react quickly. In reaction, the New Zealand Crown-owned investors have announced plans for a global collaborative engagement with three social media companies: Facebook, Alphabet and Twitter. They are asking for strengthened controls to prevent such live streamings and their spreading.	Activities in 2019 and Next Steps Letters urging the three social media companies to strengthen controls to prevent such events were sent soon after the shooting. Similarly to previous related engagements and despite some interesting progresses from these companies on content management, none of them responded. As a consequence, no constructed dialogue could be opened. NZSuper is preparing new open letters and is expecting to benefit from the Christchurch anniversary momentum and the press (FT and WSJ to relay). Mirova will sign these letters again.
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Exxon Mobil Letter



Launch Date: 2019 Country Focus: Global Asset Class Coverage: Equity and Fixed-Income Participation: Signatory Lead Organization: IIGCC	Background and Objectives An investors' coalition, representing \$9.5 trillion in assets under management, requested Exxon to disclose its short-, medium- and long-term greenhouse gas targets aligned with the GHG emissions reduction goals in its Annual Report and to pursue efforts to limit the increase in global average temperature to 1.5°C. The significance of this issue to Exxon investors is evidenced by a steady stream of engagement with the Company for the past several years. As the impact of climate change and GHG emissions have become more tangible on society and portfolios, we want to ensure that our companies in portfolio are aligned with long-term demands regarding climate change mitigation.	Activities in 2019 and Next Steps In 2019, Mirova signed the letter which has now been made public. However, Exxon Mobil has sought no-action relief.
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Global Investor Statement to Governments on Climate Change



Launch Date: 2014 Status: Open Country Focus: G20 Asset Class Coverage: Equity and Fixed-Income Participation: Signatory Lead Organization: FAIRR Network	Background and Objectives Global warming will increase the likelihood and intensity of natural disasters that will jeopardize investments and citizens. Strengthening investor confidence is necessary to further invest in the low-carbon economy to keep global warming under 2 degrees compared to pre-industrial levels. The initiative, launched in 2014, aims to push nations to implement policy measures to achieve their nationally determined contributions. They will also ask governments to develop focused and targeted long-term climate plans to be in line with the Paris Agreement's goal.	Activities in 2019 and Next Steps Given that the policies asked in the previous statement have not been achieved, IIGCC decided to roll over the statement in 2019 and to send a cover letter to G20 governments. The statement was showcased during the COP25 (2-13 of December) and Climate Action Summit (23rd of September).
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ICCR Bangladesh Investor Initiative



Launch Date:	Background and Objectives	Activities in 2019 and Next Steps
2019		
Country Focus: Global	Mirova has been supporting the ICCR's Bangladesh Investor Initiative since it was created in 2014 as a reaction to the Rana Plaza tragedy. The main goal of this initiative is to hold companies to the standards of the Bangladesh Accord.	Mirova signed the ICCR investor statement. The government decided to give the Accord on Fire and Building Safety an extension of its operations beyond the original agreement.
Asset Class Coverage: Equity	2019 was a decisive year for the Accord since it corresponds to its expiration date. The Bangladeshi government thought it was the right time to remove the Accord and let government-run agencies continue their work.	
Participation: Signatory		
Lead Organization: ICCR	Believing that such a decision without a precise transition plan would be detrimental for the progress made by the Accord and for the future working conditions of factory workers, ICCR launched an Investor Statement urging the Government to rethink their decision. Moreover, signing the investor statement also entailed engaging with our portfolio's companies to improve their understanding of the implications of the change in control while ensuring at least equal workers' safety.	

Investor Decarbonization Initiative



Launch Date:	Background and Objectives	Activities in 2019 and Next Steps
2018		
Country Focus: Global	Since a 1.5C pathway became the new standard to limit global warming, it became necessary for every actor of the economy to set strong targets in terms of greenhouse gas emissions reduction to be set on that pathway.	In 2019, Mirova signed different initiatives: RE100, EP100 and EV100; and letters have been sent to the 35 targets identified as laggards in their categories.
Asset Class Coverage: Equities and Fixed-Income	As a continuation of the broad engagement through the RE100 initiative back in 2017, the Investor Decarbonization Initiative stems from the understanding that with the ratification of the Paris Agreement, the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) and increasing scrutiny from institutional investors, companies are facing mounting pressure to address climate-related risks. Changes in technology and regulation are also providing new climate-related business opportunities. The initiative thus aims to secure commitments from companies to:	
Participation: Signatory		
Lead Organization: ShareAction	<ol style="list-style-type: none"> 1) set science-based targets in line with the goals of the Paris Agreement; 2) set complementary energy targets in support of the development and delivery of science-based targets; 3) get a clear and unified engagement agenda to drive meaningful corporate commitments to decarbonization; 4) devise a mechanism for investors to contribute to Sustainable Development Goals 7 (Affordable and Clean Energy) and 13 (Climate Action). 	

Investor Letter on Alphabet's Board oversight on societal impacts



Launch Date:
2019

Country Focus:
Global

Asset Class Coverage:
Equity

Participation:
Signatory

Lead Organization:
Nei Investments

Background and Objectives

Given Alphabet's size and the broad systemic influence its products and services have on society and individuals alike, the company's internal decisions can have far-reaching consequences. As mismanagement of this responsibility can result in significant business risks and risks for stakeholders; comprehensive board oversight of such risks, including human rights impacts related to data privacy, freedom of expression and artificial intelligence, is required. The lead investors and many other investors have made meaningful attempts to engage Alphabet on these issues, but the company has not comprehensively addressed the investors' concerns.

Activities in 2019 and Next Steps

In November 2019, Mirova signed the investor statement and is now waiting for the company's reply.

Investor Statement on Methane Emissions in Oil & Gas



Launch Date:
2019

Country Focus:
US

Asset Class Coverage:
Equity and Fixed-Income

Participation:
Signatory

Lead Organization:
IIGCC

Background and Objectives

The Environmental Protection Agency (EPA) proposed a rollback of its regulation on methane emissions as a GHG for the Oil and Gas industry, a decision led by the Trump Administration. Loosening the regulation on methane could lead to economic uncertainty, as standards had proven to make the American industry more competitive, and legal uncertainty as well as overshadowing proactive measures from industry leaders like Shell, BP, Exxon and Equinor.

Industry leaders have already publicly stated their support for a US regulation, including BP, Shell and Exxon. However, not the whole industry is proactive, and a rollback of the regulation is likely to increase material risks for these companies through increased methane emissions. Also, natural gas might suffer from this deregulation and not be perceived as a low carbon energy source for the future.

The objective is to get 30+ oil and gas companies to submit comments to the EPA to support direct regulation and upholding the scientific consensus on oil and gas methane emissions' impact, as well as urging trade associations and industry groups to do the same.

Activities in 2019 and Next Steps

In 2019, Mirova and Ostrum signed the Statement which has now been made public.

Lobbying in Food and Beverage Industry



Launch Date:	Background and Objectives	Activities in 2019 and Next Steps
2019	<p>The Lancet Commission on Obesity recently acknowledged the consensus around the necessity to restrain the influence of lobbying in order for the government to implement policies serving public health. Lobbying is currently hampering progress in this field. Indeed, the U.S. Department of Agriculture and the U.S. Department of Health and Human Services recently rejected their own expert panel's advice to limit consumption of sugary beverages and processed meats. The decision was taken despite evidence of their harm to public health and, in part as the result of the industry's influence. Transparency on lobbying activities in this sector is also insufficient for investors to assess companies' practices.</p> <p>Therefore, the ICCR initiated a coalition letter to be sent to major Food and Beverage companies to urge them to:</p> <p>a) lobbying only in favor of public health (or not at all) and;</p> <p>b) to disclose lobbying activities, financial supports or membership to lobbying organizations.</p>	Mirova signed the letter which was sent out to the companies in August.
Country Focus: US		
Asset Class Coverage: Equity and Fixed-Income		
Participation: Signatory		
Lead Organization: ICCR		

Meat Sourcing



Launch Date:	Background and Objectives	Activities in 2019 and Next Steps
2019	<p>Animal proteins have a significant environmental footprint on three key areas: GHG emissions, water consumption and land degradation. These externalities impact companies involved in buying and selling animal protein-based products with reputational, operational and market risks. Analyses have shown that even the most prominent commodity suppliers are not properly managing these risks. Without a clear strategy to mitigate meat sourcing's environmental impacts and a more forward-looking approach, companies endanger their supply security, financial growth and, even global food security.</p> <p>The engagement calls for the development of a supplier policy on animal protein sourcing that integrates its impacts on the environment, the publication of quantitative, time-bound targets and associated metrics to reduce the companies' impacts, as well as public disclosure on progress and a scenario analysis in line with TCFD recommendations.</p>	Letters were sent to the targeted entities (Chipotle, Wendy's, Domino's, McDonald's, Restaurant Brands International, Yum! Brands) and discussions will be held with the companies.
Country Focus: Global		
Asset Class Coverage: Equity		
Participation: Signatory		
Lead Organization: FAIRR Network		

Roundtable on Sustainable Palm Oil (RSPO)



Launch Date:	Background and Objectives	Activities in 2019 and Next Steps
2018	<p>Back in 2015, many organizations supported a letter - backed by global investors - urging the Roundtable for Sustainable Palm Oil (RSPO) to implement a no deforestation, no peat, and no exploitation standard. While the RSPO has made progress, it still lacks a clear and enforceable standard ensuring sustainability. In 2018 the RSPO "Principles and Criteria (P&C)" standard was up for a formal review for the first time since 2013 and the next standard formal review is scheduled in 2023. Ceres coordinated an investor sign-on letter to close the remaining gaps in the proposed standard and advocate for strong auditing and enforcement practices to ensure that the RSPO's P&C are put into practice as intended.</p>	In 2019, Mirova signed the Statement and made it public with a press release on April 3, 2019.
Country Focus: Global		
Asset Class Coverage: Equity and Fixed-Income		
Participation: Supporter		
Lead Organization: Ceres		



Sustainable Protein



Launch Date: 2016	Background and Objectives	Activities in 2019 and Next Steps
Status: Open	The initiative is asking companies to strengthen their disclosure on the company's strategy and tracking and reporting on protein diversification, with a focus on alignment with a 2°C scenario, in line with TCFD recommendations.	The engagement letters were sent to 25 target companies in mid-August 2018. Between 2018 and 2019, 22 written responses were received out of the 25 target companies (88% response rate). Additionally, 9 meetings with companies to discuss their responses and approach to protein diversification in greater detail were organized.
Country Focus: Global	The third phase of the sustainable protein engagement was supported by 74 investors representing over \$5.3 trillion in combined assets. This engagement is focused on retailers and manufacturers, and in this phase has expanded to 25 companies.	Phase 4 of the engagement will occur over the year 2020.
Asset Class Coverage: Equity and Fixed-Income		
Participation: Signatory		
Lead Organization: FAIRR Network		

Thirty Percent Coalition



Launch Date: 2019	Background and Objectives	Activities in 2019 and Next Steps
Country Focus: US	The Thirty Percent Coalition, founded in 2011, is a pioneer advocating for diversity in the corporate boardroom. The mission of the Thirty Percent Coalition is to promote gender diversity considering also the origin, on corporate boards.	Mirova continued to engage with the Coalition with a large number of US-based companies on behalf of the broader investor community.
Asset Class Coverage: Equity and Fixed-Income	Board diversity has been broadly identified as one of the leading measurements on which there is a compelling correlation with improved shareholder value and company performance.	The Coalition drives demand with action-oriented strategies advocating for companies to increase the number of women on their boards. To date, clear and identifiable results have been achieved — following the Coalition's Institutional Investors' initiatives, more than 180 companies have appointed a woman to their board and, in many instances, a woman of color.
Participation: Supporter	The investors represented by the Coalition gather more than \$3.5 trillion in assets under management and continue to have a major impact.	
Lead Organization: US NGO 30% Initiative		

Tobacco-Free Finance Pledge



Launch Date:	Background and Objectives	Activities in 2019 and Next Steps
2019	With seven million deaths worldwide each year and a forecast of one billion deaths this century due to tobacco-related illnesses, global and multi-stakeholder collaboration is needed to tackle the devastating impact of tobacco on society, as well as on the environment.	In 2019, Mirova signed the investor statement.
Country Focus: Global		
Asset Class Coverage: Equity & Fixed Income	The objectives of the Tobacco-Free Finance Pledge are:	
Participation: Signatory	<ul style="list-style-type: none"> a) to highlight the leadership of financial institutions which have implemented tobacco-free finance policies; b) to encourage others to follow; c) to encourage the finance sector to play an active role in addressing global priorities; d) raise awareness among financial institutions of the essential role the finance sector must play to assist effective tobacco control; e) to ensure a tobacco-free world, de-normalize financial and corporate associations with tobacco companies. 	
Lead Organization: Nei Investments	The objective is also to encourage financial institutions to reflect on and reconsider their business relationships with the tobacco industry in light of the global tobacco epidemic the transition towards tobacco-free finance policies, prioritize tobacco on the corporate agenda as a product and industry distinct from any other with no safe level of use and no opportunity for effective engagement.	

6. PRI Engagement Platform Initiatives



Corporate Tax Responsibility



Launch Date:	Background and Objectives	Activities in 2019 and Next Steps
2017	Aggressive corporate tax planning may represent a major loss for countries and their population and may result in negative financial and reputational implications for companies. Greater corporate transparency across areas such as tax policy, governance and financial information would help investors to better identify these risks. The gathering momentum for tax reforms across jurisdictions offers a great opportunity to initiate a collaborative engagement on responsible corporate tax.	Various exchanges with the companies continued in 2019.
Country Focus: Global		
Asset Class Coverage: Equity and Fixed-Income		Novo and Coloplast calls happened in November 2019, while Amazon has been pretty unresponsive.
Participation: Supporter		
Number of Engagements as Co-Lead Investor: 2	This engagement provides opportunities for investors to engage with high-risk companies to enhance corporate income tax disclosure and encourage the development of responsible corporate tax strategies and relevant implementation.	



Investor Statement on Amazon fires



Launch Date:
2019

Country Focus:
Brazil

Asset Class Coverage:
Equity and Fixed-Income

Participation:
Signatory

Lead Organization:
PRI_Ceres IISF

Background and Objectives

As investors, we see deforestation and the associated impacts on biodiversity and climate change as systemic risks to our portfolios and see the reduction of deforestation as a key solution to managing these risks and contributing to efficient and sustainable financial markets in the longer term. Considering the growing risks due to increased deforestation in Brazil, Bolivia and other Amazonian countries, we therefore urgently request stronger efforts from companies and clear communication on their commitments to eliminate deforestation within their operations and supply chains, including by:

- 1- Publicly disclosing and implementing a commodity-specific no deforestation policy with quantifiable, time-bound commitments covering the entire supply chain and sourcing geographies;
- 2- Assessing operations and supply chains for deforestation risks and reducing this risk to the lowest possible level; disclosing this information to the public;
- 3- Establishing a transparent monitoring and verification system for supplier compliance with the company's no deforestation policy;
- 4- Reporting annually on deforestation risk exposure and management, including progress towards the company's no deforestation policy.

Activities in 2019 and Next Steps

In 2019, Mirova signed the statement.

Investor Statement on Sustainable Cattle and Soy



Launch Date:
2017

Status:
Closed

Country Focus:
Global

Asset Class Coverage:
Equities and Fixed-Income

Participation:
Supporter

Lead Organization:
Ceres & PRI

Background and Objectives

Known previously as "Deforestation in Cattle and Soy", the initiative started from an investor statement in 2017 highlighting major risks related to cattle-driven deforestation in the supply chain. Deforestation driven by soft commodities is a major source of emissions in this sector, and soybean production is the second-largest soft commodity driver of tropical deforestation. Globally, more than one million square kilometers are now dedicated to growing soybeans. While we recognize the crucial role of agriculture and soybean production to economic development and the livelihoods of farmers, we are also concerned that the environmental and social issues associated with unsustainable soybean production could have a material impact on companies sourcing the commodity.

We expect companies to demonstrate commitment to eliminating deforestation within their entire soy and cattle supply chain.

Activities in 2019 and Next Steps

In 2019, Mirova signed the investor statement and has thus supported open dialogue with companies throughout the year.



Water Risk in the Agricultural Supply Chains



Launch Date:
2018

Country Focus:
Global

Asset Class Coverage:
Equity and Fixed-Income

Participation:
Supporter

Background and Objectives

In 2014, the first phase of the engagement focusing on water risks in the agricultural supply chain was launched. The objectives of this phase were to improve the disclosure of water risks affecting agricultural supply chains and to improve the risk management practices of such areas.

The first phase of the engagement was closed in 2017 with a public closure benchmark being the result. Following the engagement, 84% of the companies agreed to improve their disclosure on managing water risks in the agricultural supply chains. Nevertheless, there is still room for companies to improve.

Activities in 2019 and Next Steps

Phase 2 was launched in 2018 and continued over 2019, building upon the outcomes of phase 1 and focusing on the laggard companies. Indeed, the objective is to take their performance up to the level of their leading peers. Food, beverage, apparel, retail and agricultural products companies will be encouraged to identify, implement appropriate mitigation measures and disclose on water risks in agricultural supply chains.

III. Advocacy

1. Summary and Key Figures

Advocacy is conducted to promote our vision within the responsible investment market. We speak with national and transnational regulatory bodies as well as with RI professional organizations to encourage specific regulations and standards for sustainable finance.

GOALS

Mirova promotes the development and structuring of a financial market that better serves the needs of society by financing a more sustainable economy.

More specifically, Mirova:

- **Provides** investors with the means to identify the opportunities of sustainable investment (disclosure from issuers and the financial sector);
- **Removes** the obstacles and provides the tools to foster the development of the sustainable investment market (comparable, high-quality and recognized standards and labels);
- **Strengthens** sustainable investment within the financial industry (encouragement to develop and offer sustainable financial products).

MIROVA'S APPROACH

1. Contribution to sustainable finance fora and initiatives

- Membership and very active contribution of Mirova to the EU Commission's High-Level Expert Group (HLEG) on sustainable finance's work, intermediary and final reports; contribution to the European **Technical Expert Group; (TEG)** advising the EU Commission for the creation of low-carbon market benchmarks
- Chairmanship (1st semester 2019) and contribution to **Finance for Tomorrow**, the Paris Europlace Green & Sustainable Finance Initiative;
- Contribution to varied **sustainable finance fora** in France, Europe and internationally to support the development of a high-quality sustainable finance market.

2. Papers, positions and support to research

- Drafting of the EU Technical Expert Group reports on low-carbon benchmarks;
- Testing the draft **EU ecolabel** features and making suggestions to the EU Commission
- Responding to public **consultations** especially on European regulations (EU taxonomy of sustainable assets, EU green bond standard, ESG integration in MIFID II, UCITS and AIFMD);
- Contributing to the reflexion of the French SRI market and the needs for an evolution of the French public SRI label;
- Supporting academic research, with financial support to the Energy and Prosperity Chair.

2. Advocacy at Mirova

As a leader in the European responsible investment market, Mirova is committed to developing sustainable finance and a strong responsible investment market through advocacy. Mirova's engagement approach for regulatory bodies is driven by its investment philosophy, which promotes strong commitments to combine economic, environmental, and social value creation. The primary goal of Mirova's advocacy is to contribute to the development and structuring of a sustainable finance industry that has positive impacts on the environment and on our society.

HOW IT WORKS

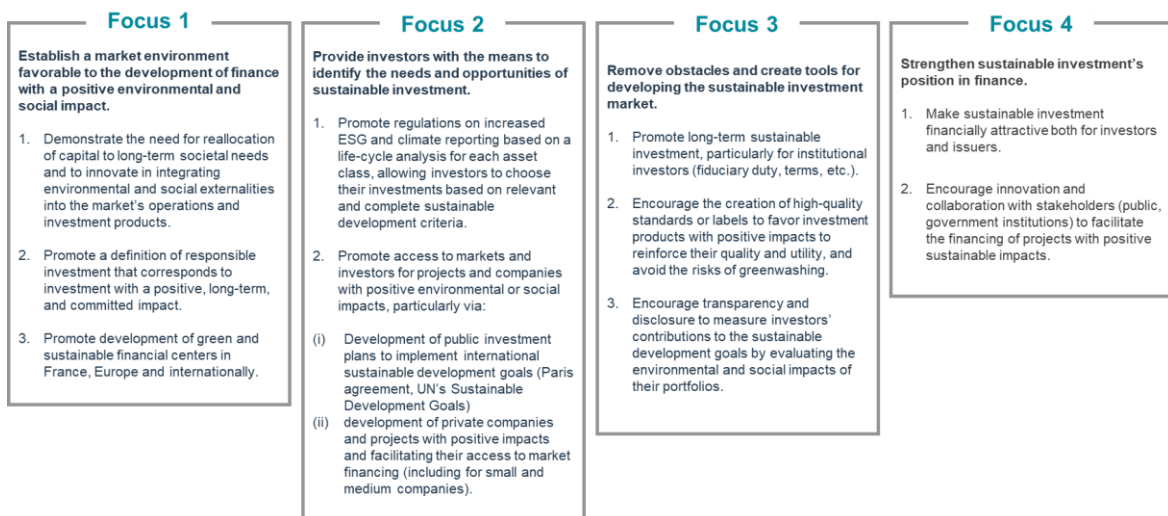
Since 2016, Mirova has developed an advocacy strategy tailored to its responsible investment policy and aimed at promoting a regulatory and marketplace environment favorable to the development of sustainable finance.

This work includes:

1. Drafting and/or contributing to dedicated publications and public reports, interacting directly with public authorities and contributing to conversation at the French, European, and international levels (responding to public consultations, participating in work groups, etc.) and
2. Supporting professional responsible investment organizations and their objectives as well as academic research.

Mirova publishes its advocacy goals, in addition to its responses to public consultations, on its website. Mirova is registered on the European Union's Transparency Register and on the French Transparency Register (Répertoire des représentants d'intérêt de la Haute Autorité pour la Transparence de la Vie Publique - HATPV).

Figure 18: Mirova's Advocacy Engagement Objectives



Source: Mirova, 2019

3. 2019 Specific Activities

In line with our goal to promote sustainable finance and a new kind of corporate governance, Mirova supports various research initiatives. In 2019 Mirova continued to contribute to the reflections of regulators and market players on the development of appropriate tools and frameworks to promote sustainable finance, with specific contributions at the EU and French levels.

EUROPEAN COMMISSION ACTION PLAN ON FINANCING SUSTAINABLE GROWTH

In December 2016, the European Commission unveiled the composition of a High-Level Expert Group on Sustainable Finance (HLEG), which has been working on recommendations to draft a comprehensive EU strategy on sustainable finance throughout 2017. The group consisted of 20 leaders across civil society groups, the financial sector, and academia. Philippe Zaouati, CEO of Mirova, was selected as one of these experts, confirming Mirova's leading role in sustainable finance. The recommendations of this group were released in January 2018 and have strongly inspired the EU Commission Action Plan on Financing Sustainable Growth published in March 2018. Mirova has strongly supported this initiative and has been following closely its implementation by EU regulators.

In particular, Mirova has been selected through its expert Manuel Coeslier, portfolio manager, to contribute to the EU Commission's Technical Expert Group (TEG) on Sustainable Finance, to help define the characteristics of low-carbon benchmarks. Several issues have been under close scrutiny, in particular in order to ensure that the EU Action Plan does not only prevent greenwashing but also demands transparency and changing behaviors from the financial sector as a whole, and to make sure the tools and standards developed would be relevant enough to be used by asset managers and investors.

In 2019, Mirova has contributed mainly on two issues:

- 1) **Drafting the EU TEG report on low-carbon benchmarks**, the final version of which was released in September 2019 and its conclusions have been integrated in the EU regulation on benchmarks, so as to create two categories of low-carbon benchmarks;
- 2) **Contributing to the reflexion on a draft EU Ecolabel for financial products** and in particular for investment funds; Mirova has put forward its experience with the French Greenfin label to help define guidelines for the EU ecolabel that are both ambitious and realistic, taking into account the specificities of each asset class. In particular, Mirova has run some tests during the Summer 2019 on the greenest of its funds to evaluate the challenges associated with the implementation of the EU taxonomy and of certain "greenness thresholds".

Mirova has also contributed to responding to public consultations, in particular on the EU draft project of European taxonomy for green asset, the EU draft project of an EU green bond standard and the integration of ESG factors in several pivotal EU texts: MIFID, UCITS and AIFMD.

Finally, Mirova, by signing the letter targeted to Ministers working on the EU Sustainable Finance Action Plan, have supported the following requirements in what regards **ESG disclosures**:

- A requirement for all asset owners and investment intermediaries to disclose how they take sustainability risk into account and integrate them into their investment strategies or advice to clients (as appropriate);
- A requirement to disclose clear information on the potential risks and benefits of doing so, including the potential effect on the prospective return of investment strategies, at least at a qualitative level;
- A requirement to disclose and substantiate how any stated sustainability targets are achieved.

CONTRIBUTING TO THE REFLEXION OF THE FRENCH AND EUROPEAN SRI MARKET

In 2019, the board of the French Sustainable Investment Forum (FIR) has been renewed. Mirova had the great honor to be re-elected as a member of the board with Laurene Chenevat, Advocacy Officer, also designated as Vice-President, and Ladislav Smia, Head of ESG Research as an alternate member. Mirova has therefore been active in all the French SIF activities and developments throughout 2019.

In particular, with a vice-presidency focusing on European Affairs, Mirova has continued to help represent the French SIF at the board of Eurosif (European sustainable investment forum), which is currently reflecting on the future of its organization at the EU level to promote responsible investment.

Mirova has also been particularly active to contribute to the reflexion on the future of the French SRI label:

- Contributing actively during the Spring 2019 to elaborating the French SIF's position on the evolution of the French SRI public label: the label needs to improve both its content and stringency, on the one hand, and its governance, on the other hand;
- Reacting to the publication of the French Market Authority (AMF)'s doctrine on authorized denominations of responsible investment funds; Mirova has supported the idea that the French SRI public label should remain the sole norm in order to preserve the coherence and readability of the market, and should be strengthened in order to respond to citizens' expectations.

CANFIN-ZAOUATI REPORT FOR THE CREATION OF FRANCE TRANSITION

In July 2018, Philippe Zaouati, CEO of Mirova and Chairman of Finance for Tomorrow, and Pascal Canfin, Executive Director of WWF France, were assigned a mission to produce a report for the French Minister of the Economy, Bruno Lemaire, and for the French Minister of the Environment, Nicolas Hulot (later François de Rugy). The objective was to explore the opportunity to further develop in France derisking financial instruments (guarantees, equity, quasi-equity...) that enable public financing to foster private investments and financing for sustainability.

The report was drafted by two rapporteurs, Laurene Chenevat, Mirova's advocacy officer, and Guilain Cals, Economist at ADEME (French public institution to support the energy and ecological transition), under the supervision of Philippe Zaouati and Pascal Canfin. It was formally submitted to the Ministers and two Secretaries of State in December.

The report supports the development of a "green Juncker Plan" for France through a dedicated budget (French and European if possible) and the strengthened collaboration of several public finance institutions under a common brand and initiative named "France Transition".

The report is publicly available on the websites of Finance for Tomorrow and WWF France. In May 2019, French Prime Minister Edouard Philippe has announced the implementation of the recommendation of the report with the creation of "France Ecological Transition", currently examined by the two Ministries in charge of finance and of the environment.

CHAIRMANSHIP OF FINANCE FOR TOMORROW (PARIS EUROPLACE)

In November 2016, Paris EUROPLACE – the Paris marketplace association whose objective is to strengthen and promote Paris as a financial center – published the Green and Sustainable Finance Initiative, a report coordinated by Mirova. With this report, Mirova sought

to illustrate the weight of the financial marketplace in Paris in sustainable finance, and what measures can be implemented to advance it further. The report's 15 recommendations led to the creation of Finance for Tomorrow, the Paris initiative for sustainable finance. Since its creation, the initiative was chaired by Philippe Zaouati, CEO of Mirova, until June 2019 when he passed the baton for a new Chairmanship. Mirova has remained involved, co-heading the Permanent Policy Commisison, which contributes to foster public-private dialogue on sustainable finance.

4. Financial Center Considerations

Participation in projects and associations with professional and international organizations:

Figure 19: Associations and Forums Mirova Collaborates With

Sustainable Finance Fora, INTERNATIONAL	
CERES	Member of CERES and the Investor Network on Climate Risk. CERES is a global organization that acts to motivate businesses to act on climate change. The Investor Network on Climate Risk is a grouping of over 120 institutional investors that address climate change while investing in low-carbon opportunities.
PRI	Signatory of the Principles for Responsible Investments, which seeks to promote responsible investment practices internationally. Mirova commits itself to respect and assure its commitment to the 6 principles. Signatory organizations are obliged to respond to an annual questionnaire and to publish a follow-up report.
UNEP FI	Member of the Investment Committee of the UNEP Finance Initiative, which seeks to bring together the financial sector and the United Nations Environment Program. Mirova participates in the "Positive Impact Finance" workgroup.
UN Global Compact	Mirova's parent company Natixis is a signatory to the UN Global Compact. The UN Global Compact is an initiative that encourages firms to implement sustainable and socially responsible practices, as well as report on their implementation.
Hong Kong Green Finance Association	Mirova's parent company BPCE (via the network of Banques Populaires) is a signatory to the Hong Kong Green Finance Association (HKGFA). HKGFA brings the expertise of financial institutions and green businesses in Hong Kong.
CPIC	Member of the Coalition for Private Investment in Conservation, which is a coalition of actors from the private sector and NGOs that seeks to address the issue of the lack of investments in conservation efforts, through the identification of possible investments in this field.
GIIN	Through its subsidiary Althelia, Mirova is a member of the Global Impact Investing Network, which seeks to promote impact finance at the internationally.
US SIF	Member of the US Forum for Sustainable and Responsible Investment, a group that advocates developing sustainable and responsible investment throughout all asset classes.
Sustainable Finance Fora, EUROPEAN	
Technical Expert on Sustainable Finance (TEG)	Following the contribution of Philippe Zaouati to the EU High Level Expert Group on sustainable finance, the EU Commission has released its action plan on sustainable finance. In the framework of its implementation, Mirova has been again selected through its expert Manuel Coeslier, portfolio manager, to contribute the EU Commission's Technical Expert Group (TEG) on sustainable finance, to help define the characteristics of low-carbon benchmarks.
EUROSIF	Mirova's policy and advocacy officer represents the French Social Investment Forum at the EUROSIF board.
Spain SIF	Member of the Spainsif, which is an association that aims to promote sustainable and responsible investment in Spain, whose main mission is to encourage the integration of environmental, social and good governance criteria into investment policies.
Italian SIF	Member of the Italian Sustainable Investment Forum, which has the mission to promote the awareness and the strategies linked to sustainable investments, with the aim to encourage the integration of environmental, social and governance criteria into financial products and processes.
UK SIF	Member of UKSIF, which is the UK's network for sustainable and responsible financial services.
EVPA	Member of the European Venture Philanthropy Association (EVPA), an initiative with gathers organizations interested in or practicing venture philanthropy (VP) and social investment (SI) across Europe.
Sustainable Finance Fora, FRANCE	
SRI Label Committee	The SRI Label is a French investment label that provides savers and investors with a greater level of clarity on socially responsible investment funds. The committee is in charge of assuring the well functioning of the label and its evolution.
Paris EUROPLACE Finance For Tomorrow	Member of Finance for Tomorrow. Paris Europlace is a French association whose objective is to promote and develop Paris as an international center of finance. Through the "Paris Green and Sustainable Finance Initiative", the group is actively working to promote the development of sustainable finance in France.
FIR	Member of the French Social Investment Forum ("Forum français de l'Investissement Socialement Responsable"). Mirova participates on the board of the FIR (Vice-President) as well as the research committee.
AFG	Member of the Association Française de la Gestion Financière, which brings together players in the French asset management industry and promotes their interests. The association is also dedicated to the promotion of ESG issues through the work of a dedicated committee, of which Mirova is a member.
FINANSOL	Member of Finansol, an association that works with the promotion, defense and analysis of solidarity finance in France.
Green Bonds	
ICMA - GBP	Member of the Green Bond Principles. Mirova participates in the Executive Committee of the group and co-chairs the working group on Social Bonds. Mirova is also part of the Impact Indicators working group.
CBI	Member of the Climate Bonds Initiative, an organization that seeks to develop the green bond market in order to reduce the cost of capital for projects fighting climate change.
Non-listed Investments	
GRESB	Member of the Global Real Estate Sustainability Benchmark, a global association that provides members with extra-financial data in order to properly assess real estate and infrastructure assets.



France Invest	Mirova is a member of the Association Française des Investisseurs pour la Croissance, which is a group that connects French asset managers. Members of France Invest are actively engaged in financing local growth in France through investing in SMEs.
Low-Carbon Investments	
CDP	Signatory, through Natixis, of the Carbon Disclosure Project, which seeks to improve the quality of carbon/climate information disclosed by issuers.
IETA	Through its subsidiary Althelia, Mirova is a member of the International Emissions Trading Association (IETA) is a non-profit business association, established in 1999 to serve businesses engaged in market solutions to tackle climate change.
ICROA	Through its subsidiary Althelia, Mirova is a member of the International Carbon Reduction and Offset Alliance (ICROA), a non-profit organization made up of the leading carbon reduction and offset providers in the voluntary carbon market.
Insetting Platform	The platform gathers companies that share a same approach aiming at balancing the company with its ecosystem through environmental programs, transparency, a rigorous methodology and information sharing. Mirova is a member of the platform through or subsidiary Althelia.
Natural Capital & Biodiversity Initiatives	
CDC biodiversité B4B+	Member of CDC Biodiversité B4B+ Club, which seeks to co-design and experiment biodiversity impact measurement methodologies (Global Biodiversity Score).
Act4Nature	Member of Act4Nature, a European platform dedicated to the conservation of biodiversity and natural capital. Members of this platform take concrete actions to contribute to the protection of landscapes, biodiversity, soils and marine resources.
Tropical Forest Alliance	Through its subsidiary Althelia, Mirova is a member of the Tropical Forest Alliance, a multistakeholder partnership platform supporting the implementation of private-sector commitments to remove deforestation from palm oil, beef, soy, and pulp and paper from their supply chains.

Source: Mirova, 2019

5. Support for University Chair

Mirova supports a university chair on the “Theory of the Firm. Models of Governance & Collective Creation”. (Théorie de l'entreprise. Modèles de gouvernance & Création collective). This Chair is directed by Blanche Segrestin at the Centre de Gestion Scientifique at the MINES ParisTech School. The Chair's research essentially deals with a vision of the company as a collective creation and revamping models and mechanisms for fair and solidary governance. Mirova is associated with research articles published by the chair's students on governance issues. The chair added a new field of research as of October 2015: shareholder engagement.

Published studies include:

- Refonder l'entreprise (Reforming the Company) (B. Segrestin and A. Hatchuel, 2012), which received various awards including the 2013 Prix Syntec for the best work in applied management research,
- L'entreprise, point aveugle du savoir (The Company, a Blind Spot) (co-directed by B. Segrestin, B. Roger, and S. Vernac), and
- La Société à Objet Social Étendu, un nouveau statut pour l'entreprise (The Company as a Comprehensive Social Object, A New Status) (B. Segrestin, K. Levillain, S. Vernac, A. Hatchuel, 2015).

SPONSORING YALE UNIVERSITY

In 2018, Mirova began a partnership with Yale University related to sustainable finance. The aim of the initiative is to bring together three different schools: Legal, Business and Forestry and to provide investors and companies with a map of environmental “hot spots” for better environmental assessment, with a focus on data quality. As of now, three different projects have been identified:

Project 1: Measuring the environmental and social impact of companies and investments on a local scale (e.g. CO2 emissions, water use, etc.). This project includes an input/output model and a report on the resources available for mapping companies' impacts. The methodology is drawn from the Product Social Impact Life Cycle Assessment (PSILCA) and

is applied to the environmental impact. The goal is to help companies with their due diligence and the investors with their engagement activity.

Project 2: Research on the applications of machine learning and “natural language processing” in ESG analysis. This project aims to respond to the following questions: What is the impact? Is the information relevant? Is it biased?

Project 3: Undertaken in collaboration with the OECD, this project will focus on developing criteria for an index that measures how closely private equity investments align with the SDGs and will examine different investment sectors and countries.

PROMOTING OUR VISION OF SUSTAINABLE FINANCE IN THE US

Following the creation of Mirova’s US subsidiary in April 2019, Mirova has been active within the US responsible investing market by participating in conferences and sustainable finance initiatives, speaking on panels, guest speaking in universities and at company events, and more. During the year, we used our expertise within the European market to speak about our perspective and involvement in the EU Sustainable Finance Action Plan with US SIF; we used our experience integrating climate metrics into investment processes to discuss climate risks and opportunities in a variety of events; and we spoke frequently about Mirova’s investment philosophy to demonstrate what it means, in our opinion, to be a responsible investor.

Appendices

1. Individual Engagement Process

The engagement undertaken by Mirova's teams is conducted for *core* assets and for client accounts that have chosen to participate in the engagement strategy. This engagement is based on ESG assessments of issuers and/or projects and resolution analysis conducted by Mirova's responsible investment research team.

The engagement process used for companies' ESG analysis occurs in 2 separate phases: ESG assessment and dialogue. For the exercise of voting rights, the process has 3 phases: communication of the voting policy, dialogue, and resolution analysis. Mirova has also developed specific engagement processes for green and social bonds and infrastructure.

Preferred Means of Engagement

Direct dialogue is Mirova's preferred means of conducting continuous engagement. This dialogue consists of letters and emails to various contacts in the company informing them of possible improvements and actions expected on the part of the company in order to improve their ESG practices.

ESG ASSESSMENT ENGAGEMENT PROCESS

Phase 1: Assessing ESG Practices

Over the course of the year, Mirova's research team follows up with *core* companies in our portfolios regarding the quality of their ESG practices according to various sources of information, including:

- Publicly available data (annual sustainable development reports, academic research, UN reports, news outlets, etc.),
- Periodic exchanges with stakeholders (companies, unions, NGOs, the scientific community), and
- External research (financial or extra-financial brokers, extra-financial rating agencies, proxies).

This keeps our ESG opinions up-to-date, enriches our analyses of resolutions prior to exercising voting rights, and allows us to continue finding ways in which companies can improve their practices to keep up with constantly-improving standards and changes in French regulations.

Phase 2: Dialogue

When assessing ESG practices, Mirova's research team contacts the companies in question to better understand the risks they are subject to, as well as the opportunities provided by sustainable development issues. The team seeks to challenge their CSR policies and the quality of their governance practices.

At the end of these exchanges, when the CSR assessment is finalized, the analysts send a letter to the company containing their primary suggestions for improvement.

The analysts remain in constant contact with these companies, regularly meeting with their contacts to keep up with changes made and to remind them of our expectations regarding best practices. These exchanges may become public if important practices are revealed to be deficient.

This constant exchange has even made it possible for Mirova's teams to anticipate future risks and identify "complicated" situations which require focused engagement activity. ESG

assessments can be positively or negatively affected by the results of these engagement processes.

ENGAGEMENT APPROACH FOR THE EXERCISE OF VOTING RIGHTS

For Mirova and its clients' primary positions, a specific engagement strategy is implemented before general meetings to encourage companies to make progress in their practices. At the same time, the potential of previously identified opportunities for improvement is reviewed and changes in company practices are monitored.

The engagement process has 3 phases:

Phase 1: Dissemination of the Voting Policy

Before the voting season, Mirova sends its voting policy to all companies in its *core* universe. This policy includes Mirova's primary positions and those of its clients, informs companies of its voting principles, and anticipates the dialogue on subjects that will be addressed at the general meeting.

Phase 2: Dialogue

Before Mirova exercises its voting rights, its Voting and Governance division analyzes proposed resolutions and identifies the subjects that Mirova will focus its engagement efforts on, based on information from a variety of source. These sources include information published by the company, analyses by proxy and rating agencies and brokers, as well as ESG analyses conducted by the Extra-Financial Research teams.

A dialogue is then established (either by the Voting and Governance division or at the company's request) on key governance issues identified by Mirova, as well as environmental and social issues identified during the ESG assessment.

This dialogue occurs either in the form of face-to-face meetings, telephone conversations, or email exchanges. These exchanges put the Voting and Governance division in contact with various representatives, from Investor Relations managers, to legal and governance officers, to Board presidents.

Phase 3: Resolution Analysis

At the end of the dialogue process, the research team publishes a recommendation according to the extent to which the engagement goals were achieved.

- If the engagement goals were achieved, a positive voting recommendation will be issued, and the engagement process ends.
- If the goals were only partially achieved, a positive voting recommendation may be issued, and the engagement process will continue after the general meeting.
- If the engagement process did not succeed, a negative voting recommendation could be issued along with goals for more extensive engagement.

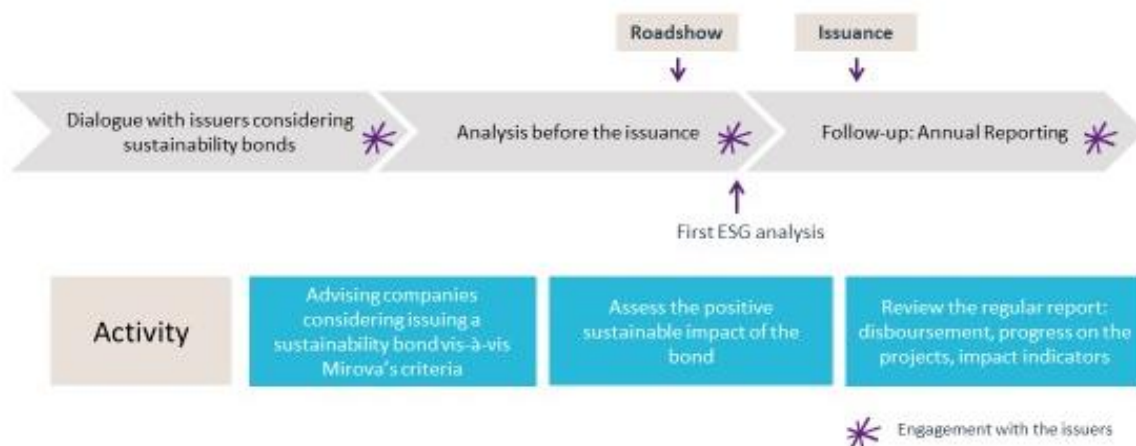
For clients that have delegated the exercise of their voting rights to Mirova, teams will determine recommendations and rules for engagement according to the voting rules established ahead of time with the client.

For clients that have delegated the execution of their voting and governance engagement policy to a proxy advisor, Mirova's teams will communicate the results of the dialogue and their voting recommendations, which may be useful to clients determining how to vote.

At the end of the process, analysts inform the companies of Mirova's vote, specify which measures taken or announced by the company were deemed satisfactory, and provide a list of key points on which to focus on improving.

ENGAGEMENT APPROACH FOR GREEN AND SOCIAL BONDS

To better structure this young market, Mirova's teams are committed to continued dialogue with current and potential green and social bond issuers.



Source: Mirova, 2019

We conduct our engagement activity in three phases:

Phase 1: Engagement with Companies Planning to Issue Sustainability Bonds

Mirova regularly participates in conferences and meetings to engage in dialogue with issuers that have yet to issue green or social bonds to encourage them to do so. For issuers with a medium-term plan to issue, Mirova encourages them to maintain high standards in terms of clarity of fund use and transparency.

Phase 2: Engagement Before/At Time of Issuance

All environmental and social bonds being considered for investment by Mirova are analyzed by the research teams. During the evaluation process, Mirova's research teams stay in contact with issuers to better understand the risks they are subject to and opportunities presented by the issuance of their bond. This is also a key time at which Mirova can encourage the issuer to improve the environmental and social quality of the bond, particularly in terms of transparency and impact reporting.

Phase 3: Engagement During Annual Reporting

As transparency is a particularly important aspect of ensuring the integrity of green and social bonds, Mirova's teams systematically review the annual reports of the bonds held in Mirova's portfolios.

ESG assessments can be influenced by the results of this engagement activity following exchanges with the issuer and a review of the reports.

2. Sustainable Development Goals

	1. End poverty in all its forms everywhere
	2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
	3. Ensure healthy lives and promote well-being for all at all ages
	4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
	5. Achieve gender equality and empower all women and girls
	6. Ensure availability and sustainable management of water and sanitation for all
	7. Ensure access to affordable, reliable, sustainable and modern energy for all
	8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
	9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
	10. Reduce inequality within and among countries
	11. Make cities and human settlements inclusive, safe, resilient and sustainable
	12. Ensure sustainable consumption and production patterns
	13. Take urgent action to combat climate change and its impacts*
	14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
	15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
	16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
	17. Strengthen the means of implementation and revitalize the global partnership for sustainable development

Source : <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

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