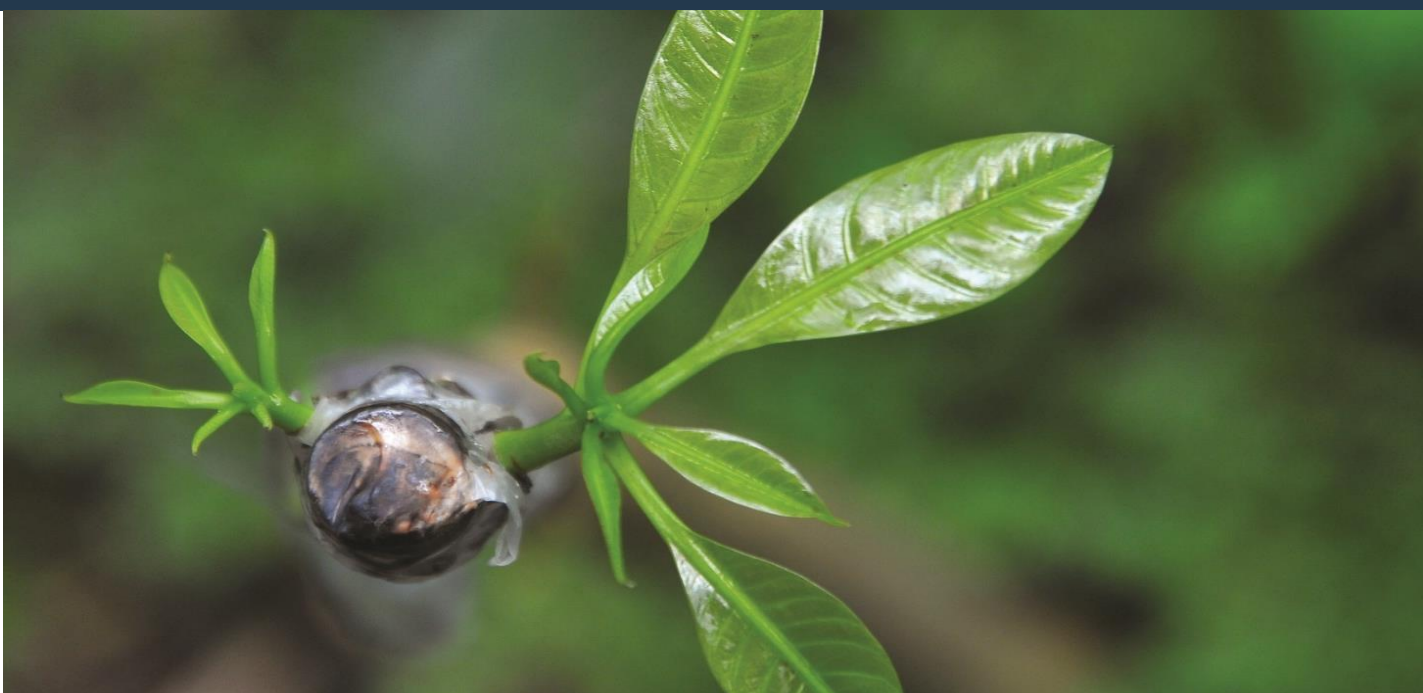


# Mirova Engagement Policy

## 2020 Priorities



April 2020

An affiliate of:



*This document presents Mirova's 2020 priorities for discussion with companies on environmental, social, and governance topics.*

As a responsible investor, Mirova believes that positive impact can be achieved both through our investment choices and by engaging in constructive dialogue with companies. To this end, we engage with companies on an ongoing basis each year. We focus on the environmental and social challenges and practices specific to each company, and their contribution to the United Nations Sustainable Development Goals (UN SDGs)<sup>1</sup>.

The COVID-19 pandemic has been a major upheaval for us all, as individuals, citizens, companies, and investors. It has severely impacted global public health, as well as our economies and societies. Over the short term, it represents an unprecedented challenge for companies' day-to-day operations, from protecting the health and financial security of their employees to rethinking their business model and the way they interact with suppliers, contractors, customers, and communities.

We thus encourage companies to make decisions in a way that does not undermine their ability to withstand the current crisis, with a focus on how value is shared among the company's various stakeholders, especially in terms of job preservation, dividend payments, and executive compensation<sup>2</sup>.

While companies must currently concentrate their efforts on responsible crisis management, the pandemic has made it clear that poor risk preparation can lead to disastrous consequences. It has brought public health risks to light, but others may be looming on the horizon: climate change, large-scale biodiversity loss, and increasing inequality, to name a few.

When the current crisis begins to subside, we encourage companies to consider the following themes as they begin recovery efforts:

- Concrete actions on the most pressing sustainable development issues: mitigating climate change, preserving biodiversity, and reducing inequalities (shared value creation, gender diversity);
- Integration of sustainability at the core of companies' governance and enhanced transparency on sustainability impacts.

We believe these themes should be addressed by all companies, irrespective of sector, size, and stage of development to contribute towards positive, long-term value creation that benefits both shareholders and the broader stakeholder community.

<sup>1</sup> Details on the key environmental and social issues identified for engagement for each sector are available on our website: <https://www.mirova.com/en/research/understand>

<sup>2</sup> These considerations are also reflected in our voting practices for 2020: <https://www.mirova.com/en/news/Mirova-calls-companies-prudent-sober-shareholder-remuneration-Covid-19>



## Climate Change

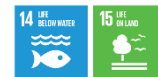


Should we fail to limit temperature rise to 2°C or less, there is global consensus that climate change will wreak havoc and lead to vast costs. To mitigate the costs and impacts of climate change, we have no choice but to reduce emissions as quickly as possible while building resilience in the areas that will be affected. Ensuring an adequate response to the climate change challenge through appropriate decarbonisation measures is an imperative for all companies.

### Actions expected:

- Implement measures to reduce the greenhouse gas emissions associated with the company's broader activities, including indirect emissions, and show a proactive approach towards increasing climate change resilience
- Measure greenhouse gas emissions using a lifecycle approach that considers both scope 3 and avoided emissions.

## Biodiversity



Scientists are unanimous: on land and at sea, the populations of undomesticated animals are declining sharply as their natural habitats are deteriorate more by the day. Despite increasing awareness around the need for sustainable land and forest management, forests are shrinking worldwide. Environmental degradation already affects human health and could ultimately threaten global food security.

It is becoming increasingly evident that a collapse in biodiversity could jeopardize economic and societal function. We thus believe that preserving biodiversity must urgently become a high-priority objective. Companies should assess the relationship between their activities and natural ecosystems and work to preserve biodiversity.

### Actions expected:

- Assess and disclose potential impacts on biodiversity (how activities affect biodiversity and ecosystems), including the type and severity of impacts
- For companies with potentially severe biodiversity impacts, define a strategy to mitigate degradation, including targets and action plans, including reporting on progress

## Shared Value Creation



As social disparities become increasingly prominent worldwide, multinational companies should increase transparency around how value is shared and distributed among all of the organisation's stakeholders. We believe that each stakeholder should be compensated fairly, no matter whether they are an employee, an executive, a shareholder, or even a public authority (through the payment of taxes). Company policies should also focus on long-term operational, social, and environmental performance.

### Actions expected:

- Disclose pay ratio between the CEO and employees
- Provide country-by-country reporting on tax payments



## Gender Diversity



Achievement of gender equality is a prerequisite for sustainable development, but there is demonstrated need for further progress. Companies have an important role to play in supporting women's empowerment in the workplace and achieving gender equality.

### Actions expected:

- Commit to increase gender diversity across the organisation by signing the UN Women Empowerment Principles.
- Adopt and disclose group-wide measures to improve gender diversity at the management and executive level.
- Report performance over time.

## Governance of Sustainability



Environmental and social challenges are now forcing companies to reassess their economic growth models. We believe that integrating sustainability into the core of a company's strategy is essential for fostering long-term value creation. As such, companies' governance structures and bodies must enable the creation of shared and sustainable value. Concretely, this means structuring governing bodies so that they represent the interests of all stakeholders and giving them broader powers.

### Actions expected:

- Create of a Sustainable Development Committee or sustainability representative at Board-level
- Integrate of sustainability criteria into the variable compensation of top executives
- Strive towards the model of a purpose-driven organization, signalling commitment to long-term shared value creation

## Measuring and Disclosing Impact



In order to accurately communicate its current situation and future plans, a company must provide transparent, relevant, and reliable information to its stakeholders. The information provided should also address social, environmental, and governance issues. In addition, we expect companies to develop measurable performance indicators of their contribution to the Sustainable Development Goals (SDGs) and disclose both the positive and negative impacts of their operations.

### Actions expected:

- Publish an audited sustainability report containing the company's extra-financial information and key metrics to enable tracking of year-on-year environmental and social performance
- Report on both positive and negative externalities



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