

Mirova Engagement Policy

2021 Priorities



March 2021

An affiliate of:



This document presents Mirova's 2021 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)¹.

One year ago, the outbreak of the COVID-19 pandemic brought unprecedented challenges for us all, as individuals, citizens, companies, and investors.

The responsibility of companies in terms of fair distribution of value has become a particularly material subject of attention and has been a strong focus of our engagement priorities. This year, we will continue to encourage companies to make decisions in a way that does not undermine their ability to withstand the current crisis both over the short and longer term, with a focus on how value is shared among the company's various stakeholders, especially in terms of job preservation, dividend payments, and executive compensation².

Beyond the immediate response to the crisis and the health consequences affecting millions of people, the pandemic and the measures taken to contain it over the last months also profoundly destabilized the functioning of our economies and societies over the long term. 2020 was marked by an explosion of social inequalities, putting at risk all the progress made in protecting vulnerable populations and thus reminding that human rights are more important than ever in times of crisis.

In line with our previous engagement priorities, 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, protecting human rights 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.

¹ 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>

² <https://www.mirova.com/en/news/Mirova-calls-companies-prudent-sober-shareholder-remuneration-Covid-19>



Climate Change

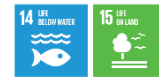


Should we fail to limit temperature rise to 2°C or less, there is global consensus that climate change will wreak havoc and lead to vast costs. To mitigate the costs and impacts of climate change, we have no choice but to reduce emissions as quickly as possible while building resilience in the areas 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
- Develop solutions to mitigate climate change
- 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 policy around shared value creation
- Disclose breakdown of value creation among stakeholders
- Provide country-by-country reporting on tax payments



Human Rights



Human rights are universal and every person around the world deserves to be treated with dignity and equality. Basic rights include freedom of speech, privacy, health, life, safety and security, as well as adequate standard of living and working conditions. The responsibility of business enterprises to respect human rights refers to internationally recognized human rights – understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.

Companies must respect human rights throughout their operations wherever they operate, act with due diligence to avoid infringing the rights of others and be able to demonstrate their efforts in this regard. This means they must address any negative human rights impacts related to their business by taking adequate measures for their prevention, mitigation and, where appropriate, remediation.

Actions expected:

- Commitment to respect human rights throughout their operations covering both their direct scope of activities and their suppliers’.
- Implement robust human rights due diligence process to identify, prevent, mitigate potential human rights violation. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings (that could include dedicated trainings, action plan followed by **internal and external** on-site audits), tracking responses, and communicating how impacts are addressed

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' 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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