Our approach to ESG assessment

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Any responsible investment approach involves looking at how issuers take into account environmental, social and governance (ESG) issues.

Whether investing in companies, local authorities, government bodies or projects, investors need to be able to understand the complexity of the sustainable development issues these players face and how each one addresses them—or fails to. At present, there is no universally accepted frame of reference for this.

Whether to encourage clear and simple reporting by issuers on their actions or to assist investors in considering these issues, no framework has yet established a standard practice, leaving the matter to individual choice. As a company dedicated to responsible investment, we have sought to develop our own approaches and methodologies to describe the links between economic actors and ESG issues. In an industry where initiatives offering assessment frameworks are multiplying rapidly, we believe it necessary to be transparent about the principles and indicators we have chosen, which guide our investment decisions and the way we report to our clients as well as other stakeholders.

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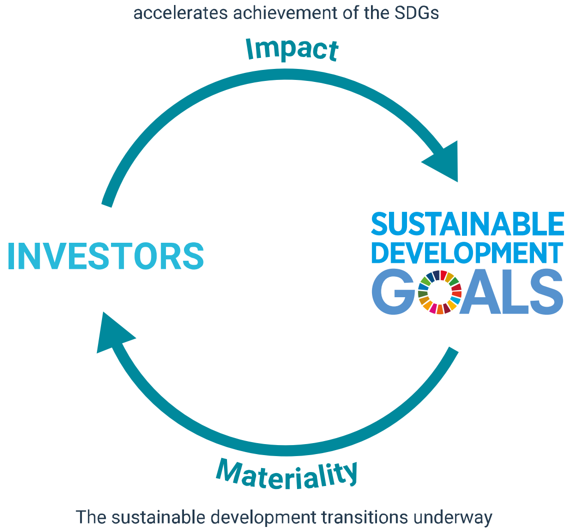
Our ESG assessment principles

Proposing an assessment method and relevant monitoring indicators for ESG issues calls first for a clearly defined framework. This raises several questions. What are the objectives subtending a responsible investment approach? How should ESG issues be defined? What methodological principles should assessments apply? What types of indicators should be used?

Financial materiality and impact

The first fundamental step for establishing an evaluation framework is framing the intention. An initial approach could involve looking at how extra-financial criteria, whether environmental, social or governance issues, are likely to influence financial performance and therefore the risk/return trade-off. In this so-called financial materiality approach, implementation of an assessment framework will focus on those ESG criteria likely to have a financial impact, regardless of their importance in achieving sustainable development goals. This attitude, which is dominant in the United States, has guided the development of many internationally recognised frameworks such as SASB[1] and the TCFD.[2]

But can we really talk about 'responsible' investment if the sole purpose of taking ESG criteria into account is to improve the financial performance of investments? Many actors, including the European Commission, deem that investors should also be concerned with assessing how their investments contribute to moving society towards a more sustainable model, even when financial materiality is low. Most extra-financial rating agencies seek to take ESG criteria into account without linking them solely to financial materiality. Private initiatives such as the GRI,[3,4] the IFC principles and the GRESB,[5] along with public initiatives such as the European Directive on Non-Financial Performance[6] subscribe to this vision.



Source: Mirova

1 Sustainability Accounting Standards Board, an initiative to better integrate sustainability issues into corporate accounting https://www.sasb.org/
2 Task Force on Climate-related Financial Disclosures, an initiative to improve the integration of climate issues into corporate and investor reporting. https://www.fsb-tcfd.org/
3 Global Reporting Initiative, an initiative to improve sustainability reporting frameworks https://www.globalreporting.org/
4 International Finance Corporation, a World Bank Group organisation whose role is to facilitate business development in developing and emerging countries
5 Global ESG Benchmark for Real Assets
6 https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32014L0095

Since Mirova's creation in 2012, we have made it a central objective to reconcile financial performance and contributions to the emergence of a more sustainable economy. In 2020, we decided to strengthen our commitment to these issues by including our environmental and social investment objectives in our articles of association.[7] Consequently, we have designed an ESG assessment framework that not only evaluates the financial consequences of ESG criteria but also seeks to report on the environmental and social impact of the assets in which we invest. This approach is consistent with the principle of 'double materiality' advocated by the European Commission.

Guided by the SDGs

Whether the goal is financial materiality or impact, taking ESG issues into account covers a very broad area that requires some clarification. For several decades now, the concept of sustainable development has gradually become a central frame of reference for both private and public entities. While the shift towards more sustainable development has given rise to varying interpretations,[8] all the countries of the world moved in 2015 to adopt a sustainable development programme presented by the United Nations. This agenda sets out 17 Sustainable Development Goals (SDGs) for the year 2030, to address critical social and environmental issues. In addition to having been adopted by all members of the United Nations, the SDGs present several advantages.

First, they set out a comprehensive framework for environmental and social issues that is applicable to all economies, regardless of their level of development. Thus, while some issues, such as ending hunger and ensuring access to water for all, are often more relevant to low- and middle-income countries, other goals, such as combating climate change and making cities safe, resilient and sustainable are applicable regardless of wealth or development. While their comprehensive nature says next to nothing about the materiality of each of the issues they address, it does provide a starting point for our analyses.

Furthermore, companies and investors can also use the SDGs as a reference framework for sustainable development issues that transcends the state level. This growing consideration of environmental and social issues by private actors illustrates the new forms of governance that are being put in place today, where the private sphere is increasingly embracing issues of 'the general good'.

And lastly, the SDGs provide investors with a framework for examining the resilience of their assets in the face of ongoing transformations. They even make it possible to go further and consider the exposure of investments to the development of new solutions and new economic models addressing these transformations. This approach is consistent with our own ambitions of not limiting our analysis to strong risk management, but rather approaching sustainable development as a source of opportunity, with a strong focus on solution providers.

For these reasons, we chose to use the SDG framework to guide our ESG assessments in 2016.

7 See: https://www.mirova.com/fr/news/mirova-devient-societe-a-mission
8 Examples include the United Nations Millennium Development Goals adopted in 2000 and the OECD Guidelines for Multinational Enterprises

GOVERNANCE, AN EXTRA-FINANCIAL ISSUE LIKE NO OTHER

The development of responsible investment is closely linked to the incorporation of ESG criteria. However, the SDGs, which are intended to cover environmental and social issues exhaustively, only partially address governance issues.

While governance can be broadly defined as a system of entities that direct an area of activity, the term is frequently used to describe various realities.

In the public sector, governance analysis generally covers issues such as the quality of leadership, public services and regulation, the level of democracy and political stability, the rule of law and the control of corruption.

In the private sector, the analysis of corporate governance can, depending on the case, refer to:

- analysis of the quality of managers, with a general focus on financial issues,

- the control and incentive arrangements relevant to management including, for example, an analysis of the quality and independence of the board, or of respect for the interests of minority shareholders,

- the consideration of subjects more explicitly linked to sustainable development issues, such as respect for business ethics, the distribution of added value or the management of environmental and social issues.

The analysis of governance thus rests on significantly different parameters depending on whether the purpose is to evaluate its influence on financial performance or on environmental and social outcomes.

FIGURE 1: THE 17 SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY	End poverty in all its forms everywhere
2 ZERO HUNGER	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls
6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
10 REDUCED INEQUALITIES	Reduce inequality within and among countries
11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts
14 LIFE BELOW WATER	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15 LIFE ON LAND	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 PEACE, JUSTICE AND STRONG INSTITUTIONS	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 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalize the global partnership for sustainable development

Source: Mirova / United Nations

Our assessment principles

Mirova has chosen to rely on the Sustainable Development Goals both in assessing the contributions of issuers to the transition to a more sustainable economy and in evaluating the financial implications of these new challenges. In order to best reflect this double materiality across the full spectrum of SDGs, we seek to respect three main principles in terms of ESG assessment.

Risk / opportunity approach	Contributions to the SDGs can be grouped in two main categories, which are often complementary. ▪ The products and services proposed by issuers may make very different contributions, positive or negative, to achieving the SDGs. ▪ As part of their sustainable development policies, issuers may deploy action plans to limit their environmental and social impacts. Taking these two aspects into account is a fundamental component of our assessments.
Life cycle view	In order to measure an asset, the analysis of environmental and social issues must consider its entire life cycle, from the extraction of raw materials to products' end of life.
Differentiated issues	Different players face vastly different challenges from one sector to another and issues can even vary significantly within a sector. Criteria for analysis must be adjusted to meet the specificities of each asset studied.

Through our engagement processes, we lobby on behalf of these key principles with issuers and public authorities to ensure that disclosure best reflects the relationship between issuers and sustainable development. However, it will be some time before we can rely directly on publicly available information. In the meantime, assessment of ESG impacts requires a great deal of estimation and conversion of the information received.

Our impact measurement frameworks

Investors have been tracking and reporting on the financial performance of their investments for several decades. In contrast, the lack of a framework for ESG issues makes monitoring and reporting on the impact of investments with respect to these criteria significantly more difficult.

In order to channel our investments towards assets that deliver positive impact and provide elements that will enhance our financial analysis, we have developed several types of indicators, both qualitative and quantitative.

Qualitative evaluations

Because the issues under consideration are both diverse and complex, we believe that assessment of the links between issuers and sustainable development must begin with a qualitative analysis. From the point of view of financial materiality, this evaluation contributes to our fundamental analysis and helps refine our determination as to the growth potential of an issuer, their risk profile and valuation.

OVERALL ASSESSMENT

At Mirova, analysis of an asset—any asset regardless of asset class—allows us to establish an overall qualitative opinion, described using a five-point scale and makes it possible for us to determine whether the asset is consistent with achieving the SDGs.[9] This assessment is conducted in accordance with our main principles and includes the risk/opportunity approach, taking into account the quality of products and services as well as the way operations are conducted, the global approach of the entire life cycle, and the differentiation approach, adapting issue selection to the specificities of each asset.[10]

As this rating scale is defined in terms of achieving the Sustainable Development Goals, no a priori distribution of overall ratings is assumed or expected. Mirova does not exclude any industry on principle and carries out an in-depth analysis of environmental and social impacts for every investment. For some sectors, this analysis may lead to the exclusion of all or some players. For example, in the energy sector, companies involved in coal and oil extraction are rated as Risk at best, while companies in the renewable energy sector are likely to be rated well, except where they fail to comply with fundamental environmental or social principles.

Mirova invests primarily in the best rated assets (Positive and Committed) and does not invest in assets with a rating below Neutral. This approach makes it possible to ensure a robust integration of sustainability risks in all investment processes and to limit the potential negative impact of these investments per the European

9 Among ESG data providers or financial players, qualitative opinions can take a variety of forms. Letter grades (e.g. CCC to AAA at MSCI, D- to A+ at ISS ESG), qualification of an opinion (Weak / Limited / Robust / Advanced at Vigeo Eiris, Negligible / Low / Medium / High / Severe at Sustainalytics). These qualitative opinions are generally accompanied by numerical scores, for example a score between 0 and 100.
10 The analysis grids adopted sector by sector are communicated in publicly available sectoral sheets. https://www.mirova.com/en/research/understand#vision

SFDR regulation.[11] It also guarantees that Mirova's strategies meet the criteria for 'significantly engaging' as defined under AMF recommendation DOC-2020-03.[12]

While this overall assessment of consistency with the SDGs forms the backbone of our ESG analyses, we have also developed assessment frameworks tailored to our various types of investments and clients.

IMPACT PILLARS

To illustrate the contribution of our investments to the primary issues of sustainable development, our 'global' assessment is broken down into six impact pillars: three related to environmental issues, three based on social issues.[13] Each pillar is assessed according to our five-point qualitative scale, from Negative to Committed.

Source: Mirova / ILG - Cambridge CISL

Social impact

BASIC NEEDS

Eradicating poverty is at the heart of the SDGs. An eminently ethical issue, it also addresses the need to promote stable societies and economic development. According to the World Bank, 9% of the world's population lived on less than USD1.90 a day in 2017.[14] The Basic Needs Pillar looks at the contributions of an asset to improving the conditions of low-income groups through provision of essential services.

More specifically, this pillar attempts to determine the extent to which the assets examined meaningfully enhance access to services such as quality food and water, health services and medicines, decent housing, education, clean energy and mobility or basic financial services.

11 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosure in the financial services sector
https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32019R2088&from=FR
12 ESG Investments - Risk and Methodological Limitations: By using ESG criteria in the investment policy, the objective of the funds concerned is in particular to better manage sustainability risk and to generate sustainable and long-term returns. ESG criteria can be generated using proprietary models, third party models and data or a combination of both. The evaluation criteria may evolve over time or vary depending on the sector or industry in which the issuer concerned operates. The application of ESG criteria to the investment process may lead Mirova to invest in or exclude securities for non-financial reasons, regardless of the market opportunities available. ESG data received from third parties may be incomplete, inaccurate or unavailable from time to time. As a result, there is a risk that Mirova may incorrectly assess a security or issuer, resulting in the incorrect direct or indirect inclusion or exclusion of a security in a fund's portfolio.
13 This segmentation of sustainability issues into 6 pillars is based on the work of the Investment Leaders Group (ILG) within the Cambridge Institute for Sustainability Leadership (CISL)
See https://www.cisl.cam.ac.uk/publications/publication-pdfs/impact-report.pdf
14 https://www.worldbank.org/en/topic/poverty/overview.

DECENT WORK

According to the International Labour Organisation, more than 5% of the world's population is unemployed and almost 40% of workers are in vulnerable employment.[15] The SDGs place a strong emphasis on job creation, to ensure everyone is able to earn a decent income while working under conditions guaranteeing safety and personal fulfilment. Issues of discrimination are also a major focus.

This pillar therefore comprises two dimensions. In addition to the number of jobs created it looks at the characteristics of these jobs, such as remuneration, job security, working conditions and equality of opportunities. Contributions to quality jobs can be direct and concern jobs generated within the perimeter of the entity being evaluated, or they may be indirect, taking into account employment in the issuer's ecosystem, especially its supply chain.

WELLNESS

In recent decades, the world's population has made considerable progress in certain areas, for example in increasing life expectancy or access to knowledge and culture. But there remains much to be done. Combating diarrhoeal diseases, respiratory infections, malaria, cancer, AIDS, cardiovascular diseases, diabetes and neurodegenerative diseases remain topics for further research. Improving people's health and avoiding accidents also requires better nutrition, healthier lifestyles and safety innovations. Furthermore, maintaining our societies in a dynamic state of progress calls for increasing investment in the knowledge economy. The SDGs thus value contributions improvements to quality of life.

Specifically, this pillar seeks to capture the extent to which the entity assessed contributes to a transition towards better nutrition and health, to innovation in health, to the development of a better level of education or to progress in personal safety.

FOCUS ON INEQUALITIES

Whether income inequality, discrimination against minorities or gender equality, we address issues of inequality transversally, as each of our three social pillars is likely to address these issues in part.

Additionally, we pay particular attention in our analyses to issues of income distribution among different stakeholders and to tax optimisation strategies. Our voting policy especially places a strong emphasis on these issues as regards voting on executive compensation and dividend policies.

15 https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_734455.pdf

Environmental impact

CLIMATE STABILITY

Greenhouse gases (GHG) generated by human activities have serious repercussions for the climate. The SDGs have established immediate emissions reductions as critical to limit the rise in global temperatures to well below 2°C, and thereby avoid the most serious consequences of climate change.

Achieving this goal requires that we profoundly alter the structure of our economies.[16]

- Changing our relationship with energy, which accounts for close to two thirds of GHG emissions. Achieving this transformation entails major changes in most sectors: electricity production, transport, construction, industry, etc.
- Combating deforestation, which, by eliminating carbon 'sinks', is responsible for almost 20% of climate change.
- Rethinking our agricultural production methods and our consumption of meat, together responsible for about 15% of GHG emissions.

This pillar rewards approaches in line with this framework, either by reducing life-cycle emissions or, more importantly, by developing green solutions.

HEALTHY ECOSYSTEMS

In addition to greenhouse gas emissions, human activity generates waste and releases pollution into in the air, water and soil that have a lasting effect on animal and plant species. The number of premature deaths worldwide caused by outdoor air pollution in urban and rural areas is estimated at 4.2 million (WHO, 2018). Over 80% of the world's wastewater is discharged untreated into the environment. At the current rate, the ocean could contain more plastics than fish by 2050 (Macarthur, 2016). Some 52% of land used for agriculture is affected by some form of land degradation.[17] To confront these challenges, several of the SDGs seek to address the increasing degradation of our ecosystems.

This pillar therefore rewards activities that help limit the various forms of pollution and actors offering solutions to these challenges, for example in the areas of water treatment, clean energy or the development of regenerative agriculture.

RESOURCE SECURITY

In a world where a growing population aspires to an ever higher standard of living, the pressure on natural resources is increasing rapidly. Water stress affects a quarter of all humanity.[18] Between 1990 and 2016, the world's forests lost more than 100 billion hectares.[19] Every year, land degradation affects an area equal to half of Great Britain.[20] Whether our water resources, land, forests, fish populations or mineral deposits, the SDGs encourage us to develop a more circular approach to our economies in order to preserve these resources and limit polluting emissions.

The resource security pillar seeks to capture initiatives that address these issues, as for instance by combating deforestation, sustainable farming and fishing practices, eco-design or the recycling and recovery of waste.

16 http://cait.wri.org/
17 https://www.unccd.int/publications/land-degradation-neutrality-interventions-foster-gender-equality
18 https://www.wri.org/blog/2019/08/17-countries-home-one-quarter-world-population-face-extremely-high-water-stress
19 http://www.fao.org/state-of-forests/en/
20 https://www.unccd.int/actions/united-nations-decade-deserts-2010-2020-and-fight-against-desertification

FOCUS ON BIODIVERSITY

Headlines announcing the decline in biodiversity are becoming increasingly frequent. Since 1970, vertebrate populations have fallen by 60%. Almost 40% of freshwater fish are threatened with extinction. The planet is losing 12 million hectares of rainforest each year. More than 35% of wetlands have disappeared in the last 40 years.[21] Global figures aside, many areas of exceptional biodiversity richness, such as the primary forests of South East Asia or the Great Barrier Reef in Australia, are increasingly at risk. This collapse raises both ethical questions about respect for life and economic questions, as our societies rely heavily on the various services provided by natural ecosystems.

The causes of this collapse are hardly a secret. Our agricultural practices, by monopolising the soil and emitting a range of pollutants, are by far the main cause of biodiversity loss. The fragmentation of ecosystems, climate change and, more broadly, the widespread if diffuse impacts of polluting waste from our various industries also contribute significantly to this erosion of life. It follows that biodiversity issues are at the intersection of our three environmental impact pillars.

Quantitative indicators

In order to enhance our investment decisions, as well as our monitoring and reporting on the environmental and social performance of our assets, we rely on quantitative indicators as a complement to our qualitative views.[22] We monitor these indicators at several levels.

- At the level of the invested assets, we use them as parameters in the investment decision process and as a basis for follow-up exchanges with management after investment. Indicators are tailored to reflect the specificities of each asset.
- At the portfolio level, to ensure the alignment and performance of invested assets with respect to the ambitions of a given fund.
- Consolidated at the asset class level, these indicators illustrate the consistency and impact of Mirova's overall roadmap.

These indicators can take several forms.

- **'Physical' indicators.** Quantification of certain key monitoring indicators expressed in physical units. e.g. tons of CO_2, number of jobs created, share of women in management positions.
- **Level of exposure.** How much of the investments or market indices are exposed to certain issues. e.g. share of investments offering solutions to climate issues or exposure to controversial human rights issues.

21 https://livingplanet.panda.org/en-us/
22 These quantitative indicators, while they may seem less subjective than qualitative opinions, are no substitute for the latter. A quantitative indicator can never reflect a company's entire strategy. An increase in a company's CO_2 emissions may, for example, reflect a deterioration in the company's climate performance, but it may also mask more complex realities: integration of a previously subcontracted activity, launch of new activities that avoid emissions elsewhere in the supply chain, etc.
Furthermore, even if certain quantitative indicators are sufficient to reflect the performance of an asset on an impact issue, the aggregation of different quantitative indicators necessarily involves a subjective stage of defining the aggregation methods. Whether converting impact indicators into scores, setting up weighting systems or using thresholds, all these choices are based on qualitative assessments for which there is no consensus.

LISTED INVESTMENTS

The principal physical monitoring indicators for our listed assets are related to climate change, employment trends and gender diversity. We also report green asset exposure indicators on some of our strategies.

Physical indicators

Many physical indicators are monitored at the company level. From the carbon intensity of the electricity mix for electricity producers, to the quantity of waste produced or the number of social audits carried out, these indicators are adapted to the specificities of each asset.[23] However, a certain number of indicators are monitored across the board so that they can be consolidated at the portfolio or asset class level.

CLIMATE CHANGE

In order to assess the climate performance of our investments, we rely on two main indicators relevant to combating climate change.

- **Emissions 'induced'** by the life cycle of a company's activities, taking into account both direct emissions and those of suppliers and products.
- **Emissions 'avoided'** through energy efficiency improvements or 'green' solutions.

Each company is first assessed individually according to a framework adapted to each sector. To avoid double counting, emissions are restated before being aggregated at the portfolio level. These aggregate emissions are used to determine a portfolio's alignment with different climate scenarios, ranging from a global temperature increase of +1.5°C to +6°C.

EMPLOYMENT

As part of several of our strategies, we closely follow portfolio companies' job creation in France. This tracking is carried out internally on the basis of data collected from the companies for this purpose. At this stage, monitoring is limited to a review of job creation within the company's immediate scope.[24]

For the other strategies, an indicator of staffing trends is provided based on the staffing levels companies report. Although not as precise as an indicator specifically for monitoring job creation, it can be used to illustrate the dynamics of employment at the portfolio level.

DIVERSITY

In order to monitor changes in the place and opportunities for promotion of women at listed companies, we monitor the share of women at different levels of the company: Executive Committee, Board of Directors, Management, Workforce.

Exposure monitoring

In addition to the 'physical' indicators, several indicators of exposure to environmental and social issues are specifically monitored at the portfolio level.

GREEN SHARE / SOCIAL IMPACT PRODUCTS

The main indicator for monitoring the level of exposure is share turnover contributed by products and services that have a positive environmental impact. Tracking is carried out using several benchmarks.

- For our strategies certified under the French Greenfin[25] label, we apply the criteria of the label to assess the green share of investments.
- For our bond strategies, we apply an internal benchmark based on the requirements of the Green Bond Principles.

23 The indicators selected sector by sector are communicated in the sector sheets. https://www.mirova.com/fr/recherche/comprendre#vision
24 Our approach to monitoring job creation in France is the subject of a separate publication. https://www.mirova.com/sites/default/files/2020-11/Rapport_impact_IED_2020_VF-revueNIMI_1.pdf
25 https://www.ecologie.gouv.fr/label-greenfin

HUMAN RIGHTS CONTROVERSIES

While our qualitative analysis fully incorporates monitoring of any environmental or social controversies, some regulatory frameworks such as the SRI label in France require a separate disclosure on the number of human rights controversies encountered.

UNLISTED INVESTMENTS

For non-listed investments, our teams monitor a series of physical indicators in addition to qualitative analysis.

Climate change	▪ Avoided or sequestered CO_2 emissions eligible for carbon credits ▪ CO_2 avoided through renewable energy production
Ecosystems	▪ Hectares under conservation or restoration ▪ Hectares under productive sustainable management
Employment	▪ Number of direct jobs generated or supported by the projects ▪ Number of direct beneficiaries of the project beyond employees
Inclusion	▪ Employment ratios for women and men

Although ESG assessment has gained momentum over the past two decades, we are still a long way from seeing the emergence of standards that are recognised and adopted by both non-financial companies and financial sector players. In the meantime, investors need to be responsive and innovative in order to report effectively on the ways in which they take sustainability into account.

Since Mirova's creation, we have invested in both internal skills and external partnerships to work through these issues, which are fundamental to our approach to analysis and investment. Yet we still have a long way to go. Over the coming years, we intend to continue investing in, innovating for and contributing to the emergence of market standards. We believe wholeheartedly that establishing relevant and shared assessment systems is a crucial step towards a more sustainable economy.

Appendix: Data & Sourcing

Qualitative evaluations

Qualitative assessments of the assets in Mirova's portfolios are carried out by the internal sustainability research team.

For listed assets, most non-portfolio assessments are delegated to our data provider, ISS-ESG,[26] which provides us dedicated analysis applying our valuation principles. These non-portfolio analyses allow us to compare the ESG performance of our portfolio assets to market indices.

For unlisted assets, most qualitative assessments are carried out by our in-house teams. For specific technical issues, we regularly bring in specialist expertise.

Quantitative evaluations

LISTED ASSETS

Physical indicators	Climate change	The assessment of CO_2 emissions is fully delegated to our service provider Carbon4Finance.[27] The methodology for aligning our portfolios with various climate scenarios is based on internal work.[28]
	Employment	Internal monitoring for job creation in France for companies included in our 'Employment France' strategy Data on global workforce provided by companies
	Diversity	Diversity data is supplied by our service provider ISS-ESG
Exposure monitoring	Green share / products with social impact	In-house monitoring
	Human Rights Controversies	Monitoring carried out on the basis of information provided by our service provider ISS-ESG

UNLISTED ASSETS

Quantitative indicators relevant to our unlisted assets are monitored entirely in-house on the basis of information provided by our project sponsors.

26 https://www.issgovernance.com/esg/
27 See: http://www.carbon4finance.com/transition-risks-and-avoided-emissions/
28 Our comprehensive methodology for assessing the climate performance of investments is the subject of a specific publication. https://www.mirova.com/sites/default/files/2019-12/12112019CarbonScenarioAlignment.pdf

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