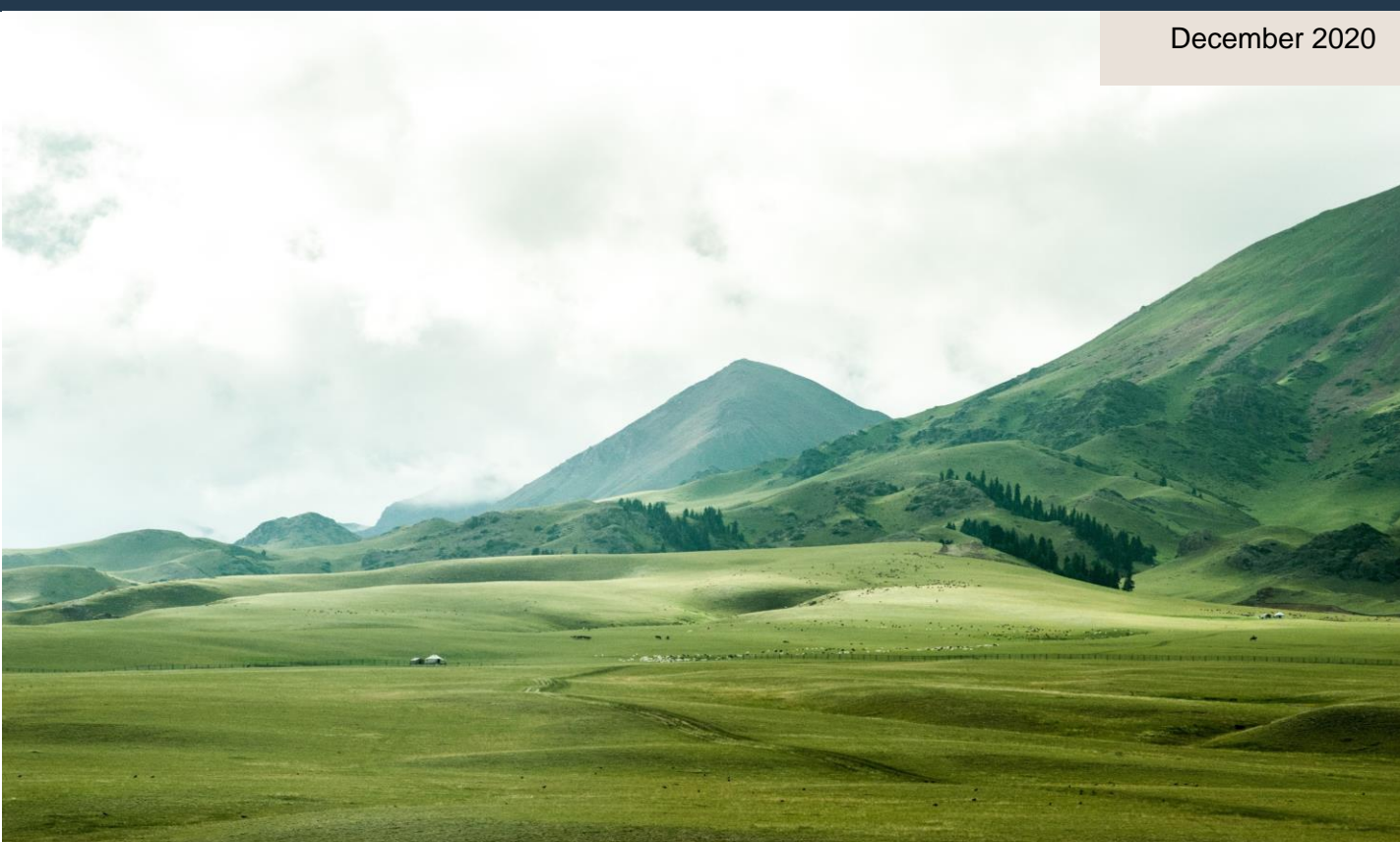


Transparency Code

Bond Funds

December 2020

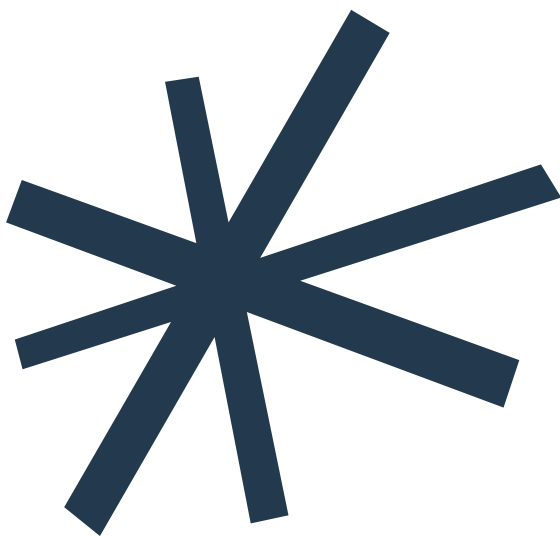


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An affiliate of:



NATIXIS
INVESTMENT MANAGERS



Declaration of commitment

Socially Responsible Investment (SRI) is an essential part of the strategic positioning and management of Mirova's funds. At the core of Mirova's strategy is the consideration of the challenges of a sustainable economy in order to propose solutions that benefit not only investors, but all stakeholders in society, offering a long-term outlook.

This is Mirova's eighth adherence to the Code, covering the period from January to December 2019. Mirova's exhaustive answers to the SRI Transparency Code can be consulted below and are detailed in the annual report of each of its SRI funds, which are open to the public on its website.

Compliance with the Transparency Code

Since Mirova was founded, it has been a member of the French Asset Management Association (*Association Française de la Gestion financière* [AFG]). Mirova adheres to the Code, which covers its SRI funds that are open to the public. Moreover, the Group is committed to providing the highest degree of transparency possible with respect to the current regulatory and competitive environment in the countries in which it operates.

Finalized December 30, 2020.

We hope you enjoy reading this document.

1. Funds in scope	6
2. Our company and our SRI approach	7
3. ESG integration in our funds	13
4. Our management processes	20
5. Our ESG assessment system	23
6. Our ESG impact measurement and reporting	24
Conclusion	28
Appendix: Glossary of SRI terms	29
Legal notice	31

Our vision

Our society is facing enormous challenges, and as a result, the economy is undergoing significant transformation. At Mirova, we are convinced that finance has a key role to play in these changes.

Investing today means **understanding not only what is at stake, but also the innovations, technologies and activities that can provide sustainable solutions.**

Investing today means **being attuned to the requirements of investors in terms of profitability, risk and meaning.** Investors are increasingly seeking long-term ventures in useful and resilient projects and infrastructure, or in innovation and transformation-driven companies.

Investing today means **developing sound and ambitious financial tools to adequately respond to the transition of the world economy towards a sustainable model and to ensure its growth.**

We have constructed this overview by investing in our essential human and relationship capital. At the core of Mirova's expertise lies a multi-disciplinary team as well as our diversity, our shared conviction in our values, and our ability to collaborate with outside experts.

We are convinced of the strength of our value proposition: that of an asset manager investing in sustainability. At Mirova, we connect abundant capital and savings with the immense need for investment in a sustainable economy by leveraging ambitious financial solutions to seek long-term performance.

Mirova's teams are proud to be recognized as the most innovative and efficient, upholding the highest standards in their field of expertise. They are also proud to work on a shared project—our company. It is young, creative, fully engaged in its ecosystem and connected with our times.








“

The world of finance must meet the challenges of the society we live in and accelerate transformation towards a more sustainable model.”

Philippe Zaouati
Mirova CEO

1. Funds in scope¹

Fund	Labels	Major asset classes	AuM as of 31/12/2020	Dominant and complementary strategies	Exclusions applied
Impact ES Oblig Euro		Bonds and other debt securities denominated in euros	€1,598.6m	Dominant strategies → SRI themes → Best in universe Complementary strategies → Engagement → Exclusion	→ Arms → Coal → Unconventional fossil fuel resources → Global Compact → Tobacco → Other policies
Mirova Euro Green & Sustainable Bond Fund and its feeder fund, Mirova Obli Euro		Bonds and other debt securities denominated in euros	€624.6m		
Mirova Euro Green & Sustainable Corporate Bond Fund		Bonds and other debt securities denominated in euros	€366.7m		
Mirova Global Green Bond Fund		Bonds and other debt securities denominated in euros	€542.4m		
Mirova Euro Sustainable Bond Fund		Bonds and other debt securities denominated in euros	€63.1m		

Note:

- A *feeder fund* invests at least 85% of its assets in its master fund. As a result, the feeder fund has the same management policy as the master fund, which invests directly in financial markets.
- To learn more about applied exclusions: [Controversial activities](#)
- The following funds are managed by Natixis Investment Managers International (NIMI), which delegated financial management to Mirova:
 - Mirova Euro Green & Sustainable Bond Fund
 - Mirova Euro Green & Sustainable Corporate Bond Fund
 - Mirova Obli Euro
 - Mirova Global Green Bond Fund
 - Mirova Euro Sustainable Bond Fund

¹ The funds mentioned in this document have received the approval of the French Financial Markets Authority (AMF) and the Luxembourg *Commission de Surveillance du Secteur Financier* (CSSF). For further information, please refer to the prospectus or the funds' Key Information Investor Document (KIID), available on request from Mirova or via the website www.mirova.com. These documents provide the source of information regarding these funds. They contain important information focused on their investment objectives, their strategy for achieving those objectives and the main investment-related risks in these funds. They also contain information on commission, fees and historical fund performance. The funds may be subject to restrictions with respect to certain persons or in certain countries under national regulations applicable to such persons or in such countries. Each investor must ensure they are authorized to invest in the funds. Investment in the funds is subject to a risk of capital loss. Reference to a ranking, a price and/or a label does not indicate the future performance of the fund.



2. Our company and our SRI approach

2.1 Asset management company

Mirova is a conviction-based asset management firm dedicated to sustainable investment. Our operations are authorized and regulated by the French Financial Markets Authority (*Autorité des Marchés Financiers* [AMF]) - RCS Paris no. 394 648 216 - AMF authorization no. GP 02-014.

Our offices are located at: 59, Avenue Pierre Mendes France, 75013 Paris.

We also conduct business activities in the United States through Mirova US, located in Boston.

Mirova is an affiliate of Natixis Investment Managers.

Some funds are managed by Natixis Investment Managers International (NIMI), which has delegated financial management to Mirova (see list above).

Website: <https://www.mirova.com/en>

2.2 History²

Mirova was founded in 2012 as a business unit of Ostrum AM. It draws on more than 30 years of experience in responsible investment (RI), thanks to the launch of the first SRI fund by Ixis in 1984, which became the Mirova Global Green Bond Fund.

Mirova has operated as an independent asset management company since January 1, 2014. It is an affiliate of Natixis Investment Managers.

Mirova has since accelerated its growth through:

- Developing new strategies for all of its activities;
- Launching its first US fund, resulting in the creation of its Mirova US subsidiary in 2019.

Securing a positioning in a new asset class as of 2017: Natural Capital.



2- Previously Natixis AM 3- Mirova is an affiliate of Natixis Investment Managers based in Paris.

4- Until March 28, 2019, Mirova was operated in the US through Ostrum Asset Management U.S., LLC (Ostrum AM U.S.), an investment advisor based in the US. 5- Since March 29, 2019, Mirova

US LLC is a U.S.- based investment advisor that is a wholly owned affiliate of Mirova. Mirova is operated in the U.S. through Mirova US. Mirova US and Mirova entered into an agreement whereby Mirova provides Mirova US investment and research expertise, which Mirova then combines with its own expertise when providing advice to clients. Mirova US LLC had \$4,96 billion assets under management as of 31st December 2020. Source: Mirova, as of 31st December 2020



2.3 Mirova: a responsible investor

In setting out our responsible investment approach, as of 2016 we have used the United Nations' Sustainable Development Goals (SDGs) as a frame of reference.

Since September 2015, all world nations have adopted a sustainable development program proposed by the United Nations, following the Millennium Development Goals initiated in 2000. This fixed agenda for 2030 includes 17 Sustainable Development Goals (SDGs), broken down into 169 targets designed to address the most pressing social and environmental issues.

 <p>1 NO POVERTY</p>	End poverty in all its forms everywhere.	 <p>10 REDUCED INEQUALITIES</p>	Reduce income inequality within and between countries.
 <p>2 ZERO HUNGER</p>	End world hunger, achieve food security and improved nutrition, and promote sustainable agriculture.	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Make cities and human settlements inclusive, safe, resilient, and sustainable.
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Work to ensure lifelong health and well-being for all at all ages.	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Establish sustainable consumption and production patterns.
 <p>4 QUALITY EDUCATION</p>	Ensure inclusive, equitable and quality education, and promote lifelong learning opportunities for all.	 <p>13 CLIMATE ACTION</p>	Take urgent action to combat climate change and its impacts.
 <p>5 GENDER EQUALITY</p>	Achieve gender equality and empower all women and girls.	 <p>14 LIFE BELOW WATER</p>	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
 <p>6 CLEAN WATER AND SANITATION</p>	Ensure availability and sustainable management of water and sanitation for all.	 <p>15 LIFE ON LAND</p>	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and end biodiversity loss.
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	Ensure access to affordable, reliable, sustainable and modern energy for all.	 <p>16 PEACE AND JUSTICE</p>	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	 <p>17 PARTNERSHIPS FOR THE GOALS</p>	Strengthen as well as revitalize the means of implementation of the global partnership for sustainable development.
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.		

Source: United Nations

This SDG-based approach is perfectly in line with the mission Mirova set itself when it was created:

- Setting out a comprehensive framework on environmental and social issues applicable to all economies, regardless of their level of development.
- Applying a frame of reference on sustainable development issues, not only by governments but also by companies and investors, with a focus on new forms of governance that prioritize issues of “general interest”.
- Fostering reflection on the exposure of investments to the development of new solutions and new economic models.

Our approach uses several strategic pillars:

- Acting as a responsible investor in fulfillment of [article 173](#) of the French energy transition law.
- [Voting](#): acting as responsible shareholders through the exercise of voting rights based on guidelines advocating a partnership governance model. Through such a model, we make the issues of corporate social responsibility the key focus of voting principles.
- [Engagement](#): establishing a dialogue with issuers and public authorities on the achievement of the SDGs.

2.4 Managing ESG opportunities and risks

As an asset management company dedicated to sustainable investment, **ESG risks and opportunities are factored into all our investment decisions.**

Our approach leverages an in-house ESG analysis methodology that seeks to assess all our investment decisions:

- Measuring the impact of products, services and projects on achieving the SDGs;
- Conducting ESG risk management, reviewing issuers’ adopted policies and monitoring potentially controversial practices.

We review these factors by gaining an understanding of the impact(s) on the company’s direct scope and its entire value chain, from the extraction of raw materials to the end of life cycle phases. Our assessment of sustainable development issues is adapted to the specificities of each asset analyzed.

Using these analyses, we direct our investments towards the most relevant themes, combining financial value creation with impact investing. Poorly rated issuers are systematically excluded from our investment universes. Furthermore, for all our asset classes, we seek



to direct our investment choices as much as possible towards the best-valued issuers.

These analyses fully integrate climate change-specific risks and opportunities. We do not invest in assets that contribute significantly to climate change, such as coal or oil extraction and coal-dominated power generation activities. Across all our asset classes, we strive to strengthen our investment in assets that promote a low-carbon economy through renewable energy and energy efficiency initiatives.

Transition risks aside, we also seek to assess the impact of ongoing climate change on the sustainability of our assets' economic models. We incorporate these climate change-related physical risks into our investment decisions.

Finally, for all of its investments, Mirova aims to offer portfolios that are coherent with a climate trajectory below 2°C as defined in the 2015 Paris agreements, and systematically presents the carbon impact of its investments (excluding Social impact and Natural Capital funds), calculated using a proprietary methodology that can include biases. This scenario would prevent the catastrophic consequences of climate change. It also implies large reductions in greenhouse gas (GHG) emissions in the coming decades.

All our assets under management (AuM) that are eligible for a French SRI³ label have received one. We also have three GreenFin⁴ label strategies: an Equity strategy, a Bond strategy and an Infrastructure strategy.

2.5 Committed teams

Mirova is an asset management company fully dedicated to responsible investment, and mainly comprises management teams and analysts. The support functions key to managing and developing strategies are integrated in Mirova's structure (Legal, Permanent Control and Risks, Development and Operations). Mirova's teams strive to be the most innovative and efficient, and to uphold the highest standards in their field of expertise. [Meet our teams](#)

³ Reference to a ranking, a label and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager.

⁴ Reference to a ranking, a label and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager.

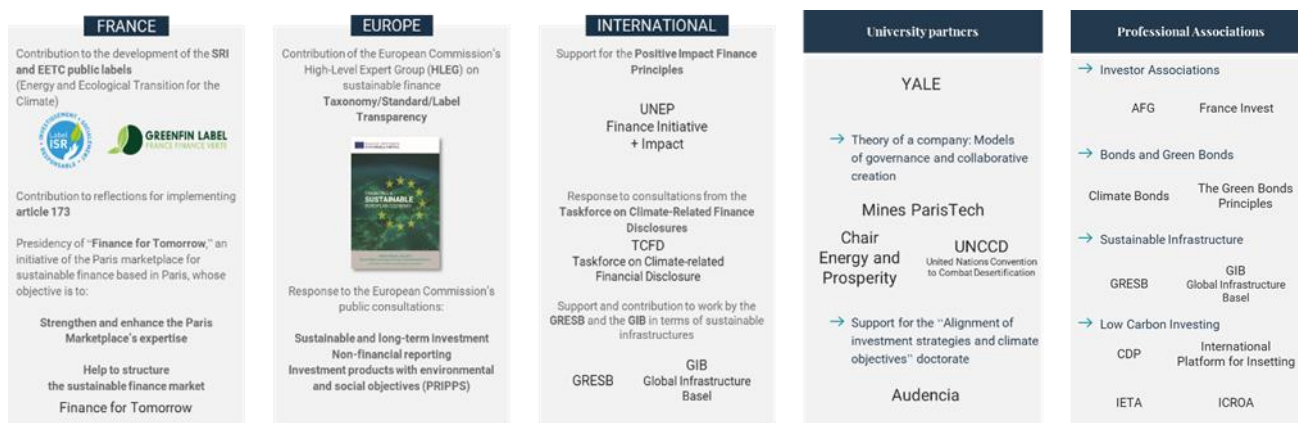


2.6 Our organization⁵

Teams	RI/ ESG research	Equity management	Rate management	Diversified fund management
No. of permanent employees	12 ESG analysts	13 Asset Managers 1 Project Lead 2 Financial Analysts	1 Portfolio Management Leader 4 Asset Managers	1 Diversified Fund Manager working with all Equities and Rates teams
Tasks	<ul style="list-style-type: none"> - Clarify sustainable development issues and their impacts - Rate issuers and projects on ESG issues - Vote on resolutions and interact with companies - Provide transparency 	Define, monitor and implement conviction-driven management processes that seek to combine optimized performance with a positive impact on society and the environment		

2.7 Our initiatives⁶

Mirova participates in the work and discussions of various international and professional organizations.



*via Mirova's subsidiaries **via Natixis

2.8 SRI AuM

"€19.6 billion as of December 31, 2020⁷

The total SRI assets under management of Mirova and its affiliates as of December 31, 2020 stand at €19.6 billion (Source: Mirova).

⁵ Includes US teams.

The information provided reflects Mirova's opinion / the situation as of the date of this document and is subject to change without notice. Source: Mirova as of 31/12/2020

⁶ The information provided reflects the situation as of the date of this document and is subject to change without notice.

⁷ Source: Mirova as of 31/12/2020



2.9 SRI AuM outstanding in total AuM

“100% of AuM are SRI⁸

All of our strategies are managed through an SRI approach. Consequently, 100% of assets under management outstanding systematically integrate ESG criteria.

Furthermore, all funds consistent with the specifications of the French SRI label benefit from this label⁹.

2.10 Access our funds

All information pertaining to our funds that are open to the public is available on Mirova's [website](#).

⁸ Reference to a ranking, a label and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager. Created by the French Ministry of Finance in early 2016, with the support of Asset Management professionals, the public “Investissement Socialement Responsable” (ISR) Label aims at giving Socially Responsible Investment (SRI) management an extra visibility with savers. It will make easier for investors to identify financial products integrating Environmental, Social, and Governance (ESG) criteria into their investment process. Methodology available on www.lelabelisr.fr (only in French).

⁹ The elements communicated reflect Mirova's opinion/situation as of the date of this document, and are subject to change without notice. Source: Mirova as of 31/12//2020



3. ESG integration in our funds

3.1 Objectives

We are convinced that finance is a powerful tool for leveraging accelerated growth towards a sustainable economic model. We invest in companies with a strong position as regards long-term challenges, offering attractive valuation potential.

We aim to reconcile financial performance with an environmental and social impact. We seek to:

- **Deliver above-market performance**
- **Align our portfolios with a 2°C scenario¹⁰**
- **Ensure our portfolios achieve a positive environmental and social impact.**

To achieve these objectives, we have established an assessment methodology that seeks to capture the overall level of adequacy of each asset with the achievement of the SDGs. From our standpoint, this approach provides a relevant overview of two aspects:

- **“Materiality”**: how the current transitions are likely to positively or negatively affect the economic models of the assets financed.
- **“Impact”**: how investors can play a role in the emergence of a more sustainable economy. “Materiality” and “Impact.”



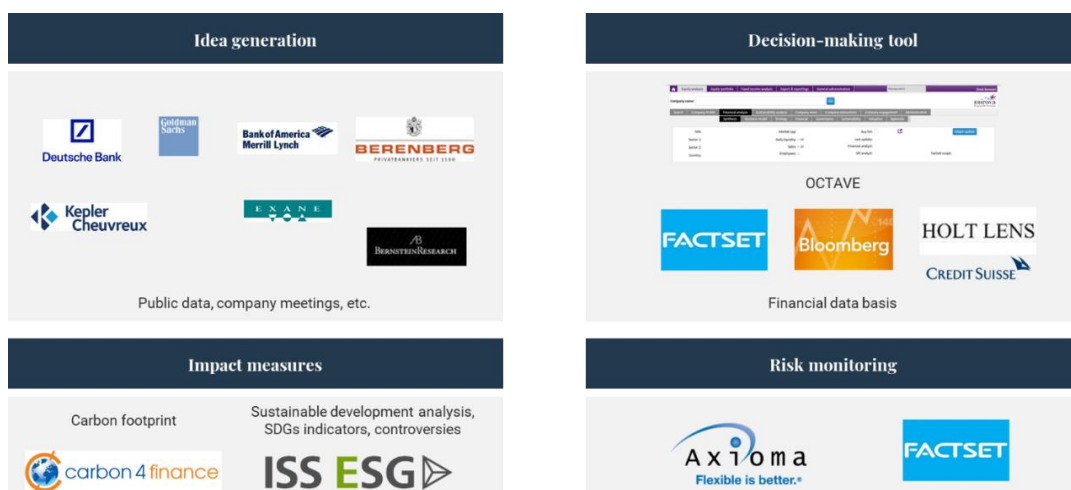
3.2 ESG assessment: Internal and external means

Mirova has a **team of 10 analysts dedicated to ESG research, voting, and engagement**. Our team also uses various external information sources (see diagram below)¹¹. In certain cases, Mirova may have recourse to external service providers (such as ISS-ESG) to carry out analyses exclusively using the ESG research methodology developed by Mirova. The studies produced by this dedicated team cover a wide range of genres, from in-depth quantitative studies mainly on sustainability themes to rating issuers on ESG criteria to voting policies and voting and engagement reports.

¹⁰ Internal limits non-binding at the date of this document and not mentioned in the sub-fund regulatory documentation, subject to change by Mirova without prior notice.

¹¹ The information provided reflects the situation as of the date of this document and is subject to change without notice.





The elements communicated reflect Mirova's situation at the time of drafting this document and are subject to change without notice.

3.3 ESG principles and criteria

Mirova has developed its own ESG analysis criteria methodology based on **four main principles**.

A risk/opportunity approach

Achieving the SDGs involves the consideration of two factors, which can often complement each other.

- Seizing opportunities: positioning on technological and societal innovation when it becomes pivotal to an economic project makes it possible for companies to seize successful SDG-related opportunities.
- Managing risks: a "re-internalization of social and environmental externalities". This often entails management of widespread sustainable development issues, limiting the risks involved in achieving the SDGs.

This analytical structure, which gives equal importance to opportunities and risks, is our first prism through which we can interpret sustainable development issues. To reach the sustainable investment objective set, all investments picked are the object of in-depth analysis in terms of sustainable development and governance. This analysis is undertaken by the Research team (identification of sustainable opportunities, assessment of the issuer's ESG practices, votes and commitments, ESG research and sustainability opinion). Each sustainable development opinion contains an analysis of the significant opportunities and risks facing a company/project.

The sustainable development research team has developed an internal research methodology. This methodology serves to assess the problems on a qualitative sustainability scale used to define the strategy's investment universe (integration of risks) and to assess the

level of contribution to the SDGs and the main negative impacts on the sustainability of all investments in all portfolios, in accordance with the Sustainable Finance Disclosure Regulation (SFDR).

A bird's eye view of the entire life cycle

In order to identify the issues likely to have an impact on an asset, the analysis of environmental and social issues requires consideration of the entire life cycle of products and services, from the extraction of raw materials to the end of life cycle phases. For instance, if in the textile sector there is a strong focus on working conditions among suppliers, there will be more emphasis on the issue of energy consumption when using products in the automotive industry.

Targeted and differentiated issues

Our risk and opportunity analysis seeks to focus on the issues most likely to actually impact both the assets under consideration and society as a whole. Moreover, the challenges faced by various economic actors differ greatly from one sector to another, and may even differ significantly within the same sector¹².

Our analysis approaches concentrate on a limited number of issues adapted to the specificities of each asset studied.

Qualitative rating scale:

The main result of these analyses is the creation of an overall five-tiered qualitative rating scale to assess the level of asset adequacy with the achievement of the SDGs. ([see below](#)).

As this rating scale is defined in relation to the achievement of sustainable development goals, it does not assume any particular pre-prepared distribution of ratings, either overall or by sector. All Mirova investments are valued at least Neutral, with investing in the best valued assets being a priority.

¹² For each sector, the definition of “key” issues is the subject of a specific study. This information is available on Mirova’s website www.mirova.com/en/research/understand#vision



3.4 Climate change-specific principles and criteria

Our analyses fully integrate climate change-specific risks and opportunities. The **risks associated with the transition to a low-carbon economy** are systematically integrated into our issuer and project reviews. We do not invest in assets that contribute significantly to climate change, including coal or oil extraction and coal-dominated power generation activities. Across all our asset classes, we strive to strengthen our investment in assets that promote a low-carbon economy through renewable energy and energy efficiency initiatives.

This “qualitative” impact measurement is supplemented by “physical” indicators (in tons of CO₂ equivalent) of the emissions linked to our assets. This assessment is carried out using a life cycle approach, factoring in the company’s direct activity as well as its suppliers’ business and the use of its products. In line with our philosophy, it seeks to assess the risks as well as the opportunities associated with energy transition. In addition to the emissions induced by the company’s activity, our approach provides a measure of emissions avoided in relation to a benchmark scenario¹³. For all of its investments, Mirova aims to offer portfolios that are coherent with a climate trajectory below 2°C as defined in the 2015 Paris agreements, and systematically presents the carbon impact of its investments (excluding Social impact and Natural Capital funds), calculated using a proprietary methodology that can include biases.

Transition risks aside, our research team also analyzes the **physical risks** associated with climate change. To this end, we seek to assess the impact of ongoing climate change on the sustainability of our assets’ economic models.

The approach adopted consists of a qualitative review seeking to cross-reference the distribution of production sites and value chains of invested assets with our understanding of the areas likely to be affected by climate change. We examine the following phenomena throughout: an increase in extreme weather events, rising sea levels, increased droughts and increased risk of heat waves.

We compare these phenomena with the actions taken by the issuer to protect themselves against such risks. We also integrate assessment of exposure levels to the physical risks of climate change and the quality of the issuer’s response into our investment monitoring tools. Assessments are discussed with management teams in order to be considered in investment decisions.

¹³ Carbon data is provided by our partner Carbon4Finance.



3.5 ESG analysis and assessment methodology

To conduct its assessments, Mirova has developed its own methodology based on [four main principles](#).

All Mirova investments are valued at least Neutral, with investing in the best valued assets being a priority. In the energy sector, companies involved in coal and oil extraction are rated at “Risk” at best, while companies in the renewable energy sector generally have a good rating.

Our RI research team keeps up to date with companies to ensure that the sustainable development assessment is continuously accurate. Alert systems allow for changes to the opinion as necessary if events unfold that could alter the rating. If no particular event befalls a company, it is reanalyzed every 12 to 24 months.



Moreover, Mirova excludes funds which it directly manages, as well as all companies involved in the **manufacture, sale and storage of anti-personnel mines and cluster bombs**¹⁴.

Activities related to **tobacco, oil, coal, military activities, gambling, adult entertainment and sugary drinks** are also excluded from Mirova’s portfolios. This exclusion is not based on dogma. It is the result, rather, of an absolute ESG analysis that distinguishes these industries by their strongly negative impacts and insufficient tools for improvement.

Accordingly, by excluding stocks rated at Risk and Negative from our portfolios, we ensure a strong integration of risks in terms of sustainability in all our investment processes (see the SFDR regulation).

This exclusion of risk- and negative-rated issuers helps us to obtain an average ESG rating of our portfolios that is systematically higher than that of reference index after eliminating 20% of the lowest-performing stocks in terms of ESG¹⁵.

¹⁴ Mirova’s exclusion policy for anti-personnel mines and cluster bombs can be accessed on its website: www.mirova.com/fr-FR/Mirova/Engagements/Engagement-BASM (in French).

¹⁵ Specifications of the SRI label



Green bond specificities

A green bond is a debt security with a dual impact: it provides a financial return and has an environmental impact provided this debt instrument finances ecological transition projects.

We use the definition given by the Green Bonds Principles¹⁶(GBP), applying our own Mirova-specific methodology.

In our investment universe, we only include issues that have received at least a Neutral rating following assessment, which is based on a qualitative analysis of the following four criteria:

Use of proceeds	Evaluation	Management of proceeds	Regular reporting
<p>1</p> <p>→ The legal document should specify that the funds will only be used to finance and/or refinance projects that provide environmental and/social benefits</p>	<p>2</p> <p>Opportunities</p> <p>→ Be clear on the benefits to be produced</p> <p>→ Provide an improvement above the current situation and trends</p> <p>→ Not to be in conflict with other sustainable development issues</p> <p>Risks</p> <p>→ Evaluation of ESG risks throughout the lifecycle of the financed projects</p> <p>→ Assessment of the issuer's sustainability profile</p>	<p>3</p> <p>→ A third party (usually an audit firm) verifies traceability of funds to the project(s)</p>	<p>4</p> <p>→ Issuer must commit to regular reporting that includes the following information</p> <p>→ List of project(s) financed to date (minimum required)</p> <p>→ Impact measurements (e.g. reduced energy savings, greenhouse gases, avoided CO2 emissions, installed renewable energy capacity, etc.)</p> <p>→ Progress of the projects</p>

All funds favor green and/or social bonds and conventional debt issuers rated “Committed” or “Positive” by our Research teams. Issuers rated “Negative” or at “Risk” are excluded.

Our offer focuses on three strategies:

- A Global strategy investing a minimum of 90% in green and social bonds, after deducting liquid assets. Relevant fund:
 - Mirova Global Green Bond Fund
- A Euro Aggregate strategy that promotes green and social bonds. Relevant funds:
 - Mirova Euro Green & Sustainable Bond Fund
 - Impact ES Oblig Euro
 - Mirova Euro Sustainable Bond Fund
- A Euro Corporate strategy that also promotes green and social bonds. Relevant fund:
 - Mirova Euro Green & Sustainable Corporate Bond Fund

¹⁶ The GBP is a group of 140 members from various industries, including investors, banks and issuers. They aim to provide a broad frame of reference for structuring green bonds.



Prior to investment, our ESG Research team analyzes all issues, and annual reporting is conducted.

3.6 Ensuring regular updates and managing controversial activities

Our RI research team keeps up to date with companies to ensure that the sustainable development assessment is continuously accurate. Alert systems allow for changes to the opinion as necessary if events unfold that could alter the rating. If no particular event befalls a company, it is reanalyzed every 12 to 24 months.

Moreover, Mirova excludes funds that it directly manages, as well as all companies involved in the **manufacture, sale and storage of anti-personnel mines and cluster bombs**¹⁷

Activities related to **tobacco, oil, coal, military activities, gambling, adult entertainment and sugary drinks** are also excluded from Mirova's portfolios. This exclusion is not based on dogma. It is the result, rather, of an absolute ESG analysis that distinguishes these industries by their strongly negative impacts and insufficient tools for improvement.

Mirova's [policy on controversial activities](#) is available on its website.

¹⁷ Mirova's exclusion policy for anti-personnel mines and cluster bombs can be accessed on its website: www.mirova.com/fr-FR/Mirova/Engagements/Engagement-BASM (in French).

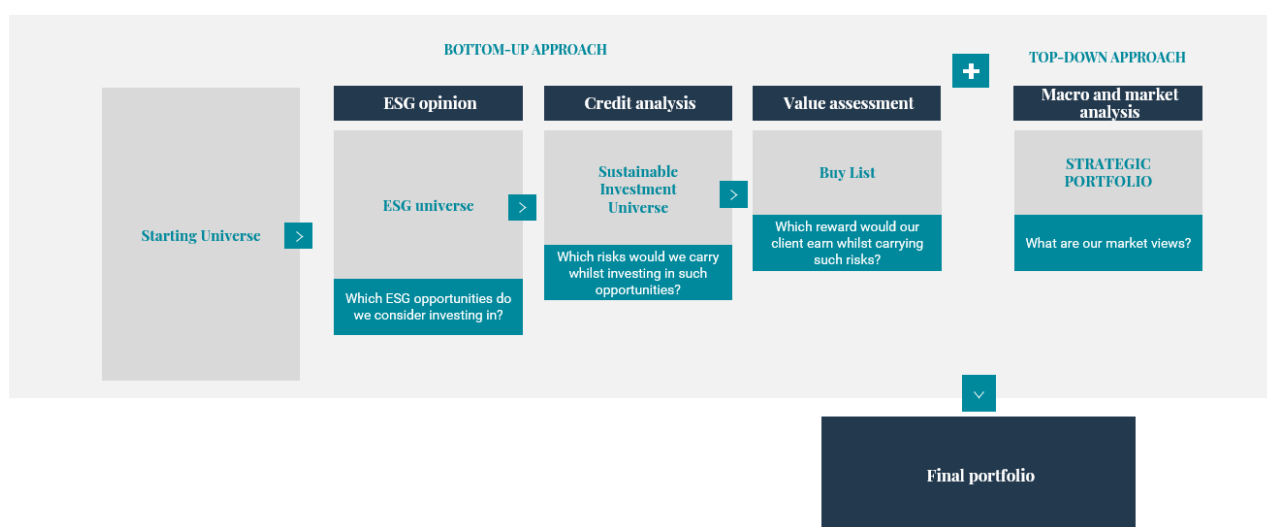


4. Our management processes

4.1 Portfolio construction

Reconciling economic, environmental and social issues is made possible by an **integrated investment process based on a collaborative approach between RI management and research teams**.

The process is broken down into **these key phases**, each a source of financial and extra-financial value creation.



Specificities

Funds	Specificities
Mirova Euro Sustainable Bond Fund	This fund applies a filter to comply with the social doctrine of the Catholic church. Further details on Mirova's website under the dedicated section .
Mirova Global Green Bond Fund	Using Mirova's approach, the fund's strategy invests at least 70% of net assets in bonds, specifically targeting energy and the ecological transition, established as green bonds. Our target is a minimum of 90% green bonds, after deducting liquid assets.

4.2 Taking climate change into account




In the bond market, the search for a balance between positive environmental, social and financial impact is reflected in Mirova's substantial investment in promoting and supporting the market for green bonds, in addition to social bonds.

Finally, for all of its investments, Mirova aims to offer portfolios that are coherent with a climate trajectory below 2°C as defined in the 2015 Paris agreements, and systematically presents the carbon impact of its investments (excluding Social impact and Natural Capital funds), calculated using a proprietary methodology that can include biases. By choosing the solutions proposed by Mirova, investors are financing

"84%" of our bond portfolios are rated
"Positive" or "Committed"



a world compatible with a 2°C scenario. This is not the case for the investment world as a whole, as illustrated below¹⁸.

			
	Mirova Fixed Income fund 1.5°C	Barclays Euro Aggregate Corporates 3.9°C	Bloomberg Barclays Euro Aggregate 3.5°C
Induced emissions (tCO ₂ /millions€ invested)	117	175	157
Avoided emissions (tCO ₂ /millions€ invested)	-99	-16	-30
Coverage rate (ownership %)	65%	90%	25%

Source: Mirova as of 31/12//2020

CARBON FOOTPRINT AS OF 12/31/2020

From a climate point of view, the very substantial portion of green bonds (64.85%) in our bond portfolios, which mainly finance renewable energy or energy efficiency projects, as well as the priority given to companies that respond favorably to sustainable development issues, means that Mirova bond funds are in line with the most ambitious climate scenarios, i.e. limiting the rise in temperatures to 2°C¹⁵.

4.3 Analysis of issuers

All issuers who actively use the portfolios are systematically analyzed.

4.4 Change in evaluation/management process

We have not changed our evaluation/management processes in the past 12 months.

4.5 Solidarity finance organizations

No asset or fund class is invested in solidarity finance organizations as part of the bonds presented in our Transparency Code.

¹⁸ The information provided reflects Mirova's opinion / the situation as of the date of this document and is subject to change without notice.

4.6 Securities lending/borrowing transactions

To date, securities lending/borrowing transactions is an exclusive practice for the Impact ES Oblig Euro, Euro Green and Sustainable Bond Fund (Luxembourg fund), the Euro Green and Sustainable Corporate Bond Fund (Luxembourg fund), and the Global Green Bond Fund (Luxembourg fund).

4.7 Derivatives

All bond funds use listed derivatives as part of their overall strategy to adjust for duration and yield curve risk. Foreign exchange risk is systematically hedged.

4.8 Collective Investment Undertakings (CIUs)

All Mirova funds may invest in monetary CIUs of up to 10%. This option is used exclusively to manage the liquidity of the funds.

5. Our ESG assessment system

The selection of portfolio securities follows a high requirement threshold in terms of companies' ESG practices.

Regular monitoring is carried out to ensure compliance with these requirements. Monitoring is conducted using internal monitoring tools that make it possible to check the ESG ratings of issuers and the SRI quality of portfolios at any time, in addition to producing ESG and Fund Universe reporting.

Compliance is mainly achieved through dedicated investment committees.

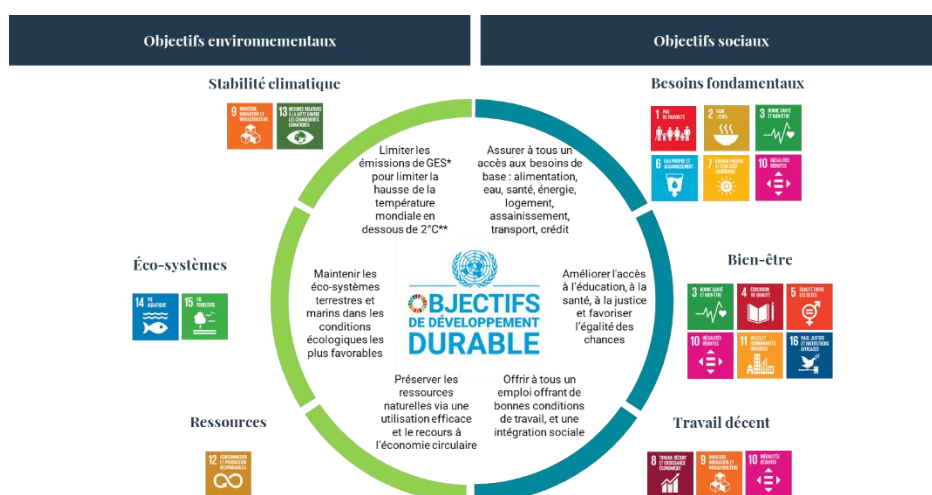
In addition, a pre-trade audit (prior to the transaction) of the ESG rating is carried out on Mirova's funds in order to ensure the eligibility of the securities in the portfolios. Second-level audits are carried out by Mirova's Risks and Compliance teams.

6. Our ESG impact measurement and reporting¹⁹

6.1 Fund ESG quality assessment

To illustrate the main sustainable development issues addressed by our investments, we perform an “overall” assessment of each asset, divided into six impact pillars: three on environmental issues and three on social issues²⁰.

Our pillar assessment is produced using the same **analytical principles** as the overall assessment and is also developed using our **five-tier rating scale, from Committed to Negative**. This approach assesses the level of each asset’s adequacy in regards to the achievement of the SDGs.



In its monthly reporting, Mirova communicates the **distribution of ESG ratings** and the **carbon assessment of portfolio securities**. In addition, annual reporting, which meets the requirements of the various labels, provides communication of additional information and data, specifically **impact measurement**. Lastly, the reporting of GreenFin-labeled funds contributes qualitative information on each equity investment in the portfolio.

¹⁹ For more information on our methodologies, please refer to our Mirova website: www.mirova.com/en/research. For more information about ESG Investing Risk & Methodological limits, please refer to the risk section of this document, and more specifically, “ESG Investing Risk & Methodological limits” of this document.

²⁰ This six-pillar segmentation of sustainable development issues stems from the work of the Investment Leaders Group (ILG) within the Cambridge Institute for Sustainability Leadership (CISL).

See www.cisl.cam.ac.uk/publications/publication-pdfs/impact-report.pdf

Note: while governance issues are factored into our overall assessment, they are addressed by considering governance as a means to achieve the SDGs, and not an end unto itself. Even if we frequently mention “ESG” analysis, governance is not subject to impact measurement.

6.2 ESG impact indicators²¹

The objective of our fund management is to outperform the funds' reference index in terms of the **overall ESG rating**. We undertake to better the reference index for the "estimated impact on global average increase of temperature" measurement (at a coverage rate of more than 90%)²².

Another indicator, yet to be chosen by Mirova, will be identified and implemented by the end of 2021.

For all of its investments, Mirova aims to offer portfolios that are coherent with a climate trajectory below 2°C as defined in the 2015 Paris agreements, and systematically presents the carbon impact of its investments (excluding Social impact and Natural Capital funds), calculated using a proprietary methodology that can include biases. As part of our fund labeling, we communicate the following impact indicators:

- **Environment: estimated impact on global average increase of temperature (in C°) and carbon impact measurement (induced and avoided emissions in tons of CO₂/company value in €)²³**

In 2015, Mirova and Carbone 4 jointly developed a method which assesses carbon data in view of the specific challenges facing a low carbon economy: Carbon Impact Analytics (CIA).

This method focuses on two main indicators:

- «induced» emissions arising from the « lifecycle » of a company's activities, taking into account both direct emissions and those of suppliers and products.
- «avoided» emissions due to improvements in energy efficiency or «green » solutions.

Each company is first evaluated individually according to an evaluation framework adapted to each sector. Since energy producers, carbon-intensive sectors (energy, industry, buildings, transportation, and agriculture), and companies which produce low-carbon solutions have especially significant climate impact potential, they receive particular attention.

²¹ For more information on our methodologies, please refer to our Mirova website: www.mirova.com/en/research. For more information about ESG Investing Risk & Methodological limits, please refer to the risk section of this document, and more specifically, "ESG Investing Risk & Methodological limits" of this document.

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²³ www.carbone4.com/sites/default/files/CarbonImpactAnalytics.pdf
www.mirova.com/en/research/demonstrating-impact



Then, each company's individual carbon assessment is aggregated at portfolio-level and reprocessed to avoid double counting.

- **Social: staff changes between 2015 and 2018**

Social pillar data was extracted from company annual reports at end-2016 and 2019. The percentage change was calculated using data at end-2016 as a baseline.

- **Governance: percentage of women on executive boards**

Executive committee data is taken from ISS-ESG, an extra-financial rating agency, using company annual reports at end-2018.

- **Human rights: percentage of issuers exposed to serious controversies²⁴**

Controversy-related data was provided by ISS-ESG. In our assessment, we have only taken into account the **most serious controversies**, i.e. those **identified as “very severe” according to ISS-ESG’s corporate rating**.

²⁴ Mirova has just published the ESG analysis framework which contains an explanation of the sources and limits used for the indicators:
www.mirova.com/sites/default/files/2021-03/our-approach-to-esg-assessment.pdf



6.3 Our content

The legal documentation (prospectus, KIID, etc.) and the various reports that include ESG content can be found on the investment fund pages:

Page dedicated to each CIU being created on the website

The documents that provide investors with information on the SRI management of the CIUs are as follows:

- Transparency Code
- Sales brochure
- Monthly SRI report integrated in the monthly financial report
- Complete inventory of the portfolios (every 6 months)

Fund	Communications media	Main asset classes
Legal information on funds	<ul style="list-style-type: none"> • Prospectus: information on fund characteristics available to the public (risks, modes of operation, etc.) • KIID: Key Investor Information Document that must be made available to investors • Annual and half-year reports 	Mirova's website under "Our Funds"
ESG research	<ul style="list-style-type: none"> • ESG research philosophy • Descriptions of ESG issues identified by Mirova • Descriptions of Mirova's sustainable investment themes • Thematic studies • Focus on specific themes 	Mirova's website under "Library"
Voting and engagement	<ul style="list-style-type: none"> • Voting policy: philosophy and principles for resolution analysis • Voting report: annual report of general meeting campaigns • Engagement policy: philosophy and process • Engagement reporting: annual report on engagement activities 	Mirova's website under "Voting and Engagement"
Fund profile, composition and financial and extra-financial performance	<ul style="list-style-type: none"> • Fund factsheet: general information on the fund's investment approach • Monthly reporting: performance details, risk/return profile, sector and geography distribution and indicators • Portfolio composition: list of assets held in the portfolio • Extra-financial fund report: indicators for assessing the fund based on targeted ESG themes 	Mirova's website under "Our Funds" Mirova's website under "News"
Carbon footprint	<ul style="list-style-type: none"> • Carbon footprint: measures carbon emissions of Mirova's consolidated equity portfolios 	Mirova's website under "Library"

6.4 Our voting policy and engagement

Voting policy

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

Against this backdrop, since 2015, Mirova has taken the time to rethink traditional governance issues in an effort to identify a model based on a sustainable vision of the company. The outcome of our reflection laid the groundwork for a voting policy firmly focused on a new governance model with four key levers:

- the development of a long-term shareholder base;
- 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 promotes sustainable growth, and;
- increased transparency and a better quality of both financial and extra-financial information, through annual audited reports covering all these issues.

This approach is based on work by the academic chair of the Mines ParisTech on the subject: “Théorie de l’entreprise. Modèles de gouvernance et création collective” (Theory of a company. Models of governance and collaborative creation) which has been supported by Mirova since 2015.

Mirova’s [voting policy](#) is available on its website.

Our engagement approach

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). Our engagement approach promotes better environmental, social, and governance practices both directly and indirectly, and seeks to create long-term value for society at large.

Mirova has developed a two-pronged approach to share its vision of responsible investment: **support companies in an environmental and/or social transition and drive forward proposals to regulators to promote sustainable finance.**

Mirova’s [engagement report](#) is available on its website.

Conclusion

As an investor, you are building the world of tomorrow. Within the investor community, an increasing number are concerned with the long-term impact of their decisions, opting for sustainable investment. Your concerns are our concerns. Our ambition is to support you in this process.

This transition requires careful preparation and cannot be completed on the basis of good intentions. We believe visibility, transparency and possibility are pivotal to measuring impact.

Mirova's teams have been at the forefront of developing investment strategies that create value for you, our investors, companies, their employees and the sectors we choose to invest in.

In our drive to measure and report on the real impact of your investments, we were among the first companies to establish environmental, social and governance impact indicators.



Appendix: Glossary of SRI terms

SRI (Socially Responsible Investing): Investments that aim to combine financial performance and social and environmental impact by financing companies and public entities that contribute to sustainable development regardless of sector. SRI facilitates a responsible economy by influencing players' governance and behavior.

Sustainable development: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." This concept includes at least three dimensions: economic, social, and environmental.

ESG Criteria:

- **Environmental Dimension:** indicates the direct or indirect impact of an issuer's activity on the environment.
- **Social/Societal Dimension:** indicates the direct or indirect impact of an issuer's activity on stakeholders (employees, suppliers, etc.), as related to universal values (primarily human rights, international work conventions, fighting corruption, etc.).
- **Governance Dimension:** all processes, regulations, laws, and institutions that influence the way in which the company is managed, administrated, and monitored. This also includes relationships between the various stakeholders and goals that govern the company. Major players include shareholders, top management, and the company's board of directors.

The **Best-in-universe** approach is a type of **ESG selection** focused on the best rated issuers from an **extra-financial** standpoint regardless of their **sector**. It assumes sectoral biases, since sectors generally considered more virtuous will be better represented.

The **Best-in-class** approach is a type of **ESG selection** focused on the best rated companies from an **extra-financial** standpoint within their sector, without applying sectorial biases or excluding any sectors compared with the stock market index used as a baseline.

The **ESG thematic** approach selects companies active in themes or sectors related to sustainable development. These include: renewable energies, water, health, and more generally, climate change, eco-efficiency and population ageing. Companies are eligible if the share of their revenue derived from the sector is above a certain threshold, or if they have a dominant position in the relevant market.

The **exclusion** approach includes companies that do not meet ESG criteria in the investment universe. It avoids activities related to



alcohol, tobacco, arms and terrorism financing, money laundering, GMOs and nuclear energy.

Engagement: Investor (asset management companies, pension funds, insurance companies, etc.) activity seeking to influence a company's behavior in the medium and long term. It leverages value for better integration of environmental, societal, and governance issues. This action also entails dialogue with companies (individual or collective) and manager voting policies, including submitting proposed resolutions to shareholder general meetings.

CSR (Corporate Social Responsibility): Application of sustainable development principles to a company. Voluntary integration by companies, as part of their regular financial criteria, of environmental, social/societal, and governance (ESG) matters into activities and relationships with stakeholders.

Stakeholders: Any group or individual that can affect or be affected by the achievement of an organization's goals. In the case of a company, this term refers to all natural or legal persons (employees, shareholders, clients, suppliers, local communities, NGOs, unions, civil society, etc.) that have direct or indirect connections with the company.

ESG Investments – Risk and Methodological Limits: By using ESG criteria in the investment policy, the relevant Fund's objective would in particular be to better manage sustainability risk and generate sustainable, long-term returns. ESG criteria may be generated using Mirova's proprietary models, third party models and data or a combination of both. The assessment criteria may change over time or vary depending on the sector or industry in which the relevant issuer operates. Applying ESG criteria to the investment process may lead Mirova to invest in or exclude securities for non-financial reasons, irrespective of 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 the portfolio of a Fund.

Sources: definitions from the AFG and the French Social Investment Forum (Forum pour l'investissement responsable [FIR])

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