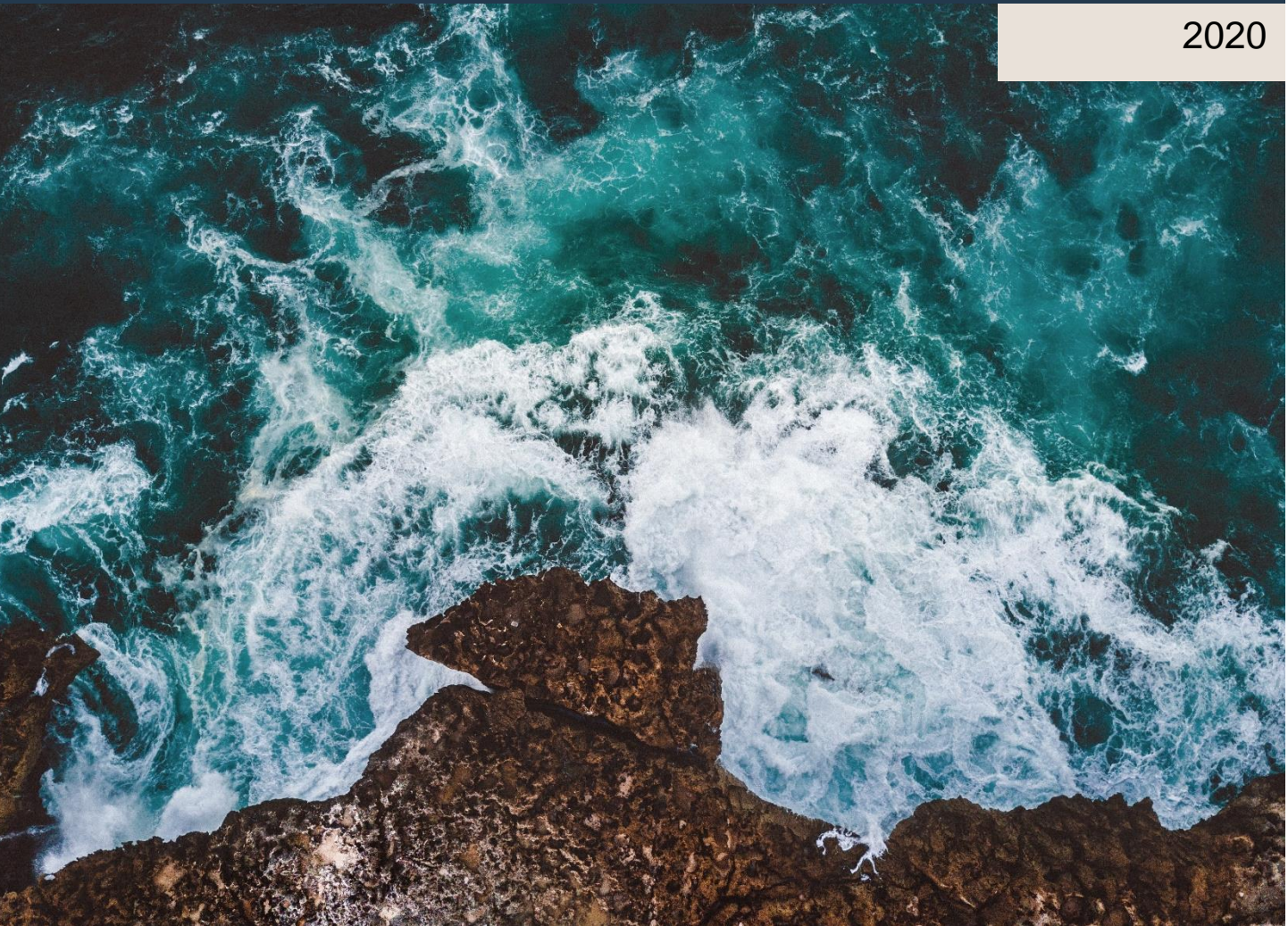


Mirova Engagement Report

2020



An affiliate of:



This document is intended to report on Mirova's dialogue with companies and policy makers in 2020 to help develop more sustainable practices. The material provided reflects MIROVA's views as of the date of this document and may change without notice.

Mirova's investment philosophy is based on a strong belief that sustainable development is a profitable source of innovation. Our strategy aims to provide our clients with consistent medium and long-term financial performance. Investments that consider the opportunities and challenges related to sustainable development can not only generate financial performance but can also positively impact the economy and its stakeholders. Mirova's ambitious engagement policy amplifies these effects while expanding our knowledge of sustainable development and its influence on our society. Mirova consistently evaluates the results of our engagements to ensure it is contributing to the improvement of business practices and increased transparency.

As a responsible investor, Mirova aims to generate the largest positive impact possible, hence our proactive approach to engagement. Mirova also actively seeks to engage with political and economic decision-makers in order to foster a constructive environment for responsible investment.

Our extensive engagement efforts allow us to leverage our expertise in many different sectors to encourage the adoption of objectives in line with the UN Sustainable Development Goals (SDGs). We identify the key risks and investment opportunities in each sector and ascertain how these elements relate to the SDGs.

In 2020, health and economic crises have strengthened the need for robust dialogue with different stakeholders. In this context, we have encouraged companies and projects managers to improve transparency on their environmental and social efforts. We also advocate for improvements in overall practices such as creating solutions to mitigate the negative consequences of their activities.

Summary

Mirova's Engagement Strategy	4
Engagement approach	4
I. Individual engagement in each of our asset classes	7
1. Key figures.....	7
2. Listed equities.....	8
3. Green and Social Bonds.....	18
4. Energy Transition	20
5. Natural Capital.....	23
II. Thematic Engagement	25
1. Shared Value Creation	25
2. Biodiversity	27
3. Gender equality	30
III. Collaborative Engagement	33
1. Collaborative engagement initiatives (active or completed in 2020).....	34
2. Investor Statements signed by Mirova in 2020	35
IV. Advocacy	38
1. Objectives and approach.....	38
2. Actions taken in 2020	39
3. Participation in local organizations and associations.....	41
4. Support for the "Theory of the Firm" Academic Chair.....	43
5. Promoting sustainable finance in the United States	43
Annexes	44
1. Individual Engagement Process	44
2. UN Sustainable Development Goals	47
Legal Information	48

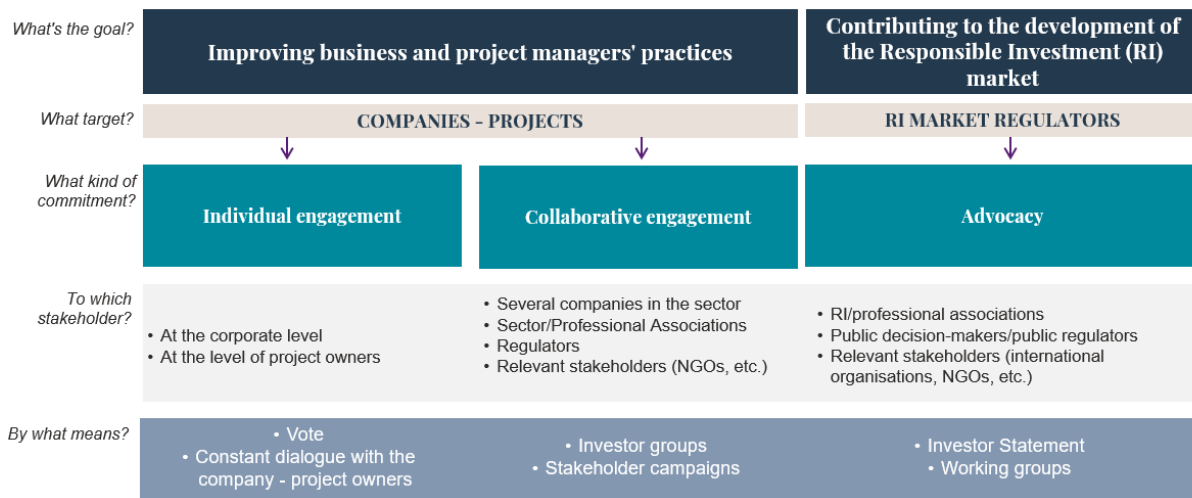
Mirova's Engagement Strategy

Thanks to their influence, investors can prompt companies to make specific operational and strategic changes to maximize shareholder value by limiting risks and capturing the opportunities associated with an investment. As a responsible investor, Mirova considers the broader societal and environmental outcomes of each investment and encourages companies to continuously improve their practices.

Engagement approach

As an active investor, sustainable development is at the core of Mirova's investment strategy and ensures that our investments positively contribute to the achievement of the Sustainable Development Goals (SDGs)¹. By directly and indirectly promoting better Environmental, Social and Governance (ESG) practices, our engagement approach aims to create long-term value for society as a whole. Mirova has developed an approach to share its vision of responsible investing which is based on two complementary pillars : on the one hand, it engages with companies and project owner, and on the other hand, with market regulators.

Figure 1: Mirova's engagement approach



Source: Mirova, 2020

¹ See Appendix 2 for detailed information on sustainable development goals.

INITIATE AND MAINTAIN DIALOGUE WITH COMPANIES AND PROJECT LEADERS TO IMPROVE ESG PRACTICES

Individual Engagement

Sustainability analysts at Mirova engage in a dialogue with companies and project owners representing the majority of Mirova's equity, fixed income, and non-listed assets portfolios.

This type of engagement not only aims to encourage improved environmental, social and governance (ESG) practices, but also to proactively develop solutions to key environmental and social challenges.

Collaborative engagement

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

INITIATE AND MAINTAIN DIALOGUE WITH REGULATORS TO CONTRIBUTE TO THE DEVELOPMENT OF THE RESPONSIBLE FINANCE MARKET

Advocacy

Mirova shares its investment philosophy in order to improve standards across the financial sector and to encourage sustainable investment. Mirova is committed to promoting regulations (including legislative changes, standards, and labels) and practices that support sustainable investment, thus creating long-term value.

I.

Individual engagement in each of our asset classes

Page 7. Key figures.

Page 8. Listed equities. Engagement by sector.

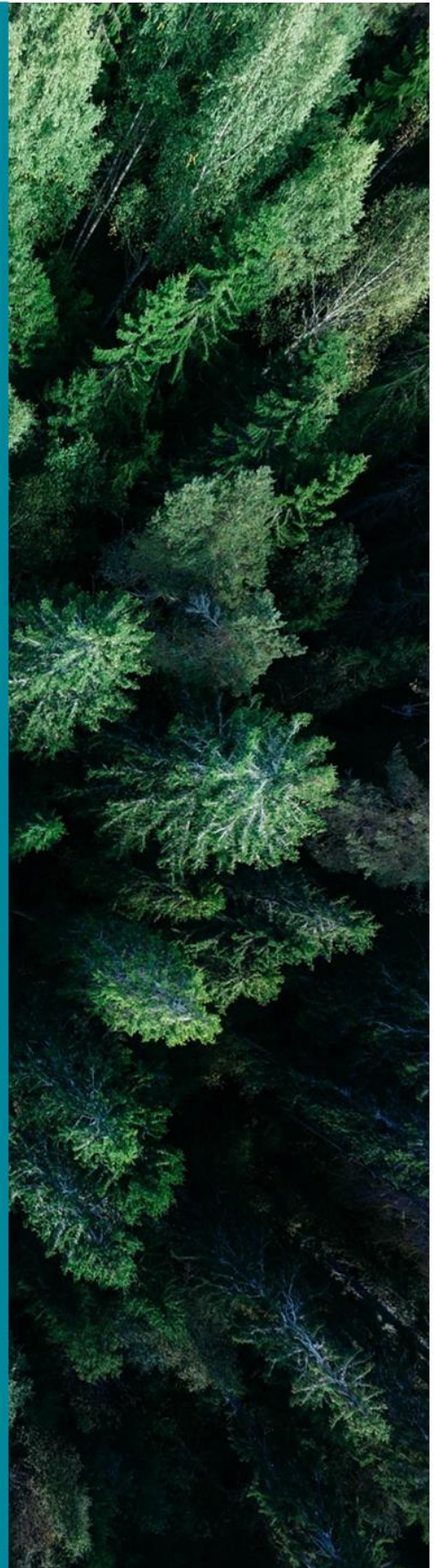
Buildings - cities.
Consumption.
Energy and resources.
Finance.
Mobility.
Health.
Information and communication technologies.

Page 16. Listed equities. Influence through the exercise of voting rights.

Page 18. Green and social bonds.

Page 20. Energy transition.

Page 23. Natural capital.



I. Individual engagement in each of our asset classes

1. Key figures²



² Figures are calculated internally by Mirova.

2. Listed equities

ENGAGEMENT APPROACH FOR EACH SECTOR

Throughout the year, Mirova's research team engages with portfolio companies to foster improvements in their ESG practices. This dialogue addresses both risks and opportunities related to sustainable development issues.

Opportunities are divided into two categories:

Development of green and social products: Mirova encourages companies to increase the share of sustainable value-added products or services in their portfolios.

Environmental and social benefits of products and services, focused on increasing the sustainability benefits of existing products and services.

Key risks are also divided into two categories:

Social risks: this theme is divided into 7 subcategories (consumer health, health and safety, human resources, human rights, responsible marketing, restructuring and supply chain).

Environmental risks consist of 4 subcategories (biodiversity, climate change, supply chain and resource scarcity).

In addition to the company-specific opportunities and risks, we also focus on a concentrated number of overarching issues such as:

Governance of sustainable development: engagement efforts focused on corporate environmental governance structures include incentives for environmental practices at the highest decision-making levels. We continue to promote the creation of sustainable development committees on boards of directors, the introduction of extra-financial criteria for determining executive compensation, the publication of an audited and certified corporate social responsibility (CSR) report, and transparency on tax payments.

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

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

“Engagement” refers to all interactions with companies, project leaders or policy makers initiated with the aim of sharing good practices, encouraging progress in environmental and/or social performance, and development in accordance with the Sustainable Development Goals. While our engagement priorities are shared with portfolio companies at the beginning of each year, this section of the report focuses on the **advanced dialogues**, in other words, long term and in-depth engagement (i.e. 96 companies).

Buildings and cities

Key issues addressed:

Climate change:

Dialogue with 4 companies

Consumer safety:

Dialogue with 3 companies

Pollution:

Dialogue with 3 companies

6

companies
targeted in 2020

Engagement review

For several years, companies in the sector have stepped up their efforts to reduce emissions associated with their material production or energy efficiency activities related to owned real estate parks. This dynamic provides opportunities for companies to reduce the sector's environmental footprint by specializing in the design and manufacture of materials and equipment. For example, insulation solutions, wooden building materials or equipment to improve water or energy control are relevant solutions to the sector's sustainable development challenges. Mirova strives to identify companies whose products and services offerings are geared towards these solutions and regularly interacts with these companies to understand and precisely quantify environmental benefits of their products. In addition, our engagement approach aims to emphasize the necessity to integrate environmental and social risks management.

Beyond environmental gains achieved using such products, manufacturing and marketing activities also carry risks identifiable across the value chain. We therefore encourage producers of building materials and equipment to improve transparency and implement ambitious strategies to reduce their impacts. For example, publishing energy consumption associated with production or implementing strategies to reduce their climate footprint are highly encouraged. Risk management requirements are not correlated with the environmental benefits of the products.

We also insist on materials criticality, that is to say the pressure exerted on natural resources, their toxicity and social conditions when extracting raw materials. Alongside working conditions in the raw material extraction phase, health and safety issues are to be monitored and cover both mechanisms implemented to ensure employees and subcontractors safety and devices to ensure the safety of end-users. Finally, in a context of increasing urbanization exerting strong pressure on natural resources, Mirova systematically highlights the necessary shift towards circular economy and encourages companies to actively participate in structuring a sector dedicated to the collection, treatment and recycling of construction waste alongside the adoption of ambitious targets related to the integration of recycled content into the design of their products.

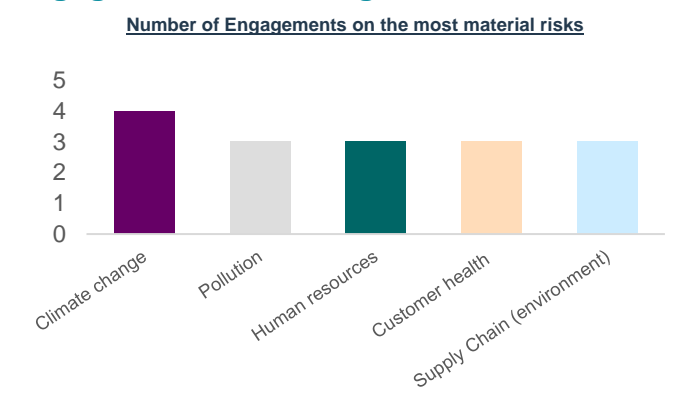


Engagement in action: Installed Building Products

According to the International Energy Agency (IEA), the real estate sector accounts for nearly 40% of global energy consumption and 20% of greenhouse gas emissions. Thus, large-scale insulation solutions offer significant environmental benefits drastically reducing consumption associated with building use. Installed Building Product, specialized in installing building insulation solutions, is positively exposed to these opportunities. However, areas of improvement for the group's sustainable development strategy have been identified. In this regard, we encouraged the company to increase its level of transparency through the publication of key indicators. These include employees' exposure to health and safety risks (incident rates, accident rates, mechanisms for investigating non-compliance and corrective action plan implemented, risk prevention plan and alert mechanisms, training plan, etc.). We also invited the company to launch an employee satisfaction measurement tool across the territory and to strengthen its ability to retain talents exposed to difficult working conditions. Mirova highlighted the priority for construction companies to integrate the principles of the circular economy, with the aim to ease the pressure on natural resources. Our recommendations focused on the development of indicators for measuring the amount of waste generated, the development of a strategy to reduce such waste, and mechanisms to ensure the appropriate management of products' end-of-life. The company is committed to taking our recommendations into account in the development of its future reporting in order to increase its level of transparency and to strengthen the consideration of environmental and social aspects in the conduct of its business.

The securities mentioned above are shown for illustrative purpose only and should not be considered as a recommendation or a solicitation to buy or sell.

Engagement in a few figures



Source: Mirova, 2020

For more information on Mirova's vision for the sector: <https://www.mirova.com/en/research/understand>

Consumption

Key issues addressed:

Biodiversity:

Dialogue with 12 companies

Resource scarcity:

Dialogue with 9 companies

Human resources:

Dialogue with 11 companies

14

companies targeted in 2020

Engagement review

2020 was marked by the COVID19 pandemic which enforced companies in the consumption sector to adapt their business models. The virus and measures taken to contain its spread will have long-term consequences on the economy and consumer habits. Indeed, the temporary closure of many stores, coupled with consumers less prone to visit physical stores, have been really challenging for companies and often resulted in a reduction in sales, mainly for retail and apparel businesses. The year was punctuated by massive cost restructuring plans, leading to human resources restructuring. As companies in this industry often represent large employers in markets where they operate, such restructurings pose long terms economic threats. In addition, beyond the short-term shock resulting from various lockdowns, a change in consumer habits towards e-commerce is likely to significantly impact the industry. From an ESG perspective, it will pose Human Resources challenges, such as an evolution in the types of jobs that companies will offer in the future. Thus, we have multiplied our dialogues with companies in order to ensure and advocate for efforts to be made in minimizing the negative consequences of the crisis on employees. Moreover, such issues have been particularly highlighted for companies operating in countries with employees' benefits guaranteed by local governments.

Diversity and gender equality issues also remain a topic of engagement with companies in the sector, often made up of a large share of female in the workforce, but they have difficulty in accessing middle and senior management positions.

Thus, social issues have occupied a significant part of the engagement with companies in the consumption sector in 2020. However, companies in the sector also face serious environmental problems. Biodiversity is also the subject of frequent engagement with companies, especially those in the food and beverage industry. Indeed, companies in the consumer industry are highly exposed to such risks, especially through their supply chain. It is therefore crucial that companies ensure their key ingredients are traceable to farms/plantations. We expect companies to use their influence to promote sustainable agricultural practices such as regenerative and/or organic farming.



Engagement in action: Hermes

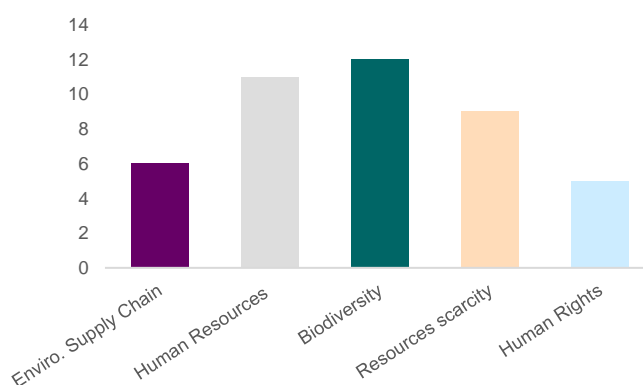
Following the various lockdowns measures initiated by governments during the first quarter of 2020, Mirova engaged with several companies to better understand crisis management actions undertaken by companies, and especially from a social point of view. It was crucial for us to highlight our expectations in terms of retention and employee safety. We have addressed this issue with Hermès. The company did not use any government assistance and continued to pay its employees their full salaries. As early as possible, some workshops (following the strictest hygiene measures) were able to resume their activities to meet a demand brought by Asia where the pandemic constraints were loosened for a while. Although various projects have been delayed due to the events in 2020, Hermes continued to invest and, more importantly to create jobs and train employees as planned. These discussions have ensured alignment between our expectations as an investor and the company's responsibilities, including its ability to promote long-term growth.

We also took the opportunity to renew our expectations with Hermès in terms of the quality of training, promotion path and conservation of know-how within the entire workforce. In this regard, Hermès has been very committed and continues to improve its performance in this regard on a recurring basis.

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Engagement in a few figures

Number of Engagements on the most material risks



Source: Mirova, 2020

For more information on Mirova's vision for the sector: <https://www.mirova.com/en/research/understand>

Energy - Resources

Key issues addressed:

Climate Change:

Dialogue with 7 companies

Pollution:

Dialogue with 4 companies

Health and Safety:

Dialogue with 4 companies

13

companies targeted in 2020

Engagement review

For companies operating in the energy sector, much of our engagement is focused on promoting decarbonization to avoid the most serious consequences of climate change (reducing emissions by aligning with the target <2°C). Companies providing services to local authorities are among the most exposed to opportunities associated with the energy transition and thus, because fossil fuels in their operations can be replaced. Aligning with a 2°C scenario is equivalent to almost complete decarbonization of their electrical mix. We continue to encourage tangible short- and long-term emission reduction targets, the installation of renewable energy sources to replace greenhouse gases emissions (GHG)-emitting facilities, and a commitment not to increase fossil fuel generation capacity in the future. Beyond carbon issues, water related concerns, soil and ecosystem pollution were addressed by our engagement actions during the year. We have paid a lot of attention to consider measures implemented by companies regarding conservation of resources, especially water, and biodiversity protection. We reiterate the importance of preserving local flora and fauna. During our engagements, we reiterated the necessity to protect local flora and fauna. To do so, we insist on reducing spills, limiting activities in sensitive biodiversity areas, extending health and safety programs to employees and subcontractors, and respecting the rights of local communities.

Energy efficiency will play a key role in mitigating climate change. In this way, we encourage oems/manufacturers of industrial equipment to continue their efforts to improve the environmental impact of their products. Industrial conglomerates with a highly diversified set of products are particularly encouraged to unveil reports that allow us to better understand their contribution to the achievement of Sustainable Development Goals. Finally, we encourage companies involved in the development, management, or consolidation of projects to proactively conduct appropriate environmental and social due diligences and ensure internationally approved health and safety standards are met.

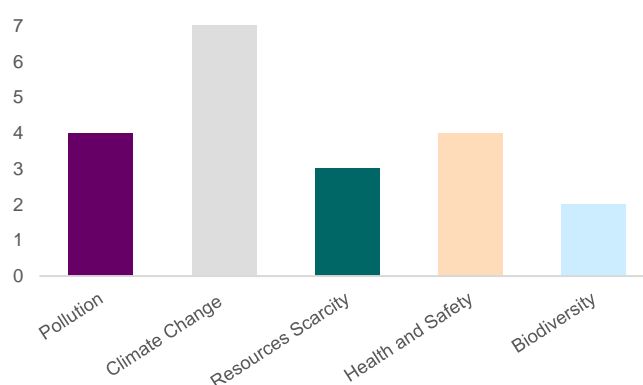
Engagement in action: METEX

METabolic EXplorer (or MetExMETEX) is an industrial biochemistry company and provides functional ingredients of natural origin such as molecules and amino acids sought by cosmetic industry and livestock industries through bacterial fermentation processes of plant materials. These products are positively exposed to the growing need for petrochemical input substitutes. Mirova wishes to support METEX in the development of a sustainable chemicals sector by supporting the company's commitments to the use of technical processes that value renewable and local resources, the implementation of environmentally sound management of its raw materials and waste, and the contribution to its industrial customers of biochemistry solutions that are increasingly efficient from an environmental and health point of view. This includes taking biodiversity and soil into account in the design of production sites, controlling waste and recycling waste, as well as recycling water, product lifecycle analysis and the implementation of a responsible purchasing policy. Mirova as a long-term investor expects to support this approach as a responsible player.

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Engagement in a few figures

Number of Engagements on the most material risks



Source: Mirova, 2020



For more information on Mirova's vision for the sector: <https://www.mirova.com/en/research/understand>

Finance

Key issues addressed:

Climate Change:

Dialogue with 13 companies

Human Resources - Restructuring:

Dialogue with 5 companies

Biodiversity:

Dialogue with 2 companies

22

companies targeted in 2020

Engagement review

In 2020, our collaboration with the financial sector focused on a stronger engagement with issuers on climate issues and on the continuity of our advocacy activities. At the individual level, Mirova engages with financial sector issuers to improve the transparency on sustainable investment methodologies. Companies in the sector are called for more transparency on the share of their funding that directly contributes to the UN's Sustainable Development Goals or to the fight against climate change. Engagement related to climate issues was particularly strengthened in 2020 as we seek to understand the extent to which financial institutions continue to support the fossil fuel industry or, on the contrary, to finance renewable energy and energy efficiency projects and actors. Alongside, insurers also have a key role to play in the development of tailored insurance products, in order to understand and protect individual and businesses against emerging risks. In 2020, in the context of a health crisis, we intensified our discussions with insurers and further questioned their role in ensuring the resilience of our societies in the context of an increasing threat of systemic risks. Beyond transparency, we also foster banks to adopt ambitious strategies to align financings to the energy sector on a 1.5-2°C scenario, consistent with the Paris Agreement objectives. This must therefore lead to a gradual but drastic reduction in fossil fuel sources, although differentiated in scale and over time according to fuels. We build on our engagement to our analysis of IPCC (Intergovernmental Panel on Climate Change) investment simulations in different temperature-increasing scenarios.

ESG risk management and business ethics also remained at the core of our engagement. In 2020, the in-depth analysis of these criteria has sharpened our analysis of different financial institutions infringement, fraud or money laundering cases identified in 2019. The clear responses - or lack thereof - from issuers provided a better understanding of the ability of these companies to control and monitor with relevance these risks, and such in an increasingly regulated environment.

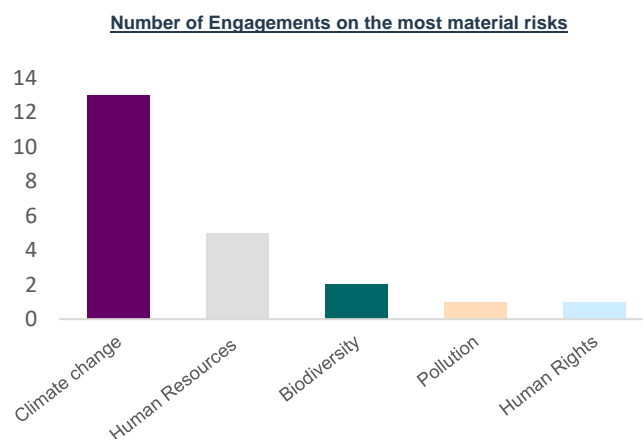
Engagement in action: Skandinaviska Enskilda Banken (SEB)

Following various money laundering cases revealed in 2018-2019, our vigilance on business practices and business ethics standards has been strengthened. Thanks to a deep and active dialogue with the company, we were able to identify and better understand the nature of the weaknesses identified by the regulator in the company's practices. The company's responses and active dialogue allowed us to identify potential improvement points as well as highlight the limited risks associated with the company's practices. The company was particularly transparent about the details of its remediation actions, confirming our analysis that these risks are addressed in a satisfactory and appropriate manner.

During our dialogue with the company, we also took the opportunity to expand on our expectations regarding financial institutions climate strategy and on a reduction fossil sector funding. Indeed, beyond coal funding exclusions, the company announced new internal guidelines in preparation for publication in early 2021.

The securities mentioned above are shown for illustrative purpose only and should not be considered as a recommendation or a solicitation to buy or sell.

Engagement in a few figures



Source: Mirova, 2020



For more information on Mirova's vision for the sector: <https://www.mirova.com/en/research/understand>

Mobility

Key issues addressed:

Climate Change:

Dialogue with 3 companies

Supply Chain environment issues:

Dialogue with 3 companies

Supply Chain social issues:

Dialogue with 3 companies

6

companies targeted in 2020

Engagement review

Mirova encouraged companies to strengthen their exposure to environmental solutions (objectives, means, challenges to be met are expected to be provided), to increase transparency regarding investments and revenue sharing related to these solutions, to improve their practices to deal with environmental risks associated with their activities, transport safety, human resources management (employees and suppliers), responsible procurement and design.

Since 2018, we have focused on transport electrification, which is considered as a one of the solutions to address global warming issues, resources pollution and scarcity as well as air pollution. These issues are addresses both from an "opportunity" and "risk management" approach. Indeed, regarding the opportunities to be seized, we are constantly engaging with companies to identify the triggers to accelerate the development of clean mobility means such as battery electric or fuel cell vehicles.

Several other issues are now receiving increasing scrutiny. Examples include innovative materials in the supply chain required used in battery and electric motors manufacturing process, or also carbon footprint reduction associated with electric vehicles manufacturing process. In this regard, Mirova encourages car and equipment manufacturers to improve transparency on procurement practices and policies (substitution technologies, recycling, collaborations with the metallurgical and mining industries, country-by-country strategy) and on measures implemented to mitigate the associated risks (audits, due diligence, contractual clauses).

Finally, in a context of rapid technological breakthrough, human resources expertise required in the automotive industry has considerably evolved. Indeed, a growing need for knowledge in electrochemistry, composite materials and information and communication technologies is now expected. It is therefore essential for companies to support the shift towards new skills and know-how to ensure they benefit from major technological developments.



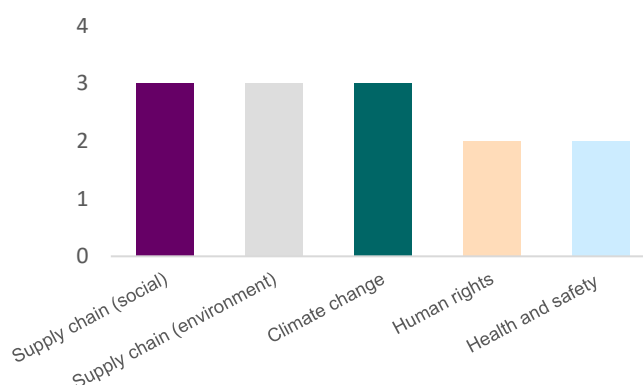
Engagement in action: Faurecia

The development of electric mobility technologies is currently twofold: batteries on the one side and the low-carbon hydrogen vector on the other side. Our ambition is to contribute to the strength of the latter sector, which is assumed to have to highly deliver in environmental and economic opportunities. To do so, we intend to support companies both by investing and by analyzing their ESG practices with the aim of improving them. In this context, Mirova continued its engagement with Faurecia in 2020. The company is positioned on the supply of key equipment dedicated to accelerating the reduction of the environmental impact of vehicles. Faurecia is developing an activity dedicated to electric battery packs lightening and is carrying out research to improve the temperature control of battery cells and thus increase the range and longevity of electric vehicles. Our dialogue with the company contributed to improve our understanding and ability to measure the environmental benefits underlying its product offering and its research and development efforts. Nevertheless, Mirova raised numerous issues related to the company's ability to manage environmental and social risks. Mirova encouraged the company to implement measures to address circular economy issues, including carbon fiber and platinum recycling - a critical metal used in fuel cells. Alongside, transparency is expected the implementation of the carbon neutrality strategy. In addition, in a dynamic development of connected vehicles, Mirova recalled the importance of cybersecurity and privacy issues.

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Engagement in a few figures

Number of engagements on the most material risks



Source: Mirova, 2020

For more information on Mirova's vision for the sector: <https://www.mirova.com/en/research/understand>

Health

Key issues addressed:

13

companies
targeted in 2020

Health and safety:

Dialogue with 10 companies

Responsible marketing:

Dialogue with 7 companies

Pollution:

Dialogue with 8 companies

Engagement review

In 2020, the news flow on companies in the health sector was obviously marked by the pandemic, and the means implemented by each actor to contain the crisis and develop solutions. Engagement with companies has therefore largely focused on companies' steps in the development of vaccines, treatments, and diagnostics, while ensuring that the employees' safety and patients' safety was ensured in every way. Engagement around environmental and social issues at various stages of the supply chain, mainly for pharmaceutical companies, is also a growing topic.

In parallel, we maintained our engagement with pharmaceutical and biotechnology companies on several topics: product safety, business ethics and environmental impacts.

Product safety, patients, and donor's safety in some cases, has been the subject of several engagement actions aimed at increasing the relevance and transparency of pharmacovigilance measures. We strive to encourage companies to improve control of their processes, despite a highly decentralized industry. Medical equipment manufacturers continue to be exposed to product safety risks and unethical business practices. As a result, we have encouraged improved transparency on business practices and business ethics, as well as quality and safety procedures in product manufacturing and rigorous supply chain risk management. We have also focused our engagement on responsible marketing practices, encouraging companies to decouple some of salespeople remuneration from simple sales volumes that contribute to an increased risk of supply chain mismanagement, including over- or misuse.

Drug pricing matters, already a core priority in previous year, has remained relevant, and the topic is largely driven by the United States, seeking to reduce health spending.

Finally, from an environmental point of view, we encourage these companies to further limit the negative effects of pharmaceuticals releases on the environment, both during manufacturing and during and after the use of products, in order to help alleviate the increasing burden of antimicrobial resistance.



Engagement in action: Eli Lilly

Insulin pricing has been the subject of much controversy in recent years, mainly in developed markets, led by the United States. This question recalls the differences in regulation between markets and the weakness of regulation in the United States. However, beyond regulations, pharmaceutical companies are expected to provide schemes ensuring a product accessible for patients whose lives depend on it. In the case of insulin, many associations have denounced the logic of rationing, questioning the practices of companies on this point. Thus, we have initiated an active dialogue with Eli Lilly on these topics, emphasizing the importance of transparency, monitoring price developments, setting up relevant access programs with a wide range of eligibility.

The engagement also focused on environmental strategies where Eli Lilly still has room for improvement. Aware of all these issues, the company supported our approach and reiterated its desire to improve their level of transparency. Mirova will continue to work with Eli Lilly on these environmental issues (water, carbon, waste in particular) in the coming years.

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Engagement in a few figures

Number of Engagements on the most material risks



Source: Mirova, 2020

For more information on Mirova's vision for the sector: <https://www.mirova.com/en/research/understand>

Information and Communication Technologies (ICT)

Key issues addressed:

Climate Change:

Dialogue with 16 companies

Human Resources:

Dialogue with 12 companies

Supply chain (social issues):

Dialogue with 11 companies

18

companies targeted in 2020

Engagement review

Our dialogue focuses on the quality of companies' reports on their responsible approach and in particular on the need to materialize the companies' exposure to sustainable solutions either by providing a breakdown of their revenue per end user or end market, or by quantifying the environmental and social benefits generated by their activities (number of users, avoided emissions, etc.).

Regarding environmental and social risks, ICT companies remain highly exposed to key issues related to health, safety, and well-being as well as planet conservation. As serious as some of these risks might be (such as minerals traceability or respect for fundamental rights from suppliers), they remain difficult to monitor. As a result, Mirova continues to request from companies an overview of the manufacturing chain highlighting their primary suppliers and exposure as a percentage of spending per suppliers and risk severity. We encourage companies to describe their audit practices (definition of objectives, methodology, tools, etc.), to detail the results (by category and degree of importance), as well as the measures taken (corrective actions, breaches of contract, etc.).

Overall, current industry practices regarding internet user's privacy protection and quality of advertising content have yet to be improved. We continue to draw the attention on the importance of such topics and our expectations for better practices. Businesses are often forced to restructure their workforce, as evidenced by the current transition to digitalization services. In addition, the ICT sector involves the creation of high-risk psychosocial jobs (content moderation, telephone assistance, etc.). Many human resources abuses have been uncovered within the industry since the various speech-free movements around subjects of harassment and discrimination, reinforcing our attention. Finally, although some companies are actively developing sustainable solutions, the sector generates an increasing number of electronic equipment, which is problematic for energy consumption, composition, and disposal. Therefore, in discussions with these companies, we have chosen to focus our engagement on the following issues: carbon footprint assessment; replacement of harmful substances recycling of e-waste and establishing a circular economy to limit the consumption of first-generation minerals.



Engagement in action: Aixtron

During our engagement with the company, Aixtron has demonstrated a high level of responsiveness and transparency. We were able to discuss each sub-segment of activity to better understand their ability to deliver environmental and/or social benefits as well as the future and current contribution of these segments to the group's turnover. We took the opportunity of these exchanges to encourage the company to further develop its carbon approach to include scope 3, a point on which Aixtron is all the more receptive as some of its solutions reduce its customers' emissions. We therefore hope for changes as the company develops its Corporate Social Responsibility report. Our discussions on the company's main environmental and social risks were also fruitful. It was opportunity for the company to clarify its level of exposure to the various subjects and to provide many elements demonstrating their improvement. This also allowed us to discuss the feasibility of the main improvement paths identified for the company. In this regard, the company has shown promise in the medium term. These areas of improvement include measuring the positive externalities generated by products and services (e.g. quantifying avoided carbon emissions), increased transparency in responsible supply chain management (e.g. number and type of audits, severity audit results) or initiatives to limit the consumption of hazardous materials and substances, recyclability, substitution and phasing out, circular economy solutions for the recovery of conflict minerals and rare earths.

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Engagement in a few figures

Number of Engagements on the most material risks



Source: Mirova, 2020

INFLUENCE THROUGH THE EXERCISE OF VOTING RIGHTS

To foster sustainable value creation for all stakeholders, Mirova has developed a voting policy³ in line with its responsible investment strategy.

In this context, since 2015, Mirova has undertaken a critical and in-depth examination of traditional governance issues, with the aim of identifying a model supported by a sustainable approach of the company. This examination laid the groundwork for a voting rights policy based on a new governance model. This governance model is based on four main pillars:

- 1- **The development of a long-term shareholding** able to support the sustainable development of the company.
- 2- The creation of governing bodies serving all **stakeholders in a balanced way** and considering corporate social responsibility issues in strategic thinking.
- 3- The **balanced and fair distribution of the value created** between different stakeholders, and the integration of environmental and social issues into incentive mechanisms and alignment of interests' mechanisms.
- 4- **Transparency and quality of financial and extra-financial reporting**, with the implementation of reporting integrating sustainable development issues.

This approach builds on the work of the ParisTech Mines Chair "*Company theory. Governance models and collective creation*" supported by Mirova.

RESOLUTION OPPOSED IN 2020⁴

"23 % resolutions⁵ and **94%** companies received an opposition vote in 2020⁶

In 2020, the percentage of resolutions on which Mirova voted against or abstained substantially remained the same as last year, both as of the number of resolutions and the number of companies. However, we have paid increased attention on the adequacy of dividend policies in the context of the socio-economic uncertainties exacerbated by the global health crisis. Thus, it resulted a significant increase in our contestation of the theme of "Distribution of Value". 80% of companies received at least one opposition vote on the distribution of value, up from 71% in 2019.

Compared to 2019, the opposition rate for the theme of "Transparency and Quality of Information" decreased slightly from 72% to 67% in 2020. This evolution is linked to a strengthening of regulatory frameworks and codes of good practice for auditors' remuneration.

Resolutions related to "balance of power" also registered significant opposition, with 55% of companies subject to at least one opposition vote on the issue. However, business practices have improved, with the opposition rate being 60% last year. The development of regulations related to gender diversity and the representation of employees on boards is a major reason for this evolution.

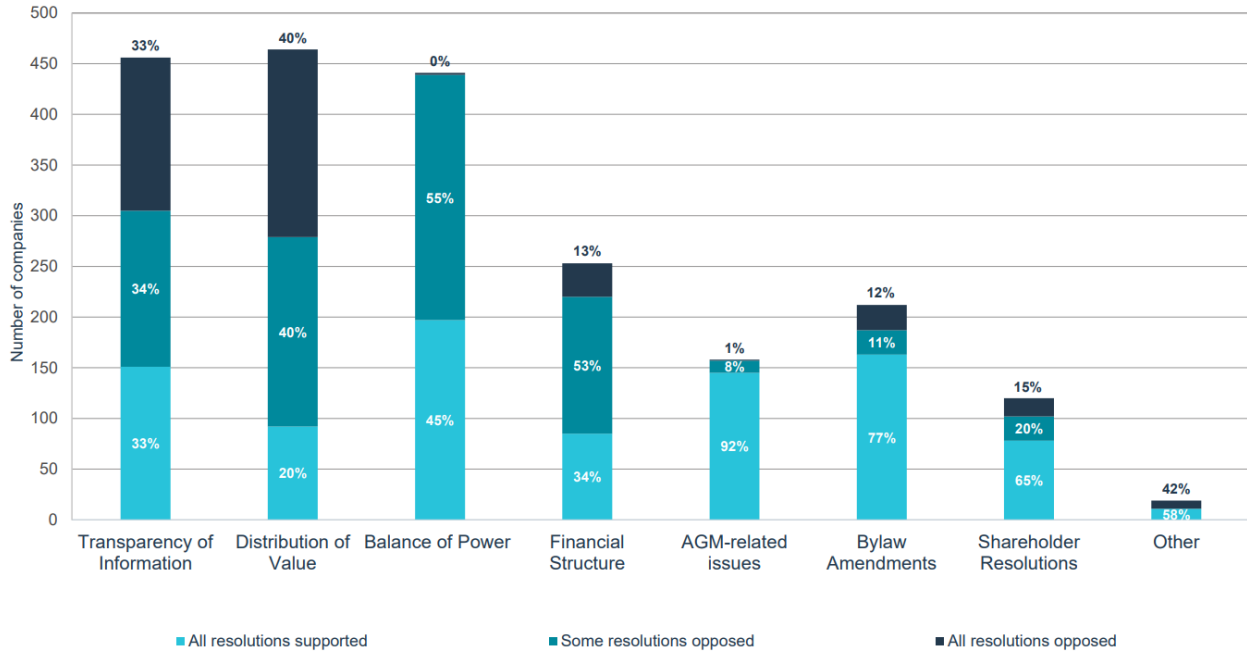
³ Mirova's voting policy is available on our website: <https://www.mirova.com/en/research/voting-and-engagement>

⁴ For more information, Mirova's voting report is available on our website (see link above).

⁵ Opposition rate in resolution: % of resolutions received an opposition vote.

⁶ Opposition rate in number of companies: % of companies that received at least one opposition vote at their general meeting.

Figure 2: Breakdown of votes by theme in 2020



Source: Mirova, 2020

3. Green and Social Bonds

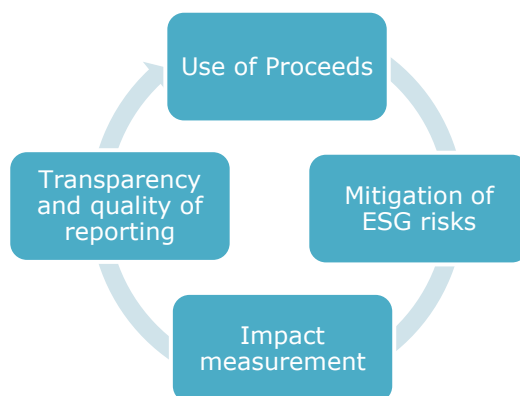


"36 issuers targeted by engagement actions

Mirova's engagement to green, social, and sustainable development bonds is based on the conviction that considering extra-financial criteria in the investment process is essential to create long-term value. By investing in sustainability related bond vehicles, Mirova can target entities and especially projects to invest in. This capitalizes on the opportunities created by the transition to a more sustainable economy, while ensuring that Environmental, Social and Governance (ESG) issues are well addressed.

ENGAGEMENT APPROACH

Figure 3: Engagement Approach for Green and/or Social Bonds



Source: Mirova, 2020

Use of proceeds —

We recommend that issuers clearly disclose in their prospectuses the proceeds will be used to finance projects generating environmental and/or social value. We strongly emphasize the need for clarity and quality in principles for allocating funds. Project selection criteria must be clear and sufficiently restrictive to ensure the positive environmental and/or social impacts of funded projects.

Impact measurement —

We encourage issuers to ramp up in their ability to measure the environmental and/or social impact of projects. We also encourage them to publish the methodologies used to quantify these impacts so that investors can better understand the overall impact and the contribution to the Sustainable Development Goals.

Mitigations of ESG risks —

We encourage sustainability bond issuers to communicate about their strategies to mitigate ESG risks associated with the funded projects. Issuers are expected to consider the ESG impacts of the project on its full lifecycle. Such measures are all the more important as projects could generate negative consequences if social and/or environmental risks are mismanaged.

Transparency and Quality of Reporting —

We foster issuers to be completely transparent about the traceability of funds raised through the issuance of sustainable bonds. To this end, we call for reports detailing funded projects and to be published at least once a year. We strongly encourage companies to have these reports audited by an independent third party.

MARKET SITUATION IN 2020

Development of social bonds following the pandemic -

Unsurprisingly, the COVID-19 pandemic also influenced the Green, Social and Sustainability (GSSB) bond market. The crisis has highlighted the crucial need for a resilient healthcare system to ensure the robustness of our economies and the population wellbeing. At the same time, the scale of political measures implemented to contain the spread of the virus spearhead a social and economic crisis, which was illustrated by the skyrocketing number of job seekers in most affected countries. Thus, numerous social bonds have been issued by public and regional entities (yet not only) with the aim to finance healthcare facilities and/or economic employment assistance programs. In this context, Mirova has strengthened its engagement processes with issuers in order to ensure the robustness of these social bond frameworks.

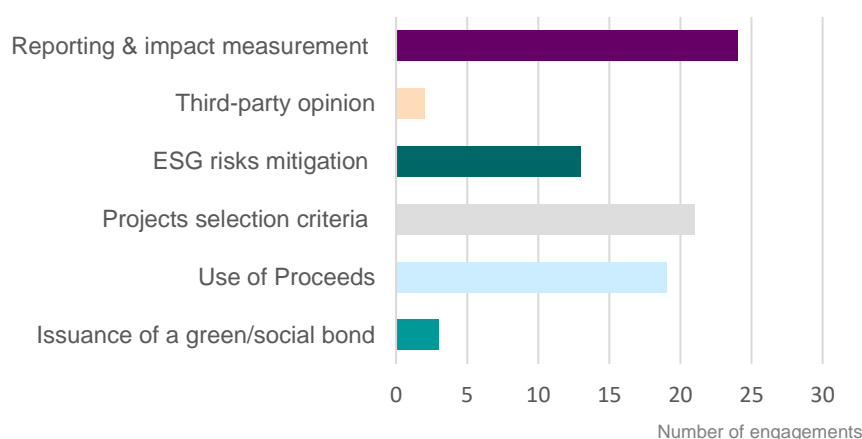
« Transition Bonds et « Sustainability » Linked Bond » emergence -

The number of "Transition Bonds" and "Sustainability-linked Bonds" issuances also increased in 2020. As of today, no issuance structured under these mechanisms has been considered as eligible according to Mirova's methodology. Indeed, sustainability KPIs identified under these frameworks still lack in ambition and are not tied up with a deeply relevant sustainability strategy from the issuer. However, we continue to engage with issuers and policyholders on the different terms and conditions and we frequently voice what would be our expectations to consider Transition Bond or Sustainability Linked Bond as eligible. Eligibility of "Transition Bonds" is based on the type of projects and especially on the alignment of these projects with the Paris Agreement. Regarding "Sustainability-Linked Bonds", we expect the development of structuring mechanisms enabling a better alignment of interests between investors and issuers.

Improved transparency -

We have also continued our discussions initiated in the past on transparency and robustness of impact reporting. We shared our expectations with issuers and worked to promote a well-established sustainable bond market, both in terms of structure and credibility. In 2020, improving reporting quality has been an important focus of work, including sharing best practices and key impact indicators. The consistency between sustainable issuances and use of proceeds with the company's overall strategy also is paramount.

Figure 4: Number of engagement actions on green/social bonds in 2020



Source: Mirova, 2020

In addition to individual engagement with policyholders and issuers, we also participate in local initiatives such as the International Capital Market Association and Climate Bonds Initiative (more details: page 43-44 of this report).

4. Energy Transition



Mirova has chosen to develop strategies dedicated to energy transition in order to accelerate the fight against climate change, by financing projects or unlisted companies dedicated to the production of renewable energy and decarbonized mobility solutions. Beyond environmental benefits, the energy transition can generate significant social benefits, including improved air quality in urban areas and access to energy. The sustainable development analysis of investment opportunities is also complemented by an assessment of the environmental and social risks of a project or company, taking into account both the inherent level of risk associated with the nature or location of an activity, and the quality of management implemented to reduce risk.

ENGAGEMENT APPROACH

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

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

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

In 2020, Mirova continued to deploy its methodology to analyze energy transition funds through the following engagement process:

Figure 5: Engagement process on Energy Transition projects



Source: Mirova, 2020

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

This approach is employed both directly, by project heads, and indirectly, through common initiatives with other investors. When we analyze projects, key topics for engagement are systematically defined. Once the investment is made, Mirova and project managers discuss these topics to define directions for improvements for the project. When a project is evaluated by a committee, a request for further transparency accompanies the project's analysis. This request, which is tailored to each project, is shared with companies involved so they can help in gathering and broadcasting environmental and social information.

Our project analyses systematically include the definition of key engagement objectives discussed by Mirova and the project's stakeholders (operators, industrial actors etc) post-investment. Indeed, this process ensure collaboration in the implementation of the expected environmental and social improvements. During the asset ownership and management phase, ESG issues are analyzed to monitor the risk management performance (accidentology, environmental incidents, etc.), as well as the effective positive impacts (renewable energy production, induced and avoided emissions, etc.). These elements form the basis of our exchanges with the various stakeholders of the projects.

SITUATION IN 2020

In 2020, Mirova focused on the following topics, highlighting their importance for us, in the process of responsible investment:

- **ESG criteria integration** in the supplier's selection process, which focus on both their social and environmental practices.
- **Enhanced transparency** on local communities' consultation process.
- **Reducing accidents, incidents and other health and safety issues** during the construction phase through the implementation of a health, safety and environment (HSE) risk management system, covering all on-site workers - contractors and subcontractors.
- **Environmental Incident Prevention Mechanisms** during the construction and operation phases.
- **Monitoring project's environmental impacts mitigation and compensation measures** to ensure their effective implementation, measurement of residual impacts and the definition of an adequate action plan.

- **Enhanced transparency on environmental and social risk management** during operations and maintenance operations.
- **Responsible management of the project's end-of-life equipment**, including waste management and recycling.

Engagement in practice: Hype

In 2020, Mirova invested in Hype (a French company), the world's first fleet of zero-emission hydrogen taxis. Mirova contributed to a transaction financing the company's external growth with the acquisition of a taxi rental company allowing Hype to reach a critical size of 700 taxis and at the same time the construction of new low-carbon hydrogen stations in the Ile de France region. The analysis of the project highlighted several areas for improvement regarding ESG issues. Our discussions with the company management confirmed their ambition to position business in a long-term sustainable perspective. The dialogue resulted in the formalization of an action plan validated by Hype. Hype is committed to implement several changes in its practices. The themes of the action plan cover both environmental, social and governance issues with a view to continuous progress.

In terms of governance, Hype has thus committed to integrating the implementation of the main levers to improve the company's environmental and social performance into the variable remuneration criteria of its executives. From an environmental point of view, attention will be paid to the environmental quality of the hydrogen supply, gradually targeting a green hydrogen partly produced by the on-site deployment of electrolysis. In addition to the actual implementation of this conversion, the company plans to carry out a life cycle carbon footprint analysis. Finally, on the social level, the company plans to pursue an ambitious policy of training drivers and to formalize a Code of Conduct attached with the corresponding tools.

Hype's management is particularly keen to integrate sustainable development at the core of its activities and is committed to this. Mirova will closely monitor the progress made on this roadmap, in order to support the company in its process of continuous improvement.

5. Natural Capital



Mirova develops solutions for public and private investors who want to invest in nature-based solutions. Our strategies aim to finance projects that combine profitability and impact: conservation and restoration of ecosystems, sustainable livelihoods for local people.

These actions aim to protect, manage sustainably, and restore ecosystems, while bringing human well-being and benefits to biodiversity and climate. These include investing in reforestation, sustainable agriculture, ocean conservation and the restoration of degraded land.

ENGAGEMENT APPROACH

Each project invested under the strategies of Mirova Capital Natural platform⁷ is subject to an in-depth analysis prior to the investment decision, focusing both on the potential positive impact of the project (conservation, restoration, ecosystem rehabilitation, etc.), and on the environmental and social risk management quality (health and safety, environmental impacts of the project, land law and land use rights, indigenous peoples, etc.).

This analysis systematically integrates the development of an environmental and social action plan, co-designed with the project manager. This mechanism allows us to formalize our recommendations and agree on ambitious improvement objectives. Thus, Mirova is ensured the level of performance met by the project is in line with our environmental and social standards, and to some extent, reinforces the positive impacts generated by the project.

Post-investment and during the management phase, Mirova continues to engage with project managers to monitor progress of a pre-established, usually quarterly, environmental, and social action plan.

Engagement in action: the example of the Code of Conduct

Encouraged by its investors, the Land Degradation Neutrality Fund⁸ (LDNF) has developed a demanding Code of Conduct policy, aimed at protecting vulnerable people from the risks of abuse, whether violence, harassment, in connection with the activities of the LDN fund or the projects invested.

In this context, LDNF teams systematically engage in a dialogue on this topic with the project developers. If such a code of conduct does not already exist, or partially, project leaders will be asked to commit to formalizing it and implementing it as part of an environmental and social action plan. The effective implementation of the action plan will then be monitored. As it is a relatively innovative engagement topic, LDNF has undertaken a pioneering position, and its support in this regard with projects developers and leaders has been appreciated.

⁷ The services of Mirova Natural Capital platform are only available to professional clients and eligible counterparties. They are not available to retail clients.

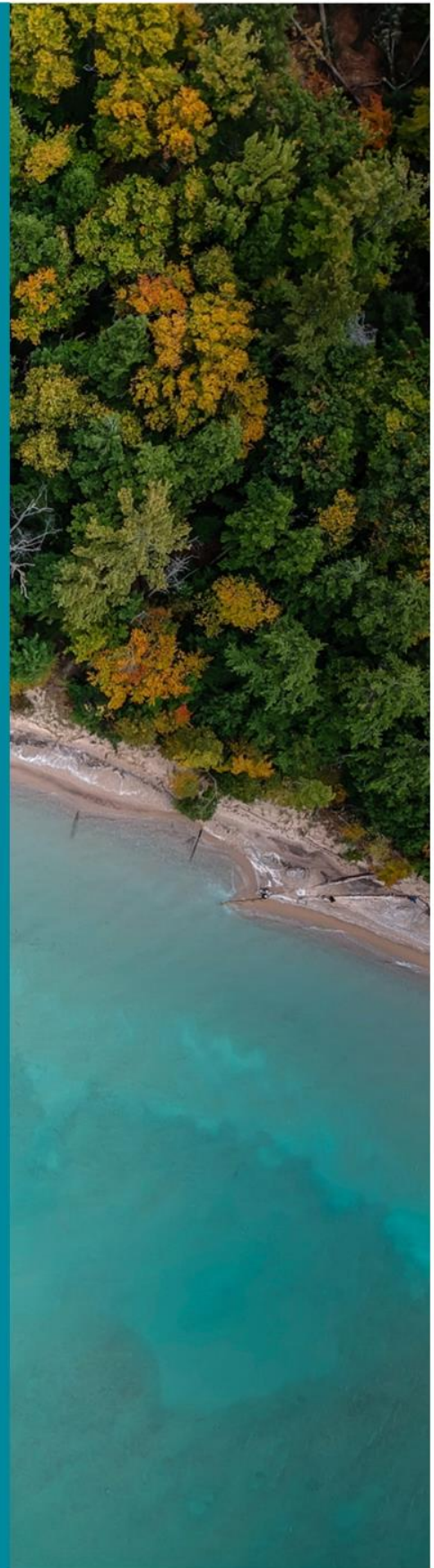
⁸ LAND DEGRADATION NEUTRALITY FUND is a Luxembourg Special Limited Partnership (Société en Commandite Spéciale), closed to new subscription. Mirova is the management company. The supervisory authority approval is not required for this fund.

II. Thematic engagement: Priorities 2020

Page 25. Shared value creation.

Page 27. Biodiversity.

Page 30. Gender equality.



II. Thematic Engagement

Each year, we share our engagement priorities with companies included in Mirova's portfolio (more than 400 in 2020).⁹

The unprecedented events that occurred in 2020 have naturally oriented Mirova's engagement priorities to certain issues. Nevertheless, it seemed important to us that these events did not interfere with the long-term issues on which we initiated engagement prior to the crisis.

The thematic engagements developed in this section are both covered across a diverse set of asset classes and are driven by individual and collaborative engagements. In the context of this 2020 Engagement Report, we decided to focus on three topics:

- Shared Value Creation.
- Biodiversity.
- Gender Equality.

1. Shared Value Creation

CONTEXT AND OBJECTIVES

The current sanitary crisis we seek to overcome has sheds light on the strengths and weaknesses of our economy, it increases the echo of the voices which have been calling for a sustainable and fair economic revival. It reinforces Mirova's founding belief that investment is a powerful and necessary tool to push society towards a more sustainable, fairer, and more resilient economy. Historically, Mirova has always been committed to promote a fair distribution of the value created. In recent years, in order to ensure that value has been fairly distributed among all stakeholders, Mirova has been consulting with companies on their methods and practices in this area. However, as social disparities become are increasingly widened, the level of information shared by companies remains low, so we expect companies to increase transparency.

In 2020, more than ever, the subject has received specific attention. Indeed, the COVID-19 pandemic is a major upheaval to our societies and all levels of our societies will be impacted. Beyond consequences on health of millions of people, the pandemic and the measures taken to contain it profoundly destabilized our economies, raising fears and foreshadowing a major social crisis. Companies responsibility in terms of fair value distribution has thus become a particularly material subject of attention.

We believe that each stakeholder (employees, executives, shareholders) should benefit from the same trends in the distribution of the value created by the company. We also believe that public authorities should also be fairly compensated by implementing a sound tax policy. Corporate policies should also focus on long-term operational, social, and environmental performance. Thus, we aim to encourage companies to:

- **Align stakeholder compensation with real value creation.**
- **Balancing compensation in the company.**

The company's stakeholders can only collaborate effectively if their contributions are recognized and rewarded. In a pandemic context, the issue goes beyond simple compensation issues and also considers the health and safety issues of all stakeholders.

⁹ Engagement priorities 2021 available on Mirova's website:

<https://www.mirova.com/sites/default/files/2021-03/mirova-engagement-priorities-2021.pdf>

In recent years and particularly in 2020 and through the diversity of its activities and asset classes, Mirova has been able to address the topic and engage with companies on fair value distribution through different levers. On the one hand, as part of the voting policy, Mirova supports its convictions by casting its votes one way or the other, but above all by discussing its expectations and the reasons for this choice with companies. On the other hand, this issue is also addressed during various engagement actions conducted with invested or potential companies. Finally, engagements made under Insertion Emplois Dynamique (Insertion Dynamic Employment)¹⁰ (dedicated to job creation in France) were a special opportunity to exchange with companies about our expectations in this regard. Collaborative engagement also remains a way to join forces with other investors to assert our positions.

Mirova is also behind the reCOVerry initiative, created in partnership with Fabernovel, a collaborative think-tank for companies and financial players that wanted to encourage debate around a fairer and more sustainable "post-world" of our economy. Through this process of reflection and sharing for all companies and financial players involved and we proposed 31 days of exchanges. Findings are [available](#).

REMUNERATION DISTRIBUTION DURING THE PANDEMIC: AT THE CORE OF THE 2020 VOTING SEASON

Our voting policy already insists, under normal circumstances, on the alignment of the interests of the various stakeholders. Each year, we identify companies where some stakeholders appear to be under-recognized and we try to initiate and maintain a constructive dialogue to understand the specific situation of the company. Ultimately, we encourage realignment of stakeholder compensation.

In 2020, in the context of economic and social uncertainties, we wanted to reinforce our message and call on companies to remain sober in terms of shareholder return. In this period, during which the outcome remained very uncertain, we believed that the payment of dividends should in no way undermine a company's stability, investment capacity or medium-term resilience. This message was the specific subject of a letter from our Chief Executive Officer, Philippe Zaouati, sent to all the companies in our portfolios.¹¹

This approach has had a strong impact on both engagement actions and voting, as we have targeted all companies offering distribution equal to or greater than the previous year without specific justification for fully taking into account the socio-economic issues of the current pandemic. We have established a direct dialogue with more than thirty companies on these topics, involving many stakeholders in charge of governance and corporate social responsibility issues within companies and our teams. These engagements directly impacted our votes on resolutions relating to dividends, share buy-backs and executive compensation, and we supported these resolutions only on the condition that the company provided sufficient evidence to demonstrate that these payments are consistent with the long-term sustainability of the company and its stakeholders.

Advanced dialogue:

22 companies: on the subject of fair distribution of value among stakeholders (shareholders, executives, employees, public authorities).

33 companies : on the subject of the adequacy of the dividend policy in the face of the pandemic.

¹⁰ Insertion Emplois Dynamique is a French mutual fund (Fonds Commun de Placement, AIF) approved by the French Market Authority (the "AMF"). Natixis Investment Managers International is the management company and has delegated financial management to Mirova.

¹¹ This letter is available on Mirova's website: <https://www.mirova.com/en/news/Mirova-calls-companies-prudent-sober-shareholder-remuneration-Covid-19>

MAINTAINING EMPLOYMENT AND WORKING CONDITIONS

Each year, Mirova initiates a dialogue with several companies in order to better understand their vision of job creation in France. Our dialogue with companies included in Mirova Insertion Emplois Dynamique Fund¹² allows us to highlight our expectations on improving employment prospects. In the context of the health crisis, we have also strengthened engagement on the social pillar with companies included in the portfolio. It also ensures consistency between the expectations of a responsible investor with the relevance of the social policies implemented by portfolio companies. We asked them about the use of state aid, health protection measures and employment (telework, flexibilization, etc.), and the adequacy between the efforts demanded from employees and those from executives or shareholders. The consistency in salary evolution between stakeholders is also a central focus of discussions with companies. Increasingly, we are encouraging companies to implement a coherent and relevant employee shareholding program available to a majority of employees. In addition to the companies included in the Insertion Emplois Dynamique portfolio, we have addressed these issues with several exposed companies, including companies in the consumer, health, and insurance sectors.

86

Engagement actions conducted between March and July 2020 on employment.

2. Biodiversity

CONTEXT AND OBJECTIVES

In recent years, a growing awareness of environmental issues has clearly emerged. In particular, the fight against global warming has become central, both in public debate, business strategies and civil society's concerns. However, in the eyes of scientists, climate is not the only source of environmental concern. Our lifestyles involve resource consumption far beyond the capacity of ecosystems to regenerate. Discharges related to our lifestyles and activities, whether it is waste, polluting emissions in water, air, or soil, heavily affect animal and plant species.

At the crossroads of these concerns, the need to preserve the "diversity of life" and biodiversity has emerged in recent years. This reflection is the result of both "ethical" considerations - a moral duty that humans would have to preserve other forms of life on earth - and a more "utilitarian" vision - preserving the essential services rendered free of charge by nature to our societies. The regulation of air quality, the maintenance of soil fertility, the production of food, the fertilization of crops are "ecosystem services" that we would find difficult to replace if biodiversity were not sufficiently preserved.

We have set three main objectives:

- **Accelerate our direct investment in natural capital** and Nature-Based Solutions and develop a market ranging from incubation to scale-up of new models.
- **Develop a data-driven methodology** and market focused on companies impact on biodiversity to better integrate said biodiversity into the investment process for listed funds.
- Participate in an initiative that brings together public and private players **to create tools designed to help the financial sector preserve nature.**

Due to specificities related to biodiversity matters and the lack of a clear and commonly accepted methodology, it is necessary to use different tools to address it. Thus, thanks to the diversity of its activities and asset classes, Mirova has been able to use various means to bring new solutions and encourage companies to act. Individually, Mirova engages with companies and project managers in the context of listed and unlisted strategies. Mirova has also partnered with other actors to unite forces and, above all, expertise to develop a clear

¹² The latest impact report from the Dynamic Jobs Insertion Fund is available on Mirova's website.

methodology and develop tools for pedagogy. Cross-cuttingly, we are integrating biodiversity as a key topic of engagement, as part of all of our investment activities.

THE NEED FOR A METHODOLOGY TO ASSESS THE IMPACT OF INVESTMENTS ON BIODIVERSITY

In 2020, Mirova launched a call for expressions of interest reflecting our desire to create a biodiversity impact measurement tool for listed companies and in partnership with AXA IM, BNPP AM and Sycomore AM. Partners selected the consortium formed by Iceberg Data Lab and I Care - Consult.

Iceberg Data Lab and I Care - Consult have joined forces to expand the Corporate Biodiversity Footprint, a measure to quantify the impact of companies' activities on biodiversity. The tool under development will allow investors to incorporate impacts on nature and biodiversity into their risk assessments and research. In addition, the transparency of the selected approach will contribute positively to the required convergence towards more standard and comparable indicators. This should serve as an important catalyst for private sector action, with ripple effects across our economies. The indicator is expected to be deployed by the end of 2021, with first reports in 2022.

PARTICIPATION AND INITIATION OF LOCAL INITIATIVES: JOINING FORCES AND SHARING EXPERTISE

In 2020, we also have joined several initiatives to which it is actively contributing:

- **TNFD** (Taskforce on Nature-related Financial Disclosure): Mirova participated in the launch and is part of the TNFD Mandate and Governance Working Group.
- **Finance for Biodiversity Pledge**: Mirova is a signatory to this initiative launched by 26 financial institutions around the world, calling on leaders and announcing their Engagement to biodiversity, ahead of COP15 of the United Nations Convention on Biological Diversity (CBD).
- Participation in the "[LITTLE BOOK OF INVESTING IN NATURE](#)",¹³ 2020 a few days after the One Planet Summit. HSBC Pollination Climate Asset Management, Lombard Odier and Mirova co-found **Alliance for Investment in Natural Capital** Sustainable Markets Initiative.

ENGAGING WITH COMPANIES AND PROJECT OWNERS

Unlisted Strategies

The majority of Mirova's unlisted strategies are directly exposed to biodiversity issues. Indeed, Mirova's investments directly related to Energy Transition infrastructures are an opportunity to address issues of potential impacts on the biodiversity of certain renewable energy production sites (typically wind turbines). Mirova's investments in Natural Capital are selected for their specific impact on natural capital. Nevertheless, such projects also face biodiversity related risks. This theme is therefore at the heart of pre-investment analyses and post-investment follow-ups.

¹³ This book was coordinated by Global Canopy and funded by the French Development Agency alongside Mirova, Biofin, Credit Suisse, WWF and the United Nations Development Programme (UNDP).

Listed Strategies

Mirova is increasingly integrating the biodiversity issues into its sustainable analysis frameworks. Thus, in the context of engagement actions, companies are encouraged to:

Assess and disclose potential impacts on biodiversity (how activities affect biodiversity and ecosystems), including the type and severity of impacts.

Set out a strategy to mitigate the deterioration, including objectives and action plans, including reports on progress.

Discussions with **23** companies on biodiversity issues in 2020

From a general point of view, listed companies' awareness on the impact of their activities on biodiversity have been drastically improved in the past few years. However, biodiversity impact measurement indicators are still lacking, and with some exception, action plans are implemented in parallel to core business models and mainly consists in sites rehabilitation projects. This theme is therefore regularly discussed in our interactions with issuers and is frequently the subject of recommendations.



Biodiversity is a crucial issue for Nestlé's business model sustainability. Our dialogue with the company contributed to the improvement of our understanding on Nestlé's efforts to ensure biodiversity preservation along the supply chain but also of the difficulties encountered in measuring the consequences of its activities on biodiversity. Agronomist and supply teams are working to promote regenerative agriculture. This work requires in-depth knowledge and a perfect traceability of most of the ingredients used. Today, Nestlé can trace 70% of the ingredients used in the manufacture of its products, from the farm to the processing plant. The work also involves a change in practices for farmers serving the company. This change in practice is being promoted by Nestlé, which has increased the duration of most of its contracts with farmers from 6/8 months to 12/15 months to enable farmers to move towards more sustainable farming methods. In order to promote sustainable agriculture at the farm level, Nestlé has used three methods.

- Initially, the company established a partnership with third parties such as Rainforest Alliance, Earthworms.
- Nestlé agronomists are also in direct contact with their direct suppliers of coffee, cocoa and milk.
- Finally, premiums are now paid to farmers for the introduction of regenerative farming practices.

With these various measures, Nestlé approach is considered as good practice. However, despite the efforts made, comparability and minimization of the impact on biodiversity of companies like Nestlé remain difficult to grasp. At present, the lack of data that can be used and analyzed by investors requires strong collaborative involvement.

The securities mentioned above are shown for illustrative purpose only and should not be considered as a recommendation or a solicitation to buy or sell.

3. Gender equality

CONTEXT AND OBJECTIVES

Although women represent nearly half of the world's population, they continue to face inequalities and have access to fewer assets and opportunities than men. In the past 25 years – since the adoption of the Beijing Declaration and the Action Plan adopted at the Fourth World Conference on Women in 1995 – significant progresses have been made. The adoption of the United Nations 2030 Agenda for Sustainable Development highlights the remaining needs for further improvement regarding the SDG 5: “Achieve gender equality and empower all women and girls”.

As investors, we are convinced that gender equality contributes to increased benefits to society and economy while enabling better financial performance. We believe that a company that promotes and takes decisive action towards gender equality will create value, not only for investors, but also for all its stakeholders. For these reasons, we have multiplied the number of discussions on gender equality in our engagement strategy.

To promote better gender equality, Mirova relies on several collaborative engagements. Convinced that diversity is a vehicle for business performance, Mirova helps to unite and coordinate a community of investors around diversity challenges, open discussion with companies and support them in this transition. However, Mirova also regularly engages with portfolio companies on these topics, as part of the Mirova Women Leaders Equity fund¹⁴ created in 2019.

WOMEN EMPOWERMENT PRINCIPLES

In October 2019, Mirova launched an investor coalition to support the UN Women Empowerment Principles and promote gender equality. The declaration, co-signed by 66 investors representing more than 4 trillion euros in assets under management as of October 2019, was supported by UN Women and the UN Global Compact. The statement was broadcast to more than 1,600 companies worldwide. Through this joint statement, Mirova and the signatory investors reaffirmed their growing interest in gender equality and women empowerment in their investment decisions. As a result, we strongly encouraged business leaders to take action to promote gender equality in their businesses by signing the Women Empowerment Principles and called on companies to promote the implementation of gender equality performance measurement tools and to improve transparency in their actions and results. As a result, Mirova received more than 100 responses from targeted companies, directly including CEOs, with a commitment to address the issue and increase transparency on gender diversity.

THIRTY PERCENT CLUB

In 2020, together with six asset management companies representing nearly 3 trillion euros in assets under management (as of 09/31/2020), Mirova participated in the creation of the 30% Club France Investor Group in November. The aim of this initiative is to promote greater gender diversity in the governing bodies of companies included in the SBF 120 (French stock market index composed of 120 companies), by supporting a voluntary approach to achieving meaningful and lasting change within companies: achieving a 30% level of women representation at executive committees. In concrete terms, the six asset management companies will engage with companies (CEOs, human resources managers, board members, appointment committees) on gender diversity within management teams and encourage better representation of women, particularly in operational positions. Beyond leadership, the Investor Group also wants to understand how gender diversity criteria are considered in

¹⁴ Mirova Women Leaders Equity Fund is a sub-fund of the Luxembourg SICAV Mirova Funds, approved by the Luxembourg Commission for the Supervision of the Financial Sector (the "CSSF"). Natixis Investment Managers International is the management company and has delegated financial management to Mirova.

recruitment and promotion processes to the highest levels of management, with the aim of creating a sufficiently diverse talent pool at all levels of the company. The Investor Group will also ensure that companies have set clear targets for gender diversity and have or will implement a relevant action plan to achieve the targets.

Finally, members of the Investor Group will be able to use their voting rights in the context of General Meetings to encourage companies to act when measures taken in favor of gender diversity are deemed insufficient and engagement with society has not resulted in any satisfactory results. To date, a statement of purpose of the creation of the Club and its related expectations has been sent to all the companies making up the index.

Mirova is also a member of the Thirty Percent Coalition, founded in 2011, a pioneering initiative in the advocacy of diversity on corporate boards. Its mission is to promote gender diversity on corporate boards, also taking into account race and ethnicity. Diversity on boards is clearly one of the key indicators of a clear correlation between diversity and improved shareholder value and company performance.

INVESTISSEMENT THEMATIC: MIROVA WOMEN LEADER EQUITY FUND

Using unbiased and solid criteria, Mirova has created an investment strategy focusing on increasing women's access to leadership positions. We invest in companies with high proportion of women in management positions. In addition, these companies have advanced gender diversity policies, including leadership training for women with high-potential sponsorships involving both men and women, training on unconscious bias, transparency on the gender pay gap, measures to improve work-life balance and increase promotion rates, and committed high-level models that support gender diversity starting with the CEO.

9

Engagements dedicated to gender diversity issues.



In 2020, a dialogue was initiated with Air Products and Chemicals to understand the company's gender policy and more specifically how gender diversity is considered in recruitment and promotion processes up to the highest levels of hierarchy. Indeed, a change in the structure of the company's executive committee has resulted in the absence of women in top management. Thus, we considered crucial to highlight the relevance of a proactive policy on gender equality to ensure the creation of a sufficiently diverse pool of talent at all qualification levels. Mirova also encouraged Air Products and Chemicals to be more transparent on this issue through the publication of key indicators. For example, in addition to gender distribution, we highlighted other issues such the wage gap, inequalities in internal promotion rate of women in relation to men, in the type of jobs (temporary, part-time, etc.), in the number of beneficiaries in leadership training, etc. We have thus communicated expected indicators and share the measures considered to be the most effective in encouraging women's access to top management. Sharing of best practices is one of the pillars of our engagement policy on gender equality.

Representatives of Air Products and Chemicals have informed of the recent implementation of a target to reach at least 28% of women in management positions by 2025, an increase of 25% over 2020 levels. In addition, the company has taken note of our recommendations and will endeavor to incorporate them into its next annual report achieve better transparency in gender equality.

The securities mentioned above are shown for illustrative purpose only and should not be considered as a recommendation or a solicitation to buy or sell.

III.

Collaborative engagement

Page 33. Collaborative engagement initiatives (active or completed in 2020)

Page 35. Investor Statements Signed by Mirova in 2020



III. Collaborative Engagement

Collaborative engagement identifies controversial practices at a sector or at a group of companies' levels and engages in dialogue to demand greater transparency and, if necessary, a change in practices. In order to strengthen the influence of responsible investors, the engagement is conducted with other investors to encourage issuers to make specific and measurable changes within a specified time frame. Engagement can also be carried out at the level of sectoral associations and/or public policies (these are developed in the Advocacy chapter).

Key figures as of the end of 2020¹⁵:

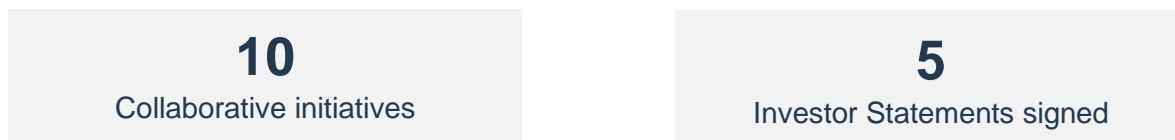
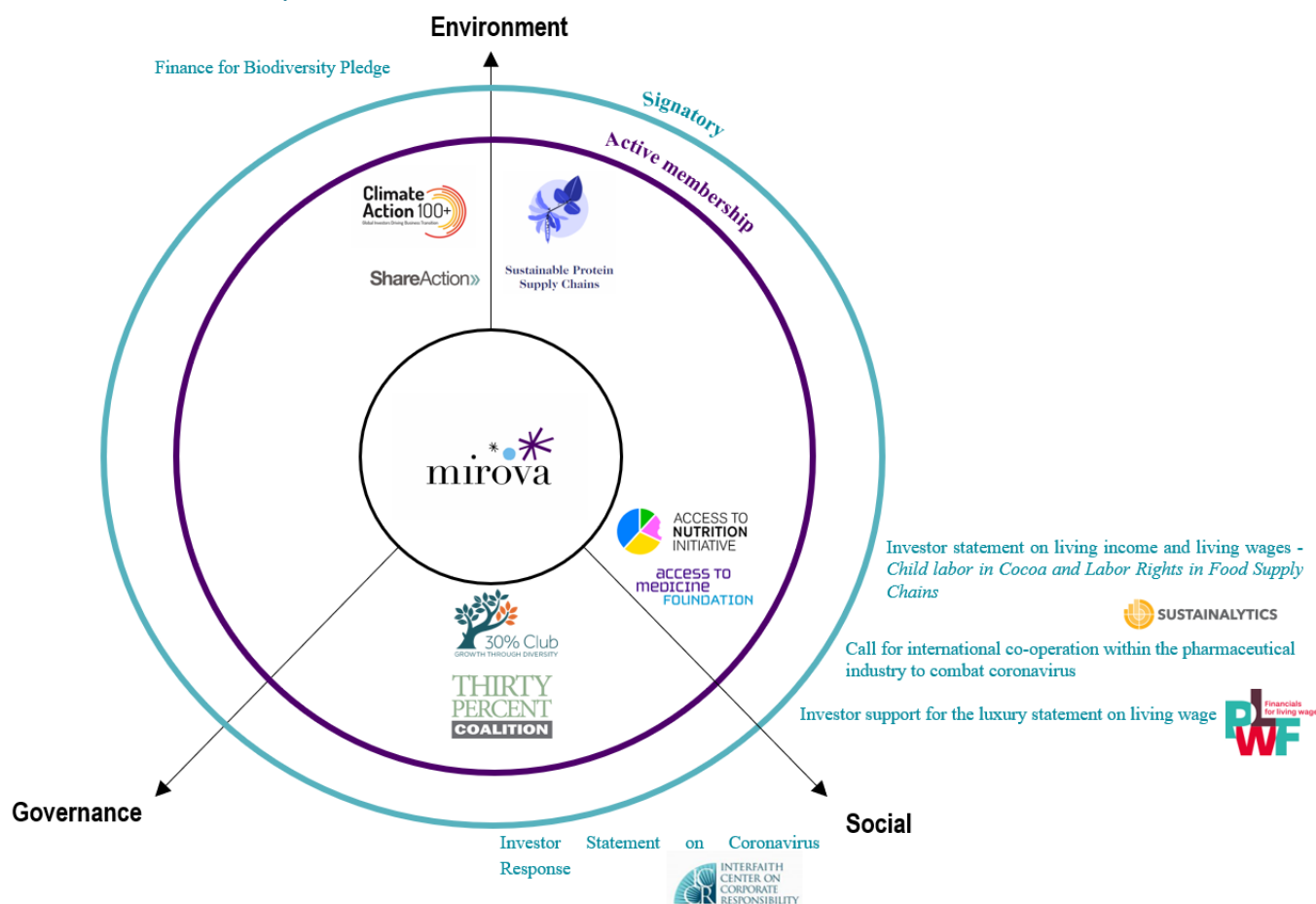


Figure 6: Collaborative initiatives in which Mirova participates (still active at the end of 2020)



Source: Mirova, 2020

¹⁵ Figures are internally calculated by Mirova.

1. Collaborative engagement initiatives (active or completed in 2020)¹⁶

Pillars	Initiative	Details on the initiative	Status at the end of 2020
	Climate 100+	The initiative was launched at the One Planet Summit and aimed at securing Engagements from boards of directors and governing bodies to implement a strong governance framework that clearly sets out the board's responsibility and oversight of the risks and opportunities associated with climate change; take action to reduce greenhouse gas emissions throughout their value chain, in line with the Paris Agreement target; to provide better business information in accordance with TCFD's final recommendations.	Ongoing 
	Investor Decarbonization Initiative (Share Action)	The Investor Decarbonization Initiative aims to promote the power of the investment system to accelerate corporate climate action. Gathering pension funds, charitable trusts and asset managers, this initiative mobilizes investor support for science-based emissions targets and complementary commitments to renewable electricity (RE100), energy productivity (EP100) and electric mobility (EV100). The initiative aims to get companies to commit to: 1) determine objectives based on scientific analysis in line with the expectations of the Paris Agreement; 2) target complementary energy performance to support the development and achievement of these goals; 3) establish a clear and unified engagement program to encourage meaningful decarbonization actions; 4) Design a mechanism for investors to contribute to The Sustainable Development Goals 7 (Clean and Affordable Energy) and 13 (Climate Action).	Ongoing 
	Sustainable protein	The initiative encourages the world's largest food companies to develop a comprehensive, evidence-based approach to diversifying protein sources and avoiding over-reliance on animal protein. The Engagement requires 25 global food companies to diversify their protein sources to drive growth, increase profitability, reduce risk exposure, and improve their ability to compete and innovate in a resource-constrained world. The engagement takes place in 5 phases.	Ongoing 
	Water risks in agricultural supply chains	Since 2015, the Engagement has focused on supply chains and businesses that rely heavily on agricultural supply chains in the following sectors: food, beverages, agricultural products, clothing, and retail (supermarkets). The initiative took place in two phases. Phase 1, involving 32 companies; and a second, involving the 17 companies behind Phase 1. In the second phase, the Engagement allowed companies to analyze their awareness of the issues around the water resource, their internal and supply chain actions, their collective action and how they influence water governance in the areas where they operate and source.	Completed in 2020 
	Support for the Manifesto for Cerrado	Published in September 2017, the Cerrado Manifesto is a call to "immediate action on behalf of Cerrado by companies that buy soybeans and meat within the biome, as well as by investors active in these sectors." The declaration recognized the need to prevent deforestation in Cerrado to mitigate the future risks associated with climate change and agricultural resilience in this important agricultural production region. In addition, the signatories of the Declaration are committed to working with local and international stakeholders to achieve this goal. Since its launch, more than 130 global brands have come together to support the Manifesto's goals.	Completed in 2020 
	Breast-milk substitutes (BMS) Manufacturer	The Call to Action calls on breast-milk substitutes manufacturers to recognize its long-standing obligations to adhere to the International Code of Marketing of Breastmilk Substitutes adopted by the World Health Assembly in 1981 and updated by several subsequent resolutions.	Ongoing 

¹⁶ These initiatives do not echo the initiatives previously developed in the chapter "Thematic Engagement"



Access to Medicine

For more than a decade, the Access to Medicine Foundation has been working to promote and guide the pharmaceutical industry to improve access for people living in low- and middle-income countries.

Ongoing



Corporate responsibility tax

An aggressive corporate tax strategy can represent a significant loss for countries and their people and have a negative impact on both finances and corporate reputations. Greater corporate transparency in areas such as tax policy, governance and financial reporting would help investors better identify these risks. The growing momentum for tax reform across governments provides an excellent opportunity to engage in collaborative Engagement to responsible corporate taxes. This Engagement provides an opportunity for investors to engage with high-risk companies to improve corporate income tax communication and encourage the development and appropriate implementation of responsible corporate income tax strategies.

Completed in 2020



2. Investor Statements signed by Mirova in 2020

Investor statement on living income and living wages - Child labor in Cocoa and Labor Rights in Food Supply Chains – Sustainalitics

The lack of income and living wages not only undermines the basic human right to a decent standard of living, but also fails to counter urbanization in food-producing countries and thus jeopardizes a stable workforce and the supply of raw materials. In addition, small-scale food producers who do not earn a living income are more likely to have to resort to child labor to make ends meet. In the investor's statement, we encourage recipient companies to sign a separate business return on living income and living wages.

[Link to the initiative.](#)

Investor support for the luxury statement on living wage – Financials for Living Wage

The aim of the letter was to call for greater transparency and dialogue around the identification and management of important ESG issues in the sector, including broader management of social risks, including the living minimum income. It is recognized that the business model of luxury goods differs from "fast fashion". However, despite these differences, unpaid living minimum income remains a risk in the luxury goods sector, particularly in its supply chain. We also consider that income is an important human right that must be protected and guaranteed by all actors.

[Link to the initiative.](#)

Investor Statement on Coronavirus Response – Interfaith Center on Corporate Responsibility

Statement from investors seeking to encourage companies to take action, including:

- Prioritize health and safety: Protecting the safety of workers and the public is essential to maintain business reputation, consumer confidence and social operating license, as well as to remain operational. Workers should avoid or limit exposure to COVID-19 as much as possible.
- Maintain employment: Businesses must take all necessary measures to retain workers, as widespread unemployment will only exacerbate the current crisis. Maintaining a well-trained and committed workforce will allow companies to resume operations as quickly as possible once the crisis is resolved.
- Maintain relationships with suppliers and customers: Where possible, maintaining quick or timely payments to suppliers and working with customers facing financial difficulties will help stabilize the economy, protect our communities and small businesses, and ensure a stable supply chain in place so that business can resume normally in the future.
- Financial prudence: At a time of market stress, the highest level of ethical financial management and accountability is expected.

[Link to the initiative.](#)

Call for international cooperation within the pharmaceutical industry

The Investor Statement aims to commit all pharmaceutical companies to certain principles during the COVID19 pandemic on the health and safety of employees and patients, the production of accessible treatments, international coordination, and coordination of private companies with governments and NGOs.

IV. Advocacy

Page 38. Mirova's Approach.

Page 39. Actions in 2020.

Page 41. Participation in local organizations and associations.

Page 43. Support for university chairs.

Page 43. Promote our vision of sustainable finance in the United States.



IV. Advocacy

At the forefront of the European Responsible Investment market, Mirova is working to promote sustainable finance and a robust responsible investment market through lobbying and advocacy. Mirova's investment philosophy, which encourages companies to seek economic, environmental, and social value creation fuels the engagement approach with regulators. The primary objective of Mirova's advocacy activities is to contribute to the development of sustainable finance ensuring positive impacts on the environment and our society.

1. Objectives and approach

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

OBJECTIVES

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

More specifically, Mirova:

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

THE APPROACH

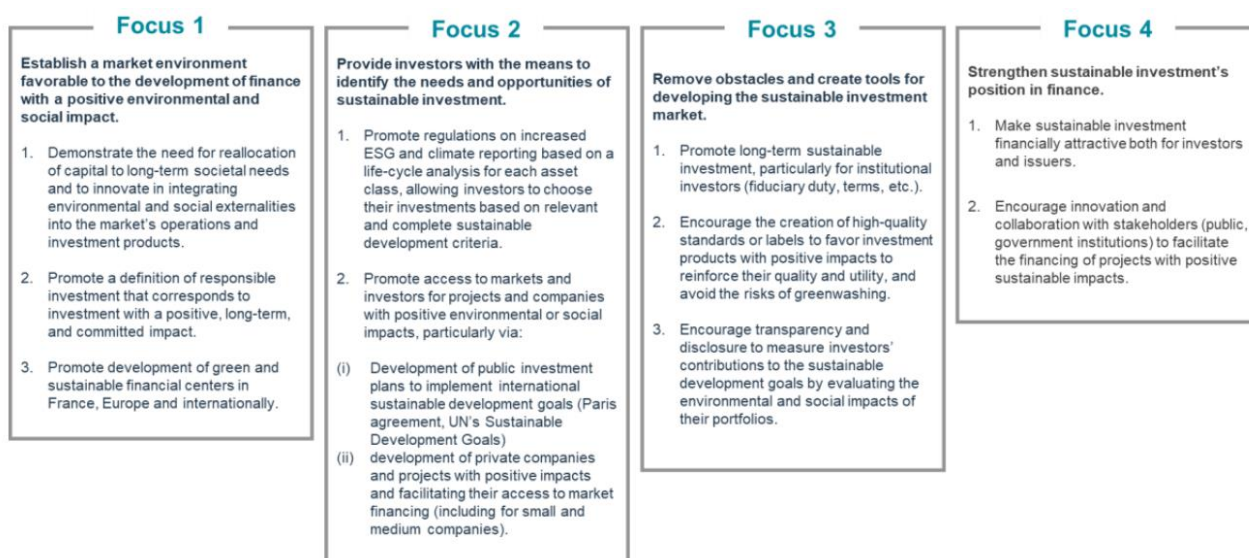
Mirova has developed an advocacy strategy tailored to its responsible investment policy to promote a regulatory and market environment favorable to the development of sustainable finance.

It relies on different tools:

1. Writing and/or contributing to specialized publications and public reports, direct exchanges with public authorities and inputs to reflections at the French, European and international levels (responses to public consultations, participation in working groups, etc.) and
2. Support for responsible investment professional organizations and their objectives, as well as academic research.

Mirova publishes its advocacy goals and the content of its answers to public consultations on her website. Mirova is registered in the European Union's Transparency Register and the French Register of Transparency (Repertory of Representatives of Interest of the High Authority for the Transparency of Public Life, HATPV).

Figure 7: Mirova's Advocacy Engagement Goals



Source: Mirova, 2020

2. Actions taken in 2020

In line with our goal of promoting sustainable finance and a more responsible corporate governance, Mirova has continued its advocacy activity in 2020. Indeed, we participated in the reflections of regulators and market players on the development of appropriate tools and frameworks for the development of sustainable finance, with specific contributions at European and French levels.

EUROPEAN COMMISSION ACTION PLAN TO FINANCE SUSTAINABLE GROWTH

In March 2018, the European Commission published its action plan on sustainable finance, inspired by a group of High-Level Expert Group (HLEG) to which Philippe Zaouati, CEO of Mirova, contributed. Mirova has since been actively monitoring the development and implementation of this action plan by EU regulators.

Mirova's contribution continues through various working groups. The contribution of his expert Manuel Coeslier, portfolio manager, to the European Commission's Technical Expert Group (TEG) on Sustainable Finance was completed in 2020. It contributed to the regulatory definition of two types of low-carbon market indices: one aligned with a transition objective, the other already aligned with the objective of the Paris Agreement

In 2020, Mirova's contribution has resulted in:

1) Contribution to the European Union reflections: through the response to the European Commission's consultations on the renewal of the sustainable finance strategy, on the requirements from financial players to publish more information in relation to the EU taxonomy, and on sustainability risks.

Mirova has always positioned itself as a committed solution provider: by supporting the regulators' approach to greater ambition, while drafting very concrete proposals to ensure that implemented mechanisms are consistent and effective from a sustainable development point of view. Mirova has thus proposed to include certain blind spots (regulation of banks' speculative activities) in the Commission's approach, and has drawn up a list of negative

impact indicators (Main adverse sustainability impact) proposed to the Commission to enable investors to have information useful to the decision.

Mirova has also been very involved in the implementation of the European Financial Transparency Regulation (Sustainable Finance Disclosure Regulation – SFDR / Sustainability-related disclosure in the financial services sector). We have conducted various advocacy actions to ensure Articles 8 and 9 of this regulation and its variations in other European texts (such as Markets in Financial Instruments Directive - MiFID) provide genuine transparency and differentiation to identify the most ambitious investment products. Alongside, we raised the question of these products distribution to ensure it would not cause confusion and greenwashing. These topics are expected to continue into 2021.

2) Maintaining our technical contribution to reflection on a European Ecolabel project for financial products especially for investment funds: Mirova highlighted her experience with the French label Greenfin to help define guidelines, both ambitious and realistic, taking into account the specifics of each asset class. Mirova continued to share field data and feedbacks on its greener funds with the regulator to assess the challenges associated with the implementation of EU taxonomy and define environmental thresholds to be met.

Mirova has also relayed these technical contributions through numerous public statements, for example in favor of a more demanding European Union Action Plan towards banks, or in favor of achieving the European taxonomy with unchanged ambition.

CONTRIBUTION TO THE DISCUSSIONS ON THE FRENCH AND EUROPEAN SOCIALLY RESPONSIBLE INVESTMENT MARKET

In 2020, Mirova remained involved in many local organizations, such as the Forum for Responsible Investment (FIR), where Mirova has been elected to the Board of Directors for several years.

With a vice-presidency particularly focused on European affairs, Mirova continued to represent the FIR at the board of Eurosif (European Forum for Responsible Investment), which has been completely reorganized in 2020. Through the FIR, Mirova helped support the recovery of the association to raise the voice of sustainable investment at European level.

3. Participation in local organizations and associations

Mirova participates in the work and projects in association with various international and professional organizations developed below.

Figure 8: Associations and forums with which Mirova collaborates as of 12/31/2020



Source : Mirova, 2020

Sustainable Finance Fora, INTERNATIONAL	
CERES	Mirova is a member of CERES and the climate risk investor network. CERES is a global organization that works to encourage companies to take action on climate change. The Climate Risk Investor Network brings together more than 175 institutional investors to tackle the challenge of climate change.
PRI	Signatory since 2013 of the Principles for Responsible Investment to promote responsible investment practices at the international level. Mirova confirms and renews its Engagement to the 6 principles. Signatory organizations are required to complete an annual questionnaire and publish a follow-up report. In 2020, Mirova was identified by the IRPs in the PRI Leaders group for the quality of its climate reporting.
UNEP FI	Member of the Investment Committee of the United Nations Environment Program (UNEP) Financial Initiative, which seeks to bring together the financial sector and UNEP. Mirova helped launch the "Positive Impact Finance" working group.
UN Global Compact	Mirova's parent company, Natixis, is a signatory to the UN Global Compact. The UN Global Compact is an initiative that encourages companies to implement sustainable and socially responsible practices, as well as to account for their implementation, bringing together nearly 13,000 companies in 160 countries.
HK Green Finance	Mirova's parent company, BPCE (via the Popular Banks Network) is a member of the Hong Kong Green Finance Association (HKGFA). HKGFA brings the expertise of Hong Kong's financial institutions and green businesses.
CPIC	Member of the Coalition for Private Investment in Conservation, which brings together private sector and NGO actors and seeks to address the lack of investment in conservation efforts by identifying possible investments in conservation.
GIIN	Through its subsidiary Mirova Natural Capital, Mirova is a member of the Global Impact Investing Network, which seeks to promote impact investing internationally.
US SIF	Member of the American Forum for Responsible Investment, a professional association that supports the development of sustainable and responsible investment in all asset classes in the United States.
IIGCC	Member of the Institutional Investors Group on Climate Change, a collaborative climate change forum that brings together nearly 120 institutional investors.
Sustainable Finance Fora, EUROPE	
EU Ecolabel - Stakeholders working group	Following the contribution of its CEO to the EU's high-level expert group on sustainable finance, the European Commission has published its action plan. As part of its implementation, Mirova has contributed to the Technical Expert Group (TEG) until 2019 for the definition of low-carbon market indices. Since 2018, Mirova has been contributing to the stakeholder working group of the European Commission's Joint Research Center to support the creation of a European ecolabel on financial products.

EUROSIF	Mirova's Advocacy Officer represents the Forum for Responsible Investment on the Board of Directors of EUROSIF, the European Forum for Responsible Investment.
SIF Spain	Member of Spainsif, an association aimed at promoting sustainable and responsible investment in Spain.
EVPA	Member of the European Venture Philanthropy Association (EVPA), an initiative bringing together organizations interested in "philanthropic venture capital" and social investment across Europe.
Sustainable Finance Fora, FRANCE	
SRI Label Committee	The ISR label is a French investment label that offers investors and investors greater clarity on socially responsible investment funds. The committee is responsible for ensuring the proper functioning of the label and its evolution.
Finance For Tomorrow (Paris Europlace)	Member of Finance for Tomorrow (Paris Europlace), a French association whose aim is to promote and develop Sustainable French finance through the financial center of Paris. Mirova contributes directly to the leadership of the Policy Commission and contributes to the Biodiversity Working Group
FIR	Member of the Forum for Responsible Investment. Mirova is a member and Vice-Chairman of the FIR Board of Directors and sponsors the FIR-PRI Prize for "Finance and Sustainability" research
AFG	Member of the French Association of Financial Management, which brings together the French asset management sector and defends their interests. The association is also dedicated to promoting Responsible Investment through the work of a dedicated committee of which Mirova is a member.
FINANSOL	Member of Finansol, an association that works to promote, defend and analyze solidarity finance in France.
Sustainable (green and social) bonds	
ICMA-GBP	Member of the Green and Social Bond Principles. Mirova participates in the GBP Executive Committee. Mirova is also part of the Working Group on Impact Indicators and Just Transition.
CBI	Member of the Climate Bonds Initiative, an organization that supports the development of the green bond market to reduce the cost of capital for climate change projects.
Unlisted investments	
GRESB	Member of GRESB Infrastructure.
France Invest	Member of France Invest, a professional association of asset managers invested in private equity, particularly involved in financing the French local economy and SMEs.
Low-carbon investments	
CDP	Signatory, through Natixis, of the Carbon Disclosure Project, which aims to improve the quality of carbon/climate information published by emitters.
IETA	Through its subsidiary Mirova Natural Capital, Mirova is a member of the International Association for Emissions Trading (IETA), a non-profit organization established in 1999 to serve companies engaged in market solutions to combat climate change.
ICROA	Through its subsidiary Mirova Natural Capital, Mirova is a member of the International Carbon Reduction and Offset Alliance (ICROA), a non-profit organization made up of the main suppliers of carbon reduction and offsetting in the voluntary carbon market.
Natural Capital and Biodiversity Initiatives	
CDC Biodiversity B4B	Member of the CDC Biodiversity B4B Club, which wants to build and experiment with the Global Biodiversity Score, a methodology for measuring the biodiversity footprint.
Act4Nature	Member of Act4Nature, a European platform dedicated to the preservation of biodiversity and natural capital. The members of this platform are taking concrete steps to help protect landscapes, biodiversity, soils and marine resources.
Alliance for the Preservation of Tropical Forests	Through its subsidiary Mirova Natural Capital, Mirova is a member of the Alliance for the Preservation of Tropical Forests, a multi-party partnership platform that supports the implementation of private sector Engagements to eliminate deforestation related to palm oil, beef, soybeans and pulp from their supply chains.
TNFD	Taskforce on Nature-related Disclosure will provide a framework for companies and financial institutions to assess, manage and account for their dependence and impacts on nature, thereby contributing to the assessment of nature-related risks and the redirecting of global financial flows towards positive rather than negative results for nature. Mirova participated in the launch and is part of the TNFD Mandate and Governance Working Group, which is expected to be launched in early 2021.
IPI	The International Platform for Insetting brings together companies that share the same approach to balancing the company and its ecosystem through environmental programs, transparency, rigorous methodology and information sharing. Mirova is a member of the platform through its subsidiary Mirova Natural Capital.

Source: Mirova, 2020

4. Support for the "Theory of the Firm" Academic Chair

Mirova supports the Academic Chair "Theory of the Firm: Governance Models - Collective Creation" led by Blanche Segrestin at the Centre for Scientific Management of ParisTech Mines whose research focuses on a definition of the company as a collective creation and on the renewal of models and mechanisms for fair governance. Mirova is associated with research papers published by the Chair students on governance topics. Since October 2015, the Chair has established a new field of research on shareholder engagement.

This work has already led to publications such as:

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

5. Promoting sustainable finance in the United States

After the creation of the Mirova US subsidiary in April 2019, Mirova remains active in the responsible investment market in the United States and participates in conferences and sustainable finance initiatives by speaking at panels, universities, corporate events, etc. Last year, we used our expertise in the European market to outline our prospects and commitment to the European Action Plan for Sustainable Finance at the US SIF Forum. At the same time, we shared our experience of integrating climate indicators into the investment process to discuss both climate risks and opportunities at many events. In addition, we have regularly communicated our philosophy to make understand what a responsible investor is in the eyes of Mirova. The appointment in 2020 of a new head of ESG strategy at Mirova US should further strengthen Mirova's advocacy efforts, in coordination and coherence with all actions taken at European level.

Annexes

1. Individual Engagement Process

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

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

Preferred Means of Engagement

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

ESG ASSESSMENT ENGAGEMENT PROCESS

Phase 1: Assessing ESG practices

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

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

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

Phase 2: Dialogue

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

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

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

This constant exchange has even made it possible for Mirova's teams to anticipate future risks and identify "complicated" situations which require focused engagement activity. ESG assessments can be positively or negatively affected by the results of these engagement processes.

ENGAGEMENT APPROACH TO THE EXERCISE OF VOTING RIGHTS

For Mirova and its clients' primary positions, a specific engagement strategy is implemented before general meetings to encourage companies to make progress in their practices. At the same time, the potential of previously identified opportunities for improvement is reviewed and changes in company practices are monitored. The engagement process has 3 phases:

Phase 1. Dissemination of the voting policy

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

Phase 2. Dialogue

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

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

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

Phase 3. Resolution analysis

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

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

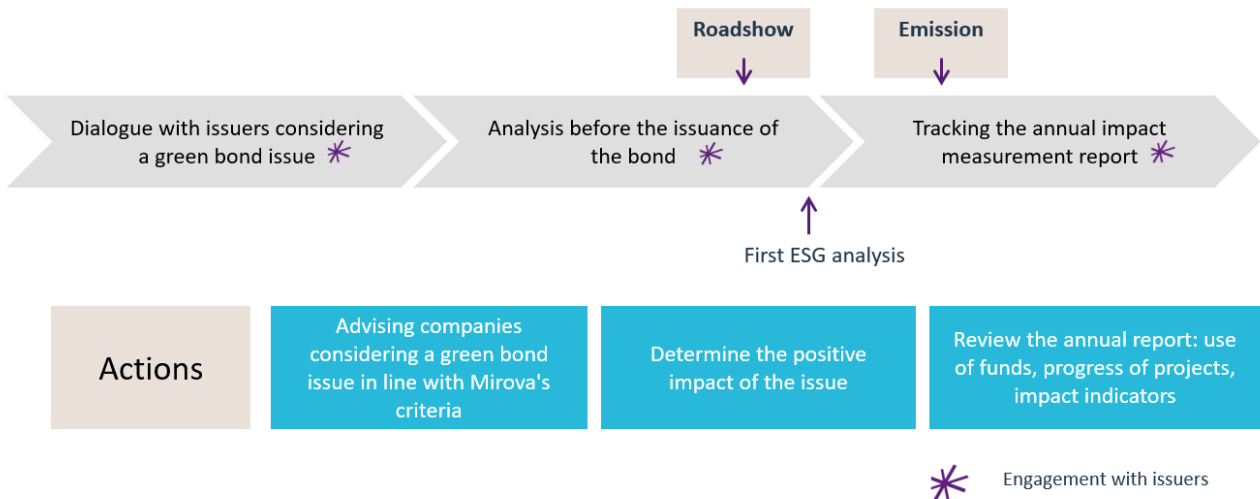
For clients that have delegated the exercise of their voting rights to Mirova, teams will determine recommendations and rules for engagement according to the voting rules established ahead of time with the client.

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

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

PROCESS IN ASSESSING ENVIRONMENTAL AND SOCIAL BONDS

Figure 9: Steps in engagement actions



Source: Mirova, 2020

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

We carry out our engagement actions in three phases:

Phase 1. Engagement to companies considering issuing sustainable bonds

Mirova regularly participates in conferences and meetings aimed at engaging in dialogue with issuers that have not yet issued green or social bonds, in order to encourage them to do so. For issuers with medium-term issuance plans, Mirova encourages them to meet the highest standards in terms of transparency and clarity of use of funds.

Phase 2. Engagement before/at the time of broadcast

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

Phase 3. Engagement at the time of the annual report

As transparency is a particularly important aspect of ensuring the integrity of green and social bonds, Mirova's teams systematically review the annual reports of the bonds held in Mirova's portfolios. ESG assessments can be influenced by the results of this engagement activity following exchanges with the issuer and a review of the reports.

2. UN Sustainable Development Goals



1. Eliminating poverty in all its forms and around the world



2. Eliminate hunger, ensure food security, improve nutrition and promote sustainable agriculture



3. Enabling everyone to live healthy lives and promoting the well-being of all at all ages



4. Ensure fair, inclusive and quality education and lifelong learning opportunities for all



5. Gender equality: achieving gender equality and empowering all women and girls



6. Ensuring everyone's access to sustainably managed water and sanitation services



7. Ensuring everyone's access to reliable, sustainable and modern energy services at an affordable cost



8. Promote sustained, shared and sustainable economic growth, full productive employment and decent work for all



9. Building resilient infrastructure, promoting sustainable industrialization that benefits all and encouraging innovation



10. Reducing inequality in countries and from country to country



11. Ensuring that cities and human settlements are inclusive, safe, resilient and sustainable



12. Establish sustainable consumption and production patterns



13. Urgent action to combat climate change and its impacts



14. Sustainably conserve and exploit oceans, seas and marine resources for sustainable development



15. Preserving and restoring terrestrial ecosystems, ensuring sustainable exploitation, sustainable forest management, combating desertification, halting and reversing the process of land degradation and ending biodiversity loss



16. Promote peaceful and inclusive societies for sustainable development, ensure access to justice for all, and establish effective, accountable and inclusive institutions at all levels



17. Strengthen the means to implement and revitalize the Global Partnership for Sustainable Development

Legal Information

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