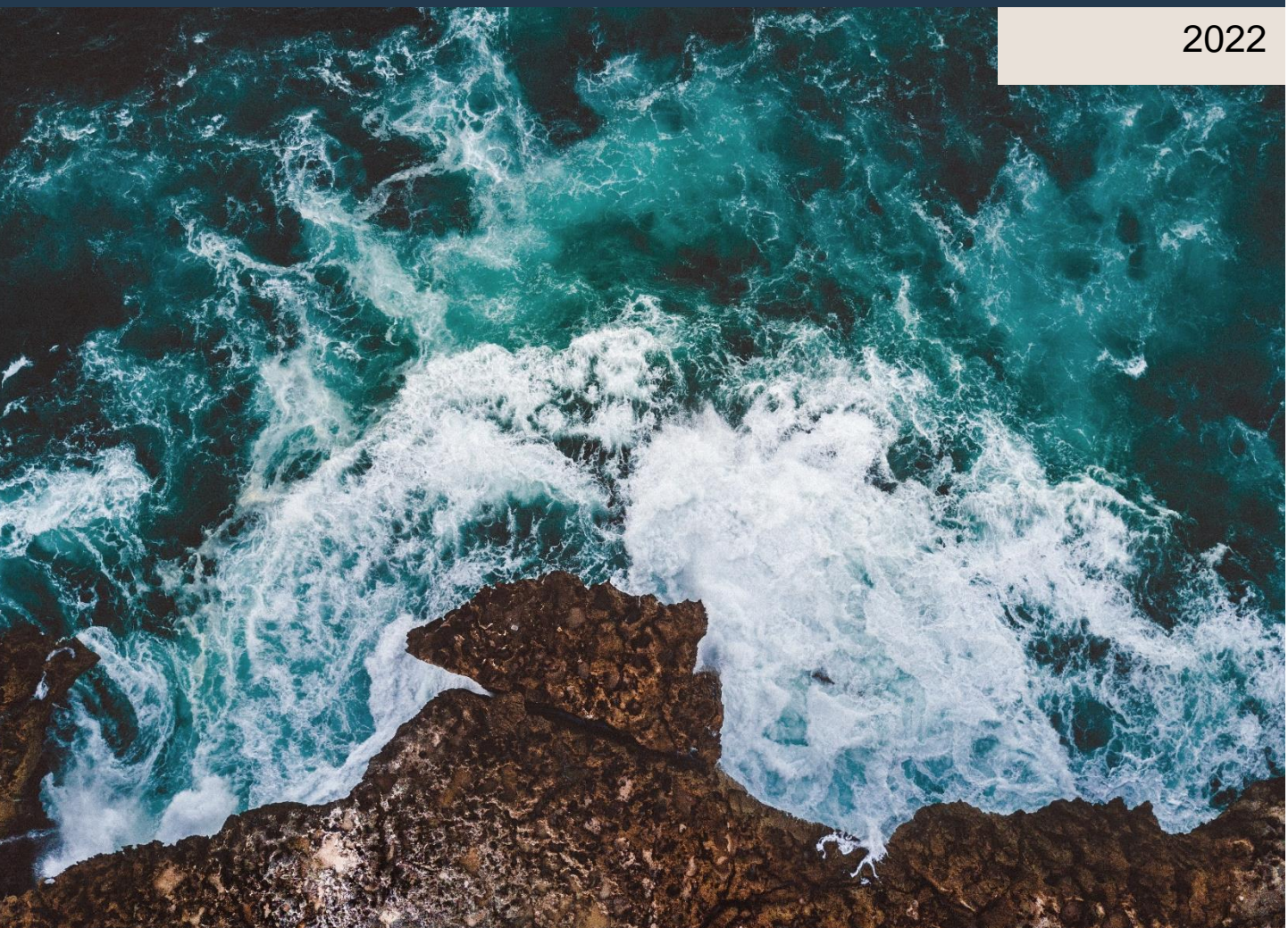


# Mirova Engagement Report

2022



An affiliate of:



*This document is intended to report on Mirova's dialogue with companies and policy makers in 2021 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.*

Sustainable development is a condition for a long-term growth benefiting all stakeholders and is at the cornerstone of Mirova's investment philosophy. The investment strategy developed by Mirova aims to provide clients with consistent medium and long-term financial performance, aligned with positive environmental and social impacts. Indeed, analyzing sustainability opportunities and risks enables to identify investments that can generate not only financial performance but can also actively participate in the creation of long-term value for the society.

Mirova's ambitious engagement policy is based on the conviction that investors can influence market players through individual and collective engagement actions and aims to strengthen positive impact. Such a policy continuously evolves to better reflect the evolution of market practices and Mirova's evaluation of the results of its engagements.

As a responsible investor, Mirova applies this proactive engagement approach on all its asset classes and strategies. Mirova also actively engages with political and economic decision-makers to foster a constructive environment for responsible investment.

Overall, Mirova's extensive engagement efforts provide the ability to leverage our expertise in many different sectors and encourage the adoption of strategies and policies in line with the UN Sustainable Development Goals (SDGs).

# Summary

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# Mirova's Engagement Strategy

As a responsible investor, Mirova is driven by the concept of **double materiality** and seeks positive societal and environmental impacts through investments.

Using their influence, investors such as Mirova can initiate specific operational and strategic changes at the companies or projects it invests in to maximize stakeholder value. To do so, Mirova continuously dialogues with companies and project leaders, promotes and supports improvement in their practices and the transition towards a more sustainable business model.

## Seeking impact through engagement

Mirova supports the idea that investors may influence market players not only thanks to capital allocation decisions but also, through **individual and collective engagement actions with their management**. Such an approach alone cannot constitute the core of a responsible investment approach, but it certainly plays a part. For this reason, Mirova has developed a strong engagement policy for all asset classes, considering that directly and indirectly encouraging and fostering better Environmental, Social and Governance (ESG) practices is key for a long-term value for society as a whole.

The team of Sustainability Analysts ensures engagement actions are consistent with Mirova's investment policy and maintains an ongoing dialogue with each of the companies and projects. We are also involved in market engagement initiatives, for example on the topics of gender equality in the workplace and the need to measure listed companies' impact on biodiversity.

*"Engagement" refers to all interactions with companies, project leaders or policy makers initiated with the aim to influence decision-making with sustainability, to share good practices, to encourage progress in environmental and/or social performance in accordance with the UN Sustainable Development Goals (SDGs).*

## Engagement fostered in all our asset classes

***"Finance should be a tool for steering the economy towards models which, on the one hand, preserve and restore ecosystems and the climate, and on the other hand, support social inclusion, health and well-being."***

In 2020, Mirova became a mission-driven company. As pioneers of this movement, Mirova takes an innovative approach to all available means of action: investment, research, shareholder engagement and influencing the financial community and to bring its raison d'être to life, Mirova's teams have established five objectives:

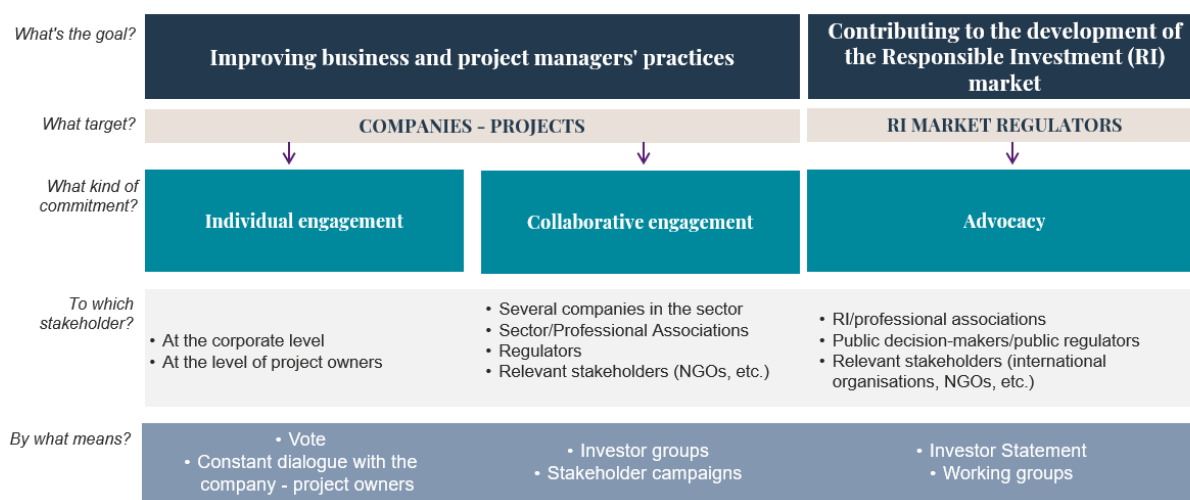
- Make Mirova's positive impact a systematic objective of its investment strategies;
- Cultivate and develop its social and environmental expertise;
- Constantly innovate in terms of its products and approaches to achieve this impact;
- Accompany its stakeholders towards a sustainable economy and finance;
- Respect the environmental and social standards which Mirova observes.

In order to achieve several of these pillars, maintaining an ambition engagement approach is necessary. Mirova has developed an approach based on two complementary pillars : on the



one hand, it engages with companies and project owners through individual and collaborative engagement, and on the other hand, with market regulators through its advocacy activities.

**Figure 1: Mirova's engagement approach**



Source: Mirova, 2021

**Figure 2: Mirova's engagement figures<sup>1</sup>**



Source: Mirova, 2021

<sup>1</sup> Figures are internally calculated by Mirova

# **I. Engagement in Equity and Sustainability Bonds**

**Page 7. Key figures.**

**Page 8. Governance of Sustainability and Shared Value  
Creation.**

**Page 11. Climate Change.**

**Page 13. Biodiversity.**

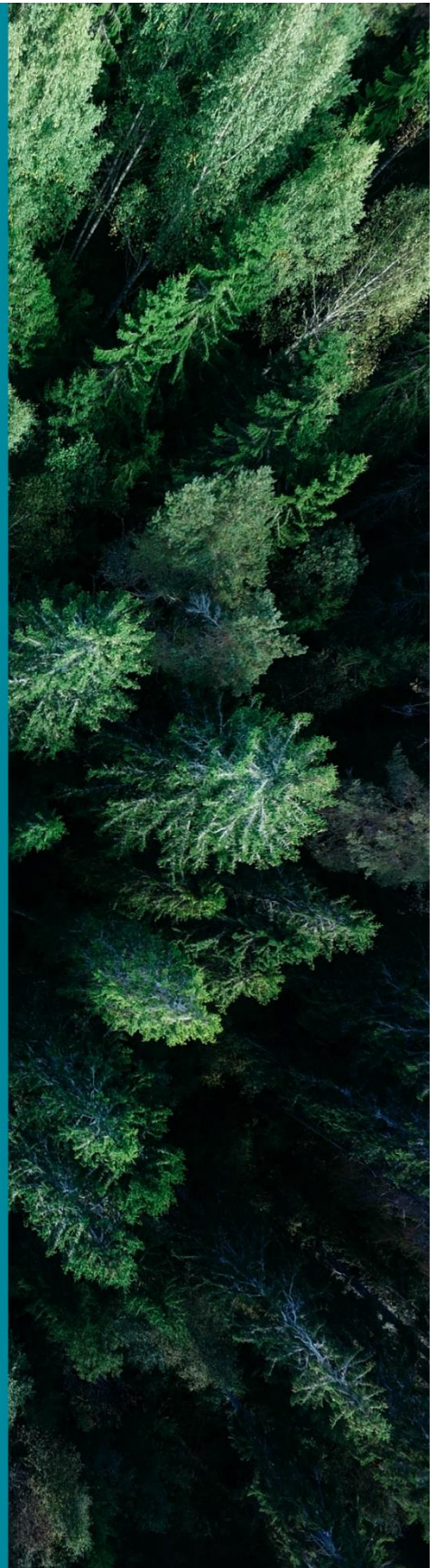
**Page 15. Human Rights.**

**Page 17. Gender Diversity.**

**Page 18. Measuring and Disclosing Impact.**

**Page 19. Green and Social Bonds.**

**Page 22. Summary of Collaborative Engagement.**



# I. Equity and Sustainability Bonds

Throughout the year, Mirova's Sustainability Research team engages with portfolio companies to support the company's sustainability strategy. According to Mirova's sustainability analysis methodology, dialogue with companies addresses both opportunities and risks. In other words, these discussions aim to ensure that products and services offered by the company positively address sustainable development goals as well as to support companies' efforts to minimize and monitor the environmental and social impact of their products.

Every year, Mirova is defining and identifying a few engagement priorities addressed by the analysts<sup>2</sup>. These engagement priorities are systematically shared with all portfolio companies. In 2021, the engagement priorities were divided into 7 topics as follow.



**Climate Change**

**Biodiversity**



**Gender Diversity**

**Human Rights**



**Governance of Sustainability**

**Shared Value Creation**

**Measuring and Disclosing  
Impact**

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<sup>2</sup> Details on 2021 Engagement Priorities is available on our website:

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

# Governance of sustainability and shared value creation

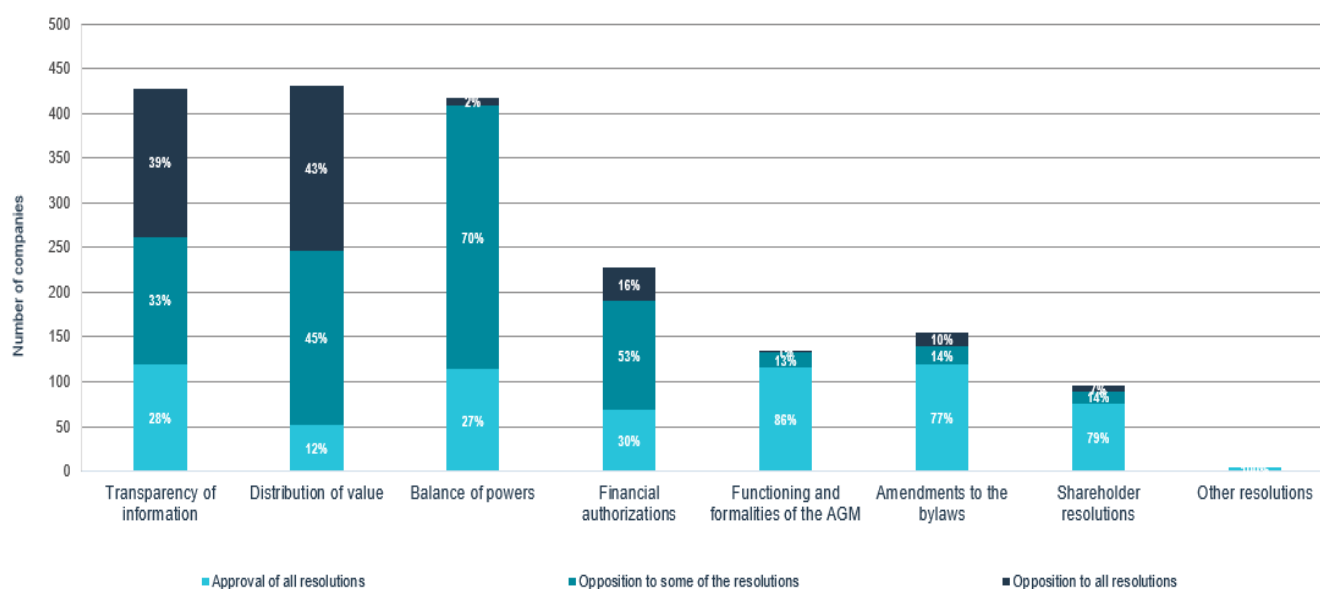


To foster sustainable value creation for all stakeholders, Mirova has developed a voting policy<sup>3</sup> in line with its responsible investment strategy which mainly addresses two of Mirova's engagement priorities: governance of sustainability and shared value creation. Outcomes of engagement actions undertaken by the analysts on other priorities also informs voting decisions.

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**.

**Figure 3: Breakdown of votes by theme in 2021**



Source: Mirova, 2021

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



**“37% resolutions<sup>4</sup> and 96% companies received an opposition vote in 2021<sup>5</sup>**

**Distribution of value:**

In 2021, the challenge rate of the "Distribution of value" theme increased significantly: 88% of companies received at least one negative vote on at least one resolution related to this theme, up from 80% in 2020 and 71% in 2019. Thus, 111 companies were awarded a negative vote in the vast majority (in 97% of cases) because their pay-out rate was higher than that of the previous year.

**Balance of power:**

Compared to 2020, the general contestation relating to the theme "Balance of Power" increased significantly from 55% to 72%. Indeed, the choice to vote not only against the chairman of the committee, but also to vote against its members when an ESG criterion is not met (e.g., a minimum of 40% of women on the board, presence of an employee representative, lack of CSR criteria in the executive remuneration, etc.) makes our voting policy highly demanding with respect to the election or renewal of directors to the board. Notably, 76 companies received an opposition vote on the election or re-election of at least one of their directors because they do not have an independently audited CSR report. Resolutions related to "Transparency and quality of information" are among the points of attention of the Mirova voting policy. As quality information is an essential prerequisite for investment decision-making, companies are encouraged to be transparent, relevant and reliable in their communication.

**Remuneration:**

The appointments and remuneration of auditors demonstrate the largest topic of opposition within this theme. In order to promote the transparency of information, Mirova opposes the appointment or re-election of auditors when their seniority and/or the structure of their remuneration represent a risk of conflict interest. Despite strong opposition, the approval rate for these resolutions has remained stagnant, with 28% of companies receiving full approval, similar to 29% in 2020.

With respect to the theme of **Shareholder Resolutions**, Mirova expressed its views on 205 shareholder resolutions in 2021 (compared to 264 in 2020). While 2021 saw an uptick in the submission of shareholder resolutions, it also marked the largest increase of proposals withdrawn before the annual meeting. This explains the decline year over year. On average, Mirova supports about 85% of the ESG related shareholder proposals that we review.

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<sup>4</sup> Opposition rate in resolution: % of resolutions received an opposition vote. Figures are internally calculated by Mirova.

<sup>5</sup> Opposition rate in number of companies: % of companies that received at least one opposition vote at their general meeting. Figures are internally calculated by Mirova.

### Exercising our Voting Rights: Engagement in action

2021 also marked the first year in which Mirova acted at two of our portfolio companies by filing shareholder resolutions.

Mirova co-filed its first shareholder proposal, at a US based interactive media and services company, requesting that the company review and prepare a report on its whistle-blower policies and practices. This request was made in light of repeated allegations by former employees of mishandled complaints and abusive termination of whistle-blowers. As a proponent, Mirova was particularly concerned about the company's human resources management as a result of its reported retaliation against employees who have voiced concerns about the company's potentially unethical business practices, particularly when those concerns are regarding the alleged unethical use of artificial intelligence technology, possible human rights violations, and possible workplace threats to gender and racial justice.

After numerous attempts to engage with the issuer, and in accordance with our escalation strategy, we took action through the next avenue available to shareholders by co-filing this proposal. Despite the effective control of the capital by its founders and executives, and the negative voting recommendation issues by proxy, 10% of votes were favourable. However, in spite of our repeated attempts to engage with the company directly, jointly with other investors or via the filing of a shareholder proposal, the group remains unwilling to open a constructive dialogue. Considering these aspects, Mirova no longer expects drastic improvement from the company and decided to divest.

The second escalated engagement we undertook was at a French based food company. The company went through a governance crisis at the end of 2020, a subject which we discussed in detail with the company in order to: 1.) actively show that there is no opposition between CSR and economic performance, contrary to short-term activist shareholders that pressured the company during this crisis, 2.) encourage the maintenance of their CSR strategy and mission-driven positioning, and 3.) emphasize the need to communicate transparently on the transition of the company towards a clearer governance model. The company was able to provide elements of context, notably stating that both the Local First strategy and their missions will be maintained, and that the split between Chairman and CEO will be perpetuated.

To support this dialogue, Mirova, along with other shareholders, filed a proposal at the April 2021 shareholder meeting to request a public response from the board on the current state of governance. As such, shareholders asked each director in office to present to shareholders their strategic vision, approach to environmental matters, mission driven corporation, organization of governance and separation of management powers. The board responded collectively, reaffirming its support of the succession planning and mission driven status. A reassuring engagement which Mirova continuously follows with the company.

# Climate change



## 35<sup>6</sup> individual engagements in 2021

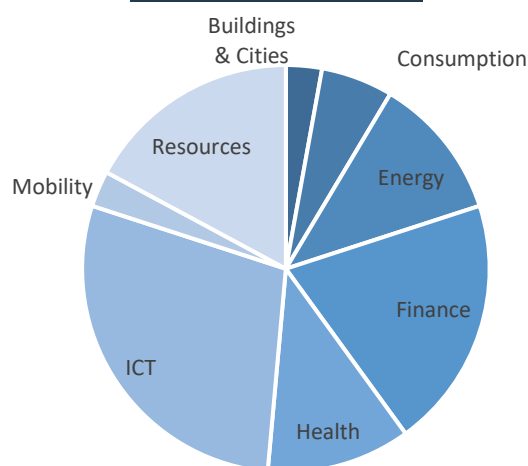
### Mirova individual engagement priorities:

To mitigate the costs and impacts of climate change, we have no choice but to reduce emissions as quickly as possible while building resilience in the areas that will be affected. Ensuring an adequate response to the climate change challenge through appropriate decarbonization measures is an imperative for all companies.

At an individual level, companies are expected to take ambitious actions and to:

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

**Figure 4 : Breakdown of Engagements on Climate Change issues per sector**



Source: Mirova, 2021

### Engagement in action: EDP – Energias de Portugal

Generally speaking, Mirova encourages companies to lay out clear goals showing consistency with the mitigation of climate change and to embed them within their strategic development plans. Mirova also frequently engages in dialogue with companies to gain a better understanding of their targets and to gauge their ambitions. Typically, Mirova may look for more details on the scope of potential greenhouse gas reduction targets, carbon-offsetting measures, timelines, etc. To underpin our assessment of the achievability of these goals, also seeks out information evidencing that the companies have defined well thought-out climate roadmaps in terms of execution and risks.

In 2021, Mirova engaged in dialogue with EDP to clarify the newly announced "carbon neutral by 2030" objective, and its implications for the company's coal, gas and nuclear generation assets. Firstly, the company reiterated its pledge to phase out its coal-fired power plants by 2025. With regards to their gas-fired generation assets, EDP underscored that it concluded the sale of 2 CCGT (combined cycle gas turbine) plants and that it would pursue this path towards becoming a 100% renewable generation utility by the end of the decade. The company made it clear that its business plan assumes it won't own any thermal assets by 2030 and indicated this could be achieved through a combination of divestments, deconsolidations, and closings. It emphasized that it would look at different ways to execute this ambition.

Lastly, EDP clarified that its nuclear exposure consists of a minority stake held in the Trillo nuclear power plant in Spain, and that an exit would have to be via sale or deconsolidation, given that the power plant, in principle, is planned to close in 2035. Considering that renewable sources already account for the large majority of its electricity generation (75% in 2021), the confirmation by EDP that it would be not only coal-free by 2025 but also gas-free by 2030 for its generation activities has underpinned our conviction that the company has a sound climate management approach and business model transition. We will continue to discuss with them to monitor the effective implementation of their transition plans, anticipate potential execution risks that could be faced in certain jurisdictions, and place greater emphasis on additional decarbonation levers beyond generation.

<sup>6</sup> Figures are internally calculated by Mirova.

*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.*

### **Climate Change related Collaborative Engagement & Advocacy:**

Mirova participates in various collaborative engagement initiatives with issuers, including the Investor Decarbonisation Initiative led by the NGO ShareAction and Climate100+ spearheaded by several industry associations. Alongside, in 2021, Mirova signed “Where’s the beef?” statement, an initiative led by FAIRR, in which we recognized the critical need to reduce the level of greenhouse gases emitted by the global agricultural supply chain to meet the goals of the Paris Agreement.

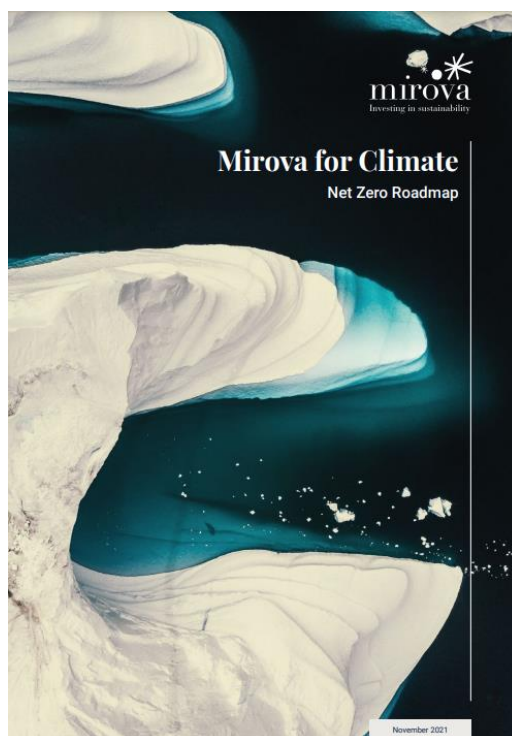
In addition to dialogue with issuers, Mirova has joined the Net Zero Asset Managers Initiative. Mirova is committed to supporting the goal of zero net greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C (‘zero net emissions by 2050 or earlier’). Mirova is also committed to supporting investments aligned with the goal of net zero emissions by 2050 or earlier. This initiative also allows us to participate in various working groups on climate impact measurement. Mirova furthermore belongs to a group of experts whose aim is to work with the NGO Science Based Targets (SBTi) on its carbon footprint methodology.

### **Engaging with stakeholders:**

Mirova has been working with Carbon4 Finance since 2014. This collaboration has made it possible to develop a portfolio climate alignment indicator, including life-cycle principles, taking into account avoided emissions and integrating forward-looking elements. On this basis, we systematically communicate the ‘temperature’ of our investments, which reflects the degree of alignment of investments with climate scenarios. Following the Paris Agreement in 2015, we had already stated our ambition that each of our portfolios should be aligned with a 2°C scenario at least<sup>30</sup>, corresponding to carbon neutrality before 2070.

*Other information on Collaborative Engagement available page 22 and on Advocacy page 38.*

### [Mirova for Climate : Net Zero Roadmap<sup>7</sup>](#)



<sup>7</sup> This report is available on our website: <https://www.mirova.com/en/news/mirova-for-climate-net-zero-roadmap>



# Biodiversity



## 18<sup>8</sup> engagements in 2021

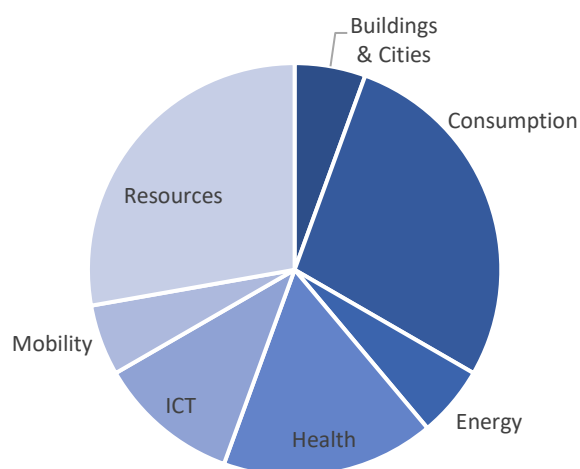
### Mirova individual engagement priorities:

Scientists are unanimous: on land and at sea, the populations of undomesticated animals are declining sharply as their natural habitats are deteriorate more by the day. Despite increasing awareness around the need for sustainable land and forest management, forests are shrinking worldwide. Environmental degradation already affects human health and could ultimately threaten global food security. It is becoming increasingly evident that a collapse in biodiversity could jeopardize economic and societal function. We thus believe that preserving biodiversity must urgently become a high-priority objective. Companies should assess the relationship between their activities and natural ecosystems and work to preserve biodiversity.

At an individual level, companies are expected to take ambitious actions and to:

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

**Figure 5 : Breakdown of Engagements on Biodiversity per sector**



Source: Mirova, 2021

### Engagement in action: Bonduelle

Mirova sees impact measurement as a key tool to pilot and demonstrate the environmental footprint of its investment choices. One pillar of Mirova's investment strategy focuses on developing suitable indicators to assess the impact on biodiversity of companies. The longer-term goal is to better integrate biodiversity within the investment process for listed funds.

Since September 2020, Mirova has been working with data providers comprised of Iceberg Data Lab and I Care & Consult on the development of a methodology and a dataset of listed equities. The objective is to model any corporate's impact based on company's products portfolio, collection of company's environmental and physical parameters such as commodities sourcing and pollution quantities can improve the assessment.

As part of an exercise to test the methodology, Mirova collaborated with Bonduelle for the company to provide required environmental data to feed a similar model expressing the impacts in mean species abundance per surface area (MSA.km<sup>2</sup>) score. Bonduelle's biodiversity assessment was carried out in three phases from simulated environmental crossed with country data based on a sales breakdown per product, refined environmental flows data provided by Mirova's ESG food sector analyst and accurate data provided by Bonduelle.

<sup>8</sup> Figures are internally calculated by Mirova.

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### Engaging with stakeholders

Mirova has joined the member of the Finance for Biodiversity Pledge (the 'Pledge') in 2020. In total, 84 financial institutions representing 18 countries and over 12.6 trillion euro in assets signed the Finance for Biodiversity Pledge. The Pledge was initiated by a group of financial institutions calling on global leaders and committing to protect and restore biodiversity through their investments and benefits from sponsorship of the Business @ Biodiversity Network of the European Commission. The working group on 'Engagement with Companies' is currently building a science-based methodology to identify the most impactful companies on biodiversity. Agriculture has significant impact on biodiversity mostly from feed production for livestock, responsible for two third of agriculture linked deforestation yet plant-based proteins can play a significant role in reducing land use, while also substituting to inorganic fertilizers, and reducing livestock GHG emissions. Building on its approach to sustainability focused on positive impacts, and the significance of pulses as part of Bonduelle's products portfolio, Mirova seized the opportunity of its long-term engagement with the company to have them introduce their sustainability strategy, which also supports transition of agriculture practices towards agroecology thanks to an 80% sourcing target from regenerative agriculture by 2030, to investors.

Mirova is also a member of the Task Force of Nature Related Financial Disclosure (TNFD) which ambitions developing and delivering a risk management and disclosure framework for organizations to report and act on evolving nature-related risks. This will support a shift in global financial flows away from nature negative outcomes and towards nature-positive outcomes. As part of a pilot study on the soy supply chain, Mirova has been sharing the outcome of the cases study with TNFD in order for (i) the framework to enable modeling of corporate biodiversity impact by the financial sector (ii) ensure disclosure of data that demonstrate positive impact (iii) underline the importance of widening the scope to whole supply chain in disclosure of company's environmental data.

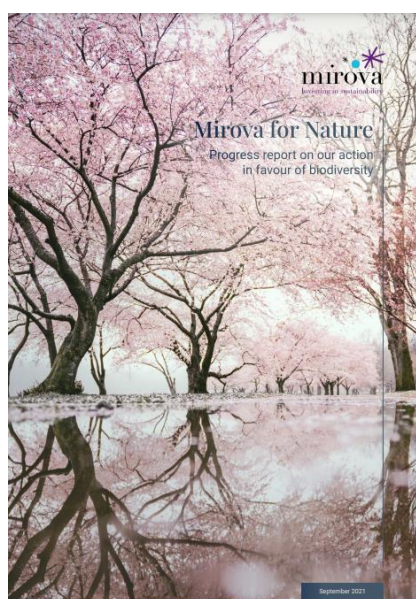
In 2021 signed the Financial Institution Statement ahead of the Convention on Biological Diversity at the COP15 in which we recognized, Mirova, alongside other financial institutions, recognize the importance of biodiversity and ecosystem services, which form the foundation of our societies and the global economy.

*Other information on Collaborative Engagement available page 22 and on Advocacy page 38.*

#### [Mirova Biodiversity Roadmap<sup>9</sup>](#)



#### [Mirova For Nature<sup>10</sup>](#)



<sup>9</sup> This report is available on our website: <https://www.mirova.com/en/news/biodiversity-our-2020-roadmap>

<sup>10</sup> This report is available on our website: <https://www.mirova.com/en/news/mirova-for-nature-progress-report-on-our-action-in-favour-of-biodiversity>

# Human rights



## 20<sup>11</sup> individual engagements in 2021

### Mirova individual engagement priorities:

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

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

At an individual level, we expected companies to take ambitious actions and:

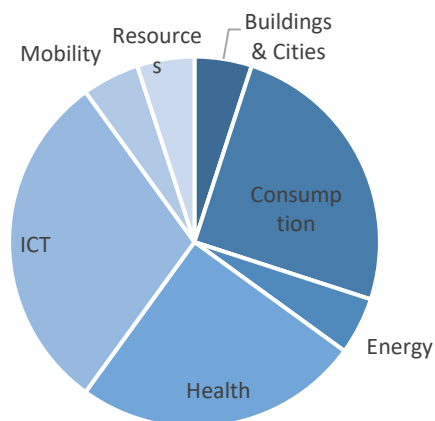
- Commitment to respect human rights throughout their operations covering both their direct scope of activities and their suppliers'.
- Implement robust human rights due diligence process to identify, prevent, mitigate potential human rights violation. The process should include assessing actual and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

### Engagement in action:

- **Human rights in the supply chain: Panasonic**

In early 2021, a discussion was initiated with the company to identify the company's exposure to sustainability opportunities and the ability of the company to mitigate their key environmental and social risks (direct and indirect). Indeed, the development of automotive batteries for electric vehicles constitutes one essential solution for the ecological transition of mobility and Panasonic's Automotive Battery business division addresses sustainability challenges. At that time, risk management processes related to human rights seemed at an initial stage. However, the company shared its understanding and intention to increase transparency. This first engagement was followed up closely, as Mirova's expectations towards the improvement of social risks mitigation processes in emerging areas stand high, notably regarding issues occurring in supply chain and direct plants in China notably. Over the following months, the company initiated and transparently communicated on multiple significant measures aiming at significantly reinforcing social risk management both internally

**Figure 6: Breakdown of Engagements on Human Rights per sector**



Source: Mirova, 2021

<sup>11</sup> Figures are internally calculated by Mirova.

and at suppliers' level. The call was also the opportunity to address other significant sustainability decisions that were taken by the company during the year: repositioning of the company portfolio on eco-friendly solutions, commitment to ambitious carbon reductions, optimization of products' efficiency and circularity, embedding CSR in corporate governance.

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- **Use of products: Thermo Fisher**

Human rights can also be infringed by the misuse of some companies' products and Mirova expects the implementation of meaningful policies and measures to avoid it. In 2019, Thermo Fisher announced it would stop selling DNA equipment to Xinjiang (China) due to the mass surveillance program organized by local authorities. Such a decision seemed necessary to ensure that these products were not misused against local population, nevertheless, remained insufficient to address all related risks.

Mirova engaged with the company repeatedly during the year to be provided with evidence that the company appropriately addresses the risk of diversion of the intended use of the products. The company confirmed the existence of robust internal policies and that the topic was raised to the Bioethics Committee which overarching goal is to ensure that Thermo Fisher continues to engage in transparent and ethical business practices. Following several fruitful discussions, the company shared a document clarifying the policies implemented to ensure responsible use by direct and indirect buyers, such as distributor requirements, trainings, and compliance programs.

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### **Collaborative engagement**

**Children's Rights in Topic Standard Project for Human Rights:** Mirova signed a statement which was shared with the Chair of the Global Sustainability Standards Board. UNICEF and the signatories to this letter welcomed the Global Reporting Initiative's (GRI) action to update and bring GRI human rights-related Standards in line with key authoritative intergovernmental instruments in this area. With this letter, we asked the GRI to ensure that children's rights are comprehensively and fully integrated in the Topic Standard Project for Human Rights.

*Other information on Collaborative Engagement available page 22 and on Advocacy page 38.*



# Gender diversity



## Our individual engagement priorities:

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.

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.

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

At an individual level, we expected companies to take ambitious actions and:

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

## Engagement in action:

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. In this context, we discussed with the following companies on different gender topics would it be to know more about implemented measures and policies and promote more disclosure: the Honest Company, General Motors, International Paper, Bright Horizons and Confortdelgro. Engagement is also broadly material for all other funds and strategies, and we also seek to engage with companies that are not yet eligible. We collaborated with experts and other stakeholders seeking to address the poor rates of gender diversity.

In 2021, the 30% Club published its first annual report highlighting among others that between 2020 and 2021 the percentage of women in executive management roles of the SBF 10 only improved from 20% to 23% and the number of companies with at least 30% women on Executive Committees (ExCom) increased from 25 to 39, with the increase mostly in companies not part of the CAC 40 (where the number moved from 7 to 13).

The group conducted an email engagement campaign that distributed a key performance indicators (KPI) list developed by the 30% Club France Investor Group to the SBF 120 to outline our reporting expectation on gender diversity.

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# Measuring and disclosing impact



## Our individual engagement priorities:

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

At an individual level, we expected companies to take ambitious actions and:

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

## Engagement in action:

### Signature Bank

Operating in the financial industry, Signature Bank offers some products providing social or environmental benefit, but these only constitute a minor share in the company's business volume. During our first engagement call in 2021, Mirova has shared its expectations about the need to align their future reports with widely recognized initiatives such as SASB and TCFD. Signature Bank acknowledged the importance of this framework and informed they will closely work to consider integration into their CSR policy. The company has taken some measures to manage risks related to compliance or its employee and client relations. Signature Bank has taken positive steps to reinforce its CSR policy, which we highly welcomed. For instance, the company has recently hired a person in charge of impact and sustainability. In addition, the company has published their first "Social Impact Report" in 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.*

### Symrise

In 2021, Mirova engaged with Symrise on different topics. Among others, the company was encouraged to consider integrating also extra-financial criteria in the long-term remuneration schemes of top executives, consider increasing the level of disclosure on the specifics of remuneration schemes (targets, weights) and to have an independent Sustainability Committee at Board level (Symrise has a Sustainability Board, but comprising of heads of businesses, so not independent).

The development of impact assessments is a key sustainability challenge for all industries (for companies to be able to demonstrate how they contribute to Sustainable Development Goals). For this reason, the development of methodologies such as Symrise's Product Sustainability Scorecard is interesting but should be made much more public; we therefore encourage Symrise to increase the level of disclosure on this methodology, and if possible, to make it open-source, for the whole industry to progress in a consistent way, and for external parties (such as investors) to be able to read the results with a critical eye (understanding what's behind the figures).

*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.*

## Green and Social Bonds



"26<sup>12</sup> 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. Mirova also strongly considers the alignment between green bond vehicles and the overall strategy of the issuer.

Mirova's answer to the issue of "green and social washing" and to foster impact in the green bond market is to implement a reinforced engagement strategy that harnesses the firm's entire ESG research and fixed income management teams. Extensive knowledge of the deals and the issuers, obtained through a constructive and quality dialogue is essential: if expectations are not met, the instruments concerned are deemed ineligible or sold if they are held in the portfolio. To pre-empt any greenwashing risks, Mirova has drawn up a formal engagement strategy that covers the entire investment cycle of a green bond.

Engagement Phase 1	Engagement Phase 2	Engagement Phase 3
A predeal phase emphasizing communication and awareness-raising	Exhaustive analysis at the time of issuance on the primary market	Thorough post issuance monitoring

### A PRE-DEAL PHASE EMPHASIZING COMMUNICATION AND AWARENESS-RAISING

Mirova's teams can be contacted by potential issuers of green and social bonds and the latter will be encouraged to invest in projects that can maximize environmental benefits. Mirova is also frequently called upon by banks' origination teams, to share views on the terms and criteria for the structuring of green bonds.

#### Engagement in action: SNCF

On October 19th, 2021, SNCF successfully launched the world's first ever green short-term debt instruments. SNCF Group plans to use the funds from this new debt instrument to finance sustainable investments and operations contributing to its energy transition, including recycling, decontamination, power purchase agreements for renewable energies, and more. This short-term green bond program will help finance increased use of rail as an alternative to individual cars, still largely powered by fossil fuels.

Mirova partnered with SNCF to ensure that this new financing program met the demanding standards of a top tier specialist investor and subscribed to this first ever deal. The new program meets best practices defined by SNCF, including (i) **additionality**, which guarantees

<sup>12</sup> Figures are internally calculated by Mirova.

that green funds raised are used exclusively for new, sustainable investments; (ii) **the calculation of assets' environmental impact** over their full lifecycle; and (iii) **transparency and traceability**, with extra-financial performance verified by an external auditor.

## EXHAUSTIVE ANALYSIS AT THE TIME OF ISSUANCE ON THE PRIMARY MARKET

As part of the assessment process applied to sustainability bonds issued on the primary market, Mirova's analysts initiate a dialogue with the issuers. Their objectives are to gain a better understanding of the positive impact associated with the issuance, to measure risk exposure, and importantly, to analyse the mitigation mechanisms developed by the projects due to be financed. They pay particular attention to the pre-determined selection criteria applied to green instruments according to their sector: their potential alignment or breach of the European green taxonomy, the methodologies used to assess environmental and social benefits that are disclosed on an annual basis, and the contribution and consistency of the projects being funded with the issuer's overall strategy.

### Case study: Next Generation EU - Green Bonds

The European Union recently issued its first ever Green Bonds. As part of the process, Mirova's ESG research and fixed income management teams were given the opportunity to exchange views with representatives of the European Commission a few days before the bond was issued on the primary market. This deal is historic as it marks the beginning of an ambitious program due to raise €250 billion euros (\$297 billion) over five years, thereby turning the EU into the world's largest green bond issuer.

Mirova welcomes the use of the EU's Green Taxonomy as a reference for assessing projects submitted by member States, and as a key criterion for the allocation of funds. In practice, a project submitted by a member State that is not aligned with the European taxonomy (displaying a 0% alignment ratio with the Green Taxonomy) will not be eligible for the EU's Green Bond program. In addition, while Mirova's teams expressed their needs in terms of impact reporting, the European Commission's representatives confirmed their intention to publish a transparent report accounting for the allocation of capital and the environmental benefits generated by the projects being funded. Thanks to this engagement dialogue at the primary market stage, Mirova's fixed income and ESG research teams were able to complete their assessment of the program, convey their expectations - as an investor - to the issuer, and confirm that the deal was eligible for inclusion in our investment universe.

## THOROUGH POST ISSUANCE MONITORING

This stage takes place once Mirova has invested in the bonds via our portfolios. If an issuance is associated with a controversy, our analysts will initiate an engagement dialogue with the issuer in order to understand both the scale and the impact of the event. They can then assess the corrective measures that have been implemented by the issuers. If our expectations as responsible investors are not met, we shall revise our view and the score assigned to the issuance will be downgraded; this will lead to divestments from our bond portfolios. Every year, the research team conducts a review of the impact reports on issuers that tapped the primary market eighteen months beforehand. If they uncover issues relating to the methodology used for reporting environmental benefits and/or controversies around the projects being funded, the research team will be asked to launch an engagement initiative. If the issuer fails to meet expectations, the consequences are similar to those described above.

### Focus on a Bank from an emerging country

An emerging country bank recently found itself at the center of a controversy. The bank offered up what seemed to be a high- quality green bond program, as it had been granted an environmental certification from the market's key players. However, the deal was called into



question as the industrial project being financed was misaligned with the issues affecting the sector in which the issuer operates.

It turned out that while the bank had placed a particular emphasis on renewable energy infrastructure through its green bond program, it had also financed one of the world's largest mines. It seems totally inconsistent for a same issuer to report on avoided emissions weighing 1.6 MT CO<sub>2</sub> p.a through its green bond program, while also financing a project that can potentially generate over 30 MT of CO<sub>2</sub> p.a.

This controversy has highlighted the vital importance of ensuring the green bond programs are consistent with the global issues affecting a given issuer. In keeping with its engagement strategy, Mirova initiated dialogues with this bank, emphasizing the inconsistencies that lie between its green bond program and its global strategy. Unfortunately, Mirova's teams considered the outcome of this engagement initiative to be unsatisfactory; consequently, the fixed income investment team chose to sell the position.

**Collaborative engagement:**

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.

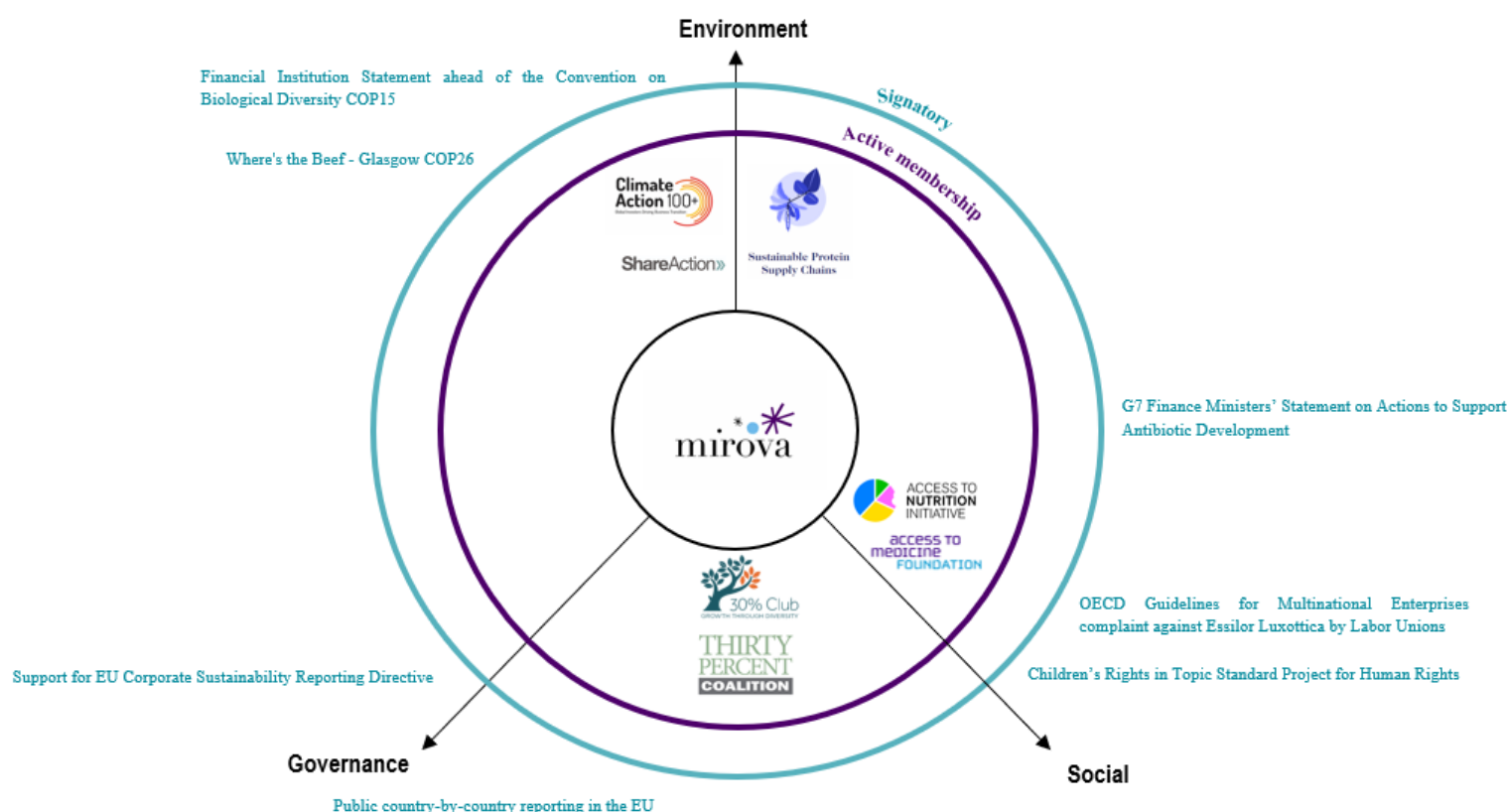
## Summary of Collaborative Engagement

**Collaborative engagement** identifies controversial practices at a sector level or at a group of companies' 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. Collaborative 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 2021<sup>13</sup>:**

<b>7</b> Collaborative initiatives	<b>7</b> Investor Statements signed
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**Figure 7: Collaborative initiatives in which Mirova participates (still active at the end of 2021)**



Source: Mirova, 2021

<sup>13</sup> Figures are internally calculated by Mirova.

## COLLABORATIVE ENGAGEMENT INITIATIVES (ACTIVE OR COMPLETED IN 2021)

Pillars	Initiative	Details on the initiative
	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.
	Investor Decarbonization Initiative (Share Action)	The Investor Decarbonization Initiative aims to promote the power of the investment system to accelerate corporate climate action. 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).
	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.
	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.
	Access to Nutrition	Companies that are globally applying strong nutrition policies and practices are in a better position to reduce risks of increasing food and beverage industry regulation and to take full advantage of changing consumer trends towards healthier living habits. The Access to Nutrition Foundation concludes that while some companies have taken positive steps since the last ranking in 2013, the food and beverage industry is moving far too slowly. Good nutrition policies and practices are integral to food & beverage companies' overall business and financial performance as well as long-term sustainability. The objective of this engagement is to determine with the companies how they integrate findings and recommendations of the ATNI into strategic performance on nutrition practices.
	30% Club 30% Coalition	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.

## INVESTOR STATEMENTS SIGNED BY MIROVA IN 2021

### **OECD Guidelines for Multinational Enterprises complaint against EssilorLuxottica by Labor Unions**

Mirova, alongside other investors, wrote to request that EssilorLuxottica engage constructively and in good faith with the National Contact Point grievance mechanism provided by the OECD Guidelines for Multinational Enterprises (the “OECD Guidelines”) to resolve a specific instance complaint that was filed by the labor organizations Communications Workers of America, the AFL-CIO, IndustriALL, and UNI regarding the alleged violation of workers’ rights to freedom of association at Luxottica’s McDonough, Georgia facility.

### **Children’s Rights in Topic Standard Project for Human Rights**

UNICEF and the signatories to this letter, including Mirova, welcomed the Global Reporting Initiative’s (GRI) action to update and bring GRI human rights-related Standards in line with key authoritative intergovernmental instruments in this area. With this letter, we asked the GRI to ensure that children’s rights are comprehensively and fully integrated in the Topic Standard Project for Human Rights. This statement was shared with the Chair of the Global Sustainability Standards Board.

### **G7 Finance Ministers’ Statement on Actions to Support Antibiotic Development**

Investor Action on AMR welcomes the concrete commitment of the G7 Finance Ministers to work together with investors and other groups in a multi-year, multi-stakeholder effort to intensify their actions to address AMR across the G7. Members of Investor Action on AMR have made commitments to galvanize investor efforts to address AMR, engaging with both policymakers and companies to drive action and tackle the “silent pandemic”. We reiterate our continuing commitment to collaborate to mitigate risks and impacts and seek positive solutions. We are delighted that G7 Finance Ministers have recognized the contribution of Investor Action on AMR and are pleased by the commitment from G7 Finance Ministers to explore a range of market incentive options, with a particular emphasis on supporting relevant pull incentives. We offer our support to ongoing initiatives in 2022 that build on this momentum in order to ensure that action continues under future G7 Presidencies and to see the support for revitalized AMR initiatives at the G20.

### **Where’s the Beef - Glasgow COP26**

As signatory of the statement, Mirova recognized the critical need to reduce the level of greenhouse gases emitted by the global agricultural supply chain if we are to meet the goals of the Paris Agreement.

We shared our concern about the risks presented by climate change to regional and global economies and to investment assets in the agriculture sector. At the same time, investors and their representatives recognize the significant investment opportunities that the transition to an emerging net-zero emissions economy presents. We have a fiduciary responsibility that requires us to generate investment returns and protect our assets. At present, in the absence of strong policy action to address GHG emissions associated with the global animal supply chain, protein producers and retailers face significant risks in the transition to a low-carbon economy.

Therefore, we urge all G20 nations to promptly enact ambitious policies and disclose effective targets for GHG reductions in agriculture within or alongside their National Determined Contributions (NDCs) commitments at COP26.



## **Financial Institution Statement ahead of the Convention on Biological Diversity COP15 - Ceres and the Finance for Biodiversity**

As signatory of the statement, Mirova, alongside other financial institutions, recognized the importance of biodiversity and ecosystem services, which form the foundation of our societies and the global economy.

As financial institutions, we recognize the need to protect, conserve and restore nature for future generations because we cannot generate value for our clients without a healthy biosphere. Biodiversity loss will have significant and systematic consequences for the global economy, and exposes us to market, credit, liquidity and operational risks.

With this statement, we supported the establishment of an ambitious and transformational post-2020 Global Biodiversity Framework (GBF) for adoption at the 15th Conference of Parties of the UN Convention on Biological Diversity (CBD COP15). We welcome the vision of “living in harmony with nature by 2050” through the recovery of natural ecosystems with net improvements by 2050. To achieve this vision and to ensure that the next set of targets are met, unlike the Aichi targets, action to halt and reverse nature loss by 2030 must urgently be scaled up by all stakeholders.

## **Investor Statement of Support for EU Corporate Sustainability Reporting Directive – PRI**

With this letter, we welcomed the European Commission’s proposal for a new Corporate Sustainability Reporting Directive (CSRD) revising the Non-Financial Reporting Directive (NFRD), and its aim to elevate sustainability information to the same level as financial information. The CSRD proposal is a prime example of policy coherence between investor and corporate disclosure obligations, building an end-to-end disclosure framework that will enable investors to scale up their contribution to the EU Green Deal and wider sustainability goals.

## **Public country-by-country reporting in the EU – PRI**

The aim of this statement was to welcome the EU initiative to mandate public country-by-country reporting for multinational companies. This policy measure is timely given the EU proposal for a new Corporate Sustainability Reporting Directive (CSRD), and vital to strengthen tax transparency and accountability while reducing the prevalence of tax avoidance practices that continue to challenge global economies and their pursuit of sustainability goals.

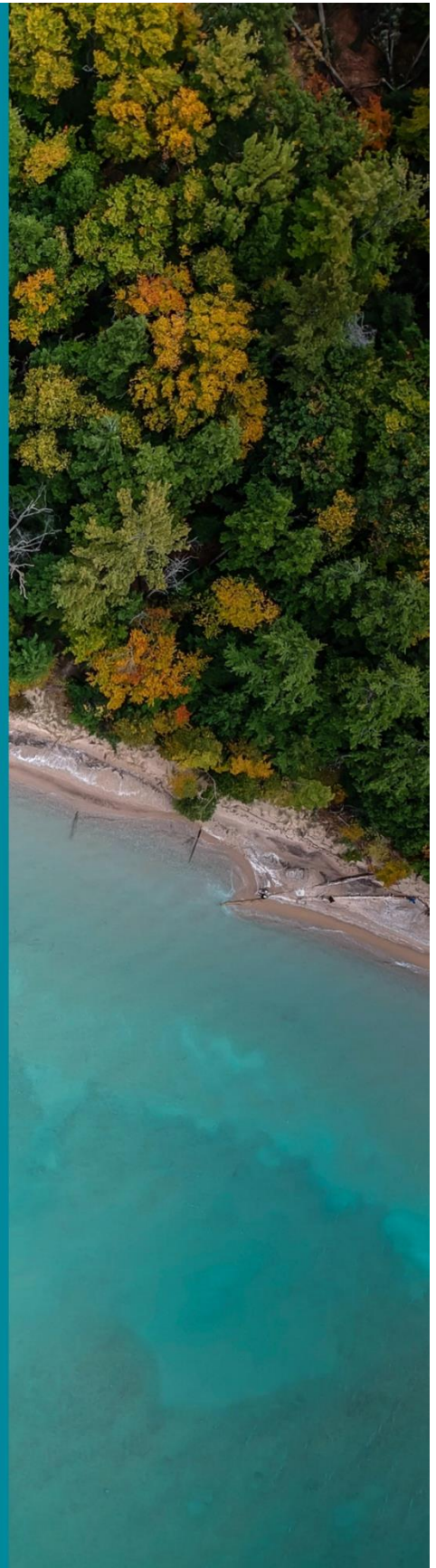
To ensure that the upcoming regulation, is robust and works as intended, and can set the tone for policies of a similar nature in other jurisdictions, signatories (including Mirova) urged the EU to consider the following:

- The legislation should require multinational companies to provide disaggregated information on taxes paid and other relevant economic information for all countries of operation.
- Any exemptions to the requirements should only be provided on a limited basis and accompanied by careful monitoring
- Finally, we recommend that an impact assessment of the regulation is conducted after two years.

## II. Non-Listed Assets

Page 27. Energy Transition.

Page 31. Natural Capital.



# Energy Transition



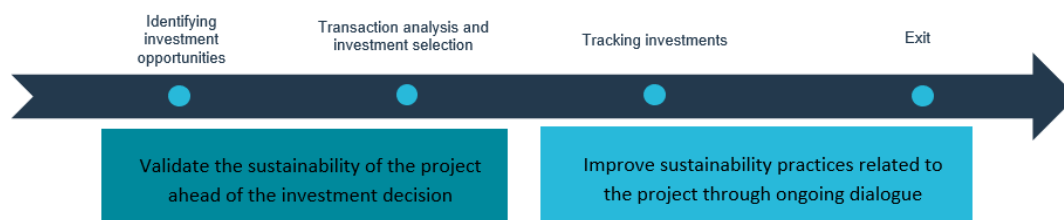
Mirova has chosen to develop investment strategies dedicated to the financing of the energy transition in order to accelerate the fight against climate change. Mirova finances unlisted projects or companies producing renewable energy and carbon-free mobility solutions.

Beyond environmental benefits, the energy transition is accompanied by significant social benefits, including the improvement of air quality in urban areas or access to energy, which is a fundamental need. The analysis of the potential contribution of investment opportunities to the energy transition and societal challenges is also supplemented by an assessment of the environmental and social risks, taking into account both the inherent risk level related to the nature or location of an activity, and the risk management quality.

## ENGAGEMENT APPROACH

Alongside financing energy transition infrastructures, Mirova maintains an ongoing dialogue with project developers and non-listed companies throughout the investment process. In 2021, Mirova continued to analyze energy transition projects based on the following engagement process:

**Figure 8: Engagement process for energy transition projects**



Source : Mirova, 2021

### Validation of the sustainability of the project ahead of the investment decision:

Prior to the investment committee, an initial exchange is systematically organized with the company or the targeted project. This is an opportunity for Mirova to reiterate its philosophy and objectives. As a responsible investor, Mirova seeks to contribute to the improvement of sustainable development practices of our investments.

This first discussion enables Mirova to present its ESG analysis methodology and the key issues identified as particularly relevant given the nature of the project. During this first step of engagement, transparency on environmental and social issues management is often required. Such information is integrated in the sustainability analysis of the project and contributes to ensure the achievement of sustainable development objectives. It allows us to understand the project's positive contribution on climate change issues and, depending on the nature of the activity, on other sustainability issues. Alongside, it informs the quality of management policies and processes implemented to address these risks.

**Improvement of sustainability practices related to the project through ongoing dialogue:**

As a responsible investor, Mirova has also chosen to suggest an ESG action plan, which may be attached to the transaction documentation. Initial exchanges with the company enable the analysts to identify key areas of improvements in the company's practices or policies and are key in the definition of the action plan. These recommendations are then discussed with the management of the company or project to jointly assess their relevance, feasibility, and implementation methods (timelines, means or results expected). The consultation with the various project stakeholders (operators, industrial players, etc.) allows us to ensure that the management adheres to the areas of improvement and suggested actions necessary to include the investment in a continuous improvement approach.

Following the investment phase, the dialogue continues in order to monitor the implementation of the action plan, share best practices with all of our shareholdings, identify specific subjects requiring special attention or collect quantitative performance indicators in terms of both opportunities for positive impact (effective realization of expected positive impacts) and risk management allowing us to assess the robustness of sustainable development practices of our holdings. In 2021, Mirova undertook to raise awareness of potential buyers of its assets on expected measures to reduce potential negative impacts occurring during the holding phase, such as related to biodiversity. The underlying objective is to encourage such measures will remain once the assets have been sold.

**Energy transition engagement focuses on various items:**

- *Measurement of the environmental and social contribution of the project or company.*  
To be able to demonstrate the environmental and social benefits of a project, Mirova needs concrete figures such as the number of jobs supported by the project, the installed capacity and renewable energy production achieved, the distance travelled by the electric vehicles made available, the number of green vehicles, avoided CO2 emissions, etc.. This asset class is characterized by small projects or teams, and the improved monitoring of these environmental benefits is a key pillar of our engagement approach.
- *Integration of ESG criteria in the supplier's and service provider's selection process,* including social aspects (respect for human rights, working conditions, Health and Safety) and environmental aspects (circular economy, pollution prevention, consumption control, recycling).
- *Enhanced transparency on the local communities' consultation process* to ensure project acceptability, amount, and nature of complaints and how they are being managed.
- *Reduction of accidents, incidents and other health and safety issues* during the construction phase through the implementation of a Health and Safety Environment (HSE) risk management system, covering all workers on site – contractors and subcontractors, supplemented by reporting on key indicators (number of incidents and accidents, accident frequency rate, coverage perimeter, Health & Safety training, safety audits, etc.)
- *Environmental incidents prevention mechanisms* implemented during the construction and operation phases.
- *Monitoring of mitigation and offsetting measures* to reduce the project's environmental externalities to ensure the implementation of these measures, measurement of residual impacts and definition of an appropriate action plan.
- *Enhanced transparency on the management of environmental and social risks* during operation and maintenance operations.
- *Responsible management of equipment at the end of the project's life,* including waste management and monitoring as well as recycling.

In addition, thanks to its expertise in integrating sustainable development topics, Mirova participates in several key initiatives to improve transparency of energy transition players on their environmental and social performance.

## SITUATION IN 2021

In 2021, Mirova's team essentially worked on the implementation of a common ESG reporting for all holdings. The significant positive environmental contribution of investments in energy transition projects does not prevent from the occurrence of other potential negative externalities, both on social and environmental sides. Such risks must be assessed, monitored, and managed appropriately.

As a first step, we reviewed all construction and operating reports provided by the companies in charge. This exercise highlighted major disparities both in the nature of the provided indicators and the frequency of reporting and the content.

- **Employment** (direct or indirect through contractors and subcontractors)

We expect to collect data to effectively measure positive contribution of the investment on employment. Such data also allows us to have a clear understanding of the number of people working on site eventually to better assess health and safety risks.

Gender diversity is also receiving an increasing scrutiny. Indeed, the industry is currently falling behind to achieve gender equality, which we consider to be a key issue in sustainable development.

- **Health and Safety**

Mirova intends to support and implement a strong safety culture targeting zero accident on site. We are therefore striving to collect indicators that will be shared from one project to another in order to assess current performance level, and to implement appropriate corrective actions if necessary.

- **Environment**

Monitoring the environmental impact aims to ensure that we conduct our activities by minimizing risks to which we are exposed, particularly in terms of preserving biodiversity, which is at the heart of Mirova's responsible investor agenda.

In this context, a dedicated session was organized with our investments to explain our approach, to recall the importance of these topics as part of a responsible investment strategy and to introduce a common reporting template which will enable us to strengthen our monitoring and to potentially identify corrective actions. These discussions were also the opportunity for us to discuss more broadly with our stakeholders on the integration of environmental and social considerations into their operations and to share our vision of sustainable infrastructures. The approach provided our investees with a better understanding of the responsible investors' expectations and to support their growing efforts in terms of structuring non-financial reports.



## ENGAGEMENT IN ACTION: MONET

In 2021, Mirova accompanied Movhera in the definition of a CSR roadmap. Movhera is a project company created as part of the acquisition by Monet of a dam portfolio in Portugal. At the initiative of management and in a co-construction approach, several discussions have enabled the identification of main ESG issues and priority. These subjects being at the heart of Mirova's expertise, the company has sought our recommendations, in parallel to other shareholders', to target a high level of ESG performance likely to best meet investors' expectations and more broadly all of its stakeholders.

In this context, we shared Mirova's carbon impact assessment methodology including scopes 1, 2 and 3 to account for the effective GHG emissions assessment of the asset over its entire life cycle. In addition, we have supported various initiatives involving local communities to promote the integration of infrastructures into the local context. Mirova also encouraged the company to strengthen transparency on Health and Safety matters. While these risks are clearly integrated into the company's management processes and are rigorously monitored internally, they remain not systematically included in the non-financial reports. This suggestion was received favourably by the company's management, which undertook to systematically include the subject in the agenda of the Board of Directors, where the main HSE performance indicators will be discussed. Similarly, we encouraged the company to implement a monitoring and reporting process on the effective implementation of compensatory measures at the level of each asset in the portfolio, so far communicated to local administrations but not systematically to investors.

Finally, Movhera initiated a reflection on gender equality. Due to the nature of its activity (operation of hydroelectric dams), the company is facing difficulties in attracting female profiles. As Mirova has made gender equality a priority topic of its responsible investment strategy, it has shared several recommendations and provided feedbacks from discussions with other companies facing the same problems. Following our discussions, several actions will be deployed such as the monitoring of the feminization level of the workforce by job typology, the promotion of job offers within the female networks with revised formulations in order to eliminate gender biases, the inclusion of at least one woman in candidates' shortlists and the creation of partnerships within the schools and universities to attract more technical students in women.

Thus, our collaboration supported the integration of sustainable development issues into the company's activities. A progress monitoring group for this CSR roadmap, in which Mirova and other shareholders participate regularly, was formed to continue to support Movhera in the structuring of its ESG approach.

# Natural Capital



Mirova designs solutions for public and private investors willing to invest in nature-based solutions. Our strategies are aimed at financing projects that combine profit with purpose: ecosystem conservation, restoration, sustainable productive land-use, and sustainable livelihoods for local communities.

Nature conservation and regeneration are now quickly imposing not only as the new frontier for sustainable development, but also for sustainable finance. Investors and corporates are increasingly mobilized because they understand how much our economy and development are tied to managing and regenerating natural resources. Investors have also identified the unique innovative business ecosystem and business models that are developing to offer solutions, and the opportunity they represent in terms of investing.

## ENGAGEMENT APPROACH

Each project invested under the strategies of Mirova Capital Natural is subject to an in-depth analysis prior to the investment decision, focusing both on the positive impacts of the project (conservation, restoration, ecosystem rehabilitation, climate change mitigation etc.), and on the quality of environmental and social risk management (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 (ESAP), co-designed with the project manager as a binding obligation.

Through the due diligence process, opportunities to enhance positive ESG impacts and improve management of ESG risks are identified. The ESAP, which is developed collaboratively between Mirova's ESG specialists and the investee, then sets out a plan to achieve enhanced ESG performance of an investment, normally over a 2–3-year period. The ESAP will typically include a brief description of very specific actions, associated completion indicators (e.g. an ESG risk register, Waste Management Plan, Gender Equality Plan etc) and a target date for closing each item. In cases of high priority ESAP items, the target date may be set as a condition precedent to either signing the investment agreement or to a specific disbursement tranche. Mirova's ESG team monitors progress of each investment against their ESAP at least quarterly.

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.

## ENGAGEMENT IN ACTION: MARTEC

As for every investment of the Sustainable Ocean Fund (SOF) (11 at the end of 2021), a detailed ESG due diligence was undertaken prior to the Martec investment in Costa Rica, leading to the design of an ESAP to address the ESG performance gaps that were identified.

Martec is a well-established seafood business, comprising a fully integrated snapper aquaculture operation, a wild capture division (sourcing fish from artisanal fishers) and a processing plant to add value to the fish produced or sourced. Aiming at becoming a regional leader in the sustainable seafood sector, Martec already had substantial ESG risks management measures in place, but the SOF due diligence led to the design of an ambitious ESAP, which was approved by Martec and included in the investment contract.

The ESAP aims at supporting the implementation of a set of improvements, as well as monitoring the company's performance on management of priority risks. Items included in the Martec's ESAP covers transversal topics, such as the reinforcement of human resources or social and environmental risks management, or sector specific items, such as the achievement of sustainable aquaculture certifications or to the implementation of improvement in the fisheries they are sourcing from, aiming at the Marine Stewardship Council (MSC) certification. Another priority in the ESAP was pollution control and, specifically, performance of their wastewater treatment facilities which are expected to operate in accordance with the World Bank EHS guidelines.

The SOF team and the ESG specialist in charge of the project are in regular contact with Martec's sustainability manager (who is reporting on progress made on the ESAP on a quarterly basis) and are providing ongoing advice and guidance to support the implementation of the ESAP. Less than a year after the investment, Martec has already made promising progress towards their action plan, including renewal of their sustainable aquaculture certification, new recruitment dedicated to ESG risks management, upgrade of the wastewater treatment plant and an improved ESG management strategy for of their factory and their hatchery.

### III.

## Advocacy and partnerships

Page 34. Approach and objectives.

Page 35. 2021 Actions.

Page 38. Participation in local organizations and associations.

Page 40. Support for the Academic Chairs and Research Observatory.



## II. Advocacy and partnerships

Mirova's primary objective is to contribute to the development of a sustainable financial sector with a positive impact on the environment and our society. Aligned with its mission, Mirova is committed to promoting and supporting the development of sustainable investment through the implementation of market frameworks to structure products aimed at sustainable investment and to combating greenwashing.

Mirova's advocacy actions translate into a constant dialogue with local organizations, regulators and, increasingly, civil society.

### Approach and objectives

Advocacy is implemented to promote our vision within the sustainable investment market. We interact with European, national, and international regulators, as well as with various professional organizations in the field of sustainable investment, in favour of regulations and standards conducive to the development of high-quality sustainable finance, and on a sufficient scale, in order to ensure the financing of assets favourable to the transition to a sustainable economy.

Mirova seeks to promote the development and structuring of a financial market that meets the needs of society by financing a more sustainable economy. More specifically, Mirova's advocacy actions aim to ensure that market frameworks:

- Provide investors with the means to **identify opportunities and risks** in terms of sustainable investment (reporting of issuers and the financial sector);
- Lift the barriers and structure tools to enable the development of a **high-quality sustainable investment market** (standards, standard or recognized labels, of high quality and comparable) to properly identify the level of ambition of the products and prevent the risks of « greenwashing »;
- Allow **sustainable investment** within the financial sector to scale up (massification of sustainable financial products).

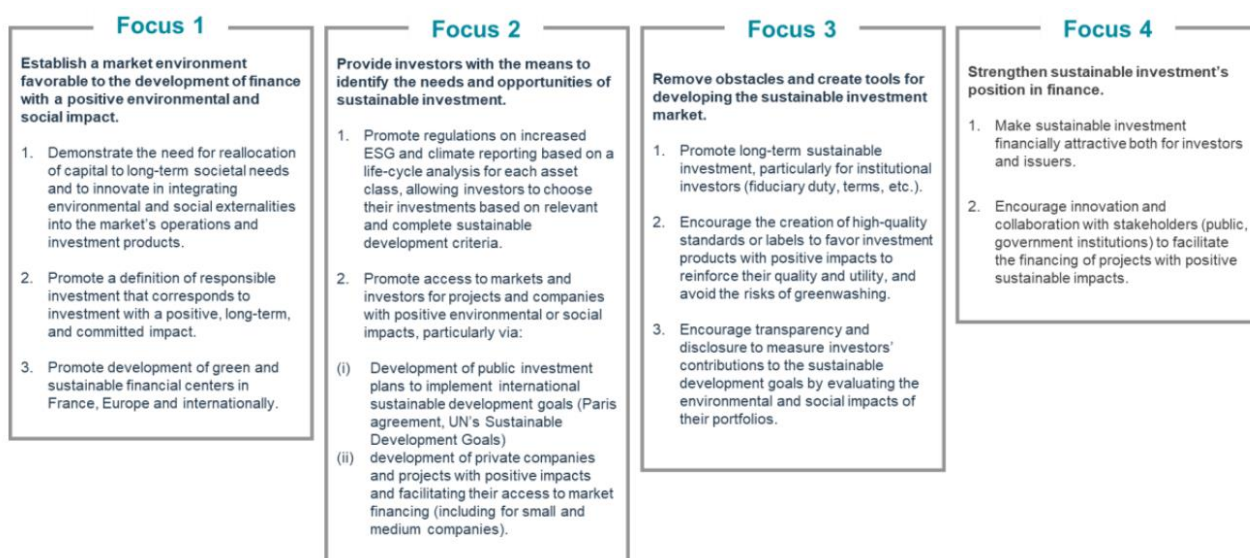
Mirova advocacy actions rely on various tools such as:

- Writing position statements on **publications from the various stakeholders** (regulators, on sustainable finance (labels, blended finance, etc.);
- Contributing to the **reflections of regulators and professional responsible investment organizations** through responses to public consultations, participation in working groups, as well as university research.

Mirova publishes its advocacy objectives as well as the content of its responses to public consultations on its website. Mirova is registered in the European Union Transparency Register and the French Transparency Register (Directory of Representatives of Interest of the High Authority for Transparency of Public Life, HATPV).



**Figure 9: Mirova's Advocacy Engagement Goals**



Source : Mirova, 2021

## 2021 actions

In line with our objective of promoting sustainable finance and a new corporate governance approach, Mirova continued its advocacy activity in 2021. This is reflected in its participation in the reflections of regulators and market players on the implementation of appropriate tools and frameworks for the development of sustainable finance, with specific contributions at European and French levels.

### ACTION PLAN OF THE EUROPEAN COMMISSION FOR THE FINANCING OF SUSTAINABLE GROWTH

In March 2018, the European Commission published its action plan on sustainable finance, inspired by a Group of High-Level Experts (HLEG) to which Philippe Zaouati, Chairman and CEO of Mirova contributed. Since then, Mirova has been actively monitoring the developments and implementation of this action plan by EU regulators. Overall, Mirova's contribution continues through various working groups. In 2021, Mirova:

#### 1) Contributed to the general discussions of the European Union

Mirova remained involved in 2021 in many local organizations, such as the Forum for Responsible Investment, where Mirova has been elected to the Board of Directors for several years. With a deputy chairman particularly focused on European affairs, Mirova continued to represent the FIR (Forum for Responsible Investment) on the board of directors of EUROSIF, the sustainable investment association at European level. In the context of renewed governance, Mirova's advocacy officer representing the FIR was elected to the board of EUROSIF. Thus, Mirova feeds the reflection of the FIR and EUROSIF at the European level. The objective is to give a strong role to Eurosif, to advocate for sustainable investment at European regulation level, and to contribute to the fundamental reflection on certain regulations (SFDR, taxonomies, MIDIF 2, etc.).

Mirova has remained very committed to the implementation of the European regulation for transparency of the financial sector in sustainable matters (SFDR / Sustainability-related disclosure in the financial services sector). We have carried out various advocacy actions to ensure that Articles 8 and 9 of this regulation and its variations in other European texts (in particular Markets in Financial Instruments Directive - MIFID) allow us to provide true

transparency and differentiation on the most ambitious investment products. Another issue concerned the distribution of these products so that it would not be a source of confusion for investors and greenwashing. Mirova has also responded to consultations such as those on sustainable corporate governance, pushing the committed vision set out in its voting policy.

## **2) Finalized our technical contribution to the reflection on a European eco-label project for financial products and for investment funds**

Mirova highlighted its experience with the French label Greenfin to help define guidelines, both ambitious and realistic, considering the specificities of each asset class. In 2021, Mirova made field data available to the regulator and provided feedbacks on its environmental thematic funds to assess challenges related to the implementation of the EU taxonomy and certain environmental thresholds to be met. However, final proposal in the latest specifications gives (to date) little hope to obtain a viable ecolabel project: after the publication of a public forum explaining its position, Mirova has therefore withdrawn from the process of reflection on ecolabel, which must continue in 2022.

Mirova has also regularly taken public positions through publications or interviews, in support of an ambitious action plan of the European Union, or in favour of an ambitious European taxonomy, notably by not supporting the inclusion of natural gas.

## **SUSTAINABLE FINANCE DISCUSSIONS AT THE FRENCH LEVEL**

As part of the Finance for Tomorrow initiative to develop impact finance, Mirova has followed the discussions of the various working groups on the definition and writing of a commitment from financial players towards impact finance shared during the COP 26. In 2021, Mirova published its views on impact finance and expressed itself several times to recall the importance of differentiating levers from impact by asset class, and not limiting impact strategies to a single tool (such as engagement or capital allocation)

Mirova has particularly contributed to the development of the reflection on labels, by publishing a public forum on the needs to adapt the French green label Greenfin. Indeed, current exclusions prevent from the investment in certain companies championing renewable energy. This reflection was articulated with the need to articulate the governance of French labels (ISR and Greenfin) with European mechanisms, in particular Articles 6, 8 and 9 of the European SFDR Regulation, a subject on which Mirova contributed to working groups and market reflections.

## **ADVOCACY ACTIONS ON CLIMATE CHANGE AND BIODIVERSITY**

In 2021, Mirova has been actively committed through its research and advocacy activities to contribute to the reflection of sustainable finance on climate and biodiversity.

Regarding climate-related disclosure, Mirova has gained expertise thanks to the development of a methodology with Carbone 4. It leveraged this expertise to contribute to the work of the «financial » section of the « Science-Based Targets Initiative » (SBTI) initiative and responded to the US SEC consultation on climate disclosure expected from companies. The importance of publishing information on a sufficiently exhaustive scope and considering the risks and opportunities was particularly highlighted. Such considerations are viewed as key to help aligning the energy mix with Paris agreement requirements and the IEA Net-Zero scenario by 2050. Following these reflections which extend our advocacy contribution at European level, Mirova has published a summary of the reporting principles that seem essential to us: « Corporate sustainability disclosure: keep it simple, make it useful »<sup>14</sup>. The thesis of the document states that if it is not possible to standardize methodologies now, these should be

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<sup>14</sup> This report is available on our website: <https://www.mirova.com/en/ideas/corporate-sustainability-disclosure-keep-it-simple-make-it-useful>

based on certain essential principles that take into account the specific nature of the information on sustainability.

Beyond disclosure, Mirova is committed to the Net-Zero Asset Managers (NZAM) Initiative and has published its climate roadmap that details its approach to the topic. Above all, it is a matter of financing a carbon-neutral world, with three fundamental principles for investors: once again, adopting a life cycle approach (scopes 1, 2, 3), measuring the positive impact (avoided emissions) through investments in solutions, not neglecting the prospective approach (considering corporate commitments when they are robust). In the context of the Glasgow Financial Alliance for Net Zero (GFANZ), Mirova is also involved in a few working groups including « sectoral pathways » as well as « portfolio alignment ».

Finally, in terms of carbon sinks and agro-ecological transition, Mirova is involved in several initiatives such as Taskforce on Nature-related Financial Disclosure (TNFD) or Finance for Biodiversity Pledge (the « Pledge »). The TNFD is intended to publish recommendations on biodiversity reporting both for businesses and for investors, with initial elements in 2022. The purpose of the Pledge is to voice an ambitious financial sector for the financing of biodiversity. A call for the determination of specific objectives for mobilizing such virtuous investment in the post-2020 CBD was released in September 2021 by the Pledge. Mirova has also joined the Natural Capital Investment Alliance, created under the aegis of His Royal Highness Prince of Wales, which aims to unite ambitious fund managers to promote natural capital as a leading investment theme in portfolio allocations.

## INVESTOR STATEMENTS SIGNED

### **Let's meet our ambitions on both sides of the Atlantic to fight against climate change**

Mirova and other leaders called on the United States to be as bold and ambitious as the European Green Deal, and we committed to strengthen cooperation to move together forward on this journey.

### **Policy Priorities for the Biden Administration**

We welcomed the Biden-Harris Administration's commitment to renew with the fight against climate change and the return of the United States to the Paris Climate Agreement. On both sides of the Atlantic, we now share the same goal: achieving carbon neutrality by 2050.

# Participation in local organizations and associations

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

**Figure 10: Associations and forums with which Mirova collaborates as of 12/31/2021**



\* Mirova's Advocacy Officer represents the Forum for Responsible Investment on the Board of Directors of EUROSI, the European Forum for Responsible Investment.

Source : Mirova, 2021

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.
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.
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.
Sustainable Finance Fora, EUROPE	
EUROSIF	Mirova's Advocacy Officer represents the Forum for Responsible Investment on the Board of Directors of EUROSI, the European Forum for Responsible Investment.
Spain SIF	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	
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.
Fair	Member of Fair (ex 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	
Solidarité Renouvelable	The Solidarity Renewable Group is committed to defending renewable energies. It was created following the government's unilateral and retroactive decision to adopt an amendment in the 2021 Finance Law aimed at reducing the purchase contracts for solar electricity.
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.
TCFD	Mirova supports the Task Force on Climate-related Financial Disclosures, an initiative aiming to improve and increase reporting of climate-related financial information.
NZAM	Mirova is a member of the Net Zero Asset Managers initiative which aims to galvanize the asset management industry to commit to a goal of net zero emissions.
Natural Capital and Biodiversity Initiatives	
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. Mirova joins the 30 Taskforce on Nature-related Financial Disclosure (TNFD) Members.
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.
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.
Sustainable Markets Initiative's Natural Capital	HSBC Pollination Climate Asset Management, Lombard Odier and Mirova, an affiliate of Natixis Investment Managers, are the three founding partners of the Natural Capital Investment Alliance ('The Alliance'), established by His Royal Highness The Prince of Wales under his Sustainable Markets Initiative. The Alliance aims to accelerate the development of Natural Capital as an investment theme and to engage the USD 120 trillion investment management industry and mobilise this private capital efficiently and effectively for Natural Capital opportunities.



The Finance for Biodiversity Pledge is a commitment of financial institutions to call on global leaders and to protect and restore biodiversity through their finance activities and investments. The Pledge exist of 5 steps financial institutions promise to take collaborating and sharing knowledge, engaging with companies, assessing impact, setting targets and reporting publicly on the above before 2025. The Guidance document, clarifies these 5 commitments and are illustrated with own examples of financial institutions and the most relevant resources.

Source: Mirova, 2021

## Support for the Academic Chairs and Research Observatory

### ACADEMIC CHAIR: "THEORY OF THE FIRM"

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.

#### PILLAR 1: COMPANY, COLLECTIVE CREATION AND CIVILISATION

The Corporate Theory developed by the chair calls for recognition that it is transforming the world. The focus deepens this corporate theory based on collective creation and focuses on characterizing the civilization role of the company.

#### PILLAR 2: SHAREHOLDING, INNOVATION AND COMMITMENT

This axis explores new capital figures, emblematic of governance and its crisis, by approaching them as companies to discuss both their creative and their responsibilities. Undergraduate investment and shareholder engagement work showed the limits contemporary approaches to the role and responsibilities of the shareholder. However, many original practices emerge that are poorly described and misunderstood today.

#### PILLAR 3: THEORY AND NEW MODELS OF SOLIDARITY

This approach examines the models and effects of a "solidarity" collective action, mobilizing or creating interdependencies in the face of the unknown, particularly in the case of climate change. Solidarity is closely linked to the interdependencies between the parties of a company: it corresponds to the sharing of the efforts necessary to protect the individuals of some risks. But, with the company, it is clear that the collective action of interdependencies also needs to be enriched by the analysis and to think more about the solidarity action.

#### PILLAR 4: MISSION: NEW MANAGEMENT LOGIC

The PACTE law provides the Company with a legal framework for the company with Mission. This axis will study how this new framework questions the classic languages of management and will contribute to the renewal of the most classic management tools.

### INDEPENDENT RESEARCH: EU TAX OBSERVATORY

Mirova officialised its support for the observatory in 2021. The EU Tax Observatory aims to contribute to the development of knowledge and the emergence of new concrete proposals to address the tax and inequality challenges of the 21st century. The observatory has identified 3 missions:

- **Mission 1:** To conduct and disseminate cutting-edge innovative research on taxation, with a focus on tax evasion and fraud, and potential solutions to these problems.
- **Mission 2:** To promote a democratic, inclusive, and pluralistic debate on the future of taxation by fostering dialogue between the scientific community, civil society, and policymakers in the European Union and worldwide.
- **Mission 3:** To provide access to knowledge on taxation by making available to the general public a repository of data and analysis on our study topics, as well as interactive tools that allow them to easily understand and exploit them.

# Annexes

## 1. Individual Engagement Process

### MIROVA ENGAGEMENT PRIORITIES

As a basic step to open dialogue with companies, Mirova shares its annual Engagement Priorities with all listed portfolio companies. Our engagement priorities are updated on an annual basis. These interactions enable us to contact at once a year all companies included in our active portfolio, to set the ground for our discussions and reinforce our ambitions of a Responsible Investor. Mirova then prioritizes companies for focused, in-depth dialogues on issues that are most relevant to our portfolios, sustainability investment thesis and/or to companies' specific challenges.

### TARGETED ENGAGEMENT PROCESS

Mirova selects companies with whom we engage on a regular basis based on various factors. Aligned with our Sustainability Research Methodology, we engage with companies to maximize the sustainability opportunities delivered by the business or/and to improve risks management processes and transparency. We use these dialogues to push for progress in distinct areas that we feel are critical to the long-term value of the company.

To be noted that company's size, market capitalisations, geographies, or size of holdings may be considered but Mirova rather prioritizes companies based on the severity of the impact or the strength of the contribution. This engagement applies to all active listed equity funds.

Thus, we prioritize our engagement with companies where:

- 1.) We have identified sustainability related concerns that deserve our heightened awareness.
- 2.) We require an in-depth review of their approach to fair distribution of value.
- 3.) We estimate our expertise can help guide and build on the company's sustainability journey.

Objectives and targets: These engagements have specific goals and, where appropriate, are usually attached with specific targets and objectives defined by Mirova's Sustainability Research Team. The number of objectives per company may vary and progresses are reviewed internally every quarter.

Coverage and frequency of engagement: There is no formalized objective in terms of coverage, as Mirova prioritizes based on relevance and potential impact. We seek to have quarterly to bi-annual contacts, but it may vary depending on the goal of the engagement, the issue at stake, as well as on the size and capabilities of the company.

Other engagement actions: We also proactively engage with companies for a few other reasons including our engagement priorities, updates of the company's sustainability strategy, clarification on their strategy or KPIs, exchange views prior to proxy voting or thematic engagement related to specific funds.

Mirova also leverage on other type of engagement, such collaborative engagement and advocacy, and engage on the other asset classes. More details on Engagement Report.

### DEMONSTRATING SUCCESS AND IMPACT

As Mirova's teams conduct hundreds of conversations and these dialogues can span a multi-year time period, monitoring impact can prove to be challenging. We also acknowledge that we are among a large swath of investors that are working through engagement to advocate for best practices as well. As a result, investors can only gauge individualized impact with caution.

Engagement monitoring: We systematically document engagement discussions and communications in our in-house engagement platform. We monitor qualitatively the progress delivered over time by companies.

Engagement success measurement: Our engagement program is explicitly designed to articulate specific, measurable, timebound goals that are relevant to each specific company our team has identified and we follow the impact based on those targets.

While it is difficult for a single investor to influence the market, the system cannot ignore a fundamental trend in investor behaviour. We acknowledge that our documented and monitored approach to engagement, consistent with our investment decision is in line with our seek for impact.

## ESCALATION PROCESS

If through one of the aforementioned channels, the discussion with the company has not met the stated expectations, and these progresses would be required to maintain the sustainability opinion, Mirova has implemented a framework for escalation.

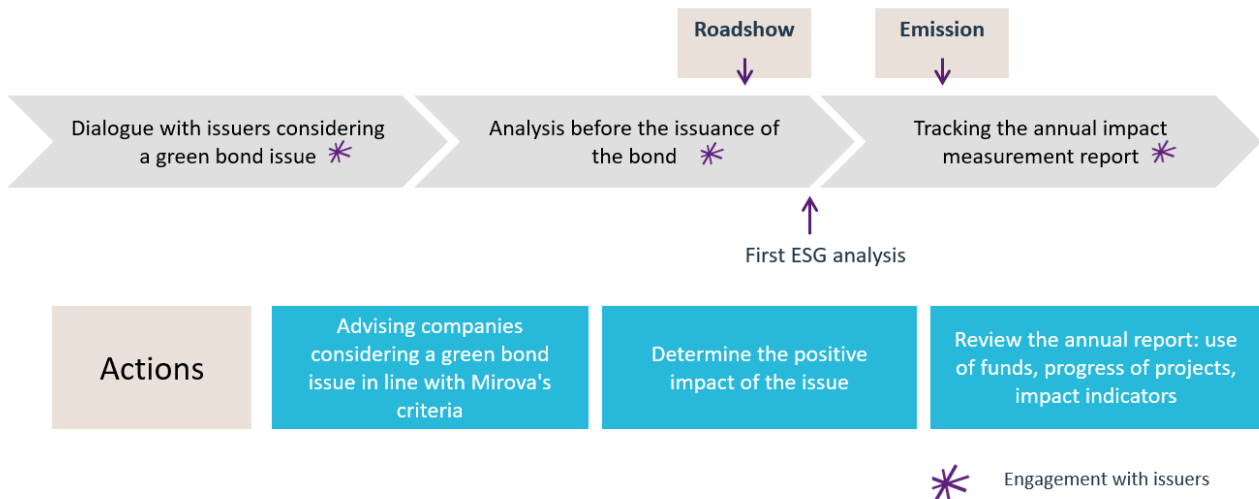
At which stage and the level of escalation is a determination made by our sustainability research team and then presented to Mirova's portfolio managers and CIOs. As described above, we firmly believe engaging in a one-on-one discussion to exchange views before taking more decisive action. There is no systematic escalation process as we believe that case by case analysis of the issue will enable us to identify the more relevant mean to escalate.

Our considered escalation tools include:

- Requesting a meeting with the chairman of the board or top executive.
- Engage in collective engagement with other investors.
- Writing a public letter.
- Leverage the power of our proxy vote by voting against relevant items and/or members of the board.
- Take action at a shareholder meeting by submitting a question or suggest a topic for the AGM agenda.
- Take action at a shareholder meeting by filing a shareholder proposal.
- At any point of the escalation process, should the company's progress and/or practices be found insufficient to maintain eligibility, divestment may be considered.

# PROCESS IN ASSESSING ENVIRONMENTAL AND SOCIAL BONDS

**Figure 9: Steps in engagement actions**



Source: Mirova, 2021

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

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### **Mirova**

French Public Limited liability company with board of Directors

Regulated by AMF under n°GP 02-014

RCS Paris n°394 648 216

Registered Office: 59, Avenue Pierre Mendes France – 75013 – Paris

Mirova is an affiliate of Natixis Investment Managers.

### **Natixis Investment Managers**

French Public Limited liability company

RCS Paris n°453 952 681

Registered Office: 43, Avenue Pierre Mendes France – 75013 – Paris

Natixis Investment Managers is a subsidiary of Natixis.

### **Natixis Investment Managers International**

French Public Limited liability company

Regulated by AMF under n° GP 90-009

RCS Paris n°329 450 738

Registered Office: 43, Avenue Pierre Mendes France – 75013 – Paris

Natixis Investment Managers International is an affiliate of Natixis Investment Managers.

### **Mirova US LLC**

888 Boylston Street, Boston, MA 02199

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### **Mirova UK Limited**

UK Private limited company

Company registration number: 7740692 – Authorised and Regulated by the Financial Conduct Authority ("FCA") under number 800963

Registered office: 18 St Swithins Lane, London, EC4A 8AD

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