

Mirova Engagement Priorities

2022 Edition



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An affiliate of:



This document presents Mirova's 2022 priorities for discussion with companies on environmental, social, and governance topics.

As a responsible investor, Mirova believes that positive impact can be achieved both through our investment choices and by engaging in constructive dialogue with companies. To this end, we engage with companies on an ongoing basis each year. We focus on the environmental and social challenges and practices specific to each company, and their contribution to the United Nations Sustainable Development Goals (UN SDGs)¹.

All of our engagement is underpinned with the message that a company must provide transparent, relevant, and reliable information to its stakeholders in order to accurately communicate its current situation and future plans. 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. To do so, we expect at least a publication of 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 as well as positive and negative externalities.

In the last two years, the COVID-19 pandemic brought unprecedented challenges for us all, as individuals, citizens, companies, and investors. The beginning of 2022, characterized by a serious threat for inflation, an economic and political critical period, but also by the reinforced necessity to tackle the environmental urgency, continues to highlight companies' responsibility in the transition towards a long-term sustainable growth and to foster fair distribution of value.

In line with our previous engagement priorities, we encourage companies to consider the following themes:

- Concrete actions on the most pressing sustainable development issues: mitigating climate change, preserving biodiversity, protecting human rights and reducing inequalities (shared value creation, diversity);
- Integration of sustainability at the core of companies' governance and enhanced transparency on sustainability impacts.

We believe these themes should be addressed by all companies, irrespective of sector, size, and stage of development to contribute towards positive, long-term value creation that benefits both shareholders and the broader stakeholder community.

¹ Details on the key environmental and social issues identified for engagement for each sector are available on our website: <https://www.mirova.com/en/research/understand>



Developing Sustainability Solutions to achieve the SDGs

Companies have the possibility to actively help answering the challenges of sustainable development by developing products and services specifically designed to address the SDGs. Their exposure to sustainability solutions has guided Mirova's investment decisions since the beginning. We expect companies to improve their exposure to sustainability solutions relevant for their business model, to achieve the SDGs by 2030.

Climate Change



Should we fail to limit temperature rise to 2°C or less, there is global consensus that climate change will wreak havoc and lead to vast costs. To mitigate the costs and impacts of climate change, we have no choice but to reduce emissions as quickly as possible while building resilience in the areas that will be affected. Ensuring an adequate response to the climate change challenge through appropriate decarbonisation measures is an imperative for all companies.

Actions expected:

- **Measure** greenhouse gas emissions using a lifecycle approach that considers scope 3² (when relevant).
- **Avoid & Reduce GHG emissions by:**
 - Setting Science-Based Targets, as SBTi signatories
 - Implementing strategies to reduce the greenhouse gas emissions associated with the company's broader activities, including indirect emissions
- **Carbon offset and negative emissions**

While companies should not rely on compensation to achieve carbon neutrality, it can be considered for irreducible emissions. We expect transparency on the projects invested under the offsetting program and we expect companies to provide a related report on a separate basis.

- In the context of high exposure to physical risks, we expect a company to communicate on this and on measures implemented to ensure **adaptation**.

² Mirova's definition of Scope 3 emissions is based on the "Technical Guidance For Calculating Scope 3 Emissions" of the GHG Protocol which develops 15 categories.

Biodiversity



Scientists are unanimous: on land and at sea, the populations of undomesticated animals are declining sharply as their natural habitats are deteriorate more by the day. Despite increasing awareness around the need for sustainable land and forest management, forests are shrinking worldwide. Environmental degradation already affects human health and could ultimately threaten global food security.

It is becoming increasingly evident that a collapse in biodiversity could jeopardize economic and societal function. We thus believe that preserving biodiversity must urgently become a high-priority objective. Companies should assess the relationship between their activities and natural ecosystems and work to preserve biodiversity.

Actions expected:

- **Assess** and identify the most material biodiversity impacts and dependencies on nature and where they occur in the value chain, at least for high stake industries.
- **Interpretate and prioritize** different areas across the spheres of influence of the company where actions can be taken.
- **Measure, set targets to mitigate biodiversity risks and disclose** these targets, methodologies, and baselines.
- **Take action by (including):**
 - Committing to avoid deforestation or destruction of any natural habitats, promote conversion of all-natural habitat and conversion of all areas of high conservation value.
 - Maximizing the average share per product of sustainably sourced supplies verified by independent third parties and labels where applicable
 - Addressing any of the items developed below in the Circular Economy paragraph.

Circular Economy

In a world where a growing population aspires to an ever-higher standard of living, the pressure on natural resources is increasing rapidly. Whether our water resources, land, forests, fish populations or mineral deposits, the SDGs encourage us to develop a more circular approach to our economies in order to preserve these resources and limit polluting emissions. Companies should integrate Circular Economy principles in their processes and in the design of their products.

Actions expected:

- Engage in **eco-design** to develop lightened products requiring a minimized number of raw materials that could be recycled, reusable or repairable and with a maximized lifespan.
- Disclose and set meaningful targets to maximize the share of **recycled inputs** (raw materials, water, energy etc) in product manufacturing and industrial processes.
- Develop **take-back initiatives** and work with stakeholders in the relevant industry to ensure effective recycling.



Shared Value Creation



As social disparities become increasingly prominent worldwide, multinational companies should increase transparency around how value is shared and distributed among all of the organisation's stakeholders. We believe that each stakeholder should be compensated fairly, no matter whether they are an, an executive, a shareholder, or even a public authority (through the payment of taxes). Company policies should also focus on long-term operational, social, and environmental performance.

Actions expected:

- Disclose policy around **shared value creation**.
- Disclose **breakdown of value creation among stakeholders**, improving transparency around employee remuneration and payroll.
- Provide country-by-country reporting on **tax payments**.

Human Rights



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

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

Actions expected:

- Commit 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 (including dedicated trainings, action plan followed by **internal and external** on-site audits), tracking responses, and communicating how impacts are addressed

Human Capital Management



Conversations around human capital management continue to evolve as investors gain increasing sophistication on this matter and the fair and equal treatment of a company's employees is more poignant now than ever.

Achievement of gender equality is a prerequisite for sustainable development, but there is a demonstrated need for further progress. While we have seen progress with respect to the increase of females on boards, investor conversations have grown to contemplate diversity beyond gender (such as geographically, age, educational background, ethnicity etc). In addition to managing the company's diversity and inclusion efforts, we also expect

companies to implement Human Resources policies ensuring equal opportunities and that employees are treated fairly and equitably.

Actions expected:

- Adopt and disclose **group-wide measures to improve diversity** at the management and executive level.
- Adopt **anti-discrimination policies** within the company, as well as measures and actions to promote inclusion, and report on complaints, resolution mechanisms and corrective measures.
- Provide evidence of sound and robust policies to ensure **freedom of association mechanisms, and relevant employees support** (such as benefits including paid leave, parental leave or medical benefits etc).

Governance of Sustainability



Environmental and social challenges are now forcing companies to reassess their economic growth models. We believe that integrating sustainability into the core of a company' strategy is essential for fostering long-term value creation. As such, companies' governance structures and bodies must enable the creation of shared and sustainable value. Concretely, this means structuring governing bodies so that they represent the interests of all stakeholders and giving them broader powers.

Actions expected:

- Create of a **Sustainable Development Committee** or sustainability representative at Board-level.
- Integrate of sustainability criteria – assessed through external transparent methodologies – into the **variable compensation of top executives**.
- Strive towards the model of a **purpose-driven organization**, signalling commitment to long-term shared value creation.
- **Publish value-addition sharing breakdown** among stakeholders.



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