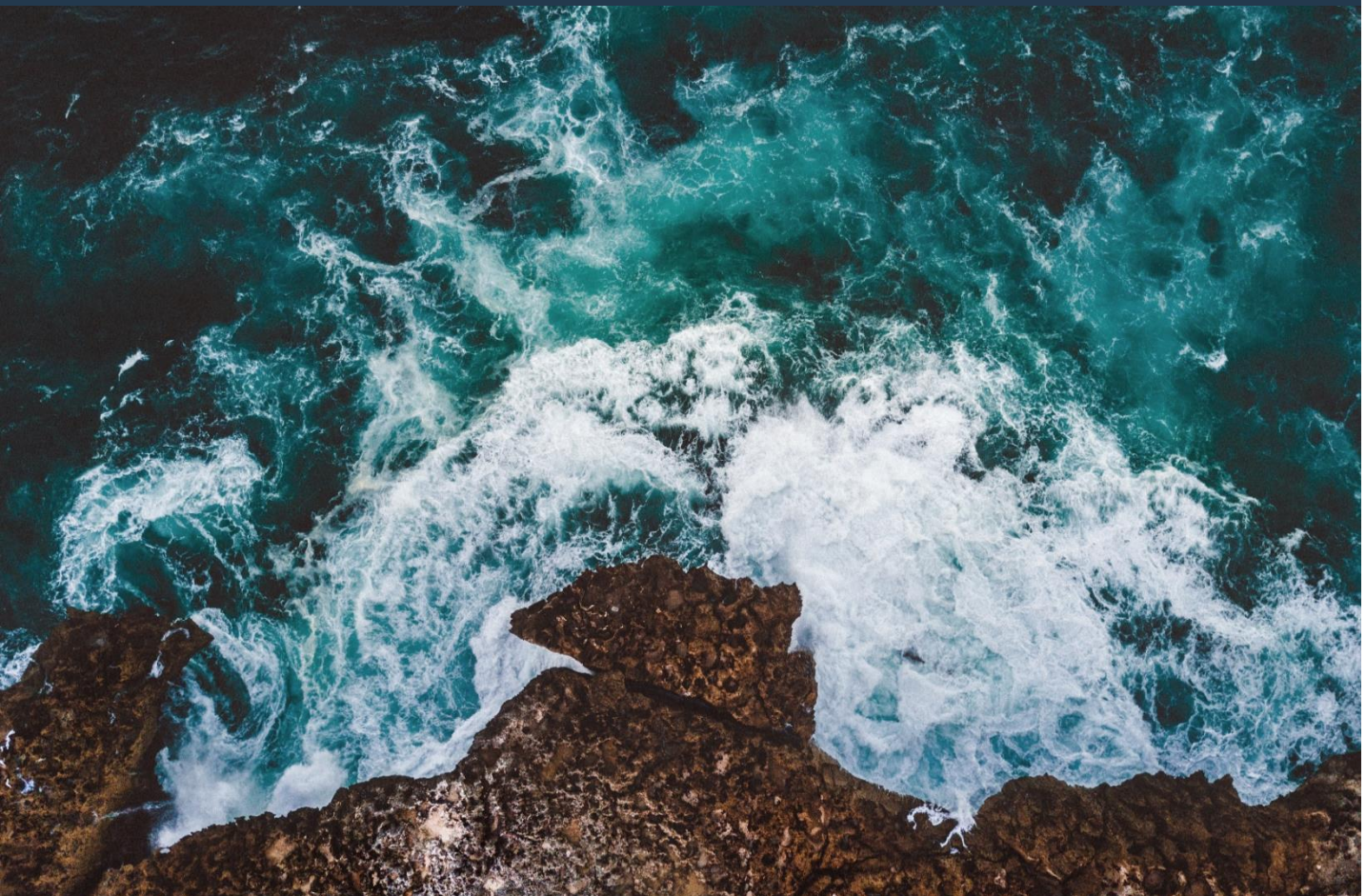


Mirova Engagement Priorities

2023 Edition



An affiliate of:



This document presents Mirova's 2023 priorities for discussion with listed companies on environmental, social, and governance topics. The material provided reflects MIROVA's views as of the date of this document and may change without notice.

As a responsible investor, Mirova believes a 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 our engagement is underpinned with the message that a company must provide transparent, relevant, and reliable information to its stakeholders 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.

We look to address both the mitigation of adverse impact and the vectors of contribution to the SDGs relevant to the companies in which we invest, in order to promote decisions that serve the best long-term interest of company stakeholders. As we enter 2023, the impact of inflation, cost of living crisis, the criticality of a consistent framework for assessing biodiversity risks, are all top of mind for Mirova as a responsible investor.

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>



Climate Change



Should we fail to limit temperature rise to 2°C or less², 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 3³ (when relevant).
- **Avoid & Reduce Greenhouse Gases emissions by:**
 - Setting Science-Based Targets, as SBTi⁴ 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**.

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.

² According to the Paris Agreement, that sets the global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C.

³ 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.

⁴ [Science Based Targets](#)



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 according to TNFD⁵ recommended disclosures.
- **Take action by:**
 - 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 through purchases,
 - Assessing dependency on water throughout supply chain and deploy risk mitigation plans in water scarce areas,
 - Disclosing hazardous chemicals used or manufactured according to regulations and international conventions, and
 - 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, energy etc) in product manufacturing and industrial processes.
- Develop **take-back initiatives** and work with stakeholders in the relevant industry to ensure effective recycling.
- Deploy wastewater reuse wherever this does not negatively impact global water cycle.

⁵ [Taskforce on Nature-related Financial Disclosure](#)



Socio-economic Development



In the recent years, and partially due to COVID-19, the labour market has been challenged in many ways, which has brought social issues at the top of the agenda for investors, governments, and other stakeholders. Recent layoffs, or reduction in payroll, lead some shareholders to question a companies' ability to operate as responsible employers. In other sectors, companies are still facing labour shortages, putting employees in an increasingly stressed environment. Additionally, companies have the responsibility to address negative socioeconomic externalities resulting from the transition to a low carbon business model. And finally, human rights issues related to the sourcing of critical materials to ensure the environmental transitions have been in the spotlight and companies' approach needs to be strengthened.

Actions expected:

- Improve transparency and **provide comparable metrics** on Human Capital management incl. employee turnover, benefits provided to employees, payroll, investment in non-mandatory trainings, etc.
- Provide evidence on a **human capital management strategy** addressing material social issues with regards to the business model of the company, including **decent pay, career development, and freedom of association mechanisms**.
- **Implement robust human rights due diligence processes** to identify, prevent, mitigate potential violations both in direct scope and suppliers. 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.
- **Assess the impact of activities on relevant local communities** and provide robust and effective stakeholder dialogue mechanisms.

Health and Wellbeing



In recent decades, the world's population has made considerable progress in certain areas, for example in increasing life expectancy or access to knowledge and culture. Yet, there remains much to be done to improve product safety, and their impact on human health. While the COVID-19 has shed light on company's responsibility in preserving employees' health, health and safety matters have been a major concern for years in some industries. However, some issues such as mental health are still overlooked.

Actions expected:

- Improve **product transparency** especially with regards to dangerous chemicals, or hazardous ingredients as well as include the impact on consumer health in eco-design strategy.

- Provide information on evidence used to demonstrate **product safety** including tests conducted by objective third-parties, call-backs/recalls and corrective measures following controversies.
- Implement an **ambitious health & safety** policy with clear targets including direct employees and contractors.

Diversity and Inclusion



Achievement of gender equality is a prerequisite for sustainable development, but there is a demonstrated need for further progress. In addition to gender pay gap, discrimination and social norms shape the conditions under which women, and discriminated populations in general, may participate in the labour force. At this point, women are still less likely than men to join the labour force and undertake paid work and will then struggle in breaking the glass ceiling. While we have seen progress with respect to the increase of females on boards, most companies still fall short when it comes to ensuring equal opportunities for men and women at middle- and top-management levels, and even less so for other diversities beyond gender (such as geographically, age, educational background, ethnicity etc).

Actions expected:

- Adopt and disclose **group-wide targets to improve diverse representation** at the management and executive level.
- Implement measures to promote **inclusion and awareness**, including parental leave, training, pay gap analysis, mentorships programs, networking groups or schools' partnerships.
- Adopt **anti-discrimination policies** within the company as well as a robust complaints/ whistleblowing management system with effective corrective measures.
- Initiate **awareness programs with direct suppliers** to promote diversity, identify diversity priorities to address with suppliers and join industry-wide initiatives to improve diversity in sectors with low female representation.

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.
- Integration of sustainability criteria – assessed through pre-determined, quantifiable metrics– 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 to demonstrate how value created is shared fairly amongst company stakeholders.

Fairness



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**. We encourage disclosures relating to tax payment to be easily accessible and understandable to the shareholder base.
- Provide disclosure that contemplates the company's approach to employee remuneration within the **context of economic fluctuations such as inflation** and/or cost of living pressure.



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