



# Mirova's 2023 Stewardship Report

*The contents within this document represents Mirova and its affiliates responsible investment activities over a normal financial reporting year (12-month period) ending 31 December 2022.*

## Introduction

Mirova is a thematic investment group with over 30 years of sustainable investing experience dedicated to responsible investment which forms the core of the firm's DNA. Through a conviction-driven investment approach, Mirova's goal is to combine value creation over the long term with sustainable development. As a pure ESG house, Mirova has been a pioneer in many areas of sustainable finance. Mirova's ambition is to continuously innovate in order to offer the best-tailored and most impactful solutions in the market and for our clients. Mirova is headquartered in Paris, France and has affiliates in the US through Mirova US LLC, the United Kingdom, through Mirova UK Limited, as well as a presence in Luxembourg and Singapore.

Mirova's Responsible Investment Policy is used to guide investment choices: identifying more resilient investments, investments exposed to opportunity related to the transition towards a more sustainable economy, and investments that generate positive externalities. Since Mirova seeks to propose investment solutions that outperform relative to benchmarks on financial, environmental, social, and governance metrics, its Responsible Investment Policy is at the core of our approach across all asset classes.

Overall, we believe that our continuous efforts to leverage our deep commitment to innovation in ESG research and investment application will allow us to stay ahead of competitors for the foreseeable future.

Ultimately, at Mirova we believe that our ESG focus helps generate long term outperformance for the strategy by identifying undervalued investment opportunities that provide solutions for the future and mitigating investment risks associated with poor environmental, social, and governance practices.

Through a conviction-driven investment approach, Mirova's goal is to combine value creation over the long term with sustainable development. Mirova's talents have been pioneers in many areas of sustainable finance. Their ambition is to keep innovating to propose the best-tailored and most impactful solutions to their clients.

Mirova manages over EUR 27.1 billion of assets under management (as 31 December 2022) and brings together nearly 200 multi-disciplinary experts, specialists in thematic investment management, engineers, financial and ESG analysts, specialists and experts in socially conscious finance and project financing.

Mirova relies on the unique experience of its research team which is dedicated solely to ESG analysis. As a pioneer and leader in Socially Responsible Investing with over 30 years of experience in this field, Mirova is deeply involved in the implementation of ESG investment strategies.

Mirova offers a full array of investment solutions: listed equities, bonds, Energy Transition Infrastructure, Natural Capital, impact investing as well as engagement and voting services.

## Setting the example

Not only do we have high expectations in terms of sustainability of the companies we invest in, but we also believe that it is important to set the example ourselves. Mirova is a "mission-led" company and B-Corp certified, and also complies with the UK Stewardship Code. Mirova aims to create long-term value not only for its shareholders, but also for all of its stakeholders, and carefully considers the social and environmental impact of all its decisions.

## Purpose and governance

### PRINCIPLE 1: PURPOSE, STRATEGY, AND CULTURE

**Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.**

#### OUR PURPOSE

Our societies are facing huge challenges and the economy, in response, is undergoing profound changes. We are convinced that finance cannot remain isolated from these movements and is a powerful lever for acceleration towards a sustainable economic model.

**Mirova is a conviction-based management company dedicated entirely to sustainable investment.** We develop innovative investment solutions for our clients, individual and institutional investors, aimed at accelerating the transformation of the economy towards a sustainable model. Our mission is to contribute to a more sustainable and inclusive economy through our investment and stewardship.

Our investment philosophy seeks to combine financial outperformance with environmental and social impact. Our multi-disciplinary team combines risk and opportunity assessment, life cycle analysis and fundamental analysis when making investment decisions. Mirova's stewardship practices, demonstrated by our voting and engagement, advocate for the best long-term interest of all stakeholders. This approach considers the value created and shared by not only the shareholder but also by the community.

#### OUR INVESTMENT APPROACH

At Mirova, we seek to direct capital towards the needs of investment in a real, sustainable, and value-creating economy. We believe finance should be a tool for steering the economy towards models which preserve and restore ecosystems and the climate, and support social inclusion, health, and well-being. As pioneers of this movement, we take an innovative approach to all our means of action: investment, research, shareholder engagement and influencing the financial community. We always seek to reconcile societal and financial performance by placing our expertise in sustainable development at the heart of our investment strategies. In this way, the solutions which we offer to our clients aim to develop a new way of saving to contribute to a more sustainable and inclusive economy.

Any responsible investment approach involves looking at how issuers consider environmental, social and governance (ESG) issues. Whether investing in companies, local authorities, government bodies or projects, investors need to be able to understand the complexity of the sustainable development issues these players face and how each one addresses them—or fails to. At present, there is no established framework or standard practice for reporting by issuers on their actions or that assists investors in considering these issues. Therefore, as a company dedicated to responsible investment, we have sought to develop our own approaches and methodologies to describe the links between economic actors and ESG issues. In an industry where initiatives offering assessment frameworks are multiplying rapidly, we need to be transparent about the principles and indicators we have chosen, which guide our investment decisions and the way we report to our clients as well as other stakeholders.

## OUR CULTURE & BELIEFS

### B CORP CERTIFICATION: A MARK OF INTERNATIONAL CREDIBILITY

Receiving the [B Corp](#)<sup>TM1</sup> certification label, after an evaluation process which awarded Mirova an "excellent" score of 113.4 out of 200 (by way of comparison, the average score of a conventional company is estimated at 50.9), is an assurance of the credibility of the company's entire corporate responsibility approach. The label is recognized internationally and is testament to Mirova's environmental and social commitment.

With more than 3,400 companies, the B Corp community constitutes a real ecosystem in which Mirova will be able to evolve and progress while bringing new ideas and know-how of its own.

### 'MISSION-LED COMPANY': COMMITTED TO ACTIVELY CONTRIBUTE TO THE COMMON GOOD

Our role in society as an asset management company goes far beyond fiduciary responsibility: it is part of a **determination to transform the economy profoundly by moving towards a fairer and more sustainable model.**

By becoming a ['Mission-led company'](#)<sup>2</sup>, we have chosen to formalize the *raison d'être* that has guided our actions since our creation and to structure our approach through five objectives:

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

By setting out its *raison d'être* and social and environmental objectives in its articles of association, Mirova has formalized its mission to **increase its positive impact on both environmental issues and inequality.**

Mirova has created a Mission Committee made up of leading experts, which monitors the implementation of its mission. The committee also guides the company towards areas of improvement which helps us meet our objectives and is responsible for publishing an annual mission report.

Mirova emphasizes diversity and inclusion in the workplace. We have built a team representing a wide range of attributes (be it gender, nationality, or age, etc.) as we believe this leads to diversity of ideas and, in the end, better performance. As of 31 December 2022, women represented 51% of Mirova's workforce, 44% of its executive management, 38% of the portfolio management team and 25% of the board of directors. At Mirova, eighteen nationalities from five continents are represented. Our code of conduct provides strict policies against discrimination.

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<sup>1</sup> Since 2006, the B Corp movement has been promoting strong values of change throughout the world to make businesses "a force for good" and to distinguish those which reconcile profit (for profit) and collective interest (for purpose). B Corp's goal is to certify companies that integrate social, societal, and environmental objectives into their business model and operations. More details [here](#)

<sup>2</sup> Introduced in France in 2018 under the Pacte Law, a 'société à mission' company must define its "raison d'être" and one or more social, societal, or environmental objectives beyond profit. The purpose, and objectives aligned with this purpose, must be set out in its Articles of Association. The Articles specify the means by which the execution of the Mission will be monitored by a Mission Committee (a corporate body distinct from the board of directors which is responsible for monitoring the implementation of the mission with at least one employee.) An independent third party then verifies the execution of the Mission, via a written opinion which is annexed to the report of the Mission Committee to shareholders and made available on the website of the company for a period of five years.

References to a ranking, prize or label do not anticipate the future results of the latter, or of the fund, or of the manager.

Mirova is committed to maintaining a culture where independent thought and a long-term perspective is unified with a strong sense of purpose and alignment to sustainability. We believe this approach allows ideas and expertise to be shared through collaborative teamwork and encourages the respectful challenge of ideas. This is all driven by relationships built on trust and respect across the group.

#### OUR CORPORATE SUSTAINABILITY APPROACH

In addition to ensuring positive environmental and social impact through its [investments](#), Mirova also strives to promote a **virtuous cycle with regard to its direct impact**.

Committed to sustainable development and Socially Responsible Investing (SRI) since its creation, Mirova plans to implement an ambitious Corporate Social Responsibility (CSR) strategy in addition to its asset management practices, and to demonstrate the highest standards of commitment in the market.

#### FROM AN ENVIRONMENTAL STANDPOINT

Mirova measures the annual **greenhouse gas emissions** of its direct activities (real estate, travel, etc.). In addition, Mirova's hybrid organizational work model, implemented in its offices and in which employees no longer have set desks, has **reduced paper consumption**, another of our commitments. The premises comply with the highest environmental certification standards ([HQE](#) "Excellent", [BREEAM](#) "Excellent") and include equipment for **environmental footprint reduction**: insulation, presence detectors to regulate light and room temperature, video-conference devices to reduce commuting, etc. The offices are easily accessible by public transport and include an enclosed and secure bicycle shelter.

#### FROM A SOCIAL STANDPOINT

We consider **diversity in the Mirova teams** to be a driving force towards the development of society. Thirteen nationalities from five continents are represented. **Women represent slightly over 50% of the workforce and 25% of the board of directors**. Our code of conduct provides strict policies against discrimination. The company **integrates people with disabilities** with special workstations adapted to people with specific needs. Mirova also promotes methods for organizing working hours to foster a **healthy work-life balance** by, for example, allowing remote working for employees.

## PRINCIPLE 2: GOVERNANCE, RESOURCES, AND INCENTIVES

Signatories' governance, resources, and incentives support stewardship.

### **Governance of our Status as a Mission Driven Company**

Mirova is a "Société anonyme" (French public limited liability company) under French law with a board of directors and a chief executive officer. This legal structure contributes to a clear separation between the management functions assumed by the Managing Director and the Deputy Managing Director, and the functions of oversight performed by the Board of Directors. The CEO (Philippe Zaouati) and the Deputy CEO (Guillaume Abel) are assisted by a Management Committee. Mirova is headquartered in Paris, France and has affiliates in the US through Mirova US LLC, the United Kingdom, through Mirova UK Limited, as well as a presence in Luxembourg and Singapore.

The Management Committee is composed of senior members of the firm including our Chief Operating Officer, Head of Legal & Risk, Head Human Resources, Culture and CSR, as well as the Heads of the listed and private assets business units. It is responsible for defining strategic orientation of the business development in accordance with our mission.

Since 2020, Mirova has chosen to change its company status to integrate social and environmental objectives into its corporate purpose. To do this, Mirova relies on a new type of company created by the French law known as the "Pacte law": the "Société à mission" (Mission-driven company). This new company status formalizes Mirova's contribution to society, both internally and externally, and commits it to extending it. **It places Mirova within a legal framework that must be complied with. As such, the company will be required to publish regular updates of its alignment with its mission and improvements in terms of achieving its objectives.** The main objectives of its mission are:

1. Making Mirova's positive impact a systematic objective of its investment strategies
2. Gaining and developing its social and environmental expertise
3. Consistently innovating in terms of its products and approaches to achieve this positive impact
4. Accompanying its stakeholder towards a sustainable economy and finance
5. Meeting the environmental and social standards which Mirova respects

Mirova has created a Mission Committee made up of leading experts, who will monitor the implementation. The committee will also guide the company towards areas of improvement which will help us meet our objectives and will be responsible for publishing an annual mission report reviewed by an external auditor.

Along with our Management Committee, Mirova maintains several committees tasked with the oversight of our responsible investing activities.

**Mirova Executive Committee:** appointed to act on behalf of, and within the powers granted to them by, the Board of Directors to run Mirova day to day business and to set the firm's culture, mission, vision, and values. The team comprises the heads of key functions within the firm: such as research, global equity, business development, risk management. The team is led by Philippe Zaouati, founder, and CEO of Mirova, and meets every two weeks.

**Mirova US Executive Committee:** appointed to act on behalf of, and within the powers granted to them by, the Board of Directors to run Mirova day to day business and to set the firm's culture, mission, vision, and values. The team comprises the heads of key functions within the firm: such as, but not limited to, research, global equity, business development, risk management. The team, presently, is comprised of the CEO and CIO and meets informally two times per month and additionally as needed.

**Mirova Investment Committee:** meets weekly, formally, and as necessary daily to discuss portfolio construction, valuation of stocks on watch list, and portfolio positions.

**Sustainability Committee:** meets monthly with the broader investment teams in the U.S. and Paris to discuss ESG team research and projects.

**Mirova Investment Committee:** meets weekly, on average, to discuss investment topics, presentations of new stocks. Attended by at least one of the Mirova US portfolio managers. In addition, Mirova UK meets weekly on average to discuss portfolio management.

**Additional:**

- Voting Committee, which is composed of Mirova’s Global Head of Research and CIO of Equities and Fixed Income and the Head of Responsible Investment Research. Portfolio managers, non-financial analysts, members of legal/compliance/risk may be invited to participate in the committee’s deliberations depending on the subject under discussion.
- Compliance Risk and Internal Control (CRIC): the CRIC at Mirova oversees the compliance program across all of Mirova affiliates (including training, annual review, procedures, etc.), the operational risk (including mapping, incident response, etc.), financial reporting, internal control, risks associated with the core business, IT security and business continuity. It contains members from Mirova, Natixis Investment Managers (Natixis IM), Mirova US and Mirova UK.

**Our Resources: An Expertise Spanning Multiple Asset Classes**

Mirova relies on over 200 employees with multidisciplinary expertise in different asset classes, with €31.4 billion in assets under management as of 31 December 2022. All investment professionals in the organization are considered ESG specialists however, Mirova’s **in-house Sustainability Research (SR) team**, comprised of **18 Impact & ESG specialists**, is fully dedicated to ESG issues (identification of sustainable opportunities, assessment of issuers’ ESG practices, voting and engagement activities). They have on average more than ten years of experience in ESG and/or sustainable development. They are engineers, sustainable development experts or financial experts. Some also have an academic background. The Sustainability Research team is **independent from the portfolio management team** and is headed by Mathilde Dufour, Head of Sustainability Research who reports to Guillaume Abel, Deputy CEO of Mirova. Mathilde Dufour is a Member of Mirova’s Executive Committee.

The team is based in Paris, Boston, and London, and is one of the largest dedicated ESG team in Europe. Each analyst is responsible for the analysis and follow-up of a specific thematic sector, and analyses ESG issues of all corresponding assets under management.

SUSTAINABILITY RESEARCH TEAM

Dedicated Impact & ESG specialists with complementary expertise

 <p><b>Mathilde Dufour</b> Head of sustainability research</p>	<p>Listed Markets</p>  <p><b>Louise Schreiber</b> Head of sustainability research - listed markets</p>	 <p><b>Gabrielle Ferhat</b> Information and Communication Technologies</p>	 <p><b>Felipe Gordillo</b> Finance and sustainability bonds</p>	 <p><b>Lindsey Apple**</b> Proxy voting and engagement</p>
	<p>Private Markets</p>  <p><b>Sarah Maillard</b> Head of sustainability research - private markets</p>	 <p><b>Hadrien Gaudin-Hamama</b> Resources and biodiversity</p>	 <p><b>Manon Salomez**</b> Healthcare and decent work</p>	 <p><b>Recruitment in progress</b> Buildings &amp; sustainability bonds</p>
		 <p><b>Camille Barré</b> Mobility and diversity</p>	 <p><b>Jean-Pierre Dmirdjian</b> Energy and climate change</p>	
		 <p><b>Maria Caterina Migliorero</b> Renewable energy in emerging markets</p>	 <p><b>Amandine Carrage</b> Environmental assets creation and conservation</p>	
		 <p><b>Eva L'Homme</b> Energy transition infrastructures</p>	 <p><b>Xavier Collet</b> Sustainable land use and agriculture</p>	 <p><b>Kevin Whittington-Jones*</b> Sustainable ocean use and forestry</p>
		 <p><b>Kenza Lahbabi</b> Environmental Technologies</p>	 <p><b>Antoine Rougier*/***</b> Technical officer, sustainable ocean fund</p>	

The research team is composed of people from Mirova and its affiliates \*Mirova UKLtd and \*\*Mirova US. \*\*\*Antoine Rougier is also part of the investment team of the Sustainable Ocean Fund.

The information provided reflects the situation as of the date of this document and is subject to change without notice. Source: Mirova  
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Sustainability/ESG analysis is an integral part of Mirova’s fundamental research process, so interactions between the investment teams and Mirova’s dedicated Sustainability Research (SR) Team are frequent and take a variety of formats, including investment committees, ad-hoc meetings, informal discussions, and collaborations on fundamental analysis, both in-person and via videocalls. The mission of the SR team consists of the identification of sustainable opportunities and the assessment of companies ESG practices, alongside voting engagement activities. Mirova’s SR team also advocates for sustainable finance among our peers and regulators. Mirova actively contributes to the definition of responsible standards for this industry as well as advocates for the improvement of disclosure practices and ESG performance of the companies in which Mirova invests.

**DATA, TECHNOLOGY RESOURCES AND TOOLS**

Mirova’s investment and research team relies on various information sources and can leverage an array of software tools to manage its portfolios, the most important of which are the following:

**BLOOMBERG**

Each portfolio manager has access to its own Bloomberg screen which provides, among other data, detailed description of equities, access to prospectuses, all standard equity market calculation templates.

**AXIOMA (software edited by FACTSET)**

Tool used by portfolio managers to perform quantitative measurements of ex-ante tracking-error.

**Bloomberg Port Enterprise**

Third-party software that to automatically calculate and control the tracking-error and the VaR (Value at Risk) with various methods (MAC3 or GRM Models).

### *CHARLES RIVER DEVELOPMENT (CRD)*

Portfolio managers use Charles River IMS for order management. This software tool provides an automated link to Natixis TradEx Solutions, the trading desk, and the Operations Department. Orders are automatically routed and tracked from portfolio managers to traders and, if executed, routed to, and tracked through to the back-office for settlement. Eligibility constraints uploaded into Charles River Investment Management Solution by our risk managers generate automatic pre-trade calculations where relevant.

### *OCTAVE: Online Collaborative Tool for Analysis, Vote and Engagement*

This is a proprietary tool, shared between ESG Research & Portfolio Managers. Both teams share their financial and extra-financial analyses on companies.

## **EXTERNAL RESOURCES**

The Sustainability Research team has developed a proprietary internal research method and uses many diverse and complementary resources for its implementation. The team relies for instance on:

- Publicly available data: corporate annual / sustainable development reports, academic research, NGO reports, press, etc.
- Regular exchanges with different stakeholders: issuers, trade unions, NGOs, and the scientific community.
- ESG rating agencies such as ISS-ESG for sustainability analysis and Carbone4<sup>3</sup> for carbon footprint. We have implemented partnerships with all these data providers, to develop custom based research relying on Mirova's approach.
- Brokers
- External Databases: APINews for news, Bloomberg, FactSet and Capital IQ for data associated with the business model and financial aspects.

All external sources are double-checked and challenged with our internal views. We generally use data and information compiled by third parties to supplement our own research; we do not rely on third parties for projections or valuation – this we do ourselves.

## **TRAINING**

Mirova has implemented specific, individual, and collective ESG training that can be offered according to the needs of the different teams.

In 2022, Mirova continued to deploy training sessions on sustainable finance that is addressed to all support functions as well as to all newcomers. Sessions are planned throughout the year to ensure that all new members of the company, including people working in transversal departments, have a consistent understanding of Sustainable Investment, including background knowledge and culture, philosophy, and approach of Mirova.

Also in 2022, Mirova organized a “Fresks Festival” also known as a series of courses offered to employees across all affiliates and was held in 2022. During this event, Mirova's employees were able to participate in various “Fresks” related to our investment themes: Climate, Biodiversity, Oceania and Sexism Fresks. The workshops were held in Paris in person as well as in English in distance for our US, and British employees, who were able to benefit from an adapted format.

In total, we had more than 80 participants in the 4 types of workshops, which allows us to report on the significant impact of this type of initiative.

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<sup>3</sup> <http://www.carbone4.com/>

The Fresks are good starters on the major subjects of ecological or solidarity transition. They aim to engage participants in diagnoses and identify systemic/causal linkages to better understand complex topics. This type of approach is relevant even for an "expert" audience, on the one hand because of the diversity of the subjects covered, on the other hand because it encourages the transition to action at the individual level.

Following the organization of this event, we decided to:

- Renew the experience and follow the share of employees to increase their knowledge base within our workforce.
- Encourage the training of some volunteer collaborators to become facilitators in their turn.

In addition to the week of the Fresks, some of our employees have organized and facilitated workshops to raise awareness about the fight against climate change with several of our partners from the BPCE and Global Financial Services group ("2-tonne" workshops, which aim to examine individual and collective solutions that should be implemented to limit climate change by 2050).

Mirova's portfolio managers and analysts have a solid knowledge of ESG topics due to their academic and professional backgrounds: specialists in thematic management, engineers on environmental issues, specialists in sustainable development and carbon. This expertise is complemented by the exclusive orientation of Mirova's activities towards responsible investment and sustainable finance.

In order to maintain this high level of expertise, which contributes to the quality of portfolio management, the teams are constantly deepening their knowledge through various initiatives:

- Active participation in conferences and working groups on ESG and Climate issues:
- The establishment of research partnerships with universities to contribute to the reflections in the framework of research papers published by Mirova.
- The support of academic chairs to enrich internal reflections on the long-term challenges of sustainable development.
- Setting up partnerships for the development of Mirova's Sustainable Investment approaches: For example, Mirova has developed with Carbone 4 a methodology to measure the carbon footprint of its strategies. This collaboration has contributed to the training of all the teams on climate issues.

In addition, as part of its advocacy and engagement actions, Mirova participates in numerous market organizations and initiatives, which allows analysts to exchange with their peers and ensure a comprehensive knowledge of these ESG topics over time.

Finally, the collaborative approach between research and fund management ensures an enrichment of thinking and a permanent dissemination of knowledge between the different team members on ESG issues.

## **INCENTIVES**

The Mirova integration of sustainability risks into remuneration policy can be viewed in its full form via the website.

### General Principles

The remuneration principles are a strategic element of Mirova's policy. As a tool for mobilizing and engaging employees, it ensures to be competitive and attractive in the light of market practices and within the framework of strict compliance with major financial balances and regulations. Mirova's remuneration principles, which applies to all employees, incorporates the alignment of the interests of employees with those of investors in its fundamental principles:

- It is consistent and promotes sound and effective risk management and does not encourage risk-taking that would be incompatible with risk profiles, regulations or documents constituting managed products.
- It is consistent with the business strategy, objectives, values and interests of the management company and the products it manages and those of investors and includes measures to avoid conflicts of interest.

The remuneration principles include all components of remuneration encompassing fixed remuneration and, if applicable, variable remuneration. Fixed remuneration rewards skills, work experience and level of responsibility, taking into account market conditions. Variable remuneration is based on the assessment of collective performance measured at both at the level of the management company and managed products, and by reference to individual performance. It considers quantitative and qualitative elements, which can be established on an annual or multi-year basis. The objective and transparent assessment of annual and multi-year performance based on pre-defined objectives is the prerequisite for the implementation of Mirova's remuneration policy. It ensures fair and individualized treatment of employees. This assessment is shared between the employee and his or her manager during the annual performance review. The contribution and level of performance of each employee are assessed in terms of his or her duties, assignments, and level of responsibility within the management company. Finally, the specific minimum criteria incorporating sustainability risks, i.e., social, environmental and governance issues, must be defined for all employees of management teams.

For each category of staff, all quantitative and qualitative objectives are defined and communicated individually at the beginning of the year, in line with Mirova's strategic objectives.

### PRINCIPLE 3: CONFLICTS OF INTEREST

**Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.**

Our firm is committed to conducting our investment advisory business in accordance with the highest standards. We are fiduciaries to our clients and, as a result, we have a fundamental obligation to act in their best interests. We owe our clients a duty of undivided loyalty and utmost good faith. Additionally, we (and our affiliated entities) are subject to various federal, state, and foreign rules and regulations. Our compliance program is monitored and evaluated through both internal and external assessments. The Chief Compliance Officer is responsible for coordinating the identification, mitigation and/or disclosure of material conflicts of interest to which the Adviser is subject.

#### **Defining conflicts of interest**

A conflict of interest is defined as a situation in which Mirova, or one of its associates or representatives, acts in a way that could, if appropriate precautions are not taken, adversely affect its clients' interests.

#### **Identifying conflicts of interest**

Mirova has taken reasonable measures to detect any conflicts of interest that might arise during normal business operations:

- between Mirova and any concerned parties, or any parties directly or indirectly connected to the asset management company by control, Mirova's clients, and the UCITS Mirova manages
- between two clients or two UCITS
- or between an UCITS and a client

Mirova has mapped potential conflicts of interest and identified situations that give rise to, or are likely to give rise to, conflicts of interest, and which involve a significant risk of damage to the interests of one or more clients through the provision of an investment service or related service or through the management of UCITS or AIFs.

#### **Preventing conflicts of interest**

In order to prevent conflicts of interest from arising, Mirova has focused on:

- increasing staff awareness and putting preventative measures in place
- implementing information barriers. An information barrier is a procedure or a structure whose purpose is to prevent confidential and sensitive information from circulating unnecessarily. Information barriers primarily separate activities which are likely to lead to conflicts of interest. The activities concerned are sources of confidential or privileged information, or activities which may create conflicts of interest with other activities
- procedures: in particular, procedures ensuring that we always act in the best interests of our clients, we do not permit self-dealing by the firm or employees, and we do not favor one client over another
- its code of conduct (and code of ethics for Mirova US) which specifies the principles that associates should follow while fulfilling their responsibilities and which provides guidelines governing personal transactions
- its remuneration policy, which clearly lays out the terms of the distribution of variable compensation in order not to encourage risk-taking which might hurt clients' interests
- its voting policy, which ensures that the company exercises its voting rights in the best interests of its shareholders

## Managing and resolving conflicts of interest

Our strategy for managing and resolving conflicts of interest is based on:

- Our staff reporting information relating to conflicts of interest to Mirova's Compliance and Internal Control department
- Providing clear information to its clients regarding the nature of conflicts of interest and how they may arise, before acting on our clients' behalf.
- Adopting or substituting additional measures as necessary. The implementation of information barriers can be impeded by the need to share information and develop synergies between different departments of multi-capacity financial groups. When confidential information must be disclosed to others within the same department, or in different departments, to complete a client's file, authorization should be demanded from the Compliance and Internal Control Department before the information is shared.

In some cases, the procedures and structures put in place may be insufficient to ensure with reasonable certainty that clients' interests will not be put at risk. In this case, Mirova will clearly inform its clients in an appropriate manner, of the nature and source of any conflicts of interest so that they can make a fully informed decision.

Mirova's policies for detecting, preventing, and resolving conflicts of interest are reviewed regularly. Mirova's policies are updated in accordance with regulatory changes and the map of situations leading to conflicts of interest is updated at least once a year.

Some examples of approach to managing potential conflicts include:

- trade error process where trade errors are corrected promptly and in a manner that ensures that the client is made whole
- gifts and entertainment policies which have strict limits on gifts given or received so that employees are not beholden to investment banks, vendors, brokers, investors, prospective investors, or other parties
- code of ethics policy which dictates that employees outside business activities must both be disclosed and approved by the compliance team to ensure that employees do not engage in activities that might disadvantage our clients in any way
- confidentiality policies to ensure that client data remains confidential
- Casting a "Do Not Vote" on all ballot items at the annual meetings at issuers where there is a significant relationship that presents a potential conflict of interest

## PRINCIPLE 4: PROMOTING WELL FUNCTIONING MARKETS

**Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.**

### **Our Philosophy on the Promotion of Well-Functioning Financial Systems**

We believe finance should be a tool for steering the economy towards models which preserve and restore ecosystems and the climate, and support social inclusion, health, and well-being. As pioneers of this movement, we take an innovative approach to all our means of action: investment, research, shareholder engagement and influencing the financial community. We always seek to reconcile societal and financial performance by placing our expertise in sustainable development at the heart of our investment strategies. In this way, the solutions which we offer to our clients aim to develop a new way of saving to contribute to a more sustainable and inclusive economy.

#### **Our Vision: Meaningful Investment Choices**

Social and environmental issues pose new societal challenges, and our economy must transform to meet them. We believe that finance must integrate environmental and social criteria into its decision-making processes and contribute to accelerating the transition towards a more sustainable development model. The challenges of a sustainable economy lie at the core of Mirova's strategy: to offer solutions that benefit not only investors, but also all stakeholders in society, through a long-term investment approach.

#### **Our Mission: To contribute to a more sustainable and inclusive economy**

As previously noted, since 2020, Mirova has evolved its statutes to [become a mission-driven company](#). We have chosen to formalize the raison d'être that has guided our actions since our creation and to structure our approach through five objectives:

- To make positive impact a systematic objective of our investment strategies
- Cultivate and deepen our social and environmental expertise
- Continuously innovate our products and approaches, always in the service of impact
- Accompany our stakeholders in their transformation towards a sustainable economy and finance
- Apply the environmental and social standards that Mirova defends.

Our societal role as an asset management company goes beyond fiduciary responsibility: it is part of a desire to transform the economy towards a fairer and more sustainable model.

Through this approach, Mirova aims to increase its positive impact on environmental issues, but also on the reduction of inequalities.

### **Portfolio Construction**

Within portfolio construction, only securities rated Neutral or above are eligible for investment. Names can be removed if an ESG team analyst provides a clear case of deteriorating sustainable quality, leading to a downgrade of the ESG opinion to "Risk" or "Negative". In the event where a stock in the portfolio were to be downgraded by our Sustainable Investment Research Team, it would be divested. Portfolio Managers endeavour to maximise the share of stocks rated Positive or Committed in the Portfolio.

For all of its investments Mirova aims to propose portfolios consistent with a climate trajectory of less than 2°C as defined in the Paris Agreements of 2015.

Below are some examples of stocks that we replace due to ESG considerations<sup>4</sup>:

**Amazon Inc. (Sell)** Amazon's main sustainability risks are linked to the social and labor issues of their direct and indirect employees particularly those working at their facility centers. Other sustainability issues are linked to the products sold on their platform, online privacy, social and environmental issues throughout their supply chain and the environmental efficiency of their operations. Given their global operations, their tax optimization strategy is also a sustainability risk.

Due to its business model, Amazon is exposed to a number of social risks which are further magnified by the size of the company and their reach. While improvement has been observed with regards to their sustainability reports, the company still provides minimal proof that their social strategies deliver convincing results with regards to data security, privacy, HR, supply chain or even environmental footprint. The accumulating number of controversies surrounding their social practices leads us to the conclusion that the company is currently not managing their social risks properly and are thus, not in line with our expectations for a sustainable company.

**Mercedes-Benz Group (Buy)** Mercedes-Benz Group is a leading automotive manufacturer specializing in luxury cars. Mercedes-Benz is one of the best-known and longest-standing automotive brands in the world. The group has two main business segments: Mercedes-Benz Cars and Vans, and Financial Services. These businesses came from Daimler, which spun off its truck business in December 2021 and was renamed Mercedes-Benz Group in February 2022. At the same time the group promoted its bold move to accelerate its electric strategy, with full electrification by 2030 and €40bn of investment over the next decade to build battery capacity, retool factories and step-up software efforts.

Mercedes-Benz has established an **ambitious and credible electrification strategy to achieve 100% of sales of electric vehicles** by 2030, with an interim target of 50% by 2025. To meet this transformational shift, the company will **invest €40bn** over the next decade and internalize an increasing share of its value chain, laying out the company's intention to accelerate the development of electric drive systems and vehicle software for the electrification of its entire product portfolio. Beyond electric vehicle manufacturing, the company is also actively involved in **battery production and charging infrastructure** and ambitions to develop eight Gigafactories with industry partners. More specifically, it is investing over €1 billion in a battery production network. Thanks to these efforts, the company is analyzed as having a positive impact on climate related issues.

To address high inherent risks related to the **supply chain of batteries** (among others), Mercedes-Benz has developed a Supplier Sustainability Standards which focuses on human rights, compliance, and environmental aspects. It has also mapped out its supply chain and has identified raw materials and services whose use, extraction or further procession pose potentially critical human rights risks which are assessed through audits and sector initiatives. Mercedes-Benz publishes detailed information related to **full life-cycle assessments** which a crucial pillar of Mirova's Impact and ESG assessment. Finally, regarding its direct environmental footprint, it ambitions to **achieve carbon neutrality by 2039** and has revealed a robust strategy accordingly. The company has implemented a H&S policy alongside monitoring indicators to better understand and identify the source of accidents and reports comprehensively on its accident rate although limited to its direct scope.

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<sup>4</sup> Source: Mirova analysis. The information provided reflects Mirova's opinion / the situation as of the date of this document and is subject to change without notice. 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. A complete list of all past recommendations made within the immediately preceding 12-month period is available upon request.

### **Our Advocacy Work:**

At the forefront of the European Responsible Investment market, Mirova is working to promote sustainable finance and a robust responsible investment market through lobbying and advocacy. We see advocacy as one part of our holistic approach to engagement. Mirova's investment philosophy, which encourages companies to seek economic, environmental, and social value creation fuels the engagement approach with regulators.

- The primary objective of Mirova's advocacy activities is to contribute to the development of sustainable finance ensuring positive impacts on the environment and our society.
- Advocacy is conducted to promote our investment philosophy within various instances of the responsible investment market.
- We dialogue with national and transnational regulatory bodies as well as with RI professional organizations to encourage specific regulations and standards for sustainable finance.

In line with our goal of promoting sustainable finance and a more responsible corporate governance, Mirova has continued its advocacy activity in 2022. We participated in the reflections of regulators and market players on the development of appropriate tools and frameworks for the development of sustainable finance, with specific contributions at European, French and US levels.

In June 2022, Mirova US filed a comment letter with the SEC regarding a proposed rule mandating climate change related disclosures (CCRD) from corporate issuers. Specifically, we addressed the need for Scope 3 emissions to be included in the mandated disclosures.

In October 2022, members of the ESG research team were invited to join a closed participant call with Commissioner Gensler regarding the CCRD.

Lastly, in August 2022, Mirova US filed a comment letter with the SEC regarding a proposed amendment to the "Names Rule" explicitly requiring that funds must consider ESG factors as just as material as financial returns in order to contain an ESG related term in the fund name. Mirova expressed support for the proposed rule and requested clarification on the antithetical language. As part of this comment letter, we also addressed the proposed "ESG Rule" providing feedback and requesting that the SEC clarify the classification of ESG investment products.

All comment letters are publicly available via the SEC website. More detailed information on our advocacy work can be found within our annual Engagement Report also publicly available on our website.

### **Identification and Management of Firm-Wide Risks**

#### **TRANSPARENCY**

We believe that the transparency of our mission, philosophy, methodology and engagements - both positive and negative is critical in a time awash with ESG literature. We strive to offer maximum transparency in our quest for environmental and social impact. In reporting on our actions and results, we make public a variety of documents including transparency codes and impact reports here: <https://www.mirova.com/en/research/demonstrating-impact>

As described in detail under Principle 7, we are fully transparent on our research methodology. This includes fair and balanced communication on impact assessment. The annual publication of our [Impact Report](#) is an opportunity for us to demonstrate why and how we have put sustainable development at the core of our investment policies and engagements. It is an opportunity for us to emphasize the way we create environmental and social value, while simultaneously realizing financial performance. We hope that this report strengthens the understanding and confidence in the quality of our approach as a responsible investor.

## RISK MANAGEMENT

Risk management is carried out at the first level by portfolio managers as part of strategy monitoring, then by the Risk department as a second-level control.

At Risk Management level, investment process controls are performed regularly; information is collected from other risks functions and summarized in a global risk report. Internal limits such as VaR, TE, risk factors sensitivities, and drawdown, plus liquidity profiles, are monitored through a specific reporting tool and a dedicated escalation procedure. These procedures combine information across both Investment and Risk organizational lines to enable efficient identification and correction of any breaches.

A report is compiled with the following indicators: TE ex-ante, Liquidity within one day, Beta Ex-Ante, Active Share. On a monthly basis, a more fine-tuned analysis of fund and stress tests on liquidity are also reported.

The Risk Management department works closely with the investment team but has a completely independent reporting line.

Mirova has set up a dedicated risk management committee for equity and fixed income management, which meets three times a year to discuss the following points:

- Presentation and validation of new or updated management processes
- Monitoring of process limits and review of fund risk profiles (overruns, liquidity, stress tests, etc.)
- Performance monitoring and competitive positioning
- Monitoring of regulatory and contractual constraints
- Credit risks, counterparty monitoring, watch list
- Follow-up of the service
- Results impacting variable compensation
- Broker validations
- Global pricing
- Regulatory news
- Results of controls and follow-up of recommendations
- Monitoring of compliance issues

In addition to this dedicated committee, the risk management team is also involved in the process of new product launching. They analyze and approve the investment process with a veto right.

### **COVID-19 Impact on Operations**

Mirova has suffered no business interruption as a result of the Covid-19 crisis. Prior to the pandemic, Mirova implemented best practices through tools and training, as well as compliance controls around the security and protection of our and our clients' information. This has continued throughout the recent crisis.

Over the last two years, a remote work system/hybrid model has been put in place for the Mirova employees and is operating effectively. Our employees have the ability to work remotely under the same conditions as in the office. Specifically, they have access to all the tools, systems, and protocols they normally use within a secure IT environment. Meetings are held virtually, if necessary.

All tools work remotely, and standard procedures are currently being followed (no material change in BCP protocol had to be implemented for this area). There are backup procedures in place in case of difficulties accessing the tools that are necessary for managing critical operations.

## PRINCIPLE 5: REVIEW AND ASSURANCE

**Signatories review their policies, assure their processes, and assess the effectiveness of their activities.**

**Responsible Investment Policy:** Since the creation of the company, the integration of ESG into its investment processes is an integral part of its business model and a daily priority for the Board of Directors, senior management, and operational teams. The responsible investment objectives are directly linked to the long-term business development plan defined by the Executive Committee of Mirova, as described under Principle 1. It includes both a long-term vision of the business development and annual targets. The Executive Committee closely monitors achievements and performance at least twice a year.

ESG policies are reviewed on a constant basis, following developments, and evolving regulatory requirements in the ESG market and progress in data availability. At the time Mirova was created, we quickly had the intuition that ESG integration was not limited to doing the thing right (risk management), but that we had to allocate capital to companies or projects that have sustainable development objectives (opportunities). That is how our impact investment process was built and this has not changed since Mirova's creation.

The Board of Directors also plays an oversight role by monitoring the responsible investing activities and reviewing the long-term business development plan. To meet these objectives, all Mirova's investments, whether listed or unlisted stocks or bonds, companies, or projects, share the same approach: achieving financial return, and environmental & social value creation. The application of these principles requires an approach adapted to each asset class.

Mirova maintains the following policies, which are reviewed annually, updated as needed and publicly available on our website: Responsible Investment, Engagement, Proxy Voting and Governance Guidelines, and Conflicts of Interest.

### **Research and Investment Assurance**

All of Mirova's investment processes are supported by the expertise of its in-house sustainable research analysts, who conduct cutting-edge research to deepen understanding of long-term ESG issues: climate change, pollution control, resource conservation, biodiversity protection, fundamental freedoms, right to health, right to development and responsible governance, business ethics, etc. The issues at stake in the UN's SDGs are considered. On this basis, the SR team is responsible for evaluating issuers and projects through an analysis of opportunities and risks, which results in a rating that defines the composition of Mirova's investment universe for each asset class. All investment teams have a permanent SR analyst working hand in hand with the financial analyst/ portfolio management team.

### **Risk Management**

Mirova's Risk Department is responsible for monitoring portfolio risk. The department's main mission is to validate the investment process and to define, measure, and control all the risks inherent to the portfolio management activity, including market risk, liquidity risk, counterparty risk, credit risk, and investment risk. The Risk Management Team is led by the Chief Risk Officer ('CRO') at Mirova who reports to the Head of Legal and Compliance at Mirova, who has a direct reporting line to the company's CEO.

The CRO is supported by a Risk Manager at Mirova as well as two risk officers internally and relies on Ostrum Asset Management's (Ostrum AM) Risk Management Department through a partial outsourcing contract.

Additionally, Mirova affiliates have their own team of compliance and internal control, with each Mirova affiliate's Chief Compliance Officer reporting to the CEO. Mirova US and Mirova UK rely on Mirova's risk management organization in the context of a delegation agreement on risk subjects.

Resulting from these direct reporting lines, escalation procedures are very straightforward. Should either Mirova's CCO or the CRO in each affiliate believe that an issue is not properly addressed by the portfolio managers, they would alert the CEO and CEO of the Mirova affiliate to assure that proper actions are taken and implemented.

To further elaborate, Mirova's Compliance and Internal Control team (the DCCI) is responsible for ensuring the compliance of Mirova's processes, procedures, products, and services. Beyond aspects of personal and professional ethics, the team provides specific advice and training to Mirova's staff. The team's missions are driven by legal, regulatory, and professional requirements, as well as policy defined by senior management. The DCCI performs a periodic compliance risk mapping covering all activities and territories in which Mirova conducts business, considering legal and regulatory risk, financial risk, and operational risk, and assesses the existing control environment.

Mirova's Compliance and Internal Control Department (DCCI) establishes and implements an annual Control Plan that covers all Mirova's activities and processes. The Control Plan is in line with regulatory requirements and adapted to the level of risk identified on Mirova's processes.

The frequency and objectives of controls are defined and validated by the Chief Executive Officer.

The DCCI is responsible for permanent second-level controls throughout Mirova.

The Control Plan is presented annually to management and the Board of Directors.

Controls on the compliance of asset management activities focus on:

- The valuation processes for the instruments held
- The position-keeping process
- The process for validating the net asset values
- The process of placing and processing orders.

The control testing includes employee ethics, conflicts of interest, the fight against money laundering and terrorist financing, the fight against corruption, and market abuse alerts etc.

The progress of the Control Plan and the results are monitored through the Equity & Fixed Income Management Compliance and Risk Committee, which meets three times a year, and the Risks and Internal Control Committee, which also meets three times a year with the Holding Company and are presented to the Mirova Board of Directors.

The DCCI team is also in charge of Operational Risk. It is responsible for collecting, managing, and entering operational incidents in the Natixis Group incident database and updating the operational risk mapping.

### **Monitoring**

Considerable attention is paid to monitoring compliance with established guidelines. Given the in-depth risk monitoring and the ability to pre-test trades both for consistency with the model portfolio and for guideline compliance, the potential for breaches based on portfolio management activity should be low and breaches in portfolio guidelines resolved in the best interest of the client.

Over the first level of controls performed by management teams, a second level of monitoring is performed under the responsibility of the Chief Compliance Officer, to ensure the respect of regulatory, contractual, and internal constraints within each Mirova affiliate.

Any breaches are reviewed daily by the middle office team and brought to the portfolio manager for resolution. There is a formal escalation procedure if the breach is not resolved quickly. Should the breach continue beyond two days, the Risk management team follows the event until it is fully resolved, activating the escalation procedure.

This escalation procedure, comprising different levels of management, ensures that every interlocutor knows the breaches, possible blockings of situation and their duration.

The Risk management team also implements pre-trade monitoring via the Guardian dedicated software. Checks are performed in real time, as the portfolio manager generate trades within the trade order management system, which are sent directly and electronically to the trading desk- and thus even before a broker or a counterparty was able to be contacted. Pre-trade monitoring concerns mainly eligibility and investment constraint calculations and allow avoiding overruns and thus the necessity of adjustment afterwards.

Reports on breaches are sent twice each month to the heads of investment departments and the head of the Compliance and Internal Control Department.

### **Internal Audit**

Mirova conducts regular operational audits with the aid of Natixis IM. Mirova receives a comprehensive map of regulatory and best-practice obligations from Natixis IM's internal Audit Committee with which it tests its operations and vendors' effectiveness.

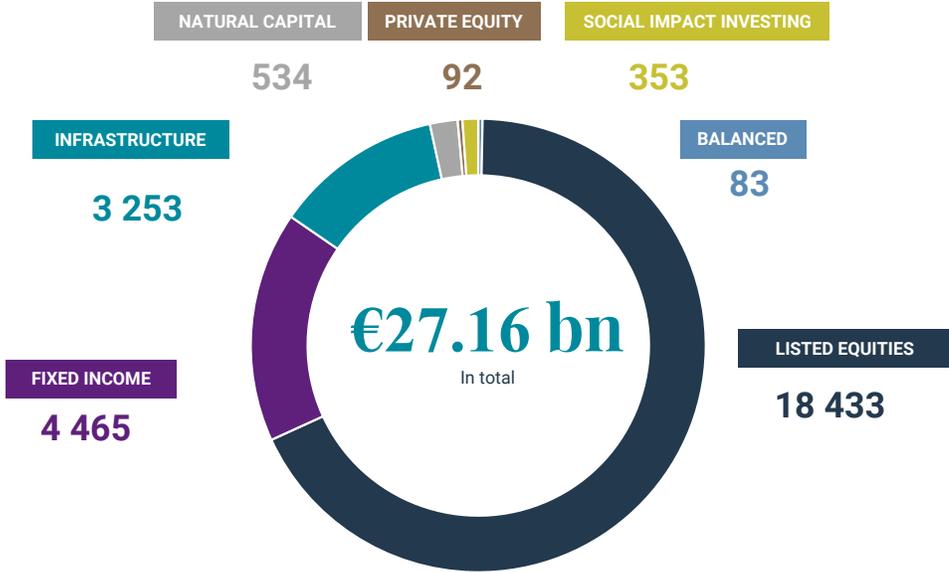
The results of the internal audits are shared with the Audit Committee. An additional level of control is performed by the holding company by performing both planned and unannounced audits. Issues and concerns are reported to the Audit Committee as well as the auditee. A remediation plan is agreed, and progress is monitored by the Audit Committee until the matter is resolved or the vendor is replaced.

Mirova and its affiliates prepare an annual Internal Control Plan. The Internal Control Plan is implemented by the respective Chief Compliance Officer of each affiliate who ensures that the overall control procedures are efficient and effective. The Internal Control Plan identifies areas to be assessed during the year and aims to ensure that regulatory, contractual, and internal requirements are properly implemented. The Internal Control Plan is validated by the Mirova and Mirova US' CEOs and are presented to the Compliance & Risk and Internal Control Committee which are also informed of the results of controls testing throughout the year.

**PRINCIPLE 6: CLIENT AND BENEFICIARY NEEDS**

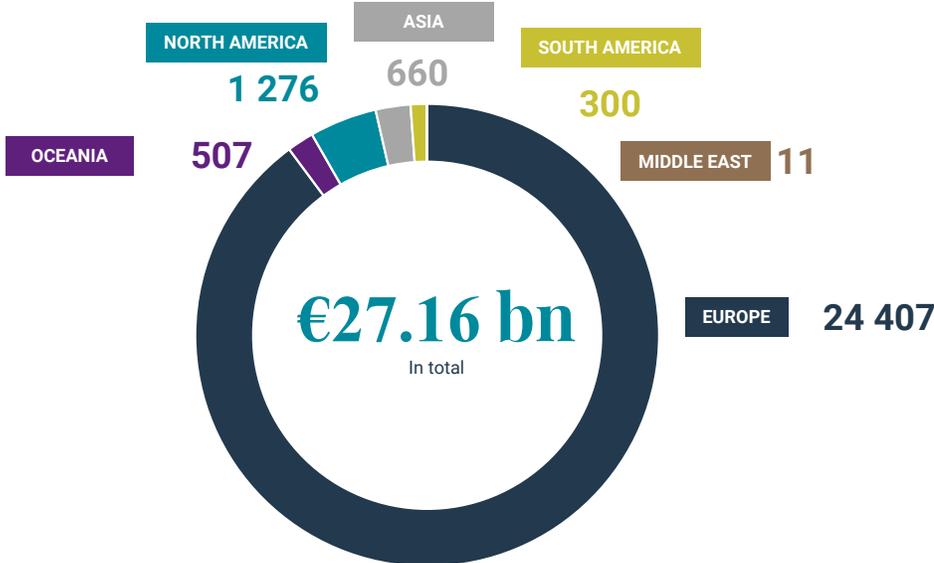
**Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**

Mirova offers a full array of investment solutions: listed equities, bonds, Energy Transition Infrastructure, Natural Capital, impact investing as well as engagement and voting services to investors. Mirova targets almost exclusively institutional investors across the globe for its unlisted investment products. For its listed securities investment products, Mirova targets a mix of investor types: high net worth individuals through wealth managers and private banks, funds-of-Funds, and institutional investors. Products and services are sold through the distribution group of its ultimate parent company, Natixis IM.



Source: Mirova and its affiliates total Assets Under Management as of 31<sup>st</sup> December 2023.

**Our Investors by Domicile**



Source: Mirova and its affiliates total Assets Under Management as of 31<sup>st</sup> December 2023.

As an investment group, that is fully dedicated to sustainable investment, Mirova pays particular attention to transparency related to our stewardship activities as well as providing clients and prospects with content aimed to educate, inform, and advocate our mission - to contribute to a more sustainable and inclusive economy. The solutions which we offer to our clients along with insights on trends, research topics that are driven by robust analysis from our Sustainability Research Team, and various reports and policies, covering engagements and voting are typically updated annually and can be found publicly on our website. In addition, our portfolio managers, who are also specialists of their respective themes, produce a number of different white papers which can also be found on our website.

Our investors have different needs based on various factors such as geographical location, investment vehicle, regulatory guidelines, etc. which allow us to work with each client to provide a solution while guiding them through inevitable hurdles they may face during their long-term goals. We leverage the exceptional people and culture at Mirova to **maintain a disciplined investment process that is robust, repeatable, and capable of delivering on and exceeding our clients' expectations over the long-term.**

#### Minimum Standards and Exclusions

Mirova was created to finance economic models that contribute positively to sustainable development. Much of our work is focused on identifying solution providers that create positive impact, but this does not dispense us of the need to ensure that our investments always meet or exceed minimum standards regarding controversial activities. More details can be found in our policy: [Mirova Minimum Standards and Exclusions Policy](#)

Mirova does not exclude any industry on principle. Minimum standards are defined for each sector based on their key environmental and social issues and are detailed in our sectoral research papers. All our positions on controversial issues are the result of an extensive analysis of environmental and social impacts. For certain sectors, this analysis may lead to the exclusion of all players in the sector, as case-by-case analysis may result in a “Risk” or “Negative” rating for all the companies of that sector when practices do not provide an adequate level of assurance that the risks associated with the product are properly managed. “Risk” and “Negative” ratings mean that the issuer cannot be included in Mirova’s portfolios. The rating can nevertheless evolve following the evolution of the company.

Current excluded sectors are oil exploration and production/ coal, tobacco, military activities, gambling, adult entertainment, and sugar sweetened beverages. On top of that, Mirova complies with UN Global Compact’s principles and/or OECD guidelines.

Companies that produce controversial weapons, cluster munitions, or anti-personnel mines are systematically excluded. Nuclear weapons are included in this exclusion. For other types of weapons, we consider that today no company in the industry can guarantee that their products will not be exported or re-exported to high-risk, undemocratic countries, where they may be used against civilians.

#### **Impact Reporting:**

At Mirova, the bulk of our sustainability related research focuses on qualitative indicators, however we continue to develop innovative physical impact indicators, such as biodiversity amongst others, to demonstrate the quality of our approach.

#### **Qualitative impact indicators**

We consider that an asset can have a positive environmental or social impact either through offering products and services answering some specific sustainability issues or through improving its policies and practices around sustainability. Mirova methodology covering our approach in 2022 can be found here: [Mirova's Approach to ESG Assessment](#)

Our framework of analysis considers both aspects and results in a “Sustainability opinion” \*:

- Committed: Contributes very favorably to achieving the Sustainable Development Goals (“SDGs”)
- Positive: Contributes positively to achieving the SDGs
- Neutral: In line with some of the SDGs, but impacts are low or unquantified
- Risk: Hinders achievement of the SDGs
- Negative: Strongly opposes achievement of the SDGs



Source Mirova & NIM International.

The ESG Opinion is designed to assess whether the investment is compatible with the UN SDGs and is based upon the analysis of Mirova and ISS ESG, a third party. The assessment does not guarantee a profit or protect against a loss and does not ensure the stability or safety of the overall portfolio. Data used for illustrative purpose. The information provided reflects Mirova’s opinion/the situation as of the date of this document and is subject to change without notice. For more information on our methodologies, please refer to our Mirova website: <https://www.mirova.com/en/research>. This indicator is available monthly in the funds’ factsheets.

In addition to this “overall” Sustainability opinion, we also provide an opinion on specific environmental and social pillars. The list of pillars has been developed with the Investment Leaders Group of Cambridge Program for Sustainability Leadership (ILG - CPSL).



These pillars have been developed to rely on the SDGs while providing a reporting framework suited to the requirements of the investment community. We were highly involved in defining this impact framework that led to the publication “In search of Impact – Measuring the full value of capital”<sup>5</sup> released in 2016.

<sup>5</sup> Available at: <https://www.cisl.cam.ac.uk/resources/publication-pdfs/impact-report.pdf>

\* Please see disclosures at the end of this report

For each pillar, we provide an opinion using the same scale as our sustainability opinion:

- Committed: Contributes very favorably to achieving the related SDGs
- Positive: Contributes positively to achieving the related SDGs
- Neutral: In line with some of the related SDGs, but impacts are low or unquantified
- Risk: Hinders achievement of the related SDGs
- Negative: Strongly opposes achievement of the related SDGs



The percentages indicated represent the share of portfolio values (by weight) that contribute positively to the pillar concerned (companies with an ESG opinion "Committed" or "Positive" on the pillar). \* Our evaluation of the contribution is based both on the capacity of companies to offer products and services with positive impact and on the quality of their environmental and social practices across their value chain. \* Source: Natixis Investment Managers International. \* For more information on our methodologies, please refer to our Mirova website: <https://www.mirova.com/en/research>

**Quantitative indicators:**

In order to enhance our investment decisions, as well as our monitoring and reporting on the environmental and social performance of our assets, we rely on quantitative indicators as a complement to our qualitative views.<sup>25</sup> We monitor these indicators at several levels.

- At the level of the invested assets, we use them as parameters in the investment decision process and as a basis for follow-up exchanges with management after investment. Indicators are tailored to reflect the specificities of each asset.
- At the portfolio level, to ensure the alignment and performance of invested assets with respect to the ambitions of a given fund.
- Consolidated at the asset class level, these indicators illustrate the consistency and impact of Mirova's overall roadmap.

These indicators can take several forms.

- 'Physical' indicators. Quantification of certain key monitoring indicators expressed in physical units. e.g., tons of CO2, number of jobs created, share of women in management positions.

Level of exposure. How much of the investments or market indices are exposed to certain issues. e.g., share of investments offering solutions to climate issues or exposure to controversial human rights issues.

Estimated impact on global average increase of temperature		
		
	1.5°C	3.6°C
Induced emissions (tCO <sub>2</sub> /millions€ invested)	43	104
Avoided emissions (tCO <sub>2</sub> /millions€ invested)	30	11
Coverage rate (% of holdings analyzed)	100%	96%

Source Mirova – figures provided for illustrative purpose only

Furthermore, upon request, we provide specific indicators within our portfolios, for example: gender diversity statistics. We are also working on developing meaningful indicators on other environmental and social issues. We are currently focusing on the development of a pioneering tool for measuring investment impact on biodiversity. To this end, we have launched a joint initiative with other asset managers and work on co-developing a methodology with Iceberg Datalab and Icare Consult. The press release can be found on our website.

## PRINCIPLE 7: STEWARDSHIP AND ESG INTEGRATION

**Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.**

Any responsible investment approach involves looking at how issuers consider environmental, social and governance (ESG) issues.

Whether to encourage clear and simple reporting by issuers on their actions or to assist investors in considering these issues, no framework has yet established a standard practice, leaving the matter to individual choice. As a company dedicated to responsible investment, we have sought to develop our own approaches and methodologies to describe the links between economic actors and ESG issues. In an industry where initiatives offering assessment frameworks are multiplying rapidly, we believe that we should be transparent about the principles and indicators we have chosen, which guide our investment decisions and the way we report to our clients as well as other stakeholders.

### Financial materiality and impact

The first step for establishing an evaluation framework is to frame the intention. An initial approach could involve looking at how extra-financial criteria, whether environmental, social or governance issues, are likely to influence financial performance and therefore the risk/return trade-off. In this financial materiality approach, implementation of an assessment framework will focus on those ESG criteria likely to have a financial impact, regardless of their importance in achieving sustainable development goals. This attitude has guided the development of many internationally recognised frameworks such as SASB<sup>6</sup> and the TCFD.<sup>7</sup>

Many actors, including the European Commission, deem that investors should also be concerned with assessing how their investments contribute to moving society towards a more sustainable model, even when financial materiality is low. Most extra-financial rating agencies seek to take ESG criteria into account without linking them solely to financial materiality. Private initiatives such as the GRI,<sup>8,9</sup> the IFC principles and the GRESB,<sup>10</sup> along with public initiatives such as the European Directive on Non-Financial Performance<sup>11</sup> subscribe to this vision.

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6 Sustainability Accounting Standards Board, an initiative to better integrate sustainability issues into corporate accounting <https://www.sasb.org/>

7 Task Force on Climate-related Financial Disclosures, an initiative to improve the integration of climate issues into corporate and investor reporting. <https://www.fsb-tcf.org/>

8 Global Reporting Initiative, an initiative to improve sustainability reporting frameworks <https://www.globalreporting.org/>

9 International Finance Corporation, a World Bank Group organisation whose role is to facilitate business development in developing and emerging countries

10 Global ESG Benchmark for Real Assets

11 <https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32014L0095>



Investor consideration of Environmental and Social issues accelerates achievement of the SDGs

INVESTORS > Impact > SUSTAINABLE DEVELOPMENT GOALS > Materiality

The sustainable development transitions underway affect the economic models for assets.

Source: Mirova

Since Mirova’s creation in 2014<sup>12</sup>, we have made it a central objective to reconcile financial performance and contributions to the emergence of a more sustainable economy. We strengthened our commitment to these issues by including our environmental and social investment objectives in our articles of association.<sup>13</sup> Consequently, we have designed an ESG assessment framework that not only evaluates the financial consequences of ESG criteria but also seeks to report on the environmental and social impact of the assets in which we invest. This approach is consistent with the principle of ‘double materiality’ advocated by the European Commission.

### Guided by the SDGs

Whether the goal is financial materiality or impact, taking ESG issues into account covers a very broad area that requires some clarification. For several decades now, the concept of sustainable development has gradually become a central frame of reference for both private and public entities. While the shift towards more sustainable development has given rise to varying interpretations,<sup>14</sup> all the countries of the world moved in 2015 to adopt a sustainable development programme presented by the United Nations. This agenda sets out 17 Sustainable Development Goals (SDGs) for the year 2030, to address critical social and environmental issues. In addition to having been adopted by all members of the United Nations, the SDGs present several advantages.

First, they set out a comprehensive framework for environmental and social issues that is applicable to all economies, regardless of their level of development. Thus, while some issues, such as ending hunger and ensuring access to water for all, are often more relevant to low- and middle-income countries, other goals, such as combating climate change and making cities safe, resilient, and sustainable are applicable regardless of wealth or development. While their comprehensive nature says next to nothing about the materiality of each of the issues they address, it does provide a starting point for our analysis.

12 Until 2014, the Mirova department was part of Ostrum AM, previously Natixis AM. Mirova is an affiliate of Natixis Investment Managers based in Paris. Mirova began to operate in the US (and manage the Global Sustainable Equity Strategy globally) through Ostrum Asset Management U.S., LLC in 2014, and then through Mirova US LLC (a wholly owned subsidiary of Mirova as of 28 March 2019.)

13 See: <https://www.mirova.com/fr/news/mirova-devient-societe-a-mission>

14 Examples include the United Nations Millennium Development Goals adopted in 2000 and the OECD Guidelines for Multinational Enterprises

Furthermore, companies and investors can also use the SDGs as a reference framework for sustainable development issues that transcends the state level. This growing consideration of environmental and social issues by private actors illustrates the new forms of governance that are being put in place today, where the private sphere is increasingly embracing issues of ‘the general good’.

Lastly, the SDGs provide investors with a framework for examining the resilience of their assets in the face of continuing change. They even make it possible to go further and consider the exposure of investments to the development of new solutions and new economic models addressing these changes. This approach is consistent with our own ambitions of not limiting our analysis to strong risk management, but rather approaching sustainable development as a source of opportunity, with a strong focus on solution providers.

For these reasons, we chose to adopt the SDG framework to guide our ESG assessments in 2016.

#### **GOVERNANCE, AN EXTRA-FINANCIAL ISSUE LIKE NO OTHER**

The development of responsible investment is closely linked to the incorporation of ESG criteria. However, the SDGs, which are intended to cover environmental and social issues exhaustively, only partially address governance issues.

While governance can be broadly defined as a system of entities that direct an area of activity, the term is frequently used to describe various realities.

In the public sector, governance analysis generally covers issues such as the quality of leadership, public services and regulation, the level of democracy and political stability, the rule of law and the control of corruption.

In the private sector, the analysis of corporate governance can, depending on the case, refer to:

- analysis of the quality of managers, with a general focus on financial issues,
- the control and incentive arrangements relevant to management including, for example, an analysis of the quality and independence of the board, or of respect for the interests of minority shareholders,
- the consideration of subjects more explicitly linked to sustainable development issues, such as respect for business ethics, the distribution of added value or the management of environmental and social issues.

The analysis of governance thus rests on significantly different parameters depending on whether the purpose is to evaluate its influence on financial performance or on environmental and social outcomes.

FIGURE 1: THE 17 SUSTAINABLE DEVELOPMENT GOALS

 <p>End poverty in all its forms everywhere</p>	 <p>Reduce inequality within and among countries</p>
 <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	 <p>Make cities and human settlements inclusive, safe, resilient, and sustainable</p>
 <p>Ensure healthy lives and promote well-being for all at all ages</p>	 <p>Ensure sustainable consumption and production patterns</p>
 <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	 <p>Take urgent action to combat climate change and its impacts</p>
 <p>Achieve gender equality and empower all women and girls</p>	 <p>Conserve and sustainably use the oceans, seas, and marine resources for sustainable development</p>
 <p>Ensure availability and sustainable management of water and sanitation for all</p>	 <p>Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>
 <p>Ensure access to affordable, reliable, sustainable, and modern energy for all</p>	 <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels</p>
 <p>Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all</p>	 <p>Strengthen the means of implementation and revitalize the global partnership for sustainable development</p>
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p>Source: Mirova / United Nations</p>

Mirova has chosen to rely on the Sustainable Development Goals both in assessing the contributions of issuers to the transition to a more sustainable economy and in evaluating the financial implications of these new challenges. In order to best reflect this double materiality across the full spectrum of SDGs, we seek to respect three main principles in terms of ESG assessment.

<b>Risk / opportunity approach</b>	<p>Contributions to the SDGs can be grouped in two main categories, which are often complementary.</p> <p>The products and services proposed by issuers may make very different contributions, positive or negative, to achieving the SDGs.</p> <p>As part of their sustainable development policies, issuers may deploy action plans to limit their environmental and social impacts.</p> <p>Taking these two aspects into account is a fundamental component of our assessments.</p>
<b>Life cycle view</b>	<p>In order to measure an asset, the analysis of environmental and social issues must consider its entire life cycle, from the extraction of raw materials to products' end of life.</p>
<b>Differentiated issues</b>	<p>Different players face vastly different challenges from one sector to another and issues can even vary significantly within a sector. Criteria for analysis must be adjusted to meet the specificities of each asset studied.</p>

Source: Mirova

Through our engagement processes, we promote these key principles with issuers and public authorities to ensure that disclosure best reflects the relationship between issuers and sustainable development. However, it will be some time before we can rely directly on publicly available information. In the meantime, assessment of ESG impact requires a great deal of estimation and conversion of the information received.

**Our impact measurement frameworks**

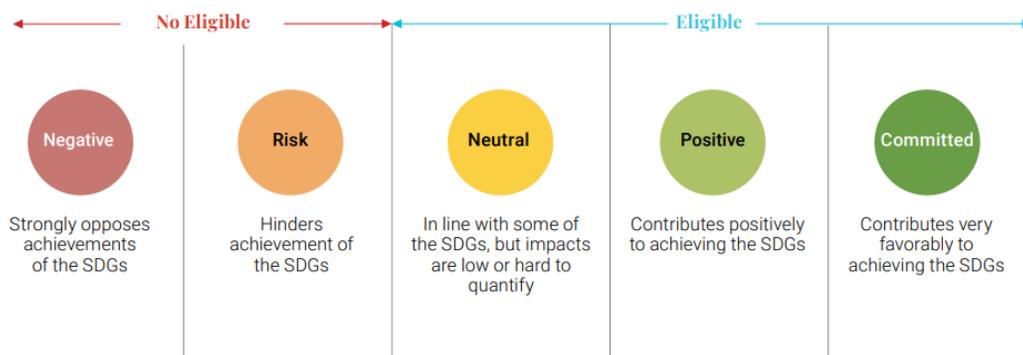
Investors have been tracking and reporting on the financial performance of their investments for several decades. In contrast, the lack of a framework for ESG issues makes monitoring and reporting on the impact of investments with respect to these criteria significantly more difficult. In order to channel our investments towards assets that deliver positive impact and provide elements that will enhance our financial analysis, we have developed several types of indicators, both qualitative and quantitative.

**QUALITATIVE EVALUATIONS**

Given that the issues under consideration are both diverse and complex, we believe that assessment of the links between issuers and sustainable development must begin with a qualitative analysis. From the point of view of financial materiality, this evaluation contributes to our fundamental analysis and helps refine our determination as to the growth potential of an issuer, their risk profile and valuation.

## OVERALL ASSESSMENT

At Mirova, analysis of an asset—any asset regardless of asset class—allows us to establish an overall qualitative opinion, described using a five-point scale and makes it possible for us to determine whether the asset is consistent with achieving the SDGs.<sup>15</sup> This assessment is conducted in accordance with our main principles and includes the risk/opportunity approach, taking into account the quality of products and services as well as the way operations are conducted, the global approach of the entire life cycle, and the differentiation approach, adapting issue selection to the specificities of each asset.<sup>16</sup>



Source: Mirova

As this rating scale is defined in terms of achieving the Sustainable Development Goals, no pre-determined distribution of overall ratings is assumed or expected. Mirova does not exclude any industry on principle and carries out an in-depth analysis of environmental and social impacts for every investment. For some sectors, this analysis may lead to the exclusion of all or some players. For example, in the energy sector, companies involved in coal and oil extraction are rated as Risk at best, while companies in the renewable energy sector are likely to be rated well, except where they fail to comply with fundamental environmental or social principles.

Mirova invests primarily in the best rated assets (Positive and Committed) and does not invest in assets with a rating below Neutral. This approach makes it possible to ensure a robust integration of sustainability risks in all investment processes and to limit the potential negative impact of these investments per the European

SFDR regulation.<sup>17</sup> It also guarantees that Mirova's strategies meet the criteria for 'significantly engaging' as defined under AMF recommendation DOC-2020-03.<sup>18</sup>

While this overall assessment of consistency with the SDGs forms the backbone of our ESG analyses, we have also developed assessment frameworks tailored to our various types of investments and clients.

15 Among ESG data providers or financial players, qualitative opinions can take a variety of forms. Letter grades (e.g., CCC to AAA at MSCI, D- to A+ at ISS ESG), qualification of an opinion (Weak / Limited / Robust / Advanced at Vigeo Eiris, Negligible / Low / Medium / High / Severe at Sustainalytics). These qualitative opinions are generally accompanied by numerical scores, for example a score between 0 and 100.

16 The analysis grids adopted sector by sector are communicated in publicly available sectoral sheets. <https://www.mirova.com/fr/recherche/comprendre#vision>

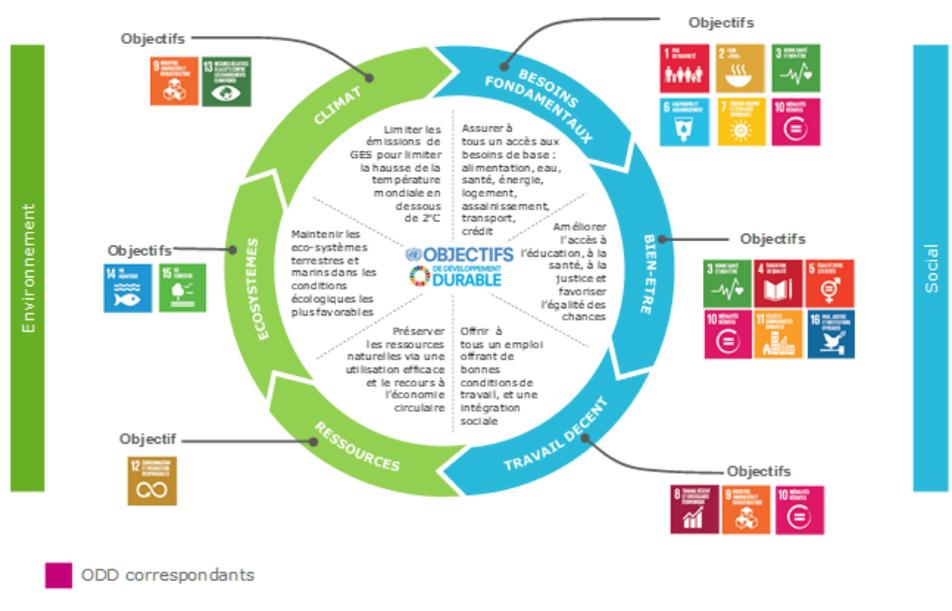
17 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosure in the financial services sector

<https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32019R2088&from=FR>

18 ESG Investments - Risk and Methodological Limitations: By using ESG criteria in the investment policy, the objective of the funds concerned is in particular to better manage sustainability risk and to generate sustainable and long-term returns. ESG criteria can be generated using proprietary models, third party models and data or a combination of both. The evaluation criteria may evolve over time or vary depending on the sector or industry in which the issuer concerned operates. The application of ESG criteria to the investment process may lead Mirova to invest in or exclude securities for non-financial reasons, regardless of the market opportunities available. ESG data received from third parties may be incomplete, inaccurate, or unavailable from time to time. As a result, there is a risk that Mirova may incorrectly assess a security or issuer, resulting in the incorrect direct or indirect inclusion or exclusion of a security in a fund's portfolio.

## IMPACT PILLARS

To illustrate the contribution of our investments to the primary issues of sustainable development, our 'global' assessment is broken down into six impact pillars: three related to environmental issues, three based on social issues.<sup>19</sup> Each pillar is assessed according to our five-point qualitative scale, from Negative to Committed.



Source: Mirova / ILG – Cambridge CISL

## Social impact

### BASIC NEEDS

Eradicating poverty is at the heart of the SDGs. An eminently ethical issue, it also addresses the need to promote stable societies and economic development. According to the World Bank, 9% of the world's population lived on less than USD1.90 a day in 2017.<sup>20</sup> The Basic Needs Pillar looks at the contributions of an asset to improving the conditions of low-income groups through provision of essential services.

More specifically, this pillar attempts to determine the extent to which the assets examined meaningfully enhance access to services such as quality food and water, health services and medicines, decent housing, education, clean energy and mobility or basic financial services.

### DECENT WORK

According to the International Labour Organisation, more than 5% of the world's population is unemployed and almost 40% of workers are in vulnerable employment.<sup>21</sup> The SDGs place a strong emphasis on job creation, to ensure everyone is able to earn a decent income while working under conditions guaranteeing safety and personal fulfilment. Issues of discrimination are also a major focus.

<sup>19</sup> This segmentation of sustainability issues into 6 pillars is based on the work of the Investment Leaders Group (ILG) within the Cambridge Institute for Sustainability Leadership (CISL)

See <https://www.cisl.cam.ac.uk/publications/publication-pdfs/impact-report.pdf>

<sup>20</sup>

<https://www.banquemonde.org/fr/topic/poverty/overview#:~:text=Entre%202015%20et%202017%2C%20le,5%2C50%20dollars%20par%20jour.>

<sup>21</sup> [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_734455.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_734455.pdf)

This pillar therefore comprises two dimensions. In addition to the number of jobs created it looks at the characteristics of these jobs, such as remuneration, job security, working conditions and equality of opportunities. Contributions to quality jobs can be direct and concern jobs generated within the perimeter of the entity being evaluated, or they may be indirect, taking into account employment in the issuer's ecosystem, especially its supply chain.

## 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. But there remains much to be done. Combating diarrhoeal diseases, respiratory infections, malaria, cancer, AIDS, cardiovascular diseases, diabetes, and neurodegenerative diseases remain topics for further research. Improving people's health and avoiding accidents also requires better nutrition, healthier lifestyles, and safety innovations. Furthermore, maintaining our societies in a dynamic state of progress calls for increasing investment in the knowledge economy. The SDGs thus value contributions improvements to quality of life.

Specifically, this pillar seeks to capture the extent to which the entity assessed contributes to a transition towards better nutrition and health, to innovation in health, to the development of a better level of education or to progress in personal safety.

### FOCUS ON INEQUALITIES

Whether income inequality, discrimination against minorities or gender equality, we address issues of inequality transversally, as each of our three social pillars is likely to address these issues in part.

Additionally, we pay particular attention in our analyses to issues of income distribution among different stakeholders and to tax optimisation strategies. Our voting policy especially places a strong emphasis on these issues as regards voting on executive compensation and dividend policies.

## Environmental impact

### CLIMATE STABILITY

Greenhouse gases (GHG) generated by human activities have serious repercussions for the climate. The SDGs have established immediate emissions reductions as critical to limit the rise in global temperatures to well below 2°C, and thereby avoid the most serious consequences of climate change.

Achieving this goal requires that we profoundly alter the structure of our economies.<sup>22</sup>

Changing our relationship with energy, which accounts for close to two thirds of GHG emissions. Achieving this transformation entails major changes in most sectors: electricity production, transport, construction, industry, etc.

Combating deforestation, which, by eliminating carbon 'sinks', is responsible for almost 20% of climate change. Rethinking our agricultural production methods and our consumption of meat, together responsible for about 15% of GHG emissions.

This pillar rewards approaches in line with this framework, either by reducing life-cycle emissions or, more importantly, by developing green solutions.

<sup>22</sup> <http://cait.wri.org/>

## HEALTHY ECOSYSTEMS

In addition to greenhouse gas emissions, human activity generates waste and releases pollution into the air, water and soil that have a lasting effect on animal and plant species. The number of premature deaths worldwide caused by outdoor air pollution in urban and rural areas is estimated at 4.2 million (WHO, 2018). Over 80% of the world's wastewater is discharged untreated into the environment. At the current rate, the ocean could contain more plastic than fish by 2050 (Macarthur, 2016). Some 52% of land used for agriculture is affected by some form of land degradation.<sup>23</sup> To confront these challenges, several of the SDGs seek to address the increasing degradation of our ecosystems.

This pillar therefore rewards activities that help limit the various forms of pollution and actors offering solutions to these challenges, for example in the areas of water treatment, clean energy, or the development of regenerative agriculture.

## RESOURCE SECURITY

In a world where a growing population aspires to an ever-higher standard of living, the pressure on natural resources is rapidly increasing. Water stress affects a quarter of all humanity.<sup>24</sup> Between 1990 and 2016, the world's forests lost more than 100 billion hectares.<sup>25</sup> Every year, land degradation affects an area equal to half of Great Britain.<sup>26</sup> 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.

The resource security pillar seeks to capture initiatives that address these issues, as for instance by combating deforestation, sustainable farming and fishing practices, eco-design or the recycling and recovery of waste.

Headlines announcing the decline in biodiversity are becoming increasingly frequent. Since 1970, vertebrate populations have fallen by 60%. Almost 40% of freshwater fish are threatened with extinction. The planet is losing 12 million hectares of rainforest each year. More than 35% of wetlands have disappeared in the last 40 years.<sup>27</sup> Global figures aside, many areas of exceptional biodiversity richness, such as the primary forests of Southeast Asia or the Great Barrier Reef in Australia, are increasingly at risk. This collapse raises both ethical questions about respect for life and economic questions, as our societies rely heavily on the various services provided by natural ecosystems.

The causes of this collapse are hardly a secret. Our agricultural practices, by monopolising the soil and emitting a range of pollutants, are by far the main cause of biodiversity loss. The fragmentation of ecosystems, climate change and, more broadly, the widespread if diffuse impacts of polluting waste from our various industries also contribute significantly to this erosion of life. It follows that biodiversity issues are at the intersection of our three environmental impact pillars.

23 <https://www.unccd.int/publications/land-degradation-neutrality-interventions-foster-gender-equality>

24 <https://www.wri.org/blog/2019/08/17-countries-home-one-quarter-world-population-face-extremely-high-water-stress>

25 <http://www.fao.org/state-of-forests/en/>

26 <https://www.unccd.int/actions/united-nations-decade-deserts-2010-2020-and-fight-against-desertification>

27 <https://www.wwf.fr/rapport-planete-vivante>

## PRINCIPLE 8: MONITORING MANAGERS AND SERVICE PROVIDERS

**Signatories monitor and hold to account managers and/or service providers.**

Mirova uses both internal (Natixis Group) and external service / data providers (custodians for instance). Mirova has set a policy for overview of service providers. It provides, in particular, for the definition of outsourced services, the overall system for selecting service providers with the capabilities and authorizations required to carry out the outsourced functions reliably, and the implementation of methods for assessing the level of performance of the service provider and adequately monitors the execution of the outsourced functions. Governance committees are organized with our main service providers. The monitoring of the indicators defined in the contractual terms is carried out at least on regular basis.

We have SLA in place with our custodian and administration funds. As mentioned previously, monitoring of service providers is also reinforced by quarterly meetings with the main service providers such as custodians and administrators. For this kind of operators, a grade of 1 to 4 (from “unsatisfactory” to “highly satisfactory”) is awarded across all grids for each of the qualitative criteria. On the basis of the statistics for quantitative criteria, a grade is awarded according to the same scheme by the responsible Middle-office manager based on a comparison of the results for service providers.

Results of the Governance committees are reported to the Compliance, Risk and Internal Control Committee which meets four times a year with the Holding.

### ESG External Providers

SRI research is conducted in house by Mirova’s Sustainability Research (SR) team which is one of a kind in Europe, both in terms of human capital and process. The SR team has developed proprietary internal research and uses many diverse and complementary resources for its implementation. While the bulk of our data is produced internally, the team still relies on ESG providers for:

- **Some basic ESG analysis:** ISS-ESG with whom we built several solutions each of them tailored to Mirova’s needs. Monthly meetings are organized with ISS-ESG to discuss on potential improvements and updates.
- **Proxy voting:** ISS
- **Taxonomy, SDGs alignment:** ISS/ESG
- **Temperature alignment:** Carbone4.
- **Newsflow monitoring:** RepRisk.
- **Biodiversity impact Indicator:** Icare & Consult and Iceberg DataLab.
- **Brokers:** BofAML, Goldman Sachs, Exane, Kepler Cheuvreux, Oddo, etc.
- **Databases:** APINews for news, Bloomberg, FactSet and Capital IQ for data associated with the business model and financial aspects.

Mirova does not rely on suppliers for engagement actions.

Among these data providers, the monitoring process differs depending on the criticality of their services. Only ISS/ESG, RepRisk and Carbone4 have been identified as critical and the process is as follows:

- Every year, an evaluation questionnaire is sent around to assess on the quality of the services, relations, controls that the data providers has implemented on its side etc.
- In addition to day-to-day exchanges, the Sustainability Research team meets with service providers on an annual basis to review the service, problems encountered and identify areas for improvement. A report is prepared to record these elements. The team is constantly evaluating the quality of the exchanges with ESG external providers. All external sources are challenged with our internal views.

- As a third level, our internal Compliance Team also undertakes a review of controls and audits of the quality of the services provided by essential data providers.

Until now, the quality of the information has always met Mirova’s expectations and thanks to the frequency of dialogue and feedback, any changes made have been slight ad-hoc adjustments made to the provider on Mirova’s request (as described below, and in Principle 12, Mirova routinely engages with our proxy advisory firm to verify the accuracy of the data within the voting platform and within the research materials. We also work closely with the client service team to ensure our end client needs are met).

### **Mirova’s Use of Proxy Advisory Services**

Mirova’s external voting service provider oversees:

- Informing Mirova of upcoming shareholders’ meetings related to securities in its voting universe,
- Analyzing resolutions according to the principles defined in the voting policy,
- Providing research and voting recommendations for Mirova’s reference, however, Mirova analyzes resolutions independently,
- Providing access to a voting platform for the exercise of voting rights, and
- Transmitting voting instructions to the issuer.

Members of Mirova’s Sustainability Research team that are dedicated to voting and engagement meet frequently with representatives of the advisory firms to discuss and understand their policies and guidelines. These meetings also include a discussion of Mirova’s voting approach and the application of our policy. We routinely engage with the advisory firms to verify accuracy and service quality, as well as participate in roundtables on at least an annual basis to provide feedback on proposed changes to their policies and guidelines.

**Mirova’s external voting service provider is subject to an annual vendor due diligence and to an annual audit of their performance.** These reviews are done under the supervision of Mirova’s Compliance and Internal Control team. **In addition, on an annual basis, Mirova US compliance will review the SOC 1 report issued by Mirova’s external voting service provider.**

For data providers that are deemed “less essential”, evaluation questionnaires are sent if needed, to evaluate the quality of services. No example of actions can be mentioned due to a lack of quality compared to Mirova’s expectations. We remain satisfied with the level of service provided.

## PRINCIPLE 9: ENGAGEMENT

**Signatories engage with issuers to maintain or enhance the value of assets.**

### **Engagement philosophy**

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

Listed assets companies selected for investment<sup>28</sup> are expected to have demonstrated a contribution to the UN Sustainable Development Goals, by offering products and services aligned with the transition or an adequate approach to address sustainability risks. However, Mirova believes that every company has areas for progress and our engagement actions aim to support companies to maximize their positive contribution. We also engage with companies in the occurrence of unexpected adverse events challenging our sustainability opinion.

Engagement is conducted by the Sustainability Research team, with the support of the investment team, and Mirova does not rely on external suppliers to engage on its behalf. Mirova has developed its engagement approach over time to remain as agile as possible to address relevant issues depending on the company and depending on the topic.

*"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 selection process and prioritization**

**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.**

Mirova prioritizes companies for engagement based on the weight of the impact of the issue at hand or the strength of Mirova's contribution. Company size, market capitalizations, geographies, or size of holdings may also be considered. 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.

**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. Our engagement actions apply to all companies, across all funds, and asset classes. Some thematic funds, such as Employment In France or Women Leaders will be considered for more specific engagement on the precise topic of the funds.

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<sup>28</sup> <https://www.mirova.com/sites/default/files/2021-03/our-approach-to-esg-assessment.pdf>

**Other engagement actions:** We also proactively engage with companies for 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.

**2022 engagement action statistics:**



**Engagement objectives and targets**

A large share of our engagement actions has specific goals and, where appropriate, specific targets and objectives defined by Mirova’s Sustainability Research Team. The number of objectives per company may vary and progress is reviewed internally every quarter. These targets are defined by the Sustainability Research analysts based on his/her knowledge of the company’s strategy, positioning and capabilities. As a reminder, the team of sustainability research analysts on listed assets is made of 6 people, each of them covering one particular sector of the economy, and with a specific expertise on a more traversal thematic (Please see Principle 2). Once individually defined, the engagement objectives are shared with the rest of team and validated by the manager. The goal is to have the objectives challenged by the broader team and ensure alignment of expectations among the companies. The team is also supported by a Lead on Voting and Engagement to ensure these engagements and Mirova’s philosophy is well applied in the exercise of our voting

Source: Mirova, 2022

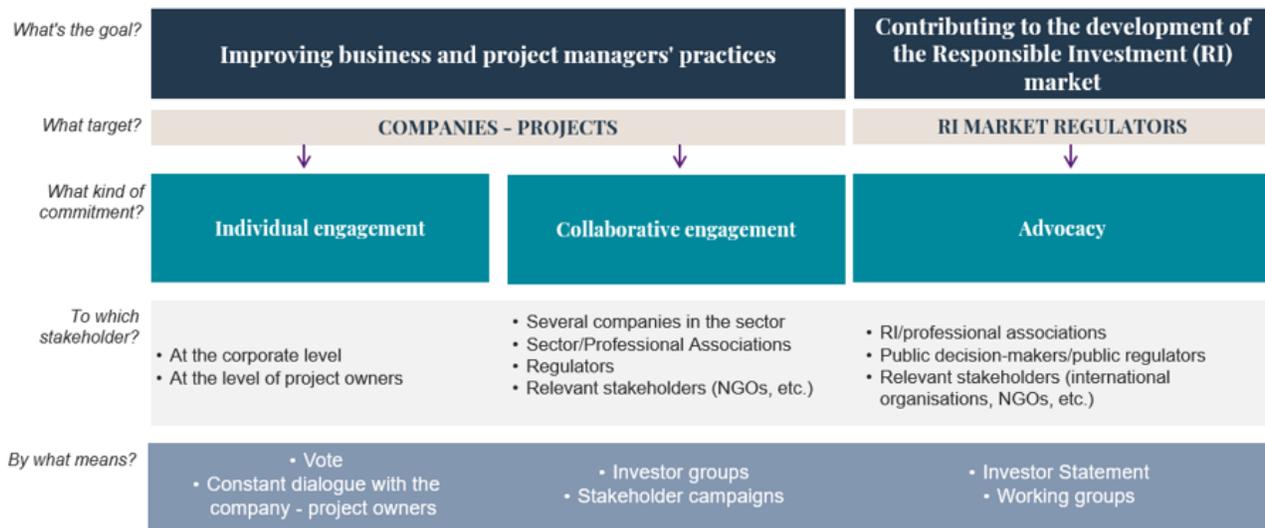
Engagement with companies addresses both opportunities and risks, which follows the Sustainability Research team methodology (described in Principle 6). These discussions aim to ensure that products and services offered by the company positively address sustainable development goals. We also aim to support the companies’ efforts to minimize and monitor the environmental and social impact of their products.

**Engagement in action:**

Circular economy has been, and continues to be, an engagement priority for Mirova and we expect companies to define an eco-design strategy with meaningful targets as well as the development of take-back initiatives. In 2021, Orsted announced its commitment to reuse, recycle or recover all the wind turbines blades in its global portfolio. To promote and encourage efforts to this end, we initiated a dialogue with the company in 2022. Indeed, managing the end-of-life of wind turbines is critical to preserve these resources and limit polluting emissions. As in many industries, profitable and relevant recycling solutions are not yet available, and for this reason, we encourage companies to join (or create) industry initiatives. For more than a year, Orsted have been involved in the DecomBlades research project to improve recycling of the blades. Yet, large, and continuous investments are needed to solution the challenge of recycling permanent magnets, (part of the turbines necessary to produce electricity but unfortunately requiring the mining of rare earth). While decommissioning of current wind farm will start in 2040s, Orsted management team shared that it is urgent to develop solutions to develop end-of-life options.

## Engagement methods

Our different channels of engagement are illustrated below:



Source: Mirova, 2022

Individual Engagement is our most common means of engagement. Indeed, engagement has been considered as integrated part of the Sustainability Research team activities.

- Basic systematic engagement: Every year, Mirova identifies specific engagement priorities as advised by the Sustainability Research analysts. These engagement priorities are systematically shared with all portfolio companies. Our engagement priorities were divided into seven topics: climate change, biodiversity, shared value creation, gender diversity, human rights, governance of sustainability and measuring impact. In 2022, we added a thematic on circular economy, and human capital management.
- Individual engagement, at corporate level and projects level, on broad ESG topics (as developed above): 96 dialogues were undertaken in 2022 across all companies, sectors, geographies, and market capitalizations.

Mirova also leverages on other types of engagement, such collaborative engagement and advocacy, and engage on the other asset classes (developed in the following section). In 2022, Mirova supported collaborative initiatives and investor statements detailed below in Principle 10.

### Individual engagement: Diversity, Tax Practices:

Mirova has engaged with Microsoft for several years regarding their diversity and inclusion efforts. Engagement discussions on the matter began prior to executing our vote at the 2021 shareholder meeting in the context of our analysis of a shareholder proposal that had been submitted regarding the company's sexual harassment policies. In light of potential controversies, we sought to understand the effectiveness of the sexual harassment and gender discrimination policies that the company had in place. While the disclosure of the policies was sufficient, we advocated for enhanced transparency on the prevalence, corrective action and oversight of such policies. Mirova, along with other shareholders, ultimately supported the shareholder proposal which received majority support. During this discussion, we also advocated for the disclosure of the median gender pay gap, as fairly compensating employees is a main tenant of our approach to the fair distribution of value. We re-examined these matters prior to our vote in 2022 and were satisfied with enhanced reporting, disclosure of the gender pay gap and amendment of the corporate governance guidelines defining oversight of discrimination/sexual harassment policies and practices.

We also discussed the importance of publishing country-by-country reporting. We pre-declared our intention to vote FOR a tax related proposal at the company's 2022 annual meeting. We work closely with the Tax Working Group through the PRI and strongly believe that clear, accessible disclosure on tax payments is critical for shareholders.

### **Individual engagement: Biodiversity, Climate Change:**

Our ESG team has engaged multiple times with Symrise AG (sector: materials) to advocate for the transformation to become a nature-positive company. Specifically, we expect such evolution to be in compliance with the Science Based Targets for Nature definition, by setting targets for each of the avoid-reduce-restore-transform positive impact categories according to OP2B defined approaches. We also expect the company to clarify whether it is exposed to animal testing in the upper supply chain.

We have learned that the company is improving animal welfare thanks to early detection of male chicks leading to avoided death in hatcheries and egg reuse leading to +30% egg protein increase in an animal food mixture. The company also works on reuse of eggshells remains ensuring full circularity. Regarding regenerative agriculture Symrise achieved 88% sustainable sourcing of key biological ingredients and participated into OP2B sustainable agriculture standards development.

Regarding climate, we expect Symrise to maintain a high level of biobased feedstock >80%, replace sugar for fermenting by lignocellulosic sugar from waste biomass, and maximize the share of biomass waste as feedstock (such as Pinova Wood Rosin)

We have also engaged to advocate for Symrise to increase exposure to plant-based products and palatants in particular petfood. Furthermore, we supported Symrise in prioritizing sourcing of fragrance plants that induce the most positive impact thanks to opportunities offered to share benefits from exploitation of nature's genetic resource with autochthon communities and on biodiversity conservation projects in origin countries. We also continued to advocate for Symrise to ensure it supports claimed health impact of its products based on sound scientific evidence specifically for its prebiotics and probiotics segment. In 2022, we were pleased to learn that annual development of new products consistent with sustainability criteria reached 15% of sales. Specifically in 2022 the area of fair use of biodiversity was further developed according to the provisions of the Nagoya Protocol. Regarding scientific evidence of products impacts: the company devoted 5.5% revenues equivalent to R&D expenses and specifically sponsored independent research on the probiotic influence of polyphenols from fruits and vegetables, development of synergistic combinations of probiotic polyphenols and bacteria for beneficial impacts.

### **Collaborative engagement:**

As part of our collaborative activities, Mirova has been quite active in the development of the Taskforce on Nature-related Financial Disclosure (TNFD) framework. We actively support the TNFD's activities by channeling the views of impact-oriented investors such as Mirova. More broadly, we're grateful to be a part of the initiative's work to gather global financial institutions' views on the most relevant biodiversity impact data, which we appreciate is a challenging area to gain widely accepted consensus. We are advocating for a comprehensive approach to materiality by considering both impacts and dependencies beyond pure financial materiality. We are of the firm view that TNFD's recommended disclosure information is necessary for investment selection criteria, particularly for investors that are impact oriented and looking to make investment decisions based on data that helps to identify issuers with practices that lead to the most positive outcomes in this regard.

The detailed work we have contributed to the TNFD includes our participation in the Landscape of Standards and Metrics focus group, which aims at assessing existing reporting frameworks, fostering portability and compatibility of the TNFD's disclosure recommendations, as well as informing development of biodiversity metrics and guidance to foster their widest adoption. We support quick action by the financial sector based on sectoral portfolio screening and reduction of anthropogenic biodiversity pressures from corporates' activities rather than pure location-based approach.

As a committed, Mission-Driven asset manager, Mirova takes part in various initiatives, complementing TNFD's work, that aim to develop tools, frameworks, policies, guidelines to support a transition of our economy to a more sustainable model. Contributing to this process in which public and private players work together to develop tools to promote nature protection is a key pillar of our biodiversity roadmap. We encourage participants to build on existing climate commitments to support nature-based solution that sequester carbon while conserving biodiversity in value chains. We look forward to the first official issuance of the framework which is anticipated in September 2023.

### **Engagement impact and success**

As Mirova's team conduct hundreds of conversations which can span a multi-year 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 a result, investors can only gauge individual impact with caution.

**Engagement monitoring:** We systematically document engagement discussions and communications in our in-house engagement platform (OCTAVE). We qualitatively monitor the progress delivered over time by companies. We describe our escalation process below when engagements do not make favorable progress.

**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 behavior. We believe that our documented and monitored approach to engagement, consistent with our investment decision is in line with our pursuit for impact.

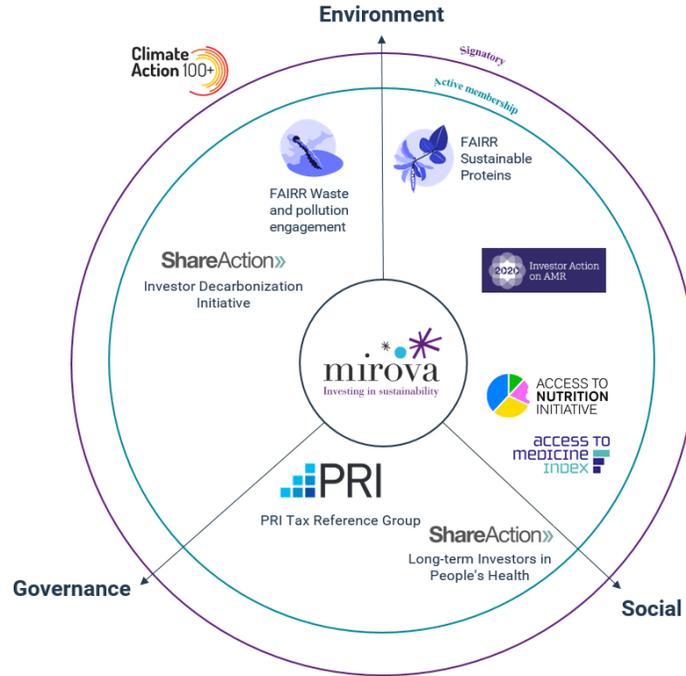
#### Engagement in action:

Regarding our individual engagements, the portfolio manager for Mirova's Women Leaders Fund, Soliane Varlet, conducted an in-depth interview with the CFO of a US waste management company. In the interview, we put a spotlight on the company's practices as a market leader of diversity and inclusion. The result was a candid discussion on what works in practice to support diversity in the workforce and at the executive level. This is particularly poignant in an industry that does not typically attract diverse candidates at the same rate as others and is a helpful case study for those engaging with sectors that feel somewhat insulated from gender diverse participation. While it can be challenging to take credit as one of many investors for the company's commitment to diversity, we do believe that our thoughtful line of questioning through our engagements is one catalyst. The full release of the interview can be found here: <https://www.mirova.com/en/ideas/diversity-in-motion-waste-management>

**PRINCIPLE 10: COLLABORATION**

**Signatories, where necessary, participate in collaborative engagement to influence issuers.**

Collaborative engagement identifies controversial practices at a sector or thematic level and joins likeminded investors in a dialogue to demand greater transparency and, if necessary, a change in practices from the corporate sector. To strengthen the influence of responsible investors, the engagement is conducted with other investors to encourage issuers to make specific and measurable changes within a specified time frame. Engagement can also be carried out at the level of sectoral associations and/or public policies.



Source: Mirova, 2022

Collaborative engagement initiatives (active or completed in 2022)

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 (FAIRR)

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.



Biodiversity Loss from Waste & Pollution (FAIRR)

Preserving biodiversity is integral to maintaining the ecosystem services on which global economies rely. In this engagement, which targets ten of the world's largest pork and poultry producers, along with two agrochemical companies, the FAIRR Initiative seeks to address both animal waste mismanagement and nutrient pollution by encouraging companies to utilise manure as fertiliser.



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.



Investor Action on AMR

Launched at the World Economic Forum in 2020, the Investor Action on AMR initiative is a coalition between the Access to Medicine Foundation, the FAIRR initiative, the Principles for Responsible Investment and the UK Government Department of Health and Social Care. This initiative seeks to galvanise investor efforts to address global antimicrobial resistance (AMR). The Investor Action on AMR progress report, published on 21 November 2022, uses a series of case studies from the initiative's Investor Partners to provide insights into what has been achieved so far, and how.



PRI Tax Reference Group

The PRI tax reference group is an active knowledge sharing group open to all signatories on the issue of tax.

## Investor Statements signed by Mirova in 2022

INITIATIVE	TITLE	DETAILS	LINK
<b>International Advocacy actions</b>			
FAIRR Initiative	\$14 Trillion Investor Coalition Urges FAO to Set Roadmap to 1.5C for Food	Established by the Jeremy Collier Foundation, the FAIRR Initiative is a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities brought about by intensive livestock production.	<a href="https://www.fairr.org/article/investor-letter-fao-roadmap/">https://www.fairr.org/article/investor-letter-fao-roadmap/</a>
UNEPFI	150 financial institutions, managing more than \$24 trillion, call on world leaders to adopt ambitious Global Biodiversity Framework at COP15	UNEP Finance Initiative brings together a large network of banks, insurers and investors that collectively catalyses action across the financial system to deliver more sustainable global economies.	<a href="https://www.unepfi.org/themes/ecosystems/cop15statement/">https://www.unepfi.org/themes/ecosystems/cop15statement/</a>
One Planet Lab	High Level Working Group (HLWG) on Innovative Mechanisms to Address Biodiversity Financing Needs	The High Level Working Group (HLWG) on Innovative Mechanisms to Address Biodiversity Financing Needs has held its first meeting. Mandated by President Macron and led by the Global Environment Facility (GEF) & One Planet Lab, the HLWG brings together leaders & experts from around the world, including Philippe Zaouati, CEO of Mirova, to prepare for the One Forest Summit to be held in Libreville on 1-2 March 2023.	<a href="https://www.oneplanetsummit.fr/en/activities-2023-243">https://www.oneplanetsummit.fr/en/activities-2023-243</a>
<b>European Advocacy actions</b>			
MIROVA	Yes, our green funds are genuinely green!	Questions about the true nature of so-called 'green' funds are multiplying in the media around the world, often accusingly pointing out deception and contradiction. Green finance is a technical and crucial topic when it comes to financing the climate and environmental transition. We therefore welcome the investigative and educational efforts of journalists. However, it would be a pity if this work were to suggest that all green finance should be painted with the same brush and suspected of greenwashing. For our part, in terms of green finance, we have ambitious policies that we communicate and apply.	<a href="https://www.mirova.com/en/news/yes-our-green-funds-are-genuinely-green">https://www.mirova.com/en/news/yes-our-green-funds-are-genuinely-green</a>
<b>French Advocacy actions</b>			
MIROVA	Mirova communicates its expectations of Orpea ahead of its General Meeting	Mirova publicly communicates its expectations of Orpea ahead of its General Meeting (press release in French)	<a href="https://www.mirova.com/fr/news/mirova-communique-ses-attentes-orpea-assemblee-generale">https://www.mirova.com/fr/news/mirova-communique-ses-attentes-orpea-assemblee-generale</a>
MIROVA	Mirova calls Orpea to adopt the status of "mission-driven" company	Mirova, a committed shareholder in sustainable finance, expresses its views over the debate on the practices of the Orpea group and it makes public its letter to the Chairman of the Board of Directors.	<a href="https://www.mirova.com/en/news/mirova-calls-orpea-to-adopt-the-status-of-mission-driven-company">https://www.mirova.com/en/news/mirova-calls-orpea-to-adopt-the-status-of-mission-driven-company</a>
MIROVA	Evolution of the Greenfin label	Mirova shares its view over the evolution of the Greenfin label.	<a href="https://www.mirova.com/en/ideas/saving-the-greenfin-label">https://www.mirova.com/en/ideas/saving-the-greenfin-label</a>
MIROVA	Evolution of the French SRI label	Mirova responded to the consultation on the evolution of the French SRI label	

## 2022 actions

In line with our objective of promoting sustainable finance and a new corporate governance approach, Mirova continued its advocacy activity in 2022. 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 North American level with the Securities and Exchange Commission.

### Mirova's Response to the ESG Related SEC Proposed Regulations

On August 16th, Mirova filed a comment letter in response to recent proposed rulemaking by the Securities and Exchange Commission (the "SEC" or the "Commission") related to environmental, social and governance ("ESG") ESG investing. The proposed rules ("ESG Proposed Rule", "Amended Names Rule") seek to enhance and standardize disclosures related to the ESG factors considered by funds and advisers, and to also expand the regulation of the naming of funds with an ESG focus.

#### Proposed ESG Rule

- **Regulatory Alignment:** Mirova would like to see more consistency among the SEC ESG Proposed Rule and SFDR as it relates to the three classifications of funds. (Please note that unlike SFDR, all funds do not need to be classified)
- **Definition of ESG:** We support requiring funds and advisers to disclose how they incorporate ESG factors into their (1) investment selection processes and (2) significant investment strategies. We have also asked the SEC to consider requiring funds and fund sponsors to specifically disclose the overall rationale, philosophy or thesis for utilizing ESG factors in such processes and strategies for all "integration" and "focused" funds and strategies.
- **Mirova's feedback on the ESG Proposed Rule's classification of the three categories of ESG investing:**
  - o **ESG Impact (Highest Ambition)** As currently proposed, Mirova feels the impact classification is too narrow. We are advocating for the SEC to broaden this definition as to align more consistently with SFDR Article 9.
  - o **ESG Focused (Medium Ambition)** Mirova would like to see the definition of ESG Focused funds be clarified. Furthermore, the classification should require a robust voting and engagement strategy, in addition to the investment selection process.
  - o **ESG Integration (Lowest Ambition).** Mirova feels the definition of "ESG Integration" is overly broad. We are advocating for more precise criteria that would permit managers that hold themselves out as an ESG managers and disclose how ESG is incorporated in a meaningful way. We feel that absent more precise criteria, many traditional managers would qualify, and the classification would operate as a catch-all and ultimately not useful for end-investors.

#### Amended Names Rule Proposal

- **Designation of Materially Misleading and Deceptive Names and Integration Funds:**
  - o Mirova is supportive of SEC's position that Integration funds with ESG terms in the name would be deemed materially misleading. We also support the proposed codification in the proposed Amended Names Rule of the view that a fund's name could be materially deceptive or misleading notwithstanding the fund's compliance with its 80% investment policy if, for example, the fund makes a substantial investment that is antithetical to its investment focus (e.g., a "fossil fuel-free" fund making a substantial investment in an issuer with fossil fuel reserves).
  - o However, we have requested that the SEC provide confirmation that an investment that a fund's investment adviser deems to be "neutral" (such as cash or securities of a company that neither contributes positively to nor materially subverts the Fund's ESG goal) if held in the fund's 20% basket, would not be considered to be "antithetical" to such fund's investment purpose.

For further information, you may refer to our FAQ and the comment letter can be found [here](#).

# Participation in local organizations and associations

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

## Associations and forums with which Mirova collaborates as of 31 December 2022

SUSTAINABLE FINANCE PROMOTION FORUMS & PROFESSIONAL ASSOCIATIONS

<b>International</b>	<b>Europe</b>	<b>France</b>
<b>Green &amp; Social Bonds</b>	<b>Private assets</b>	<b>Energy Transition Infrastructure</b>
<b>Net Zero &amp; Low Carbon</b>	<b>Natural Capital &amp; Biodiversity</b>	

Source: Mirova, 2022

Sustainable Finance Fora, INTERNATIONAL	
<b>CERES</b>	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.
<b>PRI</b>	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.
<b>HK Green Finance</b>	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.
<b>GIIN</b>	Through its subsidiary Mirova UK Limited, Mirova is a member of the Global Impact Investing Network, which seeks to promote impact investing internationally.
<b>US SIF</b>	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

<b>EUROSIF</b>	Mirova's Advocacy Officer represents the Forum for Responsible Investment on the Board of Directors of EUROSIF, the European Forum for Responsible Investment.
<b>Spain SIF</b>	Member of Spainsif, an association aimed at promoting sustainable and responsible investment in Spain.
<b>Institutional Investors Group on Climate Change (IIGCC)</b>	The Institutional Investors Group on Climate Change (IIGCC) is the European membership body for investor collaboration on climate change. Their mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. This will be achieved through capital allocation decisions, stewardship and successful engagement with companies, policy makers and fellow investors.
<b>EVPA</b>	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

<b>FIR</b>	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
<b>AFG</b>	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.
<b>Fair</b>	Member of Fair (ex Finansol), an association that works to promote, defend, and analyse solidarity finance in France.

## Diversity & Inclusion initiatives

<b>30% Club France Investor Group</b>	The French 30% Club Investor Group was established in November 2020 when six asset management companies representing nearly 3 trillion euros in assets under management came together to promote better gender diversity within the SBF 120's executive management teams.
<b>30% Coalition US</b>	The Thirty Percent Coalition is a pioneering advocate for increased gender, racial and ethnic diversity on corporate boards and in senior leadership. The mission is to increase diversity in boardrooms and senior leadership at both public and private companies through investor engagement and collaborative action.
<b>2X Challenge Collaborative</b>	The 2XCollaborative is designed to serve investors making their first gender-focused investment as well as investors at the frontier of the field. 2XCollaborative initiatives like the 2X Gender and Climate Finance Taskforce will drive gender-smart investing in thematic areas.

## Sustainable (green and social) bonds

<b>ICMA-GBP</b>	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.
<b>CBI</b>	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.

## Energy Transition Infrastructure

<b>La Plateforme Verte</b>	The Green Platform is a French association launched at the beginning of 2018 with the objective of bringing together the actors of the Energy Transition to carry out concrete actions and to allow the acceleration of projects. With sixty prestigious members, divided into several working groups, the Green Platform has become a reference in the sector and is regularly invited to conferences and meetings, allowing it to carry the messages and concerns related to the Energy Transition.
<b>France Energie Eolienne</b>	France Energie Eolienne represents, promotes and defends wind energy in France. The French association brings together more than 300 members, professionals of the wind energy sector in France, who have built more than 90% of the turbines installed on the French territory and operate more than 85% of them.

## Unlisted investments

<b>Solidarité Renouvelable</b>	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.
<b>France Invest</b>	Member of France Invest, a professional association of asset managers invested in private equity, particularly involved in financing the French local economy and SMEs.

## Net Zero and Low-carbon investments

<b>CDP</b>	Signatory, through Natixis, of the Carbon Disclosure Project, which aims to improve the quality of carbon/climate information published by emitters.
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IETA	Through its subsidiary Mirova UK Ltd, 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 UK Ltd, 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.
Glasgow Financial Alliance for Net Zero (GFANZ)	The Glasgow Financial Alliance for Net Zero is the world's largest coalition of financial institutions committed to transitioning the global economy to net-zero greenhouse gas emissions.
Science Based Targets initiative (SBTi)	The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets.

## Natural Capital and Biodiversity Initiatives

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 (SMI)'s Natural Capital Investment Alliance (NCIA)	The Sustainable Markets Initiative (SMI)'s Natural Capital Investment Alliance (NCIA) aims to attract members from the finance community to create scale and synergies between mainstream asset owners and asset managers, underpinned by the following goals by: serving as a central hub for global corporations and financial institutions seeking to scale-up their investments into Natural Capital, in support of biodiversity restoration, including through high integrity carbon offsets; by sharing investment knowledge and expertise on investing in Natural Capital, underpinned by strong principles; by showcasing and demonstrating scalability of appropriate investment vehicles and the multiple opportunities across asset classes. At COP26, the NCIA announced a commitment to mobilise at least USD 10 Billion in investment into Natural Capital assets in 2022, with an ambition to scale that investment in the coming years.
Finance for Biodiversity Pledge	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.
Wetlands International	Wetlands International is the only global not-for-profit organisation dedicated to the conservation and restoration of wetlands. Wetlands International is dedicated to maintaining and restoring wetlands — for their environmental values as well as for the services they provide to people. Most of their work is financed on a project basis by governments and private donors. They are also supported by government and NGO membership.
1000 Ocean Start-Ups	1000 Ocean startups is a coalition to accelerate Ocean Impact Innovation. The coalition brings together the global ecosystem of incubators, accelerators, competitions, matching platforms and VCs supporting startups for ocean impact. Our objective is to scale at least 1000 transformative startups by the end of the Ocean Decade to restore ocean health and achieve SDG14.
Organisation for Biodiversity Certificates (OBC)	The Organization for Biodiversity Certificates (OBC) unites companies, NGOs and scientific experts to achieve our common objective: creating an operational tool for the evaluation of local positive biodiversity impacts.
Verra Nature Framework	Verra has launched the SD VISTa Nature Framework Advisory Group (AG) to guide the development of a framework that will outline the key components of a scientifically robust, pragmatic, and scalable methodology. The AG will also support the development of the biodiversity methodology for assessing and quantifying the benefits from conservation and restoration activities. The framework and methodology will be developed under Verra's Sustainable Development Verified Impact Standard (SD VISTa)

**Development Group (NFDG)**

Program and drive much-needed investment to high-quality, nature-positive efforts, as supported by other nature-related frameworks and initiatives (e.g., Taskforce on Nature-related Financial Disclosures and Science Based Targets Network).

**Ocean Risk and Resilience Action Alliance (ORRAA)**

The Ocean Risk and Resilience Action Alliance (ORRAA)'s mission is to drive at least USD\$500 million of investment into coastal and ocean natural capital and surface at least 50 novel finance products by 2030, positively impacting the resilience of at least 250 million climate vulnerable people in coastal areas around the world. It is the only multi-stakeholder alliance working in ocean finance that brings insurers, banks, governments, academia and civil society together. We work across geographies – with a focus on the Global South – pioneering, piloting, and scaling innovative finance products that invest in coastal resilience.

Source: Mirova, 2022

## Support for the Academic Chairs and Research Observatory INDEPENDENT RESEARCH: EU Tax Observatory

Mirova confirmed 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.

## PRINCIPLE 11: ESCALATION

**Signatories, where necessary, escalate stewardship activities to influence issuers.**

**If through one of the engagement channels as discussed in principles 9 and 10, the discussion with the company has not met the stated expectations, Mirova has implemented a framework for escalation.**

The stage in the investment cycle and the degree of escalation is determined by our sustainability research team and then presented to Mirova's portfolio managers and CIOs. We believe that engaging in a one-to-one discussion to exchange views before taking more decisive action. There is no systematic escalation process as we believe that a case-by-case analysis of the issue will enable us to identify the most appropriate channel to address the matter.

Our considered escalation tools include:

- Requesting a meeting with the chairman of the board or senior 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 in the escalation process, should the company's progress and/or practices be found insufficient to maintain investment eligibility, divestment may be considered.

As described in other sections of this report, Mirova invests in "high sustainability quality" companies. Thus, in order to be eligible for investment, the company should demonstrate robust sustainability policies and strategies. However, it does not prevent the occurrence of some unexpected controversies and there is progress to be made at almost every company we invest in. Two meaningful examples are provided below. The means of escalation varies; the objective is to define a formal process tailored specifically to the issuer and matter at hand (means, deadlines and outcomes), as Mirova wants to maintain agility in the actions it will undertake when escalation is needed. In the occurrence of a significant controversy, Mirova keeps its clients updated on the actions decided and next steps.

### Escalation in action:

Over the years, we have frequently and thoroughly engaged with ORPEA SA (French based health services company) on the processes implemented to address severe and serious social related-risks including employee satisfaction, employees training, and residents satisfaction. In November 2017, we initiated the engagement, we shared feedback on the areas of improvement we identified including resident satisfaction, employee working conditions, and governance of sustainability. In July 2018 and among other topics, we started discussing on avoiding residents' depression and suicides. Positive signals were provided by the company in 2019, when the company confirmed that they had hired a head of CSR and are working on many of the topics we previously mentioned. Throughout the year in 2020 and considering the COVID crisis, we maintained a strong dialogue with the company to make sure relevant measures were implemented to protect both residents and employees.

In early 2022, in light of allegations against the company, this engagement had been radically strengthened. We expect more information regarding complaints management, resident care, and improved HR management. To support these changes, we expected the company to transition towards a mission-driven company, and we sent a letter to President of the Board of Directors on February 7, 2022 in this regard. Between February and June we had several meetings with the executive team, including the CEO and chairman of the board. We then submitted a non-voting item at the AGM to hear the new CEO's priorities and governance views.

In May 2022, when financial malpractice from ORPEA's former management was revealed, we immediately advocated for a change of management and a new board. However, by October 2022, we were less comfortable with the level of transparency and the full extent of the losses that arose from the financial malpractice. At this point, we felt our options were very limited. We had no guarantee that we and ORPEA were aligned on social issues. We ultimately decided to sell our positions at the end of October.

## PRINCIPLE 12: EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

### Listed/Equity Assets

#### Proxy Voting: Our Philosophy

Mirova maintains its own publicly available proxy voting policies and procedure which provide guidelines for our proxy voting decisions and governance expectations. The guiding principle of policy development and voting decisions is to cast a vote that is in the **best long-term interest of all stakeholders**. This approach is differentiated from the traditional approach that typically reflects the sole interest of the shareholder.

As a responsible and committed investor, Mirova promotes the development of a corporate vision focused on the creation of collective value over the long term. This approach contrasts with the traditional idea of a company as elaborated over the last few decades. Two key concepts structure our strategy.

- Taking all stakeholders into account. Companies can no longer be considered solely from the shareholder's point of view. Companies are first and foremost collaborative projects, which are made possible by a number of constituting parties: investors (shareholders, creditors, etc.), whose main role is to provide capital; employees, who play an essential role in a competitive world driven by innovation; and public authorities who develop the infrastructure and increase the attractiveness of the area. Executives do not serve the sole interest of shareholders, and corporate governance should be shaped to include the interests of its key stakeholders.
- A long-term approach. We believe that the creation of wealth requires a long-term perspective, which takes into account sustainability issues. Mirova encourages companies to include environmental and social issues in its purpose, and to adapt their articles of association accordingly.

#### Proxy Voting: Guideline Overview

We believe that shareholders have a role to play in spreading this stakeholder-centric vision, which is why our voting policy encourages:

- The development of a long-term shareholder base;
- The creation of governing bodies that serve all stakeholders and address CSR issues;
- The introduction of a compensation policy which is not only fair to its stakeholders, but which also promotes sustainable growth; and
- Increased transparency and a better quality of both financial and extra-financial information, through annual audited reports covering all these issues.

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

We do not hesitate to exercise our right and responsibility to vote against management where we have concerns with the distribution of value, the company's commitment to corporate social responsibility and board competence. Our voting guidelines can be viewed in full at [Here](#)

### **Proxy Voting: How We Make Voting Decisions**

All proxies for which we retain voting authority are voted in accordance with the Mirova Voting Policy. Voting decisions and resolutions are analyzed by Mirova's Sustainable Investment Research team. Mirova utilizes a variety of materials and information when analyzing proxy matters, including, but not limited to, the issuer's proxy statement and other proxy solicitation materials (including supplemental materials), our own internal research and research provided by other third parties (including research of the external service provider and other proxy advisory services). Analysis and voting decisions also take into consideration the information we glean during engagement discussions.

Mirova partners with Ostrum AM Middle Office, according to instructions provided by Mirova as part of a service agreement, to perform account setup, ballot reconciliation and vote monitoring. Members of the Sustainable Investment Research Team monitor upcoming votes and related voting activity daily, both independently, and with communication from Ostrum AM Middle Office.

As referred to in Principle 8, Mirova votes pursuant to its own voting guidelines which were conceived in conjunction with our investment philosophy. Thus, our voting guidelines and governance expectations are closely aligned with our investment strategy and commitment to sustainability. We typically vote consistently on matters across different clients, funds, and geographies. We maintain this approach as it allows consistency in the application of our vote and in transparency of our expectations to our portfolio companies. For example, our voting guidelines require an employee representative to serve on the board of directors. While this expectation may have roots in the European market, we believe that regardless of geographical location, corporate boards would be well served by the unique perspective an employee representative provides. This is just one example of the rather rigorous expectations our voting guidelines set out. While our policy prescribes a uniform, high level of expectation for our portfolio companies, we retain the flexibility to adjust our internal methodologies that consider local market standards when appropriate. Our voting guidelines are updated annually and are validated by Mirova's Executive Committee as well as the Compliance and Internal Control Department. The voting guidelines are presented to the Executive Committee each year.

While our voting guidelines provide clear and detailed information as to our expectations as an investor, we also maintain flexibility to account for different circumstances at each issuer. Where we do not have a pre-determined guideline and/or the issuer has presented a compelling case for our review, our voting and engagement focused analyst (a member of the firm's Sustainability Research team) collaborates with the relevant SR analyst, traditional analysts, portfolio managers, the head of research and the firm's Proxy Voting Committee as needed.

The Proxy Voting Committee retains final voting authority and is composed of Mirova's CIOs, Head of Sustainability Research, Head of Sustainability Equity Research, and members of the Legal and Risk departments, as needed. We believe multiple, diverse viewpoints help us reach a fair and balanced voting decisions.

A combined effort between our sustainability research team, voting committee and our middle office (as described above), our overarching goal to cast accurate, timely proxy votes pursuant to our policy. As consistency and accuracy are paramount for proxy voting, we do not routinely offer client directed voting, however, we will consider this upon request on a case-by-case basis.

### **2022 Voting in Review**

In 2022, the voting perimeter consisted of 488 securities held in 49 UCITS and AIFs managed by Mirova and Mirova US. Within this voting perimeter, 510 Annual General Meetings (AGM) were held in 2022. Mirova has exercised its voting rights at 480 companies. This represents a turnout of 98.6%.

Mirova did not exercise its voting rights at 8 general meetings due to operational constraints (change of the date, limit of vote by custodians, validity of power of attorney, etc.).

This rate of contestation is mainly explained by greater opposition to board nominees due to adjustments made to our policy. In 2021, Mirova expanded our voting guidelines to cast a vote against the entire relevant board committee responsible, as opposed to strictly the chair of the committee, as we had done in the past.

For example, where we have concerns with board composition, rather than cast a vote against the chair of the nomination/governance committee, in 2021 we began to cast a vote against each member of that committee. We made this adjustment to signal our expectation that the entire committee should be held accountable for improving governance practices.

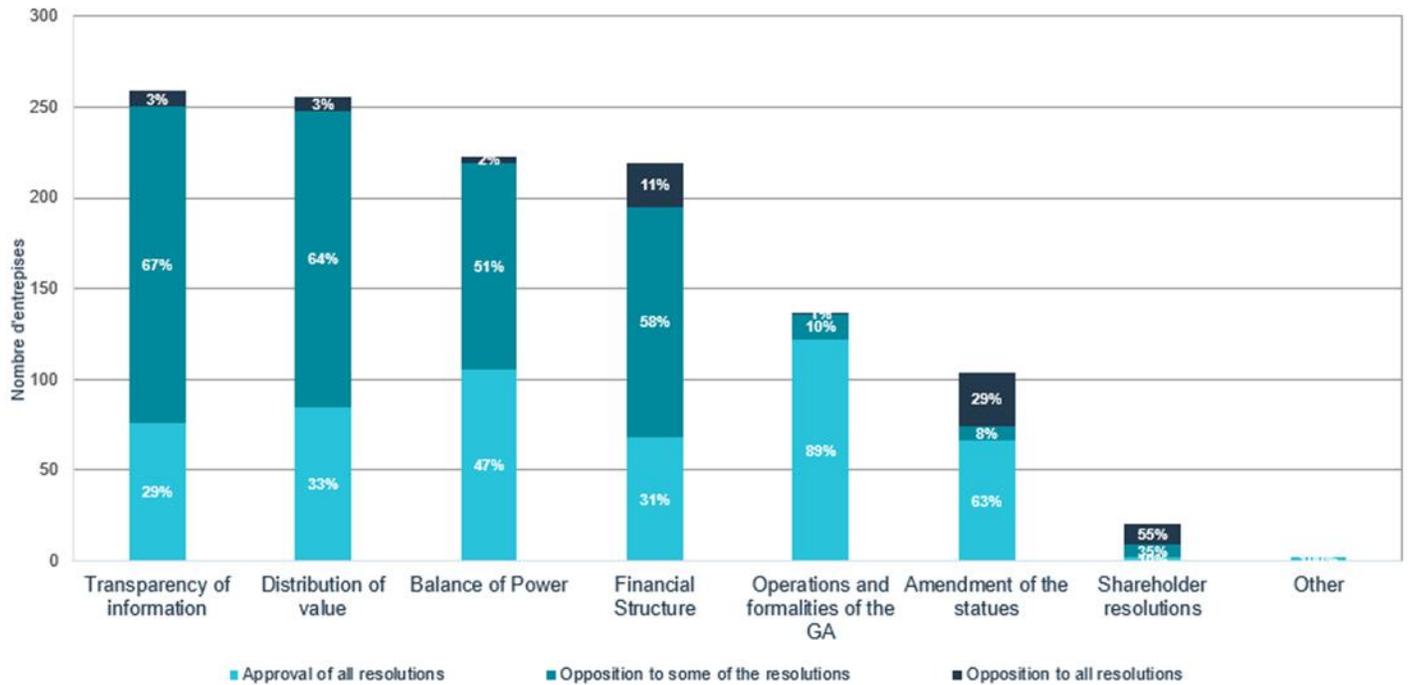
A few reasons why we vote against management include:

- Unrepresentative board composition
  - We expect the board of directors to include one employee representative and at least 40% female representation.
  - We expect a board committee to be dedicated to CSR, as we feel this is one of many ways, we can encourage CSR to be at the heart of the company and ensure the board has the right expertise to challenge management on ESG matters.
  - Mirova will vote against the entire nominating/governance committees for boards that do not meet this guideline.
- Concerns with Remuneration
  - We utilize an internal methodology to monitor the correlation and trend of the compensation of the company key stakeholders: employees, shareholders, executive, and government.
  - Mirova will vote against where we note a decorrelation of these data points over a five-year period and no compelling justification from the company in question is received.
  - For example, we track the effective tax rate, as compared to the OECD tax rate, while considering operating and net income. We will target companies for engagement and possibly vote against relevant items where we detect tax optimization practices.
  - Utilizing another lever to encourage CSR to be at heart of the company, we will vote against remuneration proposals where the remuneration policy does not include at 10% of either the short- or long-term remuneration tied to clear, meaningful ESG criteria.
  - We maintained a conservative approach to the analysis of dividends during the COVID -19 crisis. In many cases, we voted against dividend payouts that were above pre-covid levels, as we encouraged our portfolio companies to maintain a sober approach to dividend proposals.

### **Distribution of votes by geographical area**

While the meaning of the vote is mainly explained by the implementation of Mirova's policy on a theme-by-theme basis, there are significant differences in governance practice between Europe and North America that have important consequences for our choices.

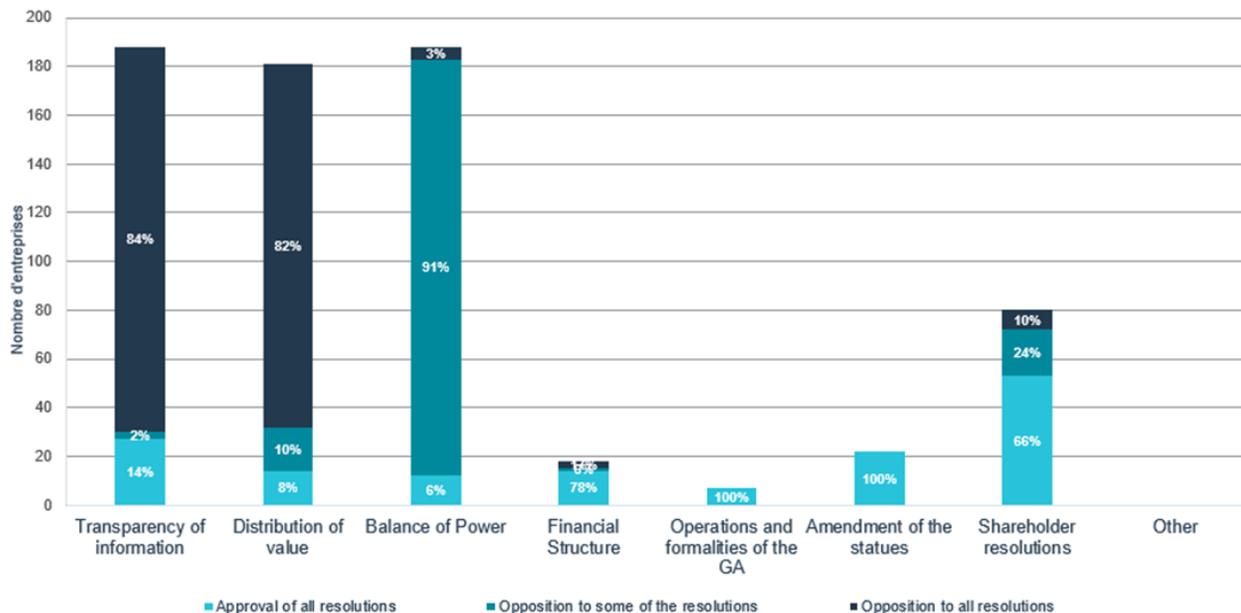
## EUROPE



Source: Mirova

## NORTH AMERICA

In North America, protest is stronger than in Europe, with 97% of assemblies having received at least one contested vote. The theme "Distribution of value" is highly contested in this particular market. Almost all companies were the subject of at least one opposition vote on this issue. This is linked to local practices, which do not systematically integrate CSR criteria into executive remuneration and to the lack of information on the employee remuneration, which prohibits the evaluation of the value distribution policy.



Source: Mirova

### **Voting Rights Transparency**

There is a platform on Mirova's website which details all Mirova's votes on resolutions presented at the general assemblies of companies held in its voting funds (not including dedicated funds). This platform is available to the public in compliance with the AMF general regulation (articles 319-21 et 321-132): <https://vds.issgovernance.com/vds/#/OTAyNg==/>

We partner with [Tumelo](#), a software platform that enables investment platforms and pension providers to engage investors by giving a transparent view of the companies they own and a shareholder voice on issues they care about. For certain, funds, we provide a voting record monthly to Tumelo, which is then shared to the underlying pension holders. The goal is to empower and provide investment transparency to the main street investor. We look forward to the development of this platform whereby we will be enabled to receive feedback on upcoming votes from the underlying investor.

### **Procedures for identifying, preventing, and managing conflicts of interest**

In general, an asset management company exercises voting rights solely in the general interest of its unitholders, irrespective of its own interests, and in compliance with its guiding principles. Mirova has introduced a procedure to prevent, identify, and manage potential conflicts of interest. To this end, should a conflict of interest arise between Mirova and one of its clients, the Head of Compliance Internal Control and Risks, in concert with the other members of the team responsible for the "exercise of voting rights" would decide on what steps to take. Should a member of the team responsible for the "exercise of voting rights" experience a conflict of interest regarding a vote, he/she should immediately notify the Head of Compliance, Internal Control and Risks and take no part in the vote concerned.

If exercising its voting rights for a given company exposes Mirova to a potent or actual conflict of interest, the Governance Research analyst will refer the matter to the Head of Compliance and Internal Control, who will decide on the appropriate measures to take, including the decision to participate or not in said company's general assembly.

To prevent conflict, the Research Team establishes a list of companies with probable risks, i.e., listed companies of the BPCE group and listed companies where top executives of BPCE group hold a directorship and/or an executive mandate. This list is updated annually and validated by Mirova's Compliance and Internal Control team. Companies on this list are then excluded from Mirova's voting universe.

### **Use and Oversight of Proxy Advisory Firms**

Mirova uses a proxy advisory firm to perform various proxy voting-related administrative services, such as ballot collection, vote processing and recordkeeping. The advisory firm is in direct contact with custodian banks, from which it receives, daily, a list of every position held for each portfolio within the Mirova voting universe. The votes for each account are registered on the voting platform.

Mirova also receives research reports and vote recommendations from multiple, international advisory firms. Ultimately, proxies are voted pursuant to our in-house guidelines and advisory firm material is one of many inputs to our final vote determination. For context, Mirova voted against management on approximately 43% of the resolutions we reviewed in 2022. Meanwhile, the ISS benchmark policy recommended votes against management for 10% of the resolutions reviewed in our voting universe. Thus, our approach to voting is quite differentiated from the advisory firm.

Both proxy advisory firms are subject to an annual vendor due diligence and to an annual audit of their performance. These reviews are done under the supervision of Mirova's Compliance and Internal Control team. In addition, on an annual basis, Mirova US compliance will review the Statement of Controls (SOC) 1 report 2 issued by Mirova's advisory firm conducting vote processing.

### **Securities Lending Policy**

Mirova does not engage in any security-lending activities.

## **Non-Listed Assets**

While our response to Principle 12 focuses mainly on the exercise of our rights for listed assets, as they remain the majority of Mirova's asset under management, we also exercise our rights for other assets classes accordingly.

Regarding non-listed assets, as of the publication of this document, the formalization of a voting policy applicable at a large scale is still under discussion as the exercise of our voting rights depends highly on the structure of the investee and of the financing. As our Private Equity activities are rather recent (with the first fund launched in 2021) the ways and means by which we exercise our rights is currently being considered.

Whenever Mirova is accountable as a large investor and is a member of the Board at such an investment, voting rights are exercised by a member of the investment team.

We recognize that voting rights on non-listed assets is only one means to foster impact (alongside, working day to day with the management team, and influence decision making processes), we have not yet produced a formal report on the topic. We aim to develop this shortly.

## Disclosure

### **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 a subsidiary of Natixis IM.

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### **Mirova UK Limited**

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Registered Office: Quality House, 5 -9 Quality Court, Chancery Lane, London WC2A 1HP

### **Mirova US LLC**

888 Boylston Street, Boston, MA 02199; Tel: 857-305-6333

Mirova US LLC (Mirova US) is a U.S. - based investment advisor that is wholly owned by Mirova. Mirova is operated in the US through Mirova US. Mirova US and Mirova entered into an agreement whereby Mirova provides Mirova US investment and research expertise, which Mirova US then combines with its own expertise, and services when providing advice to clients.

## Fundamental Differences Between the portfolio and the Index

The comparative scores provided in this report are intended for illustrative purposes only to demonstrate how Mirova's ESG methodology affects SDG (as defined below) impact scores after the stock selection process is completed, with the Index serving as a representation of the investable universe prior to the application of Mirova's ESG methodology. Accordingly, there are key differences between the SDG impact scores of the portfolio and the Index, as explained below.

As part of the Strategy, Mirova seeks to invest in (without limiting itself to) companies with a positive impact on the United Nations' Sustainable Development Goals (the "SDGs"), while avoiding companies whose activities or products have a negative impact on or create a risk to achieving the SDGs.

The determination of impact relative to the SDGs is based on analysis conducted by the Sustainable Research Team, which examines how companies meet the opportunities and manage the risks associated with the SDGs in order to help determine their viability and sustainability. The main outcome of this analysis is a qualitative "sustainability opinion" and an analysis of a company's main ESG opportunities and risks. The sustainability opinion is a qualitative assessment that results in a numerical output based on the levels of risk assigned by the analyst.

The analysis encompasses the entire life cycle of product development, from raw material extraction to consumer use and disposal, and focuses only on the most pertinent issues to each company. The sustainability opinion is focused on the company's achievement of the SDGs; this opinion is based on the merits of the individual company in question and is not relative to any peer group or sector. In addition to prioritizing companies assessed as having positive impact relative to the SDGs, Mirova integrates this analysis into its fundamental research and considers all of the 17 SDGs in the analysis where deemed material and relevant.

Mirova uses specialized ESG data and rating providers as primary sources for opinions and engagement recommendations. Such sources may be specialized in specific topics such as carbon data or biodiversity (for instance Carbone 4), or providers of broader ESG data (for instance ISS ESG, Bloomberg, etc.). Mirova also works with specialized consultants around specific topics such as gender equality. Mirova may not always use the data provided in its raw form and may make certain adjustments to the data based on certain factors prior to using the data in its analysis. Please see the notes below for more detail on when these adjustments are made.

The Index is included in this report because it is the broad-based securities market index chosen as the benchmark against which to measure the portfolio's actual performance. Unlike the portfolio, the Index's constituents are not chosen as a result of any

methodology or analysis applied by Mirova and are not chosen with any focus on the impact to SDGs. Rather, the Index's constituents are selected based on a purely quantitative index methodology as applied by the Index's provider. (See the Definitions section, below for more information) Accordingly, the comparative results shown in this report, which are derived from the application of the Sustainable Research Team's methodologies to both the portfolio's securities and the Index's constituent companies, will naturally show that the portfolio's securities have higher impact scores than the Index.

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The figures provided relate to previous years and Past performance is no indicator of future performance.

Performance figures are calculated net of management and running fees, included safekeeping fees and commissions.

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