

Mirova Global Sustainable Equity Strategy Impact Report 2022



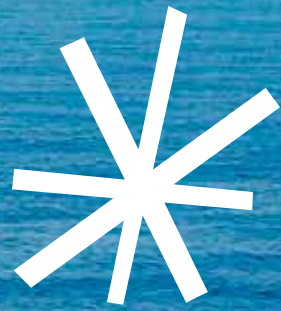
The Mirova Global Equity Strategy is exposed to risk of capital loss, counterparty risk, capitalization size of companies, emerging markets, global investing, changes in Laws and/or Tax Regimes, Financial derivatives, ESG Investing Risk & Methodological limits, Sustainability risks, Equity, Exchange rates, Portfolio concentration.



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FOREWORD



JENS PEERS, CFA*
CIO Mirova US



LOUISE SCHREIBER
Head of Sustainability Research -
Listed Markets

Reinforcing our convictions in light of an uncertain market environment

In 2022, we faced continued polarization of the ESG** landscape and headwinds coming from some market players. Investment product disclosure and other regulation aimed at bringing clarity to the space of sustainable investing and combatting greenwashing continued to be proposed or rolled out globally, with Europe at the forefront. However, we also witnessed increasing politicization of the topic of ESG, mainly in the U.S. where the "anti-woke" movement has gained momentum. At the end of the day, both movements are questioning and raising concerns about the credibility and integrity of the current ESG market. In this context, Mirova understands the necessity to advocate for an ambitious and robust definition of sustainable investing, and continues to seek positive environmental and/or social contribution from our investments alongside financial performance.

2022 proved to be a challenging year on many fronts, reinforcing the urgency to ensure financial stability of the system, to tackle climate change, and to restore social justice. Our portfolio decisions of 2022 reflected in part the challenges of the threat of recession, the continuation, albeit easing, of Covid impacts, rising inflation, the Russia/Ukraine war and other geopolitical tensions, and global supply chain issues. However, it is becoming increasingly imperative to understand and anticipate physical climate risks, highlighted by more frequent and severe natural disasters including devastating floodings, extreme heat, droughts, and wildfires in many parts of the world. Finally, with inequalities widening, the stability of western democracies is questioned, and social progress should remain a high-priority concern.

“We believe the challenging environment of 2022 should serve as a reminder of the importance of promoting a sustainable and fair economic model.”

As investors committed to reconciling long-term value creation and sustainable development, these issues are fully incorporated in our analysis and decision-making process. We believe the challenging environment of 2022 should serve as a reminder of the importance of promoting a sustainable and fair economic model. Therefore, despite this - in part because of this - increasingly complicated

backdrop, we have sought to enhance our sustainability methodology to aid in identifying new opportunities, and to address market drivers and mitigate risks, while generating greater impact. We also continued to work on the development of our methodology to quantify and better address the impact on biodiversity of our investments. In 2022, the topic of fair distribution of value and purchasing power has remained a priority in our

discussions with companies and influencing the way we vote at Annual General Meetings. As Mirova is aware of the necessity of cooperation to build a credible ESG market, we also provided thorough feedback for some of the U.S. Securities and Exchange Commission's (SEC) proposals seeking to structure the industry.

As investors on behalf of institutions and individuals globally, it is our duty to pause and reflect on the challenges and the opportunities of the last year, not only to evaluate our progress, but to identify potential areas of improvement. With this Impact Report for the strategy, we reinforce our approach to remain intentional and provide transparency on our ongoing efforts to achieve financial returns while contributing to sustainable development goals.

*CFA® and Chartered Financial Analyst® are registered trademarks owned by the CFA Institute. **Environmental, Social, Governance.

The information provided reflects Mirova's opinion / the situation as of the date of this document and are subject to change without notice.



Transition your portfolio into tomorrow

Team overview, philosophy and process

Team overview

The Strategy is managed by the experts of Mirova: Jens Peers, Hua Cheng and Soliane Varlet. They have an average of over 20 years' experience, and a robust track record in terms of strategy management and financial analysis. They also benefit from the expertise of the Sustainability Research Team, with 18 analysts. Within this team, Manon Salomez, is the ESG and Impact analyst supporting the Mirova Global Sustainable Equity Strategy.



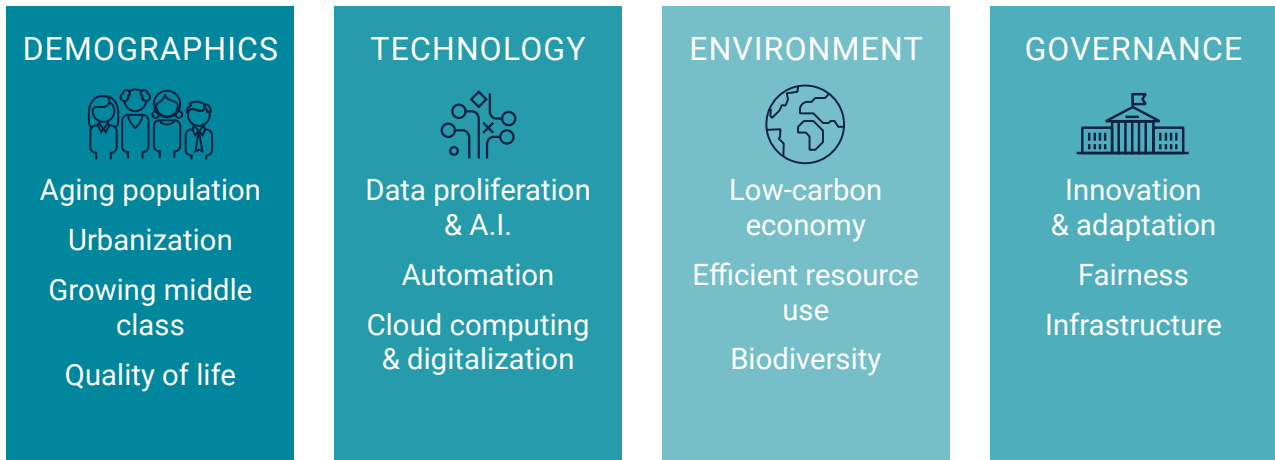
Investment philosophy

As a sustainability-driven asset manager, Mirova looks out over the next 10 years for trends that will take place regardless of cyclicalities within the global economy. Sea levels will continue to rise, natural sources of fresh water will continue to become scarcer, people will continue to live longer, and innovations in technology will continue to change the way the world interacts and conducts business. These trends, among others, create opportunity and risk; we want to invest in companies that are solution providers for the demands created by these transitions while avoiding companies whose business models are negatively exposed to these transitions.

Mirova's investment philosophy is based on the idea that four major transitions will shape the global economy: demographic, environmental, technological, and governance. Trends like population growth, urbanization, a rising middle class in emerging nations, an aging population, technological advancements such as AI and data proliferation, depletion of natural resources, climate change, and a changing financial system are the driving factors behind these major transitions. We believe that the markets systematically underappreciate the growth opportunities supported by these long-term secular trends and undervalue the risks related to poor sustainability practices.

* Jens Peers and Hua Cheng are contracted by Mirova and seconded to Mirova US. Mirova US and Mirova agreed on a participating affiliate agreement to provide investment advisory services to Mirova US and its clients, and are part of Mirova US compliance program.

MAJOR TRANSITIONS RESHAPING OUR WORLD



Investment process

BUILDING INTENTIONALLY SUSTAINABLE PORTFOLIOS THROUGH FOUR KEY STEPS

1. Thematic Assessment

Our investment process begins with a thematic assessment of the global universe of listed equities seeking companies that offer solutions for the major transitions reshaping the global economy.

2. Company Assessment

Integrating the detailed impact and ESG assessment of the Sustainability Research Team, we then apply detailed fundamental research to select companies that benefit from strong, sustainable competitive advantages, that have a solid financial structure and an excellent management team, and that avoid irresponsible risks.

3. Stock Valuation

Our team then translates the fundamentals of the company into a P&L¹ forecast over the next 3+ years, most frequently, over the next 5-10 years. Intrinsic value is typically calculated by a DCF approach² with valuation multiples. We only invest in a stock when it is trading at a discount of minimum 20%³ to its intrinsic value.

4. Portfolio Construction

Finally, we created a portfolio of 40-60 securities weighted based on upside potential, conviction, and liquidity. We strive to maximize exposure to companies with a positive impact on the SDGs⁴ while avoiding companies whose activities or processes have a negative impact. We believe that the outcome is a much better environmental and social profile than the broad market index. Furthermore, we commit to creating a portfolio consistent with a climate trajectory of less than 2°C, consistent with the objectives set forth in the Paris Agreement of 2015⁵.

Source: Mirova.

1. A profit and loss (or P&L) forecast is a projection of how much money you will bring in by selling products or services and how much profit you will make from these sales. 2. Discounted cash flow (DCF) is a valuation method used to estimate the value of an investment based on its expected future cash flows. DCF analysis attempts to figure out the value of an investment today, based on projections of how much money it will generate in the future. 3. Internal limits non-binding at the date of this document, subject to change by Mirova without prior notice. 4. Sustainable Development Goals. 5. Corresponds to the action plan put in place to respect the Paris Agreement, that is to say the increase that should not be exceeded for the average temperature of the planet between 1850 and 2100. Internal limits non-binding at the date of this document, subject to change by Mirova without prior notice. The carbon impact of investments (excluding Social impact and Natural Capital funds), is calculated using a proprietary methodology that may involve bias.

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Strategy overview

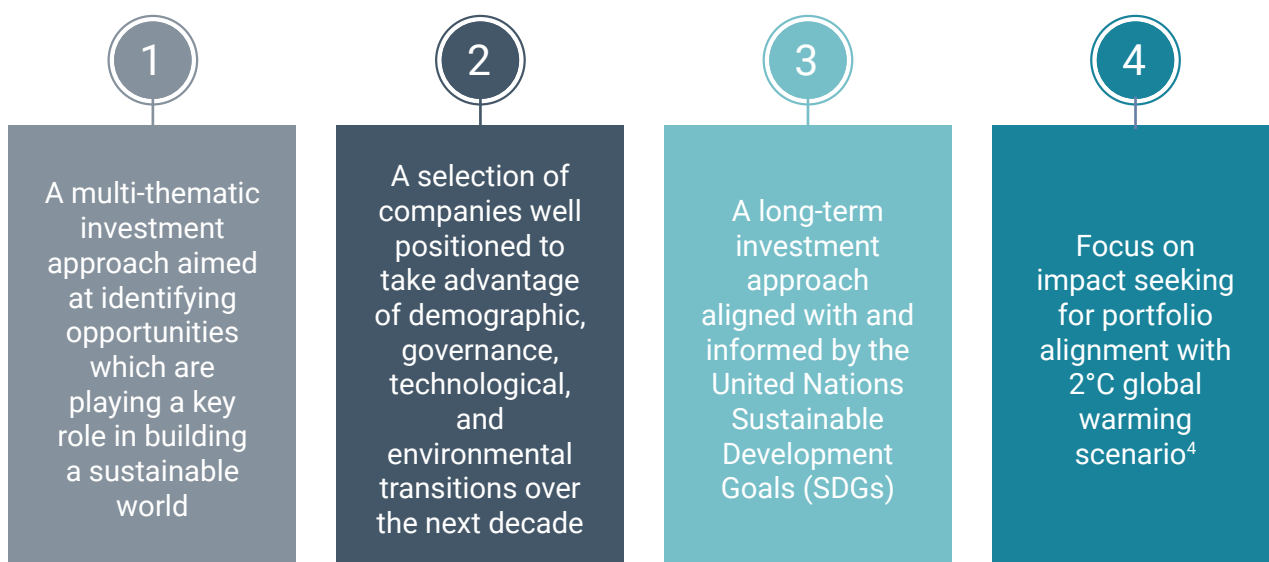
\$8.4
bn total
strategy
AUM

STRATEGY MAIN CHARACTERISTICS

Strategy Inception Date	October 31, 2013
Investment Objective	To outperform the MSCI World Net Total Return Index, through investments in companies whose activities are linked to sustainable investment themes, over a minimum recommended investment horizon of five years.
Recommended Investment Timeline	5 years
Number of holdings	~40-60 ¹
Weight of top 10 holdings	~35%-50% ¹
Geographic guidelines	Minimum 40% non-US ² , including up to 25% emerging markets ¹ Regional weights typically within +/- 10% of benchmark weights ¹
Market cap and style constraints	None; may invest in value or growth companies of any size
Sector guidelines	No GICS ³ sector constraints Maintains exposure to at least 6 of 8 sectors defined by Mirova

Portfolio Managers: **Jens Peers, CFA** – **Soliane Varlet** – **Hua Cheng, CFA, PhD**

KEY STRATEGY ATTRIBUTES



1. Internal limits non-binding at the date of this document, subject to change by Mirova without prior notice.

2. Not applicable to all vehicles.

3. The Global Industry Classification Standard (GICS) is a method for assigning companies to a specific economic sector and industry group that best defines its business operations.

4. Mirova aims, for all its investments, to propose portfolios consistent with a climate trajectory of less than 2°C defined in the Paris Agreements of 2015, and systematically displays the carbon impact of its investments (excluding Social impact and Natural Capital funds), calculated from a proprietary methodology that may involve biases.

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Key impact indicators



100% Sustainable investment¹

44 portfolio companies as of year-end

29 active engagements
during the year, 20 companies



Aligned with **<2°C** scenario²

Avoided emissions: 18 tCO₂ / million € company value

Induced emissions: 61 tCO₂ / million € company value



21% women in executive committees³



8% average yearly change in workforce⁴

1. The portfolio exclusively managed by Mirova/Mirova US are classified as "Article 9" portfolio under the EU Sustainable Finance Disclosure Regulation (SFDR). Under SFDR, an Article 9 portfolio must have "sustainable investment" (as defined under SFDR) as its objective.

2. Coverage for the strategy: 100%

3. Coverage for the strategy: 100%

4. Coverage for the strategy 2018-2021: 100%

Portfolio review and outlook

We believe that secular change is a powerful driver of investment returns over the long term.

As such, the portfolio invests in companies offering solutions to and/or expected to benefit from the demographic, technological, environmental and governance related transitions that are expected to transform the world's economies and societies during the next decade.

Integrating the in-depth sustainability analysis conducted by Mirova's Sustainability Research Team, we continue to focus on companies that also manage ESG risks well and contribute to the SDGs through their activities and/or practices. Progress toward the achievement of the SDGs is expected to deliver environmental and social gains while supporting sustainable economic growth. In fact, it is estimated that achieving the SDGs could "unlock economic opportunities worth at least US\$12 trillion a year by 2030 and generate up to 380 million jobs, mostly in developing countries".*

Geographically, the portfolio had a bias to Europe while being underweight the U.S., which is a result of bottom-up fundamental analysis as we have found more attractively priced securities outside of the U.S. given the outperformance of the U.S. markets since 2011. Our European exposure is quite diversified and, broadly speaking, the types of companies that we invest in tend to be very global in nature with regards to their revenue exposure, supply chains and production.

From a sector perspective, the portfolio had no exposure to the GICS Energy (oil & gas extraction) or Real Estate sectors and was underweight Communication Services and Financials, mainly driven by valuation (Real Estate) and the thematic and sustainability approach we take. As trends like the digitalization of our economy, which saw strong growth as a result of COVID-19, are expected to continue to grow strongly, and support for the health care sector is expected to show solid growth as a result of an aging population and continued focus on health and wellbeing, the portfolio remains overweight Technology and Health Care. Our underweight position in the Consumer Staples sector

is to some extent offset by an overweight position in Materials (mainly natural food ingredients). With many governments still committed to keeping global warming limited to a 2° Celsius scenario, we expect climate change to remain a driver of political debate, and the portfolio will continue to shy away from fossil fuel extraction in favor of renewables and companies focused on energy efficiency. The portfolio's overweight to the Utilities sector is driven partly by the conviction in the transition away from fossil fuels, which, if anything, was strengthened as a result of the Russia/Ukraine conflict as the need for Europe to move toward energy independence was reinforced and alternative energy will need to be a part of that. The passing of the Inflation Reduction Act in the U.S., at least in the near term, provides additional visibility on the growth of renewables and energy-efficient solutions.

We continue to prefer companies with strong balance sheets, solid management teams, and positive exposure to long-term secular trends. We made several adjustments to the portfolio during the year, and broadly believe the portfolio is comprised of high-quality companies with solid sustainability profiles that are well positioned to address long term secular trends and are trading at very attractive valuations.

Looking ahead, we are focusing on several trends we see strengthening or accelerating in the coming years. We are looking at opportunities related to trends around the rethinking of global supply chains as companies and regions seek to reduce dependence on countries with autocratic regimes as well as those with restrictive Covid policies; we believe companies exposed to transforming technological trends leading to increased efficiency and lower costs such as automation and process optimization will be well positioned in this context. Energy and energy security will continue to be a strong theme in 2023, with companies active in solutions for the low carbon energy transition and energy independence standing to benefit. We continue to see opportunities related to necessary products and services with few alternatives such as water treatment, health care and food production. Regarding food production and the broader food system, though, the negative impacts on biodiversity, for example, need to be better understood and incorporated in decision-making, hence our efforts to develop a methodology to measure companies' and portfolios' impact on biodiversity.

*Source: International Finance Corporation, Business & Sustainable Development Commission

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Sustainability research highlights

Developing our expertise and offering new innovations for our clients

2022 has been marked by several milestones and, driven by our culture of innovation, we have continually challenged ourselves to bring to the market thoughtful and relevant solutions.

In an increasingly complex and demanding environment, **we have recently enhanced our methodology** with the objectives of refining the tracking and measurement of the impact of our investments, reinforcing controversy risk management and ensuring we are in line with our own definition of sustainable investment as well as globally accepted definitions. The goal of these enhancements is to ensure our investment teams and, ultimately, our clients and partners, have access to the best possible sustainability research. We are confident that the enhancements made will assist with identifying new opportunities to address market drivers and mitigate risks, while generating greater impact. **Our fundamental principles of our philosophy and approach are, and will remain, unchanged.** As these enhancements were rolled out at year-end 2022, they are not reflected in this year's reporting. *More information on the methodology enhancements can be found on page 30 of this report.*

Engaging with companies has always been a key pillar of our approach and in 2022, we took the opportunity **to strengthen our process** to better identify successes, and the relevance and leverage for potential escalation. Committed to promoting and supporting the development of sustainable investment through the implementation of market frameworks to structure products aimed at sustainable investment and to combating greenwashing, Mirova 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 our filing of a comment letter addressing the SEC's proposed rules regarding enhanced disclosures by investment managers about ESG investment practices and fund names, we commended the SEC for addressing these topics but argued for increased alignment of its regulatory framework with those introduced by European regulators; we also asserted investors would benefit from even more rigor and clarity in the proposed product classifications and associated disclosure requirements, which would also better combat greenwashing.

During 2022, we also continued our work in **developing a data-driven methodology focused on companies' impact on biodiversity.** Going forward, with the help of improved risk and opportunity data and indicators both at the company and portfolio level, in addition to our qualitative analysis, we believe we will be able to identify and quantify additional opportunities in companies offering solutions to biodiversity loss, will be able to better manage and monitor biodiversity impacts at the portfolio level, and we will continue to assess the risks related to biodiversity loss both from a sustainability perspective as well as a financial perspective.



Impact on the achievement of the Sustainable Development Goals

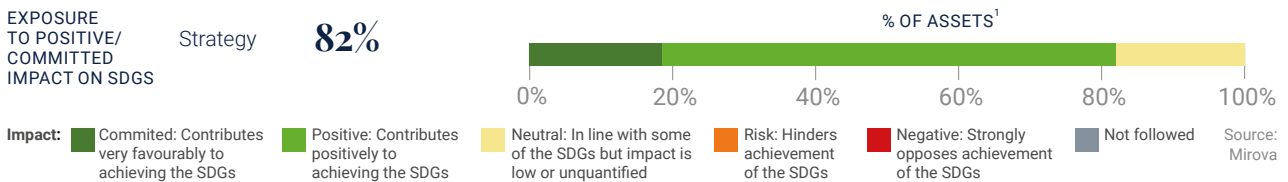
Our impact and ESG assessment principles

Mirova strives to invest only in companies considered as sustainable investments, in other words to invest in companies with a positive impact on the United Nations' Sustainable Development Goals (the "SDGs"), avoiding companies whose activities or products have a negative or negligible impact on achieving the SDGs.

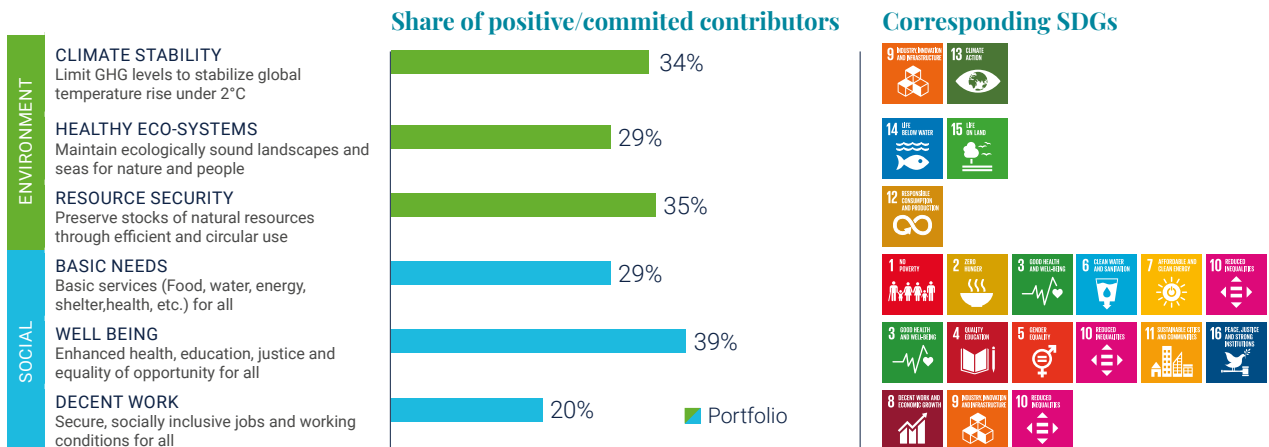
We have designed an Impact and ESG assessment framework that not only evaluates the financial consequences of ESG criteria but also seeks to report on the environmental and social impact of the assets in which we invest. To do so, we rely on an in-depth analysis of a company's entire life cycle, from the extraction of raw materials to products' end of life. In addition, as different players face vastly different challenges from one sector to another and issues can even vary significantly within a sector, criteria for analysis are adjusted to meet the specificities of each asset studied.

In September 2015, the SDGs were adopted unanimously by 193 heads of state and other leaders at a summit at the UN Headquarters in New York. The SDGs are a framework for companies so they can move towards a sustainability-driven business model. As for Mirova, we look for the impact of our companies: we use the SDGs for reporting and communicating about our positive impact.

Mirova Sustainability Opinion Breakdown as of 30/12/2022



Impact mapping to the SDGs



1. Cash and cash equivalent excluded. Source: Mirova.

The information provided reflects Mirova's opinion.

Demonstrating our approach

2022 portfolio additions

Mercedes-Benz Group AG

MIROVA OPINION: POSITIVE
CONTRIBUTES TO: CLIMATE STABILITY



Mercedes-Benz has established an **ambitious and credible electrification strategy to achieve 100% of sales from electric vehicles by 2030**, with an interim target of 50% by 2025. To deliver 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 intent 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** with 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 Supplier Sustainability Standards which focus 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 is a crucial principle 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 health & safety 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.

Edwards Lifesciences Corp

MIROVA OPINION: COMMITTED
CONTRIBUTES TO: WELLBEING



Edwards Lifesciences is a global leader in patient-focused **medical innovations for structural heart disease** and related critical care monitoring. It offers different types of artificial heart valves systems and products to replace patients' defective heart valves, surgeries which are clearly improving patients' life expectancies. Moreover, most of the products are **minimally invasive** which reduces risks related to surgery and recovery complications.

The company has implemented various relevant measures covering sustainability risks, such as product safety, business ethics, and to a lesser extent, environmental footprint. In the context of labor shortage, human capital management issues and the potential safety consequences have been under scrutiny. To ensure product safety, the company **frequently trains its sales force**, and shares best practices training for physicians, hospital executives, service line leaderships, nurses and clinical-based customers. In 2021, Edwards did not receive any Class I recalls.

Regarding business ethics, Edwards Lifesciences has developed a **comprehensive code of conduct** covering topics such as corruption, insider dealings and antitrust violations in detail. Furthermore, interactions with healthcare professionals are guided by the AdvaMed (The Advanced Medical Technology Association) Code of Ethics in the U.S. and EU and similar local codes in other countries. While the company operates certified environmental management systems, it seems much less concerned with environmental impacts related to its products.

The information provided reflects Mirova's opinion / the situation as of the date of this document and are subject to change without notice. For more information on our methodologies, please refer to our [Mirova website](#). [Source: Mirova analysis.](#) [This section details investments realized by Mirova in the framework of the portfolio shown in this presentation. 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.](#)

Engagement program

Mirova supports the idea that investors may influence market players to adopt more sustainable practices, not only through capital allocation decisions, but also through individual and collective engagement actions.

To achieve this objective, Mirova has defined an ambitious and proactive approach to engagement. Mirova's expertise allows us to use our influence in many different sectors to encourage corporate strategies in line with the SDGs. Mirova selects companies with whom to engage with 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.

100%
portfolio
companies
covered
by our
engagement
program in
2022

Source : Mirova

2022 Engagement priorities

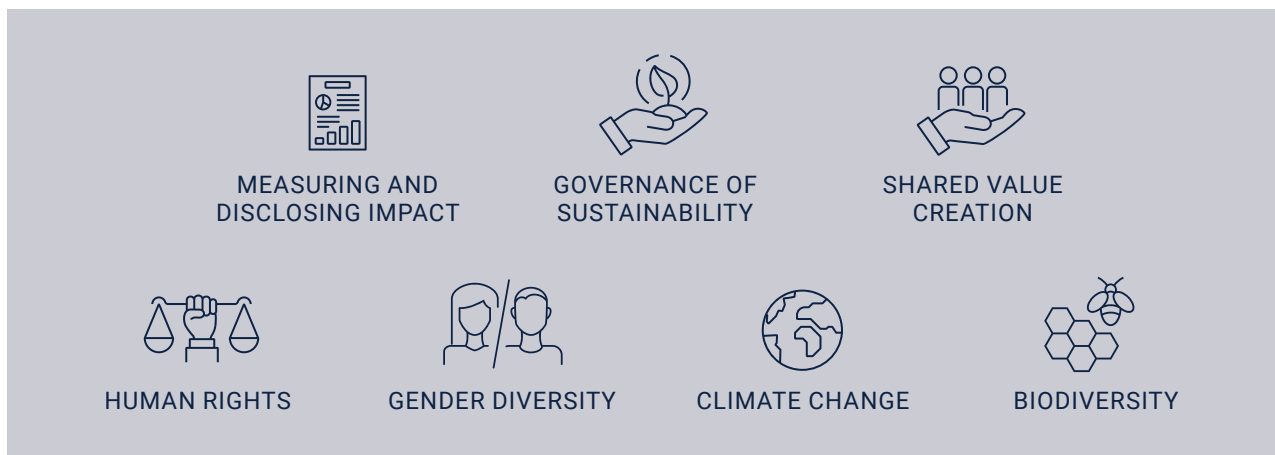
At the beginning of each year, Mirova shares its engagement priorities with all companies included in its portfolio. These priorities are updated every year by the Sustainability Research Team and apply to all companies across all sectors. Through these priorities, we reach and promote our vision with all companies at least once a year.

In addition to the thematic engagement driven by our engagement priorities, deepened, "active" engagement

actions are conducted during the year and are presented on the following page. We conduct a targeted engagement program whereby the Sustainability Research Team sets predetermined quantitative goals that we track and measure over time.

For more details on our engagement program and strategy, please visit: https://www.mirova.com/sites/default/files/2022-05/Mirova_engagement_priorities_2022.pdf

Thematic engagement priorities communicated to all portfolio companies

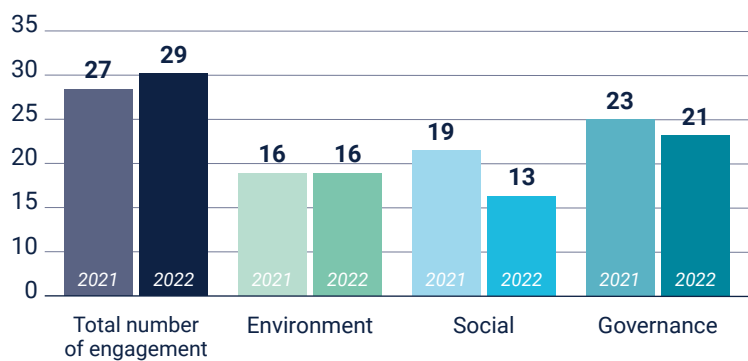


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2022 engagements statistics

In 2022, the total number of engagements was slightly up from 2021. During the year, we worked on strengthening our approach and improving our processes to identify, measure, and track positive outcomes of our engagements. The number of engagements per pillar (environmental, social and governance) is slightly lower than 2021 due to our decision to narrow the topics we address with each company to those most relevant and material for the company. We attach long-term goals to most of these active engagements, and the number of engagements we consider fully concluded is still limited. Mirova also leverages other types of engagements, such collaborative engagement with other asset managers and asset owners.

TOTAL NUMBER OF ACTIVE ENGAGEMENTS AND NUMBER OF ENGAGEMENTS PER PILLAR



Source: Mirova, 2022. Engagement with one company may include multiple topics and thus can fall in multiple categories.

29 active engagements representing

20 companies subject to active engagements

Source : Mirova

Engagement in motion

ENCOURAGING THE DEVELOPMENT OF A CIRCULAR VALUE CHAIN FOR WIND TURBINES: ORSTED

The promotion of a circular economy has been, and continues to be, an engagement priority for Mirova. Specifically, 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 these efforts, 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 has been involved in the DecomBlades research project to improve the recycling of blades. Yet, large and continuous investments are needed to solve 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 farms will start in the 2040s, the Orsted management team shared its urgency to develop solutions for end-of-life options.

PROMOTING INTERNAL DIVERSITY POLICIES: XYLEM

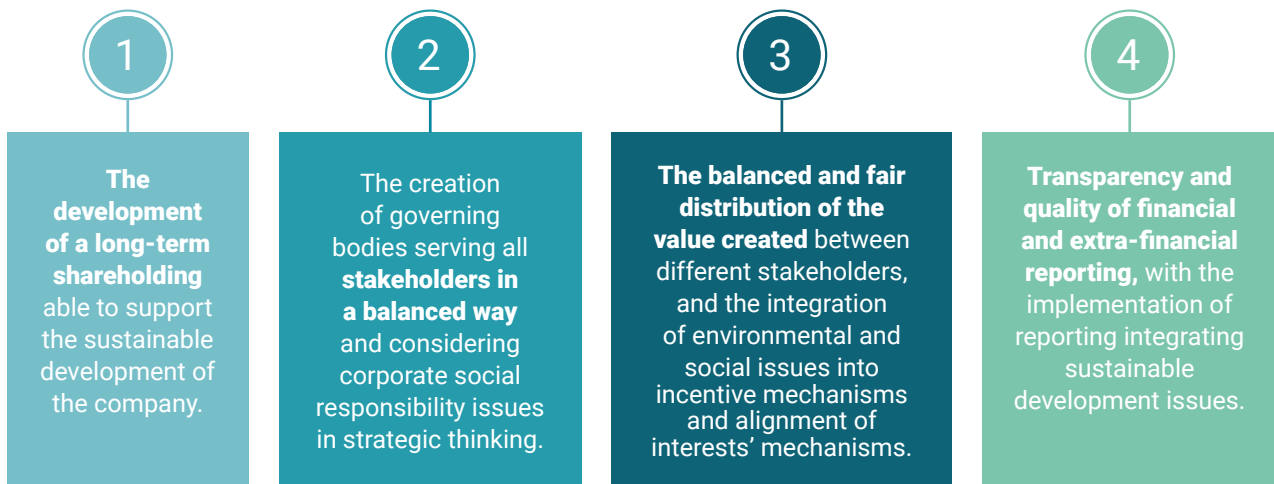
As part of Mirova's engagement priorities, we focus on the adoption of group-wide measures to improve diversity at every level, including management and executive levels. At Xylem, women represent 20% of the Executive Committee compared to 25% in the global workforce which illustrates that women can access high-level positions despite a limited share of women in the workforce. We initiated a dialogue with the company to be provided with more information on internal practices and to promote the implementation of ambitious Diversity and Inclusion policies. Xylem has demonstrated some best practices including the development of a D&I scorecard, in which they periodically track progress and hold management accountable. In terms of training, the company provided inclusive leadership workshops to 600 employees. In 2022, the company also provided unconscious bias trainings to 1,400 employees. We provided constructive feedback to the company, such as our expectations regarding transparency on the pay gap assessment and the action plan to address potential inequity in the company. Moreover, we welcome more transparency on D&I KPIs such as the internal promotion of women, turnover amongst women employees, and rates of return-to-work after pregnancy.

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Voting policy

To foster sustainable value creation for all stakeholders, Mirova has developed a voting policy in line with its responsible investment strategy. We believe that our voting decisions should consider the best interest of all stakeholders and reflect our vision that the concept of value creation should include long-term environmental and social issues.

FOUR PRINCIPLES GUIDE OUR VOTING DECISIONS:



Voting in motion

Mirova's voting policy was created as an extension of our investment philosophy, aligning it with our desire to invest in companies that promote sustainability at their core. Our voting policy has been designed to strategically target sustainability issues we feel most pressing at the company level. For example, we vote against certain members of the board where the female representation is below 40%. We also expect the board to have a key committee dedicated to sustainability and for the company to publish a sustainability report that is verified by an independent third party. We believe it is critical that the board, in all sectors, be highly competent in challenging management on the sus-

tainability strategy. Finally, we expect all executive compensation plans to contain a sustainability-related metric that is clearly defined and quantifiable.

Among the trends of the 2022 voting season, 'Say on Climate' continues to gather strength. While global investor consensus is still somewhat split, Mirova is deeply in favor of this opportunity for a company's shareholders. Each proposal is examined on a case-by-case basis by our Sustainability Research Team to assess the merits or risks of the stated plan. We look forward to seeing the initiative evolve from a trend today to a mainstay in what is considered good governance.

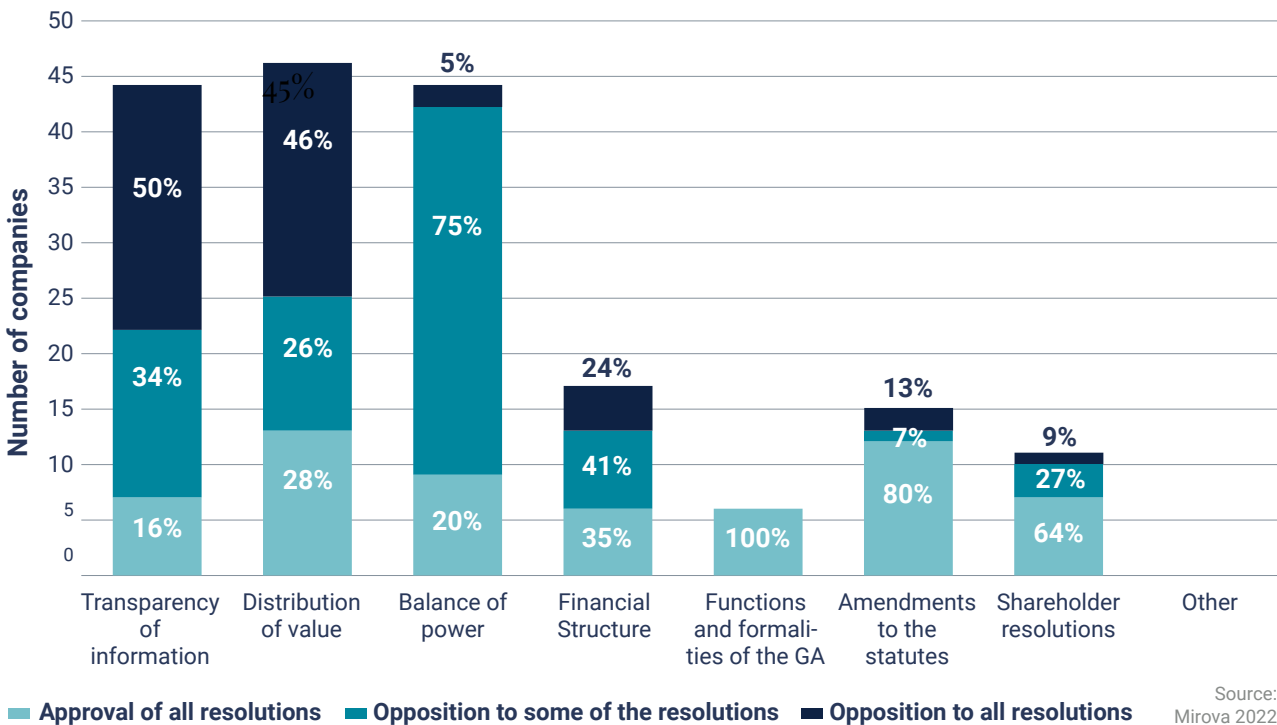
Mirova's voting and engagement policy is available on our website: <https://www.mirova.com/en/research/voting-and-engagement>. The information provided reflects Mirova's opinion and are subject to change without notice. For more information on our methodologies, please refer to our Mirova website: www.mirova.com/en/research. Transparency code are available on its website: www.mirova.com

2022 Voting statistics

Voted against
37%
of the resolutions
we were entitled to
vote on
96%
of the portfolio
companies received
at least one
opposition vote
Source : Mirova

- ▶ In 2022, we continue to have a **strong rate of voting against management's recommendation** with a relatively flat year-over-year fluctuation, reflecting in particular our focus on fair distribution of value and the quality of information provided by companies.
- ▶ **We voted against 80% of companies due to concerns with board composition** which included insufficient diversity and lack of employee representation.
- ▶ **We voted against nearly 70% of companies due to their executive compensation structure.** In particular, we do not support plans that contain stock options and expect well articulated CSR criteria as a metric.
- ▶ **We supported over 90% of the shareholder proposals we were entitled to vote at.** Our research team took note of the new trend of "anti-ESG" proposals in 2022 and we expect this to continue in 2023.

BREAKDOWN OF VOTES BY THEME IN 2022:



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Company case studies

Crédit Agricole S.A.

2022 portfolio addition



HUMAN CAPITAL MANAGEMENT

COMPANY SUMMARY:

Crédit Agricole is a French company providing retail, corporate, insurance, and investment banking products and services worldwide. The company's approach in terms of **human capital management** is relatively advanced and generates a positive contribution toward some of the SDGs. In terms of risk management, Crédit Agricole is performing well with regards to the **integration of environmental and social issues** within both its lending and investing activities. The company has made ambitious climate commitments to **align with the Paris agreement** and, although ambitious, details provided on the implementation of this objective regarding the financing of non-coal fossil fuel activities are limited. The company also played a significant role in the Green Bond markets and is among the banking companies promoting sustainability matters at a high level.

ESG & IMPACT FRAMEWORK:

Mirova's analysis of human capital management focuses on processes implemented by the company to provide **career development options** as well as advanced and **fair working conditions** including compensation, social dialogue, job security, skills development, work-life balance, and mental health support. A company can provide quality and fair working conditions to their direct employees but, taking into consideration supplier relations (e.g., partners, information providers, providers of goods and services), may also have a more indirect impact.

1. Source: Eurostat.

- ▶ **Key figures: 31 training hours per employee per year**
- ▶ **Sustainability opinion: Positive**
- ▶ **Transition: Demographics**
- ▶ **Positive contribution from ambitious employee training strategy**

COMPANY ASSESSMENT:

Crédit Agricole's practices on this issue are advanced. In 2022, the company provided training options for its entire workforce. For European companies on average, only 47%¹ of employees are provided with such options. In addition, Crédit Agricole reported an average of 31 training hours annually per employee, which is above Mirova's minimum expectation. These trainings are not limited to the compliance and risk management topics required by European regulation. The quality of the training approach lies in additional training options as the company created its own career development center, offering its employees the option to join relevant courses with regards to personal career development as well as courses to develop soft or hard skills and to remain in line with the shifting economic and technological environment. Finally, trainings are also provided on the topic of diversity, especially on nondiscrimination for leaders and employees involved in hiring, training, and career management, which is crucial in an industry traditionally struggling to attract women, mainly in investment banking.

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AGCO Corporation

2022 portfolio addition



BIODIVERSITY

COMPANY SUMMARY:

AGCO engages in the manufacturing and distribution of agricultural equipment and related replacement parts. AGCO contributes to sustainability goals through precision agriculture as a service solutions incentivizing farmers to turn to digital solutions while limiting investment risks. This should **improve farmer livelihood by reducing dependence on agrochemical inputs**. Additionally, its products support resource efficiency in agriculture and biodiversity enhancement thanks to precision planting solutions, digital grain storage monitoring and soil analysis. The company is mitigating intensive agriculture risks through engagement with farmers on soil health practices based on trainings and intensive research and development.

ESG & IMPACT FRAMEWORK:

Agricultural practices, which are the main use of land, and cause pollution from pesticides and climate warming gases from the excessive use of fertilizers, are by far the main cause of biodiversity loss. The fragmentation of ecosystems, climate change, and, more broadly, the widespread impacts of polluting waste from our various industries also contribute significantly to this erosion of life and ecosystem health. Mirova values **activities that help mitigate the various forms of pollution** and companies offering solutions to these challenges; for example, those promoting sustainable farming or fishing practices, or the development of regenerative agriculture, forest conservation and restoration.

COMPANY ASSESSMENT:

AGCO mainly offers tractors and replacement parts including **small-size tractors**, reducing soil compaction. AGCO also generates revenues from agriculture tools,

- ▶ **Key figures: 10% revenues from sustainable agriculture tools and services**
- ▶ **Sustainability opinion: Positive**
- ▶ **Transition: Environment**
- ▶ **Contributing to a transition of agriculture practices that support farmers' livelihood through virtuous practices**

including precision agriculture solutions for seed planting, supporting cereal-legumes intercropping contributing to increased resilience by limiting reliance on inorganic fertilizer and reducing nutrient runoff into rivers. Regarding commodities processing equipment, moisture sensors for grain storage tanks help to reduce the use of toxic post-harvest insecticides. Soil analysis tools support optimization of agro-ecological practices to improve soil conditions. As the entire portfolio of AGCO is not solely dedicated to sustainable agriculture, it is subject to detrimental environmental impacts of agriculture including GHG emissions, water pollution and biodiversity erosion induced by spread of fertilizers and pesticides. The company is mitigating these risks through **a clear commitment to soil health and animal welfare** based on development of new products from increased R&D efforts, training of farmers, and financing of a precision technology institute. Regarding the mitigation of its products' end-of-life impacts, the company is investing in remanufacturing capacity, thereby improving product lifespan and contributing to a more circular economy. Regarding diversity, the company, which currently displays low female participation in the workforce, just released an **ambitious target to achieve 25% female participation rate by 2030** through commitment to gender parity in recruitment, audit of recruitment practices, and career attractiveness groups.

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Verizon Communications Inc

2022 portfolio addition



ADVANCED CLIMATE STRATEGY

COMPANY SUMMARY:

Verizon is one of the largest communications technology companies in the world. Verizon offers voice, data and video services and solutions on its premier networks and platforms. Verizon's products and services do not provide direct sustainability solutions. However, the company has implemented comprehensive ESG policies and practices addressing its key risks and has an **ambitious climate strategy**, backed by credible actions that have already begun to show positive results across all scopes.

- ▶ **Key figures: 100% of electricity consumption sourced from renewables by 2030**
- ▶ **Sustainability opinion: Neutral**
- ▶ **Transition: Technology**
- ▶ **Positive contribution from advanced climate strategy**
- ▶ **Positive diversity performance**

ESG & IMPACT FRAMEWORK:

Mirova systematically analyses commitments made by a company to decarbonize its activities. While we are committed to an ambitious reallocation of capital towards companies that provide solutions to climate change issues, all companies have a role to play in mitigating climate change and limiting the rise in global temperatures to well below 2°C. Thus, we analyze the ambition of **carbon reduction targets on all three emissions scopes**, the underlying **roadmap** to meet these objectives and the reported performance against them, and we value companies with a robust and credible approach.

COMPANY ASSESSMENT:

Verizon has implemented a comprehensive climate strategy and set ambitious greenhouse gases emissions targets which have been approved by the Science-Based Targets Initiative. Verizon contributes to climate goals by focusing on **maximizing the energy efficiency** of its telecommunication networks and transitioning to renewable energy to make its activities less carbon intensive. The company helps in shifting local electrical grids to renewable energy by entering into **long-term renewable power purchase agreements**. However, the company could improve its transparency on KPIs related to the energy efficiency of its datacenters. Finally, the company also develops smart building, smart grid and smart transport solutions that can also contribute to reducing energy consumption.

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Top ten holdings as of 30/12/2022

NOVO NORDISK A/S

The majority of Novo Nordisk's product portfolio targets diabetes, a widespread disease which severely affects countries' overall health ratio and is also strengthening its positioning on obesity care. The company has implemented a robust sustainability risks management system and provides great transparency to ensure clinical trials are conducted in line with ethical standards. Regarding environmental aspects, the company has implemented a strategy to ultimately aim to have zero environmental impact across its value chain.

- ▶ **Portfolio weight: 4.90%**
- ▶ **Sustainability opinion: Committed**
- ▶ **Mirova sector: Health**
- ▶ **Associated transition and themes: Demographics, Medical needs**

Exposure to the UN SDGs



THERMO FISHER SCIENTIFIC INC

Thermo Fisher Scientific is the world leader in life science business, and specializes in laboratory products and services, life sciences solutions, specialty diagnostics and analytical instruments. The company's products generate significant environmental and social benefits fostering scientific research (notably in genomics research via its Next Generation Sequencing segment) for clients in the academic/public and healthcare sectors as well as by providing value-adding tools for analysis which also serve customers within food, agriculture and environmental sectors.

- ▶ **Portfolio weight: 4.80%**
- ▶ **Sustainability opinion: Positive**
- ▶ **Mirova sector: Health**
- ▶ **Associated transition and themes: Demographics, Medical needs**

Exposure to the UN SDGs



MASTERCARD INC

In cooperation with other companies and institutions, Mastercard supports initiatives that foster financial inclusion of marginalized groups. An increasing number of products are developed to support sustainable consumption patterns. Mastercard's commitment to tackle climate change and energy consumption in its operations is also strengthening. Finally, a detailed policy on data protection is put in place and several measures to ensure data protection and customer security are implemented.

- ▶ **Portfolio weight: 4.80%**
- ▶ **Sustainability opinion: Positive**
- ▶ **Mirova sector: Finance**
- ▶ **Associated transition and themes: Technology, Digitalization**

Exposure to the UN SDGs



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Top ten holdings as of 30/12/2022

MICROSOFT CORP

Microsoft develops some products and services with potential contribution to the achievement of one or more SDG but remains unable to materialize these impacts. Rather, the company contributes to the SDGs through their advanced human capital policies and practices, benefiting both their employees and suppliers, as well as through their active support to diversities.

Exposure to the UN SDGs



- ▶ **Portfolio weight: 4.40%**
- ▶ **Sustainability opinion: Positive**
- ▶ **Mirova sector: ICT**
- ▶ **Associated transition and themes: Technology, Digitalization**

EBAY INC

By offering a consumer-to-consumer e-commerce platform, the company's business model promotes the re-use of products and therefore a more sustainable way of consumption. Furthermore, the company adequately addresses social and environmental challenges related to its business activities.

Exposure to the UN SDGs



- ▶ **Portfolio weight: 4.40%**
- ▶ **Sustainability opinion: Positive**
- ▶ **Mirova sector: Consumption**
- ▶ **Associated transition and themes: Technology, Digitalization**

ROPER TECHNOLOGIES INC

The positive contribution of the company is generated by the development and manufacturing of products mainly ensuring the efficiency of healthcare services. With regards to ESG risk mitigation, the company's approach is very early stage. The decentralized organization has prevented the company to provide a clear ESG strategy, there are few policies available for all its businesses. While no controversies have been noted so far, areas for progress remain in monitoring environmental risks and social risks, both within its own workforce and suppliers.

Exposure to the UN SDGs



- ▶ **Portfolio weight: 3.40%**
- ▶ **Sustainability opinion: Neutral**
- ▶ **Mirova sector: ICT**
- ▶ **Associated transition and themes: Technology, Digitalization**

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Top ten holdings as of 30/12/2022

IBERDROLA SA

Iberdrola contributes significantly to the transition towards a low-carbon energy system and climate mitigation, as the company has become coal-free and continues to strongly build renewable capacities worldwide. The company further makes a clear effort to monitor, mitigate, and disclose meaningful information around its environmental and social risk management. The efficacy of its policies and procedures are generally evidenced by good performance on key indicators and quick adhesion of recent acquisitions to its policies, but exposure to highly negatively impactful projects may call into question how Iberdrola screens potential investments and/or insists on the application of its sustainability principles in a broader context.

- ▶ **Portfolio weight: 3.40%**
- ▶ **Sustainability opinion: Positive**
- ▶ **Mirova sector: Energy**
- ▶ **Associated transition and themes: Environment, Renewable Energy**

Exposure to the UN SDGs



ECOLAB INC

Ecoblab's activities contribute to resource security and wellbeing by providing solutions for increased water efficiency, waste processing, sanitation, and hygiene. The company's risk management is adequate and relatively robust, with appropriate policies in place and good performance around operational health and safety, as well as reducing the direct impacts of its operations.

- ▶ **Portfolio weight: 3.30%**
- ▶ **Sustainability opinion: Positive**
- ▶ **Mirova sector: Resources**
- ▶ **Associated transition and themes: Environment, Waste & Water**

Exposure to the UN SDGs

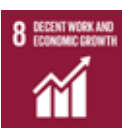


AIA GROUP LTD

The business model of AIA is centered on life and health insurance. The positive contribution is mainly driven by the policy around human capital management with advanced trainings strategy. As a financial sector company AIA has committed to NetZero emissions across their investments and operations. The company has made positive steps to integrate key frameworks as TCFD, SBTi and PRI.

- ▶ **Portfolio weight: 3.00%**
- ▶ **Sustainability opinion: Neutral**
- ▶ **Mirova sector: Finance**
- ▶ **Associated transition and themes: Demographics, Aging population**

Exposure to the UN SDGs



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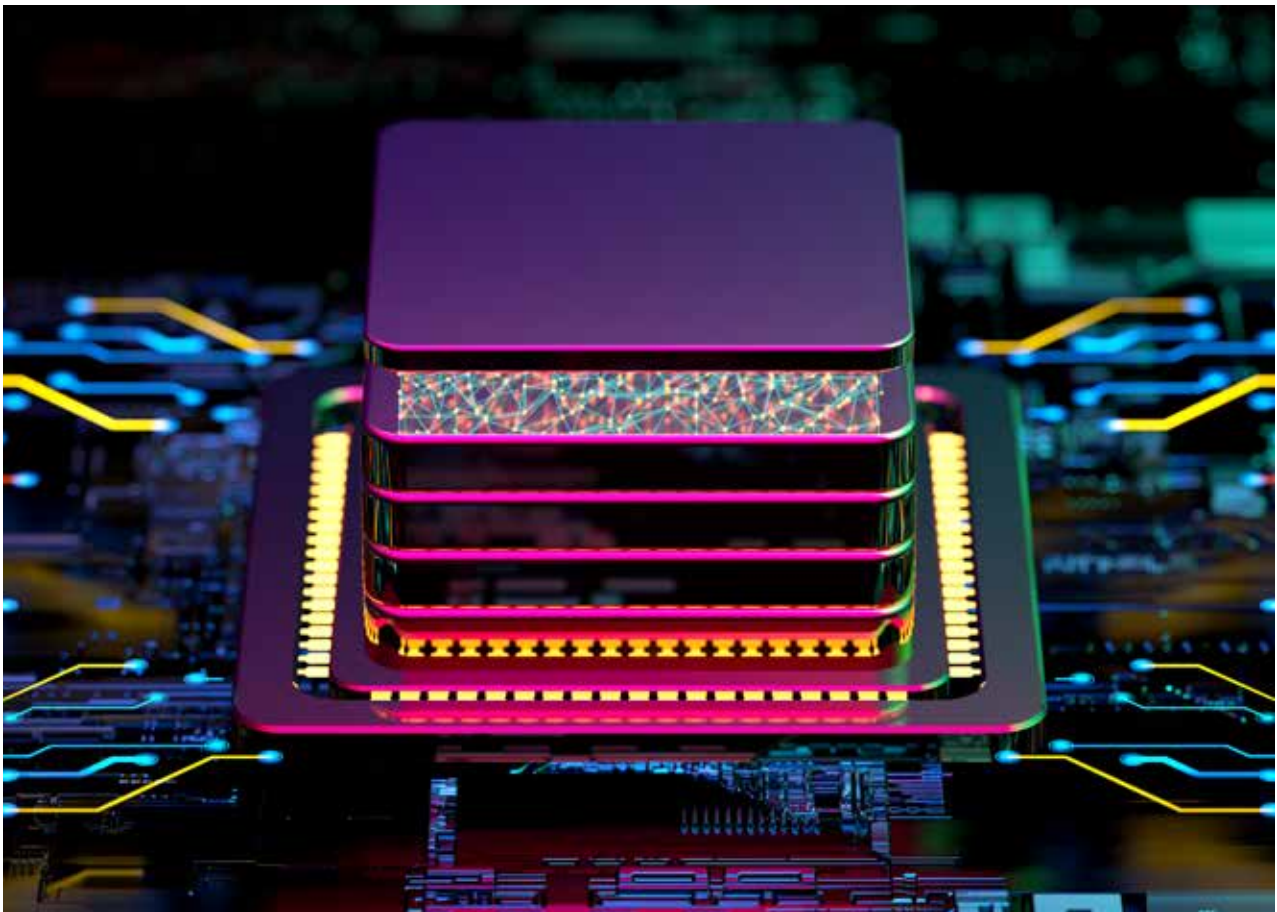
Top ten holdings as of 30/12/2022

VISA INC

The company's product portfolio does not contribute significantly to the achievement of global development goals. Nevertheless, the company has taken adequate steps to ensure information security and the security of its payment processes. Challenges concerning the environmental impact of its data centre activities are addressed only to some extent. The company's contribution is driven by advanced diversity practice with women representing more than 30% of the executive committee. The company is committed to foster an inclusive working environment: with trainings, pay equity, quarterly diversity metrics dashboard.

- ▶ **Portfolio weight: 3.00%**
- ▶ **Sustainability opinion: Neutral**
- ▶ **Mirova sector: Finance**
- ▶ **Associated transition and themes: Technology, Digitalization**

Exposure to the UN SDGs



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2022 impact and ESG assessment methodology enhancements

Enhancements implemented at year-end 2022, effective for 2023 reporting period

Mirova's proprietary internal research methodology is used to rate companies on a proprietary sustainability scale that helps to define the investment universes of Mirova's strategies. In an increasingly complex and demanding environment, we have recently enhanced our methodology with 3 main objectives to:

- ▶ **refine the tracking and measurement of the impact of our investments**
- ▶ **reinforce controversy risk management**
- ▶ **ensure we are in line with our own definition of sustainable investment as well as globally accepted definitions.**

As a natural evolution over the years, driven in part by a growing maturity of companies with regard to environmental, social, and governance (ESG) topics and expectations of investors and regulators, we are confident that the enhancements provide greater transparency of our approach and assist with identifying new opportunities to address market drivers and mitigate risks, while generating greater sustainable impact. The philosophy and the fundamental principles of our approach are, and will remain, unchanged.

What are the enhancements?

Until the end of 2022, our approach in simple terms:

- ▶ assessed companies' activities (products/services) on the one hand, aiming to understand whether those activities were contributing or on the contrary obstructing the SDGs.
- ▶ assessed companies' practices (e.g., companies' actions) on the other hand, aiming to understand ESG risk stemming from the manufacturing, marketing and end of life of the products/services and what the companies were implementing to limit those risks.

In our enhanced approach, we are now breaking the silos between activities and practices and transitioning towards a transversal model that focuses on the identification of "positive impacts" (contribution to the achievement of the United Nations Sustainable Development Goals (SDGs)) and "residual ESG Risks" (obstruction of the SDGs) through activities and/or practices.

Notably, we now take a more systematic approach to a)

considering positive impacts through advanced practices, in addition to activities, and b) monitoring controversies. As a result, our Sustainability Opinion scale has been modified to reflect the nature and the extent of the impact; companies are now rated on a scale from "Negative Impact" to "High Positive Impact":

- ▶ If significant harm is proven or likely: companies are rated 'Negative Impact' regardless of positive impacts that may be generated and are not eligible for investment (this does not change);
- ▶ Companies generating insignificant positive and negative impacts are deemed as having 'Negligible Impact' and will not be eligible for investment, as we aim to only invest in companies that contribute to one or more SDGs. Consequently, the concept of "Neutral" companies is no longer part of our approach;
- ▶ Companies doing no significant harm and delivering some levels of positive impact are assessed as Low, Medium or High Positive Impact according to the extent of their contribution to the SDGs. These are the only companies eligible for investment.

Why did Mirova make these enhancements?

The enhancements to our methodology are a natural evolution of our approach and the implementation of our philosophy remains unchanged. Developed almost 10 years ago, the approach of analyzing ESG risk and opportunities has become a norm in most markets. We have always sought to lead the industry and to push for progress and increased clarity when it comes to our ESG research. This includes continual evaluation of our own approach over time and may lead to enhancements as new information becomes available to us, and as our convictions become clearer.

- ▶ For more information about our methodologies, please refer to our Mirova website www.mirova.com/en/research/demonstrating-impact.

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Definition and disclosure

Estimated impact on global average increase of temperature (in C°) and carbon impact measurement (induced and avoided emissions in tons of CO₂/company value)

For all of its investments, Mirova aims to offer portfolios that are aligned with a climate trajectory below 2°C maximum as defined in the 2015 Paris agreements, and systematically presents the carbon impact of its investments (excluding social impact and Natural Capital funds), calculated using a proprietary methodology that can include biases.

In 2015, Mirova and Carbone 4 jointly developed a method which assesses carbon data in view of the specific challenges facing a low carbon economy: Carbon Impact Analytics (CIA).

Companies are initially assessed individually according to a specific sector framework. This method focuses on two main indicators:

- ▶ «induced» emissions arising from the « lifecycle » of a company's activities, taking into account both direct emissions and those of suppliers and products.
- ▶ «avoided» emissions due to improvements in energy efficiency or «green » solutions.

These indicators are enhanced with an assessment of corporate policies and decarbonisation targets.

Individual company assessments are then used to calculate the strategy's alignment with a global warming pathway of 1.5°C to 5°C by 2100.

For more information on our methodologies, please refer to the Mirova Demonstrating Impact section of our website¹.

Difference with the index: as Mirova seeks to align its portfolio with a 2°C maximum global warming scenario, the portfolio managers look for companies with low induced emissions and high avoided emissions levels. The Index is not constructed to consider a 2°C maximum global warming scenario. Rather, the Index's constituents are selected to measure and capture markets as they exist today, without applying ESG related impact measures². Accordingly, the portfolio will generally be more aligned with a 2°C maximum global warming scenario.

Gender equality

The women in executive committee's metric represents the weighted average percentage of women in the executive committee for the companies in the strategy/index. Mirova collects publicly available data on the number of women in the executive committee for each holding in its portfolios and relevant indexes. Mirova collects this data via data plat-

forms (e.g., Bloomberg) or companies' public annual reports when the data is not available via its data platforms. The data collected is used to calculate a percentage of women in the executive committee for each company, which is then aggregated at the strategy/index level by calculating a weighted average of all holdings in the strategy/index using the percentage of women in the executive committee for each company and each company's weight in the strategy/index.

The coverage rate represents the percentage of holdings (by weight) in the strategy/index with available data on this metric.

Difference with the index: Mirova seeks to invest in companies with strong ESG related policies, including gender diversity. That is not necessarily the case for the index.

Employment

The average yearly change in workforce metric represents a weighted average yearly percentage change in the size of the workforce for the companies in the strategy/index for the past three years. Mirova collects publicly available data on the workforce (number of employees) for each company in its strategy/index for each of the last three years. Mirova collects this information via data platforms (e.g., Bloomberg) or companies' public annual reports or direct dialogue with companies when the data is not available via its data platforms. The data collected is used to calculate the average annual percentage change in the company's workforce for the past three years. The data is then aggregated at the strategy/index level by calculating a weighted average using the 3-year annual average change in the size of each company's workforce and each company's weight in the strategy/index.

The coverage rate represents the percentage of holdings (by weight) in the portfolio/index with available data on this metric.

Aggregation at strategy/index level takes place through a weighted average of companies' average yearly change in workforce and their weight in the strategy/index.

Difference with the index: Mirova seeks to invest in companies with strong ESG related policies, including employment. That is not necessarily the case for the index.

1. www.mirova.com/en/research/demonstrating-impact
2. https://www.mirova.com/sites/default/files/2023-01/our-approach-to-esg-assessment_2023.pdf

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Strategy risks

Liquidity risk

Liquidity risk represents the price reduction which the UCITS should potentially accept to have to sell certain securities for which there is one insufficient request on the market.

Sustainability risk

The Strategy is subject to sustainability risks as defined in the Regulation 2019/2088 (article 2(22)) by environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. More information on the framework related to the incorporation of sustainability risks can be found on the website of the Management Company and the Delegated Investment Manager.

ESG Investing Methodological Limits

- By using ESG criteria in the investment policy, the relevant Strategy's objective would in particular be to better manage sustainability risk. ESG criteria may be generated using the Delegated Investment Manager's proprietary models, third party models and data or a combination of both. The assessment criteria may change over time or vary depending on the sector or industry in which the relevant issuer operates. Applying ESG criteria to the investment process may lead the Delegated Investment Manager to invest in or exclude securities for non-financial reasons, irrespective of 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 the Delegated Investment Manager may incorrectly assess a security or issuer, resulting in the incorrect direct or indirect inclusion or exclusion of a security in the portfolio of a Strategy.

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The specific risks of investing in Mirova Global Sustainable Equity Strategy are linked to: Capital loss, Financial Derivatives Instruments, Equity securities, Counterparty Risk, Global Investing, Exchange rates, ESG Driven Investments, Changes in laws and/or tax regimes, Portfolio concentration, Small and Mid and Large Capitalization Companies, Emerging markets, sustainability risk. For more information, please refer to the prospectus on the strategy available at MIROVA. You can obtain it on simple request or on the website www.mirova.com.

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2022

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