



# Mirova's 2024 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 2023.*

## Introduction

Mirova is a conviction-based asset management company with over 30 years of experience entirely dedicated to sustainable investing. They develop innovative investment solutions for retail and institutional investors to accelerate the transformation of the economy towards a sustainable model. Mirova offers a full array of investment solutions: sustainable and thematic listed equities, private equity, sustainable and thematic fixed income, Energy Transition Infrastructure, Natural Capital, impact investing as well as engagement and voting services.

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's talents have been pioneers 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 United Kingdom, through Mirova UK Limited, in the U.S. through Mirova U.S. Holdings LLC ("Mirova US"). We also have a presence in Luxembourg, Singapore and Nairobi.

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.

Mirova manages over EUR 29.7 billion of assets under management (as 31 December 2023) and brings together nearly 230 multi-disciplinary experts, specialists in thematic investment management, engineers, financial and ESG analysts, specialists and experts in socially conscious finance and project financing.

## Setting the example

Our societal role as a management company goes beyond fiduciary responsibility: it is part of a desire for profound transformation of the economy towards a fairer and more sustainable world and that this must take place first and foremost voluntarily at the level of each organization. We are therefore committed to being exemplary and consistent with the standards we defend. Our ambition is to be part of the models in our sector and to promote best practices, aligned with our leadership positioning, on the theme of responsibility.

Mirova is a "mission-led", [B Corp](#)<sup>TM1</sup> certified company, and in compliance 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.

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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](#)



## 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>TM2</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 6,000 companies in more than 80 countries<sup>3</sup>, the B Corp<sup>TM2</sup> 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>4</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 2023, women represented 51% of Mirova's workforce, 44% of its executive management, 41% of the portfolio management team and 33% of the board of directors. At Mirova, twenty-one nationalities from five continents are represented. Our code of conduct provides strict policies against discrimination.

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

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<sup>2</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>3</sup> As of May 2024. Please refer to BCORP website : <https://www.bcorporation.net/en-us/faqs/how-many-certified-b-corps-are-there-around-world/>

<sup>4</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.

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. Twenty-one nationalities from five continents are represented. As of 31 December 2023, women represented 51% of Mirova's workforce, 44% of its executive management, 41% of the portfolio management team and 33% 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 CEOs (Guillaume Abel and Anne-Laurence Roucher) are assisted by a Management Committee.

The Management Committee is composed of senior members of the firm including:

- CEO of Mirova
- Deputy CEO of Mirova and Global Head of Development, Operations, ESG Research, Finance, Risks, Legal, Compliance and Communication
- Deputy CEO and Head of Capital Natural & Private Equity Management
- Global Head of Listed Assets Management
- Head of Human Resources, Culture and CSR
- CEO of Mirova US and Head of Development
- Head of ESG Research
- Head of Sustainable Listed Assets
- Head of Energy Transition Funds

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 also is also tasked with guiding 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 Management 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 bi-weekly.

**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, and risk management. The team, presently, is comprised of the CEO, CIO, CFO and CCO and meets informally two times per month and additionally as needed.

**Mirova Investment Committee:** meets weekly, formally, and as necessary to discuss investment topics such as portfolio construction, valuation of stocks on watch list, and portfolio positions. New stocks are also presented and there is always at least one Portfolio Manager in attendance. In addition, portfolio management members at Mirova UK meet weekly on average to discuss portfolio management.

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

**Additional:**




















- Voting Committee, which is composed of Mirova's Chief Investment Officers, Global Head of Research and Global Head of Listed Assets. 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 UK and Mirova US.

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

Mirova relies on over 230 employees with multidisciplinary expertise in different asset classes, with EUR 29.7 billion in assets under management as of 31 December 2023. All investment professionals in the organization are considered ESG specialists however, Mirova's **in-house Sustainability Research (SR) team**, comprised of over **20 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 Management Committee.

The team is based in Paris, London, and Boston, 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.

## Dedicated Impact & ESG specialists with complementary expertise

 <b>Mathilde Dufour</b> Head of sustainability research	 <b>Louise Schreiber</b> Head of sustainability research - listed markets	 <b>Gabrielle Ferhat</b> Information and Communication Technologies	 <b>Felipe Gordillo</b> Finance and sustainability bonds	 <b>Lindsey Apple**</b> Proxy voting and engagement
	 <b>Sarah Maillard</b> Head of sustainability research - private markets	 <b>Hadrien Gaudin-Hamama</b> Resources and biodiversity	 <b>Manon Salomez**</b> Healthcare and decent work	 <b>Louis Wuyam</b> Sustainability bonds
 <b>Camille Barré</b> Mobility and diversity		Recruitment in process Energy and climate change		 <b>Mathilde Krief</b> ESG Data Specialist
		 <b>Corinna Hornwall***</b> Renewable energy in emerging markets	 <b>Amandine Carrage</b> Conservation and restoration	 <b>Antoine Fabre</b> Impact & ESG analyst
		 <b>Eva L'Homme</b> Energy transition infrastructures	 <b>Xavier Collet</b> Sustainable land use and agriculture	 <b>Kevin Whittington-Jones*</b> Sustainable ocean use and forestry
		 <b>Kenza Lahbabi</b> Environmental Technologies	 <b>Noreen Olova***</b> Impact & ESG analyst	Recruitment in process Sustainable Ocean Fund

The research team is composed of people from Mirova and its affiliates \*Mirova UK Ltd and \*\*Mirova US. \*\*\*Mirova Sunfunder East Africa, based in Nairobi. **The information provided reflects the situation as of the date of this document and is subject to change without notice.** Source: Mirova

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 fundamental research utilizes 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**

Mirova's research teams rely on various information sources for implementation.

Mirova's Sustainability Research team has developed a proprietary internal research methodology and uses diverse and complementary resources for its implementation, including:

- Publicly available data: corporate annual reports/sustainable development reports, university research, NGO reports, press, etc.
- Regular exchanges with the different stakeholders: companies, trade unions, NGOs, scientific community etc.
- External research: ESG rating agencies such as ISS ESG for sustainable development analysis and Carbone 4 for carbon impact. We have set up partnerships with all these data providers, in order to develop "bottom-up" research based on Mirova's approach.

Mirova also uses carbon footprint data from Carbone 4, whereas ISS ESG provides Mirova with additional quantitative data around ESG indicators (e.g., water use, board composition, women in leadership, revenues on controversial activities, screening data for cluster munitions and anti-personnel mines, etc.) External provider TruValueLabs is used to monitor the occurrence of controversies on a daily basis.

Mirova's Fundamental Equity Analysts rely on a variety of external data sources, and interact continuously to enrich investment ideas. These include:

- Research and recommendations from external financial analysts
- Company meetings
- Analysis of sector or theme reports
- Databases: Bloomberg, Factset, and Capital IQ for business model and financial data. These platforms bring together various types of information, such as price data, company accounting and financial data, market transaction statistics, broker research, financial news, etc.
- Quantitative screening tools provided by external analysts.

Data from all aforementioned sources are assembled into OCTAVE tool in order to facilitate their integration into the impact and fundamental analyses.

All external sources are double-checked and cross-referenced with our internal views.

Mirova has developed its own research framework and only relies on outside research for data gathering and comparison purposes.

Information on specific metrics applied to each industry sector are available on Mirova's website at: <https://www.mirova.com/en/research/understand>



## TRAINING

Mirova has implemented specific, individual, and collective ESG training that can be offered according to the needs of the different teams. As a mission-driven company, developing the expertise of our employees is one of the five statutory objectives that Mirova set: “Cultivating and developing our social and environmental expertise”. As such, Mirova’s employees are encouraged to take training in the field of CSR and / or ESG both for the improvement of skills that will be mobilizable in the context of their professional activity, as well as to allow us to collectively achieve our internal objectives in terms of controlling our direct environmental and social impacts (reducing our carbon footprint, reinforce diversity and inclusion within the workforce, etc.).

We make sure to continue our efforts to train all Mirova staff, both investment teams and support teams, on all our investment themes as well as on topics more related to our direct impacts (CSR corporate). Through the learning hub, the Natixis training platform, employees have access to a series of training courses on CSR in the broadest sense and more particularly on diversity and inclusion, thus contributing to the development and strengthening of our internal collective (gender bias and stereotypes, intercultural training, integration of people with disabilities, etc.). The realization of this type of modules is encouraged through a bonus system in the amount of the annual incentive (French perimeter), proportional to the number of employees who follow the eligible training in the field of CSR.

Mirova organizes the preparation for the CFA exam “Investing in ESG” and finances it to all volunteer employees, allowing about twelve of them each year to develop their knowledge of responsible investment and sustainable finance.

Moreover, we regularly invite all our employees to participate in workshops directly connected to our investment strategies (climate, biodiversity, ocean, mobility, sexism, 2-ton workshops, etc.) to familiarize them with different Mirova business themes.

In 2023 and for the first time, Mirova organized the “Mission Fortnight” (trainings organized in this framework are in bold in the table below), which was the opportunity to discover or rediscover some of the key issues of the ecological and solidarity transition, to strengthen the collective’s expertise and to create moments of exchange between employees.

CSR/ESG training	Number (Mirova) as of 2023
ESG CFA (remote + face-to-face) 2022 + 2023	24
Cross cultural awareness	3
Cultivating your balance on a daily basis	7
Become workshop facilitator 2 tons	3
D&I (webinar)	2
Inclusive leadership	22
Mirova Sustainable Finance	48
Disability awareness Made in TH	76
Ostrum AWM – D&I workshop	2
<b>“One year” of the D&amp;I Committee (a corporate event that raised awareness of D&amp;I issues in general and was introduced by an intervention by Maxime Ruzniewski)</b>	70+
<b>Gabriel Zucman intervention (ESG issues related to tax evasion)</b>	50+
<b>Fresco of Sexism</b>	6
<b>Workshop 2Tonnes</b>	33
<b>Oceane fresco</b>	5
<b>Climate Fresco</b>	10
<b>Fresco of Mobility</b>	5
<b>Fresco of the Forest</b>	4

Source: Mirova

## **INCENTIVES**

The Mirova integration of sustainability risks into remuneration policy which can be viewed in its full form via Mirova's 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 reasonably 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, as well as support for 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**

When constructing portfolios, Mirova has developed a proprietary methodology to assess the extent to which the investment contributes to the achievement of the United Nations Sustainable Development Goals (SDGs) and can be considered a "sustainable investment". These are entities that contribute to the achievement of one or more of the SDGs through their activities (i.e., their products or services) and/or practices (i.e., the management of their operations), and that demonstrate sufficient capacity to mitigate their environmental, social, and governance risks across their sphere of influence.

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, from Negative to High positive impact and makes it possible for us to determine whether the asset is consistent with achieving the SDGs.<sup>5</sup>

Mirova only invests in assets rated as “Positive Impact” (low positive, moderate positive and high positive impact) and does not invest in assets rated at “Negative Impact” or “Negligible Impact.”<sup>6</sup> This approach complies with the definition of “sustainable investment” per the European SFDR regulation<sup>7</sup>, covering all three aspects of positive contribution, DNSH (Do not Significant Harm) and good governance. It ensures a robust integration of sustainability risks in all investment processes and limits the potential negative impact of these investments. It also guarantees that Mirova's strategies meet the criteria for ‘significantly engaging’ as defined under AMF recommendation DOC-2020-03<sup>8</sup>.

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 “Negative Impact” or “Negligible Impact”. In the event where a stock in the portfolio were to be downgraded by our Sustainable Research Team, it would be divested. Portfolio Managers endeavour to maximise the share of stocks rated Positive Impact 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.<sup>9</sup>

Below are some examples of stocks that we replace due to ESG considerations<sup>10</sup>: Telefonaktiebolaget LM Ericsson provides information and communications technology solutions for networks, IT and cloud, and media markets worldwide. The Department of Justice (DoJ) accused the company of engaging in a long-running scheme to violate the Foreign Corrupt Practices Act (FCPA) by paying bribes, falsifying books and records, and failing to implement reasonable internal accounting controls in multiple countries including in Iraq. More specifically, Ericsson failed to report and transparency around its business activities in Iraq. In 2022, we contacted the company to request additional information surrounding a recent controversy related to bribery, fraud and potentially financing of terrorism in Iraq. The objective of the engagement was to clarify the corrective measures have been implemented, the reasons why the company refused to cooperate and increase transparency specifically in higher-risk industries. Overtime, we have increased the risk level of the company due to this controversy. As the company remained non-responsive to our engagement attempts, it has been downgraded and is therefore being ousted from Mirova portfolios.

<sup>5</sup> 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.

<sup>6</sup> The information provided reflects Mirova's opinion/the situation as the date of this document and is subject to change without prior notice. For more information about our methodology, please refer to our website : [www.mirova.com/fr/recherche](http://www.mirova.com/fr/recherche).

<sup>7</sup> 4 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>

<sup>8</sup> 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.

<sup>9</sup> 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, Natural Capital and Impact Private Equity funds), calculated from a proprietary methodology that may involve biases.

<sup>10</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.

Deere is a US supplier of machinery, tractors and motors for the agriculture, forestry and infrastructure sectors. Deere's products that contribute to sustainability goals are, first, precision agriculture sensors and devices that support marginal reduction – as opposed to disposal of – in use of fertilizer & pesticides in large scale monocultures thereby reducing pollutions and indirect climate warming impacts of fertilizers, yet few tractors are equipped with these specific instruments ; Second, small tractors enabling improved productivity for smallholder farmers in emerging countries' supporting improved food security, yet this constitutes a very low share of revenues (about 3%). Other products are targeted to large scale farming, which contribute to status quo in agriculture practices, such as feed and biofuels production from corn and soy, illustrated by company's unusually high sales exposure to the Americas (67%), the highest pesticides consuming and highest tropical deforestation zone in the world. Contribution of logging and infrastructure instrument depend on their end uses. These activities do not support sustainability goals such as restoration of biodiversity due to excess land use, dietary transition towards reduced beef & sugar intake for improved health, improvement of soil carbon sequestration meant to achieve climate goals.

Against this background, Mirova rated the company as 'Neutral' according to former ESG scaling methodology, highlighting a low or no products' contribution to sustainable goals and fair risks mitigation framework. Based on ESG methodology's revised version, our analysis results in a 'negligible impact' supported by our finding that the share of sales contributing to positive impact is insignificant and does not pass the 'low positive' exposure threshold (set at 10% revenues). Besides, company's practices in terms of support to smallholder farmers on regenerative agriculture, training on equipment safety, employee engagement or diversity do not stand out as significantly advanced practices. This has been further confirmed by numerous engagement calls.

In summary, despite company's capacity to meet the do-no-significant-harm criterion thanks to its risk mitigation framework, no clear contribution to a sustainable development goal has been identified. Considering Mirova's commitment to evidence impact in its listed equity portfolio, this company does not meet our ESG policy requirement and had to be disposed from our funds.

#### **Our Advocacy Work:**

Mirova is working to promote sustainable finance and a robust responsible investment market through lobbying and advocacy across global markets. 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 2023. 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.



For more information on our advocacy work over the past year, please see the below list:

- [Mirova announces its intention to adopt TNFD Recommendations on nature-related issues](#)
- [Mirova joins statement from 36 financial institutions urging governments not to proceed with deep-sea mining](#)
- [EU Nature Restoration Law adopted by the European Parliament: a positive signal, an ambition to be strengthened](#)
- [Mirova joins the call from 50 companies urging EU policy-makers to adopt environmental legislation to address the nature and climate crises together](#)
- [Mirova joins nearly 200 investors' call on corporates to drastically ramp up action on plastics](#)

### **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

The Risk Management department of Mirova is responsible for monitoring the risk of the portfolio (in addition to the analysis provided by the portfolio management team prior to any investment decision). Mirova has its own Risk department who validates the investment processes and performs the controls. During the risk investment process validation, the relevant portfolio manager describes the strategies and instruments to be included in the future investment process. Based on this information, the Risk department establishes the risk profile of each fund. Mirova Compliance and Internal Control Department and Mirova US Compliance Department meet with the Risk Department at least three times a year during the Risk Committees that are being organized and also during the CRIC meetings where Risk monitoring is discussed. Risk alert emails sent by the Risk Department are also provided to the Mirova US Compliance Department.

The Risk Management department focuses on the control and monitoring of the risks related to the portfolio financial management activity. The department's main mission is to define, measure and control, on a daily basis, all the risks inherent to the strategies, management techniques and investments made by the investment teams. The department ensures that first level controls performed by the operational investment and middle office teams are consistent with the overall risk monitoring procedure. These first level controls are compared and reconciled with the second level controls performed by the risk teams using the Risk Management department's own methods, approaches and data. The overall procedure includes escalation procedures to issue alerts, implement corrective actions and steer the process for solving any breaches observed in the different risk pillars.

The Mirova Risk Management department has a separate reporting line from the investment teams and has 5 experienced risk management specialists.

The Risk Management department has an IT infrastructure, subscriptions to market flows and an array of monitoring and quantitative control tools well adapted to all its missions.

The Risk Management team is responsible for validating and monitoring investment processes.

The Key Risk Indicators can then be described in detail. The team monitors the investment process through specialized Risk tools including Bloomberg Port Enterprise key risk indicators.

Investment process controls are performed on a regular basis. Information is collected from other risk services and summarized in a global risk report. Internal limits and liquidity profile are monitored through a specific in-house tool and a dedicated escalation procedure is applied. To monitor a Fund's Value-at-risk ("VaR") 99% 20 days, Tracking error, equity/bonds exposure are computed on a daily basis. We also have developed scenario analysis to a variety of risk factors and stress testing based on historical stress scenarios.

This procedure combining information to both Investment and Risk hierarchy lines ensures an efficient breach correction process. 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.

## 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.

Our policies are reviewed on a constant basis, following developments, and evolving regulatory requirements in the responsible investing 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.

We publish an annual report on the exercise of our voting activity in addition to our engagement report, which covers stewardship activity across asset classes and our advocacy work. Our reports are the result of internal collaboration from our research and investment teams and are reviewed by our compliance department in both Paris and the US. For the purposes of our engagement reporting, we choose only to report statistics on "in-depth" or focused conversations and typically do not include written correspondence or engagements for the purposes of information gathering in order for our statistical reporting to lean more on the conservative side.

### **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 Deputy CEO at Mirova, who has a direct reporting line to the company's CEO.

The CRO is supported by 4 Risk Managers at Mirova 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**

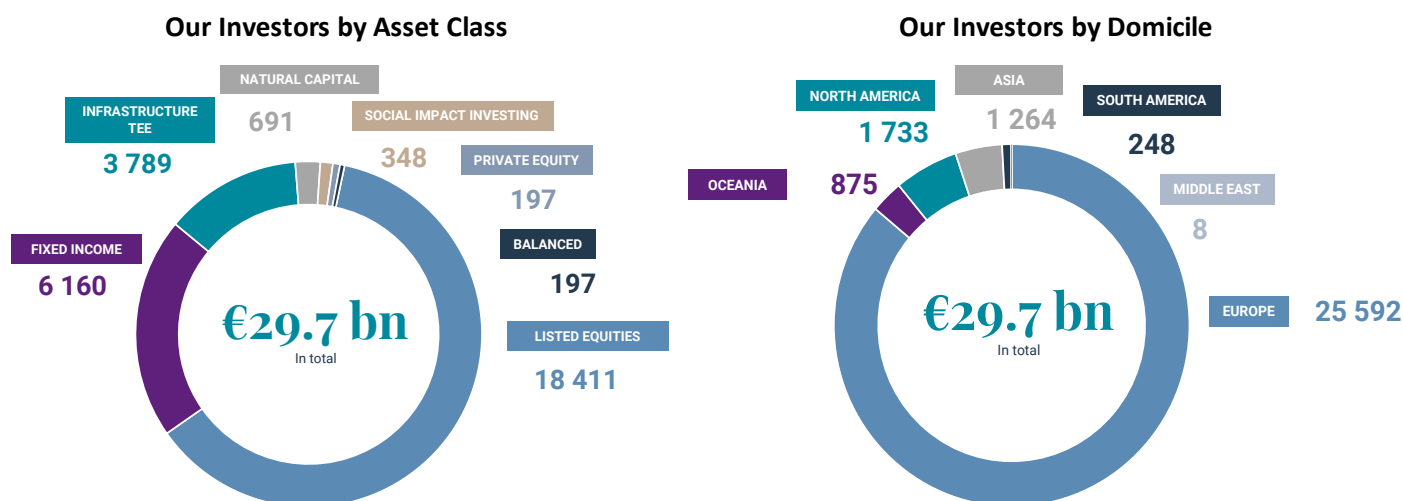
Internal audit, in charge of the third line of defense or periodic testing, is performed at Mirova by the audit team of Natixis Investment Managers. In addition, Inspection Générale from BPCE and Natixis GFS also perform full audits of their affiliated entities on a four-year audit schedule.

A risk-based approach is used for the determination of Audits to be performed by Natixis IM; usually each affiliated entity is subjected to 1 to 2 audits per 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: sustainable and thematic listed equities, private equity, sustainable and thematic fixed income, Energy Transition Infrastructure, Natural Capital, impact investing as well as engagement and voting services. 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 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 impacts and are detailed in our sectoral research papers. All our positions 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 “Negative” or “Negligible” 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. “Negative” and “Negligible” ratings mean that the issuer is excluded from Mirova’s portfolios. Mirova only invests in assets rated as “positive impact” (low positive, moderate positive and high positive impact). 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.

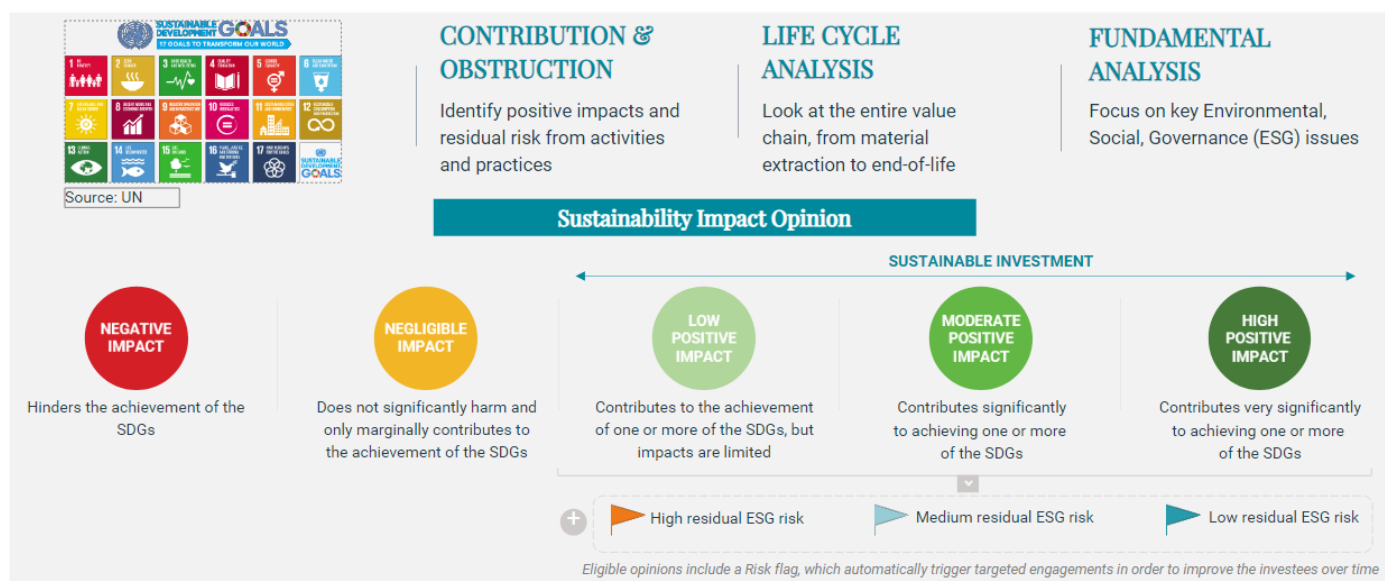
#### **Qualitative impact indicators**

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 2023 can be found here: [Mirova's Approach to ESG Assessment](#).

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

- High Positive Impact: Contributes very favorably to achieving the SDGs
- Moderate Positive Impact: Contributes positively to achieving the SDGs
- Low Positive Impact: Contributes to some of the SDGs, but impacts are low or hard to quantify
- Negligible Impact: Does not contribute to the achievement of the SDGs
- Negative Impact: Strongly opposes achievement of the SDGs

## Mirova’s Sustainability Impact Opinion and Residual ESG Risk Scale



Source: Mirova. 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 : [www.mirova.com/en/research](http://www.mirova.com/en/research).

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).

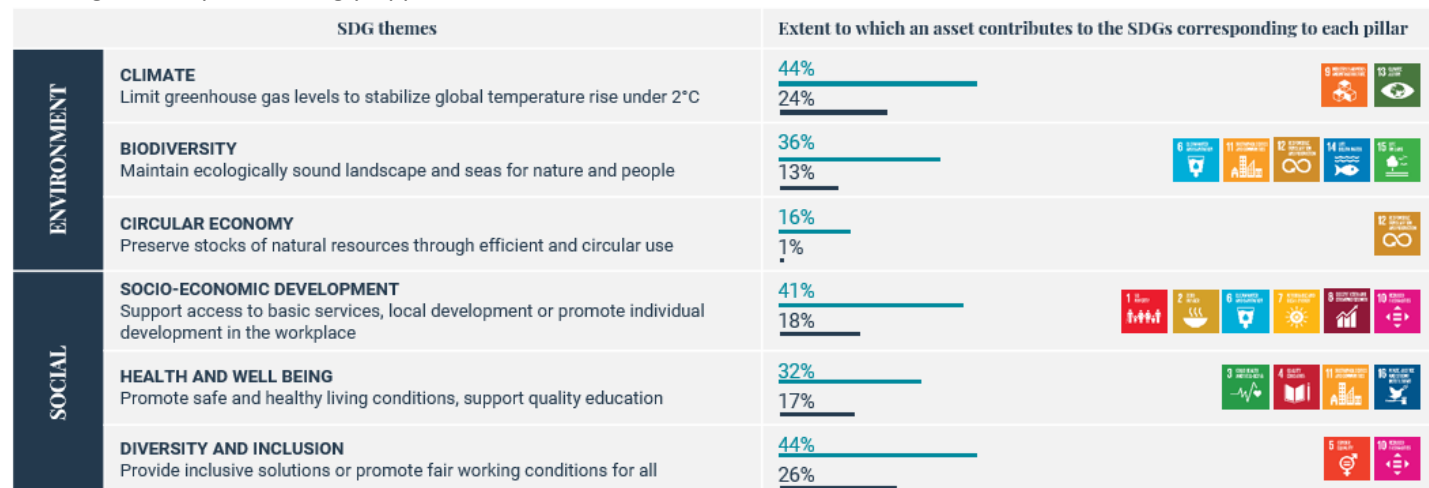


Source : Mirova

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>11</sup> released in 2016.

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

- High Positive Impact: Contributes very favorably to achieving the SDGs
- Moderate Positive Impact: Contributes positively to achieving the SDGs
- Low Positive Impact: Contributes to some of the SDGs, but impacts are low or hard to quantify
- Negligible Impact: Does not contribute to the achievement of the SDGs
- Negative Impact: Strongly opposes achievement of the SDGs



\*\* in % of assets in portfolio – Source: Mirova

The information provided reflects Mirova's opinion / the situation as of the date of this document and are subject to change without notice. The ESG analysis methodology was reinforced in January 2023. For more information on this methodology, please visit our Mirova website: [www.mirova.com/en/research/understand](http://www.mirova.com/en/research/understand) \*\*\*Reference index: MSCI WORLD NET TOTAL RETURN EUR INDEX (www.msci.com). For more information about ESG Investing Risk & Methodological limits, please refer to the end of the presentation.

## 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>12</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.

<sup>11</sup> Available at: <https://www.cisl.cam.ac.uk/resources/publication-pdfs/impact-report.pdf>

\* Please see disclosures at the end of this report

<sup>12</sup> These quantitative indicators, while they may seem less subjective than qualitative opinions, are no substitute for the latter. A quantitative indicator can never reflect a company's entire strategy. An increase in a company's CO<sub>2</sub> emissions may, for example, reflect a deterioration in the company's climate performance, but it may also mask more complex realities: integration of a previously subcontracted activity, launch of new activities that avoid emissions elsewhere in the supply chain, etc.



Furthermore, even if certain quantitative indicators are sufficient to reflect the performance of an asset on an impact issue, the aggregation of different quantitative indicators necessarily involves a subjective stage of defining the aggregation methods. Whether converting impact indicators into scores, setting up weighting systems or using thresholds, all these choices are based on qualitative assessments for which there is no consensus.

These indicators can take several forms.

- **‘Physical’ indicators.** Quantification of certain key monitoring indicators expressed in physical units. e.g. tons of CO<sub>2</sub>, 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.

## Mirova Internal Analysis

### Estimated Impact on Global Average Increase of Temperature\*

	 Portfolio	 Reference Index**
	<2°C	3-3.5°C
Induced emissions (tCO <sub>2</sub> /millions€ invested)	51	123
Avoided emissions (tCO <sub>2</sub> /millions€ invested)	19	7
Coverage rate (% of holdings analyzed)	100%	99%

*The temperature indicator aims to provide an estimate, in essence approximate global temperature increase that would be induced by a generalization of investments on the observed strategy based on a methodology that involves many necessary subjective assumptions. 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 methodology, please visit our Mirova website: [www.mirova.com/en/our-approach-impact-esg-assessment](http://www.mirova.com/en/our-approach-impact-esg-assessment). \*Weighted average on the portfolio. \*\*Reference Index: MSCI WORLD NET TOTAL RETURN EUR INDEX ([www.msci.com](http://www.msci.com)). Source: Natixis Investment Managers International.*

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.

Since entry into force of level 2 of the SFDR regulation<sup>13</sup>, we also collect and monitor the following indicators:

- Principal Adverse Impact (PAI) indicators: all 14 mandatory indicators as well as & additional indicators
- Taxonomy: investees’ alignments with the EU taxonomy on sustainable activities

<sup>13</sup> The Sustainable Finance Disclosure Reporting (SFDR) Regulation aims to provide more transparency in terms of environmental and social responsibility in financial markets, through the provision of sustainability information on financial products (integration of risks and negative sustainability impacts). Products classified as Article 9 within the meaning of SFDR have a sustainable investment objective compared to products classified as Article 6 (no sustainability objective) or Article 8 (environmental and social characteristics).

## 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 fundamental step for establishing an evaluation framework is framing 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 so-called 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, which is dominant in the United States, has guided the development of many internationally recognised frameworks such as SASB<sup>14</sup> and the TCFD.<sup>15</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>16,17</sup> the IFC principles and the GRESB,<sup>18</sup> along with public initiatives such as the European Corporate Sustainability Reporting Directive<sup>19</sup> subscribe to this vision.

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<sup>14</sup> Sustainability Accounting Standards Board, an initiative to better integrate sustainability issues into corporate accounting <https://www.sasb.org/>

<sup>15</sup> Task Force on Climate-related Financial Disclosures, an initiative to improve the integration of climate issues into corporate and investor reporting. <https://www.fsb-tcfd.org/>

<sup>16</sup> Global Reporting Initiative, an initiative to improve sustainability reporting frameworks <https://www.globalreporting.org/>

<sup>17</sup> International Finance Corporation, a World Bank Group organisation whose role is to facilitate business development in developing and emerging countries

<sup>18</sup> Global ESG Benchmark for Real Assets

<sup>19</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021PC0189&from=EN>



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 2012, we have made it a central objective to reconcile financial performance and contributions to the emergence of a more sustainable economy. In 2020, we decided to strengthen our commitment to these issues by including our environmental and social investment objectives in our articles of association. Consequently, 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. This approach is consistent with the principle of 'double materiality' advocated by the European Commission and complies with the definition of "sustainable investment" as outlined in Article 2.17 of the European Sustainable Finance Disclosure Regulation

### 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, 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 analyses.

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'.

And lastly, the SDGs provide investors with a framework for examining the resilience of their assets in the face of ongoing transformations. 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 transformations. 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 use 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 company management
- 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.

At Mirova, governance considerations are incorporated into the Sustainability impact opinion framework and the Investment Manager's financial assessment and include:

- the sound monitoring of environmental and social issues (such as employee relations) and the integration of sustainability in the scope of responsibility of the board and executive team,
- sound business ethics practices,
- the fair distribution of value between stakeholders (notably vis a vis remuneration of staff) and tax compliance,
- analysis of the quality of company management,
- alignment of the company's governance with a long-term vision,
- the balance of power between the executive body, the supervisory body and the shareholders of the issuer, the compensation package relevant to company management,
- an analysis of the quality and independence of the board, or of respect for the interests of minority shareholders

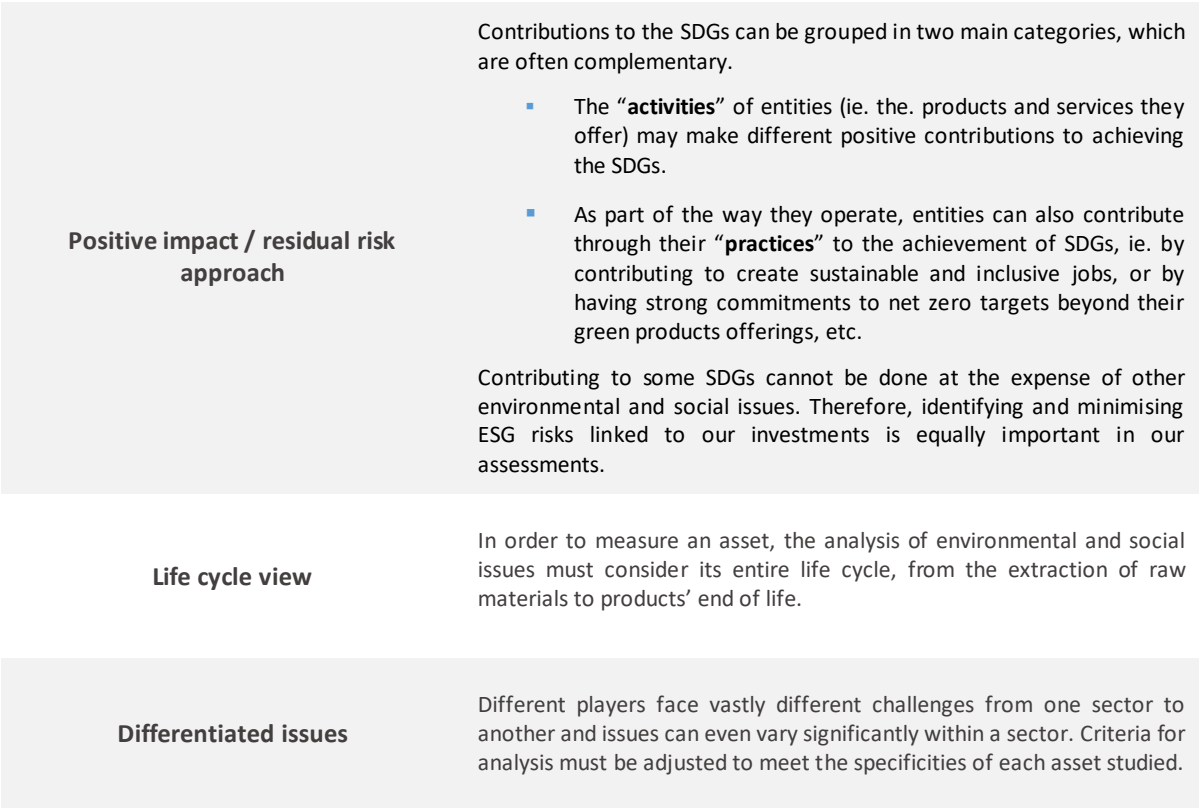


FIGURE 1: THE 17 SUSTAINABLE DEVELOPMENT GOALS

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

Source: United Nations

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.



Source: Mirova

Through our engagement processes, we lobby on behalf of 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 impacts 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>20</sup> This assessment is conducted in accordance with our main principles and includes the impact/risk 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>21</sup>



Source: Mirova. 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 : [www.mirova.com/en/research](http://www.mirova.com/en/research).

As this rating scale is defined in terms of achieving the Sustainable Development Goals, no a priori 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, no companies involved in coal and oil extraction are currently considered as “sustainable investment”, while companies in the renewable energy sector are likely to be rated as positive impact, except where they fail to mitigate adverse impacts on other environmental or social aspects.

Mirova only invests in assets rated as “positive impact” (low positive, moderate positive and high positive impact) and does not invest in assets rated at “negative” or “negligible” impact. This approach complies with the definition of “sustainable investment” per the European SFDR regulation, covering all three aspects of positive contribution, DNSH (Do not Significant Harm) and good governance. It ensures a robust integration of sustainability risks in all investment processes and limits the potential negative impact of these investments. It also guarantees that Mirova's strategies meet the criteria for ‘significantly engaging’ as defined under AMF recommendation DOC-2020-03.

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

<sup>20</sup> 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.

<sup>21</sup> The analysis grids adopted sector by sector are communicated in publicly available sectoral sheets. <https://www.mirova.com/en/research/understand#vision>

## SDG Themes

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. Each pillar is assessed according to our five-point qualitative scale, from Negative to High positive impact.



Source: Mirova

## Social impact

### SOCIO-ECONOMIC DEVELOPMENT

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, 7% of the world's population will still be living on less than USD2.15 a day in 2030.<sup>22</sup> According to the International Labour Organisation, more 207 million people remained unemployed in 2022 and the share of workers living in extreme poverty went up to 7.2 per cent after the pandemic<sup>23</sup>.

Under the “socio-economic development” theme, we look at two dimensions: the contributions of an asset to improving the conditions of low-income groups through provision of essential services and infrastructures as well as provision of employment and decent working conditions.

More specifically, this theme 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, infrastructures, telecommunications, education, clean energy and mobility or basic financial services.

Regarding human capital, it looks at the individual development allowed by the company across their direct and indirect scope, including fair compensation and social dialogue, job security and long-term career building incl. training, as well as work-life balance and support to wellness. 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.

<sup>22</sup> <https://www.worldbank.org/en/topic/poverty/overview>

<sup>23</sup> [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms\\_834081.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_834081.pdf)

## HEALTH AND WELLBEING

In recent decades, the world's population has made considerable progress in certain areas, for example in increasing life expectancy or access to knowledge and culture. But there remains much to be done. Combating diarrhoeal diseases, respiratory infections, malaria, cancer, AIDS, cardiovascular diseases, diabetes and 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 theme 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.

## DIVERSITY AND INCLUSION

Building inclusive societies is a key part of the Sustainable Development Goals. Despite progress made over the last decades, the world is still not on track to reduce inequalities and the effects of pandemic may have reversed some of these positive trends. According to The World Economic Forum, it will take another 132 years to close the global gender gap. Roughly one in five people in the world still experience discrimination with regards to their sex, ethnicity, religion, age, disability or sexual orientation.

This theme seeks to assess the extent to which the entity assessed promotes greater diversity and inclusion, not only regarding gender but also regarding all types of diversities. It also seeks to identify product offerings which address specific needs from diverse populations (women, minorities, elderly, people with disabilities, etc).

### 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.

## CLIMATE

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.

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

## **BIODIVERSITY**

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.

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. 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.

This theme 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, sustainable farming and fishing practices or the development of regenerative agriculture, forest conservation or restoration.

## **CIRCULAR ECONOMY**

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. Since 1990, the world's forests lost more than 420 million hectares of forest have been lost through conversion to other land uses. Every year, land degradation affects an area equal to half of Great Britain. 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 circular economy theme seeks to capture initiatives that address these issues, as for instance by manufacturing products from sustainable raw materials, eco-design or the recycling and recovery of waste.

## 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

Sustainable 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:** TrueValue Labs.
- **Biodiversity impact Indicator:** Icare & Consult and Iceberg DataLab.
- **Brokers:** BofAML, Goldman Sachs, Exane, Kepler Cheuvreux, Oddo, etc.
- **Databases:** 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, TrueValue Labs 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 second 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 second level control as part of the Internal Control Plan .** 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** which is an examination of controls at the company relevant to our internal controls over financial reporting **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>24</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>24</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 specifics funds.

**2023 engagement action statistics:**



Source: Mirova, 2023

**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 activity.

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. Mirova’s Engagement Report can be found [here](#).

**Engagement in action: Supply Chain**

Mirova conducted an engagement with Mercedes Benz in 2023 to target their climate as well as their Electric Vehicle (EV) strategy overall, notably due to the fact that the company has pushed back their EV targets for 2025 twice in a row. Mirova also put a particular emphasis on the fact that the company has the ambition to go towards a more luxury brand with an indication of -25% of sales in 2026 of entry level cars. However, it is important for Mirova that everyone has access to EVs and not just a certain population or social economic status. Mercedes Benz responded that they were never an entry segment company but will continue to maintain a focus on the availability of entry level cars.

On the topic of supply chain, Mirova reengaged with the company on the importance of transparency and questioned Mercedes Benz on how they will ensure that “in the future, raw materials for battery components are only from Initiative for Responsible Mining Assurance (IRMA) certified mines” as stated in their roadshow. Mercedes Benz recently launched the 2nd edition of their raw material report with an update on 15 materials and more content, in line with the German Due Diligence Law that came into application in January 2024. The company mentioned how they are working with dedicated consultancies to help them assess Tier-1 and Tier-2 suppliers and are working with IRMA on engagement with new mining companies.

Concerning battery recycling, which is a future core element for the EV sector for Mirova, we had several questions regarding an on-going project in China and how they will scale it for the future, specifically with two different battery chemistries in use. In response, the automaker signed a memorandum of understanding in February 2023 with a Chinese based battery company to reintegrate recycled material in a closed loop system of the supply chain. They wish to certify this process by a 3rd party audit in the coming years. They currently have recycled 344 tons of materials. We look forward to future conversations with Mercedes Benz as they continue on their sustainability journey.

## **Engagement in Action: Green and Social Bonds**

### **Pre-issuance engagement**

In 2023 one of the leading power utilities companies in Europe printed their first blue bond. The five-year, EUR 100 million private placement followed the IFC Blue Finance Guidelines. The proceeds are used to invest in offshore biodiversity and sustainable shipping, aligning with the company's 2030 commitment to achieve a net-positive impact on biodiversity. The funds will finance initiatives to protect and restore marine and coastal biodiversity, as well as to develop green ocean fuels for decarbonizing ocean vessels.

During the primary market transaction Mirova reached out to the issuer to obtain clarification on how the company will deliver a positive contribution to nature and biodiversity and, at the same time, mitigate ESG risks related to those projects.

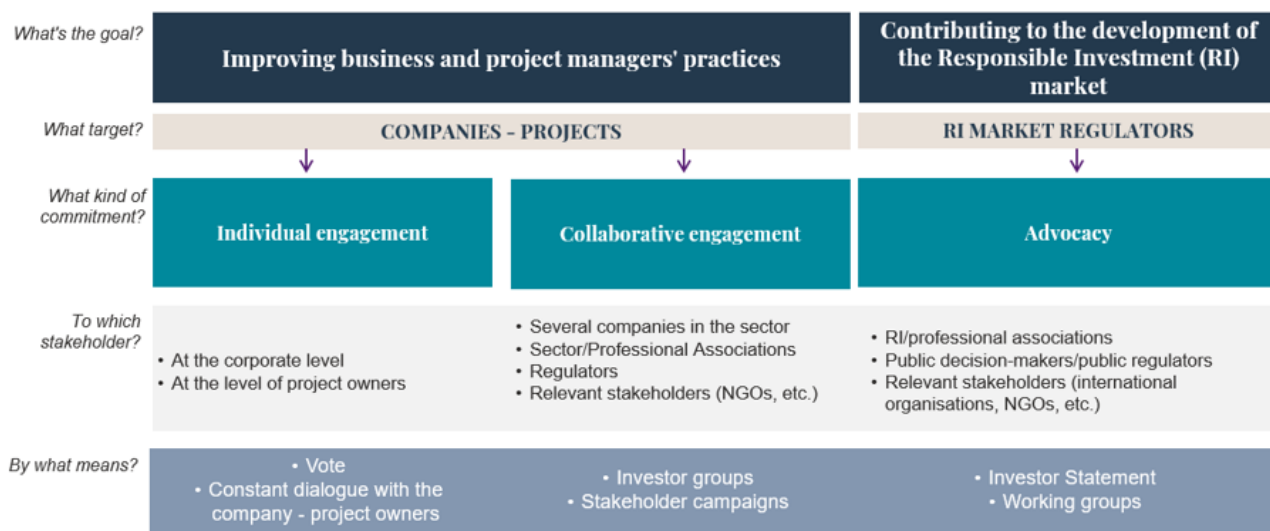
After the meeting with the power utility company and once the case was discussed with Mirova research analyst from both the listed and non-listed teams, we decided to establish the sustainability opinion as low positive and the residual risk at a high level because:

For the marine ecosystems category, the level of impact is considered low as the project intervention "only" mitigates the offshore wind farms negative impacts on marine biodiversity. In addition, the number of pilot projects financed could dilute positive impact.

Regarding the sustainable shipping category, the company aims to produce e-methanol for vessels. The e-methanol is produced thanks to hydrogen from renewable energies, CO2 from biomass. The CO2 is provided by an external provider, which poses potential traceability risks for the biomass. While the power utility company states that its own biomass comes from sustainable sources, there is at this stage a lack of evidence of the sustainability profile of the supplier of biomass.

### **Engagement methods**

Our different channels of engagement are illustrated below:



Source: Mirova, 2023

Individual Engagement is our most common means of engagement and is considered an intragap 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 other types of engagement, such collaborative engagement and advocacy, and as well as engagement in other asset classes (as described in the following section). In 2023, Mirova supported collaborative initiatives and investor statements detailed below in Principle 10.

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

As a member of TNFD, Mirova participated among other working groups in the dedicated group on chemicals and pharmaceuticals in order to bring the voice of responsible investors in the establishment of a relevant disclosure framework. Considering the relative lack of maturity of the financial sector on assessing the contribution of chemical sectors to sustainability, Mirova thought to make an impactful contribution to TNFD's framework by ensuring participation of Mirova's sector specialist. Within this working group, Mirova requested the chemicals industry to disclose material indicators including chemical substances banned in some jurisdiction, persistent chemicals, emerging chemicals, pesticides active substances, dependence on water. On the positive side, indicators referred to SBTN process and included avoidance of pollutions thanks to Elimination, remediation and minimization of pollution at molecular level, transformation of ecosystems thanks to products' end to end circularity; finally on nature regeneration, suggested indicators included reliance on regenerative agriculture for sourcing of biobased substances. Global coherence with the European disclosure framework (CSRD-ESRS) should limit extra reporting work for companies.

Early 2023, Mirova engaged with a set of companies in the chemical sector in its investment universe in order to assess their practices regarding hazardous substances risk management. Considering that most material chemical risks relate to the lack of hazardousness assessment for (new) chemical substances, Mirova engaged the companies on (i) setting timebound targets to reduce manufacturing and/or use of substances of very high concern, but also to (ii) assess their global chemical risk thanks to a third party verified methodology such as the Chemical Footprint Project, and (iii) establish methodologies means to prioritize substance development in R&D phase.

To illustrate this Mirova, engaged with a chemical detergent company, Ecolab, on the above. As a result, the company disclosed a policy on SVHC reduction and now discloses that only 2% of its products contain SVHC traces – besides it does not manufacture such substances. The company assesses its global chemical impact based on the Chemical Footprint Project (CFP) framework. This assessment tool allocates a total of 100 points across 20 questions to companies. The CFP defines Chemical Footprint as the total mass of substances of concern in products sold by a company, used in its manufacturing operations and by its suppliers, and contained in packaging. It is a credible tool used by investors to measure the progress of a company towards the use of safer chemicals and away from chemicals of concern.

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 channelling 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.

### **Engagement impact and success**

As Mirova's team conducts 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.

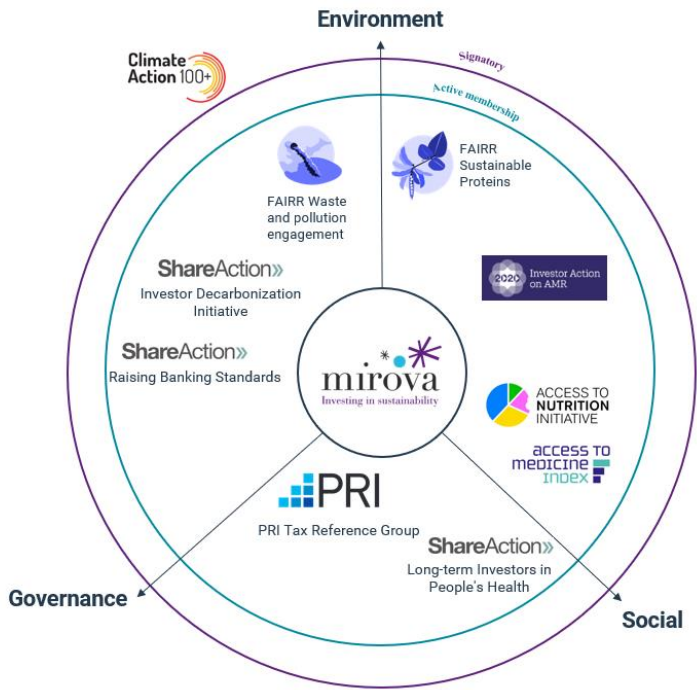
**Engagement success measurement:** Our engagement program is explicitly designed to articulate specific, measurable, timebound goals that are relevant to each specific company our team has identified and we follow the impact based on those targets.

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.

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, 2023

Collaborative engagement initiatives (active or completed in 2023)

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 2023

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/cop15statements/">https://www.unepfi.org/themes/ecosystems/cop15statements/</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 Zaoui, 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/en/news/mirova-communique-ses-attentes-orpea-assemblee-generale">https://www.mirova.com/en/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	

# 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 2023



Source: Mirova, 2023

Sustainable Finance Fora, INTERNATIONAL	
CERES	Mirova is a member of CERES and the climate risk investor network. CERES is a global organization that works to encourage companies to take action on climate change. The Climate Risk Investor Network brings together more than 175 institutional investors to tackle the challenge of climate change.
PRI	Signatory since 2013 of the Principles for Responsible Investment to promote responsible investment practices at the international level. Mirova confirms and renews its Engagement to the 6 principles. Signatory organizations are required to complete an annual questionnaire and publish a follow-up report. In 2020, Mirova was identified by the IRPs in the PRI Leaders group for the quality of its climate reporting.
HK Green Finance	Mirova's parent company, BPCE (via the Popular Banks Network) is a member of the Hong Kong Green Finance Association (HKGFA). HKGFA brings the expertise of Hong Kong's financial institutions and green businesses.
GIIN	Mirova is a member of the Global Impact Investing Network, which seeks to promote impact investing internationally.
US SIF	Member of the American Forum for Responsible Investment, a professional association that supports the development of sustainable and responsible investment in all asset classes in the United States.

## Sustainable Finance Fora, EUROPE

<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

CDP	Signatory, through Natixis, of the Carbon Disclosure Project, which aims to improve the quality of carbon/climate information published by emitters.
IETA	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	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)	<p>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.</p> <p>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.</p>
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.

## Natural Capital and Biodiversity Initiatives

### 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 Development Group (NFDG)

Verra has launched the SD VSta 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 VSta) 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, 2023

## Support for the Academic Chairs and Research Observatory

### INDEPENDENT RESEARCH: EU Tax Observatory

Mirova confirmed its support for the observatory in 2023. 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 Sustainability Research Team participated in a several on-site training sessions led by the EU Tax Observatory to aid our team in tax related research and analysis. As we focus on measuring the fair distribution of value across our portfolio company stakeholders, responsible tax practices and the ability to ascertain as such, is a critical component to our research activities.

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 the applicable Senior Investment Leaders. 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

In the context of our ESG analysis and proxy voting activity, we engaged with Microsoft several times over the course of 2023. Our objectives were as follows: i) diversity and inclusion: the follow-up actions taken after the company's involvement in controversies related to gender discriminations in the workplace and ii) responsible artificial intelligence (AI). The dialogue has been opened but the company is not highly responsive. We engaged prior to our proxy vote to inform our decision making on two related shareholder proposals.

Regarding gender controversies, following shareholders request, Microsoft has hired a third-party to make a review of its workplace harassment policies. This report has been publicly released at the end of 2022 and the company's management published an action plan detailing further actions following the report's conclusions (reinforcement of internal policies, surveys among employees, training etc). Microsoft committed that it would execute this action plan by the end of FY2023 (June 2023), but to our knowledge there hasn't been any publication released yet. During our ESG & Proxy engagement call prior to the company's AGM in November, Microsoft told us that they completed all the recommendations from the external party plan, however they will probably not come up with a specific report on this. On the side, they are also making civil rights audits and have created a Workplace Investigations Team that will publish annually data on the number of harassments allegations and findings.

Moreover, the latest D&I report for 2023 suggests that diversity KPIs are going in the right direction, which is reassuring. Overall, we consider that the company has been taking credible steps to fulfill our requests.

On the topic of Responsible AI, Microsoft assured us in June after the lay-off of the AI ethical team that the promotion of a culture of responsibility in AI development is institutionalized in organizational structures and governance processes. Microsoft allegedly has 100+ people working on ethical AI including new dedicated responsible AI teams that have been established and grown significantly, including the Office of Responsible AI, and a responsible AI (RAIL) team that is embedded in the engineering team responsible for Azure OpenAI Service. Moreover, the company discloses publicly its Responsible IA standards, which include human rights considerations. The company also releases several Transparency Notes about the intended uses and capabilities of its AI services on its website, which goes along with the need for more transparency required by regulators. However, all controversies related to Microsoft's violation of privacy laws in different jurisdictions due to failure to protect the personal information of AI users has been under our radar since the launch of ChatGPT. The frequency of the allegations is concerning, and we attempted to contact Microsoft to have more information on the measures in place to strengthen its practices. The company responded to us in November, saying that the allegations were specifically on Open AI' Chat GPT that is not per se a Microsoft product and not the underlying GPT LLM which Microsoft uses in products like Microsoft 365 or Bing Chat. On the question of how users' data is used to train the models, the company told us that they do not use any content created in Microsoft 365 to train LLM. However, some user prompts in Bing Chat are used to fine-tune the offering.

While the company is and has taken numerous steps on the aforementioned topics, ultimately, we decided to vote in favor of both shareholder proposals as we believe there remains room for further transparency and communication on these highly sensitive matters.

## 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 consider 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.

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.

### **2023 Voting in Review**

In 2023, the voting perimeter consisted of 409 securities held in 53 UCITS and AIFs managed by Mirova and Mirova US. Within this voting perimeter, 429 Annual General Meetings (AGM) were held in 2023. Mirova has exercised its voting rights at 408 companies. This represents a turnout of 99.8%.

Mirova did not exercise its voting rights at 4 general meetings due to operational constraints (change of the date, limit of vote by custodians, validity of power of attorney, etc.). Please see Mirova's Proxy Voting Report for full details [here](#)

Overall, 96% of the companies in our voting perimeter received at least one opposition vote, similar to our opposition rate in 2022. In terms of the number of resolutions, the opposition rate stands at 33%, remaining steady year over year. In 2023, we voted against at least one resolution related to executive compensation at 69% of our portfolio companies.

We also have a fairly high contestation rate regarding director elections as we voted against at least one related resolution at 60% of the companies we were entitled to vote at. 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. We believe this figure is important to note as it underscores the high rate of opposition on director elections compared to most investors.

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.

### Voting in Action

In 2023, Mirova together with a group of sixteen European investors representing 1.5% of Engie's issued share capital filed a shareholder resolution at the company's 2023 AGM with the two-fold aim to i) obtain sufficient information to assess the company's current strategy with a 1.5°C scenario across its entire scopes, and 2) request the company to commit to adding a triennial "Say on Climate" advisory vote to the general meeting's agenda. The resolution was successful in gathering 25% favorable votes.

In the course of filing the resolution, numerous discussions between the investors and Engie took place. We are pleased with a number of steps taken by the company in response to the dialogue. This includes an addendum to the company's TCFD report published on 14 April 2023 with increased disclosure on forward-looking CAPEX and on the classification investments according to the EU Taxonomy. This additional information further enables investors to understand how Engie plans on implementing its transition. We further welcomed the Board's commitment to facilitate a 'Say on Climate' every three years, as requested by the shareholder proposal. The company is considering an annual progress vote on ENGIE's climate strategy. Finally, the company offered a dedicated Q&A session during the AGM, which is rare opportunity to discuss systemic issues in a public forum.

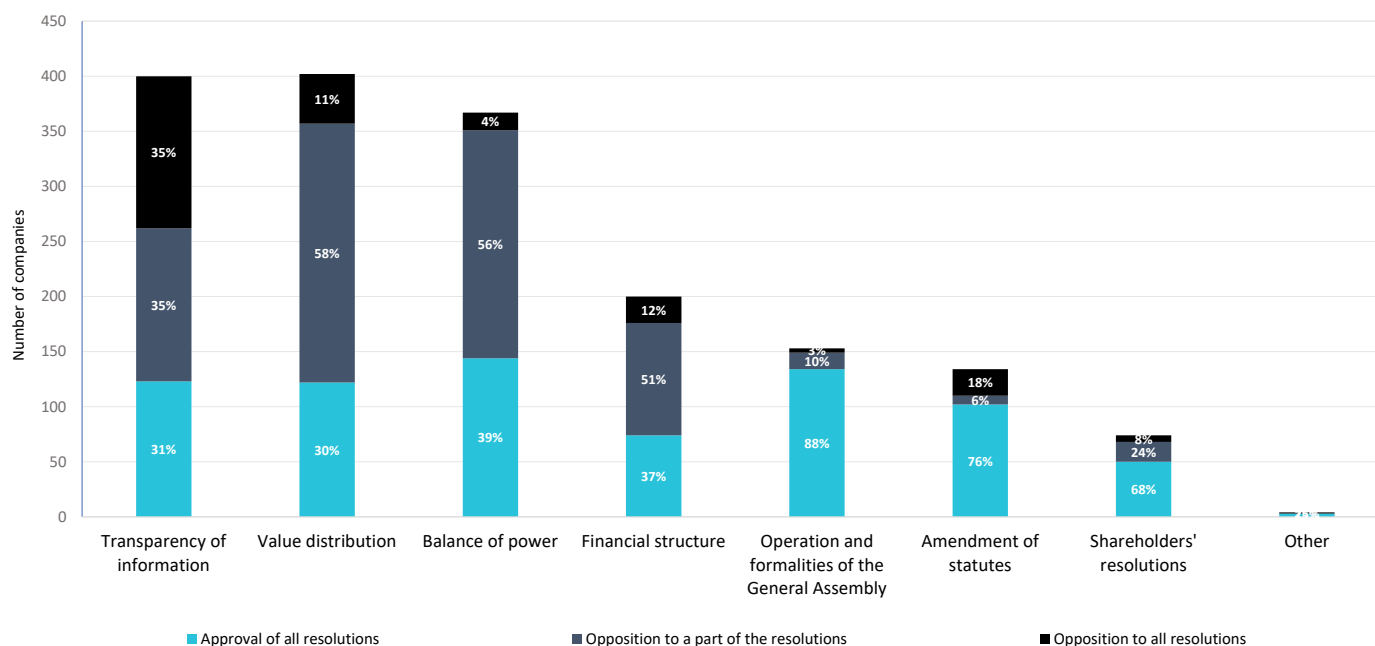
### **Distribution of votes by theme**

Mirova's voting policy pays particular attention to the distribution of value created by the company among its various stakeholders, as well as to the quality of the information communicated, whether financial, environmental or social. As Mirova's voting policy differs significantly from traditional governance principles, these themes are the ones that concentrated the highest proportion of opposition votes.

In 2022, the challenge rate of the "Distribution of value" theme decreased to 69% of companies receiving at least one negative vote on at least one resolution related to this theme, down from 77% in 2022. We believe this is due to the positive trend of the addition of an environmental or social metric into the remuneration structure at more companies.

Compared to 2022, the general contestation relating to the theme "Balance of Power" decreased slightly from 69% in 2022 to 60% in 2023. As previously mentioned, the choice to vote not only against the chairman of the committee, but also to vote against its members when an Environmental, Social or Governance (ESG) criterion is not met (e.g., a minimum of 40% of women on the board, presence of an employee representative, lack of CSR criteria in the executive remuneration, etc.) makes our voting policy highly demanding with respect to the election or renewal of directors to the board. In fact, 63 companies received an opposition vote on the election or re-election of at 9 C1 - Public Natix at least one of their directors because they do not have an independently audited CSR report.

### **GLOBAL**



Source: Mirova

### **Distribution of votes by Geography**

In Europe, the general meetings of French companies accounted for about 32% of the companies in the voting universe, while the United Kingdom and Germany accounted for 12 and 15%, respectively. The United States constitutes 93% of the America aggregate and Japan 65% of the Asian continent.

### **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 monthly voting record to Tumelo, which is then shared with 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 33% of the resolutions we reviewed in 2023. Meanwhile, the ISS benchmark policy recommended votes against management for 8% 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**

Portfolio Management Company - 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.

### **Natixis Investment Managers**

French Public Limited liability company

RCS Paris n°453 952 681

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

Natixis Investment Managers is a subsidiary of Natixis.

Natixis Investment Managers comprises all the investment and distribution entities affiliated to Natixis Distribution, L. P. and Natixis Investment Managers S. A. Natixis Investment Managers, headquartered in Paris and Boston, is a subsidiary of Natixis. Listed on the Paris Stock Exchange, Natixis is a subsidiary of BPCE, the second largest banking group in France.

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

### **Mirova US LLC**

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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.

## ESG INVESTING RISK & METHODOLOGICAL LIMITS

By using ESG criteria in the investment policy, the relevant Mirova strategies' objective would in particular be to better manage sustainability risk and generate sustainable, long-term returns. ESG criteria may be generated using Mirova'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 Mirova 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 Mirova 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 Fund. For more information on our methodologies, please refer to our Mirova website: [www.mirova.com/en/sustainability](http://www.mirova.com/en/sustainability).

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

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