

Mobility: Vehicle Manufacturers and Suppliers

Sectors:

- Vehicle Manufacturers (automobile, rail, air freight, logistics)
- Vehicle Parts & Equipment
- Tires & Rubber

Last updated: March 2025.

This document is not a promotional communication. This is a methodological document aimed at explaining how Mirova takes into account sustainable development issues in the framework of the environmental, social and governance analysis of each sub-sector of activity.



Table of contents





Executive Summary



3

EXECUTIVE SUMMARY Mobility, in all its forms

All forms of vehicles, may it be cars, planes, ships and trains, have a role to play in the energy transition due to their current important negative environmental and social impacts. The mobility sector accounts for around a guarter of the global carbon dioxide emissions. Mobility is currently a privilege unevenly distributed among communities and across the world. Projections for transport growth predict that the number of air passengers will double by 2040 and that there will be nearly 2 billion vehicles in circulation by 2050¹. To limit global warming in accordance with the goals of the Paris Agreement, financing the transition of transport towards low-carbon mobility constitutes both an ecological imperative and an opportunity for positive impact investment. Vehicle manufacturers and suppliers must propose technological solutions to help provide access to mobility for the greatest number of people while at the same time reducing the environmental and social impacts linked to transport.

23% of CO2 emissions caused by energy combustion²

Projections for transport growth predict that in 2050 there will be **2 billion** of vehicles²

The transportation sector is responsible for approximately 23% of global energy-related CO2 emissions, primarily stemming from road vehicles, aviation, and shipping². Road transport is the largest contributor, largely due to reliance on oil-based fuels, while emissions from aviation are increasing as the sector recovers from the pandemic. To achieve climate goals, emissions must be reduced by 25% by 2030, necessitating substantial improvements in energy efficiency, the adoption of low-emission fuels, and electrification².

Electrifying road transport is a key component of this strategy, as electric vehicles (EVs) generate roughly half the lifecycle emissions of conventional vehicles. The International Energy Agency estimates that EVs need to represent 70% of new vehicle sales by 2030 to meet net-zero targets². Additionally, decarbonizing electricity grids and expanding clean energy infrastructure are essential to fully realize the benefits of this transition.

The production of electric vehicles has significant ramifications for mining and environmental sustainability. EV batteries depend on critical minerals such as lithium, cobalt, and nickel, and the mining of these materials is rapidly increasing to satisfy rising global demand. For instance, lithium demand for batteries reached 140,000 tons in 2023, accounting for 85% of total lithium consumption, while cobalt and nickel also experienced similar growth driven by EV production³. As the adoption of electric vehicles continues to rise, with projections of 2 billion vehicles on the road by 2050, the demand for these minerals is expected to surge, potentially straining supply chains and worsening environmental impacts if not managed responsibly. To tackle these challenges, the industry must invest in sustainable mining practices and explore alternative battery technologies, as well as recycling initiatives and innovations in supply chain management.

Electric vehicle shift can create up to 2 million new jobs₅

As the automotive and industrial manufacturing sectors pursue decarbonization, a key focus must be on workforce reskilling and promoting regional economic diversification, known as "just transition". Originating in the 1980s from US trade unions⁴, this concept aims to mitigate the social and economic impacts of transitioning to a low-carbon economy. Ignoring these principles could result in millions of job losses and economic decline in regions reliant on fossil fuels, particularly in states like Michigan, Ohio, Indiana, Tennessee, and Kentucky where 57%⁵ of gasoline engine and engine part US workers are located. However, a successful shift to electric vehicles could create up to 2 million new jobs and boost the EU GDP by 1%6.

The reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. Source: Mirova.



1. IEA – Global EV Outlook; 2. IEA; 3. IEA – Global EV Outlook; 4. UNDP Climate Promise; 4. WRI; 5. Transport & Environment, How will electric vehicle transition impact EU jobs? (2017)

EXECUTIVE SUMMARY

Drivers of contribution and obstruction to sustainability goals

	Activities		Practices			
	Sustainabl	e Activities	飰	Advanced 1	Practices	Ĺø
FOSILIVE IIII DAG	Electric and Hydrogen Vehicles Alternative mobility solutions Carbon emissions and Pollution mitigation Charging Infrastructure Products from recycled raw materials Circular business models	Access to basic needs Automotive safety		Human Capital Management: • Diversity and inclusion • Job quality Climate Biodiversity Advanced governance models		
SKS	Harmful	Activities ¹	\bigotimes	Risk Mit	igation	\triangle
Kesiqual EDG Ki	Military equipment and weapons			Climate and GHG emissions Biodiversity Products' responsibility and safety Human rights Health and Safety Just transition	Governance of sus Business ethics Taxes	tainability

1. See: Minimum standards and exclusions, Mirova

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



5



Positive Impact



POSITIVE IMPACT

Sustainable Activities



CONTEXT

Aligning with the Paris Agreement involves "avoiding the unmanageable" by minimizing the impacts of climate change that are already occurring. Achieving this requires a rapid and significant reduction in global greenhouse gas emissions, accompanied by a substantial decrease in fossil fuel consumption. Vehicle productors can only make a meaningful impact through its products, as more than 90% of its carbon footprint is associated with its scope 3 emissions, with around 70% linked to "Use of Sold Products" —therefore, merely adopting advanced practices is insufficient.

Public transportation and soft mobility options, such as cycling, produce considerably lower greenhouse gas emissions compared to personal car usage or air travel, thus contributing to environmental conservation and climate change mitigation efforts. Furthermore, by decreasing reliance on private vehicles—especially those powered by fossil fuels—public transportation and soft mobility improve air quality by reducing harmful pollutants that negatively impact public health. This is particularly important given that air pollution is the second leading risk factor for mortality, accounting for 8.1 million deaths worldwide in recent years.¹

Metals and minerals are essential for effectively decarbonizing the mobility sector. However, recent supply disruptions caused by the COVID-19 pandemic and the invasion of Ukraine have highlighted the importance of securing resources, particularly for critical elements like rare earth metals, lithium, and cobalt. Achieving resource security is both crucial and feasible. Additionally, new regulations in Europe and the U.S. for the automotive sector mandate specific percentages of recycling and recovery for end-of-life vehicles. Mirova anticipates that companies will adopt a "Responsible Design" approach to minimize resource usage.

SUSTAINABLE ACTIVITY

Clean Transportation solutions

Development, manufacturing, and/or distribution of the following type of products

- Electric and hydrogen vehicles
- Modal shifting
- Carbon emissions and Pollution mitigation
- Charging Infrastructure

Alternative mobility solutions:

Development, manufacturing, and/or distribution of the following type of products

- Enhancing and expanding public transportation options such as buses, rail
- Soft mobility such as bicycles and e-scooters

Circular business models

- Increasing longevity of vehicles through spare parts, maintenance, refurbishment, reconditioning, etc.
- Eco-sharing such as car-sharing, renting

Products from recycled raw materials

In this sector, the positive contribution is mainly analyzed through **revenues exposure** and compared to other sectors, the positive impact starts at 5% rather than 10% due to companies currently transitioning to this new products, and sales are following consumer trends. We complement this exposure with a **relevant targets over the next decades to significantly increase their** sales linked to the solution in truly advancing environmental challenges.

LOW POSITIVE IMPACT

MODERATE POSITIVE IMPACT

HIGH POSITIVE IMPACT

> 5% sustainable activities

> 20% to 50% sustainable activities

> 50% sustainable activities

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

1. https://www.unicef.org/press-releases/air-pollution-accounted-81-million-deaths-globally-2021-becoming-second-leading-

risk#:~:text=Air%20pollution%20accounted%20for%208.1,for%20children%20under%20five%20years



Sustainable Activities



CONTEXT

SOCIAL OPPORTUNITIES

Mobility is a privilege that is unevenly distributed throughout society, both in the suburbs of developed nations and in developing countries lacking infrastructure and transportation options. This disparity is further exacerbated by the rise of electric vehicles, which often come with a significantly higher initial cost (ranging from 10% to 20% more¹), posing a barrier for many consumers. It is essential to ensure equitable access to sustainable transportation solutions and to address affordability issues to provide accessible transportation options for individuals from diverse socio-economic backgrounds.

SUSTAINABLE ACTIVITY

Access to basic needs

Development, manufacturing, and/or distribution of low polluting and affordable modes of transportation such as inclusive low-carbon mobility accessible to all (ie. options that cost less than the average MSRP of an electric vehicle), is essential. This can be supported through initiatives like microcredits and specialized loans or subsidies. Additionally, enhancing transportation infrastructure is crucial for improving access to mobility in remote and hard-to-reach areas.

According to the World Health Organization, approximately 1.19 million people² die each year in road traffic crashes, therefore integrating advanced safety solutions into vehicle designs is essential to meet the UN General Assembly ambitious target to half that number by 2030. Moreover, advancements in Al, predictive analytics and edge computing enable to offer proactive safe measurements for high-tech vehicles.

Automotive safety

Development, manufacturing, and/or distribution of safety solutions for vehicles such as airbags, advanced driver assistance systems (ADAS), active break assist technology, autonomous driving, sensors and cameras.

In this sector, the positive contribution is mainly analyzed through **revenues exposure** and compared to other sectors, the positive impact starts at 5% rather than 10% due to companies currently transitioning to this new products, and sales are following consumer trends. We complement this exposure with a **relevant targets over the next decades to significantly increase their sales linked to the solution in truly advancing social challenges**.

I OW	Pn	SIT	'IVF	IMI =	ΡΔ
		U 1			

MODERATE POSITIVE IMPACT

> 5% sustainable activities

> 20% to 50% sustainable activities

HIGH POSITIVE IMPACT

> 50% sustainable activities

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

1. IEA; 2. WHO.



POSITIVE IMPACT Sustainable Practices



CONTEXT

SUSTAINABLE PRACTICE

	Practices/measures expected:	Impact indicators examples:
Job Quality The sector is pivotal in global supply chains, but it faces significant challenges regarding job quality, health and safety and ensuring a just transition amidst industry changes. Workers often experience high workloads and stress due to tight production schedules and shifting market demands, which can negatively impact work-life balance. Health and safety remain key concerns, particularly in manufacturing environments where physical hazards, repetitive strain injuries, and exposure to harmful materials are prevalent. Additionally, the transition to automation and electric vehicles processes poses risks to job security, especially for blue collar roles. It is estimated that 306,000 jobs in the EU automotive manufacturing sector will be lost in total by 2030, but only 27% of these are specifically due to an increase in electromobility; the rest are the result of productivity improvements ¹ . A just transition is essential to support workers through these changes by investing in reskilling, creating sustainable employment opportunities, and fostering safe and inclusive workplaces.	 Develop employees' skills recognized on the labor market and anticipate shifts in skills. Ensure fair remuneration and social benefits are sufficient for good living conditions. Ensure employee satisfaction and wellbeing. 	 Training hours per employee, % of workforce trained, Qualitative analysis of the training offering including, upskilling programs, mentorships focused on young talents, leadership development), Creation of internal universities / academies targeting actionable skillsets and accessible to most employees, Analysis of employees', executives' and shareholders' remunerations Existing and effective employees' association mechanisms Workplace wellbeing measures: flexible work arrangements, mental health support, counselling etc
Diversity & Inclusion The automotive sector has an average workforce composition of 23% women, while the transportation sector stands at 31%. However, both sectors have less than 20% female representation in their Executive Committees ² . These disparities in workforce representation, especially in leadership roles, are rooted in historical perceptions of the industry as male- dominated, along with the demanding nature of the jobs, which often involve long hours and physically intensive tasks. It is crucial for companies to invest in targeted initiatives, such as mentorship programs, gender-inclusive policies, and efforts to encourage more girls to pursue STEM education. While achieving gender parity is a key focus, it is equally important to address broader systemic barriers, such as biases in recruitment and career advancement. The economic benefits of diversity are well-documented, as it fosters innovation and adaptability. Additionally, the sector should prioritize inclusivity in its supply chains and technology development to promote equitable growth across all levels.	 Improve female and diverse representation especially at management/leadership level. Ensure equal opportunities and increase awareness to overcome inequalities. Ensure adapted and flexible career options. 	 Percentage of women in the Executive Committee, difference between women representation in the workforce and Executive Committee, C-Suite female representation (CEO, CFO, CIO, CTO, CCO) Wage gap or credible target to reach pay equality & unadjusted pay gap Succession planning including at least one woman as a possible candidate for every Senior position Roadmap to improve recruitment of minorities and ensure unbiased recruitment Gender-neutral leave policy Provision of daycare options (affordable and/or paid by the company) and work flexibility options

LOW POSITIVE IMPACT

> Advanced practices - Medium Stake topic > Credible strategy to achieve advanced practices

MODERATE POSITIVE IMPACT

> Advanced practices - High Stake issues

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

1. Transport Environment; 2. Equileap data 2024

POSITIVE IMPACT Sustainable Practices

CLIMATE

BIODIVERSITY

10



CONTEXT	SUSTAINABLE PRACTICE		
	Practices/measures expected:	Impact indicators examples:	
Over 90% of CO2 emissions in the mobility sector stem from scope 3 emissions, particularly during the use phase of vehicles, which encompasses both "well-to-tank" and "tank-to-wheel" emissions. Consequently, accurately calculating and disclosing scope 3 emissions across all operations is vital, along with establishing reduction targets and strategies. Globally, regulations are being implemented to address scope 3 emissions in the mobility sector; for instance, under the EU's "Fit for 55" initiative, OEMs are required to reduce CO2 emissions by 55% by 2030 (compared to 2021 levels, based on WLTP) and achieve a fully emissions-free newly registered fleet by 2035. Additionally, companies should pursue greater vertical integration and work towards decarbonizing their manufacturing processes by utilizing green energy.	Implement robust decarbonization strategy on all three scopes	 GHG¹ emissions reduction targets on all 3 scopes, preferably aligned with the Science Based Target Initiative (SBTi) and effective reduction in emissions Scope 1 & 2² : switch towards renewable energy and more energy efficient manufacturing sites, administrative building and retail sites Scope 3³ : suppliers' emissions, sustainable procurement practices, low carbon transportation solutions portfolio, CAPEX dedicated to R&D in low-emission solutions, Decreasing trend of GHG emissions on Scope 1, Scope 2 and Scope 3 emissions Provide training and audits on climate change related topics and work with various stakeholders in the supply chain 	
To achieve the goals of the Paris Agreement on Climate Change, a significant increase in zero-emission vehicles is essential. However, it's crucial to consider the entire lifecycle of a vehicle, from production to disposal. The trend toward electrification has shifted the focus from the vehicle's use phase to the production and refining stages of battery materials, highlighting the need for enhanced transparency and decisive action throughout the entire value chain. Additionally, recognizing the finite nature of natural resources like rubber and the environmental impacts of raw material extraction, it is vital to prioritize the development of a circular economy process and increase the use of recycled materials. Another avenue to explore is the incorporation of biosourced or renewable materials to replace components that are challenging to recycle, along with implementing sustainable waste and water management strategies.	 Fight against programmed obsolescence and incorporate circularity from the design stage Reduce and optimize packaging to release pressure from plastic pollution Promote repair, reuse, refurbish and recycling 	 Commitment to develop and implement supply chain traceability systems for raw resources procurement and transparency and audits of suppliers beyond tier-1 Efforts to ensure that the components in the devices can be repaired, reused or recycled Share of biosourced/recycled materials in product is above industry average and increasing over time Commit to decrease the use of plastic in packaging Reuse and Recycling: share of product that is reused and/or recycled at the end of life Evidence of repair schemes and/or take-back programs that cover the majority of the company's scope 	
LOW POSITIVE IMPACT	MODERATE POSITIVE IMPACT		

> Advanced practices - Medium Stake topic> Credible strategy to achieve advanced practices

> Advanced practices - High Stake issues

The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. 1. Greenhouse gases, 2021 2. Direct emissions created by a company's activities and Emissions from the electricity a company uses in its operations. 3. Indirect emissions from a company's supply chain, distribution, use of products, and product disposal. Source: Mirova



POSITIVE IMPACT

Advanced governance model

CONTEXT	ADVANCED GOVERNANCE MODEL DETAILS			
	Practices/measures expected:	Impact indicators examples:		
Mirova aims to promote the development of a corporate vision focused on the creation of collective value over the long term. Corporate governance should be shaped to include the interests of its key stakeholders. 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. We feel that shareholders have a role to play in spreading this vision of what a	Commitment to long-term and shared value creation	 Demonstrate how value created is shared fairly amongst company stakeholders. Strive towards the model of a purpose-driven organization or/and a B-Corp organization. 		
company should be. Thus, we are promoting the development of a long-term shareholder base, the creation of governing bodies that serve all stakeholders and address CSR ¹ issues, the introduction of a compensation policy which is not only fair to its stakeholders, but 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. Advanced governance practices only foster sustainability but is not a	Integration of stakeholders in the decision-making process	• Create a Sustainable Development Committee or sustainability representative at the board level, with regular meetings throughout the year. Sustainability items are systematically integrated into the board's agenda.		
standalone driver of impact.	Fair taxes	• Provide country-by-country reporting on tax payments.		



The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. 1. Corporate Social Responsibility. Source: Mirova.



ESG Risks



Climate & Biodiversity

CONTEXT	MINIMUM STANDARDS		
	Type of ESG risk:	Risk assessment indicators examples:	
	Climate footprint	Definition of a decarbonization strategy to reduce major sources of emissions	
The transportation sector is confronted with substantial risks associated with climate change, which include regulatory demands to cut greenhouse gas emissions, rising expenses		Calculation of GHG Emissions on all 3 scopes or ongoing evaluation	
from carbon pricing, and physical hazards such as extreme weather events that can damage		ISO 5001 certification of the majority of sites	
implement strategies that facilitate the transition to electric and low-emission vehicles to minimize their scope 3 emissions, while also incorporating renewable energy into their		Disclosure and trend of renewable energy in power mix and ir PAI energy mix PAI	
operations to decrease scope 1 and 2 emissions. Additionally, transparent climate reporting and the establishment of science-based emission reduction targets are essential for complying with the Paris Agreement and adapting to changing regulatory requirements.	Raw materials sourcing – metals and minerals	Existing grievance mechanisms to identify and remedy adverse social and environmental impacts to their operations and/or supply chain	
		Majority of tier-1 suppliers audited, or ambitious target	
		Existence of an environmental procurement policy (objectives and performance monitoring) as well as a code of conduct	
environmental harm associated with the extraction of raw materials such as rare earth metals, cobalt, and lithium. These materials are essential for the production of electric		Engage in sector initiatives for best practices, certifications, advocacy such as <i>Responsible Minerals Initiative</i> etc.	
vehicles and other technologies, yet their sourcing often involves processes that can lead to significant ecological degradation, as well as contribute to water and waste pollution. The		Share of certified/ biosourced ¹ / recycled content in the products	
construction and expansion of transportation infrastructure, particularly in the railway sector,		Activities negatively affecting biodiversity-sensitive areas	
can also disrupt migration patterns and ecological processes, ultimately undermining the	Chemicals, waste and manufacturing	Emissions to water	
integrity of ecosystems. As of today, many of these risks remain unmonitored, unreported, and inadequately communicated within the industry. This lack of transparency can hinder	process	Indicators for hazardous and nonhazardous waste with credible reduction targets	
efforts to mitigate environmental impacts and protect biodiversity. Mirova believes that it is crucial for companies in the mobility sector to rigorously assess their biodiversity initiatives.		Transparency on efforts to converge to local regulations including Restricted Substances List REACH Annex XVII PAI	



Working conditions

CONTEXT	MINIMUM STANDARDS			
	Type of ESG risk	Risk assessment indicators examples		
Manufacturing vehicles and their components presents significant risks, particularly for workers who face respiratory hazards from exposure to various chemicals. Employees in this industry also handle heavy parts and operate intricate machinery for welding and cutting, which can lead to repetitive strain injuries and accidents. To mitigate these risks, companies must implement strong internal practices, including comprehensive health and safety management systems for both employees and contractors, regular risk assessments, and training programs for workers. Ensuring compliance with labor laws, promoting fair wages, and collaborating with suppliers to maintain ethical labor standards are essential steps. Furthermore, investing in upskilling initiatives will help prepare employees for changing technological demands while fostering a culture of safety and inclusivity.	Employees' health, safety and labor rights	 Basic measures in place for employees impacted by restructuring (financial severance, re-training, job-search assistance) Measures to promote fair working conditions and a sustained social dialogue in countries with less stringent regulations Anonymous reporting channel to report non-ethical behaviors in the workplace Frequency and severity of health & safety accidents (direct workers and contractors) decreasing overtime ISO 45001 certification for the majority of sites All direct employees and contractors annually trained on H&S issues 		
The global supply chains associated with vehicle manufacturing, and more notably lithium, cobalt, gold, rare earth present in batteries, have significant risks of human rights concerns, including unethical labor practices, child labor and unsafe working conditions. Mirova expects companies in the sector to address these human rights risks through commitment to responsible business practices, ethical supply chain management and adherence to international labor standards.	Human Rights in the Supply-chain	 Existence of a Code of Conduct for Suppliers that includes Human Rights and Labor Rights considerations, and training of direct suppliers Join a multistakeholder industry initiative and promote the development of ambitious environmental standards in the supply-chain (ex: Responsible Minerals Initiative, Responsible Business Alliance) Implementation of a policy, audits and reports on Conflict Minerals Violation of UNGC principles and OECD guidelines for Multinational Enterprises and implementation of corrective measures Implementation of a policy to monitor compliance with UNGC principles or OECD guidelines for multinational enterprises Number of identified cases of severe human rights issues and incidents 		



Data Security & Privacy, Product Responsibility

CONTEXT	MINIMUM STANDARDS		
	Type of ESG risk	Risk assessment indicators examples	
Given their management and processing of extensive datasets, particularly sensitive user and environmental information, OEM companies are tasked with safeguarding user data and ensuring its appropriate use. The integration of AI in electric transportation introduces notable risks, including security threats like cyberattacks that could endanger vehicle operation or navigation systems. Additionally, ethical dilemmas emerge in emergency situations, where AI must make critical decisions that could have life-or-death implications. Moreover, AI systems may face challenges in navigating complex real-world scenarios, such as unpredictable human behavior, which heightens the potential for accidents.	Data privacy & security	Implementation and certification of the information security management system (ISO 27001) Policy on data security and privacy (type of data and sources of collection, type of use and possible sharing with third parties) Provide clear and timely communications on steps considered to remediate the incident Effective mechanisms to ensure secure IT security	
In recent years, significant financial losses, brand reputation and legal liabilities have been reported due to vehicles defects. For example, defective airbags and battery catching fire have resulted in large-scale recalls, costing billions in settlement and repairs, as seen in cases like the Takata airbag recall in 2013 ¹ . Companies should implement robust quality assurance programs, conduct thorough testing of vehicle components and leverage predictive maintenance technologies. They must also establish proactive recall management strategies and strengthen partnerships with suppliers to ensure component quality and compliance with safety regulations. Safety risks are not limited to vehicles alone. Issues can arise also through transportation infrastructures such as poorly maintained railroads or inadequate signage.	Product Responsibility and safety	No major recalls (less than 2% of sales) in the last 5 years based on product safety Systematic audit of suppliers on quality standards Robust testing and quality control process during design, production and post- production phases Reduction of Hazardous components within the products User safety information / sheet / training for installer and consumers to address potential risks and measures to take into account Collaborating with regulatory bodies to adhere to safety standards	

Military equipment and weapons²

Military equipment can play a role in both war and peace; they are not necessarily excluded. The term "military equipment" includes all weapons, weapon systems, platforms, and ammunitions. Although they can contribute to peacekeeping, weapons must not be used on a discretionary basis or against civilians. Semiconductor and hardware components can be integrated into weapons in various ways to enhance their functionality, precision, and capabilities, including for combat missions. For this reason, our exclusion targets components that are key for lethality/essential in the offensiveness of weapons and for which non-reexportation cannot be ensured. As such, a case-by-case analysis is performed whenever a company from these sectors is exposed to the military and defense industry to assess compliance with minimum standards.



Governance

CONTEXT	MINIMUM STANDARDS		
	Type of ESG risk	Risk assessment indicators examples	
The credibility and strength of a company's sustainability strategy are reinforced by a robust ESG governance framework and the incorporation of ESG criteria into management compensation. Additionally, business ethics is a critical concern, and companies must take measures to mitigate the risks associated with internal misconduct including corruption froud and bribary. OEM companies froquently from	Governance of sustainability	 Existing governance structure enabling the mitigation of environmental and social risks Disclose breakdown of value among stakeholders, improving transparency around employee remuneration and payroll Integration of ambitious and binding sustainability criteria – assessed through predetermined, quantifiable metrics – into the variable compensation of top executives All Board members are trained on sustainability topics Presence of employee representatives at board level (beyond regulatory requirements). PAI #1 	
challenges related to competition regulations and price collusion, as highlighted by the recent case of OEMs violating EU antitrust laws by allegedly collaborating on the development of emissions reduction technologies for diesel exhaust in 20211. Therefore, it is essential for companies to maintain transparency regarding their lobbying activities, as well as their policies and initiatives related to anti-corruption, anti-competitive behavior, and bribery. Risk assessments in this area should be grounded in a thorough examination of the controversies surrounding companies and their responses. Furthermore, considering that companies in this industry are global organizations, we	Business Ethics	 Robust business ethics policies covering anti-corruption, anti-competitive and bribery policies Transparency about lobbying practices and objectives Evidence of effective whistleblower channels and transparency around cases reported and actions implemented Systematic training on company's and suppliers' code of conduct PAI #1 	
would also appreciate more transparency with regard to their tax optimization strategy.	Tax practices	 Effective tax rate vs. equal statutory tax rate Absence of controversies or evidence of aggressive tax optimization practices Estimated exposure to tax havens² or tax non-cooperative jurisdictions with no real activity in the country 	



Appendices



Positive Impact

According to Mirova's internal methodology, contribution to the SDGs can be grouped into two main categories, which are often complementary.

- The "activities" i.e. the products and services they offer.
- The "practices" i.e. the way operations can contribute to create sustainable and inclusive jobs, or by having strong commitments to net zero targets beyond their green products offerings, etc.
 SUSTAINABLE INVESTMENT



*this does not apply for vehicle making company, as they are valued only by their impact concerning their products

ESG risks

SECTOR INHERENT RISK LEVEL: MEDIUM/HIGH

Decarbonization and the responsible sourcing of raw materials are the main ESG issues due to the sector's substantial contribution to greenhouse gas emissions. While the shift toward electrification is crucial, it also introduces challenges related to the procurement of raw materials, including lithium, cobalt, nickel, steel and rubber. These minerals originating from regions characterized by high environmental and labor risks, can lead to ecological degradation and unethical practices, such as labor exploitation and unsafe working conditions. Moreover, the advent of advanced technologies and artificial intelligence within the industry, particularly in autonomous driving systems and enhanced safety features, offers the potential to significantly reduce road fatalities. However, this also raises pressing concerns about data privacy and security. Given the sector's global footprint and complex supply chains, there is a need for transparent corporate governance and robust whistleblowing. Recent scandals on emissions and financial misconduct by high-ranking executives, have illustrated the severe consequences of ethical lapses.

COMPANY INHERENT RISK LEVEL

A company inherent risk level may differ from the inherent risk level of the sector.

The definition of the company inherent risk level may also be determined by the specificities of the business model, the nature of the activities and their locations as well as that of their suppliers (incl. country specific risks).

MAIN ESG RISKS FACTORS	RESIDUAL ESG RISK LEVEL		
Climate change	LOW RESIDUAL RISK	Satisfactory management of the company's or project's main sustainability risks on most material issues.	
Product Safety Working conditions and Human Rights in the Supply Chain	MEDIUM RESIDUAL RISK	Current management in place does not fully cover all ESG risks but these are considered as moderate and current practices are deemed acceptable.	
Governance of Sustainability Business Ethics	HIGH RESIDUAL RISK	Companies demonstrating significant mitigation efforts operating in sectors with industry-wide complex and unaddressed challenges - systematically under targeted engagement.	
Tax practices	SIGNIFICANT HARM	Not eligible for investment.	

Principal Adverse Impact Indicators

AD	VERSE SUSTAINABILITY INDICATOR	MOST RELEVANT	Thresholds / Criteria				
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS							
Greenhouse gas	 GHG emissions Carbon Footprint GHG intensity of investee companies 	X X	Systematic integration in qualitative internal analysis Not applicable				
emissions	4. Exposure to companies active in the fossil fuel sector5. Share of non-renewable energy consumption and production6. Energy consumption intensity per high impact climate sector	Х	Not applicable Systematic integration in qualitative internal analysis				
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Х	Systematic integration in qualitative internal analysis				
Water	8. Emissions to water	Х	Systematic integration in qualitative internal analysis				
Waste	9. Hazardous waste and radioactive waste ratio	Х	Systematic integration in qualitative internal analysis				
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS							
	10. Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Х	Exclusion of companies violating UNGC and OECD principles				
Social and employee	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Х	Part of controversy monitoring				
matters	12. Unadjusted gender pay gap	Х	Systematic integration in qualitative internal analysis				
	13. Board Gender Diversity	Х	Engagement plans / ESAP with investees				
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Х	Exclusion of companies or projects exposed to controversial weapons leads to and involved in the production of re- exportable weapons.				
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS							
Human Rights	16. Number of identified cases of severe human rights issues and incidents	X	Systematic integration in qualitative internal analysis Part of controversy monitoring				
Anti-corruption and anti- bribery	17. Number of convictions and number of fines for violation of anti- corruption and antibribery laws	Х	Systematic integration in qualitative internal analysis Part of controversy monitoring				



Useful Resources

SFDR

- Sustainable Finance Disclosure Regulation (SFDR): positioning of Mirova Funds
- Description of the principal adverse impacts on sustainability factors

POLICIES AND METHODOLOGIES

- Our approach to impact
- Our approach to impact & ESG assessment
- <u>Mirova taxonomy for sustainable solutions</u>
- Minimum standards
- Voting and Engagement policies
- <u>Temperature alignment of listed investment portfolios</u>
- <u>Transparency codes</u>





Disclaimer





MAIN RISKS

ESG Investing Risk & Methodological limits

By using ESG criteria in the investment policy, the relevant Fund's 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.

Sustainability risks

The Sub-Funds are subject to sustainability risks as defined in the Regulation 2019/2088 (article 2(22)) by environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Sustainability Risks are principally linked to climate-related events resulting from climate change (i.e. Physical Risks) or to the society's response to climate change (i.e. Transition Risks), which may result in unanticipated losses that could affect the Sub-Funds' investments and financial condition. Social events (e.g. inequality, inclusiveness, labour relations, investment in human capital, accident prevention, changing customer behaviour, etc.) or governance shortcomings (e.g. recurrent significant breach of international agreements, bribery issues, products quality and safety, selling practices, etc.) may also translate into Sustainability Risks. Sustainability factors consist in environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters (the "Sustainability Factors"). Portfolio investment process includes binding and material ESG approach to focus on well rated securities from an ESG viewpoint in order to mitigate potential impact of Sustainability Risks on portfolio return. More information on the framework related to the incorporation of Sustainability Risks is to be found in the sustainability risk management policy of the Management Company on its website.





LEGAL NOTICE

This document is a non-contractual document for information purposes only.

This document does not constitute or form part of any offer, or solicitation, or recommendation to subscribe for, or buy, or concede any shares issued or to be issued by the funds managed by Mirova investment management company. The presented services do not take into account any investment objective, financial situation or specific need of a particular recipient. Mirova shall not be held liable for any financial loss or for any decision taken on the basis of the information contained in this document, and shall not provide any consulting service, notably in the area of investment services.

The information contained in this document is based on present circumstances, intentions and guidelines, and may require subsequent modifications. Although Mirova has taken all reasonable precautions to verify that the information contained in this document comes from reliable sources, a significant amount of this information comes from publicly available sources and/or has been provided or prepared by third parties. Mirova bears no responsibility for the descriptions and summaries contained in this document. No reliance may be placed for any purpose whatsoever on the validity, accuracy, durability or completeness of the information or opinion contained in this document, or any other information provided in relation to the fund. Recipients should also note that this document contains forward-looking information, issued on the date of this presentation. Mirova makes no commitment to update or revise any forward-looking information, whether due to new information, future events or any other reason. Mirova reserves the right to modify or remove this information at any time without notice.

The information contained in this document is the property of Mirova. The distribution, possession or delivery of this document in some jurisdictions may be limited or prohibited by law. Persons receiving this document are asked to learn about the existence of such limitations or prohibitions and to comply with them.

Mirova voting and engagement policy as well as transparency code are available on its website : www.mirova.com.

Non-contractual document, issued in March 2025.





MIROVA

Portfolio Management Company - Anonymous Company RCS Paris No.394 648 216 AMF Accreditation No. GP 02-014 59, Avenue Pierre Mendes France 75013 Paris Mirova is an affiliate of Natixis Investment Managers. <u>Website – LinkedIn</u>

NATIXIS INVESTMENT MANAGERS

French Public Limited liability company RCS Paris n°453 952 681 Registered Office: 59, avenue Pierre Mendès- France 75013 Paris Natixis Investment Managers is a subsidiary of Natixis.

MIROVA US

888 Boylston Street, Boston, MA 02199; Tel: 857-305-6333 Mirova U.S, LLC (Mirova US) is a U.S.-based investment advisor that is wholly owned by Mirova. Mirova is operating in the U.S. 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.

MIROVA SUNFUNDER EAST AFRICA LIMITED

Mirova SunFunder East Africa Limited A company incorporated with limited liability in the Republic of Kenya Workify 11th Floor, Wood Avenue Plaza, P.O. BOX 59067 GPO, Nairobi Mirova SunFunder East Africa Limited is a subsidiary of Mirova SunFunder Inc.



OARA OAR