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SUSTAINABLE IMPACT FRAMEWORK

Food and Beverages

Sectors:

- Packaged Foods and Meats
- Soft Drinks and Nonalcoholic Beverages
- Restaurants
- Food Retail

Last updated: March 2025

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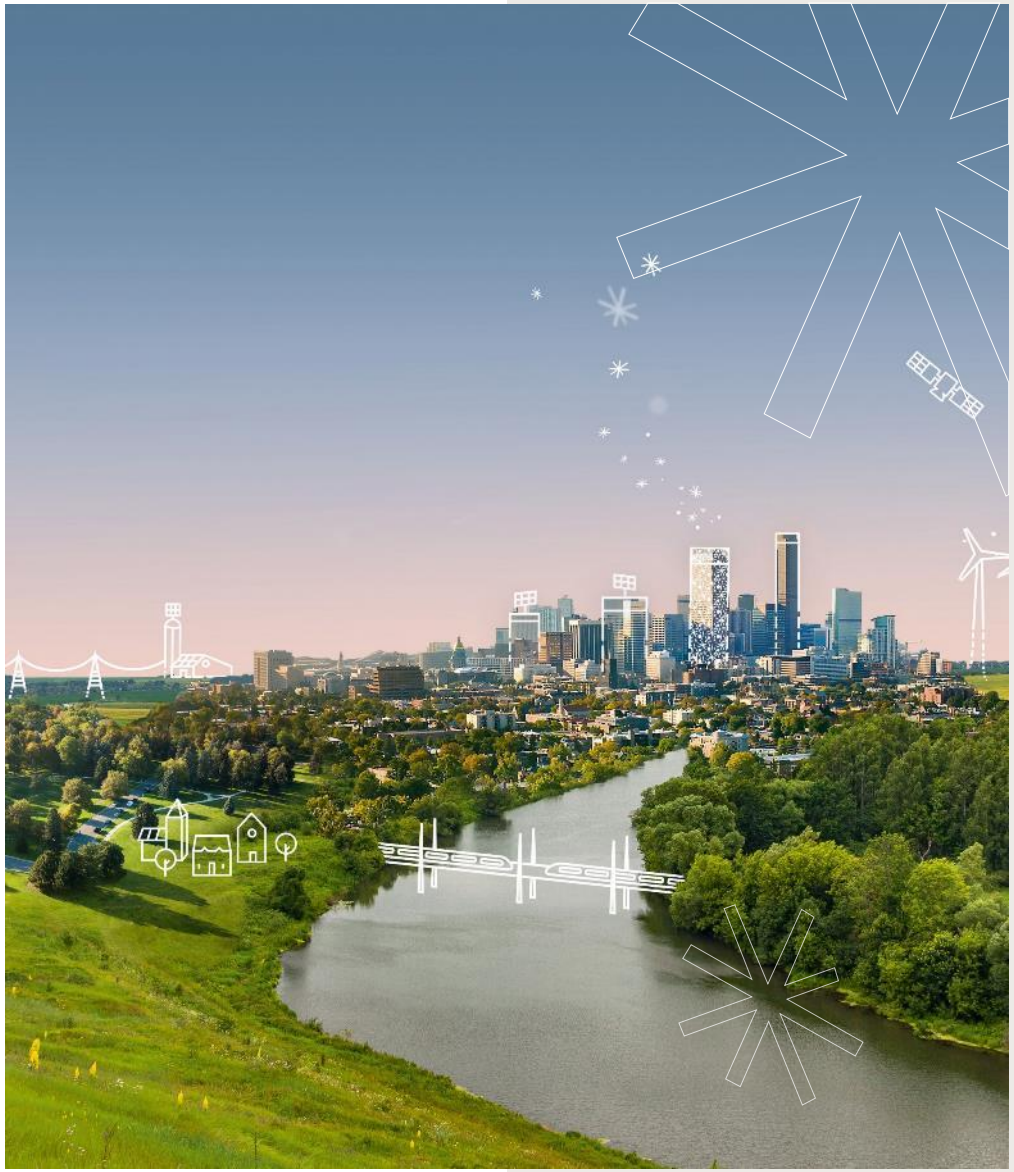
Executive summary



Food and beverages

With global food demand expected to rise significantly by 2050, food security is one of the most important and crucial issues of the century. The Food and Beverages sector faces numerous challenges that range from food security, sustainable production including regenerative agriculture, a just transition for farmers, food waste plastic packaging, and food safety and nutrition matters.

The global food system accounts for approximately 30% of total human-produced emissions[1].

1.3 billion people engaged in the agri-food systems globally in 2022[2].

Around 600 million people fall ill after eating contaminated food and 420,000 people die every year[3].

Agriculture is responsible for 30% of total human-produced emissions, 70% of total water withdrawn[1], and 90% of deforestation[2]. Regenerative agriculture is often seen as a solution, as it offers several benefits, including climate mitigation through carbon sequestration, improved crop resilience, enhanced soil health, and increased resource efficiency, which leads to higher yields and less pressure on freshwater resources. Regenerative practices promote biodiversity by supporting diverse crop rotations and reducing pesticide use while also improving farmers' livelihoods by lowering costs and providing new revenue streams through carbon-capture incentives. Unlike organic farming, which focuses on avoiding harmful substances, regenerative agriculture actively aims to restore and enhance ecosystems, soil health, and overall resilience. To limit climate change to 1.5 degrees, regenerative agriculture needs to expand from covering about 15% of global cropland to 40% by 2030[1]. Food and beverage companies are usually working with farming cooperatives and ingredients suppliers, and sometimes own some of the land. Whether they have direct exposure or not, they can support the transition toward more sustainable practices, and their expectations can drive scalable change. For example, in the European Union (EU) and the United Kingdom (UK), the top 10 consumer packaged goods companies and retailers influence 40% of agricultural land[3]. These companies are also responsible for the introduction of large quantities of plastic packaging in the environment every year.

The food and beverage companies are usually large employers, primarily in manufacturing roles that are often physically demanding, low skilled, and low paid. It is crucial to ensure fair wages, improve employee skills, and enhance job satisfaction. Workers in the supply chain, especially those producing agricultural ingredients such as palm oil or cacao, face heightened risks of human rights violations due to informal labor practices. However, the expected transitions in the industry, ranging from agricultural practices to production and distribution, may affect livelihoods, requiring farmers to adopt costlier, labor-intensive practices with potential higher vulnerability to extreme events, and potentially leading to job losses in industrial farming and processing. Companies should implement just transition measures, such as covering costs for new practices, reskilling workers, and addressing initial productivity declines.

Everyone should have consistent physical and economic access to sufficient, safe, and nutritious food that satisfies their dietary needs and preferences, promoting an active and healthy lifestyle. The health impact of food and beverage products is determined by their safety and nutritional quality. Challenges such as low soil productivity, limited availability of nutritious fresh foods, and the overwhelming presence of inexpensive, highly processed, energy-dense options — often high in fats, sugars, and salt — have increased the cost of maintaining a healthy diet. This has contributed to rising obesity rates, as well as other issues such as allergies and food intolerances. Currently, more than 40% of the global population is classified as overweight[4], highlighting the critical need for access to healthy, fresh, and nutritious food at affordable prices. Product safety issues often stem from spoilage or contamination at different stages of the supply chain, with improper labeling—especially concerning allergens—posing significant risks to consumers. An estimated 600 million people fall ill from contaminated food each year, resulting in approximately 420,000 deaths[4]. Additionally, the presence of antibiotic-resistant organisms in food poses a serious public health threat, as these illnesses may not respond to available treatments and can contribute to antimicrobial resistance.

Drivers of contribution and obstruction to sustainability goals

	Activities	Practices
Positive Impact	**Sustainable Activities** ACCESS TO BASIC NEEDS HEALTHY NUTRITION SUSTAINABLE AGRICULTURE ALTERNATIVE PROTEINS CIRCULAR BUSINESS MODELS	**Advanced Practices** HUMAN CAPITAL MANAGEMENT: • Diversity and inclusion • Job quality CLIMATE BIODIVERSITY *Advanced governance models*
Residual ESG Risks	**Harmful Activities[1]** *Sugar-sweetened beverages* *Food and farming (deforestation)* *Tobacco* *Alcohol* *Cannabis*	**Risk Mitigation** FOOD SAFETY CLIMATE AND BIODIVERSITY WORKING CONDITIONS AND HUMAN RIGHTS GOVERNANCE: • Governance of sustainability • Business ethics • Taxes

[1]See Minimum Standards and Exclusions, Mirova

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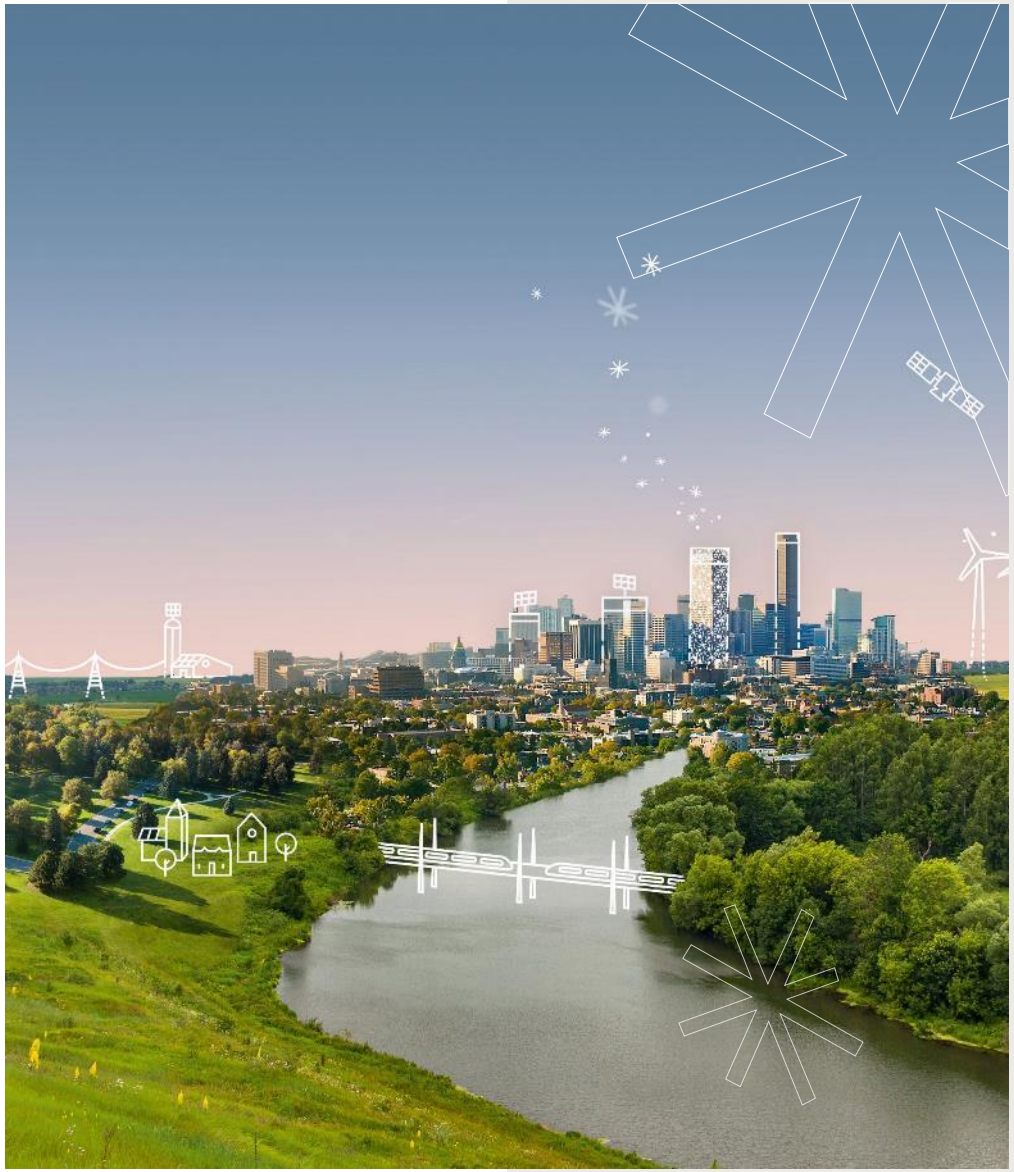
Positive impact



Sustainable activities

SOCIAL OPPORTUNITIES

CONTEXT

The dimensions of food security include the physical availability of food, affordability, and quality. All people, at all times, should have physical and economic access to sufficient, safe, and nutritious food that meets their dietary needs and food preferences for an active and healthy life. In 2023, more than 700 million people faced hunger, including one out of every five people in Africa[1]. While malnutrition includes undernutrition (wasting, stunting, underweight), it also encompasses inadequate vitamins or minerals, as well as being overweight or obese. Low soil productivity, inadequate supplies of nutritious fresh foods, and an excessive availability of cheap, highly processed, energy-dense foods that are high in fats, sugars, and/or salt have driven up the cost of a healthy diet. More than one-third of people in the world could not afford a healthy diet in 2022, and research has found that in the UK, for example, healthy food is usually twice as expensive as less healthy food on a per-calorie basis[2].

To promote healthy diets, the World Health Organization (WHO) has defined a road map that includes measures such as coordinating trade, food system, and agricultural policies; encouraging consumer demand for healthy foods and meals (notably through scoring and labeling of healthy products); and promoting healthy nutrition across the lifespan. While these recommendations are mostly relevant for policymakers, companies should also adopt these principles in their marketing and pricing strategies, as well as offer products that are particularly relevant to local contexts (for example, products containing protein [with an increased proportion of vegetable proteins], vitamins, iron, calcium, zinc, and other micronutrients aimed at filling nutritional deficits in specific countries).

SUSTAINABLE ACTIVITY

Access to basic needs
Access to nutrition.

IMPACT CRITERIA

Exposure to low-cost product portfolio including fresh products and good nutrition profile.

Revenue exposure to low-cost product portfolio in low- and middle-income countries.

Qualitative analysis of the company's access strategy, including targeted pricing policies, cooperation with local governments/organizations.

Healthy nutrition
Companies/projects offering certified food products and distributing fresh vegetables, plant-based food products or frozen vegetarian food with low-toxicity ingredients, no sugar added, and high nutritional qualities.

IMPACT CRITERIA

Increased exposure to highly nutritive products profile (preferably based on a government-backed labeling framework, such as Nutri-Score in France and "traffic light" labeling in the UK).

Compliance with responsible marketing policies.

For retailers and restaurants, the impact assessment is conducted with local perspective and compared with accessibility and affordability of healthy options locally.

In this sector, the positive contribution is analyzed through **revenues exposure** but not only. The **qualitative review of the solution's impact, including financial affordability and qualitative aspects of the nutrition profile of the products,** is particularly important in our analysis.

LOW POSITIVE IMPACT	MODERATE POSITIVE IMPACT	HIGH POSITIVE IMPACT
> 10% sustainable activities	> 20% to 50% sustainable activities	> 50% sustainable activities

Sustainable activities

CLIMATE / BIODIVERSITY

CONTEXT

Primary raw materials for food and beverage companies come from the agricultural sector. To limit climate change to 1.5 degrees, sustainable agriculture efforts must be scaled faster and move from covering around 15% of global cropland today to 40% by 2030[1]. Regenerative agriculture offers multiple benefits, including climate mitigation through carbon sequestration and enhanced crop resilience to climate shocks. It enhances soil health by increasing biomass production, which helps prevent degradation. The practice promotes resource use efficiency by improving nutrient and water use, leading to higher crop yields and reduced stress on freshwater reserves. Additionally, it fosters biodiversity by encouraging diverse crop rotations and reducing pesticide use, which can help protect natural habitats. Finally, regenerative agriculture supports farmer prosperity by lowering costs, boosting crop yield and quality, and increasing resilience to market fluctuations and extreme weather events. It also creates new revenue opportunities for farmers through incentives for carbon capture and soil storage. Regenerative farms aim to revitalize and enhance natural ecosystems by actively improving soil health, biodiversity, and overall ecosystem resilience. In contrast, organic farms primarily focus on avoiding synthetic pesticides, herbicides, and genetically modified organisms (GMOs) to promote soil and water quality, as well as human health, emphasizing prevention of harm rather than actively restoring ecological balance.

SUSTAINABLE ACTIVITY

Sustainable agriculture

Companies/projects supporting organic and restorative agriculture (e.g., no chemical inputs, etc.); regenerative agriculture (e.g., no till, cover crops, precision tools, etc.); improvement of conventional practices or animal medical treatments for the prevention of diseases (mainly vaccines and alternative to antibiotics).

IMPACT CRITERIA

Existing label and certifications of raw ingredients used (type of label, independence, score or level of certification, audits, etc.).

In this sector, the positive contribution is analyzed through **revenues exposure**.

LOW POSITIVE IMPACT	MODERATE POSITIVE IMPACT	HIGH POSITIVE IMPACT
> 10% sustainable activities	> 20% to 50% sustainable activities	> 50% sustainable activities

Sustainable activities

CLIMATE / BIODIVERSITY

CONTEXT	SUSTAINABLE ACTIVITY
Total global food demand is expected to increase by 35% to 56% between 2010 and 2050[1]. While the need to meet this demand is unquestioned, the environmental footprint of the food system has risen tremendously in the past few years,, notably due to meat consumption. Livestock supply chains account for 14.5% of global anthropogenic greenhouse gas (GHG) emissions[2]. While livestock, when managed for regenerative outcomes, can still play an important role in a nature-positive food system, plant-based ingredients can provide lower environmental impacts than conventionally produced animal products. Reducing meat consumption can help address food security issues and contribute to the resilience and sustainability of our food supply chains; For example, the soil footprint of vegetable proteins is six times lower than animal proteins[3]. However, vegetarian diets are not inherently healthy; the diversity and balance of various food intakes should be maintained and promoted. Nonprocessed plant-based foods such as beans, chickpeas, peas, and lentils are considered the best alternatives.	**Alternative proteins** Companies/projects offering plant-based/alternative protein feed products (e.g., insects), equipment or ingredients for extraction of plant proteins and flavors, used as an alternative to meat-based food-products (except micro-organisms-based processes).
Globally, one-third of all food is either lost or wasted throughout the entire food chain[2]. Food can be discarded, incinerated, or otherwise disposed of at the beginning of the chain during the harvest, slaughter, or catch phase. However, food waste also occurs later in the manufacturing process or at the retail level when the food does not meet retail (often aesthetic) standards or is nearing its expiration date. To address food loss, investments need to be made to improve transformation, transportation, and packaging processes. For food waste, behavioral changes are necessary at the consumer level. In addition, the development of business models that ensure the extended shelf life of products is encouraged. This includes avoiding products being wrongfully considered waste (such as those close to expiration date, fruits and vegetables with unexpected dimensions, or damaged packaging) and reusing actual food waste in the chain (as animal feed, organic fertilizers, biomaterials, and bioenergy).	**Circular business models** Business models enabling the significant reduction of food waste and/or the reuse of unavoidable food waste for industrial or agriculture purposes.

In this sector, the positive contribution is analyzed through **revenues exposure**.

LOW POSITIVE IMPACT	MODERATE POSITIVE IMPACT	HIGH POSITIVE IMPACT
> 10% sustainable activities	> 20% to 50% sustainable activities	> 50% sustainable activities

 [1]*Nature*. [2]FAO. [3]Poore et Nemecek, 2019. Source: Mirova.

POSITIVE IMPACT

Sustainable practices

CONTEXT

ADVANCED PRACTICES

HUMAN CAPITAL

Job quality

Companies in the food and beverage industry play a crucial role as direct employers, with a substantial portion of their workforce engaged in manufacturing roles that support the transformation process. As a result, many of these jobs are physically demanding, low skilled, and low paid. Companies should provide fair wages, develop employee skills, and ensure job satisfaction. Workers within the supply chain, particularly farmers involved in the production of agricultural ingredients such as palm oil of cocoa, for example, face heightened risk of human rights issues due to a majority of informal labor practices. Moreover, the need for substantial changes in food systems has been widely recognized, and companies are expected to actively support the transition to regenerative agriculture practices. However, the transitions expected in the industry, ranging from agricultural practices to production and distribution, may affect livelihoods, requiring farmers to adopt costlier, labor-intensive practices with potential higher vulnerability to extreme events, and possibly leading to job losses in industrial farming and processing. Companies should adopt just transition measures, including funding for new practices, providing reskilling opportunities for workers, and addressing potential initial declines in productivity.

Practices/measures expected:

1. **Ensure fair remuneration and social benefits are sufficient for good living conditions.**
2. **Develop employees' skills recognized on the labor market and anticipate shifts in skills.**
3. **Ensure employee satisfaction and well-being.**

Impact indicators examples:

- Transparency on remuneration of employees, executives and shareholders. Minimum living wage and significant financial support across various job types.
- Existing support for suppliers to ensure the implementation of internal social standards throughout the supply chain, as well as just transition measures, if relevant.
- Creation of internal universities/academies targeting actionable skill sets and accessible to most employees.
- Existing and effective employee association mechanisms.
- Enhanced training offerings, including upskilling programs, mentorships, leadership training, potential tuition reimbursement or loan repayment programs.
- Employee turnover and absenteeism.

Diversity and inclusion

Overall, women represent 35% of the workforce in food and beverage companies (compared to 38% on average for the MSCI World), but they hold less than 20% of executive roles[1]. Women representation in agriculture is also decreasing, as women accounted for 26% of workers in agriculture in 2022, compared to 38% in 2000[2]. To recruit more women, companies are raising awareness among female students about career opportunities in the field and providing them with the support needed not only to climb the corporate ladder, break the glass ceiling, and achieve pay parity but also to face persisting discrimination in the agriculture sector. Moreover, diversity and inclusion extend beyond gender; particular attention should be paid to employees' socioeconomic backgrounds and age, and to inclusivity for all employees, regardless of their minority status. The analysis also considers geographical and cultural differences to assess the quality of practices, particularly regarding benefits and social dialogue.

1. **Improve female and diverse representation, especially at management/leadership level.**
2. **Ensure equal opportunities and increase awareness to overcome inequalities.**
3. **Ensure adapted and flexible career options.**

- Percentage of women in executive committees, difference between women representation in the workforce and executive committee, C-suite female representation (CEO, CFO, CIO, CCO).
- Training available for employees (including HR and management) on unconscious biases.
- Wage gap or credible target to reach pay equality and unadjusted pay gap.
- Succession planning, including at least one woman as a possible candidate for every senior position.
- 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. *As defined in appendices. [1]Equileap. [2]FAO. Source: Mirova.

POSITIVE IMPACT

Sustainable practices

	CONTEXT	ADVANCED PRACTICES	
		Practices/measures expected:	Impact indicators examples:
CLIMATE	The increasing food demand adds pressure on agricultural systems to increase crop yields, which unfortunately leads to increased monocropping, use of agrochemicals, land expansion and clearing. As of today, agriculture is responsible for approximately 30% of GHG emissions[1] and 90% of deforestation[2]. At the company level, most emissions and biodiversity impacts primarily originate from upstream indirect activities, mainly farming. Today, just four crops provide 60% of the world's calories[3]. Monocultures lack other plant and animal species that can limit the spread of disease and control pests through predation, resulting in greater reliance on pesticides and herbicides. As a result, the use of inorganic fertilizers has increased by 800% since 1961[4]. These chemicals are particularly hazardous to the environment because their runoff contaminates water bodies, causes soil erosion, reduces soil fertility, and contributes to GHG emissions. Diversifying production is likely to reduce carbon emissions. For example, using peas instead of wheat in wheat-based products such as pasta could reduce GHG emissions by 40% and biodiversity impacts by 5%. Additionally, agricultural production requires large amounts of freshwater; 70% of global freshwater withdrawals are used for agriculture[1]. Transitioning toward regenerative agriculture can reduce GHG emissions by 50% and biodiversity loss by 20%[5]. It indeed mitigates emissions through carbon sequestration and improved crop resilience to climate shocks, enhances soil fertility, ensures diverse crop rotations, and reduces pesticide usage. While food and beverage companies do not usually directly own or operate the farms, they nonetheless have a role to play in promoting sustainable agriculture by incorporating regenerative practices into their sourcing decisions. Companies in the sector can also support their suppliers using innovative contract terms, including cost-sharing initiatives to improve access to training, equipment, and inputs, which will provide greater security for farmers as they adopt less-intensive crops and practices that may lead to a short-term decline in output. Additionally, companies have a direct role to play to reduce food waste in their manufacturing processes. Packaged goods companies within the sector are also expected to implement robust plastic packaging policies.	**Implement robust decarbonization strategy on all three scopes**	• GHG[5] emissions reduction targets on all three scopes, preferably aligned with the Science Based Target Initiative (SBTi)'s Forest Land and Agriculture (FLAG) guidance and effective reduction in emissions. • Scope 1 and 2[6]: Absolute reduction of scope 1 and 2 emissions, increase renewable energy power for manufacturing facilities. • Scope 3[7]: Suppliers' emissions, sustainable procurement practices, energy efficiency of sold products, client's sensitization initiatives to run more efficient operations. • Decreasing trend of GHG emissions on Scope 1, Scope 2 and Scope 3 emissions.
BIODIVERSITY		**1. Sustainable sourcing of raw materials** **2. Preserving input resources quantity (mainly water)** **3. Reducing food waste**	• Life-cycle analysis and efforts to increase ingredients diversity and sustainability. • Efforts to limit food waste in the production process. • Support the implementation of credible regenerative agriculture practices through training and technical support for directly employed farmers, and as possible and relevant, supply chain farmers; establish innovation purchasing models and contract terms, such as cost-sharing initiatives. • When relevant, sustainable sourcing strategy including full traceability, audits and corrective measures, and credible certifications. • Percent of operation in high-water stress regions and related action plans, and quantity of water withdrawals in line with the Science Based Targets Network for nature. • Share of reusable or recyclable packaging and share of postconsumer recycled (PCR) content in packaging. Innovation and initiatives to increase the circular economy of packaging (reusable and refillable).

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. . [1]WEF. [2]Stockholm Environment Institute. [3]Ellen MacArthur Foundation. [4]IIPCC. [5]Nature Conservancy. [5]Greenhouse gases. [6]Direct emissions created by a company's activities and emissions from the electricity a company uses in its operations. [7]Indirect emissions from a company's supply chain, distribution, use of products, and product disposal. *As defined in appendices. Source: Mirova

Advanced governance model

CONTEXT

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 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 that 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 are not a stand-alone driver of impact.

ADVANCED GOVERNANCE MODEL DETAILS

Practices/measures expected:	Impact indicators examples:
Commitment to long-term and shared value creation	• Demonstrate how value created is shared fairly among company stakeholders. • Strive toward the model of a purpose-driven organization and/or a B-Corp.
Integration of stakeholders in the decision-making process	• Create a Sustainable Development Committee or sustainability representative at board level, with regular meetings throughout the year. Sustainability items are systematically integrated into the board's agenda.
Fair taxes	• Provide country-by-country reporting on tax payments.

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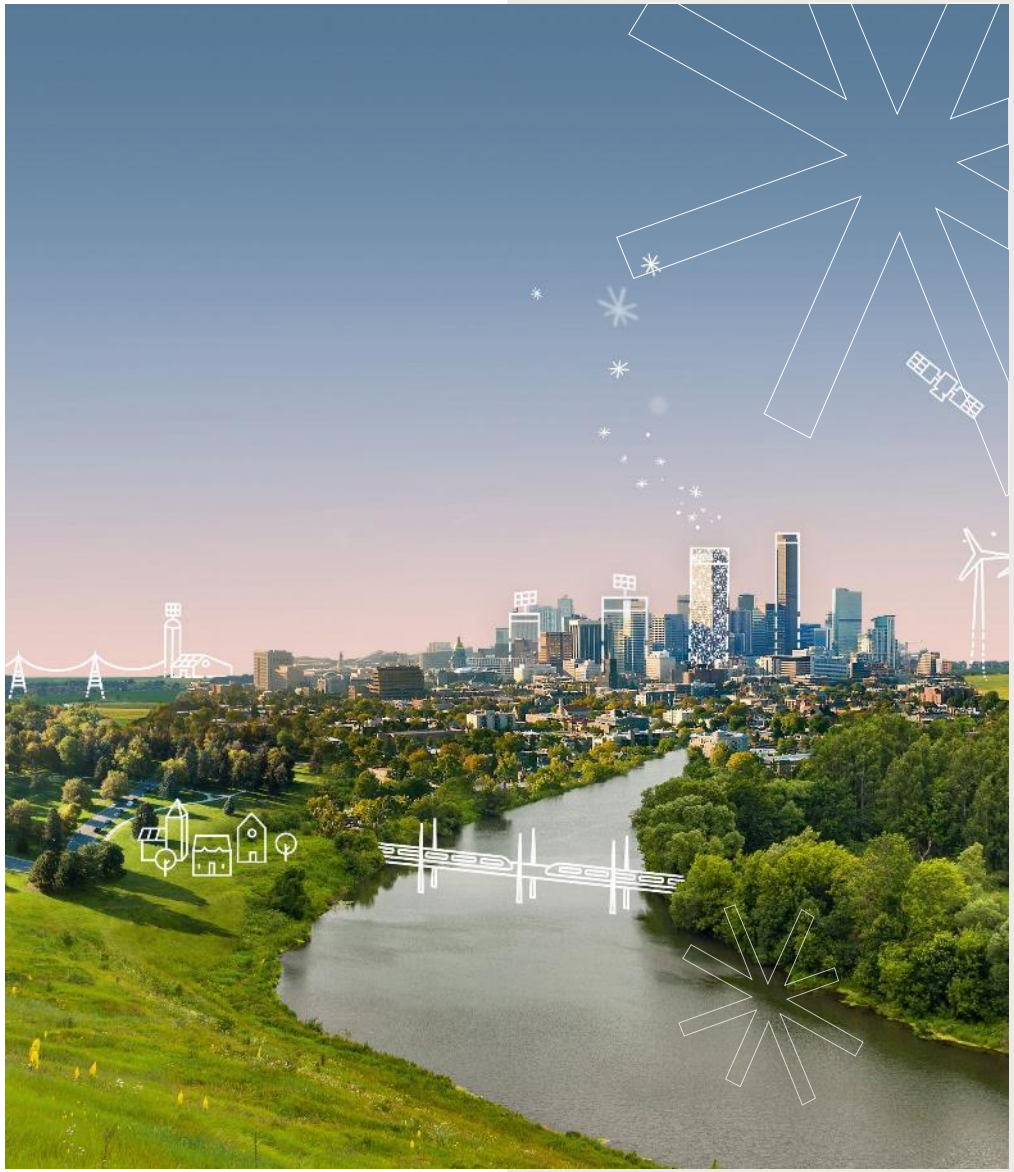
ESG risks



Food safety and quality

CONTEXT

Product safety concerns often arise from spoilage or contamination that can occur at various stages of the supply chain. Improper labeling, particularly regarding allergens, can pose significant risks for some consumers. Contaminants may include bacteria, viruses, parasites, fungi, and biological toxins, many of which can be pathogenic (harmful). It is estimated that approximately 600 million people become ill from consuming contaminated food, resulting in approximately 420,000 deaths each year[1]. Additionally, the presence of resistant organisms in food can lead to illnesses that do not respond to available antibiotics or other treatments, posing a serious public health threat. The implications of products containing genetically modified ingredients remains a topic of ongoing debate, we therefore consider a precaution principles.

Some products, such as tobacco and alcohol, have a direct adverse impact on public health, as detailed in our Minimum Standards policy. Malnutrition is causing a serious risk for our societies.

MINIMUM STANDARDS

Type of ESG risk:	Risk assessment indicators examples:
Food safety	• Number of inspections aligned with the Global Food Safety Initiative (GFSI), number of nonconformance and associated corrective actions. • Transparency on Tier 1 supplier facilities with GFSI certification (food safety certification program). • Total number of notices of food safety violation received. • Number of product recalls issued, total units recalled, severity of recalls. • Qualitative analysis of measures, policies and corrective actions to address potential antimicrobial resistance, per- and polyfluoroalkyl substances (PFAS) or microplastics contamination (specifically, packaged food and water bottles).
Animal welfare and bioethics	• Qualitative analysis of animal welfare policies and certifications. • Transparency around products labeled as containing GMOs.
Nutrition standards	• Existing nutrition governance, strategy. • Transparency on the nutrition profile of the products, including added sugar, salt, processed and ultra-processed ingredients, etc.

Companies producing and retailing alcoholic beverages, tobacco or sugar-sweetened beverages face significant risks related to harmful social effects stemming from their products, and they are thus excluded from our investment universe. Exclusion applies to:

- ***Alcohol:*** *companies/projects that derive >10% of their revenues from alcohol production or distribution..*
- ***Tobacco:*** *companies/projects that derive >0% of their revenues from tobacco production or 5% revenues from tobacco distribution.*
- ***Cannabis*****:** *companies/projects that derive >5% of their revenues from* producing and retailing recreational cannabis.
- ***Sugar-sweetened beverages:*** *soft-drink manufacturers.*

Climate and biodiversity

CONTEXT

The food and beverage industry significantly impacts the environment, particularly through plastic packaging, biodiversity loss resulting from deforestation, water pollution, and food waste.

In the EU and UK, for instance, 40% of agricultural land is affected by the top 10 consumer packaged goods[1] companies and retailers, which have a responsibility to mitigate the environmental effects of the food supply chain. Agriculture is the leading cause of biodiversity loss, threatening 86% of species at risk of extinction[2]. Moreover, the expansion of agriculture, fueled by rising meat consumption, is a primary contributor to global deforestation, with products such as soy and palm oil being used in various items, from animal feed to cosmetics. Additionally, agriculture accounts for 70% of global water withdrawals, leading to significant water[3] pollution, as farms release agrochemicals, organic matter, and other contaminants into water bodies.

When agricultural practices are managed sustainably, they can help protect and restore vital habitats, safeguard watersheds, and enhance soil health and water quality. Conversely, unsustainable practices can have detrimental effects on both people and the environment. The necessity for sustainable resource management has become increasingly critical. As the global population continues to grow, the demand for agricultural commodities is surging. Given agriculture's profound links to the global economy, human communities, and biodiversity, it represents a crucial area for conservation efforts worldwide.

MINIMUM STANDARDS

Type of ESG risk:	Risk assessment indicators examples:	
Deforestation and pollution	• Existing credible supply chain traceability systems up to the farm/point of production. Existing grievance mechanisms in place to identify and remedy adverse social and environmental impacts linked to their operations and/or supply chain. • Deforestation policy and existing policy to prohibit transformation of any primary forest, high conservation value forest, high carbon stock or intact forest landscape. • Identification of high-risk ingredients, such as palm oil, cocoa, and beef*, and definition of action plans. • Percentage of raw materials sourced from sustainable agriculture certifications.	
Packaging pollution	• Evolution of recycled content in product packaging. Existing target to increase share of recyclable and reusable packaging, and avoid unnecessary packaging.	
Water and manufacturing process	• Transparency on location of manufacturing sites (such as percentage of operation in high-water stress regions and related action plans) and quantity of water withdrawals. • Analysis of resource depletion risks, especially for bottled water. • Efforts to increase the circularity and efficiency in the use of water. • Emissions to water – hazardous waste and radioactive waste ratio.	PAI #8 PAI #9
Climate footprint	• Calculation of GHG emissions on all three scopes or ongoing evaluation. • Share of nonrenewable energy consumption and production – energy consumption intensity per high-impact climate sector. • Development or implementation of a decarbonization strategy to reduce major sources of emissions.	PAI #1 PAI #2 PAI #5 PAI #6

The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. [1]Ellen Macarthur Foundation. [2]UNEP. [3]WEF. *Detailed in Minimum Standards policy. Source: Mirova.

Working conditions and human rights

CONTEXT

The industry's supply chain is characterized by a high degree of seasonal and temporary employment, and by the legal employment of children, and workers are exposed to acute and chronic health hazards. Agricultural occupations are dangerous due to exposure to large machinery and heavy-vehicle hazards, while exposure to agrochemicals can create chronic health risks. More than 170,000 agricultural workers are killed each year, and many accidents, deaths, and occupational diseases go unreported[1]. Safety culture is critical to proactively guarding against accidents. Labor rights (child labor, excessive working hours in difficult working conditions, forced labor, modern slavery and human trafficking) are common violations ior are geographically located in areas with poor job security and no social protectionn the agriculture sector and are exacerbated when the supply chain is characterized by a majority of smallholder farmers. On farms and at food processing plants, workers typically earn low or are geographically located in areas with poor job security and no social protection. Many workers in the industry are temporary and may be undocumented, which limits their ability to advocate for themselves. Less than 4% of companies identify living income benchmarks in their reportings or calculate living income gaps[2]. Not all companies in the sector have the same leverage when it comes to address such issues in their supply chain.

They are therefore expected to implement at least basic policies that are considerate of these issues. When it comes to their direct impact, companies should address health and safety issues, such as occupational injuries and fatalities.

MINIMUM STANDARDS

Type of ESG risk	Risk assessment indicators examples:
Human rights	(e.g., cacao, seafood) or that are certified from a social aspect (e.g., Fair Trade Certified). • Publicly accessible grievance mechanisms in place to identify and remedy adverse social and environmental impacts linked to their operations and/or supply chain. Existence of a Code of Conduct for Suppliers that includes human rights and labor rights considerations. • Audit coverage of direct and indirect suppliers and trends. Transparency of suppliers. Implementation of corrective measures. • Join a multistakeholder industry initiative (e.g., EcoVadis, amfori, Sedex SMETA), and promote and deploy ambitious standards in the supply chain, such as SA8000®. • Objective to reach full traceability in the supply chain of high-risk ingredients in the next 10 years. • Commitment to test for Free, Prior and Informed Consent (FPIC) prior to acquiring new interests, developments, or expansions. • Where relevant, policy around potential conflict over resources such as water. PAI #10 • Violation of UN Global Compact (UNGC) principles and Organization for Economic Cooperation and Development (OECD) guidelines for multinational enterprises and implementation of corrective measures. PAI #11 • Number of identified cases of severe human rights issues and incidents. PAI #16
Working conditions	• Evolution of frequency and severity of accidents (direct workers and contractors) over time. Number of fatal accidents in the past few years. • All direct employees and contractors annually trained on health and safety issues. • Robust policies and measures implemented to reach zero accidents.

Governance

CONTEXT

In the food and beverage industry, the responsible marketing of products and their benefits is of genuine concern, particularly when it comes to the role the industry can play in a healthier society. Although already detailed in the previous section, we reiterate this because marketing practices in terms of the health benefits and consequences of products are rarely state regulated. This means that the industry is highly reliant on self-regulation. Therefore, to complement their responsible marketing policies, companies must ensure that their governance structures enable not only the enforcement of those policies but also ensure, at a minimum, that the policies meet international standards (where available). It is important to have an overall understanding of how companies incorporate sustainability into their core strategy and how sustainability is put into practice in their operations.

Good governance of sustainability, with support from top management, is more likely to lead to a robust and credible sustainable strategy. We encourage companies to have both a top-down and bottom-up approach when it comes to sustainability: We look for both support from the CEO and chairman to effectively put into place a sustainability strategy that is in line with the company's overall strategy and for employees to be encouraged to use their creativity and experience to better integrate sustainability into their everyday working life.

MINIMUM STANDARDS

Type of ESG risk	Risk assessment indicators examples
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. **PAI #12** • All board members are trained on sustainability topics. **PAI #13** • Presence of employee representatives at board level (beyond regulatory requirements). • Unadjusted gender pay gap and board gender diversity.
Business ethics	• Robust business ethics policies covering anti-corruption, anti-competitive and bribery practices. • Evidence of effective whistleblower channels and transparency around cases repo and actions implemented. **PAI #17** • Systematic training on the Company's and a Suppliers' Code of Conduct. • Number of convictions and fines for violation of anti-corruption and anti-bribery laws. • Transparency about lobbying practices and objectives.
Tax practices	• Effective tax rate vs. equal statutory tax rate. • Absence of controversies or evidence of aggressive tax optimization practices. • Estimated exposure to tax havens* or tax noncooperative jurisdictions with no real activity in the country.

[1]Transparency.org. [2]World Economic Forum. *As defined in Mirova's Minimum Standards policy.

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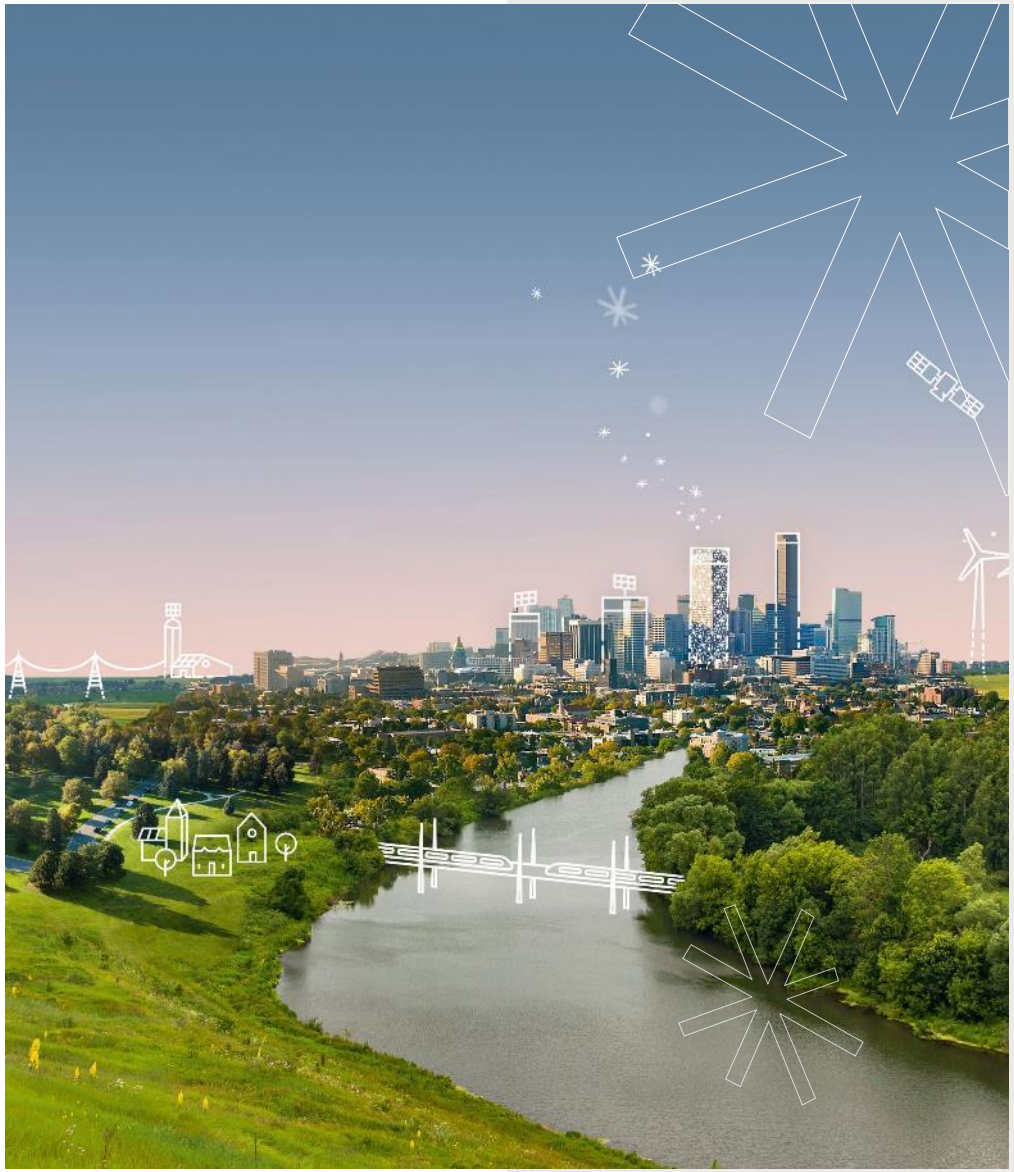
Appendices



Positive impact

According to Mirova's internal methodology, contribution to sustainable development goals can be grouped into two main categories, which are often complementary:

1. The activities, i.e., the products and services the company offers.
2. The practices, i.e., the way in which operations can contribute to create sustainable and inclusive jobs, or by having strong commitments to net-zero targets beyond their green product offerings, etc.

	NEGLIGIBLE IMPACT	LOW POSITIVE IMPACT	MODERATE POSITIVE IMPACT	HIGH POSITIVE IMPACT
ACTIVITIES	Marginal or no exposure to sustainable activities.	From 10% to 20% revenues from sustainable activities.	From 20% to 50% revenues from sustainable activities.	> 50% revenues from sustainable activities.
	In this sector, the positive contribution is analyzed through **revenues exposure** but not only. The **qualitative review of the solution's impact, including affordability, accessibility, as well as the analysis of** local contexts are thus particularly important in our analysis.			
PRACTICES	Absence of advanced practices.	One or more **advanced practices** on Medium Stake issues or credible strategy to transition to advanced practices.	One or more a**dvanced practices** on High Stake issues.	
	For the purpose of defining High/Medium stakes, Mirova relies on external classifications to the extent possible. Indicative High Stake sectors are defined as follows but may be adapted on a case-by-case basis, notably depending on a company's/project's effective exposure to high stake activities. • Climate: Mirova relies on the list defined by Net Zero Investment Framework and retains Nace codes A to H and J to L as High Stake. • Biodiversity: Mirova relies on the definition of its supplier Iceberg Data Lab and retains all Global Industry Classification Standard (GICS) except from GICS 5020, 4510, 5010 and 3510 as High Stake. • Human capital: Mirova considers sectors that are most exposed to arduous working conditions as High Stakes and all GICS except from GICS 5020, 4010, 4020, 4030, 4510, 3520, 6010 and 6020.			

Residual ESG risk

SECTOR INHERENT RISK LEVEL: MEDIUM/HIGH

The food and beverage industry faces significant challenges related to product safety, environmental sustainability, and labor rights. Contamination and spoilage can lead to serious health risks, while improper labeling and the presence of resistant organisms further complicate public health concerns. The industry's environmental impact is profound, contributing to biodiversity loss, deforestation, and water pollution, necessitating sustainable agricultural practices to protect vital ecosystems. Additionally, labor rights violations, including child labor and poor working conditions, are prevalent, particularly among smallholder farmers, exacerbated by the temporary nature of agricultural employment. To mitigate these risks, companies are urged to adopt basic policies that prioritize health and safety, sustainable resource management, and fair labor practices, ensuring a more responsible and ethical supply chain. By taking proactive steps in these areas, the industry can enhance public trust, safeguard workers' well-being, and contribute to a healthier planet for future generations.

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 and the nature of the activities and their locations as well as those of their suppliers (including country-specific risks).

MAIN ESG RISKS FACTORS

FOOD SAFETY AND QUALITY

CLIMATE AND BIODIVERSITY

WORKING CONDITIONS AND HUMAN RIGHTS

GOVERNANCE:

- Governance of sustainability
- Business ethics
- Taxes

RESIDUAL ESG RISK LEVEL

LOW RESIDUAL RISK	Satisfactory management of the company's or project's main sustainability risks on most material issues.
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.
HIGH RESIDUAL RISK	Companies demonstrating significant mitigation efforts operating in sectors with industrywide complex and unaddressed challenges – systematically under targeted engagement.
SIGNIFICANT HARM	Not eligible for investment.

SUSTAINABLE INVESTMENT

Principal adverse impact indicators

ADVERSE SUSTAINABILITY INDICATOR		MOST RELEVANT	THRESHOLDS/CRITERIA
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS			
GHG emissions	1. GHG emissions	X	Systematic integration in qualitative internal analysis and systematic engagement with the largest emitters to strengthen their net-zero commitments.
	2. Carbon footprint	X	
	3. GHG intensity of investee companies		Not applicable
	4. Exposure to companies active in the fossil fuel sector		Not applicable
	5. Share of nonrenewable energy consumption and production	X	Systematic integration in qualitative internal analysis and systematic engagement with the largest emitters to strengthen their net-zero commitments.
	6. Energy consumption intensity per high-impact climate sector		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas		Exclusion of companies or projects significantly harming biodiversity-sensitive areas.
Water	8. Emissions to water	X	Systematic integration in qualitative internal analysis and systematic engagement with relevant investee companies on this issue.
Waste	9. Hazardous waste and radioactive waste ratio	X	
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS			
Social and employee matters	10. Violations of UNGC principles and OECD Guidelines for Multinational Enterprises	X	Exclusion of companies violating UNGC and OECD principles and monitoring of exposure to violations as part of controversy monitoring process. Systematic integration in qualitative internal analysis.
	11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises	X	
	12. Unadjusted gender pay gap	X	Systematic integration in qualitative internal analysis and systematic engagement with relevant investee companies on this issue.
	13. Board gender diversity	X	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)		Exclusion of companies or projects exposed to controversial weapons nd 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 and monitoring of exposure to violations as part of controversy monitoring process.
Anti-corruption and anti-bribery	17. Number of convictions and number of fines for violation of anti-corruption and anti-bribery laws	X	

The information provided reflects Mirova's opinion/the situation as of the date of this document and is subject to change without notice. Our minimum standards policy also provides more information on thresholds for Principal Adverse Impacts Indicators. Source: Mirova.

Useful resources

SFDR

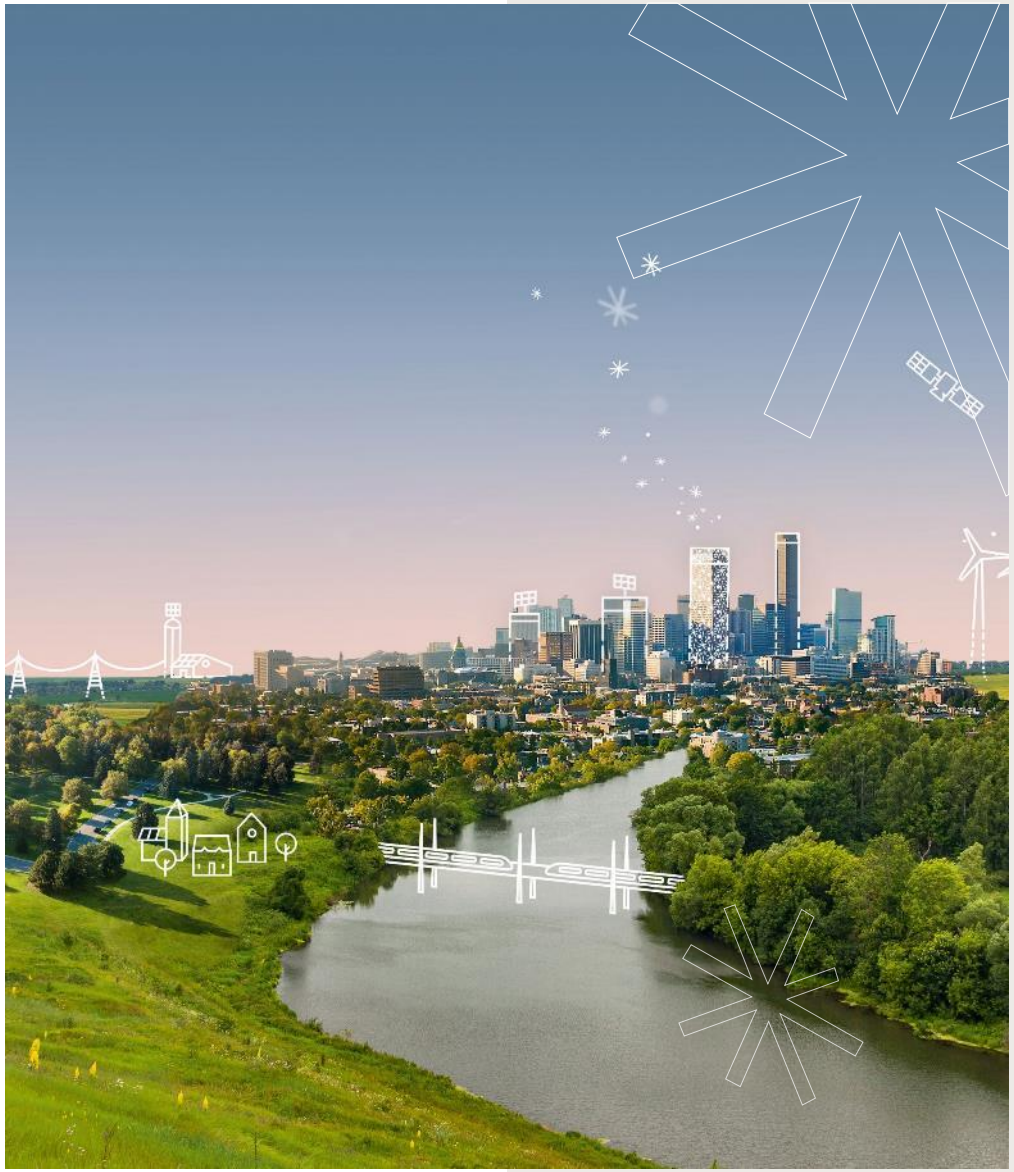
- Sustainable Finance Disclosure Regulation (SFDR): Positioning of Mirova Funds
- Description of the principal adverse impacts on sustainability factors

POLICIES AND METHODOLOGIES

- Our approach to impact
- Our approach to impact & ESG assessment
- Minimum standards
- Voting and Engagement policies
- Temperature alignment of listed investment portfolios
- Transparency codes
- Our Taxonomy for Sustainable Solutions

mirova
Investing in sustainability

Disclaimers



MAIN RISKS

ESG investing risk and methodological limits

By using ESG criteria in the investment policy, the relevant Fund's objective would be, in particular, to better manage sustainability risk and generate sustainable, long-term returns. ESG criteria may be generated using Mirova's proprietary models and 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 nonfinancial 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 ESG 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, labor relations, investment in human capital, accident prevention, changing customer behavior, etc.) or governance shortcomings (e.g., recurrent significant breach of international agreements, bribery issues, product 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; and anti-corruption and anti-bribery matters (the "sustainability factors"). The portfolio investment process includes a binding and material ESG approach to focus on well-rated securities from an ESG viewpoint in order to mitigate the 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.

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Noncontractual document, issued in March 2025.

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