



# Minimum Standards

## Methodology Overview

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NON-PROMOTIONAL DOCUMENT intended for and professional clients within the meaning of the MiFID directive. The information provided reflects the opinion/situation of Mirova as of the date of this document and is subject to change without notice. Mirova does not exclude any industry on principle. All our positions are the result of an extensive analysis of environmental and social impacts. For certain industries, this analysis may lead to the exclusion of all players in the sector.

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**M**irova was created to finance economic models that aim to positively contribute to sustainable development. Our work primarily focuses on identifying contributions to sustainability through companies' products, services, and practices. While we strive to promote positive change, we also recognize our responsibility to ensure that our investments consistently meet or exceed minimum standards, particularly regarding activities deemed controversial.

**Mirova does not exclude any industry as a matter of principle.** All our positions are the result of an extensive analysis of environmental and social impacts. For certain industries, this analysis may lead to the exclusion of all players in the sector.

Minimum standards are established for each sector based on their primary environmental and social concerns, and these standards are outlined in our sector research papers<sup>1</sup>.

Our Minimum Standards document summarizes our positions on major issues deemed controversial or that have negative impact on the achievement of sustainable development goals. Our Minimum Standards are split into two categories: a first section of this document outlines the standards that can be automated through a quantitative approach of pre-set indicators such as revenue ("Exclusion Categories"); the second section addresses our qualitative position on topics and sectors that still require further due diligence, typically

carried out on a case-by-case basis ("Other Minimum Standards").

Our Minimum Standards are aligned with the [Guidelines of the European Securities and Markets Authority](#) (ESMA)<sup>2</sup> on funds' names using ESG or sustainability-related terms and therefore the [EU Paris-aligned Benchmarks](#)<sup>3</sup>.

This document is applicable to all portfolios and investments in both listed and non-listed companies and projects. The term "companies" shall be used for any corporate entity or project considered for investment unless specified otherwise. Certain strategies or portfolios managed by Mirova may have additional exclusions.

*Our methodology rigorously evaluates environmental and social impacts, guiding our investments based on comprehensive sector analysis and clearly defined minimum standards to promote sustainable development.*



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<sup>1</sup> <https://www.mirova.com/en/research/understand>

<sup>2</sup> Version of May 2024

<sup>3</sup> Version of July 2020

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# Exclusion Categories

## Fossil Fuels

According to the IPCC<sup>4</sup>, limiting warming to well below 2°C will require substantial energy system changes over the next 30 years. Fossil fuels still account for almost 80% of primary energy today: global fossil fuel use would need to decline substantially by 2050 to limit warming to 2° and to decline substantially by 2030 to limit warming to 1.5°C with no or limited overshoot.

More specifically, limiting global warming to 1.5°C requires global coal consumption to be largely eliminated by 2040–2050, and new investments in coal-fired electricity are analyzed to be inconsistent with limiting warming below 2°C<sup>4</sup>. Oil use also has to decrease substantially by 2050: by between 30% to 78% in 1.5°C scenarios and by 14% to 45% in 2°C scenarios, in particular as a transport fuel because of rapid deployment of EVs. Lastly, natural gas use also declines: by between 21% to 62% in 2050 in 1.5°C scenarios and by 14% to 36% in 2°C scenarios, and gas use in electricity will likely peak around 2035 in 1.5°C scenarios<sup>4</sup>.

Reducing the use of fossil fuel will require a significant reduction in coal, oil and gas investments. Otherwise, energy systems will be

locked into higher emissions, making it harder to limit warming to well below 2°C.

Mirova monitors the implementation of its minimum standard requirements on fossil fuels through ESG data providers, public databases such as the external Global Coal Exit List (GCEL)<sup>5</sup> and the Global Oil & Gas Exit List (GOGEL)<sup>6</sup>.

## Fossil Fuel Exposure

Exclusion applies to companies deriving:

- **Coal:** >1% of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite.
- **Unconventional oil & gas:** > 5% of their revenues from hydraulic fracturing, arctic drilling or oil sands.
- **Oil:** >10% of their revenues from the exploration, extraction, distribution or refining of oil fuels.
- **Natural gas:** 50% of sales derived from the exploration, extraction, manufacturing or distribution of gaseous fuels.
- **Power generation from fossil fuels:** >50% of their revenues from electricity generation with a GHG intensity of more than 100g CO<sub>2</sub>e/kWh.
- **Total fossil fuel exposure:** >50% of their revenues from coal, oil, natural gas, fossil fuel power and fossil fuel services.

## Fossil Fuel Expansion

Exclusion applies to companies involved in:

- **Coal:** New project related to the exploration, mining, extraction, distribution or refining of hard coal and lignite.
- **Upstream Oil & gas:** Exploration or development of new oil and gas fields, or in the expansion of existing fields.

## Green Bonds

For Green Bonds issued by companies involved in the sector, we conduct a specific analysis. We consider an investment in a green bond as an investment in the green projects funded, not in the issuer itself. The eligibility depends on the following criteria:

- A positive contribution from financed projects, aligned with ESMA “look-through approach”<sup>7</sup> and the PAB<sup>8</sup> exclusions at Use of Proceeds level.
- A credible transition strategy at issuer level, to which the use of proceeds contributes, including a majority of company’s capital expenditure allocated to “clean energy” projects (e.g., as per the European Taxonomy).
- A good management of environmental and social risks linked to underlying projects throughout their life cycle.

<sup>4</sup> IPCC, 2022: Climate Change 2022: Mitigation of Climate Change

<sup>5</sup> Urgewald - Global Coal Exit List

<sup>6</sup> Urgewald - Global Oil & Gas Exit

<sup>7</sup> ESMA\_QA\_2368

<sup>8</sup> Paris Alignment Benchmark

# Biodiversity and Deforestation

## Activities negatively affecting biodiversity sensitive areas

Biodiversity-sensitive areas refer to locations with a high concentration of biodiversity and high species richness such as primary forests, wetlands, coral reefs etc. They can be protected areas or identified as World Heritage sites. All present specific features which make them of particular importance and as

such must be preserved from any activity which might lead to the deterioration of natural habitats and the habitats of species or to the disturbance of species.

The exclusion complies with Principal Adverse Impact (PAI) indicator

7 within the Sustainable Finance Disclosure Regulation (SFDR).

**Exclusion applies to companies operating in or near biodiversity-sensitive areas with activities negatively affecting those areas.**

## Palm oil

Palm oil has been used for many years and valued for its low cost of production, absence of smells, versatile texture. It can be found in nearly everything, it is now estimated to be found in more than 50% of packaged<sup>9</sup> products, from snacks and food products to home and personal care products, animal feed and as a biofuel in many parts of the world.

However, palm oil production has considerably damaged local ecosystems due to deforestation, its

impact on climate change and biodiversity loss. It also continues to raise social concerns: infringement on indigenous rights, and negative health impacts.

Efforts to structure a responsible palm oil supply chain started around 20 years ago. Compared to other commodities, the palm oil supply chain has currently achieved the most maturity and transparency, notably thanks to the RSPO (Roundtable on Sustainable Palm Oil) initiative. Although the initiative

has faced criticism in the past related to the governance of the structure, we value the ambition to audit companies systemically and adequately and to take smallholders situation into account. Moreover, it is the first and only global organization attempting to address complex supply chain issues at a large scale.

**Exclusion applies to palm oil processors and growers without RSPO certification.**

# Pollutions

## Chemicals

Pollution is currently the fourth largest driver of biodiversity erosion and causes 2 million deaths per year<sup>10</sup>. Driven by the increasing traction for innovative products in various industries, new chemical substances are accumulating in the environment. Some Persistent Organic Pollutants such as Per- and

poly- fluoroalkyls (PFAS) are particularly toxic to living organisms. They can notably lead to water and soil contaminations and cause severe health conditions. As of today, there is no option to remediate these pollutions. The toxicity of most substances to health and the environment is still unknown. The

toxicity assessment is indeed neither systematic nor independent. It is often conducted by companies themselves which may lead to moral hazard if a chemical substance is found to be toxic. The precautionary principle should prevail to limit the risks, in other words it is often accepted that if there is a risk

<sup>9</sup> RSPO estimation

<sup>10</sup> Guidance on chemicals and health – WHO

of harm to the public or the environment and no scientific consensus, the substances should not be developed, yet it is not always the case.

Mirova uses ChemScore<sup>11</sup> for the implementation of its Minimum Standards. It is an initiative from the NGO ChemSec that aims to capture and rank the world's largest

chemical companies' efforts to reduce their production of toxic chemicals as well as to boost investments in safer, greener alternatives. Of particular interest is the list of persistent chemicals manufactured by companies which also include those listed in the Stockholm convention on persistent organic chemicals (POP).

**Exclusion pertains to companies that are significantly engaged in the manufacturing of hazardous substances, specifically those producing five or more persistent chemicals or persistent organic pollutants (POPs) as defined by Chemscore.**

## Agrochemicals

Agrochemicals are becoming increasingly controversial due to their impacts on the health of farmers, end-users, and local communities. Local bans on certain products, lawsuits from farmers indicating the harmful effect of products, and an increasing number of scientific studies suggest causality between the use of agrochemicals and serious illness on humans but also sublethal impact on pollinators participating in abundance reduction.

While agrochemical substances are regulated at the international level, products market authorization are regulated at the country level inducing increased risk in developing countries displaying limited rule of law which drives us to align our assessment with most stringent of regulations.

**Exclusion applies to companies involved in the production of hazardous pesticides above 5% of their revenues.**

**In addition, for agricultural and forestry projects that we finance directly, the use of agrochemicals containing Highly Hazardous Pesticides (HHP) according to the WHO<sup>12</sup>, is not permitted unless a time-bound phase-out plan exists or if there are no feasible alternatives.**

## Health and Addiction

### Alcoholic beverages

Companies producing and retailing alcoholic beverages face significant risks related to harmful social effects stemming from their products. The World Health Organization has highlighted mounting evidence that "no level of alcohol consumption is safe for our health"<sup>13</sup>. A new statement clarifies that currently available evidence does not identify a threshold "at which the carcinogenic effects of alcohol "switch on" and start to manifest in

the human body". This update is shedding light on often overlooked risks, yet the latest WHO strategy is still focusing on the "harmful use of alcohol" which is the most correlated with higher health risks, including heart diseases, liver diseases, high blood pressure etc.

Alongside the individual factors mentioned above, some macro factors are also at play in the development of alcohol use patterns, such

as culture, which often influences acceptability, implementation of local regulation, affordability, and availability of alcohol as well as marketing of alcoholic beverages. Unfortunately, many countries lack well-developed systems for monitoring alcohol consumption.

**Exclusion applies to companies that derive >10% of their revenues from alcohol production or distribution.**

<sup>11</sup> <https://chemscore.chemsec.org/>

<sup>12</sup> WHO Recommended Classification of Pesticides by Hazard'

<sup>13</sup> Source: WHO, January 2023



For non-listed projects, eligibility may be considered for local brewers and vineyards when a clear case for positive impact can be

established, particularly through the implementation of sustainable land management practices. This approach can help alleviate

pressures on biodiversity, if it does not involve excessive promotion of drinking or irresponsible marketing practices.

## Sugar-sweetened beverages

Sugar-sweetened beverages create significant, negative impacts on human health, especially due to their connection to obesity and type 2 diabetes. The World Health Organization recommends that the consumption of added sugars be less than 10% of daily energy intake<sup>14</sup>. However, actual sugar consumption is substantially higher (and rising) in many countries. Sugar-sweetened beverages are a major contributor to excess sugar consumption. Furthermore, as calories in liquid form are not recognized by the digestive system in the same manner as calories in solid form, those that consume sugary

beverages tend to take in more calories than those who do not.

To minimize the public health impacts of sugar consumption, regulators have started implementing taxes on highly sweetened products and beverages to reduce consumption of these products. However, we have yet to see stronger restrictions (e.g. banning the sale of these products to consumers under a certain age) as with the sale of alcohol and tobacco.

Companies that sell products with added sugar in solid form are not necessarily excluded, but are

instead subject to a case-by-case analysis, including a strategy to decrease the sugar, salt, and fat in their products with time-bounded targets, a transparent and third-party verified measurement of their products' nutritional profile, responsible marketing practices that promote a healthy lifestyle and limit marketing of sugary products to children, and transparent nutrition labels.

**Exclusion applies to soft drink beverages manufacturers.**

## Tobacco

The tobacco epidemic is one of the most widespread and serious global public health threats – with its effects counteracting the advances in health made in the past. The World Health Organization estimates that around 8 million tobacco-related deaths occur each year around the world<sup>15</sup>.

In 2005, the WHO Framework Convention on Tobacco Control (WHO FCTC) came into force. Its main

objective is to protect present and future generations from the devastating health, social, environmental, and economic consequences of tobacco consumption and exposure. Ratified by 183 countries covering 90% of the world's population, the WHO FCTC is a legally binding treaty by which these countries commit to developing and implementing a series of evidence-based tobacco control measures to regulate the tobacco industry, reduce

demand for tobacco and provide alternatives to those involved in growing and producing tobacco.

**Exclusion applies to companies that derive:**

- >0 % revenues from tobacco production<sup>16</sup>.
- >5% revenues from tobacco distribution.
- >50% revenues from tobacco services.

<sup>14</sup> Source: World Health Organization, 9 August 2023

<sup>15</sup> Source: Fact Sheet Tobacco, World Health Organization last updated on 17 July 2023

<sup>16</sup> Including alternative to nicotine products

## Cannabis

Cannabis contains a variety of different compounds, namely cannabidiol (CBD) and tetra-hydro-cannabinol (THC). CBD is not psychoactive but is used as a medicinal ingredient. THC is a psychoactive substance with varying legal standings, depending on the country or state.

**Consumer goods:** Companies producing, and marketing cannabis-based foods, beverages, and cosmetics have limited risks associated with the use of their products because they generally only contain CBD (no psychoactive component). However, there is still very little knowledge around the true positive

and negative effects of these products over the long term, and no regulation marketing.

**Pharmaceutical cannabis-based products:** Health authorities have issued stringent regulation regarding the medical applications of pharmaceutical cannabis-based products. Use is limited to certain specific health conditions, and full medical trials are required; these medicines must be approved, licensed, and prescribed. The sustainability assessment of cannabis-based pharmaceutical companies follows the same principles as the broader pharmaceutical industry; cannabis-based pharmaceuticals

will not be considered controversial products.

**Recreational cannabis-based products:** in jurisdictions where permissible by law, companies can sell THC-containing cannabis products for recreational use. At present, the World Health Organization discourages the protracted use of cannabis due to reported acute and chronic health effects, and reports that substance abuse is recurrent among young consumers<sup>17</sup>.

**Exclusion applies to companies deriving >5% of their revenues from production and distribution of recreational cannabis.**

## Gambling

The business of gambling companies creates substantial social risks, namely addiction and over-indebtedness. We do not consider

any company exposed to gambling as having sufficient policies to properly address the social risks linked to their activities.

**Exclusion applies to companies with >5% revenues derived from gambling (production, services, distribution).**

# Fundamental Rights

## Military equipment and weapons

Mirova does not exclude the defense sector as a matter of principle. We recognize the right of countries to engage in self-defense, per

Art.51 of UN Charter. Our standards aim to establish strict safeguards to prevent exposure to weapon diversion that contravenes this

principle, which harms human rights and fundamental freedom.

## Controversial weapons

We adopt the terminology "controversial weapons" to refer weapons that are not universally banned, yet cause unnecessary suffering or have long-lasting impacts on civilians and the

environment due to their indiscriminate effects.

We exclude the following weapons as defined by international conventions:

- Anti-personnel mines (Ottawa Convention),
- Cluster munitions (Oslo Convention),
- Biological, chemical, radiological, or nuclear weapons outside of the non-proliferation treaty

<sup>17</sup> The health and social effects of nonmedical cannabis use, World Health Organisation, last updated on 11 November 2016



(Nuclear Non-Proliferation Treaty, Biological Weapons Convention, Chemical Weapons Convention),

- Incendiary weapons and white phosphorus bombs (Convention

on Certain Conventional Weapons),

- Other weapons classified as "concerning" by the UN, particularly depleted uranium weapons.

- Our exclusion complies with Principal Adverse Impact (PAI) indicator 14 within the Sustainable Finance Disclosure Regulation (SFDR).

## Conventional weapons

For other, "conventional" weapons, our Minimum Standards aim to prevent exposure to weapon diversion, outside of their legitimate use for the self-defense of countries.

Our standards aim to cover critical lethal military equipment, namely those designed or modified for lethal purposes. These include:

- Equipment dedicated to combat and of a lethal nature, such as weapons, armed vehicles, explosive devices, or ammunition<sup>18</sup>.
- Elements and components directly related to the lethality of the weapon and have been designed or modified according to military specifications<sup>19</sup>.

Conversely, our exclusion does not apply to non-lethal or non-critical

equipment, usually not considered armament such as non-combat<sup>20</sup> or support services<sup>21</sup>, or not designed or modified for use in armament such as dual-use equipment<sup>22</sup> and unprocessed materials.

In order to address the risk of weapon diversion, which stems from dissemination (sales, export or reexport) towards high-risk countries<sup>23</sup>, Mirova expects enhanced due diligence from companies involved in critical lethal military equipment. Companies should display a credible management of weapon diversion beyond the guarantees provided by local regulatory frameworks while, according to research<sup>24</sup>, dissemination to high-risk countries remains the norm amongst the pure players of the

defense industry. Our empiric approach therefore relies on the exclusion of actors significantly involved in such activities. Considering the expected growth in public command, we may tolerate a marginal exposure from diversified companies.

In the event of dedicated targeted products such as Defense Bonds, designed to direct private financing towards specific industrial segments, we would consider their compliance with our enhanced diligence requirement based on the types of equipment or beneficiaries involved, strict non-dissemination clauses as well as robust monitoring and transparency mechanisms to ensure traceability to the end user.

## Civilian firearms

While our policy recognizes the role of the defense sector in guaranteeing the legitimate protection of countries, we apply a zero-tolerance policy regarding the production and distribution of civilian

firearms, given their negative correlation with public safety.

**Exclusion applies to companies that derive:**

- **>0% of their revenues from any involvement (production,**

**distribution, services) in banned or controversial weapons.**

- **>5% of their revenues derived from combined involvement in combat military equipment**

<sup>18</sup> includes firearms, tanks, combat aircraft, explosives, missiles, bombs, combat vehicles.

<sup>19</sup> Includes fire control systems, projectiles, devices and sensors for trajectory calculation, target tracking systems, or localization equipment that provide targeting information.

<sup>20</sup> Owing vehicles, naval surveillance ships, training aircraft, engines or propulsion systems for combat aircraft, vehicles, or ships, flares or training munitions, non-lethal ammunition weapons, protection or training equipment, encrypted communication systems, jamming equipment, cybersecurity equipment, aerial reconnaissance cameras, radars, and communication, control, intelligence, or simulation software.

<sup>21</sup> Services related to armaments, such as maintenance, storage, repair, or testing.

<sup>22</sup> Equipment that can have both civilian and military uses without specific modification. Actors are subject to strict export control regulations aimed at identifying and controlling the export of these goods but have limited capacity to control the dissemination of the finished weapon product.

<sup>23</sup> Refer to the Countries & International Conventions for our definition of high-risk countries.

<sup>24</sup> See our paper on Defense: <https://www.mirova.com/en/ideas/position-paper-rearm-europe-rearm-finance>

(production/distribution alone or production/distribution plus services).

▪ >0% of their revenues of production or distribution of civilian firearms.

For rules applying to sovereigns, please refer to ad hoc chapters below.

## Adult entertainment

Companies involved in producing and retailing adult entertainment are exposed to high social risk, especially related to human trafficking. We have not identified any companies involved in this industry

within our investment universe, and do not consider any company in the sector as having developed sufficient policies to properly address its social risks.

**Exclusion applies to companies that derive >5% revenues from production and distribution of adult entertainment.**

## UN Global Compact's principles and/or OECD guidelines

The UN Global Compact and the OECD Guidelines for Multinational Enterprises are comprehensive, voluntary corporate responsibility initiatives. They are articulating principles of responsible business conduct, hence draw on international standards enjoying widespread consensus. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core principles in the areas of human rights, labor standards, the

environment and anticorruption. The OECD Guidelines establish non-binding principles and standards covering such areas as human rights, disclosure of information, anti-corruption, taxation, labor relations, environment, competition, and consumer protection. More specifically, we also analyze companies measures to ensure Free Prior Informed Consent and to comply with customary and legal land rights.

The exclusion complies with Principal Adverse Impact (PAI) indicators 10 and 11 within the Sustainable Finance Disclosure Regulation (SFDR).

**Exclusion applies to companies in violation of UN Global Compact's principles and/or UN Guiding Principles on Business and Human Rights and/or OECD Guidelines for International Companies.**

# Other Minimum Standards

*The following topics and activities have been identified as requiring additional due diligence to ensure they align with the achievement of the Sustainable Development Goals (SDGs). Although these activities are not necessarily controversial, the eligibility will depend on specific conditions.*

## Nuclear power

Nuclear power is an established technology that can deliver low-carbon energy at scale, according to the IPCC<sup>25</sup>. Nuclear power should reach its highest level in 2025 and, according to the IEA, can strengthen energy security as electricity demand accelerates<sup>26</sup>. It is one of the options for the decarbonisation of energy and is included in the majority of the net zero scenario, but its potential contribution to emission reduction is much lower than wind energy and solar energy, notably due to longer development cycles and higher mitigation costs according to the IPCC.

At the same time, nuclear power continues to be affected by many challenges: environmental issues, notably related to final disposal of radioactive waste; social issues related to nuclear safety or public acceptance; governance challenges such as proliferation risk; and last but not least severe economic challenges, such as cost overruns, high upfront investment needs and considerable project delays.

As a result, we acknowledge that nuclear power is an option for the decarbonisation of the energy supply, and we do not exclude activities related to nuclear power. However, we consider that it is not a priority option for potential contribution to emission reduction, in comparison to solar and wind energy. We also set strict minimum standard requirements to mitigate its environmental and social impacts<sup>27</sup>, related to stable political conditions and robust regulatory framework in the country in which the company involved in nuclear activities operate.

**The analysis of companies involved in nuclear power generation activities (including owners or operators of nuclear power plants) or in the nuclear fuel cycle (uranium enrichment, fuel fabrication, used fuel recycling and/or storage and disposal of nuclear waste) include several factors:**

- the location of operations,
- the quality of the governance in the countries of operations,

- the management of environmental and social impacts.

**Exclusions applies to companies operating in regions that lack an independent nuclear authority, have not ratified the Non-Proliferation Treaty (NPT), or are considered high-risk<sup>28</sup>.**

**We also expect high standards of governance policies that integrate best practices for internal risk management, risk disclosures, and oversight. The company should actively mitigate the potential risks of its activities ensuring environmental and social responsibility including through comprehensive plans addressing nuclear waste management and water use, local emergency preparedness, resilience against extreme natural hazards, dismantlement and expansion.**

<sup>25</sup> IPCC, 2022: Climate Change 2022: Mitigation of Climate Change

<sup>26</sup> IEA, <https://www.iea.org/energy-system/electricity/nuclear-power>

<sup>27</sup> These Minimum Standards are detailed in the dedicated sector paper, available: <https://www.mirova.com/en/research/understand>

<sup>28</sup> Refer to the Countries & International Conventions for our definition of high-risk countries.



# Food and farming

## Main commodities

World forests cover around 30% of total land surface and are estimated to provide habitat for 60-80% of terrestrial biodiversity<sup>29</sup>. In addition, they are sustaining 86 million green jobs<sup>30</sup>. However, since 1990, deforestation has been responsible for a loss of 10% of current forest surface<sup>29</sup>. The deforestation is primarily tied with a few commodities including beef, palm oil, soy, wood, cocoa, coffee, and rubber.

New forests do not offer and supply the same level of ecosystem services, it is thus a necessity to conserve forests. Some regions, such as South America, Southeast Asia or Africa, have received the most scrutiny because they host the more diverse variety of species, constitute necessary carbon sinks,

## Soy

Soy is mainly used in the production of protein soy cakes dedicated to feed livestock. Almost 80% of the world's soybean crop is fed to livestock, especially for beef, chicken, egg, and dairy production (milk, cheeses, butter, yogurt, etc)<sup>31</sup>. Oil derived from soy is also used in first generation biodiesel. Overall, it is estimated that soy production has more than doubled over the last two decades<sup>29</sup>.

provide non-negligible amount of freshwater, and provide basic sustenance for local populations.

Although impacts on local species are likely to be irreversible, it is never too late to halt deforestation and to preserve what is left. Despite a global pledge made by more than 100 countries during COP26 in 2021 to put an end to deforestation by 2030, a global policy is still awaited. The European Union has taken recent steps to reinforce regulation around the import of such commodities when linked with deforestation (European Deforestation Regulation).

**We apply a case-by-case analysis for beef, soy, wood, cocoa, coffee, or rubber producers. We expect companies and projects meet the following criteria:**

- **Existing robust zero-deforestation policies, zero peatland conversion, zero biodiversity sensitive areas and high biodiversity value land conversion;**
- **Existing audit process and effective grievance mechanisms to identify and remedy adverse social and environmental practices;**
- **Transparent reporting on governance of the deforestation policy, implementation, verification tools and impact KPIs.**

**For companies operating in downstream value chain of the mentioned main commodities, we expect companies to implement credible supply chain traceability systems up to the farm / point of production. We also expect transparency on controls, audits, and grievance mechanisms.**

Soy production is one of the key drivers of deforestation. Livestock farming is responsible for two third of agriculture-led deforestation worldwide<sup>32</sup>, explained by the conversion of forests and savannahs to farmlands. The expected expansion of meat consumption driven by population increase is likely to lead to the production of 411 Mt by 2030<sup>33</sup>, which is more than double the combined output of other oilseeds.

In the 2000s, a sectoral agreement, the "Brazil's Amazon Soy Moratorium", prevented commodities traders from purchasing soybeans from areas that were deforested after 2008. While it has had some positive impact and reduced deforestation locally, it has been recognized that deforestation has been displaced more than reduced. The Cerrado has been identified as one of the regions where natural conversion to soy has continued.

<sup>29</sup> Climate Change and Land, IPCC, 2019

<sup>30</sup> Inside the global effort to save the world's forests – UNEP

<sup>31</sup> Soy – WWF

<sup>32</sup> Poore et Nemecek, 2021

<sup>33</sup> OECD-FAO, 2021

In addition to the criteria mentioned for main commodities, we apply a

case-by-case analysis and expect soy producers to commit to end

sourcing from the Brazilian Amazon and Cerrado region.

## Beef

Animal farming plays an important role in our global food systems. Limited animal protein intake can provide essential proteins and vitamins needed for human diet. Besides animals play an essential role in nutrient recycling and fertilization in mixed farming systems<sup>34</sup>.

Yet, beef is the single largest cause of deforestation due to pasture and soy production, amounting to 36% of agriculture-led deforestation<sup>35</sup>. Methane is also a leading cause of climate change over the short term and is significantly released by

(cattle) livestock<sup>36</sup>. Per weight of protein, beef is 6x more intensive on land (and 36x more intensive in GHG emissions) than pea proteins<sup>36</sup>. From a health perspective, beef production contributes to the emergence of zoonoses<sup>37</sup> (70% of new diseases have originated in animals); and microbial resistance, resulting from the overuse of antibiotics<sup>38</sup>. Livestock uses 41% of agriculture water, which is itself the first water use sector, causing depletion of groundwater<sup>39</sup>.

As for the other mentioned commodities, some efforts have been made to avoid deforestation linked with the beef industry. Yet, a global policy is still awaited.

**In addition to the criteria mentioned for main commodities, we apply a case-by-case analysis and expect companies engaging in the expansion of beef production capacity to implement a convincing strategy focused on the protection of ecosystems and to demonstrate a strong rationale around the environmental benefits of this strategy.**

## Aquaculture and fisheries

Fisheries are crucial for the livelihoods of coastal communities and for global food security. It is estimated that the livelihoods of 492 million people globally are reliant on small-scale fisheries<sup>40</sup>. Fish stocks are, however, under pressure with more than 90% of the global fish stocks either fully exploited or over exploited<sup>41</sup>. In addition, commercial fishing can also have negative ecological impacts through capture of non-target species, which are subsequently discarded, and direct damage to benthic ecosystems through bottom trawling<sup>42</sup>. It's been estimated that 9.1 million tons (or

10.8% of global catch) is discarded annually<sup>43</sup>.

Aquaculture is a growing industry and today represents nearly half of the total global production of aquatic animal biomass<sup>40</sup>. While it is necessary to ensure food security, biodiversity protection, poverty reduction and economic development, aquaculture has also been associated with a range of environmental and social risks, including pollution, negative impacts of feed production, deforestation, and dissemination of invasive species<sup>44</sup>.

Preserving specific aquatic species is also fundamental to maintain our ecosystems. For example, Antarctic krill are supporting populations of wildlife animal in the regions and as they feed on phytoplankton, they also play a role in absorbing carbon dioxide. This resource is facing significant pressure due to overfishing, pollution, and climate change impacts including loss of sea ice and ocean acidification.

**In addition to the criteria mentioned for main commodities, we apply a case-by-case analysis and expect companies involved in wild-caught fisheries and aquaculture**

<sup>34</sup> Circular agrofood system - WUR

<sup>35</sup> OECD-FAO, 2021

<sup>36</sup> Food systems account for over one-third of global greenhouse gas emissions | UN News

<sup>37</sup> A zoonosis is an infectious disease that has jumped from a non-human animal to humans.

<sup>38</sup> IPBES – Zoonoses 2021

<sup>39</sup> Water use in global livestock production – opportunities and constraints for increasing water productivity | SEI

<sup>40</sup> WCS Community Fisheries Program

<sup>41</sup> FAO The State of World Fisheries and Aquaculture (SOFIA) 2022

<sup>42</sup> USGS. 2016. What a Drag : The Global Impact of Bottom Trawling.

<sup>43</sup> Gilman, E., Perez Roda, A., Huntington, T. et al. Benchmarking global fisheries discards. Sci Rep 10, 14017 (2020).

<sup>44</sup> Naylor et al. 2021. A 20-year retrospective review of global aquaculture. Nature

producers to commit to ban the following activities:

- Harvesting essential / critical species such as Antarctic krill
- Exploiting fisheries where the targeted stock is overfished or subject to overfishing.

In addition to the criteria mentioned for main commodities, we apply a case-by-case analysis and expect companies exposed to seafood processing and /or fishing activities where there is a high likelihood of non-compliance with the ILO

Core Labor Standards, without a vigilance plan to remediate such exposure.

## Plantations and tropical timber

Against the background of increasing demand for wood products combined with land pressure caused by agriculture land expansion, plantations offer the opportunity of contributing to meeting human biomass needs thanks to their optimized high productivity while releasing pressure from logging activities on naturally regenerating forests. Comprising 3% of world forested area<sup>45</sup>, short-rotation plantations can even have direct local positive environmental impacts when they are planted on degraded and unproductive soils, or when they release human pressure on primary forests caused by activities such as fuelwood sourcing. Through careful design and management, forest

plantations can mitigate biodiversity habitat fragmentation through creation of ecological corridors between primary forests patches. Mosaic planting, whereby commercial tree species are planted alongside stands of natural habitat (which is either restored or conserved), can also promote biodiversity benefits<sup>46</sup>.

The potential environmental and social risks associated with plantation forests are complex. Plantations are notably regularly accused of reducing biodiversity and the ecological services provided by local ecosystems compared to their natural counterparts, notably by eroding soil fertility or reducing water

availability. Negative social impacts, such as displacement due to land acquisition as well as health and safety or labor conditions also require close attention.

**We apply a case-by-case analysis and expect companies to commit to ban the operation of plantations in tropical High Conservation Value areas and/or logging of tropical wood from natural forests.**

**For companies operating in downstream value chain, we expect companies to implement credible supply chain traceability systems up to the farm / point of production. We expect transparency on controls, audits, and grievance mechanisms**

## Genetic engineering

While we acknowledge the public mistrust surrounding GMOs and, more broadly, vegetable biotechnology, we believe these technologies have an often-overlooked role to play in ensuring food security and improving nutrition. Given that biotechnology can lead to more efficient plant breeding, offering possibilities beyond what can be achieved using conventional

techniques, we do not consider its use as a reason for exclusion in and of itself.

However, most of the GMOs marketed today support conventional farming practices as herbicide-tolerant or insect-resistant crops. We thus consider them akin to conventional agrochemicals which tend to create negative effects on

ecosystems and do not present any environmental or social benefit.

**We apply a case-by-case analysis of the strategies pursued by actors involved in genetic engineering, looking specifically at their commitment to appropriate risk management and transparency around the potential impacts of their products.**

<sup>45</sup> FAO. 2020. Global Forest Resources Assessment 2020: Key Findings.

<sup>46</sup> New Generation Plantations – About



# Plastics

Driven by economic and population growth, the use of plastics and plastic waste are expected to almost triple globally by 2060<sup>47</sup>. Plastic consumption and related waste are responsible for significant impact on ecosystems notably marine ecosystems and human health. Currently, half of all plastic waste is still being landfilled, less than a fifth recycled and over a quarter leak into our environment<sup>48</sup>. Plastic pollution is mostly caused by flexible plastic packaging originated by the consumer goods and food sectors. The second cause of pollution is lost fishing gears. Macroplastics discharge into the ocean is causing biodiversity loss through entanglement of large animals. Microplastics are altering human health and biodiversity through spread of toxic plasticizers used as coatings.

Plastic waste exports have now been banned, yet the lack of recycling capacity continues to be a major hurdle for a sustainable end of life management. The use of non-recyclable polymers and the mixing of polymers in pigments, coatings, adhesives, alongside a reduced packaging size and lack of separate collection schemes have been continued challenges to increase the share of recycled content in new packaging. Among polymers, PET bottle circularity is most advanced, and shows an average 11% recycled content in the European Union<sup>49</sup>.

While an international treaty on plastics is awaited, relevant regulations include different mechanisms, such as the reduction of total amount of plastics manufactured, recyclability of plastics, circular

systems, such as collection of single use plastics wastes, and implementation of new tax.

**We apply a case-by-case analysis and expect companies:**

- **Involved in the manufacturing of polymers most likely used in single use items and packaging: LDPE<sup>50</sup>, LLDPE<sup>51</sup>, PS<sup>52</sup>, PET<sup>53</sup>, to set targets to increase recycled content.**
- **Involved in the manufacturing of PET beverage packaging to set recycling targets above industry/local average<sup>54</sup>.**
- **Involved in the manufacturing of single use plastic packaging, cutlery, fishing nets and related items to set clear targets on increasing recycled content and enhancing effective recyclability.**

<sup>47</sup> Plastic waste projections to 2060 – OECD

<sup>48</sup> Plastic waste projections to 2060 – OECD

<sup>49</sup> Eunomia PET Market In Europe: State Of Play 2022

<sup>50</sup> Low Density Polyethylene

<sup>51</sup> Linear low-density polyethylene

<sup>52</sup> Polystyrene

<sup>53</sup> Polyethylene terephthalate

<sup>54</sup> The European average is often used for benchmark purposes.

## Animal testing

In the pharmaceutical industry: While animal testing can appear to be irrelevant and cruel in some industries, the development of medical products continues to require pre-clinical tests, usually performed on animals due to the lack of suitable alternatives. Pharmaceutical companies performing animal testing are not excluded yet are instead expected to formalize an ambitious commitment to the three “Rs” (Reduction, Refinement, Replacement) which entails the minimization of experiments on animals whenever substitute tests are possible, the avoidance of animal suffering and a commitment to finding alternatives to animal testing. Companies are

also expected to invest in the development of alternatives to animal testing through in vitro methods or advanced computer-modelling techniques.

In the cosmetic or retail industry: Animal testing in other industries persists, though some markets such as the European Union have started to ban animal testing for cosmetics. In the past, China required by law to test imported products on animals, though such regulation is slowly changing. Consequently, we expect companies to commit to not testing their products on animals unless it is stipulated by legal regulations or accepted

alternative test methods obtaining the necessary safety data are not available. We also expect the formalization of the strategy to implement the three “Rs”.

**We apply a case-by-case analysis of the strategies implemented by companies in these sectors, looking specifically at their commitment to reducing the number of tests conducted on animals and to develop relevant and effective alternatives. We engage with companies to ensure the development and implementation of robust 3Rs policies.**

## Stem cell research

Stem cell refers to cells that can be self-renewed, multiply infinitely and differentiate into all types of human cells. Stem cell research carries the potential to actively contribute to addressing unmet medical needs by improving the understanding of disease occurrence, presenting opportunities in the development of transplant and regenerative medicine, or being used for diabetes, Parkinson's, or Alzheimer's disease treatments. As of today, only a small number of stem cell treatments have been authorized by national regulators. Caution should be exercised due to the remaining lack of scientific evidence of stem cell therapy's safety<sup>55</sup>.

Most stem cells are collected from embryos or fetal tissues. While

adult stem cells exist, they may not produce all other cell types, remain sensitive to environmental hazards, or may contain errors resulting from the process of cell replication. The development of “induced pluripotent stem (IPS) cells” (cells which have been reprogrammed back into an embryonic state) is promising, yet such cells still struggle to deliver similar benefits. Thus, at this point, no suitable alternative has been identified to conduct this research.

International bodies such as the World Health Organization are still calling for stronger international regulation on stem cell research and therapies.

Regarding embryos research in France, for example, regulation

imposes using only embryos from in vitro fertilization for which the parental project was ultimately abandoned. Some countries such as Germany prohibit research on human embryos, yet working with imported embryonic stem cell lines is permitted if the stem cells line had been created prior to a specified cut-off date<sup>56</sup>. Stem cells may also be collected from tissues of aborted fetuses. In this case, the regulation is often tied up with political and ideological considerations. Considering the lack of standardized regulation, it is difficult to solely rely on national laws to enforce minimum ethical standards. The International Society for Stem Cell Research (ISSCR)<sup>57</sup> issued specific guidelines. While they lack specification on political

<sup>55</sup> Source: Bulletin *Regulating the stem cell industry: needs and responsibilities*, World Health Organization, 2017

<sup>56</sup> *Regulation of stem cell research in Germany – EuroStemCell*

<sup>57</sup> ISSCR Guidelines for Stem Cell Research and Clinical Translation

enforcement, we consider many of these guidelines essential in ensuring minimum standards of ethics:

- **Existence of a scientific oversight process** to review and to raise potential bioethics dilemma about, among others, procurement of embryos. The role of the process is also to assess the scientific rationale of the research proposal. Stem cell research should serve solely a medical purpose and should not be used in any genetic manipulation, human reproductive cloning projects, or chimera creation projects.
- **Informed consent:** Voluntary informed consent should always

be provided by donors. Full transparency on the origin of the stem cells is necessary to initiate research.

- The prerequisite for an ethical sourcing of stem cells is that fetal tissue **should strictly come from donation** following an abortion or stillbirth. Research should only be conducted from in vitro embryos for which the parental project would have been abandoned. The creation of a stem cell line can be approved for the study of specific pathologies but should remain under the control of the oversight body.
- **No incentive** should exist to encourage women to donate

embryos or fetal tissues. No remuneration or compensation should be allowed to encourage the harvesting of embryos.

**Companies are expected to comply with stringent ethical standards including those mentioned above and to provide relevant evidence the research is conducted for a medical purpose (without suitable alternative available).**

**The assessment is done on a case-by-case basis, with a specific focus on companies exposed to less regulated areas and is included in our engagement with the companies.**



# Countries & International Conventions

## Tax havens

When companies pay taxes, they are essentially contributing to the social development of a country. Through this mechanism, companies can participate in governmental budgets for social development and contribute to the public welfare.

However, there are still some jurisdictions that facilitate tax fraud and avoidance, reducing companies'

positive social contribution through tax payments. We also carefully consider to what extent companies participate in tax optimization.

**Exclusion applies to companies headquartered in or to conventional debt issued by sovereigns and sub-sovereign entities from countries included in the EU<sup>58</sup> list of non-**

**cooperative jurisdictions for tax purposes.**

**For other investments (sustainability bonds, non-listed, etc.), a case-by-case analysis is conducted based on various governance aspects and any investment will be backed by a robust due diligence process.**

## Rule of law

The rule of law is a durable system of laws, institutions, norms, and community commitment that delivers four universal principles: accountability, just law, open government, and accessible and impartial justice. Respect for the rule of law and fundamental freedoms plays a pivotal role in providing public services, managing public resources, and upholding civil rights. When it is not respected, there is no insurance public funds will be effectively used for the implementation of policies and initiatives that are beneficial for the environment or society.

The rule of law is analyzed based on two aspects: the extent of corruption, and the state of freedoms.

- **Corruption:** Mirova relies on Transparency International's Perceived Corruption Index<sup>59</sup>, which annually rates countries

from 0 (highly corrupt) to 100 (very clean).

- **Freedoms:** Mirova used Freedom House's work, which annually assesses country's degree of political freedoms and civil liberties, and classifies countries as "Free", "Partly Free", or "Not Free"<sup>60</sup>.

**Countries that score below 30 on Transparency International's Perceived Corruption Index and are classified as "Not Free" by Freedom House will be deemed "higher risk."**

These countries will undergo increased scrutiny from Mirova, which may result in the exclusion of investments in certain asset classes. Indeed, Mirova opts for a differentiated approach by asset class.

Corporates country risk is mostly linked to the involvement in activities considered strategic to local regimes and should notably be

scrutinized on this aspect. **Companies headquartered in countries rated between 30 and 40 on Transparency's perceived corruption index or "Not Free" by Freedom House and involved in sectors considered of a strategic nature to the regime are therefore also deemed "high risk".**

Non-listed assets and sustainability bonds are intrinsically targeting high-sustainability value projects and therefore often more likely to be located in higher-risk areas.

Sovereigns' conventional debt often offers ring-fenced financing and the exposure to risks is difficult to mitigate, calling for additional precaution.

Private companies or projects located in countries where rule of law is limited and operating in sectors such as extractives, energy or banks

<sup>58</sup> EU list of non-cooperative jurisdictions for tax purposes – European Council

<sup>59</sup> <https://www.transparency.org/en/cpi/2024/index/dnk>

<sup>60</sup> <https://freedomhouse.org/>

can be considered riskier, due to potential ties with local governments but also because these activities may support local leadership. However, some sectors offer significant social or environmental benefits such as access to water, healthcare, and food that are considered essential for local population.

**Exclusion applies to all listed companies headquartered in or to**

**conventional debt issued by sovereigns and sub-sovereign entities from countries deemed high risk (as defined above).**

**Exclusion applies to projects located in open conflict zones where main diplomatic agencies recommend avoiding travel, which prevents the completion of normal due diligence process.**

**For other investments (sustainability bonds, non-listed, etc.), a case-by-case analysis is conducted. This analysis will take into consideration the framework's relevance with the country's social and environmental needs as well as the robustness of governance practices, preventing negative influence from local/state authorities.**

## Money laundering and terrorist financing

Money laundering and the financing of terrorism have been major concerns for international organizations as it poses major risks to the stability of economy and financial systems and to the security of citizens. Since 1989, the Financial Action Task Force (FATF) has been leading global action to research the mechanisms of money laundering and terrorism financing. It also promotes global standards to mitigate the risks and assesses

whether countries are taking effective action.

**Exclusion applies to listed companies headquartered in, and conventional sovereign debt or sub-sovereign issued by countries included in the "Black" and "Grey" lists of the FATF<sup>61</sup>.**

**Exclusion applies to non-listed projects or green and social bonds issued by countries or territories**

**included in the "Black" list of the FATF. A case-by-case analysis is conducted for the investment in non-listed projects or green and social bonds issues by countries included in the "Grey" list of the FATF. The analysis is based on various governance aspects and backed by a robust due diligence process.**

<sup>61</sup> Black and grey" lists - Financial Action Task Force (FATF)

# Appendices

## Summary of Mirova Minimum Standards

TOPIC	CATEGORY	CRITERIA	EXCLUSIONS	OTHER MINIMUM STANDARDS
Energy & Fossil Fuels	Coal	Exploration, mining, extraction, distribution or refining of coal.	>1% revenues hard coal and lignite.	
		Expansion.	Any involvement.	
	Unconventional oil & gas	Hydraulic fracturing, arctic drilling or oil sands activities.	>5% revenues.	
	Conventional oil & gas	Exploration, extraction, distribution or refining of oil & gas fuels.	>10% revenues for oil. >50% for gaseous fuels.	
		Expansion.	Any involvement.	
	Total fossil fuel exposure	Coal, oil, natural gas, fossil fuel power and fossil fuel services.	>50% revenues.	
	Power generation	GHG intensity of electricity generation.	>50% revenues from electricity generation from fossil fuels with a GHG intensity of more than 100g CO2 e/kWh.	
	Nuclear power	Involvement in nuclear industry.		Case-by-case
Biodiversity	Biodiversity	Operating in or near biodiversity-sensitive areas with activities negatively affecting those areas.	Any involvement.	
	Deforestation	Zero-deforestation and monitoring mechanisms (production/downstream).		Case-by-case
	Palm oil	Production of palm oil without RSPO certification.	Any involvement.	
	Other commodities (soy, beef, wood, etc.)	Expansion and compliance.		Case-by-case
Pollutions	Chemicals	Persistent chemicals manufacturers.	>5 substances manufactured.	
	Agrochemicals	Hazardous pesticides production.	>5% revenues. Private assets: use of agrochemicals containing HHP not permitted.	
	Plastics	Single-use plastics substances & products manufacturers.		Case-by-case
	GMOs	Actors involved in genetic engineering.		Case-by-case
Health & Addiction	Alcoholic beverages	Production, distribution and retail.	> 10% of revenues. Private assets: potential exceptions.	
	Sugar-sweetened beverages	Production soft drink beverages.	Any involvement.	
	Tobacco	Production, distribution and retail.	>0% revenues production. >5% revenues distribution. >50% revenues services.	
	Cannabis	Recreational cannabis production and distribution.	>5% of revenues.	
	Gambling	Production, services, distribution.	>5% of revenues.	
Fundamental rights	Adult entertainment	Production and distribution.	>5% of revenues.	
	Military equipment and weapons	Controversial weapons.	Any involvement.	
	Military equipment and weapons Animal testing	Weapons (production only or production and distribution and/or services).	>5% of revenues (conventional weapons) >0% of revenues (civilian firearms)	
		Pharmaceuticals and HPC companies conducting animal testing.		Case-by-case
Fundamental rights	Stem cell research	Pharmaceuticals conducting research.		Case-by-case

The data presented reflect Mirova's opinion and the situation as of the date of this document and may change without notice.



# Funds label specifications

*Additional exclusions to Mirova standard policy may be implemented either to comply with label requirements or specific investors' requirements. The three main sustainability labels that applies to Mirova listed assets portfolios are the Belgian label "Towards Sustainability"<sup>62</sup>, the French label "Greenfin"<sup>63</sup>, and the French SRI label<sup>64</sup>.*

## SRI Label

Our Minimum Standards are aligned with the French SRI label (version March 2024).

## Greenfin

Beyond our minimum standards, in accordance with the label's specifications, exclusion from our Greenfin labelled portfolios applies to:

- Companies developing new projects for the exploration, extraction, transportation (of coal, oil or gas), and refining of solid, liquid or gaseous fossil fuels, as well as new power generation capacity from solid, liquid or gaseous fossil fuels are excluded.
- Companies whose turnover from the fossil fuel value chain activities listed below is greater than 5% are excluded from the investment scope of labelled funds:
  - Exploration, extraction, and refining of solid, liquid, and gaseous fossil fuel products;
  - Production of products derived from solid, liquid and gaseous fossil fuels;
  - Transport/distribution and storage of solid and liquid fossil fuels;

- Energy production as electricity and/or heat, heating and cooling from liquid and gaseous fossil fuels;
- Supply of solid and liquid fossil fuels.
- Companies whose turnover from the following activities is equal to or greater than 30% are excluded from the investment scope of labelled funds:
  - Transport, distribution and storage of gaseous fossil fuels;
  - Gaseous fossil fuel supply services;
  - Storage and landfill sites without GHG capture;
  - Incineration without energy recovery;
  - Energy efficiency for non-renewable energy sources and energy savings linked to optimising the extraction, transport and production of electricity from fossil fuels;
  - Logging, unless managed in a sustainable fashion and peat-land agriculture;

The production, transport and distribution/sale of equipment and services to/from customers of strictly excluded activities (as defined above)

## Towards Sustainability

### FOSSIL FUELS

#### Conventional oil and gas

Beyond our minimum standards, in accordance with the label's specifications, exclusion from our Towards Sustainability labelled portfolios applies to companies involved in the exploration, extraction, refining and transportation of conventional oil and gas or providing dedicated equipment or services therefor, if they do not meet at least one of the following criteria:

**Governance:** The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.

- Non-expansion of adverse impact: The company shall currently not be involved in exploration and not be involved in exploitation or development of new oil or gas fields.
- The company's absolute production of unconventional oil and gas or capacity for exploration or extraction of unconventional oil and gas or providing dedicated equipment or services shall not be increasing.

<sup>62</sup> See: <https://towardssustainability.be/>

<sup>63</sup> See: <https://www.ecologie.gouv.fr/label-greenfin>

<sup>64</sup> See: <https://www.llelabelisr.fr/>



**Transition of operations:** The company shall meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Derive less than 5% of its revenues from exploration or extraction of unconventional oil and gas or providing dedicated equipment or services
- Unconventional oil and gas production is less than 5% of total oil and gas production.
- Have more than 50% of CapEx dedicated to contributing activities

## Coal

For companies involved in the exploration, mining, extraction, transportation, distribution or refining of thermal coal or providing dedicated equipment or services therefor, the exclusion applies if absolute production of or capacity for thermal coal-related products/services is increasing and if they do not meet at least one of the following criteria:

- Governance: The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.
- Non-expansion of adverse impact:

- The company shall currently not be involved in coal exploration, and not be involved in the exploitation or development of new coal mines.
- The company's absolute coal production or capacity for activities under a) shall not be increasing.
- Transition of operations: The company shall meet at least one of the following criteria:
  - Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
  - Have an annual thermal coal production less than 10Mt and derive less than 5% of its revenues from exploration, mining, extraction, transportation, distribution or refining of thermal coal or providing dedicated equipment or services therefor. For transportation, the revenue threshold is 10%.
  - Have less than 10% of CapEx dedicated to activities under a) and not with the objective of increasing revenue
  - Have more than 50% of CapEx dedicated to contributing activities.

## SOVEREIGN BONDS

Exclusion from our Towards Sustainability labelled portfolios applies to sovereign bonds<sup>65</sup> issued by:

- States that have not ratified or have not implemented in equivalent national legislation:
  - the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work
  - at least half of the 18 core International Human Rights Treaties
- States which are not party to:
  - the Paris Agreement
  - the UN Convention on Biological Diversity
  - the Nuclear Non-Proliferation Treaty
- States with particularly high military budgets (>4% GDP)
- States considered "Jurisdictions with strategic AML/CFT deficiencies" by the FATF
- States with less than 40/100 on the Transparency International Corruption Perception Index
- States qualified as 'Not free' by the Freedom House "Freedom in the World"-survey
- States that have death penalty legal and in use

<sup>65</sup> Use-of-proceeds instruments issued by States can be eligible.

# Implementation & Controls

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Failure to meet the minimum standards described in this document leads to a “Negative impact” assessment according to our internal qualitative rating scale. “Negative impact” ratings mean that issuers are excluded from Mirova’s portfolios.

For all asset classes, pre-trade (pre-transaction) and post-trade (post-investment) checks on the ESG rating are carried out on Mirova’s funds

with a view to ensuring the eligibility of investments. Second-level controls are also performed by Mirova’s Risk and Compliance teams.

With regards to specific exclusions of labels or client requirements, compliance is carried out as part of the internal checks integrated into the analysis performed by Mirova’s Sustainability Research department for private assets. For listed assets, compliance is carried out on the

basis of data provided by an external extra-financial agency. Alerts are issued for the investments concerned. When an alert is identified, it is analysed by the Sustainability Research department with information from other sources and/or from the dialogue with the company concerned in order to determine the company’s actual level of involvement. Exclusion is effective when the alert is confirmed by the Sustainability Research department.



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## ESG INVESTMENTS – RISKS AND METHODOLOGICAL LIMITATIONS

For all its investments, Mirova aims to offer portfolios consistent with a climate trajectory of less than 2°C as defined in the Paris Agreement of 2015, and systematically displays the carbon impact of its investments (*excluding Social impact, Impact Private Equity and Natural Capital funds*), calculated using a proprietary methodology that may have biases.

By using ESG criteria in its investment policy, the goal of the relevant Mirova strategies is particularly to better manage sustainability risk and generate sustainable, long-term returns. ESG criteria may be generated using proprietary models, third-party models and data, or a combination of both. Evaluation criteria may evolve over time or vary depending on the sector or industry in which the issuer operates. The application of ESG criteria to the investment process may lead Mirova to invest in or exclude securities for non-financial reasons, regardless of available market opportunities. ESG data received from third parties may be incomplete, inaccurate, or unavailable from time to time. Consequently, there is a risk that Mirova inaccurately assesses a security or issuer, leading to the incorrect inclusion or exclusion of a security in a Fund's portfolio. For more information on our methodologies, please visit our Mirova website: [www.mirova.com/en/sustainability](http://www.mirova.com/en/sustainability).



## ABOUT MIROVA

Mirova is a global asset management company dedicated to sustainable investing and an affiliate of Natixis Investment Managers. At the forefront of sustainable finance for over a decade, Mirova has been developing innovative investment solutions across all asset classes, aiming to combine long term value creation with positive environmental and social impact. Headquartered in Paris, Mirova offers a broad range of equity, fixed income, multi-asset, energy transition infrastructure, natural capital and private equity solutions designed for institutional investors, distribution platforms and retail investors in Europe, North America, and Asia-Pacific. Mirova and its affiliates had €32 billion in assets under management as of March 31, 2025. Mirova is a mission-driven company\*, labeled B Corp\*\*.

*References to a ranking, award or label have no bearing on the future performance of any fund or manager. \* Mirova has been a mission-driven company since 2020. For more information: [www.entreprisesamission.com](http://www.entreprisesamission.com). \*\* Since 2006, the B Corp movement has been promoting strong values of change worldwide to make businesses "a force for good" and to distinguish those that reconcile profit (for profit) and the common good (for purpose). The goal of B Corp is to certify companies that incorporate social, societal, and environmental objectives into their business models and operations. B Corp certification is a designation indicating that a company meets high standards of verified performance, accountability, and transparency on factors ranging from employee benefits and charitable donations to supply chain practices and input materials. Certified since 2020, Mirova submits a new B Corp certification application every three years. The annual renewal fee for certification is €2,500. For more information, please visit the B Corp website here: <https://www.bcorporation.net/en-us/certification>*

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

### NATIXIS INVESTMENT MANAGERS INTERNATIONAL

Portfolio management company - French Public Limited liability company  
Regulated By AMF under N° GP 90-009  
RCS Paris N°329 450 738  
Registered Office: 43, Avenue Pierre Mendès France – 75013 – Paris  
Natixis Investment Managers International is an affiliate of Natixis Investment Managers.

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