mirova
Investing in sustainability

Our Approach to Impact & ESG Assessment

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An affiliate of: NATIXIS INVESTMENT MANAGERS

Any responsible investment approach involves assessing how entities consider environmental, social, and governance (ESG) issues.

Whether investing in companies, local authorities, government bodies, or projects, investors need to be able to understand the complexity of the sustainable development issues faced by these players and how they address, or fail to address, these challenges.

Despite numerous and rapidly evolving regulations and frameworks, none have established a standard practice, leaving financial market participants with some flexibility to define their own standards. We believe it is crucial to be transparent about the principles and indicators that we have chosen to inform our investment decisions and that shape our communications with clients and other stakeholders. This document aims to ensure this transparency. Mirova's proprietary assessment methodology has a twofold objective: assessing the asset's contribution to one or more of the Sustainable Development Goals (SDGs) and their capacity to mitigate risks of obstructing their achievement of the SDGs. This evaluation covers impacts, risks, and opportunities stemming from an asset's activities (products or services) and practices (management of operations), following a lifecycle approach.

This document will be updated at least every two years to reflect the latest developments in the market.

> ***Our methodology rigorously evaluates environmental and social impacts, based on comprehensive sector analyses and clearly defined minimum standards. This methodology guides our investment processes and promotes sustainable development.***

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

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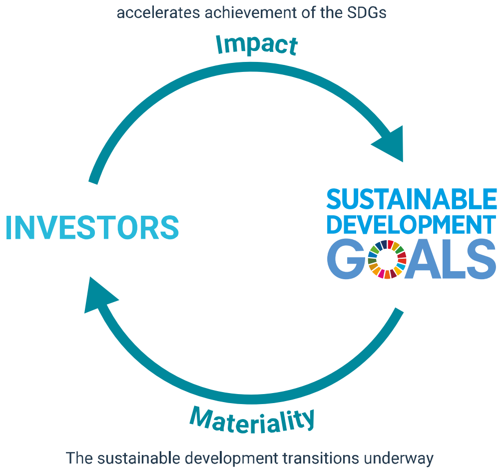
Fundamentals of our Impact and ESG Assessment

Financial Materiality and Impact

The initial and essential step in creating a sustainability assessment framework is to define its purpose. One potential approach is to examine how sustainability criteria — whether related to environmental, social, and/or governance issues — might affect financial performance and, consequently, the risk/return trade-off. The financial materiality approach emphasizes ESG criteria that are likely to have financial implications, irrespective of their significance in achieving the SDGs. Historically, this approach has been prevalent in the United States and has influenced the creation of many internationally recognized frameworks, such as the International Sustainability Standards Board (ISSB)[1] and Task Force on Climate-related Financial Disclosures (TCFD)[2].

Fundamental analysts may incorporate the materiality assessment of ESG risks into the analysis of each asset. Financial models are developed around long-term projections of the asset's fundamentals. Forecasts include a detailed assessment of ESG risks and opportunities, thematic analysis, and multiple asset-specific drivers for each company.

In addition, various stakeholders, including the European Commission, believe that investors should also evaluate how their investments contribute to advancing society toward a more sustainable model, even when financial materiality is minimal. Most extra-financial rating agencies aim to incorporate ESG criteria without exclusively tying them to financial materiality. Private initiatives like the Global Reporting Initiative (GRI)[3], the International Finance Corporation principles (IFC)[4], and the Global ESG Benchmark for Real Assets (GRESB)[5], as well as public initiatives such as the European Corporate Sustainability Reporting Directive (CSRD)[6], align with this perspective.



Source : Mirova

1 Under the umbrella of the IFRS Foundation (International Financial Reporting Standards), ISSB is developing standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets. More info here: https://www.ifrs.org/groups/international-sustainability-standards-board/
2 The Task Force on Climate-related Financial Disclosures aims to improve the integration of climate issues into corporate and investor reporting. More info here: https://www.ifrs.org/groups/international-sustainability-standards-board/
3 The Global Reporting Initiative aims to improve sustainability reporting framework. More info here: https://www.globalreporting.org/
4 The International Finance Corporation is a World Bank Group organization whose role is to facilitate business development in developing and emerging countries. More info here: https://www.ifc.org/
5 The Global ESG Benchmark for Real Assets is an industry-led organization that empowers the financial industry to advance environmental, operational, and financial sustainability across real assets in climate-critical industries. More info here: https://www.gresb.com/
6 The Corporate Sustainability Reporting Directive (CSRD) empowers the Commission to adopt delegated and implementing acts to clarify how competent authorities and market participants must comply with the obligations set out in the Directive. More info here: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R2772

Since Mirova's creation in 2012[7], we have made it a central objective to reconcile financial performance with contributions to the transition to a more sustainable economy. In 2020, we decided to strengthen our commitment to these issues by including our environmental and social investment objectives in our articles of association[8].

Consequently, we have defined an Impact & ESG assessment framework that not only evaluates the financial consequences of ESG criteria but also seeks to report on the environmental and social impact of the assets in which we invest. This approach is consistent with the principle of **'double materiality'** advocated by the European Commission, as our risk assessment methodology integrates Principal Adverse Impacts (PAI) as well as sustainability risks.

Sustainability risks refer to *'an event or condition in the environmental, social, or governance domain that, if it occurs, could have a significant negative impact on the value of the investment'* according to the definition in Regulation 2019/2088, the Sustainable Finance Disclosure Regulation (SFDR)[9]. Sustainability risks notably include

- **environmental risks** (incl. physical and transition risks linked to climate change, as well as biodiversity loss and ecosystem degradation),
- **social risks related to human rights**, labor conditions (incl. supply chains and workplace practices),
- **governance and ethical risks** (incl. internal controls and oversight, corruption, tax practices).

Because the issues under consideration are both diverse and complex, we believe that the assessment of links between economic activities and sustainable development must begin with expert insight. From a financial materiality angle, this evaluation contributes to our fundamental analysis and helps refine our determination as to the growth potential of an asset, their risk profile and valuation.

Using Sustainable Development Goals as a Guide

Whether the aim is financial materiality or impact, ESG issues encompass a wide range of areas that require clarification. For several decades, the concept of sustainable development has increasingly become a key reference point for both private and public organizations. Although the transition toward more sustainable development has led to diverse interpretations, all countries united in 2015 to adopt a sustainable development agenda put forth by the United Nations. This agenda outlines 17 Sustainable

[7] Mirova was founded in 2012 as a business unit of Natixis Asset Management (now Ostrum AM). Mirova and Ostrum AM has operated as an independent asset management company since January 1, 2014. Mirova is an affiliate of Natixis Investment Managers.
[8] Introduced in France in 2018 under the Pacte Law, a 'société à mission' company must define its "raison d'être" and one or more social, societal or environmental objectives beyond profit. The purpose, and objectives aligned with this purpose, must be set out in its Articles of Association. The Articles specify the means by which the execution of the Mission will be monitored by a Mission Committee (a corporate body distinct from the board of directors which is responsible for monitoring the implementation of the mission with at least one employee.) An independent third party then verifies the execution of the Mission, via a written opinion which is annexed to the report of the Mission Committee to shareholders and made available on the website of the company for a period of five years. More info here: https://www.mirova.com/en/about-us/our-mission
[9] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosure in the financial services sector. More info here: https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CELEX:32019R2088&from=FR

Development Goals (SDGs) for 2030, designed to tackle critical social and environmental challenges. Beyond being embraced by all UN member states, the SDGs offer several advantages.

Mirova has chosen to rely on the Sustainable Development Goals both in assessing the contributions of assets to the transition to a more sustainable economy and in evaluating the financial implications of these new challenges.

First, they set out a **comprehensive framework** for environmental and social issues that is applicable to all economies, regardless of their level of development. Thus, while some issues, such as ending hunger and ensuring access to water for all, are often more relevant to low- and middle-income countries, other goals, such as combating climate change and making cities safe, resilient, and sustainable are applicable regardless of wealth or development. While their comprehensive nature says next to nothing about the materiality of each of the issues they address, it does provide a starting point for our analyses.

Companies and investors can also use the SDGs as a **reference framework for sustainable development** issues that transcend the state level. This growing consideration of environmental and social issues by private actors illustrates the new forms of governance that are being put in place today, where the private sphere is increasingly embracing issues of “the common good”.

And lastly, the SDGs provide investors with a framework for examining the resilience of their assets in the face of ongoing transformations. They even make it possible to go further and consider the exposure of investments to the development of new solutions and new economic models addressing these transformations. This approach is consistent with our own ambitions not to limit our analysis to risk management, but also considers opportunities to positively contribute to the sustainable development of our societies.

THE ROLE OF GOVERNANCE IN SUSTAINABLE DEVELOPMENT

The SDGs, which are intended to cover environmental and social issues comprehensively, only partially address governance issues.

While governance can be broadly defined as a system of entities that direct an area of activity, the term is frequently used to describe various realities.

In the public sector, governance analysis generally covers issues such as the quality of leadership, public services and regulation, the level of democracy and political stability, the rule of law, and the control of corruption.

In the private sector, the analysis of corporate governance can, depending on the case, refer to:

- an assessment of the quality of the entity’s management.
- the control and incentive arrangements relevant to management including, for example, an analysis of the quality and independence of the board, or respect for the interests of minority shareholders.
- the consideration of subjects more explicitly linked to sustainable development issues, such as respect for business ethics, the distribution of added value or the management of environmental and social issues.

The analysis of governance depends on significantly different parameters depending on whether the goal is to evaluate its influence on financial performance or on environmental and social outcomes.

At Mirova, governance considerations are part of the Sustainability Impact Opinion framework and financial assessment and include:

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

Our Assessment Principles

Mirova has developed a proprietary methodology that allows us to measure the degree of alignment of an asset with the achievement of one or more SDGs, through their activities (i.e. their products or services) and/or their practices (i.e. the management of their operations), and to analyze the quality of management of their environmental, social, and governance risks across their sphere of influence. *This complies* with the definition of "sustainable investment" as outlined in Article 2.17 of the European Sustainable Finance Disclosure Regulation[10]. This methodology relies on the following three major pillars.

Systematic life-cycle analysis

Measuring the degree of contribution or obstruction of an investment to the achievement of sustainable development goals and assessing the quality of ESG risk mitigation measures relies on a "life-cycle" approach. This approach considers both the assets' direct scope of operation and the indirect impacts related to the supply chain, the products and services use-phase as well as their end-of life.

Sector-specific approach

Mirova's methodology relies on its team's deep expertise of sector-specific sustainability challenges. Our approach prioritizes ESG-related issues based on their relevance at the sector level. These key issues are those to which the asset can primarily contribute (positive impact assessment) and/or those that pose the greatest risk of obstructing the SDGs (assessment of residual ESG risks). This analysis relies on both external frameworks such as ISSB, TCFD, Taskforce on Nature-related Financial Disclosures (TNFD)[11], the Principal Adverse Indicators as defined by the European Union etc, and the guidance of internal specialists.

Positive contribution vs. adverse impacts

Each investment target is assessed based on two pillars.

Positive impact assessment which measures the degree of positive contribution of the investment to the SDGs thanks to their solutions (products and services) and/or operational sustainability (practices). This approach makes it possible to capture the varying degrees of contribution an entity can make, while integrating the notion of transition. Positive impact is quantified in terms of environmental or social benefits generated by an activity or entity compared to a "business as usual" scenario, using both quantitative indicators (e.g., revenue share, capital expenditures) and qualitative indicators (e.g., existence of impact reduction goals).

Residual ESG risk assessment, which evaluates the outstanding risk of obstructing the SDGs (adverse impacts) considering the mitigating practices implemented. Intrinsic risks typically stem from the nature of an asset's activities, their business model, and their countries of operation. The analysis includes the assets' exposure to harmful activities and their ability to mitigate their ESG risks beyond Mirova's Minimum Standards, across their own operations and supply chain.

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[10] The Sustainable Finance Disclosure Reporting (SFDR) Regulation aims to provide more transparency in terms of environmental and social responsibility within financial markets, in particular through the provision of sustainability information on financial products (integration of risks and negative impacts on sustainability). More info here: https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en

[11] Taskforce on transparency aroung financial information related to biodiversity. More info: https://tnfd.global

The Role of our Engagement Approach

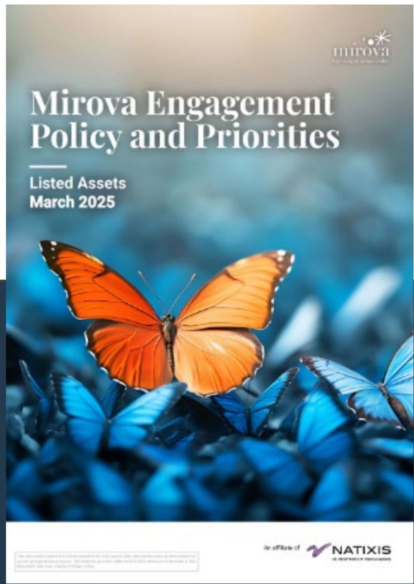
According to Mirova's philosophy, investors should act as committed stakeholders of the economy and the society, maximizing their influence not only through capital allocation, but also through relevant, impactful engagement. Our team of Impact and ESG specialists ensures a systematic prioritization of engagement actions consistent with each investment strategy and their thematic priorities, and then develops relevant engagement scenarios on a case-by-case basis. The engagement strategy aims to address sustainability issues at different levels.

At the Entity Level: Through the systematic dissemination of our engagement priorities and our public actions, we actively promote the adoption of best practices. We engage in individual dialogues and collaborative efforts based on a thorough understanding of the asset, focusing on relevant issues, setting clear objectives, and implementing an escalation process that includes exercising voting rights for our listed asset activities (motivated opposition, filing of written questions and resolutions) and defining ESAPs (Environmental and Social Action Plan) consisting of actions to implement and associated timelines for our non-listed investees.

At Sector/industry Level: We engage on sector related issues through collaborative engagement notably via investor statements or collaborative campaigns to reach asset beyond Mirova's eligible universe in order to promote transformation at a broader level across the entire economy.

At Systemic Level: We aim to support to the development of common standards and tools that are instrumental in facilitating change. As part of these expert advocacy efforts, we contribute to high-level initiatives for the development of science-based approaches and common assessment frameworks designed for companies in various sectors as well as for our own investment industry.

More information about Mirova's Engagement Policy here



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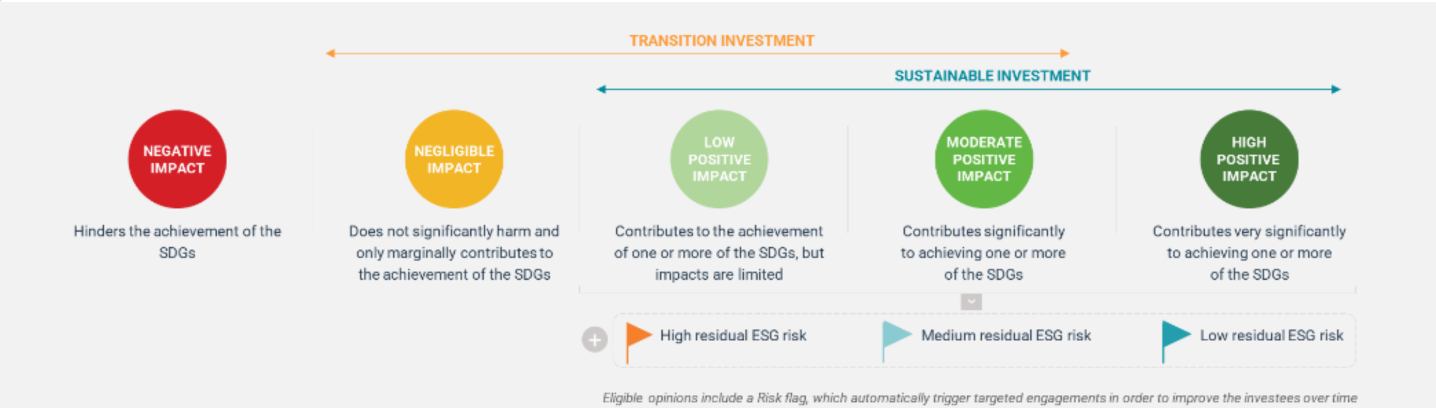
Our Assessment Methodology

Mirova's proprietary methodology enables the measurement of assets' contributions to achieve one or more SDGs through their activities and/or their practices, as well as their ability to mitigate environmental, social, and governance risks across their entire sphere of influence.

The result of the comprehensive, quantitative, and qualitative assessment conducted by Mirova is a rating scale, identifying five-levels of impact (from High Positive to Negative). This allows us to evaluate whether and to what extent an asset aligns with the achievement of the SDGs. This evaluation is carried out in line with our core principles and encompasses an impact, risk, and opportunities assessment approach, considering the quality of products and services as well as operational practices. We adopt a holistic view of the entire life cycle and utilize a differentiated approach, tailoring issue selection to the unique characteristics of each asset[12].

Mirova Sustainability Impact Opinion scale



Source: Mirova

Based on our Sustainability Research team's thematic and sector expertise, this conceptual framework has been applied to each sector in order to identify the relevant ESG issues prioritized in the analysis of each investment target. These key issues are those to which the asset can primarily contribute (positive impact assessment) and those that pose the greatest risk of obstructing the SDGs (assessment of residual ESG risks).

Only assets that are not exposed to harmful activities and assessed as properly managing their sustainability risks are eligible for investment.

Since this rating scale is based on the achievement of the Sustainable Development Goals, there is no predetermined distribution of overall ratings. Mirova does not exclude any industry as a matter of principle and conducts a thorough analysis of environmental and social impacts for every investment. In

More information about Mirova's vision sector by sector

12 The analysis grids adopted sector by sector are communicated in publicly available sectoral sheets. More info here: https://www.mirova.com/en/research/understand#vision

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certain sectors, this analysis may result in the exclusion of some or all actors. For instance, in the energy sector, companies engaged in coal and oil extraction are currently not classified as "sustainable investments," whereas those in the renewable energy sector are generally rated positively, unless they fail to address negative impacts on other environmental or social factors.

For its Article 9 SFDR funds, Mirova only invests in "sustainable investments", i.e. assets rated as "positive impact" (low positive, moderate positive and high positive impact) and does not invest in assets rated as "negative" or "negligible" impact. This approach complies with the definition of "sustainable investment" under the European SFDR, covering all three aspects of positive contribution, DNSH (Do not Significant Harm) and good governance. Assets rated as "negligible impact" and above are eligible for Article 8 SFDR funds. As it ensures a robust integration of sustainability risks in all investment processes and limits the potential negative impact of these investments. It also guarantees that Mirova's strategies meet the criteria for 'significantly engaging' as defined under AMF recommendation DOC-2020-03[13]. While this overall assessment of contribution to the SDGs forms the backbone of our sustainability analyses, we have also developed assessment frameworks tailored to our various types of investments and clients.

Inside Mirova Sustainability Impact Assessment

Source: Mirova

Our sustainability impact assessment aims at recognizing the contribution and adverse impact of investment targets on one or more sustainable development goals. This assessment is done holistically, including positive impact and ESG risks stemming from the company/project's activities (i.e. products and services sold) as well as operational sustainability (i.e. industrial practices across the value chain). In determining the outcome of this assessment, the Sustainability opinion, positive and negative impact do not compensate. Where significant harm is identified, the investment target is deemed non-eligible regardless of their positive impact.

13 AMF recommendation DOC-2020-03 details information related to the integration of ESG criteria communicated by investment vehicles registered or commercialized in France. This information is provided in legal and commercial documents.

ESG Investments - Risk and Methodological Limitations: By using ESG criteria in the investment policy, the objective of the funds concerned is in particular to better manage sustainability risk and to generate sustainable and long-term returns. ESG criteria can be generated using proprietary models, third party models and data or a combination of both. The evaluation criteria may evolve over time or vary depending on the sector or industry in which the issuer concerned operates. The application of ESG criteria to the investment process may lead Mirova to invest in or exclude securities for non-financial reasons, regardless of the market opportunities available. ESG data received from third parties may be incomplete, inaccurate or unavailable from time to time. As a result, there is a risk that Mirova may incorrectly assess a security or issuer, resulting in the incorrect direct or indirect inclusion or exclusion of a security in a fund's portfolio.

Assessing the Contribution to the SDGs

Mirova has developed an internal taxonomy which captures the drivers of a potential positive contribution to these sustainability pillars. The positive contribution of an asset is identified and analysed based on:

- The development of products and services considered as solutions to tackle the challenges of sustainability, mostly assessed by the percentage of sales or the Capital Expenditure (CAPEX) mobilized towards this activity, and/or
- The quality of internal practices deployed across their operations and value chain to significantly reduce the pressure on the environment and/or foster support to their stakeholders.

More information about Mirova's Taxonomy for Sustainable Solutions here

Sustainable Solutions

Mirova has defined a list of solutions that are positively contributing to the SDGs. For environmental solutions, the framework used by Mirova is based on the EU taxonomy[14] to identify eligible activities. It includes the agriculture sector, which is currently not covered by the European taxonomy, and may apply stricter criteria to the most carbon-intensive sectors (e.g. aviation) or those less material for the climate (e.g. media).

The assessment of an entity's exposure is often measured in relation to their level of revenues (or CAPEX). A company with a "Low" exposure is considered to derive between 10-20% of their revenues from activities that provide solutions to sustainable development issues. A company with a "Moderate" exposure is considered to derive 20%-50% of their revenues from activities that provide solutions to sustainable development issues. A company with a "High" exposure is considered to derive more than 50% of their revenues from activities that provide solutions to sustainable development issues[15].

Mirova regularly revises this internal framework to incorporate changes in internationally recognized frameworks.

[14] The EU Green Taxonomy is a classification system for economic activities that identify those that are environmentally sustainable, i.e. do not worsen climate change. More information here.
[15] These are indicative thresholds. Due to the fragmented nature of company disclosures, thresholds for sustainable activities are often difficult to determine using revenue alone, prompting the use of CAPEX, R&D, and qualitative strategy insights when relevant. Mirova also considers the scale and likelihood of impacts from sustainable activities, using independent studies to assess their contribution to SDGs.

Advanced practices

While our real asset investments target assets that contribute to the achievement of SDGs through their provision of sustainable solutions, selectivity of investment targets in the listed space requires a focus on the companies' practices as well. Evaluating a company's contribution to sustainability through its practices is essential. Especially for large, global corporations, the quality of practices can either hinder or promote the SDGs. For instance, a company's positive contribution to "Gender Equality" may be supported by quantitative indicators and evidence, but this impact might not be reflected in the company's revenues. Instead, it lies in the role that assets play in supporting their employees and stakeholders, irrespective of the products they offer.

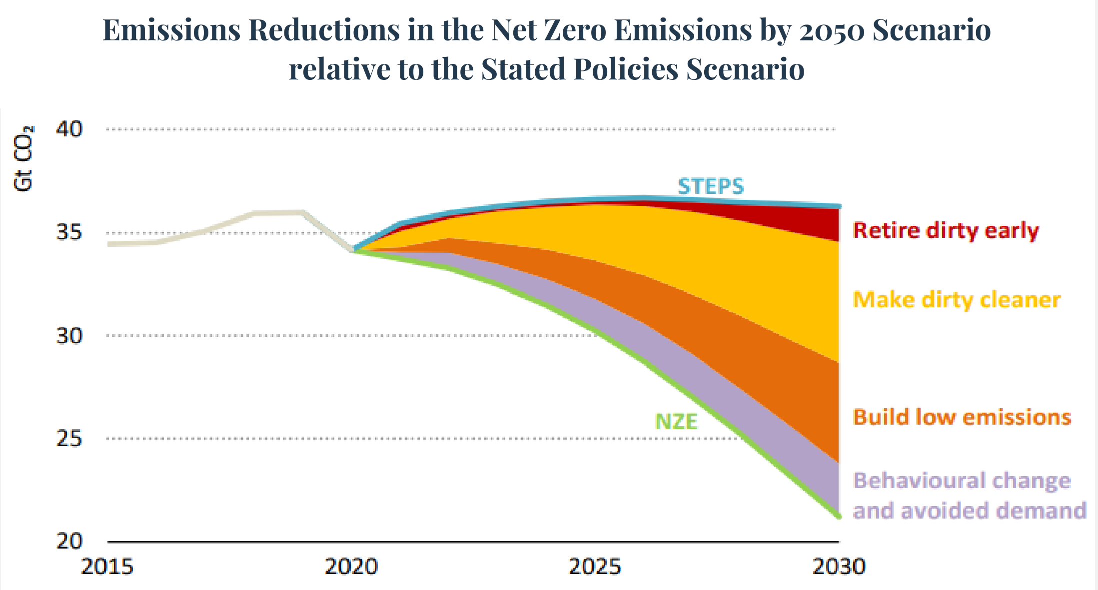
To conduct this assessment, Mirova relies on evidence-backed indicators such as percentage of women in the Executive Committee, Science-Based Targets (SBTi)[16] validation, etc. that pertains more to the ability of the company to transition its processes / practices rather than the solutions/products and services actually offered. In addition, and to ensure the practices / measures implemented by companies are also going beyond a "business-as-usual" scenario or simply what regulation is imposing on them, Mirova analyses the robustness of the practices with an in-depth internal analysis, where specific indicators and thresholds vary by industry.

[16] Science Based Targets, also known as the SBT initiative or SBTi, encourages companies to set science-based greenhouse gas emission reduction targets.

OUR TRANSITION ASSESSMENT FRAMEWORK

It is increasingly recognized that investing in EU taxonomy aligned or in already sustainable activities – although still massively needed – will not be sufficient to trigger the necessary real-world impact towards more sustainability.

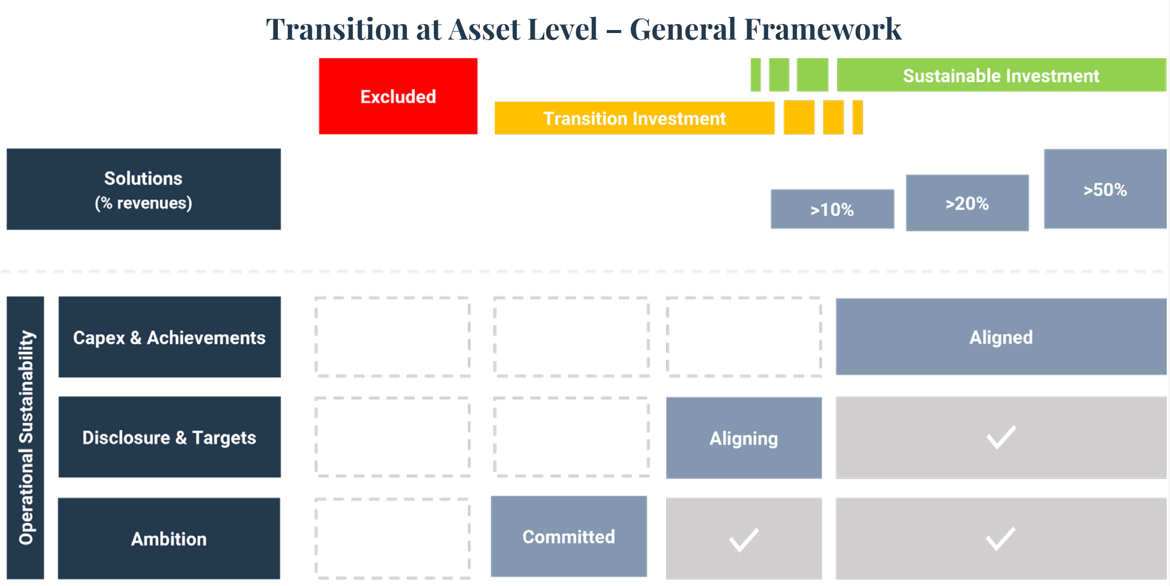
As shown in the graph below from the International Energy Agency (IEA), there is a large middle range which can contribute to reaching global climate objectives beyond retiring dirty and building low emissions.



Source: IEA World Energy Outlook 2021

Transition can be defined as the process of changing from one state or condition to another in a given period of time. In the context of sustainability, transition can be translated as all individual, corporate, or nations efforts to progress towards the achievement of the SDGs.

Building from the Net Zero Investment Framework (NZIF) on climate, Mirova's research framework proposes to classify companies depending on their maturity in the progression pathways towards alignment with the SDGs, focusing on climate, biodiversity, and social issues.



Source: Mirova

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Our general framework, illustrated above, builds on the steps defined by NZIF (from setting long term ambitions to achieving targets thanks to specific measures and capital expenditure) to determine the maturity of each investment target. Following a transition approach, maturity levels can help recognize appropriate investment targets for transition and sustainable investment strategies. Inferior maturity levels, carbon intensity and exposure to climate solutions below a significant level are taken into account to prioritize engagement.

With regards to climate transition in particular, Mirova runs an assessment of companies' climate transition plans, relying on a data-driven assessment based on ISS-ESG data to reflect the NZIF and satisfy the specific requirements set by Label SRI Annex 5 and a qualitative assessment whereby every investment target is subject to a complementary expert view confirming the maturity of the asset's climate transition plan. As a result, each asset is provided with an opinion on their transition plan, which is notably used to prioritize engagement efforts.

Although equivalent studies are not yet available for other sustainability topics such as biodiversity or social issues, a similar analytical framework can be applied.

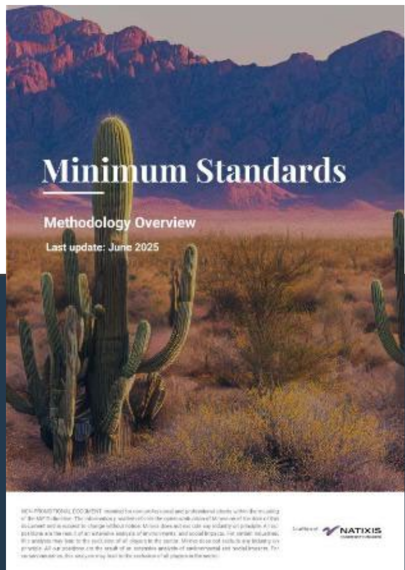
Assessing the risk of adverse impacts

Aside from the positive contribution to one or more of the sustainability goals, the validation of the assets' eligibility relies on its ability to prove it is not significantly harming the achievement of any of the sustainability goals. Mirova conducts an ESG risks assessment that is a combination of three main dimensions: involvement in potentially harmful activities, exposure to controversies, and management of key ESG risks. If an asset fails to meet the expectations defined by Mirova on any of these three dimensions, the asset is considered as "causing significant harm" and is therefore not eligible for investment.

Minimum Standards

Revenues generated by certain activities deemed damaging for the environment and/or the society in accordance with Mirova's Minimum Standards can prevent the asset from being considered as a sustainable investment, regardless of its exposure to sustainable activities. Such excluded assets may include, but are not limited to, those involved in the fossil fuels value chain, including the extraction, processing/refining, trading of fossil fuels and production of dedicated equipment/services for the fossil fuel sector, tobacco products, sugar-sweetened beverages, gambling, weapons, and adult entertainment. Minimum Standards are defined for each sector based on their key environmental and social issues and are detailed in our sector research papers. 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.

More information about Mirova's Minimum Standards here



Exposure to controversies

The occurrence of serious and/or repeated controversies (including but not limited to violations of the UN Global Compact principles, UN Guiding Principles on Business and Human Rights and/or OECD Guidelines for International Companies) and failure to implement relevant corrective measures will prevent the asset from being considered as a sustainable investment, regardless of its exposure to sustainable activities.

Mirova has set up a robust controversy monitoring process based on various tools adapted to each asset class and including external providers, continuous monitoring of news flow and whistleblower mechanisms. We aim to ensure the quick implementation of an action plan in case of emerging severe controversy risks. While we may take immediate action, we generally favour a targeted dialogue with the investee to evaluate the recurrence of the issue across the asset's operations the magnitude of the harm and the quality of the asset's response over a credible timeline. Depending on the company's ability to respond to this targeted engagement program within the expected timeline, the controversy may be found appropriately mitigated and the case closed, or the company may be divested.

ESG Risk mitigation

The analysis of the entity's ability to identify and mitigate their key ESG risks, including up- and downstream of their products' lifecycle is key to determine the eligibility to our investment. A combination of criteria is used to prioritize sustainability related risks:

- **Industry**: based on fundamental expertise and science-based data such as carbon intensity or biodiversity pressures, Mirova has identified the most relevant ESG risks for each sector (as detailed in our sector papers).
- **Activity & Business Model**: risks are identified in light of exposure to harmful activities (as defined in Mirova's Minimum Standards) as well as risks that may stem from the asset's business model and supply chain organization (e.g. health and safety risks, labor rights).
- **Geographic Footprint**: based on recognized external sources including Transparency International, the Financial Action Task Force and Freedom House, Mirova identifies risks that specifically stem from certain direct or indirect country exposure. The asset's footprint on local communities is also taken into account when identifying social risks.

The details of remediation/ mitigation measures expected are provided in our sector-specific methodology papers as well as in our Minimum Standards policy, and usually include measures related to protection of ecosystems, climate change and pollution from chemicals (soil, water, air), and noise, as well as use of electricity, water and non-renewable resources, supplier codes and policies labor rights in the supply chain and the workforce, asset's stakeholders (i.e. users' rights and product safety) and local communities.

Appendix: Key Indicators & Data Integration

In order to enhance our investment decisions, as well as our monitoring and reporting on the environmental and social performance of our assets, Mirova Sustainability Research team relies on quantitative indicators as a complement to our impact and ESG assessments.

We monitor these indicators at several levels.

- **At the level of the assets invested**, we use them as parameters in the investment decision process and as a basis for follow-up exchanges with management after investment. Indicators are tailored to reflect the specificities of each asset.
- **At the portfolio level**, to ensure the alignment and performance of invested assets with respect to the ambitions of a given fund.
- **Consolidated at the asset class level**, these indicators illustrate the consistency and impact of Mirova's overall roadmap.

Listed assets

Combining quantitative data and qualitative evaluations

For listed assets, assessments are based on a proprietary, data-driven model. Data is mostly sourced from our main provider, ISS-ESG, but also from Equileap (regarding gender diversity data). The data-driven model relies on algorithmic rules developed by the Research Team to reflect Mirova's ESG assessment methodology. These data-driven assessments notably allow us to compare the ESG performance of our portfolio assets to market indices. An internal assessment is provided by our internal sustainability research team to challenge the outcome of this data-driven model for all assets considered for investment or in portfolio. This assessment relies on our methodology framework, our fundamental expertise on sectors and themes, quantitative data available, and brings a qualitative, in-depth expert view to our investment teams.

In addition, Mirova provides reporting at each portfolio level breaking down the contribution of assets to the UN Sustainable Development Goals (SDGs) into four themes: Climate, Biodiversity, Social Opportunities, and Human Capital. The four sustainability themes represent a priority for Mirova and have been utilized to streamline the SDGs framework, as each theme encompasses multiple SDGs.

Illustrative Example of Mirova SDGs Reporting

Source: Mirova

Physical indicators

Climate change

Emissions intensity: In order to assess the climate performance of our investments, we rely on two main indicators relevant to combating climate change.

- Emissions 'induced' by the life cycle of an asset's activities, taking into account both direct emissions and those of suppliers and products.
- Emissions 'avoided' through energy efficiency improvements or 'green' solutions.

Implied temperature rise: Since 2016, Mirova has developed a temperature alignment measurement methodology for its listed investment portfolios. Each asset is first assessed individually according to a framework adapted to each sector. To avoid double counting, emissions are restated before being aggregated at the portfolio level. These aggregate emissions are used to determine a portfolio's alignment with different climate scenarios, ranging from a global temperature increase of +1.6°C to +5°C.

Biodiversity

We aim to contribute to the advancement of biodiversity indicators. On one hand, we seek to expand the coverage of the indicators we use across all asset classes, particularly the MSA.km² [17], which is currently limited to equity portfolios. On the other hand, we are committed to a critical review of methodological developments, especially regarding the construction of a positive impact indicator. Lastly, we actively support our service provider in the continuous improvement of their methodology and tools, particularly concerning the geographic precision of their model and the development of an ocean impact assessment module. Through these various efforts, we will refine our analysis models and enhance our reports by integrating increasingly relevant nature-related performance elements.

Diversity & inclusion

We monitor the share of women at different levels of the company: Executive Committee, Board of Directors, Management, and Workforce.

In our reporting, we are specifically focusing on women in senior management, as it presents potential interests. Indeed, diversity in management teams may enhance a company's economic performance. A study by the Peterson Institute for International Economics[18] suggests that the presence of 30% women in management positions can be

[17] Mean species abundance per km² expresses the average relative abundance of the original species relative to their abundance in undisturbed ecosystems. This metrics is offered by many data providers in Europe and the US, relying on data provided by the company or database simulation. Mirova relies on the services of Iceberg DataLab for the provision of this impact metric.
[18] Study: Firms with More Women in the C-Suite Are More Profitable | PIIE

associated with a 1% increase in net margins, equivalent to a 15% profitability hike. Additionally, inclusiveness at the top is often a leading indicator of a company's overall commitment to diversity and gender equality.

Employment

For dedicated strategies, we closely follow portfolio companies' job creation in France. This tracking is carried out internally based on data collected from the companies for this purpose. At this stage, monitoring is limited to a review of job creation within the company's immediate scope[19].

For the other strategies, an indicator of staffing trends is provided based on the workforce data reported by companies. Although not as precise as an indicator specifically for monitoring job creation, it can be used to illustrate the dynamics of employment at the portfolio level.

Additional indicators for specific strategies

Additional indicators may be required either to comply with label requirements or for specific investors' requirements.

- While our qualitative analysis fully incorporates monitoring of any environmental or social controversies, some regulatory frameworks such as the SRI label[20] in France require a separate disclosure on PAIs that are relevant to the fund. In this context, Mirova typically monitors PAIs 2,3,7,13 as well as additional climate PAI 4 and additional social PAI 14.
- For our strategies certified under the French Greenfin label[21], we apply the criteria of the label to assess the green share of investments.
- For our bond strategies, we apply an internal benchmark based on the requirements of the Green Bond Principles.

19 Our approach to monitoring job creation in France is subject of a separate publication (in French): https://www.mirova.com/fr/idees/mirova-insertion-emplois-dynamique-rapport-dimpact-2024

20 The "Socially Responsible Investment" (SRI) label was created in early 2016 by the Ministry of Finance and Public Accounts with the support of Asset Management professionals. The label aims to promote the visibility of SRI management by savers. It allows investors to easily identify investments that integrate environmental, social and governance (ESG) criteria into their investment policy. Methodology and labelled funds available at www.lelabelisr.fr

21 The Greenfin label identifies investment funds that finance the green economy and encourages the creation of new green funds. It is sponsored by the Ministry of Ecological Transition and Solidarity. Methodology and labelled funds available at www.ecologique-solidaire.gouv.fr/label-greenfin

Reference to a ranking, a label and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager.

	INDICATOR	DESCRIPTION & SOURCE
QUALITATIVE EVALUATION	**Sustainability Impact opinion**	The assessment is performed using a proprietary data-driven model, using data from ISS-ESG and other providers including: ▪ SDG contributing and obstructing revenues % ▪ Revenues and CapEx associated with energy & extractives ▪ EU Taxonomy Alignment for specific sectors ▪ Gender diversity related indicators ▪ Impact of practices and operations along the value chain of the issuer on the SDGs ▪ Revenues associated with controversial sectors (Tobacco, Gambling, Pornography, Alcohol, Hazardous Pesticides, Palm Oil…) ▪ Involvement in controversial and conventional weapons ▪ Climate Transition: Alignment with NZIF framework ▪ Controversy assessment (Labor Rights, Human Rights, Environmental, Corruption) ▪ Country Risk exposure (tax evasion, financing of terrorism, money laundering, corruption) ▪ Risk assessment based on PAI performance compared to peers
	Contribution to SDG themes	▪ Climate-related SDGs contribution is calculated by aggregating exposure to companies with a positive impact via their climate solutions or their advanced practices on climate transition. ▪ Biodiversity-related SDGs contribution is calculated similarly, reflecting aggregated exposure to companies with a positive impact stemming from their biodiversity solutions ortheir advanced biodiversity practices. ▪ Social Opportunities-related SDGs contribution is calculated based on the exposure to companies with a positive impact stemming from their social solutions. ▪ Human Capital-related SDGs contribution is calculated based on the exposure to companies with a positive impact stemming from their advanced practices related to Job Quality as well as Diversity & Inclusion.
PHYSICAL INDICATORS	**Climate change**	The assessment of CO_2 emissions is fully delegated to our service provider Carbon4Finance.[22] The methodology for aligning our portfolios with various climate scenarios is based on internal work.[23]
	Biodiversity	The biodiversity negative and avoided impact are assessed using Iceberg DataLab Corporate Biodiversity Footprint data, expressed in km².MSA per million euro invested.
	Employment	Internal monitoring for job creation in France for companies included in our 'Employment France' strategy Data on global workforce provided by companies
	Diversity	Diversity data provided by companies Equileap
EXPOSURE MONITORIN G	**Green share / products with social impact**	In-house monitoring
	Principle Adverse Impacts for SRI Label	Monitoring of PAIs 2,3,7,13 as well as additional climate PAI 4 and additional social PAI 14 based on data provided by our service provider ISS-ESG

22 More info here: https://www.carbon4finance.com/
23 Our comprehensive methodology for assessing the climate performance of investments is subject of a specific publication: https://www.mirova.com/en/ideas/temperature-alignment-of-listed-investment-portfolios

Private Assets

Qualitative evaluations

For private assets, due to lack of external providers, assessments largely rely on our in-house teams. For specific technical issues, we regularly bring in specialist expertise.

Physical indicators

For private investments, our teams systematically monitor a series of physical indicators in addition to our qualitative analysis.

Climate change	▪ GHG emissions (scope 1, 2, 3) ▪ Avoided or sequestered CO_2 emissions eligible for carbon credits
Ecosystems	▪ Hectares under conservation or restoration ▪ Hectares under productive sustainable management
Employment	▪ Number of direct jobs generated or supported by the projects or companies ▪ Number of direct beneficiaries of the project beyond employees
Inclusion	▪ Employment ratios for women and men

While those are indicators systematically monitored for all strategies, we implement fund-specific monitoring of impact to fit each strategy's specific features – fund's structuring, impact themes and objectives.

As way of examples, for our environmental private equity strategy, an impact plan is developed for each portfolio company, comprising of quantitative impact indicators defined to best measure or assess the main positive impacts generated by the company's activities, with quantitative targets across the duration of our investment. For our first land use strategy, focusing on the target of land degradation neutrality, each portfolio project is monitored with satellite imagery to check that the three official indicators of the Land Degradation Neutrality framework, as defined by the United Nations Convention to Combat Desertification (UNCCD) remain stable or improve over time thanks to the project's activity.

Quantitative indicators relevant to our unlisted assets are mostly monitored in-house on the basis of information provided by our investees. Some indicators related to climate change are assessed by external providers – see table below.

Climate change mitigation	The assessment of CO_2 emissions generated, avoided and sequestered by investees is fully delegated to our service provider I Care. I Care also provides the emission factors and calculation tools for us to define ex-ante targets related to emissions avoided on some strategies focusing on that theme (energy transition funds)
Climate change exposure	The assessment of the exposure of our funds to climate change risks is performed with the use of the Altitude platform.

Regulatory indicators

Taxonomy alignment

We are presenting our portfolios' alignment with the EU Taxonomy for the second year running. As the data reported by assets remain limited, the proportion of eligible and non-eligible assets may be based on estimates. If an asset has postponed its eligibility for the EU Taxonomy, estimates cannot be taken into account.

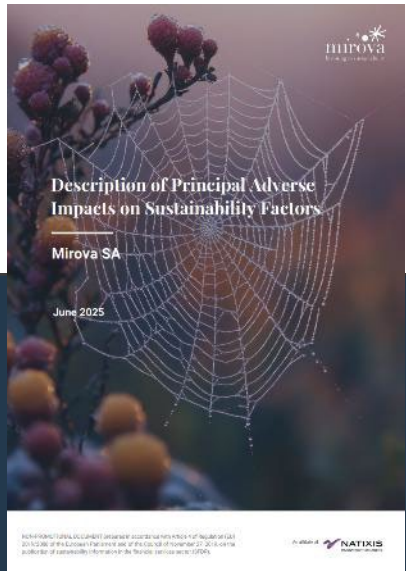
Principal adverse impacts

As part of the ESG risk analysis conducted on each asset in which Mirova invests, Mirova systematically evaluates and monitors indicators that are intended to indicate the presence of principal adverse impacts (PAI). When the necessary data for calculating certain PAI indicators is not available, Mirova may use qualitative or quantitative proxies covering themes similar to the relevant PAI indicators.

Mirova also commits to PAI performance at portfolio level, in relevance to each fund's strategy. Mirova publishes its entity-level PAI on sustainability factors on its website.

	Indicator	Description & Source
PAI INDICATORS	**Climate-related indicators**	▪ For listed investments: Carbone4Finance ▪ For non-listed investment: in-house monitoring and I Care&Consult (direct data collection through in-house questionnaires sent to investees)
PAI INDICATORS	**All other indicators**	▪ For listed investments: ISS ESG ▪ For non-listed investment: in-house monitoring (direct data collection through in-house questionnaires sent to investees)
TAXONOMY ALIGNMENT	**% of turnover from activities aligned with the EU Taxonomy**	▪ For listed investments: ISS ESG and in-house monitoring (direct data collection through in-house questionnaires sent to investees) ▪ For non-listed investment: in-house monitoring (direct data collection through in-house questionnaires sent to investees)

More information about Mirova's Description of PAI on Sustainability Factors



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

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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

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 €33 billion in assets under management as of September 30, 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. ** 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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