

Transparency Code

Natural Capital Funds



The fund(s) shown in this material are not registered or authorized for sale in all jurisdictions and may not be available to all investors in a jurisdiction. Accordingly, if persons who come into possession of this material have any questions about the registration or authorization of the fund(s) referenced in this document, they should contact the provider of this document for further information. Any future investment in or distribution of the fund(s) would only be possible if it was in compliance with all applicable laws and regulations, including, but not limited to obtaining any required registrations.









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1 - Scope: Natural Capital Funds

In a bid to address the next frontier of impact investing, Mirova has put together the requisite strategic vision and expertise to scale-up this promising market. We design innovative approaches to financing sustainable projects, organizations and businesses, which conserve the environment and improve people's livelihoods – while also being commercially successful over the long term. Looking ahead, Mirova sees natural capital evolving from niche investment strategy to a mainstream asset class, with the potential for consistent risk-adjusted returns.

This ambition now translates into a comprehensive range of natural capital funds¹:

	ALTHELIA CLIMATE FUND	ALTHELIA SUSTAINABLE OCEAN FUND	LAND DEGRADATION NEUTRALITY FUND	ALTHELIA BIODIVERSITY FUND BRAZIL
LAUNCH DATE (TERM)	2012 (8 years)	2016 (8 years)	2017 (15 years)	2019 (11 years)
STRATEGY	Agro-forestry and nature conservation	Sustainable fisheries and supply chains	Agricultural land restoration	Conservation & biodiversity positive land use, tech and finance
GEOGRAPHY	40% Africa, 40% LatAm, 20% Asia	40% LatAm, 20% Africa, 40% Asia	Developing countries	Brazil
INSTRUMENTS	Carbon finance	Equity, Quasi-equity	Equity, Quasi-equity, Long-term debt	Equity, Quasi-equity, Carbon finance
AUM	100M€	132M\$	140M\$	15M\$
TARGET SDGS	 	 	 	 

Source Mirova as of December 31, 2020

SDGs stand for the Sustainable Development Goals of the United Nations

¹ Please refer to the section "History" section below

2 - Mirova

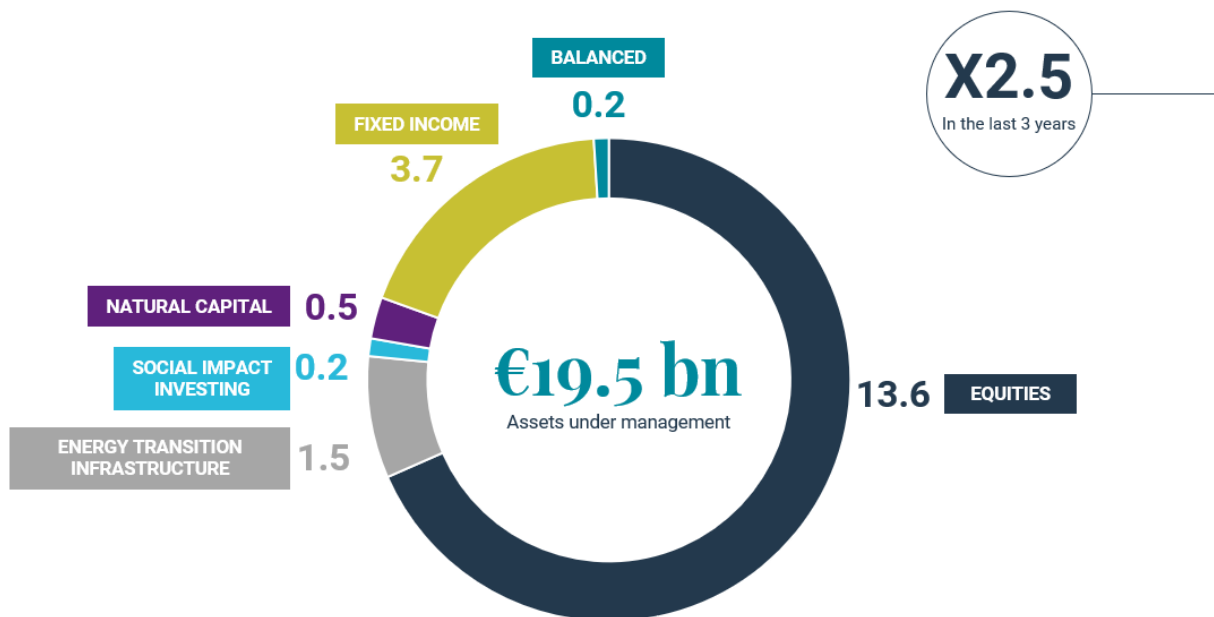
2.a Overview

Mirova is an investment manager dedicated to responsible investment which forms the core of the firm's DNA. Through a conviction-driven investment approach, Mirova's goal is to combine value creation over the long term with sustainable development. Mirova's talents have been pioneers in many areas of sustainable finance. Their ambition is to keep innovating to propose the best-tailored and most impactful solutions to their clients.

Mirova (and its affiliates) has more than EUR 19.5 billion of assets under management (as of 31st December 2020) and brings together more than 100 multi-disciplinary experts, specialists in thematic investment management, engineers, financial and ESG analysts, specialists and experts in socially conscious finance and project financing.

Mirova relies on the unique experience of its research team which is dedicated to only ESG analysis. As a pioneer and leader in SRI with almost 30 years² of experience in this field, Mirova is deeply involved in the implementation of ESG investment strategies.

Mirova offers a full array of investment solutions: Listed Equities, Fixed Income, Energy Transition Infrastructure, Natural Capital, Impact Investing as well as engagement and voting services.



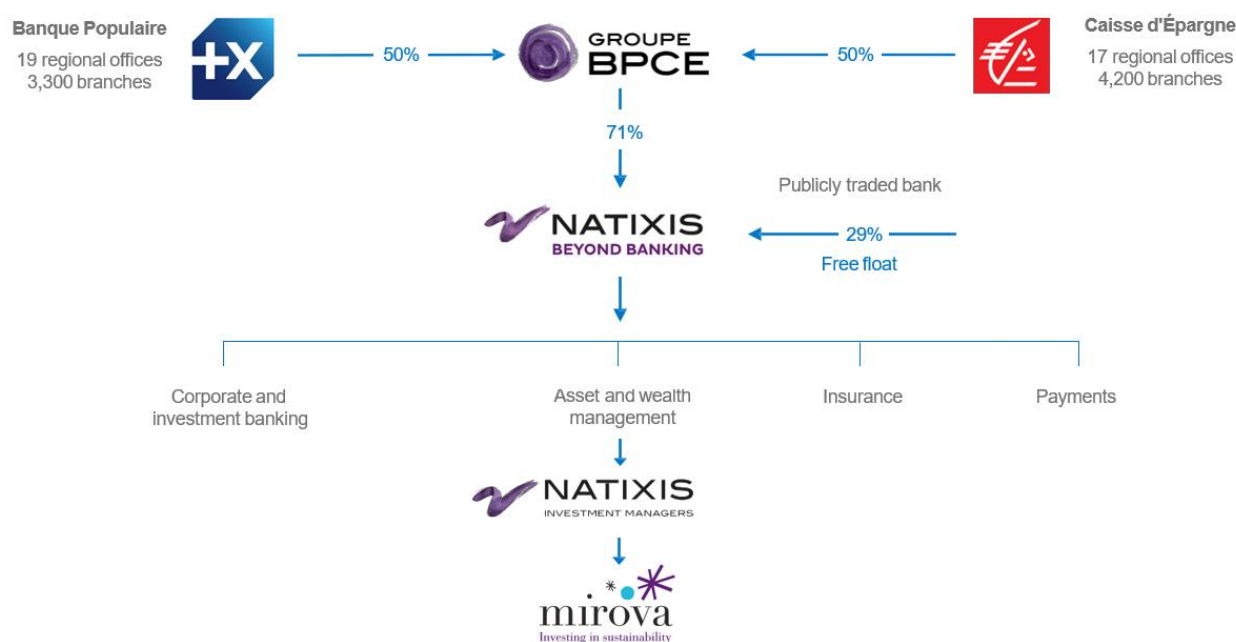
Source Mirova, as of 31 December 2020

2.b Ownership

Mirova is a wholly owned affiliate of Natixis Investment Managers. It is one of the largest asset management groups in the world. Mirova is the dedicated responsible investing affiliate of the group and is completely autonomous and independent in its corporate and investment decision making. Natixis Investment Managers provides corporate and risk oversight as well as access to centralized support functions and a global distribution network.

² Please refer the "History" section below

Natixis Investment Managers is 100% owned by Natixis, the publicly listed financial services company (NYSE Euronext - KN). Natixis is 71% owned by the BPCE Groupe, the second largest banking group in France. This ownership structure ensures financial stability without the influence from the banking divisions on the asset management business.



Source Mirova, as of 31 December 2020

2.c History

Mirova is a fully owned subsidiary of Natixis Investment Managers, being part of BPCE Group, the second largest french banking organisation.

Mirova formally started as the responsible investment division of Natixis Asset Management (now Natixis Investment Managers since 2018), with a long history across various investment divisions previously tracing back to 1984. Recognizing the increasingly important role of responsible investing, Natixis Asset Management decided to regroup its SRI capabilities within a single division, Mirova, which was launched in November 2012, by merging with Natixis Environnement & Infrastructures, a fund manager part of Natixis specialized since 2002 in managing investment funds in the environment, energy transition and infrastructure. The energy transition team and activity was brought to Mirova through this merger.

Mirova was further established as a separate entity from this in-house department in January 2014 and became a full and independent affiliate of Natixis Investment Managers in 2019. This places Mirova in the unique position of being able to focus solely on responsible investing with a very distinct identity as the group’s dedicated SRI affiliate.



Source: Mirova, as of September 2020

1- Previously Natixis AM 2- Mirova is an affiliate of Natixis Investment Managers based in Paris. 3- Until March 28, 2019, Mirova was operated in the US through Ostrum Asset Management U.S., LLC (Ostrum AM U.S.), an investment advisor based in the US. 4- Since March 29, 2019, Mirova US LLC is a U.S.- based investment advisor that is a wholly

owned affiliate of Mirova. Mirova is operated in the U.S. through Mirova US. Mirova US and Mirova entered into an agreement whereby Mirova provides Mirova US investment and research expertise, which Mirova then combines with its own expertise when providing advice to clients. Mirova US LLC had \$4.96 billion assets under management as of 31st December 2020

2012 – Mirova was launched as a dedicated responsible investment department of Natixis Asset Management, with a history in SRI management within different divisions dating back to 1984. It was created by incorporating Natixis Environment and Infrastructure, a non-listed fund manager created within Natixis in 2002, and then manager of the renewable energy and other infrastructure funds

2014 – On 01/01/2014 Mirova becomes a separate management company, a subsidiary of Natixis Asset Management.

2016 – Mirova sets up a global coverage of its research by establishing itself in Boston in the United States as a department of Natixis AM US.

2017 – Mirova acquires part of the capital of Althelia Ecosphere (now Mirova Natural Capital), a British management company specializing in the financing of the preservation of natural capital, with the ambition of becoming the world leader in investment. This subsidiary offers strategies investing in small sustainable agriculture projects (e.g. cocoa from organic farming) and carbon credits mainly located in countries outside the OECD, in Africa, Asia and Latin America.

2019

- › Mirova becomes a full affiliate of Natixis Investment Managers.
- › Mirova US LLS is created in the United States and confirms Mirova's ambition in terms of global coverage.
- › The acquisition of 100% of Mirova Natural Capital shared is completed.

2020 – General infrastructure activity of Mirova was spun-off under a new entity, Vauban Infrastructure Partners, regulated by the AMF since 10/12/2019 and 85% owned by Natixis Investment Managers.

2.d Expertise

Mirova's pro-active approach aims to reconcile wealth creation and sustainable development. The firm has developed a global approach to responsible investing covering:

Equities – A conviction-based fundamental asset management approach on companies they believe are positively exposed to long term trends and/or which provide solutions to address the challenges of sustainable development. More than 14 investment professionals are dedicated to equities managing regional investment strategies (Global, Europe, Euro) and thematic investment strategies (Environmental, Job creation, Climate Ambition, Gender Diversity).

Fixed Income – Specializing in responsible investment by integrating ESG criteria, Mirova fixed income team is focused on Green & Sustainable bonds. The team invests a significant share of its assets in green bonds through a range of three strategies which are invested completely or partly in Green bonds. Full ESG analysis of the issuer as well as analysis of each green bond and the financed projects in order to measure the environmental and social impact of each bond is operated.

Energy Transition Infrastructure – Funding infrastructure projects that address the challenges of energy transition in Europe and may generate regular cash flow over the long term. The team is composed of more than 20 investment professionals. With close to 20 years of history, the Energy Transition Infrastructure team has a long and soundtrack record in managing infrastructure strategies.

Natural Capital – Mirova’s Natural Capital investment platform develops innovative investment solutions, through the financing of activities addressing major global environmental challenges, related to natural resources, with the aim to deliver the highest calibre social, environmental, and economic performance.

Social Impact Investing – Seeking to invest in unlisted companies and organizations featuring what Mirova believes to be a strong social and/or environmental impact. Leveraging a long-standing collaboration with partners, together we assess and monitor the effectiveness of these impacts.

To improve financial practices and allow for a better understanding of the technological, political, regulatory and social changes in the world, the team maintains research partnership with the Universities, produces joint publications, and actively participates in international initiatives in the investment industry (PRI, ICGN, etc).

Mirova’s fund range is distributed by Natixis Investments Managers’ global distribution platform and is designed for all types of investors, both professional and non-professional.

2.e Philosophy

Mirova is fully dedicated to responsible investing. Its philosophy is based on the conviction that the integration of sustainable development makes it possible to offer investors solutions that create long-term value, not only through better risk management, but also to identify investment opportunities in a constantly changing world. Whether it is investments in stocks or bonds, listed or unlisted, in companies or projects, all of Mirova’s investments share the same approach: to reconcile the creation of economic, environmental and social value. Mirova is a mission company since November 2020, and is labelled B Corp.

Overall, at the heart of the investment process, Mirova’s investable universes focus exclusively on companies and projects with satisfactory ESG performance, with the desire to maximize investments in companies and projects with a positive impact in terms of contribution to the Sustainable Development Goals, either through the products and / or services they offer, or through particularly advanced operational practices.

All of our investment processes, including on energy transition infrastructure assets, benefit from the same approach to ESG selectivity, namely: all assets rated as "Risk" or "Negative" on this extra-financial rating scale will be excluded from the investment universes, because they are deemed to run counter to the achievement of Sustainable Development Objectives. All investment opportunities rated as "Neutral", "Positive" or "Committed" will therefore be eligible for investment. Nevertheless, in a committed management perspective aimed at reconciling value creation and sustainable development, the management teams aim to maximise the proportion of assets assessed as "Positive" and "Committed" in view of their contribution to SDGs, in order to maximise the positive environmental or social impact of the portfolios.

Our responsible investment policies at the level of asset categories and at the more specific level of infrastructures are respectively described in the document: “Acting as a Responsible Investor”, June 2020, available at: <https://www.mirova.com/sites/default/files/2020-07/AgirEnInvestisseurResponsable2019.pdf>

Finally, for all asset classes, Mirova has sector exclusions: https://www.mirova.com/sites/default/files/2020-02/ControversialActivities2020_1.pdf

Mission-oriented company

Mirova decided to become a mission-oriented company³ to structure its social and environmental approach and make it known, but also to show that the role of a management company shall go far beyond fiduciary responsibility and be part of a desire for a profound transformation of the economy towards a fairer and more sustainable model.

To make its *raison d'être* a reality, Mirova has set 5 objectives:

- › To make positive impact a systematic objective of its investment strategies
- › Cultivate and deepen its social and environmental expertise
- › Constantly innovate on its products and approaches to achieve impact
- › Accompany its stakeholders towards a sustainable economy and finance
- › Apply the environmental and social standards that Mirova defends.

RAISON D'ÊTRE AND OBJECTIVES

Our mission

Finance must serve as a tool to transform the economy into a model that preserves and restores ecosystems and the climate while fostering social inclusion, health, and well-being.

To lead the way, we innovate throughout the entirety of our activities: investment, research, shareholder engagement, and influencing the financial community.

We seek to combine environmental, social, and financial performance by placing our expertise in sustainable development at the core of all our investment strategies. To do so, we offer our clients solutions designed to develop their savings while contributing to a more sustainable and inclusive economy.

To enact this *raison d'être* together, we have set five objectives::

MAKE POSITIVE IMPACT A SYSTEMATIC OBJECTIVE IN OUR INVESTMENT STRATEGIES

CULTIVATE AND DEEPEN OUR EXPERTISE IN SUSTAINABLE DEVELOPMENT

INNOVATE CONTINUOUSLY IN OUR PRODUCTS AND APPROACHES FOR POSITIVE IMPACT CREATION

ENCOURAGE OUR STAKEHOLDERS TO ADOPT SUSTAINABLE FINANCE PRINCIPLES AND PRACTICES

APPLY OUR ENVIRONMENTAL AND SOCIAL STANDARDS WITHIN OUR INTERNAL CORPORATE PRACTICES

Source Mirova

Mirova has also set up a Mission Committee made up of renowned experts, whose mission is to monitor the concrete implementation of its mission. This committee will also guide the company towards avenues of progress to ensure that Mirova achieves the objectives it has set itself. An annual report will be published by this committee.

The BCorp™ Label

Obtaining the BCorp™⁴ label, after an evaluation process during which Mirova received an excellent score, is a guarantee of the credibility of the company's entire corporate responsibility approach in the eyes of the public. The label is internationally recognised and is a testimony to our environmental and social commitment.

References to a ranking, prize or label do not anticipate the future results of the latter, or of any fund, or of the manager.

³ Article 176 of the law of 22 May 2019 relating to the growth and transformation of companies, known as "Loi Pacte", introduces the quality of a company with a mission. It allows a company to publicly state the quality of a mission company by specifying its "raison d'être" as well as one or more social and environmental objectives that the company sets itself the mission of pursuing as part of its activity. More details here : <https://www.entreprisesamission.com/>

⁴ Since 2006, the B Corp movement has been promoting strong values of change throughout the world to make companies "a force for good" and to distinguish between those that reconcile profit and collective interest. B Corp's objective is to certify companies that integrate social, societal and environmental objectives into their business model and operations. For more details: <https://bccorporation.eu/certification>

2.f Teams

Natural Capital Fund management Team

The investment team is currently composed of 20 experts with different positions and level of seniority:

	FORESTS	OCEANS	SOILS
<p>Vincent Gradt Managing Director at MNC & Co-Head of Mirova's Natural Capital Business Line</p>	<p>Adam Gibbon Investment Director & Chief Technical Officer, MNC</p> <p>Edit Kiss Investment & Development Director, MNC</p> <p>Nick Oakes Investment Director, Mirova</p> <p>Rosanna Della Mea Investment Director, MNC</p> <p>Joe Measom Investment Manager, MNC</p> <p>James Smith Carbon Technical Officer, MNC</p>	<p>Simon Dent Fund Director, MNC</p> <p>David Barley Investment Director, MNC</p> <p>Trip O'Shea Investment Director, MNC</p> <p>Lisa Hubert Investment Manager, MNC</p> <p>Antoine Rougier Marine Technical Officer, MNC</p>	<p>Gautier Queru Fund Director, Mirova</p> <p>Johann Fourgeaud Investment Director, Mirova</p> <p>Boris Spassky Investment Manager, Mirova</p> <p>Nick Moss Investment Director, MNC</p> <p>Solene Navelou Investment Manager, Mirova</p> <p>Caroline Bouquet Investment Manager, Mirova</p>
<p>Gautier Queru Fund Director at Mirova & Co-Head of Mirova's Natural Capital Business Line</p>			

Source Mirova, as of 31 December 2020. Mirova personnel is subject to change at any time and without further notice to prospective investors. Nicolas Hayon is expected to leave Mirova and be contracted by Natixis Investment Managers Singapore to provide investment advice to Mirova and Mirova Natural Capital on the Asian markets for the Energy Transition and Natural Capital activities.

Sustainability Research Team

The Sustainable Development analysis is conducted by a team comprised of 13 analysts fully dedicated to ESG issues (identification of sustainable opportunities, assessment of issuers' ESG practices, voting and engagement activities). The team is based in Paris, Boston and London, and is one of the largest dedicated ESG team in Europe. Each analyst is responsible for the analysis and follow-up of a specific thematic sector, and analyses ESG issues of all corresponding assets under management.

<p>Ladislav SMIA Head of Sustainability Research</p>	<p>Unlisted assets</p> <p>Emma Lear* Conservation and Agroforestry</p> <p>Sarah Maillard Resources</p> <p>Antoine Rougier* Ocean and Marine</p> <p>Kevin Whittington-Jones* Agriculture</p>
	<p>Cross-assets</p> <p>Frédéric Lazarski ESG database support</p>
	<p>Listed assets</p> <p>Laurène Chenevat Finance and Advocacy</p> <p>Jean-Pierre Dmirdjian Energy</p> <p>Hadrien Gaudin-Hamama Resources</p> <p>Eva L'Homme Buildings and Mobility</p> <p>Manon Salomez Healthcare</p> <p>Louise Schreiber Technology</p>
<p>Mathilde DUFOUR Head of Sustainability Research - Listed assets</p>	

Source Mirova as of 1st March 2021. *Antoine Rougier, Emma Lear and Kevin Whittington-Jones are contracted by Mirova Natural Capital, a wholly owned subsidiary of Mirova. The services of Mirova Natural Capital Limited are only available to professional clients and eligible counterparties. They are not available to retail clients. The information provided reflects the situation as of the date of this document and is subject to change without notice.

2.g International standards & industry association

Mirova follows the reporting requirements of all the associations/initiatives the company adheres to:

Support at the international level

Mirova is a member of several international initiatives that support the development of responsible investment practices, as well as green and sustainable finance:

- › **UNEP FI** – Member of the Investment Committee of the UNEP Finance Initiative, which seeks to bring together the financial sector and the United Nations Environment Program. Mirova participates in the “Positive Impact Finance” workgroup, as well as the “Investment Commission” and “Sustainable Stock Exchange Steering Committee” groups.
- › **PRI** – Signatory of the Principles for Responsible Investments, which seeks to promote responsible investment practices internationally. Mirova commits itself to respect and assure its commitment to the 6 principles. Signatory organizations are obliged to respond to an annual questionnaire and to publish a follow-up report. Mirova is also a member of the “E&S Steering Committee”, “Fracking Steering Committee”, “Human Rights Steering Committee”, as well as the “Nominations Steering Committee”.
- › **IIGCC** – Member of the Institutional Investors Group on Climate Change, a forum for collaboration on climate change, which brings together more than 120 institutional investors.
- › **GIIN**: Member of the Global Impact Investing Network, which seeks to promote impact finance at the internationally.
- › **CERES** – Member of CERES and the Investor Network on Climate Risk. CERES is global organization that acts to motivate businesses to act on climate change. The Investor Network on Climate Risk is a grouping of over 120 institutional investors that address climate change while investing in low-carbon opportunities.
- › **US SIF** – Member of the US Forum for Sustainable and Responsible Investment, a group that advocates developing sustainable and responsible investment throughout all asset classes.

Support at the European level

- › **HLEG** – The High-Level Expert Group on sustainable finance is a European Commission supported assembly of 20 experts in the field of sustainable finance. Mirova’s CEO, Philippe Zaouati, was selected as a member in December 2016. The group will formulate a series of proposals to the European Commission on how to better integrate sustainability into the European financial system.
- › **EUROSIF** – Hervé Guez, director of responsible research at Mirova, in his position as the representative of the French Social Investment Forum, is a member of the board of EUROSIF.

Support at the French level

- › **Paris Europlace** – Member of the Paris Europlace association, which is the organization in charge of promoting and supporting the development of the financial center of Paris. Mirova is an active participant in the “Paris Green and Sustainable Finance Initiative”, an initiative launched in May 2016. Mirova also participated in the Paris Europlace working group on Green Bonds and infrastructure.
- › **FIR** – The French Social Investment Forum (“Forum français de l’Investissement Socialement Responsable”). Mirova participates in the CorDial initiative, a platform for dialogue with companies on issues related to Sustainable Development and Corporate Social Responsibility. Mirova also participates on the board of the FIR as well as the research committee.
- › **SRI Label Committee** – The SRI Label is a French investment label that provides savers and investors with a greater level of clarity on socially responsible investment funds. A committee was created in order to assure the well-functioning of the label and its development.
- › **Plateforme RSE** – The CSR Platform is a permanent working group within France Stratégie, a French government think-tank. The objective of the platform is promoting the development of CSR practices in France.

Support at the European level

- › **AFG** – The Association Française de la Gestion Financière groups together and promotes the interests of the French asset management industry. The association is also dedicated to the promotion of ESG issues through the works of a dedicated committee, of which Mirova is a member.
- › **EFAMA** – Mirova is a member of EFAMA, the main association of the European investment management industry. Mirova participates in the working group on responsible investment and corporate governance.
- › **ICMA-Green Bond Principles** – Mirova participates in ICMA’s Green Bond Principles, which seeks to create unifying standards for the green bond market through transparency and disclosure. Mirova also participates in the Board and executive committee of the group, as well as the working groups “Defining Green”, “Impact Investing” and a working group on social bonds.
- › **Climate Bonds Initiative** – Member of the Climate Bonds Initiative, an organization that seeks to develop the green bond market in order to reduce the cost of capital for projects fighting climate change.

The information provided reflects the situation as of the date of this document and is subject to change without notice

3 - Sustainable Development Policy

3.a Supporting the Sustainable Development Goals

General presentation

Acting as a "responsible investor" implies a deep understanding of the economic world, and more broadly of the society and the environment in which it is part, which cannot be limited to a study of the short / medium term profitability of each asset taken individually. This approach requires to understand the interactions between the different private vs public actors, small-medium-large enterprises, developed economies & developing economies, in order to ensure that the growth of each actor is compatible with the balance of the rest of the system. It must also be projected on a "long time" scale, making it possible to ensure that the choices of today do not weigh negatively on future generations. Understanding this complexity requires having a clear understanding of the sustainable development issues facing our societies, evaluating the possible interactions between the assets of our investment strategies and these issues.

Since September 2015, all the nations of the world have adopted a sustainable development program proposed by the United Nations, following on from the millennium goals initiated in 2000. This agenda sets 17 Sustainable Development Goals (SDGs) to be reached by 2030 and broken down into 169 targets intended to address the main social and environmental issues. In addition to the fact that they have been adopted by all members of the United Nations, the SDGs have several advantages. First, they set a comprehensive framework on environmental and social issues, and applicable to all economies, regardless of their level of development. Thus, even if certain issues such as the elimination of hunger (SDG 1) or access to water for all (SDG 6) are often more relevant for low-income or middle-income countries, other objectives such as the fight against climate change (SDG 13) or the need to make cities safe, resilient and sustainable (SDG 11) are applicable at all levels of development. In addition, the SDGs can be considered as a reference framework on sustainable development issues, not only by States but also by companies and investors. This growing consideration of environmental and social issues in the private sphere illustrates the new forms of governance taking place today, where questions of "general interest" are no longer solely the prerogative of the public sphere. These approaches therefore question the purpose of the company's role in creating economic, environmental and social value. Finally, for investors, the SDGs are of interest to question the resilience of their assets to the transformations underway. But they go even further by asking the question of the exposure of investments to the development of new solutions

The SDGs as a guide

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

Source: United Nations

In addition, our analysis of risks and opportunities seeks to focus on the points most likely to have a concrete impact on the assets under study and on society as a whole. However, the challenges facing the various economic agents are very different from one sector to another and may even differ significantly within the same sector. For example, if in the electrical equipment production sector, a significant focus is placed on working conditions among suppliers, among renewable energy producers, the emphasis will be on issues of biodiversity preservation. Therefore, our analysis approaches focus on a limited number of issues adapted to the specificities of each asset studied.

For each of these sectors, Mirova publishes a sector analysis framework defining key ESG issues by sector. It is a methodological document aimed at explaining how Mirova takes into account the challenges of sustainable development in the context of the environmental, social and governance analysis of each activity's sub-sector. This methodology is based on the SDGs but also on in-depth knowledge of each industry.

3.b ESG methodology

The Sustainability Research team has developed an internal research methodology. This methodology is used to rate issues on a qualitative sustainability scale that is used to define the investment universe of

the strategy and assess the level of contribution to the SDGs and principal adverse sustainability impacts of all investments in all portfolios, in line with the Sustainable Finance Disclosure Regulation (SFDR).

Our analysis of sustainable development issues is based on the following principles

A sustainability risk / opportunity approach

Achieving the SDGs requires taking two different dimensions into account that often go together.

- › Taking advantage of sustainability opportunities: being positioned on technological and societal innovation when it is embedded in their business strategy allows companies to take advantage of the opportunities provided by the transitions we are currently experiencing.
- › Managing sustainability risks: re-internalizing social and environmental externalities, which often takes the form of general management of sustainable development issues, limits risks introduced by these transitions.

This analysis structure gives equal importance to opportunities and risks. It is the primary prism through which we analyse sustainable development issues.

Targeted issues

Our sustainability risk/opportunity analysis focuses on the elements most likely to have a tangible impact on the assets studied and on society in general. Additionally, the issues that economic agents face are very different depending on the sector and can even vary within the same sector⁵. So, our analysis focuses on a limited number of issues adapted to the specificities of each asset.

As an example, Mirova is particularly vigilant about the impact of infrastructure projects on biodiversity, the use of technological products coming from companies or countries with satisfying ESG practices, as well as working conditions of our counterparties.

A life cycle analysis

In order to identify the issues that could impact an asset, the analysis of environmental and social issues must consider the entire life cycle of products and services, from raw material extraction to end-of-life. For example, it is important to focus on work conditions for suppliers in the textile industry, whereas for automobile manufacturers, the focus should be more on energy consumption during product use.

A qualitative and absolute assessment

The primary result of these analyses is an overall qualitative opinion on a five-tier scale. This score demonstrates how the asset performs in terms of sustainable development goals.

Illustration of Mirova's rating process:



Source Mirova *For Mirova's investments. For more Information on our methodologies, please refer to our Mirova website: <https://www.mirova.com/en/research>. The information provided reflects MIROVA's opinion / the situation as of the date of this document and is subject to change without notice.

⁵ For each sector, the definition of « key » challenges are subject to specific studies. This information is available on Mirova's website www.mirova.com

This rating scale reflects the degree of achievement of the SDGs. Hence, no distribution of score is presupposed, neither overall nor per sector. Only assets with a rating of at least Neutral are eligible for Mirova's investments, and we prioritise top-rated assets.

3.c Specifics to our Natural Capital Funds

Through our Natural Capital Funds, we bring innovative finance to projects, organisations and businesses that protect or restore ecosystems and improve peoples' livelihoods whilst also being commercially successful over the long term. Our focus is on financing activities that address the major global environmental challenges such as climate change, ecosystems degradation, biodiversity loss, both in terrestrial and in marine environments.

As such, natural capital funds are designed on strategies fully oriented towards environmentally-friendly activities, towards projects that have positive environmental and social impact at the core of their operations, and the **opportunities to contribute to SDGs on such funds are therefore frequently assessed as high.**

But such operations are also often of material inherent risk for the environment or for people, because they are located in environmentally fragile or precious ecosystems, or because they are in socially complex local contexts typically. For that reason, Mirova has developed **a robust framework to address ESG risks of its natural capital strategies.** It takes the form of strong commitments displayed in the Mirova Natural Capital ESG Policy, including the commitment to have all activities invested compliant with the internationally recognised IFC E&S Performance Standards. It also includes a clear process to ensure compliance with these commitments, as all projects considered for investment undergo a complete assessment process that includes an in-depth ESG due diligence.

Many promising and quality projects show manageable gaps compared to our strict E&S requirements at the time of investment; such projects are therefore also analysed on their willingness and capacity to implement an **Environmental and Social Action Plan (ESAP)**, which would allow them, on a predefined timeline, to make progress and meet all our requirements sometime after the investment. Such ESAPs represent commitments from the project developers, structured and set in contractual documentation, and represent opportunities for us to further support projects reinforce their E&S practices.

ESG Policy

Our ESG Policy applies to all our funds and activities.

Each fund will require the projects they invest in to,

- › Comply with national environmental, social and labour laws and legislation.
- › Comply with any ESG requirements of investors in the fund.
- › Meet the objectives of the IFC Social and Environmental Performance Standards

Where commodities and products are produced (e.g. through agriculture, aquaculture), or harvested from wild or semi-wild landscapes (e.g. coastal or inland fisheries, non-timber forest products), projects should aim to secure certification under internationally recognised (or market specific) schemes such as Marine Stewardship Council certifications, Verified Carbon Standard, Climate, Community and Biodiversity Alliance, fair trade, organic etc. Projects may be given time to achieve these standards through an Environmental and Social Action Plan (ESAP) that forms part of their contract with the fund.

All funds require projects to be able to demonstrate that they:

- › Have an Environmental, Health and Safety, and Social Management System (ESMS), based on an evaluation of social, health and safety and environmental risks and impacts.
- › Conform with International Labour Organisation's Core Conventions on child labour, forced labour, equality, rights of association.

- › Result in no loss of income or livelihood as a result of the project's use of land or other natural resources.
- › Have a comprehensive stakeholder engagement process.
- › Secure free, prior and informed consent (FPIC) where projects impact land under traditional use by indigenous peoples; affect indigenous peoples' access to resources; commercialise indigenous knowledge, or where otherwise required through best practice certifications e.g. CCB.
- › Drive conservation of natural habitats and wild species of local and international importance as well as those listed as threatened under IUCN Red List.
- › Involve no net loss of biodiversity, no conversion or draining of native ecosystems, and no negative impacts on wildlife or high conservation value ecosystems.
- › Provide employment that pays a living wage.
- › Have a grievance mechanism that enables problems, concerns or complaints from the workforce, community and other stakeholders to be registered and addressed, drawing on independent mediation if needed. Have taken account of relevant IFC Environmental Health and Safety Guidelines in the development of their ESMS.
- › If security guards or government security forces are involved, e.g. as park rangers, there is a security risk assessment and management controls so that any use of force is limited, proportionate and documented.
- › Must implement a policy that prohibits employees and agents from making or receiving gifts of substance, paying bribes or making facilitation payments.
- › Must be alert to, and not tolerate, money laundering or financing of terrorism.

Each fund must have its own ESG policy annex in order to add to the general policy on the topics relevant to the fund given its specific strategy. All funds should also have a process by which any complaints or grievances relating to its activities can be presented to the management and will be responded to.

Excluded activities

A fund and any of its intermediary vehicles (including portfolio companies) will not finance any activity involving:

- › Any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- › Forced labour⁶ or child labour⁷.
- › Wild animals and plants or their products not in conformance with CITES⁸
- › Commercial hunting⁹
- › Significant¹⁰ conversion or degradation of Critical Habitat.¹¹
- › Drift net fishing in the marine environment using nets in excess of 2.5 km in length
- › Or any of the following:
 - exploration or production of fossil fuels (oil, gas, coal);
 - weapons and munitions;
 - radioactive materials;¹²
 - gambling, casinos and equivalent enterprises;

⁶ Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by the relevant ILO Conventions and Core Labour Standards.

⁷ Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age will apply.

⁸ CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

⁹ Commercial hunting includes sport, trophy, industrial and any other hunting to generate commercial profits.¹³

¹⁰ Significant conversion or degradation means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use; or (2) modification of a habitat that substantially reduces the habitat's ability to maintain viable population of its native species.

¹¹ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value will be considered Critical Habitats.

¹² This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where the radioactive source is trivial and/or adequately shielded.

- pornography or prostitution;
 - manufacture and/or production of tobacco products;
 - production of, or trade in, landmines and cluster munitions;
 - hazardous materials such unbounded asbestos fibres and products containing PCBs¹³;
 - cross-border trade in waste and waste products unless compliant with the Basel Convention and the underlying regulations;
 - pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances¹⁴ and other hazardous substances subject to international phase-outs or bans.
- › Funds will not invest in any project located in countries that are under trade sanctions by the UN, USA or EU.

¹³ PCBs: Polychlorinated biphenyls, a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

¹⁴ Ozone Depleting Substances: Chemical compounds, which react with and delete stratospheric ozone, resulting in "holes in the ozone layer". The Montreal Protocol lists ODs and their target reduction and phase-out dates.

4 - Investment process

Summary of the full investment process (from screening to divestment)

Mirova has set up a strict investment decision process to carefully select investments. There are five main stages in the 'life cycle' of an investment, the second, third and fifth of which end in formal decision-making gateways:

Origination and Termsheet: a rapid stage during which an investment opportunity is recognized and articulated in a Project Opportunity Note & Termsheet (PON), which is a short internal memo that contains high level information and potential of an investment. This is the first opportunity for team members to champion and make the case for investment into a project. The PON is circulated to the Key Persons who will approve resources to further analyzes the opportunity, or decide not to proceed;

Project Screening and Investment Committee 1 (IC1): a structured but streamlined process that winnows projects that fail to meet the Fund's risk or performance criteria and identifies salient issues to be investigated further in the next (due diligence) stage for those projects that have merit. The screening includes analysis of a project's business plan, technical and ESG aspects, an initial negotiation of terms with the counterparty, the preparation and submission of a succinct screening/IC1 investment memo and Anti-Money Laundering checks. The screening stage ends when the IC meets for IC1 and decides whether to continue to next stage in the investment process;

Project Due Diligence and Investment Committee 2 (IC2): the goal of this stage is to complete a thorough and comprehensive due diligence of the project that goes into considerably more depth than at the screening stage, will likely include a site visit, particularly if one has not yet taken place, and for which outside specialists are often contracted. During this stage the terms are finalized and legal opinion (including host country opinion and risk analysis) sought to ensure risks are managed and an agreement is drafted. A Due Diligence Report with full appendices is completed and a detailed investment memo prepared to submit to the Investment Committee. This stage of the investment process ends when the Investment Committee meets for IC2 and decides whether the Fund should invest in the project.

Operations: on a positive investment decision being made at IC2, the relationship between Mirova and the project counterparty is codified in an agreement (contract), conditions noted, and deliverables and milestones scheduled and logged. The objective of this stage is to continually monitor the execution and performance of the project, as well as adherence to the contracted terms. This phase continues for the life of the investment period or until exit.

Exit: At any time during the life of the fund, Mirova might propose an exit strategy with the aim of progressively/fully divesting the investment/portfolio. Exits are documented in a Divestment Memorandum. Divestment can take several forms, including: Holding investments to maturity or through an onward sale where the Fund agrees to sell, swap or transfer to a third party all or some of the asset defined under the deal's terms.

It is highly desirable for the Fund that, upon exit, the project continues to perform well and maintain at least the same standards as during the Fund's investment, against its ESG. Although the Fund cannot be expected to be responsible for a project's performance post exit, the Fund will in all cases consider what the implications for ESG performance will be, and how it may be affected. If there is a change in project management, the Fund will conduct a due diligence on the new management to discover their reputation regarding ESG, the quality of management and their potential for upholding the Fund's ESG standards. These findings will be reported in the Divestment Memorandum.



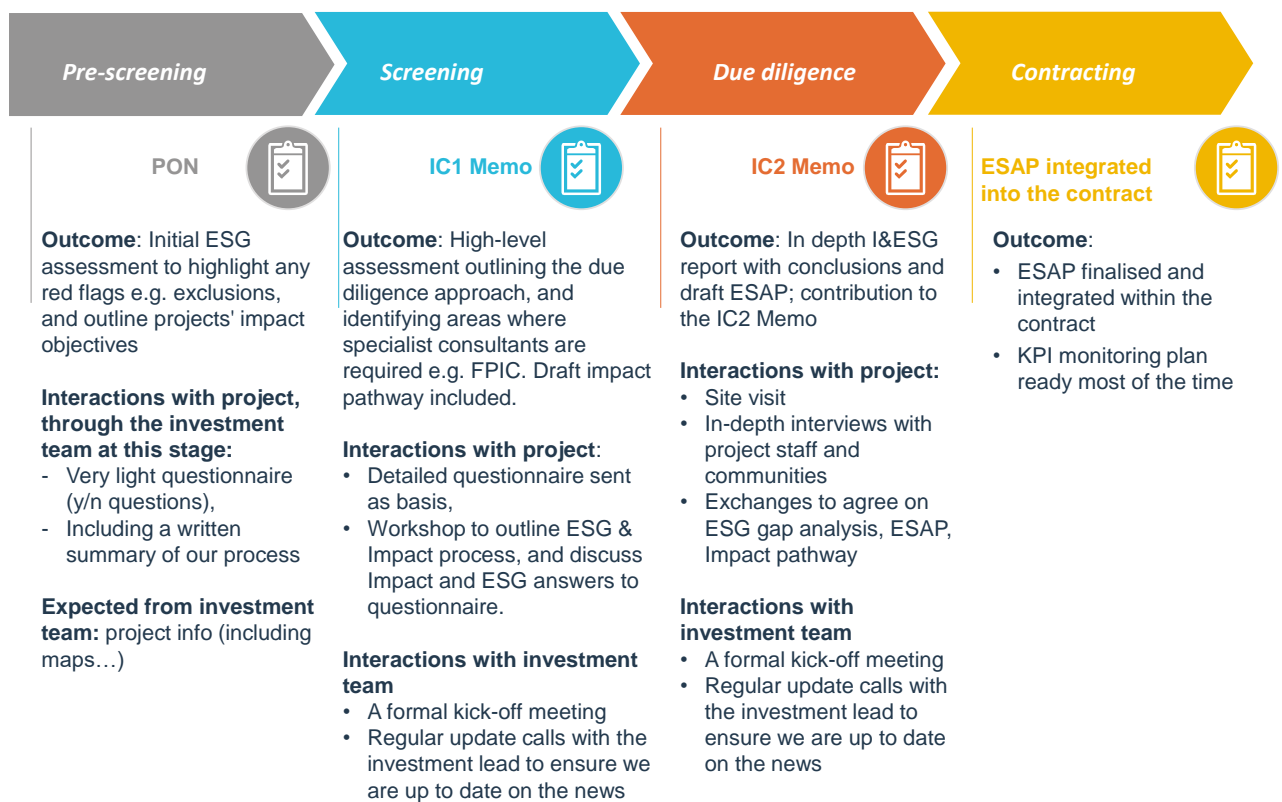
ESG within the investment process and sustainability risks

Our Natural Capital Funds are subject to sustainability risks as defined by environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Portfolio investment process includes binding and material ESG approach to focus on well rated securities from an ESG viewpoint in order to mitigate potential impact of sustainability risks on portfolio return.

ESG analysis prior to investing

ESG aspects of projects are considered through a process which is fully aligned and integrated within the overall investment process as shown in the chart below.



Follow-up of the investments

Similarly, the Sustainability Research department monitors the ESG aspects of projects invested during the fund life, according to the following process chart.



Annual update notes



KPIs collected



According to the monitoring plan agreed with the project developer

- Regular monitoring and exchanges on the progress on the ESAP (typically quarterly)
- Including monitoring site visits
- Yearly reporting on KPIs,
- Completed with regular interactions to monitor progress on impact

Follow-up on significant news related to I&ESG, such as incidents.

Outcome: A final assessment with two goals:

- Assessing the global impacts achieved, and final level of ESG performance.
- Assessing potential risks related to the exit, notably in the context of an unplanned exit.

Expected from investment teams:

- To be kept informed early whenever an exit is considered
- Involvement within the process to ensure our ability to raise concerns or provide support

5 - Impact Assessment and ESG KPIs Reporting

In order to monitor progress of projects towards their impact targets, to be able to analyse their performance on E&S aspects, and to demonstrate the impacts of the funds' strategies, two types of KPIs are defined and used:

- › Portfolio-level KPIs: They are metrics that can be aggregated at portfolio level, useful to get the full picture of a fund's global impacts, as well as to have informed data to look at projects in a consistent way.
- › Project-specific KPIs: On a case-by-case basis additional metrics will be monitored for certain projects to complement these common indicators. These can include:
 - Specific conservation measures such as creation/protection of wildlife corridors
 - Specific community development activities such as the construction of education or health facilities
 - Training/capacity building for local communities
 - Improvements to water quality/quantity

Such monitoring data will be provided annually directly by project developers. Mirova ensures a proper level of traceability in data received, as well as complete recording of methodological exchanges that take place to ensure consistency of figures reported by the different project developers. The Research Sustainability team is then be in charge of reviewing indicators reported (e.g. for consistency, comprehensiveness).

Annual public impact reports allow the funds to communicate on their impact methodologies and outcomes.

The following list of KPIs can be given as indicative examples:

	Theme	KPIs
Environment	General	Area of a/reforestation (including agroforestry) (# ha)
	Sustainable productive lands	Hectares of land under sustainable productive management
	Natural ecosystems	Hectares of land under conservation or restoration
		Hectares of seascape under conservation or restoration
Climate change mitigation	Emissions Reductions that led to the generation of tradable carbon units (teCO2)	
Global		Internationnally recognised certifications achieved
Social	Livelihoods and decent work	Number of people directly employed by the project
		People benefitting directly from livelihoods generated by the project (excluding direct employees)
	Inclusion	Community engagement events held (#)
		FTE equivalent (direct employment) supported by projects that are held by women
		Gender ratio for management roles (%)
		Number of women directly employed by the project
Women benefitting directly from livelihoods generated by the project (excluding direct employees)		

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