Mirova Euro Green and Sustainable Corporate Bond Fund

A sub-fund of the Luxembourg SICAV Mirova Funds

Sustainability-related website disclosure

Article 10 (SFDR)

June 2024

The purpose of this document is to provide transparency on the sustainability objective pursued by this product in accordance with Article 10 of the EU Sustainable Finance Disclosure Regulation (SFDR). Please refer to the prospectus of the product and to the KID before making any final investment decisions. Mirova Euro Green and Sustainable Corporate Bond Fund is a sub-fund of the Luxembourg SICAV Mirova Funds, approved by the Luxembourg Commission for the Supervision of the Financial Sector (the "CSSF"). Natixis Investment Managers International is the management company and has delegated investment management to Mirova.

An affiliate of: NATIXIS INVESTMENT MANAGERS

A. Summary

General Information on the sustainable investment approach

The sustainable investment objective of the product is to invest in bonds from corporate issuers whose :

- economics activities contribute, or are to increasingly contribute, positively through their products, services and/or practices to the achievement of one or more of the United Nations Sustainable Development Goals (the "SDGs"), and/or

- use of proceeds bonds finance projects with a positive environmental and/or social impacts (such as green, social, green and social bonds).

Green bonds are bonds that have an environmental impact insofar as they finance projects related to the environmental transition. Social bonds are use of proceeds bonds that raise funds for new and existing socially sound and sustainable projects that achieve greater social benefits. The qualification of a green or social bond is the result of an internal analysis methodology developed by Mirova including notably the criteria deriving from both Green Bonds Principles and Social Bonds Principles defined by the ICMA.

The product aims at investing in sustainable investments as defined under article 2(17) SFDR and achieves this by investing at least 90% of its net assets in sustainable investments, having a minimum of 35% with an environmental objective and a minimum of 10% with a social objective.

The product commits to invest a minimum of 5% of its net assets in sustainable investments with an environmental objective that are aligned to the EU Taxonomy.

All exposure to sustainable investments is via direct exposures. The product may hold up to 10% of cash or cash equivalents and derivatives for currency risk management purposes.

Mirova's proprietary sustainable impact assessment framework has been developed to assess the overall impact of assets on sustainability and to retain investments targets that contribute to the SDGs while having no significant negative impact on other SDGs. The assessment of good governance practices is integrated into Mirova's extra-financial and financial assessment and described in the section D. Investment Strategy.

The impact assessment framework aims at identifying assets that contribute positively to environmental and social themes defined by Mirova: i.e climate stability, biodiversity, circular economy, socio-economic development, health and wellness, and diversity and inclusion. The analysis systematically includes review of the relevant residual environmental and social risks originating from such investments and assesses the quality of the issuer's measures to mitigate these risks (the "DNSH test"). Such analysis considers notably the degree of exposure of the issuance and/or issuer to certain sectors or activities that may be considered to be damaging for the environment and/or the society and exposure to relevant environmental or social controversies.

As a result of this qualitative analysis, Mirova issues a binding opinion based on which issuers whose economic activities or practices are deemed to have a significant negative impact on the achievement of one or more of the UN SDGs are systematically excluded from the investment universe regardless of their otherwise positive contribution. For use-of proceeds bonds qualifying as green, social, sustainable bonds ("GSS bonds"), Mirova evaluates the issuer's general practices or environmental and social risk management throughout the life cycle of the financed projects, regardless of any environmental benefit resulting from the operation of the projects.

The product principally invests in bonds which are rated « Investment Grade » and at least 70% of its net assets are invested in euro-denominated debt securities, among which green, green & social as well as social bonds issued by corporate issuers. The product is actively managed with the aim of building a diversified portfolio of debt securities based on ESG criteria and fundamental analysis of credit quality and valuation. In addition, the product also implements a top-down and broader approach on fixed income markets depending on investment team's macroeconomic views.

Monitoring of sustainable investment objective

The sustainable investment objective of the product is continuously monitored by Mirova's Sustainability Research team to ensure that the portfolio holdings meet the sustainable investment criteria, and by Mirova's Risk Management team to monitor compliance with the minimum commitment and binding elements of the product.

Methodologies used to measure the attainment of the sustainable investment objective

Mirova's proprietary sustainable impact assessment framework has been developed to assess the overall impact of assets on sustainability and to retain investment targets that contribute to the UN SDGs while having no significant negative impact on other UN SDGs. The attainment of the sustainable investment objective of this product is measured by both qualitative and quantitative indicators such as but not limited to the following :

- the percentage of the product's assets aligned with sustainable investment objectives measured according to the sustainability opinion framework developed in-house demonstrating net positive impact of the portfolio towards achievement of the SDGs;
- the percentage of the product's assets contribution per SDG and/or per environmental and social themes (i.e. climate, biodiversity, social opportunities and human capital),
- the estimated impact of the product's investments on global average temperature.

Data sources and processing

Assessments are mainly based on internal review of public documents and on direct contact and discussions with companies. Mirova also relies on various sources of information (ESG rating agencies, sell-side financial analysts, news databases, etc.). In-house (primarily qualitative) analysis is conducted by members of Mirova's Sustainability Research team, who may use external providers as main data sources, in particular ISS ESG.

Limitations to methodologies and data

Mirova's sustainability analysis approach is based on a qualitative analysis of the environmental, social and governance practices of each issuer and seeks to capture their overall level of compatibility with the achievement of the UN SDGs. Methodologies and data are subject to limitations including dependency on the quality of data provided by issuer, the potential for the key issues identified for each sector not to be exhaustive and the difficulties associated with anticipating future controversies.

Due diligence

The Sustainability Research team gathers information on the issuer's business model, processes and practices and may engage in direct discussion with the issuer management in order to identify the most significant sustainability issues an issuer is facing, both from a positive angle (potential to generate positive impact) and a negative angle (risk of obstructing the achievement of the SDGs).

Engagement policies

Mirova's engagement strategy seeks to improve issuers' products and practices from an environmental, social, and governance point of view. As a result, one of the core functions of the Sustainability Research team is engagement, both on individual and collaborative levels. Mirova also engage with regulators or labels to share its vision of sustainable investment to improve standards and regulations across the financial sector and to foster sustainable investment.

B. No significant harm to the sustainable investment objective

How do the sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

The sustainable impact assessment aims to identify the relevant residual environmental and social risks originating from companies' activities and practices and assesses the quality of the issuer's measures to mitigate these risks (the "DNSH test"). Such analysis considers notably the degree of exposure of the issuance to certain sectors or activities that may be considered to be damaging for the environment and/or the society and exposure to relevant environmental or social controversies.

As a result of this qualitative analysis, Mirova issues a binding opinion based on which issuers whose economic activities or practices are deemed to have a significant negative impact on the achievement of one or more of the UN SDGs are systematically excluded from the investment universe regardless of their otherwise positive contribution.

For use-of proceeds bonds qualifying as GSS bonds, Mirova evaluates the issuer's general practices or environmental and social risk management throughout the life cycle of the financed projects, regardless of any environmental benefit resulting from the operation of the projects.

How the indicators for adverse impacts, are taken into account?

As part of the analysis of residual ESG risks conducted on each portfolio holding, Mirova systematically assesses and monitors indicators that are deemed to indicate the presence of principal adverse impact (including consideration of data relating to the mandatory PAI indicators referred to in the consolidated Regulatory Technical Standards for assessment of sustainable investment in accordance with art. 2 (17) SFDR). When the data necessary for the calculation of certain PAI indicators are not available or not relevant considering the fact that use of proceeds bonds only finance specific projects, Mirova may adjust the metrics to reflect the specificities of such instrument or use qualitative or quantitative proxies that cover themes similar to the PAI indicators in question.

Adverse impacts are prioritized according to the specificities of sectors and business models of companies considered for investment by using a combination of criteria based on:

- analysis of the issuer's, or project financed by the bond, exposure to environmental impacts based on science-based data from international organisations (e.g. energy intensity, impacts on biodiversity, etc),
- analysis of the issuer's, or project financed by the bond, exposure to labour rights and employee matters through its locations, business model and supply chain organization (e.g. exposure to health and safety risks, exposure to countries with specific human rights risks, etc),
- analysis of the issuer's, or project financed by the bond, footprint on local communities and consumers,
- screening of on-going or potential controversies.

Where Mirova deems the issuer's processes and practices are insufficient to mitigate environmental, social and governance risks, notably with regards to the relevant PAIs, the issuer's impact is deemed as negative which makes it ineligible for investment.

Alignement with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

For corporate issuers, Mirova screens issuers against adherence with OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights.

Mirova continuously reviews companies' track record and news flows to identify significant controversies. Companies' involvement and resolving measures are taken into account. Risks of potential breach may be monitored through engagement to obtain additional assurance. Companies determined by Mirova to be in serious breach of OECD Guidelines for Multinational Enterprises or UN Guiding Principles on Business and Human Rights are recognized as doing significant harm and are therefore rendered non-eligible.

For GSS bonds, if an alert concerning the non-respect of human rights is detected during the review of the issuance, the issuance will be automatically excluded from the investment universe. Issuer's exposure to controversies are also taken into account to ensure that there is no violation to the UN Global Compact, regardless of whether these are linked to the underlying green and/or social projects financed.

C. Sustainable investment objective of the financial product

What is the sustainable investment objective of the financial product?

The sustainable investment objective of the product is to invest in bonds from corporate issuers whose :

-economics activities contribute, or are to increasingly contribute, positively through their products, services and/or practices to the achievement of one or more of the United Nations Sustainable Development Goals (the "SDGs"), and/or

-use of proceeds bonds finance projects with a positive environmental and/or social impacts (such as green, social, green and social bonds).

Mirova's proprietary sustainability research framework has been developed to assess the overall impact of assets on sustainability and to retain investments targets that contribute to the SDGs while having no significant negative impact on any other SDGs. Under this framework, an asset is considered as a sustainable investment if it contributes to the achievement of one or more SDGs through its activities (i.e. products or services or projects financed) and/or its practices (i.e., the way it operates), and demonstrates a sufficient capacity to mitigate its environmental, social and governance risks throughout its value chain.

For each asset, the Sustainability Research Team produces a sustainability impact opinion based on the rating scale below, which assesses whether and to what extent the investment contributes to the achievement of the UN Sustainable Development Goals (SDGs) and can be considered as a "sustainable investment".

Figure 1: The 5 levels of the "Sustainability Impact Opinion"

Green bonds are bonds that have an environmental impact insofar as they finance projects related to the environmental transition. Social bonds are use of proceeds bonds that raise funds for new and existing socially sound and sustainable projects that achieve greater social benefits.

The qualification of a green or social bond is the result of an internal analysis methodology developed by Mirova including notably the criteria deriving from both Green Bonds Principles and Social Bonds Principles as defined by the ICMA:

- Use of the proceeds: the legal documentation when issuing the bond must specify that use of the products will enable the financing or refinancing of projects with environmental/ social benefits.
- Process for project evaluation and selection: the issuer should communicate the environmental / social sustainability objectives of the projects and the eligibility criteria.
- Management of proceeds: The net proceeds of the green / social bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, and attested to by the issuer in a formal internal process linked to the issuer's lending and investment operations for green / social projects.
- Reporting: The issuer must undertake to provide regular reporting on the use of the products in order for the bond to be considered green / social.

In addition to the above analysis, Mirova uses additional criteria to define eligibility of green / social bonds which include notably :

  - evaluation of the issuer's general practices or environmental and social risk management throughout the life cycle of the financed projects;
  - assessment of the environmental impact of the project aiming at identifying and investing only in project with significant positive environmental impact.

For non-use of proceeds bonds, when assessing positive contribution to environmental and social themes, Mirova evaluates the alignment of each issuer with the theme by considering primarily the product and services offered by the issuer and the associated revenues that support the achievement of the relevant SDGs. Typically, Mirova applies the following revenues thresholds to evaluate issuers' contribution to sustainable development issues:

  - issuers generating from 10 to 20% of their revenues from activities that provide solutions to sustainable development issues will usually be rated as having a "Low" impact towards achievement of SDGs,
  - issuers generating from 20 to 50% of their revenues from activities that provide solutions to sustainable development issues will usually be rated as having a "Moderate" impact towards achievement of SDGs,
  - issuers generating more than 50% of their revenues from activities that provide solutions to sustainable development issues will usually be rated as having a "High" impact towards achievement of SDGs.

If the revenue threshold is not the most relevant indicator to assess the contribution of issuers operating in a specific sector (such as financial services, media, telecommunications), Mirova may consider other relevant quantitative indicators, such as capital expenditure (CapEx) or research and development (R&D) expenses.

When assessing contribution from practices, which cannot be translated in revenues, Mirova uses a combination of quantitative and qualitative criteria to determine the contribution to the theme. Considering that the absolute impact of an issuer's operations may vary strongly by sector, an impact classification is assigned to each issuer and each of the themes. The impact classification for each issuer is determined based on a combination of criteria including the relevance of the theme to the sector and the size of the issuer (measured in terms of revenues for environmental issues and in terms of size of the workforce for social issues).

Furthermore, considering the importance of a stable climate, Mirova aims at building an investment portfolio which represents an economy in which the world is expected to warm by no more than 2 degrees Celsius, in line with the mitigation and temperature reduction objective of 2015 Paris agreement.

This product will make investments in bonds issued by corporates or in use of proceeds bonds which proceeds will be applied to finance economic activities that contribute to the environmental objectives set out in the Article 9 of the Regulation (EU) 2020/852 (the "Taxonomy Regulation"): (a) climate change mitigation and climate change adaptation, (b) sustainable use and protection of water and marine resources, (c) the transition to a circular economy, (d) pollution prevention and control, (e) the protection and restoration of biodiversity and ecosystems.

The alignment of the proceeds of the green bonds used to finance economic activities or the economic activities of the issuer with the above objectives is identified and measured to the extent that data is available to the Investment Manager and of an adequate quality. Depending on the investment opportunities available, the product may contribute to any of the above environmental objectives and may not at all times contribute to all of the objectives.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

D. Investment Strategy

What investment strategy does the financial product follow?

The product principally invests in bonds which are rated « Investment Grade » and at least 70% of its net assets are invested in euro-denominated debt securities, among which green, green social as well as social bonds issued by corporate issuers.

The product is actively managed with the aim of building a diversified portfolio of debt securities based on ESG criteria and fundamental analysis of credit quality and valuation.

In addition, the product also implements a top-down and broader approach on fixed income markets depending on investment team's macroeconomic views.

The sustainable investment strategy combines:

- a best-in-universe approach: selection of issuers based on their ESG quality regardless of their business sector within the broad fixed income market represented by the product's reference index i.e., Bloomberg Euro Aggregate Corporate Index, which is a broad market index.
- an exclusion approach: the product does not use exclusions as a central tenet of its sustainability approach. However, the product applies Mirova's minimum standards policy which sets out criteria for determining exclusions in case of companies exposed to controversial activities (such as fossil fuel, palm oil, tobacco, military equipment etc).

More information on the general investment policy of the product can be found in the Investment Policy section of the prospectus.

What is the policy to assess good governance practices of the investee companies?

For conventional bonds issued by corporate issuers, governance considerations are incorporated into Mirova's financial assessment and the sustainability opinion framework and include:

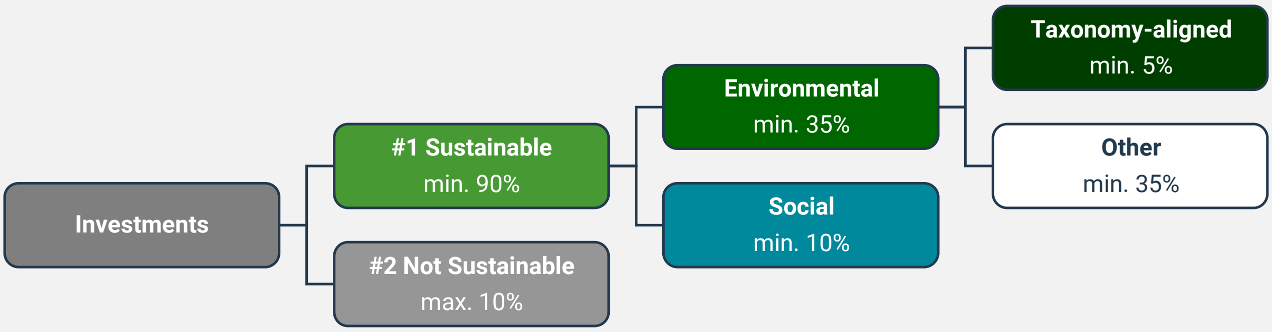
- the sound monitoring of environmental and social issues (such as employee relations) and the integration of sustainability in the scope of responsibility of the board and executive team;
- sound business ethics practices;

- the fair distribution of value between stakeholders (notably vis a vis remuneration of staff) and tax compliance;
- analysis of the quality of company management;
- alignment of the company's governance with a long-term vision;
- the balance of power between the executive body, the supervisory body and the shareholders of the issuer;
- the compensation package relevant to company management;
- an analysis of the quality and independence of the board, or of respect for the interests of minority shareholders.

For use-of proceeds bonds, the sustainability impact opinion includes assessment of how the issuer manages environmental, social and governance issues throughout the lifecycle of the projects financed.

E. Proportion of investments

What is the asset allocation planned for this financial product?



#1 Sustainable covers sustainable investments with environmental or social objectives.
#2 Not sustainable includes investments which do not qualify as sustainable investments.

The product aims at investing in sustainable investments as defined in article 2(17) SFDR, thus the percentage of sustainable investments is set at 90% of the net assets of the product. Assets qualifying as sustainable investment are counted as fully contributing to either an environmental or social objective (pass or fail approach).

In addition, the product may hold cash or cash equivalents (such as money market instruments, money market funds) and derivatives for currency risk management purposes for up to 10% of its net assets (#2 Not Sustainable). The product will invest a minimum of 35% in sustainable investments with environmental objective which are likely to include sustainable investments that are not aligned with the EU Taxonomy. Mirova has developed an internal taxonomy to identify projects or issuers that contribute positively through their products, services or practices to environmental themes. This internal taxonomy defines quantitative and qualitative criteria to assess contribution of an asset to the themes and includes a broader scope of themes and sectors than those currently identified by the EU Taxonomy.

The overall sustainability assessment performed on each investment includes a review of positive impacts on environmental objectives and aims at identifying issuers whose products, services and/or practices, or projects that contribute to:

-help develop low carbon energy, eco-efficiency, clean transportation, green building or align with an advanced decarbonation strategy; or

-support sustainable land use, land preservation, sustainable water management and circular business model or align with an advanced biodiversity preservation strategy

The product will invest a minimum of 10% in sustainable investments with a social objective. This is affected by performing an overall sustainability assessment conducted on each issuer or use of proceeds bond, which includes a review of positive impacts on social objectives and aims at identifying issuers whose products, services and/or practices, or projects that contribute to :

-help foster access to basic and sustainable services, local impact, promote advanced working conditions, promote diversity and inclusion through dedicated products and services or through advanced practices targeting the workforce; or

-support the development of healthcare, healthy nutrition, knowledge, education or safety

The product commits to invest a minimum of 5% of its net assets in sustainable investments with an environmental objective that are aligned to the EU Taxonomy.

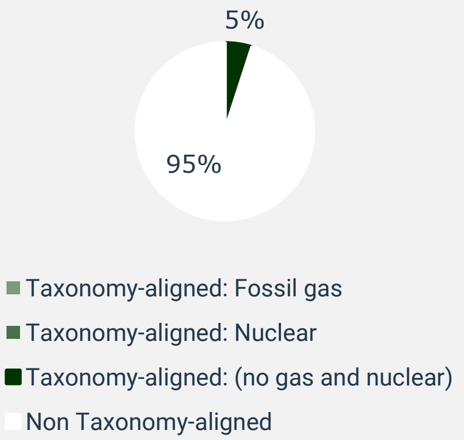
The alignment with the EU Taxonomy of the economic activities is based on revenues or use of proceeds directly reported by the issuers or equivalent data collected or estimated by third party data provider based on publicly available information.

The minimum taxonomy-aligned investments are not subject to an assurance by an auditor or review by a third-party.

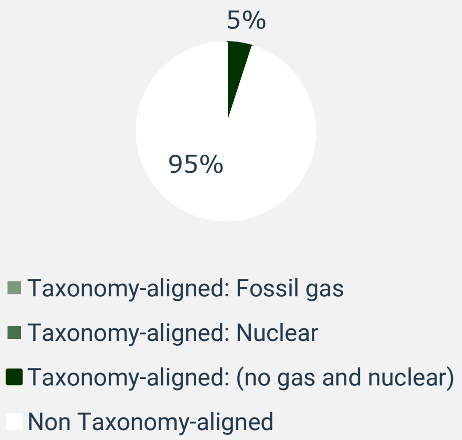
The product does not commit to investments in transitional and enabling activities within the meaning of the Taxonomy Regulation. The minimum share is therefore set at 0%.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1.Taxonomy-alignment of investments **including sovereign bonds***



2.Taxonomy-alignment of investments **excluding sovereign bonds***



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

The right graph (2) represents 100% of the total investments. The product has not defined a maximum investment in sovereign bonds. Thus, the proportion of total investment indicated here is purely indicative and may vary.

F. Monitoring of sustainable investment objective

How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?

In line with the product's sustainable investment objective, Mirova impact metrics aim at measuring, monitoring and reporting the contribution of the product to the achievement of the UN Sustainable Development Goals (SDGs). Such metrics include, but are not limited to, the assessment of the contribution to the achievements of the UN SDGs, evaluation of the alignment of the product with the Paris Agreement.

In parallel, the sustainable investment objective and the bindings elements of the product are continuously monitored by Mirova at two levels:

- **At the level of Mirova's Sustainability Research team**: the analysts responsible for evaluating an issuer monitor news flows and alerts concerning the activities and practices of each issuer to ensure that the issuer meets the sustainable investment criteria.

- **At the level of Mirova's Risk Management team:** the team monitors not only the regulatory and financial constraints of the product, but also the compliance with the binding elements of the product.

G. Methodologies

What are the methodologies used to measure the attainment of the sustainable investment objective and how the sustainability indicators to measure the attainment of that sustainable investment objective are used?

Mirova's proprietary sustainable impact assessment framework has been developed to assess the overall impact of assets on sustainability and to retain investment that contribute to the UN SDGs while having no significant negative impact on other UN SDGs.

The attainment of the sustainable investment objective is measured by both qualitative and quantitative indicators such as but not limited to the following:

- the percentage of the product's assets aligned with sustainable investment objectives measured according to the sustainability opinion framework developed in-house demonstrating net positive impact of the portfolio towards achievement of the SDGs;
- the percentage of the product's assets contribution per SDGs and/or per environmental and social themes (i.e. climate, biodiversity, social opportunities and human capital);
- the estimated impact of the product on global average temperature increase taking into account carbon footprint of each issuer or use of proceeds bond throughout its full lifecycle (i.e. emissions scope 1, 2 and 3) and focuses on two main indicators:
    - «induced» emissions arising from the « lifecycle » of an issuer's activities or project financed by the bond, taking into account both direct emissions and those of suppliers and products.
    - «avoided» emissions due to improvements in energy efficiency or «green » solutions.

With regards to Green, Social and Sustainable (GSS) bonds assessment, Mirova's follows a three pillars approach:

- Mirova privileges transactions maximizing environmental and social impact. Mirova examines the substantial and positive contribution beyond key market references such as the EU Taxonomy.
- Mirova ensures that the project evaluation and selection is integrated within the issuer sustainability strategy. Mirova assess how the projects in the use of proceeds are coherent with the issuer's sustainable development strategy.

- Mirova evaluates issuers capacity to mitigate ESG risks throughout the lifecycle of the financed projects.

Based on the three pillars that drive our approach, our sustainability impact assessment opinion is evaluated at two levels :

- **The sustainability opportunities exposure**, which evaluates the compatibility of the underlying projects of the bond with sustainable development themes. The level of exposure is calculated in terms of the environmental and/or social benefits presented by an activity in comparison to a business-as-usual scenario. Furthermore, the issuer's overall business and growth strategy is also verified to ensure that it is coherent with the intended objectives of the underlying green and/or social projects.
- **The sustainability risks review**, which evaluates how the issuer manages environmental, social and governance issues throughout the lifecycle of the projects financed as well as within its own operation and supply chain. Additionally, the issuer's controversies are verified to ensure that there is no violation to the UN Global Compact, regardless of whether these are linked to the underlying green and/or social projects.

The green and/or social bond framework of any issuer that has an overall sustainability opinion of "negative impact" or "negligible impact" will not be considered as a green and/or social bond.

H. Data sources and processing

What are the data sources used to attain the sustainable investment objective including the measures taken to ensure data quality, how data is processed and what is the proportion of estimated data?

To carry out its assessments, Mirova relies on its in-house Sustainability Research team. Assessments are mainly based on internal review of public documents published by issuers and on direct contact and discussions with investee companies. Mirova also relies on various sources of information (ESG rating agencies, sell-side financial analysts, news databases, etc.). In-house (primarily qualitative) analysis is conducted by members of Mirova's Sustainability Research team, who may use external providers as main data sources, in particular ISS ESG.

With regards to Green, Social and Sustainable (GSS) bonds, Mirova's Sustainability Research team analyses all sustainability bonds internally. Sustainability assessments are conducted based on the following sources of information:

- Publicly available data: corporate annual / sustainable development reports. GSS transaction level data, like Green and/or Social Bond Framework, Second Opinion on the framework and Green and/or Social Impact report.
- Regular exchanges with different stakeholders: companies, Banks, trade unions, NGOs, and scientific community.

For carbon impact assessment, Mirova has partnered with Carbone 4 (and its subsidiary Carbon4 Finance) to develop methodologies capable of providing climate measurements in line with the challenges of a low-carbon economy. The databases and models developed through this partnership are the main solutions used for climate integration within the product.

To ensure data robustness, Mirova's Data and Sustainability Research teams work closely together to assess the data quality and consistency before its implementation into Mirova's systems. In addition, Mirova performs systematic controls and specific analysis on data provided by external providers who are subject to an annual quality review. To that extent, Mirova's ESG analysts are in ongoing contact with the data providers to challenge their views.

Mirova sources data from multiple external data providers, who may use estimation as part of their methodologies. Due to the variety of quantitative and qualitative metrics, Mirova is currently not able to calculate and provide the proportion of estimated data.

I. Limitations to methodologies and data

What are the limitations to the methodologies and data sources?

Mirova' sustainability impact assessment framework approach is based on a qualitative analysis of the environmental, social and governance practices of each issuer and seeks to capture their overall level of compatibility with the achievement of the UN SDGs. Several limitations related to the methodology used, as well as more broadly to the quality of the information available on these subjects, can be identified.

The analysis is largely based on qualitative and quantitative data provided by the issuers themselves and is therefore dependent on the quality of this information. Although constantly improving, ESG reporting by issuers is still very heterogeneous.

To make the analysis as relevant as possible, Mirova concentrates on those sustainability issues most likely to have a concrete impact on the reviewed assets and on the issuer. These key issues are defined by sector and are regularly reviewed. They are, however, not exhaustive.

By using ESG criteria in the investment policy, the objective of the product is in particular to better manage sustainability risk and generate sustainable and long-term returns. ESG criteria can be generated using proprietary models, models and third-party data or a combination of both. Evaluation criteria may change over time or vary depending on the industry or sector in which the issuer is operating. Applying ESG criteria to the investment process may lead Mirova to invest 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. As a result, there is a risk that Mirova may incorrectly evaluate a security or issuer, resulting in the improper direct or indirect inclusion or exclusion of a security in a product's portfolio.

Although the analysis methodology aims to incorporate forward-looking elements to ascertain the environmental and social quality of the selected companies, anticipating the occurrence of controversies remains a difficult exercise and may result in a retroactive revision of Mirova's opinion of the ESG quality of an asset.

Lastly, with regards to Green, Social and Sustainable (GSS) bonds we may face specific limitation due to the nature of such instruments:

- **The lack of information provided by the issuer**: One of the key challenges of assessing a GSS Bond primary market transaction lies on the fact that some issuers tend not to specifically disclose the project allocations. To tackle those cases, Mirova's Sustainability Research team engage directly with the issuer to gain access to the missing data.
- **The data quality disclosed in impact reports:** GSS bonds market lack of a standardized and commonly accepted methodology to capture and communicate impact. Mirova's Sustainability Research team implements a post – issuance engagement strategy in order to obtain reliable impact metrics and to challenge issuers about their impact reporting methodology.

J. Due Diligence

What due diligence is carried out on the underlying assets of the financial product?

Mirova carries out due diligence processes on each selected asset which aims at identifying and assessing that each asset contributes to the achievement of one or more SDGs while having no significant negative impact on other UN SDGs.

To begin with, the Sustainability Research team gathers information on the issuer's business model, the project financed by the green bond and may engage in direct discussion with the issuer representatives in order to identify the most significant sustainability issues a project is facing, both from a positive angle (potential to generate positive impact) and a negative angle (risk of obstructing the achievement of the SDGs).

For use-of proceeds bonds qualifying as green, social, sustainable bonds, Mirova evaluates the issuer's general practices or environmental and social risk management throughout the life cycle of the financed projects, regardless of any environmental benefit resulting from the operation of the projects. Analysis of sustainability risk involves assessment of the company's ability to address material risks with robust operational processes and transparency on the measures implemented to mitigate the sustainability risks.

Based on this due diligence, Mirova's Sustainability Research team submits a sustainability opinion into a proprietary tool centralizing the financial and non-financial analyses produced by Mirova's Sustainability Research and Investment teams, as well as any news about the issuer, and details of issuer meetings, voting and engagement. To ensure that the sustainability methodology is applied consistently across the Sustainability Research Team, all sustainability impact assessments are reviewed by a second analyst according to the four eyes principles and validated by the Head of Research prior to implementation.

K. Engagement policies

Is engagement part of the sustainable investment objective ?

☒ Yes ☐ No

If so, what are the engagement policies? (Including any management procedures applicable to sustainability-related controversies in investee companies)

Engagement activity forms an integral part of Mirova's sustainable investment approach.

Mirova's engagement strategy seeks to improve companies' products and practices from an environmental, social, and governance point of view. As a result, one of the core functions of the Sustainability Research team is engagement, both on individual and collaborative levels:

- **Individual engagement:** Mirova's Sustainability Research team interacts in direct discussions with the companies to encourage improvement in their sustainability practices. Mirova encourages companies to consider the following themes:
  - Concrete actions on the most pressing sustainable development issues: mitigating climate change, preserving biodiversity, protecting human rights and reducing inequalities (shared value creation, diversity);
  - Integration of sustainability at the core of companies' governance and enhanced transparency on sustainability impacts.
- **Collaborative engagement:** Mirova joins with other investors and representatives of civil society to identify controversial practices, encourage greater transparency and demand, where necessary, that companies change their practices.

Mirova also engage with regulators to share its vision of sustainable investment to improve standards and regulations across the financial sector and to foster sustainable investment. Mirova is committed to promoting regulations, including legislative changes, standards or labels, and practices that support sustainable investment and create long-term value.

With regards to Green, Social and Sustainable (GSS) Bonds, Mirova has put in place an engagement strategy at three levels :

- **Pre-issuance engagement:**
  Mirova's Sustainability Research and Investment teams can be contacted by potential issuers of green bonds seeking feedback for their frameworks. Mirova takes this as an opportunity to encourage issuers to invest in projects that can maximize environmental benefits. In addition, Mirova is also frequently called upon by banks' origination teams, to share views on the terms and criteria for the structuring of green bonds, this is a key part of Mirova's engagement policy, helping to shape the GSS market.

- **Primary market engagement:**
  Mirova's ESG and/or financial analysts initiate a dialogue with the issuers during primary market transactions.
  The objective of this engagement is to gain a better understanding of the positive impact associated with the issuance, to measure risk exposure, and importantly, to analyse the mitigation mechanisms developed by the projects due to be financed.

  Mirova's Sustainability Research team pay particular attention to the selection criteria applied to green instruments according to their sector: their potential alignment or breach of the EU Taxonomy, the methodologies used to assess environmental and social benefits that are disclosed on an annual basis, and the contribution and consistency of the projects being funded with the issuer's overall strategy.

- **Post issuance engagement:**
  If an issuance is associated with a controversy, Mirova's Sustainability Research team will initiate an engagement dialogue with the issuer in order to understand both the scale and the impact of the event. Mirova's ESG analysts can assess the corrective measures that have been implemented by the issuers. If Mirova's expectations as responsible investors are not met, the transaction can be downgraded, which will lead to divestments from our bond portfolios.

  In addition, every year, Mirova's Sustainability Research team conducts a review of the impact reports on issuers that tapped the primary market eighteen months beforehand. If Mirova's ESG analysts uncover issues relating to the methodology used for reporting environmental benefits and/or controversies around the projects being funded, the Sustainability Research team will be asked to launch an engagement initiative. If the issuer fails to meet expectations, the transaction can be downgraded, which will lead to divestments from our bond portfolios.

Further information in relation to engagement priorities and engagement policy carried out by Mirova can be found on the website at https://www.mirova.com/en/research/voting-and-engagement

L. Attainment of the sustainable investment objective

N/A as no reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

mirova
Investing in sustainability

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