About the F3 Project & partnership with Natixis Investment Management

• The F3 Project is a program specifically designed to help young women understand the financial services industry, the different careers open to them and what it means to work in financial services.

• Our aim is to use education and work experience to foster an interest in finance and encourage women to pursue a career in financial services.

• Gender diversity is a strategic imperative at Natixis Investment Managers.

• The partnership between Natixis and F3 offers six university-aged female students the opportunity to work on a meaningful and challenging project at Natixis.

About Natixis & ESG investing

• Natixis Investment Managers has a strong focus on ESG outcomes across all of its affiliated managers – including through Mirova Investment Management.

• Mirova is a dedicated Socially Responsible Manager, which offers investment solutions that aim to reconcile financial performance with positive environmental and social impact.

• Mirova’s Global Equity strategy invests in global equities with the dual objective of financial performance with a positive environmental and social impact.

About this challenge

The students’ challenge was to assess Mirova’s Global Equity strategy and determine how it might benefit their generation: Gen Z. The challenge was designed to educate the group about superannuation – and in particular how it is marketed to their generation.

This is their report. It is written in their words and through the eyes of their peer group.

With special thanks to:

Sheela Veerapan, Relationship Manager Australasia, UNPRI
Barbara Whyte, Head of Client Services, Natixis Investment Managers, F3 Group Mentor
Camilla Love, Founder, F3
Jens Peers, Chief Investment Officer, Sustainable Equities, Mirova
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Gen Z: Decoding Digital Natives

Introduction: A generation of activists

Generation Z (born 1995 to 2010s) is considered to be the generation that cares most about the environmental and social issues of today. Our presence floods the media. Social activists such as Malala Yousafzai and Greta Thunberg are the voices of our generation – and they speak clearly to the world about our desire for long-term social harmony.

According to Gen Z insights, not only do we care, we are willing to put our money where our mouths are. We are the generation most likely to take action. 93% of Gen Zs believe they are empowered to shape the future. Young people all around the world are going on strike, standing up to speak at events and taking to social media to advocate for our future on a range of issues, including the environment, racial and gender equality and poverty.

Gen Z are deeply socially conscious – 70% are concerned about racial equality, 68% about the environment, 64% about gender equality, 62% about poverty and over 50% care about same-sex-marriage equality.1

Furthermore, and unlike any generation before us, Gen Zs use consumption decisions as a form of self-expression. We are more likely to wear brands that our friends wear, and purchase from companies that have similar values to us.

Research done by McKinsey & Company found that 70% of A-class and 58% of C-class consumers are willing to pay a premium to buy from brands that embrace the same causes as we do.3

These findings are interesting not only because of what they tell us about Gen Z, but because they have serious implications for investment managers and superannuation fund trustees looking to engage with young Australians – the investors of the future.

Overwhelmingly, the young people who make up Gen Z are seeking to act in accordance with their values – in their investment decisions, as in their lives. Investment managers who understand this, and the implication it has for stock selection and investment decisions, generally will be those more likely to attract a greater share of the Gen Z population.

Gen Z are looking for investment options which are relevant to them.

How do Australian Gen Z investors differ from their global counterparts?

Australian Gen Z individuals are different from their global counterparts in ways which range from values to ambitions. For example, despite the fact that property prices have increased to the point that affordability is a real issue, most Australian Gen Z remain adamant that property ownership is the surest form of financial security.4 and a good investment strategy, and it is this mindset which makes most of us want to purchase a home.

“Superannuation funds are now faced with the incredible challenge of engaging Gen Z with their superannuation during a time where Australian youths are less financially literate.”

However, the fact that we have grown up seeing the brilliant success of the housing market against a backdrop of low interest rates may have had the unintended consequence of blinding many of us to the potential benefits of other asset classes, such as equities, to offer strong investment returns over the long term. We have also been ignorant of the power of equities to effect change, in a way which property ownership never could.

Most Gen Z Australians would agree that the importance of equities as an asset class was not properly explained at school, leaving us with a gap in our knowledge about anything other than property. High school business and commerce subjects focused almost exclusively on examples of purchasing properties or assets, rather than on other investment classes, like equities or fixed interest. This also proves that we have a financial literacy gap compared to our global counterparts.

The challenge for superannuation funds

Superannuation funds are now faced with the difficult challenge of finding ways of encouraging Gen Z to engage with their superannuation savings, at a time when young Australians are less financially literate than ever before. A quick look at some basic statistics would suggest that Australian students are leaving high school less familiar with financial and economic concepts than in the past. For example, the percentage of students studying Economics to HSC level has dropped from 40% in the early 1990s to around 10% today. Today only 40% of Australian high schools even offer economics, which represents a significant decline from the 90% of high schools which offered the subject in the 1990s.5

It’s as if a financial literacy crisis is sweeping the nation at the same time as it has never been more important that we understand and engage with our superannuation savings. According to ASIC’s Financial Capability website, only 35% of Australians know their exact superannuation value and only 40% understand the concept of diversification.6

Are we really a generation of Australians who don’t understand our own finances? A recent personal experience indicates that perhaps we are. When a friend recently heard that I was doing work experience in financial services, specifically superannuation, he approached me with his superannuation statement because he did not understand how his fees were being calculated and why he was being charged so much. He is an engineering student and I study commerce. Logically, I should be able to help him. However, these are skills we have not been taught. I had to go to my own parents who work in the industry to ask for advice so I could help him.

Unfortunately, the problem Gen Z faces is twofold: Not only do we not understand our own finances, but many of us consider it too difficult to teach ourselves about finance, unless we have a specific problem to fix.

1 https://www.genzinsights.com/hundreds-of-useful-gen-z-stats-right-at-your-fingertips
2 A-class consumers have household incomes above $6,631; B-class from $1,540 to $6,631; and C-class from $516 to $1,540.
6 https://financialcapability.gov.au
It’s not all bad news though, if it is possible to demonstrate to Gen Z how superannuation funds can be invested in ways which help fix the issues we care about, such as climate change; then there’s no question we will be far more likely to engage with and care about our super.

And while it may be true that the financial literacy crisis makes engaging Gen Z a challenge, there are ways for superannuation funds to capture the interest of the younger generation.

“Generation Z (born 1995 to 2010s) is considered to be the generation that cares the most about the environmental and social issues of today.”

Can Gen Z and super funds really speak the same language?

Super funds need to engage Gen Z in a dialogue about the issues we care about. We may be highly driven to make a change in the world, but at the same time we believe that our input into government and political issues would not make much of a difference. In this regard, it seems that Australian Gen Z are even more pessimistic about the future than our global counterparts. Recent research by Deloitte revealed that only 20% of Australian Gen Zs think there will be an improvement in the economic situation of the nation, whereas 26% of Gen Z globally think the economy of their nations will improve.7

One way of addressing Gen Z’s pessimistic outlook and lack of engagement is for superannuation funds to educate Gen Z, so that they understand that money invested through their superannuation accounts can have an impact on the business operations and practices of large multinational corporations — and that this can in turn provide the catalyst for change on the issues Gen Z cares deeply about: sustainability, fair trade, poverty and equality.

Socially Responsible Investing: key to a solution

If superannuation funds want to engage Gen Z, they need first to embrace socially responsible investing (SRI) and then to effectively communicate the fact that socially responsible investing can allow us to simultaneously save for retirement, while at the same time having a positive impact on the ESG issues we care about.

“Super funds need to engage us in a dialogue about the issues we care about. We may be itching to make a change in the world, but we currently believe that our input into government and political issues would not make much of a difference in society.”

Socially responsible investing (SRI) has been defined as “the integration of social or ethical criteria into the investment decision-making process,”8 and has gained great popularity in recent years.

As at 31 December 2017, responsible investment in Australia constituted $866 billion in assets under management (AUM), up 39% over the year and for around 55.5% of total assets professionally managed in Australia,9 and better still, growth is estimated to remain healthy into the future.10

Socially responsible investing is the key to encouraging young people to care about and engage with their super, because it empowers us to invest in line with our values, and can help contribute to financing a more sustainable society.

If Gen Z can be shown that socially responsible investing can be used as a powerful tool to drive change, to pressure companies to stop improper commercial practices which destroy our planet, or as a means of supporting companies or projects which will be a force for positive change in the world, they will be far more likely to invest.

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8 https://www.ncbi.nlm.nih.gov/pubmed/10137947
9 Responsible Investment Association Australasia: Responsible Investment Benchmark Report 2018 Australia
An opportunity for Gen Z to invest in line with their values: Mirova

Mirova is a leading global investment company dedicated to providing Responsible Investment (RI) solutions for their clients. Mirova focuses on investing in companies that participate in sustainable development and demonstrate adherence and commitment to sound environmental, social and governance (ESG) practices. With headquarters in both the US and Europe, Mirova has a large international presence and as of 30 June 2019, manages AUM of USD 14 billion.11

Mirova is unique in that its investment philosophy is to simultaneously achieve strong financial performance and positive environmental and social impact. Many investors, particularly Gen Z investors, believe that it is not possible to simultaneously achieve healthy investment returns while investing in line with their values – but Mirova’s performance is proving that it is possible to have both. Mirova has posted strong historical returns which show that rigorous research and robust internal investment decision processes can create long-term value while abiding by ESG principles.

Is socially responsible investing consistent with financial returns?

As ESG issues become more front of mind, and stakeholders require more disclosure about sustainability issues, there is no doubt that in the long term, investing in companies with higher ESG can bring financial returns as well, such as:

- **Cash flow:** Researchers suggest that companies with high ESG ratings may be more competitive and can generate abnormal returns, which leads to higher profitability and dividend payments.

- **Lower idiosyncratic risk:** High ESG-rated companies may be better at managing company specific and operational risks, resulting in a lower probability of suffering incidents that can impact their share price.

- **Higher valuation in a discounted cash flow analysis framework:** These companies generally have lower exposure to systemic risk factors, and as a result, their expected cost of capital is lower, which results in higher valuations.12

Apart from financial performance returns, an investment strategy which is aligned to investors’ focus will encourage companies to anticipate and detect new trends in ESG, to elevate sustainability and secure resources, enroll internal experts, develop knowledge of ESG issues and management impressions, and rebalance misrepresentations.13

Mirova's investment process

Mirova’s investment process is made up of four main pillars: themes, companies, stocks and portfolio.

**Themes:** Mirova takes a 100% thematic approach – which means it seeks to identify companies that offer viable commercial solutions to the major demographic, environmental, technological and governance challenges the world is already facing, and will continue to face in the future.

Some of these challenges can be seen in the image on the next page – an anticipated 40% year-on-year growth in data, and the need to reduce carbon emissions by 50% if we are to limit global temperature rises to 2 degrees. This long-term focus allows Mirova to select forward-looking companies that have positioned themselves to thrive in the world of tomorrow.

**Companies:** Mirova conducts thorough fundamental research on each company in their investable universe, including but not limited to a rigorous analysis of their financials, strategic positioning, governance and ESG integration. By gaining a holistic understanding of the business, Mirova believes in investing in the company, not just in their stock.

Hypothetical Growth of $100 US – Cumulative Return Since Inception 31/8/13

Mirova Global Sustainable Equity Fund

Mirova’s Global Sustainable Equity (GSE) Fund invests in approximately 50 stocks across a range of sectors including technology, pharmaceuticals, energy and insurance. Its aim is to outperform a broad global equity index over a full market cycle.

Over the past 4 years, the fund has outperformed the benchmark, the MSCI World Net Dividend Reinvested in USD (see graph below).

Mirova's performance since inception:

- Cumulative gross performance since inception: $173.51
- Cumulative net performance since inception: $164.64
- Cumulative index performance since inception: $151.93

12 Mirova, Looking for the Best of Both Worlds
13 PRI, How ESG Engagement Creates Value for Investors and Companies

“Gen Z grew up with the internet in an age where almost all communication is online. They expect brands to have a digital presence and companies are spending millions of dollars every year on digital marketing.”

“Gen Z grew up with the internet in an age where almost all communication is online. They expect brands to have a digital presence and companies are spending millions of dollars every year on digital marketing.”

Apr 21, 2023
To ensure they are investing in line with their ESG principles, Mirova only choose companies which demonstrate responsible practices with respect to ESG issues such as anti-corruption, human rights, fair business practices and mitigation of environmental impact. They have a ‘0% unsustainable’ portfolio, which means the exclusion of businesses whose products and activities are detrimental to the achievement of the United Nations Sustainable Development Goals (SDGs).

Mirova use their Sustainability Opinion Scale as part of their environmental and social assessment of a company (shown below). Only assets with a rating of ‘Neutral’ and above are eligible for investment. For example, in the energy sector, coal and oil extraction companies are rated ‘Risk’ (non-eligible for investment), while renewable energy companies generally have positive ratings of ‘Neutral’ or above.

Strengths of the Mirova GSE Fund

Advanced carbon footprint assessment

In addition to the standard risk-return analysis conducted by all fund managers, Mirova also analyzes the ESG impact profile of their portfolio by calculating a portfolio carbon footprint developed in conjunction with Carbone. This framework provides Mirova with two pieces of emissions data for each stock in their investable universe:

- **Induced CO₂ emissions**, from the lifecycle of a company’s activities (scopes 1, 2, and 3)
- **Avoided CO₂ emissions**, due to green solutions or energy efficiency

A company’s carbon emissions are typically divided into three scopes: scopes 1, 2, and 3. Most carbon-based assessment methods in the industry only take direct emissions into account through scopes 1 and 2: the company’s direct emissions and the result of the company’s energy use, respectively. Indirect scope 3 emissions arise from the use of a company’s goods or services, transportation, distribution, its supply chain, and more. Scope 3 emissions can be far more consequential than scopes 1 and 2 in certain sectors (oil and gas, for example).

As a result, Mirova believes it is critical to take all three scopes into account when assessing a company’s climate impacts. This puts Mirova at the forefront of ESG investing, because their internal metrics provide them with richer information and insights, which allow them to evaluate a company’s environmental impact more accurately.

(Source: Mirova, as of 30 June 2019)
Pushing for gender equality

Another key perspective Mirova takes into account is the empowerment of women. There is increasing evidence that facilitating women’s access to higher-level management positions can have positive effects in many areas including innovation, sales, reputation, ethics, returns, and share price. Mirova also believes that looking at the number of women in top-level executive positions is an effective way to measure a company’s commitment to increasing gender diversity.16

Mirova’s preference is for companies with more than 30% women in the high-level management team. The portfolio’s overall exposure to gender equality is 2% above the index as shown in the picture below:

![Gender Equality: Women in executive committees](image)

Engagement with companies

Mirova engages with companies that are both included and not included in their GSE fund, with the aim of influencing change on sustainability, equity and governance issues. They do this in three main ways:

- **Directly** – Mirova talks to the company’s management team either directly in person or through written correspondence. Additionally, they also wield their voice as a shareholder and use their voting rights to influence companies to improve on ESG issues, for example, to reduce the size of their carbon footprint in the way they source and distribute products.

- **Collectively** – Mirova works with other fund managers and activist groups to agitate for change on a range of environmental and social issues. In the past they have successfully pressured large fashion retailers, such as Zara, H&M and Adidas, to address the unsafe working conditions in textile factories in Bangladesh.

- **Industrywide** – Mirova engages with regulators about introducing standards and rules surrounding socially responsible investing in order to build a more level playing field and improve social and environmental outcomes.

The benefits of active investing

Mirova is an active investor – the investment team handpicks quality stocks and keeps the number of stocks in the fund small, so that they can engage with each company in their portfolio and work with them to improve their ESG position.

Mirova aims to exploit market inefficiencies created by the market’s underestimation of the financial implications of global changes across their four themes of focus – demographic, environmental, technological and governance.

A resilient and ethical portfolio

The result is a portfolio that is not only resilient to, but positively exposed to long-term global demographic, technological, environmental and governance trends. Mirova also has a ‘maximum impact’ rule which means that all else equal, the team chooses the company with higher positive impact on the SDGs.

Proof of the success of Mirova’s strategy is clear from a comparison of the Sustainability Opinion Scale (a measure of sustainable innovation) score of the ESG impact of Mirova’s GSE Fund with the MSCI World index. The GSE Fund clearly has a large advantage over the index – it has 2.4 times the holdings in the ‘Committed’ category and 2.5 times the holdings in the ‘Positive’ category.

### ESG opinion breakdown (%)

<table>
<thead>
<tr>
<th></th>
<th>Fund</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Positive</td>
<td>64</td>
<td>25</td>
</tr>
<tr>
<td>Neutral</td>
<td>21</td>
<td>39</td>
</tr>
<tr>
<td>Risk</td>
<td>0</td>
<td>23</td>
</tr>
<tr>
<td>Negative</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Not Followed</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

(Source: Mirova, as of 30 June 2019)
In addition, Mirova's investment strategy aligns closely with the Paris Agreement, which aims to limit temperature rises to 1.5°C – a more ambitious target than the 2°C set by international consensus around global warming.

In the figure below the carbon footprint of Mirova's strategy compared to the MSCI World index is shown, measured using Carbone4's methodology. The significant difference of 2.3°C demonstrates Mirova's dedication to be a world leader in sustainable investment and proves that the Paris Agreement is a reasonable and achievable benchmark.

### Carbon footprint

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>1.5°C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Induced emissions (tCO2 / millions € company value)</td>
<td>45.4%</td>
</tr>
<tr>
<td>Avoided emissions (tCO2 / millions € company value)</td>
<td>21.9%</td>
</tr>
<tr>
<td>Coverage (% holding)</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Index</th>
<th>3.8°C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Induced emissions (tCO2 / millions € company value)</td>
<td>126.2%</td>
</tr>
<tr>
<td>Avoided emissions (tCO2 / millions € company value)</td>
<td>12.6%</td>
</tr>
<tr>
<td>Coverage (% holding)</td>
<td>97%</td>
</tr>
</tbody>
</table>

(Source: Mirova, as of 30 June 2019)

**Weaknesses of the Mirova GSE Fund**

The major weakness of the Mirova GSE Fund is the lack of general awareness of either the Fund itself or the underlying companies in its portfolio.

Brand awareness describes the value of the business, as established by the experience of the user, and general perceptions of the company. Positive experiences and awareness lead to a positive brand image, and the same is true of negative perceptions.

Brand awareness is important because it leads to loyalty and possible increased investment – because it is only as the customer becomes conscious of the company, begins to recognize it without help, is interested in investing in it, and continues to choose it over other related companies that this loyalty is created.

**Opportunities for the Mirova GSE Fund**

The GSE is well positioned to benefit from growth in investment flows – particularly among young Gen Z investors interested in sustainable investing and ESG factors generally.

According to AIESEC’s 2016 Youth Speak Living in Australia Report, only 29% of young Australians are conscious of the Sustainable Development Goals (SDGs). And if we consider that the demographic surveyed in this study is young people already active and engaged in sustainability initiatives, this figure is remarkably low.

"Many investors, especially Gen Z investors, hold the view that a healthy investment return and investing in line with personal values are mutually inconsistent aims – but Mirova’s performance is proving that it is indeed possible to have both."

Young people want to take an influential position and recognize their potential to influence the issues around them – so any initiative that the Mirova GSE Fund could take to increase awareness and knowledge of the sustainable actions they are taking through their investments would increase investment in the fund.

One opportunity could be a private sector partnership with schools to further facilitate and help increase this awareness. Young Australians, in general, worry most about education, poverty, good health and environment intervention. These would be areas in which young people need incentives and assistance to start taking action. Furthermore, the Fund has the opportunity to take advantage of new technologies and to develop new engagement methods with the younger generation through social media and apps.

"Gen Z grew up with the internet in an age where almost all communication is online. They expect brands to have a digital presence and companies are spending millions of dollars every year on digital marketing."

17 https://issuu.com/aiesecaustralia/docs/youthspeak_insights_report__4th_feb
A Closeup on Climate Change

There is no question that humanity is having a seriously adverse effect on the environment. 81% of young people believe the globe is warming, and 65% believe this is primarily caused by humans. These statistics are 10% higher than the results of the general population.18 Gen Z cares more than our older counterparts, because we have grown up personally feeling the impacts of climate change, and are scared there will not be a sustainable future for us. 2018 was the fourth warmest year on record and Greenland’s ice is melting six times faster than in the 1980s. Scientists across the globe have reinforced that major, emergency-provoking changes in climate will occur in as little as 20 years if global warming is not curbed as per the Paris Agreement.

“Currently super funds do not disclose the environmental and social impacts of their investments online in a way that is accessible to us, and it is up to us as individuals to seek out this information.”

Stock Story: Novo Nordisk

Novo Nordisk is the 9th largest equity holding in Mirova’s GSE fund, making up 3.5% of the whole portfolio. (See the total top 10 equity holdings below).

According to Gen Z insights, not only do we care, we are willing to put our money where our mouths are. We are the generation most likely to take action. 93% of Gen Zs believe they are empowered to shape the future. Young people all around the world are going on strike, standing up to speak at events and taking to social media to advocate for our future on a range of issues, including the environment, racial and gender equality and poverty.

<table>
<thead>
<tr>
<th>Company</th>
<th>Weight</th>
</tr>
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<tbody>
<tr>
<td>Microsoft Corp.</td>
<td>5.29%</td>
</tr>
<tr>
<td>Mastercard Inc.</td>
<td>4.85%</td>
</tr>
<tr>
<td>Thermo Fisher Scientific Inc.</td>
<td>4.86%</td>
</tr>
<tr>
<td>Danaher</td>
<td>4.63%</td>
</tr>
<tr>
<td>Ecolab Inc.</td>
<td>4.14%</td>
</tr>
<tr>
<td>Symrise AG</td>
<td>3.70%</td>
</tr>
<tr>
<td>Eaton Corp.</td>
<td>3.55%</td>
</tr>
<tr>
<td>Novo Nordisk CL.B DIV.</td>
<td>3.51%</td>
</tr>
<tr>
<td>Visa Inc. Class A</td>
<td>3.43%</td>
</tr>
<tr>
<td>Orsted</td>
<td>3.39%</td>
</tr>
</tbody>
</table>

(Source: Mirova, as of 30 Sep 2019)

Who is Novo Nordisk?

Listed on the stock exchange in Copenhagen and New York, Novo Nordisk is a global healthcare company with more than 90 years of innovation and leadership in diabetes care. Currently, this Danish company is also present in hemophilia care, growth hormone therapy and hormone replacement therapy.

Diabetes and obesity-related treatments represent 84% of 2018 net sales. Products include long-acting insulin, premix insulin, fast-acting insulin, human insulin and other diabetes and obesity care products. Biopharmaceuticals represent 15% of net sales and are made up of hemophilia, growth disorders and hormone replacement therapy. The remaining 1% is other biopharmaceuticals. See 2014–2018 market exposure and market positioning below.

Sales by geographic region – DKK billion

(Source: Novo Nordisk 2018 Financial Report, p. 18)

18 https://www.genzinsights.com/hundreds-of-useful-gen-z-stats-right-at-your-fingertips
Why Novo Nordisk is a good fit for the portfolio

Mirova has classified 16 out of 17 SDGs into six categories, namely, basic needs, wellbeing, decent work, resource security, healthy ecosystems and climate stability. Each year, diabetes leads to the death of four million people. And currently there are 422 million adults who are suffering from diabetes. With Novo Nordisk’s leading global market share in the insulin market (45.2%) and the diabetes care market (27.9%), it was able to reach 29.2 million patients with its diabetes products in 2018.

In addition, Novo Nordisk is dedicated to creating innovative new medicines which are accessible for patients living in middle-income countries. Novo Nordisk invests significantly in R&D (13.2% of its sales revenue – €2.0 billion in 2018) and contributed 5 million Danish kroner to the World Diabetes Foundation in 2018.

Novo Nordisk has made a prominent contribution to Goal 3: Good Health and Wellbeing. Another SDG which Novo Nordisk has very positive impact on is Goal 12: Responsible Consumption and Production. This is reflected in its CO₂ emission reduction plan, water stewardship, waste management, use of chemicals, working in partnerships and environmental policy. Notably, Novo Nordisk includes in its CO₂ emissions reduction plan a target of zero CO₂ emissions from operations and transportation by 2030, which is ambitious for a company with such a large global footprint. (The portfolio’s carbon footprint’s goal is 1.5°C).

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Novo Nordisk is also aligned with Mirova’s portfolio philosophy through its actions on the empowerment of women. All management teams, from entry level upwards, are encouraged to focus on enhanced diversity, with the aim of ensuring a robust pipeline of talent for management positions. Among employees as a whole, the gender split was 49% women and 51% men in 2018, the same as in 2017.24

Sales by geographic region – DKK billion

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<th>% Women</th>
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2016 2017 2018

(EVP/SVP CVP/VP/GM Director/Manager/Team leader

(Source: Novo Nordisk 2018 Financial Report)

Overall, although performance could always be improved, the sector does have relatively low direct environmental impacts. Novo Nordisk’s performance reporting and targets are indicators of best practice for the sector. Based on Mirova’s Sustainability Opinion Scale, Novo Nordisk is ranked as Committed (see below). By investing in Mirova’s GSE Fund and companies such as Novo Nordisk, investors not only achieve strong financial returns but also are helping to build a more sustainable and healthier future.

“One of the best ways to engage with us, a generation whose retirement is many decades away, is by starting a conversation about the issues we are passionate about.”

The importance of investor activism

Mirova really believes that investors have a huge role to play in driving improvements in corporate sustainability practices and investing for the future. One of the key pillars of Mirova’s investing philosophy is that investors can, and must, play a key role in building a sustainable world by investing in the innovative businesses of tomorrow. Investors have a responsibility to be actively involved in improving corporate environmental, social and governance practices by helping corporations consider sustainable development issues and uphold a high level of ethical standards throughout their business operations.

This philosophy aligns perfectly with the view of Gen Z. Given their age, there are few comprehensive studies looking at Gen Z’s investing behaviors. However, one Morgan Stanley study25 which looked at Millennial investors found that:

• Millennial investors are nearly twice as likely to invest in companies or funds that target specific social or environmental outcomes;
• 29% of investors in their 20s and 30s seek a financial advisor that provides values-based investing;
• 17% of Millennials indicate they seek to invest in companies that use high quality ESG practices; and
• 15% of Millennials indicate they would exit an investment position due to objectionable firm activity, compared with 7% of non-Millennial investors.

While the Morgan Stanley study looks at Millennials, the generation before Gen Z, Gen Zs are arguably more values-driven – because they view their consumption behaviors as an element of their identity.

(Sourced: Mirova’s Internal Research Document)

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They are therefore even more likely to support companies that operate with ESG principles in mind, and invest in funds that have strong social and environmental values.

Greg Cobb, Director of Fixed Income for Boyd Watterson Asset Management, observes that the industry is slowly making the transition from a more passive investor population to investors who “will demand more active involvement in their own investments, as they wish to be more actively involved in controlling their own destiny. Along with this more active approach will come more activist tendencies.”

In our view, this is how superannuation funds are going to make themselves relevant to Gen Z, and at the same time appear to be relatable, forward-looking and progressive compared to their competitors.

**How can Gen Z investors communicate with their employers and super funds to access sustainable forms of investing?**

Since the government is not very vocal on the issue of climate change, it is the responsibility of investors, employers, and super funds to engage with each other, in order to address the issue of climate change through socially responsible investing.

Currently super funds do not disclose the environmental and social impacts of their investments online in an accessible way, and it is up to the individual to seek out the information. This requires investors to have a comprehensive understanding of the various ways companies, in a multitude of different sectors, impact and interact with the environment and society on a global scale. We can do this by researching online, examining annual reports and press releases, reading research papers, white papers and keeping up with company news. However, this requires both a high level of financial acumen and a lot of time, and is not the best way for investors to understand the environmental and societal impacts of their investments.

As the process of researching and engaging with super funds directly can be very time-consuming, the super funds need to do better and be more proactive in providing information relating to ESG issues to the consumer. This is one of the best ways to engage with us, a generation whose retirement is many decades away, by starting a conversation about the issues we are passionate about.

The natural human tendency is to lean towards what we are passionate about. So if the super funds engage with us with the topics we care about such as the environment and sustainability, the message will be more likely to get through – and have a bigger and a better impact.

**The current state of affairs**

Currently, a gap exists between Gen Z and superannuation funds. It is important for super funds to think carefully about how best to engage and connect with this younger generation if they are interested in capturing the lifetime value of these customers.

It will also help established super funds compete in an increasingly competitive landscape as new super funds enter the market with strategies specifically targeting both Millennials and Gen Z.

**The challenge**

In conclusion, the three key issues we’ve identified that exist in the market now are:

- **Lack of access to information** – It is very hard for Gen Z to find information that they understand, due to **low levels of financial literacy** and the mismatch between the materials super funds are creating, which are often very detailed and technical, and our ability to understand. Additionally, Gen Z don’t know where to go for information, and are often left feeling overwhelmed when they do find information.

- **Super fund trustees believe that Gen Zs “don’t care”** – Gen Z may appear disinterested, partly because the payoff from their super savings seems far away, and they **can’t see how they can make an impact now** with the power of their consumer choice. More often they don’t know how to get involved, how to make their voices heard or how they can play a part in the superannuation landscape.

- **Super funds don’t know how to engage Gen Z in a meaningful way** – funds don’t spend enough time on getting to know their customers and on creating marketing content designed for Gen Z.
The Solution
Super funds need to pursue a three-pronged approach, aimed at increasing awareness, engaging and interacting with Gen Z consumers.

Awareness
The first pillar in our three-pronged approach is to address the issue of awareness. This means finding ways of giving Gen Z the vocabulary to start engaging with super funds, and having conversations about fees and investment options. Presentations by either the careers advisor, a commerce teacher or an external provider should be conducted in year assemblies to teach students how to navigate the superannuation system. Commerce teachers can go into greater detail in class about the Australian super system and the different investment options available to fund members. They should also learn about defaults – the default super fund that they will be signed up to if they don’t choose, the default MySuper asset allocation their money will be invested in, and any ancillary features they will automatically be given unless they opt out. This will help students act as informed consumers. The careers advisor could also have information pamphlets made by super funds aimed at educating students about super funds, and what investment options they have available, so that students can exert their consumer choice when they start working and contributing to a super fund.

The second pillar is centered around engagement – which in our view can be achieved via the use of a social media strategy, primarily Instagram and Facebook, to engage Gen Z consumers.

Gen Z grew up with the internet in an age where almost all communication is online. They expect brands to have a digital presence and companies are spending millions of dollars every year on digital marketing.

Putting information on Instagram would make it easily accessible to the target market. The message should be short, concise and easy to understand, and the images visually appealing. Instead of focusing on investment returns, super funds should seek to emphasize the social impact of their investments. They should seek to tell a compelling story about the progress made by the companies they have invested in on a range of ESG issues.

Using the question and poll features of Instagram stories, Instagram is also an effective platform for super funds to learn more about their Gen Z customers and can be a valuable resource for both students and educational providers called Tax, Super + You which can be used to support this initiative.

Engagement
Furthermore, collaborating with popular social media influencers and activist groups and special interest groups is a good way to bring visitors to the super fund’s Instagram page. Using influencers can be advantageous because it means that the super fund doesn’t have to create the content in-house and the influencer, who understands their audience more, can actually create tailored content. Partnering with activist groups and special interest groups such as feminist groups, LGBTQ+ groups, environmentalist groups means that the super fund can produce specialized and very targeted content to a community of people that feel very strongly about specific issues.

Instagram can be very effective as the platform has not yet been saturated with super related content and first movers would gain the benefits of not fighting to stand out above a chorus of similar voices and content.

Interaction
The aim of the interaction pillar is for superannuation funds to sponsor high school volunteering programs, community events for youth and scholarships to improve brand recognition. While super funds are already engaged in such sponsorships, more emphasis should be placed on events for teenagers so that when they need to choose a super fund, they have better brand awareness and will be more likely to choose a fund that is not their default fund.

Conclusion
Overall, we believe there is real possible growth in this field in the years to come. Since beginning our research for this report, we have changed super funds to a fund that is now investing 100% of our super into ethical investments. We have also talked to our family and friends who are now looking to change super funds as well to allow for more ethical investing.

Gen Z have so much potential to help make an impact and increase socially responsible investing. Super funds now need to increase the awareness of sustainable forms of investing through various methods, such as altering marketing strategies and personal engagements with their customers, so that Gen Z investors understand how to access funds and engage with their super funds.
Part Gen Z and Global Counterparts and Gen Z and Super funds engagements:

- http://www.roymorgan.com/findings/7400-millennials-more-than-double-their-share-of-superannuation-funds-over-the-decade-201711022211
- https://financialcapability.gov.au

Mirova and ESG Investing


Natixis Investment Managers ($1,004.5 billion AUM) is a multi-affiliate organization that offers a single point of access to more than 20 specialized investment firms in the Americas, Europe and Asia. The firm ranks among the world’s largest asset managers. Through its Durable Portfolio Construction® philosophy, the company is dedicated to providing innovative ideas on asset allocation and risk management that can help institutions, advisors and individuals address a range of modern market challenges.

1 Net asset value as of September 30, 2019. Assets under management (“AUM”), as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of non-regulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers.

2 Cerulli Quantitative Update: Global Markets 2019 ranked Natixis Investment Managers as the 17th largest asset manager in the world based on assets under management as of December 31, 2018.

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Use of overlay management and tax management strategies does not guarantee a profit or protect against a loss in an investor’s portfolio.

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