The G Factor

Today's world is changing, led by long term transitions: demographic, technological, environmental and related to corporate governance. In this interview, Amber Fairbanks and Manon Salomez, ESG analyst, give their view on the impact of Covid-19 on corporate governance, and share Mirova's vision, putting the emphasis on the creation of shared value over the long term.

Amber Fairbanks, CFA.*
Manager of the Global Sustainable Equity Strategy
Mirova US**

Manon Salomez
ESG analyst
Mirova

At a glance

- We don't believe that the pandemic was an inflection point for corporate governance, but it clearly accelerated a pre-existing and necessary corporate transition towards a fairer capitalism.
- Advocating stakeholders' value and not just shareholder value has always been at the core of Mirova's vision, and thus since inception in 2014.
- In order to ensure we invest in companies sharing our vision of sustainable corporate governance, we try to use as many tools as we find relevant, including a robust voting and engagement policy

Do you believe the current crisis is an inflection point for Corporate governance?

First, we think it is important to highlight that, while governance can generally be defined as a system of entities that governs an area of activity, the term is frequently used to describe different realities. The development of responsible investment is closely linked to the consideration of ESG[1] criteria. While the SDGs[2] are intended to comprehensively address environmental and social issues, they only partially address governance issues. **That said, good governance is central to the delivery of sustainable development at companies' level**: a well-functioning board with a good representation of companies' stakeholders, robust internal controls, and executive remuneration that integrates environmental and social issues into business practice are key to ensuring that companies deliver a positive impact on society. We believe good governance of public institutions is equally necessary to deliver wellbeing for citizens.

1 – Environment, Social, Governance
2 – Sustainable Development Goals

*CFA® and Chartered Financial Analyst® are registered trademarks owned by the CFA Institute. **Mirova US 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 US then combines with its own expertise when providing advice to clients.

In 2020, as the pandemic occurred, the scrutiny on corporations needed to think through their stakeholders and their broader impact on society and the planet has heavily increased. As such, we wouldn't say that the pandemic was an inflection point for corporate governance, but we believe it clearly accelerated a pre-existing and necessary corporate transition towards fairer capitalism. Fortunately, companies had started to question their business model and the way they interact with suppliers, contractors, customers and communities before the various lockdowns and economic turbulences.

“In other words, the discussion on how the G-factor could play a role in transforming the society and the environment was already initiated.”

How so?

For example, back in 2019, the Business Roundtable, a group of 250 CEOs of large US companies announced that they no longer would prioritize shareholder value, but that their companies, by embracing sustainable practices across their businesses, should support the communities in which they work and protect the environment.

Yet, we feel the pandemic has been a major upheaval for us all, as individuals, citizens, companies, and investors. It severely impacted global public health, as well as our economies and societies. Companies had to face many challenges, having to handle day-to-day operations while protecting the health and financial security of their employees. Since the beginning of the pandemic, we witnessed companies adopting short-term measures such as paid leave, donations to hospitals, employees' bonuses, extension of payment terms for suppliers to support their stakeholders. Nevertheless, the transition towards fairer capitalism will be supported by longer-term measures, such as favoring better representation of employees within the board or include sustainable development criteria in top management's compensation.

How do you support the transition towards ~~a~~ fairer capitalism at Mirova?

At Mirova, in 2020, we encouraged the companies we engage with to be cautious when it came to dividends distribution, but also to maintain employment, prioritize health and safety, and maintain supplier/customer relationship. Advocating stakeholders' value and not just shareholder value has always been at the core of Mirova's vision, and thus since inception in 2014. This long-term approach of responsible capitalism has even been embedded by our recent recognition as a B-Corp[1] and mission-led company[2]. At the end of the day, we aim at investing in companies that not only are delivering solutions to the sustainable development goals, but also integrating sustainability in their corporate governance. As a responsible investor, we seek to have the largest positive impact possible in promoting the development of a corporate vision focused on the creation of shared value over the long term.

1 – For more information: www.bcorporation.net/about-b-corps
2 – For more information: www.entrepriseamission.com

What are the levers to encourage changes in corporate governance?

In order to ensure we invest in companies sharing our vision of sustainable corporate governance, we try to use as many tools as we have available. We actively engage with companies, in order to create an environment conducive to responsible investment. In that regard, we encourage companies to adopt objectives which are in line with the UN Sustainable Development Goals (SDGs), but also to improve transparency in relation to their sustainability efforts and their overall practices: for example, by developing solutions for ESG issues.

We also send the companies engagement priorities each year, alongside focusing on mitigating climate change or preserving biodiversity, we highlight our expectations regarding the integration of sustainability at the core of their governance and demonstrating enhanced transparency on sustainability impacts. We also focus on reducing inequalities (shared value creation, gender diversity). Last, but not least, we encourage shareholders to promote our vision of what a company should be through our voting policy, based on 4 main pillars: As investors, we believe companies aligning sustainably will lead to a positive, long-term value creation that benefits both shareholders and the broader stakeholder community.

> **“As investors, we believe companies aligning sustainably will lead to a positive, long-term value creation that benefits both shareholders and the broader stakeholder community.”**

The 4 pillars of Mirova's voting policy*

1. Foster committed shareholder ownership
2. Create governing bodies which support stakeholder governance
3. Compensate stakeholders in a fair and sustainable way
4. Communicate fully and transparently with stakeholders

The information provided reflects Mirova's opinion as of the date of this document and is subject to change without notice.* For more information about our voting policy, please refer to Mirova website at www.mirova.com/sites/default/files/2021-03/mirova-voting-policy-2021.pdf. For more information on our methodologies, please refer to our Mirova website : www.mirova.com/en/research

Legal information

About Mirova
Mirova is an asset-management company dedicated to sustainable investment and an affiliate of Natixis Investment Managers. Thanks to its conviction-led management style, Mirova's objective is to combine a quest for long-term value creation with sustainable development. Pioneers in many areas of sustainable finance, Mirova's talents are committed to innovation in order to provide their clients with high environmental and social impact solutions. Mirova and its affiliates manage €19.6 billion as of 31 December 2020. Mirova has been awarded the B Corp* label and the status of "Entreprise à Mission" (mission led company). Mirova US 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 US then combines with its own expertise when providing advice to clients. Mirova US manages 4,96 bn USD as of as of 31 December 2020.
*References to a ranking, award or label do not prejudge the future performance of the strategies/or the managers.

The views and opinions expressed may change based on market and other conditions. This document may contain references to copyrights, indexes and trademarks that may not be registered in all jurisdictions. Third party registrations are the property of their respective owners and are not affiliated with Natixis Investment Managers or any of its related or affiliated companies (collectively "Natixis"). Such third party owners do not sponsor, endorse or participate in the provision of any Natixis services, funds or other financial products. Natixis Distribution, L.P. is a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliates of Natixis Investment Managers. This information should not be considered a recommendation to buy or sell any security shown.

This document is a non-contractual document for information purposes only
This document is intended solely for professional and non professional clients as defined by MiFID. If it is not the case and you receive this document by mistake, please destroy it and inform Mirova immediately. immediately.
Otherwise, past performance is no guarantee or reliable indicator of current or future performance. Performance figures are calculated net management and running fees, included safekeeping fees and commissions.
This document is a non-contractual document for information purposes only.
This document does not constitute or form part of any offer, or solicitation, or recommendation to subscribe for, or buy, or concede any shares issued or to be issued by the funds managed by Mirova investment management company. The presented services do not take into account any investment objective, financial situation or specific need of a particular recipient. Mirova shall not be held liable for any financial loss or for any decision taken on the basis of the information contained in this document, and shall not provide any consulting service, notably in the area of investment services.
The information contained in this document is based on present circumstances, intentions and guidelines, and may require subsequent modifications. Although Mirova has taken all reasonable precautions to verify that the information contained in this document comes from reliable sources, a significant amount of this information comes from publicly available sources and/or has been provided or prepared by third parties. Mirova bears no responsibility for the descriptions and summaries contained in this document. No reliance may be placed for any purpose whatsoever on the validity, accuracy, durability or completeness of the information or opinion contained in this document, or any other information provided in relation to the document. Recipients should also note that this document contains forward-looking information, issued on the date of this presentation. Mirova makes no commitment to update or revise any forward-looking information, whether due to new information, future events or any other reason. All financial information, notably on prices, margins or profitability, shall be indicative and shall be subject to change at any time, in particular depending on market conditions. Mirova reserves the right to modify or remove this information at any time without notice.
The information contained in this document is the property of Mirova. It may not be communicated to third parties without the prior written consent of Mirova. It may not be copied, in part or in whole, without the prior written consent of Mirova. The distribution, possession or delivery of this document in some jurisdictions may be limited or prohibited by law. Persons receiving this document are asked to learn about the existence of such limitations or prohibitions and to comply with them.
For more information about our methodologies, please refer to our Mirova website www.mirova.com/en/research/demonstrating-impact.
Non-contractual document, issued in April 2021

MIROVA
Portfolio management company
French Public Limited liability company
Regulated by AMF under n°GP 02-014
RCS Paris n°394 648 216
Registered Office: 59, Avenue Pierre Mendes France - 75013 Paris
Mirova is an affiliate of Natixis Investment Managers.
Find out more on: www.mirova.com
Linkedin :
https://www.linkedin.com/company/Mirova/
Twitter : https://twitter.com/Mirova_RI

NATIXIS INVESTMENT MANAGERS
French Public Limited liability company
RCS Paris n°453 952 681
Registered Office: 43, Avenue Pierre Mendes France – 75013 – Paris
Natixis Investment Managers is a subsidiary of Natixis.
Find out more on: www.im.natixis.com
Linkedin :
https://www.linkedin.com/company/natixis-investment-managers
Twitter : https://twitter.com/natixisim

MIROVA US
888 Boylston Street, Boston, MA 02199;
Tel: 857-305-6333
Mirova US 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 US then combines with its own expertise when providing advice to clients.

MUSTLAE32-21b

Additional notes:

All amounts shown are expressed in USD unless otherwise indicated.

Adtrax: 3576344.1.3
Exp: 31-Dec-2021

NATIXIS
INVESTMENT MANAGERS