

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
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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 criteria. While the SDGs² 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

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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 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-Corp¹ and mission-led company². 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.entreprisemission.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.

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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



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.

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