MACQUARIE ASSET MANAGEMENT

Mirova Global Sustainable Equity Fund

ESG Assessment Approach

July 2024

MACQUARIE

Introduction

As a company dedicated to responsible investment, Mirova US LLC (Mirova) has sought to develop its own approach and methodology to describe the links between economic players and environmental, social and governance (ESG) issues. In an industry where initiatives offering assessment frameworks are multiplying rapidly, and with no universally accepted framework currently in place, Mirova believes it is necessary to be transparent about the principles and indicators they have chosen to guide their investment decisions. Investors need to be able to understand the complexity of sustainable development issues and how issuers address them—or fail to.

ESG evaluation framework

Mirova believes establishing a successful ESG evaluation framework involves four critical steps:

Framing the intention 1

Clarifying the ESG concept 2

Establishing assessment principles 3

Outcome measurement criteria 4

1. Framing the intention

A common approach to the incorporation of ESG issues into an investment process is looking at ***Financial Materiality***, i.e., how ESG issues are likely to influence the financial performance of a company and therefore the risk/return trade-off.

This approach only focuses on how ESG criteria are likely to have a financial impact, regardless of their importance in achieving sustainable development goals. Mirova believes that this does not go far enough, and responsible investing cannot be limited to including ESG criteria for the sole purpose of improving financial performance. Regardless of the impact on performance, investors should also be concerned with how their investments are contributing to a more sustainable societal model.

Mirova embraces this ***Double Materiality*** concept through its dual objective:

The Fund aims to achieve a long-term total return (before fees and expenses) that exceeds the MSCI World ex Australia Index, in $A unhedged with net dividends reinvested (Benchmark) ***by investing in global equities related to sustainable investment themes****.*

Consequently, Mirova's ESG assessment framework has been designed to not only evaluate the financial consequences of ESG criteria, but to also report on the positive environmental and social contributions of the assets in which Mirova invests.

2. Clarifying the ESG concept

Regardless of the intention, taking ESG issues into account covers a very broad area that requires some clarification. The shift towards more sustainable development has given rise to varying interpretations, which in turn can create different frameworks guided by different ideas on what it is to be 'ESG' or 'sustainable'.

Recognising this issue, Mirova's analysis is based on a widely accepted and transparent framework that removes the subjective aspects of sustainable investing. This framework is based on the United Nations Sustainable Development Goals (**SDGs**).

The SDGs

The SDGs are a sustainable development programme presented by the United Nations. The agenda sets out 17 Sustainable Development Goals for the year 2030, to address critical social and environmental issues.

Figure 1: The 17 Sustainable Development Goals

1 NO POVERTY	End poverty in all its forms everywhere
2 ZERO HUNGER	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls
6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
10 REDUCED INEQUALITIES	Reduce inequality within and among countries
11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts
14 LIFE BELOW WATER	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15 LIFE ON LAND	Protect, resore and prmote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalize the global partnership for sustainable development

For more information on the UN SDGs: **sdgs.un.org/goals**

The SDGs were adopted unanimously by 193 heads of state in 2015. Mirova believes that incorporating the UN SDGs into a sustainable investing framework results in a number of additional advantages:

- **Universally applicable** to all economies regardless of their level of development. Some issues may be more applicable to certain economies than others (e.g., access to water is more relevant to low and middle income countries), others are universally relevant and form a good starting point.
- **Transcend** the state level as companies and investors can use the SDGs as a reference framework for sustainable development issues. The private sphere is increasingly embracing ESG issues, growing the level of governance that is in place today.
- **Examine the resilience** of investor's assets in the face of economic trends shaping the global economy. The SDGs framework also provides the opportunity to go further and consider the exposure of investments to the development of new solutions addressing these trends.

This final point is consistent with Mirova's philosophy and ambition of not limiting their analysis to strong risk management, but also approaching sustainable development as a source of opportunity with a strong focus on providers who Mirova believes offer solutions that will help meet the SDGs.

3. Establishing assessment principles

To best reflect the 'double materiality' concept introduced earlier, Mirova incorporates three main principles into their ESG assessment:

Positive contribution and residual risks

- "Activities" entities (i.e. product and services they offer) may make different positive contributions to achieving the SDGs
- As part of the way they operate, entities can also contribute through "practices" (e.g. sustainable and inclusive jobs, net zero targets, etc)
- Contributing to some SDGs cannot be done at the expense of other environmental and social issues. Therefore, identifying and minimising ESG risks linked to Mirova's investments is equally important in the assessments

Life cycle analysis

- In order to measure an asset, the analysis of environmental and social issues must consider its entire life cycle, from the extraction of raw materials to products' end of life

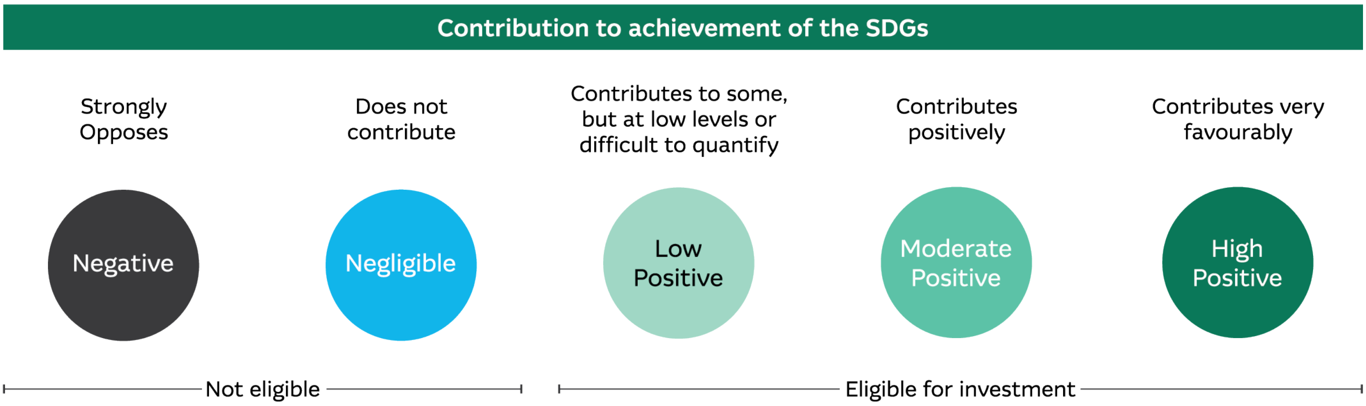
Differentiated issues

- Different players face vastly different challenges from one sector to another and issues can even vary significantly within a sector. Criteria for analysis must be adjusted to meet the specificities of each asset studied

The analysis results in an ESG opinion on a five-point scale that is comparable across sectors and universes.

4. Outcome measurement criteria

Establishing an outcome measurement criteria is significantly more difficult than an investment measurement counterpart (i.e. benchmarking) due to the lack of an established process. Mirova uses a highly qualitative approach given the diverse and complex issues under consideration. The result of the assessment outlined in step 3 is a determination on whether the security is consistent with the achievement of the SDGs, rated on a scale:



Mirova's opinion on each company[1] is predominantly based on their own ESG research and due diligence, but also draws on external sources of data (publicly available information such as annual reports and quantitative metrics published by third parties such as tons of CO_2 (induced and avoided emissions)) as a complement to the qualitative views. Please refer to the ESG and sustainability investment risk section in the Fund's PDS.

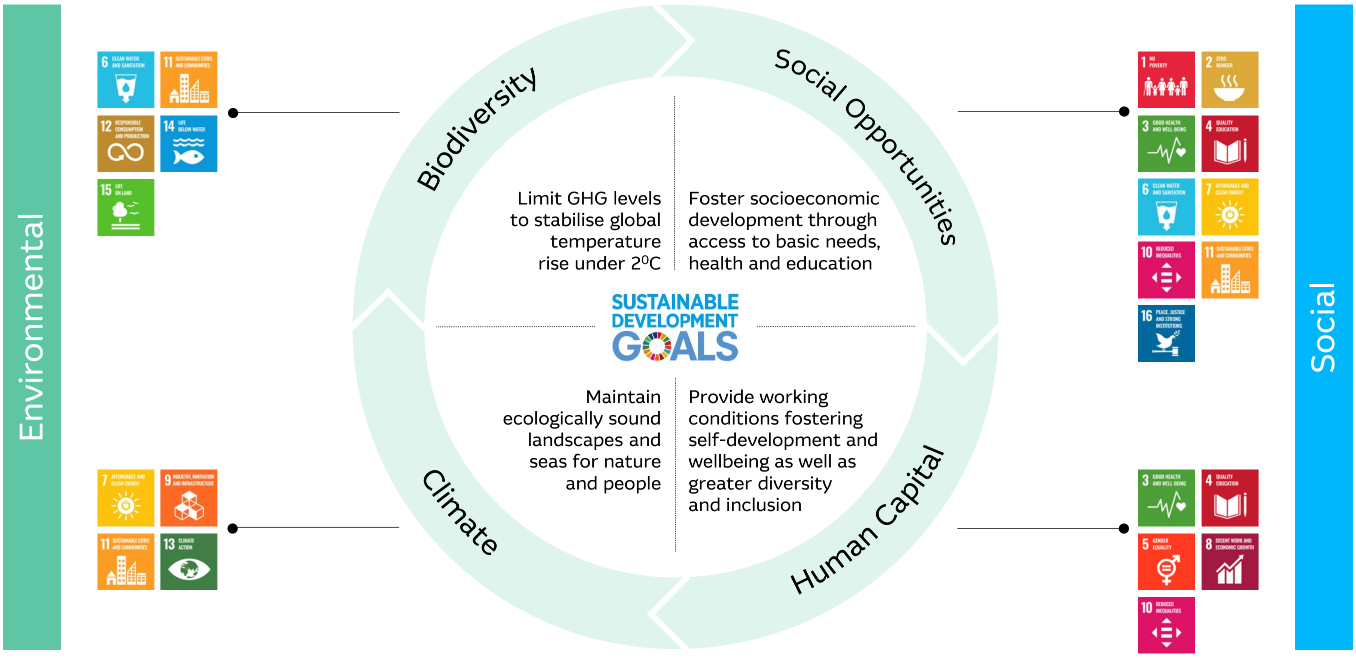
The Fund seeks to only invest in companies that Mirova rates are contributing positively to the achievement of the UN SDGs (i.e. have a low positive, moderate positive and high positive rating under Mirova's rating scale) and does not invest in companies rated by Mirova as making a "negative" or "negligible" contribution to the achievement of the UN SDGs. This ensures a robust integration of sustainability risks in all investment processes and has the objective of limiting the potential negative outcomes of these investments.

In addition to excluding those companies rated below 'low positive', the evaluation also contributes to Mirova's fundamental analysis of companies and helps refine the determination as to the growth potential of a security, their risk profile and valuation.

[1] Mirova's ESG assessment of companies in the Benchmark and the Fund in terms of contribution to the achievement of the SDGs is undertaken by Mirova in accordance with Mirova's proprietary methodology. The assessment may not cover all companies in the Benchmark due to a lack of available data. Mirova's assessment of each company's contribution to the achievement of the SDGs may differ to the assessment of other parties and may change from time to time. Please refer to the 'Minimum Standards' document available at **macquarieim.com/pds** for further information on Mirova's methodology.

SDG pillars

To illustrate the contribution of Mirova's investments to sustainable development, the assessment is broken down into four pillars: two related to environmental issues and two based on social issues.



Essentially the SDGs are grouped into pillars to illustrate the main sustainability outcomes of the Fund's investments. Each pillar is assessed according to Mirova's five-point qualitative scale, from 'Negative' to 'High Positive'.

Quantitative indicators

In order to enhance their analysis, and to provide legitimacy to their own assessments, Mirova makes use of quantitative indicators as a complement to their qualitative views. These indicators predominantly take the form of 'physical' indicators, i.e., quantification of certain key monitoring indicators expressed in physical units. Tons of CO2 (induced and avoided emissions) and share of women in management positions are some of the metrics Mirova reports on an ongoing basis.

Conclusion

Although ESG assessment has gained momentum over the past two decades, Mirova believes that we are still a long way from seeing the emergence of standards that are recognised and adopted by both non-financial companies and financial sector players. In the meantime, investors such as Mirova need to be responsive and innovative in order to report effectively on the ways in which they take sustainability into account.

Since its creation, Mirova has invested in both internal skills and external partnerships to work through these issues, which are fundamental to their approach to analysis and investment. Yet there is still a long way to go. Over the coming years, Mirova intends to continue investing in, innovating for and contributing to the emergence of market ESG standards. Mirova believes wholeheartedly that establishing relevant and shared ESG assessment systems is a crucial step towards a more sustainable economy.

The **Mirova Global Sustainable Equity Fund** is designed for consumers who:

- Are seeking capital growth and income distribution
- Are intending to use the Fund as a core component, minor allocation or satellite allocation within a portfolio
- Have a minimum investment timeframe of seven years
- Have a high or very high risk/return profile for that portion of their investment portfolio, and
- Require the ability to have access to capital within one week of request.

The Target Market Determination (TMD) for the Fund, available at macquarieim.com/TMD, includes a description of the class of consumers for whom the Fund is likely to be consistent with their objectives, financial situation and needs.

For more information speak to your financial adviser, call us on 1800 814 523, email mam.clientservice@macquarie.com, or visit macquarieim.com

Important Information

This document is for information purposes only.

This information is provided by Macquarie Investment Management Australia Limited (ABN 55 092 552 611 AFSL 238321) the issuer and responsible entity of the Mirova Global Sustainable Equity Fund ("the Fund"). This is general information only and does not take account of investment objectives, financial situation or needs of any person. It should not be relied upon in determining whether to invest in the Fund. In deciding whether to acquire or continue to hold an investment in the Fund, an investor should consider the Fund's product disclosure statement. The product disclosure statement is available on our website at macquarieim.com/pds or by contacting us on 1800 814 523. This information is intended for recipients in Australia only.

Future results are impossible to predict. This document contains opinions, conclusions, estimates and other forward-looking statements which are, by their very nature, subject to various risks and uncertainties. Actual events or results may differ materially, positively or negatively, from those reflected or contemplated in such forward-looking statements.

No representation or warranty, express or implied, is made as to the suitability, accuracy, currency or completeness of the information, opinions and conclusions contained in this document. In preparing this document, reliance has been placed, without independent verification, on the accuracy and completeness of information available from external sources. To the maximum extent permitted by law, no member of the Macquarie Group nor its directors, employees or agents accept any liability for any loss arising from the use of this document, its contents or otherwise arising in connection with it.

Other than Macquarie Bank Limited ABN 46 008 583 542 ("Macquarie Bank"), any Macquarie Group entity noted in this document is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these other Macquarie Group entities do not represent deposits or other liabilities of Macquarie Bank. Macquarie Bank does not guarantee or otherwise provide assurance in respect of the obligations of these other Macquarie Group entities. In addition, if this document relates to an investment, (a) the investor is subject to investment risk including possible delays in repayment and loss of income and principal invested and (b) none of Macquarie Bank or any other Macquarie Group entity guarantees any particular rate of return on or the performance of the investment, nor do they guarantee repayment of capital in respect of the investment.