No consideration of adverse impacts of investment decisions on sustainability factors

1. Context

Article 4(1) of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("the SFDR Regulation") requires financial market participants to ensure transparency in terms of consideration of principal adverse impacts of investment decisions on sustainability factors.[1]

Article 4(3) of the same regulation provides for a "Comply or Explain" principle for actors entities with less than 500 employees. This principle allows actors who do not take into account the negative impacts of

2. Natixis Investment Managers International positioning

Natixis IM International (hereafter "NIMI") positions itself in the **"explain"** option described at Article 4(3) of the SFDR Regulation:

Natixis IM International, as an entity, does not consider adverse impacts of investment decisions on sustainability factors.

As this situation is the result of structural circumstances (explained in the following section of this document), NIMI currently does not have the intention to modify its positioning.

3. Explanation

a) Delegated investment management

The reasons for NIMI's «Explain» positioning are due to the specificities of its organizational model, which consists in delegating the investment management of a significant part of its products to other investment manager companies, almost all of which are affiliated with Natixis Investment Managers.

It is these delegated investment management companies that deploy the product investment management strategy and, in fact, make the investments according to the specific characteristics of each product, including for ESG characteristics where applicable. When a product incorporates ESG characteristics, these are determined based on a sustainability approach defined by the delegated investment manager. The latter also uses its own tools and providers of extra-financial data as part of product investment management.

Some of our products whose financial investment management is delegated to other investment management companies take into consideration (at the product level) the main negative impacts of investment decisions on sustainability factors. In this case, the manner in which the delegated investment manager takes into account these main negative impacts through its management process is described in the pre-contractual documentation of the fund in question, in accordance with Article 7(1) of the SFDR Regulation.

1 Article 4(1) SFDR: "Financial market participants shall publish and maintain on their websites:

(a) where they consider principal adverse impacts of investment decisions on sustainability factors, a statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available; or

(b) where they do not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why they do not do so, including, where relevant, information as to whether and when they intend to consider such adverse impacts.

Another part of our products does not take into account (at the product level) the negative impact of investment decisions on sustainability factors.

Therefore, we consider that the consolidation of indicators on such a heterogeneous scope in terms of investment strategies, ESG tools and data sources would run up against a problem of consistency of methodology and would not provide our clients with a fair and relevant vision of non-financial performance.

As an asset manager with a fiduciary duty towards the investors of each of our products, our mission is to provide our clients with investment management that takes into account the criteria (financial and non-financial if applicable) defined at the scale of each product. Thus, we are convinced that non-financial indicators are best appreciated at the level of each of our products, according to their specific characteristics.

b) Direct investment management

NIMI integrates a direct investment management team, it is the Natixis Investment Managers Solutions team (hereinafter «NIM Solutions»).

This team activities includes:
• investing in other funds (in a fund of funds or feeder master fund format); or

• structuring products by delegating the management of investment pockets to other players; or

• managing «employee mutual funds invested in company securities».

In the first two cases, these activities imply that the investment management decisions concerning the assets resulting in non-financial performance (and possible negative impacts on sustainability) are taken over by the investment manager in charge of managing the underlying funds (or funds' sleeves). On a case-by-case basis, some of the underlying funds take into account (at the product level) the main negative impacts of investment decisions on sustainability factors[2]. Nevertheless, NIMI, as an entity, does not take into account the negative impact of investment decisions with regard to its investment management activities conducted by the NIM Solutions team. In the third case (employee mutual fund invested in company securities), there is - by nature - no selection activity or extra-financial approach.

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2 In these cases, the pre-contractual documentation of the fund in question describes how the main negative impacts of investment decisions on sustainability factors are taken into account at the product level, in accordance with Article 7(1) of the SFDR Regulation.