



Sustainability Risk Integration Policy



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Sustainability risk is defined by Regulation (EU) 2019/2088 on Sustainable Finance Disclosure Regulation (“SFDR”) as “an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment”.

The aim of this policy is to describe how Natixis Investment Managers International (“NIM International”) has integrated to-date the relevant sustainability risks, whether material or likely to be material, in its investment decision making processes which can include the organisational, risk management and governance aspects of such processes.

Integration of such sustainability risks within NIM International takes several forms either pre or post investment decision as detailed in this policy. The policies referenced across this document are available on the corporate website of NIM International.

1. SUSTAINABILITY RISK INTEGRATION IN THE INVESTMENT DECISION-MAKING PROCESS

1.1. Natixis Investment Managers ESG policy

Natixis Investment Managers International (“NIM International”) is a subsidiary of Natixis Investment Managers (“the Group”), the holding company of a diverse line-up of specialised investment management entities (“Affiliated IMs”) and distribution entities worldwide. The Group has developed an approach to responsible investment that fits its multi-affiliate model and is aligned with the Active Thinking^{®1} approach.

The guiding principles of the responsible investment approach are:

- the integration of environmental, social and governance (ESG) factors into investment decisions
- stewardship and active management
- exclusion policies.

The responsible investment approach of the Group is detailed in the Group ESG Policy, which sets out its convictions, standards, and governance with a view to implementing ESG practices across the Group going forward.

As part of the Group’s ESG policy, Affiliated IMs are expected to integrate ESG into their investment decisions, to be active owners, to adhere to local standards, and to share best practice where possible. Given the multi-affiliate structure, Affiliated IMs have the discretion to decide how to implement the Group ESG Policy. Many Affiliated IMs have responsible investment policies of their own, as well as dedicated ESG Committees or Advisory Boards. Some Affiliated IMs also have policies covering other aspects of ESG, including engagement and proxy voting. Some Affiliated IMs also report regularly on ESG performance through newsletters and funds updates.

The Group ESG Policy also contains guidelines on exclusions and on the Group approach to climate risk.

Many Affiliated IMs use in-house models to assess the impact of ESG issues; these rely on data from companies, or from governments and other outside organisations. Affiliated IMs also work with third party data providers, such as Institutional Shareholder Services (ISS), MSCI and Sustainalytics. Where used, these models allow Affiliated IMs to rate or score companies and other issuers. This ESG rating can then be used alongside financial data as part of analysis or investment selection.

¹ <https://www.im.natixis.com/intl/about-us>

1.2. NIM International ESG Approach and Sustainability risk integration within the investment process

NIM International's approach to responsible investment follows the general principles set out in the Group ESG policy. Through NIM International Responsible Investment Policy, NIM International discloses the principles on Environmental, Social and Governance (ESG) investments. The Responsible Investment Policy illustrates the strong commitments made by NIM International to promote responsible investment in all of its activities, in accordance with French and international regulations and their evolutions.

Consideration of sustainability risks is articulated through the integration of ESG criteria in the portfolio management, exclusion policies but also in the governance framework.

NIM International's approach to ESG integration must be analyzed with regards to its capacities as NIM International has 2 main activities:

1. NIM International acts as a management company for collective investment schemes (funds) whose investment management is delegated to investment managers ("Delegated IMs") that are mostly Affiliated IMs.
2. NIM International acts as a management company for collective investment schemes (funds) for which NIM International ensures the investment management. In this context, NIM International offers investment solutions relying, amongst other, on the expertise of the Affiliated IMs. This activity is supported by the investment management team of NIM International (hereinafter "NIM Solutions").

Case 1 - Delegated IMs

When NIM International acts as a Management Company only, NIM International relies on the sustainable risk policy of each Delegated IMs in charge of the investment management of the funds under delegation.

Although sustainability risks are generally deemed relevant for the delegated funds of NIM International, the degree of sustainability risk integration within the investment-decision making process will vary depending on the Delegated IMs and on the fund's ESG ambition as set in its investment strategy. NIM International funds promoting ESG characteristics or having a sustainable investment objective would focus on well rated securities from an ESG point of view in order to mitigate the potential impacts of sustainability risks on the returns of the funds as detailed in the offering documents of these funds.

Case 2 - NIM Solutions

With regards to direct investment management operated by NIM Solutions, ESG integration approach is applied for open or dedicated funds as well as for responsible investment solutions proposed by NIM Solutions.

NIM Solutions has chosen to develop an internal two-dimensional ESG analysis methodology, quantitative and qualitative, which applies partially to funds of funds and is complemented by a fund selection based on risk analysis, a long-term strategic allocation definition and short-term tactical management.

- The investment universe is defined by applying a quantitative filter to the funds using ESG data from recognized data providers.
- Then, NIM Solutions teams built a proprietary filtering and scoring methodology to identify, with monitoring over time, the best ESG funds across all sectors.
- To complete the quantitative analysis, the Group's ESG experts have developed a proprietary qualitative methodology ("Conviction & Narrative") that includes several ESG criteria. The objective of this analysis is to provide transparency that goes beyond traditional ESG calculations.

The objective of the ESG analysis model thus implemented is to measure the degree of importance that ESG factors play in the investment strategy of each fund in which NIM Solutions funds invest as part of the range of responsible investment funds of the Group and to consider all the risks associated with them, including sustainability risks. The integration of these risks is based on an internal scoring based on ratings of a renowned provider. This internal rating is used to measure unmanaged risks related to ESG issues and that could have an impact on the financial value of an issuer.

This analysis allows NIM Solutions' funds managers to select the best ESG funds while taking sustainability risk into account.

1.3. Exclusion policies

NIM International has implemented a Coal policy. However, regarding the specificity of its management activities, NIM International relies mostly on Delegated IMs' exclusion policies and NIM International carries out coordination work. The ESG integration approach of certain Delegated IM may be materialized via exclusions of certain investments. Generally, these exclusions apply to sectors or to individual companies or issuers. Funds may exclude, for example, investments in tobacco, thermal coal mining or controversial weapons. Given the multi-affiliate structure, these exclusions may vary among the Delegated IMs: there is no group-wide exclusions in place within the Group.

These exclusion processes contribute, among other things, to the consideration of sustainability risks.

1.4. ESG governance of NIM International

NIM International relies on an ESG Group function to define and strengthen the ESG methodology in relation to ESG analysis regarding the investment processes. The ESG Group team has 4 team members that assist the Affiliates including NIM International. The ESG Group also supports NIM International's management teams to provide additional qualitative ESG analysis, supporting investment decision-making.

Within NIM Solutions, an ESG Solutions team of 2 people has been created to address various ESG and climate issues. This team aims to implement the socially responsible policy of NIM International, to build the socially responsible offer and to integrate the new regulations on sustainable finance within NIM Solutions in cooperation with the other services of NIM International.

Topics related to sustainable finance are also discussed in a quarterly committee of NIM International bringing together managers and ESG analysts. This committee is partly dedicated to the management of ESG funds of funds offered by NIM Solution. Thus, the topic of integrating sustainability risks into the investment decision process of these funds is addressed.

2. ENGAGEMENT AND VOTING AT NIM INTERNATIONAL

NIM International has developed a Voting Policy that defines the principles to which NIM International intends to refer for the exercise of voting rights at issuer's general meetings. These principles reflect corporate governance best practices.

The current NIM International's voting policy applies to all funds financially managed by NIM International without investment management delegation to Delegated IMs.

This voting policy incorporates «Business Ethics and Corporate Social Responsibility» section which describes the conviction of NIM International on the integration of non-financial items in fund management with the aim to improve the risk / return ratio over the long term. The voting policy states that Natixis IM International favors the inclusion of CSR topics in the annual report intended to issuer's stakeholders and will vote for any shareholder resolution aiming to draw up a CSR report.

NIM International is voting on a case-by-case basis on shareholder proposals with ESG nature. However, NIM International systematically supports any resolution if the latter is considered to be more favorable to more responsible practices from the issuer. Thus, NIM International supports any resolutions encouraging the creation of a CSR (or ethical) committee as well as those calling for better transparency on environmental and social issues. In the same way, NIM International supports the resolutions aimed at strengthening the transparency of financial and non-financial information.

NIM International will also vote in favor of shareholder resolutions calling for the inclusion of extra-financial criteria in executive compensation policies, unless such requests represent constraints that are not in the best interests of the issuer and its shareholders.

As presented previously, NIM International may delegate investment management to a Delegated IM. In that case, the Delegated IM will be in charge of the voting right's exercise according to its own voting policy. Accordingly, the ESG criteria integration into the voting process will follow the Delegated IM voting policy.

The level and nature of engagement and voting may vary according to the investment strategies associated with the funds. Voting must not interfere with underlying strategies or decisions taken by investment managers, nor prevent the selling of holdings in companies. It must always support the funds' objectives and policy and ensure that the best interests of Investors are served..

Commitments to fight climate changes

NIM International is also committed to the fight against climate change by relying on the climate policies of its Delegated IMs. Most of our Delegated IMs are PRI signatories and have consequently incorporated the TCFD (Task Force on Climate – related Financial Disclosures) recommendations into reporting. In addition, NIM International has hired a renowned climate provider to offer to its clients diverse solutions to integrate climate risks such as transition risk and physical risk in the management of their investments.

3. CONSIDERATION OF SUSTAINABILITY RISK AS PART OF THE REMUNERATION POLICY

Following the entry into application of the Regulation (EU) 2019/2088, Natixis IM International remuneration policy has been updated to reinforce promotion of effective risk management with respect to sustainability risks. The objective of this update was to ensure that Natixis IM International remuneration practice does not encourage excessive risk-taking with respect to sustainability risks and is linked to risk-adjusted performance.

4. ESG OVERSIGHT BY NATIXIS INVESTMENT MANAGERS INTERNATIONAL

Given its delegated model, NIM International has implemented an oversight program over its Delegated IMs . The program objective is to identify, measure and mitigate risks arising from the delegation of portfolio management to the Delegated IMs. The program makes use of a range of oversight tools covering, amongst other things, the Delegated IMs'ESG framework.

ADDITIONAL NOTES

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