Sustainability Risk Integration Policy

Natixis Investment Managers S.A.

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 S.A. ("NIM S.A.") 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 S.A. 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 S.A.

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1. Sustainability risk integration in the investment decision-making process

1.1. Natixis Investment Managers ESG policy

Natixis Investment Managers S.A. is a subsidiary of Natixis Investment Managers ("Natixis IM" or "the Group"), the holding company of a diverse line-up of specialised investment management 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 Natixis Investment Managers' ESG Policy and Responsible Investment Report, 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, Affiliates 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, Affiliates have the discretion to decide how to implement this Policy. Many have responsible investment policies of their own, as well as dedicated ESG Committees or Advisory Boards. Some Affiliates also have policies covering other aspects of ESG, including engagement and proxy voting. Some Affiliates also report regularly on ESG performance through newsletters and fund updates. The NIM Policy also contains guidelines on exclusions and on Natixis Investment Managers' approach to climate risk.

Many Affiliates use in-house models to assess the impact of ESG issues; these rely on data from companies, or from governments and other outside organisations. Affiliates also work with third party data providers, such as Institutional Shareholder Services (ISS), MSCI and Sustainalytics. Where used, these models allow Affiliates 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.

1.2. Natixis Investment Managers S.A. ESG Approach and Sustainability risk integration within the investment process

NIM S.A.'s approach to responsible investment follows the principles set out in the Natixis IM Group's ESG policy. NIM S.A. acts as the management company of collective investment schemes the management of which it has delegated to the Affiliates of the Group. As a result, NIM S.A., although it sets out the key principles of its approach to ESG in this policy, relies on the responsible investment policies of the Affiliates in charge of the investment management of the funds under delegation.

Although sustainability risks are generally deemed relevant for these funds, the degree of sustainability risk integration within the investment-decision making process will vary depending on the Affiliate and on the fund's ESG ambition as set in its investment strategy. NIM S.A. funds promoting ESG characteristics or having a sustainable investment objective would focus on well rated securities from an ESG viewpoint 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.

1.3. Exclusion policies

The ESG integration approach of certain Affiliates 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 Affiliates; there are no mandated, Group-wide exclusions.

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

2. Engagement and voting at Natixis Investment Managers S.A.

Natixis Investment Managers S.A. believes that engagement with the companies in whose securities its funds invest – particularly through the exercise of voting rights – is an important element to the investment management process. 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 unit holders are served. Natixis Investment Managers S.A.'s voting policy sets out the arrangements for abiding with these principles.

To ensure that voting benefits from the monitoring of relevant corporate events during the investment management process and that it accords with the chosen investment strategies for meeting the objectives and policy of the relevant UCITS, the responsibility for exercising voting decisions is assigned, through the delegation mandate, to the corresponding investment manager in charge of each fund investment management process. Accordingly, the manner in which ESG criteria are integrated into the voting process is at the discretion of the relevant delegate investment manager.

3. Consideration of sustainability risk as part of the remuneration policy

Following the entry into application of the Regulation (EU) 2019/2088), our remuneration policy has been updated to reinforce promotion of sound and effective risk management with respect to sustainability risks. The objective of this update was to ensure our 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 S.A.

Given its delegated model, NIM S.A. has implemented an oversight programme over its affiliated investment managers which is known as the Delegated Oversight Programme (the DOP). This programme is operated by a team specialising in third party oversight. Its objective is to identify, measure and mitigate risks arising from the delegation of portfolio management to the Affiliates. The DOP programme makes use of a range of oversight tools covering, amongst other things, each Affiliate's ESG framework.

Find out more:
visit: im.natixis.com

ADDITIONAL NOTES

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