



# Responsible Investment Policy

Natixis Investment Managers International

April 2023



*This Responsible Investment Policy presents Natixis Investment Managers International (hereafter “NIM International”) policies and practices in relation to environmental, social and governance (ESG) investment considerations. It illustrates the strong commitments taken by Natixis IM International to promote responsible investment throughout its activities, in line with French and international regulation and its developments.*



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## Vision of Natixis Investment Managers

Natixis Investment Managers International ("NIM International") is a subsidiary of Natixis Investment Managers ("Natixis IM"), the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. Natixis IM has developed an approach to responsible investment that fits its multi-affiliate model.

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.

As a signatory to the UN Principles for Responsible Investment (PRIs), Natixis IM recognises that ESG factors can affect investment portfolio performance and undertakes to promote the implementation of the following 6 principles within its organisation:

- factor ESG issues into the investment analysis and decision-making process;
- be an engaged shareholder and factor ESG issues into shareholding policies and practices;
- demand that investee companies publish appropriate information on ESG matters;
- encourage asset managers to sign up to and apply the PRIs;
- work in partnership with the actors of the financial sector committed to respecting and improving implementation of the PRIs;
- report on actions taken and progress made in applying the PRIs.

Natixis IM's responsible investment approach is based on five different investment objectives promoted among its affiliated investment management companies (the "Affiliates"):

- alignment of values: aligning the investment portfolio with clients' ESG preferences;
- financial performance: considering ESG factors as a key driver of fund performance;
- risk management: seeking to improve analysis of investment risks by considering ESG aspects;
- influence: implementation of responsible practices by investee companies;
- impact: contributing to the development of solutions that address social challenges, such as those set out in the UN Sustainable Development Goals (SDGs)

Natixis IM participates proactively in various climate change initiatives. These include:

- The Investor Leadership Network (ILN), which advocates stricter disclosures of climate information. It was created to foster collaboration between leading international investors on key challenges affecting sustainability and long-term growth. In September 2019, the network published a report on lessons learnt by ILN members from the roll-out of recommendations issued by the Task Force on Climate-Related Financial Disclosures (TCFD).
- The One Planet Sovereign Wealth Fund (OPSWF) seeks to accelerate incorporation of climate change analysis into the management of sovereign wealth funds.

Natixis IM is also a member of the CERES Investor Network on Climate Risk and Sustainability and the Global Economic Forum.

## NIM International's responsible investment approach

NIM International's approach to responsible investment forms part of Natixis IM responsible investment policy. Engaged in sustainable development and responsible investment challenges, NIM International developed a structured investment strategy that integrates ESG criteria.

As one of the world's leading asset managers, NIM International is well aware of its role and responsibilities in better integrating environmental, social and governance issues throughout its value chain. Accordingly, NIM International has decided to take its responsible management approach a step further by developing a special range of funds and solutions in line with the rigorous business model.

NIM International's responsible investment approach should be analysed in light of the specificities of its business. NIM International has two core business activities: portfolio management and distribution of Affiliates' investment vehicles:

1. NIM International is the management company of open-ended collective investment schemes whose financial management is delegated to the portfolio management companies of Natixis IM (quasi-exclusively).
2. NIM International acts as the management company in its own right for collective investment schemes whose financial management it conducts itself. In these cases, it offers investment solutions that draw on the expertise of its affiliated management companies, among others. This activity is run by its Natixis Investment Managers Solutions department (NIM Solutions). NIM Solutions brings together experts in investment portfolio analysis, asset allocation and structuring.

For funds whose management is delegated to an Affiliate, NIM International relies on the responsible investment policies of the Affiliate in question. For responsible investment funds managed by NIM Solutions, the Affiliates' responsible investment approaches are supplemented by a proprietary analysis model which combines quantitative and qualitative approaches to securities selection. This model is designed to be applied to fund of funds schemes managed by NIM Solutions. The process is explained in greater detail in the section on ESG integration.

Our role as a responsible actor in the market is therefore:

- to analyse and inform our clients about the responsible investment capabilities of the Affiliates forming part of NIM Solutions' asset allocation universe;
- to construct ad-hoc investment solutions integrating ESG criteria to the investment process;
- to work with our clients to address their questions related to responsible investing and accompany them throughout the portfolio construction process based on their ESG preferences and objectives

This approach to responsible investment plays to the strengths of NIM International as follows:

- the growing offer of responsible investment products and solutions among the Affiliates Natixis IM, applying a variety of methodologies (exclusion, best-in-class, best-in-universe, etc.);
- NIM International's ESG specialists, who are in continuous dialogue with the Affiliates and backed by the Natixis IM ESG team;
- the expertise of the portfolio managers specialised in asset allocation within NIM Solutions' division through an in-house socially responsible investment process;
- the expertise of NIM Solutions portfolio managers in to build solutions aligned with clients' requirements, particularly as regards socially responsible investments (specific exclusions, special themes, etc.);
- the skills of NIM Solutions structuring team to who embed ESG analysis into our structured product offering



## ESG integration

NIM International believes responsible investment practices are essential if financial markets are to play a more virtuous role in the economy. NIM International therefore offers its clients investment products allowing to seize opportunities for sustainable growth, through a range of solutions that blend financial performance with robust non-financial analysis.

Our approach to ESG integration is customised to the specificities of NIM International's business activities.

For investment vehicles delegated to the Affiliates, the ESG integration approach is that of the Affiliate in question.

For products managed directly by NIM Solutions, the ESG integration approach is applied to closed- or open-ended funds and to responsible investment solutions based on the following pillars:

- the long-standing responsible investment expertise of Natixis IM Affiliates including Mirova, Ostrum AM, DNCA and Thematics AM among others. The number of Affiliates able to offer responsible investment solutions increases year by year;
- a selection among the Affiliates' expertise by NIM Solutions teams. Based on an ESG qualitative analysis "Conviction & Narrative".

For our portfolio management business, NIM Solutions has developed its own in-house ESG methodology, based on a dual quantitative and qualitative approach. This is applied to certain funds of funds and complements other core fund selection criteria such as risk analysis, long-term strategic allocation and short-term tactical management:

- first, the investment universe is defined by applying a quantitative screen to funds, using ESG data of recognised providers;
- the NIM Solutions teams then applies a proprietary screening and scoring methodology to identify and track over time ESG funds across all sectors;
- the final phase following the quantitative analysis involves the Conviction & Narrative proprietary qualitative methodology developed by the NIM's ESG experts. This examines but is not limited to, the following criteria: ESG experience of the investment team, integration of ESG considerations into the investment processes of underlying funds, transparency of ESG disclosure and voting practices. The analysis aims at providing a level of transparency that goes beyond the traditional ways of calculating ESG factors. The review of the analysis is carried out during major changes within the management company or impacting the selected strategies (evolution of the structure of the affiliates, change within the teams concerned, or modification of their management process..).

The aim of the above ESG analysis model is thus to:

- measure the weight given to ESG factors in the investment strategy of each fund where we invest in the framework of our responsible investment product range;
- verify the clarity of the convictions and objectives of underlying investment products and measure ESG integration at each operational stage of the investment process.
- provide an independent, impartial and complementary analysis of the credibility of the responsible investment processes we select for ESG<sup>1</sup> funds of funds

This ESG integration framework, introduced for the launch of the ESG funds of funds range, testifies to NIM International's determination to integrate responsible investment criteria into its investment processes.

1. Currently, this methodology is applied in full or in part to the ESG funds of funds managed by NIM Solutions based on the decisions of portfolio managers.

## Voting policy and shareholder engagement

With the aim to protect the interests of its investors, NIM International owes a duty of care to unitholders to monitor the value of their investments and exercise the ownership rights attached to the securities held in the portfolios under its management. NIM International therefore exercises its voting rights in the exclusive interest of the unitholders.

For the investment vehicles managed directly by NIM International, i.e. not delegated to an Affiliate, the voting policy of NIM International is being applied. The policy and the voting report can be found on the NIM International website both in French and in English under “Informations Réglementaires” (Regulatory Information).

NIM International may delegate the selection of securities to different investment management companies of Natixis IM (Affiliates) in line with its multi-affiliate model. As specified in the legal documents of the relevant funds, such delegation is subject to an agreement between NIM International and the relevant Affiliate to whom the right to exercise the voting has been delegated. Consequently, the Affiliate, in its role of a delegated investment manager, will exercise the voting rights based on its voting policy. The voting policy and reports can be found on the Affiliates' websites and in NIM International's voting policy.

## Exclusion policies

Since September 2022, NIM International has implemented a coal exclusion policy in line with the Natixis group's coal exclusion policy. This policy is available on its website for more information, it applies to the direct management activities of NIM International. Regarding the part of the activity for which financial management is delegated to Affiliates, NIM International relies on the exclusion policies of its Affiliates and acts as a coordinator among the Affiliates. Each Affiliate in charge of the investment management of funds for which NIM International acts as the management company regularly sends its exclusion policies (also available on Affiliates' corporate websites) and updates to NIM International. Most of the Affiliates responsible for investment management of NIM International's AuM have implemented such exclusion policies as:

- cluster bombs and anti-personnel mines;
- coal and mountain top removal mining;
- worst-offenders;
- tobacco.

## Combating climate change

NIM International sees climate change issues as of critical importance and includes them in its ESG analyses. This is usually done by questionnaires sent out to Affiliates, which include a dedicated climate section, in coordination with NIM's ESG specialists. NIM International normally relies on the climate engagement policies of its Affiliates. Most of them are PRI signatories, including the recently added recommendations on reporting made by the TCFD – Task Force on Climate-related Financial Disclosures. The PRIs represent key objectives for the Affiliates.

## Governance

Within NIM International, NIM Solutions has set up an ESG team that is separate and independent from the investment management teams of NIM Solutions and the Affiliated investment managers of Natixis IM.

The ESG team of NIM Solutions in collaboration with the fund analysis team of NIM Solutions is in charge of the qualitative ESG “Conviction & Narrative” analysis. This analysis makes it possible, among other things, to ensure the intentionality and credibility of the responsible investment approach within the Affiliates and to ensure that ESG criteria are integrated into their investment processes and decisions.

The ESG team thus supports the management teams of NIM International to provide additional qualitative ESG analysis, in support of investment decision-making.

In addition, NIM Solutions works in close collaboration with the ESG function of Natixis IM in order to define and strengthen the methodology relating to ESG analyzes concerning investment processes.

NIM Solutions creates and manages funds of funds or funds which espouse a responsible multi-manager philosophy and investment process. It draws on the resources of the Diversified Beta team, some managers are specialised in managing responsible investment portfolios in addition to managing traditional investment vehicles.

It is worth to note that NIM's subsidiaries have their own extra-financial analysis teams integrated into the existing investment research function, portfolio management and investment processes. NIM International can call on some 30 dedicated ESG experts throughout the Affiliate network and this figure is constantly increasing.

NIM Solutions also has a committee that meets quarterly and brings together portfolio managers, ESG analysts. All issues affecting responsible investment by the NIM Solutions team are discussed.

NIM International offers special training programmes in responsible investment to all members of investment teams including portfolio managers.

## Content, frequency and media used to keep clients informed

Indicators	Content	Frequency	Media
<b>Responsible investment strategy</b>	vision and procedures used for responsible investment	Annual	Website
<b>Voting and engagement policy</b>	Voting and engagement framework and procedures in place	Annual	Website
<b>Report on the exercise of voting rights and engagement</b>	Annual results of votes and dialogue with companies	Annual	Website
<b>Fund transparency code</b>	AFGFIR/EUROSIF Transparency Code for SRI funds	Annual	Website
<b>Regulatory reporting - (LEC 29)</b>	Reporting included in the annual reports of all funds over €500m	Annual	Website

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