

# Natixis Investment Managers Singapore Limited

## 1. INTRODUCTION

Natixis Investment Managers Singapore Limited (NIM Singapore) holds a capital markets services licence issued by Monetary Authority of Singapore (MAS) under the Securities and Futures Act, Chapter 289 of Singapore to conduct fund management.

At present, NIM Singapore invests in listed Emerging Asia Pacific equities and developed Asian Equities ex Japan.

NIM Singapore strives to take all ESG dimensions on board in investment decisions, as we roll out our responsible strategy by drawing on:

- An extensive sector and exclusion policy i.e. regulatory, sector and discretionary
- An integration policy with the investment process
- An engagement policy that is applied individually via engagement dialogue with management of companies



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## 2. NIM SINGAPORE ESG APPROACH

NIM Singapore ESG investment approach draws on three complementary dimensions:



### 2.1 Exclusion policies

NIM Singapore is a responsible asset manager and as such, its business does not support sectors or issuers that do not comply with certain fundamental responsibility principles, in keeping with our responsible investment approach and our fiduciary duty to our clients. We have therefore set out a number of sectors and exclusion policies that apply to our entire investment universe, as shown below.

#### 1. Controversial weapons

- NIM Singapore decided to extend the scope for its controversial weapons exclusions and take our approach beyond the pledges already set out to comply with the Ottawa Treaty (1993) and the Oslo Convention (2008) on anti-personnel mines and cluster bombs.
- NIM Singapore now excludes from its investments all issuers involved in the use, development, production, sale, distribution, stockpiling and transport of anti-personnel mines and cluster bombs, chemical weapons, biological weapons, nuclear weapons (outside the Non-Proliferation Treaty), and depleted uranium weapons.
- We define issuer involved in weapons production as any manufacturers of finished weapons and companies producing crucial components specifically designed for these weapons.
- Issuers that are proven to be involved in this business will be systematically excluded: there is no minimum exclusion threshold or any exception to this policy.
- In addition to extending the direct exclusion scope, NIM Singapore also reserves the right to exclude issuers in the Defense sector or issuers involved in other sectors that are not directly covered in the examples mentioned above if they support the dissemination of weapons that may lead to unnecessary or unjustifiable suffering to fighters or indiscriminately affect civilians, in line with the United Nations' principles.
- In this event, NIM Singapore will conduct its own investigations and engage directly with corporates to dialogue on the question where necessary.

## 2. Tobacco

NIM Singapore pledges to halt support for the tobacco sector, which is one of the worst offender sectors and runs contrary to the United Nations Development Program's Sustainable Development Goals due to its particularly negative social, societal and environmental effects.

## 3. Coal

NIM Singapore would exclude companies that develop new coal projects as source of growth. This policy applies with a six-month timescale for divesting holdings in companies concerned under normal market conditions.

Additionally, NIM Singapore no longer invests in companies that have not set out a coal phase-out strategy in line with the Paris Agreement in 2021. We monitor the credibility of these exit plans and their funding. NIM Singapore will engage and dialogue extensively with companies as it applies this measure.

Companies are excluded if they exceed the following thresholds:

- 30% of energy generation revenue streams derived from coal or from coal production
- 15 million tons of thermal coal production on an annual basis
- 5 GW in installed coal-based power capacity
- A coal share of power generation of 30%

## 2.2 ESG Integration

- We resolutely believe that ESG dimensions can impact the analysis of companies' risk profiles and performances, so here at NIM Singapore, we take ESG aspects on board across almost 100% of assets analyzed.
- We firstly screen to exclude the worst offenders from our investment universe using our various exclusion policies (further details are provided above), then our investment teams systematically assess whether non-financial factors can impact development and sustainability for each underlying issuer, as they consider both the risks and opportunities, as well as the likelihood that material events will emerge.
- ESG practices are deemed to be an integral component of a company's overall quality. Our analysts/portfolio managers therefore analyze a company's or a sector's risk, while also identifying any opportunities related to ESG. Our teams engage with companies to discuss these aspects.
- The equity portfolio management team thus seeks to ward off any potential risks via ESG considerations. ESG analysis is a keyway to single out any long-term trends that could disrupt certain business sectors, so incorporating ESG dimensions into traditional financial analysis enhances visibility on company's quality over the longer term. These considerations also offer an opportunity for the equity portfolio management team to ascertain opportunities (new markets, technologies, etc.) and companies that harbor growth potential.
- We systematically take on board ESG factors when assessing risk and analyzing companies' fundamentals.

## 4. Blacklisted States

NIM Singapore complies stringently with current regulation and does not invest in:

- Countries under US or European embargo, which would contravene current restrictions
- Countries identified by the Financial Action Task Force (FATF) as presenting severe deficiencies in their anti-money laundering and combating the financing of terrorism set-up worldwide

## 5. Worst Offenders (controversy management)

NIM Singapore is committed to excluding from its investment scope all equities, bonds and any other financial instruments from private issuers whose business is proven to contravene a range of fundamental responsibility standards. Issuers involved are all entities, whether listed or unlisted, that are proven to contravene the main principles of internationally established standards (United Nations, OECD) as regards human rights, labor rights and business ethics, as well as environmental protection.

We draw on specialist non-financial data providers in our identification of controversies and our teams' expertise (analysts, portfolio managers).

## 6. Restricted Lists

Apart from the exclusion mentioned above, NIM Singapore will also exclude issuers which are part of restricted list prepared by the Natixis Group.

### ESG: PHILOSOPHY

We want to assess extra-financial risks and their materiality on our investments

Bottom-up Analysis

Sector Agnostic

Qualitative Analysis

Quantitative Analysis

- With respect to ESG considerations, the Investment Manager uses a proprietary ESG model for conducting its analysis. For each of the companies, it appraises both quantitative and qualitative indicators.
  - *Quantitative information is obtained through ESG data providers and through extra-financial reports from companies.*
  - *Qualitative assessment is based on factual information and on interviews with the companies' management.*

**More specifically, the ESG considerations include, but are not limited to, the following criteria:**



## ESG Scores

Investment team will assign score after the qualitative assessment to each of the abovementioned criteria. Quantitative scores are pulled for indicators based aligned to the criteria. Combined score then becomes the basis of overall ESG assessment of companies.

The findings of the ESG research are deliberated in detail by the investment team to identify any material non-financial risk associated with the company. The review is vital in assessing the strengths and weaknesses of any company in terms of a specific ESG dimension identified.

In our role as a long-term investor, it is crucial to be able to ward off future ESG risks as we closely monitor the future of the companies, we invest in. In some cases, we can observe that some ESG risks are not necessarily material in the short term, but they will take on a material dimension in the next ten years e.g. risks resulting from climate change.

We have therefore set out specific ESG issues that are not material for the moment or even in the medium term, but that are poised to become material in the long term. We monitor these aspects for change, providing a key advantage in our approach and setting our proprietary research as differentiated.

## Portfolio carbon footprint

- Pursuant to TCFD (Task Force on Climate related Financial Discourse), we monitor portfolio carbon footprint monthly relative to the respective benchmarks.
- Key data sets monitored:
  - Carbon emissions per million USD invested (tonnes/million USD)
  - Carbon intensity (weighted average tonnes/million USD)

## 2.3. Engagement

- NIM Singapore has made engagement one of its key priorities. The integration of ESG criteria is a growing area for dialogue with companies, and also offers us a much more extensive insight into the firms we invest in, as we support them in enhancing their ESG practices.
- Investment teams are having constant dialogue efforts with companies on specific theme/subject on ESG and/or there is insufficient data on them.
- Dialogue with companies offers an opportunity to address the ESG challenges identified by the investment team of analysts and portfolio managers as part of our broader analysis of corporate practices. The various aspects are presented and discussed, and we systematically monitor progress to assess each company's commitment.
- We will prioritize aspects related to controversies, where the company must clarify the possible risks for its stakeholders, assess its degree of responsibility and implement corrective measures.
- NIM Singapore may therefore dialogue with any issuer that seeks to engage with investors, encouraging an improvement in ESG practices.

- Corporate and shareholders' responsibility must seek to equally take on board the best interests of all stakeholders and not solely consider shareholder interests.
- Against this backdrop, NIM Singapore believes that exiting its investments is not the best way to express its disagreement on issues of corporate governance. Withdrawing from investments is a last resort and is only relevant as a way to protect unitholders' interests.
- NIM Singapore's shareholder responsibility is reflected in its engagement approach, which endeavors to highlight any risks that are insufficiently taken into account by the company and urges it to take steps to mitigate these risks.
- Challenges facing companies are best analyzed with a long-term view in mind, and this particularly involves greater consideration of ESG matters. We also dialogue with companies to look at resolutions presented at shareholder meetings.
- By regularly discussing with companies, we are able to monitor how each one addresses major challenges facing its business over time.
- This ongoing engagement process applies to all securities held in NIM Singapore's portfolios. NIM Singapore takes a long-term engagement approach, and so we monitor corporate practices over time, shaping our buy and sell approach by degrees:
  - Improvement/deterioration in ESG rating
  - Freeze or unfreeze on investment restriction in a stock
  - Temporary divestment
  - Exclusion/reintegration into our investment universe.
- *Exercising shareholder voting rights*  
In keeping with our engagement efforts, NIM Singapore encourages the companies that it invests in to develop their practices by voting at shareholder meetings for all investments in accordance with our active voting policy, as we consistently strive to meet the highest standards and take on board social and environmental questions. NIM Singapore constantly endeavors to act transparently in its role as shareholder and has developed a platform summarizing our votes by company and by fund.

### 3. Conclusion

We draw on our full range of exclusion and integration processes to develop our sustainability risk reports.

Sustainability risks and opportunities are factored into our assessment of business sectors as well as companies via our quality and risk analysis.

We take on board these sustainability risks in the following ways:

- Our exclusion policies
- Our controversy management policy
- Screening for ESG criteria across almost 100% of our investment holdings
- Non-financial aspects are systematically included in our fundamental analysis where information is deemed to be material, i.e. having an impact on the company's operating/financial risk
- Our engagement policy

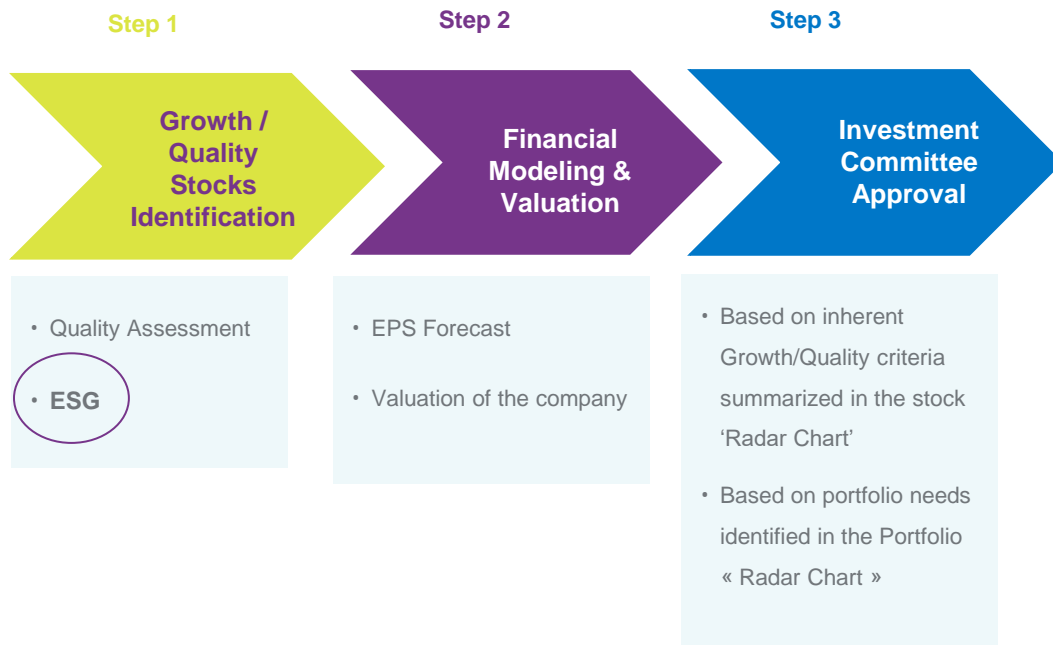
We combine these various actions to single out any environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

## 4. Appendix

ESG is one of the key pillars of fundamental investment research process

### EQUITY INVESTMENT PROCESS & ESG

ESG IS ONE OF THE FIRST STEPS IN THE INVESTMENT PROCESS



ESG scores are well integrated into Valuation tool through discount rate

### ESG: 2 LEVELS OF INTEGRATION

EMBEDDED IN OUR EX-ANTE BOTTOM UP ANALYSIS

