
ESR sector policy applicable to the tobacco industry

1. Context and Rationale

The fight against smoking is at the heart of prevention of chronic non-communicable diseases. A major cause of death, diseases and disability, “the tobacco epidemic is one of the biggest public health threats the world has ever faced”¹ according to the World Health Organization.

Concerned about the spread of tobacco smoking and its devastating consequences on health, social, economic and environmental aspects, Natixis, in accordance with its Environmental and Social responsibility objectives, ceases its financing and investment activities linked to the tobacco industry² worldwide as follows.

This document presents the overall exclusion framework applicable to the tobacco industry.

2. Scope of application of the Policy

The “Tobacco Policy” (or the “Policy”) applies worldwide to Natixis’ business lines and entities mentioned in this policy. It applies to all companies within the scope of application and criteria of the Policy.

The Policy applies to the following financial products and services provided by Natixis:

Bank financing:

- Dedicated financing - in the form of *project finance*, export finance, sale, or trading, or all type of dedicated *corporate* financing.

¹ <http://www.emro.who.int/fr/noncommunicable-diseases/causes/tobacco-use.html>

² As defined by WHO « *products entirely or partly made of the leaf tobacco as raw material which are manufactured to be used for smoking, sucking, chewing or snuffing.*».

- *Corporate* financing, when facilities are to be used for general purposes and are not specifically allocated to precise equipment.

The term financing also covers all types of related banking or capital market products and services, including guarantees, letters of credit, swaps, and other associated facilities.

Capital Markets :

- Bond or equity issues
- Trading and sale of tobacco financial derivatives
- The origination of capital market transactions on listed stocks when Natixis is responsible for discretionary asset management.

Conversely, when Natixis is not responsible for discretionary asset management, Natixis informs and encourages its clients to adopt the Policy but remains bound by the client's final decision, in compliance with Natixis's fiduciary duties.

Third-party Asset management:

- All Mirova's fund range
- All SRI funds from Ostrum Asset Management
- Open-ended funds directly managed by Ostrum Asset Management where Ostrum Asset Management takes responsibility for investment decisions³.

Conversely, for the other asset management types (dedicated funds or mandated asset management) on which clients define the investments to be carried out, Ostrum Asset Management informs and encourages its clients to adopt the Policy but remains bound by the client's final decision (or its delegate), in compliance with the its fiduciary duties.

Insurance:

Regarding Natixis' insurance activity, Natixis Assurances, apply the Tobacco Policy on all dedicated funds and portfolios under management agreement.

³ With the exception of the AAA *Actions Agro Alimentaire* thematic fund and any kind of index-linked solution.

3. Implementation criteria

For transactions within the scope of application outlined in section 2 above, the following exclusions apply to any new company active in the production, manufacturing, wholesaling and trading of tobacco products:

3.1 Natixis will not participate in any dedicated facility to finance investments (infrastructures, equipment, etc.) and current assets of the operating cycle related to the tobacco industry.

3.2 Natixis will not participate in any *corporate* general purpose financing in favor of a borrower whose activity is relying by 25%⁴ or more on tobacco industry.

3.3 Natixis will not participate in any acquisition financing of a company whose activity is relying by 25%⁴ or more on tobacco industry.

3.4 For the other transactions within the scope of application outlined in section 2 above, covering the activities related to capital markets, third-party asset management, Natixis applies the same criteria to the target company as those referred to in Part 3.2.

4. Date of implementation of the Policy

For the financing and banking activities, the Policy applies to any new transaction as of the date the Policy is published. All existing contractual commitments non-compliant with the Policy will be honored but will not be renewed at maturity.

Regarding third-party asset management, as defined in the scope of application outlined in section 2 above:

- All existing investment non-compliant with the Policy will be sold by the end of 2018;
- Any new investment in a company as defined in section 3 will be excluded.

5. Implementation and decision-making process

In the event of uncertainty as to whether a transaction complies with the Policy, an additional analysis may be carried out and presented to Natixis' highest level credit

⁴ Activity is measured by using revenues as available in the latest published financial statement. If the borrower belongs to a group (i.e. holding or subsidiary), the share of revenues derived from tobacco is calculated for both the borrowing entity and the group it belongs to. General purpose corporate financing of the borrower is excluded if and when one of the two ratios stands at 25% or more.



committee, chaired by Natixis CEO (or his designated representative) in order to reach final position.

Natixis reserves the right to amend, improve or develop at any time without prior notice this Policy.