Natixis CIB Green & Sustainable Hub

ESG in the High Yield market – Investors views

ESG consideration in Leveraged Finance Transactions

June 2021

Natixis' CIB Green & Sustainable Hub

Expert, operational and cross-asset global set up leading expertise in Green & Sustainable Solutions

22
Global team
(EMEA, APAC & Americas)

Cross-Asset
Investment Solutions
Financing Solutions & Advisory

Investor's Intimacy
Syndication Resource
Market Intelligence

Recognized Experts
Safeguarding "Green" Integrity
Exploring "Uncharted Territories"

Innovation Orientation
First CMBS, Repack, EMTN…

Global Head

Center of Expertise

Business Management

Syndication

Thematic Research

Investment Solutions

Cross-Asset Origination & Advisory

Outstanding Market & Clients recognition

1st *# of Sustainability Coordinator Deals* – EMEA ESG-linked Loan's volume 2019, Bloomberg

3rd *Volume of issuance* – Green, Social, Sustainability Bonds 2000 – 2020, EUR Denominated, Bloomberg

The Banker Investment Banking Awards 2020 – Investment Bank of the Year for Equity-linked Products (ESG)

The Banker Investment Banking Awards 2018 – Most Innovative Investment Bank for Climate Change & Sustainability

IFR Awards 2019 – Social Loan of the Year 2019; Green Bond of the Year 2019

The Assets Awards 2020 – Best Green Bond; Best Sustainability-linked Loan; Best Syndicated Green Loan

SRP – Deal of the Year 2020 (Equity-linked structured note)

GTR Best Deals – 4 sustainability-linked loans 2020 (Cofco, Bunge, Rusal, Cocobod)

Climate Bonds Standard Certified – 1st project certified by CBI in the GCC region (ACWA Power 2019)

Active player in Sustainable Finance development

Debt Capital Markets (DCM)
- Green, Social & Sustainability Bonds
- Sustainability-Linked Bonds
- Transition Bonds
- Thematic Bonds (Water, Blue bonds)
- SDGs[2] Bonds
- Hybrid, Catastrophe, Subordinated

Equity Capital Markets (ECM)
- Sustainable Convertible Bonds
- IPO ESG Advisory

Real Assets & Infrastructure
- Green & Social Loans

Global Markets
- Sustainability-linked IR & FX Swaps
- Equity-Linked Notes
- Thematic Equity Indexes

Structured Credit Solutions (GSCS)
- Sustainable Securitization
- Sustainability-linked Capital calls
- ESG CLOs
- Green Repack Notes

Strategic Equity Transaction (SET)
- Green Margin Loans
- Share buybacks

Acquisition & Strategic Finance (ASF)
- Sustainable & Sustainability-linked financing

Mergers & Acquisitions (M&A)
- ESG Advisory

Corporate Loans Structuring (CLS)
- Sustainability-Linked Loans
- Low-Carbon Repo facilities

Trade & Treasury Solutions (TTS)
- Sustainable Supply Chain Financing
- Sustainable Commercial Papers (CPs)

Some products not available in certain jurisdictions

Strong involvement in building sustainable finance

REGULATORY WORKING GROUPS

European Commission Technical Expert Group
Member

SUSTAINABLE FINANCE Expert Group
Established by the European Commission
Member

MARKET ASSOCIATIONS

Sustainability Bond Principles
Active Member
Member of Executive Committee
Co-Chair of Research Working Group
Co-Author & co-chair of sustainability-linked bond Principles

Green Loan Principles
Working Groups
Keynote Speaker (2018)
Regular Panelist (2018 / 2019)

Climate Transition Finance
Co-chairing of the Working Group
Co-author of the
Climate Transition Finance Handbook

Climate Bonds Initiative
Member

SuRe standard
Founding Member

REGIONAL WORKING GROUPS

China Green Finance Committee
Active Member

Hong Kong Green Finance Association
Founding Member / Honorary Chairman
Co-chairing of a Working Group

Finance for Tomorrow
Active Member

NATIXIS BEYOND BANKING

CONTENTS

1 EXECUTIVE SUMMARY

Key takeaways

HY investors ready to level up ESG market practices

KEY FINDINGS

1. **The results show views from a diverse range of HY investors based in North America and Europe** (the most mature markets on ESG).
2. **All respondents state they closely look at ESG performance of investee companies in a way or another** (note worthy our panel of respondents is well balanced between ESG experts and Fixed Income specialists).
3. **Most HY investors (90%) exclude controversial companies and those showing poor ESG ratings.** 2/3rd apply an ESG integration methodology and/or define investment universe based on sustainability considerations.
4. **42% of HY investors declare to have a dedicated SRI bond fund, while 24% declared to either have a "Green" bond fund or an "Impact" bond fund** (in reference to the contribution to the realization of the UN SDGs).
5. **Most HY investors (78%) do not have a targeted allocation of GSS bonds** (be it UOPs bonds with earmarked proceeds, or SLBs) for their funds.
6. **HY investors plebiscite Green issuances** (focusing on Climate action and other environmental themes). **SDG-related issuances rank 2nd** evidencing HY investors' **sensitivity to all sustainability issues** (either environmental or social).
7. **There's no clear-cut preference between bonds with Green and/or Social UOPs or SLBs** (with payoff mechanisms linked to sustainable KPIs and sustainable performance targets, or "SPTs").
8. **Most HY investors (78%) also state they engage with issuers on their ESG performance/ rating** (when appropriate) **and/or Climate strategy.**
9. **>50% of HY investors expect to grow their ESG investments faster than the market in the coming months.** This highlights the race for ESG that has already started on the HY segment.

NATIXIS GSH COMMENTS

- **ESG has no geographical boundaries.** Both North American and European HY investors monitor the ESG performance of their investments. Alike in other asset classes, **ESG will progressively goes mainstream in the HY segment.**
- **To date, most HY investors prefer not to commit to allocate a specific share of their investments to GSS bonds.** This allow them **to remain flexible** and adapt their sustainable strategies as market evolves. **Lack of supply might also be seen as a justification.**
- The fact that 42% of our panel already running HY SRI bond funds shows the **willingness of HY investors to offer sustainable investment solutions.** Green / Impact HY bond funds will likely complement their product range.
- **HY investors welcome any format of GSS bonds.** However, **SLBs might be better suited to the HY segment** particularly as regards constraints relating to the size of the pool of eligible assets for UOPs issuances. **This echoes growing investors' interest we observe for Sustainability-linked TLB, including from CLOs managers.**
- **Regulatory context is helping**, EU being at the forefront with its Sustainable Finance Action Plan. **Thanks to the new sustainability disclosure requirements directives** (CSRD for corporates and SFDR for all financial market participants) **and the guide "on ESG disclosure in Leveraged Finance Transactions"** released by the ELFA, the LMA and the PRI, **the HY segment should no longer lag the IG segment when it comes to ESG considerations.**

Glossary:

- ESG: Environmental, Social and Governance
- SRI: Socially Responsible Investment
- GSS bonds: Green, Social and Sustainability-themed bonds
- UOPs: Use of Proceeds
- SLBs: Sustainability-Linked Bonds
- TLB: Term Loan B
- UN SDGs: United Nations Sustainable Development Goals
- CSRD: Corporate Sustainability Reporting Directive
- SFDR: Sustainable Finance Disclosure Regulation
- ELFA: European Leveraged Finance Association
- LMA: Loan Market Association
- PRI: Principles for Responsible Investment

2 RESULTS OF OUR INVESTOR SURVEY

Forewords

Capturing the views of HY investors on ESG

CONTEXTUALIZATION

Until recently, the lack of available, reliable, and comparable data for HY corporates has delayed the incorporation of ESG factors in the HY bond asset class. However, **according to S&P*, from the beginning of 2019 to June 2020, HY ESG-related AUM skyrocketed from USD 1.7bn to USD 46.3bn, with the number of ESG-based HY funds increasing from 7 to 43**. This dramatic growth in AUM resulted largely from **rebranding of existing funds** in conjunction with **amending fund prospectuses** to reflect adoption of sustainable investing strategies.

Parallel to this, **a recent publication of the main trade associations in the leveraged finance sector (ELFA, LMA), the *"Company Advisers on ESG Disclosure in Leveraged Finance Transactions"* guide** should help HY issuers improve their ESG practices and transparency, as well as give better ESG information to HY investors (see Natixis article on the subject).

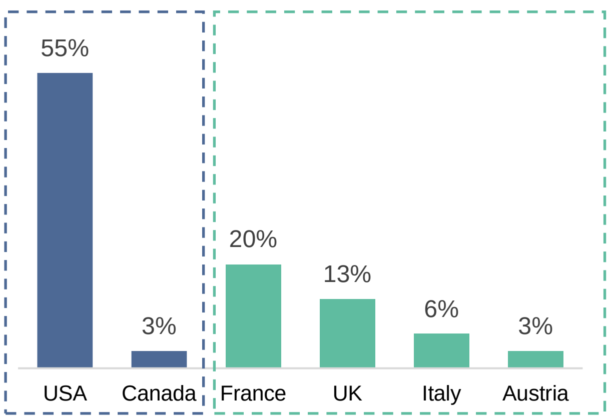
In this evolving context, **Natixis GSH conducted this investor survey with the purpose of assessing the level of ESG incorporation by HY investors and the strategies that are being currently developed.**

PANEL OF RESPONDENTS

35 investors totaling **c. USD 11tn in AUM** have answered the survey.

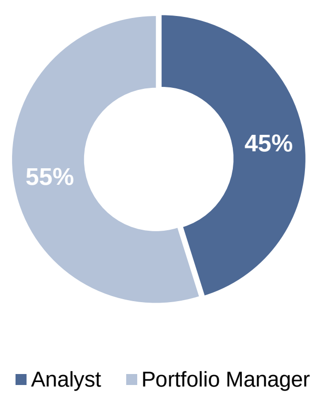
- **A third of this panel's firms hold >USD 500mm in AUM.** Some of them are FI specialist boutiques, the other investors are more generalists.
- **~60% of respondents are based in North America;** the rest being localized in Europe.
- **The panel is almost equally composed of Analysts and Portfolio Managers.** It is also well balanced between ESG experts on the one hand and FI specialists on the other hand.
- **ESG HY specialists are rare,** most of ESG respondents also cover other credit or even equity segments.
- **42% of investors from our panel have at least one HY SRI bond fund and 24% a dedicated "Green" or "Impact" HY bond fund** (see slide number 9).

Respondent's Respective Countries

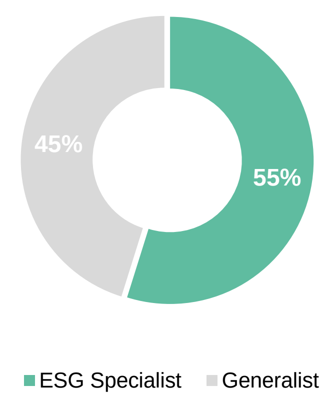


58% in North America **42% in Europe**

Respondent's Job Position



Respondent's Area of Expertise

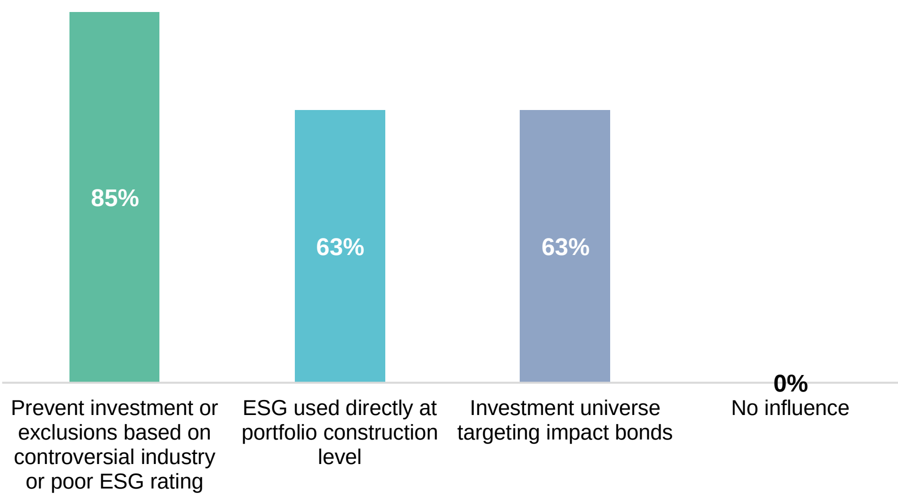


*Source: S&P, This is How High-Yield Managers Are Addressing ESG, 1 September 2020

ESG incorporation in investment process

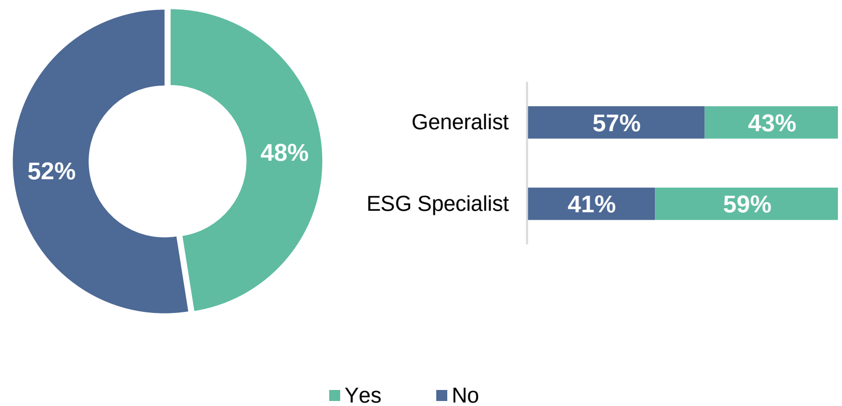
HY investors look closely at ESG performance when making an investment decision

ESG performance's consideration in investment decisions



- **All respondents state that ESG performance influences their investment decisions**. It clearly shows that HY investors now widely acknowledge the interest and the materiality of ESG in their field.
- **Most of HY investors (85%) are considering ESG to exclude controversial industries/ companies**. This consideration is slightly more frequent among PMs (94%) than Analysts (71%). And whilst European HY investors unanimously precise that ESG performance can lead to exclusions, it is less the case when looking at North American investors (72%).
- **Same proportion of respondents (63%) declare they use ESG:**
  - **directly into their portfolio construction process** (stock picking, allocation);
  - **by targeting "impact" bonds to define an eligible investment universe.**

ESG decision process for HY funds



- **The incorporation of ESG in the HY segment has gained in maturity.** Half of respondents declared having an ESG filtering process for their HY funds.
  - This is especially the case with ESG experts with 59% declaring to have a dedicated investment decision process for their HY funds, vs 43% of FI specialists' respondents.
  - It clearly reveals that **ESG specialists favor a broad ESG integration approach rather than having solely a range of dedicated sustainable HY bond funds.**
- **Respondents who state that they don't have specific ESG investment process use ESG as a tool to screen out worst offenders and/or to weight bonds in portfolio construction.** However, FI specialists seem a little bit confused between the different possible approaches.

Sustainable investments targets

Most HY investors do not consider the market mature enough to have ESG targets

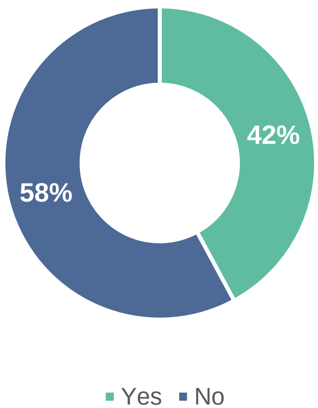
- **15% of investors have an investment target in bonds issued by well ESG rated companies and, to a lesser extent (13%), in GSS HY bonds** (either in GSS UOPs bonds or SLBs).
- **European HY investors seem more advanced.** 31% have an allocation target for bonds issued by well ESG rated companies and/or in GSS HY bonds, compared to 11% of North American respondents.
- On the respondents having an investment target in bonds issued by well ESG rated companies, **75% select companies willing to improve their ESG performance** (engagement practice/ "best-effort" strategy), while 50% choose them with a "best-in-class" approach.
- **However, almost 80% of HY investors do not consider the market mature enough to have sustainable investment targets for their funds.** This finding indicates that to date only a limited number of investors accept to define an ESG process that supplants financial considerations when selecting HY bonds.

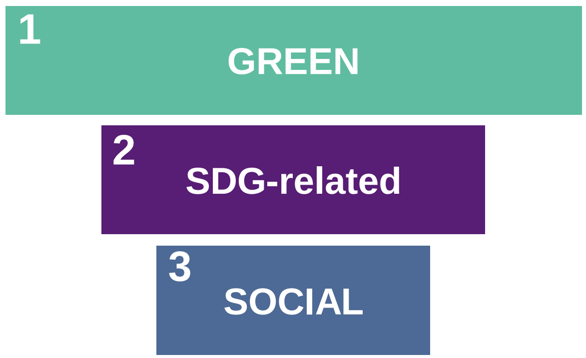
Investment target for Green, Social or Sustainability-themed bonds in HY Funds

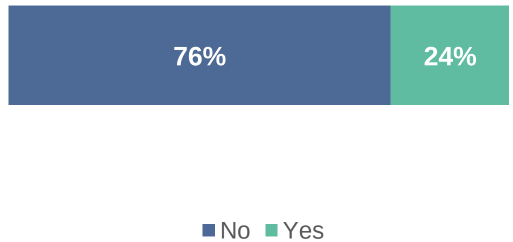
Sustainable preferences

HY investors largely prefer "Green" issuances, SDG-related issuances rank second

Dedicated SRI bond funds	Preference on HY Sustainability-themed bonds	Green / Impact bond funds







Dedicated SRI bond funds

- **42% of the respondents state their company manages a HY SRI bond fund.** These type of funds are more common in Europe (62%) than in North America (39%), at last within our sample. **A few respondents also mentioned their will to launch such a fund shortly.**

Green / Impact bond funds

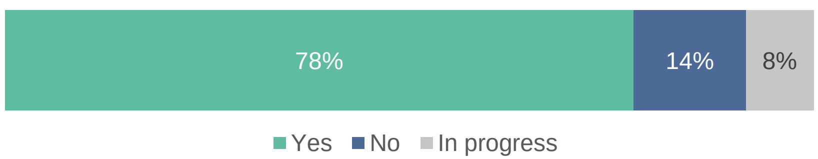
- Dedicated GSS bond fund are less common. **Only 24% of respondents stating their company manages an "impact" HY fund.** HY Green / Impact bond funds are also slightly more common in Europe (38%) than in North America (22%) within our sample.

Preferences on sustainability-themed bonds

- **HY investors prioritize Climate and other environmental themes for their investments, then a more holistic approach of sustainability and welcome any sustainable HY bonds SDG-related**.
- However, **almost a third of the respondents declare no preference between the three kinds of bonds.**
- On the format, **there's no clear-cut preference between bonds with dedicated UOPs or KPI-linked.**
- **However, 50% of Analysts declare their preference for KPI-linked bonds vs 21% for bonds with dedicated UOPs,** which can relate to the development and the appetite for this new product as seen in our previous SLB survey.

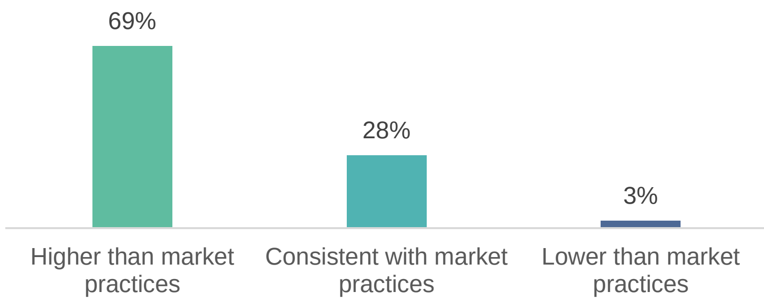
Next steps

More than half of HY investors expect to grow their ESG investments in the coming months

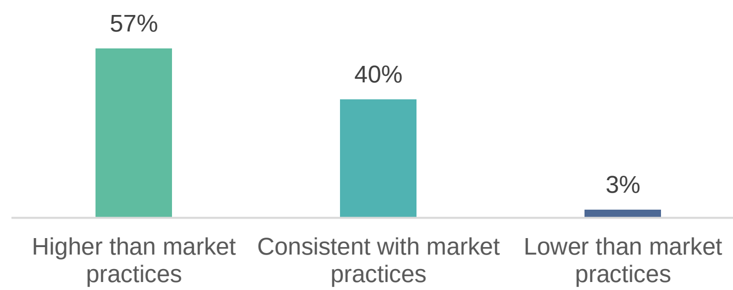


- **78% respondents have declared to engage with investee companies on their ESG performance and/or Climate strategy.** Additional 8% intends to do so quickly.
- **Several respondents indicated that ESG topics are now systematically addressed on credit updates.** Investee companies' management willingness to monitor their ESG performance vs targets set is now under scrutiny.

Expected growth of the allocation to ESG investments



Specific appetite for GSS bonds ("impact-driven" approach)



- **69% of respondents foresee higher growth in their allocation to ESG investments** (i.e., towards well ESG rated companies, or more specifically to GSS bonds) **than overall market dynamics in the coming months.**
- **Specific appetite for sustainable assets per se** (i.e., GSS bonds, either with dedicated UOPs or KPI-linked) **is a bit lower but still high (57%),** notably from European HY investors (85%, vs 67% from North American investors).
- **HY investors understand high level of ESG expectations from asset owners as well as regulatory evolving landscape in that field are accelerating the ESG mainstreamisation trend.**
- In Europe, **Sustainable Finance Disclosure Regulation (SFDR), which recently came into force (March 2021), pushes all market participants, starting with PM companies, to be more transparent on how they consider sustainability at company and product levels** (see appendices).

3

GREEN, SOCIAL AND SUSTAINABILITY HY BONDS MARKET

2021-YTD – HY Green Bonds

Pricing Date	Issuer	Curr.	Size	Ratings (Moody's/S&P)	Coupon	Comments	UoP
20-May-21	arçelik	EUR	350	-/BB+	3,00%	Eligible Green projects are linked with the following: Energy efficiency products / Circular economy / Production energy efficiency / Pollution prevention and control / Sustainable water and wastewater management / Renewable energy / Green buildings	UoP: Proceeds will be used to fund or refinance eligible green projects according to the company's green framework paper.
13-May-21	Atlantica Sustainable Infrastructure	USD	400	-/BB+	4,13%	Eligible projects are linked with renewable energies (solar, wind, hydro and transmission lines). Should contribute to climate change mitigation.	UoP: Proceeds from the notes will be used to refinance the issuer's facility agreement due 2025 and to fund eligible green projects.
12-May-21	AEDAS HOMES	EUR	325	Ba2/BB-	4,00%	Eligible Green projects include financing and refinancing green buildings. Eligible projects must respond to a least on of five environmental objectives: 1) climate change mitigation, 2) climate change adaptation, 3) natural resource conservation, 4) biodiversity conservation, 5) pollution and control	UoP: Proceeds will be used for refinancing and general corporate purposes, while an amount equal to the net proceeds is expected to be allocated to eligible green projects.
12-May-21	MAS REAL ESTATE INC.	EUR	300	Ba1/-	4,25%	Eligible green projects are linked with Green Buildings, Energy Efficiency, Renewable Energy and Clean Transportation.	UoP: Proceeds of the Notes will be used to finance or refinance Eligible Projects under the Green Financing Framework.
28-Apr-21	ZF	EUR	500	Ba1/BB+	2,00%	Eligible Green Projects are related with clean transportation, renewable energy, pollution prevention and control and energy efficiency.	UoP: Finance eligible Green projects.
22-Apr-21	MYTILINEOS	EUR	500	-/BB-	2,25%	Eligible projects are linked with Renewable Energy (solar, wind and hydropower) and Energy Efficiency.	UoP: Proceeds will be used to repay debt and for general corporate purposes. Proceeds will fund or refinance in whole or part eligible Green projects in accordance with the company's Green bond framework.
15-Apr-21	Neinor HOMES	EUR	300	-/B+	4,50%	An amount equal to the net proceeds is intended to be allocated to eligible Green projects. Eligible projects include the acquisition or construction of Green Buildings and buildings that demonstrate energy efficieny metrics at above market performance.	UoP: An amount equal to the net proceeds is intended to be allocated to eligible Green projects.
24-Apr-21	Novelis	EUR	500	B1/BB-	3,38%	An amount equal to the net proceeds will be allocated to finance or refinance new or existing eligible Green projects. Eligible Green projects comprise i) Investments for new renewable energy generation (including PPAs) ii) Circular economy processes enabling the reduction material usage and waste.	UoP: Partly repay the firm's TLB issued in 2017. An amount equal to the net proceeds will be allocated to finance or refinance new or existing eligible Green projects.
18-Mar-21	vía célere Casas que innovan tu vida	EUR	300	-/B+	5,25%	Via Celere's Green Bond Framework aims at developing Green Buildings and residential assets achieving specific EPC labels.	UoP: Green bond loan, Via Celere intends to allocate an amount equal to the net proceeds of the Offering of the Notes to finance Eligible Green Projects, by achieving an Energy Performance Certificate rating in the top 15% of local housing, with the balance of the proceeds used for GCP
17-Mar-21	faurecia	EUR	400	Ba2/BB	2,38%	Eligible project under the firm's Green Bond framework should enable significant reduction in GHG emissions. This includes project linked with the development and production of hydrogen fuel cell and storage systems.	UoP: Proceeds will be used to finance or refinance eligible Green projects. Credit Agricole CIB and MUFG are Green structuring agents.
26-Feb-21	ArdaghGroup	USD	600	Ba2/BB	3,25%	Ardagh Metal did not identify any immediate green use for the cash raised. It will provide most of the proceeds from the bond sale and new equity issuance to parent Ardagh, which will retain an 80% stake in the business. Ardagh in turn will use the funds to repay debt, pay potential dividends to its shareholders and other corporate purposes. Within three years, the company plans to allocate funds equivalent to the bond proceeds to projects eligible for its green financing framework, which addresses areas like procuring recycled aluminum and using renewable energy.	UoP: Green bond loan, The Company intends to allocate an amount equal to the net proceeds of the Offering of the Notes to finance and/or refinance, in whole or in part, Eligible Green Projects in accordance with the Ardagh Group Green Financing Framework. Approx. $2,315m will be provided to Ardagh Group S.A. as cash consideration for the transfer of the Ardagh Metal Packaging Business, with the balance of the proceeds used for GCP
		EUR	450	Ba2/BB	2,00%		
		USD	1050	B3/B+	4,00%		
		EUR	500	B3/B+	3,00%		
11/01/2021	TELECOM ITALIA	EUR	1000	Ba2/BB+	1,63%	Eligible Green and Social Projects in accordance with the TIM Group Sustainability Financing Framework / Working to modernize its fixed and mobile grids, making them more energy-efficient and targeting carbon neutrality by 2030	UoP: Finance green and social projects

Sources: Bloomberg and Natixis as of 10/05/2021
Notes: (1) External cullet share is the ratio between the total tons of glass collected from individuals and the on-trade channels and the total tons of packed glass during the calendar year, **(2)** Waste intensity refers to the volume of hazardous and non-hazardous waste generated by the company

2021-YTD – HY Sustainability-Linked Bonds

Pricing Date	Issuer	Size	Pricing	Issue Ratings	KPIs	Step Up Mechanism
06/05/2021	Verallia	€500m	1.625%	-/BB+/-	**KPI 1 - GHG emissions**: Reduction of 15% in Scope 1 & 2 GHG emissions at the Group's level (excluding any acquisitions after the issue date) by 2025 compared to 2019 baseline of 3,090 kilotons	**+12.5bps** per annum from May 2026 if target not met by Dec. 2025
					KPI 2 - Circular economy: Increase of 10 points in external cullet share[1] at the Group's level (excluding any acquisitions after the issue date) by 2025 compared to 2019 baseline of 49%	**+12.5bps** per annum from May 2026 if target not met by Dec. 2025
30/04/2021	Lonza Specialty Ingredients	$350m €460m	4.750% 5.250%	B2/B/- Caa2/CCC+/-	**KPI 1 - Circular economy**: Reduction of 18% in Scope 1 & 2 GHG emissions compared to 2018 baseline of 484 CO2 metric tons per CHF million of sales **KPI 2 - Circular economy**. Reduction of 12% in waste intensity[2] compared to 2018 baseline of 49.5 metric tons per CHF million of sales	**+25bps** per annum from April 2025 if targets not met collectively in Dec. 2024
27/04/2021	Rexel	€300m (+€100m)	2.125%	Ba3/BB-/-	**KPI 1 - GHG emissions**: Reduction of 23% in Scope 3 GHG intensity usage of products compared to 2016 baseline of 2.9 metric tons of CO2 equiv. per €1k of sales **KPI 2 - GHG emissions**: Reduction of 23.7% in Scope 1 & 2 GHG emissions compared to 2016 baseline of 116,829 metric tons of CO2	**+25bps** per annum from June 2024 if targets not met collectively in Dec. 2023
15/04/2021	Pfleiderer	€350m €400m	4.750% 3mE+475	B2/B/BB- B2/B/BB-	**KPI 1 - Circular economy**: Increase of the share of recycled wood used to 44% by Dec. 2022 and 50% by Dec. 2025, both compared 2020 baseline of 40% **KPI 2 - GHG emissions**: Reduction of Scope 1 & 2 GHG emissions of 8.4% by Dec. 2022 and 21% by Dec. 2025, both compared to 2020 baseline of 220 kilotons	**+25bps** per annum from April 2023 if targets not met collectively in Dec. 2022
25/03/2021	Hapag-Lloyd	€300m	2.500%	B1/BB/-	**KPI 1 - GHG emissions**: Reduction of average efficiency ratio performance (CO2 emissions per transport capacity and distance sailed) to 6.83 or lower in FY2024	**+25bps** per annum from Oct. 2025 if target not met in FY2024
22/03/2021	Public Power Corporation	€650m (+€125m)	3.875%	-/B/BB-	**KPI 1 - GHG emissions**: Reduction of 40% in Scope 1 CO2 emissions by Dec. 2022 compared to a Dec. 2019 baseline of 23.15 metric tons of CO2	**+50bps** per annum from March 2023 if target not met by Dec. 2022
09/02/2021	Constellium	$500m	3.750%	B2/B/-	**KPI 1 - GHG emissions**: Reduction of Scope 1 and Scope 2 GHG emissions intensity to or lower than 0.615 metric ton of CO2 equiv. per ton sold	**+12.5bps** per annum from April 2026 if target not met by Dec. 2025
					KPI 2 - Circular economy: Increase recycled aluminum input to or higher than 685,000 metric tons by Dec. 2026, i.e., 10% increase from a 2019 baseline	**+12.5bps** per annum from April 2027 if target not met by Dec. 2026

Key features of Sustainability-linked bonds in the European HY market are the following:
- ✓ KPIs are predominantly linked to reduction of Greenhouse Gas (GHG) emissions
- ✓ Sustainable Performance Targets (SPTs) are maximum two
- ✓ The scope of the SPT generally applies at the Group level; however, some issuers may exclude acquired companies from its step-up calculation
- ✓ Step-up mechanisms typically consist of an increase in the interest rate of 25 bps, or 12.5 bps in the case of two SPTs

Sources: Bloomberg and Natixis as of 10/05/2021
Notes: **(1)** External cullet share is the ratio between the total tons of glass collected from individuals and the on-trade channels and the total tons of packed glass during the calendar year, **(2)** Waste intensity refers to the volume of hazardous and non-hazardous waste generated by the company

4 HY BOND FUNDS

Market dynamics

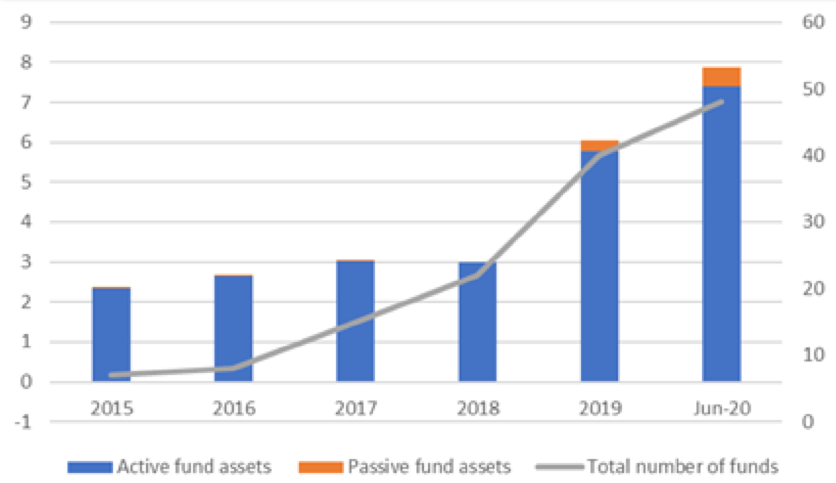
ESG integration is accelerating in the HY market, encompassing different approaches

MORNINGSTAR ★★★★★

According to Morningstar, there are 48 distinct strategies representing ~USD 8bn of assets, and their average track record is less than 3.5y.

- While the **Europe-domiciled offering outnumbers the US one,** the two oldest funds in this category are U.S.-based: Pax HY Bond launched in 1999 and Calvert HY Bond launched in 2001.
- **Most current ESG HY bond funds are actively managed.** 7 passive HY ESG bond funds were launched in between June 2019 and June 2020, gathering USD 480mm of assets, 80% of which were held by two Irish-domiciled iShares ETFs. Both track **Bloomberg Barclays MSCI HY SRI Indices,** which simply screen out issuers with substantial revenue derived from controversial sectors.

ESG HY bond funds (in USD bn)



S&P Global

According to S&P, from the beginning of 2019 to June 2020, HY ESG-related AUM skyrocketed from USD 1.7bn to USD 46.3bn, with the number of ESG-based HY funds increasing from 7 to 43.

- This dramatic growth in AUM (growth by 26 times, versus 6.6 times for overall sustainable funds) resulted largely from **rebranding of existing funds in conjunction with amending fund prospectuses to reflect adoption of sustainable investing strategies.**

Federated-Hermes launched in October 2019 an SDG Engagement High Yield Credit Fund.

- The fund seeks to **invest in companies with strong fundamentals and demonstrates the potential, through engagement, to create positive change.**
- The **UN SDGs are used as a framework for engagement.**

Federated Hermes International

Seeking positive outcomes for investors and society

"Combining global, high-conviction credit investing with SDG-aligned engagement, we seek long-term outperformance and positive impact."

Mitch Reznick, CFA, Head of Research and Sustainable Fixed Income and Co-Portfolio Manager, Federated Hermes SDG Engagement High Yield Credit Fund

The HY ESG segment is dominated by funds which state they may consider ESG factors in investment decisions…

…to date, only a few investors are adopting more demanding approaches, either through:

- Dedicated HY pockets within SRI, ESG/ Sustainable, "Green" or "Impact" bond funds.
- Launch of HY Impact bond funds SDG-related.

Sources: Morningstar Direct, Morningstar Research, data as of June 2020; S&P, This is How High-Yield Managers Are Addressing ESG, 1 September 2020; Federated Hermes International; Green & Sustainable Hub.

ESG HY bond funds (sample)

>48 distinct strategies representing ~USD 8bn of assets
Europe-domiciled offering outnumbers the US one
10 ESG HY Bond Funds can be considered as Impact funds (i.e., clearly in search of delivering environmental and/or social benefits)

- Aegon Short Duration High Yield Instl
- Aktia Global High Yield Bond+ B
- Aviva Investors High Yield Bd 3 GBP Acc
- Barings European High Yield Bd S EUR Acc
- BIL Invest Bonds EUR High Yield I Acc
- BlueBay European High Yield Bd (Can) F
- BlueBay Global High Yield Bd B USD
- BlueBay Global High Yield ESG Bond I USD
- BMO High Yield Bond I
- BrandywineGLOBAL Global High Yield IS
- **Calvert High Yield Bond I**
- Carnegie High Yield Select 3 SEK
- **Danske Invest Euro HY Obl Akk KL DKK h**
- **Danske Invest Global HY Bonds EUR h**
- DWS Strategic High Yield Tax-Free S
- **Dynasty High Yield 2021 B**
- Ecofi High Yield
- **Federated Hermes SDG Eggm HY Crdt Instl**
- Fondsfinans High Yield
- Hartford High Yield HLS IA
- Hartford High Yield Y
- HI-Sustainable High Yield Defensive-Fds
- JPMorgan High Yield I
- JPMorgan High Yield Municipal I
- **Lannebo High Yield**
- Man GLG High Yield Opports Profl Acc C
- MFS Global High Yield I
- MFS High Yield Pooled
- MFS Meridian Global High Yield B2 USD
- Morgan Stanley Inst High Yield I
- Muzinich US High Yield Corp Bond SI
- NEI Global High Yield Bond A
- **Neuberger Berman Global HY Bd T Acc USD**
- NN (L) US High Yield Z Cap USD
- Nordea 2 - High Yield ESG Bond X USD
- **Pax High Yield Bond Individual Investor**
- PH&N High Yield Bond Fund D
- Principal High Yield I Acc USD
- RBC $U.S. High Yield Bond Fund F
- RBC BlueBay High Yield Bond I
- RBC Global High Yield Bond Fund F
- RBC High Yield Bond Fund F
- Robeco European High Yield Bonds DH €
- Robeco High Yield Bonds DH €
- Robeco High Yield Bonds Fdr zr dur IH $
- Robeco QI Dynamic High Yield IH €
- SEB Sustainable High Yield B EUR
- **SKY Harbor Global - Sh MSHY Bd X1 USDAcc**
- **Sydinvest Virksomhedsoblig HY Etik KL**
- Transamerica High Yield Bond I3

Source: Morningstar, data as of June 2020

5

SUSTAINABILITY-LINKED TLB TRANSACTIONS

New opportunities of growth in the G&S loan market

Sustainability-linked TLB

February 2021
ELSAN
TLB
Margin tied to internal KPIs
EUR 1,761,000,000
Bookrunner
Sustainability Advisor

ELSAN has successfully placed an inaugural Sustainability-Linked Term Loan

ELSAN has successfully refinance its entire debt of €1.7bn with a Sustainability-Linked Term Loan.

On the occasion of C2S' acquisition, ELSAN has decided to tie its financing to ambitious goals based its CSR pillars. The interest rate of the loan will be indexed to the company's achievement of three objectives with a premium/discount mechanism i.e. patient satisfaction, medical waste reduction, and improvement in the quality of work life of its employees.

This Sustainability-Linked Term Loan marks a first in the private hospitals sector in Europe, and has attracted strong interest from investors, who increasingly seek to incorporate Environmental, Social and Governance criteria (ESG) into their investments.

Natixis participated as **Active Bookrunner and Sustainability Structuring Advisor** for this transaction.

November 2020
kersia
TLB
Margin tied to internal KPIs
EUR 520,000,000
Mandated Lead A.
Sustainability Advisor

April 2021
Ramsay Santé
TLB, Capex; RCF
Margin tied to internal KPIs
EUR 1,650,000,000
Bookrunner
Sustainability Advisor

May 2021
SANTÉ CIE
TLB; RCF
Margin tied to internal KPIs
EUR 530,000,000
EUR 100,000,000
Bookrunner

June 2021
SOLINA
TLB;
Margin tied to internal KPIs
EUR 585,000,000
Lead Left Physical Bookrunner
ESG-coordinator
and Facility Agent

Sample of Sustainability-linked TLB transactions identified in 2020

Borrower	Date	Amount / Type	Maturity	Rating	KPI(s)	Margin	Comments
A. Friedr. Flender	Jan-20	TLB: EUR965m (vs EUR1.045bn) 7ry cov-light ESG-linked, guided at E+375bp, 0% floor, par (vs OID of 99.5-99.75)	7	Rated B1/B+/BB (M/S/F)	The margin ratchet is expected to be a flex of 5 to 7.5 basis points linked to the volume of new gearbox installations in windturbines		Sponsor = Carlyle: Flender is the largest supplier of gearboxes for wind turbines outside China
Logoplaste	Apr-20	EUR770m-equiv ESG-linked loan package TLB: EUR440m 7yr cov-light, priced at E+375bp (vs revised 375bp-400bp and 400bp-425bp at launch) et al				375 - 425	Portuguese plastic packaging company
Kersia	Nov-20	€350m term loan B and a €70m delayed term loan B	7		Implementation of systems for collecting and recycling empty packaging from customers; its share of green products; and the percentage of employees that are given the opportunity to become shareholders of the Group.	400-425	French food safety provider
Zehnder	Nov-20	EUR100m sustainability-linked credit facility	3		Sustainalytics rating.		Swiss heating, ventilation, and air conditioning (HVAC) company

Sources: Bloomberg, LoanRadar, Refinitiv; Natixis Green & Sustainable Hub

Sample of Sustainability-linked TLB transactions identified in 2021-YTD

Borrower	Date	Amount / Type	Maturity	Rating	KPI(s)	Margin	Comments
Elsan	Jan-21	7yr non-fungible sustainability-linked cov-light incremental TLB at a min amount of EUR350m (subject to rolling 24 lenders).; 7yr sustainability-linked EUR1.75bn cov-light TLB (rated B1/B+).			Sustainability-linked targets.	E+350bp	Privately-owned French healthcare group ; The deal includes a EUR350m new money portion to part-fund the acquisition of French clinics C2S.
Klocknerpentaplast	Jan-21	EUR1.175bn-equiv ESG-linked TLB.		B2/B	Three KPIs tested annually - 1&2 GHG Emissions% PCR content packaging; plus, women management.	guided at E+475bp-500bp	German plastic packaging producer
Sogetrel	Jan-21	EUR279m SLL					
Stark Group	Feb-21	1.345bn EUR ESG-linked seven-year covenant-lite TLBto back its acquisition by CVC Capital Partners		B2 / B	The firm’s annual reduction in greenhouse gas emissions. If Stark achieves the reduction by more than 4.2%, it will get a 7.5bp margin reduction and vice versa.	350bp	Denmark; Nordic building materials business
Ahlsell	Feb-21	Dual-tranche EUR1.808bn-equiv sustainability-linked TLB		B2/B/B	Sustainalytics Environmental, Social and Governance (ESG) Risk Rating score.	E+350bp-375bp	Privately-owned Swedish heating and building materials supplier (CVC)
Apleona/ Blitz Gmbh	Feb-21	EUR1,251m SLL					
Belron	Mar-21	revised multi-tranche c.EUR3bn-equiv ESG-linked credit facility ; TLB: EUR840m cov-light, due in April 2028, guided at E+250bp, 0% floor, OID of 99.5-99.75; TLB: USD1.855bn cov-light, due in April 2028, guided at L+250bp, 0.5% floor (vs 0%), OID of 99-99.5; plus RCF: EUR665m due in May 2025, springing lev cov at more than 40% utilization, 0% floor.		Ba3/BB+,			UK vehicle glass repair group
Sportgroup	Mar-21	EUR345m ESG-linked credit facility . The group’s existing debt includes a EUR192.2m TLB/USD57.9m TLB, due in June 2022, paying E/L+400bp, 0% floor and EUR75m RCF, due in June 2021, paying L+350bp, 0% floor.					German synthetic turf manufacturer
Ramsay Santé	Apr-21	1,45 B EUR TLB	5	Ba3 : BB-		225-275	Gn'l de Santé
UPC Broadband	Apr-21	$1,95 / EUR 862,5 esg linked TLB	8	B1 / BB-		300	Swiss cable operator
Sante (fka Elivie)	May-21	7yr EUR530m sustainability-linked cov-light TLB		B3/B		400	French homecare services provider
Solina	Jun-21	TLB: EUR585m 7yr, cov-light, 0% floor. 6m SC 101; plus RCF: EUR100m 6.5yr, multi-currency	7 / 6,5	B2 / B	ESG ratchet: subject to certain KPIs.	375	French food ingredient manufacturer
Virgin Media Ireland (VMED) Ireland	Jun-21	8yr EUR900m ESG-linked TLB for GCP & shareholder dividend		B2/B+/B	KPI 1: VMED Ireland ESG Strategy publicly announced by 30 June 2022, tested one-off. Margin impact: +3.75bps (no -) for life of facility KPI 2: annual network energy efficiency improvement KWh/Tbyte (at least 10% improvement p/a), tested annually (1st test year is 2021 – tested in 2022).KPI 3A: deliver Science Based Target (SBT) Model for greenhouse gas emissions by 31 December 2021, tested one-off. Margin impact: +3.75bps (no -) until KPI 3B is testedKPI 3B: satisfy SBT for the reduction of greenhouse gas emissions, tested annually (1st test year is 2022 – to be tested in 2023).	350	
Tarkett	Jun-21	EUR1.3bn ESG-linked debt facility TLB: up to EUR950m 7yr cov-light, guided at E+325	Ba3/BB-/BB+,	Ba3/BB-/BB-		between 225bp and 325bp	Paris-listed flooring specialist
Nobian	Jun-21	ESG-linked TLB	5	B2/B/BB-		375	Spin-off of base chemicals business Nobian from privately-owned Dutch chemicals group Nouryon Current Nouryon sponsors Carlyle and GIC will own the new spun-off entity
Prosol	Jun-21	EUR1.632bn ESG-linked credit facility TLB: EUR1.382bn 7yr cov-light, talked at E+375bp-400bp, 0% floor			ESG ratchet: subject to certain KPIs.		Privately-owned French specialist food retailer

Sources: Bloomberg, LoanRadar, Refinitiv; Natixis Green & Sustainable Hub

6 ESG CLOS

CLO managers ramp up efforts on ESG investing
>20 CLO managers across the U.S. and Europe have committed to the PRI

ESG CLO issuance has until recently been dominated by negative screening methods, but since NIBC Bank's North Westerly VI ESG CLO with a scoring methodology, others have followed…

Sample

CLO Manager	Cy	CLOs	Date priced	Size (EUR mm)
Permira Debt Managers (PDM)	UK	Providus CLO I Providus CLO II Providus CLO III	Mar. 2018 Nov. 2018 Jun. 2019	363 361 382
Bardin Hill Loan Advisors	UK	Bardin Hill European Funding 2019-1 DAC	Apr. 2019	359
Fair Oaks Capital	UK	Fair Oaks Loan Funding I Fair Oaks Loan Funding III	Jun. 2019 Sep. 2020	334 354
THL Credit Advisors	US	NR	NR	NR
MJX Asset Management	US	Venture 38 CLO	Aug. 2019	
Rockford Tower Capital Management	US	Rockford Tower Europe CLO 2019-1 DAC	Oct. 2019	410
Capital Four Management	DK	Capital Four CLO I DAC	Oct. 2019	385
THL Credit Advisors	US	NR	NR	NR
NIBC Bank	NL	North Westerly VI	Nov. 2019	410
Tikehau Capital Advisors	FR	Tikehau CLO V	Dec. 2019	440
Partners Group	CH	Partners' Pikes Peak CLO 5. Of note: similar ESG language is included in its European CLO, Penta 7, and some ESG guidelines have also been included in its Pikes Peak CLO 4, which priced in 2019.	Aug. 2019 Feb. 2020	410
AlbaCore Capital Group	UK	AlbaCore Euro CLO I	Jun. 2020	233
Palmer Square Capital Management	US	Palmer Square European Loan Funding 2020-2 static CLO	Oct. 2020	300
Bridgepoint Credit Management	UK	Bridgepoint CLO 1 DAC	Nov. 2020	300
Oaktree Capital Management	US	Arbour CLO IV	Mar. 2021	415

Best practice

NIBC - NORTH WESTERLY VI B.V.

- The CLO **not only restricts investment in controversial sectors** (such as coal power and mining, extreme fossil fuels, weapons and firearms, tobacco and gambling among others) **but also requires ongoing monitoring and re-assessment of the portfolio**, grading of obligors and industries based on the level of risk and quarterly investor reporting on the ESG profile of the portfolio.
- **Investments whose ESG risk profile has deteriorated may be divested of by the CLO**, subject to compliance with the portfolio quality tests.
- **On 29 April 2021 IFLR (International Financial Law Review) announced the winners of the 2021 IFLR Europe Awards. The North Westerly VI collateralized loan obligation transaction (CLO) was awarded "Structured Finance and Securitization Deal of the Year 2020".**
- **This CLO was the first to consider ESG factors across all its investments and is therefore the first-ever CLO compliant with best practices of ESG-focused investing.**

Source: https://www.nibc.com/about-nibc/newsroom/newsroom/nibc-s-north-westerly-vi-clo-has-been-awarded-structured-finance-and-securitisation-deal-of-the-year-by-the-international-financial-law-review/

Sources: Bloomberg, LoanRadar, Refinitiv; Natixis Green & Sustainable Hub

7 EU SUSTAINABLE FINANCE REGULATION

EU sustainable finance regulation

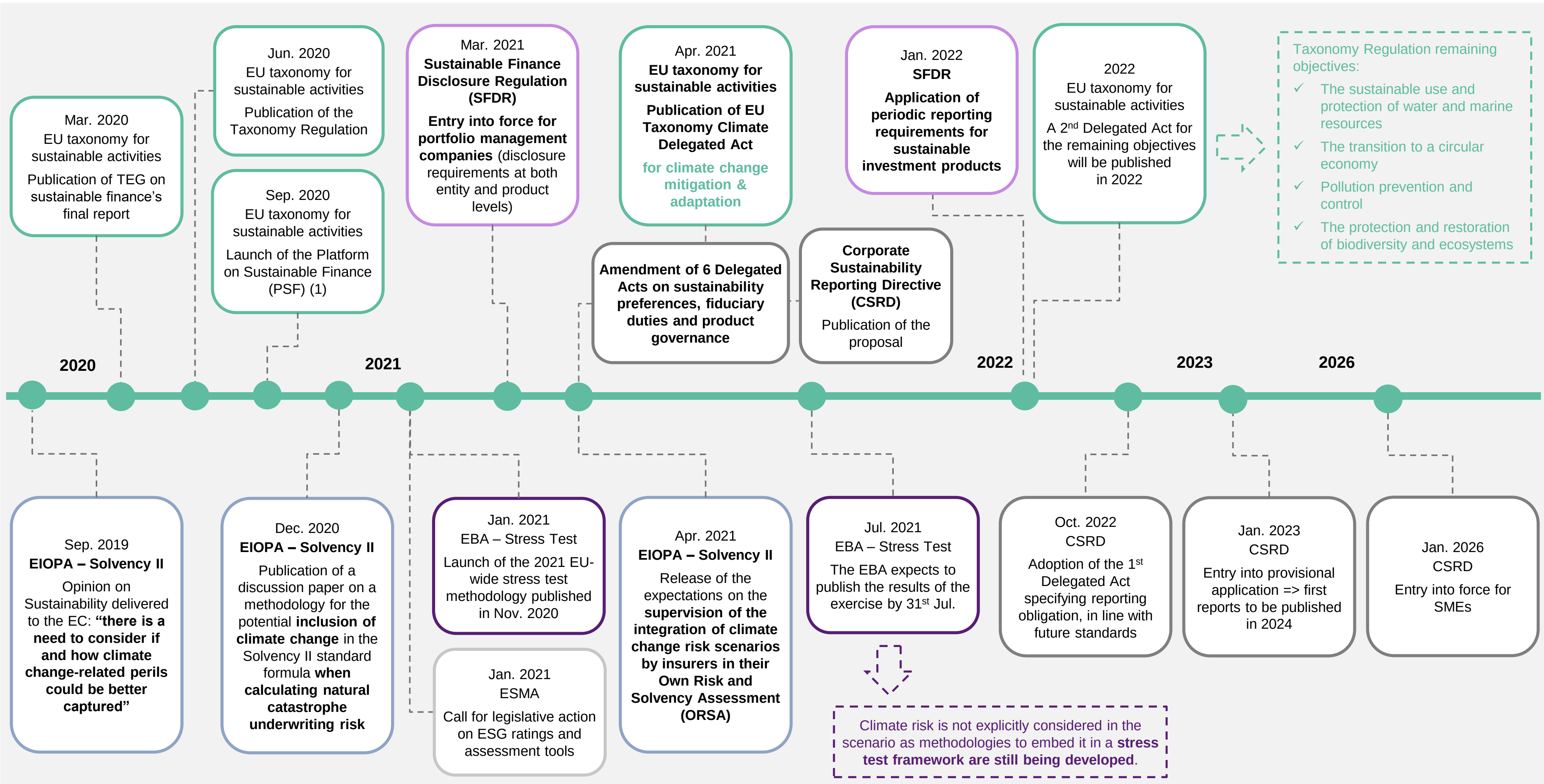
Overview

Action	Objective	Technical advice	Legislation framework and status
EU taxonomy for sustainable activities	**Support sustainable investment by making it clearer which economic activities most contribute to meeting the EU's environmental objectives** (see EU Sustainable Finance Action Plan and the European Green Deal). Primary focus on climate change mitigation & adaptation…	Technical Expert Group (TEG) on sustainable finance, from Jul. 2018 Platform on Sustainable Finance (PSI), from Sep. 2020	Taxonomy Regulation was published on 22 Jun. 2020 and entered into force on 12 Jul. 2020. **…EU Taxonomy Climate Delegated Act has been published on 21st April 2021.** Application from 2021 and 2022 (remaining environmental objectives).
Standards & Labels	**Develop EU standards and labels for sustainable financial products:** - EU Green Bond Standard (GBS) - EU Ecolabel for Retail Financial Services/Products	TEG on EU GBS Join Research Centre (JRC) on EU Ecolabel, from Oct. 2018	EU GBS: Publication of the interim report on 6 Mar. 2019, the final report on 18 Jun. 2019 and a usability guide on 9 Mar. 2020. Ecolabel framework is expected for Q3 2021.
Sustainable Finance Disclosure Regulation (SFDR) *Application to financial market participants (FMPs) and financial advisors (FAs)*	**Enhance transparency to end-investors on how financial market participants consider sustainability at entity and product level.** Includes a **Green Asset Ratio** for Banks as per EBA recommendation.	European Supervisory Authorities (ESAs): EBA, EIOPA and ESMA	SFDR was published on Dec. 2019 and entered into force on 10 Mar. 2021, with immediate application for portfolio management companies.
Benchmarks	**Develop climate benchmarks** (‘EU Climate Transition’ and ‘Paris-aligned’) **and ESG disclosures for benchmarks**	TEG	1st report published on 18 Jun. 2019; Final report on 30 Sep. 2019; Handbook on 20 Dec. 2019. Delegated acts published on 3 Dec. 2020 and entered into application on 23 Dec. 2020.
Inclusion of sustainability risk assessment in prudential requirements	**Examine the feasibility of reflecting sustainability in prudential rules from a risk perspective** (i.e., Climate stress tests).	EBA / EIOPA	Pending the results of technical assessments (ongoing). EBA is currently carrying out a pilot sensitivity analysis on a sample of volunteering banks, in which EU corporate exposures are analyzed in relation to climate risk. Trial run conducted in France by ACPR since 2020.
Corporate Sustainability Reporting Directive (CSRD) *(replacing the Non-Financial Reporting Directive, NFRD)*	**Improve the flow of sustainability information in the corporate world.** Make sustainability reporting by companies more consistent, so that financial firms, investors and the broader public can use comparable and reliable sustainability information.	European Financial Reporting Advisory Group (EFRAG)	The reporting rules introduced by the NFRD apply to so-called “public interest entities”, meaning listed companies, banks, and insurance companies. CSRD will widen the scope to SMEs. Publication of the proposal on 21st Apr. 2021.
Incorporating sustainability in financial advice	**Clarify the duties of investment firms to provide their clients with clear advice on the social and environmental risks and opportunities attached to their investments.**	ESMA	Publication on 21st Apr. of six amending Delegated Acts to ensure that financial firms, such as advisers, asset managers and insurers, include sustainability in their procedures and their investment advice to clients. MiFID/ IDD/UCITS regulations are under revision.

Sources: ec.europa.eu; Natixis Green & Sustainable Hub

EU sustainable finance regulation

Roadmap



Sources: ec.europa.eu; Natixis Green & Sustainable Hub

(1) PSF is tasked with advising the European Commission on further developing the EU taxonomy, improving its usability and exploring its extension to social objectives, activities that significantly harm the environment or activities that are neutral towards the environment.

NATIXIS BEYOND BANKING

Sustainable Finance Disclosure Regulation

Overview of implications for investors

SFDR

What? Creates a framework for insurers to disclose how they integrate and manage sustainability factors.
Who? Applies to all financial market participants and financial advisers, hence insurers as providers of insurance investment products such as unit-linked life insurance policies.
When? Entered into force in March 2021 and periodic reporting requirements will apply from January 2022.

Introduces the principle of 'double materiality'

1

Sustainability risks
Repercussions of material ESG risks on an insurer's portfolio performance. Material ESG risks can be split between physical climate risk, climate transition risk, governance risk, etc.

2

Principal Adverse Impacts (PAI)
Repercussions of an insurer on the environmental and social dimensions.
- **Mandatory Environmental PAI** include several themes: GHG emissions (Carbon emissions, carbon footprint…), energy performance (intensity, share of non-REN sources…), etc.
- **Mandatory Social PAI** include several themes: social and employee matters (gender pay gap, board gender diversity…), human rights (policy, due diligence…, anti-corruption and anti-bribery (policy…).

Requirement disclosures can be bundled into 3 separate categories

Pre-contractual disclosures
- Description of sustainable risks integrated
- Results of assessments

Disclosures on manager's website

Additional disclosures in periodic report

→ Impacts the sustainability suitability assessments in distribution directives such as MiFID and IDD (Insurance Distribution Directive), and supplements existing pre-contractual disclosures (AIFMD, MiFID, UCITS)
→ Regulatory Technical Standards (see details on dedicated slide): the RTS specify disclosure elements required by SFDR.

Applies to product distribution through so called "articles 6, 8 and 9" categories of financial products

6

The product has no sustainability objective

8

The product promotes environmental or social characteristics, or a combination thereof, provided that the companies in which the investments are made apply good governance practices

9

The product has a sustainable investment objective

Sources: Shearman & Sterling 2021 | Attorney Advertising, https://www.shearman.com/Perspectives/2021/03/SFDR--Implications-for-EU-and-Non-EU-Fund-Managers
Natixis Green & Sustainable Hub

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8

SUSTAINABLE FINANCE MARKET DATA

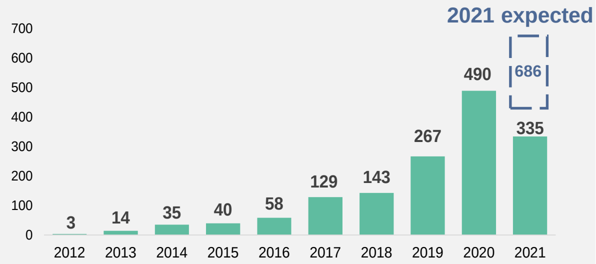
Sustainable Finance Market Data – May 2021*

Key takeaways and highlights

Global Market Supply 2021

Size of the Sustainability-themed bond market:
1 526 $bn eq. (+28% since January 2021)

As of May 2021, the amounts issued in Q1 already represent **two thirds of the amounts issued in 2020**.



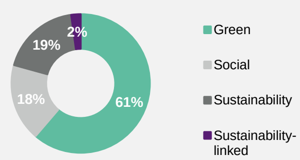
Issuance Type

Amounts issued ($bn eq.) as of May 2021 by issuance type:

	Overall	2021 YTD	% 2020-FY
Green	935	144	-34%
Social	274	93	-31%
Sustainability	283	78	-41%
Sustainability-linked	34	20	128%

Social Issuances
X5 YoY
in response to Covid-19 pandemic crisis

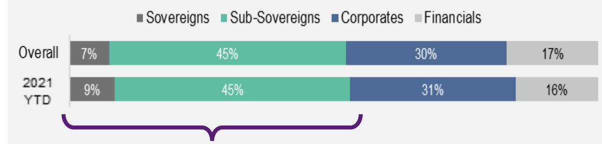
Overall outstanding amounts by label



Issuer Type

Amounts issued ($bn eq.) as of May 2021 by issuer type:

	Overall	2021 YTD	% 2020-FY
Sovereigns	114	29	27%
Sub-sovereigns	684	149	-43%
Corporates	463	104	-26%
Financials	266	53	-22%



Half of the market dominated by the public sector

Sustainability-linked Bonds

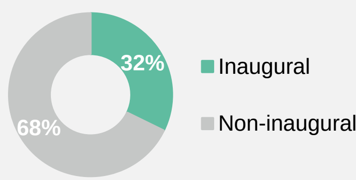
As of May 2021, the amounts issued in Q1 **already exceed 2020 levels.**

2020 market size
13,2 $bn eq.
x2,5
33,6 $bn eq.
2021 market size

Inaugural issuances

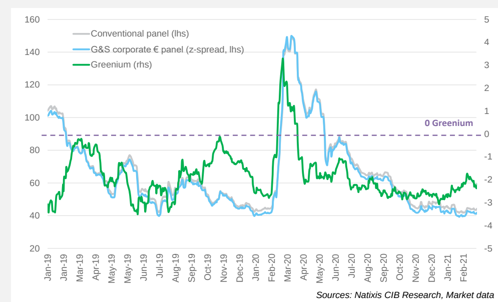
32% of amounts issued in 2021 were inaugural issuances.

	2021 Inaugural	2021 overall	%
Green	51	144	35%
Social	18	93	20%
Sustainability	21	78	28%
Sustainability-linked	16	20	81%
Total	**107**	**335**	**32%**



Greenium

Evolution of secondary greenium for EUR non-financial corporates: around **-3 bps** as of Jan-21.



*excl. securitization, Chinese and US municipals markets
Sources: Bloomberg; Natixis Green & Sustainable Hub

Sustainability-Linked Bond Investors Survey - Key Takeaways

SLB segment brings a lot of unchartered potential to the sustainable investment market

KEY FINDINGS

According to our investor survey, SLB products address the expectations of investors' overall ESG integration approach and their impact-oriented investment strategies, but also interest gain from conventional fixed income portfolios.

1. **88% of our respondents are considering or already investing in SLBs.**
2. **90% of investors welcome the SLBPs released by the ICMA.** But improvements are still expected (67%).
3. **60% consider SLBs to be a great value-add to ESG integration strategies,** evidencing issuers have "skin in the game".
4. **56% see the risk of greenwashing as the main concern.** Lack of ambition and lack of comparability follow closely (40%).
5. **Corporates are seen as the most relevant SLBs issuers**. But FIG and SSA issuers are also good candidates.
6. **Energy transition & Climate strategies generate the most interest for SLBs** (82%).
7. **Growing interest on Social themes,** especially Health & Safety (70% of investors showing medium or strong interest).
8. **No clear-cut opinion as to the number of KPIs that should be used for SLBs.** Investor favor case-by-case approach depending on each SLB issuer (38%).
9. **Coupon step-up is seen as the most acceptable payoff mechanism** (88%).
10. **SLBs eligibility to ECB purchasing programmes is important** (59%).
11. **All investors expect impact reporting,** including views on the levers actioned to achieve the target(s).

NATIXIS GSH COMMENTS

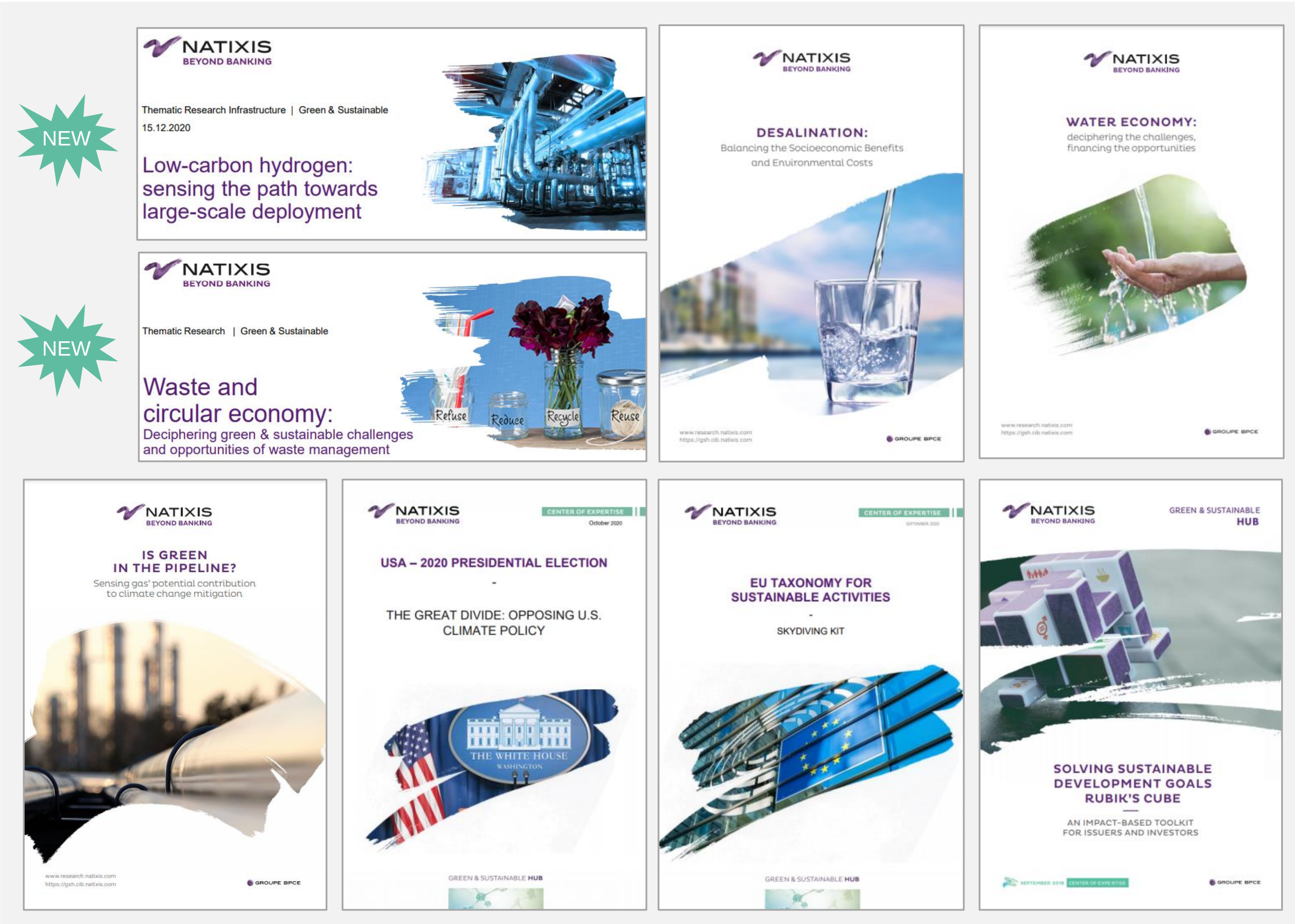
Investors are eager to support the development of this new market segment, under certain conditions however :

- **KPIs should be robust, material and holistic.** Definition of "core and material" KPIs need to be refine to address desirable sustainability benefits and expected financial-related impacts.
- **Ambition of the SPTs** should show structural changes and reflect genuine transition strategies.
- **Diversification** –in terms of issuers, sectors and sustainability-themes– is needed to fit all fixed income strategies. This is of utmost importance to optimize liquidity aspects and scale up this nascent market segment.
- **Guidelines** are expected to ensure comparability of the SPTs.
- **Payoff mechanisms** and more broadly speaking **SLBs structure** should be kept as simple as possible.
- Concern on **misalignment of interests** need to be addressed carefully. Bonus payoff redeployment needs various options.
- **Independent third parties** are required to ensure credibility of the instrument (alignment with the SLBPs, measurement of KPIs…).
- **Robust impact reporting** is expected.
- **Innovative aspect** of the instrument calls for dedicated roadshows and investors Q&A.

 Source: https://gsh.cib.natixis.com/our-center-of-expertise/articles/investors-views-on-sustainability-linked-bonds

9 APPENDICES

Natixis GSH Center of expertise and innovation's latest reports



From in depth investigation & content generation to advisory, product structuring & transactions

E.g., Mexico's SDG Bond; Euronext Water & Ocean Index

"Scientific stamp"

Green/social-washing shield

Product-oriented content

Client-front positioning

Source: https://gsh.cib.natixis.com/center-of-expertise

Natixis GSH’s report on Transition

Natixis' approach to tackling brown industries’ transition....

- **This research project investigates the topic of transition** in detail, more specifically that of brown industries, with the aim of providing definition, assessment methods as well as exploring relevant financing tools
- Our methodology frames a change management model that differentiates brown companies into groups depending on whether they need to transform, shrink or shut down. Using case studies, we examined how the **5 transition levers we identified were actioned by companies across the mining, cement, shipping, power or aviation sectors**
- We also identified eligibility pre-requisites to be able to draw red-lines and provide **structuring guidance for transition finance instruments**. We believe that **KPI-linked instruments** are best suited for transition because of their “skin in the game”, material, holistic and forward-looking features

...and to build together a low-carbon future. Climate finance needs a two-leg approach: a green one, in synch with a transition one....

Chapter 1
Brown industries: the elephant in the climate war room

Chapter 2
Unpacking the transition box

Chapter 3
Transition levers & Case studies

Chapter 4
Transition finance toolkit

Launch Webinar | April 14th 2021

Introduction to our methodological framework that differentiates companies into groups depending on the activities they need to transform, to shrink, or to shut down and our 5 transition levers including exiting most climate harmful activities and business mix diversification

Replay



Source: https://gsh.cib.natixis.com/transition-tightrope

NATIXIS BEYOND BANKING

10 CONTACTS

G&S Syndicate Team

Natixis CIB Green & Sustainable Hub has a dedicated team to the distribution of G&S products and solutions, but also to building a constantly updated market intelligence of the sustainably-driven demand from investors

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Global Head of G&S Syndicate
+33 1 58 55 52 06 / +33 7 85 03 24 19
thomas.girard@natixs.com

- Thomas has a cumulated experience of 20 years in Wealth Management advisory, Responsible Investing (RI), Green & Sustainable Finance.
- He joined Natixis GSH in 2018 as product specialist responsible for the business development towards non-banking financial institutions (NBFIs) and created the "G&S Syndicate" team in July 2020 to optimize the syndication and distribution of green & sustainable assets across all CIB at global scale. Under this position, he drives the hub's RI market intelligence and manages its execution capabilities towards ESG-driven investors.
- Previously, Thomas contributed to the establishment of Natixis SRI sell-side Research capabilities. He was a Senior ESG Analyst (2011-2017) specialized on the financial institutions, notably the banking sector, and became Natixis SRI Research team's representative in London (2014-2017) to expand the team's franchise globally. He also worked at MSCI ESG Research as a Consultant, and at ORSE (a French think tank for Corporate Social Responsibility) as a Project Manager where he realized a practical guide on the pedagogy of SRI for the French financial institutions (in partnership with Paris EUROPLACE) and a report on engagement practices around the world relating to ESG criteria (in partnership with French FIR and AFG and with the support of EUROSIF and the PRI).
- Thomas holds two Masters (Business Law, Finance & Control) and an MBA (Management & Sustainable Performance).

Dominique BLANC
Responsible Investment Specialist
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- Dominique joined the Green and Sustainable Syndicate Team in July 2020.
- Previously, Dominique Blanc was a member of the GSH's Center of Expertise & Innovation since 2019. He worked on thematic research and on the development of innovative methodologies to support products and strengthen the expertise and integrity critical to sustainable finance. He also worked on regulatory monitoring and contributed to the implementation of the Green Weighting Factor.
- Dominique has dedicated 15 years of his career to sustainable finance. In 2004 he co-founded, EthiFinance, an independent non-financial rating agency, where he worked as an ESG analyst.
- Since 2008, he has managed Novethic's research – a subsidiary of French Caisse des Dépôts et Consignation (CDC) dedicated to sustainability – where he developed green and sustainable finance market watch, green funds and SRI products certification and research study activities, as well as responsible investors' networks.
- Dominique holds a Master of Science in Industrial Engineering from Art & Métiers ParisTech.

Laurence RIBOT
G&S Syndicate – Bond Specialist
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- Laurence joined Natixis' Green & Sustainable Hub in January 2021, to work on the G&S Syndicate Team.
- Laurence brings over 20 years of experience on the Debt Capital Market, where she started as a bond trader. For the past 15 years, she has been working on the Euro Public Bond syndication, with a focus on the Covered Bond and SSA segments. Laurence was also one of the Green Captains in the syndication team and acted to better integrate and promote ESG investors' knowledge.
- Laurence holds a degree from Toulouse Business School and has worked in Frankfurt and Paris.

William SHARPE
G&S Syndicate – Loan Specialist
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- William has 20 years of experience successfully arranging syndicated loans for a wide variety of borrowers in Western Europe and emerging markets, ranging from unsecured corporate facilities to structured pre-export and other asset-based transactions.
- A Green Captain on the Corporate Loan Syndicate desk since 2018, William's responsibilities include loan pricing, market liquidity analyses and syndication coordination and execution for corporate, sovereign and FI borrowers in the EMEA region.
- William graduated from EM Lyon and Trinity College Hartford and completed INSEAD's Inter-Alpha Banking Programme.

Bruce RONBECK
G&S Syndicate – Americas
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- Bruce brings over 30 years of experience in Debt Capital Markets, where he has worked predominantly in fixed income sales and trading.
- Bruce joined the Natixis Americas credit sales team in 2015, covering investors with a focus on emerging markets, high yield and structured credit. In 2019, he joined the Americas Credit Capital Markets Syndicate team, with responsibility for EM and HY and joined the Green & Sustainable Syndicate Hub in March 2021. Bruce is an original Americas Green Captain working to promote the Green and Sustainable Hub platform and improve issuer and investor engagement with Natixis in ESG.
- Bruce holds a B.A.Sc. in Finance degree from Rochester Institute of Technology.

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