

Customizing Client Accounts to Reflect Personal Values and Environmental, Social, & Governance Considerations



Both individual and institutional investors are increasingly looking to align their investment portfolios with their personal or organizational values. This type of investing is referred to by various terms including Environmental, Social & Governance (ESG) based investing, faith-based investing and socially responsible investing.

One of the benefits of separately managed accounts is the ability to customize client portfolios to align with each client's unique circumstances. Managed Portfolio Advisors (MPA) and Active Index Advisors (AIA) work with a variety of research providers to help understand the activities and profiles of companies that might be included in managers' separate account portfolios or indexes, and can tailor the implementation of those portfolios to exclude companies whose practices might not align with a client's values and concerns.

This type of customization can be based on several types of screens and information, including:

- Business involvement screens, which examine the businesses that a company engages in so that portfolios can be constructed that do not hold companies generating revenue or profits from activities clients wish to avoid. MPA and AIA offer two thresholds of involvement for these types of screens: (1) any tie, which would exclude companies that have any involvement either directly or indirectly with a particular type of activity, or (2) a 10% revenue threshold, which would exclude companies that generate a meaningful amount of their business through that activity, but would not exclude companies that receive a de minimis portion of their revenues from the applicable activity. Business involvement screening is sometimes referred to as negative screening, as this approach seeks to exclude companies involved in certain activities from investment portfolios.
- General business practices screens, which consider a company's approach to certain issues and the degree to which a company might be involved in any controversial activities in that area.
- Faith-based screens, which look to exclude companies that are engaged in activities that are in conflict with the teachings or morals of a particular faith.
- ESG ratings, which consider a company's overall practices with respect to environmental, social, and governance issues. Companies can be evaluated based on an overall ESG score that considers all three areas or by considering just one or two of those underlying categories. Using comprehensive ESG ratings is sometimes referred to as inclusionary screening, as it looks to include companies involved in positive ESG activities in portfolios.
- Global Industry Classification Standard (GICS) sectors and industries.
- Individual security restrictions.

Individual clients and organizations have unique sets of concerns and issues. MPA and AIA specialize in the customized implementation of investment portfolios. Incorporating socially responsible or ESG considerations is one dimension of portfolio customization we can offer. Listed on the back page are many of the issues, activities, and ratings that MPA and AIA can leverage to customize client portfolios. If clients have other issues they would like factored into their investment portfolios, MPA and AIA can help identify other sources of information and research to help reflect those values in their portfolios.



Issues, activities and ratings that MPA and AIA can leverage to customize client portfolios

Business Involvement Screens		Threshold	
		Any Tie	Revenue
Abortion/Contraceptives	Companies with an industry tie to abortion or abortifacients, including Abortion Provider, Own/Operate Acute Care Facilities, Ownership of an Abortion Company, Ownership by an Abortion Company, Abortifacient Manufacturer, Ownership of an Abortifacient Company, and Ownership by an Abortifacient Company categories. Companies with an industry tie to contraceptives including producer, licensor, or ownership of or ownership by a contraceptives company.	Yes	10%
Adult Entertainment	Companies involved in the production, distribution or retailing of adult entertainment products.	Yes	10%
Alcohol	Companies with an industry tie to alcohol, including producer, distributor, retailer, licensor, supplier, and ownership categories.	Yes	10%
Animal Welfare – Animal Testing	Companies involved in animal testing (including those on the PETA and USDA lists), factory farming, exhibiting animals, breeding animals, and ownership of or by a company in these categories.	Yes	
Cluster Munitions	Companies involved in the production of cluster munitions, components, and delivery platforms.	Yes	10%
Firearms	Companies that manufacture handguns, pistols, shotguns, rifles, revolvers, and ammunition for civilian (non-military) use.	Yes	10%
Gambling	Companies that own or operate gambling facilities or provide support or services to the gambling industry.	Yes	10%
Landmines	Companies involved in the production of anti-personnel landmines, components, and anti-vehicle landmines.	Yes	10%
Defense	Companies that manufacture military weapons systems and weapons components.	Yes	10%
Nuclear Power	Companies that own or operate nuclear power plants, and manufacture and supply key products or services to the nuclear power industry.	Yes	10%
Stem Cells	Companies that conduct research utilizing stem cells derived from human embryos, human fetal tissue, or human adult tissue. Also includes companies with research partnerships or collaborations that conduct stem cell research through a third party; companies using human fetal cell lines; and companies that produce technology or products that enable stem cell research.	Yes	10%
Tobacco	Companies that produce, distribute, retail, license, or supply key tobacco products and services.	Yes	10%
General Business Practice Screens			
Environment	Companies with Severe or Very Severe controversies related to impact on the environment. Factors considered include whether a company is involved in controversies related to land use and biodiversity, toxic spills and releases, energy and climate change, water management, operational non-hazardous waste, environmental impact of products and service, and management of supply chain environmental impact.		
Employee Rights	Companies with Severe or Very Severe controversies related to employee relations and supply chain. Factors considered include whether a company is involved in controversies related to labor-management relations, employee health & safety, collective bargaining & unions, discrimination and workforce diversity, and management of supply chain employee relations standards.		
Faith-Based Screens			
Islamic	<ul style="list-style-type: none"> • Companies with ownership of non-compliant business activities, including adult entertainment, alcohol, cinemas, conventional financial services, gambling, music, pork, tobacco, and weapons. • 5%+ total revenues from prohibited business activities • Financial ratios equal to or exceeding 33.33% • Ties to a hotel 		
Catholic Values	Excludes companies engaged in activities not in alignment with the moral and social teachings of the Catholic church and generally follows the United States Conference of Catholic Bishops guidance. Specific activities screened for include: <ul style="list-style-type: none"> • Abortion/Contraception • Stem Cell/Fetal • Defense • Firearms • Landmines • Nuclear • Tobacco • Adult Entertainment • Environment • Labor/Employee Rights 		
Environmental, Social & Governance (ESG) Screen*			
ESG	Companies with below average practices, relative to their peers, with respect to environmental, social and governance issues.		
Global Industry Classification System*			
GICS Sectors	<ul style="list-style-type: none"> • Energy • Materials • Industrials • Consumer Discretionary • Consumer Staples • Healthcare • Financial Services • Information Technology • Telecommunications • Utilities • Real Estate • Exclusion can also be done at the sub-sector and industry level. 		
Non-dividend Paying Stocks*			
Non-dividend Payers	Stocks of companies that are not paying dividends based on the trailing 12-month dividend yield.		

* Certain screens can eliminate a large number of securities from the investable universe. This is particularly true of screens based on ESG ratings and GICS sectors. Index-based strategies often have the flexibility to work around these constraints, but it may be inadvisable to apply some of these screens to actively managed separate account strategies as they may have a very large impact on the portfolio composition. Please contact your Natixis representative if you would like to discuss the potential impact of the application of any of these customization criteria.

This document may contain references to third party copyrights, indexes, and trademarks, each of which is the property of its respective owner. Such owner is not affiliated with Natixis Investment Managers or any of its related or affiliated companies (collectively "Natixis") and does not sponsor, endorse or participate in the provision of any Natixis services, funds or other financial products.

Natixis Distribution, L.P. is a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliates of Natixis Investment Managers.

Natixis Advisors, L.P. provides advisory services through its divisions Active Index Advisors® and Managed Portfolio Advisors®. Advisory services are generally provided with the assistance of model portfolio providers, some of which are affiliates of Natixis Investment Managers, L.P. Natixis Advisors, L.P. and Natixis Distribution, L.P. are located at 888 Boylston Street, Suite 800, Boston, MA 02199-8197. • 800-862-4863 • im.natixis.com