



# THEMATICS

asset management

## Transparency Code

Thematics – Artificial Intelligence & Robotics

Thematics- Meta

Thematics- Safety

Thematics- Subscription Economy

Thematics – Water

Thematics – Wellness

April 2022

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**THEMATICS**  
asset management



Basic Details

## Statement of Commitment

Responsible investing (RI) is one of the core principles from which Thematics Asset Management was built. Since the company's formal inception in September 2019, RI has been part of the four pillars of our investment philosophy that guide all our investment. As an investor with a thematic lens, these core pillars include: (1) emphasis on secular growth, which is derived from the primary forces of Technology, Demographics, Globalization and Scarcity that are causing the "tectonic" shifts shaping tomorrow's world and affecting companies as well as the flow of money; (2) focused approach, where we look only in targeted segments of the enjoying long-term secular growth underpinned by structural and long-lasting forces; (3) unconstrained style, with our forward-looking, benchmark-agnostic, diversified, and with global equity exposure; and (4) responsible investing, which we believe is integral to reducing risks for our clients as well as to creating long-term value for our investors and for the society as a whole.

Our full response to the European SRI Transparency Code can be viewed below and is also available on our website.

## Compliance with the Transparency Code

As member of the French Asset Management Association (AFG) and Forum pour l'Investissement Responsable (FIR), we commit to providing the highest transparency, taking into account the regulatory and competitive environment in which we operate.

April 2022

## List of strategies subject to this Transparency Code

### Fund Names

1. Thematics AI & Robotics
2. Thematics Safety
3. Thematics Water
4. Thematics Subscription Economy
5. Thematics Meta
6. Thematics Wellness

### SRI Strategy used

1. Thematic/sustainability theme
2. Exclusion
3. Norms-based screening
4. ESG Integration
5. Voting and Engagement

### Asset Class

Global equity, long only

### Assets Under Management

In EUR million, as of 31 March 2022

Thematics AI & Robotics	466
Thematics Safety	682
Thematics Water	283
Thematics Subscription Economy	173
Thematics Meta	707
Thematics Wellness	77

For more information, please refer to the brochure or the Key Investor Information Documents (KIDs) relating to the Strategies, which may be obtained from Thematics Asset Management on request or from the website [www.im.natixis.com](http://www.im.natixis.com). There may be restrictions on the strategies regarding specific persons or countries depending on the applicable national regulations to such persons or countries.

### Labels

French ISR Label	6 strategies (all above)
Belgian Towards Sustainability Label	3 strategies (Safety, Water & Wellness)

## The Fund Management Company

### Overview and ownership

Based at 20 Rue des Capucines, 75002 in Paris, France, Thematics Asset Management (“Thematics AM”) is an affiliate of Natixis Investment Managers. It provides investors with access to a wide range of high conviction and active global thematic strategies, including Safety, Water, the Subscription Economy, Artificial Intelligence & Robotics, Meta, and Global Alpha Consumers, and Wellness.

### Our approach to Responsible Investing

Responsible Investing is embedded across the three phases of the investment process of Thematics AM: Define, Select and Act.

As part of Natixis Investment Managers (Natixis IM), our Responsible Investment framework is also guided by and is aligned with the Group’s global responsible investment policy, which sets out its convictions, standards, and governance considerations with a view to implementing sustainable practices across the group.

The guiding principles of our responsible investment framework comprise the implementation of:

- Thematic/sustainability theme
- Exclusion and norms-based screening to minimise our adverse impacts
- Integration of environmental, social, and governance factors for risk management and value creation
- Voting and engagement

Please refer to the 2nd part of this document “Approach to Responsible Investment” to get more details on how we incorporate the different approaches as identified above across our investment processes.

### Our Philosophy and Belief

At Thematics Asset Management (‘Thematics AM’), responsible investing is one of the 4 ‘pillars’ on which we base our investment philosophy, along with a need for secular growth-driven opportunities, being focused on our investment themes and taking an unconstrained approach. For this reason, environmental, social and governance (ESG) considerations are included at each step of our investment process.

We believe ESG integration leads to better-informed investment decisions. The analysis of ESG factors is crucial to de-risking the portfolios and delivering excess returns. We also believe that our fiduciary duty is to generate superior performance for our clients, and it is by integrating sustainability factors that we can fully assess and monitor operational, financial, and reputational risks. We are convinced that the consideration of ESG factors supports sustainable value creation for asset owners.

## Our Principles

Consistent with our philosophy and belief, we are a signatory of the **UN Principles for Responsible Investment**. We are committed:

- to incorporate Environmental, Social and Corporate Governance (ESG) issues into investment analysis and decision-making processes;
- to be an active owner and to incorporate ESG issues into our ownership policies and practices;
- to seek appropriate disclosure on ESG issues by the entities in which we invest;
- to promote acceptance and implementation of the Principles within the investment industry;
- to work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles;
- to report on our activities and progress towards implementing the Principles.

We submitted our first voluntary PRI report in March 2020, as a recent signatory of the UN PRI (and as recently formed organisation). As such, the link to our answers to the questionnaire is not available yet, but we can provide the document on request. We submitted our first mandatory PRI Report and currently awaiting the score.

## CSR

As a key source of financing for the economy, Natixis, of which Thematics is an affiliate, has a role to play in the transition to a sustainable development, and in 2017 decided to further its environmental and social responsibility (ESR) ambitions. Environmental and Social Responsibility – or ESR – has been one of the key components of Natixis' 2018-2020 strategic plan, New Dimension. It involves managing the social and environmental risks of our business operations, but it is also a performance driver at the Group level, fostering efforts to develop innovative products and solutions to support our clients as they make their own transition to a more sustainable business model. The ESR policy rests on three key pillars: Green & Sustainable business development, direct impact and onboarding, as well as ESG risk management. As such, we believe that the Thematics AM approach towards ESG integration is inspired by and consistent with our parent company CSR/ESR approach.

Access to the Natixis group CSR/ESR portal including policy documents and other related resources can be found by following the link below:

[https://www.natixis.com/natixis/jcms/tki\\_5048/en/esr](https://www.natixis.com/natixis/jcms/tki_5048/en/esr)



## Responsible Investment Products and Resources

### Our Strategies & their characteristics

Thematics AM currently manages 7 strategies, 6 of which incorporate sustainability into their investment process. The first four (AI&Robotics, Meta, Safety and Water) were launched in December 2018 while the Subscription Economy Fund was launched in December 2019. Thematics Wellness Fund was launched in April 2021. Global Alpha Consumer was merged into Thematics Wellness January 2022.

All strategies are global, long-only, high conviction, listed equity products. Thematics AM has classified the Water, Safety, and Wellness strategies as Article 9 products and AI&Robotics, Subscription Economy and Meta as Article 8 products under the EU SFDR.

### Governance and Implementation of the Responsible Investment Policy

The governance and implementation of Thematics AM's Responsible Investing Framework is managed by the Responsible Investment Committee, composed of the following:

- Chief Investment Officer
- Head of Compliance
- Head of Responsible Investing (RI)
- ESG Specialist
- Climate Specialist

Primarily, the Head of RI, supported by the ESG Specialist, are in-charge of the following:

1. ensure that the RI policy and procedures are operationalised across all strategies
2. to provide guidance on exclusions, votes and engagements
3. maintain an understanding of international best practices on ESG management

The Chairman and Chief Investment Officer oversees the implementation. The Head of Compliance ensures alignment of the RI policy against global and local regulations and standards.

At the specific and individual fund level, each PM fulfils a dual role, performing both the company / stock analyst role on an investable universe of reasonable size, as well as portfolio management duties and associated responsibilities whereby strongest convictions are selected to create a concentrated yet diversified portfolio. This analytical role includes ESG factors at the portfolio and stock-specific level. The combined and individual expertise of the strategy portfolio managers following decades of combined investing experience, allied to an integrated risk-mapping procedure that scores companies in the portfolios, inputs from 3rd party resources, as well as voting, engagement and regular management meetings with portfolio companies and forms the basis of our ESG capability/expertise.



Approach to  
Responsible  
Investment

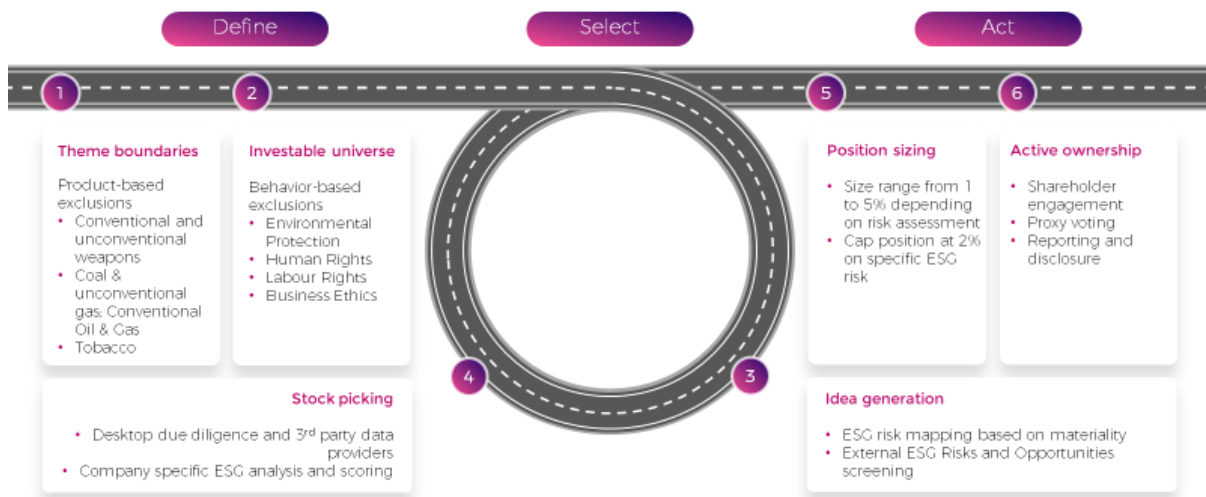
## Core components of the responsible investment framework

Responsible Investment is embedded across the three phases of the investment process of Thematics AM: Define, Select and Act.

Our responsible investment framework comprises the implementation of the following:

- Thematic/sustainability theme investing
- Exclusion and norms-based screening to minimise our adverse impacts
- Integration of environmental, social, and governance factors for risk management and value creation
- Stewardship

These core strategies are implemented at different stages of the investment process. The next section provides an overview of each strategy.



## Exclusionary screening

### Product-based screening

As a sustainable and responsible investor, we seek to lower if not eliminate our adverse impacts to society and the environment. Using a combination of third-party data from established ESG rating and research agencies and our own internally-set ESG definitions and risk materiality assessment, our Portfolio Managers and in-house ESG Specialist systematically screen all of our strategies for any exposure to activities that have negative impact from a sustainability and/or ethical perspective.

The table below outlines the activities and the specific exclusion thresholds that we follow globally across all our thematic strategies.

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Activity	Screening Criteria
Environmental	
Coal	To support the transition to a low carbon economy, we continue to reduce our investments in coal. Effective June 2021, Thematics AM shall not invest in companies that generate more than 5% of revenue from coal. We have progressively lowered this threshold from the previous 25% and 10%. To note, less than 1% (3 out of over 1200 securities) of Thematics AM investable universe has exposure to fossil fuels.
Unconventional Oil and Gas	Our unconventional oil and gas policy covers oil sands, shale energy, and oil and gas resources located in the Arctic region. We exclude companies that generate more than 5% of their revenue from exploration and production of these resources, a stricter threshold from the previous 10%.
Conventional Oil & Gas	This exclusion covers companies that are primarily involved in the production and distribution. We exclude those that generate more than 5% revenue from oil and gas. We further strengthened this from our previous threshold of a minimum 60:40 natural gas/renewables mix.
Nuclear Energy	This exclusion covers companies in the energy and electric utilities sector. We exclude those that generate more than 5% of their revenue from nuclear energy, a significant reduction from our previous 30% threshold.
Energy Sector	By the nature of our thematic strategies, we have very low exposure to companies in the energy and electric utilities industries. To ensure we minimise our adverse impact, we exclude companies in the electric utilities industry with carbon intensities that are not aligned with the 2 degrees scenario.
Social	
Conventional weapons	To support peace and disarmament efforts globally, while respecting countries' rights to self-defence, we limit our involvement in companies that manufacture or provide weapons, weapon components, or tailor-made combat-specific products or services. Companies that generate more than 5% of their revenue from weapons

THEMATICS AM – TRANSPARENCY CODE

	<p>systems or their key components are excluded. Companies involved in the provision of key combat-specific products or services are also excluded, with a further reduced threshold of 5% from the previous 10%.</p>
Small Arms	<p>Companies that generate more than 5% of their revenue from small arms production and distribution are also excluded.</p>
Illegal and Controversial Weapons	<p>We do not invest in companies involved in the production of weapons considered illegal under international law with a zero-tolerance policy. This covers the following weapons:</p> <ul style="list-style-type: none"> <li>- anti-personnel mines</li> <li>- cluster munitions</li> <li>- biological and chemical weapons</li> <li>- depleted uranium</li> <li>- white Phosphorous</li> <li>- nuclear weapons</li> </ul> <p>Our policy is aligned with the stipulations of international treaties governing the use and production of these weapons, such as the Oslo Convention and Ottawa Treaty.</p>
Tobacco	<p>While recognising individual freedom to choose what one consumes, Thematics does recognise the risks posed by certain substances that contribute to serious health and environmental problems for users and others. We therefore limit our investments to tobacco. Companies generating more than 10% from the production and distribution of tobacco are excluded.</p>
Genetically Modified Plant & Seeds	<p>Effective June 2021, we added in our exclusion those activities relating to the development and/or cultivation of genetically modified seeds and/or plants, as well as growing of genetically modified crops, with a 5% threshold.</p>
Human Embryonic Stem Cell Research	<p>Also effective June 2021, we also added in our exclusion those activities relating to the use of human embryonic stem cells and the use of fetal cell lines for vaccine or biologics development. Companies generating majority of its revenue or has significant exposure to the use of embryo and/or fetal cell lines shall be excluded.</p>

*Behaviour-based screening*

In addition to the exclusion criteria based on product or activity involvement, Thematics AM also excludes companies that are non-compliant or systemically violate, demonstrate severe negative impact, or indeed cause significant harm relative to key social and environmental issues covered by internally agreed standards, norms, taxonomies, and regulations. These would include but not be limited to the International Bill of Human Rights, ILO Conventions, OECD Guidelines for Multinational Enterprises, and the UN Global Compact. The assessment is informed by data from third-party providers, additional research by Portfolio Managers and the ESG Specialist, as well as additional information from Portfolio Managers’ engagement with companies.

ENVIRONMENTAL	
Environmental protection	We exclude companies that are repeatedly facing grave and severe controversies relating to their impact on the environment and/or have demonstrated systematic failure to address or mitigate allegations of environmental harm – as well as those where there is an absence of any environmental risk management policy across the company’s operations.
SOCIAL	
Human Rights	We exclude companies that are violating international agreements, standards, and directives in human rights protection, either deliberately or through neglect. These include: <ul style="list-style-type: none"> <li>- Those facing repeated allegations of severe human rights abuses</li> <li>- Those where there is a repeated or systematic failure to address or mitigate allegations of human rights abuses and an absence of any human rights policy across the company’s supply chain.</li> </ul>
Labour Rights	We exclude companies that are violating international agreements, standards, and directives in labour standards, either deliberately or through neglect. These include: <ul style="list-style-type: none"> <li>- Companies facing repeated allegations of severe or significant violations or fines and failure to address or mitigate issues relating to: <ol style="list-style-type: none"> <li>a. Health &amp; Safety of staff and suppliers</li> <li>b. Child Labour</li> <li>c. Modern Slavery</li> </ol> </li> </ul>



GOVERNANCE	
Business Ethics	<p>We exclude companies that are violating international agreements, standards, and directives on business ethics, either deliberately or through neglect. These include:</p> <ul style="list-style-type: none"> <li>- Repeated allegations of severe or significant violations or fines relating to:             <ol style="list-style-type: none"> <li>a. Corruption</li> <li>b. Extortion and bribery</li> <li>c. Competition Laws, Tax avoidance</li> </ol> </li> </ul>

Further, Thematics AM also excludes from its investable universe any companies that are exposed to high or severe risk level of ESG controversies, with a negative outlook, based on third-party data. For stocks that are already part of Thematics portfolio that gets exposed the above type of ESG controversy, a capping to 2% of the position size (if currently higher) shall be applied and be complemented with a targeted engagement with a 6-month time frame. For full details of this policy, see the ACT section of this document.

**ESG Integration**

Thematics AM has developed a proprietary ESG scoring framework composed of targeted and focused sets of metrics deemed most material to its range of thematic strategies. These metrics represent two things:

- the most material risks that companies in our strategies are exposed to, linked to the nature of their activities, which could translate to financial and reputational risks if unmanaged, and;
- the most material areas where companies could have adverse impact, due to the nature of their activities.

*Materiality*

Whilst assessing investment opportunities within the investable universe of each them, Thematics AM portfolio managers will review eight categories of ESG criteria to assess the ESG risk.

THEMATICS AM ESG CRITERIA

*ESG Risk Weighting Across Strategies Based on Materiality*



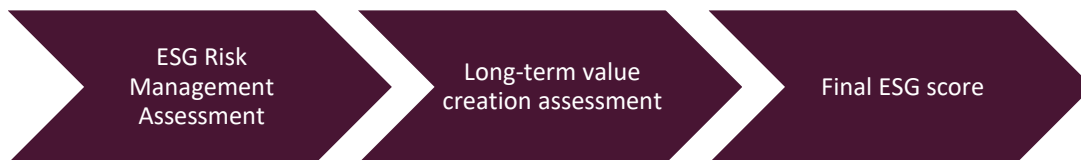
Whilst we acknowledge the interconnected nature of environmental, social, and governance factors, we think that there are specific topics and criteria which are more material than others depending on the business models, the geographies or the industries involved. As such, Thematics AM selects relevant criteria for businesses in the universe at the theme and sub-theme levels. Portfolio Managers base their selection on their expertise and knowledge of sectorial business models. They consider ESG criteria that account for material environmental, social and governance issues.

This process includes the following steps:

1. Identifying and flagging the most material ESG factors for each sub-theme. Factors with the highest materiality are assigned a ‘weight’ of 2. Factors that are assessed to have Medium materiality are assigned a ‘weight’ of 1.
2. Assessing these scores based on the strategy allocation to identify the most relevant sustainability risk for the strategy.

*Company-Specific ESG Analysis*

To arrive at the ESG score of a company, we follow a 3-step process:



1. ESG Risk Management Assessment

In this first phase, Portfolio Managers assess and score companies against the material ESG metrics identified in the ESG Risk Mapping and Weighting. This scoring is informed by PM’s desktop research, using publicly available information and third-party sustainability ratings data<sup>2</sup>. The performance analysis and scoring is focused on the 11 ESG risk metrics as defined above. The review is primarily focused on the risk exposure versus risk management performance of companies.



## 2. Value-creation assessment

This second layer review is aimed at fully and holistically capturing the long-term value creation capability of companies. Specifically, Portfolio Managers aim at this stage to assess: (a) a company's alignment with the sustainable development goals, looking at whether it has overall positive or negative net impact, contributing positively to the achievement of the goal or obstructing it; (b) whether a company is meeting its obligations to sustainability standards using controversies data as a metric; and (c) full understanding of the company through direct engagement to uncover any material information not captured by third-party data provider or in-house research.

## 3. Final ESG score

Relying on the output of the first two steps, portfolio managers attribute a binary ESG score to the company:

- a. The company is scored 1 if no ESG major risk has been identified and/or if major ESG risks are mitigated by appropriate commitments and approaches which have already demonstrated results.
- b. The company is scored 0 if an ESG risk is identified and is not covered by any appropriate commitment or approach.

### *Capping of position*

To further minimise ESG risks, Portfolio Managers shall cap the position at 2% in companies that become exposed to high to severe risk level of ESG controversies and which have been assessed as no sufficient ESG risk management by third-party data providers (negative outlook). Moreover, PMs can also apply a 2% cap in companies which are exposed to an ESG risk controversy they deem to be material even if the third-party assessment has indicated a lower risk level. The number of capped securities in the fund cannot be more than five. In addition, targeted engagement with the company shall be initiated with a 6-month timeframe. The cap would be lifted if sufficient performance improvement is demonstrated within the prescribed timeframe. Investment Managers will exit the investment if no progress is made and the risk identified deteriorates.

### *Frequency of review of ESG information*

ESG risk and opportunity is reviewed on an ongoing, daily basis – with the portfolio managers continually receiving company and industry updates. In terms of published ESG scores for the portfolio (from both a risk and opportunity standpoint), this is a metric that is published every month for inclusion in the fund factsheets (covered in detail in the Reporting section of this report). More broadly, the Thematics AM ESG committee reviews the investable universe of each strategy each year and makes sure it does not include any companies involved in any activities excluded at theme level. The committee uses data from multiple third-party providers, ie screening.

### *Resources used to undertake ESG analysis*

The PM/analyst will draw from a range of resources when analyzing a company. The data used to form an overall opinion on a company is a synthesis of outputs that come from a combination of some or all of the following:

- PM’s network of contacts from the broader relevant industry
- Equity sell-side analysts and research documents,
- Third party sustainability data providers, including
  - a. Institutional Shareholder Services (ISS)
  - b. Sustainalytics
  - c. Trucost of S&P Global

**Principal Adverse Impact in our Responsible Investment Framework**

Principal Adverse Impact (PAI) is a key element of the EU’s SFDR. PAI is defined as “Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity.” PAI indicators are a predefined list of ESG indicators and metrics (including carbon emissions, wastewater emissions, social violations, among others) that are considered to always have a negative impact.

Thematics AM’s responsible investment (RI) framework takes into account the negative impact of its investments through employing multiple sustainability strategies from end-to-end of its investment process. Acting in accordance with applicable and evolving standards and regulations, we continuously refine and update our RI policy to align and comply with these normative and legal instruments. Thematics AM takes into account the EU SFDR’s PAI at different stages of our investment process through our 6 sustainability approaches: exclusion, norms-based assessment, ESG risk assessment, voting and engagement.

Principal adverse impact accounting

Sustainability approach	PAI covered	Details
Product-based Exclusion	<ul style="list-style-type: none"> <li>- GHG intensity of investee companies</li> <li>- Exposure to companies active in the fossil fuel sector</li> <li>- Share of non-renewable energy consumption and production</li> <li>- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</li> <li>- Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)</li> </ul>	<p>Please refer to the product-and behaviour-based exclusion discussions in the Define section of this policy.</p>

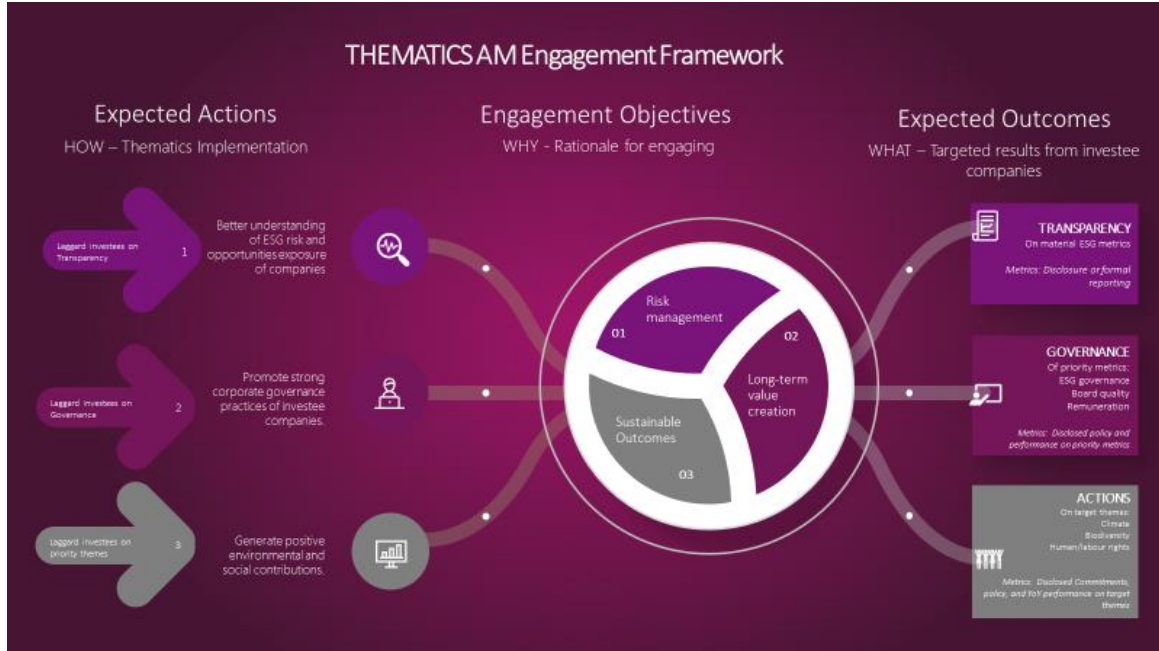
## THEMATICS AM – TRANSPARENCY CODE

Behaviour/ Norms-based assessment	<ul style="list-style-type: none"> <li>- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</li> <li>- Activities negatively affecting biodiversity sensitive area</li> </ul>	Please refer to the product-and behaviour-based exclusion in the Define section of this policy.
ESG assessment	<ul style="list-style-type: none"> <li>- GHG emissions</li> <li>- Carbon footprint</li> <li>- Energy consumption intensity per high impact climate sector</li> <li>- Activities negatively affecting biodiversity sensitive areas</li> <li>- Emissions to water</li> <li>- Hazardous waste ratio</li> <li>- Board gender diversity</li> </ul>	Please refer to the ESG Integration in the Select section of this policy.
Voting & Engagement	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Please refer to the behaviour-based exclusion in the Define section of this policy, and the Thematics AM Voting & Engagement Policy accessible <a href="#">here</a> .

Due to unavailability of data on unadjusted gender pay-gap, Thematics has decided not to include this PAI in our sustainability assessment at this point. When reporting by companies improve or data becomes available and credible, we will consider adding this into our due diligence.

**Engagement**

*Our Engagement Framework*



*Our Engagement Objectives*

As responsible investors, we view engagement as a core strategy through which we can deliver on our fiduciary duty to our clients. THEMATICS AM therefore engages with its investee companies to achieve the following objectives:

1. Risk management
2. Long-term value creation
3. Contributing to sustainable outcomes

*Expected Outcomes*

For each of the three engagement objectives, we have also defined the targeted results from our investee companies. These results focus on achieving the following:

1. Transparency
2. Strong governance
3. Investee actions on critical sustainability challenges: climate change, biodiversity, and human rights

*Implementation*

**Who – Target companies**

Companies that are laggards across the three core priority engagement themes – Transparency, Governance, Actions will be the targeted companies for engagement.

Targets are set per investment fund. Data on company performance on transparency are based from ISS, Sustainalytics, and Bloomberg Disclosure scores.

### **How – Process of engaging**

Formal engagement with the target companies is carried out by each fund's Portfolio Managers with the support of the ESG Specialist. Engagement can be in a form of formal discussion with the management or formal letter. The engagement defines the expected outcomes and the performance metrics with the investee companies.

### **Escalation**

When engagement targets are not met or there is an assessed unwillingness or intentional inaction from investee companies to a degree that poses risks to our clients' interests and shareholder value, THEMATICS AM may consider joint intervention with other shareholders or propose shareholder resolutions. Decisions on a need for escalation is taken on a case-by-case basis.

### **Industry collaboration and policy engagement**

For themes and sustainability challenges whose effective response is more likely to be influenced by collective action, Thematics AM will actively join investor groups or industry alliances to engage with target companies or policymaking bodies.

We are currently a member of the French asset management association or Association Française de la Gestion Financière (AFG). We are also a signatory to the French SIF (Forum pour l'Investissement Responsable – FIR).

### **Proxy Voting Policy**

#### *Why we vote*

As a responsible investor, we recognise our duties in promoting strong corporate governance within our investee companies. Our objectives for voting is five-fold:

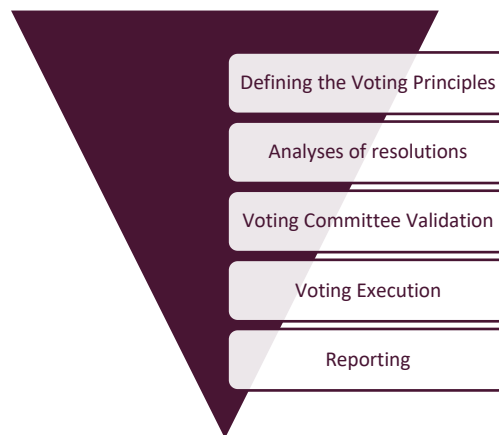
1. Creating long-term value for our stakeholders through the promotion of strong governance
2. Protecting the rights of shareholders
3. Promoting a fair and equitable compensation policy for all stakeholders
4. Establishment of strong accountability and transparency
5. Respecting and preserving the environment and society

Guided by these objectives, we have outlined below the core governance issues our voting principles cover.

- **Board of directors**
  1. Accountability

2. Responsiveness
  3. Composition
  4. Board independence
- **Shareholders' rights**
    5. Shareholders' meetings
    6. Shareholders' voting rights
  - **Integrity and quality of financial information**
    7. Approval of annual accounts
    8. Ratification of director actions
    9. Selection and remuneration of statutory auditors
    10. Dividend payment
    11. Quality of governance information
  - **Remuneration policy**
  - **Environmental, Social, and Governance Issues**

*Our voting process*



*Implementation of Voting Policy*

**Defining the voting principles**

Thematics AM's Responsible Investment Committee is in-charge of defining the voting principles of the organisation. It is composed of the CIO, Head of Responsible Investing, Head of Compliance, ESG Specialist, and Climate Specialist. The policy is reviewed and updated annually.

**Analyses of resolutions**

Primary analysis of the resolutions is conducted by the global corporate governance and responsible investment expert Institutional Shareholder Services (ISS).

### **Voting Committee Validation**

For resolutions that are particularly important or for which principles have not been set forth in the voting policy, or where it calls for assessment on a case-by-case basis, Portfolio Managers can submit a vote amendment to the RI Committee, who then reviews and validates the final voting decision.

### **Voting Execution**

Voting is carried out via ISS' Proxy Exchange platform, with a gateway between ISS and Broadridge for those portfolios whose depository uses Broadridge's services.

The exercise of voting rights is handled under a services contract by Ostrum Asset Management's Middle-Office Processing department, which is also in charge of relations with service providers and depositories.

### **Reporting**

Thematics AM publishes its voting and engagement performance in an annual basis. The report is available on the Thematics AM website.

### **Securities lending**

Thematics AM does not engage in securities lending

### **Derivatives**

Thematics AM does not use derivatives

### **Unlisted entities / securities**

Thematics AM does not invest in unlisted entities / securities





RI Strategies in the  
Fund Management  
Process



### Responsible investment considerations across the investment process

Thematics AM responsible investment strategies are embedded across the three main phases of the investment process: Define – Select – Act.

#### Define

At the first stage of our investment process, we ‘Define’ our theme, its associated boundaries and ultimately the investable universe for the strategy. We set boundaries around what can and can’t be considered appropriate for the strategy in question.

At this stage, we minimise adverse impacts through product- and behaviour-based exclusions. Recognising that even companies in positive thematic areas could have an adverse impact on society or the environment, we apply the first adverse impact minimisation filter as we define the investable universe. The adverse impacts are minimised through product- and behaviour-based exclusionary criteria at company and fund level.

- b. Product-based exclusion – we automatically exclude companies whose products or services are deemed to have critical negative impact to the health and safety of people and the environment from the investable universe. The full list of our exclusion criteria is outlined in our Responsible Investment Policy document.
- c. Behaviour-based screening – we also exclude companies which are not meeting their obligations to internally agreed norms and standards around human and labour rights, environmental protection, and business behaviour. These would be companies which commit systematic violations of such standards, or which have caused grave harm due to their failure to comply or act responsibly.

#### Select

At the second stage of our investment process, we ‘Select’ companies that are suitable for investment. ESG Integration is central at this stage.

Our proprietary ESG scoring framework is used to assess the environmental, social, and governance risks and opportunities exposure of a security. It aims to mitigate potential ESG risks should they materialise, and to maximise the value created through the ESG focus. The policy provides guidelines to analyse and score stocks regarding the negative impact of their potential ESG risks and the positive impact of their ESG commitment.

The detailed scoring process, metrics and weightings used are discussed in details in our Responsible Investment Policy document.

#### Act

The final phase defines how we ‘Act’, in terms of sizing positions within the portfolio, and how we actively manage those positions.

‘**Position Sizing**’ is defined using thresholds that take ESG scores into consideration. Finally, ‘**Shareholder Engagement**’ with companies on ESG issues and ‘**Proxy Voting**’ are core elements of our active ownership and engagement approach.



## RI Reporting and Controls

## Reporting

Within our monthly fund factsheets, as a supplement to the ‘conventional’ performance data presentation and overview of positioning etc., we include portfolio level ESG Risks (Controversies) and Opportunities (Impact) reporting data to supplement financial information with non-financial considerations. This is also available within our Fund presentations.

### Reporting of ESG Risks

In terms of ESG risk reporting relative to our reference index, (which in most cases for Thematics is the MSCI ACWI Index), we have taken the decision to report on the level of controversies within the portfolio and compare this to a reference index. Therefore, we have identified a range of categories for these controversies and use third-party data (ISS research) to screen for occurrences identified for the companies in both portfolios and indices. In terms of disclosures, we show a weighted average for the portfolio (and benchmark).

In order to provide some additional granularity, we also split the categories of controversies between Corporate Governance (‘G’) and Human Rights (‘HR’) risks. From a Governance standpoint, we particularly focus on controversies relating to corruption, financial accounting, competition, tax, and money transfers, while Human Rights scoring aims to identify problems both internally and among suppliers based on labour rights controversies such as freedom of association, forced labour, child labour and discrimination.

### Reporting of ESG Opportunities

In terms of how we report on ESG Opportunities, we believe that the United Nations Sustainable Development Goals (‘SDGs’) are the best, and most widely-accepted way to frame a company’s opportunities. With a long-term goal of investing with the intention of creating a more sustainable world, the achievement of the SDGs should be beneficial over a similarly long timeframe to the companies in which we invest.



#### The UN SDGs:



In order to be able to provide that data at both the portfolio level and the reference index level, we use third party data from ISS. The scores that we use consider companies that are both making positive and negative impacts relative to 15 Social and Environmental











objectives of the SDGs. We aim to deliver (and have delivered) strategies that contribute more positively towards the SDG achievement than the broader reference index.

From a Social perspective, there are 7 objectives:

7 Social Objectives – and their Corresponding UN SDG			
<b>Alleviating Poverty</b> 	<b>Combating Hunger &amp; Malnutrition</b> 	<b>Ensuring Health</b>  	<b>Providing Basic Services</b>       
<b>Delivering Education</b> 	<b>Attaining Gender Equality</b> 	<b>Safeguarding Peace</b> 	

Source : ISS

The 8 Environmental objectives are:

8 Environmental Objectives – and their Corresponding UN SDG			
<b>Achieving Sustain. Agriculture &amp; Forestry</b>  	<b>Conserving Water</b> 	<b>Contributing to Sustain. Energy Use</b>  	<b>Promoting Sustain. Buildings</b> 
<b>Optimising Material Use</b> 	<b>Mitigating Climate Change</b> 	<b>Preserving Marine ecosystems</b> 	<b>Preserving Terrestrial Ecosystems</b> 

Source : ISS

For reporting purposes, the Thematics methodology uses ISS data to assess the products and services of the companies that we are analyzing to verify whether they contribute in a positive or negatively way from an Environmental ('E') and Social ('S') perspective, to the underlying SDGs, and scores them accordingly. The total score for each company equals the sum of the assessment for each company for all 15 objectives and can range from -10 (where 100% of sales contribute negatively to one or several SDGs), all the way up to +10 (where 100% of sales contribute positively to one or several SDGs).

From a reporting perspective, we publicly disclose information for both the E and the S pillars, meaning that the total ESG Opportunity score, or Impact score can be calculated by adding both together. Please note that the score provided is a weighted average score of names within the portfolio. We clearly disclose the percentages of non-covered names for full transparency.

### Selectivity

Thematics AM has developed its own proprietary ESG Assessment to facilitate its ESG Integration in the investment process. Portfolio Managers individually score the selected securities across different material ESG metrics. The ESG score represents 25% of the total investment score, along with 3 other categories of risk - business model, management, and trading.

As securities which are not held in portfolios are not scored by PMs, Thematics AM relies on 3rd party data to be able to demonstrate that the process is selective by guaranteeing that it drives a portfolio which score is significantly better than its investable universe



(meaning the portfolio average score is above the investable universe average score when removing the worst 20%), with a coverage on both above 90%.

### Selection of the relevant scores monitored

At Thematics AM, we aim to be fully transparent in terms of monitoring portfolio-level ESG and Impact scores relative to each strategy's relevant reference index. Consequently, we have opted for 3rd party scoring for both, primarily to remove ourselves from any potential industry debates about opaque scoring practices, but also to allow for greater and more direct comparability relative to other strategies. As such, while we prize our proprietary analysis and scoring highly, such data is used exclusively in the 'Select' stage of our investment process, when we size and adjust positions in our portfolios. We would highlight that, in an effort not to 'sole source' all data from 1 provider, we have selected ISS for reporting data, and have chosen the ESG Risk scores provided by Sustainalytics for 4 of our 5 standalone strategies, AI & Robotics, Safety and Subscription Economy, and Wellness. We utilize the ISS data for the Water strategy.

### Implementation of selectivity monitoring

The ESG policy is implemented before and after stocks are acquired, while individual stock analysis is updated on a constant and ongoing basis. Indeed, Thematics AM receives and treats daily news flow and actuality on stock development (merger, acquisition, spin-off, delisting, controversies).

**Level 0:** Portfolio Managers are responsible for the initial control of the guidelines, having access to the list of stocks excluded of their universe as well as the research platforms and scores of third-party providers, including the one they are monitored against.

**Level 1:** The Risk department monitors, on a weekly basis, the score of the strategies vs their reference index. The strategies must perform better than the reference index in terms of ESG rating when you take out the bottom 20 percent ESG performers of the index, based on the third-party ESG risk ratings. Portfolio managers receive a report of such analysis, flagging their current positioning vs their reference index, and alerting on any deviation to the requirement.

**Level 2:** The Head of Compliance of Thematics AM reviews the implementation of the policy as well as the risk monitoring implementation on an annual basis.

### ESG Risk Score Neutralisation

As the portfolio managers score the ESG risk for all stocks held in their strategy, but the monitoring is made out of external scores to be compared to larger reference indexes, they have the possibility to exceptionally neutralise some of these stocks in the ESG selectivity monitoring process. It can happen if the portfolio managers identify a non-alignment of ratings between data providers, a lack of disclosure, or some fundamental disagreement with the risk assessment score. Total exposure to stocks non covered and neutralised (ie covered but considered as not) can never exceed 10% of the portfolio.

## Communication resources used to provide investors with information about the SRI management of the strategies

Please find below all public media and documents and URLs used to inform investors about the SRI approach to the strategies:

6. Prospectus / KIID Fund / Fact Sheet / Annual and Semi-annual reports:
  - <https://www.im.natixis.com/fr/strategies/thematics-meta-fund/lu1923622457>
  - <https://www.im.natixis.com/fr/strategies/thematics-safety-fund/lu1923621996>
  - <https://www.im.natixis.com/fr/strategies/thematics-ai-and-robotics-fund/lu1923622887>
  - <https://www.im.natixis.com/fr/strategies/thematics-water-fund/lu1923621483>
  - <https://www.im.natixis.com/fr/strategies/thematics-subscription-economy-fund/lu2095319096>
  - <https://www.im.natixis.com/fr/strategies/aaa-actions-agro-alimentaire/fr0010152967>
  - <https://www.im.natixis.com/fr/strategies/thematics-global-alpha-consumer/fr0010256412>
  
7. Thematics AM website
  - <https://thematics-am.com/>
  
8. Link to Web page of ESG Analysis provider(s)
  - 1/ Institutional Shareholder Services (ISS)
    - Homepage: <https://www.issgovernance.com/>
    - \* ESG Screening, controversy identification methodology: <https://www.issgovernance.com/esg/screening/esg-screening-solutions/>
    - \* SDG scoring methodology: <https://www.issgovernance.com/esg/impact-un-sdg/sustainability-solutions-assessment/>
  - 2/ Sustainalytics
    - Homepage: <https://www.sustainalytics.com/>
  - 3/ Trucost of S&P Global
    - Homepage: <https://www.spglobal.com/esg/trucost>