



— Principal Adverse Impacts Report 2024

Thematics Subscription Economy Fund





STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Thematics Asset Management (LEI: 969500ZNS4RM1JHXDI81)

Summary

Thematics AM (LEI: 969500ZNS4RM1JHXDI81) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Thematics AM. This statement on principal adverse impacts on sustainability factors covers the reference period from January 1st to 31 December 2024.

According to its sustainable investment policy, and in particular based on its product-based and behaviour-based exclusion policy, Thematics AM does not have exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) nor violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. Thematics AM has also very low exposure to companies active in the fossil fuel sector because it excludes companies that generate more than 5% of their revenues from conventional or unconventional fossil fuel. We also note a very low coverage for the Principal Adverse Impact indicator 12 "Unadjusted gender pay gap" (less than 5% of AUM) due to very low reporting from investee companies.

ESG Integration is the approach of incorporating material environmental, social, and governance risks and opportunities into investment decisions to help enhance risk-adjusted returns. Thematics AM uses ESG Integration as one of its sustainability approaches through its proprietary ESG Scoring Tool.

Employing shareholder power to influence corporate behaviour, including through direct corporate engagement and proxy voting, is guided by comprehensive sustainability guidelines. Thematics AM uses voting and engagement as a means to promote good governance. We target to submit votes based on sustainability principles to 100% of annual general meetings of our global portfolio.

Product-based exclusions is the exclusion from a portfolio of certain sectors, companies, countries or other issuers based on activities considered harmful or unethical. We exclude from the investment universe entities involved in activities that are considered to have adverse impact to the environment, people, or society, such as coal and weapons.

Thematics AM employs the norms-based assessment as part of its sustainability approaches. It uses a combination of exclusion and controversy management. It excludes from its investable universe businesses whose overall corporate behaviour is not aligned with or not in adherence to globally established standards and norms on sustainability and those companies exposed to high with negative outlook and/or severe level of environmental, social, and governance controversies. Post investment, to ensure continuous accounting for ESG risks that are evolving by nature, Portfolio Managers are required to cap the position at 2% in companies already in the portfolio, that become exposed to high with negative outlook and/or severe ESG controversies. 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. Further, targeted engagement with the company is initiated. The cap would be lifted if sufficient performance improvement is demonstrated within 6 months. Portfolio Managers will exit the investment otherwise.



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Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	Impact 2023	Impact 2024	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	219	86		Product-based Exclusion
		Scope 2 GHG emissions	430	322		ESG Integration [ESG Scoring]
		Scope 3 GHG emissions	117683	2450		
		Total GHG emissions	118333	2857		
	2. Carbon footprint	Scope 1 Carbon Footprint	2	1		
		Scope 2 Carbon Footprint	5	4		
		Scope 3 Carbon Footprint	1297	30		
		Total Carbon footprint	1304	35		
	3. GHG intensity of investee companies	Scope 1 GHG intensity of investee companies	10	4		
		Scope 2 GHG intensity of investee companies	17	18		
		Scope 3 GHG intensity of investee companies	1056	98		
		Total GHG intensity of investee companies	1083	119		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0	0	No company involved	Product-based Exclusion



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	5.	Share of non-renewable energy consumption	Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	47.32%	41.87%	The coverage increased	ESG Integration [ESG Scoring]
	5.	Share of non-renewable energy production	Share of non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	27.07%	31.97%		Product-based Exclusion
	6.	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector				ESG Integration [ESG Scoring]
			Agriculture, Forestry & Fishing	0	0	No coverage	
			Mining & Quarrying	0	0		
			Manufacturing	0.12	0.08	It has decreased due to allocation effect	
			Electricity, Gas, Steam & Air Conditioning Supply	0.62	0	No coverage	
			Water Supply, Sewerage, Waste Management & Remediation Activities	0	0		
			Construction	0	0		
			Wholesale & Retail Trade & Repair of Motor Vehicles & Motorcycles	0	0		
			Transportation & Storage	0	0		
			Real estate activities	0	0.84	The coverage increased	
Biodiversity	7.	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.04%	1.65%	It has increased due to allocation effect	Behaviour/ Norms-based assessment ESG Integration [ESG Scoring] Voting & Engagement



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Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	NA	NA	None of our investments is covered by this indicator	ESG Integration [ESG Scoring]
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	1.39	0.67	It has decreased due to allocation effect	ESG Integration [ESG Scoring]
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	0%	No company involved	Behaviour/ Norms-based assessment Voting & Engagement
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	68%	72%	The number of companies involved has increased	Behaviour/ Norms-based assessment
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	13.3%	13.7%	Low coverage	ESG Integration [ESG Scoring] Voting & Engagement



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Social and employee matters	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	34.76%	36.04%	It has increased due to allocation effect	ESG Integration [ESG Scoring] Voting & Engagement Set target to outperform the universe
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	No company involved	Product-based Exclusion
Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	43.11%	37.87%	The number of companies involved has decreased	ESG Integration [ESG Scoring] Voting & Engagement
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Anti-corruption and anti-bribery	Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	2%	1.94%	The number of companies involved has decreased	ESG Integration [ESG Scoring]



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Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Thematics AM's Responsible Investment (RI) policy applies to 100% of our AUM and its implementation is controlled by the Responsible Investment Committee. Acting in accordance with applicable and evolving standards and regulations, we continuously refine and update our RI policy, at least once a year, to align and comply with the normative and legal developments. Our RI framework takes into account the negative impact of investments through employing multiple sustainability strategies from end-to-end of its investment process. Thematics AM takes into account the EU SFDR's PAI at different stages of the investment process through the 4 sustainability approaches: exclusions, ESG scoring, voting and engagement. We leverage S&P Trucost (PAI 1, 2, 3) and Sustainalytics' (others) data to report the PAIs of our investments, but our assessment is based on multiple other sources, as CDP, MSCI and Bloomberg. Data coverage is over 90% for PAI 1, 2, 3, 4, 7, 9, 10, 11, 13 and 14. PAI 5 has coverage over 50% for Consumption and above 10% for Production. PAI 6 has coverage between 0% and 3%. PAI 8 has no coverage. For PAI 12 on Unadjusted Gender Pay Gap coverage is below 5%. Our disclosure is based on data reported by our investees for all indicators except for PAI 1, 2 and 3 which uses also estimated data provided by S&P Trucost if reported data is not available. For Scope 1 and 2 emissions, data is mostly reported (>75%). Scope 3 emissions data is mostly estimated (>50%). Our rationale for selecting the additional PAIs is the following:

- Investments in companies without carbon emission reduction initiatives: emissions reduction and climate risk management are one of the formal targets of our engagement framework;
- Lack of anti-corruption and anti-bribery policies: we factor in this indicator in our ESG scoring framework through one indicator on business ethics.

Engagement policies

Post-investment, for each of our strategies, we target companies for formal engagement as detailed in our Voting and Engagement policy. We specifically target companies which lack processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises, and companies which lack disclosures and governance on GHG emissions and intensity; carbon footprint; as well as social indicators as the unadjusted gender pay-gap. 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.

Ongoing monitoring is also carried out for investees that become exposed to high with negative outlook and/or severe risk level of ESG controversies, based on third-party data providers. Involved positions will be capped at 2% if currently higher. 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 strategy 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.

References to international standards

Thematics AM has applied the UN Principles for Responsible Investment since its foundation. Consequently, our investment process relies on multiple relevant business codes conducts, as the UN Global Compact, OECD guidelines and ILO conventions. At fund level, we monitor and report on these social indicators which are included in the PAI assessment, leveraging Sustainalytics' data. Our climate-related disclosure align with TCFD recommendations. We report on some of the environmental indicators at fund-level, leveraging S&P Trucost data. The use of forward-looking climate scenario is irrelevant for the PAI described above.