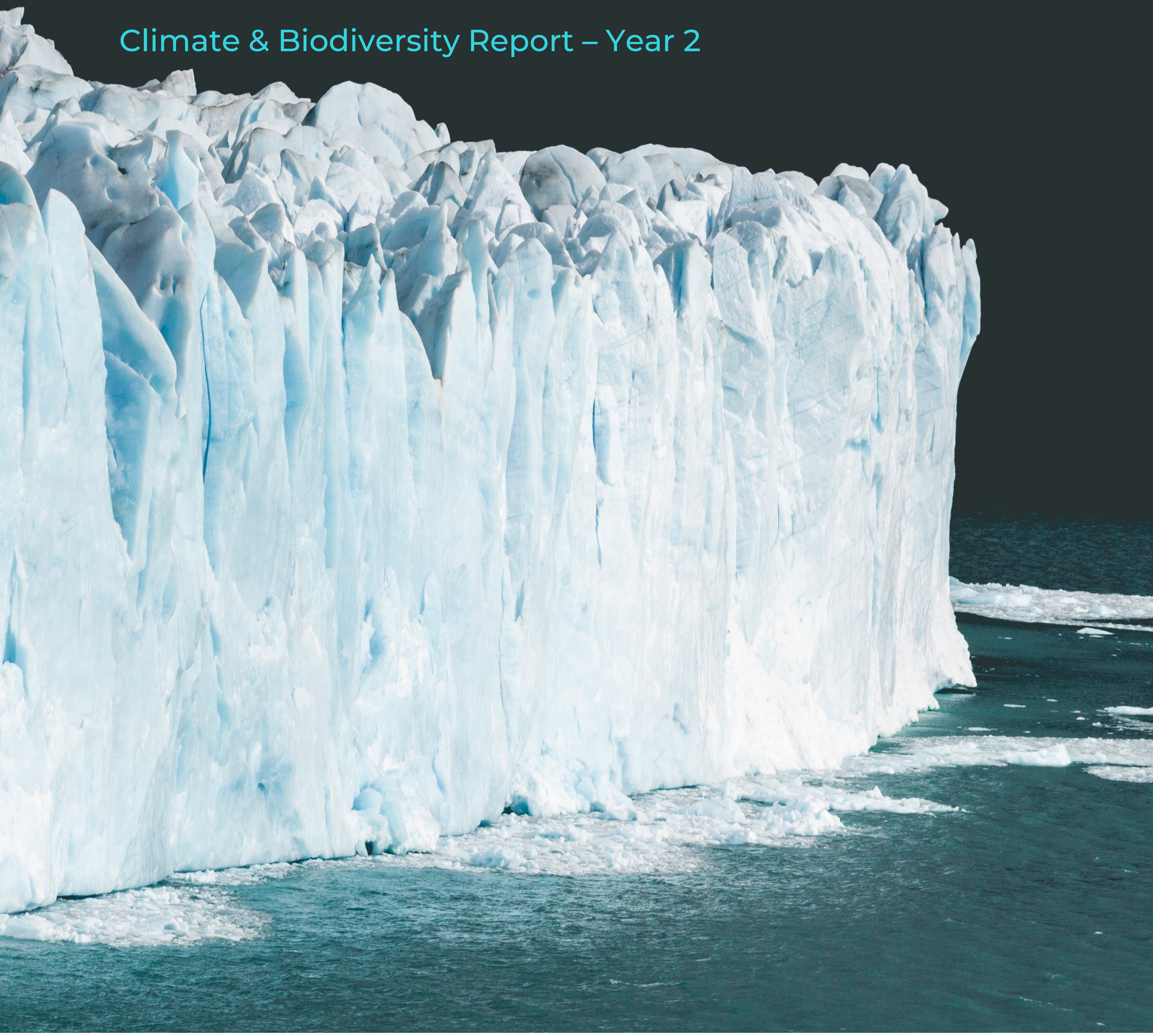
THEMATICS asset management

Investing in a transitioning world

Climate & Biodiversity Report – Year 2



Climate & Biodiversity Strategy Disclosure 2022

Thematics Asset Management

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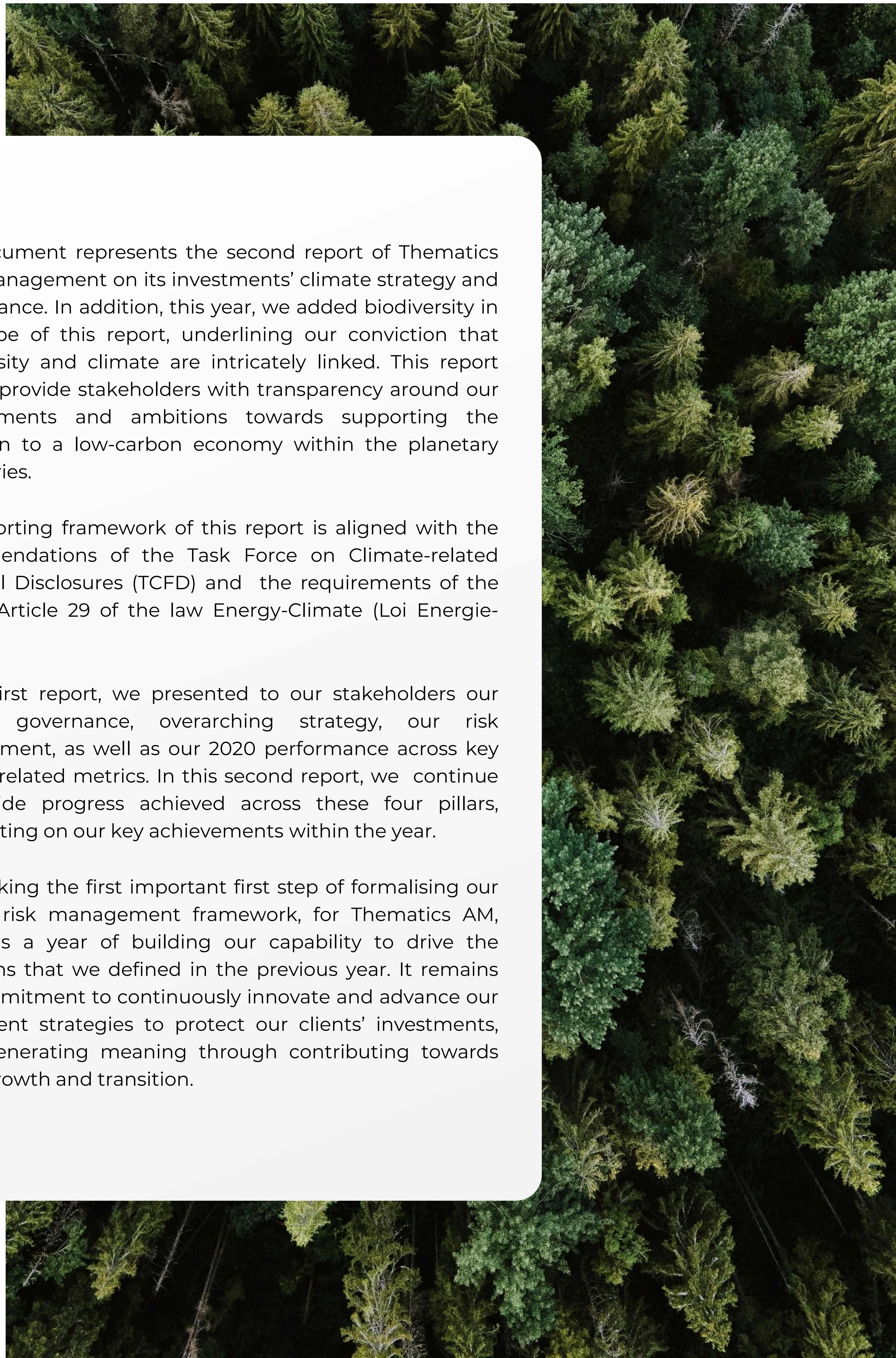
About this report



This document represents the second report of Thematics Asset Management on its investments' climate strategy and performance. In addition, this year, we added biodiversity in the scope of this report, underlining our conviction that biodiversity and climate are intricately linked. This report aims to provide stakeholders with transparency around our commitments and ambitions towards supporting the transition to a low-carbon economy within the planetary boundaries.

The reporting framework of this report is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the requirements of the French Article 29 of the law Energy-Climate (Loi Energie-Climat).

In our first report, we presented to our stakeholders our climate governance, overarching strategy, our risk management, as well as our 2020 performance across key climate-related metrics. In this second report, we continue to provide progress achieved across these four pillars, highlighting on our key achievements within the year.

From taking the first important first step of formalising our climate risk management framework, for Thematics AM, 2021 was a year of building our capability to drive the ambitions that we defined in the previous year. It remains our commitment to continuously innovate and advance our investment strategies to protect our clients' investments, while generating meaning through contributing towards green growth and transition.

01 Message to our stakeholders

More and more, we come face to face with the disasters caused by climate change and biodiversity losses. Heatwaves have been causing historic temperature high across Europe. In the U.S., more than 150 million acres of crops are currently suffering from droughts. And Asia Pacific is now at the heart of the global biodiversity crisis, with more than 60% of the region's GDP at risk from nature loss[1]. Rightfully, the latest IPCC Report and the recently published Global Assessment Report on Biodiversity and Ecosystem Services are code reds for humanity. They call on all of us, policy makers, economic players, and global citizens, to progress from commitments to tangible actions, today. If we don't, the science is clear, the outcomes could be catastrophic.

At Thematics Asset Management, it is our strong conviction that generating long-term value for our clients means addressing material socio-economic and environmental issues shaping the world in which we operate. Climate change and biodiversity loss are undeniably the defining challenge of our time. And while they pose risks for the planet and the economy, they also present tremendous opportunities – one that when done responsibly, could help us transform and shape a future that is safer, greener, more resilient, and sustainable for generations to come.

In our inaugural climate report published last year, we marked an important first step defining our commitments and ambitions. As asset manager, we build and manage investment products. We are fiduciary to our investors – pensioners, teachers, everyday workers aiming to achieve financial well-being. Entrusted with this responsibility, it is clear to us how we can contribute to climate resiliency and green transition – through the investment solutions we offer, how we invest, and how we collaborate with the investment community to advance climate- and nature-positive investing.

To date, we have designed products with these objectives. Our seven strategies are focused on capturing companies whose solutions are addressing circular economy to reduce pressure on the biodiversity of our increasingly depleted ecosystems, automation technologies to power cleaner and more efficient industries, and digital technologies and resource-efficient consumer products to support smarter, connected, and inclusive cities. Our climate-focused strategy is also underway. Our new climate specialist joined Thematics AM in March 2022, to help drive this agenda, in particular on reenforcing our capability and processes. We have also initiated our engagement with companies and with the industry.

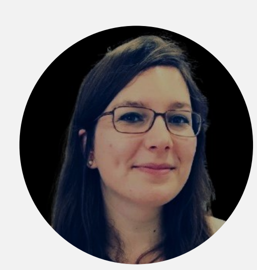
From building our core capabilities in the last three years, 2021 marking such milestone, we are excited to push ahead, better equipped to deliver meaningful value for you, our stakeholders.

Karen KHARMANDARIAN
Chief Investment Officer

Arnaud BISSCHOP
Head of Responsible Investment

Maila BENIERA
ESG Specialist

Guillaume GOSSELIN, CFA
Climate Specialist



Cecile CHAPELLE
Head of Compliance

Thematics AM Responsible Investment Committee

[1] U.S National Integrated Drought Information Systems, June 2022; The World Economic Forum, September 2021

01 Message to our stakeholders

The latest report of the IPCC published this year is clear: if we want to stay within the limit of 1.5°C or 2°C by 2100, we must reach the peak of greenhouse gas emissions (GHG) in 2025 at the latest and cut by half our annual emissions by 2030. With this urgency in mind, companies are facing more and more pressure to reduce their GHG emissions and to transition to greener technologies and operations. Companies that have set science-based targets represents now more than one third of global market capitalisation[1]. On the other hand, expectations and calls for investors to take active role as capital owners and to direct capital to support environmental and social objectives have been getting louder, supported by accelerating regulatory pressures.

I am happy to join Thematics AM and to support the implementation of its climate ambitions. It has adopted responsible investing since its creation. As a long-term investor, its conviction that sustainability is part of its fiduciary duty to its clients, is a strong signal of its commitment to address both climate change and biodiversity preservation, two critical challenges the world is facing and are two sides of the same coin.

Thematics, with its established expertise in thematic strategies, is in a strong vantage point to capture opportunities in this critical emerging space. While able to integrate sustainability into its risk management, it is primarily adept at identifying companies building solutions. Today, its seven strategies encompass a multitude of themes that are not only structural, but most importantly, transformative, towards more sustainable future.

Through a shift to a more circular economy, by subscribing to a service rather than by a product, consumers can generate less waste and have less negative impact on biodiversity. Digitalisation, if managed properly, is also part of the solution that enables companies to become more energy-efficient. Investing in water pollution control can also help preserve biodiversity and the only true vital natural resource. These are all themes where Thematics AM invests, and in effect enables. And I am excited to start in this new mission and looking forward to helping drive climate transition in the capital markets.

Guillaume GOSSELIN, CFA
Climate Specialist

[1]Science-Based Targets Initiative Annual Progress Report 2021, June 2022

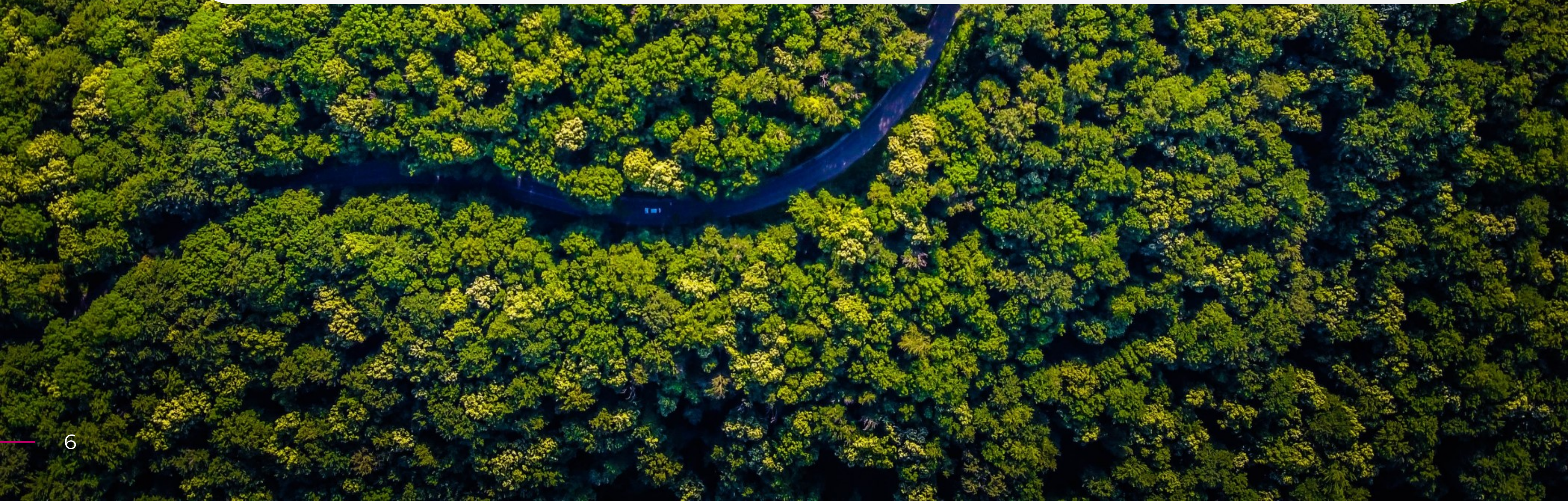
01

Our commitment to invest responsibly

It is our strong conviction that thematic investing is inherently tilted towards sustainable investing. Thematic investing is identifying structural trends transforming the world today and allocating capital in companies building solutions that are addressing the challenges the planet and humanity are facing, with the aim to make the future better, more sustainable.

The economic growth and industrial revolution that powered the world in the last decades to where it is today with almost 8 billion population has also consequentially resulted to scarcity of resources due to overextraction. It is also now fueling innovation in technologies for resource-efficient, cleaner, and more resilient solutions in key industries, such as agriculture and medicine. Population growth and improvements in education have led to demographic changes while pushing more people into cities and major economic regions in pursuit of better lives. This rapid urbanisation has driven advancements towards smart, connected, and sustainable urban infrastructure to maintain cities' livability. And have also given rise to emerging patterns of behaviors and value systems - around food preferences, fashion, health consciousness, and general living style. These changes, driven primarily by resource scarcity, technological change, globalisation, and shift in demography - are shaping the world tomorrow and investing in these future-positive technologies help enable a continuing economic development, one that improves people lives, promote social well-being, and conserve the environment.

Thematics AM is strongly committed to invest in enabling companies, in particular, those in the areas of developing climate adaptation technologies and sustainable green transition solutions. We do this through our investment products and investment process. In terms of products, most of our thematic strategies have direct or indirect positive contributions to multiple sustainability challenges, including climate resilience and biodiversity preservation. Today, our investments are broadly in companies building innovative solutions that are addressing the needs for transitioning towards greener economy and resource- efficient economic models. In terms of process, being responsible is one of the four key pillars of our investment philosophy. Sustainability considerations are integrated across our investment process.



Our Climate & Biodiversity Disclosure Framework

Thematics Asset Management's responsible investment framework is comprised of multiple strategies that are aligned with established and well-defined ESG or sustainability strategies. These strategies include:

- Sustainable/positive thematic investing
- Exclusion
- Norms-based screening
- ESG Integration
- Voting & Engagement.

Accounting for climate and biodiversity risks and opportunities are key elements of these sustainability strategies and are implemented across the investment process.

In alignment with the recommended voluntary disclosures of the Task Force on Climate-related Financial Disclosure (TCFD), as well as the mandated reporting as outlined in the French Article 29 of the Energy-Climate (Loi Energie-Climat), our strategy includes and reports on the four core areas of disclosure: Governance, Strategy, Risk Management, and Metric and Targets. The framework below presents the core components of each element. The following sections provide in-depth details and discussions.

Thematics AM Climate & Biodiversity Strategy

Governance

I. Responsible Investment Committee
II. Portfolio Managers

Strategy

I. Enable green transition
II. Minimise impact
III. Manage risks
IV. Improve performance

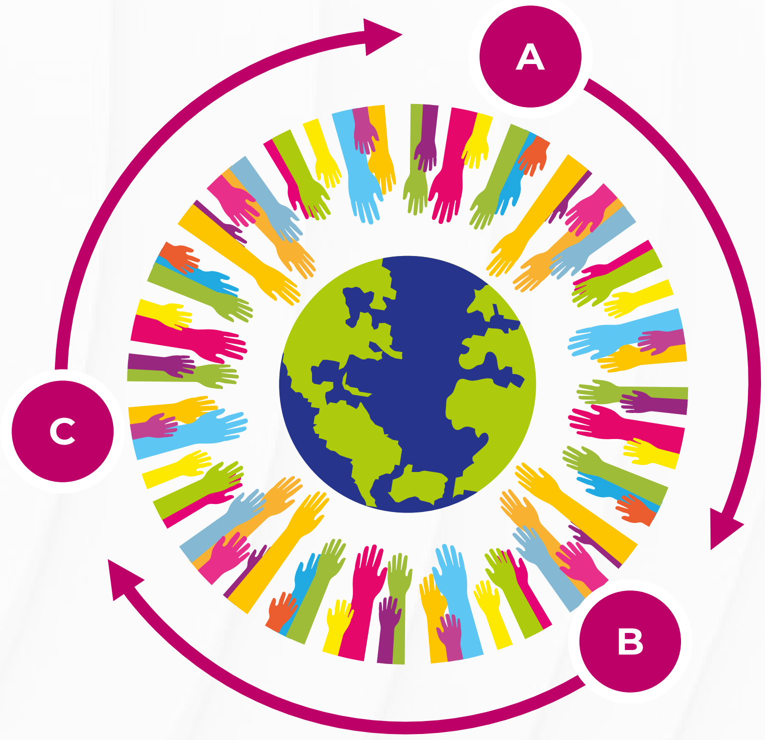
Risk Management

I. Exclusion
  a. Coal
  b. Oil & Gas
  c. Energy sector screening
  d. Environmental protection
II. ESG integration
  a. Climate adaptation
  b. Climate mitigation
III. Engagement & Voting
  a. Climate risk management
  b. Environmental impact of products or services

Metrics & Targets

I. Carbon Footprint
II. Green Share/Brown Share
III. Transparency Assessment
IV. Energy Transition Score
V. Physical Risks Score

Industry collaboration & advocacy



Climate initiatives

A	**2021 Global Investor Statement to Governments on the Climate Crisis**	The 2021 Global Investor Statement to Governments on the Climate Crisis delivers the strongest-ever investor call for governments to raise their climate ambition and implement robust policies. This statement, coordinated by the seven Founding Partners of The Investor Agenda, is now signed by 587 investors representing over USD $46 trillion in assets. The joint statement to all world governments urges a global race-to-the-top on climate policy and warns that laggards will miss out on trillions of dollars in investment if they aim too low and move too slow.
B	**Signatory to the Taskforce on Climate-related financial Disclosure**	The Task Force on Climate-Related Financial Disclosures (TCFD) was created in 2015 by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders. By publicly declaring support for the TCFD and its recommendations, we are committed to taking action to build a more resilient financial system through climate-related disclosure
C	**Signatory to CDP (in early 2022)**	CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 590 investors with over $110 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Over 14,000 organizations around the world disclosed data through CDP in 2021, including more than 13,000 companies worth over 64% of global market capitalization, and over 1,100 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative.

02

Responsible investing governance

Responsible Investment Committee

Karen KHARMANDARIAN
Chief Investment Officer

Arnaud BISSCHOP
Head of Responsible Investment

Maila BENIERA
ESG Specialist

Guillaume GOSSELIN, CFA
Climate Specialist

Cecile CHAPELLE
Head of Compliance

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 Responsible Investing
- ESG Specialist
- Climate Specialist
- Head of Compliance

The RI Committee is tasked with ensuring that all of the guidelines set out in the Responsible Investing Policy are accurately and effectively implemented both at the strategy level and throughout the organisation.

The Committee meets, at minimum, on a quarterly basis to review the RI policy implementation across all investment strategies, to assess the RI performance of the strategies and to identify any appropriate actions to be taken - divestment, position re-sizing or targeted engagement with relevant investee companies.

02

Governance

Overall governance and oversight

Thematics AM’s Responsible Investment Policy governs the way ESG risks and opportunities, including climate, are integrated into its investment process. This applies to all investment products of the company. Governance and oversight is within the remit of the Responsible Investment Committee composed of the Chief Investment Officer, Head of Responsible Investing, ESG Specialist, Climate Specialist, and Head of Compliance.

The implementation of climate-related policies across the investment process is carried out by each strategy’s portfolio managers. As of 31/12/2021, 22% of total Thematics AM's FTEs were involved in the implementation of its responsible investing strategies.

Natixis Investment Managers is currently working on governance rules and integration of sustainability criteria in its Board of Directors' internal regulations. Deployment of these objectives is also considered within NIM's subsidiaries, including at Thematics AM.

Defining

As the governing body of its responsible investing framework, the RI Committee is in-charge of defining the organisation’s sustainability objectives, strategy, and targets. To support this endeavor, the Committee also assesses what investments are necessary to build and support the internal responsible investment capabilities of the organisation, including ESG and climate-focused training and any other resources that may be required. An annual review is carried out to identify areas for refinement and enhancement which integrates regulatory and market developments.

Monitoring

The Committee meets on a quarterly basis to review the ESG policy implementation across all investment strategies. It also assesses the performance of the strategies across all ESG metrics and identifies any appropriate actions to be taken - divestment, position re-sizing or targeted engagement with relevant investee companies.

Implementing

Portfolio managers own the implementation of RI policies at the individual thematic strategy level. They ensure that all ESG-related strategies applicable at each stage of the investment process is followed, from exclusion to ESG integration in the due diligence, engagement, and voting.

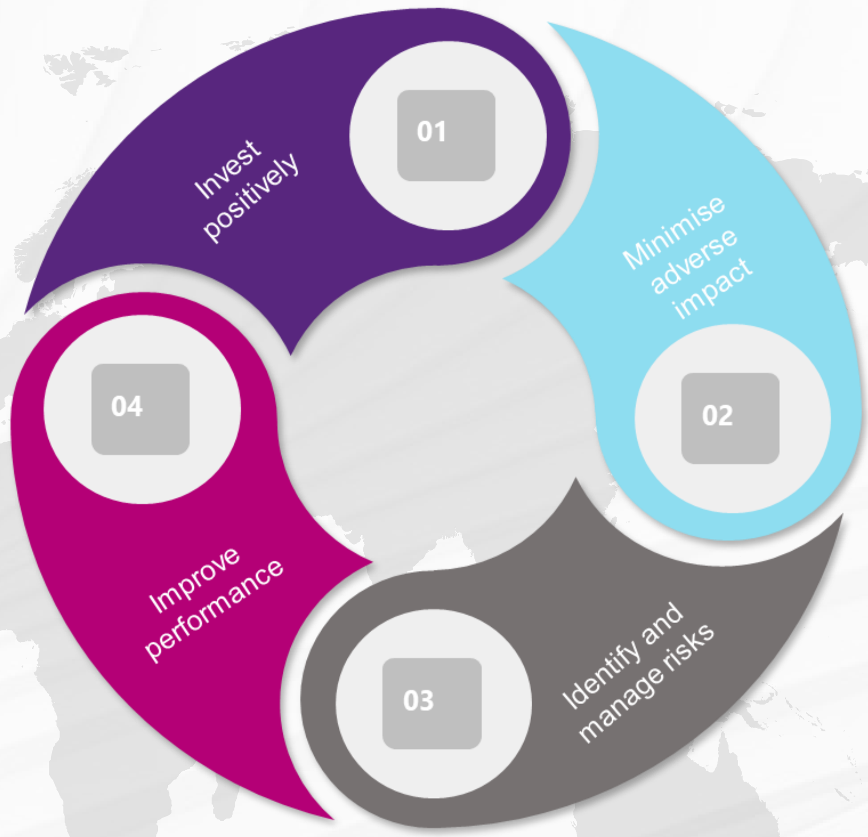
Strategy

01 Investing in positive themes also enables green transition

02 Minimising adverse impact through exclusion and DNSH principles.

03 Identifying and managing risks through ESG integration.

04 Improving performance through engagement, voting and transparency.



Supporting green transition through investing in positive themes

Our first focus is on opportunities and resilience. We design thematic strategies focused on future enablers. We invest in listed equities whose products and solutions are helping the global green transition, specifically on areas relating to resource-use optimization through artificial intelligence and robotics, sustainable management of water resources, circular economy, and responsible consumption and production.

Minimising adverse impacts through Do No Significant Harm and exclusion

Our second focus is minimising the adverse impacts of our investments guided by the Do No Significant Harm principles as set out by the European Union's (EU) Sustainable Finance Disclosure Regulation (SFDR), as well as other international standards and norms. We limit the negative impact of our investments to environmental or social objectives through exclusion of companies whose products and behavior are generating harmful effects on climate and biodiversity, among others.

Identifying and managing ESG and climate risks

Our third focus is on managing the ESG risk exposure of our portfolios. Thematics AM has developed its proprietary scoring framework that integrates material ESG factors, including climate-related and biodiversity metrics, specifically climate resiliency, encompassing both climate mitigation and climate adaptation, as well as environmental impact of products and services.

Continued performance improvement and transparency

We aim to improve our performance and that of our investee companies over time through active engagement and voting. Our engagement and voting strategy is focused on risk management, long-term value creation, and generating sustainable outcomes. Climate and biodiversity are one of the key target areas we've set out as a priority in which we actively engage and vote.

Risk Management

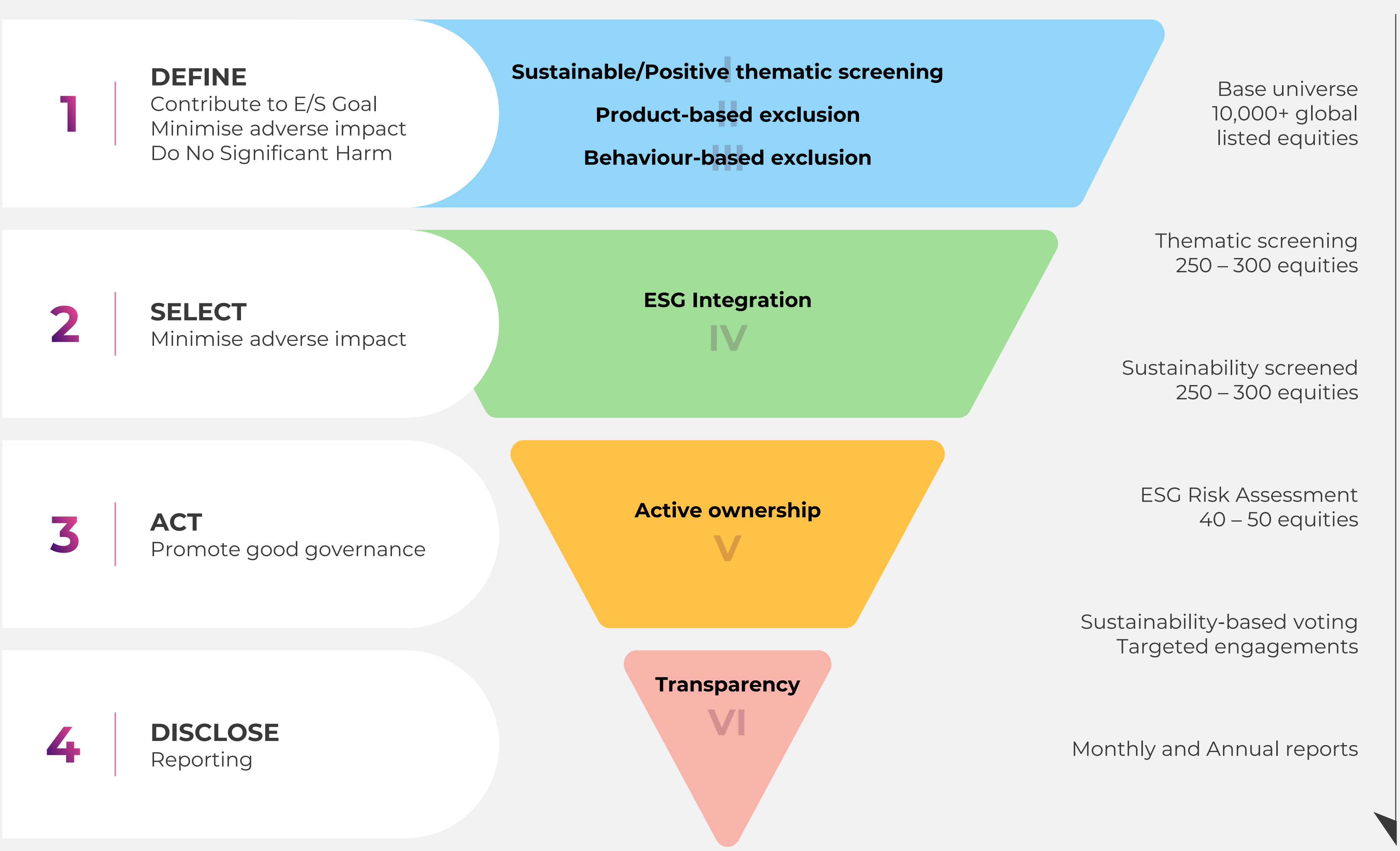
Thematics AMs climate and biodiversity strategy is integrated into its global Responsible Investment framework and embedded across the three phases of the investment process: Define, Select and Act.

Our RI Framework incorporate multiple strategies that are aligned with established and well-defined ESG or sustainability strategies. These strategies include: Sustainable/positive thematic investing, Exclusion, Norms-based screening, ESG Integration, and Active ownership.

These are binding elements and are applied across the investment process – when we define the theme and its boundaries, when we Select the /securities to comprise the investable universe, during the final security selection for the portfolio, and post-investment.

Each of the strategy used is designed to achieve the environmental and/or social objectives of the portfolio.

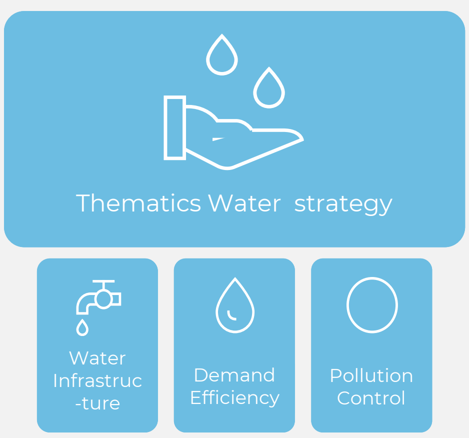
Responsible Investment Framework



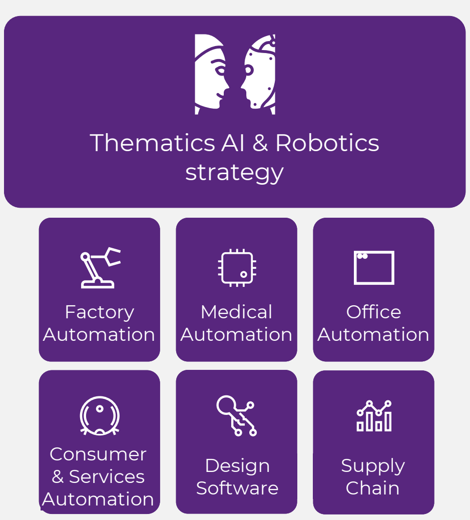
Risk Management

Define - Positive themes

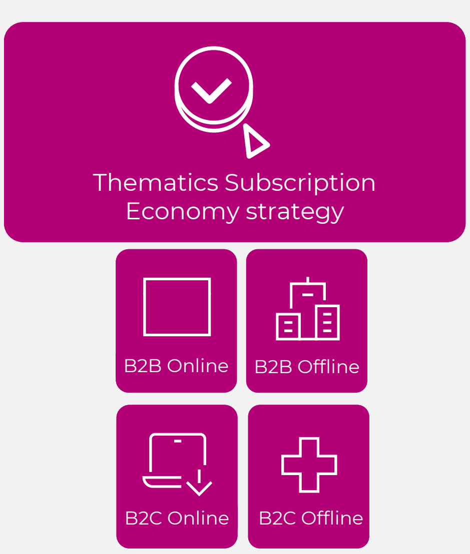
At the first stage of our investment process, we ‘Define’ our theme, its associated boundaries and ultimately the investable universe for the strategy. Integrating green transition lens into this boundary setting, our current strategies reflect various degree of tilts towards capturing opportunities in climate and green transition. Below, we outline the 3 strategies with the highest exposure to Carbon transition (these strategies are not completely focused on climate transition):



The strategy invests primarily in companies whose products are addressing water access, demand efficiency, and the sustainable management of finite water resources. Water management is at the core of ongoing global actions to build climate mitigation and adaptation capabilities. GHG reductions require access to reliable water resources and sustainable infrastructure management.



The strategy focuses on companies that are building automation technologies for use in industrial processes, offices, medicine and in consumer and service markets. With Industry and Transport among the key economic sectors contributing to global GHG emission, automated processes can help deliver cleaner and greener products and services while reducing carbon emissions.



The strategy invests in subscription-based business models that, at their core, serve as a pillar for the circular economy. Such business models enable consumers to shift away from the ‘buy and waste’ approach thereby contributing to resource-use efficiency. With a model that allows consumers to take control over their consumption and choose where, how, and how much they consume and pay for, it facilitates more responsible and sustainable consumption habits.

04

Risk Management

Define - Exclusion and Do no Significant Harm

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 portfolio level.

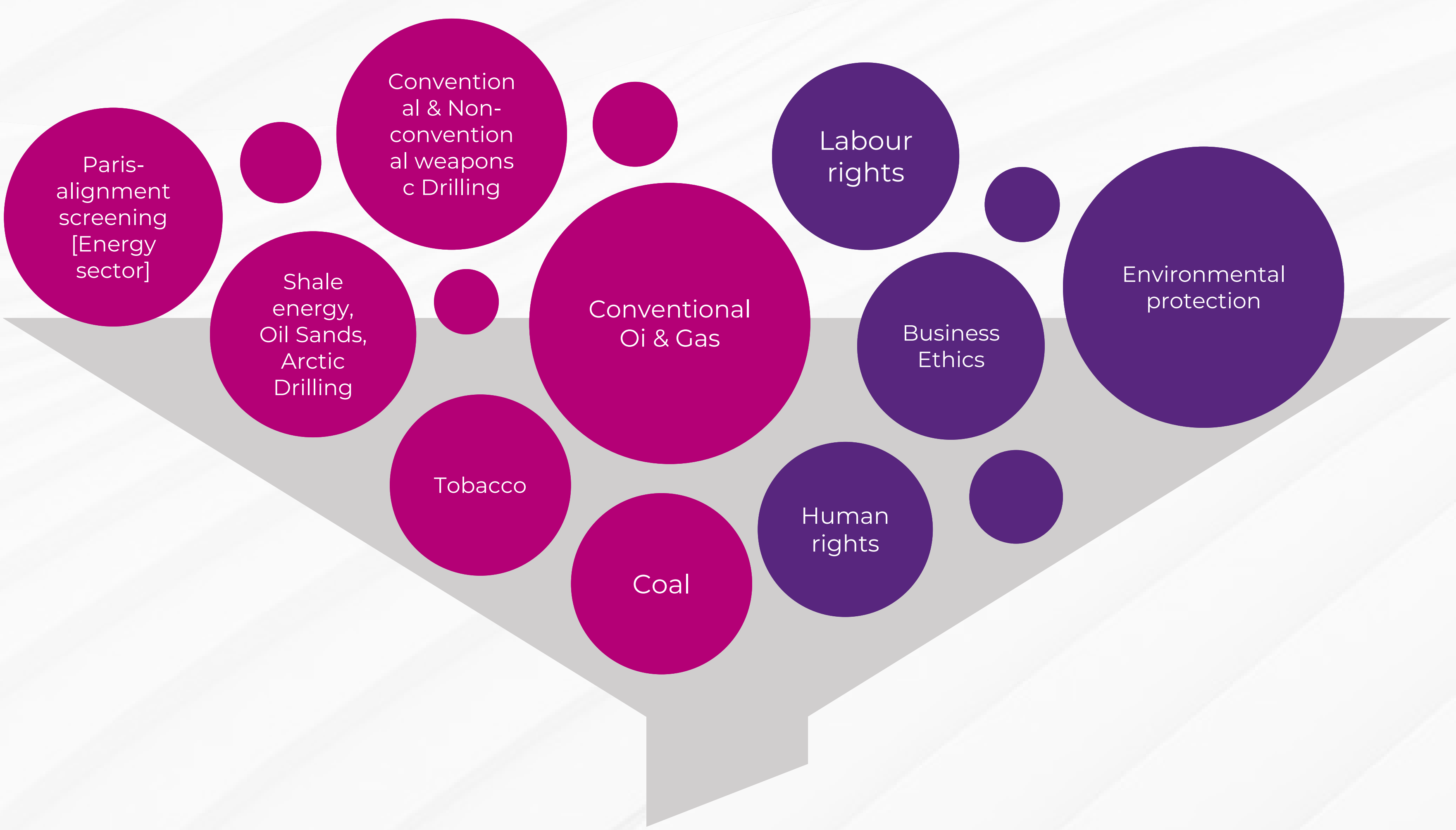
Product-based exclusion

We automatically exclude companies from the investable universe whose products or services are deemed to have critical negative impact to the environment and climate. Our exclusion covers activities in the following: coal; unconventional oil and gas, including tar sands, shale energy, and arctic drilling and exploration; and non-Paris aligned companies in the energy sector (>350gCO_2/kWh in 2022).

Behaviour - based exclusion

We also exclude companies which are not meeting their obligations towards internally agreed norms and standards around environmental protection and other key sustainability indicators. These are companies which commit systematic violations of such standards, or which have caused grave harm due to their failure to comply or act responsibly on matters relating to environmental and climate impact, as well as social.

Detailed discussions of the exclusion criteria are provided in our Responsible Investment Policy document.



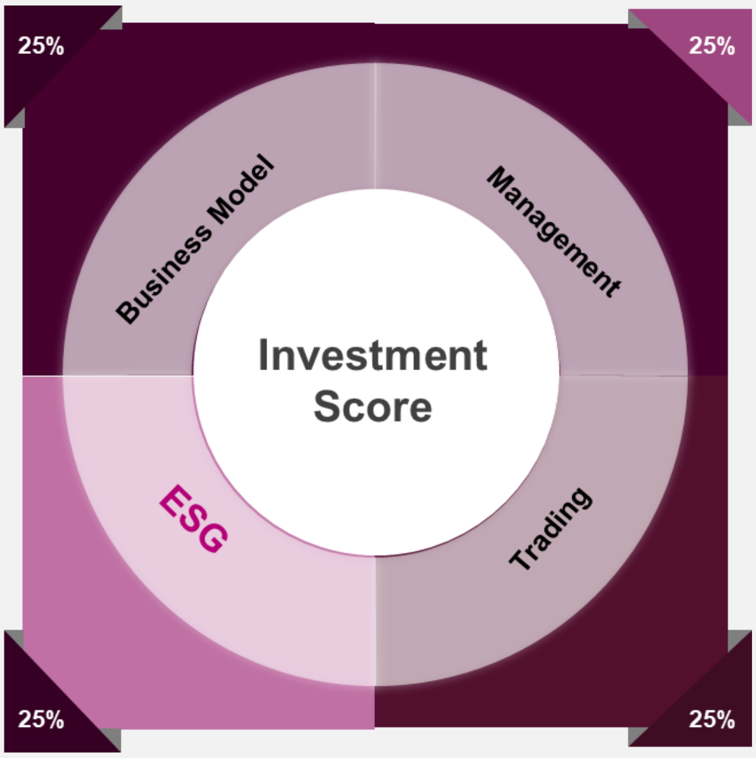
Risk Management

Select

At the second stage of our investment process, we 'Select' companies to be included in the portfolio using a 4-criteria scoring system, one of which is ESG, which covers climate and biodiversity analyses.

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 portfolios. These metrics represent the most material risks that companies in our portfolios are exposed to linked to the nature of their activities, and which could translate to financial and reputational risks if unmanaged. They also represent the most material areas where companies could have negative or positive impact, due to the nature of their activities. On material environment metrics, companies are assessed against the following: climate resilience, effluents and waste management, and environmental impact of products or services.



Detailed discussion of our ESG Integration process is provided in our Responsible Investment Policy.

Environmental

- Climate change resiliency
- Effluents and waste management
- Environmental impact of products and services

Social

- Staff and suppliers' health and safety
- Labor practices
- Society and product responsibility
- Data privacy

Governance

- Executive compensation
- Quality of the Board
- Shareholder rights, poison pills
- Business ethics

Risk Management

Act

Position sizing

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

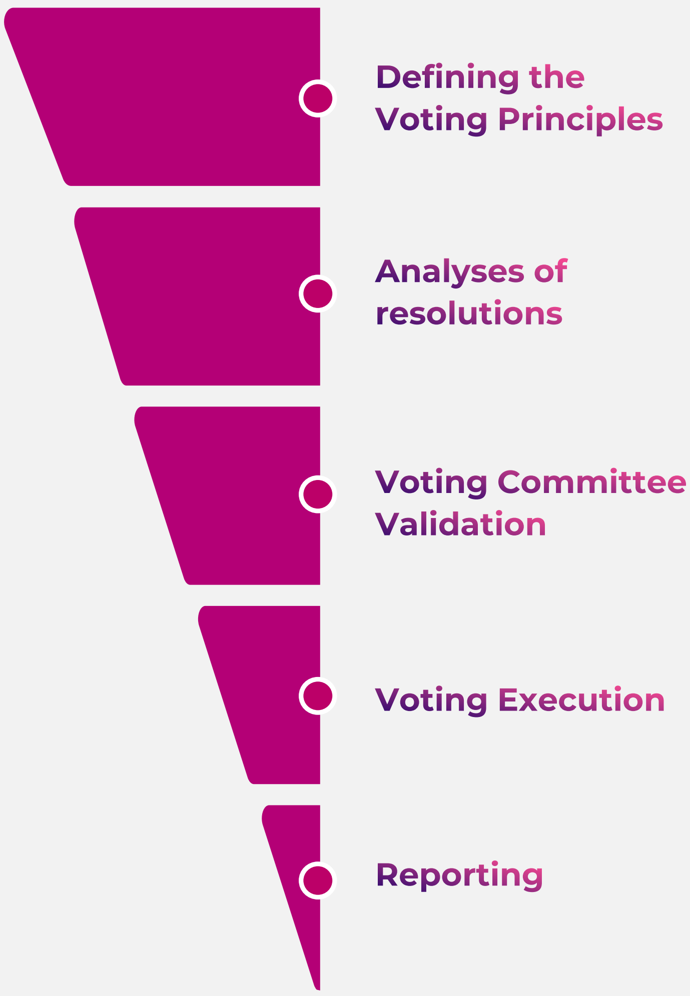
From the overall score output from the Select phase, Portfolio Managers apply their qualitative expertise to set appropriate size ranges for each position within the portfolio. ESG score is further considered in this final decision process. Companies with a flag on ESG are capped at a maximum 2% weight to shield portfolio performance from an identified stock-specific risk materialising.

Engagement and voting

To support risk management and long-term value creation, Portfolio Managers maintain a constructive dialogue with company management teams. ESG residual risks identified in the company assessment phase are further investigated and discussed at least annually during meetings or conference calls with the management team. On any critical issue, or when the management is not available for a dialogue, the portfolio manager might also send a letter to the Chairman of the company in question.

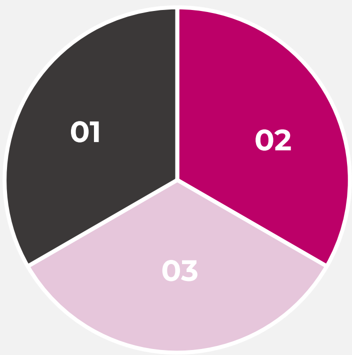
Comprehensive discussion on our Engagement and Voting Priority themes are provided in our Engagement & Voting Policy.

Our voting process



Engagement Framework

1.Risk management
TRANSPARENCY
On material ESG metrics
Metrics: Disclosure or formal reporting



2.Long-term value creation
GOVERNANCE
Of priority metrics:
ESG governance
Board quality
Remuneration

Metrics: Disclosed policy and performance on priority metrics

3.Sustainable Outcomes
ACTIONS
On target themes:
Climate
Biodiversity
Human/Labour rights

Metrics: Disclosed Commitments, policy, and YoY

05

2021 Metrics and Targets

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Notes on data

All data are as of 31/12/2021

Carbon Equivalent
Each greenhouse gas (GHG) differs in its ability to absorb heat in the atmosphere. Calculations of GHG emissions are presented in units of millions of metric tons of carbon equivalents (MMTCE), which weights each gas by its Global Warming Potential (GWP). The GWPs used in S&P Trucost analysis are:
Carbon Dioxide : 1
Methane : 21
Nitrous Oxide : 310
Per Fluoro Carbons (PFCs) : 7,850
Hydro Fluoro Carbons (HFCs) : 5,920
(source: 2006 IPCC ('Guidelines for National Greenhouse Gas Inventories')

Implied Temperature Rise:
Calculates portfolio alignment with a given climate trajectory measured in degrees Celsius above preindustrial levels. S&P Trucost's suggested approach uses two methods:
(i) The Sectoral Decarbonization Approach (SDA) for issuers whose business is largely conducted in carbon-intensive sectors. This method is based on the carbon budgets of the scenarios outlined by the International Energy Agency (IEA) in the 2017 Energy Technology Perspectives (ETP) report, which provide SDA analysis parameters consistent with 1.75°C, 2°C and 2.7°C warming levels.
(ii) Greenhouse gas Emissions per unit of Value Added (GEVA) for issuers in diversified or low-carbon intensive sectors. This method is based on the Representative Concentration Pathway (RCP) scenarios used by the Intergovernmental Panel on Climate Change (IPCC) in its fifth Assessment Report (AR5). Such scenarios provide analysis parameters consistent with warming levels between 2°C and 5°C. S&P Trucost also uses a 1.5°C scenario aligned with recent SBTi recommendations and the European Union Paris-Aligned Benchmark requirements.
Both methods conduct a transition pathway assessment of each portfolio issuer. Moreover, they review the adequacy of projected emission reductions compared against a carbon budget that is compatible with a range of temperature increase scenarios. Issuers' scope 3 emissions are not taken into account. The difference between issuer trajectory and target scenario is then converted into an equivalent temperature. Each issuer's trajectory assessment uses historic data collected over six years (business activity and carbon emissions) and forward-looking projections over a six-year timeframe. When applied to aggregated asset management portfolios, S&P Trucost's research method produces results measured in a temperature range: <1.5°C and 1.75°C, <2°C, <2.7°C and 3°C, >3°C.
Investing in a Paris-Aligned Portfolio does not necessarily lead to a real-world GHG emissions reduction.

Carbon Indicators

Carbon exposure analysis offers a systematic assessment of the carbon risks within a portfolio or index at a point in time. The analysis quantifies greenhouse gas emissions (GHG) embedded within a portfolio presenting these as tonnes of carbon dioxide equivalents (tCO2e). Comparing the total GHG emissions of each holding relative to either company's revenues or capital invested, gives a measure of carbon exposure that enables comparison between companies, irrespective of size or geography. GHG emissions are divided into three scopes:

- Scope 1 emissions are direct emissions from owned or controlled sources.
- Scope 2 emissions are indirect emissions from the generation of purchased energy (electricity, steam, heat, or cooling).
- Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

In this report, we publish the following two backward-looking climate metrics:

- The Carbon Footprint par $m invested gives an indication of the tonnes of CO2e "emitted" by each $m invested into the portfolio or index. Emissions attributed to an investor are apportioned by the Enterprise Value of the company. It is an indicator of an investor's contribution to climate change
- The Weighted Average Carbon Intensity measures the sensitivity of the portfolio or index to carbon-intensive companies. It circumvents the need for apportioning ownership of carbon to individual holdings.

	SFDR Classification	AUM as of 31/12/2021 (EURm)	% Covered - Scope 1 & 2	% Covered - Scope 3	Weighted Disclosure Score (Scope 1 & 2)	% Reported Scope 3
AI&R	Article 8	572	94%	89%	68	19%
Consumer	Article 8	1,100	98%	98%	89	29%
Meta	Article 8	764	97%	94%	62	14%
Safety	Article 9	762	94%	90%	55	17%
SubEc	Article 8	196	100%	97%	51	14%
Water	Article 9	359	100%	97%	71	8%
Wellness	Article 9	36	99%	99%	65	13%
MSCI ACWI			98%	97%	84	21%
MSCI World			98%	97%	86	23%
Euro Stoxx			98%	98%	91	28%

Figure 1. Coverage and quality of data of strategies vs Reference Index: The reference index is MSCI World for Safety , Euro Stoxx for Consumer, and MSCI ACWI for all others; Thematics AM & S&P Trucost as of 31/12/2021

The Weighted Disclosure Score represents the proportion of Scope 1 and 2 emissions that are disclosed by the company. The result is aggregated at the portfolio level by the weight of the holding.

We note the high coverage provided by our data provider for all scopes and all strategies. However, the quality of the data is different.

For Scope 1 & 2, most of the data is reported by companies. However, for Scope 3 emissions, only 20% in average is reported by companies, the rest being estimated by our data provider. We engage with companies to encourage them to report their GHG emissions on all scopes.

05

Carbon Indicators – Scope 1 & 2

Below are the carbon intensity performance of Thematics AM portfolios in 2021 for Scope 1 & 2 emissions:

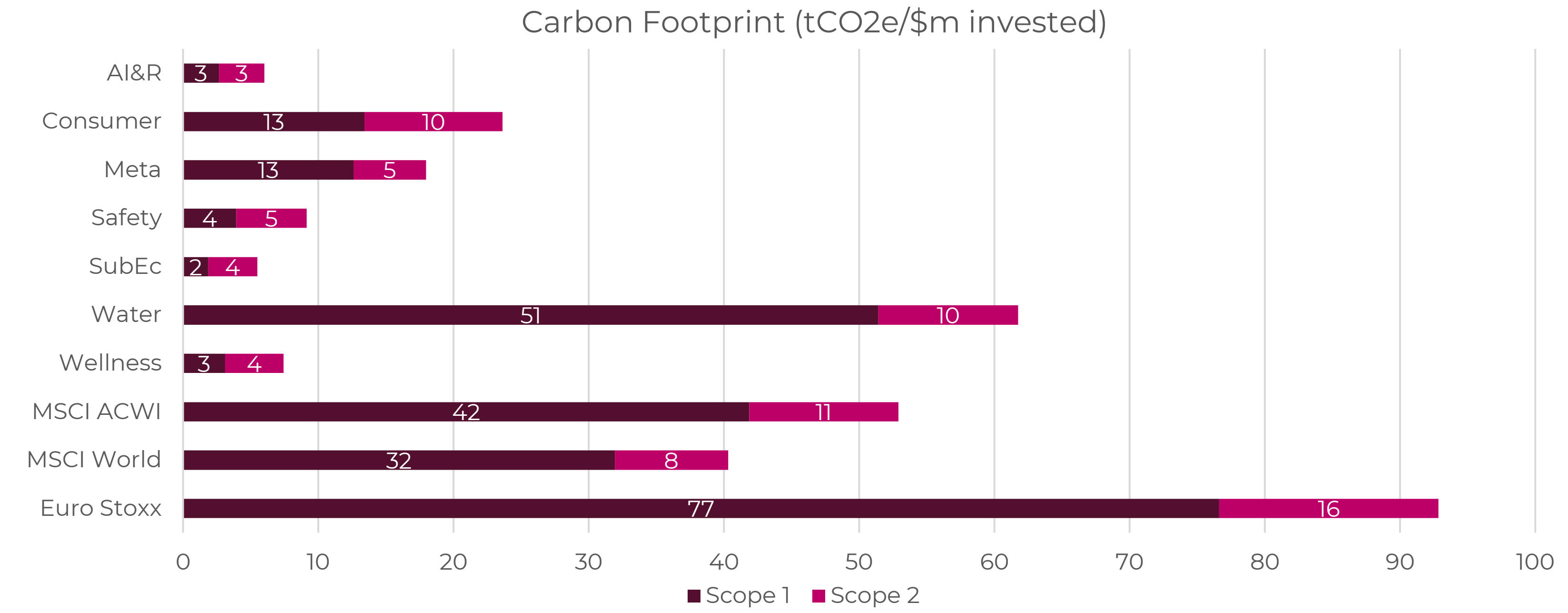

Figure 2. Carbon Footprint Scope 1&2 (in tonnes CO2e/USD million invested) of strategies vs Reference Index: The reference index is MSCI World for Safety , Euro Stoxx for Consumer, and MSCI ACWI for all others; Thematics AM & S&P Trucost as of 31/12/2021

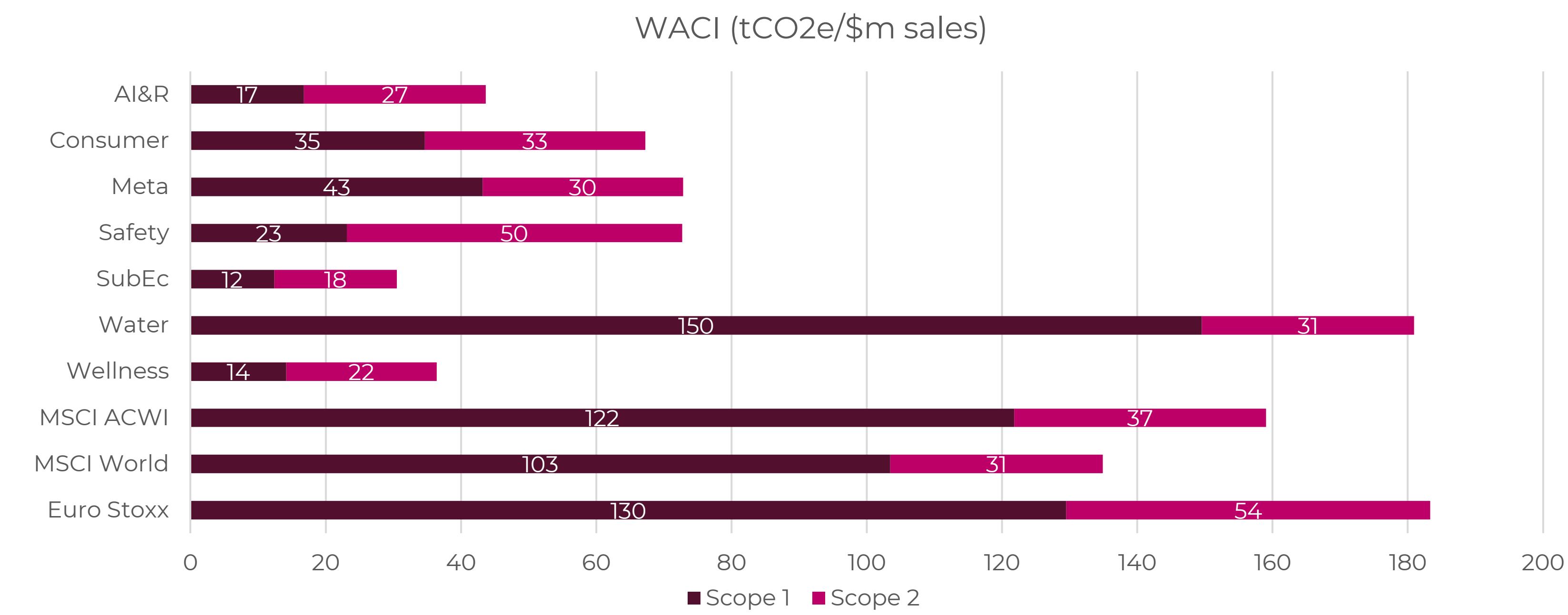

Figure 3. WACI Scope 1&2 (in tonnes CO2e/USD million revenues) of strategies vs Reference Index: The reference index is MSCI World for Safety , Euro Stoxx for Consumer, and MSCI ACWI for all others; Thematics AM & S&P Trucost as of 31/12/2021

All the strategies, except Water, are less carbon intensive than their reference benchmarks. The relative efficiencies in terms of Carbon Footprint are over 75% for AI&R, Consumer, Safety and SubEC, and over 60% for Meta.

We note the relatively higher carbon intensity of the Water strategy. Compared to last year, the portfolio decreased its WACI by 24%, from 238 to 181 tCO2e/$m revenues. The negative impacts are largely driven by companies in the Municipal Waste Management segment – landfills indeed generate Methane (a gas that is highly contributive to global warming), a natural byproduct of the decomposition of organic material – most of those companies are tackling this issue by investing in collection systems for landfill gas. 4 companies representing 11% of the portfolio have a carbon intensity above 1,000 tCO2e/$m revenues. We are engaging with the carbon intensive companies with the aim to support their transition to net-zero.

Carbon Indicators – Scope 3

Below are the carbon intensity performance of Thematics AM portfolios in 2021 for Scope 3 emissions:

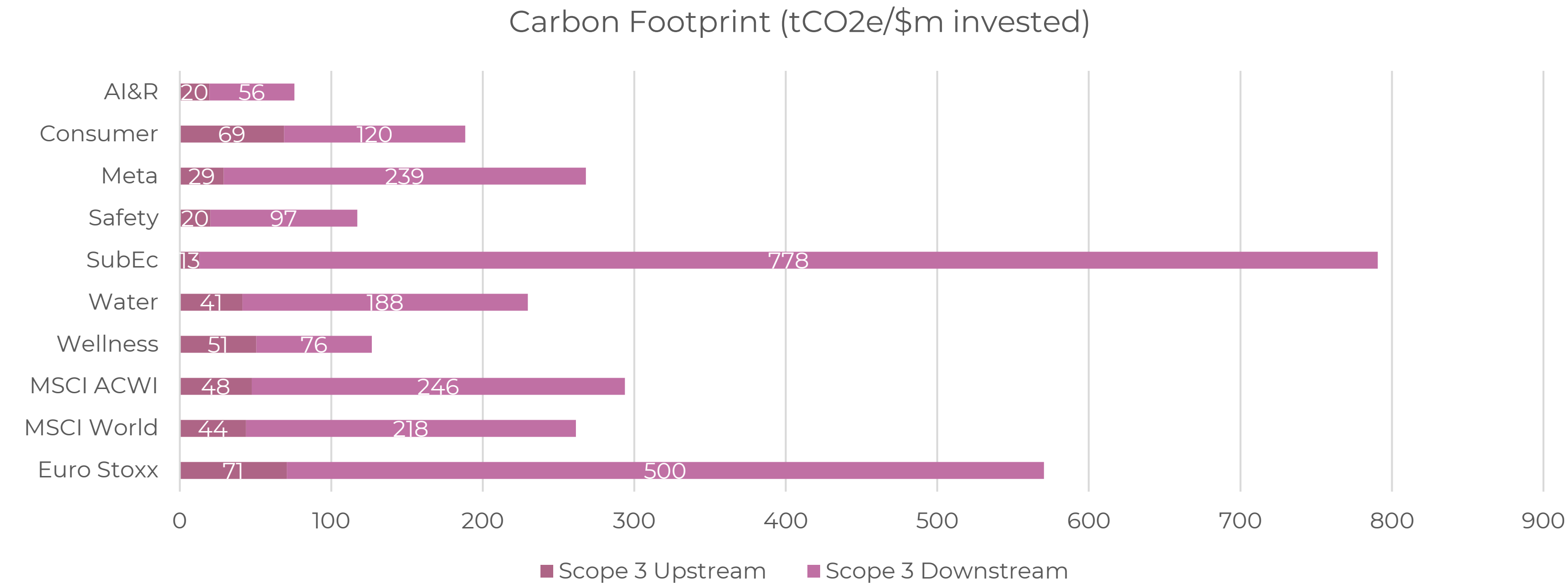

Figure 4. Carbon Footprint Scope 3 (in tonnes CO2e/USD million invested) of strategies vs Reference Index: The reference index is MSCI World for Safety , Euro Stoxx for Consumer, and MSCI ACWI for all others; Thematics AM & S&P Trucost as of 31/12/2021

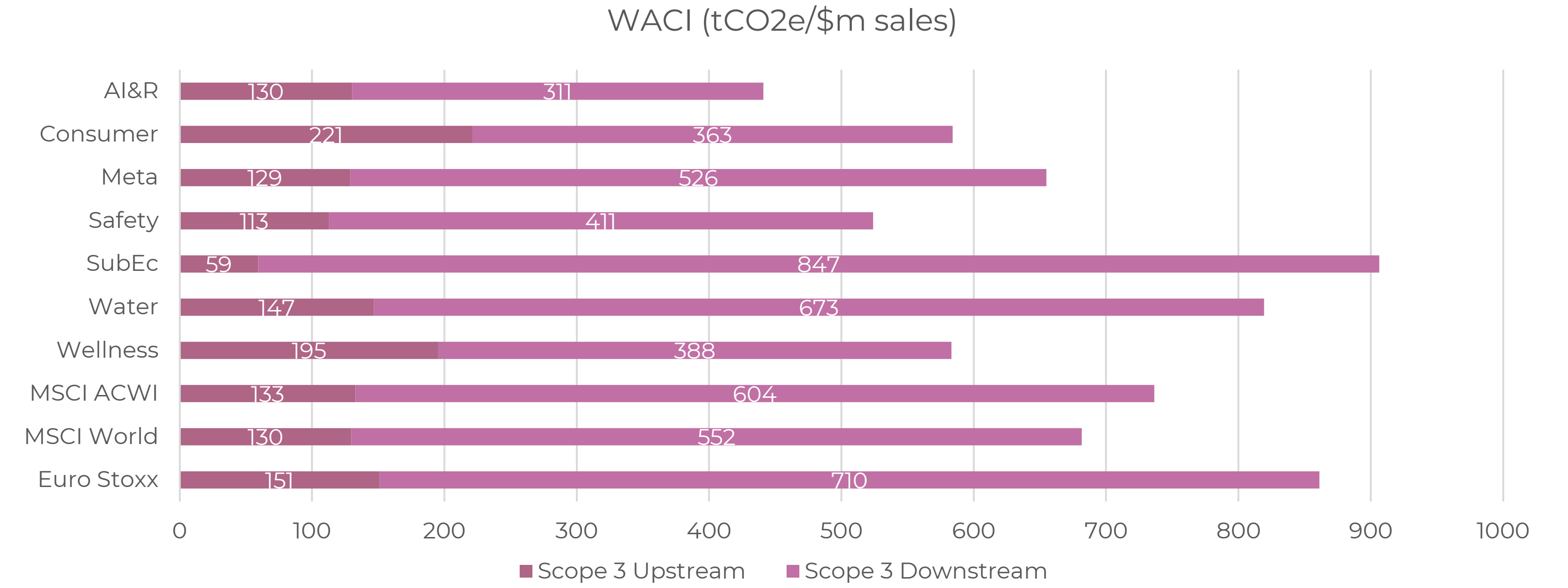

Figure 5. WACI Scope 3 (in tonnes CO2e/USD million revenues) of strategies vs Reference Index: The reference index is MSCI World for Safety , Euro Stoxx for Consumer, and MSCI ACWI for all others; Thematics AM & S&P Trucost as of 31/12/2021

Scope 3 emissions are less reported by companies than Scope 1 & 2 emissions, however, they represent the main proportion of total GHG emissions, especially for Scope 3.11 – Use of Sold Products.

While having a low WACI for Scope 1 & 2, we note the relatively higher carbon intensity Scope 3 of the Subscription Economy strategy. This negative impact is driven by one company. This company is rated A by CDP and reports extensively on its Scope 3 emissions. Despite having a high Scope 3 downstream emissions from the Use of Sold Products, the company offers energy-efficient solutions such as LED lamps and luminaires which can save up to 80% energy consumption.

The Water strategy also has a high Scope 3 carbon intensity. This is particularly driven by one company that sells pumps and water treatment systems. The company reports on all its Scope 3 emissions, and the Use of Sold Products category concentrates 82% of the total carbon footprint of the entire organisation. In its 2021 report, that is not yet integrated by our third-party data provider, the company revised its methodology and the emissions associated with Scope 3.11 have decreased by 58% as a result of an adjustment in the emission factor considered.

Exposure to positive contribution in environmental themes

Evaluation of Thematics AM's investment strategies' performance across different sustainable development themes, in particular those relating to climate transition and environmental protection, indicates its sustainable outcome contributions.

We use third-party independent scoring from ISS to assess the % revenue exposure that contributes positively to environmental themes.

As defined by our third-party SDG data provider (ISS):

- Significant contributions mean products or services that by their intended purpose, address the root causes of a sustainability challenge, such as climate change.

- Limited contributions refer to products or services which help or promote the achievement of a sustainable development goal, without necessarily addressing the root cause. In the case of climate change mitigation, examples of contributing products are renewable energy, battery technology, and insulating materials. Products with limited contributions are those that enable energy efficiency, for example rail and bus transport, LEDs, nuclear power.

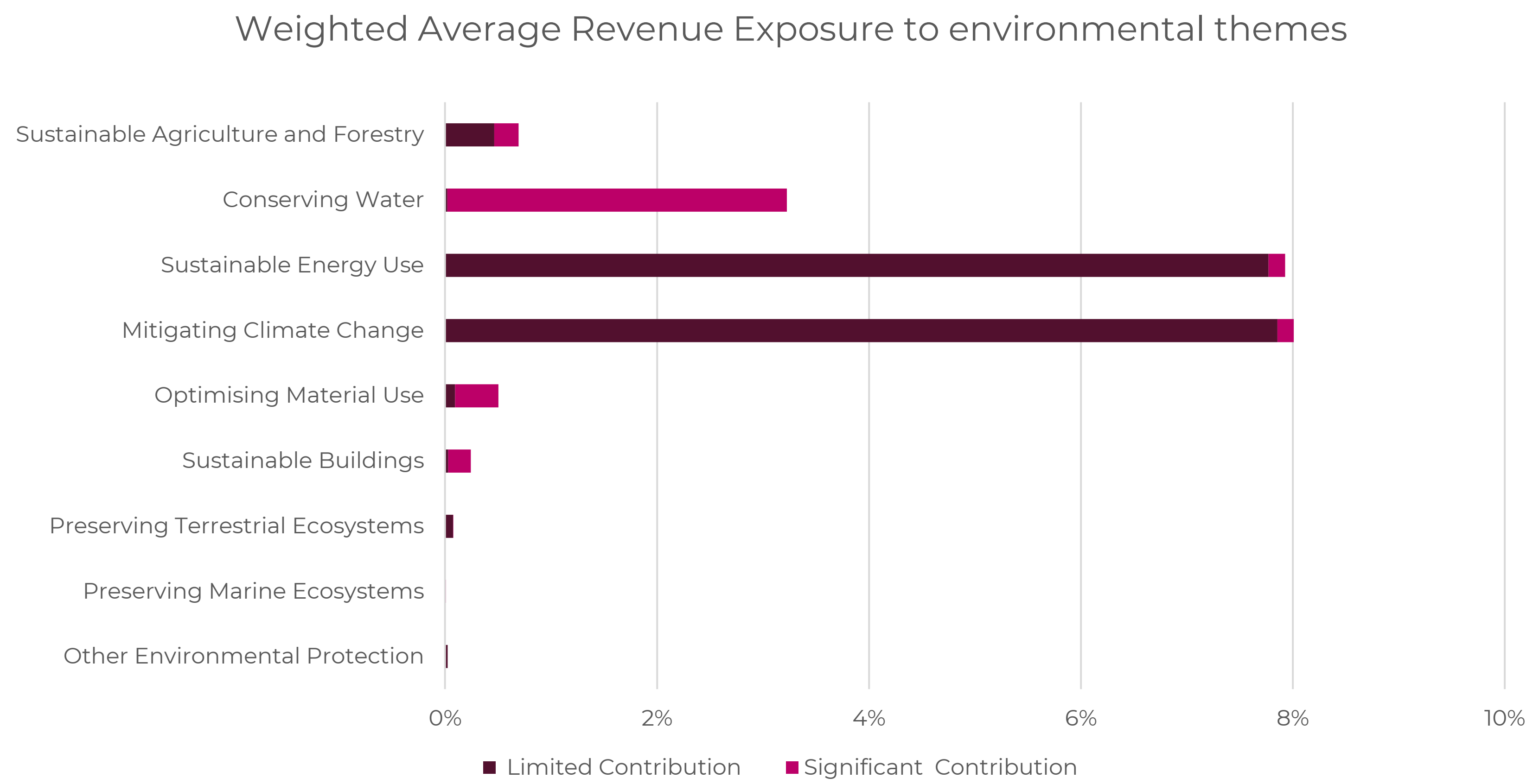

Figure 6. Breakdown of the strategies' positive contribution revenue exposure by environmental theme, as a share of total revenue, using weighted average method. Source: ISS, Thematics AM, 31/12/2021

We note that the two main environmental themes are Sustainable Energy Use and Mitigating Climate Change. All strategies have exposure to companies contributing positively to these two themes. These companies are mainly environmental services, LED products, rail transport or cloud services companies that can enable other companies to be more energy efficient and thus mitigating climate change.

We also note the positive contribution to the Conserving Water theme, mainly through the companies in the water strategy. These companies evolve in the water and/or wastewater services and water savings equipment for example.

Fossil Fuel Exposure

Future emissions from fossil fuel reserves far outweigh the allowable carbon budget that will limit global warming to 2 degrees Celsius above pre-industrial levels. Assets that have high potential to be exposed to risks of unanticipated or premature write-downs, devaluations or conversion to liabilities are commonly referred to 'stranded assets'. As a thematic investor with focus on positive themes, by design, we have very low exposure to such assets, which would usually come as ancillary activities of theme-focused holdings.

Using S&P Trucost data, we have analysed our strategies on their exposure to business activities in fossil fuel industries. This helps to identify potentially stranded assets that would become apparent as economies move towards a 2-degree alignment.

Revenue exposure to Coal includes the following activities: Bituminous Coal and Lignite Surface Mining, Bituminous Coal Underground Mining and Coal Power Generation

Revenue exposure to Oil & Gas includes the following activities: Crude Petroleum and Natural Gas Extraction, Tar Sands Extraction, Natural Gas Liquid Extraction, Support activities for oil and gas operations, Drilling oil and gas wells, Pipeline transportation, Petroleum refineries, Natural gas distribution, Natural Gas Power Generation, Petroleum Power Generation

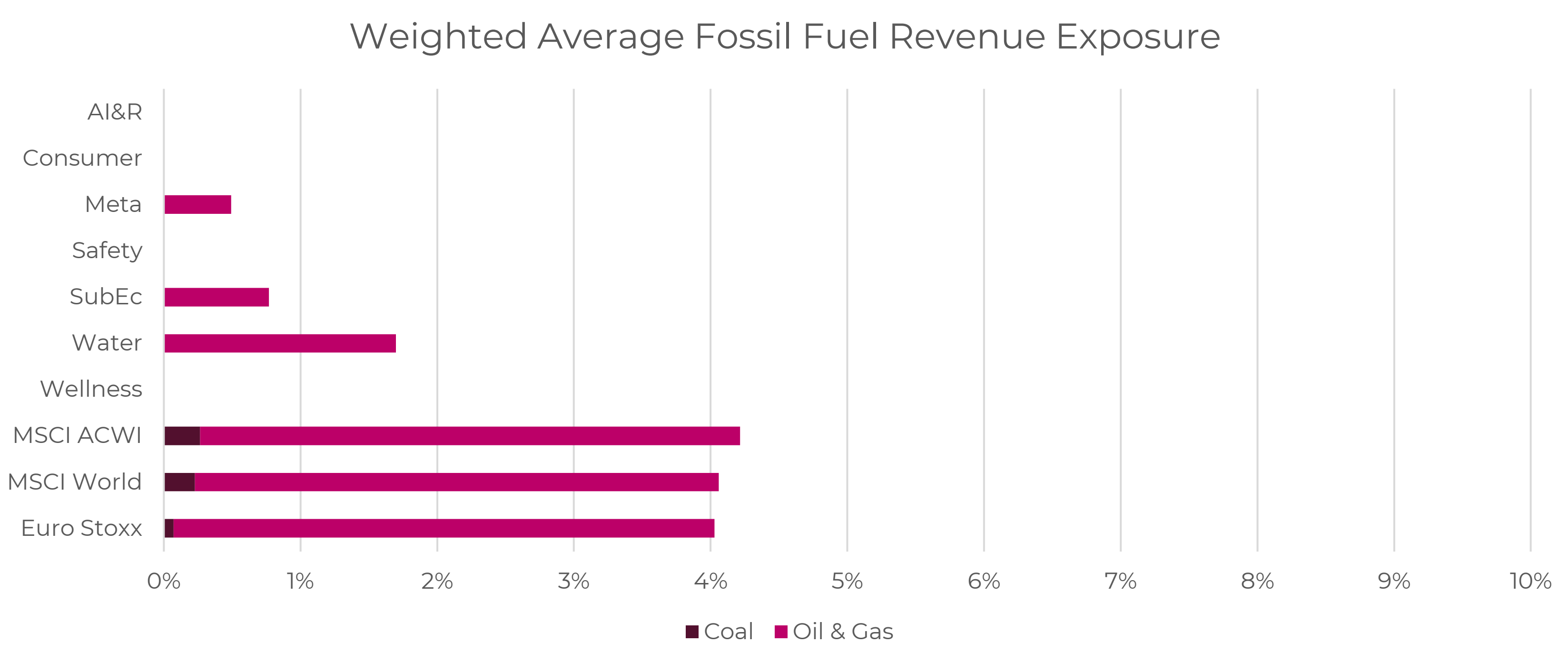

Figure 7. Breakdown of the strategies' fossil fuel revenue exposure by type, as a share of total revenue, using weighted average method, vs Reference index. The reference index is MSCI World for Safety , Euro Stoxx for Consumer, and MSCI ACWI for all others. Source: S&P Trucost, Thematics AM, 31/12/2021

Thematics AM has very limited exposure to the fossil fuel industry. Compared to their respective indices, the strategies don't have exposure to Coal or Oil. All other strategies, except Water and Subscription Economy, have zero exposure to Natural Gas. In the Water strategy, these assets represent less than 10% weight in the portfolio, which generates revenue from natural gas distribution or power generation. The strategy also divested its position involved in thermal coal. In the Subscription Economy, only one company is involved in natural gas distribution. Their positive contributions to other themes far outweigh their negative exposure and potential adverse impact. The Weighted Average Revenue Exposure is calculated by summing the product of each holding's weight in the portfolio with the company level revenue dependency on the sector in question.

Temperature Alignment

The implied temperature rise metric measures the alignment of a company with a given climate scenario defined by the Intergovernmental Panel on Climate Change or the International Energy Agency.

S&P Trucost's Paris Alignment assessment enables investors to track their portfolios and benchmarks against the goal of limiting global warming to below 2°C from pre-industrial levels, as well as other climate change scenario outcomes. The approach taken by Trucost can be described as a transition pathway assessment, which examines the adequacy of emissions reductions over time in meeting a 2°C carbon budget. It tracks company emissions and activity levels, including forward-looking indicators over a medium-term time horizon. It is one of several key approaches to 2°C alignment assessment in growing usage today.

We note that the Water strategy has an implied temperature rise above 5°C. One company in particular has a carbon budget that exceeds the 5°C carbon budget by 149m tCO2e for the period 2012-2025. The latest reported data used in the calculation is 2019, but in 2020 this company has decreased its carbon intensity by 60%. We should expect an improvement of the misalignment gap for this company in the next update

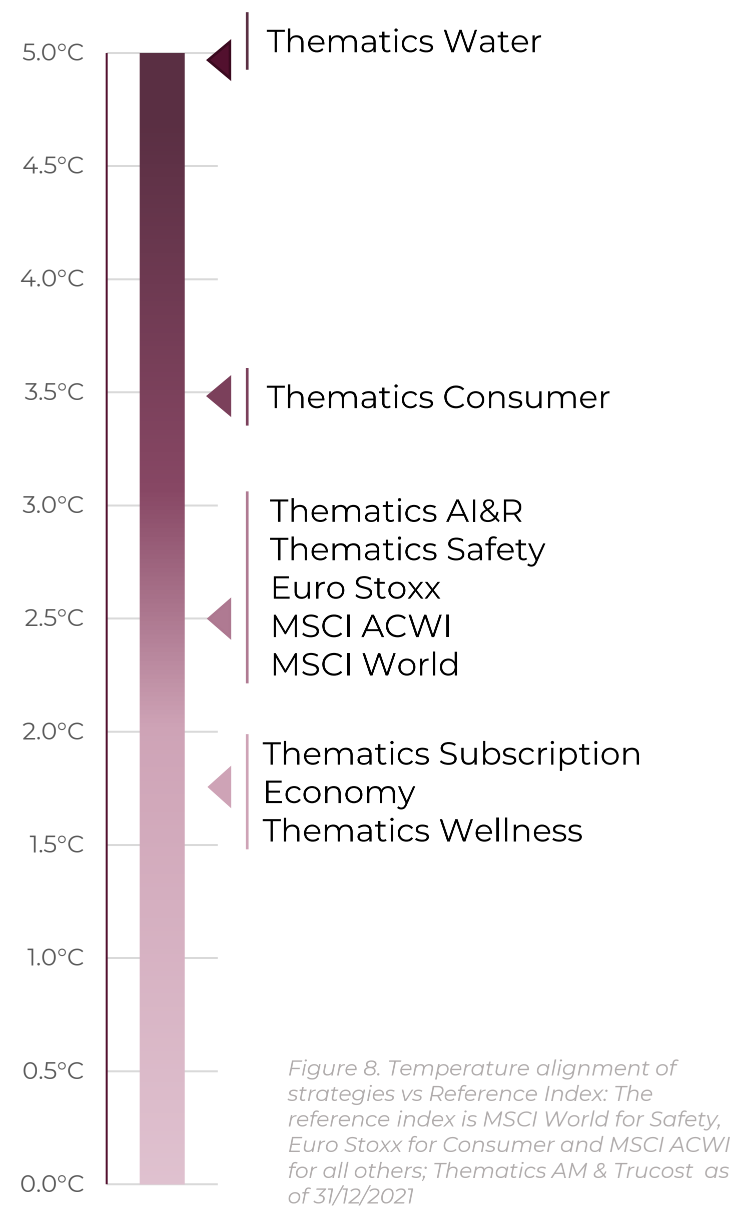

Figure 8. Temperature alignment of strategies vs Reference Index: The reference index is MSCI World for Safety, Euro Stoxx for Consumer and MSCI ACWI for all others; Thematics AM & Trucost as of 31/12/2021

GHG Reduction Targets

To reach the climate objective of the Paris Agreement, companies must cut their GHG emissions dramatically. To do so, companies must measure their GHG emissions and set targets to reduce them. We monitor companies that disclosed targets in their sustainable or CDP reports, as well as SBTi (Science Based Target initiative) website. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) that sets science-based standards for companies to decarbonize at a rate compatible with reaching a temperature well below 2°C or 1.5°C by 2100.

We note the higher percentage of companies that have set SBTi targets for the Consumer strategy, due to its bias towards European companies that are more advanced in this field.

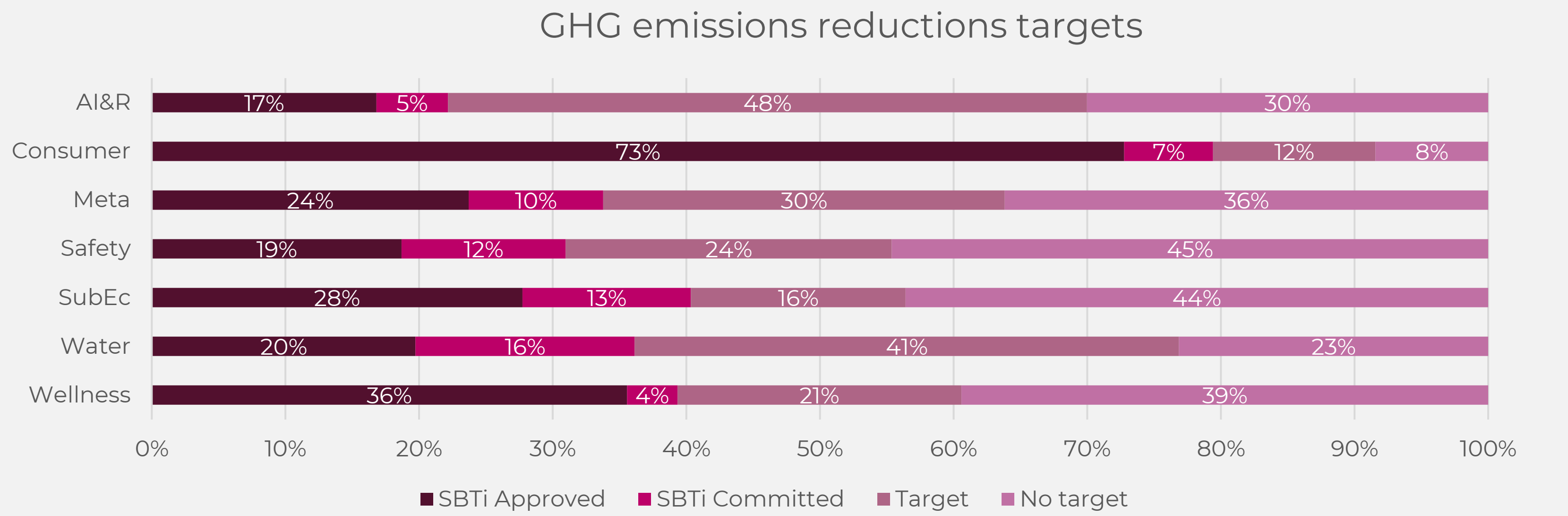

Figure 9. Breakdown the companies in the portfolios that have set GHG emissions reductions targets - Source: SBTi, Thematics AM, 31/12/2021

Biodiversity

Since 1970, according to the OECD, the world has lost 60% of its global vertebrate population, while in parallel more than 40% of insect species are declining rapidly. The planet is possibly facing its sixth mass extinction, arguably one of the most significant threats to society. If this isn't a stark enough warning, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has stated that 'nature is declining globally at rates unprecedented in human history, and the rate of species extinctions is accelerating, with grave impacts on people around the world now likely.'

At Thematics AM, we are at the beginning of our biodiversity journey and do not currently measure our investments' biodiversity footprint, but we monitor their biodiversity policies.

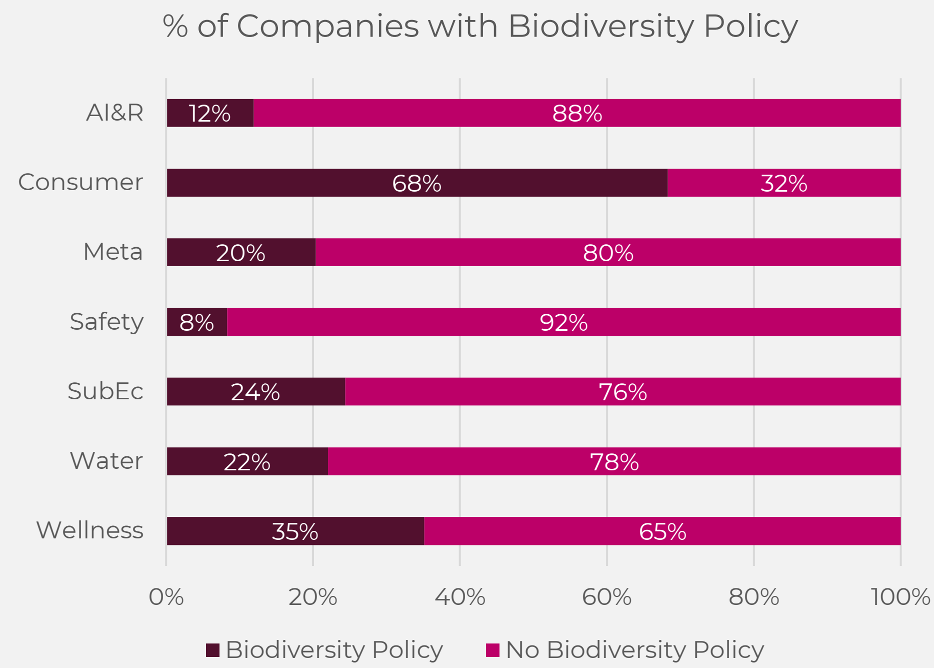

Figure 10. Breakdown the companies in the portfolios that have set biodiversity policies - Source: Bloomberg, Thematics AM, 31/12/2021

Water is a key building block in sustaining biodiversity and through our Water strategy, we invest in companies that can contribute positively to help preserve biodiversity. Within our investable universe, we see three principal areas into which we can invest to maintain and develop biodiversity - namely **pollution, invasive species** and **change in land/sea use**. Below, we share a chart of how certain stocks within our investable universe fit within the five main drivers of biodiversity loss, to frame the diverse opportunity set that we can access through a biodiversity lens.

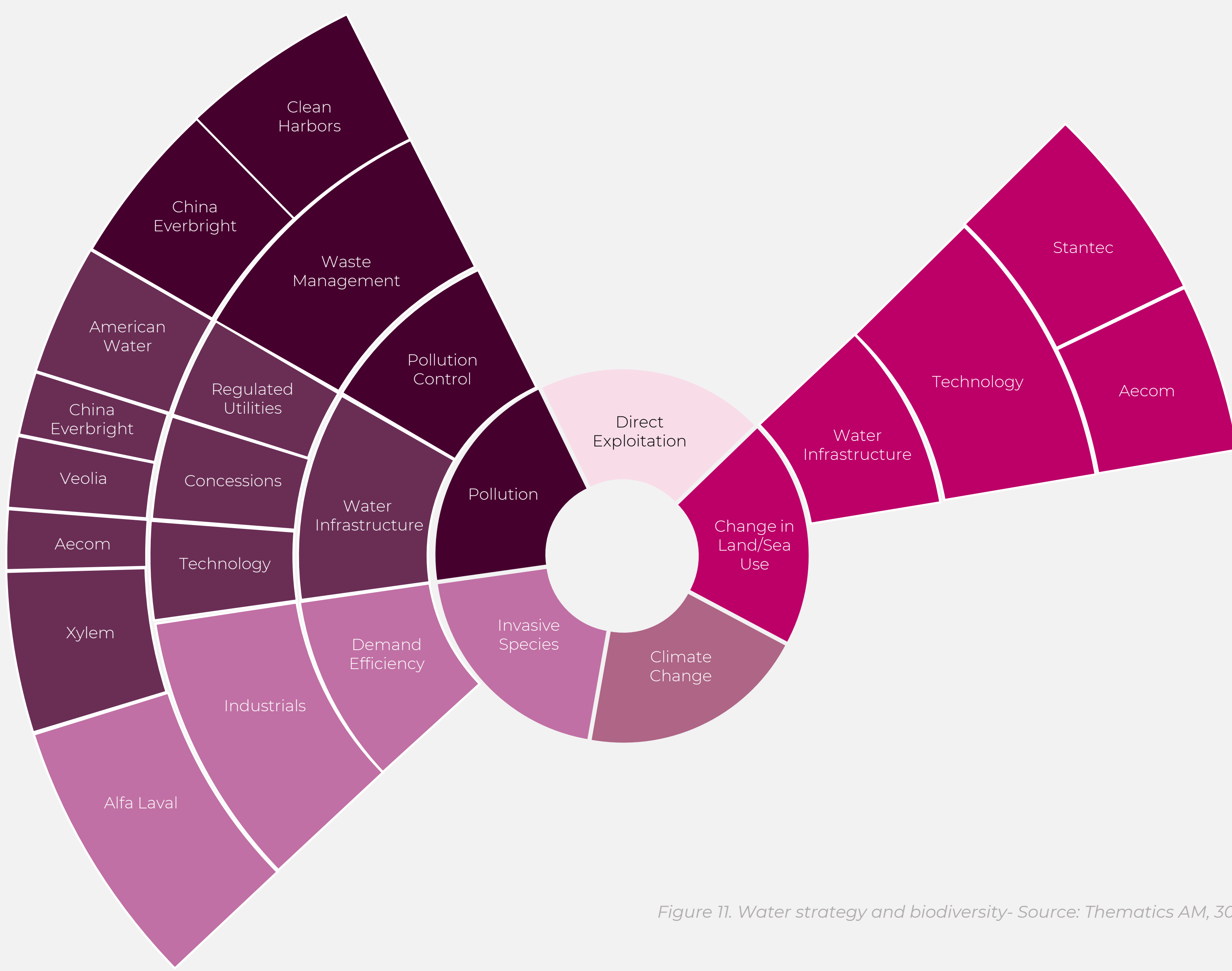

Figure 11. Water strategy and biodiversity- Source: Thematics AM, 30/05/2022

06

Conclusions

The effects of climate change are intensifying at an unprecedent rate. Human and economic activities continue to put pressures on global biodiversity and ecosystem balance. These in turn pose risks for businesses and investors. As a responsible investor, it is therefore our duty to effectively manage these risks while capturing opportunities when they exist. To this end, we are steadfast in continuing to strengthen our capabilities to meet these challenge.

In this second report, we are again happy to report on our achievements across the 3 pillars – People, Process, and Product.

In terms of People – to bolster our knowledge and expertise to enable our ambitions, we onboarded a new climate specialist in the first quarter of 2022 to help drive our climate and sustainability initiatives. Amidst the acceleration of regulatory developments and market standards on sustainable finance, we will continue ensure we deliver solutions with performance and meaningful results. Our goal is also to foster diversity at Thematics AM, notably by promoting the feminisation of the investment decision team, within the limit of what is achievable with our small size.

In terms of Process – we are underway in establishing our net-zero strategy. Our top priority is to evaluate the net zero preparedness of our investee companies, both from a qualitative and a quantitative perspective. To facilitate this, we have defined an internal framework to assess the climate transition plans of companies and their alignment with a well-below 2°C trajectory. To reenforce our capability, we are in the process of adding new data sources to power our climate and biodiversity analytics. Our Voting & Engagement Policy, which has been formalized in 2021, also include climate and biodiversity as key priority areas for engagements in the next three years.

In terms of Product – we leveraged on our capabilities to capture secular growth around climate and green transition and are preparing to launch in 2022 a new strategy focused on climate. We are excited to be able to provide the market with investment solutions focused on diversified companies that are well-equipped to navigate the risks around climate transition. Accompanying our commitments today and moving forward, we signed the Carbon Disclosure Project and the Global Investor Statement to Governments on the Climate Crisis.

It was a busy year of building our capabilities. Ahead of us remains a long way ahead to ensure that we take our part as an investor in the global green transition.

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Address:
20 rue des Capucines,
75002, Paris, France

Email address:
contact@thematics-am.com

Conception – Writing:
Maila Beniera
Guillaume Gosselin

Graphic design:
Slidor