THEMATICS
asset management

Responsible Investment Policy

Updated April 2022

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THEMATICS asset management

INTRODUCTION

INTRODUCTION

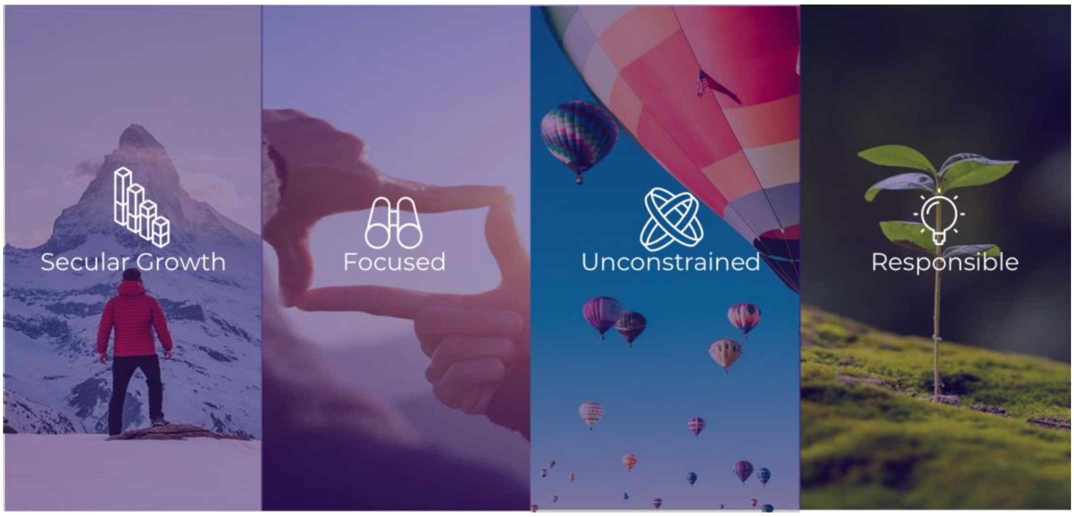
This version of our Responsible Investment Policy has been updated as part of our continuous responsible investment framework review. The refinements have been adopted in line with our commitment to continue to strengthen our integration of sustainable investing principles and in line with the regulatory developments in sustainable investing. The new elements updated in this report are effective 01 April 2022. The main amendments are as follows:

- Further strengthening of our Do No Significant Harm and Minimum Social Safeguards principles through stricter controversy management. More specifically, Thematics AM will (1) exclude from the investable universe any companies that have exposure to High to Severe controversy with negative outlook, and (2) cap the investment to 2% [if currently higher] and employ a targeted engagement with a 6-month timeframe for any companies already in the portfolio that get exposed to High to Severe controversies with negative outlook. Divestment will be considered if no verifiable progress is achieved within the set timeframe.

- Making clearer how our current responsible investment framework considers the Principal Adverse Impact as defined by the EU Sustainable Finance Disclosure Regulation (SFDR), across the different phase of the investment process through the multiple sustainability strategies currently employed.

- As a reminder, effective January 2022, we further made stricter our exclusion thresholds, in particular tightening the tobacco threshold to 5% from the previous 10%. Thresholds for all activities covered by the exclusion policy are now 5%. In 2021, our reviews and updates have focused on the following: refining our exclusion policy: addition of behaviour-based exclusion and new product-based exclusion criteria - Genetic engineering and Human embryonic stem cell research; enhancing our guiding principles to integrate Sustainability Risk Management, as required by the EU Sustainable Finance Disclosure Regulation (‘SFDR’); update on the governance and implementation of our Responsible Investment (‘RI’) policy, as well as the integration of sustainability risk into our remuneration policy, and; enhancing our Voting and Engagement approach through a formalised framework with defined actions and outcomes.

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 Guiding Principles

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

- to incorporating Environmental, Social and Corporate Governance (ESG) issues into investment analysis and decision-making processes;
- to being active owners and to incorporating ESG considerations into our ownership policies and practices;
- to seeking appropriate disclosures on ESG considerations by the entities in which we invest;
- to promoting the acceptance and implementation of the Principles within the investment industry;
- to working with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles;

- to reporting on our activities and progressing towards implementing the Principles.

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.

Materiality

Central to our Responsible Investment framework is our definition of material sustainability factors – these factors represent both the financial risks and opportunities associated with our investments and the risks of adversely impacting environmental and social objectives. We ask ourselves the following two fundamental questions:

- What risks are most likely to materialize among the companies comprising our thematic strategies?
- What adverse impact could our thematic strategy investments generate?

These identified and prioritized material sustainability risks inform the backbone - scope and focus - of all the strategies.

Our Commitment to Sustainable Outcomes

Thematics AM creates and distributes thematic strategies to offer asset owners both performance and, where possible, meaning. We believe that we are investing today in the winners of tomorrow. Cognizant of this role as future enablers, generating sustainable outcomes through the themes we select and offer to the market is a fundamental part of our intentionality. All our thematic strategies have direct or indirect positive contributions to multiple sustainability challenges, in particular the sustainable development goals. We invest in long-term themes with the aim of seizing market opportunities while enabling them to grow and respond to global demand. By taking the view that we are investing broadly in innovative solutions that are providing a response for a sustainable future, we aim to contribute positively to the world of tomorrow.

Our Responsible Investment framework

Thematics Asset Management's responsible investment framework is comprised 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.

These strategies are binding elements and are embedded across the three phases of the investment process : Define, Select and 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.*

a. Sustainable/positive thematic screening
Thematics AM designs and builds purely thematic strategies. In selecting themes to offer to investors, we look at positive structural trends shaping the future. With responsible investing as one of the core pillars of our investment philosophy, we focus on trends that are also aligned to the trajectory of a more sustainable future. We invest in future growth areas that have also strong potential to contribute positively to a sustainable future transformation. We do this by integrating sustainable intentions in defining our themes and building the investable universe through selecting securities that have material exposure to or are local or global market leaders in their positive thematic fields.

b. Product-based exclusion
To minimise the adverse impacts of our strategies to other environmental or social objectives, we further screen the investable universe by excluding companies whose products or services are deemed to have critical negative impact to the health and safety of people and the environment. The full list of our exclusion criteria is outlined in the 'Define' section below.

c. Behaviour-based screening
In addition, 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. The full list of our exclusion criteria is outlined in the 'Define; section below.

Select

*At the second stage of our investment process, we '**Select'** companies that are suitable for investment. ESG positive screening is integrated at this stage and in the constant and ongoing monitoring of the investable universe.*

Our positive-screening policy is part of the framework that we employ to perform ESG analysis. 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.

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 Engagemen**t' with companies on ESG issues and '**Proxy Voting**' are core elements of our active ownership and engagement approach.

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 5 sustainability approaches: exclusion, norms-based assessment, ESG risk assessment, voting and engagement.

Principal adverse impact accounting

Sustainability approach	PAI covered	Details
Product-based Exclusion	- GHG intensity of investee companies - Exposure to companies active in the fossil fuel sector - Share of non-renewable energy consumption and production - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises - Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Please refer to the product-and behaviour-based exclusion discussions in the Define section of this policy.
Behaviour/ Norms-based assessment	- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Please refer to the product-and behaviour-based exclusion in the

	- Activities negatively affecting biodiversity sensitive area	Define section of this policy.
ESG assessment	- GHG emissions - Carbon footprint Energy consumption intensity per high impact climate sector - Activities negatively affecting biodiversity sensitive areas - Emissions to water - Hazardous waste ratio - Board gender diversity	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 here.

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.

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
- ESG Specialist
- Climate Specialist

The 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 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.

As of March 2022, Thematics AM manages 7 strategies, incorporating the described Responsible Investment policy:

- Thematics Water
- Thematics Wellness
- Thematics Meta
- Thematics AI & Robotics
- Thematics Safety
- Thematics Subscription Economy
- Thematics Consumer

Consideration of sustainability risk as part of the remuneration policy

Following the entry into application of the Regulation (EU) 2019/2088, our remuneration policy has been updated to reinforce promotion of sound and effective risk management with respect to sustainability risks. The objective of this update waHs to ensure our remuneration practice does not encourage excessive risk-taking with respect to sustainability risks and is linked to risk-adjusted performance.

DEFINE

DEFINE

Sustainable thematic screening

In the Define Phase where the thematic boundaries and investable universe are set-out, Thematics AM adopts sustainable thematic screening. We select companies whose solutions contribute to addressing the themes. The qualitative and quantitative assessments incorporate third party-data on UN Sustainable Development Goals contributions, EU Taxonomy alignment, Thematics AM's internal thematic assessment framework, and other sustainable products or services data. To qualify in the investable universe, a security must meet the materiality or leadership requirement. It must at least generate 20% of the revenue and/or profits from the relevant products as of today or in the immediate to short term, or its products must be, in the opinion of the Investment Managers, leader in the industry, innovative or with the potential to become disruptive.

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 Thematics AM's global minimum exclusion policy, covering activities and thresholds applied across all our thematic strategies. Thematics AM strategies that have been classified as Article 9 product under the EU Sustainable Finance Disclosure Regulation adopt additional exclusion criteria and/or stricter thresholds. For a more detailed discussion of the scope of each exclusion and products, refer to the Appendix – Exclusion Policy

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, all Thematics AM shall not invest in companies that generate more than 5% of revenue from coal. The scope includes exploration, mining, extraction, and production of energy from thermal coal; transportation, distribution, or refining; building or operating coal-fired power plants; providing critical services or dedicated equipment to coal power plants.

	We have progressively lowered this threshold from the previous 25% and 10%. In addition, the company's absolute production of or capacity for thermal coal related-products or services shall not be increasing.
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	We exclude those that generate more than 5% revenue from oil and gas. The scope covers oil and gas exploration, production, refining, transportation and storage; electricity generation; and provision of critical services or dedicated equipment to the oil and gas industry.
General Power Generation Sector Policy	We exclude companies involved in power generation from non-renewable energy sources, or providing dedicated equipment or services whose carbon intensities are not aligned with the 2 degrees scenario. The annual threshold for 2022 is 350 gCO_2/kWh. The companies must also not be structurally increasing their production or capacity from these non-renewable energy-related products or services.
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 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%.
Small Arms	Companies that generate more than 5% of their revenue from the production and distribution of small arms and their key components, including provision of key services, are also excluded.

Illegal and Controversial Weapons	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: - anti-personnel mines - cluster munitions - biological and chemical weapons - depleted uranium - white Phosphorous - nuclear weapons 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.
Tobacco	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 5% from the production and wholesale trading of tobacco products and from the provision of dedicated equipment or services are excluded, a further threshold tightening from 10% in the previous year.
Genetically Modified Plant & Seeds	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.
Human Embryonic Stem Cell Research	In addition, 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.

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 United Nations Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, the UN Global Compact, as well as their underlying conventions and treaties. The assessment is informed by data from third-party providers[1], 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: - Those facing repeated allegations of severe human rights abuses - 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.
Labour Rights	We exclude companies that are violating international agreements, standards, and directives in labour standards, either deliberately or through neglect. These include: - Companies facing repeated allegations of severe or significant violations or fines and failure to address or mitigate issues relating to: a. Health & Safety of staff and suppliers b. Child Labour c. Modern Slavery
GOVERNANCE	

[1] Sustainalytics.

Business Ethics	We exclude companies that are violating international agreements, standards, and directives on business ethics, either deliberately or through neglect. These include: - Repeated allegations of severe or significant violations or fines relating to: a. Corruption b. Extortion and bribery c. Competition Laws, Tax avoidance

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 to 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.

SELECT

SELECT

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
- the most material areas where companies could have adverse impact, due to the nature of their activities

Material ESG Metrics

Whilst assessing investment opportunities within the investable universe of each theme, Thematics AM portfolio managers will review 11 categories of ESG criteria to assess the ESG risk of a stock or portfolio.

Environment

- 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

Environmental Criteria

- **Climate change resiliency**
  1. Is the company able to mitigate climate change impacts and to adapt to climate change?
  2. Does it conceive or promote climate change solutions for mitigation or adaptation?

- **Effluents and waste management**
  1. Does the company's operations produce harmful and polluting waste to the environment?

2. How does the company manage the disposal of these effluents and wastes?

- **Environmental impact of products and services**
  1. Does the core of the company's business model have a negative impact on the environment, including biodiversity?
  2. Does the company conceive or sell unsustainable products or services?
  3. Does it incorporate environmental impact improvement in its product development programs, such as water and energy efficiency?

Social Criteria

- **Staff and supplier's health and safety**
  1. Does the company track / record data regarding workers' health and safety throughout the value chain?
  2. Has it been involved in a controversy on this issue?

- **Labour practices (respect of Human rights)**
  1. Does the company promote a policy on labour practices that includes: treating workers with respect and dignity, promotion of diversity and gender equality including the participation of women, protection of workers against harassment and health and safety risks?
  2. Are labour risks, including hazardous working conditions, health and safety incidents, lack of collective bargaining and freedom of association covered?
  3. Does the company also address social issues such as modern slavery?

- **Society and product responsibility**
  1. Do the company's operations have a negative impact on society?
  2. How is this monitored and limited?
  3. Is the company involved in any controversy regarding the social impact of its products and services?
  4. Is the company engaged in a dialogue with its stakeholders (government, NGO, communities) on these issues?

- **Data privacy**
  1. Does the company demonstrate an understanding of cyber security as a risk across the business?
  2. How is the company positioned to manage cyber risk?
  3. Are adequate disclosures in place regarding cyber risk governance?
  4. Is it adequately governed, and not left as the remit of the IT department?

Governance Criteria

- **Executive compensation**
  1. Does the company favour long-term incentives?
  2. How does it monitor alignment of interests with shareholders?

- **Quality of Board**
  1. Is the company's board sufficiently large, and does it comprise an appropriate level of independence, experience, and diversity?

2. Do board members own shares in the company, and what are their time commitments to the company?

- **Shareholder rights, poison pills**
  1. How does the company protect minority shareholders' rights?
  2. Has the board set up poison pills mechanisms?

- **Business ethics**
  1. Does the company operate through a decentralised model?
  2. If so, does it have material operations in geographies where business risks could be perceived to be higher due to government or other localized challenges, including but not limited to oppressive regimes?
  3. How does the company monitor bribery risk?
  4. Does the company respect taxation laws, anti-competitive practices?

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.

EXAMPLE: PRIORITY CRITERIA IN THE WATER INDUSTRY

	Demand efficiency				Pollution Control		Water infrastructure		
	Consumers	Industrials	Agriculture	Distributors	Monitoring	Waste	Regulated utilities	Concessions	Technologies
Environmental									
Climate change strategy [1]		x					x	x	x
Effluents and waste management [2]	x	x	x			x	x	x	x
Environmental impact of product and services [3]	x		x			x	x	x	
Social									
Staff and suppliers' health and safety [4]	x	x		x		x	x	x	
Labour practices [5]				x		x	x	x	
Society and product responsibility [6]	x					x	x	x	
Data Privacy [7]				x	x				
Governance									
Executive compensation [8]					x				
Board quality [9]								x	
Shareholders rights and poison pills [10]								x	
Business ethics [11]		x	x			x	x	x	x

Illustrative ESG risks weighting

Following the process as outlined above, the output of this scoring process is illustrated for each strategy below. For the scoring of the rest of the strategies, see Appendices – Materiality Map.

Risk Mapping - Water Fund		Environment			Social				Governance				
		Climate change strategy	Effluents and waste management	Environmental impact of products and services	Staff and supplier's health and safety	Labor practice	Society and product reponsibility	Data privacy	Executive compensation	Quality of the Board	Shareholders rights and poison pills	Business ethics	TAM Score	Segment
Demand efficiency	Consumers	1	2	2	2	1	2	1	1	1	1	1	1.36	17.4%
	Industrials	2	2	1	2	1	1	1	1	1	1	2	1.36	13.3%
	Agriculture	1	2	2	1	1	1	1	1	1	1	2	1.27	0.0%
	Distributors	1	1	1	2	2	1	2	1	1	1	1	1.27	10.8%
Pollution control	Monitoring	1	1	1	1	1	1	2	2	1	1	1	1.18	16.8%
	Waste	1	2	2	2	2	2	1	1	1	1	2	1.55	7.3%
Water infrastructure	Regulated Utes	2	2	2	2	2	2	1	1	1	1	2	1.64	13.1%
	Concessions	2	2	2	2	2	2	1	1	2	2	2	1.82	9.4%
	Technologies	2	2	1	1	1	1	1	1	1	1	2	1.27	9.4%
	Total	1.46	1.72	1.48	1.73	1.42	1.48	1.28	1.17	1.10	1.10	1.54	1.41	

Company-Level 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[2]. The performance analysis and scoring are 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

[2] ISS and Sustainalytics ESG ratings

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

- 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.
- The company is scored 0 if an ESG risk is identified and is not covered by any appropriate commitment or approach.

Portfolio Managers base their judgement on public documentation and information. They also receive third party ESG data and analysis. Each company is reviewed with respect to authoritative standards on ESG, such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals. Third party analysis provides:

- ESG ratings on industry specific ESG issues and their rationales.
- An ESG impact evaluation of the product portfolio and performance relative to the United Nations Sustainable Development Goals (UN SDGs).
- An ESG controversy assessment.
- Summaries of ESG risks, opportunities, and governance.

If necessary, Portfolio Managers complete their analysis via a discussion with the company management and additional documentation provided by the company. They also exchange analyses on specific matters with equity ‘sell-side’ brokers/salespeople.

Finally, the Portfolio Managers sum up any major ESG residual risks in a company ‘ESG Profile’. It provides inputs for:

- **‘Company-Specific ESG Score’** and **‘Position Sizing’**
- **‘Individual Engagement’** of our **‘Shareholder Engagement’** policy

ACT

ACT

Position Sizing

*The output of the “**Select**” policy provides portfolio managers with scores on four criteria: ‘**ESG’**, ‘**Quality’**, ‘**Trading Risk’**, ‘**Management**’. Consistent with Thematics AM rules for ‘**Position Sizing’**, portfolio managers use their qualitative and discretionary judgement to set appropriate size ranges for each position within the portfolio. ESG scoring is considered within the decision-making process.*

Size Range

Combined with the binary scores related to the other criteria (‘Valuation’, ‘Quality’, ‘Trading Risk’, ‘Management’), the ‘**Company-Specific ESG Score**’ informs a size range for the stock in the portfolio at the time of inclusion.

- An overall score of 4 implies a range of 2%-5%
- An overall score of 3 implies a range of 1%-4%
- An overall score of 2 implies a range of 1%-3%
- An overall score of 1 implies a range of 1%-2%

The target weight of the position within the range will be driven by the potential valuation upside identified by the Portfolio managers.

POSITION SIZING

Capped Positions

- 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 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 and the risk identified deteriorates.

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:

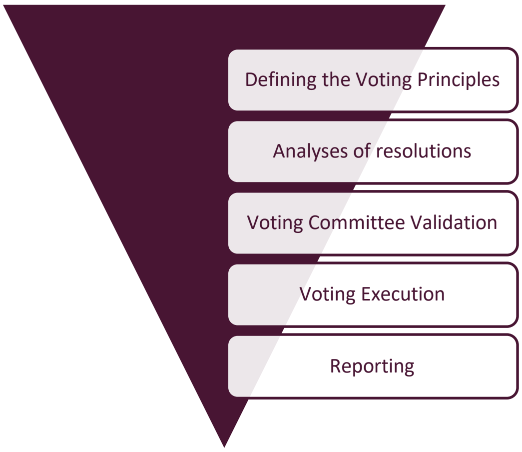
1. Creating long-term value for our stakeholders through the promotion of strong governance
2. Protecting the rights of shareholders
3. Promoting a fair and equitable compensation policy for all stakeholders
4. Establishment of strong accountability and transparency
5. Respecting and preserving the environment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

Detailed discussion is provided in our Voting & Engagement Policy.

Our voting process



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, Compliance and Audit Officer, and ESG 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 strategies whose depositary uses Broadridge's services.

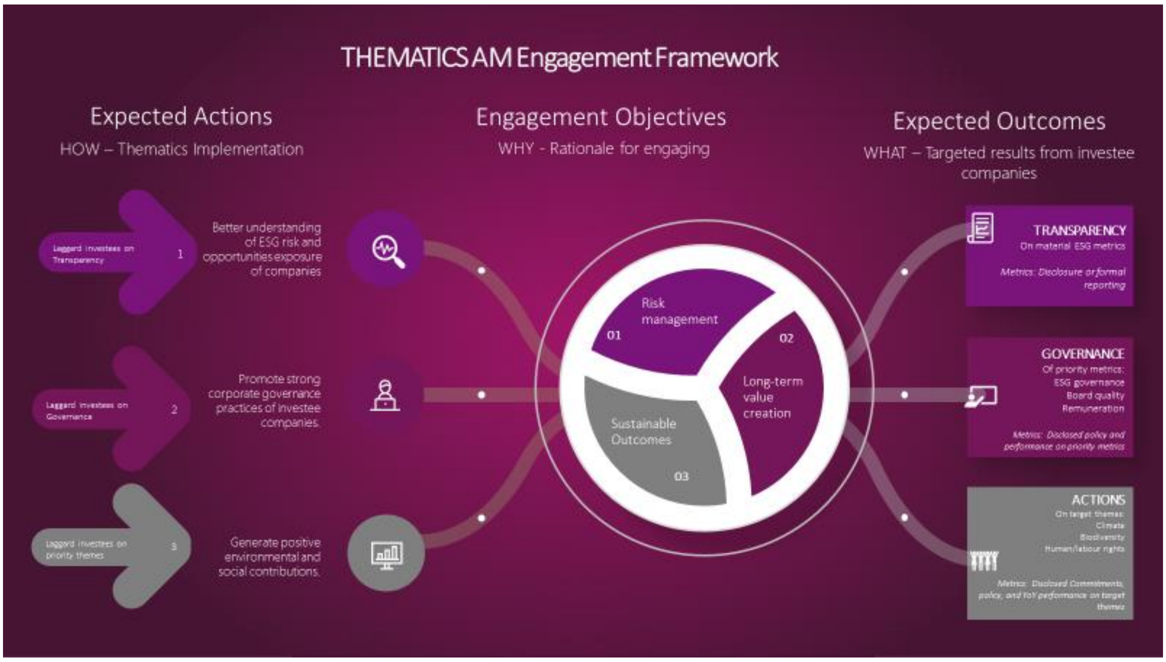
The exercise of voting rights is handled under a services contract by Ostrum Asset Management's Middle-Office Processing department, which is also in charge of relations with service providers and depositaries.

Reporting

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

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 strategy. 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 strategy'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) and French SIF (Forum pour l'Investissement Responsable – FIR).

Governance of Voting & Engagement

Thematics AM's Responsible Investment Committee is in-charge of the governance and oversight of the Voting and Engagement framework. It is comprised of the Chief Investment Officer, the Head of Responsible Investing, the Compliance Officer, and the ESG Specialist.

Reporting and Disclosure

Monthly, Thematics AM provides extra-financial/sustainability performance reporting through strategies' Monthly factsheet. The information contains both the risk exposure and impact contributions. Annually, Thematics AM publishes its responsible investing report called 'Being Responsible'. This report aims to provide its stakeholders with its commitments and progress achieved on its responsible investment activities. The company also annually publish its Voting & Engagement report.

APPENDICES

EXCLUSION POLICY

Product-based screening

General Power Generation Sector Policy

Electricity production generates the largest greenhouse gas emissions globally. Transitioning to a greener and low carbon economy requires a shift away from the burning of coal, natural gas, and oil for electricity and heat.

Investment principle

We shall exclude companies in the power generation industry whose energy comes from non-renewable sources and whose carbon intensity are not aligned with the 2-degree scenario. This is progressively reduced on an annual basis. For 2022, Thematics AM's maximum threshold is 350 gCO2/kWh. Companies must also not be structurally increasing their generation capacity on these non-renewable energy-related products or provision of services. In addition, Thematics AM actively monitors and engages with companies to put in place climate risk management and disclosure, in particular around risk management strategies and transition plans, including committing to Science-based targets towards well-below 2 degree Celsius.

Coal

Coal is the most carbon-intensive fuel and the largest source of electricity and the second-largest source of primary energy worldwide. As a result, CO_2 emitted from coal combustion is responsible for over 0.3°C of the 1°C increase in global average annual surface temperatures above pre-industrial levels. This makes coal the largest single source of global temperature increase[3].

Investment principle

Our exclusion covers exploration, mining, extraction, and production of energy from thermal coal; transportation, distribution, or refining; building or operating coal-fired power plants; providing critical services or dedicated equipment to coal power plants.

Unconventional Oil & Gas

Unconventional oil and gas production from tar sands and oil shale pose environmental, climate and societal risks. They are energy- and water- intensive to produce. They are also linked to significant land disturbances associated with surface mining. The upgrading of bitumen contributes significantly to air pollution in the form of SOx (Sulphur Oxide), SO2 (Sulphur Dioxide) and NOx (Nitrogen Oxide). These elements also contribute to soil and water source acidification.

Investment principle

Our exclusion covers: exploration, extraction, and provision of critical infrastructures or services to tar sands, shale oil, shale gas, and arctic drilling.

Conventional Oil & Gas

Oil and gas represents 55% of the world's primary energy use. Oil and Gas production is highly carbon intensive, generating roughly one tenth of global GHG emissions. Oil and gas, which are primarily combusted as fuels, result in greenhouse gas emissions (GHGs) globally as well as localized pollution impacts, and are responsible for roughly half of all anthropogenic emissions. Integrated Oil and Gas companies are among the largest companies globally, and are major emitters of GHGs throughout the exploration, production and refining processes. The functioning of the global economy currently depends heavily on oil and gas, underlining the importance of companies in this sector to put in place carbon management and transition plans.

Investment principle

Our exclusion covers exploration, extraction, refining and transportation of oil and gas, as well as provision of dedicated products or services.

Tobacco

Tobacco is one of the biggest public health threats the world has ever faced. It kills up to half of its users. Tobacco kills more than 8 million people each year. More than 7 million of those deaths are the result of direct tobacco use while around 1.2 million are the result of non-smokers being exposed to second-hand smoke.[4] While we recognise people's right to choose activities or consumption they want to pursue, we take into account products that have impact on health and the environment, both of the users and others.

Investment principle

Our exclusion covers: production and wholesale trading of tobacco products, as well as the provision of dedicated equipment or services.

Genetically modified plants and seeds

GMO is defined as an organism whose genetic characteristics have been altered by the insertion of a modified gene or a gene from another organism using the techniques of genetic engineering. The use of genetically modified seeds is considered controversial due to health and socio-economic concerns, as well as environmental risks associated with the spreading of GMOs to other plants in the ecosystems. There are also increasing concerns around pesticide resistant weeds and insects due to increased use of chemicals. On the other end, proponents of GMO argue that the GMO plants and seeds are important part of the solution to the issue of global food security, as plants and seeds with certain properties such as drought or pest resistance or increased yields can be developed with the GMO techniques.

Investment principle

Our exclusion on this contentious issue covers involvement in the development and growth. Companies that develop or cultivate genetically modified plants and/or seeds, and those that grow genetically modified crops are excluded. This exclusion does not capture companies that only use or process genetically modified seeds, crops or plants, as well as those activities related to processing or retail of genetically modified plants.

Human Embryonic Stem Cell Research

Embryonic Stem Cells are pluripotent cells that can differentiate into any cell of the body and derived from the inner cell mass of the blastocyst, an early-stage embryo that reaches this stage 4-5 days post fertilization. Fetal cell lines are not stem cells but are derived from a fetus and then replicated to create cell lines that can be used indefinitely. The WI-38 and MRC-5 lines are the most widely used. The use of fetal cell lines for vaccine or biologics development refers to the use of fetal cell lines for vaccines for flu, MMR, hepatitis A & B, smallpox, chicken pox and shingles along with tumor vaccines.

The ethical and political controversy surrounding this research arises from the harvesting of cells for research. The most flexible stem cells are obtained from embryos. A fertilized egg forms a blastocyst 4 days after conception. This blastocyst has two types of cells; an outer layer (which becomes the placenta and other supporting tissues needed for fetal development) and an inner cell mass (the stem cells). In order to harvest these cells, they are removed from the blastocyst, a process that destroys the embryo. Because of their utility in regenerative medicine and tissue replacement after injury or disease, evolutions in stem cell research involving embryo and fetal cell lines also generate legal and reputational risks.

Investment principle

Our exclusion covers companies involved in the use of human embryonic stem cell and use of fetal cell lines. Disclosure and information on this type of activities are limited and revenue can be hardly calculated meaningfully. As our third-party data provider does not provide the revenue estimation, our exclusion is aimed at companies whose activities in HESC and fetal cell lines represent a majority of their business activities or majority of their products are developed using these processes.

Controversial Weapons

Although there is no universally accepted definition of controversial weapons, certain weapons cause disproportionate and indiscriminate impact on civilians during and after the conflicts. Considering international agreements and conventions, we consider as controversial weapons:

- **Anti-personnel mines:** The Ottawa Treaty (1997) prohibits the use, stockpiling, production and transfer of anti-personnel mines
- **Cluster weapons:** The Convention on Cluster Munitions (Oslo Convention, 2008) prohibits the use, stockpiling, production and transfer of cluster munitions
- **Nuclear weapons:** The Treaty on the Non-Proliferation of Nuclear Weapons (1968) aims at limiting the proliferation of nuclear weapons to the group of so-called Nuclear-Weapons States (USA, Russia, the UK, France and China)
- **Biological and chemical weapons:** The Chemical Weapons Convention (1997) and the Biological Weapons Convention (1975) prohibit the use, stockpiling, production and transfer of biological and chemical weapons

- **Depleted uranium weapons:** Are considered as “depleted uranium weapons”, munitions and armour containing uranium depleted in the isotope 235 below that occurring in nature or any other type of industrial uranium

Investment principle

Thematics AM will not invest in companies which operate activities related to research, production, storage, of any of the above weapons’ systems. It covers the full weapons,their essential key parts, as well as related key services.

Weapons manufacturers

In addition to the Controversial Weapons policy noted above, this policy provides an assessment of whether companies derive revenue from the manufacturing of weapons or weapon components or from providing combat-specific key products or services to the army or the defence industry. While a country’s right of self-defence is a cornerstone of international law, enshrined in the UN Charter (Article 51) and numerous Security Council Resolutions, military contracting (also referred to as the armaments or defence industry) can be considered controversial for reasons of pacifism, asymmetric defence-related purchasing power between countries, negative effects on economic growth and development particularly in post-conflict areas as a result of defence spending, potential issues around transparency and corruption, and its potential for (re-)fuelling wars and conflicts.

Investment principle

The policy examines the percentage of revenue derived by companies that manufacture weapons or weapon components and parts or from providing tailor-made products or services to the army or the defence industry. It does not include companies that provide dual use products and services or products of strict civilian use.

The policy covers three categories:

- Weapons: The company manufactures military weapon systems and/or integral, tailor-made components of these weapons
- Weapon related products and/or services: The company provides tailor-made products and/or services that support military weapons
- Non-weapon related products and/or services: The company provides non-weapons related tailor-made products and/or services to the military or defence industry

Definitions:

- *Weapons: Weapons include handguns, guns, ammunitions, missiles, military aircrafts, tanks, warships, nuclear warheads, defence components and systems, training/combat simulators, parts and components (though not raw materials).*

- *Tailor-made products: Tailor-made products are not always obvious to identify. Tailor-made products include, for example, special fabrics for bulletproof vests, electronic systems for military aircrafts, etc. Certain providers of services to the weapons or defence industry are also included, such as those providing services for the maintenance of military combat aircrafts.*

Thematics AM will not invest in companies which derive 5% or more of their revenues from the activities described above. In the case of involvement through a subsidiary or investment, we apply the same threshold – parent companies whose revenue share based on shareholding represent more than five percent of the parent company's total revenue are excluded. In addition, we do not invest in companies that generate 10% of revenue from non-weapons or non-combat products or services but are essential to the functioning of military or defence organisations.

Implementation

Thematics AM ESG committee reviews each year the investable universe of each strategy and makes sure it does not include any company involved in the activities excluded at theme level. For such a screening, lists from third party providers can be used to help assess that exposure.

In addition to the investment principles quoted above: Thematics AM excludes a company which controls an excluded company but will not exclude, on this very ground, a company partially owned but not controlled by an excluded company.

MATERIALITY MAP

Subscription Economy

Risk Mapping - Subscription Economy Fund		Environment			Social				Governance					12/31/2020
		Climate change strategy	Effluents and waste management	Environmental impact of products and services	Staff and supplier's health and safety	Labor practice	Society and product reponsibility	Data privacy	Executive compensation	Quality of the Board	Shareholders rights and poison pills	Business ethics	TAM Score	Segment
BtoC	B2C Online	1	1	2	1	2	2	2	2	2	2	1	1.64	38.4%
	B2C Offline	2	1	2	2	2	2	2	1	2	1	1	1.64	10.5%
BtoB	B2B Online	1	1	2	1	2	1	2	2	2	2	1	1.55	21.3%
	B2B Offline	2	1	2	2	2	1	2	1	2	1	1	1.55	27.9%
	Total	1.39	1.00	2.00	1.39	2.00	1.50	2.00	1.61	2.00	1.61	1.00	1.59	

Safety

Risk Mapping - Safety Fund		Environment			Social				Governance					
		Climate change strategy	Effluents and waste management	Environmental impact of products and services	Staff and supplier's health and safety	Labor practice	Society and product reponsibility	Data privacy	Executive compensation	Quality of the Board	Shareholders rights and poison pills	Business ethics	TAM Score	Segment
Real	Eat	1	1	2	1	1	2	1	1	1	1	1	1.18	9.7%
	Move	1	1	2	1	2	2	2	1	1	1	1	1.36	8.4%
	Live	1	2	2	1	2	2	1	1	1	1	2	1.45	10.7%
	Work	1	2	1	1	2	2	1	1	1	1	2	1.36	16.0%
Digital	Connect	1	1	1	1	1	2	2	1	2	2	1	1.36	26.9%
	Pay	1	1	1	1	1	2	2	1	1	1	1	1.18	26.2%
	Total	1.00	1.27	1.29	1.00	1.36	2.00	1.63	1.00	1.27	1.27	1.27	1.31	

AI & Robotics

Risk Mapping - AI & Robotics Fund	Environment			Social				Governance					
	Climate change strategy	Effluents and waste management	Environmental impact of products and services	Staff and supplier's health and safety	Labor practice	Society and product reponsibility	Data privacy	Executive compensation	Quality of the Board	Shareholders rights and poison pills	Business ethics	TAM Score	Segment
Factory automation	1	1	1	1	1	1	1	1	1	1	1	1.00	26.6%
Design software	1	1	2	1	1	1	1	1	1	1	1	1.09	18.9%
Medical automation	1	1	1	1	1	2	2	1	1	1	2	1.27	14.7%
Consumer&Services automation	1	1	2	1	1	2	2	1	1	1	2	1.36	4.6%
Office automation	1	1	1	1	2	1	2	1	1	1	2	1.27	11.2%
Supply chain	1	1	1	2	2	1	1	1	1	1	1	1.18	16.0%
Total	1.00	1.00	1.26	1.17	1.30	1.21	1.33	1.00	1.00	1.00	1.33	1.15	

AAA

Risk Mapping - AAA		Environment			Social				Governance					
		Climate change strategy	Effluents and waste management	Environmental impact of products and services	Staff and supplier's health and safety	Labor practice	Society and product reponsibility	Data privacy	Executive compensation	Quality of the Board	Shareholders rights and poison pills	Business ethics	TAM Score	Segment
Primary needs	Food	2	2	2	1	1	2	1	1	1	1	2	1.45	12.8%
	Beverages	2	2	2	1	1	2	1	1	1	1	2	1.45	9.9%
	Apparel	2	2	2	2	2	2	1	1	1	1	2	1.64	2.5%
	Home	2	2	2	1	1	2	1	1	1	1	1	1.36	5.1%
Wellness	Nutrition	2	1	1	1	1	2	1	1	1	1	2	1.27	10.5%
	Health	1	1	1	1	1	2	1	1	1	1	2	1.18	7.2%
	Sport & education	1	1	1	1	1	2	1	1	1	1	1	1.09	4.5%
Pleasure	Beauty	1	2	2	1	1	2	1	1	1	1	2	1.36	5.2%
	Leisure	1	1	1	1	2	1	1	1	1	1	1	1.09	0.0%
	Luxury	1	2	2	1	1	1	1	1	1	1	2	1.27	15.8%
Route-to-market	Retail	2	2	2	1	1	2	1	1	1	1	1	1.36	13.2%
	Online	2	1	2	1	1	2	2	1	1	1	1	1.36	11.6%
	Enablers	1	1	2	1	1	1	1	1	1	1	1	1.09	1.0%
	Total	1.66	1.65	1.78	1.03	1.03	1.83	1.12	1.00	1.00	1.00	1.64	1.34	