

Voting & Engagement Report

2021



01 January 2021 – 31 December 2021

Updated in November 2022

Table of Contents

01 Active Ownership at Thematics AM **3**

Responsible Investing in our Philosophy	4
Voting & Engagement Governance	5
Our Voting Policy	6
Our Engagement Framework	7

02 2021 Voting Performance **8**

Voting summary	9
In Focus – Making boards accountable	11
In Focus - Transparency	12

03 Engagement Case Studies **13**

Engagement summary	14
Company case studies	15
Industry collaboration and advocacy	31

04 Conclusion **32**

Active ownership at Thematics AM

Active ownership through voting and engagement has been a core element of Thematics Asset Management's responsible investment strategy. As an investor with a long-term horizon, taking active role in the management of the companies we invest in enable us to deliver on our fiduciary duty through creating sustainable and long-term value – one that generate both financial performance and positive outcomes for our clients and their beneficiaries, and the society and the planet where we operate.

Responsible investment is part of the pillars that formed Thematics AM in late 2018. It is our strong conviction that environmental, social, and governance issues affect performance of assets we invest in. Integrating sustainability principles into our ownership policies and actions help ensure that our investment decision making fully account for these material issues. By voting and engaging with our investee companies, guided by our investment philosophy that integrates sustainability principles, we can act as stewards to our companies and of the broader society.

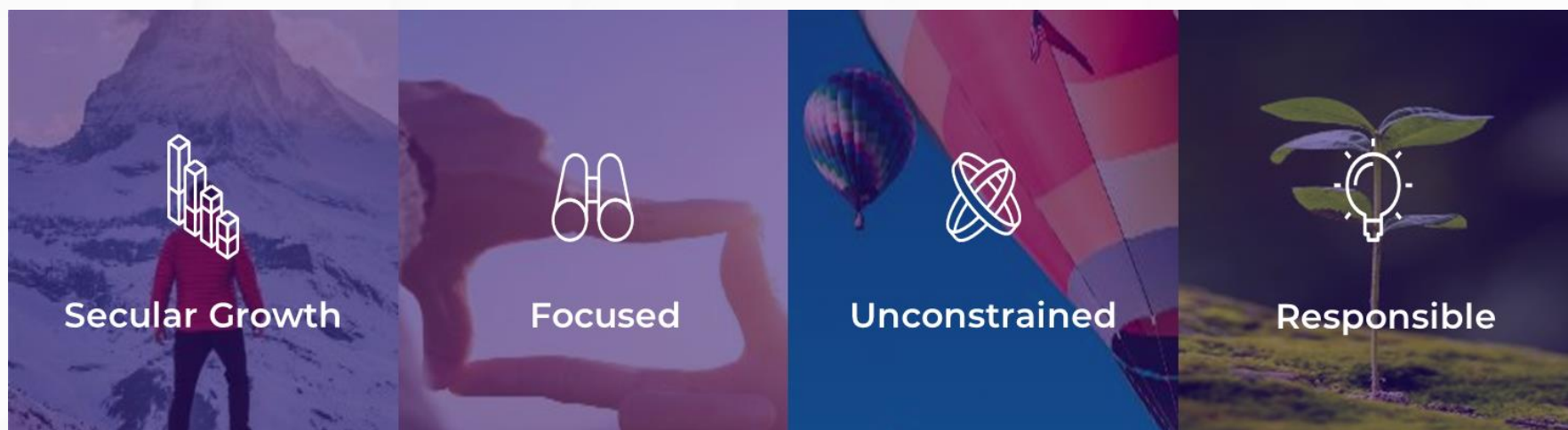
This report aims to provide update to our stakeholders on actions relating to voting and engagement that Thematics AM has carried out in 2021 [01 January to 31 December]. Our key milestones in terms of voting and engagement include the refinement of our voting policy and formalisation of our engagement framework, as led by our new ESG Specialist who joined Thematics in January 2021. Our updated Voting and Engagement Policy can be accessed [here](#). You can also access the voting dashboard [here](#).



Responsible investing in our Philosophy

We believe that making responsible investing part of the pillars of our investment philosophy enables better-informed investment decisions while generating sustainable outcomes.

Our investment philosophy



Responsible investing (RI) is one of the core principles from which Thematics Asset Management was built. Since the company's formal inception in November 2018, responsible investing is one of the 4 'pillars' on which we base our investment philosophy.

As an investor with a thematic lens, these core pillars include our:

1. emphasis on secular growth-driven opportunities

2. a focused approach;

3. an unconstrained style, with our forward-looking, benchmark-agnostic, diversified, and with global equity exposure, and;

4. being responsible, which we believe is integral to reducing risks for our clients, as well as to creating long-term value for our investors and for the society as a whole. Sustainability considerations are therefore included at each step of our investment process.

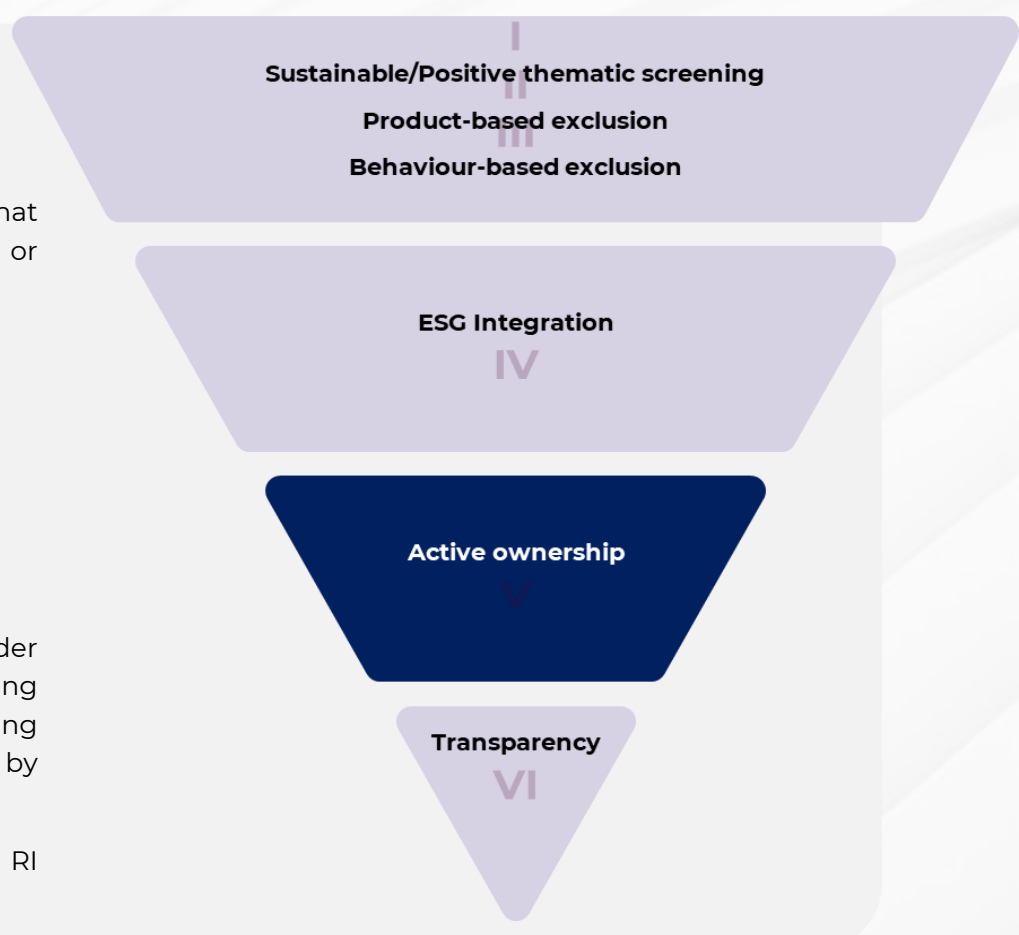
Active ownership in our Responsible Investing Framework

Our RI Framework incorporate multiple strategies that are aligned with established and well-defined ESG or sustainability strategies. These strategies include:

1. Sustainable/positive thematic investing
2. Exclusion
3. Norms-based screening
4. ESG Integration, and
5. Active ownership.

We define active ownership as employing shareholder power to influence corporate behaviour, including through direct corporate engagement, filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive sustainability guidelines.

Active ownership is therefore key element of our RI Framework.



Voting & Engagement Governance

Responsible Investment Committee



**Karen
KHARMANDARIAN**
Chief Investment
Officer



**Arnaud
BISSCHOP**
Head of Responsible
Investment



**Maila
BENIERA**
ESG
Specialist



**Cecile
CHAPELLE**
Chief Compliance
Officer

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

**Chief
Investment
Officer**

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

**Head of
Responsible
Investing**

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.

**Chief
Compliance
Officer**

In terms of voting and engagement, while the RI Committee is in-charge of the governance, implementation – voting on Annual General Meetings and engaging with companies - are primarily carried out by the investment teams. Portfolio Managers are the ones who are directly in contact and in discussion with the respective companies in the portfolio they manage. They are supported by the ESG Specialist.

**ESG
Specialist**

To note, and as discussed in detail in the voting policy section of this report, analyses of the resolutions, based on sustainable voting policy, are conducted by ISS, who then provide us with voting recommendations. In cases where Portfolio Managers disagree with the recommendation of ISS, the RI Committee provides the avenue for arbitration. Portfolio Managers present their case and rationale and the RI Committee reviews and validate the final voting decision.

Our Voting Policy

01

Why we vote

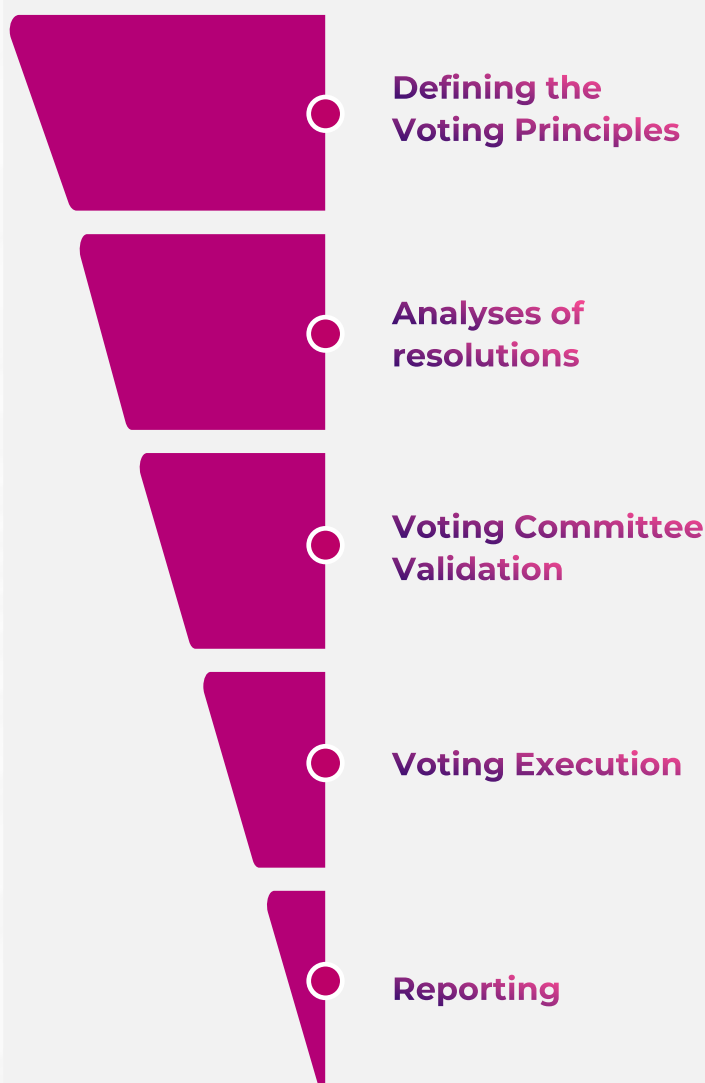
As a responsible investor, we recognise our duties in promoting strong corporate governance within our investee companies. Our objectives for voting is five-fold:

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

THEMATICS AM intends to exercise 100% of the voting rights on the issuers of the securities it holds in the portfolios of the strategies it manages, with no geographical restrictions or minimum holding requirements on the exercise of these rights. We have voted on more than 95% of our holdings year-on-year in the last three years. Unvoted meetings or uncounted ballots are generally due to technical reasons.

Our Voting process



- Thematics AM's Responsible Investment Committee is in-charge of defining the voting principles of the organisation. The policy is reviewed and updated annually. Except in some exceptional cases, Thematics AM exercises the voting rights on all of the funds it manages and for which it holds voting rights.
- We use the global corporate governance and responsible investment expertise of Institutional Shareholder Services (ISS). This enables Thematics AM to use proxy voting analysis and observe the recommendations of ISS' Sustainability Policy. This policy is consistent with our ESG approach and in particular with our commitment as a signatory to the UN's Principles for Responsible Investment (PRI).
- Voting is carried out via ISS' Proxy Exchange platform, with a gateway between ISS and Broadridge for those funds 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.
- We publish annually our Voting & Engagement Report.

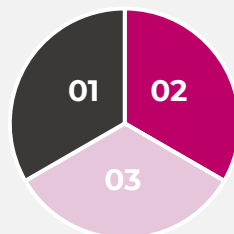
Our Engagement Framework

Engagement

Guided by our responsible investment principles and views on corporate governance, we formalised and defined our engagement framework in 2021. This sets-out the following:

1. why we engage
2. what we expect from engaging with our investee companies; and
3. how we will implement this within the organisation

While we have already been engaging with investee companies on sustainability topics, 2021 marked the official start of our in-depth and targeted sustainability engagement.



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

Engagement Objectives: Why we engage

Good governance enables companies to more clearly assess the risks they face and thereby improve their performance over the medium and long term. As 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:

Risk Management - For investors, relevant and reliable information on companies' management and performance is critical to a fully informed investment decision. Sustainable development issues are becoming drivers of risks. Integrating environmental and social factors into the core of corporate strategy equips companies better for the long-term.

Long-term value creation - As investors, we recognise our role as stewards of the economy. We will engage with our investee companies with the aim of creating long-term value for our clients and the broader economy.

Sustainable outcomes - Some of the sustainability challenges faced by the world today represent risks of critical magnitude. Continued destruction of our biodiversity and ecosystems have led to catastrophic events that we have witnessed in recent years, from wildfires, floods and severe droughts, to the Covid-19 pandemic. Changes in current business practices are needed to build mitigation and adaptation capabilities to minimise the risks of future episodes and to build resilience.

Expected Outcomes – What we aim to achieve

For each of the three engagement objectives, we have also defined the targeted results from our investee companies.

Transparency - To enable our risk management objectives, our engagement with investee companies is aimed at building transparency, primarily on material environmental, social, and governance metrics. As a long-term investor with the majority of companies across our strategies belonging to the middle and small capitalisation groups, engaging for transparency serves to establish strong governance practices at the critical stage of growth of our investee companies.

Strong Governance Creating long-term value rests upon the institutionalisation of sustainability values at the core of companies' governance. To help build the governance structures that integrate the interests of all stakeholders, our engagement will focus on the establishment of sustainability governance across our investee companies.

Actions on critical sustainability challenges With the urgency of climate and biodiversity issues becoming increasingly evident, the aim of our engagement around sustainable outcomes is to elicit tangible actions from our investee companies. Having assessed the risk management-preparedness level of our investee companies, we have determined that the ideal starting point is for companies to acknowledge and recognise the impact that climate change and biodiversity losses will have on their operations and businesses.

2021 Voting Performance



Notes on data

- The voting performance data in this report covers all votes cast between 01 January 2021 and 31 December 2021, for all seven active strategies – Thematics Consumer, Thematics AI & Robotics, Thematics Meta, Thematics Safety, Thematics Subscription Economy, Thematics Water, and Thematics Wellness. The Global Alpha Consumer strategy is considered a discontinued strategy and therefore no longer covered in this report.
- Thematics AM uses the Proxy Services of ISS (Institutional Shareholder Services) and the Voting Execution of Ostrum Asset Management's Middle-Office Processing Department. Ostrum AM is also an affiliate of Natixis Investment Manager, the parent company of Thematics AM.
- In 13/06/2022, this report was republished to update the voting records data. The first data set used contained some errors caused by technical issues during the data generation not previously detected. Figures represented in the graphs and discussions have been updated for accuracy.

Voting Summary

2021 Voting Activities

In this reporting period, which covers January 01, 2021 to December 31, 2021, we participated in a total of 236 proxy meetings (98% of total votable meetings) of companies across all our thematics strategies. These meetings generated 268 votable ballots, of which we voted on 98% of them. For the remaining 2%, equivalent to 5 ballots, we also submitted voting instructions, but the ballots were rejected due to technical reasons [ie, ballots rejected, account discrepancy, or invalidated power of attorney]. We will endeavour that these issues are resolved moving forward and that we achieve a 100% voting record.

A total of 3,423 proposals were tabled in 2021, of which we voted on 3,382 or 99% of the total votable proposals. Of these, 98% are proposals from the Management and the remaining 2% from Shareholders. This is a similar figure compared to the previous year, with shareholder proposals still representing a marginal portion of proposals tabled. Thematics AM supported a majority of the proposals both from management and shareholders. The combined against, abstain, and withhold votes on management proposals accounted for 9%. These Against votes are mainly pertaining to director nominees, business-related transactions, and non-salary compensation. On the other hand, of the 63 proposals from shareholders, we voted to support 84% of them, majority of which are ESG-related.

Voting Statistics	Total	% of total
Votable Meetings	241	100
Meetings Voted	236	98
Unvoted Meetings	5	2
Votable Ballots	268	100
Ballots Voted	263	98
Unvoted Ballots	5	2

Figure 1. Voting statistics; Thematics AM as of 31/12/2021; ISS Proxy Voting.

About half of the proposals in 2021 are directors' related, followed by routine/business transactions. The breakdown is presented in the next section.

We were able to comply with the principles set out in our Voting Policy for all votes. No conflicts of interest situation was raised when exercising the voting rights attached to the securities held in the portfolios managed by Thematics AM.

Access our Proxy Voting Dashboard in this [link](#).

Voting Statistics	Total	% of total	Management proposals		Shareholder proposals	
			Total	Percent	Total	Percent
Votable Proposals	3423	100	3360	98	63	2
Proposals Voted	3382	99	3319	98	63	2
FOR Votes	3097	90	3044	91	53	84
AGAINST Votes	238	7	228	7	10	16
ABSTAIN Votes	7	0.2	7	0.2	0	0
WITHOLD Votes	38	1	38	1	0	0
Votes WITH Management	3062	89	3049	91	13	21
Votes AGAINST Management	320	9	270	2	50	79

Figure 2.. Percentage distribution of resolutions by votes. Thematics AM as of 31/12/2021; ISS Proxy Voting

Resolutions by Category

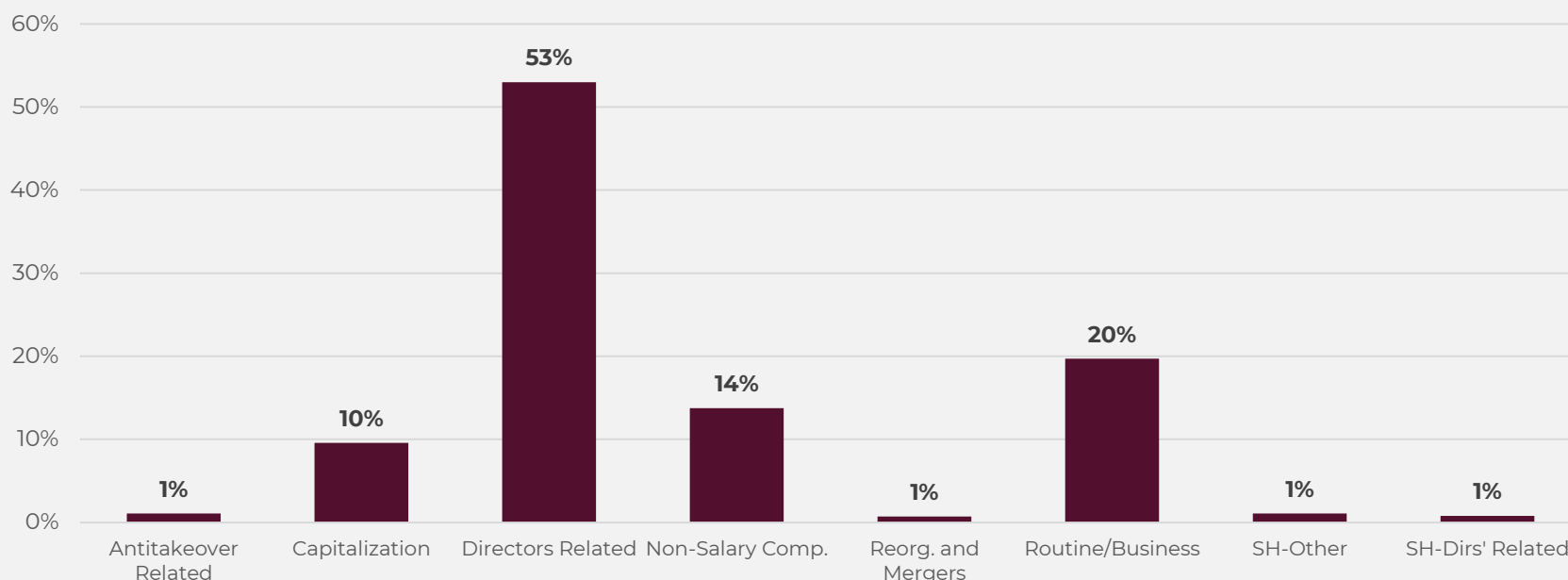


Figure 3.. Percentage distribution of resolutions by category; Thematics AM as of 31/12/2021; ISS Proxy Voting

Votes against management by category

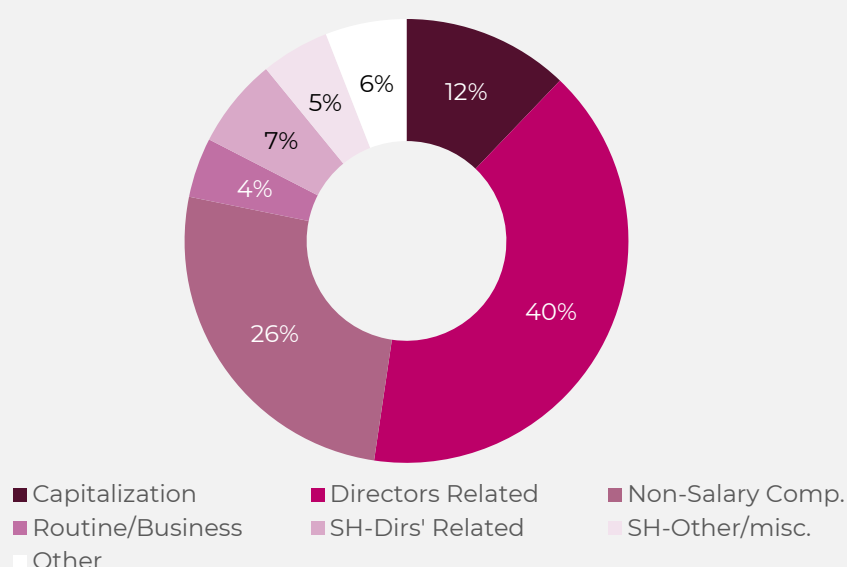


Figure 4. Percentage distribution of votes against management by category; Thematics AM as of 31/12/2021; ISS Proxy Voting

Votes Against management are primarily relating to Director Elections. These are primarily due to non-independent director nominees, or nominees that will result to non-racial or non gender-diverse board.

For items relating to Routine or Business, which accounts for over a quarter of the Against management votes, these are mainly due to lack of transparency, and weak or insufficient rationale that are not in the interest of shareholders.

For items relating to Non-salary Compensation, our votes Against the management are mainly driven by lack of disclosure or no information on the targets or level of achievement of the performance conditions. They also relate to what we deem as misalignment between performance and compensation, as well as others that are considered contentious.

Shareholder proposals

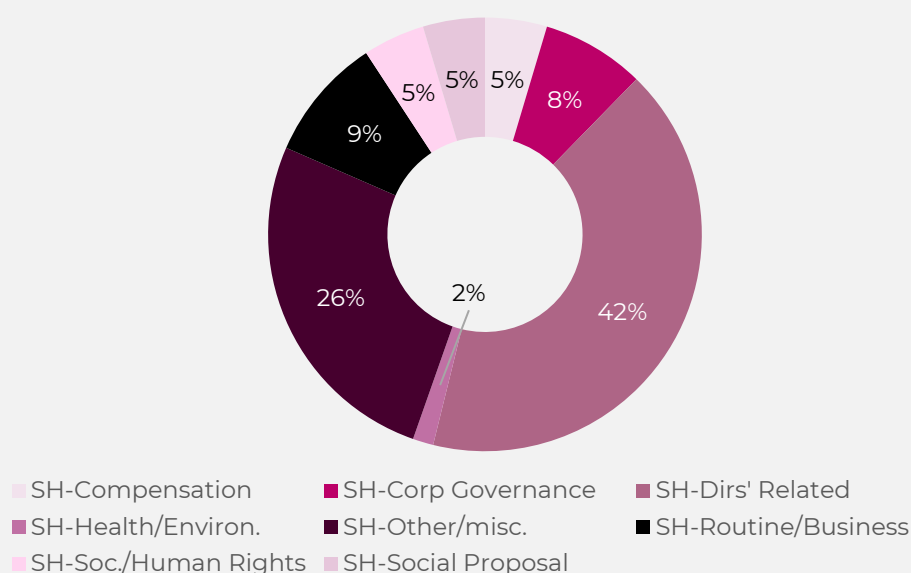


Figure 5. Percentage distribution of shareholders proposal by category; Thematics AM as of 31/12/2021; ISS Proxy Voting

Shareholder proposals accounted for about 2% of the total resolutions voted on. While still a small proportion of the annual meeting resolutions, it is worth noting that these proposals from shareholders primarily relate to sustainability or ESG topics.

In 2021, these ESG-related shareholder proposals include proposals to disclose on GHG emissions, implementation of human rights impact assessment, provision of transparency on impacts of plastics packaging, and banning the sale of facial recognition technologies to government entities due to its human rights implications.

We voted to support a significant majority of these proposals except on those (very few) that are deemed as overly prescriptive.

In Focus: Making boards accountable

02

We believe that ownership of a corporation's sustainability starts with the board. It must therefore be able to put in place sustainability policies, processes, and tools to ensure that it achieve its objectives. To promote an accountable board and ensure that they remain diligent in overseeing the management and in guiding the company's strategy so that it effectively delivers long-term and sustainable value for its stakeholders, we use our voting rights to influence the direction of companies we invest in.

In 2021, out of the 1,857 director elections-related proposals, we withheld vote, abstained, or voted against 136 director nominees (7%) that we deem to be not in line with promoting accountability by the board on key ESG concerns, in particular around independence, performance, and diversity, among others. Details and rationale are discussed below.

Independence

Board members must be sufficiently independent of management (and controlling shareholders) to ensure that they are able to effectively oversee the management of the company and the performance of its management for the benefit of all shareholders. Thematics AM generally votes against the election or re-election of non-independent directors. In 2021, we withheld/abstained/voted against 42% of the director proposals due to their non-independence.

Performance

Boards must be sufficiently accountable to shareholders. Shareholders, through sufficient information to evaluate boards' performance must be able to incentivise achievements and at the same time make accountable failures. We withhold/abstain/vote against the election or re-election of directors when their past performances are deemed insufficient or do not meet expectations, such as a lack of response to a serious controversy, or failure to establish governance structures aligned with global norms and standards. In 2021, votes falling within this category accounted for 6% of the director-related votes.

Diversity

Diverse boards bring a valuable range of perspectives, outlooks, and insights that enables a more effective decision making within a company. Thematics AM generally supports proposals that promote board diversity, and where deemed appropriate, vote against/withhold on director nominees who failed in their mission to achieve diversity.

AGAINST/WITHHOLD/ABSTAIN Votes on Director-related Proposals

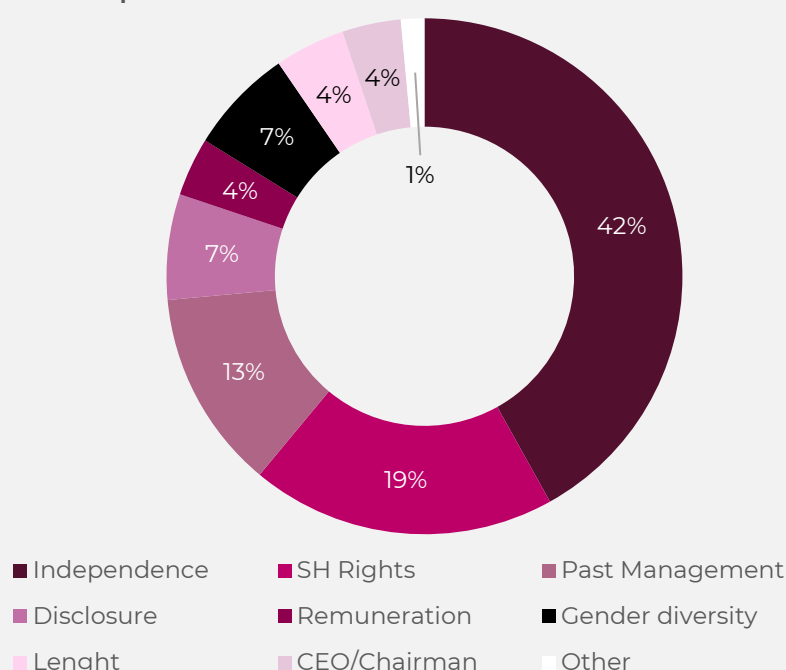


Figure 6. Percentage distribution of Withhold, Abstain, and Against votes on director elections proposals by category of rationale; Thematics AM as of 31/12/2021; ISS Proxy Voting

Transparency



We strongly support any proposals that aim to increase or enhance transparency of companies, especially on environmental, social, and governance aspects. As a long-term investor with the majority of companies in our strategies belonging to the middle and small capitalisation groups, building a culture of transparency serves to establish strong governance practices at the critical stage of growth of our investee companies.

In 2021, we voted in favor of all proposals relating to increasing transparency of companies across key sustainability areas, including diversity, climate, and human rights.

1

Diversity



We voted in favor all 7 shareholders' proposals asking for transparency on diversity data. Promoting diversity-related disclosure would allow shareholders to better assess the effectiveness of the company's diversity initiatives and its management of related risks.

2

Climate



We voted in favor of all 4 proposals related to Climate Action Plan and Greenhouse Gas Emissions disclosures.

3

Human rights



We also voted in favor of 3 shareholders' proposals related to human rights. Those proposals sought to increase the transparency of human rights impact assessment through reporting.

2021 Engagements

- Notes on data
- All data are as of 31/12/2021.
 - Engagement covered in this report are those conducted from 01 January 2021 to 31 December 2021. Some outcomes referenced occurred or were achieved in the first quarter of 2022.
 - Thematics Global Alpha Consumer is considered a discontinued strategy as of 31/01/22.
 - Engagement are conducted by the portfolio managers and supported by Thematics ESG Team. The process of identifying target companies for engagement is outlined in our Voting & Engagement Policy, which can be accessed [here](#).

2021 Engagement Summary

Engagement per strategy	Total n of issuers	% of targeted companies - 2021	Engagement Themes
Water	47	6%	<ul style="list-style-type: none"> • GHG Emissions • Climate risk management and Net zero Strategy • Board Diversity • Governance - Product • Transparency • Human Rights
Wellness	48	6%	<ul style="list-style-type: none"> • Transparency • Product Sustainability • Governance • Climate risk management
Safety	46	7%	<ul style="list-style-type: none"> • Governance • Transparency
AI & Robotics	45	7%	<ul style="list-style-type: none"> • Transparency • ESG Governance • Climate and biodiversity risk management • Transparency • Human Rights
Subscription Economy	40	7%	<ul style="list-style-type: none"> • Transparency • Data protection and human rights • Climate and biodiversity risk management • ESG Governance
Consumer	43	5%	<ul style="list-style-type: none"> • Governance - Remuneration • ESG Initiatives

Engagement Implementation

The year 2021 marked the formal start of our targeted sustainability engagement framework. In this reporting period, which covers January 01, 2021 to December 31, 2021, we formally initiated engagement with the first batch of our target companies. Each engagement is profiled in the succeeding section.

Implementation – How we engage

Who – Identifying the target companies

Companies that are laggards across the three core priority engagement themes – Transparency, Governance, Actions - will be the targeted. Targets are set per strategy. Analyses and selection of target companies are based on internal analyses and third-party data. Our commitment is to engage with at minimum 3 companies per strategy per year.

How – Process of engaging

Formal engagement with the target companies is carried out by each fund's Portfolio Managers with the support of the ESG Team. 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.

Elis is an international multi-service provider, offering textile, hygiene, and facility services solutions in a rental/maintenance model. It offers tailor-made solutions in flat linen, workwear, washrooms, floor protection, beverages, cleanrooms, pest control and medical waste management. Elis's business model is based on circular economy principles providing clients with longer lasting products that are maintained, repaired or reused to maximise their usage, and thereby making it possible to offer less impactful solutions and sustainable alternatives to purchasing or disposable solutions. Elis contributes to the demand efficiency segment of the water strategy and has been in Thematics' holding since 2021.



Engagement Theme/s

- GHG Emission
- Climate Risk Management and Net-zero Strategy

Engagement Actions

- In September 2021, Thematics reached out to Elis to clarify the company's emissions record. Our internal analyses pointed to a potential disconnect between our Portfolio Managers understanding and assessment of Elis's climate-related impact and management and the company's assessed alignment to the Paris Agreement, calculated to be at >5 °C by our third-party data provider Trucost of S&P Global.
- The engagement was intended to focus on accurately understanding the company's emissions reduction initiatives with the goal of encouraging the company to define and implement its net-zero strategy.

Company Response and Thematics AM's analyses

- Elis has promptly responded to our request and we discussed with the company's newly onboarded Corporate Social Responsibility Director and Investor Relations Director. They have also flagged that part of the key mission of the new CSR Director is to reenforce their sustainability management capability and drive their initiatives moving forward.
- Specific to its emission, the company elaborated on their year-on-year reduction in carbon intensity, in particular the 8% reduction achieved in 2020 through energy efficiency and switch to biogas in some of their operations. The company also furnished Thematics AM a copy of their submitted report to the CDP (Carbon Disclosure Project). The elaboration by the company, alongside the disclosure provided in the CDP report gave an indication that the company's actual temperature alignment is lower than the >5 °C current estimate.
- Elis also indicated that discussion on net-zero strategy is underway, emphasising the company's commitment to transition.
- Thematics' updated assessment of Elis's climate strategy is positive, that we view the company's strategy going in the right direction. In particular, the governance is strong, with board-level oversight of climate-related issues and the Chief Sustainability Officer reporting directly to Elis CEO. The company also provides incentives for the management of climate-related issues. It has also started to identify potential climate risks that can affect its business and is implementing actions to manage these risks, including water reduction plan across its operation and developing partnerships with its suppliers to identify new technologies, process and equipment allowing to reduce CO2 emissions.

Status | Outcomes

- In March 2022, Elis signed the Science-based Targets Initiatives, formally committing to a process of reducing its emissions in line with the Paris agreements and contributing to keep the temperature increase below 1.5°C compared to pre-industrial levels. This is the first phase. By the end of 2022, Elis will present its climate targets aligned with the methodology of the Science Based Target (SBT) initiative., before formally announcing its targets.
- In December 2021, CDP rated Elis B in climate change.
- Initial engagement successful; for further progress monitoring, in particular on its SBTi commitments.

EVOQUA WATER TECHNOLOGIES

Case Study

Evoqua Water Technologies has been part of the Thematics Water strategy since 2020. The company contributes to the Water Infrastructure segment as it manufactures advanced water and wastewater treatment technologies. Its key markets include healthcare, municipal drinking water and wastewater, power generation, and food and beverage.



Engagement Theme/s	<ul style="list-style-type: none"> • Corporate Governance • Product Governance • Transparency • Board Diversity
Engagement Actions	<ul style="list-style-type: none"> • In January 2021, Thematics AM initiated a formal engagement with Evoqua. Our target is to seek improvement on the company's governance structure, in particular its current classified board. The engagement was also aimed at informing and using our voting power towards positive change in the governance. • In February 2022, as a follow-up to the initiated discussion, we again wrote to Evoqua to get updates on its governance, progress made, and to seek clarity on additional sustainability-related concerns where we assessed the company could improve on, in particular on product governance, transparency, as well as board diversity.
Company Response and Thematics AM's analyses	<ul style="list-style-type: none"> • Evoqua has responded positively to our initial engagement request. Our Portfolio managers and ESG Specialist discussed with the company's Investor Relations Officer and General Counsel. The company has indicated that the classified board is a legacy from its Private equity background. • Thematics AM acknowledged the context and the motivations behind the company's board structure. While we recognise that a classified board vis a vis the company's transitioning from a private equity to becoming a listed company is a natural transition journey for companies, we emphasised our expectations for evolution moving forward, in particular the eventual transformation towards a declassified board structure. As a result of this engagement, we voted to support the election of some directors in particular those who add to the diversity of the company's board. We also voted against some incumbent directors, to signal our concern for non-independence of the board, and the current board structure. • A declassified board is considered to be promoting shareholder value, in particular for minority shareholders, like Thematics AM. Thematics assess this on a case by case basis. It is our conviction that as stewards of our investee companies, it is important that we understand the history, evolution and direction of the company, and provide the necessary guidance and push them to the right direction. • We then conducted a follow-up engagement with the company prior to their AGM in February 2022. The company's Chairman himself responded to our request and provided detailed input on the company's current thinking around board structure, as well as actions to improve their remuneration policy, as well as board diversity. The company has also offered to set-up a follow-up call with their Chief Sustainability Officer to delve more deeply into the company's product governance.
Status Outcomes	<ul style="list-style-type: none"> • Initiated, on-going, for follow-up engagement in H2 2022. • A plan is in place to discuss with the company's Chief Sustainability officer within 2022.

Primo is a leading pure-play water solutions provider in North America, Europe and Israel with a strong focus on healthy and sustainable hydration solutions. The company’ products and services include water dispensers, advanced water filtration solutions, water delivery, and water exchange programmes. It has been part of Thematics water strategy since 2018.



Engagement Theme/s	<ul style="list-style-type: none">Human Rights
Engagement Actions	<ul style="list-style-type: none">In September 2021, Thematics AM contacted Primo Water to gain some clarity on the company’s human rights management and disclosure. We acknowledge that the company has published its Supplier Code of Conduct. However, the scope and transparency level of which is not to a standard considered sufficient as also assessed by third-party rating agencies [Sustainalytics and ISS]. At the time of the engagement, Primo’s existing disclosure on human rights is considered insufficient or weak as it lacked key information relating to the company’s approach to ensure that it respects and upholds internationally recognised human rights (e.g. UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights) and to ensure that the company is not complicit in human rights violations.The target of the engagement was to first obtain an accurate view of the company’s human rights policy, flag the identified area for improvement, and encourage the company to reenforce its policy framework.
Company Response and Thematics AM’s analyses	<ul style="list-style-type: none">Primo Water responded promptly to our communication. In their response they elaborated that they are, at the time of our engagement, in fact in contact with the third-party rating agency to clarify their sustainability rating. The company has also disclosed that their Supplier Code of Conduct is relatively new and it may not have been considered yet in the existing ESG rating by third-party assessments and that they expect their will be improvement in their score once the new disclosure is accounted for.In addition, Primo has also indicated to Thematics that they are in the process of substantially upgrading all aspects of their ESG reporting and are in search of their new Head of ESG to set out and drive their ESG roadmap. They also signaled their intent to report on ESG metrics and their desire to be transparent.The company has asked to await until the next annual report and expressed willingness to follow-up with us on the engagement.Taking into account where Primo is currently in terms of their sustainability journey, we believe they are taking the right steps and in the right path. Their hiring of new Head of ESG gives us confidence that we will be able to see moving forward, progress in their ESG risk management.
Status Outcomes	<ul style="list-style-type: none">Initiated, on-going, for follow-up engagement in H2 2022.We will await and review Primo Water’s new sustainability disclosure in 2022 and will conduct a follow-up engagement upon installation of the new ESG Head and announcement of their formal ESG roadmap.

Nomad Foods is one of Europe’s largest frozen food company manufacturing and distributing a portfolio of brands which includes Birds Eye, Findus and iglo. The company has been a leader in advocating and advancing better nutrition, better sourcing, and better operations in the sector. Nomad is part of the Wellness strategy’s Nutrition segment and has been part of the holding since its inception in April 2021.



Engagement Theme/s	<ul style="list-style-type: none">Product sustainabilityTransparency
Engagement Actions	<ul style="list-style-type: none">Our Wellness strategy targets investments in companies whose solutions are enabling good health and wellbeing, both physical and mental. In the food sector, we look for companies whose food products promote better nutrition, such as healthier food ingredients, plant-based, organic, and other natural foods.The engagement we conducted concerning Nomads is two-pronged - first is with the ratings provider, ISS and second with the company. The engagements were targeted to reconcile ISS's assessment of the sustainability contributions of Nomad food solutions with that of our internal assessment and that directly of the company. Our objective is first to ensure we have an accurate and comprehensive view of the nature of the company's food solutions, as well as their production and supply chain, and ultimately to push for stronger product sustainability and transparency from the company.
Company Response and Thematics AM's analyses	<ul style="list-style-type: none">We contacted Nomad Foods and they promptly agreed to discuss in October 2021. with their Head of IR and their Group's Nutrition Leader.On the health/nutrition profile of their food products, Nomad has elaborated on what it has disclosed in its Sustainability Report that in 2020, 90 percent of its net sales came from food products categorized as healthier meal choices. That such categorisation is based on the company's Nutrient Profiling Tool (NPT), which uses an externally verified scoring system to assess the overall nutritional profile of products and determine whether they constitute a healthier meal choice. Nomad has also emphasised that it has conducted a detailed internal audit of its NPT, benchmarking the tool against equivalent rating systems in other major food companies, and that it has assessed that the company is the only major European food company to assess all products against the same nutritional criteria (rather than implementing a category-specific approach) and to measure nutritional progress by net sales of healthier products rather than the proportion of healthier products in a product portfolio, signaling that their method prioritises nutritionally improving their biggest sellers, which will have the greatest impact on consumer health. The company also uses on-pack nutritional labelling across every market it operates in which currently includes traffic light labelling in the UK, the Keyhole symbol in Sweden and Norway, the Heart Mark symbol in Finland and Nutri-score labelling in France, Netherlands, Belgium and Germany. We also note that 80% of their portfolio has now achieved A or B Nutri score.The company also highlighted that in 2020, it has achieved its second consecutive perfect score of 100% on the Dow Jones Sustainability Index (DJSI) for Health and Nutrition, where the DJSI Food Industry average is 29%, and the DJSI European members average is 88%. They have also indicated to engage with ISS to better inform their assessments.With the input from Nomad, we engaged with ISS ESG to clarify their assessment of Nomad's products, in particular on their contributions to SDGs 2 and 3 – Combating hunger and Promoting health and well-being. ISS has reasoned that its research method does not recognise and take into account Nomad's Nutrient Profiling Tool nor does it acknowledge the on-pack labeling when accounting for the percentage of Nomad's products' healthiness. It has indicated that it will be sending its ESG rating review for 2021 performance to Nomad for input.
Status/ Outcomes	<ul style="list-style-type: none">Ongoing. We are awaiting for the 2021 review of ISS to assess how they have taken into account our input and that of Nomad.We view Nomad's NPT and it's on-pack labeling based local markets food labeling system as credible and transparent to merit its consideration when assessing the company's products' healthiness.

Chipotle Mexican Grill is the largest fast-casual chain restaurant in the United States selling burritos, burrito bowls, tacos, quesadillas, and beverages. Its selling proposition is built around competitive prices, speed of service, convenience, and high-quality and healthier fast food of choice.



Engagement Theme/s	<ul style="list-style-type: none">Product sustainabilityProduct governance
Engagement Actions	<ul style="list-style-type: none">Fast food has become a major part of the American diet, with 1 in every 3 adults estimated to eat fast food each day. Fast foods have been associated with diabetes and heart disease due its high content of calories, fat and sodium. However, fast food eating continues to grow, emphasising the importance of providing healthier fast food offerings. Chipotle has generated the reputation of being the healthiest fastfood of choice in America. In line with Thematics Wellness strategy's focus, we look for companies in the food sector whose products promote better nutrition, such as healthier food ingredients, plant-based, organic, and other natural foods. Chipotle has demonstrated high degree of sustainability transparency having published annual sustainability reports in the last 3 years, demonstrating progress and year on year commitments to progress in their sustainability commitments.Our engagement with Chipotle was targeted at helping improve its product sustainability and governance. This initial engagement is aimed at clarifying the company's management of these two areas and to reconcile it with the assessment of our ESG third party assessment that has flagged products of the company as having negative health impacts, as well having exposure to some moderate risk level of controversies relating to product quality and safety. The result of this engagement is intended to inform more appropriate investment decision and engagement actions. We reached out to the company and they were quick to agree to a discussion that took place in September 2021.
Company Response and Thematics AM's analyses	<ul style="list-style-type: none">In terms of Chipotle's food products' nutritional value or healthiness, the company has indicated, as also reported in their sustainability report, that it only uses ingredients with no artificial flavors, colors, or preservatives, and cook with simple, whole ingredients and try to avoid processed ingredients. In 2020, 100% of the poultry and beef that the company purchased was from suppliers meeting its internal animal welfare standard, that all of their beef comes from animals raised without added hormones or antibiotics and fed an all-vegetarian diet.To ensure product quality and safety, the company has highlighted that to date, it had: established a Food Safety Advisory Council of esteemed specialists in the industry to provide critical oversight on policies and procedures, enhanced its Supply Chain Food Safety protocols to ensure that the food entering their restaurants is safe and of high-quality, enhanced and formalized their poultry safety requirements, increased their supplier controls around foreign material control, and improved their recipes to strengthen food safety.The company has also elaborated on their new targets, including the development and pilot of at least one new plant-based protein offering by end of 2021, which was achieved through its new plant-based chorizo launched in March 2022.We view Chipotle's initiatives and transparency as demonstrating serious commitment to their ESG goals and that they have built sufficient foundations and capability to continue on in their sustainability pathway. Done effectively, we see the company's strong potential to make a positive contributions in the food sector and help how fastfood solutions can be redefined to meet the nutritional needs of humans while promoting health and wellness.
Status/ Outcomes	<ul style="list-style-type: none">Ongoing. Our next planned action is to engage with our ESG third-party research provider, provide input regarding Chipotle's food solutions and policy, and clarify any valid and real areas for improvement within Chipotle.

Kerry is the world's leading taste and nutrition partner for the food, beverage and pharmaceutical markets. It also produces chilled cabinet products, including dairy and dairy alternative brands primarily in Irish and UK markets. The company aims to be the global leader in sustainable nutrition through food and beverage solutions that contribute to good health while protecting people and the planet. It is part of the Nutrition segment of our Wellness strategy.



Engagement Theme/s	<ul style="list-style-type: none">Product sustainabilityClimate change management
Engagement Actions	<ul style="list-style-type: none">Our third-party provider has flagged that some products of Kerry are considered as “highly processed food”, non-healthy, and have low nutritional value. This does not align with our internal analyses that formed the basis of qualifying Kerry into the Thematics Wellness strategy, in particular in the Nutrition segment, where we target companies developing solutions that enable good health. More than 80% of the company's revenue comes from its Taste & Nutrition business which focuses on ingredients solutions designed to optimise the taste, nutrition, function and sensory characteristics of a range of applications, including food, beverage and pharmaceutical markets.We reached out to Kerry and discussed with them in December 2021 to obtain more granularity on the nutritional value of their ingredients, and to push for stronger product sustainability. We also target to get more information on the company's future strategy, including encouraging the adoption of climate risk management and reporting.
Company Response and Thematics AM's analyses	<ul style="list-style-type: none">In terms of products nutritional value and quality, Kerry's representatives indicated that more than 80% of its Taste & Nutrition portfolio delivers positive or balanced nutrition solutions for its billion of customers. It defines sustainable nutrition as the ability to provide positive and balanced nutrition solutions that help maintain good health, while protecting people and the planet. This is also disclosed in the company's Sustainability Report.We note the high transparency of the company in terms of ESG/sustainability management. This is supported by the rating of the World Benchmarking Alliance which ranked the company third in agricultural products and commodities and 13th in the food and beverage manufacturers/processors segments, as the company discloses information across most material indicators. The company is also rated AAA and Gold in terms of its overall ESG performance, by MSCI and Ecovadis, respectively.The company has also reminded us that it has completed in September 2021 the sale of its meats and meals business in the Consumer division. To note, our third-party flag of unhealthy products are mainly referring to products based on red meat ruminants. We therefore expect change in the next assessment update in terms of the percentage of the company's products contributing to good health and well-being.In terms of climate risk management, the company has committed to publish their first climate report in 2022.Overall, Thematics AM views the company's sustainability management and their commitments to sustainable nutrition strong and among the best in the sector. We believe the company is in the right direction.
Status/ Outcomes	<ul style="list-style-type: none">Ongoing. We will await for the updated assessment of our third-party research and data provider and when necessary, will provide input or engage with them to ensure it accurately represents the sustainability of Kerry's solutions. We will also await the publishing of the company's first climate report and assess areas for continued engagement.

Avantor, is a leading global provider of mission-critical products and services to customers in the biopharma, healthcare, education & government, and advanced technologies & applied materials industries. Its solutions are aimed to optimise labs, clinicals, and production operations and workflows. As part of its sustainability efforts, the company has committed to advance Science for Goodness aimed at producing smart solutions that are responsible and ethical.



Engagement Theme/s	<ul style="list-style-type: none">Product SafetyGovernance
Engagement Actions	<ul style="list-style-type: none">Our engagement with Avantor was triggered by its exposure to a controversy linked to the US opioid crisis. A jug of acetic anhydride, made in Mexico by Avantor’s specialty chemicals manufacturer subsidiary, JT Baker, was diverted and was found in the forest of Mexico, in an open drug laboratory for heroines and methamphetamines. Acetic anhydride has legal uses in laboratories and factories, but under international drug laws it’s one of the most strictly controlled “precursor and essential chemicals” for the production of illegal narcotics. Mexican drug cartels are the main suppliers of heroin sold in the U.S., where supply and overdose deaths skyrocketed in the last decade. In April 2021, a GOP Senator has asked the US SEC and Attorney General to investigate Avantor and other US companies that sell regulated substances to Mexico.As part of Thematics risk management, including on ESG-related exposures, our Portfolio Managers conducted a thorough assessment based on publicly available information relating to what has the company done to address the issue and the level of risks. They then proactively placed the company in our watchlist in April 2021 and capped the investment position in Avantor at 2%. An engagement was also planned to support the capping and to push for robust product safety and governance from the company.
Company Response and Thematics AM’s analyses	<ul style="list-style-type: none">We reached out to Avantor and had two transparent discussions - the CFO in August 2021 and with the CEO in September 2021 to get insight on how the company is managing the issues and to flag our concerns over its product distribution management and our expectation of re-enforcement to strengthen its product safety management.Both have emphasised that immediate actions were taken in response to the JT Baker product misuse, including destroying all of its inventory of the chemical across Mexico and ceasing its Mexican and Latin American sales. This was also confirmed by reports. The company has also acknowledged that misuse of a product can occur in all types of chemicals, and that it has put in place risk assessments on product and service safety. They further added that the risks are considerably limited given the highly regulated landscape of chemical sales but noted that the chemical diversion in its Mexican operations is an exemption. They have also indicated that it has further strengthened their distribution networks.Our third-party controversy assessment provider has classified the event involving JT Baker as having a limited risk or low risk event. The company has an average product governance management. Compared to its previous ESK risk assessment, Avantor has showed positive momentum marking slight but a continuous improvement in its ESG risk management. While we note the potential risks linked to the requested SEC investigation, we also acknowledge the political aspect of the call for investigation given the link of the Assistant Attorney General (AAG) nominee to Avantor and the political affiliation of the US senator who called for the probe. The AAG was confirmed in April and the probe did not push through. Further, the company did not report any legal risks related to this issue in its annual nor quarterly report, which from our perspective is positive because the risk is considered non-material.
Status/ Outcomes	<ul style="list-style-type: none">In September 2021, based on the developments of the circumstances surrounding the event and discussions with Avantor’s top management, our view is that the company has sufficiently managed the issue and we lifted the 2% investment cap.In 2022, we will conduct a sense check of the company’s product governance to ensure it is well-placed to manage product safety risks moving forward.

Stanley Black and Decker manufactures solutions for security, tools and storage, and industrial processes. Its Security segment provides advanced electronic safety, security and monitoring solutions, smart and eco-friendly automatic doors, and sophisticated patient safety, asset tracking and productivity solutions.



Engagement Theme/s	<ul style="list-style-type: none">Human capital managementTransparency
Engagement Actions	<ul style="list-style-type: none">In June 2021, we reached out to Stanley Black & Decker to flag its Human Capital management. Our assessment, also supported by the research from our third-party research provider, indicated that the company, although has a human capital development framework in place, and is average relative to peers, is lacking or has no disclosure on some key elements. These include regular formal performance reviews for all permanent employees aligned with career development, quantitative targets related to human capital development, as well as initiatives for talent retention and recruitment.Thematics AM views human capital development as essential to the success of any business. If managed effectively, it leads to more productive and committed employees, reduced mistakes and greater creativity and helps businesses reach their goals faster and potentially even in more cost-effective ways.
Company Response and Thematics AM's analyses	<ul style="list-style-type: none">SWK has promptly responded to our inquiry, a positive signal of the company's willingness to engage and provide transparency to their stakeholders.In terms of transparency and engagement with third-party sustainability rating agencies, the company has indicated that they have so far (in 2020) prioritised to engage with CDP & DJSI. They have also taken the decision to spend more time with MSCI & Sustainalytics in 2021, which they expect to improve their scores. Thematics ESG risk assessment is informed by Sustainalytics and ISS ESG. The company acknowledged that it has not historically engaged with Sustainalytics and that may have impacted their ESG risk score by the agency.In terms of human capital development, the company has indicated that they have been working to increase their disclosure on Human Capital. They reported for the first time on workforce diversity in 2019, which include talent management process, Diversity, Equity & Inclusion, and training and development. The company has emphasised that this is the first step in their journey and that this will continue to evolve.Specific to lacking elements, such as performance review and career development, the company has flagged that it is a more a matter of disclosure versus actions internally as they have systems in place relating to these areas.The company has taken the right step forward towards becoming a more sustainable business, both through its solutions and its operations and management, although it is still in the early phase.
Status/ Outcomes	<ul style="list-style-type: none">In the end of 2021, we decided to exit our investment in SWK primarily for materiality reason. This marks the end of this engagement

Knorr-Bremse AG is the world’s leading manufacturer of braking systems and a leading supplier of safety-critical sub-systems for rail and commercial vehicles. Over the last 100 years, its core mission has been to make mobility on roads and railways safe, sustainable and environmentally friendly.



Engagement Theme/s

- Governance

Engagement Actions

- The company has overall high ESG score across different ESG rating providers: MSCI – A, Sustainalytics – Low Risk, and ISS – C+. Our internal analyses is concerned with the company's governance, in particular on the quality of the board and the protection of shareholder interests. Thieles' Family is the company's major shareholder, with more than 50% voting rights, and the dominant shareholder is an investor with board representation. Not all the directors on the board are elected annually and the board can change its size without shareholder approval only within the limits set in the charter or bylaws.
- As an intial ESG risk management as we invested in the company, we capped our position at 2% and planned an engagement. Since the inclusion of the security in the fund in 2019, a total of 7 meetings/discussions with the company was conducted. In October 2020, the PMs formally raised its concerns over its governance. Our target is to push for a clear separation between large and small shareholders, and make clear that any additional investment is conditional upon improvement in governance as flagged above.

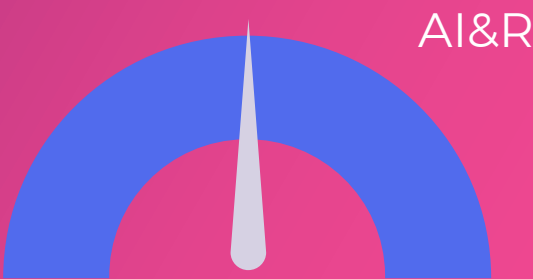
Company Response and Thematics AM's analyses

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- In 2021, we have noted improvements in the company's governance, ie Independent Board, however some of the stakeholder protection concerns remained. There was also a notable high turnover in the executive team. We kept our capped position at 2%.
- In February 2021, Mr. Thiele passed away and we have since seen more turnover and we perceived as lack of decision-making power. In supplement to our engagement, we also voted AGAINST the election of 5 Supervisory Boards in the May 2021 AGM to push for continued improvement in the board quality and shareholder protection.

Status/ Outcomes

- In November 2021, Thematics AM has made the decision to exit our investments in Knorr-Bremse. This marks the end of this engagement.

Altair Engineering Inc. is a provider of software and cloud solutions for simulation, IoT, high performance computing, data analytics, and artificial intelligence. Its solutions are used across industries, including healthcare, energy, weather and climate, and many others, enabling products and processes to reduce carbon emissions, utilize fewer resources, generate less waste, and stay useful longer. It’s been part of our AI & Robotics strategy Design Software subsegment since inception.



Engagement Theme/s	<ul style="list-style-type: none">• Transparency• ESG Governance• Climate and biodiversity risk management
Engagement Actions	<ul style="list-style-type: none">• In December 2021, we reached out to the company to flag weaknesses in some sustainability-related areas identified by Thematics AM and our third-party data providers and to call for management to take necessary steps to address them.• The ESG-relevant areas we flagged included lack of transparency due to the absence of publicly available formal sustainability or CSR reporting. It was also noted that Altair Engineering is lacking disclosures on its ESG governance, including and in particular on customer and data protection. In terms of impact to climate change and biodiversity loss, our research provider has assessed that Altair Engineering's current temperature alignment is at >5 degrees Celsius and lacking disclosure on climate transition strategy. Thematics AM is a signatory to the Task Force on Climate Finance Disclosure, and we endeavour to monitor and disclose on the climate readiness and transition pathways of our investments.• Altair Engineering has promptly responded to our request and we discussed in depth the items we raised.
Company Response and Thematics AM's analyses	<ul style="list-style-type: none">• In terms of transparency, the company has flagged that they have just released (late November 2021) their sustainability report, containing disclosure on their ESG policies and actions, including those we flagged. As the sustainability report is also set to be updated and republished in 2022, the company has committed to address the areas we flagged. In addition, they also added that ESG-related performance will be included in the 2021 10K report.• In terms of engaging with the industry, it indicated that it has been participating in surveys as an avenue for transparency providing inputs to third-party on Altair Engineering's sustainability management. The company has also shared that it was recently named by Investor's Business Daily as one of the "100 Best ESG Companies".• In terms of climate, the company has noted that these are elements covered in their newly published sustainability report, also highlighting that their solutions, with their enabling nature, have been instrumental to carbon reduction across the industries it serves.• The lag between the time of assessment/update by the third-party ESG raters and our internal assessment and the time of publishing of company's ESG reports can at times lead to gap in ESG assessments. Engagement with companies ensures that we are able to have a clear, accurate and timely understanding of what our investee companies are doing to help inform our investment decisions. Overall, it is our strong conviction that Altair Engineering solutions have a role to play in transforming the future toward sustainability. While they are currently in the early phase in terms of reporting and making public their sustainability framework, they are in the right path and we are positive that they are taking steps forward.
Status/ Outcomes	<ul style="list-style-type: none">• Initiated. We have taken into account the company's new sustainability report. While there remains some areas to reenforce, Altair Engineering has shown commitment to continue to advance in their transparency and in further embedding sustainability into their philosophy and strategy. We intend to keep monitoring company's progress on these areas in 2022.

iRobot Corporation is a global home robot leader. It designs and builds thoughtful robots and develops intelligent home innovations. Its robots are capable of performing domestic chores (vacuum cleaning, mopping, window cleaning) through a technology suite including mapping, navigation, human-robot interaction, and physical solutions. iRobot has been part of the AI & Robotics strategy since launch and pertains to the Consumer & Services Automation segment.



Engagement Themes	<ul style="list-style-type: none">• Transparency• ESG Governance• Climate risk management
Engagement Actions	<ul style="list-style-type: none">• Based on the company’s disclosure and third-party assessment from our sustainability ratings data providers, we noted the lack of transparency due to the absence of publicly available sustainability or CSR reporting. Lacking any basis to assess iRobot, this has impacted the company’s overall third-party ESG rating. In addition, our third-party reference for temperature alignment indicated that the company’s current trajectory is at >5 degrees Celsius and lacks climate transition strategy and disclosure. Third-party assessments do not always capture companies’ actual performance in a timely manner. We therefore targeted the company for engagement to understand its ESG risk management. In terms of climate, Thematics AM is a signatory to the Task Force on Climate Finance Disclosure, and we endeavour to monitor and disclose on the climate readiness and transition pathways of our investments.• We contacted the company in 2021 to formally raise the ESG areas we have concerns on and the company was quick to agree to discuss.
Company Response and Thematics AM’s analyses	<ul style="list-style-type: none">• In terms of transparency, the company has emphasised that while they have not been actively or aggressively marketing their ESG initiatives, this does not mean absence of any sustainability integration and management in the company. They currently have a Corporate Social Responsibility (CSR) microsite containing their policy and frameworks on ESG and CSR. It is however only accessible in the USA and not globally. The company has committed to expand the access to the microsite by end of the first quarter of 2022. They also noted that they have been engaging with MSCI and ISS, which has led to their ‘A’ rating from MSCI and while ISS has noted the company’s consistent improvement in its disclosures over the past two years. they nonetheless are currently rating the company’s transparency level as ‘Medium’.• In addition to its engagement with rating agencies to provide transparency, the company has also indicated the following initiatives: plan to aggregate all their ESG-related policy and performance data into a repository for public access and is currently in the process of collecting material ESG information; publish the company’s first ESG or CSR report according to the Global Reporting Initiative or Sustainability Accounting Standards Board, as well as the TCFD – the company has been working with an external consulting firm to help implement these action plans, and the publication is set for 2022.• In terms of ESG Governance, iRobot has indicated that this is part of the board agenda and there is a dedicated director in-charge of overseeing the ESG implementation.• For climate risks management, iRobot has flagged that the current CSR microsite already contains climate performance data. It stated that 35% of its supply chain is in the EU and hence subject to and compliant with the stringent EU environmental and climate regulations.• Thematics AM views iRobot sustainability actions positively. They acknowledged the areas that need reinforcement and have made commitments to advance them forward. It has also been well-rated by other agencies, validating the actions they have put in place,
Status / Outcomes	<ul style="list-style-type: none">• Initiated engagement with a view to continue monitoring iRobot’s progress against commitments made, in particular on their first ESG and climate report and CSR microsite, as well as their ESG governance in the upcoming updates or refinement of their microsite.

Kardex is a global industry partner for intralogistics solutions and a leading supplier of automated storage solutions and material handling systems. Kardex’s intralogistics solutions significantly shorten long walking distances, reduce space requirements and optimise use of space volumes helping address land scarcity and achieve energy savings. The company has been part of Thematics AI &Robotics Factory Automation subsegment since April 2020.



Engagement Theme/s	<ul style="list-style-type: none">• Transparency• Governance – Human rights protection• Climate and biodiversity risk management
Engagement Actions	<ul style="list-style-type: none">• Our internal assessment and third-party sustainability rating reference considers Kardex’s transparency as ‘lacking and could be improved’, in the absence of publicly available sustainability or CSR reporting. The company is also lacking disclosures on its ESG governance, in particular on human rights protection the company being not signatory to the UN Global Compact. In addition, in terms of impact to climate change and biodiversity loss, Kardex’ current temperature alignment is at 4-5 degrees C and lacking disclosures on key metrics, including GHG emission, water and waste intensity.• In light of the rapidly evolving EU regulations on sustainability transparency, net zero, and halting biodiversity loss, we reached out to the company to understand whether our assessments are fair or have inaccurately captured the company’s ESG management, and push to put in place framework to address these increasingly becoming material issues.• We engaged with the company in November 21. They promptly responded and we discussed with their representatives.
Company Response and Thematics AM’s analyses	<ul style="list-style-type: none">• In terms of transparency, the company has published its first sustainability report, containing disclosure on their ESG policies, actions to date and future ambitions, including those we flagged. We note the significant upgrade of the company’s ESG rating, with up to 11-point increase noted in the assessment of our third-party ESG ratings reference. While there remains some elements for improvement, we consider this initiative a strong starting point for the company as they build on their sustainability transparency.• In terms of ESG Governance, particularly human rights, Kardex signed the UN Global Compact in December 2021, just a month after our engagement. Furthermore, it indicated that the Board of Directors worked with management to develop the first short-term milestones and targets, which will be further expanded in 2022. The company is currently working on the definition of medium-term sustainability goals, which will be communicated in the next sustainability report. These targets will cover the environmental and social areas. Kardex also committed to measure its progress on an ongoing basis to ensure that the sustainability targets set are achieved.• In terms of climate and biodiversity, the company has started to provide some key performance indicators in its sustainability report, especially on areas we flagged, including GHG emission, waste, energy and water consumption. In its operations, it has also started to use sustainable energy resources in some of their plants, to increase recycling rate and to deploy and use more energy-efficient equipment.• Thematics believes in the positive externalities that Kardex provides such as reduced drudgery and work-related injuries. Also, we positively view the commitments in terms of transparency shown by the company that should allow Kardex to continue to advance in terms of ESG risk management and become a more sustainable business. We commend the company’s effort to publish its first sustainability report and we hope to see more tangible outcomes going forward. This will be the focus of our follow-up engagements in 2022.
Status/ Outcomes	<ul style="list-style-type: none">• Initiated. We will update our assessment of the company’s sustainability based on its sustainability report recently published. We will identify any areas requiring a follow-up for further engagement in 2022.

COSTAR GROUP

CoStar Group is a provider of information, analytics and marketing services to the commercial property industry. Its subscription-based integrated platform for commercial real estate intelligence, provides users with green rating certifications on buildings. Customers can also identify properties that are Energy Star, BREEAM, and LEED certified. The company has committed to environmental sustainability both inside the company—through management of its data centers, overall energy consumption and greenhouse gas emissions—and outside the company through its product offerings.

Subscription Economy



Engagement Theme/s	<ul style="list-style-type: none">• Transparency• ESG Governance – data protection and human rights• Climate and biodiversity risk management
Engagement Actions	<ul style="list-style-type: none">• In December 2021, we sent a formal engagement letter to CoStar, highlighting areas where we believe the company is strongly addressing and also flagged others where we see room to improve. This particularly include CoStar’s governance and management of data privacy and customer protection, human capital, as well as the lack of disclosures on its ESG governance, including and in particular on human rights protection. In terms of impact to climate change and biodiversity loss, our research provider has assessed that CoStar’s current temperature alignment is at >5 degrees C and lacking disclosures on key metrics, including GHG emission, water and waste intensity.
Company Response and Thematics AM’s analyses	<ul style="list-style-type: none">• In February 2022, CoStar published its first ever Corporate Responsibility Report formalising the company’s commitment to excellence and transparency for Environment, Social and Governance Practices as well as providing transparency on its sustainability framework and actions on key ESG issues.• In terms of data privacy, CoStar on its CSR report has emphasised that data privacy protection is a priority for the company, and that it has established measures for protecting employee and customer information in compliance with privacy laws, safeguarding the information that is entrusted to them. It indicated that it has invested in several key areas to address privacy risk. In 2021, its initiatives included an addition of a global Senior Director of Privacy to its Legal team and made a \$500,000 investment in OneTrust to fortify and automate our privacy operations. It also made public policy documentations, including Data Subject Rights Policy and Privacy Incident Management & Breach Notification Policy, among others. Further, it also established its core privacy capabilities, such as data mapping, data subject rights processing, privacy by design processes (performing privacy and data protection impact assessments), incident response, training and awareness, and privacy policies and third party contracting.• On climate and biodiversity, CoStar Group on its sustainability report indicated that it is incorporating resilience and efficiencies into its workplaces to conserve resources and use energy responsibly. Its initiatives include energy efficient facilities, a fleet of energy efficient vehicles, provision of substantial mass transit commuter subsidies to encourage the use of public transportation, and provision for electronic vehicle charging stations to employees.• It is our view that CoStar is taking the right step forward on sustainability. Its first sustainability report covers the fundamental elements, including areas that we flagged for improvement.
Status/ Outcomes	<ul style="list-style-type: none">• For biodiversity, we target to conduct a follow-up engagement with the company in 2022.• On climate, we will also encourage the company in our follow-up engagement to consider further transparency aligned with the TCFD standards.

Chegg, Inc., is an education technology company providing digital and physical textbook rentals, textbooks, online tutoring, and other student services. It is the leading student-first interconnected learning platform, which is on-demand, adaptive, personalized, and backed up by a network of human help, transforming the way millions of students learn by reconnecting the link between learning and earning through tools and services that support students throughout their educational journey. Chegg has been part of our Subscription Economy strategy since the launch of the strategy in December 2019.



Engagement Theme/s	<ul style="list-style-type: none">ESG Governance – human rights and stakeholder protectionTransparency
Engagement Actions	<ul style="list-style-type: none">Overall, Chegg has been well-rated by rating agencies and is considered as outperforming peers in many KPIs., We commend the company's active ESG management. Our goal as investors is to continue to promote strong sustainability governance in our portfolio companies, especially at this time of significant regulatory and market evolutions.To better understand Chegg's ESG management on some areas, in particular those that may potentially require refinement and evolution, we sent a formal letter to the company in December 2021. We flagged areas where we deem the company to be lacking disclosure or can be improved further, in particular on the company's actions towards human rights protection, as well as shareholder protection. Specifically, we asked on the company's plan or willingness to sign the UN Global Compact. In light of the EU Sustainable Finance Regulation Disclosure's coming into force, one of the requirements is to report on our investee companies' participation to the UNGC and to monitor capabilities put in place to comply with the UNGC principles.In addition, we also discussed with the company upcoming sustainability regulations, including the EU SFDR and EU Taxonomy, as well as their associated new requirements and expectations for investors, especially for investment products that are considered Article 8 or Article 9 under the classification system of the EU SFDR.
Company Response and Thematics AM's analyses	<ul style="list-style-type: none">In terms of human rights and stakeholder protection governance, Chegg has acknowledged areas that still needs to evolve and advance as they go along their sustainability journey. They are still a young company that only went public in 2013. Chegg has indicated that they are in the process of conducting an ESG materiality assessment that will inform their ESG roadmap for the next few years. In addition, they are also targeting to publish their first sustainability data pack that will contain ESG-related performance data within 2022.In terms of expectations and compliance to rapidly developing sustainability standards and norms, the company has expressed their openness to account for the disclosure requirements, especially in EU. We have shared with the company the elements of the EU taxonomy, especially on the principal adverse impact indicators, listing the key ESG areas where we hope and expect the company to include in the scope of their transparency. They indicated that they will be also monitoring sustainability regulatory developments and make the effort to ensure their compliance.Thematics AM believes in the strong potential of Chegg to revolutionize education in an era of technology, democratizing access to learning in way that minimizes material resource use. As a still young company, we believe, the company has integrated sustainability in their building phase and they are well-positioned to navigate the evolving ESG regulatory landscape. The company already has started their transparency, with their ESG policy and other initiatives publicly available on their website.
Status/ Outcomes	<ul style="list-style-type: none">Initiated, ongoing. In 2022, we will conduct a follow-up monitoring in particular on the company's sustainability data pack and their ESG roadmap. We will re-assess the company's progress on sustainability in 2022, which will then inform our further engagement actions.

Menicon Co., Ltd. is Japan's first and largest contact lens manufacturer now represented in over 80 countries. It delivers safe contact lenses worldwide, placing the highest priority on the eye health of its customers. It is the only manufacturer in the world that is dedicated to all areas of contact lenses-related business including material development, lens designing and manufacturing of contact lenses and care solutions.

Subscription Economy



Engagement Theme/s	<ul style="list-style-type: none">• Transparency• Governance – Board diversity and Independence• Climate and biodiversity risk management
Engagement Actions	<ul style="list-style-type: none">• Our internal assessment and that of our third-party sustainability ratings data reference have indicated that they consider Menicon’s transparency as lacking in the absence of publicly available disclosure, in particular, on its environmental risks management. In addition, Menicon’s assessed lack of board diversity and independence has been flagged as a major governance concern.• In terms of impact to climate change and biodiversity loss, our third-party climate reference data has assessed that Menicon’s current temperature alignment is at 2-3 degrees Celsius, and while it is not high, there is lacking disclosure on key metrics, including GHG emission, water and waste intensity, among others.• In December 2021, we reached out to Menicon to request for discussion and they promptly responded and agreed to a (virtual) meeting.
Company Response and Thematics AM’s analyses	<ul style="list-style-type: none">• In terms of transparency and ESG disclosure, Menicon’s representatives have acknowledged the lack of sustainability disclosure, mentioning that other European investors have also raised the same concerns. To address this, the company has emphasised that they already committed to improving their ESG-related disclosure which they also indicated on their newly released Integrated Annual Report (IAR).• In terms of governance, they have acknowledged as well that currently, there is no dedicated person responsible for ESG supervision. It is however within the remit of the company’s Corporate Social Responsibility and Investor Relations groups. Regarding the lack of disclosure on the company’s governance, we note, as flagged by the company, that the recently released IAR disclosed (June 2021) Menicon’s board committee’s composition. This was not captured in our internal assessment, which was conducted prior to the company’s IAR publication. This was also not captured by our reference third-party ESG rating, whose evaluation was conducted in May 2021.• On climate, we also discussed with Menicon the Tokyo Stock Exchange’s publishing of the new revision of Japan's Corporate Governance Code in June 2021, which requires companies listed on the Prime market to comply with disclosure requirements aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations starting in April 2022. We note that the company’s IAR already contains some details on its sustainability and climate-related initiatives. Menicon also indicated that their emissions data and Environmental Management System should be disclosed before September 2022.• Alongside the climate disclosure requirements of the revised Japanese Corporate Governance Code, we also discussed with the company the other requirements for prime market listing, including: the board should develop an appropriate policy for the company’s sustainability initiatives; independent directors must comprise at least one-third of the board, and their skills will be ‘diligently scrutinized’; whistleblowing framework requirements; and diversity policies & voluntary measurable goals for ensuring diversity. The company has noted these requirements and these will be subject of our monitoring and follow-up engagements.
Status/ Outcomes	<ul style="list-style-type: none">• Initiated, ongoing. We will be re-assessing Menicon for our 2022 update cycle based on their most recent IAR. This will inform our next engagement steps specific to this area.• On climate, we will also encourage the company in our follow-up engagement to consider further transparency aligned with the TCFD standards.

L'Oréal S.A. is the world's leader in cosmetics and beauty. The group operates four divisions including Consumer Products, L'Oréal Luxe, Professional Products and Active Cosmetics, with more than 40 brands. The company has been considered an industry leader in terms of sustainability performance as evidenced by its AAA ratings from various rating agencies and industry bodies, including CDP, S&P, and MSCI. It's been part of the Thematics consumer strategy since launch.



Engagement Theme/s	<ul style="list-style-type: none">Corporate Governance - RemunerationESG Initiatives
Engagement Actions	<ul style="list-style-type: none">L'Oréal is highly regarded in the market for its outstanding sustainability performance. Alongside the company's formal unveiling of its new sustainability programme called "L'Oréal For the Future, Because our Planet is Worth it", which outlines its ambitions for 2030, and in preparation for the company's then upcoming Annual General Meeting, we discussed with the company in January 2021 to understand in-depth the elements of its commitments and identify any potential areas for flagging.In addition, we also discussed a few governance-related areas, in particular remuneration, one of the (very few) areas where the company has been flagged by our third-party analyses for improvement.The engagement conducted was also with the aim to inform our voting decisions on the company's upcoming AGM.
Company Response and Thematics AM's analyses	<ul style="list-style-type: none">In April 2021, L'Oréal announced its new sustainability programme. It sets out the company's ambitious targets, including reducing its carbon footprint by 50% per finished product, putting a new focus on end-of-life use of their products and how carbon emissions and waste are created when customers use them. Among the key pledges in their manifesto are aims for L'Oréal Paris to be using 100% recycled plastic, 100% sustainable cardboard and operating 100% carbon neutral factories by 2030. We believe the manifesto to be commendable and comprehensive, and tackling material sustainability concerns for a company in the beauty and personal care industry. What we deem as appropriate next step is to ensure L'Oréal steps up to its commitment and achieve its defined objectives.In terms of governance, specifically on remuneration, our proxy analyses from ISS has recommended to vote Against the AGM proposal for the remuneration policy of the company's Chairman of the Board, arguing that the proposed remuneration is deemed high and exceeds market practice with no compelling rationale to support such a level of compensation for a non-executive board chairman. To this, L'Oréal has reasoned that the remuneration effectively values the experience and expertise, his in-depth knowledge of the Group and the beauty market. It also noted that the Board also expanded the duties entrusted to the Chairman, outlining the specific additional mission, and that the remuneration policy helps guarantee the sustainability of the performance, values and commitments of the Group, as well as the quality of its governance. Taking into account these reasons from the company, Thematics AM voted for the remuneration policy. Our view is that relative to peers, industry standards or market practice, the remuneration although high, does not appear to be overly excessive. In addition, relative to the company's financial performance, length of tenure of the Chairman of the Board in the company, the remuneration is deemed justified. We also note that although an area for improvement, the company's policy and performance against these areas is still considered strong relative to peers in the industry.
Status/ Outcomes	<ul style="list-style-type: none">On its sustainability commitments, we will monitor L'Oréal's progress against its commitments and targets. This will be the focus of our 2022 follow-up engagement.As regards governance, we will also re-assess on an annual basis, the performance of the company, and ensure that the remuneration of the board is reconcilable with the company's performance.

Sodexo is one of the largest food-service companies globally, operating in more than 80 countries. Sodexo's model stems from operating on-premise catering facilities, rather than centralised industrial kitchens. The company's food services business, its largest business segment (52% of revenue in 2021), contributes to the route-to-market segment of Thematics consumer strategy, which targets companies providing quality food services to corporates, hospitals, schools, universities among others. It also operates food delivery, meal and food vouchers and digital food ordering services and apps. It's been part of the Thematics consumer strategy since January 2021.

Consumer



Engagement Theme/s	<ul style="list-style-type: none">Corporate Governance – Shareholder protection
Engagement Actions	<ul style="list-style-type: none">Our engagement with Sodexo was part of the then upcoming pre-Annual General Meeting of the company. The company reached out to us to provide their rationale in one of the Voting Items where our proxy analyses reference (ISS) is recommending to vote against. The item for voting relates to a service agreement that ISS deems to be noting the shareholders interest and puts into question the company's governance on ownership and shareholder protection. ISS has reasoned that the service agreement would provide additional influence to the main shareholder toward the company's management, which may not be in line with all shareholders' interest and that the company does not provide the price setting conditions underlying the transaction for the upcoming years.We received a detailed letter of explanation from Sodexo in December 2021 explaining the company's position and rationale.
Company Response and Thematics AM's analyses	<ul style="list-style-type: none">In its letter of explanation, the company has emphasised the following:<ul style="list-style-type: none">the agreement is in shareholders' best interest as it provides Sodexo with a strong strategic advantage it ensures the effective sharing throughout Sodexo of the culture and values envisioned by the company's founder upon creation of the Company, which would be difficult to maintain without this agreementthe agreement does not have any negative impact on minority shareholders for the following reasons: effective counterpower mechanisms are in place to prevent any undue influence from Bellon SA, in particular - the high level of independence of the Board (at 70% excluding employee representatives it is well above the AFEP-MEDEF code recommendation of at least one-third for controlled companies) and its key committees, all of which are majority-independent; all executive committee members, including the managers covered by this agreement, report directly to the CEO (and not to Bellon SA), who is appointed by the Board of Sodexo (representing the interests of all shareholders); the regular review, by the Nominating Committee (which is chaired by an independent director, and whose independence rate has improved following the appointment of Luc Messier to the committee in October 2021) of succession plans of executive committee members, including the key managers covered by this agreement; and given the extensive relevant expertise and experience of the current key managers, this agreement does not call into question the quality of Sodexo's leadership team.Upon arbitration by the Thematics Responsible Investment Committee, we voted in support of the transaction. Our view is that the counterpower mechanism is deemed sufficient: independent board; independent nominating committee; all executive committee members, including the managers covered by the service agreement, report directly to the CEO (and not to Bellon SA), who is appointed by the Board; the price setting condition has been sufficiently addressed in the letter of explanation from the company.
Status/ Outcomes	<ul style="list-style-type: none">One-off, completed. This a proxy voting-related engagement and we deem the company's proactivity and comprehensive letter of explanation a strong indicator of its governance.

Industry collaboration & advocacy

Initiatives in 2021

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 Pledge for the Development of Impact Finance

The Pledge for the development of Impact Finance is initiated by the Finance for Tomorrow of the paris Europlace. This declaration aims to strengthen the contribution of the financial sector to the achievement of the international sustainable development goals and is based on three principles to be implemented in order to scale up Impact Finance: the implementation of a structured and demanding definition of Impact Finance; the promotion of an upstanding impact approach; a clear and transparent communication as well as the appropriate measurement and reporting tools; and the integration of Impact Finance into regulatory and market frameworks.

C 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.

D Forum pour l'investissement responsable (FIR)

FIR is a multi-stakeholder association whose corporate purpose is to promote and develop responsible investment and its best practices in France. It brings together investors, fund managers, specialists in social and environmental analysis, consultants as well as trade unions, NGOs, academics, etc. As a member, Thematics has provided input on various studies and policy advocacies to advance sustainable finance in France and in Europe.

E Microplastics

In our Water Fund, we joined an industry alliance on plastics. The group is composed of over 20 institutional investors in collaboration with the leading UK-based science led charity. The group's objective is to commence an investor engagement programme with the manufacturers of domestic and commercial washing machines to fit, as a standard feature, filters to their products to prevent plastic microfibres entering the world's marine ecosystems. Scientific evidence of the significant harm to marine biodiversity and ecosystems is emerging, as well as widespread public awareness and support for action in tackling plastic pollution in the marine environment. The initiative also includes plans on engaging with policymakers.

Conclusion

In 2021, we formalised our engagement framework, setting out more clearly why we want to engage, who we will target to engage with, and what outcomes do we expect from our engagements. Further, we remain consistent in using our votes to promote good governance in companies we invest in. Our ambition is to continue to being active owners, using our voices to influence, guide, or when appropriate demand companies to align their actions to what is sustainable and what can deliver long-term value for the clients they serve, their investors, and the planet in which they operate.

As investors, we view engagement as a core strategy through which we can deliver on our fiduciary duty to our clients and their beneficiaries. In the next 3 years, we will continue to utilise our votes and engagements in order to:

- 1) call to actions our investee companies to acknowledge and address critical sustainability challenges we face today;
- 2) strengthen their governance of these issues, and;
- 3) be transparent and accountable.

Specifically, we will vote and engage to achieve the following:

- generate commitments and actions from our investee companies to address climate change and biodiversity through formalised action plan with defined timelines and targets, for example on transition to net zero and on minimising impact to biodiversity losses'
- Strengthen accountability of companies through transparency – by measuring, monitoring, and making public their performance on material ESG issues, companies will be better equipped to understand and manage their positive and negative impacts on the economy, environment, and people; and
- create truly long-term value as investors through the institutionalisation of sustainability values at the core of companies' governance and strategy.

These objectives will drive Thematics AM's actions in the years ahead. As a thematic investor focused on building the future, we believe in our role to help shape a future that is sustainable.



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