



**THEMATICS**  
asset management

# Investing in the transitioning world

Climate Strategy & Disclosure 2020

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## About this report

This document represents the first report of Thematics Asset Management on its investments' climate strategy and performance, as well as its commitments and ambitions towards supporting the transition to a low-carbon economy.

The reporting framework of this report is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and those of the French Article 173 VI of the law on Energy Transition for Green Growth (Loi sur la transition énergétique pour la croissance verte).

As a recently created asset manager, this is the beginning of this process. We are proud to declare that responsible investing has been one of the core pillars of our investment philosophy from the very beginning. Environmental, social and governance factors, including climate-focused considerations have been part of our investment strategy since day one. As our first such report, the motivation and main objectives of this undertaking is threefold:

- i. Provide transparency to our clients and align with international standards and regulatory requirements on climate-related risks and management
- ii. Present our overarching climate strategy
- iii. Provide an overview of our investments' performance across material climate metrics

Lastly, this report marks an important first step upon which we will continue to build our understanding and improve our performance in managing climate risks. It is our commitment to continuously innovate and advance our investment strategies to protect our clients' investments, while generating meaning through contributing towards green growth and transition.

## Message to our stakeholders



**Karen KHARMANDARIAN**  
Chief Investment Officer

As an asset manager representing our clients and investing for their future, Thematics Asset Management's actions is guided by its fiduciary duty to deliver performance and long-term value. Amidst the magnitude of risks posed by climate change, as well as the need to transition to a greener future, our commitment is to ensure that our portfolios are equipped to mitigate the risks of our investments while capturing opportunities in emerging growth areas around the transition and low carbon technologies. In doing so, we are helping to accelerate and build capacity for a 'climate-proofed' future, while generating sustainable outcomes for our clients.

True to this commitment, and as a thematic investor with a long-term investment horizon, to date we have designed products that focus on companies building innovative technologies that are responding to the needs of our time, including the transition to a greener market and society. These encompass solutions that are enabling or supporting key pillars of a low-carbon future, from the circular economy that will reduce pressure on the biodiversity of our increasingly depleted ecosystems, to cleaner and more efficient industries through automation, as well as smarter and inclusive cities through digitalisation and resource-efficient consumer products.

Responsible investing is part of the backbone that built Thematics AM. As an investor with a long-term horizon, integrating ESG factors into our investment process has enabled us to develop better-informed decisions that also generate meaning for our investors. It's been a landmark year for climate change as policy responses accelerate across the world. Over 120 countries have now considered or set-out net-zero commitments and targets. These will have massive implications to the global economy and the capital markets. As the regulatory and data landscape around climate risks evolve, we will continue to adapt our strategies, strengthen our risk mitigation capabilities, as well as provide more options for our investors to deploy capital in solutions that are enabling a more sustainable economy.

Climate change is unquestionably emerging as the defining challenge of our time. It presents tremendous risks when left unaddressed. At the same time, it also presents investment opportunities that could have a transformative impact on our future and the planet when acknowledged and seized. As responsible investors with pure focus on themes shaping the future, we at Thematics AM are at the strategic intersection of this reality. We are well positioned to mitigate the risks of climate in our investments while strategically equipped to capture the secular growth areas around climate adaptation and a low carbon transition.

In terms of risk management, climate resilience has been a key component of our ESG responsible investment policy since our creation. In line with our Do No Harm commitments, our exclusion policy has been designed to systematically and progressively limit our exposure to potential stranded assets and business activities with evident adverse impact to the environmental and climate. Our ESG due diligence also systematically assesses companies' mitigation and adaptation to climate change. And from 2021, we have identified climate change and biodiversity protection as our engagement priority themes, where we will work closely with our investee companies to develop climate risk management and decarbonization commitments.

In terms of capturing opportunities, our thematic lens, with its inherent tilt towards positive themes, have focused our investments around assets that are leading in building today our capabilities to thrive in the world tomorrow – one that respects its planetary boundaries as it moves forward sustainably.

As we build back better, it is our aim to take with us the lessons and learnings from the pandemic and to continue strengthening our commitment in enabling the transition to a greener and more inclusive economy through the investment products that we offer and the means in which we invest. As our stakeholders, we welcome your feedback and engagement on how we can progress together towards a resilient and equitable future, for us and our next generations.

**Arnaud BISSCHOP**

Head of Responsible Investing



## Our commitment to invest responsibly

As an asset management organisation with a pure thematic focus on the global listed equity markets, Thematics AM is committed to supporting efforts to mitigate against the effects of climate change through (1) the investment products that it offers, (2) how it invests, and (3) and via engagement with the industry and the investment community.

Firstly, we design and distribute funds that offer asset owners both performance and, where possible, meaning. We invest today in the winners of tomorrow. Most of our thematic strategies have direct or indirect positive contributions to multiple sustainability challenges, including climate resilience. We invest broadly in companies building innovative solutions that are addressing emerging needs of the future, including transitioning towards a sustainable future.

Secondly, responsible investing is one of the 4 ‘pillars’ of Thematics AM’s investment philosophy. It is our strong conviction, informed by academic research and empirical data, that integrating sustainability considerations into investment decision-making leads to better risk-adjusted returns and long-term value creation. For this reason, environmental, social and governance (ESG) considerations are included at each step of our investment process. Climate is well integrated into this overall responsible investment framework and has been part of our process since day one. As a testament to this commitment, our strategies have also been certified as responsible investment products by the French ISR Label.

Finally, very shortly after its creation in September 2019, Thematics AM became a signatory to the UN Principles for Responsible Investment, which recently incorporated the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Thematics AM’s management publicly supports actions to combat climate change globally, including the Paris Agreement. We are a supporter of the TCFD and are committed to take our active part as an asset manager in combatting climate change.

## Our climate disclosure framework

In alignment with the recommended voluntary disclosures of the TCFD, as well as the mandated reporting as outlined in the French Article 173 – VI of the Energy Transition for Green Growth law (Loi sur la transition énergétique pour la croissance verte), our strategy covers the four core areas of disclosure: Governance, Strategy, Risk Management, and Metric and Targets. The framework below summarises the core components of each element. The following sections provide in-depth details and discussions.

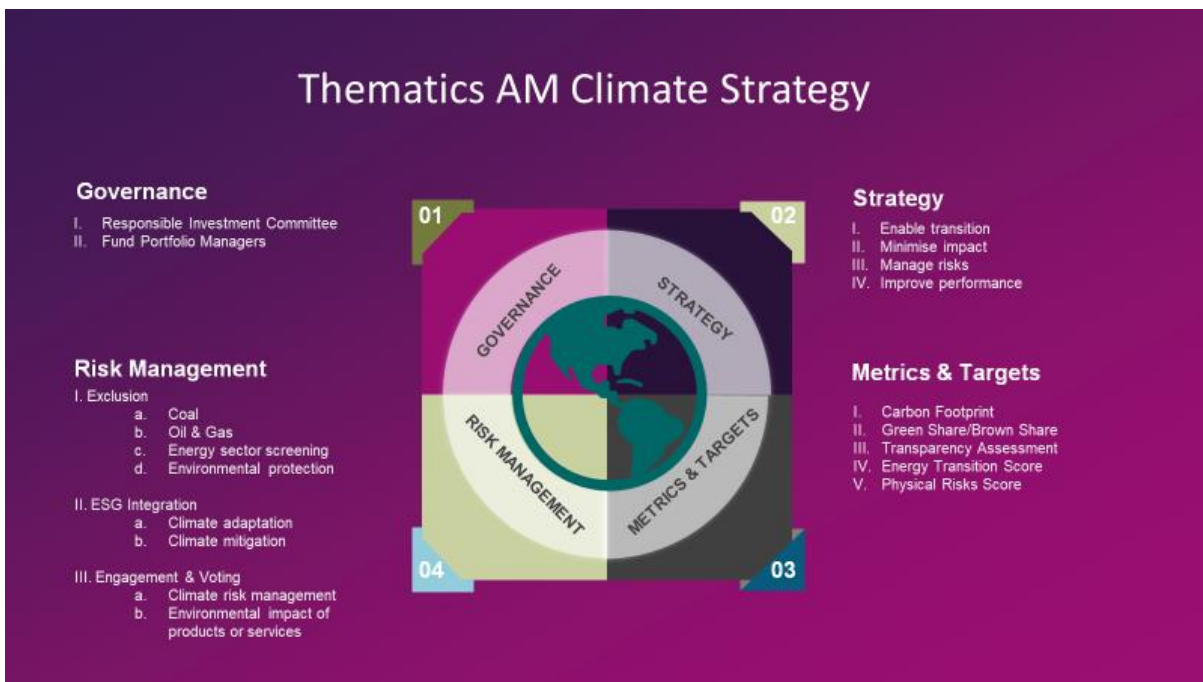


Figure 1. Thematics AM Climate Disclosure Framework

## Governance

### Overall governance and oversight

Thematics AM’s Responsible Investment Policy governs the way ESG risks and opportunities, including climate, are integrated into its investment process. This applies to all investment products of the company.

Governance and oversight is within the remit of the Responsible Investment Committee composed of the Chief Investment Officer, Risk and Compliance Officer, Head of Responsible Investing, and ESG Specialist. The implementation of climate-related policies across the investment process is carried out by each fund’s portfolio managers.

## Responsible Investment Committee

- **Defining:** As the governing body of its responsible investing framework, the RI Committee is in-charge of defining the organisation's sustainability objectives, strategy, and targets. To support this endeavor, the Committee also assesses what investments are necessary to build and support the internal responsible investment capabilities of the organisation, including ESG and climate-focused training and any other resources that may be required. An annual review is carried out to identify areas for refinement and enhancement which integrates regulatory and market developments.
- **Monitoring:** The Committee meets on a quarterly basis to review the ESG policy implementation across all investment strategies. It also assesses the performance of the funds across all ESG metrics and identifies any appropriate actions to be taken - divestment, position re-sizing or targeted engagement with relevant investee companies.

## Portfolio Managers

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

## Strategy

Thematics AM is a pure listed equity thematic investor. As such, our investments are focused on structural primary forces shaping the future. We target companies whose products and solutions are responding to the needs of tomorrow by innovating today.

### *Enabling vs mitigating*

It is worth emphasising therefore that our investment style tilts more naturally towards capitalising on sustainable future green solutions, with one of the Primary Force we consider in defining the themes in which we invest being Resource Scarcity. Compared to traditional investment management approaches that have sectorial or geographical leanings, ours is unconstrained. Our first focus is building capabilities in growth areas, and in effect resiliency for the future. And by systematically integrating sustainability principles across our investment process, we mitigate risks. These specificities guide our overall climate strategy and how we deliver on our role as a stakeholder in the climate transition. The graph below illustrates our overall strategy.

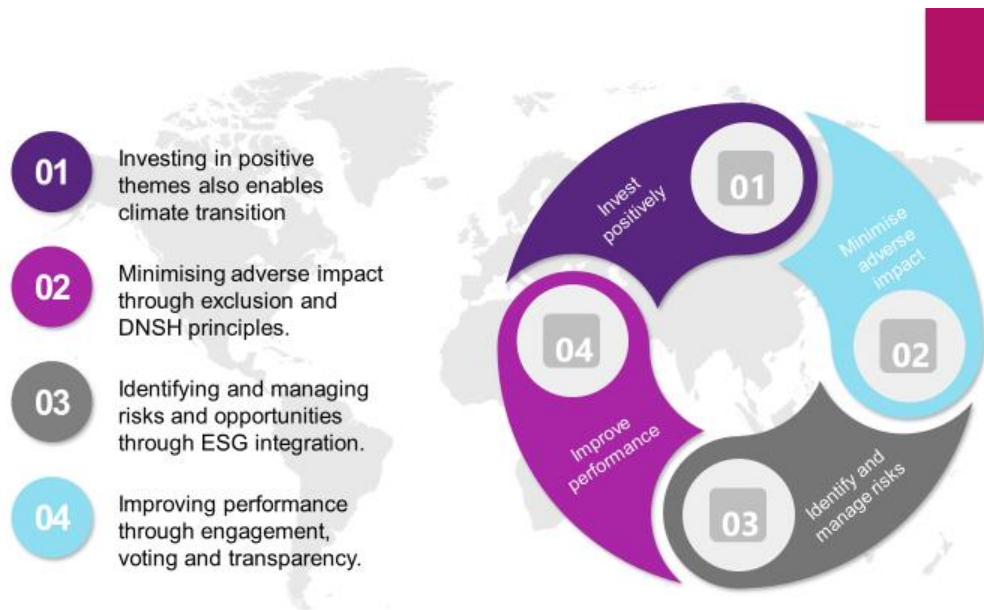


Figure 2. Thematics AM Climate Strategy

### Supporting climate transition and resilience through investing in positive themes

Our first focus is on opportunities and resilience. We invest in listed equities whose products and solutions are helping the global green transition as driven by advancements in technology, changing demographics and consumer preferences, as well as by regulatory developments targeting more sustainable economies. Our funds have contributions to various issues that are directly or indirectly related to climate change. Detailed discussion is provided in the section entitled ‘Risk Management – Define’.

### Minimising adverse impacts through Do No Significant Harm and exclusion

Our second focus is minimising the adverse impacts of our investments guided by the Do No Significant Harm principles as set out by the European Union’s (EU) Sustainable Finance Disclosure Regulation (SFDR), the EU Taxonomy, as well as other international standards and norms. We limit the negative impact of our investments to environmental or social objectives through exclusion of companies whose products and behavior are generating harmful effects. Specific to environmental and climate protection, our exclusion covers activities in coal, unconventional oil and gas, highly carbon intensive companies in the energy sector, as well as overall corporate behavior towards environmental protection.



### Identifying and managing ESG and climate risks and opportunities

Our third focus is on managing the ESG risk exposure of our portfolios while exploiting opportunities. Thematics AM has developed its proprietary scoring framework that integrates material ESG factors, including climate-related metrics, specifically climate resiliency, encompassing both climate mitigation and climate adaptation. This process ensures that we systematically identify ESG risks and opportunities and include them in our final investment decision. We also recently partnered with Trucost (part of S&P Global), one of the pioneers in climate risks assessment, to inform more precisely our risk assessments on different climate areas, including carbon emission, energy transition, physical risks, as well as the transparency and risk management assessment of our investee companies.

### Continued performance improvement and transparency

We aim to improve our performance and that of our investee companies over time through active engagement and voting. Our engagement and voting strategy is focused on risk management, long-term value creation, and generating sustainable outcomes. Climate is one target area we've set out as a priority in which we actively engage and vote. Moreover, it is our aim to provide transparency to our stakeholders on the impact of climate change and the resilience of our investments to the different climate risks, including energy transition and physical risks.

## Risk Management

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



Figure 3. Thematics AM Climate Strategy

## Define

### Positive themes

At the first stage of our investment process, we ‘Define’ our theme, its associated boundaries and ultimately the investable universe for the strategy. Integrating ESG and climate resilience lens into this boundary setting, our current funds reflect various degree of tilts towards capturing opportunities in climate and green transition. Below, we outline the 4 strategies with the highest exposure to Carbon transition (these strategies are not completely focused on climate transition):

1. Thematics Water fund – the fund invests primarily in companies whose products are addressing water access, demand efficiency, and the sustainable management of finite water resources. Water management is at the core of ongoing global actions to build climate mitigation and adaptation capabilities. GHG reductions require access to reliable water resources and sustainable infrastructure management.
2. Thematics AI & Robotics – the fund focuses on companies that are building automation technologies for use in industrial processes, offices, medicine and in consumer and service markets. With Industry and Transport among the key economic sectors contributing to global GHG emission, automated processes can help deliver cleaner and greener products and services while reducing carbon emissions.
3. Thematics Wellness – the fund invests in companies producing natural, plant-based, and organic food and consumer products, facilitating and supporting the growing

preference of an increasing part of the population for sustainably sourced or produced goods and services. One of its subthemes is future food, focusing on consumer staples produced from more sustainable and innovative agricultural processes. With food production among the major drivers of ecosystem and biodiversity degradation which fuels climate change, more sustainable options for consumers can help to minimise the pressures currently faced elsewhere in the food chain.

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

#### Exclusion and Do no Significant Harm

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

- a. **Product-based exclusion**

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

- b. **Behaviour-based screening**

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

Detailed discussions of the exclusion criteria are provided in our Responsible Investment Policy 2021 document.

#### Select

At the second stage of our investment process, we ‘Select’ companies to be included in the fund using a 4-criteria scoring system, one of which is ESG, including climate.

### ESG Integration

Thematics AM has developed a proprietary ESG scoring framework composed of targeted and focused sets of metrics deemed most material to its range of thematic funds. These metrics represent the most material risks that companies in our funds are exposed to, linked to the nature of their activities and which could translate to financial and reputational risks if unmanaged and the most material areas where companies could have negative or positive impact, due to the nature of their activities. On material environment metrics, companies are assessed against the following: climate resilience, effluents and waste management, and environmental impact of products or services.

### Company-level ESG analysis

In assessing and scoring companies on material ESG risks and opportunities metrics, Portfolio Managers primarily look at the risk exposure and risk management performance of companies using various data sources. To arrive at the score, Portfolio Managers ask the following key assessment questions:

- a. Climate change resiliency
  1. Is the company able to mitigate climate change impacts and to adapt to climate change?
  2. Does it conceive or promote climate change solutions for mitigation or adaptation?
- b. Effluents and waste management
  1. Do the company's operations have a negative impact on the environment?
  2. How is it monitored and managed?
- c. Environmental impact of products and services
  1. Does the core of the company's business model have a negative impact on the environment?
  2. Does the company conceive or sell unsustainable products or services?
  3. Does it incorporate environmental impact improvement in its product development programs?

Detailed discussion of our ESGC Integration process is provided in our Responsible Investment Policy 2021.

## Act

### Position sizing

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

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

#### Engagement and voting

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

Comprehensive discussion on our Engagement and Voting Priority themes are provided in our Engagement & Voting Policy 2021.

## Metrics and Targets

This report covers the performance of our five funds as of December 31, 2020. It does not include the two consumer strategies that were transferred to Thematics AM in October 2020 and the new Wellness fund, launched in May 2021. They will be fully incorporated into next year’s report.

Thematics AM assets under management\*:

Thematics AI & Robotics	308.8
Thematics Safety	674.5
Thematics Water	203.6
Thematics Subscription Economy	148.5
Thematics Meta	508.7

\*As at 31 December 2020, in EUR million – Source: Thematics AM

### Share of assets with positive contributions in climate transition and environmental protection themes

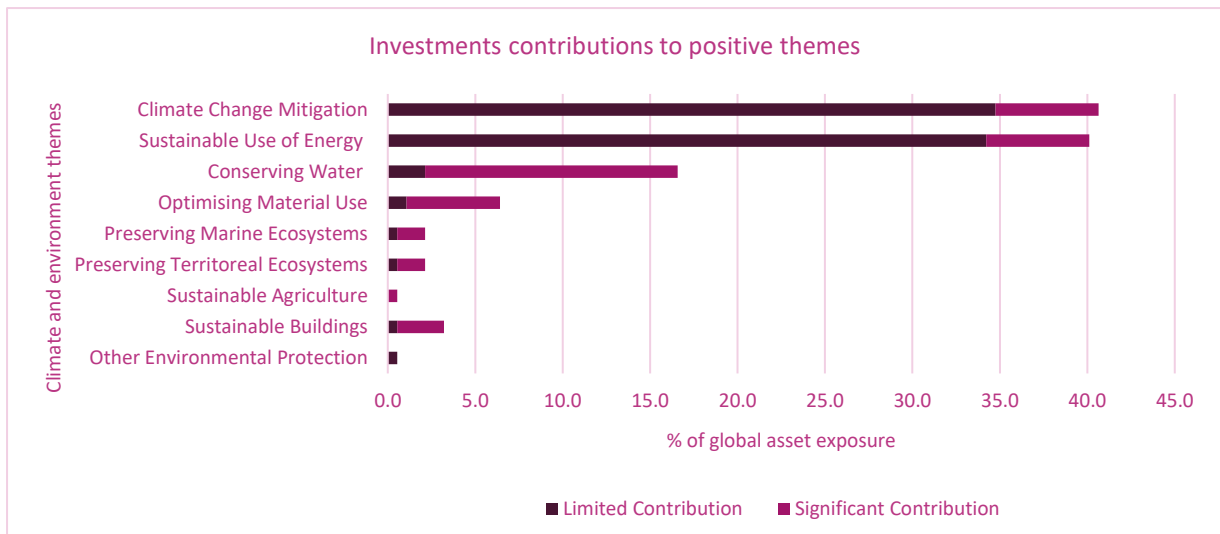


Figure 4. Percent of global assets contributing to environmental themes - Source: ISS, Thematics AM, 31/12/2020

Evaluation of Thematics AM’s investment strategies’ performance across different sustainable development themes, in particular those relating to climate transition and environmental protection, indicates its sustainable outcome contributions. Using third-party independent scoring<sup>1</sup>, it shows that more than half of its assets produce solutions that are positively contributing to various environmental goals, including climate change mitigation

<sup>1</sup> Scores based on ISS Sustainable Development Goals Research

and sustainable use of energy. Majority of these assets are building solutions around electric and hybrid vehicles, energy-efficient data centres and other office automation solutions, smart consumer devices, as well as key equipment and services to the renewable energy sector.

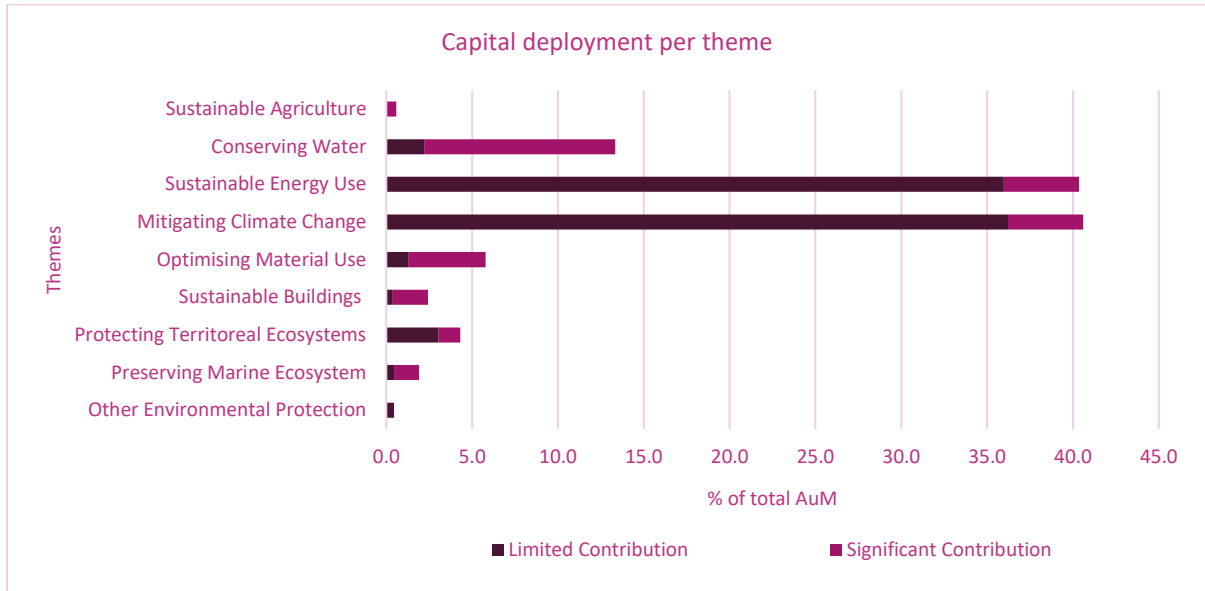


Figure 5. Percent of total AuM with Significant and Limited Contributions to environmental themes – Source: ISS, Thematics AM, 31/12/2020

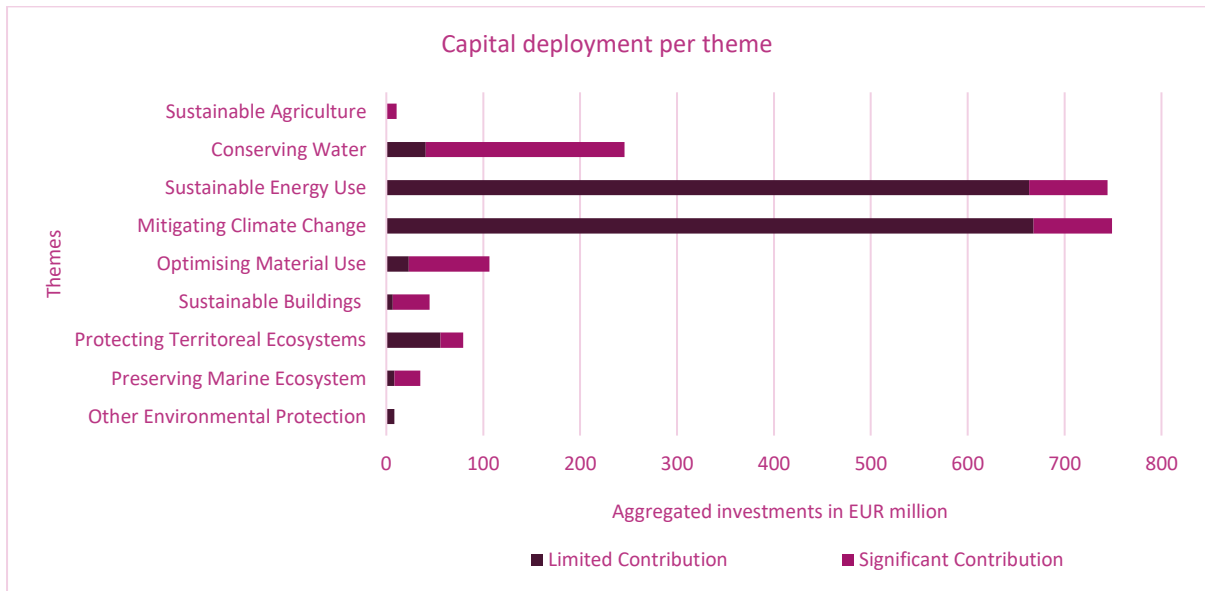


Figure 6. Value of Holdings in EUR millions per environmental and climate themes – Source: ISS, Thematics AM, 31/12/2020

In terms of capital deployment per theme, roughly 40% of assets under management is invested in climate mitigation technologies. This represents about EUR 650 million capital

invested of the EUR 1,844.2 million assets under management as of 31 December 2020. Similarly, 40% of the total capital is also invested in solutions enabling sustainable use of energy. Note that there can be overlap in the counting as a security can have contributions to multiple environmental themes.

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

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

### Extractive Industry Exposure

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

Using Trucost data, we have analysed our strategies on their exposure to business activities in extractive industries, as well as holdings in companies that have disclosed proven and probable fossil fuel reserves in the portfolio. This helps to identify potentially stranded assets that would become apparent as economies move towards a 2-degree alignment.



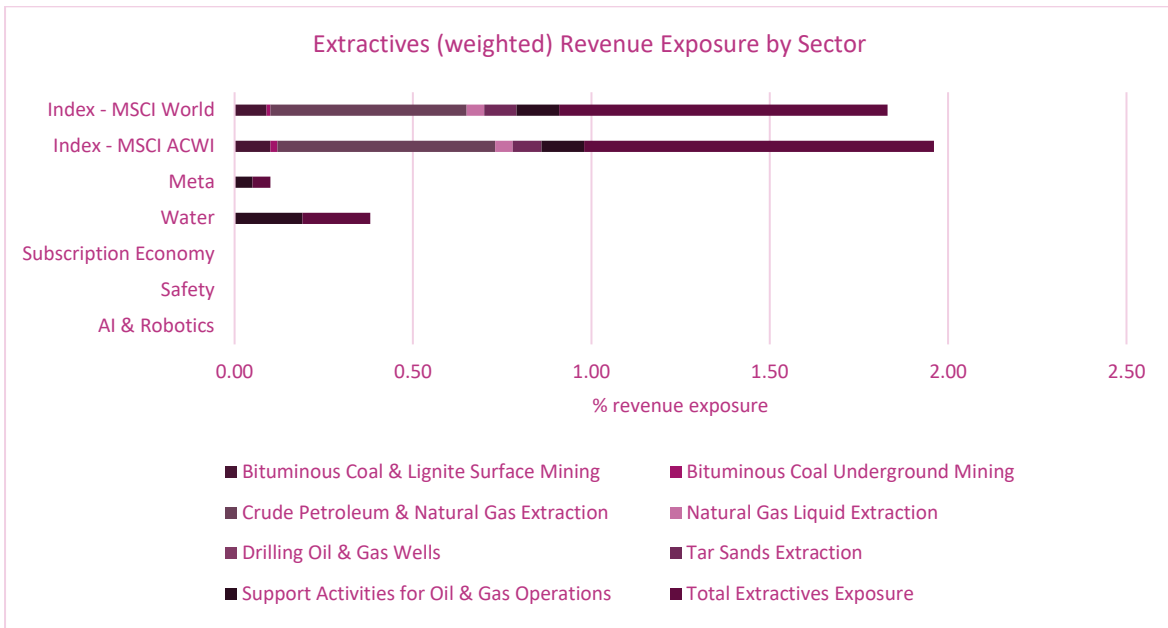


Figure 7. Breakdown of the portfolio's extractive revenue exposure by sector, as a share of total revenue, using weighted average method - Source: Trucost, Thematics AM, 31/12/2020

Thematics AM has very limited exposure to extractives industry. All other funds, except Water, has zero exposure to fossil fuels and oil and gas activities. In the Water strategy, these assets represent less than 5% weight in the portfolio, represented by only 2 companies, each of which generates less than 5% revenue from extractives activities. Their positive contributions to other themes far outweigh their negative exposure and potential adverse impact. They are also targeted for engagement with the expected outcome of improving their climate risk management strategy and energy transition. The Weighted Average Revenue Exposure is calculated by summing the product of each holding's weight in the portfolio with the company level revenue dependency on the sector in question.

### Carbon Footprint

Carbon exposure analysis offers a systematic assessment of the carbon risks and opportunities within a portfolio or index at a point in time. The analysis quantifies greenhouse gas emissions (GHG) embedded within a portfolio presenting these as tonnes of carbon dioxide equivalents (tCO<sub>2</sub>e). Comparing the total GHG emissions of each holding relative to either revenues generated or capital invested, gives a measure of carbon exposure that enables comparison between companies, irrespective of size or geography.

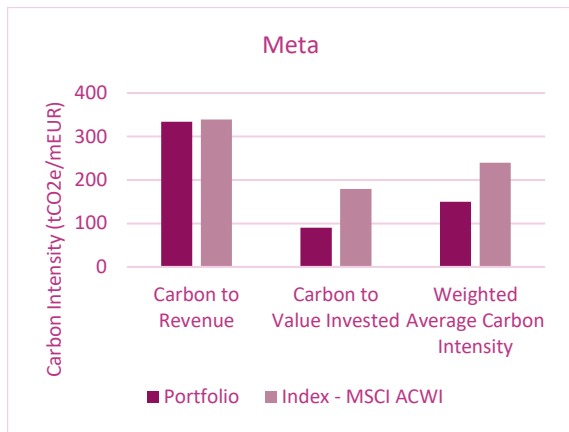
The Total Carbon Emissions, Carbon to Value Invested (C/V), Carbon to Revenue (C/R), and Weighted Average Carbon Intensity (WACI) are all presented below. The scope used in this analysis was Direct Emissions, First Tier Indirect Emissions.

- Carbon to Value Invested gives an indication of carbon or environmental 'efficiency' with respect to shareholder value creation.

- Carbon to Revenue gives an indication of 'efficiency' with respect to output (as revenues are closely linked to productivity).
- Weighted Average Carbon Intensity circumvents the need for apportioning ownership of carbon, revenue or environmental impacts to individual holdings. Whilst the first two methods act as indicators of an investor's contribution to climate change or ecosystem damage, the weighted average method seeks to show an investor's exposure to carbon/environmentally intensive companies, i.e. is not an additive in terms of carbon budget.

Below are the carbon intensity performance of Thematics AM funds in 2020.





Figures 8. Carbon intensity of Thematics AM strategies; Source Trucost, Thematics AM, 31/12/2020

All the strategies, except Water, are less carbon intensive than their reference benchmarks. The relative efficiencies, in particular of AI & Robotics, Safety, and Subscription Economy, are over 80% in terms of Carbon to Value Invested and over 60% in Carbon to Revenue, respectively.

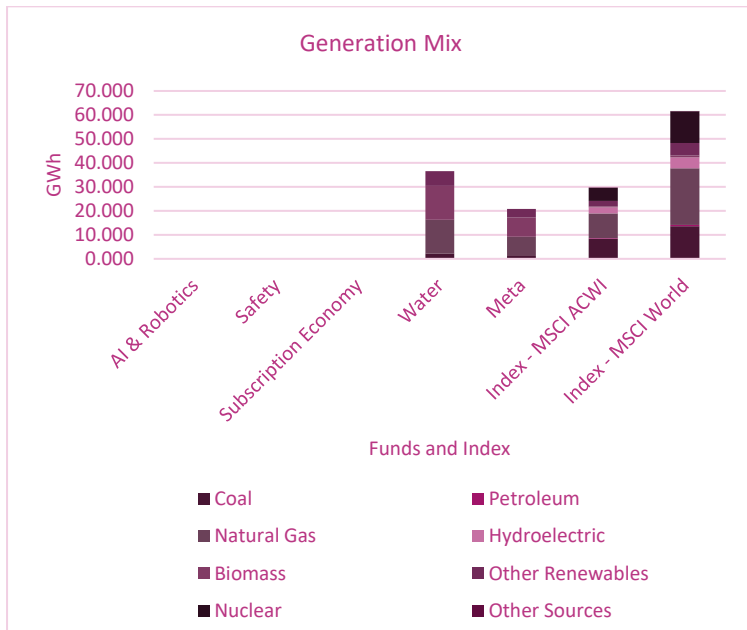
We note the relatively higher carbon intensity of the Water Fund. The negative impacts are largely driven however by less than 10% of the portfolio (5 companies), in particular in the Municipal Waste Management segment – landfills indeed generate Methane (a gas that is highly contributive to global warming), a natural byproduct of the decomposition of organic material – most of those companies are tackling this issue by investing in collection systems for landfill gas. The remaining 90% have less than 10 TCOE/EUR m WACI. We are engaging with the carbon intensive companies with the aim to support their transition to net-zero.

### Energy Transition

While carbon footprints can help to identify the most carbon efficient companies within a portfolio, they do not recognise those companies that are contributing positively to the low carbon economy by offering climate-mitigation or adaptation solutions. As the energy generating sectors are critical to this transition, using Trucost data, we analysed physical units of power production embedded within each of our investment strategy to get a more holistic view of companies in our portfolio.

The generation types within each category are as follows:

- Renewable Energy Generation: solar, wind, wave & tidal, geothermal, hydroelectric, biomass
- Fossil Fuel Energy Generation: coal, petroleum, natural gas
- Other Energy Generation: nuclear, landfill gas, any other unclassified power generation



**Figure 9. Generation mix per fund vs reference index** – Source: Trucost, Thematics AM, 31/12/2020

As such, we would highlight that the ‘headline’ carbon intensity of the Water strategy might be considered significant compared to other strategies or sectors. It also underlines the importance of applying the appropriate responsible investing approach, when to exclude securities and when engagement can be the more effective means to encourage and promote the adoption of sustainable management practices. Only the Water strategy has exposure to energy generating assets [25% of the Meta holdings is Water fund assets]. A larger share of its exposure is coming from natural gas and biomass than coal. This analysis is useful in capturing a more holistic view of companies’ climate change impact.

In the case of Thematics Water strategy, all assets contribute to increasing access to water and enabling sustainable management of a finite resource. However, it cannot be discounted that in many of these companies that are involved in the water sector value chain have relatively high energy consumption due to the manufacturing-oriented business models involved, or for example due to the high energy usage of utilities which need to pump water through their networks.

## Engagement and industry collaboration

In our first year in 2020<sup>2</sup>, Thematics AM actively exercised its voting rights and participated in 184 proxy meetings (99.5% of meetings attended). We voted on a total of 2370 resolutions. Out of the 2370 items voted on, it is worth highlighting that 48 resolutions were proposed by shareholders in addition to those proposed by the company’s management, which has been a growing (but still marginal) trend for the past years.

Resolutions' topics proposed by shareholders

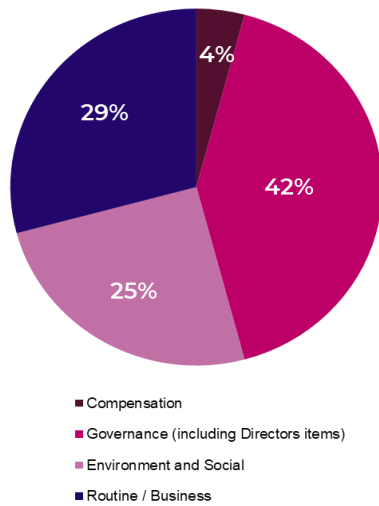


Figure 10. % of resolution per topic – Source: ISS Proxy, Thematics AM, 31/12/2020

As the graph shows, concerns with ESG topics are notable, as the resolutions include items on human rights, health and environment, gender pay gap, and labor rights.

Thematics AM has supported almost all of these resolutions in line with our sustainability and corporate governance principles as set-out in our Voting and Engagement Policy. We recognise the value of proactive and dynamic role of shareholders in voting meetings and we will continue to support such resolutions in accordance with our policy.

Proportions of ESG topics raised

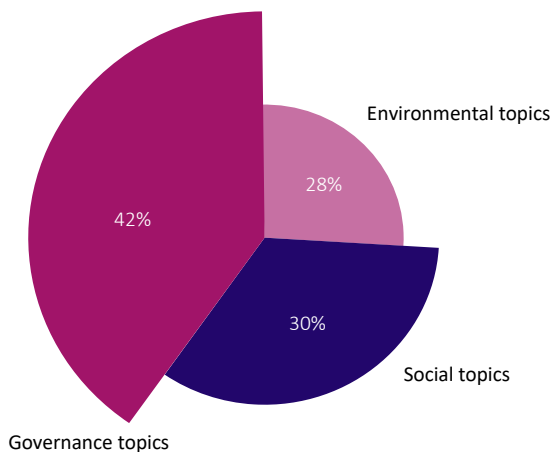


Figure 11. % of resolution per topic – Source: Thematics AM, 31/12/2020

We joined more than 400 engagement meetings during the period covered, including those in which key ESG issues were raised.

As an example, we engaged with a company in the Safety Strategy operating in the Pest control sub-sector. The engagement aimed for clearer ESG communication and greater transparency. As a result, the company committed to release an ESG report (that is now publicly available), and as a consequence, resulted to an increase in the ESG scores by ratings agencies.

<sup>2</sup> September 2019 to 31 December 2020

In 2021, we have further refined our engagement framework where we set-out priority engagement themes. As part of our objective to contribute to generating sustainable outcomes through our investments, we have defined three focus areas – biodiversity, climate change, and human rights. Our engagements will encourage companies to have:

- a. A formal commitment to address climate change and biodiversity
- b. A formalised action plan with defined timelines, for example decarbonisation strategy

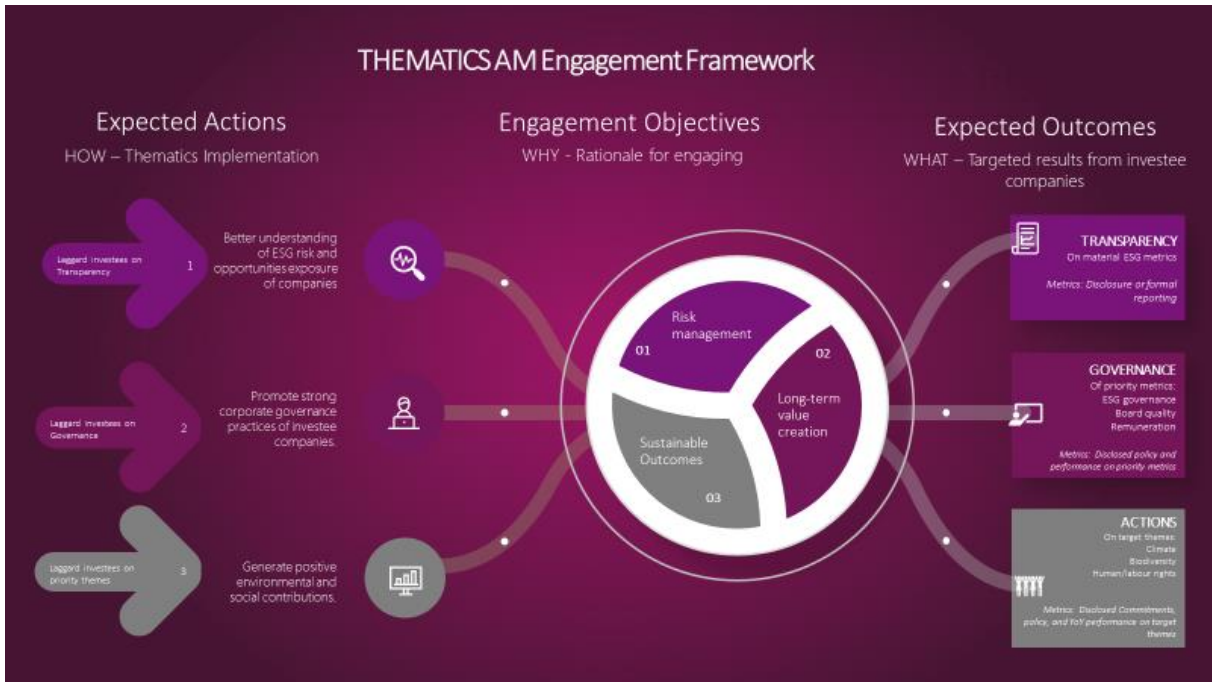


Figure 12. Thematic AM's Engagement Framework

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.

To date our industry collaboration are the following:

- Member of the French SIF (Forum pour l'Investissement Responsable – FIR)
- Signatory to the UN Principles for Responsible Investment
- Public supporter of the Task Force on Climate-related Financial Disclosures
- Signatory to the 2021 Global Investor Statement to Governments on the Climate Crisis

## Conclusions and next steps

Our 2020 performance has affirmed the commitment we set-out to generate meaningful sustainable outcomes for our clients and all our stakeholders. It also validates our investment philosophy, which considers responsible investing as one of its core pillars, and underlines the role of sustainable investing in creating positive contributions in the real economy. And this is just the beginning of our journey.

As we have emphasised in our first sustainability report entitled ‘Being Responsible’ published at the beginning of the year, our ambitions many and varied, all converge to the same path: strengthening our role as sustainable and responsible investors. Amidst the rapid rates of urbanisation, changing demographics, accelerating digitalisation, and the urgent necessity to adapt to climate change, our commitment is to continue to do better for our clients, our community, and the society as a whole. To this end, as part of our 3-year sustainability roadmap, our priority in terms of climate management will focus on strengthening our risk assessment capability, further refine our methodologies and metrics, and continue to increase our positive contributions through investment products that support low carbon transition.

To reenforce our risk management amidst the rapidly evolving climate risk landscape, we will invest in our ESG trainings and knowledge building initiatives and continue to improve the integration of energy transition and physical risks into our analyses. We will also work on further refining and developing metrics to better monitor and report on our performance and commitments. And as investors behaviour and preference shift towards sustainable investments, we will continue to develop new investment products that capture the opportunities in this transitioning world.

As climate risks evolve with the acceleration of policy responses and net-zero commitments across the globe, we re-affirm our strong commitment to continue to meet the expectations and needs of our clients to invest for their future and for the planet.

**DISCLAIMER**

Past performance is not a guarantee of future results. Thematics Safety fund , Thematics AI & Robotics fund, Thematics Water fund, Thematics Subscription Economy fund, Thematics Wellness fund, Thematics Meta fund are the Sub-Funds of the Natixis International Funds (Lux) I SICAV domiciled in Luxembourg and authorized by the financial regulator, the CSSF as a UCITS. Management company : Natixis Investment Managers S.A. Investment manager : Thematics Asset Management.

The Sub-Funds are actively managed. For indicative purposes only, the Sub-Funds' performance may be compared to the Reference Index. However, it does not aim to replicate that Reference Index and may therefore significantly deviate from it. The Reference indexes mentioned do not intend to be consistent with the environmental or social characteristics promoted by the funds.

**Investment objectives :**

Thematics Water Fund: The sustainable investment objective of Thematics Water Fund is to contribute globally to the universal provision of clean water, in water pollution prevention and control and more broadly in the global, sustainable use and protection of all water resources while generating long-term growth of capital through an investment process systematically including Environmental, Social and Governance ("ESG") considerations. The achievement of the extra-financial investment objective is based on the results of the assumptions made by the delegated investment manager.

Thematics Safety Fund : The sustainable investment objective of Thematics Safety Fund is to contribute to the protection of assets, data, goods and people's health while generating long-term growth of capital through an investment process systematically including Environmental, Social and Governance ("ESG") considerations. The achievement of the extra-financial investment objective is based on the results of the assumptions made by the delegated investment manager.

Thematics Wellness Fund : The sustainable investment objective of Thematics Wellness Fund is to foster healthy living and promote wellbeing for all at all ages while generating long-term growth of capital through an investment process systematically including Environmental, Social and Governance ("ESG") considerations. The achievement of the extra-financial investment objective is based on the results of the assumptions made by the delegated investment manager.

Thematics AI and Robotics Fund - Thematics Subscription Economy Fund - Thematics Meta Fund : The investment objective of Thematics AI and Robotics Fund, Thematics Subscription Economy Fund and Thematics Meta Fund, is long-term growth of capital through an investment process systematically including Environmental, Social and Governance ("ESG") considerations.

**Risks:** The Funds invest primarily in global company shares (stocks). Equity investments may experience large price fluctuations. The Funds are subject to specific risks, including :Smaller Capitalization risk, Geographic concentration risk, Portfolio Concentration risk, Stock Connect risk and Sustainability risk. An investor's capital will be at risk, you may get back less than you invested. Please refer to the full prospectus on [im.natixis.com](http://im.natixis.com) for additional details on risks.

The Funds are subject to sustainability risks as defined in the Regulation 2019/2088 (article 2(22)) by environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. More information on the framework related to the incorporation of sustainability risks can be found on the website of the Management Company and the Delegated Investment Manager.

**Please refer to the fund prospectus and the corporate website of the delegated Investment Manager for more information on the ESG assessment methodology of the fund**

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