Transparency Code

Thematics – Artificial Intelligence &Robotics
Thematics- Meta
Thematics- Safety
Thematics- Subscription Economy
Thematics- Water

Summary

BASIC DETAILS

The Fund Management Company

1a - Overview and ownership

Based at 43, Avenue Pierre Mendès France, 75634 in Paris, France, Thematics Asset Management ("Thematics AM") is an affiliate of Natixis Investment Managers. It provides investors with access to a wide range of high conviction and active global thematic strategies, including Safety, Water, the Subscription Economy as well as Artificial Intelligence & Robotics.

1b - Our approach to ESG considerations

ESG integration is embedded across the three phases of the investment process of Thematics AM: Define, Select and Act.

Please refer to the 3rd part of this document "ESG in the fund management process" to get more details on how we incorporate ESG in our approach

CSR

As a key source of financing for the economy, Natixis, of which Thematics is an affiliate, has a role to play in the transition to a sustainable development, and in 2017 decided to further its environmental and social responsibility (ESR) ambitions. Environmental and Social Responsibility – or ESR – has been one of the key components of Natixis' 2018-2020 strategic plan, New Dimension. It involves managing the social and environmental risks of our business operations, but it is also a performance driver at the Group level, fostering efforts to develop innovative products and solutions to support our clients as they make their own transition to a more sustainable business model. The ESR policy rests on three key pillars: Green & Sustainable business development, direct impact and onboarding, as well as ESG risk management. In parallel, we have a formal Diversity & inclusion policy - further details of both available upon request. As such, we believe that the Thematics AM approach towards ESG integration is inspired by and consistent with our parent company CSR/ESR approach.

Access to the Natixis group CSR/ESR portal including policy documents and other related resources can be found by following the link below:

https://www.natixis.com/natixis/jcms/tki_5048/en/esr

Our Principles

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

- to incorporate Environmental, Social and Corporate Governance (ESG) issues into investment analysis and decision-making processes;
- to be an active owner and to incorporate ESG issues into our ownership policies and practices;
- to seek appropriate disclosure on ESG issues by the entities in which we invest;
- to promote acceptance and implementation of the Principles within the investment industry;

- to work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles;
- to report on our activities and progress towards implementing the Principles.

We submitted our first PRI report in March 2020, on a voluntary basis, as a recent signatory of the UN PRI (and a recent organization). As such, the link to our answers to the questionnaire is not available yet, but we can provide the document on request.

Shareholder Engagement

Thematics AM engages with management teams on ESG topics.

In order to gain deeper understanding of the company key issues, to proactively anticipate issues and to mitigate ESG risks of their portfolios, portfolio managers maintain a constructive dialogue with the company management. ESG residual risks identified in the company's '**ESG Profile**' are further investigated and discussed at least annually during meetings or conference calls with the management team.

On a critical issue, or when the management is not available for a dialogue, the portfolio manager might also send a letter to the Chairman.

We do not at this stage have a specific, defined engagement policy, but will make this publicly available as / when practicable.

Proxy Voting Policy

Voting principles

Thematics AM has defined eight major voting principles it refers to for the exercise of voting rights at general meetings. These principles reflect the best corporate governance practices.

- **Board composition**
    1. Board independence
    2. Board renewal
    3. Relevance of directors' expertise
- **Level of commitment of directors**
    4. Directors presence on boards
    5. Directors other executive or non-executive responsibilities
- **Level and structure of executive compensation**
    6. External analyses of peers compensation
    7. Alignment of medium and long-term interests
- **Limitation of management's ability to issue capital**
    8. Limitation to issue capital without consulting shareholders and without dilution prevention measures

Implementation of voting policy

Thematics AM is supported by an external proxy voting platform to implement its voting policy, which:

- informs Thematics AM of the holding of general meetings;
- analyses the resolutions according to the Thematics AM voting principles;
- alerts on resolutions contrary to its voting principles and advises on proxy voting issues.

Portfolio manager review the external independent analysis and transmit their final proxy voting decisions to the platform, which facilitate the vote execution.

The platform provides annual records and reports on the votes performed.

We publicly disclose a report of our proxy voting activity on a yearly basis – this is also available upon request

1c - ESG Products and resources

Thematics AM currently manages five strategies that incorporate ESG considerations into their investment process. The first four (below) launched in December 2018, while the Subscription Economy Fund launched in December 2019.

As of today, the AuM of the strategies amount to:

- Natixis Thematics Meta (USD 169 million/ EUR 151.5 million)
- Natixis Thematics AI&Robotics (USD 136 million/EUR 121.9 million)
- Natixis Thematics Water (USD 146 million/EUR 130.9 million)
- Natixis Thematics Safety (USD 327 million/EUR 293.2 million)
- Natixis Thematics Subscription Economy (USD 10 million / EUR 9.0 million)

Source: Thematics AM, as of March 3rd, 2020.

Overall, the Responsible Investment policy and ESG policy documentation is the remit and under the responsibility of Arnaud Bisschop, Senior Portfolio Manager and SRI Officer.

In this role, his main missions are:

- to oversee Thematics Asset Management's ESG philosophy

- to ensure that the ESG policy and procedures are implemented across all funds

- to provide guidance on exclusions, votes and engagements

- to maintain an understanding of international best practices on ESG management

In this role, he is supported by Karen Kharmandarian, Chairman and Chief Investment Officer.

At the specific and individual fund level, each PM fulfils a dual role, performing both the company / stock analyst role on an investable universe of reasonable size, as well as portfolio management duties and associated responsibilities whereby strongest convictions are selected to create a concentrated yet diversified portfolio. This analytical role includes ESG factors at the portfolio and stock-specific level. The combined and individual expertise of the strategy portfolio managers following decades of combined investing experience, allied to an integrated risk-mapping procedure that scores companies in the portfolios, inputs from 3rd party resources, as well as voting, engagement and regular management meetings with portfolio companies and forms the basis of our ESG capability/expertise.1d - Investor communication

Within our monthly fund factsheets, as a supplement to the 'conventional' performance data presentation and overview of positioning etc., we include portfolio level ESG Risk and Opportunity (Impact) reporting data to supplement financial information with non-financial considerations. This is also available within our Fund presentations. See section 4a below for further details.

The SRI funds

1d – Our Funds & their characteristics

The Thematics AM funds which incorporate ESG considerations are shown below:

- Natixis Thematics Meta
- Natixis Thematics AI&Robotics
- Natixis Thematics Water
- Natixis Thematics Safety
- Natixis Thematics Subscription Economy

All funds are global, long-only, high conviction, listed equity products. Due to their thematic focus, the Funds are typically associated with 'positive screening', though do not yet have an official EFAMA/EFC classification.

1e – Motivation

The primary motivation for the inclusion of ESG criteria in our investment process is as a means to mitigate portfolio, company-specific, and therefore direct risk to our clients. Furthermore, there is intentionality in terms of how we direct our investments, and we would highlight the impact of the products (led by the environmentally focused Water Fund) as an increasingly important part of our work. Thematics AM creates and distributes thematic funds in order to offer asset owners both performance and meaning. Furthermore, the integration of ESG factors enhances our portfolios' impact. For each of the strategies offered by Thematics AM, a section will be provided highlighting the positive social and environmental impact of the strategies relative to social objectives and environmental ones, which are tied to the UN Sustainable Development Goals ('UN SDGs'). In the report, we screen the individual companies in our portfolios and provide tangible illustrations on the solutions they provide towards specific goals. Full details on the social and environmental impact of the strategies can be made available to investors upon request.

APPROACH TO ESG EVALUATION OF COMPANIES

2a – Fundamental principles underlying the research process

Whilst assessing investment opportunities within the investable universe of each them, Thematics AM portfolio managers will review eight categories of ESG criteria to assess the ESG risk. All resources, from third party research, to the PMs' networks, to the management teams of the companies themselves are consulted when undertaking this analysis.

THEMATICS AM ESG CRITERIA

Environmental

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

Social

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

Governance

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

2b – Resources used to undertake ESG analysis

The PM/analyst will draw from a range of resources when analyzing a company. The data used to form an overall opinion on a company is a synthesis of outputs that come from a combination of some or all of the following: the PM's network of contacts from the broader relevant industry, equity sell-side analysts and research documents, third party ESG/Impact data providers (specifically ISS and Sustainalytics), as well as the company management itself.

2c – ESG criteria

As touched upon previously, the ESG criteria used cover a range of topics which we explore in more detail below. Whilst we acknowledge all ESG criteria are relevant in an ever-complicated world, we think there are specific topics and criteria which are more materials than others depending on the business models, the geographies or the industries. As such, Thematics AM selects relevant criteria for businesses in the universe at the theme and sub-theme level. Portfolio Managers base their selection on their expertise and knowledge of sectorial business models. They consider ESG criteria that account for material environmental, social and governance issues.

Environmental Criteria

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

Social Criteria

- **Staff and supplier's health and safety**
  Does the company track / record data regarding workers' health and safety throughout the value chain? Has it been involved in a controversy on this issue?
- **Labour practices**
  Does the company promote a policy on labour practices that includes: treating workers with respect and dignity, promotion of diversity and gender equality including the participation of women, protection of workers against harassment and health and safety risks? Are labour risks, including hazardous working conditions, health and safety incidents, lack of collective bargaining and freedom of association covered? Does the company also address social issues such as modern slavery?
- **Society and product responsibility**
  Do the company's operations have a negative impact on the society? How is it monitored and limited? Is the company involved in any controversy regarding the social impact of its products and services? Is the company engaged in a dialogue with its stakeholders (government, NGO, communities) on these issues?
- **Data privacy**
  Does the company demonstrate an understanding of cyber security as a risk across the business? How is the company positioned to manage cyber risk? Are adequate disclosures in place regarding cyber risk governance? Is it adequately governed, and not left as the remit of the IT department?

Governance Criteria

- **Executive compensation**
  Does the company favour long-term incentives? How does it monitor alignment of interest with shareholders?
- **Quality of Board**
  Is the company's board sufficiently large, and does it comprise an appropriate level of independence, experience and diversity? Do board members own shares in the company, and what are their time commitments to the company?
- **Shareholder rights, poison pills**

How does the company protect minority shareholders' rights? Has the board set up poison pills mechanisms?

- **Business ethics**
  Does the company operate through a decentralised model? If so, does it have material operations in geographies where business risks could be perceived to be higher due to government or other localized challenges? How does the company monitor the bribery risk?

2d – ESG Evaluation methodology:

Risk Mapping

In the risk framework below, we show the example of the risk mapping process (incorporating the considerations discussed above) as they pertain specifically to the Thematics Water Fund.

EXAMPLE: PRIORITY CRITERIA IN THE WATER INDUSTRY

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

Company-Specific ESG Analysis

Portfolio Managers at Thematics AM perform ESG desktop due diligence to identify companies' ESG risks and sustainability commitments and approaches. They screen companies with special attention to the priority criteria identified during the '**ESG Risk Mapping of the Universe'**. They use priority criteria as a checklist to perform a global and qualitative analysis of company ESG risks.

Portfolio managers source their judgement on public documentation and information.

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

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

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

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

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

Company-Specific ESG Scores

Relying on the '**Company-specific ESG Analysis'**, portfolio managers attribute a binary score on ESG to the company:

- The company is scored 1 if no ESG major risk has been identified and/or if major ESG risks are mitigated by appropriate commitments and approaches which have already demonstrated results.
- The company is scored 0 if a major ESG risk is identified and is not covered by any appropriate commitment or approach.

The company is flagged if it faces several ESG risks uncovered by any appropriate commitment or approach.

2e – Frequency of review of ESG information

ESG risk and opportunity is reviewed on an ongoing, daily basis – with the portfolio managers continually receiving company and industry updates. In terms of published ESG scores for the portfolio (from both a risk and opportunity standpoint), this is a metric that is published every month for inclusion in the fund factsheets (covered in detail in section 4a below). More broadly, the Thematics AM ESG committee reviews the investable universe of each strategy each year and makes sure it does not include any companies involved in any activities excluded at theme level. The committee may use data from third party providers for any such a screening to assess exposures.

ESG IN THE FUND MANAGEMENT PROCESS

3a – ESG considerations in Universe construction

ESG integration is embedded across the three phases of the investment process of Thematics AM: Define, Select and Act.

*At the first stage of our investment process, we '**Define'** our theme, its associated boundaries and ultimately the investable universe for the strategy. We set boundaries around what can and can't be considered appropriate for the strategy in question.*

On ethical and environmental grounds, ESG negative screening excludes coal, tobacco and controversial weapons. This step is in line with the ethical approach of Thematics AM's parent organisation BPCE. At the theme-specific level, we exclude some theme-related activities too. For example, branded bottled water and water rights companies, and companies in the defense industry are excluded in specific products.

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

Our positive-screening policy is the framework we employ to perform ESG analysis. It aims to mitigate potential ESG risks should they materialise, and to maximise the value created through the ESG focus. The policy provides guidelines to analyse and score stocks regarding the negative impact of their potential ESG risks and the positive impact of their ESG commitment.

At these stages of the investment process, while we consider and analyze a great deal of third party, company-specific information, there is no consideration of ESG 'scores' as such – and therefore no eligibility threshold beyond the positive and negative screen described above.

3b – ESG criteria in portfolio construction

We previously detailed the risk-mapping process which we use to help to generate our own proprietary scores for each company that we analyze, based on a range of Environmental, Social and Governance criteria which carry varying importance and significance depending on the theme and sub-theme in question, resulting in a binary score for all companies covered. The portfolio managers, through a complex, company-specific process, ultimately attribute a binary score on ESG to each company researched (please refer to part 2.d)

Within our investment process, the output of the second stage ("Select") provides the portfolio managers with scores on four criteria for every stock: 'ESG' (explained above), 'Quality', 'Trading Risk' and 'Management'. Consistent with Thematics AM rules for 'Position Sizing', portfolio managers use their qualitative and discretionary judgement to set appropriate size ranges for each position within the portfolio. ESG scoring is considered within that decision-making process and carries an equal weight relative to the other criteria considered.

Size Range

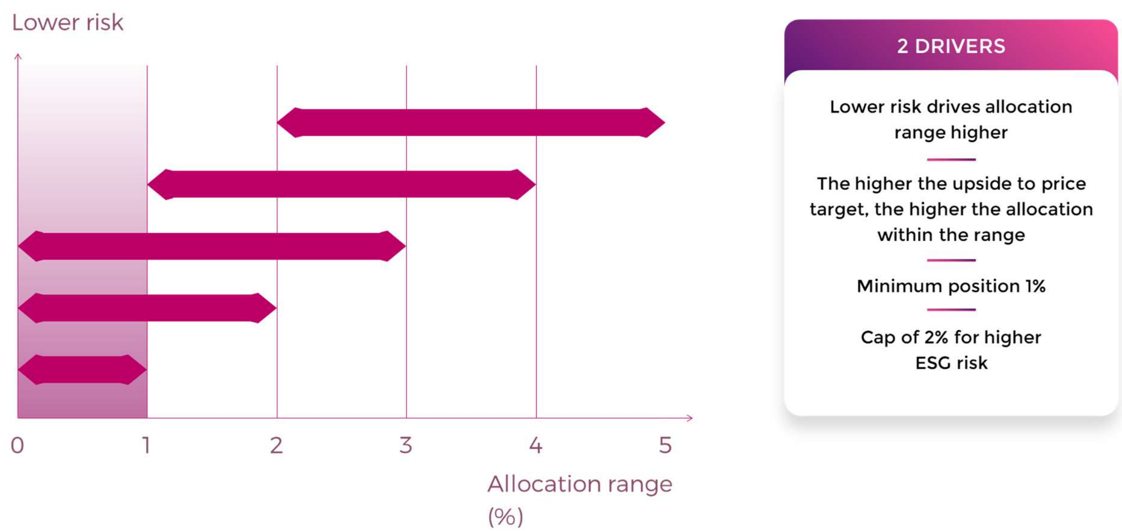
Combined with the binary scores related to the other criteria ('Valuation', 'Quality', 'Trading Risk', 'Management'), the '**Company-Specific ESG Score**' informs a size range for the stock in the portfolio at the time of inclusion.

- An overall score of 4 implies a range of 2%-5%
- An overall score of 3 implies a range of 1%-4%
- An overall score of 2 implies a range of 0%-3%
- An overall score of 1 implies a range of 0%-2%
- An overall score of 0 implies a range of 0%-1%

The target weight of the position within the range will be driven by the potential valuation upside identified by the Portfolio managers as a result of their financial/fundamental analysis.

A target weight below 1% will prevent the implementation of the stock within the portfolio. As such, a score of zero does not preclude a stock from being included in the portfolio but such a stock would only be considered in case of a) significant valuation upside largely outweighing perceived risks and b) if the Portfolio Managers are comfortable with a 1% weight (minimum weight of any addition to the portfolio and cap for a stock with a score of zero).

POSITION SIZING



Capped Positions

In addition, '**Company-Specific ESG score**' is used to 'cap' position sizes in the portfolio. Companies with a flag on ESG are capped at a maximum 2% weight to shield portfolio performance from an identified stock-specific risk actually unfolding.

ESG considerations for acquired and divested stocks

Where a specific positive or negative ESG judgment is made by the PMs on a specific company that leads either to an addition of a new position, or the divestment of a stock, this will typically be highlighted in the monthly factsheet and portfolio performance reports.

Furthermore, the consequent improvement would (likely) be captured in the overall portfolio ESG score shown in the non-financial reporting section of the monthly factsheet (and covered in Section 4a below).

3c – Engagement

Thematics AM engages with management teams on ESG topics.

In order to gain deeper understanding of the company key issues, to proactively anticipate issues and to mitigate ESG risks of their portfolios, the individual portfolio managers maintain a constructive dialogue with the company management. ESG residual risks identified in the company's '**ESG Profile**' are further investigated and discussed at least annually during meetings or conference calls with the management team.

On a critical issue, or when the management is not available for a dialogue, the portfolio manager might also send a letter to the Chairman.

While we commit to engaging with all portfolio companies on any issues that arise from our research, we do not make solid commitments to engage with a specific or set number of companies each year. Any engagement is undertaken internally, without the use of service providers.

3d - Proxy Voting Policy

Voting Principles

Thematics AM has defined eight major voting principles it refers to for the exercise of voting rights at general meetings. These principles reflect the best corporate governance practices.

- **Board composition**
    1. Board independence
    2. Board renewal
    3. Relevance of directors' expertise
- **Level of commitment of directors**
    1. Directors presence on boards
    2. Directors other executive or non-executive responsibilities
- **Level and structure of executive compensation**
    1. External analyses of peers compensation
    2. Alignment of medium and long-term interests
- **Limitation of management's ability to issue capital**
    1. Limitation to issue capital without consulting shareholders and without dilution prevention measures

Implementation of Voting Policy

Thematics AM is supported by an external proxy voting platform to implement its voting policy, which:

- informs Thematics AM of the holding of general meetings;

- analyses the resolutions according to the Thematics AM voting principles;
- alerts on resolutions contrary to its voting principles and advises on proxy voting issues.

Portfolio manager review the external independent analysis and transmit their final proxy voting decisions to the platform, which facilitate the vote execution.

The platform provides annual records and reports on the votes performed.

We publicly disclose a report of our proxy voting activity on a yearly basis.

3e – Securities lending

Thematics AM does not engage in securities lending

3f – Derivatives

Thematics AM does not use derivatives

3g – Unlisted entities / securities

Thematics AM does not invest in unlisted entities / securities

ESG REPORTING AND CONTROLS

4a – ESG Reporting

Within our monthly fund factsheets, as a supplement to the 'conventional' performance data presentation and overview of positioning etc., we include portfolio level ESG Risks (Controversies) and Opportunities (Impact) reporting data to supplement financial information with non-financial considerations. This is also available within our Fund presentations.

Reporting of ESG Risks

In terms of ESG risk reporting relative to our reference index, (which in most cases for Thematics is the MSCI ACWI Index), we have taken the decision to report on the level of controversies within the portfolio and compare this to a reference index. Therefore, we have identified a range of categories for these controversies and use third party data (ISS research) to screen for occurrences identified for the companies in both portfolios and indices. In terms of disclosures, we show a weighted average for the portfolio (and benchmark).

In order to provide some additional granularity, we also split the categories of controversies between Corporate Governance ('G') and Human Rights ('HR') risks. From a Governance standpoint, we particularly focus on controversies relating to corruption, financial accounting, competition, tax, and money transfers, while Human Rights scoring aims to identify problems both internally and among suppliers based on labour rights controversies such as freedom of association, forced labour, child labour and discrimination.

Reporting of ESG Opportunities

In terms of how we report on ESG Opportunities, we believe that the United Nations Sustainable Development Goals ('SDGs') are the best, and most widely-accepted way to frame a company's opportunities. With a long-term goal of investing with the intention of creating a more sustainable world, the achievement of the SDGs should be beneficial over a similarly long timeframe to the companies in which we invest.

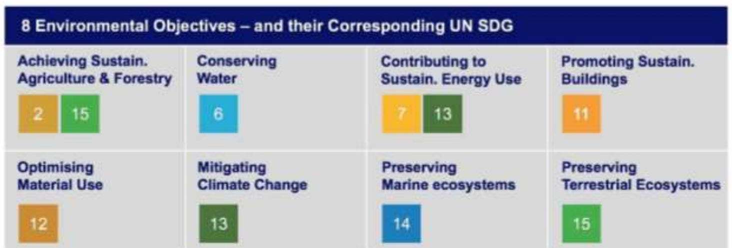
The UN SDGs:

In order to be able to provide that data at both the portfolio level and the reference index level, we use third party data from ISS. The scores that we use consider companies that are both making positive and negative impacts relative to 15 Social and Environmental objectives of the SDGs. We aim to deliver (and have delivered) strategies that contribute more positively towards the SDG achievement than the broader reference index.

From a Social perspective, there are 7 objectives:

Source : ISS

The 8 Environmental objectives are:



Source : ISS

For reporting purposes, the Thematics methodology uses ISS data to assess the products and services of the companies that we are analyzing to verify whether they contribute in a positive or negatively way from an Environmental (‘E’) and Social (‘S’) perspective, to the underlying SDGs, and scores them accordingly. The total score for each company equals the sum of the assessment for each company for all 15 objectives and can range from -10 (where 100% of sales contribute negatively to one or several SDGs), all the way up to +10 (where 100% of sales contribute positively to one or several SDGs).

From a reporting perspective, we publicly disclose information for both the E and the S pillars, meaning that the total ESG Opportunity score, or Impact score can be calculated by adding both together. Please note that the score provided is a weighted average score of names within the portfolio. We clearly disclose the percentages of non-covered names for full transparency.

4b - Internal control procedure for the oversight of ESG implementation

Thematics AM manages the implementation of the ESG policy and implements any changes in all of its products. The implementation is monitored by the Chief Investment Officer and the Head of ESG, and formerly reviewed during semi-annual committees, along performance and risks.

Selection of the relevant scores monitored

At Thematics AM, we aim to be fully transparent in terms of monitoring portfolio-level ESG and Impact scores relative to each strategy’s relevant reference index. Consequently, we have opted for 3rd party scoring for both, primarily to remove ourselves from any potential industry debates about opaque scoring practices, but also to allow for greater and more direct comparability relative to other funds. As such, while we prize our proprietary analysis and scoring highly, such data is used exclusively in the 'Select' stage of our investment process, when we size and adjust positions in our portfolios. We would highlight that, in an effort not to 'sole source' all data from 1 provider, we have selected ISS for Impact scoring for their most relevant, relatable and accessible Impact scoring methodology, and have chosen the ESG Risk scores provided by Sustainalytics for 3 of our 4 standalone strategies, AI & Robotics, Safety and Subscription Economy.

In general, we feel that the Sustainalytics methodology is closest to that employed at Thematics AM, in terms of seeking to identify, quantify and mitigate against the impact of potential future risks; a risk assessment-oriented approach that closely aligned with our own investment philosophy. The Sustainalytics process identifies 3 building blocks that contribute to a company's overall rating. These building blocks include Corporate Governance, material ESG issues, and idiosyncratic ESG issues. The ESG Risk Ratings scoring system for a company is best thought of as occurring in three stages: the starting point is determining exposure. The next stage is assessing management and the degree to which risk is managed, and the final stage is calculating unmanaged risk. This structure applies to individual material ESG issues as well as the company's overall ESG Risk Ratings.

In the case of the Thematics Water Strategy however, we have identified what we perceive to be subsector-specific limitations in the Sustainalytics methodology (specifically, an industry-wide penalty on Utilities with which we have a fundamental disagreement) which leads us to prefer the methodology employed by ISS. To avoid accusations of 'cherry picking', we adopt ISS scoring for the entire strategy, rather than substituting-in utility scores alone. While we applaud that Sustainalytics (quite rightly) identifies the risk associated with maintaining a large water attenuation, treatment and distribution network, in our view it clearly underestimates the regulatory oversight, ongoing monitoring and reporting requirements involved with doing so. In short, we feel the Water Utility companies are overly harshly 'penalized' for a Product Governance risk that is derived from being grouped with nuclear energy and coal fired power generation utilities – and in particular in the case of water utilities, we feel that this is a risk that (with very few, isolated exceptions) hasn't materialized and is strictly monitored by industry regulators, local and even federal governments. Indeed, the factor that appears to influence utility scoring at the broader level appears to revolve largely around 'non-water' issues in terms of the 'events' upon which they base their risk assessment. In a September 2019 Utility sector coverage report by Sustainalytics, it is stated that '…The most common issues in this area involve public safety, such as gas pipeline explosions, wildfires from electrical transmission, nuclear safety, and service reliability.' By its omission, the event risk in Water seems to be considered lower than for other utilities. In the same report, however, and slightly confusingly, Sustainalytics also contends that 'Water utilities have the highest exposure and (product) risk, stemming primarily from drinking water contamination risk, though other companies with major safety issues, such as PG&E, also have very high scores. The report also states that 'While the majority (86%) of companies do not currently face events related to Product Governance, these issues require continued vigilance to prevent major disasters', something that we feel the companies themselves do very well, and that isn't appropriately accounted for in the analysis of the management of the risk. As such, we find it difficult to justify penalizing the water utilities for largely unrealized risk in a sector where the event risk for Water, appears lower than other utility businesses. We believe that 'non-Water' utility risk has been inappropriately conflated with Water utility risk.

Our choice therefore of ISS (as an existing partner on Impact) for scoring the Water Fund was based upon the fact that we believe that their 'controversy-based' risk assessment is more appropriate for the Water Fund and treats the utilities in the same way as all other companies are treated, by identifying risks 'today' and linking those risks to any 'actual' controversies in the company's recent past in the overall score. While clearly identifying risks to all companies across the Water value chain, ISS does not handicap any specific business models for unrealized issues and is pragmatic about implementing penalties on companies where there may have been concrete examples of historic contraventions. To be very clear, we only see this methodology limitation at Sustainalytics in respect of its treatment of Utilities. The ISS framework comprises 'Norm-Based Research' which identifies corporate controversies and assesses how companies manage these controversies. The scope covers controversial practices that have adverse impacts on society and the environment in line with established expectations for Responsible Business Conduct. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights and is embedded in the Sustainable Development Goals. The OECD defines Responsible Business Conduct as entailing "above all compliance with laws, such as those on respecting human rights, environmental protection, labour relations and financial accountability, even where these are poorly enforced. It also involves responding to societal expectations communicated by channels other than the law, e.g. inter-governmental organizations, within the workplace, by local communities and trade unions, or via the press."

Finally – for scoring the Meta fund against its reference index, we use an aggregated score that considers the ISS score for Water and the Sustainalytics score for the other strategies, with a similar approach being taken when assessing the index score.

The data used in our approach is updated and monitored weekly, with the overall portfolio scores being updated and published monthly.

Implementation of scores monitoring

The ESG policy is implemented before and after stocks are acquired, while individual stock analysis is updated on a constant and ongoing basis. Indeed, Thematics AM receives and treats daily news flow and actuality on stock development (merger, acquisition, spin-off, delisting, controversies).

Level 0: Portfolio Managers are responsible for the initial control of the guidelines, having access to the list of stocks excluded of their universe as well as the research platforms and scores of third-party providers, including the one they are monitored against.

Level 1: The Risk department monitors, on a weekly basis, the score of the strategies vs their reference index. Portfolio managers receive a report of such analysis, flagging their current positioning vs their reference index, and alerting on any deviation to guidelines.

Level 2: The Compliance Officer of Thematics AM reviews the implementation of the policy as well as the risk monitoring implementation on an annual basis.

4c – Communication resources used to provide investors with information about the SRI management of the funds

Please find below all public media and documents and URLs used to inform investors about the SRI approach to the strategies:

- Prospectus / KIID Fund / Fact Sheet / Annual and Semi-annual reports:
  https://www.im.natixis.com/fr/funds/thematics-meta-fund/lu1923622457
  https://www.im.natixis.com/fr/funds/thematics-safety-fund/lu1923621996
  https://www.im.natixis.com/fr/funds/thematics-ai-and-robotics-fund/lu1923622887

- Thematics AM website (currently being upgraded to integrate regulatory and ESG related documents):
  https://thematics-am.com/

- Link to Web page of ESG Analysis provider(s)
  1/ Institutional Shareholder Services (ISS)
  Homepage: https://www.issgovernance.com/
  * ESG Screening, controversy identification methodology:
  https://www.issgovernance.com/esg/screening/esg-screening-solutions/
  * SDG scoring methodology:
  https://www.issgovernance.com/esg/impact-un-sdg/sustainability-solutions-assessment/
  2/ Sustainalytics
  Homepage: https://www.sustainalytics.com/