Website Product Disclosures further to art. 10(1) of the Sustainable Finance Disclosure Regulation for art. 8 sub-funds

Product Name: Lyxor MSCI Water ESG Filtered (DR) UCITS ETF

Legal entity identifier: 9695004Y3YNBCRB45L58

No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

This financial product is committed to responsible investment.

To ensure that sustainable investments do not cause any significant harm ("DNSH" or Do No Significant Harm principle), Amundi uses two filters:

- the first "DNSH" filter is based on the monitoring of mandatory indicators of the Principal Adverse Impacts in Annex 1, Table 1 of the RTS (for example, the greenhouse gas or GHG intensity of companies), using a combination of indicators (for example, carbon intensity) and specific thresholds or rules (e.g.carbon intensity is not within the last decile in the sector).

Amundi already considers specific Principal Adverse Impacts in its exclusion policy, as part of its Responsible Investment Policy. These exclusions, which apply in addition to the tests detailed above, cover the following topics: exclusions concerning controversial weapons, violations of the United Nations Global Compact Principles, coal and tobacco.

Apart from the specific indicators of the sustainability factors covered by the first filter, Amundi has defined a second filter which does not take into account the mandatory indicators of the Principal Adverse Impacts above, in order to check that a company does not present an overall poor environmental or social performance compared to other companies in its sector, which corresponds to an environmental or social score of E or higher on the Amundi rating scale.

As detailed above, the adverse impact indicators are taken into account in the first DNSH filter (do no significant harm): this is based on the monitoring of the mandatory indicators of the Principal Adverse Impacts in Annex 1, Table 1 of the RTS when reliable data are available through a combination of the following indicators and specific thresholds or rules:
• having a CO_2 intensity that does not fall within the last decile of companies in the sector (applies only to high intensity sectors), and
• having board gender diversity that does fall within the last decile of companies in its sector, and
• being free from any controversy regarding labour conditions and human rights,
• being free from controversies regarding biodiversity and pollution.

Sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The OECD Guidelines for Multinational

Enterprises and the UN Guiding Principles on Business and Human Rights are incorporated into our ESG rating methodology. Our proprietary ESG scoring tool assesses issuers, using data available from our data providers. For example, the model includes a dedicated criterion called “Community involvement and human rights” which is applied to all sectors in addition to other human rights criteria, including socially responsible supply chains, working conditions and labour relations. In addition, we monitor controversies on at least a quarterly basis, and this includes companies identified for human rights violations. When controversies arise, analysts assess the situation and apply a score to the controversy (using our proprietary scoring methodology) and determine the best course of action. Controversy scores are updated quarterly, in order to track the trend and remediation efforts.

Environmental or social characteristics of the financial product

The financial product promotes environmental and/or social characteristics through the replication of a reference benchmark incorporating an environmental, social and governance ("ESG") rating.

The reference benchmark is constructed using a Best-in-Class approach, i.e., companies with the highest ESG ratings in each sector (according to the Global Industry Classification Standard [GICS]) are selected in order to construct the Reference Benchmark.

The Best-in-Class approach aims to favour the best performing companies within a universe, sector or class. With this Best-in-Class filter, the Sub-Fund adopts a non-financial approach based on a commitment making it possible to reduce the Investment Universe (as the number of issuers) by at least 20%.

Investment strategy

The Sub-Fund is a passively managed index UCITS.

The management objective of the Sub-Fund is to replicate, in both directions, changes in the MSCI ACWI IMI Water ESG Filtered Net Total Return index (the “Reference Benchmark”), denominated in euros (EUR), while minimising as much as possible the tracking error between the performance of the Sub-Fund and the performance of its Reference Benchmark.

The Reference Benchmark aims to represent the performance of securities, the activities of which are linked to the water theme, such as water distribution, utilities and the supply of water-related equipment and water treatment. It excludes companies lagging behind the theme universe in terms of Environmental, Social and Governance ("ESG") factors, based on an ESG score.

The maximum expected level of the ex-post tracking error under normal market conditions is 2%.

The Sub-Fund is a passively managed index ETF.

The Reference Benchmark is the MSCI ACWI IMI Water ESG Filtered Net Total Return Index (net dividends reinvested, i.e., the performance of the Reference Benchmark includes net dividends distributed by its constituent shares).

The Reference Benchmark is an equity index calculated and published by the international index creator MSCI. Its characteristics are as follows:

a) An investment universe identical to that of the MSCI ACWI Investable Market Index (IMI) (the “Parent Index”), including large, mid and small cap stocks across developed and emerging countries.

b) The Reference Benchmark selects companies from the Parent Index, the analysis of which reveals strong exposure to activities such as water distribution, water utilities, water treatment or the provision of water-related equipment, including:

- All companies in the GICS “Water Utilities” Sub-Industry,

- Companies whose “Relevance Score” for their activity in relation to the water theme (as defined by MSCI) is higher than 25% (or 75%, depending on the company’s sector of activity), and

- Companies with revenue linked to the water theme, considered as sustainable, of more than 15% of their total revenue.

(the “Selected Universe”)

c) Based on the Selected Universe, the following are applied:

- A negative ESG filter in order to exclude:

- Companies exposed to controversial activities such as controversial weapons, conventional weapons, nuclear weapons, civilian firearms, tobacco, thermal coal, tar sands or companies in breach of the UN Global Compact.

- Companies forming the subject of a severe ESG controversy (according to the MSCI ESG Controversies Score).

- Companies that are “non-aligned” or “strongly non-aligned” with the following UN Sustainable Development Goals (as part of the MSCI Impact Solutions SDG Alignment framework): SDG 6 (Clean Water and Sanitation), SDG 13 (Climate Action) or SDG 14 (Life Below Water).

- Companies without an “ESG rating” or an “ESG Controversies Score” (as defined by MSCI).

- Geographical and sector-based filters.

d) A “Filtered Universe” is then determined:

- By following a best-in-class approach consisting of favouring companies with the highest ratings from a non-financial perspective within their sector of activity, excluding companies from the lower quartile determined by an industry-adjusted ESG rating (as defined by MSCI).

The MSCI ESG rating methodology uses a rules-based methodology designed to measure a company's resilience to the long-term material ESG risks in its sector. It is based on non-financial ESG criteria that focus on the intersecting of a company's core business with the issues specific to its sector that may generate significant risks and opportunities for the company. The key ESG issues are weighted according to the impact and time frame of the risk or opportunity. ESG criteria include, but are not limited to, water stress, carbon emissions, personnel management or business ethics.
As a result, the Sub-Fund adopts a non-financial approach based on a strong commitment making it possible to reduce the initial investment universe (expressed as the number of issuers) by at least 20%. The limitations of the non-financial approach are mentioned in the "Risk Profile" section below.

Non-financial data cover more than 90% of the eligible equities of the Reference Benchmark. Companies without an ESG score are excluded from the stock-picking process for the index;

- By applying a liquidity filter to the Filtered Universe; and

- By excluding companies that do not present revenue linked to the water theme, considered as sustainable.

e) The index weights companies in the Filtered Universe according to the MSCI Adaptive Capped Index methodology (as defined by MSCI), and adjusts them taking maximum exposure criteria into account.

f) Iterative decreasing weighting ensures that the carbon intensity and the weighted average of the board independence score of the index are respectively lower and higher than those of the MSCI ACWI IMI Water Index.
The environmental and/or social characteristics promoted by the Sub-Fund are implemented by the MSCI ESG rating methodology (as described above).

The Reference Benchmark is a net total return index. A net total return index measures the performance of the index constituents according to the criterion that any dividends or distributions are included in the index returns after withholding tax.

The methodology for constructing the Reference Benchmark (including the rules governing its reweighting and updating its composition) can be consulted on the MSCI website at: www.msci.com

The investment strategy for the financial product is also based on a set of systematic exclusions (normative and sector-based), as described in Amundi's responsible investment policy.

To assess the good governance practices of the companies in which we invest, we rely on Amundi's ESG rating methodology. This rating is based on a proprietary ESG analysis framework, which takes into account 38 general and sector-specific criteria, including governance criteria. For the Governance factor, Amundi assesses an issuer's ability to ensure an effective corporate governance framework guaranteeing the attainment of its long-term objectives (e.g. ensuring the value of the issuer in the long term) The governance sub-criteria considered are: board structure, audit and control, remuneration, shareholder rights, ethics, tax practices and ESG strategy.
Amundi's ESG rating scale comprises seven ratings, ranging from A to G, with A being the highest rating and G, the lowest. Companies rated G are excluded from the investment universe.

Proportion of investments

At least 90% of the UCI's securities and instruments are subject to an ESG analysis and are therefore aligned with the environmental or social characteristics promoted, in accordance with the binding elements of the investment strategy. In addition, the UCI undertakes to hold a minimum of 10% in sustainable investments, as shown in the table below.

Monitoring of environmental or social characteristics

All non-financial data, both external and internal, are centralised by the Responsible Investment Business Line, which is responsible for checking the quality of the data received and of their distribution. This includes automated quality control, as well as qualitative monitoring by ESG analysts who are specialists in their sector. ESG scores are updated monthly in Amundi's proprietary rating tool (Stock Rating Integrator (SRI) module).

The sustainable development indicators used by Amundi are based on proprietary methodologies. These indicators are permanently available in the portfolio management system, allowing managers to assess the impact of their investment decisions.

In addition, these indicators are incorporated into Amundi's checking process, with responsibilities distributed between the level one check conducted by the investment teams themselves and the level two check conducted by the risk teams, which continuously monitor compliance with the environmental or social characteristics promoted by the fund.

Methodologies

The Amundi ESG rating used to determine the ESG score is an ESG quantitative score translated into seven ratings, ranging from A (the best scores in the universe) to G (the worst scores). On the Amundi ESG rating scale, those securities on the exclusion list correspond to a rating of G. For corporate issuers, ESG performance is assessed overall and according to relevant criteria, by comparison with the average performance of its sector of activity, through the combination of the three ESG factors:
- the environmental factor: this involves examining issuers' ability to control their direct and indirect environmental impact, by limiting their energy consumption, reducing their greenhouse gas emissions, combating resource depletion and protecting biodiversity;
- the social factor: this measures how an issuer operates according to two distinct concepts: the strategy to develop its human capital and respect for human rights in general;
- the governance factor: this assesses the issuer's ability to provide the bases for an effective corporate governance framework and to generate value in the long term.

The ESG rating methodology applied by Amundi is based on 38 criteria, which are either generic (common to all companies regardless of their activity), or sector-specific, weighted by sector and considered according to their impact on an issuer's reputation, operational efficiency and regulations. Amundi ESG ratings are likely to be expressed globally on the three factors – E, S and G – or individually on any environmental or social factor.

Data sources and processing

Amundi ESG scores are constructed using Amundi's ESG analysis framework and rating methodology. For this purpose, we use the following source data: Moody, ISS-Oekem, MSCI and Sustainalytics.

Quality controls of the data of external data providers are managed by the Global Data Management team. These controls are rolled out at different stages of the value chain, from pre-integration and post-integration controls, through to post-calculation controls, such as proprietary score controls for example.

External data are collected and controlled by the Global Data Management (GDM) team and are linked to the SRI module.

The SRI module is a proprietary tool handling the collection, quality control and processing of ESG data from external data providers. It also calculates issuers' ESG ratings according to Amundi's proprietary methodology. ESG ratings, in particular, are made available to managers, risk teams, reporting teams and ESG teams in the SRI module, in a transparent and user-friendly way (issuer's ESG rating plus criteria and weightings for each criterion).
For ESG ratings, at each step of the calculation process, scores are normalised and converted into Z scores (difference between the company's score and the industry average score, shown as the number of standard deviations). As a result, each issuer is assessed with a score that is around the average in its sector, which makes it possible to differentiate best practices from worst practices at sector level (Best-in-Class approach). At the end of the process, each issuer is assigned an ESG score (between -3 and +3 approximately), and the equivalent on a scale from A to G, where A is the highest score and G, the lowest.

Data are then distributed to the managers via Alto Front Office, and are controlled by risks.

ESG scores use data from external data providers and internal ESG assessments/research, conducted by Amundi or through a regulated third party recognised for the provision of ESG scores and assessments. In the absence of mandatory ESG reporting at company level, estimates are an essential component of data providers' methodology.

Limitations to methodologies and data

As a result, the limitations of our methodology are linked to the use of ESG data. The ESG data landscape is in the process of being normalised, which may impact data quality; data coverage also represents a limitation. Current and future regulations will improve the standardisation of the reporting and disclosures of companies on which ESG data are based.

We are aware of these limitations, which we mitigate through a combined approach: monitoring controversies, using multiple data providers, a qualitative assessment, structured by our ESG research team, of ESG scores, implementing strong governance.

Due diligence

Every month, ESG scores are recalculated according to Amundi's quantitative methodology. The result of this calculation is then reviewed by ESG analysts who perform a qualitative "sampling check" of their sector, based on various checks that may include (but are not limited to): the main significant variations in the ESG score, the list of new names with a poor score, the main divergence in scores between two suppliers. After this review, the analyst may cancel a score in relation to the calculated score, which is approved by the team manager and documented by a score saved on the Amundi iPortal database. This may also be subject to approval by the ESG rating committee.

The management team is responsible for defining the product investment process, including design of the appropriate risk framework in collaboration with the risk teams. In this respect, Amundi has a procedure for managing investment guidelines, along with a procedure for managing exceedances, applicable to all transactions. These two procedures reiterate Amundi's strict compliance with regulations and contractual constraints. Risk teams are responsible for monitoring day-to-day exceedances, for alerting managers and for requiring portfolio compliance as soon as possible, in the best interests of investors.

Engagement policies

Amundi has a policy on engagement with issuers (in which we are invested and those in which we could potentially invest), regardless of the type of holdings held (equities and bonds). Issuers for which Amundi implements an engagement policy are primarily chosen according to the level of exposure of the subject in question, insofar as the environmental, social and governance issues facing companies have a major impact on the company, both in terms of risks and opportunities.

Designated reference benchmark

Yes, the reference benchmark was constructed as a benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics it promotes.

In accordance with the regulations applicable to index sponsors (including the BMR), index sponsors must define appropriate controls when defining and/or using the index methodologies of regulated indices.

The Sub-Fund is a passively managed index UCITS.

The management objective of the Sub-Fund is to replicate, in both directions, changes in the MSCI ACWI IMI Water ESG Filtered Net Total Return index (the "Reference Benchmark"), denominated in euros (EUR), while minimising as much as possible the tracking error between the performance of the Sub-Fund and the performance of its Reference Benchmark.

The Reference Benchmark aims to represent the performance of securities, the activities of which are linked to the water theme, such as water distribution, utilities and the supply of water-related equipment and water treatment. It excludes companies lagging behind the theme universe in terms of Environmental, Social and Governance ("ESG") factors, based on an ESG score.

The maximum expected level of the ex-post tracking error under normal market conditions is 2%.

https://www.msci.com/index-methodology